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Accepting  
**Challenges**  
Fulfilling **Promises**

Engro Corporation Limited  
Formerly Engro Chemical Pakistan Limited

**half year 2010 accounts**







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(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)

**CONSOLIDATED CONDENSED INTERIM  
FINANCIAL INFORMATION (UNAUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2010**



## **Half Year 2010 Review for the Shareholders** Engro Corporation Limited *(formerly Engro Chemical Pakistan Limited)*

On behalf of the Board of Directors of Engro Corporation Limited (formerly Engro Chemical Pakistan Limited), we are pleased to present the unaudited group consolidated accounts for the half year ended June 30, 2010.

### **Overview of First Half 2010**

Our consolidated revenue recorded an increase of 47 % and stood at Rs. 34 billion for the first half of 2010, as compared to Rs. 23 billion in the same period last year, while net profit (attributable to equity holders of the holding company) increased to Rs. 3,398 million from Rs. 1,055. The increase in revenue is mainly due to increase in sales of fertilizers, foods and energy while increase in profit is attributable mainly to higher Urea production, better phosphate margins, dairy volumes and margin and the Qadirpur power plant startup.

### **Business Review**

#### **Fertilizers**

Total urea market demand was 3.1 million tons, a 3% increase over the same period last year. Engro Urea sales were 492,000 tons in first half 2010, up by 17 % as compared to sales for the same period last year, due to increased availability of product on account of higher production. Our plant recorded the best ever first half production with 504,000 tons during the half year ended June 30, 2010, as against 436,000 tons produced during the same period last year. Our market share increased to 16 % vs 14 % last year. The sale of company manufactured blended fertilizers (Zarkhez and Engro NP) was 44,800 tons vs 43,500 tons during the same period last year. During the 2nd quarter the Government commenced gas curtailment to all fertilizer plants as part of overall measures to reduce power load shedding. We believe that urea provides the highest value addition for gas and the import of urea necessitated due to the curtailment is not in the best interest of the country nor the farmers of Pakistan.

The net profit for the half year ended June 30, 2010 was Rs. 2,012 million.

The urea expansion project at Daharki site, at 40th month of execution is mechanically 98% complete. Mechanical completion as well as commissioning activities are expected to take place in 3Q 2010.

The phosphates industry declined by 36% to 341KT as compared to first half of 2009. However, Engro EXIMP's share increased to 30% from 17% in first half of 2009. The company imported 194,000 tons of phosphatic fertilizer and sold 103,000 tons. Net profit for the Company was Rs. 973 million vs Rs. 199 million profit in the same period last year.

#### **Energy & Power**

Engro Energy Limited's Qadirpur Plant generated 427 GWh following commencement on March 27, 2010 up till June 30, 2010 while plant availability was 492 GWh during the same period. Engro Energy Limited declared net profit of Rs. 379 million for the Half Year ended June 30, 2010.

Sindh Engro Coal Mining Company Limited (SECMC) continued work on the Thar coal mining feasibility study, which is expected to be completed by end of third quarter of 2010.

#### **Foods**

Engro Foods continued its progress as per plan achieving its sales and bottom line targets. Sales grew by 45% during the half year ended June 30, 2010 to Rs. 9.5 billion as compared to Rs. 6.6 billion in the same period last year.

Dairy segment achieved a sales growth of 42 % against corresponding period last year, delivering a Profit after Tax of Rs. 149 million, vs a loss of Rs. 10 million in same period last year. Olfurte juices were successfully launched in the market during the second quarter.

The company continued to make considerable investment in the marketing activities of its major brands in both dairy and ice cream segments.

The net loss for the Half Year ended June 30, 2010 for all business segments was Rs. 180 million as compared to a loss of Rs. 292 million for the same period last year.

#### **Petrochemicals**

PVC domestic sales for the first half of 2010 were 46 KT as compared to 64 KT during the same period last year. Sales were constrained by low production and several customers had to import their requirement. International PVC prices declined from \$1,020/ton in April to \$900/ton in June. Caustic soda production during the first half of the year was 44 KT. Domestic demand for caustic soda remained strong, and the company sold 38 KT. A total of 46 KT of EDC was produced in first half 2010 of which 23 KT were exported. VCM plant was started on April 24 and produced 12KT of VCM till June 9 after which a planned shutdown was taken. Engro Polymer incurred a loss after tax of Rs. 449 million during the half year as compared to a profit after tax of Rs. 13 million in first half 2009, mainly due to the delayed start of its VCM plant.

#### **Others**

In the industrial automation sector, Avanceon Limited posted a consolidated loss of Rs 94m in first half 2010 vs a loss of Rs 90m in the same period last year.

In the chemical storage and terminal business, Engro Vopak Terminal Limited, a 50% joint venture, posted net profit of Rs. 518 million (our share being Rs. 259 million) vs a profit of Rs. 390 million (our share being Rs. 195 million) in the same period last year.

#### **Near Term Outlook**

For our fertilizers business, urea demand supply will witness a major change with the commencement of production of our expansion project, which will abate the need for imports in the near future. However, gas curtailment which is likely to continue till October 31, 2010 may affect industry production and alter demand and supply situation for Rabi.

In our foods business, we expect continued growth in all business segments. Imposition of Value Added Tax on milk may temporarily slow the pace of growth.

Demand for PVC and Caustic Soda is expected to continue to be strong during coming quarters. VCM plant capacity is being ramped up. Stable operations of the VCM plant remains key for improved margins.

All other subsidiaries are expected to perform as per expectations.

**Hussain Dawood**  
Chairman

**Asad Umar**  
President and Chief Executive

Karachi  
July 28, 2010



# 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 Corporation Limited (formerly Engro Chemical Pakistan Limited) and its subsidiaries (the Group) as at June 30, 2010 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 for interim financial reporting. 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 June 30, 2010 and 2009 have not been reviewed as we are required to review only the cumulative figures for the half year ended June 30, 2010.

## 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, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Without qualifying our conclusion, we draw attention to:

- a) note 25.1 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 amounting to Rs. 1,500,847 thousand.
- b) note 21 to the consolidated condensed interim financial information and as more fully explained therein, the Group has not recognized embedded derivative pending response from the Institute of Chartered Accountants of Pakistan and consequently has deferred charging of exchange loss amounting to Rs. 252 million to the profit and loss account, pending final response by the Securities and Exchange Commission of Pakistan to the Subsidiary Company on resubmission of the requested detailed analysis thereof.

**Chartered Accountants**  
**Karachi**  
**Date: July 29, 2010**

**Engagement Partner: Imtiaz A. H. Laliwala**

**ENGRO CORPORATION LIMITED**  
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)  
**CONSOLIDATED CONDENSED INTERIM  
BALANCE SHEET (UNAUDITED)**  
**AS AT JUNE 30, 2010**

(Amounts in thousand)

	Note	Unaudited June 30, 2010	Audited December 31, 2009
Rupees			
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	5	<b>119,778,145</b>	110,503,710
Biological assets		<b>381,905</b>	438,873
Intangible assets		<b>607,716</b>	585,358
Long term investments		<b>578,679</b>	499,780
Deferred employees compensation expense		<b>257</b>	2,969
Long term loans and advances	6	<b>216,870</b>	150,960
		<b>121,563,572</b>	112,181,650
<b>Current Assets</b>			
Stores, spares and loose tools		<b>3,395,373</b>	1,451,532
Stock-in-trade	7	<b>14,398,102</b>	3,819,971
Trade debts	8	<b>3,889,947</b>	3,536,533
Deferred expense	9	<b>299,856</b>	97,492
Loans, advances, deposits and prepayments		<b>2,471,179</b>	1,372,425
Other receivables	10	<b>581,085</b>	1,136,265
Derivative financial instruments	16	<b>3,406</b>	76,209
Taxes recoverable		<b>1,440,916</b>	1,040,636
Short term investments	11	<b>2,130,871</b>	512,255
Cash and bank balances		<b>2,525,437</b>	6,880,408
		<b>31,136,172</b>	19,923,726
<b>TOTAL ASSETS</b>		<b>152,699,744</b>	<b>132,105,376</b>



(Amounts in thousand)

	Note	Unaudited June 30, 2010	Audited December 31, 2009
Rupees			
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share Capital	12	3,277,369	2,979,426
Share premium		10,550,061	10,550,061
Employees share option compensation reserve	6	164,524	318,242
Hedging reserve	13	(1,057,270)	(617,000)
Revaluation reserve on business combination		109,799	114,900
Exchange revaluation reserve		(43,943)	(43,185)
Maintenance reserve	14	68,406	-
General reserve		4,429,240	4,429,240
Unappropriated profit		10,823,026	8,387,520
		25,043,843	23,139,778
		28,321,212	26,119,204
		3,621,271	3,225,191
<b>Minority Interest</b>			
<b>Total Equity</b>		<b>31,942,483</b>	<b>29,344,395</b>
<b>Liabilities</b>			
<b>Non - Current Liabilities</b>			
Borrowings	15	89,244,281	84,142,153
Derivative financial instruments	16	950,946	632,777
Obligations under finance lease		20,651	20,587
Deferred taxation	17	1,075,776	1,687,298
Employee housing subsidy		282,633	211,785
Deferred liabilities		89,408	96,163
		91,663,695	86,790,763
<b>Current Liabilities</b>			
Trade and other payables	18	11,343,028	9,608,000
Accrued interest / mark-up		2,205,217	1,800,428
Current portion of :			
- borrowings	15	5,807,903	2,375,675
- obligations under finance lease		19,088	18,246
- deferred liabilities		26,814	22,961
Short term borrowings	19	8,522,003	1,302,766
Derivative financial instruments	16	1,095,962	740,043
Unclaimed dividends		73,551	102,099
		29,093,566	15,970,218
Total Liabilities		120,757,261	102,760,981
<b>Contingencies and Commitments</b>	20		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>152,699,744</b>	<b>132,105,376</b>

The annexed notes 1 to 34 form an integral part of this consolidated condensed interim financial information.

Hussain Dawood  
Chairman

Asad Umar  
President and Chief Executive

**ENGRO CORPORATION LIMITED**  
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)  
**CONSOLIDATED CONDENSED INTERIM  
PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
FOR THE HALF YEAR ENDED JUNE 30, 2010

(Amounts in thousand except for earnings per share)

	Note	3 months ended June 30, 2010	3 months ended June 30, 2009	6 months ended June 30, 2010	6 months ended June 30, 2009
Rupees					
Net sales	21	<b>16,865,389</b>	11,254,887	<b>33,724,526</b>	22,895,952
Cost of sales	22	<b>(12,264,006)</b>	(8,990,496)	<b>(24,441,441)</b>	(17,857,186)
<b>Gross Profit</b>		<b>4,601,383</b>	2,264,391	<b>9,283,085</b>	5,038,766
Selling and distribution expenses	23	<b>(1,942,421)</b>	(1,593,571)	<b>(3,728,928)</b>	(2,809,331)
		<b>2,658,962</b>	670,820	<b>5,554,157</b>	2,229,435
Other operating income	24	<b>481,280</b>	184,790	<b>616,116</b>	226,418
		<b>3,140,242</b>	855,610	<b>6,170,273</b>	2,455,853
Other operating charges		<b>(456,214)</b>	(80,943)	<b>(567,865)</b>	(230,926)
Finance cost		<b>(1,084,611)</b>	(467,523)	<b>(1,876,866)</b>	(1,031,801)
		<b>(1,540,825)</b>	(548,466)	<b>(2,444,731)</b>	(1,262,727)
Share of income from joint venture		<b>126,625</b>	103,782	<b>258,884</b>	194,744
<b>Profit before taxation</b>		<b>1,726,042</b>	410,926	<b>3,984,426</b>	1,387,870
Taxation	25				
- Current		<b>(550,739)</b>	(92,682)	<b>(1,158,571)</b>	(157,257)
- Deferred		<b>216,703</b>	88,275	<b>371,354</b>	(208,432)
		<b>(334,036)</b>	(4,407)	<b>(787,217)</b>	(365,689)
<b>Profit for the period</b>		<b>1,392,006</b>	406,519	<b>3,197,209</b>	1,022,181
Profit attributable to:					
- Owners of the Holding Company		<b>1,508,601</b>	370,672	<b>3,397,554</b>	1,055,159
- Minority interest		<b>(116,595)</b>	35,847	<b>(200,345)</b>	(32,978)
		<b>1,392,006</b>	406,519	<b>3,197,209</b>	1,022,181
			<b>(Restated)</b>		<b>(Restated)</b>
Earnings per share attributable to owners of the Holding Company - basic and diluted	26	<b>4.60</b>	1.26	<b>10.37</b>	3.63

The annexed notes 1 to 34 form an integral part of this consolidated condensed interim financial information.

**Hussain Dawood**  
Chairman

**Asad Umar**  
President and Chief Executive

**ENGRO CORPORATION LIMITED**  
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)  
**CONSOLIDATED CONDENSED INTERIM**  
**STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
FOR THE HALF YEAR ENDED JUNE 30, 2010

(Amounts in thousand)

Note	3 months ended June 30, 2010	3 months ended June 30, 2009 (note 34.2)	6 months ended June 30, 2010	6 months ended June 30, 2009 (note 34.2)
Rupees				
<b>Profit for the period</b>	<b>1,392,006</b>	406,519	<b>3,197,209</b>	1,022,181
<b>Other comprehensive income</b>				
<b>Hedging reserve - cash flow hedges</b> 13				
Gains/(losses) arising during the period	(951,060)	1,289,873	(1,472,699)	(133,048)
Reclassification adjustments for losses/ (gains) included in profit and loss	24,838	602	39,777	932
Adjustments for amounts transferred to initial carrying amount of hedged items (capital work in progress)	502,541	(365,222)	712,825	(270,916)
	(423,681)	925,253	(720,097)	(403,032)
<b>Revaluation reserve on business combination</b>	(5,494)	(5,494)	(10,986)	(10,986)
<b>Exchange differences on translation of foreign operations</b>	(1,606)	(15,387)	(1,427)	(10,411)
	(430,781)	904,372	(732,510)	(424,429)
<b>Income tax relating to:</b>				
Hedging reserve - cash flow hedges	148,289	(323,839)	252,035	141,061
Revaluation reserve on business combination	1,923	1,923	3,845	3,845
	150,212	(321,916)	255,880	144,906
Other comprehensive income for the period, net of tax	(280,569)	582,456	(476,630)	(279,523)
<b>Total comprehensive income for the period</b>	<b>1,111,437</b>	988,975	<b>2,720,579</b>	742,658
Total comprehensive income attributable to:				
- Owners of the Holding Company	1,242,181	937,456	2,951,425	766,555
- Minority interest	(130,744)	51,519	(230,846)	(23,897)
	<b>1,111,437</b>	988,975	<b>2,720,579</b>	742,658

The annexed notes 1 to 34 form an integral part of this consolidated condensed interim financial information.

**Hussain Dawood**  
Chairman

**Asad Umar**  
President and Chief Executive

**ENGRO CORPORATION LIMITED**  
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)  
**CONSOLIDATED CONDENSED INTERIM**  
**STATEMENT OF CHANGES IN EQUITY**  
FOR THE HALF YEAR ENDED JUNE 30, 2010

(Amounts in thousand)

	Attributable to owners of the Holding Company											Total
	Share capital	Share premium	Employee share option compensation reserve	Hedging reserve	Revaluation reserve on business combination	Exchange revaluation reserve	Maintenance Reserve	General reserve	Unappropriated Profit	Sub total	Minority interest	
<b>Balance as at January 1, 2009 (audited)</b>	2,128,161	7,152,722	327,000	105,337	125,102	(31,532)	-	4,429,240	6,196,004	20,434,054	3,113,677	23,547,731
<b>Transactions with owners</b>												
Final dividend for the year ended December 31, 2008 @ Rs 2 per share	-	-	-	-	-	-	-	-	(425,632)	(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)	861,265	3,397,339	-	-	-	-	-	-	-	4,248,604	-	4,248,604
Effect of changes in number of share options issued	-	-	(1,468)	-	-	-	-	-	-	(1,468)	-	(1,468)
<b>Total comprehensive income for the half year ended June 30, 2009</b>	861,265	3,397,339	(1,468)	-	-	-	-	-	(425,632)	3,821,504	-	3,821,504
<b>Profit for the period</b>	-	-	-	-	-	-	-	-	1,055,159	1,055,159	(32,978)	1,022,181
<b>Other comprehensive income - cash flow hedges, net of tax</b>	-	-	-	-	-	-	-	-	-	-	-	-
- as previously reported	-	-	-	(2,307,440)	(5,101)	(6,525)	-	-	-	(2,319,066)	8,081	(2,309,985)
- effect of change in the fair value of cash flow hedges (note 34.2) - as restated	-	-	-	2,030,462	(5,101)	(6,525)	-	-	-	2,030,462	-	2,030,462
	-	-	-	(276,978)	(5,101)	(6,525)	-	-	-	(288,604)	8,081	(279,523)
	-	-	-	(276,978)	(5,101)	(6,525)	-	-	-	786,556	(23,897)	742,656
<b>Balance as at June 30, 2009 (unaudited)</b>	2,978,426	10,550,061	325,532	(171,641)	120,001	(38,057)	-	4,429,240	8,827,631	25,022,113	3,089,799	28,111,889
<b>Transactions with owners</b>												
Advance against issue of shares of Sindh Engro Coal Mining Company Limited	-	-	-	-	-	-	-	-	-	-	199,200	199,200
Interim dividend - 1st @ Rs. 2.00 per share	-	-	-	-	-	-	-	-	(595,885)	(595,885)	-	(595,885)
- 2nd @ Rs. 2.00 per share	-	-	-	-	-	-	-	-	(595,885)	(595,885)	-	(595,885)
Effect of changes in number of share options issued	-	-	(7,310)	-	-	-	-	-	-	(7,310)	-	(7,310)
<b>Total comprehensive income for the half year ended December 31, 2009</b>	-	-	(7,310)	-	-	-	-	-	(1,191,770)	(1,199,690)	199,200	(999,960)
<b>Profit for the period</b>	-	-	-	-	-	-	-	-	2,751,759	2,751,759	(56,138)	2,695,621
<b>Other comprehensive income</b>	-	-	-	(445,359)	(5,101)	(5,126)	-	-	-	(455,586)	(8,651)	(464,237)
	-	-	-	(448,388)	(5,101)	(5,126)	-	-	-	2,751,759	(63,799)	2,232,362
<b>Balance as at December 31, 2009 (audited)</b>	2,978,426	10,550,061	318,222	(617,000)	114,900	(43,185)	-	4,429,240	8,387,620	26,119,204	3,226,191	28,344,386
<b>Transactions with owners</b>												
Bonus shares issued during the period in the ratio of 1 share for every 10 shares	297,943	-	-	-	-	-	-	-	(297,943)	-	-	-
Final dividend for the year ended December 31, 2009 @ Rs. 2.00 per share	-	-	-	-	-	-	-	-	(595,885)	(595,885)	-	(595,885)
Issue of shares by Subsidiary (Engro Polymer and Chemicals Limited)	-	-	-	-	-	-	-	-	-	-	626,926	626,926
Maintenance reserve created by Subsidiary (Engro Energy Limited)	-	-	-	-	-	-	68,406	-	(68,406)	-	-	-
Effect of changes in number of share options issued	-	-	(103,718)	-	-	-	-	-	-	(103,718)	-	(103,718)
Vested options lapsed during the period	-	-	-	-	-	-	-	-	186	186	-	186
<b>Total comprehensive income for the half year ended June 30, 2010</b>	297,943	-	(103,718)	-	-	-	68,406	-	(962,048)	(749,417)	926,926	(122,491)
<b>Profit for the period</b>	-	-	-	-	-	-	-	-	3,397,654	3,397,654	(200,345)	3,197,309
<b>Other comprehensive income</b>	-	-	-	(440,270)	(5,101)	(7,56)	-	-	-	(448,129)	(30,601)	(478,730)
	-	-	-	(440,270)	(5,101)	(7,56)	-	-	3,397,654	2,951,425	(230,646)	2,720,579
<b>Balance as at June 30, 2010 (unaudited)</b>	3,277,369	10,550,061	184,534	(1,057,270)	109,799	(43,343)	68,406	4,429,240	10,823,026	28,321,212	3,821,271	31,642,483

The annexed notes 1 to 34 form an integral part of this consolidated condensed interim financial information.



**ENGRO CORPORATION LIMITED**  
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)  
**CONSOLIDATED CONDENSED INTERIM**  
**STATEMENT OF CASH FLOWS (UNAUDITED)**  
FOR THE HALF YEAR ENDED JUNE 30, 2010

(Amounts in thousand)

	Note	6 months ended June 30, 2010	6 months ended June 30, 2009
		Rupees	
<b>Cash flow from operating activities</b>			
Cash (used in) / generated from operations	27	(5,359,111)	11,262,614
Retirement & other service benefits paid		(130,282)	(67,065)
Financial charges paid		(1,472,077)	(1,024,464)
Taxes paid		(1,558,853)	(533,115)
Long term loans and advances - net		(65,910)	(21,350)
Net cash (used in) / generated from operating activities		(8,586,233)	9,616,620
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment (PPE) and biological assets		(10,548,703)	(30,691,602)
Sale proceeds on disposal of PPE		405,335	66,244
Income on deposits / other financial assets		195,754	51,741
Dividends received		292,500	112,500
Net cash used in investing activities		(9,655,114)	(30,461,117)
<b>Cash flow from financing activities</b>			
Repayments of borrowings		(641,249)	(150,276)
Proceeds from borrowings - net		8,923,605	25,127,916
Obligations under finance lease - net		906	991
Retention money against project payments		-	(418,625)
Proceeds from issuance of right shares		626,926	4,244,448
Dividends paid		(624,433)	(681,667)
Net cash generated from financing activities		8,285,755	28,122,787
Net (decrease) / increase in cash and cash equivalents		(9,955,592)	7,278,290
Cash and cash equivalents at beginning of the period		6,089,897	(326,536)
Cash and cash equivalents at end of the period	28	(3,865,695)	6,951,754

The annexed notes 1 to 34 form an integral part of this consolidated condensed interim financial information.

**Hussain Dawood**  
Chairman

**Asad Umar**  
President and Chief Executive

**ENGRO CORPORATION LIMITED**  
 (FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)  
**NOTES TO THE CONSOLIDATED CONDENSED INTERIM  
 FINANCIAL INFORMATION (UNAUDITED)**  
 FOR THE HALF YEAR ENDED JUNE 30, 2010

(Amounts in thousand)

**1. LEGAL STATUS AND OPERATIONS**

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

**1.2** The Board of Directors in their meeting of April 28, 2009 decided to divide the Holding Company into two companies by separating its fertilizer undertaking from the rest of the undertaking that was to be retained in the Holding Company. In this regard, a wholly owned subsidiary namely Engro Fertilizers Limited was incorporated on June 29, 2009. The division was effected on January 1, 2010 (the Effective Date) through a Scheme of Arrangement (the Scheme) under Section 284 to 288 of the Companies Ordinance, 1984 whereby (a) the Fertilizer Undertaking has been transferred and vested in Engro Fertilizers Limited against the issuance of ordinary shares of Engro Fertilizers Limited to the Holding Company; and (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. Engro Corporation Limited hence becoming a Holding Company to oversee the business of new fertilizer subsidiary as well as business of its other existing subsidiaries/associates.

In accordance with the Scheme, the fertilizer business, including all assets, liabilities, agreements, arrangements and other matters have been transferred to Engro Fertilizers Limited on the Effective Date against the issuance of 9,999,993, in addition to existing 7, fully paid ordinary shares of Rs. 10 each plus the share premium. Such share premium is based on the net assets transferred over Rupees 100,000 being the paid up face value of Engro Fertilizers Limited.

The retained undertaking comprises of specific assets and liabilities as of the aforementioned Effective date identified in the Scheme, which among other items include Investments/Shareholdings, Joint Venture Agreements, all reserves including goodwill, employee share option compensation reserve, share premium, capital & revenue reserves but excluding hedging reserve.

**1.3** The "Group" consists of:

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

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

	Percentage of holding	
	2010	2009
- Engro Fertilizers Limited	100	100
- Engro Foods Limited;	100	100
- Engro Energy Limited	95	95
- Engro Eximp (Private) Limited;	100	100
- Engro Management Services (Private) Limited;	100	100
- Avanceon Limited	62.67	62.67
- Engro Polymer and Chemicals Limited	56.19	56.19
- Engro Powergen Limited	100	100
<b>Joint Venture Company:</b>		
- Engro Vopak Terminal Limited	50	50
<b>Associated Companies:</b>		
- Agrimall (Private) Limited		
- Arabian Sea Country Club Limited		



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- 1.4** During the period, Engro Energy Limited completed construction and testing of its 217.3 MW combine cycle power plant (the Power Plant) and has commenced commercial operations on March 27, 2010. The electricity generated through the Power Plant is transmitted to the National Transmission and Despatch Company (NTDC) under the Power Purchase Agreement (PPA) dated October 26, 2007, valid for a period of 25 years.
- 1.5** The Holding Company is in the process of transferring part of its holding of 304 million ordinary shares of Rs. 10 each in Engro Energy Limited to Engro PowerGen Limited, a wholly owned subsidiary of the Holding Company, on account of the Holding Company's overall restructuring of its business to enable all direct subsidiaries to operate as holding companies for their respective lines of business. Initially, the Holding Company was planning to obtain in exchange of the aforementioned transfer an equivalent number of shares of Engro PowerGen Limited. However, due to significant cost of issuance of shares, it is now decided that Engro PowerGen Limited will issue fewer number of shares to the Holding Company.
- 1.6** The condensed interim financial informations of the subsidiary companies have been consolidated on a line by line basis. The carrying value of investments held by the Holding Company 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 the Equity Method.

**2. BASIS FOR PREPARATION**

This consolidated condensed interim financial information is unaudited and has been prepared in accordance with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting' and directives issued under the Companies Ordinance 1984 (the Ordinance). In case where the requirements differ, the provisions of or directives issued under the Ordinance have been followed. This consolidated condensed financial information does not include all the information required for annual consolidated financial statements and therefore should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2009.

**3. ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of consolidated financial statements of the Holding Company for the year ended December 31, 2009, except for the adoption of new accounting policy as referred to in note 3.2, whereas, accounting policy on derivative financial instruments and hedging activities, referred to in note 3.4, has been reworded.

**3.1 Initial application of standards, amendments or an interpretation to existing standards**

**a) Standards, amendments and interpretations to existing standards that are effective in 2010**

Following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning January 1, 2010, but are either not currently relevant to the Holding Company or do not have any significant effect on the Holding Company's financial information:

- IAS 1 (amendment), 'Presentation of financial statements'
- IFRS 2 (amendments), 'Group cash-settled and share based-payment transactions'
- IFRS 3 (revised), 'Business combinations'
- IFRS 5 (amendment), 'Non-current assets (or disposal groups) classified as held for sale or discontinued operations'
- IAS 38 (amendment), 'Intangible assets'
- IFRIC 17, 'Distribution of non-cash assets to owners'
- IFRIC 18, 'Transfer of assets from customers'; and

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- Number of other amendments in other IFRS and IAS which were part of the International Accounting Standards Board's (IASB's) annual improvements project, published in April 2009.
- b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company**

Following new standards, amendments and interpretation to existing standards have been issued but are not effective for the financial year beginning January 1, 2010 and have not been early adopted by the Holding Company:

- IFRS 9, 'Financial Instruments', effective from January 1, 2013. IFRS 9 addresses the classification and measurement of financial assets. The Holding Company is yet to assess the full impact of IFRS 9.
- IAS 24 (revised), 'Related Party Disclosures', effective from January 1, 2011. The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Holding Company's financial statements.
- Classification of right issues (amendment to IAS 32), effective from annual periods beginning on or after February 1, 2010. The amendment states that if rights issues, which are offered for a fixed amount of foreign currency, are issued pro rata to all the entity's existing shareholders in the same class for fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The Holding Company has not issued any right shares in foreign currency, therefore the amendment will not have any effect on the Holding Company's financial statements.
- Prepayments of a minimum funding requirement (amendments to IFRIC 14), effective from January 1, 2011. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The Holding Company's retirement benefit funds are not subject to any minimum funding requirements, hence, these amendments will have no impact on the Holding Company's financial statements.
- IFRIC 19 (interpretation), 'Extinguishing Financial Liabilities with Equity Instruments', effective from annual periods beginning on or after July 1, 2010. The interpretation clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Holding Company has not offered its shares to the creditors, therefore, this interpretation will have no impact on the Holding Company's financial statements.
- Improvements to International Financial Reporting Standards 2010, issued in May 2010.

**3.2 Revenue recognition on supply of electricity**

Revenue from sale of electricity to National Transmission and Despatch Company (NTDC), the sole customer of Engro Energy Limited (the Subsidiary Company) is recorded on the following basis:

- Capacity revenue is recognised based on the capacity made available to NTDC; and
- Energy revenue is recognised based on the Net Electrical Output (NEO) delivered to NTDC.

Both Capacity and Energy revenue is recognised based on the rates specified under the PPA.



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**3.3 Applicability of IFRIC 4, 'Determining whether an agreement contains a lease'**

The Independent Power Producers (IPPs), whose letter of intent have been signed on or before June 30, 2010, have been exempted from the application of IFRIC 4 by the Securities and Exchange Commission of Pakistan (SECP). This interpretation provides guidance on determining whether arrangements that do not take the legal form of lease should, nonetheless, be accounted for as a lease in accordance with International Accounting Standards (IAS) 17, "Leases".

Consequently, the Holding Company is not required to account for a portion of Engro Energy Limited's Power Purchase Agreement (PPA) with NTDC as a lease under IAS – 17. If the Holding Company were to follow IFRIC – 4 / IAS – 17, the arrangement under the PPA would have been recorded as a finance lease. Had the lease been recognized as 'finance lease', the profit for the period would have been lower by Rs. 134,498.

**3.4 Derivative Financial Instruments and Hedging Activities**

Derivative financial instruments are initially recognized and subsequently re-measured at their fair value. Derivatives are carried as assets where fair value is positive and as liabilities where fair value is negative.

Derivative embedded in other financial instruments or non-derivative host contracts are presented as separate derivatives when their risks and economic characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealized gains or losses reported in the profit and loss account.

If the fair value of an embedded derivative that is required to be separated cannot be reliably measured, the entire combined contract is treated as a financial instrument held for trading. The combined contract is measured at fair value if the fair value of the combined instrument can be reliably measured.

Changes in fair value of derivative financial instruments are recognized in the profit and loss account. However, changes in fair value of derivative hedging instruments designated as a cash flow hedge are recognised directly in equity to the extent that hedge is effective. To the extent the hedge is ineffective, changes in fair value are recognised in the profit and loss account.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedge item affects profit and loss account.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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 the consolidated financial statements of the Holding Company for the year ended December 31, 2009.

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5. PROPERTY PLANT AND EQUIPMENT	Unaudited June 30, 2010	Audited December 31, 2009
	Rupees	
Operating assets, at net book value (note 5.1 to 5.3)	<b>43,931,455</b>	26,179,073
Capital work-in-progress		
- Expansion and other projects (note 5.4)	<b>75,502,728</b>	84,181,544
- Exploration and evaluation expenditure	<b>213,069</b>	15,767
- Capital spares	<b>130,893</b>	127,326
	<b>119,778,145</b>	110,503,710
<b>5.1</b> Additions to operating assets, including transfers from capital work-in-progress during the period/year, were as follows:		
Freehold land	<b>8,825</b>	225,488
Leasehold land	<b>84,600</b>	-
Freehold building (note 5.2)	<b>3,606,581</b>	886,007
Leasehold building	<b>1,078</b>	173,439
Pipelines	-	357,309
Plant & Machinery - owned (note 5.2)	<b>14,175,949</b>	14,310,975
Catalyst	-	103,307
Furniture, fixture and equipment - owned	<b>54,574</b>	175,364
Vehicles - owned	<b>289,625</b>	295,602
Vehicles - leased	-	15,556
	<b>18,221,232</b>	16,543,047
<b>5.2</b> During the period, Engro Energy Limited on commencement of commercial operations, has transferred the cost of plant and machinery, freehold building and other assets, aggregating to Rs. 14,037,078, from capital work-in-progress to operating assets.		
<b>5.3</b> There were no major disposals during the period other than leasehold land, as disclosed in note 24.		
	Unaudited June 30, 2010	Audited December 31, 2009
	Rupees	
<b>5.4 Capital work-in-progress - Expansion and other projects</b>		
Plant and machinery	<b>51,486,397</b>	63,842,649
Building and civil works including pipelines	<b>9,810,398</b>	7,734,725
Furniture, fixture and equipment	<b>290,454</b>	192,195
Advances to suppliers	<b>442,735</b>	293,243
Other ancillary costs	<b>13,472,744</b>	12,118,732
	<b>75,502,728</b>	84,181,544
<b>5.4.1</b> Capital work in progress includes net borrowing costs capitalised amounting to Rs 8,860,359 (December 31, 2009: Rs 6,645,866).		

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**5.4.2** Capital work in progress includes Rs. 46,449,632 (December 31, 2009: Rs. 47,081,203) and Rs.9,494,986 (December 31, 2009: Rs. 7,459,458) with respect to Urea expansion project for plant & machinery and building & civil works respectively. The expansion project expected to be complete by third quarter 2010, adjacent to the existing Daharki Plant, will cost approximately US\$ 1,050,000 (December 31, 2009: US\$ 1,050,000) and will have a capacity of 1.3 million tons of Urea per annum.

	Unaudited June 30, 2010	Audited December 31, 2009
Rupees		
<b>6. EMPLOYEES SHARE OPTION SCHEME</b>		
<b>6.1 Deferred employees compensation expense</b>		
Balance as at January 1,	100,461	205,169
Options issued during the period / year	58,947	9,336
Options lapsed during the period / year	(1,123)	(18,114)
Options surrendered by employees transferred from the Holding Company to Engro Fertilizers Limited (note 6.3)	(67,188)	-
Amortization for the period / year	(42,984)	(95,930)
Balance at end of the period / year	48,113	100,461
Current portion shown under current assets (note 9)	(47,856)	(97,492)
Long term portion of deferred employees compensation expense	257	2,969
<b>6.2 Employees share option compensation reserve</b>		
Balance as at January 1,	318,242	327,020
Options issued during the period / year	58,947	9,336
Options lapsed during the period / year	(1,123)	(18,114)
Options surrendered by employees transferred from the Holding Company to Engro Fertilizers Limited (note 6.3)	(211,542)	-
Balance at end of the period / year	164,524	318,242
<b>6.3 The Holding Company</b>		
Consequent to the demerger, as referred to in note 1.2, the employees transferred from the Holding Company to Engro Fertilizers Limited have surrendered their existing share options against which new share options have been granted to them under a new scheme of Engro Fertilizers Limited.		
Further, consequent to the bonus issue in the current period, the entitlements were increased to 1,983,520 shares from 1,803,200 shares respectively and the exercise price was adjusted to Rs. 186.84 from Rs. 205.52 respectively. These changes have been duly approved by the Securities and Exchange Commission of Pakistan (SECP). The aforementioned reduction in exercise price has no effect on the fair value of share options recognized in this consolidated condensed interim financial information.		
<b>6.4 Engro Fertilizers Limited</b>		
As stated in note 6.3 above, the employees transferred to Engro Fertilizers Limited and holding share options of the Holding Company have been, on surrender thereof, granted share options under a new Employee Share Option Scheme (the Scheme) of Engro Fertilizers Limited. Under the Scheme, employees have been granted options to purchase 4,937,100 ordinary shares of Engro Fertilizers Limited at an exercise price of Rs. 98 per ordinary share. As per the Scheme, the entitlements and exercise price are subject to adjustments because of issue of right shares and bonus shares. The number of options granted to an employee are the same as the number of options of the		



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Holding Company surrendered by them. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither right to dividends nor voting rights. Vesting period for employees who were initially granted options on or before June 30, 2008 in the Holding Company, has started from January 1, 2010 and shall end on December 31, 2010, where after these options can be exercised within a period of two years ending December 31, 2012.

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

The above Scheme was conceptually approved by the Securities and Exchange Commission of Pakistan (SECP) before the transfer of Fertilizer Undertaking to Engro Fertilizers Limited, referred to in note 1.2, whereas the formal approval was granted during the current period. As the vesting period has started from January 1, 2010 and the Scheme being considered a continuation of the old Scheme announced by the Holding Company, a charge based on fair value of share options i.e. Rs. 11.94 per share, calculated as on January 1, 2010, has been recognised in this consolidated condensed interim financial information.

Engro Fertilizers Limited used Black Scholes pricing model to calculate the fair value of share options at the grant date. The fair value of the share options as per the model and underlying assumptions are as follows:

Fair value of the share options at grant date	Rs. 11.94
Share price at grant date	Rs. 87.61
Exercise price	Rs. 98.00
Annual volatility	41.64%
Risk free rate used	12.21%
Dividend yield	5.71%

	Unaudited June 30, 2010	Audited December 31, 2009
	Rupees	
<b>7. STOCK-IN-TRADE</b>		
Raw and packing materials	5,214,747	2,501,899
Work-in-process	55,246	56,548
Finished goods - own manufactured product	1,550,653	863,140
- purchased product	7,580,679	401,607
	9,131,332	1,264,747
Provision for slow moving inventory	(3,223)	(3,223)
	<b>14,398,102</b>	<b>3,819,971</b>
<b>8. TRADE DEBTS</b>		
Considered good		
- Secured (note 8.1)	3,314,533	2,794,542
- Unsecured	575,414	741,991
	3,889,947	3,536,533
Considered doubtful	47,187	40,507
	3,937,134	3,577,040
Provision for impairment	(47,187)	(40,507)
	<b>3,889,947</b>	<b>3,536,533</b>
<b>8.1</b> Includes receivables from National Transmission and Despatch Company (NTDC), amounting to Rs. 1,945,081 (December 31, 2009: Nil), in respect of sale of electricity by Engro Energy Limited (the Subsidiary Company). These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement.		



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**9. DEFERRED EXPENSE**

This comprises of current portion of deferred employees compensation expense (note 6.1) amounting to Rs. 47,856 (December 31, 2009: Rs. 97,492) and exchange loss deferred amounting to Rs. 252,000 (December 31, 2009: Nil), as more fully explained and referred to in note 21.

**10. OTHER RECEIVABLES**

Other receivables include Rs. 57,135 in respect of sales tax receivable from the Government of Pakistan, levied in 2008 on certain imports of Mono Ammonium Phosphate (MAP) 10:50:0 based on the actual import value rather than the deemed value as prescribed by SRO 609(1)/2004. Further, the Ministry of Food, Agriculture and Livestock had also recommended through its letter dated June 27, 2008 that the said grade of MAP should be assessed at deemed value of import with retrospective effect. An appeal has been filed before the Collector, Sales Tax and Federal Excise and the management is confident that it will be decided in the Group's favour and the aforementioned amount, paid under protest, would be fully recovered.

**11. SHORT TERM INVESTMENTS**

**Financial assets at fair value through profit or loss**

Fixed income placements  
Money market funds

	Unaudited June 30, 2010	Audited December 31, 2009
Rupees		
	69,597	75,795
	<u>2,061,274</u>	<u>436,460</u>
	<u>2,130,871</u>	<u>512,255</u>

**12. SHARE CAPITAL**

**12.1 Authorised capital**

350,000,000 shares (December 31, 2009: 350,000,000)  
Ordinary Shares of Rs. 10 each

	<u>3,500,000</u>	<u>3,500,000</u>
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**12.2 Movement in issued, subscribed and paid-up capital during the period/year**

Unaudited June 30, 2010	Audited December 31, 2009		Unaudited June 30, 2010	Audited December 31, 2009
Numbers			Rupees	
<u>297,942,563</u>	212,816,117	As at January 1	<u>2,979,426</u>	2,128,161
-	85,126,446	Ordinary shares of Rs. 10 each issued during the year as fully paid right shares	-	851,265
<u>29,794,256</u>	-	Ordinary shares of Rs. 10 each issued during the period as fully paid bonus shares (note 12.3)	<u>297,943</u>	-
<u>327,736,819</u>	<u>297,942,563</u>		<u>3,277,369</u>	<u>2,979,426</u>

**12.3** During the period, the Holding Company issued bonus shares in the ratio of 1 share for every 10 shares held.

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	Unaudited June 30, 2010	Audited December 31, 2009
	Rupees	
<b>13. HEDGING RESERVE</b>		
Fair values of :		
- Foreign exchange forward contracts (note 16.1)	(307,338)	(134,692)
- Foreign exchange option contracts (note 16.2)	(22,671)	49,104
- Interest rate SWAPs (note 16.3)	<u>(1,348,052)</u>	<u>(872,376)</u>
	<u>(1,678,061)</u>	<u>(957,964)</u>
Deferred tax	587,322	335,287
Minority Interest	<u>33,469</u>	<u>5,677</u>
	<u>(1,057,270)</u>	<u>(617,000)</u>

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

**14. MAINTENANCE RESERVE**

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

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

**15. BORROWINGS**

	Unaudited June 30, 2010	Audited December 31, 2009
	Rupees	
Balance as at January 1	86,517,828	41,060,739
Loans availed during the period / year - net of transaction cost	<u>9,175,605</u>	<u>45,722,763</u>
	<u>95,693,433</u>	<u>86,783,502</u>
Repayments during the period / year	<u>(641,249)</u>	<u>(265,674)</u>
	<u>95,052,184</u>	<u>86,517,828</u>
Current portion shown under current liabilities	<u>(5,807,903)</u>	<u>(2,375,675)</u>
Balance at the end of the period / year	<u>89,244,281</u>	<u>84,142,153</u>

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**Engro Fertilizers Limited**

During the period, Engro Fertilizers Limited (the Subsidiary Company), has availed loans amounting to Rs. 6,900,000 (December 31, 2009: Nil), which represent fresh bilateral loans from Standard Chartered Bank (Pakistan) Limited, SAMBA Bank Limited and Dubai Islamic Bank Limited along with further draw down on existing Syndicated finance facility.

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

**Engro Foods Limited**

"During the period, Engro Foods Limited (the Subsidiary Company) has (i) further utilized the Syndicated Term Finance Facility (STFF) obtained from syndicate of banks led by MCB Bank Limited to the extent of Rs. 1,000,000. The total borrowing against the STFF as at June 30, 2010 aggregates to Rs. 1,200,000; and (ii) repaid principal amount of Rs. 58,333 relating to the long term finance obtained from Royal Bank of Scotland."

**Engro Energy Limited**

Engro Energy Limited (the Subsidiary Company) entered into a financing agreement with consortium comprising of International Finance Corporation, DEG, FMO, Proparco, Swed Fund and OFID amounting to USD 153,800. The finances carry markup at the rate of six months LIBOR plus 3% payable semi-annually over a period of twelve years whereas the principal is repayable commencing six months after the date of commercial operations in twenty semi-annual payments/instalments. Commitment fee at the rate of 0.5% per annum is also payable on that part of finance that has not been drawn. As at June 30, 2010, the Subsidiary Company has drawn down USD 144,000 (December 31, 2009: USD 136,000) against the aforementioned amount.

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

**Engro Polymer and Chemicals Limited**

"During the period, Engro Polymer and Chemicals Limited (the Subsidiary Company) has entered into a Master Istisna Agreement for a facility of Rs. 100,000, for a period of three years. The entire amount of the facility has been drawn down by the Subsidiary Company. The facility carries mark-up at the rate of 1.5% over six months KIBOR. All amounts due under the Agreement are payable in tranches by way of a series of Istisna transactions, each Istisna transaction being treated as a separate agreement. Since the management's intention is to roll over each Istisna transaction on repayment date to the expiry date of the facility, the above mentioned financing has been included in long term borrowings. The facility is secured by a joint pari passu equitable mortgage over land and buildings and a pari passu hypothecation charge over plant and machinery, stocks and receivables amounting to Rs. 134,000."

Further, during the period, the Subsidiary Company has repaid the first installment amount of Rs. 51,744 and Rs 341,640 under Syndicate Finance Agreement with a consortium of local banks and loan agreement/facility with International Finance Corporation respectively.



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**16. DERIVATIVE FINANCIAL INSTRUMENTS**

	Unaudited June 30, 2010		Audited December 31, 2009	
	Assets	Liabilities	Assets	Liabilities
Conversion option on IFC loan	-	365,442	-	338,647
Cash flow hedges:				
- Foreign exchange forward contracts (note 16.1)	3,406	310,743	22,637	157,329
- Foreign exchange option contracts (note 16.2)	-	22,671	53,572	4,468
- Interest rate swaps (note 16.3)	-	1,348,052	-	872,376
	<u>3,406</u>	<u>1,681,466</u>	<u>76,209</u>	<u>1,034,173</u>
	<u>3,406</u>	<u>2,046,908</u>	<u>76,209</u>	<u>1,372,820</u>
Less: Current portion shown under current assets / liabilities				
Conversion option on IFC loan	-	365,442	-	338,647
Cash flow hedges:				
- Foreign exchange forward contracts	3,406	310,743	22,637	157,329
- Foreign exchange option contracts	-	22,671	53,572	4,468
- Interest rate swaps	-	397,106	-	239,599
	<u>3,406</u>	<u>730,520</u>	<u>76,209</u>	<u>401,396</u>
	<u>3,406</u>	<u>1,095,962</u>	<u>76,209</u>	<u>740,043</u>
	<u>-</u>	<u>950,946</u>	<u>-</u>	<u>632,777</u>

**16.1 Foreign exchange forward contracts**

**16.1.1** The Group entered into various forward exchange contracts to hedge its foreign currency exposure. As at June 30, 2010, the Group had forward exchange contracts to purchase Euros 14,008 (December 31, 2009: Euros 9,543) at various maturity dates matching the anticipated payment dates for commitments with respect to urea expansion project. The fair value of these contracts, as at June 30, 2010 is negative and amounted to Rs. 44,690 (December 31, 2009: positive fair value of Rs. 22,637).

**16.1.2** The Group entered in various US\$: PKR forward contracts to hedge its foreign currency exposure. As at June 30, 2010, the Group had forward contracts to purchase US\$ 85,000 (December 31, 2009: US\$ 85,000) at various maturity dates to hedge its foreign currency loan obligations. The fair value of these contracts as at June 30, 2010 is negative and amounted to Rs. 262,647 (December 31, 2009: Rs. 157,329).

**16.2 Foreign exchange option contracts**

The Group entered into various foreign exchange option contracts to hedge its currency exposure against US dollar relating to the expansion project. As at June 30, 2010, the Company had foreign exchange options amounting to Euros 8,744 (December 31, 2009: Euros 12,628). The net fair value of these contracts as at June 30, 2010 is negative and amounted to Rs. 22,671 (December 31, 2009: positive fair value of Rs. 49,104).

**16.3 Interest rate swaps**

**16.3.1** The Group entered into an interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing under an Offshore Islamic Finance Facility agreement, for a notional amount of US\$ 150,000 (December 31, 2009: US\$ 150,000) amortising up to September 2014. Under the swap agreement, the Group would receive USD-LIBOR from Citibank N.A Pakistan on notional amount and pay fixed 3.47% which will be settled semi-annually. The fair value of the interest rate swap as at June 30, 2010 is negative and amounted to Rs. 727,349 (December 31, 2009: Rs. 542,385).

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**16.3.2** The Group entered into another interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing from a consortium of Development Finance Institutions for a notional amount of US\$ 85,000 (December 31, 2009: US\$ 85,000) amortising upto April 2016. Under the swap agreement, the Group would receive USD-LIBOR from Standard Chartered Bank on notional amount and pay fixed 3.73% which will be settled semi-annually. The fair value of the interest rate swap as at June 30, 2010 is negative and amounted to Rs. 503,173 (December 31, 2009: Rs. 310,056).

**16.3.3** The Group entered into another interest rate swap agreements for notional amounts aggregating to US\$ 37,332 (December 31, 2009: US\$ 40,000), with banks to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, the Group would receive six month USD-LIBOR on respective notional amounts and will pay fix 2.8% to 3.85%, which will be settled semi annually. The fair value of the interest rate swap as at June 30, 2010, is negative and amounted to Rs. 117,530 (December 31, 2009: Rs. 19,935).

**17. DEFERRED TAXATION**

Credit / (debit) balances arising on account of:

	Unaudited June 30, 2010	Audited December 31, 2009
	Rupees	
- Accelerated depreciation allowance	5,402,600	5,340,447
- Net borrowing costs capitalised	235,873	207,133
- Fair value of hedging instruments	(369,446)	(335,287)
- Recoupable carried forward tax losses	(3,788,262)	(3,352,092)
- Tax on subsidiary reserves	14,106	18,589
- Tax on fair value adjustment	146,399	153,200
- Recoupable minimum turnover tax	(365,316)	(201,438)
- Unrealised foreign exchange losses, unpaid liabilities and provision for retirement and other services benefits	(104,262)	(70,444)
- Provision for:		
- inventories, slow moving stores and spares and doubtful receivables	(45,540)	(21,879)
- others	(50,376)	(50,931)
	<b>1,075,776</b>	<b>1,687,298</b>

**18. TRADE AND OTHER PAYABLES**

Creditors	5,451,152	2,243,921
Accrued liabilities	3,010,053	2,911,903
Advances from Customers	973,863	1,735,730
Deposits from dealers/distributors refundable on termination of dealership	35,830	11,073
Retention money	564,798	1,803,495
Contractors'/suppliers deposits	89,060	111,121
Workers' profits participation fund	194,013	31,045
Workers' welfare fund	242,615	143,583
Sales tax payable	3,542	8,441
Provision for special excise duty on import	125,821	70,494
Provision for infrastructure fee	444,434	335,121
Others	207,847	202,073
	<b>11,343,028</b>	<b>9,608,000</b>

**19. SHORT TERM BORROWINGS**

The facilities for short term finance available to the Group from various banks amounts to Rs. 17,150,000 (December 31, 2009: Rs. 12,382,200) including Rs. 1,450,000 (December 31, 2009: Rs. 200,000) for bank guarantees interchangeable with short term finance. The rates of markup ranges from 12.88% to 14.61% (December 31, 2009: 12% to 18.5%).

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The aforementioned facility amount includes a working capital facility of Engro Energy Limited (the Subsidiary Company), amounting to Rs. 2,000,000 (December 31, 2009: Nil). The facility is provided to the Subsidiary Company under the Working Capital Facility Agreement signed during the period between the Company and a consortium of Allied Bank Limited, NIB Bank Limited, KASB Bank Limited, The Bank of Punjab, Habib Metropolitan Bank Limited and Soneri Bank Limited. The facility carries mark-up at the rate of 3 months KIBOR plus 2%. The facility is secured by (i) present and future energy payment receivables from the Power Purchaser and (ii) first charge over all current assets, except receivable from NTDC in respect of Capacity Purchase Price, and subordinated charge over present and future plant, machinery equipments and other movable assets of the Company. The use of facility is restricted for payments of operations and maintenance cost of the Power Plant (upto 10% of the facility amount) and payments to fuel suppliers against purchase of fuel.

The facilities for opening letters of credit and guarantees of Subsidiary Companies as at June 30, 2010 amounts to Rs. 6,493,000 (December 31, 2009: Rs. 6,299,000).

**20. CONTINGENCIES AND COMMITMENTS**

**Contingencies**

Claims, including pending lawsuits, against the Group not acknowledged as debts amounted to Rs. 47,610 (December 31, 2009: Rs. 47,658).

Corporate guarantees of Rs. 5,377,436 (December 31, 2009: Rs. 2,480,283) have been issued by various banks on behalf of the Group.

The Group is contesting the penalty of Rs. 99,936 paid and expensed in 1997, imposed by the State Bank of Pakistan (SBP) for alleged late payment of foreign exchange risk cover fee on long term loans and has filed a suit in the High Court of Sindh. A partial refund of Rs. 62,618 was, however, recovered in 1999 from SBP and the recovery of the balance amount is dependent on the Court's decision.

The Group 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 Holding Company Rs. 47,800 whereas the award for the earlier years is awaited. The award for the second arbitration has not been recognised due to inherent uncertainties arising from its challenge in the High Court of Sindh.

The Holding Company has extended project completion support to the lenders of Engro Energy Limited for US\$ 15,400 (December 31, 2009: US\$ 15,400).

**Commitments**

Property, plant & equipment

Letter of credits other than for capital expenditure

	Unaudited June 30, 2010	Audited December 31, 2009
Rupees		
	3,191,174	5,504,260
	642,325	2,863,584

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



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The future lease commitments related to non-cancellable operating leases as of June 30, 2010 are as follows:

	Unaudited June 30, 2010	Audited December 31, 2009
Rupees		
Not later than one year	2,420	1,723
Later than one year and not later than five years	1,024	799
Later than five years	907	399
	<b>4,351</b>	<b>2,921</b>

**21. NET SALES**

Sales for the current period includes Rs. 2,007,185 in respect of sales made by Engro Energy Limited (the Subsidiary Company) to National Transmission and Despatch Company (NTDC), on commencing commercial operations, as referred to in note 1.4. Sales invoices are raised by the Subsidiary Company based on the tariffs provided/ approved under the Power Purchase Agreement (PPA), signed between the Subsidiary Company and NTDC on October 26, 2007.

The Subsidiary Company's tariff, like other power companies, comprises of various price components with indexations falling within the ambit of embedded derivatives. Such embedded derivative as per International Accounting Standard 39, 'Financial Instrument: Recognition and Measurement' needs to be separated from the host contract and accounted for as derivative if economic characteristics and risks are not closely related to the host contract. The economic characteristics and risks of most of the Subsidiary Company's Tariff indexations are closely related to the economic characteristics and risks of the Power Purchase Agreement (the Host Contract). Hence have not been separated and accounted for under IAS 39 as a derivative. Further, as per practice generally accepted in the power industry, other indexations of (i) USD/PKR exchange rate (applicable to Company's price components of debt, return on equity, return on equity during construction); and (ii) US CPI & USD/PKR exchange rate (applicable to the Subsidiary Company's price components of fixed and variable operations and maintenance – foreign) are not separated and accounted for as derivatives. The Institute of Chartered Accountants of Pakistan (ICAP) had concluded in 2006, in the case of a listed power company, that the economic characteristics and risks of foreign currency indexations are closely related to the economic characteristics and risks of the Host Contract. The Subsidiary Company, however, has sought clarification from ICAP whether its conclusion covers both the aforementioned indexations (i.e. USD/PKR exchange rate and US CPI and USD/PKR exchange rate). Pending response from ICAP, the Group on prudence has not recognized such indexations in this consolidated condensed interim financial information as derivatives.

Further, as indexation of USD/PKR exchange rate related to debt component has not been recognized separately as embedded derivative, the Subsidiary Company taking cognizance of the 'matching principle' requested the Securities Exchange Commission of Pakistan (SECP) on June 30, 2010 to allow deferment of recognizing exchange loss on translation of borrowings in the profit and loss account till the clarification sought on the recognition of the foreign currency indexations from ICAP has been received. Such recognition, if required, would result in a credit to the profit and loss account which would more than offset the exchange loss. The SECP in response has regretted, vide letter July 9, 2010, to allow such deferment in the present form and advised the Subsidiary Company to resubmit the matter with detailed reasons and impact analysis for its fresh consideration. The Subsidiary Company's management, therefore, has resubmitted such detailed analysis on July 13, 2010 and is very confident that the SECP based thereon would concur with their viewpoint in allowing the requested temporary deferment, which is being sought to avoid distortion of results. Hence pending final response from the SECP, such exchange loss amounting to Rs 252,000, being the excess of exchange gain realized through tariff indexations upto June 30, 2010, has not been charged to the profit and loss account by the Group and has preferred to disclose it as deferred expense (note 9). However, had the exchange loss been recognized in the consolidated condensed interim profit and loss account, the profit for the period would have been lower by the aforementioned amount.

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	3 months ended June 30, 2010	3 months ended June 30, 2009	6 months ended June 30, 2010	6 months ended June 30, 2009
<b>Rupees</b>				
<b>22. COST OF SALES</b>				
Raw materials consumed	8,426,866	3,582,885	14,863,275	8,302,276
Salaries, wages and staff welfare	479,140	363,066	901,626	722,391
Fuel and power	858,920	951,959	2,301,794	1,825,793
Repairs and maintenance	242,134	382,827	431,844	530,783
Depreciation / amortization	643,905	330,203	1,146,389	648,444
Consumable stores	131,052	64,135	217,185	106,081
Staff recruitment, training, safety and other expenses	19,354	15,579	28,462	26,239
Purchased services	374,699	72,048	587,595	168,232
Travel	31,964	26,028	53,356	45,949
Communication, stationery and other office expenses	66,152	33,653	81,962	44,251
Insurance	75,495	55,895	135,089	107,779
Rent, rates and taxes	18,143	32,146	57,808	47,705
Provision against sales tax refundable	32,293	13,243	67,423	28,363
Other expenses	2,932	2,451	13,216	12,441
Manufacturing cost	11,403,049	5,926,118	20,887,024	12,616,727
Opening stock of work-in-process	75,077	83,339	56,548	63,381
Closing stock of work-in-process	(55,246)	(61,872)	(55,246)	(61,872)
	19,831	21,467	1,302	1,509
Cost of goods manufactured	11,422,880	5,947,585	20,888,326	12,618,236
Opening stock of finished goods manufactured	1,010,142	1,078,860	863,140	1,445,233
Closing stock of finished goods manufactured	(1,550,653)	(886,666)	(1,550,653)	(886,666)
	(540,511)	192,194	(687,513)	558,567
Cost of goods sold				
- own manufactured product	10,882,369	6,139,779	20,200,813	13,176,803
- purchased product	1,048,160	2,613,512	3,610,573	4,220,630
- others	333,477	237,205	630,055	459,753
	12,264,006	8,990,496	24,441,441	17,857,186

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	3 months ended June 30, 2010	3 months ended June 30, 2009	6 months ended June 30, 2010	6 months ended June 30, 2009
<b>Rupees</b>				
<b>23. SELLING AND DISTRIBUTION EXPENSES</b>				
Salaries, wages and staff welfare	363,870	232,148	724,141	585,645
Staff recruitment, training, safety and other expenses	10,532	20,669	30,935	24,994
Product transportation and handling	537,647	508,250	1,047,257	791,018
Repairs and maintenance	23,947	167	37,906	11,256
Advertising and sales promotion	576,975	598,569	1,178,236	937,754
Rent, rates and taxes	109,544	64,097	187,617	117,904
Communication, stationery and other office expenses	84,810	77,162	120,993	100,100
Travel	89,239	16,687	130,017	84,220
Depreciation / amortization	57,489	36,730	98,728	60,789
Purchased services	47,740	15,030	79,575	21,697
Other expenses	40,629	24,062	93,523	73,954
	<b>1,942,421</b>	<b>1,593,571</b>	<b>3,728,928</b>	<b>2,809,331</b>

**24. OTHER OPERATING INCOME**

Includes Rs. 299,470 (December 31, 2009: Nil) in respect of gain on sale of leasehold land at Port Qasim Authority, costing Rs. 49,560 and having a net book value of Rs. 39,780.

**25. TAXATION**

**25.1 Engro Fertilizers Limited (the Subsidiary Company)**

As a result of demerger referred to in note 1.2, all pending tax issues of the Fertilizer Undertaking of the Holding Company have been transferred to Engro Fertilizers Limited. Major issues pending before the tax authorities are described below:

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

The tax department raised a demand of Rs. 476,479 (rectified to Rs. 406,644), Rs. 910,845 and Rs. 1,670,814 for financial years 2006, 2007 and 2008 respectively, mainly on account of disallowance of Group Relief (in all three years), inter corporate dividend (in 2007 and 2008) and write down of inventories to net realisable value (in 2008) besides certain other issues. Uptil last year, the Holding Company had paid Rs. 170,000 and Rs. 400,000 for 2006 and 2007 respectively. Stay by the High Court of Sindh for payment of balance amount for financial year 2006 was granted to the Holding Company pending decision of the appeal filed by the Holding Company before the Income Tax Appellate Tribunal (ITAT). However, for financial year 2007 the issue of Group Relief has been decided by the Commissioner Inland Revenue (Appeals I) in the Holding Company's favor against which the tax department has filed an appeal with ITAT. During the current period, Engro Fertilizers Limited has paid Rs. 600,000 for financial year 2008, while stay for payment of the balance amount has been granted by the tax department till December 31, 2010. Appeal has also been filed by Engro Fertilizers Limited with the Commissioner Inland Revenue (Appeals I).



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The main contention for disallowance of Group Relief, among others, being the non-designation of the Holding Company as well as the subsidiary company as 'companies' entitled to Group Relief by the Securities & Exchange Commission of Pakistan (SECP), a requirement of section 59 B of the Ordinance. The Holding Company had applied for such a designation but remained pending with SECP for want of related regulations not framed then. These regulations were framed by SECP subsequently in December 2008 and on resubmission of application the Holding Company along with other subsidiaries have been registered as a Group. Designation has also been granted for Group Relief and Group Taxation during the current period.

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

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

**25.2 Engro Polymer and Chemicals Limited (the Subsidiary Company)**

During the period, the Subsidiary Company received a Notice of Demand of Rs. 213,172 in respect of Tax Year 2008. The Deputy Commissioner Inland Revenue has made various additions to the returned income amounting to Rs. 207,370 and has not considered the brought forward losses amounting to Rs. 974,770 resulting in the aforementioned tax demand. The additions to income are mainly on account of trading liabilities and financial costs in relation to the expansion Project.

"The Subsidiary Company has filed an appeal against the aforementioned demand with the Commissioner Inland Revenue (Appeals), which is currently pending. While the appeal proceedings were pending, the Officer Inland Revenue (OIR) adjusted a sum of Rs. 125,072 in the above demand against the Subsidiary Company's assessed refunds. Although the Subsidiary Company has sufficient tax refunds and recoupable minimum taxes to have the remaining demand of Rs. 88,100 adjusted, the OIR only gave a further credit, subject to further verification, of Rs. 55,696. Consequently, the Subsidiary Company has paid the balance amount of Rs. 32,404 'under protest'. The Subsidiary Company also applied for a stay order to the Commissioner Inland Revenue (Appeals) for the remaining outstanding demand as the credit of Rs. 55,696 has also been given by the OIR subject to verification of taxes paid, which was granted up to June 26, 2010. Application for extension in stay order has also been filed and the management is confident that the stay will be extended."

The management of the Subsidiary Company is confident that the ultimate outcome of the aforementioned matter would be favourable and consequently has not recognized the effects for the same in the consolidated condensed interim financial information.

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

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

This disallowance results in a tax deductible timing differences, the effects of which have been recognized in the consolidated condensed interim financial information after taking into account the consequential effects of the ITAT Order in the years subsequent to 2000 - 2001.



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**25.3 Engro Foods Limited (the Subsidiary Company)**

During the period, the Tax Department has issued a notice for amendment of assessment under section 122 of the Ordinance for the tax year 2008 and has selected the Subsidiary Company's tax return for Tax year 2009 for tax audit u/s 177 of the Ordinance, which is currently in progress.

**26. EARNINGS PER SHARE**

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

	3 months ended June 30, 2010	3 months ended June 30, 2009	6 months ended June 30, 2010	6 months ended June 30, 2009
<b>Rupees</b>				
Profit after taxation (attributable to owners of the Holding Company)	<u>1,508,601</u>	<u>370,672</u>	<u>3,397,554</u>	<u>1,055,159</u>
<b>Numbers</b>				
Weighted average number of ordinary shares (in thousand)	<u>327,737</u>	(Restated) <u>295,262</u>	<u>327,737</u>	(Restated) <u>290,418</u>

**27. CASH (USED IN) / GENERATED FROM OPERATIONS**

Profit before taxation	3,984,426	1,387,870
Adjustment for non-cash charges and other items:		
Depreciation and amortisation	1,245,117	709,233
Profit on disposal of property, plant and equipments	(296,447)	(19,277)
Provision for retirement and other service benefits	127,380	70,393
Depreciation on revaluation surplus arising on business combination	5,010	3,061
Income on deposits / other financial assets	(212,454)	(51,711)
Share of income from joint venture companies	(258,884)	(194,744)
Financial charges	1,876,866	1,031,794
Employees share compensation expense	(105,023)	40,745
Employees housing subsidy expense	54,630	69,409
Working capital changes (note 27.1)	<u>(11,779,732)</u>	<u>8,215,841</u>
	<u>(5,359,111)</u>	<u>11,262,614</u>

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	6 months ended June 30, 2010	6 months ended June 30, 2009
	Rupees	
<b>27.1 Working capital changes</b>		
(Increase) / decrease in current assets		
- Stores spares and loose tools	(1,943,841)	(286,457)
- Stock-in-trade	(10,578,131)	2,671,140
- Trade debts	(353,414)	(736,676)
- Loans, advances, deposits and prepayments	(1,098,754)	(722,528)
- Other receivables (net)	459,380	3,308,053
	<u>(13,514,760)</u>	<u>4,233,532</u>
Increase / (decrease) in current liabilities		
- Trade and other payable including other service benefits (net)	1,735,028	3,982,309
	<u>(11,779,732)</u>	<u>8,215,841</u>
<b>28. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	2,525,437	5,341,646
Short term investments	2,130,871	2,715,894
Short term borrowings	(8,522,003)	(1,105,786)
	<u>(3,865,695)</u>	<u>6,951,754</u>
<b>29. Segment reporting</b>		

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

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

	3 months ended June 30, 2010	3 months ended June 30, 2009	6 months ended June 30, 2010	6 months ended June 30, 2009
	Rupees			
<b>Revenue</b>				
Fertilizer	6,160,094	4,974,326	14,476,549	10,707,554
Polymer	3,570,817	2,566,134	6,854,571	4,965,472
Food	4,788,428	3,345,577	9,529,338	6,577,350
Power	1,899,989	-	2,007,185	-
Other operations	446,061	368,850	856,883	645,576
Consolidated	<u>16,865,389</u>	<u>11,254,887</u>	<u>33,724,526</u>	<u>22,895,952</u>
<b>Profit / (loss) after taxation</b>				
Fertilizer	1,322,427	441,285	3,047,358	1,070,948
Polymer	(295,007)	82,073	(449,384)	13,251
Food	(165,429)	(306,232)	(180,069)	(292,221)
Power	332,069	(5,607)	379,040	(40,567)
Other operations	209,748	79,035	310,338	(1,448)
Elimination - net	(11,802)	115,965	89,926	272,218
Consolidated	<u>1,392,006</u>	<u>406,519</u>	<u>3,197,209</u>	<u>1,022,181</u>

**ENGRO CORPORATION LIMITED**  
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)  
**NOTES TO THE CONSOLIDATED CONDENSED INTERIM  
FINANCIAL INFORMATION (UNAUDITED)**  
FOR THE HALF YEAR ENDED JUNE 30, 2010

(Amounts in thousand)	Unaudited June 30, 2010	Audited December 31, 2009
	Rupees	
<b>Assets</b>		
Fertilizer	93,805,257	94,179,878
Polymer	24,337,073	22,799,495
Food	11,381,589	9,004,026
Power	18,441,064	16,164,759
Other operations	29,399,045	1,181,901
Elimination - net	(24,664,284)	(11,224,683)
Consolidated	<u>152,699,744</u>	<u>132,105,376</u>

**30. TRANSACTIONS WITH RELATED PARTIES**

**30.1** Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in this consolidated condensed interim financial information, are as follows:

	6 months ended June 30, 2010	6 months ended June 30, 2009
	Rupees	
<b>Associates and joint ventures</b>		
Purchases and services	5,882,802	5,227,501
Services rendered / Sales of goods	672,546	261,375
Retirement benefits	172,623	83,955
Dividends paid	288,781	177,715
Payment of interest on TFCs and repayment of principal amount	55,597	4,984
Right shares issued (including share premium)	-	1,777,152
Donations	26,150	-
Investment in mutual funds	1,022,000	-
Redemption of investments in mutual funds	883,208	-
<b>Others</b>		
Remuneration paid to key management personnel / directors	286,095	286,581
Dividends paid	10,609	29,370
Right shares issued (including share premium)	-	314,732
	<b>Unaudited June 30, 2010</b>	<b>Audited December 31, 2009</b>
<b>Balances due from</b>	Rupees	
- Joint Ventures [includes dividend receivable of Rs. Nil (December 31, 2009: Rs. 112,500)]	-	135,509



**ENGRO CORPORATION LIMITED**  
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)  
**NOTES TO THE CONSOLIDATED CONDENSED INTERIM  
FINANCIAL INFORMATION (UNAUDITED)**  
FOR THE HALF YEAR ENDED JUNE 30, 2010

(Amounts in thousand)

**31. SEASONALITY**

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

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

**32. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE**

The Board of Directors in its meeting held on July 28, 2010 has approved an interim cash dividend of Rs. 2 per share for the year ending December 31, 2010 (December 31, 2009: Rs. 2 per share final cash dividend and bonus issue in the ratio of 1 share for every 10 shares held i.e. 10% bonus). This consolidated condensed interim financial information does not reflect the dividend payable.

**33. DATE OF AUTHORISATION FOR ISSUE**

This consolidated condensed interim financial information is authorized for issue on July 28, 2010 by the Board of Directors of the Holding Company.

**34. CORRESPONDING FIGURES**

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

**34.2** In the 2009 annual audited financial statements, the fair value of foreign exchange forward contracts recognised in 2008 in respect of hedging reserves, were retrospectively adjusted by the Holding Company by restating comparative figures. Accordingly, the comparative figures for the three and six months ended June 30, 2009 relating to such adjustment have been restated in this consolidated condensed interim financial information.



engro corp

enabling excellence

(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)

**CONDENSED INTERIM  
FINANCIAL INFORMATION (UNAUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2010**





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

## **Introduction**

We have reviewed the accompanying condensed interim balance sheet of Engro Corporation Limited (formerly Engro Chemical Pakistan Limited) as at June 30, 2010 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial information"), for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2010 and 2009 have not been reviewed as we are required to review only the cumulative figures for the half year ended June 30, 2010.

## **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 condensed interim financial information as of and for the half year ended June 30, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting

## **Chartered Accountants**

**Karachi**

**Date: July 29, 2010**

**Engagement Partner: Imtiaz A. H. Laliwala**

**ENGRO CORPORATION LIMITED**  
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)  
**CONDENSED INTERIM**  
**BALANCE SHEET (UNAUDITED)**  
AS AT JUNE 30, 2010

(Amounts in thousand)

	Note	Unaudited June 30, 2010 (note 1.2)	Audited December 31, 2009
Rupees			
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	5	86,032	69,517,512
Intangible assets		-	122,704
Long term investments	6	25,352,901	12,988,657
Deferred employee compensation expense	7	-	2,787
Long term loans and advances	8	241,864	328,907
		<b>25,680,797</b>	<b>82,960,567</b>
<b>Current Assets</b>			
Stores, spares and loose tools		-	961,117
Stock-in-trade		-	422,607
Trade debts		-	2,514,425
Deferred employee compensation expense	7	11,564	87,278
Loans, advances, deposits and prepayments		17,403	1,469,155
Other receivables		36,703	275,714
Derivative financial instruments		-	76,209
Taxes recoverable		-	536,167
Short term investments	9	851,864	450,857
Cash and bank balances	10	754,138	3,955,342
		<b>1,671,672</b>	<b>10,748,871</b>
<b>TOTAL ASSETS</b>		<b>27,352,469</b>	<b>93,709,438</b>

(Amounts in thousand)

	Note	Unaudited June 30, 2010 (note 1.2)	Audited December 31, 2009
Rupees			
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	3,277,369	2,979,426
Share premium		10,550,061	10,550,061
Employee share option compensation reserve	7	77,118	288,258
Hedging reserve		-	(609,719)
General reserve		4,429,240	4,429,240
Unappropriated profit		8,742,760	9,250,972
		<b>23,799,179</b>	<b>23,908,812</b>
<b>Total Equity</b>		<b>27,076,548</b>	<b>26,888,238</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Borrowings		-	58,565,354
Derivative financial instruments		-	612,842
Deferred liabilities		158	988,169
Employee housing subsidy		-	211,785
Retirement and other service benefits obligations		498	47,581
		<b>656</b>	<b>60,425,731</b>
<b>Current Liabilities</b>			
Trade and other payables	12	161,441	3,160,852
Accrued interest / mark-up		-	1,366,022
Current portion of:			
- borrowings		-	810,100
- other service benefits obligations		-	20,600
Short term borrowings		-	195,753
Derivative financial instruments		-	740,043
Taxation		40,273	-
Unclaimed dividends		73,551	102,099
		<b>275,265</b>	<b>6,395,469</b>
<b>Total Liabilities</b>		<b>275,921</b>	<b>66,821,200</b>
<b>Contingencies and Commitments</b>	13		
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>27,352,469</b>	<b>93,709,438</b>

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

**Hussain Dawood**  
Chairman

**Asad Umar**  
President and Chief Executive

**ENGRO CORPORATION LIMITED**  
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)  
**CONDENSED INTERIM**  
**PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
FOR THE HALF YEAR ENDED JUNE 30, 2010

(Amounts in thousand except for earnings per share)

	Note	3 months ended June 30, 2010 (note 1.2)	3 months ended June 30, 2009	6 months ended June 30, 2010 (note 1.2)	6 months ended June 30, 2009
<b>Rupees</b>					
Net Sales		-	4,974,326	-	10,707,554
Cost of sales		-	(3,963,716)	-	(7,759,791)
Gross profit		-	1,010,610	-	2,947,763
Selling and distribution expenses		-	(376,579)	-	(751,054)
		-	634,031	-	2,196,709
Dividend income	14	<b>180,000</b>	195,000	<b>180,000</b>	217,500
Royalty income	15	<b>65,371</b>	-	<b>127,739</b>	-
Administrative expenses		<b>245,371</b>	195,000	<b>307,739</b>	217,500
		<b>(29,678)</b>	-	<b>(80,390)</b>	-
		<b>215,693</b>	829,031	<b>227,349</b>	2,414,209
Other operating income	16	<b>161,324</b>	16,511	<b>251,576</b>	39,674
Other operating expenses		<b>(7,678)</b>	(39,042)	<b>(10,617)</b>	(120,556)
<b>Operating Profit</b>		<b>369,339</b>	806,500	<b>468,308</b>	2,333,327
Finance cost		<b>(486)</b>	(339,766)	<b>(1,599)</b>	(783,962)
<b>Profit before taxation</b>		<b>368,853</b>	466,734	<b>466,709</b>	1,549,365
Taxation					
- Current		<b>(69,923)</b>	22,796	<b>(81,834)</b>	(69,288)
- Deferred		<b>(30)</b>	(140,682)	<b>741</b>	(436,499)
		<b>(69,953)</b>	(117,886)	<b>(81,093)</b>	(505,787)
<b>Profit for the period</b>		<b>298,900</b>	348,848	<b>385,616</b>	1,043,578
			(Restated)		(Restated)
<b>Earnings per share - basic and diluted</b>	17	<b>Rs. 0.91</b>	Rs. 1.18	<b>Rs. 1.18</b>	Rs. 3.59

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.



**ENGRO CORPORATION LIMITED**  
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)  
**CONDENSED INTERIM**  
**STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
FOR THE HALF YEAR ENDED JUNE 30, 2010

(Amounts in thousand)

	3 months ended June 30, 2010 (note 1.2)	3 months ended June 30, 2009 (note 23.3)	6 months ended June 30, 2010 (note 1.2)	6 months ended June 30, 2009 (note 23.3)
	Rupees			
<b>Profit for the period</b>	<b>298,900</b>	348,848	<b>385,616</b>	1,043,578
Other comprehensive income				
<b>Hedging reserve - cash flow hedges</b>				
Gains/(losses) arising during the period	-	1,213,854	-	(179,803)
Less: Adjustment for amounts transferred to initial carrying amount of hedged items (Capital work in progress)	-	(367,383)	-	(275,928)
	-	846,471	-	(455,731)
Income tax relating to hedging reserve	-	(296,265)	-	159,506
Other comprehensive income for the period, net of tax	-	550,206	-	(296,225)
<b>Total comprehensive income for the period</b>	<b>298,900</b>	<b>899,054</b>	<b>385,616</b>	<b>747,353</b>

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

**Hussain Dawood**  
Chairman

**Asad Umar**  
President and Chief Executive

**ENGRO CORPORATION LIMITED**  
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)  
**CONDENSED INTERIM**  
**STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2010**

(Amounts in thousand)

	Share capital	Share premium	Employees share option compensation reserve	Hedging reserve	General reserve	Unappropriated profit	Total
	Rupees						
<b>Balance as at January 1, 2009 (audited)</b>	2,128,161	7,152,722	306,052	127,307	4,429,240	6,911,124	21,053,606
<b>Transactions with owners</b>							
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 shares for every 10 shares held @ Rs. 50 per share (including share premium net of share issue cost)	851,285	3,307,339	-	-	-	-	4,248,604
Effect of changes in number of share options issued	-	-	(10,538)	-	-	-	(10,538)
	851,285	3,307,339	(10,538)	-	-	(425,632)	3,812,434
<b>Total comprehensive income for the half year ended June 30, 2009</b>							
Profit for the period	-	-	-	-	-	1,043,578	1,043,578
Other comprehensive income - cash flow hedges, net of tax	-	-	-	-	-	-	-
- as previously reported	-	-	-	(2,326,687)	-	-	(2,326,687)
- effect of change in fair value of cash flow hedges (note 23.3)	-	-	-	2,030,482	-	-	2,030,482
- as restated	-	-	-	(296,225)	-	-	(296,225)
	-	-	-	(296,225)	-	1,043,578	747,353
<b>Balance as at June 30, 2009 (unaudited)</b>	2,979,426	10,550,061	294,514	(198,918)	4,429,240	7,529,070	25,613,303
<b>Transactions with owners</b>							
Effect of changes in number of share options issued	-	-	(6,258)	-	-	-	(6,258)
Interim dividend	-	-	-	-	-	(595,885)	(595,885)
- 1st @ Rs. 2.00 per share	-	-	-	-	-	(595,885)	(595,885)
- 2nd @ Rs. 2.00 per share	-	-	(6,258)	-	-	(1,191,770)	(1,198,028)
<b>Total comprehensive income for the half year ended December 31, 2009</b>	-	-	-	-	-	2,913,672	2,913,672
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income - cash flow hedges, net of tax	-	-	-	(440,801)	-	-	(440,801)
	-	-	-	(440,801)	-	2,913,672	2,472,871
<b>Balance as at December 31, 2009 (audited)</b>	2,979,426	10,550,061	288,258	(609,719)	4,429,240	9,250,972	26,888,238
<b>Transaction with owners</b>							
<b>Transfer of Fertilizer Undertaking</b>							
Transfer of hedging reserve to Engro Fertilizers Limited (note 1.4)	-	-	-	609,719	-	-	609,719
<b>Other transactions with owners</b>							
Final dividend for the year ended December 31, 2009 @ Rs. 2.00 per share	-	-	-	-	-	(595,885)	(595,885)
Bonus shares issued during the period in the ratio of 1 share for every 10 shares held	297,943	-	-	-	-	(297,943)	-
Effect of changes in number of share options issued (note 7.2)	-	-	(211,140)	-	-	-	(211,140)
	297,943	-	(211,140)	609,719	-	(893,828)	(807,025)
<b>Total comprehensive income for the half year ended June 30, 2010</b>	-	-	-	-	-	385,616	385,616
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income - cash flow hedges, net of tax	-	-	-	-	-	385,616	385,616
<b>Balance as at June 30, 2010 (unaudited)</b>	3,277,369	10,550,061	77,118	-	4,429,240	8,742,790	27,076,548

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

**Hussain Dawood**  
Chairman

**Asad Umar**  
President and Chief Executive

**ENGRO CORPORATION LIMITED**  
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)  
**CONDENSED INTERIM**  
**STATEMENT OF CASH FLOWS (UNAUDITED)**  
FOR THE HALF YEAR ENDED JUNE 30, 2010

(Amounts in thousand)

	Note	6 months ended June 30, 2010 (note 1.2)	6 months ended June 30, 2009
		Rupees	
<b>Cash flows from operating activities</b>			
Cash generated from operations	18	30,499	6,861,309
Retirement and other service benefits paid		(10,663)	(74,300)
Taxes paid		(41,561)	(332,985)
Long term loans and advances - net		42	(300,636)
Net cash (utilized in) / generated from operating activities		(21,683)	6,153,388
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment (PPE)		(42,009)	(19,749,357)
Sale proceeds on disposal of PPE		3,102	35,734
Long term investments		(1,625,100)	(517,000)
Income on deposits / other financial assets		124,007	276
Dividends received		292,501	112,500
Net cash utilized in investing activities		(1,247,499)	(20,117,847)
<b>Cash flows from financing activities</b>			
Repayment of long term finances		-	(800)
Proceeds from issue of share capital (net)		-	4,244,447
Payment of financial charges		(1,599)	(766,022)
Proceeds from long term finances		-	14,791,926
Dividends paid		(624,433)	(681,667)
Net cash (utilized in) / generated from financing activities		(626,032)	17,587,884
Net (decrease) / increase in cash and cash equivalents		(1,895,214)	3,623,425
Cash and cash equivalents at beginning of the period, net of transfer amounting to Rs. 709,230 (note 19.1)		3,501,216	43,574
Cash and cash equivalents at end of the period	19	1,606,002	3,666,999

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

**ENGRO CORPORATION LIMITED**  
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)  
**NOTES TO THE CONDENSED INTERIM  
FINANCIAL INFORMATION (UNAUDITED)**  
FOR THE HALF YEAR ENDED JUNE 30, 2010

(Amounts in thousand)

**1. LEGAL STATUS AND OPERATIONS**

- 1.1** Engro Corporation Limited - the Company (formerly Engro Chemical Pakistan Limited), is a public listed company incorporated in Pakistan under the Companies Ordinance, 1984 and its shares are quoted on Karachi, Lahore & Islamabad stock exchanges of Pakistan. The principal activity of the Company is to manage investments in subsidiary companies and joint venture, engaged in fertilizers, PVC resin manufacturing and marketing, control and automation, food, energy and chemical terminal and storage businesses. The Company's registered office is situated at 7th & 8th Floors, The Harbour Front Building, HC # 3, Block 4, Marine Drive, Clifton, Karachi.
- 1.2** The Board of Directors in their meeting on April 28, 2009 decided to divide the Company into two companies by separating its fertilizer undertaking from the rest of the undertaking that was to be retained in the Company (Retained Undertaking). In this regard, a wholly owned subsidiary namely Engro Fertilizers Limited was incorporated on June 29, 2009. The division was effected on January 1, 2010 (the Effective Date) through a Scheme of Arrangement (the Scheme) whereby:
- a) the Fertilizer Undertaking has been transferred and vested in Engro Fertilizers Limited against the issuance of ordinary shares of Engro Fertilizers Limited to the Company, as summarized in note 1.4; and
  - b) the retention of the Retained Undertaking in the Company along with the change of the name of the Company to Engro Corporation Limited. Engro Corporation Limited hence has become a Holding Company to oversee the business of the new fertilizer subsidiary as well as business of its other existing subsidiaries/associates.

**1.3 Bifurcated Balance Sheet as at January 1, 2010**

In order to determine the net assets of the Retained Undertaking and the Fertilizer Undertaking for the aforementioned transfer / demerger of the Company, the assets and liabilities of the Company as at January 1, 2010 were bifurcated, as per the Scheme, between the Fertilizer Undertaking and Retained Undertaking. The bifurcated balance sheet as at January 1, 2010, duly audited by the external auditors, is summarised below:



**ENGRO CORPORATION LIMITED**  
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)  
**NOTES TO THE CONDENSED INTERIM  
FINANCIAL INFORMATION (UNAUDITED)**  
FOR THE HALF YEAR ENDED JUNE 30, 2010

(Amounts in thousand except for earnings per share)

	Retained Undertaking	Fertilizer Undertaking	Total
	Rupees		
<b>Assets</b>			
Property, plant and equipment			
- Operating assets, at net book value	54,639	6,102,330	6,156,969
- Capital work-in-progress	-	63,233,217	63,233,217
- Capital spares	-	127,326	127,326
	54,639	69,462,873	69,517,512
Intangible assets	-	122,704	122,704
Long term investments	12,988,657	-	12,988,657
Deferred employee compensation expense including current portion	90,065	-	90,065
Long term loans, advances, deposits and prepayments including current portion	245,594	1,552,468	1,798,062
Stores, spares and loose tools	-	961,117	961,117
Stock-in-trade	-	422,607	422,607
Trade debts	-	2,514,425	2,514,425
Other receivables	134,103	141,611	275,714
Derivative financial instruments	-	76,209	76,209
Taxes recoverable	-	536,167	536,167
Short term investments	-	450,857	450,857
Cash and bank balances	3,501,216	454,126	3,955,342
<b>TOTAL ASSETS</b>	<b>17,014,274</b>	<b>76,695,164</b>	<b>93,709,438</b>
<b>Equity</b>			
Share capital	2,979,426	-	2,979,426
Share premium	10,550,061	-	10,550,061
Employee share option compensation reserve	288,258	-	288,258
Hedging reserve	-	(609,719)	(609,719)
General reserve	4,429,240	-	4,429,240
Unappropriated profit	9,250,972	-	9,250,972
	24,518,531	(609,719)	23,908,812
<b>Total Equity</b>	<b>27,497,957</b>	<b>(609,719)</b>	<b>26,888,238</b>
<b>Liabilities</b>			
Borrowings including current portion	-	59,375,454	59,375,454
Derivative financial instruments including current portion	-	1,352,885	1,352,885
Deferred liabilities	899	987,270	988,169
Employee housing subsidy	-	211,785	211,785
Retirement and other service benefits obligations including current portion	936	67,245	68,181
Trade and other payables	151,527	3,009,325	3,160,852
Accrued interest / mark-up	-	1,366,022	1,366,022
Short term borrowings	-	195,753	195,753
Unclaimed dividends	102,099	-	102,099
	255,461	66,565,739	66,821,200
<b>Adjustment pertaining to transfer of Fertilizer Undertaking (note 1.4)</b>	<b>(10,739,144)</b>	<b>10,739,144</b>	<b>-</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>17,014,274</b>	<b>76,695,164</b>	<b>93,709,438</b>

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**1.4 Transfer of Fertilizer Undertaking**

The net assets of the Fertilizer Undertaking transferred to Engro Fertilizers Limited as at January 1, 2010 amounted to Rs. 10,739,144, as summarized below:

	<b>Rupees</b>
Total assets (note 1.3)	76,695,164
Less: Total liabilities (note 1.3)	<u>66,565,739</u>
Net assets transferred to Engro Fertilizers Limited	10,129,425
Add: Hedging reserve (negative) - refer note below	<u>609,719</u>
Adjustment pertaining to transfer of Fertilizer Undertaking	<u><u>10,739,144</u></u>

Engro Fertilizers Limited in return issued 9,999,993, in addition to existing 7, fully paid ordinary shares of Rs. 10 each plus share premium to the Company as follows:

	<b>Rupees</b>
9,999,993 ordinary shares issued to the Company by	
Engro Fertilizers Limited	
- cost	100,000
- share premium	<u>10,639,144</u>
	<u><u>10,739,144</u></u>

**Hedging Reserve**

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

**2 BASIS OF PREPARATION**

**2.1** This condensed interim financial information is unaudited and has been prepared in accordance with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting' and provisions and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where the requirements differ, the provisions or directives issued under the Ordinance have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2009.

**2.2** The preparation of this 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. The areas involving the high degree of judgement or complexity, or areas where assumptions and estimates are significant to the final statements are disclosed in note 4.

**3. ACCOUNTING POLICIES**

The accounting policies and the methods of computation adopted in the preparation of this condensed interim

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financial information are the same as those applied in the preparation of the financial statements for the year ended December 31, 2009, except for the adoption of new accounting policy as referred to in note 3.2 below.

**3.1 Initial application of standards, amendments or an interpretation to existing standards**

**a) Standards, amendments and interpretations to existing standards that are effective in 2010**

Following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning January 1, 2010, but are either not currently relevant to the Company or do not have any significant effect on the Company's financial information:

- IAS 1 (amendment), 'Presentation of financial statements'
- IFRS 2 (amendments), 'Group cash-settled and share based-payment transactions'
- IFRS 3 (revised), 'Business combinations'
- IFRS 5 (amendment), 'Non-current assets (or disposal groups) classified as held for sale or discontinued operations'
- IAS 38 (amendment), 'Intangible assets'
- IFRIC 17, 'Distribution of non-cash assets to owners'
- IFRIC 18, 'Transfer of assets from customers'; and
- Number of other amendments in other IFRS and IAS which were part of the International Accounting Standards Board's (IASB's) annual improvements project, published in April 2009.

**b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company**

Following new standards, amendments and interpretation to existing standards have been issued but are not effective for the financial year beginning January 1, 2010 and have not been early adopted by the Company:

- IFRS 9, 'Financial Instruments', effective from January 1, 2013. IFRS 9 addresses the classification and measurement of financial assets. The Company is yet to assess the full impact of IFRS 9.
- IAS 24 (revised), 'Related Party Disclosures', effective from January 1, 2011. The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Company's financial statements.
- Classification of right issues (amendment to IAS 32), effective from annual periods beginning on or after February 1, 2010. The amendment states that if rights issues, which are offered for a fixed amount of foreign currency, are issued pro rata to all the entity's existing shareholders in the same class for fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The Company has not issued any right shares in foreign currency, therefore the amendment will not have any effect on the Company's financial statements.
- Prepayments of a minimum funding requirement (amendments to IFRIC 14), effective from January 1, 2011. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The Company's retirement benefit funds are not subject to any minimum funding requirements, hence, these amendments will have no impact on the Company's financial statements.
- IFRIC 19 (interpretation), 'Extinguishing Financial Liabilities with Equity Instruments', effective from annual periods beginning on or after July 1, 2010. The interpretation clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Company has not offered its shares to the creditors, therefore, this interpretation will have no impact on the Company's financial statements.
- Improvements to International Financial Reporting Standards 2010, issued in May 2010.



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**3.2 Royalty income**

Royalty income from associated / group companies is recognized on an accrual basis in accordance with the agreement entered therewith.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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

**5. PROPERTY, PLANT AND EQUIPMENT**

	Unaudited June 30, 2010	Audited December 31, 2009 (note 1.3)
	Rupees	
Operating assets, at net book value (note 5.1)	64,091	6,156,969
Capital work in progress (note 5.2)	21,941	63,360,543
	<b>86,032</b>	<b>69,517,512</b>

**5.1** Operating assets as at December 31, 2009 includes Rs. 6,102,330 which were transferred to Engro Fertilizers Limited on demerger, as referred to in note 1.3. Additions to operating assets during the period / year amounted to Rs. 20,068 (December 31, 2009: Rs. 1,188,911). Operating assets costing Rs. 5,937 (December 31, 2009: Rs. 220,204), having a net book value of Rs 2,687 (December 31, 2009: Rs. 34,762), were disposed off during the period / year for Rs 3,102 (December 31, 2009: Rs. 58,366).

**5.2** The entire balance of capital work in progress as at December 31, 2009 was transferred to Engro Fertilizers Limited on demerger, as referred to in note 1.3. Additions to capital work in progress during the period includes Rs. 16,631 in respect of expenditure incurred by the Company for expansion of office premises.

**6. LONG TERM INVESTMENTS**

	Unaudited June 30, 2010	Audited December 31, 2009
	Rupees	
Subsidiary companies - at cost (note 6.1)	24,897,901	12,533,657
Joint venture company - at cost		
Engro Vopak Terminal Limited		
45,000,000 (December 31, 2009: 45,000,000)		
Ordinary shares of Rs. 10 each, equity held 50% (December 31, 2009: 50%)	450,000	450,000
Others - at cost		
Arabian Sea Country Club Limited		
500,000 (December 31, 2009: 500,000)		
Ordinary shares of Rs. 10 each	5,000	5,000
Agrimall (Private) Limited (note 6.2)	-	-
	<b>25,352,901</b>	<b>12,988,657</b>



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**6.1 Subsidiary companies**

	Unaudited June 30, 2010		Audited December 31, 2009	
	Equity % held	Investment at cost (Rupees)	Equity % held	Investment at cost (Rupees)
<b>Quoted</b>				
Engro Polymer & Chemicals Limited 372,810,000 (December 31, 2009: 292,400,000) Ordinary shares of Rs. 10 each (note 6.1.1)	56.19	<b>3,651,300</b>	56.19	2,847,200
<b>Unquoted</b>				
Engro Fertilizers Limited 298,000,000 (December 31, 2009: 7) Ordinary shares of Rs. 10 each (note 6.1.1)	100	<b>10,739,144</b>	100	-
Engro Eximp (Private) Limited - 10,000 (December 31, 2009: 10,000) Ordinary shares of Rs. 10 each - Advance against issue of share capital	100	<b>100</b> <b>480,000</b> <b>480,100</b>	100	<b>100</b> <b>480,000</b> <b>480,100</b>
Engro Management Services (Private) Limited 250,000 (December 31, 2009: 250,000) Ordinary shares of Rs. 10 each	100	<b>2,500</b>	100	2,500
Engro Foods Limited - 542,300,000 (December 31, 2009: 542,300,000) Ordinary shares of Rs. 10 each - Advance against issue of share capital	100	<b>5,423,000</b> <b>793,200</b> <b>6,216,200</b>	100	<b>5,423,000</b> <b>-</b> <b>5,423,000</b>
Engro Energy Limited - 304,000,000 (December 31, 2009: 304,000,000) Ordinary shares of Rs. 10 each (note 6.1.2)	95	<b>3,040,000</b>	95	3,040,000
Engro PowerGen Limited - 9,276,000 (December 31, 2009: 6,010,000) Ordinary shares of Rs. 10 each (note 6.1.1) - Advance against issue of share capital	100	<b>386,700</b> <b>-</b> <b>386,700</b>	100	<b>60,100</b> <b>298,800</b> <b>358,900</b>
Avanceon Limited 25,066,667 (December 31, 2009: 25,066,667) Ordinary shares of Rs. 10 each	62.67	<b>381,957</b> <b>24,897,901</b>	62.67	<b>381,957</b> <b>12,533,657</b>

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**6.1.1** During the period:

- the Company has subscribed to the right shares issued by Engro Polymer and Chemicals Limited, amounting to Rs. 804,100;
- Engro Fertilizers Limited, in addition to issuance of shares on transfer of Fertilizer Undertaking, as referred to in note 1.4, has issued bonus shares to the Company in the ratio of 2,880 shares for every 100 shares held i.e. 288,000,000 shares; and
- Engro PowerGen Limited has issued 3,266,000 ordinary shares of Rs. 10 each at a premium of Rs. 90 per share.

**6.1.2** The Company is in the process of transferring part of its holding of 304 million ordinary shares of Rs. 10 each in Engro Energy Limited (EEL) to Engro PowerGen Limited (EPGL), a wholly owned subsidiary of the Company, on account of the Company's overall restructuring of its business to enable all direct subsidiaries to operate as holding companies for their respective lines of business. Initially, the Company was planning to obtain in exchange of the aforementioned transfer an equivalent number of shares of EPGL. However, due to significant cost of issuance of shares, it has now decided that EPGL will issue fewer number of shares to the Company.

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

**7. EMPLOYEE SHARE OPTION SCHEME**

**7.1** Deferred employee compensation expense

Balance at beginning of the period / year  
Options lapsed due to employee resignation  
Options surrendered by employees transferred to Engro Fertilizers Limited (note 7.4)  
Amortisation for the period/year  
Balance at end of period/year  
Current portion shown under current assets  
Long term portion of deferred employee compensation expense

	Unaudited June 30, 2010	Audited December 31, 2009
	————— Rupees —————	
	<b>90,065</b>	189,291
	-	(16,794)
	<b>(67,188)</b>	-
	<b>(11,313)</b>	(82,432)
	<b>11,564</b>	90,065
	<b>(11,564)</b>	(87,278)
	-	2,787

**7.2** Employee share option compensation reserve

Balance at beginning of the period / year  
Options lapsed due to employee resignation  
Options surrendered by employees transferred to Engro Fertilizers Limited (note 7.4)

	<b>288,258</b>	305,052
	-	(16,794)
	<b>(211,140)</b>	-
	<b>(211,140)</b>	(16,794)
	<b>77,118</b>	288,258

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

Balance at beginning of the period / year  
Options lapsed due to employee resignation  
Options surrendered by employees transferred to Engro Fertilizers Limited (note 7.4)

	————— Numbers —————	
	<b>4,376,818</b>	4,631,818
	-	(255,000)
	<b>(3,205,909)</b>	-
	<b>1,170,909</b>	4,376,818

Balance at end of period/year (note 7.3.1)

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**7.3.1** The abovementioned share options do not include the effect of right shares which make the total number of share options outstanding at end of the period to 1,983,520.

**7.4** Consequent to the demerger, as referred to in note 1.2, the employees transferred to Engro Fertilizers Limited have surrendered their existing share options against which new share options have been granted under a new scheme of Engro Fertilizers Limited.

**7.5** Further, consequent to the bonus issue in the current period, the entitlements were increased to 1,983,520 shares from 1,803,200 shares respectively and the exercise price was adjusted to Rs. 186.84 from Rs. 205.52 respectively. These changes have been duly approved by the Securities and Exchange Commission of Pakistan (SECP). The aforementioned reduction in exercise price has no effect on the fair value of share options recognized in this condensed interim financial information.

**8. LONG TERM LOANS AND ADVANCES**

This include Rs. 241,318 (December 31, 2009: Rs. 241,318) in respect of sub-ordinated loan provided to Avanceon Limited, a wholly owned subsidiary. The loan carries mark-up at the rate of 6 month KIBOR plus a margin of 4% payable on quarterly basis. The loan sub-ordinated to the facilities provided to the subsidiary by its banking creditors and is repayable in two installments due on October 23, 2011 and April 23, 2012.

**9. SHORT TERM INVESTMENTS**

Financial assets at fair value through profit or loss:

Fixed income placements  
Mutual fund securities

	Unaudited June 30, 2010	Audited December 31, 2009
————— Rupees —————		
	-	75,795
	<b>851,864</b>	<b>375,062</b>
	<b>851,864</b>	<b>450,857</b>

**10. CASH AND BANK BALANCES**

Cash at banks on:  
- deposit accounts  
- current accounts  
- saving accounts

	-	3,491,666
	-	458,826
	<b>754,138</b>	-
	<b>754,138</b>	3,950,492
Cash in hand	-	4,850
	<b>754,138</b>	<b>3,955,342</b>

**11. SHARE CAPITAL**

**11.1 Authorised Capital**

Unaudited June 30, 2010	Audited December 31, 2009		Unaudited June 30, 2010	Audited December 31, 2009
————— Numbers —————			————— Rupees —————	
<b>350,000,000</b>	350,000,000	Ordinary Shares of Rs. 10 each	<b>3,500,000</b>	3,500,000

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

Unaudited June 30, 2010		Audited December 31, 2009			Unaudited June 30, 2010		Audited December 31, 2009	
Numbers					Rupees			
<b>297,942,563</b>	212,816,117	At beginning of the period / year		<b>2,979,426</b>	2,128,161			
-	85,126,446	Ordinary shares of Rs. 10 each issued during the year as fully paid right shares		-	851,265			
<b>29,794,256</b>	-	Ordinary shares of Rs. 10 each issued during the period as fully paid bonus shares (note 11.3)		<b>297,943</b>	-			
<b>327,736,819</b>	<b>297,942,563</b>			<b>3,277,369</b>	<b>2,979,426</b>			

**11.3** During the period, the Company issued bonus shares in the ratio of 1 share for every 10 shares held.

**12. TRADE AND OTHER PAYABLES**

	Unaudited June 30, 2010	Audited December 31, 2009
	Rupees	
Creditors	<b>6,899</b>	593,372
Payable to Engro Fertilizers Limited (a subsidiary company)	<b>16,094</b>	-
Accrued liabilities	<b>16,657</b>	1,116,378
Advances from customers	-	1,099,390
Deposits from dealers refundable on termination of dealership	-	11,073
Contractors' deposits and retentions	<b>1,515</b>	60,022
Workers' profits participation fund	-	2,386
Workers' welfare fund	<b>115,953</b>	106,428
Sales tax payable	-	2,135
Others	<b>4,323</b>	169,668
	<b>161,441</b>	<b>3,160,852</b>

**12.1** Trade and other payables as at December 31, 2009 includes Rs. 3,009,325 which were transferred to Engro Fertilizers Limited on demerger, as referred to in note 1.3.

**13. CONTINGENCIES AND COMMITMENTS**

**13.1** Corporate guarantees of Rs. 1,076,067 (December 31, 2009: Rs. 273,482) have been issued in favor of subsidiary companies.

**13.2** The Company has extended project completion support to the lenders of Engro Energy Limited for US\$ 15,400 (December 31, 2009: US\$ 15,400).

**13.3** Except for the above, all other contingencies and commitments as at December 31, 2009 related to the Fertilizer Undertaking have been transferred to Engro Fertilizers Limited, as referred to in note 1.3.



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**14. DIVIDEND INCOME**

	3 months ended June 30, 2010	3 months ended June 30, 2009	6 months ended June 30, 2010	6 months ended June 30, 2009
<b>Rupees</b>				
Subsidiary Company - Engro Eximp (Private) Limited	-	60,000	-	60,000
Joint venture - Engro Vopak Terminal Limited	<b>180,000</b>	135,000	<b>180,000</b>	157,500
	<b>180,000</b>	<b>195,000</b>	<b>180,000</b>	<b>217,500</b>

**15. ROYALTY INCOME**

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

**16. OTHER OPERATING INCOME**

	3 months ended June 30, 2010	3 months ended June 30, 2009	6 months ended June 30, 2010	6 months ended June 30, 2009
<b>Rupees</b>				
Income on deposits / other financial assets	<b>59,470</b>	-	<b>147,638</b>	-
Service charges	<b>1,898</b>	6,883	<b>3,982</b>	11,776
Reversal of employees share option compensation expense	<b>99,541</b>	-	<b>99,541</b>	-
Gain on disposal of property, plant and equipment	<b>415</b>	6,336	<b>415</b>	18,975
Foreign exchange gain on bank account	-	1,047	-	2,913
Others	-	2,245	-	6,010
	<b>161,324</b>	<b>16,511</b>	<b>251,576</b>	<b>39,674</b>

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**17. EARNINGS PER SHARE**

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

	3 months ended June 30, 2010	3 months ended June 30, 2009	6 months ended June 30, 2010	6 months ended June 30, 2009
	Rupees			
Profit after taxation	298,900	349,848	385,616	1,043,578
	Number			
		(Restated)		(Restated)
Weighted average number of ordinary shares (in thousand)	327,737	295,262	327,737	290,418

**18. CASH GENERATED FROM OPERATIONS**

	6 months ended June 30, 2010	6 months ended June 30, 2009
	Rupees	
Profit before taxation	466,709	1,549,365
Adjustment for non-cash charges and other items:		
Depreciation / amortization	7,929	331,058
Gain on disposal of property, plant and equipment	(415)	(18,975)
Provision for retirement and other service benefits	12,126	66,919
Income on deposits / other financial assets	(147,638)	(2,913)
Dividend income	(180,000)	(217,500)
Financial charges	1,599	785,150
Employee share compensation expense - net	(88,229)	33,999
Employee housing subsidy expense	-	69,409
Working capital changes (note 18.1)	(41,582)	4,264,797
	<b>30,499</b>	<b>6,861,309</b>

**18.1 Working capital changes**

(Increase) / decrease in current assets

- Stores, spares and loose tools	-	(114,133)
- Stock-in-trade	-	2,428,712
- Trade debts	-	(614,767)
- Loans, advances, deposits and prepayments	(13,715)	1,083,466
- Other receivables (net)	6,631	155,411
	<b>(7,084)</b>	<b>2,938,689</b>

Increase / (decrease) in current liabilities

- Trade and other payables including other service benefits (net)	(34,498)	1,326,108
	<b>(41,582)</b>	<b>4,264,797</b>

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**19. CASH AND CASH EQUIVALENTS**

	6 months ended June 30, 2010	6 months ended June 30, 2009
	Rupees	
Cash and bank balances	754,138	1,871,758
Short term investments	851,864	2,227,192
Short term borrowings	-	(431,951)
	<b>1,606,002</b>	<b>3,666,999</b>

**19.1** Cash and cash equivalents amounting to Rs. 709,230 (net) were transferred to Engro Fertilizers Limited as at January 1, 2010 on demerger, comprising of cash and bank balances, short term investments and short term borrowings amounting to Rs. 454,126, Rs. 450,857 and Rs. 195,753 respectively, as referred in note 1.3.

**20. TRANSACTIONS WITH RELATED PARTIES**

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in this condensed interim financial information, are as follows:

	6 months ended June 30, 2010	6 months ended June 30, 2009
	Rupees	
<b>Subsidiary companies</b>		
Purchases and services	-	1,466,837
Services rendered	77,016	28,163
Mark up from subsidiaries	19,631	44,800
Disbursement of loan	-	741,318
Repayment of loan	-	1,100,000
Royalty Income	127,739	-
<b>Associated companies</b>		
Purchases and services	1,496	1,125,591
Retirement Benefits	12,246	64,565
Dividend paid	288,781	177,715
Payment of interest on TFCs and repayment of principal amount	-	4,984
Right shares issued (including share premium)	-	1,777,152
Donations	20,150	-
Investment in Mutual Funds	922,000	-
Redemption of investment in Mutual Funds	790,903	-
<b>Joint ventures</b>		
Services rendered	378	1,255
<b>Others</b>		
Dividend paid	10,609	29,370
Remuneration of key management personnel	57,764	103,399
Right shares issued (including share premium)	-	314,732

**ENGRO CORPORATION LIMITED**  
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)  
**NOTES TO THE CONDENSED INTERIM  
FINANCIAL INFORMATION (UNAUDITED)**  
FOR THE HALF YEAR ENDED JUNE 30, 2010

**21. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE**

The Board of Directors in its meeting held on July 28, 2010 has approved an interim cash dividend of Rs. 2 per share for the year ending December 31, 2010 (December 31, 2009: Rs. 2 per share final cash dividend and bonus issue in the ratio of 1 share for every 10 shares held i.e. 10% bonus). This condensed interim financial information does not reflect the dividend payable.

**22. DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information was authorised for issue on July 28, 2010 by the Board of Directors of the Company.

**23. CORRESPONDING FIGURES**

- 23.1** In order to comply with the requirements of International Accounting Standards 34 - 'Interim Financial Reporting', the condensed interim balance sheet has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, the condensed interim statement of comprehensive income, the condensed interim statement of changes in equity and the condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.
- 23.2** Dividend income, for more appropriate presentation, has been presented separately in the condensed interim profit and loss account. Accordingly, corresponding figures have been reclassified from 'other operating income'.
- 23.3** In the 2009 annual audited financial statements, the fair value of foreign exchange forward contracts recognised in 2008 in respect of hedging reserves, were retrospectively adjusted by the Company by restating comparative figures. Accordingly, the comparative figures for the three and six months ended June 30, 2009 relating to hedging reserve have been restated in this condensed interim financial information.



# Company Information

## **Board of Directors**

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

## **Auditors**

A.F. Ferguson & Co.  
Chartered Accountants

## **Share Registrar**

M/s. FAMCO Associates (Private) Limited  
(Formerly Ferguson Associates (Private) Limited)  
First Floor, State Life Building 1-A, I.I. Chundrigar  
Road, Karachi – 74000

## **Bankers**

Bank Al-Falah Limited  
Bank Al-Habib Limited  
United Bank Limited

## **Registered Office**

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







engro corp  
enabling excellence

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