

journey of excellence



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Annual & Sustainability Report 2011



scope of the report

The Annual and Sustainability Report 2011 couples the financial and business performance information of Engro Corporation Limited and its subsidiaries with the corporate social responsibility and sustainability initiatives for the period covering Engro's financial year ending December 31, 2011.

Engro Corporation Limited is aiming to create sustainable corporate value, which consists of economic value, societal value and environmental value. The Annual & Sustainability Report integrates information concerning the financial performance with the creation of societal value and environmental value (social/CSR investments and environmental initiatives) that was previously contained separately in our forty-fifth Annual Report 2010 and Sustainability Report 2010. The forty-sixth annual report as first combined report for financial and sustainability data is thus designed to serve as a comprehensive report on our initiatives to create sustainable corporate value.

Engro's standards for reporting data in this report are based on the "Global Reporting Initiative" (GRI) standards, an international set of guidelines initiated with the support of the United Nations Environment Programme (UNEP). An adherence to these global standards ensures that Engro lives up to its commitments it makes: by having to report data along the same parameters every year, our stakeholders will be able to monitor our progress on the promises we make to invest in their future.

Moreover, this annual and sustainability report contains forward-looking statements about Engro Corporation's future plans, objectives, beliefs and performance that are not historical facts. These are based on current expectations, estimates, forecasts and projections about the industries in which we operate and beliefs and assumptions of the management. As the

expectations, estimates, forecasts and projections are subject to a number of risks, uncertainties and assumptions, they may cause actual results to differ materially from those projected. We would, therefore, caution our readers not to place undue reliance on forward-looking statements. Furthermore, the company and/or its subsidiaries undertake no obligation to update any forward-looking statement as a result of new information, future events or other developments.

Engro Corporation's Annual & Sustainability Report 2011 has been reviewed by the United Registrar of Systems, one of the world's leading inspection, verification, testing and certification companies along with external auditors A. F. Ferguson & Company (Chartered Accountants).

As a leading Pakistani conglomerate, we are committed to ideals of transparency. This report is a reflection of our beliefs and principles, and provides the platform from where we will build our reporting for the future. This report is part of a dialogue between us and all who might be interested in our financial performance and social responsibility initiatives. We welcome feedback, suggestions, and queries, which can be directed to the following person:

Naila Kassim
Corporate Communications
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+9221-35296049



contents

Company Information

Our Vision	05
Engro at a glance	07
Our Footprint	11
Key Figures and Highlights	13
Company Information	15
Notice of the Meeting	17

Governance and Management

Our Organogram	31
Board of Directors	33
Profile of Directors	35
Core Values	41
Our Governance Strategy	43
Our Governance Framework	47

Directors' Report

Operational Highlights	61
Business Review	63
Financial Review	73
Awards and Recognition	84
Dividends	85
Value Addition	86
Future Outlook	90
Key Shareholding and Shares Traded	91
Pattern of Holding of Shares	93
Share Holder Information	97

Profit	99
---------------	----

People	115
---------------	-----

Environment	135
--------------------	-----

Benefitting Communities	151
--------------------------------	-----

Stake Holder Engagement	171
--------------------------------	-----

GRI Index	175
-----------	-----

Commitment to the United Nations Global Compact	195
---	-----

Assurance Statement	196
---------------------	-----

Financials at a Glance	198
------------------------	-----

Acknowledgements	199
------------------	-----

Proxy Form	200
------------	-----

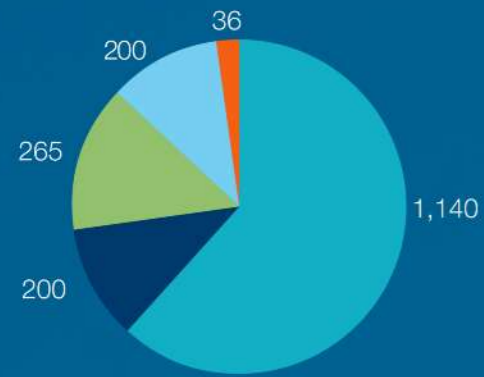
our vision

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



engro at a glance

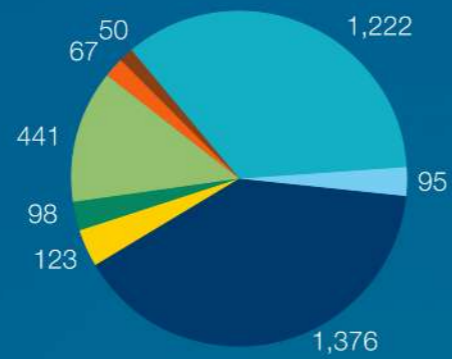
Investment



Total Business Investments
(2007-2011) in USD million

1,900

Employees

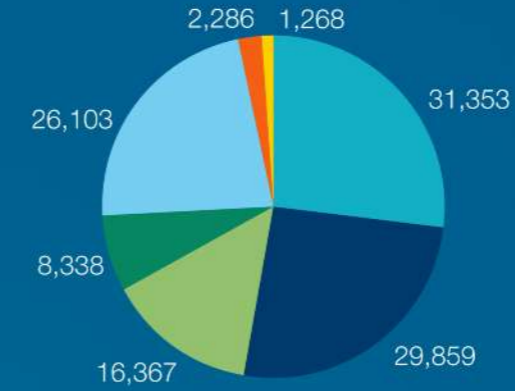


Total Employees

3,472

Fertilizers Foods Polymers Powergen Eximp Vopak Avanceon Corp

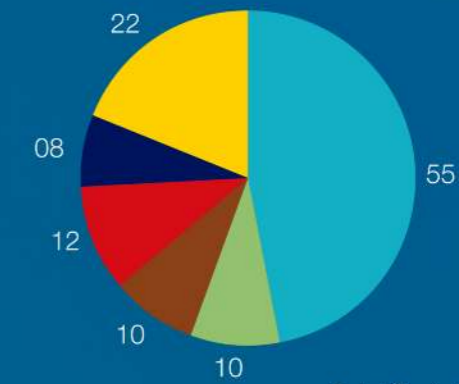
Business Revenues (Rs million)



Consolidated Revenue
(Rs million)

114,612

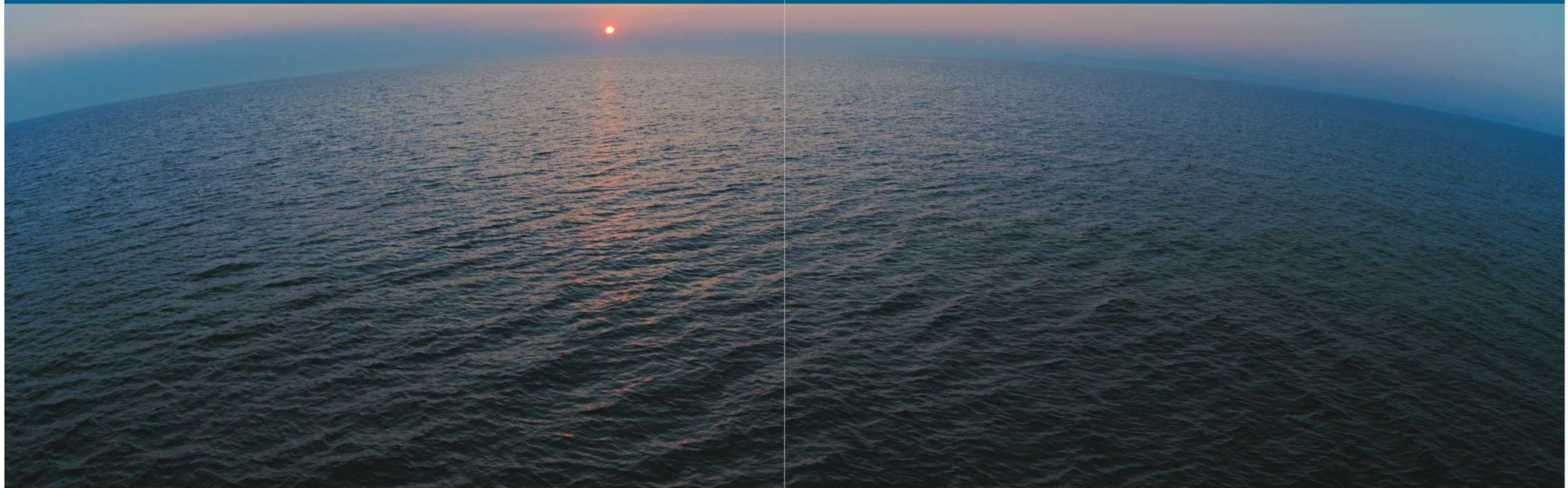
CSR



Total Social Investment
in 2011 (Rs million)

117

Education Health CPI
Flood Relief & Rehabilitation Environment Others



our businesses at a glance

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

Corporate Performance (Rs millions)

	Revenue	Net income	Taxes paid	Dividends declared	Sales growth	No. of shareholders
2008	40,973	4,126	964	1,278	20%	13,163
2009	58,152	3,807	1,258	1,788	42%	13,980
2010	79,976	6,790	2,378	1,965	38%	13,939
2011	114,612	8,060	3,214	2,361	43%	16,419

Engro Corporation Limited

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

Engro Fertilizers Limited

Engro Fertilizers Limited, a wholly owned Engro Corporation subsidiary, is one of the leading fertilizer manufacturing and marketing companies in the country. It is primarily engaged in the manufacturing and marketing of urea and NPK fertilizers. As an example of the synergies between Engro's business lines, Engro Eximp imports phosphate based fertilizers, which are distributed and marketed through Engro Fertilizer's network as an extension of Engro's overall fertilizer portfolio.

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

Engro Foods Limited

Engro Foods Limited is a 90% owned subsidiary engaged in the manufacturing, processing and marketing of dairy products, ice cream and fruit juices. The business owns two milk processing plants in Sukkur & Sahiwal and operates a dairy farm in Nara.

As an example of Engro's pursuit of excellence, the business has established several brands that have already become household names in Pakistan such as Olpers (milk), Omore (ice cream), Owsom (flavoured milk), Olpers Lite (low fat milk), Dairy Omung (UHT dairy liquid), Tarang (tea whitener) and Olfrute (fruit juice).

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

Engro Powergen

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

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

Engro Polymer & Chemicals Limited

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

Engro Eximp Limited

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

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

Engro Vopak Terminal Limited

Engro Vopak Terminal Limited is a joint venture with Royal Vopak of the Netherlands, Engro owns 50% of Engro Vopak Terminal Limited, a business engaged in the handling and storage of chemicals and liquefied petroleum gas (LPG). In November 2010, the business completed 13 years of safe operations without a single employee losing a day's worth of work due to injury.

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

Avanceon Limited

Avanceon Limited is 63 percent owned subsidiary of Engro that engages in automation and control engineering services. The business has a wholly owned subsidiary in Jebel Ali Free Zone - UAE - which in turn has a 70 percent interest in its US subsidiary.

Subsidiaries Performance (USD million)

	Revenue	PAT
Engro Fertilizers	362	53
Engro Foods	344	10
Engro Foods Canada	5	(1)
Engro Powergen	96	20
Engro Polymer	189	(8)
Engro Eximp	301	10
Engro Vopak	26	40
Avanceon	15	(2)
Engro Corp (Consolidated)	1,322	93

our footprint

We believe that a successful business delivers concrete and meaningful benefits and opportunities to a wide variety of stakeholders. With each passing year, the financial and social investments of our businesses continue to encompass a wider base of stakeholders consequently encompassing a diverse stream of industries, geographical networks and consumer demographics as depicted by the map.



- People
- Investment
- Livelihood
- Model Village
- Disaster Management
- Health
- Education
- Infrastructure
- Environment

key figures and highlights

Sales Revenue

Rs million

2011
114,612 2010
79,975

EBITDA

Rs Million

2011
28,179 2010
15,622*

Earning per share Diluted

Rs

2011
20.27 2010
17.27

Total Equity

Rs Million

2011
41,890 2010
34,115

Profit after Tax

Rs Million

2011
8,060 2010
6,790

Dividend

Rs/Share

2011
6.00 2010
6.00

Capital Expenditure

Rs million

2011
12,256 2010
21,153

Market Capitalization

(Year End) Rs Million

2011
36,457 2010
63,519

Weight Average number of ordinary shares

(000's)

2011
401,818 2010
393,284*

Earning per share

Basic

Rs

2011
20.50 2010
17.27

Total Assets

Rs Million

2011
183,004 2010
164,778

Price to Earning Ratio

2011
5 2010
11

*Restated due to reclassification of numbers.

company information

Board of Directors

Hussain Dawood, Chairman
Asad Umar, President & Chief Executive
Isar Ahmad
Muhammad Aliuddin Ansari
Abdul Samad Dawood
Shahzada Dawood
Shabbir Hashmi
Khalid Mansoor
Ruhail Mohammed
Arshad Nasar
Asif Qadir
Saad Raja
Khalid S. Subhani

Company Secretary

Andalib Alavi

Bankers

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

Auditors

A.F. Ferguson & Co.
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

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HC # 3, Marine Drive, Block 4, Clifton,
Karachi-75600, Pakistan
Tel: +92(21) 35297501 - 35297510
Fax:+92(21) 35810669
e-mail: info@engro.com
Website: www.engro.com



notice of the meeting

Notice is hereby given that the Forty Sixth Annual General Meeting of Engro Corporation Limited will be held at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi on Friday, March 30, 2012 at 10.00 a.m. to transact the following business:

A. Ordinary Business

- 1 To receive and consider the Audited Accounts for the year ended December 31, 2011 and the Directors' and Auditors' Reports thereon.
- 2 To declare a final dividend at the rate of Rs. 2 per share for the year ended December 31, 2011.
- 3 To appoint Auditors and fix their remuneration.
- 4 To elect twelve directors in accordance with the Companies Ordinance, 1984. The retiring Directors are M/s. Hussain Dawood, Isar Ahmad, Aliuddin Ansari, Abdul Samad Dawood, Shahzada Dawood, Shabbir Hashmi, Khalid Mansoor, Ruhail Mohammed, Arshad Nasar, Asif Qadir, Saad Raja and Khalid S. Subhani.

B. Special Business

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

"RESOLVED that the Authorized Capital of the Company be increased from Rs.4,500,000,000 (Rupees Four Billion Five Hundred Million) to Rs. 5,500,000,000 (Rupees Five Billion Five Hundred Million) and that:

- a. Clause 5 of the Memorandum of Association of the Company be and is hereby amended to read as follows:

"5. The Share Capital of the Company is Rs. 5,500,000,000 (Rupees Five Billion Five Hundred Million) divided into 550,000,000 Ordinary shares of Rs. 10/- (Rupees Ten) each."

- b. Article 5 of the Articles of Association of the Company be and is hereby amended to read as follows:

"5. The Share Capital of the Company is Rs. 5,500,000,000 (Rupees Five Billion Five Hundred Million) divided into 550,000,000 Ordinary shares of Rs. 10/- (Rupees Ten) each."

- 6 To consider, and if thought fit, to pass the following Resolution as an Ordinary Resolution:

"RESOLVED that

- a. A sum of Rs. 1,179,852,543 (Rupees One Billion, One Hundred Seventy Nine Million, Eight Hundred Fifty Two Thousand, Five Hundred and Forty Three only) out of the free reserves of the Company be capitalized and applied towards the issue of ordinary shares of Rs. 10/- each as bonus shares in the ratio of three shares for every ten shares i.e. 30% on ordinary shares held by the members whose names appear on the Members Register on March 16, 2012. These bonus shares will rank pari passu in all respects with the existing shares but shall not be eligible for the dividend declared for the year ended December 31, 2011.
- b. Members entitled to fractions of shares shall be given the sale proceeds of their fractional entitlements for

which purpose the fractions shall be consolidated into whole shares and sold on the Karachi Stock Exchange.

c. For the purpose of giving effect to the foregoing, the directors be and are hereby authorized to give such directions as they deem fit to settle any question or any difficulties that may arise in the distribution of the said bonus shares or in the payment of the sale proceeds of the fractions.”

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

“RESOLVED that the consent of the Company in General Meeting be and is hereby accorded for the sale of all of the shares of Avanceon Limited held by the Company, being 25,066,667 shares.”

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

“RESOLVED that the consent of the Company in General Meeting be and is hereby accorded to lend to Engro Polymer & Chemicals Limited, a Subsidiary Company, a subordinated Long Term Loan of Rs.1 billion and running finance of upto Rs. 2 billion. The running finance shall initially be for a period of one year, but renewal of the same for four further periods of one year each be and is also hereby approved.”

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

“RESOLVED that the consent of the Company in General Meeting be and is hereby accorded to lend to Engro Foods Limited, a Subsidiary Company, a subordinated Long Term Loan of Rs.3 billion and running finance of upto Rs. 2 billion. The running finance shall initially be for a period of one year, but renewal of the same for four further periods of one year each be and is also hereby approved.”

By Order of the Board

Karachi,
Dated: February 16, 2012

ANDALIB ALAVI
Vice President - Legal
& Company Secretary



N.B.

- 1 The Directors of the Company have fixed, under sub-section (1) of Section 178 of the Companies Ordinance, 1984, the number of elected directors of the Company at 12.
- 2 The Share Transfer Books of the Company will be closed from Friday, March 16, 2012 to Friday, March 30, 2012 (both days inclusive). Transfers received in order at the office of our Registrar, M/s. FAMCO Associates (Pvt.) Limited, 1st Floor, State Life Building No. 1-A, I.I. Chundrigar Road, Karachi-74000 by the close of business (5:00p.m) on Thursday, March 15, 2012 will be treated in time for the purpose of the entitlements and to attend the meeting.
- 3 A member entitled to attend and vote at this Meeting shall be entitled to appoint another person, as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Meeting as are available to a member. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the Meeting. A proxy need not be a member of the Company.

Statement under Section 160 of the Companies Ordinance, 1984

This Statement is annexed to the Notice of the Forty Sixth Annual General Meeting of Engro Corporation Limited to be held on March 30, 2012 at which certain Special Business is to be transacted. The purpose of this Statement is to set forth the material facts concerning such Special Business.

ITEM (5) OF THE AGENDA

In order to provide for increase in authorized capital for issuance of bonus shares and further growth, the Board of Directors proposes that the Authorized Capital be increased from Rs.4, 500,000,000 to Rs. 5,500,000,000.

ITEM (6) OF THE AGENDA

The Board of Directors recommend that taking into account the financial position of the Company the issued capital of the Company be increased by capitalization of free reserves amounting to Rs. 1,179,852,543 and the issue of bonus shares in the ratio of three shares for every ten shares i.e. 30%. The Directors of the Company are interested in the business to the extent of their shareholding in the Company.

ITEM (7) OF THE AGENDA

The Company had invested an amount of Rs.382 million in Avanceon Ltd. and provided a subordinated loan of Rs. 241 million with a view to expanding and growing its business and investments were made and businesses were set up in Pakistan, UAE and USA in pursuit of this objective. Avanceon Limited owns 100% of its Dubai Subsidiary, Avanceon FZE and Avanceon FZE owns 100% of a USA company, Engro Innovative Inc. which owns 70% of Avanceon LP, the operating Company in USA, the balance 30% of which is owned by the American CEO of that company. Avanceon unfortunately has not been able to meet the Company's aspirations and the business has incurred accumulated losses of Rs. 615 million as at 31 Dec 2011 while its equity stands at negative Rs. 188 million. In these circumstances, it has been decided by the Board to sell the Company's interests in the UAE and Pakistani companies. The arrangements agreed in principle, subject to approvals required and the legal documentation is as follows;

Avanceon Limited shall be taken over by the Company's partners in Avanceon, i.e. Mr. Bakhtiar Wain and/or the Wain family and the Company shall transfer all of its shareholding in Avanceon Limited (currently at 62.67% of the total paid-up equity) to them. Upon such transfer, all liabilities, whether existing or in future, of Avanceon Limited (Pakistan) and Avanceon FZE (UAE) entities, shall become the sole responsibility of the Wain family. Since the US operations are not part of the transaction being done with Mr. Wain, Avanceon FZE shall transfer to the Company or its nominee, 62.67% of its Equity interest in US operations (Engro Innovative Inc. USA) as well as subordinated loan of US\$ 1.6 million outstanding on the US company.

In order to settle bank liabilities, an amount of Rs.118 million shall be paid by the Company directly to the banks/financial institutions of Avanceon Limited to enable return of the bank guarantees extended by the Company. To ensure reduction of bank liabilities and return of its guarantees, a further amount of Rs. 41 million shall also be paid directly to the banks which shall be returnable by Wain family/Avanceon Limited in four quarterly installments. In lieu of this entire arrangement the outstanding loan, on a subordinated basis, of Rs. 241 million, plus accrued interest, by the Company to Avanceon Ltd, is being waived.

The management expects that the divestment will result in ensuring that any future losses on account of Avanceon Limited shall not have an impact on the Company. Sale of the Company's interests in the USA company shall be carried out at an appropriate time.

- (i) **Detail of assets to be disposed of i.e. its description, cost, revalued amount (if available), book value and approximate current market price/fair value.**
Consolidated equity of the company is negative Rs. 188 million and if goodwill is adjusted, the amount becomes negative Rs 616 million. Aforesaid arrangement means no future liabilities arise to the company.
- (ii) **The proposed manner of disposal of the said assets.**
As detailed above.
- (iii) **Reasons for the sale, lease or disposal of assets and the benefits expected to accrue to the shareholders therefrom.**
Avanceon Ltd. has not performed upto expectations and incurred losses. It is therefore advisable to exit the business and dispose of the Company's entire interest so far as not to incur further losses. Due the corporate guarantees issued by the Company, the Company would have remained liable for the obligations of Avanceon Ltd.

ITEM (8) OF THE AGENDA

Engro Polymer & Chemicals Ltd (E.Polymer) is a subsidiary company of Engro Corporation, with other large shareholders being the International Finance Corporation (15%) and Mitsubishi Corporation (10.24%). E.Polymer has executed a major expansion and back integration project by expanding its PVC resin production capacity by 50,000 tons (to a total of 150,000 tons per annum) and back integrating by setting up an EDC / VCM plant with a capacity of 150,000 tons pa and a chlor-alkali unit to produce 106,000 tons pa of caustic soda and 94,000 tons pa of chlorine, along with a 65 MW power plant and allied equipment and facilities. The project is now complete and in production. However, due to delays in completion as well as problems at VCM plant, E.Polymer had to borrow an extra Rs. 950 million from banks. The terms of the loans are that repayment is to be made in one lump sum and the banks can require E.Polymer to implement a Rights issue, in case a majority of the banks feel that internal cash generation may not be sufficient to repay the loans. It is possible that E.Polymer will not be able to repay the sum on the due date and a Rights issue may become necessary. As the Company owns 56% of the shares of E.Polymer, it would be obliged to its portion of the Rights. Due to the prevailing share price of E.Polymer, it may be difficult to successfully conclude a Rights issue, i.e. other shareholders may not subscribe which would force the Company to fully subscribe. In these circumstances it is thought advisable to lend E.Polymer upto Rs.1 billion as a long term loan to enable it to repay the bank loan and

avoid a Rights issue. This would be preferable from the Company point of view as subscribing to more share capital would tie up the Company funds indefinitely. E.Polymer operations have now stabilized so the Company is confident it will be able to return the loan on schedule.

E.Polymer has running finance needs of upto Rs.2 billion. The Company is a holding Company with no operating business of its own and has dividends and other income and has successfully raised financing from its "Rupiya" certificates. These funds are intended for investments as well as to provide financing to its subsidiary companies keeping in mind their alternate cost of borrowings. This benefits both the Company (as it earns returns greater than it can earn on deposits with banks) and the subsidiaries (who can borrow at rates comparative with or slightly better than with banks). It is therefore proposed to also provide a running finance facility of upto Rs. 2 billion to E.Polymer.

The Directors have carried out the required due diligence for the purpose of extending these loans.

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

- (i) **Name of investee Company or associated undertaking along with criteria based on which the associated relationship is established:**
E.Polymer is a subsidiary company of Engro Corporation, which makes it an Associated Company.
- (ii) **Amount of Loans or Advances:**
Running Finance Facility of Rs.2 billion and Long Term Loan of Rs.1 billion.
- (iii) **Purpose of Loans or Advances and benefits likely to accrue to the investing Company and its members from such loans or advances:**
The purpose of the Long Term Loan and Running Finance Facility has been explained above.
- (iv) **In case any Loan has already been granted to the said associate company or associated undertaking, the complete details thereof:**
None.
- (v) **Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements:**

Audited Accounts for the year ended December 31, 2011 showed:

	Rs. in Millions
Assets	
Property, Plant & Equipment	18,538
Stores & spares	1,099
Stock in trade	2,509
Other Assets	2,562
	<u>24,708</u>
Liabilities	
Borrowings	11,834
Trade & other Payables	6,102
Other Liabilities	531
	<u>18,467</u>
Equity	6,241
Profit & Loss	
Revenue	17,050
Operating Profit	472
Profit after Tax	(706)

- (vi) **Average borrowing cost of the investing company:**
Approximately 16% per annum.
- (vii) **Rate of interest, mark up, profit, fees or commission etc. to be charged:**
Higher than the markup payable by Engro Corporation on its borrowings of like or similar maturities at the time of disbursement
- (viii) **Sources of funds from where loans or advances will be given:**
Internal cash generation and further borrowing, if required.
- (ix) **Where loans or advances are being granted using borrowed funds; justification for granting loan or advance out of borrowed funds; detail of guarantees/assets pledged for obtaining such funds, if any; and repayment schedules of borrowing of the investing company:**
The loans shall be made from the Company's dividend and other income as well as from the proceeds of the Rupiya certificates. Justification of lending out of proceeds of the Rupiya certificates is to provide support to a subsidiary as well as to earn a higher return. The Company has created a floating charge in favour of the trustee of the Rupiya certificates over all the present and future moveable properties including investments of the

Company but excluding present and future trademarks and copyrights of the Company and its shares in Engro PowerGen Qadirpur Ltd. and Engro Polymer & Chemicals Ltd. to secure the certificate holders. Rupiya Issue I is redeemed @ 0.1% in five equal semi-annual installments in the first 30 months and the remaining 99.5% of the principal amount in the 36th month (maturing on 31 Jan 2014). While 100% of Rupiya Issue II shall be redeemed in the 36th month (maturing on 15 Sep 2014).

- (x) **Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any:**
No security will be obtained since Engro Corporation is the majority shareholder of E.Polymer and the banks and other lenders have prior rights and charges. Engro Corporation does not expect that E. Polymer will have any problem with repayment of loan.
- (xi) **If the loans or advances carry conversion feature:**
N/A
- (xii) **Repayment schedule and terms of loans or advances to be given to the investee company:**
Repayment of the long term subordinated loan shall be in installments, repayable in full five years after disbursement with payment of markup on semi-annual basis. The running finance shall be granted for a period of one year, renewable for four further periods of one year each.
- (xiii) **Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment:**
As detailed above.
- (xiv) **Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associates company or associated undertaking or the transaction under consideration:**
Except as below, the directors of Engro Corporation have no personal interest in E.Polymer which is a direct subsidiary of the Company, except that some Directors of Engro Corporation are Directors of E. Polymer and hold one share each in E. Polymer, as nominees of Engro Corporation. Mr. Asif Qadir holds 1,607,776 shares of E. Polymer and Mr. Shabbir Hashmi owns 200,000 shares of E.Polymer.
- (xv) **Any other important details necessary for the members to understand the transaction:**
N/A

(xvi) In case of investment in a project of an associated company or associated undertaking that has not commenced operations:
N/A

ITEM (9) OF THE AGENDA

Engro Foods Limited (E.Foods) is a Subsidiary of Engro Corporation. It is engaged in the manufacture, processing and sales of dairy products, ice cream and fruit juices etc. E.Foods strategy from the start has been to make heavy investments in the infrastructure development and brand building in the initial years. At present, E.Foods has reached a point where it has built the critical mass in terms of its infrastructure and significant top of mind with consumers. It has a well established leadership in the Ambient UHT market and well diversified product portfolio and strong top of the mind brand awareness. E.Foods business revenue in 2011 was Rs.29.9 billion compared to 2010 in which it was Rs.20.9 billion registering a 43% increase over the last year.

E.Foods has running finance needs of upto Rs.2 billion. The Company is a holding Company with no operating business of its own and has dividends and other income and has successfully raised financing from "Rupiyya" certificates. These funds are intended for investments as well as to provide financing to its subsidiary companies keeping in mind their alternate cost of borrowings. This benefits both the Company (as it earns returns greater than it can earn on deposits with banks) and the subsidiaries (who can borrow at rates comparative or slightly better than with banks). It is therefore proposed to provide a running finance of upto Rs.2 Billion.

E.Foods requires a Long Term Loan of Rs.3 billion for financing its future capital expenditure for expansion of its business. It is therefore also proposed that the Company lend this money from its funds.

The Directors have carried out the required due diligence for the purpose of extending these loans.

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

- (i) **Name of investee Company or associated undertaking along with criteria based on which the associated relationship is established:**
E.Foods is a Subsidiary Company of Engro Corporation, which makes it an Associated Company.

- (ii) **Amount of Loans or Advances:**
Running finance facility of Rs.2 billion and Long Term Loan of Rs.3 billion.
- (iii) **Purpose of Loans or Advances and benefits likely to accrue to the investing Company and its members from such loans or advances:**
The purpose of the Long Term Loan and the running finance facility has been explained above.
- (iv) **In case any Loan has already been granted to the said associate company or associated undertaking, the complete details thereof:**
None
- (v) **Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements:**
Audited Accounts for the year ended December 31, 2011 showed:

	Rs. in Millions
Assets	
Property, Plant & Equipment	9,615
Stock In Trade	2,638
Short Term Investment	1,294
Other Assets	3,092
	<u>16,639</u>
Liabilities	
Borrowings	6,327
Trade & other Payables	2,344
Other Liabilities	731
	<u>9,402</u>
Equity	7,237
Profit & Loss	
Revenue	29,859
Operating Profit	2,412
Profit after Tax	891

- (vi) **Average borrowing cost of the investing company:**
Approximately 16% per annum.
- (vii) **Rate of interest, mark up, profit, fees or commission etc to be charged:**
Higher than the markup payable by Engro Corporation on its borrowings in Pakistan of like or similar maturities at the time of disbursement.

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

- (ix) **Where loans or advances are being granted using borrowed funds; justification for granting loan or advance out of borrowed funds; detail of guarantees/ assets pledged for obtaining such funds, if any; and repayment schedules of borrowing of the investing company:**
The loans shall be made from the Company's dividend and other income as well as from the proceeds of the Rupiyya certificates. Justification of lending out of proceeds of the Rupiyya certificates is to provide support to a subsidiary company as well as to earn a higher return. The Company has created a floating charge in favour of the trustee of the Rupiyya certificates over all the present and future moveable properties including investments of the Company but excluding present and future trademarks and copyrights of the Company and its shares in Engro PowerGen Qadirpur Ltd. and Engro Polymer & Chemicals Ltd. to secure the certificate holders. Rupiyya Issue I is redeemed @ 0.1% in five equal semi-annual installments in the first 30 months and the remaining 99.5% of the principal amount in the 36th month (maturing on 31 Jan 2014). While 100% of Rupiyya Issue II shall be redeemed in the 36th month (maturing on 15 Sep 2014).

- (x) **Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any:**
No security will be obtained as the borrowing company is a Subsidiary of Engro Corporation. The company's assets are anyway charged in favour of banks that have prior rights as they have provided it finance. Engro Corporation does not expect that Engro Foods will have any problem with repayment of loan.

- (xi) **If the loans or advances carry conversion feature:**
N/A

- (xii) **Repayment schedule and terms of loans or advances to be given to the investee company:**
Repayment of the long term loan shall be in installments, repayable in full five years after disbursement with payment of markup on semi-annual basis. The running finance shall be granted for a period of one year, renewable for four further periods of one year each.

- (xiii) **Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment:**
As detailed above.

- (xiv) **Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associates company or associated undertaking or the transaction under consideration:**
Except as below, the Directors of Engro Corporation have no interest in E.Foods, which is a direct subsidiary of the Company, except that some directors of Engro Corporation are Directors of E.Foods and hold one share in E.Foods, as nominees of Engro Corporation. Mr. Ruhail Mohammed holds 50,001 shares of E.Foods and Mr. Abdul Samad Dawood owns 500 shares of E.Foods.

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

- (xvi) **In case of investment in a project of an associated company or associated undertaking that has not commenced operations:**
N/A

By Order of the Board

Karachi,
Dated: February 16, 2012

ANDALIB ALAVI
Vice President - Legal
& Company Secretary

message of the chairman



Engro's success over the years has been built on a sound foundation of ethical behavior that pervades across all aspects of our operations in Pakistan - ranging from our contributions to Pakistan's economy, communities and environment.

At Engro, we believe that every action adds to the value chain that we aspire to build, which is why we aim at enabling excellence in all that we do - continuously striving to push at the frontiers of doing ethical and sustainable business in Pakistan. Engro aspires to be a force of change, and enhance its level of engagement with all stakeholders, ranging from our employees to our suppliers, from investors to shareholders and extending beyond our consumers into the communities in which we operate.

Our commitment to excellence has withstood numerous economic and social challenges over the years, and more so in the past year. Over 2011, we continued to positively leverage our financial strength, our large scale innovation, our competitive culture and our drive to be the catalyst for a meaningful change in the lives of all those who we touch through our business and social engagements. Despite various uncertainties over the course of the year, we remained steadfast in our ambition to best utilize the scale of our resources and expertise to solve tough challenges for our business operations, our country and the planet we live on.

Over the years, Engro has made a conscious effort to enhance its level of engagement with all stakeholders. This report is a reflection of Engro's continued engagement over 2011, and the hard work put in by our team to deliver results for the company, as well as our uncompromising commitment to be transparent in all that we do.

Hussain Dawood
Chairman

message of the president



The history of Engro is one that is intertwined with that of Pakistan, with the organization having exhibited a similar resilience and fortitude when it comes to overcoming challenges in the pursuit of excellence. Over the years, Engro has emerged as one of the shining beacons of Pakistan's economic landscape - asserting its position as the country's leading home-grown organization.

At Engro, we have always prided ourselves on the willingness to take calculated risks, which is evident from our diversified portfolio as well as the investments that we are willing to make for the future of both the organization and the country as a whole.

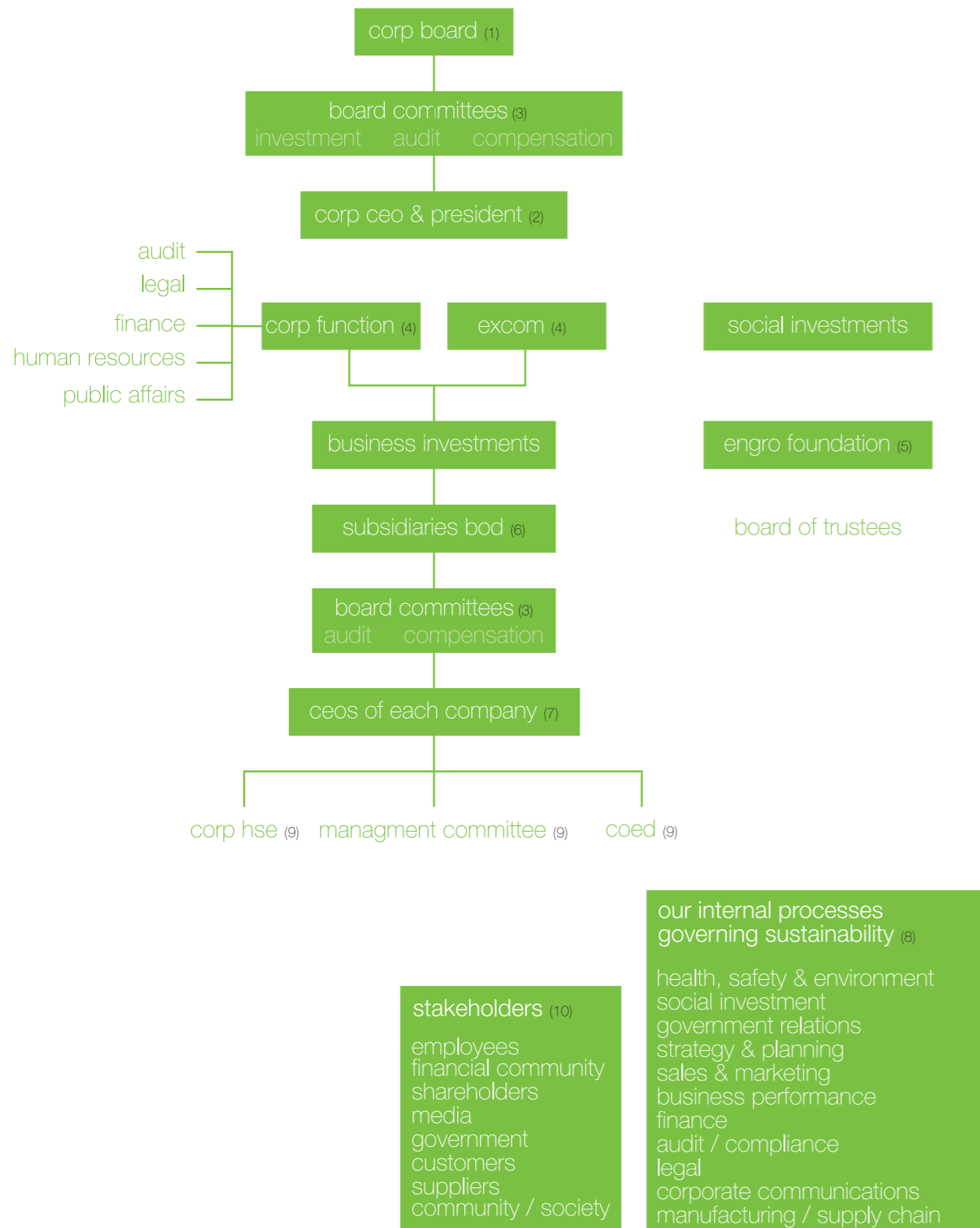
Over the years, Engro has gradually diversified into areas that build on the inherent competitive advantages of Pakistan with investments spanning a number of sectors including agriculture, foods, energy and chemicals. We are geared to take advantage of Pakistan's competitive strengths and core economic needs as is evident from the successful growth of our foods business.

In addition to attaining excellence in the businesses we operate in, we are also determined to benefit all the stakeholders associated with the organization. This includes not just the shareholders who have placed their faith in Engro, but also the employees whose tireless efforts are a key factor for our success. Their sense of ownership is rewarded through enriching careers and through an emphasis on well-being that has resulted in Engro's safety record being unparalleled in Pakistan's industrial sector. Our ambit of responsibility also extends to the communities that host us, be it through the health, education and increased livelihoods of their inhabitants, or the protection of the environment that they reside in.

We are also cognizant of our responsibility to promote a culture of accountability and long-term thinking, with an awareness of the current leaderships' role to invest in the future of the organization. This report is part of our commitment to transparency as well as to the engagement that we have promised our stakeholders. It is also part of the process by which we solicit feedback on the successes and failures of our efforts.

Asad Umar
President & CEO

our approach to value creation



The following framework outlines Engro's approach towards creating meaningful value.

The **Corporate Board (1)** has a top down view as the representative of share-holders' interest, and works with the **Corporate CEO & President (2)** in deciding the overall strategic vision and direction of the company.

The Corporate Center provides the Corporate Board and CEO & President with a shared set of functional strengths. The Corporate Centre enables a 'portfolio-oriented' management of independent businesses, as well as integrating the management of businesses, where most skills can be shared across similar business systems. This centralization of skills allows advantages, such as improved management and decision making, assessment of expansions, and investments as well as maintaining operating flexibility for companies.

The Board is assisted by a number of **Board Committees (3)** in making decisions related to Executive Compensation & Remuneration, Investment and Oversight. A number of **Functional Committees (9)** act at the operational level in an advisory capacity to the Corporate CEO & President, providing recommendations related to business and employee matters. Additional details of these committees can be found on pages 47-48.

The **Engro Foundation (5)**, also detailed on pages 153-161, serves as a single platform for community engagement activities and social investments of Engro subsidiaries, which pool their financial and managerial resources under the Foundation to create large scale social impact.

Each Engro business is governed by an independent **Subsidiary Board (6)**, led by a **Subsidiary CEO (7)** who is responsible for translating the direction set by the Board into results.

The company has put a number of **Monitoring & Reporting Mechanisms** in place at every level of the organization, including Engro Foundation, to provide a robust process of planning and measuring results. These mechanisms provide a bottom-up and top-down approach to review, and measure, the achievement of objectives and to decide future action.

The operations of each function are governed by an **Internal Process (8)**, which focus on the areas that are integral for business continuity and for delivering performance based growth. A number of **Operational Committees (9)** provide recommendations on business areas such as health & safety, management, business investment, budgetary matters, employee compensation and development.

The senior management of the Company considers feedback to be a significant contributor for the review of objectives and for the development of future plans and strategies. The company has put in place an **External Process (10)** of gathering information through various external functions including the Foundation, Corporate Communications and Finance, which ensure a flow of information both in and out of the company.

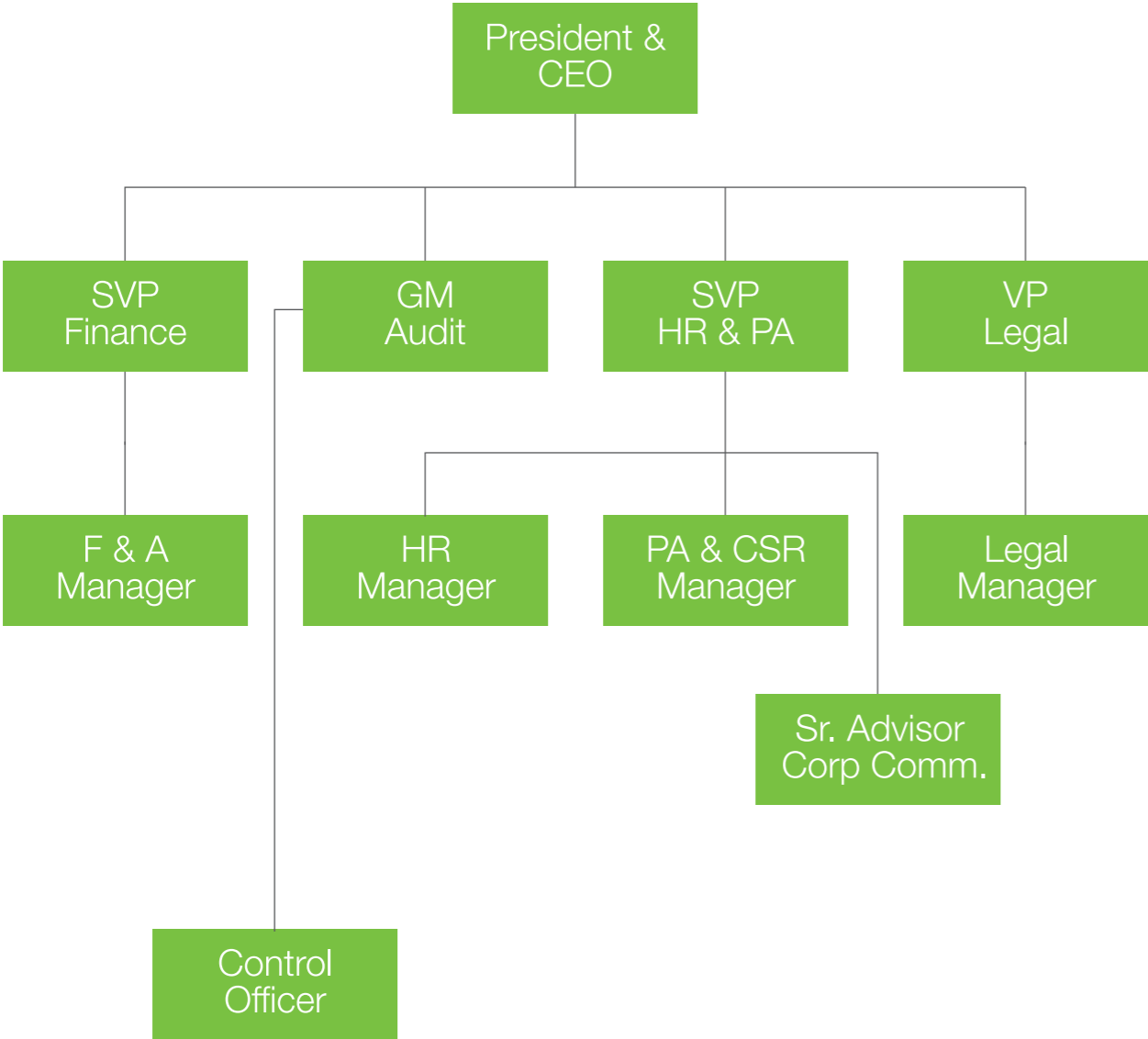


governance and management

Our governance and management framework creates mechanism design to ensure that the company lives up to its commitments and responsibilities ensuring creation of a system that encourages voluntary reporting so that incidences of irregularities are reduced.



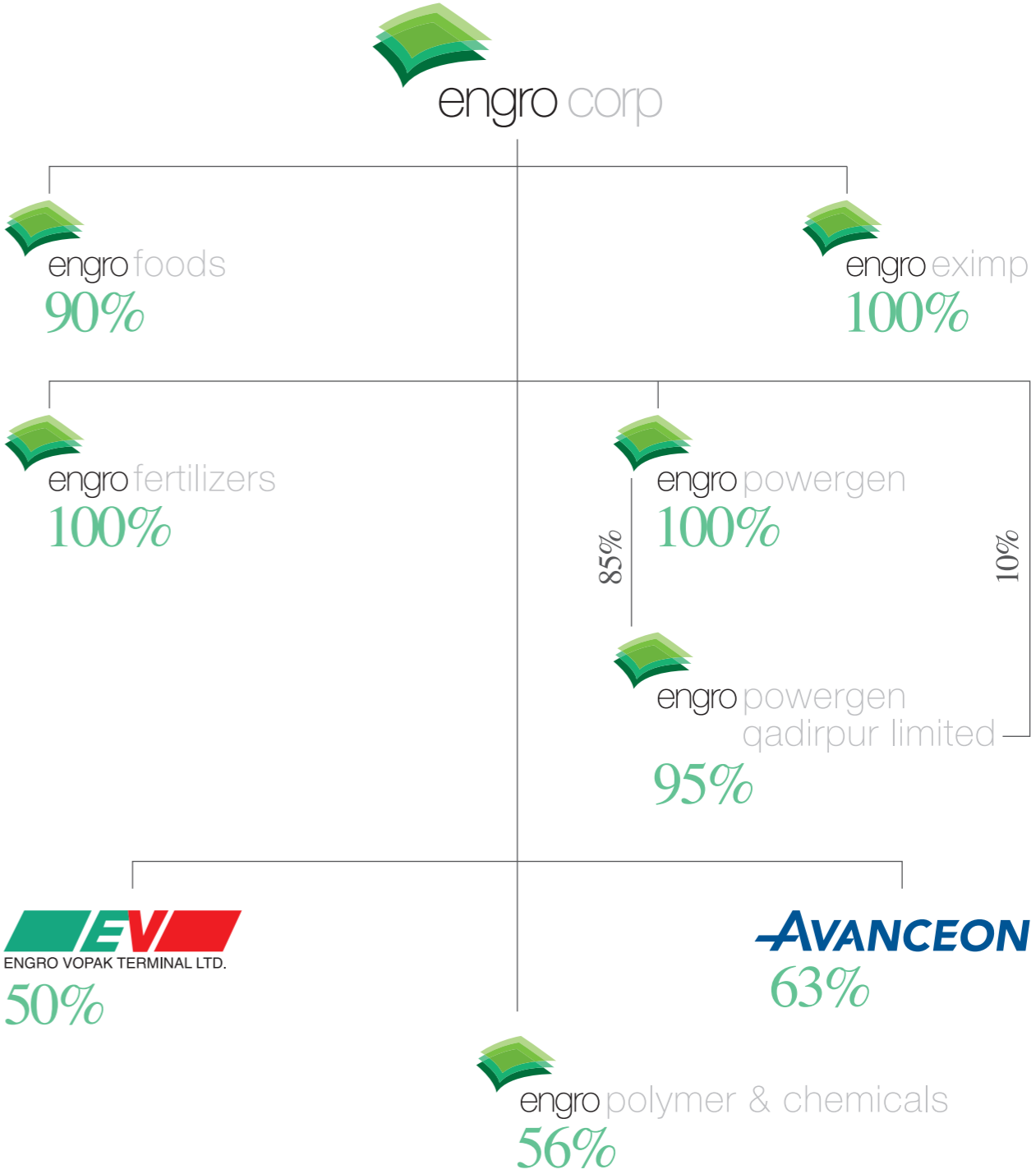
our organogram



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

* Connecting lines indicate reporting channels.

our holding structure



Engro Corporation Limited is a holding company, created following the conversion of Engro Chemical Pakistan Limited on January 1, 2010. Engro Corp provides the long term vision for the company as well as the guiding policies, and oversees performance of the subsidiaries and affiliates.

board of directors

From left to right

Standing

Shahzada Dawood
Khalid Mansoor
Ruhail Mohammed
Asif Qadir
Shabbir Hashmi

Seated

Muhammad Aliuddin Ansari
Asad Umar (President & Chief Executive Officer)
Hussain Dawood (Chairman)
Arshad Nasar
Isar Ahmad
Khalid S. Subhani



profile of directors



Hussain Dawood
Chairman

Hussain Dawood graduated with an MBA from the Kellogg School of Management, Northwestern University, USA, and is a graduate in Metallurgy from Sheffield University, UK. He is Chairman of Engro Corporation Limited, Dawood Hercules Corporation Limited, Pakistan Poverty Alleviation Fund and The Dawood Foundation. His social responsibilities include Chairmanship of the International Advisory Council of the Cradle to Cradle Institute in San Francisco and Karachi Education Initiative / Karachi School for Business

& Leadership. He also serves as a Member of the Government of Pakistan Education Task Force, Director of the Pakistan Business Council, Pakistan Centre for Philanthropy, Beaconhouse National University and is a Global Charter Member of The Indus Entrepreneurs (TiE). He is the Honorary Consul of Italy in Lahore and was conferred the award "Ufficiale Ordine al Merito della Repubblica Italiana" by the Italian Government. He joined the board in 2003.



Asad Umar
President & Chief Executive Officer

Asad Umar graduated with an MBA from the IBA, Karachi in 1984. He started his career with HSBC, Pakistan and in 1985 joined Exxon Chemical Pakistan Limited, which is now Engro Corporation Limited. During his years with Engro, he has worked in all the major divisions of the business, and took over as President & Chief Executive in January 2004, Mr. Umar is the Chairman of all Engro subsidiaries and affiliates, as well as the Pakistan Business Council,

Pakistan Chemical & Energy Sector Skill Development Company and Punjab Skill Development Fund. He is a member of the Board of Directors of Karachi Education Initiative, Pakistan Institute of Corporate Governance, State Bank of Pakistan and Board of Trustees of Lahore University Management Sciences. He was awarded the Sitara-i-Imtiaz in 2010. He joined the board in April 2000.

profile of directors



Asif Qadir
Director

Asif Qadir is a Chemical Engineer by qualification. He was the Senior Vice President of Engro Corporation Limited and Chief Executive of Engro Polymer & Chemicals Ltd, prior to his retirement since January 2012. He is Chairman of the Board for Inbox Business Technologies (Pvt.) Ltd. and Unicol Limited. He also serves on the managing committee of the Overseas Investors Chambers of Commerce & Industry and is a Director of Karachi Stock Exchange. He has held key assignments with the Company and with Exxon Chemical Canada. He joined the Board in 1997.



Arshad Nasar
Director

Arshad Nasar has a Masters degree in Economics as well as Political Science. He has worked as Chairman and Managing Director of Caltex Oil Pakistan Limited, and has undertaken several key assignments both in-country and overseas. Mr. Nasar was subsequently the Chairman and Chief Executive of OGDCL and served as a Director on the Boards of Pakistan Refinery Limited, Pak Arab Pipeline Company Limited and Mari Gas Company Limited. He is also a former President of the American Business Council of Pakistan. Mr. Nasar is a Director on the Boards of Dawood Hercules Corporation Limited, PIDC, Foundation for Advancement of Sciences & Technology (FAST), National University, Funds for Inclusion of People with Disabilities (FIPD) and Engro Fertilizers Limited. He joined the Board in 2002.



Shahzada Dawood
Director

Shahzada Dawood is an M.Sc in Global Textile Marketing from Philadelphia University, USA, and LLB from Buckingham University, UK. He is the Director of Dawood Lawrencepur Limited & Dawood Hercules Corporation Ltd. He is a member of the Board of Governors of National Management Foundation (LUMS) and also a member of Board of Trustees of Dawood Foundation. He joined the Board in 2003.



Shabbir Hashmi
Director

Shabbir Hashmi is an Engineer from DCET, Pakistan and holds an MBA from JF 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 US Aid specializing in the energy sector. He is also Chairman of Cyan Limited. A CDC nominee in 2001/02 on the Engro Board, he has been serving as an independent director on the Board since 2006.



Isar Ahmad
Director

Isar Ahmad holds a Masters Degree in Economics and is a Chartered Accountant from the Institute of Chartered Accountants of England & Wales. He is a board member of Dawood Hercules Corporation Limited, Cyan Limited, Central Insurance Company Limited and Tenaga Generasi Limited. Mr. Ahmad has a diversified experience of working in senior management positions in multinational and large Pakistani Organizations, having served as Finance Director, Supply Chain Director and Head of Business Unit at Reckitt Benckiser (previously Reckitt & Colman), Managing Director, Haleeb Foods (previously CDL Foods Limited), as well as having been the Financial Advisor at Indus Motor Company Limited. He joined the Board in 2006.



Khalid Mansoor
Director

Khalid Mansoor holds a degree in Chemical Engineering with distinction and honors. He is a Senior Vice President of Engro Corporation Limited and since January 2012 also serves as the Chief Executive of Engro Fertilizers Limited. Previously he was the Chief Executive of Engro Powergen Qadirpur Limited, Engro Powergen Limited and Sindh Engro Coal Mining Company. He is also a Director of Engro Polymer & Chemicals Limited. He has held various key assignments at Engro and with Esso Chemical Canada including development and execution of various major expansion projects. He joined the Board in 2006.

profile of directors



Ruhail Mohammed
Director

Ruhail Mohammed has an MBA in Finance. He is a Senior Vice President and Chief Financial Officer of Engro Corp and since January 2012 also the Chief Executive of Engro Powergen Limited. He has served at various senior positions in Pakistan, UAE and Europe and is on the Boards of Engro Foods Limited, Engro Powergen Qadirpur Limited, Avanceon Limited, Engro Fertilizers Limited, Engro Powergen Limited, Engro Eximp (Pvt.) Limited and Sigma Leasing Corporation Limited. He is also the Chief Executive of Engro Management Services (Pvt.) Limited and a Director of Cyan Limited. He joined the Board in 2006.



Khalid S. Subhani
Director

Khalid S. Subhani is a graduate in Chemical Engineering. He is the President and Chief Executive Officer of Engro Polymer & Chemicals Limited since January 2012 and has previously served as the President and Chief Executive Officer of Engro Fertilizers Limited. He is also a Senior Vice President of Engro Corporation Limited. He is a Director on the Boards of Engro Corporation Limited, Engro Fertilizers Limited, Engro Vopak Terminal Limited, Engro Eximp (Pvt.) Limited and Engro Polymer & Chemicals Limited. He has also served as the Chairman of the Board of Avanceon in the past. He joined the Board in 2006.



Muhammad Aliuddin Ansari
Director

Muhammad Aliuddin Ansari is the CEO of Dewan Drilling, Pakistan's first independent Oil & Gas drilling company. Mr. Ansari started his career as an Investment Manager at Worldinvest/Bank of America in London, and has also served as the CEO of AKD Securities and COO, Emerging Europe for Credit Lyonnais Securities. He is also on the Board of National Clearing Company of Pakistan & Al-Meezan Investment Management. He joined the Board in 2009.



Abdul Samad Dawood
Director

Abdul Samad Dawood 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 Chief Executive of Central Insurance Company Limited and Dawood Corporation (Pvt.) Limited. He is the Director on the Board(s) of Dawood Hercules Corporation Limited, Sui Northern Gas Pipeline Limited, Dawood Lawrencepur Limited, Engro Fertilizers Limited, DH Fertilizers Limited, Tenaga Generasi Limited, WWF Pakistan, Inbox Business Technologies (Pvt.) Limited, Cyan Limited and Pebbles (Pvt.) Limited. He is a member of Young President Organization, Pakistan Chapter. He joined the Board in 2009.



Saad Raja
Director

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

core values

our core values define every aspect of our way of doing business ensuring that we value the five hats we wear

Ethics & Integrity

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

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.

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 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, at Engro, sustainable business development is to be anchored in commitment to engage with key stakeholders in the community and society.



A photograph of several ancient stone columns of varying heights and widths, standing against a clear blue sky. The columns are weathered and have a textured surface. The image is partially obscured by a green and yellow graphic overlay at the bottom.

our governance strategy

Engro's pursuit of profit is underlined by a pervasive commitment to be ethical in all that we do. As a result, Engro's work ethos embodies some of the highest standards of corporate governance in Pakistan.

Our pursuit of ethical behavior stems from a governance strategy built upon mechanisms that ensure responsible behavior across all tiers of interaction throughout the organization's operations; including those who we conduct business with, the employees of the organization, the people of the communities that host us, as well as the government representatives who regulate our business practices.

Our governance policy begins with a very simple and basic premise. All of Engro's workings, ranging across all stakeholders, must and do, comply with the laws and regulations of Pakistan. However, as with everything that

is Engro, we aim to go beyond just mere legal compliance, and hold ourselves to an even higher standard.

At Engro, governance is not just about how we act externally, but also about how we regulate ourselves internally. Engro's stringent policies ensure that we monitor the action of those connected to the organization in any capacity, thus preventing them from having undue advantage of access to information.

For us governance is also about preventing a disadvantage to those who interact with the organization. The company makes it a point to pay suppliers on time, as well as fulfilling all other financial obligations without any delays. Our customers are benefitted through Engro's commitment to ensure a level playing field and a competitive market place.

our governance framework

Our governance framework is designed to ensure that the company lives up to its core values and principles, institutionalising Engro's commitment to enabling excellence in everything we do. Through concrete processes and mechanisms, we fulfill our responsibilities with everyone we interact with - whether it be our customers, suppliers, communities or the government.

Compliance Statement

The Board of Directors has throughout the year 2011 complied with the 'Code of Corporate Governance' as per the listing requirements of the stock exchanges and the 'Corporate and Financial Reporting Framework' of the Securities & Exchange Commission of Pakistan.

Risk Management Process

Management at all subsidiaries periodically reviews major financial and operating risks faced by the business. In year 2011, the company deployed an Enterprise-wide Risk Management (ERM) system which has been discussed later in this section.

Internal Control Framework

Responsibility:

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

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

Framework:

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

Review:

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

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

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

Audit:

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

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

Directors

Since April 2009, the Board has comprised of five executives, four independent non-executive Directors and four non executive Directors, who had the collective responsibility for ensuring that the affairs of Engro are managed competently and with integrity.

A non-executive Director, Mr. Hussain Dawood, chairs the Board and the Chief Executive Officer is Mr. Asad Umar. Biographical details of the Directors are given previously 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 ten times including meetings for 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.



board committees

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

Board Compensation Committee

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

The President attends Board Compensation Committee meetings by invitation. The committee met six times during 2011.

Members

Hussain Dawood (Chairman)
Arshad Nasar (Director)
Shabbir Hashmi (Director)
Shahzada Dawood (Director)

The **Secretary of the Committee** is Tahir Jawaid, Senior Vice President, HR and PA.

The Board Audit Committee

The committee meets at least 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 2011.

Members

Shabbir Hashmi (Chairman)
Abdul Samad Dawood (Director)
Aliuddin Ansari (Director)
Isar Ahmed (Director)

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

The Board Investment Committee

The Committee assists the Board in reviewing the Company's investment transactions and performances, oversee the Company's capital and financial resources and advise on future strategy. The Committee meets on a need basis, but at least three times a year and regularly reports to the Board.

Members

Aliuddin Ansari (Chairman)
Abdul Samad Dawood (Director)
Isar Ahmed (Director)
Saad Raja (Director)
Shabbir Hashmi (Director)

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

functional committees

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

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

COED Committee is responsible for the review of Compensation, Organization, Training and Development matters of all employees.

Committee Members

Asad Umar (Chairman)
Abdul Samad Khan
Afnan Ahsan
Bakhtiar Wain
Khalid Mansoor
Khalid Siraj Subhani
Ruhail Mohammed
Shaikh Imran-ul-Haque
Tahir Jawaid

The **Secretary of the EXCOM** is Arshaduddin Ahmed, VP Marketing, Engro Polymer & Chemical.

The **Secretary of the COED** is Shafaq Omar, Manager HR, Engro Corporation Limited.

engro foundation

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

Board of Trustees

Asad Umar (Chairman)
Afnan Ahsan
Khalid Mansoor
Ruhail Mohammed
Tahir Jawaid

The **Secretary of the Board** is Jiwan Das, Director, Engro Foundation.





our governance performance

Engro's approach towards corporate governance is comprehensive to ensure maximum transparency. It begins with a system of audits and reporting that is designed to catch irregularities in time. This system is reinforced through the nurturing of a culture of voluntary reporting that ensures irregularities are checked early. This emphasis on transparency and ethical practices has played a significant role in developing our employees as responsible professionals and citizens.

In 2011, the organization set itself the overarching objective to implement an Enterprise-wide Risk Management (ERM) system across the company, its subsidiaries and its ventures. Over the course of the year, the company implemented a Lean ERM system that has provided a means of enhancing capacity to anticipate, analyse and mitigate risks. As part of the ERM process, management across the company has begun to identify and assess critical risks, as well as provide comprehensive management plans to respective Board Audit Committees (BACs).

In 2011, an aggregate of 92 out of 432 risks (21%) were assessed as top risks for which detailed management plans were developed. In addition, the ERM process has also enabled the company to better control its costs, improve its efficiency and deliver greater value to its shareholders.

Engro's drive towards implementing full ERM was put on hold until the completion of the Lean ERM implementation across the company. However, the deployment of widespread ERM is to continue over the course of 2012, and the company has developed the complete plan for the year, including the selection of consultants, setting up risk management training for employees, as well obtaining necessary budgetary approvals.

In 2011, Engro also implemented a secondary initiative to ensure that all departments, subsidiaries and joint ventures attained a level of efficiency in their corporate governance whereby no more than 10% of their audit reports would receive a Management Attention Required (MAR) rating or

below. On the whole, 16.0% of the company's audit reports received an MAR rating in 2011, although there were no 'unsatisfactory' reports.

Over the last year, Engro also organized 'Internal Auditors' Synergy Forums' as a means of assessing and improving the quality of internal auditing, audit reports and sharing best practices. The company also successfully completed the audit plan for 2011, which included eleven (11) scheduled ECORP audits (1 Good / 8 satisfactory / 1 MAR), as well as three (3) unplanned audits (Insider trading / related party information / dividend reconciliation).

As part of routine governance activity in 2011, the company also:

- Evaluated ethics benchmarking of Engro group companies in the last year, presenting recommendation to the EXCOM.
- Conducted a Maximo - Oracle integration review at the Polymer business unit
- Circulated checklist to evaluate external auditor's re-appointment
- Initiated an action plan in response to identified risk of dilution of values.
- Quarterly review of financials and related party transactions.

our audit report results

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

For 2011, Engro had set itself the target of achieving an MAR result in less than 10% of its audit reports. In 2011, Engro was successfully able to improve its governance to the point where none of the company's business lines got an "unsatisfactory" rating on any of their audit reports,

despite the fact that the company kept increasing the number of internal audits that it conducted.

On an aggregate basis 29 out of 181 audit reports across our subsidiaries were rated as 'Management Attention Required' (16.0%), although with the removal of ratings from the industrial automation unit, the MAR percentage reduced to 10.5%. On a comparative basis the data shows that the company was able to significantly improve its governance in 2011 achieving no 'unacceptable rating' and decreasing its MAR ratings from 19.4% in 2010 to 16.0% in 2011 despite increasing the number of internal audits conducted in the year 2011.

Company	Good	Satisfactory	MAR	Unacceptable	Total
Engro Corporation	1	12	1	0	14
Engro Fertilizers	1	36	7	0	44
Engro Foods	0	32	5	0	37
Engro Eximp	0	6	0	0	6
Engro Polymer	1	20	4	0	25
Engro Powergen	0	27	1	0	28
Avanceon	0	16	11	0	27
Total	3	149	29	0	181



A silhouette of a person in a cap and shorts is shown from the side, pulling a dark cloth away from a landscape. The background is a bright blue sky with white clouds and a sunburst effect. The foreground is a green field with a yellow and orange horizon line.

enterprise risk management

In 2011, Engro set itself the target of implementing an Enterprise Risk Management (ERM) system across the company, its subsidiaries and its ventures. ERM is a process, implemented by an entity's board of directors, management and other personnel. The system is designed for use in application of strategy setting, identification of potential events that may affect the entity, management of risks to keep the organization within its risk appetite and for the provision of reasonable assurance regarding the achievement of company's corporate objectives.

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This process was segmented into two phases; with phase one covering the implementation of a Lean ERM module

across the organization, which now provides a means of enhancing capacity to anticipate, analyze and mitigate risks.

The Enterprise Risk Management (ERM) framework will help the company increase efficiency and risk mitigation through thorough risk assessment, identification of gaps and prioritization of action plans to reduce any adverse impact of the risks identified.

As a major breakthrough development some of the risks classified under the ERM include:

Major Classification of Risks	Cause Factors
Strategic Risks - risk of high level objectives not being met	<ul style="list-style-type: none"> • Access to capital • Global financial events • Changes in government policy
Operational Risks - risks of ineffective and inefficient utilization of resources	<ul style="list-style-type: none"> • Plant inefficiencies, product related issues, supply chain
Reporting Risks - risks of non-reliability in external/internal reporting	<ul style="list-style-type: none"> • Doubtful integrity of data used for decision making and internal/external reporting
Compliance Risks - risks of non-compliance with applicable laws codes, etc.	<ul style="list-style-type: none"> • Violation of NEQS, tax laws, governance • Violation of Competition Ordinance

With the launch of the Lean ERM, Engro is now able to identify critical risks, as well as assess and manage plans developed by concerned line management. On aggregate, 92 risks out of 432 risks (21%) were assessed as top risks in 2011, for which detailed management plans were developed. As part of the ERM process, management across the company has

begun to identify and assess critical risks, as well as provide comprehensive management plans to respective Board Audit Committees (BACs). The following table lists the number of risks identified and presented to Board Audit Committees as part of the review process:

Company	Risks Identified	Risks Presented to BAC for review
Engro Corporation (standalone)	47	4
Engro Corporation (consolidated)	432	92
Engro Fertilizers	54	13
Engro Foods	86	13
Engro EXIMP	11	11
Engro Polymer	38	13
Avanceon	73	15
Engro Powergen	118	20
Engro Vopak	5	3





our governance objectives for 2012

Engro's primary objective for 2012 is the completion of Lean Enterprise Risk Management (ERM) across all Engro companies, and a move towards full ERM implementation. The organization is also aiming for the consolidation of a reporting format for the Board Audit Committee and the Board of Directors.

The company plans to continue its practice of internal resource development, which will be achieved through the organization of synergy forums for internal auditors. The internal audit department will work towards the timely completion of audit plans, develop and implement a

methodology to assess the overall state of Internal Control, as well as launch and implement an Internal Audit Quality evaluation system.

The audit committee of the Board of Directors is cognizant of the need to improve the Governance Risk Control (GRC) function of the company, which it aims to achieve by increasing frequency and content of employee trainings, preparing and circulating internal controls & company policies, as well as developing a system for assessing awareness of company policies.

director's report

The Directors of Engro Corporation Limited are pleased to submit the forty sixth annual report and the audited accounts for the year ended December 31, 2011.

Principal Activities

Engro Corporation is concerned with the oversight of subsidiaries and affiliates. Its current portfolio of capital investments consists of businesses like fertilizers, petrochemicals, chemical storage and handling, automation, energy, foods and trading.

Organizational Overview

2011 was another year of enabling excellence and growth for the Company's core businesses including the landmark achievement of reaching **Rs. 114.4 billion** in revenue and declaring the highest ever consolidated profit of **Rs. 8.06 billion**. The Company registered strong growth across key businesses including fertilizers, foods, energy and trading.





operational highlights

The fertilizer business successfully commenced commercial operations for EnVen - the world's largest single train ammonia-urea plant.

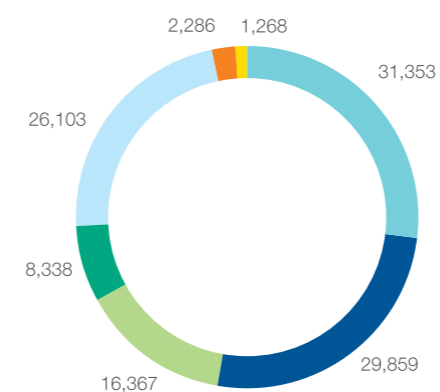
The foods business showcased stellar topline growth of 43% and declared a sizable profit of Rs. 891 million.

The foods business expanded its geographical footprint by acquiring Al-Safa Halal - a leading halal meat brand in North America - at a total cost of US \$6.3 million.

The year marked record-breaking HSE performance with our businesses completing approximately 37.5 million safe man hours and declaring a Total Recordable Injury Rate (TRIR) of 0.25

The energy business dispatched the highest total net power of 1,657 GWh to the national grid.

Business Revenues (Rs million)



Consolidated Revenue (Rs million)

114,612

■ Fertilizers ■ Foods ■ Polymers ■ Powergen ■ Eximp ■ Vopak ■ Avanceon

*Engro share also includes Engro Corp standalon and Engro Foods Canada results



business review

Fertilizers

The fertilizer business is primarily engaged in the manufacturing and marketing of urea and NPK fertilizers. In addition, Engro Fertilizers also acts as an agent for Engro EXIMP to distribute and market phosphate-based fertilizers. Engro Fertilizer is a wholly owned subsidiary of Engro Corporation. As one of the leading fertilizer manufacturing and marketing companies, the business offers a wide variety of fertilizer brands, which include some of the most trusted brand names by Pakistani farmers.

In the year 2011, the country's domestic urea production stood at 4.9 million tons as opposed to 5.2 million tons in 2010 - an overall decline of 6% due to severe gas shortage. Moreover, the urea demand declined by 3% to 5.9 million tons in 2011 from 6.1 million tons in 2010 due to reduced supply on account of lower production and lack of timely imports by GoP. With Enven's commissioning, the business produced 1,279 thousand tons of urea which is 38% higher than 972 thousand tons produced in 2010. The gas curtailment impact was offset by continued price increases throughout the year. The fertilizers business sold 1,263

thousand tons of urea and another 16 thousand tons consumed in our Zarkhez operations. The Company's full year market share for the year 2011 stood at 21%.

The Company's urea expansion project at Daharki (EnVen) achieved a delayed CoD in June 2011, primarily due to gas curtailment. Currently the EnVen plant is the world's largest single train urea ammonia plant with a capacity of 1.3 million tons per annum and is the largest private sector industrial investment of approximately Rs. 84 billion (USD 1.14 Billion).

The phosphate fertilizer demand in Pakistan decreased to 1.1 million tons from 1.4 million tons in 2010, as cotton prices collapsed reducing farmer's profitability and as international fertilizer prices increased. In spite of this, the phosphate business increased its sales to 336 thousand tons of phosphates in 2011 against 328 thousand tons in 2010 achieving a market share of 29% vs 23% in 2010.

The demand for Zarkhez remained healthy throughout 2011, as absolute prices remained significantly lower on relative

basis. Sales of the Zarkhez brand of fertilizers increased by 25% to 74 thousand tons in 2011 from 60 thousand tons in 2010. The increase was a direct result of growth in the potash industry, urea shortage and higher delta in absolute prices with phosphates.

The Company's ENP sales decreased to 28 thousand tons in 2011 from 35 thousand tons in 2010. The Company's Zarkhez plant produced a total of 80 thousand tons of Zarkhez and 33 thousand tons of E-NP as compared to a total of 100 thousand tons of Zarkhez and E-NP produced in 2010.

On the ongoing energy crisis and gas curtailment to the plant, the Company continued to lobby at multiple fronts. By diverting gas from fertilizer sector to other industries, the government incurred a loss of Rs.28 bn through urea import subsidy. Additionally, the farmer fraternity faced a cumulative loss of Rs. 38bn by paying higher urea prices. The Company had filed a case in the Sindh High Court against the Ministry of Petroleum & Natural Resources, Ministry of Industries and Sui Northern Gas Pipelines Limited against the suspension

and curtailment of gas to Company's fertilizer plants. The Court issued its judgment on October 18, 2011 directing SNGPL to supply the guaranteed quantity of 100mmscfd gas to Engro's EnVen plant in accordance with the contract. However, failure of SNGPL to honor the commitment and the ruling of the court forced the Company to file a separate petition for contempt of court. The ministry, SNGPL and certain other companies have filed appeals in the Supreme Court, where hearing is underway.

The Fertilizer business achieved a net profit after tax of Rs 4,588 million during 2011, a 23% growth over the profit after tax of Rs 3,730 million during 2010. The Company through its operating leverage also retired Rs. 6 billion of debt throughout the calendar year 2011 and is well on its way to deleverage its balance sheet. The Phosphates trading business made a profit after tax of Rs 1,530 million during 2011 vs. a profit after tax of Rs 1,814 million during 2010.



business review

Foods

The foods business is primarily engaged in manufacturing, processing and sales of dairy products, ice cream and fruit juices. In addition the business also operates a dairy farm. The business is 90% owned subsidiary of Engro Corp whereas the remaining 10% is owned by general public. The business is listed on the Karachi Stock Exchange.

In 2011, escalating inflationary pressures continued to impact key commodities and rising consumer price index curbed discretionary expenditures giving rise to a more conscious consumer segment focusing on value and quality.

During the first half of the year, in May 2011, the foods business raised Rs. 1.2 billion by issuing 48 million shares to the institutional investors - mainly the US & UK mutual funds - and local investors. The shares were issued at a price of Rs. 25 per share.

The Company's vision to enhance its footprint and pursue a focused growth strategy led to the first-ever public offering of 27 million shares of the business to the general public at a price

of Rs. 25 per share - inclusive of a premium of Rs. 15 per share. The foods business had constructed a rice processing facility which was owned by Engro Foods Supply Chain Limited. In the calendar year 2011, the Board approved the sale of 70% equity shares in the Engro Foods Supply Chain to the trading business at a fair value of Rs. 10.64 per share. The trading business deals in the procurement and marketing of rice to premium customers in Europe and Middle-East. The sale proceeds will be used to finance the robust expansion of the business - both in local and foreign markets.

In 2011, the local dairy market grew by 9% over 2010. The Company continued its aggressive business strategy of growth and diversification and achieved volume growth of 22% in 2011. The volumetric growth resulted in securing a market share of 44% as opposed to 39% in 2010 across the dairy segment. The market growth was driven by tea creamers where Tarang maintained its leadership. Building on its promise of elevating consumer delight, the business diversified into low cost high quality product category with the launch of Dairy Omung - a nutritious and affordable dairy product for lower

income consumers. Innovation remained at the core of the business's product expansion strategies this year and the business introduced Olper's variants of Badam, Zafran and Rose flavors which were well received by the market.

The ice cream industry was stable at 72 million liters (71 million liters in 2010). Omoré's volume, however, increased by 43% in 2011, increasing overall market share to 24% from 17% in 2010. However, the brand made an after tax loss of Rs. 405 million as opposed to Rs. 382 million in 2010 due to continued investments in brands, product development & diversification and cold chain infrastructure.

The business re-launched its refreshing Olfrute brand which continued to reflect strong consistent growth in its volume base. With six invigorating flavors Olfrute registered a volume growth of 236%.

The Company's Nara Dairy Farm produced over 5.8 million liters of milk in 2011 with a total herd size of over 3,000 animals. Due to lower yields and less utilization of farm housing capacity,

the Nara Farm registered an operational loss of Rs. 107 million in 2011 as compared to a loss of Rs. 99 million in 2010. Mirroring its success in the local market, the business made its foray in the international arena with acquisition of Al-Safa - a leading halal meat brand in North America - at a total cost of US \$6.3 million in April 2011. During the first 8 months of operations (since the acquisition) till December 31, 2011, Al-Safa brand sales were US \$5.283 million and the operational loss was US \$ 1.205 million including the pre-commencement cost of US \$0.33 million. Since Engro Corporation currently owns the equity stake in Engro Foods Canada these losses are not included in the Company's financial performance and will be accounted for once Engro Foods buys the equity shares from the holding Company at the actual cost, post-approval of the Regulator.

The consolidated foods business continued to expand its infrastructure and product portfolio to meet consumer needs and achieved a sizable profit of Rs. 891 million with a stellar topline growth of 43% in 2011.



business review

Petrochemicals

The petrochemicals business is a 56 percent owned subsidiary of the Company and is listed on all three stock exchanges of the country. It is the only manufacturer of PVC in the country and also manufactures and markets caustic soda.

During the year the company produced 122 thousand tons of PVC as compared to 114 thousand tons in 2010. Production was lower than capacity due to limited availability and operational constraints at the plant. However, by the end of the fourth quarter the plant had overcome significant teething problems and is in better shape with VCM capacity utilization up to 99%. A total of 98 thousand tons of VCM was produced throughout the year as opposed to 64 thousand tons in 2010.

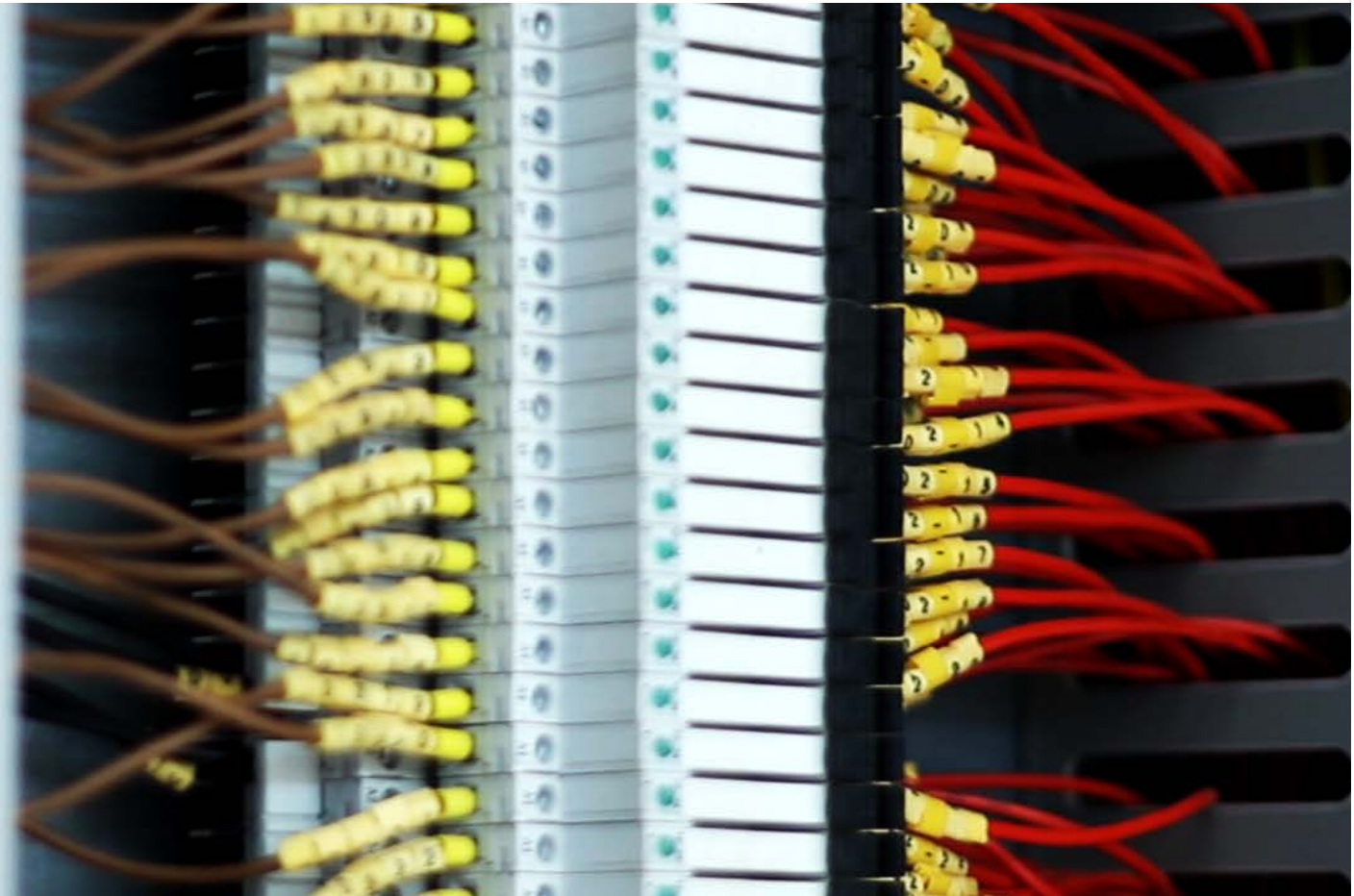
The Company's PVC domestic sales volume increased to 113 thousand tons in 2011 from 97 thousand tons in 2010. In order to counter relatively lower domestic demand, the Company initiated export of PVC through its subsidiary and exported 11 thousand tons of PVC during the year 2011. The caustic soda production registered a marginal growth and during the year 2011, 100 thousand tons of caustic soda was produced as compared to 93 thousand tons in 2010. The caustic soda sales remained strong during the year and the company sold 87 thousand tons as against 80 thousand tons in 2010.

The business, however, incurred an after tax loss of Rs. 706 million due to unstable VCM operations in the first three quarters and lower international PVC-Ethylene margins in the fourth quarter.

Energy

Engro Powergen Qadirpur Ltd, the company's first initiative in the power sector of the country, is a 95% owned subsidiary, 10 percent directly and 85 percent through its power holding company, Engro Powergen while IFC has the remaining 5% equity stake. During the year 2011, the energy business dispatched the highest total net power of 1,657GWh to the national grid as compared to 1,201 GWh in 2010. Mirroring strong performance in its second year of operations as well, the business declared a net profit of Rs. 1,718 million as compared to 1,111 million in the year 2010.

On the front of the Thar Coal Project, the technical, economic, social and economic feasibility for the project has been completed and the project cost has been negotiated to the level where power cost is competitive vs. all other fuels. The next phase of the project will commence immediately after completion of infrastructure schemes by the Government of Sindh.



business review

Chemical Storage & Handling

The chemical storage and handling business is a 50:50 joint venture with the Royal Vopak of Netherlands and is engaged in the handling and storage of chemicals and LPG. The terminal continued its safe and stable performance through the year and won a tax case in Sindh High Court resulting in higher profitability due to tax reversal.

The company's throughput for the year was 1,092 kt vs. 1,104 kt in 2010. The decrease in annual throughput is mainly attributable to lower import of Phos Acid due to lower production of DAP as a result of gas load management by SSGCL. During the year company also handled first export parcel of VCM. Showing consistent growth in its main line of business, the chemical storage and handling business posted a profit after tax of Rs. 3484 million (inclusive of tax reversal of Rs 2018 million) in 2011 as opposed to Rs. 1109 million in 2010.

The Company also defended the matter of the show case notice issued by the Competition Commission of Pakistan regarding the exclusivity clause in its Implementation Agreement (IA) with Port Qasim Authority. The CCP held that an exemption should have been obtained for the IA and also ordered that certain amendments be made in the IA while retaining the exclusivity. The company filed a writ against the order and the Sindh High Court has granted an interim order to restrain the implementation of the order. Lotte PPA's complaint on abuse of dominant position was however dismissed by the CCP.

LNG

During the year, continued efforts to position for the LNG import terminal at Port Qasim resulted in short-listing of the Company for the integrated LNG project. A 100 percent owned subsidiary with the name Elengy Terminal Pakistan Limited (LNG) has been established to commence operations on this front.

Automation

The business is engaged in automation and control engineering services. The business has a wholly owned subsidiary in Jebel Ali Free Zone - UAE - which in turn has a 70% interest in its US subsidiary.

Due to tough economic climate the business posted a consolidated after tax loss of Rs. 169 million in 2011. The loss was primarily due to lower revenues due to the reverberating impact of the recession where customers remained cautious with their capital expenditures.

Engro Corp's Board has decided to sell the Company's interests in the business. Through an MOU signed on December 31, 2011 between Engro Corp and the Wain family, Engro Corp will transfer its 62.67% shareholding in the Pakistan and UAE businesses to the Wain family. Sale of the US business is also being pursued.

Others

The company launched the second issue of 'Engro Rupiya Certificates' in June 2011. The issue was completely subscribed raising a total amount of Rs 2.75 Bn during the period June-September 2011.



business review

Health, Safety & Environment

The company is highly conscious of its HSE responsibility and continued to work relentlessly towards increasing efficiencies and reducing environmental impact of all of its industrial and office locations during 2010. The Company continued its endeavor to align HSE management systems and processes to international best practices which were regularly assessed and audited internally as well as by third parties.

The Company is committed to reducing its environmental and carbon footprint and as a result a number of initiatives have been taken at all stages of production and at all levels within the company to ensure that we continue to champion environmental stewardship through our efforts. All of Engro's facilities are NEWA compliant and follow the highest standards for ensuring health and safety of all our employees and individuals connected with our businesses. The company conducts routine overview of operating procedures with specific focus on HSE hazards, emergency operations, and safe work practices. Our continuous focus on achieving excellence in health and safety resulted

in achievement of our lowest-ever Total Recordable Injury Rate (TRIR) of 0.25 in 2011.

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.

A detailed description of our HSE performance is discussed in the HSE section of the report.

Employee relations and organizational development

As a responsible employer, Engro respects its employees' rights and endeavors to provide a safe and healthy workplace, fair policies and procedures, freedom of opinion and expression and open dialogue with all employees. The company's commitment to provide a congenial work environment to all its employees in accordance with our sense of purpose and core values is constantly reaffirmed through our policies and best in-class practices.

In 2011, the Company continued to work towards enhancing employee satisfaction, offering attractive and fair compensation benefits, increasing gender diversity, and enabling personal and professional development of the employees to nurture future corporate leaders. Various in-house and outsourced training courses, seminars and workshops in the areas of management, plant operation and maintenance, information technology, finance, etc were arranged throughout the year.

A detailed description of our HR performance is discussed in the People section of the report.

Social Investments

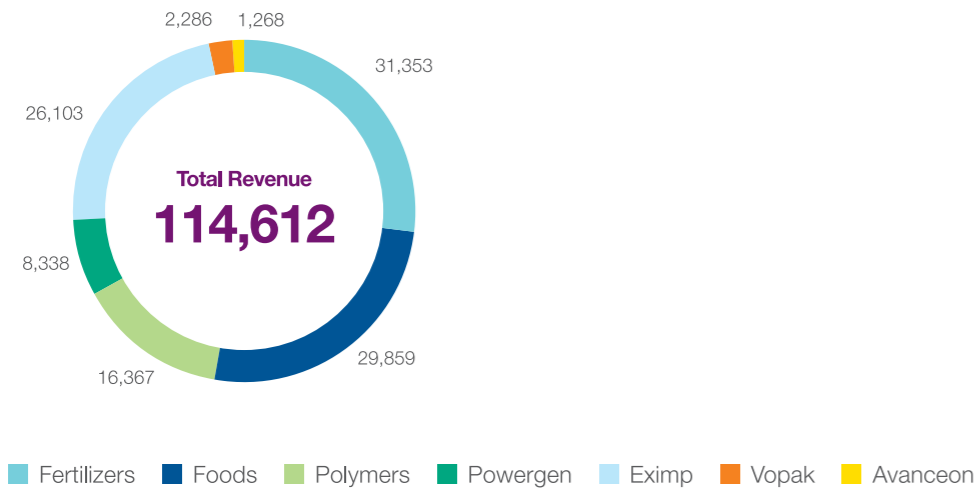
As part of the company's enduring commitment towards improving the life of its stakeholders, and especially host communities, Engro contributed over Rs. 193 million under its social investments commitment in 2011, as compared to Rs. 136 million in 2010. The social investment programs were managed by Engro Foundation – the single CSR front for all our subsidiaries. The Engro Foundation together

with its partners worked in the areas of education, health, infrastructure, livelihoods and disaster management to provide socio-economic opportunities to a multitude of individuals and households in our host communities. In 2011 the salient programs that illustrated our focus included the Ehsanpur Model Village, Technical Training Centre, Khushaal Livestock Project and Women Empowerment through Livestock Development (WELD).

A detailed description of our social investments performance is discussed in the Benefitting Communities section of the report.

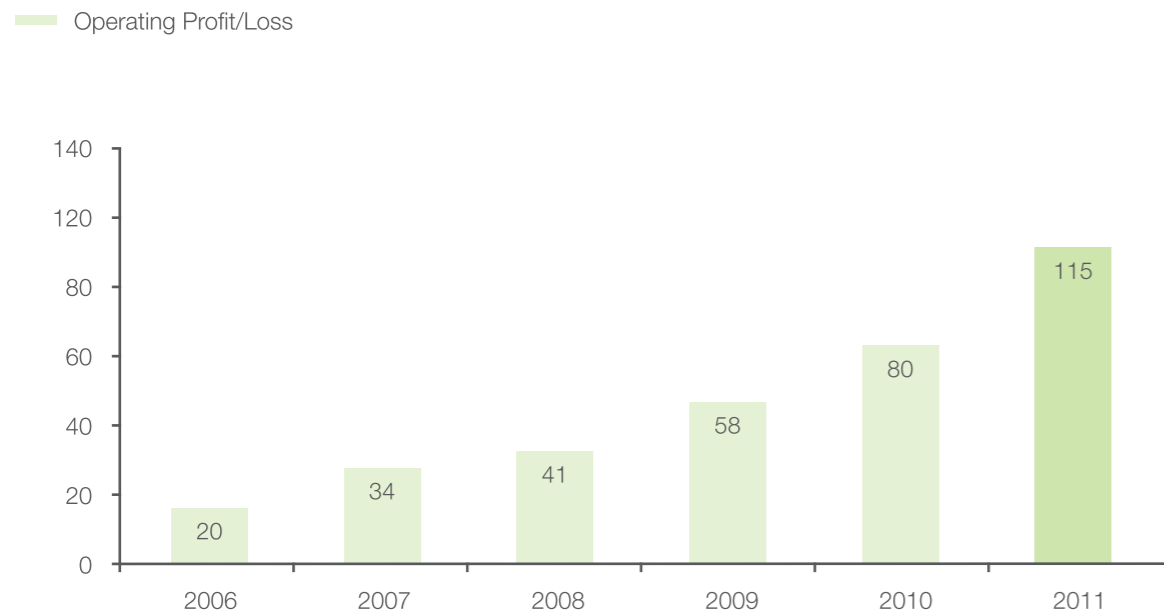
financial review

Business Revenues (Rs million)

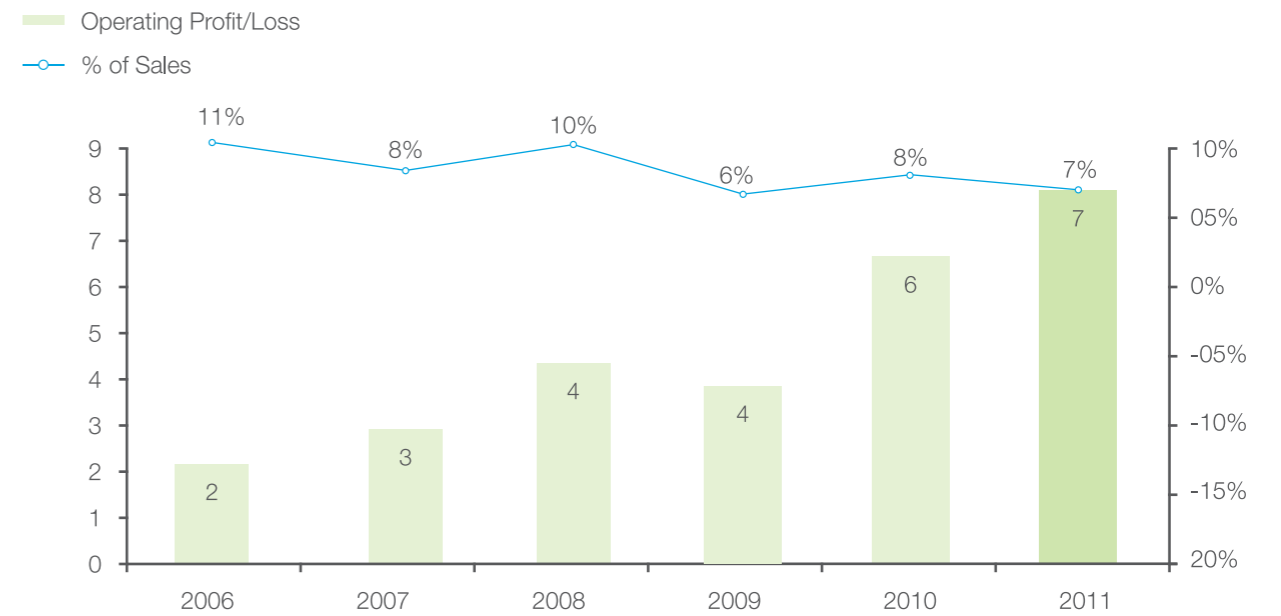


*Engro share also includes Engro Corp standalon and Engro Foods Canada results

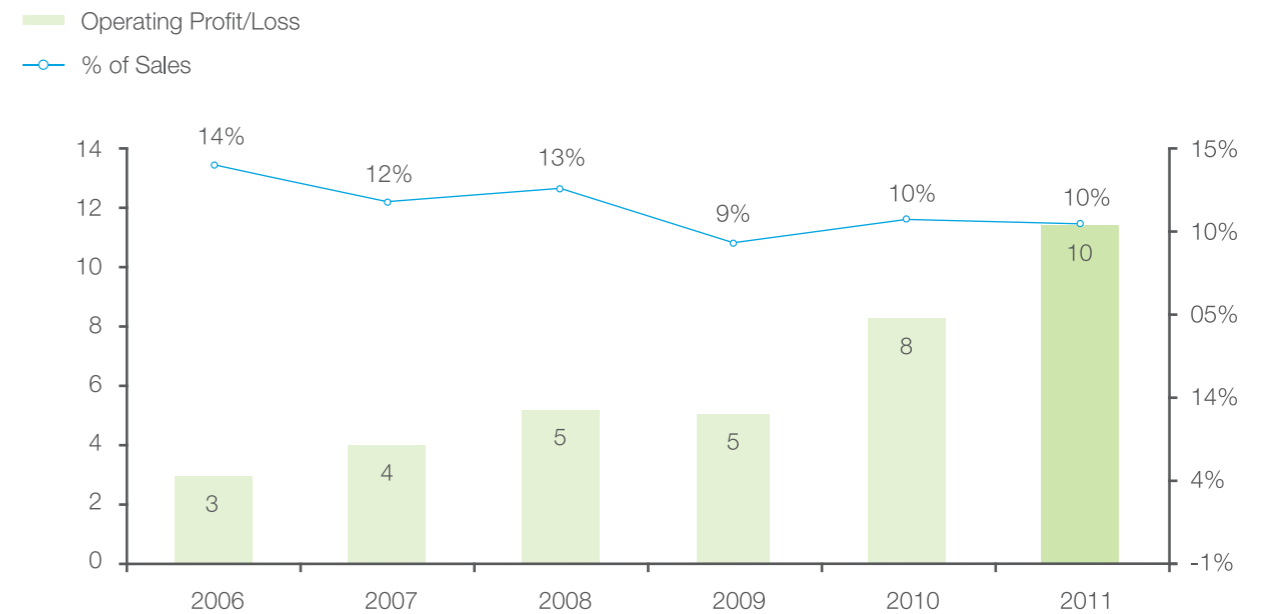
Sales (Rs. in Million)



Profit After Tax & % of Sales (Rs. in Million)



Profit Before Tax & % of Sales (Rs. in Million)



horizontal and vertical analyses balance sheet

Horizontal Analysis (Rs in Million)

	2011 Rs.	11 Vs. 10 %	2010 Rs.	10 Vs. 09 %	2009 Rs.	09 Vs. 08 %	2008 %	08 Vs. 07 Rs.	2007 %	07 Vs. 06 Rs.	2006 %
EQUITY AND LIABILITIES											
EQUITY											
Share capital	3932843	20%	3,277,369	10%	2,979,426	40%	2,128,161	10%	1,934,692	15%	1,682,340
Share Premium	10,550,061	0%	10,550,061	0%	10,550,061	47%	7,152,722	80%	3,963,977	271%	1,068,369
Unappropriated Profits	18985446	49%	12,776,146	52%	8,387,520	35%	6,198,004	77%	3,503,922	88%	1,861,933
Reserves	4329881	8%	3,995,415	-5%	4,202,197	-15%	4,955,167	-16%	5,874,920	27%	4,626,556
Non-controlling interest	4091558	16%	3,516,024	9%	3,225,191	4%	3,113,677	4%	3,000,412	439%	556,973
	41,889,789	23%	34,115,015	16%	29,344,395	25%	23,547,731	29%	18,277,923	87%	9,796,171
NON-CURRENT LIABILITIES											
Borrowing	82,560,415	-7%	89,151,849	6%	84,142,153	107%	40,738,824	123%	18,284,262	679%	2,347,500
Derivative Financial Instruments	702,214	-13%	805,154	27%	632,777	-35%	978,204	#DIV/0!	-	#VALUE!	-
Deferred taxation	3,986,577	61%	2,471,226	46%	1,687,298	-33%	2,507,709	-16%	2,977,586	113%	1,395,024
Others	181,658	-62%	484,163	47%	328,535	-56%	749,595	273%	201,227	71%	117,927
	88,183,647	-5%	92,912,392	7%	86,790,763	93%	44,974,332	110%	21,463,075	456%	3,860,451
CURRENT LIABILITIES											
Current portion of Borrowings	21,565,668	39%	15,543,787	554%	2,375,675	638%	321,915	-78%	1,432,905	8%	1,322,123
Others	38,520	6%	36,357	-12%	41,207	3%	40,061	7%	37,346	8%	34,690
Trade and other payables	23,396,316	85%	12,614,214	31%	9,608,000	71%	5,624,366	-19%	6,930,024	139%	2,894,897
Accrued interest / mark up	3,114,122	19%	2,619,453	45%	1,800,428	47%	1,228,889	#DIV/0!	-	#DIV/0!	-
Short-term Borrowings	4,284,404	-25%	5,715,775	339%	1,302,766	-72%	4,591,218	409%	901,953	-55%	2,020,372
Others	531,708	-56%	1,221,459	45%	842,142	78%	473,480	146%	192,671	54%	125,359
	52,930,738	40%	37,751,045	136%	15,970,218	30%	12,279,929	29%	9,494,899	48%	6,397,441
TOTAL EQUITY AND LIABILITIES	183,004,174	11%	164,778,452	25%	132,105,376	63%	80,801,992	64%	49,235,897	146%	20,054,063
ASSETS											
NON-CURRENT ASSETS											
Property, plant and equipment	134,942,174	5%	129,068,434	17%	110,503,710	90%	58,292,903	148%	23,477,979	118%	10,754,229
Long term investments	1,716,692	234%	514,505	3%	499,780	2%	491,210	0%	493,517	4%	474,851
Biological assets	496,809	16%	428,293	-2%	438,873	43%	306,826	2948%	10,065	#DIV/0!	-
Intangible assets	737,803	-16%	877,323	50%	585,358	3%	570,833	1%	565,691	1309%	40,158
Others	165,253	-15%	193,458	26%	153,929	-68%	479,217	-57%	1,117,542	1411%	73,965
	138,526,856	6%	131,082,013	17%	112,181,650	87%	60,140,989	134%	25,664,794	126%	11,343,203
CURRENT ASSETS											
Store, spares and loose tools	6,343,995	29%	4,910,941	238%	1,451,532	30%	1,114,969	22%	915,384	12%	814,057
Stock-in-trade	11,603,851	31%	8,843,677	132%	3,819,971	-46%	7,129,907	91%	3,734,138	62%	2,303,641
Trade debts	6,214,643	21%	5,131,408	45%	3,536,533	366%	758,491	-60%	1,913,500	64%	1,169,881
Advances, deposits and prepayments	2,289,313	-7%	2,474,076	80%	1,372,425	19%	1,155,707	7%	1,078,320	203%	355,531
Other receivables	1,985,049	54%	1,287,827	13%	1,136,265	-70%	3,783,223	35%	2,801,456	101%	1,391,247
Taxes recoverable	3,050,258	22%	2,494,314	140%	1,040,636	20%	869,055	45%	599,949	#DIV/0!	-
Cash and bank balances	4,417,885	7%	4,120,031	40%	6,880,408	213%	2,197,608	3%	2,132,987	-13%	2,447,985
Short-term Investments	8,332,154	88%	4,426,188	764%	512,255	-75%	2,067,074	-80%	10,322,832	4417%	228,518
Others	240,170	2911%	7,977	-95%	173,701	-89%	1,584,969	2085%	72,537	#DIV/0!	-
	44,477,318	32%	33,696,439	69%	19,923,726	-4%	20,661,003	-12%	23,571,103	171%	8,710,860
TOTAL ASSETS	183,004,174	11%	164,778,452	25%	132,105,376	63%	80,801,992	-	49,235,897	146%	20,054,063

horizontal and vertical analyses balance sheet

Vertical Analysis (Rs in Million)

	2011		2010		2009		2008		2007		2006	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
EQUITY AND LIABILITIES												
EQUITY												
Share capital	3932843	2.1%	3,277,369	2.0%	2,979,426	2.3%	2,128,161	3%	1,934,692	4%	1,682,340	8%
Share Premium	10,550,061	5.8%	10,550,061	6.4%	10,550,061	8.0%	7,152,722	9%	3,963,977	8%	1,068,369	5%
Unappropriated Profits	18985446	10.4%	12,776,146	7.8%	8,387,520	6.3%	6,198,004	8%	3,503,922	7%	1,861,933	9%
Reserves	4329881	2.4%	3,995,415	2.4%	4,202,197	3.2%	4,955,167	6%	5,874,920	12%	4,626,556	23%
Non-controlling interest	4091558	2.2%	3,516,024	2.1%	3,225,191	2.4%	3,113,677	4%	3,000,412	6%	556,973	3%
	41,889,789	22.9%	34,115,015	20.7%	29,344,395	22.2%	23,547,731	29%	18,277,923	37%	9,796,171	49%
NON-CURRENT LIABILITIES												
Borrowing	82,560,415	45.1%	89,151,849	54.1%	84,142,153	64%	40,738,824	50%	18,284,262	37%	2,347,500	12%
Derivative Financial Instruments	702,214	0.4%	805,154	0.5%	632,777	0%	978,204	1%	-	0%	-	0%
Deferred taxation	3,986,577	2.2%	2,471,226	1.5%	1,687,298	1%	2,507,709	3%	2,977,586	6%	1,395,024	7%
Others	181,658	0.1%	484,163	0.3%	328,535	0%	749,595	1%	201,227	0%	117,927	1%
	88,183,647	48.2%	92,912,392	56.4%	86,790,763	66%	44,974,332	56%	21,463,075	44%	3,860,451	19%
CURRENT LIABILITIES												
Current portion of Borrowings	21,565,668	11.8%	15,543,787	9.4%	2,375,675	2%	321,915	0%	1,432,905	3%	1,322,123	7%
Others	38,520	0.0%	36,357	0.0%	41,207	0%	40,061	0%	37,346	0%	34,690	0%
Trade and other payables	23,396,316	12.8%	12,614,214	7.7%	9,608,000	7%	5,624,366	7%	6,930,024	14%	2,894,897	14%
Accrued interest / mark up	3,114,122	1.7%	2,619,453	1.6%	1,800,428	1%	1,228,889	2%	0	0	0	0
Short-term Borrowings	4,284,404	2.3%	5,715,775	3.5%	1,302,766	1%	4,591,218	6%	901,953	2%	2,020,372	10%
Others	531,708	0.3%	1,221,459	0.7%	842,142	1%	473,480	1%	192,671	0%	125,359	1%
	52,930,738	28.9%	37,751,045	22.9%	15,970,218	12%	12,279,929	15%	9,494,899	19%	6,397,441	32%
TOTAL EQUITY AND LIABILITIES	183,004,174	100%	164,778,452	100%	132,105,376	100%	80,801,992	100%	49,235,897	100%	20,054,063	100%
ASSETS												
NON-CURRENT ASSETS												
Property, plant and equipment	134,942,174	73.7%	129,068,434	78.3%	110,503,710	84%	58,292,903	72%	23,477,979	48%	10,754,229	
Long term investments	1,716,692	0.9%	514,505	0.3%	499,780	0%	491,210	1%	493,517	1%	474,851	
Biological assets	496,809	0.3%	428,293	0.3%	438,873	0%	306,826	0%	10,065	0%		
Intangible assets	737,803	0.4%	877,323	0.5%	585,358	0%	570,833	1%	565,691	1%	40,158	
Others	165,253	0.1%	193,458	0.1%	153,929	0%	479,217	1%	1,117,542	2%	73,965	
	138,526,856	75.7%	131,082,013	79.6%	112,181,650	85%	60,140,989	74%	25,664,794	52%	11,343,203	
CURRENT ASSETS												
Store, spares and loose tools	6,343,995	3.5%	4,910,941	3.0%	1,451,532	1%	1,114,969	1%	915,384	2%	814,057	
Stock-in-trade	11,603,851	6.3%	8,843,677	5.4%	3,819,971	3%	7,129,907	9%	3,734,138	8%	2,303,641	
Trade debts	6,214,643	3.4%	5,131,408	3.1%	3,536,533	3%	758,491	1%	1,913,500	4%	1,169,881	
Advances, deposits and prepayments	2,289,313	1.3%	2,474,076	1.5%	1,372,425	1%	1,155,707	1%	1,078,320	2%	355,531	
Other receivables	1,985,049	1.1%	1,287,827	0.8%	1,136,265	1%	3,783,223	5%	2,801,456	6%	1,391,247	
Taxes recoverable	3,050,258	1.7%	2,494,314	1.5%	1,040,636	1%	869,055	1%	599,949	1%	-	
Cash and bank balances	4,417,885	2.4%	4,120,031	2.5%	6,880,408	5%	2,197,608	3%	2,132,987	4%	2,447,985	
Short-term Investments	8,332,154	4.6%	4,426,188	2.7%	512,255	0%	2,067,074	3%	10,322,832	21%	228,518	
Others	240,170	0.1%	7,977	0.0%	173,701	0%	1,584,969	2%	72,537	0%	-	
	44,477,318	24.3%	33,696,439	20.4%	19,923,726	15%	20,661,003	26%	23,571,103	48%	8,710,860	
TOTAL ASSETS	183,004,174	100%	164,778,452	100%	132,105,376	100%	80,801,992	100%	49,235,897	100%	20,054,063	

horizontal and vertical analyses profit and loss account

Horizontal Analysis (Rs in Million)

	2011 Rs.	11 Vs. 10 %	2010 Rs.	10 Vs. 09 %	2009 Rs.	09 Vs. 08 %	2008 Rs.	08 Vs. 07 %	2007 Rs.	07 Vs. 06 %	2006 Rs.
Sales	114,611,837	43%	79,975,765	38%	58,152,368	42%	40,973,047	20%	34,120,611	69%	20,240,035
Cost of Sales	82,530,581	38%	59,702,130	34%	44,658,196	48%	30,111,348	15%	26,138,366	73%	15,097,181
Gross profit	32,081,256	58%	20,273,635	50%	13,494,172	24%	10,861,699	36%	7,982,245	55%	5,142,854
Distribution and marketing expenses	10,176,534	23%	8,289,680	33%	6,215,316	46%	4,253,652	19%	3,582,695	54%	2,320,924
Other expenses	21,904,722	83%	11,983,955	65%	7,278,856	10%	6,608,047	50%	4,399,550	56%	2,821,930
Other income	1,929,709	131%	837,180	1%	843,561	-13%	969,583	101%	482,558	62%	297,690
Other income	2,056,545	129%	897,321	130%	390,157	62%	1,038,314	104%	509,829	21%	421,625
Operating profit/(loss)	22,031,558	115%	12,044,096	76%	6,825,452	2%	6,676,778	51%	4,426,821	50%	2,945,865
Finance cost	12,314,593	185%	4,321,688	95%	2,221,739	28%	1,737,953	142%	717,658	64%	438,240
Share of income from JV	1,742,187	214%	554,725	21%	458,570	87%	245,193	1%	243,666	41%	409,568
Net profit before taxation	11,459,152	38%	8,277,133	64%	5,062,283	-2%	5,184,018	31%	3,952,829	36%	2,917,193
Provision for taxation	3,647,761	99%	1,836,131	37%	1,343,481	37%	977,328	-13%	1,119,041	44%	778,351
Net profit after taxation	7,811,391	21%	6,441,002	73%	3,718,802	-12%	4,206,690	48%	2,833,788	32%	2,138,842

Vertical Analysis (Rs in Million)

	2011		2010		2009		2008		2007		2006	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Sales	114,611,837	100	79,975,765	100	58,152,368	100	40,973,047	100	34,120,611	100	20,240,035	100
Cost of Sales	82,530,581	72	59,702,130	74.7	44,658,196	76.8	30,111,348	73.5	26,138,366	76.6	15,097,181	74.6
Gross profit	32,081,256	28	20,273,635	25.3	13,494,172	23.2	10,861,699	26.5	7,982,245	23.4	5,142,854	25.4
Distribution and marketing expenses	10,176,534	9	8,289,680	10.4	6,215,316	10.7	4,253,652	10.4	3,582,695	10.5	2,320,924	11.5
Other expenses	21,904,722	19	11,983,955	15.0	7,278,856	12.5	6,608,047	16.1	4,399,550	12.9	2,821,930	13.9
Other income	1,929,709	2	837,180	1.0	843,561	1.5	969,583	2.4	482,558	1.4	297,690	1.5
Other income	2,056,545	2	897,321	1.1	390,157	0.7	1,038,314	2.5	509,829	1.5	421,625	2.1
Operating profit/(loss)	22,031,558	19	12,044,096	15.1	6,825,452	11.7	6,676,778	16.3	4,426,821	13.0	2,945,865	14.6
Finance cost	12,314,593	11	4,321,688	5.4	2,221,739	3.8	1,737,953	4.2	717,658	2.1	438,240	2.2
Share of income from JV	1,742,187	2	554,725	0.7	458,570	0.8	245,193	0.6	243,666	0.7	409,568	2.0
Net profit before taxation	11,459,152	10	8,277,133	10.3	5,062,283	8.7	5,184,018	12.7	3,952,829	11.6	2,917,193	14.4
Provision for taxation	3,647,761	3	1,836,131	2.3	1,343,481	2.3	977,328	2.4	1,119,041	3.3	778,351	3.8
Net profit after taxation	7,811,391	7	6,441,002	8.1	3,718,802	6.4	4,206,690	10.3	2,833,788	8.3	2,138,842	10.6

summary

	2011	2010	2009	2008	2007	2006
-----Rupees-----						
Summary of Balance Sheet						
Share capital	3,932,843	3,277,369	2,979,426	2,128,161	1,934,692	1,682,340
Reserves	4,329,881	3,995,415	4,202,197	4,955,167	5,874,920	4,626,556
Shareholders' funds / Equity	41,889,789	34,115,015	29,344,395	23,547,731	18,277,923	9,796,171
Long term borrowings	82,560,415	89,151,849	84,142,153	40,738,824	18,284,262	2,347,500
Capital employed	146,015,872	138,810,651	115,862,223	64,608,470	37,995,090	13,465,794
Deferred liabilities	195,855	140,326	119,124	113,469	90,578	
Property, plant & equipment	134,942,174	129,068,434	110,503,710	58,292,903	23,477,979	10,754,229
Long term assets	138,526,856	131,082,013	112,181,650	60,140,989	25,664,794	11,343,203
Net current assets / Working capital	13,112,248	11,489,181	6,329,183	8,702,989	15,509,109	3,635,542
Liquid funds (net)						
Summary of Profit and Loss						
Sales	114,611,837	79,975,765	58,152,368	40,973,047	34,120,611	20,240,035
Gross profit	32,081,256	20,273,635	13,494,172	10,861,699	7,982,245	5,142,854
Operating profit	22,031,558	12,044,096	6,825,452	6,676,778	4,426,821	2,945,865
Profit before tax	11,459,152	8,277,133	5,062,283	5,184,018	3,952,829	2,917,193
Profit after tax	7,811,391	6,441,002	3,718,802	4,206,690	2,833,788	2,138,842
EBITDA	28,179,000	15,501,429	9,067,370	8,085,009	5,659,741	734,095
Summary of Cash Flows						
Net cash flow from operating activities	16,491,624	(142,446)	11,807,175	(549,855)	2,000,310	756,805
Net cash flow from investing activities	(10,221,726)	(19,741,056)	(53,236,624)	(35,555,763)	(10,212,276)	(1,075,411)
Net cash flow from financing activities	(997,829)	16,624,049	47,845,882	24,225,216	19,109,701	(433,537)
Changes in cash & cash equivalents	5,272,069	(3,259,453)	6,416,433	(11,880,402)	10,897,735	(752,143)
Cash & cash equivalents – Year end	8,102,513	2,830,444	6,089,897	(326,536)	11,553,866	656,131
Others						
Market capitalisation	36,457,445	63,518,669	54,603,922	20,528,241	51,414,440	28,683,897
Numbers of shares issued	393,284	327,737	297,943	212,816	193,469	168,234

financial ratios years 2007 - 2011

	2011	2010	2009	2008	2007
-----Rupees-----					
RATIOS					
PROFITABILITY RATIOS:					
Gross Profit ratio	28%	25%	23%	27%	23%
Net Profit to Sales	7%	8%	6%	10%	8%
EBITDA Margin to Sales	25%	19%	16%	20%	17%
Operating leverage ratio	2.1	1.9	0.1	2.4	0.3
Return on Equity	21%	20%	14%	20%	20%
Return on Capital employed	5%	5%	4%	8%	11%
LIQUIDITY RATIOS:					
Current ratio	1.42	1.52	1.47	1.73	2.92
Quick / Acid test ratio	1.22	1.30	1.36	1.63	2.81
Cash to Current Liabilities	0.14	0.19	0.51	0.18	0.26
Cash flow from Operations to Sales	0.14	0.00	0.20	0.01	0.06
ACTIVITY / TURNOVER RATIOS:					
No. of Days Inventory	45.2	38.7	44.7	65.8	42.2
Inventory turnover	8	9	8	6	9
Total Assets turnover ratio / Fixed Assets turnover ratio	0.66	0.54	0.55	0.63	0.98
INVESTMENT / MARKET RATIOS:					
Earnings per Share (EPS) and diluted EPS	20.27	17.27	12.24	16.36	15.05
Price Earnings ratio	4.57	11.22	14.97	5.90	17.66
Dividend Yield ratio	3%	3%	6%	2%	4%
Dividend Payout ratio	30%	35%	49%	37%	47%
Dividend Cover ratio	3.38	2.88	2.04	2.73	2.15
Market value per share at the end of the year and	92.70	193.81	183.27	96.46	265.75
Cash Dividend (000's)	2,359,707	1,966,419	1,787,598	1,276,896	1,303,814
Stock Dividend (000's)	1,179,853	655,474	297,943.00	-	-
CAPITAL STRUCTURE RATIOS:					
Financial leverage ratio	2.59	3.24	2.99	1.94	1.13
Weighted average cost of debt	0.11	0.04	0.03	0.05	0.05
Debt to Equity ratio	2.49	3.07	2.95	1.74	1.08
Interest Cover ratio	1.93	2.97	3.28	3.98	6.51

awards & recognition

PAS (Pakistan Advertisers Society) Award 2011 won by Tarang in category 'Breakfast Foods and Dairy'

Engro Foods wins the "Best International Outdoor Campaign Award" at Outdoor Advertising Convention - OAC

Eman won Pakistan's InfoComm Technology (ICT) Award - Karachi

Eman won Merit Award in the regional Asia Pacific InfoComm Technology Award (APICTA - Thailand)

Engro Corporation named "The Most Preferred Graduate Employer in Pakistan 2011" by engage consulting

Engro Vopak tops the list at the Vopak Asia Awards 2010

Engro Rupiya Certificates declared the best transaction award of 2010 by CFA Association of Pakistan

Engro Corp awarded the KSE top 10 companies award for the year 2010

Engro Zarkhez won the coveted title of "Brands of the Year" award

Engro Corp won the Investor Relations Award by CFA Association of Pakistan

Corporate offices of Engro Corporation & Engro Fertilizers received "Green Office" certifications - becoming one of the only three companies in Pakistan to receive Green Office Diploma"

Engro Polymer & Chemicals won Best Annual Report - 2nd in Chemical Sector by ICAP

Engro Corp and Engro Polymer & Chemicals won "living the global compact" Responsible business award 2010-11 by Global Compact

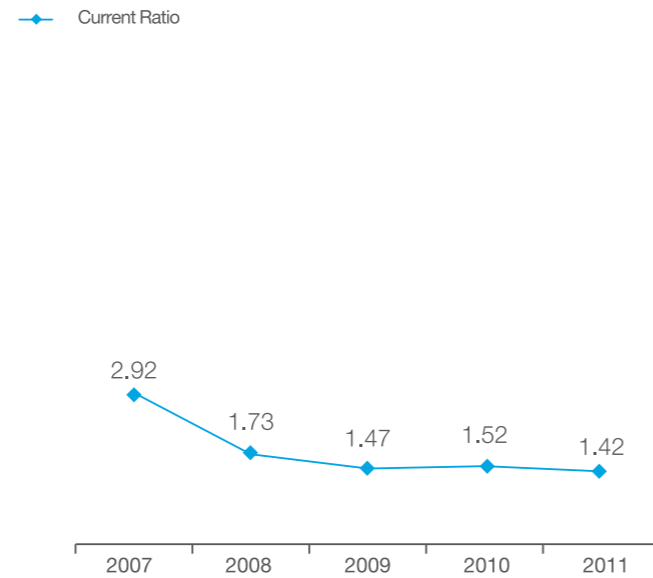
Engro Corp won the Best Sustainability Report Award 2010 followed by Merit Certificates for reporting under GRI Framework by ICAP



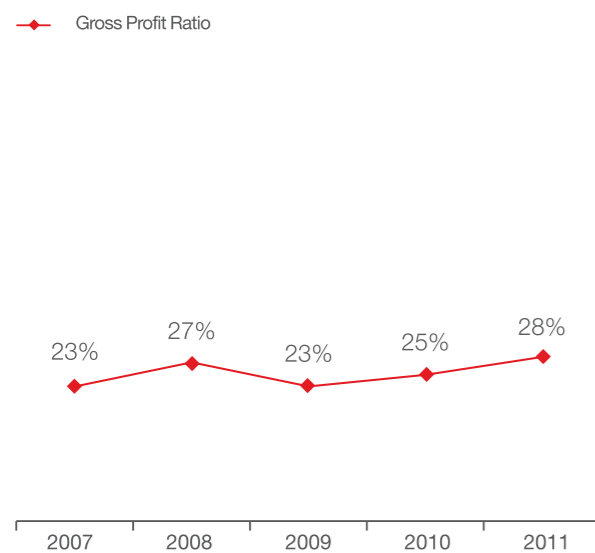
Capital Structure: Debt to Equity Ratio



Liquidity: Current Ratio



Profitability: Gross Profit Ratio



dividends

The Board is pleased to propose a final dividend of Rs. 2 per share. The total dividend attributable to the year is Rs. 6 per share versus Rs. 6.00 per share paid last year.

The appropriations approved by the Board of Directors are as follows:

	Million Rupees
Un-appropriated profit from prior years	8,723
Final dividend for the year 2010 on 327,736,819 shares of Rs. 10 each at Rs. 2.00 per share declared on February 14, 2011	(655)
Bonus shares issued in ratio of 1 share for every 5 shares held	(655)
Profit for the year after taxation	1,424
Disposable profit for appropriation	8,837
First interim dividend on 393,284,183 shares of Rs. 10 each at Rs. 2.00 per share declared on August 12, 2011	(787)
Second interim dividend on 393,284,183 shares of Rs. 10 each at Rs. 2.00 per share declared on October 31, 2011	(787)
Un-appropriated profit carried forward	7,263
Subsequent Effect	
Proposed final dividend on 393,284,183 shares of Rs. 10 each at Rs. 2 per share	(787)
Total Dividend for the year Rs 6 per share	2,361

Key operating and financial data is summarized on pages 73-81

Earnings Per Share (EPS) / Dividends Per Share (DPS)

The Company's post tax EPS registered constant increase over the last 5 years which demonstrates our business strength, leadership position and successful diversification.

	2007	2008	2009	2010	2011
EPS	7.31	10.49	9.68	17.27	20.50
DPS	7.00	6.00	6.00	6.00	6.00
Bonus	0	0	10%	20%	30%

value addition

	2011 Rupees in Million	%	2010 Rupees in Million	%
Wealth Generated				
Total revenue inclusive of sales-tax and other income	128,953		84,759	
Bought-in-material and services	(77,495)		(56,462)	
	<u>51,458</u>		<u>28,297</u>	
Wealth Distributed				
To employees				
Salaries, benefits and other costs	5,676	11.03%	4,836	17.09%
To Government				
Taxes, duties and development surcharge	18,200	35.37%	9,646	34.09%
To Society				
Donation towards education, health, environment and natural disaster	83	0.16%	136	0.48%
To Providers of Capital				
- Dividend to Shareholders	2,936	5.71%	2,203	7.78%
- Mark-up / interest expense on borrowed money	12,315	23.93%	4,201	14.85%
Retained for reinvestment & future growth, depreciation, amortization and retained profit	12,248	23.80%	7,275	25.71%
	<u>51,458</u>		<u>28,297</u>	

Cash Flow and Capital Investment

Higher Cash was generated from operations during the year (Rs 31,831 million versus Rs 5,876 million in 2010) on account of lower working capital of Rs 13,494 million as compared to last year. This increase in working capital is attributed to increased trade payables due to higher procurement. Taxes paid for the year amounted to Rs 3,214 million vs. Rs 2,378 million last year based on withholding tax deducted at import stage on purchased fertilizers and on the regulations governing income tax.

Total long term investments of 2,071 million were made during the year in the foods business.

Additions to property, plant and equipment stood at Rs 12,256 million mainly representing addition of Rice plant and Foods expansion.

Capital Investment, Capital Structure and Finance

During the year, the company issued 20% bonus shares which increased the paid-up capital of the company to Rs 3,933 million. Shareholders' funds (excluding hedging reserves) at the year end totalled Rs 42,463 million. This increase is due to issuance of shares as well as retained profit.

Net long term borrowings at year end decreased to Rs 104,126 million (2010: Rs 104,695 million) primarily due to the net debt repayments of Rs 5,020 million by the Company's fertilizers business netted with the debt proceeds of Rs 3,036 million for foods expansion and Rs 2,987 million raised through Engro Rupiya Certificates issue.

The balance sheet gearing (Company's long term debt to equity ratio) for the year ended 2011 is 71:29 (2010 - 75:25). However aforementioned ratio does not factor in revaluation of base urea plant at Daharki, post revaluation Debt to Equity drops to 65 : 35. The liquidity position of the Company remains strong with a year-end current ratio of 1.42 (2010 - 1.54).

Engro Rupiya Certificates II (TFC)

The Company issued another fixed return Term Finance Certificate (TFC) to target retail investors in the second quarter of 2011. Branded as the Engro Rupiya Certificates II, the TFC offered a return of 14.5% per annum, over a period of 3 years with semi-annual profit payments. The product was successfully received by the investor market and company raised Rs. 2.75 bn by the third quarter of 2011. In addition to raising funds for subsidiaries the TFCs will also help to develop the corporate debt market of Pakistan where participation from retail investors has been almost

negligible in the past. With individuals subscribing to almost 88% of the Issue, Engro Rupiya Certificate II has provided a successful alternative for the company to raise funds from a previously untapped investor base. Through partnerships with leading financial institutions, Engro has positioned the product as a convenient investment option with returns that are superior to Bank Deposits and National Saving Schemes. The instrument is secured on certain assets of the Company and has been rated AA by PACRA.

Major Judgement Areas

Main areas related to Group relief & Group tax, sales tax, special excise duty, apportionment of gross profit etc. in the subsidiaries are detailed in Notes to the Accounts (Note 40)

Management Information Systems

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

Accounting Standards

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

Credit Rating

Pakistan Credit Rating Agency in its annual review of the Company's credit worthiness has maintained Engro Corp's long term and short term ratings as "AA"(Double A) and "A1+"(A One Plus) respectively. These ratings reflect the Company's financial and management strength and denote a low expectation of credit risk and the capacity for timely payment of financial commitment.

Treasury Management

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

Interest Rate Management

At the end of 2011, Engro Corp's consolidated borrowings were Rs. 105 billion. A significant portion of this amount is of foreign currency, which is linked to LIBOR (note 23 of the accounts). Interest rates on foreign currency borrowings are hedged through a fixed interest rate swap for the entire tenor of the loans (note 14 of the accounts). The local currency borrowings are all based on KIBOR which is monitored regularly for adverse movements which may be mitigated by fixing the same.

Liquidity Risk

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

Foreign Currency Risk

Where deemed appropriate, we eliminate currency exposure on purchases of goods and foreign currency loans through the use of forward exchange contracts and options as permitted by the prevailing foreign currency regulations. However, the ability of the company to manage these risks has been curtailed by State Bank of Pakistan's decision to disallow forward exchange

contracts on letters of credit. Some of the businesses have natural hedges for their foreign currency exposures - for e.g. the power business foreign currency exposure is taken by WAPDA, polymer's has a natural hedge due to its product pricing being on imported parity basis while Engro Vopak has certain dollar denominated contracts, and for the fertilizers business we have hedged US\$ 217 million out of our total foreign currency borrowings of US\$ 259 million. We continue to monitor foreign currency trends and take appropriate actions when required.

Employee Share Option Scheme

The corporation and each of its subsidiaries have been granted share options. The details of each scheme is explained in note 13 of the accounts.

Pension, Gratuity and Provident Fund

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

The above mentioned plans are funded schemes recognized by the tax authorities. The latest actuarial valuation of management pension and gratuity schemes was carried out at December 31, 2011 and the financial statements of these have been audited up to December 31, 2010. The latest audited accounts for the provident fund cover year ended June 30, 2011. The Company has fully paid all its obligations on all the above schemes.

	Rupees in Million		
	Provident Fund	Pension Fund	Gratuity Fund
Audited upto	June30 2011	December31 2010	December31 2010
Net Assets as per last audited financial statements	1,193	867	425
DSCs/PIBs/RICs	623	529	425
Mutual Funds	-	12	-
TFCs	88	109	18
Shares	146	134	81
Bank Deposits /T-Bills	248	91	80
Receivables	92	4	1
Payables	(4)	(12)	-
Total	1,193	867	425

Auditors

Messrs AF Ferguson & Co. have been appointed as the statutory auditors of the company. The Board Audit Committee and the Board of Directors of the Company have endorsed the communication.

Pattern of Shareholding

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

A statement of the general pattern of shareholding along with pattern of shareholding of certain classes of shareholders whose disclosure is required under the reporting framework and the statement of purchase and sale of shares by Directors, Company Secretary and their spouses including minor children during 2011 is shown on page 92 of this report.

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

Board of Directors

Statement of Director Responsibilities

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

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 and reclassification of capital spares. 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.

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.

Board Meetings and Attendance

In 2011, the Board of Directors held 10 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

Director's Name	Meetings Attended
Mr. Hussain Dawood	10/10
Mr. Asad Umar	10/10
Mr. Isar Ahmad	10/10
Mr. Muhammad Aliuddin Ansari	10/10
Mr. Abdul Samad Dawood	09/10
Mr. Shahzada Dawood	08/10
Mr. Shabbir Hashmi	10/10
Mr. Khalid Mansoor	07/10
Mr. Ruhail Mohammed	10/10
Mr. Arshad Nasar	10/10
Mr. Asif Qadir	10/10
Mr. Saad Raja	05/10
Mr. Khalid S. Subhani	09/10

future outlook

Fertilizers:

For our fertilizer business the continuation of the gas curtailment is expected to result in decreased production. In Jan 2012, the implementation of the Gas Infrastructure Development Cess Tax decreased the feed gas subsidy from Rs. 345 per bag to Rs. 260 per bag also increasing the input price of the gas from Rs. 103 per mmbtu to Rs. 313 per mmbtu - an increase of over 200 percent. In addition the fuel cost has also registered a 17 per cent increase and has gone up from Rs. 434 per mmbtu to Rs. 508 per mmbtu. The increase in the input costs necessitated a Rs. 210/bag price increase.

The Company is continuously engaging with multiple stakeholders to find a viable solution to the ongoing gas shortages faced by the fertilizer companies. Until there is permanent increase in the country's gas through import of LNG or alternative sources, fertilizer companies on the network are expected to continue to face gas shortages and forced outages in the near future.

Foods:

The Company's foods business continues to register strong performance in the UHT milk and ice-cream segments. The business would continue to offer strong value added benefits to the consumers and increase geographical footprint for dairy and ice-cream segments locally and for its Halal meat portfolio internationally. With growing middle class and an evolving retail landscape, the foods business will focus on bigger, bolder and better innovations to tap in to key consumer insights.

Petrochemicals:

The margins of the company will be highly dependent upon sustainable VCM plant operations at desired levels and therefore VCM operations will continue to be the key focus area for the Management.

PVC domestic demand is expected to remain stable in 2012. Demand from agriculture sector and export of pipes to Afghanistan is expected to continue to generate PVC demand. However, gas and power shortages are expected to impact demand of both PVC and Caustic Soda.

Energy:

Given the current energy situation, the energy business is expected to continue achieving high dispatch rates and reflect strong performance. The Company also looks forward to completion of the infrastructure schemes in near future to commence work on financial close activities for Thar Coal Project.

Chemical Storage and Handling

The newly established Elengy Terminal Pakistan Limited will continue to work on customer agreements and rights of way. Throughout 2012 the main focus of the Elengy will remain positioning Engro as partner of choice with key stakeholders.

Despite the ongoing challenges and foreseeable issues in the future, the Board and the Company maintains a positive long term outlook on the country. The Board would like to take this opportunity to express its appreciation for its dealers, customers, government, joint venture partners, donors, bankers, suppliers, employees and other stakeholders for their dedication, support and cooperation throughout the year.



Hussain Dawood
Chairman



Asad Umar
President & CEO

key shareholding and shares traded

Information of shareholding required under reporting framework is as follows:

1. Associated Companies, undertakings & related parties		
Dawood Hercules Corporation Ltd.		130,778,889
DH Fertilizers Limited		19,200,000
Cyan Limited		10,510,586
Patek (Pvt.) Ltd.		26,011,297
2. NIT and ICP		
National Investment Trust		9,211,600
IDBP		19,900
3. Directors, CEO & their spouses & minor children		
Hussain Dawood		235,690
Asad Umar		2,006,286
Isar Ahmad		9,729
Muhammad Aliuddin Ansari		54,620
Abdul Samad Dawood		548,316
Shahzada Dawood		648,008
Shabbir Hashmi		73,495
Khalid Mansoor		440,688
Ruhail Mohammed		22,650
Arshad Nasar		252
Asif Qadir		740,349
Saad Raja		82
Khalid S. Subhani		665,934
Mrs. Kulsoom Dawood (w/o. Mr. Hussain Dawood)		1,184,568
Mrs. Farrukh Sultan Qadir (w/o. Mr. Asif Qadir)		29,832
4. Executives		4,080,000
5. Public Sector Companies & Corporations		19,002,214
6. Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds		38,636,002
7. Shareholder holding ten percent or more voting interest in the Company		
Dawood Hercules Corporation Ltd.		130,778,889

8. Details of purchase/sale of shares by Directors/Company Secretary/Chief Financial Officer and their spouses/minor children during 2011

Name	Dated	Purchase	Sale	Rate Rs./Share
Isar Ahmad	March 31, 2011	1621*		
Hussain Dawood	March 31, 2011	39,281*		
Shahzada Dawood	March 31, 2011	108,001*		
Shabbir Hashmi	March 31, 2011	5582*		-
	August 17, 2011	10,000**		124.98
	August 18, 2011	10,000**		119.37
	August 19, 2011	10,000**		111.84
	August 24, 2011	10,000**		120.00
Khalid Mansoor	March 31, 2011	73,448*		-
Ruhail Mohammed	March 31, 2011	1275*		-
	August 17, 2011	15000**		125.10
Abdul Samad Dawood	March 31, 2011	22,386*		-
	September 26, 2011	100,000**		129.02
	November 01, 2011	80,000**		124.35
	December 13, 2011	46,500**		106.61
	December, 20, 2011	187,500**		93.04
Arshad Nasar	March 31, 2011	42*		-
Muhammad Aliuddin Ansari	March 31, 2011	770*		-
	December 15, 2011	25,000**		99.86
	December 16, 2011	25,000**		96.07
Asif Qadir	March 31, 2011	123,391**		-
Khalid S. Subhani	March 31, 2011	90,989*		-
	December 8, 2011	50,000**		114.33
	December 20, 2011	10,000**		92.54
	December 21, 2011	10,000**		93.92
	December 26, 2011	10,000**		99.00
	December 28, 2011	20,000**		97.73
	December 30, 2011	20,000**		94.37
Asad Umar	March 31, 2011	295,668*		-
	September 28, 2011	232,275**		133.15
Saad Raja	March 31, 2011	22*		-
	October 20, 2011	2250**		126.88
	October 28, 2011	1500**		112.57
	November 01, 2011		1500***	124.01
	November 2, 2011		2300***	122.12
Andalib Alavi	March 31, 2011	4253*		
Mrs. Kulsoom Dawood (w/o. Mr. Hussain Dawood)	March 31, 2011	197,428*		
Mrs. Farrukh Sultan Qadir (w/o. Mr. Asif Qadir)	March 31, 2011	4972*		
Mrs. Ayesha Dawood (w/o Mr. Abdul Samad Dawood)	June 24, 2011	2,800**		171.84

* 20% Bonus shares

** Shares purchased from Karachi Stock Exchange

*** Shares sold on Karachi Stock Exchange

pattern of holding of shares

Pattern of holding of the shares held by the shareholders as at December 31, 2011

Number of Shareholders	Shareholding		Total Shares Held	Number of Shareholders	Shareholding		Total Shares Held
	From	To			From	To	
2,749	1	100	120,578	18	130,001	135,000	2,385,263
3,772	101	500	1,058,921	5	135,001	140,000	685,400
2,321	501	1,000	1,821,648	3	140,001	145,000	428,375
4,390	1,001	5,000	10,878,341	8	145,001	150,000	1,184,134
1,217	5,001	10,000	8,861,432	8	150,001	155,000	1,217,884
557	10,001	15,000	6,903,653	3	155,001	160,000	471,383
313	15,001	20,000	5,471,304	5	160,001	165,000	811,401
200	20,001	25,000	4,479,228	5	165,001	170,000	835,314
139	25,001	30,000	3,852,530	2	170,001	175,000	347,335
83	30,001	35,000	2,692,145	4	175,001	180,000	710,079
84	35,001	40,000	3,178,107	4	180,001	185,000	730,972
49	40,001	45,000	2,079,213	1	185,001	190,000	187,332
52	45,001	50,000	2,505,345	1	190,001	195,000	190,422
41	50,001	55,000	2,155,678	1	195,001	200,000	195,408
38	55,001	60,000	2,194,072	5	200,001	205,000	1,016,158
27	60,001	65,000	1,694,982	4	210,001	215,000	844,871
24	65,001	70,000	1,630,107	2	215,001	220,000	437,080
21	70,001	75,000	1,530,374	5	220,001	225,000	1,113,761
21	75,001	80,000	1,633,210	1	225,001	230,000	227,645
16	80,001	85,000	1,323,105	4	230,001	235,000	932,087
9	85,001	90,000	788,845	4	235,001	240,000	240,000
14	90,001	95,000	1,288,791	2	245,001	250,000	250,000
25	95,001	100,000	2,454,010	7	250,001	255,000	260,000
7	100,001	105,000	719,586	2	255,001	260,000	265,000
13	105,001	110,000	1,385,483	2	260,001	265,000	275,000
5	110,001	115,000	563,411	2	265,001	270,000	285,000
9	115,001	120,000	1,064,331	1	270,001	275,000	290,000
8	120,001	125,000	983,537	2	275,001	280,000	295,000
6	125,001	130,000	770,745	2	280,001	285,000	300,000

pattern of holding of shares

Pattern of holding of the shares held by the shareholders as at December 31, 2011

Number of Shareholders	Shareholding		Total Shares Held	Number of Shareholders	Shareholding		Total Shares Held
	From	To			From	To	
1	305,001	310,000	305,397	1	555,001	560,000	555,144
1	310,001	315,000	310,105	1	565,001	570,000	565,200
2	315,001	320,000	635,576	1	570,001	575,000	573,265
2	320,001	325,000	647,107	1	575,001	580,000	579,969
1	325,001	330,000	328,034	1	580,001	585,000	583,144
1	330,001	335,000	334,200	1	585,001	590,000	588,200
1	335,001	340,000	339,530	1	590,001	595,000	593,265
1	340,001	345,000	341,871	1	595,001	600,000	598,330
2	355,001	360,000	715,695	1	600,001	605,000	603,400
1	360,001	365,000	363,840	1	605,001	610,000	608,465
1	370,001	375,000	374,259	2	610,001	615,000	613,530
1	380,001	385,000	381,295	1	615,001	620,000	618,595
1	395,001	400,000	397,800	1	620,001	625,000	623,660
2	400,001	405,000	803,326	1	625,001	630,000	628,725
2	405,001	410,000	813,120	2	630,001	635,000	633,790
1	410,001	415,000	413,292	1	635,001	640,000	638,855
1	415,001	420,000	415,200	1	640,001	645,000	643,920
1	425,001	430,000	425,400	1	645,001	650,000	648,985
1	440,001	445,000	440,688	1	650,001	655,000	654,050
1	445,001	450,000	446,448	1	655,001	660,000	659,115
1	450,001	455,000	450,499	1	660,001	665,000	664,180
1	455,001	460,000	458,231	1	665,001	670,000	669,245
1	460,001	465,000	463,135	1	670,001	675,000	674,310
1	475,001	480,000	475,591	1	675,001	680,000	679,375
1	485,001	490,000	488,311	1	680,001	685,000	684,440
4	495,001	500,000	2,000,000	1	685,001	690,000	689,505
1	525,001	530,000	528,403	1	690,001	695,000	694,570
1	530,001	535,000	531,179	1	695,001	700,000	699,635
3	545,001	550,000	1,641,250	1	700,001	705,000	704,700

pattern of holding of shares

Pattern of holding of the shares held by the shareholders as at December 31, 2011

Number of Shareholders	Shareholding		Total Shares Held	Number of Shareholders	Shareholding		Total Shares Held
	From	To			From	To	
1	1,380,001	1,385,000	1,383,418	1	2,290,001	2,295,000	2,290,068
1	1,400,001	1,405,000	1,403,235	1	3,260,001	3,265,000	3,261,194
1	1,470,001	1,475,000	1,474,834	1	3,670,001	3,675,000	3,670,535
1	1,495,001	1,500,000	1,500,000	1	3,770,001	3,775,000	3,771,624
2	1,525,001	1,530,000	3,055,680	1	4,465,001	4,470,000	4,465,514
1	1,545,001	1,550,000	1,549,340	1	5,460,001	5,465,000	5,461,444
1	1,630,001	1,635,000	1,631,671	1	8,570,001	8,575,000	8,573,046
1	1,990,001	1,995,000	1,993,200	1	10,425,001	10,430,000	10,429,168
1	2,005,001	2,010,000	2,006,286	1	10,510,001	10,515,000	10,510,525
1	2,055,001	2,060,000	2,058,747	1	19,195,001	19,200,000	19,200,000
1	2,165,001	2,170,000	2,166,734	1	26,010,001	26,015,000	26,011,297
1	2,175,001	2,180,000	2,176,195	1	130,775,001	130,780,000	130,778,889
1	2,185,001	2,190,000	2,185,330	16,419			393,284,182

category of shareholding

as at December 31, 2011

S.No.	Categories Of Shareholders	Number Of Shareholders	Shares Held	Percentage
1	Individuals	15919	102013413	25.92
2	Investment Companies	19	7577101	1.91
3	Insurance Companies	14	11,805,138	3
4	Joint Stock Companies	185	197574597	50.22
5	Financial Institutions	77	31612322	8.03
6	Modaraba Companies	65	22519218	5.72
7	Cooperative Societies	2	36791	0.09
8	Securities & Exchange Commission of Pakistan	1	1	-
9	Others	137	20145601	5.11
	Total	16419	393284182	100

On behalf of the Board of Directors



Hussain Dawood
Chairman



Asad Umar
President & CEO

shareholder information

Annual General Meeting

The annual shareholders meeting will be held at 10:00 a.m. on March 30, 2012 at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi.

Shareholders as of March 16, 2012 are encouraged to participate and vote.

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

CDC Shareholders or their Proxies are requested to bring with them copies of their Computerised National Identity Card (CNIC) 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.

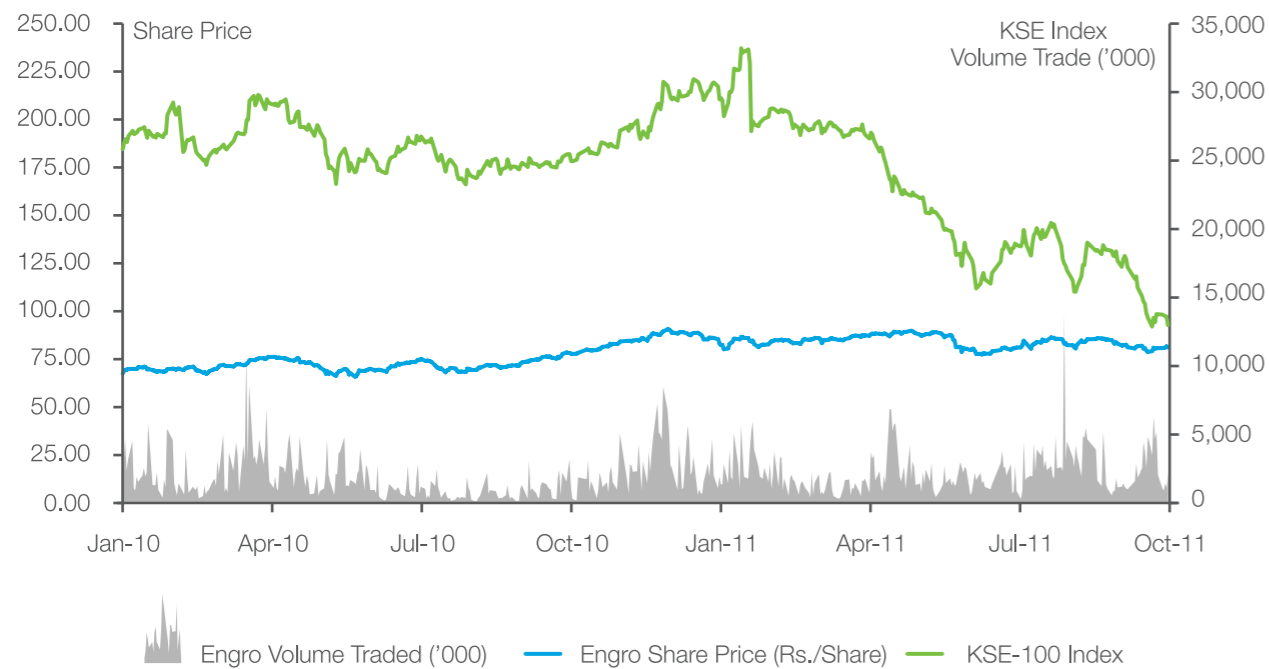
Ownership

On December 31, 2011 there were 16,419 holders on record of the Company's ordinary shares.

Dividend Payment

The proposal of the board of directors for dividend payment will be considered at the annual general meeting. Provided the proposal is approved, the dividend warrants will be sent soon thereafter to persons listed in the register of members on March 16, 2012. Income Tax will be deducted in accordance with the current regulations. Shareholders who wish to have the dividends deposited directly in their bank accounts should contact our Registrar: M/s. FAMCO Associates (Private) Ltd.

ECL Vs KSE 100 (2011)



shareholder information

Quarterly Results

The Company issues quarterly financial statements. The planned dates for release of the quarterly results in 2012 are:

- 1st quarter: April 27
- 2nd quarter: August 17
- 3rd quarter: October 29

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

- 1st quarter : April 30
- 2nd quarter: August 20
- 3rd quarter: October 30

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

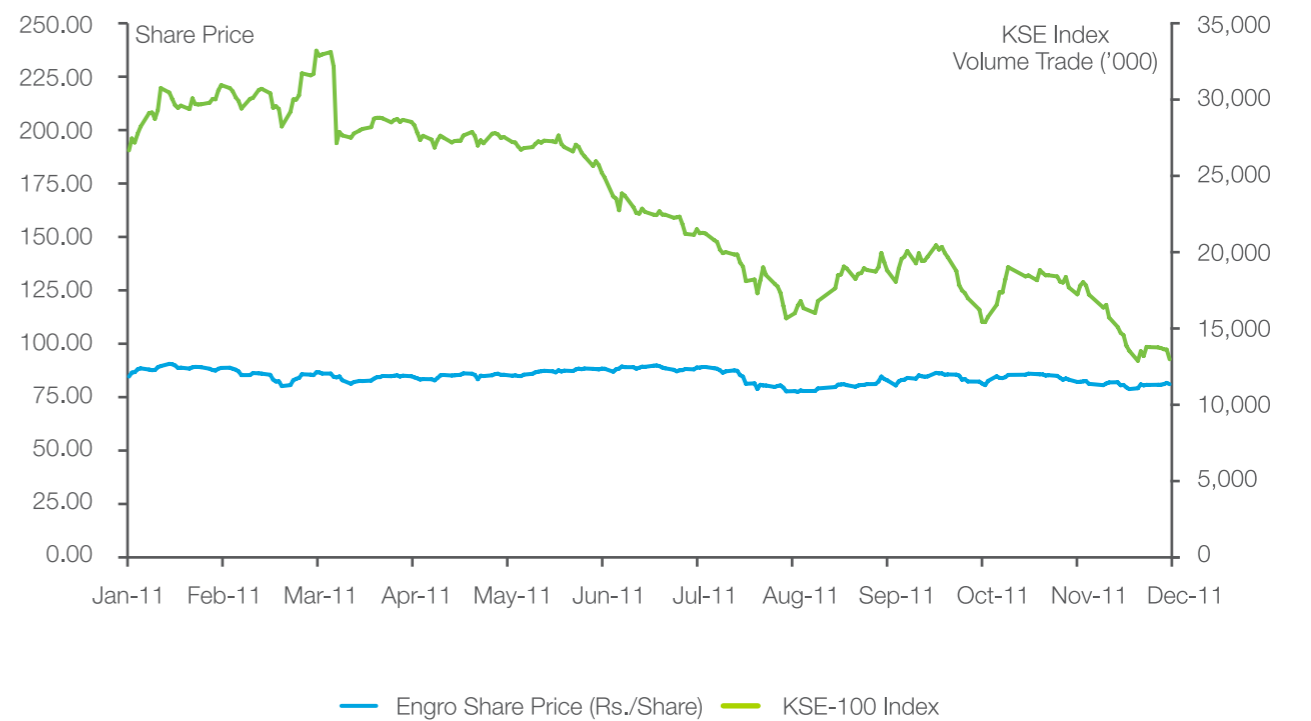
The Company reserves the right to change any of the above dates.

Change of Address

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

M/s. FAMCO Associates (Private) Limited
1st Floor, State Life Building No. 1-A
I.I. Chundrigar Road
Karachi-74000

Share Prices and Volumes (2011)



profit

The progress of Engro as a company has been essentially intertwined with the opportunities and successes of Pakistan itself. In pursuing profit for ourselves, we create economic opportunity for countless others.





our investment strategy

Engro views its own progress as being essentially intertwined with the opportunities and successes of Pakistan itself. The company's investments in agriculture, foods, energy and petrochemicals were designed to take advantage of Pakistan's competitive strengths and core economic needs.

As a fundamental step we identify what the country needs and what it has to offer and then create business strategies in order to capitalize on the opportunities before us. In pursuing profit for itself, the firm also creates economic opportunity for countless others and helps put the country on a path towards creating, sustaining and growing a middle class.



our financial performance

Despite challenges Engro was able to achieve nearly all of its strategic and financial goals - registering record revenue growth and delivering sound results across key management functions.

Fertilizers

For over 40 years, Engro has been an integral part of Pakistan's agricultural landscape through its fertilizers business. Since its inception, Engro Fertilizers has been committed to providing Pakistani farmers affordable fertilizers, while also saving valuable foreign exchange for the country.

On June 24, 2011, the business achieved a historic milestone with Enven - the largest single-train urea manufacturing plant in the world - commencing commercial operations. The date had been delayed earlier due to gas supply issues but was finally achieved - a landmark for both the company and the country as a whole.

The plant itself is an engineering marvel, easily the most efficient plant in Pakistan and among one of the most efficient plants in the world. It is the first plant to use waste gas from the ammonia plant to run the gas-turbine power generation unit. Despite not receiving enough gas - and thus not operating at optimal efficiency levels - the plant is still more efficient than any other in the country.

In order to ensure that the mammoth investment of \$1.1 billion that the company has made in Enven remains sustainable, Engro was forced to raise urea prices in 2011 in order to compensate for the shortage of gas in the country. Nevertheless, the company has reaffirmed its commitment to providing urea to Pakistani farmers' at the most affordable rates possible.

The other businesses of Engro Fertilizers - Zarkhez and the purchased product line - continued to do well due to both higher sales volumes and trading gains.

Foods

Agriculture is at the heart of Pakistan's economy and is the country's key comparative advantage. Over 45% of the country's workforce is engaged in agriculture. It is no accident that, despite minimal levels of investment, the country still ranks as a top ten producer in nearly every major agricultural commodity in the world. As part of Engro's commitment to

investing in Pakistan's competitive strengths, the company has invested heavily in the consumer foods business.

Engro Foods has continued its strong upward momentum during 2011, the year the company got extra visibility as a result of the successful private placement and initial public offering of the company's stock. Revenue growth for the foods business has been phenomenal, clocking in at about 43% during the year and set to continue its skyrocketing trajectory during 2012.

The year 2011 was also a landmark year in the evolution of the foods business: in January, the company signed the agreement to acquire the US-based Al-Safa Halal, Engro's first foray into the North American halal foods business.

In addition, in collaboration with Engro Eximp, the foods business also rapidly increased its rice processing plant, increasing its capacity from 40,000 tons to 100,000 tons per year.

Power generation

Over the last three years, the need for Pakistan to create a viable energy strategy that relies on an affordable fuel mix has become increasingly apparent. Engro Powergen has set up a 220 megawatt power production facility at Qadirpur, utilizing fuel gas that was previously being wasted, creating energy with a reduced carbon footprint and contributing towards a solution to the nation's chronic energy crisis.

The plant at Qadirpur has been performing remarkably well and has thus been earning steady profits. The plant underwent its first planned outage, which was safely completed as scheduled, suggesting that Engro's careful attention to efficiency and safety are delivering dividends.

The company has also thus far managed to ensure that its financial position is not compromised due to the inter- corporate circular debt problem that has plagued nearly the entirety of Pakistan's energy sector. Receivables for Engro Powergen have remained under control during 2011.

Engro's commitment to helping Pakistan develop its vast untapped coal reserves in the Thar desert is also an example of how the company is willing to take on calculated risks for the benefit of the country as a whole. The company has completed the technical and economical feasibility study for the coal-fired power project and is now in the process of negotiating engineering, procurement and construction contracts to ensure the project costs remain competitive with respect to all other fuel sources.

The Thar project is a joint venture with the Sindh Government. Engro has completed its share of the project work so far and is now awaiting infrastructure development by the provincial government before proceeding to the next stage.

Petrochemicals

As Pakistan continues to industrialize, petrochemicals will continue to play a growing role in the development of the country's manufacturing sector. Engro has developed its polymer and petrochemicals business in order to provide Pakistani industries with low cost inputs and materials for their manufacturing processes.

In 2011, Engro Polymer and Chemicals has continued to face a challenging year, though it looks set for a comeback during 2012.

The business was not profitable during the first three quarters due to some issues at the plant in Port Qasim. However, the company was able to overcome this problem by the fourth quarter, with the vinyl chloride segment utilizing 99% of its capacity during the last three months of 2011.

Profitability for the fourth quarter was somewhat squeezed as a result of narrower margins. However, this phenomenon has already begun to turn around and healthier margins are expected to help the financial condition of the business during 2012.

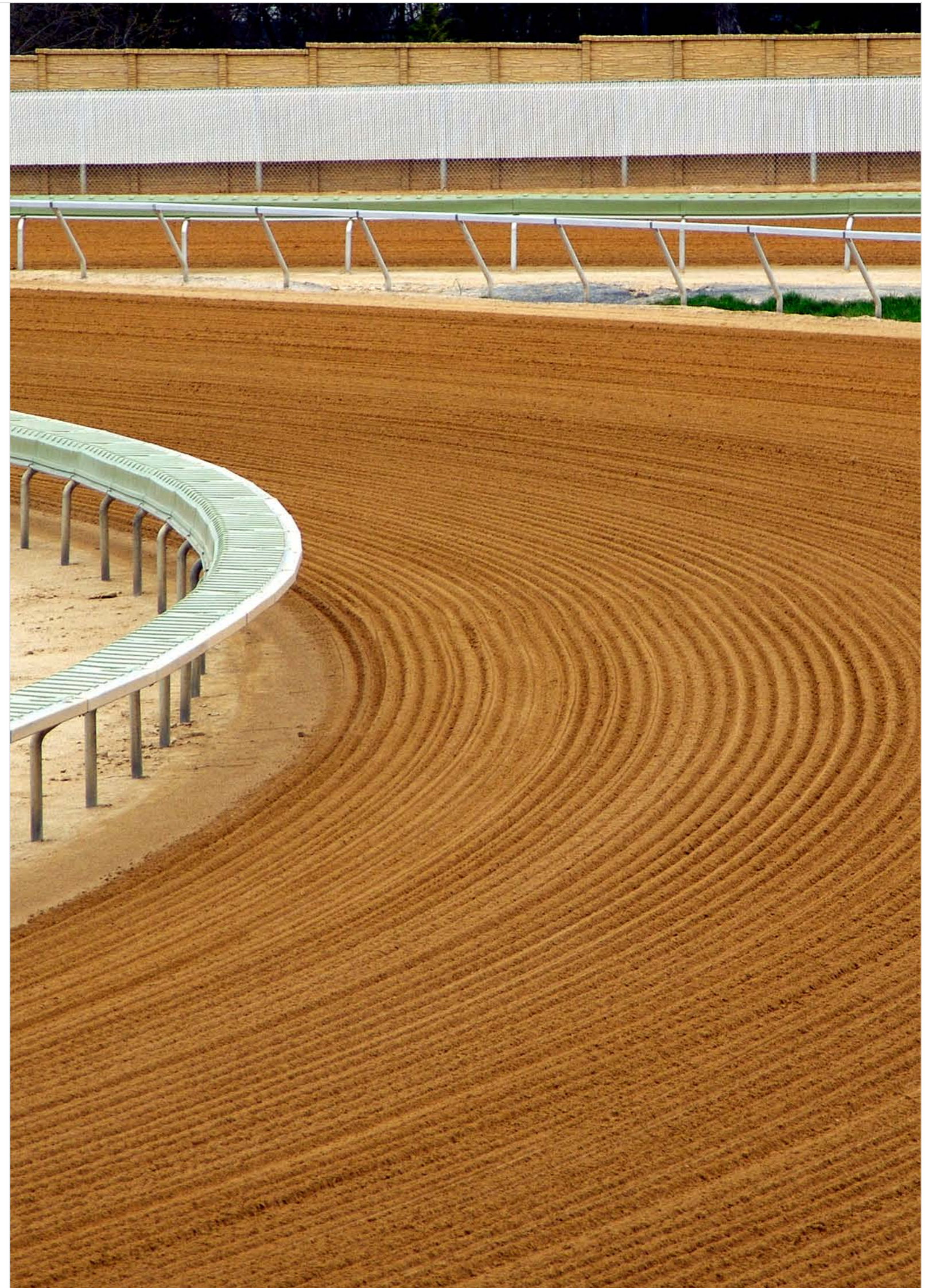
Chemical storage

Yet another manifestation of Engro's commitment to excellence as well as the progress of the Pakistani manufacturing sector has been its chemical storage business, a joint venture with Royal Vopak of the Netherlands.

Engro Vopak operates a chemical storage terminal at Port Qasim to help the handling of sensitive pharmaceuticals and other chemicals for transportation. During 2011, the terminal continued its stellar record of safety - the primary concern with any such facility - and remained one of the safest such facilities in Asia.

The business also won tax cases in the Sindh High Court, resulting in a one-time spike in profitability as the firm booked tax reversals.

Engro is now looking to leverage the expertise it has gained through this storage facility to help the country in what is likely to become a new and increasingly important energy source: imported liquefied natural gas (LNG). During 2011, Engro was shortlisted by the government - along with two other companies - to set up an integrated LNG import project. The company will continue to work on managing this project during 2012.



our blue-chip growth story

Despite operating under extraordinarily challenging economic conditions, Engro Corp is proud of the fact that the conglomerate has continued to grow through leaps and bounds almost across the board. The year 2011 was a record-breaking one for the company, with both revenues and profits expanding to unprecedented levels.

We take great pride in being the first private-sector Pakistani company to cross Rs.100 billion in annual revenues. That this number is over 25% better than our own performance last year certainly adds to our sense of achievement. Profits have also continued to expand to record levels.

We continue to believe that Engro is Pakistan's blue chip growth story - a conglomerate that offers the stability and credibility of a well-established brand name but also the growth and potential for investor gains that a young, relatively new player to the market might offer. Moreover, we believe the key to Engro's position in this regard has been our consistent effort to capitalize on Pakistan's strengths and needs.

Where others may see risk, Engro sees opportunity. We are the only company to have invested over \$1 billion in Pakistan's agriculture sector, setting up Enven to ensure that Pakistani farmers can meet their growing demand for fertiliser through local production rather than having to import expensive foreign-manufactured urea. Despite difficulties with the gas supply, this investment by Engro has continued to pay off, resulting in revenue and profit growth that has beaten expectations and shattered records.

Through our product and market interventions more than 1.5 million farmers realize a net income increase of Rs. 120 billion every year.

At Engro, we are proud of our can-do attitude which continues to fuel our strategic decisions. In order to effectively combat gas supply restraints, Engro has decided to expand in the domain of LNG imports which can offer a viable solution to the pressing energy needs of the country.

Our foods business is perhaps the epitome of Engro's ability to accurately identify growth opportunities and capitalize on them. Using dairy as a stepping stone to enter the foods business, we started manufacturing, processing and marketing dairy products, ice cream and fruit juices in Pakistan. Over the course of the past six years our foods business has emerged as a key player in the industry with our top quality brands becoming household names and a raging success in the market.

As the next big leap our foods business has transcended geographical boundaries and acquired a Canadian halal meat business - Al-Safa Halal. Through this acquisition we attempt to create a truly global brand name with our growth engendering international borders.

Our ability to continue growing has survived virtually every challenge thrown at us. Our two biggest business lines are connected to agriculture and we have managed to not only survive two massive and

destructive floods in the country, but actually continue to grow our revenues through them.

The world underwent a massive financial meltdown and recession and we have continued to be able to not only keep our businesses running, but also raise unprecedented amounts of capital from both the international and local debt and equity markets to continue funding our expansion plans.

As the world looks uncertainly at 2012, we are confident that no matter what challenges are thrown our way, Engro will continue to march on, its growth story continuing to unfold and enrich the investors who choose to believe in it.





accessing the capital markets

The year 2011 was the one where Engro Corp leveraged its credibility in Pakistan's capital markets and conducted several innovative transactions that we believe have not only helped the company raise the required capital for its next stage of growth, but also helped the evolution of country's financial markets in to a more complex and developed functioning unit.

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Engro's relationship with the Pakistani capital markets is an old one, having first listed on the Karachi Stock Exchange as far back as 1968. Through the ups and downs of the Pakistani economy, Engro has consistently delivered value to its shareholders. Even in lean times, investors have had faith in the company's integrity and ability to overcome any challenges it faces.

In 2011, Engro conducted multiple capital market transactions, each of which was remarkably successful. Moreover, in continuation with Engro's tradition of striving for innovation and excellence in everything we do, each transaction also helped expand the scope of instruments available to companies in Pakistan looking to raise capital.

Engro Rupiya

The year began with Engro looking to raise a second round of the Engro Rupiya certificate, the first-of-its-kind corporate bond issued directly to retail investors, offering them rates of return that are not ordinarily available to the average investor. Yet we were determined to not only offer attractive returns to ordinary investors, but also make them aware of the opportunity that exists to be part of the Engro growth story.

Instead of spending a significant proportion of the capital the company would have raised in underwriting fees, Engro decided to spend that money on marketing the bond directly to retail investors, raising the overall level of awareness of investment opportunities for ordinary Pakistanis. In doing so, the company has helped expand the overall investor base in Pakistan, which will ultimately help all other companies raise capital as they seek growth.

Engro Rupiya was originally launched in October 2010, and managed to raise Rs. 4 billion from a wide spectrum of investors. The second issue raised a further Rs. 2.75 billion. Few companies have built enough credibility with the public to be able to raise money directly from retail investors - and even fewer have the ability to do so twice.

Engro Foods IPO

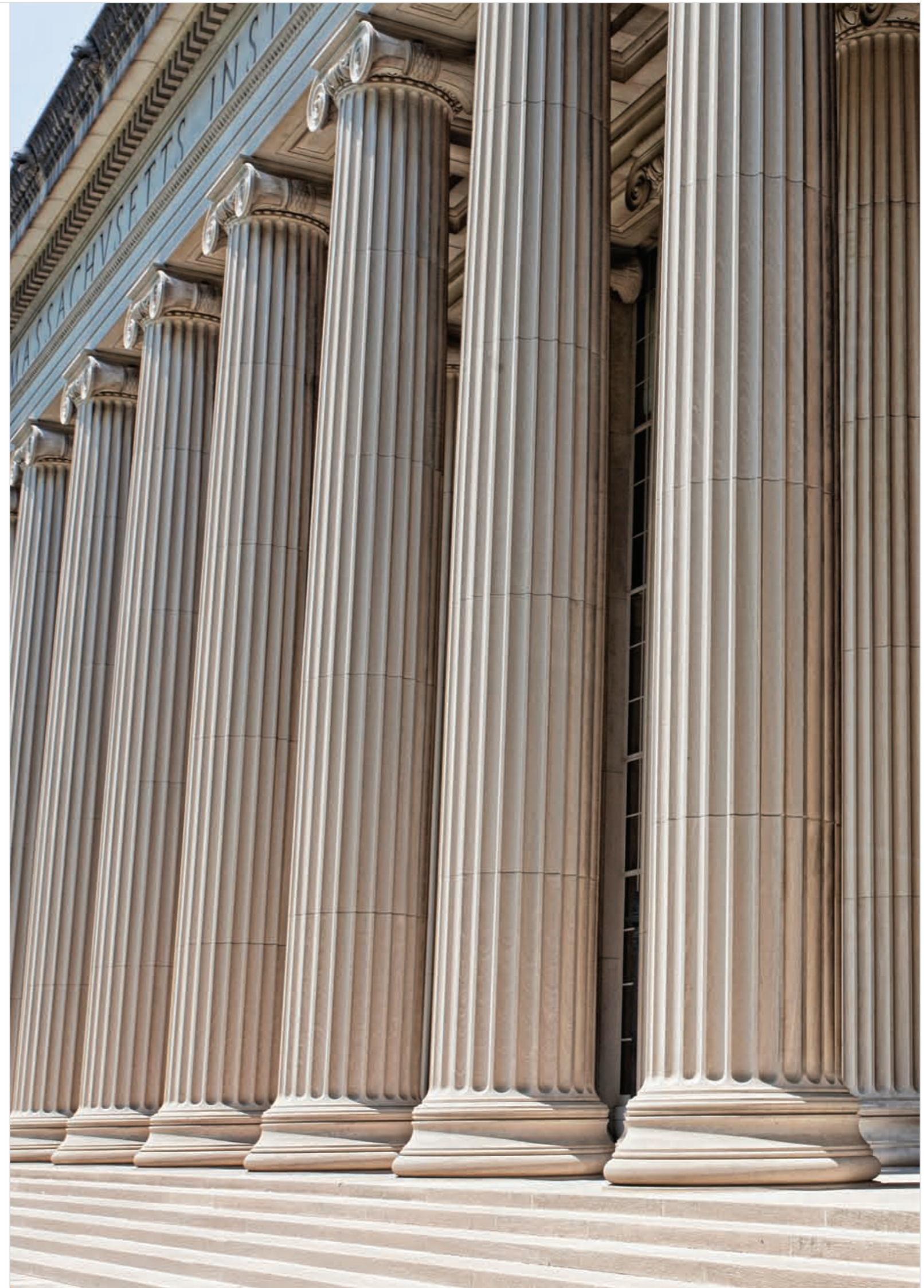
As part of the company's commitment to provide the public with opportunities to share in its growth and success, Engro decided to publicly list shares of one of our subsidiaries that has had remarkable progress over the last five years: Engro Foods. This was not, strictly speaking, a capital raising exercise, but rather one where we wanted to raise the profile of one of our biggest success stories and allow investors to share in our gains.

The initial public offering was managed in two stages. In the first stage, the stock was offered to several institutional and high net-worth individual investors - both domestic and international and approximately 48 million shares were sold in this manner.

In the second stage, the company decided to offer its shares to the wider public, with about 24 million shares sold in July 2011. Yet, contrary to common market practice, Engro did not discriminate between its more privileged investors and the retail investor: both were offered shares at exactly the same price of Rs. 25 per share.

Once again, however, Engro sought not just to tap the market for itself but to expand it. The Engro Foods IPO was advertised on television, radio and even on outdoor hoardings, gaining the public's attention and opening the eyes of the average Pakistani to both the opportunity and the need to invest.

The offering was a huge success, raising Rs. 1.88 billion for the company's domestic and international growth as well as being hailed as a healthy IPO in an otherwise dull year on the Karachi Stock Exchange.





our corporate objectives for 2012

Engro Corp enters the year 2012 confident in its ability to weather any challenges that may be thrown at us by a global economy still going through the shockwaves caused by the European debt crisis. We believe that our investments are well-poised to continue yielding opportunities for growth for the company.

During the upcoming year, the foods business will continue to implement its strategy to expand its presence in the hearts, minds and wallets of Pakistani consumers. In addition, Engro Foods will present and seek approval for a strategic business plan for its North American subsidiary. The year 2012 will also mark the beginning of Engro Foods as a global brand management company.

As part of its efforts to have international revenues constitute a greater part of the business, Engro Eximp will stabilize and optimize the operating parameters of the rice processing plant in Muridke.

Engro Powergen will continue its role as the pioneer in tapping the vast coal reserves of Thar. Subject to the Sindh government living up to its commitments as our joint venture partner, the company will develop, negotiate & conclude the EPC contract for the project as well in 2012. In addition, we plan to complete the detailed feasibility study and begin work on raising the project financing necessary to complete the Thar power plant.

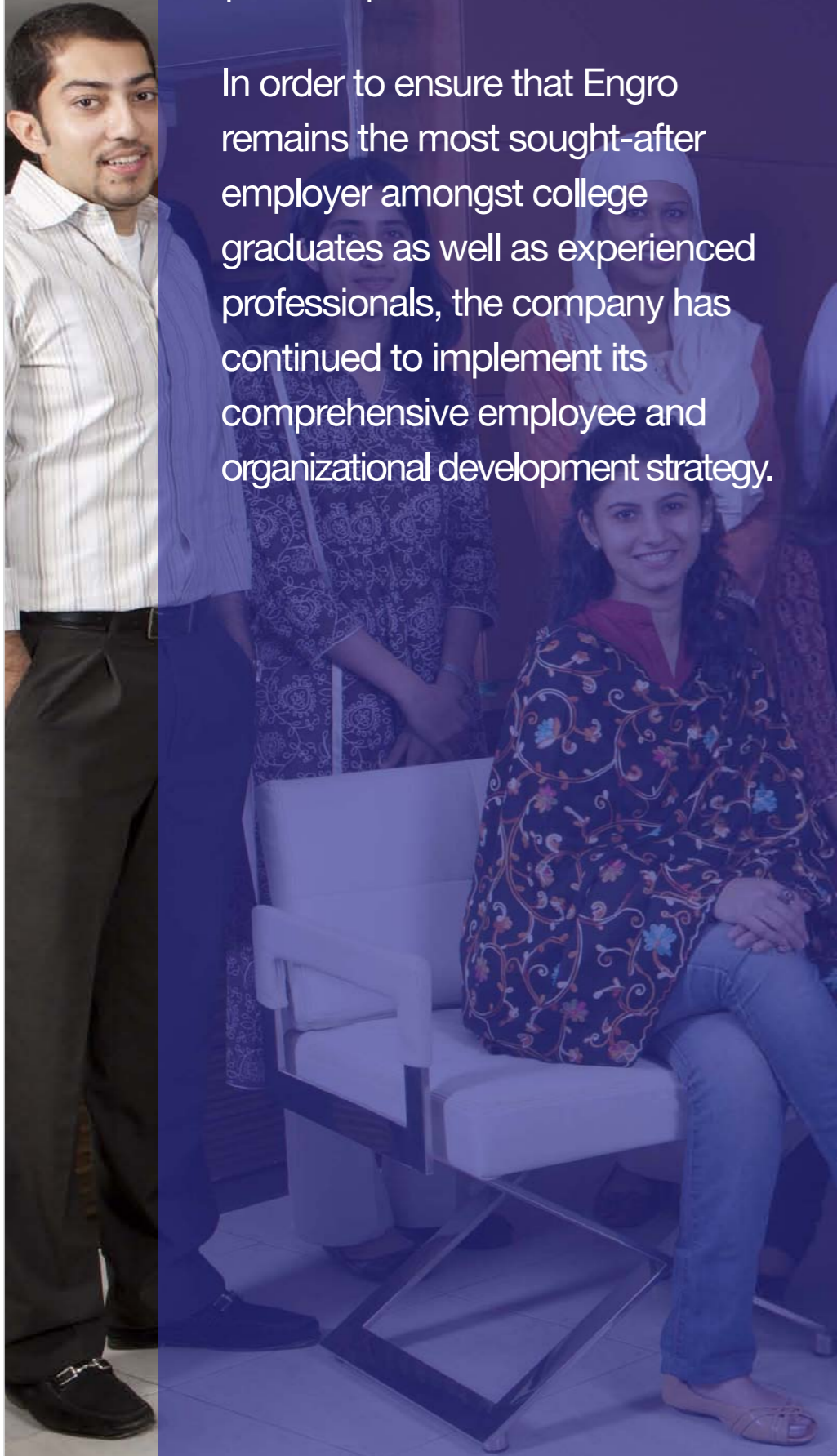
Engro Polymer and Chemicals will develop and seek approval for a medium-term strategic plan. The firm will also seek to utilize the surplus vinyl chloride manufacturing capacity by seeking export markets for its product.

Engro Fertilizers will seek to come to some form of an arrangement with the government of Pakistan for the reliable supply of gas to its plant. Meanwhile, Engro will also try to position its newly created subsidiary Elengy Terminal Pakistan Limited as the partner of choice for all key stakeholders in the LNG import project.

The company plans to continue its presence as a primary issuer in Pakistan's capital markets. Subject to market conditions, the group may decide to separately list Engro Fertilizers on the Karachi Stock Exchange. In addition, the firm will also likely launch a Shariah-compliant version of the Engro Rupiya retail bond offering.

people

In order to ensure that Engro remains the most sought-after employer amongst college graduates as well as experienced professionals, the company has continued to implement its comprehensive employee and organizational development strategy.





our hr investment strategy

Engro's success thus far can be attributed to one factor above others: we have consistently sought to attract, hire and retain some of the most talented people in Pakistan. Our ability to create high performance teams in a culture of inclusiveness, professionalism and excellence is what drives our success more than anything else. To this end, Engro has formulated a strategy to become the employer of choice for the most talented people in Pakistan.

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In order to ensure that Engro remains the most sought-after employer amongst college graduates as well as experienced professionals, the company has continued to implement its holistic strategy for employee and organizational development.

Engro believes in recognizing and rewarding talent. To this end, we offer highly competitive compensation packages to all of our employees at all levels of the organization. In addition, there are several awards and recognition programs designed to ensure that employees who go beyond their expected duties are made to feel appreciated.

As a parent company, Engro has also strived to create a "one firm" culture to ensure that we leverage the most in terms of the synergies between our businesses. To this end, we have developed a unified talent management model to ensure that the firm is maximizing its ability to attract, retain and nurture highly skilled employees across the board.

The company aims to ensure that we create an inclusive and diverse work environment, with a particular emphasis on the recruitment and retention of women, especially at the higher levels of the organization.

In addition, we aim to create a culture where employees feel a loyalty to the company as being more than just a place of work. The firm actively seeks to measure the level of engagement of our employees and creates policies that ensure that we retain their commitment.

Engro Corp is unique amongst most of corporate Pakistan in that the management of the company actively seeks to hold itself accountable to its employees at all levels by encouraging them to exercise their constitutionally guaranteed right to freedom of association, encouraging our employees to unionize and seek the benefits of collective bargaining.

Engro is proud of the fact that it has been able to maintain the highest standards of health and safety at our manufacturing facilities, monitoring carefully every potential risk to our operations and our employees so that we can provide a safe working environment to our team members.

This strategy has already yielded considerable success: Engro was named the "The Most Preferred Graduate Employer in Pakistan" for the year 2011 by Engage Consulting. That Engro was able to come ahead of top multinational conglomerates for the title further serves to cement Engro's reputation as a globally competitive organization.





our hr performance

Recognizing that people make all the difference we continue to combine our skills and strengths to build a successful partnership that helps us sustain our competitive edge and continue our legacy of excellence.

Building on our resolve to establish a sustainable institutional mechanism to hire and retain people, the company was able to successfully achieve all of its goals with respect to its investments in human resources. Building on its strong human resource policies our combined strength has grown at an unprecedented pace matched only by our will to ensure that we provide the best work environment to our employees. By the end of 2011 our direct employee workforce grew to 3,472 employees spread across our different subsidiaries.

Recognizing and rewarding talent

Engro Corp believes that talent deserves to be rewarded. In order to achieve this goal, we have established several policies, including a goal to competitively benchmark our compensation against market using a comparative basket.

The year 2011 was the second when Engro recruited across some of the most prestigious campuses throughout the country under one brand name - Engro Corp.

Our compensation package, coupled with the firm's growing reputation, has meant that we were ranked the most desirable employer in the country by a plurality of new graduates in Pakistan.

In order to ensure that our salary packages remained competitive, the firm constantly benchmarked itself against the leading local and multinational firms operating in Pakistan. In collaboration with Mercer, the largest human resource consulting firm in the world, Engro conducted periodic surveys to maintain market competitiveness.

In addition, the company has several types of awards at every level of the company, to ensure that employees get recognition for extraordinary efforts or work that goes beyond the call of duty.

Synergies across the group - one firm

Engro has also strived to create a "one firm" culture, in which every employee of our businesses feels that they are part of the wider Engro family. This goal is achieved through a series of orientations, beginning with one on the employee's first day and supplemented by several company-wide orientations at periodic intervals that include addresses by senior executives of the firm.

In 2011 Engro rolled out a new talent management program - in collaboration with the Hay Group, a leading global consultancy - to ensure that our human capital management policies remained consistent across the firm. The company's orientation program was also revamped to ensure that it covered the changes that had taken place in the organization.

Welcoming work environment - Encouraging diversity

The company also prides itself in creating a welcoming environment, both in terms of the physical space it offers as well as the culture of the firm. Engro is particularly proud of the diversity within our firm's culture. We make it a point to recruit people from different backgrounds, and have been successful in increasing the proportion of women who work at the company.

Living up to the firm's commitment that a woman should never have to choose between work and family commitment, Engro established several policies including flexible hours, a day-care centre, and a spouse employment policy. Even before there was national legislation on the matter, the firm also introduced a sexual harassment policy to ensure that the women at Engro felt safe at work.

Yet beyond offering these basic services to our female team members, Engro took a step further and continued to encourage the activities of "Weave", a network of women working at Engro, which held quarterly meetings to help coordinate the promotion of female-friendly policies at the company.

Recognizing that diversity comes in many forms, Engro is particularly proud of the deployment of a policy that encouraged affirmative action with regard to the recruitment of disabled people. In addition, all subsidiaries are now required to comply with the law by paying an amount equivalent to minimum wage of 1% of the total employee population to designated government offices.

Employee engagement and personal growth opportunities

Engro recognizes that while compensation policies may attract talent, in order to retain them at the company, there are certain intangibles that need to be present in order to induce employees to stay on at the firm.

In 2011, the company conducted an employee engagement survey, a practice that is conducted periodically, to determine the level of satisfaction within our workforce with the firm and its policies. By conducting this exercise, the management was able to determine the impact of their policies and introduce corrective measures where they were necessary.

The firm believes in leveraging the diversity of its operations to provide our employees with opportunities to broaden their horizons and serve on secondments at different areas within the firm, whether it be a different department or a different subsidiary. Building on to the learning curve of our workforce, we continued to leverage secondments for a multitude of our employees in 2011.

This year Engro further encouraged and supported employees in their volunteer efforts through its company-wide program known as EnVison (Engro Volunteers in Service of the Nation) which is managed by a council that selects different volunteer opportunities for company employees. This initiative gives employees opportunity to show leadership skills as well as inculcates a sense of social responsibility throughout the firm.

Diversity

	Gender Ratio (Men: Women)
2011	13:01
2010	14:01
2009	15:01
2008	16:01

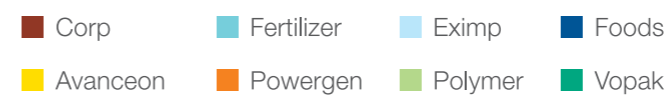
Employee Retention

	Attrition
2011	12.2%
2010	12.7%
2009	15.0%
2008	16.3%

Management Employees (Tier IV & above)



Non-management Employees (Tier V)



health & safety

Engro is committed to providing the safest work environment to our employees, particularly at our manufacturing facilities. We recognize that, without adequate safety measures, both our employees and our operations would be put in severe jeopardy.

We are proud of our record of ensuring the health and safety of our employees. Our stellar performance in this record is the result of a considerable investment not just in physical infrastructure but also in terms of creating an institutional architecture where health and safety are monitored at every level of every division of the company.

Engro has committed itself to going above and beyond the standards that are currently required by the law and has begun adopting much tougher health and safety policies, including those laid out by the Occupational Health and Safety Administration (OSHA) of the United States as well as the Dupont Workplace Safety Standards.

Every employee involved in plant operations at any of our manufacturing facilities is given an overview of

the process and operating procedures, with an emphasis on specific HSE hazards, emergency operations and safe work practices. The Occupational Health Program at Engro includes aspects of industrial hygiene and occupational medicine. All employees are also trained and kept up to date on technological changes and safety related aspects of their jobs.

During 2011, the company continued its endeavor to align HSE management systems and processes to international best practices. All HSE systems and processes were regularly assessed and audited internally as well as by third parties. We are proud of having met our 2011 target of keeping the Total Recordable Injury Rate (TRIR) at 0.26 - our lowest ever - and will strive to take this even lower in the coming year.

At Engro Fertilizers, by far the largest manufacturing facility owned by the company, the plant achieved a 3.0 rating in an external audit of the site's DuPont Occupational Health and Industrial Hygiene (OHIH) practices. For 2011, the company decided to bring Plant 2 up to speed as well.

A thorough gap analysis was completed in September 2011, following which the extensive process of training personnel and improving systems began. We are proud to report that 80% of the gaps found in the analysis were removed by the end of 2011 and the remainder will be completed in 2012. We are particularly proud of having achieved a 4-star British Safety Council (BSC) rating for the Fertilizers plant at Daharki.

In addition, a Process Safety and Risk Management (PSRM) gap analysis was completed in 2011, with the goal to take the Fertilizers plant up to Level 4 for the combined manufacturing site.

Our foods business has the most challenging safety environment and is working towards full implementation of DuPont practices to ensure a safe, healthy and hygienic work environment. To foster a culture of safety, behavior-based safety techniques have been encouraged within the foods business to encourage incident reporting in order to identify safety hazards and mitigate further risks.

The chemical handling and storage business also continued to maintain health, safety and quality standards as per OHSAS 18001, ISO 9001 and 14001 along with Vopak Standards Terminal Health Assessment parameters.

Business	Man-Hours (in millions)	TRIR	Recordable Injuries	Fatalities	Lost-Work Injuries
Fertilizers	11.7	0.21	12	0	0
Polymer	3.4	0.06	1	0	0
Powergen	0.74	0.267	1	0	0
Foods	21.04	0.31	33	0	11
Vopak	0.35	0.0	0	0	0
Avanceon	0.34	0.0	0	0	0
Total	37.5	0.25	47	0	11

**Calculated for all employees, contractors and stakeholders that come in contact with our businesses.*





leadership competency model

Engro's expansion over the years, from a single-product company to multiple subsidiaries producing diverse products and services, has been coupled with a growth in employee base as professionals with diverse backgrounds and experience.

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However, increasing competition and Engro's own strategic orientation to transform into a global organization, has necessitated a continuous need to not only retain talent, but also nurture a new group of leaders who can ensure Engro's continued success in the future.

Engro's management and development of its human resource revolves around a robust system of attracting, deploying, developing and monitoring talent, as a means of propelling the future of Engro to even greater heights. The organization's talent management strategy stems from a very basic belief, that 'leadership development happens by design, not by accident'.

The Leadership Competency Model (LCM) is a core component of Engro's talent management strategy, and works towards translating business needs and critical success factors into leadership competencies, which can then effectively drive all of Engro's business operations. The model aims at designing and instilling key leadership attributes throughout existing and potential Engro leadership - aligning competencies and behaviours of talent towards a unified Engro 'Leadership DNA'. The model further demonstrates a clear differentiation of competency requirements between management levels, providing a consistent and objective way of measuring progress and thus establishing a clear roadmap for developing future leaders at successive levels of the organizational command chain.

Engro's LCM is applicable not only to the development of new leadership but also to the measurement of potential and performance, as well as continuous review of talent to provide a means of aligning competencies to support people-centric human resource functions in the organization. The model is based on inputs from a variety of sources and validated against business context and proven models of leading organizations. Engro's LCM highlights the following attributes as the key parameters in developing successful leaders:

The Passion to Excel

This attribute is an amalgamation of the individual's interpersonal skills, enhanced intellectual capacity, and ability to influence stakeholders. Successful leaders need to possess the emotional maturity to manage various challenging situations and relationships, whilst also developing the desire and ability to form and sustain close, reciprocal relationships with others to the benefit of the business. Leaders require the ability to convince others to buy into their strategies, as well as work with key decision makers to help turn propositions into growth oriented actions.

Effective Leadership

With a focus on working in and leading teams, and the ability to develop others, this attribute is characterized by the drive and intention to work cooperatively across organizational lines and within one's own team to reach common goals as opposed to working separately or competitively. This attribute focuses on the individual's ability to work on cross organization collaboration to deliver growth and success by working with others across boundaries - internally within different areas and externally with customers and partners. Effective leaders create a work environment that empowers, motivates and energizes the team and focuses on coaching and developing the potential of team members.

Business Focus

This attribute highlights the significance of possessing strategic intent - the ability to think like entrepreneurs and be oriented towards exceeding standards of excellence. The individual's drive to succeed and continuously improve performance is paramount, building into confidence in their own abilities and decisions, even in challenging circumstances. This attribute also includes the focus to proactively identify problems, seize new growth opportunities, take calculated risks and achieve business success. Leaders with such traits possess a strong fundamental understanding of how businesses work locally and globally, and its impact on Engro's business.



A photograph of a target on a straw hat. The target is a circular board with concentric rings of white, black, blue, red, and yellow. Three arrows are embedded in the target, with two hitting the red ring and one hitting the yellow bullseye. The hat is made of woven straw and is set against a blurred background of green foliage and a person's arm.

our hr objectives for 2012

Having had a remarkably successful year in 2011, Engro has set itself a series of ambitious goals for the year 2012 for its human resources, health and safety parameters. The firm plans to continue its consolidation strategy and build upon its status as one of the most desired employers in the country.

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Going forward in 2012, we will complete the roll out of the new talent management system to ensure that our ability to attract, recruit and retain the best talent in the country continues to remain competitive. Understanding that our endeavors are fuelled by our core values, we aim to roll out a revised set of our core values that further elaborate our purpose and way of doing business in an ethical and sustainable manner.

In 2012, the Company also aims to ensure implementation of the new Talent Management System to coach and develop capacities of our employees on Engro systems. As a leading employer of choice, we pride ourselves in going the extra mile to invest in our people by equipping them with the skills necessary for their professional and personal growth. In order to further this objective in 2012, a comprehensive leadership competency model will be rolled out to ensure that we continue to win with our people.

In 2012 the company also aims to implement the employment guidelines for disabled persons - the guidelines for which have been developed through the year 2011. The guidelines would encompass a broader set of structural and policy changes which would include development of physical infrastructure, devising a recruitment policy for the disabled and also building an equal opportunity awareness within the very fabric of our human resources strategy.

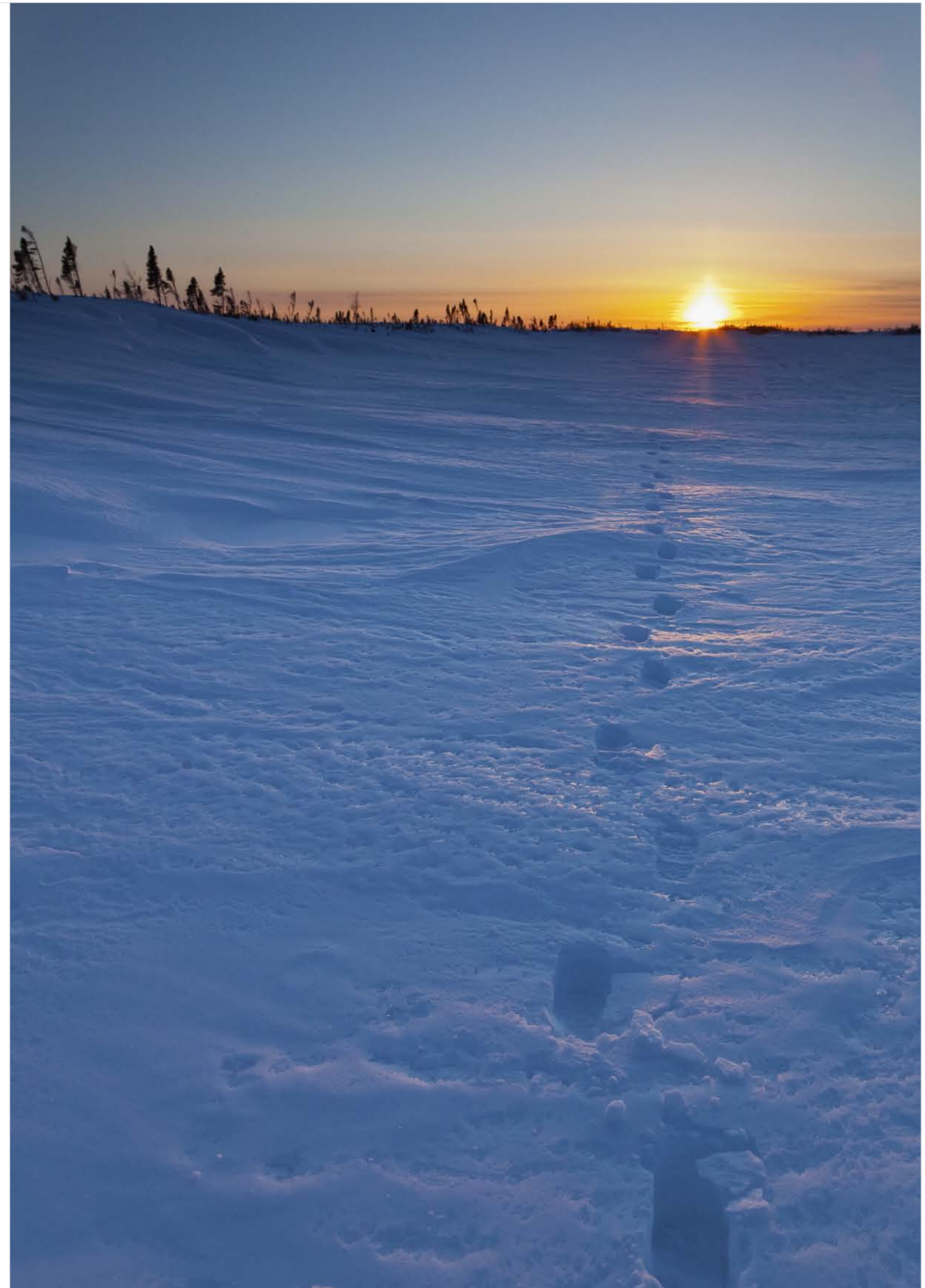
Keeping in line with our stellar health and safety records the company aims to maintain a Total Recordable Injury Rate (TRIR) of 0.28. We will continue to maintain a stringent focus on implementing the action plan as identified under the Dupont Safety Audit and continue progress towards a

Level 3.0 Process Safety Management (PSM) standard at our fertilizers and energy facilities at Daharki and Qadirpur respectively. In addition, we also wish to attain a level 4.0 Process Safety Risk Management (PSRM) standard at Daharki and a level 3.0 PSRM at Qadirpur and Polymer to continue our trailblazing record of valuing health and safety of our employees, systems and inexorably the environment.

Our focus on introducing highest standards of employee safety also engenders our plans to implement action plan of DuPont Occupational Health and Industrial Hygiene (OHIH) audit at our fertilizers business and bring the expanded site at par with the base plant. Moreover, with a firm focus on ensuring the highest levels of efficiency in health, safety and environmental management we aim to build upon our certifications under the British Safety Council (BSC) and leverage the BSC audit tool to assess the level and performance of Engro systems on resource efficiency, management compliance, environmental compliance, environmental management system and reporting. Having successfully achieved a 4.0 star rating in 2011, the company will strive to attain a 5-star BSC rating for the fertilizers facilities at Daharki and a 3-star BSC rating for its operations at the Zarkhez plant in 2012.

Forging stronger safety and health systems in 2012, the Company aims to upgrade and automate Safety Management and Information System for its petrochemicals business followed by initiation of a 5-star Environmental Audit.

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



environment

Being a socially responsible company Engro has a continuous focus on the environment it operates in. With our complex environmental footprint we implement a multifaceted strategy to ensure sustainability.





our environmental stewardship strategy

As a leading conglomerate, we are cognizant of our commitment to encompass a broader stakeholder community in our efforts to establish a truly sustainable framework of doing business. Over the years, the company has adopted a keen sense of awareness and environmental consciousness in its corporate fabric ensuring that our environmental footprint continues to illustrate our focus on environment and our efforts to align our corporate interests with that of the nation as a whole. Through forensic planning we continue to demonstrate environmental stewardship consequently reducing our carbon footprint, energy consumption and the use of natural resources on a relative basis year on year.



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In the year 2011 we reaffirmed this commitment to preserve the planet and continued to meet our environmental responsibilities while maintaining a healthy profit outlook and trajectory. We are proud of the fact that this year, despite a difficult economic environment, the company's policies with respect to the planet began to come to fruition and yielded outstanding results in terms of helping us become a more environmentally sustainable organization.

We believe these results clearly articulate environmental policy at Engro, which states that while a successful corporation must take care of its shareholders and broader stakeholder community, it cannot do so without being acutely aware of its impact on the very planet we all live on. As a result Engro has actively incorporated a keen awareness of our responsibility to the environment into everything we do.

According to the Intergovernmental Panel on Climate Change, Pakistan is set to become one of the most affected countries by the global shifts in climate. Taking care of the environment, therefore, is not just only a premise of being more socially responsible but it makes good business sense to address one of the most serious risks to our commercial operations.

For the year 2012, we aim to keep improving on our record and go beyond that which is legally required and do what we believe is our natural role: to lead the charge in demonstrating that responsible corporate behavior is not at odds with a growing bottom line.

As one of the largest industrial conglomerates in the country, Engro Corp's footprint is highly complex and, therefore, requires a multifaceted strategy to confront the challenge of an environmentally sustainable business model.

The company, however, has instituted some of the most progressive policies with respect to climate change, both amongst our local peers and even when compared to other companies around the globe. We view the measures we take to help become a more eco-friendly company as an investment in the planet we live on.

As with everything the company does, we are committed to going beyond just that which is legally required of us, in this case, the National Environmental Quality Standards (NEQS), with which Engro is fully compliant.

Engro has adopted a four-pronged strategy with respect to managing our investments in the environment. Firstly, the company actively monitors its greenhouse gas emissions as well as other excursions into the atmosphere and has enacted several measures to reduce our carbon footprint.

Secondly, the company ensures that it is maximizing the efficiency of its resource utilization - of everything from water to energy to raw materials - so as to minimize the wastage from our manufacturing processes, making our facilities greener and more planet-friendly.

Thirdly, as with so many other aspects of Engro's business, the company holds itself to some of the highest global standards by pursuing internationally recognized certifications. Our facilities are frequently audited by third parties to ensure that we are holding ourselves to the standards we have committed ourselves to. The company is also actively engaged in inculcating a culture of environmental responsibility amongst our employees. By launching campaigns to conserve energy, save paper and travel less we seek to ensure that our employees become environmentally conscious citizens. Part of the way this is implemented in the company is through the Green Offices initiatives, which seeks to both reduce the environmental footprint of the company as well as inculcate a more climate-conscious culture within the firm.

And lastly, the company ensures that it designs its products to ensure that their end-use has a minimal impact on the planet, helping to make even our customers' lives and livelihoods more environmentally sustainable.





our environmental performance

Our commitment to environmental sustainability transcends the ordinary and focuses on strategic investments to ensure provision of a safer planet for generations to come.

Climate change commitments

The year 2011 was a seminal year for Engro in terms of its ability to meet its commitments to reducing its environmental footprint with respect to climate change. Several policies and initiatives were implemented to reduce the company's carbon footprint and greenhouse gas emissions, thereby helping curtail our environmental footprint.

Engro is especially proud of its achievements in reducing its greenhouse gas emissions which remain a key challenge when faced with investment choices in environmental sustainability. Our efforts to arrest the emission of GHG from our businesses is evident through our carbon footprint data which registered an increase of 45% in 2011 as opposed to 72% in 2010. As our facilities continue to invest in increasing their manufacturing output we continue to implement stringent control mechanisms to increase environmental efficiency that help us further our stewardship for the environment in which we operate. .

Carbon Footprint Data	2008	2009	2010	2011
Greenhouse gas emissions (in tonnes of CO ²)	865,937	955,223	1,644,577	2,394,335

In 2011, with the inauguration of Enven, the newest and largest manufacturing facility added by the Company, Engro is now operating one of the most environmentally friendly plants in the world.

Through the year our absolute increase in emissions was primarily due to increased manufacturing and business activity. As our fertilizer plants came online in 2011, the scope and scale of business operations increased thereby resulting in an overall increase in the aggregate amount of our emissions. However, remaining cognizant of our footprint we have invested in state-of-the-art technologies ensuring that our newer facilities are more efficient thus reducing emissions per ton of urea and per megawatt of power consumption. In essence, Engro has found a way to simultaneously reduce its environmental impact while

also reducing its feedstock consumption - an effort that synergizes our investments in environmental and financial sustainability simultaneously.

In addition through the year 2011 our petrochemicals business also showed robust performance and achieved increased manufacturing of VCM which resulted in an overall higher value for the emissions on an absolute basis.

Engro has been able to successfully implement several policies that would reduce the company's carbon footprint and greenhouse gas emissions, thereby helping to slow the pace of climate change and thus help preserve the balance of Pakistan's eco-system.

Engro Powergen's plant at Qadirpur is one of the best

examples of how Engro combines business strategy with environmental sustainability. The power plant uses as its fuel permeate waste gas to generate 220 megawatts of electricity at the lowest cost in the entire country. With this project, Engro is accomplishing three objectives concurrently: reduction in Pakistan's greenhouse gas emissions, decrease in the country's chronic energy shortage, and ensuring a constant stream of revenues for the government.

In order to have a targeted impact on the environment our foods business took the initiative of planting over 5,000 trees at its plants in Sahiwal and Sukkur. Moreover, as part of our vision to reduce GHG emissions the foods business actively promoted use of non-CFC (Chlorofluorocarbon) products at all its manufacturing units. Over the course of the last three years the business has also equipped over 300 milk chillers with environment friendly refrigerant gas and is targeting a 15% reduction in the use of water for every liter of milk produced.

Building on its Green Office Initiative, in 2011 our fertilizer facility in Daharki joined the head office in being declared as "Green Offices" in Pakistan consequently reducing their burden on the environment and slowing down climate change.

Whilst the company is cognizant of the increase in the greenhouse gas emissions over the course of the past years, this has largely been spurred, as illustrated earlier, by the substantial growth in the manufacturing facilities of the company.

Despite the foreseeable growth in our footprint, we continue to closely monitor the environmental impact of our business efforts. It is this inherent consciousness that is reflected in the fact that while our revenues have increased our carbon dioxide emissions have increased by a slower growth rate.

Efficient resource utilization

Engro's vision of environmental responsibility stretches beyond greenhouse gases and also encompasses our use of nearly every type of resource that goes into the process of manufacturing our products.

Our commitment to efficient resource utilization is perhaps where our holistic approach towards strategy, and our triple bottom line approach, best shines through: not only does efficiency make our industrial units more planet-friendly, but they also help reduce our costs, thus improving our profitability.

Plant efficiency

Engro Fertilizer's Enven plant is the most efficient plant in Pakistan and among the most efficient in the world, with the lowest energy and gas feedstock usage per tonne of urea produced. As a result of the induction of Enven, gas usage has gone down from 40 million British thermal units (mmBTU) per tonne of urea to 27 mmBTU per tonne.

This efficiency has significant consequences. At a time when Pakistan faces a dire shortage of natural gas, Engro is not only reducing its gas consumption but doing so while increasing the production of urea, another product that the country badly needs. In short, through the judicious use of efficiency-enhancing technologies, Engro is expanding Pakistan's production possibility frontier. Our petrochemicals business also invested in an alternate heavy incineration facility to ensure that our industrial waste is securely disposed off.

In addition, the company's policy of reducing its waste output continued to gather momentum and we were able to dramatically cut our solid waste generation to 4,024 metric tons as opposed to 20,646 metric tons in 2010 - a decrease that is simply staggering considering the fact that company registered rapid expansion in 2011. The decrease can be directly attributed to two factors: the year 2011 witnessed successful culmination of expansion projects across our businesses including the urea plant - EnVen; and our continued focus on stringent controls.

Water consumption

In a country where potable water is an increasingly scarce commodity, Engro Corp is doing its utmost to ensure that its usage of water remains as efficient as possible. We are committed to improving water-use efficiency not just within our own plants, but also at the facilities of Avanceon's automation clients.

Our manufacturing facilities at Daharki have installed a reverse osmosis plant that reduces the flow of unsafe effluents from our plant by up to 150 gallons per minutes. The water is then recycled since it complies with national regulatory standards on waste water. In addition, the residential colony is experimenting with efficient toilets to reduce the consumption of water (over 33% of all domestic water consumption is used up by toilets).

Yet Engro is also a pioneer in offering innovative solutions to our clients for cutting down on water consumption and the energy usage of water and steam systems. For example,

Avanceon has created two products: iWater and iBoiler, both of which are designed to save the use of water as well as energy in water and steam systems.

Engro Foods has installed wastewater treatment facilities at its sites in Sukkur and Sahiwal to ensure that any water that is discharged from the facility is safe and does not pollute the region's water table. Engro Vopak has successfully become a no-effluent site, meaning that all of the facility's wastewater was successfully treated to ensure that it does not damage the surrounding environment. The facility has also planted mangroves and trees to protect the shoreline against erosion.

As our businesses registered growth through the year 2011 our emphasis on reducing our water consumption on a relative basis continued to remain strong, consequently, we were successfully able to reduce the number of times we exceeded our wastewater excursion limits.

Energy consumption

At a time of a national energy crisis, Engro has under taken several initiatives to reduce its energy consumption levels, even as it continues to supply energy to the national grid. Our innovations in energy have not just helped save money and reduce greenhouse gas emissions at Engro, but for our stakeholders as well. Avanceon's iWater and iBoiler products help save our clients energy and have been responsible for reducing CO2 emissions by 13,000 tonnes a year.

Engro Vopak also utilizes ambient heat energy (heat from the atmosphere) for its ethylene vaporizers which has resulted in the potential savings of \$1.4 million in energy costs as well as 4.3 tonnes of CO2 emissions per year.

Our innovations in energy have not only helped Engro save money but also reduce its environmental footprint.

International standards and certifications

As part of Engro Corporation's commitment to holding itself to the highest global standards, the company has gone beyond just complying with national laws and pursued, attained and maintained some of the most stringent international certifications with respects to the environment.

The company is compliant with Pakistan's National Environmental Quality Standards (NEQS) and seeks to ensure

that it follows, in letter and spirit, all regulations laid out by the provincial Environmental Protection Agencies in the areas that it serves.

Engro Polymers is now compliant with ISO 14001: 2004 standards and has implemented a comprehensive environmental management system, which is regularly audited by third parties. The stringent quality and safety controls resulted in Personal Safety Management certification with a 3.2 score in external audit.

Engro Powegen's Qadirpur plant is compliant with the IFC's environmental, health and safety (EHS) standards as part of the agreement with the World Bank subsidiary for its investment in the plant. The standards also include requirements for reduction in noise pollution, a condition that Engro has been able to meet successfully.

For our foods business the year 2011 marked a vibrant drive towards leveraging a continuous excellence cycle and achieving a series of ISO, HACCP and OHSAS certifications. With a renewed focus on being brilliant at the basics, Engro Foods continues to employ regular Food Safety Trainings which focus on multiple areas for improvement.

In addition, to delight our valuable consumers and excel in compliance and safety standards throughout the value chain, Engro Foods is planning to go beyond the ISO 22000 certifications and has subscribed to the British Retail Consortium (BRC) in 2012. Through the BRC platform, we aim to discover new and better ways of living our vision of elevating consumer delight worldwide for now and generations to come.

Product stewardship

Engro Corp is committed to ensuring not only that the firm reduces its own environmental footprint, but that of its customers as well. To this end, the company has expended considerable energy and research in producing innovative solutions that ensure that our products minimize any potential adverse impact on the environment even when they have left our facilities and are in the hands of our customers.

To understand how we can make our products more environmentally sustainable, we analyze its footprint throughout its entire life cycle - from the creation of raw materials, to manufacturing, to consumer use, to disposal. This helps us focus where we can make the most significant impact. For instance by

rethinking the raw materials phase of some of our products and how the products are designed and formulated, we have been able to reduce waste at the end of the consumer use.

Engro Fertilizers, for instance, has developed a new packaging for its products that uses less material while holding the same amount of fertilizer with the requisite tensile strength. The reduction in one inch off our bags has resulted in significant savings in the use of polypropylene, which in turn has reduced the environmental

footprint of our company and our customers thereby creating a triple win for our customers, retailers and the planet.

Similarly, Engro Foods is working with Tetra Pak to ensure that it is using recycled packaging by stripping one of the inner layers of the boxes for our dairy products. This helps ensure that our packaging material is more environmentally friendly and does less damage to forests and the eco-system of the country's northern areas.

Waste generation data	2008	2009	2010	2011
Solid waste generation (in tonnes)	254	382	20,646	4,024
Product packaging waste (in tonnes)	58	102	1,213	195

Energy consumption data	2008	2009	2010	2011
Energy consumption: feed or fuel (000s cubic feet)	37,212,140	38,991,604	42,413,196	54,832,032
Electricity consumption (kilowatt hours)	17,727,227	34,097,192	44,522,894	77,803,090

Water consumption and waste treatment data	2008	2009	2010	2011
Water use (m3 per hour)	2,932	3,432	3,776	9,882
Effluent water discharge (in m3 per hour)	718	769	1,269	2,295
Wastewater excursions (number of times exceeded)	2	3	10	04

Pollutant	Fertilizers	Foods	Polymer	Powergen	Vopak	NEQS
NH3	13				16	40
SO	483				35	600
COD	34	88				150
BOD	9	49			40.2	80
PH	8	8.38			8.5	6-9
OIL	0.8	2		8.1	4.8	10
Zn	0.5				0.2	5
Cl	220		3,479			1,000
TDS	1,423	1,078	6,025			3,500
SS	31					200





green office initiative

Our pursuit of excellence in overcoming environmental sustainability challenges is illustrated by our commitment to the Green Office Initiative, a project being undertaken in collaboration with World Wildlife Fund (WWF), one of the leading organizations in the world dedicated to environmental sustainability.

The project aims to take Engro far beyond the legally mandated minimum environmental standards and truly become a leader within corporate Pakistan, setting an exemplary track record of a company that behaves responsibly towards the planet. The initiative is designed to inculcate a culture of environmental responsibility within the company so that our employees can become ambassadors of responsible behavior with respect to climate change within their own communities.

In the first phase of the initiative, the company decided to implement Green Office policies at the headquarters in Karachi as well as the Engro Fertilizers facility at Daharki. Collectively, these two places form some of the biggest components of our environmental impact and we aim to minimize it to the maximum degree possible.

As a preliminary step, Engro Corp and Engro Fertilizers head offices were selected as pilot test sites for the Green Office initiative. The initiative called for a reduction in three major items: energy, paper and waste. Since it began early in 2011, the initiative has had a dramatic impact on the company's overall environmental footprint as summarised in the GOI data presented ahead.

*Green Office Initiative Highlights**

Electricity Conservation	28.23%
Paper Decrement	24.00%
Waste Reduction	44.60%
Carbon Footprint Reduction	70.30 tons

*for Engro Corp & Engro Fertilizers head offices

The partnership with WWF is meant to serve as an external check on Engro's internal commitments. The organization conducts audits of Engro's facilities that are part of the

initiative and consults the company on the various policies that are part of the project. The collaboration with WWF is an example of Engro's culture of transparency and openness.



our environmental objectives for 2012

Following a successful 2011, the company plans to roll out an action plan that would further reduce Engro's environmental impact, both through the Green Office Initiative as well as through other policies.

Specifically through the GOI, however, Engro plans to reduce its per employee consumption of electricity and paper by 15% as well as reduce the per employee production of waste by that same amount. We feel that calculating our environmental impact on a per employee basis is a fair way to measure our success in reducing our footprint while taking into account our stellar growth rate.

benefitting communities

Our social investments are designed with active community participation ensuring that we help address the most critical of social needs - primarily of our host communities and then that of the nation.



A close-up photograph of a hand holding a white marker, writing on a chalkboard. The background is blurred, showing other people in a classroom or meeting setting. The image is partially obscured by a purple and green graphic overlay at the bottom.

our social investment strategy

Aware of the fact that our stakeholders include a much broader spectrum of people than our employees and financial investors, we aim to address the growing needs of our communities as well as the nation at large, by investing in sustainable initiatives that can impact lives and inspire change by achieving social and economic growth.

Aware of the fact that our stakeholders include a much broader spectrum of people than our employees and financial investors, at Engro we aim to address the growing needs of our communities as well as the nation at large, by investing in sustainable initiatives that can impact lives and inspire change by achieving social and economic growth.

Our community investment strategies are therefore fully aligned with our vision to serve our stakeholders well beyond their expectations by taking complete responsibility for the far-reaching impact of our business decisions – and total ownership for the welfare and growth of the communities that we engage with.

Our efforts to inspire change that can pave the way for socio-economic development resulted in the establishment of Engro Foundation in 2010 – a dedicated non-profit entity that strives to improve life for people living in low-income communities through targeted interventions in the key areas of education, health, livelihood, physical infrastructure and emergency relief.

At Engro Foundation we go the extra mile to help our communities evolve, prosper and grow by investing heavily in initiatives that ensure the provision of education, technical training, health-care facilities and even housing and basic infrastructure to our beneficiaries, thus significantly impacting lives for thousands of people by improving their access to life's basic amenities. We also aim to derive maximum leverage from the yearly funding we receive from Engro Corp, which has pledged 1% of its profit before tax net annual income to Engro Foundation's social investment programs.

As we focus on strengthening our core areas, we have created successful alliances with leading NGOs, international development agencies and even the government to support us in our initiatives aimed at helping marginalized communities access better opportunities and choices. Our partners supporting us in these initiatives include the Pakistan Poverty Alleviation Fund, the Sindh Rural Support Organization, The Citizens Foundation, the Government of Punjab and the United States Agency for International Development.

At Engro Foundation, it is our ultimate goal to align our social investment strategy with the Millennium Development Goals of the United Nations as we continue investing in tomorrow by taking ownership to inspire lasting changes today.





our social investments performance

Challenges confronting the economic, social and business environment of the country during the year 2011 presented Engro Foundation with significant opportunities to build upon our core areas with a greater focus on livelihood interventions and community outreach programs.

Challenges confronting the economic, social and business environment of the country during the year 2011 presented Engro Foundation with significant opportunities to build upon our core areas with a greater focus on livelihood interventions and community outreach programs. During the second year of our operations, we strengthened alliances with key stakeholders and partner agencies, and emphasized on gauging the impact of our programs in the five core areas of education, health, livelihood, physical infrastructure and disaster management. Maintaining transparency and ensuring effective utilization of the funding received therefore remained at the heart of our CSR performance. In 2011, Engro Foundation spent a total of Rs. 367 million on social investment projects including contributions from donors and partners whereas Foundation's own expenditure amounted to Rs. 117 million.

Education

Pakistan's astronomical poverty rate has made quality education a distant and unachievable prospect for a large number of people living in remote, marginalized communities. At Engro Foundation, we are committed to nurturing minds and improving access to education in disadvantaged communities. Because it is our belief that all members of our society – particularly women and children; should be equipped with knowledge and skills to achieve better success and greater goals in life.

In the last few years, we have made great strides towards meeting our objective of providing education in Pakistan's remotest communities by investing heavily in educational reform initiatives that can have a sustained and far-reaching impact.

As a result of our efforts, more than 3,635 Pakistani students are benefiting from free access to education – and are one step closer towards realizing their dream of serving their country and scaling new heights of success.

	2011	2010	2009	2008
Total number of schools	28	25	25	22
Number of students	3,635	3,213	3,140	4,079
Number of teachers	121*	85	85	85

Our educational outreach

Over the years, we have made great strides in our educational outreach program aimed at providing new learning experiences for a greater number of people. Our milestones in education include establishing a network of 11 state-of-the-art schools in the Katcha belt of The Indus River where we have opened new doors of opportunity for more than 1,250 children.

Further widening the outreach of our educational initiatives, in January 2011 we collaborated with CARE Foundation for the adoption of four government schools for a period of up to 3 years and have also developed a highly effective partnership with The Citizens Foundation for the sponsorship of TCF schools in multiple areas across Pakistan.

Entering into a successful private-public partnership with the Government, we are also extending managerial, technical and infrastructural support to The Sindh Education Department under the Government School Adoption Program. Within this initiative, we are providing physical infrastructure and education to 10 government schools within the Daharki and Qadirpur districts.

To enhance teaching standards and enable teaching instructors to reassess their skills, we have also initiated a Training and Resource Center (TARC) for teachers employed at schools supported by our partner NGOs.

However, our investments in education extend beyond primary education to include learning opportunities that can pave the way for professional advancement. Towards this end, we have collaborated with the Karachi Education Initiative (KEI) to establish the Karachi School for Business and Leadership – a world class institute affiliated with the Judge Business School (JBS) of Cambridge and launched with the objective of creating business leaders to contribute to Pakistan's economic growth.

Vocational development programs

At Engro, we strive hard to create opportunities and spread hope by motivating people to acquire holistic life skills that can propel them towards self-sustainability by achieving economic independence.

Moving beyond the spheres of conventional education, we have actively invested in skill development by setting up vocational training centers designed to enable our rural stakeholders to acquire important skill sets that can significantly enhance their earning potential.

Our efforts are not only geared towards ensuring productivity for the underserved labour force but are also aimed at implementing a long-strategy that seeks to create opportunities for the development of relevant technical skills in women to ease their struggle for a secure livelihood.

As we forge ahead towards our goal of ensuring sustainable lifestyles for some of the most vulnerable members of our society, we have achieved some concrete results along the way.

Our vocational training program in Daharki where we train young people in a variety of skills to improve their earning capacity is a key example of our progress in this direction.

The Sahara Arts & Crafts Center where we provide training opportunities to women in craft and technical competencies is yet another successful initiative by Engro Foundation aimed at helping people in low-income communities thrive economically.

However, our biggest milestone by far lies in the establishment of a Technical Training College (TTC) in partnership with the Pakistan Chemical and Energy Sector Skills Development Company (PCESSDC). This Technical Training College is an internationally accredited institution and the first degree-awarding institution in Daharki to offer a 3-year diploma in chemical and mechanical skills. Additional details of our Technical Training College can be accessed further ahead within this section.

Investing in health initiatives

At Engro, the health, safety and well-being of our people and the communities that we engage with, is at the heart of everything we do. Therefore, we re-live our commitment every day to ensure that our health initiatives go above and beyond basic treatment facilities, by actively focusing upon prevention, treatment and awareness strategies.

As part of our ongoing commitment to improve health-care delivery, we have established the Engro Thalassaemia Center in Sukkur – a state-of-the-art facility that has catered to more than 319,800 patients since its inception in 2001 and administered over 23,000 blood transfusions, 253,000 laboratory tests and 21,777 tuberculosis treatment regimens.

Besides establishing a special clinic for women, we have also set up numerous first aid and dedicated treatment centers and clinics in communities that attend to general healthcare needs and provide timely help for critical medical emergencies and chronic diseases including renal dysfunction, snake-bites and blindness.

Further improving community health, every day our mobile health units in Ghotki, Daharki, and Qadirpur aid thousands of people unable to visit our medical clinics by providing them with free health care services at their door steps and reinforcing our commitment to health.

In addition to providing efficient and effective medical care to our communities, we also strive to instill a culture of safety and prevention that goes far beyond interventions. Besides creating awareness, our key health initiatives in disadvantaged communities include improving sanitation facilities and launching immunization programs against deadly diseases for adults, infants and children.

In our efforts to supplement public health community initiatives, we also actively launch polio immunization drives; implement malaria control strategies, and invest in programs designed to combat preventable blindness.

In the year 2011, more than 19,990 people received free access to health-care through our community health initiatives targeting the Qadirpur and Sukkur districts, with women and children benefiting the most.

Centre Name	2011	2010	2009	2008
Mobile and Static Clinics	12,672	6,906	1,054	-
Snake Bite Treatments	7,053	7,101	6,540	4,962
Polio Vaccination Campaigns	5	9	8	7

Livelihoods

At Engro, we strive to address livelihood issues faced in underserved communities and remain passionately involved in developing sustainable solutions aimed at helping people achieve economic security.

Towards this end, we have made multiple investments directly into the income-generating capacity of our rural stakeholders through the following interventions:

Women Empowerment through Livestock Development (WELD)

At Engro, we continually seek to improve the economic and social fabric of primary milk producing communities in the Northern Sindh and Southern Punjab areas, which are key segments of our production chain.

To achieve this goal, we have collaborated with USAID to increase the capacity of small-scale producers and weave institutional framework for quality by launching The Women Empowerment Through Livestock Development (WELD) Project. Through this radical initiative, we aim to empower women to become change agents within their communities by providing them with adequate training and implementation opportunities that can directly impact the local economy and production.

Within the platform of the WELD project, we are training a cadre of Female Livestock Extension Workers (FLEW) and Female Village Milk Collectors (FVMC) to deliver doorstep services to livestock owners; thereby increasing production and linking their produce with relevant business providers.

With an estimated increase in household income by 50% for 15,000 dairy farmers, predominantly women, the Women Empowerment Through Livestock Development (WELD) project is expected to play a pivotal role in empowering women and paving the way for economic and social sustainability.

Khushaal Livestock Project

We have also collaborated with the United States Agency for International Development (USAID) to establish and launch the "Khushaal Livestock Project" aimed at restoring the productivity of farm animals to pre-flood levels. To date, more

than 15,000 households and over 100,000 animals have benefited from project, at an investment of Rs 77.4 million. More details of this project can be viewed below under the content area focusing on key projects within this section.

Sana Restocking Project

In an effort to help the most vulnerable segments of our rural population, we embarked on a livestock restocking program in partnership with the Sindhi Association of North America (SANA). Under the initiative, 95 beneficiaries have been provided livestock animals to help them supplement their household incomes and increase their earning potential.

Women Empowerment through Livestock Development	
Registration of milk producer beneficiaries	7,834
Training of beneficiaries on basic livestock management practices	5,407
Training of FLEWs*	57
Training of FVMCs**	21
Establishment of Entrepreneurs (FLEWs + FVMCs)	60

*Female Livestock Extension Workers

**Female Village Milk Collectors

Physical infrastructure

At Engro Foundation, we remain firmly committed to our goal of ensuring that our stake-holder communities have access to all the critical elements needed to progress to a sustainable lifestyle.

As part of our commitment to augment and uplift living standards in underserved communities, we have invested heavily in renewing and rebuilding community infrastructure – and are continually focusing on providing them with the tools needed to enhance their quality of life.

Towards this end, we have collaborated with the Pakistan Poverty Alleviation Fund and the Sindh Rural Support Organization and invested in building paved roads and critical infrastructure needed in multiple villages located near our manufacturing facilities in Daharki, Sukkur and Qadirpur.

Additionally, since only 40% of Pakistan's population has access to 'improved' water sources and 20% people have access to some form of sanitation, we are also focusing on providing clean water and sanitation services to our stakeholder communities.

In our efforts to ensure access to clean water and sanitation services, we have implemented three drinking water solutions in five villages near Daharki in collaboration with SRSO.

Engro's infrastructure investments	
Community Infrastructure (Brick Pavements, Water Courses, Open Drains)	12
Model School Construction	1



the khushaal livestock project

In a country where there is increasing reliance on cattle farming which remains a vital source of income for rural households, the devastation caused by the floods in Pakistan posed a serious threat to the livelihoods of thousands of villagers, who were unable to save their livestock.

Responding promptly to the needs of our rural population, Engro Foundation collaborated with the United States Agency for International Development (USAID) to establish and launch the "Khushaal Livestock Project" aimed at restoring the productivity of farm animals to pre-flood levels in the disaster ridden areas of Larkana and Dadu.

As a result of our timely intervention, more than 15,000 households have benefited from our investment of Rs 77.4 million towards The Khushaal Livestock Project, through which we provided much needed medication and health and nutritional supplements including mineral mixtures, multi-cut grass seeds (jowar), oat seeds, fertilizers and vaccinations to revive the productivity of the affected livestock.

Through our efforts aimed at providing emergency relief to the affected livestock, we were able to restore the productivity of over one 100,000 animals and save the livelihoods of thousands of villagers, who rely heavily on their livestock in their day-to-day struggle for survival.



technical training college

Education and the development of technical skills in rural areas remain a neglected area in Pakistan, creating livelihood constraints for people hailing from disadvantaged communities. In an effort to fill this vacuum, the Pakistan Chemical and Energy Sector Skills Development (PCESSDC) was incorporated with the mandate of providing quality education and training opportunities to individuals involved in, or aspiring to be involved in the chemicals and energy sector.

A major component of the plan focused on the establishment of a Technical Training College, with the long-term vision of providing people with a platform where they could gain the skills necessary to make them eligible for better employment prospects. Due to the limited opportunities available to rural communities in Sindh, the first TTC was established

at Daharki District Ghotki with a start-up capital of Rs. 179 million. Construction was completed in August, 2011 and initial classes with 80 students started in September, 2011. Pakistan Industrial Development Corporation (PIDC) is its major shareholder and Engro Corporation (ENGRO), Mari Gas Corporation Limited (MGCL), Descon Engineering (DESCON) and Saipem of Italy (SAIPEM) are the other shareholders. The concept behind this initiative was the creation of a hub of technical expertise that would pave the way for socio-economic development. by cultivating a generation of skilled workers in the fields of science, engineering and technology to support the Pakistan's growing industrial sector.

The Training College aims to offer 3-year diplomas in the fields of chemical and mechanical engineering

with an initial enrolment of up to 50 students in each category and an addition in subjects such as instrumentation by 2012, electrical by 2013 and computer science by 2014. Our criteria for admission has been set at matriculation with a minimum B grade in science and engineering subjects. All efforts have been made to ensure a quality educational experience for students via the provision of state-of-the-art facilities including campus accommodation, internet access, sports facilities, laboratories and a library.

With plans for continued expansion and upgradation of the Technical Training College, our aim is to increase enrolment up to 325 students across five disciplines within five years.





ehsanpur model village

The 2010 floods wiped out communities and all traces of life in the riverine area of Kot Addu leaving thousands of villagers homeless and desolate as they struggled to rebuild their lives.

Recognizing the magnitude of the situation, at Engro Foundation we decided to focus extensively on alleviating the sufferings of these affected people by making a significant and meaningful contribution.

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Recognizing the magnitude of the situation, at Engro Foundation we decided to focus extensively on alleviating the sufferings of these affected people by making a significant and meaningful contribution.

Concentrating our efforts on rehabilitation, recovery and restoration of livelihoods in the Ehsanpur village, the plight of the flood victims soon paved the way for the Ehsanpur Model Village Project – the single largest social investment in the history of Engro Foundation.

“The EMV has given us a chance at life through provision of healthy living, enhanced opportunity for livelihood & quality education. When I was young, I used to cross 3 rivers in a boat to get to the nearest school. My children won’t have to do that. Education is key to a better life. Due to EMV, my children will lead a better life than I did”

Ghulam Abbass.

To successfully achieve our objective of transforming Ehsanpur into a model village, we mobilized the affected communities into collective action by encouraging the local people to steer the development process as we focused on rebuilding the entire village from scratch. In order to achieve success in our implementation efforts, strong partnerships were forged between our partners which included Farmers Development Organization, Pakistan, Poverty Alleviation Fund, Ansaar Management Company, TUSDEC, Government of Punjab and Roshni.

The Ehsanpur Model Village was planned with design, ensuring that our focus arched over six key areas: community participation, infrastructure, energy conservation, livelihoods, education & health.

From the designing of the master plan, to the choice of materials, and the actual on-ground construction, all aspects relating to the infrastructural development of Ehsanpur model village have been undertaken with the community’s participation, feedback and acceptance. As a result, sprawling over 20 acres of land, so far we have constructed more than 166 homes in the village. Each house covers 7 marlas of space and comprises two bedrooms, one bathroom and a verandah.

To enable easy access to water, hand pumps have also been installed in every home, along with solar panels to provide 24 hour access to electricity. Today, Ehsanpur is the first village in Pakistan to be electrified entirely by solar technology not only in homes, but also in outdoor areas.

In addition a road network and sanitation system supported by grey-water harvesting mechanism is also a unique feature of the project, making it one of the largest and most extensively planned initiatives in the history of Engro Foundation.

To ensure a secure future for the villagers and steer them towards self-sufficiency and sustainable living, we adopted a systematic and structured process to arrive at the most practical livelihood interventions for the people of Ehsanpur. Based on our findings, four skills training programs were designed to enhance livelihood opportunities for our beneficiaries in Ehsanpur. To date over 60 trainees have attended workshops on construction trades including welding, masonry, carpentry and steel-fixing, while other groups of villagers have been trained in bee-keeping and better management practices in the dairy business.

Alongside rehabilitation and livelihood generation activities, education and health have also been given due importance in the Ehsanpur Model Village.

Our education initiatives within the program are geared towards achieving a 100% literacy rate among children up to 15 years. It is our objective that all children - irrespective of their gender, will be enrolled in formal primary schools by May 2012, and will complete their schooling by the year 2017. To successfully achieve our goals, we have initiated tailored programs targeting children and adults to boost their education and skills in close collaboration with our NGO partners.

The core features of the village have been designed to ensure that it is not just the model village that benefits from these but also the surrounding communities. The UN Millennium Village Project goals - a subset of the MDGs - have also been incorporated into the design of the model village, such as a grey-water harvesting facility.

As the Ehsanpur Model Village Program continues to steer our beneficiaries towards new beginnings and a better way of life, we are confident that we will succeed in our mission to equip them with the tools to experience better opportunities and a fulfilling life once again.



Village Features	Cluster Features
166 homes	Dairy Hub
Brick pavements	Upgraded school
Sanitation	Upgraded basic health facilities
Water supply	Vocational training centre
Provision for grey-water harvesting, community and kitchen gardening	Community centre

“My daughter Iqra Mai, enrolled in the second grade, is really gaining confidence from her interactions in school. Recently, she won a trophy in a debating contest and was awarded a gold medal after participating in a play highlighting our experiences during the floods. I am extremely pleased by the noticeable transformation in her and want her to succeed in all her goals.”

Rashida Bibi



engro excellence awards 2012

Keeping in line with its vision of 'enabling excellence' Engro initiated the Engro Excellence Awards in 2011.

The Engro Excellence Awards were envisaged with the desire of giving Pakistan an opportunity to present itself to the world as a nation of talented people who are capable, knowledgeable and innovative. The idea is to honor those individuals who serve as inspiration to us all and have made their mark in various fields.



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The Engro Excellence Awards aims to celebrate the works of excellence in the categories of Social & Humanitarian Services, Physical & Applied Sciences, Social Sciences, Art and Literature. Each year the categories of Physical and Applied Sciences and Literature are to be alternated with Social Sciences and Art respectively with the category of Social & Humanitarian Services being a permanent category thus far.

In 2011 the recipients of the Engro Excellence Award in the categories of Social & Humanitarian Services, Physical & Applied Sciences and Literature included Mr. Abdul Sattar Echi, Dr. Atta Ur Rahman and Mr. Mushtaq Yusufi respectively.

Building on the historic platform, the 2012 Awards were a classy ceremony awarding the worthiest of Pakistanis who have left an indelible mark of excellence in their respective fields. Three distinguished individuals - Dr. Adeeb Rizvi, Dr. Hafeez Pasha and Mr. Shahid Sajjad - were given Excellence Awards in recognition of their accomplishments. The recipients were also presented an Engro Excellence Medallion along with a cash prize honoring their lifetime of achievements.

The Engro Excellence Medallion is very different from the usual trophy that most awards take the form of. Each category has its own medallion which does not only honor the recipient but also pays tribute to posthumous contributors of the said category. We aim to fulfil a three-pronged objective through these awards - to recognize the past, the present and encourage the generation of today to aspire for excellence in the future.

Engro believes that as a nation we need to stand tall and proud in celebration of the talents, abilities and victories that various Pakistanis have amassed over the years. As an enabler of excellence, therefore, we take it as our responsibility to continue giving due credit to those amongst us who have made a positive impact and brought excellence to Pakistan – and in doing so have inspired a future breed of positive and talented Pakistanis.

Profile of the winners 2012

Mr. Shahid Sajjad - a philosopher, raconteur and a self-taught sculptor in Pakistan - started calligraphy and drawing at an early age and then eventually mastered these skills. Without having any examples or models to follow, he still created three dimensional art from practice. His contributions to the art world have credited him to be one of the finest in the world, as claimed by Dr. Akbar Naqvi, a renowned Pakistani scholar, art critic, and author.

Dr. Hafeez Pasha - an economist and dean at Beaconhouse National University School of Liberal Arts and Social Sciences was also a former assistant secretary general and regional director of the United Nations Development Program for Asia-Pacific. He has done extensive work on poverty and intends to expand his research activities at the Institute of Public Policy.

Dr. Adeeb Rizvi - a philanthropist and the director of Sindh Institute of Urology and Transplantation (SIUT), Dr. Rizvi has devoted his life to saving millions of people by providing free treatment and surgery for patients suffering from kidney diseases.



stakeholder engagement

Engro Corp takes stakeholder engagement very seriously, and understands that engaging with all our stakeholders is the only way to ensure that we remain a responsible corporate citizen and have a positive impact on all of our different stakeholder groups.



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Stakeholder Model and Strategy

Engro Corp understands its wider stakeholder community to include:

- The media
- Investors and shareholders
- Suppliers
- Customers
- Host communities (both local to each facility and in the wider sense, Pakistan)
- Government (local, provincial and federal)
- Employees (both direct staff and contract staff)

Engro Corp is concerned with engaging with all stakeholder groups both formally and informally, periodically and regularly. Engro is currently developing a 5-year engagement plan to ensure that all of our stakeholder groups are formally engaged and surveyed appropriately and frequently enough to ensure we capture their perspectives and their issues.

Regular Stakeholder Engagement

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

Engro engages with its wide groups of shareholders through the Annual General Meeting and the dispatch of Annual and Sustainability reports, which include comprehensive updates on financial and environmental footprint of the company. Further to this, Engro engages with professional investors through regular analysts briefings and investor briefings.

Engro has thousands of different suppliers, but seeks to engage them through regular one on one meetings and annual conferences. For example, in 2011 Engro held quality management sessions with packaging suppliers to ensure that they understood the quality standards we require, and that by understanding the constraints and issues they were facing we could work together to improve the quality of the packaging used in our products. Further, Engro engages with thousands of our dairy farmer suppliers every year with advice on good practices and advice to ensure that their businesses are sustainable and provide a good and growing livelihood for their families.

Engro reaches out to millions of customers in various ways, including farmer engagement sessions on Good Agricultural Practices by Engro Fertilizers, and the Customer Delight surveys to gauge customer satisfaction in Engro Foods. This year Engro Foods also launched the Talluq helpline as a step to increase consumer engagement and ensure the speedy resolution of all customer complaints and queries.

Engro takes its responsibility to its host communities very seriously, and regularly interacts with individuals and stakeholders in its local communities. The Engro Foundation is active around all of our main sites, and has undertaken a complete third-party assessment study of our local host communities to understand their needs and issues better. The Engro Foundation is active in health, education, livelihoods and environmental projects with our host communities, and regularly interacts with them on a formal and informal basis to understand how we can improve the way we work with them and for them.

Engro continually engages with the Government of Pakistan at local, provincial and federal levels. Engro senior executives have been involved in policy development discussions ranging from food to fertilizer security, gas supply optimization, agri-economics, alternate power generation, and many more. Engro executives also daily engage with government officials on issues ranging from local community development to security and transport issues.

Focus on Employees

In 2011, Engro Corp particularly focused its stakeholder engagement on its employees. In addition to the varied ways that HR and Management regularly interact with our employees on a formal and informal basis, Engro Corp launched an employee engagement survey tool facilitated by Mercer. The survey sought to identify the extent to which Engro's employees were engaged and motivated to work with and perform well within the company.

76% of the target employee group completed the survey, in itself showing a strong level of engagement, and 75% of respondents reported overall satisfaction with working for

Engro. Of course the survey identified some areas for improvement, particularly around Career Growth, Performance Management and Communication. Engro takes these views very seriously, and our HR will be further extending various HR Performance Assessment, Coaching and Personnel Development initiatives in the coming months.

Engro also believes in openness, and shared all of the survey results fully with its employees, to allow for open discussion from all sections of the company, and for all to contribute to ideas and suggestions to make the company an even better place to work.

gri index

Strategy and Analysis

Profile Disclosure	Description	Cross-reference/Direct answer
1.1	Statement from the most senior decision-maker of the organization.	Page 25 Page 26
1.2	Description of key impacts, risks, and opportunities.	Page 43/Page 45

Organizational Profile

Profile Disclosure	Description	Cross-reference/Direct answer
2.1	Name of the organization.	Page 1/Page 9
2.2	Primary brands, products, and/or services.	Page 9/Page 63
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Page 9/Page 32/Page 63
2.4	Location of organization's headquarters.	Page 15
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Page 9/Page 11/Page 63
2.6	Nature of ownership and legal form.	Page 1/Page 9
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Page 9
2.8	Scale of the reporting organization.	Page 63/Page 121
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Page 1/Page 32/Page 63
2.10	Awards received in the reporting period.	Page 84

gri index

Report Parameters

Profile Disclosure	Disclosure	Cross-reference/Direct answer
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Page 1
3.2	Date of most recent/previous report (if any).	Page 1
3.3	Reporting cycle (annual, biennial, etc.)	Page 1
3.4	Contact point for questions regarding the report or its contents.	Page 1
3.5	Process for defining report content.	Page 1/Page 25/Page 26
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Page 1
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Page 1
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Page 1/Page 9
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Page 1
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Page 1
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Page 1
3.12	Table identifying the location of the Standard Disclosures in the report.	This Table
3.13	Policy and current practice with regard to seeking external assurance for the report.	Page 1

gri index

Governance, Commitments, and Engagement

Profile Disclosure	Description	Cross-reference/Direct answer
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Page 45-46
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Page 35
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Page 35/Page 45-46
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Page 27-28
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Page 47-48
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Page 47-48
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Page 27-28/Page 47-48
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Page 5/Page 41-43
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Page 43-45

gri index

Profile Disclosure	Description	Cross-reference/Direct answer
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Page 27-28
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Page 27-28
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Page 125/Page 131/Page 157
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	-
4.14	List of stakeholder groups engaged by the organization.	Page 175
4.15	Basis for identification and selection of stakeholders with whom to engage.	Page 175
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Page 175
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Page 175

gri disclosures

Profile Disclosure	Description	Cross-reference/Direct answer
DMA EC	Disclosure on Management Approach EC	
Aspects	Economic performance	Page 101-103
	Market presence	Page 09/Page 11
	Indirect economic impacts	Page 86
DMA EN	Disclosure on Management Approach EN	
Aspects	Materials	Page 137/Page 145
	Energy	Page 137/Page 145
	Water	Page 137/Page 145
	Biodiversity	Nil
	Emissions, effluents and waste	Page 137/Page 145
	Products and services	Page 137/Page 144-145
	Compliance	Page 137
	Transport	Page 137
	Overall	Page 137
DMA LA	Disclosure on Management Approach LA	
Aspects	Employment	Page 117-119
	Labor/management relations	-
	Occupational health and safety	Page 125
	Training and education	Page 117
	Diversity and equal opportunity	Page 119
	Equal remuneration for women and men	Page 120

gri disclosures

Profile Disclosure	Description	Cross-reference/Direct answer
DMA HR	Disclosure on Management Approach HR	
Aspects	Investment and procurement practices	-
	Non-discrimination	Page 117
	Freedom of association and collective bargaining	Page 117
DMA SO	Disclosure on Management Approach SO	
Aspects	Local communities	Page 153
	Corruption	Page 43
	Public policy	Page 175
	Anti-competitive behavior	Page 43
	Compliance	Page 43
	DMA PR	Disclosure on Management Approach PR
Aspects	Customer health and safety	Page 144-5
	Product and service labelling	Page 144-5

gri performance

Economic

Performance Indicator	Description	Cross-reference/Direct answer
Economic performance		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Page 63-83
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Page 53/Page 141-143
EC3	Coverage of the organization's defined benefit plan obligations.	Page 117/Page 121
EC4	Significant financial assistance received from government.	None. No financial assistance is received from the government by the Company and/or its businesses.
Indirect economic impacts		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Page 153/Page 157
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Page 153/Page 157-159

gri performance

Environmental

Performance Indicator	Description	Cross-reference/Direct answer
Energy		
EN3	Direct energy consumption by primary energy source.	Page 144-145
EN5	Energy saved due to conservation and efficiency improvements.	Page 142-145
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Page 143
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Page 142-145
Water		
EN8	Total water withdrawal by source.	Page 145
Biodiversity		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Nil
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Nil
EN13	Habitats protected or restored.	None
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	None
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	None

gri performance

Performance Indicator	Description	Cross-reference/Direct answer
Emissions, effluents and waste		
EN16	Total direct and indirect greenhouse gas emissions by weight.	Page 145
EN17	Other relevant indirect greenhouse gas emissions by weight.	Page 145
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Page 142-144
EN19	Emissions of ozone-depleting substances by weight.	Page 145
EN20	NOx, SOx, and other significant air emissions by type and weight.	Page 145
EN21	Total water discharge by quality and destination.	Page 145
EN22	Total weight of waste by type and disposal method.	Page 145
EN23	Total number and volume of significant spills.	None
Products and services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Page 144-145
Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	None

gri performance

Social: Labor Practices and Decent Work

Performance Indicator	Description	Cross-reference/Direct answer
Employment		
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Page 124
Occupational health and safety		
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	Page 125
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Page 125

gri performance

Performance Indicator	Description	Cross-reference/Direct answer
Training and education		
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Page 124-127
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	All. 100% Page 127
Diversity and equal opportunity		
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	None
Equal remuneration for women and men		
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Remuneration is provided as per talent and not based on gender.

gri performance

Social: Human Rights

Performance Indicator	Description	Cross-reference/Direct answer
Non-discrimination		
HR4	Total number of incidents of discrimination and corrective actions taken.	No Incidents reported.
Freedom of association and collective bargaining		
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	None
Child labor		
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	None
Forced and compulsory labor		
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	None

gri performance

Performance Indicator	Description	Cross-reference/Direct answer
Security practices		
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	All. 100%
Indigenous rights		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	No Incidents reported.
Assessment		
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	None
Remediation		
HR11	"Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms."	None

gri performance

Social: Society

Performance Indicator	Description	Cross-reference/Direct answer
Local communities		
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Page 157-161/Page 167
SO9	Operations with significant potential or actual negative impacts on local communities.	None
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	None since no incidents were reported.
Corruption		
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Page 51
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	All. 100%
SO4	Actions taken in response to incidents of corruption.	None since no incidents were reported.
Public policy		
SO5	Public policy positions and participation in public policy development and lobbying.	Page 175
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	None
Anti-competitive behavior		
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	None since no incidents were reported.
Compliance		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	None since no incidents were reported.

gri performance

Social: Product Responsibility

Performance Indicator	Description	Cross-reference/Direct answer
Customer health and safety		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Page 143
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	No incidents were reported.
Product and service labelling		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Page 143
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	No incidents were reported.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Page 143
Marketing communications		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Page 143
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	None

gri performance

Performance Indicator	Description	Cross-reference/Direct answer
Customer privacy		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	None since no incidents were reported.
Compliance		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	None since no incidents were reported.

commitment to the united nations global compact

In 2011, Engro Corporation Limited continued its commitment to the ten principles of the Global Compact - a program which promotes sustainability with respect to people, planet and profits - in an effort to harmonize our role in business and society, within our sphere of influence and beyond. Our adherence to the Global Compact stems from the belief that businesses, which have the support and respect of their stakeholders are likely to perform better. This Sustainability Report also expresses our intent to advance the UNGC principles, with an annual commitment to reporting in accordance to the requirements of the Global Compact.

Human Rights

Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.	Page 51 Page 117
Principle 2	Businesses should make sure that they are not complicit in human rights abuses.	Page 51-52

Labour

Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Page 117
Principle 4	Businesses should work towards the elimination of all forms of forced and compulsory labour.	Page 49-52
Principle 5	Businesses should ensure the effective abolition of child labour.	Page 117-120
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Page 121-124

Environment

Principle 7	Businesses should support a precautionary approach to environmental challenges.	Page 137-141
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.	Page 140-145
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	Page 140-145

Anti Corruption

Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	Page 49-52
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assurance statement

United Registrar of Systems evaluated Engro Corp's 2011 sustainability report to establish that the information in the report was a reliable representation of the company's social, environmental, and economic performance in relation to the Global Reporting Initiative (GRI) reporting framework as specified in the GRI G3 Guidelines. Our responsibility was to carry out an assurance engagement, verify data and provide specific suggestions for improvement. We found that Engro Corp satisfactorily meets the guidelines and reported the information in the spirit of GRI disclosure. The 2011 Sustainability Report provides a reasonable and balanced perspective concerning report content, quality, boundary setting, and indicators material to Engro Corp.

Completeness

Engro Corp's reported on all the management approaches and profile disclosures regarding strategy and analysis, organizational profile, report parameters and governance. The organization also reported on all of its activities in the body of the report as well as the core indicators in each performance category: Economic, Environment and Society. We are not aware of the exclusion of any material issues or misstatements of information.

After we reviewed the initial draft of the report and highlighted concerns or made suggestions for improvement, Engro Corp responded to each concern with a thorough explanation and plan for addressing each one. These changes were included for the final version of the report.

Assurance approach

Our activities included a review of the definitions of the reporting metrics, all source data and multiple readings of the entire report. We performed a site visit to the Engro Corp's Corporate Office during their 2011 fiscal year and engaged with senior company representatives responsible for this report to discuss report content, data, methodologies, and strategies for balanced disclosure around their social, environmental, and economic activities.

Our assurance team was made up of sustainability experts from our firm, which undertakes engagements similar to this with local and multinational businesses. As part of this assurance, we:

- reviewed Engro Corp's disclosures on all profile disclosures and core indicators, assessing the information based on the GRI Guidelines
- examined Engro Corp's source data as well as procedures for data collection, tracking and analysis
- analyzed Engro Corp's stakeholder engagement activities and materiality determination process provided suggestions for meeting the GRI guidelines in initial readings and reviews
- used the test checklists provided by GRI to analyze the report quality and content according to the GRI Principles

Conclusions and findings

Based on the scope of the URS assurance engagement and the data and information presented for review, objective evidence was available to support the following conclusions:

- Processes are in place that ensure sites contributing to core safety, health, and environmental metrics understand corporate reporting obligations and are included in corporate safety, health, and environmental reporting;
- The methods used for calculating each metric are clearly defined and communicated;
- Data collection begins at the operating-site level and is ultimately collated and combined into Corporation-wide metrics;
- Processes are in place to ensure that the quantitative indicators are checked for completeness, consistency, and accuracy;
- Responsibility for annually reviewing and updating reporting guidelines is clear and improvement in methodology is regularly undertaken;

- Active engagement with external stakeholders provides feedback for determining material issues; and, URS believes the Engro Corp's reporting system is effective in delivering safety, health, and environmental indicators that are useful for assessing corporate performance and reporting information consistent with GRI guidelines.

The limitations of our review

Our work did not include physical inspections of any of Engro Corp's operating assets.

Recommendations for improvement

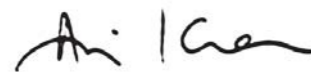
When conducting stakeholder engagement in the future, Engro Corp should consider engaging its stakeholders to their full sustainability efforts and both communicate and seek input on its social, environmental, and economic efforts. Currently this engagement happens around one or two of these issues, but rarely with intention around all three at once. Also, for future reports, the organization should pay more attention to product responsibility and the product's life cycle.

Opinion:

This was Engro Corp's third GRI-based sustainability report and the company has demonstrated rigorous internal commitment and procedures for data gathering & reporting. It is in our opinion that in the instances where Engro Corp does not collect data or have a specific policy or procedure, it is because the issue is deemed not applicable at this time or immaterial. Nothing has come to our attention that causes us to believe that the reported performance data is materially misstated.

Independence

URS and Engro Corp operate as discrete and independent legal entities. URS provides EPCL with third-party assessment services to ISO 9001 and ISO 14001. The assurance and attestation assessment services are the only work undertaken by URS for Engro Corp.



Ali Khan

CEO, United Registrar of Systems Ltd.
Karachi, Pakistan
February 24th, 2012

financials at a glance

(Million Rupees)	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net sales Revenue	114,612	79,976	58,152	40,973	34,120	20,240	18,756	13,067	12,010
Operating Profit	22,032	11,983	7,278	6,608	4,399	2,821	3,308	2,642	2,885
Profit Before tax	11,459	8,277	5,062	5,184	3,952	2,917	3,260	2,811	2,709
Profit after tax*	8,060	6,790	3,807	4,126	2,877	2,107	2,279	1,719	1,595
Employee costs	5,676	4,836	3,134	2,456	1,922	1,284	860	828	756
Taxes duties & development surcharge [▲]	18,200	9,646	7,790	5,032	5,420	4,633	4,168	3,911	3,457
Worker's Funds	700	493	423	458	360	253	215	156	167
Property, Plant and Equipment	136,177	130,373	111,526	59,169	24,052	10,794	7,608	7,159	7,234
Capital Expenditure	12,256	21,152	53,893	36,213	11,081	1,149	1,088	523	402
Total Assets	183,004	164,778	132,105	80,801	48,973	20,054	14,397	13,538	13,024
Long Term Borrowings	82,560	89,152	84,142	40,738	18,284	2,382	2,900	2,592	3,236
Net Current Assets	(8,454)	(4,055)	3,953	8,382	15,077	4,946	2,354	1,722	1,903
Dividends and Share									
Total Equity	41,890	34,115	29,344	23,547	18,006	9,796	7,540	6,791	6,298
Share Outstanding at year end (in Million)	393	327	298	213	193	168	153	153	153
Dividend Per Share (Rs)	6.0	6.0	6.0	6.0	7.0	9.0	11.0	8.5	8.0
Dividend Payout Rate	30%	29%	47%	31%	45%	72%	74%	76%	77%
Bonus Share	30%	20%	10%	-	-	-	-	-	-

* Profit attributable to owners of the Holding Company.

▲ Figures for years 2002 - 2008 represent Engro Corporation Limited (formerly Engro Chemicals Pakistan Limited).

acknowledgements

Abdul Munim Sheikh
Alya Bondrey
Asghar Naveed
Asad Mahomed Ali
Bina Ashraf
Fahad Khan
Farooq Tirmizi
Faraz Maqsood Hamidi
Faraz Mohammad
Hasnain Hani
Humair Ahmed Khan Kandhari
Hussain Ali Talib
Iftikhar Ahmed Raaz
Jasmin Kharas
Jiwan Das
Kaleem Khan
Mirza Arsalan Baig
Maha Qasim
Mohammad Usman
Mohammed Maroof Hussain

Muhammad Talha
Majid Mirza
Naila Kassim
Nida Khatri
Omar Bin Abdul Aziz
Rameez Ahmed Faraz
Shafaq Omar
Sadiah Malik
Shmaz Mir
Shehla Asghar
Shamikh Ahmed Zaidi
Sameer Yousuf
Salman Arshad
Tahir Jawaid
Taqdees Waseem
Wajid Junejo
Yawar Herekar
Zainab Zaidi
Zeeshan Zafar
Zia Uddin

proxy form

I/We _____
of _____ being a member of ENGRO CORPORATION LIMITED
and holder of _____
(Number of Shares)

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

as my proxy to vote for me and on my behalf at the annual general meeting of the Company to be held on the 30th day of March, 2012
and at any adjournment thereof.

Signed this _____ day of _____ 2012.

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.

journey of excellence



111-211-211
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DCP/THE D'AMADIO PARTNERSHIP DESIGN

Financial Report 2011



contents

01	Standalone Accounts	
	Statement of Compliance	02
	Review Report to the Members on Statement of Compliance	04
	Management Statement of Compliance	05
	Independent Assurance Report to the Members on the Statement of Compliance	06
	Auditors' Report to the Members	07
	Standalone Financials	09
51	Consolidated Accounts	
	Auditors' Report to the Members	52
	Consolidated Financials	53

standalone accounts

- Statement of Compliance with the Code of Corporate Governance
- Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance
- Management Statement of Compliance with Employees Share Option Scheme
- Independent Assurance Report to the Members on the Statement of Compliance with Employees Share Option Scheme
- Auditors' Report to the Members
- Financial Statements

statement of compliance

with the code of corporate governance

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

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

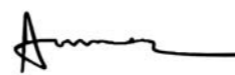
1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. During 2011, the Board included four independent non-executive directors, four non-executive directors and of the remaining five, who were all Executives of the Company, three were appointed as chief executives of Engro subsidiaries and did not therefore devote their full time to the business of the Company. Due to the diversified nature of the shareholding structure of the Company there is no single majority shareholder as such.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of directors during the year.
5. A 'Statement of Ethics and Business Practices', has been circulated to all the directors and employees of the Company, which is in the process of being signed.
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 other executive directors, have been taken by the Board.
8. The 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, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The members of the Board are well aware of their duties and responsibilities as outlined by corporate laws and listing regulations.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code 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 Code.
15. The Board has formed an audit committee. It comprises of 4 members all of whom are non-executive directors including the Chairman.
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 Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.
19. 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.
20. The Related Party transactions have been placed before the Audit Committee and approved by the Board of Directors alongwith pricing methods for such transactions.
21. We confirm that all other material principles contained in the Code have been complied with.



Hussain Dawood
Chairman

Karachi
Dated: February 16, 2012



Asad Umar
President & CEO

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 Code of Corporate Governance for the year ended December 31, 2011 prepared by the Board of Directors of Engro Corporation Limited (the Company) to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such 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, 2011.



Chartered Accountants
Karachi
Date: March 01, 2012

Engagement Partner: Imtiaz A. H. Laliwala


management statement of compliance

with employees share option scheme

The Engro Corporation Limited (the Company) as of December 31, 2011 has implemented its Employees Share Option Scheme (the Scheme), as approved by the shareholders of the Company, and has complied with the requirements of the Scheme and the Public Companies (Employees Stock Option Scheme) Rules, 2001 issued by the Securities and Exchange Commission of Pakistan vide SRO 300(I) 2001 dated May 11, 2001.



Hussain Dawood
Chairman



Asad Umar
President & CEO

independent assurance report to the members on the statement of compliance

with employees share option scheme

Scope of our work

We have performed an independent assurance engagement of Engro Corporation Limited (the Company) to express an opinion on the annexed Statement of Compliance (the Statement) with the requirements of Employees Share Option Scheme (the Scheme), as approved by the shareholders of the Company, and the Public Companies (Employees Stock Option Scheme) Rules, 2001 (the Rules) as of December 31, 2011. Our engagement was carried out as required under Rule 14 of the Rules issued by the Securities and Exchange Commission of Pakistan vide SRO 300(I) 2001 dated May 11, 2001.

Responsibility of Company's Management

The responsibility for the preparation of the Statement (the subject matter information) and for compliance with the requirements of the Scheme and the Rules is that of the Management of the Company. This responsibility includes designing, implementing and maintaining internal control to ensure compliance with the requirements of the Scheme, as approved by the shareholders of the Company, and the Rules (Scheme and Rules together being the 'Criteria').

Responsibility of Independent Assurance Provider

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagements 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' (ISAE 3000). This standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance whether the annexed Statement reflects the status of Company's compliance with the Scheme and the Rules (the Criteria).

The procedures selected depend on our judgment, including an assessment of the risks of material non-compliances with the requirements of the Scheme and the Rules. In making those risk assessments; we have considered internal controls relevant to the Company's compliance with the Scheme and the Rules in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Company was not materially non-compliant with the Scheme and the Rules. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Our procedures applied to the selected data primarily comprised:

- Verifying that only permanent employees have participated in the Scheme in compliance with the Rules.
- Verifying that variation, if any, in the terms of the Scheme has been approved by passing a special resolution in the general meeting and that the share options granted, vested, lapsed, surrendered or exercised under the Scheme have been recorded in the books of accounts in accordance with the requirements of the Rules.
- Ensuring that adequate disclosures have been made in respect of the Scheme in the Annual Report as required under the Rules.

Conclusion

In our opinion, the annexed Statement, in all material respects, presents fairly the status of the Company's compliance with the Scheme and the Rules as of December 31, 2011.



Chartered Accountants
Karachi
Date: March 01, 2012

Engagement Partner: Imtiaz A. H. Laliwala

auditors' report to the members

We have audited the annexed balance sheet of Engro Corporation Limited as at December 31, 2011 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) As more fully explained in note 33 to the financial statements, due to fire at the Company's old premises on August 19, 2007 certain records, documents and books of account of the Company relating to prior years were destroyed. Records in electronic form remained intact and certain hard copy records relating to financial year 2005 and 2006 have not been recreated;
- (b) in our opinion, except for the matter referred to in paragraph (a), proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (c) in our opinion:
 - (i) the balance sheet and statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes resulted on initial application of standards, amendments or an interpretation to existing standards, as stated in 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, 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, 2011 and of the total comprehensive income, changes in equity and its cash flows for the year then ended; and
- (e) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 that Ordinance.



Chartered Accountants
Karachi
Dated: March 01, 2012

Engagement Partner: Imtiaz A. H. Laliwala

balance sheet

as at december 31, 2011

(Amounts in thousand)

	Note	2011	2010
		------(Rupees)-----	
ASSETS			
Non-current assets			
Property, plant and equipment	4	127,869	136,178
Long term investments	5	27,555,904	26,136,701
Long term loans and advances	6	3,008,341	1,623,514
		<u>30,692,114</u>	<u>27,896,393</u>
Current assets			
Loans, advances and prepayments	7	18,856	139,910
Other receivables	8	213,955	197,453
Taxes recoverable		104,028	-
Short term investments	9	1,908,581	1,970,603
Cash and bank balances	10	488,689	806,584
		<u>2,734,109</u>	<u>3,114,550</u>
Investment classified as held for sale	5	-	-
TOTAL ASSETS		<u><u>33,426,223</u></u>	<u><u>31,010,943</u></u>

(Amounts in thousand)

EQUITY & LIABILITIES

Equity

Share capital	11	3,932,843	3,277,369
Share premium		10,550,061	10,550,061
Employee share option compensation reserve	12	74,813	74,813
General reserve		4,429,240	4,429,240
Unappropriated profit		7,261,800	8,722,156
		<u>22,315,914</u>	<u>23,776,270</u>
Total equity		<u>26,248,757</u>	<u>27,053,639</u>

Liabilities

Non-current liabilities

Deferred taxation	13	30,270	1,297
Retirement and other service benefit obligations		6,262	1,550
		<u>36,532</u>	<u>2,847</u>

Current liabilities

Trade and other payables	14	371,083	267,044
Accrued interest / mark-up		319,500	65,000
Borrowings	15	6,371,268	3,384,536
Taxation		-	57,247
Unclaimed dividends		79,083	180,630
		<u>7,140,934</u>	<u>3,954,457</u>
Total liabilities		<u>7,177,466</u>	<u>3,957,304</u>

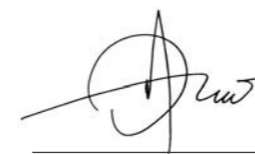
Total liabilities

Contingencies and commitments


TOTAL EQUITY & LIABILITIES

	Note	2011	2010
		------(Rupees)-----	
		<u><u>33,426,223</u></u>	<u><u>31,010,943</u></u>

The annexed notes from 1 to 36 form an integral part of these financial statements.



Hussain Dawood
Chairman



Asad Umar
President & CEO

statement of comprehensive income

for the year ended december 31, 2011

(Amounts in thousand except for earnings per share)

	Note	2011 ------(Rupees)-----	2010 ------(Rupees)-----
Dividend income	17	1,928,019	1,640,000
Royalty income	18	469,416	257,584
		2,397,435	1,897,584
Administrative expenses	19	(569,463)	(388,652)
		1,827,972	1,508,932
Other operating income	20	1,147,010	433,947
Other operating expenses	21	(739,724)	(38,773)
Operating Profit		2,235,258	1,904,106
Finance cost	22	(784,397)	(92,131)
Profit before taxation		1,450,861	1,811,975
Taxation	23	(27,131)	(136,016)
Profit for the year		1,423,730	1,675,959
Other comprehensive income		-	-
Total comprehensive income for the year		1,423,730	1,675,959
		------(Rupees)-----	(Restated)
Earnings per share - basic and diluted	24	3.62	4.26

The annexed notes from 1 to 36 form an integral part of these financial statements.



Hussain Dawood
Chairman



Asad Umar
President & CEO

statement of changes in equity

for the year ended december 31, 2011

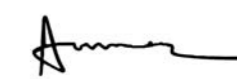
(Amounts in thousand)

	Share capital	Capital reserves Share premium Employees shareoption compensation reserve	Revenue reserves Hedging reserve General reserve Unappropriated profit	Total			
	------(Rupees)-----						
Balance as at January 1, 2010	2,979,426	10,550,061	288,258	(609,719)	4,429,240	9,250,972	26,888,238
Total comprehensive income for the year ended December 31, 2010	-	-	-	-	-	1,675,959	1,675,959
Transactions with owners							
Transfer of Fertilizer Undertaking							
Transfer of hedging reserve to Engro Fertilizers Limited	-	-	-	609,719	-	-	609,719
Other transactions with owners							
Final dividend for the year ended December 31, 2009 @ Rs. 2 per share	-	-	-	-	-	(595,886)	(595,886)
Interim dividends - 1st @ Rs. 2 per share	-	-	-	-	-	(655,473)	(655,473)
- 2nd @ Rs. 2 per share	-	-	-	-	-	(655,473)	(655,473)
Bonus shares issued during the year in the ratio of 1 share for every 10 shares held	297,943	-	-	-	-	(297,943)	-
Effect of changes in number of share options	-	-	(213,445)	-	-	-	(213,445)
	297,943	-	(213,445)	-	-	(2,204,775)	(2,120,277)
	297,943	-	(213,445)	609,719	-	(2,204,775)	(1,510,558)
Balance as at December 31, 2010	3,277,369	10,550,061	74,813	-	4,429,240	8,722,156	27,053,639
Total comprehensive income for the year ended December 31, 2011	-	-	-	-	-	1,423,730	1,423,730
Transactions with owners							
Final dividend for the year ended December 31, 2010 @ Rs. 2 per share	-	-	-	-	-	(655,474)	(655,474)
Interim dividends - 1st @ Rs. 2 per share	-	-	-	-	-	(786,569)	(786,569)
- 2nd @ Rs. 2 per share	-	-	-	-	-	(786,569)	(786,569)
Bonus shares issued during the year in the ratio of 1 share for every 5 shares held	655,474	-	-	-	-	(655,474)	-
	655,474	-	-	-	-	(2,884,086)	(2,228,612)
Balance as at December 31, 2011	3,932,843	10,550,061	74,813	-	4,429,240	7,261,800	26,248,757

The annexed notes from 1 to 36 form an integral part of these financial statements.



Hussain Dawood
Chairman



Asad Umar
President & CEO

statement of cash flows

for the year ended december 31, 2011

(Amounts in thousand)

	Note	2011 ------(Rupees)-----	2010
Cash Flows From Operating Activities			
Cash generated from operations	27	(26,424)	24,128
Retirement and other service benefits paid		(37,040)	(18,954)
Taxes paid		(159,433)	(78,371)
Long term loans and advances - net		(5,486)	(2,502)
Net cash utilized in operating activities		(228,383)	(75,699)
Cash Flows From Investing Activities			
Purchases of property, plant and equipment (PPE)		(36,419)	(104,063)
Sale proceeds on disposal of PPE		1,875	4,477
Long term investments		(2,071,160)	(2,408,900)
Proceeds from disposal of long term investments		641,883	-
Income on deposits / other financial assets including income earned on subordinated loan to subsidiaries		667,407	168,551
Dividends received		2,018,204	1,662,500
Net cash generated from / (utilized in) investing activities		1,221,790	(677,435)
Cash Flows From Financing Activities			
Loan to Engro Fertilizer Limited		(1,500,000)	(1,500,000)
Proceeds from loan to subsidiary		-	300,000
Repayment of loan to subsidiary		-	(300,000)
Payment of financial charges		(475,341)	(17,131)
Proceeds from long term finances (net)		2,932,176	3,374,536
Dividends paid		(2,330,159)	(1,828,300)
Net cash (utilized in) / generated from financing activities		(1,373,324)	29,105
Net decrease in cash and cash equivalents		(379,917)	(724,029)
Cash and cash equivalents at beginning of the year		2,777,187	3,501,216
Cash and cash equivalents at end of the year	28	2,397,270	2,777,187

The annexed notes from 1 to 36 form an integral part of these financial statements.



Hussain Dawood
Chairman



Asad Umar
President & CEO

notes to the financial statements

for the year ended december 31, 2011

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

2.1.2 These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRS) 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 take precedence.

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

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

a) Standards, amendments to published standards and interpretation that are effective in 2011 and are relevant to the Company

The following amendments to published standards and interpretations are mandatory for the financial year beginning on or after January 01, 2011:

- IFRS 7 (amendment) 'Nature and extent of risk arising from financial instrument'. The amendment is part of the IASB's annual improvements project published in May 2010. The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendments only affects disclosures, which have been made.
- IAS 1 (amendment) 'Statement of changes in equity'. The amendment is part of the IASB's annual improvements project published in May 2010. This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendments only affects disclosures, which have been made.

(Amounts in thousand)

- IAS 34 'Interim financial reporting'. The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around (a) the circumstances likely to affect fair values of financial instruments and their classification, (b) transfers of financial instruments between different levels of the fair value hierarchy and (c) changes in classification of financial assets and changes in contingent liabilities and assets. The amendment will only affect the disclosures in the Company's condensed interim financial information.

b) **Standards, amendments to published standards and interpretation effective in 2011 but are not relevant**

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2011 are considered not to be relevant.

c) **Other standards and amendments to published standards that are not yet effective and have not been early adopted by the Company**

The following new standards, amendments to published standards and interpretation are not effective (although available for early adoption) for the accounting period beginning on or after January 1, 2011 and have not been early adopted by the Company:

- IFRS 7 (Amendment), 'Financial instruments: Disclosures' (effective for periods beginning on or after July 1, 2011). These amendments are a part of IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset.
- IFRS 9, 'Financial instruments' (effective for periods beginning on or after January 1, 2013). This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.
- IFRS 10 'Consolidated financial statements' (effective for periods beginning on or after January 1, 2013). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. The standard is likely to effect the financial statements and hence its effects therefore need to be assessed by the Company.
- IFRS 12, 'Disclosure of interests in other entities' (effective for periods beginning on or after January 1, 2013). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IAS 1 (Amendment), 'Presentation of financial statements' (effective for periods beginning on or after July 1, 2012). This amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The IASB originally proposed that all entities should present profit or loss and OCI together in a single statement of comprehensive income. The proposal has been withdrawn and IAS 1 will still permit profit or loss and OCI to be presented in either a single statement or in two consecutive statements.

(Amounts in thousand)

- IAS 19 (Revised), 'Employee benefits' (effective for periods beginning on or after January 1, 2013). This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The changes will affect most entities that apply IAS 19. They could significantly change a number of performance indicators and might also significantly increase the volume of disclosures.
- IAS 27 (Revised) 'Separate financial statements' (effective for periods beginning on or after January 1, 2013). The revised standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- IAS 28 (Revised) 'Associates and joint ventures' (effective for periods beginning on or after January 1, 2013). The revised standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

There are no other standards, amendments and interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.2 Property, plant and equipment

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

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

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

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

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

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

2.3 Impairment of non-financial assets

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

(Amounts in thousand)

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

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

2.5 Investments

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

2.6 Financial assets

2.6.1 Classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Held to maturity financial assets

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

d) Available-for-sale financial assets

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

2.6.2 Recognition and measurement

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

(Amounts in thousand)

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other operating income / expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of 'Other operating 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 recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of 'Other operating income'. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of 'Other operating 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 statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. Impairment testing of other receivables is described in note 2.9.

2.7 Financial liabilities

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

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

2.8 Offsetting financial instruments

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

2.9 Other receivables

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

2.10 Cash and cash equivalents

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

(Amounts in thousand)

2.11 Share capital

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

2.12 Employees' share option scheme

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

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

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

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

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

2.13 Borrowings

Borrowings are recognised 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 recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

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

2.14 Trade and other payables

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

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

2.15 Current and deferred income tax

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

(Amounts in thousand)

2.15.1 Current

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

2.15.2 Deferred

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

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

2.16 Retirement and other service benefit obligations

2.16.1 Defined contribution plans

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

The Company operates:

- defined contribution provident fund for its permanent employees. Monthly contributions are made both by the Company and employees to the fund at the rate of 10% of basic salary; and
- defined contribution pension fund for the benefit of management employees. Monthly contributions are made by the Company to the fund at rates ranging from 12.5% to 13.75% of basic salary.

2.16.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit method, related details of which are given in note 26 to the financial statements. Actuarial gains/losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation) are recognised over the average remaining service life of the employees.

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

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

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

(Amounts in thousand)

2.16.3 Employees' compensated absences

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

2.17 Provisions

Provisions are recognised 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. Provision are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.18 Foreign currency transactions and translation

These financial statements are presented in Pakistan Rupees, which is Company's functional 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 recognised in the statement of comprehensive income, except where such gains and losses are directly attributable to the acquisition, construction or production of a qualifying asset, in which case, such gains and losses are capitalized as part of the cost of that asset.

2.19 Revenue recognition

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

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

2.20 Borrowing costs

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

2.21 Research and development costs

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

2.22 Earnings per share

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

2.23 Dividend and appropriation to reserves

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

(Amounts in thousand)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

3.1 Property, plant and equipment

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

3.2 Impairment of investments in subsidiaries, associates and joint venture

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

3.3 Investments stated at fair value through profit or loss

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

3.4 Income Taxes

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

3.5 Fair value of employee share options

The management has determined the fair value of options issued under the Employee Share Option Scheme at the grant date using Black Scholes pricing model. The fair value of these options and the underlying assumptions are disclosed in note 12.

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 a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present values of these obligation and the underlying assumptions are disclosed in notes 26.1.3 and 26.1.6 respectively.

4. PROPERTY, PLANT AND EQUIPMENT

	2011	2010
	------(Rupees)-----	
Operating assets (note 4.1)	122,145	117,083
Capital work-in-progress (note 4.3)	5,724	19,095
	<u>127,869</u>	<u>136,178</u>

(Amounts in thousand)

4.1 Operating assets

	Furniture fixture and equipment	Vehicles	Total
	------(Rupees)-----		
As at January 1, 2010			
Cost	2,120	75,705	77,825
Accumulated depreciation	(792)	(22,394)	(23,186)
Net book value	<u>1,328</u>	<u>53,311</u>	<u>54,639</u>
Year ended December 31, 2010			
Opening net book value	1,328	53,311	54,639
Additions (note 4.3)	57,888	27,080	84,968
Disposals (note 4.2)			
Cost	-	(11,437)	(11,437)
Accumulated depreciation	-	7,246	7,246
	-	(4,191)	(4,191)
Depreciation charge (note 19)	(2,427)	(15,906)	(18,333)
Net book value	<u>56,789</u>	<u>60,294</u>	<u>117,083</u>
As at December 31, 2010 / January 1, 2011			
Cost	60,008	91,348	151,356
Accumulated depreciation	(3,219)	(31,054)	(34,273)
Net book value	<u>56,789</u>	<u>60,294</u>	<u>117,083</u>
Year ended December 31, 2011			
Opening net book value	56,789	60,294	117,083
Additions (note 4.3)	29,691	20,099	49,790
Disposals (note 4.2)			
Cost	-	(8,050)	(8,050)
Accumulated depreciation	-	6,175	6,175
	-	(1,875)	(1,875)
Depreciation charge (note 19)	(23,960)	(18,893)	(42,853)
Net book value	<u>62,520</u>	<u>59,625</u>	<u>122,145</u>
As at December 31, 2011			
Cost	89,699	103,397	193,096
Accumulated depreciation	(27,179)	(43,772)	(70,951)
Net book value	<u>62,520</u>	<u>59,625</u>	<u>122,145</u>
Annual rate of depreciation (%)	15 to 45	18.75 to 22.5	

(Amounts in thousand)

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

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sale Proceeds
------(Rupees)-----					
Vehicles					
By Company policy to existing executives	Asif Tajik Asad Umar Andalib Alavi	2,550 2,750 2,750	1,925 2,125 2,125	625 625 625	625 625 625
		<u>8,050</u>	<u>6,175</u>	<u>1,875</u>	<u>1,875</u>
2010		<u>11,437</u>	<u>7,246</u>	<u>4,191</u>	<u>4,477</u>

4.3 Capital work-in-progress

	Furniture, fixture and equipment	Advances to suppliers	Total
	------(Rupees)-----		
Year ended December 31, 2010			
Additions during the year	67,631	36,432	104,063
Transferred to operating assets (note 4.1)	(57,888)	(27,080)	(84,968)
Balance as at December 31, 2010	<u>9,743</u>	<u>9,352</u>	<u>19,095</u>
Year ended December 31, 2011			
Balance as at January 1, 2011	9,743	9,352	19,095
Additions during the year	24,268	12,151	36,419
Transferred to operating assets (note 4.1)	(29,691)	(20,099)	(49,790)
Balance as at December 31, 2011	<u>4,320</u>	<u>1,404</u>	<u>5,724</u>

5 LONG TERM INVESTMENTS

Subsidiary companies - at cost (note 5.1)
Less: Investments in Avanceon Limited,
classified as held for sale (note 5.1.2)

Joint venture company - at cost
Engro Vopak Terminal Limited
45,000,000 Ordinary shares of Rs. 10 each,
equity held 50% (2010: 50%)

Others - at cost
Arabian Sea Country Club Limited
500,000 Ordinary shares of Rs. 10 each,
equity held 6% (2010: 6%)
Agrimall (Private) Limited (note 5.3)

	2011	2010
	------(Rupees)-----	
	27,100,904	25,681,701
	-	-
	<u>27,100,904</u>	<u>25,681,701</u>
	450,000	450,000
	5,000	5,000
	-	-
	<u>27,555,904</u>	<u>26,136,701</u>

(Amounts in thousand)

5.1 Subsidiary companies

	2011		2010	
	Equity % held	Investment at cost (Rupees)	Equity % held	Investment at cost (Rupees)
Quoted				
Engro Polymer & Chemicals Limited 372,810,000 (2010: 372,810,000) Ordinary shares of Rs. 10 each	56.19	3,651,300	56.19	3,651,300
Engro Foods Limited 673,000,000 (2010: 700,000,000) Ordinary shares of Rs. 10 each (note 5.1.1)	89.97	6,730,000	100	7,000,000
Unquoted				
Engro Fertilizers Limited 1,072,800,000 (2010: 1,072,800,000) Ordinary shares of Rs. 10 each	100	10,739,144	100	10,739,144
Engro Eximp (Private) Limited 113,925,000 (2010: 48,010,000) Ordinary shares of Rs. 10 each (note 5.1.1)	100	1,895,100	100	480,100
Engro PowerGen Limited 36,476,000 (2010: 36,476,000) Ordinary shares of Rs. 10 each	100	3,106,700	100	3,106,700
Engro Foods Netherlands B.V 20,000 (2010: Nil) Ordinary shares of Euro 1 each (note 5.1.1)	100	656,160	-	-
Engro Management Services (Private) Limited 250,000 (2010: 250,000) Ordinary shares of Rs. 10 each (note 5.5)	100	2,500	100	2,500
Avanceon Limited 25,066,667 (2010: 25,066,667) Ordinary shares of Rs. 10 each (note 5.1.2) Less: Provision for impairment (note 5.1.3)	62.67	381,957 (381,957) -	62.67	381,957 - 381,957
Engro Powergen Qadirpur Limited 32,000,000 (2010: 32,000,000) Ordinary shares of Rs. 10 each (note 5.2)	10	320,000 27,100,904	10	320,000 25,681,701

(Amounts in thousand)

5.1.1 During the year:

- Engro Eximp (Private) Limited has issued bonus shares to the Company at 134.3% i.e. 64,500,000 shares;
- the Company has purchased 1,415,000 right shares of Rs. 10 each at a premium of Rs. 990 per share, issued by Engro Eximp (Private) Limited;
- the Company has partially disposed off its shareholding of 27,000,000 ordinary shares in Engro Foods Limited to the general public through an Offer for Sale document dated June 24, 2011 at an offer price of Rs. 25 per share;
- Engro Foods Limited has issued 48,000,000 right shares which upon renunciation by the Company were privately placed with institutional investors; and
- the Company has incorporated a wholly owned subsidiary, Engro Foods Netherlands B.V in Netherlands through which it has acquired an existing brand of halal meat business known as 'Al-Safa', engaged in supplying a variety of packaged halal foods across North America.

5.1.2 The Company, on December 31, 2011, has signed a Memorandum of Understanding (MoU) with Mr. Bakhtiar Wain (Wain), a minority shareholder of Avanceon Limited (Avanceon) to fully take over Avanceon's Pakistan and UAE operations / companies excluding the USA operations / companies. As per MoU the restructuring agreed is as follows:

- the Company shall transfer all of its shareholding in Avanceon (currently at 62.67%) to Wain increasing his shareholding therein to 100% and as such acquiring control thereof. Upon such transfer all disclosed and undisclosed liabilities, whether existing or future, of the Avanceon Limited Pakistan and the Avanceon FZE (UAE) entities shall be the sole liability of Messrs Wains;
- Messrs Wains shall transfer to the Company (or its nominee) respective equity interest in Engro Innovative Inc., USA aggregating 62.67% of the total paid-up equity / voting shares thereof, including the subordinated loan given by Avanceon FZE, UAE, to Avanceon LP, USA;
- the Company shall pay Rs. 118,000 to the banks / financial institutions of Avanceon to reduce the bank liabilities and return of the Corporate Guarantees extended by the Company; and
- the Company shall extend a secured loan of Rs. 41,000 to Avanceon / Wains to be disbursed directly to the banks / financial institutions.

The Company, accordingly has classified the investment in Avanceon as Held for Sale, net of impairment (note 5.1.3).

5.1.3 The Company has decided to exit entirely from all Avanceon operations including that of USA through the aforementioned restructuring (note 5.1.2). The Company has determined the recoverable amount of its investment in Avanceon, prior to its classification as Held for Sale, and of the subordinated loan including accrued interest (notes 7 and 8) provided thereto to be nil. Accordingly, an impairment loss for the carrying amount of investment (Rs. 381,957), loan (Rs. 241,318) and accrued interest (Rs. 35,411) has been recognised in these financial statements.

5.2 On April 27, 2011, the Board of Directors of the Company had resolved to offer its direct 10% shareholding in Engro PowerGen Qadirpur Limited, i.e. 32,000,000 ordinary shares to general public and institutional investors through an Offer for Sale and classified it as 'Held for sale'. However, on December 19, 2011, the Board decided not to divest on revisiting its overall business plans. Accordingly, the investment being no longer held for sale has been reclassified to long term investments.

(Amounts in thousand)

5.3 During the year, the Company has disposed off its entire shareholding in the paid-up capital of Agrimall (Private) Limited, which was transferred free of cost to it, at a consideration of Rupee one through a Share Purchase Agreement.

5.4 Value of the above investments, based on the net assets of the investee companies as at December 31, 2011 are as follows:

	2011 ------(Rupees)-----	2010
Engro Polymer & Chemicals Limited	3,506,734	3,925,355
Engro Fertilizers Limited	18,617,058	13,639,592
Engro Eximp (Private) Limited	2,617,038	1,131,703
Engro Management Services (Private) Limited	2,921	2,639
Engro Foods Limited	6,511,077	5,124,360
Engro Foods Limited Netherlands B.V.	554,749	-
Engro Powergen Qadirpur Limited	510,951	419,309
Engro Vopak Terminal Limited	1,729,089	526,902
Engro PowerGen Limited	4,716,979	3,866,018
Avanceon Limited	(73,267)	28,520
Arabian Sea Country Club Limited (June 30, 2010)	5,569	5,569
Agrimall (Private) Limited (June 30, 2008)	-	(4,096)

5.5 Subsequent to the year end, the Board of Directors of Engro Management Services (Private) Limited (EMSL) in its meeting held on February 7, 2012, has resolved to wind-up EMSL voluntarily.

5.6 On January 4, 2012, the Company has incorporated a new wholly owned subsidiary, Elengy Terminal Pakistan Limited, for LNG project. No capital has been injected yet. The related expenses incurred upto December 31, 2011 have been charged off (note 19.2).

(Amounts in thousand)

6 LONG TERM LOANS AND ADVANCES

- Considered good

Long term loans and advances to:

- Executives (note 6.1)
- Other employees

Less: Current portion shown under current assets (note 7)

Subordinated loan to subsidiaries - unsecured:

- Engro Fertilizers Limited (note 6.2)
- Avanceon Limited (note 6.3)
- Less: Current portion shown under current assets (note 7)

6.1 Reconciliation of the carrying amount

of loans and advances to executive
Balance as at January 1
Transferred to the Fertilizer Undertaking

Disbursements
Repayments/amortization
Balance as at December 31

	2011 ------(Rupees)-----	2010
Long term loans and advances to:		
- Executives (note 6.1)	14,312	4,340
- Other employees	49	-
	14,361	4,340
Less: Current portion shown under current assets (note 7)	6,020	1,485
	8,341	2,855
Subordinated loan to subsidiaries - unsecured:		
- Engro Fertilizers Limited (note 6.2)	3,000,000	1,500,000
- Avanceon Limited (note 6.3)	241,318	241,318
Less: Current portion shown under current assets (note 7)	(241,318)	(120,659)
	-	120,659
	3,008,341	1,623,514
6.1 Reconciliation of the carrying amount of loans and advances to executive		
Balance as at January 1	4,340	282,246
Transferred to the Fertilizer Undertaking	-	(280,408)
	4,340	1,838
Disbursements	13,260	4,728
Repayments/amortization	(3,288)	(2,226)
Balance as at December 31	14,312	4,340

6.2 The loan enhanced to Rs. 3,000,000, carries mark-up based on a margin of 1% over and above mark-up payable by the Company for rupee finances of like maturities, such mark-up being payable on a semi-annual basis. The loan is subordinated to the facilities provided to the subsidiary by its banking creditors and is repayable in one lump sum payment due on September 14, 2015.

6.3 The loan carries markup at the rate of six months KIBOR plus margin of 4% payable on a quarterly basis. The loan is subordinated to the facilities provided to the subsidiary by its banking creditors and is repayable in two installments due on October 23, 2011 and April 23, 2012 respectively.

(Amounts in thousand)

7 LOANS, ADVANCES AND PREPAYMENTS

	2011	2010
	------(Rupees)-----	
Considered good		
Current portion of long term loans and advances to executives and other employees (note 6)	6,020	1,485
Prepayments	12,836	17,766
	<u>18,856</u>	<u>19,251</u>
Considered doubtful		
Current portion of subordinated loan to Avanceon Limited, a subsidiary company (note 6)	241,318	120,659
Less: Provision for impairment (note 5.1.3)	(241,318)	-
	<u>-</u>	<u>120,659</u>
	<u>18,856</u>	<u>139,910</u>
8 OTHER RECEIVABLES		
Considered good		
Accrued income on deposits / investments	9,366	4,555
Due from:		
- Subsidiary companies		
- Engro Eximp (Private) Limited	2,000	86
- Engro Foods Limited	6,508	1,390
- Engro Foods Netherlands B.V	1,103	-
- Engro Polymer & Chemicals Limited	7,442	902
- Engro Powergen Qadirpur Limited (note 8.1)	26,076	485
- Sindh Engro Coal Mining Company Limited	512	-
- Engro Fertilizers Limited (note 8.2)	150,758	54,062
- Engro PowerGen Limited	616	196
- Engro Foods Supply Chain Limited	272	227
- Joint Venture		
- Engro Vopak Terminal Limited, net	343	90,185
	<u>195,630</u>	<u>147,533</u>
Others	8,959	750
Considered doubtful		
Due from Avanceon Limited	35,411	44,615
Less: Provision for impairment (note 5.1.3)	(35,411)	-
	<u>-</u>	<u>44,615</u>
	<u>213,955</u>	<u>197,453</u>

8.1 This mainly includes interest on subordinated loan amounting Rs. 25,557 (2010: Nil).

8.2 This mainly includes interest on subordinated loan amounting Rs. 129,304 (2010: Rs. 51,851).

(Amounts in thousand)

8.3 The maximum amount due from joint venture/subsidiary companies at the end of any month during the year aggregated to as follows:

	2011	2010
	------(Rupees)-----	
Subsidiary companies		
- Engro Eximp (Private) Limited	5,215	3,268
- Engro Foods Limited	41,070	18,950
- Engro Foods Netherlands B.V	1,103	-
- Engro Powergen Qadirpur Limited	26,076	4,034
- Engro Polymer & Chemicals Limited	7,409	13,183
- Avanceon Limited	44,972	44,615
- Sindh Engro Coal Mining Company Limited	6,263	-
- Engro PowerGen Limited	1,452	1,432
- Engro Management Services (Private) Limited	10	2,138
- Engro Fertilizers Limited	150,758	64,863
Joint venture		
- Engro Vopak Terminal Limited	180,891	180,551

8.4 As at December 31, 2011, receivables aggregating to Rs. 49,727 (2010: Rs. 31,415) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2011	2010
	------(Rupees)-----	
Upto 3 months	11,164	9,974
3 to 6 months	9,936	9,915
More than 6 months	28,627	11,526
	<u>49,727</u>	<u>31,415</u>

9 SHORT TERM INVESTMENTS

Financial assets at fair value through profit or loss:

- Term Deposits (note 9.1)	1,200,000	-
- Treasury Bills (note 9.2)	708,102	-
- Mutual fund securities (note 9.3)	479	1,970,603
	<u>1,908,581</u>	<u>1,970,603</u>

(Amounts in thousand)

- 9.1 These represents short term placements of less than 2 months with financial institutions at the rate of 12% per annum.
- 9.2 These represents Treasury Bills having face value to Rs. 718,000 discounted using effective rate of 11.91% per annum.
- 9.3 These represents investments in various money market funds which are valued at their respective net assets value at balance sheet date.

10 CASH AND BANK BALANCES

Cash at banks on:
- deposit accounts (note 10.1)
- current accounts

Cash in hand

	2011 ------(Rupees)-----	2010 ------(Rupees)-----
	488,535	739,982
	4	66,552
	488,539	806,534
	150	50
	<u>488,689</u>	<u>806,584</u>

- 10.1 These carry return ranging from 10% to 11.25% (2010: 10% to 12.5%).

11 SHARE CAPITAL

11.1 Authorised Capital

2011 ------(No. of Shares)-----	2010 ------(No. of Shares)-----		2011 ------(Rupees)-----	2010 ------(Rupees)-----
<u>450,000,000</u>	<u>350,000,000</u>	Ordinary Shares of Rs. 10 each (note 11.3)	<u>4,500,000</u>	<u>3,500,000</u>

Issued, subscribed and paid-up capital

2011 ------(No. of Shares)-----	2010 ------(No. of Shares)-----		2011 ------(Rupees)-----	2010 ------(Rupees)-----
185,354,484	185,354,484	Ordinary shares of Rs. 10 each fully paid in cash	1,853,545	1,853,545
207,929,697	142,382,335	Ordinary shares of Rs. 10 each issued as	2,079,298	1,423,824
<u>393,284,181</u>	<u>327,736,819</u>	fully paid bonus shares	<u>3,932,843</u>	<u>3,277,369</u>

(Amounts in thousand)

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

2011 ------(No. of Shares)-----	2010 ------(No. of Shares)-----		2011 ------(Rupees)-----	2010 ------(Rupees)-----
327,736,819	297,942,563	As at January 1		3,277,369
		Ordinary shares of Rs. 10		2,979,426
		each issued during the		
		year as fully paid		
		bonus shares (note 11.3)		
<u>65,547,362</u>	<u>29,794,256</u>		<u>655,474</u>	<u>297,943</u>
<u>393,284,181</u>	<u>327,736,819</u>		<u>3,932,843</u>	<u>3,277,369</u>

11.3 During the year, the Company:

- increased its authorized share capital from Rs. 3,500,000 to Rs. 4,500,000; and
- issued bonus shares in the ratio of 1 share for every 5 shares held.

11.4 As at December 31, 2011 associated companies held 186,500,772 (2010: 158,516,740) ordinary shares in the Company.

12 EMPLOYEE SHARE OPTION SCHEME

Under the Employee Share Option Scheme (the Scheme), senior employees who are critical to the business operations were granted options to purchase 5 million newly issued ordinary shares at an exercise price of Rs. 277 per ordinary share. As per the Scheme, the entitlements and exercise price are subject to adjustments because of issue of right shares and bonus shares. The number of options granted to an employee is calculated in accordance with the criticality of employee to the business and their ability and is subject to approval by the Compensation Committee. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither right to dividends nor voting rights. Vesting period has started from the date of grant, for employees who were granted shares on or before June 30, 2008 and ended on December 31, 2010, where after these options can be exercised within a period of two years ending December 31, 2012.

For options granted after June 30, 2008, the vesting period will end such number of days after December 31, 2010 as is equal to the number of days between the date the initial option letters were issued and the date of grant of the later options. However, the later options can also only be exercised upto December 31, 2012.

In 2008, the grant date was changed to August 23, 2007, from the date approved in the original scheme. Further, consequent to the issue of right shares in 2008 and in 2010, the entitlements were increased to 5,500,000 shares and 7,700,000 shares respectively and the exercise price was adjusted to Rs. 267.73 per share and Rs. 205.52 per share respectively. These changes have been duly approved by the Securities and Exchange Commission of Pakistan (SECP). The aforementioned reduction in exercise price has no effect on the fair value of share options recognized in the financial statements.

Consequent to the demerger, the employees transferred to Engro Fertilizers Limited have surrendered their existing share options against which new share options have been granted under a new scheme of Engro Fertilizers Limited.

(Amounts in thousand)

12.1 Deferred employee compensation expense

	2011	2010
	------(Rupees)-----	
Balance at January 1	-	90,065
Options surrendered by employees transferred to Engro Fertilizers Limited	-	(67,811)
Amortisation for the year	-	(22,254)
Balance at December 31	-	-

12.2 Employee share option compensation reserve

Balance at January 1	74,813	288,258
Options surrendered by employees transferred to Engro Fertilizers Limited	-	(213,445)
Balance at December 31	74,813	74,813

12.3 Movement in share options outstanding at end of the year is as follows:

	2011	2010
	------(Numbers)-----	
Balance at January 1	1,135,909	4,376,818
Options surrendered by employees transferred to Engro Fertilizers Limited	-	(3,240,909)
Balance at December 31 (note 12.3.1)	1,135,909	1,135,909

12.3.1 The abovementioned share options do not include the effect of bonus and right shares which make the total number of share options outstanding at end of the year to 2,309,076 (2010: 1,924,230).

12.4 Further, consequent to the bonus issue in the current year, the entitlements were increased to 2,309,076 shares from 1,924,230 shares (adjusted with the effect of forfeiture) respectively and the exercise price was adjusted to Rs. 155.70 from Rs. 186.84 respectively. These changes have been duly approved by the SECP. The aforementioned reduction in exercise price has no effect on the fair value of share options recognized in the financial statements.

12.5 The Company used Black Scholes pricing model to calculate the fair value of share options at the grant date. The fair value of the share options as per the model and underlying assumptions are as follows:

Fair value of the share options at grant date	Rs. 65.86 per share
Share price at grant date	Rs. 220
Exercise price	Rs. 277
Annual volatility	34.54%
Risk free rate used	10.77%

(Amounts in thousand)

12.6 Employee-wise detail of options granted to senior management personnel/other personnel upto or in excess of five percent of total options granted is as follows:

Name of employee	No. of share options
Asad Umar	924,000
Ruhail Muhammed	554,400
Andalib Alavi	369,600
Tahir Jawaid	369,600
Naveed Hashmi	91,476

12.6.1 Abovementioned shares include the impact of bonus and right shares.

13. DEFERRED TAXATION

	2011	2010
	------(Rupees)-----	
Debit / (credit) balances arising on account of:		
- accelerated depreciation allowance	1,786	1,822
- recoupable minimum turnover tax	(4,795)	-
- provision for retirement benefits	(1,649)	(525)
- provision for impairment against subordinated loan and interest thereon	(96,855)	-
- amortization of transaction costs incurred on borrowings	131,783	-
	30,270	1,297

14. TRADE AND OTHER PAYABLES

Creditors	9,554	5,678
Accrued liabilities (note 14.1)	267,612	205,306
Contractors' deposits and retentions	714	3,574
Workers' welfare fund (note 14.2)	66,590	36,979
Sales tax payable	4,333	-
Others	22,280	15,507
	371,083	267,044

14.1 Accrued liabilities

Salaries, wages and other employee benefits	102,483	77,411
Vacation accruals	11,039	8,366
Advertisement	1,000	45,996
Commission	-	50,000
Consultancy services	24,170	2,228
Contingent consideration payable to minority shareholder in Avanceon Limited (note 21.1)	19,230	-
Others (note 14.1.1)	109,690	21,305
	267,612	205,306

(Amounts in thousand)

14.1.1 This includes Rs. 41,604 (2010: Nil) payable to Engro Vopak Terminal Limited - Joint Venture.

14.2 The Workers' Welfare Fund Ordinance 1971 (Ordinance) was amended by the Finance Acts of 2006 and 2008 to (i) modify the basis of calculating WWF payable, and (ii) expand the net of WWF to include 'non-manufacturing' companies, respectively. Assessments issued under the amended Ordinance were challenged by certain companies. In 2010 a Division Bench of the Sindh High Court (SHC) upheld these amendments. Subsequently, however, this matter went before a Full Bench of the SHC which suspended, on an interim basis, the operation of the said assessments. The matter is still pending at the SHC. During August 2011, the Lahore High Court (LHC) passed an order striking down the said amendments on the basis that WWF contributions are in the nature of a "fee" rather than a "tax" therefore the Ordinance may not be amended through a money bill. However, the Company, on prudent basis, has provided for the Workers' Welfare Fund for the year.

15 BORROWINGS

	2011	2010
	------(Rupees)-----	
Engro Rupiya Certificate I (note 15.1)	3,768,502	3,384,536
Engro Rupiya Certificate II (note 15.2)	2,602,766	-
	<u>6,371,268</u>	<u>3,384,536</u>

15.1 Represents amount raised from general public against the issuance of Engro Rupiya Certificates I (net of unamortized transaction cost of Rs. 124,178). The profit is payable semi-annually at the fixed rate of 14.5% from the date of investment by the Certificate holders. The Certificates are issued for a tenure of three years and are structured to redeem 0.1% of principal in five equal semi-annual installments in the first 30 months and the remaining 99.9% principal in 36th month from the date of issue. The Certificate holder, however, may ask the Company for early redemption at any time from the date of investment subject to service charge of 2% of the outstanding issue price.

15.2 During the year, the Company has issued Engro Rupiya Certificate II to general public and received subscription money thereagainst amounting to Rs. 2,754,820. (net of unamortized transaction cost of Rs.74,024). The profit is payable semi-annually at the fixed rate of 14.5% from the date of investment by the Certificate holders. The Certificates are issued for a tenure of three years and are structured to redeem 100% of the principal amount in the 36th month from the date of issue. The Certificate holder, however, may ask the Company for early redemption at any time from the date of investment subject to service charge of 2% of the outstanding issue price.

15.3 The proceeds from these borrowings were utilized for extending subordinated loans to subsidiary companies. Any surplus funds were invested in treasury bills, mutual funds and term deposits with banks.

The Certificates are secured by way of first ranking pari passu floating charge over all the present and future movable properties of the Company except for present and future trade marks, copy rights and certain investment in subsidiary companies.

The IGI Investment Bank Limited has been appointed as Trustee in respect of these certificates.

(Amounts in thousand)

16. CONTINGENCIES AND COMMITMENTS

	2011	2010
	------(Rupees)-----	
Contingencies		
16.1 Corporate Guarantees issued in favour of Subsidiary Companies:		
- Engro Fertilizers Limited (note 16.2)	61,141,010	65,642,000
- Engro Powergen Qadirpur Limited (note 16.3)	900,604	857,000
- Avanceon Limited (note 16.4)	242,000	242,000

16.2 The Company in addition to above has also issued a Corporate Guarantee to International Finance Corporation (IFC) for USD 80,000 under the Amended Agreement entered into by the Subsidiary Company with IFC. As at December 31, 2011, the total amount of the facility has been drawn down by the Subsidiary Company. Further, IFC has an option to convert a tranche of the disbursed loan amounting to USD 15,000, into ordinary shares of the Company at Rs. 205 per ordinary share (reduced to Rs. 155.30 and Rs. 186.36 as at June 30, 2011 and December 31, 2010 respectively consequent to bonus issues) calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of notices issued by IFC to exercise the conversion option. Such option is to be exercised within a period of no more than five years from the date of disbursement of loan (i.e. December 28, 2009).

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

16.3 Represents Corporate Guarantee amounting to USD 10,000 issued to Allied Bank Limited to open DSRA letter of credit in favour of the Subsidiary Company's senior long term lenders.

16.4 The Company has extended corporate guarantees to banks and financial institutions aggregating Rs. 242,000 (plus accrued markup) against finance facilities extended to Avanceon Limited by the banks/financial institutions. Pursuant to the Memorandum of Understanding entered into by the Company referred to in note 5.1.2, the Company has requested these banks to release the aforementioned bank guarantees.

Commitments

16.5 The Company has committed to invest an amount of Rs 562,000 in Engro Polymer and Chemicals Limited by way of subscription to right shares.

(Amounts in thousand)

17. DIVIDEND INCOME

	2011	2010
	------(Rupees)-----	
Subsidiary Company		
- Engro Eximp (Private) Limited	705,000	1,100,000
- Engro PowerGen Limited	591,499	-
- Engro PowerGen Qadirpur Limited	91,520	-
	<u>1,388,019</u>	<u>1,100,000</u>
Joint Venture		
- Engro Vopak Terminal Limited	540,000	540,000
	<u>1,928,019</u>	<u>1,640,000</u>

18. ROYALTY INCOME

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

19. ADMINISTRATIVE EXPENSES

Salaries, wages and staff welfare (note 19.1)	225,859	167,934
Staff recruitment, training, safety and other expenses	13,944	8,092
Repairs and maintenance	2,428	7,836
Advertising, promotion and corporate branding	50,869	70,405
Rent, rates and taxes	47,012	19,149
Communication, stationery and other office expenses	9,970	8,496
Travel	14,172	13,954
Depreciation (note 4.1)	42,853	18,333
Legal and professional charges	39,179	3,495
Donations	34,000	39,175
Other expenses (note 19.2)	89,177	31,783
	<u>569,463</u>	<u>388,652</u>

19.1 Salaries, wages and staff welfare includes Rs. 27,573 (2010: Rs. 19,213) in respect of staff retirement benefits.

19.2 Includes Rs. 21,700 (2010: Rs.14,450) in respect of directors' fees and Rs. 41,604 related to LNG project (note 5.6).

(Amounts in thousand)

20. OTHER OPERATING INCOME

	2011	2010
	------(Rupees)-----	
Financial assets:		
Income on deposits/other financial assets (note 20.1)	765,180	308,612
Non financial assets:		
Service charges (note 20.2)	6,394	6,397
Employees share option compensation expense written back	-	101,224
Capital gain on partial disposal of investment in Engro Foods Limited (note 5.1.1)	371,781	-
Gain on disposal of property, plant and equipment	-	286
Others	3,655	17,428
	<u>1,147,010</u>	<u>433,947</u>

20.1 Includes Rs. 490,494 (2010: Rs. 94,612) in respect of profit earned on subordinated loan to subsidiary companies.

20.2 Represents service charge on guarantee of US\$ 10,000 extended to senior lender of Engro Powergen Qadirpur Limited.

21. OTHER OPERATING EXPENSES

	2011	2010
	------(Rupees)-----	
Impairment loss (note 5.1.3)	658,686	-
Charge for contingent consideration (note 21.1)	50,730	-
Workers' welfare fund	29,611	36,979
Auditors' remuneration (note 21.2)	604	1,587
Professional tax	93	207
	<u>739,724</u>	<u>38,773</u>

21.1 Represents obligation of the Company towards the minority shareholder of Avanceon Limited which was contingent upon occurrence of certain future events and conditions as per the terms of the Share Purchase Agreement. Based on the outcome of these events and conditions, the Company has recorded an expense amounting to Rs. 50,730, out of which Rs. 31,500 has been paid by the Company as at December 31, 2011, and the balance is shown under accrued liabilities (note 14.1).

21.2 Auditors' remuneration

	2011	2010
	------(Rupees)-----	
Fee for the		
- audit of annual financial statements	165	150
- review of half yearly financial statements	95	75
Certifications, audit of retirement funds and other advisory services	167	1,279
Reimbursement of expenses	177	83
	<u>604</u>	<u>1,587</u>

(Amounts in thousand)

22 FINANCE COST

2011 2010
------(Rupees)-----

Interest/mark-up on borrowings	729,841	82,131
Amortization of transaction costs	54,556	10,000
	<u>784,397</u>	<u>92,131</u>

23 TAXATION

Current		
- for the year	60,332	135,618
- for prior years (note 23.2)	(62,174)	-
	(1,842)	135,618
Deferred	28,973	398
	<u>27,131</u>	<u>136,016</u>

23.1 Relationship between tax expense and accounting profit

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

2011 2010
------(Rupees)-----

Profit before tax	1,450,861	1,811,975
Tax calculated at the rate of 35%	507,801	634,191
Effect of exemption from tax on certain income	(610,890)	(320,527)
Effect of applicability of lower tax rate and other tax credits / debits	130,220	(177,648)
Tax charge for the year	<u>27,131</u>	<u>136,016</u>

23.2 During the year, the Company has claimed transaction costs incurred on Engro Rupiya Certificate I and II in its return of total income and adjusted the provision for tax accordingly.

24 EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the Company, after taking into the effect of options granted on Company's shares to (i) employees under the Employee Share Option Scheme (based on average annual market share price of 2011) and (ii) IFC referred to in note 16.2.

2011 2010
------(Rupees)-----

Profit after taxation	1,423,730	1,675,959 (Restated)
Weighted average number of ordinary shares (in thousand)	<u>393,284</u>	<u>393,284</u>

(Amounts in thousand)

25 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:

	2011			2010		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	------(Rupees)-----					
Managerial remuneration	62,741	30,287	132,149	42,194	18,615	83,306
Retirement benefits funds	5,783	2,931	16,603	4,788	2,236	11,596
Other benefits	33	37	4,118	11,630	6,764	13,276
Fees	-	11,600	-	-	14,450	-
Total	<u>68,557</u>	<u>44,855</u>	<u>152,870</u>	<u>58,612</u>	<u>42,065</u>	<u>108,178</u>
Number of persons including those who worked part of the year	<u>1</u>	<u>12</u>	<u>59</u>	<u>1</u>	<u>12</u>	<u>44</u>

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

25.2 Premium charged in the financial statements in respect of directors indemnity insurance policy, purchased by the Company during the year, amounts to Rs. 1,082 (2010: Rs. 791).

26 RETIREMENT BENEFITS

26.1 Defined benefit Gratuity plan

The latest actuarial valuation of the defined benefit gratuity plan was carried out as at December 31, 2011, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

(Amounts in thousand)

26.1.1 Balance Sheet Reconciliation

Defined Benefit
Gratuity Plans Funded
2011 2010
------(Rupees)-----

Present value of funded obligation	104,576	115,956
Fair value of plan assets	(113,689)	(125,199)
Surplus	(9,113)	(9,243)
Unrecognized actuarial gain	11,222	15,986
Payable to associated companies	108	(8,421)
Unrecognized past service cost	915	1,678
Net (asset) / liability at end of the year	<u>3,132</u>	<u>-</u>

26.1.2 Movement in net (asset)/liability recognised

Net (asset)/liability at beginning of the year	-	-
Expense recognised	3,132	1,762
Amounts paid to the Fund	-	(1,762)
Net (asset)/liability at end of the year	<u>3,132</u>	<u>-</u>

26.1.3 Movement in defined benefit obligation

As at beginning of the year	115,956	68,020
Current service cost	6,093	3,449
Interest cost	18,773	8,309
Benefits paid during the year	(20,000)	-
Actuarial (gain)/loss on obligation	(4,774)	27,757
Liability transferred to DC Gratuity Funds	(3,051)	-
Liability transferred in respect of inter-company transfer	(8,421)	8,421
As at end of the year	<u>104,576</u>	<u>115,956</u>

26.1.4 Movement in fair value of plan assets

As at beginning of the year	125,199	81,520
Expected return on plan assets	20,608	9,579
(Repayment to) / Contribution by the Company	-	1,762
Benefits paid during the year	(20,000)	-
Actuarial gain/ (loss) on plan assets	(9,175)	32,338
Assets transferred to DC Gratuity Fund	(2,943)	-
As at end of the year	<u>113,689</u>	<u>125,199</u>

26.1.5 Charge for the year

Current service cost	6,093	3,449
Interest cost	18,773	8,309
Expected return on plan assets	(20,608)	(9,579)
Recognition of curtailment gain	1,050	-
Amortisation of unrecognized past service cost	(76)	(129)
Net actuarial (gain)/loss recognised during the year	<u>-</u>	<u>(288)</u>
	<u>3,132</u>	<u>1,762</u>

(Amounts in thousand)

26.1.6 Principal actuarial assumptions used in the actuarial valuation

Defined Benefit
Gratuity Plans Funded
2011 2010
------(%)-----

Discount rate	12.5	14.5
Expected per annum rate of return on plan assets	12.5	14.5
Expected per annum rate of increase in future salaries	12.5	14.5

------(Rupees)-----

26.1.7 Actual return on plan assets

11,433 41,917

26.1.8 Plan assets comprise of the following

	2011		2010	
	Rupees	(%)	Rupees	(%)
Fixed income instruments	84,736	75%	98,462	78%
Cash	1,109	1%	5,890	5%
Others	27,844	24%	20,847	17%
	<u>113,689</u>		<u>125,199</u>	

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

26.1.10 Comparison of five years

	2011	2010	2009	2008	2007
Present value of defined benefit obligation	(104,576)	(115,956)	(339,182)	(296,469)	(587,655)
Fair value of plan assets	<u>113,689</u>	<u>125,199</u>	<u>409,228</u>	<u>359,222</u>	<u>683,808</u>
Surplus	<u>9,113</u>	<u>9,243</u>	<u>70,046</u>	<u>62,753</u>	<u>96,153</u>

26.2 Defined contribution plans

An amount of Rs. 11,455 (2010: Rs. 7,956) has been charged during the year in respect of defined contribution plans maintained by the Company.

(Amounts in thousand)

27 CASH GENERATED FROM OPERATIONS

	2011	2010
	------(Rupees)-----	
Profit before taxation	1,450,861	1,811,975
Adjustment for non-cash charges and other items:		
Depreciation	42,853	18,333
Gain on disposal of property, plant and equipment	-	(286)
Provision for retirement and other service benefits	32,285	20,455
Income on deposits / other financial assets	(765,180)	(308,612)
Dividend income	(1,928,019)	(1,640,000)
Financial charges	784,397	92,131
Employee share compensation expense - net	-	(78,970)
Capital Gain on the partial disposal of investment in Engro Foods Limited	(371,781)	-
Provision against long term investment	381,957	-
Provision for other receivables	35,411	-
Provision for loans, advances, and prepayments	241,318	-
Working capital changes (note 27.1)	69,474	109,102
	<u>(26,424)</u>	<u>24,128</u>

27.1 Working capital changes

(Increase) / decrease in current assets		
- Loans, advances, deposits and prepayments	395	(15,563)
- Other receivables (net)	(34,960)	8,435
	<u>(34,565)</u>	<u>(7,128)</u>
Increase in current liabilities		
- Trade and other payables including other service benefits (net)	104,039	116,230
	<u>69,474</u>	<u>109,102</u>

28 CASH AND CASH EQUIVALENTS

Short term investments (note 9)	1,908,581	1,970,603
Cash and bank balances (note 10)	488,689	806,584
	<u>2,397,270</u>	<u>2,777,187</u>

(Amounts in thousand)

29 FINANCIAL INSTRUMENTS BY CATEGORY

	2011	2010
	------(Rupees)-----	
Financial assets as per balance sheet		
- Loans and receivables		
Long term loans	3,000,000	1,620,659
Loans and deposits	18,856	120,659
Other receivables	213,955	197,453
Cash and bank balances	488,689	806,584
	<u>3,721,500</u>	<u>2,745,355</u>
- Fair value through profit and loss		
Short term investments	<u>1,908,581</u>	<u>1,970,603</u>
Financial liabilities as per balance sheet		
- Financial liabilities measured at amortized cost		
Trade and other payables	300,160	230,065
Borrowings	6,371,268	3,384,536
Accrued interest / mark-up	319,500	65,000
Unclaimed dividends	79,083	180,630
	<u>7,070,011</u>	<u>3,860,231</u>

30 FINANCIAL RISK MANAGEMENT

30.1 Financial risk factors

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

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

a) Market risk

i) Currency risk

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

The Company has given guarantees in favour of its subsidiary companies amounting to USD 90,000 (2010: USD 105,400). The devaluation/revaluation of currency will only impact contingent liabilities and the impact on post tax profit for the year is nil.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to cash flow interest rate risk.

(Amounts in thousand)

iii) **Other price risk**

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

As December 31, 2010, if fair value (NAV) had been 1% higher/lower with all other variables held constant post tax profit for the year would have been higher/lower by Rs. 5 (2010: Rs. 17,735).

b) **Credit risk**

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

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

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

	2011	2010
	------(Rupees)-----	
Long term loans	3,000,000	1,620,659
Loans and deposits	18,856	120,659
Other receivables	164,228	166,038
Short term investments	1,908,581	1,970,603
Bank balances	488,539	806,534
	<u>5,580,204</u>	<u>4,684,493</u>

(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 liquidity can be assessed with reference to external credit ratings as follows:

Bank	Rating agency	Rating	
		Short term	Long term
Askari Bank Limited	PACRA	A1+	AA
Allied Bank Limited	PACRA	A1+	AA
Bank Al Habib Limited	PACRA	A1+	AA+
Bank Al-Falah Limited	PACRA	A1+	AA
Citibank N.A.	S&P	A1	A+
Habib Bank Limited	JCR-VIS	A1+	AA+
JS Bank Limited	PACRA	A1	A
MCB Bank Limited	PACRA	A1+	AA+
NIB Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A1+	AA+

c) **Liquidity risk**

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

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

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

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

	2011			2010		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	------(Rupees)-----					
Financial liabilities						
Trade and other payables	300,160	-	300,160	230,065	-	230,065
Accrued interest / mark-up	319,500	-	319,500	65,000	-	65,000
Borrowings	6,371,268	-	6,371,268	3,384,536	-	3,384,536
Unclaimed dividends	79,083	-	79,083	180,630	-	180,630
	<u>7,070,011</u>	<u>-</u>	<u>7,070,011</u>	<u>3,860,231</u>	<u>-</u>	<u>3,860,231</u>

(Amounts in thousand)

30.2 Capital risk management

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

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

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

The proportion of borrowings to equity at the year end was:

	2011	2010
	------(Rupees)-----	
Total Borrowings	6,371,268	3,384,536
Total Equity	26,248,757	27,053,639
	<u>32,620,025</u>	<u>30,438,175</u>
Total borrowings to equity ratio	<u>20%</u>	<u>11%</u>

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

30.3 Fair value of financial assets and liabilities

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

(Amounts in thousand)

31 TRANSACTIONS WITH RELATED PARTIES

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

	2011	2010
	------(Rupees)-----	
Subsidiary companies		
Purchases and services	11,982	-
Services rendered	191,801	149,053
Mark-up from subsidiaries	422,544	94,612
Disbursement of loan	1,500,000	1,500,000
Mark-up paid to subsidiaries	-	7,116
Repayment of loan	-	300,000
Royalty Income	469,416	257,584
Associated companies		
Purchases and services	6,667	4,271
Dividend paid	855,569	574,111
Donations	34,000	38,750
Investment in Mutual Funds	910,000	1,332,000
Redemption of investment in Mutual Funds	1,200,542	945,490
Joint ventures		
Services rendered	2,124	1,504
Others		
Dividend paid	6,795	19,446
Remuneration of key management personnel	147,357	102,726

32 DONATIONS

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

Name of Donor	Interest in Donee	Name and address of Donee	2011	2010
			------(Rupees)-----	
Asad Umar, Khalid Mansoor and Khalid S. Subhani	Chairman and Trustees	Engro Foundation	34,000	38,600
Hussain Dawood and Asad Umar	Chairman and Director	Karachi Education Initiative	-	150
			<u>34,000</u>	<u>38,750</u>

(Amounts in thousand)

33 **LOSS OF CERTAIN ACCOUNTING RECORDS**

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

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

34 **NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE**

34.1 The Board of Directors in its meeting held on February 16, 2012 has proposed a final cash dividend of Rs. 2 per share (2010: Rs.2 per share final cash dividend) and bonus issue in the ratio of three shares for every ten shares held i.e. 30% bonus, for approval of the members at the Annual General Meeting to be held on 30 Mar, 2012.

The financial statements for the year ended December 31, 2011 do not include the effect of the proposed cash dividend and bonus issue, which will be accounted for in the financial statements for the year ending December 31, 2012.

34.2 The Board of Directors of Engro Vopak Terminal Limited, a joint venture company, in its meeting held on January 31, 2012 has proposed a final cash dividend of Rs. 16 per share for the year ended December 31, 2011, amounting to Rs. 1,440,000, of which the proportionate share of the Company amounts to Rs. 720, 000.

These financial statement for the year ended December 31, 2011 do not include the effect of the aforementioned dividend income, which will be accounted for in the financial statements for the ending December 31, 2012 once the propose dividend is approved in the Annual General Meeting of Engro Vopak Terminal Limited.

35 **DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorized for issue on February 16, 2012 by the Board of Directors of the Company.

36 **CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, the effect of which is not material.



Hussain Dawood
Chairman



Asad Umar
President & CEO

consolidated accounts

- Auditors' Report to the Members
- Financial Statements

auditors' report to the members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Engro Corporation Limited (the Holding Company) and its subsidiary companies (the Group) as at December 31, 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary companies except for Avanceon FZE (UAE), Avanceon LP (USA) and Engro Innovative Inc. (USA), subsidiary companies of Avanceon Limited, were audited by other firms of auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the reports of such auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the consolidated financial statements present fairly the financial position of Engro Corporation Limited (the Holding Company) and its subsidiary companies as at December 31, 2011 and the results of their operations, changes in equity and cash flows for the year then ended.

Without qualifying our opinion we draw attention to note 52 to the consolidated financial statements and as more fully explained therein, 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 ended December 31, 2007, 2006 and 2005 were destroyed. To date, the Holding Company has been able to reconstruct books of account pertaining to the year ended December 31, 2007.



Chartered Accountants
Karachi
Date: March 01, 2012

Engagement Partner: Imtiaz A. H. Laliwala

consolidated balance sheet

as at december 31, 2011

(Amounts in thousand)

	Note	2011 ------(Rupees)-----	2010
Assets			
Non-current assets			
Property, plant and equipment	4	134,509,689	128,712,148
Exploration and evaluation expenditure	5	432,485	356,286
Biological assets	6	496,809	428,293
Intangible assets	7	737,803	877,323
Long term investments	8	1,716,692	514,505
Long term loans and advances	9	165,253	193,458
		<u>138,058,731</u>	<u>131,082,013</u>
Current assets			
Stores, spares and loose tools	10	6,343,995	4,910,941
Stock-in-trade	11	11,603,851	8,843,677
Trade debts	12	6,214,643	5,131,408
Deferred employee compensation expense	13	986	4,829
Derivative financial instruments	14	239,184	3,148
Loans, advances, deposits and prepayments	15	2,289,313	2,474,076
Other receivables	16	1,985,049	1,287,827
Taxes recoverable		3,050,258	2,494,314
Short term investments	17	8,332,154	4,426,188
Cash and bank balances	18	4,417,885	4,120,031
		<u>44,477,318</u>	<u>33,696,439</u>
Assets attributable to discontinued operations	19	468,125	-
		<u>183,004,174</u>	<u>164,778,452</u>
Total Assets			

(Amounts in thousand)

	Note	2011 ------(Rupees)-----	2010
Equity & Liabilities			
Equity			
Share Capital	20	3,932,843	3,277,369
Share premium		10,550,061	10,550,061
Employee share option compensation reserve	13	146,280	162,455
Hedging reserve	21	(573,437)	(927,438)
Revaluation reserve on business combination		94,496	104,698
Maintenance reserve	22	197,577	197,577
Exchange revaluation reserve		35,725	28,883
General reserves		4,429,240	4,429,240
Unappropriated profit		18,985,446	12,776,146
		<u>33,865,388</u>	<u>27,321,622</u>
		<u>37,798,231</u>	<u>30,598,991</u>
		<u>4,091,558</u>	<u>3,516,024</u>
		<u>41,889,789</u>	<u>34,115,015</u>
Non Controlling Interest			
Total Equity			
Liabilities			
Non-current liabilities			
Borrowings	23	82,560,415	89,151,849
Derivative financial instruments	14	702,214	805,154
Obligations under finance lease	24	1,295	18,998
Deferred taxation	25	3,986,577	2,471,226
Employee housing subsidy	26	19,144	347,886
Deferred liabilities	27	161,219	117,279
		<u>87,430,864</u>	<u>92,912,392</u>
Current liabilities			
Trade and other payables	28	23,396,316	12,614,214
Accrued interest / mark-up	29	3,114,122	2,619,453
Current portion of			
- borrowings	23	21,565,668	15,543,787
- obligations under finance lease	24	3,884	13,310
- deferred liabilities	27	34,636	23,047
Short term borrowings	30	4,284,404	5,715,775
Derivative financial instruments	14	452,625	1,040,829
Unclaimed dividends		79,083	180,630
		<u>52,930,738</u>	<u>37,751,045</u>
		<u>140,361,602</u>	<u>130,663,437</u>
Total Liabilities			
Liabilities associated with discontinued operations	19	752,783	
Contingencies and Commitments	31		
Total Equity & Liabilities		<u>183,004,174</u>	<u>164,778,452</u>

The annexed notes from 1 to 56 form an integral part of these consolidated financial statements.



Hussain Dawood
Chairman



Asad Umar
President & CEO

consolidated profit and loss account

for the year ended december 31, 2011

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

	Note	2011 ------(Rupees)-----	2010 ------(Rupees)-----
Net sales	32	114,611,837	79,975,765
Cost of sales	33	(82,530,581)	(59,702,130)
Gross Profit		<u>32,081,256</u>	<u>20,273,635</u>
Selling and distribution expenses	34	(7,144,965)	(6,078,320)
Administrative expenses	35	(3,031,569)	(2,211,360)
		<u>21,904,722</u>	<u>11,983,955</u>
Other operating income	36	2,056,545	897,321
Other operating expenses	37	(1,929,709)	(837,180)
Finance cost	38	(12,314,593)	(4,321,688)
Share of income from joint venture	39	1,742,187	554,725
Profit before taxation		<u>11,459,152</u>	<u>8,277,133</u>
Taxation	40	(3,647,761)	(1,836,131)
Profit for the year		<u>7,811,391</u>	<u>6,441,002</u>
Profit / (Loss) attributable to:			
- Discontinued operations	19	(144,344)	(151,973)
- Continuing operations		<u>7,955,735</u>	<u>6,592,975</u>
		<u>7,811,391</u>	<u>6,441,002</u>
Profit / (Loss) attributable to:			
- Owners of the Holding Company		8,060,448	6,790,049
- Non Controlling Interest		(249,057)	(349,047)
		<u>7,811,391</u>	<u>6,441,002</u>
		------(Rupees)-----	------(Rupees)-----
			Restated
Basic earnings / (loss) per share from:	41		
- Discontinued operations		(0.18)	(0.24)
- Continuing operations		20.68	17.51
		<u>20.50</u>	<u>17.27</u>
Diluted earnings / (loss) per share from:	41		
- Discontinued operations		(0.18)	(0.24)
- Continuing operations		20.45	17.51
		<u>20.27</u>	<u>17.27</u>

The annexed notes from 1 to 56 form an integral part of these consolidated financial statements.



Hussain Dawood
Chairman



Asad Umar
President & CEO

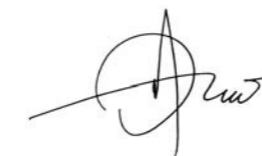
consolidated statement of comprehensive income

for the year ended december 31, 2011

(Amounts in thousand)

	Note	2011 ------(Rupees)-----	2010 ------(Rupees)-----
Profit for the year		7,811,391	6,441,002
Other comprehensive income			
Hedging reserve - cash flow hedges	21		
Losses arising during the year		(598,983)	(1,828,460)
Less:			
- Reclassification adjustments for losses / (gains) included in profit and loss		221,397	65,267
- Adjustments for amounts transferred to initial carrying amount of hedged items (capital work in progress)		900,441	1,245,762
		<u>522,855</u>	<u>(517,431)</u>
Revaluation reserve on business combination		(21,974)	(21,974)
Exchange differences on translation of foreign operations		6,703	114,996
		<u>507,584</u>	<u>(424,409)</u>
Income tax relating to:			
Hedging reserve - cash flow hedges		(183,115)	181,100
Revaluation reserve on business combination		7,691	7,691
		<u>(175,424)</u>	<u>188,791</u>
Other comprehensive income for the year, net of tax		<u>332,160</u>	<u>(235,618)</u>
Total comprehensive income for the year		<u>8,143,551</u>	<u>6,205,384</u>
Total comprehensive income attributable to:			
- Owners of the Holding Company		8,411,089	6,541,477
- Non Controlling Interest		(267,538)	(336,093)
		<u>8,143,551</u>	<u>6,205,384</u>
Total comprehensive income attributable to equity shareholders arises from			
- Discontinued operations		(144,539)	(154,947)
- Continuing operations		<u>8,288,090</u>	<u>6,360,331</u>
		<u>8,143,551</u>	<u>6,205,384</u>

The annexed notes from 1 to 56 form an integral part of these consolidated financial statements.



Hussain Dawood
Chairman



Asad Umar
President & CEO

consolidated statement of statement of changes in equity

for the year ended december 31, 2011

(Amounts in thousand)

	Attributable to owners of the Holding Company											Non controlling Interest	Total
	Share capital	Share premium	Employee share option compensation reserve	Hedging reserve	Revaluation reserve on business combination	Maintenance reserve	Exchange revaluation reserve	General reserve	Unappropriated Profit	Sub total			
Balance as at 1 January, 2010	2,979,426	10,550,061	318,242	(617,000)	114,900	-	(43,185)	4,429,240	8,387,520	26,119,204	3,225,191	29,344,395	
Total comprehensive income for the year ended December 31, 2010													
Profit for the year	-	-	-	-	-	-	-	-	6,790,049	6,790,049	(349,047)	6,441,002	
Other comprehensive income	-	-	-	(310,438)	(10,202)	-	72,068	-	-	(248,572)	12,954	(235,618)	
Transactions with owners													
Bonus shares issued during the year in the ratio of 1 for every 10 shares	297,943	-	-	-	-	-	-	-	(297,943)	-	-	-	
Issue of shares by Engro Polymer and Chemicals Limited	-	-	-	-	-	-	-	-	-	626,926	-	626,926	
Maintenance reserve created by Engro Powergen Qadirpur Limited, a subsidiary of Engro PowerGen Limited (formerly Engro Energy Limited)	-	-	-	-	-	197,577	-	-	(197,577)	-	-	-	
Vested options lapsed during the year	-	-	(929)	-	-	-	-	-	929	-	-	-	
Effect of changes in number of share options issued	-	-	(154,858)	-	-	-	-	-	-	(154,858)	-	(154,858)	
Final dividend for the year ended December 31, 2009 @ Rs. 2.00 per share	-	-	-	-	-	-	-	-	(595,886)	(595,886)	-	(595,886)	
Interim dividend - 1st @ Rs. 2.00 per share	-	-	-	-	-	-	-	-	(655,473)	(655,473)	-	(655,473)	
- 2nd @ Rs. 2.00 per share	-	-	-	-	-	-	-	-	(655,473)	(655,473)	-	(655,473)	
Balance as at December 31, 2010	3,277,369	10,550,061	162,455	(927,438)	104,698	197,577	28,883	4,429,240	12,776,146	30,598,991	3,516,024	34,115,015	
Total comprehensive income for the year ended December 31, 2011													
Profit for the year	-	-	-	-	-	-	-	-	8,060,448	8,060,448	(249,057)	7,811,391	
Other comprehensive income	-	-	-	354,001	(10,202)	-	6,842	-	-	350,641	(18,481)	332,160	
Transactions with owners													
Issue of right shares by Engro Foods Limited	-	-	-	-	-	-	-	-	649,359	649,359	567,175	1,216,534	
Partial disposal of investment in Engro Foods Limited	-	-	-	-	-	-	-	-	-	-	270,000	270,000	
Capital gain on the partial disposal of investment in Subsidiary Company (Engro Foods Limited)	-	-	-	-	-	-	-	-	371,781	371,781	-	371,781	
Bonus shares issued during the year in the ratio of 1 for every 10 shares	655,474	-	-	-	-	-	-	-	(655,474)	-	-	-	
Vested options lapsed during the year	-	-	(11,798)	-	-	-	-	-	11,798	-	-	-	
Effect of changes in number of share options issued	-	-	(4,377)	-	-	-	-	-	-	(4,377)	58,610	54,233	
Dividend paid to indirect minority	-	-	-	-	-	-	-	-	-	-	(52,713)	(52,713)	
Final dividend for the year ended December 31, 2010 @ Rs. 2.00 per share	-	-	-	-	-	-	-	-	(655,474)	(655,474)	-	(655,474)	
Interim dividend - 1st @ Rs. 2.00 per share	-	-	-	-	-	-	-	-	(786,569)	(786,569)	-	(786,569)	
- 2nd @ Rs. 2.00 per share	-	-	-	-	-	-	-	-	(786,569)	(786,569)	-	(786,569)	
Balance as at December 31, 2011	3,932,843	10,550,061	146,260	(573,437)	94,496	197,577	35,725	4,429,240	18,965,446	37,796,231	4,091,558	41,889,789	

The annexed notes from 1 to 56 form an integral part of these consolidated financial statements.



Hussain Dawood
Chairman



Asad Umar
President & CEO



Hussain Dawood
Chairman



Asad Umar
President & CEO

consolidated statement of cash flows

for the year ended december 31, 2011

(Amounts in thousand)

Note	2011	2010
	----- (Rupees) -----	
Cash flows from operating activities		
Cash generated from operations	31,830,734	5,875,276
Retirement and other service benefits paid	(333,837)	(215,227)
Financial charges paid	(11,819,924)	(3,381,861)
Taxes paid	(3,213,554)	(2,378,136)
Long term loans and advances - net	28,205	(42,498)
Net cash generated from / (utilized in) operating activities	16,491,624	(142,446)
Cash flows from investing activities		
Exploration and evaluation expenditure incurred	(76,199)	(339,268)
Purchases of property, plant & equipment, intangible assets and biological assets	(12,179,888)	(20,813,639)
Sale proceeds on disposal of property, plant & equipment and biological assets	112,577	476,825
Income on deposits / other financial assets	1,291,784	372,526
Dividends received	630,000	562,500
Net cash utilized in investing activities	(10,221,726)	(19,741,056)
Cash flows from financing activities		
(Repayments) / proceeds from borrowings - net	(533,843)	17,831,952
Obligations under finance lease - net	(4,154)	(6,525)
Issuance of shares to Non Controlling Interest	895,785	-
Proceeds from issuance of shares by subsidiary company	1,027,255	626,926
Dividends paid	(2,382,872)	(1,828,304)
Net cash generated from financing activities	(997,829)	16,624,049
Net increase in cash and cash equivalents	5,272,069	(3,259,453)
Cash and cash equivalents at beginning of the year	2,830,444	6,089,897
Cash and cash equivalents at end of the year	8,102,513	2,830,444

The annexed notes from 1 to 56 form an integral part of these consolidated financial statements.

notes to the consolidated financial statements

for the year ended december 31, 2011

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

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

1.2 The "Group" consists of:

Holding Company- Engro Corporation Limited

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

	%age of direct holding	
	2011	2010
• Engro Fertilizers Limited (note 1.3.1)	100	100
• Engro Eximp (Private) Limited (note 1.3.2)	100	100
• Engro Management Services (Private) Limited (note 1.3.3)	100	100
• Engro PowerGen Limited (note 1.3.4)	100	100
• Engro Foods Netherlands B.V. (note 1.3.5)	100	-
• Engro Foods Limited (note 1.3.6)	89.97	100
• Avanceon Limited (note 1.3.7)	62.67	62.67
• Engro Polymer and Chemicals Limited (note 1.3.8)	56.19	56.19

Joint Venture Company:

• Engro Vopak Terminal Limited (note 1.4)	50	50
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1.3 Subsidiary companies

1.3.1 Engro Fertilizers Limited

Engro Fertilizers Limited (EFL), a wholly owned subsidiary of the Holding Company, is a public company incorporated in Pakistan on June 29, 2009 under the Companies Ordinance, 1984. The principal activity of EFL is manufacturing, purchasing and marketing of fertilizers.

During the year, EFL declared commencement of commercial production effective June 24, 2011 of its Urea Expansion project 'Enven Plant' adjacent to the existing Dharki Plant. The capacity of Enven Plant is 1.3 million tons of Urea per annum.

1.3.2 Engro Eximp (Private) Limited

Engro Eximp (Private) Limited (EEL), a wholly owned subsidiary of the Holding Company, is a private limited company, incorporated in Pakistan on January 16, 2003 under the Companies Ordinance 1984. EEL is principally engaged in the following trading businesses:

a) Fertilizer Trading: EEL imports and sells different types of fertilizers and other related products through Engro Fertilizers Limited, an associated undertaking, which has been appointed as a selling agent under an agreement effective January 1, 2010.

b) Rice Trading: EEL is also engaged in rice business whereby bulk quantities of unprocessed rice and paddy are procured from local suppliers, processed and packed for selling locally as well as for export to foreign buyers. Processing of rice for the crop season 2010 is currently outsourced by EEL to its subsidiary company, Engro Foods Supply Chain (Private) Limited (EFSC) and to third party contractors. However, the Board of Directors of EEL in their meeting held on September 30, 2011 have approved restructuring in the rice business whereby EEL will only act as an agent for EFSC in procurement of seeds, paddy and raw rice and EFSC will operate the rice business from the crop season 2011.

In 2010, EEL had subscribed to thirty percent share capital of EFSC. However, pursuant to the EEL's Board of Directors' approval in their meeting held on September 30, 2011, EEL has acquired the remaining seventy percent share capital of EFSC from Engro Foods Limited, an associated undertaking. By virtue of such transfer, EFSC has become wholly owned subsidiary of EEL.

EFSC was incorporated in Pakistan on November 3, 2009, under the Companies Ordinance, 1984. The principal activity of EFSC is to produce, manufacture and trade all kinds of raw, processed and prepared food products including agriculture, dairy and farming products. EFSC has setup a rice processing plant in District Sheikhpura, which was commissioned last year and started commercial production from drying unit of the rice processing plant from November 7, 2010. During the year, commercial production of milling unit on line 1 commenced on June 1, 2011 and milling unit on line 2 and parboiling commenced on July 1, 2011 for processing from paddy/unprocessed rice to finished brown rice.

EEL has also set up a wholly owned offshore subsidiary company in JAFZA, Dubai under the name Engro EXIMP FZE for off-shore trading of fertilizers, sugar and palm oil. EEL intends to subscribe upto seventeen thousand nine hundred and eighty three (17,983) shares amounting to UAE dirhams seventeen million nine hundred eighty three thousand only over a period of time. The balances consolidated in these financial statements in respect of Engro EXIMP FZE, as there being no operations, are based on the unaudited financial statements.

1.3.3 Engro Management Services (Private) Limited

Engro Management Services (Private) Limited (EMSL), a wholly owned subsidiary of the Holding Company, is a private limited company incorporated in Pakistan on January 23, 2003 under the Companies Ordinance, 1984. EMSL had been registered as a modaraba management company but subsequently was deregistered on account of not launching the modaraba. Subsequent to the year end, the Board of Directors of EMSL in its meeting held on February 7, 2012 has resolved to wind-up EMSL voluntarily. There are no assets and liabilities which required material adjustments.

1.3.4 Engro PowerGen Limited

Engro PowerGen Limited is a wholly owned subsidiary incorporated as a private limited company in Pakistan on May 31, 2008 under the Companies Ordinance, 1984, and was converted to an unlisted public company effective August 11, 2009. It is established with the primary objective to analyse potential opportunities in the Power Sector and undertake Independent Power Projects (IPPs) based on feasibilities of new ventures. Following are the subsidiaries of Engro PowerGen Limited.

	% age of holding of Engro Powergen
Engro Powergen Qadirpur Limited	85%
Sindh Engro Coal Mining Company Limited	60%

(Amounts in thousand)

- Engro Powergen Qadirpur Limited (EPQL) is an unlisted public company incorporated in Pakistan on February 28, 2006 under the Companies Ordinance, 1984 with the primary objective to undertake the business of power generation, distribution, transmission and sale. EPQL completed construction and testing of its 217.3 MW combined cycle power plant and has commenced commercial operations on March 27, 2010. The electricity generated is transmitted to National Transmission and Despatch Company (NTDC) under the Power Purchase Agreement (PPA) dated October 26, 2007. This agreement is valid for a period of 25 years.
- Sindh Engro Coal Mining Company Limited (SECMC) is a public unlisted company, incorporated in Pakistan on October 15, 2009 under the Companies Ordinance, 1984. It was formed under a Joint Venture Agreement (JVA), dated September 8, 2009, between the Government of Sindh (GoS), EPGL, and the Holding Company. The JVA was formed consequent to the selection of the SECMC as GoS's joint venture partner, through an International Competitive Bidding process, for the development, construction and operation of an open cast lignite mine in Block-II of Thar Coal Field, Sindh (the Project), with an annual mining capacity of 6.5 million tons of coal to be subsequently increased to 13 million tons in later years. As per the aforementioned JVA, SECMC initiated a Detailed Feasibility Study (DFS) in November 2009 through a team of International Consultants and local experts to confirm the technical, environmental, social and economic viability of the Project. The DFS was carried out on an area of 79.6 sq. km allocated to the SECMC in Thar Coal field. On August 31, 2010, SECMC completed the DFS which was approved by the Technical Committee of GoS. SECMC is waiting for GoS to complete infrastructure work related to the project in order to proceed with the same.

Under JV Agreement, GoS has granted a mining lease for 30 years to SECMC for exploration and mining activities in Thar Block-II, based on the bankable feasibility study conducted by SECMC, Thar Block-II has estimated coal reserves of approximately 2 billion tons, of which 195 million tons will be mined at the rate of 6.5 million tons per year over the period of the mining lease. During the year, SECMC and EPGL have also received a firm proposal for Engineering, Procurement & Construction contract (EPC) for 6.5 million tons per annum mining capacity and 1,200 MW power plant from an international contractor.

1.3.5 Engro Foods Netherlands B.V.

During the year, the Holding Company has incorporated a wholly owned subsidiary, Engro Foods Netherlands B.V. (EFN), in Netherlands. The principal activity of EFN is marketing and selling of Halal food. For this purpose, EFN has acquired an existing brand of halal meat business known as 'Al-Safa', engaged in supplying variety of packaged halal foods across North America, through Engro Food Canada Limited (EFCL), a wholly owned subsidiary of EFN, incorporated in Canada on April 5, 2011 having its registered office situated at 1900 Minnesota Court, Unit No. 112, Mississauga, ON L5N 3C9; and Engro Foods US LLC, a wholly owned subsidiary of EFCL, incorporated as a limited liability company on April 11, 2011 and registered in Delaware, USA.

The balances consolidated in these financial statements in respect of standalone figures of EFN, there being no operations of its own, are based on the unaudited financial statements. The financial statements of its subsidiaries are however audited.

1.3.6 Engro Foods Limited

Engro Foods Limited (EFL), a 89.97% owned subsidiary of the Holding Company, was incorporated in Pakistan on April 26, 2005, under the Companies Ordinance, 1984, as a private limited company but was converted to an unlisted public limited company effective from April 27, 2006. The principal activity of EFL is to manufacture, process and sell dairy, ice cream and other food products. EFL also owns and operates a dairy farm.

During the year, the Holding Company partially disposed off its share holding of 27,000,000 ordinary shares in EFL to the general public through an Offer for Sale document dated June 24, 2011 at an offer price of Rs. 25 per share. Further,

(Amounts in thousand)

during the year, EFL issued 48,000,000 right shares which upon renunciation by the Holding Company were privately placed with institutional investors. The shares of EFL are now quoted on the Karachi and Lahore Stock Exchanges. During the year, EFL has disposed of its entire holding in EFSC to EEL as referred to in note 1.3.2.

1.3.7 Avanceon Limited

Avanceon Limited, a 62.67% owned subsidiary of the Holding Company, was incorporated in Pakistan on March 26, 2003 as a private limited company which was changed to public company on March 31, 2008 under the Companies Ordinance, 1984. The principal activity of Avanceon Limited is to trade in products of automation and control equipments and provide related technical services. Avanceon Limited consists of following subsidiaries:-

	% age of holding of Avanceon Limited
- Avanceon Free Zone Establishment, UAE;	100%
- Engro Innovative Inc., USA;	100%
- Innovative Automation (Private) Limited;	100%
- Avanceon LP, USA; and	70%
- Avanceon GP LLC, USA.	70%

- Avanceon Free Zone Establishment, UAE is a Free Zone Establishment with limited liability formed under the laws of Jebel Ali Free Zone Authority, U.A.E and was registered on February 28, 2004. The principal activity of the establishment is to trade in products of automation and control equipment and provide related technical support.

- Engro Innovative Inc., USA a wholly owned subsidiary of Avanceon Free Zone Establishment was incorporated in the State of Pennsylvania on October 25, 2006, as a Corporation Service Company under the provisions of Business Corporation Law of 1988. Its principal activity is to explore investment opportunities in automation industry in USA and provide related technical support from its holding companies.

- Innovative Automation (Private) Limited was incorporated in Pakistan as a private company limited by shares under the Companies Ordinance, 1984 on December 4, 2008. It is a wholly owned subsidiary of Avanceon Limited.

- Avanceon LP, USA a 70% owned subsidiary of Engro Innovative Inc., is a Pennsylvania Limited Partnership. The Partnership provides innovative technology solutions to clients in various industries. The Partnership designs, develops, implements and provides support of automated manufacturing process for their customers.

- Avanceon GP LLC, a 70% owned subsidiary of Engro Innovative Inc., is a Pennsylvania Limited Liability Corporation, which is a general partner with 0.01% general partner interest in Avanceon LP.

The Holding Company, on December 31, 2011, has signed a Memorandum of Understanding with Mr. Bakhtiar Wain, a minority shareholder of Avanceon Limited to fully take over Avanceon's Pakistan and UAE operations / companies excluding the USA operations / companies. The Holding Company intends to disposed off the USA operations / companies as well and the automation business will be discontinued, as stated in note 19.

1.3.8 Engro Polymer and Chemicals Limited

Engro Polymer and Chemicals Limited (EPCL), a 56.19% owned subsidiary of the Holding Company was incorporated in Pakistan in 1997 under the Companies Ordinance, 1984 and is listed on Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. The principal activity of EPCL is to manufacture, market and sell Poly Vinyl Chloride (PVC), PVC compounds, caustic soda and other related chemicals. It is also engaged in supply of surplus power generated from its power plant to Engro Fertilizers Limited (NPK Plant) and Karachi Electricity Supply Company Limited.

(Amounts in thousand)

Further, EPCL has a wholly owned subsidiary - Engro Polymer Trading (Private) Limited, which is a private limited company incorporated in Pakistan under the Companies Ordinance, 1984. The Company's principal activity is to purchase, market and export Poly Vinyl Chloride (PVC), PVC compounds and related chemicals.

1.3.9 Elengy Terminal Pakistan Limited

On January 4, 2012, the Holding Company has incorporated a new wholly owned subsidiary, Elengy Terminal Pakistan Limited, for LNG project. No capital has been injected yet. The related expenses incurred upto December 31, 2011 have been charged off.

1.4 Joint Venture Company - Engro Vopak Terminal Limited

Engro Vopak Terminal Limited (EVTL), a 50% share joint venture of the Holding Company is an unlisted public limited company incorporated in Pakistan in 1995 under the Companies Ordinance, 1984. EVTL has been granted the exclusive concession, right and license to design, finance, insure, construct, test, commission, complete, operate, manage and maintain an Integrated Liquid Chemical Terminal and Storage Farm at the south western zone of Port Qasim on Build, Operate and Transfer (BOT) basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

2.1.1 These consolidated financial statements have been prepared under the historical cost convention, except for remeasurement of certain financial assets and financial liabilities at fair value through profit or loss, derivative financial instruments, biological assets at fair value and certain staff retirement and other service benefits at present value.

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

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

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

a) Standards, amendments to published standards and interpretations that are effective in 2011 and are relevant to the Group

The following standards, amendments to published standards and interpretations are mandatory for the financial year beginning January 1, 2011:

- IFRS 7 (Amendment), 'Financial instruments: Disclosures'. The amendment emphasizes the interaction between

(Amounts in thousand)

quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment only affects disclosures in the Group's consolidated financial statements which have been made.

- IAS 1 (Amendment), 'Presentation of financial statements'. The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment only affects disclosures in the Group's consolidated financial statements.

- IAS 34 (Amendment), 'Interim financial reporting'. This amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets, changes in contingent liabilities and assets. The amendment will only affect the disclosures in the Group's condensed interim financial information.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. This interpretation does not have any impact on the current year's consolidated financial statements.

b) Standards, amendments to published standards and interpretations that are effective in 2011 but not relevant to the Group

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2011 are considered not to be relevant.

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

The following new standards, amendments to published standards and interpretation are not effective (although available for early adoption) for the accounting periods beginning on or after January 1, 2011 and have not been early adopted by the Group:

- IFRS 7 (Amendment) 'Financial instruments: Disclosures' (effective for periods beginning on or after July 1, 2011). These amendments arise from the IASB's review of off-balance-sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The amendment will only affect the disclosures in the Group's consolidated financial statements.
- IFRS 9, 'Financial instruments' (effective for periods beginning on or after January 1, 2013). This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

(Amounts in thousand)

- IFRS 10 'Consolidated financial statements' (effective for periods beginning on or after January 1, 2013). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. The standard is likely to effect the consolidated financial statements and hence its effects therefore need to be assessed by the Group.
- IFRS 11 'Joint arrangements' (effective for periods beginning on or after January 1, 2013). This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- IFRS 12 'Disclosures of interests in other entities' (effective for periods beginning on or after January 1, 2013). This standard includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The standard will only affect the disclosures in the Group's consolidated financial statements.
- IFRS 13 'Fair value measurement' (effective for periods beginning on or after January 1, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. It is unlikely that this standard will have any significant impact on Group's consolidated financial statements.
- IAS 1 (Amendment), 'Financial statement presentation' (effective for periods beginning on or after July 1, 2012). 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 reclassified to profit or loss subsequently (reclassification adjustments). The amendments will only affect the disclosures in the Group's financial statements.
- IAS 12 (Amendment), 'Income taxes' (effective for periods beginning on or after January 1, 2012). Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment Property'. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes- recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.
- IAS 19 (Amendment), 'Employee benefits' (effective for periods beginning on or after July 1, 2013). The amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The amendments are likely to effect the consolidated financial statements of the Group and hence their effects therefore need to be assessed by the Group.
- IAS 28 (Revised) 'Associates and joint ventures' (effective for periods beginning on or after January 1, 2013). The revised standard includes the requirements for joint ventures, as well as associates, to be equity accounted

(Amounts in thousand)

following the issue of IFRS 11. It is unlikely that the standard will have significant effect on the Group's financial statements as the Group has no investment in associates and joint ventures.

- IFRIC 20, 'Stripping costs in the production phase of a surface mine'(effective for periods beginning on or after January 1, 2013). The interpretation sets out the accounting for overburden waste removal (stripping costs) in the production phase of a mine. The interpretation may require mining entities reporting under IFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body. This amendment will not have any effect on the Group's financial statements.

2.1.5 Basis of consolidation

i) Subsidiaries

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

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

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(Amounts in thousand)

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

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. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

Depreciation is charged to profit and loss account using the straight line method whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life. Depreciation on addition is charged from the month following the month in which the asset is available for use and on disposals upto the preceding month of disposal.

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

2.2.2 Leased assets

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

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

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

(Amounts in thousand)

Computer software and licenses are amortised on a straight-line basis over a period of 3 to 10 years.

(Amounts in thousand)

The management of EPCL is confident that the ultimate outcome of the aforesaid appeal would be decided in its favour and consequently has not recognized the effects for the same in the financial statements.

40.6.3 While finalizing the assessment for the assessment year 2000 - 2001, the Taxation Officer had disallowed the First Year Allowance (FYA) claimed by EPCL on the grounds that EPCL had not met the criteria for claiming this allowance as required under the repealed Income Tax Ordinance, 1979. EPCL had filed an appeal against the said disallowance before the CIR(A) which was decided in its favour. The department, thereafter, filed second appeal before the ATIR. Although in case of assessment year 2001-2002, a similar issue was decided by the ATIR in EPCL's favour, the ATIR, for assessment year 2000-2001 departing from the previous view, has decided the matter against it and maintained the disallowance of FYA amounting to Rs. 1,884,359.

"This disallowance had resulted in tax deductible timing differences, the effects of which had been duly recognized by revising the income tax returns for the tax years 2003 to 2007 and 2009. Due to the aforesaid revision, a tax liability of Rs. 86,767 arose in tax year 2008 which has been settled by adjusting the recoupable minimum tax brought forward from prior years."

40.7 Relationship between tax expense and accounting profit

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

	2011 ------(Rupees)-----	2010 ------(Rupees)-----
Profit before tax	11,459,152	8,277,133
Tax calculated at the rate of 35%	4,010,703	2,896,997
Depreciation on exempt assets not deductible for tax purposes	38,575	34,495
Effect of exemption from tax on certain income	(339,658)	(392,005)
Effect of applicability of lower tax rate and other tax credits / debits	30,655	(450,035)
Prior year tax charge	96,777	(406,127)
Un-recoupable minimum turnover tax	(183,623)	164,199
Net effect of consolidation adjustments	(5,668)	(11,393)
Tax charge for the year	<u>3,647,761</u>	<u>1,836,131</u>

(Amounts in thousand)

41 EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

There is a dilutive effect on the basic earnings per share of the Group, after taking into the effect of options granted on Holding Company's shares to (i) employees of the Holding Company under the Employee Share Option Scheme and (ii) IFC loan of Engro Fertilizers Limited referred to in note 23.5. Such dilution is based on the average market price of the Holding Company's shares, which is higher than the respective exercise prices of options granted under Employee Share Option Scheme and IFC loan.

	2011 ------(Rupees)-----	2010 ------(Rupees)-----
Profit / (loss) after taxation (attributable to the owners of the Holding Company) from:		
- Discontinued operations	(71,347)	(95,849)
- Continuing operations	8,131,795	6,885,898
	<u>8,060,448</u>	<u>6,790,049</u>

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

	2011 ------(Rupees)-----	2010 ------(Rupees)-----
Profit for the year from continuing operations	8,131,795	6,885,898
Add: Interest on IFC loan of USD 15,000 (net of tax) - note 41.1	86,619	-
Profit used for the determination of Diluted EPS	<u>8,218,414</u>	<u>6,885,898</u>
	------(Numbers)-----	------(Numbers)-----
Weighted average number of ordinary shares	393,284	393,284
Add: Weighted average adjustments for (note 41.1):		
Assumed conversion of employees' share options	153	-
Assumed conversion of USD 15,000 IFC loan	8,381	-
	<u>8,534</u>	<u>-</u>
Weighted average number of shares for determination of diluted EPS	<u>401,818</u>	<u>393,284</u>

41.1 As at December 31, 2010, there was no diluted effect on the basic earnings per share of the Group since the average annual market share price of the Holding Company's share was less than the exercise price of the options granted on the Holding Company's shares to employees (note 13) and IFC (note 23.5).

(Amounts in thousand)

42 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2011			2010		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	------(Rupees)-----					
Managerial remuneration	189,083	30,287	2,089,937	176,657	18,615	1,858,348
Retirement benefits funds	19,784	2,931	247,558	16,795	2,236	233,696
Other benefits	21,754	37	352,793	43,429	6,859	371,791
Fees	71	25,070	-	-	25,205	-
Total	230,692	58,325	2,690,288	236,881	52,915	2,463,835
Number of persons including those who worked part of the year	10	43	897	8	54	1,098

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

42.2 Premium charged in these consolidated financial statements in respect of directors indemnity insurance policy, purchased by the Group amounted to Rs. 5,552 (2010: Rs. 3,558).

43 RETIREMENT BENEFITS

43.1 Defined benefit plans

The latest actuarial valuation of the defined benefit gratuity plan was carried out as at December 31, 2011, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

43.1.1 Engro Corporation Limited, Holding Company

43.1.1.1 Balance sheet reconciliation

	Defined Benefit Gratuity Plans Funded	
	2011	2010
	------(Rupees)-----	
Present value of funded obligation	104,576	115,956
Fair value of plan assets	(113,689)	(125,199)
Surplus	(9,113)	(9,243)
Unrecognised actuarial gain	11,222	15,986
Payable to associated companies	108	(8,421)
Unrecognised past service cost	915	1,678
Net (asset) / liability at end of the year	3,132	-

(Amounts in thousand)

43.1.1.2 Movement in net (asset)/liability recognised

Net (asset)/liability at beginning of the year
(Reversal)/expense recognised
Amounts received from/(paid to) the Fund
Net (asset)/liability at end of the year

Defined Benefit Gratuity Plans Funded
2011 2010
------(Rupees)-----

-	-
3,132	1,762
-	(1,762)
3,132	-

43.1.1.3 Movement in defined benefit obligation

As at beginning of the year
Current service cost
Interest cost
Benefits paid during the year
Actuarial (gain)/loss on obligation
Liability transferred to Defined Contribution Gratuity Funds
Liability reversed in respect of inter-company transfer
Liability transferred in respect of inter-company transfer
As at end of the year

115,956	68,020
6,093	3,449
18,773	8,309
(20,000)	-
(4,774)	27,757
(3,051)	-
(8,421)	-
-	8,421
104,576	115,956

43.1.1.4 Movement in fair value of plan assets

As at beginning of the year
Expected return on plan assets
(Repayment to) / Contribution by the Company
Benefits paid during the year
Actuarial gain/ (loss) on plan assets
Assets transferred to Defined Contribution Gratuity Fund
As at end of the year

125,199	81,520
20,608	9,579
-	1,762
(20,000)	-
(9,175)	32,338
(2,943)	-
113,689	125,199

43.1.1.5 Charge for the year

Current service cost
Interest cost
Expected return on plan assets
Recognition of curtailment gain
Amortisation of unrecognized past service cost
Net actuarial (gain)/loss recognised during the year

6,093	3,449
18,773	8,309
(20,608)	(9,579)
(1,050)	-
(76)	(129)
-	(288)
3,132	1,762

(Amounts in thousand)

	Defined Benefit Gratuity Plans Funded	
	2011	2010
	------(Rupees)-----	
43.1.16 Principal actuarial assumptions used in the actuarial valuation		
Discount rate	12.5	14.5
Expected per annum rate of return on plan assets	12.5	14.5
Expected per annum rate of increase in future salaries	12.5	14.5
	------(Rupees)-----	

43.1.17 Actual return on plan assets	11,433	41,917
--------------------------------------	--------	--------

43.1.18 Plan assets comprise of the following

	2011		2010	
	Rupees	%	Rupees	%
Fixed income instruments	84,736	75%	98,462	79%
Cash	1,109	1%	5,890	5%
Others	27,844	24%	20,847	17%
	<u>113,689</u>		<u>125,199</u>	

43.1.19 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.

43.1.4.10 Comparison of five years:

	2011	2010	2009	2008	2007
	-----Rupees-----				
Present value of defined benefit obligation	(104,576)	(115,956)	(339,182)	(296,469)	(587,655)
Fair value of plan assets	113,689	125,199	409,228	359,222	683,808
Surplus / (Deficit)	<u>9,113</u>	<u>9,243</u>	<u>70,046</u>	<u>62,753</u>	<u>96,153</u>

43.1.11 Defined contribution plans

An amount of Rs. 11,455 (2010: Rs. 7,956) has been charged during the year in respect of defined contribution plans maintained by the Company.

(Amounts in thousand)

43.12 Engro Fertilizers Limited, Subsidiary Company

43.12.1 Balance sheet reconciliation

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2011	2010	2011	2010
	-----Rupees-----			
Present value of funded obligation	277,645	269,523	32,023	31,230
Fair value of plan assets	(256,976)	(289,580)	(37,023)	(34,855)
Surplus	20,669	(20,057)	(5,000)	(3,625)
Payable to associated companies		2,875	-	-
Unrecognised actuarial gain / (loss)	(22,636)	12,161	401	(448)
Payable to Defined Contribution Gratuity Fund	2,454	-	-	-
Unrecognised past service cost	4,253	5,021	-	-
Net (asset) / liability at end of the year	<u>4,740</u>	<u>-</u>	<u>(4,599)</u>	<u>(4,073)</u>

43.12.2 Movement in net (asset)/liability recognised

Net (asset)/liability at beginning of the year	-	-	(4,073)	(31,887)
(Reversal)/expense recognised	4,740	15,470	(526)	(4,073)
Amounts received from/(paid to) the Fund	-	(15,470)	-	31,887
Net (asset)/liability at end of the year	<u>4,740</u>	<u>-</u>	<u>(4,599)</u>	<u>(4,073)</u>

43.12.3 Movement in defined benefit obligation

As at beginning of the year after transfer of Fertilizer Undertaking	269,523	241,276	31,230	28,703
Current service cost	14,582	17,735	-	-
Interest cost	32,901	29,510	4,286	3,264
Benefits paid during the year	(7,516)	(6,785)	(3,377)	(3,197)
Actuarial (gain) / loss on obligation	49,473	(8,235)	(116)	2,460
Settlement gain	(8,126)	-	-	-
Liability transferred in respect of inter-company transfer	(445)	(3,978)	-	-
Liability transferred to Defined Contribution Gratuity Fund	(69,324)	-	-	-
Actual distribution during the year	(3,423)	-	-	-
As at end of the year	<u>277,645</u>	<u>269,523</u>	<u>32,023</u>	<u>31,230</u>

(Amounts in thousand)

43.12.4 Movement in fair value of plan assets

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2011	2010	2011	2010
	-----Rupees-----			
At beginning of the year	289,580	263,645	34,855	62,645
Expected return on plan assets	33,726	30,947	4,812	7,337
(Repayment to) / Contribution by the Company	-	15,470	-	(31,887)
Benefits paid during the year	(10,939)	(6,785)	(3,377)	(3,197)
Actuarial gain / (loss) on plan assets	14,676	(12,594)	733	(43)
Assets transferred in respect of transfers	(3,197)	-	-	-
Assets transferred to Defined Contribution Gratuity Fund	(66,870)	-	-	-
Liability transferred in respect of inter-company transfer	-	(1,103)	-	-
As at end of the year	<u>256,976</u>	<u>289,580</u>	<u>37,023</u>	<u>34,855</u>
43.12.5 Charge for the year				
Current service cost	14,582	17,735	-	-
Interest cost	32,901	29,510	4,286	3,264
Expected return on plan assets	(33,726)	(30,947)	(4,812)	(7,337)
Settlement gain (note 43.1.2.11)	(8,678)	-	-	-
Amortisation of unrecognized past service cost	(339)	(372)	-	-
Amortisation of actuarial gain	-	(456)	-	-
	<u>4,740</u>	<u>15,470</u>	<u>(526)</u>	<u>(4,073)</u>
43.12.6 Actual return on plan assets	<u>48,402</u>	<u>18,353</u>	<u>5,545</u>	<u>7,294</u>

43.12.7 Principal actuarial assumptions used in the actuarial valuation

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2011	2010	2011	2010
	-----Rupees-----			
Discount rate	12.5%	14.5%	12.5%	14.5%
Expected per annum rate of return on plan assets	12.5%	14.5%	12.5%	14.5%
Expected per annum rate of increase in pension	-	-	4.5%	6.5%
Expected per annum rate of increase in future salaries	11.5%	13.5%	12.5%	14.5%

(Amounts in thousand)

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	December 31, 2011			
	Rupees	(%)	Rupees	(%)
43.12.8 Plan assets comprise of the following				
Fixed income instruments	250,033	97%	36,103	98%
Cash / (Payable)	6,943	3%	323	1%
Others	-	0%	597	2%
	<u>256,976</u>		<u>37,023</u>	

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

43.12.10 During the year, the subsidiary company recognised a gain of Rs. 526 on curtailed defined benefit plan. In 2005, the Holding Company had setup a Defined Contribution Pension Fund known as Engro Chemical Pakistan Limited (renamed as Engro Corporation Limited) MPT Employees Pension Fund (the Fund) for the benefit of management employees, including those transferred to the Company after demerger. Employees joining the Holding Company from July 1, 2005 onwards became members of the new Fund. Members of the existing pension fund (a defined benefit plan) were given a one-time option exercisable upto June 15, 2005 to join the new Fund effective July 1, 2005.

43.12.11 Engro Fertilizers Limited has recognised a gain of Rs. 8,678 on settlement of liability of those employees who have accepted the offer to opt out of defined benefit gratuity plan as more fully explained in note 2.24.2.

43.12.12 Expected future cost / (reversal) for the year ending December 31, 2012 is as follows:

	Rupees
- MPT Pension Fund	<u>(625)</u>
- MPT Gratuity Fund	<u>4,951</u>
- Non-MPT Gratuity Fund	<u>12,337</u>

43.12.13 Defined contribution plans

An amount of Rs. 43,436 has been charged during the year in respect of defined contribution plans maintained by the Holding Company.

(Amounts in thousand)

43.13 Engro Polymer and Chemicals Limited, Subsidiary Company

	Pension Fund		Gratuity Fund		Additional Death Gratuity Scheme	
	2011	2010	2011	2010	2011	2010
	-----Rupees-----					
Present value of defined benefit obligations	132,499	110,835	42,778	35,488	-	-
Fair value of plan assets	(110,383)	(97,803)	(33,791)	(30,903)	-	-
Deficit	22,116	13,032	8,987	4,585	-	-
Present value of unfunded obligations	-	-	-	-	6,147	4,977
Unrecognized net actuarial (losses) / gains	(15,365)	(11,084)	(6,049)	(4,137)	883	460
Net liability at the end of the year	6,751	1,948	2,938	448	7,030	5,437

43.13.1 Balance sheet reconciliation

43.13.2 Movement in the defined benefit obligations

Obligation as at January 1	110,835	78,994	35,488	26,048	4,977	4,523
Current service cost	10,617	8,551	4,950	3,844	861	759
Interest cost	16,404	12,081	5,409	3,988	732	537
Actuarial (gains) / losses	(4,084)	12,660	(2,410)	5,683	(423)	(842)
Benefits paid	(1,273)	(1,851)	(767)	(4,130)	-	-
Liability recognized in respect of transfers	-	400	108	55	-	-
Obligation as at December 31	132,499	110,835	42,778	35,488	6,147	4,977

	Pension Fund		Gratuity Fund		Additional Death Gratuity Scheme	
	2011	2010	2011	2010	2011	2010
	-----Rupees-----					

43.13.3 Movement in the fair value of plan assets

Fair value as at January 1	97,803	88,607	30,903	27,618	-	-
Expected return on plan assets	14,642	12,334	4,793	3,940	-	-
Actuarial losses	(8,365)	(7,953)	(4,387)	(24)	-	-
Employer contributions	7,576	6,266	3,141	3,444	-	-
Benefits paid	(1,273)	(1,851)	(767)	(4,130)	-	-
Transferred to other group companies	-	400	108	55	-	-
Fair value as at December 31	110,383	97,803	33,791	30,903	-	-

(Amounts in thousand)

43.13.4 The amounts recognized in the profit and loss account are as follows:

	Pension Fund		Gratuity Fund		Additional Death Gratuity Scheme	
	2011	2010	2011	2010	2011	2010
	-----Rupees-----					
Current service cost	10,617	8,551	4,950	3,844	861	759
Interest cost	16,404	12,081	5,409	3,988	732	537
Expected return on plan assets	(14,642)	(12,334)	(4,793)	(3,940)	-	-
Recognition of actuarial (gains) / loss	-	(84)	65	-	-	1
Expense	12,379	8,214	5,631	3,892	1,593	1,297
43.13.5 Actual return on plan assets	9,338	13,995	3,660	4,485	-	-

43.13.6 Expected future costs for the year ending December 31, 2012:

	Rupees
- Pension Fund	15,737
- Gratuity Fund	6,361
- Additional Death Gratuity Scheme	2,094
	24,192

43.13.7 Principal assumptions used:

	Pension Fund		Gratuity Fund	
	2011	2010	2011	2010
Discount rate per annum	12.5%	14.5%	12.5%	14.5%
Expected rate of return per annum on plan assets	12.5%	14.5%	12.5%	14.5%
Expected rate of increase per annum in future salaries	11.5%	13.5%	11.5%	13.5%

43.13.8 Plan assets comprise of following:

Equity	26,492	25,429	8,110	4,635
Debt	83,891	72,374	25,681	26,268
	110,383	97,803	33,791	30,903

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

(Amounts in thousand)

43.13.10 Historical information of staff retirement benefits:

Pension Fund	2011	2010	2009	2008	2007
	-----Rupees-----				
Present value of defined benefit obligation					
Fair value of plan assets	132,499	110,835	78,994	68,644	53,267
Deficit / (Surplus)	(110,383)	(97,803)	(88,607)	(73,582)	(62,237)
Gratuity Fund	22,116	13,032	(9,613)	(4,938)	(8,970)
Present value of defined benefit obligation					
Fair value of plan assets	42,778	35,488	26,048	22,888	19,600
Deficit / (Surplus)	(33,791)	(30,903)	(27,618)	(21,821)	(21,742)
	8,987	4,585	(1,570)	1,067	(2,142)

43.13.11 During the year, Rs. 21,894 (2010: Rs. 20,322) has been recognized in the profit and loss account in respect of defined contribution provident fund.

(Amounts in thousand)

43.1.4 Engro Powergen Limited, Subsidiary Company

Defined benefit plan

The latest actuarial valuation of the defined benefit plans in respect of funded defined benefit gratuity scheme was carried out as at December 31, 2011, using the Projected Unit Credit Method. Details of the defined benefit plan as updated, are as follows:

	2011	2010
	------(Rupees)-----	
43.1.4.1 Balance sheet reconciliation		
Present value of defined benefit obligation	10,685	7,913
Fair value of plan assets	(6,107)	(5,099)
Deficit	4,578	2,814
Unrecognised actuarial loss/(gain)	(2,182)	68
Payable to group companies	118	-
Unrecognised past service cost	(437)	(471)
Net liability at end of the year	2,077	2,411
43.1.4.2 Movement in net liability recognized		
Net liability at beginning of the year	2,411	797
Expense recognized	2,077	1,614
Net contribution	(2,411)	-
Net liability at end of the year	2,077	2,411
43.1.4.3 Movement in defined benefit obligation		
As at January 1	7,913	3,742
Current service cost	1,713	1,383
Interest cost	1,266	529
Actuarial (gain)/loss on obligation	1,160	(87)
Liability transferred in respect of inter-company transfer	(1,367)	2,346
As at December 31	10,685	7,913
43.1.4.4 Movement in fair value of plan assets		
As at January 1	5,099	2,009
Expected return on plan assets	935	335
Contributions by the Company	2,411	-
Actuarial gain/(loss) on assets	(1,089)	409
Asset transferred in respect of inter-company transfer	(1,249)	2,346
As at December 31	6,107	5,099

(Amounts in thousand)

	2011	2010
	-----Rupees-----	
43.1.4.5 Cost charged for the year		
Current service cost	1,713	1,383
Interest cost	1,266	529
Expected return on plan assets	(935)	(335)
Amortisation of past service cost	-	33
Net actuarial (gain) / loss recognized for the year	33	4
	<u>2,077</u>	<u>1,614</u>

43.1.4.6 Principal actuarial assumptions used in the actuarial valuation are as follows:

	2011	2010
	-----Rupees-----	
Discount rate	12.5	14.5
Expected per annum rate of return on plan assets	12.5	14.5
Expected per annum rate of increase in future salaries	12.5	14.5
43.1.4.7 Actual return on plan assets	<u>(154)</u>	<u>743</u>

43.1.4.8 Plan assets comprise of the following:

	2011		2010	
	Rupees	%	Rupees	%
Cash and cash equivalent	5,769	94	5,051	99
Others	338	6	48	1
	<u>6,107</u>	<u>100</u>	<u>5,099</u>	<u>100</u>

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

43.1.4.10 Comparison from the last five years:

	2011	2010	2009	2008	2007
	-----Rupees-----				
Present value of defined benefit obligation	10,685	7,913	3,742	2,186	49
Fair value of plan assets	(6,107)	(5,098)	(2,009)	(1,681)	-
Deficit	<u>4,578</u>	<u>2,815</u>	<u>1,733</u>	<u>505</u>	<u>49</u>

43.1.4.11 Expected future cost for the year ending December 2012 is Rs. 3,199.

43.1.4.12 Defined Contribution Plan

An amount of Rs. 16,806 (2010: Rs. 13,392) has been charged during the period in respect of defined contribution plan maintained by the Company.

(Amounts in thousand)

43.1.5 Engro Foods Limited, Subsidiary Company

The latest actuarial valuation of the defined benefit plans was carried out as at December 31, 2011 using the 'Projected Unit Credit Method'. Details of the defined benefit plans are as follows:

	Funded Gratuity Fund		Unfunded Pension Scheme		Total	
	2011	2010	2011	2010	2011	2010
	-----Rupees-----					

43.1.5.1 Reconciliation of obligations as at year end

Present value of defined benefit obligation	(171,407)	(137,469)	-	-	(171,407)	(137,469)
Fair value of plan assets	129,997	82,509	-	-	129,997	82,509
Deficit	(41,410)	(54,960)	-	-	(41,410)	(54,960)
Present value of unfunded obligations	-	-	-	(1,307)	-	(1,307)
Payable to group companies	396	(1,410)	-	-	396	(1,410)
Unrecognized actuarial (gain)/ loss	27,277	40,593	-	(2,125)	27,277	38,468
Net liability at end of the year	<u>(13,737)</u>	<u>(15,777)</u>	<u>-</u>	<u>(3,432)</u>	<u>(13,737)</u>	<u>(19,209)</u>

43.1.5.2 Movement in liability

Net liability at beginning of the year	(15,777)	-	(3,432)	(2,585)	(19,209)	(2,585)
Transfers to defined contribution pension scheme	-	-	3,432	-	3,432	-
Charge for the year	(64,937)	(31,554)	-	(847)	(64,937)	(32,401)
Contributions	66,977	15,777	-	-	66,977	15,777
Net liability at end of the year	<u>(13,737)</u>	<u>(15,777)</u>	<u>-</u>	<u>(3,432)</u>	<u>(13,737)</u>	<u>(19,209)</u>

43.1.5.3 Movement in fair value of plan assets

Fair value of plan assets at beginning of the year	82,509	58,688	-	-	82,509	58,688
Expected return on plan assets	14,857	8,752	-	-	14,857	8,752
Contributions for the year	66,977	15,777	-	-	66,977	15,777
Transfers	(3,383)	4,054	-	-	(3,383)	4,054
Benefits paid during the year	(18,000)	(2,096)	-	-	(18,000)	(2,096)
Actuarial gain / (loss) on assets	(12,963)	(2,666)	-	-	(12,963)	(2,666)
Fair value of plan assets at end of the year	<u>129,997</u>	<u>82,509</u>	<u>-</u>	<u>-</u>	<u>129,997</u>	<u>82,509</u>

(Amounts in thousand)

43.15.4 Movement in present value of defined benefit obligations/ unfunded obligations

Present value of defined benefit obligations at beginning of the year	137,469	77,010	-	2,372	137,469	79,382
Service cost	52,266	28,764	-	530	52,266	29,294
Interest cost	25,767	10,783	-	317	25,767	11,100
Transfers	(9,999)	2,645	-	-	(9,999)	2,645
Benefits paid during the year	(18,000)	(2,096)	-	-	(18,000)	(2,096)
Liability reversed	8,421	-	-	-	8,421	-
Actuarial (gain) / loss	(24,520)	20,363	-	(1,912)	(24,520)	18,451
Present value of defined benefit obligation/ unfunded obligation at end of the year	171,404	137,469	-	1,307	171,404	138,776

43.15.5 Cost charged to profit and loss account

Current service cost	52,266	28,764	-	530	52,266	29,294
Interest cost	25,770	10,783	-	317	25,770	11,100
Expected return on plan assets	(14,857)	(8,752)	-	-	(14,857)	(8,752)
Recognition of actuarial (gain) / loss	1,758	759	-	-	1,758	759
Cost for the year	64,937	31,554	-	847	64,937	32,401

43.15.6 In addition, salaries, wages and benefits also include Rs. 59,515 (2010: Rs. 73,284) in respect of defined contribution provident fund and pension scheme.

43.15.7 Principal actuarial assumptions used are as follows:

	Gratuity Fund		Un-funded Pension Scheme	
	2011	2010	2011	2010
Discount rate	12.5%	14.5%	-	14.5%
Expected per annum rate of return on plan assets	12.5%	14.5%	-	14.5%
Expected per annum rate of increase in future salaries	11.5%	14.5%	-	14.5%
Expected per annum rate of increase in pension	-	-	-	6.5%
42.15.8 Actual return on plan assets	5,232	6,086	-	-

(Amounts in thousand)

43.15.9 Plan assets comprise of following:

	Gratuity Fund			
	Rupees	2011 %	Rupees	2010 %
Held to maturity investments				
- Pakistan Investment Bonds (PIBs)	46,278	36%	3,239	4%
- Term Finance Certificates (TFCs)	50,802	39%	17,351	21%
- Regular Income Certificates (RICs)	18,633	14%	19,000	23%
- Treasury Bills	-	-	19,479	24%
	115,713	89%	59,069	72%
Mutual fund securities (Equity Fund) - Units	2,112	2%	8,962	11%
Listed securities	7,855	6%	1,826	2%
Balances with banks	1,352	1%	11,537	14%
Others	2,965	2%	1,115	1%
	129,997	100%	82,509	84%

43.15.10 The expected return on plan assets has been determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected return on equity investments reflect long-term real rates of return experienced in the market.

43.15.11 Expected contributions to post employment benefit plans for the year ending December 31, 2012 are Rs. 54,322.

43.15.12 Historical information of staff retirement benefits:

	2011	2010	2009	2008	2007	2006
	-----Rupees-----					
Present value of obligations	(171,407)	(137,469)	(77,010)	(39,033)	(18,947)	(8,088)
Fair value of plan assets	129,997	82,509	58,688	29,417	15,464	-
Deficit	<u>(41,410)</u>	<u>(54,960)</u>	<u>(18,322)</u>	<u>(9,616)</u>	<u>(3,483)</u>	<u>(8,088)</u>

(Amounts in thousand)

43.16 Engro Eximp (Private) Limited, Subsidiary Company

43.16.1 Defined benefit plans of Holding Company

The latest actuarial valuation of the defined benefit plan was carried out as at December 31, 2011, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

43.16.2 Balance sheet reconciliation

	Defined Benefit Gratuity Plans Funded	
	2011	2010
	------(Rupees)-----	
Present value of funded obligation	63	2,670
Fair value of plan assets	(68)	(2,842)
Surplus	(5)	(172)
Unrecognized actuarial (loss) / gain	(236)	358
Payable to Defined Contribution Gratuity Fund	117	-
Unrecognized prior service cost	27	29
Net liability at end of the year	(97)	215

43.16.3 Movement in net liability recognized

Net liability at beginning of the year	215	-
Expense recognized	(97)	215
Amount paid by the Fund	(215)	-
Net liability at end of the year	(97)	215

43.16.4 Movement in present value of defined benefit obligation

As at beginning of the year	2,670	-
Defined benefit obligations in respect of employees transferred from associated companies	-	1,183
Current service cost	313	244
Interest cost	199	145
Actuarial loss on obligation	185	1,098
Liability transferred to Defined Contribution Gratuity Fund	(3,304)	-
As at end of the year	63	2,670

43.16.5 Movement in fair value of plan assets

As at beginning of the year	2,842	-
Fair value of planned assets in respect of employees transferred from associated companies	-	1,418
Expected return on plan assets	214	167
Contribution by the Company	215	-
Actuarial gain on plan assets	(14)	1,257
Assets transferred to Defined Contribution Gratuity Fund	(3,189)	-
As at end of the year	68	2,842

(Amounts in thousand)

43.16.6 Charge for the year

	2011	2010
	------(Rupees)-----	
Current service cost	313	244
Interest cost	199	145
Expected return on plan assets	(214)	(167)
Recognition of past service cost	(2)	(2)
Net actuarial gain recognized during the year	(393)	(5)
	(97)	215

43.16.7 Principal actuarial assumptions used in the actuarial valuation

	2011	2010
	------(%)-----	
Discount rate	12.5%	14.5%
Expected per annum rate of return on plan assets	12.5%	14.5%
Expected per annum rate of increase in pension		
Expected per annum rate of increase in future salaries	12.5%	14.5%

43.16.8 Actual return on plan assets

	2011	2010
	------(Rupees)-----	
	200	1,424

43.16.9 Plan assets comprise of the following

	2011		2010	
	Rupees	%	Rupees	%
Debt Instrument	52	77%	2,360	83%
Equity Instrument	16	23%	482	17%
	68		2,842	

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

43.16.11 Expected future cost for the year ending December 31, 2012 is Rs 56.

(Amounts in thousand)

43.1.6.12 Defined benefit scheme of the Subsidiary Company - Engro Foods Supply Chain (Private) Limited

	2011 ------(Rupees)-----	2010 ------(Rupees)-----
Staff retirement and other service benefits - Gratuity scheme (note 43.1.6.13)	1,841	176

The latest actuarial valuation of the scheme was carried out as at December 31, 2011, using the 'Projected Unit Credit Method'. Details of the scheme are as follows:

43.1.6.13 Reconciliation of obligations as at year end

	2011 ------(Rupees)-----	2010 ------(Rupees)-----
Present value of defined benefit obligation	1,228	3,168
Receivable from associated companies	(2,530)	(2,530)
Unrecognized actuarial gain / (loss)	3,143	(462)
Net liability at end of the year	1,841	176

43.1.6.14 Movement in liability

Net liability at beginning of the year	176	-
Charge for the year	1,665	176
Net liability at end of the year	1,841	176

43.1.6.15 Movement in present value of defined benefit obligations

Present value of defined benefit obligations at beginning of the year	3,168	-
Service cost	1,419	176
Interest cost	547	-
Transfers from Engro Corporation Limited, a related party	-	-
Benefits paid during the year	6,822	2,530
Actuarial (gain) / loss	(10,159)	-
	(569)	462
Present value of defined benefit obligations at end of the year	1,228	3,168

(Amounts in thousand)

43.1.6.16 Cost charged to statement of comprehensive income

	2011 ------(Rupees)-----	2010 ------(Rupees)-----
Current service cost	1,419	176
Interest cost	547	-
Expected return on plan assets	(342)	-
Amortization of actuarial loss	41	-
Expense for the year	1,665	176

43.1.6.17 Principal actuarial assumptions used are as follows:

	2011 ------(%)-----	2010 ------(%)-----
Discount rate and expected return on plan assets	12.5%	14.5%
Expected per annum rate of increase in future salaries	11.5%	14.5%

43.1.6.18 Expected future cost for the year ending December 31, 2012 is Rs. 965.

43.1.6.19 Defined contribution plans

An amount of Rs. 9,576 (2010: Rs. 8,153) has been charged during the year in respect of defined contribution plans maintained by the Ultimate Holding Company (Engro Corporation Limited).

(Amounts in thousand)

44 CASH GENERATED FROM OPERATIONS

	2011	2010
	------(Rupees)-----	------(Rupees)-----
Profit before taxation	11,459,152	8,277,133
Adjustment for non-cash charges and other items:		
Depreciation	5,959,530	2,848,882
Amortisation	79,394	37,698
Profit on disposal of property, plant and equipment - net	(26,798)	(307,526)
(Gain) / loss on sale/ death of biological assets	(2,095)	5,357
Gain on fair value adjustments of embedded derivatives	(367,360)	-
Provision for retirement and other service benefits	71,864	215,227
Income on deposits / other financial assets	(1,291,784)	(388,873)
Share of income from joint venture companies (note 39)	(1,742,187)	(554,725)
Gain arising from changes in fair value less estimated point of sale costs of biological assets	(90,830)	(14,309)
Financial charges (note 38)	12,314,593	4,200,886
Employee share compensation expense - net	5,367	(30,316)
Employee Housing Subsidy expense	5,095	105,797
Provision for impairment (note 7)	554,642	-
Provision for surplus and slow moving stores and spares	38,968	19,633
Provision for doubtful trade debts	-	98,618
Provision for loans and advances	-	(4,304)
Provision reversed / (provided) for other receivables	3,347	(157)
Working capital changes (note 44.1)	4,859,836	(8,633,745)
	<u>31,830,734</u>	<u>5,875,276</u>
44.1 Working capital changes		
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(1,472,022)	(3,479,042)
- Stock-in-trade	(2,821,756)	(5,023,706)
- Trade debts	(1,256,829)	(1,693,493)
- Loans, advances, deposits and prepayments	112,967	(1,097,347)
- Other receivables (net)	(790,569)	(170,869)
	<u>(6,228,209)</u>	<u>(11,464,457)</u>
Increase / (decrease) in current liabilities		
- Trade and other payables	11,088,045	2,830,712
	<u>4,859,836</u>	<u>(8,633,745)</u>

(Amounts in thousand)

45 CASH AND CASH EQUIVALENTS

Cash and bank balances (note 18 and 45.1)	4,426,583	4,120,031
Short term investments (note 17)	8,332,154	4,426,188
Short-term borrowings (note 30 and 45.1)	(4,656,224)	(5,715,775)
	<u>8,102,513</u>	<u>2,830,444</u>

45.1 These include balances in respect of the discontinued operations of the Holding Company as disclosed in note 19 to these consolidated financial statements.

46 FINANCIAL INSTRUMENTS BY CATEGORY

	2011	2010
	------(Rupees)-----	------(Rupees)-----
Financial assets as per balance sheet		
- Loans and receivables		
Loans and advances	1,800,506	1,723,784
Trade debts	6,214,643	5,131,408
Other receivables	559,329	500,119
Cash and bank balances	4,417,885	4,120,031
	<u>12,992,363</u>	<u>11,475,342</u>
- Fair value through profit and loss		
Short term investments	8,332,154	4,426,188
- Derivatives used for hedging	239,184	3,148
	<u>8,571,338</u>	<u>4,429,336</u>
Financial liabilities as per balance sheet		
- Financial liabilities measured at amortised cost		
Borrowings	108,410,487	110,411,411
Liabilities against assets subject to finance lease	5,179	32,308
Trade and other payable	18,865,817	9,092,435
Accrued interest / mark-up	3,114,122	2,619,453
Unclaimed dividends	79,083	180,630
	<u>130,474,688</u>	<u>122,336,237</u>
- Fair value through profit and loss		
Conversion option on IFC loan	63,082	367,442
- Derivatives used for hedging	1,091,757	1,478,541
	<u>1,154,839</u>	<u>1,845,983</u>

(Amounts in thousand)

47 FINANCIAL RISK MANAGEMENT

47.1 Financial risk factors

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

Risk management is carried out by the Group's Finance and Planning departments under guidance of the respective Management Committees.

a) Market risk

i) Currency risk

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

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

Engro Fertilizers Limited, is exposed to currency risk on foreign currency borrowing of USD 259,045 as at December 31, 2011, out of which the Company has Rupee/USD hedge of USD 217,450.

Engro Foods Limited's (EFL), exposure to currency risk is limited as all the foreign purchases are made against on sight letter of credit where the payment is made on the date of delivery with no credit period. EFL imports plant and machinery and certain raw materials which exposes it to currency risk, primarily with respect to liabilities denominated in US Dollars. EFL manages the currency risk relating to US Dollar and Euro through forward exchange contracts.

Engro PowerGen Limited's, exposure resulting from outstanding import payments, foreign currency loan liabilities and related interest payments is limited as all the fluctuation in foreign exchange rates are recovered through adjustment in tariff as per the Power Purchase Agreement.

Engro Polymer and Chemical Limited (EPCL), is exposed to currency risk arising primarily with respect to US Dollars. The risk arises from outstanding payments for imports, recognized assets and liabilities in foreign currency and future commercial transactions. In the current economic environment, EPCL is significantly exposed to currency risk because of the expected volatility in exchange rates. EPCL manages the currency risk through forward exchange contracts.

Engro Eximp (Private) Limited (EEL), is exposed to currency risk against outstanding import payments. EEL ensures to the extent possible that it has options available to manage exposure through forward contracts subject to the prevailing foreign exchange regulations.

(Amounts in thousand)

At December 31, 2011, if the Pakistan Rupee had weakened / strengthened by 1% against US Dollars with all other variables held constant, consolidated post tax profit for the year would have been lower / higher by Rs. 386,252 (2010: Rs. 332,992), mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated liability.

ii) Interest rate risk

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

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

Interest rate risk of the Engro Fertilizers Limited arising on foreign currency loans are hedged through interest rate swaps. Engro Fertilizers Limited has entered into Interest Rate Swaps for USD 179,045 out of its non-current foreign currency borrowings of USD 259,045 as on December 31, 2011 (note 14.2). Rates on short term loans vary as per market movement.

Engro PowerGen Limited's exposure to interest rate risk is limited as the unfavorable fluctuations in the interest rates will be recovered through adjustment in tariff as per the Power Purchase Agreement

Engro Foods Limited's (EFL), interest rate risk arises primarily from long and short term borrowings. Borrowings at variable rates expose EFL to cash flow interest rate risk. As there are no borrowings at fixed rates, EFL is not exposed to fair value interest rate risk. EFL analyses its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account various other financing options available. For borrowing at variable rates, the rates are determined in advance for stipulated periods with reference to KIBOR.

To manage its cash flow interest rate risk, Engro Polymer and Chemicals Limited (EPCL) has entered into floating to fixed rate interest swaps on its foreign currency borrowings and floating to floating rate cross currency interest rate swap on its local borrowings. Under the interest rate swap agreements, EPCL has agreed with the banks to exchange, at half yearly intervals, the difference between contracted rates and the floating rate interest amounts calculated by reference to the agreed notional amounts.

As at December 31, 2011, if interest rates on Group's borrowings had been 1% higher/lower with all other variables held constant, consolidated post tax profit for the year would have been lower/higher by Rs. 352,259 (2010: Rs. 168,628), 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. The Group's investments in money market mutual funds are exposed to price risk related to interest rate instruments.

(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 Group maintains internal policies to place funds with commercial banks/mutual funds having a minimum short term credit rating of A1 and AM3.

Engro Fertilizers Limited and Engro Eximp (Private) Limited 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 inland letter of credits and by the fact that the exposure is spread over a wide customer base.

Engro Polymer and Chemicals Limited is not materially exposed to credit risk as unsecured credit is provided to selected parties with no history of default. Moreover, major part of trade debts is secured by bank guarantees and letters of credit from customers.

Engro Foods Limited has significant concentration of credit risk resulting from receivable from Tetra Pak Pakistan Limited, short term investments and deposits with banks and financial institutions amounting to Rs. 1,956,513 (2010: Rs. 346,057). The credit risk on liquid funds is limited because the counter parties are banks and investment funds with reasonably high credit rating.

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

	2011	2010
	------(Rupees)-----	
Loans and advances	1,798,994	1,723,784
Trade debts	2,912,685	3,335,538
Other receivables	337,394	477,323
Short term investments	8,332,154	4,426,188
Bank balances	4,417,885	4,120,031
	<u>17,799,112</u>	<u>14,082,864</u>

(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 Group's bank balances and short term investments can be assessed with reference to external credit ratings as follows:

Bank	Rating agency	Rating	Short term	Long term
ABL Cash Fund	JCR-VIS		-	AA+(f)
Allied Bank Limited	PACRA		A1+	AA
Askari Bank Limited	PACRA		A1+	AA
Askari Sovereign Fund	PACRA		-	AA+(f)
Bank Al Falah Limited	PACRA		A1+	AA
Bank Al Habib Limited	PACRA		A1+	AA+
Bank Islami Pakistan	PACRA		A1	A
Bank of Punjab	PACRA		A1+	AA-
Barclays Bank PLC, Pakistan	S & P		A1+	AA-
Burj Bank Limited	JCR-VIS		A-2	A
Citibank N.A.	S & P		A1	A+
Deutsche Bank AG	Moody's		P-1	Aa3
Dubai Islamic Bank	JCR-VIS		A1	A
Faysal Bank Limited	PACRA		A1+	AA
Habib Bank Limited	JCR-VIS		A1+	AA+
Habib Metropolitan Bank	PACRA		A1+	AA+
HBL Money Marketing Fund	JCR-VIS		-	AA+(f)
HSBC Bank Middle East Ltd.	Moody's		P-1	A1
JS Bank Limited	PACRA		A1	A
MCB Bank Limited	PACRA		A1+	AA+
MCB Cash Management Optimiser Fund	PACRA		-	AA+(f)
Meezan Bank Limited	JCR-VIS		A1+	AA-
Meezan Cash Fund	JCR-VIS		-	AA(f)
NAFA Government Securities Fund	PACRA		-	AAA(f)
National Bank of Pakistan	JCR-VIS		A-1+	AAA
NIB Bank Limited	PACRA		A1+	AA-
SAMBA Bank Limited	PACRA		A1+	AAA
Silk Bank Limited	JCR-VIS		A2	A-
Sindh Bank Limited	JCR-VIS		A1	AA-
Soneri Bank Limited	PACRA		A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA		A1+	AAA
Summit Bank (formerly Arif Habib Bank)	JCR-VIS		A2	A
UBL Liquidity Fund	JCR-VIS		-	AA+(f)
United Bank Limited	JCR-VIS		A1+	AA+
Zarai Taraqiat Bank Limited	JCR-VIS		A1+	AAA
Pak Oman Investment Company Limited	JCR-VIS		A-1+	AA+
Optimiser Fund	PACRA		-	AA+(f)

(Amounts in thousand)

c) **Liquidity risk**

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

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

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

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

	2011			2010		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	----- (Rupees) -----					
Financial liabilities						
Derivatives	452,625	702,214	1,154,839	1,040,829	805,154	1,845,983
Trade and other payables	18,865,817	-	18,865,817	9,092,435	-	9,542,533
Accrued interest / mark-up	3,114,122	-	3,114,122	2,619,453	-	2,619,453
Liabilities against assets subject to finance lease	3,884	1,295	5,179	13,310	18,998	32,308
Borrowings	25,850,072	82,560,415	108,410,487	21,259,562	89,151,849	110,411,411
Unclaimed dividends	79,083	-	79,083	180,630	-	180,630
	<u>48,365,603</u>	<u>83,263,924</u>	<u>131,629,527</u>	<u>34,656,317</u>	<u>89,976,001</u>	<u>124,632,318</u>

47.2 **Capital risk management**

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

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

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

The Group's strategy is to ensure compliance with the Prudential Regulations issued by the State Bank of Pakistan and with the agreements executed with financial institutions so that the total long term borrowings to equity ratio does not exceed the lender covenants. The total long term borrowings to equity ratio as at December 31, 2011 and 2010 are as follows:

(Amounts in thousand)

	2011	2010
	----- (Rupees) -----	
Borrowings	104,126,083	104,695,636
Total Equity	41,889,789	34,115,015
	<u>146,015,872</u>	<u>138,810,651</u>
Total borrowings to equity ratio	71%	75%

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

47.3 **Fair value estimation**

The below table 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)

The following table presents the Group's assets and liabilities that are measured at fair value as at December 31, 2011:

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Assets				
Financial assets at fair value through profit and loss				
- Short term investments - Mutual Fund Securities	4,372,596	-	-	4,372,596
Derivatives used for hedging	-	239,184	-	239,184
	<u>4,372,596</u>	<u>239,184</u>	<u>-</u>	<u>4,611,780</u>
Liabilities				
Derivatives				
- Derivatives used for hedging	-	1,091,757	-	1,091,757
- Conversion options on IFC loan	-	63,082	-	63,082
	<u>-</u>	<u>1,154,839</u>	<u>-</u>	<u>1,154,839</u>

47.4 **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.

48 **SEGMENT REPORTING**

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

Type of segments	Nature of business
Fertilizer	Manufacture, purchase and market fertilizers.
Polymer	Manufacture, market and sell Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and related chemicals.
Food	Manufacture, process and sell dairy and other food products.
Power	Includes Independent Power Projects (IPP)
Other operations	Includes engineering and automation businesses.

	Fertilizer	Polymer	Food	Power	Other operations	Elimination - net	Consolidated							
	2011	2011	2011	2011	2011	2011	2011							
	2010	2010	2010	2010	2010	2010	2010							
	Rupees													
Revenue from external customers (note 32)	55,823,127	36,280,206	17,049,898	14,618,594	31,939,599	21,050,039	8,339,210	5,727,336	1,268,006	2,284,891	192,897	14,699	114,611,837	79,975,765
Segment gross profit / (loss)	20,642,054	12,839,633	2,157,795	1,303,990	6,481,534	4,428,157	2,286,349	1,606,942	348,368	634,958	163,156	(240,045)	32,081,256	20,273,635
Segment expenses - net of other income	(3,553,275)	(2,917,965)	(1,522,316)	(1,106,845)	(4,722,792)	(3,500,544)	(504,691)	(110,772)	(1,343,956)	(1,074,661)	305,548	(28,407)	(11,341,482)	(8,739,214)
Income on deposits / other financial assets (note 36)	589,200	143,133	26,620	17,222	22,164	10,070	379,028	11,337	765,265	308,841	(490,493)	(101,730)	1,291,784	388,873
Financial charges (note 38)	(7,922,839)	(1,658,067)	(1,739,214)	(1,438,988)	(1,442,088)	(664,710)	(429,250)	(400,336)	(914,321)	(218,023)	133,119	179,238	(12,314,593)	(4,200,886)
Share of income from joint venture (note 39)	-	-	-	-	-	-	-	-	1,742,187	554,725	-	-	1,742,187	554,725
Income tax (charge) / credit (note 40)	(3,540,951)	(2,064,641)	370,649	454,340	(812,889)	(96,113)	(15,511)	(7,588)	(28,840)	(133,028)	(120,219)	10,899	(3,647,761)	(1,836,131)
Segment profit after tax / (loss)	6,214,189	5,842,073	(706,466)	(770,281)	25,929	176,860	1,717,925	1,099,583	568,703	272,812	(8,889)	(180,045)	7,811,391	6,441,002
Segment assets	106,848,430	103,137,514	23,805,891	24,157,962	25,334,544	14,030,946	21,282,393	19,075,705	34,366,519	32,113,990	(60,350,295)	(28,247,170)	181,287,482	164,288,947
Investment in joint venture / associate (note 8)	-	-	-	-	-	-	-	-	-	-	1,716,692	509,505	1,716,692	509,505
Total segment assets	106,848,430	103,137,514	23,805,891	24,157,962	25,334,544	14,030,946	21,282,393	19,075,705	34,366,519	32,113,990	(28,633,603)	(27,737,665)	183,004,174	164,778,452
Total segment liabilities	90,211,120	88,366,216	17,565,039	17,172,102	12,937,879	8,486,607	15,550,694	14,378,617	8,262,414	5,011,202	(3,412,751)	(2,751,504)	141,114,385	130,663,440
Capital expenditure including biological assets	2,275,040	15,035,998	533,038	880,042	6,112,361	4,360,135	(111,428)	763,065	(36,419)	113,667	-	-	8,772,593	21,152,907
Depreciation (note 4.2)	3,132,016	791,117	1,154,128	1,016,117	1,036,528	713,640	552,308	384,688	84,550	47,596	-	24,436	5,959,530	2,977,594
Amortization of intangibles (note 7.1)	17,626	19,111	8,542	4,764	42,396	14,160	10,830	6,361	-	1,574	-	-	79,394	45,970

(Amounts in thousand)

48.1 Discontinued operations pertaining to Avanceon Limited, as more fully discussed in note 19, have been classified under 'Other operations'.

49 TRANSACTIONS WITH RELATED PARTIES

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

	2011	2010
	------(Rupees)-----	
Associated Companies		
Purchases and services	11,737,975	9,994,924
Services rendered	56,382	126,132
Dividends paid	855,569	574,111
Payment of interest on TFCs and repayment of principal amount	200,388	120,454
Investment in mutual funds	2,665,967	1,632,000
Redemption of mutual funds	2,634,900	1,137,794
Joint Ventures		
Purchase of services	800,615	1,030,972
Services rendered	2,124	1,504
Others		
Dividends paid	6,795	19,446
Remuneration of key management personnel	552,969	419,763

50 DONATIONS

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

	Interest in donee	Name and address of donee	2011	2010
			------(Rupees)-----	
Mr. Hussain Dawood and Mr. Asad Umar	Chairman Director	Karachi Education Initiative	-	150
Mr. Asad Umar and Mr. Khalid Siraj Subhani	Director	Engro Foundation	78,879	71,040
			<u>78,879</u>	<u>71,190</u>

(Amounts in thousand)

51 PRODUCTION CAPACITY

		Designed Annual Capacity		Actual Production	
		2011	2010	2011	2010
Urea (note 51.1 and 51.2)	Metric Tons	2,275,000	975,000	1,279,378	971,913
NPK	Metric Tons	100,000	100,000	113,172	100,270
PVC Resin	Metric Tons	150,000	150,000	122,000	115,000
EDC	Metric Tons	127,000	127,000	104,000	96,000
Caustic soda	Metric Tons	106,000	106,000	98,000	93,000
VCM (note 51.3)	Metric Tons	220,000	74,000	100,000	64,000
Power (note 51.4)	Mega watts	279.7	281.3	235	254
Dairy and juices	Thousand Litres	525,009	446,503	388,236	314,650
Drying unit of rice processing plant	Metric Tons	134,000	40,000	24,456	19,778
Ice cream	Thousand Litres	35,527	19,032	17,763	12,672

51.1 This includes 1,300,000 MT designed capacity of Urea plant II. The plant II (Enven) commenced commercial production on June 24, 2011 and produced 326,994 MT till December 31, 2011.

51.2 Urea plant also produced Nil (2010: 611) metric tons of Liquid Ammonia for outside sale.

51.3 The new VCM plant with a capacity of 220,000 Metric tons commenced commercial production from September 30, 2010.

51.4 Actual energy delivered by the plant is dependent on the load demanded by WAPDA and plant availability

52 LOSS OF CERTAIN ACCOUNTING RECORDS

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

The fire destroyed a substantial portion of its hard copy records related to the financial years 2005, 2006 and the period January 01, 2007 to August 19, 2007 although, electronic data remained intact due to the Company's Disaster Recovery Plan. The Holding Company launched an initiative to recreate significant lost records and was successful in gathering the same in respect of the financial year 2007. Hard copy records related to the already reported financial years 2005 and 2006 have not been recreated.

53 NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

53.1 The Board of Directors of the Holding Company in its meeting held on February 16, 2012 has proposed a final cash dividend of Rs. 2 per share (2010: Rs. 2 per share final cash dividend) and bonus issue in the ratio of 3 for every 10 shares held i.e. 30% bonus, for approval of the members at the Annual General Meeting to be held on March 30, 2012.

The consolidated financial statements for the year ended December 31, 2011 do not include the effect of the proposed cash dividends, which will be accounted for in the consolidated financial statements for the year ending December 31, 2012.

(Amounts in thousand)

53.2 The Board of Directors of Engro Vopak Terminal Limited, a joint venture company, in its meeting held on January 31, 2012 has proposed a final cash dividend of Rs. 16 per share for the year ended December 31, 2011, amounting to Rs. 1,440,000, of which the proportionate share of the Holding Company amounts to Rs. 720,000.

These consolidated financial statements for the year ended December 31, 2011 do not include the effect of the aforementioned dividend income which will be accounted for in the consolidated financial statements for the year ending December 31, 2012 once the proposed dividend is approved in the Annual General Meeting of Engro Vopak Terminal Limited.

54 LIST OF SUBSIDIARY COMPANIES, AND JOINT VENTURE

Name of subsidiaries	Financial year end
Engro Fertilizers Limited	December 31st
Engro Foods Limited	December 31st
Engro Eximp (Private) Limited	December 31st
Engro Management Services (Private) Limited	December 31st
Engro Polymer and Chemicals Limited	December 31st
Engro PowerGen Limited	December 31st
Engro Foods Netherlands B.V.	December 31st
Avanceon Limited	December 31st
Name of Joint Venture	
Engro Vopak Terminal Limited	December 31st

55 CORRESPONDING FIGURES


For better presentation, corresponding figure of 'foreign exchange loss on borrowings' amounting to Rs. 120,802 has been reclassified from 'Other expenses' (note 37) to 'Finance cost' (note 38) in these financial statements. The effect of other rearrangements and reclassifications, if any, are not material.

56 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on February 16, 2012 by the Board of Directors of the Holding Company.



Hussain Dawood
Chairman



Asad Umar
President & CEO