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Accepting
Challenges
Fulfilling **Promises**

Engro Corporation Limited
Formerly Engro Chemical Pakistan Limited

first quarter 2010 accounts





engro corp

**ENGRO CORPORATION LIMITED
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**

FOR THE THREE MONTHS ENDED MARCH 31, 2010

FIRST QUARTER 2010 REVIEW FOR THE SHAREHOLDERS ENGRO CORPORATION LIMITED (FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)

On behalf of the Board of Directors of Engro Corporation Limited (formerly Engro Chemical Pakistan Limited), we are pleased to present the unaudited group consolidated accounts for the three months ended March 31, 2010.

Overview of 1Q 2010

Our consolidated revenue recorded an increase of 45% and stood at Rs. 16.9 billion for the first quarter 2010, as compared to Rs. 11.6 billion in the same period last year, while net profit (attributable to equity holders of the holding company) increased from Rs. 684 million in 1Q 2009 to Rs. 1,889 million this quarter.

As announced in our 2009 Annual Report, the fertilizer business was demerged effective January 01, 2010 and transferred to a wholly owned subsidiary, Engro Fertilizers Limited, which was incorporated in June 2009 for this purpose. Following this demerger, Engro Corporation assumed the role of a Holding Company managing the affairs of the various businesses.

Business review

Fertilizers

Urea sales were 252,000 tons, up by 7% for the same period last year primarily due to higher availability of product on account of higher production. Our plant produced 257,000 tons during the three months ended March 31, 2010 which is the best ever for any quarter against 240,000 tons during the same period last year. This combined with lower imports resulted in our market share increasing to 18% vs 15% last year. Total urea market demand was 1.5 million tons, a decrease of 3% vs 1.55 million tons in the same period last year. The sale of company manufactured blended fertilizers (Zarkhez and Engro NP) was 21,300 tons vs 20,000 tons during same period last year.

The net profit for the three months ended March 31, 2010 was Rs. 773 million.

The urea expansion project at Daharki site, at 37th month of execution, is progressing satisfactorily.

Engro Eximp imported 120,000 tons of phosphatic fertilizer and sold 78,000 tons. Net profit for the Company was Rs. 897 million vs a Rs. 73 million loss in the same period last year.

Energy and Power

During the quarter, a major milestone in our energy segment was the commencement of commercial production of our first ever power project at Qadirpur, which began commercial operations on March 27, 2010. The initial dependable capacity was 217.3 MW and the plant has been smoothly dispatching power to the national grid since March 19, 2010.

The feasibility report for the Thar Coal mining project is underway and expected to be completed by third quarter 2010.

Engro Energy declared a net profit of Rs. 44.2 million during the period vs a net loss of Rs. 9.6 million during the same period last year, while Engro PowerGen declared a net profit of Rs. 2.8 million during the first quarter of 2010 vs a net loss of Rs. 5.9 million during the same period last year.

Foods

Engro Foods had a turnover of Rs. 4.8 billion during the first quarter of 2010 compared with Rs. 3.2 billion for the corresponding period last year, an increase of 48%. UHT sales were up by 31% vs the same period last year. Omorè continued its expansion across 57 towns across Punjab and NWFP. The dairy farm at Nara at present has 1,344 milking cows and the second breeding cycle is underway with calving expected to start from August onwards. The quarter also witnessed the successful launch of Tarang Powder.

The net loss for the three months ended March 31, 2010 was Rs. 11 million as compared to a profit of Rs. 13 million for the same period last year.

Petrochemicals

The domestic PVC sales for the first quarter of 2010 were 22,000 tons as compared to a record sale of 38,000 tons during the same period last year. While domestic demand remained strong, decline in sales was due to production constraints. Caustic soda production during the quarter was 19,000 tons. Domestic demand for caustic soda also remained strong and the Company sold 16,000 tons. A total of 19,000 tons of EDC was produced in 1Q 2010 of which 14,000 tons were exported. Surplus power of 7MW (average) was sold to Karachi Electric Supply Company (KESC) during the quarter. Engro Polymer incurred a loss after tax of Rs. 154 million during the quarter as compared to a loss after tax of Rs. 69 million in 1Q 2009. Primary reason for the loss was delay in VCM plant startup which resulted in lower PVC-VCM margin.

Others

In the industrial automation sector, Avanceon Limited posted a consolidated loss of Rs. 64 million vs a loss of Rs. 81 million during the same period last year.

In the chemical storage and terminal business, Engro Vopak Terminal Limited, a 50% joint venture, posted a net profit of Rs. 264 million (our share being Rs. 132 million) vs a profit Rs. 182 million (our share being Rs. 91 million) in the same period last year.

Near Term Outlook

In the fertilizer segment, urea and phosphate demand is expected to remain firm. However based on recent verbal communications, the Government is seriously considering gas curtailment, for a few weeks, of 15-20% to the fertilizer plants being supplied gas from the Mari field, though the scheme has not been finalised and formally communicated to us. Gas curtailment on the fertilizer plants located on the Sui networks has already started.

In the backdrop of the ongoing energy crisis faced by the country, our power plant is expected to continue dispatching power at full capacity.

In the foods segment, growth is expected to remain strong and performance should be as per expectations.

Engro Polymer is focused to achieve commercial production of VCM plant during 2Q 2010, till such time PVC production will continue to be based on imported VCM due to which margins will remain under pressure.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

Karachi
April 28, 2010

ENGRO CORPORATION LIMITED (FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
CONSOLIDATED CONDENSED INTERIM
BALANCE SHEET (UNAUDITED)
AS AT MARCH 31, 2010

(Amounts in thousand)

	Note	Unaudited March 31, 2010	Audited December 31, 2009
		(Rupees)	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	115,481,168	110,503,710
Biological assets		393,927	438,873
Intangible assets		585,765	585,358
Long term investments		632,039	499,780
Deferred employees compensation expense	6	647	2,969
Long term loans, advances and other receivables		240,707	150,960
		117,334,253	112,181,650
Current Assets			
Stores, spares and loose tools		2,306,884	1,451,532
Stock-in-trade	7	7,236,518	3,819,971
Trade debts	8	3,836,103	3,536,533
Deferred employees compensation expense	6	136,793	97,492
Loans, advances, deposits and prepayments		1,990,420	1,372,425
Other receivables	9	500,197	1,136,265
Derivative financial instruments	13	-	76,209
Taxation		729,110	1,040,636
Short term investments		2,901,398	512,255
Cash and bank balances		3,263,071	6,880,408
		22,900,494	19,923,726
TOTAL ASSETS		140,234,747	132,105,376

(Amounts in thousand)

	Note	Unaudited March 31, 2010	Audited December 31, 2009
		(Rupees)	
EQUITY AND LIABILITIES			
Equity			
Share Capital	10	3,277,369	2,979,426
Share premium		10,550,061	10,550,061
Employees share option compensation reserve	6	377,077	318,242
Hedging reserve	11	(794,271)	(617,000)
Revaluation reserve on business combination		112,350	114,900
Exchange revaluation reserve		(43,073)	(43,185)
General reserve		4,429,240	4,429,240
Unappropriated profit		9,382,645	8,387,520
		24,014,029	23,139,778
		27,291,398	26,119,204
		3,125,089	3,225,191
		30,416,487	29,344,395
MINORITY INTEREST			
Non-Current Liabilities			
Borrowings	12	86,994,948	84,142,153
Derivative financial instruments	13	1,022,103	632,777
Obligations under finance lease		21,994	20,587
Deferred taxation	14	1,446,255	1,687,298
Employee Housing Subsidy		249,256	211,785
Deferred liabilities		76,679	96,163
		89,811,235	86,790,763
Current Liabilities			
Trade and other payables	16	10,030,567	9,608,000
Accrued interest / mark-up		2,014,150	1,800,428
Current portion of:			
- borrowings		4,170,057	2,375,675
- obligations under finance lease		18,544	18,246
- deferred liabilities		27,964	22,961
Short term borrowings	15	2,961,782	1,302,766
Derivative financial instruments	13	697,924	740,043
Unclaimed dividends		86,037	102,099
		20,007,025	15,970,218
Contingencies and Commitments	17		
TOTAL EQUITY AND LIABILITIES		140,234,747	132,105,376

The annexed notes 1 to 27 form an integral part of these consolidated condensed interim financial statements.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

ENGRO CORPORATION LIMITED (FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
CONSOLIDATED CONDENSED INTERIM
PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THREE MONTHS ENDED MARCH 31, 2010

(Amounts in thousand except for earnings per share)

	Note	3 months ended March 31, 2010	3 months ended March 31, 2009
(Rupees)			
Net sales		16,859,137	11,641,065
Cost of sales	18	(12,177,435)	(8,866,690)
GROSS PROFIT		4,681,702	2,774,375
Selling and distribution expenses	19	(1,786,507)	(1,215,760)
		2,895,195	1,558,615
Other income		134,836	41,628
		3,030,031	1,600,243
Financial and other charges		(792,255)	(634,023)
Workers' welfare fund		(46,987)	(22,095)
Workers' profits participation fund		(64,664)	(58,143)
		(903,906)	(714,261)
Share of income from joint venture		132,259	90,962
PROFIT BEFORE TAXATION		2,258,384	976,944
Taxation	20		
- Current		(607,832)	(64,575)
- Deferred		154,651	(296,707)
		(453,181)	(361,282)
PROFIT AFTER TAXATION		1,805,203	615,662
Attributable to:			
- Equity holders of Holding Company		1,888,953	684,487
- Minority interest		(83,750)	(68,825)
		1,805,203	615,662
Earnings per share - basic and diluted	21	5.76	2.40
			(Restated)

The annexed notes 1 to 27 form an integral part of this consolidated condensed interim financial statements.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

ENGRO CORPORATION LIMITED (FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
CONSOLIDATED CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THREE MONTHS ENDED MARCH 31, 2010

(Amounts in thousand)

	3 months ended March 31, 2010	3 months ended March 31, 2009 (Restated)
	(Rupees)	
Profit after taxation	1,805,203	615,662
Other comprehensive income		
Hedging reserve - cash flow hedges		
Gains/(losses) arising during the year	(521,639)	(1,422,921)
Reclassification adjustments for losses/ (gains) included in profit and loss	14,939	330
Adjustments for amounts transferred to initial carrying amount of hedged items (capital work in progress)	210,284	94,306
	(296,416)	(1,328,285)
Revaluation reserve on business combination	(5,492)	(5,492)
Exchange revaluation reserve	179	7,655
	(301,729)	(1,326,122)
Income tax relating to:		
-Hedging reserve	103,746	464,900
-Revaluation reserve on business combination	1,922	1,922
-Exchange revaluation reserve	-	(2,679)
	105,668	464,143
Other comprehensive income for the period - net of tax	(196,061)	(861,979)
Total comprehensive income for the period	1,609,142	(246,317)
Total comprehensive income attributable to:		
- Equity holders of Holding Company	1,709,244	(170,901)
- Minority interest	(100,102)	(75,416)
	1,609,142	(246,317)

The annexed notes 1 to 27 form an integral part of this consolidated condensed interim financial statements.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

ENGRO CORPORATION LIMITED (FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2010

(Amounts in thousand)

	Attributable to owners of the Holding Company										
	Share capital	Share premium	Employee share option compensation reserve	Hedging reserve	Revaluation reserve on business combination	Exchange revaluation reserve	General reserve	Unappropriated Profit	Sub total	Minority Interest	Total (Restated)
	(Rupees)										
Balance as at January 1, 2009, as previously reported (Audited)	2,128,161	7,152,722	327,020	2,135,799	125,102	-	4,429,240	6,166,472	22,464,516	3,113,677	25,578,193
Effect of change in fair values of cash flow hedges	-	-	-	(2,030,462)	-	-	-	-	(2,030,462)	-	(2,030,462)
Holding Company's share of exchange revaluation reserve of a Subsidiary Company (Avanceon)	-	-	-	-	-	(31,532)	-	31,532	-	-	-
Balance as at 1 January, 2009, as restated	2,128,161	7,152,722	327,020	105,337	125,102	(31,532)	4,429,240	6,198,004	20,434,054	3,113,677	23,547,731
Total comprehensive income for the period ended March 31, 2009, as restated											
Profit for the year	-	-	-	-	-	-	-	684,487	684,487	(68,825)	615,662
Other comprehensive income	-	-	-	(2,886,420)	(2,550)	-	-	-	(2,886,970)	(6,591)	(2,893,561)
	-	-	-	(2,886,420)	(2,550)	-	-	684,487	(2,204,483)	(75,416)	(2,279,899)
Transactions with owners											
Effect of changes in number of share options issued	-	-	(7,574)	-	-	-	-	-	(7,574)	-	(7,574)
Final dividend for the year ended December 31, 2009 @ Rs. 2.00 per share	-	-	-	-	-	-	-	(425,632)	(425,632)	-	(425,632)
	-	-	(7,574)	-	-	-	-	(425,632)	(433,206)	-	(433,206)
Balance as at March 31, 2009, as restated (Unaudited)	2,128,161	7,152,722	319,448	(2,781,083)	122,552	(31,532)	4,429,240	6,458,859	17,796,365	3,038,261	20,834,626
Total comprehensive income for the nine months ended December 31, 2009											
Profit for the year	-	-	-	2,164,083	(7,652)	(11,653)	-	3,122,431	3,122,431	(19,291)	3,103,140
Other comprehensive income	-	-	-	-	(7,652)	(11,653)	-	-	2,144,778	7,021	2,151,799
	-	-	-	2,164,083	(7,652)	(11,653)	-	3,122,431	5,267,209	(12,270)	5,254,939
Transactions with owners											
Shares issued during the year in the ratio of 4 for every 10 shares @ Rs. 50 per share (including share premium net of share issue cost)	851,265	3,397,339	-	-	-	-	-	-	4,248,604	-	4,248,604
Effect of changes in number of share options issued	-	-	(1,204)	-	-	-	-	-	(1,204)	-	(1,204)
Advance against issue of shares of Sindh Engro Coal Mining Company Limited	-	-	-	-	-	-	-	-	-	199,200	199,200
Interim dividend - 1st @ Rs. 2.00 per share - 2nd @ Rs. 2.00 per share	-	-	-	-	-	-	-	(595,885)	(595,885)	-	(595,885)
	851,265	3,397,339	(1,204)	-	-	-	-	(1,191,770)	3,055,630	199,200	3,254,830
Balance as at December 31, 2009 (Audited)	2,979,426	10,550,061	318,242	(617,000)	114,900	(43,185)	4,429,240	8,387,520	26,119,204	3,225,191	29,344,395
Total comprehensive income for the three months ended March 31, 2010											
Profit for the year	-	-	-	(177,271)	(2,550)	112	-	1,888,953	1,888,953	(83,750)	1,805,203
Other comprehensive income	-	-	-	-	(2,550)	112	-	-	(179,709)	(16,352)	(196,061)
	-	-	-	(177,271)	(2,550)	112	-	1,888,953	1,709,244	(100,102)	1,609,142
Transactions with owners											
Bonus shares issued during the year in the ratio of 1 for every 10 shares	297,943	-	-	-	-	-	-	(297,943)	-	-	-
Effect of changes in number of share options issued	-	-	58,835	-	-	-	-	-	58,835	-	58,835
Final dividend for the year ended December 31, 2009 @ Rs. 2.00 per share	-	-	-	-	-	-	-	(595,885)	(595,885)	-	(595,885)
	297,943	-	58,835	-	-	-	-	(893,828)	(537,050)	-	(537,050)
Balance as at March 31, 2010 (Unaudited)	3,277,369	10,550,061	377,077	(794,271)	112,350	(43,073)	4,429,240	9,382,645	27,291,398	3,125,089	30,416,487

The annexed notes 1 to 27 form an integral part of these consolidated condensed interim financial statements.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

ENGRO CORPORATION LIMITED (FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
CONSOLIDATED CONDENSED INTERIM
STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THREE MONTHS ENDED MARCH 31, 2010

(Amounts in thousand)

	Note	3 months ended March 31, 2010	3 months ended March 31, 2009
(Rupees)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	22	(740,304)	5,565,252
Retirement & other service benefits paid		(73,641)	(39,338)
Payment of finance cost		(578,533)	(478,222)
Taxes paid		(296,307)	(269,930)
Long term loans and advances - net		(89,747)	(27,352)
Net cash (outflow) / inflow from operating activities		(1,778,532)	4,750,410
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure including biological assets		(5,587,473)	(15,942,032)
Sale proceeds on disposal of property, plant and equipment		53,598	22,321
Income on deposits / other financial assets		140,136	10,059
Dividends received		112,500	112,500
Net cash outflow from investing activities		(5,281,239)	(15,797,152)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term finances - net		4,782,803	12,071,811
Obligations under finance lease - net		1,705	(1,236)
Retention money against project payments		-	(216,772)
Dividends paid		(611,947)	(678,918)
Net cash inflow from financing activities		4,172,561	11,174,885
Net (decrease) / increase in cash and cash equivalents		(2,887,210)	128,143
Cash and cash equivalents at beginning of the period		6,089,897	(326,536)
Cash and cash equivalents at end of the period	23	3,202,687	(198,393)

The annexed notes 1 to 27 form an integral part of these consolidated condensed interim financial statements.

ENGR0 CORPORATION LIMITED (FORMERLY ENGR0 CHEMICAL PAKISTAN LIMITED)
NOTES TO THE CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)
FOR THREE MONTHS ENDED MARCH 31, 2010

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 Engro Corporation Limited (the Holding Company) is a public listed company incorporated in Pakistan under the Companies Ordinance, 1984 and its shares are quoted on Karachi, Lahore & Islamabad stock exchanges of Pakistan. The principal activity of the Holding Company is to manage investments in subsidiary companies and joint venture engaged in fertilizers, PVC resin manufacturing and marketing, control and automation, food, energy and chemical terminal and storage businesses. The Holding Company's registered office is situated at 7th & 8th Floors, The Harbour Front Building, HC # 3, Block 4, Marine Drive, Clifton, Karachi.

1.2 The "Group" consists of:

Holding Company - Engro Corporation Limited (Formerly Engro Chemical Pakistan Limited)

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

	Percentage of holding	
	2010	2009
- Engro Foods Limited	100	100
- Engro Energy Limited	95	95
- Engro Eximp (Private) Limited	100	100
- Engro Management Services (Private) Limited	100	100
- Avanceon Limited	62.67	62.67
- Engro Polymer and Chemicals Limited	56.19	56.19
- Engro PowerGen (Private) Limited	100	100
- Engro Fertilizers Limited	100	100

Joint Venture Company:

- Engro Vopak Terminal Limited	50	50
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Associated Companies:

- Agrimall (Private) Limited
- Arabian Sea Country Club Limited

1.3 The financial statements of the subsidiary companies have been consolidated on a line by line basis. The carrying value of investments held by Engro Corporation Limited is eliminated against the subsidiaries' share capital and pre-acquisition reserves.

Minority Interest are presented as a separate item in this consolidated condensed interim financial information. All material intercompany balances and transactions have been eliminated.

The Group's interest in jointly controlled entity, Engro Vopak Terminal Limited has been accounted for using Equity Method.

2. BASIS FOR PREPARATION

This consolidated condensed interim financial information is unaudited and has been prepared and is being submitted to the shareholders in accordance with section 245 of the Companies Ordinance, 1984 and International Accounting Standard 34 - 'Interim Financial Reporting'. This consolidated condensed 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 December 31, 2009.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of audited annual published financial statements of the Holding Company for the year ended December 31, 2009.

(Amounts in thousand)

4. ACCOUNTING ESTIMATES

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

During preparation of this consolidated condensed interim financial information, the significant judgments made by management in applying the Holding Company's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to financial statements for the year ended December 31, 2009.

	Unaudited March 31, 2010	Audited December 31, 2009
(Rupees)		
5. PROPERTY PLANT AND EQUIPMENT		
Operating assets, at net book value (note 5.1)	42,007,170	26,179,073
Capital work-in-progress		
- Expansion and other projects (note 5.2)	73,224,520	84,181,544
- Expansion and evaluation expenditure	118,584	15,767
- Capital spare	130,894	127,326
	<u>115,481,168</u>	<u>110,503,710</u>

5.1 During the period, Engro Energy Limited capitalized the 217MW combined cycle power plant at Qadirpur on completion comprising of plant and machinery & building and civil works amounting to Rs. 14,108,146 and Rs. 437,543 respectively.

	Unaudited March 31, 2010	Audited December 31, 2009
(Rupees)		
5.2 Capital work-in-progress - Expansion and other projects		
Plant and machinery	52,429,930	63,842,649
Building and civil works including pipelines	8,593,019	7,734,725
Furniture, fixture and equipment	222,076	192,195
Advances to suppliers	403,796	293,243
Other ancillary costs	11,575,699	12,118,732
	<u>73,224,520</u>	<u>84,181,544</u>

5.2.1 Capital work in progress includes Rs. 48,263,376 (December 31, 2009: Rs. 47,081,203) and Rs. 8,464,279 (December 31, 2009: Rs. 7,459,458) with respect to Urea expansion project for plant & machinery and building & civil works respectively. The expansion project expected to be complete by third quarter 2010, adjacent to the existing Daharki Plant, will cost approximately US\$ 1,050,000 and will have a capacity of 1.3 million tons of Urea per annum.

	Unaudited March 31, 2010	Audited December 31, 2009
(Rupees)		
6. EMPLOYEES SHARE OPTION COMPENSATION RESERVE		
Balance as at January 1,	318,242	327,020
Options issued during the period / year	58,949	9,336
Options lapsed during the period / year	(114)	(18,114)
Balance at end of the period / year	<u>377,077</u>	<u>318,242</u>

DEFERRED EMPLOYEES COMPENSATION EXPENSE

Balance as at January 1,	100,461	205,169
Options issued during the period / year	58,949	9,336
Options lapsed during the period / year	(114)	(18,114)
Amortisation for the period / year	(21,856)	(95,930)
Balance at end of the period / year	<u>137,440</u>	<u>100,461</u>
Current portion shown under current assets	(136,793)	(97,492)
Long term portion of deferred employees compensation expense	<u>647</u>	<u>2,969</u>

(Amounts in thousand)

- 6.1** Consequent to demerger, the employees transferred to Engro Fertilizers Limited will be granted new share options under a new scheme and have surrendered share options of the Holding Company. Under the new Employee Share Option Scheme (the Scheme) employees of Engro Fertilizers Limited will be granted options to purchase 4,937,100 ordinary shares at an exercise price of Rs. 98 per ordinary share. As per the Scheme, the entitlements and exercise price are subject to adjustments because of issue of right shares and bonus shares. The number of options granted to an employee will be the same as the number of options of the Holding Company surrendered by them. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither right to dividends nor voting rights. Vesting period for employees who were initially granted options on or before June 30, 2008 in the Holding Company, shall end on December 31, 2010, where after these options can be exercised within a period of two years ending December 31, 2012.

For options which were initially granted by Holding Company after June 30, 2008, the vesting period will end such number of days after December 31, 2010 as is equal to the number of days between the date the initial option letters were issued and the date of grant of the later options. However, the later options can also only be exercised up to December 31, 2012.

The above Scheme is conceptually approved by the Securities and Exchange Commission of Pakistan (SECP). However, formal approve from SECP is still awaited. As the vesting period has started from January 1, 2010 and the scheme is being viewed as continuation of the old Scheme announced by the Holding Company, a charge based on fair value of share options i.e. Rs. 11.94 per share has been recognised in these financial statements.

	Unaudited March 31, 2010	Audited December 31, 2009
	(Rupees)	
7. STOCK-IN-TRADE		
Raw materials and packing materials	4,081,684	2,473,461
Inventory of fuel stock and slow moving items	74,218	22,323
Work-in-process	75,077	62,663
Finished goods - own manufactured product	1,010,142	863,140
- purchased product	1,998,620	401,607
Provision for slow moving inventory	(3,223)	(3,223)
	<u>3,005,539</u>	<u>1,261,524</u>
	<u>7,236,518</u>	<u>3,819,971</u>
8. TRADE DEBTS		
Considered good		
-Secured	3,196,773	2,794,542
-Unsecured	639,330	741,991
	<u>3,836,103</u>	<u>3,536,533</u>
Considered doubtful	44,226	40,507
	<u>3,880,329</u>	<u>3,577,040</u>
Provision for impairment	(44,226)	(40,507)
	<u>3,836,103</u>	<u>3,536,533</u>
9. OTHER RECEIVABLES		
9.1 Other receivables include Rs. 3,264 (December 31, 2009: NIL) on account of compensation for mandatory reduction in sales price by the Government of Pakistan on phosphatic and potassic fertilizer inventory.		
9.2 During 2008, Model Customs Collectorate raised a sales tax demand of Rs. 57,135 on certain imports of Mono Ammonium Phosphate (MAP) 10:50:0 based on the actual import value rather than the deemed value as prescribed by SRO 609(1)/2004.		

The Holding Company had paid the demand made under protest and filed an appeal before the Collector, Sales Tax and Federal Excise. Further, the Ministry of Food, Agriculture and Livestock had also recommended through its letter dated June 27, 2008 that the aforementioned grade of MAP should be assessed at deemed value of import with retrospective effect. The management therefore is confident that the issue would be decided in Company's favor.

(Amounts in thousand)

10. SHARE CAPITAL	Unaudited March 31, 2010	Audited December 31, 2009
10.1 Authorised capital	(Rupees)	
350,000,000 shares (December 31, 2009: 350,000,000) Ordinary Shares of Rs. 10 each	<u>3,500,000</u>	<u>3,500,000</u>

10.2 Movement in issued, subscribed and paid-up capital during the period / year

Unaudited March 31, 2010	Audited December 31, 2009		Unaudited March 31, 2010	Audited December 31, 2009
(Numbers)			(Rupees)	
297,942,563	212,816,117	As at January 1	2,979,426	2,128,161
-	85,126,446	Ordinary shares of Rs. 10 each issued during the period / year as fully paid right shares	-	851,265
29,794,256	-	Ordinary shares of Rs. 10 each issued during the period / year as fully paid bonus shares	297,943	-
<u>327,736,819</u>	<u>297,942,563</u>		<u>3,277,369</u>	<u>2,979,426</u>

11. HEDGING RESERVE

Fair values of :

- Foreign exchange forward contracts
- Foreign exchange option contracts
- Interest rate SWAPs

Deferred tax
Minority Interest

Unaudited March 31, 2010	Audited December 31, 2009
(Rupees)	
(224,278)	(134,692)
(7,999)	49,104
<u>(1,022,103)</u>	<u>(872,376)</u>
(1,254,380)	(957,964)
439,033	335,287
21,076	5,677
<u>(794,271)</u>	<u>(617,000)</u>

Hedging reserve primarily represents the effective portion of changes in fair values of designated cash flow hedges.

12. BORROWINGS

Balance as at January 1,
Loans availed during the period / year-net of transaction cost and exchange gain / (loss)

Repayments during the period / year

Current portion shown under current liability
Balance at the end of the period / year

Unaudited March 31, 2010	Audited December 31, 2009
(Rupees)	
86,517,828	41,060,739
4,854,114	45,722,763
<u>91,371,942</u>	<u>86,783,502</u>
(206,937)	(265,674)
<u>91,165,005</u>	<u>86,517,828</u>
(4,170,057)	(2,375,675)
<u>86,994,948</u>	<u>84,142,153</u>

(Amounts in thousand)

Engro Fertilizers Limited

Loans availed represents fresh bilateral loans from Standard Chartered Bank (Pakistan) Ltd. and SAMBA Bank Ltd. along with further draw down on existing Syndicated finance facility.

The tenor of loan facilities range from 7 to 9 years and mark-up is 1.10% to 2.40% over six month KIBOR and 1.3% over three month KIBOR for Rupee facilities, and 2.57% to 6.00% over six month LIBOR for USD facilities. These facilities, excluding the Privately Placed TFCs (PPTFCs) & International Finance Corporation's (IFC) facility, are secured by equitable mortgage upon immovable assets located at Daharki and hypothecation charge on fixed assets of the Subsidiary Company. The PPTFCs and IFC facility are secured by a subordinated floating charge over all present and future fixed assets excluding land and buildings.

Engro Foods Limited

During the period, the Subsidiary Company has enhanced the Syndicated Term Finance Facility (STFF) led by MCB Bank Limited to Rs. 600,000.

The finances of the Subsidiary Company are secured by a registered sub-ordinate floating charge / mortgage over the present and future fixed assets of the Subsidiary Company upto maximum of Rs. 4,125,000.

Engro Energy Limited

The Subsidiary Company entered into a financing agreement with a consortium led by International Finance Corporation comprising of DEG, FMO, Proparko, Swed Fund and OFID amounting to US\$ 153.8 million. The finances carry markup at the rate of six months LIBOR plus 3% payable semi-annually over a period of ten years commencing from the date of commercial production. Commitment fee at the rate of 0.5% per annum is also payable on that part of finance that has not been drawn. As at March 31, 2010, the Subsidiary Company has drawn down US\$ 144 million (2009: US\$ 136 million) against the aforementioned amount.

The above finances are secured by an equitable mortgage upon the immovable property of the Company and the hypothecation charge against current and future fixed assets of the Company.

13 DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited March 31, 2010		Audited December 31, 2009	
	Assets	Liabilities	Assets	Liabilities
Conversion option on IFC loan	-	465,647	-	338,647
Cash flow hedges				
- Foreign exchange forward contracts (note 13.1)		224,278	22,637	157,329
- Foreign exchange option contracts (note 13.2)		7,999	53,572	4,468
- Interest rate swaps (note 13.3)	-	1,022,103	-	872,376
	-	1,254,380	76,209	1,034,173
	-	1,720,027	76,209	1,372,820
Less: Current portion shown under current assets / liabilities				
Conversion option on IFC loan	-	465,647	-	338,647
Cash flow hedges				
- Foreign exchange forward contracts	-	224,278	22,637	157,329
- Foreign exchange option contracts	-	7,999	53,572	4,468
- Interest rate swaps	-	-	-	239,599
	-	232,277	76,209	401,396
	-	697,924	76,209	740,043
	-	1,022,103	-	632,777

13.1 Foreign exchange forward contracts

13.1.1 The Group entered into various forward exchange contracts to hedge its foreign currency exposure. As at March 31, 2010, the Group had forward exchange contracts to purchase Euros 13,485 (December 31, 2009: Euros 9,543) at various maturity dates matching the anticipated payment dates for commitments with respect to urea expansion project. The fair value of these contracts, as at March 31, 2010 is negative amounting to Rs. 48,494 (December 31, 2009: Rs. 22,637 positive).

(Amounts in thousand)

13.1.2 The Group entered in various US\$: PKR forward contracts to hedge its foreign currency exposure. As at March 31, 2010, the Group had forward contracts to purchase US\$ 85,000 (December 31, 2009: US\$ 85,000) at various maturity dates to hedge its foreign currency loan obligations. The fair value of these contracts as at March 31, 2010 is negative amounting to Rs.175,784 (December 31, 2009: Rs. 157,329).

13.2 Foreign exchange option contracts

The Group entered into various foreign exchange option contracts to hedge its currency exposure against US dollar relating to the expansion project. As at the balance sheet date, the Group had foreign exchange options amounting to Euro 8,579 (December 31, 2009: Euros 12,628). The net fair value of these contracts is negative amounting to Rs. 7,999 (December 31, 2009: Rs. 49,104 positive).

13.3 Interest rate swaps

13.3.1 The Group entered into an interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing under an Offshore Islamic Finance Facility agreement, for a notional amount of US\$ 150,000 (December 31, 2009: US\$ 150,000) amortising up to September 2014. Under the swap agreement, the Group would receive USD-LIBOR from Citibank N.A Pakistan on notional amount and pay fixed 3.47% which will be settled semi-annually. The fair value of the interest rate swap as at March 31, 2010 is negative and amounted to Rs. 516,483 (December 31, 2009: Rs. 542,385).

13.3.2 The Group entered into another interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing from a consortium of Development Finance Institutions for a notional amount of US\$ 85,000 (December 31, 2009: US\$ 85,000) amortising upto April 2016. Under the swap agreement, the Group would receive USD-LIBOR from Standard Chartered Bank on notional amount and pay fixed 3.73% which will be settled semi-annually. The fair value of the interest rate swap as at March 31, 2009 is negative and amounted to Rs. 431,609 (December 31, 2009: Rs. 310,056).

13.3.3 The Group entered into another interest rate swap agreements for notional amounts aggregating to US\$ 40,000 (December 31, 2009: US\$ 40,000), with banks to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, the Group would receive six month USD-LIBOR on respective notional amounts and will pay fix rates, which will be settled semi annually. The fair value of the interest rate swap as at March 31, 2009 is negative and amounted to Rs. 74,011 (December 31, 2009: Rs. 19,935).

14. DEFERRED TAXATION

Credit / (debit) balances arising on account of:

- Accelerated depreciation allowance
- Net borrowing costs capitalised
- Fair value of hedging instruments
- Recoupable carried forward tax losses
- Tax on subsidiary reserves
- Tax on fair value adjustment
- Recoupable minimum turnover tax
- Unrealised foreign exchange losses, unpaid liabilities and provision for retirement and other services benefits
- Provision for:
 - inventories, slow moving stores and spares and doubtful receivables
 - others

	Unaudited March 31, 2010	Audited December 31, 2009
(Rupees)		
	5,552,930	5,340,447
	237,173	207,133
	(439,029)	(335,287)
	(3,705,850)	(3,352,092)
	19,444	18,589
	149,800	153,200
	(235,178)	(201,438)
	(58,993)	(70,444)
	(23,679)	(21,879)
	(50,363)	(50,931)
	<u>1,446,255</u>	<u>1,687,298</u>

15. SHORT TERM BORROWINGS

The facilities for short term finance available to the Group from various banks amounts to Rs. 13,833,200 (December 31, 2009: Rs.12,382,200) including Rs. 200,000 (December 31, 2009: Rs. 200,000) for bank guarantees interchangeable with short term finance. The rates of markup ranges from 13.14% to 14.76% (December 31, 2009: 12% to 18.5%).

The facilities for Engro Fertilizers Limited are secured by floating charges upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts of the Subsidiary Company.

(Amounts in thousand)

The facilities for Engro Polymer and Chemical Limited are secured by a priority floating charges upon all present & future current assets (stocks & receivables) of the Subsidiary Company ranking pari passu with each other.

The facilities for Engro Foods Limited and Engro Eximp (Private) Limited are secured by way of hypothecation upon all present & future current assets of the Subsidiary Company.

The facilities for Avanceon Limited are secured by a first pari passu floating charge of over current and fixed assets and receivables of the Subsidiary Company and a corporate guarantee of the Holding Company for 51% of the total funded exposure alongwith personal guarantees of sponsoring directors.

The facilities for Engro Energy Limited have been arranged from a consortium of Allied Bank Limited, NIB Bank Limited, KASB Bank Limited, Bank of Punjab, Habib Metropolitan Bank Limited and Soneri Bank Limited. The facility is secured by assignment over Energy Purchase Price component of all present and future receivables from the Power Purchaser ("EPP Receivables"), First pari passu charge over stores and spares of the Subsidiary Company, exclusive charge over HSD inventory and ranking, subordinated charge over all current and fixed assets of the Subsidiary Company to extent of 30% margin over the facility amount.

The facilities for opening letters of credit and guarantees of Subsidiary Companies as at March 31, 2010 amounts to Rs. 6,493,000 (December 31, 2009: Rs. 6,299,000).

16. TRADE AND OTHER PAYABLES	Unaudited	Audited
	March 31, 2010	December 31, 2009
	(Rupees)	
Creditors	3,219,676	2,243,921
Accrued liabilities	2,775,417	2,911,903
Advances from Customers	1,135,124	1,735,730
Deposits from dealers/distributors refundable on termination of dealership	42,128	11,073
Retention money including current portion	1,807,810	1,803,495
Contractors'/suppliers deposits	81,182	111,121
Workers' profits participation fund	94,077	31,045
Workers' welfare fund	189,609	143,583
Sales tax payable	1,966	8,441
Provision for special excise duty (note 16.1)	75,987	70,494
Provision for duty on import of raw material (note 16.2)	40,105	-
Provision for infrastructure fee	369,951	335,121
Others	197,535	202,073
	<u>10,030,567</u>	<u>9,608,000</u>

- 16.1 As disclosed in the financial statements for the year ended December 31, 2009, the Subsidiary Company, Engro Polymer and Chemicals Limited, has made this provision on account of Special Excise Duty (SED) paid on import of Plant and Machinery. The provision amounts to Rs. 57,924 against SED which has been adjusted in the Sales Tax returns and Rs. 36,687 which could not be adjusted. In addition to this provision for surcharge and penalty thereon amounting to Rs.18,063 (December 31, 2009: Rs.12,570) has also been made, based on prudence.

During the period, the Subsidiary Company was granted a stay order from the Honourable High Court of Sind against a recovery notice issued by the Additional Commissioner in respect of the demand raised earlier. In addition to this, the Subsidiary Company has also filed appeal against the Order issued by the Additional Commissioner, which is currently pending.

- 16.2 The Subsidiary Company, Engro Polymer and Chemicals Limited, had received a letter from the Assistant Collector (Survey) Large Taxpayers Unit in 2009 inquiring about the utilisation of concessionary import of raw materials under S.R.O. 565(I)/2006 dated June 5, 2006. The letter suggested that the Subsidiary Company had violated the provisions of the said S.R.O. by utilising the concessionary imports in manufacturing and selling of intermediary product Ethylene Di Chloride (EDC) instead of utilising the same in the final product Poly Vinyl Chloride (PVC). The Subsidiary Company's tax advisor responded to the letter explaining the view that imports under the said S.R.O were allowed for 'PVC Manufacturing Industry' as a whole, which includes manufacturing of intermediary products.

During the current period, the tax department responded to the letter, in which it disagreed with the Subsidiary Company's view and demanded further information, to which the Subsidiary Company has given a response. Although, a formal Order creating a demand has not been received by the Subsidiary Company, provision amounting to Rs. 40,105 (December 31, 2009: Nil) in respect of duty on such raw materials has been made in the financial statements based on prudence.

(Amounts in thousand)

17. CONTINGENCIES AND COMMITMENTS

Contingencies

- 17.1 Claims, including pending lawsuits, against the Group not acknowledged as debts amounted to Rs. 47,658 (December 31, 2009: Rs. 47,658).
- 17.2 Bank guarantees of Rs. 4,156,374 (December 31, 2009 : Rs. 2,480,283) have been issued by various banks on behalf of the Group.
- 17.3 The Holding Company is contesting the penalty of Rs. 99,936 paid and expensed in 1997, imposed by the State Bank of Pakistan (SBP) for alleged late payment of foreign exchange risk cover fee on long term loans and has filed a suit in the High Court of Sindh. A partial refund of Rs. 62,618 was, however, recovered in 1999 from SBP and the recovery of the balance amount is dependent on the Court's decision.
- 17.4 The Holding Company had commenced two separate arbitration proceedings against the Government of Pakistan for non-payment of marketing incidentals relating to the years 1983-84 and 1985-86 respectively. The sole arbitrator in the second case has awarded the Company Rs. 47,800 whereas the award for the earlier years is awaited. The award for the second arbitration has not been recognised due to inherent uncertainties arising from its challenge in the High Court of Sindh.
- 17.5 The Holding Company has extended project completion support to the lenders of Engro Energy Limited for US\$ 15,400 (December 31, 2009: US\$ 15,400) and a further support to the lenders of Engro Polymer and Chemicals Limited for US\$ 12,200 (December 31, 2009: US\$ 10,000). These project supports are contingent upon occurrence or non-occurrence of specified future events.
- Engro Polymer and Chemicals Limited has announced a right share issue of Rs. 1,431,037 of which the Holding Company's share is Rs 804,100 which will be subscribed by the end of April 2010, after which the Holding Company's obligation under the above mentioned support will be fulfilled.
- 17.6 Sind Engro Coal Mining Company Limited, a subsidiary of Engro PowerGen Limited has signed various agreements with consultants for detailed feasibility study and other related studies aggregating to Rs. 271,581 (December 31, 2009: Rs NIL).
- 17.7 As per the EPC contract, the Subsidiary Company, Engro Energy Limited is entitled to delay damages which have not been accrued in these financial statements as the Subsidiary Company and the EPC contractor have significant disputes over the interpretation of the relevant clauses of the EPC contract. The management is confident that matter would be resolved by the end of next quarter.

Commitments

	Unaudited March 31, 2010	Audited December 31, 2009
	(Rupees)	
17.8 Property, plant & equipment	5,587,881	5,504,260
17.9 Letter of credits other than for capital expenditure	2,329,843	2,863,584

- 17.10 The Avanceon Limited Partnership (USA) is obligated under non-cancellable operating leases for computer & office equipment which expire at various dates.

The future lease commitments related to non-cancellable operating leases as of March 31, 2010 are as follows:

	Unaudited March 31, 2010	Audited December 31, 2009
	(Rupees)	
Not later than one year	1,366	1,723
Later than one year and not later than five years	780	799
Later than five years	397	399
	<u>2,543</u>	<u>2,921</u>

(Amounts in thousand)

	3 months ended March 31, 2010	3 months ended March 31, 2009
	(Rupees)	
18. COST OF SALES		
Raw materials consumed	6,430,294	4,719,391
Salaries, wages and staff welfare	422,486	359,325
Fuel and power	1,442,874	873,834
Repairs and maintenance	189,710	147,956
Depreciation / Amortization	502,484	318,241
Consumable stores	86,133	41,946
Staff recruitment, training, safety and other expenses	9,108	10,660
Purchased services	58,094	96,184
Travel	21,392	19,921
Communication, stationery and other office expenses	15,810	10,598
Insurance	59,594	51,884
Rent, rates and taxes	32,584	15,559
Provision against sales tax refundable	-	15,120
Other expenses	207,315	9,673
Manufacturing cost	9,477,878	6,690,292
Opening stock of work-in-process	62,663	63,381
Closing stock of work-in-process	(75,077)	(83,339)
	(12,414)	(19,958)
Cost of goods manufactured	9,465,464	6,670,334
Opening stock of finished goods manufactured	863,140	1,445,550
Closing stock of finished goods manufactured	(1,010,142)	(1,078,860)
	(147,002)	366,690
Cost of goods sold	9,318,462	7,037,024
- own manufactured product	2,562,413	1,607,118
- purchased product	296,560	222,548
- others	-	-
	12,177,435	8,866,690
19. SELLING AND DISTRIBUTION EXPENSES		
Salaries, wages and staff welfare	357,398	353,497
Staff recruitment, training, safety and other expenses	20,394	4,325
Product transportation and handling	509,610	282,768
Repairs and maintenance	12,956	11,089
Advertising and sales promotion	569,228	339,185
Rent, rates and taxes	83,138	53,807
Communication, stationery and other office expenses	30,447	22,938
Travel	38,336	67,533
Depreciation / Amortization	37,644	24,059
Purchased services	27,448	6,667
Donations	11,095	-
Other expenses	88,813	49,892
	1,786,507	1,215,760

(Amounts in thousand)

20. TAXATION

Engro Fertilizers Limited

- 20.1 As a result of demerger, tax issues relating to cases prior to demerger will flow to the Engro Fertilizers Limited. The issues which may have an impact on the Group are described below:

The Holding Company in its tax return for financial years 2006 to 2008 (tax years 2007 to 2009) claimed the benefit of Group Relief under section 59 B of the Income Tax Ordinance, 2001 (the Ordinance) on losses acquired for an equivalent cash consideration from its wholly owned subsidiary, Engro Foods Limited (EFL), amounting to Rs. 428,744, Rs.622,103 and Rs.450,000 respectively.

The main contention for disallowance of Group Relief, among others, being the non-designation of the Holding Company as well as the subsidiary company as 'companies' entitled to Group Relief by the Securities & Exchange Commission of Pakistan (SECP), a requirement of section 59 B of the Ordinance. The Holding Company had applied for such a designation but remained pending with SECP for want of related regulations not framed then. These regulations were framed by SECP subsequently in December 2008 and during the period, the Holding Company along with other subsidiaries have been registered as a Group. The Commissioner Inland Revenue (Appeals) taking cognizance of the above and other factors has, vide order dated November 13, 2009, decided the issue of Group relief in Company's favor for the financial year 2007, while for 2006 it is pending at the ITAT level as stated above. However, during the period, department has filed an appeal for financial year 2007 at the ITAT level against the decision of Commissioner Inland Revenue (Appeals).

All the assessments of Holding Company, for income years 1995 to 2002 have been finalized by the Department and are in appeal at either the CIT or ITAT level on various issues, the major one being apportionment of gross profit and expenses between normal income and final tax regime (FTR) income.

The Holding Company is confident that all the above issues, including the issue of Group Relief, will be ultimately decided in its favor without any additional tax liability.

Engro Polymer and Chemical Limited, Subsidiary Company

- 20.2 During the current period, the Subsidiary Company received a Notice of Demand of Rs.213,172 in respect of Tax year 2008. The Deputy Commissioner Inland Revenue has made various additions to income amounting to Rs.207,370 and did not consider brought forward losses amounting to Rs.974,770, resulting in a tax demand of Rs. 213,172. The additions to income are mainly on account of trading liabilities and financial charges relating to the expansion project.

The Subsidiary Company filed an appeal against the above additions to the Commissioner Inland Revenue (Appeals), which is currently pending. The Subsidiary Company also applied to the Deputy Commissioner for a rectification in the Order for certain disallowances and additions on the grounds that mistakes in Order were apparent from records. The application for rectification has been rejected and the Subsidiary Company, as an abundant precaution, intends to file another appeal against this rejection.

The management of the Subsidiary Company is confident that the ultimate outcome of the above would be in its favour and as such no effect for the same has been considered in these financial statements.

Engro Foods Limited, Subsidiary Company

- 20.3 The Subsidiary Company's return for tax year 2007 was selected for tax audit under section 177 of the Income Tax Ordinance, 2001 (the Ordinance). Based on such audit the Commissioner of Income Tax (CIT) through order dated January 29, 2009, has reduced the returned tax loss of Rs. 1,224,964 to Rs. 1,106,493 mainly by disallowing initial depreciation on additions to fixed assets, aggregating Rs. 113,866.

The Subsidiary Company has filed an appeal with the Commissioner of Income Tax (Appeals) thereagainst during the period, which is yet to be heard. The Subsidiary Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and therefore no adjustment has been made to tax loss for tax year 2007 in respect of the aforementioned disallowance.

The Subsidiary Company's return for the Tax Year 2009 was selected for audit under section 177. However, a show cause notice was not served prior to selection, hence the case is being contended with the concerned Tax officer on technical grounds.

(Amounts in thousand)

21. EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the Company, since the average market price of the Company's share is less than the exercise price of the options granted on Company's shares to employees under the Employee Share Option Scheme, and lender. These options may have a potential dilutive impact on basic earnings per share in future periods. The basic earnings per share of the Company is based on:

	3 months ended March 31, 2010	3 months ended March 31, 2009
	(Rupees)	
Profit after taxation (attributable to shareholders of the Holding Company)	1,888,953	684,487
	(Numbers)	
Weighted average number of Ordinary shares (In thousand)	327,737	285,519

22. CASH GENERATED FROM OPERATIONS

Profit before taxation	2,258,384	976,944
Adjustment for non-cash charges and other items:		
Depreciation / Amortization	540,128	344,859
Profit on disposal of property, plant and equipments	(3,477)	(13,687)
Provision for retirement and other service benefits	59,271	24,593
Depreciation on revaluation surplus arising on business combination	1,526	1,526
Income on deposits / other financial assets	(134,836)	(10,029)
Share of income from joint venture companies	(132,259)	(90,962)
Finance cost	792,255	565,546
Employees share compensation expense	18,203	18,751
Employees Housing Subsidy expense	28,456	36,455
Exchange gain on foreign currency loans	(46,326)	-
Provision for fair value of derivative financial instruments	127,000	-
Working capital changes (note 22.1)	(4,248,629)	3,711,256
	(740,304)	5,565,252

22.1 Working capital changes

(Increase) / decrease in current assets		
Stores spares and loose tools	(855,352)	(215,123)
Stock-in-trade	(3,416,547)	1,728,001
Trade debts	(299,570)	(223,461)
Loans, advances, deposits and prepayments	(617,995)	(1,794,119)
Other receivables - net	518,268	2,781,825
	(4,671,196)	2,277,123
Increase / (Decrease) in current liabilities		
Trade and other payable including other service benefits - net	422,567	1,434,133
	(4,248,629)	3,711,256

23. CASH AND CASH EQUIVALENTS

Cash and bank balances	3,263,071	5,520,156
Short term investments	2,901,398	137,394
Less: Short term borrowings	(2,961,782)	(5,855,943)
	3,202,687	(198,393)

(Amounts in thousand)

24. SEGMENT REPORTING

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

Type of segments Nature of business

Fertilizer	Manufacture, purchase and market fertilizers.
Polymer	Manufacture, market and sell Poly Vinyl Chloride (PVC), PVC compounds and related chemicals.
Food	Manufacture, process and sell dairy food products.
Power	Includes Independent Power Projects (IPP)
Other operations	Includes engineering, automation, chemical terminal & storage and trading businesses.

	Revenue		Profit/(loss) after tax		Assets	
	3 months ended		3 months ended		Unaudited	Audited
	March 31,		March 31,		March 31,	December 31,
	2010	2009	2010	2009	2010	2009
Fertilizer	8,316,455	5,733,228	1,724,931	629,663	82,202,964	94,179,878
Polymer	3,283,754	2,399,338	(154,377)	(68,822)	24,568,346	22,799,495
Food	4,740,910	3,231,773	(14,640)	14,011	10,146,114	9,004,026
Power	107,196	-	46,971	(34,960)	17,254,416	16,164,759
Other operations	410,822	276,726	100,590	10,479	28,828,710	1,745,442
Elimination - net	-	-	101,728	65,291	(22,765,803)	(10,661,142)
Consolidated	16,859,137	11,641,065	1,805,203	615,662	140,234,747	133,232,458

25. TRANSACTIONS WITH RELATED PARTIES

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

	3 months ended March 31, 2010	3 months ended March 31, 2009
	(Rupees)	
Associates and joint ventures		
Purchases and services	634,801	2,783,087
Sales	11,999	-
Services rendered	842	226,259
Retirement benefits	66,894	34,997
Dividends paid	288,781	177,715
Payment of interest on TFCs and repayment of principal amount	1,924	-
Investment in mutual funds	725,000	-
Redemption of mutual funds	250,000	-
Others		
Remuneration paid to key management personnel / directors	165,562	147,257
Dividends paid	10,609	29,370
	Unaudited March 31, 2010	Audited December 31, 2009
	(Rupees)	
Balances due from		
- Joint Ventures (includes dividend receivable of Rs. Nil (December 31, 2009: Rs. 112,500 from Engro Vopak Terminal Limited)	-	112,102

26. SEASONALITY

The fertilizer business of Engro Fertilizers Limited and Engro Eximp (Private) Limited is subject to seasonal fluctuations as a result of two different farming seasons viz, Rabi (from October to March) and Kharif (from April to September). On an average urea and phosphatic fertilizers sales are more tilted towards Rabi season. The Subsidiary Companies manage seasonality in their businesses through appropriate inventory management.

The 'ice cream' business of Engro Foods Limited is subject to seasonal fluctuation, with demand of ice cream products increasing in summer.

27. DATE OF AUTHORISATION FOR ISSUE

These condensed financial statements were authorised for issue on April 28, 2010 by the Board of Directors of the Holding Company.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive



engro corp

**ENGRO CORPORATION LIMITED
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
UNCONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**

FOR THE THREE MONTHS ENDED MARCH 31, 2010

ENGRO CORPORATION LIMITED (FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
UNCONSOLIDATED CONDENSED INTERIM
BALANCE SHEET (UNAUDITED)
AS AT MARCH 31, 2010

(Amounts in thousand)

	Note	Unaudited March 31, 2010	Audited December 31, 2009 (note 1.3)
		(Rupees)	
ASSETS			
Non-Current Assets			
Property, plant and equipment		58,126	69,517,512
Intangible assets		-	122,704
Long term investments	5	23,965,601	12,988,657
Deferred employee compensation expense	6	-	2,787
Long term loans and advances		242,064	328,907
		<u>24,265,791</u>	<u>82,960,567</u>
Current Assets			
Stores, spares and loose tools		-	961,117
Stock-in-trade		-	422,607
Trade debts		-	2,514,425
Deferred employee compensation expense	6	84,409	87,278
Loans, advances, deposits and prepayments		2,015	1,469,155
Other receivables		18,215	275,714
Derivative financial instruments		-	76,209
Taxes recoverable		528	536,167
Short term investments		2,666,198	450,857
Cash and bank balances		182,940	3,955,342
		<u>2,954,305</u>	<u>10,748,871</u>
TOTAL ASSETS		<u><u>27,220,096</u></u>	<u><u>93,709,438</u></u>

(Amounts in thousand)

	Note	Unaudited March 31, 2010	Audited December 31, 2009 (note 1.3)
		(Rupees)	
EQUITY & LIABILITIES			
Equity			
Share capital	7	3,277,369	2,979,426
Share premium		10,550,061	10,550,061
Employee share option compensation reserve	6	288,258	288,258
Hedging reserve		-	(609,719)
General reserve		4,429,240	4,429,240
Unappropriated profit		8,443,860	9,250,972
		23,711,419	23,908,812
Total Equity		26,988,788	26,888,238
Liabilities			
Non-Current Liabilities			
Borrowings		-	58,565,354
Derivative financial instruments		-	612,842
Deferred liabilities		128	988,169
Employee housing subsidy		-	211,785
Retirement and other service benefits obligations		150	47,581
		278	60,425,731
Current Liabilities			
Trade and other payables	8	144,993	3,160,852
Accrued interest / mark-up		-	1,366,022
Current portion of:			
- borrowings		-	810,100
- other service benefits obligations		-	20,600
Short term borrowings		-	195,753
Derivative financial instruments		-	740,043
Unclaimed dividends		86,037	102,099
		231,030	6,395,469
Total Liabilities		231,308	66,821,200
Contingencies and Commitments	9		
TOTAL EQUITY & LIABILITIES		27,220,096	93,709,438

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

ENGRO CORPORATION LIMITED (FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
UNCONSOLIDATED CONDENSED INTERIM
PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2010

(Amounts in thousand except for earnings per share)

	Note	3 months ended March 31, 2010	3 months ended March 31, 2009
		(Rupees)	
Revenues	10	150,536	5,757,357
Expenses	11	(48,630)	(4,170,550)
		101,906	1,586,807
Other operating income		2	21,534
Other operating expenses		(942)	(1,276)
Workers' welfare fund		(1,997)	(22,095)
Workers' profit participation fund		-	(58,143)
Operating Profit		98,969	1,526,827
Finance cost		(1,113)	(444,196)
Profit before taxation		97,856	1,082,631
Taxation			
- Current		(11,911)	(92,084)
- Deferred		771	(295,817)
		(11,140)	(387,901)
Profit for the period		86,716	694,730
			(Restated)
Earnings per share - basic and diluted	12	Rs. 0.26	Rs. 2.43

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

ENGRO CORPORATION LIMITED (FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
UNCONSOLIDATED CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2010

(Amounts in thousand)

	3 months ended March 31, 2010	3 months ended March 31, 2009
	————— (Rupees) —————	
Profit for the period	86,716	694,730
Other comprehensive income		
Hedging reserve - cash flow hedges		
Gains/(losses) arising during the period	-	(1,393,657)
Adjustment for amounts transferred to initial carrying amount of hedged items (Capital work in progress)	-	91,455
	-	(1,302,202)
Income tax relating to hedging reserve	-	455,771
Other comprehensive income for the period, net of tax	-	(846,431)
Total comprehensive income for the period	86,716	(151,701)

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

ENGRO CORPORATION LIMITED (FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
UNCONSOLIDATED CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2010

(Amounts in thousand)

	Share capital	Share premium	Employees share option compensation reserve	Hedging reserve	General reserve	Unappropriated profit	Total
	(Rupees)						
Balance as at January 1, 2009, as previously reported	2,128,161	7,152,722	305,052	2,157,769	4,429,240	6,911,124	23,084,068
Effect of change in fair values of cash flow hedges	-	-	-	(2,030,462)	-	-	(2,030,462)
Balance as at January 1, 2009	2,128,161	7,152,722	305,052	127,307	4,429,240	6,911,124	21,053,606
Total comprehensive income for the period ended March 31, 2009							
Profit for the period	-	-	-	-	-	694,730	694,730
Other comprehensive income	-	-	-	(846,431)	-	-	(846,431)
- cash flow hedges, net of tax	-	-	-	(846,431)	-	694,730	(151,701)
Transactions with owners							
Effect of changes in number of share options issued	-	-	(7,574)	-	-	-	(7,574)
Final dividend for the year ended December 31, 2008 @ Rs. 2.00 per share	-	-	-	-	-	(425,632)	(425,632)
	-	-	(7,574)	-	-	(425,632)	(433,206)
Balance as at March 31, 2009 (unaudited)	2,128,161	7,152,722	297,478	(719,124)	4,429,240	7,180,222	20,468,699
Total comprehensive income for the nine months ended December 31, 2009							
Profit for the period	-	-	-	-	-	3,262,520	3,262,520
Other comprehensive income	-	-	-	109,405	-	-	109,405
- cash flow hedges, net of tax	-	-	-	109,405	-	3,262,520	3,371,925
Transactions with owners							
Shares issued during the year in the ratio of 4 for every 10 shares @ Rs. 50 per share (including share premium net of share issue cost)	851,265	3,397,339	-	-	-	-	4,248,604
Effect of changes in number of share options issued	-	-	(9,220)	-	-	-	(9,220)
Interim dividend	-	-	-	-	-	(595,885)	(595,885)
- 1st @ Rs. 2.00 per share	-	-	-	-	-	(595,885)	(595,885)
- 2nd @ Rs. 2.00 per share	-	-	-	-	-	-	-
	851,265	3,397,339	(9,220)	-	-	(1,191,770)	3,047,614
Balance as at December 31, 2009 (audited)	2,979,426	10,550,061	288,258	(609,719)	4,429,240	9,250,972	26,888,238
Balance as at January 1, 2010 as previously stated	2,979,426	10,550,061	288,258	(609,719)	4,429,240	9,250,972	26,888,238
Effect of demerger - transfer of reserves to Engro Fertilizers Limited (note 1.3)	-	-	-	609,719	-	-	609,719
Balance as at January 1, 2010 after transfer of reserves to Engro Fertilizers Limited	2,979,426	10,550,061	288,258	-	4,429,240	9,250,972	27,497,957
Total comprehensive income for the three months ended March 31, 2010							
Profit for the period	-	-	-	-	-	86,716	86,716
Other comprehensive income	-	-	-	-	-	-	-
- cash flow hedges, net of tax	-	-	-	-	-	-	-
Transaction with owners							
Final dividend for the year ended December 31, 2009 @ Rs. 2.00 per share	-	-	-	-	-	(595,885)	(595,885)
Bonus shares issued during the period in the ratio of 1 for every 10 shares held	297,943	-	-	-	-	(297,943)	-
	297,943	-	-	-	-	(893,828)	(595,885)
Balance as at March 31, 2010 (unaudited)	3,277,369	10,550,061	288,258	-	4,429,240	8,443,860	26,988,788

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

ENGRO CORPORATION LIMITED (FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
UNCONSOLIDATED CONDENSED INTERIM
STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2010

(Amounts in thousand)

	Note	3 months ended March 31, 2010	3 months ended March 31, 2009
(Rupees)			
Cash flows from operating activities			
Cash generated from operations	13	24,060	2,848,280
Retirement and other service benefits paid		(4,837)	(42,193)
Financial charges paid		(1,113)	-
Taxes paid		(12,439)	(225,037)
Long term loans and advances - net		(158)	(43,318)
Net cash generated from operating activities		5,513	2,537,732
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		(7,414)	(10,279,520)
Sale proceeds on disposal of PPE		332	19,162
Long term investments		(237,800)	(202,000)
Income on deposits / other financial assets		86,738	3,496
Dividends received		112,500	112,500
Net cash used in investing activities		(45,644)	(10,346,362)
Cash flows from financing activities			
Payment of finance cost		-	(482,363)
Proceeds from borrowings		-	5,481,115
Dividends paid		(611,947)	(678,918)
Net cash generated from financing activities		(611,947)	4,319,834
Net decrease in cash and cash equivalents		(652,078)	(3,488,796)
Cash and cash equivalents at beginning of the period		3,501,216	43,574
Cash and cash equivalents at end of the period	14	2,849,138	(3,445,222)

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

ENGRO CORPORATION LIMITED (FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2010

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

- 1.1 Engro Corporation Limited (the Company, formerly Engro Chemical Pakistan Limited) explained in note 1.2 below, is a public listed company incorporated in Pakistan under the Companies Ordinance, 1984 and its shares are quoted on Karachi, Lahore & Islamabad stock exchanges of Pakistan. The principal activity of the Company is to manage investments in subsidiary companies and joint venture engaged in fertilizers, PVC resin manufacturing and marketing, control and automation, food, energy and chemical terminal and storage businesses. The Company's registered office is situated at 7th & 8th Floors, The Harbor Front Building, HC # 3, Block-4, Marine Drive, Clifton, Karachi-75600.
- 1.2 The Board of Directors in their meeting on April 28, 2009 decided to divide the Company into two companies by separating its fertilizer undertaking from the rest of the undertaking that was to be retained in the Company (Retained Undertaking). In this regard, a wholly owned subsidiary namely Engro Fertilizers Limited was incorporated on June 29, 2009. The division was to be effected through a Scheme of Arrangement (the Scheme) under Section 284 to 288 of the Companies Ordinance, 1984 whereby:
- a) the Fertilizer Undertaking would be transferred and vested in Engro Fertilizers Limited against the issuance of ordinary shares of Engro Fertilizers Limited to the Company; and
 - b) the retention of the Retained Undertaking in the Company and the change of the name of the Company to Engro Corporation Limited. Engro Corporation Limited would then become a Holding Company and oversee the business of the new fertilizer subsidiary as well as business of its other existing subsidiaries / associates.

The Scheme, after obtaining the requisite approvals from the creditors and the shareholders of the Company, was approved by the Sindh High Court on December 9, 2009, came into effect on January 1, 2010 (the Effective Date).

(Amounts in thousand)

1.3 Transfer of Fertilizer Undertaking

In order to determine the net assets for the aforementioned transfer, the assets and liabilities of the Company as at January 1, 2010 were bifurcated, as per the Scheme, between the Fertilizer Undertaking and Retained Undertaking. Based on such bifurcated balance sheet duly audited by the external auditors, the assets and liabilities transferred to the fertilizer undertaking are summarised below including the issuance of share and share premium resulted therefrom:

	— (Rupees) —
Assets	
Property, plant and equipment	69,462,873
Intangible assets	122,704
Long term loans, advances deposit and prepayments including current portion	1,552,468
Stores, spares and loose tools	961,117
Stock-in-trade	422,607
Trade debts	2,514,425
Other receivables	141,611
Derivative financial instruments	76,209
Taxes recoverable	536,167
Short term investments	450,857
Cash and bank balances	454,126
	76,695,164
Liabilities	
Borrowings including current portion	59,375,454
Derivative financial instruments including current portion	1,352,885
Deferred liabilities	987,270
Employee housing subsidy	211,785
Retirement and other service benefits obligations	67,245
Trade and other payables	3,009,325
Accrued interest / mark-up	1,366,022
Short term borrowings	195,753
	66,565,739
Net assets transferred - Fertilizer Undertaking	10,129,425
Less: Ordinary shares issued to the Company	100,000
Share premium before adjustment of hedging reserve	10,029,425
Add: Hedging reserve (negative) - refer note below	609,719
	10,639,144
Hedging Reserve	

As per the Scheme of Arrangement, out of all the reserves as at January 1, 2010, the hedging reserve and revaluation surplus / reserves were to be transferred to the Fertilizer Undertaking. Further, the Company was required to deduct only the revaluation surplus / reserves (hedging reserve omitted) from the net assets so transferred to determine the share premium amount over and above the Rs.100,000 share capital. Such omission of hedging reserve created a difference of an equivalent amount in the balance sheet. Therefore, this being an inadvertent omission in the Scheme of Arrangement, the management has also included the hedging reserve (negative) in the determination of share premium to eliminate the aforementioned difference. Further, in the opinion of the Company's management, supported by the legal advisor, the need for amendment to the Scheme of Arrangement in respect of such inclusion of hedging reserve does not arise as it does not in any way adversely affect the interest of the shareholders or creditors.

(Amounts in thousand)

2 BASIS OF PREPERATION**2.1 Basis of preparation of unconsolidated interim financial statements**

This unconsolidated condensed interim financial information is unaudited and has been prepared and is being submitted to the shareholders in accordance with section 245 of the Companies Ordinance, 1984 and International Accounting Standard 34 - 'Interim Financial Reporting'. This unconsolidated 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 December 31, 2009 of the Company.

3 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this unconsolidated condensed interim financial information are the same as those applied in the preparation of audited annual published financial statements of the Company for the year ended December 31, 2009.

4 ACCOUNTING ESTIMATES

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

During preparation of this unconsolidated condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to financial statements of the Company for the year ended December 31, 2009.

	Unaudited March 31, 2010	Audited December 31, 2009 (note 1.3)
	(Rupees)	
5 LONG TERM INVESTMENTS		
Subsidiary companies - at cost (note 5.1)	23,510,601	12,533,657
Joint venture company - at cost		
Engro Vopak Terminal Limited		
- 45,000,000 Ordinary shares of Rs. 10 each, equity held 50% (December 31, 2009: 50%)	450,000	450,000
Others - at cost		
Arabian Sea Country Club Limited		
- 500,000 Ordinary shares of Rs. 10 each	5,000	5,000
Agrimall (Private) Limited (note 5.2)	-	-
	<u>23,965,601</u>	<u>12,988,657</u>

(Amounts in thousand)

5.1 Subsidiary companies

	Unaudited March 31, 2010		Audited December 31, 2009 (note 1.3)	
	Equity % held	Investment at cost (Rupees)	Equity % held	Investment at cost (Rupees)
Quoted				
Engro Polymer & Chemicals Limited				
- 292,400,000 (December 31, 2009: 292,400,000)				
Ordinary shares of Rs. 10 each	56.19	2,847,200	56.19	2,847,200
Unquoted				
Engro Eximp (Private) Limited				
- 10,000 (December 31, 2009: 10,000)				
Ordinary shares of Rs. 10 each	100	100	100	100
- Advance against issue of share capital		480,000		480,000
		480,100		480,100
Engro Management Services (Private) Limited				
- 250,000 (December 31, 2009: 250,000)				
Ordinary shares of Rs. 10 each	100	2,500	100	2,500
Engro Foods Limited				
- 542,300,000 (December 31, 2009: 542,300,000)				
Ordinary shares of Rs. 10 each	100	5,423,000	100	5,423,000
- Advance against issue of share capital		210,000		-
		5,633,000		5,423,000
Engro Energy Limited				
- 304,000,000 (December 31, 2009: 304,000,000)				
Ordinary shares of Rs. 10 each	95	3,040,000	95	3,040,000
Engro PowerGen (Private) Limited				
- 6,010,000 (December 31, 2009: 6,010,000)				
Ordinary shares of Rs. 10 each	100	60,100	100	60,100
- Advance against issue of share capital		326,600		298,800
		386,700		358,900
Engro Fertilizers Limited				
- 10,000,000 (December 31, 2009: 7)				
Ordinary shares of Rs. 10 each (note 1.3)	100	10,739,144	100	-
Avanceon Limited				
- 25,066,667 (December 31, 2009: 25,066,667)				
Ordinary shares of Rs. 10 each	62.67	381,957	62.67	381,957
		23,510,601		12,533,657

5.2 This represents the Company's share in the paid-up capital of the investee transferred free of cost to the Company under a joint venture agreement.

(Amounts in thousand)

	Unaudited March 31, 2010	Audited December 31, 2009 (note 1.3)
6 EMPLOYEE SHARE OPTION SCHEME		
6.1 Deferred employee compensation expense	(Rupees)	
Balance as at January 1,	90,065	189,291
Options issued during the period / year	-	-
Options lapsed due to employee resignation	-	(16,794)
Amortisation for the period / year (note 6.3.2)	(5,656)	(82,432)
Balance as at end of period / year	84,409	90,065
Current portion shown under current assets	(84,409)	(87,278)
Long term portion of deferred employee compensation expense	-	2,787
6.2 Employee share option compensation reserve		
Balance as at January 1,	288,258	305,052
Options issued during the period / year	-	-
Options lapsed due to employee resignation	-	(16,794)
	-	(16,794)
Balance as end of period/year	288,258	288,258
6.3 Movement in share options outstanding at end of the period is as follows:	Unaudited March 31, 2010	Audited December 31, 2009
	(Numbers)	
Balance as at January 1,	4,376,818	4,631,818
Options issued during the period / year	-	-
Options lapsed during the period / year	-	(255,000)
	-	(255,000)
Balance as end of period / year	4,376,818	4,376,818
6.3.1 The above mentioned share options do not include the effect of right shares and bonus shares which make the total number of shares outstanding at end of the period 7,414,330.		
6.3.2 Consequent to the demerger, as referred to in note 1.2, the employees transferred to Engro Fertilizers Limited have surrendered their existing share options (5,430,810 shares) and have been granted new share options under a new scheme of Engro Fertilizers Limited on surrender of existing share options. Due to this transfer the amortisation expense for the period of the Employees Share Option Scheme is being recognised in Engro Fertilizers Limited.		
6.3.3 The Employee Share Option Scheme of Engro Fertilizers Limited has been conceptually approved by SECP, however formal approval is still awaited. Due to this the share options of the employees transferred to Engro Fertilizers Limited have not been recorded as lapsed in the scheme of the Company.		

(Amounts in thousand)

		Unaudited March 31, 2010	Audited December 31, 2009
7	SHARE CAPITAL		
7.1	Authorised Capital	(Rupees)	
	350,000,000 shares (December 31, 2009: 350,000,000) Ordinary Shares of Rs. 10 each	3,500,000	3,500,000
7.2	Movement in issued, subscribed and paid-up capital during the period / year		
		Unaudited March 31, 2010 (Numbers)	Audited December 31, 2009 (Rupees)
		297,942,563	2,128,161
	At January 1,		2,979,426
	Ordinary shares of Rs. 10 each issued during the period / year as fully paid right shares	85,126,446	851,265
	Ordinary shares of Rs. 10 each issued during the period / year as fully paid bonus shares	29,794,256	297,943
		<u>327,736,819</u>	<u>2,979,426</u>
8	TRADE AND OTHER PAYABLES		
			Unaudited March 31, 2010
			Audited December 31, 2009 (note 1.3)
		(Rupees)	
	Creditors	1,070	593,372
	Payable to Engro Fertilizers Limited (a subsidiary company)	23,365	-
	Accrued liabilities	8,406	1,116,378
	Advances from customers	-	1,099,390
	Deposits from dealers refundable on termination of dealership	-	11,073
	Contractors' deposits and retentions	-	60,022
	Workers' profits participation fund	-	2,386
	Workers' welfare fund	108,425	106,428
	Sales tax payable	3	2,135
	Others	3,724	169,668
		<u>144,993</u>	<u>3,160,852</u>

(Amounts in thousand)

9 CONTINGENCIES AND COMMITMENTS**Contingencies**

- 9.1** Corporate guarantees of Rs. 220,500 (December 31, 2009: Rs. 273,482) have been issued in favor of subsidiary companies.
- 9.2** The Company has extended project completion support to the lenders of Engro Energy Limited for US\$ 15,400 (December 31, 2009: US\$ 15,400) and a further support to the lenders of Engro Polymer and Chemicals Limited for US\$ 12,200 (December 31, 2009: US\$ 12,200). These project supports are contingent upon occurrence or non-occurrence of specified future events.
- 9.2.1** Engro Polymer and Chemicals Limited has announced a right share issue of Rs. 1,431,037 of which the Company's share is Rs. 804,100 which will be subscribed by the end of April 2010, after which the Company's obligation under the above mentioned support will be fulfilled.

	3 months ended March 31, 2010	3 months ended March 31, 2009
	————— (Rupees) —————	
10 REVENUES		
Net sales	-	5,733,228
Dividend income	-	22,500
Royalty income	62,368	-
Income on bank deposits / mutual funds	88,168	1,629
	<u>150,536</u>	<u>5,757,357</u>
11 EXPENSES		
Cost of sales	-	3,796,075
Selling and distribution expenses	-	374,475
Administrative expenses	48,630	-
	<u>48,630</u>	<u>4,170,550</u>
12 EARNINGS PER SHARE		

There is no dilutive effect on the basic earnings per share of the Company, since the average market price of the Company's share is less than the exercise price of the options granted on Company's shares to employees under the Employee Share Option Scheme, and lender. These options may have a potential dilutive impact on basic earnings per share in future periods. The basic earnings per share of the Company is based on:

	3 months ended March 31, 2010	3 months ended March 31, 2009
	————— (Rupees) —————	
Profit after taxation	<u>86,716</u>	<u>694,730</u>
	————— (Number) —————	
Weighted average number of Ordinary shares (in thousand)	<u>327,737</u>	<u>285,519</u>

(Amounts in thousand)

	3 months ended March 31, 2010	3 months ended March 31, 2009
	(Rupees)	
13 CASH GENERATED FROM OPERATIONS		
Profit before taxation	97,856	1,082,631
Adjustment for non-cash charges and other items:		
Depreciation	3,595	164,278
Amortisation	-	4,825
Profit on disposal of property, plant and equipment	-	(12,639)
Provision for retirement and other service benefits	5,952	31,180
Income on deposits / other financial assets	(88,168)	(3,496)
Dividend income	-	(22,500)
Financial charges	1,113	444,196
Employee share compensation expense	5,656	17,232
Employee Housing Subsidy expense	-	36,455
Working capital changes (note 13.1)	(1,944)	1,106,118
	<u>24,060</u>	<u>2,848,280</u>
13.1 Working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	-	(129,055)
Stock-in-trade	-	1,795,184
Trade debts		(301,992)
Loans, advances, deposits and prepayments	1,673	(534,137)
Other receivables - net	4,818	58,648
	6,491	888,648
Increase / (decrease) in current liabilities		
Trade and other payables including other service benefits - net	(8,435)	217,470
	<u>(1,944)</u>	<u>1,106,118</u>
14 CASH AND CASH EQUIVALENTS		
Cash and bank balances	182,940	1,081,546
Short term borrowings	-	71,803
Short term investments	2,666,198	(4,598,571)
	<u>2,849,138</u>	<u>(3,445,222)</u>

(Amounts in thousand)

15 TRANSACTIONS WITH RELATED PARTIES

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

	3 months ended March 31, 2010	3 months ended March 31, 2009
	(Rupees)	
Subsidiary companies		
Purchases and services	966	57,613
Services rendered	37,350	12,428
Long term investments made	237,800	202,000
Investment due to demerger	10,739,000	-
Mark up from subsidiaries	9,764	35,140
Disbursement of loan	-	156,000
Repayment of loan	-	1,100,000
Donations	20,000	-
Royalty income	62,368	-
Associated companies		
Purchases and services	1,082	1,124,859
Retirement benefits	6,101	30,020
Dividend paid	288,781	177,715
Investments in mutual funds	752,000	-
Redemption of mutual funds	250,000	-
Joint ventures		
Services rendered	266	590
Dividend received	-	112,500
Others		
Dividend paid	10,609	29,370
Remuneration of key management personnel	41,795	80,145
	Unaudited March 31, 2010	Audited December 31, 2009
	(Rupees)	
Balances due from:		
- Subsidiaries [including subordinated loan of NIL (December 31, 2009: Rs. 770,000) to Engro Eximp (Private) Limited & Rs. 241,318 (December 31, 2009: Rs. 241,318) to Avanceon Limited]	258,100	1,033,319
- Joint ventures [includes dividend receivable of NIL (December 31, 2009: Rs. 112,500) from Engro Vopak Terminal Limited]	-	112,102
Balances due to:		
- Subsidiaries	23,365	-

(Amounts in thousand)

16 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on April 28, 2010 by the Board of Directors of the Company.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

Company Information

Board of Directors

Hussain Dawood, Chairman
Asad Umar, President and Chief Executive
Isar Ahmad
Muhammad Aliuddin Ansari
Abdul Samad Dawood
Shahzada Dawood
Shabbir Hashmi
Khalid Mansoor
Ruhail Mohammed
Arshad Nasar
Asif Qadir
Khalid Siraj Subhani
Saad Raja

Company Secretary

Andalib Alavi

Chief Financial Officer

Ruhail Mohammed

Members of Audit Committee

Shabbir Hashmi, Chairman

Isar Ahmad

Muhammad Aliuddin Ansari

Abdul Samad Dawood

The secretary of committee is Naveed A. Hasmi, GM
Corporate Audit.

Auditors

A.F. Ferguson & Co.

Chartered Accountants

Share Registrar

M/s. FAMCO Associates (Private) Limited

(Formerly Ferguson Associates (Private) Limited)

First Floor, State Life Building 1-A, I.I. Chundrigar Road, Karachi – 74000

Bankers

Bank Al-Falah Limited

Bank Al-Habib Limited

United Bank Limited

Registered Office

7th & 8th Floors, The Harbor Front Building, HC # 3, Marine Drive, Block-4,
Clifton, Karachi, Pakistan.



engro corp

7th & 8th Floor, The Harbor Front Building, HC # 3,
Marine Drive, Block 4, Clifton, Karachi-75600, Pakistan.
Website: www.engro.com