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engrofertilizers.com

DCIP/THE D'HAMIDI PARTNERSHIP/DESIGN

engro fertilizers

raising growth

Annual Report 2013

about the cover

At Engro Fertilizers, we are in the business of raising growth. Because so much depends on this small, but powerful, statement of our collective ambition. When you raise growth, you not only strengthen the country's agrilcultural backbone, but, in doing so, you raise the promise of regional employment; you raise the banner of economic potential; you raise the possibilities of improved lifestyles; you raise the expectations, year after year, of your success. In fact, by raising growth, you even raise your families, your prospects, your children and their futures.

Because it is only by raising growth that you raise another member of the family who's been looking after you for all these years: Pakistan.

contents

company information

Board of Directors

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

Company Secretary

Faiz Chapra

Bankers

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

Auditors

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

Registered Office

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

notice of the meeting

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting of the Company will be held at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi on Friday March 28th, 2014 at 10:00 a.m to transact the following business:

A. Ordinary Business:

(1) To receive and consider the Audited Accounts for the year ended 31st December 2013 and the Directors' and Auditors' Reports thereon;

(2) To appoint Auditors and fix their remuneration;

B. Special Business:

(3) To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED that placing of the Company's quarterly accounts on its website instead of transmitting the same to its shareholders by post, be and is hereby approved."

N.B

(1) The share transfer books of the Company will be closed and no transfers of shares will be accepted for registration from Friday 14th March, 2014 to Friday 28th March, 2014 (both days inclusive). Transfers received in order at the office of our Registrar, M/s. FAMCO Associates (Pvt) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi by the close of business (5:00 p.m) on Thursday 13th March, 2014 will be treated to have been in time for the purpose of attending the meeting.

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

Statement under section 160 of the Companies Ordinance, 1984

This Statement is annexed to the Notice of the 5th Annual General Meeting of Engro Fertilizers Limited to be held on Friday 28th March, 2014 at which certain Special Business is to be transacted. The purpose of this Statement is to set forth the material facts concerning such Special Business;

Item 3 of the Agenda

The Securities and Exchange Commission of Pakistan vide its circular No.19 dated April14, 2004 has allowed listed companies to place their quarterly accounts on their website instead of sending the same to each shareholder by post, subject to fulfillment of a few conditions including seeking of consent of the members.

This will be a convenient and cost effective way for the Company to transmit its quarterly accounts and ensures quick and easy access for the members to such accounts of the Company.

By Order of the Board

Karachi,
Dated: February 07, 2014

FAIZ CHAPRA
Company Secretary

vision statement

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

engro fertilizers at a glance

Rs. 50,129 mn
Revenue in 2013

Rs. 5,497 mn
PAT in 2013

1,113
Total Employee Strength

Rs. 23,218 mn
Contribution to the National Exchequer

Rs. 64 bn*
Market Capitalization

*As at February 07, 2014

Rs. 17 mn
Contribution to CSR

26%
Total Urea Market Share in 2013

1.5 mn
Farmers Benefiting from our Products

our history

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

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

Talks with the Government of Pakistan bore fruit in 1964, and an agreement was signed allowing Esso to set up a urea plant with an annual capacity of 173,000 tons. Esso brought in state-of-the-art design; commercially tried facilities; and a highly distinguished pool of technical expertise to ensure a smooth start up. Total investment made was US$ 46M –the single largest foreign investment in Pakistan to date then. The plant started production on 4 December 1968 –a few months late and with less than 10 % over run on the original budget.

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

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

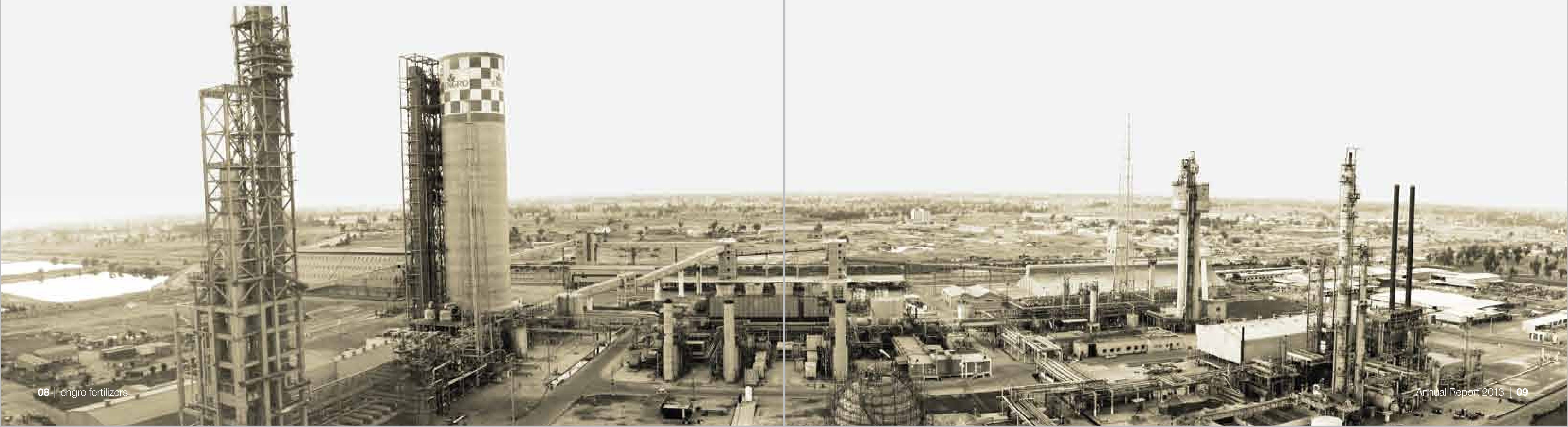
In 1991, Exxon decided to divest its fertilizer business on a global basis. The employees of Exxon Chemical Pakistan Limited –in partnership with leading international and local financial institutions –bought out Exxon's 75% equity. This was, and perhaps still is, the most successful employee buy-out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

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

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

The Company undertook its largest urea expansion project in 2007. The state of the art plant enVen 3.0, stands tall at 125 meters –dubbed the tallest structure in Pakistan. The total cost of this expansion is approximately US$ 1.1 Billion, with the expanded facility making Engro one of the largest urea manufacturers in Pakistan, besides substantially cutting the cost of urea imports to national exchequer.

In 2013, the Company forayed into the capital markets and tapped the financial markets to raise the necessary capital required to fund development capex on securing additional gas supplies along with restructuring of the balance sheet to optimize the capital structure of the company. The IPO was a roaring success being oversubscribed four times in the book building process whilst being oversubscribed for three times at the time of public issue.



our milestones

1957
Mari gas field discovered by Esso Mobil joint venture

1964
Signed agreement with the government to set up a urea plant with an annual capacity of 173,000 tons

1965
The company was incorporated as Esso Pakistan Fertilizer Limited, to manufacture and market fertilizers

1968
Urea plant commissioned; largest foreign investment in private sector in the history of Pakistan

1978
Esso Pakistan Fertilizer Company Limited renamed as Exxon Chemical Pakistan Limited

1991
Exxon divests its equity from fertilizer business globally; the Company is renamed as Engro Chemical Pakistan Limited through an employee led buyout

2007
Construction of World's largest single-train urea plant started

2010
Enven plant started producing urea
Demerger of Engro Chemical Pakistan Limited and transfer of fertilizer business to a separate company, Engro Fertilizers Limited.
Engro Chemical renamed Engro Corporation Limited with the holding company structure

2011
Enven capitalized and started commercial production

2013
Successful IPO

core values

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

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

Health Safety & Environment

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

Ethics and Integrity

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

Innovation & Risk Taking

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

Our people

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

Community & Society

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

raising accountability

board of directors

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

directors' profile

Muhammad Aliuddin Ansari
Chairman

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

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

Besides Engro Fertilizers Limited, Ali is also a member of the Board of Directors of Engro Corporation Limited, Engro Eximp (Private) Limited, Engro Eximp AgriProducts (Private) Limited, Sindh Engro Coal Mining Company, Dawood Hercules Corporation Limited, Dewan Drilling Limited, Dewan Petroleum (Private) Limited, Pakistan Chemical & Energy Sector Skill Development Company, Pakistan Business Council, National Clearing Company of Pakistan (NCCPL) and is a Charter Member of The Indus Entrepreneurs (TiE). He has chaired a number of SECP committees, NCCPL and served on the Boards of the Karachi Stock Exchange, Lucky Cement and Al Meezan Investment Management amongst others. He joined the Board in 2012.

Ruhail Mohammed
Cheif Executive Officer

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

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

He is on the Board of Engro Corporation Limited and its various subsidiaries. In addition, he is also on the Boards of Cyan Limited, Hub Power Company Limited & Pakistan Institute of Corporate Governance. He joined the board in 2009 and subsequently became the CEO in 2012.

Javed Akbar
Director

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

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

Abdul Samad Dawood
Director

Abdul Samad is a graduate in Economics from University College London, UK and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance. He is the CEO of Cyan Limited, Dawood Corporation Private Limited, and Patek (Private) Limited. He is also a Director on the Board of Dawood Hercules Corporation Limited, The Hub Power Company Limited, Dawood Lawrencepur Limited, Engro Foods Limited, DH Fertilizers Limited, Tenaga Generasi Limited, and Pebbles (Private) Limited. He is a member of Young President Organization, Pakistan Chapter. He joined the Board in 2010.

directors' profile

Naz Khan
Director

Naz Khan is the Chief Financial Officer at Engro Corporation Limited. Prior to her current position, she worked as the Chief Financial Officer of Engro Fertilizers Limited. Naz has also acted as the Chief Executive Officer of KASB Funds Limited and her association with Pakistan's capital markets spans over 19 years during which she has been actively involved in primary as well as secondary markets for both debt and equity securities. She has also held key positions of Executive Director, Head of Money Market and Fixed Income, Head of Investment Advisory Division and Co-Head of Investment Banking Division at KASB Securities Limited, where she led major capital market transactions on the debt and equity side.

Ms. Khan has also worked as a consultant for the Asian Development Bank on Mortgage Backed Securities. She is a graduate from Mount Holyoke College, MA, USA. She joined the board in 2013.

Shabbir Hashmi
Director

Shabbir Hashmi is an engineer from DCET, Pakistan and holds an MBA from J.F. Kennedy University, USA. He has more than 25 years of project finance and private equity experience. Until recently he led the regional operations of Actis Capital (formerly CDC Group Plc) for Pakistan and Bangladesh. Prior to joining Actis he worked for 8 years with the World Bank and USAID specializing in the energy sector. He is also Chairman of Cyan Limited. A CDC nominee in 2001-02 on the Engro Board, he has been serving as an independent Director on the Board since 2010.

Khalid S. Subhani
Director

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

Besides Engro Fertilizers Limited, he is a Director on the Boards of Engro Corporation Limited, Engro Eximp (Private) Limited, Engro Polymer & Chemicals Limited, The Hub Power Company Limited, Laraib Energy Limited, and Pakistan Japan Business Forum. He is Chairman of the Board of Engro Polymer Trading (Private) Ltd. He has also served as Chairman of the Board of Avanceon Limited in the past.

Mr. Subhani began his career in the Manufacturing Division at Exxon Chemical Pakistan Limited in 1983 and has held a variety of leadership roles within the Company, including long term assignment with Esso Chemical Canada. He has served as Manager for New Projects, General Manager for Operations, Vice President for Manufacturing, Senior Vice President for Manufacturing and New Ventures and as President & Chief Executive Officer for Engro Fertilizers Limited.

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

He graduated from NED University of Engineering and Technology, Pakistan with a degree in Chemical Engineering and has completed programs on advance management from MIT and Hass School of Business Management, University of Berkeley, USA. He and his wife have two daughters and a son. He joined the board in 2009.

Shahid Hamid Pracha
Director

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

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

Mr. Pracha is a graduate electrical engineer from the University of Salford, UK and prior to joining the Dawood Hercules Group, spent a major part of his career with ICI Plc's Pakistan operations in a variety of senior roles including a period of international secondment with the parent company in the UK. He joined the Board in 2013.

board committees

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

Board Compensation Committee

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

The Chief Executive Officer attends Board Compensation Committee meetings by invitation. The committee met four times during 2013.

Members
Ali Ansari (Chairman)
Javed Akbar (Director)
Abdul Samad Dawood (Director)

The Secretary of the Committee is
Khalid Mir , Vice President, HR and Administration.

The Board Audit Committee

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

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

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

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

functional committees

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

MANCOM

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

Committee Members
Ruhail Mohammed (CEO)
Asim Butt
Ahmad Shakoor
Inamullah Naved Khan
Imran Husain
Muhammad Khalid Mir
Mudasssir Yaqoob Rathore

The Secretary of MANCOM is Khusrau Nadir Gilani.

Committee for Organizational and Employee Development (COED)

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

Committee Members
Ruhail Mohammed (CEO)
Asim Butt
Ahmad Shakoor
Inamullah Naved Khan
Imran Husain
Muhammad Khalid Mir
Mudasssir Yaqoob Rathore

The Secretary of the COED is Rabia Wafah Khan.

our governance framework

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

Compliance Statement

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

Risk Management Process

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

Internal Control Framework

Responsibility:

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

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

Framework:

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

Review:

The Board meets quarterly to consider the Company's financial performance, financial and operating budgets and forecasts, business growth and development plans, capital expenditure proposals and other key performance indicators.

The Board Audit Committee receives reports on the system of internal financial controls from the external and internal auditors and reviews the process for monitoring the effectiveness of internal controls.

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

Audit:

Engro Fertilizers has an Internal Audit function. The Board Audit Committee annually reviews the appropriateness of resources and authority of this function. The Head of Internal Audit functionally reports to the Audit Committee. The Board Audit Committee approves the audit program, based on an annual risk assessment of the operating areas. The Internal Audit function carries out reviews on the financial, operational and compliance controls, and reports on findings to the Board Audit Committee, Chief Executive and the divisional management.

Directors

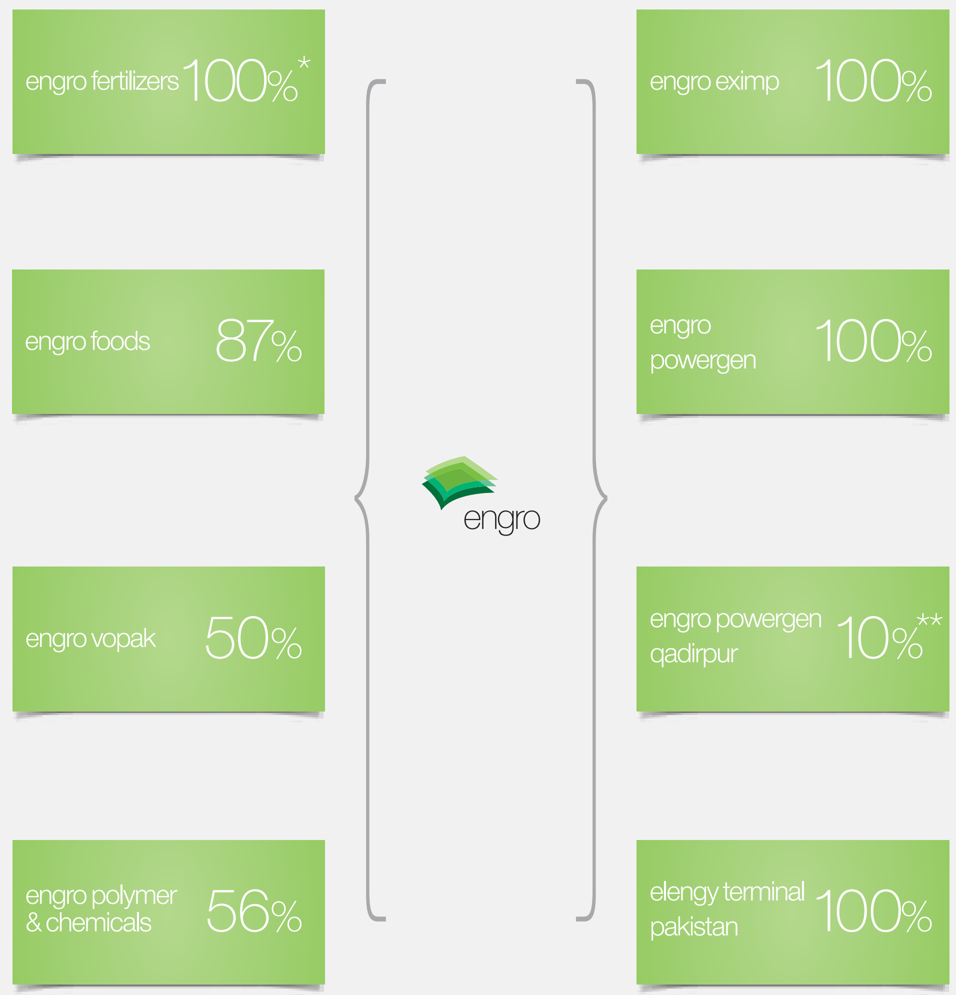
As at December 31, 2013 the Board comprises of one executive Director, two independent Directors, five non-executive Directors of whom three are executives in other Engro companies, who have the collective responsibility for ensuring that the affairs of Engro Fertilizers are managed competently and with integrity.

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

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

corporate structure

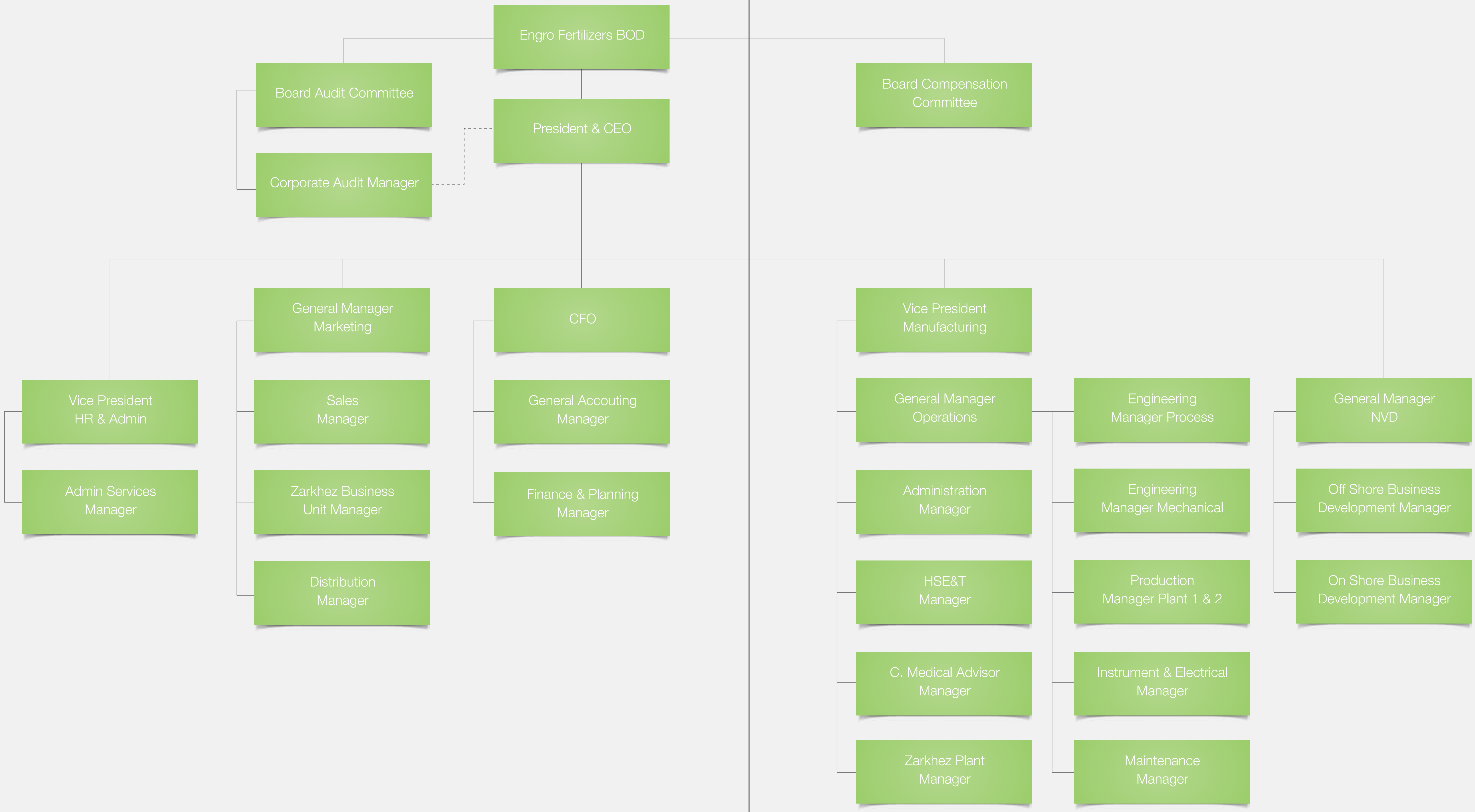
Engro Fertilizers is a wholly* owned subsidiary of Engro Corporation — a holding company that oversees strategic performance and provides the long term vision for the company along with guiding policies.



* Subsequent to year end, as a result of IPO by the Company and divesture by Engro Corporation Limited (E Corp), the holding of E Corp fell to 91.9%.

**Engro Powergen Limited (EPL) owns and operates Engro Powergen Qadirpur Limited (EPQL). 84% shares of EPQL are owned by EPL while 10% shares are owned by E Corp. The remainder is owned by the International Finance Corporation (IFC), a subsidiary of the World Bank.

organogram


Engro Fertilizers BOD
Board Audit Committee
Board Compensation Committee
President & CEO
Corporate Audit Manager
Vice President HR & Admin
Admin Services Manager
General Manager Marketing
Sales Manager
Zarkhez Business Unit Manager
Distribution Manager
CFO
General Accouting Manager
Finance & Planning Manager
Vice President Manufacturing
General Manager Operations
Administration Manager
HSE&T Manager
C. Medical Advisor Manager
Zarkhez Plant Manager
Engineering Manager Process
Engineering Manager Mechanical
Production Manager Plant 1 & 2
Instrument & Electrical Manager
Maintenance Manager
General Manager NVD
Off Shore Business Development Manager
On Shore Business Development Manager

statement of compliance with the code of corporate governance

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in Regulation No. 35(b) of listing regulations of Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

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

The independent directors meet the criteria of independence under clause i (b) of the CCG. Of the non-executive directors, the last three named are executives in other Engro Companies.

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable.
3. All the resident Directors of the Companies are registered as Tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI, or being a member of a stock exchange has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year.
5. The Company has prepared a "Code of Conduct" comprising of Ethics and Business Practices policies and has ensured that appropriate steps have been taken to disseminate it through the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and the meeting fees payable to the non- executive directors, have been taken by the Board .
8. All meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. One of the directors attended the directors training course conducted by the Pakistan Institute of Corporate Governance (PICG) this year. Another director has already completed this course earlier.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee comprising 3 members of whom 2 members are independent directors and one is a non-executive director and the Chairman of the Committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises 3 members, of whom one is an independent director and two are non-executive directors and the Chairman of the Committee is a non-executive director.
18. The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel that are involved in the internal audit function on a full time basis.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Corporate Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP. -
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. As at December 31, 2013, the shares of the Company are not listed, there was no need to announce a "closed period".
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s) by its parent, Engro Corporation, on its behalf.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

Aliuddin Ansari
Chairman

Ruhail Mohammed
CEO

raising leadership

CEO's message

"The path we are now pursuing recognizes the importance of deploying inclusive business models but also goes beyond it, to encompass all the resources involved in achieving food security for the country."

Engro Fertilizers results for the year 2013 illustrate the transformation in the scale of the Company since last year. Sales of Rs. 50,129 million are 64 percent higher as compared to last year while earnings per share of Rs. 4.66 compared with loss per share of Rs. 2.59 in 2012 speak of the successful year that we have had in 2013.

While the local agricultural market has certainly expanded over the period, these figures also reflect steady gains in market share and an outstanding track record of innovation. In addition, continuing focus on operational efficiency while increasing profitability on one side of the spectrum has also earned us the reputation of becoming a world-class manufacturing facility with the only Level 4.0 fertilizer complex amongst DuPont's HSE aligned companies worldwide .

As we forge ahead our aim is to outperform in both operational and financial terms. We believe that the creation of unique solutions to meet farmer needs will lead to sustained market share growth across all dimensions of our business and eventually help us deliver superior customer and shareholder value – a trend already visible in our successful IPO that truly reflects the strength of our company and the subsequent reputation and investor confidence it inspires.

Another key issue that Engro Fertilizers continues to work in tandem with relevant authorities is resolving the energy crisis. Following the gas curtailment that severely impacted our bottom line in 2012, we have renewed our focus on championing alternate sources of energy production and usage. This essentially means that that we are exploring non-network and non-pipeline, quality gas solutions to run our operations rather than relying completely on the network gas. As we move forward we hope to demonstrate a leadership role in advocating sustainable ways and policies that would deploy win-win solutions for a broad category of stakeholders.

As a leading fertilizer manufacturer we have always believed that in order to prosper we need the communities we serve and operate in to prosper: and that over the long term, healthy communities, healthy economies and healthy business performance are mutually reinforcing. In the year 2013 we continued to emphasize our undying commitment to nurture societies by spending 1% of our Profit Before Tax on various social causes. Simultaneously, in the year 2013, we also focused on our single most important resource: our people. Through the year we deployed various measures to improve employee engagement whilst also delivering training through an integrated needs assessment exercise in order to maintain a pipeline of an engaged, talented workforce, which is diverse and rewarded on merit. As we go forward I look forward to improving these metrics, so together with our people we strive to achieve our Company's collective ambition.

In the end, on behalf of the Board and the Executive Committee, I would like to thank all our employees for making Engro Fertilizers what it is today and for bringing the Company to this exciting stage of its development. I know that I can count on their energy, enthusiasm and dedication as we work together to forge a meaningful contribution to the development of the agricultural sector in Pakistan.

RS.
50,129
MILLION
HIGHEST EVER REVENUE

1,562k
TONS
HIGHEST EVER
PRODUCTION OF UREA

13%
INDUSTRY GROWTH
IN 2013

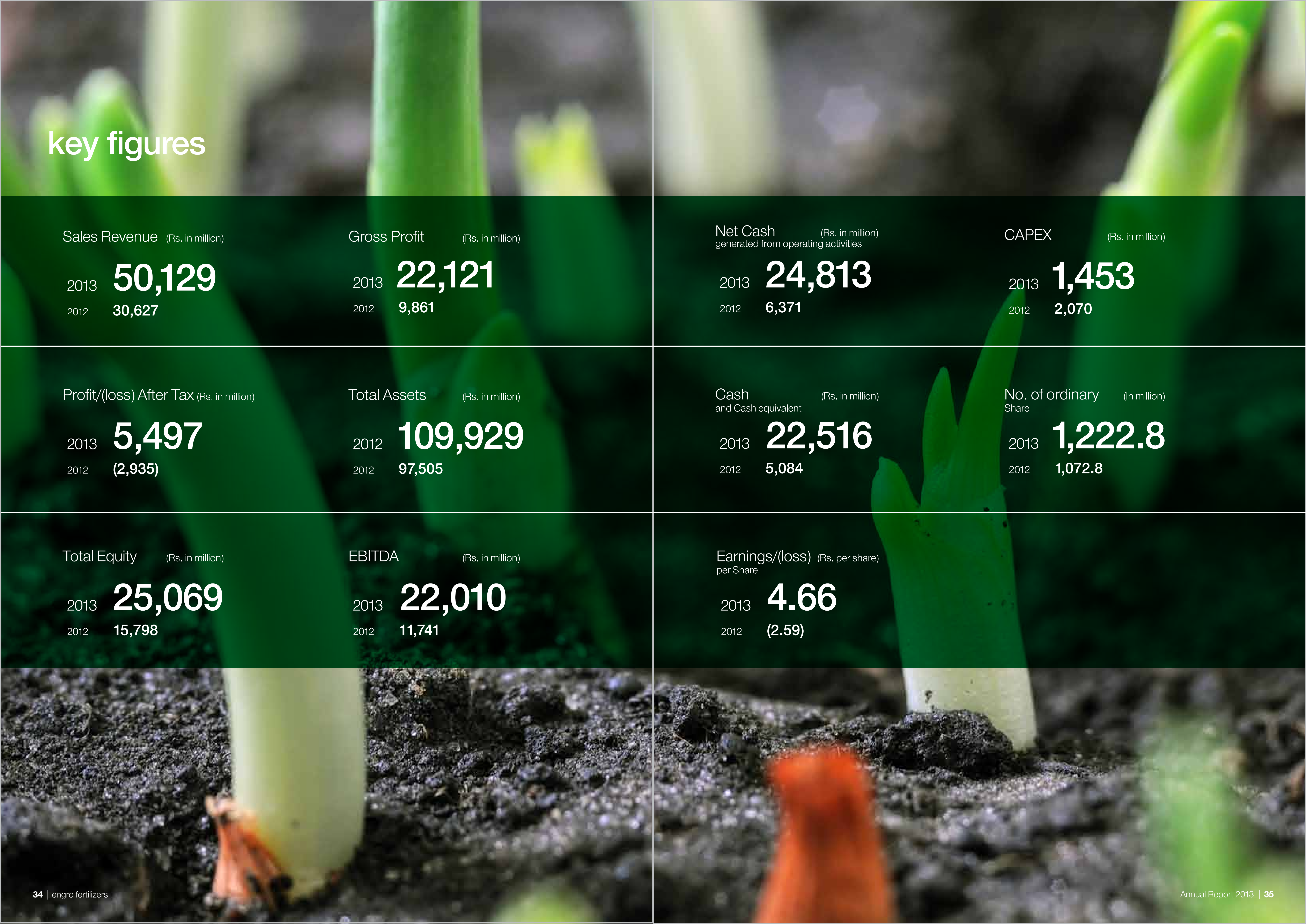
64%
HIGHER REVENUE
VS. 2012

RS.
22,121
MILLION
GROSS PROFIT

80%
CAPACITY UTILIZATION
OF UREA PLANT
DURING 2H

4x
OVERSUBSCRIPTION
OF IPO
IN 2013

1,570
TONS
HIGHEST SALES
OF UREA



key figures

Sales Revenue (Rs. in million)

2013	50,129
2012	30,627

Gross Profit (Rs. in million)

2013	22,121
2012	9,861

Profit/(loss) After Tax (Rs. in million)

2013	5,497
2012	(2,935)

Total Assets (Rs. in million)

2012	109,929
2012	97,505

Total Equity (Rs. in million)

2013	25,069
2012	15,798

EBITDA (Rs. in million)

2013	22,010
2012	11,741

Net Cash generated from operating activities (Rs. in million)

2013	24,813
2012	6,371

CAPEX (Rs. in million)

2013	1,453
2012	2,070

Cash and Cash equivalent (Rs. in million)

2013	22,516
2012	5,084

No. of ordinary Share (In million)

2013	1,222.8
2012	1,072.8

Earnings/(loss) per Share (Rs. per share)

2013	4.66
2012	(2.59)

business review

After a turbulent preceeding year, 2013 witnessed a turnaround for Engro Fertilizers with cumulative efforts culminating in a record breaking financial performance.

Overview

The year ended December 31, 2013 was a turnaround year for Engro Fertilizers Limited. The Company managed to return back to profitability after incurring a loss in 2012 and in the process, achieved it's highest ever revenue. The sound financial performance was on the back of highest ever production and sales of 1,562 k tons and 1,570 k tons respectively. With improved profitability, the Company decided to go for an IPO which was a huge success as it was oversubscribed by 4 times.

Market Review

In 2013 the urea industry grew by 13% after the downturn in 2012 (5,900K tons in 2013 versus 5,230 k tons in 2012). This growth was mainly attributable to better economics on major crops; weather conditions also remained favorable, casting a positive impact on demand. Increase in off take is also a result of restoration of channel confidence at retail and trade level.

60% Increase in urea production

The Government also played an important role by improving gas allocation to the industry. Local production increased by 17% as a result of which the Government managed to reduce the subsidy on imported urea.

The prices of locally produced urea remained fairly stable throughout the year. Average price of domestic urea during the year increased by 3.5% only (1% was due to sales tax changes) versus overall inflation of 9%.

The international urea prices which were around USD 400/ton CFR at the start of the year started to decline in Q2 2013 on account of lower demand due to bad weather in Europe and North America. Surplus production, particularly from China further contributed to the oversupply situation and pulled the prices downwards to around USD 300/ton. However, in Q4, urea prices started stabilizing as world demand normalized. Currently the international urea prices are in the range of USD 350/ton CFR (equivalent to local cost of Rs 2,560/bag after including all the ancillary charges) which shows that there is a significant gap of Rs 775/bag between locally produced urea and international prices. The fertilizer industry continues to make significant contribution to the agricultural economy by keeping domestic prices substantially lower than international prices. In 2013, the industry provided a net benefit to farmers of approximately Rs. 65,000 Million.

Gas Scenario

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

80% Capacity utilization during 2H through operations at enVen and base plant

The Company operated on single plant for most of the first half of 2013, except for a period of less than one month where it received gas from SNGPL on rotational basis. The Company started receiving 60 MMSCFD of additional gas since end July 2013 from Mari which enabled it to operate both of its plants at more than 80% capacity.

Segment Analysis

Urea

Additional gas availability has helped the Company to achieve record sales of 1,570 k tons versus 953 k tons in the comparative period. Q4 witnessed the highest ever Urea sales of 494 k tons. The improved sales were a result of higher urea demand coinciding with increased production.

26% Market share in urea vs. 18% in 2012

The Company's share of the urea market increased to 26% in 2013 as compared to 18% in 2012. The share of domestically produced urea also improved to 32% compared to 23% in same period last year.

Zarkhez

The Company's blended fertilizers' (Zarkhez & Engro NP) sales for the year increased by 19% to 95 k tons compared to 80 k tons during 2012. Pakistan's overall potash market remained stable at 20 k tons during 2013. Our market share in potash industry grew to around 50% from 40% last year. This was a result of the Company's focused efforts which enabled it to capitalize on opportunities for increasing market share. Farmers were engaged through crop-focused programs, consumer incentive schemes, seminars, field visits, demo-plots, advisory services, and other promotional activities. Approximately 52,000 farmers were contacted through market development activities.

Financial Review

Sales revenue for 2013 was Rs. 50,129 million which was higher by 64% as compared to the corresponding period (2012: Rs. 30,627 million).

Gross profit for the year 2013 was Rs. 22,121 million as compared to Rs. 9,861 million for the same period. This increase in gross profit is due to higher sales on account of both plants running at around 80% capacity for most part of the second half coupled with increased efficiencies due to conversion of Enven to run on Mari gas.

Financial charges decreased by Rs. 2,033 million to Rs. 8,670 million (2012: Rs. 10,703 million). This variation is mainly on account of lower KIBOR and repayments of loan. Other income rose to Rs. 1,105 million from Rs. 379 million in 2012 as surplus cash from higher EBITDA generation was invested in short term instruments.

As a result of above, EPS improved to Rs. 4.66 per share as compared to loss per share of Rs. 2.59 last year.

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

Debt Restructuring and IPO

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

During the year, the Company offered 75 million ordinary shares, out of which 56.25 million shares were subscribed through Book Building process at a price of Rs. 28.25 per share and the remaining were offered to general public. Book Building and the public issue were both over-subscribed by 4 and 3 times respectively, which reflects investor confidence in the Company's future. As part of the IPO structure, Engro Corporation Limited (ECorp) further divested 30 million shares of the Company. As a result of these transactions ECorp, subsequent to the balance sheet date, holds 91.91% of the share capital of the Company.

The shareholder's equity as at December 31, 2013 stands at Rs. 25,069 million which includes Rs. 2,119 million in respect of advance money received against IPO.

In January 2014, PACRA has upgraded the long term and short term ratings for engro fertilizers to A and A-1 from A- and A-2 respectively.

The current ratio as at December 31, 2013 is 1.34 (2012: 0.55). The improvement in current ratio is mainly attributable to higher EBITDA generation and arrangement of long term financing via equity.

Manufacturing and Operational Excellence

The Company's Daharki site achieved 68% of the name plate capacity in 2013 by producing 1,562 k tons Urea. The highest ever production was achieved while maintaining product quality. Both plants operated in an efficient manner considering the debit due to low load operation. Enven plant stream day energy index remained at an impressive level even at curtailed load due to gas constraints making it most efficient plant of the country.

Over all site energy indices also improved versus last year primarily due to less outages and Mari gas diversion to Enven plant. Online swapping of gas of different heating values was done multiple times without hampering the plant operations.

SML gas (22 MMSCFD) was commissioned and lined up successfully at site in April 2013. This has also helped in running both plants during additional gas availability.

4.0

Safety level achieved by Daharki plant — the first fertilizer complex in DuPont HSE aligned companies worldwide.

Reti Maru gas (12 MMSCFD) was lined up successfully at the plant in December 2013. Field execution of the project was extremely difficult and the engineering team overcame a number of challenges to deliver this project on time.

Social Investments

The Company continued with its tradition of investing in communities around Daharki plant site. The main focus was on increasing the reach of the Company's livelihood programs which consist of various skills development initiatives. Technical Training College (TTC) Daharki, an independent concern which Engro helped establish, is pivotal to Company's skills development programs. TTC offers 3 year Diploma in Associated Engineering (DAE) in Chemical and Mechanical technologies and shorter-term vocational training programs providing opportunity to local youth to meet the industry demand. This year, a new batch of students was inducted in DAE program taking total strength to more than 200. The first batch will graduate in 2014 and is likely to be absorbed in local industry. A vocational training program was also started in partnership with Pakistan Poverty Alleviation Fund, Indus Resource Centre and Descon Training Institute. This program provides opportunity to local youth to acquire skills like industrial welding and pipe fitting which are in high demand in engineering services contractors catering to local industry.

The Company's education program consists of adoption of 10 government schools in Daharki, 11 Katcha Schools and a school run by Sahara Welfare Society. A joint assessment of adopted schools was carried out with Indus Resource Centre, a reputed NGO in education sector, and recommendations are being implemented to improve program's impact. Similarly, efforts are being made to improve community participation in Katcha school program and Sahara Community School.

As part of improving the infrastructure, two water filtration plants and solar street lighting were installed in neighboring villages. These projects are carried out in partnership with Pakistan Poverty Alleviation Fund and Sindh Rural Support Organization.

Health projects continued to provide essential services in communities. This year over 6,500 patients were treated at free Snake-bite treatment facility. Over 10,000 patients benefitted from Sahara Clinic's OPD.

EnVison, an employee volunteering program, provided various opportunities to employees to participate in activities linked to various social causes. Employees based in Daharki, Karachi and other locations took active part in activities like organizing fund raising events for Sahara Welfare Society, tree plantation drive and TCF Rahbar Program. Employees clocked over 4,000 volunteer hours in 2013.

Our Family

The Company has a strong history of nurturing talent and creating opportunities for growth for its employees. With existing employee strength of over 1,100 individuals, Engro regularly recruits graduates through career fairs and graduate recruitment programs and provides unmatched career guidance and mentoring to its employees.

The Company's success can be credited to the reason that it consistently attracts, hires and retains some of the most talented people in Pakistan to create high performance teams in a culture of inclusiveness, professionalism and excellence.

During 2013, the Company took a number of initiatives to increase its interaction with workforce, which resulted in an improvement in employee retention over previous years. Collective Labour Agreement between the Company's Workers Union and Management was signed in June this year. Rigorous efforts were made for restructuring the organization to make the Company's structure more efficient. Multiple initiatives were undertaken to enhance the work experience of all employees including Leadership Pipeline Development, continued awareness and understanding of the Performance Appraisal and Medical Insurance for employees' parents.

Health, Safety and Environment (HSE)

The Company is highly conscious of its HSE responsibility and is committed to devising a comprehensive strategy for ecologically favorable and sustainable business model. We always ensure that growth and sustainability go hand-in-hand.

Being a socially responsible Company, we continue to focus on environmental aspects of our operations and risk mitigation plans with a constant emphasis to invest in upgrading systems and standards to international benchmarks. We also aim at aligning HSE management systems and processes to international best practices including Occupational Safety and Health Administration (OSHA) and Dupont Workplace Safety Standards.

During the year, the biggest highlight was Daharki achieving Level 4 (Excellence in Safety Systems) from DuPont in Process Safety Management systems thus becoming 1st fertilizer site in DuPont affiliated sites to achieve Level 4 rating. Daharki site also got recertified in Integrated Management Systems "IMS" (ISO-9001, ISO-14001 & OHSAS-18001) and continued British Safety Council (BSC) 4-Star and WWF Green Office certifications. Daharki's clinic and warehouse achieved 5S certification. Furthermore, Daharki extended Community Awareness and Emergency Response (CAER) to five nearby villages. Marketing warehouses and field offices remained injury free and retained their DuPont level 3.0.

0.16

The Total Recordable Injury Rate (TRIR) amongst employees for the year 2013

The Company arranged 5th National HSE Seminar at Karachi in which more than 100 professionals from 32 companies participated. The Total Recordable Injury Rate (TRIR) amongst employees for the year was 0.16 as compared to 0.22 in 2012 which shows the Company's continued commitment towards safety.

Pension, Gratuity and Provident Fund

The Company contributes to plans that provide post-employment and retirement benefits for its employees. These include defined contribution (DC) and defined benefit (DB) pension plans (both curtailed), DC provident fund, DC gratuity plan and DB gratuity plan. The value of total assets of Provident Fund (as at June 30, 2013), Gratuity funds (as at December 31, 2012) and Pension Funds (as at December 31, 2012) based on their respective audited accounts are:

Provident Funds:	Rs. 1,375 million
Pension Funds	Rs. 780 million
Gratuity Funds:	Rs. 791 million

Auditors

The existing auditors, Messrs A.F. Ferguson & Co., Chartered Accountants retire and being eligible, have offered themselves for re-appointment. The Board Audit Committee recommends their appointment as auditors for year ending December 31, 2014.

Pattern of Shareholding

As at December 31, 2013 major shareholder of Engro Fertilizers Limited is E Corp. A statement of the general pattern of shareholding along with statement of purchase and sale of shares by Directors, Executives and spouses including minor children is shown later in this report.

Dividend

No dividend will be paid for the year ended December 31, 2013. This is due to loan covenants which restrict the Company from paying dividend till 33% of senior loans outstanding as at June 30, 2012 is re-paid.

Statement of Directors' Responsibility

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

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

board meetings and attendance

In 2013, the Board of Directors held 5 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

Director's Name	Meetings Attended
Mr. Muhammad Aliuddin Ansari	5/5
Mr. Ruhail Mohammed	5/5
Mr. Javed Akbar	5/5
Mr. Abdul Samad Dawood	5/5
Mr. Shabbir Hashmi	5/5
Ms. Naz Khan*	4/4
Mr. Shahid Hamid Pracha*	4/4
Mr. Khalid S. Subhani	5/5
Previous Directors attendance	**Meetings Attended**
Mr. Shahzada Dawood**	1/1
Mr. Asif Jooma**	1/1
Mr. Arshad Nasar**	1/1

* Elected directors, effective March 28, 2013.
** Retired directors on completion of tenure, effective March 28, 2013.

horizontal and vertical analyses

balance sheet

Horizontal Analysis (Rs. in million)

	2013 Rs.	13 Vs. 12 %	2012 Rs.	12 Vs. 11 %	2011 Rs.	11 Vs. 10 %	2010 Rs.
EQUITY AND LIABILITIES							
EQUITY							
Share capital	12,228	14.0	10,728	-	10,728	-	10,728
Share Premium	11	-	11	-	11	-	11
Advance against issue of shares	2,119	100.0	-	-	-	-	-
Hedging reserve	(148)	(54.3)	(324)	(34.9)	(498)	(43.9)	(887)
Remeasurement of post employment benefits	(21)	100.0	-	-	-	-	-
Unappropriated Profit	10,880	102.1	5,383	(35.3)	8,317	123.0	3,729
Employee share option compensation reserve	-	-	-	(100.0)	58	(1.7)	59
	25,069	58.7	15,798	(15.1)	18,616	36.5	13,640
NON-CURRENT LIABILITIES							
Borrowings	52,896	9.1	48,482	(14.0)	56,398	(10.0)	62,660
Subordinated Loan from Holding Company	3,000	-	3,000	-	3,000	100.0	1,500
Derivative Financial Instruments	1,531	207.4	498	(8.6)	545	(48.7)	1,062
Deferred Liabilities	4,655	37.7	3,381	(25.2)	4,521	75.2	2,581
Employee housing subsidy	-	-	-	(100.0)	19	(94.5)	348
Retirement and other service benefits obligations	104	5.1	99	13.8	87	61.1	54
	62,186	12.1	55,460	(14.1)	64,570	(5.3)	68,205
CURRENT LIABILITIES							
Trade and other payables	18,012	126.4	7,957	54.4	5,154	31.8	3,911
Accrued interest / mark-up	1,480	(17.2)	1,788	(14.4)	2,088	5.3	1,982
Current portion of							
Borrowings	2,924	(80.4)	14,896	49.2	9,987	15.4	8,652
Retirement and other service benefits obligations	44	10.0	40	21.2	33	57.1	21
Short term borrowings	-	(100.0)	1,000	24,900.0	4	(99.6)	970
Derivative financial instruments	213	(62.4)	566	33.2	425	(36.8)	673
	22,673	(13.6)	26,247	48.4	17,691	9.1	16,209
TOTAL EQUITY AND LIABILITIES	109,928	12.7	97,505	(3.3)	100,877	2.9	98,054
ASSETS							
NON-CURRENT ASSETS							
Property, plant and equipment	79,315	(4.3)	82,878	(4.0)	86,332	2.3	84,370
Intangible assets	138	(14.8)	162	20.0	135	(9.4)	149
Long term loans and advances	109	29.8	84	15.1	73	(34.8)	112
	79,562	(4.3)	83,124	(3.9)	86,540	2.3	84,631
CURRENT ASSETS							
Store, spares and loose tools	4,369	6.4	4,107	(2.4)	4,210	24.1	3,392
Stock-in-trade	1,382	(18.1)	1,687	(8.0)	1,834	104.7	896
Trade debts	758	(27.5)	1,046	636.6	142	(59.8)	353
Deferred employee compensation expense	-	-	-	-	-	(100.0)	4
Derivative financial instruments	130	100.0	1	(99.5)	184	6,033.3	3
Loans, advances, deposits and prepayments	626	58.5	395	114.7	1,411	(92.9)	2,609
Other receivables	28	(54.1)	61	(95.7)	192	1,206.5	108
Taxes recoverable	557	(72.2)	2,000	941.7	1,869	(89.2)	1,770
Short-term Investments	18,058	585.3	2,635	41.0	3,902	(23.8)	2,452
Cash and bank balances	4,458	82.0	2,449	(37.2)	593	112.5	1,836
	30,366	111.2	14,381	0.3	14,337	6.8	13,423
TOTAL ASSETS	109,928	12.7	97,505	(3.3)	100,877	2.9	98,054

horizontal and vertical analyses

balance sheet

Vertical Analysis (Rs. in million)

	2013		2012		2011		2010	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%
EQUITY AND LIABILITIES								
EQUITY								
Share capital	12,228	11.1	10,728	11.0	10,728	10.6	10,728	10.9
Share Premium	11	-	11	-	11	0.0	11	-
Advance against issue of shares	2,119	1.9	-	-	-	-	-	-
Hedging reserve	(148)	(0.1)	(324)	(0.3)	(498)	(0.5)	(887)	0.9
Remeasurement of post employment benefits	(21)	-	-	-	-	-	-	-
Unappropriated Profit	10,880	9.9	5,383	-	8,317	8.2	3,729	3.8
Employee share option compensation reserve	-	-	-	-	58	0.1	59	0.1
	25,069	22.8	15,798	16.2	18,616	18.5	13,640	13.9
NON-CURRENT LIABILITIES								
Borrowings	52,896	48.1	48,482	49.7	56,398	55.9	62,660	63.9
Subordinated Loan from Holding Company	3,000	2.7	3,000	3.1	3,000	3.0	1,500	1.5
Derivative Financial Instruments	1,531	1.4	498	0.5	545	0.5	1,062	1.1
Deferred Liabilities	4,655	4.2	3,381	3.5	4,521	4.5	2,581	2.6
Employee housing subsidy	-	-	-	-	19	0.0	348	0.4
Retirement and other service benefits obligations	104	0.1	99	0.1	87	0.1	54	0.1
	62,186	56.6	55,460	56.9	64,570	64.0	68,205	69.6
CURRENT LIABILITIES								
Trade and other payables	18,012	16.4	7,957	8.2	5,154	5.1	3,911	4.0
Accrued interest / mark-up	1,480	1.3	1,788	1.8	2,088	2.1	1,982	2.0
Current portion of								
Borrowings	2,924	2.7	14,896	15.3	9,987	9.9	8,652	8.8
Retirement and other service benefits obligations	44	-	40	0.0	33	-	21	-
Short term borrowings	-	-	1,000	1.0	4	-	970	1.0
Derivative financial instruments	213	0.2	566	0.6	425	0.4	673	0.7
	22,673	20.6	26,247	26.9	17,691	17.5	16,209	16.5
TOTAL EQUITY AND LIABILITIES	109,928	100.0	97,505	100.0	100,877	100.0	98,054	100
ASSETS								
NON-CURRENT ASSETS								
Property, plant and equipment	79,315	72.2	82,878	85.0	86,332	85.6	84,370	86.0
Intangible assets	138	0.1	162	0.2	135	0.1	149	0.2
Long term loans and advances	109	0.1	84	0.1	73	0.1	112	0.1
	79,562	72.4	83,124	85.3	86,540	85.8	84,631	86.3
CURRENT ASSETS								
Store, spares and loose tools	4,369	4.0	4,107	4.2	4,210	4.2	3,392	3.5
Stock-in-trade	1,382	1.3	1,687	1.7	1,834	1.8	896	0.9
Trade debts	758	0.7	1,046	1.1	142	0.1	353	0.4
Deferred employee compensation expense	-	-	-	-	-	-	4	-
Derivative financial instruments	130	0.1	1	-	184	0.2	3	-
Loans, advances, deposits and prepayments	626	0.6	395	0.4	1,411	1.4	2,609	2.7
Other receivables	28	-	61	0.1	192	0.2	108	0.1
Taxes recoverable	557	0.5	2,000	2.1	1,869	1.9	1,770	1.8
Short-term Investments	18,058	16.4	2,635	2.7	3,902	3.9	2,452	2.5
Cash and bank balances	4,458	4.1	2,449	2.5	593	0.6	1,836	1.9
	30,366	27.6	14,381	14.7	14,337	14.2	13,423	13.7
TOTAL ASSETS	109,928	100.0	97,505	100.0	100,877	100.0	98,054	100

horizontal and vertical analyses

profit and loss account

Horizontal Analysis (Rs. in million)

	2013 Rs.	13 Vs. 12 %	2012 Rs.	12 Vs. 11 %	2011 Rs.	11 Vs. 10 %	2010 Rs.
Net Sales	50,129	63.7	30,627	(2.3)	31,353	64.9	19,018
Cost of Sales	28,008	34.9	20,766	42.0	14,620	44.6	10,109
Gross profit	22,121	124.3	9,861	(41.1)	16,733	87.8	8,909
Selling and distribution expenses	3,511	40.4	2,500	11.4	2,245	30.0	1,727
Administrative expenses	601	3.1	583	6.2	549	(3.2)	567
Other operating expenses	2,060	407.4	406	(30.2)	582	12.8	516
Other income	1,105	191.6	379	(67.4)	1,164	154.1	458
Operating profit / (loss)	17,054	152.6	6,751	(53.5)	14,521	121.5	6,557
Finance cost	8,670	(19.0)	10,703	40.0	7,644	465.8	1,351
Profit / (loss) before taxation	8,384	312.1	(3,952)	(157.5)	6,877	32.1	5,206
Taxation	2,887	383.9	(1,017)	(144.4)	2,289	55.1	1,476
Profit / (loss) after taxation	5,497	287.3	(2,935)	(164.0)	4,588	23.0	3,730

Vertical Analysis (Rs. in million)

	2013		2012		2011		2010	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Net Sales	50,129	100.0	30,627	100.0	31,353	100.0	19,018	100
Cost of Sales	28,008	55.9	20,766	67.8	14,620	46.6	10,109	53.2
Gross profit	22,121	44.1	9,861	32.2	16,733	53.4	8,909	46.8
Selling and distribution expenses	3,511	7.0	2,500	8.2	2,245	7.2	1,727	9.1
Administrative expenses	601	1.2	583	1.9	549	1.8	567	3.0
Other operating expenses	2,060	4.1	406	1.3	582	1.9	516	2.7
Other income	1,105	2.2	379	1.2	1,164	3.7	458	2.4
Operating profit / (loss)	17,054	34.0	6,751	22.0	14,521	46.2	6,557	34.4
Finance cost	8,670	17.3	10,703	34.9	7,644	24.4	1,351	7.1
Profit / (loss) before taxation	8,384	16.7	(3,952)	(12.9)	6,877	21.8	5,206	27.3
Taxation	2,887	5.8	(1,017)	(3.3)	2,289	7.3	1,476	7.8
Profit / (loss) after taxation	5,497	10.9	(2,935)	(9.6)	4,588	14.5	3,730	19.5

summary

Rs. in million	2013	2012	2011	2010
Summary of Balance Sheet				
Share capital	12,228	10,728	10,728	10,728
Reserves	12,841	5,070	7,889	2,912
Shareholders' funds / Equity	25,069	15,798	18,616	13,640
Long term borrowings	55,896	51,482	59,398	64,160
Capital employed	83,889	82,176	88,001	86,452
Deferred liabilities	4,655	3,381	4,521	2,581
Property,plant & equipment	79,315	82,878	86,332	84,370
Long term assets	79,562	83,124	86,540	84,631
Current assets	30,366	14,381	14,337	13,423
Summary of Profit and Loss				
Sales	50,129	30,626	31,353	19,017
Gross profit	22,121	9,861	16,733	8,910
Operating profit	17,054	6,752	14,521	6,556
Profit before tax	8,384	(3,952)	6,877	5,207
Profit/(loss) after tax	5,497	(2,935)	4,588	3,730
EBITDA	22,010	11,741	17,673	7,365
Summary of Cash Flows				
Net cash flow from operating activities	24,813	6,371	9,279	4,359
Net cash flow from investing activities	(560)	(1,857)	(3,517)	(14,654)
Net cash flow from financing activities	(5,821)	(4,920)	(4,589)	12,903
Changes in cash & cash equivalents	18,432	(406)	1,173	2,609
Cash & cash equivalents – Year end	22,516	4,085	4,491	3,318
Summary of Actual Production				
Urea	1,561,575	974,425	1,279,378	971,913
NPK	92,839	67,755	113,172	100,270

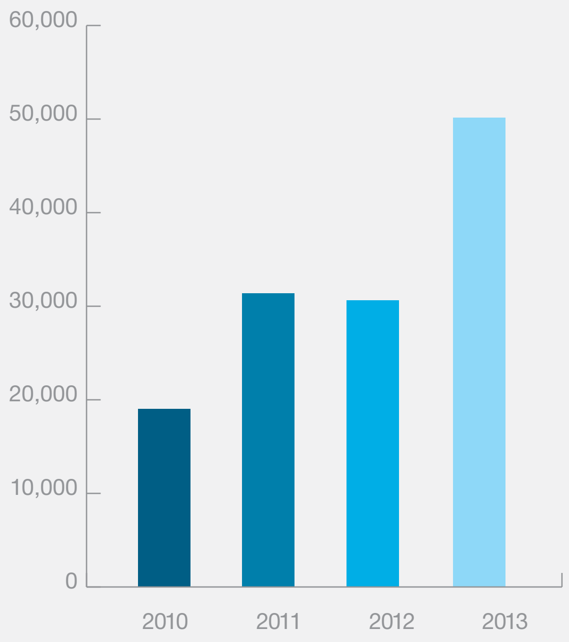
financial ratios

Ratios		2013	2012	2011	2010
Profitability Ratios					
Gross Profit ratio	%	44.13	32.20	53.37	46.85
Net Profit/(loss) to Sales	%	10.97	(9.58)	14.63	19.61
EBITDA Margin to Sales	%	43.91	38.34	56.37	38.73
Operating leverage ratio	Times	2.40	23.07	1.87	0.95
Return on Equity	%	26.90	(17.05)	28.45	27.34
Return on Capital Employed	%	17.06	9.13	14.02	5.88
Liquidity Ratios					
Current ratio	Times	1.34	0.55	0.81	0.83
Quick / Acid test ratio	Times	1.28	0.48	0.71	0.77
Cash to Current Liabilities	Times	0.20	0.09	0.03	0.11
Cash flow from Operations to Sales	Times	0.49	0.21	0.30	0.23
Activity / Turnover Ratios					
No. of Days Inventory	Days	20	31	34	32
Inventory turnover	Times	18.25	11.78	10.70	11.28
Total Assets turnover ratio	%	0.46	0.31	0.31	0.19
Fixed Assets turnover ratio	%	0.63	0.37	0.36	0.23
Investment / Market Ratios					
Earnings per Share (Restated)	Rs./ share	4.66	(2.59)	4.05	3.29
Earnings per Share (Historical)	Rs./ share	4.66	(2.74)	4.28	3.48
Breakup value per share *	Rs./ share	19.32	14.73	17.35	12.71
Capital Structure Ratios					
Debt to Equity ratio	%	70%	81%	79%	84%
Interest Cover ratio	Times	1.97	0.63	1.90	0.90

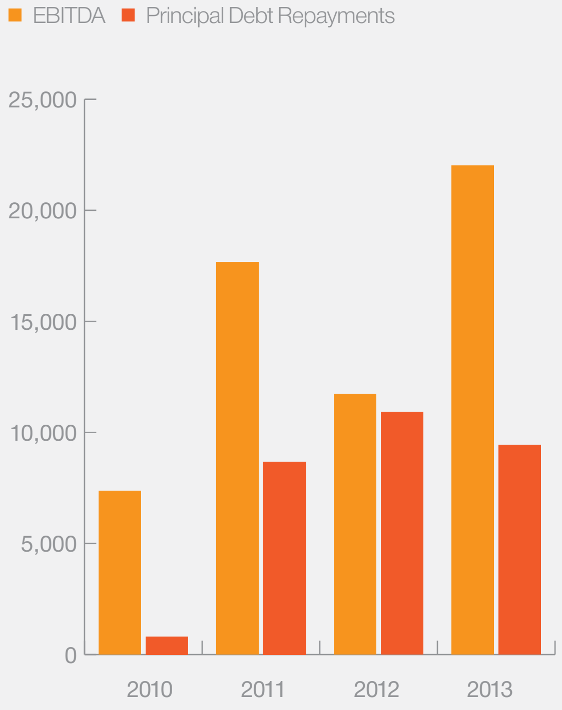
* Calcuated on the basis of revised paid up share capital including 75 million shares issued through IPO.

snapshots

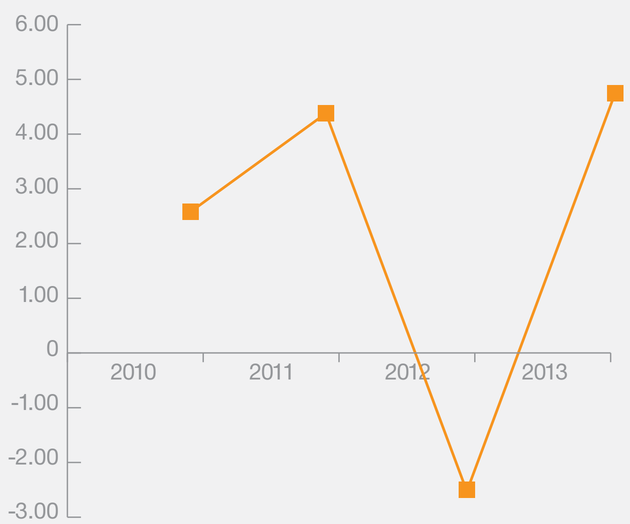
Sales Revenue year-wise (Rs. in million)



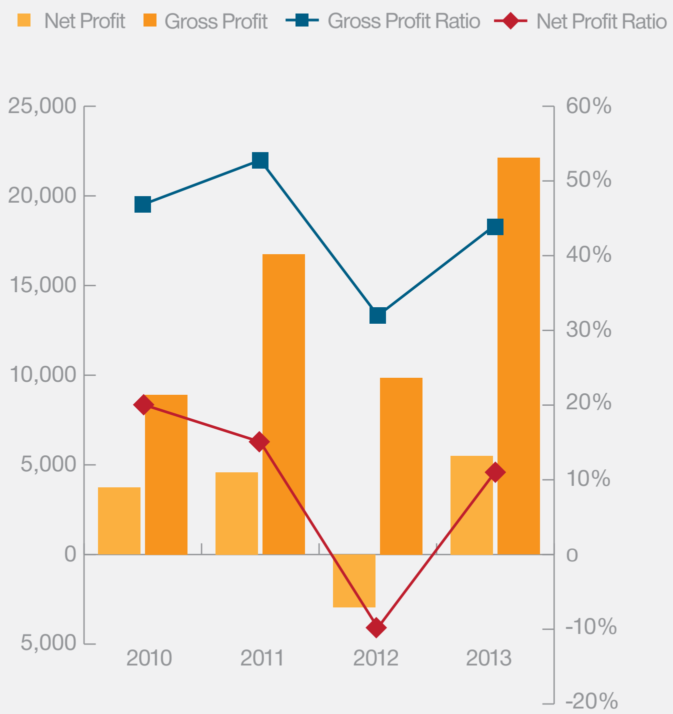
EBITDA and Principal Debt Repayments (Rs. in million)



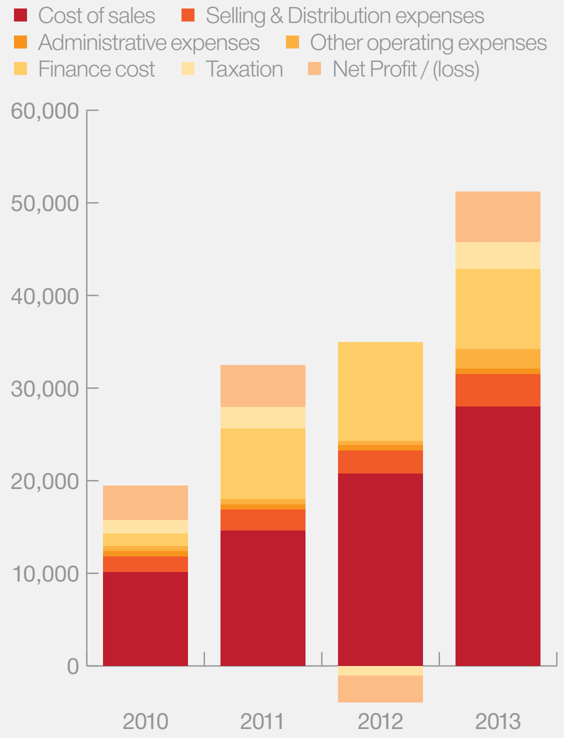
Earnings/Loss Per Share



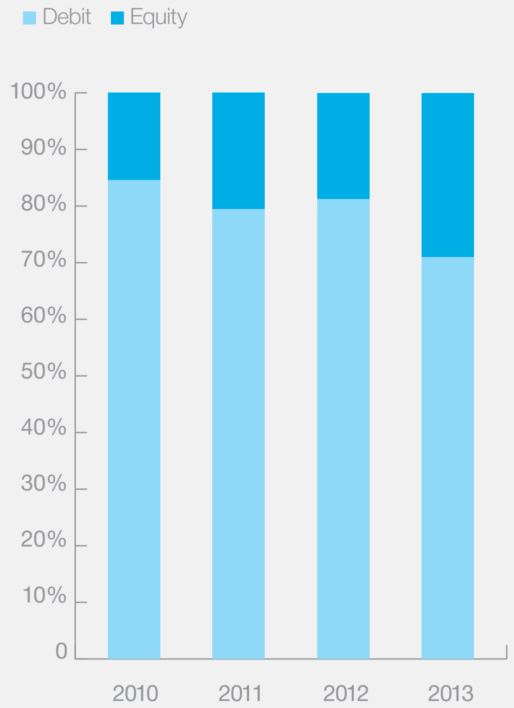
Gross Profit and Net Profit (Rs. in million)



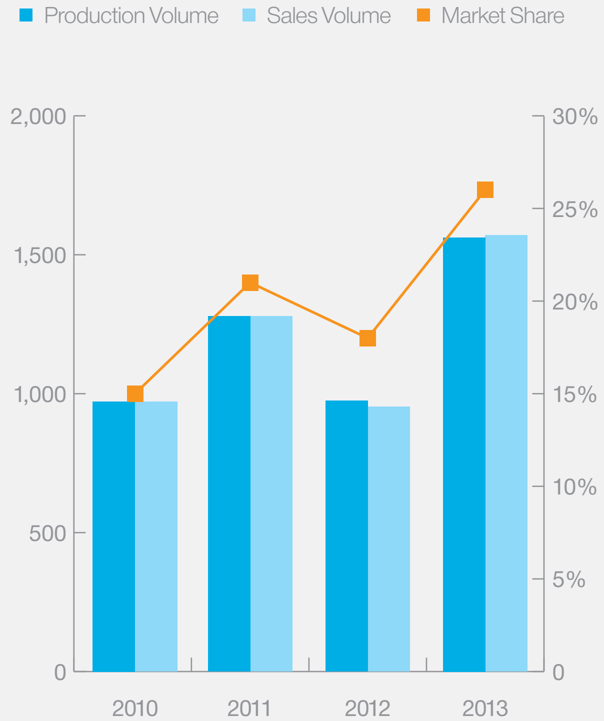
Revenue Analysis (Rs. in million)



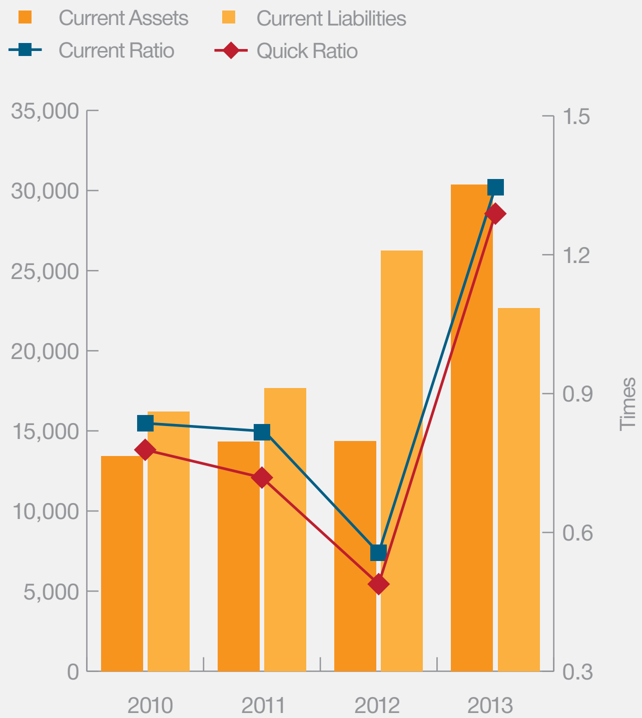
Capital Structure



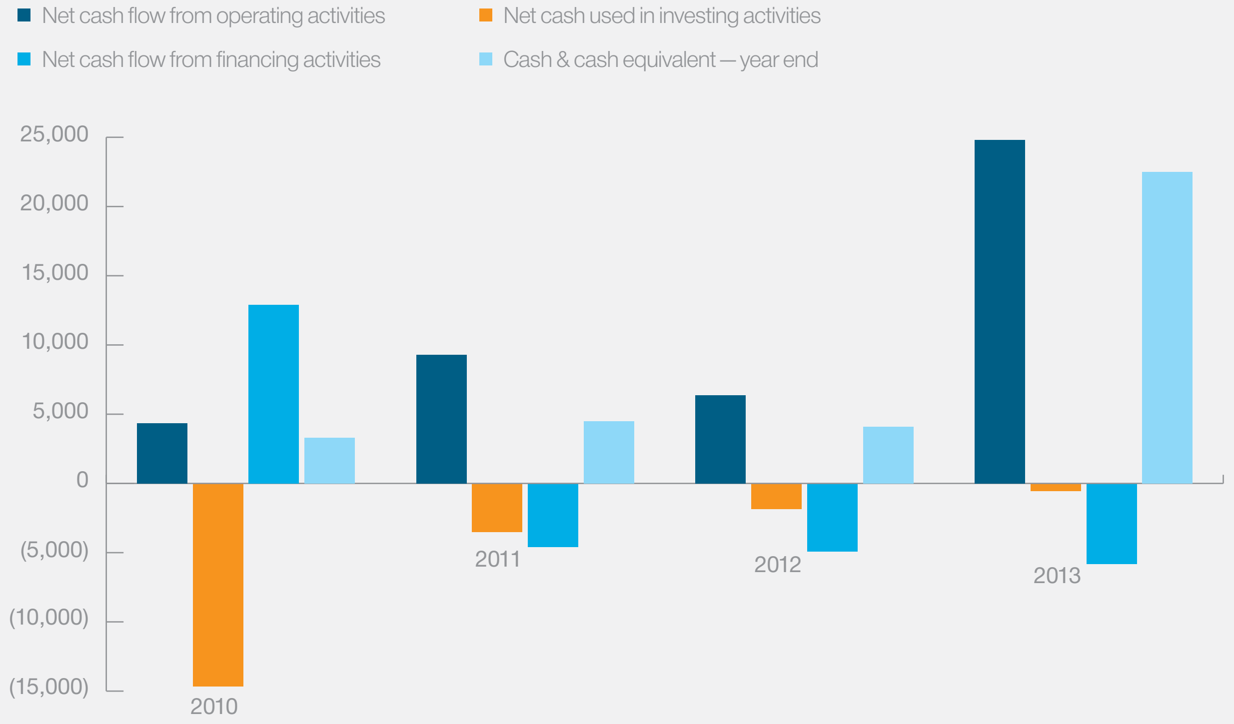
Production and Sales Volumes (K Tons)



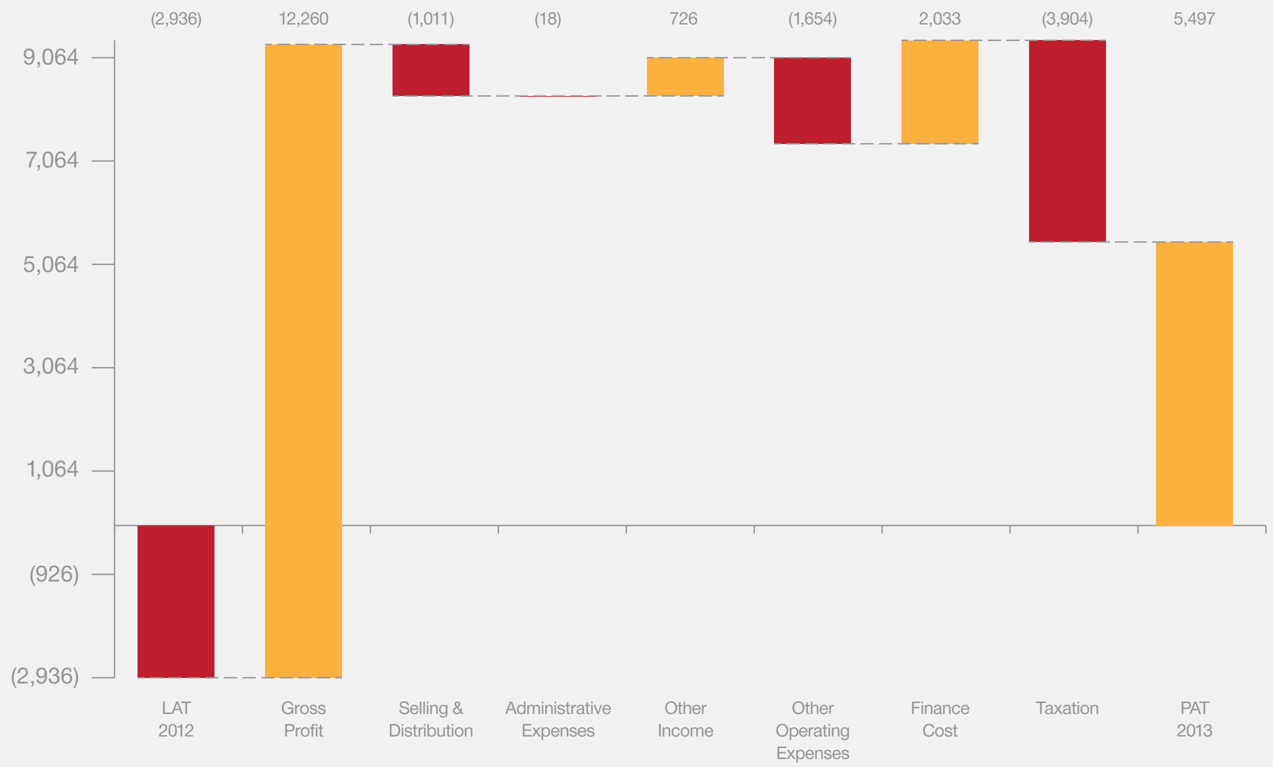
Liquidity Analysis (Rs. in million)



Cash Flow Analysis (Rs. in million)

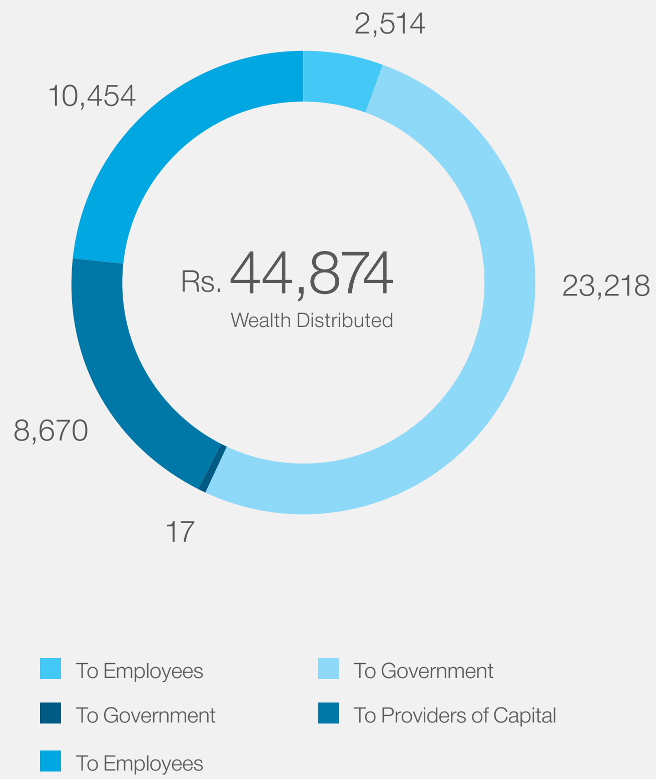


Variance Analysis (Rs. in million)



statement of value addition and distribution

(Rupees in Million)	2013	2012
Wealth Generated		
Total revenue inclusive of sales tax and other income	59,665	35,911
Bought-in-material and services	(14,791)	(9,858)
	44,874	20,253
Wealth Distributed		
To Employees salaries, benefits and other costs	2,514	2,048
To Government taxes, duties and development surcharge	23,218	12,456
To Society towards education, health, environment and natural disaster	17	21
To Providers of Capital	8,670	10,703
Retained for reinvestment, depreciation and amortization	10,454	824
	44,874	26,053



key shareholding & shares traded

Information of Shareholding required under the reporting framework is as follows

1. Associated Companies, Undertakings and Related Parties

Name	No. of Shares Held
Engro Corporation Limited	1,222,799,992

2. Mutual Funds

Name	No. of Shares Held
N/A	-

3. Directors, CEO and their spouse and minor children

Name	No. of Shares Held
Aliuddin Ansari	1
Ruhail Mohammad	1
Khalid S. Subhani	1
Shabbir Hashmi	1
Abdul Samad Dawood	1
Javed Akbar	1
Shahid Hamid Pracha	1
Naz Khan	1

4. Executives N/A

5. Public sector companies and corporations N/A

6. Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance, Takaful, Modarbas & Pension Funds N/A

7. Shareholding five percent or more voting interest in the Company

Names of holders	No. of Shares	Percentage of Holding
Engro Corporation Limited	1,222,799,992	100%

8. Details of purchase/sale of shares by Directors and their spouses/minor children

Name	Purchase	Sale	Rs./Share	Date
Khalid S. Subhani	150000*		Rs.28.26	7.1.2014
Ruhail Mohammad	100000*		Rs.28.26	7.1.2014

* Shares purchased from 'offer for sale of Engro Corporation Ltd'.

shareholder information

Annual General Meeting

The annual shareholders meeting will be held at 10:00 a.m. on March 28, 2014 at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi.

Shareholders as of March 14, 2014 are encouraged to participate and vote.

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

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

Ownership

On December 31, 2013 there were 09 shareholders on record of the Company's ordinary shares.

Quarterly Results

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

- 1st quarter : April 23, 2014
- 2nd quarter: August 13, 2014
- 3rd quarter: October 23, 2014

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

- 1st quarter : April 24, 2014
- 2nd quarter: August 15, 2014
- 3rd quarter: October 24, 2014

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

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

Change of Address

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

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

category of shareholding

As at December 31, 2013 is as follows:

Shareholders Category	No. of Shareholder	No. of Shares	Percentage
Directors, Chief Executive Officer, and their spouse and minor children.	8	8	0.00
Associated Companies, undertaking and related parties.	1	1,222,799,992	100%
Banks Development Financial Institutions, Non Banking Financial Institutions.	-	-	-
Insurance Companies	-	-	-
Modarabas and Mutual Funds	-	-	-
Share holders holding 10% and above	1	*1,222,799,992	100%
General Public (Individuals)			
a. Local	-	-	-
b. Foreign	-	-	-
Others	-	-	-

*In Decemeber 2013, the Compnay had an IPO whereby 75 million shares were sold and these were allotted on 17 January 2014. Additionally, Engro Corporation Limited also sold 30 million shares from its holding which were transferred effective 7 January 2014 and on 17 January 2014, the Company got listed on the Karachi and Lahore Stock Exchanges.

Outlook

Local urea demand for 2014 is expected to remain steady based on stable commodity prices and agricultural output. Any substantial change in input cost may hurt farmer economics.

The gap between local production and demand will result in imports by the Government to cover the deficit. The Government is likely to hand over the distribution of imported urea to local fertilizer manufacturers with the aim of bringing in efficiencies.

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

The Government on 31 December 2013 has increased the rate of Gas Infrastructure Development Cess (GIDC) on fertilizer feed stock by 103/MMBTU and on fertilizer fuel stock by Rs. 50/MMBTU. The Company has absorbed majority of this cost increase as full impact was not transferred to the end consumers. Gas prices are expected to increase further which may result in rise in urea prices.

Global urea demand in 2014 is expected to remain stable. Prices are expected to remain flat during 1H 2014 based on lower demand from India. However, the prices are expected to increase in second half as seasonal demand picks up. Significant gap between prices of locally produced urea and imported urea is expected to continue in 2014.

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 obligation. Implementation of this decision is expected in due course. The Company will continue to pursue the ratification of ECC's decision regarding the allocation of gas according to the long term allocation.

Aliuddin Ansari
Chairman

Ruhail Mohammed
CEO

awards and achievements

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

Engro Fertilizers Daharki site achieved 68% of its name plate capacity in 2013 by producing 1,562 k tons Urea — highest ever production while maintaining product quality.

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

Engro Fertilizers Head office was awarded the Fire Safety Award by National Forum for Environment & Health.

Engro Fertilizers achieved record sales of 1,570 k tons versus 953 k tons in the comparative period.

Engro was recognized amongst the top 5 employers in Pakistan by a survey conducted by Rozee.PK in colllaboration with YouGov – a UK-based research company.

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

our economic impact

Since our inception, our business model has been focused on inclusiveness and community investment. Ours has been a history laden with a passionate pursuit of inclusive growth that has fuelled economic and social opportunities for a wide spectrum of our stakeholders including our investors, customers, consumers, shareholders, government, suppliers and, therefore, the country at large.

Engro Fertilizers has remained an integral part of Pakistan's agricultural landscape for the past four decades and continues to provide affordable fertilizer solutions to the farming community, thereby increasing yield and sustaining the food requirements of the burgeoning Pakistani populace. Over the course of our presence in the fertilizer industry of the country, Engro has consistently increased its production capacity – by approximately 13 times since commencement – to match the growing demand-supply gap of the country. This increase in the production capacity has not only made the country self-sufficient in its requirements of fertilizer but also yielded significant indirect benefit for a wide group of stakeholders in terms of generating employment and saving foreign exchange for the country through reduction of urea imports.

Engro's decision to expand its fertilizer production capacity significantly has emerged as a classic business case study in the country. In 2010, the investment of USD 1.1 billion to set up the world's largest single-train urea plant contained a large proportion of foreign investment, making it the single largest investment in the country.

The massive investment was backed by a robust strategy to develop the financial and capital markets of the country to raise the required capital. The capital structure was, therefore, carefully designed by maintaining a debt to equity ratio of around 75% in 2012 while the equity portion raised by internal cash generation of base fertilizer plant and rights issues. This effort was also supplemented by a change in dividend policy to pursue high growth projects resulting in value creation for shareholders.

Despite a challenging economic scenario ever since the launch of the new fertilizer plant, in 2013 alone the company produced 1,562k tons of urea, saving the country over $540 million in foreign exchange that would otherwise have to be spent to import the requisite amount of urea to meet the country's needs.
Engro Fertilizers received a benefit of Rs 6.49 billion from the government through lower than market feed gas prices in 2013 which it passed on to farmers in the form of lower urea price which is substantially greater than the benefit company receives.

In addition to supplying affordable, locally manufactured fertilizer, Engro has also encouraged farmers in the use of fertilizers, including potash-based nutrients. This education programme targeting approximately half a million farmers is an investment in the long-term health and vitality of Pakistan's arable soil, one that continues to pay dividends in the form of the country's ability to sustain its own food supply and resulting in net income increase of the farmers up to the tune of Rs. 120 billion annually.

13x
Proportion of increase in production capacity since commencement.

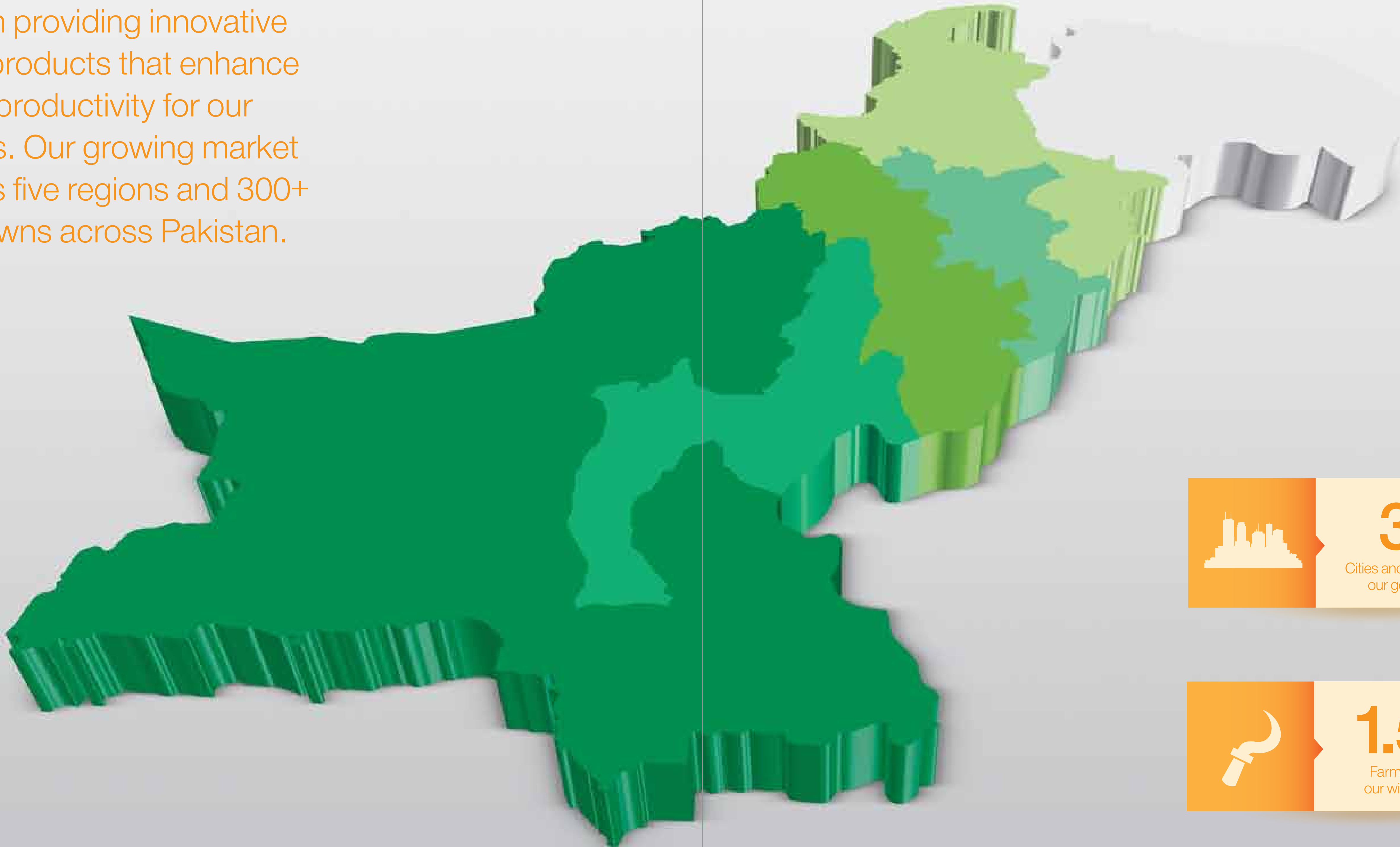
Rs. 18 bn
Net benefit passed on to farmer community.

$ 540+m
Foreign exchange savings due to higher local production in 2013.

Rs. 120bn
Increase in net income of farmers annually.

our geographical spread

At Engro Fertilizers we place great emphasis on providing innovative and quality products that enhance growth and productivity for our stakeholders. Our growing market share covers five regions and 300+ cities and towns across Pakistan.



- Hyderabad Zone
- Daharki Zone
- Multan Zone
- Faisalabad Zone
- Lahore Zone

300+
Cities and towns encompassing our geographical spread

1.5mn
Farmers benefiting from our wide product portfolio

our brands

our winning formula — our brands

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

Engro Urea

Engro is the first company to have setup urea production facility in Pakistan, a landmark event in agricultural sector of the country. This together with the fact that urea is the most widely used fertilizer in the country, gives Engro Urea a special standing in the domestic fertilizer market. Engro Fertilizers Limited started annual production of 173,000 tons in 1968. Through various debottlenecking and expansion steps, the capacity has been increased to 975,000 tons per year. In the year 2011 the Company setup world's largest single train urea plant of 1,300,000 ton capacity. In the year 2013 the production share for urea stood at 32%.

Engro NP

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

Engro NP is available in 50Kg bags.

Engro DAP

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

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

Engro Zarkhez

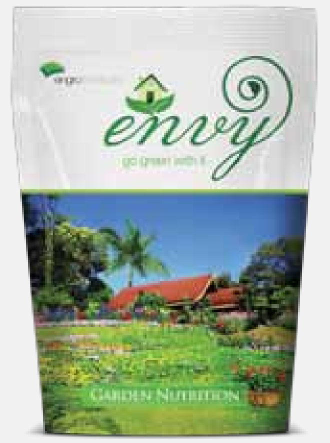
Plants require three major nutrients (i.e. Nitrogen, Phosphorus and Potassium) for quality & higher yield. Zarkhez, introduced in 2002, is the only branded fertilizer in Pakistan which contains all three nutrients. Presence of all the macro nutrients results in synergistic plant nutrient uptake. The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

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

Zingro

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

Zingro is imported by Engro EXIMP and marketed by Engro Fertilizers Limited.



Engro Envy

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

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

raising resources

our people our pride

We believe that our people are our pride and our single most important resource. Consequently, we strive to retain and develop all our employees and ensure that we maintain a pipeline of an engaged, talented workforce, which is diverse and rewarded on merit.

As one of the largest employers in Pakistan, we aim to have a good understanding of our future demand for people and skills-set, and where they will come from. Building our employees' capability is a priority, as is rewarding them in a way that aligns with our goals. We focus on ensuring the safety of our employees, engaging with them, and increasing the diversity of our workforce so that it better reflects the society in which we operate.

Engaging with our people

We conduct a comprehensive survey of all our employees to monitor Employee Engagement and identify areas where we can improve. The 2013 results show that levels of engagement have registered a moderate increase across different dimensions and business areas. Safety scores remain strong and we continue to embed safety principles in our operating management system as "the way Engro Fertilizers operates", so that our people fully understand what it means for them.

We also measure how engaged our employees are with our strategic priorities of safety, trust and value. The engagement measure is derived from 72 questions covering 12 HR dimensions, which measure employee perceptions of Engro Fertilizers as a Company, and how it is managed in terms of leadership and standards. Aggregate results for these questions showed a 1% improvement over previous score of 38%.

Building Diversity & Inclusion

We work to attract, motivate, develop and retain the best talent that Pakistan offers, as our ability to be competitive and to thrive globally depends on it. In 2012 we launched a framework to set out our HR ambitions to be a truly equal opportunity employer, and drive further progress in diversity and inclusion demographics in our workforce. As part of this, we are creating a network of Diversity and Inclusion Leads, who will help implement this vision across the Company.

Rewarding performance

Engro Fertilizers' employees are rewarded not just for what they deliver, but also for how they have demonstrated behaviors that reflects our values. As part of their individual performance review, employees set priorities on their contribution to safety, compliance and risk management and what they will deliver for the near and long term,. Bonuses are awarded based equally on two distinct criteria – the performance of the Company overall, and the performance of the individual. Moreover, in order to further facilitate our top performers through adequate remuneration and perks, the Company has lengthened the increment range in 2013.

Structured Recruitment

Since 2011 – post launch of enVen project – we have increased our hiring patterns, following considerable investment in capacity building across the company and the development of our safety and operational risk function. On average we have recruited 100 plus people a year over the past four years. We are now working to achieve more of a balance between external hiring of professionals for leadership skills, and building talent from within the Organization. Following the challenges faced in 2012, the Company has been successful in registering a 14% decline in the total number of employees that relinquished their jobs, whilst overall attrition has also been reduced by 1% to 11% in 2013.

In line with our approach to build the talent pipeline for the future, we have developed a two-pronged approach which focuses on top performers and also employees who are ranked high on potential to ensure that they can be trained and groomed to move up their career ladder and actualize their true potential.

Talent management

We provide world-class training & education opportunities to our people, partnering with top local and international academies and institutes that deliver technical learning and development. We use succession planning to help us deploy our people effectively and obtain a better understanding of the talent coming through.

Every year the senior management reviews all senior succession plans, which are made across the company. Moreover, we also offer leadership development programs tailored for employees moving into management, including those directing complex functions within the company – following the challenging operational year in 2012-13, the Company has resumed international trainings and external development programs at all levels of employment.

In addition to the above, during 2013 we undertook a number of initiatives to increase our interaction with workforce, which resulted in an improvement in employee retention over previous years. Collective Labor Agreement between the Company's Workers Union and Management were signed during the year whilst rigorous efforts were also made for restructuring the organization to make the Company's structure more efficient.

1,100+

Employees delivering on the collective ambition of the company across Pakistan

one planet
one future
WWF
60+

raising awareness

enhancing standards, protecting environment

Health, Safety and Environment (HSE) are the top priorities of our organization where we attach paramount importance to the security of our operations, welfare of our employees, and protection of the environment.

Sustainability and Safety has always remained a long standing focus at Engro Fertilizers. As one of the largest urea manufacturing facilities in the world we continue to consistently embed safety and operational risk management into the heart of the company.

We are highly conscious of our HSE responsibility and are committed to devising a comprehensive strategy for ecologically favorable and sustainable business model whilst also strengthening safety culture and workforce capability.

The senior management sets clear expectations designed to help operational leaders to excel as safety leaders. Safety is one of our five core values, embedding the behaviours and culture that guide us to act in a certain way. Additionally, our code of conduct clarifies the basic rules our people must follow including expectations for operating safely, responsibly and reliably.

Moreover, we also aim to align HSE management systems and processes to international best practices including Occupational Safety and Health Administration (OSHA) and Dupont Workplace Safety Standards.

0.16

Total Recordable Injury Rate for 2013 vs a TRIR of 0.22 in 2012

Practicing What We Preach - Our Safety Policy

Safety is well defined at all levels of our organization. It is a most stressed upon factor at the annual board meetings of Engro and continues to be the chief fraction of attention for the respective company sectors. We continue to hold 'Safety Days' and 'SHE (Safety, Health & Environment) Days' where the senior management, external experts along with the employees come together to discuss and ponder over the safety and security within the organization.

We place strong emphasis on checks and balances to make sure our operations are running as they should. Internal and external performance reporting is part of this effort. Sites carry out self-verification, supported by internationally accredited systems and professionals.

We also regularly conduct HSE seminars to bring together industry leaders and experts in Health, Safety & Environment on a single platform to discuss best practices, ideas, success stories and experiences that enable us to continuously strive towards excellence in Health, Safety and Environment. These seminars provide valuable discourse on HSE practices and innovations in Pakistan, improvement in HSE, Environment Impact, and engaging Stakeholders for Sustainability, Behavioral Safety, World Bank's Clean Development Mechanism (CDM), Energy Management Systems and Sustainable Energy & Environment Footprint.

Testimonial of our Safety Performance

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

During the year, our efforts were recognized globally and we became the only South Asian company to receive DuPont Level-4 rating. This makes our manufacturing site located at Daharki, Sindh, the first fertilizer complex in DuPont HSE aligned companies to achieve Level 4 rating.

Our Daharki site also got recertified in Integrated Management Systems "IMS" (ISO-9001, ISO-14001 & OHSAS-18001) and continued British Safety Council (BSC) 4-Star and WWF Green Office certifications. Daharki's clinic and warehouse achieved 5S certification. Furthermore, Daharki extended Community Awareness and Emergency Response (CAER) to five nearby villages. Marketing warehouses and field offices remained injury free and retained their DuPont level 3.0 rating.

Safety Incidents Data	2013	2012	2011	2010	2009
Number of Injuries (by type)					
- LWI (Lost work day injury)	0	0	0	0	0
- RWC (Restricted work case)	4	4	3	0	2
- MTC (Medical treatment case)	3	2	3	1	4
Number of occupation diseases cases	0	0	0	0	0
Number of work related fatalities	0	0	0	0	0
Number of lost days					
Number of absentee days over the period					
Scheduled working days for the year	250	250	250	50	250
Actual number of days worked during the year	250	250	250	250	250

The Total Recordable Injury Rate (TRIR) amongst employees for the year was 0.16 as compared to 0.22 in 2012, which shows the Company's continued commitment towards best practices. These achievements speak volumes about our resolve towards excellence in safety.

Going Green through Green Office Initiative

The growing challenges of environmental degradation, energy deficiency and rapidly increasing carbon footprints indicate an alarming need for a comprehensive strategy for environmental management. We, therefore, have initiated various programs of action that are ecologically favorable and in connection with the development and sustainability of the environment.

As responsible corporate citizens, we are playing a significant role in implementing programs that reduce energy consumption and addresses issues of environmental degradation.

Green Office Initiative is a practical environment program aimed at reducing Carbon Dioxide (CO_2) emissions and workplace environmental footprint. Green office enables workforce to act in environmentally friendly and conscious manner in everyday tasks, and it improves environmental awareness in cost-efficient ways.

Through our Green Office Initiative, we reduced our carbon emissions by 44%, and paper consumption by 56%, saving Rs. 4.6 million in 2013 whilst simultaneously and reducing our industrial waste by 82% in 2013. We are also proud to announce that our electricity consumption declined by 42%.

Acknowledging our efforts, WWF-Pakistan honored Engro Fertilizers with Silver Award of Achievement. These awards were conferred upon us in recognition of our substantial reduction in our environmental footprint.



one planet
one future
earth hour 2013
WWF


DEWALT

WWF
60+


raising communities

social investments

At Engro Fertilizers, CSR does not merely mean doing the right thing. For us, it means 'sharing values to create values'. We understand that our future success lies in making social and corporate decisions that positively impact the lives we touch.

At Engro Fertilizers, CSR does not merely mean doing the right thing. For us, it means 'sharing values to create values'. We understand that our future success lies in making social and corporate decisions that positively impact the lives we touch.

Our foundation is laid on a strong ethical framework, which solidifies our focus on addressing the issues of the stakeholders, local communities and environment. We are responsible for managing the wider social effects of our actions, beyond the requirement of legal settings we operate in. We are an active participant in contributing towards the welfare of the society.

Engro Fertilizer's Limited social investments are primarily centered on Daharki plant site and constitute a variety of programs in different sectors. This year an increased focus was put on enhancing the reach of our livelihood programs. Our livelihood programs consist of various skills development programs that we execute in collaboration with various project stakeholders.

Technical Training College, Daharki:

The Technical Training College (TTC) in Daharki offers local youth from rural communities an opportunity for technical training, specifically associate diplomas in Mechanical & Chemical engineering. It allows for individual & community empowerment, by providing means to earning sustainable livelihood.

Additionally, a number of Engro employees from Daharki work as volunteers for TTC when needed and coaching classes are held for students from CAER villages for TTC's test preparation.

Engro Foundation, the CSR arm of Engro, successfully secured permanent spot on globalgiving.org for project 'Help Sikandar' – a student of TTC – and eventually collected over USD 6,000 to help Sikander fund his college expenses.

The TTC has contributed immensely in providing access to rural and peri-urban youth to formal technical and vocational training opportunities. In 2014, TTC will celebrate successful graduation of its first batch of 55 diploma-certified graduates.

Education

Our education program consists of the adoption of 10 government schools under School Adoption Program in Daharki, Katcha School Program with 11 schools and 1 NGO school with Sahara Welfare Society in Daharki.

In 2013, in order to enhance the effectiveness of the program a joint assessment of adopted schools was carried out with Indus Resource Centre, a reputed NGO in education sector, and recommendations were subsequently shared to improve program's impact – these are in the process of being implemented as of now. Similarly efforts are being made to improve community participation in Katcha school program and also Sahara Community School.

Adopted Schools - Daharki

Engro initiated the School Adoption program in 2004 in Ghotki These schools lacked basic infrastructure and operational set-up and were ill-equipped to meet the basic requirements of providing a functional schooling experience to students. Engro realizing this basic need initiated the School Adoption Program whereby it now supports operational costs and educational expenditures of these select schools. The ambit of the project includes provision of learning materials and stationery for the students – an essential element of providing a holistic learning experience. So far, 13 schools with approximately 2,200 enrolled students have been adopted. Engro Fertilizers also initiated a Teachers' Training Program that aims at effective training of the teachers in order to equip them with the necessary skills-set to impart better quality education.

Katcha School Program

Our Katcha School Program provides primary education to those living in Katcha areas of Ghotki district. Katcha areas pose unique challenges, which make running primary schools far more challenging than in any other geography. Challenges include geographical access as the area does not have roads and gets inundated every year; availability of teachers as people are rarely literate; followed by deteriorated law and order situation, as the area serves as a safe haven for outlaws due to its inaccessibility. Katcha school program is the only education program being run in the area. It currently enrolls more than 900 students – providing these students their only access to high quality education. In 2013 approximately Rs. 2.5 million were spent on this program.

Health

We are also actively contributing in the development of the health sector. We have undertaken various initiatives for the betterment and uplifting the health standards and in support of health related causes. Our health projects provide essential services in the local communities. This year over 6,500 patients were treated at free Snake-bite treatment facility. Over 10,000 patients benefitted from Sahara Clinic's OPD.

Engro established a snakebite treatment centre in 1977 to facilitate the locals with basic treatment in incidences of snake bites. This year over 7,300 patients were treated at free Snake-bite treatment facility. Over 10,000 patients benefitted from Sahara Clinic's OPD.

Community Physical Infrastructure (CPI) Schemes

We have undertaken several investments projects in improving the quality of the physical infrastructure in our stakeholders' communities. A particular area of focus has been clean water and sanitation services, which far too many Pakistanis lack. According to an estimate, only 40% of Pakistan's population has access to 'improved' water sources and 20% have access to some form of sanitation. Our development programs include infrastructural development programs for villages in surrounding communities. In 2013, we continued to pursue infrastructural projects in targeted areas which included two water filtration plants installed in surrounding villages, reducing the incidence of water borne diseases.

Moreover, a project of solar street lighting was carried out in a neighboring village. These projects have been implemented in partnership with PPAF and SRSO.

Engro Volunteers in Service of Nation (EnVision)

EnVison, an employee-volunteering program, provides various opportunities to employees to participate in activities linked to various social causes. Employees based in Daharki, Karachi and other locations take active part in activities like organizing fund raising events for Sahara Welfare Society, tree plantation drive and TCF Rahbar Program. This year, our employees clocked over 4,000 volunteer hours truly reflecting the spirit of philanthropy and community ownership.

raising yields

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Engro Fertilizers Limited (the Company) for the year ended December 31, 2013 to comply with Regulation No. 35 of Chapter XI contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges.

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

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

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

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

Chartered Accountants
Karachi
Date: 24 February 2014

Engagement Partner: Imtiaz A. H. Laliwala

auditors' report to the members

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

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

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

(a) as more fully explained in note 47 to the financial statements, due to a fire at the Holding Company's old premises on August 19, 2007 certain records, documents and books of account of the Holding Company relating to prior years were destroyed. These included records of the Fertilizers Undertaking, which on demerger is part of the Company (note 1.2 to the financial statements). Records in electronic form remained intact and certain hard copy records relating to financial years 2005 and 2006 have not been recreated;

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

(c) in our opinion:

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

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

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

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

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

Chartered Accountants
Karachi
Date: 24 February 2014

Engagement Partner: Imtiaz A. H. Laliwala

balance sheet
as at december 31, 2013

(Amounts in thousand)

	Note	2013	2012
		(Rupees)	
Assets			
Non-Current Assets			
Property, plant and equipment	4	79,315,218	82,877,701
Intangible assets	5	138,464	161,555
Long term loans and advances	6	109,349	83,763
		79,563,031	83,123,019
Current assets			
Stores, spares and loose tools	7	4,368,863	4,107,291
Stock-in-trade	8	1,381,665	1,687,072
Trade debts	9	758,253	1,046,091
Derivative financial instruments	19	130,207	545
Loans, advances, deposits and prepayments	10	625,832	395,150
Other receivables	11	28,177	61,038
Taxes recoverable		556,314	2,000,249
Short term investments	12	18,058,054	2,635,339
Cash and bank balances	13	4,458,391	2,449,168
		30,365,756	14,381,943
TOTAL ASSETS		109,928,787	97,504,962

(Amounts in thousand)

	Note	2013	2012
		(Rupees)	
Equity & Liabilities			
Equity			
Share capital	14	12,228,000	10,728,000
Share premium		11,144	11,144
Advance against issue of shares	15	2,118,750	-
Hedging reserve	16	(147,644)	(323,880)
Remeasurement of post employment benefits		(20,886)	-
Unappropriated profit		10,879,868	5,382,763
		12,841,232	5,070,027
Total Equity		25,069,232	15,798,027
Liabilities			
Non-current liabilities			
Borrowings	17	52,896,382	48,481,626
Subordinated loan from Holding Company	18	3,000,000	3,000,000
Derivative financial instruments	19	1,531,252	497,869
Deferred liabilities	20	4,654,523	3,380,705
Retirement and other service benefits obligations	21	104,053	99,029
		62,186,210	55,459,229
Current liabilities			
Trade and other payables	22	18,012,445	7,957,173
Accrued interest / mark-up	23	1,479,667	1,788,282
Current portion of:			
- borrowings	17	2,924,299	14,896,412
- retirement and other service benefits obligations	21	43,893	39,624
Short term borrowings	24	-	999,791
Derivative financial instruments	19	213,041	566,424
		22,673,345	26,247,706
Total liabilities		84,859,555	81,706,935
Contingencies and Commitments	25		
TOTAL EQUITY & LIABILITIES		109,928,787	97,504,962

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

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

profit and loss account
for the year ended december 31, 2013

(Amounts in thousand except for earnings / (loss) per share)	Note	2013	2012
		——(Rupees)——	
Net sales	26	50,128,936	30,626,520
Cost of sales	27	(28,007,905)	(20,765,773)
Gross profit		22,121,031	9,860,747
Selling and distribution expenses	28	(3,511,155)	(2,499,982)
Administrative expenses	29	(600,990)	(582,779)
		18,008,886	6,777,986
Other income	30	1,104,650	379,443
Other operating expenses	31	(2,060,015)	(405,977)
Finance cost	32	(8,669,569)	(10,703,246)
		(10,729,584)	(11,109,223)
Profit / (loss) before taxation		8,383,952	(3,951,794)
Taxation	33	(2,886,847)	1,017,219
Profit / (loss) for the year		5,497,105	(2,934,575)
			Restated
Earnings / (loss) per share - basic and diluted	34	4.66	(2.59)

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

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

statement of comprehensive income
for the year ended december 31, 2013

(Amounts in thousand)	Note	2013	2012
		——(Rupees)——	
Profit / (loss) for the year		5,497,105	(2,934,575)
Other comprehensive income			
Items potentially re-classifiable to Profit and Loss Account			
Hedging reserve - cash flow hedges			
Loss arising during the year		(94,667)	(587,841)
Less: Adjustment for amounts transferred to profit and loss account		369,241	848,374
Less: Adjustment for amounts transferred to initial carrying amount of hedged items (Capital work in progress)		-	7,069
Income tax (Deferred) relating to hedging reserve		(98,338)	(93,661)
		176,236	173,941
Items not potentially re-classifiable to Profit and Loss Account			
Remeasurement of post employment benefits obligation		(31,646)	-
Income tax (Deferred) relating to remeasurement of post employment benefits obligation		10,760	-
		(20,886)	-
Other comprehensive income for the year, net of tax		155,350	173,941
Total comprehensive income / (loss) for the year		5,652,455	(2,760,634)

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

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

statement of changes in equity
for the year ended december 31, 2013

(Amounts in thousand)

	Share capital	Advance against issue of share capital	Reserve: Capital: Share premium	Reserve: Capital: Employees share option compensation reserve	Reserve: Revenue: Hedging reserve	Reserve: Revenue: Unappropriated profit	Remeasurement of post employment benefits	Total
	Rupees							
Balance as at January 1, 2012	10,728,000	-	11,144	58,397	(497,821)	8,317,338	-	18,617,058
Total comprehensive income / (loss) for the year ended December 31, 2012								
Loss for the year	-	-	-	-	-	(2,934,575)	-	(2,934,575)
Other comprehensive income - cash flow hedges, net of tax	-	-	-	-	173,941	-	-	173,941
	-	-	-	-	173,941	(2,934,575)	-	(2,760,634)
Transactions with owners								
Share options lapsed during the year	-	-	-	(58,397)	-	-	-	(58,397)
Balance as at December 31, 2012	10,728,000	-	11,144	-	(323,880)	5,382,763	-	15,798,027
Total comprehensive income for the year ended December 31, 2013								
Profit for the year	-	-	-	-	-	5,497,105	-	5,497,105
Other comprehensive income:								
- cash flow hedges, net of tax	-	-	-	-	176,236	-	-	176,236
- remeasurements, net of tax	-	-	-	-	-	-	(20,886)	(20,886)
	-	-	-	-	176,236	5,497,105	(20,886)	5,652,455
Transactions with owners								
Share capital issued during the year	1,500,000	-	-	-	-	-	-	1,500,000
Advance received during the year	-	2,118,750	-	-	-	-	-	2,118,750
Balance as at December 31, 2013	12,228,000	2,118,750	11,144	-	(147,644)	10,879,868	(20,886)	25,069,232

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

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

statement of cash flows
for the year ended december 31, 2013

(Amounts in thousand)	Note	2013	2012
		(Rupees)	
Cash flows from operating activities			
Cash generated from operations	37	32,530,008	15,482,221
Retirement and other service benefits paid		(30,567)	(30,361)
Finance cost paid		(7,213,169)	(8,725,883)
Transaction cost paid		(195,212)	-
Taxes paid		(252,807)	(344,344)
Long term loans and advances		(25,586)	(11,112)
Net cash generated from operating activities		24,812,667	6,370,521
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		(1,452,696)	(2,069,686)
Proceeds from sale of PPE		80,969	43,835
Income on deposits / other financial assets		811,509	168,742
Net cash utilized in investing activities		(560,218)	(1,857,109)
Cash flows from financing activities			
Proceeds from borrowings		-	6,000,000
Repayments of borrowings		(9,439,470)	(10,919,508)
Proceeds from right issue		1,500,000	-
Advance against issue of shares		2,118,750	-
Net cash utilized in financing activities		(5,820,720)	(4,919,508)
Net increase / (decrease) in cash and cash equivalents		18,431,729	(406,096)
Cash and cash equivalents at beginning of the year		4,084,716	4,490,812
Cash and cash equivalents at end of the year	38	22,516,445	4,084,716

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

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

notes to the financial statements for the year ended december 31, 2013

(Amounts in thousand)

1. Legal Status And Operations

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

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

1.3 During the year, the Company has made an Initial Public Offer (IPO) through issue of 75 million ordinary shares of Rs. 10 each at a price of Rs. 28.25 per share determined through book building process. Out of the total issue of 75 million ordinary shares, 56.25 million shares were subscribed through book building by High Net Worth Individuals and institutional investors whereas the remaining 18.75 million shares were subscribed by the general public. The shares have been duly allotted subsequent to the year end. On January 17, 2014, the Karachi and Lahore Stock Exchanges have approved the Company's application for formal listing and quotation of shares.

2. Summary of Significant Accounting Policies

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

2.1 Basis of preparation

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

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

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

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

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

The following standards, amendments to published standards and interpretations are mandatory for the financial year beginning January 1, 2013:

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

- IAS 19 – 'Employee Benefits'. The revised standards (i) requires past service cost to be recognized immediately in the profit or loss; (ii) replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year; (iii) introduced a new term 'remeasurements' which is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires to recognize all remeasurement gain or loss / actuarial gain or loss in the Other Comprehensive Income (OCI) immediately as they occur. The Company has recognized the effect of such amendment in the current year financial statements, as explained in note 2.18.2.

- IAS 1 (Amendment) 'Financial statement presentation'. The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either: as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'. When an entity produces an additional balance sheet as required by IAS 8, the balance sheet should be as at the date of the beginning of the preceding period, i.e. the opening position. No notes are required to support this balance sheet. The amendment does not have any impact on the Company's current period financial statements.

- IAS 16 (Amendment) 'Property, plant and equipment'. The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The Company's policy is already in line with the requirements of this amendment.

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

- IFRS 7 (Amendment) 'Financial instruments: Disclosures, on offsetting financial assets and financial liabilities'. The amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. The amendment clarifies the offsetting requirements for amounts presented in the financial statements to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare in accordance with US GAAP. The amendment does not have any impact on the Company's financial statements in the current year.

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

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

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

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

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

- IAS 32 (Amendment), 'Financial instruments: Presentation' (effective for periods beginning on or after January 1, 2014). This amendment updates the application guidance in IAS 32 ' Financial Instruments: Presentation', to clarify some of the requirements for offsetting financial

(Amounts in thousand)

assets and financial liabilities on the balance sheet date. It is unlikely that the standard will have any significant impact on the Company's financial statements.

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

- IFRS 9 (Amendment) 'Financial instruments' (effective for periods beginning on or after January 1, 2015). This standard is yet to be notified by the SECP. IFRS 9 replaces the parts of IAS 39, 'Financial instruments: recognition and measurement' that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, incase the fair value option is taken for financial liabilities, the part of a fair value change due to entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess of IFRS 9's full impact. The Company will also consider the impact of the remaining phases of IFRS when completed by the Board, however, the initial indications are that it may not affect the Company's financial statements significantly.

- IFRS 9 (Amendment) , 'Financial instruments', regarding general hedge accounting (effective date yet to be determined) not yet notified by SECP. These amendments bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. The Company is yet to assess IFRS 9's full impact.

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

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

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

2.2 Property, plant and equipment

2.2.1 Owned assets

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except free-hold land and capital work in progress which are stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs (note 2.22). The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

(Amounts in thousand)

property, plant and equipment.

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

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

Depreciation is charged to the profit and loss account using the straight line method, except for catalyst whose depreciation is charged on the basis of no. of production days, whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life. Depreciation on addition is charged from the month following the month in which the asset is available for use and on disposals up to the preceding month of disposal.

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

2.2.2 Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Outstanding obligations under the lease less finance cost allocated to future periods are shown as a liability.

Finance cost under lease agreements are allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

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

2.3 Intangible assets

a) Computer Software and Licenses

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

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

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

b) Rights for future gas utilization

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

2.4 Impairment of non-financial assets

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

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

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

2.6 Financial assets

2.6.1 Classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Held to maturity financial assets

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

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose it off within 12 months of the end of the reporting date. There were no available for sale financial assets at the balance sheet date.

2.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been

transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

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

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

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

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 2.12.

2.7 Financial Liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of an instrument. Financial liabilities are extinguished when it is discharged or cancelled or expires or when there is substantial modification in the terms and conditions of the original financial liability or part of it. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least ten percent different from the discounted present value of the remaining cash flows of the original financial liability. If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

2.8 Offsetting financial instruments

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

2.9 Derivative financial instruments and hedging activities

Derivatives are recognized initially at fair value; attributable transaction cost are recognized in profit and loss account when incurred. Subsequent to initial recognition, derivatives are measured at fair values, and changes therein are accounted for as described below:

a) Cash flow hedges

Changes in fair value of derivative hedging instruments designated as a cash flow hedge are recognized in statement of comprehensive income to the extent that the hedge is effective. To the extent the hedge is ineffective, changes in fair value are recognized in profit and loss account.

(Amounts in thousand)

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously deferred in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount previously deferred in equity is transferred to carrying amount of the asset when it is recognized. In other cases the amount deferred in equity is transferred to profit and loss account in the same period that the hedge item affects profit and loss account.

b) Other non-trading derivatives
When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit and loss account.

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

2.10 Stores, spares and loose tools

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

2.11 Stock-in-trade

These are valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for raw materials in transit which are stated at cost (invoice value) plus other charges incurred thereon till the balance sheet date. Cost in relation to finished goods includes applicable purchase cost and manufacturing expenses. The cost of work in process includes material and proportionate conversion costs.

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

2.12 Trade debts and other receivables

These are recognized initially at fair value plus directly attributable transaction costs, if any and subsequently measured at amortized cost using effective interest rate method less provision for impairment, if any. A provision for impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is charged to profit and loss account. Trade debts and other receivables considered irrecoverable are written-off.

2.13 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts / short term borrowings. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

2.14 Share capital

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

(Amounts in thousand)

2.15 Borrowings

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

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

2.16 Trade and other payables

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

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

2.17 Current and deferred income tax

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

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

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

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

2.18 Employee benefits

2.18.1 Defined contribution plans

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

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

- defined contribution pension fund for the benefit of those management employees who have not opted for defined contribution gratuity fund

(Amounts in thousand)

as more fully explained in note 2.18.3. Monthly contributions are made by the Company to the fund at rates ranging from 12.5% to 13.75% of basic salary.

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

2.18.2 Defined benefit plans

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

Consequent to amendments to IAS 19, as referred to in note 2.1.4 (a), the Company has changed its accounting policy in accordance therewith whereby actuarial gains / losses are now being recognized directly in equity through statement of other comprehensive income. Previously, such actuarial gains / losses arising at each valuation date were being recognized under the corridor approach whereby actuarial gains / losses in excess of corridor (10% of the higher of fair value of assets and present value of obligation) were recognized over the average remaining service life of the employees. Since the effect of such change in policy on the Company's equity, retirement benefits obligation and profit and loss for the prior years is not material, the Company has not re-stated prior year's financial statements and recognized prior year effects (unrecognized portion) in the current period financial statements.

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

The Company also contributes to:
- defined benefit funded pension scheme for its management employees.

- defined benefit funded gratuity schemes for its management and non-management employees.

The pension scheme provides life time pension to retired employees or to their spouses. Contributions are made annually to these funds on the basis of actuarial recommendations. The pension scheme has been curtailed and effective from July 1, 2005, no new members are inducted in this scheme.

Actuarial gains on curtailment of defined benefit pension scheme (curtailed) is recognized immediately once the certainty of recovery is established.

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

2.18.4 Service incentive plan

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

(Amounts in thousand)

2.18.5 Employees' compensated absences

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

2.19 Provisions

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

2.20 Foreign currency transactions and translation

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

2.21 Revenue recognition

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

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

2.22 Borrowing costs

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

2.23 Research and development costs

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

2.24 Government grant

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

2.25 Earnings per share

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

(Amounts in thousand)

2.26 Transactions with related parties

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

2.27 Dividend and appropriation to reserves

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

3. Critical Accounting Estimates and Judgements

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

3.1 Property, plant and equipment

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

During the year, the Company has revised the depreciation method of catalyst from number of years to number of production days to better reflect the consumption of its economic benefits. The effect of such a change in estimate is not material.

3.2 Investments stated at fair value through profit and loss

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

3.3 Derivatives

The Company reviews changes in fair values of the derivative hedging financial instruments at each reporting date based on the valuations received from the contracting banks. These valuations represent estimated fluctuations in the relevant currencies / interest rates over the reporting period and other relevant variables signifying currency and interest rate risks. The fair value of conversion options on IFC loan is determined using the option pricing model.

3.4 Stock-in-trade and stores & spares

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

3.5 Income taxes

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

3.6 Provision for retirement and other service benefits obligations

The present value of these obligations depend on a number of factors that are determined on actuarial basis using various assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present value of these obligations and the underlying assumptions are disclosed in note 36.2.4 and 36.2.9 respectively.

(Amounts in thousand)

4. Property, Plant And Equipment

	2013	2012
	(Rupees)	
Operating assets at net book value (note 4.1)	77,271,365	81,836,327
Capital work in progress		
- Other projects (note 4.4)	1,640,564	608,052
- Major spare parts and stand-by equipment	403,289	433,322
	2,043,853	1,041,374
	79,315,218	82,877,701

(Amounts in thousand)

4.1 Operating assets

	Land		Building		Plant and	Gas	Catalyst	Furniture,	Vehicles	Total
	Freehold	Leasehold	Freehold	Leasehold	machinery	Pipeline		fixture and equipments		
	Rupees									
As at January 1, 2012										
Cost	149,575	187,320	2,260,795	359,544	88,967,596	1,706,029	1,516,590	567,461	466,293	96,181,203
Accumulated depreciation	-	(43,565)	(496,068)	(83,407)	(9,151,956)	(103,225)	(515,145)	(415,554)	(219,852)	(11,028,772)
Net book value	149,575	143,755	1,764,727	276,137	79,815,640	1,602,804	1,001,445	151,907	246,441	85,152,431
Year ended December 31, 2012										
Net book value - January 1, 2012	149,575	143,755	1,764,727	276,137	79,815,640	1,602,804	1,001,445	151,907	246,441	85,152,431
Transfers from CWIP (note 4.4)	-	-	199,078	7,627	1,518,591	797	266,587	77,590	79,120	2,149,390
Adjustments	-	-	(74,703)	-	(244,627)	-	-	-	-	(319,330)
Disposals / write offs (note 4.3)										
Cost	-	-	-	-	(163,636)	-	-	(11,178)	(78,046)	(252,860)
Accumulated depreciation	-	-	-	-	11,843	-	-	9,808	42,212	63,863
	-	-	-	-	(151,793)	-	-	(1,370)	(35,834)	(188,997)
Depreciation charge (note 4.2)	-	(4,289)	(117,645)	(9,027)	(4,271,762)	(66,825)	(359,064)	(59,348)	(69,207)	(4,957,167)
Net book value	149,575	139,466	1,771,457	274,737	76,666,049	1,536,776	908,968	168,779	220,520	81,836,327
As at January 1, 2013										
Cost	149,575	187,320	2,385,170	367,171	90,077,924	1,706,826	1,783,177	633,873	467,367	97,758,403
Accumulated depreciation	-	(47,854)	(613,713)	(92,434)	(13,411,875)	(170,050)	(874,209)	(465,094)	(246,847)	(15,922,076)
Net book value	149,575	139,466	1,771,457	274,737	76,666,049	1,536,776	908,968	168,779	220,520	81,836,327
Year ended December 31, 2013										
Net book value - January 1, 2013	149,575	139,466	1,771,457	274,737	76,666,049	1,536,776	908,968	168,779	220,520	81,836,327
Transfers from CWIP (note 4.4)	-	-	188,078	751	207,072	-	-	38,172	3,335	437,408
Disposals / write offs (note 4.3)										
Cost	-	-	-	-	(164,301)	-	-	(2,479)	(61,984)	(228,764)
Accumulated depreciation	-	-	-	-	103,912	-	-	2,470	40,855	147,237
	-	-	-	-	(60,389)	-	-	(9)	(21,129)	(81,527)
Depreciation charge (note 4.2)	-	(4,393)	(135,324)	(9,188)	(4,232,381)	(54,661)	(371,142)	(55,883)	(57,871)	(4,920,843)
Net book value	149,575	135,073	1,824,211	266,300	72,580,351	1,482,115	537,826	151,059	144,855	77,271,365
As at December 31, 2013										
Cost	149,575	187,320	2,573,248	367,922	90,120,695	1,706,826	1,783,177	669,566	408,718	97,967,047
Accumulated depreciation	-	(52,247)	(749,037)	(101,622)	(17,540,344)	(224,711)	(1,245,351)	(518,507)	(263,863)	(20,695,682)
Net book value	149,575	135,073	1,824,211	266,300	72,580,351	1,482,115	537,826	151,059	144,855	77,271,365
Annual rate of depreciation (%)	-	2 to 5	2.5 to 8	2.5	5 to 10	5.0	No. of production days (note 3.1)	10 to 25	12 to 25	

(Amounts in thousand)

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

	2013	2012
	(Rupees)	
Cost of sales (note 27)	4,870,537	4,897,618
Selling and distribution expenses (note 28)	25,790	28,037
Administrative expenses (note 29)	24,516	31,512
	4,920,843	4,957,167

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

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sales proceeds
		Rupees			
Plant and machinery					
Old Ammonia 1 plant (dismantled portion)	Pak Arab Engineering (Private) Limited	111,589	92,665	18,924	50,431
Crank Shaft for C2E compressor	Written off	52,712	11,247	41,465	-
		164,301	103,912	60,389	50,431
Vehicles					
By Company policy to existing / separating executives	Muhammad Idrees	1,561	1,229	332	332
	Bilal Mustafa	1,439	1,079	360	360
	Rehan Sajjad	1,439	1,079	360	360
	Abdul Hafeez Sheikh	1,439	1,079	360	360
	Nasir Iqbal	1,567	1,177	390	859
	Muhammad Azam Khan	1,359	771	588	588
	Rehman Hanif	1,389	673	716	1,389
	Mohammad Ahmed Raj	1,329	872	457	472
	Waseem Haider	1,461	594	867	1,461
	Muhammad Asif Ali	1,439	1,079	360	559
	Syed Asghar Naqvi	1,329	955	374	512
	Amber Naureen Vincent	1,329	997	332	332
	Mahmood Siddiqui	1,800	1,350	450	450
	Ahmad Naeem Aftab Pasha	1,389	1,042	347	347
	Shahzad Nabi	1,800	1,350	450	450
	Arif Jalil	1,389	825	564	608
	Ahmed Muneeb	1,389	781	608	608
	Aamish Junaid Khan	1,560	414	1,146	1,560
	Abdul Munim Sheikh	1,401	744	657	751
	Mohammad Minhajul Haq	1,329	997	332	332
	Irfan Hussain	1,329	997	332	332
	Amina Waheed	1,540	541	999	999
	Akhtar Kamal Sami	1,329	997	332	332
	Mohammad Ali Khadim	1,930	917	1,013	1,013
	Syed Ahmad Hasan	1,329	997	332	332
	Mohammad Ashraf Chaudhry	1,329	997	332	332
	Amir Altaf Siddiki	1,560	472	1,088	1,088
	Balance carried forward	39,483	25,005	14,478	17,118

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sales proceeds
		Rupees			
	Balance brought forward	39,483	25,005	14,478	17,118
	Junaid Ahmed Farooqui	1,648	232	1,416	1,648
	Wajid Hussain Junejo	1,810	1,358	452	453
	Fahd Khawaja	1,849	1,386	463	462
	Asad Aleem Khan	1,556	1,190	366	365
	Eqan Ali Khan	1,849	1,387	462	462
	Khusrau Nadir Gilani	1,849	1,387	462	462
	Waseem Anwar	1,359	1,019	340	340
		51,403	32,964	18,439	21,310
Insurance claim	Chartis Insurance Co.	1,060	795	265	850
	Hampshire Insurance Company	1,560	366	1,194	1,550
	EFU General Insurance	547	341	206	208
		3,167	1,502	1,665	2,608
Sale through bid	Raees Khan	605	545	60	448
	Hassan Ali Warsi	535	482	53	515
	Choudhry Asjad Ghani	560	504	56	436
	Sultan Jan Niazi	605	545	60	419
	Imran Ahmed	316	316	-	675
	Syed Mehboob Ali	485	436	49	462
	Mohammed Jawed	879	659	220	600
	Musab Siddiqui	555	500	55	391
	Shan Jan	530	494	36	511
	Noor Mohammed Mughal	485	485	-	518
	Zahid Qadri	1,859	1,423	436	1,196
		7,414	6,389	1,025	6,171
		61,984	40,855	21,129	30,089
Items having net book value upto Rs. 50 each					
Furniture, fixtures and equipment		2,479	2,470	9	449
Year ended December 31, 2013		228,764	147,237	81,527	80,969
Year ended December 31, 2012		252,860	63,863	188,997	43,835

(Amounts in thousand)

4.4 Capital work in progress - Other Projects

	Plant & machinery	Building & civil works including Gas pipe line	Furniture, fixture & equipment	Advances to suppliers	Other ancillary cost	Total
	Rupees					
Year ended December 31, 2012						
Balance as at January 1, 2012	456,131	200,515	33,275	19,153	77,005	786,079
Additions during the year	1,783,042	156,004	26,727	62,794	1,449	2,030,016
Reclassifications	(13,168)	(4,219)	26,274	341	(9,228)	-
Transferred to:						
- operating assets (notes 4.1)	(1,785,178)	(207,502)	(77,590)	(79,120)	-	(2,149,390)
- intangible assets (note 5)	-	-	-	-	(58,653)	(58,653)
Balance as at December 31, 2012	440,827	144,798	8,686	3,168	10,573	608,052
Year ended December 31, 2013						
Balance as at January 1, 2013	440,827	144,798	8,686	3,168	10,573	608,052
Additions during the year (4.4.1)	1,397,779	66,864	10,473	216	7,397	1,482,729
Reclassifications	(77,152)	54,770	20,029	(49)	2,402	-
Transferred to:						
- operating assets (note 4.1)	(207,072)	(188,829)	(38,172)	(3,335)	-	(437,408)
- intangible assets (note 5)	-	-	-	-	(12,809)	(12,809)
Balance as at December 31, 2013	1,554,382	77,603	1,016	-	7,563	1,640,564

4.4.1 Includes Rs. 453,381 (2012: Nil) in respect of construction of pipeline for obtaining gas from Reti Maru gas field.

(Amounts in thousand)

5. ## Intangible Assets

	Software and licenses	Rights for future gas utilization	Total
		Rupees	
As at January 1, 2012			
Cost	168,031	102,312	270,343
Accumulated amortization	(132,918)	(2,656)	(135,574)
Net book value	35,113	99,656	134,769
Year ended December 31, 2012			
Net book value - January 1, 2012	35,113	99,656	134,769
Transfers from CWIP (note 4.4)	58,653	-	58,653
Amortization (note 5.1)	(26,756)	(5,111)	(31,867)
Net book value	67,010	94,545	161,555
As at December 31, 2012			
Cost	226,684	102,312	328,996
Accumulated amortization	(159,674)	(7,767)	(167,441)
Net book value	67,010	94,545	161,555
Year ended December 31, 2013			
Net book value- January 1, 2013	67,010	94,545	161,555
Transfers from CWIP (note 4.4)	12,809	-	12,809
Amortization (note 5.1)	(30,790)	(5,110)	(35,900)
Net book value	49,029	89,435	138,464
As at December 31, 2013			
Cost	239,493	102,312	341,805
Accumulated amortization	(190,464)	(12,877)	(203,341)
Net book value	49,029	89,435	138,464

(Amounts in thousand)

		2013	2012
		(Rupees)	
5.1	Amortization for the year has been allocated as follows:		
	Cost of sales (note 27)	35,079	21,792
	Selling and distribution expenses (note 28)	115	48
	Administrative expenses (note 29)	706	10,027
		35,900	31,867

5.2 The Company does not have any internally generated intangible assets.

6. ## Long Term Loans And Advances - Considered good

	2013	2012
Long term loans to:		
Executives (notes 6.1 and 6.2)	187,302	145,659
Other employees (note 6.3)	34,672	2,503
	221,974	148,162
Less: Current portion shown under current assets (note 10)	112,625	64,399
	109,349	83,763

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

	2013	2012
Balance at beginning of the year	145,659	130,561
Disbursements	95,139	105,347
Repayments / amortization	(53,496)	(90,249)
Balance at end of the year	187,302	145,659

6.2 Includes interest free service incentive loans to executives of Rs. 92,271 (2012: Rs. 87,686). It also includes advance of Rs. 34,603 (2012: Rs. 37,001), Rs. 11,776 (2012: Rs. 8,707), Rs. 12,576 (2012: Rs. 12,265) and Rs. 36,076 (2012: Nil) to executives for car earn out assistance, long term incentive, house rent advance and retention loan respectively.

6.3 Represents interest free loans given to workers of Rs. 34,672 (2012: Rs. 2,503) pursuant to Collective Labour Agreement.

6.4 The maximum amount outstanding at the end of any month during the year ended December 31, 2013 from executives aggregated to Rs.194,564 (2012: Rs. 160,101).

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

(Amounts in thousand)

7. Stores, Spares And Loose Tools

	2013	2012
	(Rupees)	
Consumable stores	394,052	360,975
Spares	4,063,443	3,818,143
Tools	4,315	3,373
	4,461,810	4,182,491
Less: Provision for surplus and slow moving items	92,947	75,200
	4,368,863	4,107,291

8. Stock-in-trade

	2013	2012
Raw materials (note 8.1 and 8.2)	806,352	1,007,159
Packing materials	59,892	48,906
Work in process	71,880	3,060
	938,124	1,059,125
Finished goods	443,541	627,947
	1,381,665	1,687,072

8.1 Includes in-transit amounting to Nil (2012: Rs. 424,637).

8.2 Includes raw material amounting to Nil (2012: Rs. 201,908) held in custody by Engro Eximp (Private) Limited, an associated undertaking.

9. Trade Debts

	2013	2012
	(Rupees)	
Considered good		
- Secured (note 9.1)	663,624	1,006,181
- Unsecured	94,629	39,910
	758,253	1,046,091
Considered doubtful	27,073	8,073
	785,326	1,054,164
Provision for impairment (note 9.3)	(27,073)	(8,073)
	758,253	1,046,091

(Amounts in thousand)

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

9.2 As at December 31, 2013, trade debts aggregating to Nil (2012: Rs. 93,927) were past due but not impaired.

9.3 As at December 31, 2013, trade debts aggregating to Rs. 27,073 (2012: Rs. 8,073) were past due and provided for. The ageing analysis of these provided for debts is as follows:

	2013	2012
	(Rupees)	
Upto 1 year	19,000	-
More than 1 year	8,073	8,073
	27,073	8,073

10. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

	2013	2012
Considered good		
Current portion of long term loans and advances to executives and other employees - (note 6)	112,625	64,399
Advances and deposits	176,440	140,060
Prepayments		
- Insurance	227,734	179,407
- Others (note 10.1)	109,033	11,284
	625,832	395,150
Considered doubtful - advances and deposits	5,770	1,512
Provision for impairment (note 10.2)	(5,770)	(1,512)
	625,832	395,150

10.1 This includes expenditure of Rs. 97,365 (2012: Nil) incurred on account of Initial Public Offering of 75 million ordinary shares, which will be adjusted against the share premium on allotment of the shares thereof.

10.2 As at December 31, 2013, advances and prepayments aggregating to Rs. 5,770 (2012: Rs. 1,512) were impaired and provided for. The ageing analysis of impaired advances is as follows:

	2013	2012
	(Rupees)	
Upto 1 year	4,258	-
More than 1 year	1,512	1,512
	5,770	1,512

(Amounts in thousand)

11. Other Receivables

	2013	2012
	(Rupees)	
Receivable from Government of Pakistan	291	291
Accrued income on deposits / investments	13,780	10,816
Receivable from pension fund (note 36.2.1)	-	1,800
Due from associated companies:		
- Engro Foods Limited	1,567	259
- Engro Polymer & Chemicals Limited	1,185	4,425
- Engro Powergen Qadirpur Limited	1,068	4,534
- Engro Foundation	-	462
- Engro Eximp Agri Products (Private) Limited	133	203
- Engro Vopak Terminal Limited	8	7
Claims on foreign suppliers	3,642	3,848
Insurance claims / receivables	-	30,455
Workers' profits participation fund (note 11.3)	1,565	-
Others	4,938	4,403
Less: Provision for impairment	-	465
	28,177	61,038

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

	2013	2012
	(Rupees)	
Holding Company		
- Engro Corporation Limited	1,201	36,342
Associated companies		
- Engro Eximp (Private) Limited	33,039	69,798
- Engro Foods Limited	4,705	7,755
- Engro Polymer & Chemicals Limited	9,400	17,267
- Engro Powergen Qadirpur Limited	17,116	12,960
- Engro PowerGen Limited	132	1,090
- Sindh Engro Coal Mining Company Limited	1,510	452
- Engro Eximp Agri Products (Private) Limited	2,924	1,623
- Engro Foundation	729	462
- Engro Vopak Terminal Limited	465	447

(Amounts in thousand)

11.2 As at December 31, 2013, receivables aggregating to Rs. 8,722 (2012: Rs. 42,047) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2013	2012
	(Rupees)	
Upto 3 months	2,873	36,109
3 to 6 months	2,236	3,229
More than 6 months	3,613	2,709
	8,722	42,047

11.3 Workers' profits participation fund

	2013	2012
Payable at beginning of the year	-	49,326
Interest charged for the year (note 32)	-	1,000
Allocation for the year (note 31)	453,435	-
Less: Amount paid to the trustees of the fund	455,000	50,326
Receivable at end of the year	1,565	-

12. Short Term Investments

	2013	2012
Financial assets at fair value through profit or loss		
Fixed income placements (note 12.1)	1,578,951	652,148
Money market funds (note 12.2)	-	400,000
	1,578,951	1,052,148
Loans and receivables		
Reverse repurchase of treasury bills (note 12.3)	16,479,103	1,088,681
Held to maturity		
Treasury bills (note 12.3)	-	494,510
	18,058,054	2,635,339

12.1 These represent foreign and local currency deposits with various banks, at interest rates ranging from 8.00% per annum to 10.20% per annum (2012: 7.25% per annum to 10.00% per annum).

12.2 These represent investments in various money market funds which are valued at their respective net assets values at balance sheet date.

12.3 These represent treasury bills at the interest rate ranging from 8.45% per annum to 9.17% per annum (2012: 9.21% per annum).

(Amounts in thousand)

13. Cash And Bank Balances

	2013	2012
	(Rupees)	
Cash at banks on:		
- deposit accounts (note 13.1 and 13.2)	2,606,262	2,356,345
- current accounts (note 13.3)	1,844,879	85,573
	4,451,141	2,441,918
Cash in hand - imprest funds	7,250	7,250
	4,458,391	2,449,168

13.1 Deposit accounts carried return at rates ranging upto 10.15% per annum (2012: 10.00% per annum).

13.2 Includes Rs. 13,635 (2012: Rs.14,716) held in foreign currency bank accounts.

13.3 Includes total amount of subscription money aggregating to Rs. 1,815,748 received from general public against the shares offered through IPO, of which Rs.1,286,061 has been refunded to unsuccessful applicants subsequent to year end.

14. Share Capital

	2013	2012
	(Rupees)	
Authorized Capital		
1,400,000,000 (2012: 1,300,000,000) Ordinary shares of Rs. 10 each (note 14.1)	14,000,000	13,000,000
Issued, subscribed and paid-up capital		
150,000,007 (2012: 7) Ordinary shares of Rs. 10 each, fully paid in cash	1,500,000	-
9,999,993 (2012: 9,999,993) Ordinary shares of Rs. 10 each issued as at January 1, 2010 on transfer of fertilizer undertaking (note 1.2)	100,000	100,000
1,062,800,000 (2012: 1,062,800,000) Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	10,628,000	10,628,000
	12,228,000	10,728,000

(Amounts in thousand)

14.1 During the year, the Company increased its authorized capital by 100,000,000 ordinary shares of Rs 10 each.

14.2 The Holding Company as at December 31, 2013 held 100% (2012: 100%) ordinary shares in the Company. However, during the year, the Holding Company divested 30 million shares of the Company. In addition, the Company also made an Initial Public Offer, as more fully explained in note 1.3 to the financial statements. As a result the Holding Company, subsequent to the balance sheet date, holds 91.91% of the share capital of the Company.

14.3 Movement In Issued, Subscribed And Paid Up Capital

2013	2012		2013	2012
Number of shares			Rupees	
1,072,800	1,072,800	At January 1	10,728,000	10,728,000
150,000	-	Ordinary shares of Rs. 10 each issued during the year as fully paid right shares	1,500,000	-
1,222,800	1,072,800	At December 31	12,228,000	10,728,000

15. Advance Against Issue Of Shares

Represents subscription money received against IPO, as more fully explained in note 1.3 to the financial statements.

16. Hedging Reserve

	2013	2012
	(Rupees)	
Hedging reserve on interest rate swaps	(223,703)	(498,277)
Deferred tax thereon	76,059	174,397
	(147,644)	(323,880)

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

(Amounts in thousand)

17. Borrowings - Secured (Non-participatory)

	Note	Mark - up rate p.a.	Installments Number	Installments Commenced / Commencing from	2013	2012
					———Rupees———	
Long term finance utilized under mark-up arrangements:						
Re-profiled borrowings						
Habib Bank Limited	17.1	6 months KIBOR + 1.1%	8 half yearly	March 31, 2013	397,661	700,000
Allied Bank Limited	17.1	6 months KIBOR + 1.1%	8 half yearly	June 26, 2013	794,655	1,400,000
Askari Bank Limited	17.1	6 months KIBOR + 1.1%	8 half yearly	June 30, 2013	100,000	175,000
Citibank N.A.	17.1	6 months KIBOR + 1.1%	8 half yearly	July 22, 2013	40,000	70,000
Standard Chartered Bank (Pakistan) Limited	17.1	6 months KIBOR + 1.1%	8 half yearly	June 30, 2013	198,916	350,000
National Bank of Pakistan	17.1	6 months KIBOR + 1.1%	10 half yearly	March 5, 2013	1,045,068	1,275,000
Faysal Bank Limited	17.1	6 months KIBOR + 2.35%	13 half yearly	May 26, 2013	1,159,373	1,498,896
Dubai Islamic Bank Limited	17.1	6 Months KIBOR + 2.11%	14 half yearly	June 30, 2013	444,159	494,856
Standard Chartered Bank	17.1	6 Months KIBOR + 2.40%	14 half yearly	June 14, 2013	791,322	993,967
Samba Bank Limited	17.1	6 Months KIBOR + 2.40%	14 half yearly	April 1, 2013	396,190	497,740
National Bank of Pakistan	17.1	6 Months KIBOR + 2.40%	10 half yearly	September 28, 2013	743,208	995,628
Syndicated finance	17.2	6 months KIBOR + 1.8%	14 half yearly	February 28, 2013	13,189,193	16,567,178
Islamic offshore finance	17.3	6 months LIBOR + 2.57%	9 half yearly	March 28, 2013	7,547,068	8,786,240
DFI Consortium finance	17.4	6 months LIBOR + 2.60%	7 installments	July 29, 2013	5,258,103	6,002,460
International Finance Corporation	17.5	6 months LIBOR + 6%	3 half yearly	September 15, 2016	3,102,937	2,831,600
Other borrowings						
International Finance Corporation	17.5	6 months LIBOR + 6%	3 half yearly	September 15, 2015	5,050,606	4,554,822
HSBC Middle East Limited		6 months KIBOR + 1.1%	8 half yearly	December 29, 2010	50,000	137,500
Habib Metropolitan Bank Limited		6 Months KIBOR + 2.40%	10 half yearly	June 21, 2013	120,000	199,965
Bank Islami Pakistan Limited		6 months KIBOR + 2.40%	14 half yearly	May 26, 2010	272,564	363,418
Pak Kuwait Investment Company (Private) Limited		6 months KIBOR + 2.35%	10 half yearly	April 30, 2012	298,516	397,605
Silk Bank Limited		6 Months KIBOR + 2.35%	10 half yearly	January 21, 2013	180,000	299,648
Certificates						
Term Finance Certificates - 2nd Issue	17.6	6 months KIBOR + 1.55%			3,979,227	3,976,108
Term Finance Certificates - 3rd Issue	17.7	6 months KIBOR + 2.40%			1,666,884	1,822,096
Sukuk Certificates		6 months KIBOR + 1.50%	2 half yearly	March 6, 2015	2,995,031	2,991,775
Privately Placed Subordinated Term Finance Certificates	17.8				6,000,000	5,996,536
					55,820,681	63,378,038
Less: Current portion shown under current liabilities	17.1				2,924,299	14,896,412
					52,896,382	48,481,626

(Amounts in thousand)

17.1 The Company approached majority of the lenders for re-profiling of various finance facilities given the constrained operation due to gas curtailment. Initially, the Company proposed for a grace period of 2 to 2.5 years in the existing repayment schedule. Subsequently, the Company offered step-up payments in the interim period of 2.5 years due to improved cash flow expectations after Enven conversion on Mari gas.

As at December 31, 2013, the Company has agreed with all the lenders for the re-profiling of its long term loans. Accordingly, current portion is based on the revised repayment schedule. Necessary documentation of DFI consortium is in process. Furthermore, the consortium representing Islamic Finance Facility has agreed to convert 50% of the outstanding Islamic facility from USD into PKR. Principal terms of the re-profiling are as follows:

- Extension of loan tenor by 2.5 years with step up payments in the interim period;
- Amendment in financial covenants including a condition whereby dividend may be paid after repayment of 33% of the senior loans outstanding as at June 30, 2012;
- Implementation of cash sweep due to which all surplus cash over and above debt servicing, recurring capex, alternate gas capex and some pre-agreed cushion will be paid to lenders as prepayment of outstanding loan amount following the restoration of gas supply applicable from December 31, 2014 and until 25 % of the senior loans outstanding as at June 30, 2012 is repaid; and
- Gas supply from the long term allocation would start by July 2014.

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

17.3 This represents the balance amount of an offshore Islamic Finance Facility Agreement of USD 150,000 with Citi Bank, Dubai Islamic Bank, Habib Bank Limited, National Bank of Pakistan, SAMBA Financial Group and Standard Chartered Bank.

17.4 This represents the balance amount of a facility agreement amounting to USD 85,000 with a consortium of Development Finance Institutions comprising of DEG, FMO and OFID.

17.5 The Holding Company entered into a C Loan Agreement (Original Agreement) dated September 29, 2009 with International Finance Corporation (IFC) for USD 50,000, divided into Tranche A (USD 15,000) and Tranche B (USD 35,000). Both Tranche A and B were fully disbursed as at December 31, 2009 and transferred to the Company under the scheme of demerger effective January 1, 2010. However, the option given to convert the Tranche A loan amount of USD 15,000 shall remain upon the Holding Company's ordinary shares at Rs. 205 per ordinary share (reduced to Rs. 155.30 and Rs. 119.46 as at December 31, 2011 and December 31, 2012 respectively consequent to bonus issues) calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option. Such option is to be exercised within a period of no more than five years from the date of disbursement of the loan (December 28, 2009). Tranche B, however, is not convertible. The Holding Company, upon shareholders' approval in the Annual General Meeting of February 27, 2010, has entered into an agreement with the Company that in the event IFC exercises the aforementioned conversion option (Tranche A), the loan amount then outstanding against the Company would stand reduced by the conversion option amount and the Company would pay the rupee equivalent of the corresponding conversion amount to the Holding Company which would simultaneously be given to the Company as a subordinated loan, carrying mark-up payable by the Holding Company for rupee finances of like maturities plus a margin of 1%. The effect of IFC conversion in substance would result in a loan from the Holding Company having the same repayment terms / dates as that of Tranche A.

On December 22, 2010, the Company and IFC entered into an amended agreement for further disbursement of USD 30,000 over and above the aforementioned disbursed amount of USD 50,000. The amount was fully disbursed as at June 30, 2011. The salient features of the Original Loan essentially remained the same. The additional loan of USD 30,000 is divided into (i) 30% convertible loan on the shares of the Company at Rs. 41.67 per ordinary share calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option and (ii) 70% non-convertible loan. The additional loan is repayable by September 15, 2017 in three equal installments and carries interest at six months LIBOR plus a spread of 6% or 10% depending on the listing status of the Company at December 31, 2012.

(Amounts in thousand)

During the year, IFC has in principle agreed with the Company to waive its right to increase the spread of 4% and revision of conversion price to Rs. 24 per share. Necessary documentation is in process.

The fair value of the aforementioned conversion options, included in note 19, on the date of disbursement amounted to Rs. 338,647 and Rs. 63,000 for the original and additional loan respectively and is being amortised using effective interest method. The residual amount, representing the loan liability component is shown as long term borrowings. The fair value of these options as at December 31, 2013 amounted to Rs. 1,445,966 (2012: Rs. 243,964).

17.6 These represent secured and listed Term Finance Certificates (TFCs) of Rs. 4,000,000. The TFCs are structured to redeem 0.28% of principal in the first 84 months and remaining 99.72% principal in two equal semi-annual installments. First Dawood Islamic Bank is the trustee for these TFCs.

17.7 These represent secured and listed Term Finance Certificates (TFCs) of Rs. 2,000,000. The TFCs are structured to redeem as follows:

Year	Redemption %age
1	0.04%
2	0.04%
3	7.96%
4	7.96%
5	12%
6	12%
7	60%

IGI Investment Bank Limited is the trustee for these TFCs.

17.8 This represents Privately Placed Subordinated TFCs amounting to Rs. 4,000,000 (PPTFC Issue I) and Rs. 2,000,000 (PPTFC Issue II) respectively. The PPTFCs are perpetual in nature with a five year call and a ten year put option. The PPTFC I issue has mark-up of six months KIBOR plus 1.7% whereas the PPTFC II issue has mark-up of six months KIBOR plus 1.25%. IGI Investment Bank Limited is the trustee for these TFCs. In 2011, the aforementioned TFCs have been listed on the Over-The-Counter (OTC) market of the Karachi Stock Exchange.

17.9 The above finances, excluding those covered in notes 17.5 and 17.8 are secured by an equitable mortgage upon the immovable property of the Company and equitable charge over current and future fixed assets excluding immovable property of the Company. Loans from IFC are secured by a sub-ordinated mortgage upon the immovable property of the Company and sub-ordinated charge over all present and future fixed assets excluding immovable property of the Company. PPTFCs are secured by a subordinated floating charge over all present and future fixed assets excluding land and buildings.

Further, the Holding Company has issued corporate guarantees in respect of above finances excluding PPTFC whereas it has issued sub-ordinated corporate guarantee in respect of PPTFC.

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

18. Subordinated Loan From Holding Company - Unsecured

Represents subordinated loan obtained from the Holding Company for a period of five years. The entire loan is payable on or before the end of the term, i.e. September 14, 2015. The loan carries mark-up at the rate of 17.1% (2012: 17.1%).

(Amounts in thousand)

19. Derivative Financial Instruments

	2013		2012	
	Assets	Liabilities	Assets	Liabilities
	Rupees			
Conversion options on IFC loan (note 17.5)	-	1,445,966	-	243,964
Cash flow hedges				
- Foreign exchange forward contracts - net (note 19.1)	130,207	14,974	545	233,768
- Interest rate swaps (note 19.2)	-	283,353	-	586,561
	130,207	1,744,293	545	1,064,293
Less: Current portion shown under current assets / liabilities				
Cash flow hedges:				
- Foreign exchange forward contracts	130,207	14,974	545	233,768
- Interest rate swaps	-	198,067	-	332,656
	130,207	213,041	545	566,424
	-	1,531,252	-	497,869

19.1 Foreign exchange forward contracts

The Company entered in various USD : PKR forward contracts to hedge its foreign currency exposure. As at December 31, 2013, the Company had forward contracts to purchase USD 157,003 (2012: USD 185,671) at various maturity dates to hedge its foreign currency exposure, primarily loan obligations. The net fair value of these contracts as at December 31, 2013 is positive and amounted to Rs. 115,233 (2012: Rs. 233,223 negative).

19.2 Interest rate swaps

19.2.1 The Company entered into an interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing under an Offshore Islamic Finance Facility agreement, for a notional amount of USD 34,500 (2012: USD 72,000) amortizing up to September 2014. Under the swap agreement, the Company would receive USD-LIBOR from Citibank N.A Pakistan on notional amount and pay fixed 3.47% which will be settled semi-annually. The fair value of the interest rate swap as at December 31, 2013 is negative and amounted to Rs. 85,852 (2012: Rs. 252,479 negative).

19.2.2 The Company entered into another interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing from a consortium of Development Finance Institutions for a notional amount of USD 38,636 (2012: USD 54,091) amortizing upto April 2016. Under the swap agreement, the Company would receive USD-LIBOR from Standard Chartered Bank on notional amount and pay fixed 3.73% which will be settled semi-annually. The fair value of the interest rate swap as at December 31, 2013 is negative and amounted to Rs. 197,501 (2012: Rs. 334,082 negative).

(Amounts in thousand)

20. Deferred Liabilities

	2013	2012
	——(Rupees)——	
Deferred taxation (note 20.1 and note 20.3)	4,573,678	3,295,995
Deferred income (note 20.4)	80,845	84,710
	4,654,523	3,380,705

20.1 Deferred taxation

	2013	2012
Credit balances arising on account of:		
- Accelerated depreciation allowance	17,074,406	17,322,415
- Carried forward tax losses substantially pertaining to unabsorbed tax depreciation	(9,472,132)	(12,502,554)
- Recoupable minimum turnover tax (note 20.2)	(662,568)	(153,505)
- Fair values of hedging instruments	(76,059)	(174,397)
- Exchange loss	(1,827,034)	(1,168,631)
- Fair value of IFC conversion option	(355,068)	55,189
- Provision for:		
- retirement benefits	(50,302)	(48,529)
- gratuity recognized in equity	(10,760)	-
- slow moving stores and spares and doubtful receivables	(42,769)	(29,838)
- Others	(4,036)	(4,155)
	4,573,678	3,295,995

20.2 During the year, the High Court of Sindh, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2)(c) of the Income Tax Ordinance, 2001 and has decided that the minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year. The Company's management is however of the view, duly supported by legal advisor, that the above order is not correct and would not be maintained by Supreme Court. Therefore, the Company has continued to carry forward minimum tax as reflected above.

20.3 As at December 31, 2013, deferred tax asset / liability on the deductible / taxable temporary differences has been recognized at the rate of 34% being the rate substantively enacted at the balance sheet date and is expected to apply to the periods when the asset is realized or the liability is settled.

20.4 Deferred income

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

21. Retirement And Other Service Benefits Obligations

	2013	2012
	——(Rupees)——	
Service benefit obligation	147,946	138,653
Less: Current portion shown under current liabilities	43,893	39,624
	104,053	99,029

(Amounts in thousand)

22. Trade And Other Payables

	2013	2012
	——(Rupees)——	
Creditors (note 22.1)	6,199,556	1,848,012
Accrued liabilities (note 22.2)	1,112,694	693,450
Advances from customers	7,207,961	3,756,249
Sales tax payable (note 22.4)	1,018,741	1,121,623
Payable to:		
- Engro Corporation Limited	326,329	10,202
- Engro Eximp (Private) Limited (note 22.3)	64,900	64,332
- Engro PowerGen Limited	34	571
Deposits from dealers refundable on termination of dealership	14,852	15,412
Contractors' deposits and retentions	54,484	33,326
Workers' welfare fund	477,907	246,589
Payable to Gratuity Fund (note 36.2.1)	48,308	16,294
Payable to unsuccessful applicants- IPO (note 13.3)	1,286,061	-
Others	200,618	151,113
	18,012,445	7,957,173

22.1 This includes an amount of Rs. 4,313,394 (2012: Nil) on account of Gas Infrastructure Development Cess (GIDC).

22.2 Accrued liabilities

	2013	2012
	——(Rupees)——	
Salaries, wages and other employee benefits	382,605	74,401
Vacation accruals	127,856	117,375
Freight accruals	18,389	2,715
Others	583,844	498,959
	1,112,694	693,450

22.3 This includes amount of Rs. 74,957 (2012; Rs. 53,859) due to Engro Eximp (Private) Limited in respect of funds collected on their behalf by the Company under an agreement as a selling agent of imported fertilizers partly offset by receivable balance in respect of inter company reinbursments.

22.4 This includes the effect of adjustment relating to the provincial input tax on services paid by the Company amounting to Rs. 111,900. This amount was disallowed by the Federal Board of Revenue subsequent to the changes made through Finance Act, 2013, based on the premise that such tax is paid to Sindh Revenue Board (SRB) rather tha FBR. The Company, during the year, filed constitutional petition in the High Court of Sindh praying either to declare the aforementioned amendment to be completely unconstitutional, without jurisdiction, illegal, void ab-initio and of no legal effect; or hold and declare the aforementioned amendment does not have any bearing on the definition of input tax as stated in Sales Tax Act, 1990. Such petition is pending before the High Court of Sindh, however, an interim relief has been granted that no adverse action should be initiated against the petitioners which include (the Company) who have filed sales tax return manually or electronically after adjustment of Provincial sales tax on services.The Company is confident of a favourable outcome in this regard and therefore has not provided for the aforementioned amount in the financial statements.

(Amounts in thousand)

23. Accrued Interest / Mark-up

	2013	2012
	——(Rupees)——	
Accrued interest / mark-up on:		
- long term borrowings	1,419,581	1,728,746
- short term borrowings	60,086	59,536
	1,479,667	1,788,282

24. Short Term Borrowings - Secured

Running Finance / Bank overdraft (note 24.1)	-	209,791
Money market loans / Istisna (note 24.2)	-	790,000
	-	999,791

24.1 The funded facilities for short term finances available from various banks and institutional investors amounts to Rs. 5,250,000 (2012: Rs. 5,250,000) along with non-funded facilities of Rs. 1,275,000 (2012: Rs. 1,275,000) for Bank Guarantees. The rates of markup on funded bank overdraft facilities ranged from 10.18% to 11.52% and all the facilities are secured by floating charge upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts, outstanding monies, receivable claims and bills of the Company.

24.2 The Company, during the year repaid the amount outstanding as at December 31, 2012 including the additional funds of Rs. 500,000 obtained in current year at a mark up of 11.17% per annum. Loan outstanding as at December 31, 2012 carried mark up at 10.99% per annum.

25. Contingencies And Commitments

Contingencies

25.1 Bank guarantees of Rs.1,069,119 (2012: Rs. 1,052,364) have been issued in favour of third parties.

25.2 Claims, including pending lawsuits, against the Company not acknowledged as debts amounted to Rs. 58,530 (2012: Rs. 58,530).

25.3 The Company is contesting a penalty of Rs. 99,936 paid and expensed in 1997, imposed by the State Bank of Pakistan (SBP) for alleged late payment of foreign exchange risk cover fee on long term loans and has filed a suit in the High Court of Sindh. A partial refund of Rs. 62,618 was, however, recovered in 1999 from SBP and the recovery of the balance amount is dependent on the Court's decision.

25.4 The Holding Company had commenced two separate arbitration proceedings against the Government of Pakistan for non-payment of marketing incidentals relating to the years 1983-84 and 1985-86 respectively. The sole arbitrator in the second case has awarded the Holding Company Rs. 47,800 whereas the award for the earlier years is awaited. The award for the second arbitration was challenged in High Court of Sind and during the year the Sind High Court has upheld the award. However, as this can be challenged by way of further appeals, it will be recognized as income on realization thereof.

(Amounts in thousand)

25.5 The Company had filed a constitutional petition in the High Court of Sindh, Karachi against the Ministry of Petroleum and Natural Resources (MPNR), Ministry of Industries and Production (MIP) and Sui Northern Gas Pipeline Company Limited (SNGPL) for continuous supply of 100 mmcfd gas per day to the Enven Plant and to prohibit from suspending, discontinuing or curtailing the aforementioned supply. The High Court of Sindh in its order dated October 18, 2011, has ordered that SNGPL should supply 100 mmcfd of gas per day to the Company's new plant. However, five petitions have been filed in the Supreme Court of Pakistan against the aforementioned order of the High Court of Sindh by SNGPL, MPNR, Agritech Limited, Pak Arab Fertilizers and Kohinoor Mills Limited along with 21 other companies (mainly engaged in textile business). The aforementioned petitions are pending for further hearing. The Company's management, as confirmed by the legal advisor consider the chances of petitions being allowed to be remote.

Further, the Company upon continual curtailment of gas after the aforementioned decision of the High Court has filed an application in respect of Contempt of Court under Article 199 & 204 of the Constitution of Pakistan. The Company, in the aforementioned application has submitted that SNGPL and MPNR has failed to restore full supply of gas to the Company's plant despite the judgment of High Court in the Company's favor. A show cause notice has also been issued against MPNR and SNGPL dated December 31, 2011 by the High Court. The application is pending for hearing and no orders have yet been passed in this regard.

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

25.7 The Company along with other fertilizer companies, received a show cause notice from the Competition Commission of Pakistan (CCP) for initiating action under the Competition Act, 2010 in relation to unreasonable increase in fertilizer prices. The Company has responded in detail that factors resulting in such increase were mainly the imposition of infrastructure cess and sales tax and partially the gas curtailment. The CCP has issued an order in March 2013, whereby it has held that the Company enjoys a dominant position in the urea market and that it has abused this position by unreasonable increases of urea prices in the period from December 2010 to December 2011. The CCP has also held another fertilizer company to be responsible for abusing its dominant position. In addition, the CCP has imposed a penalty of Rs. 3,140,000 and Rs. 5,500,000 on the Company and that other fertilizer company respectively. An appeal has been filed in the Competition Appellate Tribunal (at present non-functional) and a writ has been filed in the Sindh High Court and stay has been granted against the recovery of the imposed fine. The Company's management believes that the chances of ultimate success are very good, as confirmed by legal advisor. Hence, no provision has been made in these financial statements.

25.8 During the year, the Company has filed a suit against the Government of Pakistan and SNGPL in the Lahore High Court for the recovery of damages incurred as a result of SNGPL suspending / curtailing gas supply to the Company amounting to Rs. 61,410,000. This would be recognized as income upon realization thereof.

(Amounts in thousand)

		2013	2012
		——(Rupees)——	
25.9	Commitments		
	Plant and machinery	873,019	70,134

26. Net Sales

	2013	2012
Own manufactured product (note 26.1)	58,560,410	35,531,065
Less: Sales tax	8,431,474	4,904,545
	50,128,936	30,626,520

26.1 Sales are net of marketing allowances of Rs. 42,444 (2012: Rs. 199,592).

27. Cost Of Sales

	2013	2012
Raw materials consumed	15,061,914	9,254,778
Salaries, wages and staff welfare (note 27.1)	1,730,238	1,397,247
Fuel and power	4,568,639	3,486,341
Repairs and maintenance	477,298	719,016
Depreciation (note 4.2)	4,870,537	4,897,618
Amortization (note 5.1)	35,079	21,792
Consumable stores	344,569	231,209
Staff recruitment, training, safety and other expenses	85,125	78,961
Purchased services	254,486	236,142
Travel	44,624	46,774
Communication, stationery and other office expenses	28,715	35,253
Insurance	377,326	238,976
Rent, rates and taxes	12,073	10,793
Other expenses	1,696	2,461
Manufacturing cost	27,892,319	20,657,361
Add: Opening stock of work in process	3,060	4,403
Less: Closing stock of work in process (note 8)	71,880	3,060
Cost of goods manufactured	27,823,499	20,658,704
Add: Opening stock of finished goods manufactured	627,947	735,016
Less: Closing stock of finished goods manufactured (note 8)	443,541	627,947
Cost of sales	28,007,905	20,765,773

27.1 Salaries, wages and staff welfare includes Rs. 101,616 (2012: Rs. 92,452) in respect of staff retirement benefits.

(Amounts in thousand)

28. Selling And Distribution Expenses

	2013	2012
	——(Rupees)——	
Salaries, wages and staff welfare (note 28.1)	390,596	317,949
Staff recruitment, training, safety and other expenses	33,380	35,970
Product transportation and handling	2,120,449	1,402,836
Royalty expense	740,313	433,057
Repairs and maintenance	4,781	4,874
Advertising and sales promotion	44,876	62,402
Rent, rates and taxes	70,720	127,851
Communication, stationery and other office expenses	17,535	23,400
Travel	41,820	38,712
Depreciation (note 4.2)	25,790	28,037
Amortization (note 5.1)	115	48
Purchased services	3,665	4,747
Insurance	8,346	10,472
Other expenses	8,769	9,627
	3,511,155	2,499,982

28.1 Salaries, wages and staff welfare includes Rs. 28,284 (2012: Rs. 27,310) in respect of staff retirement benefits.

29. Administrative Expenses

	2013	2012
	——(Rupees)——	
Salaries, wages and staff welfare (note 29.1)	259,588	200,960
Staff recruitment, training, safety and other expenses	15,339	16,814
Repairs and maintenance	11,836	12,375
Rent, rates and taxes	50,067	68,885
Communication, stationery and other office expenses	28,260	28,939
Travel	14,003	11,733
Depreciation (note 4.2)	24,516	31,512
Amortization (note 5.1)	706	10,027
Purchased services	170,968	158,340
Donations	17,490	21,154
Insurance	1,891	1,504
Other expenses	6,326	20,536
	600,990	582,779

29.1 Salaries, wages and staff welfare includes Rs. 32,785 (2012: Rs. 30,764) in respect of staff retirement benefits.

(Amounts in thousand)

30. Other Income

	2013	2012
	(Rupees)	
On financial assets		
Income on deposits, treasury bills and term deposit certificates	773,454	74,489
Income on mutual funds	41,019	92,250
On non-financial assets		
Commission income (note 30.1)	221,749	146,489
Rental income	3,953	3,594
Gain on disposal of spares / scrap	60,349	43,617
Others	4,126	19,004
	290,177	212,704
	1,104,650	379,443

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

31. Other Operating Expenses

	2013	2012
	(Rupees)	
Workers' profits participation fund (note 11.3)	453,435	-
Workers' welfare fund	231,318	-
Research and development (including salaries and wages)	40,307	20,314
Auditors' remuneration (note 31.1)	11,220	3,980
Legal and professional charges	61,959	52,604
Loss on disposal of property, plant and equipment (note 4.3)	558	145,162
Loss on fair value adjustments of embedded derivative	1,202,002	180,882
Provision for trade debts and loans & advances	23,258	-
Others	35,958	3,035
	2,060,015	405,977

31.1 Auditors' remuneration

	2013	2012
Fee for:		
- audit of annual financial statements	1,850	1,780
- special audit / review of half yearly financial statements	2,500	195
- certifications, audit of retirement funds and other advisory services	990	1,225
- Tax services	5,112	-
- reimbursement of expenses	768	780
	11,220	3,980

(Amounts in thousand)

32. Finance Cost

	2013	2012
	(Rupees)	
Interest / mark-up on:		
- long term borrowings	6,525,603	7,863,080
- short term borrowings	109,283	684,715
- net foreign exchange loss	2,034,683	2,154,451
- workers' profits participation fund (note 11.3)	-	1,000
	8,669,569	10,703,246

33. Taxation

	2013	2012
Current		
- for the year (note 33.1)	535,367	177,703
- for prior years (note 33.2)	1,161,375	35,450
	1,696,742	213,153
Deferred		
- for the year	2,222,192	(1,535,475)
- for prior years (note 33.2)	(1,032,087)	305,103
	1,190,105	(1,230,372)
	2,886,847	(1,017,219)

33.1 Includes minimum turnover tax amounting to Rs.509,063 (2012: Rs. 153,505).

33.2 A prior year incremental current tax charge of Rs. 1,161,375 has been recognized in these financial statements consequent to the disallowance of initial allowance claimed in the financial year 2010 and other adjustments. Further, the prior year deferred tax charge represents adjustment resulting from the aforementioned disallowance of accelerated depreciation.

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

In 2012, the income tax department raised a demand of Rs. 1,481,709, subsequently rectified to Rs. 1,074,938, for the financial year 2010. The disallowances were mainly on account of initial allowance on capitalization which were later confirmed by the Commissioner Inland Revenue-Appeals (CIRA). The demand was subsequently reduced to Rs. 666,536 after application of rectifications from prior years amounting to Rs. 258,402 and payment of Rs. 150,000.

In the current year, the Appellate Tribunal Inland Revenue (ATIR) and CIRA has remanded back the issues of Group Relief (Rs. 450,000) and Inter-Corporate Dividend (Rs. 220,000) related to the financial year 2008 in favour of the Company resulting in an available refund of Rs. 1,032,770 which has been partially adjusted against the aforementioned balance demand of Rs. 666,536.

(Amounts in thousand)

In previous years, the department had filed reference applications in High Court against the below-mentioned ATIR's decisions in Company's favor. No hearing has been conducted to-date. The reference application includes the following matters:

- Group Relief (Financial year 2006 to 2008): Rs. 1,500,847
- Inter-Corporate Dividend (Financial year 2007 to 2008): Rs. 336,500
- G.P. Apportionment (Financial years 1995 to 2002): Rs. 653,000

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

33.4 Relationship between tax expense and accounting profit

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

	2013	2012
	——(Rupees)——	
Profit / (loss) before taxation	8,383,952	(3,951,794)
Tax calculated at the rate of 34% (2012: 35%)	2,850,544	(1,383,128)
Depreciation on exempt assets not deductible for tax purposes	26,073	34,495
Effect of:		
- Prior year current and deferred tax charge	129,288	340,553
- Applicability of lower tax rate and other tax credits / debits	(45,006)	(9,139)
- Reduced tax rate during current year	(74,052)	-
Tax charge / (credit) for the year	2,886,847	(1,017,219)

(Amounts in thousand)

34. Earnings / (Loss) Per Share

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

34.1 Diluted earnings / (loss) per share has been calculated by adjusting the weighted average number of ordinary shares outstanding for assumed conversion of equity option on IFC loan of USD 9,000. The effect of these options are anti-dilutive as at December 31, 2013.

The information necessary to calculate basic and diluted earnings / (loss) per share is as follows:

	2013	2012
	——(Rupees)——	
Profit / (Loss) for the year	5,497,105	(2,934,575)
Add: Interest on IFC loan of USD 9,000 - net of tax	40,664	-
Profit / (Loss) used for the determination of Diluted EPS	5,537,769	(2,934,575)
Weighted average number of ordinary shares at the beginning of year	1,072,800	1,072,800
Adjustment of Bonus factor in right issue	29,999	61,861
Add : Weighted average adjustments for:		
Shares issued during the year	77,260	-
Weighted average number of shares for determination of basic EPS	1,180,059	1,134,661
Assumed conversion of USD 9,000 IFC loan (note 34.1)	5,967	
Weighted average number of shares for determination of diluted EPS	1,186,026	1,134,661

(Amounts in thousand)

35. Remuneration of Chief Executive, Directors And Executives

The aggregate amounts charged in these financial statements for remuneration, including all benefits, to chief executive, directors and executives of the Company are given below:

	2013			2012		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	Rupees			Rupees		
Managerial remuneration	27,302	-	1,025,641	48,324	-	1,112,741
Retirement benefits funds	4,009	-	126,593	4,810	-	125,249
Other benefits	144	-	64,946	422	-	73,803
Fees	-	1,950	-	-	2,500	-
Total	31,455	1,950	1,217,180	53,556	2,500	1,311,793
Number of persons including those who worked part of the year	1	7	430	2	9	446

35.1 The Company also makes contributions based on actuarial calculations to pension and gratuity funds and provides certain household items for use of some employees. Cars are also provided for use of some employees and directors.

35.2 Premium charged in the financial statements in respect of directors' indemnity insurance policy, purchased by the Company during the year, amounted to Rs. 665 (2012: Rs. 885).

36. Retirement And Other Service Benefits

36.1 Salient Features

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

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

Responsibility for governance of plan, including investment decisions and contribution schedule lie with Board of Trustees of the Fund.

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

(Amounts in thousand)

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

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

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

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

Risk of Insufficiency of Assets - This is managed by making regular contribution to the Fund as advised by the actuary.

In addition to above, the pension fund exposes the company to Longevity Risk i.e. the pensioners survive longer than expected.

36.2 Valuation Results

The latest actuarial valuation of the defined benefit plans was carried out as at December 31, 2013, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

36.2.1 Balance sheet reconciliation

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2013	2012	2013	2012
	Rupees			
Present value of funded obligation	315,551	239,377	32,218	31,289
Fair value of plan assets	(275,889)	(237,281)	(38,535)	(38,313)
Deficit / (Surplus) of funded plans	39,662	2,096	(6,317)	(7,024)
Payable to associated companies	-	12	-	-
Unrecognized actuarial (loss) / gain (note 36.2.3)	-	(5,000)	-	1,800
Payable to DC Gratuity Fund	8,605	15,272	-	-
Unrecognized past service cost (note 36.2.3)	-	3,914	-	-
Payable in respect of inter-transfers	41	-	-	-
Unrecognized asset	-	-	6,317	3,424
Net liability / (asset) at end of the year	48,308	16,294	-	(1,800)

(Amounts in thousand)

36.2.2 Movement in net (asset) / liability recognized

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2013	2012	2013	2012
	Rupees			
Net liability / (asset) at beginning of the year	16,294	4,740	(1,800)	(4,599)
Charge for the year	10,142	17,288	(843)	(625)
Contributions made during the year to the fund	(10,017)	(5,734)	-	-
Remeasurements charged to OCI (note 36.2.8)	31,889	-	(243)	-
Unrecognized asset	-	-	2,886	3,424
Net liability / (asset) at end of the year	48,308	16,294	-	(1,800)

36.2.3 Includes losses amounting to Rs. 3,200 and Rs. 3,914 arising in prior years on account of remeasurements and unrecognized past service cost recognized in the current year as disclosed in note 2.18.2.

36.2.4 Movement in defined benefit obligation

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2013	2012	2013	2012
	Rupees			
As at beginning of the year	239,377	277,645	31,289	32,023
Current service cost	11,503	13,657	-	-
Interest cost	27,580	33,866	3,538	3,777
Benefits paid during the year	(26,224)	(21,055)	(3,742)	(3,608)
Remeasurments charged to OCI (note 36.2.8)	29,271	(1,080)	1,133	(903)
Liability transferred in respect of inter group transfers	34,044	(3)	-	-
Liability transferred to DC Gratuity Fund	-	(63,653)	-	-
As at end of the year	315,551	239,377	32,218	31,289

(Amounts in thousand)

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2013	2012	2013	2012
	Rupees			
36.2.5 Movement in fair value of plan assets				
At beginning of the year	237,281	256,976	38,313	37,023
Expected return on plan assets	28,941	31,618	4,381	4,402
Contributions by the Company	10,017	5,734	-	-
Benefits paid during the year	(26,224)	(21,055)	(3,742)	(3,608)
Remeasurments charged to OCI (note 36.2.8)	(2,618)	14,834	(417)	496
Assets transferred in respect of inter group transfers	35,159	9	-	-
Assets transferred to DC Gratuity Fund	(6,667)	(50,835)	-	-
As at end of the year	275,889	237,281	38,535	38,313
36.2.6 Charge / (Reversal) for the year				
Current service cost	11,503	13,657	-	-
Net Interest cost	(1,361)	2,248	(843)	(625)
Past service cost (note 36.2.3)	-	(339)	-	-
Actuarial gain (note 36.2.3)	-	1,722	-	-
	10,142	17,288	(843)	(625)
36.2.7 Actual return on plan assets	26,323	46,452	3,964	4,898
36.2.8 Remeasurement recognized in Other Comprehensive Income				
Gain from change in demographic assumptions	(6)	-	-	-
Loss from change in experience assumptions	32,874	-	1,133	-
Gain from change in financial assumptions	(3,597)	-	-	-
Remeasurement of Obligation	29,271	-	1,133	-
Expected Return on plan assets	28,941	-	4,381	-
Actual Return on plan assets	(26,323)	-	(3,964)	-
Remeasurement of Plan Assets	2,618	-	417	-
Effect of Asset Ceiling	-	-	(1,793)	-
	31,889	-	(243)	-

(Amounts in thousand)

36.2.9 Principal actuarial assumptions used in the actuarial valuation

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2013	2012	2013	2012
	Rupees			
Discount Rate	13.0%	12.0%	13.0%	12.0%
Expected per annum rate of return on plan assets	13.0%	12.0%	13.0%	12.0%
Expected per annum rate of increase in pension	-	-	5.0%	4.0%
Expected per annum rate of increase in salaries-long term	13.0%	11.0%	12.0%	11.0%

36.2.10 Demographic Assumptions

Mortality rate	SLIC (2001-05)	LIC (1975-79)	PMA-PFA (80)	PMA-PFA (80)
Rate of employee turnover - MPT Gratuity Fund	Moderate	Moderate	-	-
Rate of employee turnover - NMPT Gratuity Fund	light	light	-	-

36.2.11 Sensitivity Analysis

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

	Increase in assumption			Decrease in assumption		
	Gratuity Fund		Pension	Gratuity Fund		Pension
	NMPT	MPT	Fund	NMPT	MPT	Fund
Discount Rate	148,628	146,684	30,229	177,946	160,698	34,468
Long Term Salary Increases	177,157	159,925	-	149,068	147,281	-
Long Term Pension Increases	-	-	34,468	-	-	30,229
Withdrawal Rates: Light	154,527	164,677	-	-	-	-
WIthdrawal Rates: Heavy / Moderate	148,654	158,411	-	-	-	-

(Amounts in thousand)

36.2.12 Maturity Profile

	Gratuity Fund		Pension
	NMPT	MPT	Fund
1	12,647	14,544	-
2	18,710	25,614	-
3	16,270	39,133	-
4	18,937	33,837	-
5-10	83,687	104,771	-
11-15	68,688	119,837	-
16-20	143,629	105,741	-
20+	1,970,077	404,304	-
Weighted average duration	12	6.46	6.36

36.2.13 Plan assets comprise of the following

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2013		2013	
	Rupees	(%)	Rupees	(%)
Fixed income instruments	215,534	78	34,568	90
Investment in equity instruments	59,386	21	-	0
Cash	969	1	3,967	10
	275,889	100	38,535	100

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

36.2.15 Expected future cost / (reversal) for the year ending December 31, 2014 is as follows:

	Rupees
- MPT Pension Fund	(821)
- MPT Gratuity Fund	2,934
- Non-MPT Gratuity Fund	17,022

(Amounts in thousand)

36.2.16 Historical information of staff retirement benefits:

	2013	2012	2011	2010
	(Rupees)			
Pension Plan Funded				
Present value of definid benefit obligation	32,218	31,289	32,023	31,230
Fair value of plan assets	(38,535)	(38,313)	(37,023)	(34,855)
Surplus	(6,317)	(7,024)	(5,000)	(3,625)
Gratuity Plans Funded				
Present value of defined benefit obligation	315,551	239,377	277,645	269,523
Fair value of plan assets	(275,889)	(237,281)	(256,976)	(289,580)
Deficit / (Surplus)	39,662	2,096	20,669	(20,057)

36.3 Defined contribution plans

An amount of Rs. 83,398 has been charged during the year in respect of defined contribution plans maintained by the Holding Company.

37. Cash Generated From Operations

	2013	2012
	(Rupees)	
Profit / (loss) before taxation	8,383,952	(3,951,794)
Adjustment for non-cash charges and other items:		
Depreciation	4,920,843	4,957,167
Amortization - net	32,035	28,002
Loss on disposal of property, plant and equipment	558	145,162
Provision for retirement and other service benefits	39,860	49,007
Income on deposits / other financial assets	(814,473)	(166,739)
Financial cost	8,669,569	10,703,246
Reversal on employee share compensation	-	(58,397)
Reversal on Employee Housing Subsidy	-	(106)
Provision / (reversal) for surplus and slow moving stores and spares	17,747	(7,995)
Provision against trade receivables	19,000	-
Provision against loans and advances	4,258	-
Loss on fair value adjustment of embedded derivative	1,202,002	180,882
Working capital changes (note 37.1)	10,054,657	3,603,786
	32,530,008	15,482,221

(Amounts in thousand)

	2013	2012
	(Rupees)	
37.1 Working capital changes		
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(279,319)	110,297
- Stock-in-trade	305,407	147,321
- Trade debts	268,838	(902,712)
- Loans, advances, deposits and prepayments	(234,940)	996,325
- Other receivables (net)	35,825	126,532
	95,811	477,763
Increase in current liabilities		
- Trade and other payables	9,958,846	3,126,023
	10,054,657	3,603,786

38. Cash And Cash Equivalents

	2013	2012
Cash and bank balances (note 13)	4,458,391	2,449,168
Short term investments (note 12)	18,058,054	2,635,339
Short term borrowings (note 24)	-	(999,791)
	22,516,445	4,084,716

39. Financial Instruments By Category

	2013	2012
Financial assets as per balance sheet		
- Loans and receivables		
Loans, advances and deposits	135,845	109,215
Trade debts	758,253	1,046,091
Other receivables	19,302	56,254
Cash and bank balances	4,458,391	2,449,168
Short term Investment	16,479,103	1,088,681
	21,850,894	4,749,409
- Fair value through profit and loss		
Short term investments	1,578,951	452,148
Derivative financial instruments	130,207	545
	1,709,158	452,693
- Held to maturity		
Short term investments	-	1,094,510
Financial liabilities as per balance sheet		
- Financial liabilities measured at amortized cost		
Borrowings	58,820,681	67,377,829
Trade and other payable	8,885,153	2,464,773
Accrued interest / mark-up	1,479,667	1,788,282
	69,185,501	71,630,884
- Fair value through profit and loss		
Conversion option on IFC loan	1,445,966	243,964
Derivative financial instruments	298,327	820,329
	1,744,293	1,064,293

(Amounts in thousand)

40. Financial Risk Management

40.1 Financial risk factors

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

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

a) Market risk

i) Currency risk

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

This exists due to the Company's exposure resulting from outstanding import payments, foreign currency loan liabilities and related interest payments. A foreign exchange risk management policy has been developed and approved by the management. The policy allows the Company to take currency exposure for limited periods within predefined limits while open exposures are rigorously monitored. The Company ensures to the extent possible that it has options available to manage exposure, either through forward contracts, options or prepayments, etc. subject to the prevailing foreign exchange regulations.

On foreign currency borrowing of USD 202,227 as on December 31, 2013, the Company has Rupee / USD hedge of USD 154,636.

At December 31, 2013, if the currency had weakened / strengthened by 1% against the US dollar with all other variables held constant, post-tax profit for the year would have been lower / higher by Rs. 30,957 mainly as a result of foreign exchange loss / gain on translation of US dollar denominated loans.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises from short and long-term borrowings. These are benchmarked to variable rates which expose the Company to cash flow interest rate risk.

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

The Company has entered into Interest Rate Swaps for USD 73,136 out of its non-current foreign currency borrowings of USD 202,227 as on December 31, 2013 (note 19). Rates on short term loans vary as per market movement.

As at December 31, 2013, if interest rates on Company's borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by Rs. 321,354 mainly as a result of interest exposure on variable rate borrowings.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. As at December 31, 2013, the Company is not exposed to price risk.

(Amounts in thousand)

b) Credit risk

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

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits, bank guarantees and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with a reasonably high credit rating or mutual funds which in turn are deposited in banks and government securities. The Company maintains an internal policy to place funds with commercial banks and mutual funds of asset management companies having a minimum short term credit rating of A1 and AM3 respectively. However, the Company maintains operational balances with certain banks of lower rating for the purpose of effective collection of bank guarantees and to cater to loan disbursements.

The Company is exposed to a concentration of credit risk on its trade debts by virtue of all its customers being agri-based businesses in Pakistan. However, this risk is mitigated by applying individual credit limits and by securing the majority of trade debts against bank guarantees and inland letter of credit.

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

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

	2013	2012
	——(Rupees)——	
Loans, advances and deposits	135,845	109,215
Trade debts	758,253	952,164
Other receivables	16,720	50,316
Short term investments	18,058,054	2,635,339
Cash and bank balances	4,458,391	2,449,168
	23,427,263	6,196,202

(Amounts in thousand)

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

	Rating agency	Rating Short term	Rating Long term
Allied Bank Limited	PACRA	A1+	AA+
Askari Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Bank Al Habib Limited	PACRA	A1+	AA+
Bank Islami Pakistan Limited	PACRA	A1	A
The Bank Of Punjab	PACRA	A1+	AA-
Barclays Bank PLC	MOODY'S	P-1	A2
Burj Bank Limited	JCR-VIS	A-1	A
Citi Bank .N.A.	MOODY'S	P-2	A3
Deutche Bank AG	MOODY'S	P-1	A2
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1	A
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
HSBC Bank Middle East Limited	MOODY'S	P-1	A2
JS Bank Limited	PACRA	A1	A+
KASB Bank Limited	PACRA	A3	BBB
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA
National Bank of Pakistan	JCR-VIS	A-1+	AAA
Samba Bank Limited	JCR-VIS	A-1	AA-
Silk Bank Limited	JCR-VIS	A-2	A-
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	A-3	A-
United Bank Limited	JCR-VIS	A-1+	AA+
Zarai Taraqiati Bank Limited	JCR-VIS	A-2	A

c) **Liquidity risk**

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available.

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

(Amounts in thousand)

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

	2013			2012		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	Rupees			Rupees		
Financial liabilities						
Derivatives	213,041	1,531,252	1,744,293	566,424	497,869	1,064,293
Trade and other payables	8,885,153	-	8,885,153	2,464,773	-	2,464,773
Accrued interest / mark-up	1,479,667	-	1,479,667	1,788,282	-	1,788,282
Borrowings	2,924,299	55,896,382	58,820,681	15,896,203	51,481,626	67,377,829
	13,502,160	57,427,634	70,929,794	20,715,682	51,979,495	72,695,177

40.2 Capital risk management

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

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

The total long term borrowings to equity ratio as at December 31, 2013 based on total long term borrowings of Rs. 58,820,681 and total equity of Rs. 25,069,232 was 70%:30%.(2012: 80.78%)

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

(Amounts in thousand)

40.3 Fair value estimation

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

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

	Level 1	Level 2	Level 3	Total
	Rupees			
Assets				
Financial assets at fair value through profit and loss				
- Short term investments	-	1,578,951	-	1,578,951
- Derivative financial instruments	-	130,207	-	130,207
	-	1,709,158	-	1,709,158
Liabilities				
Derivatives				
- Derivative financial instruments	-	298,327	-	298,327
- Conversion option on IFC loans	-	1,445,966	-	1,445,966
	-	1,744,293	-	1,744,293

40.4 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

(Amounts in thousand)

41. Transactions With Related Parties

Related parties comprises of Holding Company, associated companies and other companies with common director, retirement benefits funds, directors and key management personnel.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2013	2012
	(Rupees)	
Holding Company		
Purchases and services	186,916	231,769
Services provided to Holding Company	17,328	17,051
Royalty	715,638	433,058
Reimbursements	138,895	78,836
Mark-up paid on Long term subordinated loan	513,000	514,405
Mark-up paid on Short term subordinated loan	-	55,910
Use of assets	9,607	17,243
Receipt of issued right shares	1,500,000	-
Short term loan received	-	2,500,000
Short term loan paid	-	2,500,000
Associated companies		
Purchases and services	749,569	1,492,813
Sale of product	4,898	1,531
Contributions to retirement benefit schemes / funds	220,571	154,188
Services provided	103,489	74,320
Reimbursements	143,446	160,642
Funds collected against sales made on behalf of an associate	28,795,343	19,863,240
Payment of mark-up on TFCs and repayment of principal amount	22,667	215,611
Purchase of T-Bill	4,067,897	1,583,191
Sale of T-Bill	4,161,893	473,933
Income / Markup on T-Bill	40,864	18,165
Commission on sales collection	221,749	146,489
Purchase of mutual fund units	780,000	400,000
Redemption of mutual fund units	781,195	992,397
Donation to Engro Foundation	12,900	16,500
Commission expense	24,967	17,167
Markup received from / paid to associate	-	26,685
Use of Assets	12,317	17,295
Short term Loan received	-	1,500,000
Short term Loan paid	-	1,500,000
Others		
Remuneration of key management personnel	134,811	111,206

(Amounts in thousand)

42. Donations

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

	Interest in Donee	Name and address of Donee	2013	2012
			Rupees	
Aliuddin Ansari and Khalid Siraj Subhani (ex-director)	President and Trustee	Engro Foundation	-	16,500
Aliuddin Ansari and Ruhail Mohammed	President and Trustee	Engro Foundation	12,900	-

43. Production Capacity

	Designed capacity Metric Tons		Actual production Metric Tons	
	2013	2012	2013	2012
Urea plant I & II	2,275,000	2,275,000	1,561,575	974,425
NPK plant	100,000	100,000	92,839	67,755

44. Number Of Employees

	Number of employees as at		Average number of employees	
	2013	2012	2013	2012
Management employees	448	481	465	477
Non- management employees	665	697	681	724
	1,113	1,178	1,146	1,201

(Amounts in thousand)

45. Provident Fund

The employees of the Company participate in Provident Fund maintained by Engro Corporation (the Holding Company). Monthly contribution are made both by the Company and employees to the fund maintained by the Holding Company at the rate of 10% of basic salary. Accordingly, the following information is based upon the latest audited financial statements of the provident fund maintained by the Holding Company as at June 30, 2013 and the audited financial statements as at June 30 2012.

	2013	2012
	(Rupees)	
Size of the fund - Total assets	1,550,126	1,283,853
Investments at Fair Value	186,789	165,424
Investments at amortized cost	1,166,031	969,416
Percentage of investments made	87%	88%

The break-up of investments is as follows:

	2013		2012	
	Rupees	%	Rupees	%
National Savings Scheme	251,180	19	181,408	16
Government securities	693,247	51	704,936	62
Listed securities	408,393	30	248,496	22
	1,352,820	100	1,134,840	100

45.1 The investments out of the fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

46. Seasonality

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

47. Loss of Certain Accounting Records

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

(Amounts in thousand)

The fire destroyed a substantial portion of its hard copy records, including that of Fertilizer Undertaking (note 1.2), related to the financial years 2005, 2006 and the period January 1, 2007 to August 19, 2007 although, electronic data remained intact due to the aforementioned Disaster Recovery Plan. The Holding Company launched an initiative to recreate significant lost records and was successful in gathering the same in respect of the financial year 2007. Hard copy records related to the financial years 2005 and 2006 have not been recreated.

48. Corresponding Figures

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

49. Date of Authorisation For Issue

These financial statements were authorised for issue on February 07, 2014 by the Board of Directors of the Company.

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

proxy form

I/We ____________________

of ____________________ being a member of ENGRO FERTILIZERS LIMITED

and holder of ____________________

(Number of Shares)

Ordinary shares as per share Register Folio No. ____________________ and/or CDC Participant I.D. No. ____________________ and Sub Account No. ____________________, hereby appoint ____________________ of ____________________ or failing him ____________________ of ____________________

as my proxy to vote for me and on my behalf at the annual general meeting of the Company to be held on the 28th day of March, 2014 and at any adjournment thereof.

Signed this ____________________ day of __________ 2014.

WITNESSES:

1) Signature : ____________________
Name : ____________________
Address : ____________________
____
CNIC or : ____________________
Passport No.: ____________________
____

2) Signature : ____________________
Name : ____________________
Address : ____________________
____
CNIC or : ____________________
Passport No.: ____________________
____

____
Signature
Signature should agree with the specimen registered with the Company

Note:

Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. A Proxy need not be a member of the Company.

CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.