+92-21-111-211-211
engrofertilizers.com

engro fertilizers

ENGRO

50

بھروسے کے سال

celebrating the joy of harvest

half year accounts 2019

engro fertilizers

company information

Board of Directors

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

Chief Financial Officer

Mr. Imran Ahmed

Company Secretary

Mr. Umair Mukhtar

Bankers

Conventional
Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
CIMB Bank
Citi Bank .N.A.
Deutsche Investitions und
Entwichlungsgesellschaft (DEG)
Faysal Bank Limited
Habib Bank Limited
Habib Bank Limited Dubai
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
The Bank of Punjab
United Bank Limited
United Bank Limited Dubai

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

Microfinance

Mobilink Microfinance Bank
Telenor Microfinance 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

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
Website: www.engrofertilizers.com
www.engro.com

Share Registrar

M/s. 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

Directors' Report

On behalf of the Board of Directors of Engro Fertilizers Limited, we are pleased to present the Directors' report and the unaudited financial statements for the half year ended June 30, 2019.

Pakistan Fertilizer Market

Local urea market demand stood at 2,874 KT vs 2,738 KT in 1H 2018, translating into an increase of 5%. Local urea production increased by 9% to 2,902 KT from 2,658 KT during the same period last year largely owing to operation of LNG based plants. Consequently, industry inventory at the end of 1H 2019 stood at 187 KT vs 95 KT at the end of 1H last year. Further, the ECC has approved the import of 100 KT urea which is expected to reach by end of July.

On the international front, urea prices have increased to USD 306/T (Landed eqv. of PKR 2,870/bag) from USD 265/T (landed equivalent PKR 2,521/bag) in 1Q 2019. Local urea continued to be sold at a significant discount as the prices only increased from PKR 1,700/bag to PKR 1,780/bag during the period to pass on the impact of inflation which had been absorbed by the Company over the past few years.

During the period, the prices of dollar denominated gas streams increased significantly on the back of rupee devaluation. Later, with effect from July 1, 2019, the prices of Fertilizer Feed and Fuel gas were increased by 62% and 31% respectively. The increase in price of gas, coupled with other inflationary pressures, has increased the cost headwinds for the Company. The industry has been assured by the Government that the matter of GIDC would soon be settled through necessary legislative amendments which would substantially offset the increase in gas cost.

The Company continues to face challenges in the recovery of long outstanding subsidy. We believe that with the clarity on GIDC way forward, the matter of recovery of subsidy would be settled in the near term. As an industry, we continue to engage with the Government for streamlining the subsidy disbursement mechanism and recovery of outstanding industry receivable of PKR 19 B.

Phosphates demand in the local market decreased by 5%, with industry sales at 643 KT vs 679 KT in 1H 2018 due to increase in DAP prices and high channel inventory. On the international front, DAP prices have declined from a high of USD 422/T in 1Q 2019 to USD 355/T by the end of 2Q 2019. However, due to rupee devaluation the cost of this input has increased in local currency.

Company's Operating Performance

Starting with safety, turnarounds were carried out on both plants that were significant in scope and scale and were completed with no major injuries.

The Company's urea production in 1H 2019 stood at 906 KT compared to 931 KT in the corresponding period last year, a decrease of 3% YoY, mainly due to turnaround of both plants in 2Q 2019. Sales during the period clocked in at 887 KT compared to 994 KT in 1H 2019, a decrease of 11% YoY owing to lower avails. Overall, company's urea domestic market share for the period stood at 31% (branded urea market share: 32%) vs 36% (branded urea market share: 36%) in 1H 2018, mainly due to operation of LNG based plants and sale of imported urea.

EFert DAP and Zorawar sales during 1H 2019 stood at 198 KT vs 174 KT last year, up 14% YoY, resulting in a higher market share of 31% vs 26% for the same period last year.

The Company's specialty fertilizer (Zarkhez, Engro NP, MOP/SOP/AS) sales clocked in at 126 KT in 1H 2019 vs 81 KT during the same period last year, an increase of 56%. The overall potash market declined to 19KT from 21KT in 1H 2018 due to higher prices compared to last year. Potash market share of the Company for the period stands at 66% vs. 49% last year because of competitive pricing.

Gross Profit of the Company was recorded at PKR 16.1 B for 1H 2019, compared to PKR 14.0 B in the same period last year, an increase of 15%. Finance cost was higher at PKR 2,019 M (vs PKR 886 M last year) mainly as a result of higher policy rates. On a standalone basis, net profit for 1H 2019 stood at PKR 8.5 B compared to PKR 6.5 B last year, resulting in an EPS of PKR 6.38 vs. PKR 4.88 in 1H 2018. Company's consolidated profit stood at PKR 7.2 B vs. PKR 7.1 B in the corresponding period last year, resulting in EPS of PKR 5.38 vs. last year's EPS of PKR 5.35.

The Board is pleased to recommend an interim cash dividend of PKR 5 per share for the period ended June 30, 2019.

In line with the industry, EFert continues to accrue GIDC on all non-concessionary gases. The management believes that the matter would be settled in short term as the Federal Government is likely to announce an amnesty scheme to resolve the matter through GIDC Amendment Act 2019.

The Company obtained a stay order against GIDC applicability on concessionary gas in 2015, and no GIDC has been paid or accrued for concessionary gas supplied to the new urea plant. GIDC on concessionary gas is in direct contravention of the Fertilizer Policy and our Gas Supply Contracts, on the basis of which the Company invested USD 1.1 Billion to expand its fertilizer manufacturing capacity.

During the quarter, the Company received sales tax refund bonds amounting to PKR 1.4 B against refund processing orders (RPOs), in settlement of sales tax receivable. The bonds are tradeable on secondary markets and carry simple interest at 10% p.a. payable after 3-year term.

Other significant matters

During the quarter, the shareholders of the Company approved the disposal of one of its subsidiaries, Engro Eximp FZE, in the Extraordinary General Meeting held on 27th May 2019. The subsidiary has been classified as Held for Sale in the financial statements for half year ended 30 June 2019

The financial statements also incorporate one-off deferred tax charge arising out of the Budget announcement of freezing the tax rate at 29% as compared to the previous announcement of reducing the tax rate to 25% in Finance Bill 2018.

During the period, the Company sold an immovable property to Engro Polymer Limited, an associated company, recognizing a gain of PKR 678 M.

Near Term Outlook

Local urea demand is expected to remain stable going forward. The pressure on margins is expected to be counter balanced with settlement of GIDC matter. On DAP front, international prices are expected to stabilize and remain range bound in 3Q (USD 350-355/T). Demand for phosphates and other imported fertilizers is expected to remain restricted owing to higher prices caused by constant devaluation and recent budgetary measures.

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

engro fertilizers

consolidated condensed interim financial statements (unaudited) for the half year ended june 30, 2019

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, 2019 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 condensed interim 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, 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2019.

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 Aftab Sheikh.

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Date: August 27, 2019

consolidated condensed interim statement of financial position as at june 30, 2019

(Amounts in thousand)

	Note	Unaudited June 30, 2019	Audited December 31, 2018
		Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	4	67,816,957	68,203,956
Intangible assets		4,484,233	4,487,771
Long term loans and advances		223,720	142,644
		72,524,910	72,834,371
Current assets			
Stores, spares and loose tools		5,330,262	5,325,287
Stock-in-trade		6,564,109	11,538,309
Trade debts		7,285,912	9,109,671
Loans, advances, deposits and prepayments		763,007	1,363,411
Other receivables		8,404,812	9,043,657
Accrued income		71,128	54,038
Short term investments	5	14,510,844	7,722,469
Cash and bank balances		1,110,206	729,836
		44,040,280	44,886,678
Assets attributable to discontinued operations	8	1,729,802	-
TOTAL ASSETS		118,294,992	117,721,049

(Amounts in thousand)

	Note	Unaudited June 30, 2019	Audited December 31, 2018
		Rupees	
EQUITY & LIABILITIES			
Equity			
Share capital		13,352,993	13,352,993
Share premium		3,384,904	3,384,904
Exchange revaluation reserve	8	684,571	408,817
Remeasurement of post employment benefits		(44,729)	(44,729)
Unappropriated profit		31,599,447	28,421,170
		35,624,193	32,170,162
TOTAL EQUITY		48,977,186	45,523,155
Liabilities			
Non-current liabilities			
Borrowings	6	21,524,280	25,715,045
Deferred taxation		7,567,400	7,100,022
Deferred liabilities		236,773	254,246
		29,328,453	33,069,313
Current liabilities			
Trade and other payables		29,827,056	29,071,928
Accrued interest / mark-up		481,283	425,920
Taxes payable		830,435	3,408,022
Current portion of:			
- borrowings	6	7,188,251	5,095,584
- service benefits obligations		50,763	51,487
Short term borrowings	7	1,529,184	1,009,968
Unclaimed dividend		64,950	65,672
		39,971,922	39,128,581
Liabilities associated with discontinued operations	8	17,431	-
TOTAL LIABILITIES		69,317,806	72,197,894
Contingencies and Commitments	9		
TOTAL EQUITY AND LIABILITIES		118,294,992	117,721,049

The annexed notes from 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

consolidated condensed interim statement of profit or loss (unaudited) for the half year ended june 30, 2019

(Amounts in thousand except for earnings per share)

	Note	Quarter ended June 30, 2019	Quarter ended June 30, 2018	Half year ended June 30, 2019	Half year ended June 30, 2018
		Rupees			
Net sales	10	26,990,496	22,897,535	50,642,948	41,116,414
Cost of sales		(18,474,563)	(16,208,104)	(34,527,984)	(27,096,110)
Gross profit		8,515,933	6,689,431	16,114,964	14,020,304
Selling and distribution expenses		(1,745,003)	(1,607,741)	(3,380,782)	(3,272,515)
Administrative expenses		(309,371)	(260,170)	(590,983)	(512,045)
		6,461,559	4,821,520	12,143,199	10,235,744
Other income	11	1,426,753	509,387	2,438,382	1,654,086
Other operating expenses		(580,723)	(123,736)	(986,740)	(571,921)
Finance cost		(1,220,181)	(362,093)	(2,019,147)	(886,141)
		(1,800,904)	(485,829)	(3,005,887)	(1,458,062)
Profit before taxation		6,087,408	4,845,078	11,575,694	10,431,768
Taxation		(2,910,048)	(1,585,297)	(4,391,519)	(3,282,392)
Profit for the period		3,177,360	3,259,781	7,184,175	7,149,376
Profit attributable to :					
- continuing operations		3,151,857	3,254,559	7,147,989	7,139,770
- discontinued operations	8	25,503	5,222	36,186	9,606
		3,177,360	3,259,781	7,184,175	7,149,376
Earnings per share (basic and diluted) from :					
- continuing operations		2.36	2.44	5.35	5.34
- discontinued operations		0.02	0.00	0.03	0.01
		2.38	2.44	5.38	5.35

The annexed notes from 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Imran Ahmed Chief Financial Officer	Nadir Salar Qureshi Chief Executive	Ghias Khan Chairman

consolidated condensed interim statement of comprehensive income (unaudited) for the half year ended june 30, 2019

(Amounts in thousand)

	Quarter ended		Half year ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Rupees			
Profit for the period	3,177,360	3,259,781	7,184,175	7,149,376
Other comprehensive income:				
Items potentially re-classifiable to profit or loss				
Exchange differences on translation of foreign operations	254,101	67,474	275,754	127,965
Total comprehensive income for the period	3,431,461	3,327,255	7,459,929	7,277,341
Total comprehesive income for the period attributable to :				
- continuing operations	3,151,857	3,254,559	7,147,989	7,139,770
- discontinued operations (note 8)	279,604	72,696	311,940	137,571
	3,431,461	3,327,255	7,459,929	7,277,341

The annexed notes from 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

consolidated condensed interim statement of changes in equity for the half year ended june 30, 2019

(Amounts in thousand)

	Share capital	RESERVES				Total
		CAPITAL		REVENUE		
		Share premium	Exchange revaluation reserve	Remeasurement of post employment benefits	Unappropriated profit	
	Rupees					
Balance as at January 1, 2019 (Audited)	13,352,993	3,384,904	408,817	(44,729)	28,421,170	45,523,155
Transactions with owners						
Final dividend for the year ended December 31, 2018 @ Rs. 3.00 per share	-	-	-	-	(4,005,898)	(4,005,898)
Total comprehensive income for the half year ended June 30, 2019						
Profit for the period	-	-	-	-	7,184,175	7,184,175
Other comprehensive income:						
- exchange revaluation	-	-	275,754	-	-	275,754
	-	-	275,754	-	7,184,175	7,459,929
Balance as at June 30, 2019 (Unaudited)	13,352,993	3,384,904	684,571	(44,729)	31,599,447	48,977,186
Balance as at January 1, 2018 (Audited)	13,352,993	3,384,904	83,183	(47,315)	25,695,946	42,469,711
Transactions with owners						
Final dividend for the year ended December 31, 2017 @ Rs. 3.00 per share	-	-	-	-	(4,005,898)	(4,005,898)
Total comprehensive income for the half year ended June 30, 2018						
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
Balance as at June 30, 2018 (Unaudited)	13,352,993	3,384,904	211,148	(47,315)	28,839,424	45,741,154

The annexed notes from 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Imran Ahmed	Nadir Salar Qureshi	Ghias Khan
Chief Financial Officer	Chief Executive	Chairman

consolidated condensed interim statement of cash flows (unaudited) for the half year ended june 30, 2019

(Amounts in thousand)

	Note	Half year ended June 30, 2019	Half year ended June 30, 2018
		Rupees	
Cash flows from operating activities			
Cash generated from operations	13	23,487,691	19,100,323
Retirement and other service benefits paid		(57,434)	(49,456)
Taxes paid		(6,263,490)	(1,654,360)
Finance cost paid		(1,629,133)	(1,110,430)
Long term loans and advances - net		(107,450)	(32,344)
Discontinued operations	8.3	(949)	68,363
Net cash generated from operating activities		15,429,235	16,322,096
Cash flows from investing activities			
Purchases of property, plant and equipment and intangibles		(2,293,211)	(2,095,503)
Proceeds from disposal of property, plant and equipment		724,332	8,836
Purchase of short term investments		(17,719,593)	(29,538,832)
Proceeds from Investments		14,929,070	30,188,356
Income on deposits / other financial assets		628,023	334,066
Net cash utilised in investing activities		(3,731,379)	(1,103,077)
Cash flows from financing activities			
Proceeds from long term borrowings		-	3,000,000
Repayments of long term borrowings		(2,432,042)	(7,376,667)
Dividends paid		(4,006,620)	(3,987,076)
Net cash utilised in financing activities		(6,438,662)	(8,363,743)
Net increase in cash and cash equivalents		5,259,194	6,855,276
Cash and cash equivalents at beginning of the period		(190,032)	(314,460)
Exchange gain translation on foreign operations		32,787	127,965
Cash and cash equivalents at end of the period	14	5,101,949	6,668,781

The annexed notes from 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

notes to and forming part of the consolidated condensed interim financial statements (unaudited) for the half year ended june 30, 2019

(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 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, 2019	December 31, 2018
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 at the reporting date, the Holding Company holds this investment at a cost of Rs. 560,316.

The Holding Company entered into a Share Purchase Agreement (the Agreement) with the Parent Company for sale of its entire holding in EEF on July 17, 2019. Through the Agreement, the Parent Company has agreed to purchase 100% shares of EEF for a total consideration of Rs. 1,972,505.

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 EAPL and holds 10,000 ordinary shares of Rs. 10 each in EAPL.

2. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE GROUP'S FINANCIAL POSITION AND PERFORMANCE DURING THE PERIOD

Following is the summary of significant transactions and events affecting the Group's financial position and performance during the period:

2.1 During the period, the Holding Company sold land measuring approxmiately 60 acres situated within Plot No. EZ/I/P-II located at East Industrial Zone, Port Qasim, Karachi, for a consideration of Rs. 720,000, in pursuance of an agreement with Engro Polymer and Chemicals Limited (EPCL), an associated company.

2.2 The Holding Company has accrued Rs. 2,774,257 in lieu of Gas Infrastructure Development Cess during the period, accumulating the total accrual to Rs.15,350,658 as at June 30, 2019.

2.3 Through Finance Act 2019, the corporate tax rate for companies have been fixed at 29% for tax year 2019 and onwards, thereby withdrawing the previous 1% successive reduction in corporate tax rate up till tax year 2023 enacted through Finance Act 2018. The consequent increase in deferred tax liability and the corresponding deferred tax charge has been recognised in these consolidated condensed interim financial statements in accordance with the Group's accounting policy as disclosed in note 3.6.

(Amounts in thousand)

2.4 During the period, the Holding Company entered into an Agreement with the Parent Company for sale of its entire holding in its wholly owned subsidiary, EEF. Refer notes 1.2.1 and 8 for details.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

3.2 The cumulative figures for the half year ended June 30, 2019 presented in these consolidated condensed interim financial statements have been subjected to limited scope review by the auditors of the Group, 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, 2018.

3.3 The accounting policies and the methods of computation adopted in the preparation of these consolidated condensed interim financial statements are same as those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2018 except for changes stated in note 3.4.

3.4 New accounting standards, interpretations and amendments to approved accounting standards

a) Standards, interpretations and amendments to approved accounting standards that are effective for the period and are relevant to the Group.

There are certain new standards, interpretations and amendments to approved accounting standards which are applicable for the first time on the Group's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or have any significant effect on the Group's financial reporting, except as follows:

- IFRS 15 - 'Revenue from Contracts with Customers', supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

  The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Group has assessed that significant performance obligations in its contracts with the customers are discharged at a single point of time, and therefore there is no significant financial impact of IFRS 15 on the Group.

- IFRS 16 - 'Leases' replaces the previous standard IAS 17 - 'Leases'. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities on the statement of financial position for almost all leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases. The Group has assessed that application on this standard does not have any material financial impact on these consolidated condensed interim financial statements.

(Amounts in thousand)

- IFRS 9 - 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit and loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, without recycling of fair value changes to profit or loss.

  There is now a new expected credit losses model that replaces the incurred loss impairment model of IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

  The following is the summary of the Groups's assessment of impacts on consolidated condensed interim financial statements as at June 30, 2019 due to application of IFRS 9:

Particulars	Classfication & measurement category		Carrying amount		Difference
	Original (Under IAS 39)	New (Under IFRS 9)	Original (Under IAS 39)	New (Under IFRS 9)	
Non - current financial assets					
Long term loans and advances	Loans and receivables	Amortised cost	223,720	223,720	-
Current financial assets					
Trade debts	Loans and receivables	Amortised cost	7,285,912	7,285,912	-
Loans, advances and deposits	Loans and receivables	Amortised cost	768,378	768,378	-
Other receivables	Loans and receivables	Amortised cost	8,404,812	8,404,812	-
Short term investments:					
- Government Securities	Available for sale	Fair value through OCI	14,303,244	14,303,244	-
- Term Deposits / Placements with Banks	Held to maturity	Amortised cost	1,838,324	1,838,324	-
Accrued income	Loans and receivables	Amortised cost	119,616	119,616	-
Cash and bank balances	Loans and receivables	Amortised cost	1,155,425	1,155,425	-
Non - current financial liabilities					
Borrowings	Amortized cost	Amortised cost	28,712,531	28,712,531	-
Current financial liabilities					
Trade and other payables	Amortized cost	Amortised cost	29,843,826	29,843,826	-
Short term borrowings	Amortized cost	Amortised cost	1,529,184	1,529,184	-
Accrued interest / mark-up	Amortized cost	Amortised cost	481,283	481,283	-

  In light of the above requirements, certain changes have been made to the accounting policies of the Group. However, based on aforementioned assessment, there is no material current financial impact of these changes on the Group.

(Amounts in thousand)

b) Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following amendments to approved accounting standards are not yet effective. At present, the impact of application of these amendments on the Group's future financial statements is being assessed.

	Effective date (annual periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Amendments)	January 1, 2020
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020

3.5 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 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.

During the preparation of these consolidated condensed interim financial statements, the significant judgements and estimates made by the management are the same as those that were applied to annual financial statements of the Group for the year ended December 31, 2018.

3.6 Taxes on income in the interim periods are accrued using the effective tax rate that would be applicable to expected total annual profit or loss. Effective tax rate is computed by considering the impact of change in tax rate resulting from the amendment in Finance Act, 2019.

	Unaudited June 30, 2019	Audited December 31, 2018
4. PROPERTY, PLANT AND EQUIPMENT	Rupees	
Operating assets at net book value (note 4.1)	62,261,125	64,471,674
Capital work-in-progress (note 4.2)	4,853,229	3,159,249
Major spare parts and stand-by equipment	702,603	573,033
	67,816,957	68,203,956

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

	Unaudited			
	Additions (at cost)		Disposals (at net book value)	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Rupees			
Building on freehold land	18,482	21,269	-	-
Leasehold land	-	-	28,238	-
Plant and machinery	318,259	1,026,293	-	-
Office equipment	14,500	32,175	296	-
Vehicles	105,170	111,576	1,591	1,393
	456,411	1,191,313	30,125	1,393

The above disposals represent assets having a cost of Rs. 69,081 (June 30, 2018: Rs. 13,802) and net book value of Rs. 30,125 (June 30, 2018: Rs.1,393), which were disposed off for Rs. 724,332 (June 30, 2018: Rs. 8,836).

(Amounts in thousand)

		Unaudited June 30, 2019	Audited December 31, 2018
		Rupees	
4.2	Capital work-in-progress		
	Balance at begning of the period / year	3,159,249	3,396,331
	Add: Additions during the period / year	2,163,641	4,333,447
	Transferred to:		
	- operating assets	(456,411)	(4,529,819)
	- intangible assets	(13,250)	(40,710)
	Balance at end of the period / year	4,853,229	3,159,249
5.	SHORT TERM INVESTMENTS		
	Pakistan Investment Bonds	7,599,826	6,244,613
	Treasury Bills	5,470,108	-
	Sales tax refund bonds (note 5.1)	1,233,310	-
	Term Deposits Receipts	207,600	1,477,856
		14,510,844	7,722,469

5.1 These bonds have been received from the Federal Board of Revenue (FBR) in settlement of outstanding sales tax refunds upon election by the Holding Company under Section 67A of the Sales tax Act, 1990. These bonds will mature in three years and carry interest at the rate of 10% per annum payable on maturity.

		Unaudited June 30, 2019	Audited December 31, 2018
6.	BORROWINGS - Secured		
		Rupees	
	Long term finance utilized under mark-up arrangements (notes 6.1 and 6.2)	28,152,597	29,692,102
	Sukuk certificates (note 6.1)	559,934	1,118,527
		28,712,531	30,810,629
	Less: Current portion shown under current liabilities	7,188,251	5,095,584
	Balance at end of the period / year	21,524,280	25,715,045

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

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.

6.2 During the period, principal repayments of long term finances were made to Local Syndicate, Standard Chartered Bank Limited, Samba Bank Limited, Dubai Islamic Bank Limited and Subordinated Sukuk amounting to Rs. 1,522,042, Rs. 100,000, Rs. 50,000, Rs.200,000 and Rs. 560,000, respectively.

7. SHORT TERM BORROWINGS

Holding Company

The facilities for short term running finances, available from various banks, aggregate to Rs. 16,850,000 (December, 2018: Rs. 16,850,000). 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, 2019, the Holding Company has utilised Rs. 1,389,875 (December 31, 2018: Rs. 636,878) out of the aforementioned facilities.

(Amounts in thousand)

Subsidiary Companies

The facilities for short term running finances, available from various banks, aggregate to Rs. 14,217,000 (2018: Rs. 14,217,000). The rates of markup on the funded bank overdraft facilities ranged from 0.5% to 1.5% per annum over 1-month KIBOR. These facilities are secured by floating charge upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts, outstanding monies, receivable claims and bills of the Holding Company. As at June 30, 2019, the Company has utilised Rs. 139,309 (December 31, 2018: Rs. 373,090) out of the aforementioned facilities.

8. DISCONTINUED OPERATIONS

As explained in note 1.2.1, the Holding Company has classified its investment in EEF as held for sale. As a result, assets and liabilties of EEF have been classified as assets and liabilities attributatble to discontinued operations.

8.1 An analysis of assets and liabilities attributable to discontinued operations as at reporting date is as follows:

	Unaudited June 30, 2019
	Rupees
Assets attributable to discontinued operations	
Advances, deposits and prepayments	5,371
Accrued income	48,488
Short term investments	1,630,724
Balance with banks	45,219
	1,729,802
Liabilities associated with discontinued operations	
Service benefits obligations	661
Trade and other payables	16,770
	17,431
Net assets attributable to discontinued operations	1,712,371
Amount recognised in other comprehensive income and accumulated in equity relating to discontinued operations	684,571

8.2 Financial performance of discontinued operations is as follows:

	Unaudited			
	Quarter ended		Half year ended	
	June 30, 2019	**June 30, 2018**	**June 30, 2019**	**June 30, 2018**
	Rupees			
Administrative expenses	(1,472)	(2,229)	(2,490)	(5,256)
Other income	28,197	8,170	40,351	15,800
Other operating expenses	(544)	(275)	(968)	(275)
Finance cost	(678)	(444)	(707)	(663)
Profit before taxation	25,503	5,222	36,186	9,606
Taxation	-	-	-	-
Profit for the period	25,503	5,222	36,186	9,606
Other comprehensive income	254,101	67,474	275,754	127,965
Total comprehensive income for the period	279,604	72,696	311,940	137,571

(Amounts in thousand)

	Unaudited	
	June 30, 2019	June 30, 2018
	Rupees	
8.3 Cash flows attributable to discontinued operations:		
Net cash (utilised in) / generated from operating activites	(949)	68,363

9. CONTINGENCIES AND COMMITMENTS

Contingencies

9.1 Bank guarantees of Rs. 3,001,041 (December 31, 2018: Rs. 2,982,754) have been issued in favour of third parties.

9.2 Claims, including pending lawsuits, against the Group not acknowledged as debts amounted to Rs. 58,680 (December 31, 2018: Rs. 58,680).

9.3 In the year 2017, the High Court of Islamabad in its order dated June 8, 2017 declared that the income derived by M/s Snamprogetti Engineering (the Contractor) from its contract with the Holding Company, is subject to tax as per Clause 4 of Article 5 of Double Taxation Treaty between Pakistan and the Netherlands. As per the terms of the contract, the Holding Company is liable to reimburse the Contractor for any taxes applied to the income of the Contractor under the contract by the taxation authorities. In respect thereof, the Contractor preferred an appeal in the Supreme Court of Pakistan (SCP). During the period, the SCP decided the case on ex-parte basis against the Contractor. A review application for case restoration has been filed by the contractor with SCP.

The management of the Company based on the opinion of its legal counsel is confident that the chances of restoration application being allowed by SCP are good. Accordingly, no provision has been made in this respect for the potential exposure of Rs. 1,178,391.

9.4 Except as mentioned above, as at June 30, 2019, there is no material change in the status of matters reported as contingencies in the annual financial statements of the Group for the year ended December 31, 2018.

	Unaudited June 30, 2019	Audited December 31, 2018
9.5 Commitments	Rupees	
Commitments in respect of capital expenditure and other operational items	4,378,193	1,874,155

10. NET SALES

	Unaudited			
	Quarter ended		Half year ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Rupees			
Gross sales:				
- manufactured product	17,622,542	15,473,380	34,438,988	30,771,945
- purchased and packaged product	9,967,621	8,231,859	17,283,126	11,968,429
	27,590,163	23,705.239	51,722,144	42,740,374
Less: Sales tax	599,667	807,704	1,079,166	1,623,960
	26,990,496	22,897,535	50,642,948	41,116,414

(Amounts in thousand)

11. OTHER INCOME

	Unaudited			
	Quarter ended		Half year ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Rupees			
Income from sales under Government subsidy	-	312,701	-	1,304,329
On financial assets :				
Income on bank accounts	7,010	-	12,595	4,932
Income on treasury bills, term deposit certificates and Pakistan Investment Bonds	365,696	179,162	657,722	312,239
	372,706	179,162	670,317	317,171
On non-financial assets :				
Gain on disposal of property, plant and equipment	71	7,403	694,208	7,443
Reversal of liability for workers welfare fund - net	999,423	-	999,423	-
Gain on disposal of spares / scrap	29,469	109	30,783	2,174
Others	25,084	10,012	43,651	22,969
	1,054,047	17,524	1,768,065	32,586
	1,426,753	509,387	2,438,382	1,654,086

12. TAXATION

12.1 During the period, the income tax department amended the assessment filed by the Holding Company for the tax years 2015, 2016 and 2017. The Holding Company has filed appeals thereagainst before the Commissioner Inland Revenue Appeals (CIRA) for disallowances made in the orders, which mainly included proration of expenses to exempt/FTR incomes, exchange loss disallowances, loss on derivatives and losses purchased from Engro Eximp Agriproducts Limited under section 59B of the Income Tax Ordinance, 2001, resulting in cumulative addition of Rs. 16,173,826 to taxable income of these tax years. The Holding Company is confident of a favorable outcome of the appeals.

12.2 Pursuant to the approval of the Board of Directors of the Holding Company on May 10, 2019, the Holding Company withdrew its cases pending in Sindh High Court in respect of Alternate Corporate tax (ACT) for tax years 2014 to 2016 and discharged the related tax liability amounting to Rs. 1,995,054.

13. CASH GENERATED FROM OPERATIONS

	Unaudited	
	June 30, 2019	June 30, 2018
	Rupees	
Profit before taxation	11,575,694	10,431,768
Less: Profit attributable to discontinued operations	(36,186)	(9,606)
	11,539,508	10,422,162
Adjustment for non-cash charges and other items:		
Depreciation	2,636,835	2,599,336
Amortization of intangibles	16,788	13,822
Amortization of deferred income	(1,925)	(1,925)
Gain on disposal of property, plant and equipment	(694,208)	(7,443)
Provision for service benefits	41,169	35,227
Income on deposits / other financial assets	(645,113)	(301,371)
Financial charges	1,685,203	878,714
Exchane loss on revaluation of long term borrowings	320,850	-
Amortisation of transaction cost on borrowings	13,094	6,764
Provision for doubt-ful trade debts	13,371	1,332
Provision for net realisable value of stock in trade	33,319	-
Provision for surplus and slow moving stores and spares	7,550	14,816
Working capital changes (note 13.1)	8,521,250	5,438,889
	23,487,691	19,100,323

(Amounts in thousand)

	Unaudited June 30, 2019	Unaudited June 30, 2018
	Rupees	
13.1 Working capital changes		
Decrease / (Increase) in current assets		
- Stores, spares and loose tools	(12,525)	(40,532)
- Stock-in-trade	4,940,881	(349,242)
- Trade debts	1,810,388	(686,875)
- Loans, advances, deposits and prepayments	388,533	314,918
- Other receivables - net	638,845	1,387,706
	7,766,122	625,975
Increase in trade and other payables	755,128	4,812,914
	8,521,250	5,438,889

14. CASH AND CASH EQUIVALENTS

	June 30, 2019	June 30, 2018
Cash and bank balances	1,155,425	601,762
Short term investments	5,475,708	8,421,503
Short term borrowings	(1,529,184)	(2,354,484)
	5,101,949	6,668,781

15. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

15.1 Financial risk factors

The 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.

15.2 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				
Short term investments				
Fair value through OCI	-	14,308,844	-	14,308,844

Level 2 - The fair valued financial instruments comprise Pakistan Investment Bonds, Treasury Bills and Sales tax refund bonds which are valued using discounted cash flow model. There were no transfers amongst the levels during the period.

(Amounts in thousand)

15.3 Fair value of financial assets and liabilities

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

16. 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	
	June 30, 2019	June 30, 2018
	Rupees	
Parent company		
Purchases and services received	271,773	204,349
Services provided	33,813	26,030
Royalty charged to the Company	508,211	436,816
Reimbursements made:		
- to the Company	18,726	34,188
- by the Company	130,583	19,303
Dividend paid by the Company	2,253,936	2,253,936
Expenses incurred on behalf of the Company	7,906	3,614
Associated companies		
Purchases and services received	87,885	47,608
Services provided by the Company	18,764	50,664
Advance received against sale of land	-	14,400
Reimbursements made:		
- by the Company	32,355	9,227
- to the Company	2,141	33,971
Contribution to Engro Foundation under Corporate Social Responsibility	14,500	41,000
Proceeds against sale of land	705,600	-
Proceeds against sale of products	1,020	-
Dividend paid to trustees of Engro Foods Limited Gratuity Fund	237	306
Contribution to staff retirement benefits		
Pension fund	5,019	9,325
Gratuity fund	62,091	60,371
Provident fund	68,485	65,970
Dividend paid to staff retirement benefits		
Pension fund	267	429
Gratuity fund	974	909
Provident fund	1,836	1,988
Others		
Remuneration of key management personnel	148,886	128,030

(Amounts in thousand)

17. 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.

18. 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.

19. NON-ADJUSTING EVENT AFTER STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors in its meeting held on August 8, 2019 has approved an interim cash dividend of Rs. 5 per share for the year ending December 31, 2019 amounting to Rs. 6,676,497.These consolidated condensed interim financial statements do not include the effect of the said interim dividend.

20. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue on August 8, 2019 by the Board of Directors of the Holding Company.

Imran Ahmed	Nadir Salar Qureshi	Ghias Khan
Chief Financial Officer	Chief Executive	Chairman

engro fertilizers

condensed interim financial statements (unaudited) for the half year ended june 30, 2019

pwc

A·F·FERGUSON&Co.

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, 2019 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and 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 other comprehensive income for the quarters ended June 30, 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2019.

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 Aftab Sheikh.

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Date: August 27, 2019

condensed interim statement of financial position as at june 30, 2019

(Amounts in thousand)

	Note	Unaudited June 30, 2019	Audited December 31, 2018
		Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	4	67,816,957	68,203,956
Intangible assets		4,484,233	4,487,771
Investment in subsidiaries	7	100	560,416
Long term loans and advances		221,519	140,784
		72,522,809	73,392,927
Current assets			
Stores, spares and loose tools		5,330,262	5,325,287
Stock-in-trade		3,250,132	2,959,696
Trade debts		2,314,441	2,374,797
Working capital loan to subsidiary	5	10,231,460	13,677,700
Loans, advances, deposits and prepayments		426,559	702,171
Other receivables		7,734,783	8,299,348
Accrued income		392,303	439,345
Short term investments	6	14,505,244	6,334,613
Cash and bank balances		1,106,741	642,060
		45,291,925	40,755,017
Investment - held for sale	7	560,316	-
TOTAL ASSETS		118,375,050	114,147,944

(Amounts in thousand)

	Note	Unaudited June 30, 2019	Audited December 31, 2018
		Rupees	
EQUITY & LIABILITIES			
Equity			
Share capital		13,352,993	13,352,993
Reserves			
Share premium		3,384,904	3,384,904
Reserve on amalgamation		(304,027)	(304,027)
Remeasurement of post employment benefits		(45,083)	(45,083)
Unappropriated profit		31,117,549	26,606,961
		34,153,343	29,642,755
TOTAL EQUITY		47,506,336	42,995,748
Liabilities			
Non-current liabilities			
Borrowings	8	21,524,280	25,715,045
Deferred taxation		7,567,400	7,100,022
Deferred liabilities		235,393	252,050
		29,327,073	33,067,117
Current liabilities			
Trade and other payables		31,756,302	28,626,619
Accrued interest / mark-up		480,706	405,620
Taxes payable		611,183	3,203,439
Current portion of:			
- borrowings	8	7,188,251	5,095,584
- deferred liabilities		50,374	51,267
Short term borrowings	9	1,389,875	636,878
Unclaimed dividend		64,950	65,672
		41,541,641	38,085,079
TOTAL LIABILITIES		70,868,714	71,152,196
Contingencies and Commitments	10		
TOTAL EQUITY & LIABILITIES		118,375,050	114,147,944

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

Imran Ahmed Chief Financial Officer	Nadir Salar Qureshi Chief Executive	Ghias Khan Chairman

condensed interim statement of profit or loss and other comprehensive income (unaudited)
for the half year ended june 30, 2019

(Amounts in thousand except for earnings per share)

	Note	Quarter ended		Half year ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
		Rupees			
Net sales	11	17,702,013	15,229,669	34,341,843	30,141,488
Cost of sales		(10,467,115)	(9,937,195)	(20,634,346)	(18,190,476)
Gross profit		7,234,898	5,292,474	13,707,497	11,951,012
Selling and distribution expenses		(1,382,636)	(1,324,279)	(2,768,989)	(2,762,551)
Administrative expenses		(297,102)	(269,831)	(563,373)	(492,180)
		5,555,160	3,698,364	10,375,135	8,696,281
Other income	12	3,392,190	763,682	4,810,584	1,976,290
Other operating expenses		(580,149)	(123,306)	(985,214)	(570,814)
Finance cost		(1,219,886)	(373,813)	(2,036,173)	(876,561)
		(1,800,035)	(497,119)	(3,021,387)	(1,447,375)
Profit before taxation		7,147,315	3,964,927	12,164,332	9,225,196
Taxation	13	(2,458,630)	(1,152,158)	(3,647,846)	(2,703,688)
Profit for the period		4,688,685	2,812,769	8,516,486	6,521,508
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		4,688,685	2,812,769	8,516,486	6,521,508
Earnings per share - basic and diluted		3.51	2.11	6.38	4.88

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

condensed interim statement of changes in equity (unaudited) for the half year ended june 30, 2019

(Amounts in thousand)

	Share capital	RESERVES – CAPITAL – Share premium	RESERVES – CAPITAL – Reserve on amalgamation	RESERVES – REVENUE – Remeasurement of post employment benefits	RESERVES – REVENUE – Unappropriated profit	Total
	Rupees					
Balance as at January 1, 2019 (Audited)	13,352,993	3,384,904	(304,027)	(45,083)	26,606,961	42,995,748
Transaction with owners:						
Final dividend for the year ended December 31, 2018 @ Rs. 3 per share	-	-	-	-	(4,005,898)	(4,005,898)
Total comprehensive income for the half year ended June 30, 2019						
Profit for the period	-	-	-	-	8,516,486	8,516,486
Balance as at June 30, 2019 (Unaudited)	13,352,993	3,384,904	(304,027)	(45,083)	31,117,549	47,506,336
Balance as at January 1, 2018 (Audited)	13,352,993	3,384,904	(304,027)	(47,669)	24,626,571	41,012,772
Transaction with owners						
Final dividend for the year ended December 31, 2017 @ Rs. 3 per share	-	-	-	-	(4,005,898)	(4,005,898)
Total comprehensive income for the half year ended June 30, 2018						
Profit for the period	-	-	-	-	6,521,508	6,521,508
Balance as at June 30, 2018 (Unaudited)	13,352,993	3,384,904	(304,027)	(47,669)	27,142,181	43,528,382

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

condensed interim statement of cash flows (unaudited)
for the half year ended june 30, 2019

(Amounts in thousand)

	Note	Half year ended June 30, 2019	Half year ended June 30, 2018
		Rupees	
Cash flows from operating activities			
Cash generated from operations	14	18,621,169	17,425,342
Retirement and other service benefits paid		(56,048)	(48,862)
Taxes paid		(5,772,727)	(1,240,574)
Finance cost paid		(1,627,143)	(1,064,536)
Long term loans and advances - net		(54,382)	(30,931)
Net cash generated from operating activities		11,110,869	15,040,439
Cash flows from investing activities			
Purchases of property, plant and equipment and intangibles		(2,293,211)	(2,095,503)
Proceeds from disposal of property, plant and equipment		724,332	8,836
Disbursement of working capital loan to subsidiary		(9,384,300)	(9,373,530)
Payment received against working capital loan to subsidiary		12,830,540	7,436,400
Purchase of short term investments		(17,719,593)	(29,538,832)
Proceeds from sale of short term investments		14,929,070	30,188,356
Income on deposits / other financial assets		1,332,747	334,064
Net cash generated from / (utilised in) investing activities		419,585	(3,040,209)
Cash flows from financing activities			
Proceeds from borrowings - net		-	3,000,000
Repayments of long term borrowings		(2,432,042)	(7,376,667)
Dividends paid		(4,006,620)	(3,987,076)
Net cash utilised in financing activities		(6,438,662)	(8,363,743)
Net increase in cash and cash equivalents		5,091,792	3,636,488
Cash and cash equivalents at beginning of the period		95,182	2,032,585
Cash and cash equivalents at end of the period	15	5,186,974	5,669,073

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

notes to and forming part of the condensed interim financial statements (unaudited) for the half year ended june 30, 2019

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 Engro Fertilizers Limited ('the Company') is a public company incorporated in Pakistan on June 29, 2009, as a wholly owned subsidiary of Engro Corporation Limited (the Holding Company), which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The Company is listed on Pakistan Stock Exchange Limited (PSX). The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers. The registered head office of the Company is situated at 7th and 8th floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.

2. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE DURING THE PERIOD

Following is the summary of significant transactions and events affecting the Company's financial position and performance during the period:

2.1 During the period, the Company sold land measuring approximately 60 acres situated within Plot No. EZ/I/P-II located at East Industrial Zone, Port Qasim, Karachi, for a consideration of Rs. 720,000 in pursuance of an agreement with Engro Polymer and Chemicals Limited (EPCL), an associated company.

2.2 The Company has accrued Rs.2,774,257 in lieu of Gas Infrastructure Development Cess during the period, accumulating the total accrual to Rs.15,350,658 as at June 30, 2019.

2.3 Through Finance Act 2019, the corporate tax rate for companies have been fixed at 29% for tax year 2019 and onwards, thereby withdrawing the previous 1% successive reduction in corporate tax rate up till tax year 2023 enacted through Finance Act 2018. The consequent increase in deferred tax liability and the corresponding deferred tax charge has been recognised in these condensed interim financial statements in accordance with the Company's accounting policy as disclosed in note 3.6.

2.4 During the period, the Company entered into a Share Purchase Agreement with the Holding Company for sale of its entire holding in its wholly owned subsidiary, Engro Eximp FZE (EEF). Refer note 7 for details.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards applicable in Pakistan for interim financial reporting. The accounting and reporting standards 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 (the Act); and
- provisions of and directives issued under the Act.

Where the provisions of or directives issued under the Act differs with the requirements of IAS 34, the provisions of and directives issued under the Act have been followed.

3.2 These condensed interim financial statements represent 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 are presented separately. The cumulative figures for the half year ended June 30, 2019 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, 2018.

3.3 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are same as those applied in the preparation of the annual financial statements of the Company for the year ended December 31, 2018 except for changes stated in note 3.4.

3.4 New accounting standards, interpretations and amendments to approved accounting standards

a) Standards, interpretations and amendments to approved accounting standards that are effective for the period and are relevant to the Company

There are certain new standards, interpretations and amendments to approved accounting standards which are applicable for the first time on the Company's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or have any significant effect on the Company's financial reporting, except as follows:

- IFRS 15 - 'Revenue from Contracts with Customers', supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

(Amounts in thousand)

The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Company has assessed that significant performance obligations in its contracts with the customers are discharged at a single point of time, and therefore there is no significant financial impact of IFRS 15 on the Company.

- IFRS 16 - 'Leases' replaces the previous standard IAS 17 - 'Leases'. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities on the statement of financial position for almost all leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases. The Company has assessed that application of this standard does not have any financial impact on these condensed interim financial statements.

- IFRS 9 - 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, without recycling of fair value changes to profit or loss.

There is now a new expected credit losses model that replaces the incurred loss impairment model of IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

The following is the summary of the Company's assessment of impacts on condensed interim financial statements due to application of IFRS 9:

Particulars	Classfication & measurement category		Carrying amount		Difference
	Original (Under IAS 39)	New (Under IFRS 9)	Original (Under IAS 39)	New (Under IFRS 9)	
Non - Current financial assets					
Long term loans and advances	Loans and receivables	Amortised cost	221,519	221,519	-
Current financial assets					
Trade debts	Loans and receivables	Amortised cost	2,314,441	2,314,441	-
Working capital loan to subsidiary	Loans and receivables	Amortised cost	10,231,460	10,231,460	-
Loans, advances and deposits	Loans and receivables	Amortised cost	426,559	426,559	-
Other receivables	Loans and receivables	Amortised cost	7,734,783	7,734,783	-
Short term investments:					
- Government Securities	Available for sale	Fair value through OCI	14,303,244	14,303,244	-
- Term Deposits / Placements with Banks	Held to maturity	Amortised cost	202,000	202,000	-
Accrued income	Loans and receivables	Amortised cost	392,303	392,303	-
Cash and bank balances	Loans and receivables	Amortised cost	1,106,741	1,106,741	-
Non current financial liabilities					
Borrowings	Amortized cost	Amortised cost	21,524,280	21,524,280	-
Current financial liabilities					
Trade and other payables	Amortized cost	Amortised cost	31,756,302	31,756,302	-
Short term borrowings	Amortized cost	Amortised cost	1,389,875	1,389,875	-
Accrued interest / mark-up	Amortized cost	Amortised cost	480,706	480,706	-

In light of the above requirements, certain changes have been made to the accounting policies of the Company. However, based on aforementioned assessment, there is no material current financial impact of these changes on the Company.

(Amounts in thousand)

b) Standards, interpretations and amendments to approved accounting standards that are not yet effective.

The following amendments to approved accounting standards that are not yet effective. At present, the impact of application of these amendments on the Company's future financial statements is being assessed.

	Effective date (annual periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Amendments)	January 1, 2020
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020

3.5 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 and estimates made by the management are the same as those that were applied to annual financial statements of the Company for the year ended December 31, 2018.

3.6 Taxes on income in the interim periods are accrued using the effective tax rate that would be applicable to expected total annual profit or loss. Effective tax rate is computed by considering the impact of change in tax rate resulting from the amendment in Finance Act, 2019.

4. PROPERTY, PLANT AND EQUIPMENT	Unaudited June 30, 2019	Audited December 31, 2018
	Rupees	
Operating assets at net book value (note 4.1)	62,261,125	64,471,674
Capital work-in-progress (note 4.2)	4,853,229	3,159,249
Major spare parts and stand-by equipment	702,603	573,033
	67,816,957	68,203,956

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

	Unaudited			
	Additions (at cost)		Disposals (at net book value)	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Rupees			
Building on freehold land	18,482	21,269	-	-
Leasehold land	-	-	28,238	-
Plant and machinery	318,259	1,026,293	-	-
Office equipment	14,500	32,175	296	-
Vehicles	105,170	111,576	1,591	1,393
	456,411	1,191,313	30,125	1,393

The above disposals represent assets having a cost of Rs. 69,081 (June 30, 2018: Rs. 13,802) and net book value of Rs. 30,125 (June 30, 2018: Rs.1,393), which were disposed off for Rs. 724,332 (June 30, 2018: Rs. 8,836).

(Amounts in thousand)

		Unaudited June 30, 2019	Audited December 31, 2018
		Rupees	
4.2	Capital work-in-progress		
	Balance at beginning of the period / year	3,159,249	3,396,331
	Add: Additions during the period / year	2,163,641	4,333,447
	Transferred to:		
	- operating assets	(456,411)	(4,529,819)
	- intangible assets	(13,250)	(40,710)
	Balance at end of the period / year	4,853,229	3,159,249

5. WORKING CAPITAL LOAN TO SUBSIDIARY

The working capital loan facility limit provided to EFert Agritrade (Private) Limited (EAPL) has been extended to Rs. 19,000,000. The mark-up on this loan is receivable at the rate of 1 month KIBOR + 0.5% on quarterly basis.The total facility availed by EAPL at the period end amounts to Rs. 10,231,460 (December 31, 2018: Rs. 13,677,700).

		Unaudited June 30, 2019	Audited December 31, 2018
6.	SHORT TERM INVESTMENTS	Rupees	
	Pakistan Investment Bonds	7,599,826	6,244,613
	Treasury Bills	5,470,108	-
	Sales tax refund bonds (note 6.1)	1,233,310	-
	Others	202,000	90,000
		14,505,244	6,334,613

6.1 These bonds have been received from the Federal Board of Revenue (FBR) in settlement of outstanding sales tax refunds upon election by the Company under Section 67A of the Sales tax Act, 1990. These bonds will mature in three years and carry interest at the rate of 10% per annum payable on maturity.

7. INVESTMENT - HELD FOR SALE

The Company entered into an Share Purchase Agreement (the Agreement) with the Parent Company for sale of its entire holding in its subsidiary Engro Eximp FZE (EEF) effective July 17, 2019.

EEF was incorporated in the Jebel Ali Free Zone, Emirate of Dubai, on August 4, 2011. As at the reporting date, the Company holds this investment at a cost of Rs. 560,316. Through the Agreement, the Parent Company has agreed to purchase 100% holding of the Company in EEF for a total consideration of Rs. 1,972,505.

		Unaudited June 30, 2019	Audited December 31, 2018
8.	BORROWINGS - Secured	Rupees	
	Long term finance utilised under mark-up arrangements (notes 8.1 and 8.2)	28,152,597	29,692,102
	Sukuk Certificates (note 8.1)	559,934	1,118,527
		28,712,531	30,810,629
	Less: Current portion shown under current liabilities	7,188,251	5,095,584
	Balance at end of the period / year	21,524,280	25,715,045

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

(Amounts in thousand)

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.

8.2 During the period, principal repayments of long term finances were made to Local Syndicate, Standard Chartered Bank Limited, Samba Bank Limited, Dubai Islamic Bank Limited and Subordinated Sukuk amounting to Rs. 1,522,042, Rs. 100,000, Rs. 50,000, Rs.200,000 and Rs. 560,000, respectively.

9. SHORT TERM BORROWINGS

The facilities for short term running finances, available from various banks, aggregate to Rs. 16,850,000 (December 31, 2018: Rs. 16,850,000). 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, 2019, the Company has utilised Rs. 1,389,875 (December 31, 2018: Rs. 636,878) out of the aforementioned facilities.

10. CONTINGENCIES AND COMMITMENTS

Contingencies

10.1 Bank guarantees of Rs. 2,601,041 (December 31, 2018: Rs. 2,582,754) have been issued in favour of third parties.

10.2 Claims, including pending lawsuits, against the Company not acknowledged as debts amounted to Rs. 58,680 (December 31, 2018: Rs. 58,680).

10.3 In the year 2017, the High Court of Islamabad in its order dated June 8, 2017 declared that the income derived by M/s Snamprogetti Engineering (the Contractor) from its contract with the Company, is subject to tax as per Clause 4 of Article 5 of Double Taxation Treaty between Pakistan and the Netherlands. As per the terms of the contract, the Company is liable to reimburse the Contractor for any taxes applied to the income of the Contractor under the contract by the taxation authorities. In respect thereof, the Contractor preferred an appeal in the Supreme Court of Pakistan (SCP). During the period, the SCP decided the case on ex-parte basis against the Contractor. A review application for case restoration has been filed by the Contractor with SCP. The management of the Company based on the opinion of its legal counsel is confident that the chances of restoration application being allowed by SCP are good. Accordingly, no provision has been made in this respect for the potential exposure of Rs. 1,178,391.

10.4 Except as mentioned above, as at June 30, 2019, there is no material change in the status of matters reported as contingencies in the annual financial statements of the Company for the year ended December 31, 2018.

10.5 Commitments	Unaudited June 30, 2019	Audited December 31, 2018
	Rupees	
Commitments in respect of capital expenditure and other operational items	1,702,883	1,684,473

11. NET SALES

	Unaudited			
	Quarter ended		Half year ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Rupees			
Gross sales:				
- manufactured product	17,622,543	15,883,767	34,438,989	30,771,945
- purchased and packaged product	426,423	84,370	580,911	865,155
	18,048,966	15,968,137	35,019,900	31,637,100
Less: Sales tax	346,953	738,468	678,057	1,495,612
	17,702,013	15,229,669	34,341,843	30,141,488

(Amounts in thousand)

12. OTHER INCOME

	Unaudited			
	Quarter ended		Half year ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Rupees			
Income from sales under Government subsidy	-	312,701	-	1,304,329
On financial assets				
Income on bank accounts	7,010	-	12,595	4,931
Mark-up on working capital loan to subsidiary	321,175	73,042	640,736	114,163
Income on treasury bills, term deposit certificates and Pakistan Investment Bonds	352,502	170,991	632,374	296,438
Dividend income	1,546,735	69,088	1,546,735	69,088
	2,227,422	313,121	2,832,440	484,620
On non-financial assets				
Commission income	132,834	108,018	232,193	154,755
Gain on disposal of property, plant and equipment	71	7,403	694,208	7,443
Reversal of liability for workers' welfare fund	999,423	-	999,423	-
Gain on disposal of spares / scrap	29,469	109	30,783	2,174
Others	2,971	22,330	21,537	22,969
	1,164,768	137,860	1,978,144	187,341
	3,392,190	763,682	4,810,584	1,976,290

13. TAXATION

13.1 During the period, the income tax department amended the assessment filed by the Company for the tax years 2015, 2016 and 2017. The Company has filed appeals thereagainst before the Commissioner Inland Revenue Appeals (CIRA) for disallowances made in the orders which mainly included proration of expenses to exempt/FTR incomes, exchange loss disallowances, loss on derivatives and losses purchased from Engro Eximp Agriproducts Limited under section 59B of the Income Tax Ordinance, 2001, resulting in cumulative addition of Rs. 16,173,826 to taxable income of these tax years. The Company is confident of a favorable outcome of the appeals.

13.2 Pursuant to the approval of the Board of Directors of the Company on May 10, 2019, the Company withdrew its cases pending in Sindh High Court in respect of Alternate Corporate tax (ACT) for tax years 2014 to 2016 and discharged the related tax liability amounting to Rs. 1,995,054.

14. CASH GENERATED FROM OPERATIONS

	Unaudited	
	June 30, 2019	June 30, 2018
	Rupees	
Profit before taxation	12,164,332	9,225,196
Adjustment for non-cash charges and other items:		
Depreciation	2,636,835	2,599,336
Amortization of intangibles	16,788	13,822
Amortization of deferred income	(1,925)	(1,925)
Gain on disposal of property, plant and equipment	(694,208)	(7,443)
Provision for service benefits	40,430	33,511
Income on deposits / other financial assets	(1,285,705)	(301,369)
Financial charges	1,702,229	876,561
Exchange loss on revaluation of long term borrowings	320,850	-
Amortization of transaction cost on borrowings	13,094	6,764
Provision for doubt-ful trade debts	13,371	1,332
Provision for net realisable value of stock-in-trade	33,319	-
Provision for surplus and slow moving stores and spares	7,550	14,816
Working capital changes (note 14.1)	3,654,209	4,964,741
	18,621,169	17,425,342

(Amounts in thousand)

	Unaudited June 30, 2019	Unaudited June 30, 2018
	Rupees	
14.1 Working capital changes		
Decrease / (Increase) in current assets		
- Stores, spares and loose tools	(12,525)	(40,532)
- Stock-in-trade	(323,755)	658,443
- Trade debts	46,985	70,435
- Loans, advances, deposits and prepayments	249,259	272,939
- Other receivables	564,565	1,454,405
	524,529	2,415,690
Increase in trade and other payables	3,129,680	2,549,051
	3,654,209	4,964,741

15. CASH AND CASH EQUIVALENTS

	June 30, 2019	June 30, 2018
Cash and bank balances	1,106,741	558,900
Short term investments	5,470,108	7,237,240
Short term borrowings	(1,389,875)	(2,127,067)
	5,186,974	5,669,073

16. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

16.1 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.

16.2 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
Assets	Rupees			
Short term investments				
Fair value through OCI	-	14,303,244	-	14,303,244

Level 2 - The fair valued financial instruments comprise Pakistan Investment Bonds, Treasury Bills and Sales tax refund bonds which are valued using discounted cash flow model. There were no transfers amongst the levels during the period.

(Amounts in thousand)

16.3 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.

17. 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	
	June 30, 2019	June 30, 2018
	Rupees	
Parent company		
Purchases and services received	271,773	204,349
Services provided	33,813	26,030
Royalty charged to the Company	508,211	436,816
Reimbursements made:		
- to the Company	18,726	34,188
- by the Company	130,583	19,303
Dividend paid by the Company	2,253,936	2,253,936
Subsidiary companies		
Reimbursements made:		
- by the Company	2,081	28,833
- to the Company	15,604	103,236
Dividend received by the Company	1,546,735	69,088
Payment of funds collected against sales made on behalf of subsidiary	16,044,660	12,616,210
Disbursements of working capital loan to subsidiary	9,384,300	9,373,530
Repayment received against working capital loan to subsidiary	12,830,540	7,436,400
Mark-up received on working capital loan to subsidiary	640,736	114,163
Commission income earned from subsidiary	232,193	154,755
Associated companies		
Purchases and services received	87,885	47,608
Services provided by the Company	18,764	50,664
Advance received against sale of land	-	14,400
Reimbursements made:		
- by the Company	32,355	9,227
- to the Company	2,141	33,971
Contribution to Engro Foundation under Corporate Social Responsibility	14,500	41,000
Proceeds against sale of land	705,600	-
Proceeds against sale of products	1,020	-
Dividend paid to trustees of Engro Foods Limited Gratuity Fund	237	306
Contribution to staff retirement benefits		
Pension fund	5,019	9,325
Gratuity fund	61,352	59,785
Provident fund	67,597	65,267

	Unaudited	
	June 30, 2019	June 30, 2018
	Rupees	
Dividend paid to staff retirement benefits		
Pension fund	267	429
Gratuity fund	974	909
Provident fund	1,836	1,988
Others		
Remuneration of key management personnel	138,388	117,850

18. 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.

19. 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 and other 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.

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

20. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on August 8, 2019 has approved an interim cash dividend of Rs. 5 per share for the year ending December 31, 2019 amounting to Rs. 6,676,497.These condensed interim financial statements do not include the effect of the said interim dividend.

21. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on August 8, 2019 by the Board of Directors of the Company.

Imran Ahmed Chief Financial Officer	Nadir Salar Qureshi Chief Executive	Ghias Khan Chairman

کوئی جی آئی ڈی سی ادا نہیں کیا جا رہا، اور نہ ہی واجب الادا ہے۔ رعایتی گیس پر جی آئی ڈی سی کا اطلاق فرٹیلائزر پالیسی اور ہمارے گیس فراہمی کے معاہدوں کی براہِ راست خلاف ورزی ہے، جن کی بنیاد پر ہم نے اپنی فرٹیلائزر کی پیداواری گنجائش کو بڑھانے کے لیے 1.1 بلین امریکی ڈالرز کی سرمایہ کاری کی تھی۔

مذکورہ سہ ماہی کے دوران، کمپنی نے واجب الوصول سیلز ٹیکس کے تصفیے کے لیے، ری فنڈ پروسیسنگ آرڈرز (RPOs) کے تحت 1.4 بلین روپے مالیت کے سیلز ٹیکس ری فنڈ بونڈز وصول کیے۔ یہ بونڈز ثانوی مارکیٹس میں قابلِ تجارت ہیں اور 3 سالہ مدّت میں واجب الادا 10 فیصد کی سالانہ شرحِ سود کے حامل ہیں۔

دیگر اہم معاملات

سہ ماہی کے دوران، کمپنی کے شیئر ہولڈرز نے 27 مئی 2019 کو ہونے والے غیر معمولی اجلاسِ عام میں، اس کے ایک ذیلی ادارے Engro Eximp FZE کے تصفیے کی منظوری دی۔ مذکورہ ذیلی ادارے کی درجہ بندی 30 جون 2019 کو ختم ہونے والی ششماہی کے مالیاتی گوشواروں میں تحویل برائے فروخت کے طور پر کی گئی ہے۔

مالیاتی گوشواروں میں ایک دفعہ مؤخر شدہ ٹیکس چارج بھی شامل ہے جو 29 فیصد کی منجمد شرح ٹیکس کے بجٹ اعلان کے نتیجے میں لاگو ہوا ہے، جس کا گزشتہ اعلان فنانس بل 2018 میں شرح ٹیکس کو 25 فیصد تک کم کرنے کے حوالے سے تھا۔

اس مدّت کے دوران، کمپنی نے اپنی ایک منسلکہ کمپنی اینگرو پولیمر لمیٹڈ کو غیر منقولہ املاک فروخت کی اور 678 ملین روپے کا منافع حاصل کیا۔

اگلی میعاد کا منظر نامہ

آئندہ بھی مقامی یوریا کی طلب مستحکم رہنے کی توقع ہے۔ جی آئی ڈی سی کا معاملہ حل ہونے کے بعد منافع جات پر دباؤ کی صورتحال بھی متوازن ہونے کی توقع ہے۔ ڈی اے پی کے حوالے سے بین الاقوامی قیمتیں تیسری سہ ماہی میں (350 تا 355 امریکی ڈالرز فی ٹن) کی حد میں مستحکم رہنے کی توقع ہے۔ روپے کی قدر میں مسلسل کمی اور بجٹ کے حوالے سے حالیہ اقدامات کے باعث قیمتیں بڑھنے سے فاسفیٹس اور دیگر امپورٹڈ فرٹیلائزرز کی طلب محدود رہنے کا امکان ہے۔

غیاث خان
چیئرمین

نادر سالار قریشی
چیف ایگزیکیٹو آفیسر

کمپنی کی عملی کارکردگی

تحفظ کے پہلو سے آغاز کرتے ہوئے، دونوں پلانٹس پر ترقیاتی کام عمل میں لائے گئے جو کہ وسعت اور پیمانے کے لحاظ سے نمایاں حیثیت کے حامل تھے اور انھیں کسی خاطر خواہ چوٹ یا جسمانی نقصان کے بغیر مکمل کر لیا گیا۔

کمپنی کی جانب سے یوریا کی پیداوار سال 2019 کی پہلی ششماہی میں 906 کے ٹی رہی جو کہ گزشتہ سال اسی مدّت کے دوران 931 کے ٹی تھی، گویا 2019 کی دوسری ششماہی میں بنیادی طور پر دونوں پلانٹس کے ترقیاتی کاموں کے باعث اس میں سال بہ سال 3 فیصد کی کمی ہوئی۔ زیرِ جائزہ مدّت کے دوران فروخت، سال 2019 کی پہلی ششماہی میں 994 کے ٹی کے مقابلے میں 887 کے ٹی رہی، یعنی کم پیداوار کے باعث اس میں سال بہ سال 11 فیصد کی کمی دیکھنے میں آئی۔ مجموعی طور پر، ایل این جی سے چلنے والے پلانٹس اور امپورٹڈ یوریا کی فروخت کے باعث مذکورہ مدّت میں کمپنی کا یوریا کی مقامی مارکیٹ میں شیئر، سال 2018 کی پہلی ششماہی میں 36 فیصد (برانڈ ڈ یوریا کا مارکیٹ شیئر: 36 فیصد) کے مقابلے میں 31 فیصد (برانڈ ڈ یوریا کا مارکیٹ شیئر: 32 فیصد) رہا۔

2019 کی پہلی ششماہی میں اینگرو فرٹیلائزرز کی ڈی اے پی اور زورآور کی فروخت 198 کے ٹی رہیں جو کہ گزشتہ سال 174 کے ٹی تھیں، گویا اس میں سال بہ سال 14 فیصد کا اضافہ ہوا، نتیجتاً اس کا مارکیٹ شیئر گزشتہ سال کی اسی مدّت کے دوران 26 فیصد سے بڑھ کر 31 فیصد ہو گیا۔

کمپنی کی بلینڈڈ فرٹیلائزر (زرخیز، اینگرو MOP/SOP/ASNP) کی فروخت گزشتہ سال کی اسی مدّت کے دوران 81 کے ٹی کے مقابلے میں سال 2019 کی پہلی ششماہی میں 56 فیصد کے اضافے سے 126 کے ٹی ہو گئی۔ پوٹاش کی مجموعی مارکیٹ کم ہو کر 19 کے ٹی ہو گئی جو کہ سال 2018 کی پہلی ششماہی میں 21 کے ٹی تھی، جس کی وجہ گزشتہ سال کے مقابلے میں قیمتوں کا زیادہ ہونا تھا۔ مسابقتی قیمتوں کے باعث کمپنی کا پوٹاش مارکیٹ شیئر گزشتہ سال کے 49 فیصد سے بڑھ کر مذکورہ ششماہی میں 66 فیصد ہو گیا۔

کمپنی کا مجموعی منافع، گزشتہ سال کی اسی مدّت کے 14.0 بلین روپے کے مقابلے میں سال 2019 کی پہلی ششماہی میں 15 فیصد اضافے کے ساتھ 16.1 بلین روپے ریکارڈ کیا گیا۔ پالیسی کی بلند تر شرح کے باعث مالیاتی لاگت زیادہ ہو کر 2,019 ملین روپے (گزشتہ سال 886 ملین روپے) رہی۔

انفرادی بنیاد پر، خالص منافع سال 2019 کی پہلی ششماہی میں 8.5 بلین روپے رہا جو کہ گزشتہ سال 6.5 بلین روپے تھا، جس کا نتیجہ سال 2018 کی پہلی ششماہی میں 4.88 روپے کے مقابلے میں 6.38 روپے ای پی ایس کی صورت میں برآمد ہوا۔ کمپنی کا مجتمع منافع، گزشتہ سال کی اسی مدّت کے دوران 7.1 بلین روپے کے مقابلے میں 7.2 بلین روپے رہا، جس کے نتیجے میں ای پی ایس، گزشتہ سال کے 5.35 روپے کے مقابلے میں 5.38 روپے ہو گیا۔

بورڈ انتہائی مسرت کے ساتھ، اختتامِ مدّت 30 جون، 2019 کے لیے 5 روپے فی شیئر کے عبوری کیش ڈیویڈنڈ کی تجویز پیش کرتا ہے۔

انڈسٹری سے ہم آہنگ رہتے ہوئے، اینگرو فرٹیلائزرز نے تمام غیر رعایتی گیسز پر جی آئی ڈی سی کو روکا ہوا ہے۔ مینجمنٹ اس بات پر یقین رکھتی ہے کہ یہ معاملہ بہت جلد حل ہو جائے گا، کیونکہ وفاقی حکومت جی آئی ڈی سی ترمیمی ایکٹ 2019 کے ذریعے معاملے کے حل کے لیے ایک ایمنسٹی اسکیم کا اعلان کرنے جا رہی ہے۔

کمپنی نے رعایتی گیس پر جی آئی ڈی سی کے اطلاق کے خلاف 2015 میں حکمِ التوا بھی حاصل کیا ہے، اور یوریا کے نئے پلانٹ کو فراہم کردہ رعایتی گیس کے ضمن میں

اینگرو فرٹیلائزرز لمیٹڈ
ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز
برائے اختتامِ میعاد 30 جون، 2019

ڈائریکٹرز رپورٹ

ہم، اینگرو فرٹیلائزرز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی طرف سے ڈائریکٹرز رپورٹ اور غیر آڈٹ شدہ مالی گوشوارے برائے اختتامِ ششماہی 30 جون، 2019 پیش کرنے پر مسرت محسوس کرتے ہیں۔

پاکستان کی فرٹیلائزر مارکیٹ

مقامی یوریا کی طلب، سال 2018 کی پہلی ششماہی کی 2,738 کے ٹی کے مقابلے میں 2,874 کے ٹی ہوگئی، یعنی اس میں 5 فیصد کا اضافہ ہوا۔ مقامی یوریا کی پیداوار 9 فیصد سے بڑھ کر 2,902 کے ٹی ہوگئی جو کہ گزشتہ سال اسی مدت کے دوران 2,658 کے ٹی تھی، جس کی بڑی وجہ ایل این جی کے ذریعے چلنے والے پلانٹس تھے۔ نتیجتاً، انڈسٹری انوینٹری پچھلے سال کی پہلی ششماہی کے اختتام پر 95 کے ٹی کے مقابلے میں سال 2019 کی پہلی ششماہی کے اختتام پر 187 کے ٹی رہی۔ علاوہ ازیں، ای سی سی نے 100 کے ٹی یوریا کی درآمد کی منظوری دے دی ہے جس کی آمد جولائی کے اختتام تک متوقع ہے۔

بین الاقوامی محاذ پر، یوریا کی قیمتیں بڑھ کر 306 امریکی ڈالرز فی ٹن (2,870 روپے فی بیگ کے مساوی) ہوگئیں جو کہ 2019 کی پہلی سہ ماہی میں 265 امریکی ڈالرز فی ٹن (2,521 روپے فی بیگ کے مساوی) تھیں۔ مقامی یوریا کی فروخت نمایاں رعایت پر جاری رہی، کیونکہ افراطِ زر کے اثرات کو منتقل کرنے کے لیے اس مدّت کے دوران قیمتیں 1,700 روپے فی بیگ سے بڑھ کر صرف 1,780 روپے فی بیگ ہوسکیں، افراطِ زر کے ان اثرات کو کمپنی کی جانب سے گزشتہ چند برسوں سے برداشت کیا جارہا ہے۔

سہ ماہی کے دوران روپے کی قدر میں کمی کی وجہ سے ڈالر میں ٹریڈ ہونے والی گیس کے ذخائر کے نرخوں میں نمایاں اضافہ ہوا۔ بعدازاں، یکم جولائی 2019 سے، فرٹیلائزر فیڈ اور فیول گیس کی قیمتوں میں بالترتیب 62 فیصد اور 31 فیصد اضافہ ہوا۔ گیس کی قیمت میں اضافہ، اور اس کے ساتھ افراطِ زر کے دیگر دباؤ کے باعث کمپنی کی لاگت میں اضافہ ہوا۔ انڈسٹری کو حکومت کی جانب سے یہ یقین دہانی کروائی گئی ہے کہ جی آئی ڈی سی کے معاملے کو ضروری قانونی ترامیم کے ذریعے حل کرلیا جائے گا، جو گیس کی لاگت میں اضافے کو بڑی حد تک متوازن بنادے گا۔

کمپنی کو طویل عرصے سے واجب الوصول سبسڈی کی وصولی میں مسلسل مسائل کا سامنا ہے۔ ہمیں یقین ہے کہ جی آئی ڈی سی کا تصفیہ ہوتے ہی، سبسڈی کی وصولی کا معاملہ بھی عنقریب حل ہوجائے گا۔ ایک انڈسٹری کی حیثیت سے، ہم سبسڈی کی تقسیم کے طریقۂ کار کو بہتر خطوط پر استوار کرنے اور 19 بلین روپے واجب الوصول رقم کی وصولی کے لیے حکومت کے ساتھ مستقل رابطے میں ہیں۔

مقامی مارکیٹ میں فاسفیٹس کی طلب میں 5 فیصد کی کمی واقع ہوئی، جبکہ انڈسٹری سیلز 2018 کی پہلی ششماہی کے 679 کے ٹی کے مقابلے میں 643 کے ٹی رہیں، جس کی وجہ ڈی اے پی کی قیمتوں اور زیادہ چینل انوینٹری میں اضافہ تھا۔ بین الاقوامی محاذ پر، ڈی اے پی کی قیمتیں 2019 کی پہلی سہ ماہی کے 422 امریکی ڈالرز فی ٹن سے کم ہوکر 2019 کی دوسری سہ ماہی کے اختتام پر 355 امریکی ڈالرز فی ٹن ہوگئیں۔ تاہم، روپے کی قدر میں کمی کے باعث مقامی کرنسی میں اس کی لاگت میں اضافہ ہوا۔