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Third Quarter Accounts 2015

engro fertilizers

company information

Board of Directors

Khalid Siraj Subhani - Chairman
Ruhail Mohammed - Chief Executive Officer
Javed Akbar
Abdul Samad Dawood
Shabbir Hashmi
Naz Khan
Shahid Hamid Pracha
Inamullah Naveed Khan

Company Secretary

Faiz Chapra

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Bank Islami Pakistan Limited
The Bank of Punjab
Burj Bank Limited
Citi Bank .N.A.
Dubai Islamic Bank (Pakistan) Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Samba Bank Limited
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
United Bank Limited

Auditors

A.F. Ferguson & Company
Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road
Karachi-74000, Pakistan
Tel: +92(21) 32426682-6 / 32426711-5
Fax +92(21) 32415007 / 32427938

Cost Auditors

J.A.S.B. & Associates
Chartered Accountants
No. 4 Uni Tower
I.I. Chundrigar Road
Karachi-74000, Pakistan
Tel: +92(21)32468154-5 / 32468158
Fax +92(21) 32468157

Registered Office

7th Floor, The Harbor Front Building,
HC # 3, Marine Drive, Block 4, Clifton,
Karachi-75600, Pakistan
Tel: +92(21) 35297501 – 35297510
Fax:+92(21) 35810669
Website: www.engrofertilizers.com

directors' report

On behalf of the Board of Directors of Engro Fertilizers Limited, we are pleased to present the unaudited financial statements for the period ended September 30, 2015.

Pakistan Fertilizer Market

Gas prices for the fertilizer sector were increased effective September 1, 2015, which was followed by an increase in urea prices by all manufacturers. However, the recent farmer package announcement by the Government led to an uncertainty about urea prices which affected sales. Resultantly the domestic Urea industry sales fell by 4% vs the same period last year to 3,946 KT. Sale of branded urea has decreased by 3% over the same period last year to 3,463 KT.

During the period under review, total urea production increased to 3,877 KT vs 3,597 KT in the same period last year i.e. an increase of 8%, primarily due to higher production by plants on the Mari network.

Domestic DAP industry sales decreased by 154 KT vs the same period last year to 592 KT (-21%). This was primarily due to deferral in demand led by the delay in implementation of subsidy announced in Budget 2015.

During the period, the Government enacted the GIDC Act 2015 providing legal cover to the retrospective applicability of GIDC as well as on current billing. The Act includes GIDC on old as well as new Fertilizer plants. However, the imposition of GIDC on new fertilizer plants and major expansions is in direct contravention to the Fertilizer Policy of the Government based on which new investments were made.

On the international front, urea prices have remained stable though slightly lower than before. Subsequently the gap between international and local prices has significantly narrowed down.

Company's Operating Performance

Urea production for the period stood at 1,472 KT as compared to 1,332 KT in the same period of last year i.e. an increase of 11% mainly due to continued two plant operation, lower outage days and better gas supply.

Urea sales for the nine months ended September 30, 2015 stood at 1,294 KT vs 1,320 KT in the corresponding period of 2014, showing a fall of 2% as the market reacted to uncertainty in urea prices. The Company maintained an overall urea market share of 33% and a branded urea market share of 37%.

The Company sold 137 KT of DAP, which constitutes a 25% market share in the industry for the brand Engro DAP during the period which was at par with the market share achieved in 2014.

Blended fertilizers' (Zarkhez & Engro NP) sales for the period increased to 79 KT from 75 KT in the corresponding period last year led by significantly higher NP sales. Overall domestic potash industry saw a decrease of 12% from 9M 2014. The market share of Zarkhez fell to 38% (41% in 9H 2014) due to direct marketing of MOP by other importers given lower international potash prices.

EFERT continued to receive 60 MMSCFD gas from Mari Shallow throughout the period and is expected to continue till 31st Dec 2015 as per ECC decision against which the Company installed compressors for Guddu Power Plant (Genco II) at its own cost.

Post enactment of the GIDC Act 2015, the Company has obtained stay orders against the retrospective applicability of GIDC. However, on the request of the Government, and without compromising its legal stance, the Company has paid the accrued amount of PKR 15.2 Billion against non-concessionary gas supplied. Currently, the Company is paying GIDC on all non-concessionary gas.

The Company has also obtained a stay order against GIDC applicability on concessionary gas and therefore no GIDC is being paid or accrued for concessionary gas supplied to the new urea plant. GIDC on concessionary gas is in direct contravention with the Fertilizer Policy and our Gas supply contracts on the basis of which we invested USD 1.1 Billion to expand our fertilizer manufacturing capacity.

The Company is in the process of seeking requisite approvals for merger of Engro EXIMP (Private) Limited with Engro Fertilizers Limited as it proceeds with the complete integration of the DAP business.

The Company's standalone Gross Profit for the nine months ended September 30, 2015 was PKR 20.7 Billion as compared to PKR 15.9 Billion in the same period last year. This increase was primarily on account of implementation of concessionary pricing effective from March 16, 2015.

One off tax effects reduced tax charge for the year. Further, financial cost was also lower due to the option exercised by IFC to convert its loan into equity, loan repayments and lower KIBOR, which enhanced profitability.

As a result of the above, the Company's standalone Net Profit for the nine months ended September 30, 2015 has increased to PKR 9.9 Billion from PKR 5.5 Billion for the same period last year which has resulted in basic EPS of PKR 7.45 vs PKR 4.24 in the same period last year.

The Gross Profit of the Company has increased to PKR 6.6 Billion for the quarter ended September 30, 2015 vs PKR 6.0 Billion during the same period last year; Net Profit for the third quarter stood at PKR 2.7 Billion vs PKR 2.1 Billion in 2014. This translates into a basic EPS of PKR 2.10 for the quarter vs PKR 1.63 for the corresponding period last year.

The Board is pleased to recommend an interim cash dividend of PKR1.50 per share for the quarter ended September 30, 2015 taking the cumulative payout to PKR 3.00 per share for 2015.

Near Term Outlook

Poor crop economics have had a dampening effect on sales. However, the implementation of the Farmer Package, keenly awaited by the industry, should offset it to some extent. Given current urea demand supply situation, the industry appears to be adequately supplied for the upcoming season.

International Urea prices are likely to soften as the market is expected to move towards the bottom of the commodity cycle. Similarly, International DAP prices are expected to remain under pressure due to weak import demand from major demand centers (India and Brazil).

With Rabi season picking up, we expect to offload all of our Urea production. Post clarity on subsidy implementation, we also expect sales of phosphate based fertilizer to pick up. In addition to existing inventory of DAP additional volumes have been locked in to meet demand.

Ruhail Mohammed
Chief Executive Officer

Khalid Siraj Subhani
Chairman

engro fertilizers

condensed interim financial information (unaudited) for the nine months ended september 30, 2015

condensed interim balance sheet
as at september 30, 2015

(Amounts in thousand)

	Note	Unaudited September 30, 2015	Audited December 31, 2014
		(Rupees)	
Assets			
Non-current assets			
Property, plant and equipment	4	72,622,779	74,962,817
Intangible assets		106,858	118,336
Investment in subsidiary	5	4,383,000	-
Long term loans and advances		139,049	93,931
		77,251,686	75,175,084
Current assets			
Stores, spares and loose tools		4,732,588	4,713,746
Stock-in-trade		10,964,351	1,100,922
Trade debts		903,920	757,044
Derivative financial instruments		65,188	-
Subordinated loan to subsidiary		900,000	-
Loans, advances, deposits and prepayments		1,692,523	432,943
Other receivables		32,833	27,582
Short term investments		92,794	25,075,776
Cash and bank balances		19,655	4,188,528
		19,403,852	36,296,541
TOTAL ASSETS		96,655,538	111,471,625

(Amounts in thousand)

	Note	Unaudited September 30, 2015	Audited December 31, 2014
		(Rupees)	
EQUITY & LIABILITIES			
Equity			
Share capital		13,309,323	13,183,417
Share premium		3,132,181	2,260,784
Hedging reserve		(9,709)	(39,831)
Remeasurement of post employment benefits		(14,294)	(14,103)
Unappropriated profit		23,003,502	19,087,828
		26,111,680	21,294,678
Total Equity		39,421,003	34,478,095
Liabilities			
Non-current liabilities			
Borrowings	6	26,582,138	36,090,622
Derivative financial instruments		-	6,689
Deferred liabilities		5,821,790	5,226,646
Service benefits obligations		110,800	113,345
		32,514,728	41,437,302
Current liabilities			
Trade and other payables	7	10,757,289	24,472,163
Accrued interest / mark-up		349,977	1,362,300
Taxes payable		2,034,937	675,609
Current portion of:			
- borrowings	6	10,464,184	7,912,729
- service benefits obligations		46,654	43,338
Derivative financial instruments		401,366	1,090,089
Short term running finance		665,400	-
		24,719,807	35,556,228
		57,234,535	76,993,530
Contingencies and Commitments	8		
TOTAL EQUITY & LIABILITIES		96,655,538	111,471,625

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

Ruhail Mohammed
Chief Executive Officer

Khalid Siraj Subhani
Chairman

condensed interim profit and loss account (unaudited) for the nine months ended september 30, 2015

(Amounts in thousand except for earnings per share)

	Note	Quarter ended September 30,2015	Quarter ended September 30,2014	Nine months ended September 30,2015	Nine months ended September 30,2014
		----------(Rupees)----------			
Net sales		13,868,773	16,035,114	51,927,868	43,691,907
Cost of sales		(7,255,553)	(9,992,751)	(31,224,807)	(27,776,556)
Gross profit		6,613,220	6,042,363	20,703,061	15,915,351
Selling and distribution expenses		(955,142)	(1,071,719)	(3,188,411)	(3,041,313)
Administrative expenses		(265,430)	(161,118)	(643,719)	(537,840)
		5,392,648	4,809,526	16,870,931	12,336,198
Other income		192,550	653,119	1,439,125	1,655,417
Other operating expenses		(334,713)	(299,073)	(1,137,836)	(856,876)
Finance cost		(1,163,538)	(1,893,884)	(3,559,932)	(4,961,776)
		(1,498,251)	(2,192,957)	(4,697,768)	(5,818,652)
Profit before taxation		4,086,947	3,269,688	13,612,288	8,172,963
Taxation		(1,298,112)	(1,132,968)	(3,707,415)	(2,661,569)
Profit for the period		2,788,835	2,136,720	9,904,873	5,511,394
Earnings per share - basic	9	2.10	1.63	7.45	4.24
Earnings per share - diluted	9	2.09	1.58	7.45	4.19

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

Ruhail Mohammed
Chief Executive Officer

Khalid Siraj Subhani
Chairman

condensed interim statement of comprehensive income (unaudited) for the nine months ended september 30, 2015

(Amounts in thousand)

	Quarter ended September 30,2015	Quarter ended September 30,2014	Nine months ended September 30,2015	Nine months ended September 30,2014
	----------(Rupees)----------			
Profit for the period	2,788,835	2,136,720	9,904,873	5,511,394
Other comprehensive income:				
Items potentially re-classifiable to Profit and Loss Account				
Hedging reserve - cash flow hedges				
Gain/(Loss) arising during the period	19,815	160,791	(48,754)	(1,168,285)
Adjustment for amounts transferred to profit and loss account	(7,014)	(123,243)	93,051	1,311,447
Income tax (Deferred) relating to hedging reserve	(4,096)	(12,390)	(14,175)	(49,480)
	8,705	25,158	30,122	93,682
Items not potentially re-classifiable to Profit and Loss Account				
Change in Income tax rate (Deferred) relating to remeasurement of post employment benefits obligations	-	-	(191)	(316)
Other comprehensive income for the period, net of tax	8,705	25,158	29,931	93,366
Total comprehensive income for the period	2,797,540	2,161,878	9,934,804	5,604,760

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

Ruhail Mohammed
Chief Executive Officer

Khalid Siraj Subhani
Chairman

condensed interim statement of changes in equity (unaudited) for the nine months ended september 30, 2015

(Amounts in thousand)

	Share capital	Advance against issue of shares	Reserves: Capital: Reserve for issue of shares	Reserves: Capital: Share premium	Reserves: Revenue: Hedging reserve	Reserves: Revenue: Unappropriated profit	Remeasurement of post employment benefits	Total
	(Rupees)							
Balance as at January 1, 2015 (Audited)	13,183,417	-	-	2,260,784	(39,831)	19,087,828	(14,103)	34,478,095
Transactions with owners								
Exercise of conversion option	125,906	-	-	871,397	-	-	-	997,303
Dividend Paid	-	-	-	-	-	(5,989,199)	-	(5,989,199)
	125,906	-	-	871,397	-	(5,989,199)	-	(4,991,896)
Total comprehensive income for the nine months ended September 30, 2015								
Profit for the period	-	-	-	-	-	9,904,873	-	9,904,873
Other comprehensive income								
- cash flow hedges, net of tax	-	-	-	-	30,122	-	-	30,122
- remeasurements, net of tax	-	-	-	-	-	-	(191)	(191)
	-	-	-	-	30,122	9,904,873	(191)	9,934,804
Balance as at September 30, 2015 (unaudited)	13,309,323	-	-	3,132,181	(9,709)	23,003,502	(14,294)	39,421,003
Balance as at January 1, 2014 (Audited)	12,228,000	2,118,750	-	11,144	(147,644)	10,879,868	(20,886)	25,069,232
Transactions with owners								
Shares issued during the period	750,000	(2,118,750)	-	1,368,750	-	-	-	-
Share issuance cost	-	-	-	(98,270)	-	-	-	(98,270)
Exercise of conversion option	205,417	-	-	978,810	-	-	-	1,184,227
	955,417	(2,118,750)	-	2,249,290	-	-	-	1,085,957
Total comprehensive income for the nine months ended September 30, 2014								
Profit for the period	-	-	-	-	-	5,511,394	-	5,511,394
Other comprehensive income								
- cash flow hedges, net of tax	-	-	-	-	93,682	-	-	93,682
- remeasurements, net of tax	-	-	-	-	-	-	(316)	(316)
	-	-	-	-	93,682	5,511,394	(316)	5,604,760
Balance as at September 30, 2014 (unaudited)	13,183,417	-	-	2,260,434	(53,962)	16,391,262	(21,202)	31,759,949

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

Ruhail Mohammed
Chief Executive Officer

Khalid Siraj Subhani
Chairman

condensed interim statement of cash flows (unaudited) for the nine months ended september 30, 2015

(Amounts in thousand)

	Note	Nine months ended September 30,2015	Nine months ended September 30,2014
		(Rupees)	
Cash flows from operating activities			
Cash used in operations	10	(5,436,704)	13,319,790
Service benefits paid		(41,100)	(35,327)
Income taxes paid		(1,764,409)	(482,671)
Finance cost paid		(3,949,279)	(6,146,667)
Long term loans and advances		(45,119)	(895)
Net cash (used in) / generated from operating activities		(11,236,610)	6,654,230
Cash flows from investing activities			
Purchases of property, plant and equipment and intangibles		(1,262,684)	(439,365)
Investment in Engro Eximp		(4,383,000)	-
Subordinated loan to Subsidiary Company		(900,000)	-
Proceeds from disposal of property, plant and equipment		24,603	44,107
Proceeds from Investments- net		23,980,884	-
Income on deposits / other financial assets		1,228,643	1,223,839
Net cash generated from investing activities		18,688,446	828,581
Cash flows from financing activities			
Proceeds from borrowings - net		2,339,637	3,831,702
Repayments of borrowings		(9,638,643)	(12,071,814)
Dividend paid during the period		(5,989,199)	-
Share issue costs paid		-	(53,989)
Net cash used in financing activities		(13,288,206)	(8,294,101)
Net (decrease) in cash and cash equivalents		(5,836,370)	(811,290)
Cash and cash equivalents at beginning of the period		5,283,419	22,516,445
Cash and cash equivalents at end of the period	11	(552,951)	21,705,155

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

Ruhail Mohammed
Chief Executive Officer

Khalid Siraj Subhani
Chairman

notes to the condensed interim financial information (unaudited) for the nine months ended september 30, 2015

(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.

1.2 The Company is listed on all three Stock Exchanges of Pakistan. The Company has also issued Term Finance Certificates which are listed at the Karachi Stock Exchange.

2. Basis for preparation

2.1 This condensed interim financial information is unaudited and has been prepared in accordance with the requirements of IAS 34 'Interim financial reporting'. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2014 which have been prepared in accordance with IFRS.

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

During the preparation of this condensed interim financial information, changes in the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty from those that applied to financial statements of the Company for the year ended December 31, 2014 do not have any material impact.

3. Accounting policies

3.1 The accounting polices and the methods of computation adopted in preparation of this condensed interim financial information are consistent with those applied in the preparation of the audited annual financial statements of the Company for the year ended December 31, 2014; except for investments in subsidiary which has been made during the current period as explained in note 5. The policy for investment is as follows:

Investment in subsidiaries are initially recognized at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as an expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized as an income.

3.2 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

3.3 There are certain new International Financial Reporting Standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2015. These are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in this condensed interim financial information.

4. Property, Plant and Equipment

	Unaudited September 30, 2015	Audited December 31, 2014
	(Rupees)	
Operating assets at net book value	70,269,988	73,674,133
Major spare parts and stand-by equipment	486,089	424,767
Capital work in progress	1,866,702	863,917
	72,622,779	74,962,817

(Amounts in thousand)

5. Investment in Subsidiary

During the period, the Company acquired 100% shareholding in Engro Eximp (Private) Limited (EEPL) from the Holding Company. As decided by the Board of Directors of EEPL in its meeting held on February 9th 2015, EEPL has discontinued its Coal and Agri commodities businesses. Moreover, the imported fertilizer business of EEPL is also being phased out to the Company as part of the proposed Corporate Restructuring scheme of Engro Corporation to further strengthen synergies between the Company business lines and allow the Group to create value and increase its footprint in agricultural inputs.

The Board of Directors of EEPL in its meeting held on April 23, 2015 and the Board of Directors of EFert on August 10, 2015 gave approval to proceed with the proposed amalgamation of EEPL with EFert and following relevant approvals, formalities and the scheme of amalgamation being sanctioned by the Court, EEPL will cease to exist.

6. Borrowings - Secured (Non - participatory)

	Unaudited September 30, 2015	Audited December 31, 2014
	(Rupees)	
Long term finance utilized under mark-up arrangements (notes 6.1, 6.2 and 6.3)	28,043,652	30,421,050
Certificates (note 6.1)	9,002,670	13,582,301
	37,046,322	44,003,351
Less: Current portion shown under current liabilities	10,464,184	7,912,729
Balance at end of the period / year	26,582,138	36,090,622

6.1 All senior debts are secured by an equitable mortgage upon immovable property of the Company and equitable charge over current and future fixed assets excluding immovable property of the Company.

Loans from the International Finance Corporation (IFC) are secured by a sub-ordinated mortgage upon immovable property of the Company and sub-ordinated charge over all present and future fixed assets excluding immovable property of the Company. Further, Privately Placed Term Finance Certificates (PPTFCs) are secured by a subordinated floating charge over all present and future fixed assets excluding land and buildings. Subordinated Dubai Islamic Bank Pakistan Limited (DIBPL) loan and Privately Placed Subordinated Sukuk (PPSS) have a subordinate mortgage upon the immovable property of the Company and a subordinate charge over current and future fixed assets excluding immovable property of the Company.

The Holding Company has issued corporate guarantees in respect of all debts excluding a bilateral loan from UBL, a Subordinated DIBPL loan and Privately Placed Subordinated Sukuk (PPSS). For Privately Placed Term Finance Certificates (PPTFCs), the Company has issued a sub-ordinated corporate guarantee.

6.2 The Company availed a loan of USD 30,000 from the IFC, divided into (i) 30% convertible loan on the shares of the Company at Rs. 24 per ordinary share calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notice issued by IFC to exercise the conversion option and (ii) 70% non-convertible loan. This conversion option is exercisable upto March 31, 2017. Option on USD 5,000 was exercised in 2014. During the period the Company received a notice from IFC for exercise of further USD 3,000 loan on January 9, 2015 out of the remaining USD 4,000, accordingly 12,590,625 ordinary shares of the Company have been allotted to the IFC on January 14, 2015. The fair value of the remaining conversion option, included in derivative financial instruments, amounts to Rs.333,345.

6.3 The above finance also includes offshore Islamic Finance Facility of USD 36,000 with Habib Bank Limited, National Bank of Pakistan and SAMBA Financial Group and Rs. 3,618,000 with Faysal Bank (acquired by Faysal Bank from Citi Bank N.A on March 31, 2015), Dubai Islamic Bank Pakistan Limited and Standard Chartered Bank (Pakistan) Limited.

(Amounts in thousand)

7. Trade and other Payables

This includes arrears amounting to Rs.922,723 (2014: Rs. 12,580,333) on account of the levy of Gas Infrastructure Development Cess (GIDC).

During the period, the Parliament passed the GIDC Act 2015 in May 2015 which seeks to impose GIDC levy since 2011. The Company had challenged the validity and promulgation of GIDC Act, 2015 before the Honorable High Court of Sindh, wherein the Court passed interim orders, thereby restraining Mari Gas, Oil and Gas Development Company Limited, Spud Energy Pty Limited, Government Holdings (Private) Limited and IPR TransOil Corporation from recovering GIDC arrears till the pendency of the matter. Further, the Court has also passed interim orders restraining Sui Northern Gas Pipeline Limited from charging or recovering GIDC on concessionary gas. However, at the request of the Government, and without compromising our legal stance on the same, the fertilizer industry agreed to pay GIDC arrears except on concessionary gas/fixed price contracts to the Government.

8. Contingencies and commitments

Contingencies

8.1 Bank guarantees of Rs.1,306,000 (December 31, 2014: Rs. 1,075,119) have been issued in favour of third parties.

8.2 Claims, including pending lawsuits, against the Company not acknowledged as debts amounted to Rs. 58,059 (December 31, 2014: Rs. 55,038).

8.3 As at September 30, 2015, there is no material change in the status of matters reported as contingencies in the notes to the financial statements of the Company for the year ended December 31, 2014.

	Unaudited September 30, 2015	Audited December 31, 2014
8.4 Commitments	(Rupees)	
Commitments in respect of capital expenditure and other operational items	473,679	917,592

(Amounts in thousand)

9. Earnings Per Share (EPS)

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has convertible debt as dilutive potential ordinary shares, which is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the related effects.

The information necessary to calculate basic and diluted earnings per share is as follows:

	Unaudited Quarter ended September 30, 2015	Unaudited Quarter ended September 30, 2014	Unaudited Nine moths ended September 30, 2015	Unaudited Nine months ended September 30, 2014
	(Rupees)			
Profit for the period	2,788,835	2,136,720	9,904,873	5,511,394
Add: - Interest on IFC loan- net of tax	912	5,109	3,827	23,267
- Loss / (Gain) on revaluation of conversion options on IFC loan - net of tax	3,773	(46,477)	39,977	(18,528)
Profit used for the determination of Diluted EPS	2,793,521	2,095,352	9,948,677	5,516,133
	(Numbers in thousands)			
Weighted average number of ordinary shares at the beginning of period	1,330,933	1,297,800	1,318,342	1,222,800
Add : Weighted average adjustments for:				
Shares issued during the period (including conversion of option - note 6.2)	-	16,746	11,438	76,248
Weighted average number of shares for determination of basic EPS	1,330,933	1,314,546	1,329,780	1,299,048
Assumed conversion of USD 4,000 IFC loan	-	9,537	-	9,854
Assumed conversion of USD 5,000 IFC loan	-	2,140	-	8,684
Assumed conversion of USD 1,000 IFC loan	3,235	-	3,153	-
Exercise of conversion option on USD 3,000 IFC loan	-	-	839	-
Weighted average number of shares for determination of diluted EPS	1,334,168	1,326,223	1,333,771	1,317,586

(Amounts in thousand)

	Unaudited Spertember 30, 2015	Unaudited September 30, 2014
	----------------(Rupees)----------------	

10. Cash Generated from Operations

Profit before taxation	13,612,288	8,172,963
Adjustment for non-cash charges and other items:		
Depreciation	3,584,871	3,534,770
Amortization	17,361	21,490
(Gain) / loss on disposal of property, plant and equipment	(15,534)	134,041
Provision for service benefits	41,871	32,030
Income on deposits / other financial assets	(1,221,675)	(1,310,626)
Financial charges	3,559,932	4,961,776
Provision for surplus and slow moving stores and spares	10,820	1,444
Provision for trade debts	-	(2,673)
Provision for loan and advances	-	1,997
Change in the fair value of options	-	(29,703)
Working capital changes (note 10.1)	(25,026,638)	(2,197,719)
	(5,436,704)	13,319,790

10.1 Working capital changes

(Increase) / decrease in current assets		
- Stores, spares and loose tools	(29,662)	(236,305)
- Stock-in-trade	(9,863,429)	(481,244)
- Trade debts	(146,876)	(1,024,976)
- Loans, advances, deposits and prepayments	(1,259,580)	264,286
- Other receivables (net)	(12,217)	94,233
	(11,311,764)	(1,384,006)
Decrease in trade and other payables	(13,714,874)	(813,713)
	(25,026,638)	(2,197,719)

11. Cash And Cash Equivalents

Cash and bank balances	19,655	1,210,757
Short term running finance	(665,400)	-
Short term investments	92,794	20,494,398
	(552,951)	21,705,155

12. Financial Risk Management And Financial Instruments

12.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

There have been no changes in the risk management policies during the period, consequently this condensed interim financial information does not include all the financial risk management information and disclosures required in the annual financial statements.

(Amounts in thousand)

12.2 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				
- Derivative financial instruments	-	65,188	-	65,188
- Short term investments	-	92,794	-	92,794
	-	157,982	-	157,982
Liabilities				
Derivatives				
- Derivative financial instruments	-	68,021	-	68,021
- Conversion option on IFC loans	-	333,345	-	333,345
	-	401,366	-	401,366

12.3 There were no transfers between Levels 1 and 2 during the period. Further, there were no changes in valuation techniques during the period.

12.4 Valuation techniques used to derive Level 2 fair values

Level 2 fair valued instruments comprise short term investments and hedging derivatives which include forward exchange contracts, interest rate swaps and conversion option on IFC loans. These forward foreign exchange contracts have been fair valued using forward exchange rates that are received from the contracting banks and financial institutions. Interest rate swaps are fair valued using mark to market rates received from the banks and financial institutions. The fair value of conversion options on IFC loan is determined using the option pricing model where its determinants are derived from observable market inputs.

12.5 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the condensed interim financial information approximate their fair value.

(Amounts in thousand)

13. Transactions with Related Parties

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

	Unaudited September 30, 2015	Unaudited September 30, 2014
	---------------(Rupees)---------------	
Holding Company		
Dividend paid	4,997,781	-
Purchase and services	171,103	153,085
Services provided	20,837	14,582
Royalty	627,450	633,157
Reimbursements	117,005	89,087
Mark-up paid on long term sub-ordinated loan	-	240,238
Use of assets	2,063	4,363
Purchase of Subsidiary	4,383,000	-
Receipt of sub-ordinated loan	-	680,960
Payment of sub-ordinated loan	-	4,361,920
Subsidiary companies		
Services provided	472	-
Reimbursements	32,762	-
Purchase of product	3,467,180	-
Funds collected against sales made on behalf of subsidiary	497,255	-
Sub-ordinated loan to subsidiary	900,000	-
Mark-up on Short term sub-ordinated loan	22,572	-
Associated companies		
Purchase and services	95,567	274,973
Sale of product	-	2,840
Services provided	53,439	66,569
Reimbursements	167,031	114,984
Payment of mark-up on TFCs and repayment of principal amount	12,553	12,810
Commission - net	-	81,325
Purchase of mutual fund units	490,000	-
Redemption of mutual fund units	491,210	-
Donation	40,000	21,000
Funds collected against sales made on behalf of associates	2,035,579	15,496,937
Use of assets	3,177	7,353
Contribution to staff retirement benefits		
Pension fund	14,610	13,913
Gratuity fund	56,884	112,436
Provident fund	71,940	63,484
Others		
Remuneration of key management personnel	123,474	118,268

(Amounts in thousand except for dividend per share)

14. 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.

15. Corresponding Figures

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

16. Non-Adjusting event after Balance Sheet date

The Board of Directors in its meeting held on October 26, 2015 has approved an interim cash dividend of Rs.1.50 per share for the quarter ended September 30, 2015 amounting to Rs. 1,996,398, this is in addition to interim cash dividend already declared and paid of Rs.1.50 per share (December 31, 2014: final cash dividend of Rs.3.00 per share amounting to Rs.3,992,797). This condensed interim financial information does not include the effect of dividend declared for quarter ended September 30, 2015.

17. Date of authorisation for issue

This condensed interim financial information was authorized for issue on 26th Oct 2015 by the Board of Directors of the Company.

Ruhail Mohammed
Chief Executive Officer

Khalid Siraj Subhani
Chairman

engro fertilizers

consolidated condensed interim financial information (unaudited) for the nine months ended september 30, 2015

consolidated condensed interim balance sheet as at September 30, 2015

(Amounts in thousand)

	Note	Unaudited September 30, 2015	Audited December 31, 2014
		-----------------(Rupees)----------------	
Assets			
Non-Current Assets			
Property, plant and equipment	3	72,633,277	74,962,817
Intangible assets	4	4,462,086	118,336
Long term loans and advances		140,235	93,931
Deferred taxation		93,818	-
		77,329,416	75,175,084
Current assets			
Stock-in-trade		11,056,561	1,100,922
Stores, spares and loose tools		4,732,588	4,713,746
Trade debts		907,170	757,044
Derivative financial instruments		65,188	-
Working capital loan - unsecured		427,452	-
Loans, advances, deposits and prepayments		1,690,666	432,943
Other receivables		140,380	27,582
Taxation		704,700	-
Short term investments		622,600	25,075,776
Cash and bank balances		261,378	4,188,528
		20,608,683	36,296,541
TOTAL ASSETS		97,938,099	111,471,625

(Amounts in thousand)

	Note	Unaudited September 30, 2015	Audited December 31, 2014
		-----------------(Rupees)----------------	
Equity & Liabilities			
Equity			
Share capital		13,309,323	13,183,417
Share premium		3,132,181	2,260,784
Exchange revaluation reserve		16,812	-
Hedging reserve		(9,709)	(39,831)
Remeasurement of post employment benefits obligation		(14,294)	(14,103)
Unappropriated profit		22,689,119	19,087,828
		25,814,109	21,294,678
TOTAL EQUITY		39,123,432	34,478,095
Liabilities			
Non-current liabilities			
Borrowings	5	26,582,138	36,090,622
Derivative financial instruments		-	6,689
Deferred liabilities		5,821,982	5,226,646
Service benefits obligations		110,800	113,345
		32,514,920	41,437,302
Current liabilities			
Trade and other payables	6	11,727,709	24,472,163
Accrued interest / mark-up		362,049	1,362,300
Taxes payable		2,034,937	675,609
Derivative financial instruments		401,366	1,090,089
Current portion of :			
- borrowings	5	10,464,184	7,912,729
- sevice benefits obligations		46,654	43,338
Short term borrowings		1,262,848	-
		26,299,747	35,556,228
		58,814,667	76,993,530
Contingencies and Commitments	7		
TOTAL EQUITY AND LIABILITIES		97,938,099	111,471,625

The annexed notes from 1 to 16 form an integral part of this consolidated condensed interim financial information.

Ruhail Mohammed
Chief Executive Officer

Khalid Siraj Subhani
Chairman

consolidated condensed interim profit and loss account (unaudited) for the nine months ended September 30, 2015

(Amounts in thousand except for earnings per share)

	Note	Quarter ended September 30, 2015	Quarter ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
		---(Rupees)---			
Net sales		13,974,678	16,035,114	52,276,567	43,691,907
Cost of sales		(7,353,517)	(9,992,751)	(31,525,561)	(27,776,556)
Gross profit		6,621,161	6,042,363	20,751,006	15,915,351
Selling and distribution expenses		(967,615)	(1,093,719)	(3,211,339)	(3,063,313)
Administrative expenses		(277,116)	(161,118)	(666,586)	(537,840)
		5,376,430	4,787,526	16,873,081	12,314,198
Other income		174,001	653,119	1,423,715	1,655,417
Other operating expenses		(336,528)	(277,073)	(1,326,445)	(834,876)
Finance cost		(1,177,303)	(1,893,884)	(3,584,936)	(4,961,776)
Profit before taxation		4,036,600	3,269,688	13,385,415	8,172,963
Taxation		(1,300,901)	(1,132,968)	(3,794,925)	(2,661,569)
Profit for the period		2,735,699	2,136,720	9,590,490	5,511,394
Earnings per share - basic	8	2.06	1.63	7.21	4.24
Earnings per share - diluted	8	2.05	1.58	7.21	4.19

The annexed notes from 1 to 16 form an integral part of this consolidated condensed interim financial information.

Ruhail Mohammed
Chief Executive Officer

Khalid Siraj Subhani
Chairman

consolidated condensed interim statement of comprehensive income (unaudited) for the nine months ended September 30, 2015

(Amounts in thousand)

	Quarter ended September 30, 2015	Quarter ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
	---(Rupees)---			
Profit for the period	2,735,699	2,136,720	9,590,490	5,511,394
Other comprehensive income:				
Items potentially re-classifiable to Profit and Loss Account				
Exchange differences on translation of foreign operations	(11,291)	-	(16,812)	-
Hedging reserve - cash flow hedges				
Gain / (Loss) arising during the period	19,815	160,791	(48,754)	(1,168,285)
Adjustment for amounts transferred to profit and loss account	(7,014)	(123,243)	93,051	1,311,447
Income tax (Deferred) relating to hedging reserve	(4,096)	(12,390)	(14,175)	(49,480)
	8,705	25,158	30,122	93,682
Items not potentially reclassifiable to Profit and Loss Account				
Income tax (Deferred) relating to remeasurement of post employment benefits obligations	-	-	(191)	(316)
Total comprehensive income for the period	2,733,113	2,161,878	9,603,609	5,604,760

The annexed notes from 1 to 16 form an integral part of this consolidated condensed interim financial information.

Ruhail Mohammed
Chief Executive Officer

Khalid Siraj Subhani
Chairman

consolidated condensed interim statement of changes in equity (unaudited) for the nine months ended September 30, 2015

(Amounts in thousand)

	Share capital	Advance against issue of shares	Reserves – Capital: Reserve for issue of shares	Reserves – Capital: Share premium	Reserves – Capital: Exchange revaluation	Reserves – Revenue: Hedging reserve	Reserves – Revenue: Unappropriated profit	Re-measurement of post employment benefits	Total
	-----------	-----------	-----------	-----------	(Rupees)	-----------	-----------	-----------	-----------
Balance as at January 1, 2015 (audited)	13,183,417	-	-	2,260,784	-	(39,831)	19,087,828	(14,103)	34,478,095
Transactions with owners									
Exercise of conversion option	125,906	-	-	871,397	-	-	-	-	997,303
Dividend paid	-	-	-	-	-	-	(5,989,199)	-	(5,989,199)
	125,906	-	-	871,397	-	-	(5,989,199)	-	(4,991,896)
Total comprehensive income for the nine months ended September 30, 2015									
Profit for the period	-	-	-	-	-	-	9,590,490	-	9,590,490
Other comprehensive income									
- exchange revaluation	-	-	-	-	16,812	-	-	-	16,812
- cash flow hedges, net of tax	-	-	-	-	-	30,122	-	-	30,122
- remeasurements, net of tax	-	-	-	-	-	-	-	(191)	(191)
	-	-	-	-	16,812	30,122	9,590,490	(191)	9,637,233
Balance as at September 30, 2015 (unaudited)	13,309,323	-	-	3,132,181	16,812	(9,709)	22,689,119	(14,294)	39,123,432
Balance as at January 1, 2014 (audited)	12,228,000	2,118,750	-	11,144	-	(147,644)	10,879,868	(20,886)	25,069,232
Transactions with owners									
Shares issued during the period	750,000	(2,118,750)	-	1,368,750	-	-	-	-	-
Share issuance cost	-	-	-	(98,270)	-	-	-	-	(98,270)
Exercise of conversion option	205,417	-	-	978,810	-	-	-	-	1,184,227
	955,417	(2,118,750)	-	2,249,290	-	-	-	-	1,085,957
Total comprehensive income for the nine months ended September 30, 2014									
Profit for the period	-	-	-	-	-	-	5,511,394	-	5,511,394
Other comprehensive income									
- cash flow hedges, net of tax	-	-	-	-	-	93,682	-	-	93,682
- remeasurements, net of tax	-	-	-	-	-	-	-	(316)	(316)
	-	-	-	-	-	93,682	5,511,394	(316)	5,604,760
Balance as at September 30, 2014 (unaudited)	13,183,417	-	-	2,260,434	-	(53,962)	16,391,262	(21,202)	31,759,949

The annexed notes from 1 to 16 form an integral part of this consolidated condensed interim financial information.

Ruhail Mohammed
Chief Executive Officer

Khalid Siraj Subhani
Chairman

consolidated condensed interim statement of cash flows (unaudited) for the nine months ended September 30, 2015

(Amounts in thousand)

	Note	Nine months ended September 30, 2015	Nine months ended September 30, 2014
		---------(Rupees)---------	
Cash flows from operating activities			
Cash used in operations	9	(7,451,687)	13,319,790
Service benefits paid		(42,375)	(35,327)
Income taxes paid		(1,767,551)	(482,671)
Finance cost paid		(3,962,019)	(6,146,667)
Transaction cost paid		-	(49,258)
Long term loans and advances		(30,150)	(895)
Net cash used in operating activities		(13,253,781)	6,604,972
Cash flows from investing activities			
Purchases of property, plant and equipment and intangibles		(1,262,684)	(439,365)
Acquisition of business - note 1.4		(3,949,751)	-
Receipt from sale of Engro Eximp Agriproducts (Private) Limited		4,400,000	-
Proceeds from disposal of property, plant and equipment		32,200	44,107
Working capital loan		452,160	-
Proceeds from Investments - net		23,980,884	-
Income on deposits / other financial assets		1,228,641	1,223,839
Net cash generated from investing activities		24,881,450	828,581
Cash flows from financing activities			
Proceeds from borrowings - net		2,339,637	3,880,960
Repayments of borrowings		(9,638,643)	-
Repayments of short term borrowings		(2,738,903)	-
Proceeds from issue of right shares		-	(12,071,814)
Dividend paid during the period		(5,989,200)	-
Share issue costs paid		-	(53,989)
Net cash used in financing activities		(16,027,109)	(8,244,843)
Net increase / (decrease) in cash and cash equivalents		(4,399,441)	(811,290)
Cash and cash equivalents at beginning of the period		5,283,419	22,516,445
Cash and cash equivalents at end of the period	10	883,978	21,705,155

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

Ruhail Mohammed
Chief Executive Officer

Khalid Siraj Subhani
Chairman

notes to the consolidated condensed interim financial information (unaudited) for the nine months ended September 30, 2015

(Amounts in thousand)

1. Legal Status and Operations

1.1 Engro Fertilizers Limited ('the Holding 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 Ultimate Parent Company"). The principal activity of the Holding Company is manufacturing, purchasing and marketing of fertilizers. The Holding 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.

1.2 As per the approval of shareholders at the Extraordinary General Meeting on April 29, 2015, on April 30, 2015, the Holding Company acquired 100% shareholding of Engro Eximp (Private) Limited (EEPL), an associated company, from the Ultimate Parent Company for a consideration of Rs. 4,383,000. EEPL has been engaged primarily in the trading of different types of fertilizers and other related products. EEPL holds the license to distribute imported fertilizers under the brand name and trademark of "Engro".

1.3 The Holding Company is listed on all three Stock Exchanges of Pakistan. The Holding Company has also issued Term Finance Certificates (TFCs) which are listed at the Karachi Stock Exchange.

The 'Group' consists of:

Holding Company: Engro Fertilizers Limited

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

	%age of holding	
	2015	2014
Engro Eximp (Private) Limited	100	-
Engro Eximp FZE (through Engro Eximp (Private) Limited)	100	-

Subsidiary Companies

1.3.1 Engro Eximp (Private) Limited

Engro Eximp (Private) Limited (EEPL) is a private limited company, incorporated in Pakistan on January 16, 2003 under the Companies Ordinance, 1984 (the Ordinance). EEPL is a wholly owned subsidiary of Engro Fertilizers Limited (the Holding Company). The registered office of EEPL is situated at 7th & 8th floor, Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.

As per the Corporate restucturing approved by the Board of Directors of EEPL in their meeting held on February 9th 2015 (the restructuring), EEPL has discontinued its Coal and Agri commodities businesses. Further, the imported fertilizer business of EEPL is also being phased out to the Holding Company as part of the proposed Corporate Restructuring scheme of Engro Corporation to further strengthen synergies between the Company business lines and allow the Group to create value and increase its footprint in agricultural inputs.

The Board of Directors of EEPL in its meeting held on April 23, 2015 and the Board of Directors of the Holding Company on August 10, 2015 gave approval to proceed with the proposed amalgamation of EEPL with the Holding Company and following relevant approvals, formalities and the scheme of amalgamation being sanctioned by the Court, EEPL will cease to exist.

1.3.2 Engro Eximp FZE

Engro Eximp FZE (EEF) was incorporated in the Jebel Ali Free Zone, Emirate of Dubai, on August 4, 2011 and is a wholly owned subsidiary of Engro Eximp (Private) Limited (EEPL). EEF is engaged in the business of general trading.

(Amounts in thousand)

1.4 The acquisition of EEPL by the Holding Company has been accounted for as business combination under IFRS 3 'Business Combinations'. Accordingly, fair values of all assets and liabilities have been determined as at the date of acquisition. The recognised fair values of identifiable assets acquired and liabilities assumed are:

	April 30, 2015 Rupees
Property, plant and equipment	15,151
Right to use the brand	4,170,995
Other non-current assets	63,318
Current assets	7,323,679
Current liabilities	(7,373,949)
Fair value of net assets acquired	4,199,194

1.4.1 Right to use the brand entitles the Holding Company to use 'Engro' brand for selling Phosphate fertilizers, acquired under an agreement with Engro Corporation Limited which has been valued using Relief from Royalty Method and is considered to have an indefinite life.

The acquisition has resulted in the recognition of goodwill as follows:

	Rupees
Consideration	4,383,000
Less: share in fair value of net assets acquired	4,199,194
Goodwill	183,806

The goodwill arises from the factors including expected synergies through knowledge transfer, obtaining economies of scale by cost reductions from purchasing efficiencies and leveraging the common distribution network.

2. Summary of Significant Accounting Policies

2.1 Basis for Preparation

This consolidated condensed interim financial information is unaudited and has been prepared in accordance with requirements of the International Accounting Standard 34 - 'Interim Financial Reporting'. This consolidated condensed interim financial information does not include all the information required for consolidated annual financial statements.

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

The comparative figures in the consolidated condensed interim financial information represents amounts based on audited financial statements and unaudited condensed interim financial information of the Holding Company for the year ended December 31, 2014 and nine months ended September 30, 2014, respectively.

(Amounts in thousand)

2.2 Accounting Policies

There are certain new International Financial Reporting Standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2015. These are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations and are, therefore, not disclosed in this consolidated condensed interim financial information except;

- IFRS 10 'Consolidated financial statements' (effective for periods beginning on or after January 1, 2015). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in determination of control where this is difficult to assess.

- IFRS 13 'Fair value measurement' (effective for periods beginning on or after January 1, 2015). The 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 accounting polices adopted in preparation of this consolidated condensed interim financial information of the Group are the same as those used in the preparation of financial statements of Engro Fertilizers Limited for the year ended December 31, 2014 except as disclosed in note 2.3 and in other notes.

2.3 Intangible Assets

a) Goodwill

Goodwill represents the difference between the consideration paid for acquiring interests in a business and the fair value of the Group's share of its net assets at the acquisition date and is carried at cost less accumulated impairment, if any.

b) Right to use the brand

These are stated at cost less impairment, if any.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, assets or cash-generating units are tested for impairment. Where the carrying value exceeds the estimated recoverable amount, these are written down to their recoverable amount and the resulting impairment is charged to consolidated profit and loss account.

Impairment is reversed only if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amount does not exceed the carrying values that would have existed, had no impairments been recognised, except impairment of goodwill which is not reversed.

The useful lives of intangible assets are reviewed at each balance sheet to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset.

(Amounts in thousand)

3 Property, Plant And Equipment

	Unaudited September 30, 2015	Audited December 31, 2014
	(Rupees)	
Operating assets at net book value	70,280,486	73,674,133
Major spare parts and stand-by equipment	486,089	424,767
Capital work in progress	1,866,702	863,917
	72,633,277	74,962,817

4. Intangible Assets

	Unaudited September 30, 2015	Audited December 31, 2014
	(Rupees)	
Goodwill (note 1.4)	183,806	-
Right to use the brand (note 1.4)	4,170,995	-
Other intangible assets	107,285	118,336
	4,462,086	118,336

5. Borrowings - Secured (Non - participatory)

Long term finance utilised under mark-up arrangements (notes 5.1, 5.2 and 5.3)	28,043,652	30,421,050
Certificates (note 5.1)	9,002,670	13,582,301
	37,046,322	44,003,351
Less: Current portion shown under current liabilities	10,464,184	7,912,729
Balance at end of the period / year	26,582,138	36,090,622

5.1 All senior debts are secured by an equitable mortgage upon immovable property of the Company and equitable charge over current and future fixed assets excluding immovable property of the Company.

Loans from the International Finance Corporation (IFC) are secured by a sub-ordinated mortgage upon immovable property of the Company and sub-ordinated charge over all present and future fixed assets excluding immovable property of the Company. Further, Privately Placed Term Finance Certificates (PPTFCs) are secured by a subordinated floating charge over all present and future fixed assets excluding land and buildings. Subordinated Dubai Islamic Bank Pakistan Limited (DIBPL) loan and Privately Placed Subordinated Sukuk (PPSS) have a subordinate mortgage upon the immovable property of the Company and a subordinate charge over current and future fixed assets excluding immovable property of the Company.

The ultimate parent Company has issued corporate guarantees in respect of all debts excluding a bilateral loan from UBL, Subordinated DIBPL loan and Privately Placed Subordinated Sukuk (PPSS). For Privately Placed Term Finance Certificates (PPTFCs), the Company has issued a sub-ordinated corporate guarantee.

(Amounts in thousand)

5.2 The Holding Company availed a loan of USD 30,000 from the IFC, divided into (i) 30% convertible loan on the shares of the Company at Rs. 24 per ordinary share calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notice issued by IFC to exercise the conversion option and (ii) 70% non-convertible loan. This conversion option is exercisable upto March 31, 2017. Option on USD 5,000 was exercised in 2014. During the period the Company received a notice from IFC for exercise of further USD 3,000 loan on January 9, 2015 out of the remaining USD 4,000, accordingly 12,590,625 ordinary shares of the Company have been allotted to the IFC on January 14, 2015. The fair value of the remaining conversion option, included in derivative financial instruments, amounts to Rs.333,345.

5.3 The above finance also includes offshore Islamic Finance Facility of USD 36,000 with Habib Bank Limited, National Bank of Pakistan and SAMBA Financial Group and Rs. 3,618,000 with Faysal Bank (acquired by Faysal Bank from Citi Bank N.A on March 31, 2015), Dubai Islamic Bank Pakistan Limited and Standard Chartered Bank (Pakistan) Limited.

6. Trade and other Payables

This includes arrears amounting to Rs.922,723 (2014: Rs. 12,580,333) on account of the levy of Gas Infrastructure Development Cess (GIDC).

During the period, the Parliament passed the GIDC Act 2015 in May 2015 which seeks to impose GIDC levy since 2011. The Company had challenged the validity and promulgation of GIDC Act, 2015 before the Honorable High Court of Sindh, wherein the Court passed interim orders, thereby restraining Mari Gas, Oil and Gas Development Company Limited, Spud Energy Pty Limited, Government Holdings (Private) Limited and IPR TransOil Corporation from recovering GIDC arrears till the pendency of the matter. Further, the Court has also passed interim orders restraining Sui Northern Gas Pipeline Limited from charging or recovering GIDC on concessionary gas. However, at the request of the Government, and without compromising our legal stance on the same, the fertilizer industry agreed to pay GIDC arrears except on concessionary gas/fixed price contracts to the Government.

7. Contingencies and Commitments

Contingencies

7.1 Bank guarantees of Rs.1,933,000 (2014: Rs. 1,075,119) have been issued in favour of third parties.

7.2 Claims, including pending lawsuits, against the Group not acknowledged as debts amounted to Rs. 58,059 (2014: Rs. 55,038).

7.3 As at September 30, 2015, there is no material change in the status of matters reported as contingencies in the notes to the financial statements of the Company for the year ended December 31, 2014.

		Unaudited September 30, 2015	Audited December 31, 2014
		(Rupees)	
7.4	Commitments		
	Commitments in respect of capital expenditure and other operational items	473,679	917,592

(Amounts in thousand)

8. Earnings Per Share (EPS)

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Holding Company has convertible debt as dilutive potential ordinary shares, which is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the related effects .

The information necessary to calculate basic and diluted earnings per share is as follows:

	Unaudited quarter ended September 30, 2015	Unaudited quarter ended September 30, 2014	Unaudited nine months ended September 30, 2015	Unaudited nine months ended September 30, 2014
	(Rupees)			
Profit for the period	2,735,699	2,136,720	9,590,490	5,511,394
Add: Interest on IFC loan- net of tax	912	5,109	3,827	23,267
Loss / (Gain) on revaluation of conversion options on IFC loan - net of tax	3,773	(46,477)	39,977	(18,528)
Profit used for the determination of Diluted EPS	2,740,384	2,095,352	9,634,294	5,516,133
	Numbers (in thousands)			
Weighted average number of ordinary shares at the beginning of period	1,330,933	1,297,800	1,318,342	1,222,800
Add : Weighted average adjustments for:				
Shares issued during the period (including conversion of option - note 5.2)	-	16,746	11,438	76,248
Weighted average number of shares for determination of basic EPS	1,330,933	1,314,546	1,329,780	1,299,048
Assumed conversion of USD 4,000 IFC loan	-	9,537	-	9,854
Assumed conversion of USD 5,000 IFC loan	-	2,140	-	8,684
Assumed conversion of USD 1,000 IFC loan	3,235	-	3,153	-
Exercise of conversion option on USD 3,000 IFC loan	-	-	839	-
Weighted average number of shares for determination of diluted EPS	1,334,168	1,326,223	1,333,771	1,317,586

(Amounts in thousand)

	Unaudited September 30, 2015	Unaudited September 30, 2014
	------------------(Rupees)----------------	

9 Cash Generated from Operations

Profit before taxation	13,385,415	8,172,963
Adjustment for non-cash charges and other items:		
Depreciation	3,585,894	3,534,770
Amortisation	17,503	21,490
(Gain) / loss on disposal of property, plant and equipment	(19,513)	134,041
Exchange reserve	16,812	-
Provision for service benefits	41,870	32,030
Income on deposits / other financial assets	(1,221,675)	(1,310,626)
Financial charges	3,584,935	4,961,776
Provision for surplus and slow moving stores and spares	10,820	1,444
(Reversal of) / provision for trade debts	-	(2,673)
Provision for loan and advances	-	1,997
Change in the fair value of options	-	(29,703)
Working capital changes (note 9.1)	(26,853,748)	(2,197,719)
	(7,451,687)	13,319,790

9.1 Working Capital Changes

(Increase) / decrease in current assets		
- Stores, spares and loose tools	(29,662)	(236,305)
- Stock-in-trade	(9,682,705)	(481,244)
- Trade debts	(143,926)	(1,024,976)
- Loans, advances, deposits and prepayments	(762,663)	264,286
- Other receivables (net)	(119,764)	94,233
	(10,738,720)	(1,384,006)
Decrease in trade and other payables	(16,115,028)	(813,713)
	(26,853,748)	(2,197,719)

10 Cash and Cash Equivalents

Cash and bank balances	261,378	1,210,757
Short term investments	622,600	20,494,398
	883,978	21,705,155

11. Financial Risk Management and Financial Instruments

11.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

There have been no changes in the risk management policies during the period, consequently this consolidated condensed interim financial information does not include all the financial risk management information and disclosures required in the consolidated annual financial statements.

(Amounts in thousand)

11.2 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	-	622,600	-	622,600
- Derivative financial instruments	-	65,188	-	65,188
	-	687,788	-	687,788
Liabilities				
Derivatives				
- Derivative financial instruments	-	68,021	-	68,021
- Conversion option on IFC loans	-	333,345	-	333,345
	-	401,366	-	401,366

11.3 There were no transfers between Levels 1 and 2 during the period. Further, there were no changes in valuation techniques during the period.

11.4 Valuation techniques used to derive Level 2 fair values

Level 2 fair valued instruments comprise short term investments and hedging derivatives which include forward exchange contracts, interest rate swaps and conversion option on IFC loans. These forward foreign exchange contracts have been fair valued using forward exchange rates that are received from the contracting banks and financial institutions. Interest rate swaps are fair valued using mark to market rates received from the banks and financial institutions. The fair value of conversion options on IFC loan is determined using the option pricing model where its determinants are derived from observable market inputs.

11.5 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the consolidated condensed interim financial information approximate their fair value.

12. Transactions with Related Parties

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

(Amounts in thousand)

	Unaudited September 30, 2015	Unaudited September 30, 2014
	(Rupees)	
Ultimate Holding Company		
Purchase and services	224,640	153,085
Services provided	20,837	14,582
Royalty	627,450	633,157
Reimbursements	120,575	89,087
Mark-up paid on long term sub-ordinated loan	-	240,238
Dividend paid	4,997,781	-
Use of assets	2,063	4,363
Purchase of subsidiary	4,383,000	-
Receipt against disposal of investment	4,400,000	-
Payment of sub-ordinated loan	-	4,361,920
Receipt of sub-ordinated loan	-	680,960
Associated companies		
Purchase and services	95,567	274,973
Purchase of product	66,817	-
Sale of product	-	2,840
Services provided	159,974	66,569
Reimbursements	58,435	114,984
Payment of mark-up on TFCs and repayment of principal amount	12,553	12,810
Commission - net	-	81,325
Purchase of mutual fund units	490,000	-
Redemption of mutual fund units	491,210	-
Donation	40,000	21,000
Loans issued	1,185,229	-
Loans return	11,317,229	-
Mark-up on loan	38,027	-
Investment made	7,982,000	-
Funds collected against sales made on behalf of associates	-	15,496,937
Use of assets	3,177	7,353
Contribution to staff retirement benefits		
Pension fund	14,610	13,913
Gratuity fund	58,454	112,436
Provident fund	74,703	63,484
Others		
Remuneration of key management personnel	141,090	118,268

(Amounts in thousand except for dividend per share)

13. Seasonality

The Group'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 Group manages seasonality in the business through appropriate inventory management.

14. Corresponding Figures

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

15. Non-Adjusting event after Balance Sheet date

The Board of Directors of the holding Company in its meeting held on October 26, 2015 has approved an interim cash dividend of Rs.1.50 per share for the quarter ended September 30, 2015 amounting to Rs. 1,996,398, this is in addition to interim cash dividend already declared and paid of Rs.1.50 per share (December 31, 2014: final cash dividend of Rs.3.00 per share amounting to Rs.3,992,797). This consolidated condensed interim financial information does not include the effect of dividend declared for quarter ended September 30, 2015.

16. Date of Authorisation for Issue

This consolidated condensed interim financial information was authorized for issue on 26th Oct 2015 by the Board of Directors of the Holding Company.

Ruhail Mohammed
Chief Executive Officer

Khalid Siraj Subhani
Chairman