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

Half Yearly Accounts 2014

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Engro's investments in agriculture, foods, energy and chemicals are designed to take advantage of Pakistan's economic needs

About Us

Engro Corporation Limited is one of Pakistan's largest conglomerates with the company's business portfolio spanning across sectors including chemical fertilizers, PVC resin, a bulk liquid chemical terminal, foods, power generation and commodity trade. At Engro, our ambition is to become the premier Pakistani enterprise with a global reach.

The management team at Engro is responsible for conceptualizing and articulating goals that bring our people together in pursuit of our objectives. It leads the company with a firm commitment to the values and spirit of Engro. In our journey to become a profitable, growth-oriented and sustainable company, our management structure has evolved to create a more transparent and accessible organization.

Our growth is driven by our people. Our culture is dynamic and energetic, with emphasis on our core values and loyalty of our employees. Our work environment promotes leadership, integrity, teamwork, diversity and excellence.

Our History

Today, Engro is one of Pakistan's most progressive, growth oriented organizations, managed under a holding structure that works towards better managing and oversight of subsidiaries and affiliates that are part of Engro's capital investments in Pakistan.

The company is also defined by its history, which reflects a rich legacy of innovation and growth. The seeds for the company were sown following the discovery of the Mari gas field by Esso / Mobil in 1957. Esso proposed the establishment of a urea plant, and the Esso Pakistan Fertilizer Company Limited was established in 1965 and began production in 1968. At US $43 million with an annual production capacity of 173,000 tons, this was the single largest foreign investment by a multinational corporation in Pakistan at the time. As the nation's first fertilizer brand, the company also pioneered the education of farmers in Pakistan, helping to modernize traditional farming practices to boost farm yields, directly impacting the quality of life for farmers and the nation.

In 1978, Esso was renamed Exxon globally, and the company became Exxon Chemical Pakistan Limited. The business continued to prosper as it relentlessly pursued productivity gains and strived to attain professional excellence.

In 1991, following a decision by Exxon to divest its fertilizer business on a global basis, the employees of Exxon Chemical Pakistan Limited decided to buy out Exxon's share. This was, and perhaps still is, the most successful employee buy-out in the corporate history of Pakistan. Renamed Engro Chemical Pakistan Limited, the company continued to go from strength to strength, reflected in its consistent financial performance, growth and diversification.

In 2009 a decision was made to demerge the fertilizer business into an independent operating company to ensure undivided focus on the business's expansion and growth. In the best interests of a multi category business, expansion strategy and growth vision, the management decided that the various businesses would be better served if the company was converted to a holding company; Engro Corporation Limited.

From its inception as Esso Pakistan Fertilizer Company Limited in 1965 to Engro Corporation Limited in 2010, Engro has come a long way and will continue working towards its vision of becoming a premier Pakistani company with a global reach.

Engro Corporation Limited

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

Engro Fertilizers Limited

Engro Fertilizers Limited is a 88% owned subsidiary 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.

As an example of the synergies between Engro's business lines, Engro Eximp imports phosphate based fertilizers, which are distributed and marketed through Engro Fertilizer's network as an extension of Engro's overall fertilizer portfolio.

The business offers a wide variety of fertilizer brands, which include some of the most trusted brand names by Pakistani farmers. These include Engro Zorawar, a high-phosphate fertilizer developed for alkaline soils. Engro Zarkhez is a high-end blended fertilizer product that offers a unique balance of nutrients for a wide variety of crops. Zingro is an imported zinc micro nutrient, meant to overcome zinc deficiency in a diverse range of crops.

Engro Foods Limited

Engro Foods Limited is a 87% owned subsidiary engaged in the manufacturing, processing and marketing of dairy products, ice cream and fruit juices. The business owns two milk processing plants in Sukkur & Sahiwal and operates a dairy farm in Nara. As an example of Engro's pursuit of excellence, the business has established several brands that have already become household names in Pakistan such as Olper's (milk), Omore (ice cream), Olper's Lite (low fat milk), Dairy Omung (UHT dairy liquid), Tarang (tea whitener) and Olfrute (fruit juice).

The business has also acquired Al Safa Halal, a meat processing company based in Canada.

Engro Powergen Limited

Engro Powergen owns and operates Engro Powergen Qadirpur Limited, a 220 megawatt power plant and the group's first initiative in the power sector of Pakistan, which is 10% directly owned by the holding company and 85% owned by Engro Powergen. The remainder is owned by the International Finance Corporation (IFC), a subsidiary of the World Bank.

In 2010, Engro Powergen's joint venture with the Sindh government, the Sindh Engro Coal Mining Company Limited, completed a detailed feasibility study (DFS) analysing the technical, social and environmental viability of the Thar coal mining project.

Engro Polymer & Chemicals Limited

Engro Polymer & Chemicals Limited is a 56% owned subsidiary of the holding company and the only manufacturer of polyvinyl chloride (PVC) in the country, in addition to manufacturing and marketing caustic soda. The business's vinyl chloride monomer (VCM) plant began production in the first quarter of 2010 and was able to achieve commercial production capacity by September 2010, making the entire integrated facility fully operational. The firm produces 150,000 tonnes of PVC a year and markets its products under the name of “SABZ”.

Engro Eximp (Private) Limited

Engro Eximp (Private) Limited is the group's commodity trading business that deals primarily in the import and trading of phosphate-based fertilizers for Engro Fertilizers Limited such as DAP, MAP, MOP and SOP, and also imports micro-nutrients like Zinc Sulphate, which it supplies as raw materials to Engro Fertilizer's Zarkhez plant for manufacturing blended fertilizers.

In addition, Eximp also manages the procurement, processing and export of rice to markets in the Middle East and the European Union. Over the past five years, Engro Eximp has become the single largest importer of phosphates and potash fertilizers in Pakistan.

Engro Vopak Terminal Limited

Engro Vopak Terminal Limited is a joint venture with Royal Vopak of the Netherlands, Engro owns 50% of Engro Vopak Terminal Limited, a business engaged in the handling and storage of chemicals and liquefied petroleum gas (LPG).

The business launched Pakistan's first cryogenic import facility for ethylene, in line with the group's overall motto of pursuing and enabling excellence.

Elengy Terminal Pakistan Limited

Elengy Terminal Pakistan Limited, a wholly owned subsidiary of Engro Corporation Limited, is the Corporation's newest initiative aimed at establishing an open access, merchant floating storage re-gasification terminal with a storage capacity of 3.5mtpa under the LNG Policy 2011. Through the establishment of the terminal, the Company will market its capacity to LNG buyers for storage and regasification of LNG purchased.

Elengy Terminal Pakistan Limited's aim is to be a lead developer, owner and operator of independent LNG terminal projects structured on a concession or utility outsourcing contract model and has a multi-disciplinary team available with necessary professional skills ranging from technical, legal, environmental, insurance to tax and financial expertise to undertake the role.

directors' report

Global GDP is forecast by IMF to increase by 3.6% during 2014, up from an estimated 3% during 2013. The recovery was led by US and UK while there were also signs of Asia emerging from its soft patch. Pakistan's economy also started showing some signs of recovery with a GDP growth at 4.1%, the rise in private sector credit of 10%, a contained fiscal deficit of 3.2%, a subdued inflation outlook, the sharp increase in FX reserves, and the appreciation and subsequent stability in the exchange rate. Going forward, the challenge would be to sustain the improvement and resolve the energy crisis.

The Company had obtained approval of its shareholders and the SECP for issuance of shares to International Finance Corporation (IFC) against conversion of part of its loan amounting to US$ 15 million to the Company and which loan was then transferred to Engro Fertilizers Ltd under the Scheme of Demerger. During the period, IFC has exercised a part of its option to convert US$ 7 million and accordingly 5,700,318 shares were issued to IFC. The option to convert remaining US$ 8 million into Company's shares is available to IFC and can be exercised up till December 28, 2014.

Business Review

On a consolidated basis, Engro Corporation recorded a 16% increase in revenues from PKR 66,874 million in 1H13 to PKR 77,541 million in the current reporting period. The increase in revenues was driven by higher fertilizer sales at Engro Fertilizers and Engro EXIMP. Profit before tax (inclusive of non-controlling interest) was also higher by 11% amounting to PKR 5,351 million as compared to PKR 4,822 million during 1H13. However, higher tax provisions by the businesses resulted in decreasing profit after tax attributable to shareholders of the Company from PKR 3,341 million to PKR 2,684 million in 1H14. The Rice business suffered badly due to the unprecedented substantial appreciation in the PKR / USD exchange rate during 1H2014 coupled with prevailing bearish rice market sentiment. Foods and Polymer businesses profitability also suffered due to depressed gross margins. The lower bottom line was offset by Urea business increased earnings due to improved gas supply to Engro Fertilizers' urea manufacturing plants as well as improved phosphate business returns. A summary of the company-wise financial performance is as follows:

	1H' 2014		1H' 2013	
Company	Revenue	Profit After Tax	Revenue	Profit After Tax
Engro Corp Stand-alone	1,030	1,130	1,128	1,469
Engro Fertilizers	27,657	3,375	20,519	1,425
Engro EXIMP	13,274	(2,108)	10,139	(352)
Engro Polymers	11,903	123	12,031	425
Engro Foods	20,100	329	18,933	1,113
Engro PowerGen	6,516	1,143	5,179	1,032
Engro Corp Consolidated	77,541	2,684*	66,874	3,341*

(Excluding Non-controlling interest)

Engro Fertilizers

Domestic industry urea production for the first half 2014 increased by 103 KT to 2,310 KT (i.e. 4.7%) as compared to the same period last year, primarily due to higher gas supply made available to the fertilizer sector by the Government in the early part of the year.

Our urea production increased by 37% during 1H14 (847 KT as compared to 617 KT during 1H13) since both plants were operating as the Company continues to receive a gas allocation of 60 MMSCFD from Mari. Sales also grew by 35% during 1H14 (843 KT vs 623 KT) increasing the Company's market share to 33% vs. 23% during 1H14. The increase was due to improved market conditions with lower off-take of imported urea and higher product availability due to increased production. As a result of the above, the Company recorded a 35% increase in revenue and posted a profit after tax of PKR 3,375 million, an increase of 37% over the same period last year.

As part of the re-profiling of its long-term loan in 2013, the Company had agreed to sweep surplus cash (after debt servicing and CAPEX) to its lenders at the end of 2014 on a once-off basis. With the improved performance, the Company has implemented the sweep in June 2014, well before the scheduled time by paying of an amount of PKR 4,963 million and a further amount of PKR 3,037 million will be repaid in the remaining part of the year.

In January 2014, ECC has approved the provision of Mari gas to the Company at concessionary rate in order to discharge the Government's contractual obligations. Implementation of this decision is expected in due course.

Engro EXIMP

International DAP prices which had ended at USD 400/ton at year end 2013, started moving up reaching a high of USD 500/ton in February 2014. Sales in the local phosphates industry were 391KT vs. 423KT last year. The Company sold 96KT of DAP in 1H14 vs. 81KT during comparative period, showing an increase in sales volume of 18.5% over previous period as a result of correctly timing the purchases from both the local and international markets in the wake of rising international prices.

During the 1H14, the Company processed 69.3 KT of paddy / rice vs. 40.2 KT during 1H13, with an average service and capacity factor of 79% and 76% respectively. The Company exported 23.4KT of rice during 1H14, a growth of 96% year-on-year. Local rice sales during 1H14 were 12.7 KT vs. 17.6 KT during 1H13.

The Company incurred a consolidated loss-after-tax of PKR 2,108 million for 1H14 as compared to consolidated loss-after-tax of PKR 352 million during 1H13. The higher loss is primarily due to the substantial appreciation in the PKR / USD exchange rate in a span of few weeks during March 2014 coupled with deep bearish rice market sentiment prevailing throughout 1H14, which has more than offset the earnings from the phosphate business.

Engro Polymer & Chemicals

Due to some operational issues at the plant, the PVC resin production during 1H14 was 68KT (1H13: 70KT), VCM production was 68KT (1H13: 88KT) and Caustic Soda production was 56KT (1H13: 55KT). The Company's PVC domestic sales was 63KT, lower by 10% as compared to 1H13, however, the Company exported 7KT PVC which partially offset lower domestic sales. The Company also initiated PVC sales to Afghanistan and appointed a dealer for managing its Afghanistan sales. The Company domestically sold 46 KT Caustic Soda during the period (1H13: 48KT) and exported 3 KT (1H13: nil). PVC sales recovered during 2Q14 as exchange rates and PVC prices stabilized and inventory carry over effect subsided which had dampened market demand during 1Q14. However, lower margins during 2Q14 restrained Company's profitability. Domestic Caustic Soda market remained stable, however, prices were under pressure due to long supplies in the domestic market.

The Company recorded revenue of PKR 11,903 million as compared to PKR 12,031 million during the same period last year. Lower margins and volumes impacted the bottom line earnings. PKR appreciation during 1H resulted in lower PKR based revenues, however, gain on foreign exchange liabilities provided support to the overall profitability. The Company posted profit-after-tax of PKR 123 million compared to PKR 425 million in first half last year.

Towards the end of June 2014, 5% duty rate was imposed on Company's primary raw material Ethylene and EDC through an amendment by the Federal Board of Revenue. Earlier, zero rated duty was applicable on such raw materials. This duty imposition is expected to increase Company's cost burden and impact cash-flows, however, the matter is being pursued with relevant Government authorities for recourse.

Engro Foods

The Company's consolidated revenue during 1H14 grew by 6.2% over the same period last year (PKR 20,100 million as opposed to PKR 18,933 million). The Company's Dairy and Ice Cream segments witnessed volumetric growth of 3.7% and 21% respectively over the comparative period. The profit-after-tax decreased to PKR 329 million from PKR 1,113 million mainly due to lower gross margins in the dairy segment. Margins remained on the lower side mainly on account of higher milk prices which were not passed on to consumer due to market environment.

Engro Powergen

During 1H14, the Qadirpur Plant achieved a milestone of 4 years of operations and demonstrated a Billable Availability of 99.9%. It dispatched a total Net Electrical Output of 903 GwH to the National Grid with a load factor of 97.5% as compared to 85.6% in the same period last year. The Company continues to focus on plant performance improvement initiatives to ensure its reliability and availability to the national grid and ensure maximum benefit for all stakeholders.

The total revenue billed during 1H14 to PEPCO was PKR 6,412 million against which the total receipts from PEPCO during the period were PKR 4,512 million. Over dues from PEPCO stood at PKR 1,968 million as at June 30, 2014 against over dues of PKR 1,204 million as at December 31, 2013. For 1H14, the Company earned a consolidated net profit of PKR 1,143 million as compared to PKR 1,032 million last year.

Mining Update: Effective March 31, 2014, Engro's holding in Sindh Engro Coal Mining Company (SECMC) was reduced to 32%, however, the management control of SECMC remains with Engro. Change in shareholding has been effected as one of the conditions to utilize the Sovereign Guarantee from the Government. During 2Q14, the Company finalized the EPC contractor for the project. LOI and Contract Term Sheet for 3.8MTPA mining contracts were also signed. Scope of work and terms of reference for detailed engineering were also finalized and issued to contractor. Geo-technical study by EPC contractor shall be started in 3Q14. The Company has successfully acquired possession of 3,842 acres of land for start of physical work. Site mobilization, camp set-up and other utilities have been put in place for the 3.0 Million BCM local OB removal job. All HSE Systems for monitoring & reporting activities have been implemented to ensure injury-free work environment.

GEL Utility Limited Update: The Company's Power Services investment in Nigeria is well underway and targets to achieve commercial operation in August 2014. Generation license to GEL has been granted and first Nigerian O&M team members have also been successfully hired and deployed.

Engro Vopak
The Company recorded revenue of PKR 1,018 million and profit after tax of PKR 713 million during 1H 2014 vs. PKR 952 million and PKR 575 million respectively as compared to corresponding period last year.

Engro Elengy
On April 30, 2014, the Company formally signed the LNG Service Agreement (LSA) with Sui Southern Gas Company Limited, whereby the Company shall procure, transport, develop terminal facilities and store and re-gasify LNG under the LSA for a period of 15 years. The Company has also signed Implementation Agreement with Port Qasim Authority as well as agreement for Engineering, Procurement & Construction and Time Charter Party agreement of Floating Storage & Regasification Unit. Order for pipelines and other material have been placed and construction work has commenced. The contracted date of commissioning the project is March 31, 2015.

Business Outlook

Engro Fertilizers
In Finance Act 2014, GIDC rates for fuel gas were increased by a further PKR 50/MMBTU to PKR 150/MMBTU, cost of which was passed through by the industry. The Finance Act has also levied GIDC on fixed price contracts (including concessionary gas pricing of USD 0.70/MMBTU for new plants). This GIDC application is clearly against the Fertilizer Policy 2001 under which our new plant was allocated gas.

Engro EXIMP
Government's subsidy announcement is expected to keep a major role in Rabi season's off-take and in turn import requirement. Phosphates off-take in the local market is expected to be healthy on the basis of positive farmer economics and spillover of demand from 1Q14 due to dealer restraint in light of announcement of subsidy.

The rice business is expected to continue facing challenges during 2H of the year as international prices are expected to remain soft.

Engro Polymer & Chemicals
Going forward, the domestic PVC demand is expected to recover, however, core PVC and Ethylene margins are expected to reduce further as international prices are expected to taper down on account of improved supply and lower PVC demand due to monsoon season. Caustic Soda's domestic demand is expected to remain stable whereas prices will continue to remain under pressure due to long product supplies. Moreover, any further increase in domestic natural gas prices in addition to increase in GIDC could be a possible challenge during next quarter.

The Company plans to complete the second phase of PVC debottlenecking by early 3Q14 which will increase PVC production capacity by 15KT per annum. This capacity enhancement will allow the Company to convert its surplus VCM into PVC which will result in better margins.

Engro Foods
The Company will continue its focus on maintaining the market share in UHT segment and continue innovation, brand differentiation and continuous business expansion including diversification into new product lines while carrying out a strategic review on its Canadian operations.

Engro Powergen
Despite the Country's natural gas crisis, Qadirpur Power Plant is expected to continue receiving unhindered fuel supply. This is because the plant runs on permeate gas which is likely to remain available in the near future. Furthermore, the plant is expected to maintain a high dispatch rate due to its higher rank in PEPCO's merit order. In partnership with Government, the Thar mining and power projects are expected to remain on track for completion in next four years. Engro Powergen continues to seek new opportunities in energy sector around the world in partnership with international players to utilize Engro's unique engineering and project management skillset.

Engro Vopak
The Company continues to perform well and is expected to maintain its operations and profitability in a stable fashion due to its unique position in liquid chemicals handling industry.

Engro Elengy
Various contracts for setting up the fast track LNG import terminal have been signed and work is progressing smoothly. The Company is also working simultaneously to achieve financial close by October 2014. An indicative term sheet for the project finance has been signed with National Bank of Pakistan and modalities are being finalized. In addition, the Company has also signed mandate letter with International Finance Corporation and Asian Development Bank for project finance.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of Engro Corporation Limited as at June 30, 2014 and the related condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows, together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim statement of comprehensive income for the quarters ended June 30, 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2014.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended June 30, 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants
Karachi
Date: August 29, 2014.

Engagement partner: Waqas A. Sheikh

condensed interim balance sheet as at june 30, 2014

(Amounts in thousand)

	Note	(Unaudited) June 30, 2014	(Audited) December 31, 2013 (Restated)
		---------------(Rupees)---------------	
ASSETS			
Non-current assets			
Property, plant and equipment	5	58,174	45,557
Long-term investments	6	28,879,985	28,140,994
Long-term loans and advances	7	5,246,019	5,163,511
Deferred taxation		82,908	81,886
		34,267,086	33,431,948
Current assets			
Loans, advances and prepayments	8	658,920	636,301
Other receivables		766,662	513,554
Taxes recoverable		188,672	123,605
Short-term investments		-	2,672,915
Cash and bank balances		2,661,651	250,584
		4,275,905	4,196,959
Investment classified as held for sale		320,000	320,000
TOTAL ASSETS		38,862,991	37,948,907
EQUITY & LIABILITIES			
Equity			
Share capital		5,169,698	5,112,694
Share premium		11,684,310	10,550,061
General reserve		4,429,240	4,429,240
Unappropriated profit		9,755,082	9,137,268
Remeasurement of post employment benefits - Actuarial gain		9,871	9,871
		25,878,503	24,126,440
TOTAL EQUITY		31,048,201	29,239,134
Liabilities			
Non-current liability			
Retirement and other service benefit obligations		18,926	21,268
Current liabilities			
Trade and other payables		311,046	1,176,292
Accrued interest / mark-up		286,697	337,866
Borrowings	9	6,636,098	6,290,142
Unclaimed dividends		91,212	92,373
Derivative financial instrument	4	470,811	791,833
		7,795,864	8,688,506
TOTAL LIABILITIES		7,814,790	8,709,774
Contingencies and Commitments	10		
TOTAL EQUITY & LIABILITIES		38,862,991	37,948,907

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

condensed interim statement of comprehensive income (unaudited) for the half year ended june 30, 2014

(Amounts in thousand except for earnings per share)

	Note	Quarter ended June 30, 2014	Quarter ended June 30, 2013 (Restated)	Half year ended June 30, 2014	Half year ended June 30, 2013 (Restated)
		---------------(Rupees)---------------			
Dividend income		403,136	135,000	628,136	839,750
Royalty income		186,427	151,114	402,143	288,225
		589,563	286,114	1,030,279	1,127,975
Administrative expenses		(129,676)	(108,327)	(179,495)	(143,435)
		459,887	177,787	850,784	984,540
Other income		295,084	972,521	1,085,912	1,207,863
Other operating expenses		(5,480)	(14,641)	(26,099)	(30,552)
Operating profit		749,491	1,135,667	1,910,597	2,161,851
Finance cost	4	(437,200)	(418,251)	(655,928)	(664,807)
Profit before taxation		312,291	717,416	1,254,669	1,497,044
Taxation	4 & 11	12,545	19,015	(125,120)	(28,359)
Profit for the period		324,836	736,431	1,129,549	1,468,685
Other comprehensive income for the period					
Items that will not be reclassified to profit or loss - Remeasurement of post employment benefit obligation - Actuarial gain, net of tax		-	8,241	-	8,241
Total comprehensive income for the period		324,836	744,672	1,129,549	1,476,926
Earnings per share - basic and diluted	12	0.63	1.44	2.20	2.87

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

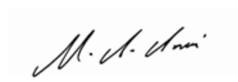
condensed interim statement of changes in equity (unaudited) for the half year ended June 30, 2014

(Amounts in thousand)

	Capital reserves		Revenue reserves			
	Share capital	Share premium	General reserve	Unappropriated profit	Remeasurement of post employment benefits - Actuarial gain	Total
	---(Rupees)---					
Balance as at January 1, 2013 (Audited) - as previously reported	5,112,694	10,550,061	4,429,240	6,543,362	25,986	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 (Audited and restated)	5,112,694	10,550,061	4,429,240	6,387,956	25,986	26,505,937
Total comprehensive income for the half year ended June 30, 2013 - Restated	-	-	-	1,468,685	8,241	1,476,926
Balance as at June 30, 2013 (Unaudited and restated)	5,112,694	10,550,061	4,429,240	7,856,641	34,227	27,982,863
Total comprehensive income for the half year ended December 31, 2013 - Restated	-	-	-	1,280,627	(24,356)	1,256,271
Balance as at December 31, 2013 (Audited and restated)	5,112,694	10,550,061	4,429,240	9,137,268	9,871	29,239,134
Total comprehensive income for the half year ended June 30, 2014	-	-	-	1,129,549	-	1,129,549
Transactions with owners						
Shares issued to IFC on exercise of conversion option - notes 4 and 7	57,004	1,134,249	-	-	-	1,191,253
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)
Balance as at June 30, 2014 (Unaudited)	5,169,698	11,684,310	4,429,240	9,755,082	9,871	31,048,201

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

Hussain Dawood
Chairman



Muhammad Aliuddin Ansari
President and Chief Executive

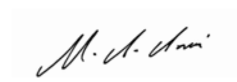
condensed interim statement of cash flows (unaudited) for the half year ended June 30, 2014

(Amounts in thousand)

	Note	Half Year Ended June 30, 2014	Half Year Ended June 30, 2013
		---(Rupees)---	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilized in operations	13	(291,801)	(111,459)
Royalty received		312,009	288,225
Taxes paid		(191,209)	(41,223)
Retirement and other service benefits paid		(23,852)	(16,994)
Long term loans and advances - net		(1,547)	(4,536)
Net cash (utilized in) / generated from operating activities		(196,399)	114,013
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		628,136	839,750
Income on deposits / other financial assets including income earned on subordinated loan to subsidiaries		452,832	459,520
Advance received against investment classified as held for sale		-	134,303
Long-term investments		(1,551,000)	(1,634,303)
Proceeds from disposal of long-term investment		-	786,326
Proceeds on maturity of short-term investments		2,001	-
Purchases of property, plant and equipment (PPE)		(26,594)	(5,380)
Sale proceeds on disposal of PPE		4,192	48
Net cash (utilized in) / generated from investing activities		(490,433)	580,264
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of Engro Islamic Rupiya Certificates		4,000,000	-
Repayment against Engro Rupiya Certificates I upon maturity		(3,784,110)	-
Financial charges paid		(496,368)	(463,300)
Redemption of borrowings		-	(757)
Proceeds from issue of shares upon exercise of conversion option by IFC		680,960	-
Loans disbursed to subsidiary companies		(880,960)	(1,210,000)
Repayment of loans by subsidiary companies		800,000	-
Dividends paid		(1,161)	(3,692)
Net cash generated from / (utilized in) financing activities		318,361	(1,677,749)
Net decrease in cash and cash equivalents		(368,471)	(983,472)
Cash and cash equivalents at beginning of the period		2,921,498	1,181,572
Cash and cash equivalents at end of the period	14	2,553,027	198,100

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

Hussain Dawood
Chairman



Muhammad Aliuddin Ansari
President and Chief Executive

notes to the condensed interim financial information (unaudited) for the half year ended June 30, 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, exploration, LNG and chemical terminal and storage businesses. The Company's registered office is situated at 7th & 8th floors, The Harbour Front Building, HC # 3, Block 4, Marine Drive, Clifton, Karachi.

2 BASIS OF PREPARATION

2.1 This condensed interim financial information is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This condensed interim financial information has, however, been subjected to limited scope review by the auditors, as required by the Code of Corporate Governance, and should be read in conjunction with the financial statements of the Company for the year ended December 31, 2013.

2.2 The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances . Actual results may differ from these estimates.

During the preparation of this condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to financial statements of the Company for the year ended December 31, 2013.

3 ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual published financial statements of the Company for the year ended December 31, 2013.

4 . RESTATEMENT OF PRIOR PERIODS

During the period, the Company upon exercise of option on its shares by the International Finance Corporation (IFC) on IFC's loan to Engro Fertilizers Limited (Subsidiary Company) (note 7.2), has accounted for such option (derivative financial instrument) retrospectively and consequently the earliest periods presented in the condensed interim balance sheet, condensed interim statement of comprehensive income and condensed interim statement of changes in equity have been restated. There is no impact of this restatement on the condensed interim statement of cash flows.

(Amounts in thousand)

The effects of retrospective application are as follows:
Effect on the condensed interm balance sheet

	Taxes recoverable/ (payable)	Trade and other payables	Unappropriated Profit	Derivative financial instrument	Deferred Taxation
	-----(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)	1,192,128	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)	(520,484)	791,833	77,682
Balance as at December 31, 2013 - restated	123,605	1,176,292	9,137,268	791,833	81,886

Effect on condensed interim statement of comprehensive income:

	Other operating expenses	Finance cost	Taxation
	-----(Rupees)-----		
Balance for the half year ended June 30, 2013			
as previously reported	33,674	508,686	81,329
Restatement - recognition of derivative liability on option to IFC	(3,122)	156,121	(52,970)
Balance for the half year ended June 30, 2013 - restated	30,552	664,807	28,359
Balance for the year ended December 31, 2013			
as previously reported (Audited)	71,838	1,020,262	334,328
Restatement - recognition of derivative liability on option to IFC:			
- For the half year ended June 30, 2013	(3,122)	156,121	(52,970)
- For the half year ended December 31, 2013	(7,835)	391,748	(118,863)
	(10,957)	547,869	(171,833)
Balance for the year ended December 31, 2013			
as previously reported - restated	60,881	1,568,131	162,495

5. PROPERTY, PLANT AND EQUIPMENT

	Unaudited June 30, 2014	Audited December 31, 2013
	-----(Rupees)-----	
Operating assets (note 5.1)	33,538	44,660
Capital work in progress (note 5.2)	24,636	897
	58,174	45,557

(Amounts in thousand)

5.1 Additions to operating assets during the period / year amounted to Rs. 2,855 (December 31, 2013: Rs. 12,545). Operating assets costing Rs. 12,209 (December 31, 2013: Rs. 35,187) having a net book value of Rs. 3,599 (December 31, 2013: Rs. 15,019), were disposed off during the period / year for Rs. 4,192 (December 31, 2013: Rs. 15,991).

5.2 This mainly represents advance paid to suppliers for purchase of vehicles.

6. LONG TERM INVESTMENTS

6.1 Engro Fertilizers Limited

During 2013, Engro Fertilizers Limited (Efert), a Subsidiary Company, 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 Company also divested 30 million ordinary shares of the Subsidiary Company, representing 2.45% of its total investment in the Subsidiary Company, at a price of Rs.28.25 per share to certain local / foreign institutional investors and High Net Worth Individuals (Informed Buyers). The advance received by the Company, in this respect, net of transaction costs of Rs. 11,421, amounting to Rs. 836,079 was classified as 'Advance received against partial disposal of investment in subsidiary company' under 'Trade and other payables' in the audited financial statements for the year ended December 31, 2013. However, during the period, the Subsidiary Company was formally listed on the Karachi and Lahore Stock Exchanges and the shares have been duly allotted to the shareholders. The gain on such disposal amounting to Rs. 535,805 has been reflected in other income.

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 the Subsidiary Company, representing 4.29% of Company's investment in the Subsidiary Company, were allotted to the Company's shareholders in April 2014.

As a result of the aforementioned events, the Company, as at the balance sheet date, holds 87.97% of the share capital of Engro Fertilizers Limited.

6.2 Engro Powergen Limited

Sindh Engro Coal Mining Company Limited (SECMC), a Jointly controlled entity of Engro Powergen Limited (EPL), which is a wholly owned subsidiary of the Company, was formed under a Joint Venture Agreement (JVA) dated September 8, 2009, between the Company and the Government of Sindh (GoS). Under the JVA, the equity of GoS and EPL in SECMC was 40% and 60%, respectively.

During the period, on January 24, 2014, a revised and amended JVA was signed, under which GoS will have minimum shareholding of 51%, however, Engro Group will retain the right to manage the Company as long as Engro Group holds a minimum of 26% shareholding in SECMC. Further, as at the balance sheet date, EPL has reduced its shareholding in SECMC from 60% to 32% and GoS increased its shareholding to 68%. Consequent to this change, SECMC is now Jointly controlled entity of EPL.

During the period, two wholly owned subsidiaries of EPL were established namely Engro Power International Holding B.V.(EPIH) and Engro Power Services Limited (EPSL). EPIH has been established with the objective to incorporate, participate, manage, and supervise international businesses and companies. EPIH is a private limited company and has its official seal registered in Rotterdam, Netherlands. EPSL has been established with the objective to carry on business of power generation, transmission, distribution and servicing company. EPSL is a private limited company having its registered office in Nigeria. EPSL has not issued any share capital so far.

(Amounts in thousand)

6.3 Elengy Terminal Pakistan Limited

During the period, 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, in respect of advance against further issue of shares.

7. LONG-TERM LOANS AND ADVANCES

7.1 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 is repayable on or before the end of the term i.e. September 14, 2015. During the period, EFert has repaid an amount of Rs. 600,000 to the Company, and subsequent to period end the entire loan has been repaid.

7.2 The Company has 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 has been drawn down by EFert. Under the Original Agreement, IFC has an option to convert a tranche of the facility amounting to USD 15,000, into ordinary shares of the Company. Such option is 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 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.

During the period, under the Amended Agreement with EFert and IFC, the Company received a conversion notice from IFC requesting to convert its option on USD 7,000 out of total loan of USD 15,000 into 5,700,318 ordinary shares of the Company at Rs. 119.46, which is adjusted option exercise price, consequent to bonus issues. The Company, accordingly, has issued 5,700,318 ordinary shares of Rs. 10 each to IFC. Further, upon exercise of conversion option by IFC, EFert has paid Rs. 680,960 i.e. Rupee equivalent of USD 7,000 to the Company, and the Company has provided equivalent amount to EFert as a subordinated loan. Subsequent to period end the entire loan has been repaid by EFert to the Company.

8. LOANS, ADVANCES AND PREPAYMENTS

On March 20, 2014, the Company and Engro Powergen Limited (EPL), a wholly owned subsidiary, entered into a short-term finance agreement for Rs 200,000. The loan carries markup at the rate of 3 Months KIBOR plus 3.5% per annum, payable on a quarterly basis. The entire loan has been repaid on May 29, 2014 by the Subsidiary Company.

(Amounts in thousand)

9. BORROWINGS

	Unaudited June 30, 2014	Audited December 31, 2013
	-------------(Rupees)-------------	
Engro Islamic Rupiya Certificates I and II (note 9.1)	4,000,000	-
Engro Rupiya Certificates I (note 9.2)	-	3,777,949
Engro Rupiya Certificates II	2,527,474	2,512,174
Short term finance from banks - secured (note 9.3)	99,366	19
Bridge loan (note 9.4)	9,258	-
	6,636,098	6,290,142

9.1 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 period, 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 type 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.

Subsequent to the period end, on July 12, 2014, the EIR Certificates have been issued to the respective certificate holders.

9.2 During the period, the Company has repaid the entire remaining principal balance of Engro Rupiya Certificates I aggregating to Rs. 3,784,110 to the certificate holders, alongwith profit thereon, upon completion of the tenure of three years.

9.3 During the period, the Company has utilized its Short Term Finance Facilities aggregating to Rs. 1,500,000 (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.

9.4 During the period, the Company has also obtained a Bridge loan facility of Rs. 2,500,000 from a bank to meet its working capital requirements and to bridge the proceeds from Offer for Sale of shares of Engro Powergen Qadirpur Limited. The facility is primarily secured against ranking floating charge over all present and future loans, advances, receivables and other current assets (excluding long-term investments) of the Company. Additionally, the facility is also secured through a pledge over shares of Engro Fertilizers Limited, a Subsidiary Company.

(Amounts in thousand)

10. CONTINGENCIES AND COMMITMENTS

Significant changes in the status of contingencies and commitments since December 31, 2013 are as follows:

	Unaudited June 30, 2014	Audited December 31, 2013
	-------------(Rupees)-------------	
Corporate Guarantees issued in favor of Subsidiary Companies:		
- Engro Fertilizers Limited (note 10.1)	47,946,390	56,448,271
- Engro Powergen Qadirpur Limited	988,500	1,057,700
- Engro Foods Canada Limited	231,811	247,785
- Elengy Terminal Pakistan Limited (note 10.2)	-	104,507
- Engro Elengy Terminal (Private) Limited (note 10.3)	1,977,000	-
- Engro Eximp (Private) Limited (note 10.4)	543,675	-
	51,687,376	57,858,263

10.1 Includes 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 the Subsidiary Company with IFC. During the period under the Original Agreement, IFC has exercised its option and converted loan amount of USD 7,000 into ordinary shares of the Company, as explained in note 7.2.

10.2 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 Soneri Bank Limited which marked a lien on the running finance facility extended to the Company. During the period, the Letter of Guarantee after extension expired on June 30, 2014.

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

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

10.5 As at June 30, 2014, there is no material change in the status of matters reported as commitments in the notes to the financial statements of the Company for the year ended December 31, 2013.

11. TAXATION

11.1 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 has paid Rs. 53,250 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 period, 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.

11.2 On May 12, 2013, the Sindh High Court, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the minimum turnover tax cannot be carried forward in respect of the year where no tax has been paid on account of loss for the year. The Company's management, based on the opinion of its legal advisor, is of the view that the above order is not correct and would not be maintained by Supreme Court, which they intend to approach, if required. Therefore, the Company has continued to carry forward minimum tax paid in prior years.

12. EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the Company, after taking the effect of options granted on Company's shares to International Finance Corporation (note 7.2).

	Quarter ended		Half year ended	
	June 30, 2014	June 30, 2013 (Restated)	June 30, 2014	June 30, 2013 (Restated)
	(Rupees)			
Profit after taxation	324,836	736,431	1,129,549	1,468,685
	(No. of shares)			
Weighted average number of ordinary shares (in thousand)	515,654	511,269	513,474	511,269

13 CASH UTILIZED IN OPERATIONS

	Half Year Ended	
	June 30, 2014	June 30, 2013
	(Rupees)	
Profit before taxation	1,254,669	1,497,044
Adjustment for non-cash charges and other items:		
Depreciation	10,378	18,739
(Gain) / loss on disposal of property, plant and equipment	(593)	3
Provision for retirement and other service benefits	18,998	18,315
Income on deposits / other financial assets	(543,819)	(449,407)
Gain on disposal of long term investments	(535,805)	(730,076)
Dividend income	(628,136)	(839,750)
Royalty income	(402,143)	(288,225)
Financial charges	655,928	664,807
Working capital changes (note 13.1)	(121,277)	(2,909)
	(291,801)	(111,459)

13.1 Working capital changes

Increase in current assets		
Loans, advances and prepayments	(22,619)	(15,435)
Other receivables - net	(71,744)	(34,187)
	(94,363)	(49,622)
Increase / (decrease) in current liabilities		
Trade and other payables including other service benefits - net	(26,914)	46,713
	(121,277)	(2,909)

14 CASH AND CASH EQUIVALENTS

Short-term investments	-	114,407
Cash and bank balances	2,661,651	203,482
Short-term finance from banks	(99,366)	(119,789)
Bridge loan	(9,258)	-
	2,553,027	198,100

(Amounts in thousand)

15. TRANSACTIONS WITH RELATED PARTIES

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

	Half Year Ended	
	June 30, 2014	June 30, 2013
	---------------(Rupees)---------------	
Subsidiary companies		
Purchases and services	9,553	4,875
Services rendered	314,208	28,417
Expenses paid on behalf of subsidiary companies	183,010	297,328
Mark up from subsidiaries	419,500	402,386
Investments	1,551,000	1,634,303
Reimbursements to subsidiary companies	57,973	28,254
Disbursement of loan	880,960	1,210,000
Repayment of loan	800,000	-
Dividend received	268,136	524,750
Royalty Income, net of sales tax	402,143	288,225
Service fees against corporate guarantees	5,694	6,115
Associated companies		
Purchases and services	441	623
Retirement benefits	10,282	13,807
Donations	17,500	15,300
Reimbursement to associated companies	1,946	-
Expenses paid on behalf of associated companies	1,553	-
Investment in Treasury Bills	-	2,612,251
Redemptions of Treasury Bills	-	2,982,237
Joint ventures		
Services rendered	655	560
Dividend received	360,000	315,000
Expenses paid on behalf of Joint Venture company	116	58
Reimbursements to Joint Venture company	30,678	3,341
Others		
Directors' fees	4,300	5,300
Key management personnel		
Remuneration	45,600	61,606
Disposal of assets	1,780	-
Reimbursement of expenses	3,229	-

(Amounts in thousand)

16. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on August 20, 2014 has approved an interim cash dividend of Rs. 2.00 per share for the year ending December 31, 2014 (December 31, 2013: Dividend in specie in the ratio of 1:10 (one share of Engro Fertilizers Limited for every ten shares held of the Company). This condensed interim financial information does not include the effect of the said interim dividend.

17. CORRESPONDING FIGURES

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

18. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue on August 20, 2014 by the Board of Directors of the Company.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

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

Introduction

We have reviewed the accompanying consolidated condensed interim balance sheet of Engro Corporation Limited and it's subsidiaries (the Group) as at June 30, 2014 and the related consolidated condensed interim profit and loss account, consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows, together with the notes forming part thereof (here-in-after referred to as the "consolidated condensed interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review. The figures of the consolidated condensed interim profit and loss account and consolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2014.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information as of and for the half year ended June 30, 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants
Karachi
Date: August 29, 2014.

Engagement partner: Waqas A. Sheikh

consolidated condensed interim balance sheet (unaudited) as at june 30, 2014

(Amounts in thousand)

	Note	(Unaudited) June 30, 2014	(Audited) December 31, 2013 (Restated)
		-------------------(Rupees)-------------------	
ASSETS			
Non-current assets			
Property, plant and equipment	6	129,890,256	131,969,040
Biological assets		746,761	716,465
Intangible assets		771,724	807,966
Deferred taxation		1,513,605	1,502,981
Deferred employee compensation expense		149,405	168,865
Long term investments	7	2,610,005	1,873,995
Long term loans and advances		334,461	307,435
		136,016,217	137,346,747
Current Assets			
Stores, spares and loose tools		7,444,791	7,038,623
Stock-in-trade		21,300,556	20,699,771
Trade debts		6,691,182	3,033,487
Deferred employee compensation expense		120,608	136,153
Derivative financial instruments		622	130,207
Loans, advances, deposits and prepayments	8	2,564,874	1,451,026
Other receivables		5,051,658	4,995,503
Taxes recoverable		2,947,269	3,086,087
Short term investments		13,296,738	21,366,091
Cash and bank balances		7,002,529	6,899,123
		66,420,827	68,836,071
Assets attributable to discontinued operations		-	980,140
TOTAL ASSETS		202,437,044	207,162,958

(Amounts in thousand)

	Note	(Unaudited) June 30, 2014	(Audited) December 31, 2013 (Restated)
		--------------(Rupees)---------------	
EQUITY & LIABILITIES			
Equity			
Share capital		5,169,698	5,112,694
Share premium		11,684,310	10,550,061
Employee share compensation reserve		437,092	407,133
Revaluation reserve on business combination		68,991	74,092
Maintenance reserve		213,335	213,335
Exchange revaluation reserve		(12,068)	35,418
Hedging reserve		(146,549)	(185,689)
General reserve		4,429,240	4,429,240
Unappropriated profit		29,274,846	26,832,822
Remeasurement of post-employment benefits		(58,282)	(60,760)
		45,890,915	42,295,652
		51,060,613	47,408,346
Non-controlling interest		8,531,855	5,319,491
Reserve / advance against issuance / disposal of shares to Non-controlling interest		1,184,246	2,954,829
Total Equity		60,776,714	55,682,666
Liabilities			
Non-current liabilities			
Borrowings	9	62,229,199	78,321,114
Derivative financial instruments		915,532	1,611,258
Deferred taxation		6,807,348	6,301,051
Deferred liabilities		155,966	221,856
		70,108,045	86,455,279
Current Liabilities			
Trade and other payables		37,733,366	40,112,860
Accrued interest / mark-up		2,262,472	2,252,256
Current portion of :			
- borrowings		18,728,391	14,754,508
- deferred liabilities		43,928	45,883
Short term borrowings	10	11,821,255	6,380,255
Derivative financial instruments	5	871,661	1,247,822
Unclaimed dividends		91,212	92,375
		71,552,285	64,885,959
Total Liabilities		141,660,330	151,341,238
Liabilities associated with discontinued operations		-	139,054
Contingencies and Commitments	11		
TOTAL EQUITY & LIABILITIES		202,437,044	207,162,958

The annexed notes 1 to 20 form an integral part of this consolidated condensed interim financial information.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

consolidated condensed interim profit and loss account (unaudited) for the half year ended june 30, 2014

(Amounts in thousand except for earnings per share)

	Note	Quarter ended June 30, 2014	Quarter ended June 30, 2013 (Restated)	Half year ended June 30, 2014	Half year ended June 30, 2013 (Restated)
		----------(Rupees)----------			
Net sales		39,186,339	35,572,999	77,540,743	66,874,164
Cost of sales		(31,791,986)	(26,710,196)	(60,771,102)	(48,806,626)
Gross profit		7,394,353	8,862,803	16,769,641	18,067,538
Selling and distribution expenses		(2,569,856)	(2,352,724)	(4,967,506)	(4,729,707)
Administrative expenses		(977,590)	(918,944)	(1,961,766)	(1,692,888)
		3,846,907	5,591,135	9,840,369	11,644,943
Other income		998,066	733,849	1,614,807	1,009,134
Other operating expenses		357,549	(429,312)	(1,160,334)	(1,117,789)
Finance cost	5	(3,104,634)	(3,940,517)	(5,305,143)	(7,001,463)
Share of income from joint ventures		158,142	152,207	361,520	287,663
Profit before taxation		2,256,030	2,107,362	5,351,219	4,822,488
Taxation	5 & 12	(1,328,224)	(395,179)	(2,187,894)	(1,096,010)
Profit for the period		927,806	1,712,183	3,163,325	3,726,478
Profit attributable to:					
- Owners of the Holding Company		682,131	1,554,758	2,683,505	3,340,570
- Non-controlling interest		245,675	157,425	479,820	385,908
		927,806	1,712,183	3,163,325	3,726,478
Earnings per share					
- basic	13	1.32	3.04	5.23	6.53
- diluted	13	1.29	3.04	5.23	6.53

The annexed notes 1 to 20 form an integral part of this consolidated condensed interim financial information.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

consolidated condensed interim statement of comprehensive income (unaudited) for the half year ended june 30, 2014

(Amounts in thousand except for earnings per share)

	Note	Quarter ended June 30, 2014	Quarter ended June 30, 2013 (Restated)	Half year ended June 30, 2014	Half year ended June 30, 2013 (Restated)
		----------(Rupees)----------			
Profit for the period		927,806	1,712,183	3,163,325	3,726,478
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Hedging reserve - cash flow hedges					
Losses arising during the period		(240,835)	(323,010)	(1,380,135)	(530,380)
Reclassification adjustments for losses included in profit or loss		178,201	414,647	1,415,206	658,780
Adjustments for amounts transferred to initial carrying amount of hedged items		25,865	15,211	61,575	15,758
		(36,769)	106,848	96,646	144,158
Revaluation reserve on business combination		(5,411)	(5,494)	(10,820)	(10,986)
Exchange differences on translation of foreign operations		13,318	(4,368)	(51,343)	(8,216)
		(28,862)	96,986	34,483	124,956
Income tax relating to:					
- Hedging reserve - cash flow hedges		17,757	(42,097)	(47,758)	(55,155)
- Revaluation reserve on business combination		1,840	1,923	3,679	3,845
		19,597	(40,174)	(44,079)	(51,310)
Items that will not be reclassified to profit or loss					
Remeasurement of post employment benefits obligation		3,566	20,082	3,566	20,082
Income tax relating to remeasurement of post employment benefits obligation		(1,057)	(6,828)	(1,057)	(6,828)
		2,509	13,254	2,509	13,254
Deferred tax charge relating to revaluation of equity related items		(1,649)	(1,648)	(1,649)	(1,648)
Other comprehensive (loss) / income for the period, net of tax		(8,405)	68,418	(8,736)	85,252
Total comprehensive income for the period		919,401	1,780,601	3,154,589	3,811,730
Total comprehensive income attributable to:					
- Owners of the Holding Company		679,901	1,616,488	2,672,267	3,423,555
- Non-controlling interest		239,500	164,113	482,322	388,175
		919,401	1,780,601	3,154,589	3,811,730

The annexed notes 1 to 20 form an integral part of this consolidated condensed interim financial information.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive

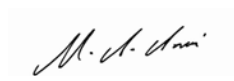
consolidated condensed interim statement of changes in equity (unaudited) for the half year ended june 30, 2014

(Amounts in thousand)

	Attributable to owners of the Holding Company												
		Capital reserves					Revenue reserves						
	Share capital	Share premium	Employee share option compensation reserve	Revaluation reserve on business combination	Maintenance reserve	Exchange revaluation reserve	Hedging reserve	General reserve	Un-appropriated profit	Remeasurement of post employment benefits - Actuarial gain / (loss)	Sub total	Non-controlling interest	Total
							Rupees						
Balance as at January 1, 2013 (audited)	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 5	-	-	-	-	-	-	-	-	(155,406)	-	(155,406)	-	(155,406)
Balance as at January 1, 2013 (audited and 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 / (loss) for the half year ended June 30, 2013 (restated)													
Profit for the period	-	-	-	-	-	-	-	-	3,340,570	-	3,340,570	385,908	3,726,478
Other comprehensive income	-	-	-	(5,101)	-	(8,216)	84,482	-	-	11,820	82,985	2,267	85,252
	-	-	-	(5,101)	-	(8,216)	84,482	-	3,340,570	11,820	3,423,555	388,175	3,811,730
Transactions with owners													
Effect of partial disposal of shares held in subsidiary company by Holding Company	-	-	-	-	-	-	-	-	701,938	-	701,938	84,388	786,326
Shares issued during the period by subsidiary company	-	-	-	-	-	-	-	-	39,980	-	39,980	123,070	163,050
Dividend by subsidiary allocable to Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-	-	(42,300)	(42,300)
Options granted during the period by subsidiary company under Employees Share Option Scheme	-	-	432,885	-	-	-	-	-	-	-	432,885	-	432,885
	-	-	432,885	-	-	-	-	-	741,918	-	1,174,803	165,158	1,339,961
Balance as at June 30, 2013 (unaudited and restated)	5,112,694	10,550,061	432,885	79,193	213,335	60,906	(278,443)	4,429,240	22,350,675	(1,063)	42,949,483	5,267,241	48,216,724
Total comprehensive income / (loss) for the half year ended December 31, 2013 (restated)													
Profit for the period	-	-	-	-	-	-	-	-	4,477,505	-	4,477,505	120,861	4,598,366
Other comprehensive income	-	-	-	(5,101)	-	(25,488)	92,754	-	-	(59,697)	2,468	(2,894)	(426)
	-	-	-	(5,101)	-	(25,488)	92,754	-	4,477,505	(59,697)	4,479,973	117,967	4,597,940
Transactions with owners													
Shares issued during the period by subsidiary company	-	-	-	-	-	-	-	-	4,642	-	4,642	57,883	62,525
Options granted during the period by subsidiary company under Employees Share Option Scheme	-	-	(25,752)	-	-	-	-	-	-	-	(25,752)	-	(25,752)
Dividend by subsidiary allocable to Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-	-	(123,600)	(123,600)
	-	-	(25,752)	-	-	-	-	-	4,642	-	(21,110)	(65,717)	(86,827)
Balance as at December 31, 2013 (audited and restated)	5,112,694	10,550,061	407,133	74,092	213,335	35,418	(185,689)	4,429,240	26,832,822	(60,760)	47,408,346	5,319,491	52,727,837
Total comprehensive income / (loss) for the half year ended June 30, 2014 (unaudited)													
Profit for the period	-	-	-	-	-	-	-	-	2,683,505	-	2,683,505	479,820	3,163,325
Other comprehensive income	-	-	-	(5,101)	-	(47,486)	39,140	-	-	2,209	(11,238)	2,502	(8,736)
	-	-	-	(5,101)	-	(47,486)	39,140	-	2,683,505	2,209	2,672,267	482,322	3,154,589
Transactions with owners													
Shares issued to IFC on exercise of conversion option - notes 5 & 9.1	57,004	1,134,249	-	-	-	-	-	-	-	-	1,191,253	-	1,191,253
Derecognition of Non-controlling interest relating to investment in Subsidiary	-	-	-	-	-	-	-	-	-	269	269	(337,855)	(337,586)
Effect of Dividend in specie (shares of Subsidiary Company transferred to owners of Holding Company)	-	-	-	-	-	-	-	-	(1,065,505)	-	(1,065,505)	1,065,505	-
Employees Share Option Scheme of Subsidiary Company	-	-	29,959	-	-	-	-	-	-	29,959	-	29,959	-
Share issued during the period by Subsidiary Company	-	-	-	-	-	-	-	-	606,165	-	606,165	1,414,664	2,020,829
Disposal of shares of Subsidiary Company	-	-	-	-	-	-	-	-	217,859	-	217,859	618,220	836,079
Dividend by subsidiary allocable to Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-	-	(30,492)	(30,492)
	57,004	1,134,249	29,959	-	-	-	-	-	(241,481)	269	980,000	2,730,042	3,710,042
Balance as at June 30, 2014 (unaudited)	5,169,698	11,684,310	437,092	68,991	213,335	(12,068)	(146,549)	4,429,240	29,274,846	(58,282)	51,060,613	8,531,855	59,592,468

The annexed notes 1 to 20 form an integral part of this consolidated condensed interim financial information.

Hussain Dawood
Chairman



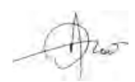
Muhammad Aliuddin Ansari
President and Chief Executive

consolidated condensed interim statement of cash flows (unaudited) for the half year ended june 30, 2014

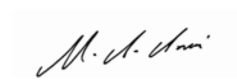
(Amounts in thousand)

	Note	Half year ended June 30, 2014	Half year ended June 30, 2013
		(Rupees)	
Cash flows from operating activities			
Cash generated from operations	14	5,178,389	16,925,751
Retirement and other service benefits paid		(164,643)	(116,903)
Finance cost paid		(5,921,760)	(6,283,511)
Taxes paid		(1,703,065)	(1,020,111)
Share issuance cost paid		(55,494)	-
Long term loans and advances - net		(27,026)	(55,435)
Net cash (utilized in) / generated from operating activities		(2,693,599)	9,449,791
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE) and biological assets		(3,211,222)	(3,402,041)
Sale proceeds on disposal of PPE and biological assets		117,194	276,789
Income on deposits / other financial assets		884,891	296,316
Proceeds on maturity on term deposit receipts		2,001	-
Investment made during the period - net		(24,416)	-
Dividends received		360,000	315,000
Net cash utilized in investing activities		(1,871,552)	(2,513,936)
Cash flows from financing activities			
Repayments of borrowings - net		(13,520,433)	(4,426,546)
Obligations under finance lease - net		-	(1,294)
Proceeds from disposal of shares of subsidiary company		-	786,326
Proceeds from issuance of shares by subsidiary companies		-	163,050
Proceeds from issuance of shares to IFC on exercise of conversion option		680,960	-
Proceeds from issuance of Engro Islamic Rupiya certificates		4,000,000	-
Dividends paid		(31,653)	(46,259)
Net cash utilized in financing activities		(8,871,126)	(3,524,723)
Net (decrease) / increase in cash and cash equivalents		(13,436,277)	3,411,132
Cash and cash equivalents at beginning of the period		21,914,289	4,833,212
Cash and cash equivalents at end of the period	15	8,478,012	8,244,344

The annexed notes 1 to 20 form an integral part of this consolidated condensed interim financial information.



Hussain Dawood
Chairman



Muhammad Aliuddin Ansari
President and Chief Executive

notes to the consolidated condensed interim financial information (unaudited) for the half year ended june 30, 2014

(Amounts in thousand)

1 . LEGAL STATUS AND OPERATIONS

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, LNG 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.

1.1 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	
	June 30, 2014	December 31, 2013
- Engro Fertilizers Limited (note 1.1.1)	87.97	100
- Engro Eximp (Private) Limited (note 1.1.2)	100	100
- Engro Powergen Limited (note 1.1.3)	100	100
- Elengy Terminal Pakistan Limited (note 1.1.4)	100	100
- Engro Foods Limited	87.06	87.06
- Engro Polymer and Chemicals Limited	56.19	56.19
Joint Venture Company:		
- Engro Vopak Terminal Limited	50	50

1.1.1 Engro Fertilizers Limited

During 2013, Engro Fertilizers Limited (Efert), a Subsidiary Company, 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 the Subsidiary Company, representing 2.45% of its total investment in the Subsidiary Company, at a price of Rs. 28.25 per share to certain local / foreign institutional investors and High Net Worth Individuals (Informed Buyers). The advance received by the Holding Company, in this respect, net of transaction costs of Rs. 11,421, amounting to Rs. 836,079 was classified as 'Reserve / advance received against issuance / disposal of shares to Non-controlling interest' under Non-controlling interest portion of equity in the audited financial statements for the year ended December 31, 2013. During the period, the Subsidiary Company was formally listed on the Karachi and Lahore Stock Exchanges and the shares have been duly allotted to the shareholders.

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 the Subsidiary Company, representing 4.29% of the Holding Company's investment in the Subsidiary Company, were allotted to the Holding Company's shareholders in April 2014.

(Amounts in thousand)

As a result of the aforementioned events, the Holding Company, as at the balance sheet date, holds 87.97% of the share capital of Engro Fertilizers Limited.

1.1.2 Engro Eximp (Private) Limited

Engro Eximp Agriproducts (Private) Limited (EEAP), a wholly owned subsidiary of Engro Eximp (Private) Limited, has incurred a loss after tax of Rs. 2,461,190 for the half year ended June 30 2014. The weak financial performance of EEAP is primarily due to a variety of reasons including the unexpected appreciation of the Pak Rupee and the recent downturn in the rice industry. Moreover, the management of EEAP has decided to re-evaluate the scale of the rice business, change the business model to reduce the exposure to commodity price volatility and focus on reduction of fixed costs to curtail future losses.

1.1.3 Engro Powergen Limited

Sindh Engro Coal Mining Company Limited (SECMC), a jointly controlled entity of Engro Powergen Limited (EPL), which is a wholly owned subsidiary of the Holding Company, was formed under a Joint Venture Agreement (JVA) dated September 8, 2009, between the Subsidiary Company and the Government of Sindh (GoS). Under the JVA, the equity of GoS and EPL in SECMC was 40% and 60%, respectively.

During the period, on January 24, 2014, a revised and amended JVA was signed, under which GoS will have minimum shareholding of 51%, however, Engro Group will retain the right to manage the SECMC as long as Engro Group holds a minimum of 26% shareholding in the Company. Further, as at the balance sheet date, EPL has reduced its shareholding in SECMC from 60% to 32% and GoS increased its shareholding to 68%. Consequent to this change, SECMC is now an jointly controlled entity of EPL.

During the period two wholly owned subsidiaries of EPL were established namely Engro Power International Holding B.V. (EPIH) and Engro Power Services Limited (EPSL). EPIH has been established with the objective to incorporate, participate, manage and supervise international businesses and companies. EPIH is a private limited company and has its official seal registered in Rotterdam, Netherlands. EPSL has been established with the objective to carry on business of power generation, transmission, distribution and servicing company. EPSL is a private limited company having its registered office in Nigeria. EPSL has not issued any share capital upto the balance sheet date.

1.1.4 Elengy Terminal Pakistan Limited

During the period, the Holding Company has made a further equity investment in Elengy Terminal Pakistan Limited (ETPL) of Rs. 1,000 through subscription of 100,000 right shares of Rs. 10 each. Further, the Holding Company has also paid Rs. 1,550,000 to ETPL, in respect of advance against further issue of shares.

2 . BASIS FOR PREPARATION

2.1 This consolidated condensed interim financial information is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This consolidated condensed interim financial information has, however, been subjected to limited scope review by the auditors, as required by the Code of Corporate Governance, and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2013.

(Amounts in thousand)

2.2 The preparation of this consolidated condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

2.3 During the preparation of this consolidated condensed interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to the consolidated financial statements of the Group for the year ended December 31, 2013, except for change in certain estimates regarding the new Employees Share Options Scheme (ESOS) of Engro Foods Limited, a Subsidiary Company.

3. BASIS OF CONSOLIDATION

The condensed interim financial information of the subsidiary companies has been consolidated on a line by line basis. The carrying value of investments held by the Holding Company is eliminated against the subsidiaries' share capital and pre-acquisition reserves.

Non-controlling interest has been presented as a separate item in this consolidated condensed interim financial information. All material intercompany balances and transactions have been eliminated.

The Group's interest in jointly controlled entities, Engro Vopak Terminal Limited, Sindh Engro Coal Mining Company Limited and GEL Utility Limited has been accounted for using the equity method.

4. ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of audited annual consolidated financial statements of the Group for the year ended December 31, 2013.

5. 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 (Subsidiary Company) (note 9.1.2), has accounted for such option (derivative financial instrument) retrospectively and consequently the earliest period presented in the consolidated condensed interim balance sheet, consolidated condensed interim profit and loss account, consolidated condensed interim statement of comprehensive income and consolidated condensed interim statement of changes in equity have been restated. There is no impact of this restatement on the consolidated condensed interim statement of cash flows.

(Amounts in thousand)

The effects of retrospective application are as follows:

Effect on the consolidated balance sheet

	Taxes recoverable/ (payable)	Trade and other payables	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					
on 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)	(365,078)	547,868	(5,997)
	177,830	(15,836)	(520,484)	791,832	77,682
Balance as at December 31, 2013 - restated	3,086,087	40,112,860	26,832,822	1,247,822	1,502,981

Effect on consolidated condensed interim profit and loss account:

	Other operating expenses	Finance cost	Taxation
	------(Rupees)------		
Balance for the half year ended June 30, 2013			
as previously reported	1,120,911	6,845,342	1,148,980
Restatement - recognition of derivative liability on option to IFC	(3,122)	156,121	(52,970)
Balance for the half year ended June 30, 2013 - restated	1,117,789	7,001,463	1,096,010

6. PROPERTY, PLANT AND EQUIPMENT

	Unaudited June 30, 2014	Audited December 31, 2013
	------(Rupees)------	
Operating assets, at net book value	125,123,755	124,581,275
Capital work-in-progress		
- Expansion and other projects	3,054,804	5,805,677
- Capital spares	1,711,697	1,582,088
	129,890,256	131,969,040

(Amounts in thousand)

7. LONG TERM INVESTMENTS

As stated in note 1.1.2, the Joint Venture Agreement (JVA) was in process of being revised as at December 31, 2013. During the period, JVA has been revised and equity stake of Engro Powergen Limited (EPL) and Government of Sindh (GOS) in Sindh Engro Coal Mining Company Limited (SECMC) has been changed to 32%:68% from 60%:40% as at the last year end. Accordingly, the nature of investment in the books of EPL has changed during the period from a Subsidiary Company to Jointly Controlled Company, and has been classified as a long term investment at a carrying cost of Rs. 739,584 (2013: Nil).

8. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

This includes an amount of Rs. 1,164,355 which represents 20% advance payment, of the total contract price of US Dollars 59,038, made to China Harbor Engineering Company (CHEC) in respect of Engineering, Procurement and Construction (EPC) of LNG terminal of EPC contract between Engro Elengy Terminal (Private) Limited, a subsidiary of Subsidiary Company, Elengy Terminal Pakistan Limited.

9. BORROWINGS

9.1 Engro Fertilizers Limited

9.1.1 The long term financing includes a loan of USD 30,000 from the IFC, divided into (i) 30% convertible loan on the shares of the Subsidiary Company at Rs. 24 per ordinary share calculated at the dollar 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. This conversion option is exercisable upto March 31, 2017. During the period, on June 25, 2014, the Subsidiary Company received a notice from the IFC for exercise of option on USD 5,000 loan which, alongwith the fair value of related options on that date has been classified as equity; accordingly 20,542 ordinary shares of the Subsidiary Company have been allotted to the IFC subsequent to the balance sheet date. The fair value of the remaining conversion option, included in derivative financial instruments, amounts to Rs. 807,392.

9.1.2 The above finance also includes a loan for USD 50,000 availed under an agreement entered into by the Holding Company with IFC. This loan is divided into (i) Tranche A (USD 15,000) convertible into the Holding Company's ordinary shares at Rs. 119.46 per ordinary share calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option; (ii) Tranche B (USD 35,000) non-convertible loan. Both tranches were transferred to the Subsidiary Company under the scheme of demerger effective January 1, 2010. However, the option given to convert the Tranche A remained upon the Holding Company's shares.

The Holding Company, upon shareholders' approval in the Annual General Meeting of February 27, 2010, entered into an agreement with the Subsidiary Company that in the event IFC exercises the aforementioned conversion option (Tranche A), the loan amount then outstanding against the Subsidiary Company would stand reduced by the conversion option amount and the Subsidiary Company would pay the rupee equivalent of the corresponding conversion amount to the Holding Company which would simultaneously be given to the Subsidiary Company as a subordinated loan, carrying mark-up payable by the Holding Company for rupee finances of like maturities plus a margin of 1%. The effect of IFC conversion in substance would result in a loan from the Holding Company having the same repayment terms / dates as that of Tranche A."

During the period, the Holding Company received a notice from IFC for exercise of option on USD 7,000 out of the loan amount of USD 15,000 and accordingly, 5,700,318 shares of the Holding Company have been allotted to IFC.

(Amounts in thousand)

9.2 Engro Polymer and Chemicals Limited

Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC), syndicates of local banks and Bilateral Loan from a local bank, the Subsidiary Company is required to comply with certain debt covenants. As at June 30, 2014, all debt covenants have been complied with except for current ratio and debt service coverage ratio. Waiver for current ratio deviation has been obtained from IFC, whereas, the same has been applied with local syndicates for current ratio and debt service coverage ratio. The Subsidiary Company is in the process of applying waiver with the bank for Bilateral Loan in respect of debt service coverage ratio.

9.3 Engro Powergen Limited

During the period, Engro Powergen Qadirpur Limited, a subsidiary of Engro Powergen Limited (Subsidiary Company) has repaid its long term borrowings amounting to Rs. 680,931 (December 31, 2013: 605,397) at six months LIBOR plus 3% payable semi-annually to consortium comprising of international financial institutions.

10. SHORT TERM BORROWINGS

10.1 Engro Corporation Limited

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 period, the Holding 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 Holding 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 type of investments, of the Holding Company except for present and future trademarks, copyrights and certain investments in subsidiary companies. The Holding Company, in this respect, has appointed Meezan Bank Limited as a trustee.

Subsequent to the period end, on July 12, 2014, the EIR Certificates have been issued to the respective certificate holders.

During the period, the Holding Company has repaid the entire remaining principal balance of Engro Rupiya Certificates I aggregating to Rs. 3,784,110 to the certificate holders, alongwith profit thereon, upon completion of the tenure of three years.

10.2 Engro Polymer and Chemicals Limited

During the period, the Subsidiary Company has drawn Istisna loan amounting to Rs. 300,000 from Burj Bank Limited to meet its working capital requirements. The loan carries mark-up at the rate of matching KIBOR plus 1.5%, with roll over of maximum ninety (90) days and matures on April 30, 2015. The facility is secured by a floating charge over stocks and book debts of the Subsidiary Company.

(Amounts in thousand)

11. CONTINGENCIES AND COMMITMENTS

Significant changes in the status of contingencies and commitments since December 31, 2013 are mentioned below :

	Unaudited June 30, 2014	Audited December 31, 2013
	-----------------(Rupees)-----------------	
Contingencies:		
11.1 Corporate Guarantees issued by Engro Corporation Limited in favor of Subsidiary Companies:		
- Engro Fertilizers Limited (note 11.1.1)	47,946,390	56,448,271
- Engro Powergen Qadirpur Limited	988,500	1,057,700
- Engro Foods Canada Limited	231,811	247,785
- Elengy Terminal Pakistan Limited (note 11.1.2)	-	104,507
- Engro Elengy Terminal (Private) Limited (note 11.1.3)	1,977,000	-
- Engro Eximp (Private) Limited (note 11.1.4)	543,675	-
	51,687,376	57,858,263

11.1.1 Includes 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 the Subsidiary Company with IFC. During the period, under the Original Agreement, IFC has exercised its option and converted loan amount of USD 7,000 into ordinary shares of the Holding Company as explained in note 9.1.2.

11.1.2 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 Holding Company has secured the issuance of the Letter of Guarantee through a counter guarantee issued in favour of Soneri Bank Limited which has marked a lien on the running finance facility extended to the Holding Company. During the period, the Letter of Guarantee after extension expired on June 30, 2014.

11.1.3 During the period, the Holding Company extended a Corporate Guarantee amounting to USD 20,000 to National Bank of Pakistan Limited against a Letter of Credit facility granted to Engro Elengy Terminal (Private) Limited, a wholly owned subsidiary of Elengy Terminal Pakistan Limited.

11.1.4 During the period, the Holding Company extended its Corporate Guarantee amounting to Rupee equivalent of USD 5,500 to Habib Bank Limited against finance facilities granted to Engro Eximp (Private) Limited, a wholly owned subsidiary company.

	Unaudited June 30, 2014	Audited December 31, 2013
	-----------------(Rupees)-----------------	
11.2 Bank guarantees provided by:		
- Engro Powergen Qadirpur Limited	2,496,126	2,496,126
- Engro Fertilizers Limited	1,069,119	1,069,119
- Engro Foods Limited	353,647	409,257
- Engro Eximp (Private) Limited	457,000	417,000
- Engro Elengy Terminal (Private) Limited	1,082,605	-
	5,458,497	4,391,502

	Unaudited June 30, 2014	Audited December 31, 2013
	-----------------(Rupees)----------------	
Commitments:		
11.3 Capital expenditure contracted but not incurred by:		
- Engro Fertilizers Limited	643,634	873,019
- Engro Eximp Agriproducts (Private) Limited	40,327	73,672
- Engro Foods Limited	245,365	966,772
- Engro Elengy Terminal (Private) Limited	6,543,943	-
	7,473,269	1,913,463
11.4 Letters of credit / contracts by:		
- Engro Foods Limited for purchase of commodities	1,193,285	731,586
- Engro Eximp (Private) Limited for import of fertilizers	65,069	2,473,321
- Engro Powergen Qadirpur Limited for senior lenders	792,132	843,872
- Engro Elengy Terminal (Private) Limited	3,055,050	-
	5,105,536	4,048,779
11.5 Other commitments by:		
- Engro Eximp (Private) Limited	4,500,000	4,500,000
- Engro Powergen Limited	78,766	133,271
- Engro Foods Limited	287,859	235,634
	4,866,625	4,868,905

11.6 As at June 30, 2014 post-dated cheques amounting to Rs. 36,291 (December 31, 2013: Rs. 44,003) have been provided as collateral to customs authorities, in accordance with the procedures prescribed by the Government of Pakistan through notifications dated July 8, 2011 and August 1, 2011.

11.7 The aggregate facility for performance guarantees to be issued by banks on behalf of the Engro Polymer and Chemicals Limited, a Subsidiary Company, as at June 30, 2014 amounts to Rs. 1,165,000 (December 31, 2013: Rs. 1,165,000). The amount utilized thereagainst as at June 30, 2014 was Rs. 946,939 (December 31, 2013: Rs. 946,859).

12. TAXATION

12.1 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 Group'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 Group has continued to carry forward minimum tax paid in prior years.

(Amounts in thousand)

12.2 During the period, the Additional Commissioner Inland Revenue in respect of Engro Foods Limited (Subsidiary Company) raised a demand of Rs. 713,341 for tax year 2012 by disallowing the initial allowance and depreciation on certain additions to property, plant and equipment, provision for retirement and other service benefits, purchase expenses, sales promotion and advertisement and other expenses etc. The Subsidiary Company has obtained a stay order from the Sindh High Court against the recovery proceedings and has also filed an appeal thereagainst before the Commissioner Appeals. The Subsidiary Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

13. EARNINGS PER SHARE - BASIC AND DILUTED

There is a dilutive effect on the basic earnings per share of the Group for the quarter ended June 30, 2014, after taking effect of options granted on the Holding Company's shares to IFC, on the loan provided to Engro Fertilizers Limited, a Subsidiary Company. Such dilution is based on the average market price of the Holding Company's shares, which is higher than the respective exercise price of options granted to IFC.

	Quarter ended		Half year ended	
	June 30, 2014	June 30, 2013 (Restated)	June 30, 2014	June 30, 2013 (Restated)
	----------(Rupees)----------			
The basic and dilutive earnings per share is based on:				
Profit after taxation (attributable to the owners of the Holding Company)	682,131	1,554,758	2,683,505	3,340,570
The information necessary to calculate basic and diluted earnings per share is as follows:				
Profit for the period	682,131	1,554,758	2,683,505	3,340,570
Add: Finance cost related to IFC loan and derivative - net of tax	(11,946)	67,604	152,846	135,423
	670,185	1,622,362	2,836,351	3,475,993
	----------(Number in thousands)----------			
Weighted average number of ordinary shares	515,654	511,269	513,474	511,269
Add: Weighted average adjustment for effect of conversion of IFC loan	3,143	1,706	3,776	264
Weighted average number of ordinary shares for determination of diluted EPS	518,797	512,975	517,250	511,533

(Amounts in thousand)

14. CASH GENERATED FROM OPERATIONS

	Half year ended	
	June 30, 2014	June 30, 2013
	----------(Rupees)----------	
Profit before taxation	5,351,219	4,822,488
Adjustment for non-cash charges and other items:		
Depreciation and amortization	4,445,234	4,431,771
Loss on disposal / write off of property, plant and equipment and biological assets	133,355	4,802
Biological assets written-off	-	50,533
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	(67,831)	-
Provision for retirement and other service benefits	79,522	82,672
Income on deposits / other financial assets	(1,014,828)	(829,032)
Share of income from joint venture companies	(361,520)	(287,663)
Finance cost	5,305,143	7,001,463
Change in the fair value of IFC conversion option	44,807	-
Gain on disposal of investments - net	(111,347)	-
Employees share compensation expense	64,964	45,092
(Gain) / loss on foreign currency translation	(460,348)	290,672
Working capital changes (note 14.1)	(8,229,981)	1,312,953
	5,178,389	16,925,751

14.1 Working capital changes

Decrease / (increase) in current assets		
Stores spares and loose tools	(406,168)	(314,429)
Stock-in-trade	(600,785)	1,628,617
Trade debts	(3,657,695)	6,359,536
Loans, advances, deposits and prepayments	(1,113,848)	(2,258,005)
Other receivables - net	(56,155)	1,296,799
	(5,834,651)	6,712,518
Decrease in current liabilities		
Trade and other payables including other service benefits - net	(2,395,330)	(5,399,565)
	(8,229,981)	1,312,953

15. CASH AND CASH EQUIVALENTS

Cash and bank balances	7,002,529	6,784,380
Short term investments	13,296,738	5,306,973
Short term borrowings	(11,821,255)	(3,847,009)
	8,478,012	8,244,344

(Amounts in thousand)

16. TRANSACTIONS WITH RELATED PARTIES

Related party comprise subsidiaries, joint venture companies, associates, other companies with common directors, retirement benefit funds, directors and key management personnel. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in this consolidated condensed interim financial information, are as follows:

	Half year ended	
	June 30, 2014	June 30, 2013
	---------------(Rupees)---------------	
Associated companies and joint ventures		
Purchases and services	3,704,004	4,341,372
Services rendered / sale of goods	150,583	1,002,847
Retirement benefits	323,430	352,209
Dividends received	360,000	315,000
Payment of interest on TFCs and repayment of principal amount	10,203	10,449
Donations	54,000	38,300
Investment in mutual funds and T-Bills	-	7,460,148
Redemption of investments in mutual funds and T-Bills	-	7,925,325
Expenses paid on behalf of associates	70,472	-
Reimbursments to associates	43,263	-
Key Management Personnel		
Remuneration paid to key management personnel / directors	355,184	293,107
Disposal of assets	1,780	-
Reimbursement of expenses	3,229	-
Balances due from Joint Ventures	1,590	598

17. SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments.

Type of segments	Nature of business
Fertilizer	Manufacture, purchase and market fertilizers.
Polymer	Manufacture, market and sell Poly Vinyl Chloride (PVC), PVC compounds and related chemicals.
Food	Manufacture, process and sell dairy and other food products.
Power	Includes Independent Power Projects (IPP)
Other operations	Includes chemical terminal & storage services.

(Amounts in thousand)

	Quarter ended		Half year ended	
	June 30, 2014	June 30, 2013 (Restated)	June 30, 2014	June 30, 2013 (Restated)
	---------------(Rupees)---------------			
Revenue				
Fertilizer	16,914,554	15,703,682	34,594,396	27,187,704
Polymer	6,535,652	6,143,918	11,902,528	12,031,424
Food	12,430,394	11,392,080	24,510,122	22,446,707
Power	3,290,737	2,335,242	6,516,121	5,178,951
Other operations	589,563	286,114	1,030,279	1,127,975
Elimination - net	(574,561)	(288,037)	(1,012,703)	(1,098,597)
Consolidated	39,186,339	35,572,999	77,540,743	66,874,164
Profit after taxation				
Fertilizer	2,024,265	984,524	3,725,939	1,708,220
Polymer	(24,932)	162,452	123,338	425,326
Food	(1,703,959)	108,233	(2,130,766)	412,675
Power	563,901	452,539	1,143,174	1,032,006
Other operations	323,649	725,732	1,126,726	1,443,353
Elimination - net	(255,118)	(721,297)	(825,086)	(1,295,102)
Consolidated	927,806	1,712,183	3,163,325	3,726,478

	Unaudited June 30, 2014	Audited December 31, 2013 (Restated)
	---------------(Rupees)---------------	
Assets		
Fertilizer	107,374,575	112,279,943
Polymer	24,505,414	25,368,363
Food	41,704,119	44,017,218
Power	22,002,016	20,562,316
Other operations	40,854,635	38,058,027
Elimination - net	(34,003,715)	(33,122,909)
Consolidated	202,437,044	207,162,958

(Amounts in thousand)

18. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Holding Company in its meeting held on August 20, 2014 has approved an interim cash dividend of Rs. 2.00 per share for the year ending December 31, 2014 (December 31, 2013: Dividend in specie in the ratio of 1:10 (one share of Engro Fertilizers Limited for every ten shares held of the Holding Company). This consolidated condensed interim financial information does not include the effect of the said interim dividend.

19. CORRESPONDING FIGURES

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

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which are not material.

20. DATE OF AUTHORISATION FOR ISSUE

This consolidated condensed interim financial information is authorized for issue on August 20, 2014 by the Board of Directors of the Holding Company.

Hussain Dawood
Chairman

Muhammad Aliuddin Ansari
President and Chief Executive