



engro fertilizers

# an ode to the farmers

Half Yearly Accounts 2018





# company information

## Board of Directors

Mr. Ghias Khan (Chairman)  
Mr. Ruhail Mohammed (Chief Executive)  
Mr. Abdul Samad Dawood  
Mr. Asad Said Jafar  
Mr. Asim Murtaza Khan  
Mr. Javed Akbar  
Mr. Nadir Salar Qureshi  
Ms. Sadia Khan

## Chief Financial Officer

Mr. Atif Kaludi

## Company Secretary

Ms. Sarah Farooq

## Bankers

### Conventional

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

### Shariah Compliant

Al Baraka Islamic Bank (Pakistan) Limited  
Bank Islami Pakistan Limited  
Dubai Islamic Bank (Pakistan) Limited  
Meezan Bank Limited  
Noor Bank

## Auditors

A.F. Ferguson & Co.  
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  
1104, Uni Tower  
I.I. Chundrigar Road,  
Karachi-74000, Pakistan  
Tel: +92(21) 32468154-5 / 32468158  
Fax : +92(21) 32468157

## Registered Office

7th & 8th Floor, The Harbor Front Building,  
HC # 3, Marine Drive, Block 4, Clifton,  
Karachi-75600, Pakistan  
Tel: +92(21) 35297501-10  
Fax: +92(21) 35810669  
e-mail: info@engrofertilizers.com  
Website: www.engrofertilizers.com  
www.engro.com

## Share Registrar

FAMCO Associates (Pvt) Limited  
8-F, Near Hotel Faran, Block-6, PECHS, Shahrah-e-Faisal  
Karachi – Pakistan  
Tel: +92(21) 3438 0104-5, 3438 4621-3  
Fax +92(21) 3438 0106

# directors' report

On behalf of the Board of Directors of Engro Fertilizers Limited, we are pleased to present the unaudited accounts for the half year ended June 30, 2018.

## Pakistan Fertilizer Market

Local urea demand picked up in the first half of 2018, with urea offtake at 2,738 KT up 2% from 2,673 KT in the corresponding period last year. Higher offtake was witnessed in anticipation of price increase due to subsidy removal in Budget 2018. On the export front, the industry exported 75 KT during the first quarter, utilizing the entire export quota of 635 KT allotted by ECC since 2017.

In contrast to offtakes, urea production during 1H 2018 reduced to 2,658 KT compared to 2,889 KT during the same period last year, a decline of 8%. Lower production is attributable to shutdown of LNG based fertilizer plants due to limited gas avails and unfavorable margins. With improved industry sales, lower production and significant exports, industry inventory has depleted to 95 KT compared to 1,113 KT at the end of first half last year.

Government of Pakistan (GoP) has reduced GST on all fertilizers to 2% from July 01, 2018. It has, however been disappointing to note that the Government announced subsidy has not been timely disbursed and the domestic industry continues to face challenge in the form of subsidy receivable and long lead time. As an industry, we continue to engage with the government for payment of outstanding dues.

In the recent budget, subsidy has been eliminated and corresponding price increase has been made. The domestic urea prices are currently PKR 1,610/bag, which includes revision due to subsidy elimination, previous price cuts and other cost increases due to dollar devaluation and inflation.

On the international front, urea prices increased from USD 270/T at the end of 1Q to clock in around USD 290/T (landed equivalent PKR 2,100/bag).

DAP demand in the local market increased by a significant 11% compared to last year, with sales recorded at 653 KT vs 586 KT in 1H 2017. Higher industry sales were witnessed due to pre-buying in anticipation of rising international prices. On the International front, DAP prices have picked up from an average of USD 423/T to USD 434/T recently, largely due to higher trade activity particularly in India.

## Company's Operating Performance

The Company's urea production in 1H 2018 stood at 931 KT compared to 943 KT in the corresponding period last year, a marginal decline of 1.3% due to a plant turnaround in 2Q. Sales during the period under review clocked in at 994 KT vs 793 KT, a whopping 25% increase, which was boosted further by urea exports of 12 KT in 1H 2018. Overall, the Company's urea market share stood at 36% (branded urea market share 36%) vs 30% (branded urea market share of 31%) last year.

DAP sales during 1H 2018 stood at 174 KT vs 95 KT last year, resulting in a higher market share of 26% vs 16% for the same period last year. Moreover, with rising international prices and unstable farmer economics, profitability of the business might be impacted moving forward.

The Company's blended fertilizer (Zarkhez, Engro NP and other micronutrients) sales stood at 81 KT vs 64 KT in 1H 2017, an increase of 27%. The overall Potash market remained at 21 KT, relatively the same level as last year. Market share for the Company was at 49% as compared to 36% last year as a result of better potash avails this year.

Gross Profit for the Group was recorded at PKR 14,020 M for 1H 2018, compared to PKR 8,769 M in the same period last year, an increase of 60%. Net profit for 1H 2018 stood at PKR 6,522 M compared to PKR 4,102 M last year, resulting in an EPS of PKR 4.88 vs PKR 3.07 in 1H 2017. Company's consolidated profit stood at PKR 7,149 M vs. PKR 4,116 M in the corresponding period last year, resulting in an EPS of PKR 5.35 vs PKR 3.08 last year.

Higher profitability was led by higher urea offtake, higher domestic prices on the back of reduced inventory levels and one-off tax effects arising out of the Budget announcement of reducing tax rate from 30% in phases to 25%. Finance cost was lower at PKR 886 M (vs PKR 1,309 M last year) as a result of improved working capital.

The Board is pleased to recommend an interim cash dividend of PKR 4 per share for the period ended June 30, 2018.

In line with the industry, EFERT continues to withhold GIDC on all non-concessionary gases in lieu of the interim order by the High court in October 2016, striking down the GIDC Act. The Company had also obtained a stay order against GIDC applicability on concessionary gas in 2015, 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.

## Near Term Outlook

Recent rains in Punjab have provided some relief to the farmers. However, water shortage is still a concern going forward and may impact domestic fertilizer market. International DAP prices have increased in the month of July due to higher Indian Phos Acid contract prices, we expect prices to oscillate between current levels. This coupled with suppressed farmer economics is expected to restrain local DAP demand in the 2H.



**Ruhail Mohammed**  
Chief Executive



**Ghias Khan**  
Chairman



engro fertilizers

consolidated condensed  
interim financial statements  
(unaudited) for the  
half year ended june 30, 2018



# **INDEPENDENT AUDITORS' REVIEW REPORT**

## **To the members of Engro Fertilizers Limited**

### **Report on review of Consolidated Condensed Interim Financial Statements**

#### **Introduction**

We have reviewed the accompanying consolidated condensed interim statement of financial position of Engro Fertilizers Limited and its subsidiary companies Engro Eximp FZE and EFERT Agritrade (Private) Limited as at June 30, 2018 and the related consolidated condensed interim statement of profit or loss, consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows, and notes to the consolidated financial statements for the half year then ended (here-in-after referred to as the "consolidated condensed interim financial statements"). Management is responsible for the preparation and presentation of these consolidated condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

The figures of the consolidated condensed interim statement of profit or loss and consolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2018.

#### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Waqas A. Sheikh.

Chartered Accountants  
Karachi  
Date: 28 August 2018

# consolidated condensed interim statement of financial position as at june 30, 2018

(Amounts in thousand)

	Note	Unaudited June 30, 2018	Audited December 31, 2017
		Rupees	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	68,413,005	68,923,195
Intangible assets		4,467,465	4,475,474
Long term loans and advances		166,879	134,535
		<u>73,047,349</u>	<u>73,533,204</u>
<b>Current assets</b>			
Stores, spares and loose tools		5,305,510	5,279,794
Stock-in-trade		7,985,456	7,636,214
Trade debts		6,104,291	5,418,748
Loans, advances, deposits and prepayments		811,726	1,160,729
Other receivables		7,382,955	8,803,356
Short term investments	5	12,806,414	8,188,275
Cash and bank balances		601,762	1,795,929
		<u>40,998,114</u>	<u>38,283,045</u>
<b>TOTAL ASSETS</b>		<u>114,045,463</u>	<u>111,816,249</u>



(Amounts in thousand)

	Note	Unaudited June 30, 2018	Audited December 31, 2017
Rupees			
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Share capital		13,352,993	13,352,993
Share premium		3,384,904	3,384,904
Exchange revaluation reserve		211,148	83,183
Remeasurement of post employment benefits		(47,315)	(47,315)
Unappropriated profit		28,839,424	25,695,946
		32,388,161	29,116,718
<b>TOTAL EQUITY</b>		<b>45,741,154</b>	<b>42,469,711</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	6	23,191,933	22,784,014
Deferred liabilities		8,215,735	9,453,556
Service benefits obligations		161,380	174,784
		31,569,048	32,412,354
<b>Current liabilities</b>			
Trade and other payables		26,846,405	21,966,241
Accrued interest / mark-up		363,725	595,441
Taxes payable		3,735,444	913,246
Current portion of:			
- borrowings	6	3,342,042	8,119,864
- service benefits obligations		49,446	50,271
Short term borrowings	7	2,354,484	5,264,228
Unclaimed dividend		43,715	24,893
		36,735,261	36,934,184
<b>TOTAL LIABILITIES</b>		<b>68,304,309</b>	<b>69,346,538</b>
Contingencies and Commitments	8		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>114,045,463</b>	<b>111,816,249</b>

The annexed notes from 1 to 18 form an integral part of these consolidated condensed interim financial statements.



**Atif Kaludi**  
Chief Financial Officer



**Ruhail Mohammed**  
Chief Executive



**Ghias Khan**  
Chairman

# consolidated condensed interim statement of profit or loss (unaudited) for the half year ended june 30, 2018

(Amounts in thousand except for earnings per share)

	Note	Quarter ended		Half year ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Rupees					
Net sales		22,897,535	17,247,288	41,116,414	27,311,019
Cost of sales		(16,208,104)	(11,994,052)	(27,096,110)	(18,542,474)
<b>Gross profit</b>		6,689,431	5,253,236	14,020,304	8,768,545
Selling and distribution expenses		(1,606,244)	(1,862,243)	(3,271,006)	(3,152,943)
Administrative expenses		(216,875)	(194,719)	(512,821)	(447,570)
		4,866,312	3,196,274	10,236,477	5,168,032
Other income	10	509,387	2,067,573	1,654,086	3,243,598
Other operating expenses		(168,528)	(413,975)	(572,654)	(621,610)
Finance cost		(362,093)	(622,618)	(886,141)	(1,309,172)
		(530,621)	(1,036,593)	(1,458,795)	(1,930,782)
<b>Profit before taxation</b>		4,845,078	4,227,254	10,431,768	6,480,848
Taxation		(1,585,297)	(1,748,296)	(3,282,392)	(2,364,376)
<b>Profit for the period</b>		3,259,781	2,478,958	7,149,376	4,116,472
<b>Earnings per share - basic and diluted</b>		2.44	1.85	5.35	3.08

The annexed notes from 1 to 18 form an integral part of these consolidated condensed interim financial statements.



**Atif Kaludi**  
Chief Financial Officer



**Ruhail Mohammed**  
Chief Executive



**Ghias Khan**  
Chairman

# consolidated condensed interim statement of comprehensive income (unaudited) for the half year ended june 30, 2018

(Amounts in thousand)

	Quarter ended		Half year ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	Rupees			
<b>Profit for the period</b>	3,259,781	2,478,958	7,149,376	4,116,472
<b>Other comprehensive income:</b>				
<b>Items potentially re-classifiable to profit or loss</b>				
Exchange differences on translation of foreign operations	67,474	(6,444)	127,965	11
<b>Hedging reserve - cash flow hedges</b>				
Loss arising during the period	-	(703)	-	(10,886)
Less: Adjustment for amounts transferred to profit or loss	-	703	-	10,886
	-	-	-	-
Other comprehensive income for the period, net of tax	67,474	(6,444)	127,965	11
<b>Total comprehensive income for the period</b>	<u>3,327,255</u>	<u>2,472,514</u>	<u>7,277,341</u>	<u>4,116,483</u>

The annexed notes from 1 to 18 form an integral part of these consolidated condensed interim financial statements.



**Atif Kaludi**  
Chief Financial Officer



**Ruhail Mohammed**  
Chief Executive



**Ghias Khan**  
Chairman

# consolidated condensed interim statement of changes in equity (unaudited) for the half year ended June 30, 2018

(Amounts in thousand)

	RESERVE					Total
	CAPITAL		REVENUE			
	Share capital	Share premium	Exchange revaluation reserve	Remeasurement of post employment benefits	Unappropriated profit	
	Rupees					
<b>Balance as at January 1, 2018 (Audited)</b>	13,352,993	3,384,904	83,183	(47,315)	25,695,946	42,469,711
<b>Transactions with owners</b>						
Final dividend for the year ended December 31, 2017 @ Rs.3.00 per share	-	-	-	-	(4,005,898)	(4,005,898)
<b>Total comprehensive income for the half year ended June 30, 2018</b>						
Profit for the period	-	-	-	-	7,149,376	7,149,376
Other comprehensive income:						
- exchange revaluation	-	-	127,965	-	-	127,965
	-	-	127,965	-	7,149,376	7,277,341
<b>Balance as at June 30, 2018 (Unaudited)</b>	<u>13,352,993</u>	<u>3,384,904</u>	<u>211,148</u>	<u>(47,315)</u>	<u>28,839,424</u>	<u>45,741,154</u>
<b>Balance as at January 1, 2017 (Audited)</b>	13,309,323	3,132,181	10,802	(26,646)	25,222,724	41,648,384
<b>Transactions with owners</b>						
Shares issued at exercise of conversion option	43,670	252,723	-	-	-	296,393
Final dividend for the year ended December 31, 2016 @ Rs.2.50 per share	-	-	-	-	(3,338,251)	(3,338,251)
	43,670	252,723	-	-	(3,338,251)	(3,041,858)
<b>Total comprehensive income for the half year ended June 30, 2017</b>						
Profit for the period	-	-	-	-	4,116,472	4,116,472
Other comprehensive income:						
- exchange revaluation	-	-	11	-	-	11
	-	-	11	-	4,116,472	4,116,483
<b>Balance as at June 30, 2017 (Unaudited)</b>	<u>13,352,993</u>	<u>3,384,904</u>	<u>10,813</u>	<u>(26,646)</u>	<u>26,000,945</u>	<u>42,723,009</u>

The annexed notes from 1 to 18 form an integral part of these consolidated condensed interim financial statements.



**Atif Kaludi**  
Chief Financial Officer



**Ruhail Mohammed**  
Chief Executive



**Ghias Khan**  
Chairman

# consolidated condensed interim statement of cash flows (unaudited) for the half year ended june 30, 2018

(Amounts in thousand)

	Note	Half year ended	
		June 30, 2018	June 30, 2017
		Rupees	
<b>Cash flows from operating activities</b>			
Cash generated from operations	11	19,153,169	4,771,381
Retirement and other service benefits paid		(49,456)	(46,254)
Taxes paid		(1,653,981)	(789,350)
Finance cost paid		(1,111,093)	(1,325,720)
Long term loans and advances - net		(32,344)	(6,328)
Net cash generated from operating activities		16,306,295	2,603,729
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment and intangibles		(2,095,503)	(1,383,914)
Proceeds from disposal of property, plant and equipment		8,836	5,524
Purchase / disposals of investments - net		-	(909,918)
Income on deposits / other financial assets		349,866	15,826
Net cash utilised in investing activities		(1,736,801)	(2,272,482)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings - net		3,000,000	-
Dividends paid		(3,987,076)	(3,338,700)
Repayments of :			
- short term borrowings		-	(800,000)
- long term borrowings		(7,376,667)	(3,856,666)
Net cash utilised in financing activities		(8,363,743)	(7,995,366)
Net increase / (decrease) in cash and cash equivalents		6,205,751	(7,664,119)
Cash and cash equivalents at beginning of the period		4,719,976	14,365
Exchange gain translation on foreign operations		127,965	11
Cash and cash equivalents at end of the period	12	11,053,692	(7,649,743)

The annexed notes from 1 to 18 form an integral part of these consolidated condensed interim financial statements.



**Atif Kaludi**  
Chief Financial Officer



**Ruhail Mohammed**  
Chief Executive



**Ghias Khan**  
Chairman

# notes to the consolidated condensed interim financial statements (unaudited) for the half year ended june 30, 2018

(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 repealed Companies Ordinance, 1984 (the Ordinance), [now the Companies Act, 2017] as a wholly owned subsidiary of Engro Corporation Limited (the Parent Company), which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The Holding Company is listed on Pakistan Stock Exchange Limited. 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 The 'Group' consists of:

**Holding Company:** Engro Fertilizers Limited

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

	Note	%age of holding	
		June 30, 2018	December 31, 2017
Engro Eximp FZE	1.2.1	100	100
EFERT Agritrade (Private) Limited	1.2.2	100	100

1.2.1 Engro Eximp FZE (EEF) was incorporated in the Jebel Ali Free Zone, Emirate of Dubai, on August 4, 2011 as a wholly owned subsidiary of Engro Eximp (Private) Limited (EEPL).

1.2.2 EFERT Agritrade (Private) Limited (EAPL) was incorporated as a wholly owned subsidiary of the Holding Company on July 6, 2017 to carry out trading and distribution of imported fertilizer as part of the business reorganization. The Holding Company transferred its business of trading and distribution of imported fertilizer to the new subsidiary and holds 10,000 ordinary shares of Rs. 10 each in EAPL.

## 2. Basis for Preparation

2.1 These consolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard 34, 'Interim Financial Reporting' (IAS 34), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 The cumulative figures for the half year ended June 30, 2018 presented in these consolidated condensed interim financial statements have been subjected to limited scope review by the auditors of the Holding Company, as required under section 237 of the Companies Act, 2017. These consolidated condensed interim financial statements do not include all the information required for annual consolidated financial statements and therefore should be read in conjunction with the audited annual consolidated financial statements of the Group for the year ended December 31, 2017.

(Amounts in thousand)

- 2.3 The preparation of these consolidated condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements 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 these consolidated condensed interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation and uncertainty are the same as those that were applied to audited annual consolidated financial statements of the Group for the year ended December 31, 2017.

### 3. Accounting Policies

- 3.1 The accounting policies and the methods of computation adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2017.
- 3.2 There are certain amendments to published International Financial Reporting Standards and interpretations that are mandatory for the financial year beginning on January 1, 2018. 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 these consolidated condensed interim financial statements. Further, third and fourth schedules to the Companies Act, 2017 will be applicable to the Group for the first time in the preparation of annual consolidated financial statements for the year ending December 31, 2018 which have added / amended certain disclosure requirements.
- 3.3 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

### 4. Property, Plant and Equipment

Operating assets at net book value (note 4.1)  
Capital work-in-progress (note 4.2)  
Major spare parts and stand-by equipment

	Unaudited June 30, 2018	Audited December 31, 2017
	Rupees	
	63,705,985	65,115,401
	4,279,787	3,396,331
	427,233	411,463
	<u>68,413,005</u>	<u>68,923,195</u>

- 4.1 Additions to and disposals from operating assets during the period are as follows:

	Additions (Unaudited) (at cost)		Disposals (Unaudited) (at net book value)	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	Rupees			
Building on freehold land	21,269	72,837	-	-
Plant and machinery	1,026,293	535,861	-	-
Catalyst	-	8,978	-	-
Office equipment	32,175	49,420	-	112
Vehicles	111,576	23,258	1,393	1,103
	<u>1,191,313</u>	<u>690,354</u>	<u>1,393</u>	<u>1,215</u>

The above disposals represent assets having a cost of Rs. 13,802 (June 30, 2017: Rs. 11,196) which were disposed off for Rs. 8,836 (June 30, 2017: Rs. 5,524).

(Amounts in thousand)

	Unaudited June 30, 2018	Audited December 31, 2017
	Rupees	
<b>4.2 Capital work-in-progress</b>		
Balance at beginning of the period / year	3,396,331	2,443,486
Add: Additions during the period / year	2,079,733	3,899,216
Transferred to:		
- operating assets	(1,191,313)	(2,895,606)
- intangible assets	(4,964)	(50,765)
Balance at end of the period / year	<u>4,279,787</u>	<u>3,396,331</u>

## 5. Short Term Investments

### Holding Company

Includes Pakistan Investment Bonds amounting to Rs. 4,349,911 (December 31, 2017: Rs. 4,999,436), Treasury Bills amounting to Rs: 7,147,983 (December 31, 2017: Nil) and other local currency placements with various banks.

### Subsidiary Companies

Represents investments in TDR having value of US \$10,259 (December 31, 2017: US \$10,231).

	Unaudited June 30, 2018	Audited December 31, 2017
	Rupees	
<b>6. Borrowings - Secured</b>		
Long term finance utilized under mark-up arrangements (notes 6.1 and 6.2)	24,858,197	28,672,179
Sukuk certificates (note 6.3)	<u>1,675,778</u>	<u>2,231,699</u>
	26,533,975	30,903,878
Less: Current portion shown under current liabilities	3,342,042	8,119,864
Balance at end of the period / year	<u>23,191,933</u>	<u>22,784,014</u>

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

6.2 During the period, the Holding Company fully repaid its long term loans from MCB Bank Limited, Allied Bank Limited, Standard Chartered Bank Limited, Faysal Bank Limited and National Bank of Pakistan amounting to Rs. 3,000,000, Rs. 2,000,000, Rs.1,000,000, Rs. 500,000 and Rs.166,667, respectively, and obtained a loan from MCB Bank Limited amounting to Rs. 3,000,000.

6.3 Privately Placed Subordinated Sukuk (PPSS) are secured by a sub-ordinated mortgage upon immovable property of the Holding Company and sub-ordinated charge over all present and future fixed assets excluding immovable property of the Holding Company.



(Amounts in thousand)

## 7. Short Term Borrowings

### Holding Company

The facilities for short term running finances, available from various banks, aggregate to Rs. 17,250,000 (December 31, 2017: Rs. 17,250,000). The mark-up rates on these facilities range from 1 to 3 months KIBOR plus 0.2% to 1.5% per annum. These arrangements 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 Holding Company. As at June 30, 2018, the Holding Company has utilised Rs. 2,127,067 (December 31, 2017: Rs. 1,671,732) out of the aforementioned facilities.

### Subsidiary Companies

The facilities for short term running finances, available from various banks, aggregate to Rs. 6,900,000 (December 31, 2017: Rs. 7,900,000). The mark-up rate on these facilities is 1 month KIBOR plus 0.2% to 0.5% per annum. These arrangements 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 Holding Company. As at June 30, 2018, the Subsidiary Company has utilised Rs. 227,417 (December 31, 2017: Rs. 3,592,496) out of the aforementioned facilities.

## 8. Contingencies and Commitments

### Contingencies

- 8.1 Bank guarantees of Rs. 2,565,379 (December 31, 2017: Rs. 2,430,860) have been issued in favour of third parties.
- 8.2 Claims, including pending lawsuits, against the Group not acknowledged as debts amounted to Rs. 58,680 (December 31, 2017: Rs. 58,680).
- 8.3 As at June 30, 2018, there is no material change in the status of matters reported as contingencies in the audited annual consolidated financial statements of the Group for the year ended December 31, 2017.

### 8.4 Commitments

Commitments in respect of capital expenditure and other operational items

	Unaudited June 30, 2018	Audited December 31, 2017
	7,658,133	2,626,904

(Amounts in thousand)

	Unaudited June 30, 2018	Audited December 31, 2017
	Rupees	
<b>9. Financing Structure / Mode</b>		
<b>Conventional mode:</b>		
<b>Assets</b>		
Short term investments	12,806,414	8,186,275
Cash and bank balances	479,223	1,703,338
	<u>13,285,637</u>	<u>9,889,613</u>
<b>Liabilities</b>		
Borrowings	23,758,914	26,473,438
Short term borrowings	2,072,617	5,264,228
	<u>25,831,531</u>	<u>31,737,666</u>
<b>Shariah compliant mode:</b>		
<b>Assets</b>		
Short term investments	-	2,000
Cash and bank balances	122,539	92,591
	<u>122,539</u>	<u>94,591</u>
<b>Liabilities</b>		
Borrowings	2,775,061	4,430,440
Short term borrowings	281,867	-
	<u>3,056,928</u>	<u>4,430,440</u>
	<b>Unaudited Quarter ended</b>	<b>Unaudited Half year ended</b>
	<b>June 30, 2018</b>	<b>June 30, 2017</b>
	<b>June 30, 2018</b>	<b>June 30, 2017</b>
	Rupees	

**10. Other Income**

<b>Income from sales under Government subsidy</b>	312,701	2,055,131	1,304,329	3,180,154
<b>On financial assets:</b>				
Income on bank accounts under:				
- arrangements permissible under Shariah	-	46	72	117
- interest / mark-up arrangements	-	4,087	4,860	7,882
Income on treasury bills, term deposit certificates and Pakistan Investment Bonds	179,162	6,120	312,239	19,809
Gain on fair valuation of IFC loan conversion option	-	-	-	3,415
Others	-	875	-	874
	<u>179,162</u>	<u>11,128</u>	<u>317,171</u>	<u>32,097</u>
<b>On non-financial assets:</b>				
Gain on disposal of property, plant and equipment	7,403	-	7,443	4,309
Rental income	-	841	-	2,102
Gain on disposal of spares / scrap	109	275	2,174	21,695
Others	10,012	198	22,969	3,241
	<u>17,524</u>	<u>1,314</u>	<u>32,586</u>	<u>31,347</u>
	<u>509,387</u>	<u>2,067,573</u>	<u>1,654,086</u>	<u>3,243,598</u>

(Amounts in thousand)

	Unaudited Half year ended	
	June 30, 2018	June 30, 2017
	Rupees	
<b>11. Cash Generated from Operations</b>		
<b>Profit before taxation</b>	10,431,768	6,480,848
Adjustment for non-cash charges and other items:		
Depreciation	2,599,336	2,382,894
Amortization - net	11,897	10,574
Gain on disposal of property, plant and equipment	(7,443)	(4,309)
Provision for service benefits	35,227	29,555
Income on deposits / other financial assets	(317,171)	(20,898)
Financial charges	886,141	1,309,172
Provision for surplus and slow moving stores and spares	14,816	4,436
Working capital changes (note 11.1)	5,498,598	(5,420,891)
	<u>19,153,169</u>	<u>4,771,381</u>
<b>11.1 Working capital changes</b>		
Decrease / (Increase) in current assets		
- Stores, spares and loose tools	(40,532)	(294,748)
- Stock-in-trade	(349,242)	(6,052,574)
- Trade debts	(685,543)	(1,382,026)
- Loans, advances, deposits and prepayments	306,045	580
- Other receivables - net	1,387,706	(1,016,225)
	<u>618,434</u>	<u>(8,744,993)</u>
Increase in trade and other payables	4,880,164	3,324,102
	<u>5,498,598</u>	<u>(5,420,891)</u>
<b>12. Cash and Cash Equivalents</b>		
Cash and bank balances	601,762	254,218
Short term investments	12,806,414	140,487
Short term borrowings	(2,354,484)	(8,044,448)
	<u>11,053,692</u>	<u>(7,649,743)</u>
<b>13. Financial Risk Management and Financial Instruments</b>		
<b>13.1 Financial risk factors</b>		
TTThe Group's activities expose it to a variety of financial risks including: market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk.		
There have been no changes in the risk management policies during the period, consequently these consolidated condensed interim financial statements donot include all the financial risk management information and disclosures required in the annual consolidated financial statements.		
<b>13.2 Fair value of financial assets and liabilities</b>		
The carrying value of all financial assets and liabilities reflected in these consolidated condensed interim financial statements approximate their fair value.		

(Amounts in thousand)

#### 14. Transactions with Related Parties

Related parties comprises of Parent Company, associated companies, retirement benefit funds, directors and key management personnel. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these consolidated condensed interim financial statements, are as follows:

	Unaudited Half year ended	
	June 30, 2018	June 30, 2017
	Rupees	
<b>Parent company</b>		
Purchases and services received	204,349	133,262
Services provided	26,030	14,206
Royalty charged to the Group	436,816	349,460
Reimbursements made:		
- to the Group	34,188	8,909
- by the Group	19,303	36,455
Dividend paid by the Group	2,253,936	1,878,280
Use of assets	-	320
Expenses incurred on behalf of the Group	3,614	-
<b>Associated companies</b>		
Purchases and services received	47,608	45,226
Sale of product by the Group	-	2,645
Services provided by the Group	50,664	45,056
Advance received against sale of land	14,400	-
Reimbursements made:		
- by the Group	9,227	7,593
- to the Group	33,971	35,078
Payment of mark-up on TFCs and repayment of principal amount	-	5,966
Contribution to Engro Foundation under Corporate Social Responsibilities	41,000	40,000
Use of assets	-	1,732
<b>Contribution to staff retirement benefits</b>		
Pension fund	9,325	9,186
Gratuity fund	60,371	46,683
Provident fund	65,970	54,517
<b>Others</b>		
Remuneration of key management personnel	128,030	109,225

(Amounts in thousand)

15. **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.

16. **Corresponding Figures**

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

17. **Non-adjusting Event after Statement of Financial Position Date**

The Board of Directors in its meeting held on August 10, 2018 has approved an interim cash dividend of Rs. 4 per share for the year ending December 31, 2018 amounting to Rs. 5,341,198. These consolidated condensed interim financial statements do not include the effect of the said interim dividend.

18. **Date of Authorisation**

These consolidated condensed interim financial statements were authorised for issue on August 10, 2018 by the Board of Directors of the Holding Company.



**Atif Kaludi**  
Chief Financial Officer



**Ruhail Mohammed**  
Chief Executive



**Ghias Khan**  
Chairman



engro fertilizers

condensed interim financial  
statements (unaudited)  
for the half year ended  
june 30, 2018



## **INDEPENDENT AUDITORS' REVIEW REPORT**

### **To the members of Engro Fertilizers Limited**

### **Report on review of Condensed Interim Financial Statements**

#### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Engro Fertilizers Limited as at June 30, 2018 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows, and notes to the financial statements for the half year then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended June 30, 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2018.

#### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Waqas A. Sheikh.

Chartered Accountants  
Karachi  
Date: 28 August 2018

# condensed interim statement of financial position (unaudited) as at june 30, 2018

(Amounts in thousand)

	Note	Unaudited June 30, 2018	Audited December 31, 2017
		Rupees	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	68,413,005	68,923,195
Intangible assets		4,467,465	4,475,474
Investment in subsidiaries		560,416	560,416
Long term loans and advances		165,466	134,535
		<u>73,606,352</u>	<u>74,093,620</u>
<b>Current assets</b>			
Stores, spares and loose tools		5,305,510	5,279,794
Stock-in-trade		2,869,996	3,528,439
Trade debts		3,412,734	3,484,501
Working capital loan to subsidiary	5	3,937,130	2,000,000
Loans, advances, deposits and prepayments		428,453	701,392
Other receivables		7,019,227	8,506,327
Short term investments	6	11,622,151	7,083,347
Cash and bank balances		558,900	1,655,406
		<u>35,154,101</u>	<u>32,239,206</u>
<b>TOTAL ASSETS</b>		<u><u>108,760,453</u></u>	<u><u>106,332,826</u></u>



(Amounts in thousand)

	Note	Unaudited June 30, 2018	Audited December 31, 2017
Rupees			
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Share capital		13,352,993	13,352,993
Share premium		3,384,904	3,384,904
Reserve on amalgamation		(304,027)	(304,027)
Remeasurement of post employment benefits		(47,669)	(47,669)
Unappropriated profit		27,142,181	24,626,571
		30,175,389	27,659,779
<b>TOTAL EQUITY</b>		<b>43,528,382</b>	<b>41,012,772</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	7	23,191,933	22,784,014
Deferred liabilities		8,215,735	9,453,556
Service benefits obligations		159,493	173,811
		31,567,161	32,411,381
<b>Current liabilities</b>			
Trade and other payables		24,134,149	21,585,098
Accrued interest / mark-up		355,594	543,569
Taxes payable		3,613,105	913,246
Current portion of:			
- borrowings	7	3,342,042	8,119,864
- service benefits obligations		49,238	50,271
Short term borrowings	8	2,127,067	1,671,732
Unclaimed dividend		43,715	24,893
		33,664,910	32,908,673
<b>TOTAL LIABILITIES</b>		<b>65,232,071</b>	<b>65,320,054</b>
Contingencies and Commitments	9		
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>108,760,453</b>	<b>106,332,826</b>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



**Atif Kaludi**  
Chief Financial Officer



**Ruhail Mohammed**  
Chief Executive



**Ghias Khan**  
Chairman

# condensed interim statement of profit or loss (unaudited) for the half year ended june 30, 2018

(Amounts in thousand except for earnings per share)

	Note	Quarter ended		Half year ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
		Rupees			
Net sales		15,229,669	17,247,288	30,141,488	27,311,019
Cost of sales		(9,937,195)	(12,032,550)	(18,190,476)	(18,603,290)
<b>Gross profit</b>		<b>5,292,474</b>	<b>5,214,738</b>	<b>11,951,012</b>	<b>8,707,729</b>
Selling and distribution expenses		(1,324,279)	(1,862,243)	(2,762,551)	(3,152,943)
Administrative expenses		(224,609)	(191,159)	(490,340)	(441,403)
		3,743,586	3,161,336	8,698,121	5,113,383
Other income	11	763,682	2,061,416	1,976,290	3,274,706
Other operating expenses		(168,528)	(413,975)	(572,654)	(621,610)
Finance cost		(373,813)	(614,766)	(876,561)	(1,300,055)
		(542,341)	(1,028,741)	(1,449,215)	(1,921,665)
<b>Profit before taxation</b>		<b>3,964,927</b>	<b>4,194,011</b>	<b>9,225,196</b>	<b>6,466,424</b>
Taxation		(1,152,158)	(1,748,296)	(2,703,688)	(2,364,376)
<b>Profit for the period</b>		<b>2,812,769</b>	<b>2,445,715</b>	<b>6,521,508</b>	<b>4,102,048</b>
<b>Earnings per share - basic and diluted</b>		<b>2.11</b>	<b>1.83</b>	<b>4.88</b>	<b>3.07</b>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



**Atif Kaludi**  
Chief Financial Officer



**Ruhail Mohammed**  
Chief Executive



**Ghias Khan**  
Chairman

# condensed interim statement of comprehensive income (unaudited) for the half year ended june 30, 2018

(Amounts in thousand)

	Quarter ended		Half year ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<b>Profit for the period</b>	2,812,769	2,445,715	6,521,508	4,102,048
<b>Other comprehensive income:</b>				
<b>Items potentially re-classifiable to Profit and loss</b>				
<b>Hedging reserve - cash flow hedges</b>				
Losses arising during the period	-	(703)	-	(10,886)
Less: Adjustment for amounts transferred to profit or loss	-	703	-	10,886
Other comprehensive income for the period, net of tax	-	-	-	-
<b>Total comprehensive income for the period</b>	<u>2,812,769</u>	<u>2,445,715</u>	<u>6,521,508</u>	<u>4,102,048</u>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



**Atif Kaludi**  
Chief Financial Officer



**Ruhail Mohammed**  
Chief Executive



**Ghias Khan**  
Chairman

# condensed interim statement of changes in equity (unaudited) for the half year ended june 30, 2018

(Amounts in thousand)

	RESERVE					Total
	Share capital	CAPITAL		REVENUE		
		Share premium	Reserve on amalgamation	Remeasurement of post employment benefits	Unappropriated profit	
	Rupees					
<b>Balance as at January 1, 2018 (Audited)</b>	13,352,993	3,384,904	(304,027)	(47,669)	24,626,571	41,012,772
<b>Transaction with owners:</b>						
Final dividend for the year ended December 31, 2017 @ Rs. 3 per share	-	-	-	-	(4,005,898)	(4,005,898)
<b>Total comprehensive income for the half year ended June 30, 2018</b>						
Profit for the period	-	-	-	-	6,521,508	6,521,508
<b>Balance as at June 30, 2018 (Unaudited)</b>	<u>13,352,993</u>	<u>3,384,904</u>	<u>(304,027)</u>	<u>(47,669)</u>	<u>27,142,181</u>	<u>43,528,382</u>
<b>Balance as at January 1, 2017 (Audited)</b>	13,309,323	3,132,181	(304,027)	(27,000)	25,172,422	41,282,899
<b>Transaction with owners</b>						
Shares issued at exercise of conversion option	43,670	252,723	-	-	-	296,393
Final dividend for the year ended December 31, 2016 @ Rs. 2.50 per share	-	-	-	-	(3,338,251)	(3,338,251)
	43,670	252,723	-	-	(3,338,251)	(3,041,858)
<b>Total comprehensive income for the half year ended June 30, 2017</b>						
Profit for the period	-	-	-	-	4,102,048	4,102,048
<b>Balance as at June 30, 2017 (Unaudited)</b>	<u>13,352,993</u>	<u>3,384,904</u>	<u>(304,027)</u>	<u>(27,000)</u>	<u>25,936,219</u>	<u>42,343,089</u>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



**Atif Kaludi**  
Chief Financial Officer



**Ruhail Mohammed**  
Chief Executive



**Ghias Khan**  
Chairman

# condensed interim statement of cash flows (unaudited) for the half year ended june 30, 2018

(Amounts in thousand)

	Note	Half year ended	
		June 30, 2018	June 30, 2017
		Rupees	
<b>Cash flows from operating activities</b>			
Cash generated from operations	12	17,418,578	4,658,873
Retirement and other service benefits paid		(48,862)	(46,255)
Taxes paid		(1,240,574)	(789,350)
Finance cost paid		(1,057,772)	(1,316,604)
Long term loans and advances - net		(30,931)	(6,328)
Net cash generated from operating activities		15,040,439	2,500,336
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment and intangibles		(2,095,503)	(1,383,914)
Proceeds from disposal of property, plant and equipment		8,836	5,524
Working capital loan to subsidiary - net		(1,937,130)	-
Income on deposits / other financial assets		334,064	4,961
Net cash utilised in investing activities		(3,689,733)	(1,373,429)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings - net		3,000,000	-
Dividends paid		(3,987,076)	(3,338,700)
Repayments of short term borrowings		-	(800,000)
Repayments of long term borrowings		(7,376,667)	(3,856,666)
Net cash utilised in financing activities		(8,363,743)	(7,995,366)
Net increase / (decrease) in cash and cash equivalents		2,986,963	(6,868,459)
Cash and cash equivalents at beginning of the period		7,067,021	(938,641)
Cash and cash equivalents at end of the period	13	10,053,984	(7,807,100)

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



**Atif Kaludi**  
Chief Financial Officer



**Ruhail Mohammed**  
Chief Executive



**Ghias Khan**  
Chairman

# notes to the condensed interim financial statements (unaudited) for the half year ended june 30, 2018

(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 repealed Companies Ordinance, 1984 (the Ordinance), [now the Companies Act, 2017] as a wholly owned subsidiary of Engro Corporation Limited (the Parent Company) which is a subsidiary of Dawood Hercules Corporation (the Ultimate Parent Company). The Company is listed on Pakistan Stock Exchange Limited. 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.

## 2. Basis for Preparation

2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard 34, 'Interim Financial Reporting' (IAS 34), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim financial statements represents the condensed interim financial statements of the Company on a standalone basis. The consolidated condensed interim financial statements of the Company and its subsidiary companies is presented separately. The cumulative figures for the half year ended June 30, 2018 presented in these condensed interim financial statements have been subjected to limited scope review by the auditors of the Company, as required under section 237 of the Companies Act, 2017. These condensed interim financial statements do not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2017.

2.3 The preparation of these condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement 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 these condensed interim financial statements, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty are the same as those that were applied to financial statements of the Company for the year ended December 31, 2017.

## 3. Accounting Policies

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Company for the year ended December 31, 2017.

3.2 There are certain amendments to published International Financial Reporting Standards and interpretations that are mandatory for the financial year beginning on January 1, 2018. 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 these condensed interim financial statements. Further, third and fourth schedules to the Companies Act, 2017 will be applicable to the Company for the first time in the preparation of annual financial statements for the year ending December 31, 2018 which have added / amended certain disclosure requirements.

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

(Amounts in thousand)

#### 4. Property, Plant and Equipment

Operating assets at net book value (note 4.1)  
Capital work-in-progress (note 4.2)  
Major spare parts and stand-by equipment

	Unaudited June 30, 2018	Audited December 31, 2017
	Rupees	
	63,705,985	65,115,401
	4,279,787	3,396,331
	427,233	411,463
	<u>68,413,005</u>	<u>68,923,195</u>

4.1 Additions to and disposals from operating assets during the period are as follows:

	Additions (Unaudited) (at cost)		Disposals (Unaudited) (at net book value)	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	Rupees			
Building on freehold land	21,269	72,837	-	-
Plant and machinery	1,026,293	535,861	-	-
Catalyst	-	8,978	-	-
Office equipment	32,175	49,420	-	112
Vehicles	111,576	23,258	1,393	1,103
	<u>1,191,313</u>	<u>690,354</u>	<u>1,393</u>	<u>1,215</u>

The above disposals represent assets having a cost of Rs. 13,802 (June 30, 2017: Rs. 11,196) which were disposed off for Rs. 8,836 (June 30, 2017: Rs. 5,524).

#### 4.2 Capital work-in-progress

Balance at beginning of the period / year  
Add: Additions during the period / year

Transferred to:  
- operating assets  
- intangible assets

Balance at end of the period / year

	Unaudited June 30, 2018	Audited December 31, 2017
	Rupees	
	3,396,331	2,443,486
	2,079,733	3,899,216
	(1,191,313)	(2,895,606)
	(4,964)	(50,765)
	<u>4,279,787</u>	<u>3,396,331</u>

#### 5. Working Capital Loan to Subsidiary

During the period, the working capital loan facility limit given to EFERT Agritrade (Private) Limited (EAPL) has been extended upto Rs. 10,000,000 from Rs. 2,000,000. The mark up on this facility is receivable at the rate of 6 months KIBOR + 0.5% on quarterly basis. The total facility availed by EAPL as at the period end amounts to Rs. 3,937,130 (December 31, 2017: Rs. 2,000,000).

#### 6. Short Term Investments

Includes Pakistan Investment Bonds amounting to Rs. 4,349,911 (December 31, 2017: Rs. 4,999,436), Treasury Bills amounting to Rs: 7,147,983 (December 31, 2017: Nil) and other local currency placements with various banks.

(Amounts in thousand)

	Unaudited June 30, 2018	Audited December 31, 2017
	Rupees	
<b>7. Borrowings - Secured</b>		
Long term finance utilized under mark-up arrangements (notes 7.1 and 7.2)	24,858,197	28,672,179
Sukuk Certificates (note 7.3)	1,675,778	2,231,699
	<u>26,533,975</u>	<u>30,903,878</u>
Less: Current portion shown under current liabilities	3,342,042	8,119,864
Balance at end of the period / year	<u>23,191,933</u>	<u>22,784,014</u>

7.1 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.

7.2 During the period, the Company fully repaid its long term loans from MCB Bank Limited, Allied Bank Limited, Standard Chartered Bank Limited, Faysal Bank Limited and National Bank of Pakistan amounting to Rs. 3,000,000, Rs. 2,000,000, Rs. 1,000,000, Rs. 500,000 and Rs. 166,667, respectively, and obtained a loan from MCB Bank Limited amounting to Rs. 3,000,000.

7.3 Privately Placed Subordinated Sukuk (PPSS) 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.

## 8. Short Term Borrowings

The facilities for short term running finances, available from various banks, aggregate to Rs. 17,250,000 (December, 2017: Rs. 17,250,000). The mark-up rates on these facilities range from 1 to 3 months KIBOR plus 0.2% to 1.5% per annum. These arrangements 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. As at June 30, 2018, the Company has utilised Rs. 2,127,067 (December 31, 2017: Rs. 1,671,732) out of the aforementioned facilities.

## 9. Contingencies and Commitments

### Contingencies

9.1 Bank guarantees of Rs. 2,415,379 (December 31, 2017: Rs. 2,280,860) have been issued in favour of third parties.

9.2 Claims, including pending lawsuits, against the Company not acknowledged as debts amounted to Rs. 58,680 (December 31, 2017: Rs. 58,680).

9.3 As at June 30, 2018, there is no material change in the status of matters reported as contingencies in the financial statements of the Company for the year ended December 31, 2017.



(Amounts in thousand)

	Unaudited June 30, 2018	Audited December 31, 2017
	Rupees	
<b>9.4 Commitments</b>		
Commitments in respect of capital expenditure and other operational items	<u>2,546,069</u>	<u>2,366,269</u>

	Unaudited June 30, 2018	Audited December 31, 2017
	Rupees	
<b>10. Financing Structure / Mode</b>		

**Conventional mode:**

**Assets**

Short term investments	11,622,151	7,081,347
Cash and bank balances	436,361	1,562,815
Working capital loan to subsidiary	3,937,130	2,000,000
	<u>15,995,642</u>	<u>10,644,162</u>

**Liabilities**

Borrowings	23,758,914	26,473,438
Short term borrowings	1,845,200	1,671,732
	<u>25,604,114</u>	<u>28,145,170</u>

**Shariah compliant mode:**

**Assets**

Short term investments	-	2,000
Cash and bank balances	122,539	92,591
	<u>122,539</u>	<u>94,591</u>

**Liabilities**

Borrowings	2,775,061	4,430,440
Short term borrowings	281,867	-
	<u>3,056,928</u>	<u>4,430,440</u>

(Amounts in thousand)

	Unaudited Quarter ended		Unaudited Half year ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<b>11. Other Income</b>				
<b>Income from sales under Government subsidy</b>	312,701	2,055,131	1,304,329	3,180,154
<b>On financial assets:</b>				
Income on bank accounts under:				
- Arrangements permissible under Shariah	-	46	71	117
- interest / mark-up arrangements	-	4,087	4,860	7,882
Income on subordinated loan to subsidiary	73,042	-	114,163	-
Income on treasury bills, term deposit certificates and Pakistan Investment Bonds	170,991	-	296,438	33
Gain on fair valuation of IFC loan conversion option	-	-	-	3,415
Dividend income	69,088	-	69,088	52,384
Others	-	873	-	873
	313,121	5,006	484,620	64,704
<b>On non-financial assets:</b>				
Commission income	108,018	-	154,755	-
Gain on disposal of property, plant and equipment	7,403	-	7,443	4,309
Rental income	-	841	-	2,102
Gain on disposal of spares / scrap	109	275	2,174	21,695
Others	22,330	163	22,969	1,742
	137,682	1,279	187,341	29,848
	<u>763,682</u>	<u>2,061,416</u>	<u>1,976,290</u>	<u>3,274,706</u>

	Unaudited Half year ended	
	June 30, 2018	June 30, 2017
<b>12. Cash Generated from Operations</b>		
<b>Profit before taxation</b>	9,225,196	6,466,424
Adjustment for non-cash charges and other items:		
Depreciation	2,599,336	2,382,895
Amortization - net	11,897	10,574
Gain on disposal of property, plant and equipment	(7,443)	(4,309)
Provision for service benefits	33,511	29,397
Income on deposits / other financial assets	(301,369)	(8,032)
Financial charges	876,561	1,300,055
Provision for surplus and slow moving stores and spares	14,816	4,436
Working capital changes (note 12.1)	4,966,073	(5,522,567)
	<u>17,418,578</u>	<u>4,658,873</u>

(Amounts in thousand)

Unaudited Half year ended	
June 30, 2018	June 30, 2017
Rupees	

#### 12.1 Working capital changes

Decrease / (Increase) in current assets

- Stores, spares and loose tools	(40,532)	(294,748)
- Stock-in-trade	658,443	(6,179,289)
- Trade debts	71,767	(1,382,026)
- Loans, advances, deposits and prepayments	272,939	681
- Other receivables - net	1,454,405	(1,086,945)
	<u>2,417,022</u>	<u>(8,942,327)</u>
Increase in trade and other payables	2,549,051	3,419,760
	<u>4,966,073</u>	<u>(5,522,567)</u>

#### 13. Cash and Cash Equivalents

Cash and bank balances	558,900	96,861
Short term investments	11,622,151	140,487
Short term borrowings	(2,127,067)	(8,044,448)
	<u>10,053,984</u>	<u>(7,807,100)</u>

#### 14. Financial Risk Management and Financial Instruments

##### 14.1 Financial risk factors

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

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

##### 14.2 Fair value of financial assets and liabilities

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

(Amounts in thousand)

## 15. Transactions with Related Parties

Related parties comprise of Parent Company, associated companies, retirement benefit funds, directors and key management personnel. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these condensed interim financial statements, are as follows:

	(Unaudited) Half year ended	
	June 30, 2018	June 30, 2017
	Rupees	
<b>Parent company</b>		
Purchases and services received	204,349	133,262
Services provided	26,030	14,206
Royalty charged to the Company	436,816	349,460
Reimbursements made:		
- to the Company	34,188	8,909
- by the Company	19,303	36,455
Dividend paid by the Company	2,253,936	1,878,280
Use of assets	-	320
<b>Subsidiary companies</b>		
Purchase of product for subsidiary	-	9,120,716
Reimbursements made:		
- by the Company	28,833	4,144
- to the Company	103,236	5,834
Dividend received by the Company	69,088	52,420
Payment of funds collected against sales made on behalf of subsidiary	12,616,210	-
Disbursements of working capital loan to subsidiary	9,373,530	-
Repayment received against working capital loan disbursed to subsidiary	7,436,400	-
Mark-up received on working capital loan disbursed to subsidiary	114,163	-
Commission income earned from subsidiary	154,755	-
<b>Associated companies</b>		
Purchases and services received	47,608	45,226
Sale of product by the Company	-	2,645
Services provided by the Company	50,664	45,056
Advance received against sale of land	14,400	-
Reimbursements made:		
- by the Company	9,227	7,593
- to the Company	33,971	35,078
Payment of mark-up on TFCs and repayment of principal amount by the Company	-	5,966
Contribution to Engro Foundation under Corporate Social Responsibilities	41,000	40,000
Use of assets	-	1,732
<b>Contribution to staff retirement benefits</b>		
Pension fund	9,325	9,186
Gratuity fund	59,785	46,683
Provident fund	65,267	54,517
<b>Others</b>		
Remuneration of key management personnel	117,850	108,540

(Amounts in thousand)

16. **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.

17. **Corresponding Figures**

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

18. **Non-adjusting Event after Statement of Financial Position Date**

The Board of Directors in its meeting held on August 10, 2018 has approved an interim cash dividend of Rs. 4 per share for the year ending December 31, 2018 amounting to Rs. 5,341,198. These condensed interim financial statements do not include the effect of the said interim dividend.

19. **Date of Authorisation**

These condensed interim financial statements were authorised for issue on August 10, 2018 by the Board of Directors of the Company.



**Atif Kaludi**  
Chief Financial Officer



**Ruhail Mohammed**  
Chief Executive



**Ghias Khan**  
Chairman

2018 کی پہلی ششماہی کے دوران DAP سبزر گزشتہ سال کے 95 کے ٹی کے مقابلے میں 174 کے ٹی رہیں، جو کہ گزشتہ سال کی اسی مدت کے دوران 16 فیصد کے مقابلے میں 26 فیصد کے بلند تر مارکیٹ شیئر پر منتج ہوئیں۔ اس کے علاوہ، بڑھتی ہوئی بین الاقوامی قیمتیں اور غیر مستحکم زرعی معیشت آگے چل کر کاروباری منافع پر اثر انداز ہو سکتی ہیں۔

کمپنی کی بلینڈڈ کھاد (زرخیز، اینگریو NP اور دیگر مائیکرو نیوٹریٹس) کی سبزر، 2017 کی پہلی ششماہی کی 64 کے ٹی کے مقابلے میں 27 فیصد کے اضافے سے 81 کے ٹی ہو گئیں۔ پوناش کی مجموعی مارکیٹ تقریباً گزشتہ سال کی سطح پر 21 کے ٹی رہی۔ کمپنی کا مارکیٹ شیئر، گزشتہ سال کے 36 فیصد کے مقابلے میں 49 فیصد تھا، جس کی وجہ اس سال بہتر پوناش کی دستیابی تھی۔

گروپ کا مجموعی منافع، گزشتہ سال کی پہلی ششماہی کے 8,769 ملین روپے کے مقابلے میں 60 فیصد کے اضافے سے 2018 کی پہلی ششماہی میں 14,020 ملین روپے ریکارڈ کیا گیا۔ خالص منافع 2018 کی پہلی ششماہی میں 6,522 ملین روپے رہا جو کہ گزشتہ سال 4,102 ملین روپے تھا، جس کا نتیجہ 2017 کی پہلی ششماہی میں 3.07 روپے EPS کے مقابلے میں 4.88 روپے کی صورت میں برآمد ہوا۔ کمپنی کا مجتمع منافع، گزشتہ سال کی اسی مدت کے دوران 4,116 ملین روپے کے مقابلے میں 7,149 ملین روپے رہا، جس کے نتیجے میں EPS گزشتہ سال کے 3.08 سے بڑھ کر 5.35 روپے ہو گیا۔

بلند تر منافع کی وجہ یورپا کی پہلے سے زیادہ مجموعی خریداری، تخفیف شدہ انونٹری لیولز کی پشت پر اضافہ شدہ مقامی قیمتیں اور ٹیکس کی شرح کو مختلف مراحل میں 30 فیصد سے کم کر کے 25 فیصد کرنے کے بجٹ اعلاصے کے باعث یکسٹ ٹیکس کا نفاذ تھی۔ مالیاتی لاگت، بہتر ورکنگ کپیکل کے نتیجے میں (گزشتہ سال کے 1,309 ملین روپے کے مقابلے میں 886 ملین روپے کی کم سطح پر رہی۔


بورڈ، اختتامی مدت 30 جون، 2018 کے لیے 4 روپے فی شیئر کے عبوری بکس ڈیویڈنڈ کی تجویز بخوشی پیش کرتا ہے۔

انڈسٹری سے ہم آہنگ رہتے ہوئے، اینگریو فریڈا انٹرنرز نے، GIDC ایکٹ کی عدم تعمیل کرتے ہوئے، اکتوبر 2016 میں ہائی کورٹ کے عبوری حکم نامے کے برعکس تمام غیر رعایتی گیسز پر GIDC کو روک رکھا ہے۔ کمپنی نے رعایتی گیس پر GIDC کے اطلاق کے خلاف 2015 میں حکم التوا بھی حاصل کیا ہے۔ لہذا کھاد کے نئے پلانٹ کو فراہم کردہ رعایتی گیس کے ضمن میں کوئی GIDC ادائیگیں کیا جا رہا، اور نہ ہی واجب الادا ہے۔ رعایتی گیس پر GIDC کا اطلاق فریڈا انٹرنرز پالسی اور ہمارے گیس کی فراہمی کے معاہدوں کی براہ راست مخالفت ہے، جس کی بنیاد پر ہم نے اپنی کھاد کی پیداواری گنجائش کو بڑھانے کے لیے 1.1 ملین امریکی ڈالرز کی سرمایہ کاری کی تھی۔

## اگلی میعاد کا منظر نامہ

پنجاب میں ہونے والی حالیہ بارشوں نے کسانوں کو کسی قدر اطمینان بخشتا ہے۔ البتہ مستقبل کی جانب پیش قدمی کرتے ہوئے پانی کی کمیابی ابھی بھی ایک دیرینہ مسئلہ ہے جو کہ کھاد کی مقامی مارکیٹ پر اثر انداز ہو سکتا ہے۔ بھارتی فوس ایڈز کی بلند تر معاہداتی قیمتوں کے باعث جولائی کے مہینے میں DAP کی بین الاقوامی قیمتوں میں اضافہ ہوا ہے، ہمیں موجودہ لیولز کے درمیان قیمتوں کے اتار چڑھاؤ کی توقع ہے۔ یہ، اور اس کے ساتھ ساتھ دباؤ کی حامل زرعی معیشت کے باعث، دوسری ششماہی میں DAP کی مقامی طلب، کم رہنے کی توقع ہے۔

1.7.20  
روہیل محمد  
چیف ایگزیکٹو آفیسر

  
غیاث خان  
چیرمین

## اینگرفریلٹرز لمیٹڈ

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

برائے اختتامی مدت 30 جون، 2018

## ڈائریکٹرز رپورٹ

ہم انتہائی مسرت کے ساتھ اینگرفریلٹرز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی طرف سے غیر آڈٹ شدہ اکاؤنٹس برائے اختتامی مدت 30 جون، 2018 پیش کر رہے ہیں۔

## پاکستان کی فریٹلائزر مارکیٹ

2018 کی ابتدائی ششماہی میں مقامی یوریا کی طلب میں اضافہ ہوا، جس کے نتیجے میں یوریا کی خریداری، گزشتہ سال کی اسی مدت میں 2,673 کے ٹی کے مقابلے میں 2 فیصد سے بڑھ کر 2,738 کے ٹی ہو گئی۔ زیادہ خریداری، بجٹ 2018 میں سبسڈی کے خاتمے کے باعث قیمتوں میں متوقع اضافے کے پیش نظر ہوئی۔ برآمدی محاذ پر، انڈسٹری نے ECC کی جانب سے 2017 کے بعد سے مختص کردہ 635 کے ٹی کے مجموعی برآمدی کوٹے کو استعمال کرتے ہوئے پہلی سہ ماہی کے دوران 75 کے ٹی کی برآمدات کیں۔

خریداریوں کے برعکس، سال 2018 کی پہلی ششماہی کے دوران یوریا کی پیداوار گزشتہ سال کی اسی مدت کے دوران 2,889 کے ٹی کے مقابلے میں 8 فیصد کمی کے ساتھ 2,658 کے ٹی ہو گئی۔ کم پیداوار کی وجہ سے سبسڈی کی دستیابی اور منافعوں کی ناموافق حد کے باعث LNG پر چلنے والے پائپس کا بند ہو جانا تھا۔ پہلے سے بہتر سبزلز، کم پیداوار اور نمایاں برآمدات کی بدولت، انڈسٹری پچھلے سال پہلی ششماہی کے اختتام پر 1,113 کے ٹی کے مقابلے میں اس مرتبہ صرف 95 کے ٹی رہ گئی۔

حکومت پاکستان نے یکم جولائی 2018 سے تمام اقسام کی کھادوں پر 2 فیصد GST نافذ کر دیا ہے۔ تاہم، یہ بات انتہائی قابل افسوس ہے کہ حکومت کی جانب سے اعلان کردہ سبسڈی بروقت فراہم نہیں کی گئی اور مقامی انڈسٹری کو سبسڈی کی وہمویلیاں اور اس کے دورانیے کی شکل میں بحال مسائل کا سامنا ہے۔ ایک انڈسٹری کی حیثیت سے، ہم واجب الادا رقم کی ادائیگی کے لیے حکومت کے ساتھ مسلسل رابطے میں ہیں۔

حالیہ بجٹ میں سبسڈی کو ختم کر دیا گیا ہے اور اس کے مطابق قیمت میں اضافہ کر دیا گیا ہے۔ مقامی یوریا کی قیمتیں فی اٹال 1,610 روپے فی بیگ ہیں، جس میں سبسڈی کے خاتمے، قیمتوں میں سابقہ کمی اور ڈالر کی مالیت میں اضافہ اور افراط زر کے باعث دیگر اخراجات میں اضافوں کی وجہ سے نظر ثانی شامل ہے۔

بین الاقوامی محاذ پر یوریا کی قیمتیں پہلے سہ ماہی کے اختتام پر امریکی ڈالر 270 فی ٹن کے مقابلے میں امریکی ڈالر 290 فی ٹن رہیں (100، 2 روپے فی بیگ کے مساوی)۔

مقامی مارکیٹ میں DAP کی طلب گزشتہ سال کے مقابلے میں نمایاں طور پر 11 فیصد سے بڑھ گئی، اور سبزلز 2017 کی پہلی ششماہی کے 586 کے ٹی کے مقابلے میں بڑھ کر 653 کے ٹی ہو گئیں۔ بین الاقوامی قیمتوں میں متوقع اضافوں کی بدولت پیشگی خریداری کے باعث بلند تر انڈسٹری سبزلز دیکھی گئیں۔ بین الاقوامی محاذ پر، DAP کی قیمتیں وسط امریکی ڈالر 423 فی ٹن سے بڑھ کر حال ہی میں امریکی ڈالر 434 فی ٹن ہو گئیں، جس کی بڑی وجہ خصوصاً بھارت میں اضافہ شدہ تجارتی سرگرمیاں ہیں۔

## کمپنی کی عملی کاروباری کارکردگی

کمپنی کی جانب سے یوریا کی پیداوار 2018 کی پہلی ششماہی میں 931 کے ٹی رہی جو گزشتہ سال اسی مدت کے دوران 943 کے ٹی تھی، یعنی دوسری سہ ماہی میں پلانٹ کے عمل بند ہونے کے باعث 1.3 فیصد کمی معمولی کی ہوئی۔ زیر جائزہ سال کے دوران سبزلز، گزشتہ سال کے 793 کے ٹی کے مقابلے میں غیر معمولی 25 فیصد سے بڑھ کر 994 کے ٹی ہو گئیں جسے 2018 کی پہلی ششماہی میں 12 کے ٹی کی یوریا کی برآمدات نے مزید تقویت بخشی۔ مجموعی طور پر، کمپنی کی یوریا کا مارکیٹ شیئر، گزشتہ سال کے 30 فیصد (برائڈ ڈیو یوریا کا مارکیٹ شیئر، 36 فیصد) رہا۔



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