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engro.com

engrobility is the ability to face the future with confidence and tenacity.

Annual & Sustainability Report 2013

engro corp

contents

engrobility

It's just our way of establishing a one-word platform that describes the essence of what we do. The essence of a unique abiltiy that touches lives everywhere.

Across all our companies, Engro deploys the ability to improve lives, empower livelihoods and inspire meaningful change. Moreover, taken together with our values, we belive ourselves to be a reliable, trustworthy patriot who is a force for good with the ability to enable excellence.Whether it's Responsibility, Integribility, Resourceability, Empowerability, or Sociability, Engro's excellence manifests itself across transformative values that mark the future with our trademark ethic. Furthermore, whether it's Nourishability through Engro Fertilizers, Flavourability through Engro Foods, Usability through Engro Polymers & Chemicals, Conductability through Engro Powergen, Flexibility through Engro Vopak or Tradeability through Engro Eximp, we understand it takes all our collective abilities to challenge, develop and inspire the future.

This report is just one year in our continuing journey towards developing our brand into a world class point of reference. We believe, with Engrobility at its core, we are just at the start of achieving our dreams.


foreseeability
to be the premier pakistani enterprise with a global reach passionately pursuing value creation for all stakeholders.

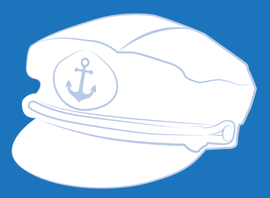
core values

Innovation & Risk Taking

Success requires us to continually strive to produce breakthrough ideas that result in improved solutions and services. We encourage challenges to the status quo and seek organizational environments in which ideas are generated, nurtured and developed. Engro appreciates employees for well thought out risks taken in all realms of business and for the results achieved due to them, cknowledging the fact that not all risks will result in success.

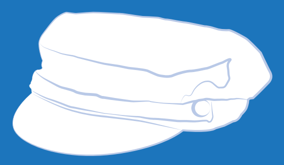
Health, Safety & Environment

We will manage and utilize resources and operations in such a way that the safety and health of our people, neighbors, customers and visitors is ensured. We believe our safety, health and environmental responsibilities extend beyond protection and enhancement of our own facilities.



Ethics & Integrity

We do care how results are achieved and will demonstrate honest and ethical behavior in all our activities. Choosing the course of highest integrity is our intent and we will establish and maintain the highest professional and personal standards. A well-founded reputation for scrupulous dealing is itself a priceless asset.



Community & Society

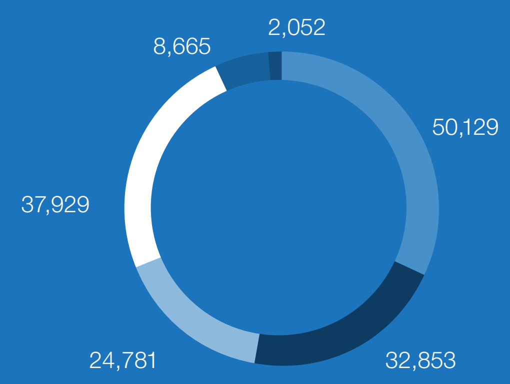
We believe that a successful business creates much bigger economic impact and value in the community, which dwarfs any philanthropic contribution. Hence, at Engro, sustainable business development is to be anchored in commitment to engage with key stakeholders in the community and society.

Our People

We strongly believe in the dignity and value of people. We must consistently treat each other with respect and strive to create an organizational environment in which individuals are fairly treated, encouraged and empowered to contribute, grow and develop themselves and help to develop each other. We do not tolerate any form of harassment or discrimination.

at a glance

Business Revenues (Rs. in million)

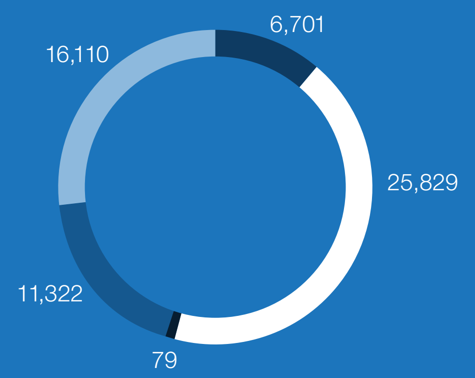


Consolidated Revenue (Rs. in million)

155,360

Fertilizers | Eximp | Polymer
Foods | Powergen | Vopak

Wealth Generated

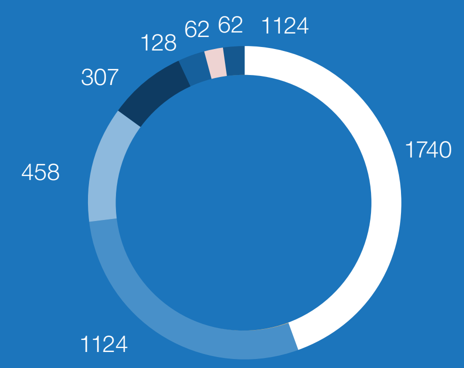


Wealth Generated (Rs. in million)

60,041

To Employees | Retained for reinvestment and future growth
To Government | To Providers of Capital | To Society

Employees

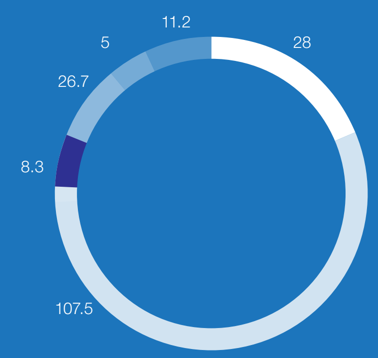


Total Employees

3,881

Fertilizers | Foods | Polymer | Powergen
Eximp | Vopak | Corp

CSR (Rs. in million)



Total Social Spend in 2013 (Rs. in million)

186.7

Fixed Costs | Livelihoods | Others
Education | Education | Health

key figures

Indicator	2013	2012	2011
Total Assets (Rs. in million)	206,907	189,624	184,077
Sales Revenue (Rs. in million)	155,360	125,151	114,612
Weighted Average number of ordinary shares (in thousands)	511,269	511,269	511,269
Profit After Tax (Rs. in million)	8,690	1,797	7,811
Earnings Per Share	16.01	2.61	15.77
Market Capitalization (Rs. in million)	80,975	47,057	36,457
Dividends Paid (Rs. in million)	170	796	2,383
Capital Expenditure (Rs. in thousands)	8,845	6,025	12,256
Total Equity (Rs. in million)	56,203	43,220	41,861
EBITDA (Rs. in million)	35,034	26,330	29,813
Price to Earnings Ratio	9.89	35.26	5.88
Closing Price (Rs. per share)	158.38	92.04	92.70

company information

Board of Directors

Hussain Dawood, Chairman
Muhammad Aliuddin Ansari -President & Chief Executive
Abdul Samad Dawood
Shahzada Dawood
Shabbir Hashmi
Khawaja Iqbal Hassan
Francis Murray Jones
Ruhail Mohammed
Shahid Hamid Pracha
Saad Raja
Sarfaraz A. Rehman
Khalid S. Subhani

Company Secretary

Andalib Alavi

Bankers

Standard Chartered Bank Pakistan Limited
MCB Bank Limited
Allied Bank Limited
United Bank Limited
Habib Bank Limited
JS Bank Limited
Bank Al-Habib Limited
Bank Al-Falah Limited
Askari Bank Limited
Citibank Limited
NIB Bank Limited
Samba Bank Limited
Faysal Bank Limited

Auditors

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

Registered Office

7th & 8th Floors, The Harbor Front Building,
HC # 3, Marine Drive, Block 4, Clifton,
Karachi-75600, Pakistan
Tel: +92(21) 35297501 – 35297510
Fax:+92(21) 35810669
e-mail: info@engro.com
Website: www.engro.com

about this report

The primary purpose of this Integrated Report is to explain to investors and shareholders how Engro creates value overtime. This integrated report will benefit all our stakeholders who are interested in our ability to create value including employees, customers, suppliers, business partners, local communities, regulators, providers of financial capital and policy makers.

Our commitment to maintain the highest level of transparency and accountability has taken us to the next level in corporate reporting during the year. This 2013 Integrated Report has been prepared and presented in accordance with recently launched International Integrated Reporting Framework <IR>. We have addressed maximum requirements of <IR> and aim to achieve full adherence in the years to come.

Basis of presentation and preparation

Reporting frameworks and guidance used

Requirements of Companies Ordinance, 1984

Requirement of the Stock Exchanges' Listing Regulations

International Financial Reporting Standards (IFRS) by IFAC as applicable in Pakistan

International Integrated Reporting Framework <IR>

SRO 983(1)/2009 of the Securities and Exchange Commission of Pakistan (SECP)

SECP's CSR Voluntary Guidelines

G4 guidelines of Global Reporting Initiatives (GRI)

United Nation Global Compact – Communication on Progress

Best Corporate Report Award Criteria of the Institute of Chartered Accountants of Pakistan (ICAP)

Best Sustainability Report Award Criteria of ICAP

Other global best practices incorporate reporting

Report Boundary

This report brings together the standalone (for Engro Corporation) and consolidated annual statement of affairs for the year ended December 31, 2013 for our following group companies:

- Engro Fertilizers Limited
- Engro Foods Limited
- Engro Powergen Limited
- Engro Polymer and Chemicals Limited
- Engro Eximp (Private) Limited
- Engro Vopak Terminal Limited
- Elengy Terminal Pakistan Limited (for consolidated financial statements only)

This report presents the strategy, governance, business model, performance and future outlook covering different forms of capitals (financial capital, human capital, natural capital and social and relationship capital) together creating value for the group. In future, we also aim to report on 'Intellectual Capital'. This report does not cover the uncontrollable economic, social and environmental footprints due to the activities and operations of other businesses connected with our upstream and downstream value chains (for example impacts due the operations and activities of our suppliers, distributors, retailers and consumers etc.).

We have ensured implementation of all reporting principles of GRI and <IR> through our effective and efficient internal controls around corporate reporting. There has been no change in the report boundary against last year.

Report Content

The contents of this report have been determined considering the materiality of different aspects and issues. The materiality consideration has been made surrounding the following three questions:

- What is the regulatory requirement?
- What is material for our stakeholders and their interest?
- What is material for the group's business?

The materiality assessment has been made by considering our business strategy, internal management reporting and the outcomes of extensive engagement process with our stakeholders.

Human capital	Natural capital	Social and relationship capital
· Employee engagement · Talent development · Performance and rewards · Talent acquisition · Diversity and inclusion · Human rights and labour practices · Occupational health and safety	· Resource conservation (Energy, water, material) · Managing negative footprint (GHG emissions and waste)	· Business inclusive community development (livelihood, capacity building, education, health, infrastructure and disaster management) · Economic development of the nation through Engro value chains

For the purpose of this reports, the aspects and disclosures of GRI have been mapped with the above identified material aspects. This is the first year of aligning report contents with the above material aspects.

Contact point for questions regarding the report and its contents

Ms. Naila Kassim
Head of Corporate Communications
Email / contact number

chairman's message

We believe that our core strength comes from our people, who strive every day to fulfill their commitments and help us achieve our collective ambition.

The continuing energy crisis within our nation has become the highest priority of the Government, even though we had faced severe difficulties, we continued to identify with these national challenges. Our Company's response was to apply all of our engineering and management capabilities to developing short, medium and long term solutions. In this year we witnessed the maturing of our long term initiatives. Together, the Hon. Prime Minister Mian Nawaz Sharif and former Hon. President of Pakistan Asif Zardari performed the Ground Breaking of the Thar Coal and Power Generation projects at a landmark inauguration.

The Thar Coal deposits, the most important game changing discovery of indigenous energy molecules after Sui gas, is the key to the resolution of our long term energy security. It is capable of supporting the generation of 100,000 MW for more than a century. Our JV with the Sind Government SECMC, which has been developing the infrastructure for the past 4-5 years, can mine enough coal for the production of 4,000 MW for more than 50 years. Initially our project envisages a Mining operation of 3.5 mn tons of coal to be utilized by a 600 MW Power plant. The total investment for both is estimated to be US$ 1.6 billion. With both projects to come on stream within 3.5 years after financial close, these initiatives contribute to the medium and long term solutions to the nation's energy needs. For the short term solution, the Government is very keen to meet this challenge by directly importing LNG for which an LNG terminal has to be built. Through a transparent bidding process, our company Elengy Terminal Pakistan Ltd. has been awarded the contract for building this LNG terminal. It is envisaged that the terminal would be built within 11 months after financial close.

To ensure sustainability of our Social Responsibilities we established the Engro Foundation to be the institution through which we perform all of our CSR activities for all Engro companies. To multiply the impact of our initiatives we collaborate with reputable organizations such as PPAF, Care Foundation, MEDA Pakistan, USAID and GIZ. The Foundation continues to contribute to the provision of education, capacity building, vocational training skills through our Technical Training College, health services, infrastructure and disaster management. The communities surrounding the many locations in which we do business are the primary recipients of our social interventions. This institutionalised strategy prompts greater eco-efficiency through efficient use of natural resources, product stewardship, concern for the environment and an increased commitment to safety. This year WWF Pakistan awarded us the Silver Award of Achievement in recognition of our commitment to protecting our environment in the Green Office Project, and DuPont certified that Engro Fertilizers Safety Management Systems had achieved a 4.25 level certification which is an international recognition that we have achieved one of the highest standards for Safe Operations globally.

Based on our uncompromising commitment to our core values of ethics & integrity, safety, and innovation, we believe in achieving results through transparent processes and practices.This overarching framework within which we conduct our business enables Engro to develop a reputation of reliability which is trusted locally and internationally. In 2013 our company was recognised for the second consecutive year by Rozee's Employer rankings which declared Engro as the "Top Employer 2013". It is our consistent endeavour to integrate our aspirations for growth and the contributions of our people to benefit the nation's development.

HUSSAIN DAWOOD
Chairman

Engrobility : The ability to make things happen

2013 - A stellar execution

A year ago we promised a strong turnaround performance for 2013: with record earnings, double digit revenue growth, geographical expansion; improving capital allocation, successful IPO of our flagship fertilizer business and a strengthened balance sheet, we demonstrated to our stakeholders that we could perform in the face of challenges.

We distributed PKR 60Bn of wealth to our stakeholders including; employees, government, investors and communities. Our total shareholder return grew by 72%, significantly higher than the 49% return provided by KSE 100 and our market cap grew by about PKR 34Bn. All our organizational health indicators showed remarkable improvement and as a result we remain one of the most admired companies in Pakistan.

Delivering on our commitments

The year 2013 was a come-back year with our subsidiaries truly reflecting the story of our progress – from posting highest ever production and sales targets for our fertilizer business to the highest ever production of VCM by the petrochemicals business– our people have showcased tremendous spirit - The Spirit of Engro. This year also showcased the energy division marking its first step into international quarters and investing in an overseas 72MW fast-track captive power plant in Nigeria – this is expected to come online in mid-2014. On the local energy front, we commenced our coal trading operation and with the government having cleared its sovereign default, we demonstrated our unflinching resolve to bridge the energy demand-supply gap through the Thar Coal & LNG projects – these were put into execution phase and are all geared to proceed in full swing during 2014 to alleviate the energy issues plaguing the country.

We strengthened our subsidiary balance sheets which included Engro Eximp, Engro Polymer and Engro Fertilizers and on a consolidated basis our balance sheet ratios improved significantly leading to a ratings upgrade from A+ to AA-.We closed the year in a strong position to meet all our obligations and therefore were able to restore dividends to shareholders thus fully completing the turn-around.

Overcoming the challenges

However, the story of our progress through the year was punctuated by its fair share of challenges. Our foods business was faced with declining volumes and margins on the back of a slowdown in consumer spending and supply side distribution issues. During the latter half of the year we focused our efforts in resolving these issues and ensured that our products were reaching the consumer table and we could hit 2014 at full pelt.We continued to struggle with the profitability of our rice business but made significant progress with the rice facility posting its highest ever sales volume whilst also achieving the recognition of becoming the largest private entity to distribute Basmati (rice) seeds to farmers and the largest procurer of basmati rice.

Towards the end of the year 2013, our energy business witnessed an unexpected plant shutdown due to a generator rotor issue which was rectified at site for the first time in Pakistan and the plant returned to optimal operations in the shortest possible time ensuring that we continued to light up lives of thousands of Pakistanis across the country.

Continuing to improve our organizational health

In 2012 when I took charge, the men and women at Engro inspired me with their can-do spirit and unwavering commitment to excellence but the overall morale was low as measured by the Employee Engagement Index (EEI) and we suffered from high attrition and a weak talent pipeline. Through the year we deployed various measures to improve our overall organizational health – Our EEI improved by 12% on a consolidated basis taking it to 51%, signaling that Engro employees are motivated by the company's mission and its ability to foster and execute innovative and smarter strategies. Our attrition scores have showed a decline over the year illustrating concerted efforts geared at attracting and retaining the best people for the company's long-term success and our talent pipeline has been considerably strengthened.

We believe that the first principle of business is safe and reliable operations. Year on year we have strived to ensure that we continue to invest in world class safety systems and in 2013 our flagship fertilizers business secured the landmark recognition of becoming a world-class manufacturing facility with the only Level 4.0 fertilizer complex, amongst DuPont's HSE aligned companies worldwide.

In 2014 we rededicate our resolve to continuously evolve and improve every aspect of our company.

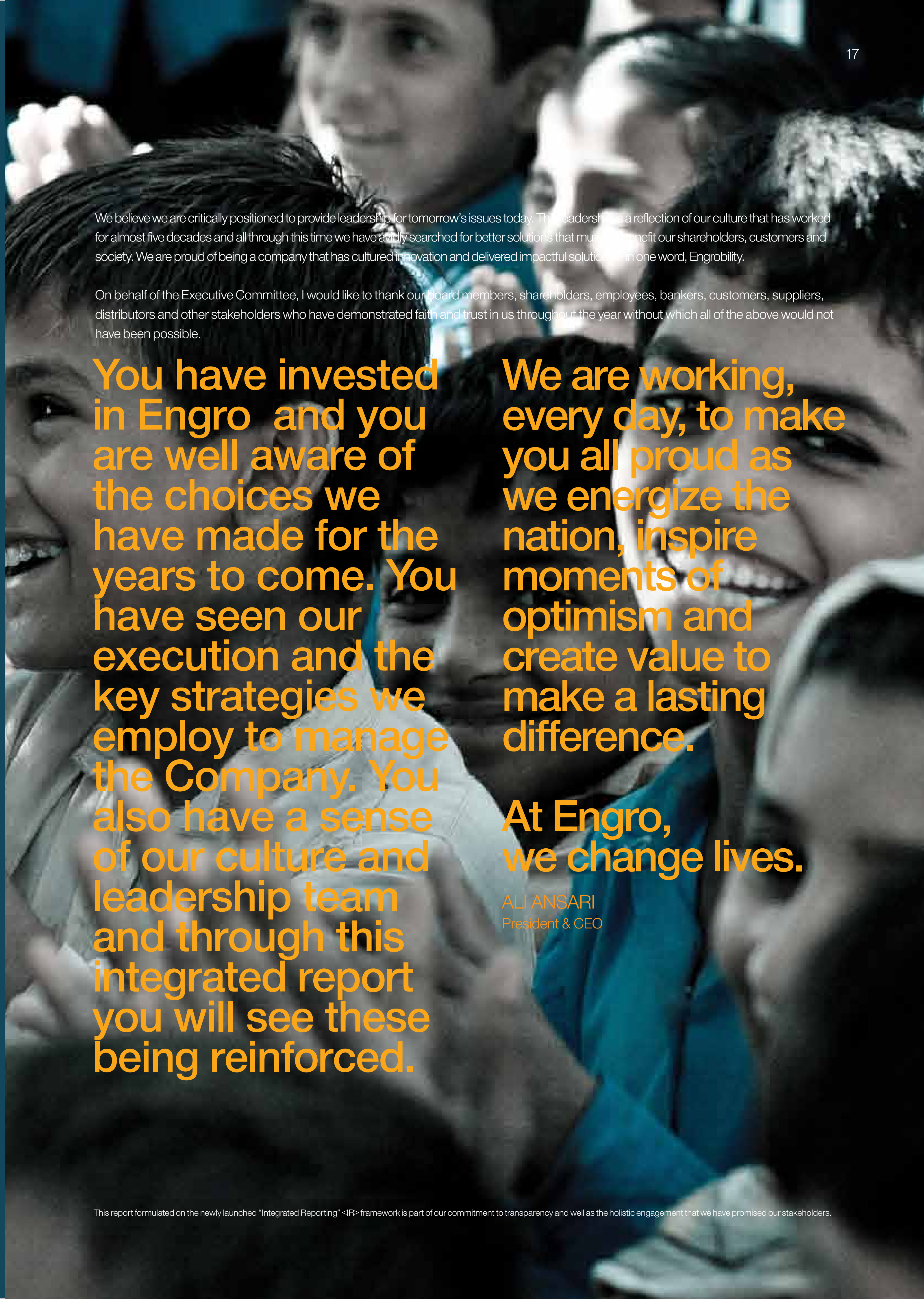
Creating sustainable impact

Last year we unveiled our intent to increase our emphasis on 'creating sustainable livelihoods' under the ambit of Engro Foundation in order to cement our position as an enabler of opportunities whilst also driving forward our growth philosophy of deploying 'inclusive business models'. This year we moved forward on this commitment by creating focus on capacity building and livelihoods training for a wide array of stakeholders that interact with our businesses under Engro Foundation. We are now poised to make a major impact in this area nationwide. The Engro people made a difference in our communities too, volunteering to support a variety of causes to reach out to the under-privileged individuals and making an effort to better their lives through monetary and non-monetary contributions and clocking an astounding 7000+ volunteer hours in service of the nation.

Changing the future

As we begin our 50th year we are well placed to make a major contribution in resolving core issues that face the economy. With the energy crisis demanding the most immediate attention, we are moving at full speed to provide a LNG re-gasification terminal on a fast-track basis at one of the lowest rates in the world followed by our commitment to develop the country's largest hydrocarbon reserves – Thar coal – through an integrated mining and power generation project – efforts that we believe will help bridge the growing divide in the energy demand-supply equation at a national level.

As an entity we have a deep rural presence and provide Rs. 77 billion of farm inputs and procure approximately Rs. 19 billion of farm produce. This agriculture / food sector is where we believe we can create substantial impact in the economy and one which provides growth opportunities and we will move forward to increase our procurement to balance with our provision of farm inputs. In the year ahead we plan to increase our presence in the agricultural-food vertical and deploy win-win solutions that improve farmer livelihoods and provide consumers with quality, convenience and hygiene and improvements in food security for the country at large. With this in mind we embarked on pilot projects in 2013 in meat and fresh dairy with our first retail presence. We will continue to innovate with these and by seeding other game-changing projects.



We believe we are critically positioned to provide leadership for tomorrow's issues today. This leadership is a reflection of our culture that has worked for almost five decades and all through this time we have avidly searched for better solutions that mutually benefit our shareholders, customers and society. We are proud of being a company that has cultured innovation and delivered impactful solutions – in one word, Engrobility.

On behalf of the Executive Committee, I would like to thank our board members, shareholders, employees, bankers, customers, suppliers, distributors and other stakeholders who have demonstrated faith and trust in us throughout the year without which all of the above would not have been possible.

You have invested in Engro and you are well aware of the choices we have made for the years to come. You have seen our execution and the key strategies we employ to manage the Company. You also have a sense of our culture and leadership team and through this integrated report you will see these being reinforced.

We are working, every day, to make you all proud as we energize the nation, inspire moments of optimism and create value to make a lasting difference.

At Engro, we change lives.

ALI ANSARI
President & CEO

This report formulated on the newly launched "Integrated Reporting" <IR> framework is part of our commitment to transparency and well as the holistic engagement that we have promised our stakeholders.

capability

our businesses at a glance

Over the course of our investments, we have strived to provide end to end solutions to our consumers and create value for all our stakeholders. It is with this philosophy of inclusive growth that our investments encompass the agricultural & food value chain; from farm inputs to the consumption table, and from sourcing energy molecules to providing energy solutions to our customers.

As a leading conglomerate of Pakistan, we continue to make strategic investments that align with the country's needs and spur economic growth for thousands nationwide.

Year	Revenue	Net Income	Taxes Paid	Dividends Declared	Sales Growth	No. of Shareholders
2009	58,152	3,807	1,956	1,278	42%	13,980
2010	79,976	6,790	2,378	1,788	38%	13,939
2011	114,612	8,060	3,214	1,965	43%	16,419
2012	125,151	1,333	2,015	2,361	9%	18,768
2013	155,360	8,183	2,050	Specie dividend of Engro Fertilizer shares in the ratio 1:10	24%	14,106

organizational review

Engro Corporation Limited

Engro Corporation Limited is a holding company, created following the demerger of Engro Chemical Pakistan Limited on January 1, 2010. Engro Corp is one of Pakistan's largest conglomerates with the company's business portfolio spanning across sectors including chemical fertilizers, PVC resin, a bulk liquid chemical terminal, foods, power generation and commodity trade.

Engro Fertilizers Limited

Engro Fertilizers Limited, an Engro Corporation subsidiary, is one of the leading fertilizer manufacturing and marketing companies in the country with annual urea production capacity of 2.3 Mn tons. It is primarily engaged in the manufacturing and marketing of urea and NPK fertilizers. In addition, the company also markets and distributes phosphate and zinc based fertilizers, which are imported by Engro EXIMP. The business markets a wide variety of fertilizer brands besides Engro Urea, which include some of the most trusted brand names by Pakistani farmers including Engro Zarkhez, Zingro and Engro DAP.

Engro Foods Limited

Engro Foods Limited is an 87% owned subsidiary engaged in the manufacturing, processing and marketing of dairy products, ice cream and fruit juices. The business owns two milk processing plants in Sukkur & Sahiwal and operates a dairy farm in Nara. In its continued pursuit for excellence, the business has established several brands that have already become household names in Pakistan such as Olper's (milk), Omore (ice cream), Olper's Lite (low fat milk), Dairy Omung (UHT dairy liquid), Tarang (tea whitener), Omung Lassi, Omung Dobala, Olpers Tarka (Desi Ghee) and Olpers Cream. The business also manages and operates Al Safa Halal, a meat processing and marketing company based in Canada.

Engro Powergen Limited

Engro Powergen Limited owns and operates Engro Powergen Qadirpur Limited, a 220 megawatt power plant and the group's first initiative in the power sector of Pakistan, which is 10% directly owned by the holding company and 84% via Engro Powergen. The remainder is owned by the International Finance Corporation (IFC) and employees.

In 2010, Engro Powergen entered into a joint venture with the Sindh government, to establish the Sindh Engro Coal Mining Company Limited, to mine coal from Thar Block-II. A wholly owned subsidiary, Thar Power Company (THARCO) was incorporated with the objective of developing power plants based on Thar coal.

Engro Polymer & Chemicals Limited

Engro Polymer & Chemicals Limited is a 56% owned subsidiary of the group and the only manufacturer of polyvinyl chloride (PVC) in the country. It also manufactures and markets caustic soda, sodium hypochlorite and hydrogen gas. The company has an annual production capacity of 156kt of PVC and 106kt of caustic soda. The Company's vinyl chloride monomer (VCM) plant began production in the first quarter of 2010 successfully making the plant the only fully integrated Chemical Complex in Pakistan. The firm markets its products under the name of "SABZ".

Engro Eximp (Private) Limited

Engro Eximp (Private) Limited is the group's commodity trading business that deals primarily in the import and trading of phosphate-based fertilizers for Engro Fertilizers Limited such as DAP, MAP, MOP and SOP, and also imports micronutrients like Zinc Sulphate, which it supplies as raw materials to Engro Fertilizer's Zarkhez plant for manufacturing blended fertilizers. Over the past five years, Engro Eximp has become the single largest importer of phosphates and potash fertilizers in Pakistan. Engro Eximp is also engaged in imports of food and energy commodities such as sugar, palm oil, wheat and coal.

EXIMP owns 100% stake in Engro EXIMP Agriproducts Ltd. which is involved in procurement, processing and export of rice to markets in the Middle East and the European Union along with local sales. The company owns and operates a state-of-the-art paddy processing plant in Pakistan's core basmati belt with processing capacity of 120 KT of paddy, making it the largest rice processing and finishing mill in the country.

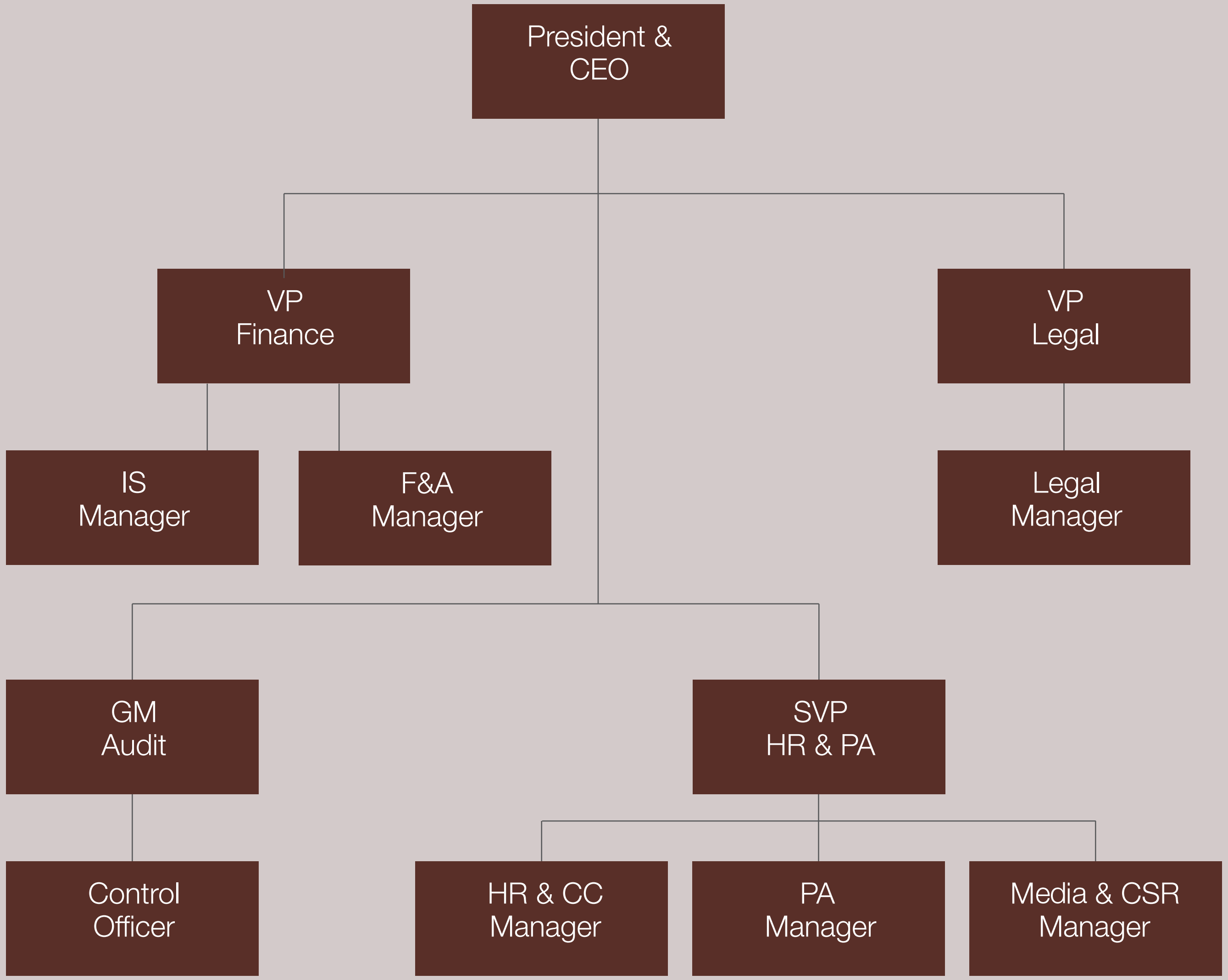
Engro Vopak Terminal Limited

Engro Corporation owns a 50% stake in Engro Vopak Terminal Limited, a joint venture with Royal Vopak of the Netherlands. The company is engaged in the handling and storage of a variety of imported chemicals including liquefied petroleum gas (LPG), Acetic Acid, Paraxylene, Mono Ethylene Glycol, Ethylene Dichloride, Ethylene and Phosphoric acid. The business has also launched Pakistan's first cryogenic import facility for ethylene.

Elengy Terminal Pakistan Limited

Elengy Terminal Pakistan Limited is a 100% owned subsidiary of the company, which has been created to establish and operate a terminal for the handling, regasification, storage, treatment and processing of Liquefied Natural Gas (LNG) , Re-gasified Liquefied Natural Gas (RLNG), Liquid Petroleum Gas (LPG), Natural Gas Liquid (NGL) and all other related liquids, gases and chemical & petroleum products.

our organogram

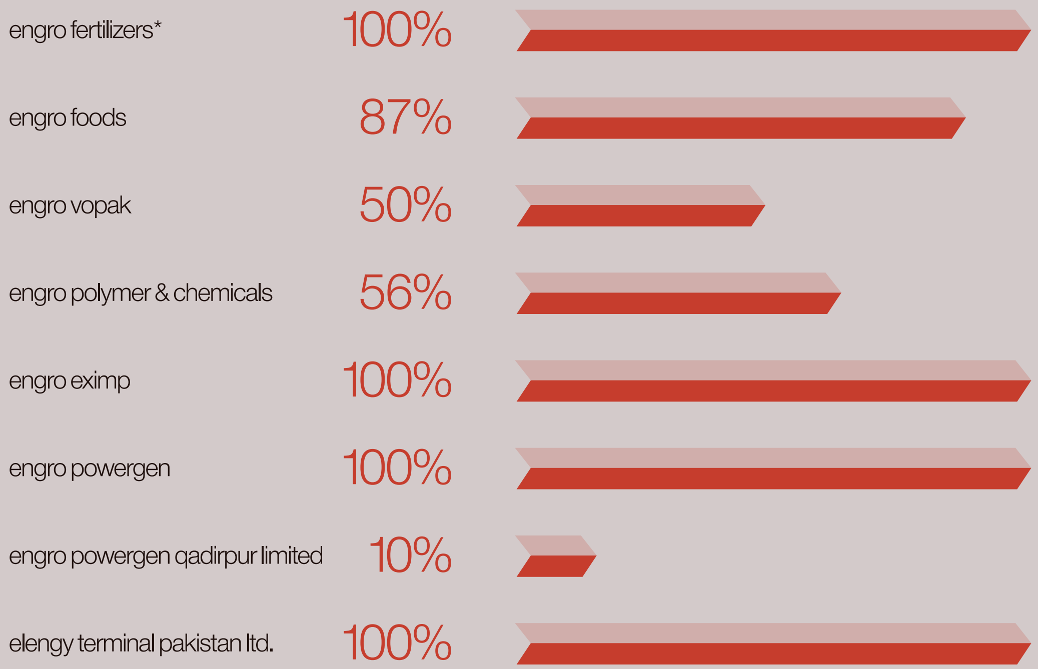


SVP	=	Senior Vice President
VP	=	Vice President
GM	=	General Manager
HR	=	Human Resources
PA	=	Public Affairs
CC	=	Corporate Communications
CSR	=	Corporate Social Responsibility
F&A	=	Finance & Accounting
IS	=	Information System

** Connecting lines indicate reporting channels.*

our holding structure

Engro Corporation Limited is a holding company that provides the long term vision for the company as well as the guiding policies, and oversees performance of the subsidiaries and affiliates.



* As at December 31,2013.

• Engro Powergen owns and operates Engro Powergen Qadirpur Limited which is 10% directly owned by the holding company and 84% owned by Engro Powergen. The remainder is owned by the International Finance Corporation (IFC), a subsidiary of the World Bank.

board of directors

Left to Right

Sitting:
Khawaja Iqbal Hassan
Muhammad Aliuddin Ansari (President & CEO)
Hussain Dawood (Chairman)
Shabbir Hashmi
Abdul Samad Dawood

Standing:
Shahzada Dawood
Saad Raja
Shahid Hamid Pracha
Khalid S. Subhani
Sarfaraz A. Rehman
Ruhail Mohammed
Francis Murray Jones

profile of directors

Hussain Dawood
Chairman

Hussain Dawood is the Chairman of Dawood Hercules Corporation Ltd, Engro Corporation Ltd, The Hub Power Company Limited, Pakistan Poverty Alleviation Fund, Karachi Education Initiative, Karachi School for Business & Leadership and The Dawood Foundation.

The Dawood Foundation has contributed to the establishment of many institutions in Karachi and Lahore including the Karachi School for Business & Leadership; Dawood College of Engineering and Technology; the Dawood Public School for Girls; the Aga Khan University Hospital; the Lahore University of Management Sciences; the Beaconhouse National University; the Shaukat Khanum Cancer Hospital; the Al-Shifa Eye Hospital, Rawalpindi; Citizen Foundation Schools at Sheikhupura and Daharki; the GIK Institute of Engineering Sciences and Technology, Topi; the FG Dawood Public School, Muzaffarabad; the Cradle to Cradle Institute in San Francisco; and the Acumen Fund; New York.

His social responsibilities include Memberships of the World Economic Forum and it's Global Agenda Councils of Anti-Corruption and Education, and the Asia House in London. He is the Honorary Consul of Italy in Lahore and was conferred the award "Ufficiale Ordine Al merito della Repubblica Italiana" by the Republic of Italy.

Hussain Dawood is an MBA from the Kellogg School of Management, Northwestern University, USA, and a graduate in Metallurgy from Sheffield University, UK. He joined the Board in 2003.

Muhammad Aliuddin Ansari
President & Chief Executive

Muhammad Aliuddin Ansari is the President & Chief Executive Officer of Engro Corporation since May 2012. He is a graduate of Business Administration with a specialization in Finance & Investments.

Ali started his career as an Investment Manager at Bank of America in London, which later became Worldinvest after a management buyout. Prior to joining Engro, he worked as CEO Pakistan and later as COO Emerging Europe for Credit Lyonnais Securities Asia (CLSA). He has also worked as CEO AKD Securities and was instrumental in launching Online Trading, Venture Capital and Private Equity investments. In 2006, he partnered with an Oil & Gas company to form Dewan Drilling, Pakistan's first independent Drilling company which he led as its CEO before joining Engro.

Besides Engro Fertilizers Limited, Ali is also a member of the Board of Directors of Engro Corporation Limited, Engro Eximp (Private) Limited, Engro Eximp AgriProducts (Private) Limited, Sindh Engro Coal Mining Company, Dawood Hercules Corporation Limited, Dewan Drilling Limited, Dewan Petroleum (Private) Limited, Pakistan Chemical & Energy Sector Skill Development Company, Pakistan Business Council, National Clearing Company of Pakistan (NCCPL) and is a Charter Member of The Indus Entrepreneurs (TiE). He has chaired a number of SECP committees, NCCPL and served on the Boards of the Karachi Stock Exchange, Lucky Cement and Al Meezan Investment Management amongst others. He joined the Board in 2009.

profile of directors

Shahzada Dawood

Director

Shahzada Dawood serves as a Director on the Boards of Dawood Hercules Corporation Ltd, Engro Corporation Ltd, DH Fertilizers Ltd, Dawood Corporation (Pvt) Ltd, Engro Foods Ltd, Engro Powergen Ltd, Engro Powergen Qadirpur Ltd, Engro Vopak Terminal Ltd, Pebbles (Pvt) Ltd, Patek (Pvt) Ltd, Engro Polymer & Chemicals Limited, Sirius (Pvt) Ltd and Tenaga Generasi Ltd. He also serves as a Director of Dawood Lawrencepur Ltd and Engro Fertilizers Ltd. He is a Trustee of The Dawood Foundation, which is one of the largest public charitable trusts in Pakistan, supporting education and health initiatives. He serves as a Member of the Board of Governors of the National Management Foundation, the sponsoring body of Lahore University of Management Sciences (LUMS). He is an M.Sc. in Global Textile Marketing from Philadelphia University, USA, and an LLB from Buckingham University, UK and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance. He joined the Board in 2003.

Khalid Siraj Subhani

Director

Khalid S. Subhani is the President and Chief Executive Officer for Engro Polymer & Chemicals Limited, and Senior Vice President for Engro Corporation Limited.

Besides Engro Corporation Limited, he is a Director on the Boards of various Engro subsidiaries, the Hub Power Company Limited, Laraib Energy Limited, and Pakistan Japan Business Forum. He is Chairman of the Board of Engro Polymer Trading (Private) Ltd.

Mr. Subhani began his career in the Manufacturing Division at Exxon Chemical Pakistan Limited in 1983 and has held a variety of leadership roles within the Company, including long term assignment with Esso Chemical Canada. He has held various senior positions at Engro including President & Chief Executive Officer for Engro Fertilizers Limited.

He is a member of the Pakistan Engineering Council, Business Advisory Council of the Society for Human Resource Management (SHRM) Forum Pakistan, Academic Council and Faculty Selection Board of Institute of Business Administration – Sukkur and Standing Committee on Environment of Federation of Pakistan Chambers of Commerce & Industry. Recently, he was elected a member of the Management Committee of Overseas Investors Chamber of Commerce & Industry (OICCI).

He graduated from NED University of Engineering and Technology, Pakistan with a degree in Chemical Engineering and has completed programs on advance management from MIT and Hass School of Business Management, University of Berkeley, USA. He joined the board in 2006.

Shabbir Hashmi

Director

Shabbir Hashmi is an engineer from DCET, Pakistan and holds an MBA from J.F. Kennedy University, USA. He has more than 25 years of project finance and private equity experience. Until recently he led the regional operations of Actis Capital (formerly CDC Group Plc) for Pakistan and Bangladesh. Prior to joining Actis he worked for 8 years with the World Bank and USAID specializing in the energy sector.

He is also Chairman of Cyan Limited. A CDC nominee in 2001-02 on the Engro Board, he has been serving as an independent Director on the Board since 2006.

Khawaja Iqbal Hassan

Director

Khawaja Iqbal Hassan graduated cum laude from the University of San Francisco with majors in Finance and Marketing. He started his career with Citibank N.A. where he held key positions including Regional Business Head and Vice President in Saudi Arabia, Turkey and Pakistan. He is the founder and former Chief Executive Officer of Global Securities Pakistan Limited and NIB Bank Limited. He currently serves as a member on the Board of Directors of The State Bank of Pakistan, ICI Pakistan Limited and the Karachi Grammar School. He has also served on the boards of the Civil Aviation Authority of Pakistan (CAA), Pakistan Steel Mills, NIB Bank Limited, Habib Bank Limited, National Fullerton Asset Management Company Limited, Global Securities Limited, Citicorp Investment Bank Pakistan, The Pakistan Fund, The Lahore School of Management Sciences and the Central Depository Company of Pakistan. Mr. Hassan has also been a member of the Prime Minister of Pakistan's Task Force on Foreign Exchange Reserves Management, Corporate Tax Reform and Capital Markets Reform. He was awarded the Sitara-i-Imtiaz by the Government of Pakistan for meritorious contribution to national interests. He joined the Board in 2012.

profile of directors

Ruhail Mohammed

Director

Ruhail Mohammed is currently the Chief Executive Officer of Engro Fertilizers Limited. Prior to his current position, he was the Chief Financial Officer of Engro Corporation Limited and also the Chief Executive Officer of Engro Powergen Limited. He holds an MBA degree in Finance from the Institute of Business Administration Karachi, and is also a Chartered Financial Analyst.

Ruhail has 25 years of Financial & Commercial experience and prior to becoming CEO, he has worked in areas such as treasury, commodity & currency trading, derivatives, merger & acquisitions, risk management, strategy & financial planning. He has worked in these areas in Pakistan, UAE and Europe.

He is on the Board of Engro Corporation Limited and its various subsidiaries. In addition, he is also on the Boards of Cyan Limited, Hub Power Company Limited & Pakistan Institute of Corporate Governance. He joined the board in 2006.

Shahid Hamid Pracha

Director

Mr. Pracha serves as Chief Executive of Dawood Hercules Corporation Limited and Chairman of DH Fertilizers Limited, Dawood Lawrencepur Limited, and Tenaga Generasi Limited. In addition to Engro Fertilizers Limited, he is a Director on the Boards of Hub Power Company Limited, Engro Corporation, e2e Business Enterprises (Private) Limited, Cyan Limited, Engro Powergen Limited and Engro Powergen Qadirpur Ltd.

He previously served as Chief Executive of the Dawood Foundation, the philanthropic arm of the Dawood Hercules Group. Whilst in that role, he was concurrently the first CEO of The Karachi Education Initiative, the sponsoring entity of the Karachi School for Business & Leadership.

Mr. Pracha is a graduate electrical engineer from the University of Salford, UK and prior to joining the Dawood Hercules Group, spent a major part of his career with ICI Plc's Pakistan operations in a variety of senior roles including a period of international secondment with the parent company in the UK. He joined the Board in 2012.

Abdul Samad Dawood

Director

Abdul Samad is a graduate in Economics from University College London, UK and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance. He is the CEO of Cyan Limited, Dawood Corporation Private Limited, and Patek (Private) Limited. He is also a Director on the Board of Dawood Hercules Corporation Limited, The Hub Power Company Limited, Dawood Lawrencepur Limited, Engro Foods Limited, DH Fertilizers Limited, Tenaga Generasi Limited, and Pebbles (Private) Limited. He is a member of Young President Organization, Pakistan Chapter. He joined the Board in 2009.

Sarfaraz Ahmed Rehman

Director

Sarfaraz is a chartered accountant by qualification and has 29 years of professional work experience, mainly in the FMCG industry with some time spent in the Healthcare industry also. He started his career with Unilever in 1983 and spent time in Finance, Marketing Services, Management Accounting and Cost savings projects. He then moved to Smithkline Beecham where he was involved in the Merger and Strategic Planning at the time of the merger.

Later he spent several years abroad with Jardine Matheson/Olayan mainly in Finance and Business Development. Sarfaraz then moved to PepsiCo and spent several years managing the Pakistan and Afghanistan Unit. Later he was also involved with postings and consultancy assignments primarily outside Pakistan between 2004 and 2005.

On his return to Pakistan, Sarfaraz launched Engro Foods Limited in 2005 and for over six years was in the position of CEO Engro Foods.

Lately Sarfaraz has decided to move out of commercial operations into philanthropy and is now heading Dawood Foundation. In this role he is hoping to affect mass education, by bringing in the use of online technology. He is also involved with the launch of the Karachi Business School for Leadership, which has successfully commenced its operations in September 2012. He joined the Board in 2012.

profile of directors

Francis Murray Jones
Director

Francis Murray Jones is a researcher working on producing algorithms for use in different regional world economies. He has an Honors degree in Physics from University of Sheffield.

Mr Jones started his career in 1972 as a Management Sciences Manager and later assumed the responsibility of Corporate Planning Manager at Guest, Keen and Nettlefolds Steel Division in Birmingham and London. He has extensive experience of working in Client Services, Marketing and Econometrics and has worked for a diversified portfolio of companies(and countries) including Corn Products Corporation(Belgium), Cadbury Schweppes (UK), Anglo American Corporation(South Africa), South African Breweries, Eternit and the Governments of Hungary and Burundi , amongst others.

Mr. Jones has also worked as a consultant for economic development for the World Bank; the Common Wealth Secretariat and the Governments of the Sultanate of Oman, Yemen and Sri Lanka; National Development Company, UAE; Central Bank of Oman; and the National Institute of Cultural Organizations, Abu Dhabi.

In 2009, Mr.Jones, along with co-workers at the University of Cambridge conducted research on factors that affect the success & failure of startup enterprises. The formal results were published by the Royal Society of Arts and Manufacturers, London. He continues to fund and participate in formal research with colleagues at the University of London on self-referencing perception systems and language structures. He joined the Engro Corporation Board in 2013.

Saad Raja
Director

Saad Raja is an engineer from UET, Lahore and with an MBA from the London Business School. He joined DFJ ePlant ventures in 2002, prior to which he had worked at senior management levels in the international asset management and investment sector.

His diverse experiences have included tenures with Diachi Life Mizuho Asset Management and Industrial Bank of Japan – Asset Management International. He joined the Board in 2009.

external environment

Economic Environment
The global economy continued a slow recovery during 2013 with an average growth of 3%. Whilst emerging economies maintained pace and the US economy started showing some positive signs, there is increasing concern of a slowdown in emerging markets. IMF's latest projections suggest a continued recovery in the US and Euro area, however, a change in US monetary policy can lead to capital flow reversal from developing economies to the developed economies.

For the first time, a democratically elected government completed its term and smoothly transitioned to the next. While resolution of the energy crisis has been a focal point for the new government, energy demand supply gap has continued to hamper economic activity in the country during 2013 due to lack of adequate short term measures.

Pakistan entered into IMF's 36-month, $ 4.4 billion Extended Fund Facility program in September 2013. SBP increased policy rate by 50 basis points in September and again in November last year to defend the rupee and control rising inflation. Based on IMF's first review report of the program, the economy is expected to grow by 2.8% during FY 2013-14 and 3.7% during FY 2014-15 with gradual improvement in electricity supply to industries expected to help the manufacturing sector.

Energy Environment
International crude oil prices remained stable as US production increased and Saudi Arabia maintained peak summer production into fall of 2013. Pakistan continued to be marred by energy shortages throughout 2013 with all sectors being affected negatively. While no significant sources of energy were added to the system, the government took measures for resolution of circular debt in June 2013. As part of its short to medium term strategy, the Government floated three bids to setup LNG import facilities in the country. While the first two were scrapped, the third bid was accepted and the project is now moving forward. The Government is also working on multiple options for long term resolution of energy shortage primarily based on hydel and coal based power generation.

external environment

Agricultural & Dairy Environment

World wheat production during 2013-14 is expected to improve over last year mainly due to recovery in the drought hit CIS region resulting in an improvement in the stock to use ratio from 22.5% in 2012-13 to 23.6% in 2013-14. In Pakistan, the government has set a production target of 25 million tons vs. 24.2 million tons harvested in 2013, however, achievement of this number will be a challenge.

Global rice production during 2013 is estimated at 494 million tons (milled basis) with stock-to-use ratio increasing slightly to 36%. FAO estimates Pakistan's rice production in 2013 at 5.8 million tons up from 5.5 million tons during the previous year.

According to USDA, world cotton output during 2013-14 is expected to fall by about 4.3% to 25.7 million tons. USDA has projected Pakistan's cotton production for 2013 at 12.4 million bales which is 4.3% higher vs. last year. Pakistan was awarded GSP plus status by EU which is expected to boost exports of textiles from the country.

World milk production during 2013 is estimated to have grown by 1.9% to 780 million tons with Asia accounting for most of the increase. Growing demand from emerging economies kept prices firm during the year with the FAO dairy index showing an increase of 25% October year-on-year. Milk production in Pakistan during 2013 is estimated at 39 million tons vs. 38 million tons in 2012. Domestic milk prices remained stable during first few months of the year but started increasing in 2Q 2013 and remained high till year-end.

Fertilizer Environment

International urea price which was around $ 400/ton at the start of 2013, started to decline in Q2 2013 on account of lower demand due to bad weather in Europe and North America. Surplus production, particularly from China further contributed to the oversupply situation and pulled the prices downwards to around USD 300/ton. However, in Q4, urea prices started stabilizing as world demand normalized. Currently the international urea prices are in the range of USD 350/ton CFR (equivalent to local cost of PKR 2,560/bag after including all the ancillary charges) providing a gap of PKR 775/bag between locally produced urea and international prices.

The fertilizer industry continues to make significant contribution to the agricultural economy by keeping domestic prices substantially lower than international prices. In 2013, the industry provided a net benefit to farmers of approximately PKR 65 Billion.

The year 2013 was a good year for the urea industry as it grew by 13% over 2012 reaching 5,900 K tons. The growth was mainly attributable to better economics on major crops, favorable weather conditions and restoration of channel confidence at retail and trade level. The Government played an important role by improving gas allocation to the industry. Local production increased by 17% as a result of which government managed to reduce subsidy on imported urea. During the year, prices of locally produced urea remained fairly stable.

During 2013, the international phosphate prices remained on a declining trend with CFR Pakistan prices reducing from $555/ton at the start of the year to $400/ton by the year end. Due to low phosphate prices, healthy agronomic demand and limited dealer inventories, the phosphates industry increased by 34% from 1.2 million tons in 2012 to 1.6 million tons in 2013.

awards recognition

Engro Corporation was awarded the Investor Relations Award by the prestigious CFA Society of Pakistan.

Engro Fertilizers won a DuPont Safety and Sustainability Award in the category of "Stakeholder Engagement for Sustainability".

The EVTL Terminal achieved 3rd position in the EMEA division in Vopak's Annual Customer Survey for Net Promoter Score and 2nd position for VSQI.

Engro Corporation & Engro Fertilizers were awarded Silver Award of Achievement by WWF–Pakistan for substantial reduction in carbon footprint during the year 2011 – 2012.

Engro Fertilizers' Safety Management System at the Daharki plant is the only site worldwide to have achieved a Level – 4 Rating from Dupont.

Engro Foods flagship program EMAN (Electronic Milk Automation Network) was named a 2013 Computerworld Honors Laureate amongst 269 Laureates selected from 29 countries.

Engro was recognized as the Top Employer in Pakistan by a survey conducted by Rozee.PK in colllaboration with YouGov – a UK-based research company.

responsibility

operational highlights

Highest ever urea production

Gas from Guddu diverted to Engro enabling 2-plant operations.

1562kt 2013 | 974kt 2012 | 60% inc vs. 2012

Highest ever paddy procurement

Became the largest private basmati seed provider (550tons sold)

190kt 2013 | 137kt 2012 | 39% inc vs. 2012

Highest ever production of VCM & Caustic Soda

6kt PVC capacity added via debottlenecking

16% inc vs. 2012 VCM | 170kt 2013 | 146kt 2012

07% inc vs. 2012 Caustic Soda | 115kt 2013 | 107kt 2012

Highest ever volume handled at vopak

Unused ACN tanks modified to handle EDC for Polymer

~03% inc vs. 2012 | 1135kt 2013 | 1102kt 2012

business review

Engro Corporation performed well throughout 2013 achieving a record profit after tax of PKR 8,183 million vs. unusually low profit after tax of PKR 1,333 million in 2012 on a consolidated basis. The Company also achieved the highest ever top line of PKR 155,360 million in 2013 vs. PKR 125,151 million in 2012. The main reason for the record profit after tax was a turnaround in Engro Fertilizer coupled with an impressive performance by Engro Polymer, a healthy contribution by Engro Vopak and EXIMP's return to profitability. Engro Corporation's total shareholder return of 72% during 2013 was higher than the returns provided by KSE. As a result of the improved financial performance, PACRA upgraded the company's entity rating from 'A' to 'AA-' post the year end.

Engro Corporation performed well throughout 2013 achieving a record profit after tax of PKR 8,183 million vs. unusually low profit after tax of PKR 1,333 million in 2012 on a consolidated basis. The company also achieved the highest ever top line of PKR 155,360 million in 2013 vs. PKR 125,151 million in 2012.

Revenue in PKR (in 2013)

155,360mn

PAT in PKR (in 2013)

8,183mn

engro fertilizers

The year ended December 31, 2013 was a turnaround year for Engro Fertilizers Limited. The Company managed to return back to profitability after incurring a loss in 2012 and in the process, achieved its highest ever revenue and profit. The sound financial performance was on the back of highest ever production and sales. The Company was listed through an IPO which was a huge success. In January 2014, PACRA has upgraded the long term and short term ratings for Engro Fertilizer to 'A' and 'A-1' from 'A-' and 'A-2' respectively.

In December 2012, the Economic Coordination Committee (ECC) formally allocated 202 MMSCFD gas from dedicated fields to a Consortium of four fertilizer manufacturers (FFM) in which the share of Engro Fertilizers is 79 MMSCFD. In order to implement this allocation, the Company has successfully entered into long term Gas Supply Agreements with the operators of Kunar Pasaki Deep (KPD), Makori and Reti Maru fields and signed a term sheet with Mari SML. Until the implementation of this allocation, ECC approved 22 and 12 MMSCFD gas allocation from Mari SML and Reti Maru fields respectively given their proximity to the Company's plant. Mari SML started flowing from April 2013, while Reti Maru started flowing from December 2013. FFM is awaiting ratification from ECC for the long term agreement.

The Company operated on single plant for most of the first half of 2013. The Company started receiving 60 MMSCFD of additional gas since end July 2013 from Mari which enabled it to operate both of its plants at around 80% capacity.

Additional gas availability has helped the Company to achieve record sales of 1,570 KT during 2013 vs. 953 KT during 2012. The improved sales were a result of higher urea demand coinciding with increased production. The Company's share of the urea market increased to 26% in 2013 as compared to 18% in 2012. The share of domestically produced urea also improved to 32% compared to 23% in same period last year.

The Company's blended fertilizers' (Zarkhez & Engro NP) sales for the year increased by 19% to 95 KT compared to 80 KT during 2012. Pakistan's potash market remained stable at 20 KT (nutrient basis) during 2013. The Company's market share in potash industry increased from 40% last year to around 50% in 2013. Approximately 52,000 farmers were contacted through market development activities.

As a result of severe gas curtailment, the Company had approached a majority of its lenders for re-profiling of various finance facilities in 2012. As at December 31, 2013, the Company has agreed with all the lenders for the re-profiling of its long term loans, however, necessary documentation of DFI consortium is in process. Under the revised terms, the tenure of the re-profiled loans has been increased by 2.5 years with some interim payments in the initial period. Long term borrowings at year end fell to PKR 58,821 million (2012: PKR 66,378 million). During the year, the Company also made early repayments due to improved cash flows.

During the year, the Company offered 75 million ordinary shares, out of which 56.25 million shares were subscribed through Book Building process at a price of PKR 28.25 per share and the remaining were offered to the general public. Book Building and the public issue were both over-subscribed by 4 and 3.4 times respectively, which reflects investor confidence in the Company's future. As part of the IPO structure, Engro Corporation Limited (ECorp) further divested 30 million shares of the Company. As a result of these transactions ECorp, subsequent to the balance sheet date, holds 91.91% of the share capital of the Company.

During the year, the Company offered 75 million ordinary shares, out of which 56.25 million shares were subscribed through Book Building process at a price of PKR 28.25 per share and the remaining were offered to the general public.

In 2012, the Company along with other fertilizer companies received a show cause notice from the Competition Commission of Pakistan (CCP) for initiating action under Competition Act, 2010 in relation to unreasonable increase in urea prices. During the year CCP issued an order whereby it has imposed a penalty of PKR 3,140 million on the Company. The Company has filed a writ in the Sindh High Court and a stay has been granted against the recovery of the imposed fine. The Company feels that it has adequate defense to justify the price increases specifically in light of 2012 losses, which along with other justifications, will result in disposition of case in Company's favor.

During 2013, the company made a profit after tax of PKR 5,497 million vs. a loss of PKR 2,935 million last year. Engro Fertilizers revenue for the year was PKR 50,129 million vs. PKR 30,627 million in 2012.

PAT in PKR (in 2013)

5,497mn

engro foods

The combined result of these factors was a decline in revenue from PKR 40,169 million in 2012 to PKR 37,891 million in 2013 and a decrease in net profit from PKR 2,595 million in 2012 to PKR 1,092 million in 2013 on a like-with-like basis excluding one-time charges.

The year 2013 was a test of Company's resilience to face turbulent times after a stellar few years back to back. Aggravating power crises, law & order situation, high inflation and significant rise in energy cost had an impact on consumer spend. The Company also faced distribution issues which impacted its volumes and profitability. The combined result of these factors was a decline in revenue from PKR 40,169 million in 2012 to PKR 37,891 million in 2013 and a decrease in net profit from PKR 2,595 million in 2012 to PKR 1,092 million in 2013 on a like-with-like basis excluding one-time charges. These one-time charges include provision against recognition of accumulated cash losses of EFoods Netherlands since inception and a charge related to sales tax for the period when FBR temporarily removed Zero rating status of dairy products. The impact of these charges was PKR 881 million which, reduced profitability for the year down to PKR 211 million.

Due to the above mentioned challenges, dairy and beverages segment volumes declined by 11% vs. last year. Company's ambient UHT market share also declined from 51% in 2012 to 49% in 2013. However, corrective actions have been taken to address the distribution challenges which led to a volume growth of 15% in 4th quarter of 2013 vs. the 3rd quarter.

The Pakistani ice cream and frozen desserts market continued its downward trend due to the persistent energy crisis and price increases, with the industry volume declining by approximately 16%. However, continued innovation enabled Omore to maintain its market share at 25%. Despite the volume decline, the segment has reduced its after tax loss from PKR 409 million to PKR 320 million due to cost control and margin improvement.

The Company's Nara Dairy Farm continued to remain a rich and nutritious source of quality milk for our dairy segment. Due to decrease in international prices of livestock and certain write-offs, the Nara farm registered a net loss after tax of PKR 137 million in 2013 vs. net loss after tax of PKR 21 million in 2012.

Engro Foods Canada posted sales of CAD$ 8.9 million vs. CAD$ 10.8 million last year, on the back of certain de-listings in retail chains. Improved margins and cost control led to a reduced pre-tax loss from CAD$ 3.5 million last year to CAD$ 2.0 million in 2013. However, a one-time deferred taxation charge in the books of subsidiary took its loss after tax to CAD$ 3.8 million as compared to CAD$ 2.4 million in 2012.

During 2013, the ownership in Engro Foods Canada was transferred from Engro Corp to Engro Foods after obtaining regulatory approvals. The acquisition is effective December 16, 2013 and accordingly, the post-acquisition results are included in Engro Foods consolidated financial statements.

PAT in PKR (in 2013)

1,092 mn

on a like-with-like basis excluding one-time charges.

engro eximp

During 2013, Engro EXIMP Agriproducts Ltd. (EEAP) sold 58.5 KT rice, its highest ever sales volume since inception. The Company also made a record procurement of 190 KT of Paddy during the 2013-14 season. EEAP successfully launched its own branded product “Rymah” in the UAE . Moreover, branded “Bharosa” outlets and whole sale operations were launched in Pakistan. Bharosa outlets have become hub for distribution into general trade. The Company, under its “Bharosa Seed Program”, has become Pakistan’s largest private sector Basmati seed provider by distributing 550 tons of seed to farmers in 2013. The program aims to improve farmer yields and product quality thereby improving the Company’s own milling recoveries. A 4MW biomass steam turbine was commissioned in November 2013 which is expected to significantly reduce energy costs of paddy processing.

Moreover, branded “Bharosa” outlets and whole sale operations were launched in Pakistan. Bharosa outlets have become hub for distribution into general trade.

EXIMP’s phosphates sales increased by 53%; from 262 KT in 2012 to 401 KT in 2013. This was a result of a substantial increase in industry volume coupled with Company’s strategic trading calls which enabled a market share increase to 25% vs. 22% last year. Despite a declining trend in international prices, the Company managed to make decent margins in the business.

EXIMP continued sugar and palm oil trade handling volumes of 11 KT and 21 KT respectively. In the first year of coal trading and handling operations, EXIMP achieved a market share of 5% by supplying 162 KT of imported coal primarily to cement plants across Pakistan.

EXIMP’s revenue increased to PKR 32,853 million in 2013 from PKR 20,977 million while consolidated profit after tax for 2013 stood at PKR 59 million as compared to a loss of PKR 426 million in 2012. The profitability of fertilizer and commodity trade was off-set by PKR 1,167 million of losses in the Rice business despite improvement in operational parameters.

Consolidated PAT in PKR (in 2013)

59mn

engro powergen

The most significant event in the power sector during 2013 was the resolution of circular debt in June which resulted in PEPCO making a PKR 9 billion payment against overdue receivables. Accordingly, the company paid PKR 5.4 billion against overdue payables to SNGPL. During 2013, the Company successfully completed the most complex and extensive turnaround of its plant since it was first set up.

In 4th quarter, the Qadirpur power plant was shutdown due to a rotor fault. The shutdown lasted for 76 days but the issue was successfully rectified and the plant started its normal operations from December 27, 2013. During the year 2013, Qadirpur Plant demonstrated a Billable Availability of 83.1%. It dispatched a total Net Electrical Output of 1,334 GwH to the National Grid with a load factor of 71.7% as compared to 93.8% in 2012. Overdues from PEPCO stood at PKR 1,248 million as on December 31, 2013 against overdues of PKR 5,787 million as on December 31, 2012. Overdue amount payable to SNGPL on December 31, 2013 was PKR 386 million vs. PKR 2,683 million in 2012. Engro Powergen Qadirpur earned a net profit of PKR 1,458 million for 2013 as compared to PKR 2,101 million last year. The Company continues to focus on plant performance improvement initiatives to ensure its reliability and availability to the national grid and ensure maximum benefit for all stakeholders.

Engro Powergen Ltd. made its first overseas investment in a 72MW captive power plant for a refinery in Nigeria. This fast track project is expected to come online by mid-2014.

The most significant event in the power sector during 2013 was the resolution of circular debt in June which resulted in PEPCO making a PKR 9 billion payment against overdue receivables

PAT in PKR (in 2013)

1,458mn

sindh engro coal mining company (SECMC)

Subsequent to GoP's consent to provide Sovereign Guarantee for Debt portion of mining, subject to GoS's being the majority shareholder in SECMC, the JV agreement has been amended to increase shareholding of GoS to 51%. However, management control of the project will remain with Engro.

The Company achieved substantial progress on the mining project during the year. Firm EPC bids were received from four leading Chinese firms. The acquisition process is in progress for initial 5,500 acres of land for which no resettlement is required. Notification for procurement of private land has been issued to General Public under the Land Acquisition Act.

A wholly owned subsidiary by the name of Thar Power Company (THARCO) was incorporated in 2013 with the objective of developing a power plant designed to operate on Thar coal. EPC bids have been received from seven world renowned Chinese firms and are under evaluation. Negotiations are also underway with both NTDC and KESC for securing PPA.

Infrastructure requirements including water, transportation and power transmission line from Thar to Matiari are being pursued actively with relevant public sector agencies. Thar coal project was formally inaugurated on January 31, 2014, with PM Nawaz Sharif and former President Asif Ali Zardari which showed that the project enjoys political consensus and indicates government's increased interest in progressing with development of Thar coal as an integral component in helping alleviate Pakistan's energy crisis.

engro polymer

Global Ethylene prices remained volatile during 2013 due to political uncertainty and turnaround in some of the major plants. The resulting cost pressure was not entirely reflected in PVC prices particularly during second half of the year because of continuing slow pace of global economic growth.

The domestic market expanded by less than 1% during 2013, however, the Company recorded a growth of 4% enabling it to achieve an estimated market share of 81% as against 79% in 2012. In March 2013, Government's strategic import policy restricted import of plastic scrap only to industrial consumers with proper recycling and imposed a ban on import of hazardous material. This will help in ensuring safe and better quality application, which will be mutually beneficial to plastic and PVC industry.

The Company demonstrated operational excellence by producing its highest ever VCM volume of 170 KT during 2013 as compared to 146 KT produced in 2012. This allowed entire PVC production of 146 KT without the need of imported VCM improving margins. Considering PVC market potential, the Company successfully completed debottlenecking of one of its PVC plants during mid-2013 resulting in additional capacity of 6 KT. The Company achieved 139 KT of PVC sales in domestic market during the year as compared to 133 KT in 2012.

The domestic caustic market size stood at approximately 280 KT in 2013. Engro Polymer and Chemicals Limited (EPCL) emerged as a strong player and sold 100 KT vs. 90 KT in 2012, resulting in a market share of 37%. The company maintained its leadership position in the South of the country.

EPCL continued to explore new avenues and in this regard added Hydrochloric Acid (HCL) to its product portfolio. HCL was received well by the market and the Company emerged as a dominant player in the South.

During 2013, Company posted its highest ever profit of PKR 707 million as compared to PKR 77 million in 2012. Revenue increased from PKR 20,606 million to PKR 24,781 million which is also a record for the Company.

PAT in PKR (in 2013)

707mn

The Company demonstrated operational excellence by producing its highest ever VCM volume of 170 KT during 2013 as compared to 146 KT produced in 2012.

engro vopak

Engro Vopak handled its highest ever volume of 1,135 KT during 2013 mainly due to higher import of EDC, LPG and Phosphoric Acid. The Company also modified its ACN tanks which were unused since 2010 and brought these under use for storage of EDC for Engro Polymer. The contract with Fauji Fertilizer Bin Qasim Limited for reception and delivery of Phosphoric Acid was also renewed for another fifteen years.

Company's revenue was PKR 2,052 million vs. PKR 2,376 million in 2012 due to revision in tariff of Lotte in 4Q 2012. The profit after tax for 2013 was PKR 1,219 million as compared to PKR 1,488 million in 2012.

Engro Vopak handled its highest ever volume of 1,135 KT during 2013 mainly due to higher import of EDC, LPG and Phosphoric Acid.

PAT in PKR (in 2013)

1,219mn

LNG

Elengy Terminal Pakistan Limited, a subsidiary of Engro Corporation Limited won the GOP's tender for Fast Track LNG in November 2013 and is poised to sign the contract in February 2014. ETPL has formed a subsidiary company Engro Elengy Terminal (Pvt.) Limited (EETL) which will construct a new jetty besides EVTL existing jetty for handling, storage and regasification of LNG. EETL is expected to utilize EVTL's trestle and utilities.

future outlook

Our focus remains on domestic growth with a long-term vision of international expansion in emerging markets in these verticals

Engro Fertilizers

Local urea demand for 2014 is expected to remain steady based on stable commodity prices and agricultural output. Any substantial change in input cost may hurt farmer economics. The gap between local production and demand will result in imports by the Government to cover the deficit.

Gas curtailment issues for the fertilizer industry are likely to continue in 2014 resulting in constrained local production. In view of the scarce gas availability, the only viable option for the fertilizer industry appears to be the implementation of the long term gas solution approved by ECC. In the absence of long term solution, the industry on network fields will continue to face challenges due to intermittent gas supplies.

In January 2014, ECC has approved the provision of Mari gas to the Company at concessionary rates in order to discharge the Government's contractual obligation. Implementation of this decision is expected in due course. The Company will continue to pursue the ratification of ECC's decision regarding the allocation of gas according to the long term allocation.

Engro Foods

The Company's performance in 4th quarter of 2013 improved significantly as highlighted by various milestones including increase in sales volumes, higher milk collection volumes and highest ever dairy farm production.

Considering the above, the Company is confident that volume and sales growth journey of the Company has restarted. In January 2014, the Company has also taken price increase in one of its brands to arrest the declining margins. The Company is also working on various efficiency projects including the Heavy Fuel Oil based power plant which will result in lower energy costs. Moreover, the new powder plant at Sahiwal which will be operational shortly is expected to contribute towards stabilizing the Company's margins.

The Company continues to maintain a strong positive outlook on the country. With a burgeoning population and rise of the middle class on the back of increasing remittances, the Company is optimistic of the potential that the country holds. Engro Foods will continue to live its purpose-inspired growth strategy and bring to the fore affordable and nutritious products that guarantee wholesome goodness to its consumers.

The management will continue to focus on key growth parameters of innovation, brand differentiation and continuous business expansion including expansion in new products, e.g. pilot project for "Mabrook" (the fresh dairy segment).

Engro EXIMP

Despite stronger paddy prices in 2013, Pakistani basmati exports are expected to increase due to increased competitiveness vs. the Indian Basmati. Since the steam turbine has now been commissioned, we expect significant savings in energy consumption going forward. Continued process improvements will also result in higher rice recovery.

On the Phosphates front, international prices have firmed up as demand from major centers like South and North America comes back on line.

Demand for imported coal is expected to remain stable on the back of stable Cement off-takes in 2014. Small scale industrial manufacturers are also expected to increase usage of imported coal due to the gas shortage in the country. Due to the acute energy shortage in the country, we will continue to see active development of coal fired power generation. EXIMP intends to position itself as leading supplier of thermal coal to the Power sector.

Engro Polymer

With strong Public Sector Development Program allocation in the budget, the government's initiative of low cost housing projects, announcement of large and small water dams and picking up of private construction activity, PVC consumption outlook appears to be favorable. Construction activities are expected to support PVC demand. However, the overall performance of the industry will be dependent on economic growth. The Company is pursuing an aggressive marketing strategy and is working extensively with end users and manufacturers for market development to ensure that additional production translates into domestic sales. With improving economic conditions, rising farm income levels and increasing household spending Caustic consumption is likely to improve.

Engro Powergen Qadirpur Limited

Despite the country's natural gas crisis, Qadirpur Power Plant is expected to continue receiving unhindered fuel supply. This is because the plant runs on permeate gas which is likely to remain available in the near term. Furthermore, the plant is expected to maintain a high dispatch rate due to its higher rank in PEPCO's merit order. Although the receivable situation has significantly improved during the year as a result of the bailout package and improved collections in the last six months, the absence of any policy measures to address the root cause of power sector deficit might result in circular debt again posing a challenge in the future.

The Company will continue maintaining its focus on plant and equipment reliability and other performance improvement initiatives, ensuring uninterrupted supply of electricity to the national grid for the benefit of all stakeholders.

Engro Vopak

The company expects Engro Vopak's operations and profitability to remain stable due to its unique and leading position in liquid chemicals handling industry.

SECMC

SECMC is aiming to complete all project development steps for Thar to ensure that it can be developed in the medium to long term to help resolve the energy crisis in the country. In this regard, the company will continue to work with its partners to ensure progress.

LNG

The company is in process of finalizing contracts for a fast track LNG project and arranging necessary financing. The project will play a significant role in alleviating some of the energy shortage faced by the country and it will place Engro at the forefront for other such projects in the future.

Engro Corporation Ltd. is now well placed to make a major contribution in helping solve the country's energy crisis and views this as its mission. We have agreed to provide an LNG terminal at one of the lowest rates in the world and in the shortest possible time. The company is at the forefront of developing Pakistan's largest hydrocarbon reserves, Thar coal, through an integrated mining and power generation project. This project, in partnership with the Government of Sindh, will be a major milestone for the country. The company is growing its presence in the agri/food vertical and providing PKR 77 billion of farm input and procuring PKR 19 billion of farm produce. We see this as a major area of growth in the future. Our focus remains on domestic growth with a long-term vision of international expansion in emerging markets in these verticals.

Hussain Dawood
Chairman

Aliuddin Ansari
President and CEO

horizontal analysis – balance sheet

(Rs. in million)	2013	13 Vs. 12	2012	12 Vs. 11	2011	11 Vs. 10	2010	10 Vs. 09	2009	09 Vs. 08	2008	08 Vs. 07
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
EQUITY AND LIABILITIES												
EQUITY												
Share Capital	5,113	-	5,113	30	3,933	20	3,277	10	2,979	40	2,128	10
Share Premium	10,550	-	10,550	-	10,550	-	10,550	-	10,550	47	7,153	80
Unappropriated Profits	27,353	48	18,424	(3)	18,986	49	12,776	52	8,388	35	6,198	77
Reserves	4,913	11	4,420	3	4,312	8	3,995	(5)	4,202	(15)	4,955	(16)
Non-Controlling Interest	8,274	76	4,714	16	4,080	16	3,516	9	3,225	4	3,114	4
	56,203	30	43,220	3	41,861	23	34,115	16	29,344	25	23,548	29
NON-CURRENT LIABILITIES												
Borrowings	78,321	7	73,257	(11)	82,560	(7)	89,152	6	84,142	107	40,739	123
Derivative Financial Instruments	1,611	152	640	(9)	702	(13)	805	27	633	(35)	978	100
Deferred Taxation	6,301	21	5,191	3	5,046	104	2,471	46	1,687	(33)	2,508	(16)
Others	222	1	220	10	201	(58)	484	47	329	(56)	750	273
	86,455	9	79,309	(10)	88,510	(5)	92,912	7	86,791	93	44,974	110
CURRENT LIABILITIES												
Current portion of - Borrowings	14,755	(46)	27,437	27	21,566	39	15,544	554	2,376	638	322	(78)
- Others	46	9	42	13	37	2	36	(12)	41	3	40	7
Trade and Other Payables	40,129	32	30,504	30	23,420	86	12,614	31	9,608	71	5,624	(19)
Accrued Interest / Mark up	2,252	(14)	2,614	(16)	3,114	19	2,619	45	1,800	47	1,229	100
Short-term Borrowings	6,380	9	5,828	36	4,284	(25)	5,716	339	1,303	(72)	4,591	409
Others	687	3	670	(48)	1,284	5	1,221	45	842	78	473	146
	64,249	(4)	670	25	53,706	42	37,751	136	15,970	30	12,280	29
TOTAL EQUITY AND LIABILITIES	206,907	9	189,624	3	184,077	12	164,778	25	132,105	63	80,802	64
ASSETS												
NON-CURRENT ASSETS												
Property, Plant and Equipment	131,969	(0)	132,553	(2)	135,092	5	129,068	17	110,504	90	58,293	148
Long-term Investments	1,874	48	1,268	(26)	1,717	234	515	3	500	2	491	(0)
Biological Assets	716	7	668	35	497	16	428	(2)	439	43	307	2,948
Intangible Assets	808	3	783	6	738	(16)	877	50	585	3	571	1
Others	1,902	6	1,799	47	1,224	533	193	26	154	(68)	479	(57)
	137,269	0	137,072	(2)	139,267	6	131,082	17	112,182	87	60,141	134
CURRENT ASSETS												
Store, Spares and Loose Tools	7,039	8	6,508	5	6,195	26	4,911	238	1,452	30	1,115	22
Stock-in-Trade	20,700	25	16,591	43	11,604	31	8,844	132	3,820	(46)	7,130	91
Trade Debts	3,033	(71)	10,638	71	6,215	21	5,131	45	3,537	366	758	(60)
Advances, Deposits and Prepayments	1,451	35	1,073	(47)	2,017	(18)	2,474	80	1,372	19	1,156	7
Other Receivables	4,996	62	3,088	36	2,265	76	1,288	13	1,136	(70)	3,783	35
Taxes Recoverable	2,908	(27)	3,966	30	3,056	23	2,494	140	1,041	20	869	45
Cash and Bank Balances	6,899	48	4,663	6	4,418	7	4,120	(40)	6,880	213	2,198	3
Short-term Investments	21,366	256	5,998	(28)	8,332	88	4,426	764	512	(75)	2,067	(80)
Others	1,246	4,632	26	(96)	708	8,779	8	(95)	174	(89)	1,585	2,085
	69,638	33	52,552	17	44,810	33	33,696	69	19,924	(4)	20,661	(12)
TOTAL ASSETS	206,907	9	189,624	3	184,077	12	164,778	25	132,105	63	80,802	64

vertical analysis – balance sheet

(Rs. in million)	2013		2012		2011		2010		2009		2008	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
EQUITY AND LIABILITIES												
EQUITY												
Share Capital	5,113	2	5,113	3	3,933	2	3,277	2	2,979	2	2,128	3
Share Premium	10,550	5	10,550	6	10,550	6	10,550	6	10,550	8	7,153	9
Unappropriated Profits	27,353	13	18,424	10	18,986	10	12,776	8	8,388	6	6,198	8
Reserves	4,913	2	4,420	2	4,312	2	3,995	2	4,202	3	4,955	6
Non-Controlling Interest	8,274	4	4,714	2	4,080	2	3,516	2	3,225	2	3,114	4
	56,203	27	43,220	23	41,861	23	34,115	21	29,344	22	23,548	29
NON-CURRENT LIABILITIES												
Borrowings	78,321	38	73,257	39	82,560	45	89,152	54	84,142	64	40,739	50
Derivative Financial Instruments	1,611	1	640	0	702	0	805	0	633	0	978	1
Deferred Taxation	6,301	3	5,191	3	5,046	3	2,471	1	1,687	1	2,508	3
Others	222	0	220	0	201	0	484	0	329	0	750	1
	86,455	42	79,309	42	88,510	48	92,912	56	86,791	66	44,974	56
CURRENT LIABILITIES												
Current portion of - Borrowings	14,755	7	27,437	14	21,566	12	15,544	9	2,376	2	322	0
- Others	46	0	42	0	37	0	36	0	41	0	40	0
Trade and Other Payables	40,129	19	30,504	16	23,420	13	12,614	8	9,608	7	5,624	7
Accrued Interest / Mark up	2,252	1	2,614	1	3,114	2	2,619	2	1,800	1	1,229	2
Short-term Borrowings	6,380	3	5,828	3	4,284	2	5,716	3	1,303	1	4,591	6
Others	687	0	670	0	1,284	1	1,221	1	842	1	473	1
	64,249	31	67,095	35	53,706	29	37,751	23	15,970	12	12,280	15
TOTAL EQUITY AND LIABILITIES	206,907	100	189,624	100	184,077	100	164,778	100	132,105	100	80,802	100
ASSETS												
NON-CURRENT ASSETS												
Property, Plant and Equipment	131,969	64	132,553	70	135,092	73	129,068	78	110,504	84	58,293	72
Long-term Investments	1,874	1	1,268	1	1,717	1	515	0	500	0	491	1
Biological Assets	716	0	668	0	497	0	428	0	439	0	307	0
Intangible Assets	808	0	783	0	738	0	877	1	585	0	571	1
Others	1,902	1	1,799	1	1,224	1	193	0	154	0	479	1
	137,269	66	137,072	72	139,267	76	131,082	80	112,182	85	60,141	74
CURRENT ASSETS												
Store, Spares and Loose Tools	7,039	3	6,508	3	6,195	3	4,911	3	1,452	1	1,115	1
Stock-in-Trade	20,700	10	16,591	9	11,604	6	8,844	5	3,820	3	7,130	9
Trade Debts	3,033	1	10,638	6	6,215	3	5,131	3	3,537	3	758	1
Advances, Deposits and Prepayments	1,451	1	1,073	1	2,017	1	2,474	2	1,372	1	1,156	1
Other Receivables	4,996	2	3,088	2	2,265	1	1,288	1	1,136	1	3,783	5
Taxes Recoverable	2,908	1	3,966	2	3,056	2	2,494	2	1,041	1	869	1
Cash and Bank Balances	6,899	3	4,663	2	4,418	2	4,120	3	6,880	5	2,198	3
Short-term Investments	21,366	10	5,998	3	8,332	5	4,426	3	512	0	2,067	3
Others	1,246	1	26	0	708	0	8	0	174	0	1,585	2
	69,638	34	52,552	28	44,810	24	33,696	20	19,924	15	20,661	26
TOTAL ASSETS	206,907	100	189,624	100	184,077	100	164,778	100	132,105	100	80,802	100

horizontal and vertical analyses profit and loss account

Horizontal Analysis (Rs. in million)

	2013 Rs.	13 Vs. 12 %	2012 Rs.	12 Vs. 11 %	2011 Rs.	11 Vs. 10 %	2010 Rs.	10 Vs. 09 %	2009 Rs.	09 Vs. 08 %	2008 Rs.	08 Vs. 07 %
Sales	155,360	24	125,151	9	114,612	43	79,976	38	58,152	42	40,973	20
Cost of Sales	(114,763)	19	(96,631)	17	(82,531)	38	(59,702)	34	(44,658)	48	(30,111)	15
Gross Profit	40,597	42	28,520	(11)	32,081	58	20,274	50	13,494	24	10,862	36
Distribution and Marketing Expenses	(13,784)	18	(11,636)	14	(10,177)	23	(8,290)	33	(6,215)	46	(4,254)	19
	26,812	59	16,884	(23)	21,905	83	11,984	65	7,279	10	6,608	50
Other Expenses	(3,744)	93	(1,935)	0	(1,930)	131	(837)	(1)	(844)	(13)	(970)	101
Other Income	2,686	18	2,280	11	2,057	129	897	130	390	(62)	1,038	104
Operating Profit	25,754	49	17,229	(22)	22,032	83	12,044	76	6,825	2	6,677	51
Finance Cost	(13,101)	(16)	(15,516)	26	(12,315)	185	(4,322)	95	(2,222)	28	(1,738)	142
Share of Income from Joint Venture	610	(18)	744	(57)	1,742	214	555	21	459	87	245	1
Net Profit Before Taxation	13,263	440	2,457	(79)	11,459	38	8,277	64	5,062	(2)	5,184	31
Provision for Taxation	(4,573)	593	(660)	(82)	(3,648)	99	(1,836)	37	(1,343)	37	(977)	(13)
NET PROFIT AFTER TAXATION	8,690	384	1,797	(77)	7,811	21	6,441	73	3,719	(12)	4,207	48
Non-Controlling Interest	507	9	464	(287)	(249)	(29)	(349)	296	(88)	(209)	81	(287)
Profit attributable to Owners of the Holding Company	8,183	514	1,333	(83)	8,060	19	6,790	78	3,807	(8)	4,126	43

Vertical Analysis (Rs. in million)

	2013		2012		2011		2010		2009		2008	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Sales	155,360	100	125,151	100	114,612	100	79,976	100	58,152	100	40,973	100
Cost of Sales	(114,763)	(74)	(96,631)	(77)	(82,531)	(72)	(59,702)	(75)	(44,658)	(77)	(30,111)	(73)
Gross Profit	40,597	26	28,520	23	32,081	28	20,274	25	13,494	23	10,862	27
Distribution and Marketing Expenses	(13,784)	(9)	(11,636)	(9)	(10,177)	(9)	(8,290)	(10)	(6,215)	(11)	(4,254)	(10)
	26,812	17	16,884	13	21,905	19	11,984	15	7,279	13	6,608	16
Other Expenses	(3,744)	(2)	(1,935)	(2)	(1,930)	(2)	(837)	(1)	(844)	(1)	(970)	(2)
Other Income	2,686	2	2,280	2	2,057	2	897	1	390	1	1,038	3
Operating Profit	25,754	17	17,229	14	22,032	19	12,044	15	6,825	12	6,677	16
Finance Cost	(13,101)	(8)	(15,516)	(12)	(12,315)	(11)	(4,322)	(5)	(2,222)	(4)	(1,738)	(4)
Share of Income from Joint Venture	610	0	744	1	1,742	2	555	1	459	1	245	1
Net Profit Before Taxation	13,263	9	2,457	2	11,459	10	8,277	10	5,062	9	5,184	13
Provision for Taxation	(4,573)	(3)	(660)	(1)	(3,648)	(3)	(1,836)	(2)	(1,343)	(2)	(977)	(2)
NET PROFIT AFTER TAXATION	8,690	6	1,797	1	7,811	7	6,441	8	3,719	6	4,207	10
Non-Controlling Interest	507	0	464	0	(249)	0	(349)	0	(88)	0	81	0
Profit attributable to Owners of the Holding Company	8,183	5	1,333	1	8,060	7	6,790	8	3,807	7	4,126	10

six years summary

		2013	2012	2011	2010	2009	2008
		(Rupees in million)					
Balance Sheet							
Share Capital		5,113	5,113	3,933	3,277	2,979	2,128
Reserves		4,913	4,420	4,312	3,995	4,202	4,955
Shareholders' Funds / Equity		56,203	43,220	41,861	34,115	29,344	23,548
Long-term Borrowings		78,321	73,257	82,560	89,152	84,142	40,739
Capital Employed		149,279	143,914	145,987	138,811	115,862	64,608
Deferred Liabilities		268	260	214	140	119	113
Property, Plant & Equipment		131,969	132,553	135,092	129,068	110,504	58,293
Long-term Assets		137,269	137,072	139,267	131,082	112,182	60,141
Net Current Assets / Working Capital		20,143	12,894	12,670	11,489	6,329	8,703
Profit and Loss							
Sales		155,360	125,151	114,612	79,976	58,152	40,973
Gross Profit		40,597	28,520	32,081	20,274	13,494	10,862
Operating Profit		25,754	17,229	22,032	12,044	6,825	6,677
Profit Before Tax		13,263	2,457	11,459	8,277	5,062	5,184
Profit After Tax		8,690	1,797	7,811	6,441	3,719	4,207
EBITDA		35,034	26,330	29,813	15,501	9,067	8,085
Cash Flows							
Net Cash Flow from Operating Activities		31,506	7,799	16,492	(142)	11,807	(550)
Net Cash Flow from Investing Activities		(7,367)	(4,213)	(10,222)	(19,741)	(53,237)	(35,556)
Net Cash Flow from Financing Activities		(7,557)	(6,855)	(498)	16,624	47,846	24,225
Changes in Cash & Cash Equivalents		16,581	(3,269)	5,772	(3,259)	6,416	(11,880)
Cash & Cash Equivalents – Year-end		21,914	5,333	8,603	2,830	6,090	(327)
Others							
Market Capitalization		80,975	47,057	36,457	63,519	54,604	20,528
Number of Shares Issued (in million)		511.269	511.269	393.284	327.737	297.943	212.816
Production							
Urea	Metric Tons	1,561,575	974,425	1,279,378	971,913	952,024	995,020
NPK	Metric Tons	92,839	67,755	113,172	100,270	91,821	97,669
PVC Resin	Metric Tons	146,000	146,000	122,000	115,000	115,620	98,660
EDC	Metric Tons	117,000	110,000	104,000	96,000	35,000	-
Caustic Soda	Metric Tons	115,000	107,000	100,000	93,000	38,739	-
VCM	Metric Tons	170,000	146,000	98,000	-	-	-
Power	Mega watt	1,333,664	1,767,038	1,665,400	1,200,592	-	-
Dairy and Juices	Thousand Liters	422,818	476,788	388,236	314,650	247,074	177,347
Drying Unit of Rice Processing Plant	Metric Tons	196,478	139,575	55,192	19,778	-	-
Ice Cream	Thousand Liters	14,500	16,550	17,763	12,672	6,900	-

financial ratios

Ratios	2013	2012	2011	2010	2009	2008
Profitability Ratios						
Gross Profit Ratio	26%	23%	28%	25%	23%	27%
Net Profit to Sales	6%	1%	7%	8%	6%	10%
EBITDA Margin to Sales	23%	21%	26%	19%	16%	20%
Operating Leverage Ratio	1.93	-2.65	2.05	1.94	0.12	2.40
Return on Equity	19%	3%	24%	24%	21%	23%
Return on Capital Employed	14%	12%	14%	8%	6%	11%
Return on Capital Employed (ICAP Definition)	6%	1%	5%	5%	4%	9%
Liquidity Ratios						
Current Ratio	1.41	1.33	1.39	1.52	1.47	1.73
Quick / Acid Test Ratio	0.99	0.91	1.03	1.12	1.18	1.13
Cash to Current Liabilities	0.57	0.27	0.40	0.38	0.54	0.36
Cash Flow from Operations to Sales	0.20	0.06	0.14	0.00	0.20	-0.01
Activity / Turnover Ratios						
No. of Days Inventory	59.3	53.4	45.2	38.7	44.7	65.8
Inventory Turnover	6	7	8	9	8	6
Total Assets Turnover Ratio	0.75	0.66	0.62	0.49	0.44	0.51
Investment /Market Ratios						
Earnings per Share (Restated)	16.01	2.61	15.77	13.28	7.27	8.23
Price Earnings Ratio	9.89	35.26	4.57	11.22	14.97	5.90
Dividend Yield Ratio	-	-	0.03	0.03	0.06	0.02
Dividend Payout Ratio	-	-	0.30	0.35	0.49	0.37
Dividend Cover Ratio	-	-	3.38	2.88	2.04	2.73
Market Value per Share at the end of the year; and	158.38	92.04	92.70	193.81	183.27	96.46
- High during the year	185.98	150.26	237.19	212.84	186.84	373.75
- Low during the year	81.05	88.71	91.97	166.09	96.25	96.46
Breakup value per share without Surplus on Revaluation of Fixed Assets	109.93	84.53	106.44	104.09	98.49	110.65
Breakup value per share including the effect of Surplus on Revaluation of Fixed Assets	109.93	84.53	106.44	104.09	98.49	110.65
Cash Dividend (Rs in 000)	-	-	2,359,707	1,966,419	1,787,598	1,276,896
Stock Dividend (Rs in 000)	-	-	1,179,853	655,474	297,943	-
Capital Structure Ratios						
Financial Leverage Ratio	1.77	2.46	2.59	3.24	2.99	1.94
Weighted Average Cost of Debt	13%	14%	11%	4%	3%	5%
Debt to Equity Ratio	1.66	2.33	2.49	3.07	2.95	1.74
Interest Cover Ratio	2.01	1.16	1.93	2.92	3.28	3.98

summary of financial performance

six years' analysis of profit and loss

Revenue
Revenue grew from Rs 34 billion in 2007 to 155 billion in 2013 – a 456% increase and the highest in our history. This is primarily attributable to diversification into Foods and Power Generation sectors as well as increase in Urea and PVC volumes.

Distribution & Marketing Expenses
In order to support continuous growth trajectory, significant expenditure has been incurred for brand building especially for the Foods business, which led to manifold increase in marketing costs. With many brands now in an established position, the marketing costs now stand at 9% of revenue in 2013 as compared to 11% in 2007.

Finance Costs
Finance costs increased from Rs 1.7 billion in 2008 to Rs 15.5 billion by 2012 due to higher amount of borrowings obtained for business diversification (Foods and Power Generation) and expansion projects of Urea and Polymer businesses. With the successful completion of these projects and resulting operational cash generation and debt repayments, the finance costs have decreased to Rs 13.1 billion in 2013.

Provision for Tax
There is an increase from the 2008 level due to higher profitability. 2012 plunge primarily relates to taxable losses of fertilizer business.

Profit attributable to Owners of Holding Company
Profit has almost doubled during the last six years – from Rs 4.1 billion in 2008 to Rs. 8.2 billion in 2013. Increase attributable to our focus on Value Creation for all of our stakeholders, achieved through business diversification and expansion of our core businesses.

six years' analysis of financial position

Equity
Equity grew from Rs 23.5 billion in 2008 to Rs. 56.2 billion in 2013, primarily due to time-to-time capital injections from the shareholders as well as profits retained in the business.

Long-term Borrowings
In order to maintain the growth momentum through business diversification and expansion projects, the Company financed a portion of its capital requirement by raising long-term loans. Long-term loans increased from Rs. 41 billion in 2008 to its peak of Rs. 104.7 billion by 2010. With the successful completion of the projects and cash generation from operations, resulting in debt repayments, the borrowings now stand at Rs. 93 billion by the end of 2013.

Deferred Taxation
Due to taxable losses in earlier years of fertilizer and petrochemical businesses expansion and diversification in the Foods business, the Company's deferred tax liability has increased significantly.

Trade Payables
Trade payables have increased over the years in line with the rising business volumes.

Accrued Interest / Markup on Finances
Increase in borrowings over the years has led to higher year-end accruals for financing obligations, which now in line with decreased borrowings is showing a downward trend.

Short-term Borrowings
Increase in short-term borrowings owes to working capital requirements as a result of growth and expansion in the Company's business over the years.

Property, Plant and Equipment
Property, plant and equipment have witnessed a significant increase over the years due to continuous investment in production facilities and infrastructure to support growing scale of business. Property, plant and equipment represent around two-thirds of Company's balance sheet size.

Current Assets
The increase – from Rs. 20.7 billion in 2008 to Rs. 69.6 billion by 2013 - is in line with the continuous increase in the overall business volume.

six years' analysis of cash flows

The Company's business diversification initiatives and expansion projects were commenced around 2007-2008, whereby financing was mobilized from the borrowers and equity holders and invested in new businesses and expansion projects. Foods, PowerGen, Urea and Petrochemical projects started generating operational cash flow from 2011 resulting in liquidity growth, however marred during 2012 owing to gas curtailment issues faced by the fertilizer sector. Significant resolution of these issues during 2013 is represented by the marked liquidity at the end of 2013.

six years' analysis of ratios

Profitability Ratios
Gross Profit margin improved from 23% in 2007 owing to efficiencies in production and economies of scale due to growth in business volumes. However, as a direct consequence of gas curtailment issues faced by the entire fertilizer sector during 2012, it fell to 23% for 2012 and has risen back to 26% in 2013 on account of significant resolution of gas issues.

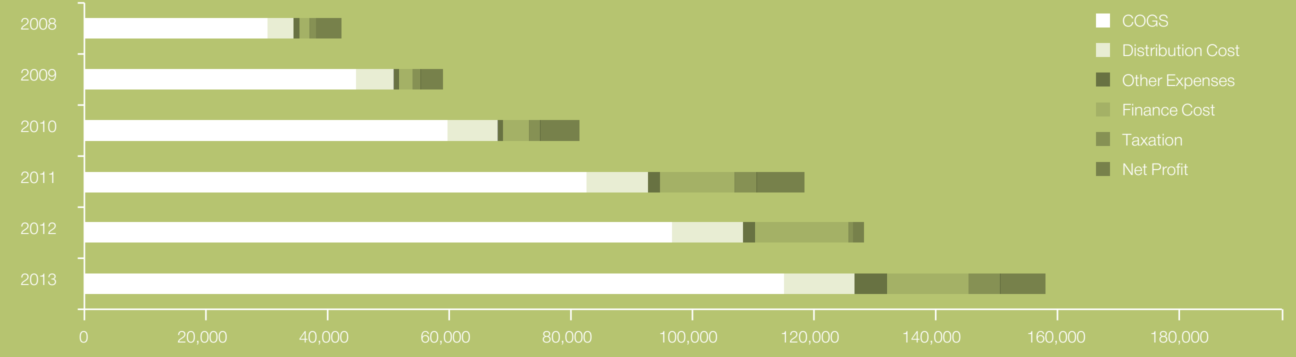
Liquidity Ratios
Liquidity ratios depict an improvement from the last year primarily on account of resolution of gas curtailment issues faced by the fertilizer sector.

Capital Market
Market capitalization quadrupled from Rs. 21 billion in 2008 to Rs. 81 billion in 2013. The year-end market price of the Company's share was Rs. 158.38 per share as compared to Rs. 92.04 per share at the previous year-end, representing an improvement of 72% in share value. Subsequent to the year-end, the Company announced a specie dividend for its shareholders.

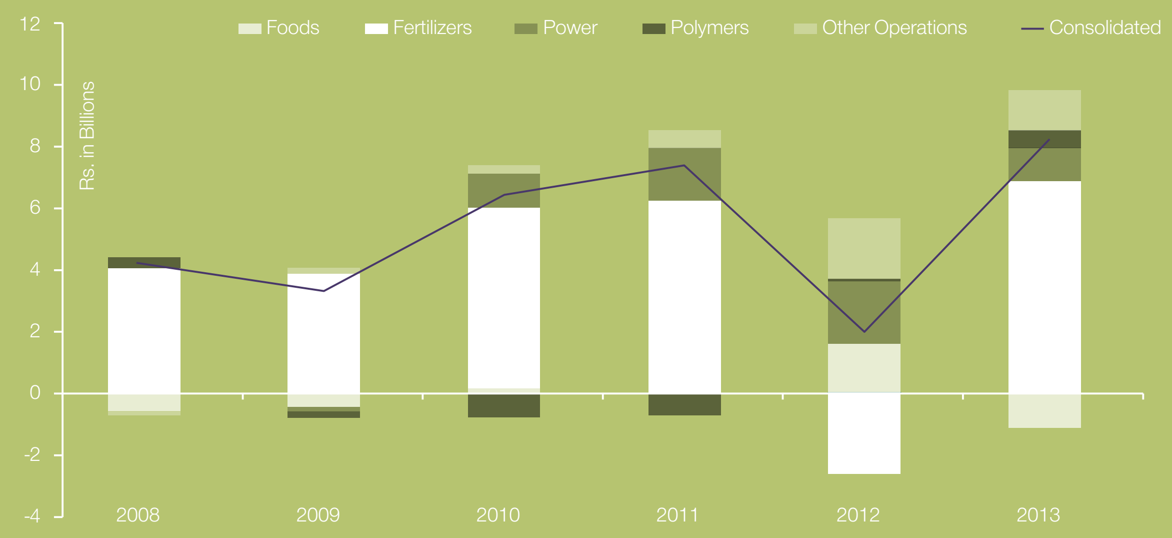
Capital Structure
The Company's financial leverage has improved over the years and at the 2013 year-end stands at 1.77 as opposed to 3.24 in 2010. Interest cover has also improved from 1.16 times in 2012 to 2.01 in 2013.

financial ratios

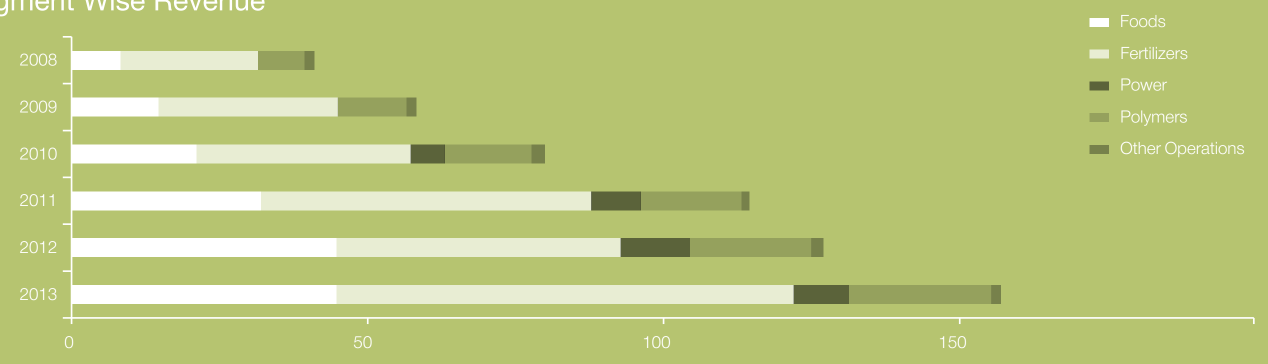
Profit and Loss Analysis



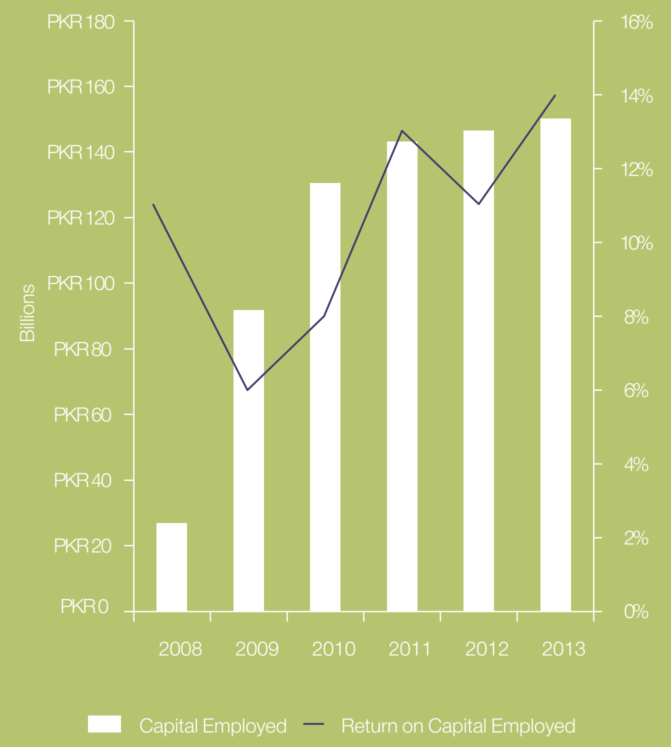
Segment Wise Profit After Tax



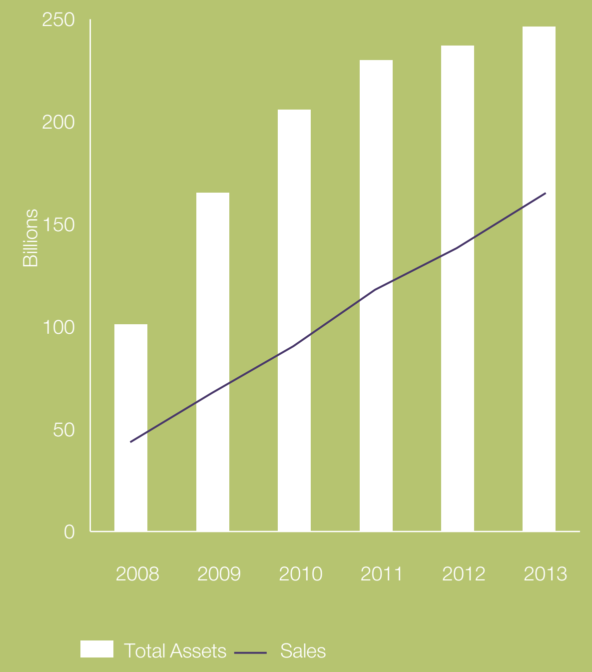
Segment Wise Revenue



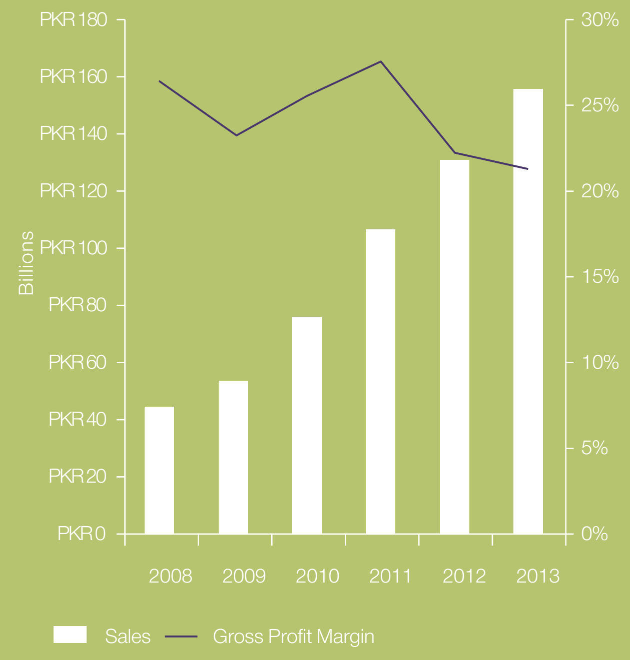
Return on Capital and Capital Employed



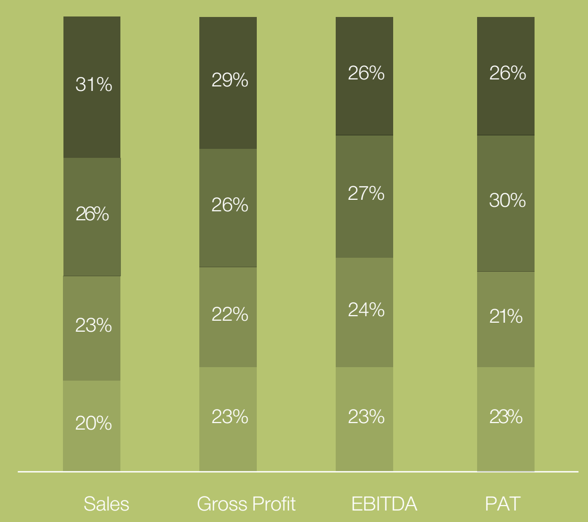
Total Assets to Sales



Gross Profit Margin to Sales

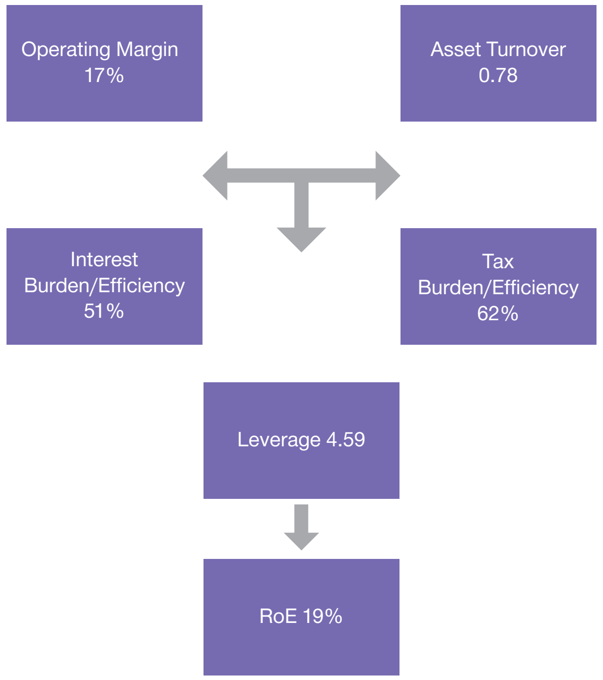


Quarterly Analysis for 2013

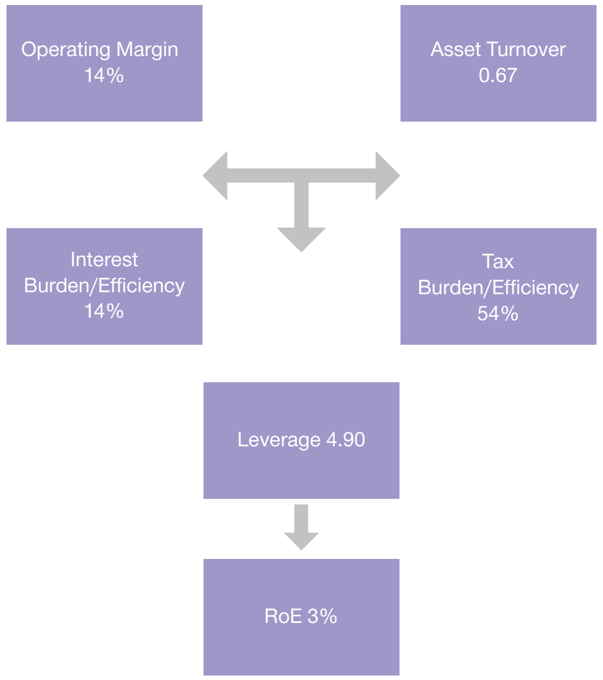


DuPont Analysis

2013



2012

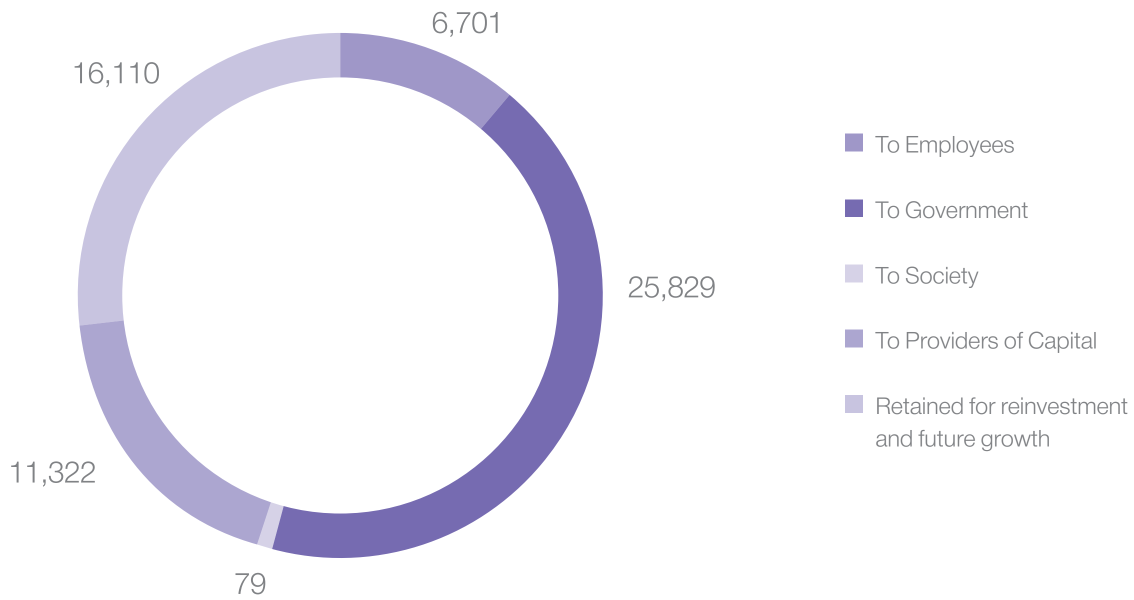


statement of value addition and distribution

(Rs. in million)

	2013		2012	
	Rs.	%	Rs.	%
Wealth Generated				
Total revenue inclusive of sales tax and other income	175,880		139,876	
Bought-in-material and services	(115,839)		(92,039)	
	60,041		47,837	
Wealth Distributed				
To Employees				
Salaries, benefits and other costs	6,701	11.2%	5,874	12.3%
To Government				
Taxes, duties and development surcharge	25,829	43.0%	20,892	43.7%
To Society				
Donation towards education, health, environment and natural disaster	79	0.1%	72	0.2%
To Providers of Capital				
Dividend to shareholders	170	0.3%	796	1.7%
Mark-up/interest expense on borrowed money	11,152	18.6%	12,406	25.9%
Retained for reinvestment and future growth				
Depreciation, amortization and retained profit	16,110	26.8%	7,797	16.3%
	60,041		47,837	

Wealth Generated



Dividend and Bonus

The Board is pleased to propose a specie dividend for the year ended December 31, 2013 in the ratio of one share of Engro Fertilizers Limited for every ten shares held.

Capital Investment, Capital Structure and Finance

Consolidated shareholders' equity at the end of the year increased by Rs. 12,983 million to stand at Rs. 56,203 million. Owners' portion accumulates to 47,929 million from Rs. 38,507 million. This increase is mainly due to profits for the year.

During the year, additions to property, plant and equipment stood at Rs 4,074 million mainly representing additions/modifications to urea plant and Foods expansion. The Company made its first overseas energy investment in a 72MW Captive Power Plant for a refinery in Nigeria.

Long-term borrowings at year end decreased to Rs 93,076 million (2012: Rs 100,694 million) primarily due to the debt repayments of Rs 15,106 million during the year by the Company's Fertilizers, Foods and Petrochemicals businesses, while net debt proceeds of 4,255 million were raised for Petrochemicals' reliability and Foods' expansion projects.

Higher cash was generated from operations during the year (Rs. 45,236 million versus Rs. 22,487 million) on account of lower working capital of Rs. 14,796 million as compared to last year. This decrease in working capital is attributed to increased trade payables mainly on account of GIDC.

The balance sheet gearing (Company's long term debt to equity ratio) for the year ended 2013 is 62:38 (2012 - 70:30). The liquidity position of the Company remains strong with a year-end current ratio of 1.41 (2012 - 1.33).

Major Judgment Areas

Main areas related to Group relief & Group tax, sales tax, apportionment of expenses etc. in the subsidiaries are detailed in Notes to the Accounts (Note 39).

Management Information Systems

We continue to enhance efficiencies by increasing the SAP footprint in the Company from the existing implementation of financial, accounting and human resource applications.

Accounting Standards

The accounting policies of the Company fully reflect the requirements of the Companies Ordinance 1984 and such approved International Accounting Standards and International Financial Reporting Standards as have been notified under this Ordinance as well as through directives issued by the Securities and Exchange Commission of Pakistan.

Credit Rating

As a result of the improved financial performance, Pakistan Credit Rating Agency in its annual review of the Company's credit worthiness has upgraded Engro Corp's long-term rating as "AA-" from "A", post year-end. These ratings reflect the Company's financial and management strength and denote a low expectation of credit risk and the capacity for timely payment of financial commitment.

Treasury Management

The treasury activities are controlled and carried out in accordance with the policies approved by the Board. The purpose of the treasury policies is to ensure that adequate cost-effective funding is available at all times and that exposure to financial risk is minimized. The risks managed by the Treasury function are liquidity risk, interest rate and currency risk. We use derivative financial instruments to manage our exposure to foreign exchange rate, interest rate, and the objective is to reduce volatility in cash flow and earnings. The treasury function does not operate as a profit center.

Interest Rate Management

At the end of 2013, Engro Corp's consolidated borrowings were Rs. 93 billion. A significant portion of this amount is of foreign currency, which is linked to LIBOR (note 24 of the accounts). Interest rates on foreign currency borrowings are hedged through fixed interest rate swaps for the entire tenor of the loans (note 15 of the accounts). The local currency borrowings are all based on KIBOR which is monitored regularly for adverse movements which may be mitigated by fixing the same.

Liquidity Risk

In order to maintain adequate liquidity for its working capital requirements, the Boards of each subsidiary have approved adequate short termed funded facilities. Engro's policy is to ensure that adequate short term funding and committed bank facilities are available to meet the forecast peak borrowing requirements. We mitigate liquidity risk by careful monitoring of our cash flow needs, regular communication with our credit providers, and careful selection of financially strong banks to participate in our operating lines.

Foreign Currency Risk

Where deemed appropriate, we eliminate currency exposure on purchases of goods and foreign currency loans through the use of forward exchange contracts and options as permitted by the prevailing foreign currency regulations. Some of the businesses have natural hedges for their foreign currency exposures - for e.g. the power business foreign currency exposure is taken by WAPDA, polymer's has a natural hedge due to its product pricing being on imported parity basis while Engro Vopak has certain dollar denominated contracts, and for the fertilizers business we have hedged US$ 155 million out of its total foreign currency borrowings of US$ 202 million. We continue to monitor foreign currency trends and take appropriate actions when required.

Pension, Gratuity and Provident Fund

The Company maintains plans that provide post-employment and retirement benefits to its employees. These include a contributory provident fund, a defined contributory (DC) pension plan, a non-contributory gratuity scheme for all employees and a defined benefit (DB) pension scheme for the annuitants retired before July 1, 2005 (DB pension for annuitants has moved to Engro Fertilizers Limited).

The above mentioned plans are funded schemes recognized by the tax authorities. The latest actuarial valuation of management pension and gratuity schemes was carried out at December 31, 2013 and the financial statements of these have been audited up to December 31, 2012. The latest audited accounts for the provident fund cover year ended June 30, 2013. The Company has fully paid all its obligations on all the above schemes.

Audited Upto	Provident Fund June 30, 2013	Pension Fund December 31, 2012	Gratuity Fund December 31, 2012
	---Rupees in million---		
Net Assets as per last audited financial statements	1,525	680	882
DSCs / PIBs / RICs / SSCs	785	590	432
TFCs	222	11	120
Shares	187	127	155
Bank Deposits / T - Bills	181	54	81
Receivables	176	4	138
Payables	(25)	(105)	(43)
Total	1,525	680	882

Auditors

Messrs A.F. Ferguson & Co., Chartered Accountants, have been appointed as the statutory auditors of the Company. The Board Audit Committee and the Board of Directors of the Company have endorsed the communication.

Pattern of Shareholding

Major shareholders of Engro Corporation Limited are The Dawood Group including Dawood Hercules Corporation Limited (DH). Other shareholders are Engro group company employees, annuitants and their relatives, local and foreign institutions and the general public.

A statement of the general pattern of shareholding along with pattern of shareholding of certain classes of shareholders whose disclosure is required under the reporting framework and the statement of purchase and sale of shares by Directors, Company Secretary and their spouses including minor children during 2013 is shown in the shareholding section of this report.

The Company's stock is amongst the actively trades shares on all the Stock Exchanges of the Country.

Board of Directors

Statement of Director Responsibilities

The directors confirm compliance with Corporate and Financial Reporting Framework of the SECP Code of Governance for the following:

- The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements except for changes resulting on initial application of standards, amendments or interpretations to existing standards and reclassification of capital spares. Accounting estimates are based on reasonable prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures there from have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There is no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Board & Board Committees Meetings and Attendance

In 2013, the Board of Directors held 9 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows;

Director's Name	Meetings Attended
Mr. Hussain Dawood	9/9
Mr. Muhammad Aliuddin Ansari	9/9
Mr. Afnan Ahsan*	2/2
Mr. Abdul Samad Dawood	9/9
Mr. Shahzada Dawood	6/9
Mr. Shabbir Hashmi	9/9
Mr. Khawaja Iqbal Hassan	8/9
Mr. Francis Murray Jones**	3/6
Mr. Ruhail Mohammed	9/9
Mr. Shahid Hamid Pracha	9/9
Mr. Saad Raja	7/9
Mr. Sarfaraz A. Rehman	9/9
Mr. Khalid S. Subhani	6/9

* Resigned on July 01, 2013

** Appointed as Directors w.e.f September 27, 2013

The Board Audit Committee held 5 meetings during 2013. The attendance record of the Committee is as follows;

Director's Name	Meetings Attended
Mr. Shabbir Hashmi	5/5
Mr. Sarfaraz A. Rehman	2/2
Mr. Khawaja Iqbal Hassan	5/5
Mr. Shahid Hamid Pracha	5/5
Mr. Shahzada Dawood	1/1

The Board Investment Committee met 12 times during 2013. The attendance record of the Committee is as follows;

Director's Name	Meetings Attended
Mr. Abdul Samad Dawood	12/12
Mr. Shahid Hamid Pracha	12/12
Mr. Saad Raja	10/12
Mr. Khawaja Iqbal Hassan	11/12

The Board Compensation Committee met 7 times during 2013. The attendance record of the Committee is as follows:

Director's Name	Meetings Attended
Mr. Hussain Dawood	7/7
Mr. Muhammad Aliuddin Ansari (By Invite)	7/7
Mr. Abdul Samad Dawood	6/7
Mr. Shahzada Dawood	7/7
Mr. Sarfaraz A. Rehman *	4/4
Mr. Shabbir Hashmi	6/7
Mr. Saad Raja**	1/1
Mr. Mujahid Hamid (By Invite)	1/1
Mr. Mohammad Amin (By Invite)	1/1
Mr. Francis Murray Jones (By Invite)	1/1
Mr. Shahid Hamid Pracha (By Invite)	2/2

* Resigned on June 27, 2013

** Appointed as Member w.e.f December 02, 2013

accountability

governance framework

Compliance Statement
The Board of Directors has throughout the year 2013 complied with the 'Code of Corporate Governance' as per the listing requirements of the stock exchanges and the 'Corporate and Financial Reporting Framework' of the Securities & Exchange Commission of Pakistan.

Risk Management Process
Management at all subsidiaries periodically reviews major financial and operating risks faced by the business. In the year 2011, an Enterprise-wide Risk Management (ERM) system was deployed at all Engro Companies which continued to enhance our governance framework throughout 2012 and 2013.

Internal Control Framework

Responsibility
The Board is ultimately responsible for Engro's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board, whilst maintaining its overall responsibility for managing risk within the Company, has delegated the detailed design and operation of the system of internal controls to the Chief Executive.

Framework
The company maintains an established control framework comprising clear structures, authority limits, and accountabilities, well understood policies and procedures and budgeting for review processes. All policies and control procedures are document in manuals. The Board establishes corporate strategy and the Company's business objectives. Divisional management integrates these objectives into divisional business strategies with supporting financial objectives.

Review
The Board meets quarterly to consider Engro's financial performance, financial and operating budgets and forecasts, business growth and development plans, capital expenditure proposals and other key performance indicators. The Board Audit Committee receives reports on the system of internal financial controls from the external and internal auditors and reviews the process for monitoring the effectiveness of internal controls.

There is a companywide policy governing appraisal and approval of investment expenditure and asset disposals. Post completion reviews are performed on all material investment expenditure.

Audit
Engro has an Internal Audit function. The Board Audit Committee annually reviews the appropriateness of resources and authority of this function. The Head of Internal Audit functionally reports to the Audit Committee.

The Board Audit Committee approves the audit program, based on an annual risk assessment of the operating areas. The Internal Audit function carries out reviews on the financial, operational and compliance controls, and reports on findings to the Board Audit Committee, Chief Executive and the divisional management.

Directors
As at December 31, 2013, the Board comprises of one executive director, four independent directors and seven non-executive directors of whom three are executives in other Engro Companies. The Board has the collective responsibility for ensuring that the affairs of Engro are managed competently and with integrity.

A non-executive Director, Mr Hussain Dawood, chairs the Board and the Chief Executive Officer is Mr. Muhammad Aliuddin Ansari. Biographical details of the Directors are given previously in this report.

A Board of Directors' meeting calendar is issued annually which schedules the meetings of the Board and the Board Audit Committee. The full Board met 9 times including meetings for longer term planning, giving consideration both to the opportunities and risks of future strategy.

All Board members are given appropriate documentation in advance of each Board meeting. This normally includes a detailed analysis on businesses and full papers on matters where the Board will be required to make a decision or give its approval.

Approach to Governance

Empowerment with Accountability
Whilst we seek to empower our employees to facilitate business decision making we also hold them accountable for their actions. During performance of various job tasks employees are required to ensure that they conduct themselves in a manner that reflects positively on the company.

As part of deploying a rigorous internal control framework all our employees are held to the highest of standards and are responsible for:
- Complying with all applicable laws, company policies and procedures.
- Maintaining appropriate ethical behavior in all internal and external dealings.
- Reporting any suspected misconduct, illegal activity, fraud, abuse of company assets or other violation of ethical standards.
- Submit an ethics compliance declaration.

Our Supporting Infrastructure to Aid in Ethical Conduct
Orientation:
- Brief to new hires about policies on ethical business conduct.

Reinforcement:
- Workshops on Ethics carried out periodically.
- All vendors, contractors and customers are sent the Ethics Policy statement, which has been translated into Urdu, periodically with a request to ensure compliance in their dealings with the company.
- Clauses related to Ethics and Conflicts of Interest are mandatory in all contracts entered into by the company.

Monitoring of Compliance:
- Voluntary disclosure of actual or suspected non-compliance through Irregularity Reporting system
- Irregularity reports are shared with management and Board Audit Committee on a quarterly basis.
- Whistleblower system whereby employees are encouraged to raise red flags and help strengthen the control environment.
- Whistleblower complaints and results of their investigations are also reported to Board Audit Committee every quarter.
- Periodic Business Practices review involving all Engro companies and employees to identify questionable business practices. All identified issues are reported directly to the Board of Directors.

We are also cognizant of the fact that our employees may encounter a variety of legal issues while taking decisions to conduct business and, therefore, they need to be aware of the legal implications of their actions. Consequently, to mitigate risks associated with non-compliance we continue to host information and training sessions that promote compliance to the law and strengthen awareness of systems and protocols that have been instituted to monitor and report any such violations. We also encourage our employees to seek clarification from their respective supervisors and company's legal advisors to ensure that we remain fully compliant with all applicable laws, rules and regulations.

As an enabler of ethical excellence we believe in promoting fair trade and a free-market competitive system – an objective that all our companies seek to pursue. While all our companies compete vigorously in the marketplace, they also ensure compliance with the Competition Act 2010 and, therefore, compete on the merits of their product quality, prices, service and the customer loyalty we create by fulfilling the needs of all our consumers and clients. In order to reinforce our commitment to the competition laws, all Engro companies have joined up to the requirements of the voluntary competition compliance code initiative of the CCP and implemented all its requirements. Furthermore, we also strive to ensure that all our employees remain transparent in their dealings and are accurate in describing the attributes of the Company's products.

Our employees often have access to confidential information on future plans and financial data. Such individuals-commonly referred to as 'insiders' can use this information in the public domain for trading or tipping others to trade in the Company's securities or use this information to exercise any share options granted by the Company to the employees. To discourage insider trading all our employees are educated about the ethical and legal implications of such actions.

Yet even as we monitor the behavior of our employees and suppliers, we also make it a point to ensure that Engro treats them fairly. The company makes it a point to pay its suppliers on time and has a specific policy to ensure that payments are made and approved within the stipulated time. We believe our commitment to living up to our financial obligations in a timely manner sets us apart from many of our competitors.

Our Audit Report Results

Engro's governance structure puts emphasis on thorough and frequent audits of every department, where every financial transaction is scrutinized, and system compliance audits are conducted. Each audit report is given one of four possible ratings based on the degree of compliance with the company's policies, (in descending order of acceptability) Good, Satisfactory, Management Attention Required (MAR) and Unsatisfactory.

Organization	MARs	Satisfactory	Unsatisfactory	Good	Not rated	Total	Company wise - MAR %
Ecorp*	2	14	-		1	17	11.8%
EFert	5	29	-	-	1	35	14.3%
Eximp	4	12	-	-	1	17	23.5%
Efoods	3	32	-	1	-	36	8.3%
PowerGen	1	28	-	2	1	32	3.1%
Polymer	2	22	-	-	1	25	8.0%
Total (2013)	17	137	-	3	5	162	10.5%
% to Total	10.5%	84.6%	0.0%	1.9%	3.1%	100.0%	

* Sahara and TTC audits included in Corp

Speak Out Policy

When it comes to encouraging high standards, Engro ensures adherence to the codes of ethics and governance laid out in the company's guidelines. There is an active policy that encourages employees to speak out when they see violations of the code of corporate governance or ethics.

Engro is one of the very few companies in Pakistan that has a whistleblower protection policy. It is part of our commitment to our people that we want to create the environment where people do not feel that their job would be at stake if they report negative information.

The whistleblower policy ensures that employees are able to lodge complaints through e-mail as well as through a toll-free telephone number. Each complaint is taken up by the Board Audit Committee and thoroughly investigated.

While Engro is devoted to the idea of achieving excellence in everything it does. To this end, we are making public the data collected by our reporting mechanisms, so that all of our stakeholders can be aware of our efforts - and the degree of success we have had - in achieving the highest standards of corporate ethics and governance.

The data in the table below has been made available to its stakeholders, in order to ensure a high level of transparency, which we believe will inculcate a culture of responsibility and ethical behavior across the entire organization.

The increase in whistleblower-linked investigations is an example of the success of the Speak-Out campaign, which created awareness within the firm's employees of a policy meant to protect them and the firm. Of the cases reported, many were found to lack merit.

Governance Data (number of incidents)

Year	Whistle-blower Investigations
2008	04
2009	11
2010	26
2011	56
2012	50
2013	19

Board Induction, Training and Support

Upon election, Directors receive a comprehensive Directors' Information Pack and are briefed thoroughly on their responsibilities and the business with a tailored induction program. The Chairman ensures that ongoing training is provided for Directors by way of site visits, presentations and circulated updates at Board and Board Committee meetings on, among other things, Engro's business, environmental, social and corporate governance, regulatory developments and investor relations matters. In 2013 an executive Director, Ruhail Mohammad, attended the PICG Directors training while two non-executive Directors Abdul Samad Dawood and Shahzada Dawood have already completed this training previously.

Board Evaluation

Engro's Chairman, in conjunction with the CEO and other Director, leads the process whereby the Boards formally assess their own performance, with the aim of helping to improve the effectiveness of the Boards and their Committees. The evaluation process consists of an internal self-assessment evaluation exercise which was instituted for the first time in 2013. A rigorous assessment provided insight into the performance of our Board, CEO and Chairman's, hosted for the first time using online facilities. The detailed questionnaire invited comments on a number of key areas including board responsibility, operations, effectiveness, training and knowledge.

board committees

The Board has established three committees, chaired by independent non-executive directors as follows:

Board Compensation Committee

The committee meets multiple times through the year to review and recommend all elements of the Compensation, Organization and Employee Development policies relating to the senior executives' remuneration and to approve all matters related to the remuneration of the executives of all companies and members of the management committee.

The President attends Board Compensation Committee meetings by invitation. The committee met seven times during 2013.

Members

Hussain Dawood (Chairman)
Abdul Samad Dawood (Director)
Saad Raja (Director)
Shabbir Hashmi (Director)
Shahzada Dawood (Director)

The Secretary of the Committee is Naila Kassim, Manager HR & Corporate Communications.

The Board Audit Committee

The committee meets atleast once every quarter and assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to shareholders, systems of internal control and risk management and the audit process. It has the power to call for information from management and to consult directly with the external auditors or their advisors as considered appropriate.

The Chief Financial Officer regularly attends the Board Audit Committee meetings by invitation to present the accounts. After each meeting, the Chairman of the Committee reports to the Board. The Committee met five times during 2013.

Members

Shabbir Hashmi (Chairman)
Khawaja Iqbal Hassan (Director)
Shahzada Dawood (Director)
Shahid Hamid Pracha (Director)

The Secretary of the Committee is Naveed A Hashmi, General Manager Corporate Audit.

The Board Investment Committee

The Committee assists the Board in reviewing the Company's investment transactions and performances, and in overseeing the Company's capital and financial resources. The Committee meets on need basis, and met twelve times during 2013 giving its recommendations to the Board.

Members

Abdul Samad Dawood (Chairman)
Khawaja Iqbal Hassan (Director)
Saad Raja (Director)
Shahid Hamid Pracha (Director)

The Secretary of the Committee is Eqan Ali Khan, Senior Manager Finance and Accounting.

functional committees

These committees act at the operational level in an advisory capacity to the Chief Executive, providing recommendations relating to businesses and employee matters.

EXCOM

EXCOM is headed by the President & CEO, and includes the corporate functional heads of HR and Finance as well as CEOs of all Engro Corp subsidiaries. The committee meets to discuss performance appraisals; matters which are common and cut across all subsidiaries; and works in an advisory capacity to the President.

Committee Members

Muhammad Aliuddin Ansari (Chairman)
Abdul Samad Khan
Khalid S. Subhani
Naz Khan
Ruhail Mohammed
Shamsuddin A. Shaikh
Sheikh Imran-ul-Haque
Sarfaraz A. Rehman
Syed Mohammad Ali

The Secretary of the EXCOM is Naila Kassim, Manager HR & Corporate Communications.

Committee for Organizational and Employee Development (COED)

The COED is responsible for the review of Compensation, Organization, Training and Development matters of all employees. Each of the Engro subsidiaries has their own COED while EXCOM looks after decision on group wise basis. The members of COED at Engro Corporation (standalone) are as follows:

Committee Members

Muhammad Aliuddin Ansari (Chairman)
Andalib Alavi
Naveed A. Hashmi
Naz Khan

The Secretary of the COED is Naila Kassim, Manager HR & Corporate Communications.

Engro Foundation Board

Engro Foundation serves as a single platform for community engagement activities and social investments of Engro affiliates. By pooling their financial and managerial resources under the Foundation, Engro affiliates seek to create large scale social impact through which people have access to choices and opportunities for development. Engro Foundation is governed by a Board of Trustees.

Board of Trustees

Muhammad Aliuddin Ansari (Chairman)
Abdul Samad Khan
Khalid S. Subhani
Ruhail Mohammed
Shamsuddin A. Shaikh
Sheikh Imran-ul-Haque
Sarfaraz A. Rehman
Syed Mohammad Ali

The Secretary of the Board is Favad Soomro, Director, Engro Foundation.

statement of compliance with the code of corporate governance

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in Regulation 35 of the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. As at December 31, 2013 the Board included the following members:

Category	Name
Independent Directors	Shabbir Hashmi
	Khawaja Iqbal Hassan
	Saad Raja
	Frank Murray Jones
Executive Director	Muhammad Aliuddin Ansari
Non-Executive Directors	Hussain Dawood
	Abdul Samad Dawood
	Shahzada Dawood
	Shahid Hamid Pracha
	Sarfaraz A. Rehman
	Ruhail Mohammed
	Khalid S. Subhani

   Of the non-executive directors, the last three named are executives in other Engro Companies.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident Directors of the Companies are registered as Tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI, or being a member of a stock exchange has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurred on the Board on July 01, 2013 and was filled up within 88 days.

5. The company has prepared a "Code of Conduct" comprising of Ethics and Business Practices policies and has ensured that appropriate steps have been taken to disseminate it through the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and the meeting fees payable to the non-executive directors, have been taken by the Board.

8. All meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. One of the directors attended the directors' training course conducted by the Pakistan Institute of Corporate Governance (PICG) this year. Two others have already completed this course earlier.

10. The Board has approved appointment of the CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee comprising 4 members, of whom 2 are independent directors, and 2 are non-executive directors.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the Committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee, called the Board Compensation Committee. It comprises of 5 members, of whom 3 are non-executive directors and two are independent directors and the Chairman of the Committee is a non-executive director.

18. The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel who are involved in internal auditing activities on a full time basis.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The "closed period", prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through the stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

review report to the members on statement of compliance with best practices of code of corporate governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Engro Corporation Limited (the Company) for the year ended December 31, 2013 to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges, where the Company is listed.

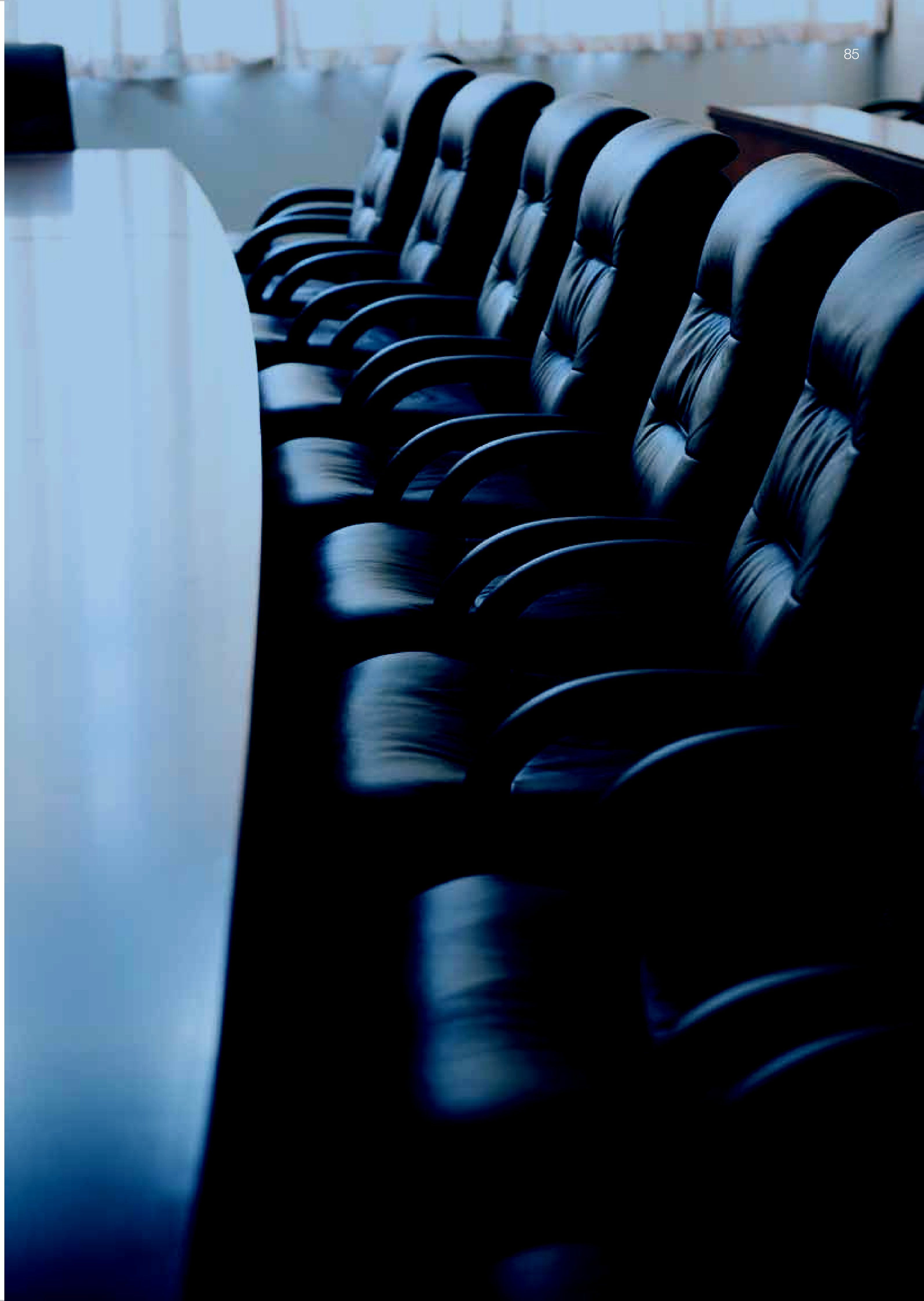
The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

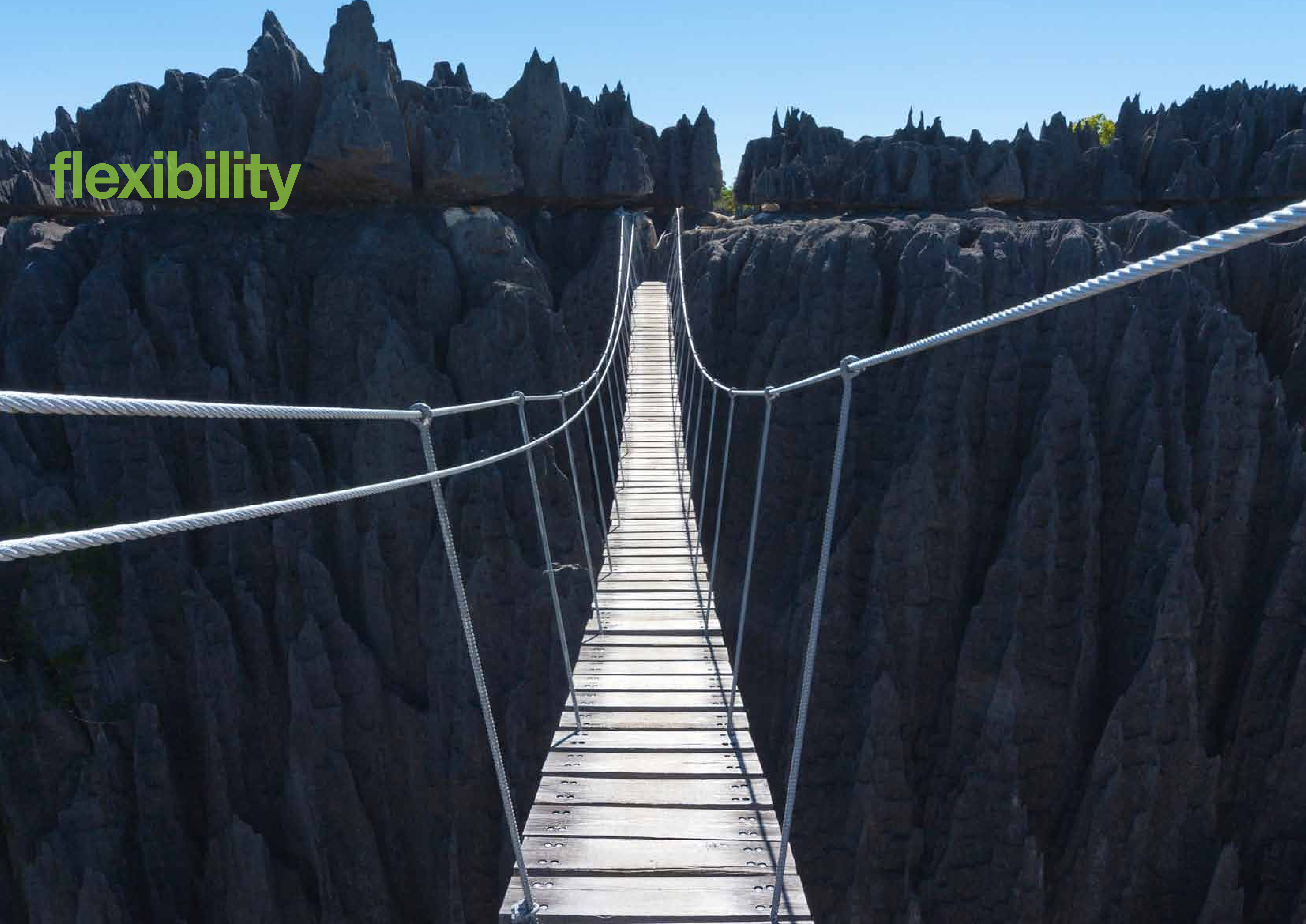
Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2013.

Chartered Accountants
Karachi
Date: March 05, 2014
Engagement Partner: Imtiaz A. H. Laliwala



flexibility



our key risks and mitigating actions

Risk	Mitigating Actions
Gas shortage at production sites due to curtailment, gas reserve depletion or revision in gas allocation policy	Long-term solution for gas supply shortages to fertilizer already identified and agreed with government. Gas from Reti Maru and Mari SML has started flowing to the urea plant and gas supply from KPD field is being actively worked upon. The company is also actively seeking to invest in energy projects in the country such as LNG import terminal and Thar coal projects which will not only ease risk of energy faced by the company but also help the country achieve its economic potential
Loss of trained and high potential employees, and employees in critical positions	Strategy developed and rolled out for top talent hiring and retention. Succession planning strategy put in place throughout the organization. Employee engagement is being measured and improvement measures have resulted in strongly engaged employees.
Dilution of Company values, standards of governance, risk and control due to induction of new resources and high pressure on the business	Rigorous training programs are in place for orienting new inductees. Moreover, refresher training programs are in place to re-emphasize company values, internal controls and company policies. Hotlines have been set up to register and address complaints of dealers, customers, donors, suppliers and employees.
Pressure on contribution margin resulting from surge in raw material/commodity prices	Respective commodity and pricing committees monitor international and local market scenario and prices regularly and where possible hedge the risk or pass it to the customer. The trading businesses make calls based on information received from a variety of international sources. Our wide range of businesses also leads to risk diversification.
Safety Risk	Safety at Plant Sites Engro's plants and operations are aligned with international safety standards including DuPont and OSHA. Safety, along with ethics, remains top priority of the organization. Employees are regularly trained in maintaining the highest safety standards and we continuously strive for meeting ever higher standards. Engro Fertilizers' Daharki plant achieved rating of 4.25 in DuPont audit and Engro Foods achieved DuPont's level 3 rating in 2013 for its various plants and operations. Food Safety The company has put in place rigorous systems to ensure food safety and has obtained quality certifications including OHSAS-18001, ISO-22000, ISO-9001, ISO-14001 and British Retail Consortium Certification (received highest possible A grade for second year in a row).

Risk	Mitigating Actions
Unstable plant operations	Maintenance & inspection strategies in place across all facilities. The organization continues to carry out necessary capex for plant reliability enhancement. Stringent monitoring mechanisms are in place to avoid plant issues. Personnel are routinely trained internationally to help them develop the best possible skillset.
Exchange Risk Exposure	The company has developed policies to manage foreign exchange risk and hedges this risk wherever necessary. The exposure is monitored regularly and our treasury teams keep an active watch on international developments which could lead to unpredictable moves in the exchange rates.
Increase in interest rates	Close watch on macro-economic indicators is maintained. A good information network of bankers and financial market analysts is in place to enable timely configuration and implementation of hedging strategies.

strengthening our impact – swot analysis

Strengths

The Company has demonstrated its resilience and ability to overcome the toughest challenges and emerge from its deepest difficulties with performance that Engro's name has become synonymous with. We continue to invest in our systems and people to uphold our core values and generate value for all stakeholders through sustenance of existing operations and development of new business opportunities. Engro's key strengths are the skillset and commitment of its people, world class systems and processes including safety, quality and good governance, ability to raise funding and capacity to build partnerships with globally renowned organizations. We carry out regular surveys to assess compensation being offered by other reputed companies in the country in order to stay competitive. The company invests significantly in training of its employees to develop them into future leaders. Employee engagement is monitored across the group on regular basis and necessary steps are taken to improve employee performance. The company also has in place various programs to facilitate employees with special needs and a conscious effort is made to increase participation of women, minorities and persons with disabilities. A large number of our employees have built their entire careers with Engro and we strive to strengthen this trend even further.

Engro has aligned its systems and processes with some of the most stringent standards from around the World including OSHA, ISO, DuPont and OHSAS. Each department and division continuously seeks to streamline its process flow to reduce risk, increase efficiency and take advantage of synergies where possible. We pride ourselves on our product and service quality and strive to set ever higher benchmarks for the industries we operate in.

Engro has successfully raised funding for its expansions and new businesses from a variety of sources including equity partners, local and foreign banks and international finance institutions like DEG and IFC. The company has also raised finance through innovative means such as Engro Rupiya Certificates, tapping the retail debt market. Engro's ability to attract financing for it projects remains a key strength which will continue to enable it to take up new businesses in future.

Over the years, Engro has had lasting partnerships with reputed international organizations. These include partnership with Asahi Glass and Mitsubishi of Japan for our Polymer business, Royal Vopak of Netherlands as a joint venture partner in Engro Vopak and IFC as an equity/quasi-equity investor and key lender in our Qadirpur power plant and the urea expansion project.

Engro's management is known as one of the best in the country. The team has delivered some of the most challenging projects such as the world's largest single train urea plant; relocation of an EDC and VCM plant from Baton Rouge, USA to Port Qasim Pakistan; setting up of a 220MW power plant which was completed in a record 29 months, the shortest time to COD taken by IPPs of comparable size in Pakistan and the construction of two food processing plants over the course of our first five years of operation. As a result of the project management expertise, the company has started exploring international waters for project management and operations & maintenance opportunities. The management team has also successfully bailed businesses out of difficult times such as restoration of gas supply to its fertilizer plants in face of severe gas shortage in the country and stabilizing a very complex and the country's only VCM production plant. Our Executive team and management is consistently on the lookout for investment opportunities which have enormous potential to add value for the stakeholders including the country. Even though Engro started out as only a urea manufacturer, we have also been successful in setting up businesses in new sectors. All of the businesses Engro is operating in enjoy industry leadership.

Weaknesses

Economic growth in future will continue to be driven by emerging and developing economies of the world led by Asia and Africa. While Engro's operations are currently focused in Pakistan, the company is making a conscious effort to increase its foot print in the emerging Next 11 economies. Aside from its Halal food operations in North America, the company exports rice to Europe and Middle East. We made further inroads into the global arena during 2013 by investing in a 72MW CPP in Nigeria and are seeking more opportunities for expansion outside Pakistan.

Threats

Shortage of energy is still the biggest threat to growth prospects of the country and hence growth prospects for the company. While significant progress was made during 2013 in terms of increase in gas supply to our urea production facility and dedicated gas sources of Reti Maru and Mari SML, supply from KPD field is yet to start. We are focusing on contributing towards alleviation of country's energy shortage. In this respect, the company participated in three bids during 2013 invited by the government for setting up LNG import terminals. The first two bids were scrapped on technical grounds but Engro won the third bid and is progressing with finalizing contracts and arranging funding for the project. The company also remained engaged with GoS and made significant progress on the Thar mining and power project.

Opportunities

Engro has been present in the agricultural value chain for almost half a century now. We have been serving farmers by supplying quality fertilizer and advisory services which has now been expanded to procurement of farm produce as well. Our unique foot print in the country's rural heartland and strong relationship with farmers is a major source of strength and allows us to work on the agricultural & food vertical from farm to the consumer table. This strength, coupled with our strong sales/distribution network and consumer brands allows us to capitalize on the opportunities being created due to the rising middle class and youth bulge in Pakistan. The company actively evaluated such opportunities during the year through various studies and pilot projects including fresh meat and fresh dairy. We will further firm available opportunities in this sector during 2014 to cater to our future expansion plans.

While shortage of energy poses a challenge to country's economy, it also presents Engro with opportunities in terms of potential new projects. The company has the skillset and experience to carry out feasibilities of large projects, manage construction of the same and operate many complex facilities. Our business practices, high standards of ethics and safety at work place, ability to attract and retain talent have enabled us to thrive in a multitude of businesses. The same characteristics make us very well placed to setup new energy infrastructure. The company is working on developing its own O&M business in power and fertilizer sectors in emerging economies by leveraging on its technical and project management experience. As a result, an equity investment was made in a power generation project in Nigeria while partnering with some leading international players.


resourceability

our strategic corporate objectives 2013

We believe in gearing the growth of our business to create positive reverberations not just in the lives of our stakeholders, but across the entire economy.

Despite a challenging environment at the beginning of 2013, the company was able to make a successful turnaround in most of its business operations resulting in record revenue and profitability for the year. This was done on the back of record production and sales volumes coupled with highest ever safety benchmarks achieved in some businesses.

The company worked closely with the government to address the gas curtailment to its urea plant. As a result, the company was able to get additional gas from Mari from July 2013 enabling it to operate both its urea plants. ECC approvals for long term gas allocation came through on the basis of which the company signed Gas Supply Agreements with Reti Maru, KPD and Makori East, while term sheet was signed with Mari SML. Gas Tolling agreements were also signed and gas from Mari SML started flowing in from April 2013 and Reti Maru was brought online in December 2013. In January 2014, ECC has approved the provision of Mari gas to the Company at concessionary rate, the implementation of which is expected in due course. The successful restructuring of the long term debt obligations of the fertilizer business was yet another milestone. The end of the year saw the listing of the fertilizer business with the book building being oversubscribed 4 times and the IPO by 3.4 times, clearly demonstrating investor confidence.

With a strong presence in the agricultural and food value chain, Engro Corporation carried out a detailed study to identify new business opportunities in this vertical and also started engaging with internationally renowned organizations. Such alliances will leverage on Engro's reputation and knowledge of domestic markets and international technology and best practices. In 2013, the company won a bid to setup a fast track LNG import terminal. Thar coal mining and power project also progressed on many fronts. Not only will these two projects add value for the shareholders, they will play a very important role in helping overcome Pakistan's energy shortage. Engro Fertilizers and Engro Powergen conduct a detailed study of opportunities in international markets for operations and maintenance services and identified several possibilities which are currently being pursued. Engro has already invested in a 72MW power plant in Nigeria, with a 45% equity stake, obtaining the O&M contract thereby enabling it to leverage the strength of its highly talented human capital, experienced in in project management and engineering.

Engro understands the impact the external business environment can have on the day-to-day operations of its business. The public affairs division worked tirelessly with each subsidiary to develop comprehensive plans to preempt and tackle such challenges. Engro Foundation has developed an inclusive CSR strategy to enhance the impact of our CSR activities. Engro volunteer program, Envison, clocked 7,886 hours.

The company devised a three year strategy to improve employee engagement index to further enhance overall employee satisfaction with the company and its policies. Various focus group sessions were conducted, trainings and career planning sessions were held along with open house sessions with the CEO. As a result, the engagement scores of all companies increased substantially during the course of the year.

An IT task force was formed during the year which evaluated existing information systems and requirements and developed a plan to fill the gaps in order to further streamline the flow of information for even quicker decision making at all levels of management. The projects now being implemented include a procurement system and a SAP harmonization program.

Successful achievement of increased gas supply to Engro Fertilizers has been the main contributor towards Engro Corporation's highest ever consolidated profit in 2013.

While we accomplished all other objectives for the year, they were an investment for future and the returns from those will materialize over the coming years.

The economic impact of Engro is not simply its revenues and profits earned or jobs created; instead the company's footprint extends across the entire economy in terms of the enormous positive externalities generated by Engro's investments in critical segments of the economy. The company has specifically targeted those sectors for investment that are capital intensive yet critical to spur economic growth through development of ancillary industries that provide wealth-generation opportunities to millions of Pakistanis across the social pyramid.

business continuity planning (bcp)

In the event of any untoward and unexpected situation, our businesses are fully equipped to initiate their BCP response protocols; therefore, ensuring the continuity of important operations at the very least and restoration of key operations.

Engro continues to engage in rigorous crisis management on a consolidated basis and for our diverse business segments as well. In recent years given our robust expansion such an exercise has become all the more critical to driving operational excellence. The holistic crisis management exercises that we conduct are reflective of the increasing diversity and complexity of risks that accompanies our business expansion.

As part of the comprehensive exercise, all our businesses continue to engage in Business Continuity Planning cycles on an ongoing basis. BCP refers to an action plan formulated in advance with the aim of preventing breakdown of important company operations or restoring and restarting them in as little time as possible if they are interrupted by the occurrence of an unexpected event such as a natural disaster or incident. We have formulated BCPs – with detailed standard operating procedures (SOPs) for backup of important company assets including physical and virtual data – for different types of crises such as natural disasters, new infectious diseases, international or national political problems and various other external incidents. In the event of any such untoward and unexpected situation, our businesses are fully equipped to initiate their BCP response protocols and work to ensure the continuity of important operations at the very least and quickly restore such operations.

our strategic corporate objectives 2014

During 2014, Engro Corporation will continue strengthening of its businesses financially and operationally, and resume its growth trajectory. We plan to progress on strategic investments in projects we are already involved in such as LNG and Thar, seek more international O&M opportunities and firm up plans for entering new businesses. While doing so, our core values and value creation for all stakeholders will remain a priority.

Engro plans to make substantial progress in the fast track LNG import terminal project during 2014. We expect this project to complete within approximately 11 months after signing of LSA. Also, we will continue pursuing the Thar mining project in collaboration with Government. Although the Thar project is estimated to take 3-4 years post financial close to complete, we believe that it is going to play a vital role in alleviating Pakistan's energy shortage and help put it on track to reach its economic growth potential. Both these projects will increase share of energy supply side business in Engro's portfolio helping it diversify business risk.

Leveraging our presence in the agri chain, we aim to take on further business development initiatives in this area. Based on the detailed studies conducted during 2013, we will firm up business plans for new businesses. Various feasibility studies will be undertaken along with pilot projects where required, enabling the company to be in a position to launch new businesses in coming years.

Based on inroads made in foreign O&M market, Engro Fertilizers and Engro Powergen aim to tap more opportunities. This will give Engro international exposure and help the company generate cash flows with low levels of investment. At the same time, partnerships with global manufacturers and plant operators will help further enhance Engro's engineering skillset.

2014 is also going to be a year of operational excellence. During the year, Engro will implement IT projects that have already been identified to add to information flow and faster decision making at all levels in the company. We will also develop and initiate a world class excellence program covering procurement and HR. Our constant belief in the strength of our Human Capital is the driver behind all our initiatives for the further development and retention of our talent pool. This year we will once again focus on improving our top talent pool, providing our employees with an enabling work environment and improving our diversity across all subsidiaries. On risk management front, we will revisit our risk management systems and deploy stronger mechanisms for identification, measurement and mitigation of risks faced by Engro's businesses.

functionability

our integrated value creation model

Engro's advancement as an organization is contingent on its ability to tap into the opportunities that Pakistan has to offer. We believe that while we aspire to deliver value and achieve excellence in our core businesses, the seeds we sow through our diverse outreach today will pave the way for meaningful success tomorrow. Essentially, therefore, that our growth continues to fuel the growth of Pakistan.

By ensuring that our business model is geared towards creating value for a wide spectrum of stakeholders, we create socio-economic opportunities for a far wider community than our direct customers and suppliers – we help fulfil the economic promise of all those that interact with our businesses.

Our investment strategy is based on matching our core strengths with the country fundamentals resulting in value creation for all stakeholders. We achieve this by leveraging on our strengths in the agricultural, food and energy verticals where we have unique competitive advantages. Engro provides end-to-end solutions in both these verticals; from the farm to the consumer table in the agricultural & food vertical and from source molecule to power generation in the energy vertical.

In the last two decades, we have transformed from being a urea manufacturer to becoming a diversified business conglomerate operating in various parts of the agricultural, food and energy verticals. Engro believes in an inclusive business model where everyone doing business with us benefits in some way. We have earned farmers' trust by supplying them with quality fertilizer for over forty years, educating them on good agricultural practices, taking anti-counterfeiting measures and for about a decade now, procuring farmers' produce (milk and later rice paddy). We have saved the country a hefty sum of foreign exchange by utilizing flare gas for power generation that was otherwise being wasted, by setting up a new urea plant sufficient to cater to domestic demand, by being the only PVC manufacturer of the country and by raising level of quality and service in all our operations. Our transparent transaction mechanisms make us the business partner of choice. We plan to continue to strengthen this trust and build upon it in our future endeavors.

We have firm belief in Pakistan's growth potential aided by its youth bulge, increasing consumerism and low cost of doing business. We plan to continue focus on growth in the identified business verticals in Pakistan including strategic investments in foods & agriculture as well as in the Thar coal and LNG projects.

Going forward, we plan to focus on business opportunities in the Next -11 emerging economies where we can replicate our growth model from Pakistan leveraging on our strengths. As part of this strategy, the company has recently made an investment in a power generation business in Nigeria along with winning its O&M contract utilizing our highly reputed engineering and project management skillset. In addition, we have set up a commodity trading company in the Middle East to focus on regional commodity trade opportunities.

Our business model, therefore serves as the pillar for extracting and maximizing value from the combination of different forms of capital. Some other external factors, creating risks and opportunities also influence our ability to create value. These are political, economic, social, technological and environmental factors. Our holistic business model takes into account all these complexities of short term, medium term and long term value creation.

value creation model

our value creation

3,881

Direct Jobs Created

Our investments in Thar Coal project will produce

5,000MW

of electricity for 50 years with total foreign

0.25%

Engro's contribution to national GDP

Rs.

59,962mn

Direct Economic Value Added

USD

770.46mn

market capitalization of Engro Corporation (as of December 2013)

Rs in million

5,655

exports in 2013
(2012: Rs 4,508 million)

15%

average reduction in debt of farmers

Rs

25,829

million contributed to national exchequer

7,304 suppliers in the value chain; Out of these 6,411 are local suppliers carrying value of Rs.

58,723

million (representing 88% of total suppliers' spent)

Rs 99 million social investment in 2013 (2012: Rs 89 million) with

7,000+

employee volunteering hours

our value creation

1.5+mn

farmers benefitting from our fertilizer products

Through our dairy interventions our farmers have benefitted from improved milk yields up to 20% leading to Rs.

8mn

additional income every year to 9,000 families

5.5mn

people consume our food products each year

250,000

farmers integrated in dairy value chain

Our ‘green’ power plant at Qadirpur continues to light up lives of over

700,000

households nationwide, saving the government close to Rs. 19 billion in generation costs.

Our foods business has distributed wealth of Rs.

40bn

to the dairy farming community to date since its inception

120bn

increase in net farmer income through use of our fertilizers

15%

increase in herd size of dairy farmers

USD 2 bn

Total investments in Pakistan between 2007 and 2013 through our varied businesses amount

Our fertilizer business helped insaving foreign exchange to the tune of USD

543mn

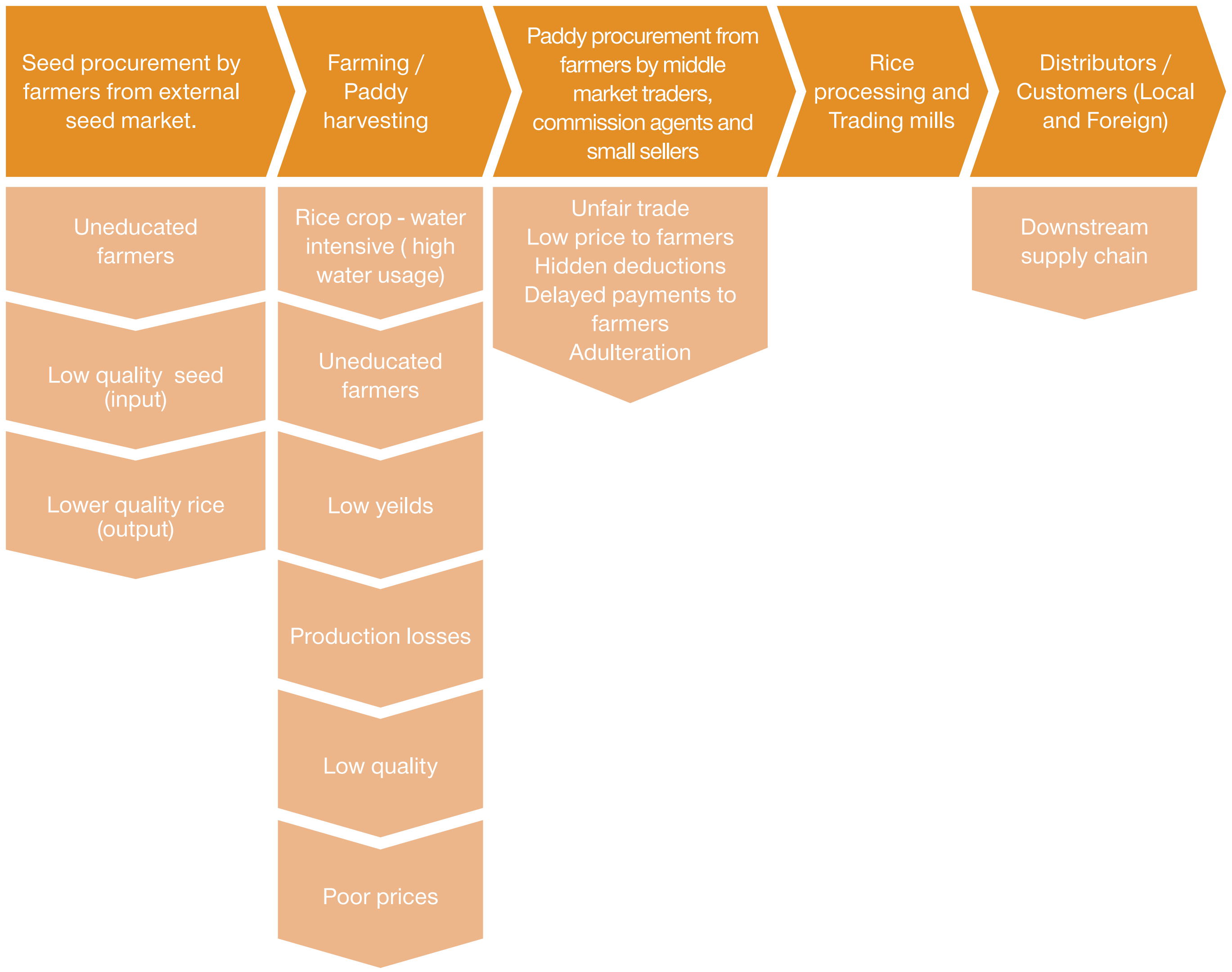
by producing 1,570 kT of urea in 2013 alone

creating sustainable business solutions (case study)

This case study relates to Engro Eximp Agriproducts Private Limited which is a wholly owned subsidiary of Engro Eximp (Private) Limited, a wholly owned subsidiary of Engro Corporation Limited

Engro EXIMP AgriProducts owns and operates a large and modern integrated rice processing complex near Muridke in the province of Punjab in Pakistan. The facility is located in the heart of the Basmati rice growing area and was commissioned in 2010. This integrated rice complex has the ability to dry more than 150 tons of rice paddy per hour and store up to 66,000 tons of dried and cleaned paddy. The plant can process paddy into rice at the speed of 24 tons per hour which can then be packed at the in-house packing facility for export or domestic sales.

Conventional Upstream Supply Chain



Monetary return from crops grown by farmers in Pakistan is well below international average due lower crop yields and inadequate pricing and marketing structure for better quality. Moreover, rice farmers in Pakistan usually do not get a fair price due to the unstructured nature of trade and processing sectors. The situation is further aggravated by the presence of middlemen who exploit their position as suppliers of inputs and buyers of outputs. Unfair weight deductions are applied to all rice paddy bought by middlemen and no price premium is provided for better quality crop. Additionally, these middlemen also remain the key source of financing for the farmers and provide loans at a very high cost. Payments by middlemen to farmers for crops sold take weeks and sometimes months. Overall, middlemen extract substantial margins from unfair deductions, high interest loans and delayed payments. Their lack of interest in crop quality has stagnated agricultural development.

Engro EXIMP entered the rice procurement, processing and export business to bring value addition to agriculture. Primary focus is on buying rice paddy directly from farmers, rather than through middlemen. Our inclusive business model concentrates on improving the competitiveness of basmati rice for farmers to ensure that there is long term raw material availability for the company through enhanced yield/acre and reduction in cost of production/ton. The Company has also implemented a quality-based pricing model whereby farmer earning is now directly linked with the quality of produce. As a natural corollary to an engaged and inclusive business model, Engro is also investing in research and development. A dedicated R&D team conducts trials on aspects of Basmati rice including new basmati rice seed development and water conservation. A dedicated team of agri-graduates spread across 11 procurement locations provides farmers with constant support and counseling for rice seeds, water conservation methodology, farm management and optimal use of fertilizers and Pesticide for increased yields

Sustainable Upstream Supply Chain

Overall positive socio economic and envoironmental impact.

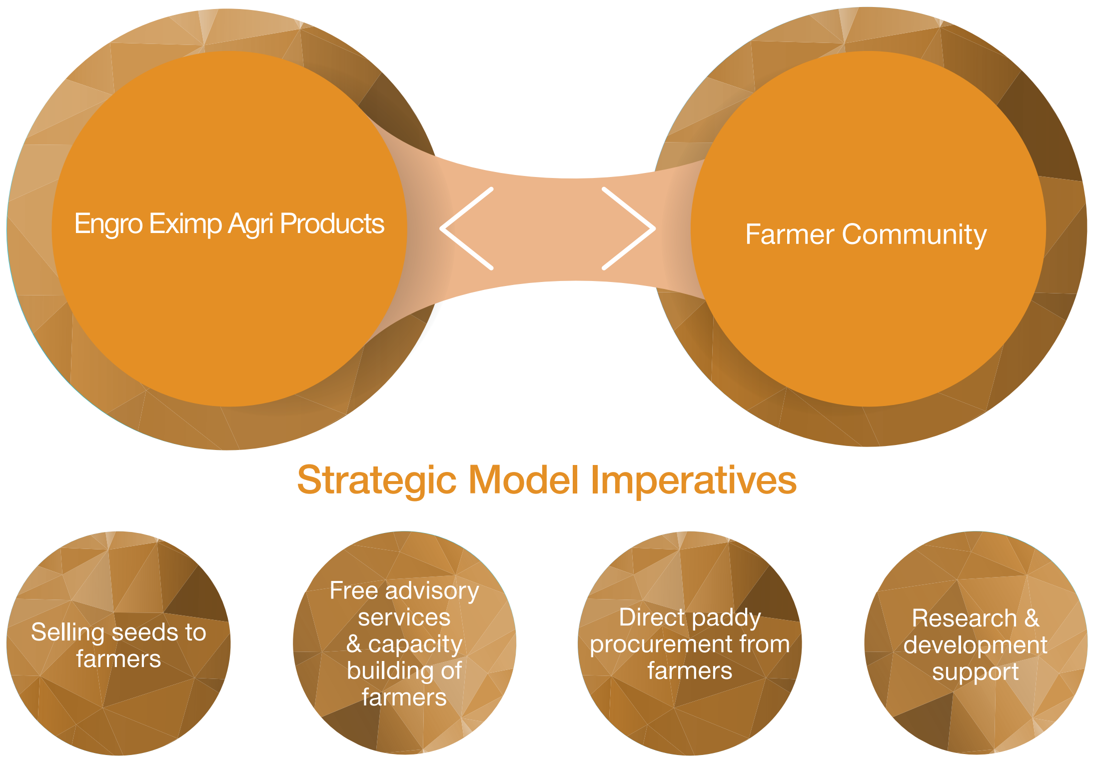
- Farmers' skills, competency and knowledge development
- Increased profitability & yield and reduced cost of production (direct economic benefits to farmers).
- Resource conservation and optimization (reduced land, water and energy use).
- Improved livlihood - engaged and satisfied farmers.

The rice business model of Engro Eximp relies on developing long term relationship with Basmati growing farmers through providing value added services for improving their skill set, knowledge, expertise, yields, profitability and livelihood while training them on best crop management practices, best fertilizer management practices , conservation of resources and inputs optimization. The company has an extensive field force of research and development, seeds' business, advisory and procurement staff working directly with the farmers throughout the life cycles of the rice & wheat crop.

Features of our sustainable business model includes:

- Direct Paddy Procurement from farmers- eliminating Middle Markets.
- Company's own seed business – selling international quality certified basmati seeds directly to the farmers.
- Free advisory services to farmers.
- Research and development – pioneering innovative techniques and subsequently up-scaling and spreading these across the spectrum.

Our Contract Farming Model



A game-changing innovation through the contract farming model has been in the payment processing facility. Through use of management information systems the Company ensures payments within 3 days of paddy supply. The reduction in payment cycles from 3-4 months to 3 days has reduced farmer dependence on informal lending channels and also the financial charges associated with them. The model is inherently different in its quality-based pricing mechanism which allows for farmers to earn premiums of up to 7% on good quality crop.

Key features of our sustainable business model are:

Selling seeds to farmers

We have become the biggest certified basmati seed producing company of the country. Our seeds are 100 % approved by the Federal Seed Certification and Registration Department

Seeds sold to the farmers (in Tonnes)

'12	'13	'14
350	550	750

'12 -13	'14
100k	150k-165k

Free advisory services & capacity building of farmers

We have well trained Advisory Services Team of research and development officers, seed officers, procurement & Agri development officers and field assistants who work in close coordination with the farmers throughout the life cycle of the crop. We provide multiple advisory services for best crop management through various means including:

- Season's kick off session with farmers.
- Farm visits.
- Group discussions.
- Farmers' meetings.
- Workshops.
- Demonstration Field Days.
- Monthly messages.
- Literature distribution – In 2013 we distributed 200,000.
- Bulk SMS's for 5000+ farmers.

Direct paddy procurement from farmers

The company focuses on maximizing direct paddy procurement from farmers.

Direct paddy procurement from farmers as a percentage of total paddy procured
in 2012 ~35%
in 2013 ~29%

In 2013, Paddy Procurement Volume was 190 K Tonnes.

Research & development support

Engro Eximp's research and development activities are currently focused on the four following areas:

- Alternative Wetting and Drying (AWD).
- Direct seeding of rice.
- Zero tillage (No Tillage Sowing).
- Optimum Plant Population Management (OPPM).
- Quality harvesting of paddy and awareness session on quality attributes and the influencing factors.

Positive Socio-Economic and Environmental impacts

- Pure, healthy and quality rice – Improved customer health
- Improved yields (7–12 %).
- Improved profitability for the farmers

- Improved resource utilization.
- Improved profitability for the farmers.
- Pure, healthy and quality rice.

- Fair and competitive price is paid to the farmers according to paddy quality measured through an effective internationally recognized system.
- Fair paddy analysis system.
- Fair price to farmers – paying premium for quality paddy.

For details, refer notes mentioned below.

Alternative Wetting and Drying (AWD)

This is a new and innovative technique to help farmers in saving irrigation water through safe Alternate Wetting and Drying methodology with an installation of Water measuring tube, moisture measurement, moisture assessment and further irrigation scheduling. Traditionally, fields are continuously kept flooded and water remains standing (Ponded). AWD contributes to positive social economic and environmental impacts including:

15%-30%

water saving.

Decreased costs of production of

Rs. 2500 to 4000 / acre

and increased profitability– a direct economic benefit to the farmers.

Reduced emission of carbon and methane gases.

Direct seeding of rice

It is the method of eliminating the conventional 'nursery raising' phase of rice crop cycle. Conventional 'nursery raising' involves land preparation, growing of nurseries, creating puddled soils and replanting rice seedlings. The method contributes to direct and positive socio economic and environmental impacts, including:

Increase in production yields by a minimum of

10%

leading to improved economic stability of farmers.

Increased efficiency in terms of optimization of time and resources.

---

20 – 25 % water saving

by avoiding uncontrolled flooding for puddling and subsequent stages of the crop.

Conservation and optimization of land.

Decreased costs of production (manpower, fuel, time) resulting in a direct economic benefit to the farmers.

Zero tillage (No tillage sowing)

Engro Eximp is using a technique of growing wheat crop without tillage and seedbed / land preparation. In this process wheat is sown through zero tillage drills in the residual moisture available in the soil after paddy harvesting. The method contributes to direct and positive socio economic and environmental impacts, including:

Decreased land preparation cost

Reduction in the number of field operations from an average of five to one, translating into time saving of

4-5 hours per acre

(a 60-90% time saving). Zero tillage drill accomplishes sowing of one acre of wheat in just one hour at a single point in time.

Savings of 15- 20 liters

of fuel per acre.

Reduction of water usage by

15 – 20 %.

Improved soil structure, fertility, and biological properties.

Increase in wheat yield by 5 -10% and reduction in production costs by 10+%.

Reduced fossil fuel use and reduced greenhouse gas emissions.

Optimum Plant Population Management (OPPM)

OPPM is the method of paddy plant population management which focuses on counting and quantification of paddy plants following an optimization study.

Through OPPM at least

7 - 10 % Paddy yield

increase can be achieved by small farmers which translates into a 100 – 150 kg gain in paddy yield per acre leading to economic benefit for the farmers.

Registration of farmers and issuance of Bharosa Cards

3000+

contract farmers

5000+

Indirect beneficiaries through mass communication activities

spearheading value creation

Our Dairy Business

Highlights of positive socio-economic impact:

250,000

farmers integrated in dairy value chain with

600+

farmers having reached the large scale commercial dairy status.

Since its inception in 2006 till 2013,1.28 billion litres of milk has been collected, paying farmers Rs.

40bn

in direct income.

Increase in average herd size of small-hold dairy farmers by 15 % whilst simultaneously increasing milk yields by 20%.

Decrease in the average debt load of each family that supplies milk by an average of 15%.

Improved payment cycles to milk farmers.

Increased productivity of the animals.

Increase in the net income of the farmers.

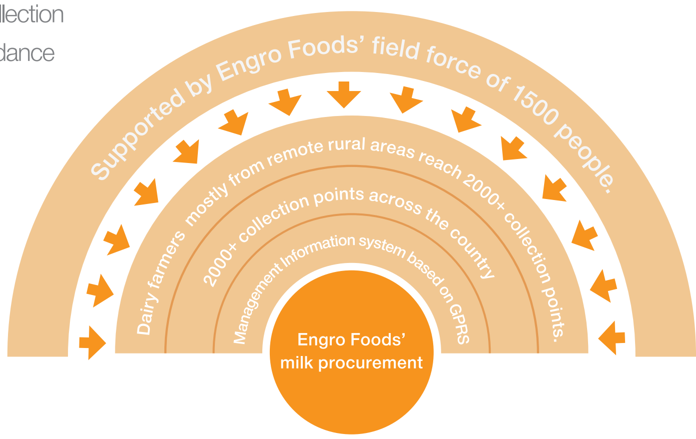
At Engro we take great pride in our contribution towards improving dairy standards in Pakistan and are passionate about enhancing the dairy sector by optimizing the contribution of farmers who rely heavily on our support to ensure the welfare of their families and the best care for their animals.

By taking ownership for the agricultural output of over 250,000 farmers, we have successfully managed to integrate the dairy value supply chain, thus boosting agricultural development across Pakistan and alleviating poverty for low-income farm families in the country's rural segments.

Most of Pakistan's 8 million farming households live at the base of the pyramid, and the average household owns between two to five animals. Their dairy yields are low, due to primitive farming methods, lack of technical skills, weak feeding patterns, and lack of health services for the animals. More than 97 percent of smallholder farmers live in rural areas where they have no access to markets where they can sell their milk. When they sell their milk, they are often subject to exploitation by middlemen, unjust pricing, and payment delays. As a result, smallholder farmers often raise cattle only for their own consumption in "backyard farming" rather than considering it a viable commercial business.

Engro has tried to change the game by directly buying milk from these small farmers. Engro has done this by establishing milk procurement infrastructure in deep rural Pakistan and using a management information system to manage its procurement through GPRS-powered mobile devices. The company has more than 2,000 locations to which farmers can walk in and bring their milk to sell to Engro. The milk is then collected by a fleet of more than 250 vehicles and moved to milk processing plants. Dairy farmers are paid for their supply on a weekly basis and supported by a field force of over 1,500 people. The management information system enables prompt and accurate payments and allows Engro to vary the frequency of those payments to match suppliers' needs, all the while monitoring procurement in real time. Through Engro's milk collection network, coupled with on the-farm training and technical guidance on farming and milk production, the Company is encouraging smallholder farmers to farm on a commercial basis. This is helping improve the livelihoods of hundreds of thousands of people.

Moreover, Engro Foods has also entered into meaningful partnerships whereby female livestock workers have been empowered to become change agents within the dairy system. Through integrated programs such as Women Empowerment through Livestock Development (WELD), the business has developed female entrepreneurs across the country.



2000+

collection points across the country

1500

field force of people

Dairy farmers are paid for their supply of milk on a weekly basis. The management information system enables prompt and accurate payments and allows Engro to vary the frequency of those payments to match suppliers' needs, all while monitoring procurement in real time.

Following our entry in the dairy business, we focused our efforts on breaking the vicious cycle of monopoly by contractors (dodhis) and deployed our own state-of-the-art milk collection infrastructure aimed at improving payment cycles, guaranteeing collection and increasing profit margins for small-scale dairy farmers who were not getting the due worth for their labour.

With regular investments in medical camps, fodder cultivation drives, and modern feeding techniques seminars, our contribution towards helping farmers optimize the production of their animals and improve their farming operations has been critical to our success in the last six years. Through our efforts, we have also been able to provide a steady livelihood to the most neglected segments in the dairy value chain of Pakistan.

Advisory services to farmers

Our team of agri-services experts advises farmers on animal health, nutrition and integration of best farming practices. We invest regularly in medical camps, fodder cultivation drives and modern feeding technique seminars.

In 2012, the G20 announced the winners of the Challenge on Inclusive Business Innovation, a global competition managed by International Finance Corporation (IFC), a member of the World Bank Group. In recognition of the positive impacts on society of Engro Foods' sustainable milk procurement model, Engro Foods was among the winners. The winners demonstrate that commercially viable companies can also provide economic development opportunities for poor people.

sociability

ability to create value through human capital

Engro brings together individuals from different backgrounds, thinking styles, talents, perspectives and uniquely endowed skills to create value for a broad category of stakeholders.

Diversity and Inclusion

We focus on cultivating a diverse workforce that is reflective of the communities in which our assets are located and our employees live.

Employee Engagement

We believe that a fully engaged workfoce is a competitive advantage and therefore we work to keep our people happy, motivated and commintted to excellence.

Talent Development

Our team members enjoy a vast array of programs and trainings in order to increase skills in their current role and develop leadership skills for the future.

Talent Acquisition

We at Engro consistently strive to attract, hire and retain some of the most talented people in Pakistan. We want to hire people who are passionate to create change.

Performance and Rewards

We ensure that our employees remain motivated through competitive financial and non-financial incentives.

Human capital is a salient resource to create long term value for a company and its stakeholders. Time and again we have accredited our continued success to one key factor – our people. We believe our employees remain our enduring strength – a core advantage that we continue to celebrate and work on to ensure that we consistently attract, hire and retain some of the best talent in Pakistan.

Whilst we believe that our ability to create high performance teams in a culture of inclusiveness, professionalism and excellence is what drives our success; after a thorough anlaysis, we have identified five critical aspects around human capital management that can enhance our human capital competitiveness. With this view we have formulated 3-year robust strategy with clear action plans on these areas which we believe can guarantee our success on this front. The Human Capital Strategy is presented before and approved by the Board.

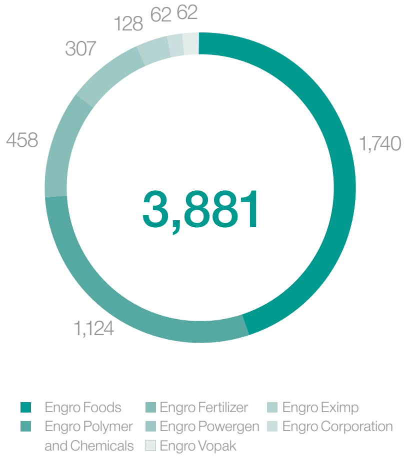
The committees of the Board providing oversight to Human Capital strategy and its management are:

i. Board Compensation Committee
ii. Committee for Organizational and Employee Development (COED)
iii. Executive Committee (EXCOM)

The quantitative HR strategic indicators can be found in the 'Consolidated Non – Financial Statements' later in this section.

Consolidated Non-financial Statement Human Capital

Performance Indicators / Drivers	2012	2013	2015 Targets
Employee Engagement			
Employee Engagement Index	38%	↑ 51%	56%
Attrition rate (turnover ratio)	16.10%	↓ 13.4%	<13%
Talent Development			
Bench strength	1:1.4	↑ 1 : 2.45	1 : 3.5
Top talent ratio	4.06%	↑ 7.12%	10%
Attrition in top talent	19%	↓ 11.11%	<7.5
Training hours per FTE	NA	NA	20
Talent Acquisition			
Time to Hire (in days)	75	↓ 60	45
Internal Moves	Not reported	⇨ 26.18%	35%
Diversity and Inclusion			
People with Disability (PwDs)	0.55%	↑ 0.57%	1%
Attrition in women	13%	↓ 15%	<15%
Gender diversity ratio	1:12	⇨ 1 : 12	1 : 11
Women top talent ratio	4.65%	↑ 8.6%	11%



Break up of total employees by subsidiaries

	2013	2012
Engro Foods	1,740	1,544
Engro Fertilizer	1,124	1,178
Engro Polymer and Chemicals	458	456
Engro Eximp	307	382
Engro Powergen	128	107
Engro Vopak	62	65
Engro Corporation	62	63
Total	3,881	3,794

215
Management employees joined during the year

Break up of total employees by category

Management employees	1,137*
Non management and Assistants	2,744**
	3,881

* All management employees are full time and permanent
** Assistants are full time and permanent while non-management staff are full time and contractual

13.4%
Attrition rate in 2013

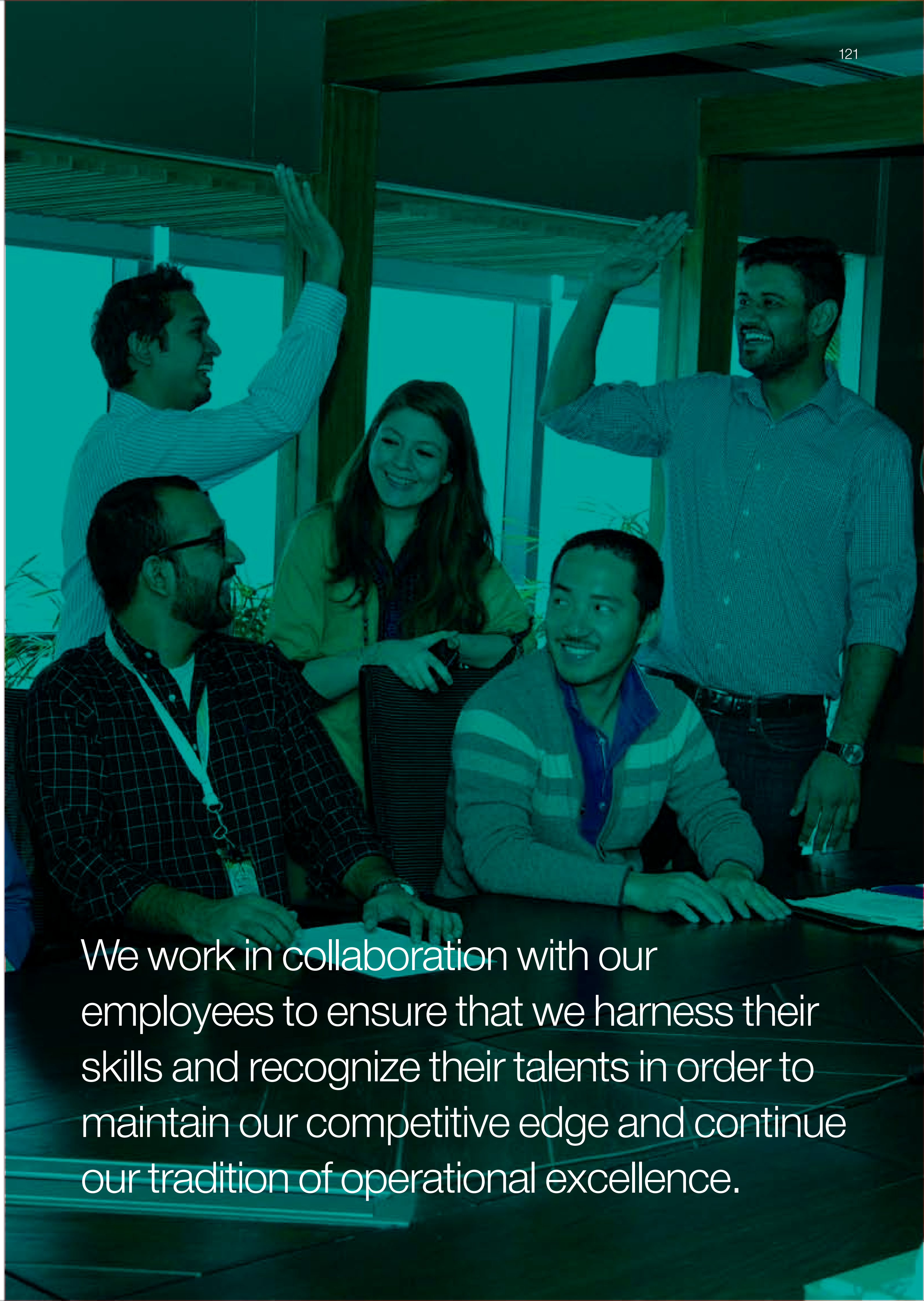
Break up of total management employees by gender

Males	1,044
Females	93
	1,137

20%
Reduction in time to hire talent

Management Employees left in 2013

Males	143
Females	14
	157



employee engagement

To ensure that Engro remains the most sought after employer amongst a varied group of individuals, we continue to work on and implement a holistic strategy for employee engagement and organizational development. High employee engagement and commitment levels have clear business benefits. We believe that engaged employees are:

Satisfied with the company as a place to work

Motivated to help the business achieve its goals and values

Aligned and inspired by Engro's culture and values

Proud and strongly connected to Engro's organizational culture

Customer-focused and have high emotional energy and passion towards the work that they do

Loyal and have a strong preference to stay employed with Engro

Advocates with willingness to refer or recommend Engro as a great place to work

2015 Goal & Action Strategies

Goal

Enhance our Employee Engagement (EEI) Index* by

5%

from 51% ⇒ 56%

Action Strategies

Ensure that all Managers/Heads take effective measures to increase the EEI by incorporating the targets of their subordinates' EEI in their annual performance goals

Devise focused strategy on areas of significant gaps relating to employee engagement

Conduct focus groups with employees on a quarterly basis

Reduce attrition (turnover) well below market average

* The employee engagement Index is an independent benchmark tool that measures employee engagement, motivation, organizational commitment and many other HR dimensions.

2,000+

employees participated in the engagement survey in 2013.

Employee Engagement Survey (EES)

in 2013, the company conducted an employee engagement survey, a practice that is conducted periodically, to determine how satisfied the workforce is with the firm and its policies. Such a survey, allows management to determine the impact of their policies, focus on ethics & integrity, infrastructure & support, communication & information exchange, career growth, training & development amongst other things on employees, and if need be, introduce corrective measures. The goal is to make consistent and visible efforts to improve the existing Employee Engagement Index (EEI).

We have been conducting an independent employee engagement survey for the last few years across all group companies to measure the engagement and satisfaction level as well as to identify employee views and opinions around 12 dimensions, linked to business excellence. For effective analysis, the results of the survey are disaggregated for all group companies. The areas of gaps / improvements are critically analysed, presented to the Board and are embedded into HR strategic objectives.

EnVison

Our employees play an important role in achieving Company's vision of a sustainable future. Engro encourages and supports such employees and facilitates their volunteering efforts through a group wide program called EnVison (Engro Volunteers in Service of the Nation). The objective of EnVison is to engage employees in Engro supported community development programs. EnVison not only helps us in community development, it also strengthens our employee engagement. By participating in EnVison, employees develop various skills and traits which include team work and leadership and self-confidence. For more details on EnVison program, please refer to the 'Social and Relationship Capital' section of this report.

Networking events

All our group companies have the practice of organizing various informal networking events for our employees and their families. Such events allow our employees to interact and form a stronger Engro bond. These platforms not only provide recreational and entertainment opportunities for our employees but also bring them closer to collaborate and demonstrate team spirit in their work which is beneficial for the organizational growth.

Speak out mechanism

Engro is one of the very few companies in Pakistan that has a whistle-blower policy. We are committed to creating an environment where all our employees are encouraged to raise their voice against negative information. The ‘speak-out’ mechanism allows employees to lodge complaints through emails as well as through a toll free telephone number. Each grievance/complaint is taken up by the Board Audit Committee and thoroughly investigated

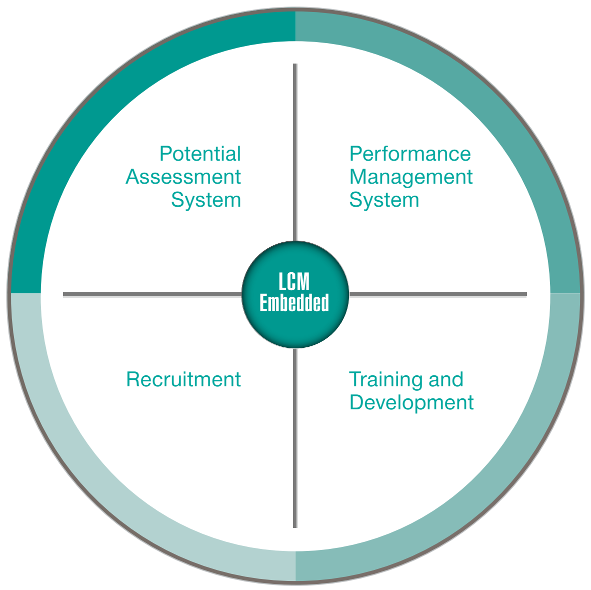
talent development

At Engro, we believe that our leadership today has a tremendous responsibility to prepare the talent pipeline for the future. We focus on shaping future leadership by equipping employees with the right combination of skills set, attributes and experiences that prepare the next generation of employees to carry our legacy forward.

Training and development: To meet employee and organizational needs, we have developed a long term strategy to increase our bench strength whilst developing a well rounded standardized talent development framework, comprising of various training interventions necessary to guide and equip our employees to realize their full potential. Through the year, we continued to provide opportunities for acquisition of knowledge for technical and managerial skills through various class room and on the job learning exercises.

Our Talent Development Framework

A rigorous talent development framework focusing on multi-pronged areas ensures well-rounded presence of future leaders in our talent pipeline



Training and development

2015 Goal & Action Strategies

Goal

Advance the training and development system to world class standards

Action Strategies

Develop competency based hybrid training and development framework

Develop a flagship program for middle as well as top management

Develop training framework for Executives

Strengthen internal management reporting on Training and Development

Achieve average of 20 hours of training per full time equivalent

Training and Development Framework

To meet employee and organizational needs, we have developed a long term strategy to increase our bench strength whilst developing a well rounded standardized talent development framework, comprising of various training interventions necessary to guide and equip our employees to realize their full potential. Through the year we continued to provide opportunities for acquisition of knowledge for technical and managerial skills through various class room and on the job learning exercises.

Leadership Competency Model

Over the years, Engro has expanded from a single-product company to one that has multiple subsidiaries producing diverse products and services. In addition, there has been a surge in the number of professionals from diverse backgrounds and experiences who work for Engro.

Moreover, as a result of increasing competition there is a continuous need to not only retain talent, but to develop a new group of leaders who will ensure Engro continues to succeed.

We aim to develop leaders at all levels having clear vision for the business. We need leaders that can support Engro's 2015 growth aspirations of diversification in the national and international businesses.

20

expert trainers to be developed in house by 2015

Engro Leadership Competency Framework

In order to ensure that the talent pipeline remains in line with the company's growth objectives; we have developed a comprehensive 'Leadership Competency Model' (LCM). LCM is a crucial component of Engro's talent management strategy, which translates business needs and critical success factors into leadership competencies to effectively drive Engro's business operations. LCM has been embedded in the performance management, potential assessment, training and development, and recruitment of middle management, senior management and executives. LCM is effective in the development and monitoring the development of future leaders. It focuses on aligning competencies and behaviour of talent towards a unified 'Engro Leadership DNA'

Succession Management

2015 Goal & Action Strategies

Goal

Improve the bench strength* of our top talent pool by

44%

Action Strategies

Double the top talent ratio

Develop the Top Talent Framework to assess and identify top talents in collaboration with an internationally recognised HR consulting firm

Increase the hiring of highest quality talents as management trainees and identify 100 top talents

Launch formal mentorship programs for middle management and robust development programs for HIPOs

* Bench strength is the measure of succession management, i.e. capability and readiness of potential successors to move into key leadership positions.

Bench Strength

One of our key HR practice is the planning, monitoring and formulating strategies around bench strength. Bench Strength management is a process of identifying and developing internal human resources with the potential to fill key business leadership positions in the company. It increases the availability of experienced and capable employees that are prepared to assume these roles as they become available. Thus, bench strength model recognizes future business requirements and provides development opportunities and career pathways within teams and departments to maximize learning and development investment while ensuring continuity of critical operations in case of vacancies.

Top Talent Mentorship Program

In order to equip the future leaders at Engro, we consciously integrate mentoring within our corporate framework as a meaningful two-way exchange designed to accelerate leadership development, boost employee morale and provide avenues for long-term career development. The Top Talent Mentorship Program thus helps pave the way for transforming Engro's Top Talents into leaders of tomorrow by effective guidance received from the Mentors.

performance and rewards

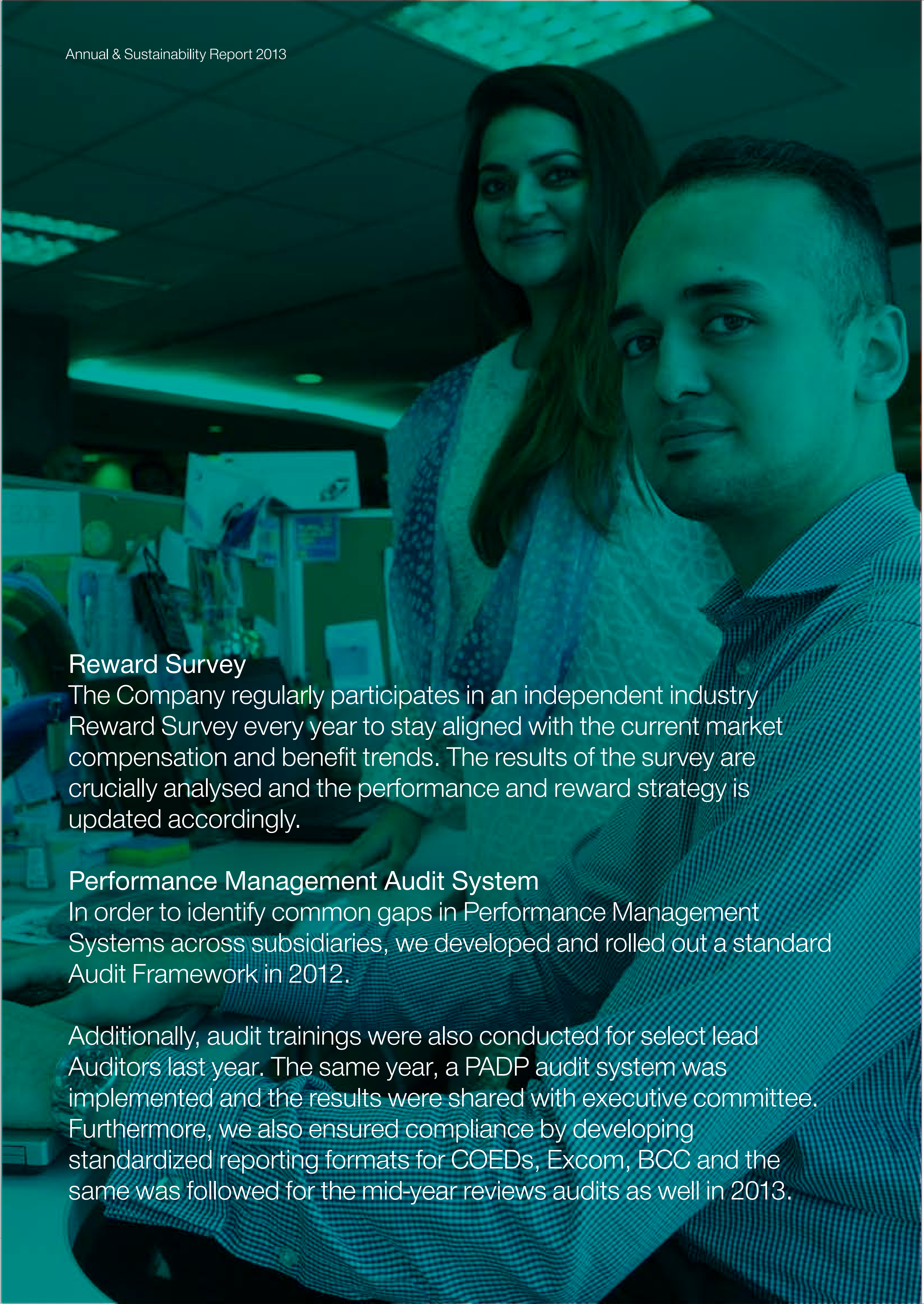
Each of our employees plays an integral part towards our success as a company. To attract the best people, we offer exciting growth opportunities and competitive packages, aligned with the best in the industry. In addition, we offer annual salary rewards linked to employee performance

Group Reward Policies

We believe in rewarding our talent with various monetary and non-monetary incentives to boost their motivation. To this effect, we have established several policies, including a goal to benchmark our salary packages to remain competitive compared to other local and multinational companies in Pakistan. We offer highly competitive compensation packages to all our employees at every level in the organization hierarchy.

Throughout out various businesses we continue to provide the following benefits:

Compensation Related Benefits	Other Benefits
Leave Fare Assistance	Medical and Dental Benefits
Appliance Allowance	Group Insurances
Home Ownership Assistance Plan	Pension and Gratuity (Retirement benefits)
Car Assistance	Disturbance Allowance
Variable Bonus	Housing Allowance
Company Car Policy	Education Assistance Plan
Service Incentive Plan/ Investment Loan Plan	Death Benefit Gratuity
Fuel Entitlement	Club Memberships
Utilities Allowance	Long Service Award
Car Earn out Policy	



Reward Survey

The Company regularly participates in an independent industry Reward Survey every year to stay aligned with the current market compensation and benefit trends. The results of the survey are crucially analysed and the performance and reward strategy is updated accordingly.

Performance Management Audit System

In order to identify common gaps in Performance Management Systems across subsidiaries, we developed and rolled out a standard Audit Framework in 2012.

Additionally, audit trainings were also conducted for select lead Auditors last year. The same year, a PADP audit system was implemented and the results were shared with executive committee. Furthermore, we also ensured compliance by developing standardized reporting formats for COEDs, Excom, BCC and the same was followed for the mid-year reviews audits as well in 2013.

talent acquisition

Our people are at the very centre of our business and core to our strategy for competing effectively in the market. We are proud to have the most talented people of the country from top universities who have having unmatched professional qualification, skills and competencies to add value in short, medium and long run.

2015 Action Strategies

increase group-wide internal movements by

10%

Improve time to hire employees by

20%

Complete transformation of the end to end recruitment and talent management system of the group to automated online system

Develop an online system for reporting and monitoring of HR Metrics at the group level

Finalise organizational audit

World Class Talent Management System

To support the Engro's objective of acquiring the best talent, our recruitment system deploys variety of online talent assessment methods. We deploy one of the world's leading accurate leadership, intelligence, cognitive ability and behavioural assessment systems.

Management Trainee Program

Building great brands depends on a constant stream of great people who believe in the power of team work. In our continuous efforts to expand our talent pool we are constantly on the lookout for graduates that seek a rewarding corporate experience. Our Management Trainee Program is an intensive 12-months immersion in every aspect of our business and formulated specifically to match the expectations and skills set of the aspiring graduates with our business needs. The Engro MT program aims to develop competitive leaders with the skills and experience to perform well in various positions optimizing their performance and helping them actualize their skills whilst furthering our business goals responsibly.

Internship Program 2013

Engro believes in developing young talent and giving them the opportunity to experience the corporate world first-hand so they have a better idea of where their interests truly lie. In line with this, in the summer of 2013 Engro opened its doors to the summer interns. The drive included students from leading business schools of Pakistan. After going through various competitive processes, the shortlisted students finally joined us and began their journey at Engro. The internship drive not only involved business graduates but also engineering students from universities all across Pakistan.

To have more insights on Talent Acquisition, please log on to www.careers.engro.com

diversity and inclusion

Engro brings together individuals from different backgrounds, thinking styles, perspectives and uniquely endowed skills to create value for a broad category of stakeholders.

2015 Goal and Action Strategies

Goal

Further our diversity and inclusion objectives and measure progress in this regard.

Action Strategies

- Establish company-wide goals and targets for gender equality
- Introduce gender sensitive policies at the group level
- Set up a 'Diversity & Inclusion' council comprising members of senior management and executive committee.
- Group wide monitoring and implementation of People with Disability (PWD) policy
- Increase the ratio of PWDs in the company to at least 1% by 2015
- Launch sensitization trainings on both Gender & Disability
- Ensure women representation at Board of Directors level
- Implement agile working programs for all to increase productive work hours

Gender and Ethnic Diversity Study

This year Engro carried out an in-depth study focusing on Gender Diversity. We ensure that we recruit people from varying backgrounds, religion, gender, ethnicity, culture, etc. To this effect, we have been focusing on concerted efforts of improving our gender diversity metrics and have been successful in increasing the proportion of women who work at Engro.

Gender Friendly Policies

Our focus on gender diversity stems from a three-pronged rationale, which clearly identifies that diversity drives innovation; females will continue to formulate major proportion of the workforce; and that females represent a growing population of consumers. In order to encourage females to contribute towards the success of the organization, Engro has introduced several initiatives such as flexible working hours, a day care centre, as well as a spouse employment policy.

Day Care Centre

In order to make sure that the women are able to perform their job duties without having to worry about their kids, Engro provides a day care centre for working mothers. The fully furnished day care centre at Engro covers an area of 2500 sq ft. Several learning and development activities are arranged to keep the kids engaged throughout the day.

Disability Policy Guidelines

Engro's commitment to gender inclusion and diversity is a continuous dedication that has been embraced by the entire organization and will continue to prosper over the coming years. Engro is an equal opportunity employer and owing to the Disability Policy Guidelines of 2012, we currently employ 21 disabled people, which represent 0.55% of the total workforce. We aim to increase this ratio to 0.8% in 2014 and to 1% by 2015. In addition to this, this year Engro rolled out a plan on implementing the Disability Policy with NOWPDP. We have also engaged an internal resource to assess whether the organization is disabled friendly. Moreover, for the benefit of disabled people, all group companies of Engro contribute in the 'Disabled persons rehabilitation fund' based on the number of registered disabled persons it employs.

Non-Discrimination & Harassment Free Culture

Even prior to a national legislation on women`s right in the workplace, Engro introduced a sexual harassment policy to ensure that female employees felt safe at Engro.

Furthermore, we have institutionalized our Company-specific Non-Discrimination and Harassment Policy that continues to provide an impartial employment and work ethics framework that inculcates freedom from all forms of discrimination and harassment at the workplace. It aims to encourage employees to treat each other with the same respect and courtesy as we do family and friends. We have put in place a rigorous system to mitigate harassment, discrimination or abuse of authority at the workplace i.e. any action, conduct or behavior which an individual or group of individuals finds unwelcome, humiliating, intimidating or hostile. Employees are, therefore, routinely coached on avoiding actions or behaviors that are, or could be, viewed as either of the above.

The Company has also instituted a "Harassment Inquiry Committee" which is available at all manufacturing sites as well as company head offices. The inquiry committee serves to run a complete formal investigation of any situation that falls under a violation of the Non-Discrimination & Harassment policy, and consequently make recommendations to a senior forum consisting of at least the Head of HR and the CEO of that company.

Our Commitment to Human Rights Principles

The UN Guiding Principles on Business and Human Rights was launched in 2011. For the first time, a set of principles seeks to define the boundaries of responsibility for human rights between nation states and companies and provide a comprehensive and widely accepted view of the obligations in this area.

As we forge ahead with an increased focus on our HR systems and people-centric investments we will emphasize on integrating the human rights perspective into our general human resource management systems, including a systematic mapping of how our diverse businesses impact the human rights of communities and other people affected by our operations. In addition, we will also focus on replicating and translating what human rights mean in the context of different business functions to have a much more meaningful impact on how we continue to not only uphold but champion the rights of all individuals that come in direct or indirect contact with our operations, facilities and employees amongst others.

Our Unwavering Focus on Labor Principles

Our commitment to labor principles span our nation-wide operations, covering all business segments and employees. They are based on international conventions and are designed to provide equal minimum standards for our employees across the diverse cultures and regulatory environments that we work in. The principles reflect our commitment to the UN Global Compact and ensure high quality and fair labor conditions for our people and provide the systems and processes for them to raise concerns or issues within the workplace.

These principles help to maintain our reputation as an attractive and trusted employer, which supports our ability to attract talent. Also, by raising awareness of the principles among our employees, we believe we reduce the risk of workplace disputes and that this supports our ability to retain our employees and maintain a stable, engaged workforce.

empowerability

social and relationship capital

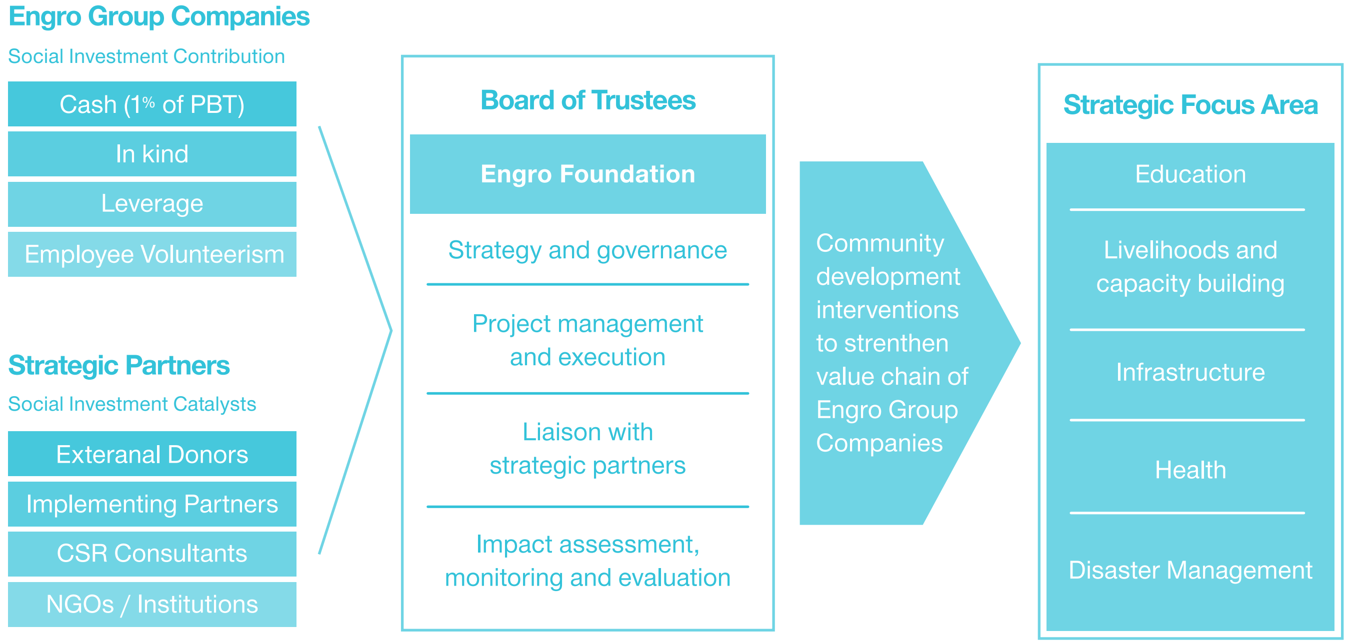
"2013 has been the year where we have upgraded our strategy and moved our work towards greater sustainable impact. Our objective going forward is to improve livelihoods in our value chains and empower communities towards identifying their own goals and priorities for better local outcomes."

Our employees, those working in our value chains and communities around our plants are our most vital stakeholders. We have always attached paramount significance to their development, empowerment, views and concerns for embedding in our decision making. Open engagement with our host communities and other key stakeholders is critical when trying to ensure that our activities positively enhance the socio economic status of the people associated with our value chain.

The largest parts of our operations are located in the rural areas of the country and our value chain extends far to the doorways of farmers and small enterprises. As a large responsible corporation this raises particular expectations towards contributing to their socio-economic development. Investing in the long term development of our host communities enhances our own growth opportunities, and contributes significantly to our social license to operate.

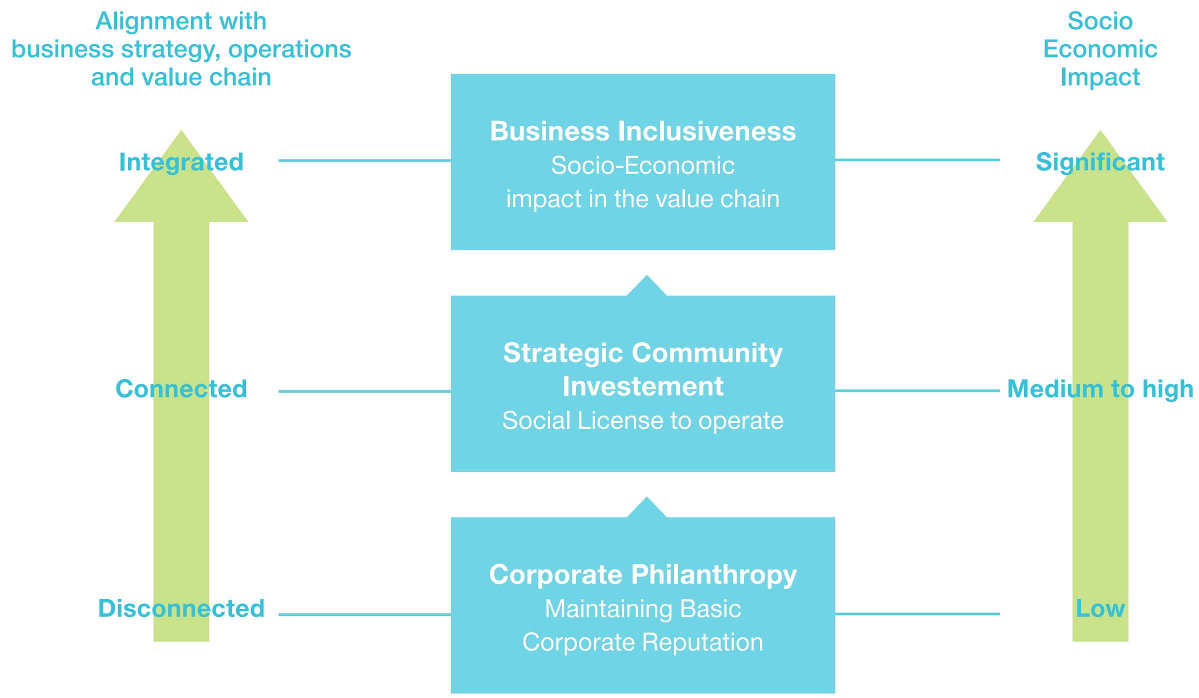
Engro Foundation

Engro Foundation leads the corporate citizenship program for Engro Corporation and its group companies, each of which have pledged 1% of their profit before tax to Engro Foundation's social investment programs.



strategy and objectives

Over the years our strategy for community investments has evolved. From indulging into mere corporate philanthropy, where we just invested in CSR to maintain our social license to operate, we are now shifting our focus towards integration of our CSR activities in to the respective value chains of our group companies. This shared value approach will ensure a sustainable and collective growth of our businesses, societies, stakeholders and our nation in large.



key goals for 2014 / 2015

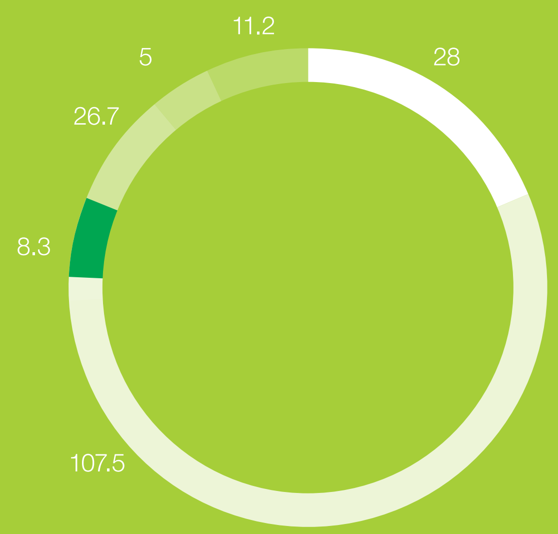
1. Mapping of value chain, including associated local supply chains (procurement of goods and services) of our key businesses to identify opportunities and develop a comprehensive 3 year strategy to maximise the socio-economic impact of our interventions.
2. Development of robust community empowerment plan in our priority Daharki communities for Engro Fertilizers.
3. Development of long term sustainability plan for Technical Training College at Daharki and evaluation of institutional capacity to run the Diploma in Associated Engineering and Vocational & Technical Education programs.
4. Evaluate opportunities in strengthening farmers' networks in accordance with international best practices.
5. Development of "participatory approach" plan to empower communities in developing their own projects to work with the local Government.
6. Launch SPIRiT Project (Systems Productivity Innovative Rice Training) for the training of 10,000 small holder farmers in the rice supply chain.
7. Develop local organization(s) in Katcha (Riverine belt of Indus) and build its capacity to manage Katcha education program.
8. Focus on local procurement and skills training in plant areas.
9. Conduct baseline studies in Daharki & Qadirpur communities across identified plant areas.
10. Strengthen employee volunteerism program (Envision) by forming chapter committees, facilitating chapters, monitoring quarterly performance and developing management information system for it.

performance

Consolidated Non-Financial Statements
Social Capital

	2013 Rs in millions	2012 Rs in millions
Investment		
Monetary		
Direct		
In cash and in kind	71	63
Management cost (Note)	28	26
	99	89
Leverage		
Donor spent / External fund raising in Engro supported projects	87.7	97
Total Monetary Investment	**185.9**	**186**
Non Monetary (In time)		
Employee volunteering hours in Engro supported community development activities (Envision)	7000+ hours	5000+ hours

Thematic Community Investment



- Fixed Costs
- Livelihood and capacity building
- Others
- Education
- Infrastructure
- Health

Note: This includes Engro Foundation's staff salaries, perquisites and retirement benefits. Costs and overheads incurred by Engro Foundation in the execution of its activities are also inclusive.

Please refer individual project details below. (We have measured the outcome / impacts of only currently running projects).

employee volunteerism

Engro fully supports employees who wish to positively impact the communities around them. Thus, Envision (Engro Volunteers in Service of the Nation), a company wide initiative was established to promote a culture of employee giving and engagement through volunteerism, via 7 chapters located in Sahiwal, Sukkur, Muridke, Daharki, Port Qasim, Karachi, & Lahore. The program works through voluntary council of each chapter. Opportunities are identified and then a particular event organized.

Career counselling and mentorship program for students at:

- TCF School Daharki
- TCF School Muridke
- Ghagar Phatak
- SMB Fatima Jinnah Government Girls School

Motivational lectures of experienced supervisors / engineers for the students of Technical Training College, Daharki

Volunteer work at Engro supported schools at Sahiwal.

Seminar on health and leadership in Karachi.

Volunteer work at Karwan-e-Hayat, a non-profit organization that cares for mentally ill patients.

Volunteer work at Dar-ul-Sakoon, a home and haven for the physically and mentally challenged.

Volunteer work at the Karachi Vocational Training Centre.

Blood drive for Fatmid Foundation where enough blood was collected to help 150 people for 15 days.

Safety awareness campaign at Ghagar Phatak.

Envison in action in 2013

7,000+

employee voluntary hours

education

"The foundation of every state is the education of its youth".

— Diogenes Laertius

We at Engro believe that education is the most effective instrument for the uplift and empowerment of our society. Therefore, it has always remained at the heart of our CSR commitments. From the provision and enhancement of school infrastructure to working on the reduction of school dropout ratio and promoting technical education – our educational initiatives have increased manifold over the years.

School Adoption Program

We have adopted 20 government schools mostly in and around areas where our operations are based. We've taken the responsibility for operational costs of adopted schools and providing free education, including educational material to all students. For sustainability, we have been setting up School Management Committees (SMCs) to manage and run the affair of these schools.

Rs. in million

15.3

Investment in School Program in 2013

30+

Schools being supported as at 2013

4000+

Students benefited as at 2013

Setting up schools in Nara Desert

During the year, our educational initiatives reached to yet another remote corner of Pakistan – Nara. Provision of education like many other services is not prevalent in the area and a few government schools which had historically been present have been abandoned. We adopted and revived two primary schools in Nara Desert and were involved in the following related activities:

- Identified villages to set up schools
- Formed school oversight committee for rehabilitation and construction of school buildings
- Infrastructure development
- Encouraged community to educate their children
- Taken responsibility for operational cost and free education with educational materials

Nara desert, where Engro Foods Dairy Farm is located, is considered to be biggest milking parlor of Pakistan It is in fact one of the least developed, underprivileged and poverty stricken areas of Pakistan. Extreme solar radiation, scanty rainfall, little vegetation and high salinity of water are the harsh realities the people of Nara desert face.

200+

children enrolled and started their journey in education

Katcha Education Program

The year also witnessed the smooth running of our primary education program in the 'Katcha' area (Riverine belt of Indus) of Ghotki District. This program was started in 2001. Prior to Engro's intervention in the area there were no schools. The program is imparting quality primary education to children, the value of which has permeated surrounding communities.

Rs. in million

3.5

Investment in primary education program in 2013

900+

students are enrolled in 10 primary and 1 middle school

Teacher Training Program

Engro has also invested in improving the quality of teachers in its programs. Engro has sponsored a Training and Resource Centre (TARC) for teachers working at Engro-supported schools. Engro collaborated with partner organizations to carry out teachers training and assessment.

Such an effort proved effective in significantly increasing teachers' competency level.

Collaboration with 'The Citizens Foundation (TCF)'

Engro Polymer & Chemicals signed a Memorandum of Understanding with TCF for setting up a primary school in Ghagar Phatak, which will be operational in 2015. This will be our second school set up in collaboration with TCF, with the first one in Daharki.

livelihood and capacity building

Pakistan has the ninth largest available human workforce in the world. Unfortunately, majority of them are unskilled and semi-skilled. Unless educated and equipped with adequate skills, our country's biggest asset might turn into our greatest liability. Engro from its very beginning has believed in the development of competencies of people in the communities in which it operates by equipping them with the right set of skills, with the aim of improving their livelihoods.

WELD Impact

Training of milk producers	
Number of people trained	18,662
Numnber of villages covered	418
Selection and training of Female Livestock Extension Workers (FLEWs)	
Number of people trained	322
Number of villages covered	294
Average monthly income (in PKR) of FLEWs	2,082
Selection and training of Female Milk Collectors (FVMCs)	
Number of people trained	216
Number of villages covered	185
Average monthly income (in PKR) of FLEWs	2,516

Women Empowerment through Livestock Development (WELD)

Engro in collaboration with USAID initiated the dairy value chain program, aiming to provide women an opportunity to capitalize on their participation in the dairy value chain, inclusive of creating entrepreneurial opportunities for women and communities by providing rural women associated with livestock management training for better management of livestock. The program offered 3 types of training:

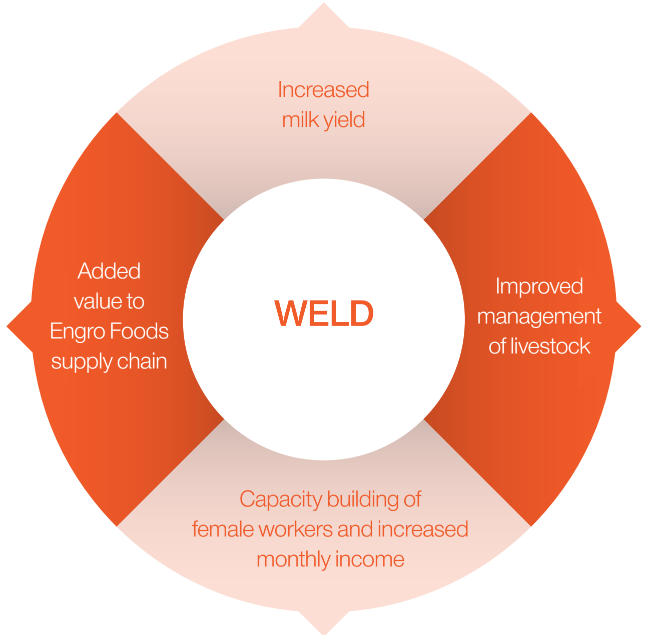
- Training of female livestock owners; who are trained for better management practices which include day-to-day activities related to livestock feeding and nurturing
- Female livestock extension workers (FLEWs) & Female village milk collectors (FVMCs); who are trained for delivering door-step services to the aforementioned livestock owners.

Initiatives of WELD

- Livestock medical camps
- Group meetings
- Meetings with Input suppliers / credit facility
- Facilitation to meet micro finance access
- Close working with Engro Foods Limited – particularly FVMCs
- Creation of Inputs Hub

By and large, animal health has also improved, contributing to the dairy value chain and the quality of milk on the whole, with the yield being 3.6 lpd pre intervention and 4.89 lpd post-intervention

Rs. 266 million Value of Milk obtained via increased yield resulting from initiatives of WELD



Women have used their new found income to further enterprenurial activities that include opening retail outlets.

Rs. in million

66.5

Amount spent by Engro and its donor partners on WELD as at the reporting date.

It has granted women an avenue of empopwerment via monetary means, earning an average of Rs. 2,516 per month.

Technical Training College, Daharki (TTC)

Engro took the lead in the development of Technical Training College, the first degree-awarding institution in Daharki. TTC is a nationally and internationally accredited institution under the umbrella of Pakistan Chemical and Energy Sector Skills Development Company (PCESSDC), having affiliations with Sindh Board of Technical Education and City & Guilds, UK that offers 3-year Diploma programs in Mechanical and Chemical Engineering to young people, being established in 2011.

Engro Corporation's CEO is PCESSDC's board member and VP Manufacturing Engro Fertilizer acts as Secretary to the board. A number of Engro employees from Daharki work as volunteers for TTC as and when needed. During the year, Engro conducted coaching classes for students from CAER (Community awareness and emergency response) villages for TTC's entry test preparation. Strategic partnerships with USAID, STEVTA, & DEG have been established.

Rs in million

11

2013 investment in TTC

206

Students enrolled with TTC

Highlights at TTC during the year

- Inauguration of library and hostel at the campus
- Induction of new batch of 68 student, taking up the total enrolment at the college to 206 students
- Almost 41% of the new students came from CAER villages, families of contractors working for Engro Fertilizers Limited & Engro Powergen Limited and from schools / coaching centres adopted and run by Engro.
- Vocational welding course which was initiated last year saw its first batch pass out in November 2013 comprising of 20 students. The program was co-funded by Engro with Pakistan Poverty Alleviation Fund.
- Through the platform of 'Global Giving', US$ 6,120 was raised from all over the world for the diploma education of one of the deserving students of TTC.

Sahara Arts and Crafts Centre (SACC)

Our program at SACC allows a means to develop livelihoods for marketable products. It includes a stitching centre for women. All operational costs are borne by Sahara which in turn is fully funded by Engro affiliates.

260+

women acquired skills and started their livelihoods.

Hunar Scholarship

Engro Polymer, with the help of Engro Foundation, HANDS and Hunar Foundation, announced the Engro-Hunar Scholarship Program' in Ghagar Phatak, near Port Qasim. Eight students availed the scholarship, got mentorship opportunity from Engro's senior management and acquired international certification with merit positions in their areas of technical trait. Investment in the program amounts to Rs 2.5 million.

Other livelihood and capacity building initiative

During the year 8 students based at Engro Eximp's location at Muridke, took part in and successfully completed Descon Training Institute's Pipe fitting training program. Engro Foundation sponsored the training of the above students for investment of Rs 1.25 million.

health

The mainstay of a healthy community is its mental and physical well being. Engro's existence coincides with areas and communities where lack of access to healthcare is a common feature.

29,000+

Beneficiaries of Engro's health initiatives during the year 2013

Rs in million

11

Amount spent on health initiatives in 2013

Snake Bite Treatment Clinic, Daharki

Engro established a snake bite treatment centre in 1977 which provides free treatment. The centre provided services to over 7,000 patients in 2013.

Blessing Foundation Clinic, Sukkur

Our partnership with Blessing Foundation Clinic serves communities living below the poverty line close to Engro Foods' Sukkur plant.

Sahara clinics network

The network established in partnership with Sahara Welfare Society, operate regular and mobile clinics covering Daharki, Qadirpur, Jung and other adjoining areas. Alongside treatment of patients and provision of medicines, Sahara clinics go beyond the conventions by educating the community on the preventive measures, improving sanitation and hygiene.

Clean water for the citizens of Karachi – Engro's sustainable product

We at Engro believe that everything we produce should directly or indirectly make a contribution towards a healthier and sustainable planet.

Upholding our beliefs, the market development and South sales team at Engro Polymer advocated the use of sodium hypochlorite (Part of Engro Polymer's product portfolio) to Karachi Water & Sewerage Board (KWSB) for the purpose of water purification at its plants instead of chlorine, which has been its conventional choice for the past many years. Although effective, use of chlorine also brings along the danger of causing various human respiratory problems against sodium hypochlorite which is a much safer and effective purifying chemical.

After 8 months of tiring efforts KWSB decided to switch from using chlorine to sodium hypochlorite.

The conversion of chlorine to Sodium Hypochlorite will ensure the citizens of Karachi with access to safer water.

infrastructure

Infrastructure development is critical to the overall welfare and improvement of the standard of living of our community stakeholders. We have made numerous interventions for infrastructure development over the years; we are currently doing and we intend to do so in years to come. During the year the, we invested Rs 5 million in infrastructure development.

Installation of Water Filtration plants

Engro in its commitment to improving lives recently installed two water filtration plants in the villages of Kalo Buriro and Kotlo Mirza. The process began with Engro Foundation employees working with the community to test the ground water for impurities, salinities etc, after which Reverse Osmosis, UV technology was advised. A location was then devised with the community members to ensure accessibility of clean drinking water to all households.

900+

number of people estimated to be benefited by the installation of the water filtration plants

Illuminating the Dark Alleys

With the support of Engro Fertilizers and Daharki Ladies Committee, Sahara Welfare Society undertook a pilot project to illuminate the dark alleys of Jung and Qadirpur, facilitating female domestic workers to return to their homes without any sense of insecurity after sunset. Street poles with solar panels and lights were installed at various locations.

Other infrastructure initiatives

- During the year we completed the development of infrastructural work at Jumo Arbani School, one of Engro's adopted government school.
- We also continued to develop and execute various Community Physical Infrastructure schemes close to our manufacturing facilities in Daharki, Sukkur and Qadirpur in collaboration with our partners, the Pakistan Poverty Alleviation Fund and the Sindh Rural Support Organization.

disaster management

when the nation calls, engro responds.

Earthquakes in Balochistan

Balochistan suffered multiple earthquakes during the year, which resulted in the deaths of over 800 people and destruction of atleast 21,000 houses and affecting over 300,000 people. At that cataclysmic time, Engro and its employees once again reiterating their commitment to the national issues of Pakistan came forward with various relief activities for those affected by the devastating earthquake. Rs 1 million (0.3 million from employees) contributed to Pakistan Poverty Alleviation Fund for Balochistan Earthquake relief.

Flood Relief Activities

In order to facilitate the flood affected populaces through rehabilitating lives,
as a means of fully recovering from past recurring floods, Engro continued its relief efforts during the year. In providing ongoing relief, our contributions help support those in much need to fully recover from previous devastation.

- Distributed over 90,000 milk packets in 315 flood affected villages of Punjab,
- Distributed dry food to flood affected families in Ghotki's katcha area,
- Organization of 2 camps by Engro Eximp in the flood affected areas in the rice belt of Punjab and distribution of packed food items.

others

Engro launched the 'I Am The Change' campaign to honor efforts of individuals who are impacting life of marginalized communities in the spheres of education, health and livelihoods. The campaign was launched amid a bloggers and media meet held in Karachi with a massive digital penetration and presence.

Through this initiative, Engro endeavors to give due recognition to institutions and individuals who collectively show true testament to the spirit of philanthropy and economic stewardship in Pakistan, as they steer change in low income communities in dire need of our help and intervention.

Grooming leadership for tomorrow

Family Educational Services Foundation (FESF) facilitated program MOVE (Motivated Volunteer Empowerment) was sponsored by Engro Vopak with an objective of tapping our country's greatest resource – the youth. 50 volunteers from various schools of Karachi were trained on leadership skills and volunteerism after which they were placed at children's government hospitals and schools.

partners

Over the years, we have developed partnerships and we foresee to develop new ones in the future with the government, various non-governmental organizations and international development agencies that support the sustainable development of our host communities, enhance economic benefits from our activities, contribute to poverty alleviation and deliver lasting benefits.

sustainability

health, safety and environment (hse)

As a leading conglomerate we are aware of our commitment to include a broader stakeholder community so we can establish a truly sustainable framework of doing business. We, as a company are passionate about ensuring that our policies & procedures remain eco-friendly and over the years we have demonstrated our focus on the environment by decreasing our environmental footprint year on year. Just like we remain cognizant of our duty to the environment, we ensure that health and safety of all stakeholders that interact with our businesses remains a paramount consideration across the board. We understand the importance of health and safety of our people and conserving and protecting the natural capital for our own sustainability and for the society as a whole and for generations to come.

The HSE benchmarks remain a key focus area of our strategic objectives every year and continue to be an integral part of the performance goals and metrics of all businesses and employees.

HSE Policy

Our HSE policy is an important ingredient of our overall code of business conduct. It states that to be recognized as a world class performer in the field of Health, Safety and Environmental Management Engro will:

- Conduct its business in a manner that protects the health and safety of employees, contractors, others involved in our operations and the community in which we operate.
- Continuously improve environmental performance to achieve sustainable development.
- Strengthen its business by making Health, Safety & Environment (HSE) considerations an integral part of all business activities.
- Comply with all laws & regulations.
- Practice transparent public reporting of the HSE performance.
- Ensure that HSE is a major responsibility of appropriately trained, empowered & accountable employees & management.
- Promote a culture of learning & practicing HSE management among employees and contractors.
- Encourage off the job HSE awareness among employees and families.

To achieve these objectives, Engro shall:

Health

1. Identify and evaluate health risks related to its operations that potentially affect its employees, contractors or the public.
2. Implement programs and appropriate protective measures to control such risks, including appropriate monitoring of its potentially affected employees. Carry out pre-employment and periodic medical check-up of its employees.
3. Provide or arrange for medical services necessary for the treatment of employee occupational illnesses or injuries and for handling medical emergencies.

Safety

4. Implement a rigorous system of Process Safety Risk Management (PSRM).
5. Institutionalize behavioral safety practices using the Personnel Safety Management system (PSM).
6. Keep abreast of the latest international codes, standards and practices and adopting the same where applicable.

Environment

7. Comply with all applicable environmental laws, regulations and apply responsible standards where laws and regulations does not exist.
8. Conserve natural resources & energy by continuously improving our processes and measuring performance.
9. Continuously improve our processes to minimize pollution and waste.

hse stewardship strategy

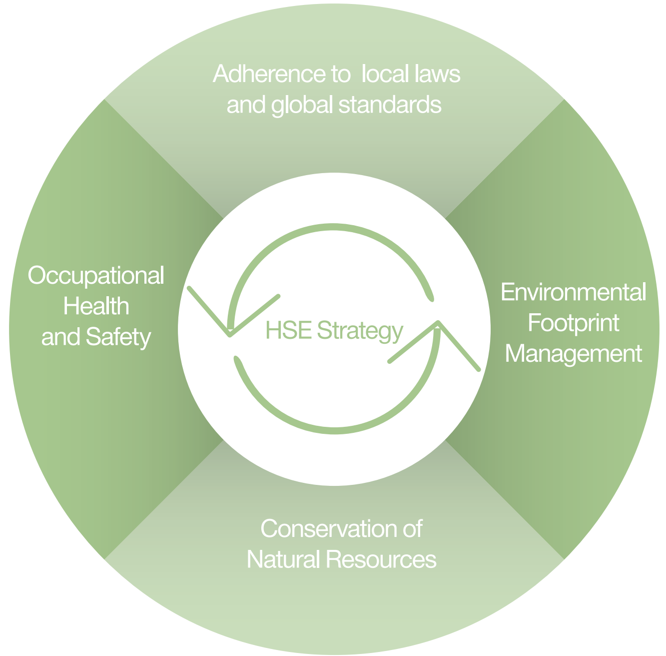
Engro has investments in diversified businesses which operate in industries and markets with different challenges and approaches to HSE but with the common goal of improving the overall HSE performance.

To align our focus on driving a more eco-friendly approach towards doing business we continue to focus our efforts on a four-pronged strategy to manage our investments in health, safety and environment.

Engro Corp has investments in diversified businesses which operate in industries and markets with different challenges and approaches to HSE but with the common goal of improving the overall HSE performance. Based on these identified focus areas, every business formulates its own health, safety and environmental stewardship strategy catering to their specific business context based on their products or services, location and operations.

Keeping this in perspective, a joint committee is made up of the safety leaders from key businesses which have the remit to make decisions on safety itself, but also refer dilemmas or challenges to the senior management for a final decision.

In all our group companies, we have HSE experts, who are responsible to ensure that our HSE performance remains at par and in line with our strategic objectives. In order to oversee their performance governance system is also in place in all our group companies whereby top management periodically monitors HSE performance and formulates policies and strategies in close co-ordination with our manufacturing site representatives.



our hse stewardship approach

Natural Capital management

Engro Fertilizer

1. During 2013, a waste reduction project was implemented. About 90 tons of hazardous catalyst waste was shipped to a company in Netherlands for recycling.

2. A test run was conducted to generate biogas from organic food waste. The purpose of this project was to convert waste to useful energy and minimize the environmental footprint. The test-run was completed successfully.

3. Forestation drive was conducted to combat negative footprint of Greenhouse Gas (GHG) emissions.

4. A project "ESOL (Environmental Solution)" has been implemented at manufacturing site to reduce the number of environmental complaints received from internal and external stakeholders. The project conceived and implemented solutions that significantly reduced the number of noise and ammonia pollution complaints.

5. Engro Fertilizer is also in the process of development of its environmental footprint reduction strategy.

Engro Foods

Variable Frequency Drives (which are used to vary the speed of motors as per required load) have been installed at various points in Engro Foods' production processes (resulting in an overall saving of 12,908 GJ of energy and reduction in 617 tons of CO2 emissions, this year) including installations of :

Overall savings of 12,908 GJ of energy and reduction in 617 tons of CO2 emissions, in 2013

1. Ammonia compressor for dairy plant at Sahiwal.

2. Aerator of waste water treatment plant at Sahiwal to control dissolved oxygen.

3. Pasteurizers homogenizers and reducing the motor speed to 70%.

4. Complete circuit of water consumption has also been replaced with high efficiency motors at Sahiwal plant.

Engro Eximp

1. In 2013 a steam turbine was commissioned to generate electricity which will conserve diesel consumption and also reduce greenhouse gas emissions resulting from the burning of fossil fuel.

18% (2012: 26%) of recycled input material was used in the production process.

2. A recycled condensate is being used to minimize raw water usage for steam generation.

3. Electrostatic precipitator has been installed (currently in construction phase) to stop generation of ash laden water.

4. Conversion of low pressure diesel boiler to rice husk is in progress which is a biomass and a carbon neutral resource of energy production.

5. Effluent treatment plant is functional for treatment of waste water to approved drain prior to disposal of water as per National Environmental Quality standards (NEQS).

Engro Vopak

1. Engro Vopak is a zero effluent discharge facility and conducts annual toxic gas and other emission surveys.

2. The boundary wall lights were replaced with LED lights to improve overall energy consumption resulting in a saving of 72 GJ of energy with this initiative.

3. Engro Vopak developed a new green area for sports adjacent to its material warehouse and also did plantation of 15 trees in 2013.

4. Contributing towards environment, Engro Vopak sponsored World Ocean's Day celebrations organized by The National Institute of Maritime Policy Research. The main objective of the effort was to raise awareness amongst the general public about keeping our oceans clean and preserving marine life. The celebration included a beach cleaning activity and a carnival.

Engro Polymer and Chemicals

1. Engro Polymer and Chemicals has taken an initiative to take part in the Mangroves for future (MFF) program by IUCN and has developed a proposal to conserve coastal eco system at port Qasim area.

2. Throughout the year the Company maintained strong liaison with Sindh Environmental Protection Agency (SEPA) and celebrated international environment days to show strong support for environmental conservation activities in collaboration with SEPA.

Engro Powergen

Our first Independent Power Project (IPP) – the Engro Powergen Qadirpur plant, is widely recognized for being Pakistan's first 'green' power plant and the only facility of its kind to reduce carbon emissions via the utilization of permeate gas. As we forge ahead, Engro Powergen will continue to pave the way for brighter living with investments aimed at boosting the nation's energy sector, preserving the environment, inspiring new innovations and forming lasting changes within the communities that we engage with.

We realize that water is a scarce resource and it is important to reuse or recycle this resource so as to remain eco-friendly. During the year Engro Eximp recycled 15,236 m3 (18% of its total water used) and Engro Powergen recycled and reused 2.6 million m3 (95% of its total water used) whereas Engro Vopak reused 6,247 m3 of water (80% of its total water used).

During the year, no significant spill occurred in any of our entities except for Engro Polymer & Chemicals, in which 18 spills (2012: 19 spills) occurred of an aggregated volume of 485.5 litres (2012: 609.6 litres), considered normal in the course of business with full and controlled management to avoid negative impacts.

9.8 million m3 water discharged to canals and municipal sewer (100% treated) – consolidated for all group companies.

We realize that water is a scarce resource and it is important to reuse or recycle this resource so as to remain eco-friendly. During the year Engro Eximp recycled 15,236 m3 (18% of its total water used) and Engro Powergen recycled and reused 2.6 million m3 (95% of its total water used) whereas Engro Vopak reused 6,247 m3 of water (80% of its total water used).

9.8mn m^3

water discharged to canals and municipal sewer (100% treated) – consolidated for all group companies.

Adherence to local laws and global standards

We have aligned our HSE practices with strictest international standards. The following tables illustrate various systems which are in place at our group entities.

Environmental Management

Common Management approach	Foods	Fertilizer	Polymer	Eximp	Powergen	Vopak
Environmental management policy	★	★	★	★	★	★
Full compliance with National Environmental Quality Standards (NEQS)	★	★	★	★	★	★
ISO 14001 – Environmental Management System	★	★	★	★	●	★
Adherence to British Safety Council Environmental Program	→	★	★	→	★	→
WWF Green Office Diploma	★	★	★	→	→	→
Internal audit of Environmental Management System	★	★	★	★	★	★
Third party audit of Environmental Management System	★	★	★	★	★	★
Reporting to environmental protection agency	★	★	★	★	★	★

Occupational Health and Safety

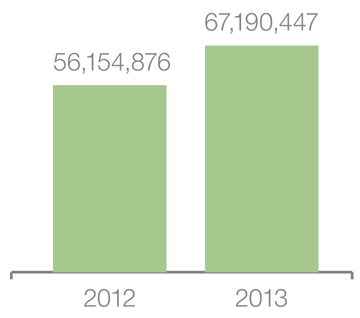
Common Management approach	Foods	Fertilizer	Polymer	Eximp	Powergen	Vopak
Occupational health and safety policy	★	★	★	★	★	★
OHSAS 18001 – Occupational Health and Safety Standard	★	★	●	★	→	★
DuPont Process Safety Management (PSM)	★	★	★	●	★	→
DuPont Personnel Safety Risk Management (PSRM)	★	★	★	●	★	→
Internal audit of Occupational Health and Safety	★	★	★	★	→	★
Third party audit of Occupational Health and Safety	★	★	●	★	→	★

★ System Exists and implemented
● In process of implementation
→ Future plan

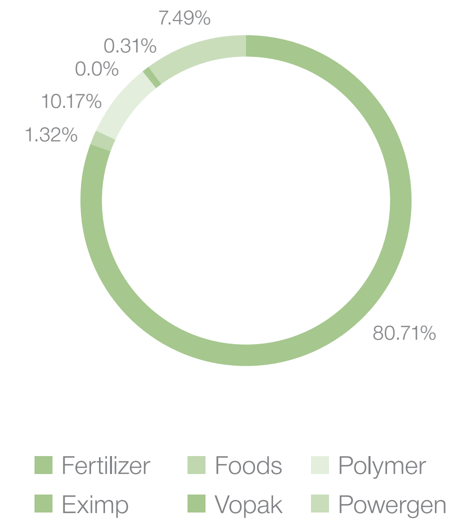
consolidated non-financial statements - natural capital

Consolidated non-financial statements - Natural Capital

Annual Energy Consumption	2013
Fuel consumption	71,926,520
Other energy purchased	
- Electricity	59,672
- Cooling	234
- Steam	6,216
Less: Energy sold	(4,802,195)
Total Energy Consumption	67,190,447



Energy Usage Composition by group companies	2013 GJ	2012 GJ
Fertilizer	54,230,857	41,301,014
Foods	887,038	920,302
Polymer	5,035,853	4,875,076
Eximp	206,029	165,594
Vopak	72	138
Powergen (net)	6,830,598	8,892,752
Total Energy consumption	67,190,447	56,154,876

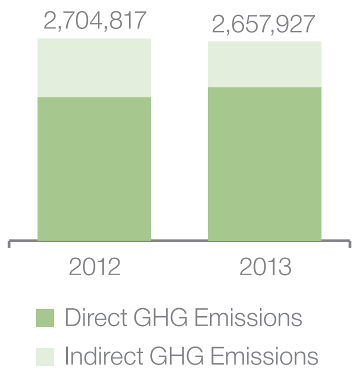


Our fertilizers business is the main consumer of energy as it uses natural gas which is not only used for the generation of electricity but also as a raw material for producing fertilizer. The significant increase of total energy consumption (from 56.12 million GJ to 67.19 million GJ) is mainly due to increase in production. However the total energy intensity of fertilizers has reduced by 17.4% as shown below.

Energy Intensity Performance of top 3 energy consumers	Energy Intensity 2013	Performance vs 2012
Fertilizer (GJ / ton of production)	0.621	↓ 17.4% decrease
Polymer (GJ / ton of production)	15.313	↓ 4.3% decrease
Powergen (GJ / MWh of units sold)	5.121	↑ 1.77 % increase

Green House Gas Emissions (in CO2 equivalent)

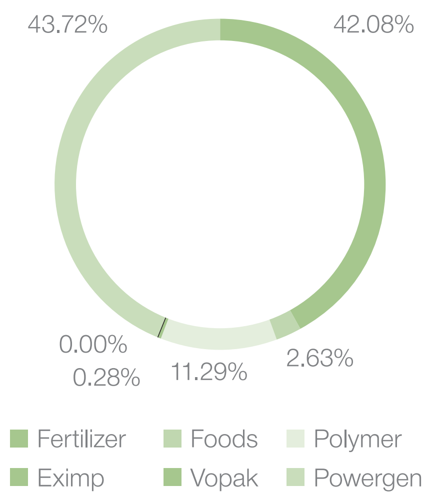
Annual GHG Emissions1	2013 Tons	2012 Tons
Direct GHG Emissions	2,049,434	1,912,688
Indirect GHG Emissions	608,493	792,129
Total GHG Emissions	2,657,927	2,704,817



Direct GHG emissions are emissions from sources that are owned or controlled by Engro.

Indirect GHG emissions are emissions occur at sources owned or controlled by another entity (such as emissions resulting due to consumption of electricity purchased from KESC / WAPDA etc.)

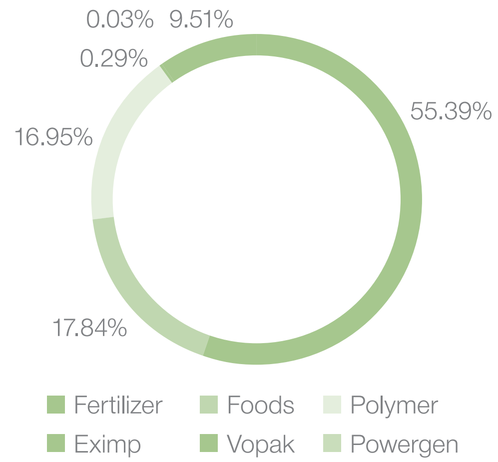
Entity wise breakup of GHG emissions	2013 Tons	2012 Tons
Fertilizer	1,118,517	859,480
Foods	69,970	76,376
Polymer	299,959	336,765
Eximp	7,449	6,405
Vopak	6	11
Powergen	1,162,026	1,425,782
Total GHG Emissions	2,657,927	2,704,817



GHG Emissions Intensity performance by top 3 emitters	GHG Emissions Intensity 2013		Performance vs 2012
Fertilizer			
(Tons of CO2 eqv./ton of production)	0.716	↓	18.1 % decrease
Polymer			
(Tons of CO2 eqv./ton of production)	0.912	↓	17.5 % decrease
Powergen			
(Tons of CO2 eqv. / MWh of units sold)	0.871	↑	8 % increase

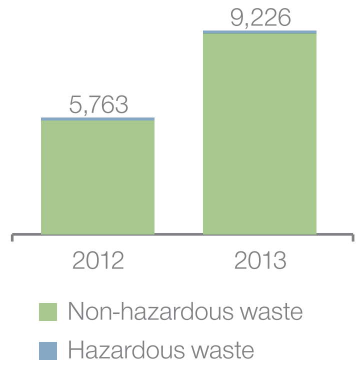
Water consumption

	2013 (m3)
Fertilizer	16,371,898
Foods	5,272,185
Polymer	5,010,508
Eximp	84,412
Vopak	7,670
Powergen	2,811,000
Total	29,557,673

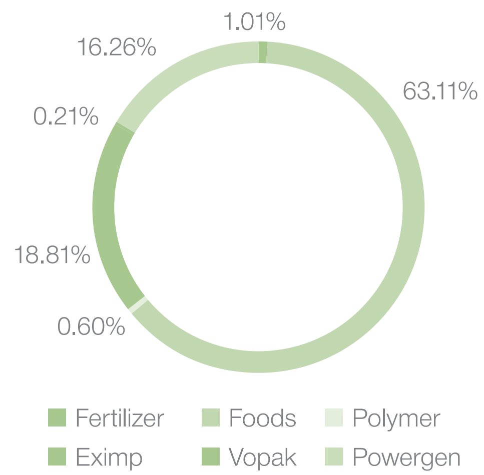


Waste

Annual Waste Disposal (in tons)	2013	2012
Hazardous waste	123	115
Non-hazardous waste	9,102	5,648
Total Waste	9,226	5,763



	2013	2012
Fertilizer	93	87
Foods	5,822	572
Polymer	56	63
Eximp	1,735	1,186
Vopak	20	24
Powergen	1,500	3,830
Total Waste	9,226	5,763



Waste per unit of production for top 3 waste producers	Waste per unit of production		Performance vs 2012
Foods			
(tons / (kg + litres) of production)	0.0000136156	↑	10x increase
Eximp (tons / tons of production)	0.019	↓	5.8% decrease
Powergen			
(tons / MWh of units sold)	0.0011244858	↓	48% decrease

Engro Foods' waste per unit production has increased as this year's figure includes beet pulp and silage which is reusable as fertilizer after composting.

The methods used for disposal of waste were mainly incineration, landfilling, recycling and reuse

Material Consumption

Material Consumed	Unit of quantity	Quantity	Material Intensity Performance (per unit of production) vs 2012
Engro Foods			
Non-renewable material			
Additives	kg	233,903,020	↑ 7.32%
Renewable material			
Raw Milk	Litres	170,710,000	↑ 11.46%
Engro Fertilizer			
Non-renewable material			
Natural Gas	Million standard cubic feet	51,400	↓ -17.39%
Engro Polymer			
Non-renewable material			
Natural Gas	m3	135,257,320	↓ -1.68%
Steam	Ton	375,358	↓ -3.54%
Salt	Ton	173,345	↓ -5.09%
Ethylene	Ton	40,654	↓ -45.73%
Engro Eximp			
Non-renewable material			
Diesel	Litres	2,766,783	↓ -25.07%
Renewable material			
Rice Husk	Tonnes	7,841	↓ -14.36%
Water	Tonnes	82,893	↑ 6.14%
Jute Bags	Nos	2,000,000	↑ 28.75%
Paddy (Raw Material)	Tonnes	190,000	↓ -8.73%
Engro Powergen			
Non-renewable material			
Permeate Gas	MMBTU	11,030,369	↑ 1.03%

Note: Engro Vopak is not involved in any production activity so its data is not presented here.

In Engro Eximp, the increased consumption of jute bags was to support the storage of increased paddy procured during the year. The extra paddy procurement will be consumed next year.

Our goal to overcome environmental sustainability challenges is apparent by our commitment to the GreenOffice Initiative.

Consolidated Green Office Performance

Our goal to overcome environmental sustainability challenges is apparent by our commitment to the GreenOffice Initiative. In collaboration with World Wildlife Fund for Nature (WWF), Engro is working as a role model to implement green office policies across its offices. WWF is one of the leading organizations in the world, which is dedicated to the environmental sustainability. Green Office Initiative was originated by WWF Finland in the year 2002, with the objective of creating a practical program to enable offices to reduce their carbon footprint and negative environmental impacts.

Our focus on this project takes Engro far beyond the legally mandated minimum environmental standards and become a leader in the corporate community of Pakistan, setting a track record for a company which works in the best interests of the people and the planet. The implementation of this program will allow us to reap benefits from a newly motivated and environmentally aware personnel and an improved corporate image besides reduction in overall carbon emissions.

Since its inception the Green Office Initiative has advocated a culture of environmental responsibility so our employees adhere to the strictest standards and ethics with regards to environmental protection, in turn reducing the effects of global warming and increased carbon footprint. The head offices of Engro Corp, Engro Fertilizer, Engro Foods and Engro Polymer & Chemicals have acquired the green office certification so far.

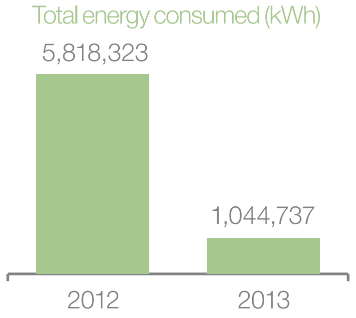
The Green Office Initiative has had a huge impact on the company's overall environmental footprint and has reduced energy, paper and waste. The key focus areas of the Green Office project include behaviour modification of employees, office illumination and lighting, office supplies and equipment, reduction in paper consumption, waste management and reduction in water use.

Green Office Initiative performance of Engro Corp, Foods, Fertilizer and Polymer

Electrical Consumption

Initiatives taken included:

- Undertook a six sigma initiative to reduce power consumption
- Employee awareness through sessions, email, standees, banners, buntings and stickers displaying a variety of messages with GO Logo
- Modification of behavior of employees
- Turning off the lights around window panes where sunlight is available
- Turning off lights and electrical appliances during lunch breaks
- Color coding of switches for easy identification to shut unnecessary lights when not required
- Change of hardware from energy saver to LED lights
- Discontinuation of halogen lights
- Use of sun switches and motion detectors to save waste
- Circuits' modification, electrical audit and Lux metering
- Rewarding employees for taking responsibility



Significant reduction in the electricity consumption is due to the fact that 2013 was the first full implementation year for green office performance for Engro Foods (after certification in 2012). Hence, Engro Foods implemented green office initiatives in 2013 resulting in significant reduction in electricity consumption, whereas Engro Corporation, Engro Fertilizer and Engro Polymer were already adhering to green office initiatives in previous years as well.

82%
Reduction in electrical consumption

Waste Reduction

Initiatives taken included

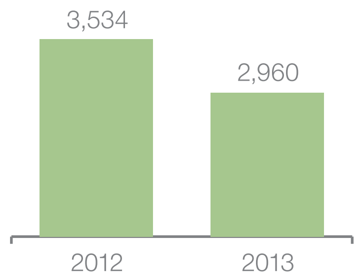
- Use of washable and reusable material – Eliminating paper cups, plates and plastic cutlery
- Less paper usage
- Use of recycled materials (like envelopes, tea coasters and carry bags)
- Recycling waste through RLCC initiative
- Use of glass bottles instead of PET
- Elimination of secondary packaging at the purchasing stage

3%
Reduction in waste disposal

Paper Reduction

Initiatives taken included:

- Transformation from duplex to secure, track able & controlled centralized printing
- Employee awareness
- Making separate groups within Company
- Assigning paper saving targets to each department
- Centralized procurement of paper trays where employees drop paper used on one side
- Others pick this and use the other side
- Monitoring of print jobs sent by each employee
- Promoting use of computers for presentations and proposals than taking prints. In meeting each employee takes his own PC with pre shared presentation and no prints are taken
- Use of multimedia and video conferencing
- Development of software to transmit data electronically rather than using old paper based approvals (Like travel booking or low value purchases)
- Moving to SAP and doing away with paper files
- Rewarding employees



16%
Reduction in paper consumption

> "It is indeed challenging to sustain environmental sustainability while being in a developing country, you cannot get this kind of result which Engro Fertilizers and Corporation Limited Pakistan has achieved, without support and effort from the whole organization, from top to bottom. Congratulations to all of them for the good work. This has shown that Engro Fertilizers and Corporation has not only systematically implemented the environmental management program with defined actions but the employees are strengthening the program by inculcating environmental spirit in their lives. WWF thanks Engro for acting as a wonderful example for all of us in working towards minimizing the burden we create on the environment."

Helka Julkunen, Head of Green Office Program WWF - Finland

championing a safe work culture

From a governance point of view, HSE is well defined at all levels of our organization via a common policy that details the protocols and procedures for HSE management for all our businesses. Furthermore, HSE remains at the top of the agenda at the board planning meetings every year and is a principal area of attention for the respective business segments.

The health and safety of our employees, the safety of our assets and the security of our operations with a sustainable focus on preserving the environment have and will always remain among the very top priorities of Engro and its affiliate businesses. The industries that we operate in and some of the environments where we work demand excellence in HSE management and procedures. In some of our industries top class HSE performance is closely connected with our license to operate and ability to pursue business opportunities. This is why safety is not only at the core of our sustainability efforts but at the core of our businesses – HSE, therefore, is an all-encompassing focus area for our Company, from the executive board down to all our diverse business segments.

Our safety governance, formulated and implemented with our collective efforts, emphasizes that:

- Human errors cannot be accepted as a root cause of any safety incident. Instead efforts to better understand the reasons behind human errors need to be deployed to handle the background /causative factors and use relevant management systems to curb such incidences.
- Systematic and cross-company learning between businesses need to be strengthened.
- Special attention needs to be paid to injuries that have a high potential to become serious events.

During the year, in all our group companies; zero occupational diseases and zero work related fatalities were recorded.

HSE Committees:

In all our group entities, D-level HSE committees exist which regularly hold meetings and have 100% representation of our workers.

None of our operations have high incidence or high risk of diseases to workers related to their occupation except for Engro foods where there are certain areas with risk of noise induced hearing loss. Such areas are clearly marked and people are informed about those areas. Personal protective equipment is mandatory in those areas.

Moreover, our service contracts and agreements cover HSE specific issues and clauses. In entities where there are trade unions, we have typically addressed the following matters in their collective bargaining agreements:

- Personal protective equipment.
- Joint management-employee health and safety committees.
- Participation of worker representatives in Health and safety inspections, audits and accident investigations.

We are proud of our record of ensuring health and safety of our employees. Our outstanding stellar performance in maintaining the highest health and safety measure record is the result of considerable investments not just in physical infrastructure, as well as but also in terms of creating an institutional architecture where health and safety are monitored at every level of the organizational hierarchy.

Like every other year, in 2013 as well, we have continued to align HSE management systems and processes with international best practices across our business portfolio. Our detailed occupational health & safety performance of the businesses is listed below.

Engro Foods

Through the year Engro Foods launched Zero Makes You a Hero Campaign at Annual Sales Conference. The spirit of Zero makes You a Hero campaign reaffirms our belief that:

- All accidents and injuries are preventable
- We want our employees to get back to their families safe and sound.
- We need to build a strong safety culture, based on a commitment to Safety as our core value, where day-to-day decision-making support is provided in establishing safety systems; and Safety priorities are recognized, not as conflicting with other priorities, but rather as a complementing notion.

Last year we formed Off the Job Safety Committees to assess, direct and steward Off the Job Safety Performance of employees and to assist employees in encouraging their families on safe working methods. Moreover, a safety SMS continues to be issued every 15 days for all Engro Foods' employees.

In 2013 HSE training drives achieved over 23,000 training hours through in-house trainings. In addition a Transport Safety Program was also launched and a Gap Assessment study was conducted during the year.

Engro Polymers & Chemicals

Living to our safety philosophy our petrochemicals business too performed on all of its key safety objectives. The logistics operations of the petrochemicals business comprises of a fleet of vehicles plying to & from plant to different long distance destinations. Keeping this in view a Fleet safety program has been devised and in in place for the past few years. The performance of fleet safety is gauged through FAFR (Fleet Accident Frequency Rate). In 2013 the business attained an FAFR of 1.11 against a target of 1.35.

Moerover, an Occupational Health & Industrial Hygiene (OHIH) program continues to train employees on various measures that can help them secure a better health at workplace. In 2013 extensive trainings & refreshers have been done to align with the Dupont best practices on Health & Hygiene Management.

In addition through the year 2013, our petrochemicals business initiated a mega HSE campaign with the name of " ZERO MAKES YOU HERO" – a behavioral campaign targeted at institutionalizing safe behaviors at workplace. The GOAL ZERO is the main theme of that campaign, signifying zero safety incidents, zero environmental risks & zero health issues due to our operations.

Engro Powergen

Engro Powergen's safety practices were recognized this year as it won Fire & Safety Award 2013 organized by National Fire Protection Association Pakistan.

During the year periodic awareness sessions were conducted for employees and the community involving doctors from clinics whilst a quarterly clinic newsletter continues to be isuued.

Engro Fertilizer

There are 14 procedures for PSRM (Process Safety and Risk Management) and 14 PSM (Process Safety Management) which continued to be implemented throughout the Daharki site during the year.

Moreover, Engro Fertilizer's CAER (community awareness and emergency response) Program – designed for the education, training and awareness of the surrounding villages – continued to be implemented in full swing through the year. In this program we educate and train villagers around Daharki regarding the response & handling steps in case of any emergency. Engro has won the DuPont Stakeholder Engagement Award of Sustainability for this program in 2013.

championing a safe work culture

By virtue of our diversified business portfolio, we operate in industries with different challenges and approaches to safety but with the same goal to always improve our safety performance. To ensure that we are working in the same direction we continue to work on the overall rationale of “share and improve”.

Engro Eximp

This year the trading and rice processing business continued to monitor & implement vaccinations on hepatitis and hygiene.

Moreover, a specific HSE Plan for the paddy season was also developed which incorporated safe work practices.

Engro Vopak

This year Engro Vopak achieved 16 Years of safe operations without lost time injury.

In addition, during the year red tag drills were initiated jointly with Engro Polymer & Chemicals to ensure safety and reliability of ethylene operations.

Engro Vopak also managed an aggregate score of 4.4 (above proactive stage) against a target of 4.3 in Behavior Based Safety Survey "Hearts & Minds" in the year 2013. This year Engro Vopak also conducted fundamental trainings and tests for operations and maintenance employees.

Throughout the year the business continued to celebrate various initiatives including the 6th Vopak Global SHE day, Global Health Day and Earth Day amongst others. In addition in 2013, Engro Vopak also conducted fundamental trainings and tests for O&M (Operations & Maintenance) employees to optimize Company's operational excellence.

Total Recordable Injury Rate

Group companies	2013		2012	
	TRIR	Number of Injuries	TRIR	Number of Injuries
Foods	0.18	19	0.15	13
Fertilizer	0.23	9	0.22	6
Polymer	0.12	2	0.11	2
Eximp	0.11	3	0.21	5
Vopak	0	0	0	0
Powergen	0	0	0	0
	Total	33	Total	26

Type of Injury	Injuries in 2013
Medical Treatment Case	12
Restricted Work Case	16
Lost Work Injury	5
Total	33

Note: Total Recordable Incidence Rate (TRIR) is a measure of the rate of recordable workplace injuries, normalized per 100 workers per year.

2013 Financial Investment in Health, Safety and Environment

Financial Capital

Health, Safety (Human Capital) & Environment (Natural Capital)

The amount mainly includes:

1. Capital expenditure
2. Direct attributable cost of staff and other overheads
3. Expenditures incurred for environmental conservation
4. Certifications and audit expenditures

By upholding ourselves to these lofty ideals of health, safety and eco-efficient measures, the company aims to bolster its reputation as a leading employer that places fundamental importance to the health and safety of its employees, community, nation and the planet at large.

engageability

engaging with our stakeholders

Our social and relationship capital is our strength. Our stakeholders are the DNA that contribute to our successful and enterprising existence. We believe that without effective and deep engagement with our stakeholders we cannot truly execute our purpose-inspired strategy of deploying inclusive business models.

The widespread footprint of our operations has created a strong bond with various stakeholder groups.

Shareholders & Analysts

Safeguarding and enhancing the shareholders wealth is one of our utmost responsibilities and focus of our business circle. Our annual general meetings (AGMs) and compliance to statutory reporting is one of the strongest and most effective engagement sources with our shareholders. We address all queries and concerns of our shareholders on a priority nd timely basis. Moreover, we remain strongly connected with our shareholders through meetings, circulars, announcements, discussion forums and briefing sessions with institutional investors and equity analysts through multiple communication media. Our shareholders' expectations revolve around good returns, sustainable profitability, growth, regulatory compliances, transparency and accountability amongst other key concerns. For the protection of our shareholders' interests, we have implemented a holistic Insider Trading Policy that continues to bolster our governance framework and provides shareholders with a deep sense of trust and reliability. We respond to our stakeholders expectations through continuous improvements in our business strategy, governance, business model and corporate reporting frameworks.

During the year the public offering of the shares of Engro Fertilizer secured overwhelming response from the shareholders community which truly signifies the level of trust our shareholders place upon us.

We create value together with and for our stakeholders

Customers /Dealers /Distributors

Developing and sustaining long term customer relationships forms the cornerstone of Engro's businesses. On a broader spectrum our customer engagement mechanism includes customer satisfaction surveys, perception surveys, trade-fairs, sales workshops, conferences and engagement campaigns targeted at our various suppliers and vendors. In addition, we also continue to engage with our customers, dealers and distributors through meetings, announcements and communication via multiple platforms and communication media. The expectations of this group of stakeholder circles around product quality, pricing and service delivery. Our sales and marketing team remains on toes to address these issues rapidly and in atimely manner.

In addition, we ensure that our pricing, product, sales and marketing strategy is closely aligned with the needs, expectations, issues and concerns of our stakeholder in our downstream supply chain.

84%

of our employees say that Engro is committed toward quality and customer focus

Employees

Our regular monitoring of employee engagement index and embedding this KPI into HR business strategy is testament to the level of importance we place over employee engagement. Our group companies have extensive employee engagement mechanisms in place which include formal and organized satisfaction surveys and focused group discussions. We have a structured and effective 'speak up' mechanism in place, along with a Board approved 'SpeakUp' policy which provides a platform to every employee to raise their concerns, complaints and grievances to the higher management in complete confidence. The outcome of employee engagement activities are shared with the Board and the CEO. Our employee issues revolve around work life balance, training and development and rewards which are closely aligned with our HR strategy. For more details on HR strategy; our responses on employee issues and other employee engagement processes in place, please refer to the 'Human Capital' section of this report.

Communities

Third party assessment studies of host communities, formal and informal engagement through surveys, group discussions etc. with the community members where we operate are some of the community engagement activities that we focus on to connect with this group of stakeholder. The importance of our host communities is evidenced by the fact that in the year 2010 we formed the Engro Foundation - the single front of all CSR focused activities for Engro and its affiliates. Together the Foundation in collaboration with its CSR business partners continues to maximize the socio-economic impact throughout our value chain.

In response to the needs of our society we have made heavy investments and undertaken numerous initiatives for community development that stems directly from our business inclusive CSR strategy. For further details please refer to our section 'Social and Relationship Capital' in this report.

Government and Regulators

Moving beyond regulatory compliances, we continue to engage with the government and regulators in public policy lobbying and policy reforms at local, provincial and federal level. Engro's management frequently engages with government officials on various matters including energy crisis, security, agri-economics, alternative power, local community development and infrastructure.

Supplier and Vendors

We carried out an extensive supplier engagement drive in 2012 which reflected our committment to adequately address any and all concerns that our vendors might have. For details on our supplier engagement mechanism, their feedback and our responses, please refer to our Annual & Sustainability Rport 2012.

Media

Engro engages with the print and visual media through regular press releases on key achievements and disclosures, through briefings on year-end results and other strategic events, through plant visits, quarterly lunches for a wide selection of media representatives, and through informal conversations throughout the year on Engro news and updates.


returnability

notice of the meeting

NOTICE IS HEREBY GIVEN that the Forty Eighth Annual General Meeting of Engro Corporation Limited will be held at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi on Monday, March 31, 2014 at 10.00 a.m. to transact the following business:

Ordinary Business

(1) To receive and consider the Audited Accounts for the year ended December 3l, 2013 and the Directors' and Auditors' Reports thereon.

(2) To appoint Auditors and fix their remuneration.

(3) To declare dividend in specie for the year ended 31st December 2013 in the ratio of 1:10 (1 share of Engro Fertilizers Limited ("EFert") for every 10 shares held of the Company), as recommended by the Board of Directors of the Company. Fractional shares arising as a result of distribution of specie dividend in the form of shares of EFert be consolidated in the name of the Company Secretary for sale on the Karachi Stock Exchange and the proceeds be donated to a charitable organization.

By Order of the Board

ANDALIB ALAVI
Vice President - Legal
& Company Secretary

Karachi,
February 14, 2014

N.B.

(1) The Share Transfer Books of the Company will be closed from Tuesday, March 18, 2014 to Monday, March 31, 2014 (both days inclusive). Transfers received in order at the office of our Registrar, M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Block 6, P.E.C.H.S. Shahra-e-Faisal, Karachi, by the close of business (5:00p.m) on Monday, March 17, 2014 will be treated to have been in time for the purpose of attending the meeting and receiving the specie dividend.

(2) A member entitled to attend and vote at this Meeting shall be entitled to appoint another person, as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Meeting as are available to a member. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the Meeting. A proxy need not be a member of the Company.

key shareholding and shares traded

Information of Shareholding required under the reporting framework is as follows:

Shareholder's category	Number of share held
i. **Associated Companies, Undertakings and Related Parties**	
DAWOOD HERCULES CORPORATION LIMITED	175,012,555
PATEK (PVT.) LTD.	33,814,686
DH FERTILIZERS LIMITED	19,960,000
DAWOOD FOUNDATION	10,600
Total :	228,797,841
ii. **Mutual Funds**	
ASIAN STOCKS FUNDS LTD.	10
CDC - TRUSTEE ABL STOCK FUND	120,600
CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND - MT	140,400
CDC - TRUSTEE AKD INDEX TRACKER FUND	56,594
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	14,700
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	13
CDC - TRUSTEE ATLAS INCOME FUND - MT	532,800
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	50,000
CDC - TRUSTEE FIRST HABIB STOCK FUND	30,000
CDC - TRUSTEE HBL - STOCK FUND	500,000
CDC - TRUSTEE HBL PF EQUITY SUB FUND	10
CDC - TRUSTEE IGI STOCK FUND	90,000
CDC - TRUSTEE KASB INCOME OPPORTUNITY FUND - MT	6,500
CDC - TRUSTEE LAKSON EQUITY FUND	10,000
CDC - TRUSTEE MCB DYNAMIC ALLOCATION FUND	52,000
CDC - TRUSTEE MCB DYNAMIC STOCK FUND	123,000
CDC - TRUSTEE NAFA MULTI ASSET FUND	30,317
CDC - TRUSTEE NAFA STOCK FUND	161,784
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	2,536,142
CDC - TRUSTEE PAK STRATEGIC ALLOC. FUND	60,700
CDC - TRUSTEE PAKISTAN STOCK MARKET FUND	166,000
CDC - TRUSTEE PICIC INCOME FUND - MT	59,700
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	475,000
CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	1,002,600
CDC-TRUSTEE PAKISTAN PREMIER FUND	84,000
GOLDEN ARROW SELECTED STOCKS FUND LIMITED	200,000
MC FSL - TRUSTEE JS KSE-30 INDEX FUND	10,660
MCBFSL - TRUSTEE ABL AMC CAPITAL PROTECTED FUND	10,000
MCBFSL - TRUSTEE NAMCO BALANCED FUND - MT	16,600
TRI. STAR MUTUAL FUND LTD.	913
TRUSTEE - PAKISTAN PENSION FUND - EQUITY SUB FUND	25,000
Total :	6,566,043

iii. Directors, CEO and their spouse(s) and minor children:

ABDUL SAMAD DAWOOD	366,310
FRANCIS MURRAY JONES	500
HUSSAIN DAWOOD	1,754,247
KHAWAJA IQBAL HASSAN	130
MUHAMMAD ALIUDDIN ANSARI	200,000
RUHAIL MOHAMMAD	29,445
SAAD RAJA	106
SARFARAZ AHMED REHMAN	100
SHABBIR HASHMI	145,543
SHAHID HAMID PRACHA	18,250
SHAHZADA DAWOOD	822,410
SYED KHALID SIRAJ SUBHANI	865,714
MRS. KULSUM DAWOOD (W/O MR. HUSSAIN DAWOOD)	1,744,938
MRS. AYESHA DAWOOD (W/O MR. ABDUL SAMAD DAWOOD)	3,640
Total :	5,951,333

iv. Executives (approx.)	372,869
v. Public Sector Companies and Corporations	12,156,763
vi. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	20,295,527

vii. Shareholders Holding five percent or more Voting Rights in the Company

DAWOOD HERCULES CORPORATION LIMITED	170,012,555
PATEK (PVT.) LTD.	33,814,686
EMPLOYEES OLD AGE BENEFITS INSTITUTION	31,891,718
Total:	235,718,959

shares trading

viii. Details of Purchase/Sale of Shares by Directors, Executives and their spouses/minor children during 2013.

Name	Date of Purchase / Sale	Shares Purchased	Shares Sold	Rate
Muhammad Aliuddin Ansari	January 3, 2013	128,500		89.08
Eqan Ali Khan	January 15, 2013	10,000		82.00
Hussain Dawood	January 16, 2013	380,000		84.00
Ms. Kulsum Dawood w/o Hussain Dawood	January 17, 2013	100,000		86.51
Shahid H Pracha	January 22, 2013	15,000		88.11
Samira Kamil	February 18, 2013		3,000	103.07
Eqan Ali Khan	February 21, 2013	26,000		103.59
Samira Kamil	February 21, 2013		2,000	99.16
Eqan Ali Khan	February 25, 2013	10,000		112.80
Hussain Dawood	February 26, 2013	150,000		114.82
Eqan Ali Khan	February 26, 2013	10,000		115.50
Hussain Dawood	February 27, 2013	45,000		112.61
Hussain Dawood	February 28, 2013	100,000		122.22
Hussain Dawood	March 1, 2013	210,000		122.90
Hussain Dawood	March 4, 2013	175,000		123.18
Hussain Dawood	March 5, 2013	55,000		121.18
Hussain Dawood	March 6, 2013	75,400		120.18
Rizwan Nasurullah	March 13, 2013	790		127.60
Hussain Dawood	March 18, 2013	5,000		115.34
Naz Khan	March 26, 2013	25,000		130.95
Rizwan Nasurullah	April 1, 2013		700	134.69
Neelofar Hashmi w/o Naveed Hashmi	April 9, 2013		3,000	142.20
Neelofar Hashmi w/o Naveed Hashmi	April 9, 2013		5,000	137.50
Neelofar Hashmi w/o Naveed Hashmi	April 10, 2013		3,000	142.20
Shabbir Hashmi	April 23, 2013	10,000		97.38
Rizwan Nasurullah	April 25, 2013		90	139.10
Naz Khan	June 7, 2013	15,000		147.60
Abdul Samad Dawood	June 8, 2013		346,500	145.96
Eqan Ali Khan	June 25, 2013	10,000		124.80
Eqan Ali Khan	June 25, 2013	10,000		123.85
Eqan Ali Khan	June 26, 2013	10,000		123.31
Samira Kamil	July 24, 2013		3,000	181.00
Neelofar Hashmi w/o Naveed Hashmi	August 12, 2013	1,000		145.25
Naveed Aslam Hashmi	August 13, 2013	5,000		155.00
Eqan Ali Khan	September 12, 2013		10,000	150.00
Shahzada Dawood	September 27, 2013		20,000	142.98
Ahmad Shakoor	October 31, 2013		17,500	121.50
Naveed Aslam Hashmi	November 1, 2013	4,000		127.93
Naveed Aslam Hashmi	November 6, 2013		4,000	133.00
Samira Kamil	December 3, 2013		3,000	157.30

pattern of shareholding

Pattern of holding of the sahres held by the shareholders as at December 31, 2013.

Number of Shareholders	Shareholding		Total Shares Held	Number of Shareholders	Shareholding		Total Shares Held
	From	To			From	To	
2,539	1	100	110,232	1	140,001	145,000	140,400
3,029	101	500	895,804	5	145,001	150,000	742,948
1,737	501	1,000	1,400,634	3	150,001	155,000	459,789
3,698	1,001	5,000	9,232,255	9	155,001	160,000	1,405,655
1,170	5,001	10,000	8,466,369	7	160,001	165,000	1,141,392
500	10,001	15,000	6,186,193	3	165,001	170,000	499,748
315	15,001	20,000	5,527,212	10	170,001	175,000	1,722,775
206	20,001	25,000	4,657,208	6	175,001	180,000	1,066,606
139	25,001	30,000	3,830,329	4	180,001	185,000	735,871
80	30,001	35,000	2,585,383	3	185,001	190,000	561,163
89	35,001	40,000	3,354,819	7	195,001	200,000	1,400,000
56	40,001	45,000	2,395,429	5	200,001	205,000	1,006,710
70	45,001	50,000	3,394,535	1	205,001	210,000	209,704
38	50,001	55,000	1,987,201	1	215,001	220,000	215,088
30	55,001	60,000	1,738,224	2	220,001	225,000	447,235
27	60,001	65,000	1,682,166	5	225,001	230,000	1,138,467
20	65,001	70,000	1,361,889	3	230,001	235,000	700,512
23	70,001	75,000	1,670,211	2	235,001	240,000	476,644
17	75,001	80,000	1,325,401	1	240,001	245,000	243,531
10	80,001	85,000	817,841	2	245,001	250,000	495,000
11	85,001	90,000	965,624	1	250,001	255,000	253,500
15	90,001	95,000	1,386,849	2	255,001	260,000	511,666
14	95,001	100,000	1,367,204	1	260,001	265,000	263,820
10	100,001	105,000	1,021,950	2	265,001	270,000	530,242
12	105,001	110,000	1,291,876	2	270,001	275,000	547,686
8	110,001	115,000	890,915	4	275,001	280,000	1,110,649
5	115,001	120,000	594,105	1	280,001	285,000	282,204
7	120,001	125,000	861,227	2	285,001	290,000	579,755
8	125,001	130,000	1,030,762	1	290,001	295,000	294,700
7	130,001	135,000	931,656	1	295,001	300,000	299,804
7	135,001	140,000	962,522	3	300,001	305,000	908,344

Number of Shareholders	Shareholding		Total Shares Held	Number of Shareholders	Shareholding		Total Shares Held
	From	To			From	To	
2	305,001	310,000	612,272	2	585,001	590,000	1,171,676
3	310,001	315,000	939,922	1	595,001	600,000	600,000
1	315,001	320,000	319,402	1	645,001	650,000	649,317
1	330,001	335,000	332,956	1	655,001	660,000	660,000
1	340,001	345,000	344,108	1	685,001	690,000	686,923
2	345,001	350,000	698,382	1	705,001	710,000	709,714
2	355,001	360,000	719,000	1	750,001	755,000	754,500
1	360,001	365,000	363,177	2	755,001	760,000	1,518,700
1	365,001	370,000	366,310	1	760,001	765,000	763,000
1	370,001	375,000	374,200	1	800,001	805,000	801,018
2	375,001	380,000	752,331	1	820,001	825,000	822,410
3	385,001	390,000	1,162,147	1	850,001	855,000	854,000
3	395,001	400,000	1,196,900	1	885,001	890,000	885,916
2	400,001	405,000	808,128	1	890,001	895,000	890,708
1	415,001	420,000	415,591	1	945,001	950,000	949,044
1	420,001	425,000	420,210	1	1,000,001	1,005,000	1,002,600
1	425,001	430,000	425,500	1	1,050,001	1,055,000	1,053,986
1	430,001	435,000	430,500	1	1,080,001	1,085,000	1,080,287
1	440,001	445,000	444,432	1	1,095,001	1,100,000	1,095,800
1	460,001	465,000	461,410	1	1,110,001	1,115,000	1,115,000
1	470,001	475,000	475,000	1	1,135,001	1,140,000	1,137,191
3	485,001	490,000	1,458,313	1	1,195,001	1,200,000	1,200,000
1	490,001	495,000	492,878	1	1,440,001	1,445,000	1,444,560
3	495,001	500,000	1,500,000	1	1,460,001	1,465,000	1,461,833
2	515,001	520,000	1,036,165	1	1,485,001	1,490,000	1,487,200
1	520,001	525,000	520,082	1	1,615,001	1,620,000	1,616,286
2	525,001	530,000	1,055,200	1	1,700,001	1,705,000	1,701,834
1	530,001	535,000	532,800	1	1,740,001	1,745,000	1,744,938
2	535,001	540,000	1,077,039	1	1,750,001	1,755,000	1,754,247
1	545,001	550,000	550,000	1	1,800,001	1,805,000	1,800,200
1	570,001	575,000	570,400	1	1,825,001	1,830,000	1,826,166

pattern of shareholding

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held	Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
1	1,865,001	1,870,000	1,866,000	1	4,870,001	4,875,000	4,872,153
1	1,940,001	1,945,000	1,940,889	1	4,995,001	5,000,000	5,000,000
1	2,315,001	2,320,000	2,317,500	1	5,505,001	5,510,000	5,510,000
1	2,535,001	2,540,000	2,536,142	1	6,485,001	6,490,000	6,486,523
1	2,595,001	2,600,000	2,600,000	1	6,595,001	6,600,000	6,599,674
1	2,650,001	2,655,000	2,651,468	1	7,245,001	7,250,000	7,249,992
1	2,660,001	2,665,000	2,664,500	1	7,565,001	7,570,000	7,565,582
1	2,835,001	2,840,000	2,837,738	1	10,475,001	10,480,000	10,477,000
1	3,060,001	3,065,000	3,064,200	1	11,180,001	11,185,000	11,184,959
1	3,195,001	3,200,000	3,200,000	1	19,955,001	19,960,000	19,960,000
1	3,225,001	3,230,000	3,227,717	1	31,890,001	31,895,000	31,891,718
1	3,340,001	3,345,000	3,343,278	1	33,810,001	33,815,000	33,814,686
1	3,735,001	3,740,000	3,735,720	1	170,010,001	170,015,000	170,012,555
1	4,245,001	4,250,000	4,250,000	14,106	TOTAL		511,269,436

categories of shareholding

As at December 31, 2013 is as follows

Shareholders Category	No. of Shareholders	No. of Shares Held	Percentage
1. Directors, Chief Executive Officer, and their Spouses and Minor Children	15	5,951,333	1.16
2. Associated Companies, undertaking and related parties	4	228,797,841	44.75
3. NIT and ICP	2	3,343,374	0.65
4. Banks Development Financial Institutions, Non Banking Finance Institutions	30	18,630,165	3.65
5. Insurance Companies	14	12,446,828	2.44
6. Modarabas and Mutual Funds	33	6,566,518	1.28
7. Share holders holding 10%	1	170,012,555	33.25
8. General Public: (Individuals)			
a. Local	13,661	101,938,274	19.93
b. Foreign	-	-	-
9. Others	346	133,595,103	26.13

shareholder information

Annual General Meeting
The annual shareholders meeting will be held at 10:00 a.m. on Monday, March 31, 2014 at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi.

Shareholders as of Tuesday, March 18, 2014 are encouraged to participate and vote.

Any shareholder may appoint a proxy to vote on his or her behalf. Proxies should be filed with the company at least 48 hours before the meeting time.

CDC Shareholders or their Proxies are requested to bring with them copies of their Computerised National Identity Card or passport alongwith the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

Ownership
On December 31, 2013 there were 14,106 holders on record of the Company's ordinary shares.

Specie Dividend Payment
The proposal of the board of directors for specie dividend payment in the ratio of 1:10 (1 share of Engro Fertilizers Ltd. for every 10 shares held of the Company), will be considered at the annual general meeting. Provided the proposal is approved, the shares will be despatched/credited soon thereafter to persons listed in the register of members on March 18, 2014.

Quarterly Results
The Company issues quarterly financial statements. The planned dates for release of the quarterly results in 2014 are:

1st quarter : April 29, 2014
2nd quarter: August 21, 2014
3rd quarter: October 29, 2014

The Company holds quarterly briefings with Security Analysts to discuss the results and the business environment. These sessions are planned to be held on:

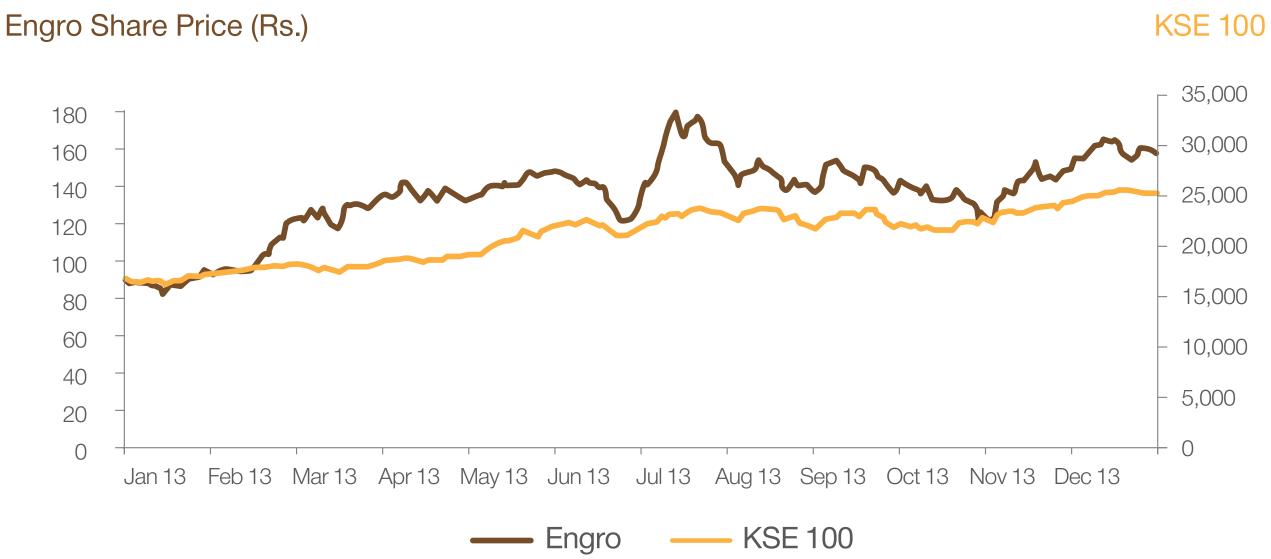
1st quarter : April 30, 2014
2nd quarter: August 22, 2014
3rd quarter: October 30, 2014

All annual/quarterly reports and presentations from quarterly briefings are regularly posted at the Company's website: www.engro.com

The Company reserves the right to change any of the above dates.

Change of Address
All registered shareholders should send information on changes of address to:

M/s. FAMCO Associates (Private) Limited,
8-F, Next to Hotel Faran, Block 6,
P.E.C.H.S. Shahra-e-Faisal, Karachi,



share price sensitivity analysis

Engro Corporation is a conglomerate of various different businesses each exposed to a variety of risk factors. Resultantly, Engro Corporation's share price responds to several different events besides overall macroeconomic environment and market sentiment.

Government Actions
Government decisions on gas allocation remains the most important driver of the company's share price. Decisions or considerations favoring restoration of contractual gas to Engro Fertilizers have led to increases in share price, whilst decisions to the contrary have negatively impacted share price.

Gas Supply
Three of Engro Corporation's companies i.e. Engro Fertilizers, Engro Polymer and Engro Powergen Qadirpur use substantial quantities of natural gas. In case of Engro Fertilizers, gas is not only a source of fuel to run the plant operations, it is also raw material for urea. The plant needs a certain minimum level of gas supply to enable operations. As gas supply increases, not only does production volume increase but so does production efficiency, thus bringing per unit costs down. Engro Powergen Qadirpur generates electricity by using gas. This gas is low quality in nature and hence unsuitable for other uses. Also, under the agreement with PEPCO, the company will continue receiving capacity payments even if its supply is interrupted due to no fault of its own. Engro Polymer uses gas as fuel to operate its plant.

Urea Price
Given large production volume, changes in urea price have a large impact on company's profitability. Keeping everything else constant, for every 1 million tons of urea sold in a year an increase of Rs.10 (ex-GST) per bag in price of urea leads to a Rs.200 million increase in the company's profits before tax.

Crop Economics & Agriculture
Engro's presence in agri-food chain is significant. We supply a significant volume of fertilizers to farmers and rely on their produce in form of milk and rice paddy. Improvement in farmer economics leads to increased fertilizer demand benefiting the company. Conversely, natural disasters and pest attacks can lead to a decline in farmer economics which impact the farmer's ability to invest in appropriate quantities of fertilizers and other farm inputs and may create shortage of produce. In case of such shortage, produce prices may rise leading to lower profitability if the company is unable to pass such price hikes on to end consumer.

Plant Operations
Stability of plant operation is of paramount importance. Stable plant operations allow for higher production and lower per unit cost and wastage. Therefore, smooth operations will add to profitability of the company which can positively affect share price.

Interest Rates
The company still holds a significant amount of debt on its balance sheet as a result of the major expansions carried out over the last decade or so. A decrease in interest rate decreases its financial expenses and improves its profitability, conversely an increase in interest rate, decreases its profitability. Such savings in cash flow may be reflected in share price.

Commodity Price Volatility
While increasing trend in price of commodities such as DAP presents with opportunities to make trading profits, declining commodity prices lead to trading losses. Greater volatility in commodity prices creates greater opportunities for gain in our trading business and flat prices provide limited opportunities for trading profits. Profits from import and marketing of DAP can swing significantly from year to year thereby affecting Engro's share price.

PVC-Ethylene Prices
Ethylene is a key raw material used in the manufacture of PVC. Higher PVC prices relative to ethylene prices improve the financial performance of our polymer business. Conversely, smaller margins negatively impact the financial performance of this business.

measurability

contents

standalone accounts

- Auditors' Report to the Members
- Standalone Financials

auditors' report to the members

We have audited the annexed balance sheet of Engro Corporation Limited as at December 31, 2013 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) As more fully explained in note 34 to the financial statements, due to fire at the Company's old premises on August 19, 2007, certain records, documents and books of account of the Company relating to prior years were destroyed. Records in electronic form remained intact and certain hard copy records relating to financial year 2005 and 2006 have not been recreated;

(b) in our opinion, except for the matter referred to in paragraph (a), proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(c) in our opinion:
   (i) the balance sheet and statement of comprehensive income together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes resulted on initial application of standards, amendments or an interpretation to existing standards, as stated in 2.1.4 (a) to the financial statements, with which we concur;

   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(d) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2013 and of the total comprehensive income, changes in equity and its cash flows for the year then ended; and

(e) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Chartered Accountants
Karachi
Date: March 05, 2014

Engagement Partner: Imtiaz A. H. Laliwala

balance sheet
as at december 31, 2013

(Amounts in thousand)

	Note	2013	2012	2011
			[(Restated - note 2.1.4(a)]	
		------------------(Rupees)------------------		
Assets				
Non-current assets				
Property, plant and equipment	4	45,557	81,494	127,869
Long term investments	5	28,140,994	26,959,244	27,555,904
Deferred taxation	12	4,204	-	-
Long term loans and advances	6	5,163,511	4,159,590	3,008,341
		33,354,266	31,200,328	30,692,114
Current assets				
Loans, advances and prepayments	7	636,301	823,901	18,856
Other receivables	8	513,554	234,146	222,960
Taxes recoverable		-	76,672	99,780
Short term investments	9	2,672,915	484,393	1,908,581
Cash and bank balances	10	250,584	697,179	488,689
		4,073,354	2,316,291	2,738,866
Investment classified as held for sale	5	320,000	863,018	-
Total Assets		37,747,620	34,379,637	33,430,980

(Amounts in thousand)

	Note	2013	2012	2011
			[(Restated - note 2.1.4(a)]	
		------------------(Rupees)------------------		
Equity & Liabilities				
Equity				
Share capital	11	5,112,694	5,112,694	3,932,843
Share premium		10,550,061	10,550,061	10,550,061
Employee share option compensation reserve		-	-	74,813
General reserve		4,429,240	4,429,240	4,429,240
Unappropriated profit		9,657,752	6,543,362	7,262,395
Remeasurement of post employment benefits - Actuarial gain		9,871	25,986	7,294
		24,646,924	21,548,649	22,323,803
Total Equity		29,759,618	26,661,343	26,256,646
Liabilities				
Non-current liabilities				
Deferred taxation	12	-	28,321	30,270
Retirement and other service benefit obligations		21,268	11,159	6,262
		21,268	39,480	36,532
Current liabilities				
Trade and other payables	13	1,192,128	176,269	367,951
Advance received against investment classified as held for sale	5	-	863,018	-
Accrued interest / mark-up		337,866	337,927	319,500
Borrowings	14	6,290,142	6,204,664	6,371,268
Taxation		54,225	-	-
Unclaimed dividends		92,373	96,936	79,083
		7,966,734	7,678,814	7,137,802
Total Liabilities		7,988,002	7,718,294	7,174,334
Contingencies and Commitments	15			
Total Equity & Liabilities		37,747,620	34,379,637	33,430,980

The annexed notes from 1 to 37 form an integral part of these financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

statement of comprehensive income

for the year ended december 31, 2013

(Amounts in thousand except for earnings per share)

	Note	2013	2012 [(Restated - note 2.1.4(a)]
		-----------(Rupees)-----------	
Dividend income	16	2,440,365	1,555,006
Royalty income	17	715,693	433,057
		3,156,058	1,988,063
Administrative expenses	18	(336,972)	(209,844)
		2,819,086	1,778,219
Other income	19	1,721,732	832,911
Other operating expenses	20	(71,838)	(141,433)
Operating Profit		4,468,980	2,469,697
Finance cost	21	(1,020,262)	(1,032,062)
Profit before taxation		3,448,718	1,437,635
Taxation	22	(334,328)	(190,248)
Profit for the year		3,114,390	1,247,387
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
- Remeasurement of retirement benefit obligation - Actuarial (loss)/gain-net of tax		(16,115)	18,692
Total comprehensive income for the year		3,098,275	1,266,079
Earnings per share - basic and diluted	23	6.09	2.44

The annexed notes from 1 to 37 form an integral part of these financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

statement of changes in equity

for the year ended december 31, 2013

(Amounts in thousand)

	Share capital	Capital reserves: Share premium	Capital reserves: Employees share option compensation reserve	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit	Remeasurement of post employment benefits - Actuarial gain	Total
	----------	----------	----------	----------	----------	----------	----------
Balance as at January 1, 2012 - as previously reported	3,932,843	10,550,061	74,813	4,429,240	7,261,800	-	26,248,757
Effect of change in accounting policy due to application of IAS-19 (Revised), net of tax - note 2.1.4 (a)	-	-	-	-	595	7,294	7,889
Balance as at January 1, 2012 - restated	3,932,843	10,550,061	74,813	4,429,240	7,262,395	7,294	26,256,646
Total comprehensive income for the year ended December 31, 2012 - restated	-	-	-	-	1,247,387	18,692	1,266,079
Transactions with owners							
Final dividend for the year ended December 31, 2011 @ Rs. 2 per share	-	-	-	-	(786,569)	-	(786,569)
Bonus shares issued during the year in the ratio of 3 shares for every 10 shares held	1,179,851	-	-	-	(1,179,851)	-	-
Vested share options lapsed during the year	-	-	(74,813)	-	-	-	(74,813)
	1,179,851	-	(74,813)	-	(1,966,420)	-	(861,382)
Balance as at December 31, 2012 - restated	5,112,694	10,550,061	-	4,429,240	6,543,362	25,986	26,661,343
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	3,114,390	(16,115)	3,098,275
Balance as at December 31, 2013	5,112,694	10,550,061	-	4,429,240	9,657,752	9,871	29,759,618

The annexed notes from 1 to 37 form an integral part of these financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

statement of cash flows

for the year ended december 31, 2013

(Amounts in thousand)	Note	2013	2012
		------------(Rupees)------------	
Cash Flows From Operating Activities			
Cash utilized in operations	26	(137,364)	(459,416)
Royalty received		399,768	433,057
Taxes paid		(235,956)	(179,129)
Retirement and other service benefits paid		(36,664)	(26,205)
Long term loans and advances - net		(3,921)	(1,249)
Net cash utilized in operating activities		(14,137)	(232,942)
Cash Flows From Investing Activities			
Dividends received		2,440,365	1,555,006
Income on deposits / other financial assets including income earned on subordinated loan to subsidiaries		966,367	787,933
Proceeds from partial disposal of long term investment		786,326	-
Advance received against partial disposal of investment in Subsidiary Company		836,079	-
Proceeds from realization of net assets on winding up of Subsidiary Company		-	2,884
Long term investments		(1,795,270)	(268,858)
Advance received against investment classified as held for sale		237,270	863,018
Investment in term deposits receipts		(2,001)	-
Purchases of property, plant and equipment (PPE)		(9,949)	(24,808)
Sale proceeds on disposal of PPE - net		15,991	19,317
Net cash generated from investing activities		3,475,178	2,934,492
Cash Flows From Financing Activities			
Loan disbursed to Subsidiary Companies		(1,420,000)	(7,200,000)
Repayment of loan by Subsidiary Companies		620,000	5,250,000
Repayment of loan by Avanceon Limited		18,293	(18,293)
Payment of financial charges		(933,853)	(931,462)
Redemptions of borrowings		(992)	(248,777)
Dividends paid		(4,563)	(768,716)
Net cash utilized in financing activities		(1,721,115)	(3,917,248)
Net increase / (decrease) in cash and cash equivalents		1,739,926	(1,215,698)
Cash and cash equivalents at beginning of the year		1,181,572	2,397,270
Cash and cash equivalents at end of the year	27	2,921,498	1,181,572

The annexed notes from 1 to 37 form an integral part of these financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

notes to the financial statements

for the year ended december 31, 2013

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

Engro Corporation Limited (the Company), is a public listed company incorporated in Pakistan under the Companies Ordinance, 1984 and its shares are quoted on Karachi, Lahore and Islamabad stock exchanges of Pakistan. The principal activity of the Company, is to manage investments in subsidiary companies and joint venture, engaged in fertilizers, PVC resin manufacturing and marketing, food, energy, exploration, LNG and chemical terminal and storage businesses. The Company's registered office is situated at 7th & 8th floors, The Harbour Front Building, HC # 3, Block 4, Marine Drive, Clifton, Karachi.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 These financial statements have been prepared under the historical cost convention as modified by remeasurement of certain financial assets and financial liabilities at fair value and recognition of certain staff retirement and other service benefits at present value.

2.1.2 These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.1.3 The preparation of financial statements in conformity with the above requirements 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. The areas involving high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.1.4 Initial application of a Standard, Amendment or an Interpretation to an existing Standard

a) Standards, amendments to published standards and interpretations effective in 2013 and relevant

The following standard and amendment to published standard are mandatory for the financial year beginning on January 1, 2013:

- IAS 1– (Amendment) 'Financial statement presentation.' The main change from these amendments is a requirement for entities to group items presented in 'Other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI. The amendment only affects the disclosures in the company's financial statements.

- IAS 19 – Employee benefits was revised in June 2011. The revised standard (i) requires past service cost to be recognized immediately in the profit or loss; (ii) replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year; (iii) introduced a new term 'remeasurements' which is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires to recognize all remeasurement gain or loss / actuarial gain or loss in the

(Amounts in thousand)

Other Comprehensive Income (OCI) immediately as they occur. In accordance with the transitional provisions as set out in IAS-19 (Revised), the Company has applied the revised standard retrospectively and, consequently the earliest periods presented in the balance sheet, statement of comprehensive income and the statement of changes in equity have been restated. The effect of change in policy on the statement of cash flows is not material. The impact of retrospective application of IAS-19 (Revised) is as follows:

	Trade and other payables	Other receivables	Taxes recoverable	Other Comprehensive - Remeasurement of post employment benefits - Actuarial gain	Unappropriated profit
	-----------------	---------(Increase / (Decrease)---------			-----------------
	-----------------	---------(Rupees)---------			-----------------
Balance as at December 31, 2011 / January 1, 2012 as previously reported	371,083	213,955	104,028	-	7,261,800
Reclassification of gratuity fund liability as at December 31, 2011	(3,132)	(3,132)	-	-	-
Restatement - recognition of remeasurement gain/(loss) in OCI	-	11,222	(3,928)	7,294	-
Restatement - recognition of unrecognized negative past service cost in profit and loss	-	915	(320)	-	595
Balance as at December 31, 2011 / January 1, 2012 - Restated	367,951	222,960	99,780	7,294	7,262,395
Balance as at December 31, 2012 as previously reported	179,898	196,956	90,960	-	6,542,817
Reclassification of gratuity fund liability as at December 31, 2012	(3,629)	(3,629)	-	-	-
Restatement - recognition of remeasurement gain/(loss) in OCI					
- for the year 2011	-	11,222	(3,928)	7,294	-
- for the year 2012	-	28,758	(10,066)	18,692	-
	-	39,980	(13,994)	25,986	-
Restatement - recognition of unrecognized negative past service cost in profit and loss					
- for the year 2011	-	915	(320)	-	595
- for the year 2012	-	(76)	26	-	(50)
	-	839	(294)	-	545
Balance as at December 31, 2012 - Restated	176,269	234,146	76,672	25,986	6,543,362

Amendments to following standards as a result of annual improvements to International Financial Reporting Standards 2011, issued by IASB in May 2012:

- IAS 1 (Amendment) 'Financial statement presentation'. The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'. When an entity produces an additional balance sheet as required by IAS 8, the balance sheet should be as at the date of the beginning of the preceding period, i.e. the opening position. No notes are required to support this balance sheet.

(Amounts in thousand)

- IAS 32 (Amendment) 'Financial instruments: Presentation'. The amendment clarifies that the treatment of income tax relating to distributions and transaction costs is in accordance with IAS 12. So, income tax related to distributions is to be recognised in the statement of comprehensive income, and income tax related to the costs of equity transactions is to be recognised in equity. The Company's current accounting treatment is already in line with this amendment.

- IAS 34 (Amendment) 'Interim financial reporting'. The amendment clarifies the disclosure requirements for segment assets and liabilities in interim financial statements. The amendment brings IAS 34 into line with the requirements of IFRS 8, 'Operating segments' whereby a measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The Company has already adopted the above amendment for its interim financial reporting.

b) Standards, amendments to published standards and interpretations that are effective in 2013 but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2013 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

c) Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Company

The following new standards and amendments to published standards are not effective for the financial year beginning on January 1, 2013 and have not been early adopted by the Company:

- IAS 19 (Amendment) regarding defined benefit plans (effective for the periods beginning on or after July 1, 2014). These amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Company is yet to assess the full impact of the amendment.

- IAS 32 (Amendment), 'Financial instruments: Presentation' (effective for periods beginning on or after January 1, 2014). This amendment updates the application guidance in IAS 32 'Financial Instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet date. It is unlikely that the standard will have any significant impact on the Company's financial statements.

- IAS 36 (Amendment) 'Impairment of assets' (effective for the periods beginning on or after January 1, 2014). These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment will only affect the disclosures in the Company's financial statements in the event of impairment.

- IFRS 9 'Financial instruments' (effective for periods beginning on or after January 1, 2015). This standard is yet to be notified by the SECP. IFRS 9 replaces the parts of IAS 39, 'Financial instruments: recognition and measurement' that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, incase the fair value option is taken for financial liabilities, the part of a fair value change due to entity's own credit risk is recorded in other comprehensive

(Amounts in thousand)

income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess of IFRS 9's full impact. The Company will also consider the impact of the remaining phases of IFRS when completed by the Board, however, the initial indications are that it may not affect the Company's financial statements significantly.

- IFRS 10, 'Consolidated financial statements'. This standard is yet to be notified by the SECP. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in determination of control where this is difficult to assess. The Company is yet to assess the full impact of the amendments.

- IFRS 11, 'Joint arrangements'. This standard is yet to be notified by the SECP. This standard focuses on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement a joint operator accounts for its share in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint ventures is no longer allowed. The Company is yet to assess the full impact of the amendments.

- IFRS 12, 'Disclosures of interests in other entities'. This standard is yet to be notified by the SECP. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance-sheet vehicles. The Company is yet to assess the full impact of the amendments.

- IFRS 13 'Fair value measurement'. This standard is yet to be notified by the SECP. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Company is yet to assess the full impact of the amendments.

Amendment to following standards as a result of annual improvements to International Financial Reporting Standards 2012 issued by IASB:

- IFRS 3 (Amendment), 'Business combinations', (effective for business combinations where the acquisition date is on or after July 1, 2014). This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of definitions in IAS 32, 'Financial instruments: Presentation'. The standard is further amended to clarify that all non equity contingent considerations, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognized in profit and loss. Consequential changes are also made to IFRS 9, IAS 37 and IAS 39. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

- IFRS 13 (Amendment), 'Fair value measurement' (effective for annual periods beginning on or after July 1, 2014). When IFRS 13 was published, it led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The amendment clarifies that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

(Amounts in thousand)

2.2 Property, plant and equipment

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except capital work-in-progress which is stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs (note 2.20). The cost of self constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Disposal of asset is recognized when significant risk and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other operating expenses / income' in the statement of comprehensive income.

Depreciation is charged to the statement of comprehensive income using the straight line method whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life at rates given in note 4.1. Depreciation on addition is charged from the month following the month in which the asset is available for use and on disposals upto the preceding month of disposal.

Depreciation method, useful lives and residual values are reviewed annually

2.3 Impairment of non-financial assets

Non-financial assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

2.4 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in the statement of comprehensive income.

2.5 Investments

Investment in subsidiary, associates and joint venture companies are initially recognized at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as an expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the statement of comprehensive income.

(Amounts in thousand)

2.6 Financial assets

2.6.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

c) Held to maturity financial assets

Held to maturity financial assets are non derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose off it within 12 months of the end of the reporting date.

2.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other income / other operating expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the statement of comprehensive income as part of 'Other income' when the Company's right to receive payments is established.

Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of comprehensive income as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of comprehensive income as part of 'Other income'. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income as part of 'Other income' when the Company's right to receive payments is established.

(Amounts in thousand)

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. Impairment testing of other receivables is described in note 2.9.

2.7 Financial liabilities

Financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are recognized initially at fair value less directly attributable transactions costs, if any, and subsequently measured at amortized cost using effective interest method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the statement of comprehensive income.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle either on a net basis, or realize the asset and settle the liability simultaneously.

2.9 Other receivables

These are recognized initially at fair value and subsequently measured at amortized cost using effective interest method less provision for impairment, if any. A provision for impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is charged to the statement of comprehensive income. Other receivables considered irrecoverable are written-off.

2.10 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts, if any.

2.11 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Employees' share option scheme

The grant date fair value of equity settled share based payments to employees is initially recognized in the balance sheet as deferred employee compensation expense with a consequent credit to equity as employee share option compensation reserve.

The fair value determined at the grant date of the equity settled share based payments is recognized as an employee compensation expense on a straight line basis over the vesting period.

When an unvested option lapses by virtue of an employee not conforming to the vesting conditions after recognition of an employee compensation expense in the statement of comprehensive income, employee compensation expense in the statement of comprehensive income will be reversed equal to the amortized portion with a corresponding effect to employee share option compensation reserve in the balance sheet.

(Amounts in thousand)

When a vested option lapses on expiry of the exercise period, employee compensation expense already recognized in the statement of comprehensive income is reversed with a corresponding reduction to employee share option compensation reserve in the balance sheet.

When the options are exercised, employee share option compensation reserve relating to these options is transferred to share capital and share premium account. An amount equivalent to the face value of related shares is transferred to share capital. Any amount over and above the share capital is transferred to share premium account.

2.13 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.14 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.15.1 Current

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2.15.2 Deferred

Deferred tax is recognized using the balance sheet method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2.16 Retirement and other service benefit obligations

2.16.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of comprehensive income when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(Amounts in thousand)

The Company operates:

- defined contribution provident fund for its permanent employees. Monthly contributions are made both by the Company and employees to the fund at the rate of 10% of basic salary;

- defined contribution pension fund for the benefit of management employees. Monthly contributions are made by the Company to the fund at rates ranging from 12.5% to 13.75% of basic salary; and

- a defined contribution gratuity fund for the benefit of management employees. Monthly contributions are made by the Holding Company to the fund at the rate of 8.33% of basic salary.

During the year, the assets and liabilities of certain subsidiary companies' defined contribution and benefits plans have been consolidated with the Company's fund assets and liabilities, whereby contributions are received from the subsidiary companies and their employees.

2.16.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit method, related details of which are given in note 25 to the financial statements.

Contributions require assumptions to be made of future outcomes which mainly include increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

The Company operates defined benefit funded gratuity scheme for its management employees.

Annual provision is also made under a service incentive plan for certain category of experienced employees to continue in the Company’s employment.

Consequent to amendments to IAS-19, as referred to in note 2.1.4 (a), the Company has changed its accounting policy and in accordance therewith, remeasurement gain / loss is now being recognized directly through statement of other comprehensive income. Previously, such remeasurement gain / loss arising at each valuation date was being recognized under the corridor approach whereby remeasurement gain / loss in excess of corridor (10% of the higher of fair value of assets and present value of obligation) was recognized over the average remaining service life of the employees.

Further, pursuant to the group policy of the Company, member account balances of certain subsidiary companies' defined benefit plans and their related plan assets will be transferred to the defined benefit / contribution plans maintained by the Company in the ensuing year.

2.16.3 Employees' compensated absences

The Company accounts for compensated absences on the basis of unavailed leave balance of each employee at the end of the year.

2.17 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

(Amounts in thousand)

2.18 Foreign currency transactions and translation

These financial statements are presented in Pakistan Rupees, which is Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income, except where such gains and losses are directly attributable to the acquisition, construction or production of a qualifying asset, in which case, such gains and losses are capitalized as part of the cost of that asset.

2.19 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, and is recognized on the following basis:

- Dividend income from investments is recognized when the Company's right to receive payment has been established.
- Income on deposits and other financial assets is recognized on accrual basis.
- Royalty income from subsidiary companies is recognized on an accrual basis in accordance with the agreement entered therewith.

2.20 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of that asset. Borrowing costs includes exchange differences arising on foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

2.21 Research and development costs

Research and development costs are charged to income as and when incurred.

2.22 Earnings per share

The Company presents basic and diluted earnings per share (EPS) in respect of its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.23 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

(Amounts in thousand)

3 . CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

3.1 Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

3.2 Impairment of investments in subsidiaries, associates and joint venture

In making an estimate of future cash flows from the Company's financial assets including investment in subsidiaries, associates and joint ventures, the management considers future dividend stream and an estimate of the terminal value of these investments.

3.3 Income Taxes

In making the estimates for income taxes payable by the Company, the management looks at the applicable law and the decisions of appellate authorities on certain issues in the past.

3.4 Provision for retirement and other service benefits obligations

The present value of these obligations depend on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present value of these obligations and the underlying assumptions are disclosed in notes 25.1.3 and 25.1.6 respectively.

4 PROPERTY, PLANT AND EQUIPMENT

	2013	2012
	-------------(Rupees)-------------	
Operating assets (note 4.1)	44,660	78,001
Capital work-in-progress (note 4.3)	897	3,493
	45,557	81,494

(Amounts in thousand)

4.1 Operating assets

	Furniture fixture and equipment	Vehicles	Total
	--------------------(Rupees)--------------------		
As at January 1, 2012			
Cost	89,699	103,397	193,096
Accumulated depreciation	(27,179)	(43,772)	(70,951)
Net book value	62,520	59,625	122,145
Year ended December 31, 2012			
Opening net book value	62,520	59,625	122,145
Transferred from capital work-in-progress (note 4.3)	11,322	15,717	27,039
Disposals (note 4.2)			
Cost	(1,188)	(44,830)	(46,018)
Accumulated depreciation	743	27,957	28,700
	(445)	(16,873)	(17,318)
Depreciation charge (note 18)	(36,107)	(17,758)	(53,865)
Net book value	37,290	40,711	78,001
As at December 31, 2012 / January 1, 2013			
Cost	99,833	74,284	174,117
Accumulated depreciation	(62,543)	(33,573)	(96,116)
Net book value	37,290	40,711	78,001
Year ended December 31, 2013			
Opening net book value	37,290	40,711	78,001
Transferred from capital work-in-progress (note 4.3)	10,213	2,332	12,545
Disposals (note 4.2)			
Cost	(1,891)	(33,296)	(35,187)
Accumulated depreciation	575	19,593	20,168
	(1,316)	(13,703)	(15,019)
Depreciation charge (note 18)	(17,000)	(13,867)	(30,867)
Net book value	29,187	15,473	44,660
As at December 31, 2013			
Cost	108,155	43,320	151,475
Accumulated depreciation	(78,968)	(27,847)	(106,815)
Net book value	29,187	15,473	44,660
Annual rate of depreciation (%)	15 to 45	18.75 to 22.5	

(Amounts in thousand)

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

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sale Proceeds
		---------------------(Rupees)---------------------			
Vehicles					
By Company policy to existing / resigned / retired executives	Syed Ahsenuddin	3,998	2,998	1,000	2,094
	Khalid Siraj Subhani	3,998	2,998	1,000	1,000
	Ruhail Muhammad	3,999	2,999	1,000	1,000
	Tahir Jawaid	3,999	2,999	1,000	1,000
	Inamullah Naveed Khan	6,895	5,171	1,724	1,550
At the higher of market value and net book value	The Hub Power Company Limited - Associated company	10,407	2,428	7,979	8,000
		33,296	19,593	13,703	14,644
Furniture, fixture and equipment					
At the higher of market value and net book value	The Hub Power Company Limited - Associated company	1,700	454	1,246	1,247
Items having net book value upto Rs. 50 each		191	121	70	100
		35,187	20,168	15,019	15,991
Year ended December 31, 2012		46,018	28,700	17,318	19,317

4.3 Capital work-in-progress

	Furniture, fixture and equipment	Advances to suppliers	Total
	--------------------(Rupees)--------------------		
Year ended December 31, 2012			
Balance as at January 1, 2012	4,320	1,404	5,724
Additions during the year	8,532	16,276	24,808
Transferred to operating assets (note 4.1)	(11,322)	(15,717)	(27,039)
Balance as at December 31, 2012	1,530	1,963	3,493
Year ended December 31, 2013			
Balance as at January 1, 2013	1,530	1,963	3,493
Additions during the year	9,580	369	9,949
Transferred to operating assets (note 4.1)	(10,213)	(2,332)	(12,545)
Balance as at December 31, 2013	897	-	897

(Amounts in thousand)

5 LONG TERM INVESTMENTS

	2013	2012
	-------------(Rupees)-------------	
Subsidiary companies - at cost (note 5.1)	28,005,994	27,367,262
Less: Investments classified as held for sale:		
- Engro Powergen Qadirpur Limited (note 5.2)	320,000	-
- Engro Foods Netherlands B.V. (note 5.3)	-	863,018
	27,685,994	26,504,244
Joint venture company - at cost		
Engro Vopak Terminal Limited		
45,000,000 Ordinary shares of Rs. 10 each, equity held 50% (2012: 50%)	450,000	450,000
Others - at cost		
Arabian Sea Country Club Limited		
500,000 Ordinary shares of Rs. 10 each, equity held 6% (2012: 6%)	5,000	5,000
	28,140,994	26,959,244

(Amounts in thousand)

5.1 Subsidiary companies

	2013		2012	
	Equity % held	Investment at cost (Rupees)	Equity % held	Investment at cost (Rupees)
Quoted				
Engro Foods Limited 667,375,000 (2012: 673,000,000) Ordinary shares of Rs. 10 each (note 5.5)	87.07	6,673,750	88.37	6,730,000
Engro Polymer and Chemicals Limited 372,810,000 (2012: 372,810,000) Ordinary shares of Rs. 10 each	56.19	3,651,300	56.19	3,651,300
Unquoted				
Engro Fertilizers Limited 1,222,800,000 (2012: 1,072,800,000) Ordinary shares of Rs. 10 each (note 5.4)	100	12,239,144	100	10,739,144
Engro Powergen Limited 36,476,000 (2012: 36,476,000) Ordinary shares of Rs. 10 each	100	3,106,700	100	3,106,700
Engro Eximp (Private) Limited 113,925,000 (2012: 113,925,000) Ordinary shares of Rs. 10 each	100	1,895,100	100	1,895,100
Engro Powergen Qadirpur Limited 32,000,000 (2012: 32,000,000) Ordinary shares of Rs. 10 each	10	320,000	10	320,000
Elengy Terminal Pakistan Limited 12,000,000 (2012: 6,200,000) Ordinary shares of Rs. 10 each (note 5.6)	100	120,000	100	62,000
Engro Foods Netherlands B.V Nil (2012: 20,000) Ordinary shares of Euro 1 each (note 5.3)	-	-	100	863,018
Avanceon Limited Nil (2012: Nil) Ordinary shares of Rs. 10 each (note 5.7)	-	-	-	381,957
Less: Write-off	-	-		(381,957)
	-			-
		28,005,994		27,367,262

(Amounts in thousand)

5.2 Engro Powergen Qadirpur Limited

The Board of Directors of the Company, in its meeting held on December 19, 2013 approved the sale of its entire shareholding in Engro Powergen Qadirpur Limited (EPQL), comprising of 32,000,000 ordinary shares of Rs. 10 each, as part of EPQL's intended Initial Public Offer (IPO) in the ensuing year. Consequently, the Company has classified the investment in EPQL as 'Held for Sale'.

5.3 Engro Foods Netherlands B.V.

During the year, the Company has made additional equity investment of Rs. 237,269 in its wholly owned subsidiary, Engro Foods Netherlands B.V.

The Company entered into an agreement (Master Agreement) with its subsidiary, Engro Foods Limited (EFoods) on May 2, 2011 to invest up to Rs. 800,000 till December 31, 2011 in the Global Business Unit (GBU) being set up in the Canada and USA via investment in Engro Foods Netherlands B.V., through which it has acquired an existing brand of halal meat business known as 'Al-Safa', engaged in supplying a variety of packaged halal foods across North America. Under the Master Agreement, EFoods shall endeavor to purchase the entire shareholding of Engro Foods Netherlands B.V. from the Company by June 30, 2012 at the actual rupee amount invested in the said business till that day by the Company or as mutually agreed by both parties.

On October 3, 2012, the Company and EFoods entered into a supplemental agreement as the investment requirements for the GBU had exceeded Rs. 800,000 as contemplated in the Master Agreement. Under the supplemental agreement, EFoods shall purchase the shares in Engro Foods Netherlands B.V. by making payment of the actual investment amount of Rs. 863,018 to the Company in advance of actual share transfer taking place. Following payment of the purchase price and receipt of all necessary regulatory approvals, the Company shall promptly transfer the shares in Engro Foods Netherlands B.V. to EFoods. Subsequent to the aforementioned supplemental agreement, EFoods has paid an advance of Rs. 863,018 to the Company during 2012.

During the year, the additional equity of Rs 237,269 injected by the Company was also paid by EFoods. On November 22, 2013, SBP approval was received by the Company for transfer of the shares of Engro Foods Netherlands B.V. to EFoods. Consequently, the share transfer was completed on December 16, 2013.

5.4 Engro Fertilizers Limited

5.4.1 During the year, the Company has made a further equity investment of Rs. 1,500,000 through subscription of 150,000,000 right shares of Rs. 10 each, in its wholly owned subsidiary company, Engro Fertilizers Limited (EFert).

5.4.2 During the year, EFert has made an Initial Public Offer (IPO) through issue of 75 million ordinary shares having face value of Rs. 10 each at a price of Rs. 28.25 per share determined through the book building process. Further, the Company has also divested 30,000,000 ordinary shares of EFert having face value of Rs.10 each at a price of Rs.28.25 per share, as determined above, to certain local / foreign institutional investors and High Net Worth Individuals (Informed Buyers). Accordingly, advance received by the Company against partial disposal of investment in Efert, net of transaction cost of Rs. 11,421, amounting to Rs. 836,079 has been classified 'Trade and other payables' (note 13). Further, out of the total issue of 75 million ordinary shares of Efert, 56.25 million shares were subscribed through the book building by Informed Buyers, whereas the remaining 18.75 million shares were subscribed by the general public. These shares have been duly allotted subsequent to the year end. On January 17, 2014, the Karachi and Lahore Stock Exchanges have approved the Company's application for formal listing and quotation of shares. As a result, the Company, subsequent to the balance sheet date, holds 91.91% of the share capital of EFert.

(Amounts in thousand)

5.5 Engro Foods Limited

During the year, the Company disposed 5,625,000 ordinary shares of Rs. 10 each in Engro Foods Limited, a public listed Subsidiary Company, representing 0.84% of total investment in the Subsidiary Company, at a price of Rs. 140 per share. The gain on such disposal amounting to Rs. 730,076 has been reflected in Other Income (note 19).

5.6 Elengy Terminal Pakistan Limited

During the year, the Company has made a further equity investment of Rs. 58,000 through subscription of 5,800,000 right shares of Rs. 10 each, in Elengy Terminal Pakistan Limited, a wholly owned subsidiary.

5.7 Avanceon Limited

In 2012, the Company, on disposal of its investment in Avanceon Limited and its subsidiary companies had written off an amount of Rs. 381,957 in respect of the carrying amount of investment in Avanceon Limited, Rs. 241,318 in respect of subordinated loan and Rs. 35,411 in respect of accrued interest thereon, which was recognized as provision in the financial statements for the year ended December 31, 2011. Further, the Company extended a loan of Rs. 41,000 to Avanceon Limited which was disbursed directly to the banks / financial institutions and was repayable during 2012. Till December 31, 2012, the Company could only make recovery of Rs. 22,707 thereagainst and made provision, on prudence, for the balance amount of Rs. 18,293. During the year, the Company has received the outstanding loan balance of Rs. 18,293 from Avanceon Limited which has been reflected as Other Income (note 19).

5.8 Value of the above investments, based on the net assets of the investee companies as at December 31, 2013 are as follows:

	2013	2012 (Restated)
	------------(Rupees)	------------
Engro Fertilizers Limited	25,069,232	15,798,027
Engro Foods Limited	9,369,227	8,864,677
Engro Powergen Limited	5,619,385	6,097,760
Engro Polymer and Chemicals Limited	3,963,054	3,552,832
Engro Eximp (Private) Limited	2,278,669	2,196,160
Engro Vopak Terminal Limited	1,349,994	1,280,370
Engro Powergen Qadirpur Limited	552,331	675,826
Elengy Terminal Pakistan Limited	52,685	22,896
Arabian Sea Country Club Limited (June 30, 2012)	4,360	4,360
Engro Foods Netherlands B.V.	-	545,412

(Amounts in thousand)

6 LONG TERM LOANS AND ADVANCES

- Considered good

	2013	2012
	------------(Rupees)------------	
Long term loans and advances to:		
- Executives (note 6.1)	24,967	14,433
- Other employees	-	16
	24,967	14,449
Less: Current portion shown under current assets (note 7)	11,456	4,859
	13,511	9,590
Long term loan to Engro Eximp (Private) Limited (note 6.2)	1,720,000	720,000
Subordinated loan to subsidiaries - unsecured:		
- Engro Eximp (Private) Limited (note 6.3)	430,000	430,000
- Engro Fertilizers Limited (note 6.4)	3,000,000	3,000,000
	3,430,000	3,430,000
	5,163,511	4,159,590

6.1 Reconciliation of the carrying amount of loans and advances to executive

	2013	2012
Balance as at January 1	14,433	14,312
Disbursements	21,955	15,427
Repayments/amortization	(11,421)	(15,306)
Balance as at December 31	24,967	14,433

6.2 On May 16, 2013, an addendum to the long term finance agreement (the Agreement) has been signed by the Company with Engro Eximp (Private) Limited, a Subsidiary Company, to increase the finance facility under the Agreement to Rs. 2,150,000 (2012: Rs. 1,150,000). During the year, the Company has disbursed an additional amount of Rs. 1,000,000 to the Subsidiary Company under the Agreement, which now as at December 31, 2013, has aggregated to Rs. 1,720,000 (2012: Rs. 720,000). The loan carries markup at the rate of 6 months KIBOR plus 3.5% per annum, payable on a quarterly basis. The principal is due in one lump sum installment due on June 28, 2017.

6.3 In 2012, the Company entered into a subordination agreement with Engro Eximp (Private) Limited and various banks whereby, out of the total outstanding principal amount of long term loan amounting to Rs. 2,150,000, as referred to in note 6.2, an amount of Rs. 430,000 has been subordinated to the Subsidiary Company's existing finance facilities extended by the banks, which are parties to the subordination agreement.

6.4 Represents subordinated loan extended to Engro Fertilizers Limited for a period of five years. The entire loan is repayable on or before the end of the term, that is, September 14, 2015. The loan carries mark-up at the rate of 17.1% (2012: 17.1%), based on a margin of 1% over and above mark-up payable by the Subsidiary Company for rupee finances of like maturities, such mark-up being payable on a semi annual basis.

(Amounts in thousand)

7 LOANS, ADVANCES AND PREPAYMENTS

	2013	2012
	-------------(Rupees)-------------	
Loans and advances		
Considered good		
Current portion of long term loans and advances to executives and other employees (note 6)	11,456	4,859
Loan to Engro Polymer and Chemicals Limited (note 7.1)	600,000	800,000
Prepayments	24,845	19,042
	636,301	823,901

7.1 On April 19, 2013, the Company signed an addendum to the loan agreement (the Agreement) with Engro Polymer and Chemicals Limited (Subsidiary Company), whereby the finance facility has been increased to Rs. 1,250,000 (2012: Rs. 950,000). The loan is for the purpose of meeting working capital requirements of the Subsidiary Company.

During the year, the Company has disbursed an additional amount of Rs. 420,000 to the Subsidiary Company, while the Subsidiary Company has repaid an amount of Rs. 620,000 to the Company. The loan is subordinated to the finances provided to the Subsidiary Company by its banking creditors and carries markup at the rate of 3 months KIBOR plus 3.5% per annum, payable on a quarterly basis.

8 OTHER RECEIVABLES

	2013	2012
	-------------(Rupees)-------------	
Considered good		
Accrued income on deposits / investments (note 8.1)	129,315	138,312
Due from:		
- Subsidiary companies		
- Elengy Terminal Pakistan Limited	1,341	2,094
- Engro Eximp Agriproducts (Private) Limited	406	413
- Engro Eximp (Private) Limited	4,709	1,386
- Engro Fertilizers Limited (note 8.2)	339,598	17,012
- Engro Foods Limited	12,065	18,561
- Engro Foods Netherlands B.V.	1,286	7,215
- Engro Polymer and Chemicals Limited	10,552	5,637
- Engro Powergen Limited	509	1,742
- Engro Powergen Qadirpur Limited	9	381
- Sindh Engro Coal Mining Company Limited	18	676
- Thar Power Company Limited	173	-
- Joint Venture		
- Engro Vopak Terminal Limited	1,077	871
	371,743	55,988
Others	12,496	39,846
	513,554	234,146

(Amounts in thousand)

8.1 This includes interest on subordinated loans amounting Rs. 129,304 (2012: Rs. 129,304).

8.2 Includes royalty fee aggregating to Rs. 315,925 (2012: Nil) due from Engro Fertilizers Limited, a Subsidiary Company, under a licensing agreement (note 17).

8.3 The maximum amount due from joint venture/subsidiary companies at the end of any month during the year aggregated to as follows:

	2013	2012 (Restated)
	------------(Rupees)------------	
Subsidiary companies		
- Elengy Terminal Pakistan Limited	11,316	34,995
- Engro Eximp Agriproducts (Private) Limited	4,066	6,048
- Engro Eximp (Private) Limited	4,780	16,060
- Engro Fertilizers Limited	339,598	113,291
- Engro Foods Limited	85,092	38,847
- Engro Foods Netherlands B.V.	10,945	7,215
- Engro Polymer and Chemicals Limited	10,552	52,518
- Engro Powergen Limited	9,353	8,268
- Engro Powergen Qadirpur Limited	11,316	21,608
- Sindh Engro Coal Mining Company Limited	8,345	6,104
- Thar Power Company Limited	489	-
Joint venture		
- Engro Vopak Terminal Limited	1,077	1,454

8.4 As at December 31, 2013, receivables aggregating to Rs.55,837 (2012: Rs. 58,644) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2013	2012
	------------(Rupees)------------	
Upto 3 months	40,813	42,709
3 to 6 months	4,905	2,877
More than 6 months	10,119	13,058
	55,837	58,644

(Amounts in thousand)

9. SHORT TERM INVESTMENTS

	2013	2012
	------------(Rupees)------------	
Financial assets at fair value through profit or loss:		
- Term deposits	2,001	-
- Treasury bills	-	484,393
- Mutual fund securities	2,670,914	-
	2,672,915	484,393

10. CASH AND BANK BALANCES

	2013	2012
Cash at banks on:		
- deposit accounts (note 10.1)	250,318	697,009
- current accounts	16	20
	250,334	697,029
Cash in hand	250	150
	250,584	697,179

10.1 These carry return ranging from 5% to 8% (2012: 6% to 10.50%).

11 SHARE CAPITAL

11.1 Authorised Capital

2013	2012		2013	2012
---------(No. of Shares)---------			-------------(Rupees)-------------	
550,000,000	550,000,000	Ordinary Shares of Rs. 10 each	5,500,000	5,500,000

Issued, subscribed and paid-up capital

2013	2012		2013	2012
---------(No. of Shares)---------			-------------(Rupees)-------------	
185,354,484	185,354,484	Ordinary shares of Rs. 10 each fully paid in cash	1,853,545	1,853,545
325,914,951	325,914,951	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	3,259,149	3,259,149
511,269,435	511,269,435		5,112,694	5,112,694

11.2 Movement in issued, subscribed and paid-up share capital during the year:

2013	2012		2013	2012
-----------(No. of Shares)---------			------------(Rupees)-------------	
511,269,435	393,284,181	As at January 1	5,112,694	3,932,843
-	117,985,254	Ordinary shares of Rs. 10 each issued during the year as fully paid bonus shares	-	1,179,851
511,269,435	511,269,435		5,112,694	5,112,694

11.3 As at December 31, 2013, associated companies held 228,797,841 (2012: 228,787,241) ordinary shares in the Company.

(Amounts in thousand)

12. DEFERRED TAXATION

	2013	2012
	------------(Rupees)------------	
(Debit) / credit balances arising on account of:		
- accelerated depreciation allowance	(9,234)	(2,553)
- recoupable minimum turnover tax, net	(1,535)	(1,535)
- provision for retirement benefits	(3,437)	(1,714)
- provision against loan considered doubtful	-	(6,402)
- amortization of transaction costs incurred on borrowings	10,002	40,525
	(4,204)	28,321

12.1 Deferred tax asset / liability on the deductible / taxable temporary differences has been recognized at the rate of 34% (2012: 35%), being the rate substantively enacted at the balance sheet date and is expected to apply to the periods when the asset is realized or the liability is settled.

12.2 On May 12, 2013, the Sindh High Court, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the minimum turnover tax cannot be carried forward in respect of the year where no tax has been paid on account of loss for the year. The Company's management, based on the opinion of its legal advisor, is of the view that the above order is not correct and would not be maintained by Supreme Court, which they intend to approach, if required. Therefore, the Company has continued to carry forward minimum tax paid in prior years.

13 TRADE AND OTHER PAYABLES

	2013	2012 (Restated)
	------------(Rupees)------------	
Creditors	10,089	12,538
Accrued liabilities (note 13.1)	168,634	37,258
Contractors' deposits and retentions	214	-
Workers' welfare fund (note 13.2)	166,284	95,929
Sales tax payable	7,269	12,052
Advance received against partial disposal of investment in Engro Fertilizers Limited, a Subsidiary Company (note 5.4)	836,079	-
Others	3,559	18,492
	1,192,128	176,269

13.1 Accrued liabilities

Salaries, wages and other employee benefits	124,552	971
Vacation accruals	14,010	10,451
Consultancy services	-	14,762
Others	30,072	11,074
	168,634	37,258

(Amounts in thousand)

13.2 The Workers' Welfare Fund Ordinance 1971 (Ordinance) was amended by the Finance Acts of 2006 and 2008 to (i) modify the basis of calculating WWF payable, and (ii) expand the net of WWF to include 'non-manufacturing' companies, respectively. Assessments issued under the amended Ordinance were challenged by certain companies. In 2010 a Division Bench of the Sindh High Court (SHC) upheld these amendments. Subsequently, however, this matter went before a larger Bench of the SHC which suspended, on an interim basis, the operation of the said assessments. During August 2011, the Lahore High Court (LHC) passed an order striking down the said amendments on the basis that WWF contributions are in the nature of a "fee" rather than a "tax" therefore the Ordinance may not be amended through a money bill. However, on March 01, 2013 the larger Bench of the SHC pronounced the verdict that WWF is a "tax" and not a "fee". The Company has filed a constitutional petition in the SHC against the levy of WWF during May 2013 and the SHC has provided an interim stay till the hearing of the case. However, the Company, on prudent basis, has provided for the Workers' Welfare Fund for the year.

14 BORROWINGS

	2013	2012
	------------(Rupees)------------	
Engro Rupiya Certificate I (note 14.1)	3,777,949	3,720,970
Engro Rupiya Certificate II (note 14.2)	2,512,174	2,483,694
Short term finance from banks, secured (note 14.4)	19	-
	6,290,142	6,204,664

14.1 Represents amount raised from general public against the issuance of Engro Rupiya Certificates I (net of unamortized transaction cost of Rs. 6,161). The profit is payable semi-annually at the fixed rate of 14.5% from the date of investment by the Certificate holders. The Certificates are issued for a tenure of three years and are structured to redeem 0.1% of principal in five equal semi-annual installments in the first 30 months and the remaining 99.9% principal in 36th month from the date of issue. The Certificate holders, however, may ask the Company for early redemption at any time from the date of investment subject to service charge of 2% of the outstanding issue price.

14.2 Represents amount raised from general public against issuance of Engro Rupiya Certificate II (net of unamortized transaction cost of Rs. 23,256). The profit is payable semi-annually at the fixed rate of 14.5% from the date of investment by the Certificate holders. The Certificates are issued for a tenure of three years and are structured to redeem 100% of the principal amount in the 36th month from the date of issue. The Certificate holders, however, may ask the Company for early redemption at any time from the date of investment subject to service charge of 2% of the outstanding issue price.

14.3 The proceeds from the Engro Rupiya Certificates (notes 14.1 and 14.2) were utilized for extending subordinated loans to Subsidiary Companies. Any surplus funds were invested in treasury bills, mutual funds and term deposits with banks.

The Certificates are secured by way of first ranking pari passu floating charge over all the present and future movable properties of the Company except for present and future trade marks, copy rights and certain investment in Subsidiary Companies.

The IGI Investment Bank Limited has been appointed as Trustee in respect of these certificates.

14.4 During the year, the Company has utilized its short-term finance facilities aggregating to Rs. 2,500,000 (2012: Rs. 1,500,000) from various banks to meet its working capital requirements. The facilities are primarily secured against ranking floating charge over all present and future loans, advances, receivables and other current assets (excluding investments) of the Company. Additionally the facilities are also secured through a pledge over shares of Engro Foods Limited (a Subsidiary Company).

(Amounts in thousand)

15. CONTINGENCIES AND COMMITMENTS

Contingencies

	2013	2012
	------------(Rupees)------------	
15.1 Corporate Guarantees issued in favour of Subsidiary Companies:		
- Engro Fertilizers Limited (note 15.1.1)	56,448,271	63,934,832
- Engro Powergen Qadirpur Limited (15.1.2)	1,057,700	971,000
- Engro Foods Canada Limited (note 15.1.3)	247,785	235,544
- Elengy Terminal Pakistan Limited (note 15.1.4)	104,507	-
- Engro Powergen Limited (note 15.1.5)	-	116,520
	57,858,263	65,257,896

15.1.1 The above amount also includes a Corporate Guarantee issued by the Company to International Finance Corporation (IFC) for USD 80,000 under the Amended Agreement entered into by the Subsidiary Company with IFC. Till December 31, 2011, the total amount of the facility has been drawn down by the Subsidiary Company. Further, IFC has an option to convert a tranche of the disbursed loan amounting to USD 15,000, into ordinary shares of the Company at Rs. 205 per ordinary share (reduced to Rs. 119.46 consequent to bonus issues) calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of notices issued by IFC to exercise the conversion option. Such option is to be exercised within a period of no more than five years from the date of disbursement of loan (i.e. December 28, 2009).

The Company has also entered into an agreement with the Subsidiary Company that in the event IFC exercises the aforementioned conversion option, the IFC loan amount then outstanding against the Subsidiary Company would stand reduced by the conversion option amount and the Subsidiary Company would pay the rupee equivalent of the corresponding conversion amount to the Company which would simultaneously be given to the Subsidiary Company as a subordinated loan, carrying mark-up payable by the Company for rupee finances of like maturities plus a margin of 1%. The effect of IFC conversion in substance would result in a loan from the Company having the same repayment terms / dates as that of the extinguished loan of IFC i.e. three half yearly installments commencing from September 15, 2015.

15.1.2 Represents Corporate Guarantee amounting to USD 10,000 issued to Allied Bank Limited to open DSRA letter of credit in favour of the Subsidiary Company's senior long term lenders.

15.1.3 Includes (a) Standby Letter of Credit in favour of HSBC Bank Canada amounting to CAD 1,170 issued on October 01, 2012 by Soneri Bank Limited against banking facilities granted to Engro Foods Canada Limited (a wholly owned subsidiary of Engro Foods Netherlands B.V.) and expiring on September 17, 2014 and (b) Corporate Guarantee of USD 1,250 issued in favour of National Bank of Pakistan Limited, Americas Region, USA against working capital facility granted to Engro Foods Canada Limited.

15.1.4 During the year, Elengy Terminal Pakistan Limited, a wholly owned subsidiary, submitted a Letter of Guarantee for USD 1,000 (Pak rupees 104,507) in favour of Inter State Gas Systems (Private) Limited for procurement of rights to import and supply LNG. The Company has secured the issuance of the Letter of Guarantee through a counter guarantee issued in favour of Soneri Bank Limited which has marked a lien on the running finance facility extended to the Company.

15.1.5 During the year, the Corporate Guarantee amounting to USD 1,200 in favour of Bank Alfalah Limited against a Letter of Guarantee facility offered to Engro Powergen Limited, a Subsidiary Company, was released by the bank.

(Amounts in thousand)

Commitments

15.2 The Company has committed to invest an amount of Rs 562,000 in Engro Polymer and Chemicals Limited by way of subscription to right shares.

15.3 On October 01, 2012, the Company extended a Sponsor Support Undertaking in favour of MCB Bank Limited and Faysal Bank Limited against a syndicate finance facility of Rs.500,000 to Engro Polymer and Chemicals Limited, a Subsidiary Company. As per the undertaking, in case the Subsidiary Company is unable to fulfill its financial obligations to the syndicate, the Company shall provide subordinated loan to the subsidiary to fulfill the same.

16 DIVIDEND INCOME

	2013	2012
	------------(Rupees)------------	
Subsidiary Companies		
- Engro Powergen Limited	1,634,125	317,706
- Engro Powergen Qadirpur Limited	266,240	44,800
	1,900,365	362,506
Joint Venture		
- Engro Vopak Terminal Limited	540,000	1,192,500
	2,440,365	1,555,006

17. ROYALTY INCOME

The Company has granted Engro Fertilizers Limited, a Subsidiary Company, the right to use trade marks and copy rights for marketing of fertilizer products under a licensing agreement effective January 1, 2010.

18. ADMINISTRATIVE EXPENSES

	2013	2012
	------------(Rupees)------------	
Salaries, wages and staff welfare (note 18.1)	52,190	34,500
Less: Employee share option compensation reserve written back	-	74,813
Staff recruitment, training, safety and other expenses	13,935	9,495
Repairs and maintenance	1,340	1,768
Advertising, promotion and corporate branding	24,770	50,882
Rent, rates and taxes	40,830	49,697
Communication, stationery and other office expenses	42,130	18,848
Travel	21,790	17,378
Depreciation (note 4.1)	30,867	53,865
Legal and professional charges	22,036	9,065
Donations (note 33)	20,300	21,000
Other expenses (note 18.2)	66,785	18,159
	336,972	209,844

18.1 Salaries, wages and other staff welfare is netted off from the amount recovered from subsidiaries amounting to Rs. 232,912 (2012: Rs. 235,949) in accordance with the shared service agreement. The above amount also includes Rs. 12,365 (2012: Rs. 39,970) in respect of staff retirement benefits.

(Amounts in thousand)

18.2 Includes Rs. 15,400 (2012: Rs.12,800) in respect of directors' fees.

19. OTHER INCOME

	2013	2012
	------------(Rupees)------------	
Financial assets:		
Income on deposits / other financial assets (note 19.1)	957,370	762,018
Non financial assets:		
Service charges (note 19.2)	12,177	16,032
Capital gain on partial disposal of investment in Engro Foods Limited (note 5.5)	730,076	-
LNG Project cost transferred to Elengy Terminal Pakistan Limited	-	41,604
Gain on disposal of property, plant and equipment	972	1,999
Reversal of provision against doubtful loan to Avanceon Limited (note 5.7)	18,293	-
Others	2,844	11,258
	1,721,732	832,911

19.1 Includes Rs. 870,714 (2012: Rs. 693,625) in respect of profit earned on subordinated loans to Subsidiary Companies.

19.2 Represent service charges on corporate guarantees extended by the Company on behalf of Subsidiaries Companies.

20. OTHER OPERATING EXPENSES

	2013	2012
	------------(Rupees)------------	
Provision / write-off against impairment of loan to Avanceon Limited (note 5.7)	-	18,293
Charge against corporate guarantee	-	93,000
Workers' welfare fund	70,355	29,339
Auditors' remuneration (note 20.1)	1,384	702
Professional tax	99	99
	71,838	141,433

20.1 Auditors' remuneration

	2013	2012
Fee for the		
- audit of annual financial statements	325	230
- review of half yearly financial statements	192	95
Certifications, audit of retirement funds and other advisory services	751	167
Reimbursement of expenses	116	210
	1,384	702

21. FINANCE COST

	2013	2012
Interest/mark-up on borrowings	933,792	949,889
Amortization of transaction costs	86,470	82,173
	1,020,262	1,032,062

(Amounts in thousand)

22. TAXATION

	2013	2012
	------------(Rupees)------------	
Current		
- for the year	248,587	125,580
- for prior years (note 22.1)	118,266	66,617
	366,853	192,197
Deferred	(32,525)	(1,949)
	334,328	190,248

22.1 During the year, the income tax department, in respect of the tax year 2011, has determined additional income tax liability of Rs. 218,790 and raised a demand of Rs. 139,575 whereby the Deputy Commissioner Inland Revenue (DCIR) - Audit disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. The Company filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals who maintained the apportionment of expenses against dividend income and capital gains but allowed the allocation of administrative expenses against interest income, thereby reducing the income tax liability to Rs. 184,191 and revised the demand to Rs. 104,976. The Company has paid Rs. 53,250 and simultaneously filed an appeal against the CIR-Appeals' decision with the Appellate Tribunal Inland Revenue (ATIR) which has granted a stay to the Company. The hearing has been conducted and the final order is awaited. The Company, in prior years had already provided Rs. 127,354 for the tax year 2011 and is confident of a favourable outcome of the appeal, however, on prudence, it has recognized a further provision during the year of Rs. 56,837 against the aforementioned demand of the DCIR. Moreover, keeping in view the effect of the aforementioned assessment, the Company, in respect of tax year 2012, has recognized a further provision of Rs. 61,429.

22.2 Relationship between tax expense and accounting profit

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the Company's applicable tax rate as follows:

	2013	2012 (Restated)
	------------(Rupees)------------	
Profit before tax	3,448,718	1,437,635
Tax calculated at the rate of 34% (2012: 35%)	1,172,564	503,172
Effect of exemption from tax on certain income	(646,124)	(126,877)
Effect of applicability of lower tax rate and other tax credits / debits	(192,112)	(186,047)
Tax charge for the year	334,328	190,248

23. EARNINGS PER SHARE

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

Diluted earnings per share has been calculated by adjusting the weighted average number of ordinary shares outstanding for assumed conversion of equity option on IFC loan of USD 15,000 (note 15.1.1). The effect of these options is anti-dilutive as at December 31, 2013.

(Amounts in thousand)

	2013	2012 (Restated)
	------------(Rupees)------------	
Profit for the year	3,114,390	1,247,387
Add: Interest income on rupee equivalent loan to Engro Fertilizers Limited, a subsidiary company, on exercise of conversion option - net of tax (note 15.1.1)	171,237	-
Profit used for the determination of Diluted EPS	3,285,627	1,247,387
Weighted average number of ordinary shares	511,269	511,269
Add : Weighted average adjustments for: Assumed conversion of USD 15,000 IFC loan (note 15.1.1)	1,455	-
Weighted average number of shares for determination of diluted EPS	512,724	511,269

As at December 31, 2012, there was no dilutive effect on the basic earnings per share of the Company since the average annual market share price of the Company's share was less than the exercise price of the options granted on the Company's shares to IFC.

24. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration, including all benefits, to chief executive, directors and executives of the Company are given below:

	2013			2012		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	------(Rupees)------					
Managerial remuneration	39,791	-	128,184	77,667	43,425	166,050
Retirement benefits funds	4,486	-	17,817	4,850	3,479	21,302
Other benefits	-	-	4,646	8	9	3,317
Fees	-	15,400	-	-	12,800	-
Total	44,277	15,400	150,647	82,525	59,713	190,669
Number of persons including those who worked part of the year	1	14	50	2	14	53

24.1 The Company also makes contributions based on actuarial calculations to gratuity funds and provides certain household items for use of some employees and directors. Cars are also provided for use of some employees and directors.

(Amounts in thousand)

24.2 Premium charged in the financial statements in respect of directors indemnity insurance policy, purchased by the Company during the year, amounts to Rs. 1,496 (2012: Rs. 1,239).

24.3 The above remuneration of chief executive, directors and executives also includes the amount recovered from subsidiaries in accordance with the shared service agreement.

25. RETIREMENT BENEFITS

25.1 Defined benefit Gratuity plan

The Company faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility - Most assets are invested in risk free investments of 3, 5 or 10 year SSC's, RIC's, DSC's or Government Bonds. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment.

Risk of insufficiency of assets - This is managed by making regular contribution to the Fund as advised by the actuary.

In addition to above, the pension fund exposes the company to longevity risk i.e. the pensioners survive longer than expected.

The latest actuarial valuation of the defined benefit gratuity plan was carried out as at December 31, 2013, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

(Amounts in thousand)

	Defined Benefit Gratuity Plans Funded 2013	Defined Benefit Gratuity Plans Funded 2012 [Restated - note 2.1.4(a)]
	------------(Rupees)------------	
25.1.1 Balance Sheet Reconciliation		
Present value of defined benefit obligation	81,502	132,150
Fair value of plan assets	(94,353)	(170,004)
Surplus	(12,851)	(37,854)
Payable to Defined Contribution Gratuity Fund	374	664
Net asset recognized in the balance sheet	(12,477)	(37,190)
25.1.2 Movement in net asset recognized in the balance sheet		
Net asset at beginning of the year	(37,190)	(9,005)
Expense for the year	296	3,705
Net contribution by the Company	-	(3,132)
Remeasurement loss / (gain) to Other Comprehensive Income	24,417	(28,758)
Net asset at end of the year	(12,477)	(37,190)
25.1.3 Movement in present value of defined benefit obligation		
As at beginning of the year	132,150	104,576
Current service cost	4,657	4,785
Interest cost	13,968	12,849
Remeasurement loss / (gain) to Other Comprehensive Income	15,337	(31)
Benefits paid during the year	(41,725)	(53,658)
Liability transferred (to) / from Defined Contribution Gratuity Fund	(42,885)	63,629
As at end of the year	81,502	132,150
25.1.4 Movement in fair value of plan assets		
As at beginning of the year	170,004	113,689
Expected return on plan assets	18,329	13,929
Contribution by the Company	-	3,132
Benefits paid during the year	(41,725)	(53,658)
Remeasurement (loss) / gain to Other Comprehensive Income	(9,080)	28,727
Assets transferred (to) / by Defined Contribution Gratuity Fund	(43,175)	64,185
As at end of the year	94,353	170,004
25.1.5 Charge for the year		
Current service cost	4,657	4,785
Net Interest cost	(4,361)	(1,080)
	296	3,705
25.1.6 Principal actuarial assumptions used in the actuarial valuation		
Discount rate	13%	12%
Expected per annum rate of return on plan assets	13%	12%
Expected per annum rate of increase in future salaries	13%	12%
25.1.7 Actual return on plan assets	29,796	35,816

(Amounts in thousand)

25.1.8 Plan assets comprise of the following

	2013 Rupees	2013 (%)	2012 Rupees	2012 (%)
Fixed income instruments	79,286	84%	137,376	81%
Investment in equity instruments	14,943	16%	30,511	18%
Cash	123	0%	2,117	1%
	94,353		170,004	

25.1.9 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

25.1.10 Comparison of five years

	2013	2012	2011	2010	2009
	---------(Rupees)---------				
Present value of defined benefit obligation	(81,502)	(132,150)	(104,576)	(115,956)	(339,182)
Fair value of plan assets	94,353	170,004	113,689	125,199	409,228
Surplus	12,851	37,854	9,113	9,243	70,046

25.1.11 Expected future cost for the year ending December 31, 2014 is Rs. 2,285.

25.1.12 Remeasurement recognized in Other Comprehensive Income

	Defined Benefit Gratuity Plans Funded 2013	Defined Benefit Gratuity Plans Funded 2012
	------------(Rupees)------------	
Loss from change in demographic assumptions	(1)	-
Gain / (Loss) from change in experience assumptions	(15,699)	31
Gain from change in financial assumptions	363	-
Remeasurement of obligation	(15,337)	31
Actual Return on plan assets	29,796	35,816
Expected Return on plan assets	(18,329)	(13,929)
Difference in opening fair value of plan assets	(20,169)	9,783
Adjustments / transfers	(378)	(2,943)
Remeasurement of plan assets	(9,080)	28,727
	(24,417)	28,758
Tax impact at 34% (2012: 35%)	8,302	(10,065)
Remeasurement of retirement benefit obligation - Actuarial (loss) / gain - net of tax	(16,115)	18,693

(Amounts in thousand)

25.1.13 Demographic Assumptions

Mortality rate	SLIC (2001-05)	LIC (1975-79)
Rate of employee turnover	Moderate	Moderate

25.1.14 Sensitivity Analysis

The impact of 1% change in following variables on defined benefit obligation is as follows:

	Increase in Assumption	Decrease in Assumption
	------------Gratuity Fund------------	
Discount rate	77,424	85,913
Long term salary increases	85,495	77,733
Withdrawal rates : light	83,163	-
Withdrawal rates : Heavy / Moderate	82,245	-

25.1.15 Maturity Profile

Time in years	Gratuity Fund
1	4,349
2	4,783
3	18,963
4	3,781
5-10	100,963
11-15	82,903
16-20	36,899
20+	26,267
Weighted average duration	5.86

25.2 Defined contribution plans

An amount of Rs. 14,021 (2012: Rs. 10,920) has been charged during the year in respect of defined contribution plans maintained by the Company.

26. CASH UTILIZED IN OPERATIONS

	2013	2012
	------------(Rupees)------------	
Profit before taxation	3,448,718	1,437,685
Adjustment for non-cash charges and other items:		
Depreciation	30,867	53,865
Gain on disposal of property, plant and equipment	(972)	(1,999)
Provision for retirement and other service benefits	30,657	32,388
Employee share compensation expense - net	-	(74,813)
Income on deposits / other financial assets	(957,370)	(762,018)
Gain on disposal of long term investment	(730,076)	(384)
Dividend income	(2,440,365)	(1,555,006)
Royalty income	(715,693)	(433,057)
Financial charges	1,020,262	1,032,062
(Reversal) of provision / provision of loan considered doubtful	(18,293)	18,293
Working capital changes (note 26.1)	194,901	(206,432)
	(137,364)	(459,416)

(Amounts in thousand)

	2013	2012
	------------(Rupees)------------	
26.1 Working capital changes		
(Increase) / decrease in current assets		
- Loans, advances, deposits and prepayments	(12,400)	(5,045)
- Other receivables (net)	27,520	(8,916)
	15,120	(13,961)
Increase / (decrease) in current liabilities		
- Trade and other payables including other service benefits (net)	179,781	(192,471)
	194,901	(206,432)

27. CASH AND CASH EQUIVALENTS

	2013	2012
Short term investments (note 9)	2,670,914	484,393
Cash and bank balances (note 10)	250,584	697,179
	2,921,498	1,181,572

28. FINANCIAL INSTRUMENTS BY CATEGORY

	2013	2012
Financial assets as per balance sheet		
- Loans and receivables		
Long term loans	5,150,000	4,150,000
Loans and advances	600,000	800,000
Other receivables	513,554	234,146
Cash and bank balances	250,584	697,179
	6,514,138	5,881,325
- Fair value through profit and loss		
Short term investments	2,672,915	484,393
Financial liabilities as per balance sheet		
- Financial liabilities measured at amortized cost		
Trade and other payables	182,496	68,288
Accrued interest / mark-up	337,866	337,927
Borrowings	6,290,142	6,204,664
Unclaimed dividends	92,373	96,936
	6,902,877	6,707,815

(Amounts in thousand)

29. FINANCIAL RISK MANAGEMENT

29.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Company's Finance and Planning department under policies approved by the Management Committee.

a) Market risk

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has given guarantees in favour of its subsidiary companies amounting to USD 214,477 (2012: USD 245,018) and CAD 1,170 (2012: 1,170). The devaluation / revaluation of currency will only impact contingent liabilities and the impact on post tax profit for the year is nil.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The loans given to subsidiary companies exposes the Company to interest rate risk.

As at December 31, 2013, if interest rate on loans given to subsidiary companies had been 1% higher / lower with other variables held constant, post tax profit for the year would have been higher / lower by Rs. 37,950.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Company is not exposed to equity securities price risk as all of its investments are in subsidiary companies which are stated at cost. Further, the Company's investments in money market mutual funds are exposed to price risk due to changes in NAV of mutual funds.

As at December 31, 2013, if fair value (NAV) had been 1% higher/lower with all other variables held constant post tax profit for the year would have been higher/lower by Rs.17,628.

b) Credit risk

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation. Credit risk arises from deposits with banks and financial institutions, loans and advances, deposits, bank guarantees and other receivables. The credit risk on liquid funds and mutual fund securities is limited because counter parties are financial institutions with a reasonably high credit rating. The Company maintains an internal policy to place funds with commercial banks/mutual funds having a minimum short term credit rating of A1/AM3.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as under:

(Amounts in thousand)

	2013	2012
	------------(Rupees)------------	
Long term loans	5,150,000	4,150,000
Loans and advances	600,000	800,000
Other receivables	457,717	175,502
Short term investments	2,672,915	484,393
Cash and bank balances	250,334	697,179
	9,130,966	t6,307,074

The credit quality of receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history, however, no losses incurred. The credit quality of Company's bank balances and short term investments can be assessed with reference to external credit ratings as follows:

Bank	Rating agency	Rating	
		Short term	Long term
Allied Bank Limited	PACRA	A1+	AA+
Askari Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Bank Al Habib Limited	PACRA	A1+	AA+
Bank Islami Pakistan Limited	PACRA	A1	A
Burj Bank Limited	JCR-VIS	A-1	A
Citibank N.A	Moody's	P-2	A3
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A1+	AAA
JS Bank Limited	PACRA	A1	A+
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	JCR-VIS	A1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A-1	AA-
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A1+	AA+
Summit Bank Limited	JCR-VIS	A-3	A-

c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities.

The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

These objectives are achieved by maintaining sufficient cash and marketable securities.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

(Amounts in thousand)

	2013			2012		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	---(Rupees)---					
Financial liabilities						
Trade and other payables	182,496	-	182,496	68,288	-	68,288
Accrued interest / mark-up	337,866	-	337,866	337,927	-	337,927
Borrowings	6,290,142	-	6,290,142	6,204,664	-	6,204,664
Unclaimed dividends	92,373	-	92,373	96,936	-	96,936
	6,902,877	-	6,902,877	6,707,815	-	6,707,815

29.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for share holders and benefit for other stake holders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

	2013	2012
	---(Rupees)---	
The proportion of borrowings to equity at the year end was:		
Total Borrowings	6,290,142	6,204,664
Total Equity	29,759,618	26,661,343
	36,049,760	32,866,007
Total borrowings to equity ratio	17%	19%

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

29.3 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value of treasury bills and mutual fund is determined using rates prevailing in the market at the end of each year for identical assets (level 1).

(Amounts in thousand)

30. PROVIDENT FUND

The Company operates defined contribution Provident Fund (the Fund) maintained for its permanent employees. Monthly contribution are made both by the Company and employees to the Fund at the rate of 10% of basic salary. Accordingly, the following information is based upon the latest audited financial statements of the Fund as at June 30, 2013 and June 30 2012.

	2013	2012
	---(Rupees)---	
Size of the fund - Total assets	1,550,126	1,283,853
Investments at fair value	186,789	165,424
Investments at amortized cost	1,166,031	969,416
Percentage of investments made	87%	88%

The break-up of investments is as follows:

	2013		2012	
	Rupees	(%)	Rupees	(%)
National Savings Scheme	251,180	19	181,408	16
Government securities	693,247	51	704,936	62
Listed securities	408,393	30	248,496	22
	1,352,820	100	1,134,840	100

30.1 The investments out of the fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

31. NUMBER OF EMPOLYEES.

	Number of employees as at		Average number of employees	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Management employees	61	61	61	55
Non-management employees	1	2	1	1
	62	63	62	56

(Amounts in thousand)

32 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise subsidiaries, joint venture companies, other companies with common directors, retirement benefit funds, directors and key management personnel. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2013	2012
	------------(Rupees)------------	
Subsidiary companies		
Purchases and services	18,152	16,486
Services rendered	517,210	259,410
Mark-up from subsidiaries	870,714	693,625
Disbursement of loan	1,420,000	7,200,000
Repayment of loan by Subsidiary Companies	620,000	5,250,000
Dividend received	1,900,365	362,506
Royalty Income	715,693	433,057
Associated companies		
Purchases and services	2,075	2,113
Retirement benefits	28,297	27,236
Dividend paid	-	335,161
Bonus shares issued	-	558,602
Donations	20,300	21,000
Investment in T-bills	3,786,781	-
Redemption of investment T-bills	4,271,172	692,098
Investment in Mutual Funds	350,000	174
Sale of operating assets	9,247	-
Joint ventures		
Services rendered	2,457	1,667
Dividend received	540,000	1,192,500
Others		
Dividend paid	-	10,205
Bonus shares issued	-	14,794
Director's fees	15,400	12,800
Remuneration of key management personnel	118,283	128,924

33 DONATIONS

Donations include the following in which a director or his spouse is interested:

Name of Donor	Interest in Donee	Name of Donee	2013	2012
			------------(Rupees)------------	
Muhammad Aliuddin Ansari, Ruhail Mohmmed, Safaraz A. Rehman, Khalid S. Subhani, and Afnan Ahsan (resigned)	Chairman and Trustees	Engro Foundation	20,300	21,000

(Amounts in thousand)

34 LOSS OF CERTAIN ACCOUNTING RECORDS

During 2007, a fire broke out at PNSC Building, Karachi where the Company's registered office was located. Immediately following this event the Company launched its Disaster Recovery Plan due to which operational disruption and financial impact resulting from this incident remained minimal.

The fire destroyed a substantial portion of its hard copy records, related to the financial years 2005, 2006 and the period January 1, 2007 to August 19, 2007 although, electronic data remained intact due to the aforementioned Disaster Recovery Plan. The Company launched an initiative to recreate significant lost records and was successful in gathering the same in respect of the financial year 2007. Hard copy records related to the already reported financial years 2005 and 2006 have not been recreated.

35 NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

35.1 The Board of Directors of Engro Vopak Terminal Limited, a joint venture company, in its meeting held on February 4, 2014 has proposed a final cash dividend of Rs. 5 per share for the year ended December 31, 2013, amounting to Rs. 450,000, of which the proportionate share of the Company amounts to Rs. 225,000.

These financial statements for the year ended December 31, 2013 do not include the effect of the aforementioned dividend income, which will be accounted for in the financial statements for the year ending December 31, 2014 once the proposed dividend is approved in the Annual General Meeting of the above mentioned Company.

35.2 The Board of Directors in its meeting held on February 14, 2014 has proposed a specie dividend for the year ended December 31, 2013 in the ratio of 1:10 (one share of Engro Fertilizers Limited for every ten shares held), for approval of the members at the Annual General Meeting to be held on March 31, 2014.

The financial statements for the year ended December 31, 2013 does not include the effect of the proposed specie dividend, which will be accounted for in the financial statements for the year ending December 31, 2014.

36 CORRESPONDING FIGURES

Prior year's figures have been restated consequent to the retrospective application of IAS-19 (Revised), as more fully explained in note 2.1.4 (a). Other corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, the effect of which is not material.

37 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on February 14, 2014 by the Board of Directors of the Company.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

consolidated accounts

- Auditors' Report to the Members
- Consolidated Financials

auditors' report to the members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Engro Corporation Limited (the Holding Company) and its subsidiary companies as at December 31, 2013 and the related consolidated profit and loss account, consolidated statement of Comprehensive income, consolidated statement of change in equity and consolidated statement of cash flows together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary companies whereas Engro Eximp FZE and Egnro Foods Canda Limited have been audited by PricewaterhouseCoopers --U.A.E. and PricewaterhouseCoopers LLP -- Canada respectively, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the reports of such other auditors.

These financial statements are the responsibility of the Holding Company's management. Our Responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Engro Corporation Limited (the Holding company) and its subsidiary companies, as at December 31, 2013 and the results of their operations, changes in equity and cash flows for the year then ended.

Without qualifying our opinion, we draw attention to note 53 to the consolidated financial statements and as more fully explained therein, due to the fire at the Holding Company's old premises on August 19, 2007, certain records, documents and books of account of the Holding Company relating to prior years ended December 31, 2007, 2006 and 2005 were destroyed. To date, the Holding Company has been able to reconstruct books of account pertaining to the year ended December 31, 2007.

Chartered Accountants
Karachi
Date: March 05, 2014

Engagement Partner: Imtiaz A. H. Laliwala

consolidated balance sheet
as at december 31, 2013

(Amounts in thousand)	Note	2013	2012 (Restated-note 4)	2011
		(Rupees)		
Assets				
Non-current assets				
Property, plant and equipment	5	131,969,040	132,013,681	134,658,318
Development properties	6	-	-	-
Exploration and evaluation assets	6.2	-	539,753	433,227
Biological assets	7	716,465	668,455	496,809
Intangible assets	8	807,966	782,958	737,803
Deferred taxation	25	1,425,299	1,544,841	1,058,812
Deferred employee compensation expense	14	168,865	-	-
Long term investments	9	1,873,995	1,267,973	1,716,692
Long term loans and advances	10	307,435	254,348	165,253
		137,269,065	137,072,009	139,266,914
Current Assets				
Stores, spares and loose tools	11	7,038,623	6,508,440	6,195,366
Stock-in-trade	12	20,699,771	16,591,475	11,603,851
Trade debts	13	3,033,487	10,637,999	6,214,643
Deferred employee compensation expense	14	136,153	-	986
Derivative financial instruments	15	130,207	26,332	239,184
Loans, advances, deposits and prepayments	16	1,451,026	1,072,618	2,017,421
Other receivables	17	4,995,503	3,087,675	2,265,204
Taxes recoverable		2,908,257	3,966,213	3,055,557
Short term investments	18	21,366,091	5,998,027	8,332,154
Cash and bank balances	19	6,899,123	4,663,275	4,417,885
		68,658,241	52,552,054	44,342,251
Assets attributable to discontinued operations	20	980,140	-	468,125
TOTAL ASSETS		206,907,446	189,624,063	184,077,290

(Amounts in thousand)	Note	2013	2012 (Restated-note 4)	2011
		(Rupees)		
Equity & Liabilities				
Equity				
Share capital	21	5,112,694	5,112,694	3,932,843
Share premium		10,550,061	10,550,061	10,550,061
Employee share option compensation reserve	14	407,133	-	146,280
Revaluation reserve on business combination		74,092	84,294	94,496
Maintenance reserve	23	213,335	213,335	197,577
Exchange revaluation reserve		35,418	69,122	35,725
Hedging reserve	22	(185,689)	(362,925)	(573,437)
General reserves		4,429,240	4,429,240	4,429,240
Unappropriated profit		27,353,306	18,423,593	18,986,041
Remeasurement of post-employment benefits		(60,760)	(12,883)	(18,195)
		42,816,136	33,393,837	33,847,788
		47,928,830	38,506,531	37,780,631
Non-Controlling Interest		5,319,491	4,713,908	4,079,946
Advance against issuance of shares to Non-Controlling Interest by subsidiary company	1.3.1	2,954,829	-	-
Total Equity		56,203,150	43,220,439	41,860,577
Liabilities				
Non-current liabilities				
Borrowings	24	78,321,114	73,257,370	82,560,415
Derivative financial instruments	15	1,611,258	639,525	702,214
Obligations under finance lease		-	-	2,589
Deferred taxation	25	6,301,051	5,191,496	5,046,489
Employee housing subsidy		-	-	19,144
Deferred liabilities	26	221,856	220,453	179,490
		86,455,279	79,308,844	88,510,341
Current Liabilities				
Trade and other payables	27	40,128,696	30,503,853	23,420,461
Accrued interest / mark-up	28	2,252,256	2,613,633	3,114,122
Current portion of				
- borrowings	24	14,754,508	27,436,692	21,565,668
- obligations under finance lease		-	2,589	2,590
- deferred liabilities	26	45,883	39,624	34,636
Short term borrowings	29	6,380,255	5,828,090	4,284,404
Derivative financial instruments	15	455,990	573,363	452,625
Unclaimed dividends		92,375	96,936	79,083
		64,109,963	67,094,780	52,953,589
Total Liabilities		150,565,242	146,403,624	141,463,930
Liabilities associated with discontinued operations	20	139,054	-	752,783
Contingencies and Commitments	30			
TOTAL EQUITY & LIABILITIES		206,907,446	189,624,063	184,077,290

The annexed notes from 1 to 57 form an integral part of these consolidated financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

consolidated profit and loss account

for the year ended december 31, 2013

(Amounts in thousand except for earnings / (loss) per share)	Note	2013	2012 (Restated-note 4)
		-------------(Rupees)-------------	
Net sales	31	155,359,928	125,151,272
Cost of sales	32	(114,763,238)	(96,631,324)
Gross Profit		40,596,690	28,519,948
Selling and distribution expenses	33	(10,396,595)	(8,816,828)
Administrative expenses	34	(3,387,870)	(2,818,738)
		26,812,225	16,884,382
Other income	35	2,685,878	2,027,879
Other operating expenses	36	(3,743,805)	(1,934,936)
Finance cost	37	(13,101,105)	(15,516,238)
Share of income from joint venture	38	609,622	743,781
Gain on reversal of net liability on disposal of discontinued operations		-	251,872
Profit before taxation		13,262,815	2,456,740
Taxation	39	(4,572,893)	(659,563)
Profit for the year		8,689,922	1,797,177
Profit / (loss) attributable to:			
- Discontinued operations	20	(17,425)	(4,225)
- Continuing operations		8,707,347	1,801,402
		8,689,922	1,797,177
Profit attributable to:			
- Owners of the Holding Company		8,183,153	1,333,223
- Non Controlling Interest		506,769	463,954
		8,689,922	1,797,177
		---------------Rupees---------------	
Earnings / (loss) per share from - Basic and diluted:	40		
- Discontinued operations		(0.02)	-
- Continuing operations		16.03	2.61
		16.01	2.61

The annexed notes from 1 to 57 form an integral part of these consolidated financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

consolidated statement of comprehensive income

for the year ended december 31, 2013

(Amounts in thousand)	2013	2012 (Restated-note 4)
	-------------(Rupees)-------------	
Profit for the year	8,689,922	1,797,177
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Hedging reserve - cash flow hedges		
Losses arising during the year	(118,004)	(580,588)
Less:		
- Reclassification adjustments for losses included in profit and loss account	436,492	898,968
- Adjustments for amounts transferred to initial carrying amount of hedged items (capital work in progress / stock in trade)	(22,568)	18,582
	295,920	336,962
Revaluation reserve on business combination	(21,974)	(21,974)
Exchange differences on translation of foreign operations	(33,704)	62,775
	240,242	377,763
Income tax relating to:		
Hedging reserve - cash flow hedges	(106,753)	(117,937)
Revaluation reserve on business combination	7,691	7,691
	(99,062)	(110,246)
Items that will not be reclassified to profit and loss account		
Remeasurement of post employment benefits obligation- Actuarial (loss) / gain	(71,589)	3,659
Income tax relating to remeasurement of post employment benefits obligation	16,883	(1,244)
	(54,706)	2,415
Deferred tax charge relating to revaluation of equity related items	(1,648)	-
Other comprehensive income for the year, net of tax	84,826	269,932
Total comprehensive income for the year	8,774,748	2,067,109
Total comprehensive income attributable to:		
- Owners of the Holding Company	8,268,606	1,601,620
- Non Controlling Interest	506,142	465,489
	8,774,748	2,067,109
Total comprehensive income attributable to equity shareholders arises from:		
- Discontinued operations	(17,694)	(4,225)
- Continuing operations	8,792,442	2,071,334
	8,774,748	2,067,109

The annexed notes from 1 to 57 form an integral part of these consolidated financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

consolidated statement of changes in equity

for the year ended december 31, 2013

(Amounts in thousand)

	Share capital	Share premium	Employee share option compensation reserve	Revaluation reserve on business combination	Maintenance reserve (note 23)	Exchange revaluation reserve	Hedging reserve	General reserve	Unappropriated Profit	Remeasurement of post employment benefits-acturial(loss)/income	Sub total	Non controlling Interest	Total
	Attributable to owners of the Holding Company												
		Reserves											
		Capital Reserves					Revenue Reserves						
	(Rupees)												
Balance as at 1 January, 2012	3,932,843	10,550,061	146,280	94,496	197,577	35,725	(573,437)	4,429,240	18,985,446	-	37,798,231	4,091,558	41,889,789
Effect of change in accounting policy due to application of IAS-19 (Revised), net of tax - note 4	-	-	-	-	-	-	-	-	595	(18,195)	(17,600)	(11,612)	(29,212)
Balance as at January 1, 2012 - restated	3,932,843	10,550,061	146,280	94,496	197,577	35,725	(573,437)	4,429,240	18,986,041	(18,195)	37,780,631	4,079,946	41,860,577
Total comprehensive income for the year ended December 31, 2012													
Profit for the year	-	-	-	-	-	-	-	-	1,333,223	-	1,333,223	463,954	1,797,177
Other comprehensive income	-	-	-	(10,202)	-	62,775	210,512	-	-	5,312	268,397	1,535	269,932
	-	-	-	(10,202)	-	62,775	210,512	-	1,333,223	5,312	1,601,620	465,489	2,067,109
Transactions with owners													
Effect of derecognition of discontinued operations	-	-	(10,688)	-	-	(29,378)	-	-	-	-	(40,066)	72,854	32,788
Issue of right shares by subsidiary	-	-	-	-	-	-	-	-	-	-	-	18,900	18,900
Maintenance reserve for the year	-	-	-	-	15,758	-	-	-	(15,758)	-	-	-	-
Bonus shares issued during the period in the ratio of 3 shares for every 10 shares held	1,179,851	-	-	-	-	-	-	-	(1,179,851)	-	-	-	-
Vested options lapsed during the year	-	-	(135,333)	-	-	-	-	-	-	-	(135,333)	-	(135,333)
Shares issued during the year by subsidiaries under Employees Share Option Scheme	-	-	(259)	-	-	-	-	-	86,507	-	86,248	104,369	190,617
Dividend by subsidiary allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	-	(27,650)	(27,650)
Final dividend for the year ended December 31, 2011 @ Rs. 2.00 per share	-	-	-	-	-	-	-	-	(786,569)	-	(786,569)	-	(786,569)
	1,179,851	-	(146,280)	-	15,758	(29,378)	-	-	(1,895,671)	-	(875,720)	168,473	(707,247)
Balance as at December 31, 2012 - restated	5,112,694	10,550,061	-	84,294	213,335	69,122	(362,925)	4,429,240	18,423,593	(12,883)	38,506,531	4,713,908	43,220,439
Total comprehensive income for the year ended December 31, 2013													
Profit for the year	-	-	-	-	-	-	-	-	8,183,153	-	8,183,153	506,769	8,689,922
Other comprehensive income	-	-	-	(10,202)	-	(33,704)	177,236	-	-	(47,877)	85,453	(627)	84,826
	-	-	-	(10,202)	-	(33,704)	177,236	-	8,183,153	(47,877)	8,268,606	506,142	8,774,748
Transactions with owners													
Effect of partial disposal of shares held in subsidiary company by Holding Company	-	-	-	-	-	-	-	-	701,938	-	701,938	84,388	786,326
Shares issued during the period by subsidiary company	-	-	-	-	-	-	-	-	44,622	-	44,622	180,953	225,575
Options granted during the period by subsidiary company under Employees Share Option Scheme	-	-	407,133	-	-	-	-	-	-	-	407,133	-	407,133
Dividend by subsidiary allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	-	(165,900)	(165,900)
									-	-	-	-	-
	-	-	407,133	-	-	-	-	-	746,560	-	1,153,693	99,441	1,253,134
Balance as at December 31, 2013	5,112,694	10,550,061	407,133	74,092	213,335	35,418	(185,689)	4,429,240	27,353,306	(60,760)	47,928,830	5,319,491	53,248,321

The annexed notes from 1 to 57 form an integral part of these consolidated financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

consolidated statement of cash flows

for the year ended december 31, 2013

(Amounts in thousand)

	Note	2013	2012
		(Rupees)	
Cash flows from operating activities			
Cash generated from operations	42	45,236,162	22,486,748
Retirement and other service benefits paid		(469,883)	(194,607)
Financial charges paid		(11,152,374)	(12,406,139)
Taxes paid		(2,050,436)	(2,015,382)
Unamortised deferred income		-	17,390
Long term loans and advances - net		(57,621)	(89,095)
Net cash generated from operating activities		31,505,848	7,798,915
Cash flows from investing activities			
Exploration and evaluation expenditure incurred		(215,998)	(102,951)
Purchases of property, plant & equipment, intangible assets & biological assets		(8,628,735)	(5,922,421)
Sale proceeds on disposal of property, plant & equipment and biological assets		378,286	202,952
Investment in associated company		(536,400)	-
Income on deposits / other financial assets		1,095,370	416,658
Dividends received		540,000	1,192,500
Net cash used in investing activities		(7,367,477)	(4,213,262)
Cash flows from financing activities			
Repayments of borrowings - net		(10,850,974)	(6,265,515)
Proceeds against partial disposal of shares held in subsidiary company by Holding Company		786,326	-
Advance received against issue of shares by subsidiary company		2,954,829	-
Proceeds from short term finance		-	500,000
Repayments of short term finance		(500,000)	(500,000)
Obligations under finance lease - net		(2,589)	(2,590)
Proceeds against shares issued by subsidiary company		225,575	209,517
Dividends paid		(170,461)	(796,366)
Net cash used in financing activities		(7,557,294)	(6,854,954)
Net increase / (decrease) in cash and cash equivalents		16,581,077	(3,269,301)
Cash and cash equivalents at beginning of the year		5,333,212	8,602,513
Cash and cash equivalents at end of the year	43	21,914,289	5,333,212

The annexed notes from 1 to 57 form an integral part of these consolidated financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

notes to the consolidated financial statements

for the year ended december 31, 2013

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 Engro Corporation Limited - the Holding Company, is a public listed company incorporated in Pakistan under the Companies Ordinance, 1984 and its shares are quoted on Karachi, Lahore and Islamabad stock exchanges of Pakistan. The principal activity of the Holding Company is to manage investments in subsidiary companies and joint venture, engaged in fertilizers, PVC resin manufacturing and marketing, food, energy, exploration and chemical terminal and storage businesses. The Holding Company's registered office is situated at 7th & 8th Floors, The Harbour Front Building, HC # 3, Block 4, Marine Drive, Clifton, Karachi.

1.2 The "Group" consists of:

Holding Company- Engro Corporation Limited

Subsidiary companies, Companies in which the Holding Company owns over 50% of voting rights, or companies directly controlled by the Holding Company:

	%age of direct holding	
	2013	2012
• Engro Fertilizers Limited (note 1.3.1)	100	100
• Engro Eximp (Private) Limited (note 1.3.2)	100	100
• Engro Powergen Limited (note 1.3.3)	100	100
• Elengy Terminal Pakistan Limited (note 1.3.4)	100	100
• Engro Foods Limited (note 1.3.5)	87.06	88.37
• Engro Foods Netherlands B.V. (note 1.3.6)	-	100
• Engro Polymer and Chemicals Limited (note 1.3.7)	56.19	56.19
Joint Venture Company:		
• Engro Vopak Terminal Limited (note 1.4).	50	50

1.3 Subsidiary companies

1.3.1 Engro Fertlizers Limited

Engro Fertilizers Limited (EFert), a wholly owned subsidiary of the Holding Company, is a public company incorporated on June 29, 2009 in Pakistan under the Companies Ordinance, 1984. The principal activity of EFert is manufacturing, purchasing and marketing of fertilizers.

During the year, EFert has made an Initial Public Offer (IPO) through issue of 75 million ordinary shares of Rs. 10 each at a price of Rs. 28.25 per share determined through book building process. Out of the total issue of 75 million ordinary shares, 56.25 million ordinary shares were subscribed through book building by High Net Worth Individuals and institutional investors whereas the remaining 18.75 million ordinary shares were subscribed by the general public. The shares have been duly allotted subsequent to the year end. On January 17, 2014, the Karachi and Lahore stock exchanges have approved EFert's application for formal listing and quotation of shares.

The Holding Company as at December 31, 2013 held 100% (2012: 100%) ordinary shares in EFert. However, during the year, the Holding Company also divested 30 million ordinary shares of the subsidiary company. In addition, the subsidiary company also made an Initial Public Offer, as more fully explained above. As a result, the Holding Company, subsequent to the balance sheet date, holds 91.91% of the share capital of the subsidiary company.

(Amounts in thousand)

1.3.2 Engro Eximp (Private) Limited

Engro Eximp (Private) Limited (EEL), a wholly owned subsidiary of the Holding Company, is a private limited company, and was incorporated in Pakistan on January 16, 2003 under the Companies Ordinance, 1984. EEL is principally engaged in the following trading businesses:

a) Fertilizer Trading: EEL imports and sells different types of fertilizers and other related products which are being sold to the dealers through Engro Fertilizers Limited (EFert), which has been appointed as a selling agent under an Agreement effective January 1, 2010.

b) Rice Trading: EEL is also engaged in rice business whereby bulk quantities of unprocessed rice and paddy were procured from local suppliers, processed and packed for selling locally as well as for export to foreign buyers. However, pursuant to the restructuring plan of the Board of Directors of EEL in the meeting held on September 30, 2011 the rice business has been transferred to Engro Eximp Agriproducts (Private) Limited (EEAP), a wholly owned subsidiary of EEL, whereby EEAP now operates the entire rice business from the crop season 2011.

c) Agri commodities Procurement / Trading: EEL has been engaged in the procurement of agri commodities, including sugar and hydrogenated palm oil (HPO), whereby EEL takes trading positions in the local and international markets for itself and its associated undertakings on the basis of fundamental and technical analysis.

d) Coal Trading: During the year, EEL has started coal trading business, whereby it procures coal and provides transportation and handling services with respect to procurement of coal.

Following are the subsidiaries of EEL:

	%age of direct holding	
	2013	2012
• Engro Eximp Agriproducts (Private) Limited, (note 1.3.2.1)	100	100
• Engro EXIMP FZE (note 1.3.2.2)	100	100

1.3.2.1 Engro Eximp Agriproducts (Private) Limited (EEAP), is a private limited company, incorporated in Pakistan on November 3, 2009, under the Companies Ordinance, 1984. The principal activity of the EEAP is to produce, manufacture and trade all kinds of raw, processed and prepared food products including agriculture, dairy and farming products. EEAP has set up a rice processing plant in District Shaikhupura, which commenced commercial production in 2011.

1.3.2.2 Engro Eximp FZE (EFZE), incorporated in the Jebel Ali Free Zone, Emirate of Dubai on August 4, 2011, is engaged in the business of trading seeds, agricultural tools, chemical fertilizers, organic fertilizers, plant seeds, ghee, vegetable oil, grains, cereals legumes, sugar, flour, agricultural equipment and accessories.

(Amounts in thousand)

1.3.3 Engro PowerGen Limited

Engro Powergen Limited (EPL) is a wholly owned subsidiary incorporated as a private limited company in Pakistan on May 13, 2008 under the Companies Ordinance, 1984, and was converted to an unlisted public company effective August 11, 2009. It is established with the primary objective to analyse potential opportunities in the Power Sector and undertake Independent Power Projects (IPPs) based on feasibilities of new ventures.

Following are the subsidiaries of EPL:	%age of direct holding	
	2013	2012
• Engro Powergen Qadirpur Limited (EPQL) (note 1.3.3.1)	84	85
• Sindh Engro Coal Mining Company Limited (SECMC) (note 1.3.3.2)	60	60
• Thar Power Company Limited (note 1.3.3.3)	100	-
Following is an associated company of EPL:		
• GEL Utility Limited (note 1.3.3.4)	45	-

1.3.3.1 EPQL is an unlisted public company incorporated in Pakistan on February 28, 2006 under the Companies Ordinance, 1984 with the primary objective to undertake the business of power generation, distribution, transmission and sale. EPQL completed construction and testing of its 217.3 MW combined cycle power plant and has commenced commercial operation on March 27, 2010. The electricity generated is transmitted to the National Transmission and Despatch Company (NTDC) under the Power Purchase Agreement (PPA) dated October 26, 2007, valid for a period of 25 years.

1.3.3.2 SECMC has been formed under a Joint Venture Agreement (JVA), dated September 8, 2009, between the Government of Sindh (GoS 40%) and EPL (60%). The aforementioned JVA is consequent to the selection of SECMC as GoS's joint venture partner, through an International Competitive Bidding process, for the development, construction and operations of an open cast lignite mine in Block-II of Thar Coal Field, Sindh (the Project), with an annual mining capacity of 6.5 million tons of coal. In this regard, as per JVA, SECMC initiated a Detailed Feasibility Study (DFS) in November 2009 by a team of International Consultants and local experts to confirm the technical, environmental, social and economic viability of the Project. The DFS was carried out on an area of 79.6 sq. km allocated to SECMC in Thar Coal field. On August 31, 2010, SECMC completed DFS which was approved by the Technical Committee of GoS.

GoS has granted 30 years mining lease to SECMC for exploration and mining activities in Thar Block-II. Based on the detailed feasibility study conducted by SECMC, Thar Block-II has estimated coal reserves of approximately 2 billion tons, independently verified by a Competent Person Statement (CPS) in 2012, of which 195 million tons will be mined at the rate of 6.5 million tons per year over the period of the mining lease. SECMC and EPL, during 2011, had also received a firm proposal for Engineering, Procurement & Construction (EPC) for 6.5 million tons per annum mining capacity and 1,200 MW power plant from an international contractor. However, in May 2013, SECMC in order to reduce its capital investment and optimize the project size and cost decided to decouple the mining and power projects and accordingly, established its wholly owned subsidiary company, Thar Power Company Limited (TPCL), to set up 2 x 300 MW power plants. Further, pursuant to the decision of the Cabinet of Economic Coordination Committee (ECC) dated May 31, 2013, Sovereign Guarantee has been approved for the debt portion of the mining project conditional upon the revision of the Joint Venture Agreement whereby GoS shall undertake majority stake in SECMC.

During the year, SECMC received firm EPC bids from various Chinese Contractors for the development of the mining project. These bids are currently being reviewed by SECMC's management for finalization and awarding of the contract.

(Amounts in thousand)

1.3.3.3 Thar Power Company Limited (TPCL), a wholly owned subsidiary of SECMC, is a public unlisted company, incorporated in Pakistan on May 31, 2013 under the Companies Ordinance, 1984.

During the year, TPCL initiated a Detailed Feasibility Study (DFS) by an international consultant for the development of 2 x 300 MW / 1 x 600 MW mine mouth power plants at Thar Block II, Sindh. TPCL is currently awaiting the final DFS report from the consultant alongwith an Environmental and Social Impact Assessment (ESIA) report from Pakistan Environment Authority which is expected to be finalized in the first half of 2014. However, the draft submitted by the consultant confirms the commercial and environmental viability of the power plants. Therefore, it is now in the process of finalizing the draft coal agreement whereby SECMC, on commencement of commercial production of the mining project, will supply 3.5 million tons per annum of coal to TPCL.

1.3.3.4 Engro Powergen Limited has made an advance of US$ 5,000 on December 16, 2013 against issue of 12,272,727 ordinary shares of Naira 1 each in GEL Utility Limited (GEL) for 45% equity stake. Pending completion of all their legal formalities, the shares have not been allotted to EPL as at December 31, 2013. GEL is a private limited company established under the laws of Federal Republic of Nigeria on September 24, 2012 situated at Plot 3680, Erie Crescent, Off Nile street, Maitama, Abuja, Nigeria. GEL has been formed with the objective of generation and distribution of energy, power and other related services and has undertaken a project of 72 MW triple redundancy captive power plant, which is under construction.

1.3.4 Elengy Terminal Pakistan Limited

Elengy Terminal Pakistan Limited is a public limited company, incorporated in Pakistan on January 4, 2012 under the Companies Ordinance, 1984. The company is a wholly owned subsidiary of the Holding Company.

The principal business of the subsidiary company is to establish and operate a terminal for handling, re-gasification, storage, treatment and processing, along with import, export and trading, of Liquefied Natural Gas (LNG), Re-gasified Liquefied Natural Gas (RLNG), Liquid Petroleum Gas (LPG), Natural Gas Liquid (NGL) and all other related liquids, gases and chemical and petroleum products.

During the year, the subsidiary company, in response to the first invitation to bid by Sui Southern Gas Company Limited (SSGCL), had submitted its sealed bid on January 9, 2013 for an integrated LNG terminal for supply of 400 mmcfd of Re-gasified Liquefied Natural Gas (RLNG). However, the first bid was cancelled due to some shortcomings on part of other bidders. The subsidiary company submitted its second bid to SSGCL on February 18, 2013, which was opened, followed by technical and price evaluation by SSGCL and its consultants. Subsequently, the Honorable Supreme Court of Pakistan (SCP) took a suo motu action on the bidding process and served notices to all the bidders. During the hearings, the Ministry of Petroleum and Natural Resources (MoPNR) proposed that it intended to place the case before Economic Coordination Committee (ECC) to evaluate rebidding the project with which the SCP concurred with directions that the same must be in accordance with the rules, regulations and strictly in transparent manner. The ECC, in its meeting held on June 27, 2013, cancelled the bidding process and requested the MoPNR to come up with a new LNG project in next ECC meeting for approval.

A Fast Track LNG project tender was issued by Inter State Gas Systems (Private) Limited (ISGS) on behalf of the Government of Pakistan on August 15, 2013 for receipt, storage and re-gasification of 1.5 million tons of LNG in the first year and 3.0 million tons for next 14 years. The subsidiary company and one more bidder submitted their proposals on October 14, 2013 and after technical evaluation by ISGS, only the subsidiary company was found technically compliant. The commercial bid was opened as per defined process in the Request For Proposal (RFP) and the project was subsequently approved by the Board of Sui Southern Gas Company Limited on the November 26, 2013. The subsidiary company immediately entered into discussions for the LNG Services Agreement (LSA) with SSGCL which is expected to be finalized by February 2014. Under the RFP, the subsidiary company is required to incorporate a special purpose vehicle which will own and operate the LNG facilities and enter into all project related agreements including the LSA. Subsequent to year end, on January 9, 2014, the subsidiary company has incorporated a wholly owned subsidiary, Engro Elengy Terminal (Private) Limited, for this purpose.

(Amounts in thousand)

1.3.5 Engro Foods Limited

Engro Foods Limited, a 87.06% owned subsidiary of the Holding Company, was incorporated in Pakistan on April 26, 2005, under the Companies Ordinance, 1984, as a private limited company and was converted to an unlisted public limited company effective from April 27, 2006. The principal activity of the subsidiary company is to manufacture, process and sell dairy products, beverages, ice cream and frozen desserts. It also owns and operates a dairy farm. The subsidiary company has presence in the international market as well; its first venture being to manage the halal food business, Al Safa Halal, Inc. (Al-Safa) in North America, which had been acquired by the Holding Company through Engro Foods Netherlands B.V. (EF Netherlands).

The Holding Company entered into an agreement (Master Agreement) with its subsidiary company, Engro Foods Limited (EFoods) on May 2, 2011 to invest up to Rs. 800,000 till December 31, 2011 in the Global Business Unit (GBU) being set up in the Canada and USA via investment in Engro Foods Netherlands B.V., through which it has acquired an existing brand of halal meat business known as 'Al-Safa', engaged in supplying a variety of packaged halal foods across North America. Under the Master Agreement, EFoods shall endeavor to purchase the entire shareholding of Engro Foods Netherlands B.V. from the Holding Company by June 30, 2012 at the actual rupee amount invested in the said business till that day by the Holding Company or as mutually agreed by both parties.

On October 3, 2012, the Holding Company and EFoods entered into a supplemental agreement as the investment requirements for the GBU had exceeded Rs. 800,000 as contemplated in the Master Agreement. Under the supplemental agreement, EFoods shall purchase the shares in Engro Foods Netherlands B.V. by making payment of the actual investment amount of Rs. 863,018 to the Holding Company in advance of actual share transfer taking place. Following payment of the purchase price and receipt of all necessary regulatory approvals, the Holding Company shall promptly transfer the shares in Engro Foods Netherlands B.V. to EFoods. Subsequent to the aforementioned supplemental agreement, EFoods has paid an advance of Rs. 863,018 to the Holding Company during 2012.

During the year, the Company has made additional equity investment of Rs. 237,269 in its wholly owned subsidiary, Engro Foods Netherlands B.V. which was also paid by Efoods. On November 22, 2013, SBP approval was received by the Holding Company for transfer of the shares of Engro Foods Netherlands B.V. to EFoods. Consequently, the share transfer was completed on December 16, 2013.

1.3.6 Engro Foods Netherlands B.V.

Engro Foods Netherlands B.V. (EF Netherlands), a wholly owned subsidiary, was incorporated in Netherlands during 2011. The principal activity of EF Netherlands is marketing and selling of Halal food products. For this purpose, it has acquired an existing brand of halal meat business known as 'Al-Safa', engaged in supplying a variety of packaged halal foods across North America, through Engro Foods Canada Limited (EFCL), a wholly owned subsidiary of EF Netherlands, incorporated in Canada on April 5, 2011 having its registered office situated at 1900 Minnesota Court, Unit No. 112, Mississauga, ON L5N 3C9; and Engro Foods US LLC, a wholly owned subsidiary of EFCL, incorporated as a limited liability company on April 11, 2011 and registered in Delaware, USA.

As more fully explained in note 1.3.5 above, the Holding Company sold its entire shareholding in EF Netherlands to Engro Foods Limited on December 16, 2013.

1.3.7 Engro Polymer and Chemicals Limited

Engro Polymer and Chemicals Limited (EPCL) is a 56.19% owned subsidiary of the Holding Company. EPCL, incorporated in Pakistan in 1997 under the Companies Ordinance, 1984, is listed on Karachi, Lahore and Islamabad stock exchanges. The principal activity of EPCL is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), caustic soda and other related chemicals. It is also engaged in supply of surplus power generated from its power plants to EFert (NPK Plant).

(Amounts in thousand)

Further, EPCL has a wholly owned subsidiary, Engro Polymer Trading (Private) Limited (EPTL), which is a private limited company incorporated in Pakistan under the Companies Ordinance, 1984. EPTL's principal activity is to purchase , market and export PVC, VCM and related chemicals.

1.4 Joint Venture Company - Engro Vopak Terminal Limited

Engro Vopak Terminal Limited (EVTL), a 50% share joint venture of the Holding Company is a public unlisted limited company incorporated in Pakistan in 1995 under the Companies Ordinance, 1984. EVTL is a joint venture of Engro Corporation Limited and Royal Vopak Netherlands B.V. EVTL has been granted the exclusive concession, right and license to design, finance, insure, construct, test, commission, complete, operate, manage and maintain an Integrated Liquid Chemical Terminal and Storage Farm at the south western zone of Port Qasim on Build, Operate and Transfer (BOT) basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 These consolidated financial statements have been prepared under the historical cost convention, except for remeasurement of certain financial assets and financial liabilities at fair value through profit or loss, derivative financial instruments, biological assets at fair value and certain staff retirement and other service benefits at present value.

2.1.2 These consolidated financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance and the said directives have been followed.

2.1.3 The preparation of consolidated financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2.1.4 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments to published standards and interpretations that are effective in 2013 and are relevant to the Group

The following standards, amendments to published standards and interpretations are mandatory for the financial year beginning January 1, 2013:

- IAS 1 'Financial statement presentation'. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI. The amendment only affects the disclosures in the Group's financial statements.

(Amounts in thousand)

- IAS 19 'Employee benefits' was revised in June 2011. The revised standard (i) requires past service cost to be recognized immediately in the profit or loss; (ii) replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year and (iii) introduces a new term 'remeasurements' which is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires to recognize all remeasurement gain or loss / actuarial gain or loss in the Other Comprehensive Income (OCI) immediately as they occur. The impact and affect of the adoption of the aforementioned new standard is disclosed in note 4.

  Amendments to following standards as a result of annual improvements to International Financial Reporting Standards 2011, issued by IASB in May 2012:

- IAS 1 'Financial statement presentation'. The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'. When an entity produces an additional balance sheet as required by IAS 8, the balance sheet should be as at the date of the beginning of the preceding period, i.e. the opening position. No notes are required to support this balance sheet.

- IAS 16 'Property, plant and equipment'. The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. The Group's policy is already in line with the requirements of this amendment.

- IAS 32 'Financial instruments: Presentation'. The amendment clarifies that the treatment of income tax relating to distributions and transaction costs is in accordance with IAS 12. Accordingly, income tax related to distributions is to be recognized in the profit and loss account, and income tax related to the costs of equity transactions is to be recognized in equity. The Group's current accounting treatment is already in line with this amendment.

- IAS 34 'Interim financial reporting'. The amendment clarifies the disclosure requirements for segment assets and liabilities in interim financial statements. The amendment brings IAS 34 in line with the requirements of IFRS 8, 'Operating segments' whereby a measure of total assets and liabilities is required for an operating segment in condensed interim financial information if such information is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The Group has already adopted the above amendment for its interim financial reporting.

- IFRS 7 'Financial instruments: Disclosures, on offsetting financial assets and financial liabilities'. The amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. The amendment clarifies the offsetting requirements for amounts presented in the financial statements to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare in accordance with US GAAP. The amendment does not have any impact on the Group's financial statements in the current year.

b) Standards, amendments to published standards and interpretations that are effective in 2013 but not relevant to the Group.

   The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2013 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations.

(Amounts in thousand)

c) Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Group.

   The following new standards and amendments to published standards are not effective for the financial year beginning on January 1, 2013 and have not been early adopted by the Group:

- IAS 19 (Amendment) regarding defined benefit plans (effective for the periods beginning on or after July 1, 2014). These amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Group is yet to assess the full impact of the amendment.

- IAS 28 (Revised) 'Associates and joint ventures'. This standard is yet to be notified by the SECP. The revised standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11 'Joint Arrangements'. The Group is yet to assess the full impact of the amendment.

- IAS 32 (Amendment), 'Financial instruments: Presentation' (effective for periods beginning on or after January 1, 2014). This amendment updates the application guidance in IAS 32 ' Financial Instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet date. It is unlikely that the amendment will have any significant impact on the Group's financial statements.

- IAS 36 (Amendment) 'Impairment of assets' (effective for the periods beginning on or after January 1, 2014). These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment will only affect the disclosures in the Group's financial statements in the event of impairment.

- IAS-39 (Amendment) 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting (effective for the periods beginning on or after January 1, 2014). These amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way. Similar relief will be included in IFRS 9, 'Financial instruments'. The Group is yet to assess the full impact of the amendment.

- IFRS 9 'Financial instruments' (effective for periods beginning on or after January 1, 2015). This standard is yet to be notified by the SECP. IFRS 9 replaces the parts of IAS 39, 'Financial instruments: recognition and measurement' that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of theinstrument. For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, incase the fair value option is taken for financial liabilities, the part of a fair value change due to entity's owncredit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates anaccounting mismatch. The Group is yet to assess of IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS when completed by the IASB, however, the initial indications are that it may not affect the Group's financial statements significantly.

(Amounts in thousand)

- IFRS 9 (Amendment) , 'Financial instruments', regarding general hedge accounting (effective date yet to be determined). This standards is yet to be notified by the SECP. The amendment brings into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. The Group is yet to assess the full impact of the amendment.

- IFRS 10, 'Consolidated financial statements'. This standard is yet to be notified by the SECP. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in determination of control where this is difficult to assess. It is unlikely that the standard will have any significant impact on the Group's financial statements.

- IFRS 11, 'Joint arrangements'. This standard is yet to be notified by the SECP. This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group is yet to assess the full impact of the standard.

- IFRS 12, 'Disclosures of interests in other entities' .This standard is yet to be notified by the SECP. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance-sheet vehicles. The Group is yet to assess the full impact of the amendments.

- IFRS 13 'Fair value measurement' .This standard is yet to be notified by the SECP. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Group is yet to assess the full impact of the amendment.

Amendment to following standards as a result of annual improvements to International Financial Reporting Standards 2012 issued by IASB:

- IFRS 2 'Share-based payment' (effective for share-based payment transactions for which the grant date is on or after July 1, 2014). The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. The Group is yet to assess the full impact of the amendment.

- IFRS 3 'Business combinations', (effective for business combinations where the acquisition date is on or after July 1, 2014). This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of definitions in IAS 32, 'Financial instruments: Presentation'. The standard is further amended to clarify that all non equity contingent considerations, both financial and non-financial, are measured at fair value at each reporting date, with changes in fair value recognized in profit and loss account. Consequential changes are also made to IFRS 9, IAS 37 and IAS 39. It is unlikely that the amendment will have any significant impact on the Group's financial statements.

(Amounts in thousand)

- IFRS 8 'Operating segments' (effective for annual periods beginning on or after July 1, 2014). This amendment requires disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. The amendment will only affect the disclosures in the Group's financial statements.

- IFRS 13 'Fair value measurement' (effective for annual periods beginning on or after July 1, 2014). When IFRS 13 was published, it led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The amendment clarifies that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Group and therefore, have not been presented here.

2.1.5 Basis of consolidation

i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-recognized from the date the control ceases. These consolidated financial statements include Engro Corporation Limited (the Holding Company) and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors (the Subsidiaries).

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit and loss account.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in profit and loss account.

(Amounts in thousand)

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses (unrealised) are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii) Transactions and non-controlling interests
The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

iii) Disposal of subsidiaries
When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit and loss account. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed off the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit and loss account.

2.2 Exploration and evaluation assets

Exploration and evaluation assets in respect of area of interest includes license fee, detailed feasibility study and all other related studies to ensure bankability of the Project (as explained in note 1.3.3.2) including ancillary (operating and administrative) cost related thereto.

The aforementioned expenditure supporting the technical feasibility and economic / commercial viability, are capitalized as exploration and evaluation assets, where:

- such costs are expected to be recouped through successful development and exploration of the area of interest or alternatively, by its sale; or

- exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence, or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

Capitalized exploration and evaluation expenditure is recorded at cost less impairment charges. As asset is not available for use, it is not depreciated, however, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

Cash flows associated with exploration and evaluation expenditure are classified as investing activities in the consolidated statement of cash flows.

2.3 Development properties

Development expenditure represents expenditure incurred in area in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and related infrastructure.

Once a development decision has been taken the carrying amount of the exploration and evaluation asset is transferred to development expenditure and classified under non-current assets as 'development properties'.

Cash flows associated with development properties are classified as investing activities in the statement of cash flows.

(Amounts in thousand)

2.4 Property, plant and equipment

2.4.1 Owned assets

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except free-hold land and capital work in progress which are stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Disposal of asset is recognized when significant risk and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating expenses/ income' in the profit and loss account.

Depreciation is charged to profit and loss account using the straight line method whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life. Depreciation on addition is charged from the month following the month in which the asset is available for use and on disposals upto the preceding month of disposal.

The Group reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation.

2.4.2 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Outstanding obligations under the lease less finance cost allocated to future periods are shown as a liability.

Finance cost under lease agreements are allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Operating lease / Ijarah arrangements in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases / Ijarah arrangements. Rentals due under operating lease / Ijarah arrangements are recognized in the profit or loss.

(Amounts in thousand)

2.5 Biological assets

Livestock are measured at their fair value less estimated point-of-sale costs. Fair value of livestock is determined by an independent valuer on the basis of best available estimate for livestock of similar attributes. Milk is initially measured at its fair value less estimated point-of-sale costs at the time of milking. The fair value of milk is determined based on market prices in the local area.

Gains or losses arising from changes in fair value less estimated point-of-sale costs of livestock and milk are recognized in the profit and loss account.

Crops in the ground and at the point of harvest at balance sheet date are measured at cost being an approximation of fair value, as these are presently being used as internal consumption for cattle feed and have a very short biological transformation and consumption cycle.

2.6 Capital spares

Spare parts and servicing equipment are classified as property, plant and equipment rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. Upon utilization, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of principal asset, whichever is lower.

2.7 Intangible assets

a) Goodwill

Goodwill represents the difference between the consideration paid for acquiring interests in a company and the value of the Group's share of its net assets at the date of acquisition.

b) Brands

These are stated at cost less impairment, if any. Carrying amounts of these intangibles are subject to impairment review at each balance sheet date and where conditions exist, impairment is recognized.

The useful lives of intangible assets are reviewed at each balance sheet date to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset.

c) Computer Software and Licenses

Costs associated with maintaining computer software programmes are recognized as an expense when incurred. However, costs that are directly attributable to identifiable software and have probable economic benefits exceeding the cost beyond one year, are recognized as an intangible asset. Direct costs include the purchase cost of software (license fee) and related overhead cost.

Expenditure which enhances or extends the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

Computer software cost treated as intangible assets are amortized from the date the software is put to use on straight-line basis over a period of 5 to 10 years.

d) Rights for future gas utilization

Rights for future gas utilization represents premium paid to the Government of Pakistan for allocation of 100 MMCFD natural gas for a period of 20 years for Enven plant network. The rights are being amortised from the date of commercial production on a straight-line basis over the remaining allocation period.

(Amounts in thousand)

2.8 Impairment of non-financial assets

Assets that are subject to depreciation/amortisation are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sale and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

2.9 Non current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit and loss account.

2.10 Investments

The Group's interest in jointly controlled entity has been accounted for using equity method in these consolidated financial statements.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise, these are classified as non-current.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

c) Held to maturity

Held to maturity financial assets are non derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity.

d) Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose it off within 12 months of the end of the reporting date.

2.11.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when

(Amounts in thousand)

the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within 'other operating expenses/income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Group's right to receive payments is established.

Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account as part of other income. Dividends on available for sale equity instruments are recognised in the profit and loss account as part of other income when the Group's right to receive payments is established.

2.12 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

2.13 Derivative financial instruments and hedging activities

Derivatives are recognised initially at fair value on the date a derivative contract is entered into; attributable transaction cost are recognised in profit and loss account when incurred. Subsequent to initial recognition, derivatives are measured at fair values, and changes therein are accounted for as described below:

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedges

Changes in fair value of derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent the hedge is ineffective, changes in fair value are recognised in profit and loss account.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit and loss account in the same period that the hedge item affects profit and loss account.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit and loss account.

(Amounts in thousand)

Embedded derivatives

Fair value of derivatives embedded in financial instruments or non-derivative host contracts are separated from the host contract if the risks and economic characteristics of the embedded derivative are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

If the fair value of an embedded derivative that is required to be separated cannot be reliably measured, the entire combined contract is measured at fair value through profit or loss.

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposure. Further, the Holding Company has also issued a conversion option on IFC loan to Engro Fertilizers Limited, a subsidiary company. The fair values of various derivative instruments, the conversion option and other derivatives used for hedging purposes, are disclosed in note 15.

2.14 Inventory of fuel oil

This is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.15 Stores, spares and loose tools

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the balance sheet date. For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated realizable value. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.

2.16 Stock-in-trade

These are valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for raw material and certain purchased products in transit which are stated at cost (invoice value) plus other charges incurred thereon till the balance sheet date. Cost in relation to finished goods includes applicable purchase cost and manufacturing expenses. The cost of work in process includes material and proportionate conversion costs.

Cost of stock-in-transit represents the invoice value plus other charges incurred thereon till the balance sheet date.

Net realisable value signifies the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessarily to be incurred in order to make the sales.

2.17 Trade debts and other receivables

These are recognised initially at fair value plus directly attributable transaction costs, if any and subsequently measured at amortised cost using effective interest rate method less provision for impairment, if any. A provision for impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is charged to profit and loss account. Trade debts and other receivables considered irrecoverable are written-off.

Exchange gains and losses arising on translation in respect of trade debts and other receivables in foreign currency are added to the carrying amount of the respective receivables.

(Amounts in thousand)

2.18 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows includes cash in hand and in transit, balances with banks on current, deposit and saving account, other short term highly liquid investments with original maturities of three months or less and short term borrowings other than term finance.

2.19 Share capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Employees' share option scheme

The grant date fair value of equity settled share based payment to employees is initially recognized in the balance sheet as deferred employee compensation expense with a consequent credit to equity as employee share option compensation reserve.

The fair value determined at the grant date of the equity settled share based payments is recognized as an employee compensation expense on a straight line basis over the vesting period.

When an unvested option lapses by virtue of an employee not conforming to the vesting conditions after recognition of an employee compensation expense in profit and loss accounts, employee compensation expense in profit and loss account will be reversed equal to the amortized portion with a corresponding effect to employee share option compensation reserve in the balance sheet.

When a vested option lapses on expiry of the exercise period, employee compensation expense already recognized in the profit and loss account is reversed with a corresponding reduction to employee share option compensation reserve in the balance sheet.

When options are exercised, employee share option compensation reserve relating to these options is transferred to share capital and share premium account. An amount equivalent to the face value of related shares is transferred to share capital. Any amount over and above the share capital is transferred to share premium account.

2.21 Employees' housing subsidy scheme

Employees compensation expense under Housing Subsidy Scheme is recognized by the Group as an expense on a straight line basis over the vesting period with a corresponding credit to employee housing subsidy shown as long term liability in the balance sheet.

When an employee leaves the Group before the vesting period and after recognition of an employee compensation expense in the profit and loss account, employee compensation expense in the profit and loss account will be reversed equal to the amortized portion with a corresponding effect to employee housing subsidy in the balance sheet.

On expiry of the vesting period, amounts disbursed under the scheme will be set-off against the employee housing subsidy.

2.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Exchange gains and losses arising in respect of borrowings in foreign currency are added to the carrying amount of the borrowing.

(Amounts in thousand)

2.23 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liability.

2.24 Financial liabilities

Financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are recognised initially at fair value less directly attributable transactions costs, if any, and subsequently measured at amortised cost using effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

2.25 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Group has a legally enforceable right to offset the recognised amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.26 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.26.1 Current

Provision for current taxation is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2.26.2 Deferred

Deferred tax is recognised using the balance sheet method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.27 Employee benefits

2.27.1 Defined contribution plans

A defined contribution plan is a post - employment benefit plan under which a Group pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the profit and loss account when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(Amounts in thousand)

The Holding Company operates:
- a defined contribution provident fund for its permanent employees. Monthly contributions are made both by the Holding Company and employees to the fund at the rate of 10% of basic salary;

- a defined contribution pension fund for the benefit of management employees. Monthly contributions are made by the Holding Company to the fund at the rate ranging from 12.5% to 13.75% of basic salary; and

- a defined contribution gratuity fund for the benefit of management employees. Monthly contributions are made by the Holding Company to the fund at the rate of 8.33% of basic salary.

Engro Fertilizers Limited and Engro Eximp (Private) Limited (including its subsidiaries) contribute in the aforementioned defined contribution plans, operated by the Holding Company.

Engro Foods Limited operates defined contribution provident fund for its permanent employees. Monthly contributions are made both by the subsidiary company and its employees to the fund at the rate of 10% of basic salary.

During the year, Engro Polymer and Chemicals Limited (EPCL), a subsidiary company replaced its defined benefit pension and gratuity schemes with the defined contribution gratuity scheme operated and managed by the Holding Company. In accordance with the fund's transitional provisions of the subsidiary company, related assets and liabilities were transfered to the Holding Company's defined contribution gratuity scheme based on their values as at Septemeber 30, 2013, as determinted by the actuary. As per the terms of the defined contribution plan, the subsidiary company contributes to the fund at the rate of 8.33% of basic salary.

Further, the subsidairy company replaced its defined contribution provident fund with the defined contribution provident fund operated and managed by the Holding Company. In accordance with the fund's transition provisions, related assets and liabilities were transferred to the Holding Company's defined contribution provident fund based on their values as at September 30, 3013. Equal monthly contributions at the rate of 10% of the basic salary are made both by the subsidiary company and the employees to the Holding Company's defined contribution provident fund.

Moreover, Engro Powergen Qadirpur Limited, a subsidiary company of Engro Powergen Limited is in the process to replace its provident fund with the defined contribution provident fund maintained and operated by the Holding Company.

2.27.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the Projected Unit Credit method, related details of which are given in note 46 to the financial statements.

Consequent to amendment to IAS-19, as referred to in note 2.1.4 (a), the Holding Company has changed its accounting policy and in accordance therewith, remeasurement gains / losses are now being recognized directly through Other Comprehensive Income. Previously, such remeasurement gain/loss arising at each valuation date were being recognized under the corridor approach whereby remeasurement gain/loss in excess of corridor (10% of the higher of fair value of assets and present value of obligation) was recognized over the average remaining service life of the employees.

Contributions require assumptions to be made of future outcomes which mainly includes increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

(Amounts in thousand)

The Holding Company operates defined benefit funded gratuity schemes for its management employees.

Annual provision is also made under a service incentive plan for certain category of experienced employees to continue in the Holding Company's employment.

Engro Fertilizers Limited and Engro Eximp (Private) Limited (including its subsidiaries) contribute to the aforementioned Funded defined benefit plan, operated by the Holding Company.

Further, pursuant to the group policy of the subsidiary company, member account balances of Engro Powergen Qadirpur Limited, Engro Powergen Limited and Sindh Engro Coal Minning Company Limited employees and related plan assets under defined benefit plans, currently maintained with EPQL, will be transferred to the Holding Company in the ensuing year.

Engro Fertilizers Limited also operates:
- defined benefit funded pension scheme for its management employees; and
- defined benefit funded gratuity schemes for its non-management employees.

The pension scheme provides life time pension to retired employees or to their spouses. Contributions are made annually to these funds on the basis of actuarial recommendations. The pension scheme has been curtailed and effective from July 1, 2005, no new members are inducted in this scheme.

Actuarial gains on curtailment of defined benefit pension scheme (curtailed) are recognised immediately once the certainty of recovery is established.

Annual provision is also made under a service incentive plan for certain category of experienced employees to continue in the Engro Fertilizers Limited's employment.

Engro Foods Limited operates:
- defined benefit funded gratuity plan for its permanent employees. The gratuity plan provides for a graduated scale of benefits dependent on the length of service of an employee on terminal date, subject to the completion of minimum qualifying period of service. Gratuity is based on employees' last drawn salary;

As explained in note 2.1.4(a), upon application of IAS-19 (Revised) 'Employee Benefits' actuarial gain/loss (re-measurements) are immediately recognized in 'Other Comprehensive Income' as they occur. Previously actuarial gain/loss exceeding 10% of the defined benefit obligation and fair value of plan assets at the beginning of the year, were amortized over the expected future service of the employees.

2.27.3 Employees' compensated absences

The Group accounts for compensated absences on the basis of unavailed leave balance of each employee at the end of the year.

2.28 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

(Amounts in thousand)

2.29 Foreign currency transactions and translation

2.29.1 These financial statements are presented in Pakistan Rupees, which is the Group's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

2.29.2 The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of equity.

2.30 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised on the following basis:

- Sales revenue is recognised when product is despatched to customers or services are rendered.
- Income on deposits and other financial assets is recognised on accrual basis.
- Interest income on delayed payment income on overdue trade receivables is recognised on accrual basis.
- Dividend income from investments is recognised when the Group's right to receive payment has been established.
- Revenue from sale of electricity is recognised as follows:
  - Capacity revenue based on the capacity made available to NTDC; and
  - Energy revenue based on the Net Electrical Output (NEO) delivered.

2.31 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which such costs are capitalized as part of the cost of that asset. Borrowing costs includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

2.32 Research and development costs

Research and development costs are charged to income as and when incurred, except for certain development costs which are recognised as intangible assets when it is probable that, the developed project will be a success and certain criteria, including commercial and technical feasibility have been met.

2.33 Government grant

Government grant that compensates the Group for expenses incurred is recognised in the profit and loss account on a systematic basis in the same period in which the expenses are recognised. Government grants are deducted in reporting the related expenses.

(Amounts in thousand)

2.34 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.35 Transactions with related parties

Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions.

2.36 Dividend and appropriation to reserves

Dividends and reserve appropriations are recognized as a liability in the period in which these are approved.

2.37 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Holding Company that makes strategic decisions.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, intangible assets and biological assets other than goodwill.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Property, plant and equipment

The Group reviews appropriateness of the rate of depreciation, useful life, residual value used in the calculation of depreciation. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

3.2 Exploration and evaluation assets

Exploration and evaluation assets are assessed on annual basis for possible impairment based on the estimated recoverable amount thereof.

3.3 Biological assets

The fair values of biological assets – (Dairy livestock) is determined semi-annually by utilizing the services of an independent expert/valuer. These valuations are mainly based on market and livestock conditions existing at the end of each reporting period.

3.4 Investments stated at fair value through profit or loss

Management has determined fair value of certain investments by using quotations from active market and conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment.

3.5 Derivatives

The Group reviews the changes in fair values of the derivative hedging financial instruments at each reporting date based on the valuations received from the contracting banks. These valuations represent estimated fluctuations in the relevant currencies/interest rates over the reporting period and other relevant variables signifying currency and interest rate risks. The Group has calculated the fair value of conversion option on IFC loan using the option pricing model.

(Amounts in thousand)

3.6 Stock-in-trade and stores & spares

The Group reviews the net realizable value of stock-in-trade and stores & spares to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

3.7 Income Taxes

In making the estimates for income taxes payable by the Group, the management looks at the applicable law and the decisions of appellate authorities on certain issues in the past.

3.8 Fair value of employee share options

Employee share option compensation reserve and deferred employee share option compensation expense have been determined using the fair values of the options granted and expected to be granted in the ensuing year, using the Black Scholes Pricing Model. The fair values of the options granted during the year have been determined with reference to the respective grant dates of the options; and fair values of options expected to be granted in the ensuing year has been determined with reference to the consolidated balance sheet date in accordance with the requirements of IFRS 2 'Share based payment' and will be reassessed on the actual grant date. The fair value and the underlying assumptions are disclosed in note 14. Any change in these assumptions may significantly impact the carrying values of the related asset and reserve in the consolidated balance sheet.

3.9 Provision for retirement and other service benefits obligations

The present value of these obligations depend on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present values of these obligation and the underlying assumptions are disclosed in note 46.

3.10 Impairment of financial assets

In making an estimate of future cash flows from the Group's financial assets including investment in joint ventures and associates, the management considers future dividend stream and an estimate of the terminal value of these investments.

4. CHANGE IN ACCOUNTING POLICY

As stated in note 2.1.4 (a), IAS 19 (Revised) is applicable for the first time and amends the accounting for the Group's defined benefit plan. The Group has applied IAS 19 – Employee benefits (revised in June 2011) which is applicable for annual periods beginning on or after January 01, 2013. In accordance with the transitional provisions as set out in IAS 19, the Group has applied the revised standard retrospectively and consequently, the earliest periods presented in the Consolidated Balance Sheet, Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income and Consolidated Statement of Changes in Equity have been restated, except for the two subsidiary companies (Engro Fertilizers Limited and Engro Powergen Limited), where the effect of the aforementioned change in policy for prior years is not material and has been accounted for in these consolidated financial statements in current year. The effect of change in policy on the Consolidated Statement of Cash Flows is not material.

The revised standard (i) requires past service cost to be recognized immediately in the profit or loss; (ii) replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year; and (iii) introduces a new term 'remeasurements' which is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires to recognize all remeasurement gain or loss / actuarial gain or loss in Other Comprehensive Income (OCI) immediately as they occur.

(Amounts in thousand)

The impacts of retrospective application of IAS 19 (Revised) for the Group is as follows:

	Trade and other payables	Taxe recoverable	Other receivables	Deferred liabilities	Deferred tax asset	Other comprehensive income - Remeasurement of post-employment benefits	Non-controlling interest	Unappropriated profit
	(Increase/(Decrease)							
	(Rupees)							
Balance as at January 1, 2012 as previously reported	23,396,316	3,050,258	2,256,199	161,219	1,059,912	-	4,091,558	18,985,446
Reclassification of gratuity fund liability as at December 31, 2011	(3,132)	-	(3,132)	-	-	-	-	-
Restatement - recognition of remeasurement gain/loss in OCI	27,277	5,619	11,222	18,271	(1,100)	(18,195)	(11,612)	-
Restatement - recognition of unrecognized past service cost in profit & loss account	-	(320)	915	-	-	-	-	595
Balance as at January 1, 2012 - restated	23,420,461	3,055,557	2,265,204	179,490	1,058,812	(18,195)	4,079,946	18,986,041
Balance as at December 31, 2012 as previously reported	30,472,167	3,968,139	3,050,485	187,931	1,542,743	-	4,728,417	18,423,048
Reclassification of gratuity fund liability as at December 31, 2012	(3,629)	-	(3,629)	-	-	-	-	-
Restatement - recognition of remeasurement gain/loss in OCI								
- For the year ended December 31, 2011	27,277	5,619	11,222	18,271	(1,100)	(18,195)	(11,612)	-
- For the year ended December 31, 2012	8,038	(7,251)	28,758	14,251	3,198	5,312	(2,897)	-
	35,315	(1,632)	39,980	32,522	2,098	(12,883)	(14,509)	-
Restatement - recognition of unrecognized past service cost in profit & loss account								
- For the year 2011	-	(320)	915	-	-	-	-	595
- For the year 2012	-	26	(76)	-	-	-	-	(50)
	-	(294)	839	-	-	-	-	545
Balance as at December 31, 2012 - restated	30,503,853	3,966,213	3,087,675	220,453	1,544,841	(12,883)	4,713,908	18,423,593

(Amounts in thousand)

5. PROPERTY, PLANT & EQUIPMENT

	2013	2012
	-------------(Rupees)-------------	
Operating assets, at net book value (note 5.1)	124,581,275	128,642,997
Capital work in progress		
- Expansion and other projects (note 5.4)	5,805,677	1,812,831
- Capital spares (note 5.5)	1,582,088	1,557,853
	131,969,040	132,013,681

(Amounts in thousand)

5.1 Operating assets

	Land		Building		Pipelines	Plant and Machinery		Catalyst	Furniture fixture and equipments		Vehicles		Total
	Freehold	Leasehold	Freehold	Leasehold		Owned	Leased		Owned	Leased	Owned	Leased	
	------------------------					(Rupees)							------------------------
As at January 1, 2012													
Cost	469,480	356,536	7,120,417	1,369,251	2,185,570	132,962,410	12,946	1,516,590	1,114,313	21,723	1,337,581	41,260	148,508,077
Accumulated depreciation	-	(72,338)	(954,652)	(199,434)	(232,475)	(15,702,942)	(11,683)	(515,145)	(632,265)	(21,002)	(522,880)	(41,260)	(18,906,076)
Net book value	469,480	284,198	6,165,765	1,169,817	1,953,095	117,259,468	1,263	1,001,445	482,048	721	814,701	-	129,602,001
Year ended December 31, 2012													
Opening net book value	469,480	284,198	6,165,765	1,169,817	1,953,095	117,259,468	1,263	1,001,445	482,048	721	814,701	-	129,602,001
Amortisation of revaluation surplus	-	(2,572)	-	(1,140)	3,355	(33,646)	-	-	-	-	-	-	(34,003)
Additions including transfers (notes 5.1.2 and 5.4)	-	11,512	525,044	537,670	797	5,745,807	-	266,587	326,287	-	613,149	-	8,026,853
Adjustments	-	-	(74,703)	-	-	(310,513)	-	-	-		-	-	(385,216)
Disposals (note 5.3)													
Cost	-	-	-	-	-	(1,530)	(205)	-	(15,284)	-	(303,820)	(1,450)	(322,289)
Accumulated depreciation	-	-	-	-	-	828	136	-	12,130	-	167,379	1,450	181,923
	-	-	-	-	-	(702)	(69)	-	(3,154)	-	(136,441)	-	(140,366)
Write offs (note 5.3)													
Cost	-	-	-	-	-	(174,518)	-	-	(503)	-	-	-	(175,021)
Accumulated depreciation	-	-	-	-	-	15,704	-	-	415	-	-	-	16,119
	-	-	-	-	-	(158,814)	-	-	(88)	-	-	-	(158,902)
Depreciation charge (note 5.2)	-	(10,362)	(317,633)	(109,236)	(92,287)	(6,875,500)	-	(359,064)	(226,416)	-	(276,872)	-	(8,267,370)
Net book value	469,480	282,776	6,298,473	1,597,111	1,864,960	115,626,100	1,194	908,968	578,677	721	1,014,537	-	128,642,997
As at December 31, 2012													
Cost	469,480	368,048	7,570,758	1,906,921	2,186,367	138,221,656	12,741	1,783,177	1,424,813	21,723	1,646,910	39,810	155,652,404
Accumulated depreciation	-	(85,272)	(1,272,285)	(309,810)	(321,407)	(22,595,556)	(11,547)	(874,209)	(846,136)	(21,002)	(632,373)	(39,810)	(27,009,407)
	469,480	282,776	6,298,473	1,597,111	1,864,960	115,626,100	1,194	908,968	578,677	721	1,014,537	-	128,642,997
Year ended December 31, 2013													
Opening net book value	469,480	282,776	6,298,473	1,597,111	1,864,960	115,626,100	1,194	908,968	578,677	721	1,014,537	-	128,642,997
Amortisation of revaluation surplus	-	(4,064)	-	(1,801)	5,301	(53,165)	-	-	-	-	-	-	(53,729)
Additions including transfers (note 5.4)	228,625	-	390,344	23,321	-	3,021,198	-	-	249,475	-	161,475	-	4,074,438
Capitalization of exchange loss by Subsidiary Company (note 5.1.2)	-	-	-	-	-	922,426	-	-	-	-	-	-	922,426
Adjustments / reclassifications													
Cost	2,488	-	-	(283,782)	-	393,580	-	-	(34,796)	-	1,844	-	79,334
Accumulated depreciation	-	23	-	31,442	-	(32,689)	-	-	10,625	-	732	-	10,133
	2,488	23	-	(252,340)	-	360,891	-	-	(24,171)	-	2,576	-	89,467
Disposals (note 5.3)													
Cost	-	-	(2,765)	-	-	(356,124)	-	-	(9,861)	-	(266,361)	-	(635,111)
Accumulated depreciation	-	-	426	-	-	110,591	-	-	6,501	-	149,792	-	267,310
	-	-	(2,339)	-	-	(245,533)	-	-	(3,360)	-	(116,569)	-	(367,801)
Write offs (note 5.3)													
Cost	-	-	-	-	-	(124,939)	-	-	(196)	-	(1,638)	-	(126,773)
Accumulated depreciation	-	-	-	-	-	75,378	-	-	153	-	256	-	75,787
	-	-	-	-	-	(49,561)	-	-	(43)	-	(1,382)	-	(50,986)
Depreciation charge (note 5.2)	-	(10,209)	(362,925)	(75,337)	(80,123)	(7,183,227)	(1,676)	(371,142)	(214,469)	-	(265,854)	-	(8,564,962)
Impairment	-	-	-	-	-	(97,949)	-	-	-	-	(5,422)	-	(103,371)
Transferred to Discontinued Operations (note 20)													
Cost	-	-	-	-	-	(544)	-	-	(14,315)	-	(4,555)	-	(19,414)
Accumulated depreciation	-	-	-	-	-	79	-	-	11,152	-	979	-	12,210
	-	-	-	-	-	(465)	-	-	(3,163)	-	(3,576)	-	(7,204)
Net book value	700,593	268,526	6,323,553	1,290,954	1,790,138	112,300,715	(482)	537,826	582,946	721	785,785	-	124,581,275
As at December 31, 2013													
Cost	700,593	363,984	7,958,337	1,644,659	2,191,668	142,024,088	12,741	1,783,177	1,615,120	21,723	1,537,675	39,810	159,893,575
Accumulated depreciation and impairment	-	(95,458)	(1,634,784)	(353,705)	(401,530)	(29,723,373)	(13,223)	(1,245,351)	(1,032,174)	(21,002)	(751,890)	(39,810)	(35,312,300)
Net book value	700,593	268,526	6,323,553	1,290,954	1,790,138	112,300,715	(482)	537,826	582,946	721	785,785	-	124,581,275
Annual rate of depreciation %	-	2 to 5	2.5 to 10	2.5	5	5 to 16.67	5 to 10	20 to 33.33	5 to 33	20	12 to 25	20	

(Amounts in thousand)

5.1.1 Operating assets includes :

- equipment costing Rs.181,187 (2012: Rs. 145,011) having net book value of Rs. 92,351 (2012: Rs. 74,560) mounted on transport contractors' vehicles;
- freezers and trikes held by third parties costing Rs. 966,642 (2012: Rs. 900,937) having a net book value of Rs. 411,707 (2012: Rs. 565,412); and
- Computer equipments managed by IBM for disaster recovery costing Rs. 31,158 (2012: Rs. 22,500) having a net book value of Rs. 13,993 (2012: Rs. 18,000).

5.1.2 Includes exchange loss capitalized amounting to Rs. 922,426 (2012: Rs. 925,772) pertaining to Engro Powergen Qadirpur Limited (EPQL).

5.2 Depreciation charge for the year has been allocated as follows:

	2013	2012
	-------------(Rupees)-------------	
Cost of sales (note 32)	8,156,036	7,878,375
Selling and distribution expenses (note 33)	240,541	219,178
Administrative expenses (note 34)	164,259	166,251
Exploration and evaluation assets (note 6.2)	4,126	3,566
	8,564,962	8,267,370

5.3 The details of operating assets disposed / written off during the year are as follows:

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sale Proceeds
		----------------------------(Rupees)		----------------------------	
Plant and machinery					
Old Ammonia 1 plant (dismantled portion)	Pak Arab Engineering (Private) Limited	111,589	92,665	18,924	50,431
	Adnan, Federal B. Area, Karachi	175	42	133	146
	Nasir, Azizabad, FB Area, Karachi	175	42	133	146
	Jauhar Sweets, Sialkot	32	19	13	17
	Tetra Pak, Gulberg Town Lahore	138,442	-	138,442	138,718
Exchange transaction	GE Energy Parts International	88,878	13,126	75,752	75,752
		339,291	105,894	233,397	265,210
Crank Shaft for C2E compressor	Written off	52,712	11,247	41,465	-
	Written off	72,227	64,131	8,096	-
		124,939	75,378	49,561	-
Insurance claims	Chartis Insurance Co.	1,060	795	265	850
	Hampshire Insurance Company	1,560	366	1,194	1,550
	EFU General Insurance	547	341	206	208
	EFU General Insurance	13,140	2,960	10,180	9,904
	Pak Kuwait Takaful Company	429	197	232	259
	Jubilee General Insurance Company Limited	97	38	59	74
		16,833	4,697	12,136	12,845
Building on freehold land					
Dismantled		2,765	426	2,339	-

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sale Proceeds
		----------------------------(Rupees)		----------------------------	
Furniture, fixture and equipments					
Insurance claims	EFU General Insurance Limited	2,250	703	1,547	1,293
	EFU General Insurance Limited	191	121	70	100
	Adamjee Insurance Co. Ltd	103	32	71	71
		2,544	856	1,688	1,464
Sale through bid	Azfar Ali Khan	109	39	70	4
	Nadir Sajid Syed	1,116	1,061	55	70
		1,225	1,100	125	74
Higher of net book value and market price	The Hub Power Company Limited - Associated company	1,701	454	1,247	1,247
Various	Write-off	196	153	43	80
Items having net book value upto Rs.50 each		2,479	2,470	9	449
		1,912	1,621	291	541
		4,391	4,091	300	990
Vehicles					
By Company policy to existing / resigned / retired executives	Syed Ahsenuddin	3,998	2,998	1,000	2,094
	Khalid Siraj Subhani	3,998	2,998	1,000	1,000
	Ruhail Muhammad	3,999	2,999	1,000	1,000
	Tahir Jawaid	3,999	2,999	1,000	1,000
	Inamullah Naveed Khan	6,895	5,171	1,724	1,550
	Muhammad Idrees	1,561	1,229	332	332
	Bilal Mustafa	1,439	1,079	360	360
	Rehan Sajjad	1,439	1,079	360	360
	Abdul Hafeez Sheikh	1,439	1,079	360	360
	Nasir Iqbal	1,567	1,177	390	859
	Muhammad Azam Khan	1,359	771	588	588
	Rehman Hanif	1,389	673	716	1,389
	Mohammad Ahmed Raj	1,329	872	457	472
	Waseem Haider	1,461	594	867	1,461
	Muhammad Asif Ali	1,439	1,079	360	559
	Syed Asghar Naqvi	1,329	955	374	512
	Amber Naureen Vincent	1,329	997	332	332
	Mahmood Siddiqui	1,800	1,350	450	450
	Ahmad Naeem Aftab Pasha	1,389	1,042	347	347
	Shahzad Nabi	1,800	1,350	450	450
	Arif Jalil	1,389	825	564	608
	Ahmed Muneeb	1,389	781	608	608
	Aamish Junaid Khan	1,560	414	1,146	1,560
	Abdul Munim Sheikh	1,401	744	657	751
	Mohammad Minhajul Haq	1,329	997	332	332
	Irfan Hussain	1,329	997	332	332
	Amina Waheed	1,540	541	999	999
	Akhtar Kamal Sami	1,329	997	332	332
	Mohammad Ali Khadim	1,930	917	1,013	1,013
	Syed Ahmad Hasan	1,329	997	332	332
	Mohammad Ashraf Chaudhry	1,329	997	332	332
	Amir Altaf Siddiki	1,560	472	1,088	1,088
	Junaid Ahmed Farooqui	1,648	232	1,416	1,648
	Wajid Hussain Junejo	1,810	1,358	452	453
	Fahd Khawaja	1,849	1,386	463	462
	Asad Aleem Khan	1,556	1,190	366	365
	Eqan Ali Khan	1,849	1,387	462	462
	Balance Carried forward	71,084	47,723	23,361	27,152

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sale Proceeds
		---------------	---------(Rupees)	---------	---------------
	Balance brought forward	71,084	47,723	23,361	27,152
	Khusrau Nadir Gilani	1,849	1,387	462	462
	Waseem Anwar	1,359	1,019	340	340
	Javed Iqbal	8,000	2,250	5,750	6,126
	Asad Ali Shah	2,392	149	2,243	2,245
	Ali Asher Jafri	2,392	348	2,044	2,060
	M.Farrukh Umair	2,392	471	1,921	1,921
	Aamir Khawas	2,113	330	1,783	1,936
	Omayer Arshad	2,020	631	1,389	1,393
	Umar Mirza	2,015	661	1,354	1,355
	M. Junaid Tariq	1,648	411	1,237	1,263
	Anser Iqbal	1,555	350	1,205	1,396
	Abdullah Aslam	1,531	383	1,148	1,241
	Farrukh Shaikh	1,495	364	1,131	1,197
	Vajid Hussain Kamran	1,495	420	1,075	1,203
	Zeeshan Anjum	1,495	444	1,051	1,180
	Zulfiqar Ansari	1,424	401	1,023	1,034
	Ali Osama Ashraf	1,474	461	1,013	1,042
	Sadia Nasir	1,374	475	899	902
	M.K.Durrani	1,399	503	896	899
	Haseebullah Zahoor	1,895	1,007	888	913
	Usman Saif	1,394	509	885	886
	Ateeq Khan	1,394	551	843	845
	Ahmed Ather Farooqi	1,350	547	803	803
	Usman Mir	1,337	564	773	785
	Farrukh Umair	1,289	645	644	822
	Faisal Waheed	1,849	1,282	567	629
	Zainab Hameed	1,849	1,292	557	571
	Naeem Mian	1,300	747	553	553
	Zain Kamran	1,324	844	480	642
	M.Usman Sarwer	1,238	855	383	398
	Javed Iqbal	1,858	1,511	347	523
	Imran Wazir	835	517	318	337
	Syed Salman Nasri	1,269	952	317	369
	GM Gazali	1,248	935	313	313
	Mushir M.Syed	1,251	939	312	312
	Majid Iqbal	1,251	946	305	313
	Kashan Yaqoob	1,271	971	300	318
	Sadia Junaid	1,269	972	297	317
	Bilal Akhter	1,251	960	291	313
	Sharif Ahmed Khan	554	277	277	277
	Abdul Razzaq	1,251	978	273	313
	Adeel Ghiskori	1,309	1,047	262	262
	Shahzad Mohsin	1,269	1,017	252	737
	S M Amir Irshad	1,248	998	250	250
	Riaz Hussain	1,248	999	249	250
	Kamran Majeed	534	290	244	276
	Khurram Shahzad	1,269	1,035	234	254
	Waqar Hussain Ali	554	323	231	244
	Sheharyar Qureshi	798	569	229	426
	Malik Liaquat	801	586	215	414
	Adnan Zahoor	537	322	215	280
	Kamran Saif	519	315	204	222
	Imran Ahmed Sheikh	1,269	1,095	174	254
	Kashif Faique Sid.	1,269	1,095	174	254
	Balance Carried forward	152,657	87,673	64,984	72,022

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sale Proceeds
		---------------	---------(Rupees)	---------	---------------
	Balance brought forward	152,657	87,673	64,984	72,022
	Ansar Iqbal	809	647	162	162
	Faisal Minhas	806	645	161	520
	Bilal Chaudhry	586	430	156	156
	Umar Aftab	537	383	154	205
	Shahid Saleem	666	533	133	133
	Muneem Tareen	1,269	1,142	127	645
	Jameel Ahmed	544	440	104	106
	Hassan Raza	449	359	90	430
	Jahanzaib	449	359	90	90
	Shakil Ahmed	449	359	90	90
	Muhammad Iqbal	896	806	90	389
	Kausar Khan	504	449	55	101
	Qaiser Saleem	504	449	55	101
	Yaqoob Ahmed	504	449	55	101
	Rizwan Ullah	544	490	54	109
	Late Ahsan us Sattar family	870	652	218	-
	Faisal Ahmed	1,269	872	397	317
	Sameer Ameen	1,399	372	1,027	896
	Ziauddin	1,930	694	1,236	1,176
	Yaseer Abdullah	1,399	590	809	809
	Nasir Khalique Qureshi	1,810	1,358	452	429
	Rana Abdul Ghaffar	1,269	912	357	317
	Abdul Shakoor	1,269	912	357	317
	Shahab Qadir	843	632	211	211
	Zia Haider	1,389	1,042	347	347
	Suleman Malik	1,389	1,042	347	347
	Kaleem Khan	900	675	225	225
	Syed Shahid Ali	1,357	1,241	116	115
	Bakhtiar Ahmed Uqaili	1,418	805	613	613
	Kaleem Khan	1,941	1,183	758	758
	Shahid Mehmmod	7,105	1,717	5,388	5,388
	Zufiqar Ilyas	1,554	413	1,141	1,141
	Atif Kaludi	1,605	326	1,279	1,279
	Kamran Kamal	1,965	815	1,150	1,150
	Hasan Naqvi	1,560	477	1,083	1,083
	Saleemullah Memon	2,036	639	1,397	1,397
		198,450	112,982	85,468	93,675
Sale through bid	Raees Khan	605	545	60	448
	Hassan Ali Warsi	535	482	53	515
	Choudhry Asjad Ghani	560	504	56	436
	Sultan Jan Niazi	605	545	60	419
	Imran Ahmed	316	316	-	675
	Syed Mehboob Ali	485	436	49	462
	Mohammed Jawed	879	659	220	600
	Musab Siddiqui	555	500	55	391
	Shan Jan	530	494	36	511
	Noor Mohammed Mughal	485	485	-	518
	Zahid Qadri	1,859	1,423	436	1,196
	Asad Ali Shah	7,215	2,931	4,284	5,848
	Waseem Mirza	4,654	2,007	2,647	4,169
	Atif Qayyum	1,792	760	1,032	1,576
	Syed Rameez Arif	936	312	624	873
	M.Khalid	924	326	598	758
	Sara Mohsin	920	337	583	857
	Balance Carried Forward	23,855	13,062	10,793	20,252

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sale Proceeds
		------------------------------	------------------------------(Rupees)	------------------------------	------------------------------
	Balance brought forward	23,855	13,062	10,793	20,252
	Adil Ali	924	343	581	747
	Maurice Yano	936	359	577	729
	Sultan Hassan	896	329	567	835
	M.Tahir	924	364	560	848
	Saud Javed	884	384	500	758
	Kashif Soomro	883	447	436	805
	M.Khalid	850	436	414	741
	M.Azam	835	454	381	752
	Syed Rameez Arif	835	487	348	697
	Ishrat Kanwal	549	201	348	478
	Kumar Das	835	503	332	726
	M.Khalid	884	707	177	701
	Syed Rizwan Ali	1,271	1,096	175	329
	Zulfiqar Ahmed Khan	2,953	2,953	-	951
	Zulfiqar Ahmed Khan	886	886	-	632
	Aftab	1,039	935	104	866
	Speen Gul	2,488	2,240	248	1,587
	Sultan Jan Niazi	2,538	2,284	254	1,703
		45,265	28,470	16,795	35,137
At the higher of market value and net book value	The Hub Power Company Limited - Associated company	10,406	2,428	7,978	8,000
Insurance claims	EFU General Insurance Limited	8,352	2,787	5,565	8,208
	Jubilee General Insurance Company Limited	553	197	356	360
	Jubilee Insurance	1,638	256	1,382	1,625
		10,543	3,240	7,303	10,193
By Company policy to existing / seperating executives having net book value upto Rs. 50 each		3,335	2,928	407	904
		761,884	343,097	418,787	429,819
Year ended December 31, 2012		497,310	198,042	299,268	165,891

(Amounts in thousand)

5.4 Capital work in progress - Expansion and other projects

	Plant and machinery	Building & civil works including pipelines	Furniture, fixture and equipment	Advances to suppliers	Other ancillary costs (note 5.4.2 and 5.4.3)	Total
	------------------------------	------------------------------	------------------------------(Rupees)	------------------------------	------------------------------	------------------------------
Year ended December 31, 2012						
Balance as at January 1, 2012	1,157,419	762,650	173,955	94,805	1,474,600	3,663,429
Additions during the year	4,042,472	446,388	246,323	202,883	428,008	5,366,074
Reclassification	82,185	52,731	26,274	342	(209,827)	(48,295)
Transferred to:						
- operating assets (note 5.1)	(5,049,360)	(1,075,023)	(361,126)	(214,248)	(396,860)	(7,096,617)
- intangible assets (note 8)	(11,666)	-	-	(1,014)	(59,080)	(71,760)
Balance as at December 31, 2012	221,050	186,746	85,426	82,768	1,236,841	1,812,831
Year ended December 31, 2013						
Balance as at January 1, 2013	221,050	186,746	85,426	82,768	1,236,841	1,812,831
Additions during the year	6,944,618	820,550	292,097	146,368	225,329	8,428,962
Reclassification	(128,352)	54,770	20,029	(49)	(33,025)	(86,627)
Transferred to:						
- operating assets (note 5.1)	(2,936,515)	(642,290)	(330,272)	(160,191)	(353)	(4,069,621)
- intangible assets (note 8)	(68,848)	-	(3,476)	(29,871)	(15,607)	(117,802)
- discontinued operations	-	-	-	-	(162,066)	(162,066)
Balance as at December 31, 2013	4,031,953	419,776	63,804	39,025	1,251,119	5,805,677

5.4.1 Engro Foods Limited (EFL), a subsidiary company, has acquired land measuring 537 Kanals, 37 Marlas surrounding its Sahiwal plant through the Commissioner, Sahiwal Division, Government of Punjab (the Government) action, by invoking provisions of Land Acquisition Act, 1894. Under the said law, the price of the nearby land was assessed by the Government authorities and the subsidiary company paid Rs. 212,514 to the Government for purchase of land. The Government will in turn pay to the respective land owners.

Few land owners have filed writ petitions against the Government's action and the matter is currently in hearing process at the Lahore High Court. Stay has been granted against most of the petitions filed against EFL. The subsidiary company is of the view that the purchase of land is legal and therefore, the case will be decided in its favour.

5.4.2 Includes Rs. 453,381 (2012: Nil) in respect of construction of pipeline for obtaining gas from Reti Maru gas field.

5.4.3 Includes Rs. 53,412 on account of capital expenditure incurred by Elengy Terminal Pakistan Limited, a subsidiary company, in respect of the LNG project relating to design and construction studies / services for development, license and contracts for construction and operation of a terminal, as more fully explained in note 1.3.4 to the consolidated financial statements.

(Amounts in thousand)

5.5 Capital spares

	2013	2012
	-------------(Rupees)-------------	
5.5.1 Capital spares comprise of the following:		
- Engro Fertilizers Limited	403,289	433,322
- Engro Powergen Qadirpur Limited (note 5.5.2)	921,573	926,939
- Engro Foods Limited	131,033	65,167
- Engro Eximp (Private) Limited (note 5.5.3)	38,545	51,446
- Engro Polymer and Chemicals Limited	87,648	80,979
	1,582,088	1,557,853

5.5.2 Includes capital spares issued for refurbishment / returned for replacement to third parties amounting to Rs. 238,404 (2012: Rs. 128,538).

5.5.3 Includes Rs. 28,167 (2012: Rs. 41,327) in respect of reusable packing material.

6. DEVELOPMENT PROPERTIES

	(Rupees)
Transferred from exploration and evaluation assets (note 6.2)	616,866
Additions:	
Consultancy charges	18,098
Salaries, wages and staff welfare	69,674
Travelling expense	14,287
Purchased services	14,003
Rent, security and accommodation expenses	13,229
Subscription for intellectual data	76
Depreciation / amortisation	2,283
Other expenses	7,235
	138,885
	755,751
Transferred to Discontinued Operations (note 20)	(755,751)
Balance as at December 31, 2013	-

6.1 During the year, Sindh Engro Coal Mining Company Limited (SECMC), a subsidiary of EPL, has advanced through the exploration and evaluation stage and entered into the development phase of the mining project, as technical / commercial viability of the Project has been demonstrated. Accordingly, SECMC has transferred/classified exploration and evaluation expenditure incurred till June 30, 2013 aggregating to Rs. 616,866 as Development properties. Accordingly, all subsequent expenditure directly attributable to the development of the mining project has been recognized under development properties.

(Amounts in thousand)

6.2 Exploration and Evaluation Expenditure

	2013	2012
	-------------(Rupees)-------------	
Consultancy charges	272,926	269,339
Salaries, wages and staff welfare	180,881	144,182
Travelling expense	33,081	26,859
Purchased services	47,806	32,045
Rent, security and accommodation expenses	43,486	35,425
Subscription for intellectual data	7,925	7,778
Fees charged by GoS/SCA under MoU	1,452	1,452
Exploration licence fees and other related charges	4,614	4,614
Depreciation / amortisation	10,029	8,093
Other expenses	14,666	9,966
	616,866	539,753
Less: Transferred/classified to development properties as at June 30, 2013 (note 6)	(616,866)	-
	-	539,753

7. BIOLOGICAL ASSETS

	2013	2012
Dairy livestock (note 7.1)		
- mature	411,059	313,470
- immature	309,130	348,444
	720,189	661,914
Provision for culling (notes 7.2 and 36)	(15,961)	-
	704,228	661,914
Crops - feed stock	12,237	6,541
	716,465	668,455

7.1 Reconciliation of carrying amounts of livestock

	2013	2012
Carrying amount at the beginning of the year	661,914	494,299
Add:		
Changes in fair value due to biological transformation		
- Gain due to new births [inclusive of cost of feeding immature herd of Rs. 127,764 (2012: Rs. 87,344)]	194,193	145,264
- Loss due to increase in age of livestock	(17,120)	(30,341)
	177,073	114,923
Changes in fair value due to price changes		
- Gain due to currency devaluation	59,988	40,111
- (Loss) / gain due to (decrease) / increase in international market prices	(51,290)	45,332
	8,698	85,443
Total gain (note 35)	185,771	200,366
Less:		
Decrease due to deaths / disposals	(76,963)	(32,751)
Biological assets written-off (notes 7.3 and 36)	(50,533)	-
Provision for culling	(15,961)	-
Carrying amount at the end of the year, which approximates the fair value	704,228	661,914

(Amounts in thousand)

7.2 Represents provision in respect of low yielding animals and / or animals having poor health.

7.3 During the year, Engro Foods Limited (EFL), a subsidiary company, carried out 100% physical verification exercise of its entire livestock held at the dairy farm. Based on the results of this exercise, the carrying values of livestock that were found missing has been written-off.

7.4 As at December 31, 2013, Engro Foods Limited (EFL), a subsidary company, held 2,058 (2012: 1,829) mature assets able to produce milk and 1,729 (2012: 1,697) immature assets that are being raised to produce milk in the future. During the year, EFL produced approximately 9,079,147 (2012: 9,224,185) gross litres of milk from these biological assets with a fair value less estimated point-of-sale costs of Rs. 496,095 (2012: Rs. 477,417), determined at the time of milking.

7.5 As at December 31, 2013, Engro Foods Limited (EFL), a subsidary company, held 586 (2012: 375) immature male calves.

7.6 The valuation of dairy livestock as at December 31, 2013 has been carried out by an independent valuer. In this regard, the valuer examined the physical condition of the livestock, assessed the farm conditions and relied on the representations made by EFL as at December 31, 2013. Further, in the absence of an active market of EFL's dairy livestock in Pakistan, market and replacement values of similar live stock from active markets in USA, Germany, Argentina and Australia, have been used by the independent valuer as a basis of his valuation. Immature male calves have not been included in the fair valuation due to the insignificant value in use.

(Amounts in thousand)

8 INTANGIBLE ASSETS

	Software and licenses	Rights for future gas utilization	Brand	Goodwill	Total
	-----------	-----------	(Rupees)	-----------	-----------
As at January 1, 2012					
Cost	469,035	102,312	376,919	44,979	993,245
Accumulated amortisation	(241,894)	(2,656)	-	(1,222)	(245,772)
Net book value	227,141	99,656	376,919	43,757	747,473
Year ended December 31, 2012					
Opening net book value	227,141	99,656	376,919	43,757	747,473
Adjustment of exchange revaluation	-	-	38,894	4,786	43,680
Additions including transfers at cost (note 5.4)	84,569	-	-	-	84,569
Amortisation charge (note 8.1)	(85,962)	(6,802)	-	-	(92,764)
Closing net book value	225,748	92,854	415,813	48,543	782,958
As at January 1, 2013					
Cost	553,604	102,312	415,813	49,765	1,121,494
Accumulated amortisation	(327,856)	(9,458)	-	(1,222)	(338,536)
Net book value	225,748	92,854	415,813	48,543	782,958
Year ended December 31, 2013					
Opening net book value	225,748	92,854	415,813	48,543	782,958
Additions including transfers at cost (note 5.4)	117,802	-	-	-	117,802
Adjustment of exchange revaluation	-	-	15,918	608	16,526
Classified as discontinued operations					
Cost	(374)	-	-	-	(374)
Accumulated amortisation	102	-	-	-	102
	(272)	-	-	-	(272)
Amortisation charge (note 8.1)	(103,938)	(5,110)	-	-	(109,048)
Closing net book value	239,340	87,744	431,731	49,151	807,966
As at December 31, 2013					
Cost	671,032	102,312	431,731	50,373	1,255,448
Accumulated amortisation	(431,692)	(14,568)	-	(1,222)	(447,482)
Net book value	239,340	87,744	431,731	49,151	807,966

(Amounts in thousand)

	2013	2012
	-----------(Rupees)------------	
8.1 Amortisation charge for the year has been allocated as follows:		
Cost of sales (note 32)	38,231	29,028
Selling and distribution expenses (note 33)	115	48
Administrative expenses (note 34)	70,609	63,679
Exploration and evaluation assets (note 6.2)	93	9
	109,048	92,764

9 LONG TERM INVESTMENTS

	2013	2012
Unquoted		
Joint venture company - Engro Vopak Terminal Limited (EVTL) - (notes 9.1 to 9.3)	1,332,595	1,262,973
Associated company - GEL Utility Limited (GEL) Advance against issue of 12,272,727 ordinary shares of Nigerian Naira 1 each (note 1.3.3.4)	536,400	-
Others, at cost- Arabian Sea Country Club Limited 500,000 Ordinary shares of Rs. 10 each	5,000	5,000
	1,873,995	1,267,973

	2013	2012
9.1 Details of investment in EVTL is as follows:		
At beginning of the year	1,262,973	1,711,692
Add: Share of income after tax for the year	609,622	743,781
Less: Dividend received during the year	540,000	1,192,500
	1,332,595	1,262,973

9.2 As at December 31, 2013, the Holding Company held 45,000,000 ordinary shares (2012: 45,000,000 ordinary shares) of EVTL representing 50% of equity held.

	2013	2012
	-----------(Rupees)------------	
9.3 The summary of financial information of EVTL as of December 31, is as follows:		
- Total assets	3,880,600	4,043,970
- Total liabilities	1,180,613	1,483,231
- Total equity	2,699,987	2,560,739
- Total revenue	2,051,696	2,375,771
- Profit for the year	1,219,248	1,487,561

(Amounts in thousand)

10 LONG TERM LOANS AND ADVANCES

- Considered good	2013	2012
	------------(Rupees)------------	
Long term loans		
Executives (notes 10.1 to 10.4)	413,709	319,655
Other employees (notes 10.2 and 10.4)	35,624	16,942
	449,333	336,597
Less: Current portion shown under current assets	203,710	139,382
	245,623	197,215
Others	61,812	57,133
	307,435	254,348

	2013	2012
10.1 Reconciliation of the carrying amount of loans and advances to executives:		
Balance as at January 1	319,655	253,956
Disbursements	288,355	265,512
Repayments / amortisation	(189,767)	(199,813)
Less: Transferred to Discontinued Operations (note 20)	(4,534)	-
Balance as at December 31	413,709	319,655

10.2 **Long term loans include:**

- interest free services incentive loans to executives of Rs. 212,208 (2012: Rs. 149,848) repayable in equal monthly instalments over a three years period or in one lump sum payment at the end of such period;

- interest free loans given to workers of Rs. 34,672 (2012: Rs. 2,503) pursuant to Collective Labour Agreement; and

- advances of Rs. 163,361 (2012: Rs. 169,807), to employees for car earn out assistance, long term incentive and house rent advance;

- Interest free loans and advances to executives of Engro Polymer and Chemicals Limited, a subsidiary company, for house rent, vehicles, home appliances and investments given in accordance with the terms of employment. Loans for house rent and investments are repayable in 18 to 36 equal monthly instalments and for home appliances are repayable in 5 equal annual instalments. Advances for vehicles are charged to profit and loss account over a period of 3 years.

10.3 The maximum amount outstanding at the end of any month from the executives of the Group aggregated Rs. 413,709 (2012: Rs. 375,153).

10.4 The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no defaults in recent history.

(Amounts in thousand)

11 STORES, SPARES AND LOOSE TOOLS

	2013	2012
	------------(Rupees)------------	
Consumable stores	710,677	667,931
Spares & loose tools, including in transit (note 11.1)	6,444,943	5,932,942
	7,155,620	6,600,873
Less: Provision for surplus and slow moving items	116,997	92,433
	7,038,623	6,508,440

11.1 These include spares issued for refurbishment / returned for replacement amounting to Rs.18,747 (2012: Rs. 18,931) of Engro Powergen Qadirpur Limited (EPQL), a subsidiary company of EPL.

12. STOCK-IN-TRADE

	2013	2012
	------------(Rupees)------------	
Raw materials and packing materials (note 12.1)	5,068,226	5,901,235
Unprocessed rice (note 12.4)	10,930,297	5,239,347
Fuel stock (note 12.2)	366,432	375,073
Work-in-process	489,936	276,851
Finished goods:		
- own manufactured product	3,647,394	2,605,890
- purchased product (note 12.1 and 12.3)	197,486	2,193,079
	3,844,880	4,798,969
	20,699,771	16,591,475

12.1 This includes:

- inventories-in-transit amounting to Nil (2012: Rs. 2,413,140)

- carrying value of PVC resin in respect of finished goods of Engro Polymer and Chemicals Limited (EPCL), a subsidiary company, net of realisable value reduction of Rs. 29,174 (2012: Rs. 20,822);

- finished goods of Engro Foods Limited (EFL), a subsidiary company carried at net realizable value amounting to Rs. 17,172 (2012: Rs. 42,500);

- inventories held at storage facilities of third parties amounting to Rs. 68,498 (2012: Rs.560,356); and

- inventories held at storage facilities of following related parties:

	2013	2012
	------------(Rupees)------------	
Engro Vopak Terminal Limited	747,367	918,703
Dawood Hercules Chemicals Limited	6,672	2,773
	754,039	921,476

(Amounts in thousand)

12.2 Represents High Speed Diesel (HSD) required to be maintained for operating the power plant in case supply of gas is unavailable to Engro Powergen Qadirpur Limited (EPQL), a subsidiary company of Engro Powergen Limited (EPL). As per clause (b) of section 5.14 of the Power Purchase Agreement (PPA), EPQL is required to maintain HSD at a level sufficient for operating the power plant at full load for seven days. However, due to non payment of dues in full by NTDC, EPQL is maintaining HSD inventory at a level sufficient for operating the power plant at full load for around five days.

12.3 These are net of provision against expired/obsolete stock amounting Rs. 132,552 (2012: Rs. 19,908).

12.4 Unprocessed rice written-off during the year amounted to Rs. 200 (2012: 7,053).

13 TRADE DEBTS

	2013	2013
	------------(Rupees)------------	
Considered good		
- secured (note 13.1)	2,331,483	10,411,385
- unsecured	702,004	226,614
	3,033,487	10,637,999
Considered doubtful	38,595	16,303
	3,072,082	10,654,302
Less: Provision for impairment (note 13.2)	38,595	16,303
	3,033,487	10,637,999

13.1 Trade debts are normally secured by way of bank guarantees and letters of credit from customers. Trade debts of Engro Powergen Qadirpur Limited (EPQL), a subsidiary of Engro Powergen Limited (EPL), amounting to Rs. 476,333 (2012: Rs. 7,300,126), are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and as such are considered good. During the year, Government of Pakistan announced a bail out package for the power sector to reduce the circular debt. Accordingly, EPQL received Rs. 8,974,000 from NTDC in respect of amount due as at May 31, 2013.

13.2 As at December 31, 2013, trade debts aggregating to Rs.38,595 (2012: Rs. 16,303) were impaired and provided for, which are past due.

	2013	2012
	------------(Rupees)------------	
The movement in provision during the year is as follows:		
Balance as at January 1	16,303	12,717
Add: Provision made during the year	22,292	3,586
Balance as at December 31	38,595	16,303

13.3 As at December 31, 2013, trade debts aggregating to Rs. 360,863 (2012: Rs. 5,284,356) were past due but not impaired. These relate to various customers for which there is no recent history of default. The aging analysis of these trade debts is as follows:

	2013	2012
	------------(Rupees)------------	
Upto 3 months	357,947	3,428,254
3 to 6 months	2,916	1,638,410
More than 6 months	-	217,692
	360,863	5,284,356

(Amounts in thousand)

14. EMPLOYEES' SHARE OPTION SCHEME

14.1 Engro Foods Limited

During the year, the shareholders of the Subsidiary Company in their meeting held on March 22, 2013 approved a new Employees' Share Option Scheme (the Scheme) for granting of options to certain critical employees up to 16.9 million new ordinary shares, to be determined by the Board Compensation Committee of the Subsidiary Company. The Scheme was approved by the SECP on May 27, 2013.

Under the Scheme, options can be granted in the years 2013 to 2015. 50% of the options granted will vest in two years whereas the remaining 50% will vest in three years from the date of the grant of options. However, for the purpose of the options granted in 2013 (Option year), 50% of such options shall vest on April 1, 2015 while remaining 50% will vest on April 01, 2016. Further, those eligible employees who will join the Subsidiary Company or will be promoted to the employee cadre / grade eligible for options, till April 1, 2015 are also entitled to these options. These options do not carry dividends or voting rights and the maximum number of options to be issued to a single eligible employee is for 1.69 million ordinary shares. These options are exercisable within 3 years from the end of vesting period. The details of share options granted during the year which remained outstanding as at December 31, 2013 are as follows:

- number of options	5,700,000
- range of exercise price	Rs. 191.89 - Rs. 253.77
- weighted average remaining contractual life	5.25 years

The weighted average fair value of options granted during the year, as estimated at the date of grant using the Black-Scholes model was Rs. 24.43 per option. The following weighted average assumptions were used in calculating the fair values of the options:

- share price	Rs. 127.23
- exercise price	Rs. 191.87
- expected volatility	34.16%
- expected life	3 years
- annual risk free interest rate	9.71%

The volatility has been measured as the standard deviation of quoted share prices over the last one year from each respective grant date. In addition, the Subsidiary Company estimates that during the year 2014 options for remaining 11.2 million shares may be granted.

In this respect, Employee share option compensation reserve and the related deferred expense amounting to Rs. 407,133 has been recognized out of which Rs.102,115 has been amortized and recognized as charge for the year in respect of related employees services received to the consolidated balance sheet date.

(Amounts in thousand)

14.2 Deferred employee compensation expense

	2013	2012
	(Rupees)	
Balance as at January 1	-	986
Options issued during the year	407,133	-
Amortisation for the year	(102,115)	(986)
Balance as at December 31	305,018	-
Less: Current portion shown under current assets	(136,153)	-
Long term portion of deferred employee compensation expense	168,865	-

14.3 Employee share option compensation reserve

	2013	2012
Balance as at January 1	-	146,280
Add: Options issued during the year	407,133	-
Less: Options lapsed during the year	-	(146,021)
Less: Options exercised during the year	-	(259)
Balance as at December 31	407,133	-

15 DERIVATIVE FINANCIAL INSTRUMENTS

	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Conversion option on IFC loan	-	1,445,966	-	243,964
Foreign exchange forward contracts (note 15.1)	-	102,172	-	-
Cash flow hedges:				
Foreign exchange forward contacts (note 15.1)	130,207	155,751	26,332	240,707
Interest rate swaps (note 15.2)	-	363,359	-	728,217
	130,207	2,067,248	26,332	1,212,888
Less: Current portion shown under current assets / liabilities				
Foreign exchange forward contacts	-	102,172	-	-
Cash flow hedges:				
Foreign exchange forward contacts	130,207	155,751	26,332	240,707
Interest rate swaps	-	198,067	-	332,656
	130,207	353,818	26,332	573,363
	-	1,611,258	-	639,525

15.1 Foreign exchange forward contracts

15.1.1 Engro Fertilizers Limited (Efert), a subsidiary company, entered into various forward exchange contracts to hedge its foreign currency exposure. As at December 31, 2013, Efert had forward contracts to purchase USD 157,003 (2012: USD 185,671) at various maturity dates to hedge its foreign currency exposure, primarily loan obligations.The net fair value of these contracts as at December 31, 2013 is positive and amounted to Rs. 115,233 (2012: Rs. 233,223 negative).

(Amounts in thousand)

15.1.2 Engro Foods Limited (EFL), a subsidiary company, has entered into various foreign currency forward contracts with banks to manage its foreign currency exposure. These contracts have maturity dates approximately matching with the anticipated payment dates for commitments with respect to import of plant and machinery and stock-in-trade. The fair value of the outstanding forward contracts as at December 31, 2013 amounts to a liability of Rs. 14,517 (2012: asset of Rs. 25,787).

15.1.3 Engro Eximp (Private) Limited (EEL), a subsidiary company, entered into various USD:PKR forward contracts to hedge its foreign currency exposure. As at December 31, 2013, EEL had forward exchange contracts to purchase USD 68,054 (2012: USD 62,864) at various maturity dates. The fair value of these contracts, as at December 31, 2013 is negative and amounts to Rs 126,260 (2012: Rs. 6,939 negative) matching the anticipated payment dates for liabilities with respect to import of fertilizers.

15.1.4 Engro Polymer and Chemicals Limited (EPCL),a subsidiary company, has outstanding Exchange Rate Forward agreements with banks for amounts aggregating US$ 51,036 to manage exchange rate exposure on outstanding foreign currency payments under the terms of supplier credit. Under the aforementioned agreements, EPCL would pay respective rate agreed at the initiation of the agreement on settlement dates. As at December 31, 2013 the fair value of these derivatives is negative Rs. 102,172 (2012: Nil).

15.2 Interest rates swaps

15.2.1 EFert, entered into an interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing under an Offshore Islamic Finance Facility agreement, for a notional amount of USD 34,500 (2012: USD 72,000) amortising up to September 2014. Under the swap agreement, EFert would receive USD-LIBOR from Citibank N.A Pakistan on notional amount and pay fixed 3.47% which will be settled semi-annually. The fair value of the interest rate swaps as at December 31, 2013 is negative and amounted to Rs. 85,852 (2012: Rs. 252,479 negative).

15.2.2 EFert also entered into another interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing from a consortium of Development Finance Institutions for a notional amount of USD 38,636 (2012: USD 54,091) amortising upto April 2016. Under the swap agreement, EFert would receive USD-LIBOR from Standard Chartered Bank on notional amount and pay fixed 3.73% which will be settled semi-annually. The fair value of the interest rate swap as at December 31, 2013 is negative and amounted to Rs. 197,501 (2012: Rs. 334,082 negative).

15.2.3 EPCL has outstanding interest rate swap agreements with banks for notional amounts aggregating USD 18,666 to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, EPCL would receive six month USD-LIBOR on respective notional amounts and will pay fix rates, which will be settled semi-annually. The fair value of the interest rate swaps as at December 31, 2013 is negative and amounted to Rs. 89,631 (2012: Rs. 140,112 negative).

15.2.4 EPCL has outstanding cross-currency interest rate swap agreements with banks for notional amounts aggregating USD 4,498 to hedge its interest rate exposure on floating rate local currency borrowings from a consortium of local banks under a Syndicate Finance Agreement. Under the swap agreement, EPCL would receive six month KIBOR plus margin, where applicable, on the relevant PKR notional amount and will pay six month USD-LIBOR plus margin on the relevant USD notional amount, which will be settled semi-annually. As at December 31, 2013, the fair value of interest rate swap agreement is positive Rs. 9,625 (2012: Rs. 1,544 negative).

(Amounts in thousand)

15.3 Embedded Derivatives

Engro Powergen Qadirpur Limited's (EPQL),a subsidiary company of EPL , tariff like other power companies, comprises of various price components with indexations falling within the ambit of embedded derivatives. Such embedded derivative as per International Accounting Standard (IAS) 39, 'Financial Instrument: Recognition and Measurement' needs to be separated from the host contract and accounted for as derivative if economic characteristics and risks of the embedded derivative are not closely related to the host contract.

EPQL, had sought clarification from the Institute of Chartered Accountants of Pakistan (ICAP) in respect of the indexations pertaining to (i) USD/PKR exchange rate (applicable to EPQL's price components of debt, return on equity, return on equity during construction); and (ii) US CPI & USD/PKR exchange rate (applicable to EPQL's price components of fixed and variable operations and maintenance – foreign) whether these derivatives were closely or not closely related to the host contract.

In addition, EPQL had also requested ICAP to prescribe a definite basis or guidelines for the valuation of such embedded derivatives considering the subjectivity involved therein if these were considered to be not closely related to the host contract. Further, as indexation of US$/PKR exchange rate related to debt component being not recognized separately as embedded derivative, EPQL taking cognizance of the 'matching principle' requested the Securities and Exchange Commission of Pakistan (SECP) to allow deferment of recognizing exchange loss on translation of borrowings under IAS 21 - Foreign Currency Transactions in the profit or loss till the clarification sought on the recognition of the foreign currency indexations from ICAP had been received.

On January 16, 2012, SECP vide SRO 24 (I) 2012 had granted waivers to all IPPs from the requirement of IFRIC 4 " Determining whether an arrangement contains a lease" and IFRIC 12 " Service Concession Agreements". Further, SECP through the aforementioned SRO has also allowed the IPPs to continue capitalising the exchange differences, and not to recognise embedded derivatives under IAS 39 where these are not closely related to the host contract. However in the case of such derivatives, for periods beginning on or after January 1, 2013, the companies are required to give "Additional Disclosure" as if the accounting for embedded derivatives had been adopted in preparing the financial statements.

In view of the above S.R.O, EPQL has therefore capitalised exchange loss aggregating to Rs. 2,662,771 (2012: Rs.1,740,345) as at December 31, 2013, which includes Rs. 922,426 pertaining to current year (2012: Rs.925,772) in property, plant and equipment (note 5.1).

15.3.1 Additional Disclosure under SRO 24 (1) 2012

If Engro Powergen Qadirpur Limited (EPQL) were to follow IAS 39 and had accounted for embedded derivatives and had not capitalised the exchange loss on translation of foreign currency borrowing, the effect on the consolidated financial statements line items would be as follows:

(Amounts in thousand)

	Non controlling interest Increase / (Decrease)	Unappropriated profit Increase / (Decrease)	Property, plant and equipment Increase / (Decrease)	Derivative financial asset Increase / (Decrease)
	---(Rupees)---			
As at January 1, 2012				
Adjustment on initial recognition of derivatives and non-capitalisation of exchange loss				
- Reclassification of exchange loss	47,858	734,132	(781,990)	-
- Recognition of derivatives	(129,609)	(1,988,189)	-	2,117,798
Change due to recognition of derivatives and non-capitalisation of exchange loss	(81,751)	(1,254,057)	(781,990)	2,117,798
For the year ended December 31, 2012				
- Recognition of exchange loss	52,303	802,319	(854,622)	-
- Change in fair value of derivatives	(208,494)	(3,198,265)	-	3,408,759
	(156,191)	(2,395,946)	(854,622)	3,408,759
For the year ended December 31, 2013				
- Recognition of exchange loss	50,521	774,993	(825,514)	-
- Change in fair value of derivatives	233,838	3,587,043	-	(3,820,881)
	284,359	4,362,036	(825,514)	(3,820,881)
As at December 31, 2013				
Change due to recognition of derivatives and non-capitalisation of exchange loss	46,417	712,033	(2,462,126)	1,703,676

16 LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

	2013	2012
	---(Rupees)---	
Current portion of long term loans and advances to executives and other employees - considered good	205,254	139,382
Advances to executives and other employees (notes 16.1 and 16.2)	67,011	39,683
Advance and deposits	612,030	447,273
Prepayments:		
- insurance	330,380	179,407
- others (note 16.4)	242,086	268,385
	1,456,761	1,074,130
Less: Provision for impairment (note 16.3)	5,735	1,512
	1,451,026	1,072,618
Loan to Avanceon Limited	-	18,293
Less: Provision against loan - net	-	18,293
	-	-
	1,451,026	1,072,618

(Amounts in thousand)

16.1 This represents interest free advances to executives for house rent, given in accordance with the Group's policy.

16.2 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 13,405 (2012: Rs. 10,152).

16.3 As at December 31, 2013, loans and advances aggregating to Rs. 5,735 (2012: Rs. 1,512) were impaired and provided for.

16.4 This includes expenditure of Rs. 97,365 (2012: Nil) incurred on account of Initial Public Offering of 75 million ordinary shares, by Engro Fertilizers Limited, a subsidiary company, which will be adjusted against the share premium on allotment of the shares thereof.

17. OTHER RECEIVABLES

	2013	2012 (Restated)
	---(Rupees)---	
Receivable from Government of Pakistan for:		
- Sales tax (notes 17.1 and 17.2)	2,198,565	1,283,335
Less: Provision for impairment	140	786
	2,198,425	1,282,549
- Special excise duty refundable	36,687	36,687
Less: Provision for impairment	36,687	36,687
	-	-
- Customs duty claims refundable (note 17.3)	18,043	18,043
Less: Provision for impairment	18,043	18,043
	-	-
- Others	656,549	291
	2,854,974	1,282,840
Delayed payment charges (note 17.4)	729,986	894,659
Reimbursable cost from NTDC in respect of:		
- Workers' profits participation fund	267,525	250,186
- Workers' welfare fund	129,244	100,074
Receivable from:		
- Tetra Pak Pakistan Limited (note 17.5)	440,960	286,307
- Engro Vopak Terminal Limited (note 17.6)	3,293	2,314
- Receivable from Ecolean AB	66,396	-
Accrued income on deposits / investments	13,791	19,824
Claims on suppliers and insurance companies (note 17.7)	489,323	128,959
Others	11	122,977
Less: Provision for impairment	-	465
	11	122,512
	4,995,503	3,087,675

(Amounts in thousand)

17.1 Includes sales tax refundable of Engro Foods Limited (EFL), a subsidiary company, amounting to Rs. 1,835,054 (2012: Rs. 1,128,313). Sales tax has been zero rated on EFL's supplies (output), raw materials, components and assemblies imported or purchased locally by EFL for manufacturing in respect of its dairy operations.

17.2 Based on the injunction allowed by Honorable Sindh High Court (the Court) in response to Engro Polymer and Chemicals Limited's (EPCL's),a subsidiary company, constitutional petition the receivable is net of adjustment of Rs. 116,368 relating to provincial input tax paid on services. The Court has allowed to continue this adjustment in VAT mode and directed the concerned authorities to continue accepting the EPCL's monthly sales tax return either electronically or manually. The management, based on the advice of its legal advisor, is confident that the aforementioned matter will ultimately be decided in its favor and no provision has been made for the amount adjusted.

Further, it includes Rs. 22,820 relating to provincial input tax paid on services claimed for the period from July 2013 to December 2013 by Engro Powergen Qadirpur Limited (EPQL), a subsidairy company of Engro Powergen Limited. Adjustment of provincial input tax is dissallowed by the Federal Board of Revenue (FBR) subsequent to changes made through Finance Act, 2013. However, EPQL has filed constitution petition in this respect before the Honourable Sindh High Court, where interim relief has been granted. Based on the interim order, EPQL has claimed the adjustment of provincial sales tax on services. EPQL is pursuing the matter with the High Court and based on the interpretation of law is confident of its recovery.

The above also includes Rs. 87,040 (2012 : Nil) relating to provincial input tax paid on services by Engro Foods Limited (EFL) a subsidiary company. This amount has not been claimed thus far in the Monthly Sales Tax Returns as it has been disallowed by the Federal Board of Revenue subsequent to changes made through Finance Act, 2013. EFL is currently pursuing this matter at various forums including consideration of legal remedies and based on the interpretation of law is confident of its recovery.

17.3 The Customs Appellate Tribunal, Karachi Bench, through its order dated October 31, 2011, disposed off appeal of Engro Polymer and Chemicals Limited (EPCL), a subsidiary company, filed on April 11, 2008 against the order of Collector of Customs, Port Muhammad Bin Qasim, Karachi, for the refund of custom duty paid during the period June 16, 2006 to July 24, 2006 on imports of Vinyl Chloride Monomer (VCM). The Tribunal was informed that all aforementioned VCM consignments were released after the issuance of SRO 565(1)/2006 dated June 6, 2006 and the benefit of five percent duty reduction was also passed on to the customers. However, as the price of the EPCL's product was increased which is linked with international market, the Tribunal inadvertently presumed that the said benefit had not been transferred to the customers and passed an order against EPCL. EPCL has filed an appeal with the High Court of Sindh against the aforesaid order of the Tribunal. However, based on prudence, EPCL is maintaining full provision against the aforementioned custom duty refundable till such time that all available legal courses are exhausted.

17.4 Represents mark-up receivable on overdue trade debts of Engro Powergen Qadirpur Limited (EPQL), a subsidiary of Engro Powergen Limited (EPL) (note 13.1), as delayed payment charges from National Transmission and Dispatch Company (NTDC) in accordance with the terms of the Power Purchase Agreement. These include mark-up over due amounting to Rs. 684,508 (2012: Rs. 599,682).

17.5 Represents reimbursements receivable under cost sharing agreement for marketing related expenses and quantity discount, net of payable on account of packaging material purchased by Engro Foods Limited (EFL), a subsidiary company.

17.6 The maximum amounts due from joint venture, Engro Vopak Terminal Limited, at the end of any month during the year aggregated to Rs. 3,293 (2012: Rs. 1,454).

17.7 Includes discount receivable from OCP Morocco, supplier of Engro Eximp (Private) Limited, a subsidairy company, amounting to Nil (2012: 60,863).

(Amounts in thousand)

17.8 As at December 31, 2013 other receivables aggregating to Rs. 693,230 (2012: Rs. 700,373) were past due but not impaired. The aging analysis of these receivables is as follows:

	2013	2012
	------------(Rupees)------------	
Upto 3 months	43,802	305,939
3 to 6 months	582,265	127,714
More than 6 months	67,163	266,720
	693,230	700,373

17.9 As at December 31, 2013, receivables aggregating to Rs. 54,870 (2012: Rs. 55,981) were deemed to be impaired being outstanding for more than six months and provided for.

	2013	2012
	------------(Rupees)------------	
The movement in provision during the year is as follows:		
Balance as at January 1	55,981	55,335
(Reversal) / provision made during the year	(1,111)	646
Balance as at December 31	54,870	55,981

18. SHORT TERM INVESTMENTS

	2013	2012
	------------(Rupees)------------	
Financial assets at fair value through profit or loss		
Fixed income placements (note 18.1)	1,750,952	52,148
Treasury Bills (note 18.2)	300,000	484,393
Money market funds (note 18.3)	2,836,036	3,278,295
Loans and receivables		
Reverse repurchase of treasury bills (note 18.4)	16,479,103	1,088,681
Held to maturity		
Treasury bills	-	494,510
Term deposit receipts	-	600,000
	21,366,091	5,998,027

18.1 These represents foreign and local currency deposits with various banks, at the interest rates ranging upto 10.2% per annum (2012: 10% per annum).

18.2 These represent treasury bills discounted using effective rates upto 9.79% per annum (2012: 9.35% per annum).

18.3 These represents investments in various money market funds and are valued at their respective net assets values as at the balance sheet dates.

18.4 These represent treasury bills at the interest rate ranging upto 9.17% per annum (2012: 9.21% per annum).

(Amounts in thousand)

19. CASH AND BANK BALANCES

	2013	2012
	------------(Rupees)------------	
Balances with banks in:		
- deposit accounts (notes 19.1 to 19.3)	3,521,518	3,559,620
- current accounts (note 19.5)	3,277,096	900,884
Balances in hand:		
- cheques / demand drafts / cash in transit (note 19.4)	122,037	194,522
- cash	7,802	8,249
Less: Transferred to Discontinued Operations (note 20)	29,330	-
	6,899,123	4,663,275

19.1 Includes Rs. 50,606 (2012: Rs. 52,673 including interest) deposited in a scheduled bank in respect of maintenance reserve (note 23).

19.2 Local currency deposits carry return up to the rate of 10.15% per annum (2012: 11% per annum).

19.3 This includes Rs. 17,749 (2012: Rs. 81,436) held in foreign currency bank accounts and carry return at the rate of 0.25% per annum (2012: 0.25% per annum).

19.4 Represents banking instruments received by Engro Foods Limited (EFL), a subsidiary company, from distributors at regional offices in respect of advance against future sales but not yet deposited in the EFL's bank account.

19.5 Includes total amount of subscription money aggregating to Rs. 1,815,748 received from general public against the shares offered through IPO, of which Rs. 1,286,061 has been refunded to unsuccesful applicants subsequent to the year-end.

20. DISCONTINUED OPERATIONS

As more fully explained in note 1.3.3.2, the Joint Venture Agreement (JVA) is in the process of being revised, whereby equity stake of the Engro Powergen Limited (EPL), a subsidiary company and GoS in Sindh Engro Coal Mining Company Limited (SECMC) will be changed to 49:51 from existing 60:40. Subsequently, the nature of investment in the books of EPL will change in the ensuing year to an associated company, consequent to plan reduction in equity stake, the EPL has classified the investment in SECMC as held for sale.

(Amounts in thousand)

An analysis of the assets and liabilities of SECMC is as under:

	2013 (Rupees)
a) Assets	
Development properties	755,751
Property, plant and equipment	169,270
Intangible assets	272
Long term loans and advances	4,534
Advances and other receivables	6,653
Taxes recoverable	14,330
Balances with banks	29,330
	980,140
b) Liabilities	
Accrued and other liabilities	139,054

	2013	2012
	------------(Rupees)------------	
c) Results of operations		
Loss before taxation	(23,053)	(6,566)
Taxation	5,628	2,341
Loss for the year from discontinued operations	(17,425)	(4,225)
d) Cash flows		
Operating cash flows	85,288	(3,474)
Investing cash flows	(378,302)	(103,972)
Financing cash flows	303,875	47,250
Cash inflows / (outflows)	10,861	(60,196)

(Amounts in thousand)

21 SHARE CAPITAL

21.1 Authorised Capital

2013	2012		2013	2012
----------(No. of Shares)----------			------------(Rupees)------------	
550,000,000	550,000,000	Ordinary shares of Rs. 10 each	550,000,000	550,000,000

Issued, subscribed and paid-up capital

2013	2012		2013	2012
----------(No. of Shares)----------			------------(Rupees)------------	
511,269,437	511,269,437	Ordinary shares of Rs. 10 each	5,112,694	5,112,694

21.2 Movement in issued, subscribed and paid-up capital

2013	2012		2013	2012
----------(No. of Shares)----------			------------(Rupees)------------	
511,269,437	393,284,183	As at January 1	5,112,694	3,932,843
-	117,985,254	Ordinary shares of Rs. 10 each issued during the year as fully paid bonus shares	-	1,179,851
511,269,437	511,269,437		5,112,694	5,112,694

21.3 As at December 31, 2013, associated companies held 228,797,841 (2012: 228,787,241) ordinary shares in the Holding Company.

(Amounts in thousand)

22 HEDGING RESERVE

	2013	2012
	------------(Rupees)------------	
Fair values of :		
- Forward foreign exchange contracts (note 15.1)	(14,517)	25,787
- Interest rate swaps (note 15.2)	(303,709)	(639,933)
	(318,226)	(614,146)
Less: Deferred tax	108,197	214,951
Less: Non controlling interest	24,340	36,270
	132,537	251,221
	(185,689)	(362,925)

22.1 Hedging reserve primarily represents the effective portion of changes in fair values of designated cash flow hedges, net off associated gains / losses recognised in initial cost of the hedged item and profit and loss account where applicable.

23 MAINTENANCE RESERVE

In accordance with the Power Purchase Agreement (PPA), Engro Powergen Qadirpur Limited (EPQL), subsidiary of Engro Powegen Limited, is required to establish and maintain a separate reserve fund (the Fund) with a depository institution for payment of major maintenance expenses. Any interest income resulting from the depository arrangements of the Fund is to remain in the Fund to the extent of any shortfall from the contractual limit.

Under the PPA, 1/24th of the annual operating and maintenance budget of the Power Plant less fuel expenses is required to be deposited into the Fund on each capacity payment date until such reserve equals to nine such deposits. After the second agreement year and thereafter, the Fund may be re-established at such other level that the EPQL and National Transmission and despatch Company (NTDC) mutually agree.

Last year, EPQL due to uncertain cash flows resulting from delayed payments by NTDC has, as per flexibility available under the PPA, reduced the amount deposited in a schedule bank to Rs. 50,000. Till such time the amount is deposited again to the required level, EPQL has unutilized short term financing available to meet any unexpected maintenance requirement that may arise in the foreseeable future.

(Amounts in thousand)

24 BORROWINGS

Secured (Non-participatory)

	Note	Mark-up rate p.a.	Instalments Number	Instalments Commenced/ Commencing from	2013	2012
					-----------Rupees)-----------	
Engro Corporation Limited	24.1					
Listed & Secured Engro Rupiya						
Certificate I	24.1.1	14.5%	6 half yearly	January 15, 2011	3,777,949	3,720,970
Listed & Secured Engro Rupiya						
Certificate II	24.1.2	14.5%	6 half yearly	September 15, 2014	2,512,174	2,483,694
Engro Fertilizers Limited	24.2					
Long term finance utilized						
under mark-up arrangements:						
Reprofiled borrowings						
Habib Bank Limited		6 months KIBOR + 1.1%	8 half yearly	March 31, 2013	397,661	700,000
Allied Bank Limited		6 months KIBOR + 1.1%	8 half yearly	June 26, 2013	794,655	1,400,000
Askari Bank Limited		6 months KIBOR + 1.1%	8 half yearly	June 30, 2013	100,000	175,000
Citibank N.A.		6 months KIBOR + 1.1%	8 half yearly	July 22, 2013	40,000	70,000
Standard Chartered Bank (Pakistan) Limited		6 months KIBOR + 1.1%	8 half yearly	June 30, 2013	198,916	350,000
National Bank of Pakistan		6 months KIBOR + 1.1%	10 half yearly	March 5, 2013	1,045,068	1,275,000
Faysal Bank Limited		6 months KIBOR + 2.35%	13 half yearly	May 26, 2013	1,159,373	1,498,896
Dubai Islamic Bank Limited		6 Months KIBOR + 2.11%	14 half yearly	June 30, 2013	444,159	494,856
Standard Chartered Bank		6 Months KIBOR + 2.40%	14 half yearly	June 14, 2013	791,322	993,967
Samba Bank Limited		6 Months KIBOR + 2.40%	14 half yearly	April 1, 2013	396,190	497,740
National Bank of Pakistan		6 Months KIBOR + 2.40%	10 half yearly	September 28, 2013	743,208	995,628
Syndicated finance	24.2.1	6 months KIBOR + 1.8%	14 half yearly	February 28, 2013	13,189,193	16,567,178
Islamic offshore finance	24.2.2	6 months LIBOR + 2.57%	9 half yearly	March 28, 2013	7,547,068	8,786,240
DFI Consortium finance	24.2.3	6 months LIBOR + 2.6%	7 installments	July 29, 2013	5,258,103	6,002,460
International Finance Corporation	24.2.4	6 months LIBOR + 6%	3 half yearly	September 15, 2016	3,102,937	2,831,600
Other borrowings						
International Finance Corporation	24.2.4	6 months LIBOR + 6%	3 half yearly	September 15, 2015	5,050,606	4,554,822
HSBC Middle East Limited		6 months KIBOR + 1.1%	8 half yearly	December 29, 2010	50,000	137,500
Habib Metropolitan Bank Limited		6 Months KIBOR + 2.40%	10 half yearly	June 21, 2013	120,000	199,965
Bank Islami Pakistan Limited		6 months KIBOR + 2.4%	14 half yearly	May 26, 2010	272,564	363,418
Pak Kuwait Investment						
Company (Private) Limited		6 months KIBOR + 2.35%	10 half yearly	April 30, 2012	298,516	397,605
Silk Bank Limited		6 Months KIBOR + 2.35%	10 half yearly	January 21, 2013	180,000	299,648

(Amounts in thousand)

	Note	Mark-up rate p.a.	Instalments Number	Instalments Commenced/ Commencing from	2013	2012
					-----------Rupees)-----------	
Certificates						
Term Finance Certificates - 2nd Issue	24.2.5	6 months KIBOR + 1.55%			3,979,227	3,976,108
Term Finance Certificates - 3rd Issue	24.2.6	6 months KIBOR + 2.4%			1,666,884	1,822,096
Sukuk Certificates		6 months KIBOR + 1.5%	2 half yearly	March 6, 2015	2,995,031	2,991,775
Privately Placed Subordinated						
Term Finance Certificates	24.2.7				6,000,000	5,996,536
					55,820,681	63,378,038
Engro Polymer and Chemicals Limited	24.3					
Syndicated term finance I	24.3.3	6 months KIBOR + 2.25%	13 half yearly	November 2010	3,475,184	4,254,218
Syndicated term finance II	24.3.3	6 months KIBOR + 3%	13 half yearly	June 2010	846,591	1,068,045
Syndicated term finance IV	24.3.4	6 months KIBOR + 2.55%	6 half yearly	May 2013	330,181	490,764
Syndicated term finance V	24.3.1	6 months KIBOR + 1.5%	8 half yearly	June 2015	1,315,170	-
Bilateral loan	24.3.2	6 months KIBOR + 2%	6 half yearly	June 2016	540,554	-
Master Istisna I		6 months KIBOR + 1.5%	6 half yearly	May 2013	-	100,000
Master Istisna III		6 months KIBOR + 2%	6 half yearly	June 2015	200,000	200,000
Master Istisna IV	24.3.5	6 months KIBOR + 2.6%	6 half yearly	April 2016	100,000	-
International Finance Corporation	24.3.3 & 24.3.6	6 months LIBOR + 2.6 to 3%	15 half yearly	June 2010	2,929,938	3,471,820
					9,737,618	9,584,847
Engro Foods Limited	24.4					
Syndicated Finance I		6 months KIBOR + 0.69%	4 half yearly	February 20, 2015	1,500,000	1,500,000
Syndicated Finance II		6 months KIBOR + 2.6%	5 half yearly	July 10, 2012	480,000	960,000
Syndicated Finance III		6 months KIBOR + 2.0%	6 half yearly	February 16, 2013	666,667	1,000,000
Habib Bank Limited		6 months KIBOR + 2.25%	6 half yearly	September 3, 2011	83,333	250,000
Habib Bank Limited						
LTFF Facility	24.4.2	SBP LTFF Rate	8 half yearly	February 27, 2014	221,355	220,548
Conventional term loan	24.4.2	6 months KIBOR + 2.0%	6 half yearly	November 2, 2014	775,039	397,213
Citibank, N.A.		6 months KIBOR + 2.0%	bullet	January 14, 2013	-	700,000
NIB Bank Limited	24.4.2	6 months KIBOR + 2.1%	6 half yearly	June 5, 2015	1,484,956	1,481,132
Pak Kuwait Investment						
Company (Private) Limited	24.4.1	6 months KIBOR + 2.45%	6 half yearly	June 30, 2014	-	250,000
The Bank of Punjab	24.4.2	6 months KIBOR + 1.15%	6 half yearly	April 03, 2015	497,652	-
United Bank Limited		6 months KIBOR + 1.25%	6 half yearly	May 12, 2016	1,500,000	-
Certificates						
Sukuk Certificates		6 month KIBOR + 0.69%	4 half yearly	July 13, 2015	950,000	950,000
					8,159,002	7,708,893
Engro Eximp (Private) Limited	24.5					
Syndicated term finance I	24.5.1	6 month KIBOR + 2%	6 half yearly	January 22, 2013	400,000	500,000
Syndicated long term finance I	24.5.1	As per notification of State Bank				
		of Pakistan (SBP)	6 half yearly	March 3, 2012	499,983	749,991
Bilateral Term finance		6 month KIBOR + 2%	6 half yearly	November 28, 2013	208,333	250,000
Syndicated term finance II	24.5.1 & 24.5.2	6 month KIBOR + 2.25%	6 half yearly	Feburary 11, 2014	883,627	880,667
Syndicated long term finance II		As per notification of State Bank				
		of Pakistan (SBP)	8 half yearly	Feburary 22, 2013	84,169	108,699
					2,076,112	2,489,357
Engro Powergen Limited	24.6					
DFI Consortium Finance	24.6.1	6 months LIBOR + 3%	20 half yearly	December 15, 2010	10,992,086	11,328,263
Less: Current portion shown under current liabilities					14,754,508	27,436,692
					78,321,114	73,257,370

(Amounts in thousand)

24.1 Engro Corporation Limited

24.1.1 Represents amount raised from general public against the issuance of Engro Rupiya Certificates I (net of unamortized transaction cost of Rs. 6,161). The profit is payable semi-annually at the fixed rate of 14.5% from the date of investment by the Certificate holders. The Certificates are issued for a tenure of three years and are structured to redeem 0.1% of principal in five equal semi-annual installments in the first 30 months and the remaining 99.9% principal in 36th month from the date of issue. The Certificate holders, however, may ask the Holding Company for early redemption at any time from the date of investment subject to service charge of 2% of the outstanding issue price.

24.1.2 Represents amount raised from general public against issuance of Engro Rupiya Certificate II (net of unamortized transaction cost of Rs. 23,256). The profit is payable semi-annually at the fixed rate of 14.5% from the date of investment by the Certificate holders. The Certificates are issued for a tenure of three years and are structured to redeem 100% of the principal amount in the 36th month from the date of issue. The Certificate holders, however, may ask the Holding Company for early redemption at any time from the date of investment subject to service charge of 2% of the outstanding issue price.

24.1.3 The Certificates are secured by way of first ranking pari passu floating charge over all the present and future movable properties of the Holding Company except for present and future trade marks, copy rights and certain investment in subsidiary companies.

IGI Investment Bank Limited has been appointed as Trustee in respect of these certificates.

24.2 Engro Fertilizers Limited

The Subsidiary Company approached majority of the lenders for re-profiling of various finance facilities given the constrained operation due to gas curtailment. Initially, the Subsidiary Company proposed for a grace period of 2 to 2.5 years in the existing repayment schedule. Subsequently, the Subsidiary Company offered step-up payments in the interim period of 2.5 years due to improved cash flow expectations after Enven conversion on Mari gas.

As at December 31, 2013, the Subsidiary Company has agreed with all the lenders for re-profiling of its long term loans. Accordingly, current portion is based on the revised repayment schedule. Necessary documentation of DFI consortium is in process. Furthermore, the consortium representing Islamic Finance Facility has agreed to convert 50% of the outstanding Islamic facility from USD into PKR. Principal terms of the re-profiling are as follows:

- Extension of loan tenor by 2.5 years with step up payments in the interim period;

- Amendment in financial covenants including a condition whereby dividend may be paid after repayment of 33% of the senior loans outstanding as at June 30, 2012;

- Implementation of cash sweep due to which all surplus cash over and above debt servicing, recurring capex, alternate gas capex and some pre-agreed cushion will be paid to lenders as prepayment of outstanding loan amount following the restoration of gas supply applicable from December 31, 2014 and until 25 % of the senior loans outstanding as at June 30, 2012 is repaid; and

- Gas supply from the long term allocation would start by July 2014.

(Amounts in thousand)

24.2.1 This represents the balance amount of a syndicated finance agreement with Habib Bank Limited, National Bank of Pakistan, United Bank Limited, Muslim Commercial Bank, Standard Chartered Bank (Pakistan) Limited, Bank Alfalah Limited, Allied Bank Limited, Askari Bank Limited, Habib Metropolitan Bank, Summit Bank Limited, Soneri Bank Limited and Pak-Libya Holding Company Private Limited.

24.2.2 This represents the balance amount of an offshore Islamic Finance Facility Agreement of USD 150,000 with Citi Bank, Dubai Islamic Bank, Habib Bank Limited, National Bank of Pakistan, Samba Financial Group and Standard Chartered Bank (Pakistan) Limited.

24.2.3 This represents the balance amount of a facility agreement amounting to USD 85,000 with a consortium of Development Finance Institutions comprising of DEG, FMO and OFID.

24.2.4 The Holding Company entered into a C Loan Agreement (Original Agreement) dated September 29, 2009 with International Finance Corporation (IFC) for USD 50,000, divided into Tranche A (USD 15,000) and Tranche B (USD 35,000). Both Tranche A and B were fully disbursed as at December 31, 2009 and transferred to Engro Fertilizers Limited (Efert), a subsidiary company, under the scheme of demerger effective January 1, 2010. However, the option given to convert the Tranche A loan amount of USD 15,000 shall remain upon the Holding Company's ordinary shares at Rs. 205 per ordinary share (reduced to Rs. 119.46 and Rs. 155.30 as at December 31, 2012 and December 31, 2011 respectively consequent to bonus issues) calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option. Such option is to be exercised within a period of no more than five years from the date of disbursement of the loan (December 28, 2009). Tranche B, however, is not convertible. The Holding Company, upon shareholders' approval in the Annual General Meeting of February 27, 2010, has entered into an agreement with Efert that in the event IFC exercises the aforementioned conversion option (Tranche A), the loan amount then outstanding against Efert would stand reduced by the conversion option amount and Efert would pay the rupee equivalent of the corresponding conversion amount to the Holding Company which would simultaneously be given to Efert as a subordinated loan, carrying mark-up payable by the Holding Company for rupee finances of like maturities plus a margin of 1%. The effect of IFC conversion in substance would result in a loan from the Holding Company having the same repayment terms / dates as that of Tranche A.

On December 22, 2010, the Subsidiary Company and IFC entered into an amended agreement for further disbursement of USD 30,000 over and above the aforementioned disbursed amount of USD 50,000. The amount was fully disbursed as at June 30, 2011. The salient features of the Original Loan essentially remained the same. The additional loan of USD 30,000 is divided into (I) 30% convertible loan on the shares of the Subsidiary Company at Rs. 41.67 per ordinary share calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option and (ii) 70% non-convertible loan. The additional loan is repayable by September 15, 2017 in three equal installments and carries interest at six months LIBOR plus a spread of 6% or 10% depending on the listing status of the Subsidiary Company at December 31, 2012.

During the year, IFC has in principle agreed with the Subsidiary Company to waive its right to increase the spread of 4% and revision of conversion price to Rs. 24 per share. Necessary documentation is in process.

The fair value of the aforementioned conversion options, included in note 15, on the date of disbursement amounted to Rs. 338,647 and Rs. 63,000 for the original and additional loan respectively and is being amortised using effective interest method. The residual amount, representing the loan liability component is shown as long term borrowings. The fair value of these options as at December 31, 2013 amounted to Rs. 1,445,966 (2012: Rs. 243,964).

24.2.5 These represent secured and listed Term Finance Certificates (TFCs) of Rs. 4,000,000. The TFCs are structured to redeem 0.28% of principal in the first 84 months and remaining 99.72% principal in two equal semi-annual instalments. First Dawood Islamic Bank is the trustee for these TFCs.

(Amounts in thousand)

24.2.6 These represent secured and listed Term Finance Certificates (TFCs) of Rs. 2,000,000. The TFCs are structured to redeem as follows:

Year	Redemption %age
1	0.04%
2	0.04%
3	7.96%
4	7.96%
5	12.00%
6	12.00%
7	60%

IGI Investment Bank Limited is the trustee for these TFCs.

24.2.7 This represents Privately Placed Subordinated TFCs amounting to Rs. 4,000,000 (PPTFC Issue I) and Rs. 2,000,000 (PPTFC Issue II) respectively. The PPTFCs are perpetual in nature with a five year call and a ten year put option. The PPTFC I issue has mark-up of six months KIBOR plus 1.7% whereas the PPTFC II issue has mark-up of six months KIBOR plus 1.25%. In 2011, the aforementioned TFCs have been listed on the Over-The-Counter (OTC) market of the Karachi Stock Exchange.

24.2.8 The above finances, excluding those covered in notes 24.2.4 and 24.2.7 are secured by an equitable mortgage upon the immovable property of the Subsidiary Company and equitable charge over current and future fixed assets excluding immovable property of the Subsidiary Company. Loans from IFC are secured by a sub-ordinated mortgage upon the immovable property of the Subsidiary Company and sub-ordinated charge over all present and future fixed assets excluding immovable property of the Subsidiary Company. PPTFCs are secured by a subordinated floating charge over all present and future fixed assets excluding land and buildings.

Further, the Holding Company has issued corporate guarantees in respect of above finances excluding PPTFC whereas it has issued sub-ordinated corporate guarantee in respect of PPTFC.

24.3 Engro Polymer and Chemicals Limited

24.3.1 During the year, Engro Polymer and Chemicals Limited (EPCL), a subsidiary company, entered into a Syndicate Term Finance Agreement with a consortium of local banks for Rs. 1,350,000. The facility is secured by:

(i) a mortgage over leasehold land together with the building, plant and machinery and other equipment thereon; and

(ii) a ranking charge by way of hypothecation over all present and future fixed assets of EPCL excluding land and buildings.

24.3.2 During the year, EPCL entered into a bilateral loan agreement with a bank for a facility of Rs. 550,000 for a period of five years. Amount due under the agreement is payable in six monthly installments, due after an initial grace period of two years from the date of drawdown. The facility is secured by a ranking hypothecation charge over the present and future movable assets of EPCL.

24.3.3 These finances are secured by:

i) a first charge ranking pari passu with each other over leasehold land together with the buildings, plant, machinery and other equipment thereon; and

ii) a first charge by way of hypothecation over:

(Amounts in thousand)

- all Project Assets; and
- all present and future moveable fixed assets other than Project Assets.

24.3.4 These finances are secured by:

i) a second charge over leasehold land together with the building, plant and machinery and other equipment thereon; and
ii) a second charge by way of hypothecation over all present and future fixed assets of EPCL.

24.3.5 During the year, EPCL renewed the Istisna loan from Meezan Bank for a period of another three years. The facility is secured through a pari passu hypothecation charge on plant, machinery, stocks and receivables and a pari passu mortgage charge on land and building.

24.3.6 Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and syndicates of banks, EPCL is required to comply with certain debt covenants. As at December 31, 2013, all debt covenants have been complied with except for current ratio. Waiver for current ratio deviation has been obtained from IFC, whereas, the same has been applied for with local syndicate.

24.4 Engro Foods Limited

24.4.1 During the year, Engro Foods Limited (EFL), a subsidiary company, prepaid the entire principal loan amount on March 11, 2013.

24.4.2 The proceeds from these loans are carried net of unamortized portion of transaction costs amounting to Rs. 20,728 (2012: Rs. 23,203).

24.4.3 The above finances (note 24.4) are secured by registered floating charges / mortgages over the present and future fixed assets of the subsidiary company upto a maximum of Rs. 12,729,500 (2012: Rs. 11,375,000).

24.4.4 LTFF facility from HBL is based on State Bank LTFF rate which was 10.90% per annum throughout the year. Rest of the finances are KIBOR based and mark-up on these ranged from 9.80% to 14.64% (2012: 11.23% to 15.63%) per annum.

24.5 Engro Eximp (Private) Limited

24.5.1 Engro Eximp Agriproducts (Private) Limited (EEAP), a subsidiary of Engro Eximp (Private) Limited (EEL), entered into a 5 year Syndicated Term Finance Facility (STFF - II) with a syndicate of banks to the extent of Rs. 1,000,000. Out of this the aggregate sale price upto Rs. 900,000 can be disbursed in conventional STFF format. The remaining amount is to be disbursed under a Syndicated Long Term Finance Facility (LTFF) in accordance with SBP terms and conditions as with EEAP's other LTFF facility. The LTFF currently carries mark-up at a rate of 12.6% per annum (2012: 12.6% per annum).

24.5.2 Transaction costs amounting to 14,799 (2012: 14,799) have been netted off against the draw down amount of Rs. 891,150 (2012: Rs 891,150), and are being amortized over the period of the loan. The unamortized balance as at year end amounts to Rs. 7,552 (2012: Rs. 10,843).

24.5.3 These finances (note 24.5) are secured by a registered floating charge / mortgage over the present and future operating assets of EEAP upto a maximum of Rs. 3,437,511.

(Amounts in thousand)

24.6 Engro Powergen Limited

24.6.1 Engro Powergen Qadirpur Limited (EPQL), a subsidiary company of Engro PowerGen Limited (EPL), entered into a financing agreement with consortium comprising of International Finance Corporation, DEG, FMO, Proparco, Swed Fund and OFID amounting to USD 144,000. The finances carry mark-up at the rate of six months LIBOR plus 3% payable semi-annually over a period of twelve years. The principal is repayable in twenty semi-annual payments/instalments commenced from December 15, 2010. As at December 31, 2013, the outstanding balance of the borrowings was US$ 105,015 (2012: US$ 117,321).

The borrowings are secured by an equitable mortgage on the immovable property and the hypothecation of current and future assets of EPQL, except receivables from NTDC in respect of Energy Purchase Price. Further, EPQL has also extended a letter of credit in favour of the senior lenders, as referred to in note 30.

25 DEFERRED TAXATION

	2013		2012 (Restated)	
	Assets	Liabilities	Assets	Liabilities
	(Rupees)			
Engro Corporation Limited	4,204		-	28,321
Engro Fertlizers Limited	-	4,573,678	-	3,295,995
Engro Foods Limited	-	1,538,583	-	1,652,520
Engro Powergen Limited	-	-	-	5,628
Engro Foods Netherlands B.V	-	-	157,709	-
Engro Eximp (Private) Limited	965,914	-	491,883	-
Engro Polymer and Chemicals Limited	455,181	-	885,117	-
Net effect of consolidation adjustments	-	188,790	10,132	209,032
	1,425,299	6,301,051	1,544,841	5,191,496

	2013	2012 (Restated)
	(Rupees)	
25.1 Credit / (debit) balances arising on account of:		
- Accelerated depreciation allowance	23,485,749	24,010,000
- Net borrowing costs capitalised	40,525	40,525
- Fair value of hedging instruments	(148,750)	(214,950)
- Fair value of IFC conversion option	(418,378)	-
- Recoupable carried forward tax losses (note 25.2)	(15,284,618)	(18,431,183)
- Exploration and evaluation asset / development properties	68,041	-
- Tax on subsidiary reserves	83,037	83,037
- Tax on fair value adjustment	189,177	139,598
- Recoupable minimum turnover tax (note 25.3)	(1,290,536)	(774,460)
- Unrealized foreign exchange losses, unpaid liabilities and provision for retirement and other service benefits	(1,978,855)	(1,281,874)
- Share issuance cost	(68,794)	(70,816)
- Others	199,154	146,778
	4,875,752	3,646,655

(Amounts in thousand)

25.2 Deferred income tax asset is recognised for tax losses available for carry forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate tax losses available for carry forward on which the deferred income tax asset has been recognized as at December 31, 2013 amount to:

	2013	2012
	(Rupees)	
- Engro Fertilizers Limited	27,859,212	35,721,583
- Engro Polymer and Chemicals Limited	11,016,588	12,608,154
- Engro Eximp (Private) Limited	5,325,985	3,808,123
- Engro Powergen Limited	752,974	522,663
	44,954,759	52,660,523

As at December 31, 2013, deferred tax asset / liability on the deductible / taxable temporary differences has been recognized at the rate of 34% being the rate substantively enacted at the balance sheet date and is expected to apply to the periods when the asset is realized or the liability is settled.

25.3 During the year, the High Court of Sindh, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Sec 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year or carried forward losses. The Group's management is however of the view, duly supported by the legal advisor, that the above order is not correct and would not be maintained by the Supreme Court which the Group intends to approach, if required. Accordingly, the following subsidiary companies have continued to carry forward minimum tax not yet recouped.

	2013	2012 (Restated)
	(Rupees)	
Engro Foods Limited	206,627	197,021
Engro Fertilizers Limited	662,568	153,505
Engro Polymer and Chemicals Limited	419,806	420,691
Engro Corporation Limited	1,535	1,535
Engro Eximp (Private) Limited	-	1,708
	1,290,536	774,460

26 DEFERRED LIABILITIES

	2013	2012
Deferred income under Ijarah arrangement (note 26.1)	9,410	17,390
Retirement and other service benefits obligations (note 26.2)	212,446	203,063
	221,856	220,453

26.1 Deferred income under ijarah arrangements

	2013	2012
Balance as at January 1	17,390	-
Add: Ijarah arrangement entered into during the year	-	17,390
Less: Amortization during the year	7,980	-
Balance as at December 31	9,410	17,390

26.2 Retirement and other service benefits obligations

	2013	2012
Retirement and other service benefits obligations	258,329	242,687
Less: Current portion shown under current liabilities	45,883	39,624
	212,446	203,063

(Amounts in thousand)

27 TRADE AND OTHER PAYABLES

	2013	2012 (Restated)
	-----------(Rupees)-----------	
Creditors (note 27.1 to 27.3)	22,795,097	19,327,443
Accrued liabilities (note 27.4 & 27.5)	5,284,539	3,959,514
Advances from customers	7,681,296	4,870,621
Deposits from dealers/ distributors refundable on termination of dealership	15,067	24,172
Retention money	62,461	48,333
Contractors'/ suppliers' deposits	166,775	33,326
Workers' profits participation fund (note 27.6)	116,099	124,602
Workers' welfare fund	1,121,175	648,077
Sales tax payable	1,026,010	1,143,238
Payable to unsuccessful applicants- IPO (note 19.5)	1,286,061	-
Advance from Engro Vopak Terminal Limited	98,512	-
Payable to retirement benefit funds	130,047	31,686
Withholding tax payable	88,766	46,395
Others	256,791	246,446
	40,128,696	30,503,853

27.1 Includes liability against various usance letters of credits for import of fertilizers, payable upto 180 days from the bill of lading / bill of exchange date.

27.2 Amount due to Sui Northern Gas Pipelines Limited (SNGPL) has been paid by Engro Powergen Qadirpur Limited (EPQL), a subsidiary company of Engro Powergen Limited (EPL), subsequent to receipt of funds from NTDC, as referred to in note 13.1.

27.3 This includes an amount of Rs. 4,313,394 (2012: Nil) on account of Gas Infrastructure Development Cess (GIDC).

27.4 Include amounts payable against salaries, wages and other benefits, freight expenses, deferred marketing allowances, gas charges and others etc.

27.5 Includes accrual in respect of payment against minimum quantity of gas to be purchased under GSA amounting to Rs. 590,871 (2012: Nil) and gas charges amounting to Rs. 94,116 (2012: Rs. 725,931).

	2013	2012
	-----------(Rupees)-----------	
27.6 Workers' profits participation fund		
Payable at beginning of the year	124,602	217,932
Interest charge for the year (note 37)	1,621	1,345
Allocation for the year (note 36)	553,901	220,086
Less: Amount paid to Trustees	564,025	314,761
Payable at end of the year	116,099	124,602

(Amounts in thousand)

28 ACCRUED INTEREST/MARK-UP

	2013	2012
Accrued interest/mark-up on secured:		
- long term borrowings	2,175,619	2,099,456
- short term borrowings	76,637	514,177
	2,252,256	2,613,633

29. SHORT TERM BORROWINGS

	2013	2012
	-----------(Rupees)-----------	
Running finance utilized under mark-up arrangements	6,380,255	4,538,090
Short term finance	-	1,290,000
	6,380,255	5,828,090

29.1 Engro Corporation Limited

During the year, the Holding Company has utilized its short-term finance facilities aggregating to Rs. 2,500,000 (2012: 1,500,000) from banks to meet its working capital requirements. The facilities are primarily secured against ranking floating charge over all present and future loans, advances, receivables and other current assets (excluding investments) of the Holding Company. Additionally the facilities are also secured through a pledge over shares of Engro Foods Limited (a subsidiary company).

29.2 Engro Fertilizers Limited

The funded facilities for short term finances available to Engro Fertilizers Limited (Efert), a subsidiary company, from various banks and institutional investors amounts to Rs. 5,250,000 (2012: Rs. 5,250,000) along with non-funded facilities of Rs.1,275,000 (2012: Rs. 1,275,000) for Bank Guarantees. The rates of mark-up on funded bank overdraft facilities ranges from 10.18% to 11.52% and all the facilities are secured by floating charge upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts, outstanding monies, receivable claims and bills of Efert.

EFert, during the year repaid the amount outstanding as at December 31, 2012 including the additional funds of Rs. 500,000 obtained in current year at a mark up of 11.17% per annum. Loan outstanding as at December 31, 2012 carried mark up at 10.99% per annum.

29.3 Engro Polymer and Chemicals Limited

The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements amounts to Rs. 1,550,000 (2012: Rs. 1,700,000). The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates, net of prompt payment rebate, ranging from relevant period KIBOR plus 1.0% to 2.5% (2012: relevant period KIBOR plus 1.0% to 2.5%) per annum. During the year, the mark-up rates, net of prompt payment rebate, ranged from 10.19% to 12.02% (2012: 10.38% to 13.64%) per annum. The facilities are secured by a floating charge over stocks and book debts of the Subsidiary Company.

The facility for opening letters of credit as at December 31, 2013 aggregates to Rs. 9,200,000 (2012: Rs. 6,683,000). The amount utilized as at December 31, 2013 was Rs. 6,818,000 (2012: Rs. 5,098,000). The facilities carry commission at the rate of 0.05% flat (2012: 0.05% flat).

(Amounts in thousand)

29.4 Engro Foods Limited

The facilities for short term running finance available to Engro Foods Limited, the Subsidiary Company from various banks, which represent the aggregate sale price of all mark-up arrangements, amounts to Rs. 3,200,000 (2012: Rs. 3,600,000). The unutilized balance against these facilities as at year end was Rs. 3,200,000 (2012: Rs. 3,514,611). The rates of mark-up on these finances are KIBOR based and range from 10.01% to 12.01% (2012: 10.38% to 13.60%) per annum. These facilities are secured by way of hypothecation upon all the present and future current assets of the Subsidiary Company.

The facilities for opening letters of credit and guarantees as at December 31, 2013 amounts to Rs. 4,515,000 (2012: Rs. 5,315,000), of which the amount remaining unutilized as at year end was Rs. 2,558,450 (2012: Rs. 2,881,378).

29.5 Engro Foods Canada Limited

Engro Foods Canada Limited (EFCL), a subsidiary of Engro Foods Netherland B.V. (a subsidiary of Engro Foods Limited) entered into:

i) revolving term credit facility with HSBC Bank Canada on August 13, 2012 to provide for maximum operating line of credit of CAD $1,000. Borrowing under this term facility bear interest are prime rate plus 1% payable monthly. There are no performance covenants under the agreement and, as at December 31, 2013, the EFCL had drawn CAD $921,876 (Rs. 90,897).

ii) revolving working capital facility with the National Bank of Pakistan, New York on October 29, 2012. EFCL's revolving working capital facility provides for a maximum operating line of credit of US $ 2,000. Borrowing under this revolving working capital facility bear interest at US prime rate plus 2.75%, but not less than 5.75% payable monthly. As security, the Holding Company, provided a guarantee and the general security consists of a first charge over EFCL's current assets up to US $ 2,670. There are certain operational covenants with which EFCL is in compliance as at December 31, 2013. EFCL had drawn $ 1,242 (Rs. 122,508) on the revolving working capital facility. This revolving working capital facility expired on September 30, 2013 and EFCL is in process of signing the renewal agreement.

29.6 Engro Eximp (Private) Limited

Facilities for short term finance available to Engro Eximp (Private) Limited (EEL), a subsidiary company, from various banks, representing the aggregate sale price of mark-up arrangements, amounts to Rs. 4,750,000 (2012: Rs. 5,900,000). The rate of mark-up on these finances ranged from 10.02 % to 11.99% per annum (2012: 10.38% to 11.99% per annum). The facilities are secured by floating charge on all present and future stocks including raw and packaging materials, finished goods, spares and other merchandise and on all present and future book debts of EEL.

The facilities for short term running finance obtained from various banks by Engro Eximp Agriproducts (Private) Limited (EEAP), a subsidiary of EEL, which represents the aggregate sale price of the mark-up arrangements amounts upto Rs. 1,600,000 (2012: Rs. 1,600,000). These facilities are secured by way of floating charge on all present and future current assets of EEAP. The corresponding purchase prices are payable on various dates by March 31, 2014.

The facilities for opening letters of credit by EEAP as at December 31, 2013 amounts to Rs. 100,000 (2012: Rs. 200,000). The facilities for opening guarantees as at December 31, 2013 amounts to Rs. 75,000 (2012: Rs. 75,000) of which the unutilised balance as at December 31, 2013 amounts to Rs. 73,000 (2012: Rs. 73,000).

29.7 Engro Powergen Limited

Engro Powergen Qadirpur Limited (EPQL), a subsidiary company of Engro Powergen Limited (EPL), has Working Capital/Running Finance Facility Agreements with Allied Bank Limited, NIB Bank Limited, KASB Bank Limited, The Bank of Punjab, Habib Metropolitan Bank Limited, Soneri Bank Limited and Bank Al-Falah. In addition, EPQL also has a Term Loan Agreement with Pak Kuwait Investment Company for a period of one year.

(Amounts in thousand)

The facilities available to Engro Powergen Qadirpur Limited (EPQL), a subsidiary company of Engro Powergen Limited (EPL), aggregate to Rs. 3,150,000 (2012: Rs. 2,950,000) and are being utilized under mark-up arrangements . The facilities carry mark-up at the rate of 3 months KIBOR plus 2% (2012: 3 months KIBOR plus 2%). The facilities are secured by (i) lien over Energy Purchase Price (EPP) account and charge over present and future receivables from the Power Purchaser in respect of EPP and (ii) first charge over current assets of EPQL and subordinated charge over present and future plant, machinery, equipments and other movable assets and immovable properties of EPQL. The use of these facilities are restricted for payments of operations and maintenance cost of the Power Plant and payments to fuel suppliers against purchase of fuel.

30. CONTINGENCIES AND COMMITMENTS

Contingencies

	2013	2012
	------------(Rupees)------------	
30.1 Corporate Guarantees issued in favour of Subsidiary Companies by the Holding Company:		
- Engro Fertilizers Limited (note 30.2)	56,448,271	63,934,832
- Engro Powergen Qadirpur Limited (30.3)	1,057,700	971,000
- Engro Foods Canada Limited (note 30.4)	247,785	235,544
- Elengy Terminal Pakistan Limited (note 30.5)	104,507	-
- Engro Powergen Limited (note 30.6)	-	116,520
	57,858,263	65,257,896

30.2 The above amount also includes a Corporate Guarantee issued by the Holding Company to International Finance Corporation (IFC) for USD 80,000 under the Amended Agreement entered into by Engro Fertilizers Limited (Efert) with IFC (note 24.2.4).

30.3 Represents Corporate Guarantee amounting to USD 10,000 issued to Allied Bank Limited to open DSRA letter of credit in favour of the Engro Powergen Qadirpur Limited's, a subsidiary of Engro Powergen Limited (EPL), senior long term lenders.

30.4 Includes (a) Standby Letter of Credit in favour of HSBC Bank Canada amounting to CAD 1,170 issued on October 01, 2012 by Soneri Bank Limited against banking facilities granted to Engro Foods Canada Limited (a wholly owned subsidiary of Engro Foods Netherlands B.V.) and expiring on September 17, 2014 and (b) Corporate Guarantee of USD 1,250 issued in favour of National Bank of Pakistan Limited, Americas Region, USA against working capital facility granted to Engro Foods Canada Limited.

30.5 During the year, Elengy Terminal Pakistan Limited, a wholly owned subsidiary, submitted a Letter of Guarantee for USD 1,000 (Pak rupees 104,507) in favour of Inter State Gas Systems (Private) Limited for procurement of rights to import and supply LNG. The Holding Company has secured the issuance of the Letter of Guarantee through a counter guarantee issued in favour of Soneri Bank Limited which has marked a lien on the running finance facility extended to the Holding Company.

30.6 During the year, the Corporate Guarantee amounting to USD 1,200 in favour of Bank Al Falah Limited against a Letter of Guarantee facility offered to Engro Powergen Limited, a subsidiary company, was released by the bank.

30.7 Bank guarantees of Rs.1,069,119 (2012: Rs. 1,052,364) have been issued in favor of third parties by Efert.

(Amounts in thousand)

30.8 Claims, including pending lawsuits, against EFert not acknowledged as debts amounted to Rs. 58,530 (2012: Rs. 58,530).

30.9 Efert is contesting a penalty of Rs. 99,936 paid and expensed in 1997, imposed by the State Bank of Pakistan (SBP) for alleged late payment of foreign exchange risk cover fee on long term loans and has filed a suit in the High Court of Sindh. A partial refund of Rs. 62,618 was, however, recovered in 1999 from SBP and the recovery of the balance amount is dependent on the Court's decision.

30.10 The Holding Company had commenced two separate arbitration proceedings against the Government of Pakistan for non-payment of marketing incidentals relating to the years 1983-84 and 1985-86 respectively. The sole arbitrator in the second case has awarded the Holding Company Rs. 47,800 whereas the award for the earlier years is awaited. The award for the second arbitration was challenged in High Court of Sindh and during the year the Sind High Court has upheld the award. However, as this can be challenged by way of further appeals, it will be recognized as income on realization thereof.

30.11 Efert had filed a constitutional petition in the High Court of Sindh, Karachi against the Ministry of Petroleum and Natural Resource (MPNR), Ministry of Industries and Production (MIP) and Sui Northern Gas Pipeline Company Limited (SNGPL) for continuous supply of 100 mmcfd gas per day to the Enven Plant and to prohibit from suspending, discontinuing or curtailing the aforesaid supply. The High Court of Sindh, in its order dated October 18, 2011, has ordered that SNGPL should supply 100 mmcfd of gas per day to Efert's new plant. However, five petitions have been filed in the Supreme Court of Pakistan against the aforementioned order of High Court of Sindh by SNGPL, MPNR, Agritech Limited, Pak Arab Fertilizers and Kohinoor Mills Limited along with 21 other companies (mainly engaged in textile business). The aforementioned petitions are pending for further hearing. Efert's management as confirmed by the legal advisor considers the chances of petitions being allowed to be remote.

Further, Efert upon continual curtailment of gas after the aforementioned decision of the High Court has filed an application in respect of Contempt of Court under Article 199 & 204 of the Constitution of Pakistan. Efert, in the aforementioned application has submitted that SNGPL and MPNR have failed to restore full supply of gas to Efert's plant despite the judgment of High Court in Efert's favour. A show cause notice has also been issued against MPNR and SNGPL dated December 31, 2011 by the High Court. The application is pending for hearing and no orders have yet been passed in this regard.

30.12 All Pakistan Textile Processing Mills Association (APTPMA), Shan Dying & Printing Industries (Private) Limited, Agritech Limited (Agritech) and 27 others have each contended, through separate proceedings filed before the Lahore High Court that the supply to Efert's expansion plant is premised on the output of Qadirpur gas field exceeding 500 mmcfd by 100 mmcfd and the Gas Sale and Purchase Agreement (GSA) dated April 11, 2007 with Sui Northern Gas Pipe Line Limited (SNGPL) be declared void ab initio because the output of Qadirpur has infact decreased. Agritech has additionally alleged discrimination in that it is receiving less gas than the other fertilizer companies on the SNGPL system. Efert has out rightly rejected these contentions, and is of the view that it has a strong case for the reasons that (i) 100 mmcfd gas has been allocated to Efert through a transparent international competitive bidding process held by the Government of Pakistan, and upon payment of valuable license fee; (ii) GSA guarantees uninterrupted supply of gas to the expansion plant, with right to first 100 mmcfd gas production from the Qadirpur gas field; and (iii) both Efert and gas field (Qadirpur), that is to initially supply gas to Efert, are located in Sindh. Also neither the gas allocation by the Government of Pakistan nor the GSA predicates the gas supply upon Qadirpur field producing 100 mmcfd over 500 mmcfd. No orders have been passed in this regard and the petition has also been adjourned sine die. However, Efert's management, as confirmed by the legal advisor, considers chances of petitions being allowed to be remote.

(Amounts in thousand)

30.13 EFert along with other fertilizer companies, received a show cause notice from the Competition Commission of Pakistan (CCP) for initiating action under the Competition Act, 2010 in relation to unreasonable increase in fertilizer prices. EFert has responded in detail that factors resulting in such increase were mainly the imposition of infrastructure cess and sales tax and partially the gas curtailment. The CCP has issued an order in March 2013, whereby it has held that EFert enjoys a dominant position in the urea market and that it has abused this position by unreasonable increases of urea prices in the period from December 2010 to December 2011. The CCP has also held another fertilizer company to be responsible for abusing its dominant position. In addition, the CCP has imposed a penalty of Rs. 3,140,000 and Rs. 5,500,000 on EFert and that other fertilizer company respectively. An appeal has been filed in the Competition Appellate Tribunal (at present non-functional) and a writ has been filed in the Sindh High Court and stay has been granted against the recovery of the imposed fine. EFert's management believes that the chances of ultimate success are very good, as confirmed by legal advisor. Hence, no provision has been made in these consolidated financial statements.

30.14 During the year, EFert has filed a suit against the Government of Pakistan and SNGPL in the Lahore High Court for the recovery of damages incurred as a result of SNGPL suspending / curtailing gas supply to the Company amounting to Rs. 61,410,000. This would be recognized as income upon realization thereof.

30.15 Engro Foods Limited (EFL), a subsidiary company, has provided bank guarantees to:

- Sui Southern Gas Company Limited amounting to Rs. 55,242 (2012: Rs. 39,037) under the contract for supply of gas;

- Sui Northern Gas Company Limited amounting to Rs. 34,350 (2012: Rs. 34,350) under the contract for supply of gas;

- Collector of Sales Tax, Large Tax Payers Unit (LTU), Karachi amounting to Rs. 258,712 (2012: 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 (2012: Rs. 172,000) have been received to-date;

- Controller Military Accounts, Rawalpindi amounting to Rs. 6,872 (2012: Rs. 4,680), as collateral against supplies; and

- Collector of Customs, Model Customs Collectorate amounting to Rs. 54,081 (2012: Nil) against payment of sales tax on import of plant and machinery.

30.16 Engro Powergen Qadirpur Limited (EPQL), a subsidiary of Engro Powergen Limited (EPL), has provided a bank guarantee of Rs. 2,496,126 (2012: Rs. 1,596,126)representing an amount equivalent to three months contractual quantities of gas in accordance with the terms of Gas Supply Agreement between EPQL and Sui Northern Gas Pipeline Company Limited.

30.17 Gas Infrastructure Development Cess (GIDC), which was enacted under the GIDC Act, 2011 on December 15, 2011, was not charged during the year by SNGPL to EPQL subsequent to the decision of Peshawar High Court and Islamabad High Court, which had declared the levy of GIDC as unconstitutional. However, on December 30, 2013, the Honourable Supreme Court suspended the earlier decision of the Peshawar High Court. As a result, SNGPL subsequent to year end on January 1, 2014 has invoiced the entire GIDC to EPQL for the year ended December 31, 2013 amounting to Rs 1,462,315.

EPQL thereagainst filed a constitutional petition before the Lahore High Court where interim relief has been granted and recovery of GIDC has been suspended. Further, EPQL through its writ petition has also challenged the levy of GIDC on various legal and constitutional grounds. Based on advice of its legal advisor, EPQL expects that the ultimate decision of this matter will be in its favour and no GIDC will be levied. However, GIDC, if charged, will be recovered by EPQL as pass-through item from NTDC under the approved tariff.

(Amounts in thousand)

30.18 Bank guarantee amounting to Euros 28.9 (2012: Nil), subsequently to be stepped upto Euros 96.5, has been issued by SECMC, a subsidiary company of Engro Powergen Limited (EPL) in favor of an international consultant, on behalf of its wholly owned subsidiary company, Thar Power Company Limited. This guarantee has been given as security against double taxation, if any, on payments made to the consultant for bankable feasibility study being carried out for the development of the Power Project.

Commitments

30.19 Details of commitments as at December 31, 2013 entered by the Holding Company and its subsidiaries are as follows:

	2013	2012
	-----------(Rupees)-----------	
30.19.1 Capital expenditure contracted but not incurred by:		
- Engro Foods Limited	966,772	2,139,539
- Engro Eximp (Private) Limited	73,672	16,898
- Engro Fertilizers Limited	873,019	70,134
	1,913,463	2,226,571
30.19.2 Letters of credit/contracts by:		
- Engro Foods Limited for purchase of commodities	731,586	181,420
- Engro Eximp (Private) Limited for import of fertilizers	2,473,321	113,719
- Engro Powergen Qadirpur Limited for senior lenders	843,872	778,897
	4,048,779	1,074,036
30.19.3 Bank guarantees by:		
- Engro Eximp (Private) Limited for infrastructure cess	417,000	350,000
30.19.4 Post dated cheques provided by:		
- Engro Foods Limited	44,003	15,106
30.19.5 Other commitments in respect of subsidiary companies comprise are the following:		
- Engro Eximp (Private) Limited	4,500,000	4,500,000
- Engro Powergen Limited	133,271	16,560
	4,633,271	4,516,560

30.19.6 The Holding Company has committed to invest an amount of Rs. 562,000 in Engro Polymer and Chemicals Limited (EPCL), a subsidiary company, by way of subscription to right shares.

30.19.7 On October 01, 2012, the Holding Company, also extended a Sponsor Support Undertaking in favour of MCB Bank Limited and Faysal Bank Limited against a syndicate finance facility of Rs. 500,000 to EPCL. As per the undertaking, in case the subsidiary company is unable to fulfil its financial obligations to the syndicate, the Holding Company shall provide subordinated loan to the subsidiary to fulfil the same.

(Amounts in thousand)

30.19.8 The aggregate facility for performance guarantees to be issued by banks on behalf of EPCL as at December 31, 2013 amounts to Rs. 1,598,000 (2012: Rs. 1,598,000). The amount utilized thereagainst as at December 31, 2013 was Rs. 946,859 (2012: Rs. 641,000).

30.19.9 The Group is obligated to leases for computer and office equipment and for storage and handling of Ethylene Di Chloride (EDC) and caustic soda. The total lease rentals due under these lease arrangements are payable in monthly instalments. The future aggregate lease payments under these arrangements are as follows:

	2013	2012
	------------(Rupees)------------	
Not later than 1 year	81,775	114,517
Later than 1 year and no later than 5 years	227,134	290,444
Later than 5 years	8,400	19,200
	317,309	424,161

31. NET SALES

	2013	2012
Own manufactured product (notes 31.1 to 31.3)	141,825,998	116,928,415
Less:		
- Sales tax	13,733,807	9,891,658
- Discount	398,007	480,114
	127,694,184	106,556,643
Purchased product/ services rendered	31,765,977	21,399,223
Less: Sales tax	4,100,233	2,804,594
	27,665,744	18,594,629
	155,359,928	125,151,272

31.1 Includes export sales by Engro Foods Limited, Engro Polymer and Chemicals Limited, and Engro Eximp (Private) Limited amounting to Rs. 901,345 (2012: Rs. 667,833), Rs. 2,092,202 (2012: Rs.2,064,828), and Rs. 2,662,280 (2012: Rs. 1,775,886) respectively.

31.2 Includes sale of electricity by Engro Powergen Qadirpur Limited, a subsidiary of Engro Powergen Limited, amounting to Rs. 9,757,218 (2012: Rs. 12,906,428).

31.3 Sales are net of marketing allowances of Rs. 608,386 (2012: Rs. 324,094).

(Amounts in thousand)

32. COST OF SALES

	2013	2012
	-------------(Rupees)-------------	
Raw and packing materials consumed including unprocessed rice	62,044,461	47,351,406
Salaries, wages and staff welfare (note 32.1)	3,918,188	3,454,878
Fuel and power	9,999,717	15,775,531
Repairs and maintenance	1,794,763	1,666,285
Depreciation (note 5.2)	8,156,036	7,878,375
Amortization (note 8.1)	38,231	29,028
Impairment of operating assets (note 5.1)	28,915	-
Consumable stores	728,329	546,627
Staff recruitment, training, safety and other expenses	85,125	78,961
Purchased services	1,028,928	846,528
Storage and handling	1,893,866	1,533,377
Travel	211,684	190,213
Communication, stationery and other office expenses	298,546	255,775
Insurance	719,882	528,501
Rent, rates and taxes	395,075	237,008
Provision against:		
- stock-in-trade	125,154	16,972
- slow moving spares	24,564	5,049
Other expenses	36,846	29,198
Manufacturing cost	91,528,310	80,423,712
Add: Opening stock of work-in-progress (note 12)	276,851	152,947
Less: Closing stock of work-in-progress (note 12)	489,936	276,851
	(213,085)	(123,904)
Cost of goods manufactured	91,315,225	80,299,808
Add: Opening stock of finished goods manufactured (note 12)	2,605,890	2,413,470
Less: Closing stock of finished goods manufactured (note 12)	3,647,394	2,605,890
	(1,041,504)	(192,420)
Cost of goods sold		
- own manufactured product	90,273,721	80,107,388
- purchased product (note 32.2)	24,489,517	16,523,936
	114,763,238	96,631,324

(Amounts in thousand)

32.1 Salaries, wages and staff welfare includes Rs. 213,207 (2012: Rs. 266,765) in respect of staff retirement benefits.

32.2 Cost of sales - purchased product

	2013	2012
	-------------(Rupees)-------------	
Opening stock	2,193,079	1,677,981
Add: Purchases	22,493,924	17,039,034
Less: Closing stock (note 12)	197,486	2,193,079
	24,489,517	16,523,936

33. SELLING AND DISTRIBUTION EXPENSES

	2013	2012
Salaries, wages and staff welfare (note 33.1)	1,126,977	1,025,267
Staff recruitment, training, safety and other expenses	33,380	35,970
Product transportation and handling	5,200,335	4,123,922
Repairs and maintenance	66,656	52,912
Advertising and sales promotion	2,965,606	2,718,334
Rent, rates and taxes	238,430	249,530
Communication, stationery and other office expenses	79,972	119,993
Travel	190,324	158,837
Depreciation (note 5.2)	240,541	219,178
Impairment of operating assets (note 5.1)	74,456	-
Amortization (note 8.1)	115	48
Purchased services	9,762	27,519
Others	170,041	85,318
	10,396,595	8,816,828

33.1 Salaries, wages and staff welfare include Rs. 99,973 (2012: Rs. 109,345) in respect of staff retirement benefits.

34. ADMINISTRATIVE EXPENSES

	2013	2012
	-------------(Rupees)-------------	
Salaries, wages and staff welfare (notes 34.1 and 34.2)	1,506,157	1,249,338
Staff recruitment, training, safety and other expenses	31,254	29,858
Repairs and maintenance	54,805	41,285
Advertising	24,770	55,178
Rent, rates and taxes	252,074	238,345
Communication, stationery and other office expenses	310,625	217,062
Travel	283,937	222,172
Depreciation (note 5.2)	164,259	166,251
Amortization (note 8.1)	70,609	63,679
Purchased services	458,404	411,088
Donations	78,916	72,116
Others	152,060	52,366
	3,387,870	2,818,738

(Amounts in thousand)

34.1 Salaries, wages and staff welfare include Rs. 104,529 (2012: Rs. 140,316) in respect of staff retirement benefits.

34.2 Includes Rs. 102,115 (2012: Nil) in respect of Employees' share option compensation expense of Engro Foods Limited.

35. OTHER OPERATING INCOME

	2013	2012
	----(Rupees)----	
Financial assets:		
Income on deposits / other financial assets	1,095,370	414,286
Exchange gain	103,693	18,888
Delayed payment charges - overdue receivables	603,381	709,984
Non financial assets:		
Service charges	12,177	-
Insurance claim (notes 35.1 and 35.2)	380,512	423,281
Gain on disposal of disposal of property, plant and equipment (note 5.3)	11,032	-
Gain on disposal of spares / scrap	120,678	102,235
Gain on disposal of biological assets	-	4,310
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets (note 7.1)	185,771	200,366
Reversal of provision against doubtful loan to Avanceon Limited	18,293	-
Others	154,971	154,529
	2,685,878	2,027,879

35.1 During the year, on October 12, 2013, the plant of Engro Powergen Qadirpur Limited (EPQL), a subsidiary of Engro Powergen Limited (EPL), was shutdown due to breakdown in a machinery, which was critical to the operations of plant. After a series of repair activities the plant operations were resumed on December 27, 2013.

The repairs expenditure due to machinery breakdown and loss of profit due to business interruption are covered under EPQL's insurance policy. The Insurance company has principally agreed to the settlement of repairs expenditure and business interruption loss suffered by EPQL, upon submission of the claim alongwith necessary supports, and, accordingly being virtually certain EPQL has recorded the insurance claim receivable.

35.2. During the year ended December 31, 2012, Engro Polymer and Chemicals Limited, a subsidiary company, received insurance claim on account of loss of profit and property damage, incurred as a result of fire incident at the site of Plant in December 2009 amounting to Rs. 391,000 and Rs. 32,281 respectively.

(Amounts in thousand)

36. OTHER OPERATING EXPENSES

	2013	2012
	----(Rupees)----	
Workers' profits participation fund (note 27.6)	553,901	220,086
Workers' welfare fund	443,931	139,971
Legal and professional charges	287,657	230,990
Research and development (including salaries and wages)	77,799	75,439
Provision for impairment	-	18,293
Provision for trade debts and loans & advances	23,258	-
Charge against corporate guarantee	-	93,000
Loss on disposal of property, plant and equipment	-	133,377
Loss on disposal of biological assets	19,175	-
Foreign exchange loss	736,754	798,949
Loss on fair value adjustments of embedded derivative	1,202,002	180,882
Sales tax on exempt supplies (note 36.1)	208,456	-
Auditors' remuneration (note 36.2)	31,039	19,934
Professional tax	204	205
Provision for culling of biological assets (note 7.1)	15,961	-
Biological assets written-off (note 7.1)	50,533	-
Others	93,135	23,810
	3,743,805	1,934,936

36.1 Ministry of Finance, Economic Affairs, Government of Pakistan (MoF) through SRO 501(I)/2013 dated June 12, 2013 exempted the supplies of Milk and Cream (dairy products) from levy of sales tax effective from June 13, 2013. Sales tax on these supplies was previously charged at the rate of zero per cent (zero-rated). Consequent to the aforementioned SRO, input tax could not be claimed/adjusted against the output tax on these supplies. Subsequently, on the plea of Engro Foods Limited (EFL), a subsidiary company, the MoF through SRO 670/(I)/2013 dated July 18, 2013 reinstated the status of zero-rating of dairy products. However, effective date of applicability of zero-rating is not mentioned in SRO 670/(I)/2013, therefore, the 'zero rating' or 'exempt' status of the supplies from June 13, 2013 to July 17, 2013 is not clear. While EFL is strongly pursuing this matter with the relevant authorities, however, due to significant uncertainty regarding its recoverability the amount has been charged off.

(Amounts in thousand)

36.2 Auditors' remuneration:

The aggregate amount charged in respect of auditors' remuneration, including remuneration of auditors' of foreign subsidiaries, is as follows:

	2013	2012
	-------------(Rupees)-------------	
Fee for the		
- audit of annual financial statements	11,715	9,539
- review of half yearly financial statements	1,037	936
Special audit, certifications, audit of retirement benefit funds, review of compliance with Code of Corporate Governance and other advisory services	10,462	3,229
Tax services	5,912	4,453
Reimbursement of expenses	1,913	1,777
	31,039	19,934

37. FINANCE COST

Interest/mark-up on:		
- long term borrowings	8,144,518	9,972,113
- short term borrowings	1,753,263	2,388,650
Interest on Workers' profits participation fund (note 27.6)	1,621	1,345
Foreign exchange loss on borrowings	2,310,108	2,468,993
Financial charges on usance letters of credit	270,636	122,022
Others	620,959	563,115
	13,101,105	15,516,238

38. SHARE OF INCOME FROM JOINT VENTURE

Engro Vopak Terminal Limited		
Share of income before taxation	923,670	1,144,278
Less: Share of provision for taxation	(314,048)	(400,497)
	609,622	743,781

39. TAXATION

Current		
- for the year	2,152,144	1,390,506
- for prior years	1,272,221	111,105
	3,424,365	1,501,611
Deferred		
- for the year	2,187,512	(1,147,151)
- for prior years	(1,038,984)	305,103
	1,148,528	(842,048)
	4,572,893	659,563

(Amounts in thousand)

39.1 The Holding Company

39.1.1 During the year, the income tax department, in respect of the tax year 2011, has determined additional income tax liability of Rs. 218,790 and raised a demand of Rs. 139,575 whereby the Deputy Commissioner Inland Revenue (DCIR) - Audit disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. The Holding Company filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals who maintained the apportionment of expenses against dividend income and capital gains but allowed the allocation of administrative expenses against interest income, thereby reducing the income tax liability to Rs. 184,191 and revised the demand to Rs. 104,976. The Holding Company has paid Rs. 53,250 and simultaneously filed an appeal against the CIR-Appeals' decision with the Appellate Tribunal Inland Revenue (ATIR) which has granted a stay to the Holding Company. The hearing has been conducted and the final order is awaited. The Holding Company, in prior years had already provided Rs. 127,354 for the tax year 2011 and is confident of a favourable outcome of the appeal, however, on prudence, it has recognized a further provision during the year of Rs. 56,837 against the aforementioned demand of the DCIR. Moreover, keeping in veiw the effect of the aforementioned assessment, the Holding Company, in respect of tax year 2012, has recognized a further provision of Rs. 61,429.

39.2 Subsidiary Companies

39.2.1 Engro Fertilizers Limited

As a result of demerger, all pending tax issues of the Holding Company had been transferred to the Engro Fertilizers Limited (Efert), a subsidiary company. Major issues pending before the tax authorities are described below:

39.2.1.1 In 2012, the income tax department raised a demand of Rs. 1,481,709, subsequently rectified to Rs. 1,074,938, for the financial year 2010. The disallowances were mainly on account of initial allowance on capitalization which were later confirmed by the Commissioner Inland Revenue-Appeals (CIRA). The demand was subsequently reduced to Rs. 666,536 after application of rectifications from prior years amounting to Rs. 258,402 and payment of Rs. 150,000.

In the current year, the Appellate Tribunal Inland Revenue (ATIR) and CIRA has remanded back the issues of Group Relief (Rs. 450,000) and Inter-Corporate Dividend (Rs. 220,000) related to the financial year 2008 in favour of EFert resulting in an available refund of Rs. 1,032,770 which has been partially adjusted against the aforementioned balance demand of Rs. 666,536.

In previous years the department has filed reference applications in High Court against the below-mentioned ATIR's decisions in Efert's favour. No hearing has been conducted to date. The reference application includes the following matters:

- Group Relief (Financial year 2006 to 2008): Rs 1,500,847
- Inter-Corporate Dividend (Financial year 2007 and 2008): Rs 336,500
- G.P. Apportionment (Financial years 1995 to 2002): Rs 653,000

EFert is confident that all pending issues will eventually be decided in its favour.

39.2.1.2 A prior year incremental current tax charge of Rs. 1,161,375 has been recognized consequent to the disallowance of intial allowance claimed in the financial year 2010 and other adjustments. Further, the prior year deferred tax charge represents adjustment resulting from the aforementioned disallowance of accelerated depreciation.

(Amounts in thousand)

39.2.2 Engro Foods Limited

Following is the position of the Engro Foods Limited's (EFL) , a subsidiary company, open tax assessments:

39.2.2.1 EFL in accordance with section 59 B (Group Relief) of the Income Tax Ordinance, 2001 has surrendered to 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.

EFL 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 the SECP on December 31, 2008.

Further, the Appellate Tribunal, in respect of surrender of aforementioned tax losses by the EFL to the Holding Company for the years ended December 31, 2006 and 2007, decided the appeals in 2010 in favour of the Holding Company, whereby, allowing the surrender of tax losses by EFL to the Holding Company. The tax department has filed reference application thereagainst before the Sindh High Court, which are under the process of hearings. However, in any event, should the reference application be upheld and the losses are returned to EFL, 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 EFL.

During the year, the Appellate Tribunal also decided the similar appeal filed by the Holding Company for the year ended December 31, 2008 in its favour.

39.2.2.2 EFL's appeal against the order of Commissioner Inland Revenue (CIR) 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, EFL, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, hence the balance of taxes recoverable has not been reduced by the effect of the aforementioned disallowance.

39.2.2.3 In 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 the Holding Company, on surrender of tax loss was added to income for the year. EFL 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 EFL whereby withdrawing the demand amounting to Rs. 222,357. EFL filed an appeal at the Tribunal level for the remainder matters remanded back or decided against it. The Tribunal through its order dated May 3, 2013, has decided the remaining matters in favour of EFL except for certain disallowances of advances and stock written-off amounting to Rs. 8,642. These disallowances will be claimed in tax year 2014 as significant time has lapsed, and no amount has been realized thereagainst to date. Therefore, there will be no effect on the results of the EFL.

39.2.2.4 During the year, the Commissioner Inland Revenue raised a demand of Rs. 223,369 for tax year 2009 by disallowing the provision for advances, stock written-off, repair and maintenance, sales promotion and advertisement expenses etc. EFL has obtained stay order from the Sindh High Court against the audit proceedings and has also filed an appeal thereagainst before the Commissioner Appeals. EFL, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

(Amounts in thousand)

39.2.3 Engro Polymer & Chemicals Limited

Following is the position of the Engro Polymer & Chemicals Limited (EPCL) , a subsidiary company, open tax assessments:

39.2.3.1 The Deputy Commissioner Inland Revenue (DCIR) through the order dated November 26, 2009 raised a tax demand of Rs. 213,172 for tax year 2008. The demand arose as a result of additions on account of trading liabilities of Rs. 47,582 under section 34(5) of the Income Tax Ordinance, 2001 (the Ordinance); disallowance of provision for retirement benefits of Rs. 5,899, adding imputed interest on loans to employees and executives of Rs. 16,069 to income, disallowing finance cost of Rs. 134,414 and not considering adjustment of minimum tax paid for tax years 2004 to 2007 against the above demand.

EPCL filed an appeal against the aforesaid order before the CIRA, but discharged the entire demand through adjustment against assessed refunds of Rs. 180,768 and paying the balance of Rs. 32,404 'under protest'.

In 2011, through an appellate order, the CIRA maintained certain additions aggregating to Rs. 189,810 including finance cost amounting to Rs. 134,414 and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period of tax years 2004 to 2007. An appeal against the said appellate order has been filed by EPCL before the ATIR. The department has also filed an appeal against the said appellate order challenging the actions of the CIRA.

During the year, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting EPCL's position except for additions on account of trading liabilities to the extent of Rs. 20,280 and minimum turnover tax for tax years 2004 and 2007 to the extent of Rs. 19,692 and Rs. 7,300 respectively, which were maintained.

EPCL has filed a reference to the High Court of Sindh against the additions maintained by ATIR. The management of EPCL, based on the advice of its tax consultant, is confident that the ultimate outcome of the aforementioned matters would be favorable and consequently has not recognized the effects for the same in its financial statements.

39.2.3.2 The DCIR through his order dated November 30, 2010 raised a tax demand of Rs. 163,206 for tax year 2009. The demand arose as a result of disallowing finance cost of Rs. 457,282, additions to income of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance, disallowing provision for retirement benefits of Rs. 14,239, disallowing provision against Special Excise Duty refundable of Rs. 36,689, adding imputed interest on loans to employees and executives of Rs. 20,599 and not considering net loss.

The entire demand of Rs. 163,206 was adjusted against assessed tax refunds and an appeal was filed by EPCL before the CIRA.

In 2011, through an appellate order, the CIRA maintained certain additions aggregating to Rs. 493,971 including disallowance of finance cost amounting to Rs. 457,282 and remanded back the issue of imputed interest on loans to employees and executives. An appeal against the said appellate order has been filed before the ATIR. The department has also filed an appeal against the said appellate order challenging the action of CIRA deleting the addition on account of provision for the retirement benefits.

During the year, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting EPCL's position except for additions on account of SED provision of Rs. 36,689 and imputed interest on loans to employees and executives to the extent of Rs. 17,430, which were maintained.

(Amounts in thousand)

EPCL has filed a reference to the High Court of Sindh against the additions maintained by ATIR. The management of EPCL, based on the advice of its tax consultant, is confident that the ultimate outcome of the aforementioned matters would be favorable and consequently has not recognized the effects for the same in its financial statements.

39.2.4 Engro Powergen Limited

Following is the position of the Engro Powergen Limited (EPL), a subsidiary company, open tax assessments:

Sindh Engro Coal Mining Company Limited (SECMC), a subsidiary company of the Engro Powergen Limited (EPL), has claimed exploration and evaluation expenditure incurred as deductible expense against other income in the income tax return filed for the years ended December 31, 2011 and December 31, 2012 under section 100(2)(3) of part II of Fifth Schedule of the Income Tax Ordinance, 2001. Such expenditure, up to the date of commercial production, to the extent it cannot be set off in the year is treated as a loss, which is available for set off against future income within ten years from the commencement of commercial production. As at December 31, 2013, out of the total loss carried forward aggregating to Rs. 754,542, deferred tax asset on loss carried forward aggregating to Rs. 752,974 has been recognized to offset the deferred tax liability recorded on exploration and evaluation expenditure / development properties. No deferred tax asset has been recognized on the basis of carried forward loss amounting to Rs. 1,568 considering that the Project is still under construction and the availability of future taxable profits cannot be determined at this stage.

39.2.5 Engro Eximp (Private) Limited

Following is the position of the Engro Eximp (Private) Limited (EEL), a subsidiary company, open tax assessments:

39.2.5.1 In 2010, the tax department raised demands of Rs 239,902 and Rs 1,708,621 for tax years 2007 and 2009 respectively, mainly on the disallowance of subsidy received by EEL on imported phosphatic fertilizer from the Government of Pakistan as exempt income. The Commissioner Inland Revenue, on EELs appeal thereagainst, had set aside the aforementioned amended order with the directions to the Additional Commissioner Inland Revenue for denovo proceedings. The Additional Commissioner Inland Revenue initiated the proceedings as directed and issued amended assessment order for tax year 2009 on April 5, 2012, in which the contention of EEL has been accepted and the matter has been decided in the favour of EEL. On the basis of this amended assessment order, EEL is also confident that the matter with respect to tax year 2007 will also be decided in its favour without any additional tax liability and as such has not made provision for the aforementioned demand in these consolidated financial statements.

39.2.5.2 During the year, return for tax year 2011 of Engro Eximp Agriproducts (Private) Limited (EEAP), a subsidiary company of Engro Eximp (Private) Limited (EEL), was selected for audit by the tax authorities through balloting under section 214C of Income Tax Ordinance, 2001, (ITO). As a result of the audit, the assessing officer has passed an amended assessment order under section 122 of ITO, whereby it has disallowed total depreciation including initial allowance amounting to Rs. 569,062 and also disallowed certain manufacturing and trading expenses amounting to Rs. 26,900. EEAP, in response to the amended assessment order, has filed an appeal before Commissioner Inland Revenue (Appeals) which has not been heard to date. The management of EEAP, based on advice of tax consultant, is confident that matters will be decided in their favour. Accordingly, no provision has been recognized in its financial statements.

(Amounts in thousand)

39.3 Relationship between tax expense and accounting profit

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Group's applicable tax rate as follows:

	2013	2012
	-------------(Rupees)-------------	
Profit before tax	13,262,815	2,456,740
Tax calculated at the rate of 34% (2012: 35%)	4,509,357	859,877
Depreciation on exempt assets not deductible for tax purposes	26,705	37,425
Effect of exemption from tax on certain income	(466,826)	(838,547)
Effect of applicability of lower tax rate and other tax credits / debits	(214,008)	(36,048)
Prior year tax charge	233,237	416,207
Un-recoupable minimum turnover tax	209,825	58,156
Impact of change in tax rate	(104,190)	-
Effect of derecognition of carried forward losses	157,709	-
Net effect of consolidation adjustments	221,084	162,493
Tax charge for the year	4,572,893	659,563

(Amounts in thousand)

40 EARNINGS PER SHARE - BASIC AND DILUTED

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

Diluted earnings per share has been calculated by adjusting the weighted average number of ordinary shares outstanding for assumed conversion of equity option on IFC loan of USD 15,000 (note 24.2.4). The effect of these options is anti-dilutive as at December 31, 2013.

	2013	2012
	-------------(Rupees)-------------	
Profit / (loss) after taxation (attributable to the owners of the Holding Company) from:		
- Continuing operations	8,193,608	1,335,758
- Discontinued operations	(10,455)	(2,535)
	8,183,153	1,333,223

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

	2013	2012
Profit for the year from continuing operations	8,193,608	1,333,273
Add: Interest on IFC loan of USD 15,000 (net of tax) - (note 40.1 and 24.2.4)	64,179	-
	8,257,787	1,333,273
Weighted average number of ordinary shares	511,269	511,269
Add: Weighted average adjustment for assumed conversion of USD 15,000 IFC loan (note 24.2.4)	1,455	-
Weighted average number of ordinary shares for determination of diluted EPS	512,724	511,269

40.1 As at December 31, 2012, there was no dilutive effect on the basic earnings per share of the Group since the average annual market price of the Holding Company's share for the current year is less than the exercise price of the options granted on the Holding Company's shares to IFC.

(Amounts in thousand)

41 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these consolidated financial statements for remuneration, including all benefits, to chief executives, directors and executives of the Group are given below:

	2013			2012		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	---(Rupees)---					
Managerial remuneration	185,428	-	2,988,897	197,039	43,425	2,813,477
Retirement benefits funds	21,803	-	384,573	27,039	3,479	344,049
Other benefits	68,053	-	450,003	22,582	9	433,402
Fees	-	28,872	-	-	26,300	-
Total	275,284	28,872	3,823,473	246,660	73,213	3,590,928
Number of persons including those who worked part of the year	9	65	1,403	9	54	1,531

------(Number in thousands)------

41.1 The Group also makes contributions based on actuarial calculations to pension and gratuity funds and provides certain household items for use of some employees. Cars are also provided for use of Chief Executives, directors and some employees.

41.2 Premium charged in these consolidated financial statements in respect of directors indemnity insurance policy, purchased by the Group amounted to Rs. 5,238 (2012: Rs. 5,610).

(Amounts in thousand)

42. CASH GENERATED FROM OPERATIONS

	2013	2012
	------------(Rupees)------------	
Profit before taxation	13,262,815	2,456,740
Adjustment for non-cash charges and other items:		
Depreciation	8,564,962	8,263,795
Amortisation	109,048	92,764
Amortisation of deferred income	(7,980)	-
Amortization of deferred employee share compensation expense	102,115	986
Loss / (Profit) on disposal of property, plant and equipment - net	131,710	133,377
Biological assets written-off	50,533	-
Write-off of damaged operating assets	50,986	-
Gain on transalation of Brand and goodwill	(16,526)	-
Gain on disposal of biological assets	-	(4,310)
Impairment against sales tax refundable	207,810	-
(Loss) / gain on fair value adjustments of embedded derivatives and hedging instruments	(883,514)	180,882
Provision for retirement and other service benefits	413,936	208,967
Income on deposits / other financial assets	(1,050,360)	(414,286)
Gain on investments in mutual funds held for trading	(45,010)	-
Share of income from joint venture companies (note 38)	(923,670)	(743,781)
Gain arising from changes in fair value less estimated point of sale costs of biological assets	(185,771)	(200,366)
Financial charges (note 37)	13,101,105	15,516,238
Foreign currency translation	599,357	-
Gain on reversal of net liability on disposal of discontinued operations	-	(251,872)
Employee Housing Subsidy expense	-	(106)
Provision for impairment	-	5,345
Provision for surplus and slow moving stores and spares	24,564	(14,053)
Provision for stock in trade	125,154	-
Provision for doubtful trade debts	4,965	3,586
Provision for net realizable value against inventory	29,174	-
Provision for impairment of property, plant and equipment	103,371	-
Provisions against concessionary duty on import of raw materials and gas infrastructure development cess	264,940	12,948
Receaivable against delayed payment charges	(603,381)	-
(Reversal of provision) / Provision for other receivables	(465)	646
Share options surrendered	-	(135,333)
Insurance claimed during the year	(380,512)	-
Provision for culling	15,961	-
Working capital changes (note 42.1)	12,170,845	(2,625,419)
	45,236,162	22,486,748

(Amounts in thousand)

	2013	2012
	-------------(Rupees)-------------	
42.1 Working capital changes		
(Increase) / decrease in current assets:		
- Stores, spares and loose tools	(554,747)	(445,167)
- Stock-in-trade	(4,262,624)	(4,987,624)
- Trade debts	7,582,220	(4,426,942)
- Loans, advances, deposits and prepayments	(292,747)	955,767
- Other receivables - net	(1,119,640)	(797,304)
	1,352,462	(9,701,270)
Increase / (decrease) in current liabilities:		
- Trade and other payables and provisions	10,818,383	7,075,851
	12,170,845	(2,625,419)

43. CASH AND CASH EQUIVALENTS

	2013	2012
Cash and bank balances (note 19)	6,899,123	4,663,275
Short term investments (note 18)	21,366,091	5,998,027
Short-term borrowings (note 29)	(6,380,255)	(5,328,090)
Balances with banks related to discontinued operations (note 20)	29,330	-
	21,914,289	5,333,212

44. FINANCIAL INSTRUMENTS BY CATEGORY

	2013	2012
Financial assets as per balance sheet		
- Loans and receivables		
Loans and advances	1,028,369	710,879
Trade debts	3,033,487	10,637,999
Other receivables	2,140,529	1,767,645
Cash and bank balances	6,899,123	4,663,275
	13,101,508	17,779,798
- Fair value through profit and loss		
Short term investments	21,366,091	5,998,027
- Derivatives used for hedging	130,207	26,332
Financial liabilities as per balance sheet		
- Financial liabilities measured at amortised cost		
Borrowings	99,455,877	106,522,152
Liabilities against assets subject to finance lease	-	2,589
Trade and other payable	30,032,889	23,622,587
Accrued interest / mark-up	2,252,256	2,613,633
Unclaimed dividends	92,375	96,936
	131,833,397	132,857,897
- Fair value through profit and loss		
Derivative financial instruments	1,548,138	243,964
- Derivatives used for hedging	519,110	968,924

(Amounts in thousand)

45. FINANCIAL RISK MANAGEMENT

45.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Group's Finance and Planning departments under guidance of the respective Management Committees.

a) Market risk

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

This exists due to the Group's exposure resulting from outstanding import payments, foreign commercial transactions, foreign currency loan liabilities and related interest payments. A foreign exchange risk management policy has been developed and approved by the management. The policy allows the Group to take currency exposure for limited periods within predefined limits while open exposures are rigorously monitored. The Group ensures to the extent possible that it has options available to manage exposure, either through forward contracts, options or prepayments, etc. subject to the prevailing foreign exchange regulations.

The Holding Company has given guarantees in favor of its subsidiary companies amounting to USD 214,477 (2012: USD 245,018) and CAD 1,170 (2012: CAD 1,170). The devaluation / revaluation of currency will only impact contingent liabililties and the impact on post tax profit for the year is nil.

Engro Fertilizers Limited (Efert), a subsidiary company, is exposed to currency risk on foreign currency borrowing as at December 31, 2013 of USD 202,227 (2012 :USD 232,568). Efert has Rupee/USD hedge of USD 154,636 (2012: USD 177,000).

Engro Foods Limited's (EFL), a subsidiary company, exposure to currency risk is limited as all the foreign purchases are made against on sight letter of credit where the payment is made on the date of delivery with no credit period. EFL imports plant and machinery and certain raw materials which exposes it to currency risk, primarily with respect to liabilities denominated in US Dollars. EFL manages the currency risk relating to US Dollar and Euro through forward exchange contracts.

Engro Powergen Qadirpur Limited's (EPQL), a subsidiary of Engro Powergen Limited, exposure resulting from outstanding import payments, foreign currency loan liabilities and related interest payments is limited as all the fluctuation in foreign exchange rates are recovered through adjustment in tariff as per Power Purchase Agreement.

Engro Polymer and Chemicals Limited (EPCL), a subsidiary company, is exposed to currency risk arising primarily with respect to US Dollars. The risk arises from outstanding payments for imports, recognised assets and liabilities in foreign currency and future commercial transactions. EPCL manages the currency risk relating to US Dollars through forward exchange contracts. At December 31, 2013, the financial assets and liabilities exposed to foreign exchange risk amounts to Rs. 329,401 (2012: Rs. 172,337) and Rs. 5,390,022 (2012: Rs. 6,559,557) respectively.

(Amounts in thousand)

Engro Eximp (Private) Limited (EEL), a subsidiary company, is exposed to currency risk against outstanding import payments. A foreign exchange risk management policy has been developed and approved by the management. The policy allows EEL to take currency exposure for limited periods within predefined limits while open exposures are rigorously monitored. EEL ensures to the extent possible that it has options available to manage exposure through forward contracts subject to the prevailing foreign exchange regulations.

At December 31, 2013, if the Pakistani Rupee had weakened/strengthened by 1% against the US Dollars with all other variables held constant, consolidated post tax profit for the year would have been lower / higher by Rs. 133,657 (2012: Rs. 105,415), mainly as a result of foreign exchange losses/gains on translation of US Dollar denominated liabilities.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from short and long-term borrowings and obligations under finance lease. These are benchmarked to variable rates which expose the Group to cash flow interest rate risk.

The Group analyses its interest rate exposure on a regular basis by monitoring interest rate trends to determine whether they should enter into hedging alternatives.

Interest rate risk of Efert arising on foreign currency loans are hedged through interest rate swaps. As at December 31, 2013, Efert has entered into Interest Rate Swaps for USD 73,136 (2012: USD 126,091) out of its non-current foreign currency borrowings of USD 202,227 (2012: USD 232,568). Rates on short term loans vary as per market movement.

EPQL's exposure to interest rate risk is limited as the unfavorable fluctuations in the interest rates will be recovered through adjustment in tariff as per Power Purchase Agreement.

EFL's interest rate risk arises primarily from long and short term borrowings. Borrowings at variable rates expose EFL to cash flow interest rate risk. As there are no borrowings at fixed rates, EFL is not exposed to fair value interest rate risk. EFL analyses its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account various other financing options available. For borrowing at variable rates, the rates are determined in advance for stipulated periods with reference to KIBOR.

To manage its cash flow interest rate risk, EPCL has entered into floating to fixed rate interest swaps on its foreign currency borrowings and floating to floating rate cross currency interest swap on its local borrowings. Under the interest rate swap agreements, EPCL has agreed with the banks to exchange, at half yearly intervals, the difference between contracted rates and the floating rate interest amounts calculated by reference to the agreed notional amounts.

EEL analyses its interest rate exposure on a regular basis by monitoring base interest rate trends in relation to the balance of utilized funds / borrowing.

As at December 31, 2013, if interest rates on Group's borrowings had been 1% higher/lower with all other variables held constant, consolidated post tax profit for the year would have been lower/higher by Rs. 532,499 (2012: Rs. 511,017), mainly as a result of interest exposure on variable rate borrowings.

(Amounts in thousand)

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Group is not exposed to equity securities price risk as all of its investments are in subsidiary companies which are stated at cost. Further, the Group's investments in money market mutual funds are exposed to price risk due to changes in Net Asset Value (NAV) of mutual funds.

As at December 31, 2013, if fair value (NAV) has been 1% higher / lower with all other variables held constant post tax profit for the year would have been higher / lower by Rs. 17,628 (2012 : Nil)

b) Credit risk

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits, bank guarantees and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with a reasonably high credit rating or mutual funds which in turn are deposited in banks and government securities.The Maximum exposure to credit risk is equal to the carrying amount of financial assets.The Group maintains internal policies to place funds with commercial banks/mutual funds having a minimum short term credit rating of A1 and AM3. The Group accepts bank guarantees of banks of reasonably high credit ratings as approved by management.

EPL's trade debts are secured by soverign guaranty from the Government of Pakistan.

Efert and EEL are exposed to a concentration of credit risk on its trade debts by virtue of all its customers being agri-based businesses in Pakistan. However, this risk is mitigated by applying individual credit limits and by securing the majority of trade debts against bank guarantees inland letter of credits and by the fact that the exposure is spread over a wide customer base.

EPCL is not materially exposed to credit risk as unsecured credit is provided to selected parties with no history of default. Moreover, major part of trade debts is secured by bank guarantees and letters of credit from customers.

EFL has significant concentration of credit risk resulting from receivable from Tetra Pak Pakistan Limited, short term investments and deposits with banks and financial institutions amounting to Rs. 1,234,606 (2012: Rs. 3,416,971). The credit risk on liquid funds is limited because the counter parties are banks and investment funds with reasonably high credit rating.

EFL attempts to control credit risk arising on receivable from Tetra Pak Pakistan Limited through legally binding agreements that are signed between the two parties. EFL is not materially exposed to credit risk on trade debts as EFL has the policy of receiving the sales value prior to or at the time of supply of the products and credit is only granted to few reputed customers with good credit standings, with whom EFL has written terms of agreement.

(Amounts in thousand)

The Group monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as under:

	2013	2012
	------------(Rupees)------------	
Loans and advances	1,022,634	709,367
Trade debts	2,672,624	5,353,643
Other receivables	1,447,299	1,067,272
Short term investments	21,366,091	5,998,027
Cash and bank balances	6,899,123	4,663,275
	33,407,771	17,791,584

The credit quality of receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history, however, no losses incurred. The credit quality of Group's bank balances and short term investments can be assessed with reference to external credit ratings as follows:

		Rating	
Bank	Rating agency	Short term	Long term
ABL Asset Management Limited	JCR-VIS	-	AM2
ABL Cash Fund	JCR-VIS	-	AA(f)
ABL Government Securities Fund	JCR-VIS	-	A+(f)
Al- Meezan Investment Management Limited	JCR-VIS	-	AM2
Albaraka Bank Pakistan Limited	PACRA	A1	A
Allied Bank Limited	PACRA	A1+	AA+
Askari Bank Limited	PACRA	A1+	AA
Askari Investment Management Limited	PACRA	-	AM3+
Askari Sovereign Fund	PACRA	-	AM3+
Bank Alfalah Limited	PACRA	A1+	AA
Bank Al- Habib Limited	PACRA	A1+	AA+
BankIslami Pakistan Limited	PACRA	A1	A
The Bank of Punjab	PACRA	A1+	AA-
Barclays Bank Pakistan	Stanard & Poor's	A1	A
Burj Bank Limited	JCR-VIS	A1	A
Citibank N.A.	Moody's	P-2	A3
Deutsche Bank AG	Moody's	P-1	A2
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A1	A
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
HBL Asset Management Limited	JCR-VIS	-	AM2-
HBL Money Market Fund	JCR-VIS	-	AA(f)
HSBC Bank Middle East Limited	Moody's	P-1	A2
JS Bank Limited	PACRA	A1	A+
KASB Bank Limited	PACRA	A3	BBB
Lakson Money Market Fund	PACRA	-	AA(f)
MCB Bank Limited	PACRA	A1+	AAA
MCB Cash Management Optimiser Fund	PACRA	-	AA(f)

(Amounts in thousand)

Bank	Rating agency	Rating Short term	Rating Long term
Meezan Bank Limited	JCR-VIS	A1+	AA
Meezan Cash Fund	JCR-VIS	-	AA(f)
NAFA Government Securities Fund	PACRA	-	AAA(f)
National Bank of Pakistan	JCR-VIS	A-1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A1	AA-
SilkBank Limited	JCR-VIS	A2	A-
Sindh Bank Limited	JCR-VIS	A1+	AA-
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	A3	A-
UBL Fund Managers Limited	JCR-VIS	-	AM2
UBL Government Securities Fund	JCR-VIS	-	A+(f)
UBL Liquidity Plus Fund	JCR-VIS	-	AA+(f)
United Bank Limited	JCR-VIS	A1+	AA+
Zarai Taraqiati Bank Limited	JCR-VIS	A2	A

c) Liquidity risk

Liquidity risk represents the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business, the Group maintains flexibility in funding by maintain committed credit lines available.

The Group's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

EPL's all financial liabilities except for long term portion of borrowings are payable in one year from the balance sheet date.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2013 Maturity upto one year	2013 Maturity after one year	2013 Total	2012 Maturity upto one year	2012 Maturity after one year	2012 Total
	(Rupees)					
Financial liabilities						
Derivatives	455,990	1,611,258	2,067,248	573,363	639,525	1,212,888
Trade and other payables	30,032,889	-	30,032,889	23,622,587	-	23,622,587
Accrued interest / mark-up	2,252,256	-	2,252,256	2,613,633	-	2,613,633
Liabilities against assets subject to finance lease	-	-	-	2,589	-	2,589
Borrowings	21,134,763	78,321,114	99,455,877	33,264,782	73,257,370	106,522,152
Unclaimed dividends	92,375	-	92,375	96,936	-	96,936
	53,968,273	79,932,372	133,900,645	60,173,890	73,896,895	134,070,785

(Amounts in thousand)

45.2 Capital risk management

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for share holders and benefit for other stake holders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The regulatory regime in which EPL operates, renders the value of the equity to a bond given the guaranteed IRR of 15% with an indexation allowed under the Power Purchase Agreement for changes in US $ / PKR exchange rate.

The Group's strategy is to ensure compliance with the Prudential Regulations issued by the State Bank of Pakistan and is in accordance with agreements executed with financial institutions so that the total long term borrowings to equity ratio does not exceed the lender covenants. The total long term borrowings to equity ratio as at December 31, 2013 and 2012 are as follows:

	2013	2012
	(Rupees)	
Borrowings	93,075,622	100,694,062
Equity	56,203,152	43,220,439
	149,278,774	143,914,501
Total borrowings to equity ratio	62%	70%

The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

45.3 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

46 RETIREMENT BENEFITS

46.1 Defined benefit Gratuity plan

The Group faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility - Most assets are invested in risk free investments of 3, 5 or 10 year SSC's, RIC's, DSC's or Government Bonds. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

(Amounts in thousand)

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment.

Risk of insufficiency of assets - This is managed by making regular contribution to the Fund as advised by the actuary.

The latest actuarial valuation of the defined benefit gratuity plan was carried out as at December 31, 2013, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

46.1.1 Engro Corporation Limited

	Defined Benefit Gratuity Plans Funded	
	2013	2012 (Restated)
	-------------(Rupees)-------------	
46.1.1.1 Balance sheet reconciliation		
Present value of defined benefit obligation	81,502	132,150
Fair value of plan assets	(94,353)	(170,004)
Surplus	(12,851)	(37,854)
Payable to Defined Contribution Gratuity Fund	374	664
Net asset recognized in the balance sheet	(12,477)	(37,190)
46.1.1.2 Movement in net assets recognised in the balance sheet		
Net asset at beginning of the year	(37,190)	(9,005)
Expense for the year	296	3,705
Net contribution by the Holding Company	-	(3,132)
Remeasurement loss / (gain) to Other Comprehensive Income	24,417	(28,758)
Net asset at end of the year	(12,477)	(37,190)
46.1.1.3 Movement in present value of defined benefit obligation		
As at beginning of the year	132,150	104,576
Current service cost	4,657	4,785
Interest cost	13,968	12,849
Benefits paid during the year	(41,725)	(53,658)
Remeasurement loss / (gain) to Other Comprehensive Income	15,337	(31)
Liability transferred (to) / from Defined Contribution Gratuity Fund	(42,885)	63,629
As at end of the year	81,502	132,150
46.1.1.4 Movement in fair value of plan assets		
As at beginning of the year	170,004	113,689
Expected return on plan assets	18,329	13,929
Contributions by the Holding Company	-	3,132
Benefits paid during the year	(41,725)	(53,658)
Remeasurement (loss) / gain to Other Comprehensive Income	(9,080)	28,727
Assets transferred (to) / by Defined Contribution Gratuity Fund	(43,175)	64,185
As at end of the year	94,353	170,004

(Amounts in thousand)

	Defined Benefit Gratuity Plans Funded	
	2013	2012
	-------------(Rupees)-------------	
46.1.1.5 Charge for the year		
Current service cost	4,657	4,785
Net Interest cost	(4,361)	(1,080)
	296	3,705
46.1.1.6 Principal actuarial assumptions used in the actuarial valuation		
	------- (%) -------	
Discount rate	13%	12%
Expected rate of return on plan assets - per annum	13%	12%
Expected rate of increase in future salaries - per annum	13%	12%
	-----------(Rupees)-------------	
46.1.1.7 Actual return on plan assets	29,796	35,816

46.1.1.8 Plan assets comprise of the following

	2013		2012	
	Rupees	(%)	Rupees	(%)
Fixed income instruments	79,286	84%	137,376	81%
Investment in equity instruments	14,944	16%	30,511	18%
Cash	123	0%	2,117	1%
	94,353	100%	170,004	100%

46.1.1.9 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

46.1.1.10 Historical information of staff retirement benefits

	2013	2012	2011	2010	2009
	----------	----------	Rupees	----------	----------
Present value of defined benefit obligation	(81,502)	(132,150)	(104,576)	(115,956)	(339,182)
Fair value of plan assets	94,353	170,004	113,689	125,199	409,228
Surplus	12,851	37,854	9,113	9,243	70,046

46.1.1.11 Expected future cost for the year ending December 31, 2014 is Rs. 2,285.

(Amounts in thousand)

46.1.1.12 Remeasurement recognized in Other Comprehensive Income

	Defined Benefit Gratuity Plans Funded	
	2013	2012
	-------------(Rupees)-------------	
Loss from change in demographic assumptions	(1)	-
Gain / (Loss) from change in experience assumptions	(15,699)	31
Gain from change in financial assumptions	363	-
Remeasurement of Obligation	(15,337)	31
Actual Return on plan assets	29,796	35,816
Expected Return on plan assets	(18,329)	(13,929)
Difference in opening fair value of plan assets	(20,169)	9,783
Adjustments / transfers	(378)	(2,943)
Remeasurement of Plan Assets	(9,080)	28,727
	(24,417)	28,758
Tax impact at 34% (2012: 35%)	8,302	(10,066)
Remeasurement of retirement benefit obligation - Actuarial (loss) / gain - net of tax	(16,115)	18,692

46.1.1.13 Demographic Assumptions

Mortality rate	SLIC (2001-05)	LIC (1975-79)
Rate of employee turnover	Moderate	Moderate

46.1.1.14 Sensitivity Analysis

The impact of 1% change in following varaibles on defined benefit obligation is as follows:

	Increase in Assumption	Decrease in Assumption
	--------Gratuity Fund--------	
Discount rate	77,424	85,913
Long term salary increases	85,495	77,733
Withdrawal rates : Light	83,163	-
Withdrawal rates : Heavy / Moderate	82,245	-

46.1.1.15 Maturity Profile

Time in years	Gratuity Fund
1	4,349
2	4,783
3	18,963
4	3,781
5-10	100,963
11-15	82,903
16-20	36,899
20+	26,267
Weighted average duration	5.86

(Amounts in thousand)

46.1.1.16 Defined contribution plans

An amount of Rs. 14,021 (2012: Rs. 10,920) has been charged during the year in respect of defined contribution plans maintained by the Holding Company.

46.1.2 Engro Fertilizers Limited

46.1.2.1 Balance sheet reconciliation

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2013	2012	2013	2012
	---------------Rupees---------------			
Present value of funded obligation	315,551	239,377	32,218	31,289
Fair value of plan assets	(275,889)	(237,281)	(38,535)	(38,313)
Deficit / (Surplus) of funded plans	39,662	2,096	(6,317)	(7,024)
Payable to associated companies	-	12	-	-
Unrecognised actuarial (loss) / gain	-	(5,000)	-	1,800
Payable to Defined Contribution Gratuity Fund	8,605	15,272	-	-
Unrecognised past service cost	-	3,914	-	-
Payable in respect of inter-transfers	41	-	-	-
Unrecognized asset	-	-	6,317	3,424
Net liability / (asset) at end of the year	48,308	16,294	-	(1,800)

46.1.2.2 Movement in net (asset) / liability recognised

	2013	2012	2013	2012
Net liability / (asset) at beginning of the year	16,294	4,740	(1,800)	(4,599)
Charge for the year	10,142	17,288	(843)	(625)
Contributions made during the year to the Fund	(10,017)	(5,734)	-	-
Remeasurements charged to Other Comprehensive Income	31,889	-	(243)	-
Unrecognized asset	-	-	2,886	3,424
Net liability / (asset) at end of the year	48,308	16,294	-	(1,800)

46.1.2.3 Includes losses amounting to Rs. 3,200 and Rs. 3,914 arising in prior years on account of remeasurements and unrecognized past service cost recognized in the current year.

46.1.2.4 Movement in defined benefit obligation

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2013	2012	2013	2012
	---------------Rupees---------------			
As at beginning of the year	239,377	277,645	31,289	32,023
Current service cost	11,503	13,657	-	-
Interest cost	27,580	33,866	3,538	3,777
Benefits paid during the year	(26,224)	(21,055)	(3,742)	(3,608)
Remeasurement charged to Other Comprehensive Income	29,271	(1,080)	1,133	(903)
Liability transferred in respect of inter-company transfer	34,044	(3)	-	-
Liability transferred to DC Gratuity Fund	-	(63,653)	-	-
As at end of the year	315,551	239,377	32,218	31,289

(Amounts in thousand)

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2013	2012	2013	2012
	----------Rupees----------			
46.1.2.5 Movement in fair value of plan assets				
At beginning of the year	237,281	256,976	38,313	37,023
Expected return on plan assets	28,941	31,618	4,381	4,402
Contributions by the Subsidiary Company	10,017	5,734	-	-
Benefits paid during the year	(26,224)	(21,055)	(3,742)	(3,608)
Remeasurements charged to Other Comprehensive Income	(2,618)	14,834	(417)	496
Assets transferred in respect of inter group transfers	35,159	9	-	-
Assets transferred to Defined Contribution Gratuity Fund	(6,667)	(50,835)	-	-
As at end of the year	275,889	237,281	38,535	38,313
46.1.2.6 Charge / (Reversal) for the year				
Current service cost	11,503	13,657	-	-
Net Interest cost	(1,361)	2,248	(843)	(625)
Past service cost	-	(339)	-	-
Actuarial gain	-	1,722	-	-
	10,142	17,288	(843)	(625)
46.1.2.7 Actual return on plan assets	26,323	46,452	3,964	4,898
46.1.2.8 Remeasurement recognized in Other Comprehensive Income				
Gain from change in demographic assumptions	(6)	-	-	-
Loss from change in experience assumptions	32,874	-	1,133	-
Gain from change in financial assumptions	(3,597)	-	-	-
Remeasurement of Obligation	29,271	-	1,133	-
Expected Return on plan assets	28,941	-	4,381	-
Actual Return on plan assets	(26,323)	-	(3,964)	-
Remeasurement of Plan Assets	2,618	-	417	-
Effect of Asset Ceiling	-	-	(1,793)	-
	31,889	-	(243)	-
46.1.2.9 Principal actuarial assumptions used in the actuarial valuation				
Discount rate	13.0%	12.0%	13.0%	12.0%
Expected per annum rate of return on plan assets	13.0%	12.0%	13.0%	12.0%
Expected per annum rate of increase in pension	-	-	5.0%	4.0%
Expected per annum rate of increase in salaries - long term	13.0%	11.0%	12.0%	11.0%

(Amounts in thousand)

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2013	2012	2013	2012
46.1.2.10 Demographic Assumptions				
Mortality rate	SLIC (2001-05)	LIC (1975-79)	PMA-PFA (80)	PMA-PFA (80)
Rate of employee turnover - MPT Gratuity Fund	Moderate	Moderate	-	-
Rate of employee turnover - NMPT Gratuity Fund	light	light	-	-

46.1.2.11 Sensitivity Analysis

The impact of 1% change in following varaibles on defined benefit obligation is as follows:

	Increase in assumption			Decrease in assumpiton		
	Gratuity Fund		Pension Fund	Gratuity Fund		Pension Fund
	NMPT	MPT		NMPT	MPT	
Discount Rate	148,628	146,684	30,229	177,946	160,698	34,468
Long Term Salary Increases	177,157	159,925	-	149,069	147,281	-
Long Term Pension Increases	-	-	34,468	-	-	30,229
Withdrawal Rates: Light	154,527	164,677	-	-	-	-
Withdrawal Rates: Heavy/Moderate	148,654	158,411	-	-	-	-

46.1.2.12 Maturity Profile

	Gratuity Fund		Pension Fund
Time in years	NMPT	MPT	
1	12,647	14,544	-
2	18,710	25,614	-
3	16,270	39,133	-
4	18,937	33,837	-
5-10	83,687	104,771	-
11-15	68,688	119,837	-
16-20	143,629	105,741	-
20+	1,970,077	404,304	-
Weighted average duration	12	6.46	6.36

46.1.2.13 Plan assets comprise of the following	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2013		2013	
	Rupees	(%)	Rupees	(%)
Fixed income instruments	215,534	78%	34,568	90%
Investment in equity instruments	59,386	21%	-	
Cash	969	1%	3,967	10%
	275,889	100%	38,535	100%

(Amounts in thousand)

46.12.14 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

46.11.15 Historical information of staff retirement benefits

	2013	2012	2011	2010
	----------Rupees----------			
Pension Plan Funded				
Present value of defined benefit obligation	32,218	31,289	32,023	31,230
Fair value of plan assets	(38,535)	(38,313)	(37,023)	(34,855)
Surplus	(6,317)	(7,024)	(5,000)	(3,625)
Gratuity Plans Funded				
Present value of defined benefit obligation	315,551	239,377	277,645	269,523
Fair value of plan assets	(275,889)	(237,281)	(256,976)	(289,580)
Deficit / (Surplus)	39,662	2,096	20,669	(20,057)

46.12.16 Expected future cost / (reversal) for the year ending December 31, 2014 is as follows:

	Rupees
- MPT Pension Fund	(821)
- MPT Gratuity Fund	2,934
- Non-MPT Gratuity Fund	17,022

46.12.17 Defined contribution plans

An amount of Rs. 83,398 has been charged during the year in respect of defined contribution plans maintained by the Holding Company.

46.1.3 Engro Eximp (Private) Limited

	Defined Benefit Gratuity Plans Funded	
	2013	2012
	------(Rupees)------	
46.1.3.1 Balance sheet reconciliation		
Present value of funded obligation	8,011	196
Fair value of plan assets	(9,274)	(253)
Surplus	(1,263)	(57)
Payable in respect of inter group transfers	405	719
Net (asset) / liability at end of the year	(858)	662
46.1.3.2 Movement in net (assets) / liability recognised		
Net liability at beginning of the year	662	111
Income recognised for the year	33	58
Remeasurement transferred directly to Other Comprehensive Income	(1,553)	493
Net (asset) / liability at end of the year	(858)	662

(Amounts in thousand)

	Defined Benefit Gratuity Plans Funded	
	2013	2012
	------(Rupees)------	
46.1.3.3 Analysis of present value of defined benefit obligation		
Type of members		
Management	8,011	196
Vested/Non-Vested		
Vested benefits	7,516	-
Non-Vested benefits	495	196
	8,011	196
Type of benefits		
Accumulated benefit obligation	3,403	20
Amounts attributed to future salary increases	4,608	176
	8,011	196
46.1.3.4 Movement in present value of defined benefit obligation		
As at beginning of the year	196	63
Current service cost	121	69
Interest cost	31	12
Remeasurement on liability - Other Comprehensive Income Charge	87	28
Transfers	7,576	24
As at end of the year	8,011	196
46.1.3.5 Movement in fair value of plan assets		
As at beginning of the year	253	69
Expected return on plan assets	119	23
Remeasurement on assets - Other Comprehensive Income	1,640	(465)
Transfers	7,262	626
As at end of the year	9,274	253
46.1.3.6 Charge/(reversal) for the year		
Current service cost	121	69
Interest income	(88)	(11)
	33	58
46.1.3.7 Remeasurement recognized in Other Comprehensive Income		
Gain from change in demographic assumptions	(2)	-
Loss from change in experience assumptions	(120)	(28)
Gain from change in financial assumptions	35	-
Remeasurement of obligation	(87)	(28)
Net return on plan assets over interest income	(75)	(2)
Difference in fair value opening	2,124	2,724
Previous unrecognized transfer amounts	(409)	(3,187)
Remeasurement of assets	1,640	(465)
	1,553	(493)

(Amounts in thousand)

	Defined Benefit Gratuity Plans Funded 2013	2012
	------------- % -------------	
46.1.3.8 Principal actuarial assumptions used in the actuarial valuation		
Discount rate	13	12
Expected per annum rate of return on plan assets	13	12
Expected per annum rate of increase in future salaries	13	12

	2013	2013
	-------------(Rupees)-------------	
46.1.3.9 Demographic Assumptions		
Mortality rate	SLIC (2001 - 05)	LIC (1975-79)
Rate of employee turnover - MPT Gratuity Fund	Heavy	Heavy
46.1.3.10 Actual return / (loss) on plan assets	1,759	(442)

46.1.3.11 Sensitivity Analysis

The impact of 1% change in following varaibles on defined benefit obligation is as follows:

	Increase in assumption 2013	Decrease in assumption 2013
	-------------(Rupees)-------------	
Discount Rate	7,457	8,627
Long Term Salary Increase	8,584	7,486
Withdrawal rate : Light	8,912	-
Withdrawal rate : Moderate	8,364	-

46.1.3.12 Maturity profile of the defined benefit obligation

	2013 Rupees
a) Weighed average duration of PBO Distribution of timing of benefit payment	12.51
b) (time in years)	
1	487
2	531
3	578
4	628
5-10	2,762
11-15	22,506
16-20	9,448
20+	144,824

(Amounts in thousand)

46.1.3.13 Plan assets comprise of the following

	2013 Rupees	2013 (%)	2012 Rupees	2012 (%)
Debt Instruments	7,790	84	207	82
Equity Instruments	1,484	16	46	18
	9,274	100	253	100

46.1.3.14 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

46.1.3.15 Historical information of staff retirement benefits

	2013	2012	2011	2010
	------------------Rupees------------------			
Present value of defined benefit obligation	8,011	196	2,670	2,670
Fair value of plan assets	(9,274)	(253)	(68)	(2,842)
Excess	(1,263)	(57)	(5)	(172)

46.1.3.16 Expected future cost for the year ending December 31, 2014 is Rs.415.

Engro Eximp Agripoducts (Private) Limited (Defined benefit scheme)

	2013	2012
	-------------(Rupees)-------------	
46.1.3.17 Staff retirement and other service benefits - Gratuity scheme (note 31.1.4.3)	2,433	11,814

The latest actuarial valuation of the scheme was carried out as at December 31, 2013, using the 'Projected Unit Credit Method'. Details of the scheme are as follows:

46.1.3.18 Balance sheet reconciliation

	2013	2012
	-------------(Rupees)-------------	
Present value of defined benefit obligation	8,829	14,146
Fair value of plan assets	(6,396)	(2,332)
Net liability at end of the year	2,433	11,814
46.1.3.19 Movement in net liability in the balance sheet		
Net liability at beginning of the year	11,814	(1,302)
Charge for the year	4,759	9,719
Net contribution by Subsidiary Company made during the year to the fund	(11,814)	-
Remeasurements recognised in Other Comprehensive Income (OCI)	(2,326)	3,897
Closing balance	2,433	12,314

(Amounts in thousand)

	2013	2012
	-------------(Rupees)-------------	
46.1.3.20 Remeasurement recognized in Other Comprehensive Income		
(Gain) / Loss from changes in financial assumptions	(254)	360
Experience losses	(1,643)	(7,634)
Remeasurement of defined benefit obligation	(1,897)	(7,274)
Actual return on plan assets	(582)	(464)
Expected return on plan assets	524	912
Unrecognized previous transfer amounts	-	(1)
Adjustment - transfers	(371)	10,724
Remeasurement of fair value of plan assets	(429)	11,171
	(2,326)	3,897
46.1.3.21 Movement in present value of defined benefit obligation		
Present value of defined benefit obligation at beginning of the year	14,146	1,228
Current service cost	3,679	8,875
Interest cost	1,604	1,256
Transfers	(371)	10,724
Benefits paid during the year	(8,332)	(663)
Remeasurement in defined benefit obligation	(1,897)	(7,274)
	8,829	14,146
46.1.3.22 Analysis of present value of defined benefit obligation		
Vested Benefits	8,645	13,536
Non-Vested benefits	184	610
	8,829	14,146
Accumulated benefit obligation	2,786	5,028
Amounts attributed to future salary increases	6,043	9,118
	8,829	14,146
46.1.3.23 Movement in fair value of plan assets		
Fair value of plan assets at the beginning of the year	2,332	2,530
Expected return on assets	524	912
Actual contributions by the employer	11,814	-
Actual benefits paid during the year	(8,332)	(663)
Remeasurements on assets - OCI Charge	429	(11,171)
Assets transferred in respect of transfers-Inter Fund	(371)	10,724
Fair value of plan assets at the end of the year	6,396	2,332
46.1.3.24 Cost charged to profit and loss account		
Current service cost	3,679	8,875
Interest cost	1,080	344
Expense for the year	4,759	9,219
46.1.3.25 Charge for the year has been allocated as follows:		
Cost of sales	3,177	6,495
Administrative expenses	1,582	2,724
	4,759	9,219

(Amounts in thousand)

	2013	2012
	-------------(Rupees)-------------	
46.1.3.26 Principal actuarial assumptions used are as follows:		
Financial assumptions		
Discount rate - per annum compound	13%	11.5%
Expected per annum rate of increase in future salaries		
- First year	8%	14%
- Long term	12%	11%
Expected rate of return on plan assets - per annum	13%	12%
Demographic Assumptions	**2013**	**2012**
- Expected mortality rate	SLIC (2001 - 05)	LIC (1975-79)
- Withdrawal rates / Rate of employees turnover	Moderate	Moderate

46.1.3.27 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	--------------------Rupees------------------		
Discount rate	1%	7,095	9,944
Expected rate of increase in salaries - long term	1%	9,902	7,923
Withdrawal rates / employees turnover rate		Light	Heavy
	--------------------Rupees------------------		
Percent value of defined benefit obligation		8,593	8,884

46.1.3.28 The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognized within the statement of financial position.

	2013	2012
	------------(Rupees)------------	
46.1.3.29 Actual return on plan assets	582	464

(Amounts in thousand)

46.1.3.30 Plan assets comprise of following:

	2013				2012			
	Quoted	Un-Quoted	Total	(%)	Quoted	Un-Quoted	Total	(%)
	-------------Rupees-----------				--------------Rupees------------			
Equity Instruments								
Chemicals - ECPL Shares	172	-	172	3%	50	-	50	2%
Banking - Mutual Funds	99	-	99	2%	34	-	34	1%
	271	-	271	4%	84	-	84	4%
Debt Instruments								
Government Bonds	-	1,429	1,429	22%	-	1,096	1,096	46%
Term Finance Certificates	501	-	501	8%	276	-	276	12%
Engro Rupiya Certificates	682	-	682	11%	319	-	319	14%
Regular Income Certificates	-	836	836	13%	-	390	390	17%
	1,183	2,265	3,448	54%	595	1,486	2,081	89%
Cash and Cash Equivalents	-	2,565	2,565	40%	-	91	91	4%
Others	-	112	112	2%	-	76	76	3%
Total	1,454	4,942	6,396	100%	679	1,653	2,332	100%

The expected return on plan assets has been determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected return on equity investments reflect the long-term real rates of return experienced in the market.

46.1.3.31 Expected contributions to the Fund for the year ending December 31, 2014 are Rs. 2,990.

46.1.3.32 The weighted average duration of the defined benefit obligation is 16.65 years.

46.1.3.33 Historical information of staff retirement benefits

	2013	2012	2011
	---------------------Rupees-------------------		
Present value of obligations	8,829	14,146	1,228
Fair value of plan assets	(6,396)	(2,332)	(2,530)
Surplus / (Deficit) recognized in OCI	2,433	(2,332)	(2,530)

46.1.3.34 Defined contribution plans

An amount of Rs.10,789 (2012: Rs. 9,541) has been charged during the year in respect of defined contribution plans maintained by the Holding Company.

(Amounts in thousand)

46.1.3.35 Engro Powergen Limited

46.1.3.36 Balance sheet reconciliation

	2013	2012
	-------------(Rupees)------------	
Present value of defined benefit obligation	1,569	14,906
Fair value of plan assets	(2,226)	(12,408)
Deficit / (Surplus)	(657)	2,498
Unrecognised actuarial loss / (gain)	-	(1,654)
Payable to group companies / funds	100	(441)
Payable to outgoing members	2,547	-
Unrecognised past service cost	-	(403)
Net liability at end of the year	1,990	-

46.1.3.37 Movement in net liability recognised

	2013	2012
Net liability at beginning of the year	-	2,077
Expense recognized	2,717	3,201
Net contribution paid	-	(5,278)
Remeasurements recognized in Other comprehensive income	(727)	-
Net liability at end of the year	1,990	-

46.1.3.38 Movement in defined benefit obligation

	2013	2012
As at beginning of the year	14,906	10,685
Current service cost	1,965	2,542
Interest cost	968	1,489
Actuarial (gain) on obligation	-	(750)
Transfers	(11,790)	940
Remeasurements on liability - Other comprehensive income	(1,933)	-
Payable to outgoing members	(2,547)	-
As at end of the year	1,569	14,906

46.1.3.39 Movement in fair value of plan assets

	2013	2012
As at beginning of the year	12,408	6,107
Expected return on plan assets	608	958
Contributions by the subsidiary company	-	5,278
Actuarial (loss) on assets	-	(317)
Remeasurements on Assets - Other comprehensive income	(1,006)	-
Transfers	(9,784)	382
As at end of the year	2,226	12,408

46.1.3.40 Charge for the year

	2013	2012
Current service cost	1,965	2,542
Interest cost	360	1,489
Expected return on plan assets	-	(958)
Recognition of past service cost	392	-
Amortisation of past service cost	-	34
Net actuarial loss recognized for the year	-	94
	2,717	3,201

(Amounts in thousand)

	2013	2012
	-------------(Rupees)-------------	

46.1.3.41 Principal actuarial assumptions used in the actuarial valuation

	2013	2012
Discount rate	13%	12%
Expected per annum rate of return on plan assets	13%	12%
Expected per annum rate of increase in future salaries	13%	12%

46.1.3.42 Actual return on plan assets

	2013	2012
Actual return on plan assets	398	398

46.1.3.43 Plan assets comprise of the following

	2013		2012	
	Rupees	(%)	Rupees	(%)
Cash and cash equivalent	1,917	86	12,099	98
Others	309	14	309	2
	2,226	100	12,408	100

46.1.3.44 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

46.1.1.45 Historical information of staff retirement benefits

	2013	2012	2011	2010	2009
	---------------	---------------	Rupees	---------------	---------------
Present value of defined benefit obligation	1,569	14,906	10,685	7,913	3,742
Fair value of plan assets	(2,226)	(12,408)	(6,107)	(5,098)	(2,009)
(Surplus) / Deficit	(657)	2,498	4,578	2,815	1,733

46.1.3.46 Expected future cost for the year ending December 31, 2014 is Rs. 80,705.

46.1.3.47 Defined contribution plans

An amount of Rs. 13,539 (2012: Rs. 16,353) has been charged during the year in respect of defined contribution plan.

(Amounts in thousand)

46.1.4 Engro Foods Limited

	Funded Gratuity Fund	
	2013	2012 (Restated)
	-------------(Rupees)-------------	

46.1.4.1 Balance sheet reconciliation

	2013	2012 (Restated)
Present value of defined benefit obligation	(312,434)	(241,468)
Fair value of plan assets	253,792	200,821
Deficit	(58,642)	(40,647)
Receivable from group companies	332	332
Net liability at end of the year	(58,310)	(40,315)

46.1.4.2 Movement in net liability recognised

	2013	2012 (Restated)
Net liability at beginning of the year	(40,315)	(41,014)
Charge for the year	(73,992)	(62,063)
Contributions made during the year to the Fund	74,005	70,800
Remeasurements recognized in Other Comprehensive Income - (OCI)	(18,008)	(8,038)
Net liability at end of the year	(58,310)	(40,315)

46.1.4.3 Remeasurement recognized in Other Comprehensive Income

	2013	2012 (Restated)
Loss from changes in demographic assumptions	(11)	-
Loss / (Gain) from changes in financial assumptions	6,531	(7,225)
Experience losses	(18,110)	(20,979)
Remeasurement of defined benefit obligation	(11,590)	(28,204)
Actual return on plan assets	23,104	27,639
Expected return on plan assets	(26,019)	(18,228)
Unrecognised previous transfer amounts	(3,132)	32
Adjustment - transfers	(371)	10,723
Remeasurement of fair value of plan assets	(6,418)	20,166
	(18,008)	(8,038)

46.1.4.4 Movement in present value of defined benefit obligations / unfunded obligations

	2013	2012 (Restated)
Present value of defined benefit obligations at beginning of the year	241,468	171,407
Current service cost	67,763	55,193
Interest cost	32,248	25,098
Transfers	5,705	(10,787)
Benefits paid during the year	(46,340)	(27,647)
Remeasurement on obligation	11,590	28,204
Present value of defined benefit obligation/unfunded obligation at end of the year	312,434	241,468

46.1.4.5 Analysis of present value of defined benefit obligation

	2013	2012 (Restated)
Vested Benefits	306,529	236,066
Non-Vested benefits	5,905	5,402
	312,434	241,468
Accumulated benefit obligation	117,145	95,501
Amounts attributed to future salary increases	195,289	145,967
	312,434	241,468

(Amounts in thousand)

	Funded Gratuity Fund 2013	Funded Gratuity Fund 2012 (Restated)
	------------(Rupees)------------	
46.1.4.6 Movement in fair value of plan assets		
Fair value of plan assets at beginning of the year	200,821	129,997
Expected return on plan assets	26,019	18,228
Contributions for the year	74,005	70,800
Transfers	5,705	(10,723)
Benefits paid during the year	(46,340)	(27,647)
Remeasurement	(6,418)	20,166
Fair value of plan assets at end of the year	253,792	200,821
46.1.4.7 Charge for the year		
Current service cost	67,763	55,193
Net Interest cost	6,229	6,870
Cost for the year	73,992	62,063
46.1.4.8 Charge for the year has been allocated as follows:		
Cost of sales	33,014	27,740
Distribution and marketing expenses	24,183	20,892
Administrative expenses	16,795	13,431
	73,992	62,063

46.1.4.9 Principal actuarial assumptions used in the actuarial valuation

	Gratuity Fund 2013	Gratuity Fund 2012
Financial assumptions		
Discount rate - per annum compound	13.0%	12.0%
Expected rate of increase in salaries - per annum		
- First year	10.0%	14.0%
- Long term	12.0%	11.0%
Expected rate of return on plan assets - per annum	13.0%	12.0%
Demographic Assumptions		
Expected mortality rate	SLIC (2001-05)	LIC (1975-79)
Withdrawal rates / Rate of employees turnover	Moderate	Moderate

	2013	2012 (Restated)
	------------(Rupees)------------	
46.1.4.10 Actual return on plan assets	23,104	27,639

(Amounts in thousand)

46.1.4.11 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation: Change in assumption	Increase in assumption	Decrease in assumption
		---------Rupees---------	
Discount rate	1%	280,576	350,523
Expected rate of increase in salaries - long term	1%	349,010	281,269
Withdrawal rates / employees turnover rate		Light	Heavy
		---------Rupees---------	
Percent value of defined benefit obligation		302,428	318,265

46.1.4.12 The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

46.1.4.13 Plan assets comprise of following:

	2013 Quoted	Un-Quoted	Total	(%)	2012 Quoted	Un-Quoted	Total	(%)
	---Rupees---				---Rupees---			
Equity Instruments								
Chemicals - ECPL Shares	6,808	-	6,808	3%	4,267	-	4,267	2%
Banking - Mutual Funds	3,933	-	3,933	2%	2,907	-	2,907	1%
	10,741	-	10,741	4%	7,174	-	7,174	4%
Debt Instruments								
Government Bonds	-	54,474	54,474	21%	-	94,426	94,426	47%
Term Finance Certificates	19,870	-	19,870	8%	23,734	-	23,734	12%
Engro Rupiya Certificates	27,065	-	27,065	11%	27,431	-	27,431	14%
Regular Income Certificates	-	33,164	33,164	13%	-	33,610	33,610	17%
	46,935	87,638	134,573	53%	51,165	128,036	179,201	89%
Cash and Cash Equivalents	-	104,018	104,018	41%	-	7,820	7,820	4%
Others	-	4,460	4,460	2%	-	6,626	6,626	3%
Total	57,676	196,116	253,792	100%	58,339	142,482	200,821	100%

46.1.4.14 The expected return on plan assets has been determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected return on equity investments reflect long-term real rates of return experienced in the market.

46.1.4.15 Expected contributions to post employment benefit plans for the year ending December 31, 2014 are Rs. 78,327.

46.1.4.16 The weighted average duration of the defined benefit obligation is 17.65 years.

(Amounts in thousand)

46.1.4.17 Historical information of staff retirement benefits

	2013	2012	2011	2010	2009
	Rupees				
Present value of obligations	(312,434)	(241,468)	(171,407)	(137,469)	(77,010)
Fair value of plan assets	253,792	200,821	129,997	82,509	58,688
Deficit	(58,642)	(40,647)	(41,410)	(54,960)	(18,322)

46.1.5 Engro Polymer and Chemicals Limited

	Pension Fund		Gratuity Fund	
	2013	2012 (Restated)	2013	2012 (Restated)
	Rupees			
46.1.5.1 Balance sheet reconciliation				
Present value of defined benefit obligations	-	150,494	-	51,561
Fair value of plan assets	-	(149,406)	-	(47,578)
Deficit	-	1,088	-	3,983
Payable in respect of transfers	-	-	-	42
Net liability at the end of the year	-	1,088	-	4,025
Movement in net asset / liability				
Opening Balance	1,088	15,365	4,025	6,049
Cost for the period charged to Profit and Loss	1,570	17,002	1,693	6,812
Net contributions and other adjustments	(16,811)	(17,002)	(5,835)	(6,812)
Total remeasurements charged to OCI	14,153	(14,277)	117	(2,024)
Closing Balance	-	1,088	-	4,025
46.1.5.2 Movement in the defined benefit obligation				
As at beginning of the year	150,494	132,499	51,561	42,778
Current service cost	10,546	13,441	4,318	5,263
Past service cost	(10,178)	-	(3,393)	-
Interest cost	13,631	17,659	4,719	5,791
Remeasurement of liability - OCI charge	9,923	(10,559)	4,767	(1,069)
Benefits paid	(6,018)	(2,546)	(1,901)	(1,160)
Liability recognized in respect of transfers	-	-	259	(42)
Effects of curtailment and settlement	(168,398)	-	(60,330)	-
As at end of the year	-	150,494	-	51,561
46.1.5.3 Movement in fair value of plan assets				
As at beginning of the year	149,406	117,134	47,578	36,729
Expected return on plan assets	12,429	14,333	3,951	4,439
Remeasurement of asset - OCI charge	(4,230)	3,483	4,650	758
Employer contributions	16,366	17,002	8,584	6,812
Benefits paid	(6,018)	(2,546)	(1,901)	(1,160)
Effects of curtailment and settlement	(167,953)	-	(62,862)	-
As at end of the year	-	149,406	-	47,578

(Amounts in thousand)

	Pension Fund		Gratuity Fund	
	2013	2012 (Restated)	2013	2012 (Restated)
	Rupees			
46.1.5.4 Charge for the year				
Current service cost	10,546	13,441	4,318	5,263
Past service cost	(10,178)		(3,393)	-
Net Interest cost	1,202	3,326	768	1,352
Recognition of actuarial losses	-	235	-	197
	1,570	17,002	1,693	6,812
46.1.5.5 Remeasurements losses / (gains) recognized in Other Comprehensive Income				
Remeasurement of defined benefit obligation				
Loss / (gain) due to change in financial assumptions	446	(54)	82	(22)
Loss / (gain) due to change in demographic assumptions	-	-	-	-
Loss / (gain) due to change in retirement age assumptions	10,178	-	3,393	-
Loss / (gain) due to experience	(3,269)	(7,936)	41	204
Opening difference after audit	2,568	(2,804)	1,251	(1,448)
	9,923	(10,794)	4,767	(1,266)
Remeasurement of fair value of plan assets				
Loss / (gain) due to experience	(6,403)	(7,174)	(2,626)	(1,125)
Opening difference after audit	10,633	3,691	(2,024)	367
Remeasurement of fair value of plan assets	4,230	(3,483)	(4,650)	(758)
	14,153	(14,277)	117	(2,024)
46.1.5.6 Actual return on plan assets	18,832	19,580	6,577	5,144
46.1.5.7 Principal actuarial assumptions used in the actuarial valuation				
Discount rate per annum	11.0%	12.0%	11.0%	12.0%
Expected rate of increase per annum in future salaries	10.0%	11.0%	10.0%	11.0%
Mortality tables				
- During service	LIC (75-79)+1	LIC (75-79)+1	LIC (75-79)+1	LIC (75-79)+1
- Post employment	PA (90)-1	PA (90)-1	-	-
Withdrawals	Heavy	Heavy	Heavy	Heavy
46.1.5.8 Sensitivity analysis in actuarial assumptions actuarial liability				
Discount rate +1%	143,397	128,407	54,403	46,894
Discount rate -1%	200,095	178,544	66,378	57,007
Long term salary increase +1%	183,398	163,628	66,228	57,007
Long term salary increase -1%	155,299	139,060	54,434	46,815
Pension Increases +1%	183,313	164,202	-	-
Pension Increases -1%	155,508	138,768	-	-
Weighted average duration - PBO	17.92	19.58	11.53	13.25

(Amounts in thousand)

	Pension Fund 2013	Pension Fund 2012 (Restated)	Gratuity Fund 2013	Gratuity Fund 2012 (Restated)
	---------------	Rupees	---------------	
46.1.5.9 Plan assets comprise of the following				
Equity	-	35,857	-	11,419
Debt	-	113,549	-	36,159
	-	149,406	-	47,578

46.1.5.10 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

46.1.5.11 Historical information of staff retirement benefits

	2013	2012	2011	2010	2009
	----------	----------	Rupees	----------	----------
Pension Fund					
Present value of defined benefit obligation	-	150,494	132,499	110,835	78,994
Fair value of plan assets	-	(149,406)	(117,134)	(97,803)	(88,607)
Deficit / (Surplus)	-	1,088	15,365	13,032	(9,613)
Gratuity Fund					
Present value of defined benefit obligation	-	51,561	42,778	35,488	26,048
Fair value of plan assets	-	(47,578)	(36,729)	(30,903)	(27,618)
Deficit / (Surplus)	-	3,983	6,049	4,585	(1,570)

46.1.5.12 Defined contribution plans

During the year, Rs. 50,241 (2012: Rs. 38,535) has been recognised in respect of defined contribution provident fund.

(Amounts in thousand)

47. PROVIDENT FUND

47.1 Engro Corporation Limited, Engro Fertilizers Limited & Engro Eximp (Private) Limited

The Holding Company operates defined contribution Provident Fund (the Fund) maintained for its permanent employees. Monthly contribution are made both by the Company and employees to the Fund at the rate of 10% of basic salary. Accordingly, the following information is based upon the latest audited financial statements of the Fund as at June 30, 2013 and June 30 2012.

	2013	2012
	------------(Rupees)	------------
Size of the fund - Total assets	1,550,126	1,283,853
Investments at fair value	186,789	165,424
Investments at amortized cost	1,166,031	969,416
Percentage of investments made	87%	88%

The break-up of investments is as follows:

	2013 Rupees	2013 (%)	2012 Rupees	2012 (%)
National Savings Scheme	251,180	19	181,408	16
Government securities	693,247	51	704,936	62
Listed securities	408,393	30	248,496	22
	1,352,820	100	1,134,840	100

47.1.1 The investments out of the fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

47.2 Engro Polymer & Chemicals Limited

The following information is based on the latest audited financial statements of the Fund as at June 30, 2013 and June 30, 2012:

	2013	2012
	------------(Rupees)	------------
Size of fund	243,832	178,375
Cost of investments made	179,977	146,950
Fair value of investments	196,706	146,950
Percentage of investments made	81%	82%

(Amounts in thousand)

The break-up of investments in term of amount and percentage of size of provident fund is as follows:

	2013		2012	
	Rupees	(%)	Rupees	(%)
Special Savings Certificates	7,955	4%	7,955	5%
Term Finance Certificates	11,771	6%	9,743	7%
Treasury Bills	22,952	12%	44,912	31%
Regular Income Certificates	8,550	4%	-	0%
National Savings Bonds	-	0%	12,000	8%
Pakistan Investment Bonds	54,641	28%	33,309	23%
Quoted Shares	28,671	15%	33,657	23%
Mutual Funds	62,166	32%	5,374	4%
	196,706	100%	146,950	100%

The investments out of the fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

During the year, the Subsidiary Company transferred it provident fund from the defined contribution scheme to the defined contribution scheme maintained by the Holding Company. Accordingly, fund's related assets an the liabilities were re-measured as at September 30, 2013 and were substantially transferred to defined contribution fund as at December 31, 2013.

47.3 Engro Powergen Limited

The subsidiary company operated defined contribution provident fund for its permanent employees. The following information is based upon the latest audited financial statements of the Provident Fund as at June 30, 2013 and June 30, 2012.

	2013	2012
	------------(Rupees)------------	
Size of the fund - Total assets	87,483	66,706
Cost of investments made	70,500	34,362
Fair value of investments	70,824	36,876
Percentage of investments made	81%	52%

The break-up of fair value investments is as follows:

	2013		2012	
	Rupees	(%)	Rupees	(%)
Bank deposits	62,266	88%	-	0%
Government securities	-	0%	27,276	74%
Debt Securities	4,508	6%	5,000	14%
National savings scheme	4,050	6%	4,600	12%
	70,824	100%	36,876	100%

(Amounts in thousand)

The investments out of the fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose, except for investment in listed securities of a company which shall be less than 1% of the Fund balance.

As of December 31, 2013, the Group was in the process of transferring its employee provident fund to the fund maintained by the Holding Company. Hence, the investments were liquidated for the purpose of transfer and balance was deposited in saving account.

47.4 Engro Foods Limited

The following information is based upon the latest audited financial statements of the Provident Fund as at December 31, 2013 and December 31, 2012.

	2013	2012
	------------(Rupees)------------	
Size of the fund - Total assets	462,999	329,530
Fair value of investments	390,773	288,213
Percentage of investments made	84%	87%

The break-up of fair value investments is as follows:

	2013		2012	
	Rupees	(%)	Rupees	(%)
Bank deposits	107,825	28%	3,274	1%
Government securities	213,848	54%	192,025	67%
Listed securities	69,100	18%	92,914	32%
	390,773	100%	288,213	100%

The investments out of the fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

48. SEGMENT REPORTING

A Business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments.

Type of segments	Nature of business
Fertilizer	Manufacture, purchase and market fertilizers.
Polymer	Manufacture, market and sell Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and related chemicals.
Food	Manufacture, process and sell dairy and other food products.
Power	Includes Independent Power Projects (IPP)
Other operations	Includes chemical terminal and storage services.

-----Rupees-----

	Fertilizer 2013	Fertilizer 2012	Polymer 2013	Polymer 2012	Food 2013	Food 2012	Power 2013	Power 2012	Other operations 2013	Other operations 2012	Elimination - net 2013	Elimination - net 2012	Consolidated 2013	Consolidated 2012
Revenue from external customers (note 31)	76,980,977	48,040,803	24,780,581	20,605,601	44,770,594	44,738,443	8,665,433	11,665,605	3,156,058	1,988,063	(2,993,715)	(1,887,243)	155,359,928	125,151,272
Segment gross profit / (loss)	25,485,235	11,890,644	5,099,441	3,555,140	8,168,281	10,312,291	1,651,725	2,632,750	3,156,058	1,988,063	(2,964,050)	(1,858,940)	40,596,690	28,519,948
Segment expenses - net of other income	(7,409,368)	(4,372,934)	(2,430,037)	(1,707,008)	(7,704,013)	(6,342,322)	767,812	(200,723)	327,341	(319,388)	510,502	1,237,338	(15,937,763)	(11,705,037)
Income on deposits / other financial assets (note 35)	863,838	190,431	43,743	22,830	143,523	99,798	55,662	678	957,370	762,018	(968,766)	(661,469)	1,095,370	414,286
Financial charges (note 37)	(8,616,121)	(10,758,469)	(1,369,849)	(1,659,061)	(1,878,566)	(1,632,201)	(1,099,198)	(390,795)	(1,020,262)	(1,032,062)	882,891	(43,650)	(13,101,105)	(15,516,238)
Share of income from joint venture (note 38)	-	-	-	-	-	-	-	-	609,622	743,781	-	-	609,622	743,781
Income tax (charge) / credit (note 39)	(3,640,455)	452,868	(636,591)	(134,892)	44,252	(825,545)	5,395	(6,617)	(334,328)	(190,248)	(11,166)	44,871	(4,572,893)	(659,563)
Segment profit after tax / (loss)	6,683,129	(2,597,460)	706,707	77,009	(1,226,523)	1,612,021	1,381,396	2,035,293	3,695,801	1,952,164	(2,550,589)	(1,281,850)	8,689,922	1,797,177
Segment loss after tax from discontinued operations	-	-	-	-	-	-	(17,425)	(4,225)	-	-	-	-	(17,425)	(4,225)
Segment assets	112,279,943	108,671,306	25,368,363	25,091,364	44,017,218	28,087,206	20,562,316	25,058,164	35,933,520	34,404,737	(33,122,909)	(32,951,687)	205,038,451	188,361,090
Investment in joint venture / associate (note 9)	-	-	-	-	-	-	-	-	1,868,995	1,262,973	-	-	1,868,995	1,262,973
Total segment assets	112,279,943	108,671,306	25,368,363	25,091,364	44,017,218	28,087,206	20,562,316	25,058,164	37,802,515	34,404,737	(33,122,909)	(37,235,487)	206,907,446	189,624,063
Total segment liabilities	99,777,673	91,858,687	18,315,410	18,768,473	17,983,729	16,332,804	13,727,815	17,661,142	7,990,211	7,720,498	(7,090,542)	(5,937,980)	150,704,296	146,403,624
Capital expenditure including biological assets	1,467,778	2,089,052	638,543	364,229	5,858,797	3,033,089	519,864	186,864	40,514	47,655	103,239	201,532	8,628,735	5,922,421
Depreciation (note 5.2)	4,944,416	4,962,266	1,182,721	1,168,970	1,677,505	1,455,697	696,478	595,259	30,867	53,865	32,975	31,313	8,564,962	8,267,370
Amortization of intangibles (note 9.1)	36,211	31,867	10,637	10,467	54,043	40,695	12,022	11,878	-	-	(3,865)	(2,143)	109,048	92,764

(Amounts in thousand)

49. TRANSACTIONS WITH RELATED PARTIES

Related party comprise subsidiaries, joint venture companies, associates, other companies with common directors, retirement benefit funds, directors and key management personnel. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2013	2012
	-----------(Rupees)-----------	
Associated Companies		
Purchases and services	10,721,082	11,508,811
Sale of goods and rendering of services	1,797,454	1,263,872
Sale of operating assets	9,247	-
Dividends paid	-	335,161
Purchase of T-Bill	7,854,678	1,583,191
Sale of T-Bill	8,433,065	1,166,001
Income / Markup on T-Bill	40,864	18,165
Payment of interest on TFCs and repayment of principal amount	22,667	215,611
Investment in mutual funds	1,360,000	400,000
Redemption of mutual funds	1,006,905	1,684,495
Joint Ventures		
Purchase of services	973,207	849,790
Services rendered	36,770	2,133
Reimbursements	30,082	35,656
Dividend received	540,000	1,192,500
Retirement funds		
Contribution to retirement benefit schemes / funds	654,328	541,371
Others		
Dividends paid	-	10,205
Other benefits paid	213,857	154,599
Remuneration of key management personnel	692,286	663,729
Director's Fee	28,872	26,400

50. DONATIONS

Donations include the following in which a director or his spouse is interested:

Director	Interest in donee	Name of donee	2013	2012
			----------(Rupees)----------	
Muhammad Aliuddin Ansari, Ruhail Mohammad Safaraz A. Rehman Khalid S. Subhani and Afnan Ahsan (resigned)	Chairman and Trustees	Engro Foundation	61,900	63,543

(Amounts in thousand)

51. PRODUCTION CAPACITY

		Designed Annual Capacity		Actual Production	
		2013	2012	2013	2012
Urea	Metric Tons	2,275,000	2,275,000	1,561,575	974,425
NPK	Metric Tons	100,000	100,000	92,839	67,755
PVC Resin	Metric Tons	156,000	150,000	146,000	146,000
EDC	Metric Tons	127,000	127,000	117,000	110,000
Caustic soda	Metric Tons	106,000	106,000	115,000	107,000
VCM	Metric Tons	220,000	220,000	170,000	146,000
Power (note 52.1)	Mega watt	1,861,198	1,881,360	1,333,664	1,767,083
Dairy and juices	Thousand Litres	657,000	601,481	422,818	476,788
Milling / Drying unit of rice processing plant	Metric Tons	414,000	234,000	196,478	139,575
Ice cream	Thousand Litres	39,000	35,527	14,500	16,550

51.1 Actual energy delivered by the plant is dependent on the load demanded by WAPDA and plant availability. The shortfall is primarily due to shutdown of plant of EPL, a subsidiary company, during the year for 76 days.

52. NUMBER OF EMPLOYEES

	Number of employees as at		Average number of employees	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Management employees	2,730	2,463	2,612	2,375
Non-management employees	904	929	919	940
	3,634	3,392	3,531	3,315

53. LOSS OF CERTAIN ACCOUNTING RECORDS

During 2007, a fire broke out at PNSC Building, Karachi where the Head Office and registered office of the Holding Company was located. Immediately following this event the Holding Company launched its Disaster Recovery Plan due to which operational disruption and financial impact resulting from this incident remained minimal.

The fire destroyed a substantial portion of its hard copy records related to the financial years 2005, 2006 and the period January 01, 2007 to August 19, 2007 although, electronic data remained intact due to the Holding Company's Disaster Recovery Plan. The Holding Company launched an initiative to recreate significant lost records and was successful in gathering the same in respect of the financial year 2007. Hard copy records related to the already reported financial years 2005 and 2006 have not been recreated.

(Amounts in thousand)

54. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Holding Company in its meeting held on February 14, 2014 has proposed a specie dividend for the year ended December 31, 2013 in the ratio of 1:10 (one share of Engro Fertilizers Limited for every ten shares held), for approval of the members at the Annual General Meeting to be held on March 31, 2014.

The consolidated financial statements for the year ended December 31, 2013 does not include the effect of the proposed specie dividend, which will be accounted for in the consolidated financial statements for the year ending December 31, 2014.

55. LISTING OF SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND JOINT VENTURE

Name of subsidiaries:	Financial year end
Engro Fertilizers Limited	December 31st
Engro Foods Limited	December 31st
Engro Polymer and Chemicals Limited	December 31st
Engro Eximp (Private) Limited	December 31st
Engro Powergen Limited	December 31st
Elengy Terminal Pakistan Limited	December 31st
Name of Joint Venture:	
Engro Vopak Terminal Limited	December 31st

(Amounts in thousand)

56. CORRESPONDING FIGURES

Prior year's figures have been restated consequent to the retrospective application of IAS-19 (Revised), as more fully explained in note 4.

During the year, for better presentation, the following reclassifications were made in these consolidated financial statements:

Description	Rupees	Head of account in consolidated financial statements for the year ended December 31, 2012	Head of account in consolidated financial statements for the year ended December 31, 2013
Capital spares	80,979	Stores, spares and loose tools	Property, plant and equipment
Major spare parts and standby equipments	65,167	Stores, spares and loose tools	Property, plant and equipment
Communication and other office expenses	55,000	Distribution and marketing expenses	Administrative expenses
Advances to suppliers	48,295	Property, plant and equipment	Advances, deposits and prepayments
Software and licenses	11,879	Property, plant and equipment	Intangibles
Provisions	88,218	Provisions	Trade and other payables

Other corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, the effect of which is not material.

57. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on February 14, 2014, by the Board of Directors of the Holding Company.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

(Amounts in thousand)

56. CORRESPONDING FIGURES

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Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

annexure

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For disclosure on management approach, please refer respective sections of this report

General Standard Disclosures

General Standard Disclosures	Page Number or Direct Answer
STRATEGY AND ANALYSIS	
G4 - 1	13
ORGANIZATIONAL PROFILE	
G4 - 3	Title page
G4 - 4	39
G4 - 5	9
G4 - 6	Pakistan
G4 - 7	186
G4 - 8	21
G4 - 9	07
G4 - 10	120
G4 - 11	Not reported
G4 - 12	Not applicable
G4 - 13	39
G4 - 14	Please refer sections on 'Governance' (76) and Health Safety and Environment' (156)
G4 - 15	United Nations Global Compact
G4 - 16	Not reported
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES	
G4 - 17	11
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STAKEHOLDER ENGAGEMENT	
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G4 - 32	188
G4 - 33	192
GOVERNANCE	
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ETHICS AND INTEGRITY	
G4 - 56	07.82

Specific Standard Disclosures

Identified Material Aspects	Disclosure Reference or Direct Answer	Omissions
ECONOMIC		
Economic performance	EC1 (69, EC3(71), EC4 (No financial assistance received)	
Indirect economic impacts	EC7(136), EC8 (141)	
Procurement practices	EC9 (102)	
ENVIRONMENTAL		
Materials	EN1 (164), EN2 (158)	
Energy	EN3 (161), EN5 (161), EN6(158)	
Water	EN8 (163), EN10 (159)	Sources of water withdrawal – will be reported in 2016
Emissions	EN15 (162), EN16 (162), EN18 (162), EN19 (158)	
Effluents and waste	EN22 (152), EN23 (163), EN24 (159)	
Compliance	EN29. There was no fine and non-monetary sanction imposed on the company for non-compliance with environmental laws and regulations during the year.	
Overall	EN31 (171)	
Environmental grievance mechanisms	EN34. No environmental grievance filed during the year.	
SOCIAL: LABOUR PRACTICES AND DECENT WORK		
Employment	LA1 (119)	Partial disclosure
Occupational health & safety	LA5 (168), LA6 (170), LA7 (168), LA8 (168)	

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For disclosure on management approach, please refer respective sections of this report

Identified Material Aspects	Disclosure Reference or Direct Answer	Omissions
Training and education	LA10 (119)	
Diversity & equal opportunity	LA12 (119)	Breakdown by age group not available.
SOCIAL: HUMAN RIGHTS		
Non-discrimination	HR3. During the year, no significant incidents of discrimination occurred	
Freedom of association and collective bargaining	HR4. During the year, there have been no operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk.	
Child labour	HR5. During the year there have been no operations and suppliers identified as having significant risk for incidents of child labour. We have a strict policy all across our business activities that no one below the age of 18 should be employed.	
Forced or compulsory labour	HR6. During the year there have been no operations and suppliers identified as having significant risk for incidents of forced or compulsory labour.	
Indigenous rights	HR9. All our operations are subject to human rights reviews and impact assessments.	
Human rights grievance mechanisms	HR12. During the year, there have been no significant grievances filed about human rights impacts.	
SOCIAL: SOCIETY		
Local communities	SO1 – All operations have implemented local community engagement, impact assessments and development programs.	
Anti-corruption	SO3. All our operations have been assessed for risks related to corruption and we have robust internal audit and control mechanism in place to ensure fair practices.	

Identified Material Aspects	Disclosure Reference or Direct Answer	Omissions
Public policy	SO6. It is not our policy to make any political contributions so no political contribution has been made during the year.	
Anti-competitive behaviour	SO7. No legal actions for anti-competitive behaviour, anti-trust and monopoly practices have been taken by or against the company during the year.	
Compliance	SO8. No significant fines or any non-monetary sanctions for non-compliance with laws and regulations have been imposed on the company during the year.	
Grievance mechanisms for impacts on society	SO11. During the year no significant grievances about impacts on society was filed against the company.	
SOCIAL: PRODUCT RESPONSIBILITY		
Marketing communications	PR6. None of our group entities is involved in the sale of banned or disputed products.	
Customer privacy	PR8. During the year, no complaints have been made regarding breaches of customer privacy and losses of customer data.	
Compliance	PR9. No fines were imposed on the company for non-compliance with laws and regulations concerning the provision and use of products and services.	

Independent Assurance Report

United Registrar of Systems (URS) has been engaged by Engro Corporation (Engro) to provide a limited assurance on its integrated annual and sustainability report for the reporting period of January 1, 2013 to December 31, 2013. Engro was responsible for the preparation of the Report and this statement represents the assurance provider's independent opinion. URS's responsibility in performing its assurance activities is to the Engro's Board of Directors alone and in accordance with the terms of reference agreed with them.

Management's responsibility

Management is responsible for the preparation of the sustainability report in conformity with Sustainability Reporting Guidelines (G4 Core) of the Global Reporting Initiative. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the sustainability information that are free from material misstatement, selecting and applying appropriate criteria and making estimates that are reasonable in the circumstances. The scope of the sustainability report depends on Engro's Corporate Responsibility focus areas and as well as the GRI G4 Guidelines.

Basis of Assurance

Our responsibility is to express a limited assurance conclusion on the sustainability report based on our engagement. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 to provide limited assurance on performance data within the sustainability report. This requires that we plan and perform the engagement to obtain required level of assurance about whether the sustainability report is free of material misstatement. In addition we have reviewed whether the sustainability report has been prepared in accordance with the Sustainability Reporting Guidelines (G4 Core) of the Global Reporting Initiative.

We did not perform any assurance procedures on the prospective information, such as targets, expectations and ambitions, disclosed in the report. A limited assurance engagement with respect to sustainability report related data involves performing procedures to obtain evidence about the sustainability information. It does not include detailed testing of source data or the operating effectiveness of processes and internal controls and consequently they do not enable us to obtain the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement.

Our procedures on this engagement included:

- Gaining an understanding of Engro's targets for sustainability as part of the business strategy and operations;
- Reviewing of the processes and systems for data gathering, including the aggregation of the data for the Responsibility Information;
- To assess the reliability of the sustainability data reporting process;
- Assessing that the sustainability report has been prepared in accordance with the Sustainability Reporting Guidelines (G4 Core) of the Global Reporting Initiative.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our independence and competences in providing assurance to Engro Corporation

We complied with URS's independence policies which preclude us from taking financial, commercial, governance and ownership positions which might affect, or be perceived to affect, our independence and impartiality and from any involvement in the preparation of the report. We have maintained our independence and objectivity throughout the year and there were no events or prohibited services provided which could impair our independence and objectivity.

This engagement was conducted by a multidisciplinary team including assurance and sustainability expertise with professional qualifications. Our team is experienced in providing sustainability reporting assurance.

Our opinion

Inclusivity

Engro Corporation was found to have a suitable approach in place to assist with the identification of and engagement with key stakeholder groups including government agencies, local communities, distributors, customers, and suppliers on key sustainability issues.

Completeness

We have reviewed both qualitative and quantitative information and data and found the presentation in the report to be accurate and complete. The presentation of the data reflects current business practices and performance within Engro Corporation.

Materiality and Responsiveness

URS reviewed Engro's risk assessment processes for a number of sustainability topics and found that the risk assessments, review of external feedback and engagement with the business was undertaken to define issues for reporting.

Conclusion

On the basis of the procedures we have performed, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not prepared, in all material respects, appear to be unfairly presented in accordance with the criteria described in 'Basis of Assurance'.

Furthermore, nothing has come to our attention that causes us to believe that, in all material respects, the selected quantitative sustainability information of the Sustainability Report has not been prepared in accordance with the abovementioned criteria of the Sustainability Reporting Guidelines G4 of the Global Reporting Initiative (GRI).

Ali Khan
Chief Executive Officer
United Registrar of Systems
ICAP Membership No.: 1254
March 4, 2014

Ghulam Mustafa Aziz
Partner
G M Aziz and Co. Chartered Accountants

Report of the Audit Committee

The terms of the Audit Committee's mandate are governed by the Board of Directors and the Code of Corporate Governance. The Committee comprises of all non-executives and two independent directors with at least one member having expert knowledge of finance and accounting. The Committee monitors the integrity of financial information and provides comfort to the Board that the Company's internal controls and risk management systems are appropriate and regularly reviewed. As the external environment continued to be challenging during the year, the Committee focused on ensuring that the Company's systems and controls were operating effectively, were responsive to the external environment and are evolving in line with the Company's growth.

The Audit Committee uses information drawn from a number of different sources to carry out this responsibility including:

- objective assurance provided by Internal Audit through its annual work plan, which is approved by the Audit Committee focusing on the principal risks identified during risk assessment and key internal controls;
- regular reports to the Audit Committee from executive management and key Company support functions detailing their risk management and compliance approaches and highlighting any significant issues;
- further objective assurance provided by external auditors.

Where matters relate to the financial statements, the Committee reviews the approach, the estimates and judgments applied, the recommendations of management and the findings of the external auditors, where applicable.

The Audit Committee met five times during the year. Regular attendees at the Committee meetings included the Chief Financial Officer and the Head of Internal Audit. The heads of departments were also present for the relevant items of the agenda, as and when required. The Committee also at least once in the year met with:

- the external auditors in absence of the CFO and Head of Internal Audit; and
- the head of internal audit and other members of internal audit function without the CFO and external auditors being present.

Internal Auditors

The internal control framework has been effectively implemented through an independent in-house Internal Audit function established by the Board. The system of internal controls is designed to manage the risk of not achieving business objectives, and provides reasonable assurance against material misstatement or loss of assets. This covers all material controls including financial, operational and compliance and risk management systems.

The Head of Internal Audit has direct access to the Chairman of the Committee and the Committee has ensured that the function has all necessary access to management and the right to seek information and explanations. The Internal Audit function has carried out its duties under the Charter approved by the Committee. During the year, the Audit Committee monitored the effectiveness of the Internal Audit function through discussions with the Internal Audit Head along with reviewing matters arising from the Internal Audit reports, management's responses and action taken thereon. Accordingly, as and when necessary the Committee escalated matters to the Board for their review and action.

Further, the Committee examined and assessed for appropriateness the resolution of complaints by the Internal Audit function received via the Company's Whistleblower process. This process has been designed to encourage employees and other stakeholders to report concerns about accounting controls, auditing matters or any other practices which may appear to be questionable.

External Auditors

The Audit Committee undertakes a periodic formal review of the appointment of external auditors, taking into consideration a number of factors including the length of time the firm has been engaged, the quality of the Audit Committee's ongoing discussions with the external auditors, assessment of their past performance, etc. Based on the results of the evaluation, the Committee has recommended reappointment of the current external auditors to the Board. On the recommendation of the Audit Committee, the Directors will be proposing the reappointment of A.F. Ferguson & Co. at the AGM on March 31, 2014.

The Committee has a constructive and open relationship with management and we thank them for their assistance during the year.

Shabbir Hashmi
Chairman, Board Audit Committee

glossary

EBITDA: Earnings before Interest, Taxes, Depreciation and Amortization.

IFC: International Finance Corporation

VCM: Vinyl Chloride Monomer

PVC: Poly Vinyl Chloride

LNG: Liquefied Natural Gas

RLNG: Regasified Liquefied Natural Gas

LPG: Liquid Petroleum Gas

NGL: Natural Gas Liquid

UNGC: United Nations Global Compact

CoP: Communication on Progress

SVP: Senior Vice President

VP: Vice President

GM: General Manager

HR: Human Resources

PA: Public Affairs

CC: Corporate Communications

CSR: Corporate Social Responsibility

F&A: Finance & Accounting

BCP: Business Continuity Planning

SOP: Standard Operating Procedures

EU: European Union

GIDC: Gas Infrastructure Development Cess

SNGPL: Sui Northern Gas Pipeline

MMSCFD: Million Standard Cubic Feet Per Day

TCEB: Thar Coal Energy Board

SECMC: Sindh Engro Coal Mining Company

EVTL: Engro Vopak Terminal Limited

CCP: Competition Commission of Pakistan

PADP: Performance Appraisal Development Plan

EET: Employee Engagement Index

LCM: Leadership Competency Model

PAC: Performance Assessment & Compensation

HSE: Health, Safety & Environment

OHSA: Occupational Health and Safety Administration

BSC: British Safety Council

TRIR: Total Recordable Injury Rate

IMS: Integrated Management System

PSM: Personnel Safety Management

PSRM: Process Risk & Safety Management

CAER: Community Awareness and Emergency Response

MCC: Milk Collection Centres

WELD: Women Empowerment Through Livestock Development

FLEW: Female Livestock Extension Worker

FVMC: Female Village Milk Collector

TTC: Technical Training College

CPI: Community & Physical Infrastructure

CO: Community Organization

VO: Village Organization

GHG: Greenhouse Gas Emissions

VFD: Variable Frequency Drives

proxy form

I/We ____

of ______________________________ being a member of ENGRO CORPORATION LIMITED

and holder of ____________________________________

(Number of Shares)

Ordinary shares as per share Register Folio No. ______________________ and/or CDC

Participant I.D. No. ______________ and Sub Account No. ____________, hereby appoint

______________________ of ______________________ or failing him

____ of

____

as my proxy to vote for me and on my behalf at the annual general meeting of the Company to be held on the 31st day of March, 2014 and at any adjournment thereof.

Signed this ______________ day of ________ 2014.

Witnesses:

1) Signature : ______________

Name : ______________

Address : ______________

____

CNIC or : ______________

Passport No.: ______________

____

____

Signature

Signature should agree with the specimen registered with the Company

2) Signature : ______________

Name : ______________

Address : ______________

____

CNIC or : ______________

Passport No.: ______________

____

Note:

Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. A Proxy need not be a member of the Company.

CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.