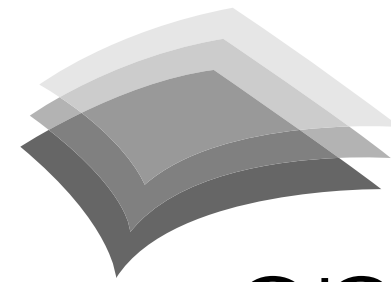




# impact

111-211-211  
engro.com

Half Year 2013 Accounts



engro corp



## Engro's investments in agriculture, foods, energy and chemicals are designed to take advantage of Pakistan's economic needs

### About Us

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

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

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

### Our History

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

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

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

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

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

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

### Engro Corporation Limited

Engro Corporation Limited is a holding company, created following the conversion of Engro Chemical Pakistan Limited on January 1, 2010. Engro Corp is one of Pakistan's largest conglomerates with the company's business portfolio spanning across sectors including chemical fertilizers, PVC resin, a bulk liquid chemical terminal, foods, power generation and commodity trade.

### Engro Fertilizers Limited

Engro Fertilizers Limited, a wholly owned Engro Corporation subsidiary, is one of the leading fertilizer manufacturing and marketing companies in the country. It is primarily engaged in the manufacturing and marketing of urea and NPK fertilizers.

As an example of the synergies between Engro's business lines, Engro Eximp imports phosphate based fertilizers, which are distributed and marketed through Engro Fertilizer's network as an extension of Engro's overall fertilizer portfolio.

The business offers a wide variety of fertilizer brands, which include some of the most trusted brand names by Pakistani farmers. These include Engro Zorawar, a high-phosphate fertilizer developed for alkaline soils. Engro Zarkhez is a high-end blended fertilizer product that offers a unique balance of nutrients for a wide variety of crops. Zingro is an imported zinc micro nutrient, meant to overcome zinc deficiency in a diverse range of crops.

### Engro Foods Limited

Engro Foods Limited is a 87% owned subsidiary engaged in the manufacturing, processing and marketing of dairy products, ice cream and fruit juices. The business owns two milk processing plants in Sukkur & Sahiwal and operates a dairy farm in Nara. As an example of Engro's pursuit of excellence, the business has established several brands that have already become household names in Pakistan such as Olper's (milk), Omore (ice cream), Olper's Lite (low fat milk), Dairy Omung (UHT dairy liquid), Tarang (tea whitener) and Olfrute (fruit juice).

The business has also acquired Al Safa Halal, a meat processing company based in Canada.

### Engro Powergen Limited

Engro Powergen owns and operates Engro Powergen Qadirpur Limited, a 220 megawatt power plant and the group's first initiative in the power sector of Pakistan, which is 10% directly owned by the holding company and 85% owned by Engro Powergen. The remainder is owned by the International Finance Corporation (IFC), a subsidiary of the World Bank.

In 2010, Engro Powergen's joint venture with the Sindh government, the Sindh Engro Coal Mining Company Limited, completed a detailed feasibility study (DFS) analysing the technical, social and environmental viability of the Thar coal mining project.

### Engro Polymer & Chemicals Limited

Engro Polymer & Chemicals Limited is a 56% owned subsidiary of the holding company and the only manufacturer of polyvinyl chloride (PVC) in the country, in addition to manufacturing and marketing caustic soda. The business's vinyl chloride monomer (VCM) plant began production in the first quarter of 2010 and was able to achieve commercial production capacity by September 2010, making the entire integrated facility fully operational. The firm produces 150,000 tonnes of PVC a year and markets its products under the name of "SABZ".

### Engro Eximp (Private) Limited

Engro Eximp (Private) Limited is the group's commodity trading business that deals primarily in the import and trading of phosphate-based fertilizers for Engro Fertilizers Limited such as DAP, MAP, MOP and SOP, and also imports micro-nutrients like Zinc Sulphate, which it supplies as raw materials to Engro Fertilizer's Zarkhez plant for manufacturing blended fertilizers.

In addition, Eximp also manages the procurement, processing and export of rice to markets in the Middle East and the European Union. Over the past five years, Engro Eximp has become the single largest importer of phosphates and potash fertilizers in Pakistan.

### Engro Vopak Terminal Limited

Engro Vopak Terminal Limited is a joint venture with Royal Vopak of the Netherlands, Engro owns 50% of Engro Vopak Terminal Limited, a business engaged in the handling and storage of chemicals and liquefied petroleum gas (LPG).

The business launched Pakistan's first cryogenic import facility for ethylene, in line with the group's overall motto of pursuing and enabling excellence.

### Elengy Terminal Pakistan Limited

Elengy Terminal Pakistan Limited, a wholly owned subsidiary of Engro Corporation Limited, is the Corporation's newest initiative aimed at establishing an open access, merchant floating storage re-gasification terminal with a storage capacity of 3.5mtpa under the LNG Policy 2011. Through the establishment of the terminal, the Company will market its capacity to LNG buyers for storage and regasification of LNG purchased.

Elengy Terminal Pakistan Limited's aim is to be a lead developer, owner and operator of independent LNG terminal projects structured on a concession or utility outsourcing contract model and has a multi-disciplinary team available with necessary professional skills ranging from technical, legal, environmental, insurance to tax and financial expertise to undertake the role.

During the year, the company continued its efforts to position itself for the short and long-term LNG imports business at Port Qasim.

# directors' report

The Directors of Engro Corporation Limited are pleased to submit the unaudited group consolidated accounts for the half year ended June 30, 2013.

## External Environment

The global economic environment continued to exhibit subdued growth during 2Q 2013 with slow progress in advanced economies and a deeper recession in the euro zone. Moreover, the high profile economies of India & China also continued to show signs of slow down. Growth rates for 2013 are expected to fall to 5.6% in India and to 7.8% in China, amongst the lowest growth rates seen by these economies this decade.

During FY 2012-13 Pakistan's GDP growth stood at 3.6% as compared to a growth of 4.4% in FY 2011-12. Severe energy crisis is estimated to have cut economic growth by 2%. In tandem with slowing economic activity, CPI inflation during FY 2012-13 over the previous fiscal year remained low at 7.4%. The GoP cleared the circular debt in two installments in June and July. This improved the short-term cash flow position of power companies and sparked investor interest in local power companies. Moreover, GoP has recently applied for an IMF package of \$6.6 billion with the expectation of a favorable outcome. For the first time in Pakistan, a democratically elected Government completed its term and a new Government was elected. The KSE index appreciated by 15% over the three months April-June, driven by a 50 basis point reduction in discount rate and positive expectations from the new government.

## Business Review

Engro Corporation continued its positive turnaround during the second quarter of 2013 showing an excellent improvement in results. Company's consolidated revenues increased by 25% to Rs.66,874 million in 1H 2013 whilst net profit (attributable to the equity holders of the holding company) was Rs. 3,441 million as compared to a net loss of Rs. 340 million during the same period last year. The return to profitability is mainly attributable to the fertilizer business, as the company increased production and posted better results. Engro Polymers revenues and profits also grew substantially and all other subsidiaries had improved performance except for the fall in revenues at Engro Foods. A snapshot of the segment-wise financial performance is as follows:

Business	1H 2013		1H 2012	
	Revenue	Profit After Tax	Revenue	Profit After Tax
Engro Corporation Standalone	1,128	1,569	1,015	482
Engro Fertilizers	20,519	1,425	12,804	(1,731)
Engro EXIMP	9,700	(355)	5,230	(757)
Engro Polymers	12,031	425	9,476	59
Engro Foods	18,933	1,113	19,765	1,018
Engro PowerGen	5,179	1,032	5,516	1,065
Engro Consolidated (Excluding Non-controlling interest)	66,874	3,441*	53,345	(340)*

## Fertilizers

Urea industry sales during 1H 2013 were 2.74MT as compared to 2.75MT during the same period last year. Whilst overall industry sales remained nearly the same as last year, the domestically produced urea staged a strong comeback during 1H 2013 with a 13% increase in sales over last year. In 1H 2012, the domestically produced urea sales were unusually low versus imported urea due to excessive subsidized imports for Rabi 2011-12.

The Company's fertilizer business reported its highest ever six month revenue of PKR 20.5 billion during 1H 2013. It also recorded a highest ever six month urea sales volume of 622 KT during 1H 2013, which is 57% higher than 1H 2012 volume of 397 KT. The higher sales were due to increased production on the back of continued operation of Enven Plant on Mari gas and overall better gas availability as well as lower imports and higher off-takes in anticipation of GST and gas price increase. The company received rota gas from SNGPL for 28 days during 2Q. Subsequently Engro's market share in the total urea market increased to 23% in 1H 2013 from 14% in the same period last year. Market share within domestically-produced urea market also improved to 28%, as compared to 20% in the same period last year.

Sales of the Company's manufactured blended fertilizer, Zarkhez, were 24 KT in 1H 2013 vs. 18 KT during 1H 2012. This was due to focused sales on cotton, banana and citrus. Sales of NP were 28 KT in 1H 2013 vs. 9 KT in 1H 2012 due to limited availability of competitor's product and higher conversion of DAP users. The market share for

Zarkhez grew from 46% in 1H 2012 to 50% in 1H 2013 whereas the NP market share grew from 4% in 1H 2012 to 17% as of May 2013.

In the Phosphates market, lower dealer inventory and healthy agronomic demand provided an upside to the market. 1H 2013 industry sales were 423kt vs. 263kt in the same period last year. However, trading opportunities were limited because of low volatility in international prices. Engro's market share was 19% vs. 23% last year.

Engro Fertilizers has in-principle agreed with all the lenders for the re-profiling of its loans which includes extension of loan tenor by 2.5 years and amendments to financial covenants. Documentation of the loans has been substantially completed and the rest are expected to be completed soon.

The Company, along with other fertilizer Companies, received a show cause notice from the Competition Commission of Pakistan (CCP) for initiating action under the Competition Act 2010 in relation to unreasonable increase in the price of fertilizer. The Company responded in detail that factors resulting in such increase were mainly the imposition of infrastructure cess, sales tax, inflation and gas curtailment. However, the CCP has issued an order in March 2013, whereby it has held that the Company enjoys a dominant position in the urea market and that it has abused this position by unreasonable increases of urea prices in the period from December 2010 to December 2011. The CCP has also held another fertilizer company to be responsible for abusing its dominant position. In addition, the CCP has imposed a penalty of Rs 3,140,000 and Rs 5,500,000 on the Company and that other fertilizer company respectively. The Company has challenged the decision in the High Court of Sindh which has stayed enforcement of the penalty. The Company has also filed an appeal before the Competition Appellate Tribunal, which is presently pending. The Company's management believes that the chances of ultimate success are very good, which has been confirmed by legal advisor. Hence, no provision has been made in these financial statements.

## Foods

During 1H 2013, Engro Foods revenue fell by 4.3%, driven by a slowdown in consumer demand and due to distribution issues in certain cities, electoral process in the country, deteriorating law and order

situation and severe power crisis. Despite lower revenues, profit after tax was 9% higher than the same period last year.

Although Engro's market share in UHT dairy segment was maintained at 51%, a volumetric decline of 13% as compared to 1H 2012 was a result of overall industry decline and operational issues. The company is in process of revamping its distribution structure to support the growth trajectory going forward. The ice cream business reported revenue of Rs 1,441 million, a decrease of Rs. 114 million as compared to the same period last year. The industry declined by 17% due to ongoing load shedding. The segment made an operational loss of Rs. 125 million versus a loss of Rs. 166 million in 1H 2012. The Nara Farm registered a loss of Rs. 115 million as compared to a profit of Rs. 4.8 million in 2012 mainly due to a dip in the value of animals in the international market in the first half of 2013 and inflation in animal feed cost.

Al-Safa Halaal- a halal meat brand, with operations spread in Canada and North America - posted sales of CAD5.0 million (first half of 2012: CAD5.7 million). The dip in sales was due to new entrants pushing shelf-space. The Company reported a loss after tax of CAD707 thousand (1H 2013: CAD670 thousand). The loss is directly consolidated in Engro Corporation's financial statements.

The company's rice business sold 12kT of rice in the international market and 18kT in the local market in 1H 2013 versus exports of 3kT and local sales of 9kT in 1H2012. Basmati rice prices remained firm throughout 2Q 2013, driven by strong demand from Iran. The Rice business' revenues increased to Rs.2,875 million in 1H 2013 from Rs. 941 million in 1H 2012, driven by higher paddy procurement and higher sales this year. Plant operations remained stable although energy costs remained high due to unavailability of the turbine which is expected to come online by early next year.

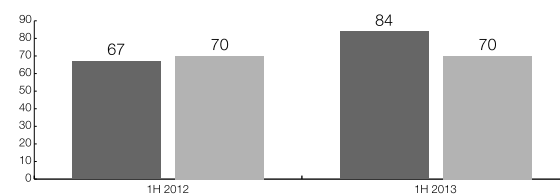
## Polymer

Engro Polymers' revenue grew by 27% in 1H 2013 versus 1H 2012. Growth was driven mainly by higher prices and higher VCM exports. Higher sales along with good margins led to a profit after tax of Rs. 425 million as compared to Rs. 59 million in 1H 2012. Production operations remained smooth throughout the period with VCM production showing a 25% growth over the same period last year. Most of the

VCM was consumed in-house while the surplus production of about 10kT was exported. Total VCM exports during the same period last year amounted to 3K tons.

Market development efforts put in by the company in terms of new product development, import substitution and creating awareness about PVC applications among end-users have started to bear fruit, resulting in increased sales. Hydrochloric Acid, a new product, was introduced this year. The company achieved a 70% market share in the South market in a period of 3 months after launch.

Production ('000 Tons)  
■ VCM ■ PVC



### Energy

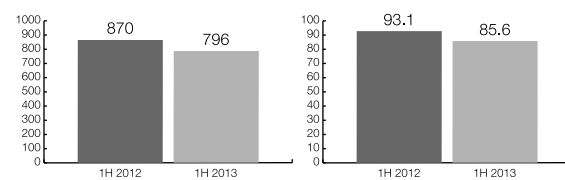
During the quarter, the annual turnaround at the Qadirpur Power Plant was successfully completed. It was the most extensive and complex turnaround since commissioning three years ago. On the operations side, in 1H 2013 the plant dispatched a total Net Electrical Output of 796 GWh with a lower load factor versus 1H 2012 due to the turnaround. In June, the entire overdue receivables of PKR 9.0 billion outstanding at the beginning of June 2013 were paid by PEPCO as part of a bailout for power sector. Accordingly the Company also settled its outstanding payable to SNGPL of PKR 5.4 billion.

The Sindh Engro Coal Mining Company (SECMC) achieved substantial progress on mining activities during the last quarter. Site mobilization, land survey activities and demarcation of mining area were completed. During the period, SECMC also set up a wholly owned subsidiary, Thar Power Company Limited.

Pursuant to the decisions taken at the Thar Coal Energy Board meeting, the Economic Coordination Committee of the Cabinet (ECC) approved Sovereign Guarantee for financing the debt portion of Thar Block II

mining project amounting to USD 700 million with the condition that sovereign guarantee will be provided to entity with majority holding by public sector. Subsequent to this decision, the Government requested Engro to reduce its shareholding in SECMC from 60% to 49%; however, management of the company would remain with Engro.

Net Electrical Output (GWh) Load Factor (%)



### Chemical Storage & Handling

Engro Vopak's revenues and profitability are lower versus last year due to revised lower tariffs on paraxylene and acetic acid which came into effect this year. The company continues to perform well and is well placed to play a role in LNG import to alleviate the gas crisis facing the country.

### Near Term Outlook

In the fertilizer business the company will continue to pursue various gas options in addition to the Long-term supply arrangements signed earlier this year. Of the gases already allocated to it in the short-term from Mari and Reti Maru, it has already brought on Mari and is working to bring online Reti Maru through a dedicated gas pipeline. The fertilizer market demand is expected to improve in 2013 due to enhanced paddy price, higher wheat support price, stable cotton price and better water avails. Over-all the fertilizer industry is likely to benefit from improvement in farm economics. With improved production and cash flows, it is now planned to take the company public.

In the foods business, strong emphasis will be placed in the second half to revamp distribution structure and brand communication combined with innovation to restart market growth. The management will continue to focus on key growth parameters of innovation, brand differentiation and continuous business expansion including entry in new categories such as pilots of fresh dairy and meat businesses.

Despite the country's natural gas crisis, Qadirpur Power Plant is expected to continue receiving unhindered fuel supply. This is because the plant runs on permeate gas which is likely to remain available in the foreseeable future. Furthermore, the plant is expected to maintain a high dispatch rate due to its higher rank in PEPCO's merit order. The Company has initiated work on de-bottlenecking of PVC production capacity. The first step of PVC-1 plant debottlenecking is currently under implementation which will add about 6K Tons/year incremental capacity. In the 2nd step PVC-2 plant will be debottlenecked which

will add another 15K Tons per annum capacity. The engineering work for step-2 has been completed and equipment ordering will start soon for project completion in 3Q 2014. This capacity enhancement will allow the Company to convert its surplus VCM into PVC which will result in better margins for the Company.

Engro is well positioned to play its role in helping the country overcome the energy crisis through its involvement with SECMC coal mining / power and LNG import terminal projects.

Hussain Dawood  
Chairman

Muhammad Aliuddin Ansari  
President and Chief Executive

# Auditors' Report To The Members On Review Of Condensed Interim Financial Information

## Introduction

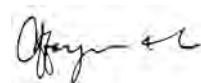
We have reviewed the accompanying condensed interim balance sheet of Engro Corporation Limited as at June 30, 2013 and the related condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows, together with the notes 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 statement of comprehensive income for the quarters ended June 30, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2013.

## 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, 2013 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: 30-08-2013

Engagement Partner: Imtiaz A. H. Laliwala

## condensed interim balance sheet as at June 30, 2013

(Amounts in thousand)

	(Unaudited) June 30, 2013	(Audited) December 31, 2012 (Restated)
Note	------(Rupees)-----	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	68,085	81,494
Long term investments	28,402,994	26,959,244
Long term loans and advances	4,954,126	4,159,590
	33,425,205	31,200,328
<b>Current assets</b>		
Loans, advances and prepayments	1,259,336	823,901
Other receivables	270,559	234,146
Taxes recoverable	21,401	76,672
Short term investments	114,407	484,393
Cash and bank balances	203,482	697,179
	1,869,185	2,316,291
Investment classified as held for sale	997,321	863,018
<b>TOTAL ASSETS</b>	<b>36,291,711</b>	<b>34,379,637</b>
<b>EQUITY &amp; LIABILITIES</b>		
<b>Equity</b>		
Share capital	5,112,694	5,112,694
Share premium	10,550,061	10,550,061
General reserve	4,429,240	4,429,240
Unappropriated profit	8,112,076	6,543,362
Remeasurement of post employment benefits - Actuarial gain	34,227	25,986
	23,125,604	21,548,649
	28,238,298	26,661,343
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred taxation	17,402	28,321
Retirement and other service benefit obligations	10,729	11,159
	28,131	39,480
<b>Current Liabilities</b>		
Trade and other payables	226,104	176,269
Advance received against investment classified as held for sale	997,321	863,018
Accrued interest / mark-up	335,434	337,927
Borrowings	6,373,179	6,204,664
Unclaimed dividends	93,244	96,936
	8,025,282	7,678,814
	8,053,413	7,718,294
Contingencies and Commitments		
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>36,291,711</b>	<b>34,379,637</b>

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.



Hussain Dawood  
Chairman




Muhammad Aliuddin Ansari  
President and Chief Executive

condensed interim  
statement of comprehensive income (unaudited)  
for the half year ended June 30, 2013

(Amounts in thousand except for earnings / (loss) per share)	Note	Quarter ended		Half Year ended	
		June 30, 2013	June 30, 2012 (Restated)	June 30, 2013	June 30, 2012 (Restated)
		(Rupees)			
Dividend income		135,000	112,500	839,750	832,500
Royalty income		151,114	140,015	288,225	182,340
		286,114	252,515	1,127,975	1,014,840
Administrative expenses		(108,327)	(69,241)	(143,435)	(155,316)
		177,787	183,274	984,540	859,524
Other income		972,521	182,462	1,207,863	376,425
Other expenses		(17,763)	(130,768)	(33,674)	(143,063)
<b>Operating profit</b>		<b>1,132,545</b>	<b>234,968</b>	<b>2,158,729</b>	<b>1,092,886</b>
Finance cost		(262,130)	(263,301)	(508,686)	(518,752)
<b>Profit / (Loss) before taxation</b>		<b>870,415</b>	<b>(28,333)</b>	<b>1,650,043</b>	<b>574,134</b>
Taxation		(33,955)	(39,340)	(81,329)	(91,873)
<b>Profit / (Loss) for the period</b>		<b>836,460</b>	<b>(67,673)</b>	<b>1,568,714</b>	<b>482,261</b>
Other comprehensive income - Remeasurement of post employment benefits obligation - Actuarial gain, net of tax		8,241	9,346	8,241	9,346
<b>Total comprehensive income for the period</b>		<b>844,701</b>	<b>(58,327)</b>	<b>1,576,955</b>	<b>491,607</b>
<b>Earnings / (Loss) per share - basic &amp; diluted</b>	12	<b>Rs. 1.64</b>	<b>Rs. (0.13)</b>	<b>Rs. 3.07</b>	<b>Rs. 0.94</b>

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

  
Hussain Dawood  
Chairman

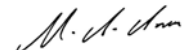
  
i  
President and Chief Executive

condensed interim  
statement of changes in equity (unaudited)  
for the half year ended June 30, 2013

(Amounts in thousand)	Capital reserves			Revenue reserves			Total
	Share capital	Share premium	Employees share option compensation reserve	General reserve	Unappropriated profit	Remeasurement of post employment benefits - Actuarial gain	
	(Rupees)						
<b>Balance as at January 1, 2012 (Audited) - as previously reported</b>	3,932,843	10,550,061	74,813	4,429,240	7,261,800	-	26,248,757
Effect of change in accounting policy due to application of IAS-19 (Revised), net of tax - note 3.1	-	-	-	-	595	7,294	7,889
<b>Balance as at January 1, 2012 - restated</b>	3,932,843	10,550,061	74,813	4,429,240	7,262,395	7,294	26,256,646
Total comprehensive income for the period ended June 30, 2012 - restated	-	-	-	-	482,261	9,346	491,607
<b>Transactions with owners</b>							
Final dividend for the year ended December 31, 2011 @ Rs. 2 per share	-	-	-	-	(786,569)	-	(786,569)
Bonus shares issued during the period in the ratio of 3 for every 10 shares held	1,179,851	-	-	-	(1,179,851)	-	-
<b>Balance as at June 30, 2012 (Unaudited) - restated</b>	5,112,694	10,550,061	74,813	4,429,240	5,778,236	16,640	25,961,684
Total comprehensive income for the half year ended December 31, 2012	-	-	-	-	765,126	9,346	774,472
<b>Transactions with owners</b>							
Vested share options lapsed during the half year ended December 31, 2012	-	-	(74,813)	-	-	-	(74,813)
<b>Balance as at December 31, 2012 - restated</b>	5,112,694	10,550,061	-	4,429,240	6,543,362	25,986	26,661,343
Total comprehensive income for the half year ended June 30, 2013	-	-	-	-	1,568,714	8,241	1,576,955
<b>Balance as at June 30, 2013 (Unaudited)</b>	<b>5,112,694</b>	<b>10,550,061</b>	<b>-</b>	<b>4,429,240</b>	<b>8,112,076</b>	<b>34,227</b>	<b>28,238,298</b>

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

  
Hussain Dawood  
Chairman

  
Muhammad Aliuddin Ansari  
President and Chief Executive



## condensed interim statement of cash flows (unaudited) for the half year ended june 30, 2013


(Amounts in thousand)

Note	Half year ended	
	June 30, 2013	June 30, 2012
	------(Rupees)-----	
<b>Cash flows from operating activities</b>		
Cash generated from / (utilized in) operations	176,766	(294,362)
Retirement and other service benefits paid	16,994	(14,741)
Taxes paid	(41,223)	(133,551)
Long term loans and advances - net	(4,536)	(5,060)
Net cash generated from / (utilized in) operating activities	114,013	(447,714)
<b>Cash flows from investing activities</b>		
Advance received against investment classified as held for sale	134,303	-
Investment in asset classified as held for sale	(134,303)	(112,472)
Long term investments	(1,500,000)	-
Proceeds from disposal of long term investment	786,326	-
Purchases of property, plant and equipment (PPE)	(5,380)	(21,427)
Sale proceeds on disposal of PPE	48	15,811
Loan disbursed to Subsidiary Companies	(1,210,000)	(1,750,000)
Income on deposits / other financial assets including income earned on subordinated loan to subsidiaries	459,520	375,460
Dividends received	839,750	832,500
Net cash utilized in investing activities	(629,736)	(660,128)
<b>Cash flows from financing activities</b>		
Payment of financial charges	(463,300)	(461,313)
Redemption of borrowings	(757)	(216,023)
Dividends paid	(3,692)	(785,696)
Net cash utilized in financing activities	(467,749)	(1,463,032)
Net decrease in cash and cash equivalents	(983,472)	(2,570,874)
Cash and cash equivalents at beginning of the year	1,181,572	2,397,270
Cash and cash equivalents at end of the period	198,100	(173,604)

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.



Hussain Dawood  
Chairman



Muhammad Aliuddin Ansari  
President and Chief Executive

## notes to the condensed interim financial information (unaudited) for the half year ended june 30, 2013

(Amounts in thousand)

### 1 LEGAL STATUS AND OPERATIONS

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

### 2 BASIS OF PREPARATION

2.1 This condensed interim financial information is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This condensed interim financial information has, however, been subjected to limited scope review by the auditors, as required by the Code of Corporate Governance, and should be read in conjunction with the financial statements of the Company for the year ended December 31, 2012.

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. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During the preparation of this 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, 2012.

### 3 ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of this interim condensed financial information are the same as those applied in the preparation of audited annual published financial statements of the Company for the year ended December 31, 2012 except as described below in note 3.1.

#### 3.1 Initial application of a standard, amendment or interpretation to an existing standard:

The Company has applied IAS 19 – Employee benefits (revised in June 2011) which is applicable for annual periods beginning on or after January 01, 2013. In accordance with the transitional provisions as set out in IAS 19, the Company has applied the revised standard retrospectively and consequently the earliest periods presented in the Condensed Interim Balance Sheet, Condensed Interim Statement of Comprehensive Income and Condensed Interim Statement of Changes in Equity have been restated. The effect of change in policy on Condensed Interim Statement of cash flow is not material.

The revised standard (i) requires past service cost to be recognized immediately in the profit or loss; (ii) replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year; (iii) introduced a new term 'remeasurements' which is made up of actuarial

(Amounts in thousand)

gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires to recognize all remeasurement gain or loss / actuarial gain or loss in the Other Comprehensive Income (OCI) immediately as they occur. The actuarial gain for the year 2012 has been bifurcated evenly between pre and post June 30, 2012 for presentation purposes.

The impacts of retrospective application of IAS 19 (Revised) are as follows:

	Trade and other payables	Other receivables	Taxes receivables	Other Comprehensive Income - Remeasurement of post employment benefits - Actuarial gain	Unappropriated profit
	-----Increase / (Decrease)----- -----Rupees-----				
Balance as at January 1, 2012 as previously reported (audited)	371,083	213,955	104,028	-	7,261,800
Reclassification of gratuity fund liability as at December 31, 2011	(3,132)	(3,132)	-	-	-
Restatement - recognition of remeasurement gain/(loss) in OCI	-	11,222	(3,928)	7,294	-
Restatement - recognition of unrecognized negative past service cost in profit and loss account	-	915	(320)	-	595
Balance as at January 1, 2012 - restated	<u>367,951</u>	<u>222,960</u>	<u>99,780</u>	<u>7,294</u>	<u>7,262,395</u>
Balance as at December 31, 2012 as previously reported (audited)	179,898	196,956	90,960	-	6,542,817
Reclassification of gratuity fund liability as at December 31, 2012	(3,629)	(3,629)	-	-	-
Restatement - recognition of remeasurement gain/loss in OCI	-	11,222	(3,928)	7,294	-
- For the year ended December 31, 2011	-	11,222	(3,928)	7,294	-
- For the half year ended:	-	14,379	(5,033)	9,346	-
- June 30, 2012	-	14,379	(5,033)	9,346	-
- December 31, 2012	-	28,758	(10,066)	18,692	-
	-	39,980	(13,994)	25,986	-
Restatement - recognition of unrecognized negative past service cost in profit and loss account	-	915	(320)	-	595
- For the year 2011	-	(76)	26	-	(50)
- For the year 2012	-	839	(294)	-	545
Balance as at December 31, 2012 - restated	<u>176,269</u>	<u>234,146</u>	<u>76,672</u>	<u>25,986</u>	<u>6,543,362</u>

(Amounts in thousand)

	Unaudited June 30, 2013	Audited December 31, 2012
	------(Rupees)-----	

#### 4. PROPERTY, PLANT AND EQUIPMENT

Operating assets (note 4.1)	63,844	78,001
Capital work in progress	4,241	3,493
	<u>68,085</u>	<u>81,494</u>

4.1 Additions to operating assets during the period / year amounted to Rs. 4,571 (December 31, 2012: Rs. 27,039). Operating assets costing Rs. 97 (December 31, 2012: Rs. 46,018) having a net book value of Rs. 50 (December 31, 2012: Rs. 17,318), were disposed off during the period/year for Rs. 48 (December 31, 2012: Rs. 19,317).

#### 5. LONG TERM INVESTMENTS

5.1 During the period, the Company has:

- made a further equity investment of Rs. 1,500,000 through subscription of 150,000,000 right shares of Rs. 10 each, in Engro Fertilizers Limited, a wholly owned subsidiary; and
- disposed off 5,625,000 ordinary shares of Rs. 10 each in Engro Foods Limited, a public listed subsidiary, representing 0.84% of total investment in the Subsidiary Company, at a price of Rs. 140 per share. The gain on such disposal amounting to Rs. 730,076 has been reflected in Other Income.

5.2 During the period, the Company, on behalf of Engro PowerGen Limited (EPL), a wholly owned subsidiary, has signed a Memorandum of Understanding (MoU) with Pakistan State Oil Company Limited (PSO), whereby PSO intends to acquire 50% share of EPL's equity stake in Sindh Engro Coal Mining Company Limited, a subsidiary of EPL.

#### 6. LONG TERM LOANS AND ADVANCES

6.1 On May 16, 2013, an addendum to the Long Term Finance Agreement (the Agreement) has been signed by the Company with Engro Eximp (Private) Limited, a wholly owned subsidiary, to increase the finance facility under the Agreement to Rs. 2,150,000 (December 31, 2012: Rs. 1,150,000). The loan carries markup at the rate of 6 months KIBOR plus 3.5% per annum, payable on a quarterly basis. The principal is due in one lump sum installment falling due on June 28, 2017.

During the period, the Company has disbursed an additional amount of Rs. 790,000 to Engro Eximp (Private) Limited, under the aforementioned Agreement, which now as at June 30, 2013 has aggregated to Rs. 1,940,000 (December 31, 2012: Rs. 1,150,000). Further, out of the total outstanding principal, an amount of Rs. 430,000 has been subordinated to the subsidiary company's existing finance facilities extended by various banks under the subordinated agreement entered into between the Company and Engro Eximp (Private) Limited.

(Amounts in thousand)

## 7. LOANS, ADVANCES AND PREPAYMENTS

- 7.1 On April 19, 2013, the Company signed an addendum to the loan agreement with Engro Polymer and Chemicals Limited (Subsidiary Company), whereby the finance facility has been increased to Rs. 1,250,000 (December 31, 2012: Rs. 950,000). The loan is for the purpose of meeting working capital requirements of the Subsidiary Company.

During the period, the Company has disbursed an additional amount of Rs. 420,000 to the Subsidiary Company, which now as at June 30, 2013 has aggregated to Rs. 1,220,000 (December 31, 2012: Rs. 800,000). The loan is subordinated to the finances provided to the Subsidiary Company by its banking creditors and carries markup at the rate of 3 months KIBOR plus 3.5% per annum, payable on a quarterly basis.

## 8. INVESTMENT CLASSIFIED AS HELD FOR SALE

During the period, the Company has made an additional equity investment of Rs. 134,303 in Engro Foods Netherlands B.V, a wholly owned subsidiary, which has been reimbursed by Engro Foods Limited (Efoods), Subsidiary Company, pursuant to an agreement with Efoods, whereby following receipt of all necessary regulatory approvals, the Company shall promptly transfer its entire shareholding in Engro Foods Netherlands B.V. to Efoods.

## 9. DEFERRED TAXATION

- 9.1 As at June 30, 2013, deferred tax asset / liability on the deductible / taxable temporary differences has been recognized at the rate of 34%, being the rate substantively enacted at the balance sheet date and is expected to apply to the periods when the asset is realized or the liability is settled.

- 9.2 During the period, the Sindh High Court, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the minimum turnover tax cannot be carried forward in respect of the year where no tax has been paid on account of loss for the year. The Company's Management, based on the opinion of its legal advisor, is of the view that the above order is not correct and would not be maintained by Supreme Court, which they intend to approach, if required. Therefore, the Company has continued to carry forward minimum tax paid in prior years.

Unaudited June 30, 2013	Audited December 31, 2012
------(Rupees)-----	

## 10. BORROWINGS

Engro Rupiya Certificate I  
Engro Rupiya Certificate II  
Banks (note 10.1)

3,755,417	3,720,970
2,497,973	2,483,694
119,789	-
<u>6,373,179</u>	<u>6,204,664</u>

(Amounts in thousand)

- 10.1 During the period, the Company has utilized its Short Term Finance Facilities aggregating to Rs. 1,500,000 (December 31, 2012: Rs. 1,500,000) from banks to meet its working capital requirements. The facility is primarily secured against ranking floating charge over all present and future loans, advances, receivables and other current assets (excluding investments) of the Company. Additionally, the facility is also secured through a pledge over shares of Engro Foods Limited (a Subsidiary Company).

## 11. CONTINGENCIES AND COMMITMENTS

Significant changes in the status of contingencies and commitments since December 31, 2012 are mentioned below :

Unaudited June 30, 2013	Audited December 31, 2012
------(Rupees)-----	

### 11.1 Contingencies

Corporate Guarantees issued by the Company in favor of Subsidiary Companies:

- Engro Fertilizers Limited	62,927,493	63,934,832
- Engro Powergen Qadirpur Limited	998,000	971,000
- Engro PowerGen Limited	119,760	116,520
- Engro Foods Canada Limited	234,906	235,544
	<u>64,280,159</u>	<u>65,257,896</u>

### 11.2 Commitments

During the period, Elengy Terminal Pakistan Limited, a wholly owned subsidiary, submitted a bid bond of Rs. 102,000 to Sui Southern Gas Company Limited against participation in the LNG project bidding process. The Company had secured the issuance of such bid bond through guarantee. However, subsequent to period end, the Company through its letter dated July 24, 2013 has cancelled the aforementioned bid bond guarantee pursuant to meeting of the Economic Coordination Committee (ECC) held on June 27, 2013, whereby the bidding process was cancelled and request was made to the Ministry of Petroleum and Natural Resources (MPNR) by the ECC to come up with a new LNG project in the next ECC meeting for approval.

(Amounts in thousand)

## 12. EARNINGS / (LOSS) PER SHARE

The basic and diluted earnings / (loss) per share is based on :

There is no dilutive effect on the basic earnings per shares of the Company, after taking the effect of options granted on Company's shares to IFC.

	Quarter ended		Half Year ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	----- (Rupees) -----			
Profit / (Loss) after taxation	836,460	(67,673)	1,568,714	482,261
	----- (Number of Shares) -----			
Weighted average number of ordinary shares (in thousand)	511,269	511,269	511,269	511,269

## 13. CASH GENERATED FROM / (UTILIZED IN) OPERATIONS

	Half Year ended	
	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
Profit before taxation	1,650,043	574,134
Adjustment for non-cash charges and other items:		
Depreciation	18,739	29,755
Loss / (gain) on disposal of property, plant and equipment	3	(2,891)
Provision for retirement and other service benefits	18,315	15,028
Income on deposits / other financial assets	(449,407)	(376,425)
Gain on disposal of long term investments	(730,076)	-
Dividend income	(839,750)	(832,500)
Financial charges	508,686	518,752
Working capital changes (note 13.1)	213	(220,215)
	176,766	(294,362)

### 13.1 Working capital changes

(Increase) / Decrease in current assets		
- Loans, advances and prepayments	(15,435)	(26,430)
- Other receivables (net)	(34,187)	10,216
	(49,622)	(16,214)
Increase / (Decrease) in current liabilities		
- Trade and other payables including other service benefits (net)	49,835	(204,001)
	213	(220,215)

## 14. CASH AND CASH EQUIVALENTS

Short term investments	114,407	-
Cash and bank balances	203,482	321,377
Banks	(119,789)	(494,981)
	198,100	(173,604)

Engro Corp. | Half Yearly Report 2013

(Amounts in thousand)

## 15. TRANSACTIONS WITH RELATED PARTIES

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

	Half Year ended	
	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
Subsidiary companies		
Purchases and services	4,875	9,670
Services rendered	28,417	149,350
Expenses paid on behalf of subsidiary companies	297,328	172,949
Mark up from subsidiaries	402,386	323,213
Investments	1,634,303	112,478
Reimbursements to subsidiary companies	28,254	20,872
Disbursement of loan	1,210,000	4,250,000
Repayment of loan	-	2,500,000
Dividend received	524,750	-
Royalty Income, net of sales tax	288,225	182,340
Service fees against corporate guarantees	6,115	11,209
Associated companies		
Purchases and services	623	308
Retirement benefits	13,807	31,276
Dividend paid	-	335,161
Bonus shares issued	-	558,602
Donations	15,300	20,000
Investment in Treasury Bills	2,612,251	-
Redemptions of Treasury Bills	2,982,237	692,098
Joint ventures		
Services rendered	560	774
Dividend received	315,000	832,500
Expenses paid on behalf of Joint Venture company	58	538
Reimbursements to Joint Venture company	3,341	-
Others		
Dividend paid	-	10,205
Bonus shares issued	-	14,794
Directors' fees	5,300	5,500
Remuneration of key management personnel	61,606	67,287

## 16. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 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

(Amounts in thousand)

interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.


For the purpose of implementation of revised IAS 19 - 'Employee Benefits', certain corresponding figures have been restated to reflect the retrospective changes required under the standard. The effect of other rearrangements and reclassifications is not material.

17. **DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was authorized for issue on August 22, 2013 by the Board of Directors of the Company.



Hussain Dawood  
Chairman



Muhammad Aliuddin Ansari  
President and Chief Executive

# 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 and its subsidiaries (the Group) as at June 30, 2013 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, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2013.

## 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, 2013 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: 30-08-2013

Engagement Partner: Imtiaz A. H. Laliwala

consolidated condensed interim  
balance sheet (unaudited)  
as at june 30, 2013

(Amounts in thousand)

	Note	(Unaudited) June 30, 2013	(Audited) December 31, 2012 (Restated)
------(Rupees)-----			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	130,806,853	131,927,709
Development properties	5	616,866	-
Exploration and evaluation assets	6	-	539,753
Biological assets		589,770	668,455
Intangible assets		778,327	771,080
Deferred taxation	12	1,823,257	1,544,841
Long term investments		1,240,634	1,267,973
Long term loans and advances		309,783	254,348
Deferred employee share compensation expense	7	207,425	-
		136,372,915	136,974,159
<b>Current Assets</b>			
Stores, spares and loose tools		6,969,015	6,654,586
Stock-in-trade	8	14,962,858	16,591,475
Trade debts	9	4,278,463	10,637,999
Deferred employee share compensation expense	7	180,368	-
Derivative financial instruments		26,084	26,332
Loans, advances, deposits and prepayments		3,282,328	1,024,323
Other receivables		1,790,876	3,087,675
Taxes recoverable		3,071,663	3,966,213
Short term investments		5,306,973	5,998,027
Cash and bank balances		6,784,380	4,663,275
		46,653,008	52,649,905
<b>TOTAL ASSETS</b>		<b>183,025,923</b>	<b>189,624,064</b>

(Amounts in thousand)

	Note	(Unaudited) June 30, 2013	(Audited) December 31, 2012 (Restated)
------(Rupees)-----			
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Share capital		5,112,694	5,112,694
Share premium		10,550,061	10,550,061
Employee share compensation reserve	7	432,885	-
Hedging reserve		(278,443)	(362,925)
Revaluation reserve on business combination		79,193	84,294
Maintenance reserve	10	213,335	213,335
Exchange revaluation reserve		60,906	69,122
General reserve		4,429,240	4,429,240
Unappropriated profit		22,606,110	18,423,593
Remeasurement of post-employment benefits		10,838	(982)
		38,104,125	33,405,738
		43,216,819	38,518,432
Non-controlling interest		5,276,755	4,723,422
<b>Total Equity</b>		<b>48,493,574</b>	<b>43,241,854</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	11	77,382,306	73,257,370
Derivative financial instruments		649,762	639,525
Deferred taxation	12	4,771,745	5,191,495
Deferred liabilities		173,532	199,039
		82,977,345	79,287,429
<b>Current Liabilities</b>			
Trade and other payables		24,950,737	30,415,635
Accrued interest / mark-up		2,349,864	2,613,633
Current portion of :			
- borrowings		19,699,861	27,436,693
- deferred liabilities		56,941	39,624
Obligations under finance lease		1,295	2,589
Short term borrowings	13	3,847,009	5,828,090
Derivative financial instruments		399,380	573,363
Unclaimed dividends		93,244	96,936
Provisions	14	156,673	88,218
		51,555,004	67,094,781
		134,532,349	146,382,210
<b>Total Liabilities</b>		<b>134,532,349</b>	<b>146,382,210</b>
Contingencies and Commitments	15		
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>183,025,923</b>	<b>189,624,064</b>

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



Hussain Dawood  
Chairman



Muhammad Aliuddin Ansari  
President and Chief Executive

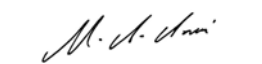
consolidated condensed interim  
profit and loss account  
for the half year ended june 30, 2013

(Amounts in thousand except for earnings / (loss) per share)		Quarter ended		Half Year ended	
		June 30, 2013	June 30, 2012 (Restated)	June 30, 2013	June 30, 2012 (Restated)
Note	(Rupees)				
	Net sales	35,572,999	30,402,514	66,874,164	53,345,458
	Cost of sales	(26,710,196)	(22,558,127)	(48,806,626)	(40,500,581)
	<b>Gross profit</b>	<b>8,862,803</b>	<b>7,844,387</b>	<b>18,067,538</b>	<b>12,844,877</b>
	Administrative expenses	(918,944)	(774,924)	(1,692,888)	(1,518,749)
	Selling and distribution expenses	(2,352,724)	(2,356,650)	(4,729,707)	(4,078,306)
		5,591,135	4,712,813	11,644,943	7,247,822
	Other income	733,849	478,761	1,009,134	1,046,258
	Other expenses	(432,434)	(618,382)	(1,120,911)	(924,723)
	Finance cost	(3,784,396)	(4,104,031)	(6,845,342)	(7,658,999)
	Share of income from joint venture	152,207	166,630	287,663	336,613
	<b>Profit before taxation</b>	<b>2,260,361</b>	<b>635,791</b>	<b>4,975,487</b>	<b>46,971</b>
	Taxation	(448,149)	(387,902)	(1,148,980)	(181,722)
	<b>Profit / (loss) for the period</b>	<b>1,812,212</b>	<b>247,889</b>	<b>3,826,507</b>	<b>(134,751)</b>
	Profit / (loss) attributable to:				
	- Owners of the Holding Company	1,654,787	308,963	3,440,599	(340,494)
	- Non-controlling interest	157,425	(61,074)	385,908	205,743
		1,812,212	247,889	3,826,507	(134,751)
	Earnings / (loss) per share				
	- basic	3.24	0.60	6.73	(0.67)
	- diluted	3.19	0.60	6.63	(0.67)

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



Hussain Dawood  
Chairman



Muhammad Aliuddin Ansari  
President and Chief Executive


consolidated condensed interim  
statement of comprehensive income (unaudited)  
for the half year ended june 30, 2013

(Amounts in thousand)		Quarter ended		Half Year ended	
		June 30, 2013	June 30, 2012 (Restated)	June 30, 2013	June 30, 2012 (Restated)
Note	(Rupees)				
	Profit / (loss) for the period	1,812,212	247,889	3,826,507	(134,751)
	Other comprehensive income Items that may be reclassified subsequently to profit and loss account				
	Hedging reserve - cash flow hedges (Losses) / gains arising during the period	(323,010)	86,975	(530,380)	(296,693)
	Reclassification adjustments for losses / (profits) included in profit and loss	414,647	(66,768)	658,780	375,363
	Adjustments for amounts transferred to initial carrying amount of hedged items	15,211	22,918	15,758	54,218
		106,848	43,125	144,158	132,888
	Revaluation reserve on business combination	(5,494)	(5,494)	(10,986)	(10,986)
	Exchange differences on translation of foreign operations	(4,368)	5,074	(8,216)	8,604
		96,986	42,705	124,956	130,506
	Income tax relating to:				
	- Hedging reserve - cash flow hedges	(42,097)	(15,094)	(55,155)	(46,511)
	- Revaluation reserve on business combination	1,923	1,923	3,845	3,845
		(40,174)	(13,171)	(51,310)	(42,666)
	Items that will not be re-classified to profit and loss account				
	Remeasurement of post employment benefits obligation	20,082	13,942	20,082	13,942
	Income tax relating to remeasurement of post employment benefits obligation	(6,828)	(2,027)	(6,828)	(2,027)
		13,254	11,915	13,254	11,915
	Deferred tax charge relating to revaluation of equity related items	(1,648)	-	(1,648)	-
	Other comprehensive income for the period, net of tax	68,418	41,449	85,252	99,755
	<b>Total comprehensive income / (loss) for the period</b>	<b>1,880,630</b>	<b>289,338</b>	<b>3,911,759</b>	<b>(34,996)</b>
	Total comprehensive income / (loss) attributable to:				
	- Owners of the Holding Company	1,716,517	348,222	3,523,584	(243,009)
	- Non-controlling interest	164,113	(58,884)	388,175	208,013
		1,880,630	289,338	3,911,759	(34,996)

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



Hussain Dawood  
Chairman



Muhammad Aliuddin Ansari  
President and Chief Executive



consolidated condensed interim statement of changes in equity (unaudited) for the half year ended June 30, 2013

(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	Maintenance reserve (note 10)	Exchange revaluation reserve	General reserve	Un-appropriated profit	Remeasurement of post-employment benefits - Actuarial gain / (loss)		Sub total	Non-controlling interest
Balance as at January 1, 2012 (audited)	3,932,843	10,550,061	146,280	(573,437)	94,496	197,577	35,725	4,429,240	18,985,446	-	37,798,231	4,091,558	41,889,789
Effect of change in accounting policy due to application of IAS-19 (Revised), net of tax - note 3.1	-	-	-	-	-	-	-	-	595	(18,298)	(17,703)	(11,509)	(29,212)
Balance as at January 1, 2012 - restated	3,932,843	10,550,061	146,280	(573,437)	94,496	197,577	35,725	4,429,240	18,986,041	(18,298)	37,780,528	4,080,049	41,860,577
<b>Total comprehensive income / (loss) for the half year ended June 30, 2012 (unaudited) - restated</b>													
Profit / (loss) for the period	-	-	-	85,324	(5,101)	-	-	-	(340,494)	-	(340,494)	205,743	(134,751)
Other comprehensive income	-	-	-	85,324	(5,101)	-	-	-	8,658	97,485	2,270	99,755	(34,996)
<b>Transactions with owners</b>													
Effect of changes in number of share options issued	-	-	-	-	-	-	-	-	47,695	-	47,695	37,799	85,494
Maintenance reserve created by Enpro Powergen Gasipur Limited, a subsidiary of Enpro Powergen Limited	-	-	-	-	-	15,758	-	-	(15,758)	-	-	72,854	72,854
Effect of derecognition of discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Final dividend for the year ended December 31, 2011 @ Rs. 2 per share	1,179,851	-	-	-	-	-	-	-	(786,569)	-	(786,569)	-	(786,569)
Bonus shares issued during the period in the ratio of 3 shares for every 10 shares held	-	-	(1,665)	-	-	-	-	-	(1,179,851)	-	(1,179,851)	-	(1,665)
Vested options lapsed during the period	-	-	-	-	-	-	-	-	-	-	-	-	-
Derecognition of items pertaining to Avanceon Limited :	-	-	(10,688)	-	-	-	-	-	-	-	(10,688)	-	(10,688)
- options	-	-	-	-	-	-	-	-	-	-	(29,378)	-	(29,378)
- exchange revaluation reserve	1,179,851	-	(12,353)	-	-	15,758	-	-	(29,378)	-	(1,834,483)	-	(668,952)
Balance as at June 30, 2012 (unaudited) - restated	5,112,694	10,550,061	133,927	(488,113)	89,395	213,335	14,951	4,429,240	16,711,064	(9,640)	36,756,914	4,398,715	41,155,629
<b>Total comprehensive income / (loss) for the half year ended December 31, 2012 - restated</b>													
Profit for the period	-	-	-	125,188	(5,101)	-	-	-	1,673,717	-	1,673,717	258,211	1,931,928
Other comprehensive income	-	-	-	125,188	(5,101)	-	-	-	182,916	8,676	1,856,633	266,887	2,123,520
<b>Transactions with owners</b>													
Vested options lapsed during the period	-	-	(133,668)	-	-	-	-	-	-	-	(133,668)	-	(133,668)
Issue of right shares by subsidiary	-	-	-	-	-	-	-	-	-	-	18,900	-	18,900
Shares issued during the year by subsidiaries under Employees Share Option Scheme	-	-	(259)	-	-	-	-	-	38,812	-	38,853	66,570	105,123
Dividend by subsidiary allocable to Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(27,650)	(27,650)
Non-controlling interest	-	-	-	-	-	-	-	-	38,812	-	(95,115)	57,820	(37,293)
Balance as at December 31, 2012 (audited) - restated	5,112,694	10,550,061	-	(382,925)	84,294	213,335	69,122	4,429,240	18,423,593	(962)	38,518,432	4,723,422	43,241,854
<b>Total comprehensive income / (loss) for the half year ended June 30, 2013 (unaudited)</b>													
Profit for the period	-	-	-	84,482	(5,101)	-	-	-	3,440,599	11,820	3,440,599	385,908	3,826,507
Other comprehensive income	-	-	-	84,482	(5,101)	-	-	-	(8,216)	-	3,523,564	388,175	3,911,759
<b>Transactions with owners</b>													
Effect of partial disposal of shares held in subsidiary company by Holding Company	-	-	-	-	-	-	-	-	701,938	-	701,938	84,388	786,326
Shares issued during the period by subsidiary company under Employees Share Option Scheme	-	-	-	-	-	-	-	-	39,980	-	39,980	60,790	100,770
Shares issued during the period by subsidiary company	-	-	-	-	-	-	-	-	-	-	-	62,280	62,280
Dividend by subsidiary allocable to Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(42,300)	(42,300)
Options granted during the period by subsidiary company under Employees Share Option Scheme	-	-	432,885	-	-	-	-	-	-	-	432,885	-	432,885
Non-controlling interest	-	-	-	-	-	-	-	-	741,918	-	1,174,803	165,158	1,339,961
Balance as at June 30, 2013 (unaudited)	5,112,694	10,550,061	432,885	(278,443)	79,193	213,335	60,906	4,429,240	22,606,110	10,838	43,216,819	5,276,755	48,493,574

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



Hussain Dawood  
Chairman



Muhammad Aliuddin Ansari  
President and Chief Executive

consolidated condensed interim statement of cash flows (unaudited) for the half year ended June 30, 2013

(Amounts in thousand)

Cash flows from operating activities

Cash generated from operations  
Retirement and other service benefits paid  
Finance costs paid  
Taxes paid  
Long term loans and advances - net

Net cash generated from / (utilized in) operating activities

Cash flows from investing activities

Purchase of Property, plant and equipment (PPE) and Biological assets  
Sale proceeds on disposal of PPE and Biological assets  
Income on deposits / other financial assets  
Investment in money market funds - net  
Dividends received

Net cash utilized in investing activities

Cash flows from financing activities

Repayments of borrowings  
Proceeds from borrowings - net  
Obligations under finance lease - net  
Proceeds from disposal of shares of subsidiary company  
Proceeds from issuance of shares by subsidiary companies  
Dividends paid

Net cash utilized in financing activities

Net increase / (decrease) in cash and cash equivalents

Cash and cash equivalents at beginning of the period

Cash and cash equivalents at end of the period

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



Hussain Dawood  
Chairman



Muhammad Aliuddin Ansari  
President and Chief Executive

Note	Half year ended	
	June 30, 2013	June 30, 2012
	------(Rupees)-----	
18	16,925,751 (116,903) (6,283,511) (1,020,111) (55,435)	2,389,830 (114,667) (6,428,168) (1,039,827) (98,324)
	9,449,791	(5,291,678)
	(3,402,041)	(2,992,789)
	276,789	105,766
	296,316	503,870
	-	17,757
	315,000	832,500
	(2,513,936)	(1,532,896)
	(4,804,181)	(8,139,830)
	377,635	3,278,969
	(1,294)	(1,295)
	786,326	-
	163,050	104,378
	(46,259)	(785,696)
	(3,524,723)	(5,543,474)
	3,411,132	(12,368,048)
	4,833,212	8,465,635
19	8,244,344	(3,902,413)

## notes to the consolidated condensed interim financial information (unaudited) for the half year ended june 30, 2013

(Amounts in thousand)

### 1. LEGAL STATUS AND OPERATIONS

Engro Corporation Limited (the Holding Company) is a public listed company incorporated in Pakistan under the Companies Ordinance, 1984 and its shares are quoted on Karachi, Lahore & 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, food, energy, exploration and chemical terminal and storage businesses. The Holding Company's registered office is situated at 7th & 8th Floors, The Harbour Front Building, HC # 3, Block 4, Marine Drive, Clifton, Karachi.

#### 1.1 The "Group" consists of:

##### Holding Company - Engro Corporation Limited

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

	%age of direct holding	
	June 30, 2013	December 30, 2012
- Engro Fertilizers Limited (note 1.1.1)	100	100
- Engro Eximp (Private) Limited (note 1.1.2)	100	100
- Engro PowerGen Limited (note 1.1.3)	100	100
- Elengy Terminal Pakistan Limited (note 1.1.4)	100	100
- Engro Foods Netherlands B.V. (note 1.1.5)	100	100
- Engro Foods Limited (note 1.1.6)	87.07	88.37
- Engro Polymer and Chemicals Limited	56.19	56.19
<b>Joint Venture Company:</b>		
- Engro Vopak Terminal Limited	50	50

#### 1.1.1 Engro Fertilizers Limited (Subsidiary Company)

During the period, the Holding Company made equity investment of Rs. 1,500,000 through subscription of 150,000,000 right shares of Rs. 10 each, in the Subsidiary Company.

##### Going Concern assumption

During the period, the Subsidiary Company continued to experience gas curtailment on SNGPL network receiving approximately 24% of the contracted volume. However, due to the events mentioned in the following paragraphs, the financial results and position of the Subsidiary Company have improved significantly as the gap between current liabilities and current assets has been reduced to Rs. 915,320 as at June 30, 2013 from Rs. 11,865,763 as at December 31, 2012. It is primarily due to current maturities re-profiled during the period. Further, the current period's profit after taxation amounts to Rs. 1,425,357 as against a loss after taxation for the year 2012 of Rs. 2,934,575.

(Amounts in thousand)

- Enven plant continued to run successfully on Mari gas resulting in incremental 10% to 15% production, bringing in enhancement of margins and increase in the operational cash flows. This conversion has been approved till December 31, 2013 by Ministry of Petroleum and Natural Resources (MPNR) on February 27, 2013 and the management of the Subsidiary Company is confident that this approval would be extended till the gas from the alternative / new gas reserves comes on stream;
- The process to formalize long term allocation of 79 MMSCFD gas pursuant to the notification of the Economic Co-ordination Committee (ECC) has been initiated. The ECC, on January 01, 2013, had approved the allocation of gas reserves from Makori East, Reti-Mar, Mari SML, Kunnar Pasaki Deep and Bahu fields to the Consortium of four fertilizer plants (the Consortium). The total allocation in this respect to the Consortium is 202 MMSCFD including the Subsidiary Company's share of 79 MMSCFD. The Consortium has accordingly entered into Gas Sales Agreements (GSAs) for the supply of gas from Makori East, Reti-Mar and Kunnar Pasaki Deep fields. The inflow of gas is expected to start from 3Q 2014;
- In the interim, the Subsidiary Company topped up its production as approximately 20 MMSCFD gas from Mari SML, which is part of long term gas allocation, has already started flowing in since April 2013. This gas is pursuant to the signing of term sheet with Mari SML which is currently valid upto December 31, 2013. The Subsidiary Company also expects to obtain the entire allocation from Reti Maru gas field (approx. 10 MMSCFD) given the relative proximity of the field to Engro plant. The work on pipeline has commenced and the gas is likely to flow towards the end of 2013 ahead of full implementation of the long-term solution in 3Q 2014; and
- The lenders, as at June 30, 2013, have formally agreed on the revised repayment schedule allowing the Subsidiary Company 2.5 years extension in the loan tenor, as referred to in note 11.1.2.

Based on the above, the existence of uncertainty, if any, regarding the going concern assumption of the Subsidiary Company has been removed.

#### 1.1.2 Engro Eximp (Private) Limited (Subsidiary Company)

During the period, the Subsidiary Company, has started coal trading business, whereby it procures coal and provides transportation and handling services with respect to the procurement of coal.

#### 1.1.3 Engro PowerGen Limited (Subsidiary Company)

Sindh Engro Coal Mining Company Limited (SECMC), a subsidiary of the Subsidiary Company, has been formed under a Joint Venture Agreement (JVA), dated September 8, 2009, between the Government of Sindh (GoS 40%), the Subsidiary Company (60%) and the Holding Company. The aforementioned JVA is consequent to the selection of the Subsidiary Company as GoS's joint venture partner, through an International Competitive Bidding process, for the development, construction and operations of an open cast lignite mine in Block-II of Thar Coal Field, Sindh (the Project), with an annual mining capacity of 6.5 million tons of coal. In this regard, as per JVA, SECMC initiated a Detailed Feasibility Study (DFS) in November 2009 by a team of international consultants and local experts to confirm the technical, environmental, social and economic viability of the Project. The DFS was carried out on an area of 79.6 sq. km allocated to SECMC in Thar Coal field. On August 31, 2010, SECMC completed DFS which was approved by the Technical Committee of GoS.

GoS has granted 30 years mining lease to SECMC for exploration and mining activities in Thar Block-II. Based on the detailed feasibility study conducted by SECMC, Thar Block-II has estimated coal reserves of approximately 2 billion tons, independently verified by a Competent Person Statement (CPS) in 2012, of which 195 million tons will be mined at the rate of 6.5 million tons per year over the period of the mining

(Amounts in thousand)

lease. SECMC and the Subsidiary Company, during 2011, had also received a firm proposal for Engineering, Procurement & Construction (EPC) for 6.5 million tons per annum mining capacity and 1,200 MW power plant from an international contractor. However, in May 2013, SECMC in order to reduce its capital investment and optimize the project size and cost decided to decouple the mining and power projects and accordingly, established its wholly owned subsidiary company, Thar Power Company Limited (TPCL), to set up a 600 MW power plant.

During the period, the Holding Company, on behalf of Engro PowerGen Limited (EPL), a Subsidiary Company, has signed a Memorandum of Understanding (MoU) with Pakistan State Oil Company Limited (PSO), whereby PSO intends to acquire 50% share of the Subsidiary Company's equity stake in Sindh Engro Coal Mining Company Limited, a subsidiary of EPL.

1.1.4 Elengy Terminal Pakistan Limited (Subsidiary Company)

During the period, the Subsidiary Company, in response to the first invitation to bid by Sui Southern Gas Company Limited (SSGCL), had submitted its sealed bid on January 4, 2013 for an integrated LNG terminal for supply of 400 mmcf of Regasified Liquefied Natural Gas (RLNG). However, the first bid was cancelled due to some shortcomings on the part of other bidders. Accordingly, the Subsidiary Company submitted its second bid to SSGCL, which was opened, followed by technical and price evaluation conducted by SSGCL and its consultants. Subsequently, the Honorable Supreme Court of Pakistan (SCP) has taken a suo motu action on the bidding process and served notices to all the bidders. During the hearings, the Ministry of Petroleum and Natural Resources (MPNR) proposed that it intends to place the case before Economic Coordination Committee (ECC) to evaluate re-bidding the Project with which the SCP concurred with directions that the same must be in accordance with the rules, regulations and strictly in transparent manner. The ECC in its meeting held on June 27, 2013, cancelled the bidding process and requested the MPNR to come up with a new LNG project in the next ECC meeting for approval. The Subsidiary Company intends to participate in the tender process, once announced.

1.1.5 Engro Foods Netherlands B.V. (Subsidiary Company)

During the period, the Holding Company made additional equity investment of Rs. 134,303 in the Subsidiary Company, which has been reimbursed by Engro Foods Limited (Efoods), another subsidiary company, pursuant to an agreement entered into between the Holding Company and Efoods, whereby following receipt of all necessary regulatory approvals, the Holding Company shall promptly transfer its entire shareholding in the Subsidiary Company to Efoods.

1.1.6 Engro Foods Limited (Subsidiary Company)

During the period, the Holding Company disposed off 5,625,000 ordinary shares of Rs 10 each in the Subsidiary Company, at a price of Rs. 140 per share.

1.2 The consolidated condensed interim financial information 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.

Non-controlling Interest has been 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.

(Amounts in thousand)

2 . BASIS FOR PREPARATION

2.1 This consolidated condensed interim financial information is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This consolidated condensed interim financial information has, however, been subjected to limited scope review by the auditors, as required by the Code of Corporate Governance, and should be read in conjunction with the financial statements of the Holding Company for the year ended December 31, 2012.

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

2.3 During the preparation of this consolidated condensed interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to financial statements of the Holding Company for the year ended December 31, 2012, except for the following:

(a) Engro Foods Limited (Subsidiary Company)

During the period, the shareholders of the Subsidiary Company in their meeting held on March 22, 2013 approved a new Employees' Share Option Scheme (the Scheme). Accordingly, the management of the Subsidiary Company has determined the fair value of options under the new Employee Share Option Scheme of the Subsidiary Company using the Black Scholes Pricing model. The estimated fair value of these options and underlying assumptions have been disclosed in note 7. Any changes in these assumptions may materially impact the carrying amount of deferred employee share compensation expense and employee share compensation reserve within the current and next financial year.

(b) Engro Fertilizers Limited (Subsidiary Company)

During the period, the Subsidiary Company has revised the depreciation method of catalyst from number of years to number of production days to better reflect the consumption of its economic benefits. The effect of such a change in estimate is not material.

(c) Engro PowerGen Limited (Subsidiary Company)

During the period, Engro Powergen Qadirpur Limited, subsidiary of the Subsidiary Company, has revised the estimate for the useful lives of certain assets based on operational experience under the category of plant and machinery resulting in change in the depreciation rate from 3.6% to 14.2% per annum. This change in accounting estimate has been accounted for prospectively by adjusting the depreciation charge for the current period. Had there been no change in the accounting estimate, the property, plant and equipment balance as at June 30, 2013 and profit after tax for the period would have been higher by Rs. 33,476.

(Amounts in thousand)

### 3. ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of audited annual published financial statements of the Group for the year ended December 31, 2012, except for:

#### Defined benefit plans

The Group has applied IAS 19 – Employee benefits (revised in June 2011) which is applicable for annual periods beginning on or after January 01, 2013. In accordance with the transitional provisions as set out in IAS 19, the Group has applied the revised standard retrospectively and consequently, the earliest periods presented in the Consolidated Condensed Interim Balance Sheet, Consolidated Condensed Interim Profit and Loss Account, Consolidated Condensed Interim Statement of Comprehensive Income and Consolidated Condensed Interim Statement of Changes in Equity have been restated, except for the two subsidiary companies (Engro Fertilizers Limited and Engro PowerGen Limited), where the effect of the aforementioned change in policy for prior years being not material has not been accounted retrospectively in this consolidated condensed financial information. The effect of change in policy on Consolidated Condensed Interim Statement of Cash Flows is not material.

The revised standards (i) requires past service cost to be recognized immediately in the profit or loss; (ii) replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year; (iii) introduced a new term 'remeasurements' which is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires to recognize all remeasurement gain or loss / actuarial gain or loss in Other Comprehensive Income (OCI) immediately as they occur. The actuarial gain / loss for the year 2012 has been bifurcated evenly between pre and post June 30, 2012 for presentation purposes.

(Amounts in thousand)

The impacts of retrospective application of IAS 19 (Revised) for subsidiary companies, where the effect of the change in policy is material, are as follows:

	Trade and other payables	Taxes recoverable	Other receivables	Deferred liabilities	Deferred tax asset	Other comprehensive income- Remeasurement of post-employment benefits	Non-controlling interest	Unappropriated profit
	Increase / (Decrease)							
	Rupees							
Balance as at January 1, 2012 as previously reported (audited)	23,211,439	3,050,258	2,256,199	161,219	1,059,912	-	4,091,558	18,985,446
Reclassification of gratuity fund liability as at December 31, 2011	(3,132)	-	(3,132)	-	-	-	-	-
Restatement - recognition of remeasurement gain/loss in OCI	27,277	5,619	11,222	18,271	(1,100)	(18,298)	(11,509)	-
Restatement - recognition of unrecognized past service cost in profit & loss account	-	(320)	915	-	-	-	-	595
<b>Balance as at January 1, 2012 - restated</b>	<b>23,235,584</b>	<b>3,055,557</b>	<b>2,265,204</b>	<b>179,490</b>	<b>1,058,812</b>	<b>(18,298)</b>	<b>4,080,049</b>	<b>18,986,041</b>
Balance as at December 31, 2012 as previously reported (audited)	30,383,949	3,968,139	3,050,485	187,931	1,542,743	-	4,728,417	18,423,048
Reclassification of gratuity fund liability as at December 31, 2012	(3,629)	-	(3,629)	-	-	-	-	-
Restatement - recognition of remeasurement gain/loss in OCI								
- For the year ended December 31, 2011	27,277	5,619	11,222	18,271	(1,100)	(18,298)	(11,509)	-
- For the half year ended:								
- June 30, 2012	4,019	(3,626)	14,379	(3,582)	1,599	8,658	3,257	-
- December 31, 2012	4,019	(3,625)	14,379	(3,581)	1,599	8,658	3,257	-
	8,038	(7,251)	28,758	(7,163)	3,198	17,316	6,514	-
	35,315	(1,632)	39,980	11,108	2,098	(982)	(4,995)	-
Restatement - recognition of unrecognized past service cost in profit & loss account								
- For the year 2011	-	(320)	915	-	-	-	-	595
- For the year 2012	-	26	(76)	-	-	-	-	(50)
	-	(294)	839	-	-	-	-	545
<b>Balance as at December 31, 2012 - restated</b>	<b>30,415,635</b>	<b>3,966,213</b>	<b>3,087,675</b>	<b>199,039</b>	<b>1,544,841</b>	<b>(982)</b>	<b>4,723,422</b>	<b>18,423,593</b>

### 4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited June 30, 2013	Audited December 31, 2012
	(Rupees)	
Operating assets, at net book value	126,217,367	128,654,876
Capital work-in-progress		
- Expansion and other projects	3,208,576	1,861,126
- Major spare parts and stand-by equipment	1,380,910	1,411,707
	<b>130,806,853</b>	<b>131,927,709</b>

(Amounts in thousand)

	Unaudited June 30, 2013	Audited December 31, 2012
	------(Rupees)-----	
4.1 Additions to operating assets including transfers from Capital work-in-progress during the period / year were as follows:		
Freehold land (note 4.1.1)	213,044	-
Leasehold land	-	11,512
Freehold building	98,932	525,044
Leasehold building	8,765	537,670
Pipelines	-	797
Plant and machinery	1,526,987	5,709,465
Catalyst	-	266,587
Furniture, fixture and equipment	160,914	364,838
Vehicles	101,726	613,149
	<u>2,110,368</u>	<u>8,029,062</u>
4.1.1 Includes land acquired by Engro Foods Limited (Subsidiary Company) measuring 537 Kanals, 37 Marlas surrounding its Sahiwal plant through the action of the Commissioner, Sahiwal Division, Government of Punjab (the Government), by invoking provisions of Land Acquisition Act, 1894. Under the said law, the purchase price of Rs. 212,514 has been based on the assessment by the Government authorities of the near by the land which has been duly paid the Subsidiary Company, to the Government for onward payment to the respective land owners.		
Few land owners have filed writ petitions against the Government's action and the matter is in progress at Lahore High Court. Stay has been granted against most of the petitions filed against the Subsidiary Company. The management of the Subsidiary Company is of the view that the purchase of land is legal and therefore, the case will be decided in its favour.		
4.2 Disposals, during the period, aggregating Rs.384,447 (December 31, 2012: Rs. 322,289), having net book value of Rs. 250,724 (December 31, 2012: Rs. 140,366) mainly comprised of plant and machinery.		
	Unaudited June 30, 2013	Audited December 31, 2012
	------(Rupees)-----	
4.3 Additions to Capital work-in-progress - Expansion and other projects		
Plant and machinery	2,964,490	4,042,472
Building and civil works including pipelines	307,011	446,388
Furniture, fixture and equipment	162,454	246,323
Advances to suppliers	58,884	202,883
Others	49,992	428,008
	<u>3,542,831</u>	<u>5,366,074</u>

(Amounts in thousand)

## 5. DEVELOPMENT PROPERTIES

Development expenditure represents expenditure incurred in area in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and related infrastructure.

During the period, Sindh Engro Coal Mining Company Limited (SECMC), a subsidiary of Engro PowerGen Limited, Subsidiary Company, has advanced through the exploration and evaluation stage and entered into the development phase of the mining project, as technical / commercial viability of the Project has been demonstrated. Accordingly, SECMC has transferred / classified exploration and evaluation expenditure incurred to date aggregating Rs. 616,866 (note 6) as Development Properties.

## 6. EXPLORATION AND EVALUATION ASSETS

	Unaudited June 30, 2013	Audited December 31, 2012
	------(Rupees)-----	
Consultancy charges	272,926	269,339
Salaries, wages and staff welfare	180,881	144,182
Travelling expense	33,081	26,859
Purchased services	47,806	32,045
Rent, security and accommodation expenses	43,486	35,425
Subscription for intellectual data	7,925	7,778
Fees charged by GoS/SCA under MoU	1,452	1,452
Exploration license fees and other related charges	4,614	4,614
Accumulated depreciation	10,029	8,093
Other expenses	14,666	9,966
	<u>616,866</u>	<u>539,753</u>
Less: Transferred/classified to Development Properties (note 5)	(616,866)	-
	<u>-</u>	<u>539,753</u>

## 7. EMPLOYEES' SHARE OPTION SCHEME

During the period, the shareholders of Engro Foods Limited (Subsidiary Company) in their meeting held on March 22, 2013 approved a new Employees' Share Option Scheme (the Scheme) for granting of options to certain critical employees of the Subsidiary Company up to 16.9 million new ordinary shares, to be determined by the Board Compensation Committee. The Scheme was approved by the Securities and Exchange Commission of Pakistan on May 27, 2013.

Under the Scheme, options can be granted in years 2013 to 2015. 50% of the options granted will vest in two years whereas the remaining 50% will vest in three years from the date of the grant of options. However, for the purpose of the options granted in 2013 (Option year), 50% of such options shall vest on April 1, 2015 with remaining 50% vesting on April 1, 2016. Further, those eligible employees who will join the Subsidiary Company or will be promoted to the employee cadre / grade eligible for options, till April 1, 2015 are also entitled to these options. These options do not carry dividends or voting rights and the maximum number of options to be issued to a single eligible employee

(Amounts in thousand)

is for 1.69 million ordinary shares. These options are exercisable within 3 years from the end of vesting period. For options granted in 2013 (Option Year), the exercise price would be Rs. 191.89, Rs. 220.67 and Rs. 253.77 per share for the periods April 1, 2016 - March 31, 2017, April 1, 2017 - March 31, 2018 and April 1, 2018 - March 31, 2019 respectively.

The fair value of options determined as at June 30, 2013 using the Black-Scholes model was Rs. 31.14 per option. The significant inputs into the model were share price; being the quoted price as at reporting date June 30, 2013 of Rs. 140.77, exercise price of Rs. 191.89, volatility of 31.91%, an expected option life of approximately three and half years and annual risk free interest rate of 9.12%. The volatility has been measured as the standard deviation of quoted share prices over the last one year. The Subsidiary Company estimates that during the year 2013 (Option year) options for 13.9 million shares will be granted and the vesting period of these options has commenced from April 1, 2013, therefore, Employee share compensation reserve and the related Deferred expense amounting to Rs. 432,885 has been recognized out of which Rs. 45,092 has been amortized as charge for the period.

#### 8. STOCK-IN-TRADE

Raw and packing materials (note 8.1)  
Unprocessed rice  
Fuel stock  
Work-in-process  
Finished goods  
- own manufactured product  
- purchased product

	Unaudited June 30, 2013	Audited December 31, 2012
------(Rupees)-----		
	6,534,797	5,901,235
	2,697,041	5,239,347
	370,289	375,073
	544,808	276,851
	2,398,995	2,605,890
	2,416,928	2,193,079
	4,815,923	4,798,969
	<u>14,962,858</u>	<u>16,591,475</u>

8.1 This includes stocks held at storage facilities of the following parties:

Engro Vopak Terminal Limited, a related party  
Dawood Hercules Chemicals Limited, a related party  
Al-Rahim Trading Company (Private) Limited

	1,352,886	918,703
	6,841	2,773
	115,363	-
	<u>1,475,090</u>	<u>921,476</u>

#### 9. TRADE DEBTS

Considered good  
- secured (note 9.1)  
- unsecured

	4,066,243	10,411,385
	212,220	226,614
	<u>4,278,463</u>	<u>10,637,999</u>

Considered doubtful

	32,732	16,303
	<u>4,311,195</u>	<u>10,654,302</u>

Provision for impairment

	(32,732)	(16,303)
	<u>4,278,463</u>	<u>10,637,999</u>

(Amounts in thousand)

9.1 Includes an amount of Rs. 1,794,384 (December 31, 2012: Rs. 7,300,126) secured by a guarantee from the Government of Pakistan under the Implementation Agreement and as such are considered good. During the period, the Government of Pakistan announced a bail out package for the power sector to reduce the circular debt, whereby Engro Powergen Qadirpur Limited, a subsidiary of Engro PowerGen Limited, received Rs. 8,974,000 from NTDC in respect of amount due as at May 31, 2013.

#### 10. MAINTENANCE RESERVE

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

Under the PPA, 1/24th of the annual operating and maintenance budget of the Power Plant of EPQL 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 EPQL and NTDC mutually agree.

Last year, the Subsidiary Company due to uncertain cash flow resulting from delayed payments by NTDC had, as per PPA, reduced the amount deposited in a schedule bank to Rs. 50,000. Till such time the amount is deposited again to the required level, the Subsidiary Company has unutilized short term financing available to meet any unexpected maintenance requirement that may arise in the foreseeable future.

#### 11. BORROWINGS

11.1 Engro Fertilizers Limited (Subsidiary Company)

11.1.1 The long term finance facilities include Rs 54,764,180 on account of long term finance utilized under markup arrangements by the Subsidiary Company. This amount also includes a loan of USD 30,000 from the International Finance Corporation (IFC) which carries interest of six months LIBOR plus a spread of 6% or 10% depending on the listing status of the Subsidiary Company at December 31, 2012. During the period, IFC has clarified its position that, if an agreement in the proposed amendments to the loan conversion terms is not concluded by September 01, 2013 or if earlier, by the Subsidiary Company's Initial Public Offer date the relevant loan spread increase will occur automatically effective, at a mutually agreed date. The exact terms and conditions of loan conversion are still under discussion with IFC, expected to be finalized shortly. The management is confident that it will be able to successfully negotiate the terms and hence no related provision for the differential amount of Rs. 244,879 as at June 30, 2013 has been made in these consolidated condensed interim financial information.

(Amounts in thousand)

11.1.2 During the period, the balance amount of an offshore Islamic Finance Facility Agreement of USD 150,000 with Citi Bank, Dubai Islamic Bank (DIB), Habib Bank Limited, National Bank of Pakistan, SAMBA Financial Group and Standard Chartered Bank has been reprofiled.

Further, the Subsidiary Company approached majority of the lenders for re-profiling of various finance facilities given the constrained operation due to gas curtailment. Initially, the Subsidiary Company proposed for a grace period of 2 to 2.5 years in the existing repayment schedule. Subsequently the Subsidiary Company offered step-up payments in the interim period of 2.5 years due to improved cash flow expectations after Enven conversion on Mari gas.

As at June 30, 2013, the Subsidiary Company has agreed with all the lenders for the re-profiling of its long term loans. Accordingly, current portion is based on the revised repayment schedule. Necessary documentation of DIB, Citi Bank and DFI consortium is in process. Furthermore, the consortium representing Islamic Finance Facility has agreed to convert 50% of the outstanding Islamic facility from USD into PKR. Principal terms of the re-profiling are as follows:

- Extension of loan tenor by 2.5 years with step up payments in the interim period;
- Amendment in financial covenants including a condition whereby dividend may be paid after repayment of 33% of the senior loans outstanding as at June 30, 2012;
- Implementation of cash sweep due to which all surplus cash over and above debt servicing, recurring Capex, alternate gas Capex and some pre-agreed cushion will be paid to lenders as prepayment of outstanding loan amount following the restoration of gas supply applicable from December 31, 2014 and until 25 % of the senior loans outstanding as at June 30, 2012 is repaid; and
- Gas supply from the long term allocation would start by July 2014.

11.1.3 As at June 30, 2013, all financial debt covenants have been complied with except for peak debt service coverage ratio mentioned in the IFC loan for which the Subsidiary Company will approach for relaxation.

11.2 Engro Polymer and Chemicals Limited (Subsidiary Company)

Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and syndicates of banks, the Subsidiary Company is required to comply with certain debt covenants. As at June 30, 2013, all debt covenants have been complied with except for current ratio and debt service coverage ratio. Waiver for current ratio deviation has been obtained from IFC, whereas, waiver has been applied with local syndicate for current ratio and debt service coverage ratio.

(Amounts in thousand)

## 12. DEFERRED TAXATION

12.1 During the period, the Sindh High Court, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the minimum tax paid cannot be carried forward in respect of the year where no tax has been paid on account of loss for the year. The Group's management, based on the opinion of its legal advisor, is of the view that the above order is not correct and would not be maintained by the Supreme Court, which they intend to approach, if required. Accordingly, the following subsidiary companies have continued to carry forward minimum tax paid in prior years, as follows:

	Unaudited June 30, 2013	Audited December 31, 2012
	------(Rupees)-----	
Engro Fertilizers Limited	360,413	153,505
Engro Polymer and Chemicals Limited	531,830	420,691
Engro Corporation Limited	1,535	1,535
	<u>893,778</u>	<u>575,731</u>

Further, Engro Foods Limited and Engro Eximp (Private) Limited, subsidiary companies, have adjusted the carried forward minimum tax amounting to Rs. 197,021 and Rs. 1,708 respectively, while computing the tax payable for the period and have also maintained the adjustment of carried forward minimum tax amounting to Rs. 409,945 and Nil respectively made in prior years.

12.2 As at June 20, 2013, deferred tax asset / liability on the deductible / taxable temporary differences has been recognized at the rate of 34%, being the rate substantively enacted at the balance sheet date and is expected to apply to the periods when the asset is realized or the liability is settled.

## 13. SHORT TERM BORROWINGS

13.1 Engro Fertilizers Limited (Subsidiary Company)

During the period, the Subsidiary Company paid off Rs. 790,000, the amount outstanding as at December 31, 2012 and acquired additional funds amounting to Rs. 500,000 of which no repayment has been made before June 30, 2013. Outstanding loan carries mark-up rate at 11.17% (December 31, 2012: 10.99%) per annum.

13.2 Engro Eximp (Private) Limited (Subsidiary Company)

13.2.1 Facilities for short term finances available from various banks, representing the aggregate sale price of mark-up arrangements, amounts to Rs. 6,800,000 (December 31, 2012: Rs. 7,500,000). The rate of mark-up on these finances ranged from 10.02 % to 11.86% per annum (December 31, 2012: 10.38 % to 11.99% per annum). The facilities are secured by floating charge on all present and future stocks including raw and packaging materials, finished goods, spares and other merchandise and on all present and future book debts of the Subsidiary Company.

13.2.2 During the period, the Subsidiary Company also obtained funds under FE-25 facility availed from HSBC as allowed by the State Bank of Pakistan (SBP) vide its circular F.E. 25 dated June 20, 1988. This facility carries mark-up at the rate of 1.4% per annum.

(Amounts in thousand)

13.3 Engro Polymer and Chemicals Limited (Subsidiary Company)

The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 1,400,000 (December 31, 2012: Rs.1,700,000). The corresponding purchase price is payable on various dates during the ensuing twelve months. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 1% to relevant period KIBOR plus 2.5% (December 31, 2012: relevant period KIBOR plus 1.0% to 2.5%). During the period, the mark-up rates, ranged from 10.54% to 12.02% per annum (December 31, 2012: 10.38% to 13.64% per annum). These facilities are secured by a floating charge over stocks and book debts of the Subsidiary Company.

14. PROVISIONS

Includes provision for Gas Infrastructure Development (GID) cess, under the Gas Infrastructure Development Cess Act, 2011 levied by the Government of Pakistan on gas bills at the rate of Rs. 13 per MMBTU on all industrial consumers. The Federal Government then revised GID cess rate from Rs. 13 per MMBTU to Rs. 50 per MMBTU by issuing notification under OGRA Ordinance 2002. Engro Polymer and Chemicals Limited (Subsidiary Company) therefore filed a Suit before the Honorable High Court of Sindh which granted an ad-interim stay on March 5, 2013 in favour of the Subsidiary Company. The Stay Order restrained the Sui Southern Gas Company Limited from charging any amount of GID cess over and above Rs. 13 per MMBTU till the final decision of this matter.

The Subsidiary Company is confident that the aforementioned matter will be decided in its favour, however, based on prudence, the Subsidiary Company has recorded a provision of Rs. 68,455 being the financial exposure of differential GID cess as at June 30, 2013.

15. CONTINGENCIES AND COMMITMENTS

Contingencies:

15.1 Corporate Guarantees issued by Engro Corporation Limited in favor of Subsidiary Companies:

	Unaudited June 30, 2013	Audited December 31, 2012
- Engro Fertilizers Limited	62,927,493	63,934,832
- Engro PowerGen Qadirpur Limited	998,000	971,000
- Engro PowerGen Limited	119,760	116,520
- Engro Foods Canada Limited	234,906	235,544
	<u>64,280,159</u>	<u>65,257,896</u>

15.2 Bank guarantees provided by:

- Engro Powergen Qadirpur Limited	2,496,126	1,596,126
- Engro Fertilizers Limited	1,059,119	1,052,364
- Engro Foods Limited	388,726	336,779
- Engro Eximp (Private) Limited	377,000	350,000
	<u>4,320,971</u>	<u>3,335,269</u>

(Amounts in thousand)

15.3 Engro Fertilizers Limited (Subsidiary Company)

15.3.1 The Subsidiary Company, along with other fertilizer companies, received a show cause notice from the Competition Commission of Pakistan (CCP) for initiating action under the Competition Act 2010 in relation to unreasonable increase in the price of fertilizer. The Subsidiary Company responded in detail that factors resulting in such increase were mainly the imposition of infrastructure cess, sales tax, inflation and gas curtailment. However, the CCP has issued an order in March 2013, whereby it has held that the Subsidiary Company enjoys a dominant position in the urea market and that it has abused this position by unreasonable increases of urea prices in the period from December 2010 to December 2011. The CCP has also held another fertilizer company to be responsible for abusing its dominant position. In addition, the CCP has imposed a penalty of Rs 3,140,000 and Rs 5,500,000 on the Subsidiary Company and that other fertilizer company respectively. The Subsidiary Company has challenged the decision in the High Court of Sindh which has stayed enforcement of the penalty. The Subsidiary Company has also filed an appeal before the Competition Appellate Tribunal, which is presently pending. The Subsidiary Company's management believes that the chances of ultimate success are very good, which has been confirmed by the legal advisor. Hence, no provision has been made in this consolidated condensed interim financial information.

15.3.2 The Subsidiary Company (along-with other fertilizer companies) has filed a writ in the Lahore High Court challenging the revised order of priority for supply of natural gas by the Ministry of Petroleum and Natural Resources under the Gas Management Policy 2013. Under the revised priority, the fertilizer sector has been put below the power sector and at par with general industry. The Petition seeks to ensure, inter alia, priority supply of Gas to the fertilizer industry over the CNG sector, and equal treatment with general industry, without prejudice to its challenge to the revised priority.

15.3.3 During the period, the Subsidiary Company has filed:

- a writ in the Lahore High Court seeking fair distribution of the agreed upon rota of gas supply between the 4 fertilizer plants on the SNGPL network. The Subsidiary Company has also prayed for making up the short falls in its 2012 rota share; and
- a suit against the Government of Pakistan and SNGPL in the Lahore High Court for the recovery of damages incurred as a result of SNGPL suspending / curtailing gas supply to the Subsidiary Company amounting to Rs. 61,410,000. This would be recognized as income upon realization thereof.

Commitments:

15.4 Capital expenditure contracted but not incurred by:

	Unaudited June 30, 2013	Audited December 31, 2012
- Engro Fertilizers Limited (note 15.4.1)	963,960	70,134
- Engro Eximp (Private) Limited	314,294	16,898
- Engro Foods Limited	1,728,478	2,139,539
	<u>3,006,732</u>	<u>2,226,571</u>

15.4.1 As referred to in note 1.1.1, consequent to the allocation of gas from dedicated fields and as per the terms of Gas Transportation Agreements, the Consortium is required to build the additional gas infrastructure at an estimated cost of USD 115,000. The Subsidiary Company's share in this cost is estimated at USD 48,000.



(Amounts in thousand)

	Unaudited June 30, 2013	Audited December 31, 2012
	------(Rupees)-----	
15.5 Letters of credit/contracts by:		
- Engro Foods Limited for purchase of commodities	679,434	181,420
- Engro Eximp (Private) Limited for import of fertilizers	36,138	113,719
- Engro Powergen Qadirpur Limited for senior lenders	792,533	778,897
	<u>1,508,105</u>	<u>1,074,036</u>

15.6 During the period, Elengy Terminal Pakistan Limited, a wholly owned subsidiary, submitted a bid bond of Rs. 102,000 to Sui Southern Gas Company Limited against participation in the LNG project bidding process. The Holding Company had secured the issuance of such bid bond through guarantee. However, subsequent to period end, the Holding Company through its letter dated July 24, 2013 has cancelled the aforementioned bid bond guarantee pursuant to meeting of the Economic Coordination Committee (ECC) held on June 27, 2013, whereby the bidding process was cancelled and request was made to the Ministry of Petroleum and Natural Resources (MPNR) by the ECC to come up with a new LNG project in the next ECC meeting for approval.

15.7 As at June 30, 2013, post-dated cheques amounting to Rs. 38,349 (December 31, 2012: Rs. 15,106) have been provided by Engro Foods Limited, Subsidiary Company, as collateral to customs authorities, in accordance with the procedures prescribed by the Government of Pakistan through notifications dated July 8, 2011 and August 1, 2011.

15.8 The aggregate facility for performance guarantees issued by banks on behalf of Engro Polymer and Chemicals Limited, Subsidiary Company, as at June 30, 2013 amounts to Rs. 1,598,000 (December 31, 2012: Rs. 1,598,000). The amount utilized thereagainst is Rs. 977,840 (December 31, 2012: Rs. 930,932).

## 16. TAXATION

### 16.1 Engro Fertilizers Limited (Subsidiary Company)

16.1.1 In 2012, the income tax department raised a demand of Rs. 1,481,709, subsequently rectified to Rs. 1,074,938, for the financial year 2010. The disallowances were mainly on account of initial allowance on capitalization which were later confirmed by the Commissioner Inland Revenue-Appeals (CIRA). The demand was subsequently reduced to Rs. 616,536 after application of rectifications from prior years amounting to Rs. 308,402 and payment of Rs. 150,000. In the current period, the Appellate Tribunal Inland Revenue (ATIR) has remanded back the issues of Group Relief (Rs. 450,000) and Inter-Corporate Dividend (Rs. 220,000) related to the financial year 2008 in favour of the Subsidiary Company. The Subsidiary Company intends to use the resulting refunds in offsetting the balance demand of the financial year 2010.

16.1.2 A prior year incremental current tax charge of Rs. 1,032,087 has been recognized in this consolidated condensed interim financial information consequent to the disallowance of initial allowance claimed in the financial year 2010. Further, a prior year deferred tax charge has been recognized representing adjustment resulting from the aforementioned disallowance of accelerated depreciation.

(Amounts in thousand)

### 16.2 Engro Foods Limited (Subsidiary Company)

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

The Subsidiary Company has been designated as part of the Group of Engro Corporation Limited by the Securities and Exchange Commission of Pakistan (SECP) through its letter dated February 26, 2010. Such designation was mandatory for availing Group tax relief under section 59B(2)(g) of the Ordinance and a requirement under the Group Companies Registration Regulations, 2008 (the Regulations) notified by the SECP on December 31, 2008.

The Appellate Tribunal, in respect of surrender of the aforementioned tax losses by the Subsidiary Company to the Holding Company for the years ended December 31, 2006 and 2007, decided the appeals in 2010 in favour of the Subsidiary Company, whereby, allowing the surrender of tax losses by the Subsidiary Company to the Holding Company. The tax department has filed reference application there against before the Sindh High Court, which is under the process of hearings. However, in any event, should the reference application be upheld and the losses are returned to the Subsidiary Company, it will only culminate into recognition of deferred income tax asset thereon with a corresponding liability to the Holding Company for refund of the consideration received. As such there will be no effect on the results of the Subsidiary Company.

During the period, the Appellate Tribunal also decided the similar appeal filed by the Holding Company for the year ended December 31, 2008 in favor of the Holding Company.

16.2.2 In 2010, the Commissioner Inland Revenue raised a demand of Rs. 337,386 for tax year 2008 by disallowing the provision for gratuity, advances and stock written-off, repair and maintenance, provision for bonus, sales promotion and advertisement expenses. Further, in the aforementioned order the consideration receivable from the Holding Company, on surrender of tax loss was added to income for the year. The Subsidiary Company had filed an appeal there against before the Commissioner Appeals. The Commissioner Appeals through his order dated September 16, 2011, has decided certain matters in favour of the Subsidiary Company whereby withdrawing the demand amounting to Rs. 222,357. The Subsidiary Company has filed an appeal at the Tribunal level for the remainder matters remanded back or decided against the Subsidiary Company. The tribunal through its order dated May 3, 2013, has decided the remaining matters in favour of the Subsidiary Company except for certain disallowances of advances and stock written-off amounting to Rs. 8,642. These disallowances will be claimed in tax year 2013 as significant time has lapsed, and no amount has been realized there against to date. Therefore, there will be no effect on the results of the Subsidiary Company.

### 16.3 Engro Polymer and Chemicals Limited (Subsidiary Company)

16.3.1 The Deputy Commissioner Inland Revenue (DCIR) through the order dated November 26, 2009 has raised a tax demand of Rs. 213,172 in respect of tax year 2008. The demand arose as a result of additions on account of trading liabilities of Rs. 47,582 under section 34(5) of the Income Tax Ordinance, 2001 (the Ordinance); disallowance of provision for retirement benefits of Rs. 5,899; adding imputed interest on loans to employees and executives of Rs. 16,069 to income; disallowing finance cost of Rs. 134,414 and not considering adjustment of minimum tax paid for tax years 2004 to 2007 against the above demand.

(Amounts in thousand)

The Subsidiary Company filed an appeal against the aforesaid order before the Commissioner Inland Revenue Appeals [CIR(A)], but discharged the entire demand through adjustment against assessed refunds of Rs. 180,768 and paying balance of Rs. 32,404 'under protest'.

During 2011, through appellate order, the CIR(A) maintained certain additions aggregating Rs. 189,810 including finance cost amounting to Rs. 134,414 and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period of tax years 2004 to 2007. An appeal against the said appellate order was filed by the Subsidiary Company before the Appellate Tribunal Inland Revenue (ATIR). The department also filed an appeal against the said appellate order challenging the actions of the CIR(A).

On May 24, 2013, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting Subsidiary Company's position except for additions on account of trading liabilities to the extent of Rs. 20,280 and minimum turnover tax for tax years 2004 and 2007 to the extent of Rs. 19,692 and Rs. 7,300 respectively, which were maintained.

The Subsidiary Company, based on the advice of its tax consultant, is in the process of filing a reference to the High Court of Sindh against the additions maintained by ATIR. The management of the Subsidiary Company is confident that the ultimate outcome of the aforementioned matters would be favorable and consequently has not recognized the effects for the same in the consolidated condensed interim financial information.

16.3.2 The DCIR through order dated November 30, 2010 has raised a tax demand of Rs. 163,206 in respect of tax year 2009. The demand arose as a result of disallowing finance cost of Rs. 457,282; additions to income of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance; disallowing provision for the retirement benefits of Rs. 14,239; disallowing provision against receivable of Special Excise Duty (SED) of Rs. 36,689; adding imputed interest on loans to employees and executives of Rs. 20,599 and not considering net loss as per the revised return.

The entire demand of Rs. 163,206 was adjusted against assessed tax refunds and an appeal was filed by the Subsidiary Company before the CIR(A).

In 2011, through an appellate order, the CIR(A) maintained certain additions aggregating to Rs. 493,971 including disallowance of finance cost amounting to Rs. 457,282 and remanded back the issue of imputed interest on loans to employees and executives. An appeal against the said appellate order was filed by the Subsidiary Company before the ATIR. The department also filed an appeal against the said appellate order challenging the action of CIR(A) deleting the addition on account of provision for retirement benefits.

On May 24, 2013, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting Subsidiary Company's position except for additions on account of SED provision of Rs. 36,689 and imputed interest on loans to employees and executives to the extent of Rs. 17,430, which were maintained.

The Subsidiary Company, based on the advice of its tax consultant, is in the process of filing a reference to the High Court of Sindh against the additions maintained by ATIR. The management of the Subsidiary Company is confident that the ultimate outcome of the aforementioned matters would be favorable and consequently has not recognized the effects for the same in the consolidated condensed interim financial information.

(Amounts in thousand)

#### 17. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

There is a dilutive effect on the basic earnings / (loss) per share of the Group, after taking effect of options granted on the Holding Company's shares to IFC, on the loan provided to Engro Fertilizers Limited. Such dilution is based on the average market price of the Holding Company's shares, which is higher than the respective exercise price of options granted to IFC.

	Quarter ended		Half Year ended	
	June 30, 2013	June 30, 2012 (Restated)	June 30, 2013	June 30, 2012 (Restated)
	(Rupees)			
The basic and dilutive earnings / (loss) per share is based on:				
Profit / (loss) after taxation (attributable to the owners of the Holding Company)	1,654,787	308,963	3,440,599	(340,494)
The information necessary to calculate basic and diluted earnings per share is as follows:				
Profit / (loss) for the period	1,654,787	308,963	3,440,599	(340,494)
Add: Interest on IFC loan of USD 15,000 (net of tax)	16,050	-	32,100	-
	<u>1,670,837</u>	<u>308,963</u>	<u>3,472,699</u>	<u>(340,494)</u>
	(Number in thousands)			
Weighted average number of ordinary shares	511,269	511,269	511,269	511,269
Add: Weighted average adjustment for assumed conversion of USD 15,000 IFC loan	12,321	-	12,321	-
Weighted average number of ordinary shares for determination of diluted EPS	<u>523,590</u>	<u>511,269</u>	<u>523,590</u>	<u>511,269</u>

As at June 30, 2012, there was no dilutive effect on the basic earnings per share of the Group since the average annual market share price of the Holding Company's share was less than the exercise price of the options granted on the Holding Company shares to IFC.

(Amounts in thousand)

## 18. CASH GENERATED FROM OPERATIONS

	Half year ended	
	June 30, 2013	June 30, 2012
	(Rupees)	
Profit before taxation	4,975,487	46,971
Adjustment for non-cash charges and other items:		
Depreciation and amortization	4,431,771	4,167,525
Loss / (profit) on disposal of property, plant and equipment and biological assets	4,802	(14,927)
Biological assets written-off	50,533	-
Provision for retirement and other service benefits	82,672	67,650
Income on deposits / other financial assets	(829,032)	(518,773)
Share of income from joint venture companies	(287,663)	(336,613)
Finance costs	6,845,342	7,658,999
Employees share compensation expense	45,092	(574)
Income arising on derecognition of discontinued operations	-	(251,872)
Exchange loss on foreign currency loans	290,672	327,843
Working capital changes (note 18.1)	1,316,075	(8,756,921)
	<u>16,925,751</u>	<u>2,389,308</u>
<b>18.1 Working capital changes</b>		
Decrease / (increase) in current assets		
- Stores spares and loose tools	(314,429)	(148,884)
- Stock-in-trade	1,628,617	(4,106,923)
- Trade debts	6,359,536	(3,846,141)
- Loans, advances, deposits and prepayments	(2,258,005)	(487,146)
- Other receivables (net)	1,296,799	874,345
	<u>6,712,518</u>	<u>(7,714,749)</u>
Decrease in current liabilities		
- Trade and other payables including other service benefits (net)	(5,396,443)	(1,042,172)
	<u>1,316,075</u>	<u>(8,756,921)</u>
<b>19. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	6,784,380	2,436,214
Short term investments	5,306,973	4,142,433
Short term borrowings	(3,847,009)	(10,481,060)
	<u>8,244,344</u>	<u>(3,902,413)</u>

(Amounts in thousand)

19.1 Cash and cash equivalent do not include the effect of short term sukuk amounting to Rs. 2,000,000 at the beginning of the period.

## 20. TRANSACTIONS WITH RELATED PARTIES

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

	Half year ended	
	June 30, 2013	June 30, 2012
	(Rupees)	
Associates and joint ventures		
Purchases and services	4,341,372	6,660,267
Services rendered / sale of goods	1,002,847	554,585
Retirement benefits	352,209	275,958
Dividends paid	-	335,161
Dividend received	315,000	832,500
Payment of interest on TFCs and repayment of principal amount	10,449	104,092
Donations	38,300	45,569
Investment in mutual funds and T-Bills	7,460,148	400,000
Redemption of investments in mutual funds and T-Bills	7,925,325	1,768,296
Key Management Personnel		
Remuneration paid to key management personnel / directors	293,107	265,482
Dividends paid	-	10,205
Balances due from Joint Venture	598	800

## 21. SEGMENT REPORTING

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

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

	Quarter ended		Half Year ended	
	June 30, 2013	June 30, 2012 (Restated)	June 30, 2013	June 30, 2012 (Restated)
	----- (Rupees) -----			
<b>Revenue</b>				
Fertilizer	15,249,679	13,497,169	26,733,701	18,543,868
Polymer	6,143,918	4,457,691	12,031,424	9,476,400
Food	11,235,350	9,603,160	22,289,977	19,775,264
Power	2,335,242	2,824,642	5,178,951	5,515,702
Other operations	608,810	19,852	640,111	34,224
Consolidated	<u>35,572,999</u>	<u>30,402,514</u>	<u>66,874,164</u>	<u>53,345,458</u>
<b>Profit / (loss) after taxation</b>				
Fertilizer	984,524	(280,524)	1,708,220	(1,727,326)
Polymer	162,452	(355,175)	425,326	59,084
Food	108,233	146,008	412,675	195,526
Power	452,539	512,043	1,032,006	1,065,024
Other operations	825,761	184,233	1,543,382	734,087
Elimination - net	(721,297)	41,304	(1,295,102)	(461,146)
Consolidated	<u>1,812,212</u>	<u>247,889</u>	<u>3,826,507</u>	<u>(134,751)</u>
			(Unaudited) June 30, 2013	(Audited) December 31, 2012 (Restated)
			----- (Rupees) -----	
<b>Assets</b>				
Fertilizer			108,853,767	108,185,285
Polymer			24,626,688	24,206,247
Food			26,716,234	27,915,038
Power			21,131,023	25,058,164
Other operations			36,365,838	34,435,646
Elimination - net			(34,667,627)	(30,176,316)
Consolidated			<u>183,025,923</u>	<u>189,624,064</u>

## 22. CORRESPONDING FIGURES

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.

For the purpose of implementation of revised IAS 19 - 'Employee Benefits', certain corresponding figures have been restated to reflect the retrospective changes required under the standard. The effect of other rearrangements and reclassifications are not material.

## 23. DATE OF AUTHORISATION FOR ISSUE

This consolidated condensed interim financial information is authorized for issue on August 22, 2013 by the Board of Directors of the Holding Company.



Hussain Dawood  
Chairman



Muhammad Aliuddin Ansari  
President and Chief Executive