



engro fertilizers

enabling growth for productivity



half yearly
accounts
2023

company information

board of directors

Chairman & Non-Executive Director
Mr. Ghias Khan

Non-Executive Director
Mr. Khawaja Bilal Hussain
Mr. Javed Akbar
Mr. Ismail Mahmud

Independent Director
Mr. Asad Said Jafar
Mr. Asim Murtaza Khan

Chief Executive Officer
Mr. Ahsan Zafar Syed

Chief Financial Officer
Mr. Farooq Barkat Ali
(Resigned on Aug 17, 2023)

Company Secretary
Mr. Sunaib Barkat

banking partners

Conventional Banks

Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Citi Bank N.A
Deutsche Investitions und Entwicklungsgesellschaft (DEG)
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
National Bank of Pakistan
Samba Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
The Bank of Punjab
United Bank Limited
Industrial and Commercial Bank of China

Shariah Compliant Banks

BankIslami Pakistan Limited
Al Baraka Islamic Bank (Pakistan) Limited
Dubai Islamic Bank (Pakistan) Limited
Meezan Bank Limited
MCB Islamic Bank Limited

Microfinance Bank

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,
PABX: +92 (21) 111 211 211,
Fax: +92 (21) 35810669
Website: www.engrofertilizers.com
www.engro.com

plant sites

Daharki

Daharki, District Ghotki Sindh
PABX: +92723 641001 – 10
Fax: +92723 641028 – 9

Zarkhez

EZ-1 P-I-II Eastern Industrial Zone Port Qasim,
Karachi
PABX: 021-34740044-49
Fax: +9221 3474 0051

share registrar

M/s. FAMCO Associates (Pvt) Limited
8-F, Near Hotel Faran, Block-6, PECHS,
Shahrah-e-Faisal, Karachi, Pakistan
Tel: +92 (21) 34380104-5, 34384621-3
Fax: +92 (21) 34380106

speak-out

Whistleblower Hotline
For complaints or concerns in
relation to business ethics and Compliance
Engro Fertilizers Limited
Ph: +92 (21) 35296012
Email: speakout.fertilizers@engro.com
P.O.Box: 3851, Clifton, Karachi

director's report

directors' report to the shareholders for the half year ended june 30, 2023

On behalf of the Board of Directors of Engro Fertilizers Limited (referred to as the Company/Engro Fertilizers/EFERT), we are delighted to present the unaudited condensed interim financial statements (consolidated and unconsolidated) for the half year ended June 30, 2023.

CSR Initiatives

The Company acknowledges its responsibility to support the communities it operates in and enhance the well-being of the residents. Here are the major updates on community uplift initiatives for 1H 2023:

- **Education:** A new block has been inaugurated at Sahara School, increasing its capacity by 100 students. Additional classrooms have been added to Katcha Hazoro Khan Lolai School and Noor Hassan Shah Girls Adopted School. Through continuous efforts made by management, the education department has allocated seismic codes to six of our Katcha schools which has allowed for an additional 20 teachers to be employed.
- **Healthcare:** The Company provided treatment to 2,020 snake bite patients, 827 dog bite patients, and 252 lower limbs patients at its medical facilities. An eye clinic has been operational at Sahara Clinic and over 200 patients visited the clinic during the half year.
- **Community Engagements:** Solar lights have been installed in Kotlo Mirza and Qalio Burreerio villages. The inauguration of an RO plant, installed by Engro Fertilizers in Qutab Town Daharki, was carried out by Sardar Khalid Khan Lound, MNA (Member of the National Assembly).
- **Environment:** The Company carried out multiple tree plantation drives such as "Clean and Green Environment" under which 18,000 trees have been planted at Bahawalpur border with the collaboration of Pakistan Army. In addition to this, 5,000 trees were planted across Pakistan this year under "Each One – Plant One" and "Hara Rang Dharti Ka" schemes.
- **Agriculture Value Chain:** Engro Fertilizers has initiated the Seed Purification & Chili Value Chain Improvement Project in partnership with United States Department of Agriculture (USDA). The project aims to improve the livelihood of chili farmers in Sindh.
- **Biodiversity Conservation:** A 5-year partnership has been signed with WWF-Pakistan to protect the blind and endangered Indus River Dolphin in Pakistan. Various engagement activities with fisher communities, students and provincial wildlife departments were conducted to increase public discourse on Indus River Dolphin conservation.

Market Overview

On the agriculture front domestically, following the momentum built over previous years, farm economics continued to improve driven by better farm output prices and improved support prices.

In terms of global pricing, urea experienced a significant drop in 1H 2023, reaching USD 260 per ton (landed equivalent to PKR 3,706 per bag) by the end of June, compared to USD 436 per ton (equivalent to PKR 4,898 per bag) at the start of the year. The fertilizer industry has ensured that local farmers continue to benefit from low prices of domestically produced urea. As of June 30, 2023, Engro urea prices stood at PKR 2,994 per bag, offering a discount of approximately 41% compared to international prices.

Urea demand recorded a decline of 4.5% and stood at 3,098 KT vs 3,244 KT in 1H 2022. The industry demand was wholly met through domestic production without any need for imports during 1H 2023.

The Urea market saw significant price fluctuations owing to varying gas pricing regimes of fertilizer manufacturers. The company is a strong proponent of urea price stability and is supporting the efforts by the industry and government on gas price unification.

DAP international prices also continued their downward momentum during the period, due to high stocks in consuming countries coupled with declining crop prices globally and stood at USD 480/ton by the end of 1H 2023 compared to USD 730/ton at the start of the year. However, due to rapid rupee devaluation the cost of imports has not decreased with the same trend. Engro DAP prices stood at PKR 9,839/bag by the end of Q2 2023 after multiple price revisions.

Key Developments

Through the Finance Act 2023, the rate of Super Tax has been enhanced to 10% and is retrospectively applicable from Financial Year 2022. It is important to note that Super Tax has been made a permanent feature, instead of a one-time levy and is applicable across all the tax-payers.

The Finance Act 2023 has levied 5% Federal Excise Duty (FED) on all Fertilizers subsequent to which EFERT has started charging FED on all products starting July 1, 2023.

In addition to FED, sales tax at 5% has also been imposed on DAP. Accordingly, EFERT has started levying sales tax on its DAP invoices from July 1, 2023.

Regarding suits filed for GIDC and end of concessionary gas period, the stay orders are in place. In 2022, on the matter of GIDC on concessionary gas, the Government of Pakistan has filed a response setting out their stance on the matter. The Company prepared a rejoinder to the stance submitted by the Government and has submitted the same before the Sindh High Court during 1H 2023.

Regarding the performance of the plant, the Base plant was shut down on May 09, 2023, for unscheduled maintenance in order to address plant vulnerabilities and ensure reliable operations going forward. The plant resumed urea production on June 01, 2023.

Company's Operating Performance

The Company's urea production stood at 1,115 KT in 1H 2023 as compared to 1,118 KT in 1H 2022. Sales during the period stood at 1,034 KT vs 1,098 KT during the same period last year.

The Company's phosphates (DAP, Zorawar & NP) sales during 1H 2023 stood at 109 KT vs 154 KT during the same period last year.

The consolidated Revenue of the Company stood at PKR 82.4 Bn in 1H 2023 as compared to PKR 75.1 Bn in the same period last year. The consolidated Gross Profit of the Company was recorded at PKR 22.2 Bn for 1H 2023 as compared to PKR 22.6 Bn in the same period last year.

On a standalone basis, net profit stood at PKR 8.1 Bn compared to PKR 7.4 Bn in the same period last year. Company's consolidated profit stood at PKR 5.5 Bn versus PKR 5.4 Bn in the corresponding period last year, resulting in an EPS of PKR 4.09 versus PKR 4.05 in the same period last year.

The Board is pleased to announce an interim cash dividend of PKR 3 per share for the year ending December 31, 2023

Near Term Outlook

The Company foresees significant challenges arising from political dynamics, inflationary pressures, and rupee fluctuations. We continue to work closely with the industry and the Government of Pakistan to overcome these challenges to ensure uninterrupted production of urea and long term food security of the nation.

The Company remains resolute in its commitment to contribute to the transformation of Pakistan's agricultural landscape. On behalf of the Board, we extend our appreciation to all stakeholders for their continued trust and support.



Ahsan Zafar Syed
Chief Executive Officer



Ghias Khan
Chairman

جی آئی ڈی سی کے لیے دائر کردہ مقدمہ اور گیس کی رعایتی مدت کے اختتام کے حوالے سے حکم امتناعی جاری کیے گئے ہیں۔ جی آئی ڈی سی کے معاملے میں رعایتی گیس کے حوالے سے حکومت پاکستان نے اپنا موقف بیان کرتے ہوئے اپنا جواب داخل کیا ہے۔ کمپنی نے حکومت کی جانب سے پیش کیے گئے موقف پر ایک جواب تیار کیا اور اسے 2023 کی پہلی ششماہی کے دوران سندھ ہائی کورٹ میں جمع کرایا۔

پلانٹ کی کارکردگی کے حوالے سے، بیس پلانٹس کو 9 مئی 2023 کو غیر طے شدہ دیکھ بھال کے لیے بند کر دیا گیا تھا تاکہ پلانٹ کو ہر قسم کے نقص سے پاک کیا جاسکے اور مستقبل میں قابل اعتماد آپریشنز کو یقینی بنایا جاسکے جبکہ 1 جون 2023 سے پلانٹ میں یوریا کی پیداوار کا دوبارہ آغاز کیا۔

کمپنی کی آپریٹنگ کارکردگی

کمپنی کی یوریا کی پیداوار 2023 کی پہلی ششماہی میں 1,115 کے ٹی رہی جو 2022 کی پہلی ششماہی میں 1,118 کے ٹی تھی جبکہ گزشتہ سال کی اس مدت کے دوران فروخت 1,034 کے ٹی بمقابلہ 1,098 کے ٹی تھی۔

2023 کی پہلی ششماہی کے دوران کمپنی کے فاسفیٹس (ڈی اے پی، زور اور اور این پی) کی فروخت گزشتہ سال کی اسی مدت کے دوران 109 کے ٹی بمقابلہ 154 کے ٹی تھی۔

کمپنی کی مجموعی آمدنی 2023 کی پہلی ششماہی میں 82.4 بلین روپے رہی جو گزشتہ سال کی اسی مدت میں 75.1 بلین روپے تھی۔ 2023 کی پہلی ششماہی کے لیے کمپنی کا مجموعی منافع 22.2 بلین روپے ریکارڈ کیا گیا جو گزشتہ سال کی اسی مدت میں 22.6 بلین روپے تھا۔

انفرادی بنیادوں پر خالص منافع 8.1 بلین روپے رہا جو گزشتہ سال کی اسی مدت کے دوران 7.4 بلین روپے تھا۔ کمپنی کا مجموعی خالص منافع 5.5 بلین روپے رہا جو گزشتہ سال کی اس مدت میں 5.4 بلین روپے تھا۔ جس کے نتیجے میں فی شیئر آمدنی 4.09 روپے رہی جو کہ گزشتہ سال 4.05 روپے تھی۔ بورڈ نہایت مسرت کے ساتھ 31 دسمبر 2023 کو ختم ہونے والے مالی سال کے لیے 3 روپے فی شیئر کے عبوری نقد منافع کا اعلان کر رہا ہے۔

مستقبل کے خدوخال

کمپنی کو سیاسی عدم استحکام، افراط زر کے دباؤ اور روپے کی قدر میں اتار چڑھاؤ کے باعث کئی چیلنجز کا سامنا ہے۔ ہم ان چیلنجز پر قابو پانے کے لیے صنعت اور حکومت پاکستان کے ساتھ مل کر کام جاری رکھے ہوئے ہیں تاکہ یوریا کی بلا تعطل پیداوار اور قوم کی طویل مدتی غذائی تحفظ کو یقینی بنایا جاسکے۔

کمپنی پاکستان کے ذریعے منظر نامے کی تبدیلی میں اپنا کردار ادا کرنے کے عزم پر قائم ہے۔ بورڈ کی جانب سے ہم تمام اسٹیک ہولڈرز کے مسلسل اعتماد اور تعاون کے لیے ان کو سراہتے ہیں۔



غیاث خان
چیرمین



احسن ظفر سید
چیف ایگزیکٹو آفیسر

مارکیٹ کا جائزہ

ذریعے میں مقامی طور پر، گزشتہ سالوں میں بڑھنے والی رفتار کے بعد فارم کی معاشیات بہتری کی طرف گامزن ہے جس کی وجہ سے ذریعے پیداوار کی بہتر قیمتوں اور اسپورٹ کی قیمتوں میں اضافہ دیکھنے میں آیا۔

عالمی قیمتوں کے حوالے سے 2023 کی پہلی ششماہی میں یوریا کی قیمت میں نمایاں کمی دیکھنے میں آئی جو جون کے اختتام تک 260 امریکی ڈالر فی ٹن (یعنی 3,706 پاکستان روپے فی بیگ کے مساوی) تک پہنچ گئی ہے جبکہ سال کے آغاز میں اس کے مقابلے میں 436 امریکی ڈالر فی ٹن (یعنی 4,898 پاکستانی روپے فی بیگ کے مساوی) تھی۔ کھاد کی صنعت نے اس بات کو یقینی بنایا ہے کہ مقامی کسانوں کو مقامی طور پر تیار کردہ یوریا کی کم قیمتوں سے فائدہ ہوتا رہے۔ 30 جون 2023 تک اینگرو یوریا کی قیمتیں 2,994 فی بیگ تھیں جو بین الاقوامی قیمتوں کے مقابلے میں تقریباً 41 فیصد کی رعایت پیش کرتی ہیں۔

یوریا کی طلب میں 4.5 فیصد کمی ریکارڈ کی گئی جو 2023 کی پہلی ششماہی میں 3,098 KT رہی جو 2022 کی پہلی ششماہی میں 3,244 KT تھی۔ 2023 کی پہلی ششماہی میں صنعت کی طلب کو درآمدات کیے بغیر ملکی پیداوار سے پورا کیا گیا

یوریا مارکیٹ میں کھاد کے مینوفیکچررز کو مختلف گیس کی قیمتوں کے نظام کی وجہ سے قیمتوں میں نمایاں اتار چڑھاؤ دیکھنے میں آیا۔ یوریا کی قیمتوں میں استحکام لانا کمپنی کا بنیادی مقصد ہے اور کمپنی گیس کی قیمتوں میں اتحاد لانے کے لیے صنعت اور حکومت کی کوششوں کی حمایت بھی کر رہی ہے۔

ڈی اے پی کی بین الاقوامی قیمتیں بھی اس عرصے میں چلی سٹیج پر رہی ہیں جبکہ عالمی سطح پر فصلوں کی گرتی ہوئی قیمتوں کے ساتھ ساتھ استفادہ کرنے والے ممالک میں زیادہ اسٹاک کے باعث 2023 کی پہلی ششماہی کے اختتام تک 480 امریکی ڈالر فی ٹن رہی جو سال کے آغاز میں 730 امریکی ڈالر فی ٹن تھی۔ تاہم، روپے کی قدر میں نمایاں کمی کی وجہ سے درآمدات کی لاگت اسی رجحان کے ساتھ کم نہیں ہوئی ہے۔ اینگرو ڈی اے پی کی قیمتیں متعدد قیمتوں پر نظر ثانی کے بعد 2023 کی دوسری سہ ماہی کے اختتام تک 9,839 فی بیگ پر تھیں۔

کلیدی پیش رفت

فنانس ایکٹ 2023 کے ذریعے، سپر ٹیکس کی شرح کو بڑھا کر 10 فیصد کر دیا گیا ہے اور اس کا اطلاق مالی سال 2022 سے ہو چکا ہے۔ یہ نوٹ کرنا ضروری ہے کہ سپر ٹیکس تمام ٹیکس دہندگان پر لاگو سپر ٹیکس کو ایک وقتی لیوی کے بجائے ایک مستقل عمل بنا دیا گیا ہے۔

فنانس ایکٹ 2023 نے تمام کھادوں پر 5 فیصد فیڈرل ایکسائز ڈیوٹی (ایف ای ڈی) عائد کی ہے جس کے (ای ایف ای آر ٹی) نے 1 جولائی 2023 سے تمام مصنوعات پر ایف ای ڈی چارج کرنے کی ابتداء کر دی ہے۔

ایف ای ڈی کے علاوہ ڈی اے پی پر 5 فیصد سیلز ٹیکس بھی لگایا گیا ہے۔ اس مناسبت سے اینگرو فزٹلائزرز لمیٹڈ نے یکم جولائی 2023 سے اپنے ڈی اے پی انواسز پر سیلز ٹیکس لگانے کی ابتداء کر دی ہے۔

اینٹرفریٹلائزرز لمیٹڈ

شیئر ہولڈرز کو ڈائریکٹرز کی رپورٹ

30 جون 2023 کو ختم ہونے والی ششماہی کے لیے

ہم اینٹرفریٹلائزرز لمیٹڈ (یعنی کمپنی / اینٹرفریٹلائزرز) کے بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کے 30 جون 2023 کو ختم ہونے والی ششماہی مدت کے لیے رپورٹ اور غیر مالیاتی معلومات (متفقہ یا غیر متفقہ) پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

سی ایس آر اقدامات

کمپنی نہ صرف ان کمیونٹی کی مدد کرتی ہے جہاں وہ کام کرے بلکہ رہائشیوں کی فلاح و بہبود کو یقینی بنانے کے لیے اپنی ذمہ داریوں کو بھی تسلیم کرتی ہے۔ 2023 کی پہلی ششماہی کے لیے کمیونٹی کی بہتری کے اقدامات پر اہم اپ ڈیٹس مندرجہ ذیل ہیں:

• تعلیم: سہارا اسکول میں ایک نئے بلاک کا افتتاح کیا گیا ہے جس کے باعث اس کی گنجائش میں 100 طلباء کا اضافہ دیکھنے میں آیا ہے۔ اسی کے ساتھ ساتھ کچا حضور و خان لولائی اسکول اور نوحسن شاہ گرلز ایڈیٹڈ اسکول میں نئے کلاس رومز کا اضافہ بھی کر دیا گیا ہے۔ انتظامیہ کی مسلسل کوششوں کے پیش نظر محکمہ تعلیم نے ہمارے چھ کچے اسکولوں کے سسمک کوڈ مختص کر دیے ہیں جس کے نتیجے میں مزید 20 اساتذہ کو ملازمت دینے کی منظوری دی گئی ہے۔

• ہیلتھ کیئر: کمپنی نے 2,020 سانپ کے کاٹنے سے متاثرہ، 827 کتے کے کاٹنے سے متاثرہ اور 252 نچلے اعضاء کے متاثرہ مریضوں کا علاج اپنی طبی سہولیات میں کیا۔ آنکھوں کا ایک کلینک بھی سہارا کلینک میں کام کر رہا ہے جہاں رواں ششماہی کے دوران 200 سے زائد مریضوں نے کلینک کا دورہ کیا۔

• کمیونٹی انگیجمنٹس: کوٹلو مرزا اور قالیو بربر یوگاؤں میں سولر لائٹس نصب کر دی گئی ہیں جبکہ قطب ٹاؤن ڈھرکی میں اینٹرفریٹلائزرز کی جانب سے لگائے گئے آر او پلانٹ کا افتتاح ایم این اے (ممبر آف نیشنل اسمبلی) جناب سردار خالد خان لونڈے نے کیا۔

• ماحولیات: کمپنی نے ”کلین اینڈ گرین انواؤرنمنٹ“ جیسی متعدد درخت لگانے کی مہم چلائی جس کے نتیجے میں پاکستان آرمی کے تعاون سے بہاولپور بارڈر پر 18,000 درخت لگائے گئے۔ مزید یہ کہ اس سال پاکستان بھر میں ”ایچ ون- پلانٹ ون“ جیسی اسکیموں کے زیر اثر 5,000 درخت لگائے گئے۔

• ایگری کلچر ویلیو چین: اینٹرفریٹلائزرز نے یو ایس ڈی اے کے ساتھ شراکت میں سیڈ پیوریفیکیشن اور چلی ویلیو چین امپروومنٹ پروجیکٹ کا آغاز کیا ہے۔ اس منصوبے کا مقصد سندھ میں مرچ کے کاشتکاروں کی زندگی کو بہتر بنانا ہے۔

• بائیو ڈائیورسٹی کا تحفظ: اینٹرفریٹلائزرز نے پاکستان میں نابینا اور ماحولیاتی خطرے سے دوچار انڈس ریور کی ڈولفنز کے تحفظ کے لیے ڈبلیو ڈبلیو ایف پاکستان کے ساتھ 5 سالہ شراکت داری کے معاہدے پر دستخط کیے گئے ہیں۔ دریائے سندھ کی ڈولفنز کے تحفظ پر عوامی آگاہی کو بڑھانے کے لیے ماہی گیروں کی برادریوں، طلباء اور صوبائی وائلڈ لائف محکمہ کے ساتھ مختلف ڈپارٹمنٹس کا انعقاد کیا گیا۔

consolidated condensed interim financial statements (unaudited)
for the half year ended june 30, 2023



independent auditor's 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 (the Group) as at June 30, 2023 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, consolidated condensed interim statement of comprehensive income and notes thereto for the quarters ended June 30, 2023 and 2022 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2023.

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 Salman Hussain.

Chartered Accountants
Karachi

Date: August 25, 2023

UDIN: RR202310113TG9A7FMja

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■ KARACHI ■ LAHORE ■ ISLAMABAD

consolidated condensed interim statement of financial position as at june 30, 2023

(Amounts in thousand)

	Note	Unaudited June 30, 2023	Audited December 31, 2022
-----Rupees-----			
ASSETS			
Non-current assets			
Property, plant and equipment	3	79,927,057	77,879,522
Intangible assets		5,191,542	5,287,980
Long-term investments	4	1,966,465	2,204,759
Long-term loans, advances and deposits		180,728	206,531
		87,265,792	85,578,792
Current assets			
Stores, spares and loose tools	5	7,192,405	6,495,230
Stock-in-trade	6	21,357,342	16,868,436
Trade debts		3,236,474	3,772,128
Loans, advances, deposits and prepayments		5,950,359	2,795,316
Other receivables		17,357,872	17,226,238
Accrued income		226,034	175,078
Short term investments	7	2,677,768	9,668,016
Cash and bank balances	8	2,149,558	2,834,098
		60,147,812	59,834,540
TOTAL ASSETS		147,413,604	145,413,332

(Amounts in thousand)

		Unaudited June 30, 2023	Audited December 31, 2022
	Note	-----Rupees-----	
EQUITY & LIABILITIES			
Equity			
Share capital		13,352,993	13,352,993
Reserves			
Share premium		3,384,904	3,384,904
Remeasurement of post employment benefits		(99,994)	(99,994)
Unappropriated profit		22,529,357	28,415,525
		25,814,267	31,700,435
TOTAL EQUITY		39,167,260	45,053,428
Liabilities			
Non-current liabilities			
Borrowings	9	4,493,852	5,841,898
Government grant		774,867	890,939
Deferred taxation		9,762,081	8,154,634
Deferred liabilities		211,278	235,241
Provision for Gas Infrastructure Development Cess (GIDC)		326,664	2,315,163
		15,568,742	17,437,875
Current liabilities			
Trade and other payables	10	50,099,374	45,156,293
Accrued interest / mark-up		588,379	520,010
Taxation - net		3,817,374	4,511,651
Current portion of:			
- borrowings	9	6,016,750	6,827,730
- government grant		241,074	255,874
- deferred liabilities		62,680	70,193
- provision for GIDC		19,149,732	16,704,957
Short-term borrowings	11	12,653,323	7,826,110
Loan from Parent Company	12	-	1,000,000
Unclaimed dividend		48,916	49,211
		92,677,602	82,922,029
TOTAL LIABILITIES		108,246,344	100,359,904
Contingencies and Commitments	13		
TOTAL EQUITY AND LIABILITIES		147,413,604	145,413,332

The annexed notes from 1 to 25 form an integral part of these consolidated condensed interim financial statements.



Farooq Barkat Ali
Chief Financial Officer



Ahsan Zafar Syed
Chief Executive Officer



Ghias Khan
Chairman

consolidated condensed interim statement of profit or loss (unaudited) for the half year ended june 30, 2023

(Amounts in thousand except for earnings per share)

	Note	Quarter ended		Half year ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
-----Rupees-----					
Net sales	14	38,375,077	38,323,193	82,366,176	75,136,271
Cost of sales		(26,951,020)	(26,632,491)	(60,167,043)	(52,584,592)
Gross profit		11,424,057	11,690,702	22,199,133	22,551,679
Selling and distribution expenses		(2,223,068)	(1,778,195)	(4,690,714)	(3,793,436)
Administrative expenses		(819,561)	(930,937)	(1,374,353)	(1,380,007)
		8,381,428	8,981,570	16,134,066	17,378,236
Other income	15	446,662	587,902	1,163,695	1,099,186
Other operating expenses		(669,656)	(1,403,819)	(1,280,921)	(1,852,471)
Finance cost		(702,305)	(582,719)	(1,137,623)	(1,057,452)
Other losses:					
- Remeasurement loss on provision for GIDC		(255,768)	(130,477)	(456,276)	(356,605)
- Loss allowance on subsidy receivable from GoP		(71,896)	(303,595)	(504,345)	(389,173)
		(327,664)	(434,072)	(960,621)	(745,778)
Profit before taxation		7,128,465	7,148,862	13,918,596	14,821,721
Taxation	16	(6,068,796)	(7,247,179)	(8,454,719)	(9,408,715)
Profit / (loss) for the period		1,059,669	(98,317)	5,463,877	5,413,006
Earnings / (loss) per share - basic and diluted		0.79	(0.07)	4.09	4.05

The annexed notes from 1 to 25 form an integral part of these consolidated condensed interim financial statements.



Farooq Barkat Ali
Chief Financial Officer



Ahsan Zafar Syed
Chief Executive Officer



Ghias Khan
Chairman

consolidated condensed interim statement of comprehensive income (unaudited) for the half year ended june 30, 2023

(Amounts in thousand)

	Quarter ended		Half year ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	-----Rupees-----			
Profit / (loss) for the period	1,059,669	(98,317)	5,463,877	5,413,006
Other comprehensive income:	-	-	-	-
Total comprehensive income / (loss) for the period	<u>1,059,669</u>	<u>(98,317)</u>	<u>5,463,877</u>	<u>5,413,006</u>

The annexed notes from 1 to 25 form an integral part of these consolidated condensed interim financial statements.



Farooq Barkat Ali
Chief Financial Officer



Ahsan Zafar Syed
Chief Executive Officer



Ghias Khan
Chairman

consolidated condensed interim statement of changes in equity for the half year ended june 30, 2023

(Amounts in thousand)

	Share capital	RESERVES			Total
		CAPITAL	REVENUE		
	Share premium	Remeasurment of post employment benefits	Unappropriated profit		
-----Rupees-----					
Balance as at January 1, 2023 (Audited)	13,352,993	3,384,904	(99,994)	28,415,525	45,053,428
Transactions with owners					
Dividends					
- Final 2022: Rs. 5.00 per share	-	-	-	(6,676,497)	(6,676,497)
- 1st interim 2023: Rs. 3.5 per share	-	-	-	(4,673,548)	(4,673,548)
	-	-	-	(11,350,045)	(11,350,045)
Total comprehensive income for the half year ended June 30, 2023					
Profit for the period	-	-	-	5,463,877	5,463,877
Other comprehensive income for the period	-	-	-	-	-
	-	-	-	5,463,877	5,463,877
Balance as at June 30, 2023 (Unaudited)	13,352,993	3,384,904	(99,994)	22,529,357	39,167,260
Balance as at January 1, 2022 (Audited)	13,352,993	3,384,904	(89,866)	30,438,777	47,086,808
Transaction with owners:					
Dividends:					
- Final 2021: Rs. 5.00 per share	-	-	-	(6,676,497)	(6,676,497)
- 1st interim 2022: Rs. 5.5 per share	-	-	-	(7,344,146)	(7,344,146)
	-	-	-	(14,020,643)	(14,020,643)
Total comprehensive income for the half year ended June 30, 2022					
Profit for the period	-	-	-	5,413,006	5,413,006
Other comprehensive income for the period:	-	-	-	-	-
	-	-	-	5,413,006	5,413,006
Balance as at June 30, 2022 (Unaudited)	13,352,993	3,384,904	(89,866)	21,831,140	38,479,171

The annexed notes from 1 to 25 form an integral part of these consolidated condensed interim financial statements.



Farooq Barkat Ali
Chief Financial Officer



Ahsan Zafar Syed
Chief Executive Officer



Ghias Khan
Chairman

consolidated condensed interim statement of cash flows (unaudited) for the half year ended june 30, 2023

(Amounts in thousand)

	Note	Half year ended	
		June 30, 2023	June 30, 2022
-----Rupees-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	17	13,312,042	9,395,206
Retirement and other service benefits paid		(68,638)	(63,980)
Taxes paid		(7,541,549)	(2,933,044)
Long-term loans, advances and deposits		25,803	1,695
Income on deposits / other financial assets		977,679	927,314
Net cash generated from operating activities		6,705,337	7,327,191
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangibles		(3,858,585)	(4,040,012)
Proceeds from disposal of operating assets		122,438	31,049
Short term and long term investments - net		6,333,103	(1,164,844)
Net cash generated from / (utilised in) investing activities		2,596,956	(5,173,807)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		-	993,993
Disbursement of loan from Parent Company		-	10,300,000
Repayments of loan from Parent Company		(1,000,000)	(8,400,000)
Repayment of long-term borrowings		(2,492,292)	(3,828,001)
Finance cost paid		(866,860)	(900,404)
Dividends paid		(11,350,340)	(14,020,695)
Net cash utilised in financing activities		(15,709,492)	(15,855,107)
Net decrease in cash and cash equivalents		(6,407,199)	(13,701,723)
Cash and cash equivalents at beginning of the period		(4,096,566)	12,377,216
Cash and cash equivalents at end of the period	18	(10,503,765)	(1,324,507)

The annexed notes from 1 to 25 form an integral part of these consolidated condensed interim financial statements.



Farooq Barkat Ali
Chief Financial Officer



Ahsan Zafar Syed
Chief Executive Officer



Ghias Khan
Chairman

notes to the consolidated condensed interim financial statements (unaudited) for the half year ended june 30, 2023

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 Engro Fertilizers Limited ('the Holding Company') is a public company incorporated in Pakistan 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 (PSX). As at June 30, 2023, the Parent Company holds 56.27% share capital of the Holding Company.

The Holding Company is engaged in the manufacturing, purchasing and marketing of fertilizers, seeds and pesticides and providing logistics services. The registered / head office of the Holding Company is situated at 7th and 8th floors, The Harbour Front Building, Plot Number HC-3, Block 4, Clifton, Karachi.

1.2 The 'Group' consists of:

Holding Company: Engro Fertilizers Limited

Subsidiary Company: EFERT Agritrade (Private) Limited (EAPL) which is a wholly owned subsidiary of the Holding Company.

1.2.1 EAPL was incorporated on July 06, 2017 as a wholly owned subsidiary of the Holding Company to carry out trading and distribution of imported fertilizer as part of the business reorganisation. The Holding Company transferred its business of trading and distribution of imported fertilizer to the new subsidiary and holds 10,000 ordinary shares of Rs. 10 each in EAPL.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 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 (the Act); and
- Provisions of and directives issued under the Act.

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

2.2 The cumulative figures for the half year ended June 30, 2023 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 Act. These consolidated 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 consolidated financial statements of the Group for the year ended December 31, 2022.

2.3 The significant 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 audited annual consolidated financial statements of the Group for the year ended December 31, 2022.

2.4 The preparation of these consolidated condensed interim financial statements in conformity with the accounting and reporting standards applicable in Pakistan 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.

2.5 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 the audited annual consolidated financial statements of the Group for the year ended December 31, 2022.

(Amounts in thousand)

- 2.6** 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.

Unaudited **Audited**
June 30, **December 31,**
2023 **2022**
-----Rupees-----

3. PROPERTY, PLANT AND EQUIPMENT

Operating assets at net book value (note 3.1)	69,009,674	68,564,208
Capital work in progress (note 3.2)	9,603,383	7,793,135
Major spare parts and stand-by equipment	1,314,000	1,522,179
	<u>79,927,057</u>	<u>77,879,522</u>

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

	Unaudited		Unaudited	
	(Additions at cost)		(Disposals / write-offs at net book value)	
	June 30,	June 30,	June 30,	June 30,
	2023	2022	2023	2022
	-----Rupees-----			
Building on freehold land	57,438	-	-	-
Plant and machinery (note 3.1.1)	1,204,487	120,004	-	-
Catalyst	728,839	-	-	-
Office equipment	72,934	18,800	167	1,504
Vehicles	188,664	88,219	42,752	32,153
Aircraft	-	2,875,687	-	-
	<u>2,252,362</u>	<u>3,102,710</u>	<u>42,919</u>	<u>33,657</u>

The above disposals / write-offs represent assets having a cost of Rs. 137,284 (June 30, 2022: Rs. 56,203) and net book value of Rs. 42,919 (June 30, 2022: Rs. 33,657), which were disposed off for Rs. 122,438 (June 30, 2022: Rs. 31,049).

- 3.1.1** Includes Rs. 248,107 (June 30, 2022: Nil) transferred from major spare parts and stand-by equipment.

Unaudited **Audited**
June 30, **December 31,**
2023 **2022**
-----Rupees-----

3.2 Capital work in progress

Balance at beginning of the period / year	7,793,135	11,031,660
Additions during the period / year	3,818,657	8,254,083
Transferred to:		
- operating assets	(2,004,255)	(11,324,128)
- intangible assets	(4,154)	(168,480)
Balance at end of the period / year	<u>9,603,383</u>	<u>7,793,135</u>

- 3.2.1** Includes Rs. 1,140,386 (December 31, 2022: Rs. 636,268) paid as advance representing the Holding Company's share in respect of a joint operation arrangement being undertaken to ensure sustainable gas supplies and enhancement of delivery pressures at one of the gas supply sites.

Unaudited **Audited**
June 30, **December 31,**
2023 **2022**
-----Rupees-----

4. LONG-TERM INVESTMENTS

At amortised cost

Pakistan Investment Bonds (note 4.1)	<u>1,966,465</u>	<u>2,204,759</u>
--------------------------------------	------------------	------------------

(Amounts in thousand)

- 4.1 These bonds carry interest at the rates ranging between 13.04% to 18.28% (December 31, 2022: 13.04% to 17.57%) per annum and have maturity terms ranging between two to five years.

	Unaudited June 30, 2023	Audited December 31, 2022
	-----Rupees-----	
5. STORES, SPARES AND LOOSE TOOLS		
Consumable stores, spares and loose tools	8,302,012	7,403,162
Less: Provision for surplus and slow moving items (note 5.1)	(1,109,607)	(907,932)
	<u>7,192,405</u>	<u>6,495,230</u>
5.1 Provision for surplus and slow moving items		
Balance at beginning of the period / year	907,932	857,923
Charge for the period / year	205,008	140,055
Reversal during the period / year	(3,333)	(61,587)
Written off during the period / year	-	(28,459)
Balance at end of the period / year	<u>1,109,607</u>	<u>907,932</u>
	Unaudited June 30, 2023	Audited December 31, 2022
	-----Rupees-----	
6. STOCK-IN-TRADE		
Raw materials	1,597,177	1,636,382
Packing materials	1,473,389	411,964
Work in process	196,560	133,161
	<u>3,267,126</u>	<u>2,181,507</u>
Finished goods:		
- manufactured products (note 6.2)	7,618,984	5,581,621
- purchased and packaged products	10,812,869	9,313,718
	<u>18,431,853</u>	<u>14,895,339</u>
Less: Provision for impairment against stock-in-trade (note 6.1)	(341,637)	(208,410)
	<u>21,357,342</u>	<u>16,868,436</u>
6.1 Provision for impairment against stock-in-trade		
Balance at beginning of the period / year	208,410	146,194
Charge for the period / year	197,486	173,758
Reversal during the period / year	(5,954)	(93,450)
Written off during the period / year	(58,305)	(18,092)
Balance at end of the period / year	<u>341,637</u>	<u>208,410</u>
6.2		
Above includes stock-in-trade costing Rs. 1,342,354 (December 31, 2022: Rs. 4,079,147) carried at net realizable value, amounting to Rs. 1,241,854 (December 31, 2022: Rs. 3,651,147).		
	Unaudited June 30, 2023	Audited December 31, 2022
	-----Rupees-----	
7. SHORT-TERM INVESTMENTS		
At fair value through profit or loss		
Investment in units of mutual funds (note 7.1)	350,000	1,650,000
At amortised cost		
Pakistan Investment Bonds (note 7.2)	2,114,768	2,524,976
Treasury Bills	-	5,034,590
Term Deposit Receipts (note 7.3)	213,000	458,450
	<u>2,327,768</u>	<u>8,018,016</u>
	<u>2,677,768</u>	<u>9,668,016</u>

(Amounts in thousand)

- 7.1** This represents investments in 3,502,124 units (December 31, 2022: 15,509,920 units) of Mutual Funds having cost amounting to Rs. 350,000 (December 31, 2022: Rs. 1,650,000).
- 7.2** These bonds carry interest at the rate of 17.66% per annum (December 31, 2022: ranging between 14.84% to 17.66%) per annum and maturing on various dates between 2 to 12 months.
- 7.3** These carry interest at the rates ranging between 16.60% to 17.35% (December 31, 2022: 14.75% and 15.00% per annum).

Unaudited	Audited
June 30,	December 31,
2023	2022
-----Rupees-----	

8. CASH AND BANK BALANCES

Cash at banks in:

- deposit accounts (notes 8.1 and 8.2)
- current accounts

	508,372	481,955
	1,629,573	2,340,930
	<u>2,137,945</u>	<u>2,822,885</u>
Cash in hand	11,613	11,213
	<u>2,149,558</u>	<u>2,834,098</u>

- 8.1** Deposit accounts carry return at the rates ranging from 14.50% to 19.50% (December 31, 2022: 8.25% to 14.50%) per annum.
- 8.2** Includes Rs. 508,372 (December 31, 2022: Rs. 402,089) held in foreign currency bank accounts.

Unaudited	Audited
June 30,	December 31,
2023	2022
-----Rupees-----	

9. BORROWINGS - Secured (Non-participatory)

Long term finance utilised under mark-up arrangements (notes 9.1 and 9.2)

Temporary Economic Refinance Facility (TERF) loans (note 9.3)

Less: Fair value adjustment for loan at below market rate

	6,817,685	8,867,688
	4,708,858	4,948,753
	(1,015,941)	(1,146,813)
	3,692,917	3,801,940
Less: Current portion shown under current liabilities	(6,016,750)	(6,827,730)
Balance at end of the period / year	<u>4,493,852</u>	<u>5,841,898</u>

- 9.1** All senior debts are secured by an equitable mortgage upon immovable property of the Holding Company and equitable charge over current and future operating assets excluding immovable property of the Holding Company.
- 9.2** During the period, the Holding Company made principal repayments of long term finances to MCB Bank Limited, Allied Bank Limited and Deutsche Investitions-und Entwicklungsgesellschaft Rs. 1,166,667, Rs. 605,398 and Rs. 480,332 respectively.
- 9.3** During the period, the Holding Company repaid TERF loan to Habib Bank Limited, Allied Bank Limited and MCB Bank Limited amounting to Rs. 25,739, Rs. 4,946 and Rs. 209,210 respectively. These borrowings have the same charge as the borrowings from other Senior Lenders on operating assets. Mark-up is chargeable at concessional rates ranging from 1.5% to 2.00% per annum and is payable in quarterly or semi-annual installment starting from January 2023.

(Amounts in thousand)

- 9.4** On March 5, 2021, the Financial Conduct Authority (FCA) announced the dates on which the panel bank submissions for all LIBOR settings will cease, after which LIBOR will no longer be available. The FCA confirmed that all LIBOR settings will cease to be provided by any administrator immediately after December 31, 2021 for 1-week and 2-month USD settings. This will not impact the Holding Company's DEG loan which is due for repayment in December 2023 at the 6-month LIBOR prevailing on June 15, 2023, and the 6-month LIBOR has discontinued after June 30, 2023.

	Unaudited June 30, 2023	Audited December 31, 2022
	-----Rupees-----	
10. TRADE AND OTHER PAYABLES		
Creditors	6,853,754	4,976,897
Accrued liabilities (notes 10.1 and 10.2)	31,449,607	26,382,389
Advances from customers	9,433,896	11,509,307
Payable to:		
- Parent Company	864	179,170
- Associated Companies:		
- FrieslandCampina Engro Pakistan Limited	-	361
- Engro Foundation	128,144	127,927
- Defined Contribution Provident Fund	648	35,960
- Defined Contribution Provident Fund NMPT	41	6,326
- Defined Contribution Gratuity Fund MPT	4,480	16,561
- Defined Contribution Pension Fund	-	984
- Defined Benefit Gratuity Fund NMPT	139,568	127,063
Deposits / Retention from dealers and contractors (note 10.3)	309,910	307,664
Workers' profit participation fund	724,055	-
Workers' welfare fund	830,135	939,941
Withholding tax payable	63,128	233,479
Others	161,144	312,264
	<u>50,099,374</u>	<u>45,156,293</u>

- 10.1** On June 10, 2021, the Holding Company filed a Suit before the SHC in which it prayed that Sui Northern Gas Pipelines Limited (SNGPL) be directed to supply the contracted / committed volume of feed gas at concessionary pricing under the Gas Sale and Purchase Agreement and in accordance with the Fertilizer Policy 2001, Instructions to Bidders and various Economic Coordination Committee decisions.

The SHC was pleased to grant an ad interim stay vide its order dated June 21, 2021, directing the parties to maintain status quo with regard to disconnection of gas supply and pricing. The Holding Company, without prejudice to the pending Suit and any admission of liability, has on prudent basis recorded a provision of Rs. 11,536,077 (December 31, 2022: Rs. 6,706,128) in these consolidated condensed interim financial statements.

- 10.2** In 2022, the Holding Company received a letter from one of its gas suppliers, which indicated that the pricing of gas supplied to the Holding Company from the gas field would be higher of the applicable Petroleum Policy or the gas price notified by the Oil and Gas Regulatory Authority ("OGRA") for the fertilizer sector and such charge shall be applicable from the date of execution of the Gas Sale and Purchase Agreement (GSPA).

In this regard, the Holding Company submitted a formal response to the gas supplier. Without prejudice to the foregoing and any admission of liability, the Holding Company has on a prudent basis recorded a provision amounting to Rs. 2,380,450 (December 31, 2022: Rs. 2,380,450) in these consolidated condensed interim financial statements.

- 10.3** The amount is kept in separate term deposits account as per the terms of agreements and is not utilised for the purpose of the business of the Holding Company.

(Amounts in thousand)

11. SHORT-TERM BORROWINGS

11.1 Holding Company

11.1.1 The Holding Company has funded facilities for short-term finances available from various banks and institutional investors amounting to Rs. 16,725,000 (December 31, 2022: Rs. 14,125,000) along with non-funded facilities of Rs. 6,100,000 (December 31, 2022: Rs. 5,100,000) for bank guarantees. The rates of mark-up on funded bank overdraft facilities ranged from 0.2% to 0.5% (December 31, 2022: 0.2% to 0.5%) per annum over 1-month and 3-month KIBOR and all facilities are secured by floating charge upon all present and future stocks including raw and packing 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. The Holding Company has utilised Rs. 11,654,070 (December 31, 2022: Rs. 7,826,110) from funded facilities and Rs. 5,919,640 (December 31, 2022: Rs. 7,366,087) from non-funded facilities as at the reporting date.

11.2 Subsidiary Company

11.2.1 The facilities for short-term running finances, available from various banks, aggregate to Rs. 16,725,000 (December 31, 2022: Rs. 14,225,000). The rates of mark-up on funded bank overdraft facilities ranged from 0.02% to 0.5% (December 31, 2022: 0.02% to 0.5%) per annum over 1-month and 3-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, 2023, the Subsidiary Company has utilised Rs. 999,253 (December 31, 2022: Nil) out of the aforementioned facilities.

12. LOAN FROM PARENT COMPANY

Represents subordinated loan from the Parent Company amounting to Nil (December 31, 2022: Rs. 1,000,000) for a period of eleven months. The mark-up is payable on quarterly basis at the rate of 3 months KIBOR + 0.1% (December 31, 2022: 3 months KIBOR + 0.1%) per annum.

13. CONTINGENCIES AND COMMITMENTS

Contingencies

13.1 As at June 30, 2023, bank guarantees of Rs. 7,670,623 (December 31, 2022: Rs. 9,117,070) have been issued in favour of third parties.

13.2 As at June 30, 2023, there is no material change in the status of matters reported as contingencies in note 25 of the audited annual consolidated financial statements of the Group for the year ended December 31, 2022, except for the below.

13.2.1 During the period, the Holding Company received an order from the Deputy Commissioner Inland Revenue (DCIR), in respect of tax year 2022, amending the Group return filed along with the subsidiary company to make disallowances having a tax impact of Rs. 1,383,076. These mainly pertain to disallowance of provisions made for Sindh Infrastructure Cess accruals and trade debts invoking the provisions of Section 34(3) of Income Tax Ordinance, 2001 (the Ordinance), amortisation on right to use brand and loss allowance on subsidy under Section 20 of the Ordinance and Workers' Profits Participation Fund (WPPF). The DCIR has also concluded that the provision for GIDC is considered as taxable income for the purposes of determination of Super Tax under Section 4C of the Ordinance. The DCIR has also disallowed refund adjustment amounting to Rs. 1,859,844. Further, the order also incorporates the enhanced amount of levy of Super Tax under Section 4C of the Ordinance, thereby creating a total demand of Rs. 3,718,104.

The Holding Company is in the process of filing an appeal before the Commissioner Inland Revenue Appeals (CIRA) against this order. The Holding Company's management considers, based on the legal / tax advisor's opinion, that it has reasonable grounds to defend the case and therefore no provision has been recognised in these consolidated condensed interim financial statements in respect of the aforementioned order.

13.3 Commitments

Commitments in respect of capital expenditure and other operational items

Unaudited June 30, 2023	Audited December 31, 2022
-------------------------------	---------------------------------

-----Rupees-----

27,108,215	14,239,254
------------	------------

(Amounts in thousand)

	Unaudited			
	Quarter ended		Half year ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
-----Rupees-----				
14. NET SALES				
Manufactured products				
- Gross sales	30,073,557	25,641,544	62,792,308	50,121,739
- Less: Sales tax	-	(523,480)	-	(1,017,417)
	30,073,557	25,118,064	62,792,308	49,104,322
Purchased and packaged products				
- Gross sales	8,241,839	13,589,895	19,459,736	26,595,276
- Less: Sales tax	(38,935)	(301,563)	(42,649)	(565,810)
	8,202,904	13,288,332	19,417,087	26,029,466
Services				
- Gross sales	217,862	123,787	544,679	350,955
- Less: Sales tax	(40,301)	(25,238)	(75,973)	(52,432)
	177,561	98,549	468,706	298,523
Less: Trade discount	(78,945)	(181,752)	(311,925)	(296,040)
	<u>38,375,077</u>	<u>38,323,193</u>	<u>82,366,176</u>	<u>75,136,271</u>
15. OTHER INCOME				
On financial assets				
Income on deposits / other financial assets	359,355	556,241	1,028,635	1,038,146
On non-financial assets				
Gain on disposal of operating asset	79,519	-	79,519	-
Scrap sales	7,233	32,865	20,324	55,778
Others	555	(1,204)	35,217	5,262
	<u>446,662</u>	<u>587,902</u>	<u>1,163,695</u>	<u>1,099,186</u>
16. TAXATION				
Current				
- for the period (note 16.2)	3,089,703	2,642,181	5,441,203	4,782,979
- for prior year (note 16.2)	1,406,069	2,967,746	1,406,069	2,967,746
	4,495,772	5,609,927	6,847,272	7,750,725
Deferred (note 16.3)	1,573,024	1,637,252	1,607,447	1,657,990
	<u>6,068,796</u>	<u>7,247,179</u>	<u>8,454,719</u>	<u>9,408,715</u>
16.1	As at June 30, 2023, there is no material change in the tax related matters reported in note 34 of the audited annual consolidated financial statements of the Group for the year ended December 31, 2022, except for the below.			
16.2	Section 4C 'Super tax on high earning persons' of the Ordinance introduced through the Finance Act, 2022 has been further amended through the Finance Act, 2023, whereby super tax rate has been increased to ten percent where the income exceeds Rs. 500,000. This is retrospectively applicable from tax year 2023 onwards. In previous year, the Group had already recognised super tax provision at 4% for tax year 2023 based on the rate applicable at December 31, 2022. Accordingly, during the current period, the Group has increased the super tax provision to 10% which has resulted in additional provision of Rs. 1,406,069, for prior tax year 2023. Further, this also includes super tax provision recognised at 10% for tax year 2024, amounting to Rs. 1,413,338.			
16.3	Includes impact of higher deferred tax expense at the rate of 39% (including 10% super tax as explained in note 16.2 above) being the new rate substantively enacted at the balance sheet date and is expected to apply to the periods when the asset is realised or the liability is settled. Liability as at December 31, 2022 was recognised at 33% being the rate then enacted.			

(Amounts in thousand)

- 16.4** During the period, the Holding Company received an order from the Assistant Commissioner Inland Revenue (ACIR) disallowing amortisation on intangibles amounting to Rs. 293,480 for tax year 2017, having a tax impact of Rs. 90,978. Further, the order incorporated other amended assessments, thereby creating a demand of Rs. 494,108. The Holding Company has filed an appeal before the CIRA and hearing is yet to be held.

The Holding Company maintains adequate provision in these consolidated condensed interim financial statements and is confident of an ultimate favorable outcome on this amendment.

	Unaudited	
	Half year ended	
	June 30, 2023	June 30, 2022
	-----Rupees-----	
17. CASH GENERATED FROM OPERATIONS		
Profit before taxation	13,918,596	14,821,721
Adjustment for non-cash charges and other items:		
Depreciation	1,763,970	1,584,261
Amortisation of intangibles	100,592	84,223
Amortisation deferred income	(966)	(1,933)
(Gain) / loss on disposal of operating assets	(79,519)	2,608
Provision for retirement and other service benefits	38,128	37,372
Income on deposits / other financial assets	(1,028,635)	(1,038,146)
Finance cost	935,229	868,040
Exchange loss on revaluation of long term borrowings	202,394	189,412
Provision for impairment against trade debts	22,478	7,418
Remeasurement loss on provision for GIDC	456,276	356,605
Loss allowance on subsidy receivable from the GoP	504,345	389,173
Reversal of provision against stock-in-trade	(5,954)	-
Provision for impairment against stock-in-trade	197,486	19,625
Provision for surplus and slow moving stores and spares - net	201,675	20,224
Working capital changes (note 17.1)	(3,914,053)	(7,945,397)
	13,312,042	9,395,206
17.1 Working capital changes		
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(898,850)	(662,951)
- Stock-in-trade	(4,680,438)	(11,725,645)
- Trade debts	513,176	(386,331)
- Loans, advances, deposits and prepayments	(3,155,043)	(595,316)
- Other receivables (net)	(635,979)	(3,403,722)
	(8,857,134)	(16,773,965)
Increase in current liabilities		
- Trade and other payables	4,943,081	8,828,568
	(3,914,053)	(7,945,397)
18. CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,149,558	1,263,676
Short term investments	-	4,065,733
Short-term borrowings	(12,653,323)	(6,653,916)
	(10,503,765)	(1,324,507)

(Amounts in thousand)

19. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

19.1 Financial risk factors

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

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

19.2 Fair value estimation

The table below analyses financial instruments carried at fair value using the fair value measurement method in accordance with IFRS 13. 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); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
As at June 30, 2023 (Unaudited)				
Financial assets at fair value through profit or loss	-	350,000	-	350,000
	<u>-</u>	<u>350,000</u>	<u>-</u>	<u>350,000</u>
As at December 31, 2022 (Audited)				
Financial assets at fair value through profit or loss	-	1,650,000	-	1,650,000
	<u>-</u>	<u>1,650,000</u>	<u>-</u>	<u>1,650,000</u>

Represents investment in units of mutual funds that are measured at fair value using the fund's respective net asset value.

19.3 Valuation techniques used to determine fair values

There were no transfers between the levels of hierarchy during the period. Further, there were no changes in the valuation techniques during the period.

19.4 Fair value of financial assets and liabilities

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

(Amounts in thousand)

20. TRANSACTIONS WITH RELATED PARTIES

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

	Unaudited	
	Half year ended	
	June 30,	June 30,
	2023	2022
	-----Rupees-----	
Parent Company		
Dividend paid	6,386,153	7,889,416
Mark-up paid on sub-ordinated loan	42,976	232,670
Reimbursements made:		
- by the Group	66,827	23,992
- to the Group	723,330	524,920
Royalty	1,034,018	688,980
Repayment of sub-ordinated loan	1,000,000	8,400,000
Receipt of subordinated loan	-	10,300,000
Use of assets	541,292	160,406
Associated companies		
Purchases and services received	16,813,207	11,982,703
Services provided	56,439	97,163
Reimbursements made:		
- by the Group	243,603	11,914
- to the Group	105,489	589
Dividend paid to Trustees of FrieslandCampina Engro Pakistan Limited Employees Gratuity Fund	246	566
Use of assets	437,615	171,479
Donations	18,000	-
Contribution to staff retirement benefits		
Pension fund	6,576	3,988
Gratuity fund	84,599	83,762
Provident fund	103,698	99,708
Dividend paid to staff retirement benefits		
Pension fund	120	321
Gratuity fund	2,743	2,423
Provident fund	6,002	4,430
Others		
Remuneration of key management personnel	164,519	194,766
Directors' fee	12,073	9,739

(Amounts in thousand)

21. OPERATING SEGMENT RESULTS

	Urea		Phosphates		Speciality Fertilizers Business		Others		Total	
	Unaudited		Unaudited		Unaudited		Unaudited		Unaudited	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
----- Rupees -----										
Sales	48,620,879	36,784,881	20,481,340	28,378,996	12,671,789	10,590,317	1,423,823	1,123,604	83,197,831	76,877,798
Intersegment sales	5,340,959	3,348,942	-	-	-	-	943,284	592,510	6,284,243	3,941,452
Sales tax	-	(821,972)	-	(564,516)	(29,816)	(169,249)	(88,806)	(79,921)	(118,622)	(1,635,658)
	53,961,838	39,311,851	20,481,340	27,814,480	12,641,973	10,421,068	2,278,301	1,636,193	89,363,452	79,183,592
Profit / (loss) before tax	11,002,731	8,718,013	1,829,990	4,913,198	1,205,676	1,337,409	(119,801)	(146,899)	13,918,596	14,821,721
Depreciation & Amortisation	1,661,697	1,441,206	-	-	30,748	30,946	172,117	196,332	1,864,562	1,668,484
Capital expenditure	2,360,415	3,790,361	-	-	51,239	31,934	1,446,931	75,565	3,858,585	3,897,860

	Urea		Phosphates		Speciality Fertilizers Business		Others		Total	
	Unaudited		Unaudited		Unaudited		Unaudited		Unaudited	
	June 30, 2023	Dec 31, 2022	June 30, 2023	Dec 31, 2022	June 30, 2023	Dec 31, 2022	June 30, 2023	Dec 31, 2022	June 30, 2023	Dec 31, 2022
----- Rupees -----										
Segment assets	98,829,676	97,967,739	15,107,346	12,750,432	10,006,485	7,850,667	16,450,272	11,962,543	140,393,779	130,531,381
Unallocated assets	-	-	-	-	-	-	-	-	7,019,825	14,881,951
Total assets	98,829,676	97,967,739	15,107,346	12,750,432	10,006,485	7,850,667	16,450,272	11,962,543	147,413,604	145,413,332

21.1 Reconciliation of reportable segment net sales

	Unaudited	
	June 30, 2023	June 30, 2022
-----Rupees-----		
Total net sales for reportable segment	89,363,452	79,183,592
Elimination of intersegment net sales	(6,284,243)	(3,941,452)
Elimination of net sales to subsidiary	(713,033)	(105,869)
Total net sales	82,366,176	75,136,271

21.2 Reconciliation of reportable segment total assets

	Unaudited	
	June 30, 2023	December 31, 2022
-----Rupees-----		
Total assets for reportable segments	140,393,779	130,531,381
Add: Unallocated assets		
- Accrued income	226,034	175,078
- Short-term investments	2,677,768	9,668,016
- Long-term investments	1,966,465	2,204,759
- Cash and bank balances	2,149,558	2,834,098
	7,019,825	14,881,951
Total assets	147,413,604	145,413,332

(Amounts in thousand)

22. 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 business through appropriate inventory management.

23. 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 annual audited consolidated financial statements of the 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.

24. NON-ADJUSTING EVENT AFTER REPORTING DATE

The Board of Directors in its meeting held on July 26, 2023 has approved an interim cash dividend of Rs. 3 per share for the year ending December 31, 2023, amounting to Rs.4,005,898. These consolidated condensed interim financial statements do not include the effect of the said interim dividend.

25. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue on July 26, 2023 by the Board of Directors of the Holding Company.



Farooq Barkat Ali
Chief Financial Officer



Ahsan Zafar Syed
Chief Executive Officer



Ghias Khan
Chairman

condensed interim financial statements (unaudited)
for the half year ended june 30, 2023



independent auditor's 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, 2023 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim 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, condensed interim statement of comprehensive income and notes thereto for the quarters ended June 30, 2023 and 2022 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2023.

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 Salman Hussain.

Chartered Accountants
Karachi

Date: August 25, 2023

UDIN: RR202310113yedIHhn6a

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■ KARACHI ■ LAHORE ■ ISLAMABAD

condensed interim statement of financial position as at june 30, 2023

(Amounts in thousand)

	Note	Unaudited June 30, 2023	Audited December 31, 2022
-----Rupees-----			
ASSETS			
Non-current assets			
Property, plant and equipment	3	79,927,057	77,879,522
Intangible assets		5,191,542	5,287,980
Investment in subsidiary		100	100
Long-term investments	4	1,855,398	2,103,692
Long-term loans, advances and deposits		180,728	206,531
		87,154,825	85,477,825
Current assets			
Stores, spares and loose tools	5	7,192,405	6,495,230
Stock-in-trade	6	10,991,144	8,426,837
Trade debts		1,605,438	2,477,857
Working capital loan to subsidiary	7	7,924,965	2,731,067
Loans, advances, deposits and prepayments		4,149,664	2,272,406
Other receivables		18,180,994	19,806,771
Accrued income		487,833	803,807
Short-term investments	8	1,916,564	8,553,169
Cash and bank balances	9	2,098,004	2,710,215
		54,547,011	54,277,359
TOTAL ASSETS		141,701,836	139,755,184

(Amounts in thousand)

	Note	Unaudited June 30, 2023	Audited December 31, 2022
EQUITY & LIABILITIES			
-----Rupees-----			
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		(100,348)	(100,348)
Unappropriated profit		23,065,776	26,356,179
		26,046,305	29,336,708
TOTAL EQUITY		39,399,298	42,689,701
Liabilities			
Non-current liabilities			
Borrowings	10	4,493,852	5,841,898
Government grant		774,867	890,939
Deferred taxation		9,768,681	8,161,234
Deferred liabilities		206,706	231,176
Provision for Gas Infrastructure Development Cess (GIDC)		326,664	2,315,163
		15,570,770	17,440,410
Current liabilities			
Trade and other payables	11	47,161,894	42,808,977
Accrued interest / mark-up		567,650	508,933
Taxation - net		1,829,326	3,574,054
Current portion of:			
- borrowings	10	6,016,750	6,827,730
- government grant		241,074	255,874
- deferred liabilities		62,356	69,227
- provision for GIDC		19,149,732	16,704,957
Short-term borrowings	12	11,654,070	7,826,110
Loan from Holding Company	13	-	1,000,000
Unclaimed dividend		48,916	49,211
		86,731,768	79,625,073
TOTAL LIABILITIES		102,302,538	97,065,483
Contingencies and Commitments	14		
TOTAL EQUITY & LIABILITIES		141,701,836	139,755,184

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.



Farooq Barkat Ali
Chief Financial Officer



Ahsan Zafar Syed
Chief Executive Officer



Ghias Khan
Chairman

condensed interim statement of profit or loss (unaudited) for the half year ended june 30, 2023

(Amounts in thousand except for earnings per share)

	Note	Quarter ended		Half year ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
-----Rupees-----					
Net sales	15	30,451,702	25,616,767	63,779,109	49,949,116
Cost of sales		(20,493,618)	(15,964,057)	(45,234,023)	(33,489,305)
Gross profit		9,958,084	9,652,710	18,545,086	16,459,811
Selling and distribution expenses		(2,073,175)	(1,610,553)	(4,333,927)	(3,431,376)
Administrative expenses		(816,456)	(921,578)	(1,369,465)	(1,363,730)
		7,068,453	7,120,579	12,841,694	11,664,705
Other income	16	2,063,286	3,584,169	5,230,132	6,129,748
Other operating expenses		(545,532)	(822,360)	(1,136,644)	(1,270,750)
Finance cost		(639,170)	(593,777)	(1,096,209)	(1,095,270)
Other losses:					
Remeasurement loss on provision for GIDC		(255,768)	(130,477)	(456,276)	(356,605)
Loss allowance on subsidy receivable from GoP		(71,896)	(303,595)	(504,345)	(389,173)
		(327,664)	(434,072)	(960,621)	(745,778)
Profit before taxation		7,619,373	8,854,539	14,878,352	14,682,655
Taxation	17	(5,079,990)	(6,146,857)	(6,818,710)	(7,261,406)
Profit for the period		2,539,383	2,707,682	8,059,642	7,421,249
Earnings per share - basic and diluted		1.90	2.03	6.04	5.56

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.



Farooq Barkat Ali
Chief Financial Officer



Ahsan Zafar Syed
Chief Executive Officer



Ghias Khan
Chairman

condensed interim statement of comprehensive income (unaudited) for the half year ended june 30, 2023

(Amounts in thousand)

	Quarter ended		Half year ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	-----Rupees-----			
Profit for the period	2,539,383	2,707,682	8,059,642	7,421,249
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>2,539,383</u>	<u>2,707,682</u>	<u>8,059,642</u>	<u>7,421,249</u>

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.



Farooq Barkat Ali
Chief Financial Officer



Ahsan Zafar Syed
Chief Executive Officer



Ghias Khan
Chairman

condensed interim statement of changes in equity for the half year ended june 30, 2023

(Amounts in thousand)

	RESERVES					Total
	Share capital	CAPITAL		REVENUE		
	Share capital	Share premium	Reserve on amalgamation	Remeasurement of post employment benefits	Unappropriated profit	
-----Rupees-----						
Balance as at January 1, 2023 (Audited)	13,352,993	3,384,904	(304,027)	(100,348)	26,356,179	42,689,701
Transaction with owners:						
Dividends:						
- Final 2022: Rs. 5.00 per share	-	-	-	-	(6,676,497)	(6,676,497)
- 1st interim 2023: Rs. 3.50 per share	-	-	-	-	(4,673,548)	(4,673,548)
	-	-	-	-	(11,350,045)	(11,350,045)
Total comprehensive income for the half year ended June 30, 2023						
Profit for the period	-	-	-	-	8,059,642	8,059,642
Other comprehensive income for the period	-	-	-	-	-	-
	-	-	-	-	8,059,642	8,059,642
Balance as at June 30, 2023 (Unaudited)	13,352,993	3,384,904	(304,027)	(100,348)	23,065,776	39,399,298
Balance as at January 1, 2022 (Audited)	13,352,993	3,384,904	(304,027)	(90,220)	28,974,586	45,318,236
Transaction with owners:						
Dividends:						
- Final 2021: Rs. 5.00 per share	-	-	-	-	(6,676,497)	(6,676,497)
- 1st interim 2022: Rs. 5.50 per share	-	-	-	-	(7,344,146)	(7,344,146)
	-	-	-	-	(14,020,643)	(14,020,643)
Total comprehensive income for the half year ended June 30, 2022						
Profit for the period	-	-	-	-	7,421,249	7,421,249
Other comprehensive income for the period	-	-	-	-	-	-
	-	-	-	-	7,421,249	7,421,249
Balance as at June 30, 2022 (Unaudited)	13,352,993	3,384,904	(304,027)	(90,220)	22,375,192	38,718,842

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.



Farooq Barkat Ali
Chief Financial Officer



Ahsan Zafar Syed
Chief Executive Officer



Ghias Khan
Chairman

condensed interim statement of cash flows (unaudited) for the half year ended june 30, 2023

(Amounts in thousand)

	Note	Half year ended	
		June 30, 2023	June 30, 2022
-----Rupees-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	18	15,125,599	12,672,190
Retirement and other service benefits paid		(68,637)	(63,247)
Taxes paid		(6,955,991)	(2,573,706)
Long-term loans, advances and deposits		25,803	1,529
Income on deposits / other financial assets		1,635,975	1,132,795
Net cash generated from operating activities		9,762,749	11,169,561
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangibles		(3,858,585)	(4,040,014)
Proceeds from disposal of operating assets		122,438	31,049
Disbursement of working capital loan to subsidiary		(32,116,449)	(29,971,085)
Payment received against working capital loan to subsidiary		26,922,551	21,982,596
Short-term and long term investments - net		6,639,456	(817,526)
Dividend received		3,519,949	4,320,000
Net cash generated from / (utilised in) investing activities		1,229,360	(8,494,980)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		-	993,993
Disbursement of loan from Holding Company		-	10,300,000
Repayment of loan from Holding Company		(1,000,000)	(8,400,000)
Repayment of long-term borrowings		(2,492,292)	(3,828,001)
Dividends paid		(11,350,340)	(14,020,695)
Finance cost paid		(835,098)	(940,640)
Net cash utilised in financing activities		(15,677,730)	(15,895,343)
Net decrease in cash and cash equivalents		(4,685,621)	(13,220,762)
Cash and cash equivalents at beginning of the period		(4,870,445)	11,159,795
Cash and cash equivalents at end of the period	19	(9,556,066)	(2,060,967)

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.



Farooq Barkat Ali
Chief Financial Officer



Ahsan Zafar Syed
Chief Executive Officer



Ghias Khan
Chairman

notes to the condensed interim financial statements (unaudited) for the half year ended june 30, 2023

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

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). As at June 30, 2023, the Holding Company holds 56.27% share capital of the Company.

The Company is engaged in the manufacturing, purchasing and marketing of fertilizers, seeds and pesticides and providing logistics services. The registered / head office of the Company is situated at 7th and 8th floors, The Harbour Front Building, HC-3, Marine Drive, Block 4, Clifton, Karachi.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

2.2 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 wholly owned subsidiary i.e. EFERT Agritrade (Private) Limited (EAPL) are presented separately. The cumulative figures for the half year ended June 30, 2023 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 Act. 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, 2022.

2.3 The significant 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 audited annual financial statements of the Company for the year ended December 31, 2022.

2.4 The preparation of these condensed interim financial statements in conformity with the accounting and reporting standards applicable in Pakistan 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 the audited annual financial statements of the Company for the year ended December 31, 2022.

2.5 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.

(Amounts in thousand)

	Unaudited June 30, 2023	Audited December 31, 2022
	-----Rupees-----	
3. PROPERTY, PLANT AND EQUIPMENT		
Operating assets at net book value (note 3.1)	69,009,674	68,564,208
Capital work in progress (note 3.2)	9,603,383	7,793,135
Major spare parts and stand-by equipment	1,314,000	1,522,179
	<u>79,927,057</u>	<u>77,879,522</u>

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

	Unaudited (Additions at cost)		Unaudited (Disposals / write-offs at net book value)	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	-----Rupees-----			
Building on freehold land	57,438	-	-	-
Plant and machinery (note 3.1.1)	1,204,487	120,004	-	-
Catalyst	728,839	-	-	-
Office equipment	72,934	18,800	167	1,504
Vehicles	188,664	88,219	42,752	32,153
Aircraft	-	2,875,687	-	-
	<u>2,252,362</u>	<u>3,102,710</u>	<u>42,919</u>	<u>33,657</u>

The above disposals / write-offs represent assets having a cost of Rs. 137,284 (June 30, 2022:Rs. 56,203) and net book value of Rs. 42,919 (June 30, 2022: Rs. 33,657), which were disposed off for Rs. 122,438 (June 30, 2022: Rs. 31,049).

3.1.1 Includes Rs. 248,107 (June 30, 2022: Nil) transferred from major spare parts and stand-by equipment.

	Unaudited June 30, 2023	Audited December 31, 2022
	-----Rupees-----	
3.2 Capital work in progress		
Balance at beginning of the period / year	7,793,135	11,031,660
Additions during the period / year	3,818,657	8,254,083
Transferred to:		
- operating assets	(2,004,255)	(11,324,128)
- intangible assets	(4,154)	(168,480)
Balance at end of the period / year	<u>9,603,383</u>	<u>7,793,135</u>

3.2.1 Includes Rs. 1,140,386 (December 31, 2022: Rs. 636,268) paid as advance representing the Company's share in respect of a joint operation arrangement being undertaken to ensure sustainable gas supplies and enhancement of delivery pressures at one of the gas supply sites.

	Unaudited June 30, 2023	Audited December 31, 2022
	-----Rupees-----	
4. LONG-TERM INVESTMENTS		
At amortised cost		
Pakistan Investment Bonds (note 4.1)	<u>1,855,398</u>	<u>2,103,692</u>

4.1 These bonds carry interest at the rates ranging from 13.04% to 17.57% (December 31, 2022: 13.04% to 17.57%) per annum and have maturity terms ranging between two to five years.

(Amounts in thousand)

	Unaudited June 30, 2023	Audited December 31, 2022
	-----Rupees-----	
5. STORES, SPARES AND LOOSE TOOLS		
Consumable stores, spares and loose tools	8,302,012	7,403,162
Less: Provision for surplus and slow moving items (note 5.1)	(1,109,607)	(907,932)
	<u>7,192,405</u>	<u>6,495,230</u>
5.1 Provision for surplus and slow moving items		
Balance at beginning of the period / year	907,932	857,923
Charge for the period / year	205,008	140,055
Reversal during the period / year	(3,333)	(61,587)
Written off during the period / year	-	(28,459)
Balance at end of the period / year	<u>1,109,607</u>	<u>907,932</u>
6. STOCK-IN-TRADE		
Raw materials	1,597,177	1,636,382
Packing materials	1,362,466	296,246
Work in process	196,560	133,161
	<u>3,156,203</u>	<u>2,065,789</u>
Finished goods:		
manufactured products (note 6.2)	7,618,984	5,581,621
purchased and packaged products	557,594	967,124
	<u>8,176,578</u>	<u>6,548,745</u>
Less: Provision for impairment against stock-in-trade (note 6.1)	(341,637)	(187,697)
	<u>10,991,144</u>	<u>8,426,837</u>
6.1 Provision for impairment against stock-in-trade		
Balance at beginning of the period / year	187,697	146,194
Charge for the period / year	197,486	153,045
Reversal during the period / year	(5,954)	(93,450)
Written off during the period / year	(37,592)	(18,092)
Balance at end of the period / year	<u>341,637</u>	<u>187,697</u>
6.2	Above includes stock-in-trade costing Rs. 1,342,354 (December 31, 2022: Rs. 3,112,124) carried at net realizable value, amounting to Rs. 1,241,854 (December 31, 2022: Rs. 2,879,124).	
7. WORKING CAPITAL LOAN TO SUBSIDIARY		
Represents unsecured loan given to EAPL (a subsidiary company) amounting to Rs. 7,924,965 (December 31, 2022: Rs. 2,731,067). The mark-up is receivable on quarterly basis at the rate of 1 month KIBOR + 0.5% (December 31, 2022: 1 month KIBOR + 0.5%) per annum.		
	Unaudited June 30, 2023	Audited December 31, 2022
	-----Rupees-----	
8. SHORT-TERM INVESTMENTS		
At fair value through profit or loss		
- Investment in units of mutual funds (note 8.1)	350,000	1,650,000
At amortised cost		
- Pakistan Investment Bonds (note 8.2)	1,566,564	2,273,125
- Treasury Bills	-	4,384,594
- Term Deposit Receipts	-	245,450
	<u>1,566,564</u>	<u>6,903,169</u>
	<u>1,916,564</u>	<u>8,553,169</u>

(Amounts in thousand)

- 8.1** This represents investments in 3,502,124 units (December 31, 2022: 15,509,920 units) of Mutual Funds having cost amounting to Rs. 350,000 (December 31, 2022: Rs. 1,650,000).
- 8.2** These bonds carry interest at the rate of 17.66% (December 31, 2022: ranging between 14.84% to 17.66%) per annum and maturing on various dates between 2 to 12 months.

Unaudited **Audited**
June 30, **December 31,**
2023 **2022**
-----Rupees-----

9. CASH AND BANK BALANCES

Cash at banks in:

- Deposit accounts (notes 9.1 and 9.2)
- Current accounts

508,372	481,955
1,578,019	2,217,047
<u>2,086,391</u>	<u>2,699,002</u>
Cash in hand	
11,613	11,213
<u>2,098,004</u>	<u>2,710,215</u>

- 9.1** Deposit accounts carry return at the rates ranging from 14.50% to 19.50% (December 31, 2022: 8.25% to 14.50%) per annum.
- 9.2** Includes Rs. 508,372 (December 31, 2022: Rs. 402,089) held in foreign currency bank accounts.

Unaudited **Audited**
June 30, **December 31,**
2023 **2022**
-----Rupees-----

10. BORROWINGS - Secured (Non-participatory)

Long term finance utilised under mark-up arrangements (notes 10.1 and 10.2)

6,817,685	8,867,688
4,708,858	4,948,753
(1,015,941)	(1,146,813)
3,692,917	3,801,940
Less: Fair value adjustment for loan at below market rate	
(6,016,750)	(6,827,730)
<u>4,493,852</u>	<u>5,841,898</u>

- 10.1** All senior debts are secured by an equitable mortgage upon immovable property of the Company and equitable charge over present and future operating assets excluding immovable property of the Company.
- 10.2** During the period, the Company made principal repayments of long term finances to MCB Bank Limited, Allied Bank Limited and Deutsche Investitions-und Entwicklungsgesellschaft amounting to Rs. 1,166,667, Rs. 605,398 and Rs. 480,332, respectively.
- 10.3** During the period, the Company repaid TERF loan to Habib Bank Limited, Allied Bank Limited and MCB Bank Limited amounting to Rs. 25,739, Rs. 4,946 and Rs. 209,210, respectively. These borrowings have the same charge as the borrowings from other Senior Lenders on operating assets. Mark-up is chargeable at concessional rates ranging from 1.50% to 2.00% per annum and is payable in quarterly or semi-annual installment starting from January 2023.
- 10.4** On March 5, 2021, the Financial Conduct Authority (FCA) announced the dates on which the panel bank submissions for all LIBOR settings will cease, after which LIBOR will no longer be available. The FCA confirmed that all LIBOR settings will cease to be provided by any administrator immediately after December 31, 2021 for 1-week and 2-month USD settings. This will not impact the Company's DEG loan which is due for repayment in December 2023 at the 6-month LIBOR prevailing on June 15, 2023, and the 6-month LIBOR has discontinued after June 30, 2023.

(Amounts in thousand)

Unaudited **Audited**
June 30, **December 31,**
2023 **2022**
-----Rupees-----

11. TRADE AND OTHER PAYABLES

Creditors	6,820,318	4,973,646
Accrued liabilities (notes 11.1 and 11.2)	28,841,170	24,124,540
Advances from customers, contract liabilities	9,257,439	11,462,903
Payable to:		-
- FrieslandCampina Engro Pakistan Limited	-	361
- Engro Corporation Limited	-	178,659
- Engro Foundation	128,144	127,927
- Defined Contribution Provident Fund	642	35,892
- Defined Contribution Provident Fund - NMPT	41	6,326
- Defined Contribution Gratuity Fund - MPT	4,480	16,561
- Defined Contribution Pension Fund	-	984
- Defined Benefit Gratuity Fund - NMPT	139,568	127,063
Deposits / Retention from dealers and contractors (note 11.3)	277,410	295,664
Workers' profits participation fund	724,055	-
Workers' welfare fund	780,449	939,941
Withholding tax payable	56,621	206,849
Others	131,557	311,661
	<u>47,161,894</u>	<u>42,808,977</u>

- 11.1** On June 10, 2021, the Company filed a Suit before the SHC in which it prayed that Sui Northern Gas Pipelines Limited (SNGPL) be directed to supply the contracted / committed volume of feed gas at concessionary pricing under the Gas Sale and Purchase Agreement and in accordance with the Fertilizer Policy 2001, Instructions to Bidders and various Economic Coordination Committee decisions.

The SHC was pleased to grant an ad interim stay vide its order dated June 21, 2021, directing the parties to maintain status quo with regard to disconnection of gas supply and pricing. The Company, without prejudice to the pending Suit and any admission of liability, has on prudent basis recorded a provision of Rs. 11,536,077 (December 31, 2022: Rs. 6,706,128) in these condensed interim financial statements.

- 11.2** In 2022, the Company received a letter from one of its gas suppliers, which indicated that the pricing of gas supplied to the Company from the gas field would be higher of the applicable Petroleum Policy or the gas price notified by the Oil and Gas Regulatory Authority ("OGRA") for the fertilizer sector and such charge shall be applicable from the date of execution of the Gas Sale and Purchase Agreement (GSPA).

In this regard, the Company submitted a formal response to the gas supplier. Without prejudice to the foregoing and any admission of liability, the Company has on a prudent basis recorded a provision amounting to Rs. 2,380,450 (December 31, 2022: Rs. 2,380,450) in these condensed interim financial statements.

- 11.3** The amount is kept in separate term deposits account as per the terms of agreements and is not utilised for the purpose of the business of the Company.

12. SHORT-TERM BORROWINGS

The Company has funded facilities for short-term finances available from various banks and institutional investors amounting to Rs. 16,725,000 (December 31, 2022: Rs. 14,225,000) along with non-funded facilities of Rs. 6,100,000 (December 31, 2022: Rs. 5,100,000) for bank guarantees. The rates of mark-up on funded bank overdraft facilities ranged from 0.2% to 0.5% (December 31, 2022: 0.2% to 0.5%) per annum over 1-month and 3-month KIBOR and all facilities are secured by floating charge upon all present and future stocks including raw and packing 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. The Company has utilised Rs. 11,654,070 (December 31, 2022: Rs. 7,826,110) from funded facilities and Rs. 5,919,640 (December 31, 2022: Rs. 7,366,087) from non-funded facilities as at the reporting date.

(Amounts in thousand)

13. LOAN FROM HOLDING COMPANY

Represents subordinated loan from the Holding Company amounting to Nil (December 31, 2022: Rs. 1,000,000) for a period of eleven months. The mark-up is payable on quarterly basis at the rate of 3 months KIBOR + 0.1% (December 31, 2022: 3 months KIBOR + 0.1%) per annum.

14. CONTINGENCIES AND COMMITMENTS

Contingencies

- 14.1** As at June 30, 2023, bank guarantees of Rs. 5,919,640 (December 31, 2022: Rs. 7,366,087) have been issued in favour of third parties.
- 14.2** As at June 30, 2023, there is no material change in the status of matters reported as contingencies in note 27 of the audited annual financial statements of the Company for the year ended December 31, 2022, except for the below.
- 14.2.1** During the period, the Company received an order from the Deputy Commissioner Inland Revenue (DCIR), in respect of tax year 2022, amending the Group return filed along with the subsidiary company to make disallowances having a tax impact of Rs. 1,383,076. These mainly pertain to disallowance of provisions made for Sindh Infrastructure Cess accruals and trade debts invoking the provisions of Section 34(3) of the Income Tax Ordinance, 2001 (the Ordinance), amortisation on right to use brand and loss allowance on subsidy under Section 20 of the Ordinance and Workers' Profits Participation Fund (WPPF). The DCIR has also concluded that the provision for GIDC is considered as taxable income for the purposes of determination of Super Tax under Section 4C of the Ordinance. The DCIR has also disallowed refund adjustment amounting to Rs. 1,859,844. Further, the order also incorporates the enhanced amount of levy of Super Tax under Section 4C of the Ordinance, thereby creating a total demand of Rs. 3,718,104. The Company is in the process of filing an appeal before the Commissioner Inland Revenue Appeals (CIRA) against this order.

The Company's management considers, based on the legal / tax advisor's opinion, that it has reasonable grounds to defend the case and therefore no provision has been recognised in these condensed interim financial statements in respect of the aforementioned order.

Unaudited **Audited**
June 30, **December 31,**
2023 **2022**
-----Rupees-----

14.3 Commitments

Commitments in respect of capital expenditure and other operational items

26,945,292 14,047,533

Unaudited			
Quarter ended		Half year ended	
June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
-----Rupees-----			

15. NET SALES

Manufactured products

- Gross sales	30,073,557	25,641,544	62,792,308	50,121,739
- Less: Sales tax	-	(523,480)	-	(1,017,417)
	30,073,557	25,118,064	62,792,308	49,104,322

Purchased and packaged products

- Gross sales	192,645	498,393	745,783	756,889
- Less: Sales tax	(9,293)	(8,486)	(12,833)	(15,415)
	183,352	489,907	732,950	741,474

Services

- Gross sales	315,746	215,144	642,564	442,312
- Less: Sales tax	(40,301)	(25,238)	(75,973)	(52,432)
	275,445	189,906	566,591	389,880

Less: Trade discount

	(80,652)	(181,110)	(312,740)	(286,560)
	30,451,702	25,616,767	63,779,109	49,949,116

(Amounts in thousand)

	Unaudited			
	Quarter ended		Half year ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
-----Rupees-----				
16. OTHER INCOME				
On financial assets				
Income on deposits / other financial assets	365,012	379,408	879,915	839,668
Income on working capital loan to subsidiary	324,434	423,290	440,086	532,015
Dividend income from subsidiary	1,201,949	2,560,000	3,519,949	4,320,000
	1,891,395	3,362,698	4,839,950	5,691,683
On non-financial assets				
Commission income from subsidiary	82,891	178,746	240,679	354,163
Sub-licensing income from subsidiary	1,693	11,064	14,442	22,862
Scrap sales	7,233	32,865	20,325	55,778
Gain on disposal of operating assets	79,519	-	79,519	-
Others	555	(1,204)	35,217	5,262
	171,891	221,471	390,182	438,065
	2,063,286	3,584,169	5,230,132	6,129,748
17. TAXATION				
Current				
- for the period (note 17.2)	2,668,962	2,216,450	4,373,259	3,310,249
- for prior year (note 17.2)	838,004	2,293,167	838,004	2,293,167
	3,506,966	4,509,617	5,211,263	5,603,416
Deferred (note 17.3)	1,573,024	1,637,240	1,607,447	1,657,990
	5,079,990	6,146,857	6,818,710	7,261,406

17.1 As at June 30, 2023, there is no material change in the tax related matters reported in note 36 of the audited annual financial statements of the Company for the year ended December 31, 2022, except for the below.

17.2 Section 4C 'Super tax on high earning persons' of the Ordinance introduced through the Finance Act, 2022 has been further amended through the Finance Act, 2023, whereby super tax rate has been increased to ten percent where the income exceeds Rs. 500,000. This is retrospectively applicable from tax year 2023 onwards. In previous year, the Company had already recognised super tax provision at 4% for tax year 2023 based on the rate applicable at December 31, 2022. Accordingly, during the current period, the Company has increased the super tax provision to 10% which has resulted in additional provision of Rs. 838,004, for prior tax year 2023. Further, this also includes super tax provision recognised at 10% for tax year 2024, amounting to Rs. 1,157,082.

17.3 Includes impact of higher deferred tax expense at the rate of 39% (including 10% super tax as explained in note 17.2 above) being the new rate substantively enacted at the balance sheet date and is expected to apply to the periods when the asset is realised or the liability is settled. Liability as at December 31, 2022 was recognised at 33% being the rate then enacted.

17.4 During the period, the Company received an order from the Assistant Commissioner Inland Revenue (ACIR) disallowing amortisation on intangibles amounting to Rs. 293,480 for tax year 2017, having a tax impact of Rs. 90,978. Further, the order incorporated other amended assessments, thereby creating a demand of Rs. 494,108. The Company has filed an appeal before the CIR and hearing is yet to be held.

The Company maintains adequate provision in these condensed interim financial statements and is confident of an ultimate favorable outcome on this amendment.

(Amounts in thousand)

		Unaudited	
		Half year ended	
		June 30,	June 30,
		2023	2022
		-----Rupees-----	
18.	CASH GENERATED FROM OPERATIONS		
	Profit before taxation	14,878,352	14,682,655
	Adjustment for non-cash charges and other items:		
	Depreciation	1,763,970	1,584,261
	Amortisation of intangibles	100,592	84,223
	Amortisation of deferred income	(966)	(1,933)
	(Gain) / loss on disposal of operating assets	(79,519)	2,608
	Provision for retirement and other service benefits	38,262	36,934
	Income on deposits / other financial assets	(1,320,001)	(1,371,683)
	Finance cost	893,815	905,858
	Exchange loss on revaluation of long term borrowings	202,394	189,412
	Dividend income	(3,519,949)	(4,320,000)
	Remeasurement loss on provision for GIDC	456,276	356,605
	Loss allowance on subsidy receivable from the GoP	504,345	389,173
	Reversal of provision against stock-in-trade	(5,954)	-
	Provision for impairment against trade debts	22,478	7,418
	Provision for impairment against stock-in-trade	197,486	19,625
	Provision for surplus and slow moving stores and spares	201,675	20,224
	Working capital changes (note 18.1)	792,343	86,810
		<u>15,125,599</u>	<u>12,672,190</u>
18.1	Working capital changes		
	(Increase) / decrease in current assets		
	- Stores, spares and loose tools	(898,850)	(662,951)
	- Stock-in-trade	(2,755,839)	(4,070,663)
	- Trade debts	849,941	(428,123)
	- Loans, advances, deposits and prepayments	(1,877,258)	(646,013)
	- Other receivables (net)	1,121,432	(2,087,325)
		<u>(3,560,574)</u>	<u>(7,895,075)</u>
	Increase in trade and other payables	4,352,917	7,981,885
		<u>792,343</u>	<u>86,810</u>
		Unaudited	
		Half year ended	
		June 30,	June 30,
		2023	2022
		-----Rupees-----	
19.	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	2,098,004	1,181,120
	Short term investments	-	3,390,737
	Short-term borrowings	(11,654,070)	(6,632,824)
		<u>(9,556,066)</u>	<u>(2,060,967)</u>

(Amounts in thousand)

20. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

20.1 Financial risk factors

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

There have been no changes in the financial 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.

20.2 Fair value estimation

The table below analyses financial instruments carried at fair value using the fair value measurement method in accordance with IFRS 13. 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); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
As at June 30, 2023 (Unaudited)				
Financial assets at fair value through profit or loss	-	350,000	-	350,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at December 31, 2022 (Audited)				
Financial assets at fair value through profit or loss	-	1,650,000	-	1,650,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Represents investment in units of mutual funds that are measured at fair value using the fund's respective net asset value.

20.3 Valuation techniques used to determine fair values

There were no transfers between the levels of hierarchy during the period. Further, there were no changes in the valuation techniques during the period.

20.4 Fair value of financial assets and liabilities

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

(Amounts in thousand)

21. TRANSACTIONS WITH RELATED PARTIES

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

	Unaudited	
	Half year ended	
	June 30, 2023	June 30, 2022
	-----Rupees-----	
Holding Company		
Dividend paid	6,386,153	7,889,416
Mark-up paid on sub-ordinated loan	42,976	232,670
Reimbursements made:		
- by the Company	66,827	23,992
- to the Company	723,330	524,920
Royalty	1,034,018	688,980
Repayment of sub-ordinated loan	1,000,000	8,400,000
Receipt of sub-ordinated loan	-	10,300,000
Use of assets	541,292	160,406
Subsidiary Company		
Funds collected against sales made on behalf of subsidiary	17,296,951	19,203,717
Income on working capital loan to subsidiary	440,086	532,015
Disbursement of working capital loan to subsidiary	32,116,449	29,971,085
Repayment received against working capital loan disbursed to subsidiary	26,922,551	21,982,596
Services provided	97,885	91,357
Dividend income	3,519,949	4,320,000
Commission income	240,679	354,163
Sub-licensing fee charged	14,442	22,862
Purchase of products	616,827	14,512
Associated companies		
Purchases and services received	2,166,127	2,514,681
Services provided	56,439	97,163
Reimbursements made:		
- by the Company	105,135	11,490
- to the Company	7,693	-
Dividend paid to Trustees of FrieslandCampina Engro Pakistan Limited Employees Gratuity Fund	246	566
Use of assets	437,615	171,479
Donations	18,000	-
Contribution to staff retirement benefits		
Pension fund	6,576	3,988
Gratuity fund	84,533	83,135
Provident fund	103,619	98,955
Dividend paid to staff retirement benefits		
Pension fund	120	321
Gratuity fund	2,743	2,423
Provident fund	6,002	4,430
Others		
Remuneration of key management personnel	163,918	183,614
Directors' fees	11,973	9,639

(Amounts in thousand)

22. OPERATING SEGMENT RESULTS

	Urea		Speciality Fertilizers Business		Others		Total	
	Unaudited		Unaudited		Unaudited		Unaudited	
	Half year ended		Half year ended		Half year ended		Half year ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	----- Rupees -----							
Sales	48,620,879	36,784,881	10,647,867	8,562,340	4,599,169	5,687,159	63,867,915	51,034,380
Intersegment sales	5,340,959	3,348,942	-	-	943,284	592,510	6,284,243	3,941,452
Sales tax	-	(821,972)	-	(92,697)	(88,806)	(170,595)	(88,806)	(1,085,264)
	53,961,838	39,311,851	10,647,867	8,469,643	5,453,647	6,109,074	70,063,352	53,890,568
Profit before tax	14,521,731	13,038,014	510,578	584,342	(153,957)	1,060,299	14,878,352	14,682,655
Depreciation & amortisation	1,661,697	1,441,206	30,748	30,948	172,117	196,330	1,864,562	1,668,484
Capital expenditure	2,360,415	3,790,361	51,239	31,934	1,446,931	75,565	3,858,585	3,897,860

	Urea		Speciality Fertilizers Business		Others		Total	
	Unaudited		Unaudited		Unaudited		Unaudited	
	June 30, 2023	Dec 31, 2022	June 30, 2023	Dec 31, 2022	June 30, 2023	Dec 31, 2022	June 30, 2023	Dec 31, 2022
	----- Rupees -----							
Segment assets	109,870,299	105,551,012	8,907,276	8,070,646	16,566,462	11,962,643	135,344,037	125,584,301
Unallocated assets	-	-	-	-	-	-	6,357,799	14,170,883
Total assets	109,870,299	105,551,012	8,907,276	8,070,646	16,566,462	11,962,643	141,701,836	139,755,184

22.1 Reconciliation of reportable segment net sales

	Unaudited	
	June 30, 2023	June 30, 2022
	-----Rupees-----	
Total net sales for reportable segment	70,063,352	53,890,568
Elimination of intersegment net sales	(6,284,243)	(3,941,452)
Total net sales	63,779,109	49,949,116

22.2 Reconciliation of reportable segment total assets

	Unaudited	Audited
	June 30, 2023	December 31, 2022
	-----Rupees-----	
Total assets for reportable segments	135,344,037	125,584,301
Add: Unallocated assets		
- Accrued income	487,833	803,807
- Short-term investments	1,916,564	8,553,169
- Long-term investments	1,855,398	2,103,692
- Cash and bank balances	2,098,004	2,710,215
	6,357,799	14,170,883
Total assets	141,701,836	139,755,184

23. 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 business through appropriate inventory management.

(Amounts in thousand)

24. 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 audited financial statements of the preceding financial year, whereas the condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

25. NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors in its meeting held on July 26, 2023 has approved an interim cash dividend of Rs. 3 per share for the year ending December 31, 2023, amounting to Rs. 4,005,898. These condensed interim financial statements do not include the effect of the said interim dividend.

26. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on July 26, 2023 by the Board of Directors of the Company.



Farooq Barkat Ali
Chief Financial Officer



Ahsan Zafar Syed
Chief Executive Officer



Ghias Khan
Chairman

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