



raising growth



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Half Yearly Accounts 2014

company information

Board of Directors

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

Company Secretary

Faiz Chapra

Bankers

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

Auditors

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

Registered Office

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

directors' report

On behalf of the Board of Directors of Engro Fertilizers Limited, we are pleased to present the unaudited accounts for the six months ended June 30, 2014.

Pakistan Fertilizer Market

1H 2014 domestic urea industry production increased by 103 KT vs the same period last year to 2,310 KT (+4.7%), primarily due to higher gas supply made available to the fertilizer sector by the Government in the early part of the year. That said, since May 2014 fertilizer sector gas supply has once again been reduced as the government has prioritized supply to the power sector.

Urea industry demand-supply dynamics underwent a shift in 1H 2014, largely the result of a decision taken by the government in January 2014 to equalize the prices of imported and domestic urea. With domestic urea no longer priced at a premium to imported product, farmer/dealer preference for local product was self-evident in the period under review. Resultantly, while 1H 2014 overall urea industry sales dropped by 147 KT to 2,560 KT vs the same period last year, sales of branded urea rose by 78 KT YoY while imported urea off take slipped by 225 KT YoY in 1H 2014.

Bulk of the impact of lower sales was witnessed in 2Q 2014 where urea sales dropped by 190 KT to 1,178 KT from 1,367 KT in the corresponding period last year. The same is partly due to the above mentioned decline in demand for imported urea as well as some timing difference in dealer purchases. The industry witnessed low dealer interest in 2Q due to confusion on margins in the aftermath of the government's decision to enforce ex-dealer prices at the district level.

Following the sharp increase in Gas Infrastructure Development Cess (GIDC) on December 31, 2013 (where GIDC on feed and fuel gas was raised by PKR 103/MMBTU and PKR 50/MMBTU respectively) the domestic fertilizer industry continues to absorb a substantial portion of the cost increase. Urea prices were raised by PKR 178/bag to PKR 1,900/bag to account for this GIDC increase on January 01, 2014 soon after which the local producers reduced price by PKR 114/bag on January 11, 2014 to PKR 1,786/bag at the request of the Government.

A significant gap prevailed between local urea and international urea prices during 1H 2014 as international urea prices averaged USD 332/ton (CFR) which was equivalent to local cost of PKR 2,485/bag (inclusive of all ancillary charges) as against local price of PKR 1,786/bag. Despite all the challenges in gas pricing, the fertilizer industry continues to make a significant contribution to the agricultural economy by keeping domestic prices substantially lower than international prices.

Company's Operating Performance

The Company's urea production during 1H was 847 KT as compared to 617 KT in the same period last year. This production level was achieved because both plants were operating as the Company continues to receive temporary gas allocation of 60 MMSCFD from Mari.

The Company sold 843 KT of urea in 1H vs 623 KT showing a growth of 35%. Resultantly, the Company's market share increased to 33% from 23% in the first half of 2014 compared to the same period last year. The increase was due to improved market conditions with lower offtake of imported urea due to no price difference between branded and imported urea and higher product availability due to increased production. Further, market share in branded / locally manufactured urea increased to 37% from 28%.

The Company's blended fertilizers' (Zarkhez & Engro NP) sales in 1H 2014 stood at 46 KT as compared to 52 KT in the corresponding period last year. Sales were depressed in June 2014 because of lack of clarity on subsidy on Potash and Phosphate fertilizers. In 2Q 2014 alone, sales of blended fertilizer clocked in at 20 KT vs 31 KT in 2Q 2013. Overall, the domestic Potash industry increased by 45% vs last year however given entry of new players into the MOP product space, the market share of Zarkhez fell to 41% from 50%.

The Company continued its high level of commitment to maintaining HSE (Health, Safety & Environment) standards. The Total Recordable Injury Rate (TRIR) amongst employees for the year was 0.03 as compared to 0.13 in the same period last year.

The gross profit for the period was PKR 9,873 Million as compared to PKR 8,483 Million in the same period last year. This increase was on account of higher sales volume.

Finance cost was lower than last year as a result of loan repayments, lower KIBOR and appreciation of PKR against USD.

As a result of the above, the Company posted a profit after tax of PKR 3,375 Million, which has resulted in an EPS of PKR 2.61 per share vs PKR 1.25 per share in the comparative period.

As part of the re-profiling of its long term loan in 2013, the Company had agreed to sweep surplus cash (after debt servicing and capex) to its lenders at the end of 2014 on a once off basis. With the improved performance, the Company has implemented the sweep in June 2014, well before the scheduled time by paying of an amount of PKR 4,963 Million and a further amount of PKR 3,037 Million will be repaid in the remaining part of the year.

Near Term Outlook

In Finance Act 2014, GIDC rates for fuel gas were increased by a further PKR 50/MMBTU to PKR 150/MMBTU, cost of which was passed through by the industry. The Finance Act has also levied GIDC on fixed price contracts (including concessionary gas pricing of USD 0.70/MMBTU for new plants). This GIDC application is clearly against the Fertilizer Policy 2001 under which our new plant was allocated gas. The Company has been engaged with the Government at all levels to find an amicable solution.

As a result of diversion of 175 MMSCFD system gas to the power sector in May 2014, the domestic urea industry continues to produce below capacity. At the same time, imported urea inventory has started to move post June 2014 as it is once again at a PKR 40-45/bag discount to domestic product. Against this backdrop, it is expected that domestic urea production will not be able to meet demand in the upcoming months and the shortfall is expected to be met by imports.

In January 2014, ECC has approved the provision of Mari gas to the Company at concessionary rate in order to discharge the Government's contractual obligations. The Company is progressing the implementation of this decision with SNGPL and Mari.

The urea fertilizer market is expected to remain stable in the near future with sufficient demand for the Company to place all the urea it produces.



Ruhail Mohammed
Chief Executive Officer



Javed Akbar
Director

condensed interim financial information for half year ended june 30, 2014

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

Introduction

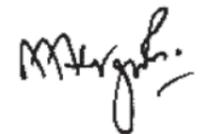
We have reviewed the accompanying condensed interim balance sheet of Engro Fertilizers Limited as at June 30, 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial information"), for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2014.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended June 30, 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



Chartered Accountants
Karachi
Date : 27 August 2014

Engagement Partner: Mohammad Zulfikar Akhtar

condensed interim balance sheet as at june 30, 2014

(Amounts in thousand)

	Note	Unaudited June 30, 2014	Audited December 31, 2013
(Rupees)			
Assets			
Non-Current Assets			
Property, plant and equipment	4	77,076,995	79,315,218
Intangible assets		128,841	138,464
Long term loans and advances		104,088	109,349
		77,309,924	79,563,031
Current assets			
Stores, spares and loose tools		4,577,356	4,368,863
Stock-in-trade		1,312,437	1,381,665
Trade debts		2,369,895	758,253
Derivative financial instruments		622	130,207
Loans, advances, deposits and prepayments		349,435	625,832
Other receivables		146,068	28,177
Taxes recoverable		-	556,314
Short term investments		13,076,427	18,058,054
Cash and bank balances		1,929,372	4,458,391
		23,761,612	30,365,756
TOTAL ASSETS		101,071,536	109,928,787

(Amounts in thousand)

	Note	Unaudited June 30, 2014	Audited December 31, 2013
(Rupees)			
Equity & Liabilities			
Equity			
Share capital		12,978,000	12,228,000
Share premium		1,281,974	11,144
Advance against issue of shares		-	2,118,750
Reserve for issue of shares	5.2	1,184,246	-
Hedging reserve		(79,436)	(147,644)
Remeasurement of post employment benefits		(20,886)	(20,886)
Unappropriated profit		14,254,542	10,879,868
		16,620,440	12,841,232
Total Equity		29,598,440	25,069,232
Liabilities			
Non-current liabilities			
Borrowings	5	40,658,108	52,896,382
Subordinated loan from Holding Company		3,080,960	3,000,000
Derivative financial instruments		852,695	1,531,252
Deferred liabilities		5,258,149	4,654,523
Retirement and other service benefits obligations		88,335	104,053
		49,938,247	62,186,210
Current liabilities			
Trade and other payables		13,359,414	18,012,445
Accrued interest / mark-up		1,465,902	1,479,667
Taxes payable		239,090	-
Current portion of:			
- borrowings	5	6,311,881	2,924,299
- retirement and other service benefits obligations		43,928	43,893
Derivative financial instruments		114,634	213,041
		21,534,849	22,673,345
Total liabilities		71,473,096	84,859,555
Contingencies and Commitments	6		
TOTAL EQUITY & LIABILITIES		101,071,536	109,928,787

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.



Ruhail Mohammed
Chief Executive Officer



Javed Akbar
Director

condensed interim profit and loss account for the half year ended june 30, 2014

(Amounts in thousand
except for earnings per share)

Note	Unaudited Quarter ended June 30, 2014	Unaudited Quarter ended June 30, 2013	Unaudited Half Year ended June 30, 2014	Audited Half Year ended June 30, 2013
(Rupees)				
Net sales	12,761,145	10,802,709	27,656,793	20,519,305
Cost of sales	(8,539,702)	(6,531,602)	(17,783,805)	(12,036,266)
Gross profit	4,221,443	4,271,107	9,872,988	8,483,039
Selling and distribution expenses	(879,368)	(765,596)	(1,969,594)	(1,483,827)
Administrative expenses	(179,799)	(148,312)	(376,722)	(301,508)
Other income	1,466,530	140,192	1,002,298	291,105
Other operating expenses	(233,413)	(122,940)	(557,803)	(411,702)
Finance cost	(1,657,271)	(2,320,808)	(3,067,892)	(4,524,905)
	(1,890,684)	(2,443,748)	(3,625,695)	(4,936,607)
Profit before taxation	2,738,122	1,053,643	4,903,275	2,052,202
Taxation	(800,460)	(274,605)	(1,528,601)	(626,845)
Profit for the period	1,937,662	779,038	3,374,674	1,425,357
Earnings per share - basic	1.49	0.68	2.61	1.25
Earnings per share - diluted	1.40	0.68	2.60	1.25

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.



Ruhail Mohammed
Chief Executive Officer



Javed Akbar
Director

condensed interim statement of comprehensive income for the half year ended june 30, 2014

(Amounts in thousand)

	Unaudited Quarter ended June 30, 2014	Unaudited Quarter ended June 30, 2013	Unaudited Half Year ended June 30, 2014	Audited Half Year ended June 30, 2013
(Rupees)				
Profit for the period	1,937,662	779,038	3,374,674	1,425,357
Other comprehensive income:				
Items potentially re-classifiable to Profit and Loss Account				
Hedging reserve - cash flow hedges				
Loss arising during the period	(135,968)	(323,913)	(1,329,076)	(474,264)
Adjustment for amounts transferred to profit and loss account	171,431	402,553	1,434,690	635,269
Income tax (Deferred) relating to hedging reserve	(13,555)	(30,897)	(37,406)	(59,725)
	21,908	47,743	68,208	101,280
Items not potentially re-classifiable to Profit and Loss Account				
Remeasurement of post employment benefits obligations	-	3,106	-	3,106
Income tax (Deferred) relating to remeasurement of post employment benefits obligations	-	(1,056)	-	(1,056)
	-	2,050	-	2,050
Other comprehensive income for the period, net of tax	21,908	49,793	68,208	103,330
Total comprehensive income for the period	1,959,570	828,831	3,442,882	1,528,687

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.



Ruhail Mohammed
Chief Executive Officer



Javed Akbar
Director

condensed interim statement of changes in equity for the half year ended june 30, 2014

(Amounts in thousand)

	Share capital	Advance against issue of share capital	Reserve				Re-measurement of post employment benefits	Total
			Capital		Revenue			
			Reserve for issue of shares	Share premium	Hedging reserve	Unappropriated profit		
Rupees								
Balance as at January 1, 2014	12,228,000	2,118,750	-	11,144	(147,644)	10,879,868	(20,886)	25,069,232
Transactions with owners								
Shares issued during the period	750,000	(2,118,750)	-	1,368,750	-	-	-	-
Share issuance cost	-	-	-	(97,920)	-	-	-	(97,920)
Exercise of conversion option (note 5.2)	-	-	1,184,246	-	-	-	-	1,184,246
	750,000	(2,118,750)	1,184,246	1,270,830	-	-	-	1,086,326
Total comprehensive income for the half year ended June 30, 2014								
Profit for the period	-	-	-	-	-	3,374,674	-	3,374,674
Other comprehensive income	-	-	-	-	-	-	-	-
- cash flow hedges, net of tax	-	-	-	-	68,208	-	-	68,208
- remeasurements, net of tax	-	-	-	-	-	-	-	-
	-	-	-	-	68,208	3,374,674	-	3,442,882
Balance as at June 30, 2014	12,978,000	-	1,184,246	1,281,974	(79,436)	14,254,542	(20,886)	29,598,440
Balance as at January 1, 2013	10,728,000	-	-	11,144	(323,880)	5,382,763	-	15,798,027
Transactions with owners								
Right shares issued during the period	1,500,000	-	-	-	-	-	-	1,500,000
Total comprehensive income for the half year ended June 30, 2013								
Profit for the period	-	-	-	-	-	1,425,357	-	1,425,357
Other comprehensive income	-	-	-	-	-	-	-	-
- cash flow hedges, net of tax	-	-	-	-	101,280	-	-	101,280
- remeasurements, net of tax	-	-	-	-	-	-	2,050	2,050
	-	-	-	-	101,280	1,425,357	2,050	1,528,687
Balance as at June 30, 2013	12,228,000	-	-	11,144	(222,600)	6,808,120	2,050	18,826,714

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.



Ruhail Mohammed
Chief Executive Officer



Javed Akbar
Director

condensed interim statement of cash flows for the half year ended june 30, 2014

(Amounts in thousand)

Note	Unaudited	Audited
	half year ended June 30, 2014	half year ended June 30, 2013
(Rupees)		
Cash flows from operating activities		
8	3,609,756	7,589,487
	(35,326)	(30,556)
	(271,044)	(216,700)
	(4,003,733)	(4,179,476)
	-	(121,182)
	5,261	(25,230)
	(695,086)	3,016,343
Cash flows from investing activities		
	(284,186)	(286,372)
	30,482	44,768
	749,980	192,522
	496,276	(49,082)
Cash flows from financing activities		
	679,455	-
	(7,937,302)	(1,617,862)
	-	1,500,000
	(53,989)	-
	(7,311,836)	(117,862)
	(7,510,646)	2,849,399
	22,516,445	4,084,716
9	15,005,799	6,934,115

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.



Ruhail Mohammed
Chief Executive Officer



Javed Akbar
Director

notes to the condensed interim financial information for the half year ended june 30, 2014

(Amounts in thousand)

1. Legal Status And Operations

1.1 Engro Fertilizers Limited ('the Company') is a public company incorporated on June 29, 2009 in Pakistan under the Companies Ordinance, 1984 as a wholly owned subsidiary of Engro Corporation Limited (the Holding Company). The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers. The Company's registered office is situated at 7th & 8th floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi. The Company has issued Term Finance Certificates which are listed at the Karachi Stock Exchange.

1.2 During the period, on January 17, 2014, the Karachi and Lahore Stock Exchanges have approved the Company's application for formal listing and quotation of shares.

2. Basis For Preparation

2.1 This condensed interim financial information is unaudited and has been prepared in accordance with the requirements of IAS 34 'Interim financial reporting'. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2013 which have been prepared in accordance with IFRS.

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

During the preparation of this condensed interim financial information, changes in the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty from those that applied to financial statements of the Company for the year ended December 31, 2013 do not have any material impact.

3. Accounting Policies

The accounting policies adopted in preparation of this condensed interim financial information are consistent with those applied in the preparation of the audited annual financial statements of the Company for the year ended December 31, 2013.

4. Property, Plant And Equipment

Operating assets
Major spare parts and stand-by equipment
Capital work in progress

	Unaudited June 30, 2014	Audited December 31, 2013
	(Rupees)	
Operating assets	75,797,822	77,271,365
Major spare parts and stand-by equipment	405,064	403,289
Capital work in progress	874,109	1,640,564
	<u>77,076,995</u>	<u>79,315,218</u>

(Amounts in thousand)

5. Borrowings - Secured (Non - participatory)

	Unaudited June 30, 2014	Audited December 31, 2013
	(Rupees)	
Long term finance utilised under mark-up arrangements (notes 5.1, 5.2 and 5.3) Certificates (note 5.1)	32,443,789	41,179,539
	<u>14,526,200</u>	<u>14,641,142</u>
	46,969,989	55,820,681
Less: Current portion shown under current liabilities	6,311,881	2,924,299
Balance at end of the period / year	<u>40,658,108</u>	<u>52,896,382</u>

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

Loans from the International Finance Corporation (IFC) are secured by a sub-ordinated mortgage upon immovable property of the Company and sub-ordinated charge over all present and future fixed assets excluding immovable property of the Company. Further, Privately Placed Term Finance Certificates (PPTFCs) are secured by a subordinated floating charge over all present and future fixed assets excluding land and buildings.

The Holding Company has issued corporate guarantees in respect of all debts excluding PPTFC whereas it has issued sub-ordinated corporate guarantee in respect of PPTFCs.

5.2 The Company availed a loan of USD 30,000 from the IFC, divided into (i) 30% convertible loan on the shares of the Company at Rs. 24 per ordinary share calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notice issued by IFC to exercise the conversion option and (ii) 70% non-convertible loan. This conversion option is exercisable upto March 31, 2017. During the period, on June 25, 2014, the Company received a notice from the IFC for exercise of option on USD 5,000 loan which, alongwith the fair value of related options on that date has been classified as equity; accordingly 20,542 ordinary shares of the Company have been allotted to the IFC subsequent to the balance sheet date. The fair value of the remaining conversion option, included in derivative financial instruments, amounts to Rs. 807,392.

5.3 "The above finance also includes a loan for USD 50,000 entered into by Engro Corporation Limited (the Holding Company) with the IFC. This loan is divided into (i) Tranche A (USD 15,000) convertible into the Holding Company's ordinary shares at Rs. 119.46 per ordinary share calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notices issued by the IFC to exercise the conversion option. (ii) Tranche B (USD 35,000) non-convertible loan. Both Tranches were transferred to the Company under the scheme of demerger effective January 1, 2010. However, the option given to convert the Tranche A remained on the Holding Company's shares.

(Amounts in thousand)

6 Contingencies And Commitments

Contingencies

- 6.1 Bank guarantees of Rs.1,069,119 (December 31, 2013: Rs. 1,069,119) have been issued in favour of third parties.
- 6.2 Claims, including pending lawsuits, against the Company not acknowledged as debts amounted to Rs. 55,038 (December 31, 2013: Rs. 58,530).
- 6.3 As at June 30, 2014, there is no material change in the status of matters reported as contingencies in the notes to the financial statements of the Company for the year ended December 31, 2013.

6.4 Commitments

Commitments in respect of capital expenditure and other operational items

	Unaudited June 30, 2014	Audited December 31, 2013
	(Rupees)	
	643,634	873,019

7. Earnings Per Share (EPS)

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

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

(Amounts in thousand)

	Unaudited Quater ended June 30, 2014	Unaudited Quater ended June 30, 2013	Unaudited Half Year ended June 30, 2014	Audited Half Year ended June 30, 2013
	(Rupees)			
Profit for the period	1,937,662	779,038	3,374,674	1,425,357
Add: - Interest on IFC loan of USD 9,000 - net of tax	8,871	-	17,741	-
- (Gain)/ Loss on revaluation of conversion options on IFC loan - net of tax	(102,523)	-	27,949	-
Profit used for the determination of Diluted EPS	<u>1,844,010</u>	<u>779,038</u>	<u>3,420,364</u>	<u>1,425,357</u>
	Numbers (in thousands)			
Weighted average number of ordinary shares at the beginning of period	1,297,800	1,072,800	1,222,800	1,072,800
Adjustment of Bonus factor	-	59,142	-	60,494
Add : Weighted average adjustments for: Shares issued during the period (including conversion of option - note 5.2)	1,354	6,593	69,051	3,315
Weighted average number of shares for determination of basic EPS	<u>1,299,154</u>	<u>1,138,535</u>	<u>1,291,851</u>	<u>1,136,609</u>
Assumed conversion of USD 4,000 IFC loan	10,131	-	9,666	-
Exercise of conversion option on USD 5,000 IFC loan	11,836	-	11,654	-
Weighted average number of shares for determination of diluted EPS	<u>1,321,121</u>	<u>1,138,535</u>	<u>1,313,172</u>	<u>1,136,609</u>

(Amounts in thousand)

	Unaudited June 30, 2014	Audited June 30, 2013
	(Rupees)	
8 Cash Generated From Operations		
Profit before taxation	4,903,275	2,052,202
Adjustment for non-cash charges and other items:		
Depreciation	2,344,596	2,579,395
Amortisation	15,921	15,588
Loss on disposal of property, plant and equipment	139,101	13,359
Provision for retirement and other service benefits	19,643	23,766
Income on deposits / other financial assets	(853,636)	(208,998)
Financial charges	3,067,892	4,524,905
Provision for surplus and slow moving stores and spares	748	9,693
(Reversal of) / provision for trade debts	(2,673)	19,000
Provision for loan and advances	-	4,258
Change in the fair value of options	44,807	156,121
Working capital changes (note 8.1)	(6,069,918)	(1,599,802)
	<u>3,609,756</u>	<u>7,589,487</u>
8.1 Working capital changes		
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(209,241)	(152,057)
- Stock-in-trade	69,228	(152,561)
- Trade debts	(1,608,969)	144,283
- Loans, advances, deposits and prepayments	178,477	159,515
- Other receivables (net)	(6,371)	31,070
	<u>(1,576,876)</u>	<u>30,250</u>
Decrease in trade and other payables	(4,493,042)	(1,630,052)
	<u>(6,069,918)</u>	<u>(1,599,802)</u>
9. Cash And Cash Equivalents		
Cash and bank balances	1,929,372	2,609,454
Short term investments	13,076,427	4,824,661
Short term borrowings	-	(500,000)
	<u>15,005,799</u>	<u>6,934,115</u>

(Amounts in thousand)

10 Transactions With Related Parties

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

	Unaudited June 30, 2014	Audited June 30, 2013
	(Rupees)	
Holding Company		
Purchase and services	101,937	65,855
Services provided	9,742	8,052
Royalty	402,143	288,169
Reimbursements	66,822	77,480
Mark-up paid on long term sub-ordinated loan	229,004	254,392
Use of assets	2,965	5,258
Receipt against issue of right shares	-	1,500,000
Payment of sub-ordinated loan	600,000	-
Receipt of subordinated loan	680,960	-
Associated companies		
Purchase and services	52,065	553,063
Sale of product	1,429	3,036
Services provided	44,102	34,423
Reimbursements	63,390	103,428
Funds collected against sales made on behalf of an associate	8,575,119	6,258,284
Payment of mark-up on TFCs and repayment of principal amount	10,203	10,449
Sale of T-Bills	-	4,161,893
Purchase of T-Bill	-	4,067,897
Income on T-Bill	-	40,864
Commission on sales collection	41,436	60,139
Purchase of mutual fund units	-	780,000
Redemption of mutual fund units	-	781,195
Donation	21,000	9,000
Commission expense	10,218	17,849
Use of assets	5,437	6,469
Contribution to staff retirement benefits		
Pension fund	8,786	9,016
Gratuity fund	30,754	29,136
Provident fund	40,674	58,680
Others		
Remuneration of key management personnel	74,407	61,281

11. **Seasonality**

The Company's fertilizer business is subject to seasonal fluctuations as a result of two different farming seasons viz, Rabi (from October to March) and Kharif (from April to September). On an average fertilizer sales are more tilted towards Rabi season. The Company manages seasonality in the business through appropriate inventory management.

12. **Corresponding Figures**

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

13. **Date Of Authorisation For Issue**

This condensed interim financial information was authorized for issue on August 13, 2014 by the Board of Directors of the Company.



Ruhail Mohammed
Chief Executive Officer



Javed Akbar
Director