



engro foods

recipes for success



Half Year 2012 Accounts

contents

company information	3
directors' report	4
auditors' report to the members on review of condensed interim financial information	6
condensed interim balance sheet	7
condensed interim profit and loss account	8
condensed interim statement of comprehensive income	9
condensed interim statement of changes in equity	10
condensed interim statement of cash flows	11
notes to the condensed interim financial information	12

company information

Board of Directors

Aliuddin Ansari	Chairman
Afnan Ahsan	Chief Executive Officer
Muhammed Amin	Non-Executive Director
Shahzada Dawood	Non-Executive Director
Abdul Samad Dawood	Non-Executive Director
Roshaneh Zafar	Non-Executive Director
Abdul Samad Khan	Non-Executive Director
Ruhail Mohammed	Non-Executive Director
Zafar Ahmed Siddiqui	Non-Executive Director
Mujahid Hamid	Non-Executive Director

Chief Financial Officer

Imran Anwer

Company Secretary

Syed Bulent Sohail

Members of Audit Committee

Shahzada Dawood	Chairman
Abdul Samad Khan	Member
Ruhail Mohammed	Member
Zafar Ahmed Siddiqui	Member

The secretary of the audit committee is
Muhammad Imran Khalil, GM Internal Audit Department

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

Share Registrar

M/s. FAMCO Associates (Private) Limited
First Floor, State Life Building 1-A, I.I. Chundrigar
Road, Karachi - 74000, Pakistan.

Bankers

Al-Baraka Bank Pakistan Limited
Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Bank of Punjab
Barclays Bank PLC Pakistan
Burj Bank Limited
Citibank 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
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Pak Brunei Investment Company Limited
Pak Kuwait Investment Company (Private) Limited
Soneri Bank Limited
Standard Chartered Bank Pakistan Limited
The Bank of Khyber
United Bank Limited

Registered Office

6th Floor, The Harbor Front Building
HC-3, Marine Drive, Block - 4, Clifton
Karachi - 75600, Pakistan.
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Website: www.engro.com



directors' report

directors' report to the shareholders Half Year Ended June 30, 2012

On behalf of the Board of Directors of Engro Foods Limited (a subsidiary of Engro Corporation Limited), we are pleased to present the condensed interim financial information of the Company for the half year ended June 30, 2012.

BUSINESS REVIEW

DAIRY AND JUICES SEGMENT

Total sales of Dairy and Juices segment during the first half of 2012 were Rs. 18.21 billion vs. Rs. 12.07 billion during the same period in 2011, growth of 51%. Profit after tax increased by 144% to Rs. 1.2 billion from profit of Rs 491 million in the same period last year. Profit after tax to sales ratio also improved from 4.1% to 6.6% during the first half, compared to similar period last year. Based on May 2012 Nielsen reports, Engro Foods market share stood at 50% (December 31, 2011: 44%).

Dairy:



Dairy volume grew by 39% over the corresponding period last year which translates into a revenue growth of 53%. Company continues to remain the market leader in Ambient UHT milk segment.

During the period, Omung Lassi was launched in two flavors-Sweet and Salty and initial response from consumers is very encouraging.

Juices and Nectars:

During the first half, the volume declined by 66% and the sales revenue declined by 59%, due to deliberate revision in market strategy in line with Engro Foods philosophy of brand differentiation.



ICE CREAM AND FROZEN DESSERTS SEGMENT



During the first half of 2012, Omore experienced 1% volumetric decline over the corresponding period and the revenue grew by 13% to Rs 1.6 billion. Improved product mix along with price increases resulted in the revenue growth.

Ice Cream segment incurred a loss during the first half primarily due to continued investment in its brands and the cold chain infrastructure. The loss after tax was Rs. 166 million during the first half of 2012 as compared to Rs 205 million during the same period last year.

DAIRY FARM SEGMENT



During the first half of 2012, Dairy Farm produced 29,251 liters (June 2011: 21,106) of milk per day. At June 30, 2012, Dairy Farm herd was 3,116 animals (December 2011: 2,918). Profit after tax stood at Rs. 4.8 million vs. loss of Rs. 52.5 million in June 2011, primarily due to higher yield and production.

ENGRO FOODS CANADA

During the first half, Al Safa brand sales were Canadian \$5.7 million and loss after tax was Canadian \$679 thousand. These losses are directly consolidated in Engro Corporation financial statements and are not included in the financial performance mentioned below.



CERTIFICATIONS AND AWARDS:

In June, the Milk Procurement and Agri Services business model of Engro Foods was awarded with one of the most prestigious Group of Twenty (G20) award managed by International Finance Corporation (IFC). The key aspects recognized by this award are innovation and scalable commercial ways to improve the lives of the most underprivileged section of Pakistan.

During the first quarter, "Engro Milk Automation Network" (EMAN) was awarded 2nd Position in the Professional Excellence Awards of The Institute of Chartered Accountants of Pakistan (ICAP).

FINANCIAL PERFORMANCE

The financial performance of the company for the first half is summarized below:

(Rs. in million)	Half year ended June 30,		Variation
	2012	2011	
Net Sales	19,765	13,444	47%
Operating Profit	1,977	822	
% of sales	10.0%	6.1%	
Profit after tax	1,018	216	
% of sales	5.1%	1.6%	
Earnings per share – basic (Rs.)	1.35	0.30	4.5 times

FUTURE OUTLOOK

We remain confident of our continued strong performance for the full year 2012, where management focus will be on delivering on key growth parameters of; innovation, brand differentiation and continuous business expansion.

Aliuddin Ansari
Chairman

Afnan Ahsan
Chief Executive

Karachi: July 17, 2012



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

Introduction

We have reviewed the accompanying condensed interim balance sheet of Engro Foods Limited as at June 30, 2012 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 for the half year then ended (here-in-after referred to as the "condensed interim financial information"). 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, 2012 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2012.

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, 2012 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: August 7, 2012

Engagement Partner: Waqas A. Sheikh

condensed interim balance sheet (unaudited) as at june 30, 2012

(Amounts in thousand)

ASSETS	Note	Unaudited June 30, 2012	Audited December 31, 2011
		Rupees	
Non-Current Assets			
Property, plant and equipment	4	10,421,972	9,615,426
Biological assets		578,455	496,809
Intangible assets		122,525	133,598
Long term advances, deposits and prepayments		68,551	24,212
		<u>11,191,503</u>	<u>10,270,045</u>
Current Assets			
Stores, spares and loose tools		644,561	571,812
Stock-in-trade	5	3,752,954	2,637,816
Trade debts		89,374	87,121
Advances, deposits and prepayments		282,838	266,093
Other receivables		1,011,938	1,160,126
Taxes recoverable		130,534	1,443
Short term investments		1,103,000	1,294,000
Cash and bank balances		398,711	350,728
		<u>7,413,910</u>	<u>6,369,139</u>
TOTAL ASSETS		<u><u>18,605,413</u></u>	<u><u>16,639,184</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	6	7,562,009	7,517,889
Share premium	6.1	761,891	722,182
Hedging reserve		(16,467)	(18,178)
Unappropriated profit / (Accumulated loss)		32,723	(984,951)
		<u>8,340,156</u>	<u>7,236,942</u>
Non-Current Liabilities			
Long term finances		4,936,233	5,610,000
Obligations under finance lease		1,295	1,295
Deferred taxation		726,114	308,090
Deferred liabilities		-	1,870
		<u>5,663,642</u>	<u>5,921,255</u>
Current Liabilities			
Current portion of			
- long term finances		1,514,000	465,000
- obligations under finance lease		2,589	3,884
Trade and other payables		2,378,831	2,343,506
Derivative financial instruments		25,334	27,966
Accrued interest / mark-up on			
- long term finances		312,897	368,152
- short term finances		4,573	20,229
Short term finances	7	363,391	252,250
		<u>4,601,615</u>	<u>3,480,987</u>
Contingencies and Commitments	8		
TOTAL EQUITY AND LIABILITIES		<u><u>18,605,413</u></u>	<u><u>16,639,184</u></u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Chairman



Chief Executive



engro foods

Half Year 2012 Accounts

condensed interim profit and loss account (unaudited) for the half year ended june 30, 2012

(Amounts in thousand except for earnings per share)

	Note	Quarter ended June 30,		Half year ended June 30,	
		2012	2011	2012	2011
Rupees					
Net sales		10,098,821	7,081,088	19,765,137	13,443,612
Cost of sales		(7,512,071)	(5,636,893)	(14,922,219)	(10,621,716)
Gross profit		2,586,750	1,444,195	4,842,918	2,821,896
Distribution and marketing expenses		(1,394,304)	(881,103)	(2,464,604)	(1,701,724)
Administrative expenses		(188,558)	(124,821)	(418,808)	(279,884)
Other operating expenses		(81,570)	(8,210)	(154,300)	(53,538)
Other operating income		106,515	16,465	171,520	35,595
Operating profit		1,028,833	446,526	1,976,726	822,345
Finance costs		(231,571)	(295,176)	(440,837)	(490,595)
Profit before taxation		797,262	151,350	1,535,889	331,750
Taxation		(265,487)	(52,168)	(518,215)	(115,308)
Profit for the period		531,775	99,182	1,017,674	216,442
Earnings per share					
- basic	9	0.71	0.14	1.35	0.30
- diluted	9	0.69	0.14	1.34	0.30

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Chairman



Chief Executive



condensed interim statement of comprehensive income (unaudited) for the half year ended June 30, 2012

(Amounts in thousand)

	Quarter ended June 30,		Half year ended June 30,	
	2012	2011	2012	2011
	Rupees			
Profit for the period	531,775	99,182	1,017,674	216,442
Other comprehensive income:				
Hedging reserve				
Gain/(Loss) arising during the period	(38,820)	(331)	(38,820)	(331)
Less: Adjustments for amounts transferred to initial carrying amounts of hedged items	13,486	-	41,452	-
Income tax relating to hedging reserve	8,867	-	(921)	-
Other comprehensive income / (loss) for the period, net of tax	(16,467)	(331)	1,711	(331)
Total comprehensive income for the period	515,308	98,851	1,019,385	216,111

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Chairman



Chief Executive



condensed interim statement of changes in equity (unaudited) for the half year ended june 30, 2012

(Amounts in thousand)

	Share capital	Share premium	Hedging reserve	Unappropriated profit / (Accumulated loss)	Total
	Rupees				
Balance as at January 1, 2011 (Audited)	7,000,000	-	331	(1,875,924)	5,124,407
Share capital issued during the period	480,000	720,000	-	-	1,200,000
Share issuance cost, net	-	(5,769)	-	-	(5,769)
Total comprehensive income / (loss) for the half year ended June 30, 2011	-	-	(331)	216,442	216,111
Balance as at June 30, 2011 (Unaudited)	7,480,000	714,231	-	(1,659,482)	6,534,749
Share capital issued during the period	37,889	26,522	-	-	64,411
Share issuance cost, net	-	(18,571)	-	-	(18,571)
Total comprehensive income / (loss) for the half year ended December 31, 2011	-	-	(18,178)	674,531	656,353
Balance as at December 31, 2011 (Audited)	7,517,889	722,182	(18,178)	(984,951)	7,236,942
Share capital issued during the period	44,120	39,709	-	-	83,829
Total comprehensive income for the half year ended June 30, 2012	-	-	1,711	1,017,674	1,019,385
Balance as at June 30, 2012 (Unaudited)	7,562,009	761,891	(16,467)	32,723	8,340,156

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Chairman



Chief Executive



engro foods

Half Year 2012 Accounts

notes to the condensed interim financial information (unaudited) for the half year ended june 30, 2012

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

Engro Foods Limited (the Company), is a public listed company incorporated in Pakistan on April 26, 2005, under the Companies Ordinance, 1984, and its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company is a subsidiary of Engro Corporation Limited (ECL) and its registered office is situated at 6th Floor, The Harbour Front Building, Plot No. HC-3, Block-4, Scheme No. 5, Clifton, Karachi.

The principal activity of the Company is to manufacture, process and sell dairy, ice-cream, juices and frozen deserts. The Company also owns and operates a dairy farm. Further, the Company has also entered into international market and its first venture is to manage a halal food business, Al Safa Halal, Inc. (Al-Safa) in North America, which is owned by ECL. The entire shares of Al-Safa are proposed to be acquired by the Company from ECL at cost subject to requisite approvals from the regulators.

2. BASIS OF PREPARATION

2.1 This condensed interim financial information is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This condensed interim financial information has, however, been subjected to limited scope review by the auditors, as required by the Code of Corporate Governance, and should be read in conjunction with the financial statements of the Company for the year ended December 31, 2011.

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 preparation of this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty are the same as those that apply to the financial statements for the year ended December 31, 2011.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2011 except for the adoption of the following new accounting policy:

3.1 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in the profit or loss on a straight-line basis over the period of the lease.



notes to the condensed interim financial information (unaudited) for the half year ended june 30, 2012

(Amounts in thousand)

	Unaudited June 30, 2012	Audited December 31, 2011
	Rupees	
4. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value (notes 4.1 and 4.2)	9,795,042	8,432,467
Capital work-in-progress (note 4.3)	626,930	1,182,959
	<u>10,421,972</u>	<u>9,615,426</u>
 4.1 Following additions, including transfers from capital work-in-progress, were made to operating assets during the period / year:		
Buildings on freehold land	215,965	397,170
Plant, machinery and related equipment	1,493,905	2,080,612
Office equipment	11,256	70,310
Computers	34,710	48,951
Furniture and fittings	62	1,622
Vehicles	218,236	106,930
	<u>1,974,134</u>	<u>2,705,595</u>

4.2 The details of operating assets disposed off during the period are as follows:

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal
	Rupees				
Vehicles					
- owned	74,861	(41,705)	33,156	38,679	Insurance claims /
- leased	260	(260)	-	136	Employee buyback / Auction
	75,121	(41,965)	33,156	38,815	
Computer equipment	270	(80)	190	94	Insurance claim
Office equipment	125	(27)	98	92	Insurance claim
Plant, machinery and related equipment	1,682	(946)	736	906	Insurance claim
June 30, 2012	<u>77,198</u>	<u>(43,018)</u>	<u>34,180</u>	<u>39,907</u>	
December 31, 2011	<u>28,520</u>	<u>(14,605)</u>	<u>13,915</u>	<u>16,043</u>	

notes to the condensed interim financial information (unaudited) for the half year ended june 30, 2012

(Amounts in thousand)

	Unaudited June 30, 2012	Audited December 31, 2011
	Rupees	
4.3 Following additions were made to capital work-in-progress during the period / year:		
Building on freehold land	100,611	490,941
Plant, machinery and related equipment	974,183	2,613,860
Milk automation and communication/collaboration projects	79,244	32,880
Office equipment, furniture, fittings and computers	37,461	105,811
Vehicles	235,596	192,194
	<u>1,427,095</u>	<u>3,435,686</u>
5. STOCK-IN-TRADE		
Raw and packaging material (note 5.1)	2,273,102	1,685,987
Work in process	806,902	128,689
Finished goods (note 5.2)	672,950	823,140
	<u>3,752,954</u>	<u>2,637,816</u>
5.1 Includes Rs. 27,341 (December 31, 2011: Rs. 19,356) in respect of harvested feed stock and Rs. 517,668 (December 31, 2011: Rs. 115,442) in respect of stock held by third parties.		
5.2 Includes Rs. 53,169 (December 31, 2011: Rs. 50,309) in respect of stock held by third parties.		
	Unaudited June 30, 2012	Audited December 31, 2011
	Rupees	
6. SHARE CAPITAL		
Authorized capital		
850,000,000 (December 31, 2011: 850,000,000) Ordinary shares of Rs. 10 each	<u>8,500,000</u>	<u>8,500,000</u>
Issued, subscribed and paid-up capital		
756,200,935 (December 31, 2011: 751,788,855) Ordinary shares of Rs. 10 each fully paid in cash (note 6.1)	<u>7,562,009</u>	<u>7,517,889</u>
6.1 During the period, the Company issued and allotted 4,412,080 shares at Rs. 19 per share to employees who exercised their share options under the Employees' Share Option Scheme (ESOS).		

notes to the condensed interim financial information (unaudited) for the half year ended june 30, 2012

(Amounts in thousand)

7. SHORT TERM FINANCES - secured

- 7.1 The facilities for short term running finance available from various banks, which represent the aggregate sale price of all mark-up arrangements, amounts to Rs. 3,400,000 (December 31, 2011: Rs. 2,800,000). The unutilized balance against these facilities as at June 30, 2012 was Rs. 3,036,609 (December 31, 2011: Rs. 2,547,750). These facilities are secured by way of hypothecation upon all the present and future current assets of the Company. The corresponding purchase prices are payable on various dates by July 31, 2012.
- 7.2 The facilities for opening letters of credit and guarantees as at June 30, 2012 amounts to Rs. 5,315,000 (December 31, 2011: Rs. 3,500,000), of which the amount remaining unutilized at June 30, 2012 was Rs. 2,523,552 (December 31, 2011: Rs. 1,830,159).

8. CONTINGENCIES AND COMMITMENTS

- 8.1 The Company has provided bank guarantees to:

- Sui Southern Gas Company Limited amounting to Rs. 39,037 (December 31, 2011: Rs. 39,037) in accordance with contracts for supply of gas;
- Sui Northern Gas Company Limited amounting to Rs. 34,350 (December 31, 2011: Rs. 34,350) in accordance with contracts for supply of gas;
- Collector of Sales tax, Large Tax Payers Unit (LTU), Karachi amounting to Rs. 258,712 (December 31, 2011: Rs. 258,712) under Sales Tax Rules 2006, against refund claim of input sales tax. Against these guarantees, sales tax refunds amounting to Rs. 172,000 (December 31, 2011: Rs. 172,000) have been received to-date; and
- Controller Military Accounts, Rawalpindi amounting to Rs. 2,134 (December 31, 2011: Rs. 5,351), as collateral against supplies.

- 8.2 As at June 30, 2012 post-dated cheques amounting to Rs. 170,190 (December 31, 2011: Rs. 153,342) have been provided as collateral to customs authorities, in accordance with the procedures prescribed by the Government of Pakistan through notification dated July 8, 2011 and August 1, 2011.

- 8.3 Following is the position of Company's open tax assessments/matters as at June 30, 2012:

- a) The Company in accordance with section 59 B (Group Relief) of the Income Tax Ordinance, 2001 has surrendered to ECL, the Holding Company, its tax losses amounting to Rs. 4,288,134 out of the total tax losses of Rs. 4,485,498 for the years ended December 31, 2006, 2007 and 2008 (Tax years 2007, 2008 and 2009) for cash consideration aggregating Rs. 1,500,847, being equivalent to tax benefit/effect thereof.

The Company has been designated as part of the Group of Engro Corporation Limited by the Securities and Exchange Commission of Pakistan (SECP) through its letter dated February 26, 2010. Such designation was mandatory for availing Group tax relief under section 59 B(2)(g) of the Ordinance and a requirement under the Group Companies Registration Regulations, 2008, (the Regulations) notified by SECP on December 31, 2008.

Further, the Appellate Tribunal, in respect of surrender of aforementioned tax losses by the Company to the Holding Company for the years ended December 31, 2006 and 2007, decided the appeals in favour of the Holding Company, whereby, allowing the surrender of tax losses by the Company to the Holding Company. The tax department has filed reference application thereagainst before the Sindh High Court, which is pending for hearing. However, in any event, should the reference application be upheld and the losses are returned to the Company, it will only culminate into recognition of deferred income tax asset thereon with a corresponding liability to the Holding Company for refund of the consideration received. As such there will be no effect on the results of the Company.

notes to the condensed interim financial information (unaudited) for the half year ended June 30, 2012

(Amounts in thousand)

- b) The Company's appeal against the order of Commissioner of Income Tax (CIT) for reduction of tax loss from Rs. 1,224,964 to Rs. 1,106,493 for the tax year 2007, is currently in the process of being heard. However, the Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and hence the deferred tax asset recognized on taxable losses has not been reduced by the effect of the aforementioned disallowance.
- c) During 2010, the Commissioner Inland Revenue raised a demand of Rs. 337,386 for tax year 2008 by disallowing the provision for gratuity, advances and stock written-off, repair and maintenance, provision for bonus, sales promotion and advertisement expenses. Further, in the aforementioned order the consideration receivable from ECL, the Holding Company, on surrender of tax loss has been added to income for the year. The Company had filed an appeal thereagainst before the Commissioner Appeals. The Commissioner Appeals through his order dated September 16, 2011, has decided certain matters in favour of the Company whereby withdrawing the demand amounting to Rs. 222,357. The Company has filed an appeal at the Tribunal level for the remainder matters remanded back or decided against the Company. The Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and hence the deferred tax asset recognized on taxable losses has not been reduced by the effect of the aforementioned disallowance.
- 8.4 Commitments in respect of capital expenditure contracted for but not incurred as at June 30, 2012 amounted to Rs. 186,981 (December 31, 2011: Rs. 661,295).
- 8.5 Commitments in respect of assets acquired under Ijarah agreements (operating lease) amounted to Rs. 332,079.

Quarter ended June 30,		Half year ended June 30,	
2012	2011	2012	2011
Rupees			

9. EARNINGS PER SHARE - Basic and diluted

The basic and diluted earnings per share of the Company are based on:

Profit for the period

531,775	99,182	1,017,674	216,442
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Weighted average number of ordinary shares in issue during the period (in thousand)

Number of shares			
752,948	723,209	753,025	711,669

Weighted average number of ordinary shares for determination of diluted EPS (in thousand)

771,159	723,209	760,883	711,669
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notes to the condensed interim financial information (unaudited) for the half year ended june 30, 2012

(Amounts in thousand)

	Unaudited June 30, 2012	Unaudited June 30, 2011
	Rupees	
10. CASH GENERATED FROM / (UTILIZED IN) OPERATIONS		
Profit before taxation	1,535,889	331,750
Adjustment for non-cash charges and other items:		
- Depreciation	577,379	419,142
- Amortization of intangible assets	20,063	21,137
- Amortization of deferred income	-	(30)
- Gain on disposal of biological assets	(1,928)	(206)
- Gain on disposal of operating assets	(5,727)	(1,716)
- Gain on disposal / revaluation of short-term investments	(22,638)	-
- Provision against sales tax refundable	34,894	-
- Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	(97,496)	(16,925)
- Provision for retirement and other service benefits	27,787	-
- Finance costs	440,837	490,595
- Income on bank deposits / saving accounts	(13,906)	(1,964)
Working capital changes (note 10.1)	(1,018,928)	(2,542,632)
	<u>1,476,226</u>	<u>(1,300,849)</u>
10.1 Working capital changes		
(Increase) / Decrease in current assets		
- Stores, spares and loose tools	(72,749)	(99,111)
- Stock-in-trade	(1,115,138)	(1,874,963)
- Trade debts	(2,253)	(2,143)
- Advances, deposits and prepayments	8,856	(200,545)
- Other receivables	113,294	(139,443)
	<u>(1,067,990)</u>	<u>(2,316,205)</u>
Increase / (decrease) in current liabilities		
Trade and other payables - net	49,062	(226,427)
	<u>(1,018,928)</u>	<u>(2,542,632)</u>
11. CASH AND CASH EQUIVALENTS		
Short term investments	100,000	-
Cash and bank balances	398,711	11,107
Short term finances	(363,391)	(1,595,080)
	<u>135,320</u>	<u>(1,583,973)</u>



notes to the condensed interim financial information (unaudited) for the half year ended june 30, 2012

(Amounts in thousand)

12. TRANSACTIONS WITH RELATED PARTIES

12.1 Transactions with related parties, other than those which have been disclosed elsewhere in this condensed interim financial information, are as follows:

Nature of relationship	Nature of transactions	Half year ended June 30,	
		2012	2011
		Rupees	
Holding company	Arrangement for sharing of premises, utilities, personnel and assets	95,319	70,371
	Pension fund contribution	3,922	-
	Provident fund contribution	11,978	-
	Gratuity fund contribution	2,194	-
Subsidiary and associated companies	Amount paid on behalf of subsidiary	-	52,482
	Arrangement for sharing of premises, utilities, personnel and assets	74,900	18,579
	Provident fund contribution	40	3,602
	Gratuity fund contribution	-	7,016
	Purchases of goods and services	198,789	25,938
	Donation	7,050	11,320
	Subsidy received	5,000	-
Contribution to staff retirement funds	Provident Fund	40,277	32,682
	Gratuity Fund	65,000	72,377
Key management personnel	Managerial remuneration	41,044	37,566
	Contribution for staff retirement benefits	5,402	5,032
	Bonus payment	46,208	53,465
	Other benefits	1,300	1,854

notes to the condensed interim financial information (unaudited) for the half year ended June 30, 2012

(Amounts in thousand)

- 12.2 There are no transactions with key management personnel other than under the terms of the employment.
- 12.3 While the Company manages the Al-Safa business, no remuneration has been charged to Engro Foods Canada as the business is owned by ECL and will be acquired from ECL at cost subject to regulatory approvals.

13. SEGMENT INFORMATION

- 13.1 The basis of segmentation and reportable segments presented in this condensed interim financial information are the same which were disclosed in the annual financial statements for the year ended December 31, 2011.

Unallocated assets include long and short term advances, deposits and prepayments, other receivables, short term investments and cash and bank balances.

Liabilities are not reported segment-wise to the Board of Directors. Further, all the unallocated assets are reported to the Board of Directors at entity level. Inter-segment sales of powder and cream by Dairy to Ice cream and of unprocessed milk by Dairy farm to Dairy are made at prevailing market price.

- 13.2 Information regarding the Company's operating segments is as follows:

	Unaudited Half year ended June 30, 2012					Unaudited Half year ended June 30, 2011				
	Dairy and juice	Ice cream & frozen desserts	Dairy farm	Business Development	Total	Dairy and juice	Ice cream & frozen desserts	Dairy farm	Business Development	Total
Rupees										
Results for the period										
Net sales	18,396,999	1,555,191	274,129	-	20,226,319	12,331,242	1,370,654	150,338	-	13,852,234
Inter-segment sales	(206,230)	-	(274,129)	-	(480,359)	(265,901)	-	(150,338)	-	(416,239)
Net revenue from external customers	18,190,769	1,555,191	-	-	19,745,960	12,065,341	1,370,654	-	-	13,435,995
Raw milk sales	19,177	-	-	-	19,177	7,617	-	-	-	7,617
	<u>18,209,946</u>	<u>1,555,191</u>	<u>-</u>	<u>-</u>	<u>19,765,137</u>	<u>12,072,958</u>	<u>1,370,654</u>	<u>-</u>	<u>-</u>	<u>13,443,612</u>
Segment profit / (loss)	<u>1,195,221</u>	<u>(166,463)</u>	<u>4,868</u>	<u>(15,952)</u>	<u>1,017,674</u>	<u>491,018</u>	<u>(205,428)</u>	<u>(52,543)</u>	<u>(16,605)</u>	<u>216,442</u>
As at June 30, 2012 (Unaudited)										
Assets										
- Segment assets	11,457,228	3,349,583	1,436,121	2,681	16,245,613	9,998,461	3,127,662	1,305,092	1,974	14,433,189
- Un-allocated assets	-	-	-	-	2,359,800	-	-	-	-	2,205,995
	<u>11,457,228</u>	<u>3,349,583</u>	<u>1,436,121</u>	<u>2,681</u>	<u>18,605,413</u>	<u>9,998,461</u>	<u>3,127,662</u>	<u>1,305,092</u>	<u>1,974</u>	<u>16,639,184</u>
As at December 31, 2011 (Audited)										

notes to the condensed interim financial information (unaudited) for the half year ended june 30, 2012

(Amounts in thousand)

14. SEASONALITY

The Company's 'Ice Cream' and 'Juice' business is subject to seasonal fluctuation, with demand of ice cream and juice products increasing in summer. The Company's dairy business is also subject to seasonal fluctuation due to lean and flush cycles of milk collection. Therefore, revenues and profits are not necessarily indicative of result to be expected for the full year.

15. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet has been compared with the balances of annual audited financial statements of preceding financial year, whereas the 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 have been compared with the balances of comparable period of immediately preceding financial year.

16. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on July 17, 2012 by the Board of Directors of the Company.



Chairman



Chief Executive

111-211-211

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