engro fertilizers

# nourishing commitment

Half Yearly Accounts 2015

111-211-211
engrofertilizers.com



DCIP|THE D'HAMIDI PARTNERSHIP:DESIGN

# 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
Zarai Taraqiati 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 June 30, 2015.

## Pakistan fertilizer market

The domestic Urea industry sales increased by 311 KT vs the same period last year to 2,868 KT (+12%) which was partially due to higher sales in the first quarter and remaining due to higher buying by dealers in anticipation of price increase. Sale of branded urea has increased by 9% over the same period last year to 2,476 KT.

During the period under review, total urea production increased to 2,480 KT vs 2,310 KT in the same period last year i.e. an increase of 7% primarily due to higher production by plants on the Mari network.

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. The imposition of GIDC on new fertiizer plants is in direct contravention to the Fertilizer Policy of the government based on which new investments were made.

Domestic Urea prices remained stable at PKR 1,813 per bag during the period due to unchanged gas prices. On the international front, prices have remained stable though slightly lower than earlier. Despite that the gap between international and local prices has remained at a comfortable level throughout the period.

The domestic DAP industry sales increased by 75 KT vs the same period last year to 468 KT (+20%) which was primarily due to low base effect of 2014 sales that were dampened due to expectation of subsidy.

## Company's operating performance

The company's urea production for the period stood at 950 KT as compared to 847 KT in the same period of the last year i.e. an increase of 12% mainly due to continued two plant operation, lower outage days and better gas supply.

The Company sold 934 KT of urea vs 841 KT in the corresponding period of 2014 showing a growth of 11% on the back of higher production and locking in an overall urea market share of 33% and a branded urea market share of 38%.

Subsequent to the enactment of the GIDC Act 2015, the company has challenged the applicability on retrospective GIDC and concessionary gas contracts in the courts. 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.

However, on the request of the government, and without compromising on the legal standing, the company has paid the complete accrued GIDC amount subsequent to period end. The company has also started paying GIDC on current billing excluding concessionary gas.

Subsequent to the shareholder approval in the Extraordinary General Meeting this quarter, the Company completed the acquisition of 100% shareholding of Engro EXIMP (Private) Limited and thereby brought in house the complete fertilizer trading business.

The Company sold 105 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 in the corresponding period last year.

The Company's blended fertilizers' (Zarkhez & Engro NP) sales for the period increased to 64 KT from 46 KT in the corresponding period last year led by significantly higher NP sales. Overall domestic potash industry saw an increase of 22% (2.7 KT Nutrient Basis) from 1H 2014. However, the market share of Zarkhez fell to 34% (42% in 1H 2014) due to direct marketing of MOP by other importers given lower international potash prices.

The Company's standalone gross profit for the period was PKR 14.1 Billion as compared to PKR 9.9 Billion in the same period last year. This increase was primarily on account of higher sales volume and implementation of concessionary pricing effective from March 16, 2015.



Finance cost was also significantly lower than last year as a result of IFC loan conversion, loan repayments, lower KIBOR and better cashflows.

One off Tax effects arising out of the Budget announcement of reducing Tax rate from 33% in phases to 30% also substantially increased the profitability.

As a result of the above, the Company has increased its standalone Net Profit to PKR 7.1 Billion from PKR 3.4 Billion for the same period last year which has resulted in an EPS of PKR 5.35 per share vs PKR 2.61 per share in the same period last year.

The Board is pleased to recommend an interim cash dividend on PKR 1.50 per share for the period ended June 30, 2015.

Following approval of the ECC in December 2014, EFERT continued to receive 60 MMSCFD gas from Mari Shallow throughout the period and is expected to continue till 31st Dec 2015. Further, as part of the said ECC decision, the Company was also required to install compressors for Guddu Power Plant (Genco II) at its own cost which are now operational.

The ECC decision has been a win - win on three fronts as total gas utilization mproved by ~100 MMSCFD, the power output on the grid increased by ~400 MW, and domestic fertilizer capacity of ~650 KTPA remained operational.

## Near term outlook

As earlier mentioned, the GIDC Act 2015 has also levied GIDC on fixed price contracts (including concessionary gas pricing of USD 0.70/MMBTU for new plants). This GIDC application is clearly against the Fertilizer Policy 2001 as well as the gas supply contract, under which our new plant was allocated gas. While the company has challenged the applicability of GIDC on concessionary gas pricing and has obtained a stay order, it also continues to engage with the Government at all levels to find an amicable solution.

Given current urea demand supply situation, it is likely that additional imports by the government would be required to bridge the gap between local production and farmer demand during the Rabi season.

Going forward, international DAP prices are expected to slightly firm up in August/September period due to major Indian buying.

The company is launching a new farmer connect program with an aim to improve farm productivity of small to medium growers through their capacity building and introduction of innovative techniques for input/output resource efficiency.

Ruhail Mohammed
Chief Executive Officer

Khalid Siraj Subhani
Chairman

engro fertilizers

# condensed interim financial information (unaudited) for the half year ended june 30, 2015

# auditors' report to the members on review of condensed interim financial information

## Introduction

We have reviewed the accompanying condensed interim balance sheet of Engro Fertilizers Limited as at June 30, 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial information"), for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2015 and 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2015.

## 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 interim financial information 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 information as of and for the half year ended June 30, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants
Karachi
Date: 27 August 2015

Engagement Partner: Mohammad Zulfikar Akhtar

# condensed interim balance sheet as at june 30, 2015

(Amounts in thousand)

| | Note | Unaudited June 30, 2015 | Audited December 31, 2014 |
|---|---|---|---|
| | | -----------------(Rupees)---------------- | |
| **Assets** | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 4 | 73,164,750 | 74,962,817 |
| Intangible assets | | 113,309 | 118,336 |
| Investments | 5 | 4,383,000 | - |
| Long term loans and advances | | 104,083 | 93,931 |
| | | 77,765,142 | 75,175,084 |
| Current assets | | | |
| Stores, spares and loose tools | | 4,801,726 | 4,713,746 |
| Stock-in-trade | | 3,986,489 | 1,100,922 |
| Trade debts | | 2,538,458 | 757,044 |
| Derivative financial instruments | | 1,072 | - |
| Subordinated loan to subsidiary | | 900,000 | - |
| Loans, advances, deposits and prepayments | | 248,462 | 432,943 |
| Other receivables | | 30,658 | 27,582 |
| Short term investments | | 15,794,583 | 25,075,776 |
| Cash and bank balances | | 5,111,114 | 4,188,528 |
| | | 33,412,562 | 36,296,541 |
| TOTAL ASSETS | | 111,177,704 | 111,471,625 |

(Amounts in thousand)

| | Note | Unaudited June 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 | | (18,414) | (39,831) |
| Remeasurement of post employment benefits | | (14,294) | (14,103) |
| Unappropriated profit | | 22,211,068 | 19,087,828 |
| | | 25,310,541 | 21,294,678 |
| Total Equity | | 38,619,864 | 34,478,095 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Borrowings | 6 | 29,892,520 | 36,090,622 |
| Derivative financial instruments | | - | 6,689 |
| Deferred liabilities | | 5,237,927 | 5,226,646 |
| Service benefits obligations | | 94,882 | 113,345 |
| | | 35,225,329 | 41,437,302 |
| Current liabilities | | | |
| Trade and other payables | 7 | 24,100,575 | 24,472,163 |
| Accrued interest / mark-up | | 1,037,047 | 1,362,300 |
| Taxes payable | | 1,801,600 | 675,609 |
| Current portion of: | | | |
| - borrowings | 6 | 9,967,419 | 7,912,729 |
| - service benefits obligations | | 48,419 | 43,338 |
| Derivative financial instruments | | 377,451 | 1,090,089 |
| | | 37,332,511 | 35,556,228 |
| | | 72,557,840 | 76,993,530 |
| Contingencies and Commitments | 8 | | |
| Total Equity & Liabilities | | 111,177,704 | 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 half year ended june 30, 2015

(Amounts in thousand except for earnings per share)

| | Note | Quarter ended June 30, 2015 | Quarter ended June 30, 2014 | Half Year ended June 30, 2015 | Half Year ended June 30, 2014 |
|---|---|---|---|---|---|
| | | ----------(Rupees)---------- | | | |
| Net sales | | 20,385,656 | 12,761,145 | 38,059,095 | 27,656,793 |
| Cost of sales | | (13,065,452) | (8,539,702) | (23,969,254) | (17,783,805) |
| Gross profit | | 7,320,204 | 4,221,443 | 14,089,841 | 9,872,988 |
| Selling and distribution expenses | | (1,137,383) | (879,368) | (2,233,269) | (1,969,594) |
| Administrative expenses | | (153,270) | (179,799) | (378,289) | (376,722) |
| | | 6,029,551 | 3,162,276 | 11,478,283 | 7,526,672 |
| Other income | | 471,973 | 510,336 | 1,246,575 | 1,002,298 |
| Other operating expenses | | (433,351) | (233,412) | (803,123) | (512,996) |
| Finance cost | | (1,134,413) | (701,078) | (2,396,394) | (3,112,699) |
| | | (1,567,764) | (934,490) | (3,199,517) | (3,625,695) |
| Profit before taxation | | 4,933,760 | 2,738,122 | 9,525,341 | 4,903,275 |
| Taxation | | (876,544) | (800,460) | (2,409,303) | (1,528,601) |
| Profit for the period | | 4,057,216 | 1,937,662 | 7,116,038 | 3,374,674 |
| Earnings per share - basic | 9 | 3.05 | 1.50 | 5.35 | 2.61 |
| Earnings per share - diluted | 9 | 3.05 | 1.40 | 5.35 | 2.60 |

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 half year ended june 30,2015

(Amounts in thousand)

| | Quarter ended June 30, 2015 | Quarter ended June 30, 2014 | Half Year ended June 30, 2015 | Half Year ended June 30, 2014 |
|---|---|---|---|---|
| | ----------(Rupees)---------- | | | |
| Profit for the period | 4,057,216 | 1,937,662 | 7,116,038 | 3,374,674 |
| Other Comprehensive Income: | | | | |
| Items potentially re-classifiable to Profit and Loss Account | | | | |
| Hedging reserve - cash flow hedges | | | | |
| Loss arising during the period | (65,403) | (135,968) | (68,569) | (1,329,076) |
| Adjustment for amounts transferred to profit and loss account | 79,227 | 171,431 | 100,065 | 1,434,690 |
| Income tax (Deferred) relating to hedging reserve | (4,247) | (13,555) | (10,079) | (37,406) |
| Other comprehensive income for the period, net of tax | 9,577 | 21,908 | 21,417 | 68,208 |
| Items not potentially re-classifiable to profit and loss account | | | | |
| Remeasurement of post employment benefits obligations | - | - | - | - |
| Change in Income tax rate (Deferred) relating to remeasurement of post employment benefits obligations | (191) | - | (191) | - |
| Other comprehensive income for the period, net of tax | 9,386 | 21,908 | 21,226 | 68,208 |
| Total comprehensive income for the period | 4,066,602 | 1,959,570 | 7,137,264 | 3,442,882 |

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 half year ended june 30, 2015

(Amounts in thousand)

| | | | Reserve | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Capital | | Revenue | | | |
| | Share capital | Advance against issue of share | Reserve for issue of shares | Share premium | Hedging reserve | Unappropriated profit | Re-measurement of post employment benefits | Total |
| | (Rupees) | | | | | | | |
| Balance as at January 1, 2015 | 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 | - | - | - | - | - | (3,992,798) | - | (3,992,798) |
| | 125,906 | - | - | 871,397 | - | (3,992,798) | - | (2,995,495) |
| Total comprehensive income for the half year ended June 30, 2015 | | | | | | | | |
| Profit for the period | - | - | - | - | - | 7,116,038 | - | 7,116,038 |
| Other comprehensive income | | | | | | | | |
| - cash flow hedges, net of tax | - | - | - | - | 21,417 | - | - | 21,417 |
| - remeasurements, net of tax | - | - | - | - | - | - | (191) | (191) |
| | - | - | - | - | 21,417 | 7,116,038 | (191) | 7,137,264 |
| Balance as at June 30, 2015 (unaudited) | 13,309,323 | - | - | 3,132,181 | (18,414) | 22,211,068 | (14,294) | 38,619,864 |
| Balance as at January 1, 2014 | 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 | - | - | - | (97,920) | - | - | - | (97,920) |
| Exercise of conversion option | - | - | 1,184,246 | - | - | - | - | 1,184,246 |
| | 750,000 | (2,118,750) | 1,184,246 | 1,270,830 | - | - | - | 1,086,326 |
| Total comprehensive income for the half year ended June 30, 2014 | | | | | | | | |
| Profit for the period | - | - | - | - | - | 3,374,674 | - | 3,374,674 |
| Other comprehensive income | | | | | | | | |
| - cash flow hedges, net of tax | - | - | - | - | 68,208 | - | - | 68,208 |
| - remeasurements, net of tax | - | - | - | - | - | - | - | - |
| | - | - | - | - | 68,208 | 3,374,674 | - | 3,442,882 |
| Balance as at June 30, 2014 (unaudited) | 12,978,000 | - | 1,184,246 | 1,281,974 | (79,436) | 14,254,542 | (20,886) | 29,598,440 |

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 half year ended june 30, 2015

(Amounts in thousand)

| | Note | half year ended June 30, 2015 | half year ended June 30, 2014 |
|---|---|---|---|
| | | (Rupees) | |
| **Cash flows from operating activities** | | | |
| Cash used in operations | 10 | 8,335,419 | 3,609,756 |
| Service benefits paid | | (41,100) | (35,326) |
| Income taxes paid | | (1,280,367) | (271,044) |
| Finance cost paid | | (2,399,226) | (4,003,733) |
| Long term loans and advances | | (10,152) | 5,261 |
| Net cash used in operating activities | | 4,604,574 | (695,086) |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment and intangibles | | (571,624) | (284,186) |
| Investment in Engro Eximp (Private) Limited (EEPL) | | (4,383,000) | - |
| Subordinated loan to EEPL | | (900,000) | - |
| Proceeds from disposal of property, plant and equipment | | 11,402 | 30,482 |
| Proceeds from disposal of investments- net | | 17,297,976 | - |
| Income on deposits / other financial assets | | 1,030,274 | 749,980 |
| Net cash generated from investing activities | | 12,485,028 | 496,276 |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings - net | | 2,339,637 | 679,455 |
| Repayments of borrowings | | (6,497,070) | (7,937,302) |
| Dividend paid during the period | | (3,992,798) | - |
| Share issue costs paid | | - | (53,989) |
| Net cash used in financing activities | | (8,150,231) | (7,311,836) |
| Net increase/ (decrease) in cash and cash equivalents | | 8,939,371 | (7,510,646) |
| 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 | 14,222,790 | 15,005,799 |

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 half year ended june 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. This condensed interim financial information represents the condensed interim financial information of the Company on a standalone basis. The consolidated condensed interim financial information of the Company and its subsidiary company is presented separately.

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 which has been made during the current period, as follows:

Investments in Subsidiary Companies are initially recognised at cost. These are subsequently measured at cost less accumulated impairment, if any. 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 recognised 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 June 30, 2015 | Audited December 31, 2014 |
|---|---|---|
| | -----------------(Rupees) | ---------------- |
| Operating assets at net book value | 71,433,033 | 73,674,133 |
| Major spare parts and stand-by equipment | 394,012 | 424,767 |
| Capital work in progress | 1,337,705 | 863,917 |
| | 73,164,750 | 74,962,817 |

(Amounts in thousand)

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

| | Additions (Un-audited) (at cost) | | Disposal (Un-audited) (at net book value) | |
|---|---|---|---|---|
| | June 30, 2015 | June 30, 2014 | June 30, 2015 | June 30, 2014 |
| | ----------------------------------------- | ------(Rupees)------ | ------ | ----------------------------------------- |
| Building on freehold land | 8,342 | 45,790 | - | - |
| Building on leasehold land | - | 65,615 | - | - |
| Plant and machinery | 59,668 | 212,647 | - | 157,361 |
| Gas pipeline | - | 525,169 | - | - |
| Catalyst | - | 176,997 | - | - |
| Office equipment | 34,705 | 12,665 | 12 | 44 |
| Vehicles | 17,583 | 1,753 | 5,507 | 12,178 |
| | 120,298 | 1,040,636 | 5,519 | 169,583 |

The above disposals represented assets having a cost of Rs. 24,975 (2014: Rs. 245,966) which were disposed off for Rs. 11,402 (2014: Rs. 30,482).

## 5. Investments

5.1 Investment in Subsidiary Company

"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 approved the proposed Scheme of Amalgamation (Scheme) of EEPL with the Company subsequent to which EEPL will cease to exist. This is subject to relevant approvals by the board of directors and shareholders of EEPL and the Company.

## 6. Borrowings - Secured (Non - participatory)

| | Unaudited June 30, 2015 | Audited December 31, 2014 |
|---|---|---|
| | -----------------(Rupees) | ---------------- |
| Long term finance utilized under mark-up arrangements (notes 6.1, 6.2 and 6.3) | 29,281,201 | 30,421,050 |
| Certificates (note 6.1) | 10,578,738 | 13,582,301 |
| | 39,859,939 | 44,003,351 |
| Less: Current portion shown under current liabilities | 9,967,419 | 7,912,729 |
| Balance at end of the period / year | 29,892,520 | 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.

(Amounts in thousand)

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 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 26, 2015. The fair value of the remaining conversion option, included in derivative financial instruments, amounts to Rs.327,385.

6.3 The above finance also includes offshore Islamic Finance Facility Agreement 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.

## 7. Trade and other Payable

This includes an amount of Rs.12,299,947 (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. An amount of Rs. 4,204,323 was paid during the period and an amount of Rs. 10,968,915 was paid subsequent to the half year ended June 30 2015.

## 8. Contingencies and commitments

Contingencies

8.1 Bank guarantees of Rs.1,257,119 (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 June 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 June 30, 2015 | Audited December 31, 2014 |
|---|---|---|
| 8.4 Commitments | -----------------(Rupees)--------------- | |
| Commitments in respect of capital expenditure and other operational items | 1,412,654 | 917,592 |





## 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 ordinaryshares. 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 June 30, 2015 | Unaudited Quarter ended June 30, 2014 | Unaudited Half Year ended June 30, 2015 | Unaudited Half Year ended June 30, 2014 |
|---|---|---|---|---|
| | ----------(Rupees)---------- | | | |
| Profit for the period | 4,057,216 | 1,937,662 | 7,116,038 | 3,374,674 |
| Interest on IFC loan- net of tax | 1,071 | 8,871 | 2,915 | 17,741 |
| (Gain) / Loss on revaluation of conversion options on IFC loan - net of tax | 31,721 | (102,523) | 36,204 | 27,949 |
| Profit used for the determination of Diluted EPS | 4,090,008 | 1,844,010 | 7,155,157 | 3,420,364 |
| | ----------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) | - | 1,354 | 10,921 | 69,051 |
| Weighted average number of shares for determination of basic EPS | 1,330,933 | 1,299,154 | 1,329,263 | 1,291,851 |
| Assumed conversion of USD 4,000 IFC loan | - | 10,131 | - | 9,666 |
| Assumed conversion of USD 5,000 IFC loan | - | 11,836 | - | 11,654 |
| Assumed conversion of USD 1,000 IFC loan | 3,049 | - | 3,028 | - |
| Exercise of conversion option on USD 3,000 IFC loan | - | - | 1,260 | - |
| Weighted average number of shares for determination of diluted EPS | 1,333,982 | 1,321,121 | 1,333,551 | 1,313,171 |

(Amounts in thousand)

| 10. Cash Generated from Operations | Unaudited June 30, 2015 | Unaudited June 30, 2014 |
|---|---|---|
| | -----------------(Rupees)--------------- | |
| Profit before taxation | 9,525,341 | 4,903,275 |
| Adjustment for non-cash charges and other items: | | |
| Depreciation | 2,355,879 | 2,344,596 |
| Amortization | 11,388 | 15,921 |
| (Gain) / loss on disposal of property, plant and equipment | (5,883) | 139,101 |
| Provision for service benefits | 27,718 | 19,643 |
| Income on deposits / other financial assets | (1,034,026) | (853,636) |
| Financial charges | 2,396,394 | 3,112,699 |
| Provision for surplus and slow moving stores and spares | 7,060 | 748 |
| Provision for trade debts | - | (2,673) |
| Working capital changes (note 10.1) | (4,948,452) | (6,069,918) |
| | 8,335,419 | 3,609,756 |

10.1 Working capital changes

| | | |
|---|---|---|
| (Increase) / decrease in current assets | | |
| - Stores, spares and loose tools | (95,040) | (209,241) |
| - Stock-in-trade | (2,885,567) | 69,228 |
| - Trade debts | (1,781,414) | (1,608,969) |
| - Loans, advances, deposits and prepayments | 184,481 | 178,477 |
| - Other receivables (net) | 676 | (6,371) |
| | (4,576,864) | (1,576,876) |
| Decrease in trade and other payables | (371,588) | (4,493,042) |
| | (4,948,452) | (6,069,918) |

## 11. Cash And Cash Equivalents

| | | |
|---|---|---|
| Cash and bank balances | 5,111,114 | 1,929,372 |
| Short term investments | 9,111,676 | 13,076,427 |
| | 14,222,790 | 15,005,799 |

## 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 | | | | |
| - Short term investments | - | 15,794,583 | - | 15,794,583 |
| Derivatives | | | | |
| - Derivative financial instruments | - | 1,072 | - | 1,072 |
| | - | 15,795,655 | - | 15,795,655 |
| **Liabilities** | | | | |
| Derivatives | | | | |
| - Derivative financial instruments | - | 50,066 | - | 50,066 |
| - Conversion option on IFC loans | - | 327,385 | - | 327,385 |
| | - | 377,451 | - | 377,451 |

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 June 30, 2015 | Unaudited June 30, 2014 |
|---|---|---|
| | ---------------(Rupees)--------------- | |
| **Holding Company** | | |
| Purchase and services | 106,347 | 101,937 |
| Services provided | 13,959 | 9,742 |
| Royalty | 500,275 | 442,357 |
| Reimbursements | 40,033 | 66,822 |
| Mark-up paid on long term sub-ordinated loan | - | 229,004 |
| Dividend paid | 3,425,019 | - |
| Use of assets | 1,059 | 2,965 |
| Purchase of Subsidiary | 4,383,000 | - |
| Payment of sub-ordinated loan | - | 600,000 |
| Receipt of sub-ordinated loan | - | 680,960 |
| **Subsidiary Companies** | | |
| Services provided | 472 | - |
| Reimbursements | 25,220 | - |
| Purchase of product | 3,461,677 | - |
| Funds collected against sales made on behalf of subsidiary | 412,290 | - |
| Subordinated loan to subsidiary | 900,000 | - |
| Mark-up on sub-ordinated loan to subsidiary | 4,210 | - |
| **Associated Companies** | | |
| Purchase and services | 62,813 | 52,065 |
| Sale of product | - | 1,429 |
| Services provided | 36,881 | 44,102 |
| Reimbursements | 145,556 | 63,390 |
| Payment of mark-up on TFCs and repayment of principal amount | 10,123 | 10,203 |
| Commission - net | - | 31,218 |
| Purchase of mutual fund units | 490,000 | - |
| Redemption of mutual fund units | 491,210 | - |
| Donation | 22,529 | 21,000 |
| Funds collected against sales made on behalf of associates | 2,035,579 | 8,575,119 |
| Use of assets | 2,822 | 5,437 |
| **Contribution to staff retirement benefits** | | |
| Pension fund | 9,647 | 8,786 |
| Gratuity fund | 35,324 | 30,754 |
| Provident fund | 46,522 | 40,674 |
| **Others** | | |
| Remuneration of key management personnel | 82,247 | 74,407 |



(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 August 10, 2015 has approved an interim cash dividend of Rs. 1.50 per share for the year ending December 31, 2015 amounting to Rs. 1,996,398 (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 the said interim dividend.

## 17. Date of authorisation for issue

This condensed interim financial information was authorized for issue on 10th August 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 half year ended june 30, 2015

# auditors' report to the members on review of consolidated condensed interim financial information

## Introduction

We have reviewed the accompanying consolidated condensed interim balance sheet of Engro Fertilizers Limited and its subsidiary companies as at June 30, 2015 and the related consolidated condensed interim profit and loss account, consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows together with the notes forming part thereof (here-in-after referred to as the " consolidated condensed interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

The figures of the consolidated condensed interim profit and loss account and consolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2015 and 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2015.

## 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 interim financial information 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 information as of and for the half year ended June 30, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants
Karachi
Date : 27 August 2015

Engagement Partner: Mohammad Zulfikar Akhtar

# consolidated condensed interim balance sheet as at june 30, 2015

(Amounts in thousand)

| | Note | Unaudited June 30, 2015 | Audited December 31, 2014 |
|---|---|---|---|
| | | -----------------(Rupees)---------------- | |
| **Assets** | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 3 | 73,175,735 | 74,962,817 |
| Intangible assets | 4 | 4,468,622 | 118,336 |
| Deferred taxation | | 93,818 | - |
| Long term loans and advances | | 105,269 | 93,931 |
| | | 77,843,444 | 75,175,084 |
| Current assets | | | |
| Stock-in-trade | | 4,103,974 | 1,100,922 |
| Stores, spares and loose tools | | 4,801,726 | 4,713,746 |
| Trade debts | | 2,545,054 | 757,044 |
| Taxes recoverable | | 704,628 | - |
| Derivative financial instruments | | 1,072 | - |
| Working capital loan - unsecured | | 477,019 | - |
| Loans, advances, deposits and prepayments | | 246,605 | 432,943 |
| Other receivables | | 106,669 | 27,582 |
| Short term investments | | 15,794,583 | 25,075,776 |
| Cash and bank balances | | 5,808,075 | 4,188,528 |
| | | 34,589,405 | 36,296,541 |
| TOTAL ASSETS | | 112,432,849 | 111,471,625 |

(Amounts in thousand)

| | Note | Unaudited June 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 | | (5,521) | - |
| Hedging reserve | | (18,414) | (39,831) |
| Remeasurement of post employment benefits obligation | | (14,294) | (14,103) |
| Unappropriated profit | | 21,949,821 | 19,087,828 |
| | | 25,043,773 | 21,294,678 |
| Total Equity | | 38,353,096 | 34,478,095 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Borrowings | 5 | 29,892,520 | 36,090,622 |
| Derivative financial instruments | | - | 6,689 |
| Deferred liabilities | | 5,237,927 | 5,226,646 |
| Service benefits obligations | | 96,171 | 113,345 |
| | | 35,226,618 | 41,437,302 |
| Current liabilities | | | |
| Trade and other payables | 6 | 25,036,973 | 24,472,163 |
| Accrued interest / mark-up | | 1,075,632 | 1,362,300 |
| Taxes payable | | 1,801,600 | 675,609 |
| Derivative financial instruments | | 377,451 | 1,090,089 |
| Current portion of : | | | |
| - borrowings | 5 | 9,967,419 | 7,912,729 |
| - sevice benefits obligations | | 48,419 | 43,338 |
| Short term borrowings | | 545,641 | - |
| | | 38,853,135 | 35,556,228 |
| | | 74,079,753 | 76,993,530 |
| Contingencies and Commitment | 7 | | |
| TOTAL EQUITY AND LIABILITIES | | 112,432,849 | 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 half year ended june 30, 2015

(Amounts in thousand except for earnings per share)

| | Note | Quarter ended June 30, 2015 | Quarter ended June 30, 2014 | Half Year ended June 30, 2015 | Half Year ended June 30, 2014 |
|---|---|---|---|---|---|
| | | ----------(Rupees)---------- | | | |
| Net sales | | 20,628,450 | 12,761,145 | 38,301,889 | 27,656,793 |
| Cost of sales | | (13,268,242) | (8,539,702) | (24,172,044) | (17,783,805) |
| Gross profit | | 7,360,208 | 4,221,443 | 14,129,845 | 9,872,988 |
| Selling and distribution expenses | | (1,147,838) | (879,368) | (2,243,724) | (1,969,594) |
| Administrative expenses | | (164,451) | (179,799) | (389,470) | (376,722) |
| | | 6,047,919 | 3,162,276 | 11,496,651 | 7,526,672 |
| Other income | | 475,112 | 510,336 | 1,249,714 | 1,002,298 |
| Other operating expenses | | (620,145) | (233,412) | (989,917) | (512,996) |
| Finance cost | | (1,145,652) | (701,078) | (2,407,633) | (3,112,699) |
| Profit before taxation | | 4,757,234 | 2,738,122 | 9,348,815 | 4,903,275 |
| Taxation | | (961,265) | (800,460) | (2,494,024) | (1,528,601) |
| Profit for the period | | 3,795,969 | 1,937,662 | 6,854,791 | 3,374,674 |
| Earnings per share - basic | 8 | 2.85 | 1.50 | 5.16 | 2.61 |
| Earnings per share - diluted | 8 | 2.85 | 1.40 | 5.16 | 2.60 |

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 half year ended june 30, 2015

(Amounts in thousand)

| | Quarter ended June 30, 2015 | Quarter ended June 30, 2014 | Half Year ended June 30, 2015 | Half Year ended June 30, 2014 |
|---|---|---|---|---|
| | ----------(Rupees)---------- | | | |
| Profit for the period | 3,795,969 | 1,937,662 | 6,854,791 | 3,374,674 |
| Other comprehensive income: | | | | |
| Items potentially re-classifiable to Profit and Loss Account | | | | |
| Exchange differences on translation of foreign operations | (5,521) | - | (5,521) | - |
| Hedging reserve - cash flow hedges | | | | |
| Loss arising during the period | (65,403) | (135,968) | (68,569) | (1,329,076) |
| Adjustment for amounts transferred to profit and loss account | 79,227 | 171,431 | 100,065 | 1,434,690 |
| Income tax (Deferred) relating to hedging reserve | (4,247) | (13,555) | (10,079) | (37,406) |
| | 9,577 | 21,908 | 21,417 | 68,208 |
| Items not potentially reclassifiable to Profit and Loss Account | | | | |
| Income tax (Deferred) relating to remeasurement of post employment benefits obligations | (191) | - | (191) | - |
| Total comprehensive income for the period | 3,799,834 | 1,959,570 | 6,870,496 | 3,442,882 |

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 half year ended june 30, 2015

(Amounts in thousand)

| | Share capital | Advance against issue of shares | Reserve – Capital: Reserve for issue of shares | Reserve – Capital: Share premium | Reserve – Capital: Exchange Revaluation | Reserve – Revenue: Hedging reserve | Reserve – Revenue: Unappropriated profit | Re-measurement of post employment benefits | Total |
|---|---|---|---|---|---|---|---|---|---|
| | -----------------------------------(Rupees) | | | | | | | | ----------------------------------- |
| Balance as at January 1, 2015 | 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 | - | - | - | - | - | - | (3,992,798) | - | (3,992,798) |
| | 125,906 | - | - | 871,397 | - | - | (3,992,798) | - | (2,995,495) |
| **Total comprehensive income for the half year ended June 30, 2015** | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | 6,854,791 | - | 6,854,791 |
| Other comprehensive income | | | | | | | | | |
| - exhange revaluation | - | - | - | - | (5,521) | - | - | - | (5,521) |
| - cash flow hedges, net of tax | - | - | - | - | - | 21,417 | - | - | 21,417 |
| - remeasurements, net of tax | - | - | - | - | - | - | - | (191) | (191) |
| | - | - | - | - | (5,521) | 21,417 | 6,854,791 | (191) | 6,870,496 |
| Balance as at June 30, 2015 (unaudited) | 13,309,323 | - | - | 3,132,181 | (5,521) | (18,414) | 21,949,821 | (14,294) | 38,353,096 |
| Balance as at January 1, 2014 | 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 | - | - | - | (97,920) | - | - | - | - | (97,920) |
| Exercise of conversion option | - | - | 1,184,246 | - | - | - | - | - | 1,184,246 |
| | 750,000 | (2,118,750) | 1,184,246 | 1,270,830 | - | - | - | - | 1,086,326 |
| **Total comprehensive income for the half year ended June 30, 2014** | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | 3,374,674 | - | 3,374,674 |
| Other comprehensive income | | | | | | | | | |
| - cash flow hedges, net of tax | - | - | - | - | - | 68,208 | - | - | 68,208 |
| - remeasurements, net of tax | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | 68,208 | 3,374,674 | - | 3,442,882 |
| Balance as at June 30, 2014 (unaudited) | 12,978,000 | - | 1,184,246 | 1,281,974 | - | (79,436) | 14,254,542 | (20,886) | 29,598,440 |

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 half year ended june 30, 2015

(Amounts in thousand)

| | Note | half year ended June 30, 2015 | half year ended June 30, 2014 |
|---|---|---|---|
| | | ------------------(Rupees) | ------------------ |
| **Cash flows from operating activities** | | | |
| Cash used in operations | 9 | 6,301,103 | 3,609,756 |
| Service benefits paid | | (41,100) | (35,326) |
| Income taxes paid | | (1,280,648) | (271,044) |
| Finance cost paid | | (2,371,880) | (4,003,733) |
| Long term loans and advances | | 4,814 | 5,261 |
| Net cash used in operating activities | | 2,612,289 | (695,086) |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment and intangibles | | (571,675) | (284,186) |
| Acquistion 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 | | 18,998 | 30,482 |
| Working capital loan | | 402,593 | - |
| Proceeds from Investments - net | | 17,297,976 | - |
| Income on deposits / other financial assets | | 1,032,241 | 749,980 |
| Net cash generated from investing activities | | 18,630,382 | 496,276 |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings - net | | 2,339,637 | 679,455 |
| Repayments of borrowings | | (6,497,070) | (7,937,302) |
| Repayments of short term borrowings | | (3,456,109) | - |
| Dividend paid during the period | | (3,992,798) | - |
| Share issue costs paid | | - | (53,989) |
| Net cash used in financing activities | | (11,606,340) | (7,311,836) |
| Net increase/ (decrease) in cash and cash equivalents | | 9,636,331 | (7,510,646) |
| 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 | 14,919,750 | 15,005,799 |

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

# notes to the consolidated condensed interim financial information (unaudited) for the half year ended june 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 of the Holding Company 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 approved the proposed Scheme of Amalgamation (Scheme) of EEPL with the Holding Company subsequent to which EEPL will cease to exist. This is subject to requisite approvals by the board of directors and shareholders of EEPL and the Holding Company.

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).



(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 is in respect of selling Phosphate fertilizers, acquired under an agreement with Engro Corporation Limited, that 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 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 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 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 the financial statements and the condensed interim financial information of the Holding Company for the year ended December 31, 2014 and for the half year ended June 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. Also, goodwill is impairment tested atleast once a year and other intangibles with indefinite life are tested for impairment at reporting date. 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.

## 3 Property, Plant And Equipment

| | Unaudited June 30, 2015 | Audited December 31, 2014 |
|---|---|---|
| | ------------------(Rupees) | ----------------- |
| Operating assets at net book value | 71,438,262 | 73,674,133 |
| Major spare parts and stand-by equipment | 394,012 | 424,767 |
| Capital work in progress | 1,343,461 | 863,917 |
| | 73,175,735 | 74,962,817 |



(Amounts in thousand)

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

| | Additions (Un-audited) (at cost) | | Disposal (Un-audited) (at net book value) | |
|---|---|---|---|---|
| | June 30, 2015 | June 30, 2014 | June 30, 2015 | June 30, 2014 |
| | ------------------------------------ | ----(Rupees)---- | ------------------------------------ | |
| Building on freehold land | 8,342 | 45,790 | - | - |
| Building on leasehold land | - | 65,615 | - | - |
| Plant and machinery | 59,668 | 212,647 | - | 157,361 |
| Gas pipeline | - | 525,169 | - | - |
| Catalyst | - | 176,997 | - | - |
| Office equipment | 34,705 | 12,665 | 108 | 44 |
| Vehicles | 17,583 | 1,753 | 9,028 | 12,178 |
| | 120,298 | 1,040,636 | 9,136 | 169,583 |

The above disposals represents assets having a cost of Rs. 35,938 (2014: Rs. 245,966) which were disposed off for Rs. 18,998 (2014: Rs. 30,482).

| | Unaudited June 30, 2015 | Audited December 31, 2014 |
|---|---|---|
| | ------------------(Rupees) | --------------- |

## 4. Intangible Assets

| | | |
|---|---|---|
| Goodwill (note 1.4) | 183,806 | - |
| Right to use the brand (note 1.4) | 4,170,995 | - |
| Other intangible assets | 113,821 | 118,336 |
| | 4,468,622 | 118,336 |

## 5. Borrowings - Secured (Non - participatory)

| | | |
|---|---|---|
| Long term finance utilised under mark-up arrangements (notes 5.1, 5.2 and 5.3) | 29,281,201 | 30,421,050 |
| Certificates (note 5.1) | 10,578,738 | 13,582,301 |
| | 39,859,939 | 44,003,351 |
| Less: Current portion shown under current liabilities | 9,967,419 | 7,912,729 |
| Balance at end of the period / year | 29,892,520 | 36,090,622 |

5.1 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.

Loans from the International Finance Corporation (IFC) 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. 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 Holding Company and a subordinate charge over current and future fixed assets excluding immovable property of the Holding Company.

(Amounts in thousand)

The ultimate parent has issued corporate guarantees in respect of all debts excluding Subordinated DIBPL loan and PPSS. For PPTFCs, the Holding Company has issued a sub-ordinated corporate guarantee.

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 Holding 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 Holding Company received a notice from IFC for exercise of further USD 3,000 loan on January 09, 2015 out of the remaining USD 4,000 of Tranche A2, accordingly 12,590,625 ordinary shares of the Holding Company have been allotted to the IFC on January 26, 2015. The fair value of the remaining conversion option, included in derivative financial instruments, amounts to Rs.327,385.

5.3 The above finance also includes offshore Islamic Finance Facility Agreement 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 Payable

This includes an amount of Rs.12,299,947 (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 Holding 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. An amount of Rs. 4,204,323 was paid during the period and an amount of Rs. 10,968,915 was paid subsequent to the half year ended June 30 2015.

## 7. Contingencies and Commitments

Contingencies

7.1 Bank guarantees of Rs.1,934,119 (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 june 30, 2015, there is no material change in the status of matters reported as contingencies in the notes to the standalone financial statements of the holding company for the year ended december 31, 2014.

| | Unaudited June 30, 2015 | Audited December 31, 2014 |
|---|---|---|
| | ------(Rupees)------ | |
| 7.4 Commitments | | |
| Commitments in respect of capital expenditure and other operational items | 1,412,654 | 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 ernings per share is as follows:

| | Unaudited quarter ended June 30, 2015 | Unaudited quarter ended June 30, 2014 | Unaudited half year ended June 30, 2015 | Unaudited half year ended June 30, 2014 |
|---|---|---|---|---|
| | ------(Rupees)------ | | | |
| Profit for the period | 3,795,969 | 1,937,662 | 6,854,791 | 3,374,674 |
| Interest on IFC loan- net of tax | 1,071 | 8,871 | 2,915 | 17,741 |
| (Gain) / Loss on revaluation of conversion options on IFC loan - net of tax | 31,721 | (102,523) | 36,204 | 27,949 |
| Profit used for the determination of Diluted EPS | 3,828,761 | 1,844,010 | 6,893,910 | 3,420,364 |
| | ------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) | - | 1,354 | 10,921 | 69,051 |
| Weighted average number of shares for determination of basic EPS | 1,330,933 | 1,299,154 | 1,329,263 | 1,291,851 |
| Assumed conversion of USD 4,000 IFC loan | - | 10,131 | - | 9,666 |
| Assumed conversion of USD 5,000 IFC loan | - | 11,836 | - | 11,654 |
| Assumed conversion of USD 1,000 IFC loan | 3,049 | - | 3,028 | - |
| Exercise of conversion option on USD 3,000 IFC loan | - | - | 1,260 | - |
| Weighted average number of shares for determination of diluted EPS | 1,333,982 | 1,321,121 | 1,333,551 | 1,313,171 |

(Amounts in thousand)

## 9 Cash Generated from Operations

| | Unaudited June 30, 2015 | Unaudited June 30, 2014 |
|---|---|---|
| | ------------------(Rupees)--------------- | |
| Profit before taxation | 9,348,815 | 4,903,275 |
| Adjustment for non-cash charges and other items: | | |
| Depreciation | 2,356,480 | 2,344,596 |
| Amortisation | 11,445 | 15,921 |
| (Gain) / loss on disposal of property, plant and equipment | (9,862) | 139,101 |
| Provision for service benefits | 27,718 | 19,643 |
| Income on deposits / other financial assets | (1,035,993) | (853,636) |
| Financial charges | 2,407,633 | 3,112,699 |
| Provision for surplus and slow moving stores and spares | 7,060 | 748 |
| Reversal of provision for trade debts | - | (2,673) |
| Working capital changes (note 9.1) | (6,812,193) | (6,069,918) |
| | 6,301,103 | 3,609,756 |

## 9.1 Working Capital Changes

| | | |
|---|---|---|
| (Increase) / decrease in current assets | | |
| - Stores, spares and loose tools | (95,040) | (209,241) |
| - Stock-in-trade | (2,730,118) | 69,228 |
| - Trade debts | (1,781,810) | (1,608,969) |
| - Loans, advances, deposits and prepayments | 681,398 | 178,477 |
| - Other receivables (net) | (75,335) | (6,371) |
| | (4,000,905) | (1,576,876) |
| Decrease in trade and other payables | (2,811,288) | (4,493,042) |
| | (6,812,193) | (6,069,918) |

## 10 Cash and Cash Equivalents

| | | |
|---|---|---|
| Cash and bank balances | 5,808,075 | 1,929,372 |
| Short term investments | 9,111,675 | 13,076,427 |
| | 14,919,750 | 15,005,799 |

## 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.





## 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 | - | 15,794,583 | - | 15,794,583 |
| Derivatives | | | | |
| - Derivative financial instruments | - | 1,072 | - | 1,072 |
| | - | 15,795,655 | - | 15,795,655 |
| **Liabilities** | | | | |
| Derivatives | | | | |
| - Derivative financial instruments | - | 50,066 | - | 50,066 |
| - Conversion option on IFC loans | - | 327,385 | - | 327,385 |
| | - | 377,451 | - | 377,451 |

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 June 30, 2015 | Unaudited June 30, 2014 |
|---|---|---|
| | ------------------(Rupees)---------------- | |
| **Ultimate Holding Company** | | |
| Purchase and services | 129,253 | 101,937 |
| Services provided | 13,959 | 9,742 |
| Royalty | 500,275 | 442,357 |
| Reimbursements | 41,322 | 66,822 |
| Mark-up paid on long term sub-ordinated loan | - | 229,004 |
| Dividend paid | 3,425,019 | - |
| Use of assets | 1,059 | 2,965 |
| Purchase of Subsidiary | 4,383,000 | - |
| Receipt against disposal of investment | 4,400,000 | - |
| Payment of sub-ordinated loan | - | 600,000 |
| Receipt of sub-ordinated loan | - | 680,960 |
| **Associated companies** | | |
| Purchase and services | 62,813 | 52,065 |
| Sale of product | - | 1,429 |
| Services provided | 41,881 | 44,102 |
| Reimbursements | 153,717 | 63,390 |
| Payment of mark-up on TFCs and repayment of principal amount | 10,123 | 10,203 |
| Commission - net | - | 31,218 |
| Purchase of mutual fund units | 490,000 | - |
| Redemption of mutual fund units | 491,210 | - |
| Donation | 22,529 | 21,000 |
| Mark-up on loan | 7,005 | - |
| Funds collected against sales made on behalf of associates | 2,035,579 | 8,575,119 |
| Use of assets | 2,822 | 5,437 |
| **Contribution to staff retirement benefits** | | |
| Pension fund | 9,647 | 8,786 |
| Gratuity fund | 35,809 | 30,754 |
| Provident fund | 47,521 | 40,674 |
| **Others** | | |
| Remuneration of key management personnel | 92,918 | 74,407 |



(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 August 10, 2015 has approved an interim cash dividend of Rs. 1.50 per share for the year ending December 31, 2015 amounting to Rs. 1,996,398 (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 the said interim dividend.

## 16. Date of Authorisation for Issue

This consolidated condensed interim financial information was authorized for issue on August 10, 2015 by the Board of Directors of the Holding Company.

Ruhail Mohammed
Chief Executive Officer

Khalid Siraj Subhani
Chairman