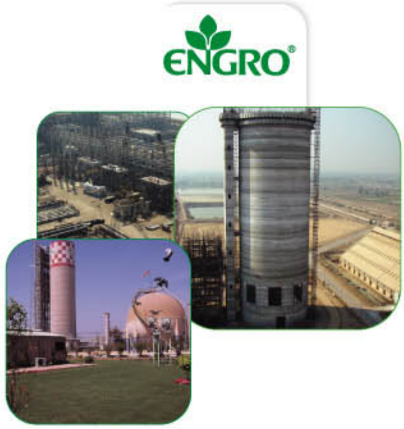
third quarter **2009** accounts



Energy for growth

ENGRO

ENGRO CHEMICAL PAKISTAN LIMITED

UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

ENGRO CHEMICAL PAKISTAN LIMITED

NINE MONTHS ENDED SEPTEMBER 30, 2009
REPORT TO THE SHAREHOLDERS
ENGRO CHEMICAL PAKISTAN LIMITED

On behalf of the Board of Directors of Engro Chemical Pakistan Limited, we are pleased to present the un-audited accounts for the nine months ended on September 30, 2009.

PAKISTAN FERTILIZER MARKET

The market demand for urea, during the nine months ended September 30, 2009 was 4.7 million tons, an increase of 18% over the same period last year (4.0 million tons). The increase is attributable to two major reasons, which are, better farm economics for wheat which led to increased sowing and sowing of BT cotton which requires greater application of urea over conventional cotton varieties. Domestic production at 3.74 million tons was almost the same as compared to 3.73 million tons during the same period last year.

International urea prices declined during the period. Current landed price of imported urea is approximately Rs. 1,323 per bag ($ 290/ton) as against the domestic price of Rs. 730 per bag. By keeping domestic prices substantially lower than international prices, the fertilizer industry provided benefit of approximately Rs. 31 billion to farmers.

Industry wide sale of Phosphatic fertilizers increased to 1.13 million tons as compared to 0.30 million tons for the same period last year. Industry demand remained high primarily due to the decrease in Phosphate prices.

COMPANY OPERATING PERFORMANCE

Urea sales were 673,000 tons, down by 15% for the same period last year due to higher inventories carried forward during first quarter of 2008 and lower production during the current period. Our plant produced 689,000 tons during the nine months ended September 30, 2009 against 740,000 tons during the same period last year as a result of a planned turnaround during the second quarter of 2009. This combined with Government's decision to distribute imported urea through National Fertilizer Marketing Limited, resulted in decline of our market share to 14% vs 20% last year.

The sale of company manufactured blended fertilizers (Zarkhez and Engro NP) was 72,500 tons vs 71,000 tons during same period last year. Reduction in sugar cane acreage and reduced availability of financing with sugar cane growers along with higher potash prices, caused a decrease in Zarkhez sales which reduced to 37,800 tons as compared to 54,000 tons during the same period last year. The Company however sold 34,700 tons of its Engro NP fertilizer vs 17,000 tons in the comparative period.

The Company's sale of imported phosphatic fertilizers, DAP and Zorawar, was 240,000 tons vs 54,000 tons for the same period last year as a result of higher market demand due to reduction in international market prices.

The net profit for the nine months ended September 30, 2009 was Rs. 2,599 million as compared to a net profit of Rs. 3,359 for the same period last year. The decrease in earnings is mainly attributable to lower margins on Zarkhez, lower dividend income partially offset by higher phosphate sales.

The urea expansion project at Daharki site, at 30th month of execution, is progressing satisfactorily.

NEAR TERM OUTLOOK

Urea demand is expected to remain robust in the backdrop of short supply sentiment which is expected to persist in the near term. However, urea imports have started coming in for Rabi to meet industry demand. Industry is however carrying enough inventories of Phosphatic fertilizers to cover Rabi demand.

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

Karachi
October 28, 2009

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

(AMOUNTS IN THOUSAND)

	Note	Unaudited September 30, 2009	Audited December 31, 2008
		Rupees	
EQUITY AND LIABILITIES			
Equity			
Share Capital			
Authorized 300,000,000 (2008: 300,000,000) Ordinary shares of Rs. 10 each		3,000,000	3,000,000
Issued, subscribed and paid up	5	2,979,426	2,128,161
Share premium		10,545,905	7,152,722
Employee share option compensation reserve	6	292,209	305,052
Hedging reserve	7	(693,135)	2,157,769
General reserve		4,429,240	4,429,240
Unappropriated profit		8,489,050	6,911,124
		23,063,269	20,955,907
		26,042,695	23,084,068
Non Current Liabilities			
Long term finances	8	51,821,449	27,756,714
Derivatives		918,040	918,050
Deferred taxation	9	1,647,565	2,412,757
Employee housing subsidy		199,286	73,319
Retirement and other service benefits		41,052	44,265
		54,627,392	31,205,105
Current Liabilities			
Current portion of:			
- long term finances	8	526,600	76,600
- other service benefits		20,600	18,334
Short term borrowings	10	558,006	1,711,275
Trade and other payables including derivatives	11	3,468,464	3,874,824
Unclaimed dividends		227,782	318,320
		4,801,452	5,999,353
Contingencies and Commitments	12		
TOTAL EQUITY AND LIABILITIES		85,471,539	60,288,526

(AMOUNTS IN THOUSAND)

	Note	Unaudited September 30, 2009	Audited December 31, 2008
		Rupees	
ASSETS			
Non Current Assets			
Property, plant and equipment	13	65,124,022	33,395,762
Intangible assets		123,664	122,858
Long term investments	14	11,622,857	11,091,857
Deferred employee compensation expense	6.1	23,753	96,078
Long term loans, advances and other receivables including derivatives		569,459	258,813
		77,463,755	44,965,368
Current Assets			
Stores, spares and loose tools		1,041,608	957,241
Stock-in-trade	15	1,208,189	4,680,896
Trade debts	16	1,278,773	261,508
Deferred employee compensation expense-current portion	6.1	90,038	93,213
Loans, advances, deposits and prepayments		713,922	1,899,124
Other receivables including derivatives	17	375,052	5,057,581
Taxation		858,411	618,746
Short term investments		2,224,172	67,811
Cash and bank balances		217,619	1,687,038
		8,007,784	15,323,158
TOTAL ASSETS		85,471,539	60,288,526

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

(AMOUNTS IN THOUSAND EXCEPT FOR EARNINGS PER SHARE)

	Note	3 months ended September 30, 2009	3 months ended September 30, 2008	9 months ended September 30, 2009	9 months ended September 30, 2008
		Rupees			
Net sales		10,142,656	5,857,711	20,850,210	14,681,956
Cost of sales	18	(8,191,819)	(4,050,053)	(15,951,610)	(9,527,379)
GROSS PROFIT		1,950,837	1,807,658	4,898,600	5,154,577
Selling and distribution expenses	19	(563,159)	(402,133)	(1,314,213)	(1,061,900)
		1,387,678	1,405,525	3,584,387	4,092,677
Other income		901,487	1,368,121	1,158,661	1,612,181
		2,289,165	2,773,646	4,743,048	5,704,858
Finance cost		(196,903)	(575,191)	(980,865)	(961,112)
Other operating charges		(1,243)	(1,600)	(6,969)	(7,184)
Workers' welfare fund		(39,729)	(41,741)	(71,349)	(89,995)
Workers' profits participation fund		(104,551)	(109,843)	(187,761)	(236,828)
		(342,426)	(728,375)	(1,246,944)	(1,295,119)
PROFIT BEFORE TAXATION		1,946,739	2,045,271	3,496,104	4,409,739
Taxation	20				
- Current		(57,463)	(198,920)	(126,751)	(838,780)
- Deferred		(333,411)	(43,396)	(769,910)	(211,609)
		(390,874)	(242,316)	(896,661)	(1,050,389)
PROFIT AFTER TAXATION		1,555,865	1,802,955	2,599,443	3,359,350
			(Restated)		(Restated)
Earnings per share - basic and diluted	21	5.22	6.98	9.44	13.45

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

(AMOUNTS IN THOUSAND)

	Note	3 months ended September 30, 2009	3 months ended September 30, 2008	9 months ended September 30, 2009	9 months ended September 30, 2008
		Rupees			
PROFIT AFTER TAXATION		1,555,865	1,802,955	2,599,443	3,359,350
Other comprehensive income					
Hedging reserve		(806,488)	(440,046)	(4,386,006)	1,087,855
Income tax relating to hedging reserve		282,271	154,016	1,535,102	(380,749)
Other comprehensive income for the period-net of tax		(524,217)	(286,030)	(2,850,904)	707,106
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,031,648	1,516,925	(251,461)	4,066,456

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

(AMOUNTS IN THOUSAND)

	Share capital	Share premium	Employee share option compensation reserve	Hedging reserve	General reserve	Unappropriated profit	Total
	Rupees						
Balance as at January 1, 2008 (audited)	1,934,692	3,963,977	272,990	1,037,386	4,429,240	4,102,366	15,740,651
Final dividend for the year ended December 31, 2007 @ Rs. 3.00 per share	-	-	-	-	-	(580,408)	(580,408)
1st interim dividend for 2008 @ Rs. 2.00 per share	-	-	-	-	-	(425,632)	(425,632)
Effect of changes in number of share options issued	-	-	20,215	-	-	-	20,215
Shares issued during the period in the ratio of 1 for every 10 shares @ Rs.175 per share (including share premium net of share issue cost)	193,469	3,188,745	-	-	-	-	3,382,214
Total comprehensive income for the nine months ended September 30, 2008	-	-	-	707,106	-	3,359,350	4,066,456
Balance as at September 30, 2008 (unaudited)	2,128,161	7,152,722	293,205	1,744,492	4,429,240	6,455,676	22,203,496
2nd interim dividend for 2008 @ Rs. 2.00 per share	-	-	-	-	-	(425,632)	(425,632)
Effect of changes in number of share options issued	-	-	11,847	-	-	-	11,847
Total comprehensive income for the the three months ended December 31, 2008	-	-	-	413,277	-	881,080	1,294,357
Balance as at December 31, 2008 (audited)	2,128,161	7,152,722	305,052	2,157,769	4,429,240	6,911,124	23,084,068
Final dividend for the year ended December 31, 2008 @ Rs. 2.00 per share	-	-	-	-	-	(425,632)	(425,632)
1st interim dividend for 2009 @ Rs. 2.00 per share	-	-	-	-	-	(595,885)	(595,885)
Shares issued during the period in the ratio of 4 for every 10 shares @ Rs. 50 per share (including share premium net of share issue cost)	851,265	3,393,183	-	-	-	-	4,244,448
Effect of changes in number of share options issued	-	-	(12,843)	-	-	-	(12,843)
Total comprehensive income for the nine months ended September 30, 2009	-	-	-	(2,850,904)	-	2,599,443	(251,461)
Balance as at September 30, 2009 (unaudited)	2,979,426	10,545,905	292,209	(693,135)	4,429,240	8,489,050	26,042,695

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

(AMOUNTS IN THOUSAND)

	Note	9 months ended September 30, 2009	9 months ended September 30, 2008
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(utilized in) operations	22	7,714,277	(4,521,882)
Retirement & other service benefits paid		(107,890)	(83,216)
Taxes paid		(366,416)	(171,884)
Payment to Engro Foods Limited for acquisition of tax losses (note 20.1)		(450,000)	-
Long term loans and advances-net		(350,636)	(89,122)
Net cash inflow/(outflow) from operating activities		6,439,335	(4,866,104)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(32,216,059)	(13,533,533)
Sale proceeds on disposal of property, plant and equipment		48,631	83,690
Investment in subsidiary companies		(531,000)	(2,976,375)
Income on deposits/other financial assets		21,541	37,836
Dividends received		1,175,000	1,515,396
Net cash outflow from investing activities		(31,501,887)	(14,872,986)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term finances		(800)	(1,300,800)
Proceeds from issue of share capital-net		4,244,447	3,382,215
Payment of finance cost		(744,364)	(859,653)
Proceeds from long term finances		24,515,535	7,532,475
Dividends paid		(1,112,055)	(1,106,164)
Net cash inflow from financing activities		26,902,763	7,648,073
Net increase/(decrease) in cash and cash equivalents		1,840,211	(12,091,017)
Cash and cash equivalents at beginning of the period		43,574	7,771,472
Cash and cash equivalents at end of the period	23	1,883,785	(4,319,545)

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

(AMOUNTS IN THOUSAND)

1. LEGAL STATUS AND OPERATIONS

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

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

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

The Company and Engro Fertilizers Limited have filed a joint petition in the High Court of Sindh at Karachi to obtain the Court's sanction for the Scheme. All the long and short term creditors of the Company have provided their NOC to the Scheme inter alia in consideration of corporate guarantees provided by the Company for all its finance facilities, which facilities will be transferred to Engro Fertilizers Limited upon implementation of the Scheme.

2. BASIS FOR PREPARATION

This unconsolidated condensed interim financial information is unaudited and has been prepared and is being submitted to the shareholders in accordance with section 245 of the Companies Ordinance, 1984 and International Accounting Standard 34 - 'Interim Financial Reporting'. This unconsolidated condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2008.

3. ACCOUNTING POLICIES

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

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

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

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

(AMOUNTS IN THOUSAND)

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

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

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

3.3 The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning January 01, 2009, but are not currently relevant to the Company:

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

4. ACCOUNTING ESTIMATES

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

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

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

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

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

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

(AMOUNTS IN THOUSAND)

6. EMPLOYEE SHARE OPTION COMPENSATION RESERVE

	Unaudited September 30, 2009	Audited December 31, 2008
	Rupees	
Balance as at January 1,	305,052	272,990
Options issued during the period/year	-	37,989
Options lapsed due to employee resignation	(12,843)	(5,927)
Balance at end of the period/year	292,209	305,052

6.1 DEFERRED EMPLOYEE COMPENSATION EXPENSE

	Unaudited September 30, 2009	Audited December 31, 2008
Balance as at January 1,	189,291	244,066
Options issued during the period/year	-	37,989
Options lapsed due to employee resignation	(12,843)	(5,927)
Amortisation for the period/year	(62,657)	(86,837)
Balance at end of the period/year	113,791	189,291
Current portion shown under current assets	(90,038)	(93,213)
Long term portion of deferred employee compensation expense	23,753	96,078

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

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

	Unaudited September 30, 2009	Audited December 31, 2008
	Numbers	
Balance as at January 1,	4,631,818	4,145,000
Options issued during the period/year	-	576,818
Options lapsed during the period/year	(195,000)	(90,000)
Balance at end of the period/year	4,436,818	4,631,818

7. HEDGING RESERVE

	Unaudited September 30, 2009	Audited December 31, 2008
	Rupees	
Fair values of:		
- Foreign exchange forward contracts (note 7.2 & 7.3)	104,231	4,297,960
- Foreign exchange option contracts	-	347,446
- Interest rate SWAPs (note 7.4)	(918,040)	(1,073,210)
	(813,809)	3,572,196
Arrangement fee	(164,159)	(164,159)
Deferred tax	284,833	(1,250,268)
	(693,135)	2,157,769

(AMOUNTS IN THOUSAND)

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

7.2 The Company entered into various forward exchange contracts to hedge its foreign currency exposure. As at September 30, 2009, the Company had forward exchange contracts to purchase Euros 31,459 (December 31, 2008: Euros 130,505) at various maturity dates matching the anticipated payment dates for commitments with respect to urea expansion project. The fair value of these contracts as at September 30, 2009 amounted to Rs. 187,978 (December 31, 2008: Rs. 3,838,549).

7.3 The Company entered in various USD:PKR forward contracts to hedge its foreign currency exposure. As at September 30, 2009, the Company had forward contracts to purchase USD 85,000 (December 31, 2008: USD 159,027) at various maturity dates matching the anticipated payment dates for commitments with respect to urea expansion project. The fair value of these contracts as at September 30, 2009 is negative and amounted to Rs. 83,747 (December 31, 2008: Rs. 459,411).

7.4 The Company entered into an interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing under an Offshore Islamic Finance Facility agreement, for a notional amount of USD 150,000 amortising up to September 2014. Under the swap agreement, the Company would receive USD-LIBOR from Citibank N.A Pakistan on notional amount and pay fixed 3.47% which will be settled semi-annually. The fair value of the interest rate swap as at September 30, 2009 is negative and amounted to Rs. 512,598 (December 31, 2008: Rs. 648,277).

The Company entered into another interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing from a consortium of Development Finance Institutions for a notional amount of USD 85,000 amortising upto April 2016. Under the swap agreement, the Company would receive USD-LIBOR from Standard Chartered Bank on notional amount and pay fixed 3.73% which will be settled semi-annually. The fair value of the interest rate swap as at September 30, 2009 is negative and amounted to Rs. 405,442 (December 31, 2008: Rs. 424,933).

8. LONG TERM FINANCES

	Unaudited September 30, 2009	Audited December 31, 2008
	Rupees	
Balance as at January 1,	27,833,314	16,722,520
Loans availed during the period/year-net of transaction cost (note 8.1)	24,515,535	12,412,394
	52,348,849	29,134,914
Repayments during the period/year	(800)	(1,301,600)
	52,348,049	27,833,314
Current portion shown under current liabilities	(526,600)	(76,600)
Balance at end of the period/year	51,821,449	27,756,714

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

The maturity of these facilities range from 7 to 9 years and mark-up is 1.10% to 2.35% over six month KIBOR for Rupee facilities and 2.57% to 2.60% over six month LIBOR for USD facilities. These facilities, excluding the Privately Placed TFCs (PPTFCs), are secured by equitable mortgage upon immovable assets located at Daharki and hypothecation charge on fixed assets of the Company. The PPTFCs are secured by a subordinated floating charge over all present and future fixed assets excluding land and buildings.

(AMOUNTS IN THOUSAND)

9. DEFERRED TAXATION

Credit/(debit) balances arising on account of:

	Unaudited September 30, 2009	Audited December 31, 2008
	Rupees	
- Accelerated depreciation allowance	1,096,374	1,129,211
- Net borrowing costs capitalised	1,536,499	518,571
- Fair value of hedging instruments	(394,273)	1,140,829
- Taxable loss for the period	(443,283)	-
- Recoupable minimum tax	(104,251)	-
- Provision for:		
- retirement benefits	(21,578)	(21,910)
- inventories, slow moving stores and spares and doubtful receivables	(21,923)	(314,188)
- others	-	(39,756)
	1,647,565	2,412,757

10. SHORT TERM BORROWINGS

The facility for short term finance available from various banks amounts to Rs. 7,150,000 (December 31, 2008: Rs. 6,750,000), including Rs. 200,000 (December 31, 2008: Rs. 200,000) for Bank Guarantees interchangeable with short term finance. The rates of markup ranges from 12.39% to 17.75% (December 31, 2008: 10.40 % to 17.30%) and the facilities are secured by floating charge upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts of the Company.

11. TRADE AND OTHER PAYABLES INCLUDING DERIVATIVES

	Unaudited September 30, 2009	Audited December 31, 2008
	Rupees	
Creditors (note 11.1)	526,533	390,717
Payable to Engro Foods Limited (a subsidiary company) for taxable losses acquired (note 20)	-	450,000
Accrued liabilities	378,194	727,165
Advances from customers	980,802	1,063,530
Current portion of fair value of derivatives	83,747	155,160
Financial charges accrued on secured		
- long term finances	1,000,459	660,387
- short term borrowings	40,432	144,003
Deposits from dealers refundable on termination of dealership	10,888	10,553
Contractors' deposits and retentions	54,154	29,513
Workers' profit participation fund	181,075	-
Workers' welfare fund	71,349	106,216
Others	140,831	137,580
	3,468,464	3,874,824

11.1 This includes payable of Rs. 11,383 (December 31, 2008: Rs. 7,507) to Engro Eximp (Private) Limited (a wholly owned subsidiary) on account of purchased products.

12. CONTINGENCIES AND COMMITMENTS

Contingencies

12.1 Claims, including pending lawsuits, against the Company not acknowledged as debts amounted to Rs. 47,658 (December 31, 2008: Rs. 27,911).

(AMOUNTS IN THOUSAND)

12.2 Corporate guarantees of Rs. 317,635 (December 31, 2008: Rs. 500,600) have been issued in favor of subsidiary companies.

12.3 Bank guarantees of Rs. 1,251,176 (December 31, 2008: Rs. 141,126) have been issued in favor of third parties.

12.4 The Company is contesting the penalty of Rs. 99,936 (December 31, 2008: Rs. 99,936) paid and expensed in 1997, imposed by the State Bank of Pakistan (SBP) for alleged late payment of foreign exchange risk cover fee on long term loans and has filed a suit in the High Court of Sindh. A partial refund of Rs. 62,618 was, however, recovered in 1999 from SBP and the recovery of the balance amount is dependent on the Court's decision.

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

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

		Unaudited September 30, 2009	Audited December 31, 2008
	Commitments	Rupees	
12.7	Plant and machinery	3,656,487	26,846,940
12.8	Employee housing subsidy scheme	156,453	214,362

13. PROPERTY, PLANT AND EQUIPMENT

Operating assets, at net book value (notes 13.1 & 13.2)	5,359,831	5,689,276
Capital work-in-progress (note 13.3)	59,764,191	27,706,486
	65,124,022	33,395,762

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

Freehold land	-	60,046
Freehold building	2,213	11,374
Leasehold building	3,382	278
Plant & Machinery	35,682	67,516
Furniture, fixture and equipment	44,240	100,021
Vehicles-owned	99,706	134,384
	185,223	373,619

13.2 During the period/year, assets costing Rs. 87,148 (December 31, 2008: Rs. 30,815), having a net book value of Rs. 22,913 (December 31, 2008: Rs. 18,424) were disposed off for Rs. 48,631 (December 31, 2008: Rs. 87,728).

13.3 **Capital work-in-progress**	Unaudited September 30, 2009	Audited December 31, 2008
	Rupees	
Plant and machinery	52,153,493	23,224,494
Building and civil works	7,416,459	3,715,574
Furniture, fixture and equipment	171,768	122,979
Advances to suppliers	22,471	643,439
	59,764,191	27,706,486

(AMOUNTS IN THOUSAND)

13.3.1 Capital work-in-progress includes net borrowing costs capitalized amounting to Rs. 4,389,998 (December 31, 2008: Rs. 1,481,633).

13.3.2 Capital work-in-progress includes Rs. 51,484,343 (December 31, 2008: Rs. 23,064,182) and Rs. 7,377,075 (December 31, 2008: Rs. 3,689,805) with respect to urea expansion project for plant & machinery and building & civil works respectively. The planned expansion project will cost an approximate USD 1,050,000 and will have a capacity of 1.3 million tons of urea per annum.

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

14. LONG TERM INVESTMENTS

	Equity % Held	Unaudited September 30, 2009	Audited December 31, 2008
		Rupees	
Subsidiaries - at cost			
Quoted			
Engro Polymer & Chemicals Limited	56.19%	2,847,200	2,847,200
Unquoted			
Engro Eximp (Private) Limited	100%	100	100
Engro Management Services (Private) Limited	100%	2,500	2,500
Avanceon Limited	62.67%	381,957	381,957
Engro Foods Limited	100%		
- Paid up share capital		4,350,000	4,300,000
- Advance against issue of share capital		500,000	50,000
Engro Energy Limited	95%	3,040,000	3,040,000
Engro Powergen (Private) Limited	100%		
- Paid up share capital		15,000	-
- Advance against issue of share capital		31,100	15,100
Engro Fertilizers Limited (note 14.1)	100%	-	-
		11,167,857	10,636,857
Joint Ventures - at cost			
Engro Vopak Terminal Limited	50%	450,000	450,000
Others - at cost			
Arabian Sea Country Club Limited		5,000	5,000
Agrimall (Private) Limited (note 14.2)		-	-
		11,622,857	11,091,857

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

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

(AMOUNTS IN THOUSAND)

15. STOCK-IN-TRADE

		Unaudited September 30, 2009	Audited December 31, 2008
		Rupees	
Raw materials (note 15.1)		455,497	1,091,555
Packing material		41,329	51,279
		496,826	1,142,834
Work-in-process		14,261	9,027
Finished goods	- own manufactured product	264,646	396,198
	- purchased product (note 15.1)	432,456	3,132,837
		697,102	3,529,035
		1,208,189	4,680,896

15.1 These include provision for writedown of inventories of raw materials and finished goods to net realisable value amounting to Rs. 46,817 (December 31, 2008: Rs. 276,022) and Rs. 787 (December 31, 2008: Rs. 578,350) respectively.

16. TRADE DEBTS

	Unaudited September 30, 2009	Audited December 31, 2008
	Rupees	
Considered good		
- Secured	1,155,303	243,546
- Unsecured	123,470	17,962
	1,278,773	261,508
Considered doubtful	8,272	8,059
	1,287,045	269,567
Provision for doubtful debts	(8,272)	(8,059)
	1,278,773	261,508

17. OTHER RECEIVABLES INCLUDING DERIVATIVES

17.1 Other receivables include Rs. 187,978 (December 31, 2008 : Rs. 4,257,967) as fair value of foreign exchange forward contracts.

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

(AMOUNTS IN THOUSAND)

18. COST OF SALES

	3 months ended September 30, 2009	3 months ended September 30, 2008	9 months ended September 30, 2009	9 months ended September 30, 2008
	Rupees			
Raw materials consumed	985,464	936,894	2,646,061	2,855,115
Salaries, wages and staff welfare	243,704	231,200	744,490	590,515
Fuel and power	778,405	753,059	2,226,008	1,824,900
Repairs and maintenance	56,915	50,216	430,760	255,640
Depreciation/amortization	154,240	151,078	463,905	452,532
Consumable stores	43,910	49,338	130,340	124,775
Staff recruitment, training, safety and other expenses	16,176	18,199	42,415	46,109
Purchased services	30,317	48,663	100,986	121,518
Travel	6,462	11,629	29,839	39,080
Communication, stationery and other office expenses	7,549	11,781	21,818	24,668
Insurance	35,927	14,328	101,289	43,615
Rent, rates and taxes	11,101	29,907	37,665	43,346
Other expenses	4,100	7,819	11,623	21,377
Manufacturing cost	2,374,270	2,314,111	6,987,199	6,443,190
Opening stock of work-in-process	10,444	14,024	9,027	7,952
Closing stock of work-in-process	(14,261)	(6,430)	(14,261)	(6,430)
	(3,817)	7,594	(5,234)	1,522
Cost of goods manufactured	2,370,453	2,321,705	6,981,965	6,444,712
Opening stock of finished goods manufactured	463,423	443,775	396,198	397,129
Closing stock of finished goods manufactured	(264,646)	(364,943)	(264,646)	(364,943)
	198,777	78,832	131,552	32,186
Cost of goods sold				
- own manufactured product	2,569,230	2,400,537	7,113,517	6,476,898
- purchased product	5,622,589	1,649,516	8,838,093	3,050,481
	8,191,819	4,050,053	15,951,610	9,527,379

(AMOUNTS IN THOUSAND)

19. SELLING AND DISTRIBUTION EXPENSES	3 months ended September 30, 2009	3 months ended September 30, 2008	9 months ended September 30, 2009	9 months ended September 30, 2008
	Rupees			
Salaries, wages and staff welfare	97,289	96,027	268,768	223,962
Staff recruitment, training, safety and other expenses	6,508	9,349	26,503	34,978
Product transportation and handling	381,504	177,142	792,572	533,985
Repairs and maintenance	2,870	9,766	7,994	21,394
Advertising and sales promotion	8,658	23,956	34,428	40,129
Rent, rates and taxes	27,488	40,229	70,407	83,231
Communication, stationery and other office expenses	4,108	6,338	13,250	16,354
Travel	6,164	9,057	20,247	30,271
Depreciation/amortization	10,893	9,023	32,286	24,389
Purchased services	4,048	3,999	8,833	7,806
Donations	10,309	8,189	20,547	20,494
Other expenses	3,320	9,058	18,378	24,907
	563,159	402,133	1,314,213	1,061,900

20. TAXATION

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

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

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

The Company has also acquired equivalent tax effect of tax year 2009's partial losses of EFL amounting to Rs. 450,000 in its tax return for tax year 2009 and accordingly has paid an amount of Rs. 450,000 to EFL.

(AMOUNTS IN THOUSAND)

20.2 The Company has filed tax returns up to income year 2008. All assessments up to income year 2002 have been finalized by the Department and appealed against.

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

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

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

For income years 2003 - 2008 income tax returns have been filed under self assessment scheme by the Company.

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

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

21. EARNINGS PER SHARE - BASIC AND DILUTED

	3 months ended September 30, 2009	3 months ended September 30, 2008	9 months ended September 30, 2009	9 months ended September 30, 2008
	Rupees			
Profit after taxation	1,555,865	1,802,955	2,599,443	3,359,350
		(Restated)		(Restated)
Weighted average number of ordinary shares (In thousand)	297,943	258,488	275,449	249,817

The shares issued under employee share option scheme may have a potential dilutive impact on basic earnings per share in future periods.

(AMOUNTS IN THOUSAND)

22. CASH GENERATED FROM/(UTILIZED IN) OPERATIONS

	9 months ended September 30, 2009	6 months ended September 30, 2008
	Rupees	
Profit before taxation	3,496,104	4,409,739
Adjustment for non-cash charges and other items:		
Depreciation/amortization	496,191	476,921
Profit on disposal of property, plant and equipments	(25,718)	(68,808)
Provision for retirement and other service benefits	106,943	88,240
Income on deposits/other financial assets	(24,178)	(5,659)
Employee share option compensation expense	50,221	49,987
Employee housing subsidy expense	104,197	34,670
Dividend Income	(1,085,000)	(1,515,396)
Financial charges	980,865	930,653
Working capital changes (note 22.1)	3,614,652	(8,922,229)
	7,714,277	(4,521,882)

22.1 *Working capital changes*

(Increase)/decrease in current assets		
Stores spares and loose tools	(84,367)	(122,364)
Stock-in-trade	3,472,707	(8,637,314)
Trade debts	(1,017,265)	697,164
Loans, advances, deposits and prepayments	1,185,202	(206,988)
Other receivables-net	179,823	(178,236)
	3,736,100	(8,447,738)
Decrease in current liabilities		
Trade and other payable including other service benefits-net	(121,448)	(474,491)
	3,614,652	(8,922,229)

23. CASH AND CASH EQUIVALENTS

Cash and bank balances	217,619	179,567
Short term investments	2,224,172	76,700
Short term borrowings	(558,006)	(4,575,812)
	1,883,785	(4,319,545)

(AMOUNTS IN THOUSAND)

24. TRANSACTIONS WITH RELATED PARTIES

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

	9 months ended September 30, 2009	9 months ended September 30, 2008
	Rupees	
Subsidiaries		
Services rendered	55,922	18,245
Purchases and services	7,749,889	9,070,524
Long term investments made	531,000	2,976,375
Markup from subsidiaries	73,135	16,516
Disbursement of loan	741,318	-
Repayment of loan	1,100,000	-
Dividends received	860,000	1,357,896
Rent	17,646	-
Associates		
Purchases and services	1,126,733	4,069,104
Retirement benefits	103,134	82,307
Dividends paid	426,516	420,054
Payment of interest on TFCs and repayment of principal amount	4,984	-
Right shares issued (including share premium)	1,777,152	1,413,643
Joint Ventures		
Services rendered	1,830	584
Purchases and services	-	29,398
Dividend received	315,000	157,500
Others		
Remuneration paid to key management personnel/directors	128,028	98,910
Dividends paid	39,727	13,411
Right shares issued (including share premium)	314,732	26,889

	Unaudited September 30, 2009	Audited December 31, 2008
	Rupees	
Balances due from		
- Subsidiaries [including subordinated loan of Rs. 500,000 (December 31, 2008: Rs. 1,100,000) to Engro Eximp (Private) Limited & Rs. 241,318 (December 31, 2008: Nil) to Avanceon Limited]	783,353	1,107,848
- Joint Ventures [includes dividend receivable of Rs. Nil (December 31, 2008: Rs. 90,000) from Engro Vopak Terminal Limited]	1,120	90,252

(AMOUNTS IN THOUSAND)

25. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on October 28, 2009 has approved a second interim cash dividend of Rs. 2 per share for the year ending December 31, 2009 amounting to Rs. 595,885 (December 31, 2008: Rs. 2 per share final cash dividend and 40% right shares at Rs. 50). This unconsolidated condensed interim financial information does not reflect the dividend payable.

26. SEASONALITY

The Company's fertilizer business is subject to seasonal fluctuations as a result of two different farming seasons viz, Rabi (from October to March) and Kharif (from April to September). On an average urea and phosphates fertilizers sales are more tilted towards Rabi season. The Company manages seasonality in the business through appropriate inventory management.

27. DATE OF AUTHORIZATION FOR ISSUE

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

28. CORRESPONDING FIGURES

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

ENGRO

ENGRO CHEMICAL PAKISTAN LIMITED
AND ITS SUBSIDIARY COMPANIES

NINE MONTHS ENDED SEPTEMBER 30, 2009
REPORT TO THE SHAREHOLDERS
ENGRO CHEMICAL PAKISTAN LIMITED AND
ITS SUBSIDIARY COMPANIES

On behalf of the Board of Directors of Engro Chemical Pakistan Limited, we are pleased to present the un-audited group consolidated accounts for the nine months ended September 30, 2009 comprising of:

Holding Company

Engro Chemical Pakistan Limited

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

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

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

The consolidated net profit for the nine months ended September 30, 2009 was Rs. 2,704 million as compared to Rs. 3,161 million for the same period last year. The primary reason for variation is decreased profitability of Fertilizer and Polymer business.

Engro Chemical Pakistan Limited recorded net profit of Rs. 2,599 million for the nine months ended September 30, 2009 compared to Rs. 3,359 million in the corresponding period last year. The decrease in earnings is mainly attributable to lower margins on Zarkhez, lower dividend income partially offset by higher phosphate sales. Our share of earnings at Engro Vopak for the nine months ended September 30, 2009 was Rs. 317 million. Comparative share for the same period last year was Rs. 155 million.

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

Engro Polymer & Chemicals Limited revenue during the nine months period ended September 30, 2009 was Rs. 8,185 million as against Rs. 6,536 million for the same period last year. It posted a net loss of Rs. 19 million versus profit of Rs. 589 million in the same period last year.

Engro Eximp (Private) Limited is a wholly owned subsidiary of Engro Chemical Pakistan Limited. During the nine months period ended September 30, 2009, it posted net profit of Rs. 961 million as compared to profit of Rs. 3,209 million for the same period last year.

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

Engro Foods Limited turnover during the nine months ended September 30, 2009 was Rs. 10,582 million versus Rs. 5,661 million in the same period last year, an increase of 87%. Engro Foods Limited incurred a loss of Rs. 391 million in the nine months period ended September 30, 2009 as compared to Rs. 544 million during the same period last year.

Engro Energy Limited posted net profit of Rs. 146 million during the nine months period ended September 30, 2009, as compared to Rs. 4.5 million during the same period last year.

Avanceon Limited revenue during the nine months period ended September 30, 2009 was Rs. 943 million as compared to Rs. 1,248 million during the same period last year. It incurred net loss of Rs. 119 million as against Rs. 128 million.

Engro Powergen (Private) Limited was incorporated during the period ended September 30, 2008. Loss for the nine months ended September 30, 2009 was Rs. 31 million.

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

Engro Vopak Terminal Limited is our 50% owned joint venture. Our share of profit for the period ended September 30, 2009 was Rs. 317 million versus Rs. 155 million during the same period last year.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

Karachi
October 28, 2009

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

(AMOUNTS IN THOUSAND)

	Note	Unaudited September 30, 2009	Audited December 31, 2008
		Rupees	
EQUITY AND LIABILITIES			
Equity			
Share Capital			
Authorized 300,000,000 (2008: 300,000,000) Ordinary shares of Rs. 10 each		3,000,000	3,000,000
Issued, subscribed and paid up	5	2,979,426	2,128,161
Share premium		10,545,905	7,152,722
Employee share option compensation reserve	6	322,472	327,020
Hedging reserve	7	(718,577)	2,135,799
Revaluation reserve on business combination		117,451	125,102
General reserve		4,429,240	4,429,240
Unappropriated profit		7,837,001	6,166,472
		22,533,492	20,336,355
		25,512,918	22,464,516
MINORITY INTEREST		3,044,932	3,113,677
		28,557,850	25,578,193
Non Current Liabilities			
Long term finances	8	78,212,377	40,738,824
Derivatives		987,699	978,204
Obligations under finance lease		26,387	29,385
Deferred taxation	9	2,506,193	3,601,035
Employee housing subsidy		199,286	73,319
Deferred liabilities		95,693	93,446
Retention money against project payments		134,823	553,445
		82,162,458	46,067,658
Current Liabilities			
Current portion of:			
- long term finances		1,094,902	321,915
- obligations under finance lease		5,607	20,038
- deferred liabilities		22,499	20,023
Short term borrowings	10	1,406,763	4,591,218
Trade and other payables including derivatives	11	10,715,223	7,008,415
Unclaimed dividends		227,782	318,320
		13,472,776	12,279,929
Contingencies And Commitments	12		
TOTAL EQUITY AND LIABILITIES		124,193,084	83,925,780

(AMOUNTS IN THOUSAND)

ASSETS	Note	Unaudited September 30, 2009	Audited December 31, 2008
		Rupees	
Non Current Assets			
Property, plant and equipment	13	104,489,209	58,135,753
Biological assets		405,580	306,826
Intangible assets		585,862	570,833
Long term investments		583,482	491,210
Deferred employee compensation expense	6.1	28,011	101,826
Long term loans, advances and other receivables including derivatives		407,202	377,392
		106,499,346	59,983,840
Current Assets			
Stores, spares and loose tools		1,600,306	1,272,119
Stock-in-trade	14	3,780,161	7,129,907
Trade debts	15	2,502,539	758,491
Deferred employee compensation expense-current portion	6.1	99,810	103,343
Loans, advances, deposits and prepayments		698,048	1,155,707
Other receivables including derivatives	16	770,812	8,388,635
Taxation		1,330,927	869,056
Short term investments		3,981,458	2,067,074
Cash and bank balances		2,929,677	2,197,608
		17,693,738	23,941,940
		124,193,084	83,925,780

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

(AMOUNTS IN THOUSAND EXCEPT EARNINGS PER SHARE)

	Note	3 months ended September 30, 2009	3 months ended September 30, 2008	9 months ended September 30, 2009	9 months ended September 30, 2008
		Rupees			
Net sales		17,664,617	10,660,850	40,560,569	28,122,838
Cost of sales	17	(13,573,989)	(7,534,835)	(31,431,175)	(19,559,936)
GROSS PROFIT		4,090,628	3,126,015	9,129,394	8,562,902
Selling and distribution expenses	18	(1,516,150)	(965,771)	(4,325,481)	(2,932,292)
		2,574,478	2,160,244	4,803,913	5,630,610
Other income		168,682	118,343	395,100	842,534
		2,743,160	2,278,587	5,199,013	6,473,144
Finance cost		(506,169)	(1,120,265)	(1,537,970)	(1,503,637)
Other operating charges		(86,700)	189,743	(198,014)	
Workers' welfare fund		(58,433)	(73,082)	(94,629)	(134,959)
Workers' profits participation fund		(104,345)	(93,770)	(187,761)	(254,814)
		(755,647)	(1,097,374)	(2,018,374)	(1,893,410)
Share of income from joint venture		122,528	54,796	317,272	154,798
PROFIT BEFORE TAXATION		2,110,041	1,236,009	3,497,911	4,734,532
Provision for taxation	19				
- Current		(237,636)	(438,824)	(394,893)	(1,216,709)
- Deferred		(245,360)	45,977	(453,792)	(152,944)
		(482,996)	(392,847)	(848,685)	(1,369,653)
PROFIT AFTER TAXATION		1,627,045	843,162	2,649,226	3,364,879
Attributable to:					
- Equity holders of Holding Company		1,649,519	809,831	2,704,678	3,160,523
- Minority interest		(22,474)	33,331	(55,452)	204,356
		1,627,045	843,162	2,649,226	3,364,879
			(Restated)		(Restated)
Earnings per share - basic and diluted	20	5.54	3.13	9.82	12.65

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

(AMOUNTS IN THOUSAND)

	Note	3 months ended September 30, 2009	3 months ended September 30, 2008	9 months ended September 30, 2009	9 months ended September 30, 2008
		Rupees			
PROFIT AFTER TAXATION		1,627,045	843,162	2,649,226	3,364,879
Other comprehensive income					
Hedging reserve		(868,692)	(369,735)	(4,395,511)	1,202,947
Revaluation reserve on business combination		(5,494)	(5,538)	(16,480)	(16,495)
Income tax relating to: Hedging reserve		304,043	129,408	1,538,429	(421,031)
Revaluation reserve on business combination		1,923	1,938	5,768	5,773
Other comprehensive income for the period-net of tax		(568,220)	(243,927)	(2,867,794)	771,194
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,058,825	599,235	(218,568)	4,136,073
Total comprehensive income attributable to:					
- Equity holders of Holding Company		1,100,033	527,666	(157,349)	3,891,572
- Minority interest		(41,208)	71,569	(61,219)	244,501
		1,058,825	599,235	(218,568)	4,136,073

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

(AMOUNTS IN THOUSAND)

	Share capital	Share premium	Employee Share compensation reserve	Hedging reserve	Revaluation reserve on business combination	General reserve	Unappropriated profit	Sub total	Minority interest	Total
	Rupees									
Balance as at January 1, 2008 (audited)	1,934,692	3,963,977	272,990	1,037,386	135,304	4,429,240	3,503,922	15,277,511	3,000,412	18,277,923
Final dividend for the year ended December 31, 2007 @ Rs. 3.00 per share	-	-	-	-	-	-	(580,408)	(580,408)	-	(580,408)
1st interim dividend for 2008 @ Rs. 2.00 per share	-	-	-	-	-	-	(425,632)	(425,632)	-	(425,632)
Shares issued during the period in the ratio of 1 for every 10 shares @ Rs.175 per share (including share premium net of share issue cost)	193,469	3,188,745	-	-	-	-	-	3,382,214	-	3,382,214
Total comprehensive income for the nine months ended September 30, 2008	-	-	-	738,707	(7,658)	-	3,160,523	3,891,572	244,501	4,136,073
Effect of change in number of share options issued	-	-	29,840	-	-	-	-	29,840	-	29,840
Dividends pertaining to minority interest	-	-	-	-	-	-	-	-	(95,000)	(95,000)
Addition to minority interest due to change in holding percentage of EPCL & EEL	-	-	-	-	-	-	-	-	2,960	2,960
Balance as at September 30, 2008 (unaudited)	2,128,161	7,152,722	302,830	1,776,093	127,646	4,429,240	5,658,405	21,575,097	3,152,873	24,727,970
2nd interim dividend for 2008 @ Rs. 2.00 per share	-	-	-	-	-	-	(425,632)	(425,632)	-	(425,632)
Total comprehensive income for the three months ended December 31, 2008	-	-	-	359,706	(2,544)	-	965,231	1,322,393	(184,776)	1,137,617
Effect of change in number of share options issued	-	-	24,190	-	-	-	-	24,190	-	24,190
Addition to minority interest due to change in holding percentage of EPCL & EEL	-	-	-	-	-	-	-	-	164,362	164,362
Share of exchange revaluation reserve of a Subsidiary Company (Avanceon)	-	-	-	-	-	-	(31,532)	(31,532)	(18,782)	(50,314)
Balance as at December 31, 2008 (audited)	2,128,161	7,152,722	327,020	2,135,799	125,102	4,429,240	6,166,472	22,464,516	3,113,677	25,578,193
Final Dividend for the year ended December 31, 2008 @ Rs. 2.00 per share	-	-	-	-	-	-	(425,632)	(425,632)	-	(425,632)
1st interim dividend for 2009 @ Rs. 2.00 per share	-	-	-	-	-	-	(595,885)	(595,885)	-	(595,885)
Shares issued during the year in the ratio of 4 for every 10 shares @ Rs. 50 per share (including share premium net of share issue cost)	851,265	3,393,183	-	-	-	-	-	4,244,448	-	4,244,448
Total comprehensive income for the nine months ended September 30, 2009	-	-	-	(2,854,376)	(7,651)	-	2,704,678	(157,349)	(61,219)	(218,568)
Exchange revaluation reserve	-	-	-	-	-	-	(12,632)	(12,632)	(7,526)	(20,158)
Effect of change in number of share options issued	-	-	(4,548)	-	-	-	-	(4,548)	-	(4,548)
Balance as at September 30, 2009 (unaudited)	2,979,426	10,545,905	322,472	(718,577)	117,451	4,429,240	7,837,001	25,512,918	3,044,932	28,557,850

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

(AMOUNTS IN THOUSAND)

	Note	9 months ended September 30, 2009	9 months ended September 30, 2008
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(utilized in) operations	21	14,296,311	(5,597,211)
Retirement & other service benefits paid		(114,027)	(118,974)
Taxes paid		(856,764)	(510,791)
Long term loans and advances-net		(69,804)	(101,141)
Net cash inflow/(outflow) from operating activities		13,255,716	(6,328,117)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure including biological assets		(47,683,405)	(23,845,019)
Sale proceeds on disposal of property plant and equipment		82,365	110,150
Income on deposits/other financial assets		136,915	98,162
Retention money against project payments		(418,622)	428,268
Dividends received		315,000	157,500
Net cash outflow from investing activities		(47,567,747)	(23,050,939)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term finances		(220,932)	-
Proceeds from long term finances		38,451,735	11,596,256
Payment of finance cost		(1,202,828)	(971,759)
Obligations under finance lease-net		(17,429)	17,290
Proceeds from issuance of rights shares-net		4,244,448	3,382,214
Dividends paid		(1,112,055)	(1,106,164)
Net cash inflow from financing activities		40,142,939	12,917,837
Net increase/(decrease) in cash and cash equivalents		5,830,908	(16,461,219)
Cash and cash equivalents at beginning of the period		(326,536)	11,553,866
Cash and cash equivalents at end of the period	22	5,504,372	(4,907,353)

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

(AMOUNTS IN THOUSAND)

1. LEGAL STATUS AND OPERATIONS

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

1.2 The "Group" consists of:

Holding Company - Engro Chemical Pakistan Limited

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

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

Associated Company:

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

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

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

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

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

The Holding Company and Engro Fertilizers Limited have filed a joint petition in the High Court of Sindh at Karachi to obtain the Court's sanction for the Scheme. All the long and short term creditors of the Holding Company have provided their NOC to the Scheme inter alia in consideration of corporate guarantees provided by the Holding Company for all its finance facilities, which facilities will be transferred to Engro Fertilizers Limited upon implementation of the Scheme.

2. BASIS FOR PREPARATION

This consolidated condensed interim financial information is unaudited and has been prepared and is being submitted to the shareholders in accordance with section 245 of the Companies Ordinance, 1984 and International Accounting Standard 34 - 'Interim Financial Reporting'. This consolidated condensed financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2008.

3. ACCOUNTING POLICIES

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

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

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

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

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

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

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

(AMOUNTS IN THOUSAND)

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

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

4. ACCOUNTING ESTIMATES

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

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

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

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

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

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

6. EMPLOYEE SHARE OPTION COMPENSATION RESERVE

	Unaudited September 30, 2009	Audited December 31, 2008
	Rupees	
Balance as at January 1,	327,020	272,990
Options issued during the period/year	9,336	59,957
Options lapsed due to employee resignation	(13,884)	(5,927)
Balance at end of the period/year	322,472	327,020

(AMOUNTS IN THOUSAND)

6.1 DEFERRED EMPLOYEE COMPENSATION EXPENSE

	Unaudited September 30, 2009	Audited December 31, 2008
	Rupees	
Balance as at January 1,	205,169	244,066
Options issued during the period/year	9,336	59,957
Options lapsed due to employee resignation	(13,884)	(5,927)
Amortisation for the period/year	(72,800)	(92,927)
Balance at end of the period/year	127,821	205,169
Current portion shown under current assets	(99,810)	(103,343)
Long term portion of deferred employee compensation expense	28,011	101,826

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

7. HEDGING RESERVE

	Unaudited September 30, 2009	Audited December 31, 2008
	Rupees	
Fair values of:		
- Foreign exchange forward contracts	104,231	4,297,960
- Foreign exchange option contracts	-	347,446
- Interest rate SWAPs	(987,699)	(1,133,364)
	(883,468)	3,512,042
Arrangement fee	(164,159)	(164,159)
Deferred tax	309,214	(1,229,214)
Minority Interest	19,836	17,130
	(718,577)	2,135,799

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

The Holding Company entered into various forward exchange contracts to hedge its foreign currency exposure. As at September 30, 2009, the Holding Company had forward exchange contracts to purchase Euros 31,459 (December 31, 2008: Euros 130,505) at various maturity dates matching the anticipated payment dates for commitments with respect to urea expansion project. The fair value of these contracts, as at September 30, 2009 amounted to Rs. 187,978 (December 31, 2008: Rs. 3,838,549).

The Holding Company entered in various USD:PKR forward contracts to hedge its foreign currency exposure. As at September 30, 2009 the Holding Company had forward contracts to purchase USD 85,000 (December 31, 2008: USD 159,027) at various maturity dates matching the anticipated payment dates for commitments with respect to urea expansion project. The fair value of these contracts as at September 30, 2009 is negative and amounted to Rs. 83,747 (December 31, 2008: Rs. 459,411).

(AMOUNTS IN THOUSAND)

The Holding Company entered into an interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing under an Offshore Islamic Finance Facility agreement, for a notional amount of USD 150,000 amortising up to September 2014. Under the swap agreement, the Holding Company would receive USD-LIBOR from Citibank N.A Pakistan on notional amount and pay fixed 3.47% which will be settled semi-annually. The fair value of the interest rate swap as at September 30, 2009 is negative and amounted to Rs. 512,598 (December 31, 2008: Rs. 648,277).

The Holding Company entered into another interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing from a consortium of Development Finance Institutions for a notional amount of USD 85,000 amortising upto April 2016. Under the swap agreement, the Holding Company would receive USD-LIBOR from Standard Chartered Bank on notional amount and pay fixed 3.73% which will be settled semi-annually. The fair value of the interest rate swap as at September 30, 2009 is negative and amounted to Rs. 405,442 (December 31, 2008: Rs. 424,933).

A Subsidiary Company Engro Polymer & Chemicals Limited (EPCL) entered into various interest rate swap agreements to hedge its interest rate exposure on floating rate foreign currency borrowing from International Finance Corporation (IFC) for a notional amount of USD 40,000. Under the swap agreement, EPCL would receive USD-LIBOR from the bank on notional amount and pay fixed rates ranging from 2.795% to 3.385% which will be settled semi-annually. The fair value of the interest rate swap as at September 30, 2009 is negative and amounted to Rs. 69,659 (2008: 60,154).

8. LONG TERM FINANCES

	Unaudited September 30, 2009	Audited December 31, 2008
	Rupees	
Balance as at January 1,	41,060,739	19,716,771
Loans availed during the period-net of transaction cost	38,451,735	23,688,568
	79,512,474	43,405,339
Repayments during the period	(220,932)	(2,344,600)
	79,291,542	41,060,739
Current portion shown under current liability	(1,079,165)	(321,915)
Balance at the end of the period	78,212,377	40,738,824

Holding Company

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

The maturity of Holding Company facilities range from 7 to 9 years and mark-up is 1.10% to 2.35% over six month KIBOR for Rupee facilities and 2.57% to 2.60% over six month LIBOR for USD facilities. These facilities, excluding the Privately Placed TFCs (PPTFCs), are secured by equitable mortgage upon immovable assets located at Daharki and hypothecation charge on fixed assets of the Company. The PPTFCs are secured by a subordinated floating charge over all present and future fixed assets excluding land and buildings.

(AMOUNTS IN THOUSAND)

Engro Foods Limited

The Subsidiary Company has entered into an agreement with Habib Bank Limited amounting to PKR 500,000 with mark-up at the rate of six months KIBOR plus 2.25% payable semi-annually over a period of five years. The facility is secured by a floating charge/mortgage against present and future fixed assets of the Subsidiary Company upto maximum of Rs 625,000. Further, the Subsidiary Company has also entered into a Syndicate Term Finance Facility Agreement with United Bank Limited, MCB Bank Limited, Standard Chartered Bank (Pakistan) Limited, Pak Brunie, Bank of Khyber and JS Bank Limited amounting to Rs. 1,200,000. The finance carries a mark-up rate of of 6 months KIBOR plus 2.6%. The facility is secured by registered floating charge/mortgage over present and future fixed assets of the Subsidiary Company upto maximum Rs. 1,500,000.

Engro Energy Limited

The Subsidiary Company has entered into a financing agreement amounting to USD 153,800 with International Finance Corporation (IFC), DEG, FMO, Proparco, Swed Fund and OFID. The finance carries mark-up at the rate of six months LIBOR plus 3% payable semi-annually over a period of twelve years. The principal is repayable commencing six months after the date of commercial production in twenty semi-annual installments. Committment fee at the rate of 0.5% per anum is also payable on that part of the finance that has not been drawn. These finances are secured by an equitable mortgage upon the immovable property of the Subsidiary Company and the hypothecation charge against current and future fixed assets of the Subsidiary Company. Draw down of USD 109,000 has been completed upto September 30, 2009.

Engro Polymer & Chemicals Limited

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

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

9. DEFERRED TAXATION

	Unaudited September 30, 2009	Audited December 31, 2008
	Rupees	
Credit/(debit) balances arising on account of:		
- Accelerated depreciation allowance	5,379,969	2,380,058
- Net borrowing costs capitalised	1,660,491	678,625
- Fair value of hedging instruments	(418,654)	1,119,775
- Tax on fair value adjustment on acquisition of subsidiary	156,601	166,803
- Tax on subsidiary reserves	35,026	40,367
- Carried forward tax losses	(3,866,850)	(231,956)
- Recoupable minimum tax	(283,866)	(93,520)
- Provision for:		
- retirement benefits	(22,897)	(47,153)
- inventories, slow moving stores and spares and doubtful receivables	(21,925)	(320,642)
- others	(111,702)	(91,322)
	2,506,193	3,601,035

(AMOUNTS IN THOUSAND)

10. SHORT TERM BORROWINGS

The short term finance available to the Group from various banks amounts to Rs. 12,931,400 (December 31, 2008: Rs. 12,117,500). The rates of markup ranges from 11.89% to 18.5% (December 31, 2008: 10.40% to 17.30%) and the facilities are secured by floating charge upon all current and future moveable property of the Group.

11. TRADE AND OTHER PAYABLES INCLUDING DERIVATIVES

	Unaudited September 30, 2009	Audited December 31, 2008
	Rupees	
Creditors	3,133,624	1,530,954
Accrued liabilities	1,882,732	1,817,248
Payable to employee benefit funds	17,221	-
Advances from customers	1,361,268	1,331,801
Current portion of fair value of interest rate swaps	83,747	155,160
Financial charges accrued on		
- long term finances	1,503,147	1,006,237
- short term borrowings	60,884	222,652
Deposits from dealers/distributors refundable on termination of dealership	31,973	13,063
Contractors'/suppliers' deposits and retention money	1,741,033	297,530
Workers' profits participation fund	205,700	18,887
Workers' welfare fund	103,986	115,575
Sales tax payable	39,486	-
Provision for special excise duty (note 11.1)	65,898	54,929
Provision for infrastructure cess	302,296	260,088
Others	182,228	184,291
	10,715,223	7,008,415

11.1 As at September 30, 2009, the Subsidiary Company (EPCL) had paid Rs. 95,163 (December 31, 2008: Rs. 91,616) on account of Special Excise Duty (SED) on import of plant and machinery for the Project. Out of this amount it has adjusted Rs. 58,476 (December 31, 2008: Rs. 54,929) in the monthly sales tax returns against SED on goods produced and sold by the Subsidiary Company. The Subsidiary Company had approached the Federal Board of Revenue to obtain a clarification in respect of the adjustment of SED made by the Subsidiary Company in monthly sales tax returns. Pending such clarification the Subsidiary Company based on prudence had made provision for the amount adjusted of Rs. 58,476. However, during the period, the Subsidiary Company received show cause notices from the Additional Collector (Adjudication) – Federal Board of Revenue, stating that the Subsidiary Company, by adjusting the aforementioned SED, has violated the provisions of the Federal Excise Act, 2005 and the Federal Excise Rules, 2005 read with SRO 655(1)/2007 and that the amount adjusted is recoverable from the Subsidiary Company under the Federal Excise Act, 2005 alongwith default surcharge and penalty. In response to these notices the Subsidiary Company has filed a Constitutional Petition before the Honourable High Court, Sindh, on May 18, 2009. The High Court is in the process of evaluating the Constitutional Petition. The Subsidiary Company is confident that the ultimate outcome of the matter will be in its favour, however, based on prudence is maintaining the aforementioned provision. Further, a provision of Rs. 7,422 for surcharge and penalty thereagainst has also been made.

12. CONTINGENCIES AND COMMITMENTS

Contingencies

12.1 Claims, including pending lawsuits, against the Holding Company not acknowledged as debts amounted to Rs. 47,658 (December 31, 2008: Rs. 27,911).

(AMOUNTS IN THOUSAND)

12.2 Bank guarantees of Rs. 3,181,352 (December 31, 2008: Rs. 1,093,247) have been issued by various banks on behalf of the Group.

12.3 The Holding Company is contesting the penalty of Rs. 99,936 (December 31, 2008: Rs. 99,936) paid and expensed in 1997, imposed by the State Bank of Pakistan (SBP) for alleged late payment of foreign exchange risk cover fee on long term loans and has filed a suit in the High Court of Sindh. A partial refund of Rs. 62,618 (December 31, 2008: Rs. 62,618) was, however, recovered in 1999 from SBP and the recovery of the balance amount is dependent on the Court's decision.

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

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

	Commitments	Unaudited September 30, 2009	Audited December 31, 2008
		Rupees	
12.6	Plant and machinery including housing colony	5,200,845	37,881,795
12.7	Employee housing subsidy scheme	156,453	214,362
12.8	Letter of credits other than for capital expenditure	-	28,900

12.9 The Avanceon Limited Partnership (USA) is obligated under non-cancellable operating leases for computer & office equipment which expire at various dates through 2011.

The future lease commitments related to non-cancellable operating leases as of September 30, 2009 are as follows:

	Unaudited September 30, 2009	Audited December 31, 2008
	Rupees	
Period ending September 30, 2009	-	1,002,178
Period ending September 30, 2010	3,748,381	1,570,878
Period ending September 30, 2011	443,635	731,540
Period ending September 30, 2012	172,534	162,840
	4,364,550	3,467,436

13. PROPERTY PLANT AND EQUIPMENT

Operating assets, at net book value (notes 13.1 & 13.2)	25,320,901	11,495,113
Capital work-in-progress (note 13.3)	79,168,308	46,640,640
	104,489,209	58,135,753

(AMOUNTS IN THOUSAND)

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

	Unaudited September 30, 2009	Audited December 31, 2008
	Rupees	
Freehold land	199	124,281
Leasehold land	-	3,348
Freehold building	393,878	348,470
Leasehold building	171,603	278
Plant & Machinery	14,116,471	632,172
Furniture, fixture and equipment	750,683	172,071
Vehicles-owned	8,423,080	235,414
	23,855,914	1,516,034

13.2 During the period/year, assets costing Rs. 141,238 (December 31, 2008: Rs. 75,846), having a net book value of Rs. 57,269 (December 31, 2008: Rs. 46,916) were disposed off for Rs. 82,365 (December 31, 2008: Rs. 117,755) and assets costing Rs. 678 (December 31, 2008: Rs 880) having net book value of Rs. 605 (December 31, 2008: Rs. 409) were written off.

13.3 Capital work-in-progress

	Unaudited September 30, 2009	Audited December 31, 2008
	Rupees	
Plant and machinery	70,589,360	41,427,368
Building and civil works	7,530,477	4,240,104
Furniture, fixture and equipment	200,060	536,294
Interest on investment in a subsidiary	699,549	359,852
Advances to suppliers	148,862	77,022
	79,168,308	46,640,640

13.4 Capital work-in-progress includes net borrowing costs capitalized amounting to Rs. 5,343,105 (December 31, 2008: Rs. 1,461,833).

13.5 Capital work-in-progress includes Rs. 51,484,343 (December 31, 2008: Rs. 23,064,182) and Rs. 7,377,075 (December 31, 2008: Rs. 3,689,805) with respect to urea expansion project for plant & machinery and building & civil works respectively. The planned expansion project will cost an approximate USD 1,050,000 and will have a capacity of 1.3 million tons of urea per annum.

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

(AMOUNTS IN THOUSAND)

14. STOCK-IN-TRADE

	Unaudited September 30, 2009	Audited December 31, 2008
	Rupees	
Raw materials (note 14.1)	2,017,056	2,438,019
Work-in-process	63,408	63,381
Finished goods - own manufactured product	1,209,193	1,445,233
- purchased product (note 14.1)	493,801	3,185,107
Provision for slow moving inventory	(3,297)	(1,833)
	1,699,697	4,628,507
	3,780,161	7,129,907

14.1 These include provision for writedown of inventories of raw materials and finished goods to net realisable value amounting to Rs. 46,817 (December 31, 2008: Rs. 276,022) and Rs. 787 (December 31, 2008: Rs. 578,350) respectively.

15. TRADE DEBTS

	Unaudited September 30, 2009	Audited December 31, 2008
	Rupees	
Considered good		
- Secured	1,962,886	313,060
- Unsecured	539,653	445,431
	2,502,539	758,491
Considered doubtful	42,697	33,541
	2,545,236	792,032
Provision for doubtful debts	(42,697)	(33,541)
	2,502,539	758,491

16. OTHER RECEIVABLES INCLUDING DERIVATIVES

16.1 Other receivables include Rs. 187,978 (December 31, 2008 : Rs. 4,257,967) as fair value of foreign exchange forward contracts.

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

(AMOUNTS IN THOUSAND)

17. COST OF SALES

	3 months ended September 30, 2009	3 months ended September 30, 2008	9 months ended September 30, 2009	9 months ended September 30, 2008
	Rupees			
Raw materials consumed	1,462,674	3,597,173	9,764,950	10,924,215
Salaries, wages and staff welfare	411,383	343,077	1,133,774	810,387
Fuel and power	1,186,991	780,079	3,012,784	2,076,177
Repairs and maintenance	83,046	76,755	613,829	328,919
Depreciation/amortization	432,501	191,591	1,080,945	703,919
Consumable stores	66,685	54,689	172,766	138,966
Staff recruitment, training, safety and other expenses	16,176	20,497	42,415	48,407
Purchased services	344,926	94,401	541,521	367,385
Travel	19,562	10,377	65,511	58,091
Communication, stationery and other office expenses	28,232	24,691	72,483	65,601
Insurance	67,437	20,548	175,216	61,727
Rent, rates and taxes	26,933	35,371	74,638	56,927
Other expenses	3,246	29,242	15,687	45,171
Manufacturing cost	4,149,792	5,278,491	16,766,519	15,685,892
Opening stock of work-in-process	61,872	48,535	63,381	45,297
Closing stock of work-in-process	(63,408)	(50,858)	(63,408)	(50,858)
	(1,536)	(2,323)	(27)	(5,561)
Cost of goods manufactured	4,148,256	5,276,168	16,766,492	15,680,331
Opening stock of finished goods manufactured	886,666	898,371	1,445,233	1,194,921
Closing stock of finished goods manufactured	(1,209,413)	(1,246,875)	(1,209,413)	(1,246,875)
	(322,747)	(348,504)	235,820	(51,954)
Cost of goods sold				
- own manufactured product	3,825,509	4,927,664	17,002,312	15,628,377
- purchased product	9,548,423	2,333,756	13,769,053	3,225,604
- others	200,057	273,415	659,810	705,955
	13,573,989	7,534,835	31,431,175	19,559,936

18. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and staff welfare	334,192	198,384	919,837	714,078
Staff recruitment, training, safety and other expenses	1,509	30,940	26,503	56,569
Product transportation and handling	654,854	198,276	1,445,872	686,650
Repairs and maintenance	5,673	12,350	16,929	27,518
Advertising and sales promotion	272,703	240,084	1,210,457	680,123
Rent, rates and taxes	59,567	65,271	177,471	142,235
Communication, stationery and other office expenses	23,985	47,367	124,085	133,122
Travel	68,997	33,784	153,217	115,506
Depreciation/amortization	37,496	18,447	98,285	62,423
Purchased services	27,571	64,512	49,268	215,869
Donations	13,682	130	25,295	130
Other expenses	15,921	56,226	78,262	98,069
	1,516,150	965,771	4,325,481	2,932,292

(AMOUNTS IN THOUSAND)

19. TAXATION

Engro Chemical Pakistan Limited, the Holding Company (ECPL)

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

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

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

The Holding Company has also acquired equivalent tax effect of tax year 2009's partial losses of EFL amounting to Rs. 450,000 in its tax return for tax year 2009 and accordingly has paid an amount of Rs. 450,000 to EFL.

19.2 The Holding Company has filed tax returns up to income year 2008. All assessments up to income year 2002 have been finalized by the Department and appealed against.

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

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

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

For income years 2003 - 2008 income tax returns have been filed under self assessment scheme by the Holding Company.

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

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

Engro Polymer and Chemicals Limited, Subsidiary Company (EPCL)

19.3 During the year 2003, the Assessing Officer (AO) while finalizing the assessment order for the year ended December 31, 2000 (Assessment year 2001 – 2002) made addition to income of Rs. 144 million on the contention that the sales made by the Subsidiary Company to its wholly owned subsidiary, Engro Polymer Trading (Private) Limited, were allegedly made on non-arm's length basis. The Subsidiary Company's appeal to the CIT(A) against the above addition was decided in the Tax Department's favour in 2004, against which the Subsidiary Company filed an appeal with the Income Tax Appellant Tribunal (ITAT). The ITAT in its order dated October 30, 2005 has set-aside the issue for re-examination by the AO. The management of the Subsidiary Company is confident that the ultimate outcome of the above would be in their favour and as such no effect for the same has been considered on the carried forward tax losses and resulting deferred tax asset in these financial statements.

Engro Foods Limited, Subsidiary Company (EFL)

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

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

20. EARNINGS PER SHARE

	3 months ended September 30, 2009	3 months ended September 30, 2008	9 months ended September 30, 2009	9 months ended September 30, 2008
	Rupees			
Profit after taxation	1,649,519	809,831	2,704,678	3,160,523
		(Restated)		(Restated)
Weighted average number of Ordinary shares (In thousand)	297,943	258,488	275,449	249,817

The shares issued under employee share option scheme of the Holding Company may have a potential dilutive impact on basic earnings per share in future periods.

21. CASH GENERATED FROM/(UTILIZED IN) OPERATIONS

	9 months ended September 30, 2009	9 months ended September 30, 2008
	Rupees	
Profit before taxation	3,497,911	4,734,532
Adjustment for non-cash charges and other items:		
Depreciation/amortization	1,179,230	766,642
Profit on disposal of property, plant and equipments	(24,491)	(70,438)
Provision for retirement and other service benefits	119,134	140,038
Depreciation on revaluation surplus arising on business combination	4,591	4,595
Income on deposits/other financial assets	(136,915)	(65,985)
Share of income from join venture companies	(317,272)	(154,798)
Finance cost	1,537,970	1,208,068
Employee share compensation expense	60,541	63,890
Employee housing subsidy expense	104,197	34,670
Working capital changes (note 21.1)	8,271,415	(12,258,425)
	14,296,311	(5,597,211)

(AMOUNTS IN THOUSAND)

	9 months ended September 30, 2009	9 months ended September 30, 2008
21.1 Working capital changes	Rupees	
(Increase)/decrease in current assets		
Stores spares and loose tools	(328,187)	(209,576)
Stock-in-trade	3,349,746	(7,609,476)
Trade debts	(1,744,048)	560,926
Loans, advances, deposits and prepayments	457,659	(325,083)
Other receivables-net	3,110,387	(3,371,123)
	4,845,557	(10,954,332)
Increase/(decrease) in current liabilities		
Trade and other payable including other service benefits-net	3,425,858	(1,304,093)
	8,271,415	(12,258,425)
22. CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,929,677	1,067,462
Short term investments	3,981,458	1,294,220
Short term borrowings	(1,406,763)	(7,269,034)
	5,504,372	(4,907,352)

23. SEGMENT REPORTING

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

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

	3 months ended September 30, 2009	3 months ended September 30, 2008	9 months ended September 30, 2009	9 months ended September 30, 2008
	Rupees			
Revenue				
Fertilizer	10,142,656	5,857,711	20,850,210	14,681,956
Polymer	3,219,957	2,167,314	8,185,429	6,536,068
Food	4,004,315	2,152,803	10,581,665	5,660,568
Other operations	297,689	486,709	943,265	1,247,933
Elimination-net	-	(3,687)	-	(3,687)
Consolidated	17,664,617	10,660,850	40,560,569	28,122,838

(AMOUNTS IN THOUSAND)

	3 months ended September 30, 2009	3 months ended September 30, 2008	9 months ended September 30, 2009	9 months ended September 30, 2008
	Rupees			
Profit/(loss) after tax				
Fertilizer	1,582,067	961,550	2,653,015	3,330,819
Polymer	(31,872)	160,918	(18,621)	589,376
Food	(98,859)	(149,766)	(391,080)	(543,899)
Other operations	13,123	(91,617)	(28,892)	(131,215)
Elimination-net	162,586	(37,923)	434,804	119,798
Consolidated	1,627,045	843,162	2,649,226	3,364,879

	Unaudited September, 30 2009	Audited December 31, 2008
	Rupees	
Assets		
Fertilizer	85,842,021	62,044,872
Polymer	23,264,326	18,277,226
Food	8,383,155	7,325,530
Other operations	16,981,384	6,632,872
Elimination-net	(10,277,802)	(10,354,720)
Consolidated	124,193,084	83,925,780

24. TRANSACTIONS WITH RELATED PARTIES

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

	9 months ended September 30, 2009	9 months ended September 30, 2008
	Rupees	
Associates and joint ventures		
Purchases and services	7,705,156	8,946,044
Services rendered/sale of goods	866,733	1,840
Retirement benefits	162,735	87,837
Dividends received	315,000	157,500
Dividends paid	426,516	420,054
Payment of interest on TFCs and repayment of principal amount	4,984	-
Right shares issued (including share premium)	1,777,152	1,413,643
Others		
Remuneration paid to key management personnel/directors	400,915	236,069
Dividends paid	39,727	13,411
Right shares issued (including share premium)	314,732	26,889

(AMOUNTS IN THOUSAND)

	Unaudited September 30, 2009	Audited December 31, 2008
	Rupees	
Balances due from		
- Joint Ventures [includes dividend receivable of Rs. 135,000 (December 31, 2008: Rs. 90,000) from Engro Vopak Terminal Limited]	1,120	69,956

25. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Holding Company in its meeting held on October 28, 2009 has approved a second interim cash dividend of Rs. 2 per share for the year ending December 31, 2009 amounting to Rs. 595,885 (December 31, 2008: Rs. 2 per share final cash dividend and 40% right shares at Rs. 50). This consolidated condensed interim financial information does not reflect the dividend payable.

26. SEASONALITY

The Holding Company's fertilizer business is subject to seasonal fluctuations as a result of two different farming seasons viz, Rabi (from October to March) and Kharif (from April to September). On an average urea and phosphatic fertilizers sales are more tilted towards Rabi season. The Holding Company manages seasonality in the business through appropriate inventory management.

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

27. DATE OF AUTHORIZATION FOR ISSUE

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

28. CORRESPONDING FIGURES

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

Company Information

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

Company Secretary
Andalib Alavi

Chief Financial Officer
Ruhail Mohammed

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

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

Auditors
A.F. Ferguson & Co.
Chartered Accountants

Share Registrar
M/s. FAMCO Associates (Private) Limited
(Formerly Ferguson Associates (Private) Limited)
1st Floor, State Life Buliding 1-A, I.I. Chundrigar Road, Karachi - 74000.

Bankers

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

Registered Office

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

Engro Chemical Pakistan Limited

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