about the cover:

As Pakistan's premier fertilizer company, Engro Fertilizers is seen as an icon among farmers countrywide. Our scope of business has not only helped increase the yields and hopes of millions of growers, but has also helped to transform the lives of families who use our products to build their livelihood. We're proud to bring you a report that features a wide array of unique visual icons from across the spectrum to highlight the significant contributions we make to yields and harvests. Today, as we stand taller, our commitment to improve lives — both on and off the field — continues to grow and benefit our collective ambitions.

about this report

Furthermore, at a group level Engro has been pushing ahead with a strategy to inform its shareholders and readers of how the Company creates value over time by showcasing both financial and non-financial information. Guided by this philosophy we launched our first integrated report last year that incorporated elements of our sustainability and annual reports as per the newly launched Integrated Reporting Framework.

To read more about our value creation process as per the new framework you can visit our group website www.engro.com and access the Integrated Report 2014 in the Downloads section. Alternatively you can also view a digital version of the report by visiting www.engro.com/integratedreview2014.

contents

Company Information

Corporate Governance

Directors' Report

Financial Statements

nourishing grassroots

company information

Board of Directors

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

Company Secretary

Faiz Chapra

Bankers

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

Auditors

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

Registered Office

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

notice of the meeting

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting of the Company will be held at Pearl Continental Hotel, Club Road, Karachi on Wednesday, April 29th, 2015 at 10:30 a.m. to transact the following business:

Ordinary Business:

(1) To receive and consider the Audited Accounts for the year ended 31st December 2014 and the Directors' and Auditors' Reports thereon;
(2) To declare a final dividend at the rate of Rs. 3:00 per share for the year ended December 31, 2014;
(3) To appoint Auditors and fix their remuneration.

N.B

(1) The share transfer books of the Company will be closed and no transfers of shares will be accepted for registration from Wednesday, April 15, 2015 to Wednesday, April 29, 2015 (both days inclusive). Transfers received in order at the office of our Registrar, Messrs FAMCO ASSOCIATES (PVT.) LTD, 8-F, next to Hotel Faran, Nursery, Block 6, PECHS, Shahra-e-Faisal, Karachi PABX Nos. (92-21) 34380101-5 and email info.shares@famco.com.pk, by the close of business (5:00 p.m.) on Tuesday, April 14, 2015 will be treated to have been in time for the purpose of the entitlements, attending and to vote at the meeting.

(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.

(3) **Submission of Copy of CNIC/NTN Details (Mandatory)**
Pursuant to the directives of the Securities and Exchange Commission of Pakistan CNIC number of individuals is mandatorily required to be mentioned on dividend warrants and pursuant to the provisions of Finance Act 2014, the rate of deduction of income tax under section 150 of the Income Tax Ordinance 2001 from dividend payment have been revised as: for filers of Income Tax return 10% and Non filer of Income Tax return 15%. In case of Joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to our Share Registrars, or if no notification, each joint holder shall be assumed to have an equal numbers of shares.

Company Name	Folio/CDS Account No.	Total Shares	Principal Shareholder		Joint Shareholder	
			Name & CNIC No.	Shareholding Proportion No. of Shares	Name & CNIC No.	Shareholding Proportion No. of Shares

The CNIC number/NTN details is now mandatory and is required for checking the tax status as per the Active Taxpayers List (ATL) issued by Federal Board of Revenue (FBR) from time to time.

Individuals including all joint holders holding physical share certificates are therefore requested to submit a copy of their valid CNIC to the Company or its Registrar if not already provided. For shareholders other than individuals, the checking will be done by matching the NTN number, therefore the Corporate shareholders having CDC accounts are requested in their own interest to provide a copy of NTN certificate to check their names in the ATL before the book closure date to their respective participants/CDC, whereas corporate shareholders holding physical share certificates should send a copy of their NTN certificate to the Company or its Share Registrar. The Shareholders while sending CNIC or NTN certificates, as the case may be must quote their respective folio numbers.

In case of non-receipt of the copy of a valid CNIC or NTN, the Company would be unable to comply with SRO 831(1)/2012 dated July 05 2012 of SECP and therefore will be constrained under Section 251(2)(a) of the Companies Ordinance, 1984 to withhold dispatch of dividend warrants of such shareholders. Further, all shareholders are advised to immediately check their status on ATL and may, if required take necessary action for inclusion of their name in the ATL. The Company as per the new Law, shall apply 15% rate of withholding tax if the shareholder's name, with relevant details, does not appear on the ATL, available on the FBR website on the first day of book closure and deposit the same in the Government Treasury as this has to be done within the prescribed time.

Zakat Declarations (CZ-50)

The Zakat will be deducted from the dividends at source at the rate of 2.5% of the paid-up value of the shares (Rs.10/- each) under the Zakat and Ushr Laws and will be deposited within the prescribed period with the relevant authority. Please submit your Zakat Declarations under Zakat and Ushr Ordinance, 1980 & Rule 4 of Zakat (Deduction & Refund) Rules, 1981 CZ-50 Form, in case you want to claim exemption, with your brokers or the Central Depository Company Ltd. (in case the shares are held in Investor Account Services on the CDC) or to our Registrars, FAMCO Associates (Pvt) Ltd., at their address mentioned above (in case the shares are held in paper certificate form). The shareholders while sending the Zakat Declarations, as the case may be must quote company name and their respective folio numbers.

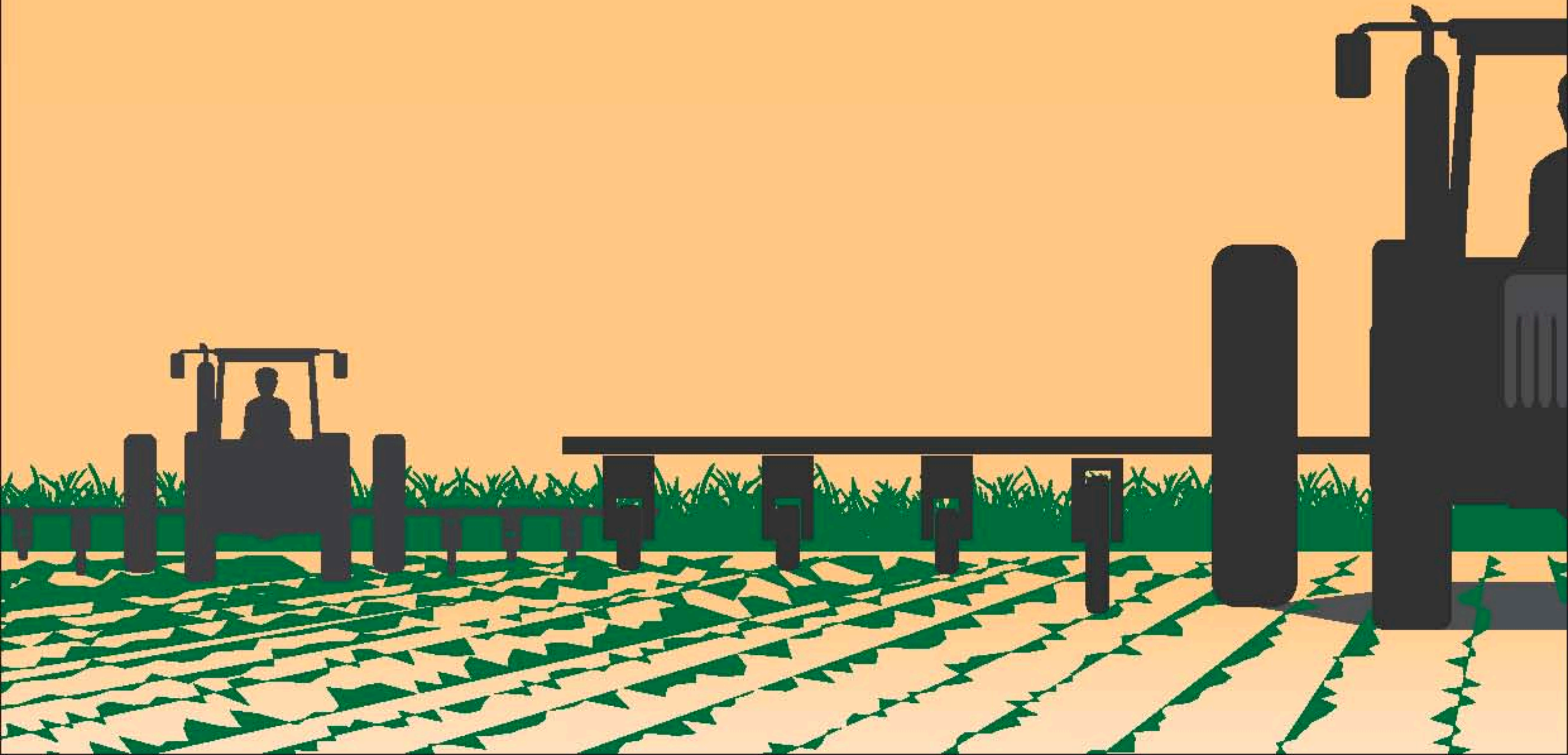
By Order of the Board

FAIZ CHAPRA
Company Secretary

Karachi,
Dated: February 09, 2015

vision statement

To be a leader in the fertilizer industry with a global presence, exceeding stakeholder expectations in the communities we serve



engro fertilizers at a glance

A+
Long Term PACRA Rating

1,136
Employee Strength

PKR 34bn
Contribution to National Exchequer

PKR 103bn
Market Capitalization

32%
Urea Market Share

73%
Employee Engagement Index

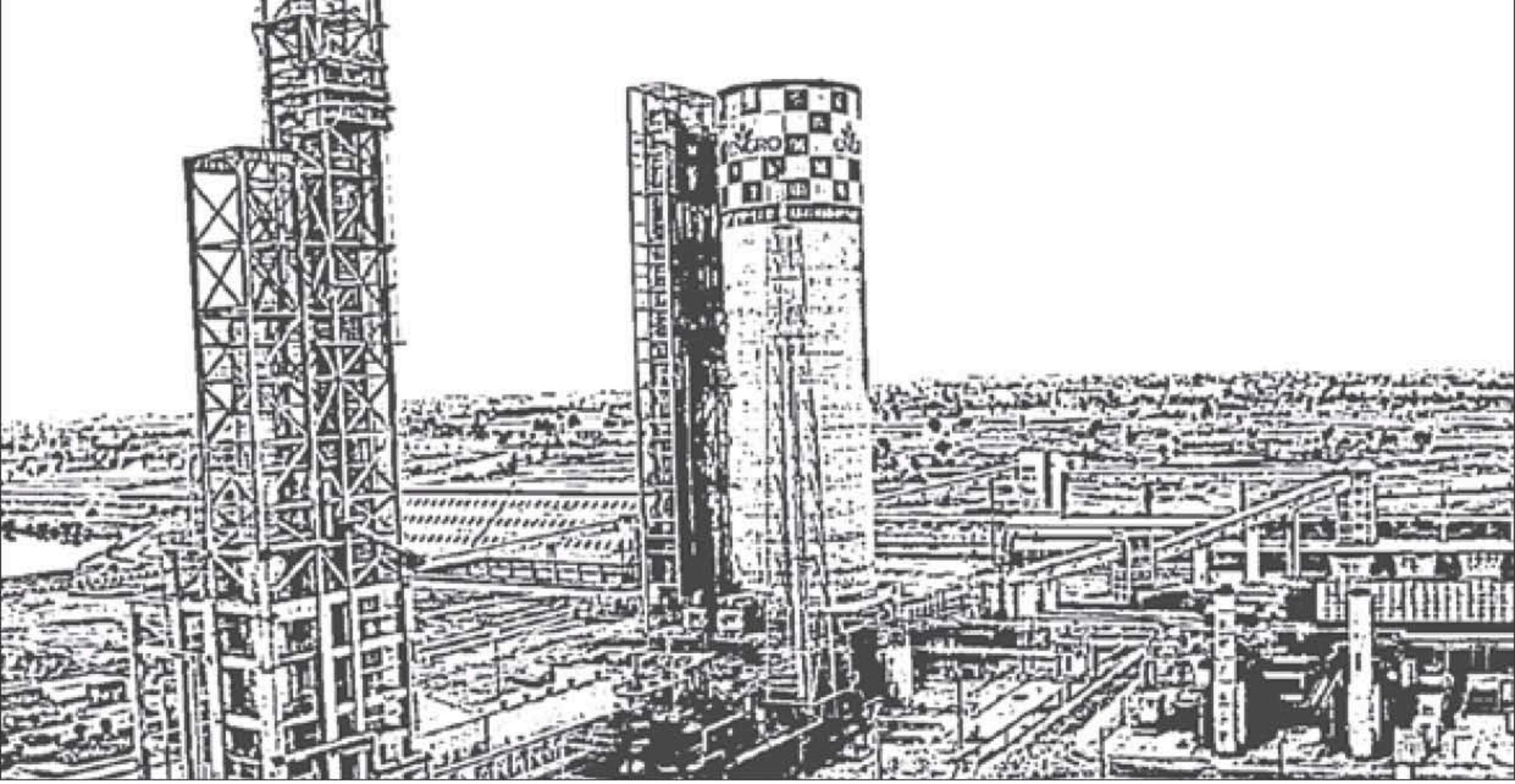
PKR 56.6bn
Wealth Generated

our history

As the nation's first branded fertilizer manufacturer, the Company helped modernize traditional farming practices and boost farm yields, directly impacting the quality of life for farmers and their families, and for the nation at large. Farmer education programs increased consumption of fertilizers in Pakistan, paving way for the Company's branded urea called "Engro" –an acronym for "Energy for Growth".

Our story begins with one company's enterprising decision to strive ahead and invest when another had bowed out. In 1957, Pak Stanvac –an Esso/Mobil joint venture –stumbled upon vast deposits rich in natural gas in Mari while pursuing viable oil exploration in Sind. With Pak Stanvac focused exclusively on oil exploration, the discovery shifted the impetus to Esso which decided to invest on the massive industrial potential of Mari gas field. Esso proposed establishment of a giant urea plant in Daharki, about ten miles from the Mari gas fields, which would use natural gas produced as its primary raw material to turn out urea fertilizer.

Talks with the Government of Pakistan bore fruit in 1964, and an agreement was signed allowing Esso to set up a urea plant with an annual capacity of 173,000 tons. Esso brought in state-of-the-art design; commercially tried facilities; and a highly distinguished pool of technical expertise to ensure a smooth start up. Total investment made was US$ 46M –the single largest foreign investment in Pakistan to date then. The plant started production on 4 December 1968.



To boost sales, a full-fledged marketing organization was established which undertook agronomic programs to educate farmers of Pakistan. As the nation's first branded fertilizer manufacturer, the Company helped modernize traditional farming practices and boost farm yields, directly impacting the quality of life for farmers and their families, and for the nation at large. Farmer education programs increased consumption of fertilizers in Pakistan, paving way for the Company's branded urea called "Engro" –an acronym for "Energy for Growth".

In 1978, Esso became Exxon as part of an international name change. The Company was, therefore, renamed Exxon Chemical Pakistan Limited.

In 1991, Exxon decided to divest its fertilizer business on a global basis. The employees of Exxon Chemical Pakistan Limited –in partnership with leading international and local financial institutions –bought out Exxon's 75% equity. This was, and perhaps still is, the most successful employee buy-out in Pakistan's corporate history. Renamed Engro Chemicals Pakistan Limited, the Company went from strength to strength with its consistent financial performance; growth of its core fertilizer business; and diversification into other enterprises. A major plant capacity upgrade at Daharki coincided with the employee led buy-out in 1991. Engro also relocated fertilizer manufacturing plants from the UK and US to its Daharki plant site –an international first. As years followed, Engro Chemicals Pakistan Limited started venturing into other sectors namely: foods, energy, chemical storage and handling, trading, industrial automation and petrochemicals.

By 2009, Engro was fast growing and had already diversified its business portfolio in as many as seven different industries. The continuous expansions and diversifications in Company's enterprises necessitated a broad restructuring in Engro Chemicals Pakistan Ltd. which subsequently demerged to form a new Engro subsidiary –Engro Fertilizers Limited.

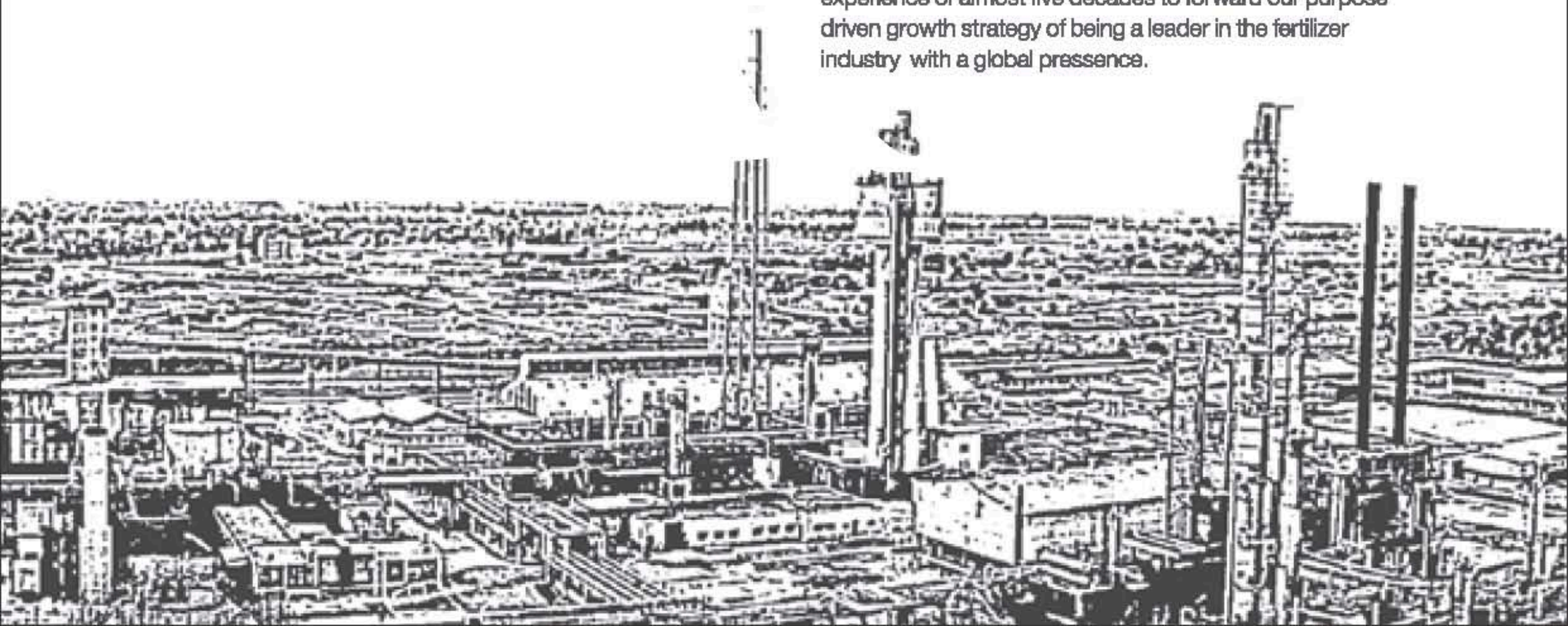
After the necessary legal procedures and approvals, the Sindh High Court sanctioned the demerger on December 9, 2009. The demerger became effective from January 1, 2010. Subsequently, all fertilizer business assets and liabilities have been transferred to Engro Fertilizers Limited against the issue of shares to the parent company Engro Corp.

The Company undertook its largest urea expansion project in 2007.

The state of the art plant enVen 3.0, stands tall at 125 meters –dubbed the tallest structure in Pakistan. The total cost of this expansion is approximately US$ 1.1 Billion, with the expanded facility making Engro one of the largest urea manufacturers in Pakistan, besides substantially cutting the cost of urea imports to national exchequer.

Last year, the Company forayed into the capital markets and tapped them to raise the necessary capital required to fund development capex on securing additional gas supplies along with restructuring of the balance sheet to optimize the capital structure of the company. The IPO was a roaring success being oversubscribed four times in the book building process whilst being oversubscribed for three times at the time of public issue.

As we forge ahead we aim to buid on our world class experience of almost five decades to forward our purpose driven growth strategy of being a leader in the fertilizer industry with a global pressence.



Mari gas field discovered by Esso Mobil joint venture

Signed agreement with the government to set up a urea plant with an annual capacity of 173,000 tons

1965

The company was incorporated as Esso Pakistan Fertilizer Limited, to manufacture and market fertilizers

1968

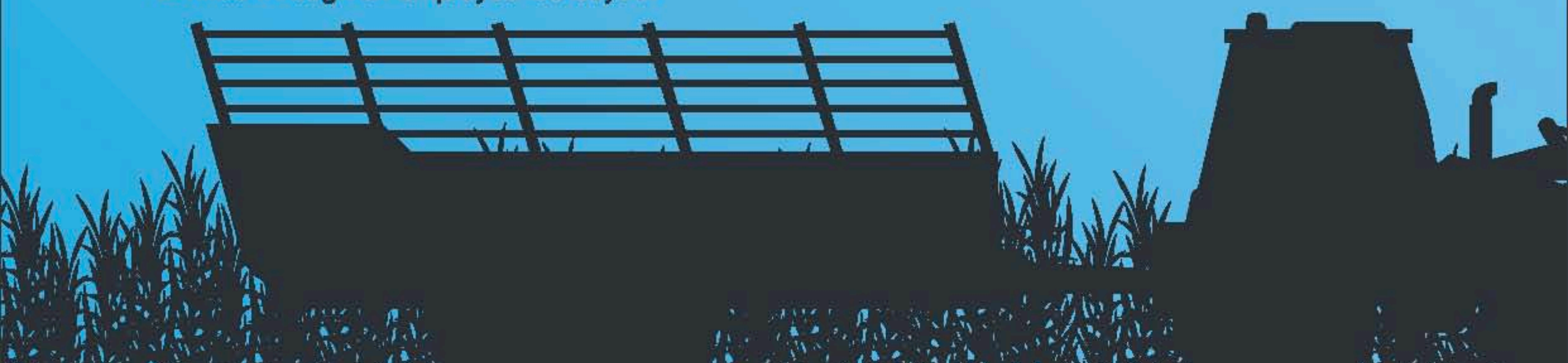
Urea plant commissioned

1991

Exxon divests its equity from fertilizer business globally; the Company is renamed as Engro Chemicals Pakistan Limited through an employee led buyout

2007

Started construction of world's largest single-train urea plant - enVen



2010

Enven plant started producing urea. Demerger of Engro Chemicals Pakistan Limited and transfer of fertilizer business to a separate company, Engro Fertilizers Limited. Engro Chemicals renamed Engro Corporation Limited

2011

Enven capitalized and started commercial production

2013

Successful IPO conducted. Oversubscribed 3x during the process

2014

Achieved highest ever Urea sales in the history of Engro Fertilizers of 1.818 Mn Tons consequently resulting in highest ever market share of 32% for urea in 2014

core values

At Engro Fertilizers, we support our leadership culture through unique systems and policies, which ensure open communication, foster an environment of employee and partner privacy, and guarantee the well-being and safety of our employees.

Our core values form the basis of everything we do at Engro Fertilizers; from formal decision making to how we conduct our business to spot awards and recognition. At Engro Fertilizers we never forget what we stand for. Following are our core values:

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.

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, acknowledging the fact that not all risks will result in success.

Our People

We strongly believe in the dignity and value of our 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.

Community & Society

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

nourishing leadership

board of directors

From Left to Right:
Shabbir Hashmi, Khalid Siraj Subhani, Naz Khan, Aliuddin Ansari,
Ruhail Mohammed, Shahid Hamid Pracha, Abdul Samad Dawood & Javed Akbar

directors' profile

Muhammad Aliuddin Ansari

Chairman

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 World Invest after a management buyout. Prior to joining Engro, he has also 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.

Ali is a member of the Board of Directors of Engro Corporation Limited and the Chairman of Engro Corporation's subsidiaries along with being a member on Sindh Engro Coal Mining Company, Dewan Drilling Limited, Pakistan Chemical & Energy Sector Skill Development Company, and Pakistan Business Council. He has chaired a number of SECP committees, NCCPL and also served on the Boards of the Karachi Stock Exchange, Dawood Hercules Corporation Limited, Hubco, Lucky Cement and Al Meezan Investment Management amongst others. He joined the Engro Fertilizers Board in 2012.

Ruhail Mohammed

Cheif Executive Officer

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 (USA).

Ruhail has 25 years of Financial & Commercial experience and prior to becoming CEO 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 Hub Power Company Limited, Sindh Board of Investment and Pakhtunkhwa Energy Development Organization. He joined the Board in 2009 and became CEO 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 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 2010.

Javed Akbar
Director

Javed Akbar has undergraduate and post-graduate qualification in Chemical Engineering from the United Kingdom, and has over 40 years of experience in fertilizer and chemical business with Exxon, Engro and Vopak. He has managed Exxon and Engro fertilizer plants and their expansions in Pakistan, worked in Exxon's Chemical Technology divisions in USA and Canada, and served as Human Resources Manager in Exxon Pakistan. He was part of the buyout team when Exxon divested its stake in Engro.

Prior to his retirement in 2006, he was Chief Executive of Engro Vopak Terminal Limited, a joint venture between Engro and Royal Vopak of Holland. After his retirement, he established a consulting company specializing in analyzing and forecasting petroleum, petrochemical and energy industry trends and providing strategic insight. He is on the boards of Dawood Hercules Corporation Limited, DH Fertilizer Limited, Engro Fertilizers Limited, Engro Powergen Limited, Engro Powergen Qadirpur Limited, Engro Vopak Terminal Limited, and Javed Akbar Associates (Private) Limited. He also serves on the panel of Energy Experts Group and environmental experts of Sindh Environmental Protection Agency. He joined the Board in 2010.

directors' profile

Khalid Siraj Subhani
Director

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

He is a Director on the Boards of Engro Corporation Limited, Engro Fertilizers Limited, Engro Eximp Private Limited, Engro Polymer & Chemicals Limited, The Hub Power Company Limited and Laraib Energy Limited. He is Chairman of the Board of Engro Polymer Trading (Pvt) Ltd. He has also served as Chairman of the Board of Avanceon in the past. 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 served as Manager for New Projects, General Manager for Operations, Vice President for Manufacturing, Senior Vice President for Manufacturing and New Ventures and as 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 of Institute of Business Administration – Sukkur, Faculty Selection Board of Institute of Business Administration - Sukkur and Standing Committee on Environment of Federation of Pakistan Chambers of Commerce & Industry. He has recently been elected Vice President 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 2009.

Naz Khan
Director

Naz Khan is the Chief Financial Officer at Engro Corporation Limited. Prior to her current position, she also worked as Chief Executive Officer of KASB Funds Limited. Her association with Pakistan's capital markets spans over 19 years during which she has been actively involved in primary as well as secondary markets for both debt and equity securities. She has also held key positions of Executive Director, Head of Money Market and Fixed Income, Head of Investment Advisory Division and Co-Head of Investment Banking Division at KASB Securities Limited, where she led major capital market transactions on the debt and equity side. Ms. Khan has also worked as a consultant for the Asian Development Bank on Mortgage Backed Securities. She is a graduate from Mount Holyoke College, MA, USA. She joined the Board in 2013.

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 joined the Board in 2010.

Shahid Hamid Pracha
Director

Mr. Pracha chairs the Board of DH Fertilizers Limited, Dawood Lawrencepur Limited, Tenaga Generasi Limited and Reon Limited. In addition to Engro Fertilizers Limited, he is a Director on the Boards of Engro Corporation Limited, Hub Power Company Limited, Engro Powergen Limited, Engro Powergen Qadirpur Limited, and e2e Business Enterprises (Private) Limited. He recently retired as Chief Executive of Dawood Hercules Corporation Limited and has also served as the CEO 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 2013.

board committees

The Board has established following two committees:

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 Chief Executive Officer attends Board Compensation Committee meetings by invitation. The committee met four times during 2014.

Members
Muhammad Aliuddin Ansari - Chairman
Abdul Samad Dawood - Director
Javed Akbar - Director

The Secretary of the Committee is M. Asif Tajik, VP HR & Administration.

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 four times during 2014.

Members
Javed Akbar - Chairman
Shabbir Hashmi - Member
Abdul Samad Dawood – Member

The Secretary of the Committee is Saleem Lallany, Manager Corporate Audit.

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.

MANCOM

MANCOM is headed by the President & CEO, and includes the functional heads of all departments. The committee meets to discuss Company's performance and works in an advisory capacity to the President & CEO.

Committee Members
Ruhail Mohammed (Chairman)
Ahmad Shakoor
Asim Butt
Imran Anwar
Inamullah Naveed Khan
M. Asif Tajik
Mudassir Yaqoob Rathore

The Secretary of MANCOM is Khusrau Nadir Gilani.

Six Sigma Divisional Council

This committee oversees the implimentation of Six Sigma. It is guided by Six Sigma Corporate Council whose members are same as COED.

Committee Members
M. Asif Tajik (Chairman)
Imran Anwar
Salman Abdullah Gora
Rabia Wafah Khan
Saleem Lallany
Sameer Amin
Wajid Hussain Junejo

The Secretary of both Six Sigma Councils is Adeel Anwar.

Committee for Organizational and Employee Development (COED)

The COED is responsible for the review of Compensation, Organization, Training and Development matters of all employees. The members of COED at Engro Fertilizers are as follows:

Committee Members
Ruhail Mohammed (Chairman)
Ahmad Shakoor
Asim Butt
Imran Anwar
Inamullah Naveed Khan
M. Asif Tajik
Mudassir Yaqoob Rathore

The Secretary of the COED is M. Asif Tajik.

Corporate HSE Committee

This committee is responsible for bringing in exellence in the sectors of Health, Safety and Environment.

Committee Members
Ruhail Mohammed (Chairman)
Ahmad Shakoor
Asim Butt
Imran Anwar
Inamullah Naveed Khan
M. Asif Tajik
Mudassir Yaqoob Rathore

The Secretary of the Corporate HSE Committee is Mahmood Siddiqui.

our governance framework

With a strong legacy system spanning over four decades, Engro Fertilizers continues to optimize its governance framework by institutionalizing its core values, policies and principles across the board.

Compliance Statement

The Board of Directors has throughout the year 2014 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 Engro Fertilizers periodically reviews major financial and operating risks faced by the business. We also continue to operate an Enterprise-wide Risk (ERM) system to proactively highlight risks associated with the business and deploy mitigation strategies that feed into our governance framework.

Internal Control Framework

Responsibility:

The Board is ultimately responsible for the Company'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 documented 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 the Company'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 Fertilizers 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, 2014 the Board comprises of one executive Director, two independent Directors, five non-executive Directors of whom three are executives in other Engro companies, who have the collective responsibility for ensuring that the affairs of Engro Fertilizers are managed competently and with integrity.

A non-executive Director, Mr. Aliuddin Ansari, chairs the Board and the Chief Executive Officer is Mr. Ruhail Mohammed. Biographical details of the Directors are given earlier in this section. A Board of Directors' meeting calendar is issued annually that schedules the matters reserved for discussion and approval. The full Board met 05 times this year and discussed matters relating to inter alia long 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.

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 No. 5.19 of the listing regulations of Karachi Stock Exchange Limited and Regulation No. 35 of chapter XI contained in the Listing Regulation of 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, 2014 the Board included the following members:

Category	Name
Independent Directors	Shabbir Hashmi Javed Akbar
Executive Directors	Ruhail Mohammed
Non-Executive Directors	Abdul Samad Dawood Shahid Hamid Pracha Naz Khan Muhammad Aliuddin Ansari Khalid S. Subhani

   The independent directors meet the criteria of independence under clause i (b) of the CCG. Of the non-executive directors, Ms. Naz Khan, Muhammad Aliuddin Ansari and Khalid S. Subhani are executives in other Engro Group 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. No casual vacancy occurred on the Board during the year.

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 record of particulars of significant policies 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. Four of the directors attended the directors training course conducted by the Pakistan Institute of Corporate Governance (PICG) this year. Three directors have already completed this course earlier.

10. The Board has approved appointment of 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 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 three members of whom two members are independent directors and one is a non-executive director and the Chairman of the Committee is an independent director.

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. It comprises three members, of whom one is an independent director and two are non-executive 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 that are involved in the internal audit function on a full time basis and are conversant with policies and procedures of the Company.

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 the Company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through the stock exchanges.

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

Aliuddin Ansari
Chairman

Ruhail Mohammed
CEO

nourishing prospects

CEO's message

As the Company continues to evolve, we are now effectively harnessing even more the power of innovation to manage risks, create opportunities, and meet our sustainability goals

Today's business world is complex and fast-paced, and looking forward, the impetus of change will continue. The best organizations are those that challenge themselves to look at their role in the world, and to re-affirm their sense of purpose. Engro Fertilizers goal remains to dedicatedly build a sustainable and profitable organization, which is a good investment for our shareholders, whilst at the same time, provide a positive working environment for our employees.

History has proven that the greatest challenge for a company is to stand the test of time, and we have managed to accomplish this by focusing and prioritizing our goals and business interests – a fact reflected in our stellar revenue and profit growth. 2014 saw Engro Fertilizers raise the bar as we set out to do bigger things and accomplish greater feats. This year has been one where we successfully operated both our urea plants, posted a sharp improvement in earnings, strengthened our financial position and invested in our people, who are our main assets. We also surpassed all previous urea production and sales records, maintained the existing Dupont ratings on HSE, and saved favorably by utilizing the 6 Sigma platforms.

It is my firm belief that the success of every organization is dependent solely on its employees and throughout the year at Engro Fertilizers, we took a great number of steps that bear testimony to our resolve to work towards the betterment of our employees. We connected with our people in a significant way as we rolled out a comprehensive employee engagement strategy. In 2014 we made a conscious effort to improve our Employee Engagement Index (EEI) through an enhanced HR strategy including new policies, employee training, out breaks and communication activities. Engagement surveys and focus group discussions helped develop an action plan focused on helping employees connect the dots between their individual roles and the goals of the organization, and bringing positivity into the workplace. These efforts ultimately led to EFERT becoming the subsidiary with the highest EEI score.

As the Company continues to evolve, we are now effectively harnessing even more the power of innovation to manage risks, create opportunities, and meet our sustainability goals. Each year will bring its own mix of successes and challenges, and our aim remains to continue to focus intently on what we can control, expand and diversify our business interests, strengthen the Engro legacy creating value for a wide category of stake holders, leave our imprints with value added CSR activities, and preserve our philosophy of creating inclusive growth for now and generations to come.

PKR
61,425M
REVENUE
IN 2014

1,819 KT
UREA PRODUCTION

KEY NU

1,818 KT
UREA SALES

80%
CAPACITY UTILIZATION OF UREA PLANT

MBERS

3x
INCREASE IN SHARE PRICE

PKR
8,208M
HIGHEST EVER PAT

business review

Following the turnaround in 2013, Engro Fertilizers Limited delivered another year of robust operational and financial performance in 2014 on the back of the first full year of 2 plant operations in the Company's history.

On behalf of the Board of Directors of Engro Fertilizers Limited, we are pleased to submit the Directors report and the audited financial statements of the Company for the year ended December 31, 2014.

Overview

Following the turnaround in 2013, Engro Fertilizers Limited delivered another year of robust operational and financial performance in 2014 on the back of the first full year of 2 plant operations in the Company's history.

The Company posted a profit after tax of Rs. 8,208 million in 2014 representing an increase of 49% over Rs. 5,497 million posted in 2013. As highlighted, the performance was in a large part led by the continuous operation of both urea plants, as the Company continued to receive temporary gas allocation of 60 MMSCFD from Mari throughout 2014. With improved profitability, the Company also managed to de-leverage its balance sheet by implementing its cash sweep to lenders well ahead of the agreed timeline in the terms of restructuring and prepayment of TFC.

The Company also adhered to its tradition of focusing on Health, Safety & Environment with a Total Recordable Injury Rate (TRIR) of 0.10 as against 0.16 in 2013.

Market Review

Pakistan's 2014 urea industry shrank by 4.5% vs. 2013 to 5,629 KT. The decline was mainly attributable to lower application of urea on rice due to poor farmer economics, a delay in wheat sowing in 4Q 2014 and dealer unwillingness to take delivery of product in 2Q 2014 on account of interim uncertainty on dealer margins. Though the industry shrank, share of locally produced branded urea increased to 86.6% as compared to 81.8% last year. Domestic urea production increased to 4,891 KT where higher production by Engro Fertilizers Ltd was partly offset by lower production of other players.

Domestic urea prices were largely stable in 2014. Average domestic urea price rose by only 5 % in 2014 despite the sharp increase in Gas Infrastructure Development Cess (GIDC), where GIDC on feed and fuel gas was raised by Rs.103/MMBTU and Rs. 100/MMBTU respectively during the course of the year. The domestic fertilizer industry continues to absorb a substantial portion of the cost increase.

Despite the recent meltdown in global oil prices, international urea prices remain largely stable where the swing factor for global urea prices is now China coal-based producers. International urea prices averaged USD 322/ton in 2014 (CFR Karachi), translating into local cost of Rs. 2,264/bag (inclusive of all ancillary charges) as against average 2014 local price of Rs. 1,793/bag. The fertilizer industry continues to make significant contribution to the agricultural economy by keeping domestic prices substantially lower than international prices.

Gas Scenario

Engro Fertilizer Ltd continued to receive the temporary gas allocation of 60 MMSCFD gas from Guddu / Mari Shallow throughout the year 2014 as a result of which both urea plants remained in operation. While there was no progress on the Long Term Gas Supply plan to four fertilizer manufacturers, approved by the Economic Coordination Committee (ECC) in December 2012, the Company also continued to receive ECC approved 22 MMSCFD and 12 MMSCFD gas from Mari SML and Reti Maru fields respectively through the year. As a result, the Company's overall urea capacity utilization in 2014 was 80%.

In August 2014, the Supreme Court deemed the GIDC Act of 2011 as unconstitutional, subsequent to which, the government appealed the decision and also re-imposed GIDC under a Presidential Ordinance. The Company has challenged the validity and promulgation of GIDC Ordinance, 2014 before the Honorable High Court of Sindh, wherein the court has been pleased to grant a stay order.

Despite the formal approval of the ECC in January 2014 and best efforts by the Company, concessionary feed gas pricing (at USD 0.70/MMBTU) was not implemented in 2014. The Company has formalized the commercial agreement regarding the same with key stakeholders and awaits OGRA ratification of the same.

Segment Analysis

Urea
Engro Fertilizer Ltd produced 1,819 KT of urea, 16% higher than 1,562 KT produced in 2013. Engro continues to operate the highest capacity urea plant of Pakistan at an impressive energy index making it one of the most efficient plants of the country. The Company reported a urea sales volume of 1,818 KT in 2014, 16% higher than 2013. Resultantly, Engro's 2014 urea market share increased to 32% from 26% last year while market share in branded urea rose to 37% from 32% a year ago.

Zarkhez
The Company's blended fertilizers' (Zarkhez & Engro NP) sales for the year increased by 32% to 125 KT compared to 95 KT during 2013. Increase in blended fertilizers sales was a direct result of the Company's focused efforts on developing the potash and phosphate nutrient markets in the country. Efforts to this end included formulation and sale of new grades of blended fertilizer, farmer education, consumer incentive schemes, exploring new markets for different grades and cost-driven initiatives taken by the Company. Engro closed 2014 with an overall potash nutrient market share of 42%, slightly lower than 50% share in 2013 given higher competition vs. low priced imports.

Financial review
Sales revenue for 2014 was Rs. 61,425 million which was higher by 23% as compared to the corresponding period (2013: Rs. 50,129 million).

Gross profit for the year 2014 was Rs. 22,603 million as compared to Rs. 22,121 million for the same period. The decrease in GP margin is attributable to increase in GIDC which was not passed on to the end consumers.

Financial charges decreased by Rs. 3,293 million to Rs. 6,625 million (2013: Rs. 9,918 million). This variation is mainly on account of lower interest rates in the country and repayment of loans by the company. Other income rose to Rs. 2,449 million from Rs. 1,151 million in 2013 as surplus cash from higher EBITDA generation was invested in short term instruments.

As a result of above, EPS improved to Rs. 6.29 as compared to EPS of Rs. 4.66 last year.

Dividend
The Board is pleased to propose a dividend of Rs. 3 per share for the Year ended December 31, 2014 for approval of the members at the Annual General Meeting to be held on 29 April 2015.

Capital Structure
To overcome the burden on the Company's cash flows as a result of gas curtailment, the Company had approached the majority of its lenders for re-profiling of various finance facilities in 2012. The re-profiled terms allowed an increase of 2.5 years in loan tenor, with some interim payments in the initial period, as well as sweep of surplus cash over and above debt servicing, recurring capex and alternate gas capex on a one-off basis. This sweep was applicable on December 31, 2014, however, on account of improved cash inflows, the Company implemented the cash sweep in June 2014.

As part of debt re-profiling, the Inter-Creditor Agreement (ICA) was also amended. The amended ICA allowed dividend payment only after the repayment of 33% of the senior loans outstanding as at June 30, 2012. During the year the Company has fulfilled this condition by making repayments that exceeded 33% of outstanding amount of senior debt as of June 30, 2012.

Long term borrowings at year end 2014 were Rs. 44,003 million (2013: Rs. 58,821 million).

During the year, the Karachi, Lahore and Islamabad Stock Exchanges approved the Company's application for formal listing and quotation of shares. Accordingly, shares of the Company are now listed at all three stock exchanges of the country. During the year on June 25, 2014, the Company received a notice from the International Finance Corporation (IFC) for exercise of option on USD 5 million loan and accordingly 20,541,667 ordinary shares of the Company were allotted to the IFC. Subsequent to the year end, on January 9, 2015 the Company received a notice from IFC for exercise of further USD 3 million loan out of the remaining USD 4 million of Tranche A2. Accordingly 12,590,625 ordinary shares of the Company have been allotted to the IFC on January 14, 2015.

The shareholder's equity as at December 31, 2014 stands at Rs. 34,478 million (2013: Rs. 25,069 million).

During the year, PACRA has upgraded the long term credit rating from A to A+. The short term rating is A1.

Social Investments
At Engro Fertilizers, we understand that our future success hinges on making corporate decisions that positively impact the lives we touch and the environment we share.

The social investments of Engro Fertilizers constitute of variety of programs primarily centered around the Daharki plant site.

TTC (Technical Training College)

The Technical Training College (TTC) in Daharki is a non-profit initiative that offers, the local youth from rural communities in Sindh, an opportunity to acquire technical expertise that will afford them access to employment options. This equips them with an effective means to earn a sustainable livelihood. By awarding a 3-year associate diploma in the fields of Chemical and Mechanical Engineering, not only are we contributing to the empowerment of individuals but we are also positively impacting the community at large by increasing the skill level of the labor force in the area.

Total enrollment at the TTC in 2014 was 240 students, with the induction of a new batch of 80 students. Additionally, 100 trainees successfully completed short-term vocational training courses in Welding; Advanced Welding; Carpentry; Fabrication & Pipe Fitting; Motorcycle Repair and UPS Repair.

Education

Our Education program has grown to include 22 schools serving more then 2500 students. The program includes 10 government schools (under the Government School Adoption Program) and 1 NGO school (with Sahara Welfare Society) in Daharki as well as 11 schools in the Katcha (riverine) belt of Ghotki. This year, an additional school has also been adopted in the Jing village and the Sahara Community School was upgraded from a Middle to a High school. It was registered with the Sukkur board and a new secondary block constructed to accommodate the higher classes.

Community Physical Infrastructure (CPI) Schemes

We continue to invest in improving the quality of the physical infrastructure in our stakeholders' communities. A particular area of focus has been 'green' and ecologically sustainable infrastructural projects. Three RO (reverse osmosis) plants and 35 solar street lights were installed in Daharki this year. Engro Fertilizer spent Rs. 40 million in CSR to ensure positive impact on our stakeholder communities and the environment we share with them.

Our Family

Historically, Engro Fertilizers is known for its strong commitment to nurturing talent and creating opportunities of growth for its employees. The Company attracts, hires and retains some of the most talented people in Pakistan.

Engro Fertilizers promotes inclusiveness and diversity and believes that this creates high performance teams and breeds a culture of professionalism and excellence. In 2014, we finalized a 3-year plan to meet diversity targets that promote gender equity, multi-cultural/regional inclusion as well as the inclusion of physically challenged individuals.

Employees remained the key factor in the success of our company. During 2014, numerous policies were revamped to focus on the development and wellbeing of our employees. This was based on feedback regarding our policies and resulted in employee engagement improving significantly. Engro Fertilizers had a total of 1136 employees and recorded an employee engagement index of 73% this year.

Health, Safety and Environment (HSE)

During the year, the Company carried out extensive trainings and focused even further on identifying and implementing best practices, conducting a series of audits culminating in the achievement of 5S certification from the National Productivity Organization (NPO) for its mechanical shacks and workshop and recertification for the Clinic and Warehouse at Daharki with even higher scores.

To further align with Du Pont best practices, Process Safety Risk Management and Personnel Safety Management systems were merged into PSM (Process Safety Management) and the concept of PSM Element Champions was effectively launched. OHIH (Occupational Health and Industrial Hygiene) key performance indicators were developed and implemented this year and the British Safety Council (BSC) 4 Star rating was achieved once more. Moreover, phase one of the Community Awareness and Emergency Response (CAER) was completed and now all nearby villages in Daharki have been trained in emergency response.

In 2014, the Green Office Certification was achieved for two new buildings and three others achieved recertification through an external Audit by the WWF (World Wide Fund for Nature). Recertification was also achieved for IMS&SA-8000 (Integrated management systems and Social accountability).

The TRIR (Total recordable injury rate) and LWI (Loss work injuries) for Engro Fertilizers this year were 0.10 and 1 respectively.

Pension, Gratuity and Provident Fund

The Company contributes to plans that provide post-employment and retirement benefits for its employees. These include defined contribution (DC) and defined benefit (DB) pension plans (both curtailed), DC provident fund, DC gratuity plan and DB gratuity plan. The value of total assets of Provident Fund (as at June 30, 2014), Gratuity funds (as at December 31, 2013) and Pension Funds (as at December 31, 2013) based on their respective audited accounts are:

Provident Funds:	Rs. 2,037 million
Pension Funds:	Rs. 652 million
Gratuity Funds:	Rs. 1,217 million

Auditors

The existing auditors, A.F. Ferguson & Co., Chartered Accountants retire and being eligible, have offered themselves for re-appointment. The Board Audit Committee recommends their appointment as auditors for the year ending December 31, 2015.

Pattern of Shareholding

Major shareholder of Engro Fertilizers Limited is Engro Corporation Limited. A statement of the general pattern of shareholding along with statement of purchase and sale of shares by Directors, Executives and spouses including minor children during 2014 is shown later in this report.

Statement of Director Responsibilities

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

1. 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.

2. Proper books of accounts of the company have been maintained.

3. Appropriate accounting policies have been consistently applied in preparation of the financial statements. Accounting estimates are based on reasonable prudent judgment.

4. 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 and explained.

5. The system of internal control is sound in design and has been effectively implemented and monitored.

6. There are no significant doubts upon the company's ability to continue as a going concern.

7. There is no material departure from the best practices of corporate governance, as detailed in the listing regulations.

8. Four of the directors attended the directors training course conducted by the Pakistan Institute of Corporate Governance (PICG) this year. Three directors have already completed this course earlier.

Board Meetings and Attendance

In 2014, the Board of Directors held 5 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

Director's Name	Meetings Attended
Muhammad Aliuddin Ansari	5/5
Ruhail Mohammed	5/5
Syed Khalid Siraj Subhani	4/5
Naz Khan	5/5
Abdul Samad Dawood	5/5
Shahid Hamid Pracha	5/5
Javed Akbar	5/5
Shabbir Hashmi	5/5

The Board Audit Committee held 4 meetings during 2014. The attendance record of the Committee is as follows:

Member's Name	Meetings Attended
Javed Akbar	4/4
Shabbir Hashmi	4/4
Abdul Samad Dawood	3/4

The Board Compensation Committee met 4 times during 2014. The attendance record of the Committee is as follows:

Member's Name	Meetings Attended
Muhammad Aliuddin Ansari	4/4
Javed Akbar	4/4
Abdul Samad Dawood	4/4

horizontal and vertical analyses

balance sheet

Horizontal Analysis (Rs. in million)	2014 Rs.	14 Vs. 13 %	2013 Rs.	13 Vs. 12 %
EQUITY AND LIABILITIES				
EQUITY				
Share capital	13,183	7.8	12,228	14.0
Share Premium	2,261	20,454.5	11	-
Advance against issue of shares	-	(100.0)	2,119	100.0
Hedging reserve	(40)	(73.0)	(148)	(54.3)
Remeasurement of post employment benefits	(14)	(33.3)	(21)	100.0
Unappropriated Profit	19,088	75.4	10,880	102.1
Employee share option compensation reserve	-	-	-	-
	34,478	37.5	25,069	58.7
NON-CURRENT LIABILITIES				
Borrowings	36,091	(31.8)	52,896	9.1
Subordinated Loan from Holding Company	-	(100.0)	3,000	-
Derivative Financial Instruments	7	(99.5)	1,531	207.4
Deferred Liabilities	5,227	12.3	4,655	37.7
Employee housing subsidy	-	-	-	-
Service benefits obligations	113	8.7	104	5.1
	41,438	(33.4)	62,186	12.1
CURRENT LIABILITIES				
Trade and other payables	24,472	35.9	18,012	126.4
Accrued interest / mark-up	1,362	(8.0)	1,480	(17.2)
Taxes payable	676	100	-	-
Current portion of				
Borrowings	7,913	170.6	2,924	(60.4)
Retirement and other service benefits obligations	43	-	44	10.0
Short term borrowings	-	-	-	(100.0)
Derivative financial instruments	1,090	411.7	213	(62.4)
	35,556	56.8	22,673	(13.6)
TOTAL EQUITY AND LIABILITIES	111,472	1.4	109,928	12.7
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	74,963	(5.5)	79,315	(4.3)
Intangible assets	118	(14.5)	138	(14.8)
Long term loans and advances	94	(13.76)	109	29.8
	75,175	(5.5)	79,562	(4.3)
CURRENT ASSETS				
Stores, spares and loose tools	4,714	7.9	4,369	6.4
Stock-in-trade	1,101	(20.3)	1,382	(18.1)
Trade debts	757	(0.1)	758	(27.5)
Deferred employee compensation expense	-	-	-	-
Derivative financial instruments	-	(100.0)	130	100.0
Loans, advances, deposits and prepayments	432	(30.8)	626	58.5
Other receivables	28	-	28	(54.1)
Taxes recoverable	-	(100.0)	557	(72.2)
Short-term Investments	25,076	38.9	18,058	585.3
Cash and bank balances	4,189	(6.0)	4,458	82.0
	36,297	19.5	30,366	111.2
TOTAL ASSETS	111,472	1.4	109,928	12.7

2012 Rs.	12 Vs. 11 %	2011 Rs.	11 Vs. 10 %	2010 Rs.
10,728	-	10,728	-	10,728
11	-	11	-	11
-	-	-	-	-
(324)	(34.9)	(498)	(43.9)	(887)
-	-	-	-	-
5,383	(35.3)	8,317	123.0	3,729
-	(100.0)	58	(1.7)	59
15,798	(15.1)	18,616	36.5	13,640
48,482	(14.0)	56,398	(10.0)	62,660
3,000	-	3,000	100.0	1,500
498	(8.6)	545	(48.7)	1,062
3,381	(25.2)	4,521	75.2	2,581
-	(100.0)	19	(94.5)	348
99	13.8	87	61.1	54
55,460	(14.1)	64,570	(5.3)	68,205
7,957	54.4	5,154	31.8	3,911
1,788	(14.4)	2,088	5.3	1,982
-	-	-	-	-
14,898	49.2	9,987	15.4	8,652
40	21.2	33	57.1	21
1,000	24,900.0	4	(99.6)	970
566	33.2	425	(36.8)	673
26,247	48.4	17,691	9.1	16,209
97,505	(3.3)	100,877	2.9	98,054
82,878	(4.0)	86,332	2.3	84,370
162	20.0	135	(9.4)	149
84	15.1	73	(34.8)	112
83,124	(3.9)	86,540	2.3	84,631
4,107	(2.4)	4,210	24.1	3,392
1,687	(8.0)	1,834	104.7	896
1,046	636.6	142	(59.8)	353
-	-	-	(100.0)	4
1	(99.5)	184	6,033.3	3
395	114.7	1,411	(92.9)	2,609
61	(95.7)	192	1,206.5	108
2,000	941.7	1,869	(89.2)	1,770
2,635	41.0	3,902	(23.8)	2,452
2,449	(37.2)	593	112.5	1,836
14,381	0.3	14,337	6.8	13,423
97,505	(3.3)	100,877	2.9	98,054

horizontal and vertical analyses

balance sheet

Vertical Analysis (Rs. in million)

	2014		2013	
	Rs.	%	Rs.	%
EQUITY AND LIABILITIES				
EQUITY				
Share capital	13,183	11.8	12,228	11.1
Share Premium	2,261	2.0	11	-
Advance against issue of shares	-	-	2,119	1.9
Hedging reserve	(40)	-	(148)	(0.1)
Remeasurement of post employment benefits	(14)	-	(21)	-
Unappropriated Profit	19,088	17.1	10,880	9.9
Employee share option compensation reserve	-	-	-	-
	34,478	30.9	25,069	22.8
NON-CURRENT LIABILITIES				
Borrowings	36,091	32.4	52,896	48.1
Subordinated Loan from Holding Company	-	-	3,000	2.7
Derivative Financial Instruments	7	-	1,531	1.4
Deferred Liabilities	5,227	4.7	4,655	4.2
Employee housing subsidy	-	-	-	-
Service benefits obligations	113	0.1	104	0.1
	41,438	37.2	62,186	56.6
CURRENT LIABILITIES				
Trade and other payables	24,472	22	18,012	16.4
Accrued interest / mark-up	1,362	1.2	1,480	1.3
Taxes payable	676	0.6	-	-
Current portion of				
Borrowings	7,913	7.1	2,924	2.7
Retirement and other service benefits obligations	43	-	44	-
Short term borrowings	-	-	-	-
Derivative financial instruments	1,090	1	213	0.2
	35,556	31.9	22,673	20.6
TOTAL EQUITY AND LIABILITIES	111,472	100	109,928	100.0
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	74,963	67.2	79,315	72.2
Intangible assets	118	0.1	138	0.1
Long term loans and advances	94	0.1	109	0.1
	75,175	67.4	79,562	72.4
CURRENT ASSETS				
Stores, spares and loose tools	4,714	4.2	4,369	4.0
Stock-in-trade	1,101	1.0	1,382	1.3
Trade debts	757	0.7	758	0.7
Deferred employee compensation expense	-	-	-	-
Derivative financial instruments	-	-	130	0.1
Loans, advances, deposits and prepayments	432	0.4	626	0.6
Other receivables	28	-	28	-
Taxes recoverable	-	-	557	0.5
Short-term investments	25,076	22.5	18,058	16.4
Cash and bank balances	4,189	3.8	4,458	4.1
	36,297	32.6	30,366	27.6
TOTAL ASSETS	111,472	100	109,928	100.0

2012		2011		2010	
Rs.	%	Rs.	%	Rs.	%
10,728	11.0	10,728	10.6	10,728	10.9
11	-	11	-	11	-
-	-	-	-	-	-
(324)	(0.3)	(498)	(0.5)	(887)	0.9
-	-	-	-	-	-
5,383	-	8,317	8.2	3,729	3.8
-	-	58	0.1	59	0.1
15,798	16.2	18,616	18.5	13,640	13.9
48,482	49.7	56,398	55.9	62,660	63.9
3,000	3.1	3,000	3.0	1,500	1.5
498	0.5	545	0.5	1,062	1.1
3,381	3.5	4,521	4.5	2,581	2.6
-	-	19	-	348	0.4
99	0.1	87	0.1	54	0.1
55,460	56.9	64,570	64.0	68,205	69.6
7,957	8.2	5,154	5.1	3,911	4.0
1,788	1.8	2,088	2.1	1,982	2.0
-	-	-	-	-	-
14,896	15.3	9,987	9.9	8,652	8.8
40	0.0	33	-	21	-
1,000	1.0	4	-	970	1.0
566	0.6	425	0.4	673	0.7
26,247	26.9	17,691	17.5	16,209	16.5
97,505	100.0	100,877	100.0	98,054	100
82,878	85.0	86,332	85.6	84,370	86.0
162	0.2	135	0.1	149	0.2
84	0.1	73	0.1	112	0.1
83,124	85.3	86,540	85.8	84,631	86.3
4,107	4.2	4,210	4.2	3,392	3.5
1,687	1.7	1,834	1.8	896	0.9
1,046	1.1	142	0.1	353	0.4
-	-	-	-	4	-
1	-	184	0.2	3	-
395	0.4	1,411	1.4	2,609	2.7
61	0.1	192	0.2	108	0.1
2,000	2.1	1,869	1.9	1,770	1.8
2,635	2.7	3,902	3.9	2,452	2.5
2,449	2.5	593	0.6	1,836	1.9
14,381	14.7	14,337	14.2	13,423	13.7
97,505	100.0	100,877	100.0	98,054	100

horizontal and vertical analyses

profit and loss account

Horizontal Analysis (Rs. in million)

	2014 Rs.	14 Vs. 13 %	2013 Rs.	13 Vs. 12 %
Net Sales	61,425	22.5	50,129	63.7
Cost of Sales	38,822	38.6	28,008	34.9
Gross profit	22,603	2.2	22,121	124.3
Selling and distribution expenses	4,441	26.5	3,511	40.4
Administrative expenses	772	28.5	601	3.1
Other operating expenses	1,318	53.6	858	111.3
Other income	2,449	112.8	1,151	203.7
Operating profit	18,521	1.2	18,302	152.6
Finance cost	6,625	(33.2)	9,918	(7.3)
Profit / (loss) before taxation	11,895	41.9	8,384	312.1
Taxation	3,687	27.7	2,887	383.9
Profit / (loss) after taxation	8,208	49.3	5,497	287.3

Vertical Analysis (Rs. in million)

	2014		2013	
	Rs.	%	Rs.	%
Net Sales	61,425	100	50,129	100.0
Cost of Sales	38,822	63.20	28,008	55.9
Gross profit	22,603	36.80	22,121	44.1
Selling and distribution expenses	4,441	7.21	3,511	7.0
Administrative expenses	772	1.3	601	1.2
Other operating expenses	1,318	2.1	858	1.7
Other income	2,449	4	1,151	2.3
Operating profit	18,521	30.2	18,302	36.5
Finance cost	6,625	10.8	9,918	19.8
Profit / (loss) before taxation	11,895	19.4	8,384	16.7
Taxation	3,687	6	2,887	5.8
Profit / (loss) after taxation	8,208	13.4	5,497	10.9

2012 Rs.	12 Vs. 11 %	2011 Rs.	11 Vs. 10 %	2010 Rs.
30,627	(2.3)	31,353	64.9	19,018
20,766	42.0	14,620	44.6	10,109
9,861	(41.1)	16,733	87.8	8,909
2,500	11.4	2,245	30.0	1,727
583	6.2	549	(3.2)	567
406	(30.2)	582	12.8	516
379	(67.4)	1,164	154.1	458
6,751	(53.5)	14,521	121.5	6,557
10,703	40.0	7,644	465.8	1,351
(3,952)	(157.5)	6,877	32.1	5,206
(1,017)	(144.4)	2,289	55.1	1,476
(2,935)	(164.0)	4,588	23.0	3,730

2012		2011		2010	
Rs.	%	Rs.	%	Rs.	%
30,627	100.0	31,353	100.0	19,018	100
20,766	67.8	14,620	46.6	10,109	53.2
9,861	32.2	16,733	53.4	8,909	46.8
2,500	8.2	2,245	7.2	1,727	9.1
583	1.9	549	1.8	567	3.0
406	1.3	582	1.9	516	2.7
379	1.2	1,164	3.7	458	2.4
6,751	22.0	14,521	46.2	6,557	34.4
10,703	34.9	7,644	24.4	1,351	7.1
(3,952)	(12.9)	6,877	21.8	5,206	27.3
(1,017)	(3.3)	2,289	7.3	1,476	7.8
(2,935)	(9.6)	4,588	14.5	3,730	19.5

summary

Rs. in million	2014	2013	2012	2011	2010
Summary of Balance Sheet					
Share capital	13,183	12,228	10,728	10,728	10,728
Reserves	21,295	12,841	5,070	7,889	2,912
Shareholders' funds / Equity	34,478	25,069	15,798	18,616	13,640
Long term borrowings	36,091	55,896	51,482	59,398	64,160
Capital employed	78,481	83,889	82,176	88,001	86,452
Deferred liabilities	5,227	4,655	3,381	4,521	2,581
Property, plant & equipment	74,963	79,315	82,878	86,332	84,370
Long term assets	75,175	79,563	83,124	86,540	84,361
Current assets	36,297	30,366	14,381	14,337	13,423
Summary of Profit and Loss					
Sales	61,425	50,129	30,626	31,353	19,017
Gross profit	22,603	22,121	9,861	16,733	8,910
Operating profit	18,521	18,302	6,752	14,521	6,556
Profit before tax	11,895	8,384	(3,952)	6,877	5,207
Profit/(loss) after tax	8,208	5,497	(2,935)	4,588	3,730
EBITDA	23,276	23,259	11,741	17,673	7,365
Summary of Cash Flows					
Net cash flow from operating activities	19,063	24,813	6,371	9,279	4,359
Net cash flow from investing activities	(22,604)	(560)	(1,857)	(3,517)	(14,654)
Net cash flow from financing activities	(13,692)	(5,821)	(4,920)	(4,589)	12,903
Changes in cash & cash equivalents	(17,233)	18,432	(406)	1,173	2,609
Cash & cash equivalents – Year end	5,283	22,516	4,085	4,491	3,318
Summary of Actual Production					
Urea	1,818,937	1,561,575	974,425	1,279,378	971,913
NPK	117,193	92,839	67,755	113,172	100,270

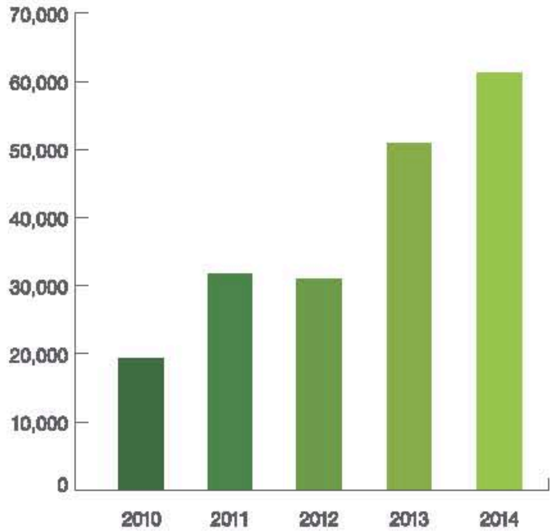
financial ratios

Ratios		2014	2013	2012	2011	2010
Profitability Ratios						
Gross Profit ratio	%	36.80	44.13	32.20	53.37	46.85
Net Profit/(loss) to Sales	%	13.36	10.97	(9.58)	14.63	19.61
EBITDA Margin to Sales	%	37.89	46.30	38.34	56.37	38.73
Return on Equity	%	27.57	26.90	(17.05)	28.45	27.34
Return on Capital Employed	%	22.81	22.04	9.13	14.02	5.88
Liquidity Ratios						
Current ratio	Times	1.02	1.34	0.55	0.81	0.83
Quick / Acid test ratio	Times	0.86	1.09	0.32	0.47	0.56
Cash to Current Liabilities	Times	0.12	0.20	0.09	0.03	0.11
Cash flow from Operations to Sales	Times	0.31	0.49	0.21	0.30	0.23
Activity / Turnover Ratios						
No. of Days Inventory	Days	12	20	31	34	32
Inventory turnover	Times	31.28	18.25	11.78	10.70	11.28
Total Assets turnover ratio	%	55.1	46	31	31	19
Fixed Assets turnover ratio	%	81.9	63	37	36	23
Investment / Market Ratios						
Earnings per Share (Restated)	Rs./ share	6.29	4.66	(2.59)	4.05	3.29
Earnings per Share (Historical)	Rs./ share	6.29	4.66	(2.74)	4.28	3.48
Breakup value per share	Rs./ share	26.15	19.32*	14.73	17.35	12.71
Capital Structure Ratios						
Debt to Equity ratio	%	56	70	81	79	84
Interest Cover ratio	Times	2.80	1.84	0.63	1.90	0.90

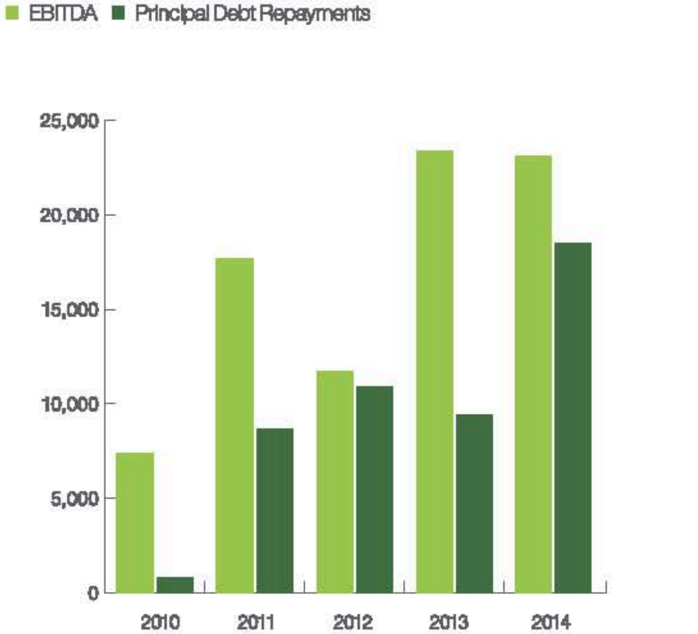
* Calcuated on the basis of revised paid up share capital including 75 million shares issued through IPO.

snapshots

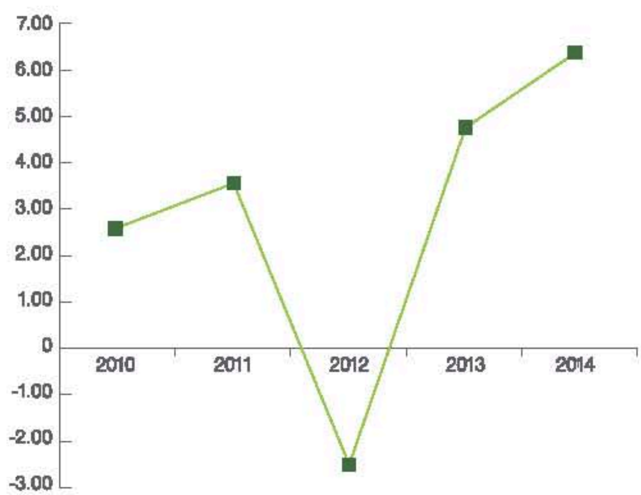
Sales Revenue year-wise (Rs. in million)



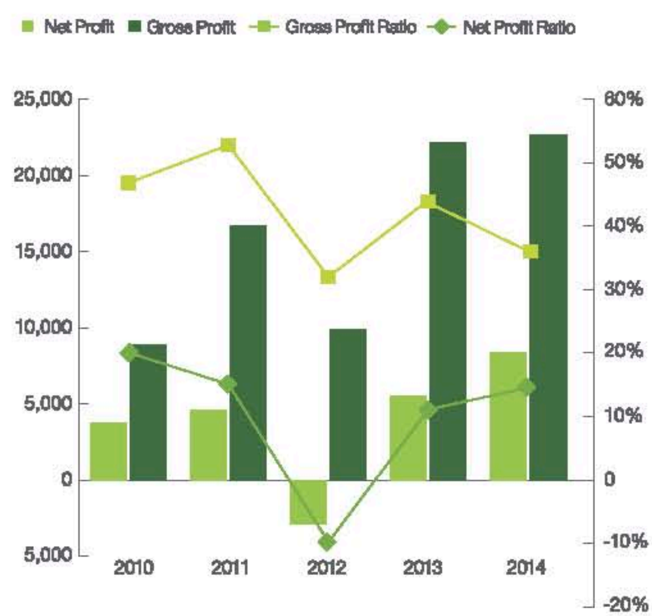
EBITDA and Principal Debt Repayments (Rs. in million)



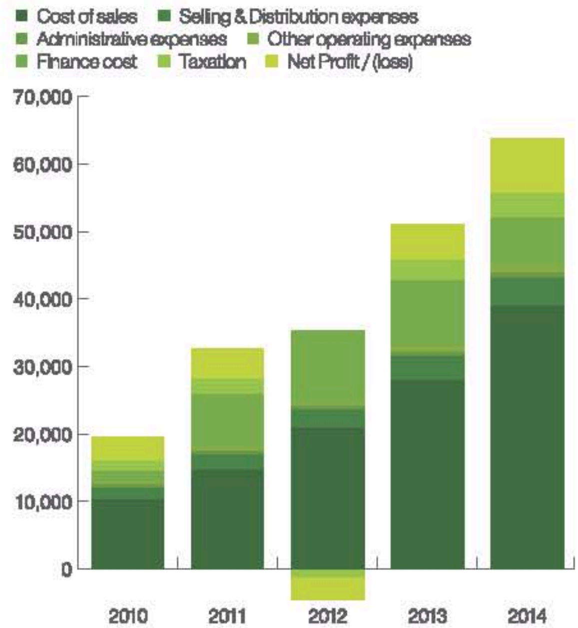
Earnings/Loss Per Share



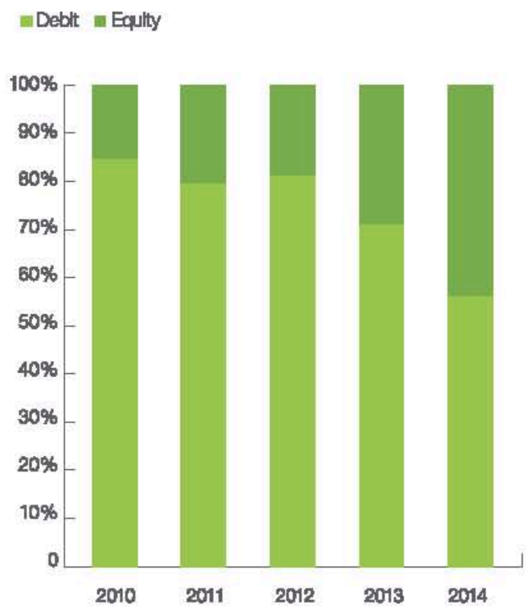
Gross Profit and Net Profit (Rs. in million)



Revenue Analysis (Rs. in million)

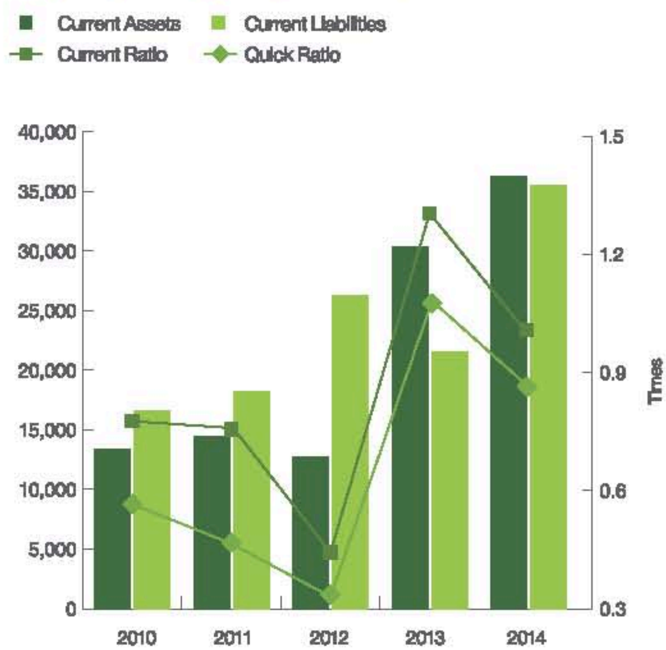


Capital Structure



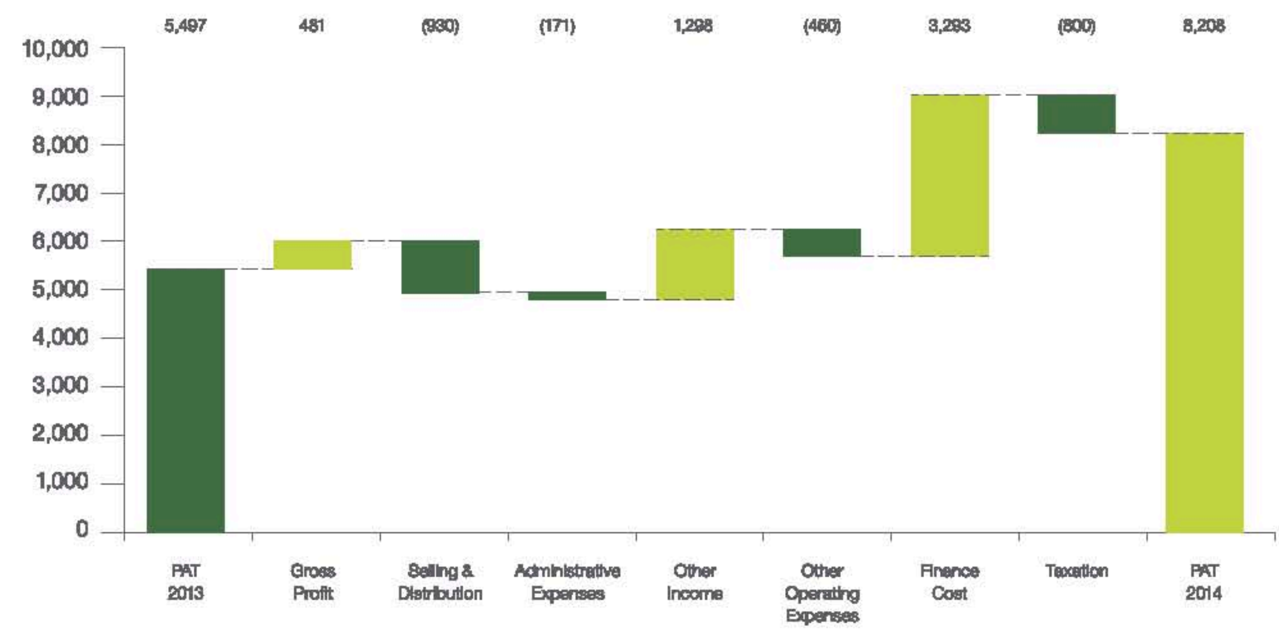
Production and Sales Volumes (K Tons)

Liquidity Analysis (Rs. in million)



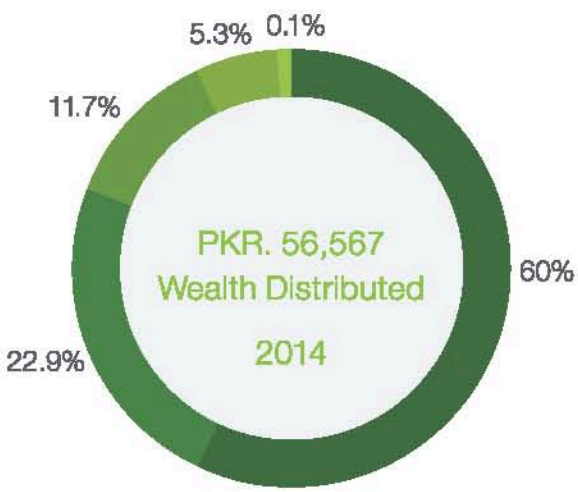
Cash Flow Analysis (Rs. in million)

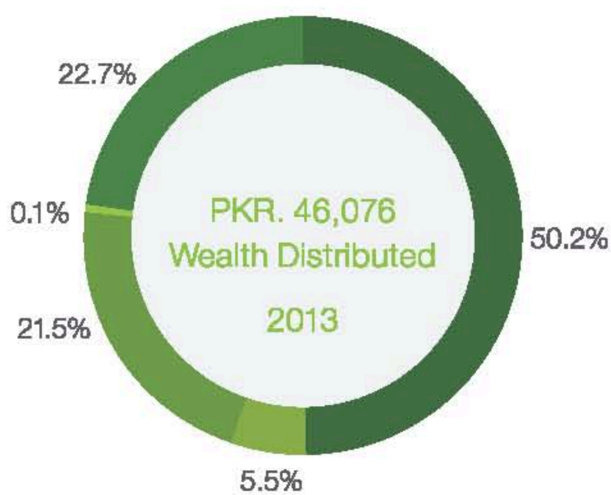
Variance Analysis (Rs. in million)



statement of value addition and distribution

(Rupees in Million)	2014	2013
Wealth Generated		
Total revenue inclusive of sales-tax and other income	74,497	59,665
Bought-in-materials and services	(17,930)	(13,589)
	56,567	46,076
Wealth Distributed		
To Government taxes, duties and development surcharge	33,929	23,172
To employees salaries, benefits and other costs	3,011	2,514
To Providers of Capital	6,625	9,918
To society towards education, health, environment and natural disaster	40	17
Retained for reinvestment, depreciation and amortisation	12,960	10,454
	56,567	46,076





- To Society
- To Government
- Retained for reinvestment, depreciation and amortisation
- To Providers of Debt Capital
- To Employees

key shareholding and shares traded

Information of shareholding required under reporting framework is as follows:

Shareholder's Catergory

1. **Associated Companies, undertakings & related parties**	
Engro Corporation Limited	1,141,673,049
2. **Directors, CEO & their spouses & minor children**	
Muhammad Aliuddin Ansari	20,001
Ruhail Mohammed	102,945
Javed Akbar	26,524
Abdul Samad Dawood	6,632
Shabbir Hashmi	14,555
Naz Khan	1
Shahid Hamid Pracha	1
Khalid Siraj Subhani	236,572
Total.	407,231
3 **Executives** (Approximately)	1,705,475
4. **Public Sector Companies & Corporations**	3,779,064
5. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	22,277,902
6. **Mutual Funds**	
ASIAN STOCKS FUNDS LTD.	1
CDC - TRUSTEE AKD INDEX TRACKER FUND	44,000
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	714,500
CDC - TRUSTEE ALFALAH GHP VALUE FUND	513,390
CDC - TRUSTEE APF-EQUITY SUB FUND	40,000
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	100,000
CDC - TRUSTEE ASKARI EQUITY FUND	60,000
CDC - TRUSTEE ATLAS STOCK MARKET FUND	215,000
CDC - TRUSTEE CROSBY DRAGON FUND	63,000
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	73,000
CDC - TRUSTEE FIRST HABIB STOCK FUND	40,000
CDC - TRUSTEE IGI STOCK FUND	1,216,000
CDC - TRUSTEE KASB ASSET ALLOCATION FUND	61,000
CDC - TRUSTEE LAKSON EQUITY FUND	927,500
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	299,000
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I	400,000
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	315,000
CDC - TRUSTEE NAFA MULTI ASSET FUND	447,031
CDC - TRUSTEE NAFA STOCK FUND	955,000
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	325,827
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	773,614
CDC - TRUSTEE PAK STRATEGIC ALLOC. FUND	2,050
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	206,810
CDC - TRUSTEE PAKISTAN SARMAYA MEHFOOZ FUND	100,000
CDC - TRUSTEE PAKISTAN STOCK MARKET FUND	3,460,350
CDC - TRUSTEE PICIC STOCK FUND	150,000
CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	566,150
TRI. STAR MUTUAL FUND LTD.	91
Total.	12,068,314

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

Engro Corporation Limited	1,141,673,049

8. Details of purchase/sale of shares by Directors, Executives and their spouses/minor children during 2014

S.NO.	NAME	DATE	SALE/PURCHASE	NO OF SHARES	RATE / PER SHARE
1.	Syed Khalid Siraj Subhani	7-Jan-14	Bought	150,000	28.26
2.	Ruhail Mohammed	7-Jan-14	Bought	100,000	28.26
3.	Imran Husain	7-Jan-14	Bought	150,000	28.26
4.	Tasneem Kauser (spouse Syed Riaz Hussain Shah)	29-Jan-14	Bought	10,000	45.5
5.	Malik Mohammad Nawaz	30-Jan-14	Sold	12,000	47
6.	Fahim	30-Jan-14	Bought	12,000	47
7.	Sameer Amin	29-Jan-14	Sold	11,500	44.5
8.	Muhamamd Akbar Kaimkhani	10-Feb-14	Bought	10,000	49.73
9.	Shahzad A. Faridy	10-Feb-14	Sold	3,000	50.3
10.	Yasmine Rashid	10-Feb-14	Bought	5,000	48.7
11.	Nusrah Asad	11-Feb-14	Bought	11,500	50.24
12.	Syed Muhammad Raza	10-Feb-14	Sold	21,500	51.5
13.	Bilal Aziz	11-Feb-14	Sold	3,000	51.5
14.	Muzaffar Ali Khan	12-Feb-14	Sold	1,000	54.03
15.	Mohammad Athar	14-Feb-14	Sold	5,000	58.61
16.	Ali Javed Akhter	14-Feb-14	Bought	1,000	58.86
17.	Mohammad Ateeq-ul-Hassan	14-Feb-14	Bought	4,000	58.15
18.	Abdul Hafeez	14-Feb-14	Sold	7,000	58.6
19.	Sameer Amin	11-Feb-14	Sold	38,500	51.74
20.	Aftab Ali	14-Feb-14	Sold	4,000	55
21.	Qamar Jaleel	14-Feb-14	Bought	9,240	58.85
22.	Asra	17-feb-14	Sold	10,500	54.57
23.	Muhamamd Akbar Kaimkhani	17-Feb-14	Sold	20,000	54.71
24.	Ali Akbar	6-Feb-14	Sold	500	47
25.	Syed Ahmed Hasan	14-Feb-14	Sold	40,000	58.99
26.	Anwar Hussain Ansari	17-Feb-14	Sold	10,000	55.16
27.	Kashif Farooq	14-Feb-14	Bought	5,000	58.75
28.	Abdul Sattar	14-Feb-14	Sold	15,000	58.5
29.	Mohammad Athar	18-Feb-14	Sold	55,000	53.75
30.	Abdul Khalique	18-Feb-14	Sold	13,000	52.5
31.	Shoukat Ali	19-Feb-14	Sold	6,000	53.51
32.	Shahid Rashid	18-Feb-14	Sold	40,000	53.13
33.	Fahd Khawaja	20-Feb-14	Sold	7,000	54
34.	Tasneem Ahmed	19-Feb-14	Sold	4,000	54
35.	Waqas Saeed	21-Feb-14	Sold	10,000	56
36.	Farhan Ansari	21-Feb-14	Sold	20,000	56.85
37.	Asad Aleem	21-Feb-14	Bought	9,000	55.5
38.	Mahmood Nazir	21-Feb-14	Sold	5,000	55.12
39.	ABDUL SATTAR	25-Feb-14	Sold	10,000	60.5
40.	MUHAMAMD AKBAR KAIMKHANI	25-Feb-14	Sold	2,500	59.24
41.	FARHAN ANSARI	24-Feb-14	Sold	5,000	59.4
42.	MUHAMMAD AKBAR KAIMKHANI	27-Feb-14	Bought	7,000	60
43.	Asghar Ali Khan	27-Feb-14	Sold	34,271	59.45
44.	NoorDin Burero	28-Feb-14	Sold	6,000	60.3
45.	Muhammad Majid Latif	28-Feb-14	Sold	20,000	60.22
46.	Muhammad Wahaj Butt/Komal Wahaj Butt	28-Feb-14	Sold	40,000	60.5

S.NO.	NAME	DATE	SALE/PURCHASE	NO OF SHARES	RATE / PER SHARE
47.	Bilal Aziz	26-Feb-14	Sold	6,000	61
48.	Ahsan Jawed	3-Mar-14	Sold	2,000	59
49.	Noor Din Burero	3-Mar-14	Sold	6,000	58.55
50.	Umed Ali Mallah	3-Mar-14	Sold	30,000	59.6
51.	Muhammad Ashraf Choudhry	28-Feb-14	Sold	9,000	60.51
52.	Muhammad Ashraf Choudhry	3-Mar-14	Sold	9,000	58.3
53.	Farhan Ansari	28-Feb-14	Sold	5,000	60.7
54.	waseem Anwar	28-Feb-14	Sold	5,000	60.7
55.	Fahd Khawaja	4-Mar-14	Sold	15,000	56
56.	waseem Anwar	4-Mar-14	Sold	5,000	55.71
57.	Mohammad Ateeq-ul-Hassan	4-Mar-14	Sold	5,000	55.2
58.	Mohammad Mumtaz Akhtar	4-Mar-14	Sold	5,000	54.95
59.	Waqas Saeed	4-Mar-14	Sold	10,000	56
60.	Tajammul Hussain	26-Feb-14	Sold	20,000	60
61.	Muhammad Siddique	4-Mar-14	Sold	20,000	54.6
62.	Anwar H. Ansari	3-Mar-14	Sold	6,000	58.96
63.	Asad Aleem	4-Mar-14	Bought	10,000	55.38
64.	Masood A. Jafry	3-May-14	Sold	5,000	56.66
65.	Hamid Anjum	4-Mar-14	Sold	10,000	54.8
66.	Hamid Anjum	4-Mar-14	Sold	500	55.75
67.	BILAL AZIZ	4-Mar-14	Sold	19,000	54.85
68.	Hamid Anjum	4-Mar-14	Sold	5,000	55.8
69.	Zehra Mujahid	4-Mar-14	Sold	15,000	56.05
70.	Rehan Sajjad	28-Feb-14	Sold	32,000	60.25
71.	Farooq Muhammad Saleem	4-Mar-14	Sold	40,000	56.4
72.	ABDUL SATTAR	5-Mar-14	Sold	10,000	56.4
73.	Zehra mujahid	4-Mar-14	Sold	10,000	56.05
74.	Zehra mujahid	6-Mar-14	Bought	10,000	56.3
75.	Ahmad Shakoor	5-Mar-14	Sold	40,000	56.5
76.	Khalid Hussain Bhutto	3-Mar-14	Sold	28,000	58.1
77.	Abdul Khaliq Bhutto	3-Mar-14	Sold	18,000	57.56
78.	Arsalan ur Rub	5-Mar-14	Sold	252,000	56
79.	Rafiq Ahmed Saher	3-Mar-14	Sold	40,000	57.95
80.	Hamid Anjum	4-Mar-14	Sold	20,000	55.45
81.	Khawar Abbas Khan	17-Feb-14	Sold	24,000	54.07
82.	Muhammad Asad Waheed	3-Mar-14	Sold	30,000	58.1
83.	Wajid Hussain Junejo	6-Mar-14	Sold	25,000	57.14
84.	Muhammad Asad Waheed	4-Mar-14	Sold	50,000	54.6
85.	Muhammad Tariq Sultan	3-Mar-14	Sold	10,000	58.13
86.	Adeel Qamar	4-Mar-14	Sold	20,000	56.23
87.	Moiz Ali	4-Mar-14	Sold	500	55.5
88.	Zohaib Shaikh	5-Mar-14	Sold	45,000	56.51
89.	Muhammad Adnan Tariq	21-Feb-14	Sold	5,000	56
90.	Fahd Khawaja	12-Mar-14	Sold	10,000	57
91.	Fahd Khawaja	12-Mar-14	Sold	5,000	58.5
92.	Fahd Khawaja	12-Mar-14	Sold	5,000	59
93.	Bilal Mustafa	12-Mar-14	Sold	20,000	58.35
94.	M Mushfiq Hussain	12-Mar-14	Sold	20,000	58.33
95.	Muhammad Nauman	10-Feb-14	Sold	8,000	50
96.	Muhammad Nauman	12-Mar-14	Sold	4,000	58.7
97.	Hassan Ijaz Saeed	26-Feb-14	Sold	6,000	61
98.	Hassan Ijaz Saeed	12-Mar-14	Sold	6,000	59.5
99.	Obaid Fahad Aziz	10-Mar-14	Sold	20,000	56.81

S.NO.	NAME	DATE	SALE/PURCHASE	NO OF SHARES	RATE / PER SHARE
100.	Obaid Fahad Aziz	3-Mar-14	Sold	20,000	56.8
101.	Syed Muhammad Raza	14-Mar-14	Sold	18,500	58.4
102.	Umar farooq	27-Feb-14	Sold	16,000	59.8
103.	Masood anwar	27-Feb-14	Sold	8,000	59.77
104.	Usman Aziz Khan	21-Mar-14	Bought	14,000	57.09
105.	Usman Aziz Khan	21-Mar-14	Bought	500	56.96
106.	Usman Aziz Khan	3-Mar-14	Sold	40,000	60.35
107.	Awais Mushtaq Paracha	4-Mar-14	Sold	32,000	55.45
108.	Ali Murtaza Baloch	6-Mar-14	Sold	40,000	54.75
109.	Khuram Abbas Zaidi	20-Jan-14	Sold	150,000	35
110.	Khuram Abbas Zaidi	21-Jan-14	Sold	100,000	34
111.	Khuram Abbas Zaidi	4-Feb-14	Sold	29,500	47.1
112.	Khuram Abbas Zaidi	6-Feb-14	Sold	12,000	47.49
113.	Khuram Abbas Zaidi	6-Feb-14	Sold	8,500	47.5
114.	Khuram Abbas Zaidi	12-Mar-14	Sold	50,000	58.4
115.	JALALUDDIN AKBER	11-Mar-14	Sold	40,000	56
116.	JALALUDDIN AKBER	12-Mar-14	Sold	20,000	54.65
117.	JALALUDDIN AKBER	13-Mar-14	Sold	50,000	56.1
118.	JALALUDDIN AKBER	21-Mar-14	Sold	20,000	59.2
119.	JALALUDDIN AKBER	27-Mar-14	Sold	55,000	59.68
120.	Nisar Ahmed Channa	1-Apr-14	Sold	50,000	61.58
121.	Mirza Mumtaz Baig	1-Apr-14	Sold	4,000	62.05
122.	JALALUDDIN AKBER	7-Apr-14	Sold	20,000	61.32
123.	Tariq Nawaz	6-Mar-14	Sold	1,000	57
124.	Tariq Nawaz	11-Mar-14	Sold	500	57.55
125.	Tariq Nawaz	11-Mar-14	Sold	500	57.51
126.	Tariq Nawaz	4-Apr-14	Sold	2,000	61.25
127.	Mohammad Bux Soomro	11-Apr-14	Sold	2,000	66.65
128.	Muhammad Asif Ali	14-Apr-14	Sold	10,000	69.5
129.	Muhammad Asif Ali	15-Apr-14	Sold	10,000	73.45
130.	Sadaf Asif	14-Apr-14	Sold	500	69.5
131.	Muhammad Ovais Majeed Jummani	25-Feb-14	Sold	8,000	60.4
132.	Ammar Mursalin	15-Apr-14	Bought	450	71.2
133.	Zamir Hussain	4-Apr-14	Sold	20,000	61.2585
134.	Mirza Mumtaz Baig	8-Apr-14	Sold	1,000	64.25
135.	Mirza Mumtaz Baig	11-Apr-14	Sold	2,000	66.65
136.	MUZAFFAR ALI KHAN	15-Apr-14	Sold	7,000	72.0021
137.	Syed Noman Khaleeq	6-Mar-14	Sold	4,000	54.5572
138.	Zafar Altaf	11-Apr-14	Bought	3,000	66
139.	Muhammad Ismail	21-Apr-14	Bought	10,000	70.47
140.	Hassan Ijaz Saeed	25-Apr-14	Sold	4,000	70.25
141.	Naz Khan	6-May-14	Sold	5,300	64.80
142.	Shahid Hamid Pracha	30-May-14	Sold	1,825	63.8
143.	Mohammad Bux Soomro	30-May-14	Sold	1,000	63.8
144.	Muhammad Idrees	30-Jun-14	Sold	10,000	57.6
145.	Fahd Khawaja	1-Jul-14	Sold	72,000	57.4
146.	Syed Muhammad Ajmal	2-Jun-14	Bought	500	62.5
147.	Syed Muhammad Ajmal	10-Jun-14	Bought	412	59
148.	Hamid Anjum	5-Aug-14	Bought	3,500	55.77
149.	Usman Mahmood Khan	7-Aug-14	Sold	100,000	57.4
150.	MUHAMAMD AKBAR KAIMKHANI	18-Aug-14	Sold	17,500	53.74
151.	MUHAMMAD AKBAR KAIMKHANI	20-Aug-14	Sold	10,000	53
152.	Farooq Muhammad Saleem	20-Aug-14	Sold	215	53.5

S.NO.	NAME	DATE	SALE/PURCHASE	NO OF SHARES	RATE / PER SHARE
153.	Muhammad Munawar Ahmed Shahid	29-Aug-14	Bought	70,000	54
154.	Ali Javed Akhter	2-Sep-14	Sold	1,000	53.01
155.	Abdul Samad Dawood	15-Sep-14	Sold	30,000	54.42
156.	M.MUNAWAR AHMED SHAHID	29-Sep-14	Bought	25,000	53.6
157.	Muhammad Asad Waheed	3-Oct-14	Bought	21,000	55.25
158.	Khurshid Muhammad	2-Oct-14	Bought	3,600	55.35
159.	Mohammad Asif Sultan Tajik	6-Nov-14	Bought	125,000	61
160.	FARHAN ANSARI	11-Nov-14	Bought	17,000	62.09
161.	SAIF ULLAH	12-Nov-14	Bought	7,000	62
162.	Salman Gora	10-Nov-14	Bought	3,500	60.64
163.	Mazhar Iqbal Qureshi	18-Nov-14	Sold	332	65.01
164.	Ghulam Qadir	19-Nov-14	Bought	7,500	66.4
165.	Mohammad Ali	9-Aug-14	Bought	12,000	53.6
166.	SHAFIQ UR REHMAN	4-Dec-14	Bought	38	68
167.	Ali Raza Arif	11-Dec-14	Bought	5,000	67.17
168.	Arsalan ur Rub	16-Dec-14	Sold	449	66.1
169.	Khalid Hussain Bhutto	18-Dec-14	Bought	10,000	66.02
170.	Muhammad Asif Ali	31-Dec-14	Sold	500	78.19

shareholder information

Annual General Meeting

The annual shareholders meeting will be held at 10:30 a.m. on April 29, 2015 at Pearl-Continental Hotel, Club Road, Karachi.

Shareholders as of April 15, 2015 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 Computerized 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, 2014 there were 29,068 shareholders on record of the Company's ordinary shares.

Dividend Payment

The proposal of the board of directors for dividend payment will be considered at the annual general meeting. Provided the proposal is approved, the dividend warrants will be sent soon thereafter to persons listed in the register of members on April 15, 2015. Income Tax will be deducted in accordance with the current regulations. Shareholders who wish to have the dividends deposited directly in their bank account should contact our Registrars, M/s. FAMCO Associates (Private) Ltd.

Transmission of Annual Reports through E-Mail

The SECP has allowed the circulation of annual reports to the members of the Company through email. Therefore, going forward all members of the Company who want to receive a soft copy of the Annual Report are requested to send their email addresses on the consent form to the Company's Share Registrar. The Company shall, however additionally also provide hard copies of the Annual Report to such members, on request, free of cost, within seven days of receipt of such request. The standard consent form for electronic transmission is available at the Company's website www.engrofertilizers.com.

Alternatively, members can fill up the Electronic transmission consent Form given in the Annexure Section at the end of this report.

Holding of General Meetings through Video Conference Facility

Members can also avail video conference facility in Lahore and Islamabad. If the Company receives consent at least 10 days prior to date of meeting, from members holding in aggregate 10% or more shareholding and residing at either Lahore and/or Islamabad to participate in the meeting through video conference, the company may arrange video conference facility in that city.

In this regard please fill up the Request for Video Conferencing Facility Form given in the Annexure Section at the end of this report and submit it to registered address of the Company 10 days before holding of the annual general meeting.

E-Dividend Mandate (Optional)

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan vide Circular No. 18 of 2012 dated June 5, 2012, we hereby give you the opportunity to authorise the Company to directly credit in your bank account the cash dividend declared by the Company now and in the future.

Please note that this E-dividend mandate is optional and not compulsory, in case you do not wish your dividend to be directly credited into your bank account then the same shall be paid to you directly.

In case you wish that the cash dividend declared by the Company is directly credited to your bank account instead of issue of dividend warrants to you, then please provide the information mentioned on the Form placed on the Company's website www.engrofertilizers.com and send the same to your brokers or the Central Depository Company Ltd. (in case the shares are held on the CDC) or to our Registrars, FAMCO Associates (Pvt.) Ltd., at their address mentioned below (in case the shares are held in paper certificate form).

Quarterly Results

The Company issues quarterly financial statements. The planned dates for release of the quarterly results in 2015 are:

- 1st quarter : April 24, 2015
- 2nd quarter: August 10, 2015
- 3rd quarter: October 26, 2015

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 27, 2015
- 2nd quarter: August 11, 2015
- 3rd quarter: October 27, 2015

All annual/quarterly reports and presentations from quarterly briefings are regularly posted at the Company's website: www.engro.com and www.engrofertilizers.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 Nursery,
Block-6 P.E.C.H.S. Shahra-e-Faisal Karachi-74000

pattern of shareholding

As at December 31, 2014

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
4,806	1	100	150,094
14,435	101	500	6,562,785
4,754	501	1,000	4,393,897
3,426	1,001	5,000	8,192,904
669	5,001	10,000	5,160,326
229	10,001	15,000	2,873,332
141	15,001	20,000	2,557,575
99	20,001	25,000	2,307,932
76	25,001	30,000	2,155,080
45	30,001	35,000	1,490,416
40	35,001	40,000	1,526,319
27	40,001	45,000	1,148,562
45	45,001	50,000	2,222,153
22	50,001	55,000	1,176,704
20	55,001	60,000	1,159,529
9	60,001	65,000	564,197
14	65,001	70,000	954,664
11	70,001	75,000	800,390
6	75,001	80,000	476,950
5	80,001	85,000	415,250
2	85,001	90,000	180,000
3	90,001	95,000	284,500
28	95,001	100,000	2,792,548
5	100,001	105,000	508,540
6	105,001	110,000	650,305
2	115,001	120,000	232,000
2	120,001	125,000	250,000
2	125,001	130,000	256,000
8	130,001	135,000	1,063,193
1	135,001	140,000	139,500
2	140,001	145,000	281,313
11	145,001	150,000	1,646,400
1	150,001	155,000	150,500
4	155,001	160,000	630,050
1	160,001	165,000	161,628
1	165,001	170,000	167,187
1	170,001	175,000	171,000
1	175,001	180,000	176,000
2	180,001	185,000	370,000
2	185,001	190,000	379,500
4	195,001	200,000	795,404
1	200,001	205,000	200,812
3	205,001	210,000	620,335
1	210,001	215,000	215,000

pattern of shareholding

As at December 31, 2014

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
4	220,001	225,000	883,574
2	235,001	240,000	475,580
2	245,001	250,000	496,930
1	270,001	275,000	275,000
1	275,001	280,000	280,000
2	290,001	295,000	585,280
4	295,001	300,000	1,198,500
1	300,001	305,000	301,500
2	310,001	315,000	625,141
1	315,001	320,000	315,750
2	320,001	325,000	644,072
1	325,001	330,000	325,827
1	330,001	335,000	334,000
3	335,001	340,000	1,010,996
2	355,001	360,000	717,500
1	365,001	370,000	369,010
1	375,001	380,000	380,000
1	395,001	400,000	400,000
1	400,001	405,000	402,382
1	420,001	425,000	424,600
1	440,001	445,000	442,766
2	445,001	450,000	897,031
1	480,001	485,000	484,168
1	485,001	490,000	488,773
2	510,001	515,000	1,026,390
1	515,001	520,000	515,500
1	525,001	530,000	528,000
1	535,001	540,000	540,000
1	565,001	570,000	566,150
1	580,001	585,000	584,700
1	645,001	650,000	648,652
1	660,001	665,000	665,000
1	670,001	675,000	670,789
1	695,001	700,000	700,000
1	710,001	715,000	714,500
1	735,001	740,000	736,028
2	745,001	750,000	1,500,000
1	770,001	775,000	773,614
1	795,001	800,000	795,940
1	805,001	810,000	806,500
1	825,001	830,000	828,221
1	830,001	835,000	832,785
1	850,001	855,000	850,500
1	885,001	890,000	887,783

pattern of shareholding

As at December 31, 2014

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
1	910,001	915,000	914,001
1	925,001	930,000	927,500
1	950,001	955,000	955,000
1	975,001	980,000	980,000
1	1,035,001	1,040,000	1,037,553
1	1,095,001	1,100,000	1,098,356
1	1,115,001	1,120,000	1,118,495
1	1,155,001	1,160,000	1,157,105
1	1,165,001	1,170,000	1,168,016
1	1,215,001	1,220,000	1,216,000
1	1,275,001	1,280,000	1,275,079
1	1,555,001	1,560,000	1,557,667
1	1,735,001	1,740,000	1,735,070
1	1,995,001	2,000,000	2,000,000
1	2,160,001	2,165,000	2,163,500
1	2,275,001	2,280,000	2,275,026
1	2,340,001	2,345,000	2,341,020
1	2,495,001	2,500,000	2,499,990
1	2,620,001	2,625,000	2,623,000
1	2,640,001	2,645,000	2,643,491
3	2,995,001	3,000,000	9,000,000
1	3,010,001	3,015,000	3,010,482
1	3,045,001	3,050,000	3,046,332
1	3,255,001	3,260,000	3,260,000
1	3,460,001	3,465,000	3,460,350
1	4,230,001	4,235,000	4,232,330
1	4,560,001	4,565,000	4,561,500
1	8,890,001	8,895,000	8,893,050
1	9,375,001	9,380,000	9,378,500
1	9,595,001	9,600,000	9,599,999
1	246,870,001	246,875,000	246,873,049
1	894,795,001	894,800,000	894,800,000
29,068		TOTAL:	1,318,341,667

category of shareholding

As at December 31, 2014 is as follows:

Shareholders Category	No. of Shareholders	No. of Shares	Percentage
Directors, Chief Executive Officer, and their spouse and minor children.	15	407,231	0.03
Associated Companies, undertakings and related parties.	2	1,141,673,049	86.60
NIT & ICP	-	-	-
Banks Development Financial Institutions, Non Banking Financial Institutions.	30	18,934,362	1.44
Insurance Companies	13	4,044,929	0.31
Modarabas and Mutual Funds	30	12,068,360	0.92
Share holders holding 10%	2	1,141,673,049	86.60
General Public (Individuals)			
a. Local	28,679	86,203,031	6.54
b. Foreign	-	-	-
Others	299	55,010,705	4.17

Outlook

Global urea demand in 2015 is expected to remain steady to moderately higher, while supply is expected to trend higher, with new capacity coming on stream in Algeria and Egypt. Global urea prices are expected to remain stable in 1H 2015 and could dip somewhat in 2H 2015 as supply additions ramp up. While urea prices have so far not mirrored the downtrend of international oil prices, continued softness of the latter could pose a risk to international urea prices. Significant gap between prices of locally produced and imported urea is expected to continue in 2015.

Domestic farmers were on the whole worse off in 2014, primarily due to a steep decline in profitability on rice and cotton crops. It is estimated that farm earnings in cotton declined by 23% from the previous year on account of soft prices. At the same time, farm income from rice were severely dented by an estimated 75% YoY on account of lower mill buying which exacerbated the impact of weak global paddy prices. Resultant decline in 2014 urea offtake is evident and 2015 is unlikely to witness a strong demand recovery. That said local urea demand for 2015 is not expected to slip below 2014 levels, supported by expected improvement in wheat crop and support price. Gas curtailment issues are likely to continue in 2015; hence the fertilizer industry will continue to face challenges due to intermittent supply. Given the above limitation on domestic production, local urea producers should be able to replicate 2014 performance and sell all they produce while imports by the government will be needed to meet the gap between local production and demand.

The Company will look to maximize production in 2015 subject to gas availability. In December 2014, the ECC approved the continuation of temporary allocation of 60 MMSCFD additional gas to Engro Fertilizers Ltd. In respect of Engro installing gas compressors for Guddu Power Plant (GENCO II) at its own cost. It is understood that as a result of the above agreement, 60 MMSCFD gas will continue to be available to the company till December 2015.

The company is pursuing the implementation of ECC's approval, communicated in January 2014, for provision of Mari gas to the Company at the concessionary rate in order to discharge the Government's contractual obligations. Implrementation of hte decision is expected shortly.

Further, the Company is also evaluating potential opportunities to expand and realign its agri based business with a key focus to provide complete solutions to farmers for agricultural inputs.

J. Akbar

Javed Akbar
Director

R.T. M

Ruhail Mohammed
Cheif Executive Officer

awards and achievements

British Safety Council Third Party Audit conducted and 4 Star rating achieved at the Daharki plant

Engro Fertilizers has been 3rd out of 63 companies in a safety survey conducted by IFA

WWF

Engro Fertilizers was awarded best coordinator for Green Office by WWF Finland

In 2014, Over 9,600 patients were vaccinated at the free Snake-bite treatment facility funded by Engro Fertilizers

In 2014, Engro Fertilizer's education program included 22 schools serving 2500+ students

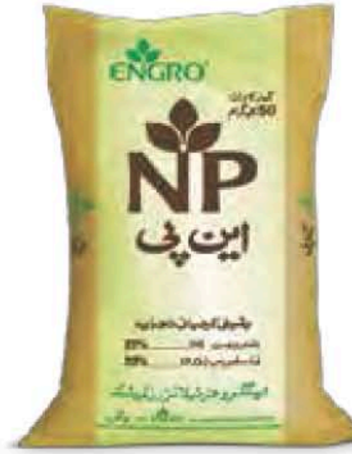
ourb
ENGRO
ENGRO
ENGRO
DAP
Urea Fertilizer 4
NP
این پی
50 کلوگرام
یقینی کیمیائی تجزیہ
22% (N) نائٹروجن
20% (P_2O_5) فاسفورس
اینگرو فرٹیلائزرز لمیٹڈ

our winning formula — our brands

At Engro Fertilizers, when we talk about our undying commitment to deliver the highest standards of quality, our focus goes well beyond how our brands will fare amongst our target audience to how they will impact customer lives by enriching their yield, and this is precisely why we strive to combine innovation & quality with customer needs and expectations.

Engro Urea

Engro is the first company to have setup urea production facility in Pakistan, a landmark event in agricultural sector of the country. This together with the fact that urea is the most widely used fertilizer in the country, gives Engro Urea a special standing in the domestic fertilizer market. Engro Fertilizers Limited started annual production of 173,000 tons in 1968. Through various debottlenecking and expansion steps, the capacity has been increased to 975,000 tons per year. In the year 2011 the Company setup world's largest single train urea plant of 1,300,000 ton capacity. In the year 2014 the production share for urea stood at 32%.



Engro NP

NP formulations that contain Nitrogen and Phosphorus in almost equal quantity have been especially important to Pakistani farmers, given the peculiar deficiency of both components in most of the Pakistani soils. This category serves the needs of a particular niche of farming community in the country; where application of nitrogen and phosphorus is required in almost equal proportions. Due to higher 'N' content a few farmers also use E-NP for top dressing. Engro started producing NP in 2005 and has been extensively marketing the product whilst especially enjoying a high market share in lower Sindh.

Engro NP is available in 50Kg bags.

Engro DAP

For a healthy growth the plant requires three major nutrients namely Nitrogen, Phosphorus and Potassium. Di-Ammonium Phosphate (DAP), which contains 46% Phosphorus, is the most widely used source of Phosphorus for the plant. DAP strengthens the roots of the plant and Improves nutrient uptake. DAP was imported in Pakistan by the fertilizer import department until 1994 and since then the private sector has been responsible for all imports.

Engro Fertilizers has been importing and marketing DAP in the country since 1996. Engro Fertilizers is the most trusted and one of the largest importer of DAP in the country. Engro DAP is a product that maintains a high quality standard and is monitored through stringent quality checks. Engro DAP has high water solubility and characteristic pH which ensures optimal soil distribution. Engro DAP is marketed in 50kg bags. It is imported by Engro EXIMP and marketed by Engro Fertilizers Limited as a selling agent.

Engro Zarkhez

Plants require three major nutrients (i.e. Nitrogen, Phosphorus and Potassium) for quality & higher yield. Zarkhez, introduced in 2002, is the only branded fertilizer in Pakistan which contains all three nutrients. Presence of all the macro nutrients results in synergistic plant nutrient uptake. The resultant yield is of high quality; sucrose content of sugar cane increases, quality and size of potato improves, fruit and vegetables appear and taste better. Zarkhez is a high quality fertilizer containing correct proportions of the three nutrients in each of its granule thus making the fertilizer application very convenient for the farmer. In addition to convenience, it also helps ensure uniform and balanced nutrient application.

Zarkhez is currently available in three different grades of 50Kg bags with nutrient proportions suitable for sugar cane, fruit orchards, vegetables, potato and tobacco. The grades are popular among progressive farmers due to its convenience, high crush strength, appropriate granule size and free flowing nature.

Zingro

Zinc is a micronutrient, it is a nutrient which the crop requires in small dosages and it compliments functions of major nutrients. Over the years zinc deficiency has been well established on a variety of crops and in rice specifically. Zingro brings to the market the trust of Engro and high quality standard which has made it distinct from all the competition. It is the market leader in a highly fragmented industry. Zingro acts as a tonic and gives quick response and a better yield. Zingro contains 33% Granular Zinc Sulphate Monohydrate and is 99.99% water soluble. Zingro has evolved to become the leading brand in the micronutrient category and is accredited to converting the image of the category to a highly acceptable one. Zingro has won the prestigious "Brand of the Year" award for 2009 in the micronutrient category.

Zingro is imported by Engro EXIMP and marketed by Engro Fertilizers Limited as a selling agent.

Engro Envy

All plants require three major nutrients (i.e. Nitrogen, Phosphorus and Potassium) for healthy growth, good appearance and better yield in terms of both, fruit and flowers. It contains Nitrogen, Phosphorus and Potassium in an equal percentage of 14:14:14 and is a 1kg packet. Furthermore it contains the added advantage of 7% sulphur which helps plants in protein synthesis which contributes to the quality of the vegetables or fruit produced by the plant. Engro Envy is therefore a premium fertilizer that covers all your plants' nutritional needs. The granular nature of Envy makes it convenient for usage. In addition to convenience, it also helps ensure uniform and balanced nutrient application.

Engro Envy is a product designed for urban markets. It is ideal for gardens, lawns, flower beds, fruit plants and ornamental plants. Engro Envy has recently been launched only in Karachi but soon it is being planned to expand its distribution to include other urban markets like Lahore and Islamabad.

rands


ENGRO
کھاد کا وزن: 50 کلوگرام
زرخیز
زمین کی طاقت ۔ نسلوں کی خوشحالی
متوازن اور منافع بخش
اینگرو فرٹیلائزرز لمیٹڈ
دانے دار

nourishing success

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Engro Fertilizers Limited (the Company) for the year ended December 31, 2014 to comply with the Code contained in Regulation No. 5.19 of the Karachi Stock Exchange Limited Regulations and Regulation No. 35 of Chapter XI contained in the Listing Regulations of Lahore and Islamabad Stock Exchanges, where the company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any noncompliance with the requirements of the Code. 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 a part of our audit of the 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 of Directors' 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended December 31, 2014.

Chartered Accountants
Karachi
Date: 03 March 2015

Engagement Partner: Mohammad Zulfikar Akhtar

auditors' report to the members

We have audited the annexed balance sheet of Engro Fertilizers Limited as at December 31, 2014 and the related profit and loss account, 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) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account 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;

(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;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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, 2014 and of the profit, total comprehensive income, changes in equity and its cash flows for the year then ended; and

(d) 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: 03 March 2015

Engagement Partner: Mohammad Zulfikar Akhtar

balance sheet
as at december 31, 2014

(Amounts in thousand)

Assets

Non-Current Assets

	Note	2014	2013
		——(Rupees)——	
Property, plant and equipment	4	74,962,817	79,315,218
Intangible assets	5	118,336	138,464
Long term loans and advances	6	93,931	109,349
		75,175,084	79,563,031
Current assets			
Stores, spares and loose tools	7	4,713,746	4,368,863
Stock-in-trade	8	1,100,922	1,381,665
Trade debts	9	757,044	758,253
Derivative financial instruments	19	-	130,207
Loans, advances, deposits and prepayments	10	432,943	625,832
Other receivables	11	27,582	28,177
Taxes recoverable		-	556,314
Short term investments	12	25,075,776	18,058,054
Cash and bank balances	13	4,188,528	4,458,391
		36,296,541	30,365,756
TOTAL ASSETS		111,471,625	109,928,787

(Amounts in thousand)

	Note	2014	2013
		(Rupees)	

Equity & Liabilities

Equity

	Note	2014	2013
Share capital	14	13,183,417	12,228,000
Share premium		2,260,784	11,144
Advance against issue of shares	15	-	2,118,750
Hedging reserve	16	(39,831)	(147,644)
Remeasurement of post employment benefits		(14,103)	(20,886)
Unappropriated profit		19,087,828	10,879,868
		21,294,678	12,841,232
Total Equity		34,478,095	25,069,232

Liabilities

Non-current liabilities

	Note	2014	2013
Borrowings	17	36,090,622	52,896,382
Subordinated loan from Holding Company	18	-	3,000,000
Derivative financial instruments	19	6,689	1,531,252
Deferred liabilities	20	5,226,646	4,654,523
Service benefits obligations	21	113,345	104,053
		41,437,302	62,186,210

Current liabilities

	Note	2014	2013
Trade and other payables	22	24,472,163	18,012,445
Accrued interest / mark-up	23	1,362,300	1,479,667
Taxes payable		675,609	-
Current portion of:			
- borrowings	17	7,912,729	2,924,299
- service benefits obligations	21	43,338	43,893
Derivative financial instruments	19	1,090,089	213,041
		35,556,228	22,673,345
Total Liabilities		76,993,530	84,859,555
Contingencies and Commitments	24		
TOTAL EQUITY & LIABILITIES		111,471,625	109,928,787

The annexed notes from 1 to 49 form an integral part of these financial statements.

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

profit and loss account
for the year ended december 31, 2014

(Amounts in thousand except for earnings per share)	Note	2014	2013
		(Rupees)	
Net sales	25	61,424,934	50,128,936
Cost of sales	26	(38,822,423)	(28,007,905)
Gross profit		22,602,511	22,121,031
Selling and distribution expenses	27	(4,441,379)	(3,511,155)
Administrative expenses	28	(772,161)	(600,990)
		17,388,971	18,008,886
Other income	29	2,449,156	1,151,117
Other operating expenses	30	(1,317,743)	(858,013)
Finance cost	31	(6,625,397)	(9,918,038)
		(7,943,140)	(10,776,051)
Profit before taxation		11,894,987	8,383,952
Taxation	32	(3,687,027)	(2,886,847)
Profit for the year		8,207,960	5,497,105
Earnings per share - basic and diluted	33	6.29	4.66

The annexed notes from 1 to 49 form an integral part of these financial statements.

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

statement of comprehensive income for the year ended december 31, 2014

(Amounts in thousand)	Note	2014	2013
		(Rupees)	
Profit for the year		8,207,960	5,497,105
Other comprehensive income			
Items potentially re-classifiable to Profit and Loss Account			
Hedging reserve - cash flow hedges			
Loss arising during the year		(1,633,625)	(94,667)
Less: Adjustment for amounts transferred to profit and loss account		1,797,878	369,241
Income tax (Deferred) relating to hedging reserve		(56,440)	(98,338)
		107,813	176,236
Items not potentially re-classifiable to Profit and Loss Account			
Remeasurement of post employment benefits obligation		11,221	(31,646)
Income tax (Deferred) relating to remeasurement of post employment benefits obligation		(4,438)	10,760
		6,783	(20,886)
Other comprehensive income for the year, net of tax		114,596	155,350
Total comprehensive income for the year		8,322,556	5,652,455

The annexed notes from 1 to 49 form an integral part of these financial statements.

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

statement of changes in equity for the year ended december 31, 2014

(Amounts in thousand)

			Capital	Reserve			
			Capital	Revenue			
	Share capital	Advance against issue of share capital	Share premium	Hedging reserve	Remeasurement of post employment benefits	Unappropriated profit	Total
	(Rupees)						
Balance as at January 1, 2013	10,728,000	-	11,144	(323,860)	-	5,382,763	15,798,027
Transactions with owners							
Share capital issued during the year	1,500,000	-	-	-	-	-	1,500,000
Advance received during the year	-	2,118,750	-	-	-	-	2,118,750
Total comprehensive income for the year ended December 31, 2013							
Profit for the year	-	-	-	-	-	5,497,105	5,497,105
Other comprehensive income:							
- cash flow hedges, net of tax	-	-	-	176,236	-	-	176,236
- remeasurements, net of tax	-	-	-	-	(20,886)	-	(20,886)
	-	-	-	176,236	(20,886)	5,497,105	5,652,455
Balance as at December 31, 2013	12,228,000	2,118,750	11,144	(147,644)	(20,886)	10,879,868	25,069,232
Transactions with owners							
Shares issued during the year	750,000	(2,118,750)	1,368,750	-	-	-	-
Share issuance cost	-	-	(97,920)	-	-	-	(97,920)
Shares issued at exercise of conversion option	205,417	-	978,810	-	-	-	1,184,227
	955,417	(2,118,750)	2,249,640	-	-	-	1,086,307
Total comprehensive income for the year ended December 31, 2014							
Profit for the year	-	-	-	-	-	8,207,960	8,207,960
Other comprehensive income							
- cash flow hedges, net of tax	-	-	-	107,813	-	-	107,813
- remeasurements, net of tax	-	-	-	-	6,783	-	6,783
	-	-	-	107,813	6,783	8,207,960	8,322,556
Balance as at December 31, 2014	13,183,417	-	2,260,784	(39,831)	(14,103)	19,087,828	34,478,095

The annexed notes from 1 to 49 form an integral part of these financial statements.

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

statement of cash flows
for the year ended december 31, 2014

(Amounts in thousand)	Note	2014	2013
		(Rupees)	
Cash flows from operating activities			
Cash generated from operations	36	28,225,540	32,576,475
Retirement and other service benefits paid		(41,124)	(30,567)
Finance cost paid		(7,091,184)	(7,259,636)
Transaction cost paid		-	(195,212)
Taxes paid		(835,474)	(252,807)
Tax loss purchased from Engro Eximp Agriproducts (Private) Limited		(1,210,522)	-
Long term loans and advances - net		15,418	(25,586)
Net cash generated from operating activities		19,062,654	24,812,667
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		(701,027)	(1,452,696)
Proceeds from sale of PPE		45,989	80,969
Investments made during the year - net		(23,739,109)	-
Income on deposits / other financial assets		1,790,194	811,509
Net cash utilised in investing activities		(22,603,953)	(560,218)
Cash flows from financing activities			
Proceeds from borrowings - net		3,947,598	-
Repayments of borrowings		(13,090,255)	(9,439,470)
Settlement of IFC option (note 17.5)		(1,495,080)	-
Proceeds from sub-ordinated loan		1,495,080	-
Repayment of sub-ordinated loan		(4,495,080)	-
Proceeds from right issue		-	1,500,000
Share issue costs paid		(53,989)	-
Advance against issue of shares		-	2,118,750
Net cash utilised in financing activities		(13,691,726)	(5,820,720)
Net (decrease) / increase in cash and cash equivalents		(17,233,025)	18,431,729
Cash and cash equivalents at beginning of the year		22,516,445	4,084,716
Cash and cash equivalents at end of the year	37	5,283,420	22,516,445

The annexed notes from 1 to 49 form an integral part of these financial statements.

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

notes to the financial statements for the year ended december 31, 2014

(Amounts in thousand)

1. Legal Status and Operations

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

1.2 Effective January 1, 2010, the Holding Company through a Scheme of Arrangement, under Section 284 to 288 of the Companies Ordinance, 1984, separated its fertilizer undertaking for continuation thereof by the Company, from the rest of the undertaking which was retained in the Holding Company. Further, the Holding Company was renamed from Engro Chemical Pakistan Limited to Engro Corporation Limited, the principal activity of which now is to manage investments in subsidiary companies and joint ventures.

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 periods presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 These financial statements have been prepared under the historical cost convention, except for re-measurement of certain financial assets and liabilities at fair value through profit or loss, derivative hedging instrument at fair value and recognition of certain staff retirement benefits at present value.

2.1.2 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

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 a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 and other relevant notes.

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 2014 and relevant

The following standards, amendments to published standards and interpretations are mandatory for the financial year beginning January 1, 2014:

- IAS 32 (Amendment), 'Financial instruments: Presentation'. 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. The amendment clarifies that right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The Company's current accounting treatment is already in line with the requirements of this amendment.

- IAS 36 (Amendment) 'Impairment of assets'. The amendment addresses 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 only affects the disclosures in the Company's financial statements.

(Amounts in thousand)

- IFRIC 21 'Levies'. This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company's current accounting treatment policy is already in line with this amendment.

b) **Standards, amendments to published standards and interpretations that are effective in 2014 but not relevant**

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2014 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, 2014 and have not been early adopted by the Company:

- IFRS 13 'Fair value measurement' (effective for periods beginning on or after January 1, 2015). 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 standard, however, initial indication are that it is unlikely that standard will have any significant impact on the Company's financial statements.

- IAS 19 (Amendment) 'Employee benefits' (effective for annual periods beginning on or after July 1, 2014). The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. 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. Entities with plans that require contributions that vary with service will be required to recognize the benefit of those contributions over employee's working lives. It is unlikely that the standard will have any significant impact on the Company's financial statements.

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

  - IFRS 7 'Financial Instruments: Disclosure' (effective for annual periods beginning on or after July 1, 2016). Interim financial statements - the amendment clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure - Offsetting financial assets and financial liabilities' is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective. It is unlikely that the standard will have any significant impact on the Company's financial statements.

  - IAS 19, 'Employee benefits' (effective for annual periods beginning on or after July 1, 2016). The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented. It is unlikely that the standard will have any significant impact on the Company's financial statements.

  - IAS 24 'Related party disclosures' (effective for annual periods beginning on or after July 1, 2014). The standard has been amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required. It is unlikely that the standard will have any significant impact on the Company's financial statements.

- IAS 34 , 'Interim financial reporting' (effective for annual periods beginning on or after July 1, 2016). This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. This amendment will only affect the disclosures in the Company's financial statements.

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.

2.2 Property, plant and equipment

2.2.1 Owned assets

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except freehold 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 (note 2.22). 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 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 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 recognized within 'Other operating expenses / income' in the profit and loss account.

Depreciation is charged to the profit and loss account using the straight line method, except for catalyst whose depreciation is charged on the basis of number of production days, whereby the cost of an operating asset less its estimated residual value, if significant, 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 up to the preceding month of disposal.

Depreciation method, useful lives and residual values are reviewed annually.

2.2.2 Leased assets

Leases in terms of which the Company 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 similar owned 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.

(Amounts in thousand)

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

2.3 Intangible assets

a) 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 costs.

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 and license cost treated as intangible assets are amortized from the date the software is put to use on a straight-line basis over a period of 4 years.

b) Rights for future gas utilization

Rights for future gas utilization represent premium paid to the Government of Pakistan for allocation of 100 MMSCFD natural gas for a period of 20 years for Enven plant. The rights are being amortized from the date of commercial production on a straight-line basis over the remaining allocation period.

2.4 Impairment of non-financial assets

Assets that are subject to depreciation / amortization 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 sale and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

2.5 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 and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in the profit and loss account.

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.

(Amounts in thousand)

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 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 it off within 12 months of the end of the reporting date. There were no available for sale financial assets at the balance sheet 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 profit and loss account. 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 profit and loss account within 'other operating income / expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account 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 statement of comprehensive income are included in the profit and loss account.

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

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 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. Impairment testing of trade debts and other receivables is described in note 2.12.

2.7 Financial Liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of an instrument. Financial liabilities are extinguished when these are discharged or cancelled or expire or when there is substantial modification in the terms and conditions of the original financial liability or part of it. The terms are substantially different if the discounted present value of the cash flows under the new

(Amounts in thousand)

terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least ten percent different from the discounted present value of the remaining cash flows of the original financial liability. If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.9 Derivative financial instruments and hedging activities

Derivatives are recognized initially at fair value; attributable transaction cost are recognized 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:

a) Cash flow hedges
Changes in fair value of derivative hedging instruments designated as a cash flow hedge are recognized in statement of comprehensive income to the extent that the hedge is effective. To the extent the hedge is ineffective, changes in fair value are recognized 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 deferred in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount previously deferred in equity is transferred to carrying amount of the asset when it is recognized. In other cases the amount deferred in equity is transferred to profit and loss account in the same period that the hedge item affects profit and loss account.

b) 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 recognized immediately in profit and loss account.

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposure. Further, the Company has issued options to convert IFC loan on its shares as disclosed in note 17.5. The fair values of various derivative instruments used for hedging and the conversion options are disclosed in note 19.

2.10 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 Company's requirements, adequate provision is made for any excess book value over estimated realizable value. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.

2.11 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 materials 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.

(Amounts in thousand)

Net realizable value signifies the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to be incurred in order to make the sales.

2.12 Trade debts and other receivables

These are recognized initially at fair value plus directly attributable transaction costs, if any and subsequently measured at amortized 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 Company 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.

2.13 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 / short term borrowings. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

2.14 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.

2.15 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 profit and loss account 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.

2.16 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.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the profit and loss account, except to the extent that it relates to items recognized in the statement of comprehensive income or directly in equity. In this case the tax is also recognized in the statement of comprehensive income or directly in equity, respectively.

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.

(Amounts in thousand)

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.

2.18 Employee benefits

2.18.1 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 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.

The Company contributes to:

- 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 those management employees who have not opted for defined contribution gratuity fund as more fully explained in note 2.18.3. Monthly contributions are made by the Company to the fund at rates ranging from 12.5% to 13.75% of basic salary.

- defined contribution gratuity fund for the benefit of those management employees who have selected to opt out of defined benefit gratuity fund and defined contribution pension plans as more fully explained in note 2.18.3. Monthly contributions are made by the Company to the fund at the rate of 8.33% of basic salary.

2.18.2 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 35 to the financial statements.

Remeasurements (actuarial gains / losses) in respect of defined benefit plan are recognized directly in equity through other comprehensive income; consequent to amendment in International Accounting Standard (IAS) 19 "Employee benefits".

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 also contributes to:
- defined benefit funded pension scheme for its management employees.
- defined benefit funded gratuity schemes for its management and non-management employees.

(Amounts in thousand)

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.

2.18.3 In June 2011, the Company gave a one time irrevocable offer to selected members of MPT Employees' Defined Benefit Gratuity Fund and Defined Contribution Pension Fund to join a new MPT Employee's Defined Contribution Gratuity Fund (the Fund), a defined contribution plan. The present value, as at June 30, 2011, of the defined benefit obligation of those employees, who accepted this offer, were transferred to the Fund. Furthermore, from July 2011 onwards, the monthly contributions to Defined Contribution Pension Fund of such employees were discontinued.

2.18.4 Service incentive plan

Company recognizes provision and an expense under a service incentive plan for certain category of experienced employees to continue in the Company's employment.

2.18.5 Employees' compensated absences

The Company accounts for compensated absences on the basis of unavailed leave balance of each employee at the end of the period.

2.19 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.

2.20 Foreign currency transactions and translation

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation 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.

2.21 Revenue recognition

Revenue is recognized to the extent that 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 reduced for marketing allowances. Revenue is recognized on the following basis:

- Sales revenue is recognized when product is dispatched to customers;
- Income on deposits and other financial assets is recognized on accrual basis; and
- Commission income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

2.22 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 and net gain / loss on the settlement of derivatives hedging instruments.

(Amounts in thousand)

2.23 Research and development costs

Research and development costs are charged to profit and loss account as and when incurred.

2.24 Government grant

Government grant that compensates the Company for expenses incurred is recognized in the profit and loss account on a systematic basis in the same period in which the expenses are recognized. Government grants are deducted from related expense.

2.25 Earnings per share

The Company 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 Company by the weighted average number of ordinary shares outstanding during the year. 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.

2.26 Transactions with related parties

Sales, purchases and other transactions with related parties are carried out on agreed terms and conditions.

2.27 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

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 Company 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 Derivatives

The Company reviews 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 fair value of conversion options on IFC loan is determined using the option pricing model.

3.3 Income taxes

In making the estimates for current income taxes payable by the Company, the management considers the applicable laws and the decisions / judgments of appellate authorities on certain issues in the past. Accordingly, the recognition of deferred tax is also made, taking into account these judgments and the best estimates of future results of operations of the Company.

(Amounts in thousand)

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 various 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 note 35.2.3 and 35.2.8 respectively.

4. Property, Plant and Equipment

	2014	2013
	(Rupees)	
Operating assets at net book value (note 4.1)	73,674,133	77,271,365
Capital work in progress (note 4.4)	863,917	1,640,564
Major spare parts and stand-by equipment	424,767	403,289
	74,962,817	79,315,218

(Amounts in thousand)

4.1 Operating Assets

	Land		Building on		Plant and	Gas	Catalyst	Office	Vehicles	Total
	Freehold	Leasehold	Freehold	Leasehold	machinery	Pipeline		equipments		
					(Rupees)					
As at January 1, 2013										
Cost	149,575	187,320	2,385,170	367,171	90,077,924	1,706,826	1,783,177	633,873	467,367	97,758,403
Accumulated depreciation	-	(47,854)	(613,713)	(92,434)	(13,411,875)	(170,050)	(874,209)	(465,094)	(246,847)	(15,922,076)
Net book value	149,575	139,466	1,771,457	274,737	76,666,049	1,536,776	908,968	168,779	220,520	81,836,327
Year ended December 31, 2013										
Net book value - January 1, 2013	149,575	139,466	1,771,457	274,737	76,666,049	1,536,776	908,968	168,779	220,520	81,836,327
Transfers from CWIP	-	-	188,078	751	207,072	-	-	36,172	3,335	437,408
Disposals / write offs (note 4.3)										
Cost	-	-	-	-	(164,301)	-	-	(2,479)	(61,984)	(228,764)
Accumulated depreciation	-	-	-	-	103,912	-	-	2,470	40,855	147,237
	-	-	-	-	(60,389)	-	-	(9)	(21,129)	(81,527)
Depreciation charge (note 4.2)	-	(4,393)	(135,324)	(9,188)	(4,232,381)	(54,661)	(371,142)	(55,883)	(57,871)	(4,920,843)
Net book value	149,575	135,073	1,824,211	266,300	72,580,351	1,482,115	537,826	151,059	144,855	77,271,365
As at January 1, 2014										
Cost	149,575	187,320	2,573,248	367,922	90,120,695	1,706,826	1,783,177	669,566	408,718	97,967,047
Accumulated depreciation	-	(52,247)	(749,037)	(101,622)	(17,540,344)	(224,711)	(1,245,351)	(518,507)	(263,863)	(20,695,682)
Net book value	149,575	135,073	1,824,211	266,300	72,580,351	1,482,115	537,826	151,059	144,855	77,271,365
Year ended December 31, 2014										
Net book value - January 1, 2014	149,575	135,073	1,824,211	266,300	72,580,351	1,482,115	537,826	151,059	144,855	77,271,365
Transfers from CWIP	-	-	19,608	65,615	363,864	708,137	176,997	82,973	28,164	1,445,358
Disposals / write offs (note 4.3)										
Cost	-	-	-	-	(347,810)	-	-	(13,253)	(79,656)	(440,719)
Accumulated depreciation	-	-	-	-	52,053	-	-	13,154	58,075	123,282
	-	-	-	-	(295,757)	-	-	(99)	(21,581)	(317,437)
Depreciation charge (note 4.2)	-	(4,393)	(135,267)	(10,428)	(4,190,358)	(66,646)	(218,414)	(53,154)	(46,493)	(4,725,153)
Net book value	149,575	130,680	1,708,552	321,487	68,458,100	2,123,606	496,409	180,779	104,945	73,874,133
As at December 31, 2014										
Cost	149,575	187,320	2,592,856	433,537	90,136,749	2,414,963	1,960,174	739,286	357,226	98,971,686
Accumulated depreciation	-	(56,640)	(884,304)	(112,050)	(21,678,649)	(291,357)	(1,463,765)	(558,507)	(252,281)	(25,297,553)
Net book value	149,575	130,680	1,708,552	321,487	68,458,100	2,123,606	496,409	180,779	104,945	73,874,133
Annual rate of depreciation (%)	-	2 to 5	2.5 to 8	2.5	5 to 10	5.0	No. of production days	10 to 25	12 to 25	

(Amounts in thousand)

4.2 Depreciation charge for the year has been allocated as follows:

	2014	2013
	(Rupees)	
Cost of sales (note 26)	4,682,132	4,870,537
Selling and distribution expenses (note 27)	23,588	25,790
Administrative expenses (note 28)	19,433	24,516
	4,725,153	4,920,843

(Amounts in thousand)

4.3 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	Sales proceeds
		(Rupees)			
Plant and machinery					
Old Ammonia I plant (dismantled portion) - sale through bid	Pak Arab Engineering (Private) Limited	37,197	30,889	6,308	16,236
Cooling Water Pumps (dismantled portion)	Written off	120,210	17,400	102,810	-
Gas Turbine Compressor (dismantled portion)	Written off	52,007	3,764	48,243	-
		209,414	52,053	157,361	16,236
Gas pipeline					
Pipeline for raw gas	Written off	138,396	-	138,396	-
Vehicles					
By Company policy to existing / separating executives	Azmat Hayat Bhatti	1,361	1,014	347	342
	Muddassir Shafique	1,490	652	838	842
	Masood Khatri	1,359	1,019	340	340
	Haider Ali Isani	1,359	1,019	340	340
	Muhammad Shujaat Bhatti	1,439	1,079	360	360
	Omair Mazhar Qureshi	1,439	1,349	90	90
	Mohammad Khalid Mir	8,000	3,375	4,625	4,725
	Adeel Qamar	1,439	1,349	90	90
	Muhammad Abbas Shahani	2,332	730	1,602	1,602
	Kanwer Anwer Saeed Khan	6,900	4,959	1,941	1,941
	S. Abul Fazal Rizvi	1,930	1,086	844	874
	Nadeem Sajjad	1,389	1,042	347	347
	M. Mumtaz Akhtar	1,540	722	818	876
	Farooq A. Qazi	1,401	1,054	347	347
	Khurshid Mohammad	1,329	1,246	83	83
	Mohammad Asghar Janjua	1,329	1,246	83	83
	Qamar Jaleel	1,329	1,246	83	83
	Zahid Amin Shah	1,329	1,246	83	83
	Nadeem Munawar	1,389	1,042	347	347
	Mohammad Arshad	1,389	1,042	347	347
	M. Munawar A. Shahid	1,401	1,051	350	350
	Saad Afzaal Shamsi	1,401	1,051	350	350
	Khalid Mahmood	1,389	1,042	347	347
	Shahid Rashid	1,389	1,042	347	347
	Muhammad Ali Mirza	1,401	1,051	350	350
	Rizwan Malik	1,401	1,051	350	350
	Fahad Majid Hasan	1,401	1,051	350	350
	Zamir Hussain	1,389	1,042	347	347
	Waqas Habib	1,401	941	460	496
	Salman Abdullah Gora	1,401	1,051	350	350
	Naz Khan	7,160	5,370	1,790	1,790
	Muhammad Siddique	1,389	1,042	347	347
	Nadeem Ahmed	1,930	1,448	482	483
		65,925	45,750	20,175	20,399
	Balance carried forward	413,735	97,803	315,932	36,635

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sales proceeds
		(Rupees)			
Balance carried forward		413,735	97,803	315,932	36,635
Insurance claim	Hampshire Insurance Company	555	500	55	500
Insurance claim	Hampshire Insurance Company	1,461	1,050	411	1,400
		2,016	1,550	466	1,900
Sale through bid					
	Sultan Jan	560	504	56	405
	S.M.Saeed	1,015	761	254	892
	Sultan Jan Niazi	926	926	-	270
	Saeed Ahmed	555	500	55	263
	Mohammad Jawed	585	529	56	434
	Shahnawaz	555	500	55	426
	Waseem Mirza	530	477	53	481
	Nusrat Iqbal	605	545	60	434
	Wajid Ali	480	432	48	501
	Mohammad Jawed	1,389	1,343	46	1,065
	Nusrat Iqbal	605	545	60	420
	Mohammad Abid	605	545	60	446
	Shagufta Saeed	605	545	60	473
		9,015	8,152	863	6,510
Sale to associates					
	Engro Foods Limited	520	520	-	115
	Engro Foods Limited	768	691	77	182
	Engro Foods Limited	679	679	-	211
	Engro Foods Limited	733	733	-	240
		2,700	2,623	77	748
		79,656	58,075	21,581	29,557
Items having net book value upto Rs. 50 each					
Furniture, fixtures and equipment		13,253	13,154	99	196
Year ended December 31, 2014		440,719	123,282	317,437	45,969
Year ended December 31, 2013		228,764	147,237	81,527	80,969

(Amounts in thousand)

4.4 Capital work in progress

	2014	2013
	(Rupees)	
Plant and machinery	759,687	1,554,382
Building and civil works including Gas pipeline	66,849	77,603
Furniture, fixture and equipment	4,003	1,016
Advances to suppliers	13,074	-
Other ancillary cost	20,304	7,563
	863,917	1,640,564

	2014	2013
4.4.1 Balance as at January 1	1,640,564	606,052
Additions during the year	679,549	1,482,729
Transferred to:		
- operating assets (note 4.1)	(1,445,358)	(437,408)
- Intangible assets (note 5)	(10,838)	(12,809)
Balance as at December 31	863,917	1,640,564

5. Intangible Assets

	Software and licenses	Rights for future gas utilization	Total
		(Rupees)	
As at January 1, 2013			
Cost	226,684	102,312	328,996
Accumulated amortization	(159,674)	(7,767)	(167,441)
Net book value	67,010	94,545	161,555
Year ended December 31, 2013			
Net book value - January 1, 2013	67,010	94,545	161,555
Transfers from CWIP	12,809	-	12,809
Amortization (note 5.1)	(30,790)	(5,110)	(35,900)
Net book value	49,029	89,435	138,464
As at December 31, 2013			
Cost	239,493	102,312	341,805
Accumulated amortization	(190,464)	(12,877)	(203,341)
Net book value	49,029	89,435	138,464
Year ended December 31, 2014			
Net book value - January 1, 2014	49,029	89,435	138,464
Transfers from CWIP	10,838	-	10,838
Amortization (note 5.1)	(25,855)	(5,111)	(30,966)
Net book value	34,012	84,324	118,336
As at December 31, 2014			
Cost	250,331	102,312	352,643
Accumulated amortization	(216,319)	(17,988)	(234,307)
Net book value	34,012	84,324	118,336

(Amounts in thousand)

		2014	2013
		(Rupees)	
5.1	Amortization for the year has been allocated as follows:		
	Cost of sales (note 26)	28,290	35,079
	Selling and distribution expenses (note 27)	160	115
	Administrative expenses (note 28)	2,516	706
		30,966	35,900

6. Long Term Loans and Advances - Considered good

	2014	2013
Executives (notes 6.1 and 6.2)	183,374	187,302
Other employees (note 6.3)	9,174	34,672
	192,548	221,974
Less: Current portion shown under current assets (note 10)		
- Considered good	95,108	112,625
- Considered doubtful	3,509	-
	98,617	112,625
	93,931	109,349

6.1 Reconciliation of the carrying amount of loans and advances to executives

	2014	2013
Balance at beginning of the year	187,302	145,659
Disbursements	144,339	95,139
Repayments / amortization	(148,267)	(53,496)
Balance at end of the year	183,374	187,302

6.2 Includes interest free service incentive loans to executives of Rs. 97,496 (2013: Rs. 92,271). It also includes advances of Rs. 31,309 (2013: Rs. 34,603), Rs. 24,994 (2013: Rs. 11,776), Rs. 16,383 (2013: Rs. 12,576) and Rs. 13,192 (2013: Rs. 36,076) to executives for car earn out assistance, long term incentive, house rent advance and retention loan respectively. The maximum amount outstanding at the end of any month during the year ended December 31, 2014 from executives aggregated to Rs.229,956 (2013: Rs. 194,564).

6.3 Represents interest free loans given to workers pursuant to Collective Labour Agreement.

(Amounts in thousand)

7. Stores, Spares and Loose Tools

	2014	2013
	(Rupees)	
Consumable stores	545,483	394,052
Spares	4,257,635	4,063,443
Tools	5,019	4,315
	4,808,137	4,461,810
Less: Provision for surplus and slow moving items	94,391	92,947
	4,713,746	4,368,863

8. Stock-in-trade

	2014	2013
Raw materials	714,857	806,352
Packing materials	90,475	59,892
Work in process	89,780	71,880
	895,112	938,124
Finished goods	205,810	443,541
	1,100,922	1,381,665

9. Trade Debts

	2014	2013
Considered good		
- Secured (note 9.1)	615,797	663,624
- Unsecured	141,247	94,629
	757,044	758,253
Considered doubtful	24,400	27,073
	781,444	785,326
Provision for impairment (note 9.2)	(24,400)	(27,073)
	757,044	758,253

(Amounts in thousand)

9.1 These debts are secured by way of bank guarantee and inland letter of credit.

9.2 As at December 31, 2014, trade debts aggregating to Rs. 24,400 (2013: Rs. 27,073) were past due and provided for. The ageing analysis of these provided for debts is as follows:

	2014	2013
	(Rupees)	
Upto 1 year	-	19,000
More than 1 year	24,400	8,073
	24,400	27,073

10. Loans, Advances, Deposits and Prepayments

	2014	2013
Considered good		
Current portion of long term loans and advances to executives and other employees - (note 6)	95,108	112,625
Advances and deposits	72,482	176,440
Prepayments		
- Insurance	239,702	227,734
- Others (note 10.1)	25,651	109,033
	432,943	625,832
Considered doubtful - advances and deposits	3,509	5,770
Provision for impairment (note 10.2)	(3,509)	(5,770)
	432,943	625,832

10.1 This includes Rs. Nil (2013: 97,365) expenditure incurred on account of Initial Public Offering of 75 million ordinary shares, which has been adjusted against the share premium on allotment of the shares during the year.

10.2 As at December 31, 2014, advances and prepayments aggregating to Rs. 3,509 (2013: Rs. 5,770) were impaired and provided for. The ageing analysis of impaired advances is as follows:

	2014	2013
	(Rupees)	
Upto 1 year	3,509	4,258
More than 1 year	-	1,512
	3,509	5,770

(Amounts in thousand)

11. Other Receivables

	2014	2013
	(Rupees)	
Receivable from Government of Pakistan	544	291
Accrued income on deposits / investments	8,591	13,780
Due from associated companies:		
- Engro Foods Limited	24	1,567
- Engro Polymer & Chemicals Limited	-	1,185
- Engro Powergen Qadirpur Limited	100	1,068
- Sindh Engro Coal Mining Company Limited	21	-
- Engro Elengy Terminal (Private) Limited	2,830	-
- Engro Eximp Agriproducts (Private) Limited	-	133
- Engro Vopak Terminal Limited	899	8
Claims on foreign suppliers	13,215	3,842
Workers' profits participation fund (note 22.4)	-	1,565
Others	1,902	4,938
	28,126	28,177
Less: Provision for impairment	544	-
	27,582	28,177

11.1 The maximum amount due from the Holding Company / associated companies at the end of any month during the year aggregated as follows:

	2014	2013
	(Rupees)	
Holding Company		
- Engro Corporation Limited	812	1,201
Associated companies		
- Engro Eximp (Private) Limited	58,036	33,039
- Engro Foods Limited	3,027	4,705
- Engro Polymer & Chemicals Limited	6,012	9,400
- Engro Powergen Qadirpur Limited	16,457	17,116
- Engro PowerGen Limited	1,433	132
- Sindh Engro Coal Mining Company Limited	6,168	1,510
- Engro Eximp Agriproducts (Private) Limited	2,252	2,924
- Engro Foundation	282	729
- Engro Elengy Terminal (Private) Limited	2,830	-
- Engro Vopak Terminal Limited	3,088	465

(Amounts in thousand)

11.2 As at December 31, 2014, receivables aggregating to Rs. 15,117 (2013: Rs. 8,722) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2014	2013
	(Rupees)	
Upto 3 months	6,166	2,873
3 to 6 months	217	2,236
More than 6 months	8,734	3,613
	15,117	8,722

12. Short Term Investments

Financial assets at fair value through profit or loss		
Treasury bills and other fixed income placements (note 12.1)	24,076,488	1,578,951
Loans and receivables		
Reverse repurchase of treasury bills (note 12.1)	999,288	16,479,103
	25,075,776	18,058,054

12.1 These represent treasury bills at the interest rate ranging from 7.02% to 10.07% per annum (2013: 8.45% to 9.17% per annum); and local and foreign currency deposits with various banks, at interest rates ranging from 7.25% to 9.15% per annum (2013: 8.00% to 10.20% per annum) and at 1.50% per annum (2013: 2.00% per annum) respectively.

(Amounts in thousand)

13. Cash and Bank Balances

	2014	2013
	(Rupees)	
Cash at banks on:		
- deposit accounts (notes 13.1 and 13.2)	4,178,180	2,606,262
- current accounts (note 13.3)	3,098	1,844,879
	4,181,278	4,451,141
Cash in hand - Imprest funds	7,250	7,250
	4,188,528	4,458,391

13.1 Deposit accounts carried return at rates ranging from 6.5% to 8.98% per annum (2013: 6.5% to 10.15% per annum).

13.2 Includes Rs. 12,225 (2013: Rs.13,635) held in foreign currency bank accounts.

13.3 Current account includes funded facilities for short term finances available from various banks and institutional investors amounting to Rs. 4,350,000 (2013: Rs. 5,250,000) along with non-funded facilities of Rs. 1,300,000 (2013: Rs. 1,275,000) for Bank Guarantees. The rates of markup on funded bank overdraft facilities ranged from 10.93% to 12.57% per annum 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 the Company. However, no overdrawn amount was outstanding as at December 31, 2014.

14. Share Capital

	2014	2013
	(Rupees)	
Authorized Capital		
1,400,000,000 (2013: 1,400,000,000) Ordinary shares of Rs. 10 each	14,000,000	14,000,000
Issued, subscribed and paid-up capital		
245,541,674 (2013: 150,000,007) Ordinary shares of Rs. 10 each, fully paid in cash	2,455,417	1,500,000
9,999,993 (2013: 9,999,993) Ordinary shares of Rs. 10 each issued as at January 1, 2010 on transfer of fertilizer undertaking	100,000	100,000
1,062,800,000 (2013: 1,062,800,000) Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	10,628,000	10,628,000
	13,183,417	12,228,000

(Amounts in thousand)

14.1 **Movement In Issued, Subscribed And Paid Up Capital**

2014	2013		2014	2013
Number of shares			(Rupees)	
1,222,800,000	1,072,800,000	At January 1	12,228,000	10,728,000
75,000,000	150,000,000	Ordinary shares of Rs. 10 each issued during the year as fully paid in cash (14.2)	750,000	1,500,000
20,541,667	-	Ordinary shares of Rs. 10 each issued upon exercise of conversion option by International Finance Corporation (IFC) (14.3)	205,417	-
1,318,341,667	1,222,800,000	At December 31	13,183,417	12,228,000

14.2 Last year, the Company made Initial Public Offer through issue of 75 million ordinary shares of Rs. 10 each. Shares in respect thereof have been issued during the year.

14.3 These represent shares issued to IFC, pursuant to exercise of conversion option (note 17.5).

14.4 As at balance sheet date, the Holding Company held 86.6% of the share capital of the Company. However, subsequent to balance sheet date, on exercise of conversion option by IFC, as more fully explained in note 17.5 to the financial statements, the Holding Company now holds 85.8% of the share capital of the Company.

15. Advance Against Issue of Shares

Represents subscription money received against IPO of 75 million shares that took place during 2013. Out of these 18.75 million shares were subscribed by general public while 56.25 million shares were subscribed by high net worth individuals and investors. All these shares were allotted during the year.

16. Hedging Reserve

	2014	2013
	(Rupees)	
Hedging reserve on interest rate swaps	(59,450)	(223,703)
Deferred tax thereon	19,619	76,059
	(39,831)	(147,644)

16.1 Hedging reserve represents the effective portion of changes in fair values of designated cash flow hedges, net off associated gains / losses recognized in initial cost of the hedged item and profit and loss account where applicable.

(Amounts in thousand)

17. Borrowings - Secured (Non-participatory)

	Note	Mark - up rate p.a.	Installments Number	Installments Commenced / Commencing from	2014	2013
					Rupees	Rupees
Long term finance utilized under mark-up arrangements:						
Re-structured Financiers						
Habib Bank Limited	17.1	6 months KIBOR + 1.1%	8 half yearly	March 31, 2013	257,290	397,661
Allied Bank Limited	17.1	6 months KIBOR + 1.1%	8 half yearly	June 26, 2013	514,066	794,655
Askari Bank Limited	17.1	6 months KIBOR + 1.1%	8 half yearly	June 30, 2013	64,599	100,000
Citibank N.A.	17.1	6 months KIBOR + 1.1%	8 half yearly	July 22, 2013	25,840	40,000
Standard Chartered Bank (Pakistan) Limited	17.1	6 months KIBOR + 1.1%	8 half yearly	June 30, 2013	128,644	198,916
National Bank of Pakistan	17.1	6 months KIBOR + 1.1%	10 half yearly	March 5, 2013	788,842	1,045,068
Faysal Bank Limited	17.1	6 months KIBOR + 2.3%	13 half yearly	May 26, 2013	857,785	1,159,373
Dubai Islamic Bank Limited	17.1	6 Months KIBOR + 2.1%	14 half yearly	June 30, 2013	294,409	444,159
Standard Chartered Bank (Pakistan) Limited	17.1	6 Months KIBOR + 2.4%	14 half yearly	June 14, 2013	591,118	791,322
Samba Bank Limited	17.1	6 Months KIBOR + 2.4%	14 half yearly	April 1, 2013	295,954	396,190
National Bank of Pakistan	17.1	6 Months KIBOR + 2.4%	10 half yearly	September 28, 2013	543,185	743,208
Syndicated finance	17.1 and 17.2	6 months KIBOR + 1.8%	14 half yearly	February 28, 2013	9,853,119	13,189,193
Islamic offshore finance	17.1 and 17.3	6 months LIBOR + 2.5%	9 half yearly	March 28, 2013	5,312,289	7,547,068
DFI Consortium finance	17.1 and 17.4	6 months LIBOR + 2.6%	7 half yearly	July 29, 2013	3,589,561	5,256,103
International Finance Corporation	17.1 and 17.5	6 months LIBOR + 6%	3 half yearly	September 15, 2016	2,456,031	3,102,937
Other borrowings						
International Finance Corporation	17.5	6 months LIBOR + 6%	3 half yearly	September 15, 2015	3,365,332	5,050,606
HSBC Middle East Limited		6 months KIBOR + 1.1%	8 half yearly	December 29, 2010	-	50,000
Habib Metropolitan Bank Limited		6 Months KIBOR + 2.4%	10 half yearly	June 21, 2013	120,000	120,000
Bank Islami Pakistan Limited		6 months KIBOR + 2.4%	14 half yearly	May 26, 2010	181,709	272,564
Pak Kuwait Investment Company (Private) Limited		6 months KIBOR + 2.3%	10 half yearly	April 30, 2012	199,297	298,516
Dubai Islamic Bank Limited	17.6	6 months KIBOR + 1%	4 half yearly	June 4, 2018	800,000	-
Silk Bank Limited		6 Months KIBOR + 2.3%	10 half yearly	January 21, 2013	180,000	180,000
Certificates						
Term Finance Certificates 2nd Issue	17.7	6 months KIBOR + 1.5%			-	3,979,227
Term Finance Certificates 3rd Issue	17.8	6 months KIBOR + 2.4%			1,432,006	1,666,884
Sukuk Certificates	17.9	6 months KIBOR + 1.5%	2 half yearly	March 6, 2015	2,998,472	2,995,031
Privately Placed Subordinated Term Finance Certificates	17.10				6,000,000	6,000,000
Privately Placed Subordinated Sukuk Certificates	17.11	6 months KIBOR + 1.7%	10 half yearly	January 9, 2015	3,151,823	-
					44,003,351	55,820,681
Less: Current portion shown under current liabilities	17.1				7,912,729	2,924,299
					36,090,622	52,896,382

(Amounts in thousand)

17.1 As per the terms of re-profiling agreements of the finance facilities, the Company had agreed to implement cash sweep due to which all surplus cash over and above debt servicing, recurring capex, alternate gas capex and some pre agreed cushions, were to be paid to lenders as prepayment of outstanding amount which was applicable from December 31, 2014 on one off basis. However, due to improved cash flows, the Company has implemented the cash sweep in June 2014, and upto the date of balance sheet Rs. 6,057,959 has been paid to the restructured financiers whereas remaining amount of Rs. 1,942,041 was paid subsequent to balance sheet date.

During the year, the amended InterCreditor Agreement (ICA) was executed between the Company and the senior debt financiers. The amended agreement excludes the covenant for the long term allocation and supply of gas from Kunnar Pasahki Deep from July 1, 2014.

Further, the amended ICA imposed restriction on dividend which would be paid only after the repayment of 33% of the senior loans outstanding as at June 30, 2012. During the year the Company has fulfilled this condition by making repayments that exceeded 33% of outstanding amount of senior debt as of June 30, 2012.

17.2 This represents the balance amount of a syndicated finance agreement with Habib Bank Limited, National Bank of Pakistan, United Bank Limited, MCB Bank Limited, Standard Chartered Bank (Pakistan) Limited, Bank Alfalah Limited, Allied Bank Limited, Askari Bank Limited, Habib Metropolitan Bank Limited, SUMMIT Bank Limited, SONERI Bank Limited and PAK-LIBYA Holding Company (Private) Limited.

17.3 This represents the balance amount of an offshore Islamic Finance Facility Agreement of USD 36,000 with Habib Bank Limited, National Bank of Pakistan and SAMBA Financial Group and Rs. 3,618,000 with Citi Bank N.A, Dubai Islamic Bank Pakistan Limited and Standard Chartered Bank (Pakistan) Limited.

17.4 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.

17.5 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 the 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 remained upon the Holding Company's ordinary shares at Rs. 205 per ordinary share (reduced to Rs. 155.30 and Rs. 119.46 as at December 31, 2011 and December 31, 2012 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 was to be exercised within a period of no more than five years from the date of disbursement of the loan (December 26, 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 the Company that in the event IFC exercises the aforementioned conversion option (Tranche A), the loan amount then outstanding against the Company would stand reduced by the conversion option amount and the Company would pay the rupee equivalent of the corresponding conversion amount to the Holding Company which would simultaneously be given to the Company 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 resulted in a loan from the Holding Company having the same repayment terms / dates as that of Tranche A.

During the year IFC exercised its entire conversion option for an outstanding amount of USD 15,000 of Tranche A and accordingly 12,515,319 shares of Engro Corporation Limited have been issued to the IFC.

On December 22, 2010, the 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 and some of the terms of the loan were further amended through an agreement dated January 29, 2014. The additional loan of USD 30,000 is divided into (i) Tranche A2 30% convertible loan on the shares of the Company at Rs. 24.00 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) Tranche B2 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%.

(Amounts in thousand)

During the year on June 25, 2014, the Company received a notice from the IFC for exercise of option on USD 5,000 loan which, alongwith the fair value of related option on that date has been classified as equity; accordingly 20,541,667 ordinary shares of the Company have been allotted to the IFC. The fair value of the remaining conversion option, included in derivative financial instruments, amounts to Rs. 965,326. Subsequent to the year end, the Company received a notice from IFC for exercise of further USD 3,000 loan on January 9, 2015 out of the remaining USD 4,000 of Tranche A2, accordingly 12,590,625 ordinary shares of the Company have been allotted to the IFC on January 14, 2015.

17.6 The Company arranged a loan facility of Rs. 600,000 from Dubai Islamic Bank Pakistan Limited on December 4, 2014. This loan was used to repay the subordinated loan received from the Holding Company on account of exercise of IFC conversion option as more fully explained in aforementioned note.

17.7 This represents secured and listed Term Finance Certificates (TFCs) of Rs. 4,000,000. It has been redeemed in its entirety on November 30, 2014.

17.8 This represents 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%
6	12%
7	60%

IGI Investment Bank Limited is the trustee for these TFCs.

17.9 This represents Sukuk Certificates of Rs. 3,000,000. Dubai Islamic Bank Pakistan Limited is the trustee for these certificates.

17.10 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%. IGI Investment Bank Limited is the trustee for these TFCs. In 2011, the aforementioned TFCs have been listed on the Over-The-Counter (OTC) market of the Karachi Stock Exchange.

17.11 This represents Privately Placed Subordinated Sukuk (PPSS) amounting to Rs. 3,200,000. Pak Brunei Investment Company Limited is the Trustee while Meezan Bank Limited acts as the Investment Agent for this Sukuk. The Company used PPSS to refinance the subordinated loan from the Holding Company.

17.12 The above finances, excluding those covered in notes 17.5, 17.6, 17.10 and 17.11 are secured by an equitable mortgage upon the immovable property of the Company and equitable charge over current and future fixed assets excluding immovable property of the Company. Loans from IFC are secured by a subordinated mortgage upon the immovable property of the Company and sub-ordinated charge over all present and future fixed assets excluding immovable property of the Company. PPTFCs are secured by a subordinated floating charge over all present and future fixed assets excluding land and buildings. Loans from Dubai Islamic Bank Pakistan Limited used to refinance the subordinated loan from the Holding Company have a subordinate mortgage upon the immovable property of the Company and a subordinate charge over current and future fixed assets excluding immovable property of the Company.

17.13 In view of the substance of the transactions, the sale and repurchase of assets under long term finance have not been recorded in these financial statements.

(Amounts in thousand)

18. Subordinated Loan from Holding Company - Unsecured

During the year, two tranches of Rs. 814,120 and Rs. 680,960, being the amount equivalent to IFC Tranche A settled upon exercise of option as more fully explained in note 17.5, carrying mark-up at rate of 15.3% and 15% respectively were obtained from the Holding Company. However, the entire amount including amount outstanding as at December 31, 2013 carrying mark-up at rate of 17.1% was repaid during the year.

19. Derivative Financial Instruments

	2014 Assets	2014 Liabilities	2013 Assets	2013 Liabilities
	(Rupees)			
Conversion option on IFC loan (note 17.5)	-	965,326	-	1,445,966
Cash flow hedges				
- Foreign exchange forward contracts - net (note 19.1)	-	54,800	130,207	14,974
- Interest rate swaps (note 19.2)	-	76,652	-	283,353
	-	1,096,778	130,207	1,744,293
Less: Current portion shown under current assets / liabilities				
Conversion options on IFC loan	-	965,326	-	-
Cash flow hedges:				
- Foreign exchange forward contracts	-	54,800	130,207	14,974
- Interest rate swaps	-	69,963	-	198,067
	-	1,090,089	130,207	213,041
	-	6,689	-	1,531,252

19.1 Foreign exchange forward contracts

The Company entered in various USD : PKR forward contracts to hedge its foreign currency exposure. As at December 31, 2014, the Company had forward contracts to purchase USD 94,680 (2013: USD 157,003) at various maturity dates to hedge its foreign currency exposure, primarily loan obligations. The net fair value of these contracts as at December 31, 2014 is negative and amounted to Rs. 54,800 (2013: Rs. 115,233 positive).

19.2 Interest rate swap

19.2.1 The Company 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 which matured during the year. The fair value of this arrangement as at December 31, 2013 amounted to Rs. 85,852 negative.

19.2.2 The Company entered into 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 23,182 (2013: USD 38,636) amortizing upto April 2016. Under the swap agreement, the Company would receive USD-LIBOR from Standard Chartered Bank (Pakistan) Limited 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, 2014 is negative and amounted to Rs. 76,652 (2013: Rs. 197,501 negative).

(Amounts in thousand)

20. Deferred Liabilities

	2014	2013
	(Rupees)	
Deferred taxation (note 20.1)	5,149,666	4,573,678
Deferred income (note 20.3)	76,980	80,845
	5,226,646	4,654,523

20.1 Deferred taxation

Credit balances arising on account of:		
- Accelerated depreciation allowance	15,485,581	17,074,406
- Carried forward tax losses substantially pertaining to unabsorbed tax depreciation	(6,472,305)	(9,472,132)
- Recoupable minimum turnover tax (note 20.2)	(1,276,725)	(662,568)
- Fair values of hedging instruments	(19,619)	(76,059)
- Exchange loss	-	(1,827,034)
- Alternative Corporate Tax	(1,362,800)	-
- Losses purchased from Engro Eximp Agriproducts (Private) Limited	(1,157,786)	-
- Fair value of IFC conversion option	-	(355,068)
- Provision for:		
- staff retirement benefits	(6,321)	(61,062)
- slow moving stores and spares and doubtful receivables	(40,359)	(42,769)
- Others	-	(4,036)
	5,149,666	4,573,678

20.2 In 2013, the High Court of Sindh, 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 where there is no tax paid on account of loss for the year. The Company's management is however of the view, duly supported by legal advisor, that the above order is not correct and would not be maintained by Supreme Court. Therefore, the Company has continued to carry forward minimum tax as reflected above.

20.3 Deferred income

This represents an amount of Rs. 96,627 received from Engro Powergen Qadirpur Limited, an associated company for the right to use the Company's infrastructure facilities at Daharki Plant by the employees of Engro Powergen Qadirpur Limited for a period of twenty five years. The amount is being amortized over such period.

21. Service Benefits Obligations

	2014	2013
	(Rupees)	
Service benefit obligation	156,683	147,946
Less: Current portion shown under current liabilities	43,338	43,893
	113,345	104,053

(Amounts in thousand)

22. Trade and Other Payables

	2014	2013
	——(Rupees)——	
Creditors (note 22.1)	14,616,341	6,199,556
Accrued liabilities (note 22.2)	1,177,824	1,112,694
Advances from customers	6,220,475	7,207,961
Sales tax payable	983,406	1,018,741
Payable to:		
- Engro Corporation Limited	103,602	326,329
- Engro Eximp (Private) Limited (note 22.3)	448,680	64,900
- Engro Polymer & Chemicals Limited	8,774	-
- Engro PowerGen Limited	-	34
Deposits from dealers refundable on termination of dealership	15,623	14,852
Contractors' deposits and retentions	44,214	54,464
Workers' welfare fund	614,661	477,907
Payable to Gratuity Fund (note 35.2.1)	-	48,308
Payable to unsuccessful applicants- IPO	-	1,286,061
Workers' profits participation fund (note 22.4)	38,828	-
Others	199,735	200,618
	24,472,163	18,012,445

22.1 This includes an amount of Rs.12,580,333 (2013: Rs. 4,313,394) on account of the levy of Gas Infrastructure Development Cess (GIDC). The Honourable Supreme Court through its Judgment dated August 22, 2014 had upheld the decision of the High Court of Peshawar declaring the entire levy of GIDC through GIDC Act, 2011 as unconstitutional and invalid. The Government has filed a review petition against the decision of the Honourable Supreme Court, which is pending. In the meanwhile, the President of Pakistan promulgated the GIDC Ordinance, 2014, on September 25, 2014 seeking to impose GIDC levy since 2011. The Company has challenged the validity and promulgation of GIDC Ordinance, 2014 before the Honourable High Court of Sindh, wherein the Court has been pleased to pass interim orders, thereby restraining Mari Gas, Sui Northern Gas Pipeline Limited, Oil and Gas Development Company Limited, Spud Energy Pty Limited, Government Holdings (Private) Limited and IPR TransOil Corporation from charging and/or recovering GIDC till the pendency of the matter.

22.2 Accrued liabilities

	2014	2013
	——(Rupees)——	
Salaries, wages and other employee benefits	399,832	382,605
Vacation accruals	134,823	127,856
Freight accruals	33,859	18,389
Others	609,310	583,844
	1,177,824	1,112,694

22.3 This includes amount of Rs. 462,168 (2013: Rs. 74,957) due to Engro Eximp (Private) Limited in respect of funds collected on their behalf by the Company under an agreement as a selling agent of imported fertilizers partly off set by receivable balance in respect of inter company reimbursements.

(Amounts in thousand)

22.4 Workers' profits participation fund

	2014	2013
	(Rupees)	
Receivable at beginning of the year	(1,565)	-
Allocation for the year (note 30)	638,828	453,435
Less: Amount paid to the trustees of the fund	(600,000)	(455,000)
Less: Amount received from the trustees of the fund	1,565	-
Payable / (receivable) at end of the year	38,828	(1,565)

23. Accrued Interest / Mark-up

	2014	2013
Accrued interest / mark-up on:		
- long term borrowings	1,314,626	1,419,581
- short term borrowings	47,674	60,086
	1,362,300	1,479,667

24. Contingencies and Commitments

Contingencies

24.1 Bank guarantees of Rs.1,075,119 (2013: Rs. 1,069,119) have been issued in favour of third parties.

24.2 Claims, including pending lawsuits, against the Company not acknowledged as debts amounted to Rs. 55,038 (2013: Rs. 58,530).

24.3 The Company is contesting a penalty of Rs. 115,631 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 Rs. 62,618 however, recovered in 1999 from SBP and the recovery of the balance amount is dependent on the Court's decision.

24.4 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. In December 2013, the High Court of Sindh has upheld the award. However, as this can be challenged by way of further appeals, it will be recognized as income on realization thereof.

24.5 The Company had filed a constitutional petition in the High Court of Sindh, Karachi against the Ministry of Petroleum and Natural Resources (MPNR), Ministry of Industries and Production (MIP) and Sui Northern Gas Pipeline Company Limited (SNGPL) for continuous supply of 100 mmscfd gas per day to the Enven Plant and to prohibit from suspending, discontinuing or curtailing the aforementioned supply. The High Court of Sindh in its order dated October 18, 2011, has ordered that SNGPL should supply 100 mmscfd of gas per day to the Company's new plant. However, five petitions have been filed in the Supreme Court of Pakistan against the aforementioned order of the 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. The Company's management, as confirmed by the legal advisor consider the chances of petitions being allowed to be remote.

Further, the Company 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. The Company, in the aforementioned application has submitted that SNGPL and MPNR has failed to restore full supply of gas to the Company's plant despite the judgment of High Court in the Company's favor. 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.

24.6 All Pakistan Textile Processing Mills Association (APTMA), Agritech Limited (Agritech), Shan Dying & Printing Industries (Private) Limited and 27 others have each contended, through separate proceedings filed before the Lahore High Court that the supply to the Company's expansion plant is premised on the output from Qadirpur gas field exceeding 500 mmscfd by 100 mmscfd and the Gas Sale and Purchase Agreement (GSA) dated April 11, 2007 with Sui Northern Gas Pipeline Company 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. The Company has out rightly rejected these contentions, and is of the view that it has a strong case for the reasons that (1) 100 mmscfd gas has been allocated to the Company through a transparent international competitive bidding process held by the Government of Pakistan, and upon payment of valuable license fee, (2) GSA guarantees uninterrupted supply of gas to the expansion plant, with right to first 100 mmcfd gas production from the Qadirpur gas field, and (3) both the Company and the Qadirpur gas field, that is to initially supply gas to the Company are located in Sindh. Also neither the gas allocation by the Government of Pakistan nor the GSA predicates the gas supply from Qadirpur field producing 100 mmscfd over 500 mmscfd. No orders have been passed in this regard and the petition has also been adjourned sine die. However, the Company's management, as confirmed by the legal advisor, considers chances of petitions being allowed to be remote.

24.7 The Company 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. The Company 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 the Company 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 the Company 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. The Company'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 financial statements.

(Amounts in thousand)

	2014	2013
	——(Rupees)——	
24.8 Commitments		
Commitments in respect of capital expenditure and other operational items	917,592	873,019

25. Net Sales

	2014	2013
Gross sales	72,048,248	58,560,410
Less: Sales tax	10,623,314	8,431,474
	61,424,934	50,128,936

26. Cost of Sales

	2014	2013
Raw materials consumed	23,208,543	15,061,914
Salaries, wages and staff welfare (note 26.1)	1,949,037	1,730,238
Fuel and power	6,597,224	4,568,639
Repairs and maintenance	706,385	477,298
Depreciation (note 4.2)	4,682,132	4,870,537
Amortization (note 5.1)	28,290	35,079
Consumable stores	384,971	344,569
Staff recruitment, training, safety and other expenses	172,497	85,125
Purchased services	367,700	254,486
Travel	55,739	44,624
Communication, stationery and other office expenses	33,517	28,715
Insurance	408,919	377,326
Rent, rates and taxes	7,073	12,073
Other expenses	565	1,696
Manufacturing cost	38,602,592	27,892,319
Add: Opening stock of work in process	71,880	3,060
Less: Closing stock of work in process (note 8)	89,780	71,880
Cost of goods manufactured	38,584,692	27,823,499
Add: Opening stock of finished goods manufactured	443,541	627,947
Less: Closing stock of finished goods manufactured (note 8)	205,810	443,541
Cost of sales	38,822,423	28,007,905

26.1 Salaries, wages and staff welfare includes Rs. 107,278 (2013: Rs. 101,616) in respect of staff retirement benefits.

(Amounts in thousand)

27. Selling and Distribution Expenses

	2014	2013
	(Rupees)	
Salaries, wages and staff welfare (note 27.1)	447,608	390,596
Staff recruitment, training, safety and other expenses	62,874	33,380
Product transportation and handling	2,810,382	2,120,449
Royalty expense	878,797	740,313
Repairs and maintenance	5,713	4,781
Advertising and sales promotion	42,276	44,876
Rent, rates and taxes	67,178	70,720
Communication, stationery and other office expenses	20,806	17,535
Travel	45,814	41,820
Depreciation (note 4.2)	23,588	25,790
Amortization (note 5.1)	160	115
Purchased services	4,631	3,665
Insurance	22,860	8,346
Other expenses	8,692	8,769
	4,441,379	3,511,155

27.1 Salaries, wages and staff welfare includes Rs. 30,089 (2013: Rs. 28,284) in respect of staff retirement benefits.

28. Administrative Expenses

	2014	2013
	(Rupees)	
Salaries, wages and staff welfare (note 28.1)	332,528	259,588
Staff recruitment, training, safety and other expenses	46,687	15,339
Repairs and maintenance	13,349	11,836
Rent, rates and taxes	50,083	50,067
Communication, stationery and other office expenses	47,265	28,260
Travel	17,920	14,003
Depreciation (note 4.2)	19,433	24,516
Amortization (note 5.1)	2,516	706
Purchased services	179,645	170,968
Donations	40,259	17,490
Insurance	1,398	1,891
Provision against other receivables	544	-
Other expenses	20,534	6,326
	772,161	600,990

28.1 Salaries, wages and staff welfare includes Rs. 31,283 (2013: Rs. 32,785) in respect of staff retirement benefits.

(Amounts in thousand)

29. Other Income

	2014	2013
	(Rupees)	
On financial assets		
Income on deposits, treasury bills and term deposit certificates	1,941,365	773,454
Income on Pakistan Investment Bond	73,835	-
Income on mutual funds	11,580	41,019
On non-financial assets		
Commission income (note 29.1)	192,921	221,749
Rental income	4,321	3,953
Gain on disposal of spares / scrap	16,277	60,349
Others (note 29.2)	208,857	50,593
	422,376	336,644
	2,449,156	1,151,117

29.1 Represents commission earned as selling agent of imported fertilizer on behalf of Engro Eximp (Private) Limited, an associated undertaking, under an amended agreement effective January 1, 2011.

29.2 This includes Rs. 98,226 received against insurance claim of KS Coil which was written off last year.

30. Other Operating Expenses

	2014	2013
	(Rupees)	
Workers' profits participation fund (note 22.4)	638,828	453,435
Workers' welfare fund	242,755	231,318
Research and development (including salaries and wages)	54,339	40,307
Auditors' remuneration (note 30.1)	8,710	11,220
Legal and professional charges	101,504	61,959
Loss on disposal of property, plant and equipment (note 4.3)	271,448	558
(Reversal of) / provision for trade debts and loans & advances	(4,934)	23,258
Others	5,093	35,958
	1,317,743	858,013

30.1 Auditors' remuneration

	2014	2013
Fee for:		
- audit of annual financial statements	1,875	1,850
- special audit / review of half yearly financial statements	225	2,500
- certifications and audit of retirement funds	3,810	990
- Tax services	2,000	5,112
- reimbursement of expenses	800	768
	8,710	11,220

(Amounts in thousand)

31. Finance Cost

	2014	2013
	(Rupees)	
Interest / mark-up / return on:		
- long term borrowings	5,663,982	6,641,870
- short term borrowings	28,738	39,463
Loss on fair value of IFC conversion option	210,587	1,202,002
Foreign exchange loss - net	722,090	2,034,683
	6,625,397	9,918,038

32. Taxation

	2014	2013
Current		
- for the year (note 32.2)	2,011,924	535,367
- for prior years	(50,529)	1,161,375
	1,961,395	1,696,742
Deferred	1,725,632	1,190,105
	3,687,027	2,886,847

32.1 For tax years 2010 and 2011, the income tax department amended the assessment filed by the Company. The Company had filed the appeals before Appellant Tribunal Inland Revenue (ATIR) against the said disallowances. During the year, ATIR decided the appeal filed by the Company where by a relief in respect of certain other items were allowed whereas certain disallowances were confirmed in favor of tax department. The said disallowances included the charge in respect of exchange gain and loss incurred amounting to Rs. 13,282 for tax year 2010 and Rs. 58,947 for tax year 2011 respectively, and in respect of loss on derivative amounting to Rs. 28,795 for tax year 2011. The Company intends to challenge the said decision before High Court of Sindh and is confident of favourable outcome.

32.2 Includes alternative corporate tax amounting to Rs 1,362,800 for the year (2013: Rs. Nil) and minimum turnover tax amounting to Rs 614,249 (2013: Rs 509,063).

Through Finance Act 2014, a new section 113C 'Alternative Corporate Tax' (ACT) has been introduced in the Income Tax Ordinance 2001, whereby tax is payable at the higher of Corporate Tax or ACT; being seventeen per cent of accounting income and the same has been made applicable from financial year ended December 31, 2013 (Tax Year 2014) onwards.

During the year, the Company has filed suit in the High Court of Sindh, against the Federal Board of Revenue contesting both the retrospective and prospective application of the above section. Stay has been granted in this respect by the court.

32.3 During the year, the Company has purchased losses surrendered by Engro Eximp Agriproducts (Private) Limited (associated company) to avail the benefit of Group Relief under section 59B of the Income Tax Ordinance, 2001, aggregating to Rs 3,508,441 representing business losses of Rs 1,765,178 for financial year ended December 31, 2012 and Rs 1,743,263 for financial year ended December 31, 2013. These losses have been duly adjusted by the Company against taxable profit for the financial year ended December 31, 2013 (Tax Year 2014) whilst filing its tax return for the said tax year.

(Amounts in thousand)

32.4 As a result of demerger, all pending tax issues of the Holding Company had been transferred to the Company. Major issues pending before the tax authorities is described below:

In previous years, the department had filed reference applications in High Court against the below-mentioned ATIR's decisions in Company's favor. 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 to 2008): Rs. 336,500
- G.P. Apportionment (Financial years 1995 to 2002): Rs. 653,000

The Company is confident that all pending issues will eventually be decided in its favor.

32.5 **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:

	2014	2013
	(Rupees)	
Profit before taxation	11,894,987	8,383,952
Tax calculated at the rate of 33% (2013: 34%)	3,925,346	2,850,544
Depreciation on exempt assets not deductible for tax purposes	3,140	26,073
Tax effect of:		
- Expenses not allowed for tax	24,041	18,299
- Final Tax Regime / separate block of income	(42,887)	(63,305)
Effect of:		
- Tax credits	(66,895)	-
- Change in tax rates	(103,825)	(74,052)
- Prior year current and deferred tax charge	(95,893)	129,288
Others	44,000	-
Tax charge for the year	3,687,027	2,886,847

(Amounts in thousand)

33. 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.

33.1 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 throughout the year. The effect of those options are anti-dilutive as at December 31, 2014.

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

	2014	2013
	(Rupees)	
Profit for the year	8,207,960	5,497,105
Add: Interest on IFC loan - net of tax	27,309	40,664
- Loss on revaluation of conversion options		
on IFC loan - net of tax	131,358	738,582
Profit used for the determination of Diluted EPS	8,336,627	6,276,351
Weighted average number of ordinary shares at the		
beginning of year	1,222,800	1,072,800
Adjustment of Bonus factor in right issue	-	29,999
Add : Weighted average adjustments for:		
Shares issued during the year (including conversion of option)	82,404	77,260
Weighted average number of shares for		
determination of basic EPS	1,305,204	1,180,059
Assumed conversion of USD 4,000 (2013: USD 9,000) IFC loan	9,836	5,967
Exercise of conversion option on USD 5,000 IFC loan	5,794	-
Weighted average number of shares for		
determination of diluted EPS	1,320,834	1,186,026

(Amounts in thousand)

34. 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:

	2014			2013		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	(Rupees)			(Rupees)		
Managerial remuneration	58,278	-	1,508,928	50,665	-	1,263,443
Retirement benefits funds	4,768	-	143,926	4,009	-	126,593
Other benefits	21	-	58,659	144	-	64,946
Fees	-	1,550	-	-	1,950	-
Total	63,067	1,550	1,711,513	54,818	1,950	1,454,982
Number of persons including those who worked part of the year	1	7	447	1	7	430

34.1 The Company 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 some employees and directors.

34.2 Premium charged in the financial statements in respect of directors' indemnity insurance policy, purchased by the Company during the year, amounted to Rs. 590 (2013: Rs. 665).

35. Retirement and Other Service Benefits

35.1 Salient Features

The Company offers a defined post-employment gratuity benefit to permanent management and non-management employees. In addition, until June 30, 2005, the Company offered a defined post-employment pension benefit to management employees in service which has been discontinued and the plan now only covers a handful of retired pensioners.

The gratuity and pension funds are governed under the Trusts Act, 1882, Trust Deed and Rules of Fund, Companies Ordinance, 1984, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

Responsibility for governance of plan, including investment decisions and contribution schedule lie with Board of Trustees of the Fund. During the year such responsibility was transferred to Board of Trustees of the Fund of its Holding Company.

The Company faces the following risks on account of gratuity and pension funds:

(Amounts in thousand)

Final Salary Risks - The risk that the final salary at the time of cessation of service is greater than what we 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.

35.2 Valuation Results

The latest actuarial valuation of the defined benefit plans was carried out as at December 31, 2014, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

35.2.1 Balance sheet reconciliation

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan Funded (Curtailed)	
	NMPT		MPT			
	2014	2013	2014	2013	2014	2013
	(Rupees)					
Present value of obligation	166,212	162,184	135,336	153,367	34,406	32,218
Fair value of plan assets	(178,713)	(98,340)	(140,235)	(177,549)	(38,824)	(38,535)
(Surplus) / deficit of funded plans	(12,501)	63,844	(4,899)	(24,182)	(4,418)	(6,317)
Payable to DC Gratuity Fund	-	-	9,736	8,605	-	-
Payable in respect of inter-transfers	-	-	41	41	-	-
Unrecognized asset	-	-	-	-	4,418	6,317
Net (asset) / liability at end of the year	(12,501)	63,844	4,878	(15,536)	-	-

(Amounts in thousand)

35.2.2 Movement in net (asset) / liability recognized

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan Funded (Curtailed)	
	NMPT		MPT			
	2014	2013	2014	2013	2014	2013
	(Rupees)					
Net liability / (asset) at beginning of the year	63,844	35,480	(15,536)	(19,186)	-	(1,800)
Charge for the year	17,022	10,895	2,933	(753)	(821)	(843)
Contributions made during the year to the fund	(63,844)	(10,017)	-	-	-	-
Remeasurements charged to OCI (note 35.2.7)	(29,186)	27,492	17,144	4,397	821	(243)
Inter-fund transfers	(337)	(6)	337	6	-	-
Unrecognized asset	-	-	-	-	-	2,886
Net (asset) / liability at end of the year	(12,501)	63,844	4,878	(15,536)	-	-

35.2.3 Movement in defined benefit obligation

As at beginning of the year	162,184	122,832	153,367	116,545	32,218	31,289
Current service cost	9,214	6,770	6,938	4,733	-	-
Interest cost	20,868	14,628	19,458	12,952	3,949	3,538
Benefits paid during the year	(10,942)	(10,067)	(31,133)	(16,157)	(3,847)	(3,742)
Remeasurments charged to OCI (note 35.2.7)	(14,775)	28,027	10,895	1,244	2,086	1,133
Inter-fund transfers	(337)	(6)	337	6	-	-
Liability transferred in respect of Inter group transfers	-	-	(24,169)	34,044	-	-
Liability transferred to DC Gratuity Fund	-	-	(357)	-	-	-
As at end of the year	166,212	162,184	135,336	153,367	34,406	32,218

(Amounts in thousand)

35.2.4 Movement in fair value of plan assets

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan Funded (Curtailed)	
	NMPT		MPT			
	2014	2013	2014	2013	2014	2013
	(Rupees)					
At beginning of the year	98,340	87,352	177,549	149,929	38,535	38,313
Expected return on plan assets	13,060	10,503	23,463	18,438	4,770	4,381
Contributions by the Company	63,844	10,017	-	-	-	-
Benefits paid during the year	(10,942)	(10,067)	(31,133)	(16,157)	(3,847)	(3,742)
Remeasurments charged to OCI (note 35.2.7)	14,411	535	(5,475)	(3,153)	(634)	(417)
Assets transferred in respect of inter group transfers	-	-	-	35,159	-	-
Assets transferred to DC Gratuity Fund	-	-	-	(6,667)	-	-
Assets transferred in respect of inter fund transfers	-	-	(24,169)	-	-	-
As at end of the year	178,713	98,340	140,235	177,549	38,824	38,535

35.2.5 Charge / (Reversal) for the year

Current service cost	9,214	6,770	6,938	4,733	-	-
Net interest cost	7,808	4,125	(4,005)	(5,486)	(821)	(843)
	17,022	10,895	2,933	(753)	(821)	(843)

35.2.6 Actual return on plan assets

Actual return on plan assets	21,829	11,038	30,012	15,285	3,782	3,964

(Amounts in thousand)

35.2.7 Remeasurement recognized in Other Comprehensive Income

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan Funded (Curtailed)	
	NMPT		MPT			
	2014	2013	2014	2013	2014	2013
	(Rupees)					
(Gain) / loss from change in demographic assumptions	-	(15)	-	9	740	-
(Gain) / loss from change in experience assumptions	(14,430)	30,956	10,895	1,918	1,769	1,133
(Gain) from change in financial assumptions	(345)	(2,914)	-	(683)	(423)	-
Remeasurement of Obligation	(14,775)	28,027	10,895	1,244	2,086	1,133
Expected Return on plan assets	13,060	10,503	23,463	18,438	4,770	4,381
Actual Return on plan assets	(21,829)	(11,038)	(30,012)	(15,285)	(3,782)	(3,964)
Difference in fair value opening	(5,642)	-	12,024	-	(354)	-
Remeasurement of Plan Assets	(14,411)	(535)	5,475	3,153	634	417
Effect of Asset Ceiling	-	-	-	-	(1,899)	(1,793)
Adjustment for DC transfers pertaining to earlier periods	-	-	774	-	-	-
	(29,186)	27,492	17,144	4,397	821	(243)

35.2.8 Principal actuarial assumptions used in the actuarial valuation

Discount rate	10.5%	13.0%	10.5%	13.0%	10.5%	13.0%
Expected per annum rate of return on plan assets	10.5%	13.0%	10.5%	13.0%	10.5%	13.0%
Expected per annum rate of increase in pension	-	-	-	-	2.5%	5.0%
Expected per annum rate of increase in salaries-long term	9.5%	12.0%	10.5%	10.5%	12.0%	11.0%

35.2.9 Demographic Assumptions

Mortality rate	SLIC (2001-05)	SLIC (2001-05)	SLIC (01-05) - I	PMA-PFA (80) - 2
Rate of employee turnover	Light	Heavy	-	-

(Amounts in thousand)

35.2.10 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		Pension	Gratuity Fund		Pension
	NMPT	MPT	Fund	NMPT	MPT	Fund
	(Rupees)					
Discount Rate	151,890	129,348	32,337	182,914	141,942	36,739
Long Term Salary Increases	182,914	141,880	-	151,645	129,333	-
Long Term Pension Increases	-	-	36,907	-	-	32,165
Withdrawal Rates: Light	158,248	147,766				
Withdrawal Rates: Heavy / Moderate	152,068	140,805				

35.2.11 Maturity Profile

	Gratuity Fund		Pension
Time in Years	NMPT	MPT	Fund
	(Rupees)		
1	18,844	29,013	4,155
2	14,983	19,663	4,259
3	17,595	11,648	4,365
4	5,967	43,248	4,474
5-10	76,089	64,475	24,107
11-15	133,084	87,210	27,274
16-20	364,320	68,263	30,858
20+	990,477	268,409	169,672
Weighted average duration (years)	9.1	4.44	6.3

(Amounts in thousand)

35.2.12 **Plan assets comprise of the following**

	Defined Benefit Gratuity Plans Funded				Defined Benefit Pension Plan Funded (Curtailed)	
	NMPT		MPT*			
	2014		2014		2014	
	Rupees	(%)	Rupees	(%)	Rupees	(%)
Fixed income instruments	153,362	86	215,549	78	38,375	99
Investment in equity instruments	22,867	13	41,927	15	-	-
Cash	2,484	1	17,753	7	449	1
	178,713	100	275,229	100	38,824	100

* The employees of the Company in respect of gratuity are members of Defined Benefit Gratuity Fund maintained and funded by Engro Corporation Limited (the Holding Company). Accordingly, the above information is based upon the plan assets of Engro Corporation Limited Gratuity Fund.

35.2.13 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.

35.2.14 **Expected future cost / (reversal) for the year ending December 31, 2015 is as follows:**

	Rupees
- MPT Pension Fund	(464)
- MPT Gratuity Fund	4,728
- Non-MPT Gratuity Fund	8,253

35.2.15 **Historical information of staff retirement benefits:**

	2014	2013	2012	2011	2010
			(Rupees)		
Pension Plan Funded					
Present value of defind benefit obligation	34,406	32,218	31,289	32,023	31,230
Fair value of plan assets	(38,824)	(38,535)	(38,313)	(37,023)	(34,855)
Surplus	(4,418)	(6,317)	(7,024)	(5,000)	(3,625)
Gratuity Plans Funded - NMPT					
Present value of defined benefit obligation	166,212	162,184	122,832	121,311	86,952
Fair value of plan assets	(178,713)	(98,340)	(87,352)	(87,019)	(79,760)
(Surplus) / Deficit	(12,501)	63,844	35,480	34,292	7,192
Gratuity Plans Funded - MPT					
Present value of defined benefit obligation	135,336	153,367	116,545	156,334	182,571
Fair value of plan assets	(140,235)	(177,549)	(149,929)	(169,957)	(209,820)
Surplus	(4,899)	(24,182)	(33,384)	(13,623)	(27,249)

(Amounts in thousand)

35.3 **Defined contribution plans**

An amount of Rs. 149,516 has been charged during the year in respect of defined contribution plans maintained by the Holding Company.

36. Cash Generated From Operations

	2014	2013
	(Rupees)	
Profit before taxation	11,894,987	8,383,952
Adjustment for non-cash charges and other items:		
Depreciation	4,725,153	4,920,843
Amortization - net	27,101	32,035
Loss on disposal of property, plant and equipment	271,448	558
Provision for retirement and other service benefits	49,862	39,860
Income on deposits / other financial assets	(2,026,780)	(814,473)
Finance cost	6,625,397	9,918,038
Provision for surplus and slow moving stores and spares	1,444	17,747
Provision against other receivables	544	-
(Reversal) / provision against trade receivables	(2,673)	19,000
(Reversal) / provision against loans and advances	(2,261)	4,258
Working capital changes (note 36.1)	6,661,318	10,054,657
	28,225,540	32,576,475

36.1 **Working capital changes**

	2014	2013
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(346,327)	(279,319)
- Stock-in-trade	280,743	305,407
- Trade debts	3,882	268,838
- Loans, advances, deposits and prepayments	97,230	(234,940)
- Other receivables (net)	(5,138)	35,825
	30,390	95,811
Increase in trade and other payables	6,630,928	9,958,846
	6,661,318	10,054,657

37. Cash And Cash Equivalents

	2014	2013
Cash and bank balances (note 13)	4,188,528	4,458,391
Short term investments (note 12)	1,094,892	18,058,054
	5,283,420	22,516,445

(Amounts in thousand)

38. Financial Instruments By Category

	2014	2013
	(Rupees)	
Financial assets as per balance sheet		
- Loans and receivables		
Loans, advances and deposits	156,030	135,845
Trade debts	757,044	758,253
Other receivables	14,011	19,302
Cash and bank balances	4,188,528	4,458,391
Short term investment	999,288	16,479,103
	6,114,901	21,850,894
- Fair value through profit and loss		
Short term investments	24,076,488	1,578,951
Derivative financial instruments	-	130,207
	24,076,488	1,709,158
Financial liabilities as per balance sheet		
- Financial liabilities measured at amortized cost		
Borrowings	44,003,351	58,820,681
Trade and other payable	16,138,450	8,885,153
Accrued interest / mark-up	1,362,300	1,479,667
	61,504,101	69,185,501
- Fair value through profit and loss		
Conversion option on IFC loan	965,326	1,445,966
Derivative financial instruments	131,452	298,327
	1,096,778	1,744,293

(Amounts in thousand)

39. Financial Risk Management

39.1 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 program 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.

This exists due to the Company's exposure resulting from outstanding import payments, 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 Company to take currency exposure for limited periods within predefined limits while open exposures are rigorously monitored. The Company 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.

On foreign currency borrowing of USD 122,644 as on December 31, 2014, the Company has Rupee / USD hedge of USD 93,551.

At December 31, 2014, if the currency had weakened / strengthened by 1% against the US dollar with all other variables held constant, post-tax profit for the year would have been lower / higher by Rs. 18,245 mainly as a result of foreign exchange loss / gain on translation of US dollar denominated loans.

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 Company's interest rate risk arises from short and long-term borrowings. These are benchmarked to variable rates which expose the Company to cash flow interest rate risk.

The Company analyses its interest rate exposure on a regular basis by monitoring interest rate trends to determine whether they should enter into hedging alternatives.

The Company has entered into Interest Rate Swaps for USD 23,182 out of its non-current foreign currency borrowings of USD 122,644 as on December 31, 2014 (note 19.2). Rates on short term loans vary as per market movement.

As at December 31, 2014, if interest rates on Company's borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by Rs. 279,330 mainly as a result of interest exposure on variable rate borrowings.

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. As at December 31, 2014, the Company is not exposed to any significant price risk.

(Amounts in thousand)

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 Company maintains an internal policy to place funds with commercial banks and mutual funds of asset management companies having a minimum short term credit rating of A1 and AM3 respectively. However, the Company maintains operational balances with certain banks of lower rating for the purpose of effective collection of bank guarantees and to cater to loan disbursements.

The Company is 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 and inland letter of credit.

The credit risk arising on account of acceptance of these bank guarantees is managed by ensuring that the bank guarantees are issued by banks of reasonably high credit ratings as approved by the management.

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:

	2014	2013
	——(Rupees)——	
Loans, advances and deposits	156,030	135,845
Trade debts	757,044	758,253
Other receivables	14,011	16,720
Short term investments	25,075,776	18,058,054
Cash and bank balances	4,188,528	4,458,391
	30,191,389	23,427,263

(Amounts in thousand)

The credit quality of receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history. The credit quality of Company's bank balances and short term investments can be assessed with reference to recent external credit ratings as follows:

	Rating agency	Rating Short term	Long term
Allied Bank Limited	PACRA	A1+	AA+
Askari Bank Limited	JCR-VIS	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Bank AL Habib Limited	PACRA	A1+	AA+
Bank Islami Pakistan Limited	PACRA	A1	A
The Bank of Punjab	PACRA	A1+	AA-
Barclays Bank PLC	MOODY'S	P-1	A2
Burj Bank Limited	JCR-VIS	A-1	A
Citi Bank N.A.	MOODY'S	P-1	A2
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1	A+
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1	A+
KASB Bank Limited	PACRA	C	B
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA
National Bank of Pakistan	JCR-VIS	A-1+	AAA
Samba Bank Limited	JCR-VIS	A-1	AA-
Silk Bank Limited	JCR-VIS	A-2	A-
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	A-1	A-
United Bank Limited	JCR-VIS	A-1+	AA+

c) **Liquidity risk**

Liquidity risk represents the risk that the Company 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 Company maintains flexibility in funding by maintaining committed credit lines available.

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.

(Amounts in thousand)

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.

	2014			2013		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	(Rupees)			(Rupees)		
Financial liabilities						
Derivatives	1,090,089	6,689	1,096,778	213,041	1,531,252	1,744,293
Trade and other payables	16,138,450	-	16,138,450	8,885,153	-	8,885,153
Accrued interest / mark-up	1,362,300	-	1,362,300	1,479,667	-	1,479,667
Borrowings	7,912,729	36,547,430	44,460,159	2,924,299	53,524,001	56,448,300
Subordinated loan from Holding Company	-	-	-	-	3,000,000	3,000,000
	26,503,568	36,554,119	63,057,687	13,502,160	58,055,253	71,557,413

39.2 Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders 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 total long term borrowings to equity ratio as at December 31, 2014 based on total long term borrowings of Rs. 44,003,351 and total equity of Rs. 34,478,095 was 56%:44%.(2013: 70%:30%)

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.

(Amounts in thousand)

39.3 Fair value estimation

The table below analyzes financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (level 3)

	Level 1	Level 2	Level 3	Total
	(Rupees)			
Assets				
Financial assets at fair value through profit and loss				
- Short term investments	-	24,076,488	-	24,076,488
Liabilities				
Derivatives				
- Derivative financial instruments	-	131,452	-	131,452
- Conversion option on IFC loans	-	965,326	-	965,326
	-	1,096,778	-	1,096,778

39.4 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.

(Amounts in thousand)

40. Transactions with Related Parties

Related parties comprises of Holding Company, associated companies and other companies with common director, retirement benefits 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:

	2014	2013
	——(Rupees)——	
Holding Company		
Purchases and services	202,798	186,916
Services provided to Holding Company	19,790	17,328
Royalty	878,797	715,638
Reimbursements	109,020	138,895
Mark-up paid on Long term subordinated loan	240,238	513,000
Use of assets	4,720	9,607
Receipt of issued right shares	-	1,500,000
Payment in respect of settlement of IFC option	1,495,080	-
Payment of sub-ordinated loan	4,495,080	-
Receipt of subordinated loan	1,495,080	-
Associated companies		
Purchases and services	307,288	749,569
Sale of assets (sales proceeds)	748	-
Sale of product	4,288	4,898
Services provided	93,067	103,489
Reimbursements	165,469	143,446
Funds collected against sales made on behalf of an associate	27,812,967	28,795,343
Payment of mark-up on TFCs and repayment of principal amount	41,897	22,667
Purchase of T-Bill	-	4,067,897
Sale of T-Bill	-	4,161,893
Income / Markup on T-Bill	-	40,864
Commission on sales collection	195,322	221,749
Purchase of mutual fund units	-	780,000
Redemption of mutual fund units	-	781,195
Donation to Engro Foundation	32,500	12,900
Commission expense	31,166	24,967
Use of assets	8,912	12,317
Contribution to staff retirement benefits		
Pension fund	16,977	16,597
Gratuity fund	104,393	44,032
Provident fund	86,498	83,412
Others		
Remuneration of key management personnel	167,734	134,811

(Amounts in thousand)

41. Donations

Donations include the following in which a director or his spouse is interested:

	Interest in Donee	Name and address of Donee	2014	2013
			(Rupees)	
Aliuddin Ansari and Ruhail Mohammed	President and Trustee	Engro Foundation	32,500	12,900

42. Production Capacity

	Designed capacity Metric Tons		Actual production Metric Tons	
	2014	2013	2014	2013
Urea plant I & II	2,275,000	2,275,000	1,816,937	1,561,575
NPK plant	100,000	100,000	117,193	92,839

43. Number Of Employees

	Number of employees as at		Average number of employees	
	2014	2013	2014	2013
Management employees	456	448	452	465
Non-management employees	680	665	673	681
	1,136	1,113	1,125	1,146

(Amounts in thousand)

44. Provident Fund

The employees of the Company participate in Provident Fund maintained by Engro Corporation (the Holding Company). Monthly contribution are made both by the Company and employees to the fund maintained by the Holding Company at the rate of 10% of basic salary. Accordingly, the following information is based upon the latest audited financial statements of the provident fund maintained by the Holding Company as at June 30, 2014 and the audited financial statements as at June 30, 2013.

	2014	2013
	(Rupees)	
Size of the fund - Total assets	2,091,284	1,550,126
Cost of the investments made	1,679,824	1,227,619
Percentage of investments made	89%	89%
Fair value of investments	1,861,191	1,374,390

The break-up of investments is as follows:

	2014		2013	
	Rupees	%	Rupees	%
National Savings Scheme	290,609	16	251,180	18
Government securities	901,642	48	693,247	50
Listed securities	518,263	28	408,393	30
Balances with banks in savings account	150,677	8	21,570	2
	1,861,191	100	1,374,390	100

44.1 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.

45. Seasonality

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

46. Loss of Certain Accounting Records

During 2007, a fire broke out at PNSC Building, Karachi where the Holding Company's registered office 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, including that of Fertilizer Undertaking (note 1.2), 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 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 financial years 2005 and 2006 have not been recreated.

(Amounts in thousand)

47. Non-Adjusting Event After Balance Sheet Date

The Board of Directors in its meeting held on February 09, 2015 has proposed a final cash dividend of Rs. 3.00 per share for the year ended December 31, 2014 amounting to Rs. 3,992,797, for approval of the members at the Annual General Meeting to be held on April 29, 2015. The amount of total dividend is calculated at the total number of shares outstanding as at December 31, 2014 and the shares issued to IFC after balance sheet date as more fully explained in note 17.5.

48. Corresponding Figures

Corresponding figures and balances have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which are not material, except loss on fair value adjustments of embedded derivatives amounting to Rs. 1,202,002 classified from other operating expenses to finance cost.

49. Date of Authorisation For Issue

These financial statements were authorised for issue on February 09, 2015 by the Board of Directors of the Company.

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

proxy form

I/We ____

of ____ being a member of ENGRO FERTILIZERS 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/our proxy to vote for me and on my/our behalf at the annual general meeting of the Company to be held on the 29th day of April, 2015 and at any adjournment thereof.

Signed this ____________ day of __________ 2015.

WITNESSES:

1) Signature : ____________________

   Name : ____________________

   Address : ____________________

   ____

   CNIC or : ____________________

   Passport No.: ____________________

   ____

2) Signature : ____________________

   Name : ____________________

   Address : ____________________

   ____

   CNIC or : ____________________

   Passport No.: ____________________

   ____

____

Signature

Signature should agree with the specimen registered with the Company

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.

electronic transmission consent form

The Securities & Exchange Commission of Pakistan through SRO 787(I)/2014 of September 8, 2014 allowed the Company to circulate its annual balance sheet and profit & loss accounts, auditor's report and directors' report etc. (Audited Financial Statements) along with the Company's Notice of Annual General Meeting to its shareholders through email. Those shareholders who wish to receive the Company's Annual Report through email are requested to complete the requisite form below.

CDC shareholders are requested to submit their Electronic Transmission Consent Form along with their CNIC directly to their broker (participant)/CDC; while shareholders having physical shares are to send the forms and a copy of their CNIC to the Company's Registrar, FAMCO Associates (Pvt) Limited, 8-F, Block 6, P.E.C.H.S, next to Hotel Faran, Nursery, Shahrah-e-Faisal, Karachi.

Electronic Transmission Consent Form

Pursuant to the directions given by the Securities & Exchange Commission of Pakistan through its SRO 787(I)/2014 of September 8, 2014, I, Mr. /Ms. ______________________________ S/o, D/o, W/o ______________________________ hereby consent to have the Engro Fertilizers Limited's Audited Financial Statements and Notice of Annual General Meeting delivered to me via email on my email address provided below:

Name of Member/Shareholder	
Folio/CDC Account Number	
CNIC	
Email Address	

It is stated that the above mentioned information is true and correct and that I shall notify the Company and its Share Registrar in writing of any change in my email address or withdrawal of my consent to email delivery of the Company's Audited Financial Statements and Notice of the Meeting.

______________________________ Date: ____________________

Signature of Member/Shareholder

request for video conferencing facility form

Members can also avail video conference facility in Lahore and Islamabad. If the Company receives consent at least 10 days prior to date of meeting, from members holding in aggregate 10% or more shareholding and residing at either Lahore and/or Islamabad to participate in the meeting through video conference, the company may arrange video conference facility in that city.

In this regard please fill up the following form and submit it to registered address of the Company 10 days before holding of the annual general meeting.

I/We, ______________________________ of ______________________________ being a member of Engro Fertilizers Ltd., holder of ___________________________ Ordinary Share(s) as per Register Folio No/CDC A/c No.___________________________ hereby opt for video conference facility at ______________________.

____

Signature of Member/Shareholder

Date: ______________________