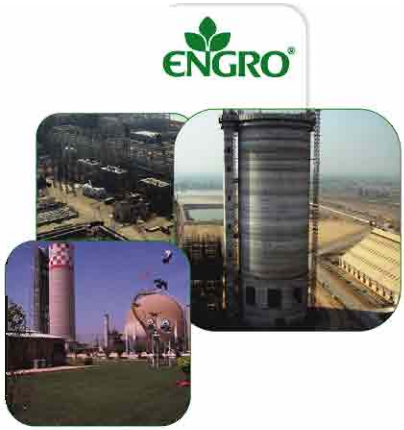
Half Year **2009** accounts



Energy for growth

ENGRO

ENGRO CHEMICAL PAKISTAN LIMITED

UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2009

ENGRO

ENGRO CHEMICAL PAKISTAN LIMITED

HALF YEAR 2009 REPORT TO THE SHAREHOLDERS
ENGRO CHEMICAL PAKISTAN LIMITED

On behalf of the Board of Directors of Engro Chemical Pakistan Limited, we are pleased to present the reviewed accounts for the half year ended on June 30, 2009.

PAKISTAN FERTILIZER MARKET

The market demand for urea, during the first half 2009 was 3 million tons, an increase of 13% over the same period last year (2.7 million tons). The increase is due to better farm economics for wheat which led to increased sowing and also improved urea application. Domestic production for the first half 2009 was 2.4 million tons which was 4% lower as compared to 2.5 million tons during the same period last year.

International urea prices declined during the period. Current landed price of imported urea is approximately Rs. 1280 per bag ($ 290/ton) as againsst the domestic price of Rs. 700 per bag. By keeping domestic prices substantially lower than international prices, the fertilizer industry provided benefit of approximately Rs. 18 billion to farmers.

Industry wide sale of Phosphatic fertilizers increased by over 100% to 0.45 million tons as compared to 0.22 million tons for the same period last year. Industry demand remained high due to the decrease in Phosphate prices.

COMPANY OPERATING PERFORMANCE

Urea sales were 419,000 tons, down by 26.5% for the same period last year, due to higher inventories carried forward during first quarter of 2008 and lower production during the current period. Our plant produced 436,000 tons during the first half 2009 against 502,000 tons during the same period last year as a result of a planned turnaround during the second quarter of 2009. This combined with Government's decision to distribute imported urea through National Fertilizer Marketing Limited, resulted in decline of our market share to 14% vs 21% last year.

The sale of company manufactured blended fertilizers (Zarkhez and Engro NP) was 43,500 tons vs 43,000 tons during same period last year. Reduction in sugar cane acreage and reduced availability of financing with sugar cane growers along with higher potash prices, caused a decrease in Zarkhez sales which reduced to 23,000 tons as compared to 30,000 tons during the same period last year. The Company however sold 20,500 tons of its Engro NP fertilizer vs 12,600 tons in the comparative period.

The Company's sale of imported phosphatic fertilizers, DAP and Zorawar, was 90,000 tons vs 30,000 tons for the same period last year as a result of higher market demand due to reduction in international market prices.

The net profit for the half year ended June 30, 2009 was Rs. 1,044 million as compared to a net profit of Rs. 1,556 million for the same period last year. The decrease in earnings is mainly attributable to higher financial charges and lower urea volumes, partially offset by higher phosphate sales.

NEAR TERM OUTLOOK

Urea demand is expected to remain strong in the backdrop of short supply sentiment which is expected to persist in the near term. Considerable urea imports will be required during Kharif to meet industry demand. Industry is however carrying enough inventories of Phosphatic fertilizers to cover Kharif demand.

Our joint venture and subsidiaries are expected to continue to meet shareholders expectation.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

Karachi
July 28, 2009

A member firm of

PRICEWATERHOUSECOOPERS

A.F. FERGUSON & CO.

A.F.Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
I.I.Chundrigar Road, P.O.Box 4716
Karachi-74000, Pakistan
Telephone: (021) 2426682-6 / 2426711-
Facsimile: (021) 2415007 / 2427938

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying unconsolidated condensed interim balance sheet of Engro Chemical Pakistan Limited as at June 30, 2009 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity and unconsolidated condensed interim statement of cash flows together with the notes forming part thereof (here-in-after referred to as the "unconsolidated condensed interim financial information"), for the half year then ended. Management is responsible for the preparation and presentation of this unconsolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this unconsolidated condensed interim financial information based on our review. The figures of the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the quarters ended March 31, 2009 and 2008 have not been reviewed as we are required to review only the cumulative figures for the half year ended June 30, 2009.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated condensed interim financial information as of and for the half year ended June 30, 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our conclusion, we draw attention to note 20.1 to the unconsolidated condensed interim financial information and as more fully explained therein, the Company has recognized the effect of acquisition of taxable losses of subsidiary company, pending designation from the Securities and Exchange Commission of Pakistan (SECP) as company entitled for Group Relief under the Income Tax Ordinance, 2001.

The financial statements for the year ended December 31, 2008 were audited by another firm of Chartered Accountants who vide their audit report dated January 27, 2009 expressed an unqualified opinion in all respects except that due to a fire at the Company's premises on August 19, 2007 certain records, documents and books of accounts of the Company relating to prior years were destroyed. Records in electronic forms remained intact and certain hard copy records relating to financial years 2005 and 2006 have not been recreated. In addition, an emphasis of matter paragraph has also been added pertaining to recognition of taxable losses of a subsidiary company pending designation by SECP, as explained above.

The unconsolidated condensed interim financial information for the half year ended June 30, 2008 was also reviewed by the same firm of Chartered Accountants who audited the financial statements for the year ended December 31, 2008. The auditors in their review report dated July 24, 2009 expressed an unqualified review conclusion on the financial information however, inserted emphasis of matter paragraphs pertaining to recognition of taxable losses of a subsidiary company pending designation by SECP as explained above, and on the recognition of the effect of change in grant date of share options cleared by SECP but pending for approval of the shareholders. Such an approval was obtained subsequently.

Chartered Accountants
Karachi
Date: July 28, 2009

Engagement Partner:
Imtiaz A. H. Laliwala

Lahore Office: 505-509, 5th Floor, Alfalah Building, P.O.Box 39, Shahrah-e-Quaid-e-Azam, Lahore-54000, Pakistan.
Tel: (92-42) 6285078-85 Fax: (92-42) 6285088
Islamabad Office: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan.
Tel: (92-51) 2273457-60 Fax: (92-51) 2277924
Kabul Office: House No. 4, Street No. 3, District 6, Road Karte-3, Kabul, Afghanistan. Tel: (93-799) 315320-203424

UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT JUNE 30, 2009

(AMOUNTS IN THOUSAND)

	Note	Unaudited June 30, 2009	Audited December 31, 2008
		Rupees	
EQUITY AND LIABILITIES			
Equity			
Share Capital			
Authorized			
300,000,000 (2008: 300,000,000) Ordinary shares of Rs. 10 each		3,000,000	3,000,000
Issued, subscribed and paid up	5	2,979,426	2,128,161
Share premium		10,545,905	7,152,722
Employees share option compensation reserve	6	294,514	305,052
Hedging reserve	7	(168,918)	2,157,769
General reserve		4,429,240	4,429,240
Unappropriated profit		7,529,070	6,911,124
		22,629,811	20,955,907
		25,609,237	23,084,068
Non - Current Liabilities			
Long term finances	8	42,297,840	27,756,714
Derivatives		537,923	918,050
Deferred taxation	9	1,596,425	2,412,757
Employee housing subsidy		155,183	73,319
Retirement and other service benefits		34,618	44,265
		44,621,989	31,205,105
Current Liabilities			
Current portion of:			
- long term finances	8	326,600	76,600
- other service benefits		20,600	18,334
Short term borrowings	10	431,951	1,711,275
Trade and other payables including derivatives	11	5,240,179	3,874,824
Unclaimed dividends		62,285	318,320
		6,081,615	5,999,353
Contingencies and Commitments	12		
TOTAL EQUITY AND LIABILITIES		76,312,841	60,288,526

(AMOUNTS IN THOUSAND)

	Note	Unaudited June 30, 2009	Audited December 31, 2008
		Rupees	
ASSETS			
Non Current Assets			
Property, plant and equipment	13	52,818,549	33,395,762
Intangible assets		120,285	122,858
Long term investments	14	11,608,857	11,091,857
Deferred employees compensation expense	6.1	47,919	96,078
Long term loans, advances and other receivables including derivatives		519,456	258,813
		65,115,066	44,965,368
Current Assets			
Stores, spares and loose tools		1,071,374	957,241
Stock-in-trade	15	2,252,184	4,680,896
Trade debts	16	876,275	261,508
Deferred employees compensation expense - current portion	6.1	89,219	93,213
Loans, advances, deposits and prepayments		815,658	1,899,124
Other receivables including derivatives	17	1,111,672	5,057,581
Taxation		882,443	618,746
Short term investments		2,227,192	67,811
Cash and bank balances		1,871,758	1,687,038
		11,197,775	15,323,158
TOTAL ASSETS		76,312,841	60,288,526

The annexed notes 1 to 28 form an integral part of this unconsolidated condensed interim financial information.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2009

(AMOUNTS IN THOUSAND EXCEPT EARNINGS PER SHARE)

	Note	3 months ended June 30, 2009	3 months ended June 30, 2008	6 months ended June 30, 2009	6 months ended June 30, 2008
		(Rupees)			
Net sales		4,974,326	4,258,634	10,707,554	8,824,245
Cost of sales	18	(3,963,716)	(2,525,953)	(7,759,791)	(5,440,734)
GROSS PROFIT		1,010,610	1,732,681	2,947,763	3,383,511
Selling and distribution expenses	19	(376,579)	(327,338)	(751,054)	(696,359)
		634,031	1,405,343	2,196,709	2,687,152
Other income		211,511	14,307	257,174	244,060
		845,542	1,419,650	2,453,883	2,931,212
Finance cost		(339,766)	(215,316)	(783,962)	(383,560)
Other operating charges		(4,450)	(2,727)	(5,726)	(7,945)
Workers' welfare fund		(9,525)	(22,830)	(31,620)	(48,254)
Workers' profits participation fund		(25,067)	(60,080)	(83,210)	(126,985)
		(378,808)	(300,953)	(904,518)	(566,744)
PROFIT BEFORE TAXATION		466,734	1,118,697	1,549,365	2,364,468
Taxation	20				
- Current		22,796	(265,927)	(69,288)	(639,860)
- Deferred		(140,682)	(115,404)	(436,499)	(168,213)
		(117,886)	(381,331)	(505,787)	(808,073)
PROFIT AFTER TAXATION		348,848	737,366	1,043,578	1,556,395
			(Restated)		(Restated)
Earnings per share - basic	21	1.30	3.01	3.95	6.36
- diluted	21	1.30	2.89	3.95	6.11

The annexed notes 1 to 28 form an integral part of this unconsolidated condensed interim financial information.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2009

(AMOUNTS IN THOUSAND)

	Note	3 months ended June 30, 2009	3 months ended June 30, 2008	6 months ended June 30, 2009	6 months ended June 30, 2008
		(Rupees)			
PROFIT AFTER TAXATION		348,848	737,366	1,043,578	1,556,395
Other comprehensive income					
Hedging reserve		846,471	154,848	(3,579,518)	1,527,902
Income tax relating to hedging reserve		(296,265)	(54,197)	1,252,831	(534,766)
Other comprehensive income for the period - net of tax		550,206	100,651	(2,326,687)	993,136
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		899,054	838,017	(1,283,109)	2,549,531

The annexed notes 1 to 28 form an integral part of this unconsolidated condensed interim financial information.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2009

(AMOUNTS IN THOUSAND)

	Share capital	Share premium	Employees share option compensation reserve	Hedging reserve	General reserve	Unappropriated profit	Advance against issue of share capital	Total
	Rupees							
Balance as at January 1, 2008 (audited)	1,934,692	3,963,977	272,990	1,037,386	4,429,240	4,102,366	-	15,740,651
Final dividend for the year ended December 31, 2007 @ Rs. 3.00 per share	-	-	-	-	-	(580,408)	-	(580,408)
Advance against issue of share capital, net	-	-	-	-	-	-	3,382,214	3,382,214
Total comprehensive income for the half year ended June 30, 2008	-	-	-	993,136	-	1,556,395	-	2,549,531
Balance as at June 30, 2008 (unaudited)	1,934,692	3,963,977	272,990	2,030,522	4,429,240	5,078,353	3,382,214	21,091,988
Shares issued during the period in the ratio of 1 for every 10 shares @ Rs.175 per share (including share premium net of share issue cost)	193,469	3,188,745	-	-	-	-	(3,382,214)	-
Total comprehensive income for the half year ended December 31, 2008	-	-	-	127,247	-	2,684,035	-	2,811,282
Effect of changes in number of share options issued	-	-	32,062	-	-	-	-	32,062
1st Interim dividend for 2008 @ Rs. 2.00 per share	-	-	-	-	-	(425,632)	-	(425,632)
2nd Interim dividend for 2008 @ Rs. 2.00 per share	-	-	-	-	-	(425,632)	-	(425,632)
Balance as at December 31, 2008 (audited)	2,128,161	7,152,722	305,052	2,157,769	4,429,240	6,911,124	-	23,084,068
Final Dividend for the year ended December 31, 2008 @ Rs. 2.00 per share	-	-	-	-	-	(425,632)	-	(425,632)
Shares issued during the period in the ratio of 4 for every 10 shares @ Rs. 50 per share (including share premium net of share issue cost)	851,265	3,393,183	-	-	-	-	-	4,244,448
Total comprehensive income for the half year ended June 30, 2009	-	-	-	(2,326,687)	-	1,043,578	-	(1,283,109)
Effect of changes in number of share options issued	-	-	(10,538)	-	-	-	-	(10,538)
Balance as at June 30, 2009 (unaudited)	2,979,426	10,545,905	294,514	(168,918)	4,429,240	7,529,070	-	25,609,237

The annexed notes 1 to 28 form an integral part of this unconsolidated condensed interim financial information.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2009

(AMOUNTS IN THOUSAND)

	Note	6 months ended June 30, 2009	6 months ended June 30, 2008
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (utilized in) operations	22	6,861,309	(1,442,351)
Retirement & other service benefits paid		(74,300)	(60,484)
Taxes paid		(332,985)	(155,572)
Long term loans and advances - net		(300,636)	(11,739)
Net cash inflow / (outflow) from operating activities		6,153,388	(1,670,146)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(19,749,357)	(7,800,340)
Sale proceeds on disposal of property, plant and equipment		35,734	6,273
Investment in subsidiary companies		(517,000)	(2,462,275)
Income on deposits / other financial assets		276	29,838
Dividends received		112,500	247,896
Net cash outflow from investing activities		(20,117,847)	(9,978,608)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term finances		(800)	(900,800)
Proceeds from issue of share capital - net		4,244,447	-
Payment of finance cost		(766,022)	(253,868)
Proceeds from long term finances		14,791,926	4,810,639
Advance against issue of share capital		-	3,382,214
Dividends paid		(681,667)	(707,689)
Net cash inflow from financing activities		17,587,884	6,330,496
Net increase / (decrease) in cash and cash equivalents		3,623,425	(5,318,258)
Cash and cash equivalents at beginning of the period		43,574	7,771,472
Cash and cash equivalents at end of the period	23	3,666,999	2,453,214

The annexed notes 1 to 28 form an integral part of this unconsolidated condensed interim financial information.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2009

(AMOUNTS IN THOUSAND)

1. LEGAL STATUS AND OPERATIONS

Engro Chemical Pakistan Limited (the Company) is a public listed company incorporated in Pakistan. The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers. The Company has also invested in joint ventures and other entities engaged in chemical related activities, industrial automation, food and energy businesses. The Company's registered office is situated at 7th & 8th Floors, The Harbour Front Building, HC # 3, Block 4, Marine Drive, Clifton, Karachi.

In order to expand its production capacity of Urea, the Company has started an expansion project (Enven 1.3) at Daharki in the Province of Sindh. The project will have a capacity of 1.3 million tons of Urea per annum. It is expected that the plant will commence its commercial production by July 2010.

1.1 The Board of Directors in their meeting of April 28, 2009 have decided for the division of the Company into two companies by separating its fertilizer undertaking from the rest of the undertaking that is to be retained in the Company. In this regard, a wholly owned subsidiary namely Engro Fertilizers Limited (EFL) has been incorporated on June 29, 2009. The division is to be effected through a Scheme of Arrangement under Section 284 to 288 of the Companies Ordinance, 1984 whereby (a) the fertilizer undertaking would be transferred and vested in EFL against the issuance of ordinary shares of EFL to the Company; (b) the retention of the retained undertaking in the Company and the change of the name of the Company to Engro Corporation Limited, which will then function purely as a holding company and oversee the business of new fertilizer subsidiary as well as business of its other existing subsidiaries/associates.

The Company will be seeking the requisite consent/approvals and shall then file a Petition in the High Court of Sindh for implementation thereof.

2. BASIS FOR PREPARATION

This unconsolidated condensed interim financial information is unaudited and has been prepared and is being submitted to the shareholders in accordance with Section 245 of the Companies Ordinance, 1984 and International Accounting Standard 34 - 'Interim Financial Reporting'. The figures for the half year ended June 30, 2009 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance. 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, 2008.

3. ACCOUNTING POLICIES

3.1 Except as disclosed below, the accounting policies adopted in the preparation of this unconsolidated condensed interim financial information are the same as those applied in the preparation of audited annual published financial statements of the Company for the year ended December 31, 2008.

3.2 The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2009.

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income).

  The Company has preferred to present two statements; a profit and loss account and a statement of comprehensive income. The interim financial information has been prepared under the revised disclosure requirements.

(AMOUNTS IN THOUSAND)

- The SECP vide S.R.O. 411 (1) / 2008 dated April 28, 2008 notified the adoption of IFRS 7 'Financial Instruments: Disclosures'. IFRS 7 is mandatory for Company's accounting periods beginning on or after the date of notification i.e. April 28, 2008. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of IFRS will only impact the format and extent of disclosures presented in the financial statements. The Company will consider the requirements of IFRS 7 in the annual financial statements.
- In addition to above, following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2009 and are also relevant to the Company. However, the adoption of these new standards and amendments to standards did not have any significant impact on the financial information of the Company:

  - IFRS 2 (Amendment), 'Share based payment;
  - IFRS 8, 'Operating segments;
  - IAS 23 (Amendment), 'Borrowing costs;
  - IAS 27 (Revised), 'Consolidated and separate financial statements;
  - IAS 28 (Amendment), 'Investment in associates;
  - IAS 36 (Amendment), 'Impairment of assets;
  - IAS 38 (Amendment), 'Intangible assets; and
  - IAS 39 (Amendment), 'Financial instruments: Recognition and measurement'

3.3 The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning January 1, 2009, but are not currently relevant to the Company:

- IFRIC 13, 'Customers loyalty programmes;
- IFRIC 15, 'Agreement for the construction of real estate; and
- IFRIC 16, 'Hedges of a net investment in a foreign operation'

4. ACCOUNTING ESTIMATES

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

During preparation of this unconsolidated condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to financial statements for the year ended December 31, 2008.

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Movement in issued, subscribed and paid-up capital during the period is as follows:

Unaudited June 30, 2009	Audited December 31, 2008		Unaudited June 30, 2009	Audited December 31, 2008
Numbers			Rupees	
212,816,117	193,469,198	As at January 1	2,128,161	1,934,692
85,126,446	19,346,919	Ordinary shares of Rs. 10 each issued during the period as fully paid right shares - note 5.1	851,265	193,469
297,942,563	212,816,117		2,979,426	2,128,161

5.1 These right shares were issued at a premium of Rs. 40 per share (2008: Rs. 165 per share).

(AMOUNTS IN THOUSAND)

6. EMPLOYEES SHARE OPTION COMPENSATION RESERVE

	Unaudited June 30, 2009	Audited December 31, 2008
	Rupees	
Balance as at January 1,	305,052	272,990
Options issued during the period/year	-	37,989
Options lapsed due to employee resignation	(10,538)	(5,927)
Balance at end of the period/year	294,514	305,052

6.1 DEFERRED EMPLOYEES COMPENSATION EXPENSE

Balance as at January 1,	189,291	244,066
Options issued during the period/year	-	37,989
Options lapsed due to employee resignation	(10,538)	(5,927)
Amortisation for the period/year	(41,615)	(86,837)
Balance at end of the period/year	137,138	189,291
Current portion shown under current assets	(89,219)	(93,213)
Long term portion of deferred employee compensation expense	47,919	96,078

6.2 During the current period, the Company has adjusted the exercise price from Rs. 267.73 per share to Rs. 205.52 per share and has increased the total entitlement from 5,500 shares to 7,700 shares consequent to issue of right shares, which have been duly approved by the Securities and Exchange Commission of Pakistan. The aforementioned reduction in exercise price has no effect on the fair value of share options recognized in the financial statements.

6.3 Movement in share options outstanding at end of the period/year is as follows:

	Unaudited June 30, 2009	Audited December 31, 2008
	Numbers	
Balance as at January 1,	4,631,818	4,145,000
Options issued during the period/year	-	576,818
Options lapsed during the period/year	(160,000)	(90,000)
Balance at end of the period/year	4,471,818	4,631,818

7. HEDGING RESERVE

Fair values of:		
- Foreign exchange forward contracts (note 7.2 & 7.3)	705,883	4,297,960
- Foreign exchange option contracts	-	347,446
- Interest rate SWAPs (note 7.4)	(713,205)	(1,073,210)
	(7,322)	3,572,196
Arrangement fee	(164,159)	(164,159)
Deferred tax	2,563	(1,250,268)
	(168,918)	2,157,769

(AMOUNTS IN THOUSAND)

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

7.2 The Company entered into various forward exchange contracts to hedge its foreign currency exposure. As at June 30, 2009, the Company had forward exchange contracts to purchase Euros 106,112 (December 31, 2008: Euros 130,505) 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 June 30, 2009 amounted to Rs. 576,702 (December 31, 2008: Rs. 3,838,549).

7.3 The Company entered in various US$: PKR Forward Contracts to hedge its foreign currency exposure. As at June 30, 2009, the Company had forward contracts to purchase US$ 85,000 (December 31, 2008: US$ 159,027) 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 June 30, 2009 amounted to Rs. 129,181 (December 31, 2008: Rs. 459,411).

7.4 The Company 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 amortising up to September 2014. Under the swap agreement, the Company 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 June 30, 2009 is negative and amounted to Rs. 455,491 (December 31, 2008: Rs. 648,277).

The Company 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 amortising upto April 2016. Under the swap agreement, the Company 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 June 30, 2009 is negative and amounted to Rs. 257,714 (December 31, 2008: Rs. 424,933).

8. LONG TERM FINANCES

	Unaudited June 30, 2009	Audited December 31, 2008
	Rupees	
Balance as at January 1,	27,833,314	16,722,520
Loans availed during the period/year-net of transaction cost (note 8.1)	14,791,926	12,412,394
	42,625,240	29,134,914
Repayments during the period/year	(800)	(1,301,600)
	42,624,440	27,833,314
Current portion shown under current liabilities	(326,600)	(76,600)
Balance at end of the period/year	42,297,840	27,756,714

8.1 Loans availed represents further draw down on the arrangements already entered into by the Company including Syndicated, Islamic Offshore and DFI consortium facilities. During the period, the Company completed draw down of its Offshore Islamic Financing.

The maturity of these facilities range from 7 to 9 years and mark-up is 1.10% to 1.80% over six month KIBOR for Rupee facilities and 2.57% to 2.60% over six month LIBOR for USD facilities. These facilities, excluding the Privately Placed TFCs (PPTFCs), are secured by equitable mortgage upon immovable assets located at Daharki and hypothecation charge on fixed assets of the Company. The PPTFCs are secured by a subordinated floating charge over all present and future fixed assets excluding land and buildings.

(AMOUNTS IN THOUSAND)

9. DEFERRED TAXATION

	Unaudited June 30, 2009	Audited December 31, 2008
	Rupees	
Credit / (debit) balances arising on account of:		
- Accelerated depreciation allowance	1,105,709	1,129,211
- Net borrowing costs capitalised	975,710	518,571
- Fair value of hedging instruments	(112,002)	1,140,829
- Taxable loss for the period	(142,417)	-
- Recoupable minimum tax	(53,538)	-
- Provision for:		
- retirement benefits	(19,326)	(21,910)
- inventories, slow moving stores and spares and doubtful receivables	(117,954)	(314,188)
- others	(39,757)	(39,756)
	1,596,425	2,412,757

10. SHORT TERM BORROWINGS

The facility for short term finance available from various banks amounts to Rs. 7,150,000 (December 31, 2008: Rs. 6,750,000), including Rs. 200,000 (December 31, 2008: Rs. 200,000) for Bank Guarantees interchangeable with short term finance. The rates of markup ranges from 12.39% to 17.75% (December 31, 2008: 10.40 % to 17.30%) and the facilities are secured by floating charge upon all current and future moveable property of the Company.

11. TRADE AND OTHER PAYABLES INCLUDING DERIVATIVES

	Unaudited June 30, 2009	Audited December 31, 2008
	Rupees	
Creditors (note 11.1)	461,228	390,717
Payable to Engro Foods Limited (a subsidiary company) for taxable losses acquired (note 20)	450,000	450,000
Accrued liabilities	1,065,537	727,165
Advances from Customers	1,832,552	1,063,530
Current portion of fair value of interest rate swaps	175,282	155,160
Financial Charges accrued on secured:		
- long term finances	758,179	660,387
- short term borrowings	65,339	144,003
Deposits from dealers refundable on termination of dealership	10,813	10,553
Contractors' deposits and retentions	51,591	29,513
Workers' profit participation fund	76,524	-
Workers' welfare fund	137,836	106,216
Others	155,298	137,580
	5,240,179	3,874,824

11.1 This includes payable of Rs. 57,760 (December 31, 2008: Rs. 7,507) to Engro Eximp (Private) Limited (a wholly owned subsidiary) on account of purchased products.

12. CONTINGENCIES AND COMMITMENTS

Contingencies

12.1 Claims, including pending lawsuits, against the Company not acknowledged as debts amounted to Rs. 37,658 (December 31, 2008: Rs. 27,911).

(AMOUNTS IN THOUSAND)

12.2 Corporate guarantees of Rs. 425,500 (December 31, 2008: Rs. 500,600) have been issued in favor of subsidiary companies.

12.3 Bank guarantees of Rs. 291,176 (December 31, 2008: Rs. 141,126) have been issued in favor of third parties.

12.4 The Company is contesting the penalty of Rs. 99,936 (December 31, 2008: 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.

12.5 The Company had commenced two separate arbitration proceedings against the Government of Pakistan for non-payment of marketing incidentals relating to the years 1983-84 and 1985-86 respectively. The sole arbitrator in the second case has awarded the Company Rs. 47,800 (December 31, 2008: Rs. 47,800) and it is hoped that the award for the earlier years will be announced shortly. The award for the second arbitration has not been recognised due to inherent uncertainties arising from its challenge in the High Court of Sindh.

12.6 The Company has extended project completion support to the lenders of Engro Energy Limited for US$ 15,400 (December 31, 2008: US$ 15,400) and a further support to the lenders of Engro Polymer and Chemicals Limited for US$ 12,200 (December 31, 2008: US$ 10,000). These project supports are contingent upon occurrence or non-occurrence of specified future events.

	Commitments	Unaudited June 30, 2009	Audited December 31, 2008
		Rupees	
12.7	Plant and machinery	13,501,149	26,846,940
12.8	Employee housing subsidy scheme	193,652	214,362

13. PROPERTY, PLANT AND EQUIPMENT

Operating assets, at net book value (notes 13.1 & 13.2)	5,415,104	5,689,276
Capital work-in-progress (note 13.3)	47,403,445	27,706,486
	52,818,549	33,395,762

13.1 Additions to operating assets during the period/year were as follows:

Freehold land	-	60,046
Freehold building	1,220	11,374
Leasehold building	2,946	278
Plant & Machinery	9,512	67,516
Furniture, fixture and equipment	11,177	100,021
Vehicles - owned	44,068	134,384
	68,923	373,619

13.2 During the period / year, assets costing Rs. 62,457 (December 31, 2008: Rs. 30,815), having a net book value of Rs. 16,759 (December 31, 2008: Rs. 18,424) were disposed off for Rs. 35,734 (December 31, 2008: Rs. 87,728).

13.3 **Capital work-in-progress**	Unaudited June 30, 2009	Audited December 31, 2008
	Rupees	
Plant and machinery	40,788,578	23,224,494
Building and civil works	5,992,899	3,715,574
Furniture, fixture and equipment	144,848	122,979
Advances to suppliers	477,120	643,439
	47,403,445	27,706,486

(AMOUNTS IN THOUSAND)

13.3.1 Capital work-in-progress includes net borrowing costs capitalized amounting to Rs. 2,787,744 (December 31, 2008: Rs. 1,481,633).

13.3.2 Capital work-in-progress includes Rs. 39,299,449 (December 31, 2008: Rs. 23,064,182) and Rs. 5,960,766 (December 31, 2008: Rs. 3,689,805) with respect to urea expansion project for plant & machinery and building & civil works respectively. The planned expansion project will cost an approximate USD 1,050,000 and will have a capacity of 1.3 million tons of urea per annum.

13.4 The Collector of Customs had disallowed exemption from custom duty and sales tax amounting to Rs. 48,236 in prior years in respect of the first catalyst and other items being part and parcel of the expansion plant on the contention that these items do not fall under the definition of 'plant and machinery' which is exempt under the relevant SRO. The Company challenged the Department's contention through a constitutional petition in the High Court of Sindh which stayed the recovery of the amount claimed and in December 1994 decided that petition in favour of the Company. The Deparment filed an appeal in the Supreme Court of Pakistan. During the year ended December 31, 2005, the Supreme Court dismissed the appeal and upheld the Sindh High Court judgement in Company's favour. Payments aggregating Rs. 22,207 made against the aforementioned amount have been refunded by the Department during the current period.

14. LONG TERM INVESTMENTS

	Equity % Held	Unaudited June 30, 2009	Audited December 31, 2008
		Rupees	
Subsidiaries - at cost			
Quoted			
Engro Polymer & Chemicals Limited	56.19%	2,847,200	2,847,200
Unquoted			
Engro Eximp (Private) Limited	100%	100	100
Engro Management Services (Private) Limited	100%	2,500	2,500
Avanceon Limited (formerly Engro Innovative Automation Limited)	62.67%	381,957	381,957
Engro Foods Limited	100%		
- Paid-up Share Capital		4,850,000	4,300,000
- Advance against issue of share capital		-	50,000
Engro Energy Limited	95%	3,040,000	3,040,000
Engro Powergen (Private) Limited			
- Paid-up Share Capital	100%	15,000	15,100
- Advance against issue of share capital		17,100	-
Engro Fertilizers Limited (note 14.1)	100%	-	-
		11,153,857	10,636,857
Joint Ventures - at cost			
Engro Vopak Terminal Limited	50%	450,000	450,000
Others - at cost			
Arabian Sea Country Club Limited		5,000	5,000
Agrimall (Private) Limited (note 14.2)		-	-
		11,608,857	11,091,857

14.1 Engro Fertilizers Limited has been incorporated on June 29, 2009 as a public unlisted company under the Companies Ordinance, 1984 for the transfer and vesting of fertilizer business, as referred to note 1.1. As on June 30, 2009, the issued share capital comprise of seven ordinary shares of Rs. 10 each, held by seven employees of the Company as nominees thereof.

14.2 This represents the Company's share in the paid-up share capital of Agrimall (Private) Limited transferred free of cost to the Company under a joint venture agreement.

(AMOUNTS IN THOUSAND)

15. STOCK-IN-TRADE

	Unaudited June 30, 2009	Audited December 31, 2008
	Rupees	
Raw Materials (note 15.1)	659,532	1,091,555
Packing material	31,924	51,279
	691,456	1,142,834
Work-in-process	10,444	9,027
Finished goods - own manufactured product	463,423	396,198
- purchased product (note 15.1)	1,086,861	3,132,837
	1,550,284	3,529,035
	2,252,184	4,680,896

15.1 These include provision for writedown of inventories of raw materials and finished goods to net realisable value amounting to Rs. 176,025 (December 31, 2008: Rs. 276,022) Rs. 104,240 (December 31, 2008: Rs. 578,350) respectively.

16. TRADE DEBTS

	Unaudited June 30, 2009	Audited December 31, 2008
	Rupees	
Considered good		
- Secured	868,633	243,546
- Unsecured	7,642	17,962
	876,275	261,508
Considered doubtful	8,059	8,059
	884,334	269,567
Provision for doubtful debts	(8,059)	(8,059)
	876,275	261,508

17. OTHER RECEIVABLES INCLUDING DERIVATIVES

17.1 Other receivables include Rs. 705,883 (December 31, 2008: Rs. 4,257,967) as fair value of foreign exchange forward contracts.

17.2 Other receivables also include Nil (December 31, 2008: Rs. 198,150) on account of compensation for mandatory reduction in sales price by the Government of Pakistan on Phosphatic and Potassic fertilizer inventory.

(AMOUNTS IN THOUSAND)

18. COST OF SALES

	3 months ended June 30, 2009	3 months ended June 30, 2008	6 months ended June 30, 2009	6 months ended June 30, 2008
	(Rupees)			
Raw materials consumed	749,560	911,648	1,660,597	1,918,221
Salaries, wages and staff welfare	249,062	151,122	500,786	322,723
Fuel and power	686,619	549,239	1,447,603	1,071,841
Repairs and maintenance	317,851	89,729	373,845	205,424
Depreciation / amortization	151,636	149,198	309,665	301,454
Consumable stores	50,354	49,635	86,430	75,437
Staff recruitment, training, safety and other expenses	15,579	17,219	26,239	27,910
Purchased services	22,768	42,658	70,669	72,855
Travel	13,943	20,566	23,377	27,451
Communication, Stationery and other office expenses	7,222	8,109	14,269	12,887
Insurance	35,465	14,552	65,362	29,287
Rent, rates and taxes	16,102	12,561	26,564	13,439
Other expenses	2,190	5,765	7,523	13,558
Manufacturing cost	2,318,351	2,022,001	4,612,929	4,092,487
Opening stock of work-in-process	14,261	4,767	9,027	7,952
Closing stock of work-in-process	(10,444)	(14,024)	(10,444)	(14,024)
	3,817	(9,257)	(1,417)	(6,072)
Cost of goods manufactured	2,322,168	2,012,744	4,611,512	4,086,415
Opening stock of finished goods manufactured	492,384	330,585	396,198	397,129
Closing stock of finished goods manufactured	(463,423)	(443,775)	(463,423)	(443,775)
	28,961	(113,190)	(67,225)	(46,646)
Cost of goods sold				
- own manufactured product	2,351,129	1,899,554	4,544,287	4,039,769
- purchased product	1,612,587	626,399	3,215,504	1,400,965
	3,963,716	2,525,953	7,759,791	5,440,734

(AMOUNTS IN THOUSAND)

19. SELLING AND DISTRIBUTION EXPENSES

	3 months ended June 30, 2009	3 months ended June 30, 2008	6 months ended June 30, 2009	6 months ended June 30, 2008
	(Rupees)			
Salaries, wages and staff welfare	86,658	62,960	171,479	127,935
Staff recruitment, training, safety and other expenses	15,670	19,583	19,995	25,629
Product transportation and handling	191,870	145,759	411,068	356,843
Repairs and maintenance	2,544	15,411	5,124	48,220
Advertising and sales promotion	20,779	11,928	25,770	16,173
Rent, rates and taxes	20,969	22,745	42,919	43,002
Communication, stationery and other office expenses	4,901	6,508	9,142	10,016
Travel	9,158	15,266	14,083	21,214
Depreciation / amortization	10,319	8,270	21,393	15,366
Purchased services	2,260	3,261	4,785	3,807
Donations	3,858	6,929	10,238	12,305
Other expenses	7,593	8,718	15,058	15,849
	376,579	327,338	751,054	696,359

20. TAXATION

20.1 The Company in its tax return for tax year 2007 claimed the benefit of Group Relief under Section 59 B of Income Tax Ordinance, 2001 (the Ordinance) on losses acquired for an equivalent cash consideration from Engro Foods Limited (EFL), a wholly owned subsidiary company, amounting to Rs. 428,744.

During 2008, an audit was conducted by the tax department for tax year 2007 and an assessment order was issued challenging the claiming of benefit of Group Relief by the Company and certain other issues. Consequently, the Company filed an appeal against the issues raised by the tax department. Gross demand amounting to Rs. 476,479 was raised out of which the Company paid an amount of Rs. 170,000. Stay by the High Court of Sindh for payment of balance amount has been granted till the decision of the Income Tax Appellate Tribunal (ITAT). The Company is reasonably confident that all the issues, including the issue of Group Relief, will be decided in its favour.

The Company has again claimed the benefit of Group Relief under Section 59B of Income Tax Ordinance, 2001 in its tax return for tax year 2008 and accordingly has paid an amount of Rs. 622,103. During 2009, an audit was conducted by the tax department for the tax year 2008 and an assessment order was issued challenging the claiming of benefit of Group Relief by the Company and certain other issues. Gross demand amounting to Rs. 910,845 was raised out of which the Company paid an amount of Rs. 300,000. The Company has filed an appeal against the issues raised by the tax department and is reasonably confident that all the issues, including the issue of Group Relief, will be decided in its favor.

The Company has also agreed to acquire equivalent tax effect of tax year 2009's partial losses of EFL amounting to Rs. 450,000 which will be accounted for in the income tax return of the Company due to be filed with Income Tax Department by September 30, 2009.

(AMOUNTS IN THOUSAND)

20.2 The Company has filed tax returns up to income year 2007. All assessments up to income year 2002 have been finalized by the Department and appealed against.

For income years June 1995 and June 1996, assessments were set-aside by the Commissioner (Appeals). The Company has filed an appeal there against with ITAT.

The appeals for income years ended June 1997, December 1997 and December 1998 have been decided in favor of the Company by the appellate authorities. For June 1997 and December 1997 the Company has filed an appeal before ITAT on grounds of error in calculation of depreciation which it believes to be an error of fact and should be rectified. For December 1998, the Company has received favorable decision from the Commissioner (Appeals) on the issue of incorporating correct turnover numbers in the assessment.

For income years December 1999 to December 2002, the Company is in Appeal with ITAT on all these years on the most important contentious issue of apportionment of gross profit and selling and distribution expenses. The Company also filed reference with Alternative Dispute Resolution Committee (ADRC) of Federal Board of Revenue (FBR) on the issue of apportionment of gross profit and selling and distribution expenses for these four years. A favorable decision in this respect was received from the ADRC. However, the FBR has decided that the issue be decided upon by ITAT where this matter remains under appeal.

For income years 2003 - 2007 income tax returns have been filed under self assessment scheme by the Company.

Audit in respect of income year 2005 has been finalised. The Company received a demand amounting to Rs. 240,660 during 2008 of which the Company paid Rs. 30,694 and filed a rectification with the Tax Department for correction of certain errors in the assessment order. During the period these have been duly rectified.

The Company is confident that all pending issues will be ultimately resolved without any additional liability.

21. EARNINGS PER SHARE

	3 months ended June 30, 2009	3 months ended June 30, 2008	6 months ended June 30, 2009	6 months ended June 30, 2008
	(Rupees)			
Profit after taxation	348,848	737,366	1,043,578	1,556,395
Basic earnings per share				
		(Restated)		(Restated)
Weighted average number of Ordinary shares (In thousand)	268,420	244,733	264,016	244,733

The shares issued under Employee Share Option Scheme may have a potential dilutive impact on basic earnings per share in future periods.

Diluted earnings per share

		(Restated)		(Restated)
Weighted average number of Ordinary shares (In thousand)	268,420	254,793	264,016	254,793

(AMOUNTS IN THOUSAND)

22. CASH GENERATED FROM / (UTILIZED IN) OPERATIONS

	6 months ended June 30, 2009	6 months ended June 30, 2008
	Rupees	
Profit before taxation	1,549,365	2,364,468
Adjustment for non-cash charges and other items		
Depreciation / amortization	331,058	316,820
Profit on disposal of property, plant and equipment	(18,975)	(1,001)
Provision for retirement and other service benefits	66,919	60,570
Income on deposits / other financial assets	(2,913)	(276)
Employees share option compensation expense	33,999	30,875
Employee housing subsidy expense	69,409	-
Dividend income	(217,500)	(225,396)
Financial charges	785,150	383,560
Working capital changes (note 22.1)	4,264,797	(4,371,971)
	6,861,309	(1,442,351)

22.1 *Working capital changes*

(Increase) / decrease in current assets		
Stores spares and loose tools	(114,133)	(78,963)
Stock-in-trade	2,428,712	(4,951,100)
Trade debts	(614,767)	617,982
Loans, advances, deposits and prepayments	1,083,466	(47,613)
Other receivables (net)	155,411	(92,899)
	2,938,689	(4,552,593)
Increase / (Decrease) in current liabilities		
Trade and other payable including other service benefits (net)	1,326,108	180,622
	4,264,797	(4,371,971)

23. CASH AND CASH EQUIVALENTS

Cash and bank balances	1,871,758	280,251
Short term investments	2,227,192	2,398,097
Short term borrowings	(431,951)	(225,134)
	3,666,999	2,453,214

(AMOUNTS IN THOUSAND)

24. TRANSACTIONS WITH RELATED PARTIES

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

	6 months ended June 30, 2009	6 months ended June 30, 2008
	Rupees	
Subsidiaries		
Services rendered	28,163	14,340
Purchases and services	1,466,837	3,519,000
Long term investments made	517,000	2,462,275
Markup from subsidiaries	44,800	10,816
Disbursement of loan	741,318	-
Repayment of loan	1,100,000	-
Dividends received	-	157,896
Rent	10,203	-
Associates		
Purchases and services	1,125,591	2,395,253
Retirement benefits	64,565	50,982
Dividends paid	177,715	242,339
Advance received against issue of share capital	-	1,413,643
Payment of interest on TFCs and repayment of principal amount	4,984	-
Right shares issued (including share premium)	1,777,152	-
Joint Ventures		
Services rendered	1,255	550
Purchases and services	-	29,398
Dividend received	112,500	90,000
Others		
Remuneration paid to key management personnel / directors	103,399	76,998
Dividends paid	29,370	5,024
Advance received against issue of share capital	-	26,889
Right shares issued (including share premium)	314,732	-

	Unaudited June, 30 2009	Audited December 31, 2008
	Rupees	
Balances due from		
- Subsidiaries (including subordinated loan of Rs. 500,000 (December 31, 2008: Rs. 1,100,000) to Engro Eximp (Private) Limited & Rs. 241,318 (December 31, 2008: Nil) to Avanceon Limited and dividend receivable of Rs. 60,000 from Engro Eximp (Private) Limited)	849,069	1,107,848
- Joint Ventures (includes dividend receivable of Rs. 135,000 (December 31, 2008: Rs. 90,000) from Engro Vopak Terminal Limited)	135,509	90,252

(AMOUNTS IN THOUSAND)

25. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on July 28, 2009 has approved an interim cash dividend of Rs. 2.00 per share for the year ending December 31, 2009 amounting to Rs. 595,885 (December 31, 2008: Rs. 2.00 per share final cash dividend and 40% right shares at Rs. 50). This unconsolidated condensed interim financial information does not reflect the dividend payable.

26. SEASONALITY

The Company's fertilizer business 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 phosphates fertilizers sales are more tilted towards Rabi season. The Company manages seasonality in the business through appropriate inventory management.

27. DATE OF AUTHORIZATION FOR ISSUE

This unconsolidated condensed financial information was authorized for issue on July 28, 2009 by the Board of Directors of the Company.

28. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the unconsolidated condensed interim balance sheet and unconsolidated condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income and the unconsolidated condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2009

ENGRO

ENGRO CHEMICAL PAKISTAN LIMITED
AND ITS SUBSIDIARY COMPANIES

HALF YEAR 2009 REPORT TO THE SHAREHOLDERS ENGRO CHEMICAL PAKISTAN LIMITED AND ITS SUBSIDIARY COMPANIES

On behalf of the Board of Directors of Engro Chemical Pakistan Limited, we are pleased to present the group consolidated accounts for the six months ended June 30, 2009 comprising of:

Holding Company

Engro Chemical Pakistan Limited

Subsidiary companies, i.e., each of those companies in which the Holding Company owns over 50% of voting rights

Engro Eximp (Private) Limited (100% equity held);
Engro Management Services (Private) Limited (100% equity held);
Engro Foods Limited (100% equity held);
Engro Energy Limited (95% equity held);
Engro Polymer and Chemicals Limited (56.19% equity held);
Avanceon Limited [formerly Engro Innovative Automation Limited] (62.67% equity held);
Engro Powergen (Private) Limited (100% equity held); and
Engro Fertilizers Limited (100% equity held).

The consolidated result also accounts for our share of profit in Engro Vopak Terminal Limited, a 50% owned joint venture.

The consolidated net profit for the six months ended June 30, 2009 was Rs. 1,055 million as compared to Rs. 2,351 million for the same period last year. The primary reason for variation is decreased profitability of Fertilizer and Polymer business.

Engro Chemical Pakistan Limited recorded net profit of Rs. 1,044 million for the six months ended June 30, 2009 compared to Rs. 1,556 million in the corresponding period last year. The decrease in earnings is mainly attributable to higher financial charges and lower urea volumes, partially offset by higher Phosphate sales. Our share of earnings at Engro Vopak for the six months ended June 30, 2009 was Rs. 195 million. Comparative share for the same period last year was Rs. 100 million.

The financial impact of the following eight subsidiary companies on the consolidated earnings for the six months ended June 30, 2009 is as follows:

Engro Polymer & Chemicals Limited revenue during the six months period ended June 30, 2009 was Rs. 4,965 million as against Rs. 4,369 million for the same period last year. It posted a net profit of Rs. 13 million versus profit of Rs. 428 million in the same period last year.

Engro Eximp (Private) Limited is a wholly owned subsidiary of Engro Chemical Pakistan Limited. During the six months period ended June 30, 2009, it posted net profit of Rs. 199 million as compared to profit of Rs. 1,663 million for the same period last year.

Engro Management Services (Private) Limited is a wholly owned subsidiary of Engro Chemical Pakistan Limited. There were no business transactions for the period.

Engro Foods Limited turnover during the six months ended June 30, 2009 was Rs. 6,577 million versus Rs. 3,508 million in the same period last year, an increase of 87%. Engro Foods Limited incurred a loss of Rs. 292 million in the six months period ended June 30, 2009 as compared to Rs. 394 million during the same period last year.

Engro Energy Limited is a 95% subsidiary of Engro Chemical Pakistan Limited. During the six months period ended June 30, 2009, it posted net profit of Rs. 89 million as compared to a net loss of Rs. 3 million during the same period last year.

Avanceon Limited (formerly Engro Innovative Automation Limited) revenue during the six months period ended June 30, 2009 was Rs. 646 million as compared to Rs. 761 million during the same period last year. It incurred net loss of Rs. 90 million as against Rs. 36 million.

Engro Powergen (Private) Limited was incorporated during the period ended June 30, 2008. Loss for the six months ended June 30, 2009 was Rs. 16 million.

Engro Fertilizers Limited was incorporated during the period ended June 30, 2009. There were no business transactions for the period.

Engro Vopak Terminal Limited is our 50% owned joint venture. Our share of profits for the period ended June 30, 2009 was Rs. 195 million wersus Rs. 100 million during the same period last year, and increase of 95%.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

Karachi
July 28, 2009

A.F. FERGUSON & CO.

A member firm of PRICEWATERHOUSECOOPERS

A.F.Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
I.I.Chundrigar Road, P.O.Box 4716
Karachi-74000, Pakistan
Telephone: (021) 2426682-6 / 2426711-
Facsimile: (021) 2415007 / 2427938

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying consolidated condensed interim balance sheet of Engro Chemical Pakistan limited and its subsidiaries (the Group) as at June 30, 2009 and the related consolidated condensed interim profit and loss account, consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows together with the notes forming part thereof (here-in-after referred to as the "consolidated condensed interim financial information"), for the half year then ended. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review. The figures of the consolidated condensed interim profit and loss account and consolidated condensed interim statement of comprehensive income for the quarters ended March 31, 2009 and 2008 have not been reviewed as we are required to review only the cumulative figures for the half year ended June 30, 2009.

The comparative figures presented in the consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows together with the notes forming part thereof have not been reviewed.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information as of and for the half year ended June 30, 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our conclusion, we draw attention to note 19.1 to the consolidated condensed interim financial information and as more fully explained therein, the Group has recognized the effect of taxable losses acquired by the Holding Company from a subsidiary company, pending designation from the Securities and Exchange Commission of Pakistan, as companies entitled for Group Relief under the Income Tax Ordinance, 2001.

The consolidated financial statements for the year ended December 31, 2008 were audited by another firm of Chartered Accountants who vide their audit report dated January 27, 2009 expressed an unqualified opinion in all respects except that due to a fire at the Holding Company's premises on August 19, 2007 certain records, documents and books of accounts of the Holding Company relating to years ended December 31, 2007, 2006 and 2005 were destroyed and the Holding Company to date was able to reconstruct books of account pertaining to the year ended December 31, 2007. In addition, an emphasis of matter paragraph has also been added pertaining to recognition of taxable losses of a subsidiary company pending designation by SECP, as explained above.

Chartered Accountants
Karachi
Date: July 28, 2009

Engagement Partner:
Imtiaz A. H. Laliwala

Lahore Office: 505-509, 5th Floor, Alfalah Building, P.O.Box 39, Shahrah-e-Quaid-e-Azam, Lahore-54000, Pakistan.
Tel: (92-42) 6285078-85 Fax: (92-42) 6285088
Islamabad Office: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan.
Tel: (92-51) 2273457-60 Fax: (92-51) 2277924
Kabul Office: House No. 4, Street No. 3, District 6, Road Karte-3, Kabul, Afghanistan. Tel: (93-799) 315320-203424

CONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT JUNE 30, 2009

(AMOUNTS IN THOUSAND)

	Note	Unaudited June 30, 2009	Audited December 31, 2008
		Rupees	
EQUITY AND LIABILITIES			
Equity			
Share Capital			
Authorized			
300,000,000 (2008: 300,000,000) Ordinary shares of Rs. 10 each		3,000,000	3,000,000
Issued, subscribed and paid up	5	2,979,426	2,128,161
Share premium		10,545,905	7,152,722
Employees share option compensation reserve	6	325,552	327,020
Hedging reserve	7	(171,641)	2,135,799
Revaluation reserve on business combination		120,001	125,102
General reserve		4,429,240	4,429,240
Unappropriated profit		6,789,474	6,166,472
		22,038,531	20,336,355
		25,017,957	22,464,516
MINORITY INTEREST		3,089,779	3,113,677
		28,107,736	25,578,193
Non - Current Liabilities			
Long term finances	8	65,169,154	40,738,824
Derivatives		545,378	978,204
Obligations under finance lease		29,607	29,385
Deferred taxation	9	2,568,279	3,601,035
Employee Housing Subsidy		155,183	73,319
Deferred liabilities		82,722	93,446
Retention money against project payments		134,820	553,445
		68,685,143	46,067,658
Current Liabilities			
Current portion of:			
- long term finances		869,225	321,915
- obligations under finance lease		20,807	20,038
- deferred liabilities		23,075	20,023
Short term borrowings	10	1,105,786	4,591,218
Trade and other payables including derivatives	11	11,029,176	7,008,415
Unclaimed dividends		62,285	318,320
		13,110,354	12,279,929
Contingencies and Commitments	12		
TOTAL EQUITY AND LIABILITIES		109,903,233	83,925,780

(AMOUNTS IN THOUSAND)

ASSETS	Note	Unaudited June 30, 2009	Audited December 31, 2008
		Rupees	
Non Current Assets			
Property, plant and equipment	13	87,996,617	58,135,753
Biological assets		364,092	306,826
Intangible assets		580,762	570,833
Long term investments		528,454	491,210
Deferred employees compensation expense	6.1	53,390	101,826
Long term loans, advances and other receivables including derivatives		358,748	377,392
		89,882,063	59,983,840
Current Assets			
Stores, spares and loose tools		1,558,576	1,272,119
Stock- in- trade	14	4,458,767	7,129,907
Trade debts	15	1,495,167	758,491
Deferred employees compensation expense - current portion	6.1	101,949	103,343
Loans, advances, deposits and prepayments		1,878,235	1,155,707
Other receivables including derivatives	16	1,226,022	8,388,635
Taxation		1,244,914	869,056
Short term investments		2,715,894	2,067,074
Cash and bank balances		5,341,646	2,197,608
		20,021,170	23,941,940
		109,903,233	83,925,780

The annexed notes 1 to 28 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 THE HALF YEAR ENDED JUNE 30, 2009

(AMOUNTS IN THOUSAND EXCEPT EARNINGS PER SHARE)

	Note	3 months ended June 30, 2009	3 months ended June 30, 2008	6 months ended June 30, 2009	6 months ended June 30, 2008
		(Rupees)			
Net sales		11,254,887	9,074,592	22,895,952	17,461,988
Cost of sales	17	(8,990,496)	(6,097,304)	(17,857,186)	(12,025,101)
GROSS PROFIT		2,264,391	2,977,288	5,038,766	5,436,887
Selling and distribution expenses	18	(1,593,571)	(1,004,348)	(2,809,331)	(1,966,521)
		670,820	1,972,940	2,229,435	3,470,366
Other income		184,790	321,718	226,418	724,191
		855,610	2,294,658	2,455,853	4,194,557
Finance cost		(467,523)	(167,927)	(1,031,801)	(383,372)
Other operating charges		(41,569)	(162,061)	(111,314)	(189,743)
Workers' welfare fund		(14,101)	(36,453)	(36,196)	(61,877)
Workers' profits participation fund		(25,273)	(94,139)	(83,416)	(161,044)
		(548,466)	(460,580)	(1,262,727)	(796,036)
Share of income from joint venture		103,782	55,528	194,744	100,002
PROFIT BEFORE TAXATION		410,926	1,889,606	1,387,870	3,498,523
Provision for taxation	19				
- Current		(92,682)	(362,125)	(157,257)	(777,885)
- Deferred		88,275	(87,985)	(208,432)	(198,921)
		(4,407)	(450,110)	(365,689)	(976,806)
PROFIT AFTER TAXATION		406,519	1,439,496	1,022,181	2,521,717
Attributable to:					
- Equity holders of Holding Company		370,672	1,324,561	1,055,159	2,350,692
- Minority interest		35,847	114,935	(32,978)	171,025
		406,519	1,439,496	1,022,181	2,521,717
			(Restated)		(Restated)
Earnings per share - basic	20	1.38	5.41	4.00	9.61
Earnings per share - diluted	20	1.38	5.20	4.00	9.23

The annexed notes 1 to 28 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 THE HALF YEAR ENDED JUNE 30, 2009

(AMOUNTS IN THOUSAND)

	Note	3 months ended June 30, 2009	3 months ended June 30, 2008	6 months ended June 30, 2009	6 months ended June 30, 2008
		(Rupees)			
PROFIT AFTER TAXATION		406,519	1,439,496	1,022,181	2,521,717
Other comprehensive income					
Hedging reserve		925,255	199,628	(3,526,819)	1,572,682
Revaluation reserve on business combination		(5,494)	(5,480)	(10,986)	(10,957)
Income tax relating to: Hedging reserve		(323,840)	(69,870)	1,234,386	(550,439)
Revaluation reserve on business combination		1,923	1,918	3,845	3,835
Other comprehensive income for the period - net of tax		597,844	126,196	(2,299,574)	1,015,121
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,004,363	1,565,692	(1,277,393)	3,536,838
Total comprehensive income attributable to:					
- Equity holders of Holding Company		947,100	1,391,743	(1,257,382)	3,363,906
- Minority interest		57,263	173,949	(20,011)	172,932
		1,004,363	1,565,692	(1,277,393)	3,536,838

The annexed notes 1 to 28 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 THE HALF YEAR ENDED JUNE 30, 2009

(AMOUNTS IN THOUSAND)

	Share Capital	Share Premium	Employees share option compensation reserve	Hedging reserve	Revaluation reserve on business combination	General reserve	Unappropriated profit	Advance against issue of share capital	Sub total	Minority interest	Total
	(Rupees)										
Balance as at January 1, 2008 (audited)	**1,934,692**	**3,963,977**	**272,990**	**1,037,386**	**135,304**	**4,429,240**	**3,503,922**	**-**	**15,277,511**	**3,000,412**	**18,277,923**
Final dividend for the year ended December 31, 2007 @ Rs. 3.00 per share	-	-	-	-	-	-	(580,408)	-	(580,408)	-	(580,408)
Advance against issue of shares capital, net	-	-	-	-	-	-	-	3,382,214	3,382,214	-	3,382,214
Total comprehensive income for the half year ended June 30, 2008	-	-	-	1,018,301	(5,087)	-	2,350,692	-	3,363,906	172,932	3,536,838
Dividends pertaining to minority interest	-	-	-	-	-	-	-	-	-	(95,000)	(95,000)
Addition to minority interest due to change in holding percentage of EPCL & EEL	-	-	-	-	-	-	-	-	-	23,300	23,300
Balance as at June 30, 2008 (unaudited)	**1,934,692**	**3,963,977**	**272,990**	**2,055,687**	**130,217**	**4,429,240**	**5,274,206**	**3,382,214**	**21,443,223**	**3,101,644**	**24,544,867**
Shares issued during the year in the ratio of 1 for every 10 shares @ Rs.175 per share (including share premium net of share issue cost)	193,469	3,188,745	-	-	-	-	-	(3,382,214)	-	-	-
Total comprehensive income for the half year ended December 31, 2008	-	-	-	80,112	(5,115)	-	1,775,062	-	1,850,059	(113,207)	1,736,852
Effect of change in number of share options issued	-	-	54,030	-	-	-	-	-	54,030	-	54,030
1st interim dividend 2008 @ Rs. 2.00 per share	-	-	-	-	-	-	(425,632)	-	(425,632)	-	(425,632)
2nd Interim dividend 2008 @ Rs. 2.00 per share	-	-	-	-	-	-	(425,632)	-	(425,632)	-	(425,632)
Addition to minority interest due to change in holding percentage of EPCL & EEL	-	-	-	-	-	-	-	-	-	144,022	144,022
Share of exchange revaluation reserve of a Subsidiary Company (Avanceon)	-	-	-	-	-	-	(31,532)	-	(31,532)	(18,782)	(50,314)
Balance as at December 31, 2008 (audited)	**2,128,161**	**7,152,722**	**327,020**	**2,135,799**	**125,102**	**4,429,240**	**6,166,472**	**-**	**22,464,516**	**3,113,677**	**25,578,193**
Final Dividend for the year ended December 31, 2008 @ Rs. 2.00 per share	-	-	-	-	-	-	(425,632)	-	(425,632)	-	(425,632)
Shares issued during the year in the ratio of 4 for every 10 shares @ Rs. 50 per share (including share premium net of share issue cost)	851,265	3,393,183	-	-	-	-	-	-	4,244,448	-	4,244,448
Total comprehensive income for the half year ended June 30, 2009	-	-	-	(2,307,440)	(5,101)	-	1,055,159	-	(1,257,382)	(20,011)	(1,277,393)
Share of exchange revaluation reserve of a Subsidiary Company (Avanceon)	-	-	-	-	-	-	(6,525)	-	(6,525)	(3,887)	(10,412)
Effect of change in number of share options issued	-	-	(1,468)	-	-	-	-	-	(1,468)	-	(1,468)
Balance as at June 30, 2009 (unaudited)	**2,979,426**	**10,545,905**	**325,552**	**(171,641)**	**120,001**	**4,429,240**	**6,789,474**	**-**	**25,017,957**	**3,089,779**	**28,107,736**

The annexed notes 1 to 28 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 THE HALF YEAR ENDED JUNE 30, 2009

(AMOUNTS IN THOUSAND)

	Note	6 months ended June 30, 2009	6 months ended June 30, 2008
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (utilized in) operations	21	11,262,614	(2,286,609)
Retirement & other service benefits paid		(67,065)	(95,560)
Taxes paid		(533,115)	(234,714)
Long term loans and advances - net		(21,350)	15,249
Net cash inflow/(outflow) from operating activities		10,641,084	(2,601,634)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure including biological assets		(30,691,602)	(13,815,353)
Sale proceeds on disposal of property plant and equipment		66,244	6,313
Income on deposits / other financial assets		51,741	37,922
Retention money against project payments		(418,625)	242,709
Dividends received		112,500	90,000
Net cash outflow from investing activities		(30,879,742)	(13,438,409)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term finances		(150,276)	(2,206,229)
Proceeds from long term finances		25,127,916	7,855,709
Payment of finance cost		(1,024,464)	(377,540)
Obligations under finance lease - net		991	14,150
Advance against issue of share capital		-	3,382,214
Proceeds from issuance of rights shares - net		4,244,448	-
Dividends paid		(681,667)	(707,689)
Net cash inflow from financing activities		27,516,948	7,960,615
Net increase / (decrease) in cash and cash equivalents		7,278,290	(8,079,428)
Cash and cash equivalents at beginning of the period		(326,536)	11,553,866
Cash and cash equivalents at end of the period	22	6,951,754	3,474,438

The annexed notes 1 to 28 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 HALF YEAR ENDED JUNE 30, 2009
(AMOUNTS IN THOUSAND)

1. LEGAL STATUS AND OPERATIONS

1.1 Engro Chemical Pakistan Limited (ECPL and 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 manufacturing, purchasing and marketing of fertilizers. The Holding Company also has investments in joint ventures / other entities engaged in chemical terminal and storage, PVC resin manufacturing and marketing, control and automation, food and energy businesses. The Holding Company's registered office is situated at 7th & 8th Floors, The Harbour Front Building, HC # 3, Block 4, Marine Drive, Clifton, Karachi.

1.2 The "Group" consists of:

Holding Company - Engro Chemical Pakistan Limited

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

	Percentage of holding 2009	2008
- Engro Foods Limited;	100	100
- Engro Energy Limited;	95	95
- Engro Eximp (Private) Limited;	100	100
- Engro Management Services (Private) Limited;	100	100
- Avanceon Limited [formerly Engro Innovative Automation Limited];	62.67	62.67
- Engro Polymer and Chemicals Limited;	56.19	56.19
- Engro Powergen (Private) Limited; and	100	100
- Engro Fertilizers Limited (note 1.4)	100	-
Joint Venture Company:		
- Engro Vopak Terminal Limited	50	50

Associated Company:

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

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

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

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

1.4 The Board of Directors of the Holding Company in their meeting of April 28, 2009 have decided for the division of the Holding Company, into two companies by separating its fertilizer undertaking from the rest of the undertaking that is to be retained in the Holding Company. In this regard, a wholly owned subsidiary namely Engro Fertilizers Limited (EFL) has been incorporated on June 29, 2009. The division is to be effected through a Scheme of Arrangement under Section 284 to 288 of the Companies Ordinance, 1984 whereby (a) the fertilizer undertaking would be transferred and vested in EFL against the issuance of ordinary shares of EFL to the Holding Company; (b) the retention of the retained undertaking in the Holding Company and the change of the name of the Holding Company to Engro Corporation Limited, which will then function purely as a holding company and oversee the business of new fertilizer subsidiary as well as business of its other existing subsidiaries/associates.

The Holding Company will be seeking the requisite consent/approvals and shall then file a Petition in the High Court of Sindh for implementation thereof.

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'. The figures for the half year ended June 30, 2009 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance, whereas the figures for the half year ended June 30, 2008 have not been reviewed by the auditors. 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, 2008.

3. ACCOUNTING POLICIES

3.1 Except as disclosed below, 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, 2008.

3.2 The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2009.

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income).

  The Holding Company has preferred to present two statements; a profit and loss account and a statement of comprehensive income. The interim financial information has been prepared under the revised disclosure requirements.

- The SECP vide S.R.O. 411 (1) / 2008 dated April 28, 2008 notified the adoption of IFRS 7 'Financial Instruments: Disclosures'. IFRS 7 is mandatory for Company's accounting periods beginning on or after the date of notification i.e. April 28, 2008. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of IFRS will only impact the format and extent of disclosures presented in the financial statements. The Holding Company will consider the requirements of IFRS 7 in the annual financial statements.

- In addition to above, following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2009 and are also relevant to the Holding Company. However, the adoption of these new standards and amendments to standards did not have any significant impact on the financial information of the Holding Company:

  - IFRS 2 (Amendment), 'Share based payment;
  - IFRS 8, 'Operating segments;
  - IAS 23 (Amendment), 'Borrowing costs;
  - IAS 27 (Revised), 'Consolidated and separate financial statements;
  - IAS 28 (Amendment), 'Investment in associates;
  - IAS 36 (Amendment), 'Impairment of assets;
  - IAS 38 (Amendment), 'Intangible assets; and
  - IAS 39 (Amendment), 'Financial instruments: Recognition and measurement'

(AMOUNTS IN THOUSAND)

3.3 The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning January 1, 2009, but are not currently relevant to the Holding Company:

- IFRIC 13, 'Customers loyalty programmes;
- IFRIC 15, 'Agreement for the construction of real estate; and
- IFRIC 16, 'Hedges of a net investment in a foreign operation'

4. ACCOUNTING ESTIMATES

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

During preparation of this consolidated condensed interim financial information, the significant judgments made by management in applying the Holding Company's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to financial statements for the year ended December 31, 2008.

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Movement in issued, subscribed and paid-up capital during the period / year is as follows:

Unaudited June 30, 2009	Audited December 31, 2008		Unaudited June 30, 2009	Audited December 31, 2008
Numbers			Rupees	
212,816,117	193,469,198	As at January 1	2,128,161	1,934,692
85,126,446	19,346,919	Ordinary shares of Rs. 10 each issued during the period as fully paid right shares - note 5.1	851,265	193,469
297,942,563	212,816,117		2,979,426	2,128,161

5.1 These right shares were issued at a premium of Rs. 40 per share (2008: Rs. 165 per share).

6. EMPLOYEES SHARE OPTION COMPENSATION RESERVE

	Unaudited June 30, 2009	Audited December 31, 2008
	Rupees	
Balance as at January 1,	327,020	272,990
Options issued during the period / year	9,336	59,957
Options lapsed due to employee resignation	(10,804)	(5,927)
Balance at end of the period / year	325,552	327,020

(AMOUNTS IN THOUSAND)

6.1 DEFERRED EMPLOYEES COMPENSATION EXPENSE

	Unaudited June 30, 2009	Audited December 31, 2008
	Rupees	
Balance as at January 1,	205,169	244,066
Options issued during the period / year	9,336	59,957
Options lapsed due to employee resignation	(10,804)	(5,927)
Amortisation for the period / year	(48,362)	(92,927)
Balance at end of the period / year	155,339	205,169
Current portion shown under current assets	(101,949)	(103,343)
Long term portion of deferred employees compensation expense	53,390	101,826

6.2 During the current period, the Holding Company has adjusted the exercise price of the stock options from Rs. 267.73 per share to Rs. 205.52 per share and has increased the total entitlement from 5,500 shares to 7,700 shares consequent to issue of right shares, which have been duly approved by the Securities and Exchange Commission of Pakistan. The aforementioned reduction in exercise price has no effect on the fair value of share options recognized in the financial statements.

7. HEDGING RESERVE

	Unaudited June 30, 2009	Audited December 31, 2008
	Numbers	
Fair values of:		
- Foreign exchange forward contracts	705,883	4,297,960
- Foreign exchange option contracts	-	347,446
- Interest rate SWAPs	(720,660)	(1,133,364)
	(14,777)	3,512,042
Arrangement fee	(164,159)	(164,159)
Deferred tax	5,172	(1,229,214)
Minority Interest	2,123	17,130
	(171,641)	2,135,799

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

The Holding Company entered into various forward exchange contracts to hedge its foreign currency exposure. As at June 30, 2009, the Holding Company had forward exchange contracts to purchase Euros 106,112 (December 31, 2008: Euros 130,505) 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 June 30, 2009 amounted to Rs. 576,702 (December 31, 2008: Rs. 3,838,549).

The Holding Company entered in various US$: PKR Forward Contracts to hedge its foreign currency exposure. As at June 30, 2009 the Holding Company had forward contracts to purchase US$ 85,000 (December 31, 2008: US$ 159,027) 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 June 30, 2009 amounted to Rs. 129,181 (December 31, 2008: Rs. 459,411).

(AMOUNTS IN THOUSAND)

The Holding Company 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 amortising up to September 2014. Under the swap agreement, the Holding Company 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 June 30, 2009 is negative and amounted to Rs. 455,491 (December 31, 2008: Rs. 648,277).

The Holding Company 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 amortising upto April 2016. Under the swap agreement, the Holding Company 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 June 30, 2009 is negative and amounted to Rs. 257,714 (December 31, 2008: Rs. 424,933).

A subsidiary company, Engro Polymer & Chemicals Limited (EPCL), entered into various interest rate swap agreements to hedge its interest rate exposure on floating rate foreign currency borrowing from International Finance Corporation (IFC) for a notional amount of US$ 40,000. Under the swap agreement, EPCL would receive USD-LIBOR from the bank on notional amount and pay fixed rates ranging from 2.795 to 3.385% which will be settled semi-annually. The fair value of the interest rate swap as at June 30, 2009 is negative and amounted to Rs. 7,455 (December 31, 2008: Rs. 60,154).

8. LONG TERM FINANCES

	Unaudited June 30, 2009	Audited December 31, 2008
	Rupees	
Balance as at January 1,	41,060,739	19,716,771
Loans availed during the period/year, net of transaction cost	25,127,916	23,688,568
	66,188,655	43,405,339
Repayments during the period/year	(150,276)	(2,344,600)
	66,038,379	41,060,739
Current portion shown under current liability	(869,225)	(321,915)
Balance at end of the period	65,169,154	40,738,824

Holding Company

During the period, the Holding Company has further drawn down on the arrangements already entered into by the Holding Company including Syndicated, Islamic Offshore and DFI consortium facilities and has completed draw down of its Offshore Islamic Financing.

The maturity of Holding Company facilities range from 7 to 9 years and mark-up is 1.10% to 1.80% over six month KIBOR for Rupee facilities and 2.57% to 2.60% over six month LIBOR for USD facilities. These facilities, excluding the Privately Placed TFCs (PPTFCs), are secured by equitable mortgage upon immovable assets located at Daharki and hypothecation charge on fixed assets of the Holding Company. The PPTFCs are secured by a subordinated floating charge over all present and future fixed assets excluding land and buildings.

(AMOUNTS IN THOUSAND)

Engro Foods Limited

The Subsidiary Company has entered into an agreement with Habib Bank Limited amounting to Rs. 500,000 with mark-up at the rate of six months KIBOR plus 2.25% payable semi-annually over a period of five years. The facility is secured by a floating charge / mortgage against present and future fixed assets of the Subsidiary Company upto maximum of Rs. 625,000.

Engro Energy Limited

The Subsidiary Company has entered into a financing agreement amounting to US$ 153,800 with International Finance Corporation (IFC), DEG, FMO, Proparco, Swed Fund and OFID. The finance carries mark-up at the rate of six months LIBOR plus 3% payable semi-annually over a period of twelve years. The principal is repayable commencing six months after the date of commercial production in twenty semi-annual installments. Commitment fee at the rate of 0.5% per annum is also payable on that part of the finance that has not been drawn. These finances are secured by an equitable mortgage upon the immovable property of the Subsidiary Company and the hypothecation charge against current and future fixed assets of the Subsidiary Company. Draw down of US$ 104,000 has been completed upto June 30, 2009.

Engro Polymer & Chemicals Limited

The Subsidiary Company has entered into a Syndicated Term Finance Agreement on February 21, 2009 with a consortium of local banks for Rs. 1,500,000. The facility is repayable in thirteen semi-annual installments commencing 6 months from commercial operations date or 6 months from December 30, 2009 (whichever is earlier). The facility carries mark-up at the rate of 3% over six months KIBOR and monitoring fee of Rs. 300 for first year and Rs. 500 per annum, thereafter. Commitment fee at the rate of 0.15% per annum is also payable on that part of the finance that has not been drawn. During the period, the Subsidiary Company has drawn down Rs. 1,100,000 against this facility.

The Subsidiary Company has drawn down the remaining balance of US$ 30,000 against the loan agreement/facility with IFC.

9. DEFERRED TAXATION

	Unaudited June 30, 2009	Audited December 31, 2008
	Rupees	
Credit / (debit) balances arising on account of:		
- Accelerated depreciation allowance	3,189,719	2,380,058
- Net borrowing costs capitalised	1,309,870	678,625
- Fair value of hedging instruments	(114,611)	1,119,775
- Tax on fair value adjustment on acquisition of subsidiary	160,002	166,803
- Tax on subsidiary reserves	35,727	40,367
- Carried forward tax losses	(715,374)	(231,956)
- Recoupable minimum tax	(1,017,007)	(93,520)
- Provision for:		
- retirement benefits	(63,039)	(47,153)
- inventories, slow moving stores and spares and doubtful receivables	(117,954)	(320,642)
- others	(99,054)	(91,322)
	2,568,279	3,601,035

(AMOUNTS IN THOUSAND)

10. SHORT TERM BORROWINGS

The short term finance available to the Group from various banks amounts to Rs. 12,931,400 (December 31, 2008: Rs. 6,750,000). The rates of markup ranges from 11.89% to 18.5% (December 31, 2008: 10.40% to 17.30%) and the facilities are secured by floating charge upon all current and future moveable property of the Group.

11. TRADE AND OTHER PAYABLES INCLUDING DERIVATIVES

	Unaudited June 30, 2009	Audited December 31, 2008
	Rupees	
Creditors	2,194,178	1,530,954
Accrued liabilities	2,316,759	1,817,248
Payable to employee benefit funds	11,000	-
Advances from Customers	2,610,300	1,331,801
Current portion of fair value of interest rate swaps	175,282	155,160
Financial Charges accrued on		
- long term finances	964,670	1,006,237
- short term borrowings	271,549	222,652
Deposits from dealers/distributors refundable on termination of dealership	24,268	13,063
Contractors'/suppliers deposits and retention money	1,569,751	297,530
Workers' profits participation fund	101,355	18,887
Workers' welfare fund	190,765	115,575
Sales tax payable	41,959	-
Provision for special excise duty	65,897	54,929
Provision for infrastructure cess	268,686	260,088
Others	222,757	184,291
	11,029,176	7,008,415

12. CONTINGENCIES AND COMMITMENTS

Contingencies

12.1 Claims, including pending lawsuits, against the Holding Company not acknowledged as debts amounted to Rs. 37,658 (December 31, 2008 : Rs. 27,911).

12.2 Bank guarantees of Rs. 2,129,473 (December 31, 2008 : Rs. 1,093,247) have been issued by various banks on behalf of the Holding Company and its subsidiaries.

12.3 The Holding Company is contesting the penalty of Rs. 99,936 (December 31, 2008: 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 (December 31, 2008: Rs. 62,618) was, however, recovered in 1999 from SBP and the recovery of the balance amount is dependent on the Court's decision.

12.4 The Holding Company had commenced two separate arbitration proceedings against the Government of Pakistan for non-payment of marketing incidentals relating to the years 1983-84 and 1985-86 respectively. The sole arbitrator in the second case has awarded the Group Rs. 47,800 (December 31, 2008: Rs. 47,800) and it is hoped that the award for the earlier years will be announced shortly. The award for the second arbitration has not been recognised due to inherent uncertainties arising from its challenge in the High Court of Sindh.

(AMOUNTS IN THOUSAND)

12.5 The Holding Company has extended project completion support to the lenders of Engro Energy Limited for US$ 15,400 (December 31, 2008: US$ 15,400) and a further support to the lenders of Engro Polymer and Chemicals Limited for US$ 12,200 (December 31, 2008: US$ 10,000). These project supports are contingent upon occurrence or non-occurrence of specified future events.

	Commitments	Unaudited June 30, 2009	Audited December 31, 2008
		Rupees	
12.6	Plant and machinery including housing colony	17,569,078	37,881,795
12.7	Employee housing subsidy scheme	193,652	214,362
12.8	Letter of credits other than for capital expenditure	28,900	28,900

12.9 The Avanceon Limited Partnership (USA) 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 June 30, are as follows:

	Unaudited June 30, 2009	Audited December 31, 2008
	Rupees	
Period ending June 30, 2009	-	1,002,178
Period ending June 30, 2010	1,616,729	1,570,878
Period ending June 30, 2011	752,932	731,540
Period ending June 30, 2012	167,593	162,840
	2,537,254	3,467,436

13. PROPERTY PLANT AND EQUIPMENT

Operating assets, at net book value (notes 13.1 & 13.2)	15,665,663	11,495,113
Capital work-in-progress (note 13.3)	72,330,954	46,640,640
	87,996,617	58,135,753

13.1 Additions to operating assets during the period/year were as follows:

Freehold land	-	124,281
Leasehold land	-	3,348
Freehold building	364,419	348,470
Leasehold building	171,167	278
Plant and machinery	4,124,060	632,172
Furniture, fixture and equipment	58,983	172,071
Vehicles - owned	145,623	235,414
	4,864,252	1,516,034

(AMOUNTS IN THOUSAND)

13.2 During the period/year, assets costing Rs. 105,321 (December 31, 2008: Rs. 75,846), having a net book value of Rs. 46,362 (December 31, 2008: Rs. 46,916) were disposed off for Rs. 66,244 (December 31, 2008: Rs. 117,755) and assets costing Rs. 678 (December 31, 2008: Rs 880) having net book value of Rs. 605 (December 31, 2008: Rs. 409) were written off.

13.3 Capital work-in-progress

	Unaudited June 30, 2009	Audited December 31, 2008
	Rupees	
Plant and machinery	64,142,114	41,427,368
Building and civil works	6,650,532	4,240,104
Furniture, fixture and equipment	184,947	536,294
Interest on investment in a subsidiary	591,856	359,852
Advances to suppliers	761,505	77,022
	72,330,954	46,640,640

13.4 Capital work-in-progress includes net borrowing costs capitalized amounting to Rs. 4,048,708 (December 31, 2008: Rs. 1,461,833).

13.5 Capital work-in-progress includes Rs. 39,299,449 (December 31, 2008: Rs. 23,064,182) and Rs. 5,960,766 (December 31, 2008: Rs. 3,689,805) with respect to urea expansion project for plant & machinery and building & civil works respectively. The planned expansion project will cost an approximate US$ 1,050,000 and will have a capacity of 1.3 million tons of urea per annum.

13.6 The Collector of Customs had disallowed exemption from custom duty and sales tax amounting to Rs. 48,236 in prior years in respect of the first catalyst and other items being part and parcel of the expansion plant on the contention that these items do not fall under the definition of 'plant and machinery' which is exempt under the relevant SRO. The Holding Company challenged the Department's contention through a constitutional petition in the High Court of Sindh which stayed the recovery of the amount claimed and in December 1994 decided that petition in favour of the Holding Company. The Department filed an appeal in the Supreme Court of Pakistan. During the year ended December 31, 2005, the Supreme Court dismissed the appeal and upheld the Sindh High Court judgement in the Holding Company's favour. Payments aggregating Rs. 22,207 made against the aforementioned amount have been refunded by the Department during the current period.

14. STOCK-IN-TRADE

	Unaudited June 30, 2009	Audited December 31, 2008
	Rupees	
Raw Materials (note 14.1)	2,454,974	2,438,019
Work-in-process	61,872	63,381
Finished goods - own manufactured product	886,666	1,445,233
- purchased product (note 14.1)	1,058,552	3,185,107
Provision for slow moving inventory	(3,297)	(1,833)
	1,941,921	4,628,507
	4,458,767	7,129,907

(AMOUNTS IN THOUSAND)

14.1 These include provision for writedown of inventories of raw materials and finished goods to net realisable value amounting to Rs. 176,025 (December 31, 2008: Rs. 276,022) and Rs. 104,240 (December 31, 2008: Rs. 578,350) respectively.

15. TRADE DEBTS

	Unaudited June 30, 2009	Audited December 31, 2008
	Rupees	
Considered good		
- Secured	1,461,449	313,060
- Unsecured	33,718	445,431
	1,495,167	758,491
Considered doubtful	9,924	33,541
	1,505,091	792,032
Provision for doubtful debts	(9,924)	(33,541)
	1,495,167	758,491

16. OTHER RECEIVABLES INCLUDING DERIVATIVES

16.1 Other receivables include Rs. 705,883 (December 31, 2008 : Rs. 4,257,967) as fair value of foreign exchange forward contracts.

16.2 Other receivables also include Nil (December 31, 2008 : Rs. 3,085,352) on account of compensation for mandatory reduction in sales price by the Government of Pakistan on Phosphatic and Potassic fertilizer inventory.

(AMOUNTS IN THOUSAND)

17. COST OF SALES

	3 months ended June 30, 2009	3 months ended June 30, 2008	6 months ended June 30, 2009	6 months ended June 30, 2008
	(Rupees)			
Raw materials consumed	3,582,885	3,457,528	8,302,276	7,327,042
Salaries, wages and staff welfare	363,066	227,156	722,391	467,310
Fuel and power	951,959	619,593	1,825,793	1,214,116
Repairs and maintenance	382,827	197,521	530,783	334,146
Depreciation / amortization	330,203	259,240	648,444	512,328
Consumable stores	64,135	56,613	106,081	84,277
Staff recruitment, training, safety and other expenses	15,579	15,751	26,239	27,910
Purchased services	72,048	163,437	168,232	272,984
Travel	26,028	35,389	45,949	47,714
Communication, stationery and other office expenses	33,653	27,895	44,251	40,910
Insurance	55,895	20,611	107,779	41,179
Rent, rates and taxes	32,146	16,968	47,705	21,556
Provision against sales tax refundable	13,243	-	28,363	-
Other expenses	2,451	3,195	12,441	15,929
Manufacturing cost	5,926,118	5,100,897	12,616,727	10,407,401
Opening stock of work-in-process	83,339	31,049	63,381	45,297
Closing stock of work-in-process	(61,872)	(48,535)	(61,872)	(48,535)
	21,467	(17,486)	1,509	(3,238)
Cost of goods manufactured	5,947,585	5,083,411	12,618,236	10,404,163
Opening stock of finished goods manufactured	1,078,860	1,340,839	1,445,233	1,194,921
Closing stock of finished goods manufactured	(886,666)	(898,371)	(886,666)	(898,371)
	192,194	442,468	558,567	296,550
Cost of goods sold				
- own manufactured product	6,139,779	5,525,879	13,176,803	10,700,713
- purchased product	2,613,512	268,675	4,220,630	891,848
- others	237,205	302,750	459,753	432,540
	8,990,496	6,097,304	17,857,186	12,025,101

18. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and staff welfare	232,148	268,438	585,645	479,102
Staff recruitment, training, safety and other expenses	20,669	17,474	24,994	25,629
Product transportation and handling	508,250	141,809	791,018	455,374
Repairs and maintenance	167	50,201	11,256	84,760
Advertising and sales promotion	598,569	194,675	937,754	440,039
Rent, rates and taxes	64,097	43,926	117,904	76,964
Communication, stationery and other office expenses	77,162	55,113	100,100	85,755
Travel	16,687	54,550	84,220	81,722
Depreciation / amortization	36,730	22,670	60,789	43,976
Purchased services	15,030	140,928	21,697	151,357
Other expenses	24,062	14,564	73,954	41,843
	1,593,571	1,004,348	2,809,331	1,966,521

(AMOUNTS IN THOUSAND)

19. TAXATION

19.1 The Holding Company in its tax return for tax year 2007 claimed the benefit of Group Relief under Section 59 B of Income Tax Ordinance, 2001 (the Ordinance) on losses acquired for an equivalent cash consideration from Engro Foods Limited (EFL), a wholly owned subsidiary company, amounting to Rs. 428,744.

During 2008, an audit was conducted by the tax department for tax year 2007 and an assessment order was issued challenging the claiming of benefit of Group Relief by the Holding Company and certain other issues. Consequently, the Holding Company filed an appeal against the issues raised by the tax department. Gross demand amounting to Rs. 476,479 was raised out of which the Holding Company paid an amount of Rs. 170,000. Stay by the High Court of Sindh for payment of balance amount has been granted till the decision of the Income Tax Appellate Tribunal (ITAT). The Holding Company is reasonably confident that all the issues, including the issue of Group Relief, will be decided in its favour.

The Holding Company has again claimed the benefit of Group Relief under Section 59B of Income Tax Ordinance, 2001 in its tax return for tax year 2008 and accordingly has paid an amount of Rs. 622,103. During 2009, an audit was conducted by the tax department for the tax year 2008 and an assessment order was issued challenging the claiming of benefit of Group Relief by the Holding Company and certain other issues. Gross demand amounting to Rs. 910,845 was raised out of which the Holding Company paid an amount of Rs. 300,000. The Holding Company has filed an appeal against the issues raised by the tax department and is reasonably confident that all the issues, including the issue of Group Relief, will be decided in its favor.

The Holding Company has also agreed to acquire equivalent tax effect of tax year 2009's partial losses of EFL amounting to Rs. 450,000 which will be accounted for in the income tax return of the Holding Company due to be filed with Income Tax Department by September 30, 2009.

19.2 The Holding Company has filed tax returns up to income year 2007. All assessments up to income year 2002 have been finalized by the Department and appealed against.

For income years June 1995 and June 1996, assessments were set-aside by the Commissioner (Appeals). The Holding Company has filed an appeal there against with ITAT.

The appeals for income years ended June 1997, December 1997 and December 1998 have been decided in favor of the Holding Company by the appellate authorities. For June 1997 and December 1997 the Holding Company has filed an appeal before ITAT on grounds of error in calculation of depreciation which it believes to be an error of fact and should be rectified. For December 1998, the Holding Company has received favorable decision from the Commissioner (Appeals) on the issue of incorporating correct turnover numbers in the assessment.

For income years December 1999 to December 2002, the Holding Company is in Appeal with ITAT on all these years on the most important contentious issue of apportionment of gross profit and selling and distribution expenses. The Holding Company also filed reference with Alternative Dispute Resolution Committee (ADRC) of Federal Board of Revenue (FBR) on the issue of apportionment of gross profit and selling and distribution expenses for these four years. A favorable decision in this respect was received from the ADRC. However, the FBR has decided that the issue be decided upon by ITAT where this matter remains under appeal.

For income years 2003 - 2007 income tax returns have been filed under self assessment scheme by the Holding Company.

Audit in respect of income year 2005 has been finalised. The Holding Company received a demand amounting to Rs. 240,660 during 2008 of which the Holding Company paid Rs. 30,694 and filed a rectification with the Tax Department for correction of certain errors in the assessment order. During the period these have been duly rectified.

The Holding Company is confident that all pending issues will be ultimately resolved without any additional liability.

(AMOUNTS IN THOUSAND)

20. EARNINGS PER SHARE

	3 months ended June 30, 2009	3 months ended June 30, 2008	6 months ended June 30, 2009	6 months ended June 30, 2008
	(Rupees)			
Profit after taxation	370,672	1,324,561	1,055,159	2,350,692
Basic Earnings Per Share				
		(Restated)		(Restated)
Weighted average number of Ordinary shares (In thousand)	268,420	244,733	264,016	244,733

The shares issued under Employee Share Option Scheme may have a potential dilutive impact on basic earnings per share in future periods.

Diluted Earnings Per Share

		(Restated)		(Restated)
Weighted average number of Ordinary shares (In thousand)	268,420	254,793	264,016	254,793

21. CASH GENERATED FROM / (UTILIZED IN) OPERATIONS

	6 months ended June 30, 2009	6 months ended June 30, 2008
	Rupees	
Profit before taxation	1,387,870	3,498,523
Adjustment for non-cash charges and other items:		
Depreciation / amortization	709,233	556,304
Profit on disposal of property, plant and equipments	(19,277)	(1,411)
Provision for retirement and other service benefits	70,393	71,078
Depreciation on revaluation surplus arising on business combination	3,061	3,052
Income on deposits / other financial assets	(51,711)	(8,360)
Share of income from join venture companies	(194,744)	(100,002)
Finance cost	1,031,794	553,588
Employees share compensation expense	40,745	30,875
Employees housing subsidy expense	69,409	-
Working capital changes (note 21.1)	8,215,841	(6,890,256)
	11,262,614	(2,286,609)

(AMOUNTS IN THOUSAND)

21.1 Working capital changes

	6 months ended June 30, 2009	6 months ended June 30, 2008
	Rupees	
(Increase) / decrease in current assets		
Stores spares and loose tools	(286,457)	(178,307)
Stock-in-trade	2,671,140	(6,027,648)
Trade debts	(736,676)	564,956
Loans, advances, deposits and prepayments	(722,528)	(481,303)
Other receivables (net)	3,308,053	1,070,802
	4,233,532	(5,051,500)
Increase / (Decrease) in current liabilities		
Trade and other payables including other service benefits (net)	3,982,309	(1,838,756)
	8,215,841	(6,890,256)

22. CASH AND CASH EQUIVALENTS

	6 months ended June 30, 2009	6 months ended June 30, 2008
Cash and bank balances	5,341,646	770,045
Short term investments	2,715,894	3,472,790
Short term borrowings	(1,105,786)	(768,397)
	6,951,754	3,474,438

23. SEGMENT REPORTING

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

Type of segments	Nature of business
Fertilizer	Manufacture, purchase and market fertilizers
Polymer	Manufacture, market and sell Poly Vinyl Chloride (PVC), PVC compounds and related chemicals
Food	Manufacture, process and sell dairy food products including ice cream
Other operations	Includes Independent Power Projects (IPP) & engineering and automation businesses

	3 months ended June 30, 2009	3 months ended June 30, 2008	6 months ended June 30, 2009	6 months ended June 30, 2008
		(Rupees)		
Revenue				
Fertilizer	4,974,326	4,258,634	10,707,554	8,824,245
Polymer	2,566,134	2,473,419	4,965,472	4,368,754
Food	3,345,577	1,851,903	6,577,350	3,507,765
Other operations	368,850	490,636	645,576	761,224
Consolidated	11,254,887	9,074,592	22,895,952	17,461,988
Profit / (loss) after taxation				
Fertilizer	441,285	1,347,820	1,070,948	2,369,269
Polymer	82,073	232,177	13,251	428,458
Food	(306,232)	(201,465)	(292,221)	(394,133)
Other operations	73,428	27,179	(42,015)	(39,598)
Elimination - net	115,965	33,785	272,218	157,721
Consolidated	406,519	1,439,496	1,022,181	2,521,717

(AMOUNTS IN THOUSAND)

	Unaudited June, 30 2009	Audited December 31, 2008
	Rupees	
Assets		
Fertilizer	76,615,486	62,044,872
Polymer	22,013,023	18,277,226
Food	8,519,914	7,325,530
Other operations	13,615,618	6,632,872
Elimination - net	(10,860,808)	(10,354,720)
Consolidated	109,903,233	83,925,780

24. TRANSACTIONS WITH RELATED PARTIES

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

	6 months ended June 30, 2009	6 months ended June 30, 2008
	Rupees	
Associates and joint ventures		
Purchases and services	5,227,501	5,323,310
Services rendered / sale of goods	261,375	36,417
Retirement benefits	83,955	50,982
Dividends received	-	90,000
Dividends paid	177,715	242,339
Payment of interest on TFCs and repayment of principal amount	4,984	-
Advance received against issue of share capital	-	1,413,643
Right shares issued (including share premium)	1,777,152	-
Others		
Remuneration paid to key management personnel / directors	286,581	224,173
Dividends paid	29,370	5,024
Advance received against issue of share capital	-	26,889
Right shares issued (including share premium)	314,732	-

	Unaudited June, 30 2009	Audited December 31, 2008
Balances due from	Rupees	
- Joint Ventures (includes dividend receivable of Rs. 135,000 (December 31, 2008: Rs. 90,000) from Engro Vopak Terminal Limited)	135,509	69,956

(AMOUNTS IN THOUSAND)

25. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Holding Company in its meeting held on July 28, 2009 has approved an interim cash dividend of Rs. 2.00 per share for the year ending December 31, 2009 amounting to Rs. 595,885 (December 31, 2008: Rs. 2.00 per share final cash dividend and 40% right shares at Rs. 50). This consolidated condensed interim financial information does not reflect the dividend payable.

26. SEASONALITY

The Holding Company's fertilizer business 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 Holding Company manages seasonality in the business through appropriate inventory management.

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

27. DATE OF AUTHORIZATION FOR ISSUE

These condensed financial statements were authorized for issue on July 28, 2009 by the Board of Directors of the Holding Company.

28. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the consolidated condensed interim balance sheet and consolidated condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the consolidated condensed interim profit and loss account, consolidated condensed interim statement of comprehensive income and the consolidated condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

Hussain Dawood Chairman	**Asad Umar** President and Chief Executive

Company Information

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

Company Secretary
Andalib Alavi

Chief Financial Officer
Ruhail Mohammed

Members of Audit Committee
Shabbir Hashmi, Chairman
Isar Ahmad
Muhammad Aliuddin Ansari
Abdul Samad Dawood

The secretary of committee is Naveed A. Hashmi, Corporate Audit Manager.

Auditors
A.F. Ferguson & Co.
Chartered Accountants

Share Registrar
M/s. FAMCO Associates (Private) Limited
(Formerly Ferguson Associates (Private) Limited)
Fourth Floor, State Life Buliding 2-A, I.I. Chundrigar Road, Karachi - 74000.

Bankers
Allied Bank of Pakistan Limited
Askari Commercial Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Bank of Punjab Limited
Barclays Bank Plc, Pakistan
Citibank N.A.
Samba Bank Limited (Formerly Cresent Commercial Bank Limited)
Deutsche Bank
Dubai Islamic Bank
Faysal Bank Limited
Habib Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Royal Bank of Scotland
Standard Chartered Bank (Pakistan) Limited
HSBC Middle East Limited
United Bank Limited

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

Engro Chemical Pakistan Limited

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