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GREEN OFFICE

DCIP|THE D'HAMIDI PARTNERSHIP:DESIGN

engro corp

together, we will change the world

50 years of engro

Annual Report 2014

together, for the next 50 years

This year, Engro marks the beginning of a new chapter. A chapter that appears after 50 stellar years of a national success story and a household name. Over five decades, Engro's hard work and collective achievements highlight how together we are changing and will change the world. The cover features a commemorative gold crest with fifty years emblazoned on it in both English and Urdu. A unique visual ligature that speaks in both languages, simultaneously.

By using circles as our primary design element, in this report, we showcase the unity in our organization, the focus of our vision, the revolution from our innovations, and the wholeness of our community that enables us to change the world, together.

The report also reflects the challenges and victories that make Engro a force for good and an organization that has a head for business and many tales of change across the entire spectrum of leadership. Together, for the next 50 years, we are already poised for greater promise, growth and prosperity.

about this report

At a group level we have been pushing ahead with a strategy to inform our 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. This year we have shared a condensed report in a printed format that adequately captures the statutory requirements and provides information primarily on our financial performance through the year.

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

contents

together for transparency

company information

company information

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

Company Secretary
Andalib Alavi

Bankers
Allied Bank Limited
Askari Bank Limited
Bank Al Islami Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Burj Bank Limited
Citi Bank Limited
Dubai Islamic Bank Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Samba Bank Limited
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
United Bank Limited

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

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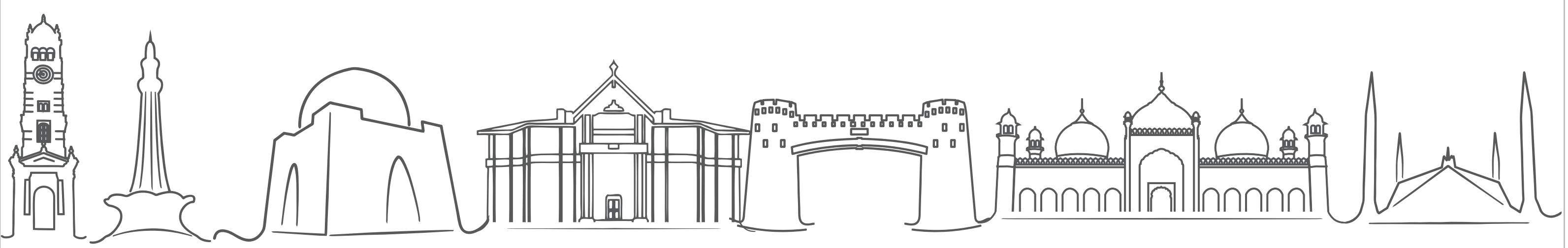
Tel: +92(21) 35297501 – 35297510
Fax:+92(21) 35810669
e-mail: info@engro.com
Website: www.engro.com

key figures

Figure	2014	2013	2012
Total Assets (Rs. in million)	217,087	207,163	189,708
Sales Revenue (Rs. in million)	175,958	155,360	125,151
Weighted Average number of ordinary shares (in thousands)	518,513	512,729	511,269
Profit After Tax (Rs. in million)	7,801	8,325	1,797
Earnings Per Share (Rupees)	13.59	15.29	2.61
Market Capitalization (Rs. in million)	116,024	80,975	47,057
Dividends Paid (Rs. in million)	1,218	170	796
Capital Expenditure (Rs. in million)	9,433	8,845	6,025
Total Equity (Rs. in million)	68,025	55,683	43,065
EBITDA (Rs. in million)	32,306	37,030	26,330
Price to Earnings Ratio	16.3	10.36	35.26
Closing Price (Rs. per share)	221.51	158.38	92.04

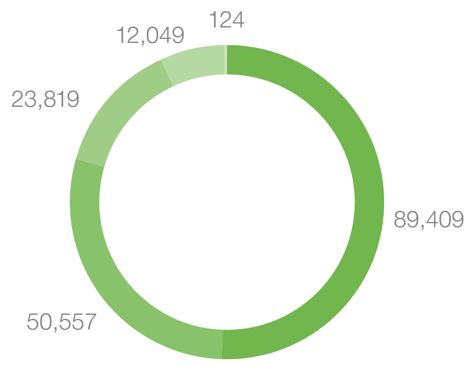
our vision

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



at a glance

Business Revenues (Rs. in million)

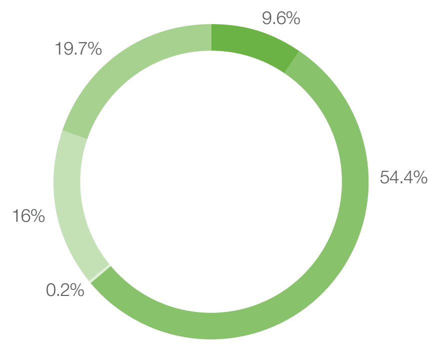


Consolidated Revenue
(Rs. in million)

175,958

Fertilizers | Polymer | Others
Foods | Powergen

Wealth Generated

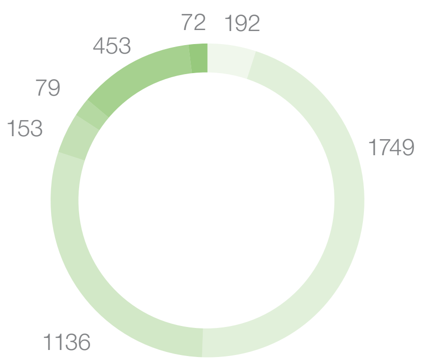


Wealth Generated
(Rs. in million)

80,215

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

Employees

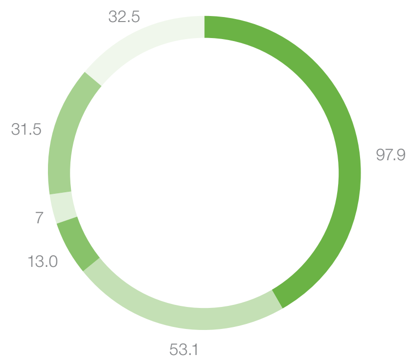


Total Employees

3,834

Eximp | Foods | Fertilizer | Powergen
EVTL | Polymer | Corp

CSR (Rs. in million)



Total Social Spend
in 2014 (Rs. in million)

234.57

Livelihoods | Health | Others
Education | Infrastructure | Fixed Cost

core values

Innovation & Risk Taking

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

Health, Safety & Environment

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

Ethics & Integrity

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

Community & Society

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

Our People

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

together for leadership

corporate governance

board of directors

Left to Right

Front:
Khawaja Iqbal Hassan
Hussain Dawood (Chairman)
Shabbir Hashmi

Back:
Shahid Hamid Pracha
Abdul Samad Dawood
Saad Raja
Sarfaraz A. Rehman
Muhammad Aliuddin Ansari (President)
Khalid S. Subhani
Francis Murray Jones
Ruhail Mohammed
Shahzada Dawood

directors' profiles

Hussain Dawood

Chairman

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

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

His social responsibilities include Memberships of the World Economic Forum and its Global Agenda Councils of Anti-Corruption and Education, and the Asia House in London. He is the Honorary Consul of Italy in Lahore and was conferred the award "Ufficiale Ordine Al Merito Della Repubblica Italiana" by the Republic of Italy. Hussain Dawood is an MBA from the Kellogg School of Management, Northwestern University, USA, and a graduate in Metallurgy from Sheffield University, UK. He joined the Board in 2003.

Muhammad Aliuddin Ansari

President & Chief Executive

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

Ali started his career as an Investment Manager at Bank of America in London, which later became Worldinvest after a management buyout. Prior to joining Engro, he 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 Board in 2009.

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 2009.

Shahzada Dawood

Director

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

directors' profiles

Shabbir Hashmi

Director

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

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

Khawaja Iqbal Hassan

Director

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

Frank Murray Jones

Director

Francis Murray Jones is a researcher working on producing algorithms for use in different regional world economies. He has an Honors degree in Physics from University of Sheffield. Mr. Jones started his career in 1972 as a Management Sciences Manager and later assumed the responsibility of Corporate Planning Manager at Guest, Keen and Nettlefolds Steel Division in Birmingham and London. He has extensive experience of working in Client Services, Marketing and Econometrics and has worked for a diversified portfolio of companies (and countries) including Corn Products Corporation (Belgium), Cadbury Schweppes (UK), Anglo American Corporation (South Africa), South African Breweries, Eternit and the Governments of Hungary and Burundi, amongst others.

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

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

Ruhail Mohammed

Director

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

directors' profiles

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 Corporation Limited, he is a Director on the Boards of Engro Fertilizers 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 2012.

Saad Raja

Director

Saad Raja is an engineer from UET, Lahore and with an MBA from the London Business School. He joined DFJ ePlant ventures in 2002, prior to which he had worked at senior management levels in the international asset management and investment sector. His diverse experiences have included tenures with Diachi Life Mizuho Asset Management and Industrial Bank of Japan – Asset Management International. He joined the Board in 2009

Sarfaraz Ahmed Rehman

Director

Sarfaraz is a chartered accountant by qualification and has 30 plus years of professional work experience, mainly in the FMCG industry. He commenced his career with Unilever in 1983 and spent time in Finance, Marketing Services, Management Accounting and Cost Saving projects. Moving on to Smithkline Beecham, he was involved in the Merger and Strategic Planning at the time of the merger. Later, he spent several years abroad with Jardine Matheson/Olayan mainly in Finance and Business Development. He set up the first Logistics Service Provider in the Middle East. Sarfaraz then moved to PepsiCo, managing the Pakistan/Afghanistan Business Unit. In 2000, Sarfaraz received the Chariman's Award, whereas under his leadership the company won the Franchise of the Year in 2001. Later postings and consultancy assignments were outside Pakistan between 2003-2005. On his return to Pakistan, Sarfaraz launched Engro Foods Limited (EFL) in 2005, and for over six years he was in the position of CEO. Under his leadership the company won the G20 World Top 15 company award in early 2012, as a leader in innovation worldwide. Sarfaraz then moved out of commercial operations into CSR with Dawood Foundation in November 2011. Recently Sarfaraz moved back to Engro Foods Limited as Chief Executive Officer with the Company winning the prestigious FT/IFC Transformational Business Award 2014 under his leadership. He joined the Board in 2012.

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 (Private) Limited. 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 the Overseas Investors Chamber of Commerce & Industry (OICCI).

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

governance framework

Internal Control Framework

Responsibility

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

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

Framework

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

Review

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

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

Audit

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

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

Directors

As at December 31, 2014, the Board comprises of one executive director, four independent directors and seven non-executive directors of whom three are executives in other Engro Group Companies. The Board has the collective responsibility for ensuring that the affairs of Engro are managed competently and with integrity.

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

A Board of Directors' meeting calendar is issued annually which schedules the meetings of the Board and the Board Audit Committee. The full Board met 8 times including meetings for longer term planning, giving consideration both to the opportunities and risks of future strategy.

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

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 Karachi Stock Exchange Limited Regulations and Regulation No. 35 of Chapter XI contained in the Listing Regulations of the 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
	Khawaja Iqbal Hassan
	Saad Raja
	Frank Murray Jones
Executive Director	Muhammad Aliuddin Ansari
Non-Executive Directors	Hussain Dawood
	Abdul Samad Dawood
	Shahzada Dawood
	Shahid Hamid Pracha
	Sarfaraz A. Rehman
	Ruhail Mohammed
	Khalid S. Subhani

   The independent directors meet the criteria of independence under clause i (b) of the CCG. Of the non-executive directors, Sarfaraz A. Rehman, Ruhail Mohammed 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 Company 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 complete 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. Three of the directors attended the directors' training course conducted by the Pakistan Institute of Corporate Governance (PICG) this year. Three other directors have already completed this course earlier.

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

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

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

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

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

15. The Board has formed an Audit Committee comprising 4 members, of whom 2 are independent directors, and 2 are non-executive directors 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, called the Board Compensation Committee. It comprises of 5 members, of whom 3 are non-executive directors and two are independent directors and the Chairman of the Committee is a non-executive director.

18. The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel who are involved in internal 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 exchange(s).

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

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

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

review report to the members on statement of compliance with 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 Corporation 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 non-compliance 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 of 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, 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: March 17, 2015
Engagement Partner: Waqas A. Sheikh

together for trust

directors' report

directors' report

The Directors of Engro Corporation Limited are pleased to submit the annual report and audited accounts for the year ended December 31, 2014.

Principal Activity

The principal activity of the company is to manage investments in subsidiary companies and joint ventures, which are engaged in fertilizers, food, energy, and chemical businesses. This is achieved through a holistic strategy encapsulating capital allocation and ensuring high levels of organizational health.

Economic Environment

The global economy continued to struggle in 2014 with growth remaining subdued at 2.6%. According to the World Bank US and UK economies showed some improvement as monetary policies remained accommodative and labor markets improved. However, the legacy of the earlier financial crisis continued to plague other larger economies such as Europe and Japan whilst China was engaged in a carefully managed slowdown.

> In fiscal year 2014 Pakistan posted an improved GDP growth of 4.1%, up from 3.7% in fiscal year 2013, primarily driven by industrial sector growth but still constrained by the energy crisis.

The year also saw a major correction in commodity prices including a rapid decline in oil prices, weak international trade and a persistently low interest rate environment but divergent responses in monetary policy by Central banks contributed to currency volatility.

Pakistan entered 2014 with high interest rates and an unstable currency but witnessed a dramatic turn as the currency surged against the dollar after several years and interest rates softened on the back of lower inflation. To achieve macroeconomic stability and structural reforms in the economy, the Government of Pakistan entered into a 36-month extended arrangement with IMF to obtain funding of USD 6.68 billion in September 2013. Improving domestic macroeconomic environment and increased frontier market flows also allowed the Government to tap into the international capital markets through Eurobonds and secondary share offerings. In fiscal year 2014 Pakistan posted an improved GDP growth of 4.1%, up from 3.7% in fiscal year 2013, primarily driven by industrial sector growth but still constrained by the energy crisis.

Agricultural & Dairy Environment

According to the Food and Agriculture Organization (FAO) of United Nations, the world wheat production for 2014-15 is expected to increase to 727 million tons from 717 million tons for 2013-14, on prospects for exceptional yields in US and Europe. North America and EU constitute 33% of the global wheat production. During the year, the oversupply has resulted in strong pressure on prices. In Pakistan, the Federal Committee on Agriculture has set a production target of 26 million tons for 2014-15 vs. 25 million tons in 2013-14.

According to the FAO, global rice production in 2014-15 is estimated at 496 million tons, a decrease of 1 million tons from last year's estimate on account of poorer crop prospects for India, Thailand and Guinea. According to United States Department of Agriculture (USDA), Pakistan's rice production is expected to increase to 6.7 million tons in Market Year 2014-15, up about 1.5 percent from previous year. This year has witnessed a 'black swan" event with basmati rice prices crashing by 50% following global commodity price trends, excess regional supply and curtailed demand from Iran.

Additionally, according to USDA, global cotton production is forecasted at 119.24 million bales for 2014-15 which is slightly lower than 120.4 million bales of 2013-14 largely due to fewer incentives for planting cotton in China, world's largest producer. Furthermore, USDA has forecasted Pakistan's cotton production at 10.5 million bales for 2014-15, an increase of 11% YoY. Cotton prices in Pakistan decreased significantly over the course of 2014, starting with PKR 7000/maund and closing the year at PKR 5000/maund following the global cotton price decrease trend.

Pakistan was awarded GSP plus status by EU in 2013 granting it tax free access to the EU markets, which has boosted the textile exports for the country by around 20% in the very first year.

According to USDA, international dairy prices have fallen significantly in 2014, due to increased global production and lower global trade. The drop in the prices was evident in Whole Milk Powder which decreased by more than 50% in 2014. Milk production of EU and United States, two major exporters, jumped from 231.4 million metric tons in 2013 to 240.2 million metric tons in 2014. In the domestic market the local powder producers are unable to match the imported powder prices and have temporarily exited the market, resulting in increased raw milk supply in the local market and hence, lower prices.

Energy Environment

The global oil market dynamics changed dramatically in 2014 as the US overtook Saudi Arabia in global oil supply on the back of an oil and gas boom in the US. Coupled with lower demand and OPEC's decision to not curb oil production, crude oil prices declined rapidly in the second half of the year to close at a 5 year low of $ 57.33 a barrel.

> For Pakistan, the lower oil prices provide an ideal window of opportunity to usher in structural reforms in the energy sector to position for long term economic growth of the country.

Pakistan continued to be marred by energy shortages during the year as the government failed to implement structural reforms in the sector. The silver lining on the energy front was the signing of the fast track LNG agreement with Engro which has resulted in an LNG facility being built at Port Qasim and expected to be commissioned by the end of March 2015. This facility will help in reducing the current gas shortage by over 25% and can immediately alleviate the power shortage, particularly in the central part of the country, where it is most needed.

For Pakistan, the lower oil prices provide an ideal window of opportunity to usher in structural reforms in the energy sector to position for long term economic growth of the country.

Fertilizer Environment

Despite the 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. In 2014, the industry provided a net benefit to farmers of approximately Rs. 39 billion.

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 marginally increased to 86.6% as compared to 81.8% last year. Domestic urea production increased to 4,891 KT primarily due to higher production by Engro Fertilizers Ltd.

Domestic urea prices were largely stable in 2014 rising 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.

In 2014 international DAP prices averaged USD 463/Ton (CFR), 4% lower compared to last year. Due to lower phosphate prices and increased demand driven by a healthy Rabi season, the local phosphates industry grew by 4% and recorded sales of 1,659 KT vs. 1,597KT last year.

Chemicals Environment
PVC, Caustic Soda and Allied Products

The PVC market remained well supplied throughout the year with China leading the world in terms of capacity growth. Overall the industry operated at approximately 66% of installed capacity vs. 70% in 2013. In terms of consumption, Asia remained the largest PVC consumer in the world accounting for approximately 64% of total global demand with China alone accounting for almost 40%.

PVC prices declined sharply from July 2014 and ranged from \$1060/ton to \$795/ton. The decline was attributable to weakening demand in the region and then to a sharp decline in upstream Naphtha and Ethylene prices. However, Ethylene prices held firm at levels of \$1450/ton for most part of the year due to supply side constraints, before plunging sharply in 4Q. This price volatility forced manufacturers to carry high value inventory in the latter part of 2014, hence exerting pressure on margins.

During the year, global caustic soda supply outpaced growth in demand. Prices were stable for most of the year, but declined in the last quarter following a broad based decline in commodity prices globally.

The PVC market remained well supplied throughout the year with China leading the world in terms of capacity growth.

business overview

Engro Corporation continued to exhibit a strong underlying performance, despite major challenges faced due to sharp commodity price declines and Rupee appreciation. The company registered record revenue of PKR 175,958 million vs. PKR 155,360 million in 2013, on a consolidated basis, achieving a 13% YoY top line growth. The consolidated profit-after-tax (attributable to owners) was PKR 7,007 million as opposed to PKR 7,818 million during 2013. Profitability was led by Engro Fertilizers, which benefited from improved capacity utilization with both plants operating throughout the year. Engro Eximp achieved healthy trading margins in DAP fertilizer, despite the volatility in the international commodity price, due to correctly timing the purchases when international market prices were low. Engro Foods during the year continued to build on its growth story by achieving its highest ever UHT market share. Engro Powergen and Engro Vopak continued to perform in line with expectation, given their stable business models. The overall profitability, however, was negatively impacted by losses in rice business owing to lower international prices, coupled with an unprecedented Rupee appreciation earlier in 2014.

Our petrochemicals business, in line with the bearish global commodity prices, also suffered losses due to declining Ethylene-PVC price delta and was further adversely affected by the imposition of 5% regulatory duty on its imports of Ethylene and EDC, after mid-year, which increased its raw materials costs.

Engro Corporation's newest venture – the fast-track LNG terminal made tremendous progress against a very tight deadline and is on schedule to achieve commissioning by the due date of March 31, 2015. During the year, Engro also successfully commissioned its Nigerian venture, a 72MW captive power plant thereby laying the foundations for its international aspirations in the power sector.

Engro Corporation has again out-performed the KSE Index by posting an annual adjusted return of 46% as compared to the KSE index return of 27%. During the year, IFC has fully exercised its option and accordingly 12.5 million shares were issued to IFC.

Consolidated Revenue
(Rs. in million)
175,958
2014

Consolidated Profit After Tax*
(Rs. in million)
7,007
2014

*attributable to the owners of the holding company

Engro Corporation continued to exhibit a strong underlying performance, despite major challenges faced due to sharp commodity price declines and Rupee appreciation.

engro fertilizers

The performance was fundamentally led by the continuous operation of both urea plants, since the company continued to receive temporary gas allocation of 60 MMSCFD from Mari throughout 2014 resulting in an overall urea capacity utilization of 80%.

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. Sales during 2014 were PKR 61,425 million, up by 23% from PKR 50,129 million in 2013. The company posted a profit after tax of PKR 8,208 million in 2014 representing an increase of 49% over PKR 5,497 million posted in 2013. The performance was fundamentally led by the continuous operation of both urea plants, since the company continued to receive temporary gas allocation of 60 MMSCFD from Mari throughout 2014 resulting in an overall urea capacity utilization of 80%.

The company achieved a record production of 1,819KT, which is 16% higher than the 1,562KT produced in 2013. Further, the company produced its fastest ever million tons of urea in 211 days. The sales volume stood at 1,818KT in 2014, 16% higher than in 2013. As a result, EFert's domestic Urea market share increased to 32% from 26% last year. The company's blended fertilizers (Zarkhez & Engro NP) sales for the year increased by 32% to 125KT compared to 95KT during 2013. The increase in the sales was directly attributable to the company's focus on exploring new markets, innovative mix and cost-driven initiatives. The company ended 2014 with an overall potash nutrient market

Revenue
(Rs. in million)
61,425
2014

Profit After Tax
(Rs. in million)
8,208
2014

share of 42%, slightly lower than 50% share in 2013 given higher competition vs. low priced imports.

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 awaited OGRA ratification of the same which has been received post year end.

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.

With improved profitability, the company also managed to de-lever its balance sheet by implementing its cash sweep to lenders well ahead of the agreed timeline as per the terms of restructuring. . This sweep was applicable on December 31, 2014, however, on account of improved cash inflows, the company implemented the cash sweep in June 2014 resulting in long-term borrowings at year end 2014 of PKR 44,003 million vs. PKR 58,821 million in 2013.
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 the required repayments.

PACRA has upgraded the long term credit rating of Engro Fertilizers from 'A' to 'A+' during the year, while the short term rating is A1. The ratings reflect the company's financial and management strength and denote a low expectation of credit risk and the capacity for timely payment of financial commitments.

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 Engro Fertilizers are now listed at all three stock exchanges of the country.

The company and IFC, during 2010, entered into a loan agreement for US$ 30 million. IFC has an option to convert a part of its loan amounting to US$ 9 million into shares of the company. IFC has exercised its option to convert during the year US$ 5 million and post-year-end US$ 3 million into shares of the company. Accordingly 33.1 million shares have been issued to IFC.

engro foods

In terms of operations, the company successfully restored its distribution network and significantly increased its milk collection.

In 2014, the company focused on further strengthening its position by gaining market share in the UHT category. During the year, the country as well as the local foods industry faced numerous challenges. The energy crisis, security and political situation continued to exert significant pressure on the economy and business operations. Despite these challenges, the company registered double digit revenue growth with positive long-term outlook, while testing opportunities for business expansion through diversification into new product lines and brand extensions.

In terms of operations, the company successfully restored its distribution network and significantly increased its milk collection. Further, it commissioned a new powder plant, which, the management believes, will help reduce volatility in margins over long-term and enable the organization in achieving its strategic growth objectives.

The company reported PKR 43,422 million in consolidated revenue vs. PKR 37,929 million reported in 2013, exhibiting a growth of 14%. Effective investment on brands and efficient product mix management remained key elements in the achievements of growth in topline of 2014. Gross margin declined from 22% to 19% on account of higher milk prices in the first half of the year, which were not passed on to consumers in the competitive market environment. The company also recorded an impairment charge of PKR 596 million on sale of its Canadian operations. During the year, based on the advice of tax consultant, a tax credit amounting to PKR 667 million has been recorded on account of balancing, modernization, replacement, extension and expansion of plant and machinery. On an overall basis, the company's profit increased from PKR 211 million in 2013 to PKR 889 million in 2014.

Dairy and Beverages:

During the year, the company achieved its highest ever UHT market share of 56% in November 2014 as compared to 48% in December 2013 as per A.C. Nielsen.

The key highlight of 2014 was Olper's significant volume growth which was led by continuous investment on brand and introduction of new innovative packaging in 2013 which yielded results in the current year. Tarang was under volumetric pressure during first half of 2014, ascribed to vigorous competitive environment. With the support of price promotions and consumer centric campaigns, Tarang reclaimed its market share and has surpassed historical volumes in the last quarter of 2014 growing 35% over the previous quarter.

During the year, two new products were launched, Olper's Lassi and Y Frooter, to tap into the growing beverage category. Olper's Lassi continued to reflect strong performance in its newly formed category, whereas Y Frooter provided immense learning to the company in the kids segment of the beverages category.

The Dairy and Beverages segment reported a topline of PKR 40,019 million registering a growth of 14% over last year. Segment contributed PKR 1,711 million to the company's profitability this year registering a growth of 9%.

Ice Cream and Frozen Desserts:

During 2014, the ice-cream business witnessed significant growth in volume. Almost half of the industry growth this year was fuelled by Omore, driven by improved sales efficiency, new innovations and selective price revisions. Innovations played a major role in achieving growth in 2014 with products such as Funties and Tutti Frutti, which were well received by the consumers. Furthermore, the company continued to invest in the market by deploying new freezers and entering new geographical territories, while continuing focus on retailer and distributor ROI. The segment reported revenue of PKR 2,936 million recording a growth of 11% over last year, while reducing its loss from PKR 320 million in 2013 to PKR 293 million in 2014.

Dairy Farm:

Our Nara Dairy Farm currently produces 33,108 (2013: 24,874) liters per day with a total herd size of 4,726 animals of which 1,942 are part of the milking cycle. Due to improved production yield the farm significantly reduced its losses from PKR137M in 2013 to PKR 32 million in 2014.

Revenue

(Rs. in million)

43,422

2014

engro eximp

During the year, the Board took certain corrective and mitigation actions whereby the rice business commodity risk profile has now been greatly reduced and the business is being restructured.

During the year, EXIMP was able to achieve healthy margins on phosphates due to favorable trading calls. EXIMP sold 405KT of DAP during 2014 vs. 401KT sold last year achieving a market share of 24%.

EXIMP's revenue increased by 7% to PKR 35,119 million in 2014 from PKR 32,853 million while its consolidated loss for 2014 stood at PKR 2,961 million as compared to a profit after tax of PKR 60 million in 2013. The profitability of fertilizer trading business was more than offset by the rice business losses.

In 2014, the rice business suffered a significant loss as commodity prices crashed and margins were adversely impacted by an appreciating rupee. Operationally, the processing plant delivered an Average Service Factor of 84%, with an improvement of 10% from last year. The average Capacity Factor during the year was 81%, an improvement of 4% as compared to last year.

The company sold 59,300 tons of rice of which 34,300 were exported. However, the supply overhang in the international rice market led to depressed prices and the company accordingly marked down its year-end inventory to net realizable value.

During the year, the Board took certain corrective and mitigation actions whereby the rice business commodity risk profile has now been greatly reduced and the business is being restructured. Rice business pre-paid its entire external long term debt of PKR 1,227 million.

Revenue

(Rs. in million)

35,119

2014

engro powergen

Engro Corporation along with Engro Powergen Limited offered 25% shares of EPQL to institutional investors and general public at a price of Rs. 30.02 per share. These were significantly oversubscribed demonstrating the investor confidence in the company.

Engro Powergen (EPL) is a wholly owned subsidiary of Engro Corporation and a power holding company whose primary objective is to analyze potential opportunities in the Energy and Power sector and undertake Independent Power Projects based on the feasibilities of new ventures. Engro Powergen owns and operates Engro Powergen Qadirpur Limited (EPQL) - a 217 MW combined cycle power plant, and has ventured into the Thar Coal Mining project with the Government of Sindh. Engro Powergen is also a 45% equity partner in GEL Utility Limited (GEL), Nigeria, which was formed with the objective of generation and distribution of energy, power and other related services and has undertaken a project of 72MW triple redundancy captive power plant. Further, during the year, a new company - Engro Powergen Thar (Private) Limited - was incorporated to establish a 2 x 330 MW power plant based on Thar coal.

Engro Powergen Qadirpur Limited:

For 2014, EPQL's revenue was PKR 12,041 million compared to PKR 8,665 million last year. The company earned a profit-after-tax of PKR 2,021 million for 2014 as compared to PKR 1,458 million in 2013. The increase is attributable to higher plant availability in the current year.

During 2014, EPQL demonstrated a Billable Availability of 99.9% compared to 83.1% last year. It dispatched a total Net Electrical Output of 1,722 GwH to the National Grid with a load factor of 92.6% as compared to 71.7% in 2013.

The plant also successfully completed planned Combustion Inspection in 2014. The maintenance activity was completed well within the planned time allowing the power plant to come back online well before schedule. The company continues to focus on plant performance improvement initiatives to ensure its reliability and availability to the national grid and ensure maximum benefit for all stakeholders.

Circular debt remained a persistent problem in the domestic energy sector and a cause of concern for all IPPs, including EPQL. The Government of Pakistan announced a bailout of PKR 480 billion in June 2013 to help address the issue but due to lack of structural reforms, the buildup of receivables throughout 2014 forced IPPs, including EPQL, to call upon the Sovereign Guarantee for settlement of outstanding dues. This Guarantee call was withdrawn by IPPs after the Government of Pakistan settled all outstanding capacity payments and gave positive assurance for settlement of outstanding interest payments by April 2015.

During 2014, Engro Corporation along with Engro Powergen Limited offered 25% shares of EPQL to institutional investors and general public at a price of Rs. 30.02 per share. These were significantly oversubscribed demonstrating the investor confidence in the company. EPQL was formally listed on the Karachi Stock Exchange (KSE) and Islamabad Stock during the year.

GEL Utility Limited (Nigeria):

Commercial operations of GEL were achieved in November 2014, following successful test run of turbines and dispatch of power to Port Harcourt Refinery, Nigeria. Engro's O&M team took control of the facility as well as the remaining construction jobs in end October and closed 2014 with zero TRIR and 99.98% plant availability over and above the target.

Sindh Engro Coal Mining Company (SECMC):

During the year, Engro Powergen signed a revised Joint Venture Agreement (JVA) with Government of Sindh (GoS), under which GoS shall have minimum shareholding of 51% (to account for the provision of Sovereign Guarantee by GoP for debt financing of the Project) in SECMC while EPL along with its affiliates will retain the management with minimum shareholding of 26%. Near the end of December 2014, equity investment of PKR 360 million and PKR 240 million has been injected by Thal Limited & Hub Power Company Limited (affiliates), respectively, with shares allotted to them subsequently.

The process of removing over-burden at site has been initiated through a local contractor and 2 Million BCM overburden was removed by December 2014. All HSE systems for monitoring & reporting activities have been implemented to ensure injury-free work environment. 449,663 man-hours have been completed without loss work injury (LWI). LBOD water scheme work is being carried out by GoS and the site for effluent disposal pond has also been finalized by GoS. Additional mining land lease of 15.9 Sq Km has been granted to SECMC. The current mining lease area with SECMC is now 95.5 Sq Km. Additional PKR 250 million has been deposited with Land Acquisition Officer thus making the total deposit for private land owners to PKR 450 million. Out of this PKR 167 million has been paid to land owners.

Engro Powergen Thar (Private) Limited:

The project is intended to be a 660(2x330)MW mine mouth power plant at Thar. Letter of intent (LoI) has been issued for the project by the Private Power and Infrastructure Board (PPIB).

Subsequent to LOI, an application for Generation License has been filed with NEPRA. During the year, NEPRA notified the upfront tariff for Thar coal based power plants. The company has filed a review petition for clarification of certain items. Total estimated project cost of power plant is USD 1,100 million. Discussions are underway with Chinese and local banks for raising the requisite debt financing.

Revenue

(Rs. in million)

12,049

2014

engro polymer & chemicals

On the production front, the company remained focused on its strategy of converting maximum VCM to PVC and meeting all its PVC production requirements through in house VCM

In 2014 Engro Polymer witnessed one of its most difficult years with challenges across multiple fronts. While the company continued to improve operational efficiencies at its production facility, external factors exerted pressure on its overall performance. The volatility of the commodity markets and its subsequent impact on margins, an appreciating rupee, imposition of GIDC, market contraction due to duty on PVC pipes by Govt. of Afghanistan and imposition of 5% duty on primary raw materials were all factors that combined to impair the results of the company. In revenue terms, the company maintained the top line. However, after posting the highest ever profitability of PKR 707 million in 2013, the company posted a loss after tax of PKR 1,109 million in 2014. The loss includes a revaluation of its finished goods inventory at net realizable value. The broad fundamentals of the business remain intact, but vulnerability to commodity prices and a rise in the price of natural gas have the potential to hurt profitability.

On the production front, the company remained focused on its strategy of converting maximum VCM to PVC and meeting all its PVC production requirements through in house VCM. During 2014, the company produced the highest level of PVC i.e. 153 KT, while the VCM production stood at 168 KT and Caustic soda at 114 KT. In addition, debottlenecking initiatives taken in 2014 were completed on time and enhanced the plant capacities of PVC by 22 KT. Investments to the tune of USD 10 million were made as a part of debottlenecking and reliability enhancement initiatives that are expected to result in higher volumes and ensure safer and more sustainable site operations. To improve reliability of the plant, a major overhaul of one of the gas turbines was completed safely, along with successful replacement of the last two sets of membranes at the Chlor-alkali plant. VCM plant turnaround was conducted successfully in June 2014.

Pakistan's PVC market size stood at 162KT in 2014. Domestic PVC is manufactured solely by Engro Polymer and sells under the brand name of "SABZ". In 2014, the company's market share remained at 77% as compared to 81% in 2013. The decline is attributable to higher import of PVC resin during the year.

The company is channelizing its efforts to enhance PVC pipes demand in the country and is working with private and public sectors to encourage use of PVC pipes in new product developments and spreading awareness about advantages of PVC over competing materials.

Country's Caustic Soda market stood at approximately 260 KT in 2014. The company sold 93 KT in domestic market, maintaining a market share of around 36%. Most of the demand in Pakistan is generated by textile and soap & detergent segments. Growth in these segments can propel growth in Caustic Soda demand, however, considering the current situation of textile industry in Pakistan, overall demand growth is expected to remain modest.

During the year, new investment activities were financed through a new long-term loan of PKR 1,700 million. The long-term loan enabled the company to carry out CAPEX which will result in volumetric growth, improved plant reliability and operational efficiency. On a holistic level, during 2014, the company retired a debt of PKR 2,254 million resulting in net deleveraging of PKR 554 million.

Revenue

(Rs. in million)

23,819

2014

engro vopak

During the year, Engro Vopak completed 17 years of safe operations without any Lost Time Injury. On the operational front, during the year, 250MT excess stock of Para Xylene and 30MT excess stock of Acetic Acid were delivered

During the year, Engro Vopak completed 17 years of safe operations without any Lost Time Injury. On the operational front, during the year, 250MT excess stock of Para Xylene and 30MT excess stock of Acetic Acid were delivered along with maintaining uninterrupted Ethylene supply exceeding yearly planned volumes by 72KT. Actual throughput for the year was 1,172KT vs. 1,135 KT in 2013. The company continued its stable financial operations with revenues of PKR 2,168 million vs. PKR 2,052 million in 2013, posting profit after tax of PKR 1,419 million vs. PKR 1,219 million in 2013.

Revenue

(Rs. in million)

2,168

2014

engro elengy

Elengy Terminal (Private) Limited was formed to construct the new jetty besides Engro Vopak's existing jetty for handling, storage and regasification of LNG, utilizing Engro Vopak's existing trestle and utilities

Elengy Terminal Pakistan Limited, a subsidiary of Engro Corporation won the tender floated by Government of Pakistan for fast track LNG terminal in November 2013. As per the agreement, a Special Purpose Vehicle, Engro Elengy Terminal (Private) Limited was formed to construct the new jetty besides Engro Vopak's existing jetty for handling, storage and regasification of LNG, utilizing Engro Vopak's existing trestle and utilities. The project progress has been in line with plan and is expected to be commissioned as per schedule by the end of March 2015 which would make it one of the fastest implementations in the world.

Social Investments:

As part of our continuing commitment towards improving the life of our stakeholders, and specifically that of our host communities, we contributed approximately PKR 235 million (inclusive of donor spend) under our social investments commitments in 2014, as compared to PKR 186 million in 2013. Our social investments programs are managed by Engro Foundation – the single CSR front for all Engro companies. Engro Foundation together with its partners worked in the areas of education, health, infrastructure, livelihoods and disaster management to provide socio-economic opportunities to a multitude of individuals and households in our host communities.

In addition, Engro Foundation has upgraded its strategy and moved its work towards generating greater sustainable impact by focusing on business inclusiveness. The objective going forward is to improve livelihoods in our value chains to empower communities. Our flagship projects for the year included SPIRiT farmer training project, WELD dairy farmer training project, Technical Training College, Katcha Education Program; Hunar Scholarship Program amongst others.

As an organization we pride ourselves on our deep understanding of our responsibility to the society. With this guiding principle we provided support to employees to enable them to positively impact the communities around them. In 2014, the employees donated in excess of 11,000 hours versus an aggregate of 7,000+ hours in 2013.

Volunteerism Hours

11,000+

2014

Our Human Resources:

Recognizing that our people make all the difference, we strive to consistently attract, hire and retain high quality talent, so that together we can combine our strengths and skills to build a successful partnership that can help us sustain our competitive edge. Our key areas of focus for the year 2014 remained diversity & inclusion; talent development; automation of our HR processes; launch of our first Management Trainee Program across the group.

Consequently with an enhanced focus on the above mentioned areas, we worked consistently to deploy initiatives that ensured top employee performance and satisfaction as illustrated by an 11% increase in our Employee Engagement Index which stood at 62% at the end of 2014 versus 51% the previous year.

Through the year we increased our women in workforce by 19% while People with Disabilities rose up by 10%. Moreover, we worked on implementing a rigorous talent development framework which focused on multi-pronged areas and ensured a healthy talent pipeline that guarantees presence of well-rounded future leaders for the organization.

Employee Engagement Index

62%

2014

Health, Safety & Environment:

At Engro, we believe in doing business with a conscience and leading by example and that is why we undertake strategic investments that incorporate a strong consideration for the safety of our people, plants and the planet at large.

Moreover, we maintained our focus on safety management systems keeping in view international best practices including Occupational Safety and Health Administration (OSHA) and DuPont Workplace Safety Standards amongst others. Resultantly, through the year our Total Recordable Injury Rate (TRIR) stood at 0.13 down from 0.16 in 2013.

Total Recordable Injury Rate

0.13

2014

Engro Islamic Rupiya

During the year, Engro Corporation repaid the entire amount of PKR 6,920 million pertaining to Engro Rupiya Certificates (Issue I & II) on their maturity. The company issued Islamic Sukuks to target individual investors during the year. Branded as Engro Islamic Rupiya Certificates (EIRC), the Sukuks offer an expected rate of return of 13% and 13.5% per annum, over a period of 3 years and 5 years respectively, with semi-annual profit payments. EIRC was successfully received by the investor market and company raised Rs. 4 billion by July 2014. The instrument is secured on certain assets of the company and its subsidiaries and has been rated AA by PACRA. The proceeds from the EIRC were utilized to pay-off conventional liabilities, meet funding requirements of its subsidiaries and finance new projects.

Capital Investment, Capital Structure and Finance

Consolidated shareholders' equity at the end of the year increased by PKR 12,342 million to stand at PKR 68,025 million. Owners' portion accumulates to PKR 57,193 million. This increase is mainly due to profits for the year.

During the year, additions to property, plant and equipment stood at PKR 12,430 million mainly representing additions to LNG plant and machinery. Other additions/ modifications are in respect to fertilizers, polymer and foods plants expansion.

Long-term borrowings at year end decreased to PKR 73,325 million from PKR 93,076 million at 2013 year end, primarily due to the net debt repayments of PKR 20,554 million during the year by the company's Fertilizers, Foods, Rice, Powergen and Petrochemicals businesses as well as ERC repayment by Engro Corp.

Adverse profitability of some of the businesses had a toll on their cash flows but effective financial management enabled them to sustain operations without compromising on debt obligations. The cash flows were carefully allocated for required Capex throughout the year to ensure plants reliability, volumetric growth and operational efficiency.

The balance sheet gearing (company's long term debt to equity ratio) for the year ended 2014 is 52:48 vs. 63:37 as at 2013 year end.

Credit Rating

As a result of the improved financial performance, Pakistan Credit Rating Agency in its annual review of the company's credit worthiness has maintained Engro Corp's long-term rating as "AA-" and short-term rating as A1+, and upgraded the outlook to 'positive' from 'neutral'. These ratings reflect the company's financial and management strength and denote a low expectation of credit risk and the capacity for timely payment of financial commitment.

Major Judgment Areas

Main areas related to Group relief & Group tax, GIDC, Sales tax, Alternate Corporate tax, Minimum tax on Turnover and apportionment of expenses etc. in the subsidiaries are detailed in Notes to the Accounts (Note 39).

Treasury Management

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

Interest Rate Management

At the end of 2014, Engro Corp's consolidated borrowings were PKR 73,325 million. A significant portion of this amount is of foreign currency, which is linked to LIBOR (note 24 of the accounts). Interest rates on foreign currency borrowings are hedged through fixed interest rate swaps for the entire tenor of the loans (note 15 of the accounts). The local currency borrowings are all based on KIBOR which is monitored regularly for adverse movements which may be mitigated by fixing the same.

Risk Management Framework

Engro Corporation launched the Lean Enterprise Risk Management framework in 2011, across its subsidiaries. It is our policy to view risk management as integral to the creation, protection and enhancement of shareholder value by managing the uncertainties and risks that could possibly influence the achievement of our corporate goals and objectives. The businesses mandate assessment of their strategy and quantum of risk that the entity is willing to accept by adequately assigning responsibilities throughout the organization. Risks are identified from across the organization and are ranked based on their impact and probability. Risks are broadly categorized between Strategic, Commercial, Operational and Financial risks. Upon identification of risks, a strategy is devised to mitigate its impact which is regularly monitored by the senior management.

Liquidity Risk

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

Foreign Currency Risk

Where deemed appropriate, we eliminate currency exposure on purchases of goods and foreign currency loans through the use of forward exchange contracts and options as permitted by the prevailing foreign currency regulations.

Some of the businesses have natural hedges for their foreign currency exposures - for e.g. the power business foreign currency exposure is taken by WAPDA, polymer's has a natural hedge due to its product pricing being on imported parity basis while Engro Vopak has certain dollar denominated contracts, and for the fertilizers business we have hedged USD 93.6 million out of its total foreign currency borrowings of USD 122.6 million. We continue to monitor foreign currency trends and take appropriate actions when required.

Management Information Systems

We continue to enhance efficiencies by increasing the SAP footprint in the company from the existing implementation of financial, accounting and human resource applications. During the year, we implemented Ariba e-procurement solution across our manufacturing subsidiaries. Ariba provides 'Spend Management solutions' which helps companies to analyze, understand, and manage their corporate spending to achieve cost savings and business process efficiency. The Company embarked on a major IT project "MyEngro" covering all HR activities of which two modules were operationalized.

Accounting Standards

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

Risks are broadly categorized between strategic, commercial, operational and financial risks. Upon identification of risks, a strategy is devised to mitigate its impact which is regularly monitored by the senior management.

Pension, Gratuity and Provident Funds

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

The above mentioned plans are funded schemes recognized by the tax authorities. The latest actuarial valuation of management pension and gratuity schemes was carried out at December 31, 2014 and the financial statements of these have been audited up to December 31, 2013. The latest audited accounts for the provident fund cover year ended June 30, 2014. The company has fully paid all its obligations on all the above schemes.

Audited Upto	Provident Fund June 30, 2014	Pension Fund December 31, 2013	Gratuity Fund December 31, 2013
	--------------------------------Rupees in million--------------------------------		
DSCs/PIBs/RICs/SSCs	1,191	491	895
TFCs	291	-	47
Quoted Shares	228	110	177
Bank Deposits/T-Bills	151	28	52
Receivables	230	65	92
Payables	54	42	46
Total Net assets	2,037	652	1,217

Auditors

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

Shares Traded and Average Prices

The company's stock is amongst the actively trades shares on all the Stock Exchanges of the country. During the year 837.4 million shares of the company were traded on the Karachi Stock Exchange. The average price of the company's share based on daily closing rates was PKR 187.12, while the 52 week low - high during 2014 was PKR 154.99 – 232.00 per share respectively.

Pattern of Shareholding

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

A statement of the general pattern of shareholding along with pattern of shareholding of certain classes of shareholders whose disclosure is required under the reporting framework and the statement of purchase and sale of shares by Directors, company Secretary and their spouses including minor children during 2014 is shown in the shareholding section of this report.

Board of Directors

The Board of Directors reviews all significant matters of the company. These include company's strategic direction, annual business plans and targets, decision on long term investment and borrowings.

The Board of Directors is committed to maintain high standards of Corporate Governance. Three of the directors attended the directors' training course conducted by the Pakistan Institute of Corporate Governance this year. Three other directors have already completed this course earlier.

Statement of Director Responsibilities

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

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

Board & Board Committees Meetings and Attendance

In 2014, the Board of Directors held 8 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows;

Director's Name	Meetings Attended
Mr. Hussain Dawood	8
Mr. Muhammad Aliuddin Ansari	8
Mr. Abdul Samad Dawood	8
Mr. Shahzada Dawood	8
Mr. Shabbir Hashmi	7
Mr. Khawaja Iqbal Hassan	7
Mr. Francis Murray Jones	8
Mr. Ruhail Mohammed	8
Mr. Shahid Hamid Pracha	8
Mr. Saad Raja	5
Mr. Sarfaraz A. Rehman	8
Mr. Khalid S. Subhani	8

The Board Audit Committee held 8 meetings during 2014. The attendance record of the Committee is as follows:

Director's Name	Meetings Attended
Mr. Shabbir Hashmi	8
Mr. Khawaja Iqbal Hassan	7
Mr. Shahid Hamid Pracha	8
Mr. Shahzada Dawood	7

The Board Investment Committee met 8 times during 2014. The attendance record of the Committee is as follows:

Director's Name	Meetings Attended
Mr. Abdul Samad Dawood	8
Mr. Khawaja Iqbal Hassan	6
Mr. Shahid Hamid Pracha	8
Mr. Saad Raja	7

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

Director's Name	Meetings Attended
Mr. Hussain Dawood	4
Mr. Abdul Samad Dawood	4
Mr. Shahzada Dawood	4
Mr. Shabbir Hashmi	3
Mr. Saad Raja	2
Mr. Muhammad Aliuddin Ansari (by invite)	4

Dividend

The Board is pleased to propose a final cash dividend of PKR 4 per share, for the year ended December 31, 2014. The total dividend attributable to the year is PKR 6 per share including the interim cash dividend of PKR 2 per share during the year.

future outlook

Engro Corporation is well placed to grow in the Agri, Foods and Energy verticals. Profitability should rise significantly barring any unforeseen events. Our focus remains on domestic growth and EFoods is well placed to capitalize on the growth in the middle class and is expected to post a robust performance in 2015.

We remain committed to our mission of helping solve the country's energy crisis and shall soon be delivering an LNG terminal at one of the lowest rates in the world and in the shortest possible time. The company is at the forefront of developing Pakistan's largest hydrocarbon reserves - Thar coal, through an integrated mining and power generation project. This together with Government of Sindh will be a major milestone for the country. in the Energy-Power vertical we will look at other expansion opportunities with a long-term vision of international expansion.

EFert is well placed to improve its profitability and grow its foot-print in other agri-inputs. Restructuring measures at EXIMP will see all non-DAP trading activities being curtailed and the unit is proposed to be consolidated with EFert thereby bringing all fertilizer activities under one roof. The company has also proposed to delink the rice business from Engro EXIMP and bring it directly under Engro Corp, and operate it on a reduced scale.

Engro Fertilizers

Global urea demand in 2015 is expected to remain steady to moderately high, 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.

Local urea demand for 2015 is expected to remain stable, even though farmer income on rice and cotton has taken a dip in 2014. Gas curtailment issues are likely to continue in 2015, hence the network based fertilizer plants 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 in respect of the company 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 flow to the company till December 2015. In addition, the ECC has also approved the allocation to the company of 3MMSCFD of gas from the Maru East field.

Post year end, the company has received confirmation from SNGPL that the relevant agreements have been duly executed (following OGRA approval) and billing at concessionary pricing for the feed portion of gas being supplied shall commence in March 2015. Further, the company proposes to acquire Engro EXIMP commodity trading business, including its UAE based subsidiary, subject to shareholder approval. This acquisition will contribute to additional revenue and profitability to the company, in addition to consolidating its position in the fertilizer industry.

Engro Foods

The company continues to maintain a strong positive outlook on the country due to improved macroeconomic indicators and declining international fuel prices. With a burgeoning population and rise of the middle class on the back of demographics, the company is optimistic of the potential that the country holds. Engro Foods will continue to live its purpose-inspired growth strategy and bring to the fore affordable and nutritious products that guarantee wholesome goodness to its consumers.

Based on the 4th quarter performance we are confident that volume and sales growth journey of the company will continue in 2015. With a constant stream of innovation and customer related improvements, the company will continue to expand its market share in all categories by exploring untapped markets within the country and outside. Declining raw material and fuel prices are expected to result in margin expansion for the company in 2015.

Engro EXIMP

Imported fertilizer remains a key value driver for the company. Given the relatively stable DAP prices and declining energy costs the domestic industry size is expected to remain healthy at around 1.5m tons. Moving forward the Company will continue its trading operations in DAP and micro-nutrients while all other trading activities will be curtailed.

International rice prices are expected to remain soft in near term thereby affecting Rice business margins. Due to uncertain business conditions the company will procure only limited volumes of rice, while, continuing to restructure and optimize the business operations.

Going forward, the management is developing a comprehensive strategy to overcome challenges that surfaced in the year.

To enhance value creation in the various business segments, Engro Corp proposes, subject to shareholder approval, the delinking of the rice business (EEAP) and manage it directly to bring focus on the business moving forward. Additionally, Engro Fertilizer proposes, subject to shareholder approval, to acquire the trading business (EXIMP) to solidify its position in the fertilizer industry.

Engro Polymer

The company anticipates stable supply of Ethylene but the prices will remain volatile owing to uncertainty in the global commodity prices due to crude oil price volatility. Political developments, decision of OPEC on supply and progresses on shale gas remain the key triggers for crude oil prices.

On the domestic front, PVC market faced a setback in 2014 after the imposition of a duty on PVC by Afghanistan government. Going forward, we expect the private housing activity and public sector development program to determine market dynamics. The company is pursuing an aggressive marketing strategy and is working extensively with its customers, government agencies, architects and construction consultants for PVC market development and to increase domestic sales of the company. The company is hopeful that these efforts will continue to bear fruit for the stakeholders in times to come.

The domestic Caustic Soda market remained competitive during 2014. GSP plus status given to the country did not fulfill the associated expectations and hence caustic demand growth remained muted. We expect the market to rationalize in the coming years and the sector is likely to be a beneficiary of promising textile and consumer goods segment.

The company is confident and will exhibit resilience to setbacks faced in 2014. The stability on the operational front has enabled the company to capitalize market opportunities, however, economic value creation of the company will continue to be influenced by uncontrollable factors such as vinyl chain prices, energy prices, duty on primary raw materials and currency volatility.

Currently, the company's debt profile is heavily skewed towards repayments in 2015-16. To allow the company to maintain focus on managing and improving operations during the commodity downturn, it proposes to restructure its balance sheet through issuance of preference shares, subject to shareholder approval.

Engro Powergen

The company continues to seek new opportunities in energy sector both domestically and around the world in partnership with domestic/international players to utilize Engro's unique engineering and project management skillset. Engro Powergen Thar is in the process of finalizing the draft coal agreement whereby SECMC, on commencement of commercial production of its Thar mining project, will supply 3.8 million tons per annum of coal to the power company. In partnership with Government, the Thar mining and power projects are expected to remain on track for completion in next four years to help resolve the energy crisis in the country.

Despite the ongoing gas shortage, EPQL plant is expected to receive unhindered fuel supply as the plant runs on permeate gas which is likely to remain available in the near term. Moreover, the plant expects to maintain a high dispatch rate due to its higher rank in PEPCO's merit order. In spite of assurances from the Government of Pakistan regarding settlement of outstanding dues, in the absence of any concrete measures to address its root cause, circular debt will remain a challenge for the IPP industry going forward in the short-term.

EPQL plans to undertake its first major turnaround activity in 2015 and is expected to complete the activity within available allowance of 60 days under the Power Purchase Agreement. The company will continue to focus on the plant operations, equipment reliability and other performance improvement initiatives to ensure uninterrupted power supply to the national grid for the benefit of all stakeholders.

Engro Vopak

The company expects Engro Vopak to perform well and maintain its operations and profitability in a stable fashion due to its unique and leading position in liquid chemicals handling industry.

Engro Elengy

Work on the fast track LNG terminal is on schedule to achieve commissioning by the due date i.e. March 31, 2015. This is expected to be one of the fastest implementations of a LNG terminal anywhere in the world and at one of most competitive rates available globally. The project will play a significant role in alleviating some of the energy shortage faced by the country and it will place Engro at the forefront for other such projects in the future. We are proud of this achievement which has been motivated by solving the country's energy woes as expediently as possible. The terminal is expected to come on-stream and provide 200mmscfd into the network and thereafter risie to its contracted quantity of 400mmscfd. The terminal has a further capacity of 200mmscfd which it will market to third part buyers.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Cheif Executive

horizontal analysis – balance sheet

(Rs. in million)	2014 Rs.	14 Vs. 13 %	2013 Rs.	13 Vs. 12 %	2012 Rs.	12 Vs. 11 %	2011 Rs.	11 Vs. 10 %	2010 Rs.	10 Vs. 09 %	2009 Rs.	09 Vs. 08 %
EQUITY AND LIABILITIES												
EQUITY												
Share Capital	5,238	2	5,113	-	5,113	30	3,933	20	3,277	10	2,979	40
Share Premium	13,068	24	10,550	-	10,550	-	10,550	-	10,550	-	10,550	47
Unappropriated Profits	33,997	27	26,833	47	18,268	(4)	18,986	49	12,776	52	8,388	35
Reserves	4,874	(1)	4,913	11	4,420	3	4,312	8	3,995	(5)	4,202	(15)
Non-Controlling Interest	10,847	31	8,274	76	4,714	16	4,080	16	3,516	9	3,225	4
	68,025	22	55,683	29	43,065	3	41,861	23	34,115	16	29,344	25
NON-CURRENT LIABILITIES												
Borrowings	55,380	(29)	78,321	7	73,257	(11)	82,560	(7)	89,152	6	84,142	107
Derivative Financial Instruments	51	(97)	1,611	152	640	(9)	702	(13)	805	27	633	(35)
Deferred Taxation	6,558	4	6,301	21	5,191	3	5,046	104	2,471	46	1,687	(33)
Others	198	(11)	222	1	220	10	201	(58)	484	47	329	(56)
	62,187	(28)	86,455	9	79,309	(10)	88,510	(5)	92,912	7	86,791	93
CURRENT LIABILITIES												
Current portion of												
- Borrowings	17,945	22	14,755	(46)	27,437	27	21,566	39	15,544	554	2,376	638
- Others	43	(6)	46	9	42	13	37	2	36	(12)	41	3
Trade and Other Payables	53,498	33	40,113	32	30,499	30	23,420	86	12,614	31	9,608	71
Accrued Interest / Mark up	2,068	(8)	2,252	(14)	2,614	(16)	3,114	19	2,619	45	1,800	47
Short-term Borrowings	11,765	84	6,380	9	5,828	36	4,284	(25)	5,716	339	1,303	(72)
Others	1,556	5	1,479	62	914	(29)	1,284	5	1,221	45	842	78
	86,875	34	65,025	(3)	67,334	25	53,706	42	37,751	136	15,970	30
TOTAL EQUITY AND LIABILITIES	217,087	5	207,163	9	189,708	3	184,077	12	164,778	25	132,105	63
ASSETS												
NON-CURRENT ASSETS												
Property, Plant and Equipment	134,507	2	131,969	(0)	132,553	(2)	135,092	5	129,068	17	110,504	90
Long-term Investments	2,735	46	1,874	48	1,268	(26)	1,717	234	515	3	500	2
Biological Assets	859	20	716	7	668	35	497	16	428	(2)	439	43
Intangible Assets	296	(63)	808	3	783	6	738	(16)	877	50	585	3
Others	2,399	21	1,979	5	1,883	54	1,224	533	193	26	154	(68)
	140,796	3	137,347	0	137,156	(2)	139,267	6	131,082	17	112,182	87
CURRENT ASSETS												
Store, Spares and Loose Tools	7,547	7	7,039	8	6,508	5	6,195	26	4,911	238	1,452	30
Stock-in-Trade	11,567	(44)	20,700	25	16,591	43	11,604	31	8,844	132	3,820	(46)
Trade Debts	4,615	52	3,033	(71)	10,638	71	6,215	21	5,131	45	3,537	366
Advances, Deposits and Prepayments	1,708	18	1,451	35	1,073	(47)	2,017	(18)	2,474	80	1,372	19
Other Receivables	5,317	6	4,996	62	3,088	36	2,265	76	1,288	13	1,136	(70
Taxes Recoverable	3,253	5	3,086	(22)	3,966	30	3,056	23	2,494	140	1,041	20
Cash and Bank Balances	12,245	77	6,899	48	4,663	6	4,418	7	4,120	(40)	6,880	213
Short-term Investments	28,987	36	21,366	256	5,998	(28)	8,332	88	4,426	764	512	(75)
Others	1,052	(16)	1,246	4,633	26	(96)	708	8,779	8	(95)	174	(89)
	76,291	9	69,816	33	52,552	17	44,810	33	33,696	69	19,924	(4)
TOTAL ASSETS	217,087	5	207,163	9	189,708	3	184,077	12	164,778	25	132,105	63

vertical analysis – balance sheet

(Rs. in million)	2014		2013		2012		2011		2010		2009	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
EQUITY AND LIABILITIES												
EQUITY												
Share Capital	5,238	2	5,113	2	5,113	3	3,933	2	3,277	2	2,979	2
Share Premium	13,068	6	10,550	5	10,550	6	10,550	6	10,550	6	10,550	8
Unappropriated Profits	33,997	16	26,833	13	18,268	10	18,986	10	12,776	8	8,388	6
Reserves	4,874	2	4,913	2	4,420	2	4,312	2	3,995	2	4,202	3
Non-Controlling Interest	10,847	5	8,274	4	4,714	2	4,080	2	3,516	2	3,225	2
	68,025	31	55,683	27	43,065	23	41,861	23	34,115	21	29,344	22
NON-CURRENT LIABILITIES												
Borrowings	55,380	26	78,321	38	73,257	39	82,560	45	89,152	54	84,142	64
Derivative Financial Instruments	51	0	1,611	1	640	0	702	0	805	0	633	0
Deferred Taxation	6,558	3	6,301	3	5,191	3	5,046	3	2,471	1	1,687	1
Others	198	0	222	0	220	0	201	0	484	0	329	0
	62,187	29	86,455	42	79,309	42	88,510	48	92,912	56	86,791	66
CURRENT LIABILITIES												
Current portion of												
- Borrowings	17,945	8	14,755	7	27,437	14	21,566	12	15,544	9	2,376	2
- Others	43	0	46	0	42	0	37	0	36	0	41	0
Trade and Other Payables	53,498	25	40,113	19	30,499	16	23,420	13	12,614	8	9,608	7
Accrued Interest / Mark up	2,068	1	2,252	1	2,614	1	3,114	2	2,619	2	1,800	1
Short-term Borrowings	11,765	5	6,380	3	5,828	3	4,284	2	5,716	3	1,303	1
Others	1,556	1	1,479	1	914	0	1,284	1	1,221	1	842	1
	86,875	40	65,025	31	67,334	35	53,706	29	37,751	23	15,970	12
TOTAL EQUITY AND LIABILITIES	217,087	100	207,163	100	189,708	100	184,077	100	164,778	100	132,105	100
ASSETS												
NON-CURRENT ASSETS												
Property, Plant and Equipment	134,507	62	131,969	64	132,553	70	135,092	73	129,068	78	110,504	84
Long-term Investments	2,735	1	1,874	1	1,268	1	1,717	1	515	0	500	0
Biological Assets	859	0	716	0	668	0	497	0	428	0	439	0
Intangible Assets	296	0	808	0	783	0	738	0	877	1	585	0
Others	2,399	1	1,979	1	1,883	1	1,224	1	193	0	154	0
	140,796	65	137,347	66	137,156	72	139,267	76	131,082	80	112,182	85
CURRENT ASSETS												
Store, Spares and Loose Tools	7,547	3	7,039	3	6,508	3	6,195	3	4,911	3	1,452	1
Stock-in-Trade	11,567	5	20,700	10	16,591	9	11,604	6	8,844	5	3,820	3
Trade Debts	4,615	2	3,033	1	10,638	6	6,215	3	5,131	3	3,537	3
Advances, Deposits and Prepayments	1,708	1	1,451	1	1,073	1	2,017	1	2,474	2	1,372	1
Other Receivables	5,317	2	4,996	2	3,088	2	2,265	1	1,288	1	1,136	1
Taxes Recoverable	3,253	1	3,086	1	3,966	2	3,056	2	2,494	2	1,041	1
Cash and Bank Balances	12,245	6	6,899	3	4,663	2	4,418	2	4,120	3	6,880	5
Short-term Investments	28,987	13	21,366	10	5,998	3	8,332	5	4,426	3	512	0
Others	1,052	0	1,246	1	26	0	708	0	8	0	174	0
	76,291	35	69,816	34	52,552	28	44,810	24	33,696	20	19,924	15
TOTAL ASSETS	217,087	100	207,163	100	189,708	100	184,077	100	164,778	100	132,105	100

horizontal and vertical analyses profit and loss account

Horizontal Analysis (Rs. in million)

	2014 Rs.	14 Vs. 13 %	2013 Rs.	13 Vs. 12 %	2012 Rs.	12 Vs. 11 %	2011 Rs.	11 Vs. 10 %	2010 Rs.	10 Vs. 09 %	2009 Rs.	09 Vs. 08 %
Sales	175,958	13	155,360	24	125,151	9	114,612	43	79,976	38	58,152	42
Cost of Sales	(139,770)	22	(114,763)	19	(96,631)	17	(82,531)	38	(59,702)	34	(44,658)	48
Gross Profit	36,189	(11)	40,597	42	28,520	(11)	32,081	58	20,274	50	13,494	24
Admin, Distribution and Marketing Expenses	(14,804)	7	(13,784)	18	(11,636)	14	(10,177)	23	(8,290)	33	(6,215)	46
	21,384	(20)	26,812	59	16,884	(23)	21,905	83	11,984	65	7,279	10
Other Expenses	(2,500)	39	(1,794)	(7)	(1,935)	0	(1,930)	131	(837)	(1)	(844)	(13)
Other Income	3,719	36	2,732	20	2,280	11	2,057	129	897	130	390	(62)
Operating Profit	22,604	(19)	27,750	61	17,229	(22)	22,032	83	12,044	76	6,825	2
Finance Cost	(12,344)	(21)	(15,634)	1	(15,516)	26	(12,315)	185	(4,322)	95	(2,222)	28
Share of Income from Joint Venture	723	19	610	(18)	744	(57)	1,742	214	555	21	459	87
Net Profit Before Taxation	10,983	(14)	12,726	418	2,457	(79)	11,459	38	8,277	64	5,062	(2)
Provision for Taxation	(3,182)	(28)	(4,401)	567	(660)	(82)	(3,648)	99	(1,836)	37	(1,343)	37
NET PROFIT AFTER TAXATION	7,801	(6)	8,325	363	1,797	(77)	7,811	21	6,441	73	3,719	(12)
Non-Controlling Interest	794	57	507	9	464	(287)	(249)	(29)	(349)	296	(88)	(209)
Profit attributable to Owners of the Holding Company	7,007	(10)	7,818	487	1,333	(83)	8,060	19	6,790	78	3,807	(8)

Vertical Analysis (Rs. in million)

	2014		2013		2012		2011		2010		2009	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Sales	175,958	100	155,360	100	125,151	100	114,612	100	79,976	100	58,152	100
Cost of Sales	(139,770)	(79)	(114,763)	(74)	(96,631)	(77)	(82,531)	(72)	(59,702)	(75)	(44,658)	(77)
Gross Profit	36,189	21	40,597	26	28,520	23	32,081	28	20,274	25	13,494	23
Admin, Distribution and Marketing Expenses	(14,804)	(8)	(13,784)	(9)	(11,636)	(9)	(10,177)	(9)	(8,290)	(10)	(6,215)	(11)
	21,384	12	26,812	17	16,884	13	21,905	19	11,984	15	7,279	13
Other Expenses	(2,500)	(1)	(1,794)	(1)	(1,935)	(2)	(1,930)	(2)	(837)	(1)	(844)	(1)
Other Income	3,719	2	2,732	2	2,280	2	2,057	2	897	1	390	1
Operating Profit	22,604	13	27,750	18	17,229	14	22,032	19	12,044	15	6,825	12
Finance Cost	(12,344)	(7)	(15,634)	(10)	(15,516)	(12)	(12,315)	(11)	(4,322)	(5)	(2,222)	(4)
Share of Income from Joint Venture	723	0	610	0	744	1	1,742	2	555	1	459	1
Net Profit Before Taxation	10,983	6	12,726	8	2,457	2	11,459	10	8,277	10	5,062	9
Provision for Taxation	(3,182)	(2)	(4,401)	(3)	(660)	(1)	(3,648)	(3)	(1,836)	(2)	(1,343)	(2)
NET PROFIT AFTER TAXATION	7,801	4	8,325	5	1,797	1	7,811	7	6,441	8	3,719	6
Non-Controlling Interest	794	0	507	0	464	0	(249)	0	(349)	0	(88)	0
Profit attributable to Owners of the Holding Company	7,007	4	7,818	5	1,333	1	8,060	7	6,790	8	3,807	7

six years summary

		2014	2013	2012	2011	2010	2009
		(Rupees in million)					
Balance Sheet							
Share Capital		5,238	5,113	5,113	3,933	3,277	2,979
Reserves		4,874	4,913	4,420	4,312	3,995	4,202
Shareholders' Funds / Equity		68,025	55,683	43,065	41,861	34,115	29,344
Long-term Borrowings		55,380	78,321	73,257	82,560	89,152	84,142
Capital Employed		141,350	148,758	143,759	145,987	138,811	115,862
Deferred Liabilities		241	268	260	214	140	119
Property, Plant & Equipment		134,507	131,969	132,553	135,092	129,068	110,504
Long-term Assets		140,796	137,347	137,156	139,267	131,082	112,182
Net Current Assets / Working Capital		7,361	19,546	12,655	12,670	11,489	6,329
Profit and Loss							
Sales		175,958	155,360	125,151	114,612	79,976	58,152
Gross Profit		36,189	40,597	28,520	32,081	20,274	13,494
Operating Profit		22,604	27,750	17,229	22,032	12,044	6,825
Profit Before Tax		10,983	12,726	2,457	11,459	8,277	5,062
Profit After Tax		7,801	8,325	1,797	7,811	6,441	3,719
EBITDA		32,306	37,030	26,330	29,813	15,501	9,067
Cash Flows							
Net Cash Flow from Operating Activities		29,160	31,506	7,799	16,492	(142)	11,807
Net Cash Flow from Investing Activities		(31,674)	(7,367)	(4,213)	(10,222)	(19,741)	(53,237)
Net Cash Flow from Financing Activities		(10,912)	(7,557)	(6,855)	(498)	16,624	47,846
Changes in Cash & Cash Equivalents		(13,426)	16,581	(3,269)	5,772	(3,259)	6,416
Cash & Cash Equivalents – Year-end		8,489	21,914	5,333	8,603	2,830	6,090
Others							
Market Capitalization		116,024	80,975	47,057	36,457	63,519	54,604
Number of Shares Issued (in million)		523.785	511.269	511.269	393.284	327.737	297.943
Production							
Urea	Metric Tons	1,818,937	1,561,575	974,425	1,279,378	971,913	952,024
NPK	Metric Tons	117,193	92,839	67,755	113,172	100,270	91,821
PVC Resin	Metric Tons	153,000	146,000	146,000	122,000	115,000	115,620
EDC	Metric Tons	118,000	117,000	110,000	104,000	96,000	35,000
Caustic Soda	Metric Tons	114,000	115,000	107,000	100,000	93,000	38,739
VCM	Metric Tons	168,000	170,000	146,000	98,000	-	-
Power	Megawatt hour	1,721,959	1,333,664	1,767,038	1,665,400	1,200,592	-
Dairy and Juices	Thousand Liters	472,735	422,818	476,788	388,236	314,650	247,074
Drying Unit of Rice Processing Plant	Metric Tons	166,801	196,478	139,575	55,192	19,778	-
Ice Cream	Thousand Liters	16,726	14,500	16,550	17,763	12,672	6,900

financial ratios

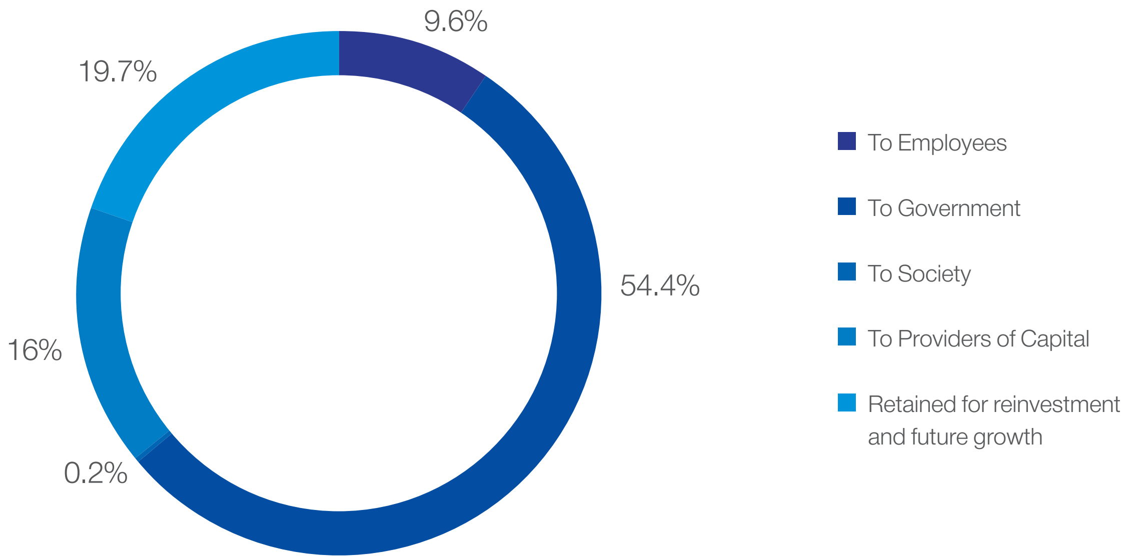
Ratios	2014	2013	2012	2011	2010	2009
Profitability Ratios						
Gross Profit Ratio	21%	26%	23%	28%	25%	23%
Net Profit to Sales	4%	5%	1%	7%	8%	6%
EBITDA Margin to Sales	18%	24%	21%	26%	19%	16%
Operating Leverage Ratio	-1.34	2.39	-2.65	2.05	1.94	0.12
Return on Equity	13%	18%	4%	24%	24%	21%
Return on Capital Employed	13%	16%	12%	14%	8%	6%
Return on Capital Employed (ICAP Definition)	5%	6%	1%	5%	5%	4%
Liquidity Ratios						
Current Ratio	1.11	1.39	1.32	1.39	1.52	1.47
Quick / Acid Test Ratio	0.94	0.98	0.90	1.03	1.12	1.18
Cash to Current Liabilities	0.60	0.56	0.27	0.40	0.38	0.54
Cash Flow from Operations to Sales	0.17	0.20	0.06	0.14	0.00	0.20
Activity / Turnover Ratios						
No. of Days Inventory	42.1	59.3	53.4	45.2	38.7	44.7
Inventory Turnover	8.7	6.2	6.9	8.1	9.4	8.2
Total Assets Turnover Ratio	0.81	0.75	0.66	0.62	0.49	0.44
Investment /Market Ratios						
Earnings per Share (Restated)	13.59	15.29	2.61	15.77	13.28	7.27
Earnings per Share (Historical)	13.59	16.01	2.61	20.50	20.72	13.54
Price Earnings Ratio	16.30	10.36	35.26	4.57	11.22	14.97
Dividend Yield Ratio	4%	6%*	-	3%	3%	6%
Dividend Payout Ratio	44%	56%*	-	30%	35%	49%
Dividend Cover Ratio	2.27	1.79*	-	3.38	2.88	2.04
Market Value per Share at the end of the year; and	221.51	158.38	92.04	92.70	193.81	183.27
- High during the year	232.00	185.98	150.26	237.19	212.84	186.84
- Low during the year	154.99	81.05	88.71	91.97	166.09	96.25
Breakup value per share without Surplus on Revaluation of Fixed Assets	129.87	108.91	84.23	106.44	104.09	98.49
Breakup value per share including the effect of Surplus on Revaluation of Fixed Assets	129.87	108.91	84.23	106.44	104.09	98.49
Cash Dividend (Rs in 000)	3,129,079	-	-	2,359,707	1,966,419	1,787,598
Stock Dividend (Rs in 000)	-	-	-	1,179,853	655,474	297,943
In-specie Dividend (Rs in 000)	-	2,955,137*				
Capital Structure Ratios						
Financial Leverage Ratio	1.25	1.79	2.47	2.59	3.24	2.99
Weighted Average Cost of Debt	13%	15%	14%	11%	4%	3%
Debt to Equity Ratio	1.08	1.67	2.34	2.49	3.07	2.95
Interest Cover Ratio	1.89	1.81	1.16	1.93	2.92	3.28

*Market value of Specie Dividend of 1 Engro Fertilizer share for every 10 shares of Engro Corp.

statement of value addition and distribution

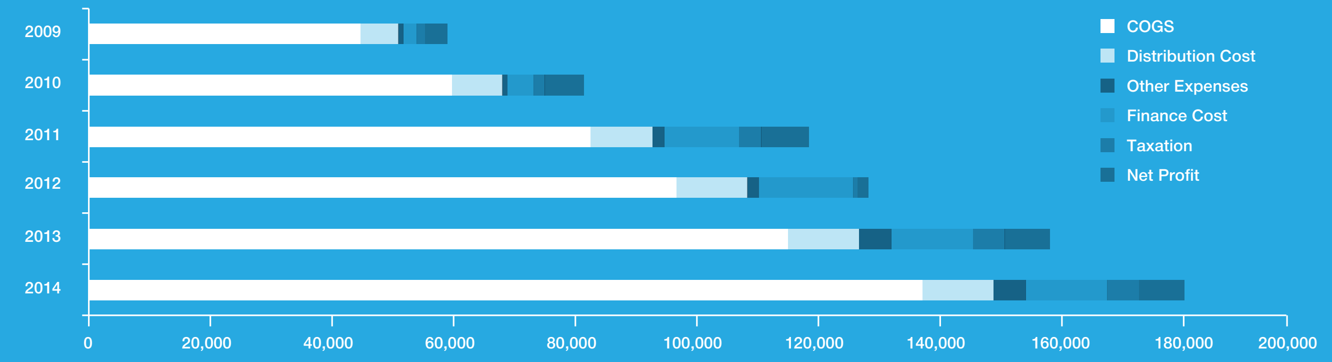
(Rs. in million)	2014		2013	
	Rs.	%	Rs.	%
Wealth Generated				
Total revenue inclusive of sales tax and other income	198,645		175,880	
Bought-in-material and services	(118,430)		(115,839)	
	80,215		60,041	
Wealth Distributed				
To Employees				
Salaries, benefits and other costs	7,729	9.6%	6,701	11.2%
To Government				
Taxes, duties and development surcharge	43,664	54.4%	25,829	43.0%
To Society				
Donation towards education, health, environment and natural disaster	129	0.2%	79	0.1%
To Providers of Capital				
Dividend to shareholders	1,218	1.5%	170	0.3%
Mark-up/interest expense on borrowed money	11,646	14.5%	11,152	18.6%
Retained for reinvestment and future growth				
Depreciation, amortization and retained profit	15,829	19.7%	16,110	26.8%
	80,215		60,041	

Wealth Generated

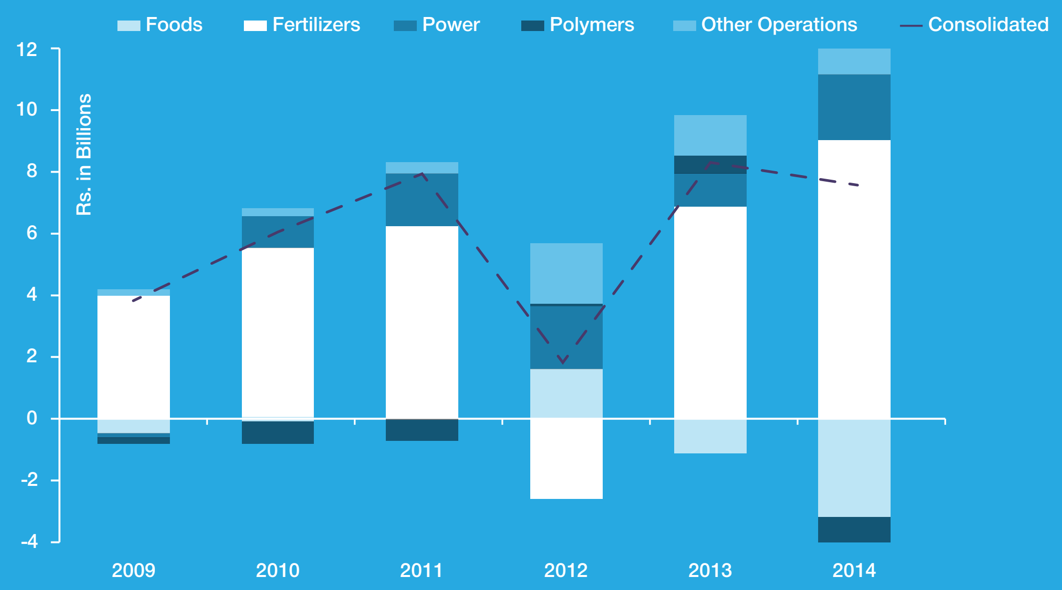


financial ratios

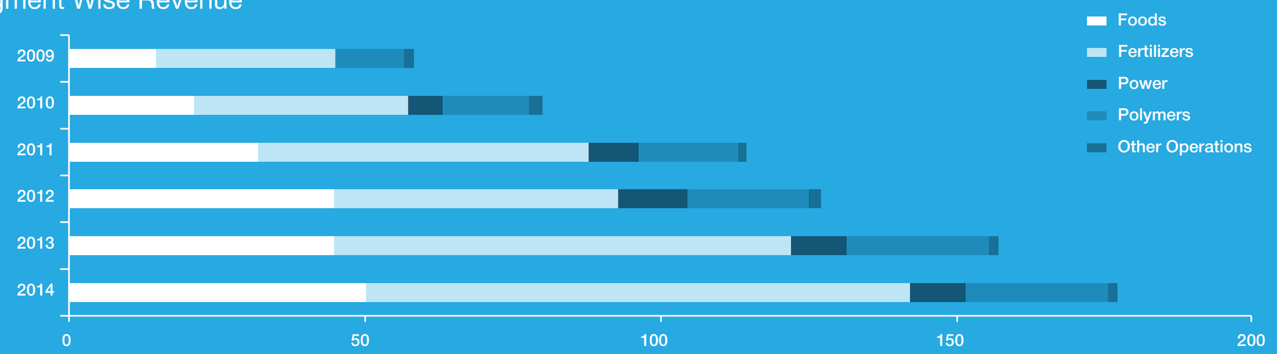
Profit and Loss Analysis



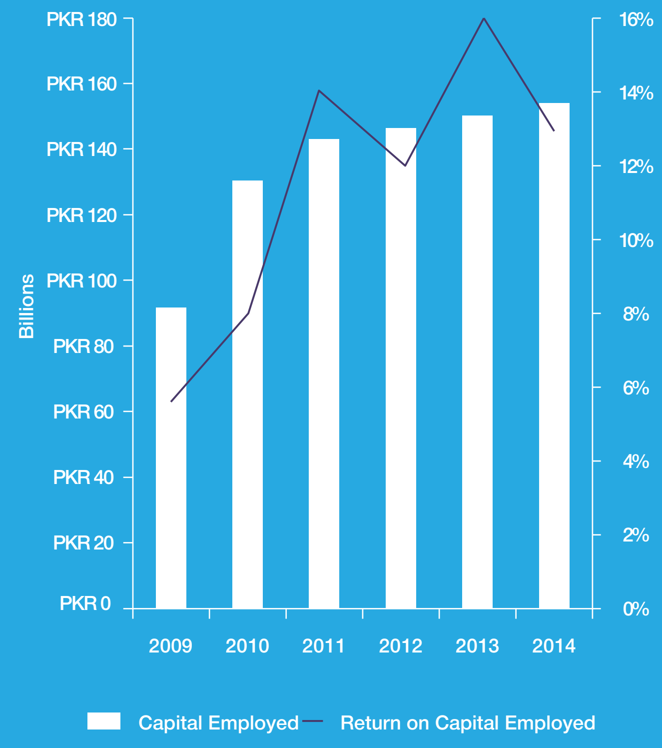
Segment Wise Profit After Tax



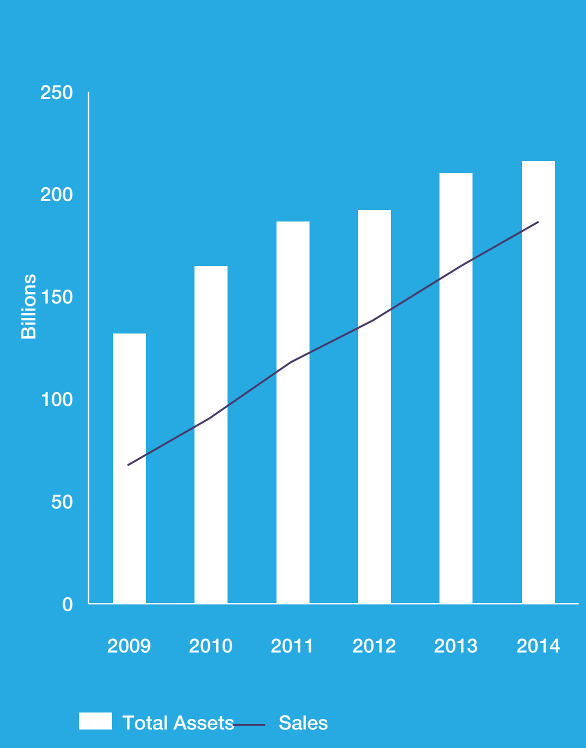
Segment Wise Revenue



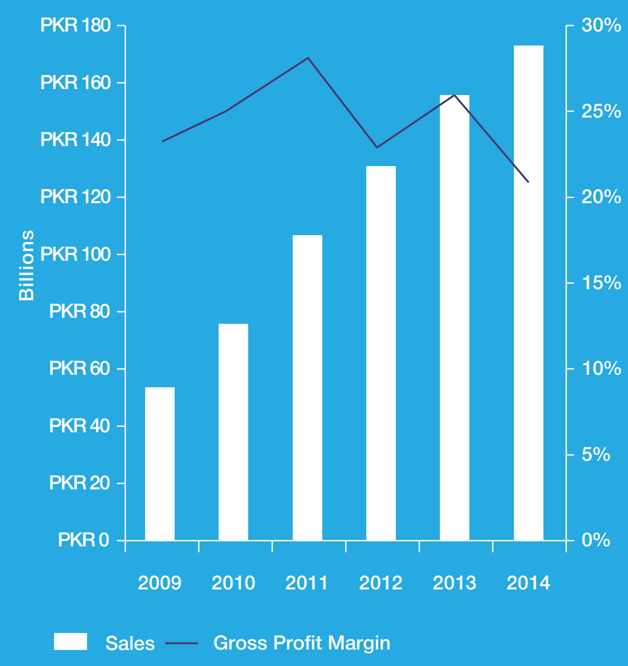
Return on Capital and Capital Employed



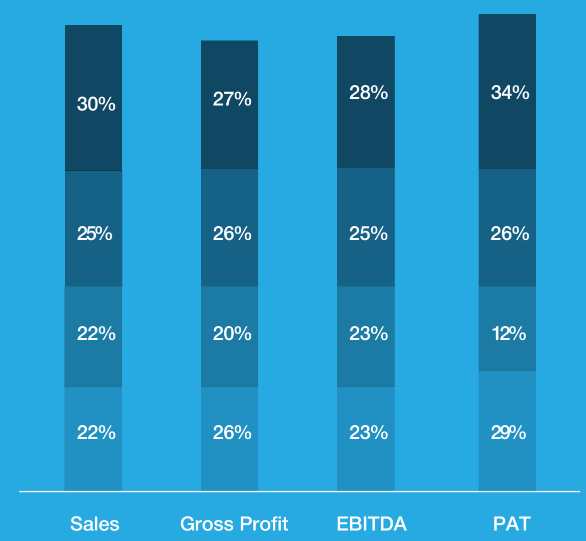
Total Assets to Sales



Gross Profit Margin to Sales



Quarterly Analysis for 2014



summary of financial performance

Six Years' Analysis of Profit & Loss

Revenues and Cost of Sales

The consolidated revenues grew from Rs 58 billion in 2009 to Rs 176 billion in 2014, registering a Compounded Annual Growth Rate (CAGR) of 20% over the six year period. This exponential revenue growth is attributable to the company's diversification into Foods and Power Generation sectors as well as higher fertilizers and PVC volumes. 2014 revenues are the highest in the company's history, depicting a 13% increase from 2013, on the back of higher fertilizer and foods volumes and higher power generation. Over the six year period the cost of sales also grew from Rs 45 billion to Rs 140 billion, in line with the increase in revenues, which show that the company has diversified without any major impacts on its cost structure.

Administrative, Distribution & Marketing Expenses

As part of support to new the businesses, , substantial investment in marketing was done as part of brand building during the formative years. As these brands now enjoy a solid base, the marketing costs have gradually reduced and for 2014 stand at 8% as a percentage of sales as compared to 11% for 2009.

Finance Costs

Finance costs increased from Rs 2 billion in 2009, touching the high of Rs 16 billion in 2013, and stood at Rs 12 billion for 2014. The increase was predominantly because of financing obtained for expansion in fertilizer and polymer businesses as well as diversification into Power and Foods sectors during the earlier years. These projects have been successfully completed and the resulting incremental cash flows are now being used for deleveraging. The impact of deleveraging in 2014 alone was a decrease of 21% in finance cost compared to prior year.

Taxation

Over the years, provision for taxation has increased in line with the higher profitability. The FY 2012 dip pertains to the taxable losses of fertilizer business.

Profit attributable to Owners of Holding Company

Profit attributable to owners of the holding company has been growing at a CAGR of 11% - from Rs 4 billion in 2009 to Rs 7 billion in 2014. Diversification in to new businesses and expansion of our core businesses has made the steady growth possible.

Six Years' Analysis of Financial Position

Equity

Equity grew from Rs 29 billion in 2009 to Rs 68 billion in 2014 on account of profits retained in businesses to fuel future growth.

Borrowings

The diversification and expansion projects in the past were mainly financed through local and foreign borrowings. These borrowings peaked at Rs 105 billion during 2010. The timely and successful completion of these projects resulted in positive cash flows from these businesses, ensuing debt servicing, early repayments and cash sweeps. As a result, at the end of current year, the balance stood at Rs 73 billion.

Deferred Taxation Liability

The Company's deferred tax liability has amplified considerably owing to taxable losses in the initial years of fertilizer and petrochemical businesses expansions and diversification in foods business.

Trade and Other Payables

Rising sales volumes over the years have resulted in increased trade and other payables.

Accrued Interest / Markup on Finances

Accrued interest/markup on finances grew in initial years in line with the increased borrowings. With significant deleveraging as mentioned above, these are now following a downward trend.

Short-term Borrowing

Increase in short-term borrowing is attributable to working capital requirements as a result of growing businesses and increased turnover.

Property, Plant and Equipment

Property, plant and equipment exhibited significant increase till 2012 owing to investments in production facilities and infrastructure as a result of expansion and diversification projects. After a slow 2013, the current year witnessed a surge due to our investment in the LNG business.

Current Assets

The increase from Rs 20 billion in 2009 to Rs 76 billion in 2014 is attributable to continuous increase in overall business volumes.

Six Years' Analysis of Cash Flows

Cash flows over the six year have been positive throughout demonstrating consistent liquidity over the horizon. In order to support expansion and diversification projects, significant financing was obtained from local and foreign financial institutions during the initial years. With the successful completion of the Foods, Power, Polymer and Fertilizers projects, the businesses started generating operational cash flows from year 2011 onwards resulting in liquidity growth. In 2012, the operating cash flows came under significant pressure due to gas curtailment issues faced by the fertilizer business; however, the company managed to stay cash flow positive in that year as well. In 2013, as the company gain traction on resolution of this issue, it experienced a positive impact on the liquidity position. The trend continued into the current year, whereby, at the end of 2014, significant cash has been put aside for short term investments.

Six Years' Analysis of Ratios

Profitability Ratios

A marked improvement in profitability ratios was witnessed during the 2009-2011 period, owing to production efficiencies and economies of scale as a result of growth in business volumes. However, the entire fertilizer sector faced gas curtailment during 2012, which resulted in a drop in profitability indicators. Following significant resolution of gas issues during 2013, the indicators started to improve. During 2014, profitability ratios came under some pressure due to a rise in cost of sales on account of raw material costs, imposition of Gas Infrastructure Development Cess, sharp Rupee appreciation and falling international commodity prices.

Liquidity Ratios

Effective treasury management across the businesses enabled the group, throughout the six year period, to have adequate liquidity to satisfy its near-term liabilities, as depicted by the current ratio being in excess of 1 for all years.

Capital Market

Market capitalization has more than doubled from Rs 55 billion in 2009 to Rs 116billion in 2014. The 2014 year-end market price of Engro Corp share was Rs 221.51 as compared to Rs 158.38 for 2013, translating into a 40% capital gain return for the year. For 2014, the company declared a dividend of Rs 6 per share for its shareholders.

Capital Structure

The Company's financial leverage has improved over the years and the company is in a comfortable position, as depicted by the financial leverage ratio of 1.25 today versus a high of 3.24 in 2010. Interest coverage ratio has also improved from a low of 1.16 times in 2012 to 1.89 in 2014.

together for tomorrow

shareholder information

notice of the meeting

NOTICE IS HEREBY GIVEN that the Forty Ninth Annual General Meeting of Engro Corporation Limited will be held at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi on Wednesday, April 22, 2015 at 10:00 a.m. to transact the following business:

A. Ordinary Business

(1) To receive and consider the Audited Accounts for the year ended December 31, 2014 and the Directors' and Auditors' Reports thereon.

(2) To declare a final dividend at the rate of PKR 4 (40%) per share for the year ended December 31, 2014.

(3) To appoint Auditors and fix their remuneration.

(4) To elect Nine directors in accordance with the Companies Ordinance, 1984. The retiring Directors are M/s. Hussain Dawood, Muhammad Aliuddin Ansari, Abdul Samad Dawood, Shahzada Dawood, Shabbir Hashmi, Khawaja Iqbal Hassan, Frank Murray Jones, Ruhail Mohammed, Shahid Hamid Pracha, Saad Raja, Sarfaraz A. Rehman and Khalid S. Subhani.

B. SPECIAL BUSINESS

(5) To consider, and if thought fit, to pass the following resolution as Special Resolution:

"RESOLVED THAT the approval of the members of the Company be and is hereby accorded in terms of Sections 208 and 196 of the Companies Ordinance 1984 for sale/disposal of all the shares of the Company's wholly owned subsidiary, Engro Eximp (Private) Limited to Engro Fertilizers Limited for an aggregate sum of PKR 4.4 Billion."

(6) To consider and if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT the approval of the members of the Company be and is hereby accorded in terms of Section 208 of the Companies Ordinance 1984 for investment up to PKR. 2,247,600,000 in Engro Polymer and Chemicals Limited, an associated company, for subscribing at par value to 224,760,000 non redeemable, cumulative, non participatory and non convertible preference shares of PKR 10 each to be issued by Engro Polymer & Chemicals Limited."

(7) To consider and if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT the consent of the Company in General Meeting be and is hereby accorded to lend to Engro Polymer and Chemicals Limited, a Subsidiary Company, a subordinated long term loan of upto PKR 4 Billion."

By Order of the Board

ANDALIB ALAVI
Vice President - Legal
& Company Secretary

Karachi,
February 18, 2015

N.B.

(1) The Directors of the Company have fixed, under sub-section (1) of Section 178 of the Companies Ordinance, 1984, the number of elected directors of the Company at Nine.

(2) The share transfer books of the Company will be closed from Thursday, April 09, 2015 to Wednesday, April 22, 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 Wednesday, April 08, 2015 will be treated as being in time for the purposes of payment of final dividend to the transferees and to attend and vote at the meeting.

(3) 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.

(4) SUBMISSION OF THE 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 Registrar, or if no notification, each joint holder shall be assumed to have an equal number 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.

Statement under Section 160 of the Companies Ordinance, 1984

This Statement is annexed to the Notice of the Forty Ninth Annual General Meeting of Engro Corporation Limited to be held on Wednesday, April 22, 2015, at which certain Special Business is to be transacted. The purpose of this Statement is to set forth the material facts concerning such Special Business.

ITEM (5) OF THE AGENDA

Engro Eximp (Private) Limited (EXIMP), a wholly owned subsidiary of the Company, is the group's commodity trading business that deals primarily in the import and trading of phosphate and potash based fertilizers for Engro Fertilizers Limited (EFERT) such as DAP, MAP, MOP and SOP, and also imports micro-nutrients like Zinc Sulphate, which it supplies as raw materials to EFERT's Zarkhez plant for manufacturing blended fertilizers. Over the past five years, EXIMP has become the single largest importer of phosphates and potash fertilizers in Pakistan. Following the completion of the transaction, EFERT will acquire the entire shareholding of EXIMP together with rights to use 'Engro' trademarks (under license from Engro Corporation to EXIMP) for imported fertilizers / associated products, against a lump sum consideration of Rs.4.4 bn.

EFERT is 85.8% owned public listed subsidiary of the Company, and is one of the leading fertilizer manufacturing and marketing companies in the Country. It is primarily engaged in the manufacturing and marketing of urea and NPK fertilizers.

Currently, EXIMP imports phosphates based fertilizers, which are distributed and marketed through EFERT's network as an extension of Engro's overall fertilizer portfolio. In order to further strengthen synergies between the Company's business lines, it is being proposed to consolidate the fertilizer business into one entity which will in turn allow EFERT to consolidate its own position in the fertilizer industry. This transaction will enable EFERT to increase its revenues and is expected to enhance the earnings of the Company. The proposed transaction will also allow the Company to create value through synergies and increase its footprint in agricultural inputs. Therefore, these corporate actions are expected to be value enhancing for the Company.

Considering the synergies involved, it is being proposed by the Board to transfer 100% of the Company's equity in EXIMP to EFERT. The modality agreed in principle, subject to regulatory approvals is as follows:

Initially the Company will be purchasing the entire issued share capital of Engro Eximp Agriproducts (Private) Limited, (a wholly owned subsidiary of EXIMP), from EXIMP for Rs. 4.4bn in order to delink the rice business from the trading entity and bring in the required focus as part of its restructuring plans. Subsequently, it is proposed that EXIMP (along with its other wholly owned subsidiary – Engro Eximp FZE, UAE) be acquired by EFERT and the Company transfer all of its shareholding in EXIMP at fair value to EFERT. The Company's total investment to date in EXIMP is Rs.4bn. Upon such transfer, all liabilities, whether existing or in future, of EXIMP shall ultimately become the responsibility of EFERT. EFERT will purchase the entire issued share capital of EXIMP from the Company for a sum of PKR 4.4 billion, which is the fair value of the business determined on the basis of an independent third party valuation.

Following the purchase, EXIMP shall be a 100% owned subsidiary of EFERT. The Company holds 85.8% of the shares in EFERT and therefore EXIMP will remain within the Group. EXIMP is also not a sizeable part of the total value of shareholding held by the Company and as such it is believed that shareholder approval under section 196 of the Companies Ordinance 1984 is not required, but approval is being sought from the shareholders out of abundant caution, as approval under the requirements of SRO. 704 (i) 2011, relating to Section 208, is anyway required.

(i) Details of assets to be disposed of i.e., its description, cost, revalued amount (if available), book value and approximate current market price / fair value.

The current market price/ fair value of the shares of EXIMP is PKR 4.4 billion which has been determined on the basis of an independent third party valuation by M. Yousuf Adil Saleem & Co. (member of Deloitte Touche Tohmatsu Limited, a recognized and highly reputable international accountancy firm). The book value of the shares as carried in the books of the Company is Rs.4bn. The total consideration payable (Rs.4.4bn) assumes the net book value (not including intangible assets) of EXIMP to be Rs.63M and any variation in such value will be adjusted in the purchase price.

(ii) The proposed manner of disposal of the said assets.
As detailed above

(iii) Reasons for the sale, lease or disposal of assets and the benefits expected to accrue to the shareholders therefrom.
As detailed above

ITEM (6) OF THE AGENDA

Engro Polymer and Chemicals Limited (EPolymer) is a subsidiary company of Engro Corporation which holds 56.19% of its shares, with other large shareholders being the International Finance Corporation (14.64%) and Mitsubishi Corporation (10.24%). EPolymer is the only manufacturer of polyvinyl chloride (PVC) resin and VCM (the raw material for manufacture of PVC) in the Country, in addition to manufacturing and marketing caustic soda. EPolymer has undertaken various debottlenecking, capacity expansion and backward integration projects in the recent years resulting in the annual base production capacity of 178,000 tons of PVC, 204,000 tons of VCM and 107,000 tons of Caustic Soda. The projects are now complete and operational, and were financed primarily by leveraging the balance sheet of EPolymer.

The business conducted by EPolymer is exposed to commodity volatility and, during the year 2014 as a result of international commodity prices remaining highly volatile, the margins of EPolymer diminished. This situation was further exacerbated by adverse changes in the external environment namely (a) imposition of import duty on Ethylene and EDC, the two main raw materials used by EPolymer and (b) increase in Gas Infrastructure Development Cess (GIDC), the levy of which is being contested in the courts of Pakistan. We expect the business environment to remain challenging in the near future.

EPolymer has long term debt of PKR 9.1 billion outstanding as of December 31, 2014. Further, of the total long term debt, a significant portion i.e. PKR 6.5 billion is falling due within the next 2 years. EPolymer requires financing to strengthen its Balance Sheet and enhance its capability to meet its loan obligations in time, and hence, is seeking approval to issue Preference Shares (by way of a rights issue of Rs.4bn) to its existing shareholders.

The Company owns 56.19% of the shares of EPolymer and will therefore need to subscribe to 224,760,000 Preference Shares, at par value of Rs. 10 each totaling Rs. 2,247,600,000. Approval of the shareholders is therefore sought for this investment. The Preference Shares will carry a dividend of 14% per annum and are cumulative, i.e. if dividends are not paid in any year, they will be paid to the Preference shareholders in priority to any dividends being paid to Ordinary shareholders in subsequent years. The shares will also carry a call option, i.e. at any time 3 years after their issue, the shares may be bought back by EPolymer by paying the face value plus all accumulated dividends. The shares will be non-redeemable, non-participatory and non-convertible.

(i) Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established: Engro Polymer & Chemicals Limited (EPolymer), a subsidiary company with 56.19% shareholding being held by Engro Corporation Limited.

(ii) Purpose, benefits and period of investment; As mentioned above, the investment (i.e the subscription to the Preference Shares of EPolymer by way of rights issue) will serve as financial support enabling EPolymer to strengthen its Balance Sheet. In any case the Preference Shares provide an attractive return of 14% per annum.

(iii) Maximum amount of investment; Rs.2,247,600,000

(iv) Maximum price at which securities to be acquired; Rs. 10 (par value)

(v) Maximum number of securities to be acquired; 224,760,000

(vi) Number of securities and percentage thereof held before and after the proposed investment; Not applicable. Shares being issued are of different nature than the ones being presently held. However the Company owns 56.19% of the issued Ordinary Shares of EPolymer.

(vii) In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired; Not applicable. These shares will be listed subsequent to investment.

(viii) In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1); Not Applicable. These are new Rights/Preference Shares of EPolymer .

(ix) Break-up value of securities intended to be acquired on the basis of the latest audited financial statements; New class of shares will be issued, hence, break-up value is not available.

(x) Earning per share of the associated company or associated undertaking for the last three years; 2012: 0.07; 2013: 1.08, 2014: (1.53)

(xi) Sources of fund from which securities will be acquired; Internal cash generation and borrowing, if required.

(xii) Where the securities are intended to be acquired using borrowed funds.-

(I) Justification for investment through borrowings – the Company will subscribe to the shares through its dividend and other income, however if it needs to borrow, it be able to earn a higher return than its borrowing costs and in any case, support to its subsidiary is required as detailed in (ii) above.

(xiii) Detail of guarantees and assets pledged for obtaining such funds; Not applicable.

(xiv) Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment; Not applicable.

(xv) Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration; The directors of Engro Corporation Limited have no personal interest in EPolymer which is a direct subsidiary of the Company, except that some Directors of Engro Corporation Limited are Directors of EPolymer and hold one share each in EPolymer, as nominees of Engro Corporation Limited. Mr. Shahzada Dawood holds 5,000 shares of EPolymer in addition to one share held in the capacity of director. The following Directors of EPolymer hold shares in Engro Corporation Limited: Mr. Muhammad Aliuddin Ansari (200,000), Mr. Khalid S. Subhani (865,714), Mr. Shahzada Dawood (822,410), Ms. Naz Khan (53,000), and Mr. Asif Saad (6,800).

(xvi) Any other important details necessary for the members to understand the transactions: none save as stated above.

The Directors of the Company have carried out the necessary due diligence for the purposes of this investment in EPolymer.

ITEM (7) OF THE AGENDA

Due to the fact that the issue of Preference Shares will take some time due to various legal and regulatory approvals required and as a precaution against any problems that may arise in their issuance, it is proposed that the Company also take approval to lend to EPolymer a sum of upto Rs. 4 billion as a long term subordinated loan. However, it is not the intention to invest more than a maximum of Rs. 4 billion by way of a combination of the Preference Shares investment and loans for which approval is being sought.

The information required under S.R.O.27(I)/2012 for equity investment is provided below:

(i) **Name of investee Company or associated undertaking along with criteria based on which the associated relationship is established:**

Engro Polymers and Chemicals Limited (a subsidiary of Engro Corporation Limited)

(ii) **Amount of Loans or Advances:**

Long term subordinated debt of up to PKR 4 billion

(iii) **Purpose of Loans or Advances and benefits likely to accrue to the investing Company and its members from such loans or advances:**

The purpose and benefits are explained in detail above in item no. 5 of the agenda and in (ix) below

(iv) **In case any Loan has already been granted to the said associate company or associated undertaking, the complete details thereof:**

Short term loan of PKR 600 million at a markup rate of 3 Months KIBOR + 3.5%

(v) **Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements:**

Audited Accounts for the year ended December 31, 2014 are as follows:

Assets	PKR in Millions
Property, plant and equipment	16,923
Stock in trade	3,898
Short term investments	219
Other assets	5,297
Total Assets	26,337
Liabilities	
Borrowings	9,879
Trade and other payables	9,346
Other liabilities	1,147
Total Liabilities	20,372
Equity	5,965
Income Statement	
Revenue	23,819
Operating Loss	(463)
Loss after tax	(1,109)

(vi) Average borrowing cost of the investing company:
Long term borrowing at 13.13%
Short term borrowing at 3 Months KIBOR + 1.5%

(vii) Rate of interest, mark up, profit, fees or commission etc. to be charged:
Higher than the markup payable by Engro Corporation Limited on its borrowing of like or similar maturities at the time of disbursement.

(viii) Sources of funds from where loans or advances will be given:
Internal cash generation and/or further borrowing if required.

(ix) Where loans or advances are being granted using borrowed funds; justification for granting loan or advance out of borrowed funds; detail of guarantees/ assets pledged for obtaining such funds, if any; and repayment schedules of borrowing of the investing company:
The loans shall be made from the Company's dividend and other income and/or borrowing if required. Justification of lending out of proceeds of borrowings is to provide support to a subsidiary to strengthen its Balance Sheet as well as to earn a higher return.

(x) Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any:
No security will be obtained since Engro Corporation Limited is the largest shareholder of EPolymer and the other lenders have prior rights and charges. Engro Corporation Limited is confident that EPolymer will ultimately be able to repay the loan.

(xi) If the loans or advances carry conversion feature:
Nil

(xii) Repayment schedule and terms of loan or advances to be given to the investee company:
Repayment of the long term subordinated loan shall be in installments, repayable in full five years after disbursment with payment of markup on semi-annual basis.

(xiii) Salient features of the agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment:
As detailed above.

(xiv) Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associates company or associated undertaking or the transaction under consideration:
The directors of Engro Corporation Limited have no personal interest in EPolymer which is a direct subsidiary of the Company, except that some Directors of Engro Corporation Limited are Directors of EPolymer and hold one share each in EPolymer, as nominees of Engro Corporation Limited. Mr. Shahzada Dawood holds 5,000 shares of EPolymer in addition to one share held in the capacity of director.

As of the the date of this notice the following Directors of EPolymer hold shares in Engro Corporation Limited: Mr. Muhammad Aliuddin Ansari (200,000), Mr. Khalid Subhani (865,714), Mr. Shahzada Dawood (822,410), Ms. Naz Khan (53,000), and Mr. Asif Saad (6,800).

(xv) Any other important details necessary for the members to understand the transactions:
N/A

The Directors of the Company have carried out the necessary due diligence for the purposes of extendingthis long term subordinated loan to EPolymer.

Note relating to Engro Foods Limited

Engro Foods Limited (E.Foods) is a subsidiary of Engro Corporation Limited. In 2012, the shareholders approved a running finance facility from Engro Corporation Limited to E.Foods for upto PKR 2 billion which was initially for a period of one year and the renewal of the same for four further periods of one year each was also approved. The running finance facility is still effective but the facility has not been utilized till date.

Note relating to Engro Polymer and Chemicals Limited.

Engro Polymer and Chemicals Limited (EPolymer) is a subsidiary of Engro Corporation Limited. In 2012, the shareholders approved a running finance facility from Engro Corporation Limited to EPolymer for upto PKR 2 billion which was initially for a period of one year and the renewal of the same for four further periods of one year each was also approved. The running finance facility is still effective and till date the amount utilized is PKR 600 million.

By Order of the Board

ANDALIB ALAVI
Vice President - Legal
& Company Secretary

Karachi,
February 18, 2015.

key shareholding and shares traded

Information of shareholding required under reporting framework is as follows:

Shareholder's category	Number of share held
i. **Associated Companies, Undertakings and Related Parties**	
DAWOOD FOUNDATION	10,600
DAWOOD HERCULES CORPORATION LIMITED	175,012,555
DH FERTILIZERS LIMITED	19,960,000
PATEK (PVT.) LTD.	33,814,686
Total :	228,797,841
ii. **Mutual Funds**	
ASIAN STOCKS FUNDS LTD.	10
CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SUB FUND	11,100
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	11,700
CDC - TRUSTEE ABL STOCK FUND	454,200
CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND – MT	179,900
CDC - TRUSTEE AKD INDEX TRACKER FUND	53,494
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	460,000
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	2,213,800
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	17,600
CDC - TRUSTEE ALFALAH GHP VALUE FUND	63,300
CDC - TRUSTEE APF-EQUITY SUB FUND	35,000
CDC - TRUSTEE APIF - EQUITY SUB FUND	45,000
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	90,000
CDC - TRUSTEE ASKARI EQUITY FUND	20,000
CDC - TRUSTEE ASKARI HIGH YIELD SCHEME - MT	40,000
CDC - TRUSTEE ATLAS INCOME FUND - MT	1,304,600
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	175,000
CDC - TRUSTEE ATLAS STOCK MARKET FUND	325,000
CDC - TRUSTEE CROSBY DRAGON FUND	19,500
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	5,000
CDC - TRUSTEE FAYSAL BALANCED GROWTH FUND	5,000
CDC - TRUSTEE FAYSAL INCOME & GROWTH FUND - MT	6,200
CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND – MT	58,200
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	44,100
CDC - TRUSTEE FIRST HABIB STOCK FUND	25,500
CDC - TRUSTEE HBL - STOCK FUND	1,002,500
CDC - TRUSTEE HBL MULTI - ASSET FUND	177,500
CDC - TRUSTEE IGI INCOME FUND - MT	115,800
CDC - TRUSTEE IGI STOCK FUND	87,300
CDC - TRUSTEE JS LARGE CAP. FUND	300,000
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	35,700
CDC - TRUSTEE KASB ASSET ALLOCATION FUND	45,000
CDC - TRUSTEE LAKSON EQUITY FUND	464,078
CDC - TRUSTEE LAKSON INCOME FUND - MT	199,700
CDC - TRUSTEE MCB DYNAMIC ALLOCATION FUND	98,500
CDC - TRUSTEE MEEZAN BALANCED FUND	306,500
CDC - TRUSTEE MEEZAN ISLAMIC FUND	2,717,900
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	400,000
CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT	356,700
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	111,000
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I	98,000
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	122,000
CDC - TRUSTEE NAFA MULTI ASSET FUND	265,817
CDC - TRUSTEE NAFA STOCK FUND	712,484
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,168,978
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	2,131,142
CDC - TRUSTEE PAK STRATEGIC ALLOC. FUND	52,400
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	102,600
CDC - TRUSTEE PAKISTAN SARMAYA MEHFOOZ FUND	108,000
CDC - TRUSTEE PAKISTAN STOCK MARKET FUND	1,872,500
CDC - TRUSTEE PICIC INCOME FUND - MT	1,228,200
CDC - TRUSTEE PICIC STOCK FUND	50,000
CDC - TRUSTEE PIML ISLAMIC EQUITY FUND	10,000
CDC - TRUSTEE PIML STRATEGIC MULTI ASSET FUND	15,000
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1,096,200
CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	418,300
CDC-TRUSTEE NAFA SAVINGS PLUS FUND – MT	400,500
CDC-TRUSTEE PAK. INT. ELEMENT ISLAMIC ASSET ALLOCATION FUND	81,000
M C F S L-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	40,000
MC FSL - TRUSTEE JS GROWTH FUND	700,000
MC FSL - TRUSTEE JS KSE-30 INDEX FUND	9,234
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	627,000
TRI. STAR MUTUAL FUND LTD.	913
Total :	23,391,650

iii. Directors and their spouse(s) and minor children

ABDUL SAMAD DAWOOD	366,310
FRANK MURRAY JONES	500
HUSSAIN DAWOOD	1,754,247
KHAWAJA IQBAL HASSAN	130
MUHAMMAD ALIUDDIN ANSARI	200,000
RUHAIL MOHAMMAD	29,445
SAAD RAJA	106
SARFARAZ AHMED REHMAN	100
SHABBIR HASHMI	115,543
SHAHID HAMID PRACHA	39,750
SHAHZADA DAWOOD	822,410
SYED KHALID SIRAJ SUBHANI	865,714
MRS. KULSUM DAWOOD (W/o Mr. Hussain Dawood)	1,744,398
MRS. AYESHA DAWOOD (W/o. Mr. Abdul Samad Dawood)	40
Total :	5,938,693

iv. Executives (approximately) 361,568

v. Public Sector Companies and Corporations 36,483,763

vi. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds 17,641,555

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

DAWOOD HERCULES CORPORATION LIMITED	175,012,555
PATEK (PVT.) LTD.	33,814,686
Total :	208,827,241

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

Name	Shares Purchased	Shares Sold	Rate	Date of Purchase/ Sale
Azeem Akber Ali		100	159.25	January 1, 2014
Muhammad Akram		7548	159.26	January 1, 2014
Anas Khan	100		166.67	January 9, 2014
Eqan Ali Khan		1000	183.1	March 5, 2014
Muhammad Ashraf Choudhry		5000	197.95	April 8, 2014
Ahsan Zafar Syed		1000	179	September 15, 2014
Ayesha Dawood w/o Abdul Samad Dawood		3600	170.39	September 25, 2014
Shahid Hamid Pracha	10000		172.46	November 7, 2014
Shabbir Hashmi		20000	212.5	November 19, 2014
Shabbir Hashmi		5000	214	November 19, 2014
Shabbir Hashmi		5000	215	November 19, 2014
Shahid Hamid Pracha	11500		222	December 26, 2014

pattern of shareholding

As At December 31, 2014

Number of Shareholders	Size of holding Rs. 10 Shares		Total Shares	Number of Shareholders	Shareholding		Total Shares Held
	From	To			From	To	
2,511	1	100	109,925	2	140,001	145,000	282,940
2,855	101	500	843,426	4	145,001	150,000	593,169
1,609	501	1,000	1,304,523	7	150,001	155,000	1,065,130
3,314	1,001	5,000	8,351,892	8	155,001	160,000	1,252,226
1,072	5,001	10,000	7,849,256	6	160,001	165,000	977,746
450	10,001	15,000	5,565,872	2	165,001	170,000	337,348
291	15,001	20,000	5,126,844	8	170,001	175,000	1,379,230
201	20,001	25,000	4,553,266	7	175,001	180,000	1,240,837
145	25,001	30,000	4,022,163	4	180,001	185,000	732,371
69	30,001	35,000	2,241,644	4	185,001	190,000	751,990
79	35,001	40,000	2,983,508	6	195,001	200,000	1,198,900
54	40,001	45,000	2,297,453	5	200,001	205,000	1,006,710
67	45,001	50,000	3,227,837	2	205,001	210,000	419,171
37	50,001	55,000	1,945,125	1	210,001	215,000	210,019
23	55,001	60,000	1,325,077	1	215,001	220,000	215,088
29	60,001	65,000	1,809,233	3	220,001	225,000	671,449
24	65,001	70,000	1,632,577	3	225,001	230,000	682,975
18	70,001	75,000	1,308,080	3	230,001	235,000	697,578
15	75,001	80,000	1,157,857	1	235,001	240,000	239,044
11	80,001	85,000	905,215	3	240,001	245,000	727,331
11	85,001	90,000	962,911	2	245,001	250,000	500,000
11	90,001	95,000	1,017,597	5	250,001	255,000	1,263,559
21	95,001	100,000	2,069,200	1	255,001	260,000	260,000
8	100,001	105,000	810,489	2	260,001	265,000	525,820
16	105,001	110,000	1,724,077	2	265,001	270,000	530,827
9	110,001	115,000	1,005,876	1	270,001	275,000	271,000
5	115,001	120,000	588,982	3	275,001	280,000	831,049
3	120,001	125,000	366,043	2	285,001	290,000	579,157
9	125,001	130,000	1,161,369	2	290,001	295,000	586,682
4	130,001	135,000	530,856	2	295,001	300,000	600,000
9	135,001	140,000	1,235,696	4	300,001	305,000	1,209,707

Number of Shareholders	Shareholding		Total Shares Held	Number of Shareholders	Shareholding		Total Shares Held
	From	To			From	To	
2	305,001	310,000	611,972	2	535,001	540,000	1,077,039
1	310,001	315,000	312,500	1	545,001	550,000	550,000
1	320,001	325,000	325,000	3	555,001	560,000	1,678,200
1	330,001	335,000	330,500	1	565,001	570,000	565,934
1	335,001	340,000	336,100	2	585,001	590,000	1,171,676
2	340,001	345,000	689,008	1	595,001	600,000	600,000
2	345,001	350,000	698,382	1	610,001	615,000	614,974
2	355,001	360,000	712,781	1	615,001	620,000	616,073
2	360,001	365,000	724,236	1	625,001	630,000	627,000
1	365,001	370,000	366,310	1	630,001	635,000	634,700
1	375,001	380,000	379,500	2	645,001	650,000	1,299,008
3	380,001	385,000	1,151,905	1	660,001	665,000	660,916
1	385,001	390,000	387,847	1	685,001	690,000	686,200
1	390,001	395,000	390,500	1	695,001	700,000	700,000
1	395,001	400,000	400,000	2	705,001	710,000	1,416,637
5	400,001	405,000	2,014,628	1	710,001	715,000	712,484
4	415,001	420,000	1,671,043	1	715,001	720,000	715,400
1	420,001	425,000	420,210	1	750,001	755,000	754,500
1	440,001	445,000	445,000	1	820,001	825,000	822,410
1	445,001	450,000	450,000	1	840,001	845,000	844,887
1	450,001	455,000	454,200	1	860,001	865,000	861,200
2	455,001	460,000	916,500	1	885,001	890,000	890,000
2	460,001	465,000	928,478	1	895,001	900,000	900,000
1	470,001	475,000	473,000	1	945,001	950,000	949,044
1	475,001	480,000	476,000	1	1,000,001	1,005,000	1,002,500
1	480,001	485,000	484,200	1	1,045,001	1,050,000	1,045,300
1	490,001	495,000	491,477	1	1,095,001	1,100,000	1,096,200
1	495,001	500,000	500,000	1	1,115,001	1,120,000	1,120,000
1	515,001	520,000	516,337	1	1,130,001	1,135,000	1,131,200
3	520,001	525,000	1,569,878	1	1,135,001	1,140,000	1,137,191
2	525,001	530,000	1,055,200	1	1,150,001	1,155,000	1,151,649

pattern of shareholding

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held	Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
2	1,165,001	1,170,000	2,338,911	1	2,420,001	2,425,000	2,424,366
2	1,190,001	1,195,000	2,387,805	1	2,640,001	2,645,000	2,640,500
1	1,195,001	1,200,000	1,195,800	1	2,670,001	2,675,000	2,670,800
1	1,225,001	1,230,000	1,228,200	1	2,715,001	2,720,000	2,717,900
1	1,255,001	1,260,000	1,259,295	1	2,810,001	2,815,000	2,812,218
1	1,300,001	1,305,000	1,304,600	1	2,860,001	2,865,000	2,862,800
1	1,345,001	1,350,000	1,349,317	1	3,055,001	3,060,000	3,059,823
1	1,440,001	1,445,000	1,444,560	1	3,090,001	3,095,000	3,094,038
1	1,585,001	1,590,000	1,589,444	1	3,165,001	3,170,000	3,168,300
1	1,615,001	1,620,000	1,616,286	1	3,345,001	3,350,000	3,347,900
1	1,705,001	1,710,000	1,708,461	1	4,390,001	4,395,000	4,390,005
1	1,740,001	1,745,000	1,744,938	1	4,465,001	4,470,000	4,469,000
1	1,750,001	1,755,000	1,754,247	1	6,285,001	6,290,000	6,288,557
1	1,870,001	1,875,000	1,872,500	1	6,815,001	6,820,000	6,815,001
1	1,875,001	1,880,000	1,877,834	1	7,395,001	7,400,000	7,399,982
1	1,915,001	1,920,000	1,919,789	1	11,180,001	11,185,000	11,184,959
1	1,950,001	1,955,000	1,954,365	1	18,120,001	18,125,000	18,123,120
1	2,130,001	2,135,000	2,131,142	1	19,955,001	19,960,000	19,960,000
1	2,145,001	2,150,000	2,146,800	1	25,125,001	25,130,000	25,128,018
1	2,155,001	2,160,000	2,159,197	1	33,810,001	33,815,000	33,814,686
2	2,210,001	2,215,000	4,428,800	1	175,010,001	175,015,000	175,012,555
1	2,395,001	2,400,000	2,400,000	13,219		TOTAL	523,784,755

categories of shareholding

As at December 31, 2014

	Shareholders Category	No. of Shareholders	No. of Shares Held	Percentage
1.	Directors, Chief Executive Officer, and their spouse and minor children.	15	5,938,693	1.13
2.	Associated Companies, undertakings and related parties.	4	228,797,841	43.68
3.	NIT and ICP	1	96	0.00
4.	Banks Development Financial Institutions, Non Banking Financial Institutions.	38	13,421,178	2.56
5.	Insurance Companies	13	14,074,442	2.69
6.	Modarabas and Mutual Funds	65	23,392,125	4.47
7.	Share holders holding 10%	1	175,012,555	33.41
8.	General Public (individuals):			
	a. Local	12,698	98,153,782	18.74
	b. Foreign	-	-	-
9.	Others	385	140,006,598	26.73

shareholder information

Annual General Meeting

The annual shareholders meeting will be held at 10:00 a.m. on April 22, 2015 at Marriott Hotel, Abdullah Haroon Road, Karachi.

Shareholders as of April 09, 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 13,219 shareholders on record of the Company's ordinary shares.

ELECTION OF DIRECTORS:

Any person who seeks to contest the election of directors shall file with the Company at its Registered Office not later than fourteen days before the date of the said Meeting a notice of his/her intention to offer himself/herself for election as a director in terms of Section 178(3) of the Companies Ordinance, 1984 together with:

(a) Consent to act as director in Form 28, duly completed, as required under Section 184(1) of the Companies Ordinance, 1984; and

(b) A detailed personal profile along with office address for placement onto the Company's website in accordance with SRO No. 634(1)/2014 dated July 10, 2014 issued by the Securities and Exchange Commission of Pakistan (SECP).

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 09, 2015. Income Tax will be deducted in accordance with the current regulations. Shareholders who wish to have the dividends deposited directly in their bank accounts should contact our Registrar's, 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, 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. engro.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.engro.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 28, 2015
- 2nd quarter: August 18, 2015
- 3rd quarter: October 29, 2015

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

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

Change of Address

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

M/s. FAMCO Associates (Private) Limited
8-F, Next to Hotel Faran, Nursery,
Block-6 P.E.C.H.S. Shahra-e-Faisal
Karachi-74000

together for prosperity

financial statements

standalone accounts

- Auditors' Report to the Members
- Standalone Financials

auditors' report to the members

We have audited the annexed balance sheet of Engro Corporation Limited as at December 31, 2014 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) 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 statement of comprehensive income together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(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, 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 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: March 17, 2015

Engagement Partner: Waqas A. Sheikh

balance sheet
as at december 31, 2014

(Amounts in thousand)

	Note	2014	(Restated - note 4) 2013	2012
		------------------(Rupees)------------------		
Assets				
Non-current assets				
Property, plant and equipment	5	76,119	45,557	81,494
Long term investments	6	28,879,985	28,140,994	26,959,244
Long term loans and advances	7	2,165,599	5,163,511	4,159,590
Deferred taxation	13	84,450	81,886	55,358
		31,206,153	33,431,948	31,255,686
Current assets				
Loans, advances and prepayments	8	4,725,454	648,778	823,901
Other receivables	9	184,801	501,077	234,146
Taxes recoverable		214,301	123,605	76,672
Short term investments	10	721,700	2,672,915	484,393
Cash and bank balances	11	531,534	250,584	697,179
		6,377,790	4,196,959	2,316,291
Investment classified as held for sale	6	-	320,000	863,018
TOTAL ASSETS		37,583,943	37,948,907	34,434,995

(Amounts in thousand)

	Note	2014	(Restated - note 4) 2013	2012
		------------------(Rupees)------------------		
Equity & Liabilities				
Equity				
Share capital	12	5,237,848	5,112,694	5,112,694
Share premium		13,068,232	10,550,061	10,550,061
General reserve		4,429,240	4,429,240	4,429,240
Remeasurement of post employment benefits - Actuarial gain		5,462	9,871	25,986
Unappropriated profit		10,072,770	9,137,267	6,387,956
Total Equity		32,813,552	29,239,133	26,505,937
Liabilities				
Non-current liabilities				
Retirement and other service benefit obligations		17,029	16,560	11,159
Current liabilities				
Trade and other payables	14	461,075	344,921	171,390
Advance received against disposal of investment in subsidiaries		-	836,079	863,018
Borrowings	15	3,951,521	6,290,142	6,204,664
Accrued interest / mark-up		250,274	337,866	337,927
Unclaimed dividends		90,492	92,373	96,936
Derivative financial instrument	4	-	791,833	243,964
		4,753,362	8,693,214	7,917,899
Total liabilities		4,770,391	8,709,774	7,929,058
Contingencies and Commitments	16			
TOTAL EQUITY & LIABILITIES		37,583,943	37,948,907	34,434,995

The annexed notes from 1 to 38 form an integral part of these financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

statement of comprehensive income

for the year ended december 31, 2014

(Amounts in thousand except for earnings per share)

	Note	2014	(Restated - note 4) 2013
		-----------(Rupees)-----------	
Dividend income	17	1,232,621	2,440,365
Royalty income	18	878,744	715,693
		2,111,365	3,156,058
Administrative expenses	19	(393,402)	(336,972)
		1,717,963	2,819,086
Other income	20	2,176,690	1,721,732
Other operating expenses	21	(54,882)	(60,881)
Operating Profit		3,839,771	4,479,937
Finance cost	22	(1,204,519)	(1,568,131)
Profit before taxation		2,635,252	2,911,806
Taxation	23	(154,074)	(162,495)
Profit for the year		2,481,178	2,749,311
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
- Remeasurement of retirement benefit obligation - Actuarial loss-net of tax		(4,409)	(16,115)
Total comprehensive income for the year		2,476,769	2,733,196
Earnings per share - basic and diluted	24	4.81	5.38

The annexed notes from 1 to 38 form an integral part of these financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

statement of changes in equity

for the year ended december 31, 2014

(Amounts in thousand)

		Reserves				
		Capital	Revenue			
	Share capital	Share premium	General reserve	Remeasurement of post employment benefits - Actuarial gain / (loss)	Unappropriated profit	Total
	----------(Rupees)----------					
Balance as at January 1, 2013 - as previously reported	5,112,694	10,550,061	4,429,240	25,986	6,543,362	26,661,343
Effect of recognition of derivative liability on option to International Finance Corporation (IFC), net of tax - note 4	-	-	-	-	(155,406)	(155,406)
Balance as at January 1, 2013 - restated	5,112,694	10,550,061	4,429,240	25,986	6,387,956	26,505,937
Profit for the year	-	-	-	-	2,749,311	2,749,311
Other comprehensive income	-	-	-	(16,115)	-	(16,115)
Total comprehensive income for the year	-	-	-	(16,115)	2,749,311	2,733,196
Balance as at December 31, 2013 - Restated	5,112,694	10,550,061	4,429,240	9,871	9,137,267	29,239,133
Profit for the year	-	-	-	-	2,481,178	2,481,178
Other comprehensive income	-	-	-	(4,409)	-	(4,409)
Total comprehensive income for the year	-	-	-	(4,409)	2,481,178	2,476,769
Transactions with owners						
Shares issued upon exercise of conversion option - note 7.4	125,154	2,518,171	-	-	-	2,643,325
Dividend in specie for the year ended December 31, 2013 in the ratio of 1 share of Engro Fertilizers Limited for every 10 shares held of the Company	-	-	-	-	(511,735)	(511,735)
Interim cash dividend for the year ended December 31, 2014 @ Rs. 2.00 per share	-	-	-	-	(1,033,940)	(1,033,940)
	125,154	2,518,171	-	-	(1,545,675)	1,097,650
Balance as at December 31, 2014	5,237,848	13,068,232	4,429,240	5,462	10,072,770	32,813,552

The annexed notes from 1 to 38 form an integral part of these financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

statement of cash flows

for the year ended december 31, 2014

(Amounts in thousand)

	Note	2014	2013
		------------(Rupees)-------------	
Cash Flows From Operating Activities			
Cash utilized in operations	27	(317,354)	(137,364)
Royalty received		1,105,186	399,768
Taxes paid		(247,334)	(235,956)
Retirement and other service benefits paid		(26,277)	(36,664)
Long term loans and advances - net		(2,088)	(3,921)
Net cash generated from / (utilized in) operating activities		512,133	(14,137)
Cash Flows From Investing Activities			
Dividends received		1,232,621	2,440,365
Income on deposits / other financial assets including income earned on subordinated loans to subsidiaries		1,111,969	966,367
Proceeds from disposal of long term investments		930,259	1,859,675
Long term investments		(1,551,000)	(1,795,270)
Loans granted to subsidiary companies		(5,746,204)	(1,420,000)
Repayment of loans by subsidiary companies		4,710,080	620,000
Investment in term deposit receipts		-	(2,001)
Purchases of property, plant and equipment		(57,654)	(9,949)
Sale proceeds on disposal of property, plant and equipment		4,571	15,991
Net cash generated from investing activities		634,642	2,675,178
Cash Flows From Financing Activities			
Proceeds from issue of shares		1,495,080	-
Proceeds from issue of Engro Islamic Rupiya Certificates - net		3,944,693	-
Repayment against Engro Rupiya Certificates I & II		(6,319,540)	-
Repayment of loan by former subsidiary		-	18,293
Payment of financial charges		(899,451)	(933,853)
Redemptions of borrowings		-	(992)
Dividends paid		(1,035,821)	(4,563)
Net cash utilized in financing activities		(2,815,039)	(921,115)
Net (decrease) / increase in cash and cash equivalents		(1,668,264)	1,739,926
Cash and cash equivalents at beginning of the year		2,921,498	1,181,572
Cash and cash equivalents at end of the year	28	1,253,234	2,921,498

The annexed notes from 1 to 38 form an integral part of these financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

notes to the financial statements

for the year ended december 31, 2014

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

2.1.2 These financial statements have been prepared in accordance with 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.

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

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

- 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 cost of disposal. The amendment only affects the disclosures in the Company's financial statements.

- 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 policy is already in line with this amendment.

(Amounts in thousand)

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.

b) 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 is 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.

- Amendment 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 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.

(Amounts in thousand)

2.2 Property, plant and equipment

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

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

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

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

Depreciation is charged to the statement of comprehensive income using the straight line method whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life at rates given in note 5.1. Depreciation on addition is charged from the month following the month in which the asset is available for use and on disposals upto the preceding month of disposal.

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

2.3 Impairment of non-financial assets

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

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

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

2.5 Investments

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

(Amounts in thousand)

2.6 Financial assets

2.6.1 Classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Held to maturity financial assets

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

d) Available-for-sale financial assets

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

2.6.2 Recognition and measurement

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

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

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

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

(Amounts in thousand)

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

2.7 Financial liabilities

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

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

2.8 Offsetting financial instruments

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

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

2.10 Cash and cash equivalents

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

2.11 Share capital

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

2.12 Employees' share option scheme

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

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

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

When a vested option lapses on expiry of the exercise period, employee compensation expense already recognized in the statement of comprehensive income is reversed with a corresponding reduction to employee share option compensation reserve in the balance sheet.

(Amounts in thousand)

When the options are exercised, employee share option compensation reserve relating to these options is transferred to share capital and share premium account. An amount equivalent to the face value of related shares is transferred to share capital. Any amount over and above the share capital is transferred to share premium account.

2.13 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.14 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

2.15 Income tax

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

2.15.1 Current

The current income tax charge is based on the taxable income for the year calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2.15.2 Deferred

Deferred tax is recognized using the balance sheet method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2.16 Retirement and other service benefit obligations

2.16.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of comprehensive income when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

The Company operates:

- a defined contribution provident fund for its permanent employees and permanent employees of its Group companies. Monthly contributions are made both by the Company, other Group companies and employees to the fund at the rate of 10% of basic salary;

- a defined contribution pension fund for the benefit of its management employees and management employees of its Group companies. Monthly contributions are made by the Company and other Group companies to the fund at rates ranging from 12.5% to 13.75% of basic salary; and

(Amounts in thousand)

- a defined contribution gratuity fund for the benefit of management employees and management employees of its Group companies. Monthly contributions are made by the Company and other Group companies to the fund at the rate of 8.33% of basic salary.

2.16.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by an independent actuary using the projected unit credit method, related details of which are given in note 26 to the financial statements.

Remeasurement gains / losses are recognized in other comprehensive income.

The Company operates defined benefit funded gratuity scheme for its management employees.

Annual provision is also made under a service incentive plan for certain categories of experienced employees to continue in the Company's employment.

2.16.3 Employees' compensated absences

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

2.17 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.18 Foreign currency transactions and translation

These financial statements are presented in Pakistan Rupees, which is Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income, except where such gains and losses are directly attributable to the acquisition, construction or production of a qualifying asset, in which case, such gains and losses are capitalized as part of the cost of that asset.

2.19 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, and is recognized on the following basis:

- Dividend income from investments is recognized when the Company's right to receive payment has been established.
- Income on deposits and other financial assets are recognized on accrual basis.
- Royalty income from subsidiary companies is recognized on an accrual basis in accordance with the agreement entered therewith.

2.20 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of that asset. Borrowing costs include exchange differences arising on foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

(Amounts in thousand)

2.21 Research and development costs
Research and development costs are charged to income as and when incurred.

2.22 Derivative financial instruments
Derivatives are recognized initially at fair value on the date a derivative contract is entered into and attributable transaction cost is recognized in statement of comprehensive income when incurred. Subsequent to initial recognition, derivatives are measured at fair values, and changes are recognized in the statement of comprehensive income.

2.23 Earnings per share
The Company presents basic and diluted earnings per share (EPS) in respect of its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.24 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. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

3.1 Property, plant and equipment
The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

3.2 Impairment of investments in subsidiaries, associates and joint venture
In making an estimate of future cash flows from the Company's financial assets including investment in subsidiaries, associates and joint ventures, the management considers future dividend stream and an estimate of the terminal value of these investments.

3.3 Income Taxes
In making the estimates for 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.

3.4 Provision for retirement and other service benefits obligations
The present value of these obligations depend on a number of factors that are determined on actuarial basis using a number of assumptions. Further, contributions determination requires assumptions to be made for 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. Any changes in these assumptions will impact the carrying amount of these obligations. The underlying assumptions are disclosed in note 26.

(Amounts in thousand)

4. RESTATEMENT OF PRIOR PERIODS

During the year, the Company upon exercise of options on its shares by the International Finance Corporation (IFC) relating to IFC's loan to Engro Fertilizers Limited (Subsidiary Company) (note 7.4), has accounted for such options i.e. derivative financial instruments retrospectively, and consequently the earliest periods presented in the balance sheet, statement of comprehensive income and statement of changes in equity have been restated. There is no impact of this restatement on the statement of cash flows. The effects of retrospective application are as follows:

Effects on the balance sheet:

	Taxes recoverable - (Payable)	Tade and other payables	Unappropriated profit	Derivative financial instrument	Deferred taxation asset / (liability)
	----------	----------	(Rupees)	----------	----------
Balance as at January 1, 2013 as previously reported	76,672	176,269	6,543,362	-	(28,321)
Restatement - Recognition of derivative liability on option to IFC	-	(4,879)	(155,406)	243,964	83,679
Balance as at January 1, 2013 - Restated	76,672	171,390	6,387,956	243,964	55,358
Balance as at December 31, 2013, as previously reported	(54,225)	360,757	9,657,752	-	4,204
Restatement - Recognition of derivative liability on option to IFC:					
- For the year ended December 31, 2012	-	(4,879)	(155,406)	243,964	83,679
- For the year ended December 31, 2013	177,830	(10,957)	(365,079)	547,869	(5,997)
	177,830	(15,836)	(520,485)	791,833	77,682
Balance as at December 31, 2013 - Restated	123,605	344,921	9,137,267	791,833	81,886

Effects on statement of comprehensive income:

	Other operationg expenses	Finance cost	Taxation charge
	----------	(Rupees)	----------
Balance for the year ended December 31, 2013, as previously reported	71,838	1,020,262	334,328
Restatement - Recognition of derivative liability on option to IFC	(10,957)	547,869	(171,833)
Balance for the year ended December 31, 2013 - Restated	60,881	1,568,131	162,495

(Amounts in thousand)

5 PROPERTY, PLANT AND EQUIPMENT

	2014	2013
	-------------(Rupees)-------------	
Operating assets (note 5.1)	66,823	44,660
Capital work-in-progress (note 5.4)	9,296	897
	76,119	45,557

(Amounts in thousand)

5.1 Operating assets

	Furniture, fixture and equipment	Vehicles	Total
	--------------------(Rupees)--------------------		
As at January 1, 2013			
Cost	99,833	74,284	174,117
Accumulated depreciation	(62,543)	(33,573)	(96,116)
Net book value	37,290	40,711	78,001
Year ended December 31, 2013			
Opening net book value	37,290	40,711	78,001
Transferred from capital work-in-progress (note 5.4)	10,213	2,332	12,545
Disposals (note 5.3)			
Cost	(1,891)	(33,296)	(35,187)
Accumulated depreciation	575	19,593	20,168
	(1,316)	(13,703)	(15,019)
Depreciation charge (note 5.2)	(17,000)	(13,867)	(30,867)
Net book value	29,187	15,473	44,660
As at January 1, 2014			
Cost	108,155	43,320	151,475
Accumulated depreciation	(78,968)	(27,847)	(106,815)
Net book value	29,187	15,473	44,660
Year ended December 31, 2014			
Opening net book value	29,187	15,473	44,660
Transferred from capital work-in-progress (note 5.4)	9,674	39,581	49,255
Disposals (note 5.3)			
Cost	(286)	(13,910)	(14,196)
Accumulated depreciation	238	10,209	10,447
	(48)	(3,701)	(3,749)
Depreciation charge (note 5.2)	(14,882)	(8,461)	(23,343)
Net book value	23,931	42,892	66,823
As at December 31, 2014			
Cost	117,543	68,991	186,534
Accumulated depreciation	(93,612)	(26,099)	(119,711)
Net book value	23,931	42,892	66,823
Annual rate of depreciation (%)	15 to 20	20 to 25	

(Amounts in thousand)

5.2 Includes depreciation charge amounting to Rs.14,073 (2013: Rs.18,004), allocated to Group companies against the use of related assets.

5.3 The details of operating assets disposed off during the year are as follows:

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sale proceeds
		(Rupees)			
Vehicles					
By Company policy to existing / resigned / retired executives	Naveed Hashmi	6,750	5,024	1,726	1,726
	Shmaz Mir	1,456	973	483	483
	Farooq M Saleem	1,895	1,516	379	379
	Aman ul Haq	1,879	1,409	470	470
Sale through bid	Abdullah Mohammad	1,930	1,287	643	1,460
		13,910	10,209	3,701	4,518
Items having net book value upto Rs. 50 each					
Furniture, fixture and equipment		286	238	48	53
		14,196	10,447	3,749	4,571
Year ended December 31, 2013		35,187	20,168	15,019	15,991

5.4 Capital work-in-progress

	Furniture, fixture and equipment	Advance to suppliers	Total
	(Rupees)		
Year ended December 31, 2013			
Balance as at January 1, 2013	1,530	1,963	3,493
Additions during the year	9,580	369	9,949
Transferred to operating assets (note 5.1)	(10,213)	(2,332)	(12,545)
Balance as at December 31, 2013	897	-	897
Year ended December 31, 2014			
Balance as at January 1, 2014	897	-	897
Additions during the year	9,266	48,388	57,654
Transferred to operating assets (note 5.1)	(9,674)	(39,581)	(49,255)
Balance as at December 31, 2014	489	8,807	9,296

(Amounts in thousand)

6 LONG TERM INVESTMENTS

	2014	2013
	(Rupees)	
Subsidiary companies - at cost (note 6.1)	28,424,985	28,005,994
Less: Investment classified as held for sale:		
- Engro Powergen Qadirpur Limited (note 6.2)	-	320,000
	28,424,985	27,685,994
Joint venture company - at cost		
Engro Vopak Terminal Limited 45,000,000 Ordinary shares of Rs. 10 each, equity held 50% (2013: 50%)	450,000	450,000
Others - at cost		
Arabian Sea Country Club Limited 500,000 Ordinary shares of Rs. 10 each, equity held 6% (2013: 6%)	5,000	5,000
	28,879,985	28,140,994

(Amounts in thousand)

6.1 Subsidiary companies

	2014		2013	
	Equity % held	Investment at cost (Rupees)	Equity % held	Investment at cost (Rupees)
Quoted				
Engro Foods Limited				
667,375,000 (2013: 667,375,000)				
Ordinary shares of Rs. 10 each	87.07	6,673,750	87.07	6,673,750
Engro Powergen Qadirpur Limited				
Nil (2013: 32,000,000)				
Ordinary shares of Rs. 10 each (note 6.2)	-	-	10	320,000
Engro Fertilizers Limited				
1,141,673,057 (2013: 1,222,800,000)				
Ordinary shares of Rs. 10 each (note 6.3)	86.60	11,427,135	100	12,239,144
Engro Polymer and Chemicals Limited				
372,810,000 (2013: 372,810,000)				
Ordinary shares of Rs. 10 each	56.19	3,651,300	56.19	3,651,300
Unquoted				
Engro Powergen Limited				
36,476,000 (2013: 36,476,000)				
Ordinary shares of Rs. 10 each	100	3,106,700	100	3,106,700
Engro Eximp (Private) Limited				
113,925,000 (2013: 113,925,000)				
Ordinary shares of Rs. 10 each	100	1,895,100	100	1,895,100
Elengy Terminal Pakistan Limited				
- 12,100,000 (2013: 12,000,000)				
Ordinary shares of Rs. 10 each (note 6.4)	100	121,000	100	120,000
- Advance against issue of shares (note 6.4)		1,550,000		-
		1,671,000		120,000
		28,424,985		28,005,994

(Amounts in thousand)

6.2 Engro Powergen Qadirpur Limited

During the year, the Company and Engro Powergen Limited, a wholly owned subsidiary company, made an offer for sale for 32,000,000 and 48,950,000 ordinary shares of Rs 10 each, respectively, held in EPQL, at a price of Rs. 30.02 per share determined through the book building process. Out of the entire offer of 80,950,000 ordinary shares, 40,475,000 ordinary shares were subscribed by institutional investors through private placement, while the remaining were offered to the general public through, Initial Public Offer (IPO). EPQL has been formally listed on the Karachi and Islamabad Stock Exchanges and the shares have been allotted to the shareholders during the year. The gain on such disposal amounting to Rs. 610,259 has been reflected in other income (note 20).

6.3 Engro Fertilizers Limited

During 2013, Engro Fertilizers Limited (EFert), through an Initial Public Offer (IPO) issued 75,000,000 ordinary shares having face value of Rs. 10 each at a price of Rs. 28.25 per share, determined through the book building process. Further, the Company also divested 30,000,000 ordinary shares of EFert, representing 2.45% of its total investment in EFert, at a price of Rs. 28.25 per share to certain local / foreign institutional investors and high net worth individuals (Informed Buyers). The Company received an advance in this respect amounting to Rs. 836,079; net of transaction costs of Rs. 11,421. During the year, EFert has been formally listed on the Karachi, Lahore and Islamabad Stock Exchanges and the shares have been allotted to the shareholders. The gain on such disposal amounting to Rs. 535,805 has been reflected in other income (note 20).

On March 31, 2014, the shareholders of the Company in its Annual General Meeting approved a Dividend in Specie for the year ended December 31, 2013 in the ratio of 1:10 (one share of EFert for every ten shares held of the Company). Consequently, 51,126,943 shares of EFert, representing 4.29% of Company's investment in EFert, were allotted to the Company's shareholders in April 2014.

Further, EFert had availed a loan of USD 30,000 from the International Finance Corporation (IFC), divided into (i) 30% convertible loan on its shares at Rs. 24 per ordinary share, calculated at the US Dollar to Pakistan Rupee exchange rate prevailing on the business day prior to the date of the notice issued by IFC to exercise the conversion option; and (ii) 70% non-convertible loan. During the year, EFert received a notice from the IFC for partial exercise of options on loan amounting to USD 5,000. Accordingly, 20,541,667 ordinary shares of EFert have been allotted to the IFC.

As a result of the aforementioned events, the Company, as at the balance sheet date, holds 86.60% of the share capital of EFert.

Subsequent to the year end on January 9, 2015, EFert received a second notice from IFC for exercise of options on further USD 3,000 of the loan amount. Accordingly, 12,590,625 ordinary shares of EFert have been allotted to the IFC on January 14, 2015.

6.4 Elengy Terminal Pakistan Limited

During the year, the Company has made a further equity investment of Rs. 1,000 through subscription of 100,000 right shares of Rs. 10 each, in Elengy Terminal Pakistan Limited (ETPL), a wholly owned subsidiary. Further, the Company has also paid Rs. 1,550,000 to ETPL, as an advance against future issue of shares.

(Amounts in thousand)

7 LONG TERM LOANS AND ADVANCES

	2014	2013
	------------(Rupees)------------	
- Considered good		
Long term loans and advances to Executives (note 7.1)	29,484	24,967
Less: Current portion shown under current assets (note 8)	13,885	11,456
	15,599	13,511
Long term loan to Engro Eximp (Private) Limited (note 7.2)	1,720,000	1,720,000
Subordinated loans to subsidiaries - unsecured:		
- Engro Eximp (Private) Limited (note 7.3)	430,000	430,000
- Engro Fertilizers Limited (note 7.4)	-	3,000,000
	430,000	3,430,000
	2,165,599	5,163,511

7.1 Reconciliation of the carrying amount of loans and advances to executive

	2014	2013
Balance as at January 1	24,967	14,433
Add: Disbursements	26,654	21,955
Less: Repayments / amortization	(22,137)	(11,421)
Balance as at December 31	29,484	24,967

7.2 Represents long-term loan extended to Engro Eximp (Private) Limited, a wholly owned subsidiary for a period of five years. The loan carries markup at the rate of 6 months KIBOR plus 3.5% per annum, payable on a quarterly basis. The principal is due in one lump sum installment due on June 28, 2017.

7.3 Represents sub-ordinated loan extended to Engro Eximp (Private) Limited, a wholly owned subsidiary, for a period of five years. The loan is subordinated to the subsidiary company's finance facilities extended by the banks, who are party to the subordinated agreement. The loan carries markup at the rate of 6 months KIBOR plus 3.5% per annum, payable on a quarterly basis. The principal is due in one lump sum installment due on June 28, 2017.

7.4 During 2010-2011, the Company extended a subordinated loan of Rs. 3,000,000 to EFert, a Subsidiary Company, for a period of five years. The loan was repayable on or before the end of the term i.e. September 14, 2015. During the year, the entire loan has been repaid by EFert.

Further, the Company had issued a Corporate Guarantee to International Finance Corporation (IFC) for USD 50,000 under the C Loan Agreement (Original Agreement) and further USD 30,000 under the Amended Facility Agreement entered into by EFert with IFC. Till December 31, 2011, the total amount of the facility had been drawn down by EFert. Under the Original Agreement, IFC had an option to convert a tranche of the facility amounting to USD 15,000, into ordinary shares of the Company. Such option was to be exercised within a period of no more than five years from the date of disbursement of facility i.e. December 28, 2009.

The Company had also entered into an agreement with EFert that in the event IFC exercises the aforementioned conversion option, the IFC loan amount then outstanding against EFert would stand reduced by the conversion option amount and EFert would pay the Pakistan Rupee equivalent of the corresponding conversion amount to the Company, which would simultaneously be given by the Company to EFert as a subordinated loan, carrying mark-up payable by the Company for Rupee finances of like maturities plus a margin of 1%. The effect of IFC conversion in substance would result in a loan from the Company having the same repayment terms / dates as that of the extinguished loan of IFC, according to which there will be three half yearly installments commencing from September 15, 2015.

(Amounts in thousand)

During the year, under the aforementioned loan agreements with EFert and IFC, the Company received conversion notices from IFC requesting to convert its entire options on USD 15,000 into 12,515,319 ordinary shares of the Company at Rs. 119.46, which is the adjusted option exercise price, consequent to bonus issues. The Company, accordingly, has issued 12,515,319 ordinary shares of Rs. 10 each to IFC. Further, upon exercise of conversion option by IFC, EFert has paid Rs. 1,495,080 i.e. Rupee equivalent of USD 15,000 to the Company, and the Company provided equivalent amount to EFert as a subordinated loan. During the year, the entire subordinated loan has been prepaid by EFert to the Company.

8. LOANS, ADVANCES AND PREPAYMENTS

	2014	2013
	-------------(Rupees)-------------	
Loans and advances		
Considered good		
Current portion of long term loans and advances to executives and other employees (note 7)	13,885	11,456
Loan to Engro Polymer and Chemicals Limited (note 8.1)	600,000	600,000
Loan to Elengy Terminal Pakistan Limited (note 8.2)	4,036,124	-
Prepayments		
Engro Corporation Limited Gratuity Fund (note 26)	3,611	12,477
Engro Corporation Limited Provident Fund	2,354	-
Engro Corporation Limited MPT Employees Defined Contribution Gratuity Fund	64	-
Others	69,416	24,845
	4,725,454	648,778

8.1 Represents loan extended to Engro Polymer and Chemicals Limited, a Subsidiary Company for meeting its working capital requirements. The loan is subordinated to the finances provided to the subsidiary company by its banking creditors and carries markup at the rate of 3 months KIBOR plus 3.5% per annum, payable on a quarterly basis.

8.2 During the year, the Company extended a subordinated loan of Rs. 4,036,124 to Elengy Terminal Pakistan Limited, a wholly owned Subsidiary Company, to meet its working capital requirements. The loan is subordinated to the finances provided to the subsidiary company by its creditors (other than trade creditors) at the rate of 3 months KIBOR plus 3.5% per annum, payable on a quarterly basis.

8.3 The maximum amount outstanding at the end of any month during the year ended December 31, 2014 from executives aggregated to Rs. 36,258 (2013: Rs. 27,562)

8.4 The carrying values of the loan and advances are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no defaults ever.

(Amounts in thousand)

9. OTHER RECEIVABLES

	2014	2013
	-------------(Rupees)-------------	
Considered good		
Accrued income on deposits / investments (note 9.1)	144	129,315
Due from:		
- Subsidiary companies		
- Elengy Terminal Pakistan Limited	-	1,341
- Engro Elengy Terminal (Private) Limited	25,530	-
- Engro Eximp Agriproducts (Private) Limited	594	406
- Engro Eximp (Private) Limited	-	4,709
- Engro Eximp FZE	30,120	-
- Engro Fertilizers Limited (note 9.2)	104,853	339,598
- Engro Foods Limited	10,110	12,065
- Engro Foods Netherlands B.V.	-	1,286
- Engro Polymer and Chemicals Limited	1,821	10,552
- Engro Powergen Limited	4,108	509
- Engro Powergen Qadirpur Limited	434	9
- Joint Venture		
- Engro Vopak Terminal Limited	822	1,077
- Associated Companies		
- Sindh Engro Coal Mining Company Limited	501	18
- Thar Power Company Limited	-	173
	178,893	371,743
- Engro Foundation	742	19
- Others	5,022	-
	184,801	501,077

9.1 Includes interest on subordinated loans amounting to Nil (2013: Rs. 129,304).

9.2 Includes royalty fee aggregating to Rs.89,483 (2013: Rs. 315,925) under a licensing agreement (note 18).

(Amounts in thousand)

9.3 The maximum amount due from subsidiary companies, joint venture and associates at the end of any month during the year aggregated to as follows:

	2014	2013
	------------(Rupees)------------	
Subsidiary companies		
- Elengy Terminal Pakistan Limited	75,470	11,316
- Engro Eximp Agriproducts (Private) Limited	3,509	4,066
- Engro Eximp (Private) Limited	32,730	4,780
- Engro Fertilizers Limited	627,083	339,598
- Engro Foods Limited	60,237	85,092
- Engro Foods Netherlands.B.V	-	10,945
- Engro Polymer and Chemicals Limited	22,149	10,552
- Engro Powergen Limited	12,594	9,353
- Engro Powergen Qadirpur Limited	12,594	11,316
Joint venture		
- Engro Vopak Terminal Limited	1,890	1,077
Associated Companies		
- Sindh Engro Coal Mining Company Limited	9,669	8,345
- Thar Power Company Limited	-	489

9.4 As at December 31, 2014, receivables aggregating to Rs.86,212 (2013: Rs. 55,837) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2014	2013
	------------(Rupees)------------	
Upto 3 months	73,062	40,813
3 to 6 months	2,701	4,905
More than 6 months	10,449	10,119
	86,212	55,837

(Amounts in thousand)

10. SHORT TERM INVESTMENTS

	2014	2013
	------------(Rupees)------------	
Financial assets at fair value through profit or loss:		
- Fixed income placement	2,000	2,001
- Treasury bills	719,700	-
- Mutual funds securities	-	2,670,914
	721,700	2,672,915

11. CASH AND BANK BALANCES

Cash at banks in:		
- deposit accounts (note 11.1)	475,048	250,318
- current accounts	56,236	16
	531,284	250,334
Cash in hand	250	250
	531,534	250,584

11.1 These carry return ranging from 7% to 9.5% (2013: 5% to 8%) per annum.

12 SHARE CAPITAL

12.1 Authorised Capital

2014	2013		2014	2013
---------(No. of Shares)---------			-------------(Rupees)-------------	
550,000,000	550,000,000	Ordinary shares of Rs. 10 each	5,500,000	5,500,000

Issued, subscribed and paid-up capital

2014	2013		2014	2013
---------(No. of Shares)---------			-------------(Rupees)-------------	
197,869,803	185,354,484	Ordinary shares of Rs. 10 each fully paid in cash	1,978,699	1,853,545
325,914,951	325,914,951	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	3,259,149	3,259,149
523,784,754	511,269,435		5,237,848	5,112,694

12.2 Movement in issued, subscribed and paid-up share capital during the year:

2014	2013		2014	2013
-----------(No. of Shares)---------			------------(Rupees)-------------	
511,269,435	511,269,435	As at January 1	5,112,694	5,112,694
12,515,319	-	Ordinary shares of Rs. 10 each issued during the year as fully paid in cash (note 7.4)	125,154	-
523,784,754	511,269,435	As at December 31	5,237,848	5,112,694

12.3 As at December 31, 2014, associated companies held 228,797,841 (2013: 228,797,841) ordinary shares in the Company.

(Amounts in thousand)

13. DEFERRED TAXATION

	2014	(Restated Note 4) 2013
	------------(Rupees)------------	
(Debit) / Credit balances arising on account of:		
- accelerated depreciation allowance	(11,415)	(9,234)
- recoupable minimum turnover / alternative corporate tax, net	(89,033)	(1,535)
- provision for retirement benefits	-	(3,437)
- adjustable carry forward tax losses	-	(77,682)
- amortization of transaction costs incurred on borrowings	15,998	10,002
	(84,450)	(81,886)

13.1 On May 12, 2013, the Sindh High Court, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the minimum turnover tax cannot be carried forward in respect of the year where no tax has been paid on account of loss for the year. The Company's management, based on the opinion of its legal advisor, is of the view that the above order is not correct and would not be maintained by Supreme Court, which they intend to approach, if required. Therefore, the Company has recognized deferred tax on recoupable minimum turnover tax amounting to Rs.19,182 as at December 31, 2014, and has adjusted minimum turnover tax of Rs. 8,500 paid in prior years, against current year's tax liability.

14 TRADE AND OTHER PAYABLES

	2014	(Restated Note 4) 2013
	------------(Rupees)------------	
Creditors	14,781	10,089
Accrued liabilities (note 14.1)	215,639	168,634
Contractors' deposits and retentions	214	214
Workers' welfare fund (note 14.2)	204,229	150,448
Sales tax payable	-	7,269
Zakat payable	1,651	2,034
Withholding tax payable	5	186
Payable to Elengy Terminal Pakistan Limited	968	-
Payable to Engro Eximp (Private) Limited	7,992	-
Current potion of retirement and other service benefit obligations	4,879	4,708
Others	10,717	1,339
	461,075	344,921

14.1 Accrued liabilities

Salaries, wages and other employee benefits	136,672	138,562
Others	78,967	30,072
	215,639	168,634

(Amounts in thousand)

14.2 The Workers' Welfare Fund Ordinance 1971 (Ordinance) was amended by the Finance Acts of 2006 and 2008 to (i) modify the basis of calculating WWF payable, and (ii) expand the net of WWF to include 'non-manufacturing' companies, respectively. Assessments issued under the amended Ordinance were challenged by certain companies. In 2010 a Division Bench of the Sindh High Court (SHC) upheld these amendments. Subsequently, however, this matter went before a larger Bench of the SHC which suspended, on an interim basis, the operation of the said assessments. During August 2011, the Lahore High Court (LHC) passed an order striking down the said amendments on the basis that WWF contributions are in the nature of a "fee" rather than a "tax" therefore the Ordinance may not be amended through a money bill. However, during March 2013, the larger Bench of the SHC pronounced the verdict that WWF is a "tax" and not a "fee". The Company has filed a constitutional petition in the SHC against the levy of WWF during May 2013 and the SHC has provided an interim stay till the hearing of the case. However, the Company, on prudent basis, has provided for the Workers' welfare fund for the current and prior years.

15 BORROWINGS

	2014	2013
	------------(Rupees)------------	
Engro Islamic Rupiya Certificates I and II (note 15.1)	3,951,521	-
Engro Rupiya Certificate I (note 15.2)	-	3,777,949
Engro Rupiya Certificate II (note 15.2)	-	2,512,174
Short term finance from banks, secured (note 15.3)	-	19
	3,951,521	6,290,142

15.1 Engro Islamic Rupiya (EIR) Certificates are AA rated, listed and secured Ijaratul Musha & Murabaha Sukuk certificates of a total issue size of Rs. 4,000,000 duly approved by the Securities and Exchange Commission of Pakistan (SECP). During the year, the Company received subscription money amounting to Rs. 4,000,000 against the issuance of EIR Certificates from individual investors of Engro Rupiya Certificates under Preferential Allocation, Institutional Investors under Private Placement and individual investors under Initial Public Offer, on a first come first serve basis. EIR - I Certificates amounting to Rs. 3,000,000 have a tenure of 36 months with an expected profit rate of 13% per annum payable semi-annually, while EIR - II Certificates amounting to Rs. 1,000,000 have a tenure of 60 months with an expected profit rate of 13.5% per annum payable semi-annually. The certificate holder, however, may request the Company for early redemption at any time from the date of investment subject to an Early Redemption Discount service charge on the outstanding issue price.

The EIR Certificates have been secured by way of first ranking pari passu floating charge over all the present and future movable properties, including all types of investments of the Company except for present and future trademarks, copyrights and certain investments in subsidiary companies. The Company, in this respect, has appointed Meezan Bank Limited as a trustee.

The proceeds from the EIR Certificates I and II were utilized to pay-off conventional liabilities and to meet funding requirements of its subsidiaries and finance new projects.

15.2 During the year, the Company has repaid the entire remaining principal balance of Engro Rupiya Certificates I & II aggregating to Rs. 3,784,110 and Rs. 2,535,430, respectively, to the certificate holders, alongwith profit thereon, upon completion of the tenure of three years.

15.3 During the year, the Company has utilized its Short term finance facilities aggregating to Rs. 2,500,000 (December 31, 2013: Rs. 2,500,000) from various banks to meet its working capital requirements. The facilities are primarily secured against ranking floating charge over all present and future loans, advances, receivables and other current assets (excluding investments) of the Company. Additionally, the facilities are also secured through a pledge over shares of Engro Foods Limited, a Subsidiary Company.

(Amounts in thousand)

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

	2014	2013
	------------(Rupees)------------	
Corporate Guarantees issued in favour of Subsidiary Companies:		
- Engro Fertilizers Limited (note 16.1.1)	40,460,159	56,448,271
- Engro Powergen Qadirpur Limited (note 16.1.2)	1,006,000	1,057,700
- Engro Foods Canada Limited (note 16.1.3)	-	247,785
- Elengy Terminal Pakistan Limited (note 16.1.4)	-	104,507
- Engro Elengy Terminal (Private) Limited (note 16.1.5)	2,012,000	-
- Engro Eximp (Private) Limited (note 16.1.6)	553,300	-
	44,031,459	57,858,263

16.1.1 The above amount includes Corporate Guarantee amounting to USD 60,000 to International Finance Corporation (IFC) against loans of USD 50,000 under the C Loan Agreement (Original Agreement) and further USD 30,000 under the Amended Facility Agreement entered into by the Subsidiary Company with IFC. During the year, under the Original Agreement, IFC has exercised its loan conversion option converting loan of USD 15,000 into ordinary shares of the Company, as explained in note 7.4. Further, as explained in note 6.3, IFC has also exercised its conversion option on Subsidiary Company's shares, under the Amended Facility Agreement converting loan of USD 5,000 into ordinary shares of the Subsidiary Company.

16.1.2 Represents Corporate Guarantee amounting to USD 10,000 issued to a bank to open DSRA letter of credit in favour of the Subsidiary Company's senior long term lenders.

16.1.3 During the year, the Standby Letter of Credit amounting to CAD 1,170 and Corporate Guarantee amounting to USD 1,250 against finance facilities granted to Engro Foods Canada Limited were released by the banks.

16.1.4 During 2013, Elengy Terminal Pakistan Limited, a wholly owned subsidiary, submitted a Letter of Guarantee for USD 1,000 in favour of Inter State Gas Systems (Private) Limited as part of its bid for the Fast Track LNG project. The Company secured the issuance of the Letter of Guarantee through a counter guarantee issued in favour of a bank which marked a lien on the running finance facility extended to the Company. During the year, the Letter of Guarantee after extension expired on June 30, 2014.

16.1.5 During the year, the Company extended a Corporate Guarantee amounting to USD 20,000 to a bank against a Letter of Credit facility granted to Engro Elengy Terminal (Private) Limited, a wholly owned subsidiary of Elengy Terminal Pakistan Limited.

16.1.6 During the year, the Company extended a Corporate Guarantee amounting to USD 5,500 to a bank against finance facilities granted to Engro Eximp (Private) Limited, a wholly owned subsidiary company.

16.2 Commitments

16.2.1 On October 01, 2012, the Company extended a Sponsor Support Undertaking in favour of a syndicate of banks against finance facility of Rs.500,000 to Engro Polymer and Chemicals Limited, a Subsidiary Company. As per the undertaking, in case the Subsidiary Company is unable to fulfill its financial obligations to the syndicate, the Company shall provide subordinated loan to the Subsidiary Company to fulfill the same.

(Amounts in thousand)

16.2.2 During the year, Engro Fertilizers Limited (E-Fert), a subsidiary company, has purchased losses surrendered by Engro Eximp Agriproducts (Private) Limited. a wholly owned subsidiary company of Engro Eximp (Private) Limited, 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 were duly adjusted by Efert against taxable profit for the financial year ended December 31, 2013 (Tax Year 2014) whilst filing its tax return for the said tax year. The Company has provided an indemnity to EFert in case of any losses incurred by it due to any adverse order on account of the Group Relief transaction.

17 DIVIDEND INCOME

	2014	2013
	------------(Rupees)------------	
Subsidiary Companies		
- Engro Powergen Limited	553,341	1,634,125
- Engro Powergen Qadirpur Limited	49,280	266,240
	602,621	1,900,365
Joint Venture		
- Engro Vopak Terminal Limited	630,000	540,000
	1,232,621	2,440,365

18. ROYALTY INCOME

The Company has granted Engro Fertilizers Limited, a Subsidiary Company, the right to use trade marks and copy rights of the Company for marketing of fertilizer products under a licensing agreement effective January 1, 2010.

19. ADMINISTRATIVE EXPENSES

	2014	2013
	------------(Rupees)------------	
Salaries, wages and staff welfare (notes 19.1 and 19.2)	145,542	163,119
Staff recruitment, training, safety and other expenses	9,168	5,465
Repairs and maintenance	479	845
Advertising, promotion and corporate branding	6,199	12,150
Rent, rates and taxes	34,542	45,644
Communication, stationery and other office expenses	12,030	17,070
Travel	9,845	8,646
Depreciation	9,270	12,863
Legal and professional charges	22,205	8,922
Donations (note 34)	31,500	20,300
Research and development cost	67,279	5,075
Director's fee and traveling	22,840	23,424
Other expenses	22,503	13,449
	393,402	336,972

19.1 Salaries, wages and other staff welfare is net off the amount recovered from subsidiaries amounting to Rs.332,448 (2013: Rs. 232,912) in accordance with the shared service agreements.

19.2 The above amount also includes Rs.27,957 (2013: Rs. 28,412) in respect of staff retirement benefits.

(Amounts in thousand)

20. OTHER INCOME

	2014	2013
	------------(Rupees)------------	
Financial assets:		
Income on deposits / other financial assets (note 20.1)	982,809	957,370
Non financial assets:		
Service charges (note 20.2)	11,249	12,177
Recoveries against write-off of investment in Avanceon Limited (note 20.3)	35,379	-
Reversal of provision against doubtful loan to Avanceon Limited	-	18,293
Capital gain on disposal of investment in Subsidiary Companies (notes 6.2 and 6.3)	1,146,064	730,076
Gain on disposal of property, plant and equipment	822	972
Others	367	2,844
	2,176,690	1,721,732

20.1 Includes Rs. 741,037 (2013: Rs. 870,714) in respect of profit earned on subordinated loans to Subsidiary Companies.

20.2 Represent service charges recovered against corporate guarantees extended by the Company on behalf of Subsidiary Companies.

20.3 In 2012, the Company, upon disposal of its investment in Avanceon Limited had written-off Rs. 381,957 in respect of its investment in Avanceon Limited. During the year, Rs. 35,379 was recovered thereagainst.

21. OTHER OPERATING EXPENSES

	2014	(Restated Note 4) 2013
	------------(Rupees)------------	
Workers' welfare fund	53,780	59,398
Auditors' remuneration (note 21.1)	1,002	1,384
Professional tax	100	99
	54,882	60,881

21.1 Auditors' remuneration

	2014	2013
Fee for the		
- audit of annual financial statements	220	200
- review of half yearly financial statements	140	125
Certifications, audit of retirement funds and other advisory / assurance services	579	943
Reimbursement of expenses	63	116
	1,002	1,384

22. FINANCE COST

	2014	2013
Interest / mark-up on borrowings	811,859	933,792
Amortization of transaction costs	36,249	86,470
Others - Derivative on IFC option (note 4)	356,411	547,869
	1,204,519	1,568,131

(Amounts in thousand)

23. TAXATION

	2014	(Restated Note 4) 2013
	------------(Rupees)------------	
Current		
- for the year	165,138	76,754
- for prior years (note 23.1)	-	118,266
	165,138	195,020
Deferred	(11,064)	(32,525)
	154,074	162,495

23.1 In 2013, the income tax department, in respect of the tax year 2011, determined additional income tax liability of Rs. 218,790 and raised a demand of Rs. 139,575 whereby the Deputy Commissioner Inland Revenue (DCIR) - Audit disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. The Company filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals who maintained the apportionment of expenses against dividend income and capital gains but allowed the allocation of administrative expenses against interest income, thereby reducing the income tax liability to Rs. 184,191 and revised the demand to Rs. 104,976. The Company paid Rs. 53,250 thereagainst and simultaneously filed an appeal against the CIR-Appeals decision with Appellate Tribunal Inland Revenue (ATIR) which granted a stay to the Company.

During the year, the ATIR has issued an order whereby the aforementioned appeal was remanded back to the assessing officers for denovo proceedings, thereby accepting the Company's contention. The income tax department, in response thereagainst, has filed an appeal with ATIR, which is pending for hearing. Further, during the year, the income tax department in respect of tax year 2012, amended the assessment and raised an additional demand of Rs. 250,773 on similar grounds. The Company filed an appeal against the said order with CIR-Appeals, whereby the order has been remanded back to assessing officers for denovo proceedings. However, the Company recognized a provision of Rs. 118,266 in 2013 in this respect for tax year 2011 and 2012, on prudence.

23.2 Relationship between tax expense and accounting profit

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the Company's applicable tax rate as follows:

	2014	2013
	------------(Rupees)------------	
Profit before tax	2,635,252	2,911,806
Tax calculated at the rate of 33% (2013: 34%)	869,633	990,014
Effect of exempt income	(520,200)	(646,124)
Effect of applicability of lower tax rate and other tax credits / debits	(195,359)	(181,395)
Tax charge for the year	154,074	162,495

(Amounts in thousand)

24. EARNINGS PER SHARE

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

Diluted earnings per share has been calculated by adjusting the weighted average number of ordinary shares outstanding for assumed conversion of equity option on IFC loan of USD 15,000 (note 7.4). The effect of these options was anti-dilutive as at December 31, 2013.

	2014	(Restated Note 4) 2013
	------------(Rupees)------------	
Profit for the year	2,481,178	2,749,311
Add: Loss on revaluation of conversion options on IFC loan - net of tax (note 7.4)	238,795	361,594
Less: Interest on subordinated loan	(14,812)	-
Profit used for the determination of Diluted EPS	2,705,161	3,110,905
	-------(Number of Share)-------	
Weighted average number of ordinary shares	515,591	511,269
Add : Weighted average adjustments for conversion of USD 15,000 IFC loan (note 7.4)	2,922	1,460
Weighted average number of shares for determination of diluted EPS	518,513	512,729

As at December 31, 2014, there is no dilutive effect on the basic earnings per share of the Company since the options granted on the Company's share to IFC have been exercised during the year.

(Amounts in thousand)

25. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged during the year 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)					
Managerial remuneration	48,128	-	170,679	39,791	-	128,184
Retirement benefits funds	1,260	-	22,295	4,486	-	17,817
Other benefits	-	-	5,687	-	-	4,646
Fees	-	13,200	-	-	15,400	-
Total	49,388	13,200	198,661	44,277	15,400	150,647
Number of persons including those who worked part of the year	1	11	54	1	12	50

25.1 The Company also provides certain household items for use of some employees and directors. Cars are also provided for use of certain employees and directors.

25.2 Premium charged during the year in respect of directors indemnity insurance policy, purchased by the Company, amounts to Rs.1,517 (2013: Rs. 1,496).

25.3 The above remuneration of chief executive, directors and executives also includes the amount recovered from subsidiaries in accordance with the shared service agreements.

26. RETIREMENT BENEFITS

26.1 Defined benefit gratuity plan

The Company faces the following risks on account of its gratuity plan:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility - Most assets are invested in risk free investments of 3, 5 or 10 year SSC's, RIC's, DSC's or Government Bonds. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment.

(Amounts in thousand)

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 gratuity plan exposes the Company to longevity risk i.e. the members survive longer than the expectation used in determining the obligation.

26.2 Valuation results

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

	Defined Benefit Gratuity Plan	
	2014	2013
	(Rupees)	
26.2.1 Balance Sheet Reconciliation		
Present value of defined benefit obligation	110,086	81,502
Fair value of plan assets	(114,071)	(94,353)
Surplus	(3,985)	(12,851)
Payable to Defined contribution gratuity fund	374	374
Net asset recognized in the balance sheet	(3,611)	(12,477)
26.2.2 Movement in net asset recognized		
Net asset at beginning of the year	(12,477)	(37,190)
Expense for the year	2,285	296
Remeasurement loss recognized in Other comprehensive income	6,581	24,417
Net asset at end of the year	(3,611)	(12,477)
26.2.3 Movement in present value of defined benefit obligation		
As at beginning of the year	81,502	132,150
Current service cost	3,902	4,657
Interest cost	10,567	13,968
Remeasurement (gain) / loss to Other comprehensive income	(10,185)	15,337
Benefits paid during the year	(8,787)	(41,725)
Liability transferred from / (to) Defined contribution gratuity fund	33,087	(42,885)
As at end of the year	110,086	81,502
26.2.4 Movement in fair value of plan assets		
As at beginning of the year	94,353	170,004
Expected return on plan assets	12,184	18,329
Benefits paid during the year	(8,787)	(41,725)
Remeasurement (loss) / gain to Other comprehensive income	(16,766)	(9,080)
Assets transferred by / (to) Defined contribution gratuity fund	33,087	(42,885)
Assets adjusted in respect of Defined contribution transfers	-	(290)
As at end of the year	114,071	94,353

(Amounts in thousand)

	Defined Benefit Gratuity Plan 2014	Defined Benefit Gratuity Plan 2013
	------------(Rupees)------------	
26.2.5 Charge for the year		
Current service cost	3,902	4,657
Net interest cost	(1,617)	(4,361)
	2,285	296
26.2.6 Principal actuarial assumptions used in the actuarial valuation		
	---------------(%)---------------	
Discount rate	10.50	13.00
Expected per annum rate of return on plan assets	10.50	13.00
Expected per annum rate of increase in future salaries	10.50	12.00
	------------(Rupees)------------	
26.2.7 Actual return on plan assets	1,807	29,796

26.2.8 Plan assets comprise of the following

	2014 Rupees	2014 (%)	2013 Rupees	2013 (%)
Fixed income instruments	215,549	78%	79,286	84%
Equity instruments	41,927	15%	14,943	16%
Cash	17,753	6%	123	0%
	275,229		94,352	

26.2.9 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

26.2.10 Historical information

	2014	2013	2012	2011	2010
	----------------(Rupees)----------------				
Present value of defined benefit obligation	(110,086)	(81,502)	(132,150)	(104,576)	(115,956)
Fair value of plan assets	114,071	94,353	170,004	113,689	125,199
Payable to Defined contribution gratuity fund	(374)	(374)	(664)	-	-
Surplus	3,611	12,477	37,190	9,113	9,243

26.2.11 Expected future cost for the year ending December 31, 2015 is Rs. 4,898.

(Amounts in thousand)

26.2.12 Remeasurement recognized in Other Comprehensive Income

	Defined Benefit Gratuity Plan 2014	Defined Benefit Gratuity Plan 2013
	------------(Rupees)------------	
Loss from change in demographic assumptions	-	(1)
Gain / (Loss) from change in experience adjustments	10,185	(15,699)
Gain from change in financial assumptions	-	363
Remeasurement of obligation	10,185	(15,337)
Actual return on plan assets	1,807	29,796
Expected return on plan assets	(12,183)	(18,329)
Difference in opening fair value of plan assets	(6,390)	(20,169)
Adjustments / transfers	-	(378)
Remeasurement of plan assets	(16,766)	(9,080)
	(6,581)	(24,417)
Tax impact at 33% (2013: 34%)	2,172	8,302
Remeasurement of retirement benefit obligation - net of tax	(4,409)	(16,115)

26.2.13 Demographic Assumptions

	2014	2013
Mortality rate	SLIC (2001-05)	SLIC (2001-05)
Rate of employee turnover	Heavy	Heavy

26.2.14 Sensitivity Analysis

The impact of 1% change in following variables on defined benefit obligation is as follows:

	Increase in Assumption	Decrease in Assumption
	------------Rupees------------	
Discount rate	105,498	77,424
Long term salary increases	114,964	85,495
Withdrawal rates : Light	111,010	83,163
Withdrawal rates : Heavy / Moderate	110,522	82,245

(Amounts in thousand)

26.2.15 Maturity Profile

Time in years	Defined Benefit Gratuity Plan (Rupees)
1	5,357
2	34,505
3	4,084
4	26,298
5-10	118,210
11-15	56,575
16-20	5,512
20+	1,382
Weighted average duration (years)	4.44

26.3 Defined contribution plans

An amount of Rs. 13,781 (2013: Rs. 12,343) has been charged during the year in respect of defined contribution plans maintained by the Company.

During the year, certain funds of other Group companies have been discontinued and the members of those funds have become members of defined contribution plans maintained by the Company as per the option given under each plan. Accordingly, the related member balances and matching assets / investments were transferred from those funds to the defined contribution plans maintained by the Company.

27. CASH UTILIZED IN OPERATIONS

	2014	2013
	------------(Rupees)------------	
Profit before taxation	2,635,252	2,911,806
Adjustment for non-cash charges and other items:		
Depreciation	23,343	30,866
Gain on disposal of property, plant and equipment	(822)	(972)
Provision for retirement and other service benefits	33,364	35,365
Income on deposits / other financial assets	(982,809)	(957,370)
Gain on disposal of long term investment	(1,146,064)	(730,076)
Dividend income	(1,232,621)	(2,440,365)
Royalty income	(878,744)	(715,693)
Financial charges	1,204,519	1,568,131
Reversal of provision against loan considered doubtful	-	(18,293)
Working capital changes (note 27.1)	27,228	179,237
	(317,354)	(137,364)

(Amounts in thousand)

	2014	2013
	------------(Rupees)------------	
27.1 Working capital changes		
(Increase) / decrease in current assets		
- Loans, advances, deposits and prepayments	(49,418)	(12,400)
- Other receivables (net)	(39,337)	27,520
	(88,755)	15,120
Increase in current liabilities		
- Trade and other payables including other service benefits (net)	115,983	164,117
	27,228	179,237

28. CASH AND CASH EQUIVALENTS

	2014	2013
Short term investments (note 10)	721,700	2,670,914
Cash and bank balances (note 11)	531,534	250,584
	1,253,234	2,921,498

29. FINANCIAL INSTRUMENTS BY CATEGORY

	2014	2013
Financial assets as per balance sheet		
- Loans and receivables		
Long term loans	2,165,599	5,163,511
Loans and advances	4,650,009	611,456
Other receivables	184,801	501,077
Cash and bank balances	531,534	250,584
	7,531,943	6,526,628
- Fair value through profit and loss		
Short term investments	721,700	2,672,915
Financial liabilities as per balance sheet		
- Financial liabilities measured at amortized cost		
Trade and other payables	255,190	184,984
Accrued interest / mark-up	250,274	337,866
Borrowings	4,000,000	6,290,142
Unclaimed dividends	90,492	92,373
Derivative financial instruments	-	791,833
	4,595,956	7,697,198

(Amounts in thousand)

30. FINANCIAL RISK MANAGEMENT

30.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Company's Finance and Planning department under policies approved by the Senior Management.

a) Market risk

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has given guarantees in favour of its subsidiary companies amounting to USD 159,144 (2013: USD 214,477) and CAD Nil (2013: CAD 1,170). The devaluation / revaluation of currency will only impact contingent liabilities and the impact on post tax profit for the year is nil.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The loans given to subsidiary companies exposes the Company to interest rate risk.

As at December 31, 2014, if interest rate on loans given to subsidiary companies had been 1% higher / lower with other variables held constant, post tax profit for the year would have been higher / lower by Rs. 45,467.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Company is not exposed to equity securities price risk as all of its investments are in subsidiary companies which are stated at cost.

As at December 31, 2014, if fair value had been 1% higher/lower with all other variables held constant post tax profit for the year would have been higher/lower by Rs.2,769.

b) Credit risk

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

Credit risk arises from deposits with banks and financial institutions, loans and advances, deposits, bank guarantees and other receivables. The credit risk on liquid funds and mutual fund securities is limited because counter parties are financial institutions with a reasonably high credit rating. The Company maintains an internal policy to place funds with commercial banks/mutual funds having a minimum short term credit rating of A1/AM3.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as under:

(Amounts in thousand)

	2014	2013
	------------(Rupees)-----------	
Long term loans	2,165,599	5,163,511
Loans and advances	4,650,009	611,456
Other receivables	98,589	445,240
Short term investments	721,700	2,672,915
Cash and bank balances	531,284	250,334
	8,167,181	9,143,456

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

Bank	Rating agency	Rating	
		Short term	Long term
Allied Bank Limited	PACRA	A1+	AA+
Askari Bank Limited	JCR-VIS	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Bank Al Habib Limited	PACRA	A1+	AA+
Bank Islami Pakistan Limited	PACRA	A1	A
Burj Bank Limited	JCR-VIS	A1	A
Citibank N.A	Moody's	P-1	A2
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A1+	AAA
JS Bank Limited	PACRA	A1	A+
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	JCR-VIS	A1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A-1	AA-
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A1+	AA+
Summit Bank Limited	JCR-VIS	A1	A

c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities.

The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

These objectives are achieved by maintaining sufficient cash and marketable securities.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

(Amounts in thousand)

	2014 Maturity upto one year	2014 Maturity after one year	2014 Total	2013 Maturity upto one year	2013 Maturity after one year	2013 Total
	(Rupees)					
Financial liabilities						
Trade and other payables	255,190	-	255,190	184,984	-	184,984
Accrued interest / mark-up	250,274	-	250,274	337,866	-	337,866
Borrowings	4,000,000	-	4,000,000	6,319,560	-	6,319,560
Unclaimed dividends	90,492	-	90,492	92,373	-	92,373
	4,595,956	-	4,595,956	6,934,783	-	6,934,783

30.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for share holders and benefit for other stake holders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

	2014	(Restated Note 4) 2013
	(Rupees)	
The proportion of borrowings to equity at the year end was:		
Total Borrowings	3,951,521	6,290,142
Total Equity	32,813,552	29,239,133
	36,765,073	35,529,275
Total borrowings to equity ratio	11%	18%

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.

30.3 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value of treasury bills and mutual fund securities is determined using rates prevailing in the market at the end of each year for identical assets i.e., level 1, which is Rs. 721,700 as at December 31, 2014 (2013: Rs. 2,672,915).

(Amounts in thousand)

31. PROVIDENT FUND

The Company operates defined contribution Provident Fund (the Fund) maintained for its permanent employees and the employees of its Group companies. Monthly contributions are made both by the Company, other Group companies and employees to the Fund at the rate of 10% of basic salary. Accordingly, the following information is based upon the latest audited financial statements of the Fund as at June 30, 2014 and 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 Rupees	2014 (%)	2013 Rupees	2013 (%)
National Savings Schemes	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

31.1 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.

32. NUMBER OF EMPOLYEES.

	Number of employees as at December 31, 2014	Number of employees as at December 31, 2013	Average number of employees December 31, 2014	Average number of employees December 31, 2013
Management employees	72	61	67	61
Non-management employees	1	1	1	2
	73	62	68	63

(Amounts in thousand)

33 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise subsidiaries, joint venture companies, other companies with common directors, retirement benefit funds, directors and key management personnel. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2014	2013
	------------(Rupees)------------	
Subsidiary companies		
Purchases and services	19,107	18,152
Services rendered	602,591	517,210
Mark-up from subsidiaries	741,038	870,714
Disbursement of loan	5,746,204	1,420,000
Repayment of loan by Subsidiary Companies	4,710,080	620,000
Dividend received	602,621	1,900,365
Royalty income	878,744	715,693
Reimbursements to Subsidiary Companies	122,952	58,425
Expenses paid on behalf of Subsidiary Companies	324,569	218,027
Investment	1,551,000	1,737,269
Divestment	620,273	1,156,537
Service fees against corporate guarantees	11,249	12,211
Remittance in Subsidiary Companies	30,120	-
Associated companies		
Purchases and services	2,216	2,075
Retirement benefits	25,495	28,297
Donations	31,500	20,300
Investment in Treasury bills	719,701	3,786,781
Redemption of investment Treasury bills	-	4,271,172
Investment in Mutual Funds securities	-	350,000
Sale of operating assets	-	9,247
Reimbursement to associated companies	6,730	-
Expenses paid on behalf of associated companies	9,239	-
Joint ventures		
Services rendered	1,273	2,457
Dividend received	630,000	540,000
Expenses paid on behalf of Joint venture	758	587
Reimbursements to Joint venture	31,036	41,191
Others		
Director's fees	13,200	15,400
Sale of operating assets	1,780	-
Remuneration of key management personnel	106,492	118,283
Reimbursements to key management personnel	8,017	-

(Amounts in thousand)

34 DONATIONS

Donations include the following in which directors are interested:

Name of Director	Interest in Donee	Name of Donee	2014	2013
			------------(Rupees)------------	
Muhammad Aliuddin Ansari, Ruhail Mohmmed, Safaraz A. Rehman, Khalid S. Subhani	Chairman Trustees Trustees Trustees	Engro Foundation	31,500	20,300

35 LOSS OF CERTAIN ACCOUNTING RECORDS

During 2007, a fire broke out at PNSC Building, Karachi where the Company's registered office was located. Immediately following this event the Company launched its Disaster Recovery Plan due to which operational disruption and financial impact resulting from this incident remained minimal.

The fire destroyed a substantial portion of its hard copy records, related to the financial years 2005, 2006 and the period January 1, 2007 to August 19, 2007 although, electronic data remained intact due to the aforementioned Disaster Recovery Plan. The Company launched an initiative to recreate significant lost records and was successful in gathering the same in respect of the financial year 2007. Hard copy records related to the already reported financial years 2005 and 2006 have not been recreated.

36 NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

36.1 The Board of Directors of Engro Vopak Terminal Limited (EVTL), a joint venture company, in its meeting held on February 4, 2015 has proposed a final cash dividend of Rs. 5.50 per share for the year ended December 31, 2014, amounting to Rs. 495,000, of which the proportionate share of the Company amounts to Rs. 247,500.

These financial statements for the year ended December 31, 2014 do not include the effect of the aforementioned dividend income, which will be accounted for in the financial statements for the year ending December 31, 2015 once the proposed dividend is approved in the Annual General Meeting of EVTL.

36.2 The Board of Directors of Engro Fertilizers Limited (EFert), a Subsidiary Company, in its meeting held on February 9, 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 of which the proportionate share of the Company amounts to Rs. 3,425,019.

These financial statements for the year ended December 31, 2014 do not include the effect of the aforementioned dividend income, which will be accounted for in the financial statements for the year ending December 31, 2015 once the proposed dividend is approved in the Annual General Meeting of EFert.

36.3 The Board of Directors in its meeting held on February 18, 2015 has proposed a final cash dividend of Rs. 4.00 per share for the year ended December 31, 2014, amounting to Rs. 2,095,139 for approval of the members at the Annual General Meeting to be held on April 22, 2015.

The financial statements for the year ended December 31, 2014 does not include the effect of the proposed cash dividend, which will be accounted for in the financial statements for the year ending December 31, 2015.

(Amounts in thousand)

37 CORRESPONDING FIGURES

Prior year's figures have been restated consequent to the exercise of option on the Company's shares by the International Finance Corporation (IFC) on IFC's loan to Engro Fertilizers Limited (Subsidiary Company), as more fully explained in note 4. Other corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, the effects of which are not material.

38 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on February 18, 2015 by the Board of Directors of the Company.

Hussain Dawood Chairman	Muhammad Aliuddin Ansari President and Chief Executive

consolidated accounts

- Auditors' Report to the Members

- Consolidated Financials

auditors' report to the members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Engro Corporation Limited (the Holding Company) and its subsidiary companies as at December 31, 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and the subsidiary companies, whereas, financial statements of Engro Eximp FZE have been audited by PricewaterhouseCoopers - U.A.E. whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for Engro Eximp FZE, is based solely on the report of such other auditor.

These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Engro Corporation Limited (the Holding Company) and its subsidiary companies as at December 31, 2014 and the results of their operations for the year then ended.

Chartered Accountants
Karachi
Date: March 17, 2015

Engagement Partner: Waqas A. Sheikh

consolidated balance sheet

as at december 31, 2014

(Amounts in thousand)

	Note	2014	(Restated-note 4) 2013	2012
		---(Rupees)---		
Assets				
Non-current assets				
Property, plant and equipment	5	134,507,257	131,969,040	132,013,681
Exploration and evaluation assets		-	-	539,752
Biological assets	6	858,680	716,465	668,455
Intangible assets	7	296,093	807,966	782,958
Long term investments	8	2,735,157	1,873,995	1,267,973
Deferred taxation	9	1,103,153	1,502,981	1,628,520
Long term loans, advances and other receivables	10	1,183,224	307,435	254,348
Deferred employee compensation expense	14	112,581	168,865	-
		140,796,145	137,346,747	137,155,687
Current Assets				
Stores, spares and loose tools	11	7,547,456	7,038,623	6,508,440
Deferred taxation	9	960,537	-	-
Stock-in-trade	12	11,567,174	20,699,771	16,591,475
Trade debts	13	4,615,213	3,033,487	10,637,999
Deferred employee compensation expense	14	90,430	136,153	-
Derivative financial instruments	15	-	130,207	26,332
Loans, advances, deposits and prepayments	16	1,708,023	1,451,026	1,072,618
Other receivables	17	5,317,228	4,995,503	3,087,676
Taxes recoverable		3,252,789	3,086,087	3,966,213
Short term investments	18	28,987,084	21,366,091	5,998,027
Cash and bank balances	19	12,244,533	6,899,123	4,663,275
		76,290,467	68,836,071	52,552,055
Assets attributable to discontinued operations	20	-	980,140	-
TOTAL ASSETS		217,086,612	207,162,958	189,707,742

(Amounts in thousand)

	Note	2014	(Restated-note 4) 2013	2012
		---(Rupees)---		
Equity & Liabilities				
Equity				
Share capital	21	5,237,848	5,112,694	5,112,694
Share premium		13,068,232	10,550,061	10,550,061
Employee share option compensation reserve	14	399,740	407,133	-
Revaluation reserve on business combination		63,890	74,092	84,294
Maintenance reserve	22	178,758	213,335	213,335
Exchange revaluation reserve		4,289	35,418	69,122
Hedging reserve	23	(143,339)	(185,689)	(362,925)
General reserves		4,429,240	4,429,240	4,429,240
Unappropriated profit		33,996,946	26,832,821	18,268,187
Remeasurement of post-employment benefits		(58,358)	(60,760)	(12,883)
		51,939,398	42,295,651	33,238,431
		57,177,246	47,408,345	38,351,125
Non-Controlling Interest		10,847,266	5,319,491	4,713,908
Advance against issuance of shares to Non-Controlling Interest by subsidiary company		-	2,954,829	-
Total Equity		68,024,512	55,682,665	43,065,033
Liabilities				
Non-current liabilities				
Borrowings	24	55,379,841	78,321,114	73,257,370
Derivative financial instruments	15	51,103	1,611,258	639,525
Deferred taxation	9	6,558,433	6,301,051	5,191,496
Deferred liabilities	25	197,543	221,856	220,453
		62,186,920	86,455,279	79,308,844
Current Liabilities				
Trade and other payables	26	53,498,390	40,112,860	30,498,974
Accrued interest / mark-up	27	2,067,680	2,252,256	2,613,633
Current portion of				
- borrowings	24	17,945,494	14,754,508	27,436,692
- obligations under finance lease		-	-	2,589
- deferred liabilities	25	43,338	45,883	39,624
Short term borrowings	28	11,764,678	6,380,255	5,828,090
Derivative financial instruments	15	1,465,108	1,247,823	817,327
Unclaimed dividends		90,492	92,375	96,936
		86,875,180	64,885,960	67,333,865
Total Liabilities		149,062,100	151,341,239	146,642,709
Liabilities associated with discontinued operations	20	-	139,054	-
Contingencies and Commitments	29			
TOTAL EQUITY & LIABILITIES		217,086,612	207,162,958	189,707,742

The annexed notes from 1 to 57 form an integral part of these consolidated financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

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

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

	Note	2014	(Restated-note 4) 2013
		-------------(Rupees)-------------	
Net sales	30	175,958,342	155,359,930
Cost of sales	31	(139,769,753)	(114,763,238)
Gross Profit		36,188,589	40,596,692
Selling and distribution expenses	32	(10,840,309)	(10,396,595)
Administrative expenses	33	(3,963,882)	(3,387,870)
		21,384,398	26,812,227
Other income	34	3,719,042	2,732,345
Other operating expenses	35	(2,499,562)	(1,794,092)
Finance cost	36	(12,344,159)	(15,634,199)
Share of income from joint venture and associates	37	723,036	609,622
Profit before taxation		10,982,755	12,725,903
Taxation	38	(3,181,909)	(4,401,060)
Profit for the year		7,800,846	8,324,843
Profit / (Loss) attributable to:			
- Discontinued operations	20	(644,309)	(30,927)
- Continuing operations		8,445,155	8,355,770
		7,800,846	8,324,843
Profit attributable to:			
- Owners of the Holding Company		7,006,832	7,818,074
- Non Controlling Interest		794,014	506,769
		7,800,846	8,324,843
		--------------Rupees---------------	
Earnings / (loss) per share from - Basic and diluted:	39		
- Discontinued operations		(1.09)	(0.04)
- Continuing operations		14.68	15.33
		13.59	15.29

The annexed notes from 1 to 57 form an integral part of these consolidated financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

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

(Amounts in thousand)

	2014	(Restated-note 4) 2013
	-------------(Rupees)-------------	
Profit for the year	7,800,846	8,324,843
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Hedging reserve - cash flow hedges		
Losses arising during the year	(1,714,461)	(118,004)
Less:		
- Reclassification adjustments for losses included in profit and loss account	1,802,791	436,492
- Adjustments for amounts transferred to initial carrying amount of hedged items (capital work in progress / stock in trade)	34,527	(22,568)
	122,857	295,920
Revaluation reserve on business combination	(21,318)	(21,974)
Exchange differences on translation of foreign operations	(33,339)	(33,704)
	68,200	240,242
Income tax relating to:		
Hedging reserve - cash flow hedges	(60,261)	(106,753)
Revaluation reserve on business combination	7,035	7,691
	(53,226)	(99,062)
Items that will not be reclassified to profit and loss account		
Remeasurement of post employment benefits obligation - Actuarial (loss) / gain	4,083	(82,071)
Income tax relating to remeasurement of post employment benefits obligation	(2,172)	27,365
	1,911	(54,706)
Deferred tax charge relating to revaluation of equity related items	(1,648)	(1,648)
Other comprehensive income for the year, net of tax	15,237	84,826
Total comprehensive income for the year	7,816,083	8,409,669
Total comprehensive income attributable to equity shareholders arises from:		
- Discontinued operations	(668,543)	(17,694)
- Continuing operations	8,484,626	8,427,363
	7,816,083	8,409,669
Total comprehensive income attributable to:		
- Owners of the Holding Company	7,009,984	7,903,527
- Non Controlling Interest	806,099	506,142
	7,816,083	8,409,669

The annexed notes from 1 to 57 form an integral part of these consolidated financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

consolidated statement of changes in equity

for the year ended december 31, 2014

(Amounts in thousand)

	Share capital	Share premium	Employee share option compensation reserve	Revaluation reserve on business combination	Maintenance reserve (note 22)	Exchange revaluation reserve	Hedging reserve	General reserve	Unappro-priated Profit	Remeasurement of post emplo-yment benefits-acturial(loss)/income	Sub total	Non controlling Interest	Total
	-----	-----	-----	-----	-----	-----	(Rupees)	-----	-----	-----	-----	-----	-----
Balance as at 1 January, 2013	5,112,694	10,550,061	-	84,294	213,335	69,122	(362,925)	4,429,240	18,423,593	(12,883)	38,506,531	4,713,908	43,220,439
Effect of recognition of derivative liability on option to International Finance Corporation (IFC), net of tax - note 4	-	-	-	-	-	-	-	-	(155,406)	-	(155,406)	-	(155,406)
Balance as at January 1, 2013 - restated	5,112,694	10,550,061	-	84,294	213,335	69,122	(362,925)	4,429,240	18,268,187	(12,883)	38,351,125	4,713,908	43,065,033
Total comprehensive income for the year ended December 31, 2013													
Profit for the year	-	-	-	-	-	-	-	-	7,818,074	-	7,818,074	506,769	8,324,843
Other comprehensive income	-	-	-	(10,202)	-	(33,704)	177,236	-	-	(47,877)	85,453	(627)	84,826
	-	-	-	(10,202)	-	(33,704)	177,236	-	7,818,074	(47,877)	7,903,527	506,142	8,409,669
Transactions with owners													
Effect of partial disposal of shares held in subsidiary company by Holding Company	-	-	-	-	-	-	-	-	701,938	-	701,938	84,388	786,326
Shares issued during the year by subsidiary company	-	-	-	-	-	-	-	-	44,622	-	44,622	180,953	225,575
Options granted during the year by subsidiary company under Employees Share Option Scheme	-	-	407,133	-	-	-	-	-	-	-	407,133	-	407,133
Dividend by subsidiary allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	-	(165,900)	(165,900)
	-	-	407,133	-	-	-	-	-	746,560	-	1,153,693	99,441	1,253,134
Balance as at December 31, 2013 - restated	5,112,694	10,550,061	407,133	74,092	213,335	35,418	(185,689)	4,429,240	26,832,821	(60,760)	47,408,345	5,319,491	52,727,836
Total comprehensive income for the year ended December 31, 2014													
Profit for the year	-	-	-	-	-	-	-	-	7,006,832	-	7,006,832	794,014	7,800,846
Other comprehensive income	-	-	-	(10,202)	-	(31,129)	42,350	-	-	2,133	3,152	12,085	15,237
	-	-	-	(10,202)	-	(31,129)	42,350	-	7,006,832	2,133	7,009,984	806,099	7,816,083
Transactions with owners													
Shares issued to IFC upon exercise of conversion option	125,154	2,518,171	-	-	-	-	-	-	-	-	2,643,325	-	2,643,325
Derecognition of Non-controlling interest relating to investment in subsidiary company	-	-	-	-	-	-	-	-	-	269	269	(337,855)	(337,586)
Effect of Dividend in specie - Shares of Subsidiary company transferred to owners of Holding Company	-	-	-	-	-	-	-	-	(1,087,971)	-	(1,087,971)	1,087,971	-
Employees Share Option Scheme of subsidiary company	-	-	(7,393)	-	-	-	-	-	-	-	(7,393)	-	(7,393)
Shares issued during the year by subsidiary company	-	-	-	-	-	-	-	-	603,461	-	603,461	1,417,368	2,020,829
Gain on disposal of shares of subsidiary company	-	-	-	-	-	-	-	-	216,942	-	216,942	619,135	836,077
Dividend by subsidiary allocable to Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-	-	(182,056)	(182,056)
Effect of conversion of IFC loan into ordinary shares by subsidiary company	-	-	-	-	-	-	-	-	775,657	-	775,657	408,570	1,184,227
Transfer of maintenance reserve to Non-Controlling Interest	-	-	-	-	(34,577)	-	-	-	-	-	(34,577)	34,577	-
Gain on disposal of equity reserves in subsidiary company	-	-	-	-	-	-	-	-	683,144	-	683,144	-	683,144
Increase in Non-Controlling Interest due to disposal of shareholding in subsidiary company	-	-	-	-	-	-	-	-	-	-	-	1,673,966	1,673,966
Interim cash dividend for the year ended December 31, 2014 @ Rs. 2.00 per share	-	-	-	-	-	-	-	-	(1,033,940)	-	(1,033,940)	-	(1,033,940)
	125,154	2,518,171	(7,393)	-	(34,577)	-	-	-	157,293	269	2,758,917	4,721,676	7,480,593
Balance as at December 31, 2014	5,237,848	13,068,232	399,740	63,890	178,758	4,289	(143,339)	4,429,240	33,996,946	(58,358)	57,177,246	10,847,266	68,024,512

The annexed notes from 1 to 57 form an integral part of these consolidated financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

consolidated statement of cash flows

for the year ended december 31, 2014

(Amounts in thousand)

	Note	2014	(Restated-note 4) 2013
		-------------(Rupees)-------------	
Cash flows from operating activities			
Cash generated from operations	42	45,510,549	45,236,162
Retirement and other service benefits paid		(119,416)	(469,883)
Financial charges paid		(11,646,148)	(11,152,374)
Taxes paid		(3,708,981)	(2,050,436)
Long term loans and advances - net		(875,789)	(57,621)
Net cash generated from operating activities		29,160,215	31,505,848
Cash flows from investing activities			
Exploration and evaluation expenditure incurred		-	(215,998)
Purchases of property, plant & equipment, intangible assets and biological assets		(9,432,994)	(8,628,735)
Sale proceeds on disposal of property, plant & equipment and biological assets		371,538	378,286
Investment in associated company		(165,131)	(536,400)
Disposal of subsidiary - net of exit costs and		87,048	-
Investment made during the period - net		(25,486,527)	-
Income on deposits / other financial assets		2,321,956	1,095,370
Dividends received		630,000	540,000
Net cash used in investing activities		(31,674,110)	(7,367,477)
Cash flows from financing activities			
Repayments of borrowings - net		(18,295,920)	(10,850,974)
Proceeds from issue of shares		1,495,080	-
Proceeds against partial disposal of shares held in subsidiary company by Holding Company		-	786,326
Advance received against issue of shares by subsidiary company		-	2,954,829
Proceeds from short term finance		4,750,000	-
Repayments of short term finance		-	(500,000)
Obligations under finance lease - net		-	(2,589)
Proceeds against disposal of shares of subsidiary company		2,356,962	225,575
Dividends paid		(1,217,879)	(170,461)
Net cash used in financing activities		(10,911,757)	(7,557,294)
Net (decrease) / increase in cash and cash equivalents		(13,425,652)	16,581,077
Cash and cash equivalents at beginning of the year		21,914,289	5,333,212
Cash and cash equivalents at end of the year	43	8,488,637	21,914,289

The annexed notes from 1 to 57 form an integral part of these consolidated financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

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

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

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

1.2 The "Group" consists of:

Holding Company- Engro Corporation Limited

Subsidiary companies, Companies in which the Holding Company owns over 50% of voting rights, or companies directly controlled by the Holding Company:

	%age of direct holding	
	2014	2013
• Engro Eximp (Private) Limited (note 1.3.1)	100	100
• Engro Powergen Limited (note 1.3.2)	100	100
• Elengy Terminal Pakistan Limited (note 1.3.3)	100	100
• Engro Foods Limited (note 1.3.4)	87.06	87.06
• Engro Fertilizers Limited (note 1.3.5)	86.6	100
• Engro Polymer and Chemicals Limited (note 1.3.6)	56.19	56.19
Joint Venture Company:		
• Engro Vopak Terminal Limited (note 1.4)	50	50

1.3 Subsidiary companies

1.3.1 Engro Eximp (Private) Limited

Engro Eximp (Private) Limited (EEL), a wholly owned subsidiary of the Holding Company, is a private limited company incorporated in Pakistan. EEL is principally engaged in the following trading businesses:

a) Fertilizer Trading: EEL imports and sells different types of fertilizers and other related products which are being sold to the dealers through Engro Fertilizers Limited (EFert), which has been appointed as a selling agent.

b) Agri commodities Procurement / Trading: EEL has been engaged in the procurement / trading of agri commodities, including sugar and Hydrogenated palm oil (HPO), whereby EEL takes trading positions in the local and international markets for itself and its associated undertakings on the basis of fundamental and technical analysis. Further, EEL is also engaged in physical trading of HPO and sugar to the customers in local market.

c) Coal Trading: EEL is also engaged in coal trading business, whereby it procures coal and provides transportation and handling services with respect to procurement of coal.

Following are the subsidiaries of EEL:	%age of direct holding	
	2014	2013
• Engro Eximp Agriproducts (Private) Limited, (note 1.3.1.1)	100	100
• Engro EXIMP FZE (note 1.3.1.3)	100	100

(Amounts in thousand)

1.3.1.1 Engro Eximp Agriproducts (Private) Limited (EEAP), is a private limited company, incorporated in Pakistan. The principal activity of the EEAP is to produce, manufacture and trade all kinds of raw, processed and prepared food products including agriculture, dairy and farming products. EEAP has set up a rice processing plant in District Shaikhupura, which commenced commercial production in 2011.

1.3.1.2 During the year, EEAP incurred a loss of Rs. 4,301,612 as a result of which, EEAP as at balance sheet date has a negative equity of Rs. 2,335,416. Further, as of the balance sheet date its current liabilities exceeded its current assets by Rs. 5,215,244.

The weak financial performance is primarily due to the recent downturn in the rice industry which resulted in significant reduction of margins, coupled with unexpected appreciation of Pak Rupee. The management is confident that EEAP will be able to revert to sustained performance in the coming years, as the supply / demand situation normalizes in the market. Further, the management has intention to restructure the business by focusing on creating brand equity to attain market share and to reduce the exposure to commodity price volatility. In order to reduce short term liabilities and losses, the management has decided to scale down its rice business, redefine the business model and focus on reduction in fixed costs.

In addition, the principal sponsors of EEAP (i.e. the Holding Company) have provided EEAP with a letter of support in order to meet the necessary financial commitments and their renewals as and when they arise. Accordingly, the financial statements of EEAP have been prepared on a going-concern basis and do not include adjustments, if any, relating to the recoverability and reclassification of recorded assets and liabilities that may be necessary should EEAP be unable to continue as a going-concern.

The auditor's report on the separate financial statements of EEAP for the year ended December 31, 2014 contains an emphasis of matter paragraph with respect to the aforementioned matter relating to going- concern.

1.3.1.3 Engro Eximp FZE (EFZE) is incorporated in the Jebel Ali Free Zone, Emirate of Dubai and is engaged in the business of trading seeds, agricultural tools, chemical fertilizers, organic fertilizers, plant seeds, ghee, vegetable oil, grains, cereals legumes, sugar, flour, agricultural equipment and accessories.

1.3.2 Engro Powergen Limited

Engro Powergen Limited (EPL), a wholly owned subsidiary of the Holding Company, is a public unlisted company incorporated in Pakistan. It is established with the primary objective to analyze potential opportunities in the Power Sector and undertake Independent Power Projects (IPPs) based on feasibilities of new ventures.

Following are the subsidiaries of EPL:	%age of direct holding	
	2014	2013
• Engro Powergen Qadirpur Limited (note 1.3.2.1)	68.8	84
• Engro Power Services Limited (note 1.3.2.2)	100	-
• Engro Powergen Thar (Private) Limited (note 1.3.2.3)	100	-
• Engro Power International Holding B.V. (note 1.3.2.4)	100	-
• Sindh Engro Coal Mining Company Limited (note 1.3.2.5)	-	60
Following are the associated companies of EPL:		
• Sindh Engro Coal Mining Company Limited (note 1.3.2.5)	22.15	-
• GEL Utility Limited (note 1.3.2.6)	45	45

(Amounts in thousand)

1.3.2.1 Engro Powergen Qadirpur Limited (EPQL) was established as an unlisted public company incorporated in Pakistan with the primary objective to undertake the business of power generation, distribution, transmission and sale. EPQL completed construction and testing of its 217.3 MW combined cycle power plant and has commenced commercial operation on March 27, 2010. The electricity generated is transmitted to the National Transmission and Dispatch Company (NTDC) under the Power Purchase Agreement (PPA) dated October 26, 2007, valid for a period of 25 years.

During the year, the Holding Company and EPL made an offer for sale for 32,000,000 and 48,950,000 ordinary shares of Rs. 10 each, respectively held in EPQL at a price of Rs. 30.02 per share determined through the book building process. Out of the entire offer of 80,950,000 ordinary shares, 40,475,000 ordinary shares were subscribed by institutional investors through private placement, while the remaining were offered to the general public through, Initial Public Offer (IPO). During the year, EPQL has been formally listed on the Karachi and Islamabad Stock Exchanges and the shares have been duly allotted to the shareholders.

1.3.2.2 Engro Power Services Limited (EPSL), a private limited company, has been established during the year in Nigeria with the objective to carry on business as power generating, transmission, distribution and servicing company.

1.3.2.3 Engro Powergen Thar (Private) Limited (EPTPL), a private limited company, has been established and incorporated during the year in Pakistan. The principal operations of EPTPL is to carry out the business of power generation, distribution, transmission and sale of electricity. EPTL has been formed for the purpose of the development of 2 x 330 MW mine mouth power plants at Thar Block II, Sindh.

1.3.2.4 Engro Power International Holding B.V. (EPIH), a private limited company, has been established during the year in Rotterdam, Netherlands with the objective to incorporate, participate, manage and supervise business and companies.

1.3.2.5 Sindh Engro Coal Mining Company Limited (SECMC) was formed under a Joint Venture Agreement (JVA), dated September 8, 2009, between the Government of Sindh (GoS 40%) and EPL (60%). The aforementioned JVA is consequent to the selection of SECMC as GoS's joint venture partner, through an International Competitive Bidding process, for the development, construction and operations of an open cast lignite mine in Block-II of Thar Coal Field, Sindh (the Project), with an annual mining capacity of 6.5 million tons of coal.

GoS has granted a mining lease of 30 years to SECMC for exploration and mining activities in Thar Block-II. Based on the DFS conducted by SECMC, Thar Block-II has estimated coal reserves of approximately 2 billion tons, independently verified by a Competent Person Statement (CPS) in 2012, of which 195 million tons will be mined at the rate of 6.5 million tons per year over the period of the mining lease. SECMC also received a firm proposal for Engineering, Procurement & Construction (EPC) for 6.5 million tons per annum mining capacity and 1,200 MW power plant from an international contractor. However, in May 2013, SECMC in order to reduce its capital investment and optimize the project size and cost decided to decouple the mining and power projects.

During the year, the revised JVA was signed, pursuant to which EPL's shareholding in SECMC has been reduced from 60% to 22.15%. Accordingly, SECMC has now been classified as an associated company and has not been consolidated.

1.3.2.6 During the year, 12,272,727 ordinary shares of Naira 1 each in GEL Utility Limited (GEL) were issued to EPL for 45% equity stake in GEL. GEL is a private limited company established in Nigeria. GEL has been formed with the objective of generation and distribution of energy, power and other related services and has undertaken a project of 72 MW triple redundancy captive power plant, which commenced commercial operations from November 21, 2014.

(Amounts in thousand)

1.3.3 Elengy Terminal Pakistan Limited

Elengy Terminal Pakistan Limited (ETPL), a wholly owned subsidiary of the Holding Company, is a public unlisted company, incorporated in Pakistan.

The principal business of ETPL is to establish and operate a terminal for handling, re-gasification, storage, treatment and processing, along with import, export and trading, of Liquefied Natural Gas (LNG), Re-gasified Liquefied Natural Gas (RLNG), Liquid Petroleum Gas (LPG), Natural Gas Liquid (NGL) and all other related liquids, gases and chemical and petroleum products.

Following is the subsidiary of ETPL:	%age of direct holding	
	2014	2013
• Engro Elengy Terminal (Private) Limited (EETPL)	100	-

A tender for Fast Track LNG Project (the Project) was issued by Inter State Gas Systems (Private) Limited (ISGS) on behalf of the Government of Pakistan on August 15, 2013 for receipt, storage and re-gasification of 1.5 million tons of LNG in the first year and 3.0 million tons for next 14 years. ETPL's bid for this project was successful, and under the Request for Proposal for the Project, ETPL was required to incorporate a special purpose vehicle which will own and operate the LNG facilities and enter into all project related agreements including the LNG Operations and Services Agreement (LSA). During the year, ETPL incorporated a wholly owned subsidiary, EETPL, for this purpose.

During the year, LSA was formally signed by EETPL with Sui Southern Gas Company Limited on April 30, 2014, and the LNG terminal is on schedule to achieve commissioning by the due date of March 31, 2015.

1.3.4 Engro Foods Limited

Engro Foods Limited (EFoods), is a public listed company, incorporated in Pakistan. The principal activity of EFoods is to manufacture, process and sell dairy products, beverages, ice cream and frozen desserts. It also owns and operates a dairy farm.

1.3.4.1 Engro Foods Netherlands B.V. (EF Netherlands), is a wholly owned subsidiary of EFoods. The principal activity of EF Netherlands is to manage investments in subsidiary companies. EF Netherlands had acquired an existing brand of halal meat business known as 'Al-Safa', engaged in supplying a variety of packaged halal foods across North America, through Engro Foods Canada Limited (EFCL). EFCL was a wholly owned subsidiary of EF Netherlands, incorporated in Canada.

During the year, EFoods decided to exit from its North American business, i.e. EFCL. Accordingly, EF Netherlands entered into a Share Purchase Agreement (SPA) with a Canadian registered company for sale of shares of EFCL. The sale transaction was completed on October 31, 2014.

1.3.5 Engro Fertilizers Limited

1.3.5.1 Engro Fertilizers Limited (EFert), is a public listed company, incorporated in Pakistan. The principal activity of EFert is manufacturing, purchasing and marketing of fertilizers.

1.3.5.2 During 2013, EFert, through an Initial Public Offer (IPO) issued 75 million ordinary shares having face value of Rs. 10 each at a price of Rs. 28.25 per share, determined through the book building process. Further, the Holding Company also divested 30 million ordinary shares of EFert, representing 2.45% of its total investment in EFert, at a price of Rs. 28.25 per share to certain local / foreign institutional investors and High Net Worth Individuals (Informed Buyers). During the year, EFert was formally listed on the Karachi, Lahore and Islamabad Stock Exchanges and the shares have been duly allotted to the shareholders.

(Amounts in thousand)

1.3.5.3 On March 31, 2014, the shareholders of the Holding Company in its Annual General Meeting approved a Dividend in Specie for the year ended December 31, 2013 in the ratio of 1:10 (one share of EFert for every ten shares held of the Holding Company). Consequently, 51,126,943 shares of EFert, representing 4.29% of Holding Company's investment in EFert, were allotted to the Holding Company's shareholders in April 2014.

1.3.5.4 As more fully explained in note 24.5.1, during the year International Finance Corporation (IFC) exercised conversion option on the shares of the Holding Company and EFert, and as a result 12,515,319 and 20,541,667 shares of the Holding Company and EFert, respectively, were issued to IFC.

1.3.6 Engro Polymer and Chemicals Limited

Engro Polymer and Chemicals Limited (EPCL), is a public listed company, incorporated in Pakistan. The principal activity of EPCL is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), caustic soda and other related chemicals. It is also engaged in supply of surplus power generated from its power plants to EFert (NPK Plant).

Further, EPCL has a wholly owned subsidiary, Engro Polymer Trading (Private) Limited (EPTL), which is a private limited company incorporated in Pakistan. EPTL's principal activity is to purchase, market and export PVC, VCM and related chemicals.

1.4 Joint Venture Company - Engro Vopak Terminal Limited

Engro Vopak Terminal Limited (EVTL), a 50% share joint venture of the Holding Company is a public unlisted company incorporated in Pakistan. EVTL is a joint venture of the Holding Company and Royal Vopak Netherlands B.V. EVTL has been granted the exclusive concession, right and license to design, finance, insure, construct, test, commission, complete, operate, manage and maintain an Integrated Liquid Chemical Terminal and Storage Farm at the south western zone of Port Qasim on Build, Operate and Transfer (BOT) basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2.1.3 The preparation of consolidated financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

(Amounts in thousand)

2.1.4 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments to published standards and interpretations that are effective in 2014

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

- 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 Group'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 Group’s financial statements.

- 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 Group’s current accounting treatment policy is already in line with this amendment.

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 Group's financial reporting and operations.

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

The following new standards and amendments to published standards are not effective for the financial year beginning on January 1, 2014 and have not been early adopted by the Group:

- IFRS 10 ‘Consolidated financial statements’ (effective for periods beginning on or after January 1, 2015). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in determination of control where this is difficult to assess. It is unlikely that the standard will have any significant impact on the Group's financial statements.

- IFRS 12 ‘Disclosures of interests in other entities’ (effective for periods beginning on or after January 1, 2015). The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance-sheet vehicles. The standard may result in additional disclosures in the Group's financial statements.

- 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 Group 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 Group's financial statements.

(Amounts in thousand)

- 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 Group's financial statements.

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

- IFRS 2 'Share based payments' (effective for annual periods beginning on or after July 1, 2014). This amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. It is unlikely that the standard will have any significant impact on the Group's financial statements.

- IFRS 7 'Financial instruments: Disclosures' (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 Group's financial statements.

- IFRS 8 'Operating segments' (effective for annual periods beginning on or after July 1, 2014). This amendment requires disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. The amendment will only affect the disclosures in the Group's financial statements.

- 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 Group'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 Group's financial statements.

(Amounts in thousand)

- 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 Group'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 Group and therefore, have not been presented here.

2.1.5 Basis of consolidation

i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-recognized from the date the control ceases. These consolidated financial statements include Engro Corporation Limited (the Holding Company) and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors (the Subsidiaries).

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in consolidated profit and loss account.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized in profit and loss account.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses (unrealized) are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(Amounts in thousand)

iii) Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit and loss account. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed off the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to consolidated profit and loss account.

2.2 Exploration and evaluation assets

Exploration and evaluation assets in respect of area of interest includes license fee, detailed feasibility study and all other related studies to ensure bankability of the Project including ancillary (operating and administrative) cost related thereto.

The aforementioned expenditure supporting the technical feasibility and economic / commercial viability, are capitalized as exploration and evaluation assets, where:

- such costs are expected to be recouped through successful development and exploration of the area of interest or alternatively, by its sale; or

- exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence, or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

Capitalized exploration and evaluation expenditure is recorded at cost less impairment charges. As asset is not available for use, it is not depreciated, however, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

Cash flows associated with exploration and evaluation expenditure are classified as investing activities in the consolidated statement of cash flows.

2.3 Development properties

Development expenditure represents expenditure incurred in area in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and related infrastructure.

Once a development decision has been taken the carrying amount of the exploration and evaluation asset is transferred to development expenditure and classified under non-current assets as 'development properties'.

Cash flows associated with development properties are classified as investing activities in the consolidated statement of cash flows.

2.4 Property, plant and equipment

2.4.1 Owned assets

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

(Amounts in thousand)

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 Group 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 consolidated profit and loss account.

Depreciation is charged to consolidated 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 is written off over its estimated useful life. Depreciation on addition is charged from the month following the month in which the asset is available for use and on disposals upto the preceding month of disposal.

The Group reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation.

2.4.2 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to 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.

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

Operating lease / Ijarah arrangements in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases / Ijarah arrangements. Rentals due under operating lease / Ijarah arrangements are recognized in the consolidated profit and loss account.

2.5 Capital spares

Spare parts and servicing equipment are classified as property, plant and equipment rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. Upon utilization, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of principal asset, whichever is lower.

2.6 Biological assets

Livestock are measured at their fair value less estimated point-of-sale costs. Fair value of livestock is determined by an independent valuer on the basis of best available estimate for livestock of similar attributes. Milk is initially measured at its fair value less estimated point-of-sale costs at the time of milking. The fair value of milk is determined based on market prices in the local area.

(Amounts in thousand)

Gains or losses arising from changes in fair value less estimated point-of-sale costs of livestock and milk are recognized in the consolidated profit and loss account.

Crops in the ground and at the point of harvest at balance sheet date are measured at cost being an approximation of fair value, as these are presently being used as internal consumption for cattle feed and have a very short biological transformation and consumption cycle.

2.7 Intangible assets

a) Goodwill

Goodwill represents the difference between the consideration paid for acquiring interests in a company and the value of the Group's share of its net assets at the date of acquisition.

b) Brands

These are stated at cost less impairment, if any. Carrying amounts of these intangibles are subject to impairment review at each balance sheet date and where conditions exist, impairment is recognized.

The useful lives of intangible assets are reviewed at each balance sheet date to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset.

c) Computer software and licenses

Costs associated with maintaining computer software programmes are recognized as an expense when incurred. However, costs that are directly attributable to identifiable software and have probable economic benefits exceeding the cost beyond one year, are recognized as an intangible asset. Direct costs include the purchase cost of software (license fee) and related overhead cost.

Expenditure which enhances or extends the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

Computer software cost treated as intangible assets are amortized from the date the software is put to use on straight-line basis over their respective useful lives.

d) Rights for future gas utilization

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

2.8 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.

2.9 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the consolidated profit and loss account. Impairment losses recognized in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account.

(Amounts in thousand)

2.10 Investments

The Group's interest in jointly controlled entity has been accounted for using equity method in these consolidated financial statements.

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

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

2.12 Financial instruments

2.12.1 Financial assets

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

a) Fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise, these are classified as non-current.

b) Loans and receivables

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

c) Held to maturity

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

d) Available-for-sale

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

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group 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 consolidated 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 Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at 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 consolidated profit and loss account within 'other income / other operating expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated profit and loss account as part of 'Other income' when the Group's right to receive payments is established.

(Amounts in thousand)

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

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

2.12.2 Financial liabilities

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

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

2.12.3 Offsetting of financial assets and liabilities

A financial asset and a financial liability are off set and the net amount is reported in the consolidated balance sheet if the Group has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to 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 Group or the counter party.

2.13 Derivative financial instruments and hedging activities

Derivatives are recognized initially at fair value on the date a derivative contract is entered into; attributable transaction cost are recognized in consolidated profit and loss account when incurred. Subsequent to initial recognition, derivatives are measured at fair values, and changes therein are accounted for as described below:

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedges

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

(Amounts in thousand)

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, allchanges in its fair value are recognized immediately in consolidated profit and loss account.

Embedded derivatives

Fair value of derivatives embedded in financial instruments or non-derivative host contracts are separated from the host contract if the risks and economic characteristics of the embedded derivative are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

If the fair value of an embedded derivative that is required to be separated cannot be reliably measured, the entire combined contract is measured at fair value through profit or loss.

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposure.

2.14 Inventory of fuel oil

This is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.15 Stores, spares and loose tools

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the consolidated balance sheet date. For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated realizable value. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence, if any.

2.16 Stock-in-trade

These are valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for raw material and certain purchased products in transit which are stated at cost (invoice value) plus other charges incurred thereon till the consolidated 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.

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

2.17 Trade debts and other receivables

These are 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 Group will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is charged to consolidated profit and loss account. Trade debts and other receivables considered irrecoverable are written-off.

Exchange gains and losses arising on translation in respect of trade debts and other receivables in foreign currency are added to the carrying amount of the respective receivables.

2.18 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows includes cash in hand and in transit, cheques in hand, balances with banks on current, deposit and saving account, other short term highly liquid investments with original maturities of three months or less and short term borrowings other than term finance.

(Amounts in thousand)

2.19 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.

2.20 Employees' share option scheme

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

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

When an unvested option lapses by virtue of an employee not conforming to the vesting conditions after recognition of an employee compensation expense in the consolidated profit and loss account, such employee compensation expense is reversed in the consolidated profit and loss account equal to the amortized portion with a corresponding effect to employee share option compensation reserve in the consolidated balance sheet.

When a vested option lapses on expiry of the exercise period, employee compensation expense already recognized in the consolidated profit and loss account is reversed with a corresponding reduction to employee share option compensation reserve in the consolidated balance sheet.

When options are exercised, employee share option compensation reserve relating to these options is transferred to share capital and share premium account. An amount equivalent to the face value of related shares is transferred to share capital. Any amount over and above the share capital is transferred to share premium account.

2.21 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 consolidated profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Exchange gains and losses arising in respect of borrowings in foreign currency are added to the carrying amount of the borrowing.

2.22 Trade and other payables

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liability.

Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

2.23 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

(Amounts in thousand)

2.24 Income tax

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

2.24.1 Current

Provision for current taxation is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2.24.2 Deferred

Deferred tax is recognized using the balance sheet method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2.25 Employee benefits

2.25.1 Defined contribution plans

A defined contribution plan is a post - employment benefit plan under which a Group pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the consolidated 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 Group operates:

- defined contribution provident funds for its permanent employees. Monthly contributions are made both by the Group and employees to the fund at the rate of 10% of basic salary;

- defined contribution pension funds for the benefit of management employees. Monthly contributions are made by the Group to the fund at the rate ranging from 12.5% to 13.75% of basic salary; and

- defined contribution gratuity funds for the benefit of management employees. Monthly contributions are made by the Group to the fund at the rate of 8.33% of basic salary.

2.25.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the Projected Unit Credit method.

Remeasurements (actuarial gains / losses) in respect of defined benefit plan are recognized directly in equity through other comprehensive income.

Contributions require assumptions to be made of future outcomes which mainly includes increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

(Amounts in thousand)

The Group operates defined benefit funded gratuity schemes for its management employees and non management employees of Engro Fertilizers Limited (EFert).

The Group also operates defined benefit funded pension scheme for EFert's management employees; the pension scheme provides life time pension to retired employees or to their spouses. Contributions are made annually to these funds on the basis of actuarial recommendations. The pension scheme has been curtailed and effective from July 1, 2005, no new members are inducted in this scheme. Actuarial gains on curtailment are recognized immediately once the certainty of recovery is established.

Annual provision is also made under a service incentive plan for certain category of experienced employees to continue in the Group's employment.

2.25.3 Employees' compensated absences

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

2.26 Foreign currency transactions and translation

2.26.1 These consolidated financial statements are presented in Pakistan Rupees, which is the Group'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 consolidated profit and loss account.

2.26.2 The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each consolidated profit and loss account item are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognized as a separate component of equity.

2.27 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized on the following basis:

- Sales revenue is recognized when product is dispatched to customers or services are rendered.

- Income on deposits and other financial assets is recognized on accrual basis.

- Commission income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

- Interest income on delayed payment income on overdue trade receivables is recognized on accrual basis.

(Amounts in thousand)

- Revenue from construction activities, if the outcome of such activity can be reliably measured, is recognized by reference to stage of completion of the activity at year end (the percentage completion method). In applying the percentage completion method, revenue recognized corresponds to the total contract revenue multiplied by the actual completion rate based on the proportion of total contract costs incurred to date and the estimated costs to complete.

- Dividend income from investments is recognized when the Group's right to receive payment has been established.

- Fee from Operations and Management (O&M) projects is recognized on accrual basis under the terms of O&M agreements. Recoveries against reimbursable expenses are adjusted against the related expenses and net amount is recognized in the statement of comprehensive income as other income.

- Revenue from sale of electricity is recognized as follows:

- Capacity revenue based on the capacity made available to National Transmission and Dispatch Company Limited (NTDC); and

- Energy revenue based on the Net Electrical Output (NEO) delivered.

2.28 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which such costs are capitalized as part of the cost of that asset. Borrowing costs includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs and net gain / loss on the settlement of derivatives hedging instruments.

2.29 Research and development costs

Research and development costs are charged to income as and when incurred, except for certain development costs which are recognized as intangible assets when it is probable that, the developed project will be a success and certain criteria, including commercial and technical feasibility have been met.

2.30 Government grant

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

2.31 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.32 Transactions with related parties

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

2.33 Dividend and appropriation to reserves

Dividends and reserve appropriations are recognized as a liability in the period in which these are approved.

(Amounts in thousand)

2.34 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Holding Company that makes strategic decisions.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Property, plant and equipment

The Group reviews appropriateness of the rate of depreciation, useful life, residual value used in the calculation of depreciation. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

3.2 Biological assets

The fair values of biological assets – (Dairy livestock) is determined semi-annually by utilizing the services of an independent expert/valuer. These valuations are mainly based on market and livestock conditions existing at the end of each reporting period.

3.3 Investments stated at fair value through profit or loss

The Group determines fair value of certain investments by using quotations from active market and conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment.

3.4 Derivatives

The Group reviews the changes in fair values of the derivative hedging financial instruments at each reporting date based on the valuations received from the contracting banks. These valuations represent estimated fluctuations in the relevant currencies/interest rates over the reporting period and other relevant variables signifying currency and interest rate risks.

3.5 Stock-in-trade

The Group reviews the net realizable value of stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

3.6 Income taxes

In making the estimates for income taxes payable by the Group, the management looks at the applicable law and the decisions of appellate authorities on certain issues in the past.

In making the estimates for current income taxes payable by the Group, 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 Group.

3.7 Fair value of employee share options

Employee share option compensation reserve and deferred employee share option compensation expense have been determined using the fair values of the options granted and expected to be granted in the ensuing year, using the Black Scholes Pricing Model. The fair values of the options granted during the year have been determined with reference to the respective grant dates of the options; and fair values of options expected to be granted in the ensuing year has been determined with reference to the consolidated balance sheet date in accordance with the requirements of IFRS 2 'Share based payment' and will be reassessed on the actual grant date. Any change in these assumptions may significantly impact the carrying values of the related asset and reserve in the consolidated balance sheet.

(Amounts in thousand)

3.8 Provision for retirement and other service benefits obligations

The present value of these obligations depend on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations.

3.9 Impairment of financial assets

In making an estimate of future cash flows from the Group's financial assets including investment in joint ventures and associates, the management considers future dividend stream and an estimate of the terminal value of these investments.

4. RESTATEMENT OF PRIOR PERIODS

During the period, the Holding Company upon exercise of option on its shares by the International Finance Corporation (IFC) on IFC's loan to Engro Fertilizers Limited (note 24.5.1), has accounted for such option (derivate financial instrument) retrospectively and consequently the earliest period presented in the consolidated balance sheet, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated statement of changes in equity have been restated. There is no impact of this restatement on the consolidated statement of cash flows. The effects of retrospective application are as follows:

Effect on the consolidated balance sheet:

	Taxes recoverable / (payable)	Trade and other payavles	Unappropriated profit	Current portion of derivative financial instruments	Deferred taxation
	---(Rupees)---				
Balance as at January 1, 2013, as previously reported	3,966,213	30,503,853	18,423,593	573,363	1,544,841
Restatement - recognition of derivative liability in option to IFC	-	(4,879)	(155,406)	243,964	83,679
Balance as at January 1, 2013 - Restated	3,966,213	30,498,974	18,268,187	817,327	1,628,520
Balance as at December 31, 2013, as previously reported	2,908,257	40,128,696	27,353,306	455,990	1,425,299
Restatement - recognition of derivative liability on option to IFC:					
- For the year ended December 31, 2012	-	(4,879)	(155,406)	243,964	83,679
- For the year ended December 31, 2013	177,830	(10,957)	(365,079)	547,869	(5,997)
	177,830	(15,836)	(520,485)	791,833	77,682
Balance as at January 31, 2013 - Restated	3,086,087	40,112,860	26,832,821	1,247,823	1,502,981

Effect on the consolidated profit and loss acount:

	Other operating expenses	Finance cost	Taxation charge
	---(Rupees)---		
Balance for the year ended December 31, 2013, as previously reported - including impact of prior year reclassifications	1,805,049	15,086,330	4,572,893
Restatement - recognition of derivative liability on option to IFC	(10,957)	547,869	(171,833)
Balance for the year ended December 31, 2013 - Restated	1,794,092	15,634,199	4,401,060

(Amounts in thousand)

5. PROPERTY, PLANT & EQUIPMENT

	2014	2013
	-------------(Rupees)-------------	
Operating assets, at net book value (note 5.1)	122,940,571	124,581,275
Capital work in progress		
- Expansion and other projects (note 5.5)	9,886,547	5,805,677
- Capital spares (note 5.6)	1,680,139	1,582,088
	134,507,257	131,969,040

(Amounts in thousand)

5.1 Operating assets

	Land		Building		Pipelines	Plant and Machinery		Catalyst	Furniture fixture and equipments		Vehicles		Total
	Freehold	Leasehold	Freehold	Leasehold		Owned	Leased		Owned	Leased	Owned	Leased	
	------------------------					---(Rupees)---							------------------------
As at January 1, 2013													
Cost	469,480	368,048	7,570,758	1,906,921	2,186,367	138,221,656	12,741	1,783,177	1,424,813	21,723	1,646,910	39,810	155,652,404
Accumulated depreciation	-	(85,272)	(1,272,285)	(309,810)	(321,407)	(22,595,556)	(11,547)	(874,209)	(846,136)	(21,002)	(632,373)	(39,810)	(27,009,407)
Net book value	469,480	282,776	6,298,473	1,597,111	1,864,960	115,626,100	1,194	908,968	578,677	721	1,014,537	-	128,642,997
Year ended December 31, 2013													
Opening net book value	469,480	282,776	6,298,473	1,597,111	1,864,960	115,626,100	1,194	908,968	578,677	721	1,014,537	-	128,642,997
Amortization of revaluation surplus	-	(4,064)	-	(1,801)	5,301	(53,165)	-	-	-	-	-	-	(53,729)
Additions including transfers (note 5.5)	228,625	-	390,344	23,321	-	3,021,198	-	-	249,475	-	161,475	-	4,074,438
Capitalization of exchange loss by Subsidiary Company (note 5.1.2)	-	-	-	-	-	922,426	-	-	-	-	-	-	922,426
Adjustments / reclassifications													
Cost	2,488	-	-	(283,782)	-	393,580	-	-	(34,796)	-	1,844	-	79,334
Accumulated depreciation	-	23	-	31,442	-	(32,689)	-	-	10,625	-	732	-	10,133
	2,488	23	-	(252,340)	-	360,891	-	-	(24,171)	-	2,576	-	89,467
Disposals / Write offs (note 5.4)													
Cost	-	-	(2,765)	-	-	(481,063)	-	-	(10,057)	-	(267,999)	-	(761,884)
Accumulated depreciation	-	-	426	-	-	185,969	-	-	6,654	-	150,048	-	343,097
	-	-	(2,339)	-	-	(295,094)	-	-	(3,403)	-	(117,951)	-	(418,787)
Depreciation charge (note 5.2)	-	(10,209)	(362,925)	(75,337)	(80,123)	(7,183,227)	(1,676)	(371,142)	(214,469)	-	(265,854)	-	(8,564,962)
Impairment (note 5.3)	-	-	-	-	-	(97,949)	-	-	-	-	(5,422)	-	(103,371)
Transferred to Discontinued Operations													
Cost	-	-	-	-	-	(544)	-	-	(14,315)	-	(4,555)	-	(19,414)
Accumulated depreciation	-	-	-	-	-	79	-	-	11,152	-	979	-	12,210
	-	-	-	-	-	(465)	-	-	(3,163)	-	(3,576)	-	(7,204)
Net book value	700,593	268,526	6,323,553	1,290,954	1,790,138	112,300,715	(482)	537,826	582,946	721	785,785	-	124,581,275
As at December 31, 2013													
Cost	700,593	363,984	7,958,337	1,644,659	2,191,668	142,024,088	12,741	1,783,177	1,615,120	21,723	1,537,675	39,810	159,893,575
Accumulated depreciation and impairment	-	(95,458)	(1,634,784)	(353,705)	(401,530)	(29,723,373)	(13,223)	(1,245,351)	(1,032,174)	(21,002)	(751,890)	(39,810)	(35,312,300)
	700,593	268,526	6,323,553	1,290,954	1,790,138	112,300,715	(482)	537,826	582,946	721	785,785	-	124,581,275
Year ended December 31, 2014													
Opening net book value	700,593	268,526	6,323,553	1,290,954	1,790,138	112,300,715	(482)	537,826	582,946	721	785,785	-	124,581,275
Amortization of revaluation surplus	-	(2,572)	-	(1,140)	3,355	(33,649)	-	-	-	-	-	-	(34,006)
Additions including transfers (note 5.5)	5,469	-	1,142,529	71,927	708,137	5,657,286	-	176,997	248,653	-	208,953	-	8,219,951
Capitalization of exchange loss by Subsidiary Company (note 5.1.2)	-	-	-	-	-	(500,137)	-	-	(362)	-	-	-	(500,499)
Adjustments / reclassifications													
Cost	2,488	-	-	-	-	(32,581)	-	-	352	-	-	-	(29,741)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-
	2,488	-	-	-	-	(32,581)	-	-	352	-	-	-	(29,741)
Discontinued operations (note 20)	-	-	-	-	-	-	-	-	(780)	-	-	-	(780)
Disposals / Write offs (note 5.4)													
Cost	-	-	(8,676)	-	-	(591,327)	-	-	(47,590)	-	(300,431)	(1,364)	(949,388)
Accumulated depreciation and impairment	-	-	6,683	-	-	277,401	-	-	43,552	-	202,355	1,364	531,355
	-	-	(1,993)	-	-	(313,926)	-	-	(4,038)	-	(98,076)	-	(418,033)
Depreciation charge (note 5.2)	-	(10,209)	(425,226)	(77,054)	(92,108)	(7,568,878)	(73)	(218,414)	(219,251)	-	(223,088)	-	(8,834,301)
Impairment (note 5.3)	-	-	(7,001)	-	-	(36,294)	-	-	-	-	-	-	(43,295)
Net book value	708,550	255,745	7,031,862	1,284,687	2,409,522	109,472,536	(555)	496,409	607,520	721	673,574	-	122,940,571
As at December 31, 2014													
Cost	708,550	361,412	9,092,190	1,715,446	2,903,160	146,523,680	12,741	1,960,174	1,815,393	21,723	1,446,197	38,446	166,599,112
Accumulated depreciation and impairment	-	(105,667)	(2,060,328)	(430,759)	(493,638)	(37,051,144)	(13,296)	(1,463,765)	(1,207,873)	(21,002)	(772,623)	(38,446)	(43,658,541)
Net book value	708,550	255,745	7,031,862	1,284,687	2,409,522	109,472,536	(555)	496,409	607,520	721	673,574	-	122,940,571
Annual rate of depreciation (%)	-	2 to 5	2.5 to 33	2.5 to 10	5	2.5 to 25	20	No. of production days	5 to 33	20	5 to 25	25	

(Amounts in thousand)

5.1.1 Operating assets includes :

- equipment costing Rs. 230,600 (2013: Rs. 181,187) having net book value of Rs. 123,043 (2013: Rs. 92,351) mounted on transport contractors' vehicles;
- freezers and trikes held by third parties costing Rs. 923,434 (2013: Rs. 966,642) having a net book value of Rs. 393,272 (2013: Rs. 411,707); and
- Computer equipments managed by a third party for disaster recovery costing Rs. 31,526 (2013: Rs. 31,158) having a net book value of Rs. 4,647 (2013: Rs. 13,993).

5.1.2 Includes exchange gain capitalized amounting to Rs. 500,137 (2013: exchange loss of Rs. 922,426) pertaining to Engro Powergen Qadirpur Limited and includes currency translation effect of Rs. 362 (2013: Nil) pertaining to Engro Foods Limited.

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

	2014	2013
	-------------(Rupees)-------------	
Cost of sales (note 31)	8,501,719	8,156,036
Selling and distribution expenses (note 32)	227,859	240,541
Administrative expenses (note 33)	104,723	164,259
Exploration and evaluation assets	-	4,126
	8,834,301	8,564,962

5.3 Impairment charge for the year has been allocated as follows:

Cost of sales (note 31)	28,115	28,915
Selling and distribution expenses (note 32)	15,180	74,456
	43,295	103,371

5.4 The details of operating assets disposed / written off during the year are as follows:

Description and method of disposal	Sold to	Cost	Accumulated depreciation & impairment	Net book value	Sale Proceeds
		------------------------------(Rupees)------------------------------			
Plant and machinery					
Old Ammonia 1 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	-
Sale through bid	Auction mart	37,000	32,619	4,381	6,377
Insurance claims	Adamjee Insurance Co. Limited	3,845	1,760	2,085	2,093
	Pak Kuwait Takaful Company Limited	345	192	153	230
Various	Written off	340,723	190,777	149,946	-
		591,327	277,401	313,926	24,936

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation & impairment	Net book value	Sale Proceeds
		------------------------------(Rupees)------------------------------			
Building and civil works					
Sold to Group company through negotiations	Sindh Engro Coal Mining Company	8,676	6,683	1,993	5,331
Furniture, fixture and equipments					
Sold to Group company through negotiations	Sindh Engro Coal Mining Company	1,162	477	685	715
Insurance claims	Adamjee Insurance Co. Limited	1,847	684	1,163	687
Sale through bid	Auction mart	18,775	17,835	940	1,836
By Company policy to existing / existing / resigned / retired executives	Abdul Samad	1,704	1,230	474	474
Insurance claims	EFU General Insurance Limited	263	41	222	188
Adamjee Insurance Co. Limited		75	75	-	57
		23,826	20,342	3,484	3,957
Items having net book value upto Rs.50 each	Written off	23,764	23,210	554	250
Vehicles					
By Company policy to existing / existing / resigned / retired executives	Naveed Hashmi	6,750	5,024	1,726	1,898
	Shmaz Mir	1,456	973	483	510
	Farooq M Saleem	1,895	1,516	379	474
	Aman ul Haq	1,879	1,409	470	499
	Hassan Akram	1,462	845	617	617
	Abdul Samad	7,913	3,338	4,575	4,575
	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 Mohammad 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
Balance carried forward		56,062	34,800	21,262	21,772

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation & impairment	Net book value	Sale Proceeds
		--------------	--------(Rupees)--------		--------------
Balance brought forward		56,062	34,800	21,262	21,772
	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
	A. Rehman Paracha	1,474	737	737	759
	Abu Bakar Sheikh	1,698	957	741	932
	Adeel Asim Munif	1,474	668	806	909
	Adnan Mehmood	1,354	804	550	915
	Adnan Rafique	572	416	156	162
	Ahmed Abdul Jameel	1,268	1,038	230	317
	Aitzaz ul Hassan	2,383	372	2,011	2,038
	Akhter Hussain	632	201	431	488
	Ali Masood	574	366	208	210
	Ali Umer Usmani	1,482	776	706	967
	Babur Sultan	6,750	5,063	1,687	1,688
	Dr. Essam Hanif	586	460	126	167
	Dr. Muhammad Ashraf	1,466	1,040	426	483
	Dr. Sarfaraz Ahmed	1,586	684	902	1,147
	Fahad Zia Waseem	1,586	922	664	1,010
	Farooq Khokher	519	415	104	104
	Hareem Zehra	612	298	314	387
	Imran Ahmed	1,849	1,445	404	462
	Imran Anwer	8,000	3,625	4,375	4,745
	Irfan Memon	1,269	977	292	317
	Javaid Iqbal	534	429	105	107
	Kamran Shamsi	537	483	54	107
	Kashif Shahzad	537	483	54	107
	Khawaja Rizwan	1,300	878	422	422
	Khurram Javed Maqbool	1,895	1,421	474	474
	Maha Usman	1,648	753	895	895
	Malik Muhammad Ali	1,269	981	288	317
	Marium Masood	1,648	891	757	894
	Mazhar Hasnani	1,895	1,452	443	474
	Mohsin Ali	612	275	337	419
	Muhammad Aleem	545	491	54	109
	Muhammad Ali	1,849	1,417	432	462
	Muhammad Hassan	1,300	975	325	325
	Muhammad Zubair	1,482	637	845	1,150
	Nasr Minhallah	1,586	922	664	1,002
	Qasim Ali	554	416	138	202
	Quasar Pervez	1,495	706	789	789
	Ramzan Dogar	1,482	776	706	1,003
	Sadoro Naz Keerio	846	676	170	169
	Sajid Hussain	504	454	50	101
	Shahbaz Ahmed Khan	1,424	601	823	890
	Shahzad Iqbal	537	483	54	107
		93,831	61,919	31,912	35,932
Balance carried forward		149,893	96,719	53,174	57,704

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation & impairment	Net book value	Sale Proceeds
		--------------	--------(Rupees)--------		--------------
Balance brought forward		149,893	96,719	53,174	57,704
	Shakeel Bahir	1,586	803	783	855
	Sharjeel Hussain	1,465	1,153	312	513
	Soban Farooq	1,289	990	299	322
	Suneel Kumar	1,586	773	813	983
	Syed Abbas Naqvi	1,586	953	633	831
	Syed Ali Abbas	1,482	609	873	938
	Syed Ishraq Ali	504	454	50	101
	Syed Rizwan Bukhari	1,625	641	984	1,456
	Umar Sharif	1,289	990	299	322
	Waseem ud din	537	483	54	107
	Younus Alam	537	483	54	107
	Zaid Bin Zeeshan	2,015	1,227	788	788
	Zeeshan Qazi	1,482	859	623	800
	Zulfiqar Ahmed	1,343	1,108	235	608
	Fahad Manzoor	1,474	538	936	936
	Kamran Kashif	1,289	963	326	561
	Zafar Ali	1,849	1,387	462	350
	Ehtisham Zaheer	1,300	813	487	427
	Haseeb Hafeezuddin	2,176	612	1,564	1,530
	Qasim Siddiqui	1,289	906	383	322
	Rahim Khan	1,269	952	317	317
	Ibtesam Ahmed	1,270	833	437	397
	Athar Rizvi	1,269	952	317	317
	Zubair Ashraf	1,300	934	366	325
	Muzafar Islam	1,300	914	386	325
	Tauseef Ali	1,300	914	386	325
	Shakeel ur Rehman	1,300	914	386	325
	Shujaat Jamal Rizvi	1,295	911	384	324
	Sohail Baig	1,357	806	551	339
	Aqeel Riaz	1,300	934	366	325
	Rizwan Hassan	1,325	932	393	331
	Fawad Soomro	1,270	953	317	317
	Saleem Lallany	1,930	1,357	573	483
	Abid Hussain	1,337	940	397	334
	Athar Abrar Khwaja	1,524	524	1,000	827
	Imran Aslam	1,337	960	377	334
	Sohail Ahmed	2,083	1,225	858	858
	Waqar Ahmed Khan	1,427	1,077	350	350
	Shahab Qadir	1,902	1,428	474	474
	Jahangir Waheed	2,042	575	1,467	1,467
	Mohsin Ali Mangi	1,879	1,409	470	470
	Mojiz Mansoor	1,458	1,098	360	360
		60,177	38,287	21,890	22,781
Sale through bid	Abdullah Mohammad	1,930	1,287	643	1,460
	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
	Zulfiqar Ahmed	10,593	4,410	6,183	6,236
	Imran Ahmed	628	564	64	122
		22,166	14,413	7,753	14,328
Balance carried forward		232,236	149,419	82,817	94,813

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation & impairment	Net book value	Sale Proceeds
		-----------	(Rupees)	-----------	
Balance brought forward		232,236	149,419	82,817	94,813
	Khusro Ahmed Khan	1,055	791	264	369
	Farrukh Sheikh	8,000	2,875	5,125	3,219
	Riaz Hussain	846	676	170	382
	Salman Zafar	1,780	1,487	293	1,185
	Sh. Muhammad Waseemuddin	612	551	61	380
	Syed ameer Ali	591	321	270	379
	Tariq Anwar	501	300	201	313
	Naveed Rauf	2,220	1,776	444	838
	Naveed Rauf	749	749	-	538
	Naveed Rauf	2,420	1,936	484	1,172
	Muhammad Arif	900	675	225	714
	Muhammad Dawood	2,120	1,591	529	1,950
	Adnan Khan	2,244	2,020	224	1,545
	Amir Jan	1,620	1,458	162	850
	Others	2,701	2,624	77	748
	Written off	7,691	7,691	-	-
Leased vehicles To employees and others through auction having net book value of Rs. 50		1,364	1,364	-	518
		37,414	28,885	8,529	15,100
Items having net book value upto Rs.50 each		17,823	13,833	3,990	2,442
Insurance claims	Hampshire Insurance Company	555	500	55	500
	Hampshire Insurance Company	1,461	1,050	411	1,400
	EFU General Insurance Limited	1,767	690	1,077	1,703
	Adamjee Insurance Company Limited	9,384	8,303	1,081	6,647
	Adamjee Insurance Company Limited	1,155	1,039	116	750
		14,322	11,582	2,740	11,000
		301,795	203,719	98,076	123,355
Year ended December 31, 2014		949,388	531,355	418,033	157,829
Year ended December 31, 2013		761,884	343,097	418,787	429,819

(Amounts in thousand)

5.5 Capital work in progress - Expansion and other projects

	2014	2013
	------(Rupees)	------
Plant and machinery	8,273,841	4,031,953
Building and civil works including pipelines	223,712	419,776
Furniture, fixture and equipment	40,144	63,804
Advances to suppliers	91,988	39,025
Other ancillary cost	1,256,862	1,251,119
	9,886,547	5,805,677
Balance as at January 1	5,805,677	1,812,831
Additions during the year	12,429,769	8,428,962
Transferred to:		
- operating assets (note 5.1)	(8,098,165)	(4,069,621)
- intangible assets (note 7)	(80,112)	(117,802)
- discontinued operations	-	(162,066)
- capital spares	(170,622)	(86,627)
Balance as at December 31	9,886,547	5,805,677

5.5.1 Engro Foods Limited (EFoods) has acquired land measuring 537 Kanals, 37 Marlas surrounding its Sahiwal plant through the Commissioner, Sahiwal Division, Government of Punjab (the Government) action, by invoking provisions of Land Acquisition Act, 1894. Under the said law, the price of the nearby land was assessed by the Government authorities and EFoods paid Rs. 212,514 to the Government for purchase of land. The Government will in turn pay to the respective land owners. In 2013, few land owners filed writ petitions against the Government's action at Lahore High Court (the Court). During the year, the writ petitions have been decided by the Court in favor of EFoods. However, an intra-court appeal has been filed against the aforesaid decision by few landowners, which is in the process of hearing at the Court, however, the Court has rejected the appeal of landowners for grant of stay order.

5.5.2 Includes Rs. 7,777,912 on account of capital expenditure incurred by Engro Elengy Terminal (Private) Limited in respect of the LNG project relating to design and construction studies / services for development, license and contracts for construction and operation of a terminal, as more fully explained in note 1.3.3 to the consolidated financial statements.

5.6 Capital spares

Includes capital spares issued for refurbishment / returned for replacement to third parties amounting to Rs. 87,844 (2013: Rs. 238,404) and Rs. 14,953 (2013: Rs. 28,167) in respect of reusable packing material.

(Amounts in thousand)

6. BIOLOGICAL ASSETS

	2014	2013
	---------(Rupees)---------	
Dairy livestock (note 6.1)		
- mature	484,685	411,059
- immature	382,752	309,130
	867,437	720,189
Provision for culling (notes 6.2 and 35)	(22,314)	(15,961)
	845,123	704,228
Crops - feed stock	13,557	12,237
	858,680	716,465

6.1 Reconciliation of carrying amounts of livestock

	2014	2013
Carrying amount at the beginning of the year	704,228	661,914
Add:		
Changes in fair value due to biological transformation		
- Gain due to new births [inclusive of cost of feeding immature herd of Rs. 156,445 (2013: Rs. 127,764)]	224,817	194,193
- Loss due to increase in age of livestock	(10,245)	(17,120)
	214,572	177,073
Changes in fair value due to price changes		
- Gain due to currency devaluation	(37,403)	59,988
- (Loss) / gain due to (decrease) / increase in international market prices	68,337	(51,290)
	30,934	8,698
Total gain (note 34)	245,506	185,771
Less:		
Decrease due to deaths / disposals	(82,297)	(76,963)
Biological assets written-off (note 35)	-	(50,533)
Provision for culling	(22,314)	(15,961)
Carrying amount at the end of the year, which approximates the fair value	845,123	704,228

6.2 Represents provision in respect of low yielding animals and / or animals having poor health.

6.3 As at December 31, 2014, the Group held 2,206 (2013: 2,058) mature assets able to produce milk and 1,998 (2013: 1,729) immature assets that are being raised to produce milk in the future. During the year, approximately 12,084,302 (2013: 9,079,147) gross litres of milk was produced from these biological assets with a fair value less estimated point-of-sale costs of Rs. 734,120 (2013: Rs. 496,095), determined at the time of milking.

6.4 As at December 31, 2014, the Group held 522 (2013: 586) immature male calves.

6.5 The valuation of dairy livestock as at December 31, 2014 has been carried out by an independent valuer. In this regard, the valuer examined the physical condition of the livestock, assessed the farm conditions and relied on the representations made by the management as at December 31, 2014. Further, in the absence of an active market of the Group's dairy livestock in Pakistan, market and replacement values of similar live stock from active markets in USA, Germany, Argentina and Australia, have been used by the independent valuer as a basis of his valuation. Immature male calves have not been included in the fair valuation due to the insignificant value in use.

(Amounts in thousand)

7 INTANGIBLE ASSETS

	Software and licenses	Rights for future gas utilization	Brands	Goodwill	Total
	----------	----------	(Rupees)	----------	----------
As at January 1, 2013					
Cost	553,604	102,312	415,813	49,765	1,121,494
Accumulated amortization	(327,856)	(9,458)	-	(1,222)	(338,536)
Net book value	225,748	92,854	415,813	48,543	782,958
Year ended December 31, 2013					
Opening net book value	225,748	92,854	415,813	48,543	782,958
Adjustment of exchange revaluation	-	-	15,918	608	16,526
Additions including transfers at cost (note 5.5)	117,802	-	-	-	117,802
Classified as discontinued operations					
Cost	(374)	-	-	-	(374)
Accumulated amortization	102	-	-	-	102
	(272)	-	-	-	(272)
Amortization charge (note 7.2)	(103,938)	(5,110)	-	-	(109,048)
Closing net book value	239,340	87,744	431,731	49,151	807,966
As at January 1, 2014					
Cost	671,032	102,312	431,731	50,373	1,255,448
Accumulated amortization	(431,692)	(14,568)	-	(1,222)	(447,482)
Net book value	239,340	87,744	431,731	49,151	807,966
Year ended December 31, 2014					
Opening net book value	239,340	87,744	431,731	49,151	807,966
Additions including transfers at cost (note 5.5)	80,112	-	-	-	80,112
Disposals (note 7.1)					
Cost	-	-	(431,731)	(50,373)	(482,104)
Accumulated amortization	-	-	-	1,222	1,222
	-	-	(431,731)	(49,151)	(480,882)
Amortization charge (note 7.2)	(105,992)	(5,111)	-	-	(111,103)
Closing net book value	213,460	82,633	-	-	296,093
As at December 31, 2014					
Cost	751,144	102,312	-	-	853,456
Accumulated amortization and impairment	(537,684)	(19,679)	-	-	(557,363)
Net book value	213,460	82,633	-	-	296,093

7.1 Represented Brand 'Al-Safa' a halal meat business acquired on May 6, 2011 through Engro Foods Canada Limited (EFCL), a former subsidiary, for supply of variety of packaged halal food products across North America. The acquisition had also resulted in Goodwill amounting to Rs. 49,151 (CAD $ 499) which represented purchase consideration paid over and above the fair value of assets acquired at the date of acquisition.

The aforementioned Brand and Goodwill have been disposed-off as part of disposal of EFCL (note 1.3.4.1).

(Amounts in thousand)

	2014	2013
	-----------(Rupees)------------	

7.2 Amortisation charge for the year has been allocated as follows:

	2014	2013
Cost of sales (note 31)	39,945	38,231
Selling and distribution expenses (note 32)	160	115
Administrative expenses (note 33)	70,998	70,609
Exploration and evaluation assets	-	93
	111,103	109,048

8 LONG TERM INVESTMENTS

	2014	2013
Unquoted		
Joint venture company - Engro Vopak Terminal Limited (EVTL) - (notes 8.1 to 8.3)	1,411,957	1,332,595
Investment in associates (notes 8.4 and 8.5):		
GEL Utility Limited (GEL)	535,945	536,400
Sindh Engro Coal Mining Company (SECMC)	782,255	-
	1,318,200	536,400
Others, at cost- Arabian Sea Country Club Limited 500,000 Ordinary shares of Rs. 10 each	5,000	5,000
	2,735,157	1,873,995

8.1 Details of investment in Joint venture company is as follows:

	2014	2013
At beginning of the year	1,332,595	1,262,973
Add: Share of profit for the year (note 37)	709,362	609,622
Less: Dividend received during the year	630,000	540,000
	1,411,957	1,332,595

8.2 As at December 31, 2014, the Holding Company held 45,000,000 ordinary shares (2013: 45,000,000 ordinary shares) of EVTL representing 50% of issued, subscribed & paid-up capital of EVTL.

8.3 The summary of financial information of EVTL as of December 31 is as follows:

	2014	2013
	-----------(Rupees)------------	
- Total assets	3,742,207	3,880,600
- Total liabilities	883,496	1,180,613
- Total equity	2,858,711	2,699,987
- Total revenue	2,168,111	2,051,696
- Profit for the year	1,418,724	1,219,244

8.4 Details of investment in Associates is as follows:

	2014	2013
At beginning of the year	536,400	536,400
Add: Investment in SECMC	768,126	-
Add: Share of profit for the year (note 37)	13,674	-
	1,318,200	536,400

(Amounts in thousand)

8.5 The summary of financial information of GEL and SECMC as of December 31 is as follows:

	2014	2013
	------------(Rupees)------------	
- Total assets	11,055,617	980,140
- Total liabilities	5,828,313	139,054
- Total equity	5,227,304	841,086
- Total revenue	188,886	-
- Profit / (Loss) for the year	46,684	(17,425)

8.5.1 The financial information of GEL is based on unaudited financial statements for the year December 31, 2014.

9 DEFERRED TAXATION

	2014		(Restated - note 4) 2013	
	Assets	Liabilities	Assets	Liabilities
Engro Corporation Limited	84,450	-	81,887	-
Engro Fertilizers Limited	-	5,149,666	-	4,573,678
Engro Foods Limited	-	1,185,717	-	1,538,583
Engro Powergen Limited	-	-	-	-
Engro Eximp (Private) Limited	1,013,120	-	965,914	-
Engro Polymer and Chemical Limited	966,120	-	455,180	-
Net effect of consolidation adjustments	-	223,050	-	188,790
	2,063,690	6,558,433	1,502,981	6,301,051
Less: Current portion shown under current assets	960,537	-	-	-
	1,103,153	6,558,433	1,502,981	6,301,051

9.1 Credit / (Debit) balances arising on account of:

	2014	(Restated note 4) 2013
	------------(Rupees)------------	
- Accelerated depreciation allowance	21,530,170	23,485,749
- Recoupable carried forward tax losses (note 9.2)	(12,701,600)	(15,362,301)
- Exploration and evaluation asset / development properties	-	68,041
- Recoupable minimum turnover tax (note 9.3)	(2,295,233)	(1,290,536)
- Unrealized foreign exchange losses, unpaid liabilities and provision for retirement and other service benefits	(98,002)	(1,978,855)
- Provision for Gas Infrastructure Development Cess, Custom duty and Special Excise Duty	(314,747)	(96,214)
- Provision for net realizable value of stock-in-trade	(251,392)	(57,891)
- Recoupable Alternative corporate tax (note 9.4)	(1,424,152)	-
- Others	49,699	30,076
	4,494,743	4,798,069

(Amounts in thousand)

9.2 Deferred income tax asset is recognized for tax losses available for carry forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate tax losses available for carry forward on which the deferred income tax asset has been recognized as at December 31, 2014 amounts to:

	2014	(Restated note 4) 2013
	------------(Rupees)------------	
- Engro Corporation Limited	-	228,479
- Engro Fertilizers Limited	23,121,488	27,859,212
- Engro Polymer and Chemicals Limited	10,994,246	11,016,588
- Engro Eximp (Private) Limited	4,316,070	5,325,985
- Engro Foods Limited	57,894	-
- Engro Powergen Limited	-	752,974
	38,489,698	45,183,238

9.3 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 or carried forward losses. The Group's management is however of the view, duly supported by the legal advisor, that the above order is not correct and would not be maintained by the Supreme Court which the Group intends to approach, if required. Accordingly, the following subsidiary companies have continued to carry forward minimum tax not yet recouped or written-off:

	2014	2013
	------------(Rupees)------------	
Engro Corporation Limited	27,681	1,535
Engro Foods Limited	811,049	206,627
Engro Fertilizers Limited	1,276,725	662,568
Engro Polymer and Chemicals Limited	154,348	419,806
Engro Eximp (Private) Limited	25,430	-
	2,295,233	1,290,536

9.4 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. Accordingly, ACT on which deferred income tax has been recognized as at December 31, 2014 amounts to:

	2014	2013
	------------(Rupees)------------	
Engro Corporation Limited	61,352	-
Engro Fertilizers Limited	1,362,800	-
	1,424,152	-

(Amounts in thousand)

10. LONG TERM LOANS, ADVANCES AND OTHER RECEIVABLES

- Considered good

	2014	2013
	------------(Rupees)------------	
Executives (notes 10.1 to 10.4)	446,307	413,709
Other employees (notes 10.2 and 10.4)	10,975	35,624
	457,282	449,333
Less: Current portion shown under current assets (note 16)	198,390	203,710
	258,892	245,623
Receivable from Sui Southern Gas Company Limited (SSGCL) (note 10.5)	849,604	-
Other receivables	74,728	61,812
	1,183,224	307,435

10.1 Reconciliation of the carrying amount of loans and advances to executives:

	2014	2013
	------------(Rupees)------------	
Balance as at January 1	413,709	319,655
Add: Disbursements	323,645	288,355
Less:		
- Repayments / Amortization	(291,047)	(189,767)
- Transferred to Discontinued Operations	-	(4,534)
Balance as at December 31	446,307	413,709

10.2 Long term loans include:

- interest free services incentive loans to executives repayable in equal monthly installments over a three years period or in one lump sum payment at the end of such period;
- interest free loans given to workers pursuant to Collective Labour Agreement; and
- advances to employees for car earn out assistance, long term incentive and house rent advance.

10.3 The maximum amount outstanding at the end of any month from the executives of the Group aggregated Rs. 528,956 (2013: Rs. 413,709).

10.4 The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no defaults in recent history.

10.5. During the year, Engro Elengy Terminal (Private) Limited (EETPL) entered into LNG Operation and Services Agreement (LSA) with SSGCL (note 1.3.3). As per the terms of the LSA, EETPL is required to construct a pipeline and transfer it to SSGCL upon commissioning of the LNG Project and will recover the cost of construction through recovery of capacity charges to be billed to SSGCL on a monthly basis. Accordingly, EETPL has recorded Rs. 860,186 as receivable from SSGCL, being the construction costs incurred on the pipeline till December 31, 2014.

(Amounts in thousand)

11. STORES, SPARES AND LOOSE TOOLS

	2014	2013
	------------(Rupees)------------	
Consumable stores	833,792	710,677
Spares and loose tools	6,836,078	6,444,943
	7,669,870	7,155,620
Less: Provision for surplus and slow moving items	122,414	116,997
	7,547,456	7,038,623

12. STOCK-IN-TRADE

	2014	2013
Raw materials and packing materials (note 12.1)	5,558,553	5,068,226
Unprocessed rice (note 12.2)	819,219	10,930,297
Fuel stock (note 12.3)	383,460	366,432
Work-in-process	641,389	489,936
Finished goods:		
- own manufactured product	3,880,408	3,647,394
- purchased product (notes 12.1 and 12.4)	284,145	197,486
	4,164,553	3,844,880
	11,567,174	20,699,771

12.1 Includes:

- materials in transit amounting to Rs. 741,057 (2013: Nil);
- carrying value of inventory carried at net of realizable value reduction of Rs. 2,133,748 (2013: Rs. 55,871);
- inventories held at storage facilities of third parties amounting to Rs. 25,092 (2013: Rs.68,498); and
- inventories held at storage facilities of following related parties:

	2014	2013
	------------(Rupees)------------	
Engro Vopak Terminal Limited	579,802	747,367
Dawood Hercules Chemicals Limited	9,334	6,672
	589,136	754,039

12.2 Unprocessed rice written-off during the year amounted to Rs. 19,106 (2013: Rs. 200).

12.3 Represents High Speed Diesel (HSD) required to be maintained for operating the power plant in case supply of gas is unavailable to Engro Powergen Qadirpur Limited (EPQL). As per the Power Purchase Agreement (PPA), EPQL is required to maintain HSD at a level sufficient for operating the power plant at full load for seven days. However, due to non payment of dues in full by NTDC, EPQL is maintaining HSD inventory at a level sufficient for operating the power plant at full load for around five days.

12.4 These are net of provision against expired / obsolete stock amounting to Rs. 81,403 (2013: Rs. 132,552).

(Amounts in thousand)

13. TRADE DEBTS

	2014	2013
	------------(Rupees)------------	
Considered good		
- secured (note 13.1)	4,022,581	2,331,483
- unsecured	592,632	702,004
	4,615,213	3,033,487
Considered doubtful	29,359	38,595
	4,644,572	3,072,082
Less: Provision for impairment (note 13.2)	29,359	38,595
	4,615,213	3,033,487

13.1 Trade debts are generally secured by way of bank guarantees and letters of credit from customers. Trade debts of Engro Powergen Qadirpur Limited (EPQL) amounting to Rs. 2,192,805 (2013: Rs. 476,333), are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and as such are considered good. During the year, EPQL, along with several other IPPs, sent notices to the Private Power Infrastructure Board (PPIB) - Government of Pakistan under the sovereign guarantee over outstanding dues. However, subsequent to the year end on January 13, 2015 guarantee call was withdrawn by EPQL, as partial payments were released by NTDC. Further, NTDC has given assurance to clear all outstanding dues by April 30, 2015.

13.2 As at December 31, 2014, trade debts aggregating to Rs. 29,359 (2013: Rs. 38,595) were passed due and impaired and have been provided for. The movement in provision during the year is as follows:

	2014	2013
	------------(Rupees)------------	
Balance as at January 1	38,595	16,303
Add: Provision / (Reversal) made during the year	(9,236)	22,292
Balance as at December 31	29,359	38,595

13.3 As at December 31, 2014, trade debts aggregating to Rs. 333,695 (2013: Rs. 360,863) were past due but not impaired. These relate to various customers for which there is no recent history of default. The aging analysis of these trade debts is as follows:

	2014	2013
	------------(Rupees)------------	
Upto 3 months	331,667	357,947
3 to 6 months	2,028	2,916
	333,695	360,863

(Amounts in thousand)

14. EMPLOYEES' SHARE OPTION SCHEME

On March 22, 2013, the shareholders of Engro Foods Limited (EFoods) approved a new Employees' Share Option Scheme (the Scheme) for granting of options to certain critical employees up to 16.9 million new ordinary shares, to be determined by the Board Compensation Committee of EFoods. The Scheme was approved by the SECP on May 27, 2013.

Under the Scheme, options can be granted in the years 2013 to April 2015. 50% of the options granted will vest in two years whereas the remaining 50% will vest in three years from the date of the grant of options. However, for the purpose of the options granted in 2013, 50% of such options shall vest on April 1, 2015 while remaining 50% will vest on April 01, 2016. Further, those eligible employees who will join EFoods or will be promoted to cadre / grade eligible for options, till April 1, 2015 are also entitled to these options. These options do not carry dividends or voting rights and the maximum number of options to be issued to a single eligible employee is for 1.69 million ordinary shares. These options are exercisable within 3 years from the end of vesting period. The details of share options granted to date which remained outstanding as at December 31, 2014 are as follows:

- number of options	4,400,000
- range of exercise price	Rs. 191.89 - Rs. 253.77
- weighted average remaining contractual life	4.25 years

The weighted average fair value of options granted till date, as estimated at the date of grant using the Black-Scholes model was Rs. 26.65 per option, whereas weighted average fair value of options to be granted has been estimated as Rs. 22.60 per option. The following weighted average assumptions were used in calculating the fair values of the options:

	Options granted in 2013	Options to be granted
- number of options	4,400,000	12,500,000
- share price	Rs. 133.58	Rs. 108.54
- exercise price	Rs. 191.89	Rs. 169.33
- expected volatility	32.54%	30.61%
- expected life	3 years	3.75 years
- annual risk free interest rate	9.42%	10.08%

No new options have been granted during the year. Consequent to resignation of two employees, 1.3 million share options granted in 2013, lapsed during the year. In accordance with terms of the Scheme, such options are now available for grant to new or existing employees of EFoods.

The volatility has been measured as the standard deviation of quoted share prices over the last one year from each respective / expected grant date. In addition, EFoods as at December 31, 2014 estimates that during the ensuing year options for remaining 12.5 million shares will be granted, after taking approval of modification in the Scheme, regarding extension in option grant period, from the SECP.

In respect of the Scheme, Employee share option compensation reserve and the related deferred expense amounting to Rs. 399,740 has been recognized, out of which Rs.196,729 has been amortized to date, including Rs. 94,614 being charge for the current year, in respect of related employees services received till December 31, 2014."

(Amounts in thousand)

14.1 Deferred employee compensation expense

	2014	2013
	------------(Rupees)------------	
Balance as at January 1	305,018	-
Options issued during the year	-	407,133
Options to be granted	24,420	-
Changes in value due to revision in assumptions	(16,698)	-
Options lapsed due to employee resignation	(15,115)	-
Amortization for the year	(94,614)	(102,115)
Balance as at December 31	203,011	305,018
Less: Current portion shown under current assets	(90,430)	(136,153)
Long term portion of deferred employee compensation expense	112,581	168,865

14.2 Employee share option compensation reserve

	2014	2013
Balance as at January 1	407,133	-
Add: Options issued during the year	-	407,133
Add: Options to be granted	24,420	-
Less: Options lapsed due to employee resignation	(15,115)	-
Less: Changes in value due to revision in assumptions	(16,698)	-
Balance as at December 31	399,740	407,133

15 DERIVATIVE FINANCIAL INSTRUMENTS

	2014		(Restated - note 4) 2013	
	Assets	Liabilities	Assets	Liabilities
Conversion option on IFC loan	-	965,326	-	2,237,799
Foreign exchange forward contracts (note 15.1)	-	119,571	-	102,172
Cash flow hedges:				
Foreign exchange forward contracts (note 15.1)	-	310,248	130,207	155,751
Interest rate swaps (note 15.2)	-	121,066	-	363,359
	-	1,516,211	130,207	2,859,081
Less:				
Current portion shown under current assets / liabilities				
Conversion option on IFC loan	-	965, 326	-	791,833
Foreign exchange forward contacts	-	119,571	-	102,172
Cash flow hedges:				
Foreign exchange forward contacts	-	310,248	130,207	155,751
Interest rate swaps	-	69,963	-	198,067
	-	380,211	130,207	353,818
	-	1,465,108	130,207	1,247,823
	-	51,103	-	1,611,258

(Amounts in thousand)

15.1 Foreign exchange forward contracts

The Group entered into various forward exchange contracts to hedge its foreign currency exposure. As at December 31, 2014, the Group, had multiple forward contracts to purchase various currencies involving amounts equivalent to USD 241,180 (2013: USD 276,093) at various maturity dates to hedge its foreign currency exposure against loan obligations and payments under the terms of supplier credit. The net fair value of these contracts as at December 31, 2014 is negative Rs. 429,819 (2013: negative Rs. 127,716).

15.2 Interest rates swaps

The Group has entered into multiple interest rate swap agreements to hedge its interest rate exposure on floating rate committed borrowings for notional amounts of USD 36,516 (2013: USD 96,300). Under these contracts the Group receives USD-LIBOR and pays fixed 2.79% - 3.73% settled semi-annually. As at December 31, 2014, the fair value of all the interest rate swaps is negative Rs. 121,066 (2013: negative Rs. 363,359).

15.3 Embedded derivatives

Engro Powergen Qadirpur Limited's (EPQL) tariff like other power companies, comprises of various price components with indexations falling within the ambit of embedded derivatives. Such embedded derivative as per International Accounting Standard (IAS) 39, 'Financial Instrument: Recognition and Measurement' are required to be separated from the host contract and accounted for as derivative if economic characteristics and risks of the embedded derivative are not closely related to the host contract.

EPQL had sought clarification from the Institute of Chartered Accountants of Pakistan (ICAP) in respect of the indexations pertaining to (i) USD/PKR exchange rate (applicable to EPQL's price components of debt, return on equity, return on equity during construction); and (ii) US CPI & USD/PKR exchange rate (applicable to EPQL's price components of fixed and variable operations and maintenance – foreign) whether these derivatives were closely or not closely related to the host contract.

In addition, EPQL had also requested ICAP to prescribe a definite basis or guidelines for the valuation of such embedded derivatives considering the subjectivity involved therein if these were considered to be not closely related to the host contract. Further, as indexation of US$/PKR exchange rate related to debt component being not recognized separately as embedded derivative, EPQL taking cognizance of the 'matching principle' requested the Securities and Exchange Commission of Pakistan (SECP) to allow deferment of recognizing exchange loss on translation of borrowings under IAS 21 - Foreign Currency Transactions in the profit or loss till the clarification sought on the recognition of the foreign currency indexations from ICAP had been received.

On January 16, 2012, SECP vide SRO 24 (I) 2012 had granted waivers to all IPPs from the requirement of IFRIC 4 " Determining whether an arrangement contains a lease" and IFRIC 12 " Service Concession Agreements". Further, SECP through the aforementioned SRO has also allowed the IPPs to continue capitalizing the exchange differences, and not to recognize embedded derivatives under IAS 39 where these are not closely related to the host contract. However in the case of such derivatives, for periods beginning on or after January 1, 2013, the companies are required to give "Additional Disclosure" as if the accounting for embedded derivatives had been adopted in preparing the financial statements.

In view of the above SRO, EPQL has capitalized exchange loss aggregating to Rs. 2,162,634 (2013: Rs. 2,662,771) as at December 31, 2014, which includes exchange gain of Rs. 500,137 pertaining to current year (2013: exchange loss of Rs. 922,426) in property, plant and equipment (note 5.1).

(Amounts in thousand)

15.3.1 Additional disclosure under SRO 24 (1) 2012

If EPQL were to follow IAS 39 and had accounted for embedded derivatives and had not capitalized the exchange loss on translation of foreign currency borrowing, the effect on the consolidated financial statements line items would be as follows:

	Non controlling interest	Unappropriated Profit	Property, Plant and equipment	Derivative financial assets (liability)
	(Increase)/ Decrease	(Increase)/ Decrease	(Increase)/ Decrease	(Increase)/ Decrease
	---(Rupees)---			
As at January 1, 2013	(237,942)	(3,650,003)	(1,636,612)	5,524,557
For the year ended December 31, 2013				
- Recognition of exchange loss	50,521	774,993	(825,514)	-
- Change in fair value of derivatives	233,838	3,587,043	-	(3,820,881)
	284,359	4,362,036	(825,514)	(3,820,881)
As at December 31, 2013	46,417	712,033	(2,462,126)	1,703,676
For the year ended December 31, 2014				
- Recognition of exchange loss	(52,097)	(425,307)	477,404	-
- Change in fair value of derivatives	210,421	1,717,818	-	(1,928,239)
	158,324	1,292,511	477,404	(1,928,239)
As at December 31, 2014	204,741	2,004,544	(1,984,722)	(224,563)

16 LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

	2014	2013
	---(Rupees)---	
Current portion of long term loans and advances to executives and other employees (note 10)	198,390	203,710
Advances to executives and other employees (notes 16.1)	49,722	67,011
Advance and deposits	843,020	613,574
Prepayments:		
- insurance	239,702	330,380
- others	380,698	242,086
	1,711,532	1,456,761
Less: Provision for impairment	3,509	5,735
	1,708,023	1,451,026

16.1 Represents interest free advances to executives for house rent, given in accordance with the Group's policy.

(Amounts in thousand)

17. OTHER RECEIVABLES

	2014	2013
	------------(Rupees)------------	
Receivable from Government of Pakistan for:		
- Sales tax (note 17.1)	3,241,077	2,198,565
Less: Provision for impairment (note 17.7)	140	140
	3,240,937	2,198,425
- Special excise duty refundable	36,687	36,687
Less: Provision for impairment (note 17.7)	36,687	36,687
	-	-
- Customs duty claims refundable (note 17.2)	18,043	18,043
Less: Provision for impairment (note 17.7)	18,043	18,043
	-	-
- Others	289,222	656,549
	3,530,159	2,854,974
Delayed payment charges (note 17.3)	900,725	729,986
Reimbursable cost from NTDC in respect of:		
- Workers' profits participation fund	173,979	267,525
- Workers' welfare fund	169,662	129,244
Receivable from:		
- Tetra Pak Pakistan Limited (note 17.4)	3,171	440,960
- Engro Vopak Terminal Limited (note 17.5)	1,721	3,293
- Ecolean AB (note 17.4)	44,838	66,396
Accrued income on deposits / investments	30,919	13,791
Claims on suppliers and insurance companies	317,575	489,323
Others	145,023	11
Less: Provision for impairment (note 17.7)	544	-
	144,479	11
	5,317,228	4,995,503

17.1 Includes sales tax refundable of Engro Foods Limited (EFoods) amounting to Rs. 2,811,878 (2013: Rs. 1,835,054). Sales tax has been zero rated on EFoods's supplies (output), raw materials, components and assemblies imported or purchased locally by EFoods for manufacturing in respect of its dairy operations.

17.2 The Customs Appellate Tribunal, Karachi Bench, through its order dated October 31, 2011, disposed off appeal of Engro Polymer and Chemicals Limited (EPCL) filed on April 11, 2008 against the order of Collector of Customs, Port Muhammad Bin Qasim, Karachi, for the refund of custom duty paid during the period June 16, 2006 to July 24, 2006 on imports of Vinyl Chloride Monomer (VCM). The Tribunal was informed that all aforementioned VCM consignments were released after the issuance of SRO 565(1)/2006 dated June 6, 2006 and the benefit of five percent duty reduction was also passed on to the customers. However, as the price of the EPCL's product was increased which is linked with international market, the Tribunal inadvertently presumed that the said benefit had not been transferred to the customers and passed an order against EPCL. EPCL has filed an appeal with the High Court of Sindh against the aforesaid order of the Tribunal. However, based on prudence, EPCL is maintaining full provision against the aforementioned custom duty refundable till such time that all available legal courses are exhausted.

17.3 Represents mark-up receivable on overdue trade debts of Engro Powergen Qadirpur Limited (note 13.1), as delayed payment charges from NTDC in accordance with the terms of the PPA. These include mark-up over due amounting to Rs. 883,765 (2013: Rs. 684,508).

(Amounts in thousand)

17.4 Represents reimbursements receivable under cost sharing agreement for marketing related expenses and quantity discount, net of payable on account of packaging material purchased.

17.5 The maximum amount due from joint venture, Engro Vopak Terminal Limited, at the end of any month during the year aggregated to Rs. 1,890 (2013: Rs. 3,293).

17.6 As at December 31, 2014 other receivables aggregating to Rs. 985,094 (2013: Rs. 693,230) were past due but not impaired. The aging analysis of these receivables is as follows:

	2014	2013
	------------(Rupees)------------	
Upto 3 months	175,704	43,802
3 to 6 months	37,095	582,265
More than 6 months	772,295	67,163
	985,094	693,230

17.7 As at December 31, 2014, receivables aggregating to Rs. 55,414 (2013: Rs. 54,870) were deemed to be impaired being outstanding for more than six months and provided for.

The movement in provision during the year is as follows:

	2014	2013
	------------(Rupees)------------	
Balance as at January 1	54,870	55,981
(Reversal) / Provision made during the year	544	(1,111)
Balance as at December 31	55,414	54,870

18. SHORT TERM INVESTMENTS

	2014	2013
Financial assets at fair value through profit or loss		
Fixed income placements (note 18.1)	1,320,922	1,750,952
Treasury Bills (note 18.2)	25,978,410	300,000
Pakistan Investment Bonds	538,452	-
Money market funds (note 18.3)	-	2,836,036
	27,837,784	4,886,988
Loans and receivables		
Reverse repurchase of treasury bills (note 18.4)	1,149,300	16,479,103
	28,987,084	21,366,091

18.1 These represents foreign and local currency deposits with various banks, at the interest rates ranging upto 9.75% (2013: 10.2%) per annum.

18.2 These represent treasury bills discounted the using effective rates upto 9.30% (2013: 9.79%) per annum.

18.3 These represents investments in various money market funds and are valued at their respective net assets values as at the balance sheet date.

18.4 These represent treasury bills carrying interest at the rate ranging upto 10.07% (2013: 9.17%) per annum.

(Amounts in thousand)

19. CASH AND BANK BALANCES

	2014	2013
	------------(Rupees)------------	
Balances with banks in:		
- deposit accounts (notes 19.1, 19.2 and 19.3)	6,367,124	3,521,518
- current accounts	5,868,631	3,277,096
Balances in hand:		
- cheques / demand drafts / cash in transit	850	122,037
- cash	7,928	7,802
Less: Transferred to Discontinued Operations	-	29,330
	12,244,533	6,899,123

19.1 Includes Nil (2013: Rs. 50,606) in respect of maintenance reserve (note 22).

19.2 Local currency deposits carry return up to the rate of 9.8% (2013: 10.15%) per annum.

19.3 This includes Rs. 211,171 (2013: Rs. 178,890) held in foreign currency bank accounts and carry return at the rate of 0.25% (2013: 0.25%) per annum.

20. DISCONTINUED OPERATIONS

20.1 "During the year, Engro Foods Limited (EFoods) entirely divested from Engro Foods Canada Limited (EFCL) held through its subsidiary Engro Foods Netherlands B.V. (EFoods Netherlands). Accordingly, EFoods Netherlands sold its entire shareholding (100%) in EFCL. The share disposal transaction was completed on October 31, 2014. Consequently, EFoods, on disposal of its investment in EFCL has recognized a loss of Rs. 453,381 representing total investment less accumulated losses (on the date of disposal) net of sales proceeds.

An analysis of the discontinued operations i.e. EFCL based on unaudited financial statements, at the time of disposal of investment as at October 31, 2014 is as follows:"

	(Unaudited) October 31 2014 Rupees
a) Assets	
Property, plant & equipment	780
Intangibles - Brand & Goodwill	48,232
Stock-in-trade	18,304
Trade debts	55,122
Advances, deposits and prepayments	5,191
Others receivable	1,510
Cash and bank balances	12,758
	141,897
b) Liabilities	
Accrued and other liabilities	51,655

(Amounts in thousand)

	2014	2013
	------------(Rupees)------------	
c) Results of operations		
Loss before taxation	(644,309)	(29,642)
Taxation	-	(1,285)
Loss for the year from discontinued operations	(644,309)	(30,927)
d) Cash flows		
Operating cash flows	(41,107)	(160,473)
Investing cash flows	-	(378,528)
Financing cash flows	251,033	549,862
Cash inflows / (outflows)	209,926	10,861

20.2 Last year consequent to planned reduction in equity stake in Sindh Engro Coal Mining Company Limited (SECMC), Engro Powergen Limited had classified the investment in SECMC as held for sale. As a result assets and liabilities amounting to Rs. 980,140 and Rs. 139,054, respectively were classified as assets and liabilities attributable to discontinued operation in the balance sheet.

21 SHARE CAPITAL

21.1 Authorised Capital

2014	2013		2014	2013
----------(No. of Shares)----------			------------(Rupees)------------	
550,000,000	550,000,000	Ordinary shares of Rs. 10 each	5,500,000	5,500,000

Issued, subscribed and paid-up capital

2014	2013		2014	2013
----------(No. of Shares)----------			------------(Rupees)------------	
523,784,756	511,269,437	Ordinary shares of Rs. 10 each	5,237,848	5,112,694

21.2 Movement in issued, subscribed and paid-up capital

2014	2013		2014	2013
----------(No. of Shares)----------			------------(Rupees)------------	
511,269,437	511,269,437	As at January 1	5,112,694	5,112,694
12,515,319	-	Ordinary shares of Rs. 10 each issued during the year as fully paid in cash (note 24.5.1)	125,154	-
523,784,756	511,269,437		5,237,848	5,112,694

21.3 As at December 31, 2014, associated companies held 228,797,841 (2013: 228,797,841) ordinary shares in the Holding Company.

consolidated accounts

- Auditors' Report to the Members

- Consolidated Financials

auditors' report to the members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Engro Corporation Limited (the Holding Company) and its subsidiary companies as at December 31, 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and the subsidiary companies, whereas, financial statements of Engro Eximp FZE have been audited by PricewaterhouseCoopers - U.A.E. whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for Engro Eximp FZE, is based solely on the report of such other auditor.

These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Engro Corporation Limited (the Holding Company) and its subsidiary companies as at December 31, 2014 and the results of their operations for the year then ended.

Chartered Accountants
Karachi
Date: March 17, 2015

Engagement Partner: Waqas A. Sheikh

consolidated balance sheet

as at december 31, 2014

(Amounts in thousand)

	Note	2014	(Restated-note 4) 2013	2012
		------------------------(Rupees)------------------------		
Assets				
Non-current assets				
Property, plant and equipment	5	134,507,257	131,969,040	132,013,681
Exploration and evaluation assets		-	-	539,752
Biological assets	6	858,680	716,465	668,455
Intangible assets	7	296,093	807,966	782,958
Long term investments	8	2,735,157	1,873,995	1,267,973
Deferred taxation	9	1,103,153	1,502,981	1,628,520
Long term loans, advances and other receivables	10	1,183,224	307,435	254,348
Deferred employee compensation expense	14	112,581	168,865	-
		140,796,145	137,346,747	137,155,687
Current Assets				
Stores, spares and loose tools	11	7,547,456	7,038,623	6,508,440
Deferred taxation	9	960,537	-	-
Stock-in-trade	12	11,567,174	20,699,771	16,591,475
Trade debts	13	4,615,213	3,033,487	10,637,999
Deferred employee compensation expense	14	90,430	136,153	-
Derivative financial instruments	15	-	130,207	26,332
Loans, advances, deposits and prepayments	16	1,708,023	1,451,026	1,072,618
Other receivables	17	5,317,228	4,995,503	3,087,676
Taxes recoverable		3,252,789	3,086,087	3,966,213
Short term investments	18	28,987,084	21,366,091	5,998,027
Cash and bank balances	19	12,244,533	6,899,123	4,663,275
		76,290,467	68,836,071	52,552,055
Assets attributable to discontinued operations	20	-	980,140	-
TOTAL ASSETS		217,086,612	207,162,958	189,707,742

(Amounts in thousand)

	Note	2014	(Restated-note 4) 2013	2012
		------------------------(Rupees)------------------------		
Equity & Liabilities				
Equity				
Share capital	21	5,237,848	5,112,694	5,112,694
Share premium		13,068,232	10,550,061	10,550,061
Employee share option compensation reserve	14	399,740	407,133	-
Revaluation reserve on business combination		63,890	74,092	84,294
Maintenance reserve	22	178,758	213,335	213,335
Exchange revaluation reserve		4,289	35,418	69,122
Hedging reserve	23	(143,339)	(185,689)	(362,925)
General reserves		4,429,240	4,429,240	4,429,240
Unappropriated profit		33,996,946	26,832,821	18,268,187
Remeasurement of post-employment benefits		(58,358)	(60,760)	(12,883)
		51,939,398	42,295,651	33,238,431
		57,177,246	47,408,345	38,351,125
Non-Controlling Interest		10,847,266	5,319,491	4,713,908
Advance against issuance of shares to Non-Controlling Interest by subsidiary company		-	2,954,829	-
Total Equity		68,024,512	55,682,665	43,065,033
Liabilities				
Non-current liabilities				
Borrowings	24	55,379,841	78,321,114	73,257,370
Derivative financial instruments	15	51,103	1,611,258	639,525
Deferred taxation	9	6,558,433	6,301,051	5,191,496
Deferred liabilities	25	197,543	221,856	220,453
		62,186,920	86,455,279	79,308,844
Current Liabilities				
Trade and other payables	26	53,498,390	40,112,860	30,498,974
Accrued interest / mark-up	27	2,067,680	2,252,256	2,613,633
Current portion of				
- borrowings	24	17,945,494	14,754,508	27,436,692
- obligations under finance lease		-	-	2,589
- deferred liabilities	25	43,338	45,883	39,624
Short term borrowings	28	11,764,678	6,380,255	5,828,090
Derivative financial instruments	15	1,465,108	1,247,823	817,327
Unclaimed dividends		90,492	92,375	96,936
		86,875,180	64,885,960	67,333,865
Total Liabilities		149,062,100	151,341,239	146,642,709
Liabilities associated with discontinued operations	20	-	139,054	-
Contingencies and Commitments	29			
TOTAL EQUITY & LIABILITIES		217,086,612	207,162,958	189,707,742

The annexed notes from 1 to 57 form an integral part of these consolidated financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

consolidated profit and loss account

for the year ended december 31, 2014

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

	Note	2014	(Restated-note 4) 2013
		-------------(Rupees)-------------	
Net sales	30	175,958,342	155,359,930
Cost of sales	31	(139,769,753)	(114,763,238)
Gross Profit		36,188,589	40,596,692
Selling and distribution expenses	32	(10,840,309)	(10,396,595)
Administrative expenses	33	(3,963,882)	(3,387,870)
		21,384,398	26,812,227
Other income	34	3,719,042	2,732,345
Other operating expenses	35	(2,499,562)	(1,794,092)
Finance cost	36	(12,344,159)	(15,634,199)
Share of income from joint venture and associates	37	723,036	609,622
Profit before taxation		10,982,755	12,725,903
Taxation	38	(3,181,909)	(4,401,060)
Profit for the year		7,800,846	8,324,843
Profit / (Loss) attributable to:			
- Discontinued operations	20	(644,309)	(30,927)
- Continuing operations		8,445,155	8,355,770
		7,800,846	8,324,843
Profit attributable to:			
- Owners of the Holding Company		7,006,832	7,818,074
- Non Controlling Interest		794,014	506,769
		7,800,846	8,324,843
		--------------Rupees---------------	
Earnings / (loss) per share from - Basic and diluted:	39		
- Discontinued operations		(1.09)	(0.04)
- Continuing operations		14.68	15.33
		13.59	15.29

The annexed notes from 1 to 57 form an integral part of these consolidated financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

consolidated statement of comprehensive income

for the year ended december 31, 2014

(Amounts in thousand)

	2014	(Restated-note 4) 2013
	-------------(Rupees)-------------	
Profit for the year	7,800,846	8,324,843
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Hedging reserve - cash flow hedges		
Losses arising during the year	(1,714,461)	(118,004)
Less:		
- Reclassification adjustments for losses included in profit and loss account	1,802,791	436,492
- Adjustments for amounts transferred to initial carrying amount of hedged items (capital work in progress / stock in trade)	34,527	(22,568)
	122,857	295,920
Revaluation reserve on business combination	(21,318)	(21,974)
Exchange differences on translation of foreign operations	(33,339)	(33,704)
	68,200	240,242
Income tax relating to:		
Hedging reserve - cash flow hedges	(60,261)	(106,753)
Revaluation reserve on business combination	7,035	7,691
	(53,226)	(99,062)
Items that will not be reclassified to profit and loss account		
Remeasurement of post employment benefits obligation - Actuarial (loss) / gain	4,083	(82,071)
Income tax relating to remeasurement of post employment benefits obligation	(2,172)	27,365
	1,911	(54,706)
Deferred tax charge relating to revaluation of equity related items	(1,648)	(1,648)
Other comprehensive income for the year, net of tax	15,237	84,826
Total comprehensive income for the year	7,816,083	8,409,669
Total comprehensive income attributable to equity shareholders arises from:		
- Discontinued operations	(668,543)	(17,694)
- Continuing operations	8,484,626	8,427,363
	7,816,083	8,409,669
Total comprehensive income attributable to:		
- Owners of the Holding Company	7,009,984	7,903,527
- Non Controlling Interest	806,099	506,142
	7,816,083	8,409,669

The annexed notes from 1 to 57 form an integral part of these consolidated financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

consolidated statement of changes in equity

for the year ended december 31, 2014

(Amounts in thousand)

	Share capital	Share premium	Employee share option compensation reserve	Revaluation reserve on business combination	Maintenance reserve (note 22)	Exchange revaluation reserve	Hedging reserve	General reserve	Unappro-priated Profit	Remeasurement of post emplo-yment benefits-acturial(loss)/income	Sub total	Non controlling Interest	Total
	---(Rupees)---												
Balance as at 1 January, 2013	5,112,694	10,550,061	-	84,294	213,335	69,122	(362,925)	4,429,240	18,423,593	(12,883)	38,506,531	4,713,908	43,220,439
Effect of recognition of derivative liability on option to International Finance Corporation (IFC), net of tax - note 4	-	-	-	-	-	-	-	-	(155,406)	-	(155,406)	-	(155,406)
Balance as at January 1, 2013 - restated	5,112,694	10,550,061	-	84,294	213,335	69,122	(362,925)	4,429,240	18,268,187	(12,883)	38,351,125	4,713,908	43,065,033
Total comprehensive income for the year ended December 31, 2013													
Profit for the year	-	-	-	-	-	-	-	-	7,818,074	-	7,818,074	506,769	8,324,843
Other comprehensive income	-	-	-	(10,202)	-	(33,704)	177,236	-	-	(47,877)	85,453	(627)	84,826
	-	-	-	(10,202)	-	(33,704)	177,236	-	7,818,074	(47,877)	7,903,527	506,142	8,409,669
Transactions with owners													
Effect of partial disposal of shares held in subsidiary company by Holding Company	-	-	-	-	-	-	-	-	701,938	-	701,938	84,388	786,326
Shares issued during the year by subsidiary company	-	-	-	-	-	-	-	-	44,622	-	44,622	180,953	225,575
Options granted during the year by subsidiary company under Employees Share Option Scheme	-	-	407,133	-	-	-	-	-	-	-	407,133	-	407,133
Dividend by subsidiary allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	-	(165,900)	(165,900)
	-	-	407,133	-	-	-	-	-	746,560	-	1,153,693	99,441	1,253,134
Balance as at December 31, 2013 - restated	5,112,694	10,550,061	407,133	74,092	213,335	35,418	(185,689)	4,429,240	26,832,821	(60,760)	47,408,345	5,319,491	52,727,836
Total comprehensive income for the year ended December 31, 2014													
Profit for the year	-	-	-	-	-	-	-	-	7,006,832	-	7,006,832	794,014	7,800,846
Other comprehensive income	-	-	-	(10,202)	-	(31,129)	42,350	-	-	2,133	3,152	12,085	15,237
	-	-	-	(10,202)	-	(31,129)	42,350	-	7,006,832	2,133	7,009,984	806,099	7,816,083
Transactions with owners													
Shares issued to IFC upon exercise of conversion option	125,154	2,518,171	-	-	-	-	-	-	-	-	2,643,325	-	2,643,325
Derecognition of Non-controlling interest relating to investment in subsidiary company	-	-	-	-	-	-	-	-	-	269	269	(337,855)	(337,586)
Effect of Dividend in specie - Shares of Subsidiary company transferred to owners of Holding Company	-	-	-	-	-	-	-	-	(1,087,971)	-	(1,087,971)	1,087,971	-
Employees Share Option Scheme of subsidiary company	-	-	(7,393)	-	-	-	-	-	-	-	(7,393)	-	(7,393)
Shares issued during the year by subsidiary company	-	-	-	-	-	-	-	-	603,461	-	603,461	1,417,368	2,020,829
Gain on disposal of shares of subsidiary company	-	-	-	-	-	-	-	-	216,942	-	216,942	619,135	836,077
Dividend by subsidiary allocable to Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-	-	(182,056)	(182,056)
Effect of conversion of IFC loan into ordinary shares by subsidiary company	-	-	-	-	-	-	-	-	775,657	-	775,657	408,570	1,184,227
Transfer of maintenance reserve to Non-Controlling Interest	-	-	-	-	(34,577)	-	-	-	-	-	(34,577)	34,577	-
Gain on disposal of equity reserves in subsidiary company	-	-	-	-	-	-	-	-	683,144	-	683,144	-	683,144
Increase in Non-Controlling Interest due to disposal of shareholding in subsidiary company	-	-	-	-	-	-	-	-	-	-	-	1,673,966	1,673,966
Interim cash dividend for the year ended December 31, 2014 @ Rs. 2.00 per share	-	-	-	-	-	-	-	-	(1,033,940)	-	(1,033,940)	-	(1,033,940)
	125,154	2,518,171	(7,393)	-	(34,577)	-	-	-	157,293	269	2,758,917	4,721,676	7,480,593
Balance as at December 31, 2014	5,237,848	13,068,232	399,740	63,890	178,758	4,289	(143,339)	4,429,240	33,996,946	(58,358)	57,177,246	10,847,266	68,024,512

The annexed notes from 1 to 57 form an integral part of these consolidated financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

consolidated statement of cash flows

for the year ended december 31, 2014

(Amounts in thousand)

	Note	2014	(Restated-note 4) 2013
		-------------(Rupees)-------------	
Cash flows from operating activities			
Cash generated from operations	42	45,510,549	45,236,162
Retirement and other service benefits paid		(119,416)	(469,883)
Financial charges paid		(11,646,148)	(11,152,374)
Taxes paid		(3,708,981)	(2,050,436)
Long term loans and advances - net		(875,789)	(57,621)
Net cash generated from operating activities		29,160,215	31,505,848
Cash flows from investing activities			
Exploration and evaluation expenditure incurred		-	(215,998)
Purchases of property, plant & equipment, intangible assets and biological assets		(9,432,994)	(8,628,735)
Sale proceeds on disposal of property, plant & equipment and biological assets		371,538	378,286
Investment in associated company		(165,131)	(536,400)
Disposal of subsidiary - net of exit costs and		87,048	-
Investment made during the period - net		(25,486,527)	-
Income on deposits / other financial assets		2,321,956	1,095,370
Dividends received		630,000	540,000
Net cash used in investing activities		(31,674,110)	(7,367,477)
Cash flows from financing activities			
Repayments of borrowings - net		(18,295,920)	(10,850,974)
Proceeds from issue of shares		1,495,080	-
Proceeds against partial disposal of shares held in subsidiary company by Holding Company		-	786,326
Advance received against issue of shares by subsidiary company		-	2,954,829
Proceeds from short term finance		4,750,000	-
Repayments of short term finance		-	(500,000)
Obligations under finance lease - net		-	(2,589)
Proceeds against disposal of shares of subsidiary company		2,356,962	225,575
Dividends paid		(1,217,879)	(170,461)
Net cash used in financing activities		(10,911,757)	(7,557,294)
Net (decrease) / increase in cash and cash equivalents		(13,425,652)	16,581,077
Cash and cash equivalents at beginning of the year		21,914,289	5,333,212
Cash and cash equivalents at end of the year	43	8,488,637	21,914,289

The annexed notes from 1 to 57 form an integral part of these consolidated financial statements.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

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

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

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

1.2 The "Group" consists of:

Holding Company- Engro Corporation Limited

Subsidiary companies, Companies in which the Holding Company owns over 50% of voting rights, or companies directly controlled by the Holding Company:

	%age of direct holding	
	2014	2013
• Engro Eximp (Private) Limited (note 1.3.1)	100	100
• Engro Powergen Limited (note 1.3.2)	100	100
• Elengy Terminal Pakistan Limited (note 1.3.3)	100	100
• Engro Foods Limited (note 1.3.4)	87.06	87.06
• Engro Fertilizers Limited (note 1.3.5)	86.6	100
• Engro Polymer and Chemicals Limited (note 1.3.6)	56.19	56.19
Joint Venture Company:		
• Engro Vopak Terminal Limited (note 1.4)	50	50

1.3 Subsidiary companies

1.3.1 Engro Eximp (Private) Limited

Engro Eximp (Private) Limited (EEL), a wholly owned subsidiary of the Holding Company, is a private limited company incorporated in Pakistan. EEL is principally engaged in the following trading businesses:

a) Fertilizer Trading: EEL imports and sells different types of fertilizers and other related products which are being sold to the dealers through Engro Fertilizers Limited (EFert), which has been appointed as a selling agent.

b) Agri commodities Procurement / Trading: EEL has been engaged in the procurement / trading of agri commodities, including sugar and Hydrogenated palm oil (HPO), whereby EEL takes trading positions in the local and international markets for itself and its associated undertakings on the basis of fundamental and technical analysis. Further, EEL is also engaged in physical trading of HPO and sugar to the customers in local market.

c) Coal Trading: EEL is also engaged in coal trading business, whereby it procures coal and provides transportation and handling services with respect to procurement of coal.

Following are the subsidiaries of EEL:	%age of direct holding	
	2014	2013
• Engro Eximp Agriproducts (Private) Limited, (note 1.3.1.1)	100	100
• Engro EXIMP FZE (note 1.3.1.3)	100	100

(Amounts in thousand)

1.3.1.1 Engro Eximp Agriproducts (Private) Limited (EEAP), is a private limited company, incorporated in Pakistan. The principal activity of the EEAP is to produce, manufacture and trade all kinds of raw, processed and prepared food products including agriculture, dairy and farming products. EEAP has set up a rice processing plant in District Shaikhupura, which commenced commercial production in 2011.

1.3.1.2 During the year, EEAP incurred a loss of Rs. 4,301,612 as a result of which, EEAP as at balance sheet date has a negative equity of Rs. 2,335,416. Further, as of the balance sheet date its current liabilities exceeded its current assets by Rs. 5,215,244.

The weak financial performance is primarily due to the recent downturn in the rice industry which resulted in significant reduction of margins, coupled with unexpected appreciation of Pak Rupee. The management is confident that EEAP will be able to revert to sustained performance in the coming years, as the supply / demand situation normalizes in the market. Further, the management has intention to restructure the business by focusing on creating brand equity to attain market share and to reduce the exposure to commodity price volatility. In order to reduce short term liabilities and losses, the management has decided to scale down its rice business, redefine the business model and focus on reduction in fixed costs.

In addition, the principal sponsors of EEAP (i.e. the Holding Company) have provided EEAP with a letter of support in order to meet the necessary financial commitments and their renewals as and when they arise. Accordingly, the financial statements of EEAP have been prepared on a going-concern basis and do not include adjustments, if any, relating to the recoverability and reclassification of recorded assets and liabilities that may be necessary should EEAP be unable to continue as a going-concern.

The auditor's report on the separate financial statements of EEAP for the year ended December 31, 2014 contains an emphasis of matter paragraph with respect to the aforementioned matter relating to going- concern.

1.3.1.3 Engro Eximp FZE (EFZE) is incorporated in the Jebel Ali Free Zone, Emirate of Dubai and is engaged in the business of trading seeds, agricultural tools, chemical fertilizers, organic fertilizers, plant seeds, ghee, vegetable oil, grains, cereals legumes, sugar, flour, agricultural equipment and accessories.

1.3.2 Engro Powergen Limited

Engro Powergen Limited (EPL), a wholly owned subsidiary of the Holding Company, is a public unlisted company incorporated in Pakistan. It is established with the primary objective to analyze potential opportunities in the Power Sector and undertake Independent Power Projects (IPPs) based on feasibilities of new ventures.

Following are the subsidiaries of EPL:	%age of direct holding	
	2014	2013
• Engro Powergen Qadirpur Limited (note 1.3.2.1)	68.8	84
• Engro Power Services Limited (note 1.3.2.2)	100	-
• Engro Powergen Thar (Private) Limited (note 1.3.2.3)	100	-
• Engro Power International Holding B.V. (note 1.3.2.4)	100	-
• Sindh Engro Coal Mining Company Limited (note 1.3.2.5)	-	60
Following are the associated companies of EPL:		
• Sindh Engro Coal Mining Company Limited (note 1.3.2.5)	22.15	-
• GEL Utility Limited (note 1.3.2.6)	45	45

(Amounts in thousand)

1.3.2.1 Engro Powergen Qadirpur Limited (EPQL) was established as an unlisted public company incorporated in Pakistan with the primary objective to undertake the business of power generation, distribution, transmission and sale. EPQL completed construction and testing of its 217.3 MW combined cycle power plant and has commenced commercial operation on March 27, 2010. The electricity generated is transmitted to the National Transmission and Dispatch Company (NTDC) under the Power Purchase Agreement (PPA) dated October 26, 2007, valid for a period of 25 years.

During the year, the Holding Company and EPL made an offer for sale for 32,000,000 and 48,950,000 ordinary shares of Rs. 10 each, respectively held in EPQL at a price of Rs. 30.02 per share determined through the book building process. Out of the entire offer of 80,950,000 ordinary shares, 40,475,000 ordinary shares were subscribed by institutional investors through private placement, while the remaining were offered to the general public through, Initial Public Offer (IPO). During the year, EPQL has been formally listed on the Karachi and Islamabad Stock Exchanges and the shares have been duly allotted to the shareholders.

1.3.2.2 Engro Power Services Limited (EPSL), a private limited company, has been established during the year in Nigeria with the objective to carry on business as power generating, transmission, distribution and servicing company.

1.3.2.3 Engro Powergen Thar (Private) Limited (EPTPL), a private limited company, has been established and incorporated during the year in Pakistan. The principal operations of EPTPL is to carry out the business of power generation, distribution, transmission and sale of electricity. EPTL has been formed for the purpose of the development of 2 x 330 MW mine mouth power plants at Thar Block II, Sindh.

1.3.2.4 Engro Power International Holding B.V. (EPIH), a private limited company, has been established during the year in Rotterdam, Netherlands with the objective to incorporate, participate, manage and supervise business and companies.

1.3.2.5 Sindh Engro Coal Mining Company Limited (SECMC) was formed under a Joint Venture Agreement (JVA), dated September 8, 2009, between the Government of Sindh (GoS 40%) and EPL (60%). The aforementioned JVA is consequent to the selection of SECMC as GoS's joint venture partner, through an International Competitive Bidding process, for the development, construction and operations of an open cast lignite mine in Block-II of Thar Coal Field, Sindh (the Project), with an annual mining capacity of 6.5 million tons of coal.

GoS has granted a mining lease of 30 years to SECMC for exploration and mining activities in Thar Block-II. Based on the DFS conducted by SECMC, Thar Block-II has estimated coal reserves of approximately 2 billion tons, independently verified by a Competent Person Statement (CPS) in 2012, of which 195 million tons will be mined at the rate of 6.5 million tons per year over the period of the mining lease. SECMC also received a firm proposal for Engineering, Procurement & Construction (EPC) for 6.5 million tons per annum mining capacity and 1,200 MW power plant from an international contractor. However, in May 2013, SECMC in order to reduce its capital investment and optimize the project size and cost decided to decouple the mining and power projects.

During the year, the revised JVA was signed, pursuant to which EPL's shareholding in SECMC has been reduced from 60% to 22.15%. Accordingly, SECMC has now been classified as an associated company and has not been consolidated.

1.3.2.6 During the year, 12,272,727 ordinary shares of Naira 1 each in GEL Utility Limited (GEL) were issued to EPL for 45% equity stake in GEL. GEL is a private limited company established in Nigeria. GEL has been formed with the objective of generation and distribution of energy, power and other related services and has undertaken a project of 72 MW triple redundancy captive power plant, which commenced commercial operations from November 21, 2014.

(Amounts in thousand)

1.3.3 Elengy Terminal Pakistan Limited

Elengy Terminal Pakistan Limited (ETPL), a wholly owned subsidiary of the Holding Company, is a public unlisted company, incorporated in Pakistan.

The principal business of ETPL is to establish and operate a terminal for handling, re-gasification, storage, treatment and processing, along with import, export and trading, of Liquefied Natural Gas (LNG), Re-gasified Liquefied Natural Gas (RLNG), Liquid Petroleum Gas (LPG), Natural Gas Liquid (NGL) and all other related liquids, gases and chemical and petroleum products.

Following is the subsidiary of ETPL:	%age of direct holding	
	2014	2013
• Engro Elengy Terminal (Private) Limited (EETPL)	100	-

A tender for Fast Track LNG Project (the Project) was issued by Inter State Gas Systems (Private) Limited (ISGS) on behalf of the Government of Pakistan on August 15, 2013 for receipt, storage and re-gasification of 1.5 million tons of LNG in the first year and 3.0 million tons for next 14 years. ETPL's bid for this project was successful, and under the Request for Proposal for the Project, ETPL was required to incorporate a special purpose vehicle which will own and operate the LNG facilities and enter into all project related agreements including the LNG Operations and Services Agreement (LSA). During the year, ETPL incorporated a wholly owned subsidiary, EETPL, for this purpose.

During the year, LSA was formally signed by EETPL with Sui Southern Gas Company Limited on April 30, 2014, and the LNG terminal is on schedule to achieve commissioning by the due date of March 31, 2015.

1.3.4 Engro Foods Limited

Engro Foods Limited (EFoods), is a public listed company, incorporated in Pakistan. The principal activity of EFoods is to manufacture, process and sell dairy products, beverages, ice cream and frozen desserts. It also owns and operates a dairy farm.

1.3.4.1 Engro Foods Netherlands B.V. (EF Netherlands), is a wholly owned subsidiary of EFoods. The principal activity of EF Netherlands is to manage investments in subsidiary companies. EF Netherlands had acquired an existing brand of halal meat business known as 'Al-Safa', engaged in supplying a variety of packaged halal foods across North America, through Engro Foods Canada Limited (EFCL). EFCL was a wholly owned subsidiary of EF Netherlands, incorporated in Canada.

During the year, EFoods decided to exit from its North American business, i.e. EFCL. Accordingly, EF Netherlands entered into a Share Purchase Agreement (SPA) with a Canadian registered company for sale of shares of EFCL. The sale transaction was completed on October 31, 2014.

1.3.5 Engro Fertilizers Limited

1.3.5.1 Engro Fertilizers Limited (EFert), is a public listed company, incorporated in Pakistan. The principal activity of EFert is manufacturing, purchasing and marketing of fertilizers.

1.3.5.2 During 2013, EFert, through an Initial Public Offer (IPO) issued 75 million ordinary shares having face value of Rs. 10 each at a price of Rs. 28.25 per share, determined through the book building process. Further, the Holding Company also divested 30 million ordinary shares of EFert, representing 2.45% of its total investment in EFert, at a price of Rs. 28.25 per share to certain local / foreign institutional investors and High Net Worth Individuals (Informed Buyers). During the year, EFert was formally listed on the Karachi, Lahore and Islamabad Stock Exchanges and the shares have been duly allotted to the shareholders.

(Amounts in thousand)

1.3.5.3 On March 31, 2014, the shareholders of the Holding Company in its Annual General Meeting approved a Dividend in Specie for the year ended December 31, 2013 in the ratio of 1:10 (one share of EFert for every ten shares held of the Holding Company). Consequently, 51,126,943 shares of EFert, representing 4.29% of Holding Company's investment in EFert, were allotted to the Holding Company's shareholders in April 2014.

1.3.5.4 As more fully explained in note 24.5.1, during the year International Finance Corporation (IFC) exercised conversion option on the shares of the Holding Company and EFert, and as a result 12,515,319 and 20,541,667 shares of the Holding Company and EFert, respectively, were issued to IFC.

1.3.6 Engro Polymer and Chemicals Limited

Engro Polymer and Chemicals Limited (EPCL), is a public listed company, incorporated in Pakistan. The principal activity of EPCL is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), caustic soda and other related chemicals. It is also engaged in supply of surplus power generated from its power plants to EFert (NPK Plant).

Further, EPCL has a wholly owned subsidiary, Engro Polymer Trading (Private) Limited (EPTL), which is a private limited company incorporated in Pakistan. EPTL's principal activity is to purchase, market and export PVC, VCM and related chemicals.

1.4 Joint Venture Company - Engro Vopak Terminal Limited

Engro Vopak Terminal Limited (EVTL), a 50% share joint venture of the Holding Company is a public unlisted company incorporated in Pakistan. EVTL is a joint venture of the Holding Company and Royal Vopak Netherlands B.V. EVTL has been granted the exclusive concession, right and license to design, finance, insure, construct, test, commission, complete, operate, manage and maintain an Integrated Liquid Chemical Terminal and Storage Farm at the south western zone of Port Qasim on Build, Operate and Transfer (BOT) basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2.1.3 The preparation of consolidated financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

(Amounts in thousand)

2.1.4 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments to published standards and interpretations that are effective in 2014

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

- 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 Group'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 Group’s financial statements.

- 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 Group’s current accounting treatment policy is already in line with this amendment.

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 Group's financial reporting and operations.

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

The following new standards and amendments to published standards are not effective for the financial year beginning on January 1, 2014 and have not been early adopted by the Group:

- IFRS 10 ‘Consolidated financial statements’ (effective for periods beginning on or after January 1, 2015). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in determination of control where this is difficult to assess. It is unlikely that the standard will have any significant impact on the Group's financial statements.

- IFRS 12 ‘Disclosures of interests in other entities’ (effective for periods beginning on or after January 1, 2015). The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance-sheet vehicles. The standard may result in additional disclosures in the Group's financial statements.

- 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 Group 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 Group's financial statements.

(Amounts in thousand)

- 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 Group's financial statements.

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

- IFRS 2 'Share based payments' (effective for annual periods beginning on or after July 1, 2014). This amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. It is unlikely that the standard will have any significant impact on the Group's financial statements.

- IFRS 7 'Financial instruments: Disclosures' (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 Group's financial statements.

- IFRS 8 'Operating segments' (effective for annual periods beginning on or after July 1, 2014). This amendment requires disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. The amendment will only affect the disclosures in the Group's financial statements.

- 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 Group'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 Group's financial statements.

(Amounts in thousand)

- 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 Group'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 Group and therefore, have not been presented here.

2.1.5 Basis of consolidation

i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-recognized from the date the control ceases. These consolidated financial statements include Engro Corporation Limited (the Holding Company) and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors (the Subsidiaries).

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in consolidated profit and loss account.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized in profit and loss account.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses (unrealized) are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(Amounts in thousand)

iii) Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit and loss account. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed off the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to consolidated profit and loss account.

2.2 Exploration and evaluation assets

Exploration and evaluation assets in respect of area of interest includes license fee, detailed feasibility study and all other related studies to ensure bankability of the Project including ancillary (operating and administrative) cost related thereto.

The aforementioned expenditure supporting the technical feasibility and economic / commercial viability, are capitalized as exploration and evaluation assets, where:

- such costs are expected to be recouped through successful development and exploration of the area of interest or alternatively, by its sale; or

- exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence, or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

Capitalized exploration and evaluation expenditure is recorded at cost less impairment charges. As asset is not available for use, it is not depreciated, however, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

Cash flows associated with exploration and evaluation expenditure are classified as investing activities in the consolidated statement of cash flows.

2.3 Development properties

Development expenditure represents expenditure incurred in area in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and related infrastructure.

Once a development decision has been taken the carrying amount of the exploration and evaluation asset is transferred to development expenditure and classified under non-current assets as 'development properties'.

Cash flows associated with development properties are classified as investing activities in the consolidated statement of cash flows.

2.4 Property, plant and equipment

2.4.1 Owned assets

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

(Amounts in thousand)

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 Group 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 consolidated profit and loss account.

Depreciation is charged to consolidated 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 is written off over its estimated useful life. Depreciation on addition is charged from the month following the month in which the asset is available for use and on disposals upto the preceding month of disposal.

The Group reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation.

2.4.2 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to 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.

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

Operating lease / Ijarah arrangements in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases / Ijarah arrangements. Rentals due under operating lease / Ijarah arrangements are recognized in the consolidated profit and loss account.

2.5 Capital spares

Spare parts and servicing equipment are classified as property, plant and equipment rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. Upon utilization, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of principal asset, whichever is lower.

2.6 Biological assets

Livestock are measured at their fair value less estimated point-of-sale costs. Fair value of livestock is determined by an independent valuer on the basis of best available estimate for livestock of similar attributes. Milk is initially measured at its fair value less estimated point-of-sale costs at the time of milking. The fair value of milk is determined based on market prices in the local area.

(Amounts in thousand)

Gains or losses arising from changes in fair value less estimated point-of-sale costs of livestock and milk are recognized in the consolidated profit and loss account.

Crops in the ground and at the point of harvest at balance sheet date are measured at cost being an approximation of fair value, as these are presently being used as internal consumption for cattle feed and have a very short biological transformation and consumption cycle.

2.7 Intangible assets

a) Goodwill

Goodwill represents the difference between the consideration paid for acquiring interests in a company and the value of the Group's share of its net assets at the date of acquisition.

b) Brands

These are stated at cost less impairment, if any. Carrying amounts of these intangibles are subject to impairment review at each balance sheet date and where conditions exist, impairment is recognized.

The useful lives of intangible assets are reviewed at each balance sheet date to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset.

c) Computer software and licenses

Costs associated with maintaining computer software programmes are recognized as an expense when incurred. However, costs that are directly attributable to identifiable software and have probable economic benefits exceeding the cost beyond one year, are recognized as an intangible asset. Direct costs include the purchase cost of software (license fee) and related overhead cost.

Expenditure which enhances or extends the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

Computer software cost treated as intangible assets are amortized from the date the software is put to use on straight-line basis over their respective useful lives.

d) Rights for future gas utilization

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

2.8 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.

2.9 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the consolidated profit and loss account. Impairment losses recognized in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account.

(Amounts in thousand)

2.10 Investments

The Group's interest in jointly controlled entity has been accounted for using equity method in these consolidated financial statements.

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

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

2.12 Financial instruments

2.12.1 Financial assets

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

a) Fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise, these are classified as non-current.

b) Loans and receivables

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

c) Held to maturity

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

d) Available-for-sale

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

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group 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 consolidated 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 Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at 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 consolidated profit and loss account within 'other income / other operating expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated profit and loss account as part of 'Other income' when the Group's right to receive payments is established.

(Amounts in thousand)

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

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

2.12.2 Financial liabilities

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

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

2.12.3 Offsetting of financial assets and liabilities

A financial asset and a financial liability are off set and the net amount is reported in the consolidated balance sheet if the Group has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to 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 Group or the counter party.

2.13 Derivative financial instruments and hedging activities

Derivatives are recognized initially at fair value on the date a derivative contract is entered into; attributable transaction cost are recognized in consolidated profit and loss account when incurred. Subsequent to initial recognition, derivatives are measured at fair values, and changes therein are accounted for as described below:

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedges

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

(Amounts in thousand)

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, allchanges in its fair value are recognized immediately in consolidated profit and loss account.

Embedded derivatives

Fair value of derivatives embedded in financial instruments or non-derivative host contracts are separated from the host contract if the risks and economic characteristics of the embedded derivative are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

If the fair value of an embedded derivative that is required to be separated cannot be reliably measured, the entire combined contract is measured at fair value through profit or loss.

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposure.

2.14 Inventory of fuel oil

This is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.15 Stores, spares and loose tools

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the consolidated balance sheet date. For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated realizable value. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence, if any.

2.16 Stock-in-trade

These are valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for raw material and certain purchased products in transit which are stated at cost (invoice value) plus other charges incurred thereon till the consolidated 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.

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

2.17 Trade debts and other receivables

These are 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 Group will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is charged to consolidated profit and loss account. Trade debts and other receivables considered irrecoverable are written-off.

Exchange gains and losses arising on translation in respect of trade debts and other receivables in foreign currency are added to the carrying amount of the respective receivables.

2.18 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows includes cash in hand and in transit, cheques in hand, balances with banks on current, deposit and saving account, other short term highly liquid investments with original maturities of three months or less and short term borrowings other than term finance.

(Amounts in thousand)

2.19 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.

2.20 Employees' share option scheme

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

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

When an unvested option lapses by virtue of an employee not conforming to the vesting conditions after recognition of an employee compensation expense in the consolidated profit and loss account, such employee compensation expense is reversed in the consolidated profit and loss account equal to the amortized portion with a corresponding effect to employee share option compensation reserve in the consolidated balance sheet.

When a vested option lapses on expiry of the exercise period, employee compensation expense already recognized in the consolidated profit and loss account is reversed with a corresponding reduction to employee share option compensation reserve in the consolidated balance sheet.

When options are exercised, employee share option compensation reserve relating to these options is transferred to share capital and share premium account. An amount equivalent to the face value of related shares is transferred to share capital. Any amount over and above the share capital is transferred to share premium account.

2.21 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 consolidated profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Exchange gains and losses arising in respect of borrowings in foreign currency are added to the carrying amount of the borrowing.

2.22 Trade and other payables

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liability.

Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

2.23 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

(Amounts in thousand)

2.24 Income tax

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

2.24.1 Current

Provision for current taxation is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2.24.2 Deferred

Deferred tax is recognized using the balance sheet method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2.25 Employee benefits

2.25.1 Defined contribution plans

A defined contribution plan is a post - employment benefit plan under which a Group pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the consolidated 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 Group operates:

- defined contribution provident funds for its permanent employees. Monthly contributions are made both by the Group and employees to the fund at the rate of 10% of basic salary;

- defined contribution pension funds for the benefit of management employees. Monthly contributions are made by the Group to the fund at the rate ranging from 12.5% to 13.75% of basic salary; and

- defined contribution gratuity funds for the benefit of management employees. Monthly contributions are made by the Group to the fund at the rate of 8.33% of basic salary.

2.25.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the Projected Unit Credit method.

Remeasurements (actuarial gains / losses) in respect of defined benefit plan are recognized directly in equity through other comprehensive income.

Contributions require assumptions to be made of future outcomes which mainly includes increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

(Amounts in thousand)

The Group operates defined benefit funded gratuity schemes for its management employees and non management employees of Engro Fertilizers Limited (EFert).

The Group also operates defined benefit funded pension scheme for EFert's management employees; the pension scheme provides life time pension to retired employees or to their spouses. Contributions are made annually to these funds on the basis of actuarial recommendations. The pension scheme has been curtailed and effective from July 1, 2005, no new members are inducted in this scheme. Actuarial gains on curtailment are recognized immediately once the certainty of recovery is established.

Annual provision is also made under a service incentive plan for certain category of experienced employees to continue in the Group's employment.

2.25.3 Employees' compensated absences

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

2.26 Foreign currency transactions and translation

2.26.1 These consolidated financial statements are presented in Pakistan Rupees, which is the Group'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 consolidated profit and loss account.

2.26.2 The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each consolidated profit and loss account item are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognized as a separate component of equity.

2.27 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized on the following basis:

- Sales revenue is recognized when product is dispatched to customers or services are rendered.

- Income on deposits and other financial assets is recognized on accrual basis.

- Commission income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

- Interest income on delayed payment income on overdue trade receivables is recognized on accrual basis.

(Amounts in thousand)

- Revenue from construction activities, if the outcome of such activity can be reliably measured, is recognized by reference to stage of completion of the activity at year end (the percentage completion method). In applying the percentage completion method, revenue recognized corresponds to the total contract revenue multiplied by the actual completion rate based on the proportion of total contract costs incurred to date and the estimated costs to complete.

- Dividend income from investments is recognized when the Group's right to receive payment has been established.

- Fee from Operations and Management (O&M) projects is recognized on accrual basis under the terms of O&M agreements. Recoveries against reimbursable expenses are adjusted against the related expenses and net amount is recognized in the statement of comprehensive income as other income.

- Revenue from sale of electricity is recognized as follows:

- Capacity revenue based on the capacity made available to National Transmission and Dispatch Company Limited (NTDC); and

- Energy revenue based on the Net Electrical Output (NEO) delivered.

2.28 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which such costs are capitalized as part of the cost of that asset. Borrowing costs includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs and net gain / loss on the settlement of derivatives hedging instruments.

2.29 Research and development costs

Research and development costs are charged to income as and when incurred, except for certain development costs which are recognized as intangible assets when it is probable that, the developed project will be a success and certain criteria, including commercial and technical feasibility have been met.

2.30 Government grant

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

2.31 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.32 Transactions with related parties

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

2.33 Dividend and appropriation to reserves

Dividends and reserve appropriations are recognized as a liability in the period in which these are approved.

(Amounts in thousand)

2.34 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Holding Company that makes strategic decisions.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Property, plant and equipment

The Group reviews appropriateness of the rate of depreciation, useful life, residual value used in the calculation of depreciation. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

3.2 Biological assets

The fair values of biological assets – (Dairy livestock) is determined semi-annually by utilizing the services of an independent expert/valuer. These valuations are mainly based on market and livestock conditions existing at the end of each reporting period.

3.3 Investments stated at fair value through profit or loss

The Group determines fair value of certain investments by using quotations from active market and conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment.

3.4 Derivatives

The Group reviews the changes in fair values of the derivative hedging financial instruments at each reporting date based on the valuations received from the contracting banks. These valuations represent estimated fluctuations in the relevant currencies/interest rates over the reporting period and other relevant variables signifying currency and interest rate risks.

3.5 Stock-in-trade

The Group reviews the net realizable value of stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

3.6 Income taxes

In making the estimates for income taxes payable by the Group, the management looks at the applicable law and the decisions of appellate authorities on certain issues in the past.

In making the estimates for current income taxes payable by the Group, 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 Group.

3.7 Fair value of employee share options

Employee share option compensation reserve and deferred employee share option compensation expense have been determined using the fair values of the options granted and expected to be granted in the ensuing year, using the Black Scholes Pricing Model. The fair values of the options granted during the year have been determined with reference to the respective grant dates of the options; and fair values of options expected to be granted in the ensuing year has been determined with reference to the consolidated balance sheet date in accordance with the requirements of IFRS 2 'Share based payment' and will be reassessed on the actual grant date. Any change in these assumptions may significantly impact the carrying values of the related asset and reserve in the consolidated balance sheet.

(Amounts in thousand)

3.8 Provision for retirement and other service benefits obligations

The present value of these obligations depend on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations.

3.9 Impairment of financial assets

In making an estimate of future cash flows from the Group's financial assets including investment in joint ventures and associates, the management considers future dividend stream and an estimate of the terminal value of these investments.

4. RESTATEMENT OF PRIOR PERIODS

During the period, the Holding Company upon exercise of option on its shares by the International Finance Corporation (IFC) on IFC's loan to Engro Fertilizers Limited (note 24.5.1), has accounted for such option (derivate financial instrument) retrospectively and consequently the earliest period presented in the consolidated balance sheet, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated statement of changes in equity have been restated. There is no impact of this restatement on the consolidated statement of cash flows. The effects of retrospective application are as follows:

Effect on the consolidated balance sheet:

	Taxes recoverable / (payable)	Trade and other payavles	Unappropriated profit	Current portion of derivative financial instruments	Deferred taxation
	---	---	(Rupees)	---	---
Balance as at January 1, 2013, as previously reported	3,966,213	30,503,853	18,423,593	573,363	1,544,841
Restatement - recognition of derivative liability in option to IFC	-	(4,879)	(155,406)	243,964	83,679
Balance as at January 1, 2013 - Restated	3,966,213	30,498,974	18,268,187	817,327	1,628,520
Balance as at December 31, 2013, as previously reported	2,908,257	40,128,696	27,353,306	455,990	1,425,299
Restatement - recognition of derivative liability on option to IFC:					
- For the year ended December 31, 2012	-	(4,879)	(155,406)	243,964	83,679
- For the year ended December 31, 2013	177,830	(10,957)	(365,079)	547,869	(5,997)
	177,830	(15,836)	(520,485)	791,833	77,682
Balance as at January 31, 2013 - Restated	3,086,087	40,112,860	26,832,821	1,247,823	1,502,981

Effect on the consolidated profit and loss acount:

	Other operating expenses	Finance cost	Taxation charge
	---	(Rupees)	---
Balance for the year ended December 31, 2013, as previously reported - including impact of prior year reclassifications	1,805,049	15,086,330	4,572,893
Restatement - recognition of derivative liability on option to IFC	(10,957)	547,869	(171,833)
Balance for the year ended December 31, 2013 - Restated	1,794,092	15,634,199	4,401,060

(Amounts in thousand)

5. PROPERTY, PLANT & EQUIPMENT

	2014	2013
	-------------(Rupees)-------------	
Operating assets, at net book value (note 5.1)	122,940,571	124,581,275
Capital work in progress		
- Expansion and other projects (note 5.5)	9,886,547	5,805,677
- Capital spares (note 5.6)	1,680,139	1,582,088
	134,507,257	131,969,040

(Amounts in thousand)

5.1 Operating assets

	Land		Building		Pipelines	Plant and Machinery		Catalyst	Furniture fixture and equipments		Vehicles		Total
	Freehold	Leasehold	Freehold	Leasehold		Owned	Leased		Owned	Leased	Owned	Leased	
	----------	----------	----------	----------	----------	----------	(Rupees)	----------	----------	----------	----------	----------	----------
As at January 1, 2013													
Cost	469,480	368,048	7,570,758	1,906,921	2,186,367	138,221,656	12,741	1,783,177	1,424,813	21,723	1,646,910	39,810	155,652,404
Accumulated depreciation	-	(85,272)	(1,272,285)	(309,810)	(321,407)	(22,595,556)	(11,547)	(874,209)	(846,136)	(21,002)	(632,373)	(39,810)	(27,009,407)
Net book value	469,480	282,776	6,298,473	1,597,111	1,864,960	115,626,100	1,194	908,968	578,677	721	1,014,537	-	128,642,997
Year ended December 31, 2013													
Opening net book value	469,480	282,776	6,298,473	1,597,111	1,864,960	115,626,100	1,194	908,968	578,677	721	1,014,537	-	128,642,997
Amortization of revaluation surplus	-	(4,064)	-	(1,801)	5,301	(53,165)	-	-	-	-	-	-	(53,729)
Additions including transfers (note 5.5)	228,625	-	390,344	23,321	-	3,021,198	-	-	249,475	-	161,475	-	4,074,438
Capitalization of exchange loss by Subsidiary Company (note 5.1.2)	-	-	-	-	-	922,426	-	-	-	-	-	-	922,426
Adjustments / reclassifications													
Cost	2,488	-	-	(283,782)	-	393,580	-	-	(34,796)	-	1,844	-	79,334
Accumulated depreciation	-	23	-	31,442	-	(32,689)	-	-	10,625	-	732	-	10,133
	2,488	23	-	(252,340)	-	360,891	-	-	(24,171)	-	2,576	-	89,467
Disposals / Write offs (note 5.4)													
Cost	-	-	(2,765)	-	-	(481,063)	-	-	(10,057)	-	(267,999)	-	(761,884)
Accumulated depreciation	-	-	426	-	-	185,969	-	-	6,654	-	150,048	-	343,097
	-	-	(2,339)	-	-	(295,094)	-	-	(3,403)	-	(117,951)	-	(418,787)
Depreciation charge (note 5.2)	-	(10,209)	(362,925)	(75,337)	(80,123)	(7,183,227)	(1,676)	(371,142)	(214,469)	-	(265,854)	-	(8,564,962)
Impairment (note 5.3)	-	-	-	-	-	(97,949)	-	-	-	-	(5,422)	-	(103,371)
Transferred to Discontinued Operations													
Cost	-	-	-	-	-	(544)	-	-	(14,315)	-	(4,555)	-	(19,414)
Accumulated depreciation	-	-	-	-	-	79	-	-	11,152	-	979	-	12,210
	-	-	-	-	-	(465)	-	-	(3,163)	-	(3,576)	-	(7,204)
Net book value	700,593	268,526	6,323,553	1,290,954	1,790,138	112,300,715	(482)	537,826	582,946	721	785,785	-	124,581,275
As at December 31, 2013													
Cost	700,593	363,984	7,958,337	1,644,659	2,191,668	142,024,088	12,741	1,783,177	1,615,120	21,723	1,537,675	39,810	159,893,575
Accumulated depreciation and impairment	-	(95,458)	(1,634,784)	(353,705)	(401,530)	(29,723,373)	(13,223)	(1,245,351)	(1,032,174)	(21,002)	(751,890)	(39,810)	(35,312,300)
	700,593	268,526	6,323,553	1,290,954	1,790,138	112,300,715	(482)	537,826	582,946	721	785,785	-	124,581,275
Year ended December 31, 2014													
Opening net book value	700,593	268,526	6,323,553	1,290,954	1,790,138	112,300,715	(482)	537,826	582,946	721	785,785	-	124,581,275
Amortization of revaluation surplus	-	(2,572)	-	(1,140)	3,355	(33,649)	-	-	-	-	-	-	(34,006)
Additions including transfers (note 5.5)	5,469	-	1,142,529	71,927	708,137	5,657,286	-	176,997	248,653	-	208,953	-	8,219,951
Capitalization of exchange loss by Subsidiary Company (note 5.1.2)	-	-	-	-	-	(500,137)	-	-	(362)	-	-	-	(500,499)
Adjustments / reclassifications													
Cost	2,488	-	-	-	-	(32,581)	-	-	352	-	-	-	(29,741)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-
	2,488	-	-	-	-	(32,581)	-	-	352	-	-	-	(29,741)
Discontinued operations (note 20)	-	-	-	-	-	-	-	-	(780)	-	-	-	(780)
Disposals / Write offs (note 5.4)													
Cost	-	-	(8,676)	-	-	(591,327)	-	-	(47,590)	-	(300,431)	(1,364)	(949,388)
Accumulated depreciation and impairment	-	-	6,683	-	-	277,401	-	-	43,552	-	202,355	1,364	531,355
	-	-	(1,993)	-	-	(313,926)	-	-	(4,038)	-	(98,076)	-	(418,033)
Depreciation charge (note 5.2)	-	(10,209)	(425,226)	(77,054)	(92,108)	(7,568,878)	(73)	(218,414)	(219,251)	-	(223,088)	-	(8,834,301)
Impairment (note 5.3)	-	-	(7,001)	-	-	(36,294)	-	-	-	-	-	-	(43,295)
Net book value	708,550	255,745	7,031,862	1,284,687	2,409,522	109,472,536	(555)	496,409	607,520	721	673,574	-	122,940,571
As at December 31, 2014													
Cost	708,550	361,412	9,092,190	1,715,446	2,903,160	146,523,680	12,741	1,960,174	1,815,393	21,723	1,446,197	38,446	166,599,112
Accumulated depreciation and impairment	-	(105,667)	(2,060,328)	(430,759)	(493,638)	(37,051,144)	(13,296)	(1,463,765)	(1,207,873)	(21,002)	(772,623)	(38,446)	(43,658,541)
Net book value	708,550	255,745	7,031,862	1,284,687	2,409,522	109,472,536	(555)	496,409	607,520	721	673,574	-	122,940,571
Annual rate of depreciation (%)	-	2 to 5	2.5 to 33	2.5 to 10	5	2.5 to 25	20	No. of production days	5 to 33	20	5 to 25	25	

(Amounts in thousand)

5.1.1 Operating assets includes :

- equipment costing Rs. 230,600 (2013: Rs. 181,187) having net book value of Rs. 123,043 (2013: Rs. 92,351) mounted on transport contractors' vehicles;
- freezers and trikes held by third parties costing Rs. 923,434 (2013: Rs. 966,642) having a net book value of Rs. 393,272 (2013: Rs. 411,707); and
- Computer equipments managed by a third party for disaster recovery costing Rs. 31,526 (2013: Rs. 31,158) having a net book value of Rs. 4,647 (2013: Rs. 13,993).

5.1.2 Includes exchange gain capitalized amounting to Rs. 500,137 (2013: exchange loss of Rs. 922,426) pertaining to Engro Powergen Qadirpur Limited and includes currency translation effect of Rs. 362 (2013: Nil) pertaining to Engro Foods Limited.

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

	2014	2013
	(Rupees)	
Cost of sales (note 31)	8,501,719	8,156,036
Selling and distribution expenses (note 32)	227,859	240,541
Administrative expenses (note 33)	104,723	164,259
Exploration and evaluation assets	-	4,126
	8,834,301	8,564,962

5.3 Impairment charge for the year has been allocated as follows:

	2014	2013
Cost of sales (note 31)	28,115	28,915
Selling and distribution expenses (note 32)	15,180	74,456
	43,295	103,371

5.4 The details of operating assets disposed / written off during the year are as follows:

Description and method of disposal	Sold to	Cost	Accumulated depreciation & impairment	Net book value	Sale Proceeds
		(Rupees)			
Plant and machinery					
Old Ammonia 1 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	-
Sale through bid	Auction mart	37,000	32,619	4,381	6,377
Insurance claims	Adamjee Insurance Co. Limited	3,845	1,760	2,085	2,093
	Pak Kuwait Takaful Company Limited	345	192	153	230
Various	Written off	340,723	190,777	149,946	-
		591,327	277,401	313,926	24,936

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation & impairment	Net book value	Sale Proceeds
		(Rupees)			
Building and civil works					
Sold to Group company through negotiations	Sindh Engro Coal Mining Company	8,676	6,683	1,993	5,331
Furniture, fixture and equipments					
Sold to Group company through negotiations	Sindh Engro Coal Mining Company	1,162	477	685	715
Insurance claims	Adamjee Insurance Co. Limited	1,847	684	1,163	687
Sale through bid	Auction mart	18,775	17,835	940	1,836
By Company policy to existing / existing / resigned / retired executives	Abdul Samad	1,704	1,230	474	474
Insurance claims	EFU General Insurance Limited	263	41	222	188
Adamjee Insurance Co. Limited		75	75	-	57
		23,826	20,342	3,484	3,957
Items having net book value upto Rs.50 each	Written off	23,764	23,210	554	250
Vehicles					
By Company policy to existing / existing / resigned / retired executives	Naveed Hashmi	6,750	5,024	1,726	1,898
	Shmaz Mir	1,456	973	483	510
	Farooq M Saleem	1,895	1,516	379	474
	Aman ul Haq	1,879	1,409	470	499
	Hassan Akram	1,462	845	617	617
	Abdul Samad	7,913	3,338	4,575	4,575
	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 Mohammad 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
Balance carried forward		56,062	34,800	21,262	21,772

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation & impairment	Net book value	Sale Proceeds
		----------	----------(Rupees)	----------	----------
Balance brought forward		56,062	34,800	21,262	21,772
	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
	A. Rehman Paracha	1,474	737	737	759
	Abu Bakar Sheikh	1,698	957	741	932
	Adeel Asim Munif	1,474	668	806	909
	Adnan Mehmood	1,354	804	550	915
	Adnan Rafique	572	416	156	162
	Ahmed Abdul Jameel	1,268	1,038	230	317
	Aitzaz ul Hassan	2,383	372	2,011	2,038
	Akhter Hussain	632	201	431	488
	Ali Masood	574	366	208	210
	Ali Umer Usmani	1,482	776	706	967
	Babur Sultan	6,750	5,063	1,687	1,688
	Dr. Essam Hanif	586	460	126	167
	Dr. Muhammad Ashraf	1,466	1,040	426	483
	Dr. Sarfaraz Ahmed	1,586	684	902	1,147
	Fahad Zia Waseem	1,586	922	664	1,010
	Farooq Khokher	519	415	104	104
	Hareem Zehra	612	298	314	387
	Imran Ahmed	1,849	1,445	404	462
	Imran Anwer	8,000	3,625	4,375	4,745
	Irfan Memon	1,269	977	292	317
	Javaid Iqbal	534	429	105	107
	Kamran Shamsi	537	483	54	107
	Kashif Shahzad	537	483	54	107
	Khawaja Rizwan	1,300	878	422	422
	Khurram Javed Maqbool	1,895	1,421	474	474
	Maha Usman	1,648	753	895	895
	Malik Muhammad Ali	1,269	981	288	317
	Marium Masood	1,648	891	757	894
	Mazhar Hasnani	1,895	1,452	443	474
	Mohsin Ali	612	275	337	419
	Muhammad Aleem	545	491	54	109
	Muhammad Ali	1,849	1,417	432	462
	Muhammad Hassan	1,300	975	325	325
	Muhammad Zubair	1,482	637	845	1,150
	Nasr Minhallah	1,586	922	664	1,002
	Qasim Ali	554	416	138	202
	Quasar Pervez	1,495	706	789	789
	Ramzan Dogar	1,482	776	706	1,003
	Sadoro Naz Keerio	846	676	170	169
	Sajid Hussain	504	454	50	101
	Shahbaz Ahmed Khan	1,424	601	823	890
	Shahzad Iqbal	537	483	54	107
		93,831	61,919	31,912	35,932
Balance carried forward		149,893	96,719	53,174	57,704

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation & impairment	Net book value	Sale Proceeds
		----------	----------(Rupees)	----------	----------
Balance brought forward		149,893	96,719	53,174	57,704
	Shakeel Bahir	1,586	803	783	855
	Sharjeel Hussain	1,465	1,153	312	513
	Soban Farooq	1,289	990	299	322
	Suneel Kumar	1,586	773	813	983
	Syed Abbas Naqvi	1,586	953	633	831
	Syed Ali Abbas	1,482	609	873	938
	Syed Ishraq Ali	504	454	50	101
	Syed Rizwan Bukhari	1,625	641	984	1,456
	Umar Sharif	1,289	990	299	322
	Waseem ud din	537	483	54	107
	Younus Alam	537	483	54	107
	Zaid Bin Zeeshan	2,015	1,227	788	788
	Zeeshan Qazi	1,482	859	623	800
	Zulfiqar Ahmed	1,343	1,108	235	608
	Fahad Manzoor	1,474	538	936	936
	Kamran Kashif	1,289	963	326	561
	Zafar Ali	1,849	1,387	462	350
	Ehtisham Zaheer	1,300	813	487	427
	Haseeb Hafeezuddin	2,176	612	1,564	1,530
	Qasim Siddiqui	1,289	906	383	322
	Rahim Khan	1,269	952	317	317
	Ibtesam Ahmed	1,270	833	437	397
	Athar Rizvi	1,269	952	317	317
	Zubair Ashraf	1,300	934	366	325
	Muzafar Islam	1,300	914	386	325
	Tauseef Ali	1,300	914	386	325
	Shakeel ur Rehman	1,300	914	386	325
	Shujaat Jamal Rizvi	1,295	911	384	324
	Sohail Baig	1,357	806	551	339
	Aqeel Riaz	1,300	934	366	325
	Rizwan Hassan	1,325	932	393	331
	Fawad Soomro	1,270	953	317	317
	Saleem Lallany	1,930	1,357	573	483
	Abid Hussain	1,337	940	397	334
	Athar Abrar Khwaja	1,524	524	1,000	827
	Imran Aslam	1,337	960	377	334
	Sohail Ahmed	2,083	1,225	858	858
	Waqar Ahmed Khan	1,427	1,077	350	350
	Shahab Qadir	1,902	1,428	474	474
	Jahangir Waheed	2,042	575	1,467	1,467
	Mohsin Ali Mangi	1,879	1,409	470	470
	Mojiz Mansoor	1,458	1,098	360	360
		60,177	38,287	21,890	22,781
Sale through bid	Abdullah Mohammad	1,930	1,287	643	1,460
	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
	Zulfiqar Ahmed	10,593	4,410	6,183	6,236
	Imran Ahmed	628	564	64	122
		22,166	14,413	7,753	14,328
Balance carried forward		232,236	149,419	82,817	94,813

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation & impairment	Net book value	Sale Proceeds
		----------(Rupees)	----------	----------	----------
Balance brought forward		232,236	149,419	82,817	94,813
	Khusro Ahmed Khan	1,055	791	264	369
	Farrukh Sheikh	8,000	2,875	5,125	3,219
	Riaz Hussain	846	676	170	382
	Salman Zafar	1,780	1,487	293	1,185
	Sh. Muhammad Waseemuddin	612	551	61	380
	Syed ameer Ali	591	321	270	379
	Tariq Anwar	501	300	201	313
	Naveed Rauf	2,220	1,776	444	838
	Naveed Rauf	749	749	-	538
	Naveed Rauf	2,420	1,936	484	1,172
	Muhammad Arif	900	675	225	714
	Muhammad Dawood	2,120	1,591	529	1,950
	Adnan Khan	2,244	2,020	224	1,545
	Amir Jan	1,620	1,458	162	850
	Others	2,701	2,624	77	748
	Written off	7,691	7,691	-	-
Leased vehicles To employees and others through auction having net book value of Rs. 50		1,364	1,364	-	518
		37,414	28,885	8,529	15,100
Items having net book value upto Rs.50 each		17,823	13,833	3,990	2,442
Insurance claims	Hampshire Insurance Company	555	500	55	500
	Hampshire Insurance Company	1,461	1,050	411	1,400
	EFU General Insurance Limited	1,767	690	1,077	1,703
	Adamjee Insurance Company Limited	9,384	8,303	1,081	6,647
	Adamjee Insurance Company Limited	1,155	1,039	116	750
		14,322	11,582	2,740	11,000
		301,795	203,719	98,076	123,355
Year ended December 31, 2014		949,388	531,355	418,033	157,829
Year ended December 31, 2013		761,884	343,097	418,787	429,819

(Amounts in thousand)

5.5 Capital work in progress - Expansion and other projects

	2014	2013
	-------------(Rupees)	-------------
Plant and machinery	8,273,841	4,031,953
Building and civil works including pipelines	223,712	419,776
Furniture, fixture and equipment	40,144	63,804
Advances to suppliers	91,988	39,025
Other ancillary cost	1,256,862	1,251,119
	9,886,547	5,805,677
Balance as at January 1	5,805,677	1,812,831
Additions during the year	12,429,769	8,428,962
Transferred to:		
- operating assets (note 5.1)	(8,098,165)	(4,069,621)
- intangible assets (note 7)	(80,112)	(117,802)
- discontinued operations	-	(162,066)
- capital spares	(170,622)	(86,627)
Balance as at December 31	9,886,547	5,805,677

5.5.1 Engro Foods Limited (EFoods) has acquired land measuring 537 Kanals, 37 Marlas surrounding its Sahiwal plant through the Commissioner, Sahiwal Division, Government of Punjab (the Government) action, by invoking provisions of Land Acquisition Act, 1894. Under the said law, the price of the nearby land was assessed by the Government authorities and EFoods paid Rs. 212,514 to the Government for purchase of land. The Government will in turn pay to the respective land owners. In 2013, few land owners filed writ petitions against the Government's action at Lahore High Court (the Court). During the year, the writ petitions have been decided by the Court in favor of EFoods. However, an intra-court appeal has been filed against the aforesaid decision by few landowners, which is in the process of hearing at the Court, however, the Court has rejected the appeal of landowners for grant of stay order.

5.5.2 Includes Rs. 7,777,912 on account of capital expenditure incurred by Engro Elengy Terminal (Private) Limited in respect of the LNG project relating to design and construction studies / services for development, license and contracts for construction and operation of a terminal, as more fully explained in note 1.3.3 to the consolidated financial statements.

5.6 Capital spares

Includes capital spares issued for refurbishment / returned for replacement to third parties amounting to Rs. 87,844 (2013: Rs. 238,404) and Rs. 14,953 (2013: Rs. 28,167) in respect of reusable packing material.

(Amounts in thousand)

6. BIOLOGICAL ASSETS

	2014	2013
	-------------(Rupees)-------------	
Dairy livestock (note 6.1)		
- mature	484,685	411,059
- immature	382,752	309,130
	867,437	720,189
Provision for culling (notes 6.2 and 35)	(22,314)	(15,961)
	845,123	704,228
Crops - feed stock	13,557	12,237
	858,680	716,465

6.1 Reconciliation of carrying amounts of livestock

	2014	2013
Carrying amount at the beginning of the year	704,228	661,914
Add:		
Changes in fair value due to biological transformation		
- Gain due to new births [inclusive of cost of feeding immature herd of Rs. 156,445 (2013: Rs. 127,764)]	224,817	194,193
- Loss due to increase in age of livestock	(10,245)	(17,120)
	214,572	177,073
Changes in fair value due to price changes		
- Gain due to currency devaluation	(37,403)	59,988
- (Loss) / gain due to (decrease) / increase in international market prices	68,337	(51,290)
	30,934	8,698
Total gain (note 34)	245,506	185,771
Less:		
Decrease due to deaths / disposals	(82,297)	(76,963)
Biological assets written-off (note 35)	-	(50,533)
Provision for culling	(22,314)	(15,961)
Carrying amount at the end of the year, which approximates the fair value	845,123	704,228

6.2 Represents provision in respect of low yielding animals and / or animals having poor health.

6.3 As at December 31, 2014, the Group held 2,206 (2013: 2,058) mature assets able to produce milk and 1,998 (2013: 1,729) immature assets that are being raised to produce milk in the future. During the year, approximately 12,084,302 (2013: 9,079,147) gross litres of milk was produced from these biological assets with a fair value less estimated point-of-sale costs of Rs. 734,120 (2013: Rs. 496,095), determined at the time of milking.

6.4 As at December 31, 2014, the Group held 522 (2013: 586) immature male calves.

6.5 The valuation of dairy livestock as at December 31, 2014 has been carried out by an independent valuer. In this regard, the valuer examined the physical condition of the livestock, assessed the farm conditions and relied on the representations made by the management as at December 31, 2014. Further, in the absence of an active market of the Group's dairy livestock in Pakistan, market and replacement values of similar live stock from active markets in USA, Germany, Argentina and Australia, have been used by the independent valuer as a basis of his valuation. Immature male calves have not been included in the fair valuation due to the insignificant value in use.

(Amounts in thousand)

7 INTANGIBLE ASSETS

	Software and licenses	Rights for future gas utilization	Brands	Goodwill	Total
	--------------------(Rupees)				--------------------
As at January 1, 2013					
Cost	553,604	102,312	415,813	49,765	1,121,494
Accumulated amortization	(327,856)	(9,458)	-	(1,222)	(338,536)
Net book value	225,748	92,854	415,813	48,543	782,958
Year ended December 31, 2013					
Opening net book value	225,748	92,854	415,813	48,543	782,958
Adjustment of exchange revaluation	-	-	15,918	608	16,526
Additions including transfers at cost (note 5.5)	117,802	-	-	-	117,802
Classified as discontinued operations					
Cost	(374)	-	-	-	(374)
Accumulated amortization	102	-	-	-	102
	(272)	-	-	-	(272)
Amortization charge (note 7.2)	(103,938)	(5,110)	-	-	(109,048)
Closing net book value	239,340	87,744	431,731	49,151	807,966
As at January 1, 2014					
Cost	671,032	102,312	431,731	50,373	1,255,448
Accumulated amortization	(431,692)	(14,568)	-	(1,222)	(447,482)
Net book value	239,340	87,744	431,731	49,151	807,966
Year ended December 31, 2014					
Opening net book value	239,340	87,744	431,731	49,151	807,966
Additions including transfers at cost (note 5.5)	80,112	-	-	-	80,112
Disposals (note 7.1)					
Cost	-	-	(431,731)	(50,373)	(482,104)
Accumulated amortization	-	-	-	1,222	1,222
	-	-	(431,731)	(49,151)	(480,882)
Amortization charge (note 7.2)	(105,992)	(5,111)	-	-	(111,103)
Closing net book value	213,460	82,633	-	-	296,093
As at December 31, 2014					
Cost	751,144	102,312	-	-	853,456
Accumulated amortization and impairment	(537,684)	(19,679)	-	-	(557,363)
Net book value	213,460	82,633	-	-	296,093

7.1 Represented Brand 'Al-Safa' a halal meat business acquired on May 6, 2011 through Engro Foods Canada Limited (EFCL), a former subsidiary, for supply of variety of packaged halal food products across North America. The acquisition had also resulted in Goodwill amounting to Rs. 49,151 (CAD $ 499) which represented purchase consideration paid over and above the fair value of assets acquired at the date of acquisition.

The aforementioned Brand and Goodwill have been disposed-off as part of disposal of EFCL (note 1.3.4.1).

(Amounts in thousand)

	2014	2013
	-----------(Rupees)------------	
7.2 Amortisation charge for the year has been allocated as follows:		
Cost of sales (note 31)	39,945	38,231
Selling and distribution expenses (note 32)	160	115
Administrative expenses (note 33)	70,998	70,609
Exploration and evaluation assets	-	93
	111,103	109,048

8 LONG TERM INVESTMENTS

Unquoted		
Joint venture company - Engro Vopak Terminal Limited (EVTL) - (notes 8.1 to 8.3)	1,411,957	1,332,595
Investment in associates (notes 8.4 and 8.5):		
GEL Utility Limited (GEL)	535,945	536,400
Sindh Engro Coal Mining Company (SECMC)	782,255	-
	1,318,200	536,400
Others, at cost- Arabian Sea Country Club Limited 500,000 Ordinary shares of Rs. 10 each	5,000	5,000
	2,735,157	1,873,995

8.1 **Details of investment in Joint venture company is as follows:**

At beginning of the year	1,332,595	1,262,973
Add: Share of profit for the year (note 37)	709,362	609,622
Less: Dividend received during the year	630,000	540,000
	1,411,957	1,332,595

8.2 As at December 31, 2014, the Holding Company held 45,000,000 ordinary shares (2013: 45,000,000 ordinary shares) of EVTL representing 50% of issued, subscribed & paid-up capital of EVTL.

	2014	2013
	-----------(Rupees)------------	
8.3 The summary of financial information of EVTL as of December 31 is as follows:		
- Total assets	3,742,207	3,880,600
- Total liabilities	883,496	1,180,613
- Total equity	2,858,711	2,699,987
- Total revenue	2,168,111	2,051,696
- Profit for the year	1,418,724	1,219,244

8.4 **Details of investment in Associates is as follows:**

At beginning of the year	536,400	536,400
Add: Investment in SECMC	768,126	-
Add: Share of profit for the year (note 37)	13,674	-
	1,318,200	536,400

(Amounts in thousand)

8.5 **The summary of financial information of GEL and SECMC as of December 31 is as follows:**

	2014	2013
	------------(Rupees)------------	
- Total assets	11,055,617	980,140
- Total liabilities	5,828,313	139,054
- Total equity	5,227,304	841,086
- Total revenue	188,886	-
- Profit / (Loss) for the year	46,684	(17,425)

8.5.1 The financial information of GEL is based on unaudited financial statements for the year December 31, 2014.

9 DEFERRED TAXATION

	2014		(Restated - note 4) 2013	
	Assets	Liabilities	Assets	Liabilities
Engro Corporation Limited	84,450	-	81,887	-
Engro Fertilizers Limited	-	5,149,666	-	4,573,678
Engro Foods Limited	-	1,185,717	-	1,538,583
Engro Powergen Limited	-	-	-	-
Engro Eximp (Private) Limited	1,013,120	-	965,914	-
Engro Polymer and Chemical Limited	966,120	-	455,180	-
Net effect of consolidation adjustments	-	223,050	-	188,790
	2,063,690	6,558,433	1,502,981	6,301,051
Less: Current portion shown under current assets	960,537	-	-	-
	1,103,153	6,558,433	1,502,981	6,301,051

9.1 **Credit / (Debit) balances arising on account of:**

	2014	(Restated note 4) 2013
	------------(Rupees)------------	
- Accelerated depreciation allowance	21,530,170	23,485,749
- Recoupable carried forward tax losses (note 9.2)	(12,701,600)	(15,362,301)
- Exploration and evaluation asset / development properties	-	68,041
- Recoupable minimum turnover tax (note 9.3)	(2,295,233)	(1,290,536)
- Unrealized foreign exchange losses, unpaid liabilities and provision for retirement and other service benefits	(98,002)	(1,978,855)
- Provision for Gas Infrastructure Development Cess, Custom duty and Special Excise Duty	(314,747)	(96,214)
- Provision for net realizable value of stock-in-trade	(251,392)	(57,891)
- Recoupable Alternative corporate tax (note 9.4)	(1,424,152)	-
- Others	49,699	30,076
	4,494,743	4,798,069

(Amounts in thousand)

9.2 Deferred income tax asset is recognized for tax losses available for carry forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate tax losses available for carry forward on which the deferred income tax asset has been recognized as at December 31, 2014 amounts to:

	2014	(Restated note 4) 2013
	------------(Rupees)------------	
- Engro Corporation Limited	-	228,479
- Engro Fertilizers Limited	23,121,488	27,859,212
- Engro Polymer and Chemicals Limited	10,994,246	11,016,588
- Engro Eximp (Private) Limited	4,316,070	5,325,985
- Engro Foods Limited	57,894	-
- Engro Powergen Limited	-	752,974
	38,489,698	45,183,238

9.3 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 or carried forward losses. The Group's management is however of the view, duly supported by the legal advisor, that the above order is not correct and would not be maintained by the Supreme Court which the Group intends to approach, if required. Accordingly, the following subsidiary companies have continued to carry forward minimum tax not yet recouped or written-off:

	2014	2013
	------------(Rupees)------------	
Engro Corporation Limited	27,681	1,535
Engro Foods Limited	811,049	206,627
Engro Fertilizers Limited	1,276,725	662,568
Engro Polymer and Chemicals Limited	154,348	419,806
Engro Eximp (Private) Limited	25,430	-
	2,295,233	1,290,536

9.4 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. Accordingly, ACT on which deferred income tax has been recognized as at December 31, 2014 amounts to:

	2014	2013
	------------(Rupees)------------	
Engro Corporation Limited	61,352	-
Engro Fertilizers Limited	1,362,800	-
	1,424,152	-

(Amounts in thousand)

10. LONG TERM LOANS, ADVANCES AND OTHER RECEIVABLES

- Considered good

	2014	2013
	------------(Rupees)------------	
Executives (notes 10.1 to 10.4)	446,307	413,709
Other employees (notes 10.2 and 10.4)	10,975	35,624
	457,282	449,333
Less: Current portion shown under current assets (note 16)	198,390	203,710
	258,892	245,623
Receivable from Sui Southern Gas Company Limited (SSGCL) (note 10.5)	849,604	-
Other receivables	74,728	61,812
	1,183,224	307,435

10.1 **Reconciliation of the carrying amount of loans and advances to executives:**

	2014	2013
	------------(Rupees)------------	
Balance as at January 1	413,709	319,655
Add: Disbursements	323,645	288,355
Less:		
- Repayments / Amortization	(291,047)	(189,767)
- Transferred to Discontinued Operations	-	(4,534)
Balance as at December 31	446,307	413,709

10.2 **Long term loans include:**

- interest free services incentive loans to executives repayable in equal monthly installments over a three years period or in one lump sum payment at the end of such period;
- interest free loans given to workers pursuant to Collective Labour Agreement; and
- advances to employees for car earn out assistance, long term incentive and house rent advance.

10.3 The maximum amount outstanding at the end of any month from the executives of the Group aggregated Rs. 528,956 (2013: Rs. 413,709).

10.4 The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no defaults in recent history.

10.5. During the year, Engro Elengy Terminal (Private) Limited (EETPL) entered into LNG Operation and Services Agreement (LSA) with SSGCL (note 1.3.3). As per the terms of the LSA, EETPL is required to construct a pipeline and transfer it to SSGCL upon commissioning of the LNG Project and will recover the cost of construction through recovery of capacity charges to be billed to SSGCL on a monthly basis. Accordingly, EETPL has recorded Rs. 860,186 as receivable from SSGCL, being the construction costs incurred on the pipeline till December 31, 2014.

(Amounts in thousand)

11. STORES, SPARES AND LOOSE TOOLS

	2014	2013
	------------(Rupees)------------	
Consumable stores	833,792	710,677
Spares and loose tools	6,836,078	6,444,943
	7,669,870	7,155,620
Less: Provision for surplus and slow moving items	122,414	116,997
	7,547,456	7,038,623

12. STOCK-IN-TRADE

	2014	2013
Raw materials and packing materials (note 12.1)	5,558,553	5,068,226
Unprocessed rice (note 12.2)	819,219	10,930,297
Fuel stock (note 12.3)	383,460	366,432
Work-in-process	641,389	489,936
Finished goods:		
- own manufactured product	3,880,408	3,647,394
- purchased product (notes 12.1 and 12.4)	284,145	197,486
	4,164,553	3,844,880
	11,567,174	20,699,771

12.1 **Includes:**

- materials in transit amounting to Rs. 741,057 (2013: Nil);
- carrying value of inventory carried at net of realizable value reduction of Rs. 2,133,748 (2013: Rs. 55,871);
- inventories held at storage facilities of third parties amounting to Rs. 25,092 (2013: Rs.68,498); and
- inventories held at storage facilities of following related parties:

	2014	2013
	------------(Rupees)------------	
Engro Vopak Terminal Limited	579,802	747,367
Dawood Hercules Chemicals Limited	9,334	6,672
	589,136	754,039

12.2 Unprocessed rice written-off during the year amounted to Rs. 19,106 (2013: Rs. 200).

12.3 Represents High Speed Diesel (HSD) required to be maintained for operating the power plant in case supply of gas is unavailable to Engro Powergen Qadirpur Limited (EPQL). As per the Power Purchase Agreement (PPA), EPQL is required to maintain HSD at a level sufficient for operating the power plant at full load for seven days. However, due to non payment of dues in full by NTDC, EPQL is maintaining HSD inventory at a level sufficient for operating the power plant at full load for around five days.

12.4 These are net of provision against expired / obsolete stock amounting to Rs. 81,403 (2013: Rs. 132,552).

(Amounts in thousand)

13. TRADE DEBTS

	2014	2013
	------------(Rupees)------------	
Considered good		
- secured (note 13.1)	4,022,581	2,331,483
- unsecured	592,632	702,004
	4,615,213	3,033,487
Considered doubtful	29,359	38,595
	4,644,572	3,072,082
Less: Provision for impairment (note 13.2)	29,359	38,595
	4,615,213	3,033,487

13.1 Trade debts are generally secured by way of bank guarantees and letters of credit from customers. Trade debts of Engro Powergen Qadirpur Limited (EPQL) amounting to Rs. 2,192,805 (2013: Rs. 476,333), are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and as such are considered good. During the year, EPQL, along with several other IPPs, sent notices to the Private Power Infrastructure Board (PPIB) - Government of Pakistan under the sovereign guarantee over outstanding dues. However, subsequent to the year end on January 13, 2015 guarantee call was withdrawn by EPQL, as partial payments were released by NTDC. Further, NTDC has given assurance to clear all outstanding dues by April 30, 2015.

13.2 As at December 31, 2014, trade debts aggregating to Rs. 29,359 (2013: Rs. 38,595) were passed due and impaired and have been provided for. The movement in provision during the year is as follows:

	2014	2013
	------------(Rupees)------------	
Balance as at January 1	38,595	16,303
Add: Provision / (Reversal) made during the year	(9,236)	22,292
Balance as at December 31	29,359	38,595

13.3 As at December 31, 2014, trade debts aggregating to Rs. 333,695 (2013: Rs. 360,863) were past due but not impaired. These relate to various customers for which there is no recent history of default. The aging analysis of these trade debts is as follows:

	2014	2013
	------------(Rupees)------------	
Upto 3 months	331,667	357,947
3 to 6 months	2,028	2,916
	333,695	360,863

(Amounts in thousand)

14. EMPLOYEES' SHARE OPTION SCHEME

On March 22, 2013, the shareholders of Engro Foods Limited (EFoods) approved a new Employees' Share Option Scheme (the Scheme) for granting of options to certain critical employees up to 16.9 million new ordinary shares, to be determined by the Board Compensation Committee of EFoods. The Scheme was approved by the SECP on May 27, 2013.

Under the Scheme, options can be granted in the years 2013 to April 2015. 50% of the options granted will vest in two years whereas the remaining 50% will vest in three years from the date of the grant of options. However, for the purpose of the options granted in 2013, 50% of such options shall vest on April 1, 2015 while remaining 50% will vest on April 01, 2016. Further, those eligible employees who will join EFoods or will be promoted to cadre / grade eligible for options, till April 1, 2015 are also entitled to these options. These options do not carry dividends or voting rights and the maximum number of options to be issued to a single eligible employee is for 1.69 million ordinary shares. These options are exercisable within 3 years from the end of vesting period. The details of share options granted to date which remained outstanding as at December 31, 2014 are as follows:

- number of options	4,400,000
- range of exercise price	Rs. 191.89 - Rs. 253.77
- weighted average remaining contractual life	4.25 years

The weighted average fair value of options granted till date, as estimated at the date of grant using the Black-Scholes model was Rs. 26.65 per option, whereas weighted average fair value of options to be granted has been estimated as Rs. 22.60 per option. The following weighted average assumptions were used in calculating the fair values of the options:

	Options granted in 2013	Options to be granted
- number of options	4,400,000	12,500,000
- share price	Rs. 133.58	Rs. 108.54
- exercise price	Rs. 191.89	Rs. 169.33
- expected volatility	32.54%	30.61%
- expected life	3 years	3.75 years
- annual risk free interest rate	9.42%	10.08%

No new options have been granted during the year. Consequent to resignation of two employees, 1.3 million share options granted in 2013, lapsed during the year. In accordance with terms of the Scheme, such options are now available for grant to new or existing employees of EFoods.

The volatility has been measured as the standard deviation of quoted share prices over the last one year from each respective / expected grant date. In addition, EFoods as at December 31, 2014 estimates that during the ensuing year options for remaining 12.5 million shares will be granted, after taking approval of modification in the Scheme, regarding extension in option grant period, from the SECP.

In respect of the Scheme, Employee share option compensation reserve and the related deferred expense amounting to Rs. 399,740 has been recognized, out of which Rs.196,729 has been amortized to date, including Rs. 94,614 being charge for the current year, in respect of related employees services received till December 31, 2014."

(Amounts in thousand)

14.1 Deferred employee compensation expense

	2014	2013
	------------(Rupees)-----------	
Balance as at January 1	305,018	-
Options issued during the year	-	407,133
Options to be granted	24,420	-
Changes in value due to revision in assumptions	(16,698)	-
Options lapsed due to employee resignation	(15,115)	-
Amortization for the year	(94,614)	(102,115)
Balance as at December 31	203,011	305,018
Less: Current portion shown under current assets	(90,430)	(136,153)
Long term portion of deferred employee compensation expense	112,581	168,865

14.2 Employee share option compensation reserve

	2014	2013
Balance as at January 1	407,133	-
Add: Options issued during the year	-	407,133
Add: Options to be granted	24,420	-
Less: Options lapsed due to employee resignation	(15,115)	-
Less: Changes in value due to revision in assumptions	(16,698)	-
Balance as at December 31	399,740	407,133

15 DERIVATIVE FINANCIAL INSTRUMENTS

	2014		(Restated - note 4) 2013	
	Assets	Liabilities	Assets	Liabilities
Conversion option on IFC loan	-	965,326	-	2,237,799
Foreign exchange forward contracts (note 15.1)	-	119,571	-	102,172
Cash flow hedges:				
Foreign exchange forward contracts (note 15.1)	-	310,248	130,207	155,751
Interest rate swaps (note 15.2)	-	121,066	-	363,359
	-	1,516,211	130,207	2,859,081
Less:				
Current portion shown under current assets / liabilities				
Conversion option on IFC loan	-	965, 326	-	791,833
Foreign exchange forward contacts	-	119,571	-	102,172
Cash flow hedges:				
Foreign exchange forward contacts	-	310,248	130,207	155,751
Interest rate swaps	-	69,963	-	198,067
	-	380,211	130,207	353,818
	-	1,465,108	130,207	1,247,823
	-	51,103	-	1,611,258

(Amounts in thousand)

15.1 Foreign exchange forward contracts

The Group entered into various forward exchange contracts to hedge its foreign currency exposure. As at December 31, 2014, the Group, had multiple forward contracts to purchase various currencies involving amounts equivalent to USD 241,180 (2013: USD 276,093) at various maturity dates to hedge its foreign currency exposure against loan obligations and payments under the terms of supplier credit. The net fair value of these contracts as at December 31, 2014 is negative Rs. 429,819 (2013: negative Rs. 127,716).

15.2 Interest rates swaps

The Group has entered into multiple interest rate swap agreements to hedge its interest rate exposure on floating rate committed borrowings for notional amounts of USD 36,516 (2013: USD 96,300). Under these contracts the Group receives USD-LIBOR and pays fixed 2.79% - 3.73% settled semi-annually. As at December 31, 2014, the fair value of all the interest rate swaps is negative Rs. 121,066 (2013: negative Rs. 363,359).

15.3 Embedded derivatives

Engro Powergen Qadirpur Limited's (EPQL) tariff like other power companies, comprises of various price components with indexations falling within the ambit of embedded derivatives. Such embedded derivative as per International Accounting Standard (IAS) 39, 'Financial Instrument: Recognition and Measurement' are required to be separated from the host contract and accounted for as derivative if economic characteristics and risks of the embedded derivative are not closely related to the host contract.

EPQL had sought clarification from the Institute of Chartered Accountants of Pakistan (ICAP) in respect of the indexations pertaining to (i) USD/PKR exchange rate (applicable to EPQL's price components of debt, return on equity, return on equity during construction); and (ii) US CPI & USD/PKR exchange rate (applicable to EPQL's price components of fixed and variable operations and maintenance – foreign) whether these derivatives were closely or not closely related to the host contract.

In addition, EPQL had also requested ICAP to prescribe a definite basis or guidelines for the valuation of such embedded derivatives considering the subjectivity involved therein if these were considered to be not closely related to the host contract. Further, as indexation of US$/PKR exchange rate related to debt component being not recognized separately as embedded derivative, EPQL taking cognizance of the 'matching principle' requested the Securities and Exchange Commission of Pakistan (SECP) to allow deferment of recognizing exchange loss on translation of borrowings under IAS 21 - Foreign Currency Transactions in the profit or loss till the clarification sought on the recognition of the foreign currency indexations from ICAP had been received.

On January 16, 2012, SECP vide SRO 24 (I) 2012 had granted waivers to all IPPs from the requirement of IFRIC 4 " Determining whether an arrangement contains a lease" and IFRIC 12 " Service Concession Agreements". Further, SECP through the aforementioned SRO has also allowed the IPPs to continue capitalizing the exchange differences, and not to recognize embedded derivatives under IAS 39 where these are not closely related to the host contract. However in the case of such derivatives, for periods beginning on or after January 1, 2013, the companies are required to give "Additional Disclosure" as if the accounting for embedded derivatives had been adopted in preparing the financial statements.

In view of the above SRO, EPQL has capitalized exchange loss aggregating to Rs. 2,162,634 (2013: Rs. 2,662,771) as at December 31, 2014, which includes exchange gain of Rs. 500,137 pertaining to current year (2013: exchange loss of Rs. 922,426) in property, plant and equipment (note 5.1).

(Amounts in thousand)

15.3.1 Additional disclosure under SRO 24 (1) 2012

If EPQL were to follow IAS 39 and had accounted for embedded derivatives and had not capitalized the exchange loss on translation of foreign currency borrowing, the effect on the consolidated financial statements line items would be as follows:

	Non controlling interest (Increase)/ Decrease	Unappropriated Profit (Increase)/ Decrease	Property, Plant and equipment (Increase)/ Decrease	Derivative financial assets (liability) (Increase)/ Decrease
	---(Rupees)---			
As at January 1, 2013	(237,942)	(3,650,003)	(1,636,612)	5,524,557
For the year ended December 31, 2013				
- Recognition of exchange loss	50,521	774,993	(825,514)	-
- Change in fair value of derivatives	233,838	3,587,043	-	(3,820,881)
	284,359	4,362,036	(825,514)	(3,820,881)
As at December 31, 2013	46,417	712,033	(2,462,126)	1,703,676
For the year ended December 31, 2014				
- Recognition of exchange loss	(52,097)	(425,307)	477,404	-
- Change in fair value of derivatives	210,421	1,717,818	-	(1,928,239)
	158,324	1,292,511	477,404	(1,928,239)
As at December 31, 2014	204,741	2,004,544	(1,984,722)	(224,563)

16 LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

	2014	2013
	---(Rupees)---	
Current portion of long term loans and advances to executives and other employees (note 10)	198,390	203,710
Advances to executives and other employees (notes 16.1)	49,722	67,011
Advance and deposits	843,020	613,574
Prepayments:		
- insurance	239,702	330,380
- others	380,698	242,086
	1,711,532	1,456,761
Less: Provision for impairment	3,509	5,735
	1,708,023	1,451,026

16.1 Represents interest free advances to executives for house rent, given in accordance with the Group's policy.

(Amounts in thousand)

17. OTHER RECEIVABLES

	2014	2013
	------------(Rupees)------------	
Receivable from Government of Pakistan for:		
- Sales tax (note 17.1)	3,241,077	2,198,565
Less: Provision for impairment (note 17.7)	140	140
	3,240,937	2,198,425
- Special excise duty refundable	36,687	36,687
Less: Provision for impairment (note 17.7)	36,687	36,687
	-	-
- Customs duty claims refundable (note 17.2)	18,043	18,043
Less: Provision for impairment (note 17.7)	18,043	18,043
	-	-
- Others	289,222	656,549
	3,530,159	2,854,974
Delayed payment charges (note 17.3)	900,725	729,986
Reimbursable cost from NTDC in respect of:		
- Workers' profits participation fund	173,979	267,525
- Workers' welfare fund	169,662	129,244
Receivable from:		
- Tetra Pak Pakistan Limited (note 17.4)	3,171	440,960
- Engro Vopak Terminal Limited (note 17.5)	1,721	3,293
- Ecolean AB (note 17.4)	44,838	66,396
Accrued income on deposits / investments	30,919	13,791
Claims on suppliers and insurance companies	317,575	489,323
Others	145,023	11
Less: Provision for impairment (note 17.7)	544	-
	144,479	11
	5,317,228	4,995,503

17.1 Includes sales tax refundable of Engro Foods Limited (EFoods) amounting to Rs. 2,811,878 (2013: Rs. 1,835,054). Sales tax has been zero rated on EFoods's supplies (output), raw materials, components and assemblies imported or purchased locally by EFoods for manufacturing in respect of its dairy operations.

17.2 The Customs Appellate Tribunal, Karachi Bench, through its order dated October 31, 2011, disposed off appeal of Engro Polymer and Chemicals Limited (EPCL) filed on April 11, 2008 against the order of Collector of Customs, Port Muhammad Bin Qasim, Karachi, for the refund of custom duty paid during the period June 16, 2006 to July 24, 2006 on imports of Vinyl Chloride Monomer (VCM). The Tribunal was informed that all aforementioned VCM consignments were released after the issuance of SRO 565(1)/2006 dated June 6, 2006 and the benefit of five percent duty reduction was also passed on to the customers. However, as the price of the EPCL's product was increased which is linked with international market, the Tribunal inadvertently presumed that the said benefit had not been transferred to the customers and passed an order against EPCL. EPCL has filed an appeal with the High Court of Sindh against the aforesaid order of the Tribunal. However, based on prudence, EPCL is maintaining full provision against the aforementioned custom duty refundable till such time that all available legal courses are exhausted.

17.3 Represents mark-up receivable on overdue trade debts of Engro Powergen Qadirpur Limited (note 13.1), as delayed payment charges from NTDC in accordance with the terms of the PPA. These include mark-up over due amounting to Rs. 883,765 (2013: Rs. 684,508).

(Amounts in thousand)

17.4 Represents reimbursements receivable under cost sharing agreement for marketing related expenses and quantity discount, net of payable on account of packaging material purchased.

17.5 The maximum amount due from joint venture, Engro Vopak Terminal Limited, at the end of any month during the year aggregated to Rs. 1,890 (2013: Rs. 3,293).

17.6 As at December 31, 2014 other receivables aggregating to Rs. 985,094 (2013: Rs. 693,230) were past due but not impaired. The aging analysis of these receivables is as follows:

	2014	2013
	------------(Rupees)------------	
Upto 3 months	175,704	43,802
3 to 6 months	37,095	582,265
More than 6 months	772,295	67,163
	985,094	693,230

17.7 As at December 31, 2014, receivables aggregating to Rs. 55,414 (2013: Rs. 54,870) were deemed to be impaired being outstanding for more than six months and provided for.

The movement in provision during the year is as follows:

	2014	2013
	------------(Rupees)------------	
Balance as at January 1	54,870	55,981
(Reversal) / Provision made during the year	544	(1,111)
Balance as at December 31	55,414	54,870

18. SHORT TERM INVESTMENTS

	2014	2013
Financial assets at fair value through profit or loss		
Fixed income placements (note 18.1)	1,320,922	1,750,952
Treasury Bills (note 18.2)	25,978,410	300,000
Pakistan Investment Bonds	538,452	-
Money market funds (note 18.3)	-	2,836,036
	27,837,784	4,886,988
Loans and receivables		
Reverse repurchase of treasury bills (note 18.4)	1,149,300	16,479,103
	28,987,084	21,366,091

18.1 These represents foreign and local currency deposits with various banks, at the interest rates ranging upto 9.75% (2013: 10.2%) per annum.

18.2 These represent treasury bills discounted the using effective rates upto 9.30% (2013: 9.79%) per annum.

18.3 These represents investments in various money market funds and are valued at their respective net assets values as at the balance sheet date.

18.4 These represent treasury bills carrying interest at the rate ranging upto 10.07% (2013: 9.17%) per annum.

(Amounts in thousand)

19. CASH AND BANK BALANCES

	2014	2013
	------------(Rupees)------------	
Balances with banks in:		
- deposit accounts (notes 19.1, 19.2 and 19.3)	6,367,124	3,521,518
- current accounts	5,868,631	3,277,096
Balances in hand:		
- cheques / demand drafts / cash in transit	850	122,037
- cash	7,928	7,802
Less: Transferred to Discontinued Operations	-	29,330
	12,244,533	6,899,123

19.1 Includes Nil (2013: Rs. 50,606) in respect of maintenance reserve (note 22).

19.2 Local currency deposits carry return up to the rate of 9.8% (2013: 10.15%) per annum.

19.3 This includes Rs. 211,171 (2013: Rs. 178,890) held in foreign currency bank accounts and carry return at the rate of 0.25% (2013: 0.25%) per annum.

20. DISCONTINUED OPERATIONS

20.1 "During the year, Engro Foods Limited (EFoods) entirely divested from Engro Foods Canada Limited (EFCL) held through its subsidiary Engro Foods Netherlands B.V. (EFoods Netherlands). Accordingly, EFoods Netherlands sold its entire shareholding (100%) in EFCL. The share disposal transaction was completed on October 31, 2014. Consequently, EFoods, on disposal of its investment in EFCL has recognized a loss of Rs. 453,381 representing total investment less accumulated losses (on the date of disposal) net of sales proceeds.

An analysis of the discontinued operations i.e. EFCL based on unaudited financial statements, at the time of disposal of investment as at October 31, 2014 is as follows:"

		(Unaudited) October 31 2014 Rupees
a)	Assets	
	Property, plant & equipment	780
	Intangibles - Brand & Goodwill	48,232
	Stock-in-trade	18,304
	Trade debts	55,122
	Advances, deposits and prepayments	5,191
	Others receivable	1,510
	Cash and bank balances	12,758
		141,897
b)	Liabilities	
	Accrued and other liabilities	51,655

(Amounts in thousand)

		2014	2013
		------------(Rupees)------------	
c)	Results of operations		
	Loss before taxation	(644,309)	(29,642)
	Taxation	-	(1,285)
	Loss for the year from discontinued operations	(644,309)	(30,927)
d)	Cash flows		
	Operating cash flows	(41,107)	(160,473)
	Investing cash flows	-	(378,528)
	Financing cash flows	251,033	549,862
	Cash inflows / (outflows)	209,926	10,861

20.2 Last year consequent to planned reduction in equity stake in Sindh Engro Coal Mining Company Limited (SECMC), Engro Powergen Limited had classified the investment in SECMC as held for sale. As a result assets and liabilities amounting to Rs. 980,140 and Rs. 139,054, respectively were classified as assets and liabilities attributable to discontinued operation in the balance sheet.

21 SHARE CAPITAL

21.1 Authorised Capital

2014	2013		2014	2013
----------(No. of Shares)----------			------------(Rupees)------------	
550,000,000	550,000,000	Ordinary shares of Rs. 10 each	5,500,000	5,500,000

Issued, subscribed and paid-up capital

2014	2013		2014	2013
----------(No. of Shares)----------			------------(Rupees)------------	
523,784,756	511,269,437	Ordinary shares of Rs. 10 each	5,237,848	5,112,694

21.2 Movement in issued, subscribed and paid-up capital

2014	2013		2014	2013
----------(No. of Shares)----------			------------(Rupees)------------	
511,269,437	511,269,437	As at January 1	5,112,694	5,112,694
12,515,319	-	Ordinary shares of Rs. 10 each issued during the year as fully paid in cash (note 24.5.1)	125,154	-
523,784,756	511,269,437		5,237,848	5,112,694

21.3 As at December 31, 2014, associated companies held 228,797,841 (2013: 228,797,841) ordinary shares in the Holding Company.

annexures

proxy form

I/We ____

of ______________________________ being a member of ENGRO CORPORATION LIMITED and holder of ______________________________
(Number of Shares)

Ordinary shares as per share Register Folio No. ____________________ and/or CDC Participant I.D. No. ____________________ and Sub Account No. ____________________, hereby appoint ____________________ of ____________________ or failing him ____________________ of ____________________

as my proxy to vote for me and on my behalf at the annual general meeting of the Company to be held on the 22nd 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 Corporation 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.

____
Signature of Member/Shareholder

Date: ____________________

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 Corporation 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: ______________________