

Elevating consumer delight worldwide

engro foods

Half Year 2011 Accounts

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company information

Board of Directors

Asad Umar	Chairman
Sarfaraz A. Rehman	Chief Executive Officer
Ruhail Mohammed	Non-Executive Director
Isar Ahmed	Non-Executive Director
Shahzada Dawood	Non-Executive Director
Mujahid Hamid	Non-Executive Director
Muhammed Amin	Non-Executive Director
Ms. Spenta Kandawalla	Non-Executive Director
Abdul Samad Khan	Non-Executive Director
Zafar Ahmed Siddiqui	Non-Executive Director

Chief Financial Officer & Company Secretary

Imran Anwer

Members of Audit Committee

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

The secretary of the committee is Mazhar Hasnani, GM Corporate Audit Department

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Share Registrar

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

Bankers

Al-Baraka Islamic Bank Limited
Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Bank of Punjab
Burj Bank Limited
Citibank N. A.
Deutsche Bank A.G.
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
HSBC Bank Middle East Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Registered Office

6th Floor, The Harbour Front Building
HC-3, Marine Drive, Block - 4, Clifton
Karachi, Pakistan.



engro foods

CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2011

directors' report

Half Year 2011 review for the Shareholders of Engro Foods Limited

We are pleased to present the consolidated condensed interim financial information of the Company for the half year ended June 30, 2011.

BUSINESS REVIEW

DAIRY AND JUICES SEGMENT

Total sales of Dairy and Juice segment in first half of 2011 was Rs. 12.3 billion vs. Rs. 8.9 billion during the same period in 2010, growth of 38%. Profit after tax increased by 197% to Rs. 491 million from profit of Rs 165 million in the same period last year. Profit after tax to sales ratio improved to 4% in the first half of 2011 from 2% in the same period last year.

Ambient UHT:



Ambient UHT volume grew by 20% over the corresponding period last year which translates into a revenue growth of 37%. Company continues to remain the market leader in Ambient UHT milk segment. Dairy Omung was introduced to promote its offering in the budget conscious segment of the society as well as Olper's introduced Badam Zafran and Rose flavors to expand its portfolio.

Branded Powder:



Engro Foods is present in this segment through Tarang Tea Whitening Powder. Market share is progressively improving with a volume growth of 145% vs. same period last year.

Juices and Nectars:



Olfrute was re-launched during first half of 2011 and is showing consistent growth. During the first half, new flavors were added to the portfolio such as Apricot and Green Cocktail which were new to Pakistani market.

ICE CREAM AND FROZEN DESSERTS SEGMENT



Omorè was launched in Karachi in the first quarter of 2011 in order to expand geographically and increase market share. With 51% volumetric growth over the corresponding period last year, revenue grew by 69% to Rs. 1.4 billion during the first half of 2011.

As per plan, Ice Cream segment incurred a loss during the first six months primarily due to continued investment in its brands and the cold chain infrastructure. The loss after tax was Rs. 205 million during the first half of 2011 as compared to Rs. 277 million during the same period last year.

DAIRY FARM SEGMENT



During the first half of 2011, Dairy Farm produced 17,600 liters of milk per day. At June 30, 2011, Dairy Farm had 1,363 milk-producing cows (December 2010: 1,502) and 1,030 cows being raised to produce milk (December 2010: 457). Loss after tax stood at Rs. 52.5 million vs. Rs. 48.3 million of prior period primarily due to lower yield than international benchmark and less utilization of farm housing capacity.

RICE SEGMENT



Engro Foods Limited's 70% owned subsidiary Engro Foods Supply Chain (Pvt.) Limited has set up a rice processing facility with initial operational capacity of 60,000 tons for paddy processing and 56,000 tons of finished rice which manufactures rice for Engro Eximp (Private) Limited. The drying phase is fully complete and milling is partially complete. The following projects are in progress:

- Husk Power Plant is in construction phase and due for completion in third quarter of 2011.

- Increase in capacity of drying to 120,000 tons is also underway and is expected to be complete by fourth quarter of 2011.

During the first half of 2011, Engro Foods Supply Chain processed 1,330 tons of finished rice for Eximp and earned revenue of Rs. 208 million, enough to cover its cost and achieve break even.

GLOBAL BUSINESS UNIT (GBU)

As a first venture of GBU, Engro Corporation acquired operations of one of the oldest North American Halal meat brand 'Al-Safa' at a total cost of US $ 6.3 million. The Company will run the operations of Engro Foods Canada and has agreed to acquire it later from Engro Corporation at actual cost once Regulator approves the transfer.

SHAREHOLDING STRUCTURE

On the date of this report, Engro Foods Limited's shareholding structure is as follows:

Share Holder	# of Shares (in million)	% Holding
Engro Corporation	673	90.0%
Private Investors (cannot sell their shares till January 7, 2012)	48	6.4%
Public	27	3.6%
	748	100%

Private Investors

During May 2011, Engro Foods raised Rs. 1.2 billion by issuing 48 million shares to the institutional investors – mainly US & UK mutual funds and local investors. The shares were issued at a price of Rs. 25 per share (inclusive of a premium of Rs. 15 per share). Private investors cannot sell their holding till January 7, 2012.

Public Offering

From July 5 to 7, 2011, Engro Corporation Limited offered 27 million shares from its holding in the Company to the general public at a price of Rs. 25 per shares (inclusive of a premium of Rs. 15 per share). Public offering was 94% subscribed and balance 6% will be taken up by the under writers.

BUSINESS DEVELOPMENT

As a broader mandate of being a food company, Engro Foods has a dedicated team which evaluates prospective business areas for expansion. Cost of this team during the first half of 2011 was Rs. 16 million after tax.

CERTIFICATIONS AND AWARDS

Engro Foods received Global Foods Safety Award 2011 by Global Media Links in recognition of the stringent safety standards adopted by the Company.

In addition, marketing campaign of Olfrute won Best International Campaign at the Outdoor Advertising Convention Awards 2011.

FINANCIAL PERFORMANCE

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

(Rs. in million)	Half year ended June 30		Variation (%)
	2011	2010	
Net Sales	13,652	9,530	43%
Operating Profit	857	30	
% of sales	6%	0.3%	
Profit after tax	217	(180)	221%
% of sales	2%	-2%	
Earnings per share (Rs.)	0.30	(0.33)	192%

FUTURE OUTLOOK

We continue to strive for growth in all our business segments and expect to deliver performance in 2011 as indicated at the time of the Company's public offering.

Sarfaraz A. Rehman
Chief Executive

Ruhail Mohammed
Director

Karachi
August 3, 2011

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

Introduction

We have reviewed the accompanying consolidated condensed interim balance sheet of Engro Foods Limited and its subsidiary company, Engro Foods Supply Chain (Private) Limited as at June 30, 2011 and the related consolidated condensed interim profit and loss account, consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows together with the notes forming part thereof (here-in-after referred to as the "consolidated condensed interim financial information"), for the half year then ended. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

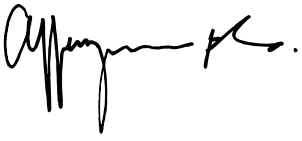
The figures of the consolidated condensed interim profit and loss account and consolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2011.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information as of and for the half year ended June 30, 2011 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 3, 2011

Engagement Partner: Waqas A. Sheikh

consolidated condensed interim balance sheet (unaudited) as at june 30, 2011

(Amounts in thousand)

	Note	Unaudited June 30, 2011	Audited December 31, 2010
		Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	4	11,736,036	9,488,797
Biological assets		437,986	428,293
Intangible assets		124,485	142,433
Long term advances, deposits and prepayments		22,904	24,707
		12,321,411	10,084,230
Current assets			
Stores, spares and loose tools		561,093	441,841
Stock-in-trade	5	3,964,184	2,089,221
Trade debts, unsecured	6	87,546	51,879
Advances, deposits and prepayments		457,580	247,553
Other receivables	7	860,523	723,107
Taxes recoverable		157,844	23,280
Derivative financial instruments		-	510
Cash and bank balances		306,005	369,325
		6,394,775	3,946,716
TOTAL ASSETS		18,716,186	14,030,946
EQUITY AND LIABILITIES			
Equity			
Share capital	8	7,480,000	7,000,000
Share premium, net	8.2	714,231	-
Hedging reserve		-	331
Accumulated loss		(1,659,482)	(1,875,971)
		6,534,749	5,124,360
Non-controlling interest		570,000	419,979
		7,104,749	5,544,339
Non-current liabilities			
Long term finances		7,046,170	5,540,051
Obligations under finance lease		2,589	4,714
Deferred taxation		156,082	181,548
Deferred liabilities		3,549	3,638
		7,208,390	5,729,951
Current liabilities			
Current portion of:			
- long term finances		408,333	200,000
- obligations under finance lease		4,803	3,675
Trade and other payables	9	1,946,761	2,247,957
Accrued interest / mark-up on:			
- long term finances		405,959	302,834
- short term finances		42,099	2,190
Short term finances	10	1,595,092	-
Contingencies and Commitments	11	4,403,047	2,756,656
TOTAL EQUITY AND LIABILITIES		18,716,186	14,030,946

The annexed notes 1 to 19 form an integral part of this consolidated condensed interim financial information.

Chief Executive

Director

consolidated condensed interim profit and loss account (unaudited) for the half year ended june 30, 2011

(Amounts in thousand except for earnings/(loss) per share)

	Note	Quarter ended		Half year ended	
		June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
		Rupees			
Net sales		7,220,866	4,788,428	13,651,644	9,529,338
Cost of sales		(5,705,657)	(3,827,989)	(10,729,693)	(7,527,427)
Gross profit		1,515,209	960,439	2,921,951	2,001,911
Distribution and marketing expenses		(881,103)	(914,146)	(1,701,724)	(1,737,889)
Administrative expenses		(173,738)	(106,999)	(352,729)	(202,274)
Other operating expenses		(8,888)	(30,685)	(54,293)	(46,529)
Other operating income		19,184	3,825	43,519	14,539
Operating profit		470,664	(87,566)	856,724	29,758
Finance costs		(317,203)	(169,263)	(521,813)	(307,077)
Profit/(Loss) before taxation		153,461	(256,829)	334,911	(277,319)
Taxation		(54,211)	91,400	(118,401)	97,250
Profit/(Loss) for the period		99,250	(165,429)	216,510	(180,069)
Profit/(Loss) attributable to:					
- Owners of the Holding Company		99,229	(164,602)	216,489	(179,242)
- Non-controlling interest		21	(827)	21	(827)
		99,250	(165,429)	216,510	(180,069)
Earnings/(Loss) per share attributable to the owners of the Holding Company - basic and diluted	12	0.14	(0.30)	0.30	(0.33)

The annexed notes 1 to 19 form an integral part of this consolidated condensed interim financial information.

Chief Executive

Director

consolidated condensed interim statement of comprehensive income (unaudited) for the half year ended june 30, 2011

(Amounts in thousand)

	Quarter ended		Half year ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	Rupees			
Profit/(Loss) for the period	99,250	(165,429)	216,510	(180,069)
Other comprehensive income for the period				
- Unrealized gain on available for sale investment	-	365	-	365
- Realized gain on settlement of Forward Foreign Exchange Contract	(331)	-	(331)	-
Total comprehensive income/(loss) for the period	98,919	(165,064)	216,179	(179,704)
Total comprehensive income/(loss) attributable to:				
- Owners of the Holding Company	98,898	(164,237)	216,158	(178,877)
- Non controlling interest	21	(827)	21	(827)
Total comprehensive income/(loss) for the period	98,919	(165,064)	216,179	(179,704)

The annexed notes 1 to 19 form an integral part of this consolidated condensed interim financial information.

Chief Executive

Director

consolidated condensed interim statement of cash flows (unaudited) for the half year ended june 30, 2011

(Amounts in thousand)

	Note	Half year ended June 30, 2011	June 30, 2010
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilized in operations	13	(1,370,668)	(558,151)
Finance costs paid		(378,779)	(254,363)
Taxes paid		(275,146)	(100,176)
Retirement benefits paid		(1,562)	-
Long term advances, deposits and prepayments - net		1,803	(6,598)
Net cash utilized in operating activities		(2,024,352)	(919,288)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of			
- operating assets		(2,708,953)	(1,819,418)
- intangible assets		(3,189)	(4,956)
Proceeds from disposal of			
- operating assets		6,926	12,056
- biological assets		7,438	47,800
Interest received on bank deposits/savings account		9,138	1,552
Net cash utilized in investing activities		(2,688,640)	(1,762,966)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance against issue of share capital received from Engro Corporation Limited (ECL), the Holding Company		-	793,200
Proceeds from issue of share capital		1,200,000	941,666
Share issuance costs, net		(8,875)	-
Proceeds from issuance of shares by non controlling interest		-	90,000
Proceeds from long term finance		1,772,785	-
Advance against issue of share capital from non controlling interest		150,000	67,800
Repayments of			
- long term finance		(58,333)	-
- obligations under finance lease		(997)	(2,886)
Net cash generated from financing activities		3,054,580	1,889,780
Net decrease in cash and cash equivalents		(1,658,412)	(792,474)
Cash and cash equivalents at beginning of the period		369,325	41,864
Cash and cash equivalents at end of the period	14	(1,289,087)	(750,610)

The annexed notes 1 to 19 form an integral part of this consolidated condensed interim financial information.

Chief Executive

Director

consolidated condensed interim statement of changes in equity (unaudited) for the half year ended june 30, 2011

(Amounts in thousand)

	Share capital	Share premium	Advance against issue of share capital	Unrealized gain on available for sale investment	Hedging reserve	Accumulated loss	Subtotal	Non Controlling Interest	Total
	Rupees								
Balance as at January 1, 2010 (Audited)	5,423,000	-	-	-	-	(2,052,852)	3,370,148	-	3,370,148
Capital of subsidiary company	-	-	-	-	-	-	-	90,000	90,000
Share in the opening reserve of the subsidiary company	-	-	-	-	-	392	392	(392)	-
Advance received during the period, net	-	-	793,200	-	-	-	793,200	67,800	861,000
Total comprehensive income/(loss) for the half year ended June 30, 2010	-	-	-	365	-	(179,242)	(178,877)	(827)	(179,704)
Balance as at June 30, 2010 (Unaudited)	5,423,000	-	793,200	365	-	(2,231,702)	3,984,863	156,581	4,141,444
Capital of subsidiary company	-	-	-	-	-	-	-	330,000	330,000
Advance received during the period, net	-	-	783,800	-	-	-	783,800	(67,800)	716,000
Share capital issued during the period	1,577,000	-	(1,577,000)	-	-	-	-	-	-
Total comprehensive income/(loss) for the half year ended December 31, 2010	-	-	-	(365)	331	355,731	355,697	1,198	356,895
Balance as at December 31, 2010 (Audited)	7,000,000	-	-	-	331	(1,875,971)	5,124,360	419,979	5,544,339
Capital of subsidiary company	-	-	-	-	-	-	-	150,000	150,000
Share capital issued during the period	480,000	720,000	-	-	-	-	1,200,000	-	1,200,000
Share issuance cost, net	-	(5,769)	-	-	-	-	(5,769)	-	(5,769)
Total comprehensive income/(loss) for the half year ended June 30, 2011	-	-	-	-	(331)	216,489	216,158	21	216,179
Balance as at June 30, 2011 (Unaudited)	7,480,000	714,231	-	-	-	(1,659,482)	6,534,749	570,000	7,104,749

The annexed notes 1 to 19 form an integral part of this consolidated condensed interim financial information.

Chief Executive

Director

notes to the consolidated condensed interim financial information (unaudited) for the half year ended june 30, 2011

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 The Group consists of Engro Foods Limited (the Company) and its 70% owned subsidiary company, Engro Foods Supply Chain (Private) Limited.

1.2 The Company, incorporated in Pakistan on April 26, 2005, under the Companies Ordinance, 1984, is an unlisted public company. The Company is a subsidiary of Engro Corporation Limited (ECL) and it's registered office is situated at 6th Floor, Harbour Front Building, Plot No. HC-3, Block-4, Scheme No. 5, Clifton, Karachi.

1.3 The principal activity of the Company is to manufacture, process and sell dairy, ice-cream, juices and other food products. The Company also owns and operates a dairy farm. Further, during the period, 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 has been recently acquired 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.

During the period, the Company issued 48 million ordinary shares to certain private investors at Rs. 25 per share, after waiver by ECL of its pre-emptive rights to these shares. Further, ECL, the Holding Company has offered 27 million of its ordinary shares for sale to the general public through offer for sale document dated June 24, 2011. The Company has also made an application to the Karachi and Lahore Stock Exchanges for permission to deal in and for listing of its shares vide applications dated May 3, 2011 and June 17, 2011, respectively.

1.4 The principal activity of Engro Foods Supply Chain (Private) Limited (the subsidiary), incorporated on November 3, 2009, is to produce, manufacture and trade all kinds of raw, processed and prepared food products including agriculture, dairy and farming products. The subsidiary is currently involved in the construction and set-up of its rice processing plant in District Sheikhupura. The subsidiary commissioned and started commercial production from drying unit of the rice processing plant from November 7, 2010. During the period, the commercial production of milling unit on line 1 commenced on June 1, 2011 for processing from paddy/unprocessed rice to finished brown rice, while the commissioning of remaining units on line 1 and the commissioning of line 2 is expected to be completed in the third quarter of 2011.

2. BASIS OF PREPARATION

2.1 This consolidated 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 consolidated 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 annual consolidated financial statements of the Company for the year ended December 31, 2010.

2.2 The preparation of this consolidated condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the 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 consolidated 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 financial statements for the year ended December 31, 2010.

notes to the consolidated condensed interim financial information (unaudited) for the half year ended june 30, 2011

(Amounts in thousand)

3. ACCOUNTING POLICIES

3.1 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, 2010.

4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited June 30, 2011	Audited December 31, 2010
	Rupees	
Operating assets, at net book value (notes 4.1 and 4.2)	9,508,394	7,832,259
Capital work-in-progress (note 4.3)	2,227,642	1,656,538
	11,736,036	9,488,797

4.1 Following additions, including transfers from capital work-in-progress, were made during the period/year:

Leasehold land	2,808	5,456
Buildings on freehold land	604,289	617,537
Plant, machinery and related equipment	1,456,278	2,249,461
Office equipment	25,452	31,806
Computers	5,836	15,005
Furniture and fittings	1,201	227
Vehicles - owned	41,985	154,807
	2,137,849	3,074,299

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

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal
	Rupees				
Vehicles - owned	14,358	(9,428)	4,930	6,548	Insurance claims / Employee buyback
Computers	100	(50)	50	74	Insurance claims
Plant, machinery and related equipment	646	(416)	230	304	Insurance claims
	15,104	(9,894)	5,210	6,926	
December 31, 2010	55,256	(39,575)	15,681	19,530	

(Amounts in thousand)

	Unaudited June 30, 2011	Audited December 31, 2010
	Rupees	
4.3 Following additions were made to capital work-in-progress during the period/year:		
Buildings on freehold land	469,898	1,534,955
Plant, machinery and related equipment	2,137,573	2,450,341
SAP project and milk automation	3,385	83,439
Office equipment, furniture, fittings and computers	73,672	82,221
Vehicles - owned	27,614	178,888
	2,712,142	4,329,844

5. STOCK-IN-TRADE

Raw and packaging materials (note 5.1)	3,065,550	1,484,350
Work in process	192,148	48,564
Finished goods (note 5.1)	706,486	556,307
	3,964,184	2,089,221

5.1 These include raw and packaging materials amounting to Rs. 76,121 (December 31, 2010: Rs. 65,206) and finished goods amounting to Nil (December 31, 2010: Rs. 35,102) held by third parties.

6. TRADE DEBTS, unsecured

Include Rs. 33,524 (December 31, 2010: Nil) due from Engro Eximp (Private) Limited, a related party.

7. OTHER RECEIVABLES

Sales tax refundable (note 7.1)	680,017	518,439
Receivable from bank against guarantee	-	5,000
Receivable from Tetra Pak Pakistan Limited (note 7.2)	164,906	165,876
Others	15,600	33,792
	860,523	723,107

7.1 Sales tax has been zero rated on the Company's supplies (output) and raw materials, components and assemblies imported or purchased locally by the Company for manufacturing in respect of its dairy products.

7.2 Includes market support subsidy receivable under an agreement dated April 7, 2011, as quantity size discount and investment support allowance, net of amount due on account of packaging material purchased.

notes to the consolidated condensed interim financial information (unaudited) for the half year ended june 30, 2011

(Amounts in thousand)

8. SHARE CAPITAL

	Unaudited June 30, 2011	Audited December 31, 2010
	Rupees	
Authorized capital		
850,000,000 (December 31, 2010: 800,000,000) ordinary shares of Rs. 10 each (note 8.1)	8,500,000	8,000,000
Issued, subscribed and paid-up capital		
748,000,000 (December 31, 2010: 700,000,000) ordinary shares of Rs.10 each paid in cash (note 8.2)	7,480,000	7,000,000

8.1 During the period, the Company has increased its authorized share capital by 50,000,000 ordinary shares of Rs. 10 each.

8.2 During the period, the Company has issued and allotted, to certain private investors, 48,000,000 ordinary shares of Rs. 10 each at a premium of Rs. 15 per share, ranking pari passu in all respects with the existing shares of the Company. These shares were first offered to existing shareholder Engro Corporation Limited (ECL), however, ECL waived its pre-emptive rights over these shares.

9. TRADE AND OTHER PAYABLES

9.1 Includes following amounts due to related parties:

	Unaudited June 30, 2011	Audited December 31, 2010
	Rupees	
Engro Corporation Limited	-	1,204
Engro Fertilizers Limited	-	880
Engro Polymer and Chemicals Limited	2,082	-
Engro Eximp (Private) Limited	-	2,597
Avanceon Limited	4,305	7,000
	6,387	11,681

10. SHORT TERM FINANCES – secured

10.1 The facilities for short term running finance available from various banks, which represents the aggregate sale price of all mark-up arrangements amount to Rs. 2,400,000 (December 31, 2010: Rs. 1,600,000). The unutilized balance against these facilities as at period end was Rs. 804,908 (December 31, 2010: Rs. 1,600,000). The facilities are secured by way of hypothecation upon all present and future current assets of the Company. The corresponding purchase prices are payable on various dates by February 15, 2014.

10.2 The facilities for opening letters of credit and guarantees as at June 30, 2011 amount to Rs. 2,425,000 (December 31, 2010: Rs. 3,115,000) of which, the amount remaining unutilized at period end was Rs. 1,506,481 (December 31, 2010: Rs. 1,305,600).

(Amounts in thousand)

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 The Company has provided bank guarantees to:

- Sui Southern Gas Company Limited amounting to Rs. 39,037 (December 31, 2010: Rs. 33,993) in accordance with contracts for supply of gas;
- Sui Northern Gas Company Limited amounting to Rs. 34,350 (December 31, 2010: Rs. 34,350) in accordance with contracts for supply of gas;
- Irrigation and Power Department, Government of Sindh amounting to Rs. 100 (December 31, 2010: Rs. 100) under an agreement for disposal of treated waste water;
- Collector of Sales tax, Large Tax Payers Unit (LTU), Karachi amounting to Rs. 258,800 (December 31, 2010: Rs. 258,800) 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, 2010: Rs. 172,000) have been received to-date; and
- Controller Military Accounts, Rawalpindi amounting to Rs. 3,217 (December 31, 2010: Rs. 3,217), as collateral against supplies.

11.1.2 Last year, a lawsuit was filed against the subsidiary by certain previous co-owners in the Civil Court, Sheikhupura claiming pre-emptive right over a portion of the land, acquired by the subsidiary for construction of rice processing plant. The subsidiary has filed its written statement thereagainst and the case will now come up for hearing. However, the subsidiary, based on the opinion of its legal advisor is confident that the matter will be decided in its favour and accordingly the financial effect, if any, has not been considered in the preparation of this consolidated condensed interim financial information.

11.1.3 Following is the position of the Company's open tax assessments/matters as at June 30, 2011:

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.

(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) Last year, 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 has filed an appeal before the Commissioner Appeals against such order, which is yet to be heard. The Company has also filed a petition thereagainst before the Sindh High Court, whereby the jurisdiction of the Commissioner Inland Revenue has been challenged for passing such an order. The Sindh High Court considering the legal issues involved has instructed the tax department not to take any coercive action till the hearing of the appeal.

11.2 Commitments

Commitments in respect of capital expenditure contracted for but not incurred as at June 30, 2011 amounted to Rs. 700,421 (December 31, 2010: Rs. 810,141).

	Quarter ended		Half year ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	Rupees			
12. EARNINGS / (LOSS) PER SHARE				
- Basic and diluted				
There is no dilutive effect on the basic earnings per share of the Company, which is based on:				
Profit/(Loss) for the period attributable to the owners of the Holding Company	99,229	(164,602)	216,489	(179,242)
	Number of shares			
Weighted average number of ordinary shares (in thousand)	723,209	542,300	711,669	542,300

notes to the consolidated condensed interim financial information (unaudited) for the half year ended june 30, 2011

(Amounts in thousand)

13. CASH GENERATED FROM OPERATIONS

	Half year ended June 30, 2011	Half year ended June 30, 2010
	Rupees	
Profit/(Loss) before taxation	334,911	(277,319)
Adjustment for non-cash charges and other items:		
- Depreciation	456,504	327,331
- Amortization of intangible assets	21,137	5,538
- Amortization of deferred income	(30)	(50)
- (Gain)/Loss on death/disposal of biological assets	(206)	7,011
- Gain on disposal of operating assets	(1,716)	(3,621)
- (Gain)/Loss arising from changes in fair value less estimated point-of-sale costs of biological assets	(16,925)	2,157
- Operating assets written-off	-	56
- Provision for retirement and other service benefits	1,503	423
- Interest on bank deposits/saving accounts	(9,138)	(1,552)
- Finance costs	521,813	307,052
Working capital changes (note 13.1)	(2,678,521)	(925,177)
	(1,370,668)	(558,151)

13.1 Working capital changes

	Half year ended June 30, 2011	Half year ended June 30, 2010
	Rupees	
(Increase)/Decrease in current assets		
Stores, spares and loose tools	(119,252)	(93,390)
Stock-in-trade	(1,874,963)	(964,580)
Trade debts	(35,667)	(28,185)
Advances, deposits and prepayments	(210,027)	35,061
Short term investments	-	(6,752)
Other receivables - net	(137,416)	84,085
	(2,377,325)	(973,761)
Increase/(Decrease) in current liabilities		
Trade and other payables - net	(301,196)	48,584
	(2,678,521)	(925,177)

14. CASH AND CASH EQUIVALENTS

Cash and bank balances	306,005	154,629
Short term finances	(1,595,092)	(905,239)
	(1,289,087)	(750,610)

(Amounts in thousand)

15. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Half year ended June 30, 2011	Half year ended June 30, 2010
		Rupees	
Holding company	Arrangment for sharing of personnel, premises, utilities and services	70,371	72,274
	Claimable expenses	-	410
	Use of assets	-	926
Associated companies	Purchase of goods and services	26,638	18,507
	Revenue for services provided - Rice processing	208,032	-
	Purchase of plant and machinery	25,526	-
	Sale of goods	-	26,106
	Arrangment for sharing of premises, utilities and services	15,723	4,141
	Provident fund contribution	6,114	603
	Pension fund contribution	7,016	743
	Gratuity fund contribution	-	153
	Donations	11,320	6,000
	Use of assets	3,306	3,430
	Claimable expenses	-	1,702
Contribution to staff retirement funds	Provident fund	32,682	17,154
	Gratuity fund	72,377	15,777
Key management personnel	Managerial remuneration	95,485	53,101
	Retirement benefits	5,032	2,674
	Other benefits	1,854	1,607

15.2 There are no transactions with key management personnel other than under the terms of the employment.

16. SEGMENT INFORMATION

16.1 The basis of segmentation and reportable segments presented in this consolidated condensed interim financial information are the same which were disclosed in annual consolidated financial statements for the year ended December 31, 2010.

Unallocated assets include long and short term advances, deposits and prepayments, other receivables, taxes recoverable, 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.

(Amounts in thousand)

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

	Half year ended June 30, 2011						Half year ended June 30, 2010					
	Dairy, Juices & Others	Ice cream	Dairy farm	Rice	Business Development	Total	Dairy, Juices & Others	Ice cream	Dairy farm	Rice	Business Development	Total
	Rupees						Rupees					
Results for the year												
Net sales	12,331,242	1,370,654	150,338	208,032	-	14,060,266	8,890,266	808,667	130,304	-	-	9,829,237
Inter-segment sales	(265,901)	-	(150,338)	-	-	(416,239)	(186,157)	-	(130,304)	-	-	(316,461)
	12,065,341	1,370,654	-	208,032	-	13,644,027	8,704,109	808,667	-	-	-	9,512,776
Raw milk sales	7,617	-	-	-	-	7,617	16,562	-	-	-	-	16,562
	12,072,958	1,370,654	-	208,032	-	13,651,644	8,720,671	808,667	-	-	-	9,529,338
Segment profit/(loss)	491,018	(205,428)	(52,543)	68	(16,605)	216,510	165,474	(276,675)	(48,326)	(2,757)	(17,785)	(180,069)
	As at June 30, 2011 (Unaudited)						As at December 31, 2010 (Audited)					
Assets												
- Segment assets	10,144,648	3,405,738	713,171	3,580,322	2,293	17,846,172	6,776,500	2,533,097	924,769	2,554,150	-	12,788,516
- Un-allocated assets	-	-	-	-	-	870,014	-	-	-	-	-	1,242,430
	10,144,648	3,405,738	713,171	3,580,322	2,293	18,716,186	6,776,500	2,533,097	924,769	2,554,150	-	14,030,946

17. 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.

18. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the consolidated condensed interim balance sheet has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the consolidated condensed interim profit and loss account, the consolidated condensed interim statement of comprehensive income, the consolidated condensed interim statement of changes in equity and the consolidated condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

19. DATE OF AUTHORIZATION FOR ISSUE

This consolidated condensed interim financial information was authorized for issue on August 3, 2011 by the Board of Directors of the Company.

Chief Executive

Director



engro foods

CONDENSED INTERIM
FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2011

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, 2011 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.

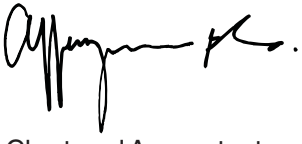
The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2011.

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, 2011 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 3, 2011

Engagement Partner: Waqas A. Sheikh

condensed interim balance sheet (unaudited) as at june 30, 2011

(Amounts in thousand)	Note	Unaudited June 30, 2011	Audited December 31, 2010
		Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	4	8,544,598	7,148,219
Long term investment	5	1,330,000	980,000
Biological assets		437,986	428,293
Intangible assets		124,485	142,433
Long term advances, deposits and prepayments		21,804	23,126
		10,458,873	8,722,071
Current assets			
Stores, spares and loose tools		540,952	441,841
Stock-in-trade	6	3,964,184	2,089,221
Trade debts, unsecured		54,022	51,879
Advances, deposits and prepayments		444,754	244,209
Other receivables	7	860,178	720,735
Taxes recoverable		131,794	9,417
Derivative financial instruments		-	510
Cash and bank balances		11,107	180,181
		6,006,991	3,737,993
TOTAL ASSETS		16,465,864	12,460,064
EQUITY AND LIABILITIES			
Equity			
Share capital	8	7,480,000	7,000,000
Share premium, net	8.2	714,231	-
Hedging reserve		-	331
Accumulated loss		(1,659,482)	(1,875,924)
		6,534,749	5,124,407
Non-current liabilities			
Long term finances		5,683,334	4,625,000
Obligations under finance lease		2,589	4,714
Deferred taxation		154,475	180,964
Deferred liabilities		1,870	3,462
		5,842,268	4,814,140
Current liabilities			
Current portion of:			
- long term finances		283,333	200,000
- obligations under finance lease		4,803	3,675
Trade and other payables	9	1,814,148	2,040,575
Accrued interest / mark-up on:			
- long term finances		350,490	275,077
- short term finances		40,993	2,190
Short term finances	10	1,595,080	-
		4,088,847	2,521,517
Contingencies and Commitments	11		
TOTAL EQUITY AND LIABILITIES		16,465,864	12,460,064

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Chief Executive

Director

condensed interim
profit and loss account (unaudited)
for the half year ended june 30, 2011

(Amounts in thousand except for earnings/(loss) per share)

	Note	Quarter ended		Half year ended	
		June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
		Rupees			
Net sales		7,081,088	4,788,428	13,443,612	9,529,338
Cost of sales		(5,636,893)	(3,827,989)	(10,621,716)	(7,527,427)
Gross profit		1,444,195	960,439	2,821,896	2,001,911
Distribution and marketing expenses		(881,103)	(914,146)	(1,701,724)	(1,737,889)
Administrative expenses		(124,821)	(110,775)	(279,884)	(202,274)
Other operating expenses		(8,210)	(25,387)	(53,538)	(41,231)
Other operating income		16,465	3,447	35,595	14,161
Operating profit/(loss)		446,526	(86,422)	822,345	34,678
Finance costs		(295,176)	(169,238)	(490,595)	(307,052)
Profit/(Loss) before taxation		151,350	(255,660)	331,750	(272,374)
Taxation		(52,168)	89,212	(115,308)	95,062
Profit/(Loss) for the period		99,182	(166,448)	216,442	(177,312)
Earnings/(Loss) per share - basic and diluted	12	0.14	(0.31)	0.30	(0.33)

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Chief Executive

Director

condensed interim statement of comprehensive income (unaudited) for the half year ended june 30, 2011

(Amounts in thousand)

	Quarter ended		Half year ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	Rupees			
Profit/(Loss) for the period	99,182	(166,448)	216,442	(177,312)
Other comprehensive income for the period				
- Unrealized gain on available for sale investment	-	365	-	365
- Realized gain on settlement of Forward Foreign Exchange contracts	(331)	-	(331)	-
Total comprehensive income/(loss) for the period	98,851	(166,083)	216,111	(176,947)

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Chief Executive

Director

condensed interim statement of cash flows (unaudited) for the half year ended june 30, 2011

(Amounts in thousand)

	Note	Half year ended June 30, 2011	June 30, 2010
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilized in operations	13	(1,300,849)	(516,269)
Finance costs paid		(376,379)	(254,363)
Taxes paid		(260,889)	(95,859)
Retirement benefits paid - net		(1,562)	-
Long term advances, deposits and prepayments - net		1,322	(6,598)
Net cash utilized in operating activities		(1,938,357)	(873,089)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of			
- operating assets		(1,820,731)	(1,353,636)
- intangible assets		(3,189)	(4,956)
Proceeds from disposal of			
- operating assets		6,926	12,056
- biological assets		7,438	47,800
Long term investment		(350,000)	(365,200)
Interest received on bank deposits/savings account		1,964	1,552
Net cash utilized in investing activities		(2,157,592)	(1,662,384)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance against issue of share capital received from Engro Corporation Limited (ECL), the Holding Company		-	793,200
Proceeds from issue of share capital		1,200,000	-
Share issuance costs, net		(8,875)	-
Proceeds from long term finances		1,200,000	941,666
Repayments of			
- long term borrowings		(58,333)	-
- obligations under finance lease		(997)	(2,886)
Net cash generated from financing activities		2,331,795	1,731,980
Net decrease in cash and cash equivalents		(1,764,154)	(803,493)
Cash and cash equivalents at beginning of the period		180,181	40,666
Cash and cash equivalents at end of the period	14	(1,583,973)	(762,827)

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Chief Executive

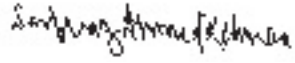
Director

condensed interim statement of changes in equity (unaudited) for the half year ended june 30, 2011

(Amounts in thousand)

	Share capital	Share premium	Advance against issue of share capital	Unrealized gain on available for sale investment	Hedging reserve	Accumulated loss	Total
	Rupees						
Balance as at January 1, 2010 (Audited)	5,423,000	-	-	-	-	(2,051,546)	3,371,454
Advance received during the period	-	-	793,200	-	-	-	793,200
Total comprehensive income/(loss) for the half year ended June 30, 2010	-	-	-	365	-	(177,312)	(176,947)
Balance as at June 30, 2010 (Unaudited)	5,423,000	-	793,200	365	-	(2,228,858)	3,987,707
Advance received during the period	-	-	783,800	-	-	-	783,800
Share capital issued during the period	1,577,000	-	(1,577,000)	-	-	-	-
Total comprehensive income/(loss) for the half year ended December 31, 2010	-	-	-	(365)	331	352,934	352,900
Balance as at December 31, 2010 (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

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



Chief Executive



Director

notes to the condensed interim financial information (unaudited) for the half year ended june 30, 2011

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

Engro Foods Limited (the Company), incorporated in Pakistan on April 26, 2005, under the Companies Ordinance, 1984, is an unlisted public company. 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 other food products. The Company also owns and operates a dairy farm. Further, during the period, 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 has been recently acquired 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.

During the period, the Company issued 48 million ordinary shares to certain private investors at Rs. 25 per share, after waiver by ECL of its pre-emptive rights to these shares. Further, ECL, the Holding Company has offered 27 million of its ordinary shares for sale to the general public through offer for sale document dated June 24, 2011. The Company has also made an application to the Karachi and Lahore Stock Exchanges for permission to deal in and for listing of its shares vide applications dated May 3, 2011 and June 17, 2011, respectively.

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, 2010.

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, 2010.

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, 2010.

(Amounts in thousand)

	Unaudited June 30, 2011	Audited December 31, 2010
	Rupees	

4. PROPERTY, PLANT AND EQUIPMENT

Operating assets, at net book value (notes 4.1 and 4.2)	7,764,910	6,661,790
Capital work-in-progress (note 4.3)	779,688	486,429
	8,544,598	7,148,219

4.1 Following additions, including transfers from capital work-in-progress, were made during the period/year:

Buildings on freehold land	228,581	249,121
Plant, machinery and related equipment	1,224,417	1,615,920
Office equipment	25,452	30,335
Computers	5,836	13,246
Furniture and fittings	1,201	-
Vehicles - owned	41,985	153,097
	1,527,472	2,061,719

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

	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal
	Rupees				
Vehicles - owned	14,358	(9,428)	4,930	6,548	Insurance claims / Employee buyback
Computers	100	(50)	50	74	Insurance claims
Plant, machinery and related equipment	646	(416)	230	304	Insurance claims
	15,104	(9,894)	5,210	6,926	
December 31, 2010	55,256	(39,575)	15,681	19,530	

(Amounts in thousand)

	Unaudited June 30, 2011	Audited December 31, 2010
	Rupees	

4.3 Following additions were made to capital work-in-progress during the period/year:

Buildings on freehold land	314,855	266,376
Plant, machinery and related equipment	1,437,390	1,546,832
SAP project and milk automation	3,384	122,561
Office equipment, furniture, fittings and computers	40,677	69,588
Vehicles - owned	27,614	178,888
	1,823,920	2,184,245

5. LONG-TERM INVESTMENT

Subsidiary - at cost

Engro Foods Supply Chain (Private) Limited [equity held: 70% (December 31, 2010: 70%)]		
- 98,000,000 (December 31, 2010: 98,000,000) ordinary shares of Rs. 10 each	980,000	980,000
- Advance against issue of share capital	350,000	-
	1,330,000	980,000

6. STOCK-IN-TRADE

Raw and packaging materials (note 6.1)	3,065,550	1,484,350
Work in process	192,148	48,564
Finished goods (note 6.1)	706,486	556,307
	3,964,184	2,089,221

6.1 These include raw and packaging materials amounting to Rs. 76,121 (December 31, 2010: Rs. 65,206) and finished goods amounting to Nil (December 31, 2010: Rs. 35,102) held by third parties.

	Unaudited June 30, 2011	Audited December 31, 2010
	Rupees	

7. OTHER RECEIVABLES

Receivable from Engro Foods Supply Chain (Private) Limited - a subsidiary company	-	3,268
Sales tax refundable (note 7.1)	680,017	518,439
	680,017	521,707
Receivable from Tetra Pak Pakistan Limited (note 7.2)	164,906	165,876
Others	15,255	33,152
	860,178	720,735

(Amounts in thousand)

7.1 Sales tax has been zero rated on the Company's supplies (output) and raw materials, components and assemblies imported or purchased locally by the Company for manufacturing in respect of its dairy products.

7.2 Includes market support subsidy receivable under an agreement dated April 7, 2011, as quantity size discount and investment support allowance, net of amount due on account of packaging material purchased.

8. SHARE CAPITAL

	Unaudited June 30, 2011	Audited December 31, 2010
	Rupees	
Authorized capital		
850,000,000 (December 31, 2010: 800,000,000) ordinary shares of Rs. 10 each (note 8.1)	8,500,000	8,000,000
Issued, subscribed and paid-up capital		
748,000,000 (December 31, 2010: 700,000,000) ordinary shares of Rs.10 each paid in cash (note 8.2)	7,480,000	7,000,000

8.1 During the period, the Company has increased its authorized share capital by 50,000,000 ordinary shares of Rs. 10 each.

8.2 During the period, the Company has issued and allotted, to certain private investors, 48,000,000 ordinary shares of Rs. 10 each at a premium of Rs. 15 per share, ranking pari passu in all respects with the existing shares of the Company. These shares were first offered to existing shareholder Engro Corporation Limited (ECL), however, ECL waived its pre-emptive rights over these shares.

9. TRADE AND OTHER PAYABLES

Includes following amounts due to related parties:

	Unaudited June 30, 2011	Audited December 31, 2010
	Rupees	
Engro Corporation Limited	-	1,204
Engro Fertilizers Limited	-	880
Engro Polymer and Chemicals Limited	2,082	-
Avanceon Limited	4,305	-
	6,387	2,084

10. SHORT TERM FINANCES – secured

10.1 The facilities for short term running finance available from various banks, which represents the aggregate sale price of all mark-up arrangements amount to Rs. 2,200,000 (December 31, 2010: Rs. 1,600,000). The unutilized balance against these facilities as at period end was Rs. 604,920 (December 31, 2010: Rs. 1,600,000). The facilities are secured by way of hypothecation upon all present and future current assets of the Company. The corresponding purchase prices are payable on various dates by February 15, 2014.

(Amounts in thousand)

10.2 The facilities for opening letters of credit and guarantees as at June 30, 2011 amount to Rs. 2,350,000 (December 31, 2010: Rs. 3,115,000) of which, the amount remaining unutilized at period end was Rs. 1,431,481 (December 31 2010: Rs. 1,305,600).

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 The Company has provided bank guarantees to:

- Sui Southern Gas Company Limited amounting to Rs. 39,037 (December 31, 2010: Rs. 33,993) in accordance with contracts for supply of gas;
- Sui Northern Gas Company Limited amounting to Rs. 34,350 (December 31, 2010: Rs. 34,350) in accordance with contracts for supply of gas;
- Irrigation and Power Department, Government of Sindh amounting to Rs. 100 (December 31, 2010: Rs. 100) under an agreement for disposal of treated waste water;
- Collector of Sales tax, Large Tax Payers Unit (LTU), Karachi amounting to Rs. 258,800 (December 31, 2010: Rs. 258,800) 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, 2010: Rs. 172,000) have been received to-date; and
- Controller Military Accounts, Rawalpindi amounting to Rs. 3,217 (December 31, 2010: Rs. 3,217), as collateral against supplies.

11.1.2 Following is the position of the Company's open tax assessments/matters as at June 30, 2011:

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.

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.

(Amounts in thousand)

c) Last year, 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 has filed an appeal before the Commissioner Appeals against such order, which is yet to be heard. The Company has also filed a petition thereagainst before the Sindh High Court, whereby the jurisdiction of the Commissioner Inland Revenue has been challenged for passing such an order. The Sindh High Court considering the legal issues involved has instructed the tax department not to take any coercive action till the hearing of the appeal.

11.2 Commitments

Commitments in respect of capital expenditure contracted for but not incurred as at June 30, 2011 amounted to Rs. 357,089 (December 31, 2010: Rs. 696,170).

12. EARNINGS/(LOSS) PER SHARE - Basic and diluted

	Quarter ended		Half year ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	Rupees			
There is no dilutive effect on the basic earnings per share of the Company, which is based on:				
Profit/(Loss) for the period	99,182	(166,448)	216,442	(177,312)
	Number of shares			
Weighted average number of ordinary shares (in thousand)	723,209	542,300	711,669	542,300

notes to the condensed interim financial information (unaudited) for the half year ended june 30, 2011

(Amounts in thousand)

13. CASH UTILIZED IN OPERATIONS

	Half year ended June 30, 2011	Half year ended June 30, 2010
	Rupees	
Profit/(Loss) before taxation	331,750	(272,374)
Adjustment for non-cash charges and other items:		
- Depreciation	419,142	327,331
- Amortization of intangible assets	21,137	5,538
- Amortization of deferred income	(30)	(50)
- (Gain)/Loss on death/disposal of biological assets	(206)	7,011
- Gain on disposal of operating assets	(1,716)	(3,621)
- (Gain)/Loss arising from changes in fair value less estimated point-of-sale costs of biological assets	(16,925)	2,157
- Operating assets written-off	-	56
- Provision for retirement and other service benefits	-	423
- Interest on bank deposits/saving accounts	(1,964)	(1,552)
- Finance costs	490,595	307,052
Working capital changes (note 13.1)	(2,542,632)	(888,240)
	(1,300,849)	(516,269)

13.1 Working capital changes

	Half year ended June 30, 2011	Half year ended June 30, 2010
	Rupees	
(Increase)/Decrease in current assets		
Stores, spares and loose tools	(99,111)	(93,390)
Stock-in-trade	(1,874,963)	(964,580)
Trade debts	(2,143)	(28,185)
Advances, deposits and prepayments	(200,545)	43,435
Short term investments	-	(6,752)
Other receivables - net	(139,443)	121,365
	(2,316,205)	(928,107)
Increase/(Decrease) in current liabilities		
Trade and other payables - net	(226,427)	39,868
	(2,542,632)	(888,239)

14. CASH AND CASH EQUIVALENTS

Cash and bank balances	11,107	142,412
Short term finances	(1,595,080)	(905,239)
	(1,583,973)	(762,827)

(Amounts in thousand)

15. TRANSACTIONS WITH RELATED PARTIES

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

		Half year ended	
		June 30, 2011	June 30, 2010
		Rupees	
Nature of relationship	Nature of transactions		
Holding company	Arrangment for sharing of personnel, premises, utilities and services	70,371	72,274
	Claimable expenses	-	410
	Use of assets	-	926
Subsidiary	Claimable expenses	52,482	35,654
Associated companies	Purchase of goods and services	25,938	18,116
	Sale of goods	-	26,106
	Arrangment for sharing of premises, utilities and services	15,723	4,141
	Provident fund contribution	3,602	603
	Pension fund contribution	7,016	743
	Gratuity fund contribution	-	153
	Donations	11,320	6,000
	Use of assets	2,856	3,430
	Claimable expenses	-	1,702
Contribution to staff retirement funds	Provident fund	32,682	15,602
	Gratuity fund	72,377	15,777
Key management personnel	Managerial remuneration	91,031	49,262
	Retirement benefits	5,032	2,674
	Other benefits	1,854	1,607

15.2 There are no transactions with key management personnel other than under the terms of the employment.

16. SEGMENT INFORMATION

16.1 The basis of segmentation and reportable segments presented in this condensed interim financial information are the same which were disclosed in annual financial statements for the year ended December 31, 2010.

Unallocated assets include long term investment, long and short term advances, deposits and prepayments, other receivables, taxes recoverable, 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.

notes to the condensed interim financial information (unaudited) for the half year ended june 30, 2011

(Amounts in thousand)

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

	Half year ended June 30, 2011					Half year ended June 30, 2010				
	Dairy, Juices & Others	Ice cream	Dairy farm	Business Development	Total	Dairy, Juices & Others	Ice cream	Dairy farm	Business Development	Total
	Rupees					Rupees				
Results for the year										
Net sales	12,331,242	1,370,654	150,338	-	13,852,234	8,890,266	808,667	130,304	-	9,829,237
Inter-segment sales	(265,901)	-	(150,338)	-	(416,239)	(186,157)	-	(130,304)	-	(316,461)
	12,065,341	1,370,654	-	-	13,435,995	8,704,109	808,667	-	-	9,512,776
Raw milk sales	7,617	-	-	-	7,617	16,562	-	-	-	16,562
	12,072,958	1,370,654	-	-	13,443,612	8,720,671	808,667	-	-	9,529,338
Segment profit/(loss)	491,018	(205,428)	(52,543)	(16,605)	216,442	165,474	(276,675)	(48,326)	(17,785)	(177,312)
	As at June 30, 2011 (Unaudited)					As at December 31, 2010 (Audited)				
Assets										
- Segment assets	10,144,648	3,405,738	713,171	2,293	14,265,850	6,776,500	2,533,097	924,769	-	10,234,366
- Un-allocated assets	-	-	-	-	2,200,014	-	-	-	-	2,225,698
	10,144,648	3,405,738	713,171	2,293	16,465,864	6,776,500	2,533,097	924,769	-	12,460,064

17. 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.

18. 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, the condensed interim statement of comprehensive income, the condensed interim statement of changes in equity and the condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

19. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on August 3, 2011 by the Board of Directors of the Company.

Chief Executive

Director



6th Floor, The Harbour Front Building
HC-3, Marine Drive, Block 4
Clifton, Karachi 75600