ENGRO FERTILIZERS LIMITED
FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2013

ENGRO FERTILIZERS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2013

(Amounts in thousand)

	Note	Audited June 30, 2013	Audited December 31, 2012
		----Rupees----	
ASSETS			
Non-current assets			
Property, plant and equipment	4	80,675,511	82,877,701
Intangible assets	5	156,029	161,555
Long term loans and advances	6	108,993	83,763
		80,940,533	83,123,019
Current assets			
Stores, spares and loose tools	7	4,249,655	4,107,291
Stock-in-trade	8	1,678,678	1,687,072
Trade debts	9	882,808	1,046,091
Derivative financial instruments	18	26,084	545
Loans, advances, deposits and prepayments	10	231,377	395,150
Other receivables	11	46,444	61,038
Taxes recoverable		968,092	2,000,249
Short term investments	12	4,824,661	2,635,339
Cash and bank balances	13	2,609,454	2,449,168
		15,517,253	14,381,943
TOTAL ASSETS		96,457,786	97,504,962

(Amounts in thousand)

	Note	Audited June 30, 2013	Audited December 31, 2012
		---Rupees---	
EQUITY & LIABILITIES			
Equity			
Share capital	14	12,228,000	10,728,000
Share premium		11,144	11,144
Hedging reserve	15	(222,600)	(323,880)
Remeasurement of post employment benefits		2,050	-
Unappropriated profit		6,808,120	5,382,763
		6,598,714	5,070,027
Total Equity		18,826,714	15,798,027
Liabilities			
Non-current liabilities			
Borrowings	16	54,764,180	48,481,626
Subordinated loan from Holding Company	17	3,000,000	3,000,000
Derivative financial instruments	18	543,141	497,869
Deferred liabilities	19	2,817,541	3,380,705
Retirement and other service benefits obligations	20	73,637	99,029
		61,198,499	55,459,229
Current liabilities			
Trade and other payables	21	6,458,007	7,957,173
Accrued interest / mark-up	22	1,613,653	1,788,282
Current portion of:			
- borrowings	16	7,444,858	14,896,412
- other service benefits obligations	20	55,120	39,624
Short term borrowings	23	500,000	999,791
Derivative financial instruments	18	360,935	566,424
		16,432,573	26,247,706
Total liabilities		77,631,072	81,706,935
Contingencies and Commitments	24		
TOTAL EQUITY & LIABILITIES		96,457,786	97,504,962

The annexed notes from 1 to 47 form an integral part of these financial statements.

Chief Executive

Director

ENGRO FERTILIZERS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED JUNE 30, 2013

(Amounts in thousand except for earnings / (loss) per share)

	Note	Unaudited Quarter ended June 30, 2013	Unaudited Quarter ended June 30, 2012	Audited Half year ended June 30, 2013	Unaudited Half year ended June 30, 2012
		---Rupees---			
Net sales	25	10,802,709	9,601,787	20,519,305	12,804,464
Cost of sales	26	(6,531,602)	(5,992,789)	(12,036,266)	(8,295,888)
Gross profit		4,271,107	3,608,998	8,483,039	4,508,576
Selling and distribution expenses	27	(765,596)	(730,017)	(1,483,827)	(1,050,881)
Administrative expenses	28	(148,312)	(132,075)	(301,508)	(291,809)
		3,357,199	2,746,906	6,697,704	3,165,886
Other income	29	140,192	74,747	291,105	163,138
Other operating expenses	30	(122,940)	(46,242)	(411,702)	(110,129)
Finance cost	31	(2,320,808)	(2,934,070)	(4,524,905)	(5,562,874)
		(2,443,748)	(2,980,312)	(4,936,607)	(5,673,003)
Profit / (loss) before taxation		1,053,643	(158,659)	2,052,202	(2,343,979)
Taxation	32	(274,605)	(152,539)	(626,845)	612,629
Profit / (loss) for the period		779,038	(311,198)	1,425,357	(1,731,350)
			Restated		**Restated**
Earnings / (loss) per share - basic	33	0.68	(0.27)	1.25	(1.53)
Earnings / (loss) per share - diluted	33	0.68	(0.27)	1.25	(1.53)

The annexed notes from 1 to 47 form an integral part of these financial statements.

Chief Executive

Director

ENGRO FERTILIZERS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED JUNE 30, 2013

(Amounts in thousand)

	Unaudited Quarter ended June 30, 2013	Unaudited Quarter ended June 30, 2012	Audited Half year ended June 30, 2013	Unaudited Half year ended June 30, 2012
	Rupees			
Profit / (loss) for the period	779,038	(311,198)	1,425,357	(1,731,350)
Other comprehensive income-Items potentially re-classifiable to Profit and Loss Account				
Hedging reserve - cash flow hedges				
(Loss) / gain arising during the period	(323,913)	151,203	(474,264)	(229,339)
Less: Adjustment for amounts transferred to profit and loss account	402,553	(97,814)	635,269	343,732
Less: Adjustment for amounts transferred to initial carrying amount of hedged items (Capital work in progress)	-	9,432	-	12,766
Income tax (Deferred) relating to hedging reserve	(30,897)	(21,988)	(59,725)	(44,506)
	47,743	40,833	101,280	82,653
Items not potentially re-classifiable to Profit and Loss Account				
Remeasurement of post employment benefits obligation	3,106	-	3,106	-
Income tax (Deferred) relating to remeasurement of post employment benefits obligation	(1,056)	-	(1,056)	-
	2,050	-	2,050	-
Other comprehensive income for the period, net of tax	49,793	40,833	103,330	82,653
Total comprehensive income / (loss) for the period	828,831	(270,365)	1,528,687	(1,648,697)

The annexed notes from 1 to 47 form an integral part of these financial statements.

Chief Executive

Director

ENGRO FERTILIZERS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED JUNE 30, 2013

(Amounts in thousand)

	Share capital	Share premium	Employees share option compensation reserve	Hedging reserve	Remeasurement of post employment benefits	Unappropriated profit	Total
	Rupees						
Balance as at January 1, 2012	**10,728,000**	**11,144**	**58,397**	**(497,821)**	**-**	**8,317,338**	**18,617,058**
Transactions with owners							
Share options lapsed during the period	-	-	(1,471)	-	-	-	(1,471)
Total comprehensive income / (loss) for the half year ended June 30, 2012							
Loss for the period	-	-	-	-	-	(1,731,350)	(1,731,350)
Other comprehensive income							
- cash flow hedges, net of tax	-	-	-	82,653	-	-	82,653
	-	**-**	**-**	**82,653**	**-**	**(1,731,350)**	**(1,648,697)**
Balance as at June 30, 2012 (unaudited)	**10,728,000**	**11,144**	**56,926**	**(415,168)**	**-**	**6,585,988**	**16,966,890**
Share options lapsed during the period	-	-	(56,926)	-	-	-	(56,926)
Total comprehensive income / (loss) for the half year ended December 31, 2012							
Loss for the period	-	-	-	-	-	(1,203,225)	(1,203,225)
Other comprehensive income							
- cash flow hedges, net of tax	-	-	-	91,288	-	-	91,288
	-	**-**	**-**	**91,288**	**-**	**(1,203,225)**	**(1,111,937)**
Balance as at December 31, 2012 (audited)	**10,728,000**	**11,144**	**-**	**(323,880)**	**-**	**5,382,763**	**15,798,027**
Transactions with owners							
Right shares issued during the period	1,500,000	-	-	-	-	-	1,500,000
Total comprehensive income for the half year ended June 30, 2013							
Profit for the period	-	-	-	-	-	1,425,357	1,425,357
Other comprehensive income:							
- cash flow hedges, net of tax	-	-	-	101,280	-	-	101,280
- remeasurements, net of tax	-	-	-	-	2,050	-	2,050
	-	**-**	**-**	**101,280**	**2,050**	**1,425,357**	**1,528,687**
Balance as at June 30, 2013 (audited)	**12,228,000**	**11,144**	**-**	**(222,600)**	**2,050**	**6,808,120**	**18,826,714**

The annexed notes from 1 to 47 form an integral part of these financial statements.

Chief Executive

Director

ENGRO FERTILIZERS LIMITED
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED JUNE 30, 2013

(Amounts in thousand)

	Note	Audited Half year ended June 30, 2013	Unaudited Half year ended June 30, 2012
		----------Rupees----------	
Cash flows from operating activities			
Cash generated from operations	36	7,589,487	3,706,025
Retirement and other service benefits paid		(30,556)	(30,930)
Finance cost paid		(4,179,476)	(4,270,034)
Transaction cost paid		(121,182)	-
Taxes paid		(216,700)	(191,565)
Long term loans and advances		(25,230)	(17,591)
Net cash generated from / (utilized in) operating activities		3,016,343	(804,095)
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		(286,372)	(987,094)
Proceeds from sale of PPE		44,768	19,079
Income on deposits / other financial assets		192,522	96,063
Net cash utilized in investing activities		(49,082)	(871,952)
Cash flows from financing activities			
Proceeds from borrowings		-	4,500,000
Repayments of borrowings		(1,617,862)	(7,171,511)
Proceeds from right issue		1,500,000	-
Net cash utilized in financing activities		(117,862)	(2,671,511)
Net increase / (decrease) in cash and cash equivalents		2,849,399	(4,347,558)
Cash and cash equivalents at beginning of the period		4,084,716	4,490,812
Cash and cash equivalents at end of the period	37	6,934,115	143,254

The annexed notes from 1 to 47 form an integral part of these financial statements.

Chief Executive

Director

ENGRO FERTILIZERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2013

(Amounts in thousand)

1 LEGAL STATUS AND OPERATIONS

1.1 Engro Fertilizers Limited ('the Company') is a public company incorporated on June 29, 2009 in Pakistan under the Companies Ordinance, 1984 as a wholly owned subsidiary of Engro Corporation Limited (the Holding Company). The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers. The Company's registered office is situated at 7th & 8th floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi. The Company has issued Term Finance Certificates which are listed at the Karachi Stock Exchange.

1.2 Effective January 1, 2010, the Holding Company through a Scheme of Arrangement, under Section 284 to 288 of the Companies Ordinance, 1984, separated its fertilizer undertaking for continuation thereof by the Company, from the rest of the undertaking which has been retained in the Holding Company. Further, the Holding Company was renamed from Engro Chemical Pakistan Limited to Engro Corporation Limited, the principal activity of which now is to manage investments in subsidiary companies and joint ventures.

1.3 Going concern assumption

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

- Enven plant continued to ran successfully on Mari gas resulting in incremental 10% to 15% production, bringing in enhancement of margins and increase in the operational cash flows. This conversion has been approved till December 31, 2013 by Ministry of Petroleum and Natural Resources (MPNR) on February 27, 2013 and the management is confident that this approval would be extended till the gas from the alternative / new gas reserves comes on stream;

- The process to formalize long term allocation of 79 MMSCFD gas pursuant to the notification of the Economic Co-ordination Committee (ECC) has been initiated. The ECC, on January 01, 2013, had approved the allocation of gas reserves from Makori East, Reti-Maru, Mari SML, Kunnar Pasaki Deep and Bahu fields to the Consortium of four fertilizer plants (the Consortium). The total allocation in this respect to the Consortium is 202 MMSCFD including the Company's share of 79 MMSCFD. The Consortium has accordingly entered into Gas Sales Agreements (GSAs) for the supply of gas from Makori East, Reti-Maru and Kunnar Pasaki Deep fields. The inflow of gas is expected to start from 3Q 2014;

- In the interim, the Company topped up its production as approximately 20 MMSCFD gas from Mari SML, which is part of long term gas allocation, has already started flowing in since April 2013. This gas is pursuant to the signing of term sheet with Mari SML which is currently valid upto December 31, 2013. The Company also expects to obtain the entire allocation from Reti Maru gas field (approx. 10 MMSCFD) given the relative proximity of the field to Engro plant. The work on pipeline has commenced and the gas is likely to flow towards the end of 2013 ahead of full implementation of the long-term solution in 3Q 2014; and

- The lenders, as at June 30, 2013, have formally agreed on the revised repayment schedule allowing the Company 2.5 years extension in the loan tenor, as referred to in note 16.10.

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(Amounts in thousand)

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 These financial statements have been prepared under the historical cost convention, except for re-measurement of certain financial assets and liabilities at fair value through profit or loss, derivative hedging instrument at fair value and recognition of certain staff retirement benefits at present value.

2.1.2 These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives have been followed.

2.1.3 The preparation of financial statements in conformity with the above requirements 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 a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.1.4 Initial application of a Standard, Amendment or an Interpretation to an existing Standard

a) **Standards, amendments to published standards and interpretations effective in 2013 and relevant**

The following amendments to published standards are mandatory for the financial year beginning January 1, 2013:

- IFRS 7 (Amendment) 'Financial instruments: Disclosures, on offsetting financial assets and financial liabilities'. The amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. The amendment clarifies the offsetting requirements for amounts presented in the financial statements to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare in accordance with US GAAP. The amendment only affects the disclosures in the Company's financial statements.

- IFRS 13 'Fair value measurement'. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The amendment only affects the disclosures in the Company's financial statements.

- IAS 1 (Amendment) 'Financial statement presentation'. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment only affects the disclosures in the Company's financial statements.

(Amounts in thousand)

- IAS 1 (Amendment) 'Financial statement presentation'. The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either: (i) as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or (ii) voluntarily. The amendment only affects the disclosures in the Company's financial statements. The amendments do not have any material impact on the Company's financial statements.

- IAS 16 (Amendment) 'Property, plant and equipment'. The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The Company's current policies and disclosures are in line with this amendment.

- IAS 19 (Amendment) 'Employee benefits'. The amendments eliminate the corridor approach and require recognition all actuarial gains and losses in 'Other comprehensive income' (OCI) as they occur and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The application of the amendment is likely to result in immediate recognition of all actuarial gain and losses in OCI and requires additional disclosures to present the characteristics of benefit plans, the amount recognized in the financial statements, and result in changes in benefit classification and presentation. The Company has recognized the effect of such amendment in the current period financial statements, as explained in note 2.18.2.

b) Standards, amendments to published standards and interpretations that are effective in 2013 but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2013 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following new standards and amendments to published standards are not effective for the financial year beginning on January 1, 2013 and have not been early adopted by the Company:

- IFRS 9 'Financial instruments' (effective for periods beginning on or after January 1, 2015), not yet notified by SECP. IFRS 9 replaces the parts of IAS 39, 'Financial instruments: recognition and measurement' that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. For financial liabilities, the standard retains most of the requirements of IAS 39. The Company is yet to assess the full impact of IFRS 9, however, the initial indications are that it may not affect the Company's financial statements significantly.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

(Amounts in thousand)

2.2 Property, plant and equipment

2.2.1 Owned assets

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except free-hold land and capital work in progress which are stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs (note 2.22). The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Disposal of asset is recognised when significant risk and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating expenses / income' in the profit and loss account.

Depreciation is charged to the profit and loss account using the straight line method, except for catalyst whose depreciation is charged on the basis of no. of production days, whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life. Depreciation on addition is charged from the month following the month in which the asset is available for use and on disposals up to the preceding month of disposal.

Depreciation method, useful lives and residual values are reviewed annually.

2.2.2 Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Outstanding obligations under the lease less finance cost allocated to future periods are shown as a liability.

Finance cost under lease agreements are allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

2.3 Intangible assets

a) Computer Software and Licenses

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. However, costs that are directly attributable to identifiable software and have probable economic benefits exceeding the cost beyond one year, are recognised as an intangible asset. Direct costs include the purchase cost of software (license fee) and related overhead cost.

(Amounts in thousand)

Expenditure which enhances or extends the performance of computer software beyond its original specification and useful life is recognised as a capital improvement and added to the original cost of the software.

Computer software and license cost treated as intangible assets are amortised from the date the software is put to use on a straight-line basis over a period of 3 to 4 years.

b) Rights for future gas utilization

Rights for future gas utilization represents premium paid to the Government of Pakistan for allocation of 100 MMSCFD natural gas for a period of 20 years for Enven plant. The rights are being amortised from the date of commercial production on a straight-line basis over the remaining allocation period.

2.4 Impairment of non-financial assets

Assets that are subject to depreciation / amortisation are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sale and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

2.5 Non current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the profit and loss account.

2.6 Financial assets

2.6.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

(Amounts in thousand)

c) Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose it off within 12 months of the end of the reporting date. There were no available for sale financial assets at the balance sheet date.

2.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within 'other operating income / expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in statement of comprehensive income are included in the profit and loss account as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account as part of other income. Dividends on available for sale equity instruments are recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 2.12.

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(Amounts in thousand)

2.7 Financial Liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of an instrument. Financial liabilities are extinguished when it is discharged or cancelled or expires or when there is substantial modification in the terms and conditions of the original financial liability or part of it. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least ten percent different from the discounted present value of the remaining cash flows of the original financial liability. If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle either on a net basis, or realise the asset and settle the liability simultaneously.

2.9 Derivative financial instruments and hedging activities

Derivatives are recognised initially at fair value; attributable transaction cost are recognised in profit and loss account when incurred. Subsequent to initial recognition, derivatives are measured at fair values, and changes therein are accounted for as described below:

a) Cash flow hedges

Changes in fair value of derivative hedging instruments designated as a cash flow hedge are recognised in statement of comprehensive income to the extent that the hedge is effective. To the extent the hedge is ineffective, changes in fair value are recognised in 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 deferred in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount previously deferred in equity is transferred to carrying amount of the asset when it is recognised. In other cases the amount deferred in equity is transferred to profit and loss account in the same period that the hedge item affects profit and loss account.

b) Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit and loss account.

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposure. Further, the Company has issued options to convert IFC loan on its shares and the shares of the Holding Company as disclosed in note 16.4. The fair values of various derivative instruments used for hedging and the conversion options are disclosed in note 18.

2.10 Stores, spares and loose tools

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the balance sheet date. For items which are slow moving and / or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated realizable value. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.

(Amounts in thousand)

2.11 Stock-in-trade

These are valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for raw materials in transit which are stated at cost (invoice value) plus other charges incurred thereon till the balance sheet date. Cost in relation to finished goods includes applicable purchase cost and manufacturing expenses. The cost of work in process includes material and proportionate conversion costs.

Net realisable value signifies the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to be incurred in order to make the sales.

2.12 Trade debts and other receivables

These are recognised initially at fair value plus directly attributable transaction costs, if any and subsequently measured at amortised cost using effective interest rate method less provision for impairment, if any. A provision for impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is charged to profit and loss account. Trade debts and other receivables considered irrecoverable are written-off.

2.13 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts / short term borrowings. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

2.14 Share capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(Amounts in thousand)

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in the statement of comprehensive income or directly in equity. In this case the tax is also recognised in the statement of comprehensive income or directly in equity, respectively.

Current

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred

Deferred tax is recognised using the balance sheet method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.18 Employee benefits

2.18.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit and loss account when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Company contributes to:

- defined contribution provident fund for its permanent employees. Monthly contributions are made both by the Company and employees to the fund at the rate of 10% of basic salary.

- defined contribution pension fund for the benefit of those management employees who have not opted for defined contribution gratuity fund as more fully explained in note 2.18.3. Monthly contributions are made by the Company to the fund at rates ranging from 12.5% to 13.75% of basic salary.

- defined contribution gratuity fund for the benefit of those management employees who have selected to opt out of defined benefit gratuity fund and defined contribution pension plans as more fully explained in note 2.18.3. Monthly contributions are made by the Company to the fund at the rate of 8.33% of basic salary.

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(Amounts in thousand)

2.18.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the Projected Unit Credit method, related details of which are given in note to the financial statements.

Consequent to amendments to IAS 19, as referred to in note 2.1.4 (a), the Company has changed its accounting policy in accordance therewith whereby actuarial gains / losses are now being recognised directly in equity through statement of other comprehensive income. Previously, such actuarial gains / losses arising at each valuation date were being recognised under the corridor approach whereby actuarial gains/ losses in excess of corridor (10% of the higher of fair value of assets and present value of obligation) were recognised over the average remaining service life of the employees. Since the effect of such change in policy on the Company's equity, retirement benefits obligation and profit and loss for the prior years is immaterial, the Company has not re-stated prior year's financial statements and recognized prior year effects (unrecognised portion) in the current period financial statements.

Contributions require assumptions to be made of future outcomes which mainly includes increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

The Company also contributes to:

- defined benefit funded pension scheme for its management employees.
- defined benefit funded gratuity schemes for its management and non-management employees.

The pension scheme provides life time pension to retired employees or to their spouses. Contributions are made annually to these funds on the basis of actuarial recommendations. The pension scheme has been curtailed and effective from July 1, 2005, no new members are inducted in this scheme.

Actuarial gains on curtailment of defined benefit pension scheme (curtailed) is recognised immediately once the certainty of recovery is established.

2.18.3 In June 2011, the Company gave a one time irrevocable offer to selected members of MPT Employees' Defined Benefit Gratuity Fund and Defined Contribution Pension Fund to join a new MPT Employee's Defined Contribution Gratuity Fund (the Fund), a defined contribution plan. The present value, as at June 30, 2011, of the defined benefit obligation of those employees, who accepted this offer, were transferred to the Fund. Furthermore, from July 2011 onwards, the monthly contributions to Defined Contribution Pension Fund of such employees were discontinued.

2.18.4 Service incentive plan

Company recognises provision and an expense under a service incentive plan for certain category of experienced employees to continue in the Company's employment.

2.18.5 Employees' compensated absences

The Company accounts for compensated absences on the basis of unavailed leave balance of each employee at the end of the period.

2.19 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.20 Foreign currency transactions and translation

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

2.21 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and is reduced for marketing allowances. Revenue is recognised on the following basis:

- Sales revenue is recognised when product is dispatched to customers;
- Income on deposits and other financial assets is recognised on accrual basis; and
- Commission income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

2.22 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset. Borrowing costs includes exchange differences arising on foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs and net gain / loss on the settlement of derivatives hedging instruments.

2.23 Research and development costs

Research and development costs are charged to profit and loss account as and when incurred.

2.24 Government grant

Government grant that compensates the Company for expenses incurred is recognised in the profit and loss account on a systematic basis in the same period in which the expenses are recognised. Government grants are deducted from related expense.

(Amounts in thousand)

2.25 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary share holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.26 Transactions with related parties

Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions.

2.27 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life, residual value used in the calculation of depreciation. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

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

3.2 Investments stated at fair value through profit and loss

Management has determined fair value of certain investments by using quotations from active market and conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment.

3.3 Derivatives

The Company reviews changes in fair values of the derivative hedging financial instruments at each reporting date based on the valuations received from the contracting banks. These valuations represent estimated fluctuations in the relevant currencies/interest rates over the reporting period and other relevant variables signifying currency and interest rate risks. The fair value of conversion options on IFC loan is determined using the option pricing model.

(Amounts in thousand)

3.4 Stock-in-trade and stores & spares

The Company reviews the net realizable value of stock-in-trade and stores & spares to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

3.5 Income taxes

In making the estimates for current income taxes payable by the Company, the management considers the applicable laws and the decisions/judgments of appellate authorities on certain issues in the past. Accordingly, the recognition of deferred tax is also made, taking into account these judgments and the best estimates of future results of operations of the Company.

3.6 Provision for retirement and other service benefits obligations

The present value of these obligations depend on a number of factors that are determined on actuarial basis using various assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present value of these obligations and the underlying assumptions are disclosed in note 35.1.3 and 35.1.7 respectively.

4 PROPERTY, PLANT AND EQUIPMENT

	Audited June 30, 2013	Audited December 31, 2012
	Rupees	
Operating assets at net book value (note 4.1)	79,576,444	81,836,327
Capital work in progress		
- Other projects (note 4.4)	713,386	608,052
- Major spare parts and stand-by equipment	385,681	433,322
	1,099,067	1,041,374
	80,675,511	82,877,701

(Amounts in thousand)

4.1 Operating assets

	Land		Building		Plant and machinery	Gas Pipeline	Catalyst	Furniture, fixture and equipment's	Vehicles	Total
	Freehold	Leasehold	Freehold	Leasehold						
	Rupees									
As at January 1, 2012										
Cost	149,575	187,320	2,260,795	359,544	88,967,596	1,706,029	1,516,590	557,461	465,293	96,181,203
Accumulated depreciation	-	(43,565)	(496,068)	(83,407)	(9,151,956)	(103,225)	(515,145)	(415,554)	(219,852)	(11,028,772)
Net book value	149,575	143,755	1,764,727	276,137	79,815,640	1,602,804	1,001,445	151,907	246,441	85,152,431
Year ended December 31, 2012										
Net book value - January 1, 2012	149,575	143,755	1,764,727	276,137	79,815,640	1,602,804	1,001,445	151,907	246,441	85,152,431
Transfers from CWIP (note 4.4)	-	-	199,078	7,627	1,518,591	797	266,587	77,590	79,120	2,149,390
Adjustments	-	-	(74,703)	-	(244,627)	-	-	-	-	(319,330)
Disposals / write offs										
Cost	-	-	-	-	(163,636)	-	-	(11,178)	(78,046)	(252,860)
Accumulated depreciation	-	-	-	-	11,843	-	-	9,808	42,212	63,863
	-	-	-	-	(151,793)	-	-	(1,370)	(35,834)	(188,997)
Depreciation charge	-	(4,289)	(117,645)	(9,027)	(4,271,762)	(66,825)	(359,054)	(59,348)	(69,207)	(4,957,167)
Net book value	149,575	139,466	1,771,457	274,737	76,666,049	1,536,776	908,968	168,779	220,520	81,835,327
As at January 1, 2013										
Cost	149,575	187,320	2,385,170	367,171	90,077,924	1,706,826	1,783,177	633,873	467,367	97,758,403
Accumulated depreciation	-	(47,854)	(613,713)	(92,434)	(13,411,875)	(170,050)	(874,209)	(465,094)	(246,847)	(15,922,076)
Net book value	149,575	139,466	1,771,457	274,737	76,666,049	1,536,776	908,968	168,779	220,520	81,835,327
Half year ended June 30, 2013										
Net book value - January 1, 2013	149,575	139,466	1,771,457	274,737	76,666,049	1,536,776	908,968	168,779	220,520	81,836,327
Transfers from CWIP (note 4.4)	-	-	80,832	-	118,745	-	-	13,772	3,335	216,684
Disposals / write offs (note 4.3)										
Cost	-	-	-	-	(108,209)	-	-	(2,379)	(24,456)	(135,044)
Accumulated depreciation	-	-	-	-	57,353	-	-	2,379	17,185	76,917
	-	-	-	-	(50,856)	-	-	-	(7,271)	(58,127)
Depreciation charge (note 4.2)	-	(2,197)	(68,479)	(4,590)	(2,140,480)	(27,342)	(116,271)	(28,220)	(30,861)	(2,418,440)
Net book value	149,575	137,269	1,783,810	270,147	74,593,458	1,509,434	792,697	154,331	185,723	79,576,444
As at June 30, 2013										
Cost	149,575	187,320	2,466,002	367,171	90,088,460	1,706,826	1,783,177	645,266	446,246	97,840,043
Accumulated depreciation	-	(50,051)	(682,192)	(97,024)	(15,495,002)	(197,392)	(990,480)	(490,935)	(260,523)	(18,263,599)
Net book value	149,575	137,269	1,783,810	270,147	74,593,458	1,509,434	792,697	154,331	185,723	79,576,444
Annual rate of depreciation (%)	-	2 to 5	2.5 to 6	2.5	5 to 10	5.0	No. of production days (note 3.1)	10 to 25	12 to 25	

4.2 Depreciation charge for the period has been allocated as follows:

	Audited Half year ended June 30, 2013	Unaudited Half year ended June 30, 2012
	Rupees	
Cost of sales (note 26)	2,392,431	2,478,746
Selling and distribution expenses (note 27)	13,133	15,336
Administrative expenses (note 28)	12,876	16,437
	2,418,440	2,510,519

(Amounts in thousand)

4.3 The details of operating assets disposed / written off during the period are as follows:

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sale Proceeds
		----------Rupees----------			
Plant and machinery					
Old Ammonia 1 plant (dismantled portion)	Pak Arab Engineering (Private) Limited	55,497	46,086	9,411	29,018
Crank Shaft for C2E compressor	written off	52,712	11,267	41,445	-
		108,209	57,353	50,856	29,018
Vehicles					
By Company policy to existing / separating executives	Muhammad Idrees	1,561	1,229	332	332
	Bilal Mustafa	1,439	1,079	360	360
	Rehan Sajjad	1,439	1,079	360	360
	Abdul Hafeez Sheikh	1,439	1,079	360	360
	Nasir Iqbal	1,567	1,177	390	859
	Muhammad Azam Khan	1,359	771	588	588
	Rehman Hanif	1,389	673	716	1,389
	Mohammad Ahmed Raj	1,329	872	457	472
	Waseem Haider	1,461	594	867	1,461
	Muhammad Asif Ali	1,439	1,079	360	559
		14,422	9,632	4,790	6,740
Insurance claim	Chartis Insurance Co.	1,060	795	265	850
	Hampshire Insurance Company	1,560	366	1,194	1,550
Sale through bid	Raees Khan	605	545	60	448
	Hassan Ali Warsi	535	482	53	515
	Choudhry Asjad Ghani	560	504	56	436
	Sultan Jan Niazi	605	545	60	419
	Imran Ahmed	316	316	-	675
	Syed Mehboob Ali	485	436	49	462
	Mohammed Jawed	879	659	220	600
	Musab Siddiqui	555	500	55	391
	Shan Jan	530	495	35	511
	Noor Mohammed Mughal	485	485	-	518
	Zahid Qadri	1,859	1,425	434	1,196
		7,414	6,392	1,022	6,171
		24,456	17,185	7,271	15,311
Items having net book value upto Rs. 50 each					
Furniture, fixtures and equipment		2,379	2,379	-	439
	Half year ended June 30, 2013	135,044	76,917	58,127	44,768
	Year ended December 31, 2012	252,860	63,863	188,997	43,835

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(Amounts in thousand)

4.4 Capital work in progress - Other Projects

	Plant & machinery	Building & civil works including Gas pipeline	Furniture, fixture & equipment	Advances to suppliers	Other ancillary cost	Total
	Rupees					
Year ended December 31, 2012						
Balance as at January 1, 2012	456,131	200,515	33,275	19,153	77,005	786,079
Additions during the year	1,783,042	156,004	26,727	62,794	1,449	2,030,016
Reclassifications	(13,168)	(4,219)	26,274	341	(9,228)	-
Transferred to:						
- operating assets (note 4.1)	(1,785,178)	(207,502)	(77,590)	(79,120)	-	(2,149,390)
- intangible assets (note 5)	-	-	-	-	(58,653)	(58,653)
Balance as at December 31, 2012	440,827	144,798	8,686	3,168	10,573	608,052
Half year ended June 30, 2013						
Balance as at January 1, 2013	440,827	144,798	8,686	3,168	10,573	608,052
Additions during the period (note 4.4.1)	293,030	27,586	7,864	167	5,366	334,013
Reclassifications	(59,762)	54,279	3,253	-	2,230	-
Transferred to:						
- operating assets (note 4.1)	(118,745)	(80,832)	(13,772)	(3,335)	-	(216,684)
- intangible assets (note 5)	-	-	-	-	(11,995)	(11,995)
Balance as at June 30, 2013	555,350	145,831	6,031	-	6,174	713,386

4.4.1 Includes Rs. 431 in respect of construction of pipeline for obatining gas from Reti Maru gas field against the Company's share in the total cost of pieplines to be incurred by the Consortium, as referred to in note 24.10.1.

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(Amounts in thousand)

5 INTANGIBLE ASSETS

	Software and licenses	Rights for future gas utilisation	Total
	---Rupees---		
As at January 1, 2012			
Cost	168,031	102,312	270,343
Accumulated amortization	(132,918)	(2,656)	(135,574)
Net book value	35,113	99,656	134,769
Year ended December 31, 2012			
Net book value - January 1, 2012	35,113	99,656	134,769
Transfers from CWIP (note 4.4)	58,653	-	58,653
Amortisation	(26,756)	(5,111)	(31,867)
Net book value	67,010	94,545	161,555
As at December 31, 2012			
Cost	226,684	102,312	328,996
Accumulated amortization	(159,674)	(7,767)	(167,441)
Net book value	67,010	94,545	161,555
Half year ended June 30, 2013			
Net book value- January 1, 2013	67,010	94,545	161,555
Transfers from CWIP (note 4.4)	11,995	-	11,995
Amortisation (note 5.1)	(14,966)	(2,555)	(17,521)
Net book value	64,039	91,990	156,029
As at June 30, 2013			
Cost	238,679	102,312	340,991
Accumulated amortization	(174,640)	(10,322)	(184,962)
Net book value	64,039	91,990	156,029

5.1 Amortisation for the period has been allocated as follows:

	Audited Half year ended June 30, 2013	Unaudited Half year ended June 30, 2012
	---Rupees---	
Cost of sales (note 26)	17,081	7,697
Selling and distribution expenses (note 27)	24	24
Administrative expenses (note 28)	416	6,153
	17,521	13,874

5.2 The Company does not have any internally generated intangible assets.

(Amounts in thousand)

		Audited June 30, 2013	Audited December 31, 2012
6	**LONG TERM LOANS AND ADVANCES - Considered good**	----------Rupees----------	
	Long term loans to:		
	Executives (notes 6.1 and 6.2)	135,452	145,659
	Other employees (note 6.3)	47,594	2,503
		183,046	148,162
	Less: Current portion shown under current assets (note 10)	74,053	64,399
		108,993	83,763

6.1	**Reconciliation of the carrying amount of loans and advances to executives**		
	Balance at beginning of the period / year	145,659	130,561
	Disbursements	46,359	105,347
	Repayments / amortisation	(56,566)	(90,249)
	Balance at end of the period / year	135,452	145,659

6.2 Includes interest free services incentive loans to executives of Rs. 97,025 (December 31, 2012: Rs. 87,686) . It also includes advance of Rs. 26,674 (December 31, 2012: Rs. 37,001), Rs. 7,351 (December 31, 2012: Rs. 8,707) and Rs. 4,402 (December 31, 2012: Rs. 12,265) to executives for car earn out assistance, long term incentive and house rent advance respectively.

6.3 Represents interest free loans given to workers of Rs. 47,594 (December 31, 2012: Rs. 2,503) pursuant to Collective Labour Agreement.

6.4 The maximum amount outstanding at the end of any month during the half year ended June 30, 2013 from executives aggregated to Rs.152,139 (December 31, 2012: Rs. 160,101).

6.5 The carrying values of the loan and advances are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no defaults ever.

		Audited June 30, 2013	Audited December 31, 2012
7	**STORES, SPARES AND LOOSE TOOLS**	----------Rupees----------	
	Consumable stores	422,107	360,975
	Spares	3,908,356	3,818,143
	Tools	4,085	3,373
		4,334,548	4,182,491
	Less: Provision for surplus and slow moving items	84,893	75,200
		4,249,655	4,107,291

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(Amounts in thousand)

8	STOCK-IN-TRADE	Audited June 30, 2013	Audited December 31, 2012
		----------------Rupees----------------	
	Raw materials (note 8.1 and 8.2)	1,262,712	1,007,159
	Packing materials	70,635	48,906
		1,333,347	1,056,065
	Finished goods	345,331	631,007
		1,678,678	1,687,072

8.1 Includes in-transit amounting to Nil (December 31, 2012: Rs. 424,637).

8.2 Includes raw material amounting to Nil (December 31, 2012: Rs. 201,908) held in custody by Engro Eximp (Private) Limited, an associated undertaking.

9	TRADE DEBTS	Audited June 30, 2013	Audited December 31, 2012
		----------------Rupees----------------	
	Considered good		
	- Secured (note 9.1)	803,744	1,006,181
	- Unsecured	79,064	39,910
		882,808	1,046,091
	Considered doubtful	27,073	8,073
		909,881	1,054,164
	Provision for impairment (note 9.3)	(27,073)	(8,073)
		882,808	1,046,091

9.1 These debts are secured by way of bank guarantee and inland letter of credit.

9.2 As at June 30, 2013, trade debts aggregating to Rs. 53,143 (December 31, 2012: Rs. 93,927) were past due but not impaired. These relate to various customers for which there is no recent history of default.

9.3 As at June 30, 2013, trade debts aggregating to Rs. 27,073 were past due and provided for. The ageing analysis of these provided for debts is as follows:

	Audited June 30, 2013	Audited December 31, 2012
	----------------Rupees----------------	
Upto 1 year	19,000	-
More than 1 year	8,073	8,073
	27,073	8,073

(Amounts in thousand)

10 LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

	Audited June 30, 2013	Audited December 31, 2012
	------Rupees------	
Current portion of long term loans and advances to executives and other employees - considered good (note 6)	74,053	64,399
Advances and deposits	94,233	140,060
Prepayments		
- Insurance	59,516	179,407
- Others	9,345	12,796
	237,147	396,662
Provision for impairment (note 10.1)	(5,770)	(1,512)
	231,377	395,150

10.1 As at June 30, 2013, loans and advances aggregating to Rs. 5,770 (December 31, 2012: Rs. 1,512) were impaired and provided for. The ageing analysis of impaired advances is as follows:

	Audited June 30, 2013	Audited December 31, 2012
	------Rupees------	
Upto 1 year	4,258	-
More than 1 year	1,512	1,512
	5,770	1,512

11 OTHER RECEIVABLES

Receivable from Government of Pakistan	291	291
Accrued income on deposits / investments	27,292	10,816
Receivable from pension fund (note 35.1.1)	-	1,800
Due from the Holding Company and associated companies:		
- Engro Foods Limited	2,862	259
- Engro Polymer & Chemicals Limited	1,975	4,425
- Engro Powergen Qadirpur Limited	928	4,534
- Engro Foundation	8	462
- Sindh Engro Coal Mining Company Limited	396	-
- Engro Eximp Agri Products (Private) Limited	1,174	203
- Engro Vopak Terminal Limited	20	7
Claims on foreign suppliers	7,195	3,848
Insurance claims / receivables	73	30,455
Others	4,230	4,403
	18,861	48,596
Less: Provision for impairment	-	465
	46,444	61,038

(Amounts in thousand)

11.1 The maximum amount due from the Holding Company / associated companies at the end of any month during the half year aggregated as follows:

	Audited June 30, 2013	Audited December 31, 2012
	------Rupees------	
Holding Company		
- Engro Corporation Limited	-	36,342
Associated companies		
- Engro Eximp (Private) Limited	33,039	69,798
- Engro Foods Limited	4,705	7,755
- Engro Polymer & Chemicals Limited	9,400	17,267
- Engro Powergen Qadirpur Limited	17,116	12,960
- Engro PowerGen Limited	-	1,090
- Sindh Engro Coal Mining Company Limited	1,510	452
- Engro Eximp Agri Products (Private) Limited	2,924	1,623
- Engro Foundation	729	462
- Engro Vopak Terminal Limited	210	447

11.2 As at June 30, 2013, receivables aggregating to Rs. 12,783 (December 31, 2012: Rs. 42,047) were past due but not impaired. The ageing analysis of these receivables is as follows:

	Audited June 30, 2013	Audited December 31, 2012
	------Rupees------	
Upto 3 months	4,336	36,109
3 to 6 months	2,668	3,229
More than 6 months	5,779	2,709
	12,783	42,047

12 SHORT TERM INVESTMENTS

Financial assets at fair value through profit or loss		
Fixed income placements (note 12.1)	61,881	652,148
Money market funds (note 12.2)	-	400,000
	61,881	1,052,148
Loans and receivables		
Reverse repurchase of treasury bills	-	1,088,681
Held to maturity		
Treasury bills (note 12.3)	4,762,780	494,510
	4,824,661	2,635,339

12.1 These represents foreign and local currency deposits with various banks, at the interest rates ranging from 7.85% per annum to 8.00% per annum (December 31, 2012: 7.25% per annum to 10.00% per annum).

12.2 These represents investments in various money market funds which are valued at their respective net assets values at balance sheet date.

12.3 These represents treasury bills at the interest rate ranging from 9.84% per annum to 9.43% per annum (December 31, 2012: 9.21% per annum).

(Amounts in thousand)

13 CASH AND BANK BALANCES

	Audited June 30, 2013	Audited December 31, 2012
	---Rupees---	
Cash at banks on:		
- deposit accounts (note 13.1 and 13.2)	2,551,119	2,356,345
- current accounts	51,085	85,573
	2,602,204	2,441,918
Cash in hand - imprest funds	7,250	7,250
	2,609,454	2,449,168

13.1 Deposit accounts carried return at rates ranging upto 9.30% per annum (December 31, 2012: 10.00% per annum).

13.2 Includes Rs. 24,435 (December 31, 2012: Rs.14,716) held in foreign currency bank accounts.

14 SHARE CAPITAL

	Audited June 30, 2013	Audited December 31, 2012
	---Rupees---	
Authorised Capital		
1,300,000,000 (2012: 1,300,000,000) Ordinary shares of Rs. 10 each	13,000,000	13,000,000
Issued, subscribed and paid-up capital		
150,000,007 (2012: 7) Ordinary shares of Rs. 10 each, fully paid in cash	1,500,000	-
9,999,993 (2012: 9,999,993) Ordinary shares of Rs. 10 each issued as at January 1, 2010 on transfer of fertilizer undertaking (note 1.2)	100,000	100,000
1,062,800,000 (2012: 1,062,800,000) Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	10,628,000	10,628,000
	12,228,000	10,728,000

14.1 The Holding Company as at June 30, 2013 held 100% (December 31, 2012: 100%) ordinary shares in the Company.

14.2 MOVEMENT IN ISSUED, SUBSCRIBED AND PAID UP CAPITAL UP

2013	2012		Audited June 30, 2013	Audited December 31, 2012
---Number of shares---			---Rupees---	
1,072,800	1,072,800	At January 1	10,728,000	10,728,000
150,000	-	Ordinary shares of Rs. 10 each issued at par during the period as fully paid right shares at Rs. 10 on June 27, 2013.	1,500,000	-
1,222,800	1,072,800	At period / year end	12,228,000	10,728,000

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(Amounts in thousand)

15 HEDGING RESERVE	Audited June 30, 2013	Audited December 2012
	---------------Rupees---------------	
Hedging reserve on account of:		
- Interest rate swaps	(337,272)	(498,277)
	(337,272)	(498,277)
Deferred tax	114,672	174,397
	(222,600)	(323,880)

15.1 Hedging reserve primarily represents the effective portion of changes in fair values of designated cash flow hedges, net off associated gains / losses recognised in initial cost of the hedged item and profit and loss account where applicable.

16 BORROWINGS - Secured (Non-participatory)

	Note	Mark - up rate p.a.	Installments Number	Installments Commenced / Commencing from	Audited June 30, 2013	Audited December 31, 2012
					----------Rupees----------	
Long term finance utilized under mark-up arrangements:						
Habib Bank Limited		6 months KIBOR + 1.1%	12 half yearly	September 30, 2010	651,903	700,000
Allied Bank Limited		6 months KIBOR + 1.1%	12 half yearly	December 25, 2010	1,303,027	1,400,000
Askari Bank Limited		6 months KIBOR + 1.1%	12 half yearly	December 29, 2010	163,750	175,000
Citibank N.A.		6 months KIBOR + 1.1%	12 half yearly	December 29, 2010	70,000	70,000
HSBC Middle East Limited		6 months KIBOR + 1.1%	8 half yearly	December 29, 2010	100,000	137,500
Standard Chartered Bank (Pakistan) Limited		6 months KIBOR + 1.1%	12 half yearly	December 29, 2010	326,088	350,000
National Bank of Pakistan		6 months KIBOR + 1.1%	12 half yearly	September 4, 2011	1,235,439	1,275,000
Syndicated finance	16.1	6 months KIBOR + 1.8%	15 half yearly	February 27, 2012	16,001,901	16,567,178
Islamic offshore finance	16.2	6 months LIBOR + 2.57%	12 half yearly	March 28, 2011	8,413,184	8,786,240
DFI Consortium finance	16.3	6 months LIBOR + 2.6%	15 half yearly	April 15, 2011	6,108,021	6,002,460
International Finance Corporation	16.4	6 months LIBOR + 6%	3 half yearly	September 15, 2015	4,719,802	4,554,822
International Finance Corporation	16.4	6 months LIBOR + 6%	3 half yearly	September 15, 2016	2,917,585	2,831,600
Bank Islami Pakistan Limited		6 months KIBOR + 2.4%	14 half yearly	May 25, 2010	317,991	363,418
Pak Kuwait Investment Company (Private) Limited		6 months KIBOR + 2.35%	10 half yearly	April 30, 2012	348,029	397,605
Faysal Bank Limited		6 months KIBOR + 2.35%	13 half yearly	November 26, 2012	1,441,657	1,498,896
Dubai Islamic Bank Limited		6 Months KIBOR + 2.11%	14 half yearly	December 31, 2012	494,159	494,856
Silk Bank Limited		6 Months KIBOR + 2.35%	10 half yearly	January 21, 2013	270,000	299,648
Standard Chartered Bank		6 Months KIBOR + 2.40%	14 half yearly	September 17, 2012	959,754	993,967
Samba Bank Limited		6 Months KIBOR + 2.40%	14 half yearly	September 30, 2012	480,509	497,740
Habib Metropolitan Bank Limited		6 Months KIBOR + 2.40%	10 half yearly	June 21, 2013	179,965	199,965
National Bank of Pakistan		6 Months KIBOR + 2.40%	10 half yearly	March 28, 2013	991,946	995,628
Certificates						
Term Finance Certificates - 2nd Issue	16.5	6 months KIBOR + 1.55%			3,977,026	3,976,108
Term Finance Certificates - 3rd Issue	16.6	6 months KIBOR + 2.4%			1,743,858	1,822,096
Sukuk Certificates		6 months KIBOR + 1.5%	2 half yearly	March 6, 2015	2,993,444	2,991,775
Privately Placed Subordinated Term Finance Certificates	16.7				6,000,000	5,996,536
					62,209,038	63,378,038
Less: Current portion shown under current liabilities	16.10				7,444,858	14,896,412
					54,764,180	48,481,626

16.1 This represents a syndicated finance agreement with Allied Bank Limited, Bank Alfalah Limited, Habib Bank Limited, MCB Bank Limited, National Bank of Pakistan, Standard Chartered and United Bank Limited which was fully disbursed. Some of the banks have sold down their share to other banks.

16.2 This represents the balance amount of an offshore Islamic Finance Facility Agreement of USD 150,000 with Citi Bank, Dubai Islamic Bank, Habib Bank Limited, National Bank of Pakistan, SAMBA Financial Group and Standard Chartered Bank which has been reprofiled.

(Amounts in thousand)

16.3 This represents the balance amount of a facility agreement amounting to USD 85,000 with a consortium of Development Finance Institutions comprising of DEG, FMO and OFID.

16.4 The Holding Company entered into a C Loan Agreement (Original Agreement) dated September 29, 2009 with International Finance Corporation (IFC) for USD 50,000, divided into Tranche A (USD 15,000) and Tranche B (USD 35,000). Both Tranche A and B were fully disbursed as at December 31, 2009 and transferred to the Company under the scheme of demerger effective January 1, 2010. However, the option given to convert the Tranche A loan amount of USD 15,000 shall remain upon the Holding Company's ordinary shares at Rs. 205 per ordinary share (reduced to Rs. 119.46 and Rs. 155.30 as at December 31, 2012 and December 31, 2011 respectively consequent to bonus issues) calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option. Such option is to be exercised within a period of no more than five years from the date of disbursement of the loan (December 28, 2009). Tranche B, however, is not convertible. The Holding Company, upon shareholders' approval in the Annual General Meeting of February 27, 2010, has entered into an agreement with the Company that in the event IFC exercises the aforementioned conversion option (Tranche A), the loan amount then outstanding against the Company would stand reduced by the conversion option amount and the Company would pay the rupee equivalent of the corresponding conversion amount to the Holding Company which would simultaneously be given to the Company as a subordinated loan, carrying mark-up payable by the Holding Company for rupee finances of like maturities plus a margin of 1%. The effect of IFC conversion in substance would result in a loan from the Holding Company having the same repayment terms / dates as that of Tranche A.

On December 22, 2010, the Company and IFC entered into an amended agreement for further disbursement of USD 30,000 over and above the aforementioned disbursed amount of USD 50,000. The amount was fully disbursed as at June 30, 2011. The salient features of the Original Loan essentially remained the same. The additional loan of USD 30,000 is divided into (I) 30% convertible loan on the shares of the Company at Rs. 41.67 per ordinary share calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option and (ii) 70% non-convertible loan. The additional loan is repayable by September 15, 2017 in three equal installments and carries interest at six months LIBOR plus a spread of 6% or 10% depending on the listing status of the Company at December 31, 2012. On December 22, 2010, the Company and IFC entered into an amended agreement for further disbursement of USD 30,000 over and above the aforementioned disbursed amount of USD 50,000. The amount was fully disbursed as at June 30, 2011. The salient features of the Original Loan essentially remained the same. The additional loan of USD 30,000 is divided into (I) 30% convertible loan on the shares of the Company at Rs. 41.67 per ordinary share calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option and (ii) 70% non-convertible loan. The additional loan is repayable by September 15, 2017 in three equal installments and carries interest at six months LIBOR plus a spread of 6% or 10% depending on the listing status of the Company at December 31, 2012.

During the period, IFC has clarified its position that, if an agreement in the proposed amendments to the loan conversion terms is not concluded by September 1, 2013 or if earlier, by the Company's Initial Public Offer date the relevant loan spread increase will occur automatically effective, at a mutually agreed date. The exact terms and conditions of loan conversion are still under discussion with IFC, expected to be finalized shortly. The management is confident that it will be able to successfully negotiate the terms and hence no related provision for the differential amount of Rs. 244,879 as at June 30, 2013 has been made in these financial statements.

The fair value of the aforementioned conversion options, included in note 18, on the date of disbursement amounted to Rs. 338,647 and Rs. 63,000 for the original and additional loan respectively and is being amortised using effective interest method. The residual amount, representing the loan liability component is shown as long term borrowings. The fair value of these options as at June 30, 2013 amounted to Rs. 400,085 (December 31, 2012: Rs. 243,964).

(Amounts in thousand)

16.5 These represent secured and listed Term Finance Certificates (TFCs) of Rs. 4,000,000. The TFCs are structured to redeem 0.28% of principal in the first 84 months and remaining 99.72% principal in two equal semi-annual installments. First Dawood Islamic Bank is the trustee for these TFCs.

16.6 These represent secured and listed Term Finance Certificates (TFCs) of Rs. 2,000,000. The TFCs are structured to redeem as follows:

Year	Redemption %age
1	0.04%
2	0.04%
3	7.96%
4	7.96%
5	12%
6	12%
7	60%

IGI Investment Bank Limited is the trustee for these TFCs.

16.7 This represents Subordinated Privately Placed TFCs amounting to Rs. 4,000,000 (PPTFC Issue I) and Rs. 2,000,000 (PPTFC Issue II) respectively. The PPTFCs are perpetual in nature with a five year call and a ten year put option. The PPTFC I issue has mark-up of six months KIBOR plus 1.7% whereas the PPTFC II issue has mark-up of six months KIBOR plus 1.25%. IGI Investment Bank Limited is the trustee for these TFCs. In 2011, the aforementioned TFCs have been listed on the Over-The-Counter (OTC) market of the Karachi Stock Exchange.

16.8 The above finances, excluding those covered in notes 16.4 and 16.7 are secured by an equitable mortgage upon the immovable property of the Company and equitable charge over current and future fixed assets excluding immovable property of the Company. Loans from IFC are secured by a sub-ordinated mortgage upon the immovable property of the Company and sub-ordinated charge over all present and future fixed assets excluding immovable property of the Company. PPTFCs are secured by a subordinated floating charge over all present and future fixed assets excluding land and buildings.

Further, the Holding Company has issued corporate guarantees in respect of above finances excluding PPTFC whereas it has issued sub-ordinated corporate guarantee in respect of PPTC.

16.9 In view of the substance of the transactions, the sale and repurchase of assets under long term finance have not been recorded in these financial statements.

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

As at June 30, 2013, the Company has agreed with all the lenders for the re-profiling of its long term loans. Accordingly, current portion is based on the revised repayment schedule. Necessary documentation of DIB, Citi Bank and DFI consortium is in process. Furthermore, the consortium representing Islamic Finance Facility has agreed to convert 50% of the outstanding Islamic facility from USD into PKR as referred to in note 16.2. Principal terms of the re-profiling are as follows:

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

(Amounts in thousand)

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

17 SUBORDINATED LOAN FROM HOLDING COMPANY - Unsecured

Represents subordinated loan obtained from the Holding Company for a period of five years. The entire loan is payable on or before the end of the term, that is, September 14, 2015. The loan carries mark-up at the rate of 17.1% (December 31, 2012: 17.1%).

18 DERIVATIVE FINANCIAL INSTRUMENTS

	Audited June 30, 2013		Audited December 31, 2012	
	Assets	Liabilities	Assets	Liabilities
	----------Rupees----------			
Conversion options on IFC loan (note 16.4)	-	400,085	-	243,964
Cash flow hedges				
- Foreign exchange forward contracts - net (note 18.1)	26,084	92,161	545	233,768
- Interest rate swaps (note 18.2)	-	411,830	-	586,561
	26,084	904,076	545	1,064,293
Less: Current portion shown under current assets / liabilities				
Cash flow hedges:				
- Foreign exchange forward contracts	26,084	92,161	545	233,768
- Interest rate swaps	-	268,774	-	332,656
	26,084	360,935	545	566,424
	-	543,141	-	497,869

18.1 Foreign exchange forward contracts

The Company entered in various USD : PKR forward contracts to hedge its foreign currency exposure. As at June 30, 2013, the Company had forward contracts to purchase USD 188,843 (December 31, 2012: USD 185,671) at various maturity dates to hedge its foreign currency exposure, primarily loan obligations. The net fair value of these contracts as at June 30, 2013 is negative and amounted to Rs. 66,077 (December 31, 2012: Rs. 233,223 negative).

18.2 Interest rate swaps

18.2.1 The Company entered into an interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing under an Offshore Islamic Finance Facility agreement, for a notional amount of USD 53,250 (December 31, 2012: USD 72,000) amortizing up to September 2014. Under the swap agreement, the Company would receive USD-LIBOR from Citibank N.A Pakistan on notional amount and pay fixed 3.47% which will be settled semi-annually. The fair value of the interest rate swap as at June 30, 2013 is negative and amounted to Rs. 159,447 (December 31, 2012: Rs. 252,479 negative).

18.2.2 The Company entered into another interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing from a consortium of Development Finance Institutions for a notional amount of USD 46,364 (December 31, 2012: USD 54,091) amortizing upto April 2016. Under the swap agreement, the Company would receive USD-LIBOR from Standard Chartered Bank on notional amount and pay fixed 3.73% which will be settled semi-annually. The fair value of the interest rate swap as at June 30, 2013 is negative and amounted to Rs. 252,383 (December 31, 2012: Rs. 334,082 negative).

(Amounts in thousand)

19 DEFERRED LIABILITIES

	Audited June 30, 2013	Audited December 31, 2012
	----------Rupees----------	
Deferred taxation (note 19.1 and note 19.3)	2,734,764	3,295,995
Deferred income (note 19.4)	82,777	84,710
	2,817,541	3,380,705

19.1 Deferred taxation

Credit balances arising on account of:		
- Accelerated depreciation allowance	17,027,553	17,322,415
- Carried forward tax losses substantially		-
pertaining to unabsorbed tax depreciation	(12,221,530)	(12,502,554)
- Carried forward minimum turn over tax (note 19.2)	(360,413)	(153,505)
- Fair values of hedging instruments	(114,672)	(174,397)
- Exchange loss	(1,511,208)	(1,168,631)
- Fair value of IFC conversion option	531	55,189
- Provision for:		
- retirement benefits	(42,721)	(48,529)
- slow moving stores and spares and doubtful receivables	(38,740)	(29,838)
- Others	(4,036)	(4,155)
	2,734,764	3,295,995

19.2 During the period, the High Court of Sindh, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2)(c) of the Income Tax Ordinance, 2001 and has decided that the minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year. The Company's management is however of the view, duly supported by legal advisor, that the above order is not correct and would not be maintained by Supreme Court which the Company intends to approach, if required. Therefore, the Company has continued to carry forward minimum tax as reflected above.

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

19.4 Deferred income

This represents an amount of Rs. 96,627 received from Engro Powergen Qadirpur Limited, an associated company for the right to use the Company's infrastructure facilities at Daharki Plant by the employees of Engro Powergen Qadirpur Limited for a period of twenty five years. The amount is being amortised over such period.

20 RETIREMENT AND OTHER SERVICE BENEFITS OBLIGATIONS

	Audited June 30, 2013	Audited December 31, 2012
	----------Rupees----------	
Service benefit obligation	128,757	138,653
Less: Current portion shown under current liabilities	55,120	39,624
	73,637	99,029

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(Amounts in thousand)

21	TRADE AND OTHER PAYABLES	Audited June 30, 2013	Audited December 31, 2012
		---Rupees---	
	Creditors (note 21.1)	3,032,941	1,848,012
	Accrued liabilities (note 21.2)	972,262	693,450
	Advances from customers	799,115	3,756,249
	Sales tax payable	462,848	1,121,623
	Payable to:		
	- Engro Corporation Limited	23,721	10,202
	- Engro Eximp (Private) Limited (note 21.3)	399,770	64,332
	- Engro PowerGen Limited	364	571
	Deposits from dealers refundable on termination of dealership	15,309	15,412
	Contractors' deposits and retentions	29,890	33,326
	Workers' profits participation fund (note 21.4)	110,215	-
	Workers' welfare fund	288,471	246,589
	Payable to Gratuity Fund (note 35.1.1)	2,039	16,294
	Others	321,062	151,113
		6,458,007	7,957,173

21.1 This includes an amount of Rs. 976,010 (December 31, 2012: Nil) on account of Gas Infrastructure Development Cess (GIDC) which has been stayed by courts.

21.2	Accrued liabilities	Audited June 30, 2013	Audited December 31, 2012
		---Rupees---	
	Salaries, wages and other employee benefits	306,218	74,401
	Vacation accruals	127,375	117,375
	Freight accruals	16,848	2,715
	Others	521,821	498,959
		972,262	693,450

21.3 This includes amount of Rs. 118,997 (December 31, 2012: Rs. 53,859) due to Engro Eximp (Private) Limited in respect of funds collected on their behalf by the Company under an agreement as a selling agent of imported fertilizers.

21.4	Workers' profits participation fund	Audited June 30, 2013	Audited December 31, 2012
		---Rupees---	
	Payable at beginning of the period	-	49,326
	Interest charged for the period (note 31)	-	1,000
	Allocation for the period (note 30)	110,215	-
	Less: Amount paid to the trustees of the fund	-	50,326
	Payable at end of the period	110,215	-

22	ACCRUED INTEREST / MARK-UP		
	Accrued interest / mark-up on:		
	- long term borrowings	1,544,695	1,728,746
	- short term borrowings	68,958	59,536
		1,613,653	1,788,282

(Amounts in thousand)

23	SHORT TERM BORROWINGS - SECURED	Audited June 30, 2013	Audited December 31, 2012
		---Rupees---	
	Running Finance / Bank overdraft (note 23.1)	-	209,791
	Money market loans / Istisna (note 23.2)	500,000	790,000
		500,000	999,791

23.1 The funded facilities for short term finances available from various banks and institutional investors amounts to Rs. 5,250,000 (December 31, 2012: Rs. 5,250,000) along with non-funded facilities of Rs. 1,275,000 (December 31, 2012: Rs. 1,275,000) for Bank Guarantees. The rates of markup on funded bank overdraft facilities ranged from 10.53% to 12.01% and all the facilities are secured by floating charge upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts, outstanding monies, receivable claims and bills of the Company.

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

24 CONTINGENCIES AND COMMITMENTS

Contingencies

24.1 Bank guarantees of Rs.1,059,119 (December 31, 2012: Rs. 1,052,364) have been issued in favour of third parties.

24.2 Claims, including pending lawsuits, against the Company not acknowledged as debts amounted to Rs. 58,530 (December 31, 2012: Rs. 58,530).

24.3 The Company is contesting a 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.

24.4 The Holding Company had commenced two separate arbitration proceedings against the Government of Pakistan for non-payment of marketing incidentals relating to the years 1983-84 and 1985-86 respectively. The sole arbitrator in the second case has awarded the 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.

24.5 The Company had filed a constitutional petition in the High Court of Sindh, Karachi against the Ministry of Petroleum and Natural Resource (MPNR), Ministry of Industries and Production (MIP) and Sui Northern Gas Pipeline Company Limited (SNGPL) for continuous supply of 100 MMSCFD gas per day to the Enven Plant and to prohibit them from suspending, discontinuing or curtailing the aforesaid supply. The High Court of Sindh, in its order dated October 18, 2011, has ordered that SNGPL should supply 100 MMSCFD of gas per day to the Company's new plant. However, five petitions have been filed in the Supreme Court of Pakistan against the aforementioned order of High Court of Sindh by SNGPL, MPNR, Agritech Limited, Pak Arab Fertilizers and Kohinoor Mills Limited along with 21 other companies (mainly engaged in textile business). The aforementioned petitions are pending for further hearing. The Company's management as confirmed by the legal advisor considers the chances of petitions being allowed to be remote.

Further, the Company upon continual curtailment of gas after the aforementioned decision of the High Court has filed an application in respect of Contempt of Court under Article 199 & 204 of the Constitution of Pakistan. The Company, in the aforementioned application has submitted that SNGPL and MPNR has failed to restore full supply of gas to the Company's plant despite the judgment of High Court in the Company's favor. A show cause notice has also been issued against MPNR and SNGPL dated December 31, 2011 by the High Court. The application is pending for hearing and no orders have yet been passed in this regard.

24.6 All Pakistan Textile Processing Mills Association (APTPMA), Shan Dying & Printing Industries (Private) Limited, Agritech Limited (Agritech) and 27 others have each contended, through separate proceedings filed before the Lahore High Court that the supply to the Company's expansion plant is premised on the output of Qadirpur gas field exceeding 500 MMSCFD by 100 MMSCFD and the Gas Sale and Purchase Agreement (GSA) dated April 11, 2007 with Sui Northern Gas Pipe Line Limited (SNGPL) be declared void ab initio because the output of Qadirpur has infact decreased. Agritech has additionally alleged discrimination in that it is receiving less gas than the other fertilizer companies on the SNGPL system. The Company has out rightly rejected these contentions, and is of the view that it has a strong case for the reasons that (i) 100 MMSCFD gas has been allocated to the Company through a transparent international competitive bidding process held by the Government of Pakistan, and upon payment of valuable license fee; (ii) GSA which guarantees uninterrupted supply of gas to the expansion plant, with right to first 100 MMSCFD gas production from the Qadirpur field; and (iii) both the Company and gas field (Qadirpur), that is to initially supply gas to the Company, are in Sindh. Also, neither the gas allocation by Government nor the GSA predicates the gas supply upon Qadirpur field producing 100 MMSCFD over and above 500 MMSCFD. No orders have been passed in this regard and the petitions have been adjourned sine die. However, the Company's management, as confirmed by the legal advisor, considers the chances of the petitions being allowed to be remote.

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

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

24.9 During the period , the Company has filed :

- a writ in the Lahore High Court seeking fair distribution of the agreed upon rota of gas supply between the 4 fertilizer plants on the SNGPL network . The Company has also prayed for making up the short falls in its 2012 rota share; and

- a suit against the Government of Pakistan and SNGPL in the Lahore High Court for the recovery of damages incurred as a result of SNGPL suspending/ curtailing gas supply to the Company amounting to Rs. 61,410,000. This would be recognized as income upon realisation thereof.

(Amounts in thousand)

24.10	Commitments	Audited June 30, 2013	Audited December 31, 2012
		----------Rupees----------	
	Plant and machinery (note 24.10.1)	963,960	70,134

24.10.1 As referred to in note 1.3, consequent to the allocation of gas from dedicated fields and as per the terms of Gas Transportation Agreements, the Consortium is required to build the additional gas infrastructure at an estimated cost of USD 115,000. The Company's share in this cost is estimated at USD 48,000.

25	NET SALES	Audited Half year ended June 30, 2013	Unaudited Half year ended June 30, 2012
		----------Rupees----------	
	Own manufactured product (note 25.1)	23,781,175	14,849,630
	Less: Sales tax	3,261,870	2,045,166
		20,519,305	12,804,464

25.1 Sales are net of marketing allowances of Rs. 23,438 (June 30, 2012: Rs. 15,148)

26	COST OF SALES	Audited Half year ended June 30, 2013	Unaudited Half year ended June 30, 2012
		----------Rupees----------	
	Raw materials consumed	6,038,486	4,527,581
	Salaries, wages and staff welfare (note 26.1)	818,998	705,268
	Fuel and power	1,675,313	1,965,231
	Repairs and maintenance	293,988	202,029
	Depreciation (note 4.2)	2,392,431	2,478,746
	Amortisation (note 5.1)	17,081	7,697
	Consumable stores	153,060	126,895
	Staff recruitment, training, safety and other expenses	44,586	39,558
	Purchased services	135,469	133,159
	Travel	21,277	25,175
	Communication, stationery and other office expenses	9,943	19,031
	Insurance	146,565	127,681
	Rent, rates and taxes	2,842	1,724
	Other expenses	551	990
	Cost of goods manufactured	11,750,590	10,360,765
	Add: Opening stock of finished goods manufactured	631,007	739,419
	Less: Closing stock of finished goods manufactured	345,331	2,804,296
		285,676	(2,064,877)
	Cost of sales	12,036,266	8,295,888

26.1 Salaries, wages and staff welfare includes Rs. 41,005 (June 30, 2012: Rs. 45,513) in respect of staff retirement benefits.

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(Amounts in thousand)

27 SELLING AND DISTRIBUTION EXPENSES	Audited Half year ended June 30, 2013	Unaudited Half year ended June 30, 2012
	---Rupees---	
Salaries, wages and staff welfare (note 27.1)	201,941	161,481
Staff recruitment, training, safety and other expenses	12,834	26,541
Product transportation and handling	859,206	532,306
Royalty expense	312,844	182,340
Repairs and maintenance	1,668	2,947
Advertising and sales promotion	10,578	19,849
Rent, rates and taxes	35,223	57,813
Communication, stationery and other office expenses	7,177	8,537
Travel	21,082	20,243
Depreciation (note 4.2)	13,133	15,336
Amortisation (note 5.1)	24	24
Purchased services	1,674	2,444
Insurance	4,799	5,738
Other expenses	1,644	15,282
	1,483,827	1,050,881

27.1 Salaries, wages and staff welfare includes Rs. 13,963 (June 30, 2012: Rs. 12,361) in respect of staff retirement benefits.

28 ADMINISTRATIVE EXPENSES	Audited Half year ended June 30, 2013	Unaudited Half year ended June 30, 2012
	---Rupees---	
Salaries, wages and staff welfare (note 28.1)	130,962	128,775
Staff recruitment, training, safety and other expenses	5,777	6,549
Repairs and maintenance	3,032	3,667
Rent, rates and taxes	22,189	27,632
Communication, stationery and other office expenses	14,647	5,118
Travel	6,832	5,864
Depreciation (note 4.2)	12,876	16,437
Amortisation (note 5.1)	416	6,153
Purchased services	88,094	61,591
Donations	10,662	12,908
Insurance	1,680	1,304
Other expenses	4,341	15,811
	301,508	291,809

28.1 Salaries, wages and staff welfare includes Rs. 9,776 (June 30,2012: Rs. 12,543) in respect of staff retirement benefits.

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(Amounts in thousand)

29	OTHER INCOME	Audited Half year ended June 30, 2013	Unaudited Half year ended June 30, 2012
		----------Rupees----------	
	On financial assets		
	Income on deposits, treasury bills and term deposit certificates	171,488	29,260
	Income on mutual funds	37,510	53,984
	On non-financial assets		
	Commission income (note 29.1)	60,139	35,997
	Gain on disposal of property, plant and equipment (note 4.3)	-	3,776
	Rental income	1,977	1,797
	Gain on disposal of spares / scrap	18,129	28,256
	Others	1,862	10,068
		82,107	79,894
		291,105	163,138

29.1 Represents commission earned as selling agent of imported fertilizer on behalf of Engro Eximp (Private) Limited, an associated undertaking, under an amended agreement effective January 1, 2011.

30	OTHER OPERATING EXPENSES	Audited Half year ended June 30, 2013	Unaudited Half year ended June 30, 2012
		----------Rupees----------	
	Workers' profits participation fund (note 21.4)	110,215	-
	Workers' welfare fund	41,882	-
	Research and development (including salaries and wages)	31,198	14,689
	Net foreign exchange loss		
	Auditors' remuneration (note 30.1)	2,611	464
	Legal and professional charges	32,610	21,030
	Loss on disposal of property, plant and equipment (note 4.3)	13,359	-
	Loss on fair value adjustments of embedded derivative	156,121	71,353
	Others	23,706	2,593
		411,702	110,129

30.1 Auditors' remuneration

Fee for:		
- special audit / review of half yearly financial statements	1,500	195
- certifications, audit of retirement funds and other advisory services	881	189
- reimbursement of expenses	230	80
	2,611	464

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(Amounts in thousand)

		Audited Half year ended June 30, 2013	Unaudited Half year ended June 30, 2012
31	**FINANCE COST**		
		----------------Rupees----------------	
	Interest / mark-up on:		
	- long term borrowings	3,346,279	4,036,819
	- short term borrowings	72,843	296,899
	- net foreign exchange loss	1,105,783	1,228,156
	- workers' profits participation fund (note 21.4)	-	1,000
		4,524,905	5,562,874

32	**TAXATION**		
	Current		
	- for the period (note 32.1)	216,770	70,044
	- for prior years (note 32.2)	1,032,087	-
		1,248,857	70,044
	Deferred		
	- for the period	410,075	(682,673)
	- for prior years (note 32.2)	(1,032,087)	-
		(622,012)	(682,673)
		626,845	(612,629)

32.1 Includes minimum turnover tax amounting to Rs.206,908 (June 30, 2012: Rs. 70,044).

32.2 A prior year incremental current tax charge of Rs. 1,032,087 has been recognized in these financial statements consequent to the disallowance of initial allowance claimed in the financial year 2010. Further, the prior year deferred tax charge represents adjustment resulting from the aforementioned disallowance of accelerated depreciation.

32.3 As a result of demerger, all pending tax issues of the Holding Company had been transferred to the Company. Major issues pending before the tax authorities are described below:

In 2012, the income tax department raised a demand of Rs. 1,481,709, subsequently rectified to Rs. 1,074,938, for the financial year 2010. The disallowances were mainly on account of initial allowance on capitalization which were later confirmed by the Commissioner Inland Revenue-Appeals (CIRA). The demand was subsequently reduced to Rs. 616,536 after application of rectifications from prior years amounting to Rs. 308,402 and payment of Rs. 150,000.

In the current period, the Appellate Tribunal Inland Revenue (ATIR) has remanded back the issues of Group Relief (Rs. 450,000) and Inter-Corporate Dividend (Rs. 220,000) related to the financial year 2008 in favour of the Company. The Company intends to use the resulting refunds in offsetting the balance demand of the financial year 2010.

In previous years, the department had filed reference applications in High Court against the below-mentioned ATIR's decisions in Company's favor. No hearing has been conducted to-date. The reference application includes the following matters:

- Group Relief (Financial year 2006 and 2007): Rs. 1,050,847
- Inter-Corporate Dividend (Financial year 2007): Rs. 116,500
- G.P. Apportionment (Financial years 1995 to 2002): Rs. 653,000

The Company is confident that all pending issues will eventually be decided in its favor.

(Amounts in thousand)

32.4 Relationship between tax expense and accounting profit

The tax on the Company's profit / (loss) before tax differs from the theoretical amount that would arise using the Company's applicable tax rate as follows:

	Audited Half year ended June 30, 2013	Unaudited Half year ended June 30, 2012
	Rupees	
Profit / (loss) before taxation	2,052,202	(2,343,979)
Tax calculated at the rate of 34% (2012: 35%)	697,749	(820,393)
Depreciation on exempt assets not deductible for tax purposes	16,755	19,947
Effect of exemption from tax on certain income	10,403	(26,247)
Effect of applicability of lower tax rate and other tax credits / debits	(24,010)	23,358
Effect of reduced tax rate in current period	(74,052)	-
Prior year tax effects	-	190,706
Tax charge / (credit) for the period	626,845	(612,629)

33 EARNINGS / (LOSS) PER SHARE

Basic earnings / (loss) per share has been calculated by dividing the profit / (loss) attributable to equity holders of the Company by weighted average number of ordinary shares in issue during the period.

33.1 There is no dilutive effect on the basic earnings per share of the Company since the average annual market price (estimated) of the Company's share for the current period is less than the exercise price of the options granted on the Company's shares to IFC as referred to in note 16.4.

The information necessary to calculate basic and diluted earnings / (loss) per share is as follows:

	Unaudited quarter ended June 30, 2013	Unaudited quarter ended June 30, 2012	Audited Half year ended June 30, 2013	Unaudited Half year ended June 30, 2012
	Rupees			
Profit / (Loss) for the period	779,038	(311,198)	1,425,357	(1,731,350)
Add: Interest on IFC loan of USD 9,000 - net of tax (note 33.1)	-	-	-	-
Profit / (Loss) used for the determination of Diluted EPS	779,038	(311,198)	1,425,357	(1,731,350)
	Numbers (in thousands)			
Weighted average number of ordinary shares at the beginning of period	1,072,800	1,072,800	1,072,800	1,072,800
Adjustment of Bonus factor in right issue	59,142	61,861	60,494	61,861
Add : Weighted average adjustments for:				
Shares issued during the period	6,593	-	3,315	-
Weighted average number of shares for determination of basic EPS	1,138,535	1,134,661	1,136,609	1,134,661
Assumed conversion of USD 9,000 IFC loan (note 33.1)	-	-	-	-
Weighted average number of shares for determination of diluted EPS	1,138,535	1,134,661	1,136,609	1,134,661

(Amounts in thousand)

34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration, including all benefits, to chief executive, directors and executives of the Company are given below:

	Audited			Unaudited		
	Half year ended June 30,2013			Half year ended June 30,2012		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	Rupees			Rupees		
Managerial remuneration	11,203	-	502,850	12,410	-	438,639
Retirement benefits funds	1,822	-	64,075	2,988	-	58,163
Other benefits	131	-	30,729	258	-	34,118
Fees	-	1,000	-	-	1,300	-
Total	13,156	1,000	597,654	15,656	1,300	530,920
Number of persons including those who worked part of the year	1	9	423	2	9	394

34.1 The Company also makes contributions based on actuarial calculations to pension and gratuity funds and provides certain household items for use of some employees. Cars are also provided for use of some employees and directors.

34.2 Premium charged in the financial statements in respect of directors' indemnity insurance policy, purchased by the Company during the period, amounted to Rs. 665 (June 30, 2012: Rs. 885).

35 RETIREMENT BENEFITS

35.1 Defined benefit plans

The latest actuarial valuation of the defined benefit plans was carried out as at December 31, 2012, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

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(Amounts in thousand)

35.1.1 Balance sheet reconciliation

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
	Rupees			
Present value of funded obligation	243,815	239,377	31,221	31,289
Fair value of plan assets	(241,776)	(237,281)	(39,279)	(38,313)
Deficit / (Surplus)	2,039	2,096	(8,058)	(7,024)
Payable to associated companies	-	12	-	-
Unrecognised actuarial (loss) / gain	-	(5,000)	-	1,800
Payable to DC Gratuity Fund	-	15,272	-	-
Unrecognised past service cost	-	3,914	-	-
Unrecognized asset	-	-	8,058	3,424
Net liability / (asset) at end of the period / year	2,039	16,294	-	(1,800)

35.1.2 Movement in net (asset) / liability recognised

Net liability / (asset) at beginning of the period / year	16,294	4,740	(1,800)	(4,599)
Expense / (reversal) recognised	1,157	17,288	(422)	(625)
Amounts paid to the Fund	(10,084)	(5,734)	-	-
Remeasurements charged to OCI (note 35.1.2.1)	(5,328)	-	(612)	-
Unrecognized asset charged to OCI (note 35.1.2.1)	-	-	2,834	3,424
Net liability / (asset) at end of the period / year	2,039	16,294	-	(1,800)

35.1.2.1 Includes losses amounting to Rs. 6,800 arising in prior years on account of remeasurements recongnised in the current period as disclosed in note 2.18.2 .

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
	Rupees			

35.1.3 Movement in defined benefit obligation

As at beginning of the period / year	239,377	277,645	31,289	32,023
Current service cost	5,752	13,657	-	-
Interest cost	13,790	33,866	1,769	3,777
Benefits paid during the period / year	(15,104)	(21,055)	-	(3,608)
Actuarial (gain) / loss on obligation	-	(1,080)	-	(903)
Liability transferred in respect of inter-company transfer	-	(3)	-	-
Liability transferred to DC Gratuity Fund	-	(63,653)	-	-
Actual distribution during the period / year			(1,837)	
As at end of the period / year	243,815	239,377	31,221	31,289

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(Amounts in thousand)

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
	----------Rupees----------			
35.1.4 Movement in fair value of plan assets				
At beginning of the period / year	237,281	256,976	38,313	37,023
Expected return on plan assets	14,471	31,618	2,191	4,402
Contribution by the Company	10,084	5,734	-	-
Benefits paid during the period / year	(15,104)	(21,055)	(1,837)	(3,608)
Actuarial gain / (loss) on plan assets	10,328	14,834	612	496
Assets transferred in respect of transfers	-	9	-	-
Assets transferred to DC Gratuity Fund	-	(50,835)	-	-
Liability transferred in respect of inter-company		-		-
transfer	(15,284)	-		-
As at end of the period / year	241,776	237,281	39,279	38,313
35.1.5 Charge / (Reversal) for the period				
Current service cost	5,752	13,657	-	-
Net Interest cost	(681)	2,248	(422)	(625)
Recognition of past service cost	(3,914)	-	-	-
Amortisation of unrecognized past service cost	-	(339)	-	-
Amortisation of actuarial gain	-	1,722	-	-
	1,157	17,288	(422)	(625)
35.1.6 Actual return on plan assets	24,799	46,452	2,803	4,898

35.1.7 Principal actuarial assumptions used in the actuarial valuation

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Discount rate	12.0%	12.0%	12.0%	12.0%
Expected per annum rate of return on plan assets	12.0%	12.0%	12.0%	12.0%
Expected per annum rate of increase in pension	-	-	4.0%	4.0%
Expected per annum rate of increase in future salaries	11.0%	11.0%	11.0%	11.0%

35.1.8 Plan assets comprise of the following	2013		2013	
	Rupees	(%)	Rupees	(%)
Fixed income instruments	188,458	78%	36,438	93%
Cash	18,532	8%	-	0%
Others	34,786	14%	2,841	7%
	241,776		39,279	

35.1.9 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

(Amounts in thousand)

35.1.10 Expected future cost / (reversal) for the year ending December 31, 2013 is as follows:

	Rupees
- MPT Pension Fund	(843)
- MPT Gratuity Fund	(753)
- Non-MPT Gratuity Fund	10,895

35.1.11 Historical information of staff retirement benefits:

	June 30, 2013	December 31, 2012	December 31, 2011	December 31, 2010
	Rupees			
Pension Plan Funded				
Present value of defined benefit obligation	31,221	31,289	32,023	31,230
Fair value of plan assets	(39,279)	(38,313)	(37,023)	(34,855)
Deficit / (Surplus)	(8,058)	(7,024)	(5,000)	(3,625)
Gratuity Plans Funded				
Present value of defined benefit obligation	243,815	239,377	277,645	269,523
Fair value of plan assets	(241,776)	(237,281)	(256,976)	(289,580)
Deficit / (Surplus)	2,039	2,096	20,669	(20,057)

35.2 Defined contribution plans

An amount of Rs. 25,641 has been charged during the period in respect of defined contribution plans maintained by the Holding Company.

36 CASH GENERATED FROM OPERATIONS	Audited Half year ended June 30, 2013	Unaudited Half year ended June 30, 2012
	Rupees	
Profit / (Loss) before taxation	2,052,202	(2,343,979)
Adjustment for non-cash charges and other items:		
Depreciation	2,579,395	2,510,518
Amortisation	15,588	11,943
Profit on disposal of property, plant and equipment	-	(3,776)
Loss on disposal of property, plant and equipment	13,359	-
Provision for retirement and other service benefits	23,766	25,681
Income on deposits / other financial assets	(208,998)	(83,244)
Financial cost	4,524,905	5,562,874
Reversal on Employee share compensation	-	(1,471)
Provision / (reversal) for surplus and slow moving stores and spares	9,693	(5,477)
Provision against trade receivables	19,000	-
Provision against loans and advances	4,258	-
Change in the fair value of IFC conversion option	156,121	71,353
Working capital changes (note 36.1)	(1,599,802)	(2,038,397)
	7,589,487	3,706,025

(Amounts in thousand)

		Audited Half year ended June 30, 2013	Unaudited Half year ended June 30, 2012
36.1	**Working capital changes**	---------------Rupees---------------	
	(Increase) / decrease in current assets		
	- Stores, spares and loose tools	(152,057)	32,646
	- Stock-in-trade	(152,561)	(2,130,335)
	- Trade debts	144,283	(1,219,503)
	- Loans, advances, deposits and prepayments	159,515	865,829
	- Other receivables (net)	31,070	83,235
		30,250	(2,368,128)
	Increase in current liabilities		
	- Trade and other payables	(1,630,052)	329,731
		(1,599,802)	(2,038,397)

37 CASH AND CASH EQUIVALENTS

Cash and bank balances	2,609,454	647,363
Short term investments	4,824,661	3,039,433
Short term borrowings	(500,000)	(3,543,542)
	6,934,115	143,254

38 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets as per balance sheet		
- Loans and receivables		
Loans, advances and deposits	160,484	109,215
Trade debts	882,808	1,046,091
Other receivables	37,143	56,254
Cash and bank balances	2,609,454	2,449,168
Short term Investment	-	1,088,681
	3,689,889	4,749,409
- Fair value through profit and loss		
Short term investments	61,881	1,052,148
Derivative financial instruments	26,084	545
	87,965	1,052,693
- Held to maturity		
Short term investments	4,762,780	494,510
Financial liabilities as per balance sheet		
- Financial liabilities measured at amortised cost		
Borrowings	65,709,038	67,377,829
Trade and other payable	3,792,407	2,464,773
Accrued interest / mark-up	1,613,653	1,788,282
	71,115,098	71,630,884
- Fair value through profit and loss		
Conversion option on IFC loan	400,085	243,964
Derivative financial instruments	503,991	820,329
	904,076	1,064,293

(Amounts in thousand)

39 FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Company's Finance and Planning department under policies approved by the Management Committee.

a) Market risk

i) *Currency risk*

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

This exists due to the Company's exposure resulting from outstanding import payments, foreign currency loan liabilities and related interest payments. A foreign exchange risk management policy has been developed and approved by the management. The policy allows the Company to take currency exposure for limited periods within predefined limits while open exposures are rigorously monitored. The Company ensures to the extent possible that it has options available to manage exposure, either through forward contracts, options or prepayments, etc. subject to the prevailing foreign exchange regulations.

On foreign currency borrowing of USD 226,943 as on June 30, 2013, the Company has Rupee / USD hedge of USD 179,614.

At June 30, 2013, if the currency had weakened / strengthened by 1% against the US dollar with all other variables held constant, post-tax profit for the period would have been Rs. 28,577 lower / higher, mainly as a result of foreign exchange loss / gain on translation of US dollar denominated loans.

ii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises from short and long-term borrowings. These are benchmarked to variable rates which expose the Company to cash flow interest rate risk.

The Company analyses its interest rate exposure on a regular basis by monitoring interest rate trends to determine whether they should enter into hedging alternatives.

The Company has entered into Interest Rate Swaps for USD 99,614 out of its non-current foreign currency borrowings of USD 226,943 as on June 30, 2013 (note 18). Rates on short term loans vary as per market movement.

As at June 30, 2013, if interest rates on Company's borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the period would have been lower / higher by Rs. 167,544 mainly as a result of interest exposure on variable rate borrowings.

(Amounts in thousand)

iii) *Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. As at June 30, 2013, the Company is not exposed to price risk .

b) **Credit risk**

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits, bank guarantees and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with a reasonably high credit rating or mutual funds which in turn are deposited in banks and government securities. The Company maintains an internal policy to place funds with commercial banks and mutual funds of asset management companies having a minimum short term credit rating of A1 and AM3 respectively. However, the Company maintains operational balances with certain banks of lower rating for the purpose of effective collection of bank guarantees and to cater to loan disbursements.

The Company is exposed to a concentration of credit risk on its trade debts by virtue of all its customers being agri-based businesses in Pakistan. However, this risk is mitigated by applying individual credit limits and by securing the majority of trade debts against bank guarantees and inland letter of credit.

The credit risk arising on account of acceptance of these bank guarantees is managed by ensuring that the bank guarantees are issued by banks of reasonably high credit ratings as approved by the management.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as under:

	June 30, 2013	December 31, 2012
	----------------Rupees----------------	
Loans, advances and deposits	160,484	109,215
Trade debts	829,665	952,164
Other receivables	28,696	50,316
Short term investments	4,824,661	2,635,339
Cash and bank balances	2,609,454	2,449,168
	8,452,960	6,196,202

(Amounts in thousand)

The credit quality of receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history, however, no losses incurred. The credit quality of Company's bank balances and short term investments can be assessed with reference to external credit ratings as follows:

	Rating agency	Rating Short term	Rating Long term
Allied Bank Limited	PACRA	A1+	AA+
Askari Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Bank Al Habib Limited	PACRA	A1+	AA+
Bank Islami Pakistan Limited	PACRA	A1	A
The Bank Of Punjab	PACRA	A1+	AA-
Barclays Bank PLC	MOODY'S	A-1	A
Burj Bank Limited	JCR-VIS	A-1	A
Citi Bank .N.A.	MOODY'S	P-2	A3
Deutche Bank AG	MOODY'S	P-1	A2
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1	A
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
HSBC Bank Middle East Limited	MOODY'S	P-1	Aa3
JS Bank Limited	PACRA	A1	A+
KASB Bank Limited	PACRA	A3	BBB
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA
National Bank of Pakistan	JCR-VIS	A-1+	AAA
Samba Bank Limited	JCR-VIS	A-1	AA-
Silk Bank Limited	JCR-VIS	A-2	A-
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	A-2	A-
United Bank Limited	JCR-VIS	A-1+	AA+
Zarai Taraqiati Bank Limited	JCR-VIS	A-1+	AAA

c) **Liquidity risk**

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available.

The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

(Amounts in thousand)

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Audited Half year June 30,2013			Audited Year ended December 31,2012		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	----------Rupees----------			----------Rupees----------		
Financial liabilities						
Derivatives	360,935	543,141	904,076	566,424	497,869	1,064,293
Trade and other payables	3,792,407	-	3,792,407	2,464,773	-	2,464,773
Accrued interest / mark-up	1,613,653	-	1,613,653	1,788,282	-	1,788,282
Borrowings	7,944,858	57,764,180	65,709,038	15,896,203	51,481,626	67,377,829
	13,711,853	58,307,321	72,019,174	20,715,682	51,979,495	72,695,177

39.2 Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for share holders and benefit for other stake holders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The total long term borrowings to equity ratio as at June 30, 2013 based on total long term borrowings of Rs. 65,209,038 and total equity of Rs. 18,826,714 was 77.6 : 22.4

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

39.3 Fair value estimation

The table below analyzes financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (level 3)

	Level 1	Level 2	Level 3	Total
	----------	Rupees	----------	
Assets				
Financial assets at fair value through profit and loss				
- Short term investments	-	61,881	-	61,881
- Derivative financial instruments	-	26,084	-	26,084
	-	87,965	-	87,965
Liabilities				
Derivatives				
- Derivative financial instruments	-	503,991	-	503,991
- Conversion option on IFC loans	-	400,085	-	400,085
	-	904,076	-	904,076

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(Amounts in thousand)

39.4 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

40 TRANSACTIONS WITH RELATED PARTIES

Related parties comprises of Holding Company, associated companies and other companies with common director, retirement benefits funds, directors and key management personnel.

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

	Audited Half year ended June 30, 2013	Unaudited Half year ended June 30, 2012
	---Rupees---	
Holding Company		
Purchases and services	65,855	109,687
Services provided to Holding Company	8,052	8,711
Royalty	288,169	201,065
Reimbursements	77,480	46,666
Mark-up paid on Long term subordinated loan	254,392	255,797
Mark-up paid on Short term subordinated loan	-	19,810
Receipt of issued right shares	1,500,000	-
Receipt of subordinated loan	-	1,000,000
Payment of subordinated loan	-	1,000,000
Associated companies		
Purchases and services	553,063	992,360
Contributions to retirement benefit schemes / funds	96,832	75,309
Services provided	34,423	43,957
Reimbursements	103,428	95,429
Funds collected against sales made on behalf of an associate	6,258,284	5,695,774
Payment of mark-up on TFCs and repayment of principal amount	10,449	104,092
Purchase of T-Bill	4,067,897	-
Sale of T-Bill	4,161,893	487,621
Income on T-Bill	40,864	-
Commission on sales collection	60,139	35,997
Purchase of mutual fund units	780,000	400,000
Redemption of mutual fund units	781,195	588,577
Donation to Engro Foundation	9,000	13,519
Commission expense	17,849	7,453
Markup from associate	-	26,685
Use of Assets	6,469	7,424
Receipt of subordinated loan	-	1,500,000
Payment of subordinated loan	-	1,500,000
Others		
Remuneration of key management personnel	61,281	50,627

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(Amounts in thousand)

46 CORRESPONDING FIGURES

Corresponding figures and balances have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which are not material.

47 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on July 24, 2013 by the Board of Directors of the Company.

Chief Executive

Director

(Amounts in thousand)

41 DONATIONS

Donations include the following in which a director or ex-director or his spouse is interested:

	Interest in Donee	Name and address of Donee	Audited Half year ended June 30, 2013	Unaudited Half year ended June 30, 2012
Asad Umar (ex-director) and Khalid Siraj Subhani (ex-director)	President and Trustee	Engro Foundation	-	10,000
Aliuddin Ansari and Ruhail Mohammed	President and Trustee	Engro Foundation	9,000	-

42 PRODUCTION CAPACITY

	Designed capacity Metric Tons Half year ended		Actual production Metric Tons Half year ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Urea plant I & II	1,137,500	1,137,500	617,179	521,027
NPK plant	50,000	50,000	50,130	26,342

43 NUMBER OF EMPLOYEES

	Number of employees as at		Average number of employees	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Management employees	447	513	487	493
Non- management employees	674	721	717	736
	1,121	1,234	1,204	1,229

44 SEASONALITY

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

45 LOSS OF CERTAIN ACCOUNTING RECORDS

During 2007, a fire broke out at PNSC Building, Karachi where the Holding Company's registered office was located. Immediately following this event the Holding Company launched its Disaster Recovery Plan due to which operational disruption and financial impact resulting from this incident remained minimal.

The fire destroyed a substantial portion of its hard copy records, including that of Fertilizer Undertaking (note 1.2), related to the financial years 2005, 2006 and the period January 1, 2007 to August 19, 2007 although, electronic data remained intact due to the aforementioned Disaster Recovery Plan. The Holding Company launched an initiative to recreate significant lost records and was successful in gathering the same in respect of the financial year 2007. Hard copy records related to the financial years 2005 and 2006 have not been recreated.