engro corp

Accepting Challenges Fulfilling Promises

Engro Corporation Limited

Formerly Engro Chemical Pakistan Limited

third quarter 2010 accounts

Engro Polymer & Chemicals Ltd.

engro corp
enabling excellence
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)

CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

Third Quarter 2010 review for the Shareholders
Engro Corporation Limited *(formerly Engro Chemical Pakistan Limited)*

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

Overview of Third Quarter 2010
Our consolidated revenue recorded an increase of 32 % and stood at Rs. 53.6 billion for the nine months ended September 30 as compared to Rs. 40.6 billion in the same period last year, while net profit (attributable to equity holders of the holding company) increased to Rs. 4,393 million from Rs. 2,705 million. The increase in revenue is mainly driven by dairy segment sales growth and energy sales while increase in profit is attributable mainly to better phosphate margins, higher urea production and Qadirpur power plant operations.

Business Review

Fertilizers
Total urea market demand for the nine months ended September 30, 2010 was 4.2 million tons, an 11% decrease over the same period last year, primarily due to the unprecedented floods which reduced demand in the third quarter.

Our urea plant produced 726,000 tons during the nine months ended September 30, 2010, a 5% increase over the 689,000 tons produced during the same period last year. The gas curtailment impact was more than offset by a record production in the first half as well as no planned turnaround during the year. Engro Urea sales were 645,000 tons for the period, down by 4% as compared to sales for the same period last year, however our market share increased to 15 % Vs 14 % last year. The sale of company manufactured blended fertilizers (Zarkhez and Engro NP) was 65,800 tons vs 72,500 tons during the same period in 2009.

The net profit for the nine months ended September 30, 2010 was Rs. 2,879 million, which includes a one-time gain on sale of Port Qasim land of Rs. 299 million in the first half of the year, and a tax reversal of Rs. 463 million in the third quarter.

Phosphates industry sales declined to 0.7 million tons as compared to 1.175 million tons in the first nine months of 2009. Engro EXIMP's sales were 196,000 tons as compared to 233,000 tons in the corresponding period of 2009. The Company imported 324,000 tons of DAP and Zorawar in the first nine months of the year. Net profit for the Company was Rs. 989 million vs a profit of Rs. 961 million in the same period last year.

Energy & Power
Engro Energy Limited's Qadirpur Plant has generated 766,099 MWh following commencement on March 27, 2010 up till September 30, 2010 while plant availability has been 89% during the period after taking into account scheduled outage allowance. Engro Energy Limited declared a net profit of Rs. 377 million for the nine months ended September 30, 2010. This includes a loss on foreign currency loan amounting to Rs 338 million which will be reimbursed by WAPDA going forward. Excluding this loss, the profit would have been Rs 715 million.

Sindh Engro Coal Mining Company Limited (SECMC) has completed work on the Bankable Feasibility Study (BFS) as per the target deadline of August 31, 2010. The BFS has been developed on international standards, by a team of renowned local and international consultants meeting international standards. The BFS has confirmed technical, social and environmental viability of the open cast lignite mining project in Block 2 of the Thar Coal field. The economic viability will be determined once the Government achieves closure on various critical infrastructure.

Foods
Engro Foods total turnover for the nine months ended September 30, 2010 was Rs. 15 billion, as compared to Rs. 10.6 billion for the corresponding period last year, an increase of 42%.

Dairy segment achieved a sales growth of 42 % against corresponding period last year, delivering a profit of Rs. 433 million Vs a loss of Rs. 25 million in the same period last year. Turnover for 'Omore' increased by 125% to Rs 1,322 million in the nine months ended September 30, 2010, with a net loss of Rs. 291 million as compared to a loss of Rs. 304 million for the same period last year; this was due to continued investment in brand and infrastructure.

The net profit for the nine months ended September 30, 2010 for all business segments was Rs. 35 million as compared to a loss of Rs. 391 million for the same period last year.

Petrochemicals
Vinyl Chloride Monomer (VCM) plant operations improved considerably during the third quarter of the year, the plant achieved commercial production in September 2010, with 36 KT produced in the first nine months of the year. Poly Vinyl Chloride (PVC) production for the nine months ended September 30, 2010 were 80 KT as compared to 91 KT during the same period last year. Company's PVC sales for the first nine months of the year were 74 KT as compared to 93 KT for the same period in 2009. Caustic soda production during the first nine months of the year was 67 KT. With domestic demand for caustic soda remaining strong, the company sold 58 KT in this period. In addition to EDC used in the production of VCM, a surplus of 33 KT of EDC was exported in the period. The company incurred a loss of Rs. 762 million during the first nine months of 2010 as compared to a loss of Rs. 19 million in the same period of 2009 primarily due to the VCM plant being non-operational for most of the period.

Chemical Storage & Terminal
In the chemical storage and terminal business, Engro Vopak Terminal Limited, a 50% joint venture, posted net profit of Rs. 793 million (our share being Rs. 396.5 million) Vs a profit of Rs. 635 million (our share being Rs. 317.5 million) in the same period last year.

Others
In the industrial automation sector, Avanceon Limited posted a consolidated loss of Rs. 112 million in the nine months ended September 30, 2010 Vs a loss of Rs 119 million in the same period last year. Whilst US operations continue to be strong and profitable, there has been a slow down in UAE and Pakistan businesses thereby adversely impacting margins.

In the rice business, Engro Food Supply Chain Limited is on schedule for commissioning a rice husking and storage unit, which will process rice for international export by Engro Eximp. Towards this end, Engro Eximp commenced test marketing by exporting 3,180 tons of rice in the Middle East and European Union.

Near Term Outlook

For our fertilizers business, while the Kharif season bore the major impact of the floods which resulted in depressed off takes, water has currently receded in most areas. Demand in Rabi season is expected to rebound as the higher expected wheat prices, better water availability and increase in acreage in non flood areas is likely to offset lower demand in the flood affected areas. However, continuation of gas curtailment beyond October 31, 2010 will affect industry production and alter the supply situation for the agricultural sector.

Commissioning activities for Enven project are underway with production expected in 4Q 2010.

In our foods business, we expect continued growth in all business segments and do not expect the recent floods to hamper business growth. Value Added Tax on milk remains a key risk to the Company's outlook.

Domestic demand for PVC is expected to be slow due to liquidity crunch in the market and reduced government spending. Based on the improved PVC supply situation, the Company's polymer business has initiated exports of PVC, which provided good margins at the current time. Caustic Soda sales of the Company are expected to remain strong.

The Company has launched 'Engro Rupiya Certificate' which is a savings instrument specifically targeted towards the retail market and offering a profitable and convenient form of investment. This is a pioneering initiative by the Company and a step towards transforming the corporate debt market scenario in Pakistan.

All other subsidiaries are expected to perform as per expectations.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

Karachi
October 28, 2010

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

(Amounts in thousand)

	Note	Unaudited September 30, 2010	Audited December 31, 2009
		Rupees	
ASSETS			
Non Current Assets			
Property, plant and equipment	5	125,486,951	110,503,710
Biological assets		391,882	438,873
Intangible assets		603,754	585,358
Long term investments		581,450	499,780
Deferred employees compensation expense	6	-	2,969
Long term loans and advances		233,376	150,960
		127,297,413	112,181,650
Current Assets			
Stores, spares and loose tools		3,608,510	1,451,532
Stock-in-trade	7	12,233,558	3,819,971
Trade debts	8	4,304,699	3,536,533
Deferred employees compensation expense	6	27,422	97,492
Loans, advances, deposits and prepayments		2,357,174	1,372,425
Other receivables	9	1,045,674	1,136,265
Derivative financial instruments	15	81,550	76,209
Taxes recoverable		1,962,164	1,040,636
Short term investments	10	2,599,083	512,255
Cash and bank balances		3,088,521	6,880,408
		31,308,355	19,923,726
TOTAL ASSETS		**158,605,768**	**132,105,376**

(Amounts in thousand)

	Note	Unaudited September 30, 2010	Audited December 31, 2009
		Rupees	
EQUITY AND LIABILITIES			
Equity			
Share Capital	11	3,277,369	2,979,426
Share premium		10,550,061	10,550,061
Employees share option compensation reserve	6	164,248	318,242
Hedging reserve	12	(916,345)	(617,000)
Revaluation reserve on business combination		107,248	114,900
Exchange revaluation reserve		(46,651)	(43,185)
Maintenance reserve	13	119,710	-
General reserve		4,429,240	4,429,240
Unappropriated profit		11,112,334	8,387,520
		25,519,845	23,139,778
		28,797,214	26,119,204
Minority Interest		3,463,265	3,225,191
Total Equity		32,260,479	29,344,395
Liabilities			
Non - Current Liabilities			
Borrowings	14	91,642,055	84,142,153
Derivative financial instruments	15	1,244,476	632,777
Obligations under finance lease		20,784	20,587
Deferred taxation	16	1,129,104	1,687,298
Employee housing subsidy		313,850	211,785
Deferred liabilities		105,895	96,163
		94,456,164	86,790,763
Current Liabilities			
Trade and other payables	17	11,046,528	9,608,000
Accrued interest / mark-up		2,394,756	1,800,428
Current portion of :			
- borrowings	14	7,822,834	2,375,675
- obligations under finance lease		13,721	18,246
- deferred liabilities		27,414	22,961
Short term borrowings	18	9,169,562	1,302,766
Derivative financial instruments	15	685,143	740,043
Unclaimed dividends		729,167	102,099
		31,889,125	15,970,218
Total Liabilities		126,345,289	102,760,981
Contingencies and Commitments	19		
TOTAL EQUITY AND LIABILITIES		**158,605,768**	**132,105,376**

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

ENGRO CORPORATION LIMITED
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(Amounts in thousand except for earnings per share)

	Note	3 months ended September 30, 2010	3 months ended September 30, 2009	9 months ended September 30, 2010	9 months ended September 30, 2009
		Rupees			
Net sales	20	19,844,590	17,664,617	53,569,116	40,560,569
Cost of sales	21	(15,723,392)	(13,573,989)	(40,164,833)	(31,431,175)
Gross Profit		4,121,198	4,090,628	13,404,283	9,129,394
Selling and distribution expenses	22	(1,998,623)	(1,516,150)	(5,727,551)	(4,325,481)
		2,122,575	2,574,478	7,676,732	4,803,913
Other operating income	23	245,269	168,682	861,385	395,100
		2,367,844	2,743,160	8,538,117	5,199,013
Other operating charges	24	(517,181)	(249,478)	(1,085,046)	(480,404)
Finance cost		(1,213,624)	(506,169)	(3,090,490)	(1,537,970)
		(1,730,805)	(755,647)	(4,175,536)	(2,018,374)
Share of income from joint venture		137,787	122,528	396,671	317,272
Profit before taxation		774,826	2,110,041	4,759,252	3,497,911
Taxation	25				
- Current		121,975	(237,636)	(1,036,596)	(394,893)
- Deferred		(35,541)	(245,360)	335,813	(453,792)
		86,434	(482,996)	(700,783)	(848,685)
Profit for the period		861,260	1,627,045	4,058,469	2,649,226
Profit attributable to:					
- Owners of the Holding Company		995,806	1,649,519	4,393,360	2,704,678
- Minority interest		(134,546)	(22,474)	(334,891)	(55,452)
		861,260	1,627,045	4,058,469	2,649,226
			(Restated)		**(Restated)**
Earnings per share attributable to owners of the Holding Company - basic and diluted	26	3.04	5.03	13.41	8.93

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

ENGRO CORPORATION LIMITED
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(Amounts in thousand)

	Note	3 months ended September 30, 2010	3 months ended September 30, 2009 (note 34.2)	9 months ended September 30, 2010	9 months ended September 30, 2009 (note 34.2)
		Rupees			
Profit for the period		861,260	1,627,045	4,058,469	2,649,226
Other comprehensive income					
Hedging reserve - cash flow hedges	12				
Gains/(losses) arising during the period		(272,425)	(1,371,058)	(1,745,124)	(1,504,106)
Reclassification adjustments for losses/ (gains) included in profit and loss		16,669	9,153	56,446	10,085
Adjustments for amounts transferred to initial carrying amount of hedged items (capital work in progress)		440,189	493,214	1,153,014	222,298
		184,433	(868,691)	(535,664)	(1,271,723)
Revaluation reserve on business combination		(5,494)	(5,494)	(16,480)	(16,480)
Exchange differences on translation of foreign operations		(4,104)	(9,747)	(5,531)	(20,158)
		174,835	(883,932)	(557,675)	(1,308,361)
Income tax relating to:					
Hedging reserve - cash flow hedges		(64,552)	304,042	187,483	445,103
Revaluation reserve on business combination		1,923	1,923	5,768	5,768
		(62,629)	305,965	193,251	450,871
Other comprehensive income for the period, net of tax		112,206	(577,967)	(364,424)	(857,490)
Total comprehensive income for the period		973,466	1,049,078	3,694,045	1,791,736
Total comprehensive income attributable to:					
- Owners of the Holding Company		1,131,472	1,093,926	4,082,897	1,860,481
- Minority interest		(158,006)	(44,848)	(388,852)	(68,745)
		973,466	1,049,078	3,694,045	1,791,736

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

ENGRO CORPORATION LIMITED
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(Amounts in thousand)

	Attributable to owners of the Holding Company											
	Share capital	Share premium	Employee share option compensation reserve	Hedging reserve	Revaluation reserve on business combination	Exchange revaluation reserve	Maintenance Reserve	General reserve	Unappro-priated Profit	Sub total	Minority interest	Total
	Rupees											
Balance as at January 1, 2009 (audited)	2,128,161	7,152,722	327,020	105,337	125,102	(31,532)	-	4,429,240	6,198,004	20,434,054	3,113,677	23,547,731
Transactions with owners												
Final dividend for the year ended December 31, 2008 @ Rs 2 per share	-	-	-	-	-	-	-	-	(425,632)	(425,632)	-	(425,632)
First interim dividend for 2009 @ Rs. 2.00 per share	-	-	-	-	-	-	-	-	(595,885)	(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	3,397,339	-	-	-	-	-	-	-	4,248,604	-	4,248,604
Effect of changes in number of share options issued	-	-	(4,548)	-	-	-	-	-	-	(4,548)	-	(4,548)
	851,265	3,397,339	(4,548)	-	-	-	-	-	(1,021,517)	3,222,539	-	3,222,539
Total comprehensive income for the nine months ended September 30, 2009												
Profit for the period	-	-	-	-	-	-	-	-	2,704,678	2,704,678	(55,452)	2,649,226
Other comprehensive income - cash flow hedges, net of tax												
- as previously reported	-	-	-	(2,854,376)	(7,651)	(12,632)	-	-	-	(2,874,659)	(13,293)	(2,887,952)
- effect of change in the fair value of cash flow hedges (note 34.2)	-	-	-	2,030,462	-	-	-	-	-	2,030,462	-	2,030,462
- as restated	-	-	-	(823,914)	(7,651)	(12,632)	-	-	-	(844,197)	(13,293)	(857,490)
	-	-	-	(823,914)	(7,651)	(12,632)	-	-	2,704,678	1,860,481	(68,745)	1,791,736
Balance as at September 30, 2009 (unaudited)	**2,979,426**	**10,550,061**	**322,472**	**(718,577)**	**117,451**	**(44,164)**	**-**	**4,429,240**	**7,881,165**	**25,517,074**	**3,044,932**	**28,562,006**
Transactions with owners												
Advance against issue of shares of Sindh Engro Coal Mining Company Limited	-	-	-	-	-	-	-	-	-	-	199,200	199,200
Second interim dividend for 2009 @ Rs. 2.00 per share	-	-	-	-	-	-	-	-	(595,885)	(595,885)	-	(595,885)
Effect of changes in number of share options issued	-	-	(4,230)	-	-	-	-	-	-	(4,230)	-	(4,230)
	-	**-**	**(4,230)**	**-**	**-**	**-**	**-**	**-**	**(595,885)**	**(600,115)**	**199,200**	**(400,915)**
Total comprehensive income for the three months ended December 31, 2009												
Profit for the period	-	-	-	-	-	-	-	-	1,102,240	1,102,240	(32,664)	1,069,576
Other comprehensive income	-	-	-	101,577	(2,551)	979	-	-	-	100,005	13,723	113,728
	-	**-**	**-**	**101,577**	**(2,551)**	**979**	**-**	**-**	**1,102,240**	**1,202,245**	**(18,941)**	**1,183,304**
Balance as at December 31, 2009 (audited)	**2,979,426**	**10,550,061**	**318,242**	**(617,000)**	**114,900**	**(43,185)**	**-**	**4,429,240**	**8,387,520**	**26,119,204**	**3,225,191**	**29,344,395**
Transactions with owners												
Bonus shares issued during the period in the ratio of 1 share for every 10 shares	297,943	-	-	-	-	-	-	-	(297,943)	-	-	-
Final dividend for the year ended December 31, 2009 @ Rs. 2.00 per share	-	-	-	-	-	-	-	-	(595,885)	(595,885)	-	(595,885)
Interim dividend for the year ending December 31, 2010 @ Rs. 2.00 per share									(655,473)	(655,473)	-	(655,473)
Issue of shares by Subsidiary (Engro Polymer and Chemicals Limited)	-	-	-	-	-	-	-	-	-	-	626,926	626,926
Maintenance reserve created by Subsidiary (Engro Energy Limited)	-	-	-	-	-	-	119,710	-	(119,710)	-	-	-
Effect of changes in number of share options issued	-	-	(153,994)	-	-	-	-	-	-	(153,994)	-	(153,994)
Vested options lapsed during the period	-	-	-	-	-	-	-	-	465	465	-	465
	297,943	**-**	**(153,994)**	**-**	**-**	**-**	**119,710**	**-**	**(1,668,546)**	**(1,404,887)**	**626,926**	**(777,961)**
Total comprehensive income for the nine months ended September 30, 2010												
Profit for the period	-	-	-	-	-	-	-	-	4,393,360	4,393,360	(334,891)	4,058,469
Other comprehensive income	-	-	-	(299,345)	(7,652)	(3,466)	-	-	-	(310,463)	(53,961)	(364,424)
	-	**-**	**-**	**(299,345)**	**(7,652)**	**(3,466)**	**-**	**-**	**4,393,360**	**4,082,897**	**(388,852)**	**3,694,045**
Balance as at September 30, 2010 (unaudited)	**3,277,369**	**10,550,061**	**164,248**	**(916,345)**	**107,248**	**(46,651)**	**119,710**	**4,429,240**	**11,112,334**	**28,797,214**	**3,463,265**	**32,260,479**

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

ENGRO CORPORATION LIMITED
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(Amounts in thousand)

	Note	9 months ended September 30, 2010	9 months ended September 30, 2009
		Rupees	
Cash flow from operating activities			
Cash (used in) / generated from operations	27	(1,669,111)	14,296,311
Retirement & other service benefits paid		(188,438)	(114,027)
Financial charges paid		(2,496,162)	(1,202,828)
Taxes paid		(1,958,124)	(856,764)
Long term loans and advances - net		(82,416)	(69,804)
Net cash (used in) / generated from operating activities		(6,394,251)	12,052,888
Cash flow from investing activities			
Purchase of property, plant and equipment (PPE) and biological assets		(17,379,898)	(47,683,405)
Sale proceeds on disposal of PPE		391,556	82,365
Income on deposits / other financial assets		437,869	136,915
Dividends received		427,500	315,000
Net cash used in investing activities		(16,122,973)	(47,149,125)
Cash flow from financing activities			
Repayments of borrowings		(860,220)	(220,932)
Proceeds from borrowings - net		13,807,281	38,451,735
Obligations under finance lease - net		(4,328)	(17,429)
Retention money against project payments		-	(418,622)
Proceeds from issuance of right shares		626,926	4,244,448
Dividends paid		(624,290)	(1,112,055)
Net cash generated from financing activities		12,945,369	40,927,145
Net (decrease) / increase in cash and cash equivalents		(9,571,855)	5,830,908
Cash and cash equivalents at beginning of the period		6,089,897	(326,536)
Cash and cash equivalents at end of the period	28	(3,481,958)	5,504,372

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

ENGRO CORPORATION LIMITED
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
CONSOLIDATED CONDENSED INTERIM
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

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

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

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

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

1.3 The "Group" consists of:

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

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

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

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1.4 During the period, Engro Energy Limited completed construction and testing of its 217.3 MW combine cycle power plant (the Power Plant) and has commenced commercial operations on March 27, 2010. The electricity generated through the Power Plant is transmitted to the National Transmission and Despatch Company (NTDC) under the Power Purchase Agreement (PPA) dated October 26, 2007, valid for a period of 25 years.

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

1.6 The condensed interim financial informations of the subsidiary companies have been consolidated on a line by line basis. The carrying value of investments held by the Holding Company is eliminated against the subsidiaries' share capital and pre-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 the Equity Method.

2. BASIS FOR PREPARATION

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

3. ACCOUNTING POLICIES

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

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

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

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

- IAS 1 (amendment), 'Presentation of financial statements'

- IFRS 2 (amendments), 'Group cash-settled and share based-payment transactions'

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- IFRS 3 (revised), 'Business combinations'

- IFRS 5 (amendment), 'Non-current assets (or disposal groups) classified as held for sale or discontinued operations'

- IAS 38 (amendment), 'Intangible assets'

- IFRIC 17, 'Distribution of non-cash assets to owners'

- IFRIC 18, 'Transfer of assets from customers'; and

- Number of other amendments in other IFRS and IAS which were part of the International Accounting Standards Board's (IASB's) annual improvements project, published in April 2009.

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

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

- IFRS 9, 'Financial Instruments', effective from January 1, 2013. IFRS 9 addresses the classification and measurement of financial assets. The Holding Company is yet to asses the full impact of IFRS 9.

- IAS 24 (revised), 'Related Party Disclosures', effective from January 1, 2011. The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Holding Company's financial statements.

- Classification of right issues (amendment to IAS 32), effective from annual periods beginning on or after February 1, 2010. The amendment states that if rights issues, which are offered for a fixed amount of foreign currency, are issued pro rata to all the entity's existing shareholders in the same class for fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The Holding Company has not issued any right shares in foreign currency, therefore the amendment will not have any effect on the Holding Company's financial statements.

- Prepayments of a minimum funding requirement (amendments to IFRIC 14), effective from January 1, 2011. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The Holding Company's retirement benefit funds are not subject to any minimum funding requirements, hence, these amendments will have no impact on the Holding Company's financial statements.

- IFRIC 19 (interpretation), 'Extinguishing Financial Liabilities with Equity Instruments', effective from annual periods beginning on or after July 1, 2010. The interpretation clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Holding Company has not offered its shares to the creditors, therefore, this interpretation will have no impact on the Holding Company's financial statements.

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- Improvements to International Financial Reporting Standards 2010, issued in May 2010.

3.2 Revenue recognition on supply of electricity

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

- Capacity revenue is recognised based on the capacity made available to NTDC; and

- Energy revenue is recognised based on the Net Electrical Output (NEO) delivered to NTDC.

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

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

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

Consequently, the Holding Company is not required to account for a portion of Engro Energy Limited's Power Purchase Agreement (PPA) with NTDC as a lease under IAS – 17. If the Holding Company were to follow IFRIC – 4 / IAS – 17, the arrangement under the PPA would have been recorded as a finance lease. Had the lease been recognized as 'finance lease', the profit for the period would have been lower by Rs. 249,356.

3.4 Derivative Financial Instruments and Hedging Activities

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

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

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

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

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

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

		Unaudited September 30, 2010	Audited December 31, 2009
5.	**PROPERTY PLANT AND EQUIPMENT**	Rupees	
	Operating assets, at net book value (note 5.1 to 5.3)	49,393,964	26,179,073
	Capital work-in-progress		
	- Expansion and other projects (note 5.3)	75,656,188	84,181,544
	- Exploration and evaluation expenditure	303,652	15,767
	- Capital spares	133,147	127,326
		125,486,951	110,503,710
5.1	Additions to operating assets, including transfers from capital work-in-progress during the period/year, were as follows:		
	Freehold land	8,742	225,488
	Leasehold land	84,600	-
	Freehold building	3,618,271	886,007
	Leasehold building	36,133	173,439
	Pipelines	4,852	357,309
	Plant & Machinery - owned	19,691,984	14,310,975
	Catalyst	-	103,307
	Furniture, fixture and equipment - owned	84,061	175,364
	Vehicles - owned	260,094	295,602
	Vehicles - leased	-	15,556
		23,788,737	16,543,047

5.2 Major disposals during the period/year, include assets costing Rs. 174,954 (December 31, 2009: Rs. 289,773), having a net book value of Rs. 89,216 (December 31, 2009: Rs. 70,634) were disposed off for Rs. 391,556 (December 31, 2009: Rs. 100,952).

		Unaudited September 30, 2010	Audited December 31, 2009
5.3	Capital work-in-progress - Expansion and other projects	Rupees	
	Plant and machinery (note 5.3.1)	50,434,283	63,842,649
	Building and civil works including pipelines	10,743,452	7,734,725
	Furniture, fixture and equipment	327,402	192,195

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Advances to suppliers	276,762	293,243
Other ancillary costs (note 5.3.2)	13,874,289	12,118,732
	75,656,188	84,181,544

5.3.1 Capital work in progress includes Rs. 49,284,452 (January 1, 2010: Rs. 47,081,203) and Rs.9,895,966 (January 1, 2010: Rs. 7,459,458) with respect to Urea expansion project for plant & machinery and building & civil works respectively. The expansion project expected to be complete by fourth quarter 2010, adjacent to the existing Daharki Plant, will cost approximately US$ 1.1 billion and will have a capacity of 1.3 million tons of Urea per annum.

5.3.2 Other ancillary costs also include net borrowing costs capitalized amounting to Rs. 10,054,168 (January 1, 2010: Rs. 5,342,066) at borrowing rates ranging from 11.52% to 17.22%. It also includes depreciation and amortization, salaries, wages & benefits, legal & professional charges, etc.

6. EMPLOYEES SHARE OPTION SCHEME

	Unaudited September 30, 2010	Audited December 31, 2009
	Rupees	
6.1 Deferred employees compensation expense		
Balance as at January 1,	100,461	205,169
Options issued during the period / year	58,947	9,336
Options lapsed during the period / year	(1,348)	(18,114)
Options surrendered by employees transferred from the Holding Company to Engro Fertilizers Limited (note 6.3)	(67,188)	-
Amortization for the period / year	(63,450)	(95,930)
Balance at end of the period / year	27,422	100,461
Current portion shown under current assets	(27,422)	(97,492)
Long term portion of deferred employees compensation expense	-	2,969
6.2 Employees share option compensation reserve		
Balance as at January 1,	318,242	327,020
Options issued during the period / year	58,947	9,336
Options lapsed during the period / year	(1,348)	(18,114)
Options surrendered by employees transferred from the Holding Company to Engro Fertilizers Limited (note 6.3)	(211,593)	-
Balance at end of the period / year	164,248	318,242

6.3 The Holding Company

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

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

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6.4 Engro Fertilizers Limited

As stated in note 6.3 above, the employees transferred to Engro Fertilizers Limited and holding share options of the Holding Company have been, on surrender thereof, granted share options under a new Employee Share Option Scheme (the Scheme) of Engro Fertilizers Limited. Under the Scheme, employees have been granted options to purchase 4,937,100 ordinary shares of Engro Fertilizers Limited at an exercise price of Rs. 98 per ordinary share. As per the Scheme, the entitlements and exercise price are subject to adjustments because of issue of right shares and bonus shares. The number of options granted to an employee are the same as the number of options of the Holding Company surrendered by them. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither right to dividends nor voting rights. Vesting period for employees who were initially granted options on or before June 30, 2008 in the Holding Company, has started from January 1, 2010 and shall end on December 31, 2010, where after these options can be exercised within a period of two years ending December 31, 2012.

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

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

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

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

7. STOCK-IN-TRADE	**Unaudited September 30, 2010**	**Audited December 31, 2009**
	Rupees	
Raw and packing materials	3,521,207	2,501,899
Work-in-process	80,641	56,548
Finished goods - own manufactured product	2,374,029	863,140
- purchased product	6,260,904	401,607
	8,634,933	1,264,747
Provision for slow moving inventory	(3,223)	(3,223)
	12,233,558	3,819,971

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		Unaudited September 30, 2010	Audited December 31, 2009
		Rupees	
8.	**TRADE DEBTS**		
	Considered good		
	- Secured (note 8.1)	3,801,194	2,794,542
	- Unsecured	503,505	741,991
		4,304,699	3,536,533
	Considered doubtful	45,962	40,507
		4,350,661	3,577,040
	Provision for impairment	(45,962)	(40,507)
		4,304,699	3,536,533

8.1 Includes receivables from National Transmission and Despatch Company (NTDC), amounting to Rs. 2,073,380 (December 31, 2009: Nil), in respect of sale of electricity by Engro Energy Limited (the Subsidiary Company). These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement.

9. OTHER RECEIVABLES

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

		Unaudited September 30, 2010	Audited December 31, 2009
		Rupees	
10.	**SHORT TERM INVESTMENTS**		
	Financial assets at fair value through profit or loss		
	Fixed income placements	61,555	75,795
	Money market funds	2,537,528	436,460
		2,599,083	512,255
11.	**SHARE CAPITAL**		
11.1	Autorised capital		
	350,000,000 shares (December 31, 2009: 350,000,000) Ordinary Shares of Rs. 10 each	3,500,000	3,500,000

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

Unaudited September 30, 2010	Audited December 31, 2009		Unaudited September 30, 2010	Audited December 31, 2009
Numbers			Rupees	
297,942,563	212,816,117	As at January 1	2,979,426	2,128,161
-	85,126,446	Ordinary shares of Rs. 10 each issued during the year as fully paid right shares	-	851,265
29,794,256	-	Ordinary shares of Rs. 10 each issued during the period as fully paid bonus shares (note 11.3)	297,943	-
327,736,819	297,942,563		3,277,369	2,979,426

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

	Unaudited September 30, 2010	Audited December 31, 2009
12. HEDGING RESERVE	Rupees	
Fair values of :		
- Foreign exchange forward contracts (note 15.1)	38,075	(134,692)
- Foreign exchange option contracts (note 15.2)	43,475	49,104
- Interest rate SWAPs (note 15.3)	(1,575,177)	(872,376)
	(1,493,627)	(957,964)
Deferred tax	522,770	335,287
Minority Interest	54,512	5,677
	(916,345)	(617,000)

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

13. MAINTENANCE RESERVE

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

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

14. BORROWINGS

	Unaudited September 30, 2010	Audited December 31, 2009
	Rupees	
Balance as at January 1	86,517,828	41,060,739
Loans availed during the period / year - net of transaction cost	13,807,281	45,722,763
	100,325,109	86,783,502
Repayments during the period / year	(860,220)	(265,674)
	99,464,889	86,517,828
Current portion shown under current liabilities	(7,822,834)	(2,375,675)
Balance at the end of the period / year	91,642,055	84,142,153

Engro Fertilizers Limited

During the period, Engro Fertilizers Limited (the Subsidiary Company), has availed loans amounting to Rs. 10,275,000 (December 31, 2009: Nil), which represent fresh bilateral loans from Standard Chartered Bank (Pakistan) Limited, SAMBA Bank Limited, Dubai Islamic Bank Limited, National Bank of Pakistan and Habib Bank Limited along with further draw down on existing Syndicated finance facility.

The maturity of all loan facilities range from 13 months to 9 years and 1.10% to 2.40% over six month KIBOR and 1.3% over three month KIBOR for Rupee facilities, and 2.57% to 6.00% over six month LIBOR for USD facilities. These facilities, excluding the Privately Placed TFCs (PPTFCs) & International Finance Corporation's (IFC) facility, are secured by equitable mortgage upon immovable assets located at Daharki and hypothecation charge on fixed assets of the Company. The PPTFCs and IFC's facility are secured by a subordinated floating charge over all present and future fixed assets excluding land and buildings.

Engro Foods Limited

During the period, Engro Foods Limited (the Subsidiary Company) has (i) further utilized the Syndicated Term Finance Facility (STFF) obtained from syndicate of banks led by MCB Bank Limited to the extent of Rs. 1,000,000. The total borrowing against the STTF as at September 30, 2010 aggregates to Rs. 1,200,000; and (ii) obtained the STTF from a syndicate of banks led by NIB Bank to the extent of Rs. 1,000,000. The total borrowing against this STFF as at September 30, 2010 aggregates to Rs, 500,000 (iii) repaid principal amount of Rs. 116,667 relating to the long term finance obtained from Royal Bank of Scotland. (iv) obtained STFF from syndicate of Banks led by MCB Bank Limited to the extent of Rs. 1,500,000. The total borrowings against the STFF as at September 30, 2010 aggregates to Rs. 417,617. The STFF carrys floating markup ranging between 10.4% to 14.4%.

Engro Energy Limited

Engro Energy Limited (the Subsidiary Company) entered into a financing agreement with consortium comprising of International Finance Corporation, DEG, FMO, Proparco, Swed Fund and OFID amounting to USD 153,800. The finances carry markup at the rate of six months LIBOR plus 3% payable semi-annually over a period of twelve years whereas the principal is repayable commencing six months after the date of commercial operations in twenty

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semi-annual payments/instalments. Commitment fee at the rate of 0.5% per annum is also payable on that part of finance that has not been drawn. As at September 30, 2010, the Subsidiary Company has drawn down USD 144,000 (December 31, 2009: USD 136,000) against the aforementioned amount.

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

Engro Polymer and Chemicals Limited

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

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

15. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited September 30,2010		Audited December 31,2009	
	Assets	Liabilities	Assets	Liabilities
Conversion option on IFC loan	-	354,442	-	338,647
Cash flow hedges:				
- Foreign exchange forward contracts (note 15.1)	38,075	-	22,637	157,329
- Foreign exchange option contracts (note 15.2)	43,475	-	53,572	4,468
- Interest rate swaps (note 15.3)	-	1,575,177	-	872,376
	81,550	1,575,177	76,209	1,034,173
	81,550	1,929,619	76,209	1,372,820
Less: Current portion shown under current assets / liabilities				
Conversion option on IFC loan	-	354,442	-	338,647
Cash flow hedges:				
- Foreign exchange forward contracts	38,075	-	22,637	157,329
- Foreign exchange option contracts	43,475	-	53,572	4,468
- Interest rate swaps	-	330,701	-	239,599
	81,550	330,701	76,209	401,396
	81,550	685,143	76,209	740,043
	-	1,244,476	-	632,777

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15.1 Foreign exchange forward contracts

15.1.1 The Group entered into various forward exchange contracts to hedge its foreign currency exposure. As at September 30, 2010, the Group had forward exchange contracts to purchase Euros 3,711 (December 31, 2009: Euros 9,543) at various maturity dates matching the anticipated payment dates for commitments with respect to urea expansion project. The fair value of these contracts, as at September 30, 2010 is positive and amounted to Rs. 30,436 (December 31, 2009: positive fair value of Rs. 22,637).

15.1.2 The Group entered in various US$: PKR forward contracts to hedge its foreign currency exposure. As at September 30, 2010, the Group had forward contracts to purchase US$ 85,000 (December 31, 2009: US$ 85,000) at various maturity dates to hedge its foreign currency loan obligations. The fair value of these contracts as at September 30, 2010 is positive and amounted to Rs. 7,639 (December 31, 2009: Rs. 157,329).

15.2 Foreign exchange option contracts

The Group entered into various foreign exchange option contracts to hedge its currency exposure against US dollar relating to the expansion project. As at September 30, 2010, the Company had foreign exchange options amounting to Euros 7,315 (December 31, 2009: Euros 12,628). The net fair value of these contracts as at September 30, 2010 is positive and amounted to Rs. 43,475 (December 31, 2009: positive fair value of Rs. 49,104).

15.3 Interest rate swaps

15.3.1 The Group entered into an interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing under an Offshore Islamic Finance Facility agreement, for a notional amount of US$ 150,000 (December 31, 2009: US$ 150,000) amortising up to September 2014. Under the swap agreement, the Group would receive USD-LIBOR from Citibank N.A Pakistan on notional amount and pay fixed 3.47% which will be settled semi-annually. The fair value of the interest rate swap as at September 30, 2010 is negative and amounted to Rs. 721,029 (December 31, 2009: Rs. 542,385).

15.3.2 The Group entered into another interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing from a consortium of Development Finance Institutions for a notional amount of US$ 85,000 (December 31, 2009: US$ 85,000) amortising upto April 2016. Under the swap agreement, the Group would receive USD-LIBOR from Standard Chartered Bank on notional amount and pay fixed 3.73% which will be settled semi-annually. The fair value of the interest rate swap as at September 30, 2010 is negative and amounted to Rs. 662,720 (December 31, 2009: Rs. 310,056).

15.3.3 The Group entered into another interest rate swap agreement for notional amounts aggregating to US$ 37,332 (December 31, 2009: US$ 40,000), with banks to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, the Group would receive six month USD-LIBOR on respective notional amounts and will pay fix 2.8% to 3.38%, which will be settled semi annually. The fair value of the interest rate swap as at September 30, 2010, is negative and amounted to Rs. 190,248 (December 31, 2009: Rs. 19,935).

15.3.4 The Group has also entered into a cross currency interest rate swap agreement for a notional amount of US$ 4,000, with a bank to hedge its interest rate exposure on floating rate local currency borrowings from a consortium of local banks a Syndicate Finance Agreement. Under the swap agreement, the company would receive six month KIBOR on the relevant PKR notional amount and will pay 6 month USD LIBOR plus 0.95% on the relevant USD notional amount, which will be settled semi annually. The fair value of interest rate swap as at September 30, 2010 is 1,180 (December 31, 2009: nil).

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	Rupees	
16. DEFERRED TAXATION		
Credit / (debit) balances arising on account of:		
- Accelerated depreciation allowance	7,009,598	5,340,447
- Net borrowing costs capitalised	-	207,133
- Fair value of hedging instruments	(522,770)	(335,287)
- Recoupable carried forward tax losses	(4,862,376)	(3,352,092)
- Tax on subsidiary reserves	14,385	18,589
- Tax on fair value adjustment	136,158	153,200
- Recoupable minimum turnover tax	(455,296)	(201,438)
- Unrealised foreign exchange losses,unpaid liabilites and provision for retirement and other services benefits	(110,334)	(70,444)
- Provision for:		
- inventories, slow moving stores and spares and doubtful receivables	(29,199)	(21,879)
- others	(51,062)	(50,931)
	1,129,104	1,687,298
17. TRADE AND OTHER PAYABLES		
Creditors	4,319,313	2,243,921
Accrued liabilities	4,029,009	2,911,903
Advances from Customers	782,829	1,735,730
Deposits from dealers/distributors refundable on termination of dealership	31,028	11,073
Retention money	502,200	1,803,495
Contractors'/suppliers deposits	97,526	111,121
Workers' profits participation fund	273,939	31,045
Workers' welfare fund	163,132	143,583
Sales tax payable	1,078	8,441
Provision for special excise duty on import	128,428	70,494
Provision for infrastructure fee	450,098	335,121
Others	267,948	202,073
	11,046,528	9,608,000

18. SHORT TERM BORROWINGS

The facilities for short term finance available to the Group from various banks amounts to Rs. 18,462,848 (December 31, 2009: Rs. 12,382,200) including Rs. 1,450,000 (December 31, 2009: Rs. 200,000) for bank guarantees interchangeable with short term finance. The rates of markup ranges from 12.88% to 14.61% (December 31, 2009: 12% to 18.5%).

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

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The facilities for opening letters of credit and guarantees of Subsidiary Companies as at September 30, 2010 amounts to Rs. 9,918,000 (December 31, 2009: Rs. 6,299,000).

19. CONTINGENCIES AND COMMITMENTS

Contingencies

Claims, including pending lawsuits, against the Group not acknowledged as debts amounted to Rs. 45,218 (December 31, 2009: Rs. 47,658).

Corporate and bank guarantees of Rs. 1,106,204 (December 31, 2009: Rs. 273,482) and Rs. 2,598,695 (December 31, 2009: Rs. 2,480,283) have been issued by the Company in favour of its subsidiaries and various banks respectively on behalf of the Group.

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

The Group had commenced two separate arbitration proceedings against the Government of Pakistan for non-payment of marketing incidentals relating to the years 1983-84 and 1985-86 respectively. The sole arbitrator in the second case has awarded the Holding Company Rs. 47,800 whereas the award for the earlier years is awaited. The award for the second arbitration has not been recognised due to inherent uncertainties arising from its challenge in the High Court of Sindh.

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

Commitments	**Unaudited September 30, 2010**	**Audited December 31, 2009**
	Rupees	
Property, plant & equipment	5,114,949	5,504,260
Letter of credits other than for capital expenditure	2,463,219	2,863,584

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

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

	Unaudited September 30, 2010	**Audited December 31, 2009**
	Rupees	
Not later than one year	1,846	1,723
Later than one year and not later than five years	1,096	799
Later than five years	-	399
	2,942	2,921

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20. NET SALES

Sales for the current period includes Rs. 3,739,058 in respect of sales made by Engro Energy Limited (the Subsidiary Company) to National Transmission and Despatch Company (NTDC), on commencing commercial operations, as referred to in note 1.4. Sales invoices are raised by the Subsidiary Company based on the tariffs provided/ approved under the Power Purchase Agreement (PPA), signed between the Subsidiary Company and NTDC on October 26, 2007.

21. COST OF SALES

	3 months ended September 30, 2010	3 months ended September 30, 2009	9 months ended September 30, 2010	9 months ended September 30, 2009
	Rupees			
Raw materials consumed	7,947,731	1,462,674	22,811,006	9,764,950
Salaries, wages and staff welfare	692,826	411,383	1,594,452	1,133,774
Fuel and power	1,272,658	1,186,991	3,574,452	3,012,784
Repairs and maintenance	215,304	83,046	647,148	613,829
Depreciation / amortization	717,996	432,501	1,864,385	1,080,945
Consumable stores	192,706	66,685	409,891	172,766
Staff recruitment, training, safety and other expenses	28,071	16,176	56,533	42,415
Purchased services	537,875	344,926	1,192,893	541,521
Travel	38,126	19,562	91,482	65,511
Communication, stationery and other office expenses	18,037	28,232	99,999	72,483
Insurance	96,192	67,437	231,281	175,216
Rent, rates and taxes	36,246	26,933	94,054	74,638
Other expenses	13,363	3,246	26,579	15,687
Manufacturing cost	11,807,131	4,149,792	32,694,155	16,766,519
Opening stock of work-in-process	55,246	61,872	56,548	63,381
Closing stock of work-in-process	(80,641)	(63,408)	(80,641)	(63,408)
	(25,395)	(1,536)	(24,093)	(27)
Cost of goods manufactured	11,781,736	4,148,256	32,670,062	16,766,492
Opening stock of finished goods manufactured	1,550,653	886,666	863,140	1,445,233
Closing stock of finished goods manufactured	(2,374,029)	(1,209,413)	(2,374,029)	(1,209,413)
	(823,376)	(322,747)	(1,510,889)	235,820
Cost of goods sold				
- own manufactured product	10,958,360	3,825,509	31,159,173	17,002,312
- purchased product	4,235,480	9,548,423	7,846,053	13,769,053
- others	529,552	200,057	1,159,607	659,810
	15,723,392	13,573,989	40,164,833	31,431,175

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	3 months ended September 30, 2010	3 months ended September 30, 2009	9 months ended September 30, 2010	9 months ended September 30, 2009
	Rupees			
22. SELLING AND DISTRIBUTION EXPENSES				
Salaries, wages and staff welfare	536,141	334,192	1,260,282	919,837
Staff recruitment, training, safety and other expenses	12,052	1,509	42,987	26,503
Product transportation and handling	574,161	654,854	1,621,418	1,445,872
Repairs and maintenance	6,740	5,673	44,646	16,929
Advertising and sales promotion	412,088	272,703	1,590,324	1,210,457
Rent, rates and taxes	122,612	59,567	310,229	177,471
Communication, stationery and other office expenses	34,196	23,985	155,189	124,085
Travel	79,226	68,997	209,243	153,217
Depreciation / amortization	48,161	37,496	146,889	98,285
Purchased services	76,510	27,571	156,085	49,268
Other expenses	96,736	29,603	190,259	103,557
	1,998,623	1,516,150	5,727,551	4,325,481

23. OTHER OPERATING INCOME

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

24. OTHER OPERATING EXPENSES

This includes exchange loss on revaluation of foreign borrowings amounting to Rs. 338,400 (December 31, 2009: Nil). As per Power Purchase Agreement exchange fluctuations would be reimbursed to Engro Energy Limited - the subsidiary company, on loan repayment basis and accordingly should not be reflected as business expense in financial statements. The Management believes that as this is a pass through to power purchaser hence our business performance would not be accurately reflective by recognition of said exchange loss. Further, this exchange loss is not a cash loss but reflects mismatch of timings between revaluation and repayment of foreign debt only.

25. TAXATION

25.1 Engro Fertilizers Limited (the Subsidiary Company)

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

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

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

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

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

All the assessments of the Holding Company, for income years 1995 to 2002 finalized by the Department which were in appeal at the ITAT level have been decided. The major one being apportionment of gross profit and expenses between normal income and Final Tax Regime (FTR) income has been remanded back the case to the tax department by ITAT with specific directions for apportionment of gross profit. In view of the decision the Company has booked a reversal of Rs. 463,784 in the current period.

25.2 Engro Polymer and Chemicals Limited (the Subsidiary Company)

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

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

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

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

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

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

25.3 Engro Foods Limited (the Subsidiary Company)

During the period, the Subisiary Company's return for the Tax Year 2009 was selected for audit under section 177. However, a show cause notice was not served prior to selection, hence the case is being contended with the concerned Tax officer on technical grounds. The hearing of case is still in progress.

26. EARNINGS PER SHARE

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

	3 months ended September 30, 2010	3 months ended September 30, 2009	9 months ended September 30, 2010	9 months ended September 30, 2009
	Rupees			
Profit after taxation (attributable to owners of the Holding Company)	995,806	1,649,519	4,393,360	2,704,678
	Numbers			
		(Restated)		(Restated)
Weighted average number of ordinary shares (in thousand)	327,737	327,737	327,737	302,994

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27. CASH (USED IN) / GENERATED FROM OPERATIONS

Profit before taxation	4,759,252	3,497,911
Adjustment for non-cash charges and other items:		
Depreciation and amortisation	2,011,274	1,179,230
Profit on disposal of property, plant and equipments	(314,132)	(24,491)
Provision for retirement and other service benefits	202,623	119,134
Depreciation on revaluation surplus arising on business combination	5,870	4,591
Income on deposits / other financial assets	(269,667)	(136,915)
Share of income from joint venture companies	(396,671)	(317,272)
Financial charges	3,090,490	1,537,970
Employees share compensation expense	(48,888)	60,541
Employees housing subsidy expense	76,192	104,197
Working capital changes (note 27.1)	(10,785,454)	8,271,415
	(1,669,111)	14,296,311

27.1 *Working capital changes*

	9 months ended September 30, 2010	9 months ended September 30, 2009
	Rupees	
(Increase) / decrease in current assets		
- Stores spares and loose tools	(2,144,944)	(328,187)
- Stock-in-trade	(8,413,587)	3,349,746
- Trade debts	(768,166)	(1,744,048)
- Loans, advances, deposits and prepayments	(984,749)	457,659
- Other receivables (net)	(27,209)	3,110,387
	(12,338,655)	4,845,557
Increase / (Decrease) in current liabilities		
- Trade and other payable including other service benefits (net)	1,553,201	3,425,858
	(10,785,454)	8,271,415

28. CASH AND CASH EQUIVALENTS

Cash and bank balances	3,088,521	2,929,677
Short term investments	2,599,083	3,981,458
Short term borrowings	(9,169,562)	(1,406,763)
	(3,481,958)	5,504,372

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29. Segment reporting

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

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

	3 months ended September 30, 2010	3 months ended September 30, 2009	9 months ended September 30, 2010	9 months ended September 30, 2009
	Rupees			
Revenue				
Fertilizer	8,217,817	10,142,656	22,694,366	20,850,210
Polymer	3,702,841	3,219,957	10,557,412	8,185,429
Food	5,490,664	4,004,315	15,020,002	10,581,665
Power	1,731,873	-	3,739,058	-
Other operations	701,395	297,689	1,558,278	943,265
Consolidated	19,844,590	17,664,617	53,569,116	40,560,569
	-	-	-	-
Profit / (loss) after taxation				
Fertilizer	797,910	1,582,067	3,845,268	2,653,015
Polymer	(313,017)	(31,872)	(762,401)	(18,621)
Food	215,411	(98,859)	35,342	(391,080)
Power	(1,553)	(36,277)	377,487	(76,844)
Other operations	989,254	199,851	1,299,592	198,403
Elimination - net	(826,745)	12,135	(736,819)	284,353
Consolidated	861,260	1,627,045	4,058,469	2,649,226

	Unaudited September 30, 2010	Audited December 31, 2009
	Rupees	
Assets		
Fertilizer	102,790,780	94,179,878
Polymer	23,663,065	22,799,495
Food	12,120,333	9,004,026
Power	18,559,672	16,164,759
Other operations	29,974,501	1,181,901
Elimination - net	(28,502,583)	(11,224,683)
Consolidated	158,605,768	132,105,376

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30. TRANSACTIONS WITH RELATED PARTIES

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

	9 months ended September 30, 2010	9 months ended September 30, 2009
	Rupees	
Associates and joint ventures		
Purchases and services	7,334,910	7,705,156
Sales	1,055,495	866,733
Retirement benefits	284,044	162,735
Dividends paid	288,781	426,516
Payment of interest on TFCs and repayment of principal amount	57,522	4,984
Right shares issued (including share premium)	-	1,777,152
Donations	72,480	-
Investment in mutual funds	1,321,000	-
Redemption of investments in mutual funds	983,208	-
Others		
Remuneration paid to key management personnel / directors	448,889	400,915
Dividends paid	10,609	39,727
Right shares issued (including share premium)	-	314,732

	Unaudited September 30, 2010	Audited December 31, 2009
	Rupees	
Balances due from		
- Joint Ventures [includes dividend receivable of Rs. Nil (December 31, 2009: Rs. 112,500)]	-	112,102

31. SEASONALITY

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

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

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(Amounts in thousand)

32. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

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

33. DATE OF AUTHORISATION FOR ISSUE

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

34. CORRESPONDING FIGURES

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

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

engro corp

enabling excellence

(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)

CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

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

(Amounts in thousand)

	Note	Unaudited September 30, 2010 (note 1.2)	Audited December 31, 2009
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	109,531	69,517,512
Intangible assets		-	122,704
Long term investments	6	25,779,901	12,988,657
Deferred employee compensation expense	7	-	2,787
Long term loans and advances	8	1,468,825	328,907
		27,358,257	82,960,567
Current Assets			
Stores, spares and loose tools		-	961,117
Stock-in-trade		-	422,607
Trade debts		-	2,514,425
Deferred employee compensation expense	7	5,908	87,278
Loans, advances, deposits and prepayments		23,342	1,469,155
Other receivables		56,821	275,714
Derivative financial instruments		-	76,209
Taxes recoverable		-	536,167
Short term investments	9	1,004,013	450,857
Cash and bank balances	10	127,859	3,955,342
		1,217,943	10,748,871
TOTAL ASSETS		28,576,200	93,709,438

(Amounts in thousand)

	Note	Unaudited September 30, 2010 (note 1.2)	Audited December 31, 2009
EQUITY & LIABILITIES		Rupees	
Equity			
Share capital	11	3,277,369	2,979,426
Share premium		10,550,061	10,550,061
Employee share option compensation reserve	7	77,118	288,258
Hedging reserve		-	(609,719)
General reserve		4,429,240	4,429,240
Unappropriated profit		9,091,581	9,250,972
		24,148,000	23,908,812
Total Equity		27,425,369	26,888,238
Liabilities			
Non-Current Liabilities			
Borrowings	12	300,000	58,565,354
Derivative financial instruments		-	612,842
Deferred liabilities		21,127	988,169
Employee housing subsidy		-	211,785
Retirement and other service benefits obligations		742	47,581
		321,869	60,425,731
Current Liabilities			
Trade and other payables	13	74,876	3,160,852
Accrued interest / mark-up		-	1,366,022
Current portion of:			
- borrowings		-	810,100
- other service benefits obligations		-	20,600
Short term borrowings		-	195,753
Derivative financial instruments		-	740,043
Taxation		24,919	-
Unclaimed dividends		729,167	102,099
		828,962	6,395,469
Total Liabilities		1,150,831	66,821,200
Contingencies and Commitments	14		
TOTAL EQUITY & LIABILITIES		28,576,200	93,709,438

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

ENGRO CORPORATION LIMITED
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
CONDENSED INTERIM
PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(Amounts in thousand except for earnings per share)

	Note	3 months ended September 30, 2010 (note 1.2)	3 months ended September 30, 2009	9 months ended September 30, 2010 (note 1.2)	9 months ended September 30, 2009
		Rupees			
Net Sales		-	10,142,656	-	20,850,210
Cost of sales		-	(8,191,819)	-	(15,951,610)
Gross profit		-	1,950,837	-	4,898,600
Selling and distribution expenses		-	(563,159)	-	(1,314,213)
		-	1,387,678	-	3,584,387
Dividend income	15	1,035,000	867,500	1,215,000	1,085,000
Royalty income	16	44,832	-	172,571	-
		1,079,832	867,500	1,387,571	1,085,000
Administrative expenses		(82,546)	-	(162,936)	-
		997,286	2,255,178	1,224,635	4,669,387
Other operating income	17	49,037	33,987	300,613	73,661
Other operating expenses		(21,702)	(145,523)	(32,319)	(266,079)
Operating Profit		1,024,621	2,143,642	1,492,929	4,476,969
Finance cost		(143)	(196,903)	(1,742)	(980,865)
Profit before taxation		1,024,478	1,946,739	1,491,187	3,496,104
Taxation					
- Current		785	(57,463)	(81,049)	(126,751)
- Deferred		(20,969)	(333,411)	(20,228)	(769,910)
		(20,184)	(390,874)	(101,277)	(896,661)
Profit for the period		1,004,294	1,555,865	1,389,910	2,599,443
			(Restated)		(Restated)
Earnings per share - basic and diluted	18	Rs. 3.06	Rs. 4.75	Rs. 4.24	Rs. 8.58

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

ENGRO CORPORATION LIMITED
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(Amounts in thousand)

	3 months ended September 30, 2010 (note 1.2)	3 months ended September 30, 2009 (note 23.3)	9 months ended September 30, 2010 (note 1.2)	9 months ended September 30, 2009 (note 23.3)
	Rupees			
Profit for the period	1,004,294	1,555,865	1,389,910	2,599,443
Other comprehensive income				
Hedging reserve - cash flow hedges				
Gains/(losses) arising during the period	-	(1,293,444)	-	(1,473,247)
Less: Adjustment for amounts transferred to initial carrying amount of hedged items (Capital work in progress)	-	486,957	-	211,029
	-	(806,487)	-	(1,262,218)
Income tax relating to hedging reserve	-	282,270	-	441,776
Other comprehensive income for the period, net of tax	-	(524,217)	-	(820,442)
Total comprehensive income for the period	1,004,294	1,031,648	1,389,910	1,779,001

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

Hussain Dawood
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Asad Umar
President and Chief Executive

ENGRO CORPORATION LIMITED
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(Amounts in thousand)

	Share capital	Share premium	Employees share option compensation reserve	Hedging reserve	General reserve	Unappropriated profit	Total
				Rupees			
Balance as at January 1, 2009 (audited)	2,128,161	7,152,722	305,052	127,307	4,429,240	6,911,124	21,053,606
Transactions with owners							
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 shares for every 10 shares held @ Rs. 50 per share (including share premium net of share issue cost)	851,265	3,397,339	-	-	-	-	4,248,604
Effect of changes in number of share options issued	-	-	(12,843)	-	-	-	(12,843)
	851,265	3,397,339	(12,843)	-	-	(1,021,517)	3,214,244
Total comprehensive income for the nine months ended September 30, 2009							
Profit for the period	-	-	-	-	-	2,599,443	2,599,443
Other comprehensive income - cash flow hedges, net of tax							
- as previously reported	-	-	-	(2,850,904)	-	-	(2,850,904)
- effect of change in fair value of cash flow hedges (note 24.3)	-	-	-	2,030,462	-	-	2,030,462
- as restated	-	-	-	(820,442)	-	-	(820,442)
	-	-	-	(820,442)	-	2,599,443	1,779,001
Balance as at September 30, 2009 (unaudited)	2,979,426	10,550,061	292,209	(693,135)	4,429,240	8,489,050	26,046,851
Transactions with owners							
Effect of changes in number of share options issued	-	-	(3,951)	-	-	-	(3,951)
2nd interim dividend for 2009 @ Rs. 2.00 per share	-	-	-	-	-	(595,885)	(595,885)
	-	-	(3,951)	-	-	(595,885)	(599,836)
Total comprehensive income for the three months ended December 31, 2009							
Profit for the period	-	-	-	-	-	1,357,807	1,357,807
Other comprehensive income - cash flow hedges, net of tax	-	-	-	83,416	-	-	83,416
	-	-	-	83,416	-	1,357,807	1,441,223
Balance as at December 31, 2009 (audited)	**2,979,426**	**10,550,061**	**288,258**	**(609,719)**	**4,429,240**	**9,250,972**	**26,888,238**
Transaction with owners							
Transfer of Fertilizer Undertaking							
Transfer of hedging reserve to Engro Fertilizers Limited (note 1.4)	-	-	-	609,719	-	-	609,719
Other transactions with owners							
Final dividend for the year ended December 31, 2009 @ Rs. 2.00 per share	-	-	-	-	-	(595,885)	(595,885)
Bonus shares issued during the period in the ratio of 1 share for every 10 shares held	297,943	-	-	-	-	(297,943)	-
Effect of changes in number of share options issued (note 7.2)	-	-	(211,140)	-	-	-	(211,140)
Interim dividend for the year ending December 31, 2010 @ Rs. 2.00 per share	-	-	-	-	-	(655,473)	(655,473)
	297,943	-	(211,140)	-	-	(1,549,301)	(1,462,498)
	297,943	-	(211,140)	609,719	-	(1,549,301)	(852,779)
Total comprehensive income for the nine months ended September 30, 2010							
Profit for the period	-	-	-	-	-	1,389,910	1,389,910
Other comprehensive income - cash flow hedges, net of tax	-	-	-	-	-	-	-
	-	-	-	-	-	1,389,910	1,389,910
Balance as at September 30, 2010 (unaudited)	3,277,369	10,550,061	77,118	-	4,429,240	9,091,581	27,425,369

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

ENGRO CORPORATION LIMITED
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)

CONDENSED INTERIM
STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(Amounts in thousand)	Note	9 months ended September 30, 2010 (note 1.2)	9 months ended September 30, 2009
		Rupees	
Cash flows from operating activities			
Cash generated from operations	19	(114,363)	7,714,277
Retirement and other service benefits paid		(15,512)	(107,890)
Taxes paid		(56,130)	(366,416)
Payment to Engro Foods Limited for acquisition of tax losses		-	(450,000)
Long term loans and advances - net		(1,226,919)	(350,636)
Net cash (utilized in) / generated from operating activities		(1,412,924)	6,439,335
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		(71,158)	(32,216,059)
Sale proceeds on disposal of PPE		3,727	48,631
Long term investments		(2,052,100)	(531,000)
Income on deposits / other financial assets		161,643	21,541
Dividends received		1,327,500	1,175,000
Net cash utilized in investing activities		(630,388)	(31,501,887)
Cash flows from financing activities			
Repayment of long term finances		-	(800)
Proceeds from issue of share capital (net)		-	4,244,447
Payment of financial charges		(1,742)	(744,364)
Proceeds from long term finances		300,000	24,515,535
Dividends paid		(624,290)	(1,112,055)
Net cash (utilized in) / generated from financing activities		(326,032)	26,902,763
Net (decrease) / increase in cash and cash equivalents		(2,369,344)	1,840,211
Cash and cash equivalents at beginning of the period, net of transfer amounting to Rs. 709,230 (note 19.1)		3,501,216	43,574
Cash and cash equivalents at end of the period	20	1,131,872	1,883,785

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

ENGRO CORPORATION LIMITED
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

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

1.2 The Board of Directors in their meeting on April 28, 2009 decided to divide the Company into two companies by separating its fertilizer undertaking from the rest of the undertaking that was to be retained in the Company (Retained Undertaking). In this regard, a wholly owned subsidiary namely Engro Fertilizers Limited was incorporated on June 29, 2009. The division was effected on January 1, 2010 (the Effective Date) through a Scheme of Arrangement (the Scheme) whereby:

a) the Fertilizer Undertaking has been transferred and vested in Engro Fertilizers Limited against the issuance of ordinary shares of Engro Fertilizers Limited to the Company, as summarized in note 1.4; and

b) the retention of the Retained Undertaking in the Company along with the change of the name of the Company to Engro Corporation Limited. Engro Corporation Limited hence has become a Holding Company to oversee the business of the new fertilizer subsidiary as well as business of its other existing subsidiaries/ associates.

1.3 Bifurcated Balance Sheet as at January 1, 2010

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

ENGRO CORPORATION LIMITED
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(Amounts in thousand)

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

ENGRO CORPORATION LIMITED
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(Amounts in thousand)

1.4 Transfer of Fertilizer Undertaking

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

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

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

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

Hedging Reserve

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

2 BASIS OF PREPARATION

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

2.2 The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving the high degree of judgement or complexity, or areas where assumptions and estimates are significant to the final statements are disclosed in note 4.

ENGRO CORPORATION LIMITED
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(Amounts in thousand)

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended December 31, 2009, except for the adoption of new accounting policy as referred to in note 3.2 below.

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

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

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

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

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

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

- IFRS 9, 'Financial Instruments', effective from January 1, 2013. IFRS 9 addresses the classification and measurement of financial assets. The Company is yet to asses the full impact of IFRS 9.
- IAS 24 (revised), 'Related Party Disclosures', effective from January 1, 2011. The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Company's financial statements.
- Classification of right issues (amendment to IAS 32), effective from annual periods beginning on or after February 1, 2010. The amendment states that if rights issues, which are offered for a fixed amount of foreign currency, are issued pro rata to all the entity's existing shareholders in the same class for fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The Company has not issued any right shares in foreign currency, therefore the amendment will not have any effect on the Company's financial statements.

ENGRO CORPORATION LIMITED
(FORMERLY ENGRO CHEMICAL PAKISTAN LIMITED)
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(Amounts in thousand)

- Prepayments of a minimum funding requirement (amendments to IFRIC 14), effective from January 1, 2011. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The Company's retirement benefit funds are not subject to any minimum funding requirements, hence, these amendments will have no impact on the Company's financial statements.

- IFRIC 19 (interpretation), 'Extinguishing Financial Liabilities with Equity Instruments', effective from annual periods beginning on or after July 1, 2010. The interpretation clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Company has not offered its shares to the creditors, therefore, this interpretation will have no impact on the Company's financial statements.

- Improvements to International Financial Reporting Standards 2010, issued in May 2010.

3.2 Royalty income

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

5. PROPERTY, PLANT AND EQUIPMENT

	Unaudited September 30, 2010	Audited December 31, 2009 (note 1.3)
	Rupees	
Operating assets, at net book value (note 5.1)	59,558	6,156,969
Capital work in progress (note 5.2)	49,973	63,360,543
	109,531	69,517,512

5.1 Operating assets as at December 31, 2009 includes Rs. 6,102,330 which were transferred to Engro Fertilizers Limited on demerger, as referred to in note 1.3. Additions to operating assets during the period / year amounted to Rs. 20,771 (December 31, 2009: Rs. 1,188,911). Operating assets costing Rs. 11,437 (December 31, 2009: Rs. 220,204), having a net book value of Rs 4,191 (December 31, 2009: Rs. 34,762), were disposed off during the period / year for Rs 3,727 (December 31, 2009: Rs. 58,366).

5.2 The entire balance of capital work in progress as at December 31, 2009 was transferred to Engro Fertilizers Limited on demerger, as referred to in note 1.3. Additions to capital work in progress during the period includes Rs. 33,170 in respect of expenditure incurred by the Company for expansion of office premises.

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6. LONG TERM INVESTMENTS	Unaudited September 30, 2010	Audited December 31, 2009
	Rupees	
Subsidiary companies - at cost (note 6.1)	25,324,901	12,533,657
Joint venture company - at cost		
Engro Vopak Terminal Limited		
45,000,000 (December 31, 2009: 45,000,000)		
Ordinary shares of Rs. 10 each, equity		
held 50% (December 31, 2009: 50%)	450,000	450,000
Others - at cost		
Arabian Sea Country Club Limited		
500,000 (December 31, 2009: 500,000)		
Ordinary shares of Rs. 10 each	5,000	5,000
Agrimall (Private) Limited (note 6.2)	-	-
	25,779,901	12,988,657

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6.1 Subsidiary companies

	Unaudited September 30, 2010		Audited December 31, 2009	
	Equity % held	Investment at cost (Rupees)	Equity % held	Investment at cost (Rupees)
Quoted				
Engro Polymer & Chemicals Limited				
372,810,000 (December 31, 2009: 292,400,000) Ordinary shares of Rs. 10 each (note 6.1.1)	56.19	3,651,300	56.19	2,847,000
Unquoted				
Engro Fertilizers Limited 298,000,000 (December 31, 2009: 7) Ordinary shares of Rs. 10 each (note 6.1.1)	100	10,739,144	100	-
Engro Eximp (Private) Limited				
- 10,000 (December 31, 2009: 10,000) Ordinary shares of Rs. 10 each	100	100	100	100
- Advance against issue of share capital		480,000		480,000
		480,100		480,100
Engro Management Services (Private) Limited 250,000 (December 31, 2009: 250,000) Ordinary shares of Rs. 10 each	100	2,500	100	2,500
Engro Foods Limited				
- 542,300,000 (December 31, 2009: 542,300,000) Ordinary shares of Rs. 10 each	100	5,423,000	100	5,423,000
- Advance against issue of share capital		1,220,200		-
		6,643,200		5,423,000
Engro Energy Limited				
- 304,000,000 (December 31, 2009: 304,000,000) Ordinary shares of Rs. 10 each (note 6.1.2)	95	3,040,000	95	3,040,000
Engro PowerGen Limited				
- 9,276,000 (December 31, 2009: 6,010,000) Ordinary shares of Rs. 10 each (note 6.1.1)	100	386,700	100	60,100
- Advance against issue of share capital		-		298,800
		386,700		358,900
Avanceon Limited 25,066,667 (December 31, 2009: 25,066,667) Ordinary shares of Rs. 10 each	62.67	381,957	62.67	381,957
		25,324,901		12,533,457

6.1.1 During the period:

- the Company has subscribed to the right shares issued by Engro Polymer and Chemicals Limited, amounting to Rs. 804,100;

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- Engro Fertilizers Limited, in addition to issuance of shares on transfer of Fertilizer Undertaking, as referred to in note 1.4, has issued bonus shares to the Company in the ratio of 2,880 shares for every 100 shares held i.e. 288,000,000 shares; and

- Engro PowerGen Limited has issued 3,266,000 ordinary shares of Rs. 10 each at a premium of Rs. 90 per share.

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

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

7. EMPLOYEE SHARE OPTION SCHEME

7.1 Deferred employee compensation expense

	Unaudited September 30, 2010	Audited December 31, 2009
	Rupees	
Balance at beginning of the period / year	90,065	189,291
Options lapsed due to employee resignation	-	(16,794)
Options surrendered by employees transferred to Engro Fertilizers Limited (note 7.4)	(67,188)	-
Amortisation for the period/year	(16,969)	(82,432)
Balance at end of period/year	5,908	90,065
Current portion shown under current assets	(5,908)	(87,278)
Long term portion of deferred employee compensation expense	-	2,787

7.2 Employee share option compensation reserve

	Unaudited September 30, 2010	Audited December 31, 2009
Balance at beginning of the period / year	288,258	305,052
Options lapsed due to employee resignation	-	(16,794)
Options surrendered by employees transferred to Engro Fertilizers Limited (note 7.4)	(211,140)	-
	(211,140)	(16,794)
Balance at end of period/year	77,118	288,258

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

	Unaudited September 30, 2010	Audited December 31, 2009
	Numbers	
Balance at beginning of the period / year	4,376,818	4,631,818
Options lapsed due to employee resignation	-	(255,000)
Options surrendered by employees transferred to Engro Fertilizers Limited (note 7.4)	(3,205,909)	-
Balance at end of period/year (note 7.3.1)	1,170,909	4,376,818

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

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

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

8. LONG TERM LOANS AND ADVANCES

8.1 This includes Rs. 1,200,000 (December 31, 2009: Nil) in respect of sub-ordinated loan provided to Engro Fertilizers Limited, a wholly owned subsidiary. The loan carries mark-up at rates not being lower than the mark-up payable by Engro Corporation Limited for finance of like maturities plus 1%. The loan is repayable in a lump sum installment due on September 15, 2015.

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

9. SHORT TERM INVESTMENTS

	Unaudited September 30, 2010	Audited December 31, 2009
	Rupees	
Financial assets at fair value through profit or loss:		
Fixed income placements	-	75,795
Mutual fund securities	1,004,013	375,062
	1,004,013	450,857

10. CASH AND BANK BALANCES

	Unaudited September 30, 2010	Audited December 31, 2009
Cash at banks on:		
- deposit accounts	-	3,491,666
- current accounts	-	458,826
- saving accounts	127,859	-
	127,859	3,950,492
Cash in hand	-	4,850
	127,859	3,955,342

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11. SHARE CAPITAL

11.1 Authorised Capital

Unaudited September 30, 2010	Audited December 31, 2009		Unaudited September 30, 2010	Audited December 31, 2009
Numbers			Rupees	
350,000,000	350,000,000	Ordinary Shares of Rs. 10 each	3,500,000	3,500,000

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

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

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

12. BORROWINGS

This represents amount utilised against the unsecured subordinated loan obtained from Engro Foods Limited, a wholly owned subsidiary. The loan carries mark-up at the rate of 6 month KIBOR plus a margin of 2.5% payable along with the principal in installments due on Mar 30, 2011, Sep 30, 2011 and Oct 30, 2011.

13 TRADE AND OTHER PAYABLES

	Unaudited September 30, 2010	Audited December 31, 2009
	Rupees	
Creditors	18,598	593,372
Accrued liabilities	21,478	1,116,378
Advances from customers	-	1,099,390
Deposits from dealers refundable on termination of dealership	-	11,073
Contractors' deposits and retentions	2,518	60,022
Workers' profits participation fund	-	2,386
Workers' welfare fund	30,432	106,428
Sales tax payable	-	2,135
Others	1,850	169,668
	74,876	3,160,852

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

14 CONTINGENCIES AND COMMITMENTS

14.1 Corporate guarantees of Rs. 1,106,204 (December 31, 2009: Rs. 273,482) have been issued in favor of subsidiary companies.

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

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

15 DIVIDEND INCOME

	3 months ended September 30, 2010	3 months ended September 30, 2009	9 months ended September 30, 2010	9 months ended September 30, 2009
	Rupees			
Subsidiary Company				
- Engro Eximp (Private) Limited	900,000	800,000	900,000	860,000
Joint venture				
- Engro Vopak Terminal Limited	135,000	67,500	315,000	225,000
	1,035,000	867,500	1,215,000	1,085,000

16 ROYALTY INCOME

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

17 OTHER OPERATING INCOME

	3 months ended September 30, 2010	3 months ended September 30, 2009	9 months ended September 30, 2010	9 months ended September 30, 2009
	Rupees			
Income on deposits / other financial assets	48,224	19,670	195,862	19,670
Service charges	1,692	6,939	5,674	18,715
Reversal of employees share option compensation expense	-	-	99,541	-
Gain on disposal of property, plant and equipment	(879)	6,743	(464)	25,718
Foreign exchange gain on bank account	-	1,594	-	4,507
Others	-	(959)	-	5,051
	49,037	33,987	300,613	73,661

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18 EARNINGS PER SHARE

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

	3 months ended September 30, 2010	3 months ended September 30, 2009	9 months ended September 30, 2010	9 months ended September 30, 2009
	Rupees			
Profit after taxation	1,004,294	1,555,865	1,389,910	2,599,443
	Number			
		(Restated)		(Restated)
Weighted average number of ordinary shares (in thousand)	327,737	327,737	327,737	302,994

19 CASH GENERATED FROM OPERATIONS

	9 months ended September 30, 2010	9 months ended September 30, 2009
	Rupees	
Profit before taxation	1,491,187	3,496,104
Adjustment for non-cash charges and other items:		
Depreciation / amortization	12,075	496,191
Loss / (Gain) on disposal of property, plant and equipment	464	(25,718)
Provision for retirement and other service benefits	15,318	106,943
Income on deposits / other financial assets	(195,862)	(24,178)
Dividend income	(1,215,000)	(1,085,000)
Financial charges	1,742	980,865
Employee share compensation expense - net	(82,572)	50,221
Employee housing subsidy expense	-	104,197
Working capital changes (note 19.1)	(141,715)	3,614,652
	(114,363)	7,714,277

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		9 months ended September 30, 2010	9 months ended September 30, 2009
19.1	**Working capital changes**	Rupees	
	(Increase) / decrease in current assets		
	- Stores, spares and loose tools	-	(84,367)
	- Stock-in-trade	-	3,472,707
	- Trade debts	-	(1,017,265)
	- Loans, advances, deposits and prepayments	(19,654)	1,185,202
	- Other receivables (net)	(999)	179,823
		(20,653)	3,736,100
	Increase / (decrease) in current liabilities		
	- Trade and other payables including other service benefits (net)	(121,062)	(121,448)
		(141,715)	3,614,652
20	**CASH AND CASH EQUIVALENTS**		
	Cash and bank balances	127,859	217,619
	Short term investments	1,004,013	2,224,172
	Short term borrowings	-	(558,006)
		1,131,872	1,883,785

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

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21 TRANSACTIONS WITH RELATED PARTIES

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

	9 months ended September 30, 2010	9 months ended September 30, 2009
	Rupees	
Subsidiary companies		
Purchases and services	-	7,749,889
Services rendered	115,529	55,922
Mark up from subsidiaries	34,035	73,135
Disbursement of loan	1,200,000	741,318
Loan received	300,000	-
Repayment of loan	-	1,100,000
Royalty Income	172,571	-
Associated companies		
Purchases and services	3,687	1,126,733
Retirement Benefits	15,438	103,134
Dividend paid	288,781	426,516
Payment of interest on TFCs and repayment of principal amount	-	4,984
Right shares issued (including share premium)	-	1,777,152
Donations	27,750	-
Investment in Mutual Funds	922,000	-
Redemption of investment in Mutual Funds	790,903	-
Joint ventures		
Services rendered	836	1,830
Others		
Dividend paid	10,609	39,727
Remuneration of key management personnel	142,772	128,028
Right shares issued (including share premium)	-	314,732

22 NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

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

23 DATE OF AUTHORISATION FOR ISSUE

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

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24 CORRESPONDING FIGURES

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

24.2 Dividend income, for more appropriate presentation, has been presented separately in the condensed interim profit and loss account. Accordingly, corresponding figures have been reclassified from 'other operating income'.

24.3 In the 2009 annual audited financial statements, the fair value of foreign exchange forward contracts recognised in 2008 in respect of hedging reserves, were retrospectively adjusted by the Company by restating comparative figures. Accordingly, the comparative figures for the three and nine months ended September 30, 2009 relating to hedging reserve have been restated in this condensed interim financial information.

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
Khalid Mansoor
Ruhail Mohammed
Arshad Nasar
Asif Qadir
Saad Raja
Khalid Siraj Subhani

Company Secretary
Andalib Alavi

Chief Financial Officer
Ruhail Mohammed

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

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

Auditors
A. F. Ferguson & Co.
Chartered Accountants

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

Bankers
Standard Chartered Bank
Muslim Commercial Bank Limited
Allied Bank Limited
United Bank Limited
Habib Bank Limited
JS Bank Limited
Bank AL Habib Limited
Bank Alfalah Limited
Askari Bank Limited
Citibank
NIB Bank Limited

Registered Office
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