

around us

Annual Report 2013



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DCP/THE DYHAMIDI PARTNERSHIP/DESIGN



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company information

between us



company information

Board of Directors

Aliuddin Ansari, Chairman
Sarfraz A. Rehman, Chief Executive Officer
Abdul Samad Dawood
Muhammed Amin
Mujahid Hamid
Roshaneh Zafar
Ruhail Mohammed
Sabrina Dawood
Shahzada Dawood
Zafar Ahmed Siddiqui

Chief Financial Officer

Imran Anwer

Company Secretary

Faiz Chapra

Auditors

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

Share Registrar

M/s. FAMCO Associates (Private) Limited
8-F, next to Hotel Faran Block-6, PECHS, Shahra-e-Faisal
Karachi - Pakistan.

Bankers

Al-Baraka Bank Pakistan Limited
Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Barclays Bank PLC Pakistan
Citibank N.A.
Deutsche Bank AG
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Pak Brunei Investment Company Limited
Samba Bank Limited
Soneri Bank Limited
Standard Chartered Bank Pakistan Limited
The Bank of Khyber
The Bank of Punjab
United Bank Limited

Registered Office

6th Floor, The Harbor Front Building
HC-3, Marine Drive, Block - 4, Clifton
Karachi - 75600, Pakistan.
Tel: +92(21) 35297501 - 35297510
Fax: +92(21) 35810669
e-mail: info@engrofoods.com
Website: www.engrofoods.com
www.engro.com

notice of meeting

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of Engro Foods Limited will be held at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi on Wednesday, April 30, 2014 at 10.00 a.m. to transact the following business:

A. Ordinary Business

- (1) To receive and consider the Audited Accounts for the year ended December 31, 2013 and the Directors' and Auditors' Reports thereon.
- (2) To appoint Auditors and fix their remuneration.

B. Special Business

By Order of the Board

FAIZ CHAPRA
Company Secretary

N.B.

- (1) The Share Transfer Books of the Company will be closed from Wednesday, April 16, 2014 to Wednesday, April 30, 2014 (both days inclusive). Transfers received in order at the office of our Registrar, M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Block 6, P.E.C.H.S. Shahra e Faisal, Karachi, by the close of business (5:00 p.m) on Tuesday, April 15, 2014 will be treated in time to entitle the transferees to attend the meeting.
- (2) A member entitled to attend and vote at this Meeting shall be entitled to appoint another person, as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Meeting as are available to a member. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the Meeting. A proxy need not be a member of the Company.

our vision

Engro Foods will continue to make investments aimed at impacting lives and delighting consumers each day, every day, in a multitude of ways.



At Engro Foods, at the heart of our operational strategy is an unwavering commitment to make investments geared towards bolstering the economy in ways that can translate our growth into heightened prosperity for Pakistan and beyond. Keeping this as our core focus, we have always strived to create value by making a meaningful contribution to our economy, our stake-holders and all the communities that we engage and do business with.

The scope of our long-term vision therefore extends far beyond our success as a business entity to encompass sustained economic growth through agri-business development across Pakistan.

Highlighting this vision, our corporate focus on deploying inclusive business model further reinforces our commitment to foster growth and development across Pakistan by delivering value, creating livelihoods and improving life for thousands of vulnerable Pakistanis struggling at the lowest rung of the economic ladder in marginalized rural communities.

From the consumers who seek our guaranteed brand of nutrition and quality, to the myriad suppliers and thousands of small-scale dairy farmers relying on our business to make ends meet, our business philosophy embodies Engro Foods' growing contribution across all segments of Pakistani society.

Empowering people in low-income communities, Engro Foods is a symbol of hope that allows thousands of people to boost their livelihoods and contribute to economic development by becoming active participants in Pakistan's agribusiness supply chain.

Recognized by the International Finance Corporation (IFC) - a member of the World Bank Group at the 'G20 Challenge on Inclusive Business Innovation' for pioneering a business model that positively impacts neglected, low-income communities, at Engro Foods we are aware of the fact that our efforts are critical for Pakistan's long-term growth.

So as we stand resolute in our commitment to fuel growth by fueling the nation's economy, Engro Foods will continue to make investments aimed at impacting lives and inspiring hope for millions of Pakistanis every day, in a multitude of ways.

At Engro Foods, at the heart of our operational strategy is an unwavering commitment to make investments geared towards bolstering the economy in ways that can translate our growth into heightened prosperity for Pakistan and beyond. Keeping this as our core focus, we have always strived to create value by making a meaningful contribution to our economy, our stake-holders and all the communities that we engage and do business with.

core values

At Engro Foods our core values continue to define every aspect of our way of doing business ensuring that we value the five hats that we wear to guide us in our purpose, principles and business operations.



Ethics and Integrity

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



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



Community & Society

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

our overview

fostering agri-business growth with our business



around us

Since our inception in 2005, we at Engro Foods have remained firmly committed to our goal of serving Pakistan's economy and our consumers with compelling brands unparalleled in quality, value and nutrition.

In the last five years, as we have grown from strength to strength, we have redefined industry benchmarks and changed the very landscape of the country's foods business. Our products have consistently raised the bar for quality by setting the highest standards and paving the way for growing consumer expectations.

As Pakistan's fastest growing local company with significant investments into brands over the years, such as Olper's, Tarang, Olper's Lite, Omoré and Dairy Omung has fueled growth within the country's socio-economic fabric.

With over 18,000 milk collection units providing livelihood to 250,000+ farmers across Pakistan, our success today directly translates into growth of the country's agri-business

sector accounting for more than 11% of Pakistan's GDP. At Engro Foods, we take pride in the fact that our growth fuels Pakistan's growth.

We are also immensely proud of our growing operations spanning 310+ cities and four provinces of Pakistan, as well as across 18 US states and 4 Canadian provinces.

As the country's biggest local conglomerate, leading ice-cream manufacturer and market leader in UHT, at Engro Foods we have taken many firsts including our milestone of being the first Pakistani company to produce 1 billion tetra packs in a single year.

Today our food products are sought after by everyone everywhere. So as we continue to solidify our presence, we do so with the confidence that the years ahead will bring forth new milestones for Engro Foods, and greater prosperity for Pakistan.

05 million
consumers nationwide use our products every day

Rs. 40 billion+
in payments to dairy farmers as direct income since inception

1,500+
employees elevate consumer delight worldwide

2,000+
milk collection points spread throughout the country

our portfolio

At Engro Foods, we put great emphasis on manufacturing food products that combine great taste with the best value and nutrition to enhance lives, excite consumers and exceed expectations every day.



around us

New milestones bigger challenges

At Engro Foods, we put great emphasis on manufacturing food products that combine great taste with the best value and nutrition to enhance lives, excite consumers and exceed expectations every day.

It is this mindset that has contributed to our growing success over the years, making brands like Olper's, Omore, Al Safa and Tarang household names and heavily relied upon by a thriving consumer base across Pakistan, USA and Canada

Presently our product portfolio comprises some of the country's biggest and best-selling brands including Olper's, Tarang, Olper's Lite, Olper's Flavoured Milk, Omore, Dairy Omung,

Omung Dobala and Olper's Tarrka. We also have a presence in the global halal foods market with Al-Safa brand in North America, targeting one of the continent's fastest growing populations of more than 8 million Muslim consumers.

So whether it is our thick, creamy all-purpose milk or our wide range of beverages, nutritious ice-creams and frozen desserts and mouth-watering halal food products, our brands embody the highest standards of quality – making them sought after by consumers across Pakistan and beyond.

Strengths

- Innovation driven by consumer insight
- Highly effective marketing organization
- Ethnic halal knowledge & relationship with Modern trade in North America
- Integrated supply chain
- Retail coverage of 115,000 shops
- Cold chain coverage of 25,000 freezers
- Deep rural procurement touching 100,000+ farmers & 12,000 Villages
- Managing dairy farm & animal feed employing international best practices.

Opportunities

- New businesses pilot projects
 - Fresh Dairy (Pasteurized Milk)
 - Meat
 - Juices and beverages
 - Value added dairy products
- Export opportunities on all existing product lines.

Threats

- Energy – gas and electricity shortages nation-wide
- Law & Order situation
- Implication of sales tax regime on dairy industry.

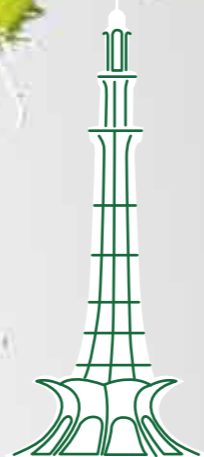
Weaknesses

- Currently operating with limited category extensions/offerings
- Recent restructuring in distribution.

our footprint

Our growing market share covers over 8 regions and 300+ cities in Pakistan as well as over 18 states in USA and 4 provinces in Canada, where our halal food range continues to attract a wide cross-section of consumers.

In our quest to expand our global footprint and develop new markets, the coming years will therefore witness Engro Foods explore new product categories and bigger markets with quality food products guaranteed to leave our consumers craving for more.



North America

4 provinces in Canada

18+ states in USA

Pakistan

300+ cities

2000+

milk collection points

2 processing plants & a production farm

corporate governance

sustain us



corporate governance

Compliance Statement

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

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 only provide reasonable but not absolute assurance against material misstatement or loss.

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

Framework

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

Review

The Board meets quarterly to consider 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 company-wide policy governing appraisal and approval of investment expenditure and asset disposals. Post completion reviews are performed on all material investment expenditure.

Audit

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

Directors

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

A non-executive Director, Mr. Aliuddin Ansari, chairs the Board and the Chief Executive Officer is Mr. Sarfaraz Ahmed Rehman. Biographical details of the Directors are given later 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 08 times this year and discussed matters relating to inter alia long term planning, giving consideration both to the opportunities and risks of future strategy.

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

The Board has established two committees which are chaired by independent and/or non-executive directors. These committees are as follows:

Board Compensation Committee

The Committee meets 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 relating to the remunerations of the executive directors and members of the management committee.

The CEO of the Company and the Vice President HR of Engro Corp attend the Board Compensation Committee Meeting by invitation.

The committee met 4 times during 2013.

Committee Members

The committee comprises the following members:

Aliuddin Ansari	Chairman
Muhammad Amin	Member
Mujahid Hamid	Member
Shahzada Dawood	Member
Kanwer A. Saeed	Secretary
Sarfaraz A. Rehman	On Invitation

Board Audit Committee

The Board Audit Committee assists the board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to share-holders, systems of internal control and risk management and the audit process. It has the autonomy 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 5 times during 2013.

Committee Members

The committee comprises the following members:

Zafar Ahmed Siddiqui	Chairman
Abdul Samad Khan*	Member
Ruhail Mohammed	Member
Shahzada Dawood	Member
Muhammad Imran Khalil	GM Internal Audit / Secretary BAC

* Resigned as Director on August 26, 2013. The position is vacant

Functional Committees

COED Committee

COED Committee is responsible for the review of compensation, organization, training and development matters.

The committee comprises the following members:

Sarfaraz A. Rehman - CEO
 Ahsan Afzaal Ahmad
 Ali Khan Bajauri
 Babur Sultan
 Imran Anwer
 Kanwer A. Saeed
 Salman Goheer
 Usman Zaheer

Management Committee

The Management Committee is responsible for devising the overall business strategy and overseeing operations to ensure that annual business plans are aligned with the company's long-term growth vision.

The Committee comprises the following members:

Sarfaraz A. Rehman - CEO
 Ahsan Afzaal Ahmad
 Ali Khan Bajauri
 Babur Sultan
 Imran Anwer
 Kanwer A. Saeed
 Salman Goheer
 Syed Saud A. Pasha
 Usman Zaheer

Corporate Committee for Food Safety, Health, Personnel Safety and Environment

The Corporate FHSE Committee develops and implements the HSE policy whilst ensuring that all Company operations adhere to the policy.

The Committee met 7 times during 2013.

The Committee comprises the following members:

Sarfaraz A. Rehman	Chairman
Ahsan Afzaal Ahmad	Member
Babur Sultan	Member
Imran Anwer	Member
Kanwer A. Saeed	Member
Salman Goheer	Member
Syed Saud A. Pasha	Member
Usman Zaheer	Member
Adnan Mahmood	Secretary

Speak Out Policy

When it comes to encouraging high standards, Engro ensures adherence to the codes of ethics and governance laid out in the company's guidelines. There is an active policy that encourages employees to speak out when they see violations of the code of corporate governance or ethics. Engro is one of the very few companies in Pakistan that has a whistleblower protection policy. It is part of our commitment to our people that we want to create the environment where people do not feel that their job would be at stake if they report negative information.

The whistleblower policy ensures that employees are able to lodge complaints through e-mail as well as through a toll-free telephone number. Each complaint is taken up by the Board Audit Committee and thoroughly investigated. While Engro is devoted to the idea of achieving excellence in everything it does. To this end, we are making public the data collected by our reporting mechanisms, so that all of our stakeholders can be aware of our efforts - and the degree of success we have had - in achieving the highest standards of corporate ethics and governance.

Business Continuity Planning (BCP)

Given our growth trajectory since our inception it is imperative for the business to engage in rigorous crisis management on a consolidated basis. In the recent years such an exercise has become all the more critical to driving operational excellence in all that we do. The holistic crisis management exercises that we conduct are reflective of the increasing diversity and complexity of risks that accompanies our business expansion.

As part of a comprehensive exercise we continue to engage in Business Continuity Planning cycles on an ongoing basis. BCP refers to an action plan formulated in advance with the aim of preventing breakdown of important company operations or restoring and restarting them in as little time as possible if they are interrupted by the occurrence of an unexpected event such as a natural disaster or any untoward incident. We have formulated BCPs - with detailed standard operating procedures (SOPs) for backup of important company assets including physical and virtual data - for different types of crisis such as natural disasters, new infectious diseases, international or national political problems and various other external incidents. In the event of any such unexpected situation, our businesses are fully equipped to initiate their BCP response protocols and work to ensure the continuity of important operations at the very least and to quickly restore such operations.

directors profile

At Engro Foods, we draw our strength from the combined expertise, knowledge and skills of our board of directors representing a group of highly successful professionals and business leaders, who bring in a wealth of ideas and experience that can be applied to all aspects of our operations.



Muhammad Aliuddin Ansari

Chairman

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

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

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

Sarfaraz A. Rehman

CEO & President

Sarfaraz is a chartered accountant by qualification and has 29 years of professional work experience, mainly in the FMCG industry with some time spent in the Healthcare industry also. He started his career with Unilever in 1983 and spent time in Finance, Marketing Services, Management Accounting and Cost savings projects. He then moved to Smithkline Beecham where he was involved in the Merger and Strategic Planning at the time of the merger.

Later he spent several years abroad with Jardine Matheson/Olayan mainly in Finance and Business Development. Sarfaraz then moved to PepsiCo and spent several years managing the Pakistan and Afghanistan Unit. Later he was also involved with postings and consultancy assignments primarily outside Pakistan between 2004 and 2005.

On his return to Pakistan, Sarfaraz launched Engro Foods Limited in 2005 and for over six years was in the position of CEO Engro Foods. In 2011, Sarfaraz decided to move out of commercial operations into philanthropy and was heading Dawood Foundation before he rejoined Engro Foods as the CEO in 2013.



Ruhail Mohammed

Director

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

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

He is on the Board of Engro Corporation Limited and its various subsidiaries. In addition, he is also on the Boards of Cyan Limited, Hub Power Company Limited & Pakistan Institute of Corporate Governance. He joined the board in 2006.



Shahzada Dawood

Director

Shahzada Dawood serves as a Director on the Boards of Dawood Hercules Corporation Ltd, Engro Corporation Ltd, DH Fertilizers Ltd, Dawood Corporation (Pvt) Ltd, Engro Foods Ltd, Engro Powergen Ltd, Engro Powergen Qadirpur Ltd, Engro Vopak Terminal Ltd, Pebbles (Pvt) Ltd, Patek (Pvt) Ltd, Engro Polymer & Chemicals Limited, Sirius (Pvt) Ltd and Tenaga Generasi Ltd. He also serves as a Director of Dawood Lawrencepur Ltd and Engro Fertilizers Ltd. He is a Trustee of The Dawood Foundation, which is one of the largest public charitable trusts in Pakistan, supporting education and health initiatives. He serves as a Member of the Board of Governors of the National Management Foundation, the sponsoring body of Lahore University of Management Sciences (LUMS). He is an M.Sc. in Global Textile Marketing from Philadelphia University, USA, and an LLB from Buckingham University, UK and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance. He joined the Board in 2006.



Muhammad Amin

Director

Muhammad Amin is a Chartered Accountant with over 25 years of professional experience. Presently he is CEO of Mondelez Pakistan Limited (Formerly Kraft Foods Pakistan Limited). Prior to joining Mondelez, he was associated with Gillette for 11 years in Pakistan and overseas. During his stay at Gillette, he has led the Marketing, Sales and Finance functions and undertook Regional roles as well. He last served Gillette as Regional Business Director, Middle East and Africa for the shaving business. He joined the Board in 2006.



Zafar Ahmed Siddiqui

Director

Zafar Ahmed Siddiqui graduated with an MBA from the IBA, Karachi and holds a masters' degree in marketing communications from Chicago. His careers spans more than 27 years of FMCG experience in sales, marketing and management and includes a host of senior positions including Chief Executive Gillette Pakistan (Pvt.) Ltd., and Area Director, Gillette Afghanistan, Sri Lanka, Bangladesh, Nepal and Maldives. Siddiqui is also a member of the Board of Directors for Inbox Business Technologies (Pvt.) Limited and Zulfiqar Industries. Currently he is a Professor of Practice at the Institute of Business Administration, Karachi. He joined the Board in 2006.



Mujahid Hamid

Director

Mr. Hamid is an internationally experienced business consultant who provides strategy consulting services to clients across a range of industries, including consumer products, media, entertainment and health care. He holds a Master's degree in Business Administration (Marketing) from IBA, Karachi.

He has occupied various senior executive positions in Pakistan and the Far East, including serving as Chairman and CEO of Unilever HPC China from 1998 to 2001. He has completed a ten year tenure as a member of the Board of Governors of Shaikat Khanum Cancer Hospital and is currently serving as the Managing Director of ZIL. He joined the Board in 2009.



Abdul Samad Dawood

Director

Abdul Samad is a graduate in Economics from University College London, UK and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance. He is the CEO of Cyan Limited, Dawood Corporation Private Limited, and Patek (Private) Limited. He is also a Director on the Board of Dawood Hercules Corporation Limited, The Hub Power Company Limited, Dawood Lawrencepur Limited, Engro Foods Limited, DH Fertilizers Limited, Tenaga Generasi Limited, and Pebbles (Private) Limited. He is a member of Young President Organization, Pakistan Chapter. He joined the Board in 2012.



Roshaneh Zafar

Director

Ms. Roshaneh Zafar is a graduate of the Wharton Business School, University of Pennsylvania, USA and also holds a Masters degree in Development Economics from Yale University, USA. She has worked with the World Bank as a women-in-development associate in the water and sanitation sectors. Ms. Zafar founded Kashf Foundation in 1996 after a chance meeting with Professor Yunus, and has also founded the Kashf Microfinance Bank in 2008. She has been representing Kashf and Pakistan on many international forums including the World Economic Forum and has been the recipient of many international and national awards. She is also on the board of other not-for profit organizations including Sahil, Women's World Bank and Karvaan Krafts, while she is also a Director on the Board of Engro Foods. She joined the Board in 2012.



Sabrina Dawood

Director

Sabrina graduated with a MSc with distinction in Medical Anthropology from University College London, and a double honours B.A. in Anthropology and Law from London School of Economics. She is the CEO of Dawood Foundation, the philanthropic arm of the Dawood Group and heads Dawood Public School, an O and A level trust school for over 1700 girls. She has previously worked in setting up the CSR department in Dawood Hercules Chemicals Limited and has been involved with the designing and marketing for Lawrencepur. She joined the Board in 2013.

board of directors

Left to Right:

Abdul Samad Dawood, Zafar Ahmed Siddiqui, Roshaneh Zafar, Ruhail Mohammed, Muhammad Aliuddin Ansari Sarfaraz A. Rehman, Mujahid Hamid, Sabrina Dawood, Shahzada Dawood and Muhammad Amin.



management committee

Left to Right:

Ali Khan Bajauri, Babur Sultan, Kanwer Anwer Saeed, Imran Anwer, Sarfaraz Rehman,
Usman Zaheer, Syed Saud A. Pasha, Salman Goheer and Ahsan Afzaal.



IT governance

IT governance (ITG) is defined as the processes that ensure the effective and efficient use of IT in enabling an organization to achieve its goals

IT Governance frameworks help align business and IT objectives. This is in place to ensure strategy planning, appropriate utilization of corporate resource(s), risk management and operation continuity. The core focus for the said policy remains on:

- Complying with evolving legislation and regulations
- Keeping up with continuing innovations in technology
- Being an enabler and driver for business strategy
- Mitigating increasing risks within the IT environment

Engro Foods head office is connected to all plants, sales and milk procurement sites through Wide Area communication network whereas, all respective sites have their respective Local Area Networks. All communication links are being monitored proactively.

Engro Foods Information Systems Department has implemented SAP as their key ERP system. Additionally, there are business applications to address specific business and/or functional needs e.g. EMAN (Engro Milk Automation Network), ORANGE (Sales Distribution System), LIFE (Sharepoint – Automation of User Process) and Microsoft Exchange (Email Communication Tool). These are to facilitate corporate functions and add value to business.

IS Governance structure ensures the confidentiality, integrity and authenticity for these business applications & processes being automated such as:

- Monthly and quarterly financial statements comply with business functional policies
- Financial reports are delivered on time
- Sufficient internal controls exist and are performed
- Required reconciliations are properly done
- Material business and financial risks are identified and reported

To ensure all of the above, Information Systems has done detailed ITGC and Risk Management Audit(s). We have placed due importance on required policies for change management, incident management, data & information security and data center. Internal Audit function is also helping to manage governance function independently.

Manager for a business unit or division (e.g. Director HR or Supply Chain Division Head) holds the responsibility for the business processes and data residing on one or more Information Systems Applications and Databases. These contain approval hierarchy and ownership for business critical information systems for access, configuration, data, incident or other areas implemented through information system policies. The process of analyzing, planning and executing a sustainable approach in addressing changes to information systems within the organization is also in place.

Engro Foods has in place a Disaster Recovery plan for smooth Information Systems operations and DRP (Disaster Recovery Plan) drill is executed on a quarterly basis. This is a plan of action in response to major disruption in information systems which could result in discontinuation of mission critical business activities.

Engro Foods head office is connected to all plants, sales and milk procurement sites through Wide Area communication network whereas, all respective sites have their respective Local Area Networks. All communication links are being monitored proactively.

report of the audit committee

The terms of the Audit Committee's mandate are governed by the Board of Directors and the Code of Corporate Governance. The Committee comprises of all non-executives and one independent director, with at least one member having expert knowledge of finance and accounting. Of the non-executives, one is the executive of another Engro group company. The Committee monitors the integrity of financial information and provides comfort to the Board that the Company's internal controls and risk management systems are appropriate and regularly reviewed. As the external environment continued to be challenging during the year, the Committee focused on ensuring that the Company's systems and controls were operating effectively, were responsive to the external environment and are evolving in line with the Company's growth.

The Audit Committee uses information drawn from a number of different sources to carry out this responsibility including:

- objective assurance provided by Internal Audit through its annual work plan, which is approved by the Audit Committee focusing on the principal risks identified in the risk assessment and key internal controls;
- regular reports to the Audit Committee from executive management and key Company support functions detailing their risk management and compliance approaches and highlighting any significant issues;
- further objective assurance provided by external auditors.

Where matters relate to the financial statements, the Committee reviews the approach, the estimates and judgments applied, the recommendations of management and the findings of the external auditors, where applicable.

The Audit Committee met five times during the year. Regular attendees at the Committee meetings included the Chief Financial Officer, the Head of Internal Audit, the Chief Financial Officer of Engro Corporation and the Head of Internal Audit of Engro Corporation. The heads of departments were also present for the appropriate items of the agenda, as and when required. The Committee also at least once in the year met with:

- the external auditors in absence of the CFO and Head of Internal Audit; and
- the head of internal audit and other members of internal audit function without the CFO and external auditors being present.

Internal Auditors

The internal control framework has been effectively implemented through an independent in-house Internal Audit function established by the Board. The system of internal controls is designed to manage the risk of not achieving business objectives, and provides reasonable assurance against material misstatement. This covers all material controls including financial, operational and compliance and risk management systems.

The Head of Internal Audit has direct access to the Chairman of the Committee and the Committee has ensured that the function has all necessary access to management and the right to seek information and explanations. The Internal Audit function has carried out its duties under the Charter approved by the Committee. During the year, the Audit Committee monitored the effectiveness of the Internal Audit function through discussions with the Internal Audit Head along with reviewing matters arising from the Internal Audit reports, management's responses and action taken thereon. Accordingly, as and when necessary the Committee escalated matters to the Board for their review and action.

Further, the Committee examined and assessed for appropriateness the resolution of complaints by the Internal Audit function received via the Company's Whistleblower function. This function has been designed to encourage employees and other stakeholders to report concerns about accounting controls, auditing matters or any other practices which may appear to be questionable.

External Auditors

The Audit Committee undertakes a periodic formal review of the appointment of external auditors, taking into consideration a number of factors including the length of time the firm has been engaged, the quality of the Audit Committee's ongoing discussions with the external auditors, assessment of their past performance, etc. Based on the results of the evaluation, the Committee has recommended reappointment of the current external auditors to the Board. On the recommendation of the Audit Committee, the Directors will be proposing the reappointment of A.F. Ferguson & Co. at the Annual General Meeting on April 30, 2014.

The Committee has a constructive and open relationship with management and we thank them for their assistance during the year.

Zafar Ahmed Siddiqui
Chairman, Board Audit Committee

directors' report

comfort us



ceo's message



As a company founded on the premise of bringing prosperity to Pakistan's rural communities, at Engro Foods we place immense importance to our founding values and strive each day to combine our heritage with our passion to deliver quality, value and satisfaction to our stake-holders. In our quest to deliver the maximum value to our consumers, employees and share-holders, we continue to seek different approaches that can successfully leverage our agricultural expertise, heighten consumer satisfaction and strengthen our business.

Even so, conditions during the first half of the year 2013 proved to be a challenge for Engro Foods as we experienced unexpected bottlenecks in our distribution network due to an over aggressive focus on expanding our product lines. While these unanticipated hurdles slowed our productivity, during the second half of 2013 we focused increasingly on rebuilding our distribution network and improving our milk collection process, which yielded positive results and enabled us to regain our market position. Since then, we have grown in volume by almost 35% from the period between July to December 2013. Our month-on-month growth during Q4, 2013 also remained consistently high, which indicates how the sustainability of our business model aids our growth in the industry.

Growth during Q4, 2013 was also driven by an increase in the market share of our power brand Tarang as well as our second biggest brand Olper's - a trend that we hope to gain momentum on in the coming year.

The year 2013 also paved the way for some new exciting ventures for Engro Foods. Exploring the untapped potential of the fresh dairy market, we launched a pilot project aimed at offering pasteurised milk as a healthier and tastier alternative to raw milk for consumers in Karachi, which remains by far the biggest market in Pakistan for fresh milk.

As morale runs high throughout our business, we are also anticipating increased growth in all product categories, with plans to expand our product line into related categories.

As a company that focuses on providing sustainable livelihood solutions to the underprivileged segments of society, Engro Foods continues to partner with Engro Foundation in initiatives that seek to impact lives and inspire change in marginalized communities. Our medical and educational initiatives specifically target our stakeholders in our Sukkur plant as well as our Nara farm and Sahiwal factory regions. We also continue to invest in our Women Empowerment Through Livestock Development (WELD) project, which has empowered more than 20,000 people boost their earning potential and livestock management skills. As a company, we also go the extra mile to provide intervention and disaster management support promptly and will continue to step up and extend our resources to support our country's rural communities on humanitarian grounds.

As we embrace a new year, I am confident about the company's growth prospects in the future and have the utmost faith in our team and all the people who have worked to the bone to make Engro Foods the unique entity that it is today.

Sarfaraz A. Rehman

Chief Executive Officer

directors' report

On behalf of the Board of Directors of Engro Foods Limited, we are pleased to submit the annual report and the audited financial information of the Company for the year ended December 31, 2013.

Principal Activities

Engro Foods Limited, a majority owned subsidiary of Engro Corp. Limited, is engaged in the manufacturing, processing and marketing of dairy products, ice cream and frozen desserts and beverages. As an example of Engro's pursuit of excellence, the business has established several brands that have already become household names in Pakistan such as Olper's, Tarang, Dairy Omung and Omore amongst others. The Company also owns a packaged food marketing company based in Canada, Al-Safa Halal.

Business Overview

The year 2013 was a test of Company's resilience to face turbulent times after a smooth ride for few years back to back. Externalities like aggravating power crises and law & order situation coupled with high inflation and significant rise in energy bills had an impact on consumer spend. Apart from these external factors, the Company also faced distribution issues which impacted its volumes and profitability. The combined result of these factors was a decline in revenue and net profit by 6% and 62% respectively on a like-with-like basis i.e. excluding one-time charges impacting the profitability. These one-time charges include provision against recognition of accumulated cash losses of Efoods Netherlands since inception and a charge related to sales tax for the period when FBR temporarily removed Zero rating status of dairy products. The impact of these charges was Rs 881 million, thus dragging the overall profitability for the year down by 92% vs. last year.

Dairy and Beverages Segment

Volumetric decline of 11% vs. last year was primarily due to operational challenges coupled with industry decline as a result of external factors such as aggravating power crisis and higher cost of inflation impacting consumer spend. As a result, Company's market share in dairy segment declined from 51% in 2012 to 49% in 2013

The company has taken corrective actions to revamp its distribution which resulted in a volume growth of 15% in Q4 vs Q3.

49%
market share in dairy segment
in 2013

The key highlight of 2013 was two new and innovative packaging formats in Olper's (Edge and Mini Jug) with new designs, followed by marketing activities aimed at creating awareness of the functional benefits. Consumer feedback of both the designs is very encouraging. The Company will continue to capitalize on the benefits of its unique design & packaging.

Consequent to the promulgation of 18th Constitutional amendment, there are certain provincial level changes in the regulations of food laws in the country. In this connection, the Company is working with relevant authorities to have consistent classification of products under the respective provincial laws. We are confident that all products of Engro foods comply with Pakistan's law including Dairy Omung, which is an innovative product created to provide a hygienic and affordable alternative to the consumers of loose milk.

The Dairy and beverage segment contributed Rs 1,573 million to the Company's profitability this year as against Rs 3,070 million last year, a decline in profitability by 49% was primarily due to lower volumes and margins.

Ice Cream and Frozen Desserts Segment

The ice cream and frozen desserts market continued its downward trend due to the persistent energy shortages and price increases, with the industry volume declining by approximately 16%. Omore's decline was in line with industry trend vs. 2012. However, the In Home formats grew by 11% over 2012, spurred on by the successful launch of new In Home Packs that were supported with marketing campaigns during both Eids. Omore has maintained its market share at 25% with new products such as Monkey Peel and the 2-in-1 Tubs becoming consumer favourites.

Despite the volume decline, the EFL ice cream and frozen desserts segment has reduced its after-tax loss by approximately 22%, largely due to margin improvement and cost control, closing 2013 at a loss of Rs 320 million as opposed to Rs 409 million in 2012.

Dairy Farm Segment

The Company's Nara Dairy Farm continued to remain a rich and nutritious source of quality milk for our dairy segment. The farm produced 24,874 liters per day with a total herd size of 4,373 animals of which 2,058 are part of the milking cycle. Due to decrease in international prices of livestock and certain write-offs, the Nara farm registered a net loss after tax of Rs. 137 million in 2013 as opposed to a net loss after tax of Rs. 21 million in 2012.

Engro Foods Canada

Engro Foods Canada posted sales of CAD\$ 8.9 million vs. CAD\$ 10.8 million last year, on the back of certain delistings in retail chains. Pretax loss of the Canadian subsidiary reduced from CAD\$ 3.5 million last year to CAD\$ 2.0 million in 2013 due to improved margins and controlled costs. However, a one-time deferred taxation charge in the books of subsidiary, took its loss after tax to CAD\$ 3.8 million as compared to CAD\$ 2.4 million in 2012.

During 2013, the ownership in Engro Foods Canada was transferred to Engro Foods from Engro Corp after obtaining regulatory approvals. The acquisition is effective December 16, 2013 and accordingly, the post-acquisition results are included in Engro Foods consolidated financial statements.

Meat Pilot Project

The Company has entered into the Meat segment as a pilot project. The first year of the pilot will focus primarily on a Business to Business customer base. Since the mandate of Engro Foods is primarily Business to Consumer oriented, all associated costs in 2014 will be borne by Engro Corp.

Social Investments

As part of our enduring commitment towards improving the life of our stakeholders, and especially that of our host communities, we contributed over Rs. 16.2 million under our social investments commitments in 2013, as compared to Rs. 12.4 million in 2012. Our social investments programs were managed by Engro Foundation – the single CSR front for all Engro companies. Engro Foundation together with its partners worked in the areas of education, health, infrastructure, livelihoods and disaster management to provide socio-economic opportunities to a multitude of individuals and households in our host communities.

In 2013 we continued to improve the economic and social fabric of the primary milk producing communities in the Northern Sindh and Southern Punjab areas, which remain key segments of our production chain. Through our flagship WELD (Women Empowerment Through Livestock Development) program we sought to increase the capacity of small-scale producers and strengthened the institutional framework for dairy production and milk collection network. Within the platform of the WELD project, we continued to train a cadre of Female Livestock Extension Workers (FLEW) and Female Village Milk Collectors (FVMC) to deliver doorstep services to livestock owners. In 2013, trained over 8,152 milk producer beneficiaries, over 138 FVMCs and over 129 FLEW.

Our Family

Recognizing that our people make all the difference, we strive to consistently attract, hire, train, retain, develop and motivate high quality talent, so that together we can combine our strengths and skills to build a successful partnership that can help us sustain our competitive edge and continue our legacy of excellence. Our talent induction schemes, employee evaluation methods, training and development programs, compensation strategies, employee engagement surveys, HR synergy forums, employee volunteer programs and retirement policies are therefore, specially designed to help us foster a bond of trust, contentment, motivation, accountability and loyalty across the company whilst demonstrating our commitment to develop an organizational culture thriving on transparency, openness and fairness.

1,500+

Employees elevating consumer delight worldwide

We believe in diversity, and have implemented a strict non-discrimination policy that further sets us apart as a company passionate about creating a progressive and fair environment at all levels. Through these concerted efforts we continued our focus on creation of a highly passionate and dynamic team which plays a critical role in contributing to our bottom-line growth with its relentless pursuit for excellence and drive for success.



Health, Safety and Environment

At Engro Foods, we believe in doing business with a conscience and leading by example. As part of our efforts to ensure good corporate governance, we strive to implement the triple bottom line approach in all our strategic undertakings - except that our consideration for our people and the planet goes well beyond our need to fixate on profits. We therefore, recognize the need to protect and preserve our planet, by going the extra mile to prevent unnecessary wastage of our natural resources.

Ensuring Employee Safety at the Workplace

At Engro Foods, our employees and contractors are expected to conform to our HSE management systems and processes which have been designed keeping in view international best practices including Occupational Safety and Health Administration (OSHA) and DuPont Workplace Safety Standards. During the year we completed our DuPont Assessment Audit for our Sukkur and Sahiwal plants along with our Nara Dairy Farm and Milk Procurement centres.

To foster a culture of safety and enhance our safety management systems, we have put in place behavior-based safety techniques within the organization and strongly encourage incident reporting at the workplace, to enable us to identify safety hazards and ensure that the possibility of further risk is duly minimized. Leading indicators and management safety audit programs are the main pillars of this initiative. Through the year a work-place safety program was installed that engaged approximately 5,300 employees over the year with a cumulative total of more than 30,000+ training hours.

At Engro Foods, the Total Recordable Injury Rate (TRIR) amongst employees has declined significantly over the last few years. The TRIR of our employees and contractors in 2013 was calculated at 0.18 for the year with 3 working days Lost in Work Injuries. A detailed description of our employee safety initiatives is given later in the relevant section of this report.

Ensuring Responsible Environmental Practices

At Engro Foods, we recognize the need to protect and preserve our planet and we care about the welfare and well-being of our people. Therefore, we go the extra mile to prevent unnecessary wastage of our natural resources and make a conscious effort to protect the environment. Our business strategies are fully aligned with this vision and have been designed taking in account the far-reaching environmental impact of our business decisions.

The company in 2013 initiated two alternate energy projects. The first bio mass boiler has been commissioned and approximately 35% of required steam is generated using bio mass. Our Milk collection department has prepared feasibility for solar powered Milk Collection Center (MCCs) and three MCCs are expected to be up and running during first quarter of 2014. The business has also initiated a project to convert product sampling from destructive testing to non-destructive testing which will save more than 1 million packs of various SKU size.

Moreover, in an on-going effort to preserve our natural habitat, we have invested in installation of solar geysers at our area offices to substitute for the smoke that was generated through burning of wood in the conventional Cleaning In Place (CIP) Geysers that were deployed at the area offices. As part of commitment to protect the environment in which we operate solar geysers were installed at 5 key area offices that have drastically reduced our environmental footprint since no wood is burnt. The application of this innovative and renewable technology has helped us cut down on burning of approximately 50kg of wood on a daily basis at our area offices.

0.18

TRIR (Total Recordable Injury Rate) in 2013

awards and certifications:

During 2013, the Company got following awards & recognition on different fronts:



DuPont Certification

Safety Management System of Sukkur & Sahiwal plants, Nara Dairy Farm and Milk Procurement & Agri Services were declared as DuPont Level 3 compliant in December 2013. Achievement of DuPont Level 3 has once again proved Company's commitment towards excellence in safety.



BRC Certification

Both Sukkur & Sahiwal plants of the Company have received an A grade, the highest possible, against the BRC (British Retail Consortium) standards. This certification was achieved for the second year in a row.

BRC is a Global Food Safety Initiative (GFSI) recognized standard and is a benchmark for good manufacturing practices in Food Safety, Quality, Consumer Products & Packaging.



Computer World Award for EMAN

The in-house developed software, "Engro Milk Automation Network (EMAN)" was recognized as the 2013 Computer World Honors Laureate at Washington D.C., U.S.A. and was nominated as one of the top five finalists out of 25 laureates in the economic development category.

The Honors program recognizes organizations and individuals that have used information technology to promote and advance public welfare, benefit society & business and change the world for the better.



Best Corporate Report Award by Joint Committee of ICAP & ICMAP

Engro Foods 2012 Annual Report secured 2nd position for the Best Corporate Report Award in its category. The Company has won this position for the second consecutive year.

The company was also nominated by the Committee for a regional award – SAFA Best Presented Annual Report Award.



ISO Certifications

Our plants (Sukkur & Sahiwal) & Dairy Farm in Nara are now ISO 14001 which is Environment Management System. Moreover, 11 Area Offices of Milk Procurement & Agri Services are also ISO 14001 certified.

value addition

Wealth Generated	2013		2012	
	Rupees in Million	%	Rupees in Million	%
Total Revenue inclusive of sales-tax and other income	38,802	-	41,153	-
bought-in material and services	(32,380)	-	(32,823)	-
	6,422	-	8,330	-
Wealth Distributed				
To employees salaries, benefits and other costs	1,946	30.31%	1,856	22.28%
To Government taxes, duties and development surcharge	1,849	28.79%	1,716	20.60%
To Society donations towards education, health, environment and natural disaster	16	0.25%	12	0.14%
To Providers of Capital Dividend to Shareholders Mark up/interest expense on borrowed money	785	12.22%	903	10.84%
Retained for reinvestment and future growth, depreciation, amortization, retained profit	1,826	28.43%	3,843	46.13%
	6,422		8,330	

Cash Flow and Working Capital Management

Lower cash was generated from operating activities during the year (Rs. 2,356 million versus Rs. 3,214 million in 2012). Taxes paid during the year amounted to Rs. 680 million vs. Rs. 333 million last year.

Capital Investment, Capital Structure and Finance

During the year, the company issued 5,018,500 shares to employees who exercised their rights under the Employee Share Option Scheme (ESOS).

Net long term borrowings at year end increased to Rs. 8,159 million (2012: Rs.7,711 million).

The balance sheet gearing (Company's long term debt to equity ratio) for the year ended 2013 is 40:60 (2012: 38:62). The liquidity position of the Company remains robust with a year-end current ratio of 1.7 (2012: 2.1).

Major Judgment Areas

Main areas related to taxation, useful lives of property, plant, equipment and intangible assets, valuation of biological assets, realizable value of stock-in-trade, impairment testing for investment and actuarial valuation of staff retirement & other service benefits.

Management Information Systems

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

Accounting Standards

The accounting policies of the Company 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 the directives issued by the Securities and Exchange Commission of Pakistan.

Credit Rating

Engro Foods' Sukuk issue has been assigned a medium to long term credit rating of 'A+' (Single A Plus) by JCR-VIS. The rating reflects the Company's financial and management strength and denotes 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 and the objective is to reduce volatility in cash flow and earnings. The treasury function does not operate as a profit center.

Liquidity Risk

In order to maintain adequate liquidity for its working capital requirements, the Board has approved adequate short-term funded facilities. Engro Foods' 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 as permitted by the prevailing foreign currency regulations.

Employee Share Option Scheme

The company operates two Share Option Schemes. The details of the current scheme are explained in note 19 of the accounts.

The Annexure at the end of the report provides details of the old and new options granted during the current and previous years.

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 benefit gratuity scheme.

The above mentioned plans are funded schemes recognized by the tax authorities. The latest actuarial valuation of gratuity scheme was carried out at December 31, 2013 and the financial statements of these have been audited up to June 30, 2013.

Liquidity Management

Engro Foods Limited finances its operations through a combination of equity, internal cash generation, and by means of cost effective short-term & long-term borrowings. The company aims to ensure that adequate liquidity is maintained at all times; the liquidity requirements are managed through vigilant monitoring of cash flows, provision of a prudent cushion for unforeseen liquidity needs, and availability of lines with financial institutions. Timely repayments of debts are ensured through sufficient internal cash generation and effective cash flow management.

S.No.		Provident Fund (Rs. in million)	Gratuity Fund (Rs. in million)
	Audited upto	June 30, 2013	June 30, 2013
1	Net Assets as per audited financial statements	378	264
2	DSCs/PIBs/RICs	177	135
3	Mutual Funds	-	4
4	TFCs	80	52
5	Shares	-	6
6	Bank Deposits/T-Bills	106	70
7	Receivables	29	0
8	Payables	(14)	(3)
	Total	378	264

Auditors

Messrs. A.F. 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 shareholder of Engro Foods Limited is Engro Corporation Limited. Other Shareholders are local 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, Executives and their spouses including minor children during 2013 is shown later in this report.

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 and explained.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the company's ability to continue as a going concern.
7. There is no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Board Meetings and Attendance

In 2013, the Board of Directors held 8 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

S.No.	Director's Name	Meetings Attended
1	Muhammad Aliuddin Ansari	8
2	Sarfraz A. Rehman*	4
3	Muhammad Afnan Ahsan**	4
4	Ruhail Mohammed	6
5	Roshaneh Zafar	4
6	Shahzada Dawood	2
7	Abdul Samad Dawood	6
8	Zafar Ahmed Siddiqui	6
9	Mujahid Hamid	6
10	Muhammed Amin	8
11	Sabrina Dawood***	1
12	Abdul Samad Khan****	5

* Appointed as CEO on June 29, 2013

** Resigned as CEO on June 28, 2013

*** Co-option of Directors effective August 28, 2013

**** Resigned as Director on August 26, 2013

The Board Audit Committee

In 2013, the Board of Audit Committee held 5 meetings. The attendance record of the Directors is as follows:

S.No.	Director's Name	Meetings Attended
1	Zafar Ahmed Siddiqui	5/5
2	Shahzada Dawood	2/5
3	Ruhail Mohammed	4/5
4	Abdul Samad Khan*	3/3

* Resigned as Director on August 26, 2013. The position is vacant

The Board Compensation Committee

In 2013, the Board of Compensation Committee held 4 meetings. The attendance record of the Directors is as follows:

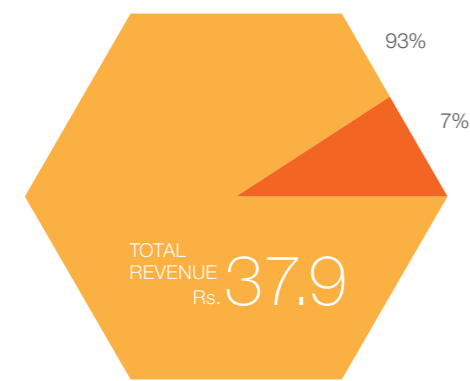
S.No.	Director's Name	Meetings Attended
1	Muhammad Aliuddin Ansari	4/4
2	Mujahid Hamid	4/4
3	Muhammed Amin	3/4
4	Shahzada Dawood	2/4
5	Afnan Ahsan (By Invite)*	3/3
6	Sarfraz A. Rehman (By Invite)	1/1

* Resigned as CEO on June 28, 2013

financial review

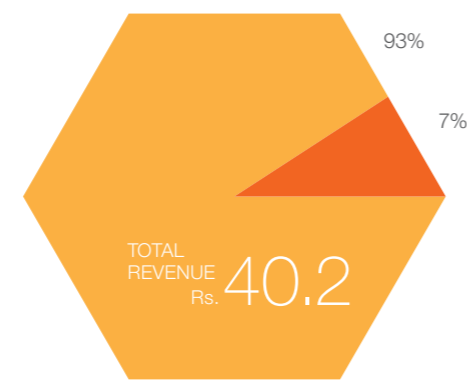
Business Revenue (Rs. in billions)
% Segment Share

- Dairy, Juices & Others
- Ice cream



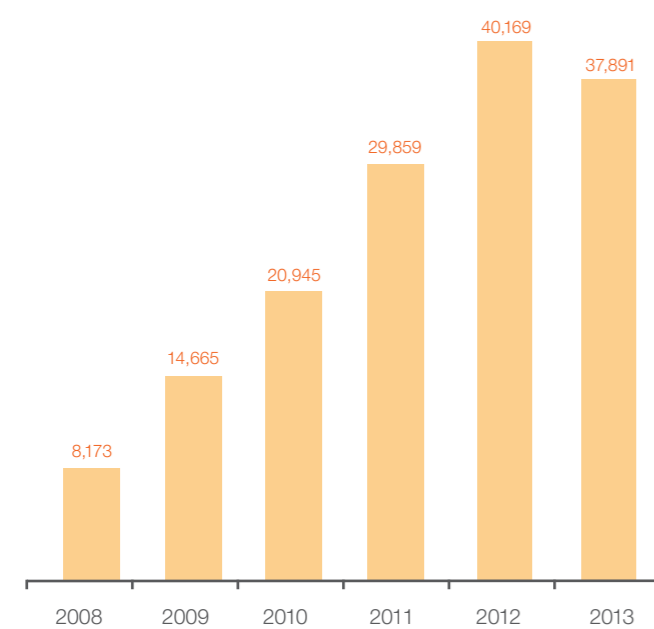
2013

- Dairy, Juices & Others
- Ice cream

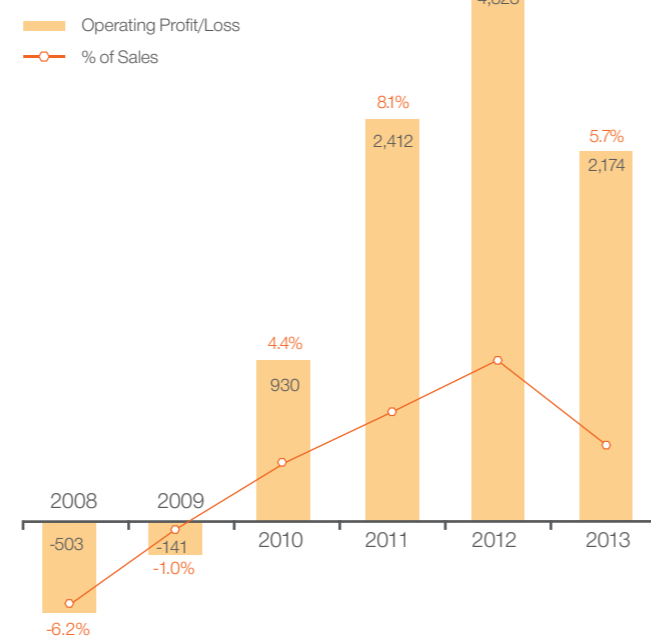


2012

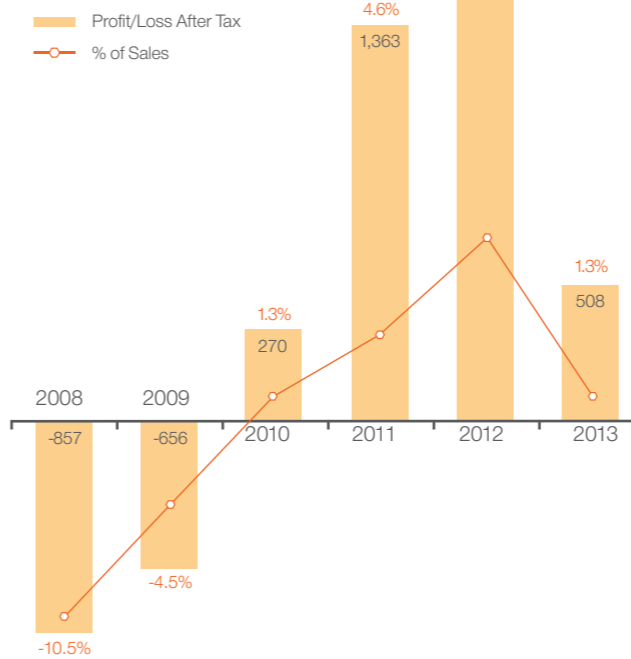
Sales (Rs. in million)



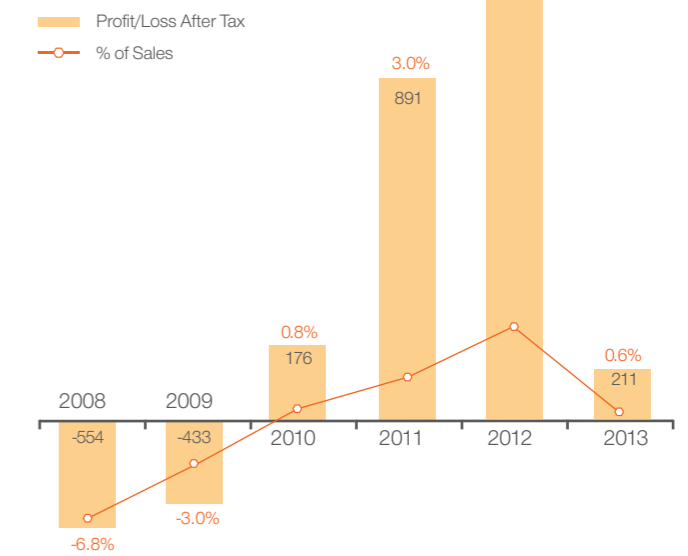
Operating Profit/Loss
& % of Sales (Rs. in million)



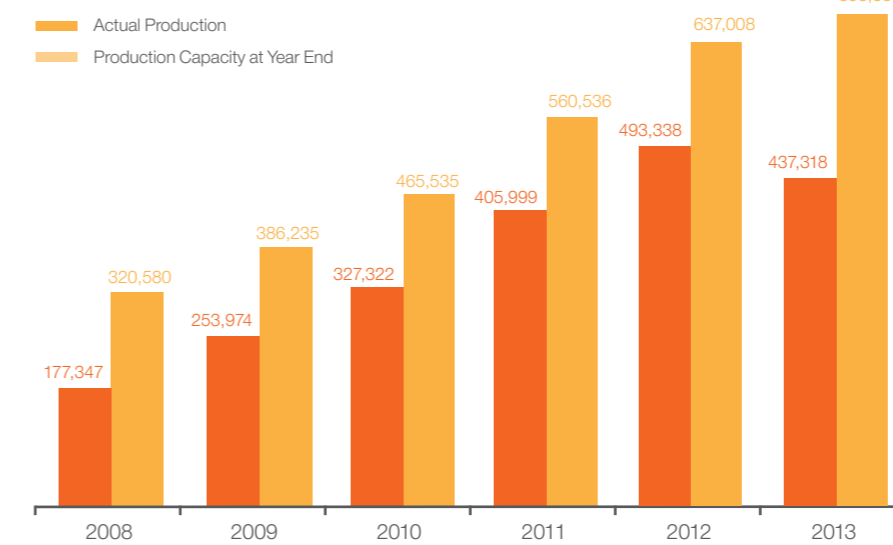
Profit / Loss Before Tax
& % of Sales (Rs. in million)



Profit / Loss After Tax
& % of Sales (Rs. in million)



Actual Production
Production Capacity



summary

	2013	2012	2011	2010	2009	2008
Balance Sheet						
Share capital	7,666	7,616	7,518	7,000	5,423	4,300
Share premium	865	810	722	-	-	-
Employee compensation reserve	407	-	-	-	-	-
Hedging Reserve	(10)	17	(18)	-	-	-
Remeasurement of post employment benefits - Actuarial loss	(35)	(23)	(18)	-	-	-
Unappropriate profit / (Accumulated loss)	1,821	1,610	(985)	(1,876)	(2,052)	(1,618)
Shareholders' funds / Equity	10,715	10,031	7,219	5,124	3,371	2,682
Long term borrowings	7,127	6,023	5,610	4,625	3,325	2,742
Capital employed	17,842	16,054	12,829	9,949	6,813	5,482
Deferred liabilities	-	-	2	3	3	3
Property, plant & equipment	14,505	11,023	9,615	7,148	5,809	4,567
Long term assets	93	82	24	23	8	9
Profit and Loss						
Sales	37,891	40,169	29,859	20,945	14,665	8,173
Gross profit	8,173	10,321	6,629	4,393	2,716	1,050
Operating profit	2,174	4,823	2,412	930	(141)	(503)
Profit before tax	508	3,921	1,363	270	(656)	(857)
Profit after tax	211	2,595	891	176	(433)	(554)
EBITDA	2,907	6,071	3,375	1,644	365	(213)
Cash Flows						
Net cash flow from operating activities	2,356	3,214	1,080	156	(113)	(1,342)
Net cash flow from investing activities	(5,221)	(3,379)	(2,341)	(2,972)	(1,921)	(2,354)
Net cash flow from financing activities	547	1,819	2,474	2,955	2,155	3,972
Changes in cash & cash equivalents	(2,318)	1,653	1,212	140	121	276
Cash & cash equivalents – Year end	727	3,045	1,392	180	41	(80)
Others (Million)						
Market capitalisation	80,105	74,783	16,990	-	-	-
Numbers of shares issued	767	762	752	700	542	430
Quantitative Data (*000 Litres)						
Production Capacity						
Dairy & Juices	657,000	601,481	446,258	446,503	375,945	320,580
Ice cream	39,000	35,527	35,527	19,032	10,290	-
Actual Production						
Dairy & Juices	422,818	476,788	388,236	314,650	247,074	177,347
Ice cream	14,500	16,550	17,763	12,672	6,900	-

cash flow statement based on direct method

	2013	2012	2011	2010	2009	2008
Cash Flows from Operating Activities						
Cash received from customers	38,069	39,849	29,963	20,984	14,812	8,176
Cash paid for goods and services	(34,104)	(35,249)	(27,563)	(20,053)	(14,324)	(9,217)
Finance costs paid	(854)	(982)	(938)	(567)	(531)	(231)
Taxes paid	(680)	(333)	(314)	(193)	(50)	(57)
Retirement benefits paid	(74)	(71)	(69)	(16)	(21)	(14)
Net cash generated from operating activities	2,356	3,214	1,080	156	(113)	(1,342)
Cash Flows from Investing Activities						
Purchases of						
- property, plant and equipment	(5,246)	(2,549)	(3,403)	(2,055)	(1,784)	(2,120)
- intangible assets	(20)	(74)	(33)	(44)	(11)	(242)
- biological assets	(6)	(4)	-	(129)	(17)	(19)
Proceeds from disposal of						
- property, plant and equipment	231	73	16	20	31	26
- biological assets	58	37	20	63	13	0
Advance against purchase of shares of Engro Foods Netherlands B.V.	(237)	(863)	-	-	-	-
Investment in Engro Eximp AgriProducts (Private) Limited [formerly Engro Foods Supply Chain (Private) Limited]	-	-	(350)	(827)	(153)	-
Proceeds from disposal of investment in Engro Eximp AgriProducts (Private) Limited [formerly Engro Foods Supply Chain (Private) Limited] - net of transaction costs	-	-	1,408	-	-	-
Net cash utilized in investing activities	(5,221)	(3,379)	(2,341)	(2,972)	(1,921)	(2,354)
Cash Flows from Financing Activities						
Proceeds from issue of share capital	105	186	1,264	-	-	-
Advance received against issue of share capital	(1)	1	-	1,577	1,073	1,950
Share issuance costs	-	-	(37)	-	-	-
Proceeds from long term finances	2,378	2,099	1,450	1,500	700	2,450
Proceeds from tax loss to ECPL, the Holding Company						
-	-	-	-	-	450	622
Repayments of						
- long term finances	(1,933)	(465)	(200)	(117)	(58)	(1,043)
- obligations under finance lease	(3)	(3)	(3)	(5)	(10)	(7)
Net cash generated from financing activities	547	1,819	2,474	2,955	2,155	3,972
Net increase in cash and cash equivalents						
Cash and cash equivalents at beginning of the year	3,045	1,392	180	41	(80)	(356)
Cash and cash equivalents at end of the year	727	3,045	1,392	180	41	(80)

horizontal and vertical analysis profit and loss account

Horizontal Analysis (Rs in Million)

	2013		2012		2011		2010		2009		2008	
	Rs.	13 Vs. 12 %	Rs.	12 Vs. 11 %	Rs.	11 Vs. 10 %	Rs.	10 Vs. 09 %	Rs.	09 Vs. 08 %	Rs.	08 Vs. 07 %
Sales	37,891	(5.7)	40,169	34.5	29,859	42.6	20,945	42.8	14,665	79.4	8,173	125.1
Cost of Sales	29,718	(0.4)	29,848	28.5	23,230	40.3	16,552	38.5	11,949	67.7	7,124	111.4
Gross profit	8,173	(20.8)	10,321	55.7	6,629	50.9	4,393	61.7	2,716	158.8	1,050	302.6
Distribution and marketing expenses	5,017	7.8	4,654	25.2	3,716	27.6	2,913	10.3	2,640	102.4	1,305	37.3
Administrative expenses	966	21.4	796	57.6	505	6.8	473	36.3	347	14.9	302	134.1
Other Operating expenses	340	(20.9)	430	105.7	209	58.3	132	187.0	46	109.1	22	(31.3)
Other income	324	(15.1)	382	79.3	213	287.7	55	(68.8)	176	130.7	76	4,231.5
Operating profit/(loss)	2,174	(54.9)	4,823	100.0	2,412	159.4	930	(760.6)	(141)	(72.0)	(503)	(40.8)
Other expenses	881	100.0	-	-	-	-	-	-	-	-	-	-
Finance cost	785	(13.0)	903	(14.0)	1,049	59.0	660	28.0	515	45.6	354	235.7
Net profit before taxation	508	(87.1)	3,921	187.6	1,363	404.1	270	(141.2)	(656)	(23.4)	(857)	(10.2)
Provision for taxation	(297)	(77.6)	(1,326)	180.9	(472)	399.6	(94)	(142.4)	223	(26.5)	303	(9.2)
Net profit after taxation	211	(91.9)	2,595	191.2	891	406.5	176	(140.6)	(433)	(21.7)	(554)	(10.7)

Vertical Analysis (Rs in Million)

	2013		2012		2011		2010		2009		2008	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Sales	37,891	100.0	40,169	100.0	29,859	100.0	20,945	100.0	14,665	100.0	8,173	100.0
Cost of Sales	29,718	78.4	29,848	74.3	23,230	77.8	16,552	79.0	11,949	81.5	7,124	87.2
Gross profit	8,173	21.6	10,321	25.7	6,629	22.2	4,393	21.0	2,716	18.5	1,050	12.8
Distribution and marketing expenses	5,017	13.2	4,654	11.6	3,716	12.4	2,913	13.9	2,640	18.0	1,305	16.0
Administrative expenses	966	2.5	796	2.0	505	1.7	473	2.3	347	2.4	302	3.7
Other Operating expenses	340	0.9	430	1.1	209	0.7	132	0.6	46	0.3	22	0.3
Other income	324	0.9	382	1.0	213	0.7	55	0.3	176	1.2	76	0.9
Operating profit/(loss)	2,174	5.7	4,823	12.0	2,412	8.1	930	4.4	(141)	(1.0)	(503)	(6.2)
Other expenses	881	2.3	-	-	-	-	-	-	-	-	-	-
Finance cost	785	2.1	903	2.2	1,049	3.5	660	3.1	515	3.5	354	4.3
Net profit before taxation	508	1.3	3,921	9.8	1,363	4.6	270	1.3	(656)	(4.5)	(857)	(10.5)
Provision for taxation	(297)	(0.8)	(1,326)	(3.3)	(472)	(1.6)	(94)	(0.5)	223	1.5	303	3.7
Net profit after taxation	211	0.56	2,595	6.5	891	3.0	176	0.8	(433)	(3.0)	(554)	(6.8)

horizontal and vertical analysis balance sheet

Horizontal Analysis (Rs in Million)

	2013	13 Vs. 12	2012	12 Vs. 11	2011	11 Vs. 10	2010	10 Vs. 09	2009	09 Vs. 08	2008	08 Vs. 07
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
EQUITY AND LIABILITIES												
EQUITY												
Share capital	7,666	0.7	7,616	1.3	7,518	7.4	7,000	29.1	5,423	26.1	4,300	95.5
Share premium	865	6.8	810	12.2	722	100.0	-	-	-	-	-	-
Advance against issue of shares	-	(100.0)	1	100.0	-	-	-	-	-	(100.0)	50	(75.0)
Employee compensation reserve	407	100.0	-	-	-	-	-	-	-	-	-	-
Hedging reserve	(10)	(156.4)	17	(194.4)	(18)	100.0	-	-	-	-	-	-
Remeasurement of post employment benefits - Actuarial loss	(35)	51.8	(23)	29.5	(18)	100.0	-	-	-	-	-	-
Unappropriate profit / (Accumulated loss)	1,821	13.1	1,610	(263.5)	(985)	(47.5)	(1,876)	(8.6)	(2,052)	26.8	(1,618)	52.1
	10,715	6.8	10,031	38.9	7,219	40.9	5,124	52.0	3,371	23.4	2,732	104.5
NON-CURRENT LIABILITIES												
Long term finances	7,127	18.3	6,023	7.4	5,610	21.3	4,625	39.1	3,325	21.3	2,742	96.8
Obligation under finance lease	-	-	-	(100.0)	3	(60.0)	5	(37.5)	8	(46.7)	15	25.0
Deferred taxation	1,539	(6.9)	1,653	436.7	308	70.2	181	(39.9)	301	(49.7)	599	32.5
Deferred liabilities	-	-	-	(100.0)	2	(33.3)	3	-	3	50.0	2	-
Deferred income	10	(41.2)	17	100.0	-	-	-	-	-	-	-	-
	8,676	12.8	7,693	29.9	5,923	23.0	4,814	32.4	3,637	8.3	3,358	80.6
CURRENT LIABILITIES												
Current portion of												
-Long term finances	1,032	(38.8)	1,686	262.6	465	132.5	200	70.9	117	101.7	58	-
-Obligation under finance lease	-	(100.0)	3	-	3	(37.5)	4	(20.0)	5	(37.5)	8	60.0
Trade and other payables	3,369	40.7	2,394	1.0	2,371	16.2	2,041	29.0	1,582	59.8	990	60.2
Derivative financial instruments	15	100.0	-	(100.0)	28	100.0	-	-	-	-	-	-
Accrued interest / mark up on												
-Long term finances	229	(24.1)	302	(17.9)	368	33.8	275	50.3	183	-	-	-
-Short term finances	10	47.7	7	(65.0)	20	900.0	2	-	2	-	-	-
Short term finances	-	(100.0)	85	(66.3)	252	-	-	(100.0)	108	(40.0)	180	(64.8)
	4,655	4.0	4,477	27.7	3,506	39.0	2,522	26.3	1,997	61.6	1,236	9.0
TOTAL EQUITY AND LIABILITIES	24,046	8.3	22,201	33.4	16,648	33.6	12,460	38.4	9,005	22.9	7,326	69.2
ASSETS												
NON-CURRENT ASSETS												
Property, plant and equipment	14,505	31.6	11,023	14.6	9,615	34.5	7,148	23.1	5,809	27.2	4,567	66.4
Long term investments	-	-	-	-	-	(100.0)	980	540.5	153	-	-	-
Biological assets	716	7.3	668	34.4	497	16.0	428	(2.2)	438	42.7	307	2,970.0
Intangible assets	123	17.0	105	(21.6)	134	(5.9)	142	408.7	28	47.4	19	375.0
Long term advances, deposits and prepayments	93	13.6	82	241.7	24	3.8	23	194.7	8	(1.9)	8	60.0
Deferred employee share compensation expense	169	100.0	-	-	-	-	-	-	-	-	-	-
Investments in Engro Foods Netherlands B. V.	-	(100.0)	863	100.0	-	-	-	-	-	-	-	-
Investments in subsidiary	427	100.0	-	-	-	-	-	-	-	-	-	-
	16,033	25.8	12,741	24.1	10,270	17.7	8,722	35.5	6,436	31.3	4,901	77.4
CURRENT ASSETS												
Store, spares and loose tools	740	21.1	611	6.8	572	29.4	442	52.4	290	54.3	188	138.0
Stock-in-trade	3,084	(11.8)	3,495	32.5	2,638	26.3	2,089	79.5	1,164	(6.1)	1,239	196.4
Trade debts	154	3.1	149	71.3	87	67.3	52	108.0	25	177.8	9	12.5
Advances, deposits and prepayments	181	(30.9)	262	(1.5)	266	9.0	244	(28.0)	339	175.6	123	200.0
Other receivables	2,354	63.5	1,440	24.1	1,160	60.9	721	26.0	572	(19.5)	711	(17.8)
Deferred employee share compensation expense	136	100.0	-	-	-	-	-	-	-	-	-	-
Taxes recoverable	637	83.4	347	33.7	10	11.1	9	(71.0)	31	(44.6)	56	-
Derivative financial instruments	-	(100.0)	26	100.0	-	(100.0)	1	100.0	-	-	-	-
Short term investments	170	(93.7)	2,708	109.3	1,294	-	-	-	-	-	-	-
Cash and bank balances	557	32.1	422	20.2	351	95.0	180	21.6	148	49.5	99	(36.1)
	8,013	(15.3)	9,460	48.3	6,378	70.6	3,738	45.5	2,569	5.9	2,425	54.9
TOTAL ASSETS	24,046	8.3	22,201	33.4	16,648	33.6	12,460	38.4	9,005	22.9	7,326	69.2

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Vertical Analysis (Rs in Million)

	2013	13 Vs. 12	2012	12 Vs. 11	2011	11 Vs. 10	2010	10 Vs. 09	2009	09 Vs. 08	2008	08 Vs. 07
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
EQUITY AND LIABILITIES												
EQUITY												
Share capital	7,666	31.9	7,616	34.3	7,518	45.2	7,000	56.2	5,423	60.2	4,300	58.7
Share premium	865	3.6	810	3.6	722	4.3	-	-	-	-	-	-
Advance against issue of shares	-	-	1	-	-	-	-	-	-	-	50	0.7
Employee compensation reserve	407	1.7	-	-	-	-	-	-	-	-	-	-
Hedging Reserve	(10)	(0.0)	17	0.1	(18)	(0.1)	-	-	-	-	-	-
Remeasurement of post employment benefits - Actuarial loss	(35)	(0.1)	(23)	(0.1)	(18)	(0.1)	-	-	-	-	-	-
Unappropriate profit / (Accumulated loss)	1,821	7.6	1,610	7.3	(985)	(5.9)	(1,876)	(15.1)	(2,052)	(22.8)	(1,618)	(22.1)
	10,715	44.6	10,031	45.2	7,219	43.4	5,124	41.1	3,371	37.4	2,732	37.3
NON-CURRENT LIABILITIES												
Long term finances	7,127	29.6	6,023	27.1	5,610	33.7	4,625	37.1	3,325	36.9	2,742	37.4
Obligation under finance lease	-	-	-	-	3	0.0	5	0.0	8	0.1	15	0.2
Deferred taxation	1,539	6.4	1,653	7.4	308	1.9	181	1.5	301	3.3	599	8.2
Deferred liabilities	-	-	-	-	2	0.0	3	0.0	3	0.0	2	0.0
Deferred Income	10	0.0	17	0.1	-	-	-	-	-	-	-	-
	8,676	36.1	7,693	34.7	5,923	35.6	4,814	38.6	3,637	40.4	3,358	45.8
CURRENT LIABILITIES												
Current portion of												
-Long term finances	1,032	4.3	1,686	7.6	465	2.8	200	1.6	117	1.3	58	0.8
-Obligation under finance lease	-	-	3	0.0	3	0.0	4	0.0	5	0.1	8	0.1
Trade and other payables	3,369	14.0	2,394	10.8	2,371	14.2	2,041	16.4	1,582	17.6	990	13.5
Derivative financial instruments	15	0.1	-	-	28	0.2	-	-	-	-	-	-
Accrued interest / mark up on												
-Long term finances	229	1.0	302	1.4	368	2.2	275	2.2	183	2.0	-	-
-Short term finances	10	0.0	7	0.0	20	0.1	2	0.0	2	0.0	-	-
Short term finances	-	-	85	0.4	252	1.5	-	-	108	1.2	180	2.5
	4,655	19.4	4,477	20.2	3,507	21.1	2,522	20.2	1,997	22.2	1,236	16.9
TOTAL EQUITY AND LIABILITIES	24,046	100.0	22,201	100.0	16,648	100.0	12,460	100.0	9,005	100.0	7,326	100.0
ASSETS												
NON-CURRENT ASSETS												
Property, plant and equipment	14,505	60.3	11,023	49.7	9,615	57.8	7,148	57.4	5,809	64.5	4,567	62.3
Long term investments	-	-	-	-	-	-	980	7.9	153	1.7	-	-
Biological assets	716	3.0	668	3.0	497	3.0	428	3.4	438	4.9	307	4.2
Intangible assets	123	0.5	105	0.5	134	0.8	142	1.1	28	0.3	19	0.3
Long term advances, deposits and prepayments	93	0.4	82	0.4	24	0.1	23	0.2	8	0.1	8	0.1
Deferred employee share compensation expense	169	0.7	-	-	-	-	-	-	-	-	-	-
Investments in Engro Foods Netherlands B. V. - Net	-	-	863	3.9	-	-	-	-	-	-	-	-
Investments in subsidiary	427	1.8	-	-	-	-	-	-	-	-	-	-
	16,033	66.7	12,741	57.4	10,270	61.7	8,722	70.0	6,436	71.5	4,901	66.9
CURRENT ASSETS												
Store, spares and loose tools	740	3.1	611	2.8	572	3.4	442	3.5	290	3.2	188	2.6
Stock-in-trade	3,084	12.8	3,495	15.7	2,638	15.8	2,089	16.8	1,164	12.9	1,239	16.9
Trade debts	154	0.6	149	0.7	87	0.5	52	0.4	25	0.3	9	0.1
Advances, deposits and prepayments	181	0.8	262	1.2	266	1.6	244	2.0	339	3.8	123	1.7
Other receivables	2,354	9.8	1,440	6.5	1,160	7.0	721	5.8	572	6.4	711	9.7
Deferred employee share compensation expense	136	0.6	-	-	-	-	-	-	-	-	-	-
Taxes recoverable	637	2.6	347	1.6	10	0.1	9	0.1	31	0.3	56	0.8
Derivative financial instruments	-	-	26	0.1	-	-	1	-	-	-	-	-
Short term investments	170	0.7	2,708	12.2	1,294	7.8	-	-	-	-	-	-
Cash and bank balances	557	2.3	422	1.9	351	2.1	180	1.4	148	1.6	99	1.4
	8,013	33.3	9,460	42.6	6,378	38.3	3,738	30.0	2,569	28.5	2,425	33.1
TOTAL ASSETS	24,046	100.0	22,201	100.0	16,648	100.0	12,460	100.0	9,005	100.0	7,326	100.0

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comments on six years profit and loss analysis

Sales

The revenue has grown considerably from 2008 upto 2012 at a CAGR of 49%. This is primarily attributable to product innovation and launch of new segments. However, in 2013 Company faced a volumetric decline of 11% as compared to 2012 due to certain operational challenges coupled with industry decline.

Gross Profit

Gross Profit ratio has significantly improved from 2008 upto 2012 as a direct consequence of product innovations, efficiencies in production and economies of scale. Decline in 2013 is mainly contributed by inflation in input and utilities cost.

Distribution and Marketing Expenses

In order to enable future growth trajectory, significant amounts have been spent for brand building and trade offers which led to increase in distribution and marketing costs.

With many brands now in a very established position, the distribution and marketing costs now stand at 13% of revenue in 2013 compared to 16% in 2008.

Administrative Expenses

These expenses have increased primarily due to larger support functions required to manage the growing size of the business and its infrastructure. The expenses under these heads are mostly fixed in nature.

Other Expenses

This pertains to one time charges to recognize accumulated cash losses of the subsidiary since inception and sales tax on exempt supplies, recoverability of which is significantly uncertain.

Finance Cost

Financial cost has shown increase from 2008 to 2011 with higher amount of long-term borrowings to fund capital projects. Due to lowering of interest rate in last couple of years, the finance cost has gone down.

Provision for Taxation

Overall increase from the 2008 level is due to higher profitability. In 2013 the tax charge has declined primarily due to tax benefit from increased export sales, decrease in income tax rate and comparative decline in profitability.

comments on six years balance sheet analysis

EQUITY

With time-to-time capital injections from the parent company and private placement in 2011, the share capital (including premium) has reached to Rs 8.5 billion in 2013 from Rs 4.3 billion in 2008.

The Company incurred losses in its earlier years. However, later profits have strengthened Company's overall equity position.

NON-CURRENT LIABILITIES

Long-term Finances

In order to maintain the growth momentum, the Company continues to finance a portion of its capital requirement by raising long-term loans. Therefore, the long-term loans have significantly increased over the years.

The ratio of long-term loans to equity has gone down to 40:60 in 2013 compared to 51:49 in 2008. The Company has been able to reduce this ratio due to its higher cash generation capacity.

Deferred Taxation

Due to utilization of taxable losses in earlier years of operation coupled with accelerated tax depreciation, the Company's deferred tax liability has increased over the years.

CURRENT LIABILITIES

Trade Payables

Trade Payables have quadrupled in line with the overall increase in business and its infrastructure over the years.

NON-CURRENT ASSETS

Property, Plant & Equipment

Property, plant and equipment have witnessed a significant increase over the years. This is due to continuous investment in product facilities and infrastructure to support growing scale of business.

Property, plant and equipment represent more than half of the company's balance sheet size.

Biological Assets

This represents value of animals purchased at the time of establishment of Company's Dairy Farm in Nara.

Investment in Subsidiary

During 2013, the company acquired the entire shareholding of Engro Corp in Engro Foods Netherlands B.V. after obtaining regulatory approvals. The amount represents investment, net of provision against recognition of accumulated cash losses of the subsidiary since inception.

CURRENT ASSETS

Stock-in-trade / Stores & Spares

This is in line with the overall business scale. On average, the Company maintains a month's inventory to meet sales demand and production requirements.

Other Receivables

The increase is primarily due to two factors:

- Increase in sales tax refunds from the Government arising on input tax paid on purchases; and
- Increase in receivables from Tetra Pak Pakistan and Ecolan AB under cost-sharing arrangements.

Short-term Investments / Cash

The Company retained Cash and short-term investments in prior years to finance upcoming capital commitments which were utilized in 2013, thus reducing the short-term investments / Cash.

financial performance indicators 2008 to 2013

Ratio	2013	2012	2011	2010	2009	2008
Profitability Ratios						
Gross Profit ratio	21.6%	25.7%	22.2%	21.0%	18.5%	12.8%
Net Profit to Sales	0.6%	6.5%	3.0%	0.8%	-3.0%	-6.8%
EBITDA Margin to Sales	7.7%	15.1%	11.3%	7.9%	2.5%	-2.6%
Operating leverage ratio	12.91	2.90	3.75	(17.76)	(0.91)	(0.33)
Return on Equity	2.0%	25.9%	12.3%	3.4%	-12.9%	-20.7%
Return on Capital employed	1.2%	18.0%	7.9%	2.1%	-7.1%	-13.9%
Liquidity Ratios						
Current ratio	1.7	2.1	1.8	1.5	1.3	2.0
Quick / Acid test ratio	0.9	1.2	0.9	0.5	0.6	0.8
Cash to Current Liabilities	0.1	0.1	0.1	0.1	0.1	0.1
Cash flow from Operations to Sales	0.1	0.1	-	-	-	(0.2)
Activity / Turnover Ratios						
No. of Days Inventory	40.4	37.5	37.1	35.9	36.7	42.5
No. of Days Receivables	1.5	1.1	0.8	0.7	0.4	0.4
No. of Days Payables	44.1	32.9	39.4	44.1	47.0	44.9
Operating cycle	(2.2)	5.6	(1.4)	(7.5)	(9.9)	(2.0)
Inventory turnover	9.0	9.7	9.8	10.2	9.9	8.6
Debtors turnover	250.4	340.1	429.6	547.1	881.9	982.3
Creditors turnover	8.3	11.1	9.3	8.3	7.8	8.1
Total Assets turnover ratio / Fixed Assets turnover ratio	1.6	1.8	1.8	1.7	1.6	1.1
Investment / Market Ratios						
Earnings per Share (EPS) and diluted EPS	0.3	3.4	1.2	0.3	(1.0)	(2.3)
Price Earnings ratio	373.0	28.6	18.5	-	-	-
Dividend Yield ratio	-	-	-	-	-	-
Dividend Payout ratio	-	-	-	-	-	-
Dividend Cover ratio	-	-	-	-	-	-
Cash Dividend	-	-	-	-	-	-
Stock Dividend	-	-	-	-	-	-
Market value per share at the end of the year	104.4	98.1	22.6	-	-	-
Highest market value during the year	162	98.9	26.0	-	-	-
Lowest market value during the year	80	22.3	21.8	-	-	-
Breakup value per share without Surplus on Revaluation of Fixed Assets	14.0	13.2	9.6	7.3	6.2	6.2
Breakup value per share including the effect of Surplus on Revaluation of Fixed Assets	14.0	13.2	9.6	7.3	6.2	6.2
Capital Structure Ratios						
Long-term Debt to Equity	39.9%	37.5%	43.7%	47.5%	49.7%	50.7%

comments on six years financial performance indicators

Gross Profit Ratio

The journey of improvement from 12.8% in 2008 upto 25.7% in 2012 is largely a factor of innovation in product portfolio and economies of scale achieved via growth in business volumes. Decline in 2013 compared to last year was due to high inflation in input and utilities cost.

Net Profit to Sales / EBITDA Margin to Sales

The negative margins of earlier years converted into growing positive contributions from 2010. However, externalities like aggravating power crises, law and order situation together with distribution issues & one-time charges led to the deterioration of these ratios in 2013.

Return on Equity

In the earlier years, the Company incurred heavy cost on brand building and production facilities which resulted in negative returns to equity holder upto 2009. From 2010 to 2012 these returns witnessed improvement on account of business performance and growth. Decline in 2013 is mainly due to one-time charges coupled with other issues discussed above.

Return on Capital Employed

This is in line with the profitability; the year 2013 was a test of Company's resilience to face turbulent times after a smooth ride for few years back to back.

Current Ratio / Acid Test Ratio

As a best practice, the Company intends to keep its current ratio higher than one. In 2013 this ratio was impacted due to the utilization of short term investments to finance capital commitments.

Cash to Current Liabilities

The Company has maintained a consistent ratio throughout.

Cash Flow from Operations to Sales

Due to burn up of cash in earlier years, the ratio was negative. However, with the increased cash generation, the ratio has improved in recent years.

No. of Days Inventory / Inventory Turnover

In order to meet the production cycle and manage lead time for procurement, generally a month's inventory is maintained throughout.

No. of Days Receivables / Debtors Turnover

Due to very low volume of credit sales, the day's receivables are quite low.

No. of Days Payables / Creditors Turnover

The company generally makes prompt payments to avail payment discounts and improve its relationship with the key business partners.

Operating Cycle

From its initial years the Company enjoys a very good operating cycle of negative days.

Total Assets Turnover Ratio / Fixed Assets Turnover Ratio

The ratio has been fairly constant in the recent years.

Price to Earning Ratio

The increase in this ratio is because of increase in average market price of shares and decrease of earnings.

Breakup Value per Share

Increase is primarily attributable to year-on-year profitability and issuance of shares on premium.

Long-term Debt to Equity Ratio

The long-term debt to equity ratio has consistently gone down over the years. In the initial years, the Company had higher borrowings to finance capital commitments and lower cash generation. As a direct result of increase in cash generation capacity, long-term borrowings now have a lower share in the total capital employed.

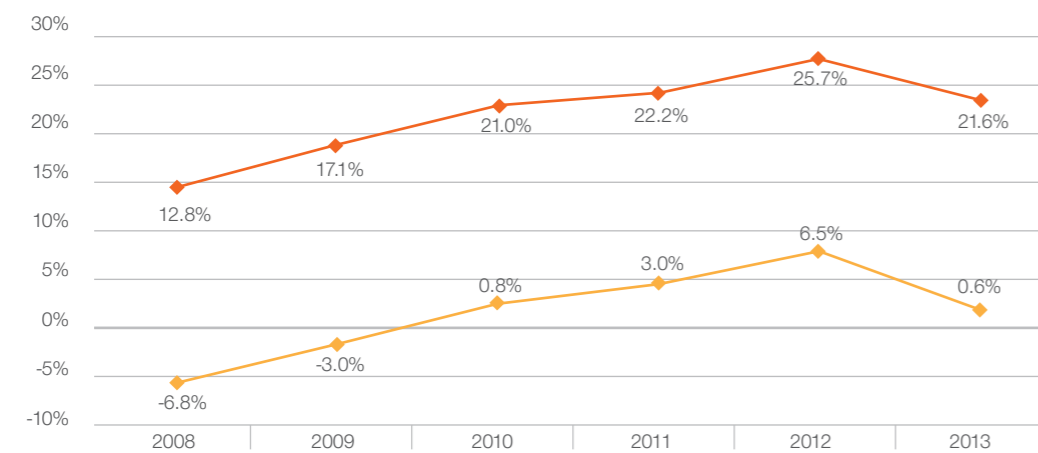
quarterly profit and loss 2013

	Quarters' 2013				Total
	March	June	September	December	
Net sales	9,624	9,309	9,090	9,868	37,891
Cost of sales	(6,782)	(6,853)	(7,480)	(8,603)	(29,718)
Gross profit	2,842	2,456	1,610	1,265	8,173
Distribution and marketing expenses	(1,356)	(1,273)	(1,131)	(1,257)	(5,017)
Administrative expenses	(279)	(280)	(189)	(218)	(966)
Other operating expenses	(105)	(118)	(48)	(69)	(340)
Other operating income	71	8	122	123	324
Operating profit	1,173	793	364	(156)	2,174
Other expenses	-	-	-	(881)	(881)
Finance costs	(200)	(198)	(188)	(199)	(785)
Profit/(loss) before taxation	973	595	176	(1,236)	508
Taxation	(320)	(134)	(48)	205	(297)
Profit/(loss) after taxation	653	461	128	(1,031)	211
EPS - Rupees	0.86	0.60	0.17	(1.39)	0.24

Key highlights for each quarter is provided in our financial analyst briefings available on our website. For further details visit our website engrofoods.com

Profitability Ratios

— Gross Profit Ratio
— Net Profit to Sales



future outlook

The Company's performance in Q4 of 2013 improved significantly as highlighted by various milestones such as:

- Volume increase by 15% over Q3 in the Dairy & Beverages segment;
- Highest ever volumes of Olper's since inception;
- Close to highest ever milk collection volumes since inception; and
- Highest ever Milk Production at NARA Farm

Considering the above, we are confident that volume and sales growth journey of the company has restarted. In January 2014, the company has also taken price increase in one of its brands to arrest the declining margins. The Company is also working on various efficiency projects including the Heavy Fuel Oil based power plant which will result in lower energy costs. Moreover, the new powder plant at Sahiwal which will be operational shortly is expected to contribute towards stabilizing the Company's margins.

The Company continues to maintain a strong positive outlook on the country. With a burgeoning population and rise of the middle class on the back of increasing remittances, the Company is optimistic of the potential that the country holds. Engro Foods will continue to live its purpose-inspired growth strategy and bring to the fore affordable and nutritious products that guarantee wholesome goodness to its consumers.

The management will continue to focus on key growth parameters of innovation, brand differentiation and continuous business expansion including expansion in new products, e.g., pilot project for "Mabrook" (the fresh dairy segment).

Aliuddin Ansari
Chairman

Sarfaraz A. Rehman
Chief Executive Officer

key shareholding and shares traded

Information of shareholding required under reporting framework is as follows:

1. Associated Companies, undertakings & related parties

Engro Corporation Limited 667,374,991

2. Directors, CEO & their spouses & minor children

Mr. Muhammad Aliuddin Ansari	1
Mr. Sarfaraz A. Rehman	-
Mr. Shahzada Dawood	1
Mr. Ruhail Mohammed	1
Mr. Muhammad Amin	1
Ms. Roshaneh Zafar	1
Ms. Sabrina Dawood	1
Mr. Zafar Ahmed Siddiqui	1
Mr. Abdul Samad Dawood	501
Mr. Mujahid Hamid	42501

3. Executives (Approximately) 270,058

4. Public Sector Companies & Corporations

5. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds 37,832,859

6. Mutual Funds

CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND - MT	36,300
CDC - TRUSTEE AKD INDEX TRACKER FUND	28,300
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	888,000
CDC - TRUSTEE APF-EQUITY SUB FUND	15,000
CDC - TRUSTEE APIF - EQUITY SUB FUND	20,000
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	100,000
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	25,000
CDC - TRUSTEE FIRST HABIB STOCK FUND	30,100
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	4,500
CDC - TRUSTEE HBL PF EQUITY SUB FUND	3,500
CDC - TRUSTEE KASB INCOME OPPORTUNITY FUND - MT	1,000
CDC - TRUSTEE KSE MEEZAN INDEX FUND	205,301
CDC - TRUSTEE MCB DYNAMIC ALLOCATION FUND	57,000
CDC - TRUSTEE MCB DYNAMIC STOCK FUND	45,000
CDC - TRUSTEE MEEZAN BALANCED FUND	368,100
CDC - TRUSTEE MEEZAN ISLAMIC FUND	4,249,521
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	342,600
CDC - TRUSTEE PAK STRATEGIC ALLOC. FUND	42,800
CDC - TRUSTEE PAKISTAN STOCK MARKET FUND	60,000
CDC - TRUSTEE PICIC INCOME FUND - MT	53,600
CDC-TRUSTEE FIRST HABIB ISLAMIC BALANCED FUND	27,000
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	250,000
CDC-TRUSTEE MEEZAN CAPITAL PROTECTED FUND-II	2,763
CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	439,700
CDC-TRUSTEE PAKISTAN PREMIER FUND	30,000
MC FSL - TRUSTEE JS KSE-30 INDEX FUND	4,900
MCBFSL - TRUSTEE NAMCO BALANCED FUND - MT	183,900

Total 7,513,885

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

Engro Corporation Limited 667,374,991

8. Details of purchase/sale of shares by Directors, Executives and their spouses/minor children during 2013

S.NO.	NAME	DATE	PURCHASE	SALE	RATE / PER SHARE
1	Sheikh Muhammad Amer Irshad	January 2, 2013	20,000		19*
2	Aisha Riaz	January 2, 2013	45,000		19*
3	Ahsan Afzaal Ahmad	January 7, 2013	150,000		21*
4	Mr.Khurram Shahzad Aslam	January 10, 2013	154,500		21*
5	Adnan Mehmood	January 27, 2013		25,500	140.90
6	Adnan Mehmood	January 28, 2013		10,000	140.50
7	Ahsan Afzaal Ahmad	January 28, 2013		150,000	104.00
8	Syed Asad Ali Shah	February 1, 2013	247,000		21*
9	Zahid Mehmood	February 6, 2013	108,000		21*
10	Zeeshan-UR-Rab	February 6, 2013	238,000		21*
11	Riaz Hussain	February 6, 2013	154,500		21*
12	Zahid Mahmud	February 11, 2013		108,000	123.30
13	Muhammad Ali	February 14, 2013	26,000		21*
14	Syed Saud Ahmed Gillani Pasha	February 14, 2013	250,000		21*
15	Muhammad Junaid	February 15, 2013		1,500	122.00
16	Aamir Khawas Khan Niazi	February 20, 2013	80,000		21*
17	Kanwer Muhammad Anwar Saeed Khan	February 20, 2013	305,000		21*
18	Kanwer Muhammad Anwar Saeed Khan	March 4, 2013		100,000	131.85
19	Kanwer Muhammad Anwar Saeed Khan	March 5, 2013		50,000	130.80
20	Kanwer Muhammad Anwar Saeed Khan	March 6, 2013		50,000	132.15
21	Syed Saud Ahmed Gillani Pasha	March 6, 2013	46,000		21*
22	Javed Iqbal	March 6, 2013	100,000		21*
23	Kanwer Muhammad Anwar Saeed Khan	March 7, 2013		100,000	126.96
24	Abdullah Aslam	March 14, 2013	179,000		21*
25	Muhammad Mudassir	March 14, 2013	75,000		21*
26	Kanwer Muhammad Anwar Saeed Khan	March 14, 2013		5,000	123.32
27	Kanwer Muhammad Anwar Saeed Khan	March 14, 2013		5,000	123.32
28	Abdullah Aslam	March 19, 2013		179,000	125.00
29	Javed Iqbal	March 20, 2013		10,000	124.50
30	Javed Iqbal	March 27, 2013		5,000	129.50
31	Ahsan Afzaal Ahmad	March 29, 2013	50,000		21*
32	Sheikh Muhammad Amer Irshad	March 29, 2013	85,000		21*
33	Javed Iqbal	April 1, 2013		85,000	128.30
34	Ahsan Afzaal Ahmad	April 2, 2013		50,000	129.50
35	Syed Saud Ahmed Gillani Pasha	April 2, 2013		50,000	130.50
36	Aamir Khawas Khan Niazi	April 11, 2013	377,000		21*
37	Muhammad Imran Khalil	April 19, 2013	2,000		139.00
38	Aasim Butt	April 23, 2013	65,000		21*
39	Muhammad Mudassir	May 27, 2013	140,000		21*
40	Syed Murtaza Azhar Rizvi	May 27, 2013	107,000		21*
41	Imran Anwer	May 10, 2013		150,000	145.42
42	Syed Saud Ahmed Gillani Pasha	May 11, 2013		21,000	149.50
43	Syed Saud Ahmed Gillani Pasha	May 13, 2013	25,000		147.25
44	Imran Anwer	May 13, 2013		300,000	146.15
45	Omar Zahid Nagi	May 14, 2013		2,000	144.63
46	Muhammad Mudassir	May 16, 2013		75,000	143.30

key shareholding and shares traded

S.NO.	NAME	DATE	PURCHASE	SALE	RATE / PER SHARE
47	Muhammad Mudassir	May 16, 2013		75,000	143.30
48	Muhammad Mudassir	May 17, 2013		4,000	143.10
49	Muhammad Mudassir	May 17, 2013		4,000	143.10
50	Sabir Mahmood	May 24, 2013		1,000	146.50
51	Sabir Mahmood	May 24, 2013		1,000	146.50
52	Syed Murtaza Azhar Rizvi	May 27, 2013	107,000		21 *
53	Muhammad Mudassir	May 28, 2013		29,500	147.70
54	Muhammad Mudassir	May 28, 2013		29,500	147.70
55	Syed Murtaza Azhar Rizvi	May 28, 2013		107,000	145.02
56	Muhammad Mudassir	May 29, 2013		30,500	151.30
57	Muhammad Mudassir	May 29, 2013		30,500	151.30
58	Muhammad Mudassir	May 31, 2013		15,000	155.00
59	Muhammad Mudassir	May 31, 2013		29,500	147.70
60	Omar Zahid Nagi	May 31, 2013		1,000	153.80
61	Syed Saud Ahmed Gillani Pasha	May 31, 2013		21,000	149.50
62	Javed Iqbal	June 3, 2013	379,000		21 *
63	Imran Anwer	June 10, 2013		100,000	147.50
64	Kashif Ahmed Soomro	June 12, 2013	87,000		21 *
65	Imran Anwer	June 13, 2013		300,000	147.21
66	Javed Iqbal	June 13, 2013		29,000	146.00
67	Mr. Salman Goheer	June 14, 2013	394,000		21 *
68	Ms. Zainab Hameed	June 14, 2013	249,000		21 *
69	Muhammad Mudassir	June 14, 2013		15,500	146.4
70	Kashif Ahmed Soomro	June 14, 2013		40,000	146.64
71	Kashif Ahmed Soomro	June 18, 2013		36,000	145.25
72	Zainab Hameed	June 19, 2013		249,000	148.72
73	Salman Goheer	June 19, 2013		194,000	148.91
74	Muhammad Mudassir	June 19, 2013		10,000	155.25
75	Javed Iqbal	June 19, 2013	50,000		148.50
76	Imran Ahmed Chaudhary	June 24, 2013	308,000		21 *
77	Syed Murtaza Azhar Rizvi	June 24, 2013	190,000		21 *
78	Adnan Mehmood	June 24, 2013	154,500		21 *
79	Kashif Ahmed Soomro	June 24, 2013	100,000		21 *
80	Syed Murtaza Azhar Rizvi	June 24, 2013		500	140.07
81	Kashif Ahmed Soomro	June 25, 2013		30,000	142.00
82	Kashif Ahmed Soomro	June 26, 2013		10,000	142.00
83	Adnan Mehmood	June 27, 2013		25,500	140.90
84	Adnan Mehmood	June 28, 2013		10,000	140.50
85	Syed Murtaza Azhar Rizvi	June 28, 2013		60,500	140.07
86	Syed Murtaza Azhar Rizvi	July 2, 2013		129,000	154.40
87	Muhammad Mudassir	July 5, 2013		24,500	148.85
88	Mr. Ahsan Afzaal	July 16, 2013	50,000		21 *
89	Imran Ahmed Chaudhary	July 10, 2013		100,000	152.98
90	Kashif Ahmed Soomro	July 10, 2013		40,000	152.31
91	Sabir Mahmood	July 10, 2013		1,000	156.40
92	Javed Iqbal	July 10, 2013		50,000	155.20
93	Javed Iqbal	July 12, 2013		50,000	158.40
94	Ahsan Afzaal Ahmad	July 19, 2013		50,000	159.78
95	Syed Murtaza Azhar Rizvi	July 24, 2013		500	140.07
96	Syed Murtaza Azhar Rizvi	July 28, 2013		60,500	140.07
97	Muhammad Ashraf Choudhry	September 11, 2013	7,000		115.13

S.NO.	NAME	DATE	PURCHASE	SALE	RATE / PER SHARE
98	Muhammad Ashraf Choudhry	September 23, 2013		500	116.10
99	Muhammad Ashraf Choudhry	September 24, 2013	500		116.10
100	Kashif Ahmed Soomro	October 7, 2013		3,900	102.40
101	Kashif Ahmed Soomro	October 9, 2013		12,800	96.51
102	Kashif Ahmed Soomro	October 10, 2013		14,300	95.75
103	Imran Ahmed	October 11, 2013		207,500	98.55
104	Muddassar Yayub	October 21, 2013	4,000		93.00
105	Muddassar Yayub	October 24, 2013	1,000		87.00
106	Muhammad Ismail	November 1, 2013		6,000	85.55
107	Muhammad Azahr	November 6, 2013		10,000	82.50
108	Muhammad Azahr	November 6, 2013	10,000		87.93
109	Muhammad Azahr	November 8, 2013		10,000	88.75
110	Muhammad Azahr	November 11, 2013		10,000	89.50
111	Zohaib Shaikh	November 18, 2013		5,000	91.20
112	Zohaib Shaikh	November 18, 2013	5,000		90.10
113	M. Akbar Kaimkhani	November 19, 2013		2,000	93.50
114	M. Akbar Kaimkhani	November 19, 2013	2,000		92.97
115	Saifullah Tareen	November 20, 2013	1,000		87.39
116	Ayesha Riaz	December 23, 2013	105,000		21 *
117	Adnan Mehmood / Sheeba Adnan	December 27, 2013		17,100	105.07

* Shares acquired through Employee Stock Option Scheme (ESOS)

pattern of shareholding as at december 31, 2013

No. of Shareholders	Shareholdings		Total Shares Held	No. of Shareholders	Shareholdings		Total Shares Held
	From	To			From	To	
820	1.00	100.00	49,747.00	1	185,001.00	190,000.00	187,000.00
4922	101.00	500.00	2,280,878.00	4	195,001.00	200,000.00	800,000.00
2010	501.00	1,000.00	1,911,701.00	1	205,001.00	210,000.00	205,301.00
2244	1,001.00	5,000.00	5,916,237.00	1	225,001.00	230,000.00	226,500.00
501	5,001.00	10,000.00	4,053,917.00	2	245,001.00	250,000.00	500,000.00
125	10,001.00	15,000.00	1,613,450.00	2	250,001.00	255,000.00	502,700.00
81	15,001.00	20,000.00	1,516,206.00	1	255,001.00	260,000.00	256,500.00
60	20,001.00	25,000.00	1,428,174.00	1	265,001.00	270,000.00	270,000.00
26	25,001.00	30,000.00	737,200.00	1	275,001.00	280,000.00	276,000.00
27	30,001.00	35,000.00	902,330.00	1	280,001.00	285,000.00	283,400.00
10	35,001.00	40,000.00	389,360.00	1	285,001.00	290,000.00	289,980.00
17	40,001.00	45,000.00	736,801.00	1	295,001.00	300,000.00	300,000.00
22	45,001.00	50,000.00	1,079,308.00	1	320,001.00	325,000.00	322,055.00
5	50,001.00	55,000.00	269,240.00	1	340,001.00	345,000.00	342,600.00
9	55,001.00	60,000.00	530,900.00	1	345,001.00	350,000.00	350,000.00
7	60,001.00	65,000.00	433,100.00	1	355,001.00	360,000.00	355,100.00
5	65,001.00	70,000.00	340,000.00	2	365,001.00	370,000.00	734,600.00
9	70,001.00	75,000.00	675,000.00	1	430,001.00	435,000.00	431,000.00
5	75,001.00	80,000.00	392,325.00	1	435,001.00	440,000.00	439,700.00
3	80,001.00	85,000.00	253,000.00	4	495,001.00	500,000.00	2,000,000.00
2	85,001.00	90,000.00	178,500.00	1	550,001.00	555,000.00	552,400.00
8	95,001.00	100,000.00	799,000.00	1	645,001.00	650,000.00	646,300.00
7	100,001.00	105,000.00	720,100.00	1	650,001.00	655,000.00	652,487.00
1	105,001.00	110,000.00	110,000.00	1	885,001.00	890,000.00	888,000.00
1	110,001.00	115,000.00	112,700.00	1	1,165,001.00	1,170,000.00	1,169,700.00
1	115,001.00	120,000.00	120,000.00	1	1,330,001.00	1,335,000.00	1,334,350.00
6	120,001.00	125,000.00	743,140.00	1	2,055,001.00	2,060,000.00	2,055,500.00
4	125,001.00	130,000.00	512,000.00	1	3,495,001.00	3,500,000.00	3,500,000.00
1	135,001.00	140,000.00	138,000.00	1	4,140,001.00	4,145,000.00	4,142,468.00
2	140,001.00	145,000.00	288,500.00	1	4,245,001.00	4,250,000.00	4,249,521.00
3	145,001.00	150,000.00	450,000.00	1	4,285,001.00	4,290,000.00	4,289,355.00
1	155,001.00	160,000.00	160,000.00	1	4,735,001.00	4,740,000.00	4,736,944.00
1	165,001.00	170,000.00	170,000.00	1	31,195,001.00	31,200,000.00	31,199,409.00
1	170,001.00	175,000.00	175,000.00	1	103,070,001.00	103,075,000.00	103,074,991.00
1	175,001.00	180,000.00	177,500.00	1	564,295,001.00	564,300,000.00	564,300,000.00
2	180,001.00	185,000.00	368,900.00	10,994	TOTAL		766,596,075.00

category of shareholding as at december 31, 2013

S.No.	Shareholders Category	No. of Shareholder	No. of Shares	Percentage
01	Directors, Chief Executive Officer, and their spouse and minor children.	11	43,009	0.01
02	Associated Companies, Undertakings and Related Parties	2	667,374,991	87.06
03	Banks Development Finance Institutions, Non-Banking Finance Institutions	12	37,237,359	4.86
04	Insurance Companies	4	495,000	0.06
05	Modarabas and Mutual Funds	31	7,614,385	0.99
06	Shareholders holding 10%	2	667,374,991	87.06
07	General Public (Individuals):			
	a. Local	10,829	31,414,198	4.10
	b. Foreign	-	-	-
08	Others	105	22,417,133	2.92

M. A. Ansari

Aliuddin Ansari
Chairman

Sarfaraz A. Rehman

Sarfaraz A. Rehman
Chief Executive Officer

shareholder information

Annual General Meeting

The annual shareholders meeting will be held at 10:00 a.m. on April 30, 2014 at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi.

Shareholders as of April 16, 2014 are encouraged to participate and vote.

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

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

Ownership

On December 31, 2013 there were 10,994 shareholders on record of the Company's ordinary shares.

E-Foods Vs KSE 100 (2013)



Quarterly Results

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

- 1st quarter April 17, 2014
- 2nd quarter August 05, 2014
- 3rd quarter October 20, 2014

The Company holds quarterly briefings with security Analysts to discuss the results and the business environment.

These sessions are planned to be held on:

- 1st quarter April 18, 2014
- 2nd quarter August 06, 2014
- 3rd quarter October 21, 2014

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

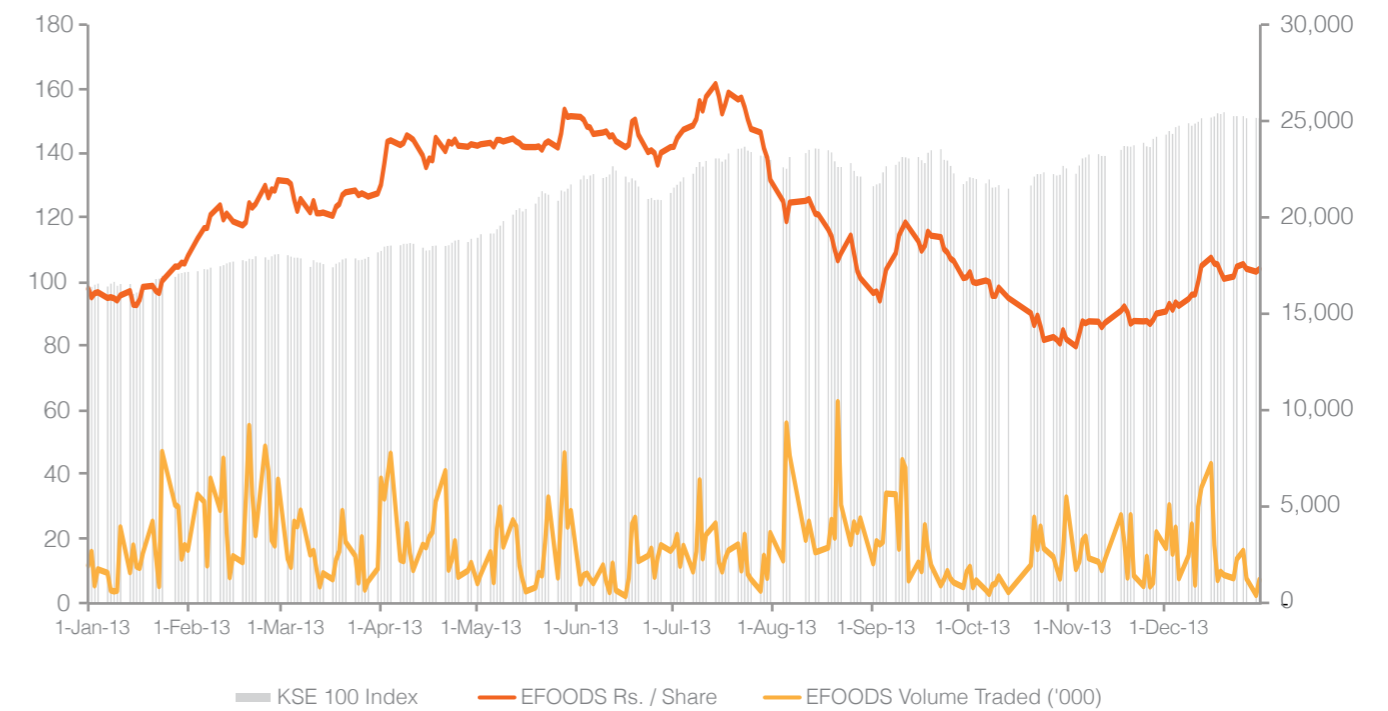
The Company reserves the right to change any of the above dates.

Change of Address

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

M/s. FAMCO Associates (Private) Limited
8-F, next to Hotel Faran Block-6, PECHS, Shahra-e-Faisal
Karachi - Pakistan.

Share Prices and Volumes (2013)



share price sensitivity analysis

As Engro Foods holds a very strong presence all over Pakistan in perishable food category ranging from UHT and pasteurized milk to Ice Cream and newly started pilot project of meat business, a variety of external and internal factors can affect the company's financial performance. Therefore the company's share price may respond to events and changes in EFL's business environment.

Government Actions

Government's decisions on Sales Tax are one of the most important drivers of the company's share price. Exemption of sales tax on UHT milk affects adversely on the profitability of the company as this will increase cost of inputs, whilst decisions to tax at existing rate of 17% will increase the price for consumer which will impact the consumer and will adversely impact the growth forecast of the company.

Energy Supply

Nation-wide gas and electricity shortages impact the company directly through higher cost of production due to use of expensive fuels and indirectly through lower demand for its products. For example, the sales in ice-cream industry are hurt due to frequent power outages as it becomes difficult for retailers to maintain quality of the product. Company has however, invested in cheaper source of power as explained in the HSE section later in the report.

Plant Operations

Stable operations lead to higher production and better production efficiencies. Issues at production facilities negatively impact the company's financial performance and therefore may affect share price.

Commodity Price Volatility

Greater volatility in commodity prices like skimmed milk powder prices, paper prices and vegetable fat prices affects the profitability of company. For example, increase in vegetable fat prices in international markets affects the cost of production adversely. On the contrary, lower prices of commodities positively impact the profitability.

Interest Rates & Currency Devaluation

A decline in interest rates decreases financial expenses, conversely an increase in interest rates decreases profitability. Such savings in cashflow may be reflected in share price. Similarly any devaluation of Pak Rupee increase not only cost of ingredients but also increase cost of machinery imported in relation to expansion. Risk of devaluation is partly offset by export sales which is upto the tune of Rs 1 billion annually.

our people

delight us



organogram



our HR highlights: 2013 in retrospect

Embracing new talent: The Engro Foods Management Trainee Program

In our efforts to ensure that Engro Foods continues to attract and retain world-class talent, we launched The Engro Foods Management Trainee Program in 2013, which aims to build a talent pipeline that will enable us to groom future leaders from within the organization. The program received great acclaim and enabled us to become the Employer of Choice.

Developed to strengthen the EFL Employer Brand, the Engro Foods Management Trainee program includes a comprehensive recruitment drive and informative sessions conducted at leading universities in Pakistan. Designed to test the aptitude of high potential candidates, the program's recruitment drive includes an online aptitude test, a case study assessment, a business case competition as well as competency based interviews followed by a final round of interviews with the Engro Foods Management Committee. Through this rigorous process, we successfully inducted twelve university students as our first batch of management trainees in 2013.

In line with our efforts to encourage cross-functional rotation, we also made a transition from our regular induction of graduate trainee engineers, and rotated management trainees across our supply chain division to equip our emerging leaders with a better understanding of all aspects of our business.

Employee Stock Option Scheme

As an employer of choice, Engro Foods strives to empower employees by continuously investing in them. Through our Employee Stock Option Scheme (ESOS), the Company grants ordinary shares to selected employees who have made a substantial contribution to the business to encourage and reward their efforts in increasing share value of the Company. The main objective of our Employee Stock Option scheme is to compensate, retain and attract talent that adds value to our business, whilst inculcating a sense of ownership and a personal stake in employees striving to achieve organizational goals.

Diversity at Engro Foods Limited

At Engro Foods, we take pride in the fact that female employees are an integral part of our business. In the Supply Chain Division in specific, despite operations in remote locations, women are an active part of the workforce. There are women working in various departments of the Supply Chain Division including Quality Assurance, Quality Control, Research & Development, Purchase, Production, Engineering, Administration and HR.

Promoting gender diversity within the workplace is a priority for us and we specifically cater to the needs of our female employees. To ensure the continued growth of our female workforce, we have created multiple platforms to accelerate their personal and professional advancement.

Every year, an increasing number of women are hired as trainees at Engro Foods plant facilities, where they receive comprehensive training to function effectively within the industrial environment. Engro Foods women employees are also given the option to work in rotational shifts with flexible working hours to accommodate their personal obligations.

At Engro Foods, we greatly value the professional contribution of female employees and also strive to celebrate their personal achievements. At the Sukkur Plant, three of our female employees working in the Quality Assurance and Quality Control Department are professional sportswomen, who are encouraged to pursue their passion for sports and supported every time they compete at provincial, national and international levels.



Celebrating our Tree of Life

At Engro Foods, we go the extra mile to integrate employee engagement within our employer brand as we maintain a culture that fosters inclusion and openness. Our employer brand is not only a reflection of our corporate philosophy, but is also indicative of all the values that make Engro Foods an employer of choice.

As we continue to evolve and innovate, we relaunched our employer brand IEFLE as LIFE in 2013 in an effort to celebrate our employees who help us thrive by embracing our teamwork approach that hinges upon individual effort for collective success.

LIFE promotes our philosophy that every employee at Engro Foods is a valuable component of our 'Tree of Life', and makes a unique personal contribution to our overall success.

As our individual efforts branch out, bear fruit and flourish, at Engro Foods, we believe that our people are our brand of success and Life is their brand. And so we take pride in the fact that our employees are our family, our work is meaningful and Life is not just a brand but a way of life for all of us.



myCareer: Making the digital transition

As we continue to innovate processes, Engro Foods has launched a fully integrated online portal 'myCareer' that aims to provide employees with a one-stop solution to all their career needs, whilst enabling our HR administration to manage payroll, track performances, boost team interaction and access employee information on a single platform.

Designed to streamline processes and enhance workforce productivity by improving the flow of information across the company, the Engro Foods myCareer platform has dramatically reduced administrative hours and labour previously devoted to the manual upkeep of employee information.

As our team formally made the digital transition to myCareer in 2013, a series of training sessions were conducted across 14 Engro Foods locations to familiarise over 350 employees with the portal's performance assessment and compensation tools.

Multiple support networks have also been created at each site to ensure that portal users are facilitated with ease of information and access at every location and level. At Engro Foods we will continue to upgrade the myCareer portal in ways that can empower our employees to take control of their performance and information.

stakeholder engagement

Engro Foods is not only committed to making investments that support all of our stakeholders' needs, we have also institutionalised a constant dialogue process with our stakeholders to constantly refine and improve our business, social and environmental investments.

Shareholders and Analyst

In addition to holding the legally mandated annual general meeting for shareholders, Engro Foods also engages with professional investors through regular analyst's briefings and investor briefings which helps wider capital markets community abreast with developments. This voluntary measure is symbolic of how Engro Foods is willing to hold itself to higher standards.

Media

Engro Foods engages with the print and visual media through press releases on key achievements and disclosures, through briefings on year-end results and our strategic events. By making more information about our company public, we hope to make ourselves more accountable to the broader community we are a part of.

Employees

Engro Foods realises that the firm's success depends on the degree to which we can keep our people motivated to continue performing at their potential. In addition to the multiple policies that the firm has in place to ensure high motivation levels, the firm also conducts frequent surveys of employee morale, preferences and aspirations. In doing so, Engro Foods keeps itself a step ahead of emerging trends in human resource management and is able to anticipate and meet our employees' needs.

In addition, we hold multiple forums throughout the year in which employees are encouraged to share their views with executives about a variety of issues within the company, a practice that allows Engro Foods to address areas of concern relatively early. We conducted surveys, to measure Engro Food's reputation as an employer among prospective employees.

Suppliers

Engro Foods is proud of its ability to merge its business interests with its social investment strategy, which we believe makes our engagement efforts more sustainable. To this end, Engro Foods is keen to bring its resources to bear in helping Pakistan's farmer communities, particularly our suppliers, improve their productivity. Yet even as we do so, we are mindful of the need to assess their needs, both through direct feedback as well as through studies of our own, before we can begin to design our business investment programmes. In addition, Engro Foods is actively engaged in a dialogue with farmers across the country to which we sell our milk products.

The foods business has developed a milk collection and automated payment infrastructure "EMAN" which has improved payment cycles, guaranteed collections and improved margins directly for the dairy farmers. The foods business is also working on their packaging suppliers to improve the quality of milk tetra and ecolean pack as a means of ensuring product quality for end consumers.

Governments

Engro Foods has always played a proactive role in advising the Government of Pakistan in the framing of economic policy as well as reforms related to both industry and business in Pakistan. Engro Foods executives have advised the government from issues as diverse as food, food laws, gas supply optimization and alternate power generation for their knowledge.





food safety, health and environment

nourish us



food safety, health and environment

At Engro Foods we believe in doing business with an inherent consciousness that goes beyond the need to fixate on profits and incorporates the pillars of good corporate governance. In line with this spirit, all our strategic undertakings underscore the need to protect our people, communities and the environment in which we operate our businesses.

At Engro Foods we believe in doing business with an inherent consciousness that goes beyond the need to fixate on profits and incorporates the pillars of good corporate governance. In line with this spirit, all our strategic undertakings underscore the need to protect our people, communities and the environment in which we operate our businesses.

As we continue to deliver exciting possibilities for our stakeholders, creating value at each step of the chain, our emphasis on incorporating the highest standards in health, safety and environment (HSE) ensure the well-being of our people who come to work with us as well as the communities where we operate. As a Company that prides itself in its roots as a Pakistani entity we are proudly continue to preserve and protect the environment for now and generations to come.

Ensuring Employee Safety at the workplace

At Engro Foods our employees and contractors are expected to conform to our HSE management systems and processes which have been designed keeping in view international standards best practices. Over the years we have embarked on ambitious plans to achieve Occupational Safety and Health Administration (OSHA-USA) compliance through DuPont Alignment and have been successful in our endeavors. We had DuPont Assessment Audit during the last quarter of 2013 for Engro Foods Dairy Farm, Milk Procurement, Sahiwal Plant and Sukkur Plant whilst also ensuring OSHA Compliance and for DuPont Level 3 from Sustainable Business Solutions DuPont. Furthermore, through the years considerable focus and work towards deployment of safety systems resulted in our Plants in Sahiwal and Sukkur, and Dairy Farm in Nara becoming OHSAS 18001 Certified. In addition, 11 Area Offices of Milk Procurement were also certified as OHSAS 18001 and as we forge ahead we have extensive plans to include 5 more Area Offices under the umbrella of OHSAS 18001 Certification.

Within this system, we set in place new procedures as well as customized existing documentation to implement the world's best safety practices (DuPont guidelines). A work-place safety program was installed that actively sought to reduce the potential risk of injuries within the work-place. Since the DuPont Safety Management is essentially a people-focused tool, we also invested heavily in employee engagement by conducting trainings for our employees that spanned over the year with a cumulative total of more than 23,000+ training hours.

Moreover, to reaffirm our commitment to safety of our employees and draw maximum buy-in from them on the subject, Engro Foods hosted a series of engagement events. Like in the previous year our 'Zero Makes You a Hero' campaign was a major highlight and focus area throughout the year where extensive trainings and interventions were held amongst the employees to live our theme of 'Zero Food Safety Incidents, Zero Safety Incidents, Zero Health Incidents & Zero Environment Incidents'

As another step to champion safety & health needs of our employees, we introduced behavior based safety techniques within the Sales Organization, encouraging incident reporting, auditing, safety communication meetings etc. at the work-place to enable us to identify safety hazards and ensure that the possibility of further risk is duly minimized. For sales employees, driving is one of the salient risks that they are exposed to during operations; hence during the year 2013, approximately 380+ sales employees were trained on defensive driving to mitigate incidence of any fleet related accidents.

23,000+

training hours spent on ensuring employee safety at work place

In addition, through the year we also initiated work on a rigorous Transport Safety Program with a vision to make our transport safety and our logistics operation as best in class. Whilst work on the same had been done in previous years, during 2013 we benchmarked our logistics programs against world's leading energy company – a trend unheard of in the FMCG industry. An external consultant was onboarded with considerable experience of working with safety systems of leading energy companies around the world. An "As-Is Gap Analysis" was carried out to identify the gaps and opportunities to improve. A solid foundation was laid in terms of Transport Safety during the year which will provide a rigorous platform to build a Health Transport Safety system as well in the coming years. In future we also plan to become OSHA compliant in the Transport Safety Systems.

This year we continued working to raise the awareness of employees about Heat Stress – a campaign that was first launched in 2012. The Heat Stress campaign is a behavior based initiative which is exercised through adoption of a color-coded flag system based upon the heat index as determined by ambient temperature and humidity. The color code of the flag hoisted at the site facility suggests behavior based actions to our employees such as rest breaks, ideal water consumption, etc.

As a result of our efforts and focus on stringent and best in class HSE guidelines, the total recordable injury rate (TRIR) among our employees has declined significantly over the last six years. During the year 2013, the Total Recordable Injury Rate (TRIR) of our employees and contractors was calculated at 0.18 with over 21.4 million man hours clocked in by our employees.

Ensuring Responsible Environmental Practices

Foods corporate social responsibility remains deeply embedded within the very core of our business. Therefore, we recognize the need to protect and preserve our planet, by going the extra mile to prevent unnecessary wastage of our natural resources.

Our business strategies are also fully aligned with this vision and have been designed taking in to account the far-reaching environmental impact of all our business decisions.

In an on-going effort to preserve our natural habitat, we have invested in installation of solar geysers at our area offices to substitute for the smoke that was generated through burning of wood in the conventional Cleaning in Place (CIP) Geysers that were deployed at the area offices. The installation of these geysers has drastically reduced our environmental footprint since no wood is burnt. The application of this innovative and renewable technology has helped us cut down on burning of approximately 50kg of wood on a daily basis at our area offices. In addition to the area offices, a detailed study was carried out of our vast milk collection infrastructure where warm water was a key requirement to ensure compliance to cleaning guidelines. Solar geysers have also been installed in over 300 milk collection centres & Area Offices thereby reducing our footprint and ensuring that we preserve the natural habitat of communities that continue to host us.

As part of our vision to reduce greenhouse gas (GHG) emissions, we are actively promoting the use of Non CFC products at all our manufacturing units. To further strengthen this practice we are now working in close coordination so that importers can build their stocks as per our growing demand in the years to come. Moreover, in 2013 we also installed first state of the art One-Step UHT processing line at our Sahiwal plant. It will not only improve our product shelf life but also bring efficiency in energy utilization. On the same lines a modification exercise has been undertaken at the Sukkur plant which will be completed during first quarter of 2014. Building on our commitment to preserve the environment and deploy inclusive business models that steward enhanced eco-friendliness, we have also initiated 2 alternate energy projects. The first bio mass boiler has been commissioned and approximately 35% of required steam for operation is generated using bio mass. This is in addition to our focus on improving energy consumption at our plants where we have invested in new energy efficient gas generation units along with Waste Heat Recovery Boilers which will use gensets fumes to generate steam thereby reducing our environmental footprint

Our Milk Collection Department has also prepared a feasibility study for deployment of solar-powered Milk Collection Centers (MCCs), and 03 MCCs are expected to be up and running during first quarter of 2014. During the year we have also initiated a project to convert product sampling from destructive testing to non-destructive testing which will save more than 1 million packs of various SKU sizes and therefore, reduce our waste output by a considerable margin.

At Engro Foods, we will continue to make concerted efforts to protect and preserve the planet for our future generations whilst exercising effective controls to minimize potential environmental hazards. This is truly reflected in our endeavors to achieve ISO 14001 certifications for our plants in Sukkur & Sahiwal, and our Dairy Farm in Nara. Moreover, 11 Area Offices of Milk Procurement & Agri Services are also ISO 14001 Certified with plans to take 5 more Area Offices under ISO 14001 Certification umbrella in the years to come. In addition to the certifications, our plants and employees continue to work towards creating a more eco-friendly habitat and in this regard in 2013 we planted 15,000+ to mitigate our carbon footprint and preserve the bio-diversity of the communities that host us.

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In addition, Engro Foods has installed wastewater treatment plants (WWTP) at an investment cost of PKR 116 Million to treat the process & industrial effluent at its Sahiwal and Sukkur sites. The capacities of WWTP at Sahiwal and Sukkur plants are 4,000 m³/day and 2,400 m³/day respectively. Through the treatment plants the effluent passes through a series of treatment steps including static screening to separate coarse particles, equalization, pH control, dissolved air floatation for removal of fat, oil & grease, anaerobic and aerobic digestion, and then clarification. The parameters of treated effluent, like COD, BOD, pH, TSS and TDS, are compliant to National Environmental Quality Standards (NEQS) which is disposed off finally.

These WWTP's are operated and maintained by highly trained & qualified workforce employing best practices in their work. Safety and Occupational Health aspects are covered diligently as O&M team is provided with all requisite personal protective equipment (PPE's) and is vaccinated against the blood-borne pathogens likely to exist at WWTP.

Moreover, our responsibility to ensure stewardship of a healthy environment and eco-system is also evident from the various awareness sessions held throughout the year. In 2013, a series of activities and initiatives were planned to celebrate the Earth Day and Earth Hour. The year also had the unique distinction of our Head Office along with the administration offices of our Sahiwal Plant, Sukkur Plant and Nara Dairy Farm being certified as 'Green Offices' under the Green Office Project by WWF-Pakistan. The pilot project for paper reduction taken up by Engro Foods Head Office in Karachi resulted in massive cost savings and an overall paper reduction of 40% in the last quarter of 2013 alone.

adherence to local laws and global standards

We have aligned our HSE practices with strictest international standards. The following tables illustrate various systems which are in place at our group entities.

System Exists and implemented	★
In process of implementation	○
Future plan	➔



Environmental Management

Common Management Approach	
Environmental management policy	★
Full compliance with National Environmental Quality Standards (NEQS)	★
ISO 14001 – Environmental Management System	★
Adherence to British Safety Council Environmental Program	➔
WWF Green Office Diploma	★
Internal audit of Environmental Management System	★
Third party audit of Environmental Management System	★
Reporting to environmental protection agency	★



Occupational Health and Safety

Common Management Approach	
Occupational health and safety policy	★
OHSAS 18001 – Occupational Health and Safety Standard	★
DuPont Personnel Safety Management (PSM)	★
DuPont Process Safety Risk Management (PSRM)	★
Internal audit of Occupational Health and Safety	★
Third party audit of Occupational Health and Safety	★



Energy Consumption

Energy Usage Composition	2013	2012
Engro Foods	887,038	920,302



Green House Gas Emissions (in CO2 equivalent)

Energy Usage Composition	2013 Tons	2012 Tons
Engro Foods	69,970	76,376



Material Consumption

Material Consumed	2013 Tons	2012 Tons	Material Intensity Performance (per unit of production) vs 2012
Foods			
Non-renewable material			
Additives	kg	233,903,020	↑ 7.32%
Renewable material			
Raw Milk	Litres	170,710,000	↑ 11.46%

enabling opportunities

all of us



social investments

The company invested Rs. 650 million during 2013 to further strengthen its partnership with farmers by developing a network of 515 new milk collection centers.

enabling opportunities

At Engro Foods, our business strategies are geared towards providing sustainable solutions which impact lives. We lead by example, and provide proactive solutions which generate livelihoods for the underprivileged sectors of our community.

Our goal remains to inspire change by bettering lives. We continue to invest in low-income communities by actively developing platforms which can lead people towards self-sufficiency.

As we continue to help people in vulnerable social segments evolve, prosper and grow -- we believe that sustainable initiatives will not only inspire hope for a better living, but will also pave the way for economic security, social advancement and community empowerment -- thus steering a more prosperous future.

To achieve our vision of sustained economic growth in marginalized communities, we partner with development agencies and our stakeholders on targeted projects focused on livelihood intervention, capacity building and disaster management.



agri services wing

We also have an agri-services wing composed of over 40 dedicated veterinarians – providing 24-hour support and services to dairy farmers throughout Punjab and Sindh. Such services ensure animals are disease-free and taken care of. Our agri teams carried out FMD vaccination programs on more than 80,000 animals, HS vaccinations on more than 88,000 animals, and dewormings on more than 90,000 animals. These activities do not include more than the 400 health camps we've established, which provide free treatment for animals.

In order to help farmers reduce the cost of production and increase their profitability, we provided technical support and guidance to farmers which enabled them to harvest approximately 1,700 acres of silage. In addition, we facilitated farmers in producing approximately 18,000 (kg) of fodder seed and around 6.1 million (kg) of vanda at subsidized rates to help improve their yields. Currently, we are working with medium and large scale commercial dairy farmers which is testament to the fact that we take an avid interest in the country's dairy sector particularly when it comes to developing the rural economy.

dairy growth project - expanding farming scales for greater returns

To further strengthen the rural economy and help farmers make dairy farming the primary source of income, we are embarking on a project which aims to develop the dairy and livestock sector in Pakistan.

The project provides financial, technical and infrastructural services to dairy farmers – enabling traditional and small farmers to expand to medium scale farming – thereby increasing farmer profitability and yield.

Titled, "Dairy Growth Project," the scheme is a long-term collaborative project with the Asian Development Bank, Habib Bank Limited and State Bank of Pakistan.

recognizing women's role in the value chain

The "Dairy Hub" Community Infrastructure Improvement Project (CIIP) is a collaborative effort between Engro Foods Limited and CARE International in Pakistan to support rural women economically and socially by providing a sustainable income to dairy farmers in Tando Allahyar and Mirpurkhas through technical assistance and market-led solutions to penetrate high value markets. There will be over 300 direct beneficiaries from this project and 1,100 indirect beneficiaries composed of 800 females and 300 men.

Due to the underlying importance of the livestock sector in Pakistan's rural economy, the Dairy Hub Project's extensive training programs for dairy farmers, female village milk collection agents, female livestock extension workers, and artificial insemination technicians, will play an important role in transforming livelihoods of local communities.

Designed after conducting research on rural women's economic and social empowerment, the project proves that fresh milk collection value chain is a sustainable model for establishing business and growth.

The project was designed around what women already knew. For example, women are already familiar with livestock rearing and selling milk – and there lies an opportunity to transform their traditional practices into more business-oriented practices. Female farmers can acquire the extended role as village milk collection agents, livestock extension workers, and members of milk cooperatives and farmer groups. This will redefine women's roles in the value chain. Traditionally, women were perceived as care takers of animals only, with no stake in income. With the introduction of this system, however, they will be provided an income for their services.

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Project Objectives:

Community Training And Support

1400 milk suppliers/beneficiaries will be trained in livestock management, improved feeding and animal nutrition, housing and health management for improved milk yields

Training And Support For FLEWs / FVMCAs:

20 female lead entrepreneurs will be trained, out of which 10 females will specialize as Livestock Extension Workers while 10 will specialize as Milk Collection Agents. All trainees are provided with a support kit to start businesses for better earnings.

Formation of Cooperatives/ Self Help groups:

Form and strengthen 3 female entrepreneurs / Milk Producer Groups, to undertake future community-owned sustainable livelihoods initiatives.

Project Benefits:

The project will prove advantageous in a number of ways.

Milk producers report a minimum of 10% increase in milk production after receiving support from the project. At least 10 milk cooperatives comprising of small scale dairy farmers actively work for better yields – thereby penetrating high-value markets. In addition, farmers report reduced mastitis cases after undergoing training.

It is estimated that female livestock extension workers report a monthly income of at least Rs. 2,500 from their services, whereas female village milk collection agents report income of at least Rs.2,500 from the milk collection business.

To date, there have been 35 villages identified for this project, and 16 of those have completed registration. The number of registered farmers include 26 males and 495 females. Sixty-four RMTs have been contacted and evaluated, while six FVMCs have been selected and identified. To date, there are a number of trainings conducted and a detailed account of them is shown in the table below.



women empowerment through livestock development (weld)

Engro Foods, Engro Foundation and USAID entrepreneurs, with facilitation of MEDA Pakistan, have partnered in a mission to strengthen the socio-economic fabric of primary milk producing communities in Northern Sindh and Southern Punjab region, through The Women Empowerment Through Livestock Development (WELD) project. The WELD project has been in operation since July 2011.

Empowering women to become agents for change within their communities, the WELD project aims to boost livestock production and widen access to commercial milk marketing by developing women entrepreneurs and improving their earning potential and livestock management skills. According to a recent survey, over 80% of livestock management practices are carried out by rural women, who spend five to six hours daily on these tasks.

To achieve this goal, comprehensive training and implementation opportunities are provided to rural women on commercial milk marketing, livestock management and best practices to improve yield and aid production.

Under the WELD platform, between July and December 2013, we trained 18,682 milk producers covering 533 villages in 122 Union Councils. In the same period, we selected and trained 250 Female Village Milk Collectors (FVMC), and 322 Female Livestock Extension Workers (FLEW).

The WELD project seeks to enhance milk production by improving technical know-how of rural women engaged in livestock management. For example, more than 65% of those who received training claimed that their animal production increased by 0.98 liters of milk per animal per day. The revenue generated of increased milk stands in excess of Rs. 266 million from July 2011 to December, 2013

To further aid production and economic growth, we have identified potential areas to further the reach of our Milk Collection Centres. The WELD team in collaboration with EFL has established 65 milk chillers in 2013 bringing the total to 75 chillers that are now in working condition.

The WELD project operates in nine districts of Pakistan including Sukkur, Khairpur, Naushero Feroz, Ghotki, Dadu, Shikarpur, Larkana, Layyah and Muzaffar Garh. The project has achieved many milestones – not only improving milk production at the farmer level, but also income generation for extension workers.

In addition a significant number of female lead entrepreneurs have also benefited from our training sessions highlighting ways to boost revenue. As a result of our efforts, we have significantly increased the earning capacity of a wide array of females working in the rural dairy sector enabling them to draw an average monthly income in excess of Rs. 2,500+ in 2013 while extending services to more than 12,000 livestock owners for animal care and vaccination.



input hub – a playground for stakeholders to care and support

For sustaining the project, the WELD team has established 10 hubs in different areas where various medicines and feed inputs are supplied to nearby FLEWs.

FLEWs operate in nine districts in Pakistan, including seven in Sindh and two in south Punjab. FLEWs support in improving animal yield by providing health care services and nutritional requirements of animals. This results in increased milk production, and attractive sale prices of animals as well.

The project team has created strong linkages between stakeholders. Different villages under the program conduct meetings to link the FLEWs with Input hub and input supplier companies with input operator companies.

Such Input hubs are expected to support other FLEWs in the surrounding areas, which will have a positive impact on the business. This hub will provide quality medicines at a competitive price, reducing travel time involved in getting the medicines from the city. The project aims to open up 15 more such input hubs soon.



A housewife who was living in poverty-stricken conditions, Najees now earns Rs. 10,000-12,000 per month.

Since working as a FLEW her life has changed, she says. "First time in my marriage, I did shopping with my children," says the mother of five.

"I also purchased a goat from my savings and now we eat three times a day."

She is even capable of sending her children to school now -- without worrying about the expense. In order to harness her own potential, she also acquired admission as a private student in class 10.

Najees lives in the village of Kandh Wale near Kot Adu, district Muzafer Garrh. Her husband, a farm laborer, hardly meets the needs of the family.

Whenever, she demanded money for anything, he used to beat her. "We hardly had food twice a day, but now I cook breakfast for my children," she says, with tears in her eyes.

Najees was trained by the WELD team -- working in her village and neighboring villages -- attending animals, vaccinating them, and providing other first-aid services.

Her dream is to provide quality education to her children.

"I am thankful to USAID and Engro, who provided me with a permanent source of income," she says.

eman – an automated milk collection system

Ever since its inception, EFL has tested innovative techniques to make its milk collection network more efficient -- positively impacting the lives of farmers.

During 2013, the company invested Rs.650 million to further strengthen its partnership with farmers by developing a network of 515 new milk collection centers.

We use the Engro Milk Automation Network (EMAN) payment system to streamline payments and regulate transactions to avoid payment delays and manual errors. Introduced by Engro Foods, EMAN has paved the way for major automation within the dairy sector, helping us process millions of rupees in payments every week to farmers.

Once milk is collected from farmers, payments are made directly through cash or credit to their accounts. This timely disbursements of funds helps forge successful relationships with farmers, while contributing to a thriving and transparent supply chain network. For instance, prior to introducing EMAN in 2010, farmers had to commute back and forth to our milk collection centers to record their transactions, which had proved disadvantageous to farmers. For the ease of farmers and our dairy communities, the EMAN payment system is automated with live recordings available of all transactions made. A back office system providing MIS reporting and payments processing further ensures accurate and timely payments and information. Further, the availability of real-time data ensures that payments are transferred to farmers weekly, as opposed to issuing receipts on paper that took weeks to record, after which payments were processed

After implementing the system, more than 250,000 farmers in our dairy network in Punjab and Sindh now have access to magnetic smart cards that can be swiped to record and track real time purchases. With EMAN magnetic cards, suppliers, locations and routes can be conveniently identified and accessed, making it easier for us to monitor and track the system for progress and delivery.

EMAN not only offers real time entry of milk collection and movement at source but also provides better controls, real time engineering and farmer alerts, as well as an accurate and reliable feed of information.

In 2013, in an efforts to expand the scope of the EMAN system, we deployed a network of over 1400 machines in key milk collection areas in the most remote parts of the country with plans to increase the outreach of EMAN machines to a wider dairy farming community. Through its diverse milk collection infrastructure, EFL collected around 200 million liters of milk during 2013 paying Rs 9.8 billion directly to farmers and another 2 billion were spent over transportation and collection network.

EMAN received multiple local and international awards including the G20 Award for Inclusive Business Innovation at the G20 Summit in Mexico.

EMAN has proved to be a state-of-the-art platform which has revolutionized milk collection systems, and eased farmer worries. The platform will remain a fundamental part of our infrastructure and it will continue to be a key driver in the years to come.



We use the Engro Milk Automation Network (EMAN) payment system to streamline payments and regulate transactions to avoid payment delays and manual errors. Introduced by Engro Foods, EMAN has paved the way for major automation within the dairy sector, helping us process millions of rupees in payments every week to farmers.

our brands

define us



the win-win formula behind our winning brands...

At Engro Foods, when we talk about our commitment to deliver the highest standards of quality, our focus goes well beyond how our brands will fare, to how they will impact consumer lives and enrich their health, happiness and well-being and that is precisely why we strive to create products combining good nutrition with great taste, value and quality.



The Engro Foods' Al Safa Halal Range

Expand your palate with halal food

In our quest to cater to the burgeoning halal foods market and a growing demand for halal certified products world-wide, Engro Foods acquired leading North American brand Al Safa in 2011.

Recognized for being among the most successful and widely purchased halal food brands of USA and Canada, Engro Foods' Al Safa halal range features more than four different food categories and formats including Fresh, Ready to Eat, Ready to Cook and Deli lines amongst others.

Endorsed by the Muslim Advisory Board, Al-Safa products conform to Sharia law and meet global standards for halal food, providing Muslims in USA and Canada the opportunity to expand their palette by enjoying quality products that are deemed as halal for consumption.

Engro Foods' Al-Safa products have earned the trust of millions of Muslims seeking a reliable solution for their every-day halal food needs. Recognised for our seal of quality, we are continuously striving to expand our product line to include appetizing meal solutions that combine taste with the halal certification that makes them permissible for Muslim consumption.



Olper's Milk

Give your day a fresh start with Olper's!

Our flagship dairy brand Olper's Milk is ultra-heat treated to carefully preserve its rich creamy thickness. As one of the country's leading all-purpose standardized UHT processed milk brands, Olper's is sheer indulgence in every sip and is backed by its high nutrition content and invigorating freshness that have become synonymous with the Olper's brand. Widely favored for its fresh wholesome taste and full-cream richness, Olper's has steadily emerged as the leading dairy product in the market, since its launch in 2006, after gaining preference over other established brands and securing a loyal consumer base all across Pakistan. Available in 4 SKUs of 250 ml, 1000 ml and 1500 ml value packs, today Olper's combines nutrition, value and taste to deliver an unforgettable consumer experience to every individual in every house-hold where the day begins with Olper's.



Olper's Flavored Milk

Savour the flavor of tradition – in every sip of milk!

Inspired by the traditional flavors of बादام, زعفران & rose, and also the contemporary consumer palette preferring chocolate, strawberry & mango, Olper's flavored milk caters to a diverse cross-section of consumers, with a penchant for natural ingredients infused in rich, creamy and aromatic milk. Launched in 2011 and available in 250 ml packs, Olper's बादام, Olper's زعفرانی and Olper's Rose present the rare combination of great tasting milk fused with the natural flavors of बादام, زعفران & rose for discerning customers seeking a wholesome experience of nutrition, taste and tradition. Immensely popular within a growing segment of the market, Olper's Flavored Milk is the best choice for everyone craving the lingering aftertaste of the traditional and the contemporary flavours in every glass of milk.



Olper's Cream

Every day is a celebration with our Crème de la Cream!

The cream of all creams, Olper's Cream is a rich, creamy delight that has initiated a new trend not just amongst baking enthusiasts and dessert makers, but also within conventional households, where it is generously splurged over every day food items as the primary ingredient to enhance the culinary experience by transforming it into a scrumptious creamy sensation. Steadily garnering consumer loyalty and a growing market share since its launch in 2006, Olper's Cream ranks among the country's leading brands in the UHT cream category as it continues to make meal-times, as well as break-fast and afternoon tea rituals a rich, creamy celebration day after day.



Olper's Lite

Embrace the lighter side of milk!

The ideal low-fat, hi-calcium milk for adults who want to stay healthy, active and fit for life, Olper's Lite contains all the inherent nutrients of milk that can boost energy, without contributing any of the extra calories that cause weight gain. Rich in iron and calcium content, Olper's Lite has been specially formulated to provide nutritional benefits to the growing number of health conscious consumers in Pakistan, who seek products that can keep their calories in check whilst ensuring their health, nutrition and well-being. Launched in 2011 and available in a 1000 ml Edge pack, today Olper's Lite is the preferred low-fat milk in the market with all the necessary ingredients to help adults achieve optimum health and keep it light by staying calorie and guilt free!

around us



Olper's Tarrka

Give your food some tarrka!

Launched in 2005, Olper's Tarrka is our premium desi ghee distinct for its pure flavor and aroma. A leading asli desi ghee brand that combines vegetable oil with excess fat extracted from milk, a dash of Tarrka in your favorite cuisine is all it takes to bring out the flavor of your food and leave you craving for more.



Dairy Omung

The next best thing to regular milk!

Launched in 2011 in response to the rising inflation in Pakistan, Dairy Omung is our economical UHT dairy liquid brand that is the best alternative to milk. Aimed at consumers who cannot afford the luxury of regular milk, Dairy Omung is sourced from pure milk and provides the next best alternative to regular milk. With Omung, consumers can now enjoy the safety of UHT milk at a price that is far more competitive than any other product in the market. Dairy Omung can be used for consumption in multiple ways and is the only quality milk substitute in the market that offers consumers the ease of affordability and great savings – without compromising on their health needs.



Omung Dobala

High nutrition at a very low price...

Launched in 2010, Omung Dobala is our low priced nutritional vegetable-fat cream that offers a healthier alternative to dairy based UHT cream. Omung Dobala aids good health by helping consumers strike a much needed balance between eating right and living well. Omung Dobala is also one of our leading brands in Afghanistan and is being used as a staple diet. It provides Afghans the energy to go through their strenuous routine and mundane lifestyle with gusto.



Omung Lassi

Beat the heat with Omung Lassi!

Launched in 2012, Omung Lassi brings consumers the unique taste and tradition of authentic lassi with our trusted seal of quality, taste, hygiene and nutrition. Cherished as a hot weather drink that invigorates the mind and provides instant relief after a humid day, Omung Lassi has become the new favorite drink for consumers of all ages seeking a chilled pack of Lassi as a healthier alternative to traditional lassi. Available in 200 ml packs in two flavors of sweet and salty, Omung Lassi is attracting a growing consumer base covering a wide demographic segment, making it a winning brand for all age groups – and an irresistible refreshment that few can resist.



Omorè

Ice-cream and Frozen Desserts

Launched in 2009, Omorè's scrumptious range of frozen treats are a glorious treat for everyone – be it children or adults. With its rich, creamy taste and wide-range of chunky flavors including chocolate chip, coffee, cookies & cream, mango, strawberry, tutti fruit, vanilla and banana, Omorè ice-cream is a mouth-watering delight that has the distinct advantage of being a genuine dairy product with high nutrition value. Available in 24 SKUs in different price categories, Omorè is one of Pakistan's widely preferred ice-cream brand that is sheer indulgence and impossible to resist.



Tarang

Tarang in your tea-cup makes for sheer bliss...

Pakistan's leading tea-whitening brand, Tarang is a specialized tea creamer that makes the perfect cup of tea guaranteed to transport tea-lovers into a state of sheer bliss any time of the day. The only tea-creamer that combines convenience with lasting quality and real value for money, Tarang is available in liquid format that extends the brand's appeal to a wider audience. With its distinctly fresh aroma, rich taste and strong focus on enhancing the tea-drinking experience for everyone, Tarang has evolved into our biggest and most profitable brand since its launch in 2007, after securing a firm place in the hearts of millions of tea-enthusiasts all across Pakistan.

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engaging with consumers to tap new audiences



At Engro Foods, we believe in building brands that impact and inspire audiences by gaining their credibility and trust. Our goal remains to help consumers connect with brands on a personal level -- so they build affinity with them.

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We believe in enriching consumer lives by delivering on their promise and forging meaningful connections with them.

Building on our tradition of excellence and innovation, we communicate our shared values and brand ideology in ways that cultivate consumer loyalty and garner marketplace trust, convert consumers into staunch brand advocates -- so they remain loyal to our products and influence others to use them.

For this reason, we take pride and work hard in creating brands that consumers strongly believe in and rely on. Though new products bombard the marketplace at a rapid pace, we continue to build and harness consumer trust by engaging with consumers in new ways -- so they believe in our promise of quality, and share the same passion we do for our brands.

How do we do this? We not only adopt unique and compelling advertising mediums and strategies, but invest in advertising which is unique yet relevant to our brand identity. Advertising -- which is shared across multiple channels to reach diverse audiences and penetrate existing markets. Most of all, by effectively integrating our core beliefs with consumer value and understanding consumer mindset, preferences and lifestyle choices, we strategically tailor our advertising campaigns to forge lasting relationships with consumers.

To keep up with changing consumer preferences and new media trends, we invest in research and rely on social media platforms to improve our knowledge of consumer behaviour so our brands continue to be at the forefront of innovation and change.

Recognized for our catchy, vibrant and meaningful campaigns, our advertisements intrigue Pakistani consumers from all walks of life.

Drifting away from conventional monologue advertising, our TVCs, social media campaigns and branded entertainment platforms reflect us as a company which is proud of our Pakistani heritage.

So whether it is a star-studded campaign, or an ad examining the importance of women in Pakistani society, our values manifest in all our campaigns and speak for us.

As we focus on new ways to interact with our audiences, our campaigns resonate with our consumers, in turn strengthening our brands.

This section contains examples of some unique Engro Foods 2013 campaigns which highlight a new era of corporate communications.

olper's ke saath, baantna nematein behisaab

Celebrating the true Spirit of Ramadan

Olper's has become one of the leading dairy brands of the nation having created a loyal consumer base whilst challenging for market leadership with existing established brands. Core messages of optimism, healthy living and the right to choose the best for one's family, along with packaging innovations a cut above the rest in a dairy market, have allowed Olper's to become a part of over a million Pakistani households on a daily basis.

The advertising landscape in Pakistan changed with the very first Olper's Ramadan Thematic Campaign in 2006 and still continues to astound viewers today. This is a platform that Olper's has pioneered and defined. Such was the recent 2013 "Baantna Neimatein Behisaab" campaign centering on the Islamic concept of Giving. People were encouraged to set aside all their differences whether political, religious, and/or social, with the intention of re-igniting the feeling of unity throughout the country – such that people needed a renewed outlook on positivity and be reminded of true spirit of Ramadan.

Along with the exquisitely captured beauty of Pakistan in its advertisement, this campaign offered a wonderfully executed idea which was made successful by combining Packaging, Social Media and On-ground activation. Celebrated cultural forms of revered aesthetics of Chatai, Ralli, Ajrak and Hala Tile were used as prints for special limited edition packaging to facilitate an emotive bond to the rich heritage of Pakistan.

Olper's keeps the rights of the Pakistani woman close to its heart. True to this mission, the brand worked with WELD, an EFL initiative working to empower rural women. Consumers were engaged through a call to action approach on social media with the Olper's 'fulfill her dream' drive, whereby they were asked to donate their empty Olper's Ramadan packs back to EFL with the promise of helping these women achieve their goals with every pack returned. The idea pillared on the notion of directly experiencing giving off one's

self to better the lives of others. This was further extended through Olper's float caravans travelling through Pakistan showing videos of interviews with these heroic women.

By the end of Ramadan, the Olper's donated 5 million Rupees to WELD.

Olper's also celebrated the Spirit of Ramadan internally, with an Iftari Dinner, inviting EFL employees from all walks of life to breakfast together. Here, an Art Auction was held through which funds raised were donated to the SIUT.

The brand continues to build relationships with all concerned whilst striving to reach new heights in creative and ethical marketing by bringing to light the importance of women in society, equality and family. "Mera Intekhaab, Olper's ke saath, baantna neimatein behisaab," proved to be a splendid achievement resulting in higher sales, a larger consumer base with increased trust and confidence in what Olper's stands for – people first.

the market leader of innovation in packaged milk

Olper's has gained a strong foothold in the market – becoming a key contender in a marketplace which was previously dominated by other brands. Like previous years, its 2013 campaign focused on connecting with audiences in ways which left a meaningful impact on them.

From inception to completion, EFL's flagship brand remains loyal to its top priority – consumers first. With uncompromising attention to the promise of delivering premium quality in both product and packaging, Olper's goes above and beyond in its efforts to enhance consumer delight.

Therefore, keeping today's fast-paced modern world in mind, where people are always searching for ways to save time, the Brand puts great thought to offer its consumers new problem solving initiatives in their daily routine. This is achieved through dedication to the Olper's mantra – Convenience through Innovation.

Sophisticatedly bright and cheerful, Olper's packs stand distinguished in Red on market shelves. With clutter breaking design and format providing variety and peaking consumer interest, Olper's is able to set itself miles apart from the competition.

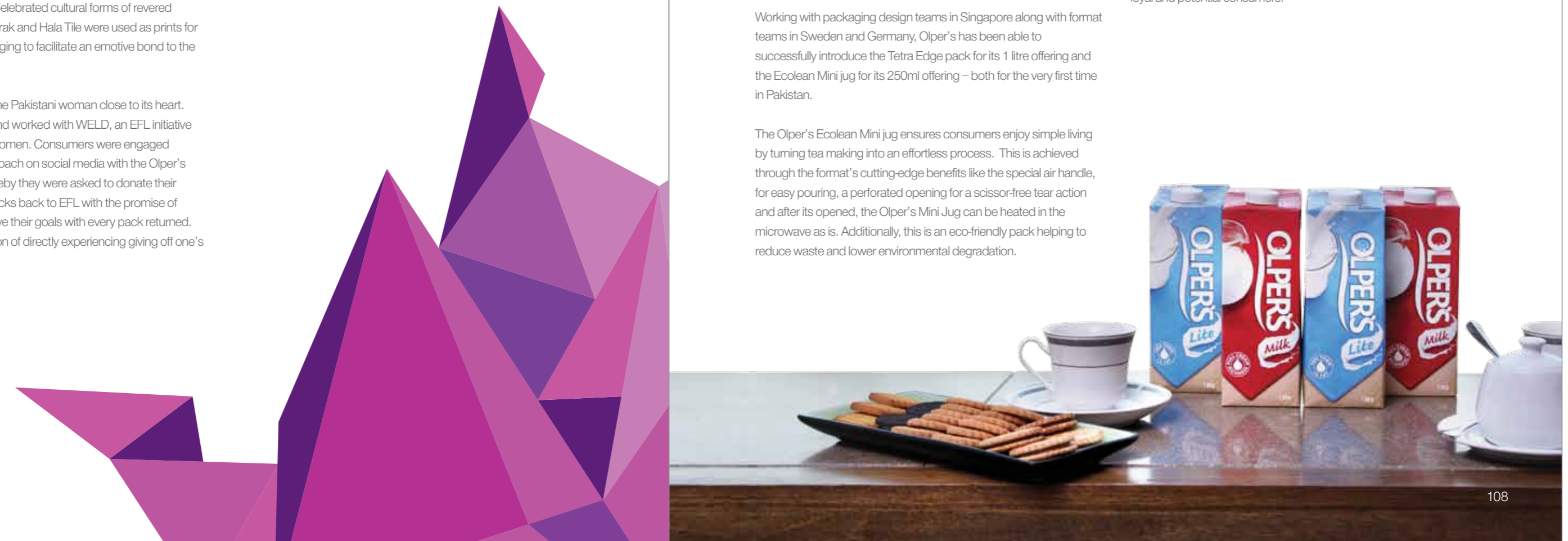
Working with packaging design teams in Singapore along with format teams in Sweden and Germany, Olper's has been able to successfully introduce the Tetra Edge pack for its 1 litre offering and the Ecolean Mini jug for its 250ml offering – both for the very first time in Pakistan.

The Olper's Ecolean Mini jug ensures consumers enjoy simple living by turning tea making into an effortless process. This is achieved through the format's cutting-edge benefits like the special air handle, for easy pouring, a perforated opening for a scissor-free tear action and after its opened, the Olper's Mini Jug can be heated in the microwave as is. Additionally, this is an eco-friendly pack helping to reduce waste and lower environmental degradation.

Similarly, the Tetra Edge is a sleek looking premium-packaging format with a tilted edge offering consumers hassle-free benefits of no milk spillage along with the ability to re-close the pack after use thanks to the value adding cap. This Olper's offering allows easy pouring, increased usability and odour-free milk storage.

Both of these recent Olper's innovations were launched through two consecutive TV campaigns, using the "Mera Intikhab" proposition for the progressive woman to bring home the right choice for her family in product and functionally sound packaging.

Olper's owns a strong presence in the dairy shelf-space at all kinds of retail outlets across the country. And with presenting such ground-breaking initiatives for packaged milk at competitive market prices, Olper's continues to achieve success in bringing top quality, purposeful products in superior and differentiated packaging to its loyal and potential consumers.



omung lassi's 2013 campaign

An Activation Aimed at the Hearts of Consumers

An extension from its 2012 campaign, Omung Lassi's 2013 campaign was geared towards emphasizing love as a way to target young audiences. With a strongly-liked product available in both sweet and salty flavors, Omung Lassi launched its Pyar Ko Vote Do campaign in the summer of 2013 targeting its core target audience – the energetic, and lively youth which are dispersed in the country's colleges and universities.

The intent: to create an idea which was powerful and unique – one that could leverage existing media hype in the weeks before and after the country's elections.

The Omung Lassi: Pyar Ko Vote Do campaign was a massive on-ground activation preceded by radical and clutter-breaking communication on TV, radio and outdoor advertising. The activation was streamed and amplified through an effective social media strategy which was geared towards creating more than just brand affinity.

The campaign was an extension to the actual elections, but with a twist. The country's leading 22 colleges and universities were responsible for electing their Guru. The campaign execution took a number of forms: First, was to create a pre-event hype at each college. The next stage, the nomination phase, was played by celebrities Ali Salman and Fahad Sheikh. They grilled the nominees on questions related to love, life and Omung Lassi. After this, ten candidates from every college were selected and were given three days to run their campaigns at their respective colleges.

The school elections were carried out in an old-fashioned ballot-paper format. The candidates had a large turnout of supporters, drowning the polling booths in chants for their heroes.

Each voter had to buy a pack of Omung Lassi to get a ballot paper. The ballot counting in the evening announced the Guru from each competing campus. The 22 elected Gurus then had to log on to the online voting application site, where each candidate used his/her social networking skills to get as many people to vote online for him or her. The winner was crowned Omung Lassi's Guru of the Year and awarded a sleek Apple MacBook.

Perhaps the most important tool in creating awareness and fan-following among the TG was the campaign's strong presence on social media. The Guru Hoja Shuroo Facebook page ([facebook.com/guruhojashuroo](https://www.facebook.com/guruhojashuroo)) recruited a loyal fan base of more

than 40,000 people within the first month of its presence. Statistics revealed that over 95 percent of Facebook followers were composed of the brand's target audience, with over 24 million brand impressions (views) in only fifty days after its launch.

The creative and eye-catching online advertisements were able to capture click-through rates which were almost three times higher than average global standards of online advertising. The content was developed in a TG-centric manner, with regular online engagement tools and audio-visual content uploaded from on-ground activation in colleges, resulting in a weekly viral reach to almost 20,000 Facebook users.

This constantly-increasing fan base has given the brand an incredibly effective and efficient tool to feel the pulse of the TG: online polls and dipsticks, feedback platforms and direct consumer engagement through the Facebook page – all helping Omung Lassi to stay connected to its consumers.

The site for the online voting, www.guruhojashuroo.com, also set a new benchmark in the history of online presence of EFL brands. A creative and catchy design, the website allowed people to understand the brand better, view its history, browse through cartoons made in collaboration with *Jang* – Pakistan's largest circulated Urdu newspaper – and vote for their favorite Guru. The website also featured a direct consumer feedback applet, which gives the brand team information about where Omung Lassi is not available and identifies other issues. Data is downloaded regularly and passed on to the consumer engagement (Taluq) team, which then resolves these problems.

The campaign was humorous and thrilling – a relevant on-ground activation which went online and retained followers. Omung Lassi's Pyar Ko Vote Do campaign has managed to build a strong awareness about the brand and its message, generating trials and creating a buzz. Omung Lassi was successful in speaking to consumers, and changing the landscape of conventional marketing.

An extension from its 2012 campaign, Omung Lassi's 2013 campaign was geared towards emphasizing love as a way to target young audiences. In 2013, Omung Lassi launched its Pyar Ko Vote Do campaign targeted to its young market – the energetic, and lively which are dispersed in the country's colleges and universities.



tarang IIFA 2013

Captivating audiences with Bollywood hungama

Tarang's promise for bringing something dhamakedaar every time for consumers led to its first cross-border consumer promotion initiative in the STC category ever - Tarang IIFA 2013. This campaign was not only a new way to garner consumer interest, but also excited Tarang lovers. With their daily purchase of Tarang, consumers were offered the opportunity to attend IIFA Awards 2013. The selection took place over a lucky draw.



tarang town storming 2013

Where the fun never ends

Colors, music and dance have become an integral part of the world of Tarang.

Tarang came to life during the Tarang Town Storming activation campaign which took place in Lahore, Gujranwala, Faisalabad, Gujrat, Sialkot, Multan, Sukkur and Hyderabad.

Tarangi flash mobs communicated the brand's message through a colorful, fun and celebratory experience – an event marking the brand's identity. Teams dressed in Tarangi outfits, went to market clusters where they performed desi hits – entertaining and engaging audiences gripped by the Tarang fever.

Flash mobs performed 708 choreographed Tarang performances on 588 spots, distributed 126,016 sampled Tarang cups, and touched nearly half a million people in just 28 days – setting new records at the brand's box office

Save Re.1 Campaign

In inflationary times, Tarang reconnected with its consumers through a targeted consumer promotion of Re. 1 off on 125ML/200ML & 250ML. This not only enabled the consumers to enjoy great tasting cup of tea but also improved Tarang's image of a brand that provides better value for money.

tarang housefull

Lighting up golden memories

Tarang's association with Pakistani Film industry came to a new stardom with Tarang Housefull. A blockbuster approach for a campaign, Tarang Housefull, released modern remakes of six super hit films from the golden era of Pakistani cinema. Classics such as Anjuman, Aaina, Armaan, Dil Mera Dharkhan Teri, Dewar Bhabhi and Abhi Tou Mein Jawan Hon were presented using Pakistani stars including Fawad Khan, Mona Lisa, Ahsan Khan, Faisal Qureshi, Saba Hameed, Saima, Saba Qamar, Mekaal, Amna Sheikh, Sami Khan, Bushra Ansari and others. Directors Syed Noor, Mehreen Jabbar, Yasir Nawaz, Nadeem

Baig, Anjum Shehzad and Sarmad Khoosat worked on making this campaign a success on TV. Additionally, PTV and Geo partnered to increase the program's visibility.

An Award Show was held to celebrate the best performances and honor production skills – engaging audiences further. Tarang Housefull projected the revival of Pakistani cinema in ways deemed unimaginable.



omore's monkey peel

Peeling delight in every bite...

Omored has always set itself apart when it comes to introducing innovative products. In 2013, Omored launched a new concept in the frozen dessert category by introducing the delicious and enticing, Omored Monkey Peel!

With peelable jelly on the outside and creamy vanilla on the inside, the product proved to be the biggest success story of the ice cream category in 2013.

This unique treat for children, which is guaranteed to get the inner monkey out in everyone, was launched during the second quarter in 2013, via a clutter-breaking television commercial.

The TVC is very direct and applicable to the lives of school children. The commercial features a school-going boy, the main protagonist, who overpowers the school's bully by showcasing his super cool Monkey Peel. The bully's ice cream, on the other hand, fails to match up to Monkey Peel and gradually melts away.

Monkey Peel has been one of the most successful launches in the history of Omored, becoming one of the top five selling SKUs in the portfolio in only seven months. The TVC campaign led to a 3% increase in the brand's "top of mind awareness" and a 5% increase in "most often used" brand indicator.

Additionally, Omored in collaboration with Nickelodeon TV channel, conducted several mall activations in Karachi and Lahore to create a buzz about the product.

Omored Monkey Peel has become a commercial success in Pakistan – proving Omored's capability of setting itself apart in innovative product launches.



the launch of mabrook

Jab Doodh Ho Mabrook Tou Barkat Nazar Aati Hai

Piloted in Karachi from October 2013, Mabrook is Engro Foods' ticket to the loose milk arena. It is pasteurized milk that offers all the benefits of fresh milk in terms of cream consistency, value in usage and daily fresh supply whilst ensuring the highest standards of quality. Mabrook is available at dedicated Mabrook Milk Shops that are spread across the city offering milk from Fresh Milk Dispensers that is sold to consumers to replicate their loose milk purchase experience. In addition to this, Mabrook also offers milk in pre-packed pouches which serves as the key SKU for home delivery. The portfolio is further strengthened by our signature Koonda Yogurt which is sold fresh to the consumers, fulfilling their daily requirement of fresh dairy products to their utmost satisfaction.

For the first time, Engro Foods has taken the front-end retailer model to market Mabrook. Mabrook is available at dedicated Mabrook Milk Shops - retail outlets - that are spread across Karachi, offering milk from dispenser and pre-packed pouches.



launching the mabrook mohalla

The launch of Mabrook heralded a new era in the way marketing is done at Engro Foods. With a growing chain of franchised Mabrook outlets, Mabrook aims to offer superior quality fresh milk to proximity areas. In a wave of targeted town storming and consumer engagement with the objective of generating product trial, creating awareness about the brand and bringing in significant consumer footfall to our outlet, the brand launched Mabrook Mohalla activity.

With a brand endorser adored by every household – the Dadi -, Mabrook brought Barkatain and celebration to the neighbourhood with a quality product and a gathering filled with the warmth of Dadi and the blessing of togetherness that binds every neighbourhood. The Mabrook Mohalla is characterized by town storming and door-to-door invites to housewives in the neighbourhood and their children to a grand event where the brand tells the story of Mabrook and the role of Dadi while giving them a taste of Mabrook Balai Bhar Doodh.

Creative ways of delivering the brand message came through strong BTL presence near and around the outlet where street decorations, lights, intrusive banners and branded lanterns lit up the entire street and adjoining areas complimented by the Mabrook jingle being played at the outlet. The event was well received by the residents of the neighbourhood which led to an encouraging turnout at the event.

With a brand endorser adored by every household – the Dadi - Mabrook brought Barkatain and celebration to the neighbourhood with a quality product and a gathering filled with the warmth of Dadi and the blessing of togetherness that binds every neighbourhood.



our plants & production

for us



our plants & production

At Engro Foods, our growing network of production, manufacturing and distribution facilities is fueled by world-class technology, best practices and a commitment to excellence.



Managed by a team of 850+ employees passionate about serving our consumers across Pakistan and world-wide with enduring commitment, our production and supply chain network plays a key role in driving our operational success as we continue to focus on innovation, expansion and growth of our business model. From research and development to product management, distribution and quality control, at Engro Foods we effectively leverage our strengths to ensure maximum efficiency at every level of our operations, and within the very core of our business. Presently, our state-of-the-art manufacturing, distribution and production set-up includes our North Plant at Sahiwal, South Plant in Sukkur and our Nara Dairy farm. Moreover, our plants continue to focus on their record of minimum losses at both plants while overall machine efficiencies are comparable to world class manufacturing standards recognized by technology suppliers.

The Engro Foods North Plant

Located at a distance of 8 kilometres from the National Highway Sahiwal Bypass - Pakpattan Road, the Engro Foods North Plant covers an area of 33.5 acres of land in the well-known dairy hub of Sahiwal. With a production range encompassing 70 SKUs of our dairy and ice-cream brands Olpers, Omung, Tarang and Omore, our North Plant was fuelled by our vision to be at par with the nation's biggest manufacturing facilities.

Exceeding its record output of 1 billion packs in 2011, the Engro Foods North Plant achieved a production milestone of 1.12 billion dairy packs in the year 2013, while meeting all our critical key performance indicators. As the scale of production continues to reflect an upward trend for our North Plant, research and development remain a key area of focus, with emphasis on ensuring food safety to deliver on our promise of providing wholesome goodness, thereby elevating consumer delight worldwide.

1000⁺

supply chain employees passionate about serving our consumers across Pakistan & beyond



The Engro Foods South Plant

The Engro Foods South Plant covers a total area of 27 acres of land at a distance of 1.5 kilometers from the Sukkur Barrage. After commencing operations in the year 2006, the Engro Foods South Plant has evolved to cater to the needs of our key flagship brands Olper's Milk, Olper's Cream, Tarka Ghee, Olwell, Olper's Lite, Tarang, Olper's Flavored Milk, Omung Dobala Cream and Dairy Omung.

With a commitment to operational and quality excellence, our South plant has crossed major safety milestones. During the year 2013, The Engro Foods South Plant produced an output of 127 million litres (0.52 billion packs) with increased focus on expansion and growth.

The Engro Foods Nara Dairy Farm

Spread across 50 acres of land with additional acreage available for further expansion and fodder production, the Engro Foods Nara Dairy Farm located in Sukkur is the country's first ISO certified dairy farm currently having a total herd size of 4,373 animals, which makes it the largest imported cattle farm in Pakistan.

With a focus on automated, cutting edge solutions to enhance dairy efficiency, the Engro Foods Nara Dairy Farm at Sukkur is fully equipped to respond to the industry's growing demand for quality milk. This is clearly indicated by our milk output of 8.55 million litres.

With a production capacity of 3,400 animals milked three times a day, our Nara farm is also equipped to produce high nutrition forages through crop management, processing of high nutrition feed and the use of cow cooling systems to combat summer heat and produce quality milk at par with global standards.

our supply chain network

At Engro Foods, operating reliable, state-of-the-art fleet remains critical to our success especially with our fleet structure continuously expanding year on year to serve our growing business needs. With over 190 distributors, we are presently serving 12 regions across Pakistan from our three distribution centres in Islamabad, Sahiwal and Sukkur and our single trans-docking station in Karachi.

At the forefront of our supply chain services is a dedicated team that continually strives to ensure operational excellence, compliance and efficiency across all functions of our integrated supply chain network of manufacturing plants, distribution centres and trans-docking stations.

At Engro Foods, operating reliable, state-of-the-art fleet remains critical to our success especially with our fleet structure continuously expanding year on year to serve our growing business needs. With over 190 distributors, we are presently serving 12 regions across Pakistan from our three distribution centres in Islamabad, Sahiwal and Sukkur and our single trans-docking station in Karachi.

Our present fleet structure comprises 235 vehicles in dedicated sizes of 14 feet, 20 feet and 50 feet to deliver thousands of litres of finished products nationwide. Emulating the same principle of excellence, our cold chain network is designed for direct distribution in Lahore, Karachi and Islamabad and in-direct distribution in other cities of Pakistan.

As a step towards overall supply chain optimization, we have also implemented a VMI (Vendor Managed Inventory) system with our packaging suppliers, which has greatly reduced our working capital, whilst enabling long term sustainability and increased growth prospects for our business.

In addition to build greater dynamism in our supply chain, our dairy and beverages dispatch model has also been re-engineered to minimize costs and ensure longer shelf life for our products. At Engro Foods, we have also implemented a cost-effective, and optimized reverse logistics operation aimed at improving fuel efficiency in Pakistan. Improving supply chain efficiency, our outbound logistic team has also successfully implemented the use of pallet pools for the transfer of products to ensure better product quality and optimized vehicle utilization.

Moving forward into 2014, we will continue to streamline operations and improve efficiency and service levels by introducing best practices, systems and technologies across our supply chain network.

235

vehicles in dedicated sizes of 14 feet, 20 feet and 50 feet to deliver thousands of litres of finished products nationwide



cool us



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Standalone Accounts

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standalone financials

review report to the members on statement of compliance

with best practices of code of corporate governance

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

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

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

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



Chartered Accountants

Karachi

Date: February 26, 2014

Engagement Partner: Waqas A. Sheikh

statement of compliance with the code of corporate governance

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in Regulation 35 of the Listing Regulations of the Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Name
Independent Directors	Muhammed Amin
	Roshaneh Zafar
	Zafar Ahmed Siddiqui
	Mujahid Hamid
Executive Director / CEO Non-Executive Directors	Sarfaraz A. Rehman
	Abdul Samad Dawood
	Shahzada Dawood
	Sabrina Dawood
	Muhammad Aliuddin Ansari
	Ruhail Mohammed

The independent directors meet the criteria of independence under clause i (b) of the CCG. Of the non-executive directors, Mr. Aliuddin Ansari and Mr. Ruhail Mohammed are executives in other Engro Group companies.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident Directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF, or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurring on the Board on June 28, 2013 and August 26, 2013 were filled up by the Directors within one and two days, respectively.
5. The Company has prepared a "Code of Conduct" comprising of Ethics and Business Practices policies and has ensured that appropriate steps have been taken to disseminate it through the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and meeting fees payable to the non-executive directors, have been taken by the Board.
8. All 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 and working papers, were circulated at least seven days before the meetings, except for meetings held on short notice to discuss urgent matters. The minutes of the meetings were appropriately recorded and circulated.
9. One of the directors attended the directors training course conducted by the Pakistan Institute of Corporate Governance (PICG) this year. Two others have already completed this course earlier.

10. There has been no new appointment, at the CFO, Company Secretary and Head of Internal Audit positions, during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of four members. A casual vacancy currently exists on the Audit Committee. Of the remaining three members, two are non-executive directors and one is an independent director and the Chairman of the Committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee i.e. Board Compensation Committee. It comprises of four members, of whom two are independent directors and two are non-executive directors. The non-executive directors are also directors on other Engro Group companies and the Chairman of the Committee is a non-executive director.
18. The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel that are involved in the internal audit function on a full time basis.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "closed period", prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through the stock exchanges.
23. We confirm that all other material principles enshrined in the CCG have been complied with.



Aliuddin Ansari
Chairman



Sarfaraz A. Rehman
Chief Executive Officer

Karachi
Date: January 24, 2014

auditors' report to the members on compliance with employees share option scheme

Scope of Our Work

We have performed an independent assurance engagement of Engro Foods Limited (the Company) to express an opinion on the annexed Statement of Compliance (the Statement) with the requirements of Employees Share Option Scheme as approved by the shareholders in their Extra Ordinary General Meeting held on October 8, 2007 and Employees Share Option Scheme as approved by the shareholders in their Extra Ordinary General Meeting held on March 13, 2013 (the Schemes), and the Public Companies (Employees Stock Option Scheme) Rules, 2001 (the Rules) as of December 31, 2013. 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 Schemes 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 Schemes, as approved by the shareholders of the Company, and the Rules (Schemes and Rules together being the 'Criteria').

Responsibility of Independent Assurance Provider

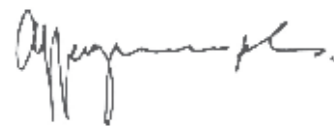
Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagements 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' (ISAE 3000). This 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 Schemes 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 Schemes and the Rules. In making those risk assessments; we have considered internal controls relevant to the Company's compliance with the Schemes 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 Schemes 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 Schemes in compliance with the Rules.
- Verifying that variation, if any, in the terms of the Schemes has been approved by passing a special resolution in the general meeting;
- Verifying that the share options granted, vested, lapsed, surrendered or exercised under the Schemes 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 Schemes 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 Schemes and the Rules as of December 31, 2013.



Chartered Accountants

Karachi
Date: February 26, 2014

Engagement Partner: Waqas A. Sheikh

management statement of compliance with employees share option scheme

The Engro Foods Limited as of December 31, 2013 has implemented its Employees Share Option Scheme as approved by the shareholders in their Extra Ordinary General Meeting held on October 8, 2007 and Employees Share Option Scheme as approved by the shareholders in their Extra Ordinary General Meeting held on March 13, 2013 (the Schemes), and has complied in all material respects with the requirements of the Schemes 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.



Aliuddin Ansari
Chairman

Karachi
Date: January 24, 2014



Sarfaraz A. Rehman
Chief Executive Officer

auditors' report to the members

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

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied 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;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2013 and of the profit, total comprehensive income, changes in equity and its cash flows for the year then ended; and
- (d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



Chartered Accountants
Karachi
Date: February 26, 2014

Engagement Partner: Waqas A. Sheikh

balance sheet as at december 31, 2013

(Amounts in thousand)	Note	(Audited) December 31, 2013	(Restated) December 31, 2012	(Restated) December 31, 2011
------(Rupees)-----				
Assets				
Non-Current Assets				
Property, plant and equipment	5	14,504,771	11,023,246	9,615,426
Biological assets	6	716,465	668,455	496,809
Intangible assets	7	122,838	104,569	133,598
Long term advances and deposits	8	93,132	81,862	24,212
Deferred employee share option compensation expense	19	168,865	-	-
Advance against purchase of shares of Engro Foods Netherlands B.V.		-	863,018	-
Investment in subsidiary	9	427,288	-	-
		16,033,359	12,741,150	10,270,045
Current Assets				
Stores, spares and loose tools	10	739,671	610,640	571,812
Stock-in-trade	11	3,083,583	3,494,605	2,637,816
Trade debts	12	153,573	149,074	87,121
Advances, deposits and prepayments	13	181,080	261,790	266,093
Other receivables	14	2,354,280	1,440,167	1,160,126
Deferred employee share option compensation expense	19	136,153	-	-
Taxes recoverable		636,588	347,075	10,990
Derivative financial instruments	15	-	25,787	-
Short term investments	16	170,000	2,708,750	1,294,000
Cash and bank balances	17	557,266	422,008	350,728
		8,012,194	9,459,896	6,378,686
Total Assets		24,045,553	22,201,046	16,648,731

(Amounts in thousand)	Note	(Audited) December 31, 2013	(Restated) December 31, 2012	(Restated) December 31, 2011
------(Rupees)-----				
Equity & Liabilities				
Equity				
Share capital	18	7,665,961	7,615,776	7,517,889
Advance against issue of share capital		-	1,234	-
Share premium	18.1	865,354	810,280	722,182
Employee share option compensation reserve	19	407,133	-	-
Hedging reserve		(9,581)	16,761	(18,178)
Remeasurement of post employment benefits - Actuarial loss	3	(34,839)	(22,954)	(17,730)
Unappropriated profit / (Accumulated loss)		1,821,182	1,610,222	(984,951)
		10,715,210	10,031,319	7,219,212
Non-Current Liabilities				
Long term finances	20	7,126,994	6,023,070	5,610,000
Obligations under finance lease		-	-	2,589
Deferred taxation	21	1,538,583	1,652,520	308,090
Deferred liabilities - pension scheme		-	-	1,870
Deferred income	22	9,410	17,390	-
		8,674,987	7,692,980	5,922,549
Current Liabilities				
Current portion of				
- long term finances	20	1,032,008	1,685,823	465,000
- obligations under finance lease		-	2,589	2,590
Trade and other payables	23	3,369,182	2,394,108	2,370,783
Derivative financial instruments	15	14,517	-	27,966
Accrued interest / mark-up on				
- long term finances		229,312	302,273	368,152
- short term finances		10,337	6,565	20,229
Short term finances	24	-	85,389	252,250
		4,655,356	4,476,747	3,506,970
Contingencies and Commitments	25			
Total Equity & Liabilities		24,045,553	22,201,046	16,648,731

The annexed notes 1 to 51 form an integral part of these financial statements.



Aliuddin Ansari
Chairman



Sarfaraz A. Rehman
Chief Executive Officer

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

(Amounts in thousand except for earning per share)

	Note	(Audited) December 31, 2013	(Audited) December 31, 2012
------(Rupees)-----			
Net sales	26	37,890,688	40,168,919
Cost of sales	27	(29,717,514)	(29,848,301)
Gross profit		8,173,174	10,320,618
Distribution and marketing expenses	28	(5,017,370)	(4,654,275)
Administrative expenses	29	(966,293)	(795,690)
Other operating expenses	30	(339,672)	(429,763)
Other income	31	324,301	382,402
Operating profit		2,174,140	4,823,292
Other expenses	32	(881,456)	-
Finance costs	33	(784,904)	(902,503)
Profit before taxation		507,780	3,920,789
Taxation	34	(296,820)	(1,325,616)
Profit for the year		210,960	2,595,173
Earnings per share	35		
- basic		0.28	3.43
- diluted		0.28	3.40

The annexed notes 1 to 51 form an integral part of these financial statements.



Aliuddin Ansari
Chairman



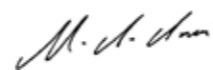
Sarfaraz A. Rehman
Chief Executive Officer

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

(Amounts in thousand)

	(Audited) December 31, 2013	(Restated) December 31, 2012
------(Rupees)-----		
Profit for the year	210,960	2,595,173
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Gain / (Loss) on hedges during the year	(17,736)	42,240
Less: Adjustments for amounts transferred to initial carrying amounts of hedged items - capital work-in-progress / stock-in-trade	(22,568)	11,597
Income tax relating to hedging reserve	13,962	(18,898)
	(26,342)	34,939
Items that will not be reclassified to profit or loss		
Remeasurement of post employment benefits obligation - Actuarial loss	(18,008)	(8,038)
Income tax relating to Actuarial loss	6,123	2,814
	(11,885)	(5,224)
Other comprehensive income / (loss) for the year, net of tax	(38,227)	29,715
Total comprehensive income for the year	172,733	2,624,888

The annexed notes 1 to 51 form an integral part of these financial statements.



Aliuddin Ansari
Chairman



Sarfaraz A. Rehman
Chief Executive Officer

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

(Amounts in thousand)	Note	Share capital	Advance against issue of share capital	Reserve				Remeasurement of post employment benefits - Actuarial loss	Total
				Share premium	Employee share compensation reserve	Hedging reserve	Unappropriated profit / (Accumulated loss)		
------(Rupees)-----									
Balance as at January 1, 2012 as previously reported		7,517,889	-	722,182	-	(18,178)	(984,951)	-	7,236,942
Effect of change in accounting policy due to application of IAS - 19 (Revised)	3	-	-	-	-	-	-	(17,730)	(17,730)
Balance as at January 1, 2012 - restated		7,517,889	-	722,182	-	(18,178)	(984,951)	(17,730)	7,219,212
Transactions with owners									
- Advance received during the year		-	1,234	-	-	-	-	-	1,234
- Share capital issued		97,887	-	88,098	-	-	-	-	185,985
		97,887	1,234	88,098	-	-	-	-	187,219
Total comprehensive income for the year		-	-	-	-	34,939	2,595,173	(5,224)	2,624,888
Balance as at December 31, 2012 / January 1, 2013 - restated		7,615,776	1,234	810,280	-	16,761	1,610,222	(22,954)	10,031,319
Transactions with owners									
- Share capital issued		50,185	(1,234)	55,074	-	-	-	-	104,025
Employee share option scheme	19	-	-	-	407,133	-	-	-	407,133
Total comprehensive income for the year		-	-	-	-	(26,342)	210,960	(11,885)	172,733
Balance as at December 31, 2013		7,665,961	-	865,354	407,133	(9,581)	1,821,182	(34,839)	10,715,210

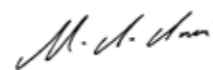
The annexed notes 1 to 51 form an integral part of these financial statements.



Aliuddin Ansari
Chairman



Sarfaraz A. Rehman
Chief Executive Officer



Aliuddin Ansari
Chairman



Sarfaraz A. Rehman
Chief Executive Officer

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

(Amounts in thousand)

Cash Flows from Operating Activities

Cash generated from operations
Finance costs paid
Taxes paid
Retirement benefits paid
Deferred Liabilities - pension scheme
Unamortized deferred income
Long term advances and deposits - net

Net cash generated from operating activities

Cash Flows from Investing Activities

Purchases of
- property, plant and equipment
- intangible assets
- biological assets
Proceeds from disposal of
- property, plant and equipment
- biological assets
Advance against purchase of shares of Engro Foods Netherlands B.V.

Net cash utilized in investing activities

Cash Flows from Financing Activities

Proceeds from issue of share capital
Advance received / (adjusted) against issue of share capital
Proceeds from long term finances
Repayments of
- long term finances
- obligations under finance lease

Net cash generated from financing activities

Net (decrease) / increase in cash and cash equivalents

Cash and cash equivalents at beginning of the year
Cash and cash equivalents at end of the year

Note	(Audited) December 31, 2013	(Audited) December 31, 2012
------(Rupees)-----		
36	3,975,595	4,641,886
	(854,093)	(982,046)
	(680,185)	(333,271)
	(74,005)	(70,800)
	-	(1,870)
	-	17,390
	(11,270)	(57,650)
	<u>2,356,042</u>	<u>3,213,639</u>
	(5,245,823)	(2,548,749)
	(20,376)	(73,993)
	(5,696)	(4,031)
	230,662	73,460
	57,788	37,061
	(237,270)	(863,018)
	<u>(5,220,715)</u>	<u>(3,379,270)</u>
	105,259	185,985
	(1,234)	1,234
	2,377,634	2,098,893
	(1,932,500)	(465,000)
	(2,589)	(2,590)
	<u>546,570</u>	<u>1,818,522</u>
	<u>(2,318,103)</u>	<u>1,652,891</u>
	3,045,369	1,392,478
37	<u>727,266</u>	<u>3,045,369</u>

The annexed notes 1 to 51 form an integral part of these financial statements.

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

(Amounts in thousand)

1. Legal Status and Operations

1.1 Engro Foods Limited (the Company), is a public listed company incorporated in Pakistan, under the Companies Ordinance, 1984, and its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company is a subsidiary of Engro Corporation Limited (ECL) and its registered office is situated at 6th Floor, The Harbour Front Building, Plot No. HC-3, Block-4, Scheme No. 5, Clifton, Karachi.

1.2 The principal activity of the Company is to manufacture, process and sell dairy products, beverages, ice cream and frozen deserts. The Company also owns and operates a dairy farm. Further, the Company also has presence in the international market; its first venture being to manage the halal food business, Al Safa Halal, Inc. (Al-Safa) in North America, which had been acquired by ECL through Engro Foods Netherlands BV, (EF Netherlands). During the year, State Bank of Pakistan (SBP) vide its letter No. EPD/INT/C-5708/12(418)-2013 dated November 22, 2013 granted ECL permission, subject to certain conditions, to transfer its investment in EF Netherlands to the Company. Pursuant to SBP's approval and on fulfillment of the conditions specified in SBP's letter, the entire interest of ECL in EF Netherlands has been transferred to the Company under the deed of sale executed on December 16, 2013.

2. Summary of Significant Accounting Policies

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

2.1 Basis of preparation

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

2.1.2 These 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 accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives have been followed.

2.1.3 The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

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

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

The following standard and amendment to published standard are mandatory for the financial year beginning on January 1, 2013:

- IAS 19 – Employee benefits was revised in June 2011. The revised standard (i) requires past service cost to be recognized immediately in the profit or loss; (ii) replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year; (iii) introduced a new term 'remeasurements' which is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires to recognize all remeasurement gain or loss / actuarial gain or loss in the Other Comprehensive Income (OCI) immediately as they occur.
- Amendment to IAS 1 'Presentation of financial statements' regarding disclosure requirements for comparative information as a result of annual

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improvements to International Financial Reporting Standards 2011, issued by IASB in May 2012.

The impacts and effects of the adoption of the aforementioned new standard and amendment are disclosed in note 3.

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

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

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

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

- IAS 19 (Amendment) regarding defined benefit plans (effective for the periods beginning on or after July 1, 2014). These amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Company is yet to assess the full impact of the amendment.
- IAS 32 (Amendment), 'Financial instruments: Presentation' (effective for periods beginning on or after January 1, 2014). This amendment updates the application guidance in IAS 32 'Financial Instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet date. It is unlikely that the standard will have any significant impact on the Company's financial statements.
- IAS 36 (Amendment) 'Impairment of assets' (effective for the periods beginning on or after January 1, 2014). These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment will only affect the disclosures in the Company's financial statements.
- IFRS 9 'Financial instruments' (effective for periods beginning on or after January 1, 2015). This standard is yet to be notified by the SECP. IFRS 9 replaces the parts of IAS 39, 'Financial instruments: recognition and measurement' that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, in case the fair value option is taken for financial liabilities, the part of a fair value change due to entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess of IFRS 9's full impact. The Company will also consider the impact of the remaining phases of IFRS when completed by the Board, however, the initial indications are that it may not affect the Company's financial statements significantly.
- IFRS 10, 'Consolidated financial statements' (effective for periods beginning on or after January 1, 2013). This standard is yet to be notified by the SECP. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in determination of control where this is difficult to assess. The Company is yet to assess the full impact of the amendments.
- IFRS 12, 'Disclosures of interests in other entities' (effective for periods beginning on or after January 1, 2013). This standard is yet to be notified by the SECP. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance-sheet vehicles. The Company is yet to assess the full impact of the amendments.
- IFRS 13 'Fair value measurement' (effective for periods beginning on or after January 1, 2013). This standard is yet to be notified by the SECP. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide

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guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Company is yet to assess the full impact of the amendments.

- Amendment to following standards as a result of annual improvements to International Financial Reporting Standards 2012 issued by IASB:
 - IFRS 2 (Amendment), 'Share-based payment' (effective for share-based payment transactions for which the grant date is on or after July 1, 2014) clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. The Company is yet to assess the full impact of the amendments.
 - IFRS 3 (Amendment), 'Business combinations', (effective for business combinations where the acquisition date is on or after July 1, 2014). This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of definitions in IAS 32, 'Financial instruments: Presentation'. The standard is further amended to clarify that all non equity contingent considerations, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognized in profit and loss. Consequential changes are also made to IFRS 9, IAS 37 and IAS 39. It is unlikely that the amendment will have any significant impact on the Company's financial statements.
 - IFRS 8 (Amendment), 'Operating segments' (effective for annual periods beginning on or after July 1, 2014). This amendment requires disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. The amendment will only affect the disclosures in the Company's financial statements.
 - IFRS 13 (Amendment), 'Fair value measurement' (effective for annual periods beginning on or after July 1, 2014). When IFRS 13 was published, it led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The amendment clarifies that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.

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

2.2 **Property, plant and equipment**

2.2.1 **Owned**

These are stated at cost less accumulated depreciation and impairment, if any, except for freehold land and capital work-in-progress, which are stated at cost.

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

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

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

Assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount and the

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resulting impairment loss is recognized in the profit and loss account. The recoverable amount is the higher of fair value, less expected selling expenses, and value in use. Reversal of impairment is effected in the case of indications of a change in recoverable amount and is recognized in the profit and loss account, however, is restricted to the original cost of the asset.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense in the period of disposal or retirement.

2.2.2 **Leased**

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Assets subject to finance lease are stated at the lower of present value of minimum lease payments and the fair value of the assets acquired on lease. Outstanding obligations under the lease less finance costs allocated to future periods are shown as a liability. Depreciation on leased assets is recognized using the same basis as for owned assets.

Finance costs are allocated to the period of the lease term so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

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

2.3 **Biological assets**

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

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

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

2.4 **Intangible assets - computer software**

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can also be measured reliably.

Generally, costs associated with maintaining computer software programmes are recognized as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding the cost beyond one year, are recognized as an intangible asset. Direct costs include the purchase cost of software and related employee and other overhead cost.

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

Computer software cost treated as intangible assets are amortized from the date the software is put to use on straight-line basis over a period of 5 years. The carrying amount of the intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount in the profit and loss account. Reversal of impairment losses are also recognized in the profit and loss account.

(Amounts in thousand)

2.5 Investments in subsidiaries

Investments in subsidiaries are initially recognized at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of the investments are adjusted accordingly.

The gain or loss on disposal of an interest in subsidiary, represented by the difference between the sales proceeds and the carrying amount of investment, is recognized as an income or expense in the period of disposal.

2.6 Financial instruments

2.6.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity 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 if expected to be settled within 12 months; otherwise, they are classified as non-current.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, in which case they are classified as non-current assets. The Company's loans and receivables comprise of 'trade debts', 'other receivables', 'loans, advances and deposits' and 'cash and cash equivalents' in the balance sheet.

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 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 management intends to dispose off the investment within 12 months of the balance sheet date.

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

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

(Amounts in thousand)

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the profit and loss account as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognized in the profit and loss account as part of 'other operating income'. Dividends on available-for-sale equity instruments are recognized in the profit and loss account as part of 'other operating income' when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transaction, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity – specific inputs.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as 'available-for-sale', a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the account. Impairment losses previously recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

In the case of loans and receivables, the Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The impairment loss is recognized by reducing the carrying amount of the asset and the amount of loss is recognized in profit and loss account in case of financial assets carried at amortized cost. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of previously recognized impairment loss is also recognized in the profit and loss account.

2.6.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

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 profit and loss account.

2.6.3 Offsetting of financial assets and liabilities

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

2.7 Stores, spares and loose tools

These are valued at weighted average cost except for items in transit, which are stated at invoice value plus other charges paid thereon till the balance sheet date. A provision is made for any excess book value over estimated realizable value of items identified as surplus to the Company's requirements. Adequate provision is also made for slow moving items.

2.8 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for raw materials in transit which are stated at invoice value plus other charges paid thereon till the balance sheet date. Cost of finished goods comprises purchase

(Amounts in thousand)

cost and other manufacturing expenses. The cost of work in process includes material and proportionate conversion costs.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to make the sale. Provision is made for slow moving stocks where considered necessary.

2.9 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. 'Trade debts' and 'other receivables' considered irrecoverable are written off.

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

2.10 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash in hand and in transit, balances with banks on current, deposit and saving accounts, and short-term highly liquid investments subject to insignificant risk of changes in values, and short term finances. Short term finances on the balance sheet are shown as part of current liabilities.

2.11 Share capital

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

2.12 Employees' share option scheme

The grant date fair value of equity settled share based payments to employees is initially recognized in the balance sheet as employee compensation expense with a consequent credit to equity as employee share option compensation reserve. The fair value determined at the grant date of the equity settled share based payments is recognized as an employee compensation expense on a straight line basis over the vesting period.

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

When a vested option lapses on expiry of the exercise period, employee compensation expense already recognized in the profit or loss 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. 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.

2.13 Retirement and other service benefits

2.13.1 Gratuity fund

The Company operates a defined benefit funded gratuity plan (the Fund) for all its permanent employees. The Fund provides for a graduated

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scale of benefits dependent on the length of service of an employee on terminal date, subject to the completion of minimum qualifying period of service. Gratuity is based on employees' last drawn salary.

Provisions are made to cover the obligations under the Fund on the basis of actuarial valuation carried out annually by an independent expert, using the 'Projected Unit Credit Method'.

The amount recognized in the balance sheet represents the present value of defined benefit obligations as reduced by the fair value of plan assets.

As explained in note 2.1.4(a), upon application of IAS 19 (Revised) 'Employee Benefits' actuarial gains or losses (re-measurements) are immediately recognized in 'Other Comprehensive Income' as they occur. Previously actuarial gains or losses exceeding 10% of the defined benefit obligation and fair value of plan assets at the beginning of the year, were amortized over the expected future service of the employees.

2.13.2 Provident fund

The Company operates a defined contribution provident fund for its permanent employees. Equal monthly contributions are made both by the Company and the employees to the fund at the rate of 10% of basic salary.

2.13.3 Compensated absences

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

2.14 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost using the effective interest method.

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

2.15 Trade and other payables

These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

2.16 Provisions

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

2.17 Taxation

2.17.1 Current

Provision for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates. The charge for current tax also includes tax credits and adjustments, where considered necessary, for prior years determined during the year or otherwise considered necessary for such years.

(Amounts in thousand)

2.17.2 **Deferred**

Deferred income tax is accounted for using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset will be realized or the deferred income tax liability will be settled. Deferred tax is charged or credited in the profit and loss account.

2.18 **Foreign currency transactions and translation**

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

2.19 **Derivatives financial instruments and hedging activities**

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

- a) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or
- b) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

The overall risk management strategy includes reasons for undertaking hedge transactions and entering into derivatives. The objectives of this strategy are to:

- minimize foreign currency exposure's impact on the Company's financial performance; and
- protect the Company's cash flow from adverse movements in foreign currency exchange rates.

a) **Fair value hedge**

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

b) **Cash flow hedge**

On an ongoing basis, the Company assesses whether each derivative continues to be highly effective in offsetting changes in the cash flows of hedged items. If and when a derivative is no longer expected to be highly effective, hedge accounting is discontinued.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in equity are reclassified to the profit and loss account in the periods when the hedged item affects income i.e. when the transaction occurs. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the profit and loss account or the cost of the related asset for which the borrowing is being utilized. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for e.g. inventory or fixed assets) the gains and losses previously deferred in equity are

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transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in case of inventory or in depreciation in case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit and loss account or the cost of the related non-financial asset (for e.g. inventory or fixed assets) as applicable. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss account.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2.20 **Revenue recognition**

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

- sales are recorded on despatch of goods to the customers; and
- return on deposits / bank balances is recognized on accrual basis.

2.21 **Research and development costs**

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

2.22 **Borrowing costs**

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

2.23 **Dividend and appropriation to reserves**

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

2.24 **Segment reporting**

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

3. **Change in Accounting Policy**

3.1 As stated in note 2.1.4 (a), IAS 19 (Revised) is applicable for the first time and amends the accounting for the Company's defined benefit plan. In accordance with the transitional provisions as set out in IAS 19 (Revised) the Company has applied the revised standard retrospectively and,

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consequently the earliest periods presented in the Statement of changes in equity and the Balance sheet have been restated. The impacts of retrospective application of IAS 19 (Revised) are as follows:

	Trade and other payables	Taxes recoverable (Rupees)	Other Comprehensive Income (OCI)- Remeasurement of post employment benefits - Actuarial loss
Balance as at December 31, 2011 as previously reported	2,343,506	1,443	-
Restatement - recognition of remeasurement gain/loss in OCI	27,277	9,547	17,730
Restated balance as at December 31, 2011 / January 1, 2012	2,370,783	10,990	17,730
Balance as at December 31, 2012 as previously reported	2,358,793	334,714	-
Restatement - recognition of remeasurement gain/loss in OCI			
- For the year 2011	27,277	9,547	17,730
- For the year 2012	8,038	2,814	5,224
Restated balance as at December 31, 2012	2,394,108	347,075	22,954

The effect of change in accounting policy, due to adoption of IAS 19 (Revised), on the profit and loss account and 'earnings per share' is immaterial in the overall context of these financial statements. There is no cash flow impact as a result of the retrospective application of change in accounting policy.

3.2 Amendment to IAS 1 'Presentation of financial statements regarding disclosure requirements for comparative information'

IAS 1 (Amendment) 'Financial statement presentation' clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'. When an entity produces an additional balance sheet as required by IAS 8, the balance sheet should be as at the date of the beginning of the preceding period, i.e. the opening position. No notes are required to support this balance sheet. Accordingly the notes for the balance sheet as at December 31, 2011 have not been disclosed. This change in accounting policy has no impact on the carrying values of these financial statements.

4. Critical Accounting Estimates and Judgements

Estimates and judgements 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. However, such differences are estimated to be insignificant and hence will not affect the true and fair presentation of the financial statements. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) **Taxation**

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

b) **Property, plant and equipment and intangible assets**

The Company reviews the appropriateness of the rate of depreciation / amortization, useful life and residual values used for recording the depreciation / amortization on annual basis. Further, if required based on any indication for impairment, an estimate of recoverable amount of assets is made for possible impairment.

(Amounts in thousand)

c) **Biological assets**

The fair values of biological assets (Dairy livestock) is determined semi-annually by utilizing the services of an independent expert. These valuations are mainly based on market conditions and physical attributes of livestock existing at the end of each reporting period, which are subject to change at each period end due to market conditions.

d) **Investment in subsidiary**

Investment in subsidiary is tested for impairment whenever there is any objective evidence or indication that the investment in subsidiary may be impaired. The recoverable amounts of the investment in subsidiary are determined based on value in use or where value in use is not determinable, on the fair value of the net assets of the subsidiary i.e. terminal value of the investment.

e) **Stock-in-trade**

The Company regularly reviews the net realizable value of stock-in-trade to assess any diminution in the carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditure to make the sale.

f) **Provision for staff retirement and other service benefits**

The present value of the obligations is determined by an independent actuary using a number of assumptions and other factors. Any change in these assumptions and factors will impact the obligations recorded in the financial statements.

g) **Employee share option scheme**

Employee share option compensation reserve and deferred employee share option compensation expense have been determined using the fair values of the options granted and expected to be granted in the ensuing year, using the Black Scholes Pricing Model. The fair values of the options granted during the year have been determined with reference to the respective grant dates of the options; and fair values of options expected to be granted in the ensuing year has been determined with reference to the balance sheet date in accordance with the requirements of IFRS 2 'Share based payment' and will be reassessed on the actual grant date. The fair value and the underlying assumptions are disclosed in note 19. Any change in these assumptions may significantly impact the carrying values of the related asset and reserve in the balance sheet.

5. Property, Plant and Equipment

Operating assets (note 5.1)
Capital work-in-progress (note 5.5)
Major spare parts and stand by equipment

	2013	2012
	(Rupees)	(Rupees)
	11,045,375	10,192,682
	3,328,363	765,397
	131,033	65,167
	14,504,771	11,023,246

(Amounts in thousand)

5.1 Operating assets

	Freehold land	Buildings on freehold land	Plant, machinery and related equipment (note 5.2)		Computers (note 5.2)	Office equipment and furniture & fittings	Vehicles (note 5.2)		Total
			-----				-----		
			Owned	Leased			Owned	Leased	
As at January 1, 2012									
Cost	173,378	2,060,932	8,001,076	34,800	103,666	193,873	427,916	4,250	10,999,891
Accumulated depreciation/ impairment	-	(314,896)	(1,939,389)	(30,349)	(41,548)	(66,468)	(170,524)	(4,250)	(2,567,424)
Net book value	173,378	1,746,036	6,061,687	4,451	62,118	127,405	257,392	-	8,432,467
Year ended December 31, 2012									
Opening net book value	173,378	1,746,036	6,061,687	4,451	62,118	127,405	257,392	-	8,432,467
Additions, including transfers (note 5.5)	-	320,333	2,216,129	-	51,583	43,733	396,860	-	3,028,638
Disposals (note 5.4)	-	-	(1,530)	(205)	(1,299)	(969)	(132,594)	(1,450)	(138,047)
Cost	-	-	(1,530)	(205)	(1,299)	(969)	(132,594)	(1,450)	(138,047)
Accumulated depreciation	-	-	828	136	740	240	73,369	1,450	76,763
Depreciation charge (note 5.3)	-	(127,772)	(881,070)	(2,633)	(26,927)	(37,399)	(131,338)	-	(1,207,139)
Closing net book value	173,378	1,938,597	7,396,044	1,749	86,215	133,010	463,689	-	10,192,682
As at December 31, 2012									
Cost	173,378	2,381,265	10,215,675	34,595	153,950	236,637	692,182	2,800	13,890,482
Accumulated depreciation	-	(442,668)	(2,819,631)	(32,846)	(67,735)	(103,627)	(228,493)	(2,800)	(3,697,800)
Net book value	173,378	1,938,597	7,396,044	1,749	86,215	133,010	463,689	-	10,192,682
Year ended December 31, 2013									
Opening net book value	173,378	1,938,597	7,396,044	1,749	86,215	133,010	463,689	-	10,192,682
Additions, including transfers (note 5.5)	228,625	200,265	1,960,870	-	58,793	44,663	141,169	-	2,634,385
Disposals (note 5.4)	-	(2,765)	(152,490)	-	(1,144)	(1,106)	(128,938)	-	(286,443)
Cost	-	(2,765)	(152,490)	-	(1,144)	(1,106)	(128,938)	-	(286,443)
Accumulated depreciation	-	426	3,298	-	297	406	64,831	-	69,258
Depreciation charge (note 5.3)	-	(2,339)	(149,192)	-	(847)	(700)	(64,107)	-	(217,185)
Impairment	-	(152,766)	(1,078,342)	(1,676)	(41,692)	(43,971)	(142,689)	-	(1,461,136)
Closing net book value	402,003	1,983,757	8,031,431	73	102,469	133,002	392,640	-	11,045,375
As at December 31, 2013									
Cost	402,003	2,578,765	12,024,055	34,595	211,599	280,194	704,413	2,800	16,238,424
Accumulated depreciation	-	(595,008)	(3,894,675)	(34,522)	(109,130)	(147,192)	(306,351)	(2,800)	(5,089,678)
Accumulated impairment	-	-	(97,949)	-	-	-	(5,422)	-	(103,371)
Net book value	402,003	1,983,757	8,031,431	73	102,469	133,002	392,640	-	11,045,375
Annual rate of depreciation (%)	-	5 to 33.3	8.33 to 25	20	20	20	25	25	

(Amounts in thousand)

5.2 Includes following assets held by third parties:

Description	2013		2012		Reason
	Cost	Net Book Value	Cost	Net Book Value	
	----- (Rupees) -----				
Plant and Machinery	181,187	92,351	145,011	74,560	Equipment mounted on transport contractors' vehicles
Plant and Machinery	859,361	369,578	797,152	505,222	Freezers held with third party for ice cream sales
Computer Equipment	31,158	13,993	22,500	18,000	Computer equipments managed by IBM for disaster recovery
Vehicles	107,281	42,129	103,785	60,191	Trikes held with third party for ice cream sales
	1,178,987	518,051	1,068,448	657,973	

5.3 The depreciation charge has been allocated as follows:

- Cost of sales (note 27)
- Distribution and marketing expenses (note 28)
- Administrative expenses (note 29)

2013	2012
----- (Rupees) -----	
1,180,044	969,495
209,847	186,374
71,245	51,270
1,461,136	1,207,139

(Amounts in thousand)

5.4 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	Sales proceeds
-----Rupees-----					
Vehicles					
By Company policy to existing / separating executives					
	Javed Iqbal	8,000	(2,250)	5,750	6,126
	Asad Ali Shah	2,392	(149)	2,243	2,245
	Ali Asher Jafri	2,392	(348)	2,044	2,060
	M.Farrukh Umair	2,392	(471)	1,921	1,921
	Aamir Khawas	2,113	(330)	1,783	1,936
	Omayer Arshad	2,020	(631)	1,389	1,393
	Umar Mirza	2,015	(661)	1,354	1,355
	M. Junaid Tariq	1,648	(411)	1,237	1,263
	Anser Iqbal	1,555	(350)	1,205	1,396
	Abdullah Aslam	1,531	(383)	1,148	1,241
	Farrukh Shaikh	1,495	(364)	1,131	1,197
	Vajid Hussain Kamran	1,495	(420)	1,075	1,203
	Zeeshan Anjum	1,495	(444)	1,051	1,180
	Zulfiqar Ansari	1,424	(401)	1,023	1,034
	Ali Osama Ashraf	1,474	(461)	1,013	1,042
	Sadia Nasir	1,374	(475)	899	902
	M.K.Durrani	1,399	(503)	896	899
	Haseebullah Zahoor	1,895	(1,007)	888	913
	Usman Saif	1,394	(509)	885	886
	Ateeq Khan	1,394	(551)	843	845
	Ahmed Ather Farooqi	1,350	(547)	803	803
	Usman Mir	1,337	(564)	773	785
	Farrukh Umair	1,289	(645)	644	822
	Faisal Waheed	1,849	(1,282)	567	629
	Zainab Hameed	1,849	(1,292)	557	571
	Naeem Mian	1,300	(747)	553	553
	Zain Kamran	1,324	(844)	480	642
	M.Usman Sarwer	1,238	(855)	383	398
	Javed Iqbal	1,858	(1,511)	347	523
	Imran Wazir	835	(517)	318	337
	Syed Salman Nasri	1,269	(952)	317	369
	GM Gazzali	1,248	(935)	313	313
	Mushir M.Syed	1,251	(939)	312	312
	Majid Iqbal	1,251	(946)	305	313
	kashan Yaqoob	1,271	(971)	300	318
	Sadia Junaid	1,269	(972)	297	317
	Bilal Akhter	1,251	(960)	291	313
	Sharif Ahmed Khan	554	(277)	277	277
	Abdul Razzaq	1,251	(978)	273	313
	Adeel Ghiskori	1,309	(1,047)	262	262
	Shahzad Mohsin	1,269	(1,017)	252	737
	S M Amir Irshad	1,248	(998)	250	250
	Riaz Hussain	1,248	(999)	249	250
	Kamran Majeed	534	(290)	244	276
	Balance carried forward	71,349	(32,204)	39,145	41,720

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sales proceeds
-----Rupees-----					
	Balance brought forward	71,349	(32,204)	39,145	41,720
	Khurram Shahzad	1,269	(1,035)	234	254
	Waqar Hussain Ali	554	(323)	231	244
	Sheharyar Qureshi	798	(569)	229	426
	Malik Liaquat	801	(586)	215	414
	Adnan Zahoor	537	(322)	215	280
	Kamran Saif	519	(315)	204	222
	Imran Ahmed Sheikh	1,269	(1,095)	174	254
	Kashif Faique	1,269	(1,095)	174	254
	Ansar Iqbal	809	(647)	162	162
	Faisal Minhas	806	(645)	161	520
	Bilal Chaudhry	586	(430)	156	156
	Umar Aftab	537	(383)	154	205
	Shahid Saleem	666	(533)	133	133
	Muneem Tareen	1,269	(1,142)	127	645
	Jameel Ahmed	544	(440)	104	106
	Hassan Raza	449	(359)	90	430
	Jahanzaib	449	(359)	90	90
	Shakil Ahmed	449	(359)	90	90
	Muhammad Iqbal	896	(806)	90	389
	Kausar Khan	504	(449)	55	101
	Qaiser Saleem	504	(449)	55	101
	Yaqoob Ahmed	504	(449)	55	101
	Rizwan Ullah	544	(490)	54	109
	Late Ahsan us Sattar family	870	(652)	218	-
		<u>17,402</u>	<u>(13,932)</u>	<u>3,470</u>	<u>5,686</u>
		88,751	(46,136)	42,615	47,406
	By Company policy to existing / separating executives having net book value of less than Rs. 50	3,335	(2,928)	407	904
	Balance carried forward	92,086	(49,064)	43,022	48,310

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sales proceeds
-----Rupees-----					
	Balance brought forward	92,086	(49,064)	43,022	48,310
To employees through auction					
	Asad Ali Shah	7,215	(2,931)	4,284	5,848
	Waseem Mirza	4,654	(2,007)	2,647	4,169
	Atif Qayyum	1,792	(760)	1,032	1,576
	Syed Rameez Arif	936	(312)	624	873
	M.Khalid	924	(326)	598	758
	Sara Mohsin	920	(337)	583	857
	Adil Ali	924	(343)	581	747
	Maurice Yano	936	(359)	577	729
	Sultan Hassan	896	(329)	567	835
	M.Tahir	924	(364)	560	848
	Saud Javed	884	(384)	500	758
	Kashif Soomro	883	(447)	436	805
	M.Khalid	850	(436)	414	741
	M.Azam	835	(454)	381	752
	Syed Rameez Arif	835	(487)	348	697
	Ishrat Kanwal	549	(201)	348	478
	Kumar Das	835	(503)	332	726
	M.Khalid	884	(707)	177	701
	Syed Rizwan Ali	1,271	(1,096)	175	329
		27,947	(12,783)	15,164	23,227
Insurance claims	EFU General Insurance Limited	8,352	(2,787)	5,565	8,208
	Jubilee General Insurance Company Limited	553	(197)	356	360
		8,905	(2,984)	5,921	8,568
Building on freehold land Dismantled		2,765	(426)	2,339	-
Plant, machinery and related equipment	Adnan, Federal B. Area, Karachi	175	(42)	133	146
	Nasir, Azizabad, FB Area, Karachi	175	(42)	133	146
	Jauhar Sweets, Sialkot	32	(19)	13	17
	Tetra Pak, Gulberg Town Lahore	138,442	-	138,442	138,718
		138,824	(103)	138,721	139,027
	Balance carried forward	270,527	(65,360)	205,167	219,132

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sales proceeds
-----Rupees-----					
	Balance brought forward	270,527	(65,360)	205,167	219,132
Insurance claims	EFU General Insurance Limited	13,140	(2,960)	10,180	9,904
	Pak Kuwait Takaful Company Limited	429	(197)	232	259
	Jubilee General Insurance Company Limited	97	(38)	59	74
		13,666	(3,195)	10,471	10,237
Office equipment					
Insurance claims	EFU General Insurance Limited	1,106	(406)	700	793
Computers					
Insurance claims	EFU General Insurance Limited	1,144	(297)	847	500
December 31, 2013		286,443	(69,258)	217,185	230,662
December 31, 2012		138,047	(76,763)	61,284	73,460

(Amounts in thousand)

5.5 Capital work-in-progress

	Land (note 5.5.1)	Building on freehold land	Plant, machinery and equipment	IS and milk automation project	Office equipment/ Furniture & Fitting/Computers	Vehicles	Total
-----Rupees-----							
Year ended December 31, 2012							
Balance as at January 1, 2012	-	143,000	887,947	-	32,389	119,623	1,182,959
Additions during the year	11,832	184,262	1,947,690	73,993	85,491	319,474	2,622,742
Transferred to							
- operating assets (notes 5.1)	-	(320,333)	(2,216,129)	-	(95,316)	(396,860)	(3,028,638)
- intangible assets (note 7)	-	-	-	(11,666)	-	-	(11,666)
Balance as at December 31, 2012	<u>11,832</u>	<u>6,929</u>	<u>619,508</u>	<u>62,327</u>	<u>22,564</u>	<u>42,237</u>	<u>765,397</u>
Year ended December 31, 2013							
Balance as at January 1, 2013	11,832	6,929	619,508	62,327	22,564	42,237	765,397
Additions during the year	216,793	515,260	4,272,590	20,376	132,791	108,389	5,266,199
Transferred to							
- operating assets (note 5.1)	(228,625)	(200,265)	(1,960,870)	-	(103,456)	(141,169)	(2,634,385)
- intangible assets (note 7)	-	-	-	(68,848)	-	-	(68,848)
Balance as at December 31, 2013	<u>-</u>	<u>321,924</u>	<u>2,931,228</u>	<u>13,855</u>	<u>51,899</u>	<u>9,457</u>	<u>3,328,363</u>

5.5.1 The Company has acquired land measuring 537 Kanals, 37 Marlas surrounding its Sahiwal plant through the Commissioner, Sahiwal Division, Government of Punjab (the Government) action, by invoking provisions of Land Acquisition Act, 1894. Under the said law, the price of the nearby land was assessed by the Government authorities and the Company paid Rs. 212,514 to the Government for purchase of land. The Government will in turn pay to the respective land owners.

Few land owners have filed writ petitions against the Government's action and the matter is currently in hearing process at the Lahore High Court. Stay has been granted against most of the petitions filed against the Company. The Company is of the view that the purchase of land is legal and therefore, the case will be decided in its favour.

6. Biological Assets

Dairy livestock (note 6.1)

- mature
- immature

Provision for culling (notes 6.2 and 30)

Crops - feed stock

	2013	2012
-----Rupees-----		
- mature	411,059	313,470
- immature	309,130	348,444
Provision for culling	720,189	661,914
	(15,961)	-
Crops - feed stock	704,228	661,914
	12,237	6,541
	<u>716,465</u>	<u>668,455</u>

(Amounts in thousand)

6.1 Reconciliation of carrying amounts of livestock

Carrying amount at the beginning of the year

Add:

- Changes in fair value due to biological transformation
- Gain due to new births [inclusive of cost of feeding immature herd of Rs. 127,764 (2012: Rs. 87,344)]
- Gain / (Loss) due to increase in age of livestock

Changes in fair value due to price changes

- Gain due to currency devaluation
- Gain / (Loss) due to increase / (decrease) in international market prices

Total gain (note 31)

Less:

- Biological assets written-off (notes 6.3 and 30)
- Decrease due to deaths / disposals
- Provision for culling

Carrying amount at the end of the year, which approximates the fair value

	2013	2012
-----Rupees-----		
Carrying amount at the beginning of the year	661,914	494,299
Add:		
Changes in fair value due to biological transformation		
- Gain due to new births [inclusive of cost of feeding immature herd of Rs. 127,764 (2012: Rs. 87,344)]	194,193	145,264
- Gain / (Loss) due to increase in age of livestock	(17,120)	(30,341)
	<u>177,073</u>	<u>114,923</u>
Changes in fair value due to price changes		
- Gain due to currency devaluation	59,988	40,111
- Gain / (Loss) due to increase / (decrease) in international market prices	(51,290)	45,332
	<u>8,698</u>	<u>85,443</u>
Total gain (note 31)	185,771	200,366
Less:		
- Biological assets written-off (notes 6.3 and 30)	(50,533)	-
- Decrease due to deaths / disposals	(76,963)	(32,751)
- Provision for culling	(15,961)	-
Carrying amount at the end of the year, which approximates the fair value	<u>704,228</u>	<u>661,914</u>

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

6.3 During the year the Company carried out 100% physical verification exercise of its entire livestock held at the Dairy Farm. Based on the results of this exercise, the carrying values of livestock that were found missing have been written-off.

6.4 As at December 31, 2013, the Company held 2,058 (2012: 1,829) mature assets able to produce milk and 1,729 (2012: 1,697) immature assets that are being raised to produce milk in the future. During the year, the Company produced approximately 9,079,147 (2012: 9,224,185) gross litres of milk from these biological assets with a fair value less estimated point-of-sale costs of Rs. 496,095 (2012: Rs. 477,417), determined at the time of milking.

6.5 As at December 31, 2013, the Company held 586 (2012: 375) immature male calves.

6.6 The valuation of dairy livestock as at December 31, 2013 has been carried out by an independent valuer. In this regard, the valuer examined the physical condition of the livestock, assessed the farm conditions and relied on the representations made by the Company as at December 31, 2013. Further, in the absence of an active market of the Company's dairy livestock in Pakistan, market and replacement values of similar live stock from active markets in USA, Germany, Argentina and Australia, have been used by the independent valuer as a basis of his valuation. Immature male calves have not been included in the fair valuation due to the insignificant value in use.

(Amounts in thousand)

7. Intangible Assets – computer software

Net carrying value

Balance at beginning of the year
Add: Additions at cost (note 5.5)
Less: Amortization charge for the year (notes 7.1 and 29)
Balance at end of the year

2013 2012
------(Rupees)-----

104,569	133,598
68,848	11,666
(50,579)	(40,695)
<u>122,838</u>	<u>104,569</u>
285,060	216,212
(162,222)	(111,643)
<u>122,838</u>	<u>104,569</u>

Gross carrying value

Cost
Less: Accumulated amortization
Net book value

7.1 The cost is being amortized over a period of 5 years.

8. Long-term Advances and Deposits - unsecured, considered good

Advances to Executives (notes 8.1, 8.2 and 8.3)
Less: Recoverable within one year shown
under current assets (note 13)

57,694	36,924
(21,283)	(8,813)
<u>36,411</u>	<u>28,111</u>
56,721	53,751
<u>93,132</u>	<u>81,862</u>

Deposits

8.1 Reconciliation of the carrying amount of advances to executives

Balance as at January 1
Add: Disbursements
Less:
- Repayments
- Amortization
Balance as at December 31

36,924	28,459
55,698	45,702
(13,884)	19,886
(21,044)	17,351
<u>57,694</u>	<u>36,924</u>

8.2 This includes interest free advances to executives for vehicles given in accordance with the terms of employment under the vehicle earn-out scheme. These advances are amortized over a period of 48 months, unless repaid as a result of change in employee classification level or leaving the Company. This also includes investment loan plan assistance repayable after 3 years in lump sum and long-term incentive given to certain employees which is amortized over a period of 3 years, unless repaid as a result of leaving the Company.

(Amounts in thousand)

8.3 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 57,694 (2012: Rs.52,363).

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

9. Investment in Subsidiary

Consequent to the approval from SBP, as mentioned in note 1.2, the Company acquired the entire shareholding of ECL in Engro Foods Netherlands B.V. (EF Netherlands) on December 16, 2013. Accordingly, advance to ECL against purchase of shares of EF Netherlands amounting to Rs. 1,100,288 has been recognized as investment in EF Netherlands. As at December 31, 2013, the Company has, as a matter of prudence, recorded a provision of Rs. 673,000 against the investment, which represents accumulated cash losses of the subsidiary since inception.

2013 2012
------(Rupees)-----

10. Stores, Spares and Loose Tools

Stores
Spares and loose tools, including in-transit
Nil (2012: Rs. 1,774) (note 10.1)
Less: Major spare parts and stand by equipment - shown
under Property, plant and equipment (note 5)

133,153	132,195
737,551	543,612
(131,033)	(65,167)
<u>739,671</u>	<u>610,640</u>

10.1 These are net of provision against slow moving items amounting to Rs. 3,154 (2012: Rs. 1,267).

11. Stock-in-trade

Raw and packaging material (note 11.1 and 11.3)
Work in process
Finished goods (note 11.2 and 11.3)

2,128,503	2,595,145
390,133	276,851
564,947	622,609
<u>3,083,583</u>	<u>3,494,605</u>

11.1 Includes Rs. 3,326 (2012: Nil) in respect of stock held by third parties.

11.2 Includes Rs. 17,172 (2012: Rs. 42,500) in respect of finished goods carried at net realizable value and Rs. 33,010 (2012: Rs. 40,198) in respect of stock held by third parties.

11.3 These are net of provision against expired/obsolete stock amounting Rs. 132,552 (2012: Rs. 19,908).

2013 2012
------(Rupees)-----

12. Trade Debts, Unsecured

Considered good (notes 12.1 and 12.2)
Considered doubtful (note 12.3)

153,573	149,074
5,389	5,835
158,962	154,909
(5,389)	(5,835)
<u>153,573</u>	<u>149,074</u>

Less: Provision for impairment (note 12.3)

(Amounts in thousand)

12.1 As at December 31, 2013, trade debts aggregating to Rs. 2,916 (2012: Rs. 2,806) were past due but not impaired. These relate to various customers and have either been confirmed / acknowledged by the customer or cleared subsequent to the year end. These debts are less than 6 months old.

12.2 As at December 31, 2013, trade debts aggregating to Rs.150,657 (2012: Rs. 146,268) were neither past due nor impaired. The credit quality of these receivables can be assessed with reference to their historical performance with no defaults ever.

12.3 As at December 31, 2013, trade debts aggregating to Rs. 5,389 (2012: Rs. 5,835) were deemed to have been impaired and provided for. The movement in provision during the year is as follows:

	2013	2012
	------(Rupees)-----	
Balance as at January 1	5,835	4,644
Add: Recognized / (Reversed) during the year (note 29)	(446)	1,191
Balance as at December 31	<u>5,389</u>	<u>5,835</u>

13. Advances, Deposits and Prepayments - unsecured, considered good

Advances to:

- Executives (notes 13.1 and 13.2)
- Other employees (note 13.3)

	2013	2012
- Executives (notes 13.1 and 13.2)	7,716	7,703
- Other employees (note 13.3)	28,304	23,753
	<u>36,020</u>	<u>31,456</u>
Add: Current portion of long term advances to executives (note 8)	21,283	8,813
	<u>57,303</u>	<u>40,269</u>
Advances to suppliers (note 13.4)	79,625	125,786
Deposits	10,895	4,325
Prepayments	33,257	91,410
	<u>181,080</u>	<u>261,790</u>

13.1 This represents interest free advances to executives for house rent, given in accordance with the Company's policy.

13.2 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 9,907 (2012: Rs. 10,152).

13.3 This represents advances for incurring expenses for the Company's business.

13.4 Includes advances to Engro Fertilizers Limited amounting to Nil (2012: Rs. 1,127).

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

(Amounts in thousand)

14. Other Receivables

Receivable from related parties:

- Engro Corporation Limited, the Holding Company
- Engro Fertilizers Limited
- Engro Foundation
- Engro Foods Canada Limited
- Engro Eximp (Private) Limited
- Engro PowerGen Limited
- Engro Polymer and Chemicals Limited

	2013	2012
	------(Rupees)-----	
- Engro Corporation Limited, the Holding Company	-	5,001
- Engro Fertilizers Limited	17	874
- Engro Foundation	-	833
- Engro Foods Canada Limited	3,829	-
- Engro Eximp (Private) Limited	-	390
- Engro PowerGen Limited	-	39
- Engro Polymer and Chemicals Limited	484	255
	<u>4,330</u>	<u>7,392</u>
Sales tax refundable (notes 14.1 and 14.2)	1,835,054	1,128,313
Receivable from Tetra Pak Pakistan Limited (note 14.3)	440,960	286,307
Receivable from Ecolean AB (note 14.3)	66,396	-
Others	7,540	18,155
	<u>2,354,280</u>	<u>1,440,167</u>

Sales tax refundable (notes 14.1 and 14.2)

Receivable from Tetra Pak Pakistan Limited (note 14.3)

Receivable from Ecolean AB (note 14.3)

Others

14.1 Sales tax has been zero rated on the Company's supplies (output) and raw materials, components and assemblies imported or purchased locally by the Company for manufacturing in respect of its dairy operations. The movement of the refundable is as follows:

	2013	2012
	------(Rupees)-----	
Balance as at January 1	1,128,313	827,268
Add: Refunds claimed during the year	1,019,637	1,066,294
Less:		
- Refunds received during the year	(312,896)	(769,607)
- Reversal of impairment (note 28)	-	4,358
Balance as at December 31	<u>1,835,054</u>	<u>1,128,313</u>

14.2 The above includes Rs. 87,040 (2012 : Nil) relating to provincial input tax paid on services. This amount has not been claimed thus far in the Monthly Sales Tax Returns as it has been disallowed by the Federal Board of Revenue subsequent to changes made through Finance Act, 2013.

The Company is currently pursuing this matter at various forums including consideration of legal remedies and based on the interpretation of law is confident of its recovery.

14.3 Represents reimbursements receivable under cost sharing agreements for marketing related expenses and quantity discounts, net of payable on account of packaging materials purchased.

14.4 The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to their historical performance with no defaults ever.

(Amounts in thousand)

15. Derivative Financial Instruments

The Company has entered into various foreign currency forward contracts with banks to manage its foreign currency exposure. These contracts have maturity dates approximately matching with the anticipated payment dates for commitments with respect to import of plant and machinery and stock-in-trade. The fair value of the outstanding forward contracts as at December 31, 2013 amounts to a liability of Rs. 14,517 (2012: asset of Rs. 25,787).

16. Short Term Investments

At fair value through profit or loss:

- Fixed income placement (note 16.1)
- Mutual fund securities (note 16.2)

	2013	2012
	------(Rupees)-----	
	170,000	-
	-	2,708,750
	<u>170,000</u>	<u>2,708,750</u>

16.1 Represents term deposit placed with a bank having maturity period of one month carrying interest rate of 9.9% per annum.

16.2 These represented investments in various money market funds which were valued at their respective net assets value as at balance sheet date.

17. Cash and Bank Balances

Cash

- in hand
- in transit (note 17.1)

Cash at bank on:

- current accounts [including foreign currency account of Rs. 148,910 (2012: Rs. 61,555)]
- savings accounts

	2013	2012
	------(Rupees)-----	
	16	94
	122,037	194,522
	296,671	67,278
	138,542	160,114
	435,213	227,392
	<u>557,266</u>	<u>422,008</u>

17.1 Represents banking instruments received from distributors at regional offices in respect of advance against future sales but not yet deposited in the Company's bank account.

18. Share Capital

Authorized capital

850,000,000 (2012: 850,000,000) Ordinary shares of Rs. 10 each

Issued, subscribed and paid-up capital

766,596,075 (2012: 761,577,575) Ordinary shares of Rs. 10 each fully paid in cash (note 18.1 and 18.2)

	2013	2012
	------(Rupees)-----	
	<u>8,500,000</u>	<u>8,500,000</u>
	<u>7,665,961</u>	<u>7,615,776</u>

(Amounts in thousand)

18.1 During the year, the Company issued and allotted (i) 65,000 shares at Rs. 19 per share; and (ii) 4,953,500 shares at Rs. 21 per share to employees who exercised their share options under the previous Employees' Share Option Scheme (ESOS).

18.2 As at December 31, 2013, Engro Corporation Limited (the Holding Company) holds 667,374,991 Ordinary shares of Rs. 10 each (2012: 672,999,991 Ordinary shares of Rs. 10 each).

19. Employees' Share Option Scheme

During the year, the shareholders of the Company in their meeting held on March 22, 2013 approved a new Employees' Share Option Scheme (the Scheme) for granting of options to certain critical employees up to 16.9 million new ordinary shares, to be determined by the Board Compensation Committee. The Scheme was approved by the SECP on May 27, 2013.

Under the Scheme, options can be granted in the years 2013 to 2015. 50% of the options granted will vest in two years whereas the remaining 50% will vest in three years from the date of the grant of options. However, for the purpose of the options granted in 2013 (Option year), 50% of such options shall vest on April 1, 2015 while remaining 50% will vest on April 01, 2016. Further, those eligible employees who will join the Company or will be promoted to the employee cadre / grade eligible for options, till April 1, 2015 are also entitled to these options. These options do not carry dividends or voting rights and the maximum number of options to be issued to a single eligible employee is for 1.69 million ordinary shares. These options are exercisable within 3 years from the end of vesting period. The details of share options granted during the year which remained outstanding as at December 31, 2013 are as follows:

- number of options	5,700,000
- range of exercise price	Rs. 191.89 - Rs. 253.77
- weighted average remaining contractual life	5.25 years

The weighted average fair value of options granted during the year, as estimated at the date of grant using the Black-Scholes model was Rs. 24.43 per option. The following weighted average assumptions were used in calculating the fair values of the options:

- share price	Rs. 127.23
- exercise price	Rs. 191.87
- expected volatility	34.16%
- expected life	3 years
- annual risk free interest rate	9.71%

The volatility has been measured as the standard deviation of quoted share prices over the last one year from each respective grant date. In addition, the Company estimates that during the year 2014 options for remaining 11.2 million shares may be granted.

In this respect, Employee share option compensation reserve and the related Deferred expense amounting to Rs. 407,133 has been recognized out of which Rs.102,115 has been amortized and recognized as charge for the year in respect of related employees services received to the balance sheet date.

(Amounts in thousand)

20. Long Term Finances, Secured (Non-Participatory)

Long term finances utilized under mark-up arrangements:

	Installments			2013	2012
	Number	Commencing from	Interest Rate	------(Rupees)-----	
Long term finances					
Syndicated Finance I	4 half yearly	February 20, 2015	6 months KIBOR + 0.69%	1,500,000	1,500,000
Syndicated Finance II	5 half yearly	July 10, 2012	6 months KIBOR + 2.6%	480,000	960,000
Syndicated Finance III	6 half yearly	February 16, 2013	6 months KIBOR + 2.0%	666,667	1,000,000
Habib Bank Limited	6 half yearly	September 3, 2011	6 months KIBOR + 2.25%	83,333	250,000
Habib Bank Limited					
- LTFF Facility					
(notes 20.2 and 20.4)	8 half yearly	February 27, 2014	SBP LTFF Rate	221,355	220,548
- Conventional term loan					
(note 20.2)	6 half yearly	November 2, 2014	6 months KIBOR + 2.0%	775,039	397,213
Citibank, N.A.	One bullet				
	payment	January 14, 2013	6 months KIBOR + 2.0%	-	700,000
NIB Bank Limited (note 20.2)	6 half yearly	June 5, 2015	6 months KIBOR + 2.1%	1,484,956	1,481,132
Pak Kuwait Investment					
Company (Private) Limited					
(note 20.1)	6 half yearly	June 30, 2014	6 months KIBOR + 2.45%	-	250,000
The Bank of Punjab (note 20.2)	6 half yearly	April 3, 2015	6 months KIBOR + 1.15%	497,652	-
United Bank Limited	6 half yearly	May 12, 2016	6 months KIBOR + 1.25%	1,500,000	-
				7,209,002	6,758,893
Certificate					
Sukuk Certificates	4 half yearly	July 13, 2015	6 month KIBOR + 0.69%	950,000	950,000
				8,159,002	7,708,893
Less: Current portion shown under current liabilities				(1,032,008)	(1,685,823)
				7,126,994	6,023,070

20.1 During the year, the Company prepaid the entire principal loan amount on March 11, 2013.

20.2 The proceeds from these loans are carried net of unamortized portion of transaction costs amounting to Rs. 20,728 (2012: Rs. 23,203)

20.3 The above finances and Ijarah arrangements (note 25.5) are secured by registered floating charges / mortgages over the present and future fixed assets of the Company upto a maximum of Rs. 12,729,500 (2012: Rs. 11,375,000).

20.4 LTFF facility from HBL is based on State Bank LTFF rate which was 10.90% per annum throughout the year. Rest of the finances are KIBOR based and ranged from 9.80% to 14.64% (2012: 11.23% to 15.63%) per annum.

20.5 In view of the substance of the transactions, the sale and repurchase of assets under long term finances have not been recorded as such in these financial statements.

(Amounts in thousand)

21. Deferred Taxation

Credit balances arising due to:

- Accelerated tax depreciation / amortization
- Gain on biological assets
- Borrowing cost
- Derivate financial instruments, net to equity
- Long term finances
- Others

Debit balances arising due to:

- Provisions for inventory and receivables
- Unutilized tax losses
- Minimum turnover tax (note 21.1)
- Derivate financial instruments, net to equity
- Share issuance cost, net to equity
- Others

	2013	2012
	------(Rupees)-----	
	1,624,574	1,711,034
	166,342	142,734
	-	-
	-	9,026
	7,047	8,121
	13,838	3,063
	1,811,801	1,873,978
	(47,972)	(9,453)
	-	-
	(206,627)	(197,021)
	(4,936)	-
	(12,733)	(13,107)
	(950)	(1,877)
	(273,218)	(221,458)
	1,538,583	1,652,520

21.1 During the year, minimum turnover tax amounting to Nil (2012: Rs. 409,945) has been recouped against the tax liability for the year.

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

22. Deferred Income

Deferred income under Ijarah arrangement:

- Balance as at January 1
- Add: Ijarah arrangement entered into during the year
- Less: Amortization for the year
- Balance as at December 31

	2013	2012
	------(Rupees)-----	
	17,390	-
	-	17,390
	(7,980)	-
	9,410	17,390

(Amounts in thousand)

	2013	(Restated) 2012
	------(Rupees)-----	
23. Trade and Other Payables		
Trade payables (note 23.1)	1,968,715	1,281,398
Accrued liabilities	786,093	769,122
Advances from customers	248,686	94,807
Retention money	38,388	22,552
Security deposits	800	50
Withholding tax payable	59,102	40,305
Payable to provident fund	19,506	13,305
Payable to gratuity fund (note 38)	58,310	40,315
Workers' profits participation fund (note 23.2)	27,933	10,489
Workers' welfare fund	134,284	111,341
Others (note 23.1)	27,365	10,424
	<u>3,369,182</u>	<u>2,394,108</u>

23.1 Includes amount due to following related parties:

- Engro Corporation Limited, the Holding Company	-	14,156
- Engro Eximp (Private) Limited	6,920	-
- Engro Fertilizers Limited	578	-
- Engro Foods Canada Limited	-	984
- Engro Polymer and Chemicals Limited	330	2,256
	<u>7,828</u>	<u>17,396</u>

23.2 Workers' profits participation fund

Balance as at January 1	10,489	73,545
Add: Allocation for the year (note 30)	28,041	211,021
	<u>38,530</u>	<u>284,566</u>
Less: Amount paid to the Fund	(10,597)	(274,077)
Balance as at December 31	<u>27,933</u>	<u>10,489</u>

24. Short Term Finances - secured

24.1 The facilities for short term running finance available from various banks, which represent the aggregate sale price of all mark-up arrangements, amounts to Rs. 3,200,000 (2012: Rs. 3,600,000). The unutilized balance against these facilities as at year end was Rs. 3,200,000 (2012: Rs. 3,514,611). The rates of mark-up on these finances are KIBOR based and range from 10.01% to 12.01% (2012: 10.38% to 13.60%) per annum. These facilities are secured by way of hypothecation upon all the present and future current assets of the Company.

24.2 The facilities for opening letters of credit and guarantees as at December 31, 2013 amounts to Rs. 4,515,000 (2012: Rs. 5,315,000), of which the amount remaining unutilized as at year end was Rs. 2,558,450 (2012: Rs. 2,881,378).

(Amounts in thousand)

25. Contingencies and Commitments

25.1 The Company has provided bank guarantees to:

- Sui Southern Gas Company Limited amounting to Rs. 55,242 (2012: Rs. 39,037) under the contract for supply of gas;
- Sui Northern Gas Company Limited amounting to Rs. 34,350 (2012: Rs. 34,350) under the contract for supply of gas;
- Collector of Sales Tax, Large Tax Payers Unit (LTU), Karachi amounting to Rs. 258,712 (2012: Rs. 258,712) under Sales Tax Rules 2006, against refund claim of input sales tax. Against these guarantees, sales tax refunds amounting to Rs. 172,000 (2012: Rs. 172,000) have been received to-date;
- Controller Military Accounts, Rawalpindi amounting to Rs. 6,872 (2012: Rs. 4,680), as collateral against supplies; and
- Collector of Customs, Model Customs Collectorate amounting to Rs. 54,081 (2012: Nil) against payment of sales tax on import of plant and machinery.

25.2 As at December 31, 2013 post-dated cheques amounting to Rs. 44,003 (2012: Rs.15,106) have been provided as collateral to customs authorities, in accordance with the procedures prescribed by the Government of Pakistan through notifications dated July 8, 2011 and August 1, 2011.

25.3 Commitments in respect of capital expenditure contracted for but not incurred as at December 31, 2013 amounts to Rs. 966,772 (2012: Rs. 2,139,539).

25.4 Commitments in respect of purchase of certain commodities as at December 31, 2013 amounts to Rs. 731,586 (2012: Rs. 181,420)

25.5 Commitments for rentals payable under the Ijarah agreement as at December 31, 2013 amounts to Rs. 235,634 (2012: Rs. 296,581) as follows:

	2013	2012
	------(Rupees)-----	
Not later than one year	66,100	63,737
Later than one year and not later than five years	169,534	232,844
	<u>235,634</u>	<u>296,581</u>

26. Net Sales

Manufactured goods	38,811,696	41,142,420
Less:		
- Sales tax	(587,343)	(601,780)
- Discounts / Allowances	(361,071)	(398,982)
	<u>37,863,282</u>	<u>40,141,658</u>
Raw milk	27,406	27,261
	<u>37,890,688</u>	<u>40,168,919</u>

26.1 Includes export sales amounting to Rs. 901,345 (2012: Rs. 667,833).

(Amounts in thousand)

	2013	2012
	-----	-----
	(Rupees)	(Rupees)
27. Cost of Sales		
Raw and packaging material consumed (note 27.1)	23,779,526	24,963,306
Salaries, wages, and staff welfare (note 27.2)	838,260	829,730
Fuel and power	1,640,374	1,316,939
Repair and maintenance	522,862	411,179
Freight inwards	580,678	489,652
Depreciation (note 5.3)	1,180,044	969,495
Impairment of operating assets (note 5.1)	28,915	-
Travelling	139,484	111,105
Communication and other office expenses	136,233	121,811
Insurance	110,681	96,703
Rent and utilities	314,346	178,288
Purchased services	330,416	242,752
Provision against:		
- stock-in-trade	125,154	16,972
- slow moving spares (note 10.1)	1,887	684
Manufacturing cost	29,728,860	29,748,616
Add: Opening stock of work-in-process	276,851	128,689
Less: Closing stock of work-in-process	(390,133)	(276,851)
Cost of goods manufactured	29,615,578	29,600,454
Add: Opening stock of finished goods manufactured	622,609	823,140
Less: Closing stock of finished goods manufactured	(564,947)	(622,609)
	29,673,240	29,800,985
Add: Cost of Raw milk sold directly (note 27.1)	44,274	47,316
	29,717,514	29,848,301
27.1 Raw and packaging material consumed		
Opening stock of raw and packaging material	2,595,145	1,685,987
Add: Purchases	23,853,253	26,397,197
Less:		
- Fair value of milk produced from biological assets	(496,095)	(477,417)
- Raw milk sold directly	(44,274)	(47,316)
- Closing stock of raw and packaging material	(2,128,503)	(2,595,145)
Raw and packaging material consumed	23,779,526	24,963,306

27.2 Includes Rs. 79,015 (2012: Rs. 60,445) in respect of staff retirement benefits referred to in notes 38 and 48.

(Amounts in thousand)

	2013	2012
	-----	-----
	(Rupees)	(Rupees)
28. Distribution and Marketing Expenses		
Salaries, wages, and staff welfare (note 28.1)	614,024	624,891
Advertising and sales promotion	2,655,433	2,415,522
Freight outward	1,113,104	1,190,585
Travelling	135,872	105,720
Communication and other office expenses	57,889	38,189
Depreciation (note 5.3)	209,847	186,374
Impairment of operating assets (note 5.1)	74,456	-
Fuel and power	7,996	5,418
Repairs and maintenance	61,875	48,038
Rent, rates and taxes	20,984	17,252
Reversal of provision against sales tax refundable (note 14.1)	-	(4,358)
Insurance	11,357	6,220
Ijarah rentals	54,267	20,051
Purchased services	266	373
	5,017,370	4,654,275

28.1 Includes Rs. 57,879 (2012: Rs. 45,523) in respect of staff retirement benefits referred to in notes 38 and 48.

	2013	2012
	-----	-----
	(Rupees)	(Rupees)
29. Administrative Expenses		
Salaries, wages and staff welfare (notes 29.1 and 29.2)	493,565	401,739
Communication and other office expenses	153,087	149,955
Rent, rates and taxes	95,816	78,130
Travelling	58,700	34,931
Depreciation (note 5.3)	71,245	51,270
Amortization (note 7)	50,579	40,695
Fuel and power	9,924	10,594
Repairs and maintenance	12,178	5,071
Insurance	3,302	3,014
Provision / (Reversal of provision) for impairment of trade debts (note 12.3)	(446)	1,191
Purchased services	18,343	19,100
	966,293	795,690

29.1 Includes Rs. 40,197 (2012: Rs. 29,266) in respect of staff retirement benefits referred to in notes 38 and 48.

29.2 Includes Rs. 102,115 (2012: Nil) in respect of Employees' share option compensation expense.

(Amounts in thousand)

	2013	2012
	------(Rupees)-----	-----
30. Other Operating Expenses		
Research and business development	37,492	55,126
Legal and professional	91,614	54,934
Auditors' remuneration (note 30.1)	2,837	2,711
Donations (note 30.2)	16,220	12,359
Software maintenance and license cost	19,000	14,178
Workers' profits participation fund (note 23.2)	28,041	211,021
Workers' welfare fund	22,943	78,418
Loss on disposal of biological assets	19,175	-
Provision for culling of biological assets (note 6.2)	15,961	-
Biological assets written-off (note 6.3)	50,533	-
Employee separation benefits (note 39)	16,600	-
Others	19,256	1,016
	<u>339,672</u>	<u>429,763</u>
30.1 Auditors' remuneration		
Fee for the:		
- audit of annual financial statements	880	700
- review of half yearly financial information	175	125
- tax advisory services	-	1,341
- review of compliance with the Code of Corporate Governance	50	50
- audit of retirement benefit funds	100	100
- special certifications and other advisory services	1,447	230
	<u>2,652</u>	<u>2,546</u>
Reimbursement of expenses	<u>185</u>	<u>165</u>
	<u>2,837</u>	<u>2,711</u>
30.2 Includes donation to following related parties:		
- Engro Foundation (note 30.2.1)	15,500	11,800
- Pakistan Veterans Cricket Association (note 30.2.1)	-	50
	<u>15,500</u>	<u>11,850</u>
30.2.1 The Directors including the Chief Executive and their spouses do not have any interest in the donee, except that a Director - Mr. Aliuddin Ansari is on the Board of Trustees of Engro Foundation as Trustee and Chairman and a Director - Mr. Mujahid Hamid is a Director of Pakistan Veterans Cricket Association.		

(Amounts in thousand)

	2013	2012
	------(Rupees)-----	-----
31. Other Income		
From financial assets		
Interest on bank deposits / saving accounts	16,787	33,355
Gain realised on disposal of short term investments	67,185	44,411
Gain on remeasurement of short term investments at fair value	-	8,750
	<u>83,972</u>	<u>86,516</u>
From other than financial assets		
Gain arising from changes in fair value of biological assets (note 6.1)	185,771	200,366
Gain on disposal of biological assets	-	4,310
Gain on disposal of operating assets	13,477	12,176
Exchange gain	3,814	7,349
Scrap sales	28,719	32,363
Stale liabilities reversed	-	38,653
Others	8,548	669
	<u>240,329</u>	<u>295,886</u>
	<u>324,301</u>	<u>382,402</u>
32. Other Expenses		
Provision for recognition of accumulated cash losses of subsidiary since inception (note 9)	673,000	-
Sales tax on exempt supplies (note 32.1)	208,456	-
	<u>881,456</u>	<u>-</u>
32.1 Ministry of Finance, Economic Affairs, Government of Pakistan (MoF) through SRO 501(I)/2013 dated June 12, 2013 exempted the supplies of Milk and Cream (Dairy products) from levy of sales tax effective from June 13, 2013. Sales tax on these supplies was previously charged at the rate of zero per cent (Zero-rated). Consequent to the aforementioned SRO, input tax could not be claimed/adjusted against the output tax on these supplies. Subsequently, on Company's plea the MoF through SRO 670(I)/2013 dated July 18, 2013 reinstated the status of Zero-rating of Dairy products. However, effective date of applicability of Zero-rating is not mentioned in SRO 670(I)/2013, therefore, the 'Zero rating' or 'exempt' status of the supplies from June 13, 2013 to July 17, 2013 is not clear. While the Company is strongly pursuing this matter with the relevant authorities, however, due to significant uncertainty regarding its recoverability the amount has been charged off.		

	2013	2012
	------(Rupees)-----	-----
33. Finance Costs		
Mark-up on		
- short-term finances	20,187	33,177
- long-term finances	733,392	837,514
	<u>753,579</u>	<u>870,691</u>
Bank charges	31,325	31,812
	<u>784,904</u>	<u>902,503</u>

(Amounts in thousand)

34. Taxation

Current

- For the year
- For prior years

Deferred

	2013	2012
	----- (Rupees) -----	
	379,824	409,945
	16,971	-
	396,795	409,945
	(99,975)	915,671
	296,820	1,325,616

34.1 Following is the position of the Company's open tax assessments:

- a) The Company in accordance with section 59 B (Group Relief) of the Income Tax Ordinance, 2001 has surrendered to ECL, the Holding Company, its tax losses amounting to Rs. 4,288,134 out of the total tax losses of Rs. 4,485,498 for the years ended December 31, 2006, 2007 and 2008 (Tax years 2007, 2008 and 2009) for cash consideration aggregating Rs. 1,500,847, being equivalent to tax benefit/effect thereof.

The Company has been designated as part of the Group of Engro Corporation Limited by the Securities and Exchange Commission of Pakistan (SECP) through its letter dated February 26, 2010. Such designation was mandatory for availing Group tax relief under section 59 B(2)(g) of the Ordinance and a requirement under the Group Companies Registration Regulations, 2008 (the Regulations) notified by the SECP on December 31, 2008.

Further, the Appellate Tribunal, in respect of surrender of aforementioned tax losses by the Company to the Holding Company for the years ended December 31, 2006 and 2007, decided the appeals in 2010 in favour of the Holding Company, whereby, allowing the surrender of tax losses by the Company to the Holding Company. The tax department has filed reference application thereagainst before the Sindh High Court, which are under the process of hearings. However, in any event, should the reference application be upheld and the losses are returned to the Company, it will only culminate into recognition of deferred income tax asset thereon with a corresponding liability to the Holding Company for refund of the consideration received. As such there will be no effect on the results of the Company.

During the year, the Appellate Tribunal also decided the similar appeal filed by the Holding Company for the year ended December 31, 2008 in favour of the Holding Company.

- b) The Company's appeal against the order of Commissioner Inland Revenue (CIR) for reduction of tax loss from Rs. 1,224,964 to Rs. 1,106,493 for the tax year 2007, is currently in the process of being heard. However, the Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and hence the balance of taxes recoverable has not been reduced by the effect of the aforementioned disallowance.
- c) In 2010, the Commissioner Inland Revenue raised a demand of Rs. 337,386 for tax year 2008 by disallowing the provision for gratuity, advances and stock written-off, repair and maintenance, provision for bonus, sales promotion and advertisement expenses. Further, in the aforementioned order the consideration receivable from ECL, the Holding Company, on surrender of tax loss was added to income for the year. The Company filed an appeal thereagainst before the Commissioner Appeals. The Commissioner Appeals through his order dated September 16, 2011, has decided certain matters in favour of the Company whereby withdrawing the demand amounting to Rs. 222,357. The Company filed an appeal at the Tribunal level for the remainder matters remanded back or decided against the Company. The Tribunal through its order dated May 3, 2013, has decided the remaining matters in favour of the Company except for certain disallowances of advances and stock written-off amounting to

(Amounts in thousand)

Rs. 8,642. These disallowances will be claimed in tax year 2014 as significant time has lapsed, and no amount has been realized thereagainst to date. Therefore, there will be no effect on the results of the Company.

- d) During the year, the Commissioner Inland Revenue raised a demand of Rs. 223,369 for tax year 2009 by disallowing the provision for advances, stock written-off, repair and maintenance, sales promotion and advertisement expenses etc. The Company has obtained stay order from the Sindh High Court against the audit proceedings and has also filed an appeal thereagainst before the Commissioner Appeals. The Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

- e) During the year, the Sindh High Court, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the minimum tax paid cannot be carried forward in respect of the year where no tax has been paid on account of loss for the year. The Company's management, based on the opinion of its legal advisor, is of the view that the above order is not correct and would not be maintained by the Supreme Court, which they intend to approach, if required. Therefore, the Company has maintained the adjustment of carried forward minimum tax amounting to Rs. 473,589, made in prior years.

34.2 Relationship between tax expense and accounting profit
Profit before taxation

Tax at the applicable tax rate of 34% (2012: 35%)

Tax effect of:

- Differential of reduction in tax rate
- lower tax rate on exports and gain on short-term investments
- inadmissible expenses
- provision for recognition of accumulated cash losses of subsidiary since inception
- others

	2013	2012
	----- (Rupees) -----	
	507,780	3,920,789
	172,645	1,372,276
	(52,844)	-
	(59,256)	(53,916)
	245	4,326
	228,820	-
	7,210	2,930
	124,175	(46,660)
	296,820	1,325,616

35. Earnings Per Share - basic and diluted

There is a dilutive effect on the basic earnings per share of the Company, after taking into the effect of options granted on Company's shares to employees of the Company under the previous Employees' Share Option Scheme (the previous Scheme). Such dilution is based on the average market price of the Company's shares, which is higher than the respective exercise prices of options granted under the previous Scheme.

Profit for the year

Weighted average number of ordinary shares in issue during the year
Add: Weighted average adjustment for assumed conversion of employees' share options
Weighted average number of shares for determination of diluted earnings per share

	2013	2012
	----- (Rupees) -----	
	210,960	2,595,173
	Number of shares in thousand	
	765,129	756,431
	1,135	6,817
	766,264	763,248

(Amounts in thousand)

	2013	2012
	------(Rupees)-----	
36. Cash Generated from Operations		
Profit before taxation	507,780	3,920,789
Adjustment for non-cash charges and other items:		
- Depreciation	1,461,136	1,207,139
- Impairment of operating assets	103,371	-
- Amortization of intangible assets	50,579	40,695
- Amortization of deferred income	(7,980)	-
- Amortization of arrangement fees on long term loan	4,975	-
- Amortization of deferred employee share option compensation reserve	102,115	-
- (Gain) / Loss on disposal of biological assets	19,175	(4,310)
- Biological assets written-off	50,533	-
- Gain on disposal of operating assets	(13,477)	(12,176)
- Impairment against sales tax refundable	208,456	-
- Reversal of impairment against sales tax refundable	-	(4,358)
- Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	(185,771)	(200,366)
- Provision for culling of biological assets	15,961	-
- Provision for retirement and other service benefits	73,992	62,063
- Provision for stock-in-trade	125,154	16,972
- Provision for slow moving spares	1,887	684
- Provision/ (Reversal of provision) for impairment of trade debts	(446)	1,191
- Provision for recognition of accumulated cash losses of subsidiary since inception	673,000	-
- Finance costs	784,904	902,503
Working capital changes (note 36.1)	251	(1,288,940)
	<u>3,975,595</u>	<u>4,641,886</u>
36.1 Working capital changes		
(Increase) / Decrease in current assets		
- Stores, spares and loose tools	(196,784)	(104,679)
- Stock-in-trade	285,868	(873,761)
- Trade debts	(4,053)	(63,144)
- Advances, deposits and prepayments	80,710	4,303
- Other receivables	(1,122,569)	(275,683)
	<u>(956,828)</u>	<u>(1,312,964)</u>
Increase in current liabilities		
- Trade and other payables - net	957,079	24,024
	<u>251</u>	<u>(1,288,940)</u>
37. Cash and Cash Equivalents		
Short term investments (note 16)	170,000	2,708,750
Cash and bank balances (note 17)	557,266	422,008
Short term finances (note 24)	-	(85,389)
	<u>727,266</u>	<u>3,045,369</u>

(Amounts in thousand)

38. Staff Retirement and Other Service Benefits

38.1 As stated in note 2.13.1, the Company operates an approved funded gratuity scheme (the Fund), for all its permanent employees subjected to minimum prescribed period of service. Actuarial valuation of the Fund is carried out every year and the latest actuarial valuation was carried out as at December 31, 2013.

38.2 Plan assets held in trust are governed by local regulations which mainly includes Trust Act, 1882, Companies Ordinance, 1984, Income Tax Rules, 2002 and Rules under the Trust deed of the Fund. Responsibility for governance of the plan, including investment decisions and contribution schedules, lies with the Board of Trustees. The Board of Trustees must be composed of representatives of the Company and plan participants in accordance with the Trust deed of the Fund.

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

	2013	(Restated) 2012
	------(Rupees)-----	
38.4 Balance sheet reconciliation		
Present value of defined benefit obligation (note 38.7)	(312,434)	(241,468)
Fair value of plan assets (note 38.8)	253,792	200,821
Deficit	(58,642)	(40,647)
Receivable from group companies	332	332
Net liability at end of the year	<u>(58,310)</u>	<u>(40,315)</u>
38.5 Movement in net liability in the balance sheet		
Net liability at beginning of the year	(40,315)	(41,014)
Charge for the year (note 38.9)	(73,992)	(62,063)
Contribution made during the year to the Fund	74,005	70,800
Remeasurements recognized in Other Comprehensive Income (OCI) (note 38.6)	(18,008)	(8,038)
Net liability at end of the year	<u>(58,310)</u>	<u>(40,315)</u>
38.6 Remeasurement recognized in Other Comprehensive Income		
Loss from changes in demographic assumptions	(11)	-
(Gain) / Loss from changes in financial assumptions	6,531	(7,225)
Experience losses	(18,110)	(20,979)
Remeasurement of defined benefit obligation	(11,590)	(28,204)
Actual return on plan assets	23,104	27,639
Expected return on plan assets	(26,019)	(18,228)
Unrecognised previous transfer amounts	(3,132)	32
Adjustment - transfers	(371)	10,723
Remeasurement of fair value of plan assets	(6,418)	20,166
	<u>(18,008)</u>	<u>(8,038)</u>

(Amounts in thousand)

	2013	(Restated) 2012
	------(Rupees)-----	
38.7 Movement in present value of defined benefit obligations/unfunded obligations		
Present value of defined benefit obligations at beginning of the year	241,468	171,407
Current service cost	67,763	55,193
Interest cost	32,248	25,098
Transfers	5,705	(10,787)
Benefits paid during the year	(46,340)	(27,647)
Remeasurement on obligation (note 38.6)	11,590	28,204
Present value of defined benefit obligation at end of the year	<u>312,434</u>	<u>241,468</u>
38.7.1 Analysis of present value of defined benefit obligation		
Vested Benefits	306,529	236,066
Non-Vested benefits	5,905	5,402
	<u>312,434</u>	<u>241,468</u>
Accumulated benefit obligation	117,145	95,501
Amounts attributed to future salary increases	195,289	145,967
	<u>312,434</u>	<u>241,468</u>
38.8 Movement in fair value of plan assets		
Fair value of plan assets at beginning of the year	200,821	129,997
Expected return on plan assets	26,019	18,228
Contributions for the year	74,005	70,800
Assets transferred in respect of inter - group transfers	5,705	(10,723)
Benefits paid during the year	(46,340)	(27,647)
Remeasurement (note 38.6)	(6,418)	20,166
Fair value of plan assets at end of the year	<u>253,792</u>	<u>200,821</u>
38.9 Cost charged to profit and loss account		
Current service cost	67,763	55,193
Net interest cost	6,229	6,870
Cost for the year	<u>73,992</u>	<u>62,063</u>
38.10 Charge for the year has been allocated as follows:		
Cost of sales	33,014	27,740
Distribution and marketing expenses	24,183	20,892
Administrative expenses	16,795	13,431
	<u>73,992</u>	<u>62,063</u>

(Amounts in thousand)

38.11 Principal actuarial assumptions used are as follows:

- Financial assumptions
- Discount rate - per annum compound
 - Expected rate of increase in salaries - per annum
 - First year
 - Long-term
 - Expected rate of return on plan assets - per annum
- Demographic assumptions
- Expected mortality rate
 - Withdrawal rates / Rate of employees turnover

	2013	2012
Discount rate - per annum compound	13%	12%
Expected rate of increase in salaries - per annum		
• First year	10%	14%
• Long-term	12%	11%
Expected rate of return on plan assets - per annum	13%	12%
Expected mortality rate	SLIC (2001-05) Moderate	LIC (1975-79) Moderate
Withdrawal rates / Rate of employees turnover		

38.12 Actual return on plan assets

	2013	(Restated) 2012
	------(Rupees)-----	
Actual return on plan assets	<u>23,104</u>	<u>27,639</u>

38.13 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	-----Rupees-----		
Discount rate	1%	280,576	350,523
Expected rate of increase in salaries - long term	1%	349,010	281,269
Withdrawal rates / employees turnover rate		Light	Heavy
		-----Rupees-----	
Present value of defined benefit obligation		302,428	318,265

38.14 The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

(Amounts in thousand)

38.15 Plan assets comprise of following:

	2013				2012			
	Quoted	Un-Quoted	Total	(%)	Quoted	Un-Quoted	Total	(%)
	-----Rupees-----							
Equity Instruments								
Chemicals - ECPL Shares	6,808	-	6,808	3%	4,267	-	4,267	2%
Banking - Mutual Funds	3,933	-	3,933	2%	2,907	-	2,907	1%
	10,741	-	10,741	4%	7,174	-	7,174	4%
Debt Instruments								
Government Bonds	-	54,474	54,474	21%	-	94,426	94,426	47%
Term Finance Certificates	19,870	-	19,870	8%	23,734	-	23,734	12%
Engro Rupiya Certificates	27,065	-	27,065	11%	27,431	-	27,431	14%
Regular Income Certificates	-	33,164	33,164	13%	-	33,610	33,610	17%
	46,935	87,638	134,573	53%	51,165	128,036	179,201	89%
Cash and Cash Equivalents	-	104,018	104,018	41%	-	7,820	7,820	4%
Others	-	4,460	4,460	2%	-	6,626	6,626	3%
Total	57,676	196,116	253,792	100%	58,339	142,482	200,821	100%

38.16 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 the long-term real rates of return experienced in the market.

38.17 Expected contributions to the Fund for the year ending December 31, 2014 are Rs. 78,327.

38.18 The weighted average duration of the defined benefit obligation is 17.65 years.

38.19 Historical information of staff retirement benefits:

	2013	2012	2011	2010	2009	2008
	-----Rupees-----					
Present value of obligations	(312,434)	(241,468)	(171,407)	(137,469)	(77,010)	(39,033)
Fair value of plan assets	253,792	200,821	129,997	82,509	58,688	29,417
Deficit recognized in OCI	(58,642)	(40,647)	(41,410)	(54,960)	(18,322)	(9,616)

39. Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the financial statements in respect of remuneration and benefits to the Chief Executive, directors and executives are as follows:

(Amounts in thousand)

	2013			2012		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	-----Rupees-----					
Managerial remuneration	32,297	-	866,655	25,291	-	602,891
Contribution for staff retirement benefits	1,655	-	123,679	3,185	-	77,394
Bonus paid	29,511	-	192,504	6,530	-	160,279
Fees	-	2,820	-	-	2,050	-
Others - separation benefits	16,600	-	-	-	-	-
Total	80,063	2,820	1,182,838	35,006	2,050	840,564
Number of persons, including those who worked part of the year	2	9	507	1	9	322

39.1 The Company also provides company owned and maintained vehicles for use of the Chief Executive and certain executives.

39.2 Premium charged in respect of non-executive directors indemnity insurance amounts to Rs. 748 (2012: Rs. 797).

40. Financial Instruments by Category

	2013	2012
	-----Rupees-----	
40.1 Financial assets as per balance sheet		
- At fair value through profit or loss		
Short-term investments	170,000	2,708,750
- Loans and receivables at amortized cost		
Long term deposits	56,721	53,751
Trade debts	153,573	149,074
Advances and deposits	18,611	12,028
Other receivables	519,226	311,854
Cash and bank balances	557,266	422,008
	1,305,397	948,715
	1,475,397	3,657,465
40.2 Financial liabilities as per balance sheet		
- Financial liabilities measured at amortized cost		
Long term finances	8,159,002	7,708,893
Obligations under finance lease	-	2,589
Trade and other payables	2,821,361	2,083,546
Accrued interest / mark-up	239,649	308,838
Short term finances	-	85,389
	11,220,012	10,189,255

(Amounts in thousand)

40.3 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

41. Financial Risk Management Objectives and Policies

41.1 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 risk management program focuses on unpredictability of the financial markets for having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to the shareholders. Risk management is carried out by the Company's finance department under the policies approved by the Company's Board of Directors.

a) Market risk

i) Currency risk

Currency risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company's exposure to currency risk is limited as all the foreign purchases are made against on sight letters of credit where the payment is made on the date of delivery with no credit period. The Company imports plant and machinery and certain raw materials which exposes it to currency risk, primarily with respect to liabilities denominated in US Dollars. The Company manages the currency risk relating to US Dollar and Euro through forward exchange contracts.

At December 31, 2013, if the Pakistan Rupee had weakened/strengthened by 5% against the US Dollar with all other variables held constant, the effect on post-tax profit for the year would have been immaterial.

ii) Interest rate risk

Interest rate risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises primarily from long and short term borrowings. Borrowings at variable rates expose the Company to cash flow interest rate risk. As there are no borrowings at fixed rates, the Company is not exposed to fair value interest rate risk.

The Company 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.

At December 31, 2013, if interest rates on the Company's borrowings had been 1% higher/lower with all other variables held constant, post tax profit for the year would have been higher/lower by Rs. 56,272 (2012: Rs. 50,109) mainly as a result of higher/lower interest exposure on variable rate borrowings.

iii) Other price risk

Price risk represents the risk that the fair values or future cash flows of financial instruments 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 affecting all similar financial instruments traded in the market. The Company is exposed to insignificant price risk due to its investments in fixed income placements.

(Amounts in thousand)

b) Credit risk

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge their obligations.

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits and other receivables. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

As at December 31, 2013, the Company has significant concentration of credit risk resulting from receivable from Tetra Pak Pakistan Limited, Ecolean AB, short term investments and deposits with banks and financial institutions amounting to Rs. 1,234,606 (2012: Rs. 3,416,971). The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings as follows:

Banks / Investments	Rating Agency	2013	
		Short term	Long term
Allied Bank Limited	PACRA	A1+	AA+
Faysal Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	FCRA	A1+	AA
Bank of Punjab	PACRA	A1+	AA-
Habib Bank Limited	JCR-VIS	A1+	AAA
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A1+	AA
National Bank of Pakistan	JCR-VIS	A1+	AAA
United Bank Limited	JCR-VIS	A1+	AA+
HSBC Bank Middle East Limited	Moody's	P-1	A2
Barclays Bank PLC Pakistan	Moody's	P-1	A2
Askari Bank Limited	PACRA	A1+	AA
Al-Baraka Bank Pakistan Limited	PACRA	A-1	A
Burj Bank Limited	JCR-VIS	A-1	A
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A-1	A
Standard Chartered Bank Pakistan Ltd	PACRA	A1+	AAA
Soneri Bank Limited	PACRA	A1+	AA-
NIB Bank Limited	PACRA	A1+	AA-
Citi Bank N.A.	Moody's	P-2	A3
Bank Al-Habib Limited	PACRA	A1+	AA+
Deutsche Bank AG	Moody's	P-1	A2
Samba Bank Limited	JCR-VIS	A-1	AA-

The Company attempts to control credit risk arising on receivable from Tetra Pak Pakistan Limited through legally binding agreements that are signed between the two parties. The Company is not materially exposed to credit risk on trade debts as the Company has the policy of receiving the sales value prior to or at the time of supply of the products and credit is only granted to few reputed customers with good credit standings, with whom the Company has written terms of arrangement.

(Amounts in thousand)

c) **Liquidity risk**

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities. The Company's liquidity management involves projecting cash flows and consider the level of liquid funds necessary to meet these, monitoring balance sheet liquidity ratios against external regulatory requirements and maintaining debt financing plans. These objectives are achieved by maintaining sufficient cash and readily marketable securities and availability of funding through committed credit facilities. Due to dynamic nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available.

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

	2013			2012		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	------(Rupees)-----					
Long term finances	1,032,008	7,126,994	8,159,002	1,685,823	6,023,070	7,708,893
Obligations under finance lease	-	-	-	2,589	-	2,589
Trade and other payables	2,821,361	-	2,821,361	2,083,546	-	2,083,546
Accrued interest / mark-up	239,649	-	239,649	308,838	-	308,838
Short term finances	-	-	-	85,389	-	85,389
	<u>4,093,018</u>	<u>7,126,994</u>	<u>11,220,012</u>	<u>4,166,185</u>	<u>6,023,070</u>	<u>10,189,255</u>

42. **Capital Risk Management**

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern and to provide expected returns to its shareholders by maintaining optimum capital structure to minimize the cost of capital.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new equity, manage dividend payouts to its shareholders or sell assets to reduce debt. The Company also manages capital by maintaining gearing and current ratios at certain levels. The Company's strategy is to maintain the gearing and current ratio in accordance with the Prudential Regulations issued by the State Bank of Pakistan and in accordance with agreements with financial institutions.

The Company manages capital by maintaining gearing ratio at certain level. The ratio is calculated as long term finances (note 20) divided by total capital. Total capital is calculated as 'equity' in the balance sheet plus long term finances. The gearing ratio as at December 31 is as follows:

	2013	2012
	------(Rupees)-----	
Long term finances	7,126,994	6,023,070
Total equity	10,715,210	10,031,319
Total capital	17,842,204	16,054,389
Debt to Equity ratio	0.40	0.38

(Amounts in thousand)

43. **Transactions with Related Parties**

43.1 Transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Nature of relationship	Nature of transactions	2013	2012
		------(Rupees)-----	
Holding company	Arrangement for sharing of premises, utilities, personnel and assets	211,961	324,780
	Advance against purchase of shares of Engro Foods Netherlands B. V. - Net	237,270	863,018
	Pension fund contribution	1,229	4,568
	Provident fund contribution	25,027	23,534
	Gratuity fund contribution	1,479	3,242
Subsidiary and associated companies	Arrangement for sharing of premises, utilities, personnel and assets	99,171	168,914
	Provident fund contribution	-	40
	Purchases of goods	125,466	347,349
	Purchases of services	8,306	456
	Donations	15,500	11,850
	Subsidy received	17,829	7,708
Contribution to staff retirement funds	Provident fund	178,819	162,759
	Gratuity fund	68,407	70,800
Key management personnel	Managerial remuneration	113,033	98,219
	Contribution for staff retirement benefits	13,085	12,124
	Bonus payments	103,934	46,208
	Other benefits	748	797

43.2 There are no transactions with key management personnel other than under the terms of employment.

43.3 The related party status of outstanding receivables and payables as at December 31, 2013 are included in respective notes to the financial statements.

(Amounts in thousand)

44. Segment Information

44.1 A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. Management has determined the operating segments based on the formation that is presented to the Board of Directors of the Company for allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the Company is organized into the following four operating segments:

- Dairy, beverages and others;
- Ice cream;
- Dairy farm; and
- Business development.

Management monitors the operating results of the abovementioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in table below, is measured differently from profit or loss in the financial statements. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Unallocated assets include long term investments, long and short term advances, deposits and prepayments, other receivables, taxes recoverable and cash and bank balances. Liabilities are not segment-wise reported to the Board of Directors. All the unallocated results and assets are reported to the Board of Directors at entity level. Inter-segment sales of processed milk and powder are made by Dairy, beverages and others to Ice cream and inter-segment sales of raw milk are made by Dairy farm to Dairy, at market value.

The following information presents operating results information regarding operating segments for the year ended December 31, 2013 and asset information regarding operating segments as at December 31, 2013:

	2013				2012 - Restated				Total			
	Dairy & Beverages	Ice cream	Dairy farm	Business Development	Others	Total	Dairy & Beverages & Beverages	Ice cream		Dairy farm	Business Development	
Results for the year												
Net sales	35,383,618	2,642,933	496,095	9,144	-	38,531,790	37,588,856	2,801,366	477,417	-	-	40,867,639
Inter-segment sales	(172,413)	-	(496,095)	-	-	(668,508)	(248,564)	-	(477,417)	-	-	(725,981)
	35,211,205	2,642,933	-	9,144	-	37,863,282	37,340,292	2,801,366	-	-	-	40,141,658
Raw milk sales	27,406	-	-	-	-	27,406	27,261	-	-	-	-	27,261
Depreciation, impairment and amortization	35,238,611	2,642,933	-	9,144	-	37,890,688	37,367,553	2,801,366	-	-	-	40,168,919
Finance costs	1,129,970	418,105	62,770	4,840	-	1,615,685	859,800	329,976	56,720	1,338	-	1,247,834
Net profit / (loss) after tax	339,882	309,343	135,589	90	-	784,904	447,777	324,946	129,780	-	-	902,503
	1,572,634	(320,196)	(136,524)	(127,465)	(777,489)	210,960	3,070,137	(409,091)	(21,006)	(44,867)	-	2,595,173
Assets												
- Segment assets	16,913,103	2,610,091	1,706,295	68,859	-	21,288,348	12,513,007	2,989,067	1,632,305	5,470	-	17,139,849
- Un-allocated assets	16,913,103	2,610,091	1,706,295	68,859	-	2,757,205	12,513,007	2,989,067	1,632,305	5,470	-	5,061,197
						24,045,553						22,201,046

(Amounts in thousand)

45. Seasonality

45.1 The Company's 'Ice cream' and 'Juice' businesses are subject to seasonal fluctuation, with demand of ice cream and juice products increasing in summer. The Company's dairy business is also subject to seasonal fluctuation due to lean and flush cycles of milk collection.

46. Production Capacity

	Designed Annual Capacity (note 46.1)		Actual Production		Remarks
	2013	2012	2013	2012	
------(Litre in thousand)-----					
Dairy and Juices	657,000	601,481	422,818	476,788	Production planned as per market demand
Ice cream	39,000	35,527	14,500	16,550	

46.1 Represents capacity as at balance sheet date.

47. Number of Employees

	Number of employees as at		Average number of employees	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Management employees	1,366	1,207	1,283	1,150
Non-management employees	199	196	200	179
	<u>1,565</u>	<u>1,403</u>	<u>1,483</u>	<u>1,329</u>

48. Provident Fund

48.1 The following information is based upon the latest un-audited financial statements of the provident fund as at December 31, 2013 and the audited financial statements as at December 31, 2012.

	2013	2012
	-----Rupees-----	
Size of the fund - Total assets	<u>462,999</u>	<u>329,530</u>
Fair value of investments	<u>390,773</u>	<u>288,213</u>
Percentage of investments made	<u>84%</u>	<u>87%</u>

The break-up of fair value of investments is as follows:

	2013		2012	
	Rupees	%	Rupees	%
Bank deposits	107,825	28%	3,274	1%
Government securities	213,848	55%	192,025	67%
Listed securities	69,100	18%	92,914	32%
	<u>390,773</u>		<u>288,213</u>	

(Amounts in thousand)

48.2 Investments out of provident fund have been made in accordance with the provisions of section 227 of the Company Ordinance, 1984 and the rules formulated for this purpose.

48.3 An amount of Rs. 103,099 (2012: Rs. 73,171) has been charged during the year in respect of contribution to the provident fund.

49. Supplementary Information

Details of expenses allocated to export business is as follows:

	2013	2012
------(Rupees)-----		
Salaries, wages and staff welfare	10,997	12,493
Freight outward	39,694	18,333
Rent and utilities	430	285
Communication and other office expenses	623	519
Travelling	580	1,246
Depreciation	-	242
Legal charges	8,316	329
Bank charges	3,642	1,987
	<u>64,282</u>	<u>35,434</u>

Represents all expenses directly attributable to exports and incremental expenses incurred due to exports.

50. Corresponding Figures

For better presentation, the following reclassifications have been made in these financial statements:

Description	Rupees	Head of account in financial statements for the year ended December 31, 2012	Head of account in financial statements for the year ended December 31, 2013
Profit and loss account			
Communication and other office expenses	55,000	Distribution and marketing expenses	Administrative expenses
Major spare parts and standby equipments	65,167	Stores, spares and loose tools	Property, plant and equipment

The effects of other rearrangements and reclassifications are not material.

51. Date of Authorization for Issue

These financial statements were authorized for issue on January 24, 2014 by the Board of Directors of the Company.



Aliuddin Ansari
Chairman



Sarfaraz A. Rehman
Chief Executive Officer

consolidated financials

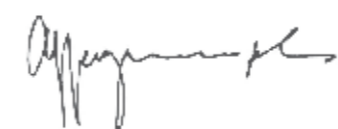
auditors' report to the members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Engro Foods Limited (the Holding Company) and its subsidiary company Engro Foods Netherlands B.V. as at December 31, 2013 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 opinion on the financial statements of the Holding Company.

The financial statements of Engro Foods Netherlands B.V., a wholly owned subsidiary of the Holding Company with no operations of its own and classified as a small company, are not required to be audited under the Dutch Company Law whereas the financial statements of Engro Foods Canada Limited (a wholly owned subsidiary of Engro Foods Netherlands B.V.) have been audited by PricewaterhouseCoopers LLP – Canada, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other 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 tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Engro Foods Limited (the Holding Company) and its subsidiary company Engro Foods Netherlands B.V. as at December 31, 2013 and the results of their operations, changes in equity and cash flows for the year then ended.



Chartered Accountants
Karachi
Date: February 26, 2014

Engagement Partner: Waqas A. Sheikh

consolidated balance sheet as at december 31, 2013

(Amounts in thousand)	Note	(Audited) December 31, 2013	(Restated) December 31, 2012	(Restated) December 31, 2011
------(Rupees)-----				
Assets				
Non-Current Assets				
Property, plant and equipment	5	14,509,608	11,023,246	9,615,426
Biological assets	6	716,465	668,455	496,809
Intangible assets	7	603,719	104,569	133,598
Long term advances and deposits	8	93,132	81,862	24,212
Deferred employee share option compensation expense	18	168,865	-	-
Advance against purchase of shares of Engro Foods Netherland B.V.		-	863,018	-
		16,091,789	12,741,150	10,270,045
Current Assets				
Stores, spares and loose tools	9	739,671	610,640	571,812
Stock-in-trade	10	3,199,390	3,494,605	2,637,816
Trade debts	11	245,767	149,074	87,121
Advances, deposits and prepayments	12	186,754	261,790	266,093
Other receivables	13	2,359,162	1,440,167	1,160,126
Deferred employee share option compensation expense	18	136,153	-	-
Taxes recoverable		636,588	347,075	10,990
Derivative financial instruments	14	-	25,787	-
Short term investments	15	170,000	2,708,750	1,294,000
Cash and bank balances	16	575,036	422,008	350,728
		8,248,521	9,459,896	6,378,686
Total Assets		24,340,310	22,201,046	16,648,731

(Amounts in thousand)	Note	(Audited) December 31, 2013	(Restated) December 31, 2012	(Restated) December 31, 2011
------(Rupees)-----				
Equity & Liabilities				
Equity				
Share capital	17	7,665,961	7,615,776	7,517,889
Advance against issue of share capital		-	1,234	-
Share premium	17.1	865,354	810,280	722,182
Employee share option compensation reserve	18	407,133	-	-
Hedging reserve		(9,581)	16,761	(18,178)
Remeasurement of post employment benefits - Actuarial loss	3	(34,839)	(22,954)	(17,730)
Other reserve		(628,780)	-	-
Exchange revaluation reserve		14,727	-	-
Unappropriated profit / (Accumulated loss)		2,480,594	1,610,222	(984,951)
		10,760,569	10,031,319	7,219,212
Non-Current Liabilities				
Long term finances	19	7,126,994	6,023,070	5,610,000
Obligations under finance lease		-	-	2,589
Deferred taxation	20	1,538,583	1,652,520	308,090
Deferred liabilities - pension scheme		-	-	1,870
Deferred income	21	9,410	17,390	-
		8,674,987	7,692,980	5,922,549
Current Liabilities				
Current portion of				
- long term finances	19	1,032,008	1,685,823	465,000
- obligations under finance lease		-	2,589	2,590
Trade and other payables	22	3,405,175	2,394,108	2,370,783
Derivative financial instruments	14	14,517	-	27,966
Accrued interest / mark-up on				
- long term finances		229,312	302,273	368,152
- short term finances		10,337	6,565	20,229
Short term finances	23	213,405	85,389	252,250
		4,904,754	4,476,747	3,506,970
Contingencies and Commitments	24			
Total Equity & Liabilities		24,340,310	22,201,046	16,648,731

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.



Aliuddin Ansari
Chairman



Sarfaraz A. Rehman
Chief Executive Officer

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

(Amounts in thousand except for earning per share)

	Note	(Audited) December 31, 2013	(Audited) December 31, 2012
------(Rupees)-----			
Net sales	25	37,929,238	40,168,919
Cost of sales	26	(29,752,008)	(29,848,301)
Gross profit		8,177,230	10,320,618
Distribution and marketing expenses	27	(5,020,269)	(4,654,275)
Administrative expenses	28	(975,371)	(795,690)
Other operating expenses	29	(340,473)	(429,763)
Other income	30	326,911	382,402
Operating profit		2,168,028	4,823,292
Other expenses	31	(208,456)	-
Finance costs	32	(785,467)	(902,503)
Profit before taxation		1,174,105	3,920,789
Taxation	33	(303,733)	(1,325,616)
Profit for the year		870,372	2,595,173
Earnings per share	34		
- basic		1.14	3.43
- diluted		1.14	3.40

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.



Aliuddin Ansari
Chairman



Sarfaraz A. Rehman
Chief Executive Officer

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

(Amounts in thousand)

	Note	(Audited) December 31, 2013	(Restated) December 31, 2012
------(Rupees)-----			
Profit for the year		870,372	2,595,173
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Gain / (Loss) on hedges during the year		(17,736)	42,240
Less: Adjustments for amounts transferred to initial carrying amounts of hedged items - capital work-in-progress / stock-in-trade		(22,568)	11,597
Income tax relating to hedging reserve		13,962	(18,898)
		(26,342)	34,939
Items that will not be reclassified to profit or loss			
Remeasurement of post employment benefits obligation - Actuarial loss	37.6	(18,008)	(8,038)
Income tax relating to Actuarial loss		6,123	2,814
		(11,885)	(5,224)
Exchange differences on translation of foreign operations		1,442	-
Other comprehensive income / (loss) for the year, net of tax		(36,785)	29,715
Total comprehensive income for the year		833,587	2,624,888

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.



Aliuddin Ansari
Chairman

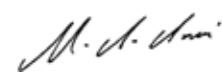


Sarfaraz A. Rehman
Chief Executive Officer

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

(Amounts in thousand)	Note	Share capital	Advance against issue of share capital	Reserve			Unappropriated profit / (Accumulated loss)	Remeasurement of post employment benefits - Actuarial loss	Other reserve (note 2.1.5)	Exchange revaluation reserve	Total
				Share premium	Employee share option compensation reserve	Hedging reserve					
------(Rupees)-----											
Balance as at January 1, 2012		7,517,889	-	722,182	-	(18,178)	(984,951)	-	-	-	7,236,942
Effect of change in accounting policy due to application of IAS - 19 (Revised)	3	-	-	-	-	-	-	(17,730)	-	-	(17,730)
Balance as at January 1, 2012 - restated		7,517,889	-	722,182	-	(18,178)	(984,951)	(17,730)	-	-	7,219,212
Transactions with owners											
- Advance received during the year		-	1,234	-	-	-	-	-	-	-	1,234
- Share capital issued		97,887	-	88,098	-	-	-	-	-	-	185,985
		97,887	1,234	88,098	-	-	-	-	-	-	187,219
Total comprehensive income for the year		-	-	-	-	34,939	2,595,173	(5,224)	-	-	2,624,888
Balance as at December 31, 2012 / January 1, 2013 - restated		7,615,776	1,234	810,280	-	16,761	1,610,222	(22,954)	-	-	10,031,319
Transactions with owners											
- Share capital issued		50,185	(1,234)	55,074	-	-	-	-	-	-	104,025
Employee share option scheme	18	-	-	-	407,133	-	-	-	-	-	407,133
Reserve on acquisition of subsidiary (note 1.3 and 2.1.5)		-	-	-	-	-	-	(628,780)	13,285	-	(615,495)
Total comprehensive income for the year		-	-	-	-	(26,342)	870,372	(11,885)	-	1,442	833,587
Balance as at December 31, 2013		7,665,961	-	865,354	407,133	(9,581)	2,480,594	(34,839)	(628,780)	14,727	10,760,569

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.



Aliuddin Ansari
Chairman



Sarfaraz A. Rehman
Chief Executive Officer

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

(Amounts in thousand)

Cash Flows from Operating Activities

Cash generated from operations
Finance costs paid
Taxes paid
Retirement benefits paid
Deferred Liabilities - pension scheme
Unamortized deferred income
Long term advances and deposits - net

Net cash generated from operating activities

Cash Flows from Investing Activities

Purchases of
- property, plant and equipment
- intangible assets
- biological assets
Proceeds from disposal of
- property, plant and equipment
- biological assets
Advance against purchase of shares of Engro Foods Netherlands B.V., net of cash and cash equivalent acquired

Net cash utilized in investing activities

Cash Flows from Financing Activities

Proceeds from issue of share capital
Advance received against issue of share capital
Proceeds from long term finances
Repayments of
- long term finances
- obligations under finance lease

Net cash generated from financing activities

Net (decrease) / increase in cash and cash equivalents

Cash and cash equivalents at beginning of the year

Cash and cash equivalents at end of the year

Note	(Audited) December 31, 2013	(Audited) December 31, 2012
	------(Rupees)-----	
35	3,976,118	4,641,886
	(854,656)	(982,046)
	(680,185)	(333,271)
	(74,005)	(70,800)
	-	(1,870)
	-	17,390
	(11,270)	(57,650)
	<u>2,356,002</u>	<u>3,213,639</u>
	(5,245,823)	(2,548,749)
	(20,376)	(73,993)
	(5,696)	(4,031)
	230,662	73,460
	57,788	37,061
	(432,865)	(863,018)
	<u>(5,416,310)</u>	<u>(3,379,270)</u>
	105,259	185,985
	(1,234)	1,234
	2,377,634	2,098,893
	(1,932,500)	(465,000)
	(2,589)	(2,590)
	<u>546,570</u>	<u>1,818,522</u>
	(2,513,738)	1,652,891
	3,045,369	1,392,478
36	<u>531,631</u>	<u>3,045,369</u>

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.



Aliuddin Ansari
Chairman



Sarfaraz A. Rehman
Chief Executive Officer

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

(Amounts in thousand)

1. Legal Status and Operations

- 1.1 Engro Foods Limited (the Holding Company), is a public listed company incorporated in Pakistan, under the Companies Ordinance, 1984, and its shares are quoted on the Karachi and Lahore Stock Exchanges. The Holding Company is a subsidiary of Engro Corporation Limited (ECL). The registered office of the Company is situated at 6th Floor, The Harbour Front Building, Plot No. HC-3, Block-4, Scheme No. 5, Clifton, Karachi.
- 1.2 The principal activity of the Holding Company is to manufacture, process and sell dairy products, beverages, ice cream and frozen desserts. The Holding Company also owns and operates a dairy farm. The Holding Company has presence in the international market as well; its first venture being to manage the halal food business, Al Safa Halal, Inc. (Al-Safa) in North America, which had been acquired by ECL through Engro Foods Netherlands B.V. (EF Netherlands).
- 1.3 During the year, State Bank of Pakistan (SBP) vide its letter No. EPD/INT/C-5708/12(418)-2013 dated November 22, 2013 granted ECL permission, subject to certain conditions, to transfer its investment in EF Netherlands to the Holding Company. Pursuant to SBP's approval and on fulfillment of the conditions specified in SBP's letter, the entire interest of ECL in EF Netherlands has been transferred to the Holding Company under the deed of sale executed on December 16, 2013 at a consideration of Rs. 1,100,288. By virtue of such transfer, EF Netherlands became wholly owned subsidiary of the Holding Company.
- 1.4 **The group consist of:**
 Holding Company: Engro Foods Limited
 Subsidiary Company: Engro Foods Netherlands B.V. (note 1.4.1), in which the Holding Company owns 100% voting rights and is controlled by the Holding Company.
- 1.4.1 Engro Foods Netherlands B.V. (the Subsidiary Company), was incorporated in Netherlands in 2011. The principal activity of the Subsidiary Company is marketing and selling of Halal food products. For this purpose, the Subsidiary Company has acquired an existing brand of halal meat business known as 'Al-Safa', engaged in supply of variety of packaged halal foods across North America, through Engro Foods Canada Limited (EFCL), a wholly owned subsidiary of EF Netherlands, 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 Subsidiary Company experienced net cash outflows from operations in 2012 and 2013. However, the Subsidiary Company continues to garner financial support from the Holding Company. Accordingly, the financial statements of EF Netherlands have been prepared on a going concern basis.

The balances consolidated in these financial statements in respect of standalone figures of EF Netherlands, there being no operations of its own, are based on the unaudited financial statements. The financial statements of its subsidiaries are however audited.

2. Summary of Significant Accounting Policies

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

2.1 Basis of Preparation

- 2.1.1 These consolidated financial statements have been prepared under the historical cost convention, as modified by remeasurement of biological assets and certain financial assets and financial liabilities, including derivative instruments, at fair value, and certain staff retirement and other service benefits at present value.
- 2.1.2 These consolidated financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the

(Amounts in thousand)

Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or the requirements of 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 high 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 a Standard, Amendment or an Interpretation to an existing Standard

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

The following standard and amendment to published standard are mandatory for the financial year beginning on January 1, 2013:

- IAS 19 – Employee benefits was revised in June 2011. The revised standards (i) requires past service cost to be recognized immediately in the profit or loss; (ii) replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year; (iii) introduced a new term 'remeasurements' which is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires to recognize all remeasurement gain or loss / actuarial gain or loss in the consolidated Other Comprehensive Income (OCI) immediately as they occur.

Amendment to IAS 1 'Presentation of financial statements' regarding disclosure requirements for comparative information as a result of annual improvements to International Financial Reporting Standards 2011, issued by IASB in May 2012.

The impacts and effects of the adoption of the aforementioned new standard and amendment are disclosed in note 3.

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

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

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

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

- IAS 19 (Amendment) regarding defined benefit plans (effective for the periods beginning on or after July 1, 2014). These amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Group is yet to assess the full impact of the amendment.
- IAS 32 (Amendment), 'Financial instruments: Presentation' (effective for periods beginning on or after January 1, 2014). This amendment updates the application guidance in IAS 32 'Financial Instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet date. It is unlikely that the standard will have any significant impact on the Group's financial statements.
- IAS 36 (Amendment) 'Impairment of assets' (effective for the periods beginning on or after January 1, 2014). These amendments address the

(Amounts in thousand)

disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment will only affect the disclosures in the Group's financial statements.

- IFRS 9 'Financial instruments' (effective for periods beginning on or after January 1, 2015). This standard is yet to be notified by the SECP. IFRS 9 replaces the parts of IAS 39, 'Financial instruments: recognition and measurement' that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, in case the fair value option is taken for financial liabilities, the part of a fair value change due to entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess of IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS when completed by the Board, however, the initial indications are that it may not affect the Group's financial statements significantly.
- IFRS 10, 'Consolidated financial statements' (effective for periods beginning on or after January 1, 2013). This standard is yet to be notified by the SECP. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Group. The standard provides additional guidance to assist in determination of control where this is difficult to assess. The Group is yet to assess the full impact of the amendments.
- IFRS 12, 'Disclosures of interests in other entities' (effective for periods beginning on or after January 1, 2013). This standard is yet to be notified by the SECP. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance-sheet vehicles. The Group is yet to assess the full impact of the amendments.
- IFRS 13 'Fair value measurement' (effective for periods beginning on or after January 1, 2013). This standard is yet to be notified by the SECP. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Group is yet to assess the full impact of the amendments.
- Amendment to following standards as a result of annual improvements to International Financial Reporting Standards 2012 issued by IASB:
 - IFRS 2 (Amendment), 'Share-based payment' (effective for share-based payment transactions for which the grant date is on or after July 1, 2014) clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. The Group is yet to assess the full impact of the amendments.
 - IFRS 3 (Amendment), 'Business combinations', (effective for business combinations where the acquisition date is on or after July 1, 2014). This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of definitions in IAS 32, 'Financial instruments: Presentation'. The standard is further amended to clarify that all non equity contingent considerations, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognized in consolidated profit and loss. Consequential changes are also made to IFRS 9, IAS 37 and IAS 39. It is unlikely that the amendment will have any significant impact on the Group's financial statements.
 - IFRS 8 (Amendment), 'Operating segments' (effective for annual periods beginning on or after July 1, 2014). This amendment requires disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. The amendment will only affect the disclosures in the Group's financial statements.
 - IFRS 13 (Amendment), 'Fair value measurement' (effective for annual periods beginning on or after July 1, 2014). When IFRS 13 was

(Amounts in thousand)

published, it led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The amendment clarifies that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.

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

2.1.5 Basis of consolidation

- i) These consolidated financial statements include the financial statements of Engro Foods Limited and Engro Foods Netherlands B.V., its wholly owned subsidiary – 'the Group';
- ii) The Holding Company being under common control has used predecessor accounting in these consolidated financial statements in respect of EF Netherlands, previously a subsidiary of Engro Corporation Limited (note 1.3). Accordingly, results of the Subsidiary Company have been incorporated in these consolidated financial statements prospectively from the date of business combination transaction i.e. December 16, 2013. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the date of transaction. The corresponding amounts for the previous years have also not been restated. Further, assets and liabilities have not been restated at their fair values, instead these have been incorporated in these consolidated financial statements based on the predecessor carrying values i.e. carrying values in the books of the Ultimate Parent Company - Engro Corporation Limited;
- iii) The assets and liabilities of the Subsidiary Company have been consolidated on a line by line basis and the carrying value of investment held by the Holding Company is eliminated against the Subsidiary Company's share capital in the consolidated financial statements. The difference on such elimination has been reflected in the Consolidated Statement of changes in equity as 'Other Reserve'. 'Other Reserve' represents the differences on consolidation arising on the adoption of predecessor accounting. This comprises the difference between consideration paid and the book value of net assets acquired upon the acquisition; and
- iv) Material inter-company transactions, balances, income and expenses on transactions between group companies have been eliminated.

2.2 Property, plant and equipment

2.2.1 Owned

These are stated at cost less accumulated depreciation and impairment, if any, except for freehold land and capital work-in-progress, which are stated at cost.

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

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

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

Assets residual values and useful lives are reviewed, and adjusted if appropriate, at each consolidated balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount and the resulting impairment loss is recognized in the consolidated profit and loss account. The recoverable amount is the higher of fair value, less expected selling expenses, and value in use. Reversal of impairment is effected in the case of indications of a change in recoverable amount and

(Amounts in thousand)

is recognized in the consolidated profit and loss account, however, is restricted to the original cost of the asset.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense in the period of disposal or retirement.

2.2.2 **Leased**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Assets subject to finance lease are stated at the lower of present value of minimum lease payments and the fair value of the assets acquired on lease. Outstanding obligations under the lease less finance costs allocated to future periods are shown as a liability. Depreciation on leased assets is recognized using the same basis as for owned assets.

Finance costs are allocated to the period of the lease term so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

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

2.3 **Biological assets**

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

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

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

2.4 **Intangible assets**

a) **Goodwill**

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

b) **Brands**

These are stated at cost less impairment, if any. Carrying amounts of these intangible assets are subject to impairment review at each consolidated balance sheet date and where conditions exist, impairment is recognized. The useful lives of intangible assets are reviewed at each consolidated balance sheet date to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset.

c) **Computer software**

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can also be measured reliably.

Generally, costs associated with maintaining computer software programmes are recognized as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding the cost beyond one year, are

(Amounts in thousand)

recognized as an intangible asset. Direct costs include the purchase cost of software and related employee and other overhead cost.

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

Computer software cost treated as intangible assets are amortized from the date the software is put to use on straight-line basis over a period of 5 years. The carrying amount of the intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount in the consolidated profit and loss account. Reversal of impairment losses are also recognized in the consolidated profit and loss account.

2.5 **Financial instruments**

2.5.1 **Financial assets**

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity 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 if expected to be settled within 12 months; otherwise, they are classified as non-current.

b) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the consolidated balance sheet date, in which case they are classified as non-current assets. The Group's loans and receivables comprise of 'trade debts', 'other receivables', 'loans, advances and deposits' and 'cash and cash equivalents' in the consolidated balance sheet.

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 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 management intends to dispose off the investment within 12 months of the consolidated balance sheet date.

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

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the

(Amounts in thousand)

consolidated profit and loss account within 'other operating income/expenses' in the period in which they arise. Dividend income from 'financial assets at fair value through profit or loss' is recognized in the consolidated profit and loss account as part of 'other operating income' when the Group's right to receive payments is established.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in consolidated other comprehensive income are included in the consolidated profit and loss account as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated profit and loss account as part of 'other operating income'. Dividends on available-for-sale equity instruments are recognized in the consolidated profit and loss account as part of 'other operating income' when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transaction, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity – specific inputs.

The Group assesses at each consolidated balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as 'available-for-sale', a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the account. Impairment losses previously recognized in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account.

In the case of loans and receivables, the Group assesses at each consolidated balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The impairment loss is recognized by reducing the carrying amount of the asset and the amount of loss is recognized in consolidated profit and loss account in case of financial assets carried at amortized cost. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of previously recognized impairment loss is also recognized in the consolidated profit and loss account.

2.5.2 **Financial liabilities**

All financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument.

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

2.5.3 **Offsetting of financial assets and liabilities**

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

2.6 **Stores, spares and loose tools**

These are valued at weighted average cost except for items in transit, which are stated at invoice value plus other charges paid thereon till the

(Amounts in thousand)

consolidated balance sheet date. A provision is made for any excess book value over estimated realizable value of items identified as surplus to the Group's requirements. Adequate provision is also made for slow moving items.

2.7 **Stock-in-trade**

Stock-in-trade is valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for raw materials in transit which are stated at invoice value plus other charges paid thereon till the consolidated balance sheet date. Cost of finished goods comprises purchase cost and other manufacturing expenses. The cost of work in process includes material and proportionate conversion costs.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to make the sale. Provision is made for slow moving stocks where considered necessary.

2.8 **Trade debts and other receivables**

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. 'Trade debts' and 'other receivables' considered irrecoverable are written off.

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

2.9 **Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of cash flows include cash in hand and in transit, balances with banks on current, deposit and saving accounts, and short-term highly liquid investments subject to insignificant risk of changes in values, and short term finances. Short term finances on the consolidated balance sheet are shown as part of current liabilities.

2.10 **Share capital**

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

2.11 **Employees' share option scheme**

The grant date fair value of equity settled share based payments to employees is initially recognized in the consolidated balance sheet as employee compensation expense with a consequent credit to equity as employee share option compensation reserve. The fair value determined at the grant date of the equity settled share based payments is recognized as an employee compensation expense on a straight line basis over the vesting period.

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

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

When the options are exercised, employee share option compensation reserve relating to these options is transferred to share capital and share

(Amounts in thousand)

premium. 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.

2.12 Retirement and other service benefits

2.12.1 Gratuity fund

The Holding Company operates a defined benefit funded gratuity plan (the Fund) for all its permanent employees. The Fund provides for a graduated scale of benefits dependent on the length of service of an employee on terminal date, subject to the completion of minimum qualifying period of service. Gratuity is based on employees' last drawn salary.

Provisions are made to cover the obligations under the Fund on the basis of actuarial valuation carried out annually by an independent expert, using the 'Projected Unit Credit Method'.

The amount recognized in the consolidated balance sheet represents the present value of defined benefit obligations as reduced by the fair value of plan assets.

As explained in note 2.1.4 (a), upon application of IAS 19 (Revised) 'Employee Benefits' actuarial gains or losses (re-measurements) are immediately recognized in 'Consolidated Other Comprehensive Income' as they occur. Previously actuarial gains or losses exceeding 10% of the defined benefit obligation and fair value of plan assets at the beginning of the year, were amortized over the expected future service of the employees.

2.12.2 Provident fund

The Holding Company operates a defined contribution provident fund for its permanent employees. Equal monthly contributions are made both by the Holding Company and the employees to the fund at the rate of 10% of basic salary.

2.12.3 Compensated absences

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

2.13 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost using the effective interest method.

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

2.14 Trade and other payables

These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

2.15 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that outflow of

(Amounts in thousand)

resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each consolidated balance sheet date and adjusted to reflect current best estimate.

2.16 Taxation

2.16.1 Current

Provision for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates. The charge for current tax also includes tax credits and adjustments, where considered necessary, for prior years determined during the year or otherwise considered necessary for such years.

2.16.2 Deferred

Deferred income tax is accounted for using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the consolidated balance sheet date and are expected to apply when the related deferred income tax asset will be realized or the deferred income tax liability will be settled. Deferred tax is charged or credited in the consolidated profit and loss account.

2.17 Foreign currency transactions and translation

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

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the consolidated balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates; in which case income and expenses are translated at the rate on the dates of the transactions); and
- all the resulting exchange differences are recognized as a separate component of equity.

2.18 Derivatives financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- a) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or
- b) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

(Amounts in thousand)

The overall risk management strategy includes reasons for undertaking hedge transactions and entering into derivatives. The objectives of this strategy are to:

- minimize foreign currency exposure's impact on the Group's financial performance; and
- protect the Group's cash flow from adverse movements in foreign currency exchange rates.

a) Fair value hedge

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

b) Cash flow hedge

On an ongoing basis, the Group assesses whether each derivative continues to be highly effective in offsetting changes in the cash flows of hedged items. If and when a derivative is no longer expected to be highly effective, hedge accounting is discontinued.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in consolidated other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated profit and loss account.

Amounts accumulated in equity are reclassified to the consolidated profit and loss account in the periods when the hedged item affects income i.e. when the transaction occurs. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the consolidated profit and loss account or the cost of the related asset for which the borrowing is being utilized. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for e.g. inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in case of inventory or in depreciation in case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated profit and loss account or the cost of the related non-financial asset (for e.g. inventory or fixed assets) as applicable. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated profit and loss account.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2.19 Revenue recognition

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

- sales are recorded on despatch of goods to the customers; and
- return on deposits / bank balances and other financial assets are recognized on accrual basis.

2.20 Research and development costs

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

(Amounts in thousand)

2.21 Borrowing costs

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

2.22 Dividend and appropriation to reserves

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

2.23 Segment reporting

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

3. Change in Accounting Policy

3.1 As stated in note 2.1.4 (a), IAS 19 (Revised) is applicable for the first time and amends the accounting for the Group's defined benefit plan. In accordance with the transitional provisions as set out in IAS 19 (Revised) the Group has applied the revised standard retrospectively and, consequently the earliest periods presented in the Consolidated statement of changes in equity and the Consolidated balance sheet have been restated. The impacts of retrospective application of IAS 19 (Revised) are as follows:

	Trade and other payables	Taxes recoverable	Other Comprehensive Income (OCI)- Remeasurement of post employment benefits - Actuarial loss
	(Rupees)		
Balance as at December 31, 2011 as previously reported	2,343,506	1,443	-
Restatement – recognition of remeasurement gain/loss in OCI	27,277	9,547	17,730
Restated balance as at December 31, 2011 / January 1, 2012	2,370,783	10,990	17,730
Balance as at December 31, 2012 as previously reported	2,358,793	334,714	-
Restatement – recognition of remeasurement gain/loss in OCI			
- For the year 2011	27,277	9,547	17,730
- For the year 2012	8,038	2,814	5,224
Restated balance as at December 31, 2012	2,394,108	347,075	22,954

The effect of change in accounting policy, due to adoption of IAS 19 (Revised), on the consolidated profit and loss account and 'earnings per share' is immaterial in the overall context of these consolidated financial statements. There is no cash flow impact as a result of the retrospective application of change in accounting policy.

3.2 Amendment to IAS 1 'Presentation of financial statements regarding disclosure requirements for comparative information'

IAS 1 (Amendment) 'Financial statement presentation' clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'. When an entity produces an additional balance sheet as required by IAS 8, the balance sheet should be as at the date of the beginning of the preceding period, i.e. the opening position. No notes are required to support this balance sheet. Accordingly the notes for the balance sheet as at December 31, 2011 have not been disclosed. This change in accounting policy has no impact on the carrying values of these consolidated financial statements.

(Amounts in thousand)

4. Critical Accounting Estimates and Judgements

Estimates and judgements 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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, such differences are estimated to be insignificant and hence will not affect the true and fair presentation of the consolidated financial statements. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) **Taxation**

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

b) **Property, plant and equipment and intangible assets**

The Group reviews the appropriateness of the rate of depreciation / amortization, useful life and residual values used for recording the depreciation / amortization on annual basis. Further, if required based on any indication for impairment, an estimate of recoverable amount of assets is made for possible impairment.

c) **Biological assets**

The fair values of biological assets (Dairy livestock) is determined semi-annually by utilizing the services of an independent expert. These valuations are mainly based on market conditions and physical attributes of livestock existing at the end of each reporting period, which are subject to change at each period end due to market conditions.

d) **Stock-in-trade**

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

e) **Provision for staff retirement and other service benefits**

The present value of the obligations is determined by an independent actuary using a number of assumptions and other factors. Any change in these assumptions and factors will impact the obligations recorded in the consolidated financial statements.

f) **Employee share option scheme**

Employee share option compensation reserve and deferred employee share option compensation expense have been determined using the fair values of the options granted and expected to be granted in the ensuing year, using the Black Scholes Pricing Model. The fair values of the options granted during the year have been determined with reference to the respective grant dates of the options; and fair values of options expected to be granted in the ensuing year has been determined with reference to the consolidated balance sheet date in accordance with the requirements of IFRS 2 'Share based payment' and will be reassessed on the actual grant date. The fair value and the underlying assumptions are disclosed in note 18. Any change in these assumptions may significantly impact the carrying values of the related asset and reserve in the consolidated balance sheet.

5. Property, Plant and Equipment

Operating assets (note 5.1)
Capital work-in-progress (note 5.5)
Major spare parts and standby equipment

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------(Rupees)-----

Operating assets (note 5.1)	11,050,212	10,192,682
Capital work-in-progress (note 5.5)	3,328,363	765,397
Major spare parts and standby equipment	131,033	65,167
	<u>14,509,608</u>	<u>11,023,246</u>

(Amounts in thousand)

5.1 Operating assets

	Freehold land	Buildings on freehold land	Plant, machinery and related equipment (note 5.2)		Computers (note 5.2)	Office equipment and furniture & fittings	Vehicles (note 5.2)		Total
			Owned	Leased			Owned	Leased	
-----Rupees-----									
As at January 1, 2012									
Cost	173,378	2,060,932	8,001,076	34,800	103,666	193,873	427,916	4,250	10,999,891
Accumulated depreciation/ impairment	-	(314,896)	(1,939,389)	(30,349)	(41,548)	(66,468)	(170,524)	(4,250)	(2,567,424)
Net book value	<u>173,378</u>	<u>1,746,036</u>	<u>6,061,687</u>	<u>4,451</u>	<u>62,118</u>	<u>127,405</u>	<u>257,392</u>	<u>-</u>	<u>8,432,467</u>
Year ended December 31, 2012									
Opening net book value	173,378	1,746,036	6,061,687	4,451	62,118	127,405	257,392	-	8,432,467
Additions, including transfers (note 5.5)	-	320,333	2,216,129	-	51,583	43,733	396,860	-	3,028,638
Disposals (note 5.4)									
Cost	-	-	(1,530)	(205)	(1,239)	(969)	(132,594)	(1,450)	(138,047)
Accumulated depreciation	-	-	828	136	740	240	73,369	1,450	76,763
	-	-	(702)	(69)	(569)	(729)	(59,225)	-	(61,284)
Depreciation charge (note 5.3)	-	(127,772)	(881,070)	(2,633)	(26,927)	(37,399)	(131,338)	-	(1,207,139)
Closing net book value	<u>173,378</u>	<u>1,938,597</u>	<u>7,396,044</u>	<u>1,749</u>	<u>86,215</u>	<u>133,010</u>	<u>463,689</u>	<u>-</u>	<u>10,192,682</u>
As at December 31, 2012									
Cost	173,378	2,381,265	10,215,675	34,595	153,950	236,637	692,182	2,800	13,890,482
Accumulated depreciation	-	(442,668)	(2,819,631)	(32,846)	(67,735)	(103,627)	(228,493)	(2,800)	(3,697,800)
Net book value	<u>173,378</u>	<u>1,938,597</u>	<u>7,396,044</u>	<u>1,749</u>	<u>86,215</u>	<u>133,010</u>	<u>463,689</u>	<u>-</u>	<u>10,192,682</u>
Year ended December 31, 2013									
Opening net book value	173,378	1,938,597	7,396,044	1,749	86,215	133,010	463,689	-	10,192,682
Additions, including transfers (note 5.5)	228,625	200,265	1,960,870	-	58,793	44,663	141,169	-	2,634,385
Disposals (note 5.4)									
Cost	-	(2,765)	(152,490)	-	(1,144)	(1,106)	(128,938)	-	(286,443)
Accumulated depreciation	-	426	3,298	-	297	406	64,831	-	69,258
	-	(2,339)	(149,192)	-	(847)	(700)	(64,107)	-	(217,185)
Acquisition of subsidiary									
Cost	-	-	-	-	2,478	6,084	-	-	8,562
Accumulated depreciation	-	-	-	-	(1,136)	(2,512)	-	-	(3,648)
	-	-	-	-	1,342	3,572	-	-	4,914
Depreciation charge (note 5.3)	-	(152,766)	(1,078,342)	(1,676)	(41,713)	(44,027)	(142,689)	-	(1,461,213)
Impairment	-	-	(97,949)	-	-	-	(5,422)	-	(103,371)
Closing net book value	<u>402,003</u>	<u>1,983,757</u>	<u>8,031,431</u>	<u>73</u>	<u>103,790</u>	<u>136,518</u>	<u>392,640</u>	<u>-</u>	<u>11,050,212</u>
As at December 31, 2013									
Cost	402,003	2,578,765	12,024,055	34,595	214,077	286,278	704,413	2,800	16,246,986
Accumulated depreciation	-	(595,008)	(3,894,675)	(34,522)	(110,287)	(149,760)	(306,351)	(2,800)	(5,093,403)
Accumulated impairment	-	-	(97,949)	-	-	-	(5,422)	-	(103,371)
Net book value	<u>402,003</u>	<u>1,983,757</u>	<u>8,031,431</u>	<u>73</u>	<u>103,790</u>	<u>136,518</u>	<u>392,640</u>	<u>-</u>	<u>11,050,212</u>
Annual rate of depreciation (%)	-	5 to 33.3	8.33 to 25	20	20	20	25	25	

(Amounts in thousand)

5.2 Includes following assets held by third parties:

Description	2013		2012		Reason
	Cost	Net Book Value	Cost	Net Book Value	
	------(Rupees)-----				
Plant and Machinery	181,187	92,351	145,011	74,560	Equipment mounted on transport contractors' vehicles
Plant and Machinery	859,361	369,578	797,152	505,222	Freezers held with third party for ice cream sales
Computer Equipment	31,158	13,993	22,500	18,000	Computer equipments managed by IBM for disaster recovery
Vehicles	107,281	42,129	103,785	60,191	Trikes held with third party for ice cream sales
	<u>1,178,987</u>	<u>518,051</u>	<u>1,068,448</u>	<u>657,973</u>	

5.3 The depreciation charge has been allocated as follows:

- Cost of sales (note 26)
- Distribution and marketing expenses (note 27)
- Administrative expenses (note 28)

	2013	2012
	------(Rupees)-----	
	1,180,044	969,495
	209,847	186,374
	71,322	51,270
	<u>1,461,213</u>	<u>1,207,139</u>

(Amounts in thousand)

5.4 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	Sales proceeds
Vehicles					
By Company policy to existing / separating executives					
	Javed Iqbal	8,000	(2,250)	5,750	6,126
	Asad Ali Shah	2,392	(149)	2,243	2,245
	Ali Asher Jafri	2,392	(348)	2,044	2,060
	M.Farrukh Umair	2,392	(471)	1,921	1,921
	Aamir Khawas	2,113	(330)	1,783	1,936
	Omayer Arshad	2,020	(631)	1,389	1,393
	Umar Mirza	2,015	(661)	1,354	1,355
	M. Junaid Tariq	1,648	(411)	1,237	1,263
	Anser Iqbal	1,555	(350)	1,205	1,396
	Abdullah Aslam	1,531	(383)	1,148	1,241
	Farrukh Shaikh	1,495	(364)	1,131	1,197
	Vajid Hussain Kamran	1,495	(420)	1,075	1,203
	Zeeshan Anjum	1,495	(444)	1,051	1,180
	Zulfiqar Ansari	1,424	(401)	1,023	1,034
	Ali Osama Ashraf	1,474	(461)	1,013	1,042
	Sadia Nasir	1,374	(475)	899	902
	M.K.Durrani	1,399	(503)	896	899
	Haseebullah Zahoor	1,895	(1,007)	888	913
	Usman Saif	1,394	(509)	885	886
	Ateeq Khan	1,394	(551)	843	845
	Ahmed Ather Farooqi	1,350	(547)	803	803
	Usman Mir	1,337	(564)	773	785
	Farrukh Umair	1,289	(645)	644	822
	Faisal Waheed	1,849	(1,282)	567	629
	Zainab Hameed	1,849	(1,292)	557	571
	Naeem Mian	1,300	(747)	553	553
	Zain Kamran	1,324	(844)	480	642
	M.Usman Sarwer	1,238	(855)	383	398
	Javed Iqbal	1,858	(1,511)	347	523
	Imran Wazir	835	(517)	318	337
	Syed Salman Nasri	1,269	(952)	317	369
	GM Gazali	1,248	(935)	313	313
	Mushir M.Syed	1,251	(939)	312	312
	Majid Iqbal	1,251	(946)	305	313
	kashan Yaqoob	1,271	(971)	300	318
	Sadia Junaid	1,269	(972)	297	317
	Bilal Akhter	1,251	(960)	291	313
	Sharif Ahmed Khan	554	(277)	277	277
	Abdul Razzaq	1,251	(978)	273	313
	Adeel Ghiskori	1,309	(1,047)	262	262
	Shahzad Mohsin	1,269	(1,017)	252	737
	S M Amir Irshad	1,248	(998)	250	250
	Riaz Hussain	1,248	(999)	249	250
	Kamran Majeed	534	(290)	244	276
	Balance carried forward	71,349	(32,204)	39,145	41,720

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sales proceeds
		-----Rupees-----			
	Balance brought forward	71,349	(32,204)	39,145	41,720
	Khurram Shahzad	1,269	(1,035)	234	254
	Waqar Hussain Ali	554	(323)	231	244
	Sheharyar Qureshi	798	(569)	229	426
	Malik Liaquat	801	(586)	215	414
	Adnan Zahoor	537	(322)	215	280
	Kamran Saif	519	(315)	204	222
	Imran Ahmed Sheikh	1,269	(1,095)	174	254
	Kashif Faique	1,269	(1,095)	174	254
	Ansar Iqbal	809	(647)	162	162
	Faisal Minhas	806	(645)	161	520
	Bilal Chaudhry	586	(430)	156	156
	Umar Aftab	537	(383)	154	205
	Shahid Saleem	666	(533)	133	133
	Muneem Tareen	1,269	(1,142)	127	645
	Jameel Ahmed	544	(440)	104	106
	Hassan Raza	449	(359)	90	430
	Jahanzaib	449	(359)	90	90
	Shakil Ahmed	449	(359)	90	90
	Muhammad Iqbal	896	(806)	90	389
	Kausar Khan	504	(449)	55	101
	Qaiser Saleem	504	(449)	55	101
	Yaqoob Ahmed	504	(449)	55	101
	Rizwan Ullah	544	(490)	54	109
	Late Ahsan us Sattar family	870	(652)	218	-
		<u>17,402</u>	<u>(13,932)</u>	<u>3,470</u>	<u>5,686</u>
		88,751	(46,136)	42,615	47,406
By Company policy to existing / seperating executives having net book value of less than Rs. 50		3,335	(2,928)	407	904
Balance carried forward		92,086	(49,064)	43,022	48,310

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sales proceeds
		-----Rupees-----			
	Balance brought forward	92,086	(49,064)	43,022	48,310
To employees through auction					
	Asad Ali Shah	7,215	(2,931)	4,284	5,848
	Waseem Mirza	4,654	(2,007)	2,647	4,169
	Atif Qayyum	1,792	(760)	1,032	1,576
	Syed Rameez Arif	936	(312)	624	873
	M.Khalid	924	(326)	598	758
	Sara Mohsin	920	(337)	583	857
	Adil Ali	924	(343)	581	747
	Maurice Yano	936	(359)	577	729
	Sultan Hassan	896	(329)	567	835
	M.Tahir	924	(364)	560	848
	Saud Javed	884	(384)	500	758
	Kashif Soomro	883	(447)	436	805
	M.Khalid	850	(436)	414	741
	M.Azam	835	(454)	381	752
	Syed Rameez Arif	835	(487)	348	697
	Ishrat Kanwal	549	(201)	348	478
	Kumar Das	835	(503)	332	726
	M.Khalid	884	(707)	177	701
	Syed Rizwan Ali	1,271	(1,096)	175	329
		<u>27,947</u>	<u>(12,783)</u>	<u>15,164</u>	<u>23,227</u>
Insurance claims					
	EFU General Insurance Limited	8,352	(2,787)	5,565	8,208
	Jubilee General Insurance Company Limited	553	(197)	356	360
		<u>8,905</u>	<u>(2,984)</u>	<u>5,921</u>	<u>8,568</u>
Building on freehold land Dismantled		2,765	(426)	2,339	-
Plant, machinery and related equipment					
	Adnan, Federal B. Area, Karachi	175	(42)	133	146
	Nasir, Azizabad, FB Area, Karachi	175	(42)	133	146
	Jauhar Sweets, Stalkot	32	(19)	13	17
	Tetra Pak, Gulberg Town Lahore	138,442	-	138,442	138,718
		<u>138,824</u>	<u>(103)</u>	<u>138,721</u>	<u>139,027</u>
Balance carried forward		270,527	(65,360)	205,167	219,132

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sales proceeds
-----Rupees-----					
Balance brought forward		270,527	(65,360)	205,167	219,132
Insurance claims	EFU General Insurance Limited	13,140	(2,960)	10,180	9,904
	Pak Kuwait Takaful Company Limited	429	(197)	232	259
	Jubilee General Insurance Company Limited	97	(38)	59	74
		13,666	(3,195)	10,471	10,237
Office equipment					
Insurance claims	EFU General Insurance Limited	1,106	(406)	700	793
Computers					
Insurance claims	EFU General Insurance Limited	1,144	(297)	847	500
December 31, 2013		<u>286,443</u>	<u>(69,258)</u>	<u>217,185</u>	<u>230,662</u>
December 31, 2012		<u>138,047</u>	<u>(76,763)</u>	<u>61,284</u>	<u>73,460</u>

(Amounts in thousand)

5.5 Capital work-in-progress

	Land (note 5.5.1)	Building on freehold land	Plant, machinery and equipment	IS and milk automation projects	Office equipment/ Furniture & Fitting/Computers	Vehicles	Total
-----Rupees-----							
Year ended December 31, 2012							
Balance as at January 1, 2012	-	143,000	887,947	-	32,389	119,623	1,182,959
Additions during the year	11,832	184,262	1,947,690	73,993	85,491	319,474	2,622,742
Transferred to							
- operating assets (notes 5.1)	-	(320,333)	(2,216,129)	-	(95,316)	(396,860)	(3,028,638)
- intangible assets (note 7)	-	-	-	(11,666)	-	-	(11,666)
Balance as at December 31, 2012	<u>11,832</u>	<u>6,929</u>	<u>619,508</u>	<u>62,327</u>	<u>22,564</u>	<u>42,237</u>	<u>765,397</u>
Year ended December 31, 2012							
Balance as at January 1, 2013	11,832	6,929	619,508	62,327	22,564	42,237	765,397
Additions during the year	216,793	515,260	4,272,590	20,376	132,791	108,389	5,266,199
Transferred to							
- operating assets (note 5.1)	(228,625)	(200,265)	(1,960,870)	-	(103,456)	(141,169)	(2,634,385)
- intangible assets (note 7)	-	-	-	(68,848)	-	-	(68,848)
Balance as at December 31, 2013	<u>-</u>	<u>321,924</u>	<u>2,931,228</u>	<u>13,855</u>	<u>51,899</u>	<u>9,457</u>	<u>3,328,363</u>

5.5.1 The Holding Company has acquired land measuring 537 Kanals, 37 Marlas surrounding its Sahiwal plant through the Commissioner, Sahiwal Division, Government of Punjab (the Government) action, by invoking provisions of Land Acquisition Act, 1894. Under the said law, the price of the nearby land was assessed by the Government authorities and the Holding Company paid Rs. 212,514 to the Government for purchase of land. The Government will in turn pay to the respective land owners.

Few land owners have filed writ petitions against the Government's action and the matter is currently in hearing process at the Lahore High Court. Stay has been granted against most of the petitions filed against the Holding Company. The Holding Company is of the view that the purchase of land is legal and therefore, the case will be decided in its favour.

2013 2012
-----Rupees-----

6. Biological Assets

Dairy livestock (note 6.1)

- mature
- immature

Provision for culling (notes 6.2 and 29)

Crops - feed stock

411,059	313,470
309,130	348,444
720,189	661,914
(15,961)	-
704,228	661,914
12,237	6,541
<u>716,465</u>	<u>668,455</u>

(Amounts in thousand)

	2013	2012
	------(Rupees)-----	
6.1 Reconciliation of carrying amounts of livestock		
Carrying amount at the beginning of the year	661,914	494,299
Add:		
Changes in fair value due to biological transformation		
- Gain due to new births [inclusive of cost of feeding immature herd of Rs. 127,764 (2012: Rs. 87,344)]	194,193	145,264
- Gain / (Loss) due to increase in age of livestock	(17,120)	(30,341)
	177,073	114,923
Changes in fair value due to price changes		
- Gain due to currency devaluation	59,988	40,111
- Gain / (Loss) due to increase / (decrease) in international market prices	(51,290)	45,332
	8,698	85,443
Total gain (note 30)	185,771	200,366
Less:		
- Biological assets written-off (notes 6.3 and 29)	(50,533)	-
- Decrease due to deaths / disposals	(76,963)	(32,751)
- Provision for culling	(15,961)	-
Carrying amount at the end of the year, which approximates the fair value	704,228	661,914

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

6.3 During the year the Holding Company carried out 100% physical verification exercise of its entire livestock held at the Dairy Farm. Based on the results of this exercise, the carrying values of livestock that were found missing has been written-off.

6.4 As at December 31, 2013, the Holding Company held 2,058 (2012: 1,829) mature assets able to produce milk and 1,729 (2012: 1,697) immature assets that are being raised to produce milk in the future. During the year, the Holding Company produced approximately 9,079,147 (2012: 9,224,185) gross litres of milk from these biological assets with a fair value less estimated point-of-sale costs of Rs. 496,095 (2012: Rs. 477,417), determined at the time of milking.

6.5 As at December 31, 2013, the Holding Company held 586 (2012: 375) immature male calves.

6.6 The valuation of dairy livestock as at December 31, 2013 has been carried out by an independent valuer. In this regard, the valuer examined the physical condition of the livestock, assessed the farm conditions and relied on the representations made by the Holding Company as at December 31, 2013. Further, in the absence of an active market of the Holding Company's dairy livestock in Pakistan, market and replacement values of similar live stock from active markets in USA, Germany, Argentina and Australia, have been used by the independent valuer as a basis of his valuation. Immature male calves have not been included in the fair valuation due to the insignificant value in use.

(Amounts in thousand)

	Computer Software	Goodwill (note 7.2)	Brand (note 7.2)	Total
	------(Rupees)-----			
7. Intangible Assets				
As at January 1, 2012				
Cost	204,546	-	-	204,546
Accumulated amortization	(70,948)	-	-	(70,948)
Net Book Value	133,598	-	-	133,598
Year ended December 31, 2012				
Opening net book value	133,598	-	-	133,598
Additions at cost (note 5.5)	11,666	-	-	11,666
Less: Amortization charge for the year (note 7.1 and 28)	(40,695)	-	-	(40,695)
Closing net book value	104,569	-	-	104,569
As at January 1, 2013				
Cost	216,212	-	-	216,212
Accumulated amortization	(111,643)	-	-	(111,643)
Net Book Value	104,569	-	-	104,569
Year ended December 31, 2013				
Opening net book value	104,569	-	-	104,569
Acquisition of subsidiary	-	49,151	431,730	480,881
Additions at cost (note 5.5)	68,848	-	-	68,848
Less: Amortization charge for the year (note 7.1 and 28)	(50,579)	-	-	(50,579)
Closing net book value	122,838	49,151	431,730	603,719
As at December 31, 2013				
Cost	285,060	49,151	431,730	765,941
Accumulated amortization	(162,222)	-	-	(162,222)
Net Book Value	122,838	49,151	431,730	603,719

7.1 The cost of computer software is being amortized over a period of 5 years

7.2 On May 6, 2011, Engro Foods Canada Limited (EFCL), a subsidiary of Engro Foods Netherlands B.V. acquired the assets of Al Safa Halal Inc. and Al Safa Halal Limited, as specified in the respective asset purchase agreements. Such assets mainly comprise of the brand 'Al Safa' a halal meat business engaged in supplying variety of packaged halal food across North America.

The aforementioned acquisition has also given rise to Goodwill amounting to Rs. 49,151 (CAD \$ 499) representing excess cost paid over and above the fair value of assets acquired at the date of acquisition.

(Amounts in thousand)

8. **Long-term Advances, and Deposits
- unsecured, considered good**

	2013 ----- (Rupees)	2012 ----- (Rupees)
Advances to Executives (notes 8.1, 8.2 and 8.3)	57,694	36,924
Less: Recoverable within one year shown under current assets (note 13)	(21,283)	(8,813)
	<u>36,411</u>	<u>28,111</u>
Deposits	56,721	53,751
	<u>93,132</u>	<u>81,862</u>

8.1 **Reconciliation of the carrying amount of
advances to executives**

Balance as at January 1	36,924	28,459
Add: Disbursements	55,698	45,702
Less:		
- Repayments	(13,884)	(19,886)
- Amortization	(21,044)	(17,351)
Balance as at December 31	<u>57,694</u>	<u>36,924</u>

8.2 This includes interest free advances to executives for vehicles given in accordance with the terms of employment under the vehicle earn-out scheme. These advances are amortized over a period of 48 months, unless repaid as a result of change in employee classification level or leaving the Holding Company. This also includes investment loan plan assistance repayable after 3 years in lump sum and long-term incentive given to certain employees which is amortized over a period of 3 years, unless repaid as a result of leaving the Holding Company.

8.3 The maximum aggregate amount due from executives of the Group at the end of any month during the year was Rs. 61,192 (2012: Rs.52,363).

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

9. **Stores, Spares and Loose Tools**

	2013 ----- (Rupees)	2012 ----- (Rupees)
Stores	133,153	132,195
Spares and loose tools, including in-transit Nil (2012: Rs. 1,774) (note 9.1)	737,551	543,612
Less: Major spare parts and stand by equipment shown under Property, plant and equipment (note 5)	(131,033)	(65,167)
	<u>739,671</u>	<u>610,640</u>

9.1 These are net of provision against slow moving items amounting to Rs. 3,154 (2012: Rs. 1,267).

(Amounts in thousand)

10. **Stock-in-Trade**

	2013 ----- (Rupees)	2012 ----- (Rupees)
Raw and packaging material (note 10.1 and 10.3)	2,150,536	2,595,145
Work in process	390,133	276,851
Finished goods (note 10.2 and 10.3)	658,721	622,609
	<u>3,199,390</u>	<u>3,494,605</u>

10.1 Includes Rs. 3,326 (2012: Nil) in respect of stock held by third parties.

10.2 Includes Rs. 17,172 (2012: Rs. 42,500) in respect of finished goods carried at net realizable value and Rs. 33,010 (2012: Rs. 40,198) in respect of stock held by third parties.

10.3 These are net of provision against expired/obsolete stock amounting Rs. 132,552 (2012: Rs. 19,908).

11. **Trade Debts, unsecured**

	2013 ----- (Rupees)	2012 ----- (Rupees)
Considered good (notes 11.1 and 11.2)	251,900	149,074
Considered doubtful (note 11.3)	5,389	5,835
	<u>257,289</u>	<u>154,909</u>
Less: Provision for impairment (note 11.3)	(11,522)	(5,835)
	<u>245,767</u>	<u>149,074</u>

11.1 As at December 31, 2013, trade debts aggregating to Rs. 33,578 (2012: Rs. 2,806) were past due but not impaired. These relate to various customers and have either been confirmed / acknowledged by the customer or cleared subsequent to the year end. These debts are less than 6 months old.

11.2 As at December 31, 2013, trade debts aggregating to Rs. 206,775 (2012: Rs. 146,268) were neither past due nor impaired. The credit quality of these receivables can be assessed with reference to their historical performance with no defaults ever.

11.3 As at December 31, 2013, trade debts aggregating to Rs. 16,937 (2012: Rs. 5,835) were deemed to have been impaired and provided for as per the approved credit policy. The movement in provision during the year is as follows:

	2013 ----- (Rupees)	2012 ----- (Rupees)
Balance as at January 1	5,835	4,644
Add: Additions due to acquisition of subsidiary	6,133	-
Add: Recognized / (Reversed) during the year (note 28)	(446)	1,191
Balance as at December 31	<u>11,522</u>	<u>5,835</u>

(Amounts in thousand)

12. Advances, Deposits and Prepayments - unsecured, considered good

	2013	2012
	------(Rupees)-----	
Advances to:		
- Executives (notes 12.1 and 12.2)	9,260	7,703
- Other employees (note 12.3)	28,304	23,753
	<u>37,564</u>	<u>31,456</u>
Add: Current portion of long term advances to executives (note 8)	<u>21,283</u>	<u>8,813</u>
	58,847	40,269
Advances to suppliers (note 12.4)	81,099	125,786
Deposits	10,895	4,325
Prepayments	35,913	91,410
	<u>186,754</u>	<u>261,790</u>

- 12.1 This represents interest free advances to executives for house rent, given in accordance with the Holding Company's policy.
- 12.2 The maximum aggregate amount due from executives of the Group at the end of any month during the year was Rs. 13,405 (2012: Rs. 10,152).
- 12.3 This represents advances for incurring expenses for the Group's business.
- 12.4 Includes advances to Engro Fertilizers Limited amounting to Nil (2012: Rs. 1,127).
- 12.5 The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no defaults ever.

13. Other Receivables

	2013	2012
	------(Rupees)-----	
Receivable from related parties:		
- Engro Corporation Limited, the Ultimate Holding Company	-	5,001
- Engro Fertilizers Limited	17	874
- Engro Foundation	-	833
- Engro Eximp (Private) Limited	-	390
- Engro PowerGen Limited	-	39
- Engro Polymer and Chemicals Limited	484	255
	<u>501</u>	<u>7,392</u>
Sales tax refundable (notes 13.1 and 13.2)	1,835,054	1,128,313
Receivable from Tetra Pak Pakistan Limited (note 13.3)	440,960	286,307
Receivable from Ecolean AB (note 13.3)	66,396	-
Harmonized sales tax receivable (note 13.4)	6,363	-
Others	9,888	18,155
	<u>2,359,162</u>	<u>1,440,167</u>

(Amounts in thousand)

- 13.1 Sales tax has been zero rated on the Holding Company's supplies (output) and raw materials, components and assemblies imported or purchased locally by the Holding Company for manufacturing in respect of its dairy operations. The movement of the refundable is as follows:

	2013	2012
	------(Rupees)-----	
Balance as at January 1	1,128,313	827,268
Add: Refunds claimed during the year	1,019,637	1,066,294
Less:		
- Refunds received during the year	(312,896)	(769,607)
- Reversal of impairment (note 27)	-	4,358
Balance as at December 31	<u>1,835,054</u>	<u>1,128,313</u>

- 13.2 The above includes Rs. 87,040 (2012 : Nil) relating to provincial input tax paid on services. This amount has not been claimed thus far in the Monthly Sales Tax Returns as it has been disallowed by the Federal Board of Revenue subsequent to changes made through Finance Act, 2013.

The Holding Company is currently pursuing this matter at various forums including consideration of legal remedies and based on the interpretation of law is confident of its recovery.

- 13.3 Represents reimbursements receivable under cost sharing agreements for marketing related expenses and quantity discounts, net of payable on account of packaging materials purchased.
- 13.4 Harmonized sales tax has been zero rated on the Subsidiary Company's supplies (output).
- 13.5 The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to their historical performance with no defaults ever.

14. Derivative Financial Instruments

The Holding Company has entered into various foreign currency forward contracts with banks to manage its foreign currency exposure. These contracts have maturity dates approximately matching with the anticipated payment dates for commitments with respect to import of plant and machinery and stock-in-trade. The fair value of the outstanding forward contracts as at December 31, 2013 amounts to a liability of Rs. 14,517 (2012: asset of Rs. 25,787).

15. Short Term Investments

At fair value through profit or loss:

	2013	2012
	------(Rupees)-----	
- Fixed income placement (note 15.1)	170,000	-
- Mutual fund securities (note 15.2)	-	2,708,750
	<u>170,000</u>	<u>2,708,750</u>

- 15.1 Represents term deposit placed with a bank having maturity period of one month carrying interest rate of 9.9% per annum.

(Amounts in thousand)

15.2 These represented investments in various money market funds which were valued at their respective net assets value as at consolidated balance sheet date.

2013 2012
----- (Rupees) -----

16. Cash and Bank Balances

Cash

- in hand
- in transit (note 16.1)

Cash at bank on:

- current accounts [including foreign currency account of Rs. 161,141 (2012: Rs. 61,555)]
- savings accounts

	2013	2012
	4,022	94
	122,037	194,522
	310,435	67,278
	138,542	160,114
	448,977	227,392
	575,036	422,008

16.1 Represents banking instruments received from distributors at regional offices in respect of advance against future sales but not yet deposited in the Holding Company's bank account.

2013 2012
----- (Rupees) -----

17. Share Capital

Authorized capital

850,000,000 (2012: 850,000,000) ordinary shares
of Rs. 10 each

Issued, subscribed and paid-up capital

766,596,075 (2012: 761,577,575) ordinary shares
of Rs. 10 each fully paid in cash (note 17.1 and 17.2)

	2013	2012
	8,500,000	8,500,000
	7,665,961	7,615,776

17.1 During the year, the Holding Company issued and allotted (i) 65,000 shares at Rs. 19 per share; and (ii) 4,953,500 shares at Rs. 21 per share to employees who exercised their share options under the previous Employees' Share Option Scheme (ESOS).

17.2 As at December 31, 2013, Engro Corporation Limited (the Ultimate Holding Company) holds 667,374,991 ordinary shares of Rs. 10 each (2012: 672,999,991 ordinary shares of Rs. 10 each).

(Amounts in thousand)

18. Employees' Share Option Scheme

During the year, the shareholders of the Holding Company in their meeting held on March 22, 2013 approved a new Employees' Share Option Scheme (the Scheme) for granting of options to certain critical employees up to 16.9 million new ordinary shares, to be determined by the Board Compensation Committee of the Holding Company. The Scheme was approved by the SECP on May 27, 2013.

Under the Scheme, options can be granted in the years 2013 to 2015. 50% of the options granted will vest in two years whereas the remaining 50% will vest in three years from the date of the grant of options. However, for the purpose of the options granted in 2013 (Option year), 50% of such options shall vest on April 1, 2015 while remaining 50% will vest on April 01, 2016. Further, those eligible employees who will join the Holding Company or will be promoted to the employee cadre / grade eligible for options, till April 1, 2015 are also entitled to these options. These options do not carry dividends or voting rights and the maximum number of options to be issued to a single eligible employee is for 1.69 million ordinary shares. These options are exercisable within 3 years from the end of vesting period. The details of share options granted during the year which remained outstanding as at December 31, 2013 are as follows:

- number of options	5,700,000
- range of exercise price	Rs. 191.89 - Rs. 253.77
- weighted average remaining contractual life	5.25 years

The weighted average fair value of options granted during the year, as estimated at the date of grant using the Black-Scholes model was Rs. 24.43 per option. The following weighted average assumptions were used in calculating the fair values of the options:

- share price	Rs. 127.23
- exercise price	Rs. 191.87
- expected volatility	34.16%
- expected life	3 years
- annual risk free interest rate	9.71%

The volatility has been measured as the standard deviation of quoted share prices over the last one year from each respective grant date. In addition, the Holding Company estimates that during the year 2014 options for remaining 11.2 million shares may be granted.

In this respect, Employee share option compensation reserve and the related Deferred expense amounting to Rs. 407,133 has been recognized out of which Rs.102,115 has been amortized and recognized as charge for the year in respect of related employees services received to the consolidated balance sheet date.

(Amounts in thousand)

19. Long Term Finances, Secured (Non-Participatory)

Long term finances of the Holding Company utilized under mark-up arrangements:

	Installments			2013	2012
	Number	Commencing from	Interest Rate	------(Rupees)-----	
Long term finances					
Syndicated Finance I	4 half yearly	February 20, 2015	6 month KIBOR + 1.4%	1,500,000	1,500,000
Syndicated Finance II	5 half yearly	July 10, 2012	6 month KIBOR + 0.69%	480,000	960,000
Syndicated Finance III	6 half yearly	February 16, 2013	6 month KIBOR + 2.6%	666,667	1,000,000
Habib Bank Limited	6 half yearly	September 3, 2011	6 month KIBOR + 2.25%	83,333	250,000
Habib Bank Limited					
- LTFF Facility					
(notes 19.2 and 19.4)	8 half yearly	February 27, 2014	6 month KIBOR + 2.0%	221,355	220,548
- Conventional term loan					
(note 19.2)	6 half yearly	November 2, 2014	6 months KIBOR + 2.0%	775,039	397,213
Citibank, N.A.	One bullet				
payment	January 14, 2013	6 months KIBOR + 2.0%	-	700,000	
NIB Bank Limited (note 19.2)	6 half yearly	June 5, 2015	6 months KIBOR + 2.1%	1,484,956	1,481,132
Pak Kuwait Investment					
Company (Private) Limited					
(note 19.1)	6 half yearly	June 30, 2014	6 months KIBOR + 2.45%	-	250,000
The Bank of Punjab					
(note 19.2)	6 half yearly	April 3, 2015	6 months KIBOR + 1.15%	497,652	-
United Bank Limited	6 half yearly	May 12, 2016	6 months KIBOR + 1.25%	1,500,000	-
				7,209,002	6,758,893
Certificate					
Sukuk Certificates	4 half yearly	July 13, 2015	6 month KIBOR + 0.69%	950,000	950,000
				8,159,002	7,708,893
				(1,032,008)	(1,685,823)
				7,126,994	6,023,070

Less: Current portion shown under current liabilities

19.1 During the year, the Holding Company prepaid the entire principal loan amount on March 11, 2013.

19.2 The proceeds from these loans are carried net of unamortized portion of transaction costs amounting to Rs. 20,728(2012: Rs. 23,203).

19.3 The above finances and Ijarah arrangements (note 25.5) are secured by registered floating charges / mortgages over the present and future fixed assets of the Holding Company upto a maximum of Rs. 12,729,500 (2012: Rs. 11,375,000).

19.4 LTFF facility from HBL is based on State Bank LTFF rate which was 10.90% per annum throughout the year. Rest of the finances are KIBOR based and mark-up on these ranged from 9.80% to 14.64% (2012: 11.23% to 15.63%) per annum.

19.5 In view of the substance of the transactions, the sale and repurchase of assets under long term finances have not been recorded as such in these consolidated financial statements.

(Amounts in thousand)

20. Deferred Taxation

Credit balances arising due to:

- Accelerated tax depreciation / amortization
- Gain on biological assets
- Borrowing cost
- Derivate financial instruments, net to equity
- Long term finances
- Others

Debit balances arising due to:

- Provisions for inventory and receivables
- Unutilized tax losses
- Minimum turnover tax (note 20.1)
- Derivate financial instruments, net to equity
- Share issuance cost, net to equity
- Others

20.1 During the year, minimum turnover tax amounting to Nil (2012: Rs. 409,945) has been recouped against the tax liability for the year.

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

	2013	2012
	------(Rupees)-----	
1,624,574	1,624,574	1,711,034
166,342	166,342	142,734
-	-	-
-	-	9,026
7,047	7,047	8,121
13,838	13,838	3,063
1,811,801	1,811,801	1,873,978
(47,972)	(47,972)	(9,453)
-	-	-
(206,627)	(206,627)	(197,021)
(4,936)	(4,936)	-
(12,733)	(12,733)	(13,107)
(950)	(950)	(1,877)
(273,218)	(273,218)	(221,458)
1,538,583	1,538,583	1,652,520

21. Deferred Income

Deferred income under Ijarah arrangement:

- Balance as at January 1
- Add: Ijarah arrangement entered into during the year
- Less: Amortization for the year
- Balance as at December 31

	2013	2012
	------(Rupees)-----	
17,390	17,390	-
-	-	17,390
(7,980)	(7,980)	-
9,410	9,410	17,390

22. Trade and Other Payables

- Trade payables (note 22.1)
- Accrued liabilities
- Advances from customers
- Retention money
- Security deposits
- Withholding tax payable
- Payable to provident fund
- Payable to gratuity fund (note 37)
- Workers' profits participation fund (note 22.2)
- Workers' welfare fund
- Others (note 22.1)

	2013	2012
	------(Rupees)-----	
	(Restated)	
1,989,989	1,989,989	1,281,398
800,812	800,812	769,122
248,686	248,686	94,807
38,388	38,388	22,552
800	800	50
59,102	59,102	40,305
19,506	19,506	13,305
58,310	58,310	40,315
27,933	27,933	10,489
134,284	134,284	111,341
27,365	27,365	10,424
3,405,175	3,405,175	2,394,108

(Amounts in thousand)

	2013	(Restated) 2012
	------(Rupees)-----	
22.1 Includes amount due to following related parties:		
- Engro Corporation Limited, the Ultimate Holding Company	-	14,156
- Engro Eximp (Private) Limited	6,920	-
- Engro Fertilizers Limited	578	-
- Engro Foods Canada Limited	-	984
- Engro Polymer and Chemicals Limited	330	2,256
	<u>7,828</u>	<u>17,396</u>
22.2 Workers' profits participation fund		
Balance as at January 1	10,489	73,545
Add: Allocation for the year (note 29)	28,041	211,021
	<u>38,530</u>	<u>284,566</u>
Less: Amount paid to the Fund	(10,597)	(274,077)
Balance as at December 31	<u>27,933</u>	<u>10,489</u>

23. Short Term Finances - secured

23.1 The Holding Company

The facilities for short term running finance available to Engro Foods Limited, the Holding Company from various banks, which represent the aggregate sale price of all mark-up arrangements, amounts to Rs. 3,200,000 (2012: Rs. 3,600,000). The unutilized balance against these facilities as at year end was Rs. 3,200,000 (2012: Rs. 3,514,611). The rates of mark-up on these finances are KIBOR based and range from 10.01% to 12.01% (2012: 10.38% to 13.60%) per annum. These facilities are secured by way of hypothecation upon all the present and future current assets of the Holding Company.

The facilities for opening letters of credit and guarantees as at December 31, 2013 amounts to Rs. 4,515,000 (2012: Rs. 5,315,000), of which the amount remaining unutilized as at year end was Rs. 2,558,450 (2012: Rs. 2,881,378).

23.2 Subsidiary Company

Engro Foods Canada Limited (EFCL), a subsidiary company of Engro Foods Netherland B.V. entered into:

- i) revolving term credit facility with HSBC Bank Canada on August 13, 2012 to provide for maximum operating line of credit of CAD \$1,000. Borrowing under this term facility bear interest at prime rate plus 1% payable monthly. There are no performance covenants under the agreement and, as at December 31, 2013, the EFCL had drawn CAD \$921,876 (Rs. 90,897) .
- ii) revolving working capital facility with the National Bank of Pakistan, New York on October 29, 2012. The Subsidiary Company's revolving working capital facility provides for a maximum operating line of credit of US \$ 2,000. Borrowing under this revolving working capital facility bear interest at US prime rate plus 2.75%, but not less than 5.75% payable monthly. As security, Engro Corporation Limited, the Ultimate Parent Company, provided a guarantee and the general security consists of a first charge over EFCL's current assets up to US \$ 2,670. There are certain operational covenants with which EFCL is in compliance as at December 31, 2013. EFCL had drawn \$ 1,242 (Rs. 122,508) on the revolving working capital facility. This revolving working capital facility expired on September 30, 2013 and EFCL is in process of signing the renewal agreement.

(Amounts in thousand)

24. Contingencies and Commitments

24.1 The Holding Company has provided bank guarantees to:

- Sui Southern Gas Company Limited amounting to Rs. 55,242 (2012: Rs. 39,037) under the contract for supply of gas;
- Sui Northern Gas Company Limited amounting to Rs. 34,350 (2012: Rs. 34,350) under the contract for supply of gas;
- Collector of Sales Tax, Large Tax Payers Unit (LTU), Karachi amounting to Rs. 258,712 (2012: Rs. 258,712) under Sales Tax Rules 2006, against refund claim of input sales tax. Against these guarantees, sales tax refunds amounting to Rs. 172,000 (2012: Rs. 172,000) have been received to-date;
- Controller Military Accounts, Rawalpindi amounting to Rs. 6,872 (2012: Rs. 4,680), as collateral against supplies; and
- Collector of Customs, Model Customs Collectorate amounting to Rs. 54,081 (2012: Nil) against payment of sales tax on import of plant and machinery.

24.2 As at December 31, 2013 post-dated cheques amounting to Rs. 44,003 (2012: Rs. 15,106) have been provided as collateral to customs authorities, in accordance with the procedures prescribed by the Government of Pakistan through notifications dated July 8, 2011 and August 1, 2011.

24.3 Commitments in respect of capital expenditure contracted for but not incurred as at December 31, 2013 amounts to Rs. 966,772 (2012: Rs. 2,139,539).

24.4 Commitments in respect of purchase of certain commodities as at December 31, 2013 amounts to Rs. 731,586 (2012: Rs. 181,420).

24.5 Commitments for rentals payable under Ijarah / operating lease agreements as at December 31, 2013 amounts to Rs. 239,176 (2012: Rs. 296,581) as follows:

	2013	2012
	------(Rupees)-----	
Not later than one year	69,074	63,737
Later than one year and not later than five years	170,102	232,844
	<u>239,176</u>	<u>296,581</u>

25. Net Sales

Manufactured goods	38,850,246	41,142,420
Less:		
- Sales tax	(587,343)	(601,780)
- Discounts / Allowances	(361,071)	(398,982)
	<u>37,901,832</u>	<u>40,141,658</u>
Raw milk	27,406	27,261
	<u>37,929,238</u>	<u>40,168,919</u>

25.1 Includes export sales amounting to Rs. 901,345 (2012: Rs. 667,833).

(Amounts in thousand)

26. Cost of Sales

	2013	2012
	-----	-----
	(Rupees)	(Rupees)
Raw and packaging material consumed (note 26.1)	23,873,607	24,963,306
Purchased product cost	31,847	-
Salaries, wages, and staff welfare (note 26.2)	838,260	829,730
Fuel and power	1,640,374	1,316,939
Repair and maintenance	522,862	411,179
Freight inwards and storage	583,008	489,652
Depreciation (note 5.3)	1,180,044	969,495
Impairment of operating assets (note 5.1)	28,915	-
Travelling	139,484	111,105
Communication and other office expenses	136,233	121,811
Insurance	110,681	96,703
Rent and utilities	314,346	178,288
Purchased services	330,426	242,752
Provision against:		
- stock-in-trade	125,154	16,972
- slow moving spares (note 9.1)	1,887	684
Manufacturing cost	29,857,128	29,748,616
Add: Opening stock of work-in-process	276,851	128,689
Less: Closing stock of work-in-process	(390,133)	(276,851)
Cost of goods manufactured	29,743,846	29,600,454
Add: Opening stock of finished goods manufactured	622,609	823,140
Less: Closing stock of finished goods manufactured	(658,721)	(622,609)
	29,707,734	29,800,985
Add: Cost of Raw milk sold directly (note 26.1)	44,274	47,316
	29,752,008	29,848,301
26.1 Raw and packaging material consumed		
Opening stock of raw and packaging material	2,595,145	1,685,987
Add: Purchases	23,969,367	26,397,197
Less:		
- Fair value of milk produced from biological assets	(496,095)	(477,417)
- Raw milk sold directly	(44,274)	(47,316)
- Closing stock of raw and packaging material	(2,150,536)	(2,595,145)
Raw and packaging material consumed	23,873,607	24,963,306

26.2 Includes Rs. 79,015 (2012: Rs. 60,445) in respect of staff retirement benefits referred to in notes 37 and 47.

(Amounts in thousand)

27. Distribution and Marketing Expenses

	2013	2012
	-----	-----
	(Rupees)	(Rupees)
Salaries, wages, and staff welfare (note 27.1)	614,024	624,891
Advertising and sales promotion	2,658,311	2,415,522
Freight outward	1,113,104	1,190,585
Travelling	135,872	105,720
Communication and other office expenses	57,889	38,189
Depreciation (note 5.3)	209,847	186,374
Impairment of operating assets (note 5.1)	74,455	-
Fuel and power	7,996	5,418
Repairs and maintenance	61,875	48,038
Rent, rates and taxes	20,984	17,252
Reversal of provision against sales tax refundable (note 13.1)	-	(4,358)
Insurance	11,357	6,220
Ijarah rentals	54,267	20,051
Purchased services	288	373
	5,020,269	4,654,275

27.1 Includes Rs. 57,879 (2012: Rs. 45,523) in respect of staff retirement benefits referred to in notes 37 and 47.

28. Administrative Expenses

Salaries, wages and staff welfare (notes 28.1 and 28.2)	500,478	401,739
Communication and other office expenses	153,716	149,955
Rent, rates and taxes	96,120	78,130
Travelling	59,238	34,931
Depreciation (note 5.3)	71,322	51,270
Amortization (note 7)	50,579	40,695
Fuel and power	9,924	10,594
Repairs and maintenance	12,273	5,071
Insurance	3,640	3,014
Provision / (Reversal of provision) for impairment of trade debts (note 11.3)	(446)	1,191
Purchased services	18,527	19,100
	975,371	795,690

28.1 Includes Rs. 40,197 (2012: Rs. 29,266) in respect of staff retirement benefits referred to in notes 37 and 47.

28.2 Includes Rs. 102,115 (2012: Nil) in respect of Employees' share option compensation expense.

(Amounts in thousand)

	2013	2012
	------(Rupees)-----	-----
29. Other Operating Expenses		
Research and business development	37,492	55,126
Legal and professional	92,126	54,934
Auditors' remuneration (note 29.1)	3,126	2,711
Donations (note 29.2)	16,220	12,359
Software maintenance and license cost	19,000	14,178
Workers' profits participation fund (note 22.2)	28,041	211,021
Workers' welfare fund	22,943	78,418
Loss on disposal of biological assets	19,175	-
Provision for culling of biological assets (note 6.2)	15,961	-
Biological assets written-off (note 6.3)	50,533	-
Employee separation benefits (note 38)	16,600	-
Others	19,256	1,016
	<u>340,473</u>	<u>429,763</u>
29.1 Auditors' remuneration		
Fee for the:		
- audit of annual financial statements	935	700
- review of half yearly financial information	175	125
- tax advisory services	-	1,341
- review of compliance with the Code of Corporate Governance	50	50
- audit of retirement benefit funds	100	100
- special certifications and other advisory services	1,681	230
	<u>2,941</u>	<u>2,546</u>
Reimbursement of expenses	185	165
	<u>3,126</u>	<u>2,711</u>
29.2 Includes donation to following related parties:		
- Engro Foundation (note 29.2.1)	15,500	11,800
- Pakistan Veterans Cricket Association (note 29.2.1)	-	50
	<u>15,500</u>	<u>11,850</u>

29.2.1 The Directors of the Group including the Chief Executive and their spouses do not have any interest in the donee, except that a Director - Mr. Aliuddin Ansari is on the Board of Trustees of Engro Foundation as Trustee and Chairman and a Director - Mr. Mujahid Hamid is a Director of Pakistan Veterans Cricket Association.

(Amounts in thousand)

	2013	2012
	------(Rupees)-----	-----
30. Other Income		
From financial assets		
Interest on bank deposits / saving accounts	16,787	33,355
Gain realized on disposal of short term investments	67,185	44,411
Gain on remeasurement of short term investments at fair value	-	8,750
	<u>83,972</u>	<u>86,516</u>
From other than financial assets		
Gain arising from changes in fair value of biological assets (note 6.1)	185,771	200,366
Foreign currency translation	2,610	-
Gain on disposal of biological assets	-	4,310
Gain on disposal of operating assets	13,477	12,176
Exchange gain	3,814	7,349
Scrap sales	28,719	32,363
Stale liabilities reversed	-	38,653
Others	8,548	669
	<u>242,939</u>	<u>295,886</u>
	<u>326,911</u>	<u>382,402</u>
31. Other Expenses		
Sales tax on exempt supplies	<u>208,456</u>	<u>-</u>
Ministry of Finance, Economic Affairs, Government of Pakistan (MoF) through SRO 501(I)/2013 dated June 12, 2013 exempted the supplies of Milk and Cream (Dairy products) from levy of sales tax effective from June 13, 2013. Sales tax on these supplies was previously charged at the rate of zero per cent (Zero-rated). Consequent to the aforementioned SRO, input tax could not be claimed/adjusted against the output tax on these supplies. Subsequently, on Holding Company's plea the MoF through SRO 670(I)/2013 dated July 18, 2013 reinstated the status of Zero-rating of Dairy products. However, effective date of applicability of Zero-rating is not mentioned in SRO 670(I)/2013, therefore, the 'Zero rating' or 'exempt' status of the supplies from June 13, 2013 to July 17, 2013 is not clear. While the Holding Company is strongly pursuing this matter with the relevant authorities, however, due to significant uncertainty regarding its recoverability the amount has been charged off.		

32. Finance Costs

	2013	2012
	------(Rupees)-----	-----
Mark-up on		
- short-term finances	20,187	33,177
- long-term finances	733,955	837,514
	<u>754,142</u>	<u>870,691</u>
Bank charges	31,325	31,812
	<u>785,467</u>	<u>902,503</u>

(Amounts in thousand)

33. Taxation

Current

- For the year
- For prior years

Deferred

	2013	2012
	------(Rupees)-----	
	379,824	409,945
	16,971	-
	396,795	409,945
	(93,062)	915,671
	303,733	1,325,616

33.1 Following is the position of the Holding Company's open tax assessments:

- a) The Holding Company in accordance with section 59 B (Group Relief) of the Income Tax Ordinance, 2001 has surrendered to Engro Corporation Limited (ECL), the Ultimate Holding Company, its tax losses amounting to Rs. 4,288,134 out of the total tax losses of Rs. 4,485,498 for the years ended December 31, 2006, 2007 and 2008 (Tax years 2007, 2008 and 2009) for cash consideration aggregating Rs. 1,500,847, being equivalent to tax benefit/effect thereof.

The Holding Company has been designated as part of the group of Engro Corporation Limited by the Securities and Exchange Commission of Pakistan (SECP) through its letter dated February 26, 2010. Such designation was mandatory for availing Group tax relief under section 59 B(2)(g) of the Ordinance and a requirement under the Group Companies Registration Regulations, 2008 (the Regulations) notified by the SECP on December 31, 2008.

Further, the Appellate Tribunal, in respect of surrender of aforementioned tax losses by the Holding Company to ECL for the years ended December 31, 2006 and 2007, decided the appeals in 2010 in favour of the Holding Company, whereby, allowing the surrender of tax losses by the Holding Company to ECL. The tax department has filed reference application thereagainst before the Sindh High Court, which are under the process of hearings. However, in any event, should the reference application be upheld and the losses are returned to the Holding Company, it will only culminate into recognition of deferred income tax asset thereon with a corresponding liability to ECL for refund of the consideration received. As such there will be no effect on the results of the Group.

During the year, the Appellate Tribunal also decided the similar appeal filed by ECL for the year ended December 31, 2008 in favour of ECL.

- b) The Holding Company's appeal against the order of Commissioner Inland Revenue (CIR) for reduction of tax loss from Rs. 1,224,964 to Rs. 1,106,493 for the tax year 2007, is currently in the process of being heard. However, the Holding Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and hence the balance of taxes recoverable has not been reduced by the effect of the aforementioned disallowance.
- c) In 2010, the Commissioner Inland Revenue raised a demand of Rs. 337,386 for tax year 2008 by disallowing the provision for gratuity, advances and stock written-off, repair and maintenance, provision for bonus, sales promotion and advertisement expenses. Further, in the aforementioned order the consideration receivable from ECL, on surrender of tax loss was added to income for the year. The Holding Company filed an appeal thereagainst before the Commissioner Appeals. The Commissioner Appeals through his order dated September 16, 2011, has decided certain matters in favour of the Holding Company whereby withdrawing the demand amounting to Rs. 222,357. The Holding Company filed an appeal at the Tribunal level for the remainder matters remanded back or decided against the Holding Company. The Tribunal through its order dated May 3, 2013, has decided the remaining matters in favour of the Holding Company except for certain disallowances of advances and stock

(Amounts in thousand)

written-off amounting to Rs. 8,642. These disallowances will be claimed in tax year 2014 as significant time has lapsed, and no amount has been realized thereagainst to date. Therefore, there will be no effect on the results of the Group.

- d) During the year, the Commissioner Inland Revenue raised a demand of Rs. 223,369 for tax year 2009 by disallowing the provision for advances, stock written-off, repair and maintenance, sales promotion and advertisement expenses etc. The Holding Company has obtained stay order from the Sindh High Court against the audit proceedings and has also filed an appeal thereagainst before the Commissioner Appeals. The Holding Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

- e) During the year, the Sindh High Court, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the minimum tax paid cannot be carried forward in respect of the year where no tax has been paid on account of loss for the year. The Holding Company's management, based on the opinion of its legal advisor, is of the view that the above order is not correct and would not be maintained by the Supreme Court, which they intend to approach, if required. Therefore, the Holding Company has maintained the adjustment of carried forward minimum tax amounting to Rs. 473,589, made in prior years.

33.2 Relationship between tax expense and accounting profit
Profit before taxation

Tax at the applicable tax rate of 34% (2012: 35%)

Tax effect of:

- Differential of reduction in tax rate
- lower tax rate on exports and gain on short-term investments
- inadmissible expenses
- losses of Subsidiary Company not subject to corporate tax
- deferred tax on unused tax losses of the Subsidiary Company written-off
- others

	2013	2012
	------(Rupees)-----	
	1,174,105	3,920,789
	399,196	1,372,276
	(52,844)	-
	(59,256)	(53,916)
	245	4,326
	2,269	-
	6,913	-
	7,210	2,930
	(95,463)	(46,660)
	303,733	1,325,616

34. Earnings 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 employees of the Holding Company under the previous Employees' Share Option Scheme of the Holding Company (the previous Scheme). 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 the previous Scheme.

Profit for the year

870,372	2,595,173
---------	-----------

Number of shares
in thousand

Weighted average number of ordinary shares in issue during the year
Add: Weighted average adjustment for assumed conversion of employees' share options
Weighted average number of shares for determination of diluted earnings per share

765,129	756,431
1,135	6,817
766,264	763,248

(Amounts in thousand)

	2013	2012
	------(Rupees)-----	
35. Cash Generated from Operations		
Profit before taxation	1,174,105	3,920,789
Adjustment for non-cash charges and other items:		
- Depreciation	1,461,213	1,207,139
- Impairment of operating assets	103,371	-
- Amortization of intangible assets	50,579	40,695
- Amortization of deferred income	(7,980)	-
- Amortization of arrangement fees on long term loan	4,975	-
- Amortization of deferred employee share option compensation reserve	102,115	-
- (Gain) / Loss on disposal of biological assets	19,175	(4,310)
- Biological assets written-off	50,533	-
- Gain on disposal of operating assets	(13,477)	(12,176)
- Impairment against sales tax refundable	208,456	-
- Reversal of impairment against sales tax refundable	-	(4,358)
- Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	(185,771)	(200,366)
- Provision for culling of biological assets	15,961	-
- Provision for retirement and other service benefits	73,992	62,063
- Provision for stock-in-trade	125,154	16,972
- Provision for slow moving spares	1,887	684
- Provision/ (Reversal of provision) for impairment of trade debts	(446)	1,191
- Finance costs	785,467	902,503
Working capital changes (note 35.1)	6,809	(1,288,940)
	<u>3,976,118</u>	<u>4,641,886</u>
35.1 Working capital changes		
(Increase) / Decrease in current assets		
- Stores, spares and loose tools	(196,784)	(104,679)
- Stock-in-trade	285,868	(873,761)
- Trade debts	(4,053)	(63,144)
- Advances, deposits and prepayments	80,710	4,303
- Other receivables	(1,118,740)	(275,683)
	<u>(952,999)</u>	<u>(1,312,964)</u>
Increase in current liabilities		
- Trade and other payables - net	959,808	24,024
	<u>6,809</u>	<u>(1,288,940)</u>
36. Cash and Cash Equivalents		
Short term investments (note 15)	170,000	2,708,750
Cash and bank balances (note 16)	575,036	422,008
Short term finances (note 23)	(213,405)	(85,389)
	<u>531,631</u>	<u>3,045,369</u>

(Amounts in thousand)

37. Staff Retirement and Other Service Benefits

37.1 As stated in note 2.12.1, the Holding Company operates an approved funded gratuity scheme (the Fund), for all its permanent employees subjected to minimum prescribed period of service. Actuarial valuation of the Fund is carried out every year and the latest actuarial valuation was carried out as at December 31, 2013.

37.2 Plan assets held in trust are governed by local regulations which mainly includes Trust Act, 1882, Companies Ordinance, 1984, Income Tax Rules, 2002 and Rules under the Trust deed of the Fund. Responsibility for governance of the plan, including investment decisions and contribution schedules, lies with the Board of Trustees. The Board of Trustees must be composed of representatives of the Holding Company and plan participants in accordance with the Trust deed of the Fund.

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

	2013	(Restated) 2012
	------(Rupees)-----	
37.4 Balance sheet reconciliation		
Present value of defined benefit obligation (note 37.7)	(312,434)	(241,468)
Fair value of plan assets (note 37.8)	253,792	200,821
Deficit	(58,642)	(40,647)
Receivable from group companies	332	332
Net liability at end of the year	<u>(58,310)</u>	<u>(40,315)</u>
37.5 Movement in net liability in the balance sheet		
Net liability at beginning of the year	(40,315)	(41,014)
Charge for the year (note 37.9)	(73,992)	(62,063)
Contribution made during the year to the Fund	74,005	70,800
Remeasurements recognized in Consolidated Other Comprehensive Income (OCI) (note 37.6)	(18,008)	(8,038)
Net liability at end of the year	<u>(58,310)</u>	<u>(40,315)</u>
37.6 Remeasurement recognized in Consolidated Other Comprehensive Income		
Loss from changes in demographic assumptions	(11)	-
(Gain) / Loss from changes in financial assumptions	6,531	(7,225)
Experience losses	(18,110)	(20,979)
Remeasurement of defined benefit obligation	(11,590)	(28,204)
Actual return on plan assets	23,104	27,639
Expected return on plan assets	(26,019)	(18,228)
Unrecognized previous transfer amounts	(3,132)	32
Adjustment - transfers	(371)	10,723
Remeasurement of fair value of plan assets	(6,418)	20,166
	<u>(18,008)</u>	<u>(8,038)</u>

(Amounts in thousand)

	2013	(Restated) 2012
	----- (Rupees) -----	
37.7 Movement in present value of defined benefit obligations / unfunded obligations		
Present value of defined benefit obligations at beginning of the year	241,468	171,407
Current service cost	67,763	55,193
Interest cost	32,248	25,098
Transfers	5,705	(10,787)
Benefits paid during the year	(46,340)	(27,647)
Remeasurement on obligation (note 37.6)	11,590	28,204
Present value of defined benefit obligation at end of the year	<u>312,434</u>	<u>241,468</u>
37.7.1 Analysis of present value of defined benefit obligation		
Vested Benefits	306,529	236,066
Non-Vested benefits	5,905	5,402
	<u>312,434</u>	<u>241,468</u>
Accumulated benefit obligation	117,145	95,501
Amounts attributed to future salary increases	195,289	145,967
	<u>312,434</u>	<u>241,468</u>
37.8 Movement in fair value of plan assets		
Fair value of plan assets at beginning of the year	200,821	129,997
Expected return on plan assets	26,019	18,228
Contributions for the year	74,005	70,800
Assets transferred in respect of inter - group transfers	5,705	(10,723)
Benefits paid during the year	(46,340)	(27,647)
Remeasurement (note 37.6)	(6,418)	20,166
Fair value of plan assets at end of the year	<u>253,792</u>	<u>200,821</u>
37.9 Cost charged to profit and loss account		
Current service cost	67,763	55,193
Net interest cost	6,229	6,870
Cost for the year	<u>73,992</u>	<u>62,063</u>
37.10 Charge for the year has been allocated as follows:		
Cost of sales	33,014	27,740
Distribution and marketing expenses	24,183	20,892
Administrative expenses	16,795	13,431
	<u>73,992</u>	<u>62,063</u>

(Amounts in thousand)

37.11 Principal actuarial assumptions used are as follows:

- Financial assumptions
- Discount rate - per annum compound
 - Expected rate of increase in salaries - per annum
 - First year
 - Long-term
 - Expected rate of return on plan assets - per annum
- Demographic assumptions
- Expected mortality rate
 - Withdrawal rates / Rate of employees turnover

	2013	2012
Discount rate - per annum compound	13%	12%
Expected rate of increase in salaries - per annum	10%	14%
Expected rate of return on plan assets - per annum	12%	11%
Expected rate of return on plan assets - per annum	13%	12%
Expected mortality rate	SLIC (2001-05) Moderate	LIC (1975-79) Moderate

37.12 Actual return on plan assets

	2013	(Restated) 2012
	----- (Rupees) -----	
Actual return on plan assets	23,104	27,639

37.13 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	----- Rupees -----		
Discount rate	1%	280,576	350,523
Expected rate of increase in salaries - long term	1%	349,010	281,269
Withdrawal rates / employees turnover rate		Light	Heavy
		----- Rupees -----	
Present value of defined benefit obligation		302,428	318,265

37.14 The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognized within the statement of financial position.

(Amounts in thousand)

37.15 Plan assets comprise of following:

	2013			2012	2012			2013	2012
	Quoted	Un-Quoted	Total		Quoted	Un-Quoted	Total		
	-----Rupees-----			-----Rupees-----					
Equity Instruments									
Chemicals - ECPL Shares	6,808	-	6,808	3%	4,267	-	4,267	2%	
Banking - Mutual Funds	3,933	-	3,933	2%	2,907	-	2,907	1%	
	10,741	-	10,741	4%	7,174	-	7,174	4%	
Debt Instruments									
Government Bonds	-	54,474	54,474	21%	-	94,426	94,426	47%	
Term Finance Certificates	19,870	-	19,870	8%	23,734	-	23,734	12%	
Engro Rupiya Certificates	27,065	-	27,065	11%	27,431	-	27,431	14%	
Regular Income Certificates	-	33,164	33,164	13%	-	33,610	33,610	17%	
	46,935	87,638	134,573	53%	51,165	128,036	179,201	89%	
Cash and Cash Equivalents	-	104,018	104,018	41%	-	7,820	7,820	4%	
Others	-	4,460	4,460	2%	-	6,626	6,626	3%	
Total	57,676	196,116	253,792	100%	58,339	142,482	200,821	100%	

37.16 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 consolidated balance sheet date. Expected return on equity investments reflect the long-term real rates of return experienced in the market.

37.17 Expected contributions to the Fund for the year ending December 31, 2014 are Rs. 78,327.

37.18 The weighted average duration of the defined benefit obligation is 17.65 years.

37.19 Historical information of staff retirement benefits:

	2013	2012	2011	2010	2009	2008
	-----Rupees-----					
Present value of obligations	(312,434)	(241,468)	(171,407)	(137,469)	(77,010)	(39,033)
Fair value of plan assets	253,792	200,821	129,997	82,509	58,688	29,417
Deficit recognized in OCI	(58,642)	(40,647)	(41,410)	(54,960)	(18,322)	(9,616)

(Amounts in thousand)

38. Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the consolidated financial statements in respect of remuneration and benefits to the Chief Executive, directors and executives are as follows:

	2013			2012		
	Directors Chief Executive	Others	Executives	Directors Chief Executive	Others	Executives
	-----Rupees-----					
Managerial remuneration	32,928	-	871,525	25,291	-	602,891
Contribution for staff retirement benefits	1,665	-	123,843	3,185	-	77,394
Bonus paid	29,511	-	192,634	6,530	-	160,279
Fees	23	2,820	289	-	2,050	-
Others - separation benefits	16,600	-	-	-	-	-
Total	80,727	2,820	1,188,291	35,006	2,050	840,564
Number of persons, including those who worked part of the year	3	9	540	1	9	322

38.1 The Holding Company also provides company owned and maintained vehicles for use of the Chief Executive and certain executives.

38.2 Premium charged in respect of non-executive directors indemnity insurance amounts to Rs. 748 (2012: Rs. 797).

39. Financial Instruments by Category

39.1 Financial assets as per consolidated balance sheet

- At fair value through profit or loss
Short-term investments

- Loans and receivables at amortized cost

Long term deposits
Trade debts
Advances and deposits
Other receivables
Cash and bank balances

	2013	2012
	-----Rupees-----	
Short-term investments	170,000	2,708,750
Long term deposits	56,721	53,751
Trade debts	245,767	149,074
Advances and deposits	20,155	12,028
Other receivables	524,108	311,854
Cash and bank balances	575,036	422,008
	1,421,787	948,715
	1,591,787	3,657,465

(Amounts in thousand)

39.2 Financial liabilities as per consolidated balance sheet

	2013	2012
	------(Rupees)-----	
- Financial liabilities measured at amortized cost		
Long term finances	8,159,002	7,708,893
Obligations under finance lease	-	2,589
Trade and other payables	2,857,354	2,083,546
Accrued interest / mark-up	239,649	308,838
Short term finances	213,405	85,389
	11,469,410	10,189,255

39.3 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction. The carrying values of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values.

40. Financial Risk Management Objectives and Policies

40.1 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 risk management program focuses on unpredictability of the financial markets for having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to the shareholders. Risk management is carried out by the Holding Company's finance department under the policies approved by the Holding Company's Board of Directors.

a) Market risk

i) Currency risk

Currency risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Group's exposure to currency risk is limited as all the foreign purchases are made against on sight letters of credit where the payment is made on the date of delivery with no credit period. The Holding Company imports plant and machinery and certain raw materials which exposes it to currency risk, primarily with respect to liabilities denominated in US Dollars. The Group manages the currency risk relating to US Dollar and Euro through forward exchange contracts.

At December 31, 2013, if the Pakistan Rupee had weakened/strengthened by 5% against the US Dollar with all other variables held constant, the effect on post-tax profit for the year would have been immaterial.

ii) Interest rate risk

Interest rate risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from long and short term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. As there are no borrowings at fixed rates, the Group is not exposed to fair value interest rate risk.

The Group analyses its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market

(Amounts in thousand)

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.

At December 31, 2013, if interest rates on the Holding Company's borrowings had been 1% higher/lower with all other variables held constant, post tax profit for the year would have been higher/lower by Rs. 56,272 (2012: Rs. 50,109) mainly as a result of higher/lower interest exposure on variable rate borrowings.

iii) Other price risk

Price risk represents the risk that the fair values or future cash flows of financial instruments 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 affecting all similar financial instruments traded in the market. The Group is exposed to insignificant price risk due to its investments in fixed term deposits.

b) Credit risk

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge their obligations.

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits and other receivables. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

As at December 31, 2013, the Group has significant concentration of credit risk resulting from receivable from Tetra Pak Pakistan Limited, Ecolan AB, short term investments and deposits with banks and financial institutions amounting to Rs. 1,234,606 (2012: Rs. 3,416,971). The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings as follows:

Banks / Investments	Rating Agency	2013	
		Short term	Long term
Allied Bank Limited	PACRA	A1+	AA+
Faysal Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	FCRA	A1+	AA
Bank of Punjab	PACRA	A1+	AA-
Habib Bank Limited	JCR-VIS	A1+	AAA
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A1+	AA
National Bank of Pakistan	JCR-VIS	A1+	AAA
United Bank Limited	JCR-VIS	A1+	AA+
HSBC Bank Middle East Limited	Moody's	P-1	A2
Barclays Bank PLC Pakistan	Moody's	P-1	A2
Askari Bank Limited	PACRA	A1+	AA
Al-Baraka Bank Pakistan Limited	PACRA	A-1	A
Burj Bank Limited	JCR-VIS	A-1	A
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A-1	A
Standard Chartered Bank Pakistan Limited	PACRA	A1+	AAA
Soneri Bank Limited	PACRA	A1+	AA-
NIB Bank Limited	PACRA	A1+	AA-
Citi Bank N.A.	Moody's	P-2	A3
Bank Al-Habib Limited	PACRA	A1+	AA+
Deutsche Bank AG	Moody's	P-1	A2
Samba Bank Limited	JCR-VIS	A-1	AA-

(Amounts in thousand)

The Group attempts to control credit risk arising on receivable from Tetra Pak Pakistan Limited through legally binding agreements that are signed between the two parties. The Group is not materially exposed to credit risk on trade debts as the Group has the policy of receiving the sales value prior to or at the time of supply of the products and credit is only granted to few reputed customers with good credit standings, with whom the Group has written terms of arrangement.

c) **Liquidity risk**

Liquidity risk represents the risk that the Group will encounter difficulties in meeting obligations associated with its financial liabilities. The Group's liquidity management involves projecting cash flows and consider the level of liquid funds necessary to meet these, monitoring consolidated balance sheet liquidity ratios against external regulatory requirements and maintaining debt financing plans. These objectives are achieved by maintaining sufficient cash and readily marketable securities and availability of funding through committed credit facilities. Due to dynamic nature of the business, the Group maintains flexibility in funding by maintaining committed credit lines available.

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

	2013			2012		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	------(Rupees)-----					
Long term finances	1,032,008	7,126,994	8,159,002	1,685,823	6,023,070	7,708,893
Obligations under finance lease	-	-	-	2,589	-	2,589
Trade and other payables	2,857,354	-	2,857,354	2,083,546	-	2,083,546
Accrued interest / mark-up	239,649	-	239,649	308,838	-	308,838
Short term finances	213,405	-	213,405	85,389	-	85,389
	<u>4,342,416</u>	<u>7,126,994</u>	<u>11,469,410</u>	<u>4,166,185</u>	<u>6,023,070</u>	<u>10,189,255</u>

41. **Capital Risk Management**

The objective of the Group when managing capital is to safeguard its ability to continue as a going concern and to provide expected returns to its shareholders by maintaining optimum capital structure to minimize the cost of capital.

The Group manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Holding Company may issue new equity, manage dividend payouts to its shareholders or sell assets to reduce debt. The Group also manages capital by maintaining gearing and current ratios at certain levels. The Group's strategy is to maintain the gearing and current ratio in accordance with the Prudential Regulations issued by the State Bank of Pakistan and in accordance with agreements with financial institutions.

The Group manages capital by maintaining gearing ratio at certain level. Groups ratio is calculated as long term finances (note 19) divided by total capital. Total capital is calculated as 'equity' in the consolidated balance sheet plus long term finances. The gearing ratio as at December 31 is as follows:

	2013	2012
	------(Rupees)-----	
Long term finances	7,126,994	6,023,070
Total equity	10,760,569	10,031,319
Total capital	<u>17,887,563</u>	<u>16,054,389</u>
Debt to Equity ratio	<u>0.40</u>	<u>0.38</u>

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(Amounts in thousand)

42. **Transactions with Related Parties**

42.1 Transactions with related parties, other than those which have been disclosed elsewhere in these consolidated financial statements, are as follows:

Nature of relationship	Nature of transactions	2013	2012
		------(Rupees)-----	
Holding company	Arrangement for sharing of premises, utilities, personnel and assets	211,961	324,780
	Advance against purchase of shares of Engro Foods Netherlands B. V. - Net	237,270	863,018
	Pension fund contribution	1,229	4,568
	Provident fund contribution	25,027	23,534
	Gratuity fund contribution	1,479	3,242
Subsidiary and associated companies	Arrangement for sharing of premises, utilities, personnel and assets	79,582	168,914
	Provident fund contribution	-	40
	Purchases of goods	125,466	347,349
	Purchases of services	8,306	456
	Donations	15,500	11,850
	Subsidy received	17,829	7,708
Contribution to staff retirement funds	Provident fund	178,819	162,759
	Gratuity fund	68,407	70,800
Key management personnel	Managerial remuneration	113,033	98,219
	Contribution for staff retirement benefits	13,085	12,124
	Bonus payments	103,934	46,208
	Other benefits	748	797

42.2 There are no transactions with key management personnel other than under the terms of employment.

42.3 The related party status of outstanding receivables and payables as at December 31, 2013 are included in respective notes to the consolidated financial statements.

(Amounts in thousand)

43. Segment Information

43.1 A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. Management has determined the operating segments based on the information that is presented to the Board of Directors of the Holding Company for allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the Group is organized into the following four operating segments:

- Dairy, beverages and others;
- Ice cream;
- Dairy farm; and
- Business development.

Management monitors the operating results of the abovementioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in table below, is measured differently from profit or loss in the consolidated financial statements. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Unallocated assets include long term investments, long and short term advances, deposits and prepayments, other receivables, taxes recoverable and cash and bank balances. Liabilities are not segment-wise reported to the Board of Directors. All the unallocated results and assets are reported to the Board of Directors at entity level. Inter-segment sales of processed milk and powder are made by Dairy, beverages and others to Ice cream and inter-segment sales of raw milk are made by Dairy farm to Dairy, at market value.

The following information presents operating results information regarding operating segments for the year ended December 31, 2013 and asset information regarding operating segments as at December 31, 2013:

	2013				2012 - Restated				Total			
	Dairy & Beverages	Ice cream	Dairy farm	Business Development	Others	Total	Dairy & Beverages	Ice cream		Dairy farm	Business Development	
Results for the year												
Net sales	35,383,618	2,642,933	496,095	9,144	38,550	38,570,340	37,588,856	2,801,366	477,417	-	-	40,867,639
Inter-segment sales	(172,413)	-	(496,095)	-	-	(668,508)	(248,564)	-	(477,417)	-	-	(725,981)
	35,211,205	2,642,933	-	9,144	38,550	37,901,832	37,340,292	2,801,366	-	-	-	40,141,658
Raw milk sales	27,406	-	-	-	-	27,406	27,261	-	-	-	-	27,261
Depreciation, impairment and amortization	35,238,611	2,642,933	-	9,144	38,550	37,929,238	37,367,553	2,801,366	-	-	-	40,168,919
Finance costs	1,129,970	418,105	62,770	4,840	78	1,615,163	859,800	329,976	56,720	1,338	-	1,247,834
Net profit / (loss) after tax	339,882	309,343	135,589	90	563	785,467	447,777	324,946	129,780	-	-	902,503
	1,572,634	(320,196)	(136,524)	(127,465)	(118,077)	870,372	3,070,137	(409,091)	(21,006)	(44,867)	-	2,595,173
Assets												
- Segment assets	17,121,104	2,610,091	1,706,295	58,859	485,718	21,982,067	12,513,007	2,989,067	1,632,305	5,470	-	17,139,849
- Un-allocated assets	17,121,104	2,610,091	1,706,295	58,859	485,718	24,340,310	12,513,007	2,989,067	1,632,305	5,470	-	22,201,046

(Amounts in thousand)

44. Seasonality

The Group's 'Ice cream' and 'Juice' businesses are subject to seasonal fluctuation, with demand of ice cream and juice products increasing in summer. The Group's dairy business is also subject to seasonal fluctuation due to lean and flush cycles of milk collection.

45. Production Capacity

	Designed Annual Capacity (note 45.1)		Actual Production		Remarks
	2013	2012	2013	2012	
	------(Litres in thousand)-----				
Dairy and Juices	657,000	601,481	422,818	476,788	Production planned as per market demand
Ice cream	39,000	35,527	14,500	16,550	

45.1 Represents capacity as at consolidated balance sheet date.

46. Number of Employees

	Number of employees as at		Average number of employees	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Management employees	1,400	1,207	1,313	1,150
Non-management employees	199	196	200	179
	<u>1,599</u>	<u>1,403</u>	<u>1,513</u>	<u>1,329</u>

47. Provident Fund

47.1 The following information is based upon the un-audited financial statements of the provident fund of the Holding Company as at December 31, 2013 and December 31, 2012.

	2013	2012
	------(Rupees)-----	
Size of the fund - Total assets	<u>462,999</u>	<u>329,530</u>
Percentage of investments made	<u>84%</u>	<u>87%</u>
Fair value of investments	<u>390,773</u>	<u>288,213</u>

The break-up of fair value of investments is as follows:

	2013		2012	
	Rupees	%	Rupees	%
Bank deposits	107,825	28%	3,274	1%
Government securities	213,848	55%	192,025	67%
Listed securities	69,100	18%	92,914	32%
	<u>390,773</u>		<u>288,213</u>	

(Amounts in thousand)

47.2 Investments out of provident fund have been made in accordance with the provisions of section 227 of the Company Ordinance, 1984 and the rules formulated for this purpose.

47.3 An amount of Rs. 103,099 (2012: Rs. 73,171) has been charged during the year in respect of contribution to the provident fund.

48. Supplementary Information

Details of expenses allocated to export business is as follows:

	2013	2012
	------(Rupees)-----	
Salaries, wages and staff welfare	10,997	12,493
Freight outward	39,694	18,333
Rent and utilities	430	285
Communication and other office expenses	623	519
Travelling	580	1,246
Depreciation	-	242
Legal charges	8,316	329
Bank charges	3,642	1,987
	<u>64,282</u>	<u>35,434</u>

Represents all expenses directly attributable to exports and incremental expenses incurred due to exports.

49. Corresponding Figures

For better presentation, the following reclassifications have been made in these consolidated financial statements:

Description	Rupees	Head of account in consolidated financial statements for the year ended December 31, 2012	Head of account in consolidated financial statements for the year ended December 31, 2013
Consolidated profit and loss account			
Communication and other office expenses	55,000	Distribution and marketing expenses	Administrative expenses
Major spare parts and standby equipments	65,167	Stores, spares and loose tools	Property, plant and equipment

50. Date of Authorization for Issue

These consolidated financial statements were authorized for issue on January 24, 2014 by the Board of Directors of the Holding Company.



Aliuddin Ansari
Chairman



Sarfaraz A. Rehman
Chief Executive Officer

annexure

employee stock option scheme

Employee Share Option Scheme 2013:

The Company in the Extra Ordinary General Meeting held on March 22, 2013, has approved an Employee Share Option Scheme (ESOS) for granting of options to its certain critical employees. The fair value of the option was determined by management using the Black-Scholes model.

According to this scheme, 16.9 million shares can be granted to certain critical employees in the years 2013 to 2015. 50% of the options granted will vest in two years whereas the remaining 50% will vest in three years from the date of the grant of options. During the year 5.7 million shares were granted. Granted options are exercisable within 3 years from the end of vesting period.

During the year, 5,700,000 shares were granted to the following senior management personnel:

S.NO.	Name	No. of Options
1	Ahsan Afzal Ahmed	800,000
2	Babur Sultan	1,000,000
3	Imran Anwer	1,000,000
4	Salman Goheer	800,000
5	Ali Khan Bajori	800,000
6	Usman Zaheer	800,000
7	Kanwer M. Anwer Saeed	500,000

The following employees were given more than 5% of total options issued:

S.NO.	Name	No. of Options
1	Babur Sultan	1,000,000
2	Imran Anwer	1,000,000

None of the employees were issued with options exceeding 1% of the paid up capital of Company.



employee stock option scheme

Employee Share Option Scheme 2007:

The Company in the Extra Ordinary General Meeting held on October 08, 2007, had approved an Employee Share Option Scheme (ESOS) for granting of options to its certain eligible employees. The fair value of the option was determined by management using the Black-Scholes model.

According to this scheme, 21 million shares had been granted to eligible employees. The vested options as on December 31, 2013 were 21 million shares. Overall, options of 18,596,075 shares had been exercised.

The number of options that lapsed during the year was Nil (2012: 643,280). In total, Rs. 355,654,719 has been received on account of exercise of the options from this scheme.

Out of total Options granted, 9,500,000 shares were granted to the following senior management personnel:

S.NO.	Name	No. of Options
1	Sarfraz A. Rehman	2,500,000
2	Shamsuddin A. Shaikh (ex – employee)	2,000,000
3	Ali Akbar (ex – employee)	2,000,000
4	Babur Sultan	2,000,000
5	Imran Anwer	1,000,000

The following employees were given more than 5% of total options issued:

S.NO.	Name	No. of Options
1	Sarfraz A. Rehman	2,500,000
2	Shamsuddin A. Shaikh (ex – employee)	2,000,000
3	Ali Akbar (ex – employee)	2,000,000
4	Babur Sultan	2,000,000

None of the employees were issued with options exceeding 1% of the paid up capital of Company.

As at December 31, 2013, all Options granted under the Scheme have been either exercised or lapsed.

glossary

Acronym	Name
BD	Business Development
IA	Internal Audit
HR	Human Resources
SC	Supply Chain
MPD	Milk Procurement Department
IS	Information Systems
TA	Talent Acquisition
T&OD	Training and Organizational development
C&B	Compensation & Benefits
F&P	Finance and Planning
HSE	Health Safety and Environment
SKUs	Stock Keeping Units
PQnD	Product Quality & Development
ICF	Ice Cream Factory
GM	General Manager
SC	Supply Chain
NSM	National Sales Manager
NCC	Manager-National Channel & Category Manager
PAT	Profit After Tax
PBT	Profit Before Tax
CELDAC	Community Empowerment through Livestock Development & Credit
WELD	Women Empowerment through Livestock Development
EMAN	Engro Milk Automation Network

proxy form

I/We _____
of _____ being a member of ENGRO FOODS 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 April, 2014 and at any adjournment thereof.

Signed this _____ day of _____ 2014.

WITNESSES:

1) Signature : _____
Name : _____
Address : _____

CNIC or : _____
Passport No.: _____

2) Signature : _____
Name : _____
Address : _____

CNIC or : _____
Passport No.: _____

Signature
Signature should agree with the specimen
registered with the Company

Note:

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

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