

enabling excellence.

First Quarter 2011 Accounts



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engro.com

HEALTHY DYNAMICS PARTNERSHIP DESIGN





Every day, Engro enables its brand of excellence to come alive through investments, innovation and inspiration.

About Us

Engro Corporation Limited is one of Pakistan's largest conglomerates with the company's business portfolio spanning across sectors including chemical fertilizers, PVC resin, a bulk liquid chemical terminal, industrial automation, foods, power generation and commodity trade. At Engro, our ambition is to become the premier Pakistani enterprise with a global reach.

The management team at Engro is responsible for conceptualizing and articulating goals that bring our people together in pursuit of our objectives. It leads the company with a firm commitment to the values and spirit of Engro. In our journey to become a profitable, growth-oriented and sustainable company, our management structure has evolved to create a more transparent and accessible organization.

Our growth is driven by our people. Our culture is dynamic and energetic, with emphasis on our core values and loyalty of our employees. Our work environment promotes leadership, integrity, teamwork, diversity and excellence.

Our History

Today, Engro is one of Pakistan's most progressive, growth oriented organizations, managed under a holding structure that works towards better managing and oversight of subsidiaries and affiliates that are part of Engro's capital investments in Pakistan.

The company is also defined by its history, which reflects a rich legacy of innovation and growth. The seeds for the company were sown following the discovery of the Mari gas field by Esso / Mobil in 1957. Esso proposed the establishment of a urea plant, and the Esso Pakistan Fertilizer Company Limited was established in 1965 and began production in 1968. At US \$43 million with an annual production capacity of 173,000 tons, this was the single largest foreign investment by a multinational corporation in Pakistan at the time. As the nation's first fertilizer brand, the company also pioneered the education of farmers in Pakistan, helping to modernize traditional farming practices to boost farm yields, directly impacting the quality of life for farmers and the nation.

In 1978, Esso was renamed Exxon globally, and the company became Exxon Chemical Pakistan Limited. The business continued to prosper as it relentlessly pursued productivity gains and strived to attain professional excellence.

In 1991, following a decision by Exxon to divest its fertilizer business on a global basis, the employees of Exxon Chemical Pakistan Limited decided to buy out Exxon's share. This was, and perhaps still is, the most successful employee buy-out in the corporate history of Pakistan. Renamed Engro Chemical Pakistan Limited, the company continued to go from strength to strength, reflected in its consistent financial performance, growth and diversification.

In 2009 a decision was made to demerge the fertilizer business into an independent operating company to ensure undivided focus on the business's expansion and growth. In the best interests of a multi category business, expansion strategy and growth vision, the management decided that the various businesses would be better served if the company was converted to a holding company; Engro Corporation Limited.

From its inception as Esso Pakistan Fertilizer Company Limited in 1965 to Engro Corporation Limited in 2010, Engro has come a long way and will continue working towards its vision of becoming a premier Pakistani company with a global reach.

Engro Fertilizer Limited

Engro Fertilizers Limited is a premier fertilizer manufacturing and marketing company with products that focus on balanced crop nutrition and increased yield. The fertilizers business is a dynamic company driven by a vision to improve productivity and lifestyle for thousands of farmers across Pakistan.

Having started with single product, Urea, the business today caters to a variety of fertilizers for different farmers. Engro Zorawar is a high Phosphate-content fertilizer having ideal pH characteristics for alkaline soils whereas Engro Zarkhez is a high-end fertilizer product that provides convenient and balanced nutrition for a wide variety of crops. For zinc deficiency Engro Zingro is an imported Zinc fertilizer which primarily targets deficiency prone crops like rice, potato, maize, sugarcane, wheat, cotton, vegetables and fruits. Engro Fertilizers has successfully developed a loyal customer base all across Pakistan, not only by providing farmers with quality fertilizers, but also through extensive market development activities.

With the demand for Urea continuing to grow in Pakistan, Engro's fertilizer manufacturing facility at Daharki underwent a major expansion project, with the completion of the world's largest single-train ammonia-urea plant in 2010. This takes the business's production capacity to 2.3 million tons, and provides the potential for Pakistan to end near-term imports of urea, with benefits to the agri economy and the national exchequer.

Engro Foods Limited

Engro Foods Limited used dairy as a stepping stone to enter into the food business. The business has established state-of-the-art dairy processing units in Sukkur and Sahiwal, along with an ice cream production facility in Sahiwal.

Top quality dairy brands like Olper's, Olwell, Tarang, Omore and Owsun have been successfully launched under the helm of the business's dairy products. To support these brands and their higher standards of quality, Engro Foods has invested heavily in milk processing and milk collection infrastructure. The business has also made steps out of the dairy sector with the launch of its brand of juices, Olfrute, and has completed construction of its rice processing facility in Muridke.

The business is now set to conquer the international markets through a global business unit, which is preparing to enter the halal meat market in America and Canada, following its acquisition of 'Al Safa Halal'.

Engro Polymer & Chemicals Limited

Engro Polymer & Chemicals Limited is Pakistan's only manufacturer and marketer of PVC (polyvinyl chloride) resin, with an annual PVC production of 150,000 tons. The business markets its products under the brand name of SABZ. Following recent expansion, the business now has an integrated facility with the capability to manufacture EDC, VCM, Chlorine and Caustic soda.

The business plays a pivotal role in ensuring the sustainability of the domestic PVC industry and provides support through the provision of quality products and technical services. It also invests in developing new products and markets. As a part of market development it is looking to set up a complete business line for the construction industry by promoting PVC based doors and windows.

Engro Vopak Terminal Limited

Engro Vopak Terminal Limited is a joint venture with Royal Vopak of the Netherlands and has been providing world class services to the growing chemical and petrochemical industry of Pakistan. The business offers storage and handling solutions for liquid and gaseous chemicals, oil products, petrochemicals, bio-fuels, vegetable oils and Liquefied Natural Gas (LNG). The business reached a landmark for the terminal industry of Pakistan with the successful commissioning of Pakistan's first cryogenic import facility for Ethylene.

Engro Powergen Limited

Engro Powergen Limited seeks to develop power projects in Pakistan to help reduce the power shortage in the country and earn a competitive return for shareholders.

The business has set up its first venture into the power sector, with a 220 MW power plant in Qadirpur. This is Engro's first Independent Power Project (IPP) and it utilizes permeate gas, thus reducing carbon emissions.

The Sindh Engro Coal Mining Company Limited is a joint venture between the Government of Sindh and Engro Powergen, to mine coal from Thar Block II. The project has completed its technical, economic and environmental feasibility assessment and aims to utilize the ample reserves of coal in the Thar Desert for power generation.

Engro Powergen also seeks to reduce Pakistan's power shortage by exploring and implementing cleaner, efficient and economic methods of power generation. Wind, hydro and solar power projects are being actively assessed as alternative energy options for Pakistan.

Engro Eximp Private Limited

Engro Eximp Private Limited trades in commodity fertilizers such as DAP, MAP, MOP and SOP, and micro-nutrients like Zinc Sulphate. It supplies these fertilizers as raw materials to Engro Fertilizer's Zarkhez plant for manufacturing blended compound fertilizers. Engro Eximp has been the largest importer of phosphates and potash fertilizers in Pakistan over the last few years and has also recently expanded into the regional trade of fertilizers.

With a vision to expand into new and profitable trading avenues, Engro Eximp has established a fast growing basmati rice trading business. The business will procure high quality basmati paddy from farmers and export finished basmati rice to B2B customers across the world. As part of this initiative, Engro has set up a large, state-of-the-art rice processing mill in Muridke; the heart of the basmati growing area in Pakistan.

Avanceon Limited

Avanceon Limited is a leading global automation business, providing process and control solutions, with subsidiaries operating in UAE and the United States. The business also offers power and energy management integrated solutions, as well as high end software that integrate production and business applications. Avanceon's driving force is its vision to develop intellectual property to optimize the energy footprint of the manufacturing industry.

directors' report

First Quarter 2011 review for the Shareholders Engro Corporation Limited

On behalf of the Board of Directors of Engro Corporation Limited, we are pleased to present the unaudited group consolidated accounts for the three months ended, March 31, 2011.

Overview of 1Q 2011

Our consolidated revenue recorded an increase of 29.5 % and stood at Rs 21.8 billion for the first quarter 2011, as compared to Rs 16.9 billion in the same period last year. Net profit (equitable to the equity holders of the holding company) increased to Rs 2,054 million in 1Q 2011 from Rs 1,889 million in 1Q 2010.

Business Review

Fertilizers

Market demand for urea during the three months ended March 31, 2011 was 1.2 million tons, a decline of 14% over the same period last year. Major reasons for the decline were price uncertainty and shortage of product due to gas curtailment. Engro Fertilizer's urea sales were 243 Ktons in 1Q 2011, down by 4% from 252 Ktons for the same period in 2010. This was primarily due to a 10% decline in production, to 232 Ktons from 257 Ktons in 1Q 2010, because of gas curtailment. Engro's urea market share improved to 20% in 1Q 2011 from 18% in 1Q 2010. Sales of the company manufactured blended fertilizers (Zarkhez and Engro NP) was 29,226 tons in 1Q 2011, as compared to 21,300 tons during the same period last year. The increase is attributable to focused marketing of the product as well as demand substitution due to rising phosphate prices.

The business's new expansion facility, which achieved urea production on December 29, 2010, was subjected to winter gas load shedding for 45 days starting January 7, 2011. However, the outage extended beyond the announced period and gas was made available in the second week of March, after a 63 day outage. Trial production continued during the quarter, but due to unavailability of gas, the facility could not achieve commercial operations. Engro Fertilizers has filed a case

in the Honorable Sind High Court against the Ministry of Petroleum and Natural Resources, Ministry of Industries, Govt of Pakistan and Sui Northern Gas Pipelines Ltd. against the suspensions and curtailment of its gas supply. The Court has issued interim orders that the gas supply to our new plant should not be disconnected.

The fertilizer business made net profit of Rs 1,397 million for the three months ended March 31, 2011, an 81% growth over the profit of Rs 773 million for the same period last year.

The fertilizer trading business, managed by Engro Eximp, sold 46 Ktons of phosphatic fertilizers in 1Q 2011, capturing 27% of the market share. The business earned a profit of Rs 164 million for the three months ended March 31, 2011 as compared to a profit of Rs 897 million for the same period last year. In 1Q 2010, the business had benefited from a price upturn, resulting in high margins from carried over inventory.

Energy & Power Generation

Engro Powergen Qadirpur dispatched 99.6% of its installed capacity to the national grid during the first quarter of 2011. The plant also underwent its first planned outage, which was safely completed as scheduled. The company declared a net profit of Rs 349 million for the three months ended, March 31, 2011.

During 1Q 2011, we worked with our Chinese Contractors to develop firm EPC proposals for Mining and Power Generation based on ignite coal of Thar Block II. We also continued to actively pursue the Government of Sindh for the development of necessary infrastructure for the success of the Thar Coal Project.

Foods

Engro Foods Limited had a turnover of Rs 6.4 billion during the first quarter compared to Rs 4.7 billion for the corresponding period last year. UHT sales were up by 19% vs the same period in 2010, driven largely by the growth of Tarang, with new flavors of Owsum milk also added to the portfolio during 1Q 2011. Olfirute Juices & Nectars were re-launched during the period, with new packaging and additional flavors. Omore was launched in Karachi, continuing its geographical expansion towards achieving a higher market share. The Dairy Farm

at Nara produced 21 kilo liters per day during the first quarter. During January 2011, Engro Corporation Limited entered into an agreement, on behalf of Engro Foods, with Al Safa Halal to purchase its North American halal food business. The business will be managed by Engro Foods and shares will be transferred to Engro Foods once regulatory approval is received.

The net profit for the three months ended March 31, 2011 was Rs 117 million as compared to a net loss of Rs 15 million for the same period last year.

The rice trading business, managed by Engro Eximp, exported 1,524 tons of rice during 1Q 2011, as compared to 992 tons in the same period last year. The rice processing facility, owned and operated by Engro Foods Supply Chain will be fully operational during the second quarter of the year.

Petrochemicals

Domestic PVC sales increased to 29 Ktons in 1Q 2011, as compared to 22 Ktons in the corresponding period last year, with increased production by the business resulting in a decline of imported PVC resin. The business's caustic soda sales remained strong during 1Q 2011, with the business selling 20 Ktons out of a total production of 22 Ktons. Remaining caustic soda was used for the production of 4 Ktons of Sodium Hypochlorite, all of which was sold to the domestic market during the quarter. The business produced 23 Ktons of EDC, of which 3 Ktons was exported and the remaining was channeled into the VCM production process. Engro Polymer incurred a loss of Rs 59 million for the three months ended March 31, 2011, compared to a loss of Rs 154 million in 1Q 2010. The loss was primarily due to decreased production as a result of plant turnaround.

Chemical Storage & Terminal

Engro Vopak Terminal Limited had smooth operations in the quarter and posted a profit of Rs 239 million, as compared to a profit of Rs 264 million during the same period last year. The Competition Commission of Pakistan, on a complaint from Lotte Pakistan, has issued show cause notices alleging (1) that the exclusivity clause contained in the Implementation Agreement with PQA required an

Exemption from the CCP and (ii) for "abuse of dominant position" on the storage contract EVTL has with Lotte and for similarly abusing its dominant position in the renegotiations for the extension of that contract. Hearings have been held. EVTL has denied the allegations.

Industrial Automation

Avanceon Limited posted a consolidated loss of Rs 9 million as compared to a loss of Rs 64 million during the same period last year.

Near Term Outlook

In the fertilizers business, the gas supply scenario remains volatile with fertilizer plants on Sui networks subjected to unprecedented gas load shedding in winter months. In particular, fertilizer units on the SNGPL network will continue to face supply outages and disruptions. We expect there to be a shortfall in supply of approximately 700,000 tons in relation to urea demand. The GoP will have to subsidize this urea shortfall to the extent of Rs 10 billion. Moreover, gas curtailment has also impacted cost of urea for farmer which has increased by over 25%. The company has made various representations on many forums at GoP level to advise on the consequences of gas curtailment and load shedding on the industry and its impact on urea prices and supply. Further curtailment of gas may lead to much severe shortages of urea thereby impacting farm output.

Subject to continued of normal gas supply, the new fertilizer plant is expected to achieve commercial production in the second quarter of 2011.

We see continuing growth in our foods business; however, revised General Sales Tax (RGST) on milk will remain a key risk to dairy segment outlook, although RGST is not expected to have any impact on rice, ice cream and juices segments.

In the petrochemical business, PVC prices are expected to remain high with strong domestic demand from the agricultural and construction sector as well as exports to Afghanistan. The business's margins are expected to improve as the integrated facility continues smooth operations.

consolidated condensed interim
balance sheet (unaudited)
as at march 31, 2011

(Amounts in thousand)

Assets

Non-Current Assets

| | Note | Unaudited March 31, 2011 ------(Rupees)----- | Audited December 31, 2010 ----- |
|--|------|---|--|
| Property, plant and equipment | 5 | 133,111,792 | 128,712,148 |
| Exploration and evaluation expenditure | | 367,187 | 356,286 |
| Biological assets | | 427,715 | 428,293 |
| Intangible assets | | 885,474 | 877,323 |
| Long term investments | | 456,778 | 514,505 |
| Long term loans and advances | | 202,455 | 193,458 |
| | | <u>135,451,401</u> | <u>131,082,013</u> |

Current Assets

| | | | |
|---|----|---------------------------|---------------------------|
| Stores, spares and loose tools | | 5,215,138 | 4,910,941 |
| Stock-in-trade | 7 | 11,444,261 | 8,843,677 |
| Trade debts | 8 | 4,419,077 | 5,131,408 |
| Deferred employee compensation expense | 6 | 1,409 | 4,829 |
| Derivative financial instruments | 14 | 4,926 | 3,148 |
| Loans, advances, deposits and prepayments | | 1,971,735 | 2,474,076 |
| Other receivables | 9 | 1,732,813 | 1,287,827 |
| Taxes recoverable | | 2,461,692 | 2,494,314 |
| Short term investments | | 837,749 | 4,426,188 |
| Cash and bank balances | | 4,376,197 | 4,120,031 |
| | | <u>32,464,997</u> | <u>33,696,439</u> |
| TOTAL ASSETS | | <u>167,916,398</u> | <u>164,778,452</u> |

(Amounts in thousand)

Equity & liabilities

Equity

| | Note | Unaudited March 31, 2011 ------(Rupees)----- | Audited December 31, 2010 ----- |
|---|------|---|--|
| Share Capital | | 3,932,843 | 3,277,369 |
| Share premium | | 10,550,061 | 10,550,061 |
| Employee share option compensation reserve | 6 | 162,179 | 162,455 |
| Hedging Reserve | 11 | (679,838) | (927,438) |
| Revaluation reserve on business combination | | 102,148 | 104,698 |
| Maintenance reserve | 12 | 198,435 | 197,577 |
| Exchange revaluation reserve | | 28,496 | 28,883 |
| General reserves | | 4,429,240 | 4,429,240 |
| Unappropriated profit | | 13,518,593 | 12,776,146 |
| | | <u>28,309,314</u> | <u>27,321,622</u> |
| | | <u>32,242,157</u> | <u>30,598,991</u> |
| Non Controlling Interest | | <u>3,506,780</u> | <u>3,516,024</u> |
| Total Equity | | <u>35,748,937</u> | <u>34,115,015</u> |

Liabilities

Non-Current Liabilities

| | | | |
|----------------------------------|----|-------------------|-------------------|
| Borrowings | 13 | 86,336,046 | 89,151,849 |
| Derivative financial instruments | 14 | 663,841 | 805,154 |
| Obligations under finance lease | | 15,703 | 18,998 |
| Deferred taxation | 15 | 3,020,641 | 2,471,226 |
| Employee housing subsidy | | 55,098 | 347,886 |
| Deferred liabilities | | 89,927 | 117,279 |
| | | <u>90,181,256</u> | <u>92,912,392</u> |

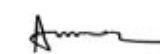
Current Liabilities

| | | | |
|---------------------------------------|----|---------------------------|---------------------------|
| Trade and other payables | 16 | 13,916,522 | 12,614,214 |
| Accrued interest / mark-up | | 2,170,965 | 2,619,453 |
| Current portion of | | | |
| - borrowings | 13 | 17,748,062 | 15,543,787 |
| - obligations under finance lease | | 4,106 | 13,310 |
| - deferred liabilities | | 26,290 | 23,047 |
| Short term borrowings | | 6,537,778 | 5,715,775 |
| Derivative financial instruments | 14 | 859,324 | 1,040,829 |
| Taxation | | 723,158 | 180,630 |
| Unclaimed dividends | | 41,986,205 | 37,751,045 |
| Total Liabilities | | <u>132,167,461</u> | <u>130,663,437</u> |
| Contingencies and Commitments | 18 | | |
| TOTAL EQUITY & LIABILITIES | | <u>167,916,398</u> | <u>164,778,452</u> |

The annexed notes from 1 to 31 form an integral part of this consolidated condensed interim financial information.



Hussain Dawood
Chairman



Asad Umar
President and Chief Executive

consolidated condensed interim profit and loss account (unaudited) for three months ended march 31, 2011


(Amounts in thousand except for earnings per share)

| | Note | 3 months ended March 31, 2011 | 3 months ended March 31, 2010 |
|------------------------------------|------|-------------------------------------|-------------------------------------|
| | | ------(Rupees)----- | |
| Net sales | | 21,848,250 | 16,859,137 |
| Cost of sales | 20 | (15,723,021) | (12,177,435) |
| Gross Profit | | 6,125,229 | 4,681,702 |
| Selling and distribution expenses | 21 | (1,515,307) | (1,348,553) |
| Administrative expenses | 22 | (646,334) | (437,954) |
| | | 3,963,588 | 2,895,195 |
| Other operating income | | 343,552 | 134,836 |
| Other operating expenses | | (277,846) | (265,451) |
| Finance cost | | (1,173,214) | (638,455) |
| | | (1,451,060) | (903,906) |
| Share of income from joint venture | | 119,687 | 132,259 |
| Profit before taxation | | 2,975,767 | 2,258,384 |
| Taxation - Current | 23 | (642,593) | (607,832) |
| - Deferred | | (291,531) | 154,651 |
| | | (934,124) | (453,181) |
| Profit for the year | | 2,401,643 | 1,805,203 |
| Profit attributable to: | | | |
| - Owners of the Holding Company | | 2,053,977 | 1,888,953 |
| - Non Controlling Interest | | (12,334) | (83,750) |
| | | 2,041,643 | 1,805,203 |
| Earnings per share - basic | 24 | Rs 5.22 | Restated Rs 4.80 |
| - diluted | 24 | Rs 5.21 | Rs4.80 |

The annexed notes from 1 to 31 form an integral part of this consolidated condensed interim financial information.



Hussain Dawood
Chairman



Asad Umar
President and Chief Executive

consolidated condensed interim statement of comprehensive income (unaudited) for three months ended march 31, 2011


(Amounts in thousand)

| | Note | 3 months ended March 31, 2011 | 3 months ended March 31, 2010 |
|---|------|-------------------------------------|-------------------------------------|
| | | ------(Rupees)----- | |
| Profit for the year | | 2,041,643 | 1,805,203 |
| Other comprehensive income | | | |
| Hedging reserve - cash flow hedges | | | |
| Losses arising during the year | | (188,268) | (521,639) |
| Less: | | | |
| - Reclassification adjustments for losses/ (gains) included in profit and loss | | 229 | 14,939 |
| - Adjustments for amounts transferred to initial carrying amount of hedged items (capital work in progress) | | 576,147 | 210,284 |
| | | 388,108 | (296,416) |
| Revaluation reserve on business combination | | (5,492) | (5,492) |
| Exchange differences on translation of foreign operations | | (617) | 179 |
| | | 381,999 | (301,729) |
| Income tax relating to: | | | |
| Hedging reserve - cash flow hedges | | (135,837) | 103,746 |
| Revaluation reserve on business combination | | 1,922 | 1,922 |
| | | (133,915) | 105,668 |
| Other comprehensive income for the year, net of tax | | 248,084 | (196,061) |
| Total comprehensive income for the year | | 2,289,727 | 1,609,142 |
| Total comprehensive income attributable to: | | | |
| - Owners of the Holding Company | | 2,298,640 | 1,709,244 |
| - Non Controlling Interest | | (9,244) | (100,102) |
| | | 2,289,396 | 1,609,142 |

The annexed notes from 1 to 31 form an integral part of this consolidated condensed interim financial information.



Hussain Dawood
Chairman



Asad Umar
President and Chief Executive

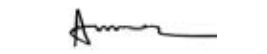
consolidated condensed interim
statement of changes in equity (unaudited)
for three months ended march 31, 2011

(Amounts in thousand)

| | Attributable to owners of the Holding Company | | | | | | | | | | | Total |
|--|---|---------------|--------------------------------------|-----------------|---|---------------------|------------------------------|-----------------|-----------------------|-------------|--------------------------|------------|
| | Share capital | Share premium | Employee option compensation reserve | Hedging reserve | Revaluation reserve on business combination | Maintenance reserve | Exchange revaluation reserve | General reserve | Unappropriated Profit | Sub total | Non controlling Interest | |
| Balance as at 1 January, 2010 | 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 period ended March 31, 2010 | | | | | | | | | | | | |
| Profit for the period | - | - | - | (177,271) | (2,550) | - | 112 | - | 1,888,953 | 1,888,953 | (83,750) | 1,805,203 |
| Other comprehensive income | - | - | - | (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 | - | - | - | - | - | - | - | - | (595,886) | (595,886) | - | (595,886) |
| Balance as at 1 January, 2010 | 297,943 | - | 58,835 | - | - | - | - | - | (893,829) | (537,051) | - | (637,051) |
| Balance as at December 31, 2010 | 3,277,369 | 10,550,061 | 377,077 | (794,271) | 112,350 | - | (43,073) | 4,429,240 | 9,382,844 | 27,291,397 | 3,125,089 | 30,416,486 |
| Total comprehensive income for the nine months ended December 31, 2010 | | | | | | | | | | | | |
| Profit for the period | - | - | - | (133,167) | (7,652) | - | 71,956 | - | 4,901,096 | 4,901,096 | (285,297) | 4,635,799 |
| Other comprehensive income | - | - | - | (133,167) | (7,652) | - | 71,956 | - | 4,901,096 | 4,832,233 | (235,991) | 4,596,242 |
| Transactions with owners | | | | | | | | | | | | |
| Issue of shares by Engro Polymer and Chemicals Limited | - | - | - | - | - | - | - | - | - | - | 626,926 | 626,926 |
| Maintenance reserve created by Engro Powergen Qadirpur Limited, a subsidiary of Engro PowerGen Limited (formerly Engro Energy Limited) | - | - | - | - | - | - | 197,577 | - | (197,577) | - | - | - |
| Vested options lapsed during the year | - | - | (929) | - | - | - | - | - | 929 | - | - | - |
| Effect of changes in number of share options issued | - | - | (213,693) | - | - | - | - | - | - | (213,693) | - | (213,693) |
| Interim dividend - 1st @ Rs 2.00 per share - 2nd @ Rs 2.00 per share | - | - | - | - | - | - | - | - | (655,473) | (655,473) | - | (655,473) |
| Balance as at December 31, 2010 | - | - | (214,622) | - | - | - | 197,577 | - | (1,507,594) | (1,524,639) | 626,926 | (897,713) |
| Balance as at December 31, 2010 | 3,277,369 | 10,550,061 | 162,455 | (927,438) | 104,698 | - | 197,577 | 28,883 | 4,429,240 | 12,776,146 | 30,598,991 | 34,115,015 |
| Total comprehensive income for the three months ended March 31, 2011 | | | | | | | | | | | | |
| Profit for the year | - | - | - | 247,600 | (2,550) | - | (387) | - | 2,053,977 | 2,053,977 | (12,334) | 2,041,643 |
| Other comprehensive income | - | - | - | 247,600 | (2,550) | - | (387) | - | 2,053,977 | 2,298,640 | (9,244) | 2,289,396 |
| Transactions with owners | | | | | | | | | | | | |
| Bonus shares issued during the year in the ratio of 1 for every 5 shares | 655,474 | - | - | - | - | - | - | - | (655,474) | - | - | - |
| Maintenance reserve created by Engro Powergen Qadirpur Limited, a subsidiary of Engro PowerGen Limited (formerly Engro Energy Limited) | - | - | - | - | - | - | 858 | - | (858) | - | - | - |
| Effect of changes in number of share options issued | - | - | (276) | - | - | - | - | - | 276 | - | - | - |
| Final dividend for the year ended December 31, 2009 @ Rs 2.00 per share | - | - | - | - | - | - | - | - | (655,474) | (655,474) | - | (655,474) |
| Balance as at March 31, 2011 | 655,474 | - | (276) | - | - | - | 858 | - | (1,311,530) | (655,474) | - | (655,474) |
| Balance as at March 31, 2011 | 3,932,843 | 10,550,061 | 162,179 | (679,838) | 102,148 | - | 198,435 | 28,496 | 4,429,240 | 13,518,993 | 32,242,157 | 35,748,937 |

The annexed notes from 1 to 31 form an integral part of this consolidated condensed interim financial information.


Hussain Dawood
Chairman


Asad Umar
President and Chief Executive

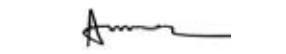
consolidated condensed interim
statement of cash flows (unaudited)
for three months ended march 31, 2011

(Amounts in thousand)

| Note | Unaudited March 31, 2011 | Unaudited March 31, 2010 |
|--|--------------------------|--------------------------|
| | ------(Rupees)----- | |
| Cash flows from operating activities | | |
| Cash generated from operations | | |
| 25 | 3,807,302 | (740,304) |
| | (81,574) | (73,641) |
| | (929,112) | (578,533) |
| | (507,561) | (296,307) |
| | (8,997) | (89,747) |
| | 2,280,058 | (1,778,532) |
| Cash flows from investing activities | | |
| Purchases of property, plant & equipment and biological assets | | |
| | (5,603,491) | (5,587,473) |
| Sale proceeds on disposal of property, plant & equipment and biological assets | | |
| | 21,606 | 53,598 |
| Long term investments | | |
| | (2,602) | - |
| Income on deposits / other financial assets | | |
| | 247,463 | 140,136 |
| Dividends received | | |
| | 90,000 | 112,500 |
| | (5,247,024) | (5,281,239) |
| Net cash used in investing activities | | |
| Cash flows from financing activities | | |
| Proceeds from borrowings - net | | |
| | (1,071,086) | 4,782,803 |
| Obligations under finance lease - net | | |
| | (3,278) | 1,705 |
| Retention money against project payments | | |
| | - | - |
| Dividends paid | | |
| | (112,946) | (611,947) |
| | (1,187,310) | 4,172,561 |
| Net cash used in from financing activities | | |
| | (4,154,276) | (2,887,210) |
| Net increase/ (decrease) in cash and cash equivalents | | |
| | 2,830,444 | 6,089,897 |
| 26 | (1,323,832) | 3,202,687 |
| Cash and cash equivalents at beginning of the year | | |
| Cash and cash equivalents at end of the year | | |

The annexed notes from 1 to 31 form an integral part of this consolidated condensed interim financial information.


Hussain Dawood
Chairman


Asad Umar
President and Chief Executive

notes to the consolidated condensed interim financial information (unaudited) for the month ended march 31, 2011

(Amounts in thousand)

1. Legal Status and Operations

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 and 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, exploration 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.

1.1 The "Group" consists of:

Holding Company- Engro Corporation Limited

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

| | %age of direct holding | |
|---|------------------------|-------|
| | 2011 | 2010 |
| - Engro Fertilizers Limited | 100 | 100 |
| - Engro Foods Limited | 100 | 100 |
| - Engro Eximp (Private) Limited | 100 | 100 |
| - Engro Management Services (Private) Limited | 100 | 100 |
| - Engro PowerGen Limited | 100 | 100 |
| - Avanceon Limited | 62.67 | 62.67 |
| - Engro Polymer and Chemicals Limited | 56.19 | 56.19 |

Joint Venture Company:

| | | |
|--------------------------------|----|----|
| - Engro Vopak Terminal Limited | 50 | 50 |
|--------------------------------|----|----|

Associated Company:

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

1.2 The condensed interim financial statements of the subsidiary companies have been consolidated on a 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 the 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.

(Amounts in thousand)

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, 2010

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, 2010.

4. Accounting Estimates

The preparation of this consolidated condensed interim financial information in conformity with the approved accounting standards require 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 judgements 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, 2010.

5. Property, Plant and Equipment

| | Unaudited March 31, 2011 | Audited December 31, 2010 |
|--|--------------------------------|---------------------------------|
| | ------(Rupees)----- | |
| Operating assets, at net book value | 57,983,744 | 58,106,575 |
| Capital work in progress | | |
| - Expansion and other projects (note 5.1) | 73,903,138 | 69,528,996 |
| - Capital spares | 1,224,910 | 1,076,577 |
| | <u>133,111,792</u> | <u>128,712,148</u> |
| 5.1 Capital work-in-progress - Expansion and other projects | | |
| Plant and machinery (note 5.1.1) | 47,356,488 | 44,258,718 |
| Building and civil works (note 5.1.1) | 9,407,480 | 9,128,205 |
| Furniture, fixture and equipment | 195,468 | 300,514 |
| Advances to suppliers | 196,320 | 218,811 |
| Other ancillary costs | 16,747,382 | 15,622,748 |
| | <u>73,903,138</u> | <u>69,528,996</u> |

notes to the consolidated condensed interim financial information (unaudited) for the month ended march 31, 2011

(Amounts in thousand)

5.1.1 Capital work in progress includes Rs 45,472,468 (December 31, 2010: Rs 44,256,976) and Rs 8,255,648 (December 31, 2010: Rs 7,877,933) with respect to Urea expansion project (Enven Plant), adjacent to existing Daharki plant, for plant & machinery and building & civil works respectively. The capacity of the Enven Plant will be 1.3 million tons of Urea per annum and will cost approximately US\$ 1.1 billion. The Company commenced trial production on December 29, 2010 but could not continue for a reasonable period, as required for commissioning of commercial production, due to curtailment of gas by Sui Northern Gas Pipeline Limited (SNGPL) for forty five days from January 7, 2011. However, gas outage was extended till second week of March. While efforts were underway to smoothen plant operations, further outages of gas were faced from first week of April which has pushed forward declaration of commercial production. Same is now targeted for May subject to gas availability.

6. Deferred employee compensation expense

| | Unaudited March 31, 2011 ----- (Rupees) | Audited December 31, 2010 ----- (Rupees) |
|---|---|--|
| Balance as at January 1 | 4,829 | 100,461 |
| Options issued during the year / transfers | - | 59,878 |
| Options lapsed due to employee resignation | (276) | (69,103) |
| Amortisation for the year | (3,144) | (86,407) |
| Balance at the end of the period / year | <u>1,409</u> | <u>4,829</u> |
| Less: Current portion shown under current assets | (1,409) | (4,829) |
| Long term portion of deferred employee compensation expense | <u>-</u> | <u>-</u> |

6.1 Employee share option compensation reserve

| | | |
|--|----------------|----------------|
| Balance as at January 1 | 162,455 | 318,242 |
| Add: Options issued during the period / year | - | 59,878 |
| Less: Options lapsed due to employee resignation | (276) | (215,665) |
| Balance at end of the period / year | <u>162,179</u> | <u>162,455</u> |

6.2 The Holding Company and Subsidiary Companies used Black Scholes pricing model to calculate the fair value of share options at the grant date.

7. Stock-in-Trade

| | | |
|---|-------------------|------------------|
| Raw materials and packing materials | 4,382,160 | 3,065,106 |
| Unprocessed rice | 2,281,323 | 1,701,354 |
| Inventory of fuel stock | 461,529 | 471,270 |
| Work-in-process | 307,306 | 53,313 |
| Finished goods - own manufactured product | 1,891,727 | 2,105,269 |
| - purchased product | 2,126,099 | 1,482,939 |
| Less: Provision for slow moving inventory | (5,884) | (35,574) |
| | <u>4,011,942</u> | <u>3,552,634</u> |
| | <u>11,444,260</u> | <u>8,843,677</u> |

(Amounts in thousand)

Engro Corp. | First Quarterly Report 2011

8. Trade Debts

| | Unaudited March 31, 2011 ----- (Rupees) | Audited December 31, 2010 ----- (Rupees) |
|--------------------------------|---|--|
| Considered good | | |
| - secured | 3,999,685 | 4,755,732 |
| - unsecured | 419,392 | 383,017 |
| | <u>4,419,077</u> | <u>5,138,749</u> |
| Considered doubtful | 122,873 | 131,784 |
| | <u>4,541,950</u> | <u>5,270,533</u> |
| Less: Provision for impairment | (122,873) | (139,125) |
| | <u>4,419,077</u> | <u>5,131,408</u> |

9. Other Receivables

9.1 Other receivables include Rs 57,135 (December 31, 2011: Rs 57,135) in respect of sales tax receivable from the Government of Pakistan, levied in 2008 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 said grade of MAP should be assessed at deemed value of import with retrospective effect. An appeal has been filed before the Collector, Sales Tax and Federal Excise and the management is confident that it will be decided in the Company's favour and the aforementioned amount paid under protest would be fully recovered.

9.2 Includes sales tax refundable of Engro Foods Limited, amounting to Rs 542,182 (2010: Rs 518,439). Sales tax has been zero rated on Engro Foods Limited's supplies (output), raw materials, components and assemblies imported or purchased locally by the Company for manufacturing in respect of its dairy operations.

10. SHARE CAPITAL

10.1 Authorised Capital

| | | |
|---|------------------|------------------|
| 450,000,000 shares (December 31, 2010: 350,000,000) Ordinary Shares of Rs 10 each | <u>4,500,000</u> | <u>3,500,000</u> |
|---|------------------|------------------|

notes to the consolidated condensed interim financial information (unaudited) for the month ended march 31, 2011

(Amounts in thousand)

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

| Unaudited March 31, 2011 | Audited December 31, 2010 | | Unaudited March 31, 2011 | Audited December 31, 2010 |
|--------------------------------|---------------------------------|---|--------------------------------|---------------------------------|
| ------(Numbers of shares)----- | | | ------(Rupees)----- | |
| 327,736,819 | 297,942,563 | As at January 1 | 3,277,369 | 2,979,426 |
| | | Ordinary shares of Rs 10 each issued during the year as fully paid bonus shares | 655,474 | 297,943 |
| 65,547,364 | 29,794,256 | | 3,932,843 | 3,277,369 |
| <u>393,284,183</u> | <u>327,736,819</u> | | | |

10.3 Associated companies held 187,330,772 (2010: 158,516,740) ordinary shares in the Company at period end.

10.4 During the period, the Company issued bonus shares in the ratio of 1 share for every 5 shares held.

11. HEDGING RESERVE

Fair values of :

| | | |
|--------------------------------------|--------------------|--------------------|
| - Forward foreign exchange contracts | (51,586) | (231,417) |
| - Foreign currency option contracts | - | (11,954) |
| - Interest rate swaps | (1,036,212) | (1,232,022) |
| | <u>(1,087,798)</u> | <u>(1,475,393)</u> |
| Less: Deferred tax | 380,730 | 516,385 |
| Less: Minority interest | 27,230 | 31,570 |
| | <u>407,960</u> | <u>547,955</u> |
| | <u>(679,838)</u> | <u>(927,438)</u> |

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

12. Maintenance Reserve

In accordance with the Power Purchase Agreement (PPA), Engro Powergen Qadirpur Limited is required to establish and maintain a separate reserve fund (the Fund) with a depository institution for payment of major maintenance expenses. Any interest income resulting from the depository arrangements of the Fund shall remain in the Fund.

(Amounts in thousand)

Under the PPA, 1/24th of the annual operating and maintenance budget of the Power Plant less fuel expenses is to be deposited into the Fund on each capacity payment date until such reserve equals to nine such deposits. After the second Agreement year and thereafter the Fund may be re-established at such other level that the Company and NTDC mutually agree.

13. Borrowings

Balance as at January 1
Loans availed during the period / year - net of transaction cost

Repayments during the period / year

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

| | Unaudited March 31, 2011 | Audited December 31, 2010 |
|--|--------------------------------|---------------------------------|
| | ------(Rupees)----- | |
| | 104,695,636 | 86,517,828 |
| | <u>1,379,391</u> | <u>20,176,642</u> |
| | 106,075,027 | 106,348,614 |
| | <u>(1,990,919)</u> | <u>(1,998,834)</u> |
| | 104,084,108 | 104,695,636 |
| | <u>(17,748,062)</u> | <u>(15,543,787)</u> |
| | <u>86,336,046</u> | <u>89,151,849</u> |

Engro Fertilizers Limited

During the period, Engro Fertilizers Limited (the Subsidiary Company), paid its first installment amounting to US\$ 20,250 under Islamic Offshore Finance Facility agreement of US\$ 150,000 with Citi Bank, Dubai Islamic Bank, Habib Bank Limited, National Bank of Pakistan, SAMBA Financial Group and Standard Chartered Bank.

The maturity of loan facilities range from 13 months 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 and bridge loans obtained in the year 2010, are secured by equitable mortgage upon immovable assets located at Daharki and hypothecation charge on fixed assets of the Company. The PPTFCs, IFC's facility and above-mentioned bridge loans are secured by a subordinated floating charge over all present and future fixed assets excluding land and buildings.

Engro Foods Limited

During the period, Engro Foods Limited (the Subsidiary Company) has obtained a long term loan facility from Citibank NA amounting to Rs 700,000 and utilized Rs 300,000 therefrom. The rates of mark-up on finances are KIBOR based and range from 13.52% to 16.25% (2010: 12.71% to 15.12%) per annum

Engro PowerGen Limited

Engro PowerGen Limited (the Subsidiary Company) entered into a financing agreement with consortium comprising of International Finance Corporation, DEG, FMO, Proparco, Swed Fund and OFID amounting to USD 144 million. The finances carry markup at the rate of six months LIBOR plus 3% payable semi-annually over a period of twelve years, whereas the principal is repayable in twenty semi-annual payments/instalments commenced from December 15, 2010. As at March 31, 2011, the outstanding balance of the borrowing was USD 139.07 million.

notes to the consolidated condensed interim financial information (unaudited) for the month ended march 31, 2011

(Amounts in thousand)

The above finances are secured by an equitable mortgage upon the immovable property of the subsidiary company and the hypothecation charge against current and future assets of the subsidiary company, except receivables from NTDC in respect of Energy Purchase Price.

Engro Polymer and Chemicals Limited

"Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and syndicates of banks, the Subsidiary Company is required to comply with certain debt covenants. As at March 31, 2011, all debt covenants have been complied with except for current ratio, for which waivers have been applied for."

14. DERIVATIVE FINANCIAL INSTRUMENTS

| | Unaudited March 31, 2011 | | Audited December 31, 2010 | |
|--|-----------------------------|-------------|------------------------------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| Conversion option on IFC loan | - | 430,442 | - | 367,442 |
| Cash flow hedges: | | | | |
| - Foreign exchange forward contracts (note 14.1) | 4,926 | 56,512 | 2,638 | 234,055 |
| - Foreign exchange option contracts | - | - | 510 | 12,464 |
| - Interest rate swaps (note 14.2) | - | 1,036,211 | - | 1,232,022 |
| | 4,926 | 1,092,723 | 3,148 | 1,478,541 |
| | 4,926 | 1,523,165 | 3,148 | 1,845,983 |
| Less: Current portion shown under current assets / liabilities | | | | |
| Conversion option on IFC loan | - | 430,442 | - | 367,442 |
| Cash flow hedges: | | | | |
| - Foreign exchange forward contracts | 4,926 | 56,512 | 2,638 | 234,055 |
| - Foreign exchange option contracts | - | - | 510 | 12,464 |
| - Interest rate swaps | - | 372,370 | - | 426,868 |
| | 4,926 | 428,882 | 3,148 | 673,387 |
| | 4,926 | 859,324 | 3,148 | 1,040,829 |
| | - | 663,841 | - | 805,154 |

14.1 Foreign exchange forward contracts

14.1.1 Engro Fertilizers Limited, a wholly owned subsidiary entered into various forward exchange contracts to hedge its foreign currency exposure. As at March 31, 2011, the Group had forward exchange contracts to purchase Euros 3,872 (December 31, 2010: Euros 2,698) 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, 2011 is positive and amounted to Rs 4,838 (December 31, 2010: positive fair value of Rs 2,638).

(Amounts in thousand)

14.1.2 Engro Fertilizers Limited, a wholly owned subsidiary, entered in various US\$: PKR forward contracts to hedge its foreign currency exposure. As at March 31, 2011, the Group had forward contracts to purchase US\$ 85,000 (December 31, 2010: US\$ 85,000) at various maturity dates to hedge its foreign currency loan obligations. The fair value of these contracts as at March 31, 2011 is negative and amounted to Rs 56,424 (December 31, 2010: Rs 234,055) negative.

14.2 Interest rate swaps

14.2.1 Engro Fertilizers Limited, a wholly owned subsidiary 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, 2010: 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, 2011 is negative and amounted to Rs 475,027 (December 31, 2010: Rs 654,163 negative).

14.2.2 Engro Fertilizers Limited 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, 2010: 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, 2011 is negative and amounted to Rs 465,562 (December 31, 2010: Rs 466,995 negative).

14.2.3 Engro Polymer and Chemicals Limited has also entered into a cross currency interest rate swap agreement for a notional amount of US\$ 4,016, with a bank to hedge its interest rate exposure on floating rate local currency borrowings from a consortium of local banks a Syndicate Finance Agreement. Under the swap agreement, the company would receive six month KIBOR+2.25% on the relevant PKR notional amount and will pay 6 month USD LIBOR plus 3.7% on the relevant USD notional amount, which will be settled semi annually. The Company also has an outstanding cross-currency interest rate swap agreement for a notional amount of US\$ 3,594, with a bank to hedge its interest rate exposure on borrowings from a consortium of local banks under a Syndicate Finance Agreement. Under the swap agreement, the Company would receive six month KIBOR on the relevant PKR notional amount and will pay six month USD-LIBOR plus 0.95% on the relevant USD notional amount, which will be settled semi annually.

14.2.4 As at March 31, 2011, the Engro Polymers and Chemicals Limited has outstanding interest rate swap agreements for notional amounts aggregating US\$ 34,666, with banks to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, the Company would receive six month USD-LIBOR on respective notional amounts and will pay fix rates, which will be settled semi annually. The fair value as at the balance sheet date of the aforementioned interest rate swap agreements aggregated to Rs 111,295 negative (December 31, 2010: Rs 111,680).

notes to the consolidated condensed interim
financial information (unaudited)
for the month ended march 31, 2011

(Amounts in thousand)

| | Unaudited March 31, 2011 | Audited December 31, 2010 |
|--|--------------------------------|---------------------------------|
| | ------(Rupees)----- | |
| 15. Deferred Taxation | | |
| Credit / (debit) balances arising on account of: | | |
| - Accelerated depreciation allowance | 9,012,344 | 8,442,891 |
| - Fair value of hedging instruments | (380,729) | (516,385) |
| - Recoupable carried forward tax losses | (5,104,759) | (4,878,393) |
| - Tax on subsidiary reserves | 1,659 | 7,690 |
| - Tax on fair value adjustment | 139,598 | 139,598 |
| - Fair value of IFC conversion option | (32,128) | - |
| - Recoupable minimum turnover tax | (494,139) | (513,965) |
| - Unrealized foreign exchange losses, unpaid liabilities and provision for retirement and other service benefits | (57,770) | (63,004) |
| - Share issuance cost | (57,709) | (57,709) |
| - Transaction cost of borrowings | 57,998 | - |
| - Others | (63,724) | (89,497) |
| | <u>3,020,641</u> | <u>2,471,226</u> |
| 16. Trade and other payables | | |
| Creditors | 5,434,730 | 4,843,729 |
| Accrued liabilities | 3,758,846 | 3,942,056 |
| Advances from customers | 3,342,505 | 2,663,585 |
| Deposits from dealers/ distributors refundable on termination of dealership | 29,377 | 30,186 |
| Retention money including current portion | 139,045 | 286,773 |
| Contractors'/ suppliers deposits | 110,076 | 97,775 |
| Workers' profits participation fund | 198,738 | 24,478 |
| Workers' welfare fund | 285,400 | 199,069 |
| Sales tax payable | 94,230 | 53,530 |
| Provision for duty on import of raw material | | 47,227 |
| Provision for special excise duty | 133,622 | 83,795 |
| Others | 389,953 | 342,011 |
| | <u>13,916,522</u> | <u>12,614,214</u> |

(Amounts in thousand)

17. Short Term Borrowings
Secured

- 17.1 The facility for short term running finance available to the Group from various banks amounts to Rs 17,918,855 (2010: Rs 16,474,230) including Rs 1,450,000 (2010: Rs 1,450,000) for Bank Guarantees interchangeable with short term finance. The rates of mark up range from 14.04% to 15.21% (2010: 12.83% to 15.19%) and the facilities are secured by floating charge upon all current and future moveable properties of the Group.
- 17.2 The aforementioned facility amount includes a working capital facility of Engro Powergen Qadirpur Limited, a subsidiary of Engro PowerGen Limited, amounting to Rs 2,000,000 (December 31, 2010: Rs 2,000,000). The facility is provided to the Subsidiary Company under the Working Capital facility Agreement (the Agreement) with Allied Bank Limited, NIB Bank Limited, KASB Bank Limited, The Bank of Punjab, Habib Metropolitan Bank Limited and Soneri Bank Limited. The facility carries mark-up at the rate of 3 months KIBOR plus 2%. The facility is secured by (i) present and future energy payment receivables from the Power Purchaser and (ii) first charge over all current assets, except receivable from NTDC in respect of Capacity Purchase Price, and subordinated charge over present and future plant, machinery equipments and other movable assets of Engro Powergen Qadirpur Limited. The use of facility is restricted for payments of operations and maintenance cost of the Power Plant (upto 10% of the facility amount) and payments to fuel suppliers against purchase of fuel.
- 17.3 During the period, the Engro Eximp (Private) Limited obtained funds under the Export Refinance Scheme (ERF) of the State Bank of Pakistan (SBP). The funds outstanding under the ERF-II facility amount to Rs 96,072 as at March 31, 2011 carrying mark-up at the current rate of 10.00% per annum.
- 17.4 The facilities of Avanceon Limited are secured by a corporate guarantee of the Holding Company of 62.67% of the total funded exposure alongwith personal guarantees of sponsoring directors.
- 17.5 The facilities for opening letters of credit and guarantees of subsidiary companies as at December 31, 2010 amounts to Rs 10,520,626 (2010: Rs 9,417,757).

18. Contingencies and Commitments

Contingencies

- 18.1 Corporate Guarantees issued in favour of Subsidiary Companies:
- Engro Fertilizers Limited (note 18.2)
 - Engro Powergen Qadirpur Limited (note 18.3)
 - Avanceon Limited
 - Engro PowerGen Limited (note 18.4)

| | Unaudited March 31, 2011 | Audited December 31, 2010 |
|--|--------------------------------|---------------------------------|
| | ------(Rupees)----- | |
| | 72,635,000 | 72,492,000 |
| | 854,100 | 857,000 |
| | 242,000 | 242,000 |
| | 1,315,314 | 1,319,780 |

notes to the consolidated condensed interim financial information (unaudited) for the month ended march 31, 2011

(Amounts in thousand)

- 18.2 The above include a Corporate Guarantee to International Finance Corporation (IFC) for USD 80,000 (December 31, 2010: USD 80,000) under the Amended Agreement entered into by Engro Fertilizers Limited with IFC.
- 18.3 Represents Corporate Guarantee amounting to USD 10,000 (December 31, 2010: USD 10,000) issued to Allied Bank Limited to open DSRA letter of credit in favour of the Engro Powergen Qadirpur Limited senior long term lenders.
- 18.4 The Holding Company and Engro Fertilizers Limited, by virtue of the scheme of demerger have extended project completion support to the lenders of the Engro Powergen Qadirpur Limited, a subsidiary of Engro PowerGen Limited for USD 15,400 (2010: USD 15,400). These projects supports are contingent upon occurrence or non-occurrence of specified future events. The project is complete and lender NOCs are awaited.
- 18.5 Claims, including pending lawsuits, against the Engro Fertilizers Limited not acknowledged as debts amounted to Rs 36,018 (December 31, 2010: Rs 36,018).
- 18.6 Bank guarantees of Rs 3,602,971 (2010: Rs 3,830,939) have been issued in favour of third parties. This includes bank guarantee which has been given by Engro Powergen Qadirpur Limited, a subsidiary of Engro PowerGen Limited to Sui Northern Gas Pipelines Limited (SNGPL) amounting to Rs 1,596,126 (2010: Rs1,596,126) in accordance with the terms of Gas Supply Agreement between the Engro Powergen Qadirpur Limited and the SNGPL. As per the aforesaid agreement, the Engro Powergen Qadirpur Limited is required to provide bank guarantee in favor of SNGPL for an amount equivalent to three months contractual quantities of gas.
- 18.7 Post dated cheques issued to customs & excise department for clearance of Rockwell Automation and Honeywell shipments and to IGI Insurance company limited as security against insurance guarantees issued by them in favor of AES Lalpur and Nestle Ltd for performance of contracts amounting to Rs Nil (December 31, 2010: 10,003).
- 18.8 Engro Fertilizers Limited 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.
- The Holding Company has furnished a bank guarantee amounting to USD 25 to Alternate Energy Development Board (AEDB) for the fulfillment of its obligations under the LOI. The guarantee expires on September 29, 2012.
- 18.9 Engro Fertilizers Limited 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 Group 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.
- 18.10 During the year, a lawsuit has been filed against Engro Foods Supply Chain (Private) Limited, a subsidiary of Engro Foods Limited, in the Civil Court, Sheikhpura by certain previous co-workers claiming pre-emptive rights over a portion of the land, acquired by Engro Foods Supply Chain (Private) Limited of rice processing plant. Engro Foods Supply Chain (Private) Limited has filed its written statement thereagainst and the case is currently being heard. However, Engro Foods Supply Chain, based on the opinion of legal advisor is confident that the matter will be decided in its favour and accordingly, the financial effect, if any, has not been recognized in this consolidated condensed interim financial information.

(Amounts in thousand)

| Commitments | 2011 | 2010 |
|---|---------------------|-----------|
| | ------(Rupees)----- | |
| 18.11 Property, plant & equipment | 2,609,541 | 2,446,137 |
| 18.12 Letter of credits other than for capital expenditure | - | 143,732 |
| 18.13 Avanceon LP (USA), a subsidiary of Avanceon Limited is obligated under non-cancellable operating leases for computer & office equipment which expire at various dates through 2011. | | |
| The future lease commitments related to non-cancellable operating leases as of December 31, are as follows: | | |
| Not later than one year | 1,061 | 1,212 |
| Later than one year and not later than five years | - | - |
| Later than five years | - | - |
| | 1,061 | 1,212 |

19. Sales

Sales for the current period includes Rs 1,844,092 in respect of sales made by Engro PowerGen Limited (the Subsidiary Company) to National Transmission and Despatch Company (NTDC).

Under the PPA, the reference tariff approved by NEPRA is to be adjusted on the date of start of Commercial Operations (COD). Accordingly, the Company upon achieving COD on March 27, 2010, filed an application with NEPRA on April 19, 2010 for tariff adjustment/re-determination. The NEPRA approved the revised tariff on November 2, 2010, with certain modifications, in particular revising the debt to USD 134.309 million. The Company, however, has not accepted such revised tariff and has filed a Review Petition thereagainst with NEPRA, in particular the arbitrary reduction of debt to USD 134.309 million from USD 142.63 million. Tariff order on review petition has been issued by NEPRA on April 1, 2011 in which USD/RMB exchange rate fluctuation adjustment of USD 2.4 million has been allowed to the Company but NEPRA upheld its earlier position on remaining deductions. The Company is currently evaluating its legal position and way forward on these unfair deductions. However, on prudent basis, the Company has recognised the revenue on the basis of approved tariff and not recognised the related revenue of above deductions amounting to Rs 15 million for the current period and also reversed Rs 44 million for previous year.

notes to the consolidated condensed interim
financial information (unaudited)
for the month ended march 31, 2011

(Amounts in thousand)

| | 3 months ended March 31, 2011 | 3 months ended March 31, 2010 |
|--|-------------------------------------|-------------------------------------|
| | ------(Rupees)----- | |
| 20. Cost of Sales | | |
| Raw and packing materials consumed | 9,474,003 | 6,430,294 |
| Salaries, wages and staff welfare | 560,020 | 422,486 |
| Fuel and power | 1,467,692 | 1,442,874 |
| Repairs and maintenance | 235,963 | 189,710 |
| Depreciation | 754,237 | 502,484 |
| Consumable stores | 138,734 | 86,133 |
| Staff recruitment, training, safety and other expenses | 13,538 | 9,108 |
| Purchased services | 71,911 | 58,094 |
| Travel | 32,208 | 21,392 |
| Communication, stationery and other office expenses | 25,271 | 15,810 |
| Insurance | 73,865 | 59,594 |
| Rent, rates and taxes | 39,246 | 32,584 |
| Other expenses | 9,210 | 207,315 |
| Manufacturing cost | 12,895,898 | 9,477,878 |
| Add: Opening stock of work-in-progress | 53,313 | 62,663 |
| Less: Closing stock of work-in-progress | 307,306 | 75,077 |
| | (253,993) | (12,414) |
| Cost of goods manufactured | 12,641,905 | 9,465,464 |
| Add: Opening stock of finished goods manufactured | 2,105,269 | 863,140 |
| Less: Closing stock of finished goods manufactured | 1,891,727 | 1,010,142 |
| | 213,542 | (147,002) |
| Cost of goods sold - own manufactured product | 12,855,447 | 9,318,462 |
| - purchased product | 2,631,070 | 2,562,413 |
| - others | 236,504 | 296,560 |
| | 15,723,021 | 12,177,435 |

(Amounts in thousand)

| | 3 months ended March 31, 2011 | 3 months ended March 31, 2010 |
|--|-------------------------------------|-------------------------------------|
| | ------(Rupees)----- | |
| 21. Selling and Distribution Expenses | | |
| Salaries, wages and staff welfare | 202,685 | 146,492 |
| Staff recruitment, training, safety and other expenses | 8,835 | 3,961 |
| Product transportation and handling | 656,568 | 509,610 |
| Repairs and maintenance | 3,846 | 5,217 |
| Advertising and sales promotion | 441,970 | 569,228 |
| Rent, rates and taxes | 41,785 | 29,248 |
| Communication, stationery and other office expenses | 10,681 | 9,802 |
| Travel | 86,253 | 25,084 |
| Depreciation / amortisation | 40,769 | 28,481 |
| Purchased services | 1,834 | 5,371 |
| Insurance | 1,631 | 1,347 |
| Provision for impairment of trade debts | 4,056 | 1,928 |
| Trade debts written off | | |
| Others | 14,394 | 12,786 |
| | 1,515,307 | 1,348,554 |
| 22. Administrative Expenses | | |
| Salaries, wages and staff welfare | 300,781 | 222,671 |
| Staff recruitment, training, safety and other expenses | 5,655 | 6,370 |
| Repairs and maintenance | 11,899 | 9,272 |
| Advertising and sales promotion | 32,272 | 4,754 |
| Rent, rates and taxes | 48,410 | 56,195 |
| Communication, stationery and other office expenses | 47,484 | 21,978 |
| Travel | 41,323 | 26,966 |
| Depreciation / amortization | 56,260 | 11,921 |
| Purchased services | 46,620 | 29,897 |
| Donations | 24,241 | 31,520 |
| Others | 31,389 | 16,410 |
| | 646,334 | 437,954 |

notes to the consolidated condensed interim financial information (unaudited) for the month ended march 31, 2011

(Amounts in thousand)

23. Taxation

23.1 Engro Fertilizers Limited, Subsidiary Company

As a result of demerger, as more fully explained in statement of financial information for the year ended December 31, 2010, all pending tax issues of the Fertilizer Undertaking have been transferred to the Subsidiary Company. Major issues pending before the tax authorities 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 tax department raised a demand of Rs 476,479 (rectified to Rs 406,644), Rs 910,845 and Rs 1,670,814 for financial years 2006, 2007 and 2008 respectively, mainly on account of disallowance of Group Relief (in all three years), inter corporate dividend (in 2007 and 2008) and write down of inventories to net realisable value (in 2008) besides certain other issues. Uptil last year, the Holding Company had paid Rs 170,000 and Rs 400,000 for 2006 and 2007 respectively. Stay by the High Court of Sindh for payment of balance amount for financial year 2006 was granted to the Holding Company pending decision of the appeal filed by the Holding Company before the Income Tax Appellate Tribunal (ITAT). However, for financial year 2007 the issue of Group Relief was decided by the Commissioner Inland Revenue (Appeals I) in Subsidiary Company's favor against which the tax department filed an appeal with ITAT. During 2010, the Subsidiary Company paid Rs 600,000 for financial year 2008, while stay for payment for the balance amount was granted by the tax department till December 31, 2010. Appeal was also filed by the Subsidiary Company with the Commissioner Inland Revenue (Appeals). During the quarter, the tax department raised a demand for Rs 509,218 after expiry of stay, despite available refunds. The Subsidiary Company is confident that the issue will be resolved in Company's favour.

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 on resubmission of application the Holding Company along with other subsidiaries have been registered as a Group. Designation has also been granted for Group Relief and Group Taxation during the period.

During 2010, orders were received for cases pending at ITAT relating to financial years 2006 and 2007. The major issues of Group Taxation and Group Relief was decided in the Subsidiary Company's favor in both the years. On Group relief for financial year 2006 the case was remanded back to the tax department with directions to relook the case in the light of the relevant law as it existed at the close of the tax year.

All the assessments of the Holding Company, for income years 1995 to 2002 finalized by the Department which were in appeal at the ITAT level were decided during 2010. The major one being apportionment of gross profit and expenses between normal income and Final Tax Regime (FTR) income has been remanded back to the tax department by ITAT with specific directions for apportionment of gross profit on the basis of turnover as claimed by Holding Company. In view of the decision, the Subsidiary Company has written back a provision amounting to Rs 463,784 in 2010.

The Subsidiary Company has filed appeal effects with the tax department in respect of decisions made by ITAT in Company's favour in 2010.

(Amounts in thousand)

23.2 Engro Polymers and Chemicals Limited, Subsidiary Company

23.2.1 During the previous year, 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 the returned income amounting to Rs 207,370 and has not considered the brought forward losses amounting to Rs 974,770 resulting in the aforementioned tax demand. The additions to income are mainly on account of trading liabilities and finance costs incurred in relation to the expansion Project. The aforementioned brought forward losses have been amended due to revision of returns as per the ITAT Order mentioned in note 22.2.3.

The Company has filed an appeal against the aforementioned demand with the Commissioner Inland Revenue (Appeals), which is currently pending. While the appeal proceedings were pending, the Officer Inland Revenue (OIR) adjusted a sum of Rs 180,768 in the aforementioned demand against the Subsidiary Company's assessed refunds. Consequently, the Subsidiary Company has paid the balance amount of Rs 32,404 'under protest'. Further, the OIR has issued two show cause notices dated December 9, 2010 for the levy of additional tax relating to Tax year 2008 aggregating to Rs 8,106. During the period, replies to the show cause notices have been filed for withdrawal thereof. The Subsidiary Company's management is of the view that since the matter is pending with the Commissioner Inland Revenue (Appeals), no cohesive recovery measures can be initiated unless a decision is obtained from an independent forum outside the departmental hierarchy. Further, no formal order creating a demand has been received to date in response to the show cause replies submitted by the Subsidiary Company.

The management of the Subsidiary Company, based on the advice of its tax consultant, is confident that the ultimate outcome of the aforementioned matter would be favorable and consequently has not recognized the effects for the same in the financial information.

23.2.2 During the previous year, the Subsidiary Company also received a notice of demand of Rs 163,206 in respect of Tax year 2009. The Deputy Commissioner Inland Revenue has made various additions to the returned income amounting to Rs 546,050 and has not considered the brought forward losses amounting to Rs 499,376 resulting in the aforementioned tax demand. The additions to income are mainly on account of trading liabilities and finance costs incurred in relation to the expansion Project. The aforementioned brought forward losses have been amended due to revision of returns as per the ITAT Order mentioned in note 22.2.3.

The entire demand of Rs 163,206 has been adjusted vide OIR order dated December 20, 2010 against assessed refundable taxes. During the period, the Subsidiary Company has filed an appeal against the aforementioned demand with the Commissioner Inland Revenue (Appeals), which is currently pending.

The management of the Subsidiary Company, based on the advice of its tax consultant, is confident that the ultimate outcome of the aforementioned matter would be favorable and consequently has not recognized the effects for the same in the financial information.

23.2.3 While finalizing the assessment for the assessment year 2000-2001, the Taxation Officer had disallowed the claim of First Year Allowance (FYA) by the Subsidiary Company on the grounds that the Subsidiary Company had not met the criteria for claiming this allowance as required under the repealed Income Tax Ordinance, 1979. The Company had filed an appeal against this disallowance which was decided by the Commissioner of Income Tax (Appeals) in favor of the Subsidiary Company. The department, therefore, filed second appeal before the Income Tax Appellate Tribunal (ITAT). A similar disallowance had also been made for the assessment year 2001-2002 by the Taxation Officer in 2003. However, upon appeal, this matter was ultimately decided in Subsidiary Company's favor in 2005 by the Income Tax Appellate Tribunal (ITAT).

notes to the consolidated condensed interim financial information (unaudited) for the month ended march 31, 2011

(Amounts in thousand)

During the previous year, the ITAT in departmental appeal pertaining to assessment year 2000-2001, decided the aforementioned matter against the Subsidiary Company by departing from the previous order for the assessment year 2001-2002. The disallowance of FYA amounts to Rs 1,884,359.

This disallowance resulted in tax deductible timing differences, the effects of which have been recognized in the condensed interim financial information after taking into account the consequential effects of the ITAT Order in the tax years subsequent to 2000-2001. Consequently, the Subsidiary Company has revised its income tax returns for the tax years 2003 to 2007 and 2009 resulting in a tax liability of Rs 86,769 for Tax year 2008, which has been settled by adjustment out of recoupable minimum tax brought forward of prior years and refunds available in other tax years as mentioned in note 22.2.1 above.

23.3 Engro Foods Limited, Subsidiary Company

23.3.1 Current period charge represents minimum tax at the rate of 1% (2010: 1%) of the turnover in accordance with section 113 of the Income Tax Ordinance, 2001.

23.3.2 The Subsidiary Company in accordance with section 59 B (Group Relief) of the Income Tax Ordinance, 2001 has surrendered to ECL, the Holding Company, its tax losses amounting to Rs 4,288,134 out of the total tax losses of Rs 4,485,498 for the years ended December 31, 2006, 2007 and 2008 (Tax years 2007, 2008 and 2009) for cash consideration aggregating Rs 1,500,847, being equivalent to tax benefit / effect thereof.

23.3.3 The Subsidiary Company's appeal against the order of Commissioner of Income Tax (CIT) for reduction of tax loss from Rs 1,224,964 to Rs 1,106,493 for the tax year 2007, is currently in the process of being heard. However, the Subsidiary Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and hence the deferred tax asset recognized on taxable losses has not been reduced by the effect of the aforementioned disallowance.

The Commissioner Inland Revenue has raised a demand of Rs 337,386 for tax year 2008 by raising an order to disallow provision for gratuity, advances and stock written-off, repair and maintenance, provision for bonus, sales promotion and advertisement expenses. In addition, the aforementioned order has treated the consideration receivable from ECL, the Holding Company, on surrender of tax loss as income. The Subsidiary Company has filed an appeal before the Commissioner Appeals against such order, which has been heard and the order is awaited. The Subsidiary Company has also filed a petition thereagainst before the Sindh High Court, whereby the jurisdiction of the Commissioner Inland Revenue has been challenged for passing such an order. The Sindh High Court considering the legal issues involved has instructed the tax department not to take any coercive action till the hearing of the appeal.

23.3.4 The Subsidiary Company's return for the tax year 2009 was selected for the audit under section 177 of the Ordinance. However, a show cause notice was not served prior to selection, hence the case is being contented with the concerned Tax officer on technical grounds. The hearing of the case is in progress.

(Amounts in thousand)

24. Earnings Per Share - Basic and Diluted

The basic earning per share of the Group is based on:

Profit after taxation (attributable to the owners of the Holding Company)

3 months ended
March 31,
2011
------(Rupees)-----

2,053,977

1,888,953

------(Numbers)-----

(Restated)

Weighted average number of ordinary shares (in thousand)

393,284

393,284

Weighted average number of ordinary shares including dilutive potential ordinary shares (in thousand)

394,546

393,284

25. Cash Generated from Operations

Profit before taxation

2,975,767

2,258,384

Adjustment for non-cash charges and other items:

Depreciation / Amortisation

851,266

541,654

Profit on disposal of property, plant and equipment - net

(5,360)

(3,477)

Loss on sale/ death of biological assets

(4,430)

-

Provision for retirement and other service benefits

41,190

59,271

Income on deposits / other financial assets

(333,639)

(134,836)

Share of income from joint venture companies

(119,687)

(132,259)

Financial charges

1,173,214

792,255

Employee share compensation expense - net

3,144

18,203

Employee Housing Subsidy expense

5,164

28,456

Exchange gain on foreign currency loans

(13,389)

(46,326)

Change in the fair value of derivative financial instruments

63,000

127,000

Working capital changes

(828,938)

(4,248,629)

3,807,302

(740,304)

notes to the consolidated condensed interim financial information (unaudited) for the month ended march 31, 2011

(Amounts in thousand)

| | 3 months ended March 31, 2011 | 3 months ended March 31, 2010 |
|---|--|--|
| | ------(Rupees)----- | |
| 25.1 Working capital changes | | |
| (Increase) / decrease in current assets | | |
| - Stores, spares and loose tools | (304,197) | (855,352) |
| - Stock-in-trade | (2,600,584) | (3,416,547) |
| - Trade debts | 712,331 | (299,570) |
| - Loans, advances, deposits and prepayments | 502,341 | (617,995) |
| - Other receivables (net) | (444,986) | 518,268 |
| | <u>(2,135,095)</u> | <u>(4,671,196)</u> |
| Increase / (decrease) in current liabilities | | |
| - Trade and other payables | 1,306,157 | 422,567 |
| | <u>(828,938)</u> | <u>(4,248,629)</u> |
| | Unaudited March 31, 2011 | Audited December 31, 2010 |
| | ------(Rupees)----- | |
| 26. Cash and Cash Equivalents | | |
| Cash and bank balances | 4,376,197 | 4,120,031 |
| Short term investments | 837,749 | 4,426,188 |
| Short-term borrowings | (6,537,778) | (5,715,775) |
| | <u>(1,323,832)</u> | <u>2,830,444</u> |
| 27. 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 and other food products. | |
| Power | Includes Independent Power Projects (IPP) | |
| Other operations | Includes engineering, automation, chemical terminal & storage and trading businesses. | |

(Amounts in thousand)

| | Revenue | | Profit/(loss) after tax | | Assets | |
|-------------------|-----------------------------|-------------------|-----------------------------|------------------|--------------------------------|---------------------------------|
| | 3 months ended March 31, | | 3 months ended March 31, | | Unaudited March 31, 2011 | Audited December 31, 2010 |
| | 2011 | 2010 | 2011 | 2010 | | |
| Fertilizer | 8,943,215 | 8,316,455 | 1,734,814 | 1,724,931 | 101,585,118 | 103,137,514 |
| Polymer | 4,123,660 | 3,283,754 | (58,893) | (154,377) | 24,121,900 | 24,157,962 |
| Food | 6,430,778 | 4,740,910 | 117,260 | (14,640) | 16,300,532 | 14,030,946 |
| Power | 1,844,092 | 107,196 | 345,434 | 46,971 | 19,906,087 | 19,075,705 |
| Other operations | 482,389 | 410,822 | (35,244) | 100,590 | 34,762,223 | 32,113,990 |
| Elimination - net | 24,116 | - | (61,728) | 101,728 | (28,759,462) | (27,737,665) |
| Consolidated | <u>21,848,250</u> | <u>16,859,137</u> | <u>2,041,643</u> | <u>1,805,203</u> | <u>167,916,398</u> | <u>164,778,452</u> |

28. Transactions with Related Parties

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

| | 3 months ended March 31, 2011 | 3 months ended March 31, 2010 |
|---|-------------------------------------|-------------------------------------|
| | ------(Rupees)----- | |
| Associated Companies | | |
| Purchases and services | 2,263,792 | 2,385,734 |
| Sales | 440,192 | 436,132 |
| Services rendered | - | 842 |
| Dividends paid | - | 288,781 |
| Payment of interest on TFCs and repayment of principal amount | 8,688 | 1,924 |
| Purchase of T-Bills | 979,264 | - |
| Investment in mutual funds | 745,000 | 725,000 |
| Redemption of mutual funds | 425,271 | 250,000 |
| Key Management Personnel | | |
| Dividends paid | - | 10,609 |
| Director Fees | 2,800 | 1,900 |
| Retirement benefits | 18,814 | 66,984 |
| Remuneration | 225,833 | 165,562 |

notes to the consolidated condensed interim financial information (unaudited) for the month ended march 31, 2011

(Amounts in thousand)

29. Seasonality

The fertilizer business of Engro Fertilizers Limited and Engro Eximp 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 the business 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.

30. Corresponding Figures

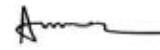
Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which are not material.

31. Date of Authorisation for Issue

This consolidated condensed interim financial information was authorised for issue on April 27, 2011 by the Board of Directors of the Holding Company.



Hussain Dawood
Chairman



Asad Umar
President and Chief Executive

condensed interim
balance sheet (unaudited)
as at march 31, 2011

(Amounts in thousand)

Assets

Non-Current Assets

| | Note | (Unaudited) March 31, 2011 | (Audited) December 31, 2010 |
|-------------------------------|------|----------------------------------|-----------------------------------|
| ------(Rupees)----- | | | |
| Property, plant and equipment | | 127,324 | 136,178 |
| Long term investments | 5 | 26,139,303 | 26,136,701 |
| Long term loans and advances | 7 | 3,128,432 | 1,623,514 |
| | | <u>29,395,059</u> | <u>27,896,393</u> |

Current Assets

| | | | |
|---|----|--------------------------|--------------------------|
| Loans, advances, deposits and prepayments | | 153,280 | 139,910 |
| Other receivables | | 277,674 | 197,453 |
| Taxes recoverable | | 2,144 | - |
| Short term investments | | 517,200 | 1,970,603 |
| Cash and bank balances | 15 | 1,047,469 | 806,584 |
| | | <u>1,997,767</u> | <u>3,114,550</u> |
| Total Assets | | <u><u>31,392,826</u></u> | <u><u>31,010,943</u></u> |

(Amounts in thousand)

Equity & Liabilities

Equity

| | Note | (Unaudited) March 31, 2011 | (Audited) December 31, 2010 |
|--|------|----------------------------------|-----------------------------------|
| ------(Rupees)----- | | | |
| Share capital | 8 | 3,932,843 | 3,277,369 |
| Share premium | | 10,550,061 | 10,550,061 |
| Employee share option compensation reserve | | 74,813 | 74,813 |
| General reserve | | 4,429,240 | 4,429,240 |
| Unappropriated profit | | 7,559,273 | 8,722,156 |
| | | <u>22,613,387</u> | <u>23,776,270</u> |
| Total Equity | | <u>26,546,230</u> | <u>27,053,639</u> |

Liabilities

Non-Current Liabilities

| | | | |
|---|--|---------------|--------------|
| Deferred liabilities | | 59,104 | 1,297 |
| Retirement and other service benefits obligations | | 2,682 | 1,550 |
| | | <u>61,786</u> | <u>2,847</u> |

Current liabilities

| | | | |
|-------------------------------------|----|------------------|------------------|
| Trade and other payables | 9 | 157,856 | 267,044 |
| Accrued interest / mark-up / profit | | 92,965 | 65,000 |
| Current portion of borrowings | 10 | 3,810,831 | 3,384,536 |
| Taxation | | - | 57,247 |
| Unclaimed dividends | | 723,158 | 180,630 |
| | | <u>4,784,810</u> | <u>3,954,457</u> |
| Total Liabilities | | <u>4,846,596</u> | <u>3,957,304</u> |

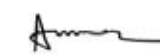
Contingencies and Commitments

| | | | |
|---------------------------------------|----|--------------------------|--------------------------|
| Total Equity & Liabilities | 11 | <u><u>31,392,826</u></u> | <u><u>31,010,943</u></u> |
|---------------------------------------|----|--------------------------|--------------------------|

The annexed notes from 1 to 18 form an integral part of these financial statements.



Hussain Dawood
Chairman



Asad Umar
President and Chief Executive

condensed interim
profit and loss account (unaudited)
for the period ended march 31, 2011

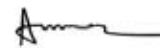
(Amounts in thousand except for earnings per share)

| | Note | 3 months ended March 31, 2011 | 3 months ended March 31, 2010 |
|--|------|-------------------------------------|-------------------------------------|
| | | ------(Rupees)----- | |
| Dividend income | | 180,000 | - |
| Royalty income | 12 | 83,842 | 62,368 |
| | | 263,842 | 62,368 |
| Administrative expenses | | (111,199) | (48,630) |
| | | 152,643 | 13,738 |
| Other operating income | | 171,906 | 88,170 |
| Other operating expenses | | (6,534) | (2,939) |
| Operating Profit | | 318,015 | 98,969 |
| Finance cost | | (147,850) | (1,113) |
| Profit before taxation | | 170,165 | 97,856 |
| Taxation | | (22,100) | (11,140) |
| Profit for the period | | 148,065 | 86,716 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the period | | 148,065 | 86,716 |
| | | | Restated |
| Earnings per share - basic | 13 | Rs 0.376 | Rs 0.220 |
| - diluted | 13 | Rs 0.375 | Rs 0.220 |

The annexed notes from 1 to 18 form an integral part of these financial statements.



Hussain Dawood
Chairman



Asad Umar
President and Chief Executive

condensed interim
statement of changes in equity (unaudited)
for the period ended march 31, 2011

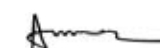
(Amounts in thousand)

| | Share capital | Share premium | Employees share option compensation reserve | General reserve | Unappropriated profit | Total |
|---|---------------------|-------------------|--|--------------------|--------------------------|-------------------|
| | ------(Rupees)----- | | | | | |
| Balance as at January 1, 2010 | 2,979,426 | 10,550,061 | 288,258 | 4,429,240 | 9,250,972 | 27,497,957 |
| Total comprehensive income for the period ended March 31, 2010 | | | | | | |
| Profit for the period | - | - | - | - | 86,716 | 86,716 |
| Other comprehensive income | - | - | - | - | - | - |
| | | | | | 86,716 | 86,716 |
| Transactions with owners | | | | | | |
| Final dividend for the year ended December 31, 2009 @ Rs 2 per share | - | - | - | - | (595,886) | (595,886) |
| Bonus shares issued during the year in the ratio of 1 for every 10 shares held | 297,943 | - | - | - | (297,943) | - |
| | 297,943 | - | - | - | (893,829) | (595,886) |
| Balance as at March 31, 2010 | 3,277,369 | 10,550,061 | 288,258 | 4,429,240 | 8,443,859 | 26,988,787 |
| Total comprehensive income for the nine months ended December 31, 2010 | | | | | | |
| | - | - | - | - | 1,589,243 | 1,589,243 |
| Transactions with owners | | | | | | |
| Interim dividends - 1st @ Rs 2 per share | - | - | - | - | (655,473) | (655,473) |
| - 2nd @ Rs 2 per share | - | - | - | - | (655,473) | (655,473) |
| Effect of changes in number of share options | - | - | (213,445) | - | - | (213,445) |
| | - | - | (213,445) | - | (1,310,946) | (1,524,391) |
| Balance as at December 31, 2010 | 3,277,369 | 10,550,061 | 74,813 | 4,429,240 | 8,722,156 | 27,053,639 |
| Total comprehensive income for the period ended March 31, 2011 | | | | | | |
| Profit for the period | - | - | - | - | 148,065 | 148,065 |
| Other comprehensive income | - | - | - | - | - | - |
| | | | | | 148,065 | 148,065 |
| Transactions with owners | | | | | | |
| Final dividend for the year ended December 31, 2010 @ Rs 2 per share | - | - | - | - | (655,474) | (655,474) |
| Bonus shares issued during the period in the ratio of 1 for every 5 shares held | 655,474 | - | - | - | (655,474) | - |
| | 655,474 | - | - | - | (1,310,948) | (655,474) |
| Balance as at March 31, 2011 | 3,932,843 | 10,550,061 | 74,813 | 4,429,240 | 7,559,273 | 26,546,230 |

The annexed notes from 1 to 18 form an integral part of these financial statements.



Hussain Dawood
Chairman



Asad Umar
President and Chief Executive

condensed interim statement of cash flows (unaudited) for the period ended march 31, 2011

(Amounts in thousand)

Cash Flows from Operating Activities

| | | | |
|--|----|-----------|----------|
| Cash generated from operations | 14 | (169,326) | 24,060 |
| Retirement and other service benefits paid | | (3,731) | (4,837) |
| Taxes paid | | (34,934) | (12,439) |
| Long term loans and advances - net | | (4,918) | (158) |
| Net cash (utilized in) / generated from operating activities | | (212,909) | 6,626 |

Cash Flows from Investing Activities

| | | | |
|--|--|-------------|-----------|
| Purchases of property, plant and equipment (PPE) | | (2,174) | (7,414) |
| Sale proceeds on disposal of PPE | | 1,250 | 332 |
| Loan to Engro Fertilizer Limited | | (1,500,000) | - |
| Long term investments | | (2,602) | (237,800) |
| Income on deposits / other financial assets including income earned on subordinated loan to subsidiaries | | 228,573 | 86,738 |
| Dividends received | | 90,000 | 112,500 |
| Net cash utilized in investing activities | | (1,184,953) | (45,644) |

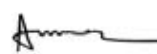
Cash Flows from Financing Activities

| | | | |
|--|----|-------------|-----------|
| Payment of financial charges | | (114,005) | (1,113) |
| Proceeds from long term finances (net) | | 412,295 | - |
| Dividends paid | | (112,946) | (611,947) |
| Net cash (utilized in) / generated from financing activities | | 185,344 | (613,060) |
| Net (decrease) / increase in cash and cash equivalents | | (1,212,518) | (652,078) |
| Cash and cash equivalents at beginning of the year | | 2,777,187 | 3,501,216 |
| Cash and cash equivalents at end of the year | 15 | 1,564,669 | 2,849,138 |

The annexed notes from 1 to 18 form an integral part of these financial statements.



Hussain Dawood
Chairman



Asad Umar
President and Chief Executive

notes to the condensed interim financial information for the period ended march 31, 2011

(Amounts in thousand)

1. Legal Status and Operations

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

2. Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of this unconsolidated condensed 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, 2010.

2.1 Basis of preparation of unconsolidated interim financial statements

The 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, 2010 of the Company.

3. 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 the 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, 2010.

4. Property, Plant and Equipment

Operating assets
Capital work in progress

5. Long Term Investments

Subsidiary companies - at cost (note 5.1)

Joint venture company - at cost
Engro Vopak Terminal Limited
45,000,000 Ordinary shares of
Rs 10 each, equity held 50% (2010: 50%)

Others - at cost
Arabian Sea Country Club Limited
500,000 Ordinary shares of Rs 10 each

Agrimall (Private) Limited (note 5.2)

| | (Unaudited) March 31, 2011 | (Audited) December 31, 2010 |
|---|----------------------------------|-----------------------------------|
| | ------(Rupees)----- | |
| Operating assets | 112,188 | 117,083 |
| Capital work in progress | 15,136 | 19,095 |
| | <u>127,324</u> | <u>136,178</u> |
| Subsidiary companies - at cost (note 5.1) | 25,684,303 | 25,681,701 |
| Joint venture company - at cost Engro Vopak Terminal Limited 45,000,000 Ordinary shares of Rs 10 each, equity held 50% (2010: 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>26,139,303</u> | <u>26,136,701</u> |

notes to the condensed interim financial information for the period ended march 31, 2011

(Amounts in thousand)

| | Unaudited March 31, 2011 | | Audited December 31, 2010 | |
|---|-----------------------------|-----------------------------------|------------------------------|-----------------------------------|
| | Equity % held | Investment at cost (Rupees) | Equity % held | Investment at cost (Rupees) |
| 5.1 Subsidiary companies | | | | |
| Quoted | | | | |
| Engro Polymer & Chemicals Limited 372,810,000 (2010: 372,810,000) Ordinary shares of Rs 10 each | 56.19 | 3,651,300 | 56.19 | 3,651,300 |
| Unquoted | | | | |
| Engro Fertilizers Limited 1,072,800,000 (2010: 1,072,800,000) Ordinary shares of Rs 10 each | 100 | 10,739,144 | 100 | 10,739,144 |
| Engro Eximp (Private) Limited - 112,510,000 (2010: 48,010,000) Ordinary shares of Rs 10 each | 100 | 480,100 | 100 | 480,100 |
| Engro PowerGen Limited - 36,476,000 (2010: 36,476,000) Ordinary shares of Rs 10 each | 100 | 3,106,700 | 100 | 3,106,700 |
| Engro Foods Limited 700,000,000 (2010: 700,000,000) Ordinary shares of Rs 10 each | 100 | 7,000,000 | 100 | 7,000,000 |
| Engro Foods Netherlands BV. 20,000 (2010: Nil) Ordinary shares of Euro. 1 each | 100 | 2,602 | - | - |
| Engro Management Services (Private) Limited 250,000 (2010: 250,000) Ordinary share of Rs 10 each | 100 | 2,500 | 100 | 2,500 |
| Avanceon Limited 25,066,667 (2010: 25,066,667) Ordinary shares of Rs 10 each | 62.67 | 381,957 | 62.67 | 381,957 |
| Engro Powergen Qadirpur Limited (formerly, Engro Energy Limited) 32,000,000 (2010: 32,000,000) Ordinary shares of Rs 10 each | 10 | 320,000 | 10 | 320,000 |
| | | <u>25,684,303</u> | | <u>25,681,701</u> |

(Amounts in thousand)

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.

6. Employee Share Option Scheme

| | (Unaudited) March 31, 2011 | (Audited) December 31, 2010 |
|--|----------------------------------|-----------------------------------|
| | ------(Rupees)----- | |
| 6.1 Deferred employee compensation expense | | |
| Balance at January 1 | - | 90,065 |
| Options lapsed due to employee resignation | - | - |
| Options surrendered by employees transferred to Engro Fertilizers Limited | - | (67,811) |
| Amortisation for the year | - | (22,254) |
| Balance at March 31 | - | - |
| Current portion shown under current assets | - | - |
| Long term portion of deferred employee compensation expense | - | - |
| | <u>-</u> | <u>-</u> |
| 6.2 Employee share option compensation reserve | | |
| Balance at January 1 | 74,813 | 288,258 |
| Options lapsed due to employee resignation | - | - |
| Options surrendered by employees transferred to Engro Fertilizers Limited | - | (213,445) |
| Balance at March 31 | <u>74,813</u> | <u>74,813</u> |
| 6.3 Movement in share options outstanding at end of the year is as follows: | | |
| Balance at January 1 | 1,135,909 | 4,376,818 |
| Options lapsed due to employee resignation | - | - |
| Options surrendered by employees transferred to Engro Fertilizers Limited | - | (3,240,909) |
| Balance at March 31 (note 6.3.1) | <u>1,135,909</u> | <u>1,135,909</u> |
| 6.3.1 The abovementioned share options do not include the effect of bonus and right shares which make the total number of share options outstanding at end of the year to 2,309,076. | | |
| 6.4 Further, consequent to the bonus issue in the current period, the exercise price was adjusted to Rs 155.70 from Rs186.84 respectively. The approval from SECP on these changes, is still awaited. The aforementioned reduction in exercise price has no effect on the fair value of share options recognized in the financial statements. | | |

notes to the condensed interim financial information for the period ended march 31, 2011

(Amounts in thousand)

7. Long Term Loan and Advances

7.1 This includes Rs 3,000,000 (December 31, 2010: 1,500,000) in respect of subordinated loan provided to Engro Fertilizers Limited, a wholly owned subsidiary. The loan carries mark up based on a margin of 1% over and above mark up payable by the Company for rupee finances of like maturities, such mark up being payable on a semi annual basis. The loan is subordinated in security to the facilities provided to the subsidiaries by its banking creditors and is repayable in a lump sum instalment due on September 15, 2015.

7.2 This also includes Rs 120,659 (December 31, 2010: 120,659) in respect of subordinated loan provided to Avanceon Limited. The loan carries mark up at the rate of six months KIBOR plus a margin of 4% payable on a quarterly basis. The loan is subordinated to the facilities provided to the subsidiary by its banking creditors and is repayable in two instalments due on October 23, 2011 and April 23, 2012 respectively.

8. Share Capital

8.1 Authorised Capital

| (Unaudited) March 31, 2011 | (Audited) December 31, 2010 | | (Unaudited) March 31, 2011 | (Audited) December 31, 2010 |
|----------------------------------|-----------------------------------|-------------------------------|----------------------------------|-----------------------------------|
| ------(Number of shares)----- | | | ------(Rupees)----- | |
| 450,000,000 | 350,000,000 | Ordinary Shares of Rs 10 each | 4,500,000 | 3,500,000 |

Issued, subscribed and paid-up capital

| (Unaudited) March 31, 2011 | (Audited) December 31, 2010 | | (Unaudited) March 31, 2011 | (Audited) December 31, 2010 |
|----------------------------------|-----------------------------------|-------------------------------|----------------------------------|-----------------------------------|
| ------(Number of shares)----- | | | ------(Rupees)----- | |
| 393,284,183 | 327,736,819 | Ordinary shares of Rs 10 each | 3,932,843 | 3,277,369 |

8.2 Movement in issued, subscribed and paid-up capital during the year

| (Unaudited) March 31, 2011 | (Audited) December 31, 2010 | | (Unaudited) March 31, 2011 | (Audited) December 31, 2010 |
|----------------------------------|-----------------------------------|-------------------------------|----------------------------------|-----------------------------------|
| ------(Number of shares)----- | | | ------(Rupees)----- | |
| 327,736,819 | 297,942,563 | As at January 1 | 3,277,369 | 2,979,426 |
| | | Ordinary shares of Rs 10 each | | |
| | | issued during the period as | | |
| | | fully paid bonus shares | | |
| 65,547,364 | 29,794,256 | | 655,474 | 297,943 |
| 393,284,183 | 327,736,819 | | 3,932,843 | 3,277,369 |

Engro Corp. | First Quarterly Report 2011

(Amounts in thousand)

8.3 During the period, the Company issued bonus shares in the ratio of 1 share for every 5 shares held.

8.4 Associated companies held 187,330,772 (2010: 158,516,740) ordinary shares in the Company at period end.

9. Trade and Other Payables

| | (Unaudited) March 31, 2011 | (Audited) December 31, 2010 |
|--------------------------------------|----------------------------------|-----------------------------------|
| | ------(Rupees)----- | |
| Creditors | 41,958 | 5,678 |
| Accrued liabilities | 47,563 | 205,306 |
| Advances from subsidiary companies | 12,892 | 12,892 |
| Contractors' deposits and retentions | 3,574 | 3,574 |
| Workers' welfare fund | 40,513 | 36,979 |
| Others | 11,356 | 2,615 |
| | 157,856 | 267,044 |

10. Current Portion of Borrowings

This represents amount raised from general public against the issuance of Engro Rupiya Certificates (net of transaction cost of Rs164,784). The profit is payable semi-annually at the fixed rate of 14.5% from the date of investment by the Certificate holders. The Certificates are structured to redeem 0.1% of principal in five equal semi-annual installments in the first thirty months and the remaining 99.9% principal in thirty sixth month from the date of issue. The Certificate holder, however, may ask the Company for early redemption at any time from the date of investment subject to service charge of 2% of the outstanding issue price.

| (Unaudited) March 31, 2011 | (Audited) December 31, 2010 |
|----------------------------------|-----------------------------------|
| ------(Rupees)----- | |
| | |

11. Contingencies and Commitments

11.1 Corporate Guarantees issued in favour of Subsidiary Companies:

| | (Unaudited) March 31, 2011 | (Audited) December 31, 2010 |
|---|----------------------------------|-----------------------------------|
| | ------(Rupees)----- | |
| - Engro Fertilizers Limited (note 11.2) | 72,635,000 | 72,492,000 |
| - Engro Powergen Qadirpur Limited (note 11.3) | 854,100 | 857,000 |
| - Avanceon Limited | 242,000 | 242,000 |
| - Engro Powergen Qadirpur Limited (note 11.4) | 1,315,314 | 1,319,780 |

11.2 The Company in addition to above has also issued a Corporate Guarantee to International Finance Corporation (IFC) for USD 80,000 under the Amended Agreement entered into by the Subsidiary Company with IFC. As at March 31, 2011, USD 50,000 has been availed while USD 30,000 is still undisbursed. Further, IFC has an option to convert a tranche of the disbursed loan amounting to USD 15,000, into ordinary shares of the Company at Rs 205 per ordinary share (Rs 155.7 as at March 31, 2011) calculated at the dollar rupee exchange rate prevailing

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notes to the condensed interim financial information for the period ended march 31, 2011

(Amounts in thousand)

on the business day prior to the date of notices issued by IFC to exercise the conversion option. Such option is to be exercised within a period of no more than five years from the date of disbursement of loan (i.e. December 28, 2009).

11.3 Represents Corporate Guarantee amounting to USD 10,000 issued to Allied Bank Limited to open DSRA letter of credit in favour of the Subsidiary Company's senior long term lenders.

11.4 The Company has extended project completion support to the lenders of the Engro Powergen Qadirpur Limited for USD 15,400 (December 31, 2010: USD 15,400). The project support is contingent upon occurrence or non-occurrence of specified future events.

12. Royalty Income

The Company has granted Engro Fertilizers Limited, a Subsidiary Company, the right to use trade marks and copy rights for marketing of fertilizer products under a licensing agreement effective January 1, 2010.

13. Earnings Per Share

| | 3 months ended March 31, 2011 | 3 months ended March 31, 2010 |
|---|-------------------------------------|-------------------------------------|
| | ------(Rupees)----- | |
| Profit after taxation | 148,065 | 86,716 |
| | ------(Numbers)----- | |
| | | (Restated) |
| Weighted average number of ordinary shares (in thousand) | 393,284 | 393,284 |
| Weighted average number of ordinary shares including dilutive potential ordinary shares (in thousand) | 394,546 | 393,284 |

(Amounts in thousand)

14. Cash Generated From Operations

| | 3 months ended March 31, 2011 | 3 months ended December 31, 2010 |
|---|-------------------------------------|--|
| | ------(Rupees)----- | |
| Profit before taxation | 170,165 | 97,856 |
| Adjustment for non-cash charges and other items: | | |
| Depreciation / amortization | 9,623 | 3,595 |
| Loss on disposal of property, plant and equipment | 155 | - |
| Provision for retirement and other service benefits | 4,530 | 5,952 |
| Income on deposits / other financial assets | (164,836) | (88,168) |
| Dividend income | (180,000) | - |
| Financial charges | 147,850 | 1,113 |
| Employee share compensation expense - net | - | 5,656 |
| Working capital changes (note 14.1) | (156,813) | (1,944) |
| | <u>(169,326)</u> | <u>24,060</u> |

14.1 Working capital changes

| | | |
|---|-------------------|----------------------|
| (Increase) / decrease in current assets | | |
| - Loans, advances, deposits and prepayments | (13,370) | 1,673 |
| - Other receivables (net) | (33,288) | 4,818 |
| | <u>(46,658)</u> | <u>6,491</u> |
| Increase / (decrease) in current liabilities | | |
| - Trade and other payables including other service benefits (net) | (110,155) | (8,435) |
| | <u>(156,813)</u> | <u>(1,944)</u> |
| | March 31, 2011 | December 31, 2010 |

15. Cash and Cash Equivalents

| | | |
|------------------------|------------------|------------------|
| Cash and bank balances | 1,047,469 | 806,584 |
| Short term investments | 517,200 | 1,970,603 |
| | <u>1,564,669</u> | <u>2,777,187</u> |

(Amounts in thousand)

16. 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 year, other than those which have been disclosed elsewhere in this condensed interim financial information:

| | 3 months ended March 31, 2011 | 3 months ended March 31, 2010 |
|--|-------------------------------------|-------------------------------------|
| | ------(Rupees)----- | |
| Subsidiary companies | | |
| Purchases and services | 3,630 | 966 |
| Services rendered | 53,856 | 36,950 |
| Expenses paid on behalf of subsidiary companies | 48,515 | 71,893 |
| Mark up from subsidiaries | 75,537 | 9,764 |
| Investments | 2,602 | 10,976,800 |
| Reimbursements to subsidiary companies | 3,915 | 1,016 |
| Disbursement of loan | 1,500,000 | - |
| Royalty Income | 83,842 | 62,368 |
| Associated companies | | |
| Purchases and services | 2,923 | 1,082 |
| Dividend paid | - | 288,781 |
| Donations | 14,000 | 20,000 |
| Investment in Mutual Funds | 150,000 | 752,000 |
| Redemption of investment in Mutual Funds | 425,271 | 250,000 |
| Joint ventures | | |
| Services rendered | 620 | 266 |
| Expenses paid on behalf of Joint Venture company | 87 | 237 |
| Key Management Personnel | | |
| Dividend paid | - | 10,609 |
| Retirement benefits | 7,110 | 6,101 |
| Remuneration of key management personnel | 21,811 | 17,455 |
| Director Fees | 2,800 | 1,900 |
| Reimbursements to Directors | 1,053 | 139 |

(Amounts in thousand)

17. Corresponding Figures

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

20. Date of Authorisation For Issue

This condensed interim financial information was authorised for issue on April 27, 2011 by the Board of Directors of the Company.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive