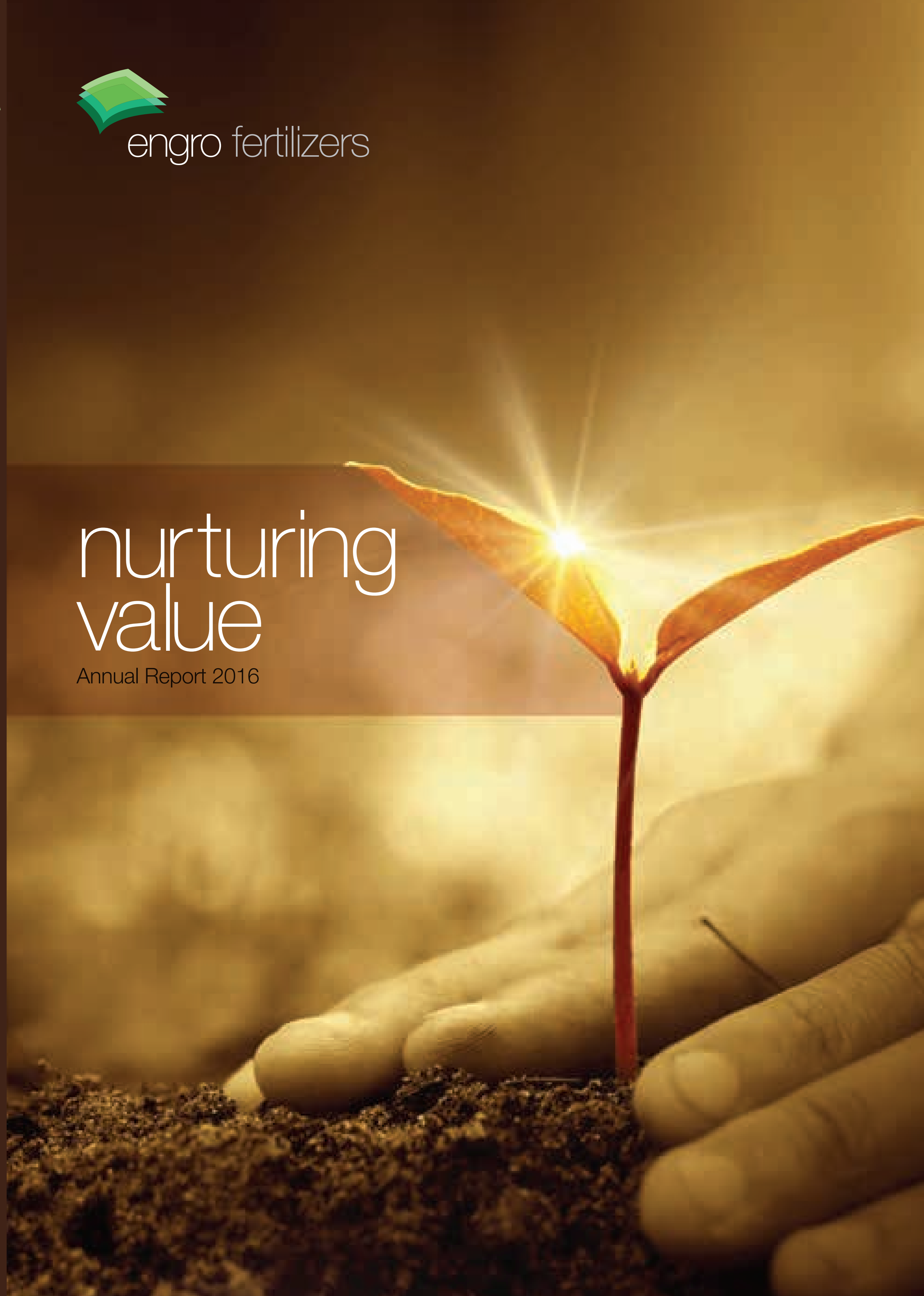


engro fertilizers

# nurturing value

Annual Report 2016

engro fertilizers

Annual Report 2016

RG-Blue Communications

111-211-211
engrofertilizers.com

# about the cover

We at Engro Fertilizers believe in the potential of our fields. We know that our lands have the capacity to give us produce that is worth gold, only if they are nurtured well. Engro Fertilizer commits itself to nurturing value in all of its activities - systems, processes and gains. Our cover depicts how the use of Engro Fertilizer gives you a valuable return. And this is the concept followed throughout.

# contents

## Company



## Corporate Governance



## Directors' Report



## Financial Statements

# nurturing perception

Company Information

# company information

## Board of Directors

Mr. Ghias Khan (Chairman)
Mr. Ruhail Mohammed (Chief Executive)
Mr. Abdul Samad Dawood
Mr. Asad Said Jafar
Mr. Asim Murtaza Khan
Mr. Javed Akbar
Ms. Sadia Khan

## Company Secretary

Sohail Kassamali

## Bankers

**Conventional**

Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
CIMB Bank
Citi Bank .N.A.
CITI Bank Dubai
Faysal Bank Limited
Habib Bank AG Zurich Dubai
Habib Bank Limited
Habib Bank Limited Dubai
Habib Metropolitan Bank Limited
HSBC Bank Limited Dubai
JS Bank Limited
Mashreq Bank
MCB Bank Limited
National Bank of Pakistan
Samba Bank Limited
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Bank of Punjab
United Bank Limited
United Bank Limited Dubai

**Shariah Compliant**

Bank Islami Pakistan Limited
Al Baraka Islamic Bank (Pakistan) Limited
Dubai Islamic Bank (Pakistan) Limited
Meezan Bank Limited
Summit Bank Limited

## Auditors

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

## Registered Office

7th Floor, The Harbor Front Building,
HC # 3, Marine Drive, Block 4, Clifton,
Karachi-75600, Pakistan
Tel: +92(21) 35297501-10
Fax:+92(21) 35810669
e-mail: info@engrofertilizers.com
Website: www.engrofertilizers.com
www.engro.com

## Share Registrar

M/s. FAMCO Associates (Pvt) Limited
8-F, Next to Hotel Faran, Block-6, PECHS,
Shahrah-e-Faisal
Karachi – Pakistan
Tel: +92(21) 3438 0104-5, 3438 4621-3
Fax +92(21) 3438 0106



# notice of meeting

NOTICE IS HEREBY GIVEN that the Eight Annual General Meeting of Engro Fertilizers Limited will be held at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi on Thursday, March 30, 2017 at 10 a.m. to transact the following business:

## A) Ordinary Business

(1) To receive and consider the Audited Accounts for the year ended December 31, 2016 and the Directors' and Auditors' Reports thereon.

(2) To declare a final dividend at the rate of PKR 2.50 (25%) for the year ended December 31, 2016.

(3) To appoint Auditors and fix their remuneration.

## B) Special Business

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

"RESOLVED that the Company may circulate the annual balance sheet and profit and loss account, auditor's report, directors report etc. to its members through CD/DVD/USB instead of in hardcopy at their registered addresses".

## N.B.

(1) The Share Transfer Books of the Company will be closed from Tuesday, March 21, 2017 to Thursday, March 30, 2017 (both days inclusive). Transfers received in order at the office of our Registrar, M/s. FAMCO ASSOCIATES (PVT.) LTD, 8-F, next to Hotel Faran, Nursery, Block 6, PECHS, Shahra-e-Faisal, Karachi (PABX Nos. (92-21) 34380101-5) and email info.shares@famco.com.pk by the close of business (5:00 p.m) on Monday, March 20, 2017 will be treated to have been in time for the purposes of payment of final dividend to the transferees and to attend and vote at 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.

(3) SUBMISSION OF COPY OF CNIC/NTN DETAILS (MANDATORY)

Pursuant to the directives of the Securities and Exchange Commission of Pakistan CNIC number of individuals is mandatorily required to be mentioned on dividend warrants and pursuant to the provisions of Finance Act 2015, the rate of deduction of income tax under section 150 of the Income Tax Ordinance 2001 from dividend payment have been revised as: for filers of Income Tax return 12.5% and Non filer of Income Tax return 20%. In case of Joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to our Share Registrars, or if no notification, each joint holder shall be assumed to have an equal number of shares.

| Company Name | Folio/CDS Account No. | Total Shares | Principal Shareholder | | Joint Shareholder | |
|---|---|---|---|---|---|---|
| | | | Name & CNIC No. | Shareholding Proportion No. of shares | Name & CNIC No. | Shareholding proportion No. of shares |

The CNIC number/NTN details is now mandatory and is required for checking the tax status as per the Active Taxpayers List (ATL) issued by Federal Board of Revenue (FBR) from time to time.

Individuals including all joint holders holding physical share certificates are therefore requested to submit a copy of their valid CNIC to the company or its Registrar if not already provided. For shareholders other than individuals, the checking will be done by matching the NTN number, therefore the Corporate shareholders having CDC accounts are requested in their own interest to provide a copy of NTN certificate to check their names in the ATL before the book closure date to their respective participants/CDC, whereas corporate shareholders holding physical share certificates should send a copy of their NTN certificate to the Company or its Share Registrar. The Shareholders while sending CNIC or NTN certificates, as the case may be must quote their respective folio numbers.

In case of non-receipt of the copy of a valid CNIC, the Company would be unable to comply with SRO 831(1)/2012 dated July 05 2012 of SECP and therefore will be constrained under SECP Order dated July 06, 2015 under section 251(2) of the Companies Ordinance, 1984 to withhold the dispatch of dividend warrants of such shareholders. Further, all the shareholders are advised to immediately check their status on ATL and may, if required take necessary action for inclusion of their name in the ATL. The Company as per the new Law, shall apply 20%. rate of withholding tax if the shareholder's name, with relevant details, does not appear on the ATL, available on the FBR website on the first day of book closure and deposit the same in the Government Treasury as this has to be done within the prescribed time.

Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate is made available to FAMCO Associates (Pvt.) Ltd., by the first day of Book Closure.

By order of the Board

FAIZ CHAPRA
Company Secretary

Karachi,
February 08, 2017.

## Statement under Section 160 of the Companies Ordinance, 1984

This Statement is annexed to the Notice of the Eighth Annual General Meeting of Engro Fertilizers Limited to be held on Thursday, March 30, 2017, at which certain Special Business is to be transacted. The purpose of this Statement is to set forth the material facts concerning such Special Business.

## ITEM (4) OF THE AGENDA

To give effect to the notification S.R.O 470(I)2016 of the Securities and Exchange Commission of Pakistan ("SECP"), shareholder's approval is being sought to allow the Company to circulate its Annual Report through CD/DVD/USB to all members. The Company however, shall place on its website a standard request form to enable those members requiring a hardcopy of the Annual Report instead of through CD/DVD/USB, to intimate the Company of their requirement.

By order of the Board

FAIZ CHAPRA
Company Secretary

Karachi,
February 08, 2017.

# 2016 at a glance

PKR 46bn
Wealth Generated

PKR 25.4bn
Contribution to National Exchequer

PKR 90.5bn
Market Capitalization

1,184
Employee Strength

AA-
Long term PACRA rating

30%
Urea Market Share

# our history

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

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

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

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

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

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

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

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

The Company undertook its largest urea expansion project in 2007.

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

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

As we forge ahead we aim to build on our world class experience of five decades to forward our purpose driven growth strategy of being a leader in the fertilizer industry  with a global pressence.

# our milestones

## 1957
Mari gas field discovered by Esso Mobil joint venture

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

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

## 1968
Urea plant commissioned

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

## 2007
Started construction of world's largest single-train urea plant - enVen

## 2010
Demerger of Engro Chemicals Pakistan Limited and transfer of fertilizer business to a separate company, Engro Fertilizers Limited. Engro Chemicals renamed Engro Corporation Limited

## 2011
Enven capitalized and started commercial production

## 2013
Successful IPO conducted.
Oversubscribed 3x during the process

## 2014
Achieved highest ever Urea sales in the history of Engro Fertilizers of 1,818 KT consequently resulting in highest ever market share of 32% for urea in 2014

## 2015
Highest ever production of UREA (1968 KT) as well as highest ever UREA sales (1878 KT)

Only fertilizer company registered with Dupont to achieve a Level 4 rating in Safety Management Systems

Acquisition of Engro Eximp's Phosphates business

## 2016
Achieved lowest ever Total Recordable Injury Rate of 0.05

Achieved highest ever phosphates sales of 534KT

# our core values

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

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

## Ethics & Integrity

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

## Health, Safety & Environment

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

## Innovation & Risk Taking

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

## Our People

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

## Community & Society

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

# nurturing efficiency

Corporate Governance

# board of directors

Left to Right
Abdul Samad Dawood, Javed Akbar, Sadia Khan,
Ruhail Mohammed, Ghias Khan, Asim Murtaza Khan,
Asad Said Jafar, Mazhar Hasnani*

*joined the board in February 2017

# directors' profiles

## Ghias Khan
Chairman

Ghias Khan is the President and Chief Executive Officer of Engro Corporation Limited and the Chairman of Engro Fertilizers. Before being appointed President and CEO on December 1st 2016 he had held several executive and board roles across Dawood Hercules Group companies.

Joining Dawood group via acquisition in 2005, Ghias was the CEO of Inbox Business Technologies one of Pakistan's largest technology companies. During his 15 years at Inbox Ghias grew the employees to over 1900, and pivoted the company from a computer manufacturer to a systems integrator, and then again to a technology enabled digital services company.

Most recently Ghias was the Executive Director & Head of the Chairman's Corporate Office at Dawood Hercules. He was the principal aide of the Chairman of the Group on a range of matters of institutional importance including but not limited to board governance, communications, external relationships and special projects. Ghias also served as Chairman of Elixir Securities from 2011-2014.

Ghias is a strong believer in the social enterprise and the responsibility of businesses to environmental and human wellbeing.

Ghias holds an MBA from the Institute of Business Administration in Karachi. He joined the board in 2016.

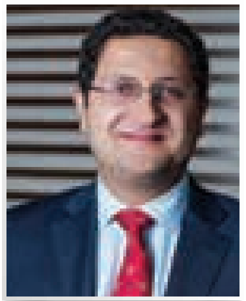
## Ruhail Mohammed
Chief Executive Officer

Ruhail Mohammed is currently the Chief Executive Officer of Engro Fertilizers Limited, a state of the art urea manufacturing facility in Pakistan.

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 (which owns a 217 MW IPP). He holds an MBA degree in Finance from the Institute of Business Administration Karachi, and is also a Chartered Financial Analyst (USA).

Ruhail has over 30 years of experience in General Management, Change Management, Business Development, Strategy & Financial Planning and People Development. He has worked in these areas in Pakistan, UAE and Europe.

He is on the Board of various Engro companies. In addition, he is also on the Boards of Hub Power Company Limited and Pakhtunkhwa Energy Development Organization.



## Abdul Samad Dawood
Director

Abdul Samad Dawood is the Chief Executive Officer of Dawood Hercules Corporation Limited. He is the Chairman of Engro Foods Limited, He is also Director on the Boards of Dawood Corporation Private Limited, Engro Fertilizers Limited, Dawood Lawrencepur Limited, Tenaga Generasi Limited, Reon, The Hub Power Company Limited, Hub Power Holding Ltd, Patek Private Limited and Towershare Private Limited, Mr Dawood is a graduate in Economics from University College London, UK and a certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance. He was recently appointed Italian Honorary Consul General in Lahore. Mr. Dawood is also a member of the Young Presidents Organization. He joined the Board in 2009.

## Asad Said Jafar
Director

Asad Said Jafar was appointed as the Chairman & CEO of Philips Pakistan Limited in January 2009 and has continued to serve the company in this leadership role since. Over the course of his professional career of eighteen years at Philips, Asad has been recognized for the strength of his performance in various senior positions across the Philips world in Pakistan, Indonesia, Thailand and Singapore.

Asad's career began as a Management Trainee at ICI Pakistan Limited in 1988. His eight years at ICI allowed him to work in diverse engineering, manufacturing, project management and planning related roles. He holds a bachelor's degree in Electrical Engineering from NED University, Karachi and an MBA degree from the Imperial College Business School, London, UK where he studied as a Britannia Chevening scholar.

After the completion of his MBA, Asad joined Philips Pakistan in its Supply Chain Management department and soon became the Head of the SCM function. Asad was serving as Director, Supply Chain Management (SCM) for the ASEAN region for Philips Lighting based in Singapore before he took on the role of CEO for Philips Pakistan.

In addition to his responsibilities as the CEO for Philips Pakistan, Asad has been regularly associated with various external organizations and initiatives. He was the President of Overseas Investors Chamber of Commerce and Industry (OICCI) for the year 2014. He currently serves on the Board of Directors of Pakistan Institute of Corporate Governance (PICG) and also on the Board of Directors of Engro Fertilizers and Engro Polymer & Chemicals Limited. He is a member of the Institute of Business Administration (IBA) Corporate Leaders Advisory Board (ICLAB) and also mentors MBA students as part of the Karachi School of Business & Leadership (KSBL) CEO Mentorship program.

Asad continues to consider learning a priority and has completed many management development programs including the 'Leading a Business' program at Ashridge Business School, UK. He attended the 'Philips Simplicity Brand 1000' program at Chicago Graduate School of Business as well as a Business Marketing Strategy program at Kellogg School of Management, Northwestern University, USA.

## Asim Murtaza Khan
Director

Mr. Asim Murtaza Khan is working as CEO (Hon) with the Petroleum Institute of Pakistan (PIP) since November 2015. Prior to that he worked for Pakistan Petroleum Limited (PPL) for over 32 years after joining the Company as a Production Engineer and served on key senior positions. Mr. Khan was also responsible for Bolan Mining Enterprises, a 50:50 joint venture of PPL and the Government of Balochistan for mining of barites, iron ore and lead-zinc; and was one of the founder Directors of PPL's overseas subsidiary companies, PPL Europe E&P Ltd. and PPL Asia E&P B.V.

Mr. Khan was appointed MD/CEO of PPL by the Government of Pakistan on May 12, 2011. After completing the contract term as MD/CEO, Mr. Khan served PPL as Executive Director until superannuation in February 2015.

He earned his Bachelor's in Mechanical Engineering from NED University of Engineering and Technology, Karachi followed by a Masters in Mechanical Engineering from the University of Manchester Institute of Science and Technology, UK. He has also attended several advanced technical and management training programs and is an alumnus of the Kellogg School of Management, Northwestern University, USA.
He is a Central Council Member of the Institution of Engineers Pakistan (IEP) and is on the Board of Agritech Limited. In the past he has been the Chairman on the Board of Petroleum Institute of Pakistan (PIP), Member of the Management Committee, Overseas Investment Chamber of Commerce and Industries and a Member of the Executive Committee, Vice Chairman and the Chair of the Technical and Operations Committee of the Pakistan Petroleum Exploration and Production Companies Association (PPEPCA). He has also served on the Boards of Pakistan Institute of Corporate Governance (PICG), the Community Development Board of the Government of Sindh.

## Javed Akbar
Director

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

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

## Sadia Khan
Director

Ms Sadia Khan has pursued a versatile career path traversing investment banking, financial regulation, family businesses and entrepreneurship across three continents. With Masters degrees in Economics from both Cambridge University, U.K and Yale University, U.S.A, Sadia started her career at Lehman Brothers in New York. Since then she has worked with various international institutions and local regulatory authorities, including the Asian Development Bank (ADB) in the Philippines, the Securities & Exchange Commission of Pakistan and the State Bank of Pakistan. She is currently the CEO of Selar Enterprises (Pvt) Ltd, a company she founded in 2011 while working as the Group Executive Director in her family-owned business, Delta Shipping (Pvt) Ltd.

Sadia has been a passionate advocate of corporate governance since the past two decades. She has served as a member of various Task Force/Committees responsible for Revising the Code of Corporate Governance and introducing Guidelines for State Owned Enterprises. As a corporate governance practitioner, she has served on various boards as an Independent Director including the First MicroFinance Institution, Kashf Foundation, HBL Asset Management, Pakistan Cables, Karandaz, Punjab Board of Investment & Trade, National Testing Service and as a Non Executive Director on the Boards of the United Arab Shipping Agency Company and the Delta Group of Companies.

Sadia is the global President of the INSEAD Alumni Association. She also serves as a member of the Executive Committee of the Pakistan France Business Alliance and has in the past served as the Chairperson of Alliance Francaise. In 2014, the French Government recognized her contributions to France-Pakistan relations by awarding her the prestigious French award, "Chevalier de l'Ordre National du Mérite" (Knight of the National Order of Merit).

Sadia was a member of the Global Agenda Council on Pakistan convened by the World Economic Forum during 2012-14. She has been serving as the Honorary Consul General of Finland in Karachi since 2012.

# board committees

## The Board has established the following two committees:

### Board Compensation Committee

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

The Chief Executive Officer attends Board Compensation Committee meetings by invitation. The committee met three times during 2016.

Members
Khalid Siraj Subhani – Chairman*
Abdul Samad Dawood – Member
Javed Akbar – Member

The Secretary of the Committee is Syed Shahzad Nabi, VP HR & Administration.

*Resigned in November 2016

### The Board Audit Committee

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

The Chief Financial Officer regularly attends the Board Audit Committee meetings by invitation to present the accounts. After each meeting, the Chairman of the Committee reports to the Board. The Committee met four times during 2016.

Members
Javed Akbar – Chairman
Asad Said Jafar – Member
Sadia Khan – Member

The Secretary of the Committee is Syed Mohammed Ali, Head of Audit.



# functional committees

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

### MANCOM

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

Members
Ruhail Mohammed – Chairman
Ahmad Shakoor
Asim Butt
Atif Kaludi
M. Asif Sultan Tajik
Mudassar Y. Rathore
Mohsin A. Mangi
Syed Shahzad Nabi

The Secretary of MANCOM is Sameer Amin.

### Committee for Organizational and Employee Development (COED)

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

Members
Ruhail Mohammed – Chairman
Ahmad Shakoor
Asim Butt
M. Asif Sultan Tajik
Muddassar Y. Rathore
Mohsin Ali Mangi

The Secretary of the COED is Syed Shahzad Nabi.

### Corporate HSE Committee

This committee is responsible for bringing in excellence in the sectors of Health, Safety and Environment.

Members
Ruhail Mohammed – Chairman
Ahmad Shakoor
Asim Butt
Atif Kaludi
M. Asif Sultan Tajik
Mudassar Y. Rathore
Mohsin A. Mangi
Syed Shahzad Nabi

The Secretary of the Corporate HSE Committee is Khawaja Bilal Mustafa.

### Six Sigma Corporate Council

This council oversees the implementation of Six Sigma.

Members
Ruhail Mohammed – Chairman
M. Asif Sultan Tajik
Asim Butt
Ahmad Shakoor
Mudassar Y. Rathore
Mohsin A. Mangi
Rehan Sajjad Mughal
Syed Shahzad Nabi

The Secretary of the Six Sigma Corporate Council is Usman Aziz Khan.

# our governance framework

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

### Compliance Statement

The Board of Directors has throughout the year 2016 complied with the 'Code of Corporate Governance' as per the listing requirements of the Pakistan Stock Exchange and the 'Corporate and Financial Reporting Framework' of the Securities & Exchange Commission of Pakistan.

### Risk Management Process

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

### Internal Control Framework

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

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

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

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

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

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

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

**Directors:**
As at December 31, 2016 the Board comprises of one Executive Director, four independent Directors and two non-executive Directors of whom one is an executive in other Engro Group company, who has the collective responsibility for ensuring that the affairs of Engro Fertilizers are managed competently and with integrity.

A non-executive Director, Mr. Ghias Khan, chairs the Board and the Chief Executive Officer is Mr. Ruhail Mohammed. Biographical details of the Directors are given earlier in this section.

A Board of Directors' meeting calendar is issued annually that schedules the matters reserved for discussion and approval. The full Board met 5 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.



# 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 Regulations of Pakistan Stock Exchange 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, 2016 the Board included the following members:

| Category | Name |
|---|---|
| Independent Directors | Mr. Asim Murtaza Khan<br>Mr. Javed Akbar<br>Mr. Asad Said Jafar<br>Ms. Sadia Khan |
| Executive Director | Mr. Ruhail Mohammed |
| Non-Executive Directors | Mr. Abdul Samad Dawood<br>Mr. Ghias Khan |

   The independent directors meet the criteria of independence under clause i (b) of the CCG. Of the non-executive directors, Mr. Ghias Khan is an executive in other Engro Group Company.

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident Directors of the Company are registered as Tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI, or being a member of a stock exchange has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurred on the Board on November 07, 2016 and November 30, 2016, respectively. One casual vacancy occurring on November 30, 2016 was filled by the directors within 9 days. While the other vacancy will be filled up in due course.
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 throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and the meeting fees payable to the non- executive directors, have been taken by the Board.
8. All 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. The minutes of the meetings were appropriately recorded and circulated.

9. One of the directors has attended the directors training course conducted by the Pakistan Institute of Corporate Governance (PICG) this year. The other six directors have already completed this course earlier.

10. The Board has approved the appointment of Company Secretary in the current year and also approved the remuneration and terms and conditions of employment of CFO and the Head of Internal Audit.

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

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

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

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

15. The Board has formed an Audit Committee comprising of three members all of whom including the Chairman are independent directors.

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 the Board Compensation Committee. Upto November 30, 2016, it comprised of three members, of whom one was an independent director and two were non-executive directors. The Chairman of the Committee was a non-executive director. Due to resignation of Mr. Khalid Siraj Subhani, his replacement has to be nominated on the Committee and a new Chairman will be appointed in due course.

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 and are conversant with policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The “closed period”, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through the stock exchanges.

23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion (if any) of names of persons from the said list.

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

Ghias Khan
Chairman

Ruhail Mohammed
Chief Executive Officer


nurturing
direction
Director's Report

# CEO's Message

2016 was a challenging year for Engro Fertilizers – and the agricultural industry in general – on several fronts, but a year during which the Company demonstrated its resilience. In the agricultural markets the urea prices remain subdued on the back of continued slump in global commodity prices while weak farmer economics resulted in lower urea offtake in the local industry specifically during the first half of the year 2016. The external factors coupled with increase in local industry production contributed to the long supply situation in the sector culminating in reduced profitability for the Company. As a result, our topline for the year stood at PKR 77,415 million versus PKR 88,033 million for the corresponding period last year due to depressed fertilizer prices and decreased urea volumes.

While profit growth in 2016 was curtailed due to difficult agricultural dynamics with the profit after tax closing at PKR 9,283 million, the Company registered strong growth across its phosphates business and also augmented performance by reducing financial charges and renegotiating long and short terms loans of the Company.

In my communication with you last year I had demonstrated our resolve to build deeper connections with our communities and customers. With this philosophy, we had launched the Farmer Connect program which aims to provide unique solutions to the farmer that can enhance productivity and welfare for the farmer whilst contributing to the national challenge of food security for our people. The project has so far delivered above target on all its performance parameters yield and profitability improvements across its pool of target farmers.

Through the year, we also made significant progress on our agenda of sustainable growth and development and reinforced our alliances with the local communities by providing them with better socio-economic prospects.

This year we contributed approximately PKR 104million on our flagship CSR programs and focus areas including livelihoods, education, community infrastructure development and health amongst others.

With a clear intention to ensure the safety of our systems, employees and the environment at large, Engro Fertilizers has continued to keep its HSE management systems and processes in line with international best practices. This year too we instituted various programs and initiatives that illustrated our commitment to the safety of our plants and systems whilst guaranteeing reduced environmental footprint. The hallmark of our HSE efforts was receiving the prestigious "2016 Green Leaf Best Progression Award" by the International Fertilizers Association during the year in recognition of our sustainable efforts aimed at deploying safe and robust systems and ensuring a safer environment for our people and the communities who host us.

As we forge ahead we will continue to steer the organization behind clear goals which are key to our objective of outperformance. The goals comprise: meeting or exceeding our financial commitments; further improving the customer experience in order to maintain and grow market share; and driving simplification in everything we do to increase our impact. I am confident that we have the framework in place to achieve these goals, all of which are underpinned by our vision and growth strategy.

In the end, on behalf of the Board and the Management Committee, I would like to thank all our employees for making Engro Fertilizers what it is today. I have been deeply impressed by the loyalty and determination of our people during the last year, which has brought considerable challenges. This gives me the utmost conviction that we can achieve our goals and deliver on Engro Fertilizer's immense promise and potential to develop Pakistan's agricultural landscape.

R.M.

Ruhail Mohammed
Chief Executive Oficer

"As we forge ahead we will continue to steer the organization behind clear goals which are key to our objective of outperformance. The goals comprise: meeting or exceeding our financial commitments; further improving the customer experience in order to maintain and grow market share; and driving simplification in everything we do to increase our impact."

# key numbers

1,881 KT
Urea Production

PKR 69.5* bn
Revenue in 2016

534KT
Highest ever Phosphates Sales

1,652KT
Urea sales

PKR 9bn
2nd Highest ever PAT

2 plant
operation for the 3rd year

* Subsidy income amounting to Rs. 7.9bn classified as other income.

# business review

## On behalf of the Board of Directors of Engro Fertilizers Limited, we are pleased to submit the Directors' report and the audited financial statements of the Company for the year ended December 31, 2016.

### Market Review

Local urea industry demand declined marginally in 2016 by 2% to 5,485 KT vs. 5,582 KT in 2015. The decline came on the back of lower urea offtake in the first half of 2016 due to weak farmer economics amid falling commodity prices and expectation of price reduction through subsidy. However, demand for urea improved significantly in 2nd half due to significant reduction in urea prices, a direct result of subsidy announcement by the government which also led to better farmer economics on cotton and rice.

Local industry production for 2016 stood at 5,998 KT vs. 5,290 KT in 2015, an increase of 13%. Higher urea production was a result of higher gas availability in the system including imported LNG. Although the overall industry declined slightly, share of locally produced branded urea increased to 100% vs 91% in 2015. This was due to lower difference between price of locally manufactured and imported urea as well as preference of farmer to use locally manufactured urea.

Local urea prices remained in the range of PKR 1,760/bag to PKR 1850/bag during most of the 1st half 2016. However, considering the weak farmer income and subsequent adverse impact on Pakistan's agrarian economy, the Government of Pakistan (GoP) announced a decrease in urea price to PKR 1,400/bag in the Federal Budget 2016. The reduction was carried out through price cut of PKR 50/bag by manufacturers and a combination of subsidy and reduction in GST by government.

On the international front, the continued slump in global commodity markets including oil, kept urea prices subdued throughout 2016, with urea prices down to as low as USD 193/ton (CFR Karachi) equivalent to PKR 1,300/bag at one point during Rabi season. Towards the year end, however, prices have returned to around USD 240/ton (CFR Karachi) (equivalent to PKR 1,560/bag). The imported urea however does not have a PKR 156/bag subsidy which is only available on locally manufactured urea which near the year end was available in the market in the range of PKR 1,200-PKR 1,300 per bag excluding subsidy.

### Gas Scenario

The Economic Coordination Committee (ECC) in 1st quarter 2016 permanently reallocated 60 MMSCFD gas back to the fertilizer companies to whom it was originally allocated, out of which the Company's share was 12.5 MMSCFD. Throughout the year, the Company remained in discussion with the relevant parties for allocation of surplus gas to ensure continued two plant operation. Recently, ECC approved the allocation of 26 MMSCFD to the Company. This allocation along-with other available gas streams is now sufficient for two plant operations.

During the year, Gas Infrastructure Development Cess (GIDC) was struck down by the Sindh High Court being ultra vires, against which the Ministry obtained a suspension order. However, some clarifications are being taken from legal advisors and the Company is actively reviewing the position. Apart from this litigation, the Company also has a separate case for its concessionary gas allocated to it under the Fertilizer policy. No payment of GIDC is made on concessionary gas on the basis that it would be in direct contravention of the Fertilizer Policy and our gas supply contracts on the basis of which we invested USD 1.1 billion for expanding our fertilizer manufacturing capacity.

### Segment Analysis

• Urea

The Company produced 1,881 KT of urea, compared to 1,968 KT produced in 2015 i.e. 4% decrease in production mainly due to planned turnarounds in 2016. However, considering the oversupply situation, our sales volume remained 12% lower vs. 2015 i.e. 1,652 KT vs. 1,879 KT sold in 2015, leading to the Company's urea market share declining to 30% from 34% last year. This was mainly due to reduction in our production share from 37% last year to 31% in 2016 on account of higher production by other fertilizer manufacturers, due to LNG and increased gas availability.

• Phosphates

The Company's sales were recorded at 534 KT in 2016; up 41% YoY compared to 391 KT sold in 2015, which also led to an increase in the Company's market share to 24% vs. 22% last year. The increase in sales were a direct result of higher domestic offtakes of DAP and sales push by the Company in 2016. The domestic industry increased from 1,814 KT in 2015 to 2,225 KT in 2016, on the back of subsidy on phosphates and lower international DAP prices. The international DAP prices which started from USD 400/ton at the start of the year, averaged around USD 345/ton during the year to close at USD 330/ton at the end of the year.

• Zarkhez

Sales of blended & potash based fertilizers (Zarkhez, Engro NP, MOP/SOP) of the Company declined by 16% YoY during the year to 114 KT compared to 135 KT during 2015. Despite no subsidy on potash, overall domestic potash industry increased to 27KT vs. 25 KT in 2016, due to lower international prices of SOP & MOP. Moreover, due to lower SOP & MOP prices, farmers switched from Zarkhez to straight potash fertilizers. Resultantly, market share of Zarkhez declined to 38% in 2016 (47% in 2015). However, overall potash market share for the Company closed at 48% (49% in 2015).

### Outlook

Global urea demand in 2017 is expected to grow marginally, while supply is expected to trend moderately higher, with new capacities coming on line. Although international urea prices have lately rebound and trading around USD 240/ton (CFR Karachi), translating to a landed equivalent of PKR 1,560. However, weak crop and stable input prices coupled with capacity increase in certain markets (FSU and Africa) are likely to keep the global markets under pressure and urea prices are expected to remain soft in 2017.

Local urea demand for 2017 is expected to remain stable, courtesy the anticipated improvement in farmer income led by an increase in crop prices and subsidy continuation in 2017 providing relief to local urea demand. Local fertilizer industry dynamics have undergone a major shift as 2016 witnessed a urea supply glut, in contrast to the urea shortfall prevalent in previous years. High inventory levels due to better gas supply on the Mari and Sui network and availability of LNG put significant financial burden on manufacturers in 2016. Keeping this view in mind, ECC has recently approved export of 300 KT of urea till April 28, 2017 after which the situation will be reassessed.

International DAP prices are also expected to remain stable. Major factors that will continue to drive the market are commodity prices, supply fundamentals of China and Middle East and import demand from major demand centers. Due to continuation of subsidy and upbeat farmer economics due to increase in crop prices, local DAP demand for 2017 is expected to remain stable.

### Financial Review

Sales revenue for the Company was PKR 77,415 million for 2016, lower by 12% as compared to the previous year (PKR 88,033 million). Decrease in sales revenue is primarily due to lower fertilizer prices and lower urea offtake.

Financial charges declined to PKR 3,187 million vs. PKR 4,627 million in 2015 (lower by PKR 1,440 million). The decrease is mainly due to loan repayments, lower benchmark interest rates and re-pricing of various long term loans.

For full year 2016, the Company has declared a Profit after tax of PKR 9,025 million (standalone), a decrease of 40% over PKR 15,027 million earned in 2015. The lower profitability was primarily due to lower urea offtake and multiple price cuts amid the industry oversupply situation. On the positive side, however, the Company's phosphate segment, which was acquired in 2015, showed strong performance. The management continued to negotiate and bring down mark-up rates on its long term and short term loans which helped reduce financial charges and augment profitability.

2016 consolidated Profit after tax stands at PKR 9,283 million, vs. PKR 14,819 million in 2015 due to the reasons explained above.

Resultantly, consolidated Earnings Per Share (EPS) decreased to PKR 6.98 vs. EPS of PKR 11.14 last year.

### Dividend

The Board is pleased to propose a final dividend of PKR 2.50 per share for the year ended December 31, 2016 for approval of the members at the Annual General Meeting to be held on March 30, 2017.

### Capital Structure

In 2016, the Company concentrated its efforts on optimizing and reducing cost of financing; towards this end, the Company, due to constrained industry conditions and lower urea offtake compared to previous years, optimized its balance sheet by taking on fresh financing and re-profiled/re-financed close to PKR 26,000 million of our local loan portfolio. Talks continue to extend these gains with further optimization of our loan portfolio in the coming year.

Long term borrowings at year end 2016 were PKR 34,551 million (2015: PKR 36,026 million).

The shareholder's equity as at December 31, 2016 stands at PKR 41,648 million (2015: PKR 42,332 million).

During the year, PACRA maintained its long term and short term credit ratings of AA- and A1+ respectively.

### Our Commitment to HSE

We realize that without adequate safety measures, both our employees and our operations would be at risk. For this very reason, we remain committed to providing the safest working environment to our employees, particularly at manufacturing facilities whilst remaining cognizant of our environmental duties and responsibilities.

Our outstanding performance in maintaining the highest health and safety measures is a result of investing considerably in physical infrastructure, as well as creating an institutional architecture where health and safety are monitored at every level of the organizational hierarchy. During the year 2016 we embarked on an ambitious project to reduce the noise levels at the plant and the surrounding colony with an investment of PKR 35 million – thereby making our Daharki manufacturing facility compliant with IFC World Bank standards.

The Company is committed to surpass the standards required by law and adopts much tougher health and safety policies, including those outlined by the Occupational Health and Safety Administration of the United States and the Dupont Workplace Safety Standards. Like every other year, in 2016 we have continued to keep our HSE management systems and processes in line with international best practices. All HSE systems and processes are regularly accessed and audited internally and by third parties. Based on this approach during the year we achieved various certifications including extension of the Green Office certifications to marketing and zonal offices; along with focus on the "Protect & Sustain (Product Stewardship initiative of International Fertilizers Association)" certification which was achieved with an 'Excellence' rating granting us the prestigious "2016 Green Leaf Best Progression Award".

Moreover, a series of initiatives were also worked upon to ensure that our environmental footprint continue to decrease year after year. In 2016 the effluent evaporation ponds were upgraded with an investment of PKR 40 million whereas 5S certifications – a Japanese management concept that describes how to effectively organize a work space – were extended to 4 new buildings during the year, bringing the total sites to 10 at the manufacturing facility. During the year, we successfully and safely disposed off 104 tons of hazardous waste in an environmental friendly manner complying to GoP regulations.

All employees in plant operations at all our manufacturing facilities are provided an outline of the process and operating procedures, with an emphasis on specific HSE hazards, emergency operations and safe work practices. The Occupational Health Program at the Company includes aspects of industrial hygiene and occupational medicine. In addition, all employees are trained and kept abreast of technological changes and safety-related aspects of their jobs. In order to enhance the orientation of our employees through the year we commenced the DuPont Occupational Health and Industrial Hygiene program implementation at Zarkhez Plant and Marketing division whilst also conducting HSE perception surveys across these sites to enhance effectiveness of our HSE systems and practices. In addition, HACCP (Food Safety Enhancement) program was also initiated at site for the employees.

A thorough analysis of existing systems was done through the year and 2 key programs have been initiated that include the transition from British Safety Council Environmental Management System (EMS) to Dupont EMS and shifting the relatively outdated safety management system to state of the art SPHERA systems.

| Our HSE Performance | |
|---|---|
| Total Recordable Injury Rate (TRIR) | 0.05 |
| Loss Workday Injury (LWI) | 2 |
| Total Man-hours | 15,147,955 |
| Fatalities | Nil |
| Recordable Injuries | 4 |

## Our Social Investments

Our stakeholders include a much broader range of people than just our employees and financial investors. We invest in sustainable initiatives which impact the lives and inspire economic change by achieving social and economic growth in the hope of addressing the growing needs of the communities that host us and the nation at large.

We are accountable for the impact of our business decisions and take ownership of the welfare and development of the communities that we engage with. By doing so, we live up to our vision of serving our stakeholders and exceeding their expectations. Our vision is to inspire change that can result in socio-economic development, and help those in need, is demonstrated by our CSR wing – Engro Foundation – which strives to improve the lives of people living in low-income communities by providing improved services in the areas of education, livelihood, infrastructure development, health and emergency relief whilst working with the organization to go beyond corporate philanthropy and help deploy an inclusive business strategy.

Community Engagement: As we strengthen our core areas, we have created successful alliances with the communities that host us through provision of various initiatives aimed at helping them with better socio-economic prospects. Through the year we extended our efforts in the domain of livelihoods, education and infrastructure development in and around Daharki including nearby vicinities such as village Bago Bhutto, village Jan Muhammad Bughio, village Jung, village Kalo Burriro, village Kotlo Mirza and village Noor Hassan Shah amongst others. Nature of these interventions included renovation of educational facilities, upgradation of community physical infrastructure, provision of income generation opportunities, and provision of basic health treatment through medical care centers.

Technical Training College (TTC): The Company helped establish the TTC which serves as a crucial platform for our skills training programs. The college offers 3-year Diploma in Associated Engineering (DAE) in Chemical and Mechanical technologies along with short-term vocational training programs for the youth near Daharki and Ghotki areas. Throughout the year the we helped the college develop and deploy a placement software which will act as a student databank and be used for tracking alumni employment for impact evaluation.

In addition, for TTC a manpower recruitment study was conducted which identified employment opportunities for TTC graduates overseas. On the vocational training courses, a partnership with USAID worth PKR 7 million was secured to train youth across 3 skills including carpentry, welding, and general electrician.

In 2016, total enrolment for the DAE program was 405 students whilst the number of graduates for the year stood at 61 bringing the graduate alumni network to 165 to date. In addition, 68 DAE graduates have been placed from the total pool of DAE graduates, with 70% of the employed pool of graduates being placed at Engro subsidiaries. Similarly on the vocational courses front, a total of 595 students were sponsored in 23 courses by National Vocational and Technical Training Commission, Benazir Bhutto Shaheed Youth Development Program, and Indus Resource Center. The incubation park which was established in 2015 to enhance entrepreneurship for the purpose of job creation, currently has 9 self-employed entrepreneurs from the vocational training graduate batch working in fabrication and carpentry.

Going forward the Company aims to also include the Let Girls Learn (LGL) initiative awarded to Engro Foundation by USAID to train adolescent girls in vocational education courses in Ghotki.

Education: At the Company we are committed to nurturing minds and improving access to education in disadvantaged communities specifically amongst the communities where we operate. We believe that all members of society, particularly women and children should be equipped with the knowledge and skills to succeed and strive towards reaching and surpassing their goals in life.

Since our inception, we have worked passionately to provide quality education – especially to the under-privileged faction - in and around our manufacturing facility. For our adopted schools we initiated the Engro Reading Program which aimed to improve reading skills for primary grades in addition to commencing adult literacy classes. Under the project we established 13 computer labs and library corners in each school to enhance reading capacities of 1,300+ children at the primary level whilst 26 inter schools competitions were conducted in reading and spelling bee, with prize disbursement ceremony. In addition, approximately 52 community sessions were held for parents and community influencers of adopted schools to enhance school enrolment numbers amongst other objectives. Under reading project, Sindhi stories have also been shortlisted for translation into English and Urdu which will be used to enhance the scope of the program in the coming years.

Through the year 2016, the adopted schools witnessed an increase from 1,461 students to 1,681 – an improvement of 15% due to infrastructure development and the establishment of computer labs. Female enrolment also saw an increase and went up from 32% previously to 39%. Given the increase in enrolment the dropout rate has declined to 4% which is a 5% improvement from the year before as a result of community engagement and parent teacher meetings. Furthermore, in 2016 there was also a spike in the number of graduates that continued to secondary education, going up from 72% previously to 91% in 2016.

In 2016 our Katcha school network continued to operate as per plan whilst the Sahara Community School also continued to deliver quality education on our neighboring communities throughout the year. With upgraded facilities and extension of classes till matriculation, the program has become comprehensive in its educational offerings to the community.

Health: Our Health projects continued to provide essential services to the communities with the Sahara Clinic treating a total of 15,102 patients whilst the Snake-bite Treatment Facility treated a total of 11,136 patients.

EnVison: An employee volunteering program, provided various opportunities to employees to participate in activities linked to various social causes. Employees based in Daharki, Karachi and other locations took active part in different activities totaling to 4,595 hours in volunteerism work in 2016 versus 3,101 hours in 2015.

## Our Commitment to Our People

Year on year we have maintained a rigorous and robust approach to human capital management. We believe that our people are the key determinant of our success, and our ability to consistently attract and sustain the most talented people in Pakistan has been the critical success factor in our growth story. At the Company we believe in providing our people the resources and the opportunities necessary to realize their true potential in a culture that is inclusive and spurs innovation. To promote this culture of excellence, professionalism, and inclusiveness, the Company continues to focus and enhance its employer value proposition, thereby striving to become the employer of choice. These include our Day Care center which was started in 2010, maternity and paternity leaves to our employees, Part Time Work and Off-Track Career Option to provide career continuity, Education Assistance Plan and EMBA Assistance plan.

Furthermore, throughout the year 2016 the Company reinforced its focus on human capital development through a series of meticulously planned initiatives and activities. Moreover, to ensure that we remained one of the most sought after employers in the country and continue to implement our holistic strategy for employee and organizational development, an indigenous initiative 'HR Connect Program' was instituted in 2016. The 'HR Connect' aimed to highlight key issues faced by the employees, based on which a detailed program has been devised to tackle issues such as talent development, skill enhancement, process improvements, and career growth opportunities amongst others.

In addition, during the year we revisited our training models and based on the learnings derived from the HR Connect program we realigned our existing training models to focus on transitional skills development plan and leadership pipeline enrichment. The recalibrated training model is aimed at aligning the functional and management skills interventions to unify the focus towards skill enhancement. Moreover, through the year we also focused on developing the health and wellness ambit for all our employees by launching exclusive programs aimed at increasing engagement amongst employees across the board.

The Company believes in recognizing and rewarding talent. In line with our belief, we offer highly competitive compensation packages to all our employees at every level of the organizational hierarchy. In order to enhance our marketing orientation a tailored Marketing Training Program was launched in Q1 for specialized marketing talent pool. At Engro Fertilizers we are cognizant of the dynamic operating environment we operate in. Based on this insight, we have consistently leveraged use of ICT to improve accessibility of HR related information across our target audience.

## Pension, Gratuity & Provident Fund

The employees of the Company participate in Retirement Funds maintained by Engro Corporation (the Parent Company). The Company contributes to plans that provide post-employment and retirement benefits for its employees. These include DC provident fund, DC gratuity plan and DB gratuity plan. The value of net assets of Provident Fund (as at June 30, 2016), Gratuity funds (as at December 31, 2015) and Pension Funds (as at December 31, 2015) based on their respective audited accounts are:

Provident Fund: PKR 3,206 million (EFERT's share: ~PKR 1,317 million)
DC Pension Fund: PKR 685 million (EFERT's share: ~PKR 414 million)
DB Pension Fund: PKR 36 million (All EFERT)
DC Gratuity Fund: PKR 1,032 million (EFERT's share: ~PKR 509 million)
DB NMPT Gratuity Fund: PKR 118 million (All EFERT)
DB MPT Gratuity Fund: PKR 249 million (All EFERT)

## Auditors

The existing auditors, A.F. Ferguson & Co., Chartered Accountants retire and being eligible, have offered themselves for re-appointment. The Board Audit Committee recommends their appointment as auditors for the year ending December 31, 2017

## Pattern of Shareholding

Major shareholder of Engro Fertilizers Limited is Engro Corporation Limited. Other shareholders are local institutions and the general public. A statement of the general pattern of shareholding of certain classes of shareholders whose disclosure is required under the legal reporting framework and the statement of purchase and sale of shares by Directors, Executives and their spouses including minor children during 2016 is included in this report.

## Statement of Director Responsibilities

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

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

## Board Meetings and Attendance

In 2016, the Board of Directors held 5 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

| | |
|---|---|
| Syed Khalid Siraj Subhani | 5*** |
| Ruhail Mohammed | 5 |
| Javed Akbar | 5 |
| Naz Khan | 3** |
| Abdul Samad Dawood | 5 |
| Shabbir Hashmi | 1* |
| Shahid Hamid Pracha | 1* |
| Inamullah Naveed Khan | 1* |
| Asad Said Jafar | 4* |
| Sadia Khan | 4* |
| Asim Murtaza Khan | 3* |
| Ghias Khan | -**** |

* Election of Directors held on March 28, 2016
** Naz Khan resigned on November 07, 2016
*** Syed Khalid Siraj Subhani resigned on November 30, 2016
**** Ghias Khan joined on December 09, 2016

## BCC Attendance

In 2016 the Board Compensation Committee held three meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

| Member's Name | Meetings Attended |
|---|---|
| Khalid Siraj Subhani* | 3 |
| Abdul Samad Dawood | 02 |
| Javed Akbar | 03 |

* Resigned on November 30, 2016

## BAC Attendance

In 2016 the Board Audit Committee held four meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

| Member's Name | Meetings Attended |
|---|---|
| Javed Akbar | 4 |
| Asad Said Jafar* | 3 |
| Sadia Khan* | 3 |
| Abdul Samad Dawood** | - |
| Shabbir Hashmi** | 1 |

* Joined the BAC on March 28, 2016
** Resigned from the BAC on March 28, 2016

Ghias Khan
Chairman

Ruhail Mohammed
Chief Executive Officer

# horizontal analysis

## Balance Sheet

(Amounts in millions)

| | 2016 Rs. | 16 Vs. 15 % | 2015 Rs. | 15 Vs. 14 % | 2014 Rs. | 14 Vs. 13 % | 2013 Rs. | 13 Vs. 12 % | 2012 Rs. | 12 Vs. 11 % | 2011 Rs. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| EQUITY AND LIABILITIES | | | | | | | | | | | |
| EQUITY | | | | | | | | | | | |
| Share capital | 13,309 | - | 13,309 | 1.0 | 13,183 | 7.8 | 12,228 | 14.0 | 10,728 | - | 10,728 |
| Share Premium | 3,132 | - | 3,132 | 38.5 | 2,261 | 20,454.5 | 11 | - | 11 | - | 11 |
| Advance against issue of shares | - | - | - | - | - | (100.0) | 2,119 | 100.0 | - | - | - |
| Reserve on amalgamation | (304) | 100.0 | - | - | - | - | - | - | - | - | - |
| Hedging reserve | - | (100.0) | (4) | (90.0) | (40) | (72.9) | (148) | (54.4) | (324) | (34.9) | (498) |
| Remeasurement of post employment benefits | (27) | (34.1) | (41) | 192.9 | (14) | (33.0) | (21) | 100.0 | - | - | - |
| Employee share option compensation reserve | - | - | - | - | - | - | - | - | - | (100) | 58 |
| Unappropraited Profits | 25,172 | (3.7) | 26,130 | 36.9 | 19,088 | 75.4 | 10,880 | 102.1 | 5,383 | (35.3) | 8,317 |
| | 41,282 | (2.9) | 42,526 | 23.3 | 34,478 | 37.5 | 25,069 | 58.7 | 15,798 | (15.1) | 18,616 |
| NON-CURRENT LIABILITIES | | | | | | | | | | | |
| Borrowing | 29,380 | 16.2 | 25,290 | (29.9) | 36,091 | (31.8) | 52,896 | 9.1 | 48,482 | (14.0) | 56,398 |
| Subordinated Loan from Holding Company | - | - | - | - | - | (100.0) | 3,000 | - | 3,000 | - | 3,000 |
| Derivative Financial Instruments | - | - | - | (100.0) | 7 | (99.5) | 1,531 | 207.5 | 498 | (8.6) | 545 |
| Deferred Liabilities | 7,559 | 26.8 | 5,961 | 14.0 | 5,227 | 12.3 | 4,655 | 37.7 | 3,381 | (25.2) | 4,521 |
| Employee housing subsidy | - | - | - | - | - | - | - | - | - | (100) | 19 |
| Service benefit obligations | 157 | 26.6 | 124 | 9.7 | 113 | 8.6 | 104 | 5.1 | 99 | 13.8 | 87 |
| | 37,096 | 18.2 | 31,375 | (24.3) | 41,438 | (33.4) | 62,186 | 12.1 | 55,460 | (14.1) | 64,570 |
| CURRENT LIABILITIES | | | | | | | | | | | |
| Trade and other payables | 14,960 | (11.4) | 16,887 | (31.7) | 24,727 | 37.3 | 18,012 | 126.4 | 7,957 | 54.4 | 5,154 |
| Accrued interest / mark-up | 584 | (30.8) | 844 | (38.0) | 1,362 | (8.0) | 1,480 | (17.2) | 1,788 | (14.4) | 2,088 |
| Taxes payable | 1,104 | (57.4) | 2,593 | 284.1 | 675 | 100.0 | - | - | - | - | - |
| Current portion of Borrowings | 5,172 | (51.8) | 10,737 | 35.7 | 7,913 | 170.6 | 2,924 | (80.4) | 14,896 | 49.2 | 9,987 |
| Retirement and other service benefits obligations | 49 | 2.1 | 48 | 11.6 | 43 | (2.0) | 44 | 9.7 | 40 | 21.2 | 33 |
| Short-term borrowings | 1,910 | 100.0 | - | - | - | - | - | (100.0) | 1,000 | 24,900.0 | 4 |
| Unclaimed dividend | 20 | 233.3 | 6 | 100.0 | - | - | - | - | - | - | - |
| Derivative financial instruments | 250 | (31.7) | 366 | (66.4) | 1,090 | 411.6 | 213 | (62.4) | 566 | 33.2 | 425 |
| | 24,049 | (23.6) | 31,481 | (12.1) | 35,810 | 57.9 | 22,673 | (13.6) | 26,247 | 48.4 | 17,691 |
| TOTAL EQUITY AND LIABILITIES | 102,427 | (2.8) | 105,382 | (5.7) | 111,726 | 1.6 | 109,928 | 12.7 | 97,505 | (3.3) | 100,877 |
| ASSETS | | | | | | | | | | | |
| NON-CURRENT ASSETS | | | | | | | | | | | |
| Property, plant and equipment | 70,168 | (2.8) | 72,193 | (3.7) | 74,963 | (5.5) | 79,315 | (4.3) | 82,878 | (4.0) | 86,332 |
| Intangible assets | 4,451 | 4,099.1 | 106 | (10.2) | 118 | (14.8) | 138 | (14.5) | 162 | 20.0 | 135 |
| Investment in subsidiary | 560 | (87.2) | 4,383 | 100.0 | - | - | - | - | - | - | - |
| Long term loans and advances | 121 | (24.4) | 160 | 70.2 | 94 | (14.0) | 109 | 30.2 | 84 | 15.1 | 73 |
| | 75,300 | (2.0) | 76,842 | 2.2 | 75,175 | (5.5) | 79,562 | (4.3) | 83,124 | (3.9) | 86,540 |
| CURRENT ASSETS | | | | | | | | | | | |
| Store, spares and loose tools | 4,887 | 5.3 | 4,639 | (1.6) | 4,714 | 7.9 | 4,369 | 6.4 | 4,107 | (2.4) | 4,210 |
| Stock-in-trade | 6,820 | (1.8) | 6,942 | 530.5 | 1,101 | (20.3) | 1,382 | (18.1) | 1,687 | (8.0) | 1,834 |
| Trade debts | 7,585 | 235.3 | 2,262 | 198.8 | 757 | (0.2) | 758 | (27.5) | 1,046 | 636.6 | 142 |
| Derivative financial instruments | - | (100.0) | 29 | 100.0 | - | (100.0) | 130 | 12,920.7 | 1 | (99.5) | 184 |
| Subordinated loan to subsidiary | - | (100.0) | 900 | 100.0 | - | - | - | - | - | - | - |
| Loans, advances, deposits and prepayments | 678 | 15.3 | 588 | 35.8 | 433 | (30.8) | 626 | 58.4 | 395 | (72.0) | 1,411 |
| Other receivables | 6,986 | 425.3 | 1,330 | 6,900.0 | 19 | (32.6) | 28 | (54.1) | 61 | (68.2) | 192 |
| Taxes recoverable | - | - | - | - | - | (100.0) | 557 | (72.1) | 2,000 | 7.0 | 1,869 |
| Short-term Investments | 143 | (98.7) | 10,985 | (56.2) | 25,084 | 38.9 | 18,058 | 585.3 | 2,635 | (32.5) | 3,902 |
| Cash and bank balances | 28 | (96.8) | 865 | (80.5) | 4,443 | (0.3) | 4,458 | 82.0 | 2,449 | 313.0 | 593 |
| | 27,127 | (5.0) | 28,540 | (21.9) | 36,551 | 20.4 | 30,366 | 111.2 | 14,381 | 0.30 | 14,337 |
| TOTAL ASSETS | 102,427 | (2.8) | 105,382 | (5.7) | 111,726 | 1.6 | 109,928 | 12.7 | 97,505 | (3.3) | 100,877 |

# vertical analysis

## Balance Sheet

(Amounts in millions)

| | 2016 | | 2015 | | 2014 | | 2013 | | 2012 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rs. | % | Rs. | % | Rs. | % | Rs. | % | Rs. | % |
| EQUITY AND LIABILITIES | | | | | | | | | | |
| EQUITY | | | | | | | | | | |
| Share capital | 13,309 | 13.0 | 13,309 | 12.6 | 13,183 | 11.8 | 12,228 | 11.1 | 10,728 | 11 |
| Share Premium | 3,132 | 3.1 | 3,132 | 3.0 | 2,261 | 2.0 | 11 | 0.0 | 11 | 0 |
| Advance against issue of shares | - | - | - | - | - | - | 2,119 | 1.9 | - | - |
| Reserve on amalgamation | (304) | (0.3) | - | - | - | - | - | - | - | - |
| Hedging reserve | - | - | (4) | (0.0) | (40) | (0.0) | (148) | (0.1) | (324) | (0.3) |
| Remeasurement of post employment benefits | (27) | (0.0) | (41) | (0.0) | (14) | (0.0) | (21) | (0.0) | - | - |
| Unappropraited Profits | 25,172 | 24.6 | 26,130 | 24.8 | 19,088 | 17.1 | 10,880 | 9.9 | 5,383 | 5.5 |
| | 41,282 | 40.3 | 42,526 | 40.4 | 34,478 | 30.9 | 25,069 | 22.8 | 15,798 | 16.2 |
| NON-CURRENT LIABILITIES | | | | | | | | | | |
| Borrowing | 29,380 | 28.7 | 25,290 | 24.0 | 36,091 | 32.3 | 52,896 | 48.1 | 48,482 | 49.7 |
| Subordinated Loan from Holding Company | - | - | - | - | - | - | 3,000 | 2.7 | 3,000 | 3.1 |
| Derivative Financial Instruments | - | - | - | - | 7 | 0.0 | 1,531 | 1.4 | 498 | 0.5 |
| Deferred Liabilities | 7,561 | 7.4 | 5,961 | 5.7 | 5,227 | 4.7 | 4,655 | 4.2 | 3,381 | 3.5 |
| Service benefit obligations | 157 | 0.2 | 124 | 0.1 | 113 | 0.1 | 104 | 0.1 | 99 | 0.1 |
| | 37,098 | 36.2 | 31,375 | 29.8 | 41,438 | 37.1 | 62,186 | 56.6 | 55,460 | 56.9 |
| CURRENT LIABILITIES | | | | | | | | | | |
| Trade and other payables | 14,960 | 14.6 | 16,887 | 16.0 | 24,727 | 22.1 | 18,012 | 16.4 | 7,957 | 8.2 |
| Accrued interest / mark-up | 584 | 0.6 | 844 | 0.8 | 1,362 | 1.2 | 1,480 | 1.3 | 1,788 | 1.8 |
| Taxes payable | 1,104 | 1.1 | 2,593 | 2.5 | 675 | 0.6 | - | - | - | - |
| Current portion of | | | | | | | | | | 0 |
| Borrowings | 5,172 | 5.0 | 10,737 | 10.2 | 7,913 | 7.1 | 2,924 | 2.7 | 14,896 | 15.3 |
| Retirement and other service benefits obligations | 49 | 0.0 | 48 | 0.0 | 43 | 0.0 | 44 | 0.0 | 40 | 0.0 |
| Short-term borrowings | 1,910 | 1.9 | - | - | - | - | - | - | 1,000 | 1.0 |
| Unclaimed dividend | 20 | 0.0 | 6 | 0.0 | - | - | - | - | - | - |
| Derivative financial instruments | 250 | 0.2 | 366 | 0.3 | 1,090 | 1.0 | 213 | 0.2 | 566 | 0.6 |
| | 24,049 | 23.5 | 31,481 | 29.9 | 35,810 | 32.1 | 22,673 | 20.6 | 26,247 | 26.9 |
| TOTAL EQUITY AND LIABILITIES | 102,427 | 100.0 | 105,382 | 100.0 | 111,726 | 100.0 | 109,928 | 100.0 | 97,505 | 100.0 |
| ASSETS | | | | | | | | | | |
| NON-CURRENT ASSETS | | | | | | | | | | |
| Property, plant and equipment | 70,168 | 68.5 | 72,193 | 68.5 | 74,963 | 67.1 | 79,315 | 72.2 | 82,878 | 85.0 |
| Intangible assets | 4,451 | 4.3 | 106 | 0.1 | 118 | 0.1 | 138 | 0.1 | 162 | 0.2 |
| Investment in subsidiary | 560 | 0.5 | 4,383 | 4.2 | - | - | - | - | - | - |
| Long term loans and advances | 121 | 0.1 | 160 | 0.2 | 94 | 0.1 | 109 | 0.1 | 84 | 0.1 |
| | 75,300 | 73.5 | 76,842 | 72.9 | 75,175 | 67.3 | 79,562 | 72.4 | 83,124 | 85.3 |
| CURRENT ASSETS | | | | | | | | | | |
| Store, spares and loose tools | 4,887 | 4.8 | 4,639 | 4.4 | 4,714 | 4.2 | 4,369 | 4.0 | 4,107 | 4.2 |
| Stock-in-trade | 6,820 | 6.7 | 6,942 | 6.6 | 1,101 | 1.0 | 1,382 | 1.3 | 1,687 | 1.7 |
| Trade debts | 7,585 | 7.4 | 2,262 | 2.1 | 757 | 0.7 | 758 | 0.7 | 1,046 | 1.1 |
| Derivative financial instruments | - | - | 29 | 0.0 | - | - | 130 | 0.1 | 1 | 0.0 |
| Subordinated loan to subsidiary | - | - | 900 | 0.9 | - | - | - | - | - | - |
| Loans, advances, deposits and prepayments | 678 | 0.7 | 588 | 0.6 | 433 | 0.4 | 626 | 0.6 | 395 | 0.4 |
| Other receivables | 6,986 | 6.8 | 1,330 | 1.3 | 19 | 0.0 | 28 | 0.0 | 61 | 0.1 |
| Taxes recoverable | - | - | - | - | - | - | 557 | 0.5 | 2,000 | 2.1 |
| Short-term Investments | 143 | 0.1 | 10,985 | 10.4 | 25,084 | 22.5 | 18,058 | 16.4 | 2,635 | 2.7 |
| Cash and bank balances | 28 | 0.0 | 865 | 0.8 | 4,443 | 4.0 | 4,458 | 4.1 | 2,449 | 2.5 |
| | 27,127 | 26.5 | 28,540 | 27.1 | 36,551 | 32.7 | 30,366 | 27.6 | 14,381 | 14.75 |
| TOTAL ASSETS | 102,427 | 100.0 | 105,382 | 100.0 | 111,726 | 100.0 | 109,928 | 100.0 | 97,505 | 100.0 |

# horizontal and vertical analyses

## Profit & Loss Account

(Amounts in millions)

| | 2016 Rs. | 16 Vs 15 % | 2015 Rs. | 15 Vs 14 % | 2014 Rs. | 14 Vs 13 % | 2013 Rs. | 13 Vs 12 % | 2012 Rs. |
|---|---|---|---|---|---|---|---|---|---|
| **Horizontal Analysis** | | | | | | | | | |
| Sales | 69,519 | (18.2) | 85,003 | 38.4 | 61,425 | 22.5 | 50,129 | 63.7 | 30,627 |
| Cost of Sales | 52,408 | (5.5) | 55,435 | 42.8 | 38,822 | 38.6 | 28,008 | 34.9 | 20,766 |
| Gross profit | 17,111 | (42.1) | 29,568 | 30.8 | 22,603 | 2.2 | 22,121 | 124.3 | 9,861 |
| | | | | | | | | | |
| Distribution and marketing expenses | 6,702 | 22.9 | 5,453 | 22.8 | 4,441 | 26.5 | 3,511 | 40.4 | 2,500 |
| Administrative expenses | 888 | 2.9 | 863 | 11.8 | 772 | 28.5 | 601 | 3.1 | 583 |
| Other expenses | 1,144 | (36.9) | 1,814 | 37.6 | 1,318 | 53.6 | 858 | 111.3 | 406 |
| Other income | 8,135 | 88.4 | 4,319 | 76.4 | 2,449 | 112.7 | 1,151 | 203.7 | 379 |
| Operating profit | 16,512 | (35.9) | 25,757 | 39.1 | 18,521 | 1.2 | 18,302 | 171.1 | 6,751 |
| Finance cost | 3,136 | (31.6) | 4,588 | (30.8) | 6,626 | (33.2) | 9,918 | (7.3) | 10,703 |
| Net profit before taxation | 13,376 | (36.8) | 21,169 | 78.0 | 11,895 | 41.9 | 8,384 | 312.1 | (3,952) |
| Provision for taxation | 4,351 | (29.2) | 6,142 | 66.6 | 3,687 | 27.7 | 2,887 | 183.9 | 1,017 |
| Net profit after taxation | 9,025 | (39.9) | 15,027 | 83.1 | 8,208 | 49.3 | 5,497 | 287.3 | (2,935) |

| | 2016 | | 2015 | | 2014 | | 2013 | | 2012 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rs. | % | Rs. | % | Rs. | % | Rs. | % | Rs. | % |
| **Vertical Analysis** | | | | | | | | | | |
| Sales | 69,519 | 100 | 85,003 | 100 | 61,425 | 100 | 50,129 | 100 | 30,627 | 100 |
| Cost of Sales | 52,408 | 75.4 | 55,435 | 65.2 | 38,822 | 63.2 | 28,008 | 55.9 | 20,766 | 67.8 |
| Gross profit | 17,111 | 24.6 | 29,568 | 34.8 | 22,603 | 36.80 | 22,121 | 44.1 | 9,861 | 32.2 |
| | | | | | | | | | | |
| Distribution and marketing expenses | 6,702 | 9.6 | 5,453 | 6.4 | 4,441 | 7.2 | 3,511 | 7.0 | 2,500 | 8.2 |
| Administrative expenses | 888 | 1.3 | 863 | 1.0 | 772 | 1.3 | 601 | 1.2 | 583 | 1.9 |
| Other expenses | 1,144 | 1.6 | 1,814 | 2.1 | 1,318 | 2.1 | 858 | 1.7 | 406 | 1.3 |
| Other income | 8,135 | 11.7 | 4,319 | 5.1 | 2,449 | 4.0 | 1,151 | 2.3 | 379 | 1.2 |
| Operating profit | 16,512 | 23.8 | 25,757 | 30.3 | 18,521 | 30.2 | 18,302 | 36.5 | 6,751 | 22.0 |
| Finance cost | 3,136 | 4.5 | 4,588 | 5.4 | 6,626 | 10.8 | 9,918 | 19.8 | 10,703 | 34.9 |
| Net profit before taxation | 13,376 | 19.2 | 21,169 | 24.9 | 11,895 | 19.4 | 8,384 | 16.7 | (3,952) | (12.9) |
| Provision for taxation | 4,351 | 6.3 | 6,142 | 7.2 | 3,687 | 6.0 | 2,887 | 5.8 | 1,017 | (3.3) |
| Net profit after taxation | 9,025 | 13.0 | 15,027 | 17.7 | 8,208 | 13.4 | 5,497 | 10.9 | (2,935) | (9.6) |

# summary

| (Amounts in millions) | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Summary of Balance Sheet | | | | | |
| Share capital | 13,309 | 13,309 | 13,183 | 12,228 | 10,728 |
| Reserves | 27,974 | 29,217 | 21,295 | 12,841 | 5,070 |
| Shareholders' funds / Equity | 41,283 | 42,526 | 34,478 | 25,069 | 15,798 |
| Long term borrowings | 29,380 | 25,290 | 36,091 | 55,896 | 51,482 |
| Capital employed | 75,834 | 78,552 | 78,481 | 83,889 | 82,176 |
| Deferred liabilities | 7,561 | 5,961 | 5,227 | 4,655 | 3,381 |
| Property,plant & equipment | 70,168 | 72,192 | 74,963 | 79,315 | 82,878 |
| Long term assets | 75,300 | 76,842 | 75,175 | 79,563 | 83,124 |
| Current assets | 27,128 | 28,540 | 36,551 | 30,366 | 14,381 |
| Summary of Profit and Loss | | | | | |
| Sales | 69,519 | 85,003 | 61,425 | 50,129 | 30,626 |
| Gross profit | 17,111 | 29,568 | 22,603 | 22,121 | 9,861 |
| Operating profit | 16,511 | 25,757 | 18,521 | 18,302 | 6,752 |
| Profit / (loss) before tax | 13,375 | 21,169 | 11,895 | 8,384 | (3,952) |
| Profit / (loss) after tax | 9,025 | 15,027 | 8,208 | 5,497 | (2,935) |
| EBITDA | 21,547 | 30,509 | 23,273 | 23,259 | 11,741 |
| Summary of Cash Flows | | | | | |
| Net cash flow from operating activities | 775 | 4,641 | 19,317 | 24,813 | 6,371 |
| Net cash flow from investing activities | (2,422) | 17,661 | (22,604) | (560) | (1,857) |
| Net cash flow from financing activities | (10,748) | (16,384) | (13,692) | (5,821) | (4,920) |
| Changes in cash & cash equivalents | (12,395) | 5,918 | (16,978) | 18,432 | (406) |
| Cash & cash equivalents – Year end | (939) | 11,456 | 5,538 | 22,516 | 4,085 |
| Summary of Actual Production (KT) | | | | | |
| Urea | 1,881,016 | 1,967,552 | 1,818,937 | 1,561,575 | 974,425 |
| NPK | 94,610 | 126,074 | 117,193 | 92,839 | 67,755 |

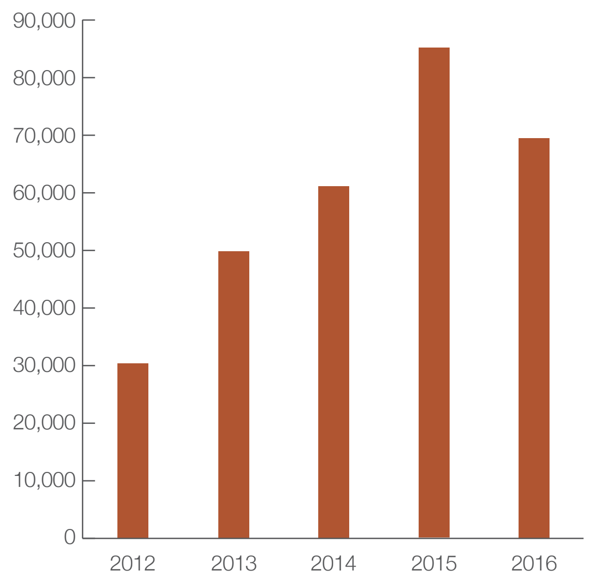
# financial ratios

| | | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|
| Profitability Ratios | | | | | | |
| Gross Profit ratio | % | 24.6* | 34.8* | 36.8 | 44.1 | 32.2 |
| Net Profit to Sales | % | 13.0* | 17.7* | 13.4 | 11.0 | (9.6) |
| EBITDA Margin to Sales | % | 31.0* | 35.9* | 37.9 | 46.3 | 38.3 |
| Return on Equity | % | 21.5 | 39.7 | 27.6 | 26.9 | (17.1) |
| Return on Capital Employed | % | 21.4 | 32.8 | 22.8 | 22.0 | 9.1 |
| Liquidity Ratios | | | | | | |
| Current ratio | Times | 1.1 | 0.9 | 1.0 | 1.3 | 0.5 |
| Quick / Acid test ratio | Times | 0.6 | 0.5 | 0.9 | 1.1 | 0.3 |
| Cash to Current Liabilities | % | 0.12 | 2.7 | 12.0 | 19.7 | 9.3 |
| Cash flow from Operations to Sales | % | 1.1* | 5.5* | 31.0 | 49.5 | 20.8 |
| Activity / Turnover Ratios | | | | | | |
| No. of Days Inventory | Days | 47.9 | 26.5 | 12.0 | 20.0 | 31.0 |
| Inventory turnover | Times | 7.6 | 13.8 | 31.3 | 18.3 | 11.8 |
| Total Assets turnover ratio | % | 66.9* | 78.3* | 55.1 | 46.0 | 31.0 |
| Fixed Assets turnover ratio | % | 99.1* | 117.7* | 81.9 | 63.0 | 37.0 |
| Investment /Market Ratios | | | | | | |
| Earnings per Share (Restated) | Rs./ share | 6.8 | 11.3 | 6.3 | 4.7 | (2.6) |
| Breakup value per share | Rs./ share | 31.0 | 32.0 | 26.2 | 19.3 | 14.7 |
| Capital Structure Ratios | | | | | | |
| Debt to Total Capital Employed ratio | % | 44.8 | 46.6 | 56.0 | 70.0 | 81.0 |
| Interest Cover ratio | Times | 5.3 | 5.6 | 2.8 | 1.8 | 0.6 |

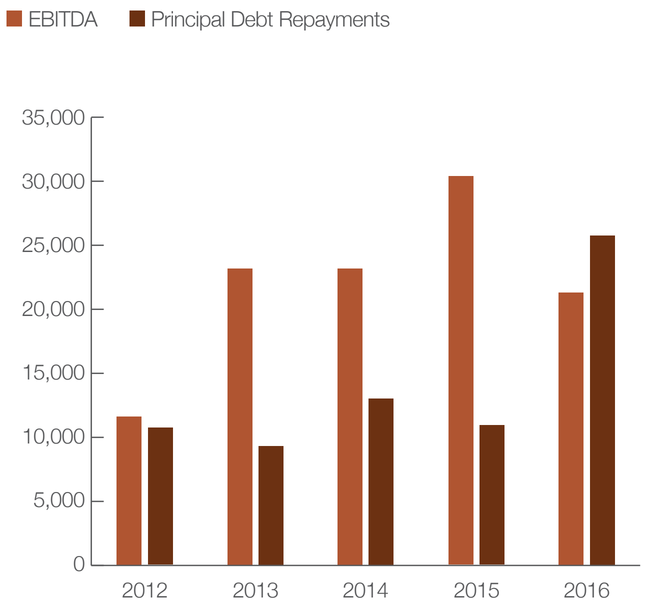
* Excluding subsidy impact amounting to Rs. 7.9 billion (2015: Rs. 2.6 billion).

# snapshots

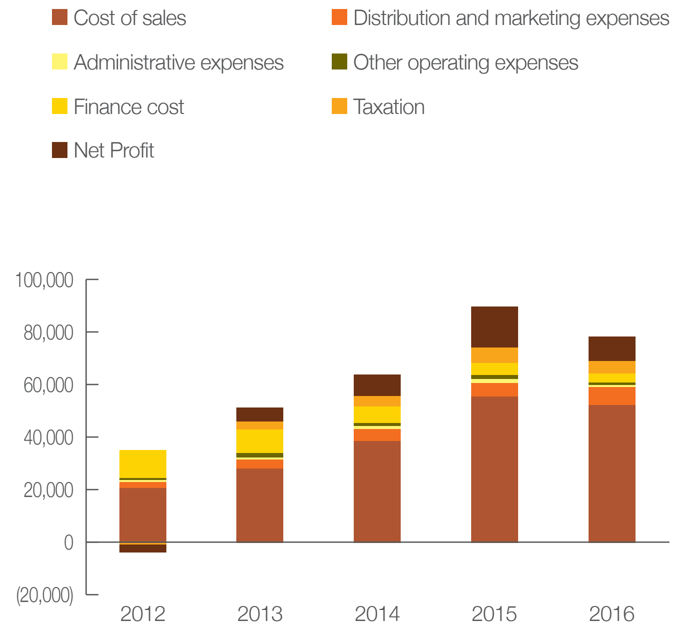
## Sales Revenue year-wise (Rs. in million)*



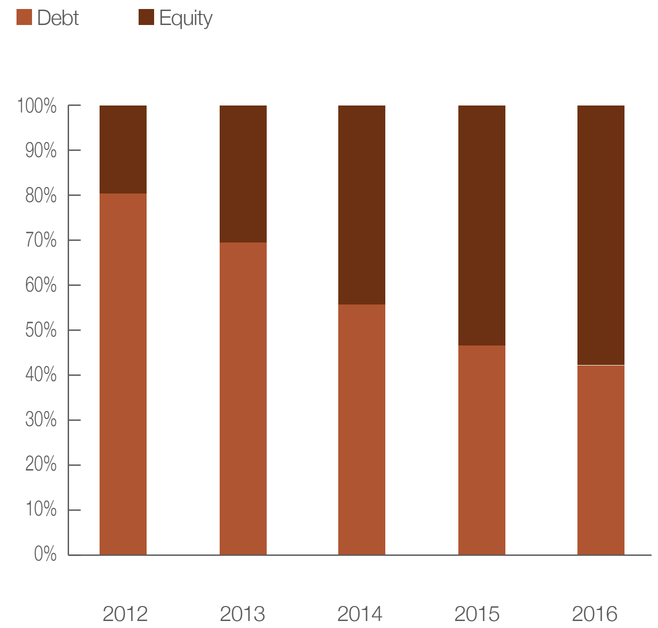

## EBITDA and Principal Debt Repayments (Rs. in million)



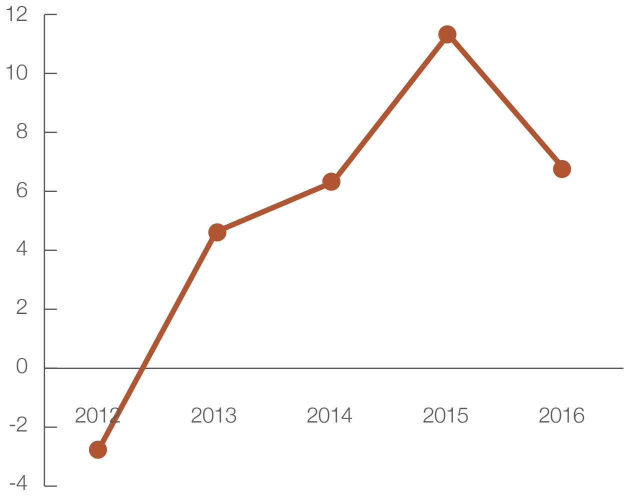

## Revenue Analysis (Rs. in million)



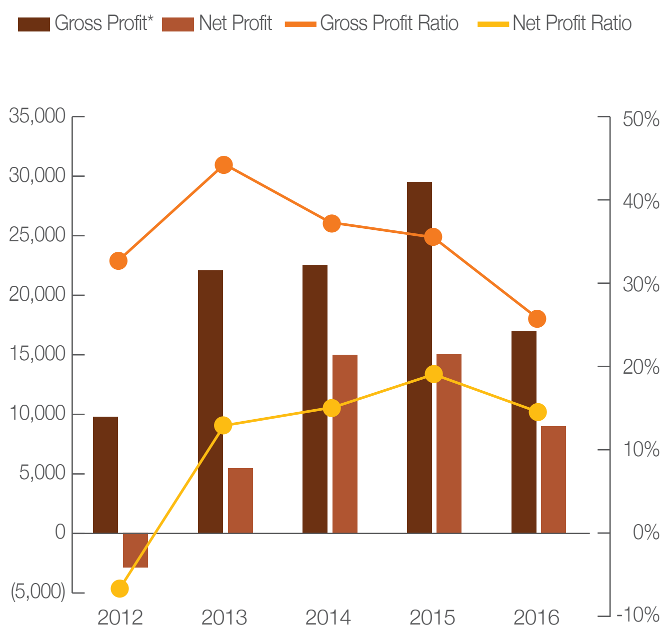

## Capital Structure



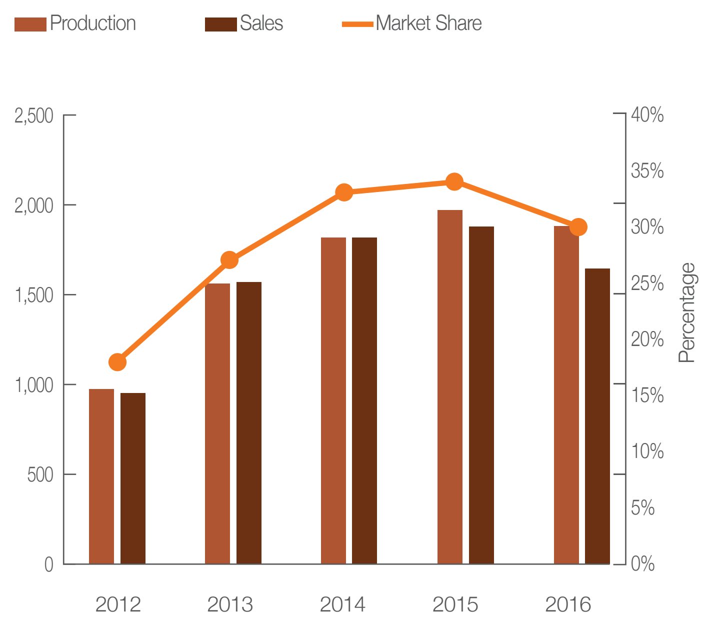

## Earnings Per Share



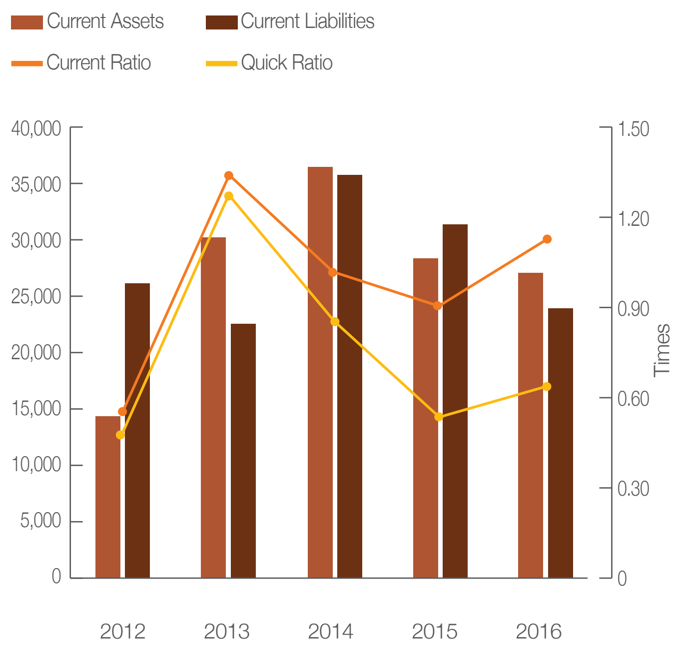

## Gross Profit and Net Profit (Rs. in million)




## Urea Production and Sales Volume (K Tons)

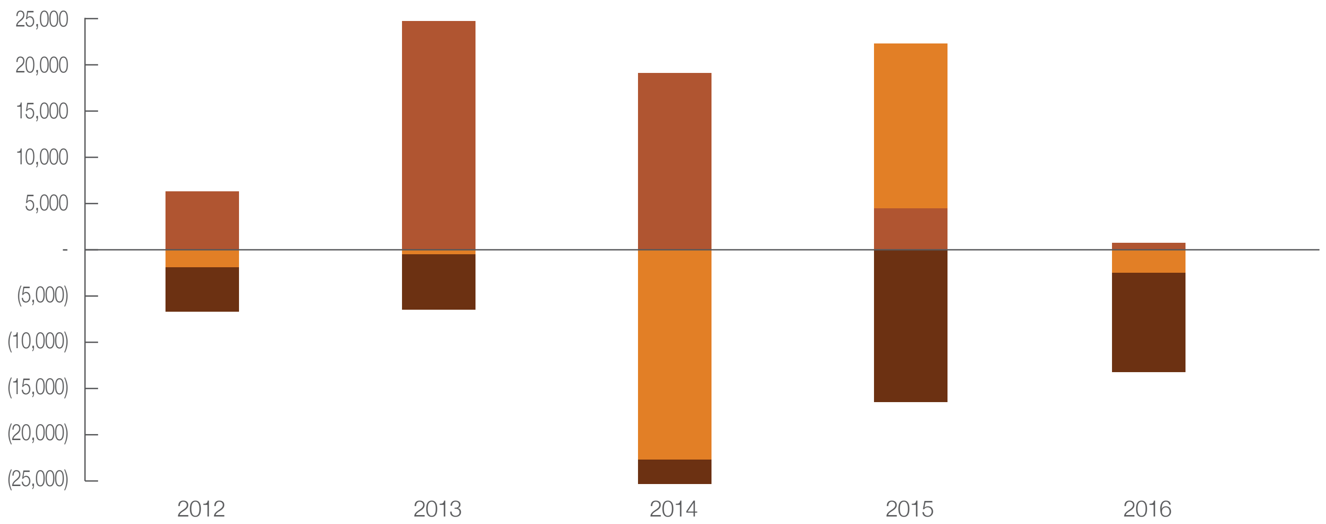



## Liquidity Analysis (Rs. in million)

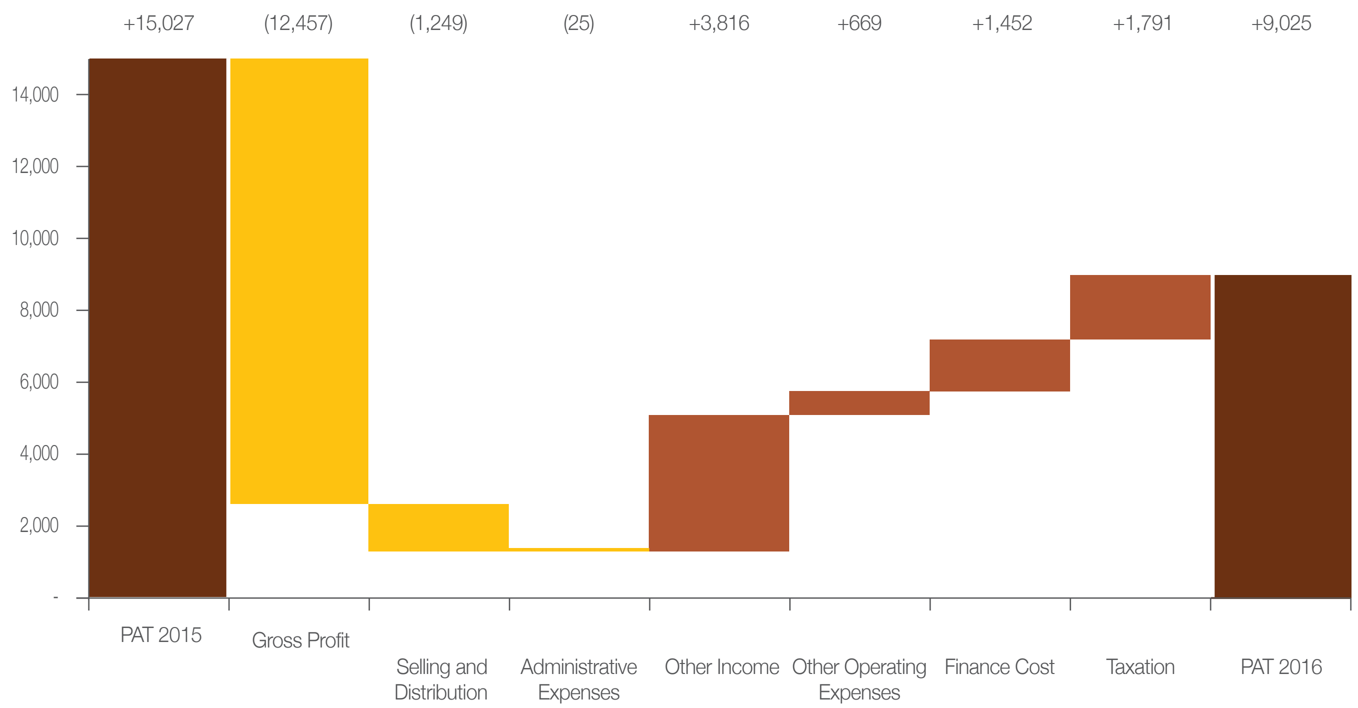



*Excluding subsidy impact of Rs. 7.9 billion (2015: Rs. 2.6 billion)

## Cash Flow Analysis (Rs. in million)



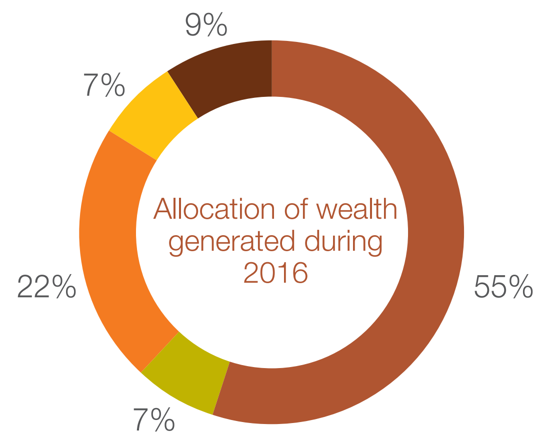

## Variance Analysis (Rs. in million)

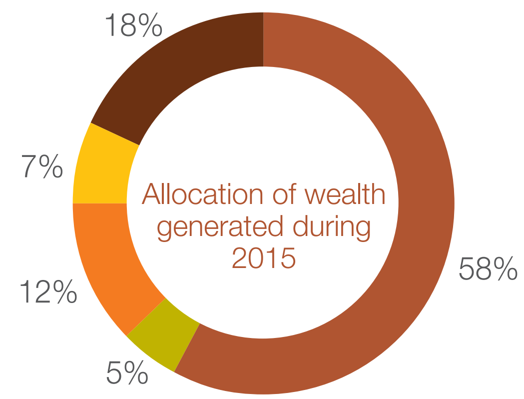





# statement of value addition and distribution

| (Rupees in Million) | 2016 | 2015 |
|---|---|---|
| **Wealth Generated** | | |
| Total revenue inclusive of sales-tax and other income | 87,128 | 105,052 |
| Bought-in-materials and services | (41,096) | (39,365) |
| | 46,032 | 65,687 |
| **Wealth Distributed** | | |
| Taxes, duties and development surcharge to Govt. of Pakistan | 25,426 | 37,883 |
| Salaries, benefits and other costs of employees | 3,339 | 3,369 |
| Dividend to Shareholders | 9,982 | 7,986 |
| Mark-up / interest expense on borrowed money | 3,136 | 4,588 |
| Donation towards education, health, environment and natural disaster | 71 | 68 |
| Retained for reinvestment & future growth, depreciation, amortisation and retained profit | 4,078 | 11,794 |
| | 46,032 | 65,687 |




- To Government
- To Provider of Debt Capital
- To Employees
- Retained for reinvestment, depreciation and amortisation
- To Shareholders

# key shareholding and shares traded

Information of shareholding required under reporting framework is as follows:

1. Associated Companies, undertakings & related parties

| | |
|---|---|
| Engro Corporation Limited | 751,312,049 |

2. Directors, CEO & their spouses & minor children

| | |
|---|---|
| Mr. Ghias Khan | 1 |
| Mr. Ruhail Mohammed | 10,445 |
| Mr. Javed Akbar | 26,524 |
| Mr. Abdul Samad Dawood | 6,632 |
| Mr. Asim Murtaza Khan | 1,220 |
| Mr. Asad Said Jafar | 1 |
| Ms. Sadia Khan | 1 |

| | |
|---|---|
| 3. Executives | ~2,292,445 |
| 4. Public Sector Companies & Corporations | 1,879,064 |
| 5. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds | 115,303,092 |

6. Mutual Funds

| | |
|---|---|
| ASIAN STOCKS FUNDS LTD. | 1 |
| CDC - TRUSTEE ABL INCOME FUND | 268,500 |
| CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SUB FUND | 40,500 |
| CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND | 31,500 |
| CDC - TRUSTEE ABL STOCK FUND | 3,375,000 |
| CDC - TRUSTEE AKD INDEX TRACKER FUND | 127,075 |
| CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND | 3,249,000 |
| CDC - TRUSTEE AL MEEZAN MUTUAL FUND | 4,132,000 |
| CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND | 176,500 |
| CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND | 2,858,000 |
| CDC - TRUSTEE ALFALAH GHP INCOME FUND - MT | 111,500 |
| CDC - TRUSTEE ALFALAH GHP INCOME MULTIPLIER FUND - MT | 136,000 |
| CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND | 19,400 |
| CDC - TRUSTEE ALFALAH GHP SOVEREIGN FUND - MT | 60,000 |
| CDC - TRUSTEE ALFALAH GHP VALUE FUND | 3,000 |
| CDC - TRUSTEE APF-EQUITY SUB FUND | 325,000 |
| CDC - TRUSTEE APIF - EQUITY SUB FUND | 350,000 |
| CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND | 60,000 |
| CDC - TRUSTEE ASKARI EQUITY FUND | 50,000 |
| CDC - TRUSTEE ASKARI HIGH YIELD SCHEME - MT | 495,500 |
| CDC - TRUSTEE ATLAS INCOME FUND - MT | 3,194,800 |
| CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND | 2,100,000 |
| CDC - TRUSTEE ATLAS STOCK MARKET FUND | 4,100,000 |
| CDC - TRUSTEE DAWOOD ISLAMIC FUND | 5,000 |
| CDC - TRUSTEE FAYSAL BALANCED GROWTH FUND | 150,000 |
| CDC - TRUSTEE FAYSAL ISLAMIC ASSET ALLOCATION FUND | 60,000 |
| CDC - TRUSTEE FAYSAL MTS FUND - MT | 320,000 |
| CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT | 28,000 |
| CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND | 33,000 |
| CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND | 5,000 |
| CDC - TRUSTEE FIRST HABIB INCOME FUND | 619,500 |
| CDC - TRUSTEE FIRST HABIB STOCK FUND | 32,500 |
| CDC - TRUSTEE HBL - STOCK FUND | 776,500 |
| CDC - TRUSTEE HBL IPF EQUITY SUB FUND | 88,500 |
| CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND | 124,500 |
| CDC - TRUSTEE HBL MULTI - ASSET FUND | 93,000 |
| CDC - TRUSTEE HBL PF EQUITY SUB FUND | 79,000 |
| CDC - TRUSTEE JS ISLAMIC FUND | 190,000 |
| CDC - TRUSTEE JS LARGE CAP. FUND | 165,000 |
| CDC - TRUSTEE KSE MEEZAN INDEX FUND | 372,500 |
| CDC - TRUSTEE LAKSON EQUITY FUND | 883,083 |
| CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND | 13,500 |
| CDC - TRUSTEE LAKSON TACTICAL FUND | 130,277 |
| CDC - TRUSTEE MCB DCF INCOME FUND | 899,000 |
| CDC - TRUSTEE MCB DYNAMIC CASH FUND - MT | 1,653,000 |
| CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND | 2,191,000 |
| CDC - TRUSTEE MCB PAKISTAN ISLAMIC STOCK FUND | 1,662,500 |
| CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND | 9,682,000 |
| CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND | 775,000 |
| CDC - TRUSTEE MEEZAN BALANCED FUND | 2,020,000 |
| CDC - TRUSTEE MEEZAN ISLAMIC FUND | 24,517,200 |
| CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND | 2,887,000 |
| CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND | 191,500 |
| CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT | 2,230,300 |
| CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND | 2,142,500 |
| CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND | 4,065,000 |
| CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I | 118,500 |
| CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II | 371,500 |
| CDC - TRUSTEE NAFA ISLAMIC STOCK FUND | 3,722,500 |
| CDC - TRUSTEE NAFA MULTI ASSET FUND | 414,000 |
| CDC - TRUSTEE NAFA STOCK FUND | 6,259,000 |
| CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST | 1,793,827 |
| CDC - TRUSTEE NIT INCOME FUND - MT | 28,000 |
| CDC - TRUSTEE NIT ISLAMIC EQUITY FUND | 2,420,500 |
| CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND | 1,352,114 |
| CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND | 501,500 |
| CDC - TRUSTEE PAKISTAN INCOME ENHANCEMENT FUND | 359,500 |
| CDC - TRUSTEE PAKISTAN INCOME ENHANCEMENT FUND - MT | 226,000 |
| CDC - TRUSTEE PAKISTAN INCOME FUND | 40,000 |
| CDC - TRUSTEE PAKISTAN INCOME FUND - MT | 109,000 |
| CDC - TRUSTEE PICIC GROWTH FUND | 4,454,000 |
| CDC - TRUSTEE PICIC INVESTMENT FUND | 2,621,500 |
| CDC - TRUSTEE PICIC ISLAMIC STOCK FUND | 106,500 |
| CDC - TRUSTEE PICIC STOCK FUND | 65,000 |
| CDC - TRUSTEE PIML ISLAMIC EQUITY FUND | 40,000 |
| CDC - TRUSTEE PIML STRATEGIC MULTI ASSET FUND | 30,000 |
| CDC - TRUSTEE PIML VALUE EQUITY FUND | 60,000 |
| CDC - TRUSTEE UBL STOCK ADVANTAGE FUND | 1,003,000 |
| CDC - TRUSTEE FIRST HABIB ISLAMIC BALANCED FUND | 30,000 |
| CDC - TRUSTEE HBL ISLAMIC STOCK FUND | 330,500 |
| CDC - TRUSTEE NAFA ASSET ALLOCATION FUND | 516,500 |
| CDC - TRUSTEE NAFA SAVINGS PLUS FUND - MT | 89,500 |
| CDC - TRUSTEE NITIPF EQUITY SUB-FUND | 40,000 |
| CDC - TRUSTEE NITPF EQUITY SUB-FUND | 25,000 |

| | |
|---|---|
| CDC - TRUSTEE PAK. INT. ELEMENT ISLAMIC ASSET ALLOCATION FUND | 1,087,500 |
| MCBFSL-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND | 50,000 |
| MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND | 2,000,000 |
| MCBFSL - TRUSTEE NAFA INCOME FUND - MT | 236,000 |
| MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND | 370,000 |
| MCBFSL TRUSTEE MCB PAKISTAN FREQUENT PAYOUT FUND | 850,000 |
| TRI. STAR MUTUAL FUND LTD. | 91 |
| **TOTAL - Mutual Funds** | **116,069,168** |

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

| | |
|---|---|
| Engro Corporation Limited | 751,312,049 |

8. Details of purchase/sale of shares by Directors, Executives* and their spouses/minor children during 2016

| S.No | Name of holders | Date | Sale / Purchase | No of Shares | Rate / Per Share |
|---|---|---|---|---|---|
| 1. | Ali Akbar | 8-Jan-16 | Bought | 1000 | 84.59 |
| 2. | Muhammad Athar | 22-Jan-16 | Bought | 10000 | 78 |
| 3. | Khalid Hussain Bhutto | 8-Feb-16 | Bought | 13000 | 82.6 |
| 4. | Ghulam Qadir | 11-Feb-16 | Bought | 1000 | 77.35 |
| 5. | Munir Ahmed Waseem | 4-Feb-16 | Bought | 5000 | 81.06 |
| 6. | Munir Ahmed Waseem | 9-Feb-16 | Bought | 2000 | 79.75 |
| 7. | Munir Ahmed Waseem | 12-Feb-16 | Bought | 4000 | 76.15 |
| 8. | Ghulam Qadir | 19-Feb-16 | Bought | 3500 | 71 |
| 9. | Imtiaz Ali | 23-Feb-16 | Bought | 3500 | 68.11 |
| 10. | Farhan Mehmood | 23-Feb-16 | Sold | 2500 | 68 |
| 11. | Ghulam Qadir | 8-Mar-16 | Bought | 500 | 77.3 |
| 12. | Muhammad Shafique Ahmad Ajmal | 9-Mar-16 | Bought | 1000 | 77.9 |
| 13. | Ghulam Qadir | 24-Mar-16 | Bought | 2000 | 69.27 |
| 14. | Ghulam Qadir | 18-Apr-16 | Bought | 5500 | 71.9 |
| 15. | Muhammad Shafiq Ahmad Ajmal | 11-Apr-16 | Bought | 4000 | 72. |
| 16. | Khalid Rasheed | 11-May-16 | Sold | 32500 | 70.2 |
| 17. | Ghulam Qadir | 16-May-16 | Bought | 6500 | 69.39 |
| 18. | Muddassar Yaqub | 17-May-16 | Bought | 5000 | 69 |
| 19. | Muddassar Yaqub | 30-May-16 | Bought | 1000 | 70 |
| 20. | Muddassar Yaqub | 30-May-16 | Bought | 1000 | 70 |
| 21. | Ghulam Qadir | 8-Jun-16 | Bought | 500 | 68.15 |
| 22. | Munir Ahmed Waseem | 14-Jun-16 | Bought | 5000 | 67.35 |
| 23. | Ghulam Qadir | 13-Jun-16 | Bought | 500 | 66.26 |
| 24. | Mirza Anis Ahmed / Tasleem Anis | 9-Jun-16 | Bought | 13000 | 67 |
| 25. | Masood H. Khatri | 17-Jun-16 | Sold | 4000 | 67.4 |
| 26. | Ghulam Qadir | 23-Jun-16 | Bought | 500 | 64.99 |
| 27. | Ghulam Qadir | 24-Jun-16 | Bought | 500 | 64.59 |
| 28. | Hamid Anjum | 28-Jun-16 | Sold | 7000 | 63.77 |
| 29. | Sumbal | 21-Jul-16 | Sold | 13000 | 66.2 |
| 30. | Mohammad Ismail | 23-Jun-16 | Sold | 10000 | 65 |
| 31. | Ammar Mursalin | 12-Jul-16 | Sold | 400 | 65.8 |
| 32. | Fahd Khawaja | 18-Jul-16 | Sold | 10000 | 66.49 |
| 33. | Fahd Khawaja | 19-Jul-16 | Sold | 5000 | 66.69 |
| 34. | Fahd Khawaja | 25-Jul-16 | Sold | 1000 | 68 |
| 35. | Fahd Khawaja | 27-Jul-16 | Sold | 5000 | 68.68 |
| 36. | Bilal Qasim | 27-Jul-16 | Sold | 30000 | 69 |
| 37. | Fahd Khawaja | 1-Aug-16 | Sold | 1000 | 69.3 |
| 38. | Zafar Altaf | 29-Jul-16 | Sold | 1500 | 68.36 |
| 39. | Zafar Altaf | 29-Jul-16 | Bought | 100 | 68.35 |
| 40. | Fahd Khawaja | 2-Aug-16 | Sold | 1000 | 68.15 |
| 41. | Akhtar Kamal Sami | 1-Aug-16 | Sold | 13000 | 68.14 |
| 42. | Fahd Khawaja | 4-Aug-16 | Sold | 2000 | 68 |
| 43. | Ali Akbar | 5-Aug-16 | Sold | 1000 | 67.75 |
| 44. | Fahd Khawaja | 11-Aug-16 | Sold | 1000 | 68.5 |
| 45. | Ghulam Qadir | 11-Aug-16 | Sold | 30000 | 68.68 |
| 46. | Fahd Khawaja | 15-Aug-16 | Sold | 1000 | 69.35 |
| 47. | Syed Muhammad Raza | 16-Aug-16 | Sold | 28000 | 69.39 |
| 48. | Fahd Khawaja | 22-Aug-16 | Sold | 5000 | 67.5 |
| 49. | Imtiaz Ali | 24-Aug-16 | Sold | 3500 | 67.28 |
| 50. | Imtiaz Ali | 29-Aug-16 | Sold | 3500 | 67.89 |
| 51. | Muhammad Abbas | 1-Sep-16 | Sold | 2000 | 67.55 |
| 52. | Muhammad Abbas | 20-Jul-16 | Sold | 2000 | 68.5 |
| 53. | Fahd Khawaja | 5-Sep-16 | Sold | 500 | 67.56 |
| 54. | Fahd Khawaja | 6-Sep-16 | Sold | 500 | 66.8 |
| 55. | Fahd Khawaja | 6-Sep-16 | Sold | 500 | 66.9 |
| 56. | Zafar Shamim | 8-Nov-16 | Sold | 500 | 63.81 |
| 57. | Farooq Ahmed Qureshi | 17-Nov-16 | Bought | 5000 | 62.95 |
| 58. | Farooq Ahmed Qureshi | 22-Nov-16 | Bought | 47000 | 62.9 |
| 59. | Zehra Mujahid | 28-Nov-16 | Sold | 5000 | 66 |
| 60. | Zafar Altaf | 2-Dec-16 | Sold | 1000 | 65.21 |
| 61. | Zehra Mujahid | 5-Dec-16 | Sold | 3000 | 66 |

* For the purpose of declaration of share trades all employees of the company are considered as "Executive"

# shareholder information

## Annual General Meeting

The annual shareholders meeting will be held at 10:00 a.m. on March 30, 2017 at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi.

Shareholders as of March 21, 2017 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, 2016, there were 27,057, shareholders on record of the Company's ordinary shares.

## Transmission of Annual Reports through E-Mail

The SECP has allowed the circulation of annual Reports to the members of the Company through email. Therefore, all members of the Company who want to receive a soft copy of the Annual Report are requested to send their email addresses on the consent form to the Company's Share Registrar. The Company shall, however additionally also provide hard copies of the Annual Report to such members, on request, free of cost, within seven days of receipt of such request. The standard consent form for electronic transmission is available at the Company's website www.engrofertilizers.com.

Alternatively, members can fill up the Electronic transmission consent Form given in the Annexure Section at the end of this report.

## Holding of General Meetings through Video Conference Facility

Members can also avail video conference facility in Lahore and Islamabad. If the Company receives consent at least 10 days prior to date of meeting, from members holding in aggregate 10% or more shareholding and residing at either Lahore and/or Islamabad to participate in the meeting through video conference, the company may arrange video conference facility in that city.

In this regard please fill up the Request for Video Conferencing Facility Form given in the Annexure Section at the end of this report and submit it to registered address of the Company 10 days before holding of the annual general meeting.

## E-Dividend Mandate (Optional)

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan vide Circular No. 18 of 2012 dated June 5, 2012, we hereby give you the opportunity to authorise the Company to directly credit in your bank account the cash dividend declared by the Company now and in the future.

Please note that this E-dividend mandate is optional and not compulsory, in case you do not wish your dividend to be directly credited into your bank account then the same shall be paid to you directly.

In case you wish that the cash dividend declared by the Company is directly credited to your bank account instead of issue of dividend warrants to you, then please provide the information mentioned on the Form placed on the Company's website www.engrofertilizers.com and send the same to your brokers or the Central Depository Company Ltd. (in case the shares are held on the CDC) or to our Registrars, FAMCO Associates (Pvt) Ltd., at their address mentioned below (in case the shares are held in paper certificate form).



## Quarterly Results

The Company issues quarterly financial statements. The planned dates for release of the quarterly results in 2017 are:

- 1st quarter: 24 April, 2017
- 2nd quarter: 04 August, 2017
- 3rd quarter: 24 October, 2017

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: 25 April, 2017
- 2nd quarter: 07 August, 2017
- 3rd quarter: 25 October, 2017

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

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

## Change of Address

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

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

# pattern of shareholding

As at December 31, 2016

| No of shareholders | No. of Shareholdings From | No. of Shareholdings To | Total Shares Held |
|---|---|---|---|
| 4,183 | 1 | 100 | 130,964 |
| 11,002 | 101 | 500 | 4,951,439 |
| 4,334 | 501 | 1,000 | 4,028,895 |
| 4,218 | 1,001 | 5,000 | 10,797,210 |
| 1,152 | 5,001 | 10,000 | 9,177,383 |
| 450 | 10,001 | 15,000 | 5,834,730 |
| 292 | 15,001 | 20,000 | 5,334,024 |
| 205 | 20,001 | 25,000 | 4,830,783 |
| 161 | 25,001 | 30,000 | 4,611,712 |
| 92 | 30,001 | 35,000 | 3,037,269 |
| 85 | 35,001 | 40,000 | 3,278,958 |
| 48 | 40,001 | 45,000 | 2,046,182 |
| 116 | 45,001 | 50,000 | 5,730,083 |
| 37 | 50,001 | 55,000 | 1,967,023 |
| 35 | 55,001 | 60,000 | 2,059,309 |
| 22 | 60,001 | 65,000 | 1,388,126 |
| 20 | 65,001 | 70,000 | 1,366,768 |
| 32 | 70,001 | 75,000 | 2,359,356 |
| 17 | 75,001 | 80,000 | 1,333,750 |
| 17 | 80,001 | 85,000 | 1,407,936 |
| 14 | 85,001 | 90,000 | 1,240,334 |
| 13 | 90,001 | 95,000 | 1,212,054 |
| 62 | 95,001 | 100,000 | 6,183,137 |
| 12 | 100,001 | 105,000 | 1,238,121 |
| 19 | 105,001 | 110,000 | 2,065,109 |
| 4 | 110,001 | 115,000 | 445,784 |
| 5 | 115,001 | 120,000 | 589,304 |
| 16 | 120,001 | 125,000 | 1,990,700 |
| 8 | 125,001 | 130,000 | 1,025,575 |
| 10 | 130,001 | 135,000 | 1,329,197 |
| 8 | 135,001 | 140,000 | 1,104,500 |
| 3 | 140,001 | 145,000 | 425,934 |
| 13 | 145,001 | 150,000 | 1,949,500 |
| 1 | 150,001 | 155,000 | 151,620 |
| 8 | 155,001 | 160,000 | 1,264,060 |
| 8 | 160,001 | 165,000 | 1,304,204 |
| 5 | 165,001 | 170,000 | 830,287 |
| 5 | 170,001 | 175,000 | 874,000 |
| 5 | 175,001 | 180,000 | 893,630 |
| 1 | 180,001 | 185,000 | 183,000 |
| 9 | 190,000 | 195,000 | 1,734,636 |
| 19 | 195,001 | 200,000 | 3,786,404 |
| 5 | 200,001 | 205,000 | 1,012,313 |
| 4 | 205,001 | 210,000 | 831,025 |
| 5 | 210,001 | 215,000 | 1,068,312 |
| 9 | 220,001 | 225,000 | 2,015,971 |
| 3 | 225,001 | 230,000 | 682,500 |
| 6 | 235,000 | 240,000 | 1,418,185 |
| 4 | 245,001 | 250,000 | 996,852 |
| 4 | 250,001 | 255,000 | 1,016,750 |
| 2 | 255,001 | 260,000 | 515,021 |
| 4 | 265,000 | 270,000 | 1,066,500 |
| 4 | 275,000 | 280,000 | 1,111,823 |
| 1 | 280,001 | 285,000 | 282,000 |



As at December 31, 2016

| No of shareholders | No. of Shareholdings From | No. of Shareholdings To | Total Shares Held |
|---|---|---|---|
| 1 | 290,001 | 295,000 | 291,474 |
| 7 | 295,001 | 300,000 | 2,095,500 |
| 2 | 300,001 | 305,000 | 604,892 |
| 1 | 305,001 | 310,000 | 308,190 |
| 1 | 310,001 | 315,000 | 311,500 |
| 5 | 320,000 | 325,000 | 1,610,000 |
| 6 | 330,001 | 335,000 | 1,997,830 |
| 2 | 335,001 | 340,000 | 679,820 |
| 4 | 340,001 | 345,000 | 1,375,900 |
| 4 | 345,001 | 350,000 | 1,396,192 |
| 6 | 350,001 | 355,000 | 2,116,218 |
| 2 | 355,001 | 360,000 | 719,500 |
| 2 | 360,001 | 365,000 | 726,000 |
| 3 | 365,001 | 370,000 | 1,109,500 |
| 5 | 370,001 | 375,000 | 1,861,128 |
| 2 | 375,001 | 380,000 | 756,000 |
| 1 | 385,000 | 390,000 | 385,000 |
| 7 | 400,000 | 405,000 | 2,802,382 |
| 1 | 410,001 | 415,000 | 414,000 |
| 4 | 420,001 | 425,000 | 1,693,500 |
| 1 | 430,001 | 435,000 | 434,006 |
| 1 | 440,001 | 445,000 | 443,500 |
| 1 | 460,001 | 465,000 | 460,600 |
| 5 | 495,001 | 500,000 | 2,495,500 |
| 2 | 500,001 | 505,000 | 1,002,500 |
| 1 | 510,001 | 515,000 | 514,500 |
| 1 | 515,001 | 520,000 | 516,500 |
| 1 | 525,001 | 530,000 | 528,000 |
| 1 | 530,001 | 535,000 | 532,000 |
| 4 | 550,000 | 555,000 | 2,204,340 |
| 1 | 560,001 | 565,000 | 564,025 |
| 1 | 565,001 | 570,000 | 565,040 |
| 1 | 580,000 | 585,000 | 580,000 |
| 2 | 600,000 | 605,000 | 1,200,000 |
| 2 | 610,000 | 615,000 | 1,220,528 |
| 1 | 615,001 | 620,000 | 619,500 |
| 1 | 640,001 | 645,000 | 643,491 |
| 1 | 660,001 | 665,000 | 663,000 |
| 1 | 670,001 | 675,000 | 671,789 |
| 1 | 700,000 | 705,000 | 700,000 |
| 1 | 705,001 | 710,000 | 706,500 |
| 2 | 715,001 | 720,000 | 1,439,000 |
| 1 | 730,001 | 735,000 | 732,864 |
| 2 | 750,000 | 755,000 | 1,500,000 |
| 1 | 760,001 | 765,000 | 761,000 |
| 2 | 775,000 | 780,000 | 1,551,500 |
| 1 | 780,001 | 785,000 | 780,240 |
| 1 | 800,000 | 805,000 | 800,000 |
| 1 | 815,001 | 820,000 | 817,000 |
| 1 | 825,001 | 830,000 | 828,221 |
| 1 | 830,001 | 835,000 | 832,785 |
| 1 | 835,001 | 840,000 | 836,520 |
| 3 | 850,000 | 855,000 | 2,555,000 |
| 1 | 880,001 | 885,000 | 883,083 |

As at December 31, 2016

| No of shareholders | No. of Shareholdings | | Total Shares Held |
|---|---|---|---|
| | From | To | |
| 1 | 895,001 | 900,000 | 899,000 |
| 1 | 910,000 | 915,000 | 910,000 |
| 1 | 915,001 | 920,000 | 916,000 |
| 1 | 930,001 | 935,000 | 934,000 |
| 1 | 950,000 | 955,000 | 950,000 |
| 3 | 985,001 | 990,000 | 2,956,500 |
| 9 | 995,000 | 1,000,000 | 8,995,000 |
| 1 | 1,000,001 | 1,005,000 | 1,003,000 |
| 1 | 1,020,000 | 1,025,000 | 1,020,000 |
| 1 | 1,085,001 | 1,090,000 | 1,087,500 |
| 1 | 1,110,001 | 1,115,000 | 1,112,800 |
| 1 | 1,125,001 | 1,130,000 | 1,127,300 |
| 1 | 1,155,001 | 1,160,000 | 1,157,105 |
| 1 | 1,165,001 | 1,170,000 | 1,168,016 |
| 1 | 1,175,000 | 1,180,000 | 1,175,000 |
| 1 | 1,215,001 | 1,220,000 | 1,218,495 |
| 2 | 1,220,001 | 1,225,000 | 2,443,000 |
| 1 | 1,260,001 | 1,265,000 | 1,263,500 |
| 1 | 1,305,001 | 1,310,000 | 1,307,000 |
| 1 | 1,310,001 | 1,315,000 | 1,311,500 |
| 1 | 1,350,001 | 1,355,000 | 1,352,114 |
| 1 | 1,355,001 | 1,360,000 | 1,355,720 |
| 1 | 1,390,001 | 1,395,000 | 1,390,500 |
| 2 | 1,495,001 | 1,500,000 | 2,998,501 |
| 1 | 1,510,001 | 1,515,000 | 1,512,500 |
| 1 | 1,545,001 | 1,550,000 | 1,546,500 |
| 1 | 1,555,001 | 1,560,000 | 1,557,667 |
| 1 | 1,650,001 | 1,655,000 | 1,653,000 |
| 1 | 1,660,001 | 1,665,000 | 1,662,500 |
| 1 | 1,680,001 | 1,685,000 | 1,682,100 |
| 1 | 1,710,001 | 1,715,000 | 1,713,245 |
| 1 | 1,790,001 | 1,795,000 | 1,793,827 |
| 1 | 1,895,001 | 1,900,000 | 1,898,000 |
| 1 | 1,980,001 | 1,985,000 | 1,982,000 |
| 3 | 2,000,000 | 2,005,000 | 6,002,530 |
| 1 | 2,020,000 | 2,025,000 | 2,020,000 |
| 1 | 2,090,001 | 2,095,000 | 2,091,213 |
| 2 | 2,095,001 | 2,100,000 | 4,197,572 |
| 1 | 2,140,001 | 2,145,000 | 2,142,500 |
| 2 | 2,190,001 | 2,195,000 | 4,381,809 |
| 1 | 2,200,000 | 2,205,000 | 2,200,000 |
| 1 | 2,230,001 | 2,235,000 | 2,230,300 |
| 1 | 2,240,001 | 2,245,000 | 2,244,000 |
| 2 | 2,420,001 | 2,425,000 | 4,844,700 |
| 1 | 2,455,001 | 2,460,000 | 2,458,328 |
| 1 | 2,490,001 | 2,495,000 | 2,494,500 |
| 1 | 2,560,001 | 2,565,000 | 2,561,083 |
| 1 | 2,600,000 | 2,605,000 | 2,600,000 |
| 1 | 2,620,001 | 2,625,000 | 2,621,500 |
| 1 | 2,700,000 | 2,705,000 | 2,700,000 |
| 1 | 2,705,001 | 2,710,000 | 2,705,062 |
| 1 | 2,720,001 | 2,725,000 | 2,721,500 |
| 1 | 2,765,001 | 2,770,000 | 2,769,437 |
| 1 | 2,790,001 | 2,795,000 | 2,791,000 |



As at December 31, 2016

| No of shareholders | No. of Shareholdings | | Total Shares Held |
|---|---|---|---|
| | From | To | |
| 1 | 2,820,001 | 2,825,000 | 2,823,000 |
| 1 | 2,855,001 | 2,860,000 | 2,858,000 |
| 1 | 2,885,001 | 2,890,000 | 2,887,000 |
| 1 | 2,995,001 | 3,000,000 | 2,996,000 |
| 2 | 3,150,001 | 3,155,000 | 6,305,383 |
| 1 | 3,190,001 | 3,195,000 | 3,194,800 |
| 1 | 3,245,001 | 3,250,000 | 3,249,000 |
| 1 | 3,260,000 | 3,265,000 | 3,260,000 |
| 1 | 3,375,000 | 3,380,000 | 3,375,000 |
| 1 | 3,560,001 | 3,565,000 | 3,562,500 |
| 1 | 3,645,001 | 3,650,000 | 3,649,500 |
| 1 | 3,720,001 | 3,725,000 | 3,722,500 |
| 1 | 3,745,001 | 3,750,000 | 3,745,500 |
| 1 | 3,790,001 | 3,795,000 | 3,792,000 |
| 1 | 3,810,001 | 3,815,000 | 3,813,356 |
| 1 | 3,825,000 | 3,830,000 | 3,825,000 |
| 1 | 3,895,001 | 3,900,000 | 3,896,579 |
| 1 | 3,920,000 | 3,925,000 | 3,920,000 |
| 1 | 3,940,001 | 3,945,000 | 3,942,800 |
| 1 | 4,000,000 | 4,005,000 | 4,000,000 |
| 1 | 4,065,000 | 4,070,000 | 4,065,000 |
| 2 | 4,100,000 | 4,105,000 | 8,200,000 |
| 2 | 4,125,001 | 4,130,000 | 8,256,000 |
| 1 | 4,130,001 | 4,135,000 | 4,132,000 |
| 1 | 4,405,001 | 4,410,000 | 4,406,740 |
| 1 | 4,450,001 | 4,455,000 | 4,454,000 |
| 1 | 4,500,001 | 4,505,000 | 4,500,500 |
| 1 | 4,770,000 | 4,775,000 | 4,770,000 |
| 1 | 5,270,001 | 5,275,000 | 5,272,300 |
| 1 | 5,475,001 | 5,480,000 | 5,476,000 |
| 1 | 5,535,001 | 5,540,000 | 5,538,026 |
| 1 | 5,890,001 | 5,895,000 | 5,892,500 |
| 1 | 5,900,000 | 5,905,000 | 5,900,000 |
| 1 | 6,220,001 | 6,225,000 | 6,222,482 |
| 1 | 6,255,001 | 6,260,000 | 6,259,000 |
| 1 | 6,425,001 | 6,430,000 | 6,425,500 |
| 1 | 6,455,001 | 6,460,000 | 6,456,499 |
| 1 | 6,510,001 | 6,515,000 | 6,510,500 |
| 1 | 6,665,001 | 6,670,000 | 6,669,000 |
| 1 | 7,190,001 | 7,195,000 | 7,193,000 |
| 1 | 7,340,001 | 7,345,000 | 7,343,000 |
| 1 | 7,410,000 | 7,415,000 | 7,410,000 |
| 1 | 8,150,000 | 8,155,000 | 8,150,000 |
| 1 | 8,345,001 | 8,350,000 | 8,345,500 |
| 1 | 9,680,001 | 9,685,000 | 9,682,000 |
| 1 | 9,875,001 | 9,880,000 | 9,879,254 |
| 1 | 10,725,001 | 10,730,000 | 10,726,500 |
| 1 | 13,970,001 | 13,975,000 | 13,972,600 |
| 1 | 24,515,001 | 24,520,000 | 24,517,200 |
| 1 | 751,310,000 | 751,315,000 | 751,312,049 |
| **27,056** | | | **1,330,932,292** |

# category of shareholding

As at December 31, 2016 is as follows:

| Shareholders Category | No. of Shareholders | No. of Shares | Percentage |
|---|---|---|---|
| Directors, Chief Executive Officer, and their spouse and minor children | 12 | 44,824 | 0.00 |
| Associated Companies, Undertakings and related Parties | 2 | 751,312,049 | 56.45 |
| NIT and ICP | - | - | - |
| Banks, Development Financial Institutions, Non Banking Financial Institutions | 43 | 69,970,632 | 5.26 |
| Insurance Companies | 25 | 32,944,419 | 2.48 |
| Modarabas and Mutual Funds | 98 | 116,311,214 | 8.74 |
| Share holders holding 10% | 2 | 751,312,049 | 56.45 |
| General Public : | | | |
| a. Local | 26,462 | 195,937,589 | 14.72 |
| b .Foreign | - | - | - |
| Others | 415 | 164,411,565 | 12.35 |

Ghias Khan
Chairman

Ruhail Mohammed
Chief Executive Officer

# awards and achievements

Achieved lowest ever Total Recordable Injury Rate (TRIR) of 0.05

Achieved 24% market share in Phosphates

Clocked 4,595 employee volunteer hours in 2016

Reprofiled & refinanced loans portfolio of PKR 26bn

15,102 patients treated at Sahara Clinic in 2016

Received “2016 Green Leaf Best Progression Award” by the International Fertilizers Association

# our brands


ENGRO
SSP
DAP
Urea Fertilizer
NP
این پی
زرخیز
8 N
23 P
18 K
17 K
MOP
ایم او پی

# our winning formula

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


## Engro Urea

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




## Engro NP

NP formulations that contain Nitrogen and Phosphorus in almost equal quantity have been especially important to Pakistani farmers, given the peculiar deficiency of both components in most of the Pakistani soils. This category serves the needs of a particular niche of farming community in the country; where application of nitrogen and phosphorus is required in almost equal proportions. Due to higher 'N' content a few farmers also use E-NP for top dressing. Engro started producing NP in 2005 and has been extensively marketing the product whilst especially enjoying a high market share in lower Sindh. Engro NP is available in 50Kg bags. It is available in 3 different grades: 22:20 and 20:20 (imported) for lower Sindh region whereas 18:18 for rest of the country.


## Engro DAP

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

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

## Zingro

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


## Engro Zarkhez

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

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

- Zarkhez Green (NPK 8-23-18) available in 50 kg bag is applied on vegetables and other cash crops. It is also available in 25 kg which was launched to particularly cater small acreage farmers of KPK.
- Zarkhez Blue (NPK 17-17-17) available in 50 kg bag is applied on fruits and orchards.
- Zarkhez Tobacco (NPK 15-15-15) available in 50 kg bag used for tobacco crop.




## Engro MOP

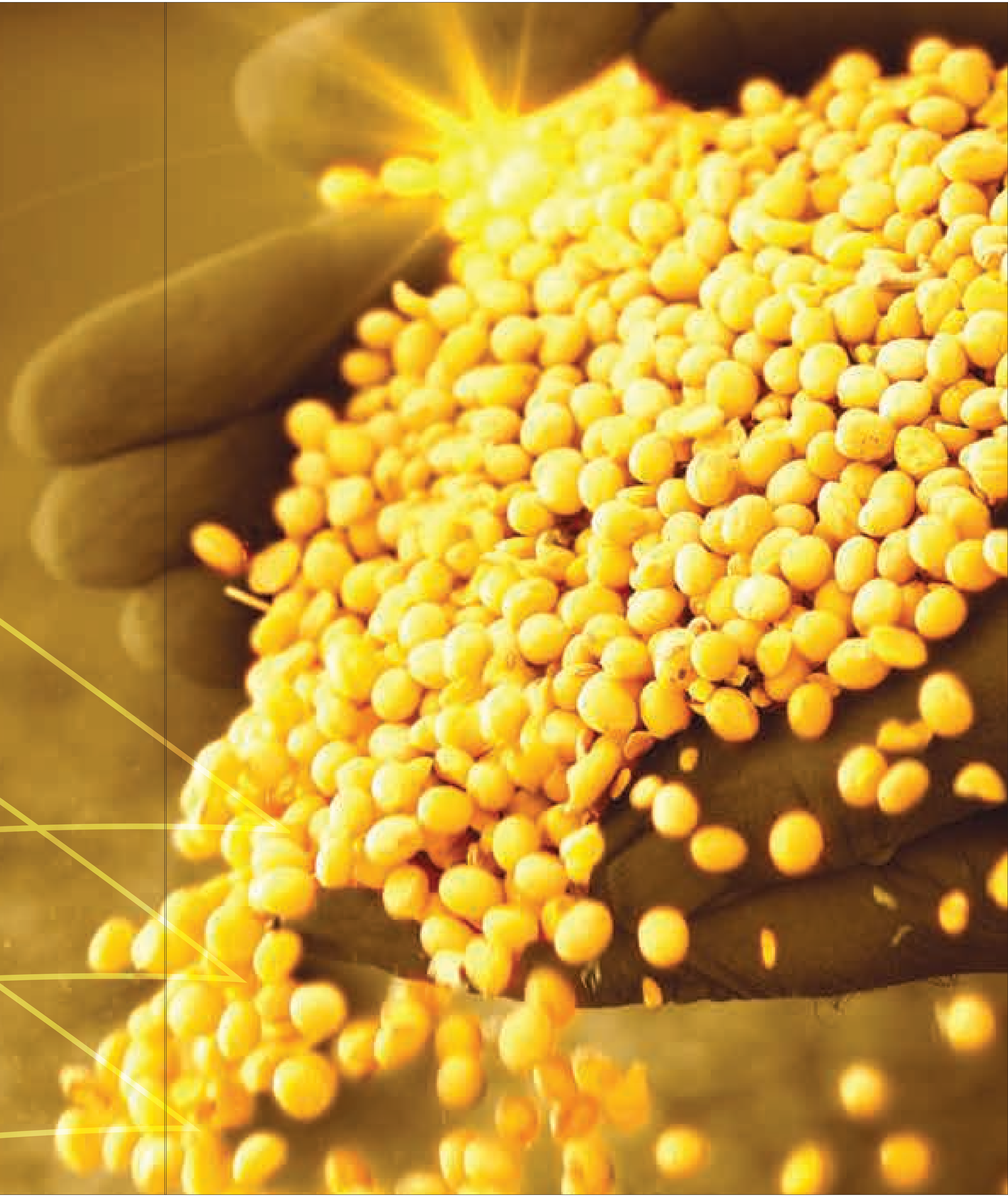
In addition to potash based blended fertilizer NPK, Potassium can also be applied in form of straight fertilizer, out of which one widely used kind of potassium based fertilizer is MOP or Muriate of Potash. We have launched Engro MOP in 50 kg SKU targeting all potash loving crops such as potato, maize, sugarcane, wheat, rice, cotton, vegetables, fruits, orchards and tobacco. MOP contains 60% Potassium nutrient and is the most concentrated form of granular potassium. It is also relatively price competitive compared to other forms of potassium available in the market. The chloride content of MOP is helpful for a soil where chloride level is low. Chloride content also improves the yield of produce as it increases disease resistance in crops by promoting thickness of the outer cell walls. It also improves color, flavor and storing quality of fruit and vegetables.


## Engro SSP

Its full form is Single Super Phosphate with nutrient value of 18% (P2O5) with added benefit of gypsum (CaSO4). Our strategy is to leverage Engro brand image and provide the farmers with an extremely good quality product, which is not available in the market at the moment.

The target market for the product is price sensitive, low-medium income farmers with small-medium land holdings and also normal SSP users across Pakistan. The product is targeted on all crops.

# nurturing performance



Financial Statement

# standalone financials

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Engro Fertilizers Limited (the Company) for the year ended December 31, 2016 to comply with the Code contained in the Regulations of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange in which Lahore and Islamabad stock exchanges have merged), where the Company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors, for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2016.

Chartered Accountants
Karachi
Date: 6 March, 2017

Engagement Partner: Waqas A. Sheikh

# auditors' report to the members

We have audited the annexed balance sheet of Engro Fertilizers Limited as at December 31, 2016 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;

  (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, 2016 and of the profit, total comprehensive income, changes in equity and its cash flows for the year then ended; and

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

Chartered Accountants
Karachi
Date: 6 March, 2017

Engagement Partner: Waqas A. Sheikh

# balance sheet
# as at december 31, 2016

(Amounts in thousand)

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | -----------------Rupees----------------- | |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 70,168,266 | 72,192,289 |
| Intangible assets | 5 | 4,450,606 | 106,487 |
| Investment in subsidiary | 1.3 | 560,316 | 4,383,000 |
| Long term loans and advances | 6 | 120,637 | 159,778 |
| | | 75,299,825 | 76,841,554 |
| **Current assets** | | | |
| Stores, spares and loose tools | 7 | 4,886,674 | 4,639,142 |
| Stock-in-trade | 8 | 6,820,161 | 6,942,110 |
| Trade debts | 9 | 7,585,312 | 2,261,747 |
| Derivative financial instruments | 17 | - | 29,207 |
| Subordinated loan to subsidiary | | - | 900,000 |
| Loans, advances, deposits and prepayments | 10 | 678,351 | 588,247 |
| Other receivables | 11 | 6,986,069 | 1,329,998 |
| Short term investments | 12 | 142,729 | 10,984,555 |
| Cash and bank balances | 13 | 28,473 | 865,302 |
| | | 27,127,769 | 28,540,308 |
| **TOTAL ASSETS** | | 102,427,594 | 105,381,862 |

(Amounts in thousand)

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | -----------------Rupees----------------- | |
| **EQUITY & LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 14 | 13,309,323 | 13,309,323 |
| Share premium | | 3,132,181 | 3,132,181 |
| Reserve on amalgamation | 1.3 | (304,027) | - |
| Hedging reserve | 15 | - | (4,536) |
| Remeasurement of post employment benefits | | (27,000) | (40,664) |
| Unappropriated profit | | 25,172,422 | 26,129,716 |
| | | 27,973,576 | 29,216,697 |
| **TOTAL EQUITY** | | 41,282,899 | 42,526,020 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 16 | 29,379,946 | 25,289,658 |
| Deferred liabilities | 18 | 7,561,108 | 5,960,684 |
| Service benefits obligations | 19 | 156,619 | 124,367 |
| | | 37,097,673 | 31,374,709 |
| **Current liabilities** | | | |
| Trade and other payables | 20 | 14,959,537 | 16,886,856 |
| Accrued interest / mark-up | | 583,632 | 843,803 |
| Taxes payable | | 1,104,141 | 2,593,069 |
| Current portion of: | | | |
| - borrowings | 16 | 5,171,515 | 10,736,586 |
| - service benefits obligations | 19 | 49,157 | 48,232 |
| Short term borrowings | 21 | 1,909,843 | - |
| Unclaimed dividend | | 19,544 | 6,103 |
| Derivative financial instruments | 17 | 249,653 | 366,484 |
| | | 24,047,022 | 31,481,133 |
| **TOTAL LIABILITIES** | | 61,144,695 | 62,855,842 |
| Contingencies and Commitments | 22 | | |
| **TOTAL EQUITY & LIABILITIES** | | 102,427,594 | 105,381,862 |

The annexed notes from 1 to 48 form an integral part of these financial statements.

Ruhail Mohammed
Chief Executive

Ghias Khan
Chairman

# profit and loss account
# for the year ended december 31, 2016

(Amounts in thousand except for earnings per share)

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | -----------------Rupees----------------- | |
| Net sales | 23 | 69,518,729 | 85,003,379 |
| Cost of sales | 24 | (52,408,080) | (55,435,451) |
| Gross profit | | 17,110,649 | 29,567,928 |
| Selling and distribution expenses | 25 | (6,702,247) | (5,452,944) |
| Administrative expenses | 26 | (888,324) | (863,427) |
| | | 9,520,078 | 23,251,557 |
| Other income | 27 | 8,135,374 | 4,318,938 |
| Other operating expenses | 28 | (1,144,178) | (1,813,639) |
| Finance cost | 29 | (3,136,045) | (4,587,926) |
| | | (4,280,223) | (6,401,565) |
| Profit before taxation | | 13,375,229 | 21,168,930 |
| Taxation | 30 | (4,350,528) | (6,141,449) |
| Profit for the year | | 9,024,701 | 15,027,481 |
| Earnings per share - basic | 31 | 6.78 | 11.30 |
| Earnings per share - diluted | 31 | 6.72 | 11.28 |

The annexed notes from 1 to 48 form an integral part of these financial statements.

Ruhail Mohammed
Chief Executive

Ghias Khan
Chairman

# statement of comprehensive income
# for the year ended december 31, 2016

(Amounts in thousand)

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Profit for the year | 9,024,701 | 15,027,481 |
| Other comprehensive income | | |
| Items potentially re-classifiable to Profit and Loss Account | | |
| Hedging reserve - cash flow hedges | | |
| Loss arising during the year | (219,452) | (120,333) |
| Less: Adjustment for amounts transferred to profit and loss account | 226,997 | 172,238 |
| Tax relating to hedging reserve | (3,009) | (16,610) |
| | 4,536 | 35,295 |
| Items not potentially classifiable to Profit and Loss Account | | |
| Remeasurement of post employment benefits obligation | 20,095 | (39,653) |
| Tax relating to remeasurement of post employment benefits obligation | (6,431) | 13,092 |
| | 13,664 | (26,561) |
| Other comprehensive income for the year, net of tax | 18,200 | 8,734 |
| Total comprehensive income for the year | 9,042,901 | 15,036,215 |

The annexed notes from 1 to 48 form an integral part of these financial statements.

Ruhail Mohammed
Chief Executive

Ghias Khan
Chairman

# statement of changes in equity for the year ended december 31, 2016

(Amounts in thousand)

| | Share capital | Reserve – Capital – Share premium | Reserve – Capital – Reserve on amalgamation | Reserve – Revenue – Hedging reserve | Reserve – Revenue – Remeasurement of post employment benefits | Reserve – Revenue – Unappropriated profit | Total |
|---|---|---|---|---|---|---|---|
| | ----- | ----- | ----- | Rupees | ----- | ----- | ----- |
| Balance as at January 1, 2016 | 13,309,323 | 3,132,181 | - | (4,536) | (40,664) | 26,129,716 | 42,526,020 |
| Transactions with owners | | | | | | | |
| Dividends Paid: | | | | | | | |
| - Final 2015: Rs. 3.00 per share | - | - | - | - | - | (3,992,797) | (3,992,797) |
| - 1st interim 2016: Rs. 2.00 per share | - | - | - | - | - | (2,661,865) | (2,661,865) |
| - 2nd interim 2016: Rs. 2.50 per share | - | - | - | - | - | (3,327,333) | (3,327,333) |
| | - | - | - | - | - | (9,981,995) | (9,981,995) |
| Total comprehensive income for the year ended December 31, 2016 | | | | | | | |
| Profit for the year | - | - | - | - | - | 9,024,701 | 9,024,701 |
| Other comprehensive income: | | | | | | | |
| - cash flow hedges, net of tax | - | - | - | 4,536 | - | - | 4,536 |
| - remeasurements, net of tax | - | - | - | - | 13,664 | - | 13,664 |
| | - | - | - | 4,536 | 13,664 | 9,024,701 | 9,042,901 |
| Reserve created upon amalgamation (note 1.3) | - | - | (304,027) | - | - | - | (304,027) |
| Balance as at December 31, 2016 | 13,309,323 | 3,132,181 | (304,027) | - | (27,000) | 25,172,422 | 41,282,899 |
| Balance as at January 1, 2015 | 13,183,417 | 2,260,784 | - | (39,831) | (14,103) | 19,087,828 | 34,478,095 |
| Transactions with owners | | | | | | | |
| Shares issued at exercise of conversion option | 125,906 | 871,397 | - | - | - | - | 997,303 |
| Dividends: | | | | | | | |
| - Final 2014: Rs. 3.00 per share | - | - | - | - | - | (3,992,797) | (3,992,797) |
| - 1st interim 2015: Rs. 1.50 per share | - | - | - | - | - | (1,996,398) | (1,996,398) |
| - 2nd interim 2015: Rs. 1.50 per share | - | - | - | - | - | (1,996,398) | (1,996,398) |
| | 125,906 | 871,397 | - | - | - | (7,985,593) | (6,988,290) |
| Total comprehensive income for the year ended December 31, 2015 | | | | | | | |
| Profit for the year | - | - | - | - | - | 15,027,481 | 15,027,481 |
| Other comprehensive income : | | | | | | | |
| - cash flow hedges, net of tax | - | - | - | 35,295 | - | - | 35,295 |
| - remeasurements, net of tax | - | - | - | - | (26,561) | - | (26,561) |
| | - | - | - | 35,295 | (26,561) | 15,027,481 | 15,036,215 |
| Balance as at December 31, 2015 | 13,309,323 | 3,132,181 | - | (4,536) | (40,664) | 26,129,716 | 42,526,020 |

The annexed notes from 1 to 48 form an integral part of these financial statements.

Ruhail Mohammed
Chief Executive

Ghias Khan
Chairman

# statement of cash flows
# for the year ended december 31, 2016

(Amounts in thousand)

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | -----------------Rupees----------------- | |
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 35 | 7,649,490 | 12,628,851 |
| Retirement and other service benefits paid | | (43,618) | (42,631) |
| Finance cost paid | | (3,371,678) | (4,389,722) |
| Taxes paid | | (3,498,254) | (2,532,809) |
| Tax loss purchased from Engro Eximp Agriproducts (Private) Limited | | - | (956,791) |
| Long term loans and advances - net | | 39,141 | (65,847) |
| Net cash generated from operating activities | | 775,081 | 4,641,051 |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment and intangibles | | (3,010,417) | (1,984,808) |
| Investment in Engro Eximp Private Limited (EEPL) | | - | (4,383,000) |
| Subordinated loan to EEPL | | - | (900,000) |
| Transfers on amalgamation of EEPL | | (20,388) | - |
| Proceeds from disposal of : | | | |
| - property, plant & equipment | | 11,983 | 29,261 |
| - investments - net | | 393,597 | 23,595,878 |
| Income on deposits / other financial assets | | 203,198 | 1,303,488 |
| Net cash (utilised in) / generated from investing activities | | (2,422,027) | 17,660,819 |
| **Cash flows from financing activities** | | | |
| Proceeds from: | | | |
| - borrowings - net | | 25,132,253 | 2,430,491 |
| - short term borrowings | | 800,000 | - |
| Repayments of borrowings | | (26,711,654) | (10,834,589) |
| Dividends paid | | (9,968,554) | (7,979,490) |
| Net cash utilised in financing activities | | (10,747,955) | (16,383,588) |
| Net (decrease) / increase in cash and cash equivalents | | (12,394,901) | 5,918,282 |
| Cash and cash equivalents at beginning of the year | | 11,456,260 | 5,537,978 |
| **Cash and cash equivalents at end of the year** | 36 | (938,641) | 11,456,260 |

The annexed notes from 1 to 48 form an integral part of these financial statements.

Ruhail Mohammed
Chief Executive

Ghias Khan
Chairman

(Amounts in thousand)

## 1. LEGAL STATUS AND OPERATIONS

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

1.2 The Company is listed on Pakistan Stock Exchange Limited (PSX). The Company has also issued Term Finance Certificates (TFC's) which are listed at the PSX.

1.3 On April 30, 2015, as approved by the shareholders of the Company, the Company acquired 100% shareholding of Engro Eximp (Private) Limited (EEPL) from the Parent Company for a consideration of Rs. 4,383,000. The acquisition of EEPL by the Company was accounted for as a business combination under IFRS 3 "Business Combinations" in the consolidated financial statements of the Company based on the fair values of assets and liabilities determined as at the date of acquisition. During the year, the Board of Directors of EEPL and the Board of Directors of the Company approved the scheme of amalgamation (the Scheme) of EEPL with the Company. The Scheme was sanctioned / approved by the High Court of Sindh on April 30, 2016.

The aforementioned amalgamation between the Company and EEPL, by way of the sanctioned Scheme, is outside the scope of IFRS 3 and in substance is a legal reorganisation. Accordingly, the assets and liabilities of EEPL as at the date of amalgamation i.e. April 30, 2016 have been merged with the assets and liabilities of the Company at carrying values. In addition, in this standalone financial statements, the Company has recognised 'Right to use the Brand' and 'Goodwill' and adjustment to the assets and liabilities, representing the difference between the fair values and net book values as at the date of acquisition, which were also previously recognised in the consolidated financial statements of the Company for the year ended December 31, 2015. The details of assets and liabilities as at the acquisition date and the date of amalgamation are summarized below:

| | At the date of acquisition | At the date amalgamation |
|---|---|---|
| | ----------------Rupees---------------- | |
| Non Current Assets: | | |
| - Right to use the Brand | 4,170,995 | 4,170,995 |
| - Goodwill | 183,806 | 183,806 |
| - Others | 15,802 | 5,358 |
| | 4,370,603 | 4,360,159 |
| Investment in subsidiary - Engro Eximp FZE (note 1.3.1) | 560,316 | 560,316 |
| Other current assets | 6,765,730 | 952,235 |
| Current liabilities | (7,313,649) | (1,793,737) |
| Reserve on amalgamation (note 1.3.2) | - | 304,027 |
| | 4,383,000 | 4,383,000 |

(Amounts in thousand)

1.3.1 As a result of aforementioned amalgamation of EEPL's assets and liabilities Engro Eximp FZE has now become the direct subsidiary of the Company.

1.3.2 This represents the difference between the fair values of net assets of EEPL at the date of acquisition and the carrying values of such assets at the date of amalgamation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

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

2.1.2 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

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

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

a) Amendments to published standards and interpretations that are effective in 2016

The following amendments to published standards are mandatory for the financial year beginning January 1, 2016 and are relevant to the Company:

- IAS 27 (Amendment) 'Separate financial statements'. The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.The amendment does not have any impact on the Company's financial statements.

- IFRS 7, 'Financial instruments: Disclosures'. There are two amendments:

    - Servicing contracts - If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognize the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The amendment provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively.

    - Interim financial statements - The amendment clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34. The amendment is retrospective.

These amendments only affects the disclosures in the Company's financial statements.

- IAS 1, 'Presentation of Financial Statements' (effective for annual periods beginning on or after January 1, 2016). The amendments provide clarifications on a number of issues, including:

  - Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

  - Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

  - Notes – confirmation that the notes do not need to be presented in a particular order.

  - OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

- IAS 19 (Amendment), 'Employee benefits'. The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented. This amendment only affects the disclosures in the Company's financial statements.

- IAS 34,'Interim financial reporting'. This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. This amendment only affects the disclosures in the Company's financial statements.

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2016 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following new standards and amendments to published standards are not effective for the financial year beginning on January 1, 2016 and have not been early adopted by the Company:

- IFRS 9 'Financial instruments' (effective for periods beginning on or after January 1, 2018). This standard is yet to be notified by the SECP. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. It is unlikely that the standard will have any significant impact on the Company's financial statements.

(Amounts in thousand)

- IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after January 1, 2018). This standard is yet to be notified by the SECP. This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Company is yet to assess the full impact of the standard.

- IAS 7 'Cashflow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers balance sheet items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

- Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealised losses (effective for periods beginning on or after January 1, 2017). These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for periods beginning on or after January 1, 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. It is unlikely that the interpretation will have any significant impact on the Company's financial statements.

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

## 2.2 Property, plant and equipment

### 2.2.1 Owned assets

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except freehold land and capital work in progress which are stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs (note 2.23). The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

Depreciation is charged to the profit and loss account using the straight line method, except for catalyst whose depreciation is charged on the basis of number of production days, whereby the cost of an operating asset less its estimated residual value, if significant, is written off over its estimated useful life. Depreciation on addition is charged from the month following the month in which the asset is available for use and on disposals up to the preceding month of disposal.

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

### 2.2.2 Leased assets

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

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

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

## 2.3 Intangible assets

### a) Computer Software and licenses

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

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

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

b) Rights for future gas utilization

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

c) Goodwill

Goodwill represents the difference between the consideration paid for acquiring interests in a business and the fair value of the Company's share of its net assets at the date of acquisition and is carried at cost less accumulated impairment, if any.

d) Right to use the brand

These are stated at cost less impairment, if any.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, assets or cash generating units are tested for impairment. Also, goodwill is tested for impairment at least once a year and other intangibles with indefinite life are tested for impairment at reporting date. Where the carrying value exceeds the estimated recoverable amount, these are written down to their recoverable amount and the resulting impairment is charged to profit and loss account.

Impairment is reversed only if there have been changes in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amount does not exceed the carrying values that would have existed, had no impairments been recognised, except impairment of goodwill which is not reversed.

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

## 2.4 Impairment of non-financial assets

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

## 2.5 Investment in subsidiary

Investments in subsidiary companies are initially recognised at cost. These are subsequently measured at cost less accumulated impairment, if any. Where impairment losses subsequently reverse, the carrying amount of the investments are increased to the revised amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised as an income.

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

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

## 2.7 Financial assets

### 2.7.1 Classification

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

#### a) At fair value through profit or loss

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

#### b) Loans and receivables

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

#### c) Held to maturity

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

#### d) Available-for-sale

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

### 2.7.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the 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. Held to maturity and loans and receivables are subsequently carried at amortised 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 recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

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

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

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 2.13.

## 2.8 Financial liabilities

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

## 2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle either on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

(Amounts in thousand)

## 2.10 Derivative financial instruments and hedging activities

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

a) Cash flow hedges

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

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

b) Other non-trading derivatives

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

The Company holds derivative financial instruments to hedge its foreign currency exposure. Further, the Company has issued options to convert IFC loan on its shares as disclosed in note 16.10. The fair values of various derivative instruments used for hedging and the conversion options are disclosed in note 17.

## 2.11 Stores, spares and loose tools

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

## 2.12 Stock-in-trade

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

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

## 2.13 Trade debts and other receivables

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

## 2.14 Cash and cash equivalents

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

## 2.15 Share capital

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

## 2.16 Borrowings

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

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

## 2.17 Trade and other payables

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

These are classified as current liabilities if payment is due within 12 months or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

## 2.18 Current and deferred income tax

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

### Current

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

### Deferred

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

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

(Amounts in thousand)

## 2.19 Employee benefits

### 2.19.1 Defined contribution plans

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

The Company contributes to:

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

- defined contribution pension fund for the benefit of those management employees who have not opted for defined contribution gratuity fund as explained in note 2.19.3. Monthly contributions are made by the Company to the fund at rates ranging from 12.5% to 13.75% of basic salary; and

- defined contribution gratuity fund for the benefit of those management employees who have selected to opt out of defined benefit gratuity fund and defined contribution pension plans as explained in note 2.19.3. Monthly contributions are made by the Company to the fund at the rate of 8.33% of basic salary.

### 2.19.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the Projected Unit Credit method, related details of which are given in note 34 to the financial statements.

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

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

The Company also contributes to:

- defined benefit funded pension scheme for its management employees.

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

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

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

(Amounts in thousand)

2.19.4 Service incentive plan

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

2.19.5 Employees' compensated absences

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

## 2.20 Provisions

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

## 2.21 Foreign currency transactions and translation

These financial statements are presented in Pakistan Rupees, which is the 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 recognised in the profit and loss account.

## 2.22 Revenue recognition

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

- Sales revenue is recognised when product is dispatched to customers, which usually concides with delivery of goods to the customers;
- Income on deposits and other financial assets is recognised on accrual basis; and
- Commission income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

## 2.23 Borrowing costs

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

## 2.24 Research and development costs

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

## 2.25 Government grant

Government grant that compensates the Company for expenses incurred is recognised in the profit and loss account on a systematic basis in the same period in which the expenses are recognised.

(Amounts in thousand)

2.26 Earnings per share

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

2.27 Transactions with related parties

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

2.28 Dividend and appropriation to reserves

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Property, plant and equipment

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

3.2 Income taxes

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

3.3 Provision for retirement and other service benefits obligations

The present value of these obligations depend on a number of factors that are determined on actuarial basis using various assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present value of these obligations and the underlying assumptions are disclosed in note 34.2.3 and 34.2.8 respectively.

3.4 Impairment of goodwill and right to use the brand

Determining the recoverable value of goodwill and right to use the brand involves use of significant estimates and assumptions. In making the aforementioned fair valuation estimates discounted cash flow approach is used. The underlying assumptions used for such valuation are disclosed in note 5.1

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| 4. PROPERTY, PLANT AND EQUIPMENT | | |
| Operating assets at net book value (note 4.1) | 67,314,224 | 69,753,076 |
| Capital work in progress (CWIP) (note 4.4) | 2,443,486 | 1,946,598 |
| Major spare parts and stand-by equipment | 410,556 | 492,615 |
| | 70,168,266 | 72,192,289 |

(Amounts in thousand)

## 4.1 Operating assets

| | Land | | Building on | | Plant and | Gas | Catalyst | Office | Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold | Leasehold | Freehold | Leasehold | machinery | pipeline | | equipment | | |
| | Rupees | | | | | | | | | |
| **As at January 1, 2015** | | | | | | | | | | |
| Cost | 149,575 | 187,320 | 2,592,856 | 433,537 | 90,136,749 | 2,414,963 | 1,960,174 | 739,286 | 357,226 | 98,971,686 |
| Accumulated depreciation | - | (56,640) | (884,304) | (112,050) | (21,678,649) | (291,357) | (1,463,765) | (558,507) | (252,281) | (25,297,553) |
| Net book value | 149,575 | 130,680 | 1,708,552 | 321,487 | 68,458,100 | 2,123,606 | 496,409 | 180,779 | 104,945 | 73,674,133 |
| **Year ended December 31, 2015** | | | | | | | | | | |
| Net book value - January 1, 2015 | 149,575 | 130,680 | 1,708,552 | 321,487 | 68,458,100 | 2,123,606 | 496,409 | 180,779 | 104,945 | 73,674,133 |
| Transfers from CWIP (note 4.4.1) | - | - | 31,405 | 1,174 | 661,438 | - | - | 87,348 | 37,512 | 818,877 |
| Disposals / write offs (note 4.3) | | | | | | | | | | |
| Cost | - | - | - | - | - | - | - | (2,398) | (54,794) | (57,192) |
| Accumulated depreciation | - | - | - | - | - | - | - | 2,386 | 43,389 | 45,775 |
| | - | - | - | - | - | - | - | (12) | (11,405) | (11,417) |
| Depreciation charge (note 4.2) | - | (4,393) | (135,353) | (10,838) | (4,200,022) | (71,584) | (216,820) | (56,034) | (33,473) | (4,728,517) |
| Net book value | 149,575 | 126,287 | 1,604,604 | 311,823 | 64,919,516 | 2,052,022 | 279,589 | 212,081 | 97,579 | 69,753,076 |
| **As at January 1, 2016** | | | | | | | | | | |
| Cost | 149,575 | 187,320 | 2,624,261 | 434,711 | 90,798,187 | 2,414,963 | 1,960,174 | 824,236 | 339,944 | 99,733,371 |
| Accumulated depreciation | - | (61,033) | (1,019,657) | (122,888) | (25,878,671) | (362,941) | (1,680,585) | (612,155) | (242,365) | (29,980,295) |
| Net book value | 149,575 | 126,287 | 1,604,604 | 311,823 | 64,919,516 | 2,052,022 | 279,589 | 212,081 | 97,579 | 69,753,076 |
| **Year ended December 31, 2016** | | | | | | | | | | |
| Net book value - January 1, 2016 | 149,575 | 126,287 | 1,604,604 | 311,823 | 64,919,516 | 2,052,022 | 279,589 | 212,081 | 97,579 | 69,753,076 |
| Transfers from CWIP (note 4.4.1) | - | - | 97,947 | - | 2,032,558 | - | 248,848 | 139,416 | 66,456 | 2,585,225 |
| Transfers due to amalgamation (note 1.3) | - | - | - | - | - | - | - | 4,707 | - | 4,707 |
| Disposals / write offs (note 4.3) | | | | | | | | | | |
| Cost | - | - | - | - | - | - | - | (1,752) | (39,576) | (41,328) |
| Accumulated depreciation | - | - | - | - | - | - | - | 1,492 | 28,993 | 30,485 |
| | - | - | - | - | - | - | - | (260) | (10,583) | (10,843) |
| Depreciation charge (note 4.2) | - | (4,393) | (143,363) | (10,923) | (4,480,358) | (71,584) | (200,589) | (66,857) | (39,874) | (5,017,941) |
| Net book value | 149,575 | 121,894 | 1,559,188 | 300,900 | 62,471,716 | 1,980,438 | 327,848 | 289,087 | 113,578 | 67,314,224 |
| **As at December 31, 2016** | | | | | | | | | | |
| Cost | 149,575 | 187,320 | 2,722,208 | 434,711 | 92,830,745 | 2,414,963 | 2,209,022 | 966,607 | 366,824 | 102,281,975 |
| Accumulated depreciation | - | (65,426) | (1,163,020) | (133,811) | (30,359,029) | (434,525) | (1,881,174) | (677,520) | (253,246) | (34,967,751) |
| Net book value | 149,575 | 121,894 | 1,559,188 | 300,900 | 62,471,716 | 1,980,438 | 327,848 | 289,087 | 113,578 | 67,314,224 |
| Annual rate of depreciation (%) | - | 2 to 5 | 2.5 to 8 | 2.5 | 5 to 10 | 5.0 | No. of production days | 10 to 25 | 12 to 25 | |

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

| | 2016 | 2015 |
|---|---|---|
| | Rupees | |
| Cost of sales (note 24) | 4,972,486 | 4,694,042 |
| Selling and distribution expenses (note 25) | 31,524 | 17,721 |
| Administrative expenses (note 26) | 13,931 | 16,754 |
| | 5,017,941 | 4,728,517 |

(Amounts in thousand)

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

| Description and method of disposal | Sold to | Cost | Accumulated depreciation | Net book value | Sale proceeds |
|---|---|---|---|---|---|
| Vehicles | | ------------------------- | Rupees | ------------------------- | |
| By Company policy to existing / separating executives | Farman Ahmad Khan Lodhi | 2,083 | 1,561 | 522 | 522 |
| | Nadeem Munawar | 1,560 | 1,170 | 390 | 390 |
| | Jawed Hussain | 1,560 | 1,170 | 390 | 390 |
| | Imran Raza Shaikh | 1,560 | 1,170 | 390 | 390 |
| | Rabia Wafah Khan | 1,560 | 1,170 | 390 | 390 |
| | Muhammad Asad Waheed | 2,091 | 1,568 | 523 | 523 |
| | Ahmad Shakoor | 8,000 | 6,000 | 2,000 | 2,000 |
| | Aasim Butt | 8,000 | 6,000 | 2,000 | 2,000 |
| | Mohammad Imran Khaliq | 1,638 | 1,228 | 410 | 410 |
| | Hurmat Bano | 1,638 | 1,229 | 409 | 409 |
| | Umed Ali Mallah | 1,638 | 1,229 | 409 | 409 |
| | Mudassir Yaqoob Rathor | 2,447 | 1,835 | 612 | 612 |
| | Usman Asif | 1,638 | 1,229 | 409 | 409 |
| | Saqib Ansari | 1,638 | 1,229 | 409 | 409 |
| | | 37,051 | 27,788 | 9,263 | 9,263 |
| Insurance claims | EFU General Insurance Limited | 2,525 | 1,205 | 1,320 | 2,432 |
| Office Equipment | | | | | |
| Insurance claims | EFU General Insurance Limited | 463 | 203 | 260 | 286 |
| | | 40,039 | 29,196 | 10,843 | 11,981 |
| Items having net book value upto Rs. 50 each | | | | | |
| Office equipment | | 1,289 | 1,289 | - | 2 |
| Year ended December 31, 2016 | | 41,328 | 30,485 | 10,843 | 11,983 |
| Year ended December 31, 2015 | | 57,192 | 45,775 | 11,417 | 29,261 |

(Amounts in thousand)

## 4.4 Capital work in progress

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Plant and machinery | 2,109,278 | 1,678,493 |
| Building and civil works including Gas pipeline | 185,992 | 156,557 |
| Furniture, fixture and equipment | 6,543 | 16,999 |
| Advances to suppliers | 28,542 | 36,962 |
| Others | 113,131 | 57,587 |
| | 2,443,486 | 1,946,598 |

| 4.4.1 | 2016 | 2015 |
|---|---|---|
| Balance as at January 1 | 1,946,598 | 863,917 |
| Additions during the year | 3,092,476 | 1,916,961 |
| Transferred to: | | |
| - operating assets (note 4.1) | (2,585,225) | (818,877) |
| - intangible assets (note 5) | (10,363) | (15,403) |
| Balance as at December 31 | 2,443,486 | 1,946,598 |

## 5. INTANGIBLE ASSETS

| | Goodwill (note 5.1) | Right to use the brand | Software and licenses | Rights for future gas utilization | Total |
|---|---|---|---|---|---|
| | ------------------------------------Rupees------------------------------------ | | | | |
| **As at January 1, 2015** | | | | | |
| Cost | - | - | 250,331 | 102,312 | 352,643 |
| Accumulated amortisation | - | - | (216,319) | (17,988) | (234,307) |
| Net book value | - | - | 34,012 | 84,324 | 118,336 |
| **Year ended December 31, 2015** | | | | | |
| Net book value - January 1, 2015 | - | - | 34,012 | 84,324 | 118,336 |
| Transfers from CWIP (note 4.4.1) | - | - | 15,403 | - | 15,403 |
| Amortisation (note 5.2) | - | - | (22,142) | (5,110) | (27,252) |
| Net book value | - | - | 27,273 | 79,214 | 106,487 |
| **As at December 31, 2015** | | | | | |
| Cost | - | - | 265,734 | 102,312 | 368,046 |
| Accumulated amortisation | - | - | (238,461) | (23,098) | (261,559) |
| Net book value | - | - | 27,273 | 79,214 | 106,487 |
| **Year ended December 31, 2016** | | | | | |
| Net book value - January 1, 2016 | - | - | 27,273 | 79,214 | 106,487 |
| Transfers due to amalgamation (note 1.3) | 183,806 | 4,170,995 | 651 | - | 4,355,452 |
| Transfers from CWIP (note 4.4.1) | - | - | 10,363 | - | 10,363 |
| Amortisation (note 5.2) | - | - | (16,586) | (5,110) | (21,696) |
| Net book value | 183,806 | 4,170,995 | 21,701 | 74,104 | 4,450,606 |
| **As at December 31, 2016** | | | | | |
| Cost | 183,806 | 4,170,995 | 276,748 | 102,312 | 4,733,861 |
| Accumulated amortization | - | - | (255,047) | (28,208) | (283,255) |
| Net book value | 183,806 | 4,170,995 | 21,701 | 74,104 | 4,450,606 |

(Amounts in thousand)

## 5.1 Goodwill and Right to use the brand

The recoverable amount of cash generating unit is the higher of value in use or fair value less cost to sell. Value in use is calculated as the net present value of the projected cash flows of the cash generating unit to which the asset belongs, discounted at risk-adjusted discount rate.

Details relating to the discounted cash flow model used to determine the value in use of goodwill and right to use the brand are as follows:

| | |
|---|---|
| Valuation basis | Value in use |
| Key assumptions | Sales growth rates<br>Discount rate |
| Determination of assumptions | - Growth rates are internal forecasts based on both internal and external market information and past performance.<br>- Cost reflects past experience, adjusted for inflation and expected changes.<br>- Discount rate is primarily based on weighted average cost of capital. |
| Terminal growth rate | 2.5% |
| Period of specific projected cash flows | 5 years |
| Discount rate | 14% |

The valuation indicates sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill and right to use the brand.

5.2 Amortisation for the year has been allocated as follows:

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Cost of sales (note 24) | 13,410 | 23,257 |
| Selling and distribution expenses (note 25) | 5,341 | 960 |
| Administrative expenses (note 26) | 2,945 | 3,035 |
| | 21,696 | 27,252 |

## 6. LONG TERM LOANS AND ADVANCES- Considered good

| | 2016 | 2015 |
|---|---|---|
| Executives (notes 6.1 and 6.2) | 212,142 | 229,589 |
| Other employees (note 6.3) | 12,839 | 47,733 |
| | 224,981 | 277,322 |
| Less: Current portion shown under current assets (note 10) | 104,344 | 117,544 |
| | 120,637 | 159,778 |

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

| | 2016 | 2015 |
|---|---|---|
| Balance at beginning of the year | 229,589 | 183,374 |
| Disbursement | 144,375 | 200,724 |
| Repayments / amortisation | (161,822) | (154,509) |
| Balance at end of the year | 212,142 | 229,589 |

(Amounts in thousand)

6.2 Includes service incentive loans to executives of Rs. 127,353 (2015: Rs. 111,599). It also includes advances of Rs. 30,334 (2015: Rs. 28,215), Rs. 904 (2015: Rs. 5,313), Rs. 18,204 (2015: Rs. 14,094) Rs. 15,444 (2015: Rs. 49,358), Rs.13,021 (2015: Rs. 14,222) and Rs.6,882 (2015: Rs. 6,788) to executives for car earn out assistance, long term incentive, house rent advance, retention loan, other employee loan and employees advance salary respectively. The maximum amount outstanding at the end of any month during the year ended December 31, 2016 from executives aggregated to Rs. 257,035 (2015: Rs. 256,078).

6.3 Represents interest free loans given to workers pursuant to Collective Labour Agreement.

## 7. STORES, SPARES AND LOOSE TOOLS

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Consumable stores | 472,430 | 503,731 |
| Spares | 4,639,053 | 4,346,982 |
| Loose tools | 4,243 | 5,248 |
| | 5,115,726 | 4,855,961 |
| Less: Provision for surplus and slow moving items | 229,052 | 216,819 |
| | 4,886,674 | 4,639,142 |

## 8. STOCK-IN-TRADE

| | 2016 | 2015 |
|---|---|---|
| Raw materials | 495,633 | 1,190,730 |
| Packing materials | 86,637 | 59,937 |
| Work in process | 30,233 | 20,688 |
| | 612,503 | 1,271,355 |
| Finished goods: | | |
| - manufactured product | 5,050,607 | 2,009,491 |
| - purchased and packaged product (note 8.1) | 1,170,100 | 4,063,915 |
| | 6,220,707 | 6,073,406 |
| Less: Provision for Net Realisable Value (NRV) on finished goods | 13,049 | 402,651 |
| | 6,820,161 | 6,942,110 |

8.1 Includes stock-in-transit amounting to Rs. 112,528 (2015: Nil).

## 9. TRADE DEBTS

| | 2016 | 2015 |
|---|---|---|
| Considered good | | |
| - Secured (note 9.1) | 7,525,976 | 2,180,408 |
| - Unsecured | 59,336 | 81,339 |
| | 7,585,312 | 2,261,747 |
| Considered doubtful | 24,400 | 24,400 |
| | 7,609,712 | 2,286,147 |
| Less: Provision for impairment (note 9.2) | 24,400 | 24,400 |
| | 7,585,312 | 2,261,747 |

(Amounts in thousand)

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

9.2 As at December 31, 2016, trade debts aggregating to Rs. 24,400 (2015: Rs. 24,400) were past due and provided for. These receivables have been outstanding for more than 1 year from the balance sheet date.

## 10. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| **Considered good** | | |
| Current portion of long term loans and advances to executives and other employees - (note 6) | 104,344 | 117,544 |
| Advances and deposits | 327,499 | 200,508 |
| Prepayments | | |
| - Insurance | 231,897 | 253,095 |
| - Others | 14,611 | 17,100 |
| | 678,351 | 588,247 |
| **Considered doubtful** | | |
| Advances and deposits | 3,509 | 3,509 |
| Less: Provision for doubtful debts | (3,509) | (3,509) |
| | - | - |
| | 678,351 | 588,247 |

10.1 As at December 31, 2016, advances and deposits aggregating to Rs. 3,509 (2015: Rs. 3,509) were impaired and provided for. These have been outstanding for more than 1 year from the balance sheet date.

## 11. OTHER RECEIVABLES

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Receivable from Government of Pakistan (note 11.1) | 6,079,329 | 1,128,957 |
| Sales tax receivable | 893,420 | 181,653 |
| Due from subsidiary company: | | |
| - Engro Eximp (Private) Limited (amalgamated during the year) | - | 1,982 |
| Due from associated companies: | | |
| - Engro Foods Limited | - | 301 |
| - Engro Polymer & Chemicals Limited | 4,102 | 280 |
| - Engro Powergen Qadirpur Limited | - | 4,330 |
| - Engro Powergen Thar Limited | 67 | - |
| - Engro Foundation | 1,707 | 9 |
| - Engro Eximp Agri Product (Private) Limited | 1,981 | - |
| - Sindh Engro Coal Mining Company Limited | 27 | 67 |
| - Engro Elengy Terminal (Private) Limited | - | 298 |
| - Engro Vopak Terminal Limited | 179 | 1,045 |
| Claims on foreign suppliers | 1,629 | 10,278 |
| Others | 3,628 | 798 |
| | 6,986,069 | 1,329,998 |

(Amounts in thousand)

11.1 During 2015, the Government of Pakistan (GoP) had notified payment of subsidy on sold products at the rate of Rs. 500 per 50 kg bag of Di Ammonia Phosphate (DAP) and Rs.217 per 50 kg bag of Nitrophos (N) and Nitrogen, Phosphorous and Potassium (NPK) fertilizers (based on phosphorous content). This subsidy scheme was effective till May 27, 2016.

During current year, another subsidy scheme was announced by the GoP effective June 25, 2016 and onwards. Through this scheme the GoP has notified payment of subsidy on sold products at the rate of Rs. 156 per 50kg bag of Urea and Rs. 300 per 50 kg bag of DAP and for Nitrophos 22:20 & 18:18 grade (based on phosphorus content) and Nitrogen, Phosphorus and Potassium (NPK) fertilizers (based on phosphorus content).

11.2 The maximum amount due from the Parent Company, subsidiary and associated companies at the end of any month during the year amounted to:

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Holding Company | | |
| - Engro Corporation Limited | 6,903 | - |
| Subsidiary Companies | | |
| - Engro Eximp (Private) Limited (amalgamated during the year) | 39,292 | 12,512 |
| - Engro Eximp FZE | 66,848 | 18,992 |
| Associated Companies | | |
| - Engro Foods Limited | 2,225 | 5,913 |
| - Engro Polymer & Chemicals Limited | 4,464 | 10,575 |
| - Engro Powergen Qadirpur Limited | 14,847 | 15,059 |
| - Engro Powergen Limited | 360 | 2,972 |
| - Sindh Engro Coal Mining Company Limited | 2,023 | 7,813 |
| - Engro Powergen Thar Limited | 3,897 | - |
| - Engro Powergen Limited (Thar Project) | 167 | - |
| - Engro Eximp Agriproducts (Private) Limited | 4,541 | - |
| - Engro Foundation | 1,663 | 3,809 |
| - Engro Elengy Terminal (Private) Limited | 856 | 2,840 |
| - Engro Vopak Terminal Limited | 1,119 | 3,338 |
| - Elengy Terminal Pakistan Limited | 203 | - |

11.3 As at December 31, 2016, receivables aggregating to Rs. 5,257 (2015: Rs. 11,076) were past due but not impaired. The ageing analysis of these receivables is as follows:

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Upto 3 months | 5,257 | 6,944 |
| 3 to 6 months | - | 1,251 |
| More than 6 months | - | 2,881 |
| | 5,257 | 11,076 |

(Amounts in thousand)

## 12. SHORT TERM INVESTMENTS

Represent treasury bills and other fixed income placement amounting to Rs. 142,729 (2015: Rs. 10,984,555) at the interest rate ranging from 5.94% to 6.68% (2015: 6.23% to 6.42%) per annum; and local and foreign currency deposits with various banks, at interest rates ranging from 5.50% to 7.00% (2015: 4.25% to 6.18%) per annum and at 1.50% (2015: 1.50%) per annum, respectively.

## 13. CASH AND BANK BALANCES

| | 2016 | 2015 |
|---|---|---|
| | ----------------Rupees---------------- | |
| Cash at banks on: | | |
| - deposit accounts (notes 13.1 and 13.2) | 9,157 | 838,925 |
| - current accounts | 14,157 | 19,127 |
| | 23,314 | 858,052 |
| Cash in hand - imprest funds | 5,159 | 7,250 |
| | 28,473 | 865,302 |

13.1 Deposit accounts carried return at rates ranging from 4.00% to 5.75% per annum (2015: 4.00% to 6.00%) per annum.

13.2 Includes Rs. 12,723 (2015: Rs.12,742) held in foreign currency bank accounts.

## 14. SHARE CAPITAL

| | 2016 | 2015 |
|---|---|---|
| | ----------------Rupees---------------- | |
| **Authorised Capital** | | |
| 1,400,000,000 (2015: 1,400,000,000) Ordinary shares of Rs. 10 each | 14,000,000 | 14,000,000 |
| **Issued, subscribed and paid-up capital** | | |
| 258,132,299 (2015: 258,132,299) Ordinary shares of Rs. 10 each, fully paid in cash | 2,581,323 | 2,581,323 |
| 9,999,993 (2015: 9,999,993) Ordinary shares of Rs. 10 each issued as at January 1, 2010 on transfer of fertilizer undertaking | 100,000 | 100,000 |
| 1,062,800,000 (2015: 1,062,800,000) Ordinary shares of Rs. 10 each, issued as fully paid bonus shares | 10,628,000 | 10,628,000 |
| | 13,309,323 | 13,309,323 |

(Amounts in thousand)

14.1 Movement in issued, subscribed and paid up capital

| 2016 | 2015 | | 2016 | 2015 |
|---|---|---|---|---|
| ----------Number of shares---------- | | | -----------------Rupees---------------- | |
| 1,330,932,292 | 1,318,341,667 | At January 1 | 13,309,323 | 13,183,417 |
| - | 12,590,625 | Ordinary shares of Rs. 10 each issued upon exercise of conversion option by International Finance Corporation (IFC) - note 14.2 | - | 125,906 |
| 1,330,932,292 | 1,330,932,292 | | 13,309,323 | 13,309,323 |

14.2 These represent shares issued to IFC, pursuant to exercise of conversion option (note 16.10).

14.3 As at balance sheet date, the Parent Company held 56.45% of the share capital of the Company.

## 15. HEDGING RESERVE

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Hedging reserve on interest rate swaps | - | (7,545) |
| Deferred tax thereon | - | 3,009 |
| | - | (4,536) |

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

(Amounts in thousand)

## 16. BORROWINGS - Secured (Non-participatory)

| | Note | Mark-up rate p.a. | Installments Number | Installments Commenced / Commencing from | 2016 | 2015 |
|---|---|---|---|---|---|---|
| | | | | | ----Rupees---- | |
| Long term finance utilised under mark-up arrangements: | | | | | | |
| **Senior Lenders** | | | | | | |
| Habib Bank Limited | 16.1 | 6 months KIBOR + 1.1% | 8 half yearly | March 31, 2013 | - | 199,714 |
| Allied Bank Limited | 16.1 | 6 months KIBOR + 1.1% | 8 half yearly | June 26, 2013 | - | 399,160 |
| Allied Bank Limited | 16.2 | 6 months KIBOR + 0.8% | 1 bullet payment | March 18, 2018 | 2,000,000 | - |
| Allied Bank Limited | 16.3 | 6 months KIBOR + 0.15% | 4 half yearly | March 29, 2020 | 2,000,000 | - |
| National Bank of Pakistan | | 6 months KIBOR + 1.1% | 10 half yearly | March 5, 2013 | 599,521 | 790,364 |
| Faysal Bank Limited | | 6 months KIBOR + 1.2% | 13 half yearly | May 26, 2013 | 831,182 | 859,503 |
| Standard Chartered Bank (Pakistan) Limited | | 6 Months KIBOR + 0.9% | 13 half yearly | June 14, 2013 | 594,942 | 593,090 |
| Standard Chartered Bank (Pakistan) Limited | 16.2 | 6 Months KIBOR + 0.8% | 1 bullet payment | March 18, 2018 | 1,000,000 | - |
| Samba Bank Limited | | 6 Months KIBOR + 0.9% | 14 half yearly | April 1, 2013 | 297,621 | 296,813 |
| National Bank of Pakistan | | 6 Months KIBOR + 1.2% | 10 half yearly | September 28, 2013 | 415,521 | 545,050 |
| Syndicated finance | 16.4 | 6 months KIBOR + 1.8% | 15 half yearly | February 28, 2013 | - | 9,880,750 |
| Syndicated finance | 16.5 | 6 months KIBOR + 0.4% | 6 half yearly | June 26, 2019 | 9,100,403 | - |
| Islamic offshore finance | 16.6 | 6 months LIBOR + 2.57% | 7 half yearly | March 28, 2014 | 1,762,711 | 3,525,468 |
| DFI Consortium finance | 16.7 | 6 months LIBOR + 2.6% | 13 payments | April 15, 2011 | - | 2,789,150 |
| Habib Metropolitan Bank Limited | 16.8 | 6 Months KIBOR + 0.9% | 10 half yearly | June 21, 2013 | 40,000 | 80,000 |
| Pak Kuwait Investment Company (Private) Limited | 16.1 | 6 months KIBOR + 1.0% | 10 half yearly | April 30, 2012 | - | 99,803 |
| United Bank Limited | 16.1 | 6 months KIBOR + 0.65% | 8 payments | December 17, 2015 | - | 1,460,855 |
| United Bank Limited | 16.3 | 6 months KIBOR + 0.15% | 4 half yearly | March 29, 2020 | 4,000,000 | - |
| MCB Bank Limited | 16.2 | 6 months KIBOR + 0.80% | 1 bullet payment | March 18, 2018 | 3,000,000 | - |
| MCB Bank Limited | 16.3 | 6 months KIBOR + 0.15% | 4 half yearly | March 29, 2020 | 4,000,000 | - |
| **Subordinated Lenders** | | | | | | |
| International Finance Corporation | 16.9, 16.10 | 6 months LIBOR + 3% | 5 half yearly | April 29, 2014 | - | 2,415,784 |
| International Finance Corporation | 16.9, 16.10 | 6 months LIBOR + 3% | 5 half yearly | July 18, 2014 | 1,249,386 | 2,284,468 |
| Dubai Islamic Bank Pakistan Limited | 16.9, 16.11 | 6 months KIBOR + 0.4% | 4 half yearly | November 28, 2018 | 800,000 | 800,000 |
| **Certificates** | | | | | | |
| Privately Placed Subordinated Term Finance Certificates | 16.2 | 6 months KIBOR + 0.8% | 1 yearly | March 18, 2016 | - | 6,000,000 |
| Privately Placed Subordinated Sukuk Certificates | 16.12 | 6 months KIBOR + 1.75% | 10 half yearly | January 9, 2015 | 2,860,174 | 3,006,272 |
| | | | | | 34,551,461 | 36,026,244 |
| Less: Current portion shown under current liabilities | | | | | 5,171,515 | 10,736,586 |
| | | | | | 29,379,946 | 25,289,658 |

(Amounts in thousand)

16.1 These loans have matured during the year.

16.2 During the year, the Company exercised the call option of the Privately Placed Term Finance Certificates (PPTFCs). As a result, the Company paid Rs. 6,000,000 to the holders of PPTFCs and refinanced this amount through three bilateral loans from Allied Bank Limited, Standard Chartered Bank (Pakistan) Limited and MCB Bank Limited amounting to Rs. 2,000,000 Rs. 1,000,000 and Rs. 3,000,000 respectively. These loans are repayable in a single installment in March 2018 and carry mark up / profit at the rate of 6 months KIBOR plus 0.80%, per annum.

16.3 During the year, the Company availed three bilateral loans from Allied Bank Limited, United Bank Limited and MCB Bank Limited amounting to Rs. 2,000,000, Rs. 4,000,000 and Rs. 4,000,000 respectively . The new loans have a pricing of 6 months KIBOR plus 0.15% and will mature in September 2021. The loans were made a part of the Inter Creditor Agreement (ICA) and thus have the same charge with the other Senior Lenders.

16.4 Borrowing under Local Syndicate Agreement, entered in 2008, with National Bank of Pakistan, Habib Bank Limited, United Bank Limited, MCB Bank Limited, Standard Chartered Bank Limited, Bank Alfalah Limited, Allied Bank Limited, Askari Bank Limited, Habib Metropolitan Bank, Summit Bank Limited, Soneri Bank Limited and Pak Librya Holding Company, with National Bank of Pakistan acting as the Agent for the Syndicate members was pre-paid on December 15, 2016.

16.5 This represents the balance amount availed during the year, of a Syndicated Finance Agreement entered with National Bank of Pakistan, MCB Bank Limited, Allied Bank, Habib Bank Limited, Bank Alfalah Limited, with National Bank of Pakistan acting as the Agent for the Syndicate members. The loan was made a part of the Inter Creditor Agreement (ICA) and thus has the same charge, as the other Senior Lenders.

16.6 The borrowings also include Offshore Islamic Finance Facility of US$ 36,000 with Habib Bank Limited and National Bank of Pakistan and Rs. 3,618,000 with Faysal Bank, Dubai Islamic Bank Pakistan Limited and Standard Chartered Bank. During the year, Habib Bank Limited bought out SAMBA Financial Group's portion in the US$ portion of the facility.

16.7 This represents the balance amount of a facility agreement amounting to US$ 85,000 with a consortium of Development Finance Institutions comprising of DEG, FMO and OFID. This was fully repaid during the year.

16.8 This represents the outstanding balance amount of a facility agreement amounting to Rs. 200,000 with Habib Metropolitan Bank Limited.

16.9 During the year, the Company negotiated re-pricing for the following borrowings:

| Senior Lenders | Mark-up rate per annum | | Effective Date of Repricing |
|---|---|---|---|
| | Original | Repriced | |
| Dubai Islamic Bank Limited | 6 months KIBOR + 1.75% | 6 months KIBOR + 0.4% | November 28, 2016 |
| IFC - US$ 30 million | 6 months LIBOR + 6% | 6 months LIBOR + 3% | February 15, 2016 |
| IFC - US$ 50 million | 6 months LIBOR + 6% | 6 months LIB OR + 3% | February 15, 2016 |

(Amounts in thousand)

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

In 2014, IFC exercised its entire conversion option for an outstanding amount of US$ 15,000 of Tranche A and accordingly 12,515,319 ordinary shares of the Parent Company were issued to the IFC.

On December 22, 2010, the Company and IFC entered into an amended agreement for further disbursement of US$ 30,000 over and above the aforementioned disbursed amount of US$ 50,000. The amount was fully disbursed as at June 30, 2011. The salient features of the Original Loan essentially remained the same and some of the terms of the loan were further amended through an agreement dated January 29, 2014. The additional loan of US$ 30,000 is divided into (i) Tranche A2 30% convertible loan on the shares of the Company at Rs. 24 per ordinary share calculated at the US$ to Pakistan Rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option and (ii) Tranche B2 70% non-convertible loan. The additional loan is repayable by September 15, 2017 in three equal installments and carries interest at 6 months LIBOR plus a spread of 6%.

On June 25, 2014, the Company received a notice from the IFC for exercise of option on US$ 5,000 loan which, along with the fair value of related options on that date has been classified as equity; accordingly 20,541,667 ordinary shares of the Company were allotted to the IFC. Last year, the Company received a notice from IFC for exercise of further US$ 3,000 loan on January 9, 2015 out of the remaining US$ 4,000 of Tranche A2, accordingly 12,590,625 ordinary shares of the Company were allotted to the IFC on January 26, 2015. The fair value of the remaining conversion options, included in derivative financial instruments, amounts to Rs. 194,999 (note 17).

During the year, the pricing of the IFC loans was revised to 6 months LIBOR plus 3.0% from 6 months LIBOR plus 6.0%, effective February 15, 2016. Furthermore, US$ 50,000 disbursed on December 31, 2009, was fully repaid in September 2016.

16.11 The Company arranged a loan facility of Rs. 800,000 from Dubai Islamic Bank Pakistan Limited on December 1, 2014. This loan was used to repay the sub-ordinated loan received from the Parent Company on account of exercise of IFC conversion option as more fully explained in note 16.10. The facility price was changed from 6 months KIBOR plus 1.75% to 6 months KIBOR plus 0.4% in November 2016 and has been moved to 1st charge.

(Amounts in thousand)

16.12 This represents Privately Placed Subordinated Sukuk (PPSS) amounting to Rs. 3,200,000. Pak Brunei Investment Company Limited is the Trustee while Meezan Bank Limited acts as the Investment Agent for this Sukuk. The Company used PPSS to refinance the subordinated loan from the Parent Company.

16.13 All senior debts are secured by an equitable mortgage upon immovable property of the Company and equitable charge over current and future fixed assets excluding immovable property of the Company.

Loans from the IFC are secured by a sub-ordinated mortgage upon immovable property of the Company and sub-ordinated charge over all present and future fixed assets excluding immovable property of the Company. Subordinated Dubai Islamic Bank Pakistan Limited (DIBPL) loan and Privately Placed Subordinated Sukuk (PPSS) has a subordinate mortgage upon immovable property of the Company and a subordinate charge over current and future fixed assets excluding immovable property of the Company.

For the loan from IFC, the Company has issued a corporate guarantee.

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

## 17. DERIVATIVE FINANCIAL INSTRUMENTS

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| | Rupees | | | |
| Conversion options on IFC loan (note 16.10) | - | 194,999 | - | 298,749 |
| Cash flow hedges: | | | | |
| - Foreign exchange forward contracts - net (note 17.1) | - | 54,654 | 29,207 | 54,569 |
| - Interest rate swaps (note 17.2) | - | - | - | 13,166 |
| | - | 249,653 | 29,207 | 366,484 |
| Less: Current portion shown under current assets / liabilities | | | | |
| Conversion options on IFC loan | - | 194,999 | - | 298,749 |
| Cash flow hedges: | | | | |
| - Foreign exchange forward contracts | - | 54,654 | 29,207 | 54,569 |
| - Interest rate swaps | - | - | - | 13,166 |
| | - | 249,653 | 29,207 | 366,484 |
| | - | - | - | - |

### 17.1 Foreign exchange forward contracts

The Company entered into various US$ : PKR forward contracts to hedge its foreign currency exposure. As at December 31, 2016, the Company had forward contracts to purchase US$ 19,625 (2015: US$ 96,133) at various maturity dates to hedge its foreign currency loan obligations. The net fair value of these contracts as at December 31, 2016 is negative and amounted to Rs. 54,654 (2015: Rs. 25,362 negative).

(Amounts in thousand)

17.2 Interest rate swap

The Company had entered into interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing from a consortium of Development Finance Institutions for a notional amount of US$ 7,727 which matured in April 2016.

## 18. DEFERRED LIABILITIES

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Deferred taxation (note 18.1) | 7,491,859 | 5,887,570 |
| Deferred income (note 18.2) | 69,249 | 73,114 |
| | 7,561,108 | 5,960,684 |

### 18.1 Deferred taxation

| | | |
|---|---|---|
| Credit / (Debit) balances arising on account of: | | |
| - Accelerated depreciation allowance | 13,741,142 | 13,959,978 |
| - Carried forward tax losses substantially pertaining to unabsorbed tax depreciation | - | (1,517,981) |
| - Recoupable minimum turnover tax (note 18.1.1) | (2,178,308) | (2,491,715) |
| - Fair values of hedging instruments | - | (3,009) |
| - Alternative Corporate Tax | (3,962,572) | (3,962,572) |
| - Provision for: | | |
| - staff retirement benefits | (23,462) | (18,819) |
| - slow moving stores and spares and doubtful receivables | (84,941) | (78,312) |
| | 7,491,859 | 5,887,570 |

18.1.1 In 2013, the High Court of Sindh, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2)(c) of the Income Tax Ordinance, 2001 and has decided that the minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year. The Company's management is however of the view, duly supported by legal advisor, that the above order would not be maintainable at the Supreme Court. Therefore, the Company has continued to carry forward and adjust minimum tax, as reflected above.

(Amounts in thousand)

### 18.2 Deferred income

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

## 19. SERVICE BENEFITS OBLIGATIONS

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Service benefit obligation | 205,776 | 172,599 |
| Less: Current portion shown under current liabilities | 49,157 | 48,232 |
| | 156,619 | 124,367 |

## 20. TRADE AND OTHER PAYABLES

| | 2016 | 2015 |
|---|---|---|
| Creditors | 2,926,032 | 7,976,286 |
| Accrued liabilities (note 20.1) | 4,836,474 | 2,849,004 |
| Advances from customers | 450,043 | 1,280,321 |
| Payable to: | | |
| - Engro Corporation Limited | 49,078 | 43,960 |
| - Engro Polymer & Chemicals Limited | - | 10,181 |
| - Engro Foods Limited | 1,633 | - |
| - Engro Powergen Limited | 2,419 | - |
| - Engro Powergen Qadirpur Limited | 2,611 | - |
| - Elengy Terminal Pakistan Limited | 1,352 | 275 |
| - Engro Eximp Agriproducts (Private) Limited | - | 475 |
| - Engro Eximp FZE | 4,476,789 | 3,267,956 |
| Deposits from dealers refundable on termination of dealership | 18,155 | 16,297 |
| Contractors' deposits and retentions | 91,273 | 58,076 |
| Workers' welfare fund (note 20.2) | 1,487,221 | 1,046,680 |
| Workers' profits participation fund | 39,099 | 11,892 |
| Others | 577,358 | 325,453 |
| | 14,959,537 | 16,886,856 |

20.1 Includes Rs. 1,782,787 (2015: Rs. 789,775) on account of Gas Infrastructure Development Cess (GIDC). During the year, GIDC was struck down by the Sindh High Court being ultra vires, against which the Ministry of Petroleum and Natural Resources obtained a suspension order. However, some clarifications are being taken from legal advisors to decide the way forward in this regard.

20.2 During the year, the Supreme Court of Pakistan through its order dated November 10, 2016 decided that the changes to the WWF Ordinance, 1971 made through Finance Acts, 2006 and 2008 were ultra vires to the constitution of Pakistan. However, the taxation authorities have proceeded to file a review petition there against in the Supreme Court of Pakistan. Due to this review petition and other legal uncertainties, the Company continues to carry the payable in this respect inclusive of payable of Rs. 150,000 related to EXIMP.

## 21. SHORT TERM BORROWINGS

The Company has funded facilities for short term finances available from various banks and institutional investors amounting to Rs. 14,000,000 (2015: Rs. 7,050,000) along with non-funded facilities of Rs. 2,178,048 (2015: Rs. 1,600,000) for bank guarantees. The rates of markup on funded bank overdraft facilities ranged from 0.5% to 1.5% per annum over 3-month KIBOR and all the facilities are secured by floating charge upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts, outstanding monies, receivable claims and bills of the Company. The Company has utilised Rs. 1,909,843 (2015: Nil) from these facilities as at the balance sheet date.

## 22. CONTINGENCIES AND COMMITMENTS

### Contingencies

22.1 Bank guarantees of Rs.2,178,048 (2015: Rs. 1,402,223) have been issued in favour of third parties.

22.2 Claims, including pending lawsuits, against the Company not acknowledged as debts amounted to Rs.58,680 (2015: Rs. 109,685).

22.3 During the year, the Company entered into a Dealer Finance Agreement (DFA) with a bank. Under the DFA the bank will provide financial assistance of upto Rs. 2,000,000 to dealers approved by the Company. In case of default by any dealer, the Company has agreed to bear 10% of the principal in default.

As at year end the bank has made disbursements under the DFA amounting to Rs. 999,000 maturing on various future dates.

22.4 The Company is contesting a penalty of Rs. 115,631 paid and expensed in 1997, imposed by the State Bank of Pakistan (SBP) for alleged late payment of foreign exchange risk cover fee on long term loans and has filed a suit in the High Court of Sindh. Out of the total penalty Rs. 62,618 was received in 1999 from SBP while recovery of the balance amount is dependent on the Court's decision.

22.5 The Company had commenced two separate arbitration proceedings against the Government of Pakistan for non-payment of marketing incidentals relating to the years 1983-84 and 1985-86. The sole arbitrator in the second case has awarded the Company Rs. 47,800, whereas the award for the earlier years is awaited. The award for the second arbitration was challenged in the High Court of Sindh. In December 2013, the High Court of Sindh has upheld the award. However, as this can be challenged by way of further appeals, it will be recognised as income on realisation thereof.

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

(Amounts in thousand)

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

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

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

## 22.9 Commitments

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Commitments in respect of capital expenditure and other operational items | 2,483,898 | 995,392 |

(Amounts in thousand)

## 23. NET SALES

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Gross sales: | | |
| - manufactured product | 50,899,776 | 72,899,472 |
| - purchased and packaged product | 28,093,247 | 27,833,764 |
| | 78,993,023 | 100,733,236 |
| Less: Sales tax | 9,474,294 | 15,729,857 |
| | 69,518,729 | 85,003,379 |

23.1 This includes trade discount amounting to Rs. 406,277 (2015: Rs. 847,715).

## 24. COST OF SALES

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| **Cost of sales - Manufactured product** | | |
| Raw materials consumed | 15,408,776 | 18,589,567 |
| Salaries, wages and staff welfare (note 24.1) | 1,896,338 | 1,770,189 |
| Fuel and power | 7,651,502 | 7,499,418 |
| Repairs and maintenance | 1,813,913 | 1,022,937 |
| Depreciation (note 4.2) | 4,972,486 | 4,694,042 |
| Amortisation (note 5.2) | 13,410 | 23,257 |
| Consumable stores | 574,544 | 1,715,645 |
| Training, HSE and other related expenses | 408,061 | 438,278 |
| Purchased services | 431,932 | 406,887 |
| Travel | 48,684 | 50,938 |
| Communication, stationery and other office expenses | 31,371 | 21,874 |
| Insurance | 359,334 | 354,351 |
| Rent, rates and taxes | 19,577 | 11,747 |
| Other expenses | 3,306 | 3,218 |
| Manufacturing cost | 33,633,234 | 36,602,348 |
| Add: Opening stock of work in process | 20,688 | 89,780 |
| Less: Closing stock of work in process (note 8) | (30,233) | (20,688) |
| Cost of goods manufactured | 33,623,689 | 36,671,440 |
| Add: Opening stock of finished goods - net of NRV | 1,982,363 | 205,810 |
| Less: Closing stock of finished goods - net of NRV (note 8) | (5,050,607) | (1,982,363) |
| Cost of sales | 30,555,445 | 34,894,887 |
| **Cost of sales - Purchased and packaged product** | | |
| Opening stock - Purchased and packaged product - net of NRV | 3,688,392 | - |
| Add : Purchase of product | 19,321,294 | 24,228,956 |
| Less: Closing stock - Purchased and packaged product - net of NRV | (1,157,051) | (3,688,392) |
| | 21,852,635 | 20,540,564 |
| | 52,408,080 | 55,435,451 |

24.1 Salaries, wages and staff welfare includes Rs. 130,776 (2015: Rs. 123,709) in respect of staff retirement benefits.

(Amounts in thousand)

## 25. SELLING AND DISTRIBUTION EXPENSES

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Salaries, wages and staff welfare (note 25.1) | 547,744 | 539,739 |
| Training, HSE and other related expenses | 87,735 | 75,823 |
| Product transportation and handling | 3,999,434 | 3,504,608 |
| Royalty expense | 745,010 | 929,158 |
| Repairs and maintenance | 5,510 | 4,406 |
| Advertising and marketing expense | 504,204 | 49,737 |
| Rent, rates and taxes | 604,771 | 206,317 |
| Communication, stationery and other office expenses | 28,130 | 23,011 |
| Travel | 77,008 | 52,355 |
| Depreciation (note 4.2) | 31,524 | 17,721 |
| Amortisation (note 5.2) | 5,341 | 960 |
| Purchased services | 24,471 | 13,866 |
| Insurance | 28,283 | 24,754 |
| Other expenses | 13,082 | 10,489 |
| | 6,702,247 | 5,452,944 |

25.1 Salaries, wages and staff welfare includes Rs. 49,170 (2015: Rs. 39,460) in respect of staff retirement benefits.

## 26. ADMINISTRATIVE EXPENSES

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Salaries, wages and staff welfare (note 26.1) | 362,116 | 381,010 |
| Training, HSE and other related expenses | 36,554 | 50,822 |
| Repairs and maintenance | 15,839 | 14,155 |
| Rent, rates and taxes | 72,723 | 66,733 |
| Communication, stationery and other office expenses | 41,654 | 38,495 |
| Travel | 32,153 | 33,803 |
| Depreciation (note 4.2) | 13,931 | 16,754 |
| Amortisation (note 5.2) | 2,945 | 3,035 |
| Purchased services | 225,434 | 167,362 |
| Donations (note 40) | 71,292 | 68,156 |
| Insurance | 2,567 | 1,650 |
| Provision against other receivables, net | - | (544) |
| Other expenses | 11,116 | 21,996 |
| | 888,324 | 863,427 |

26.1 Salaries, wages and staff welfare includes Rs. 36,891 (2015: Rs. 33,777) in respect of staff retirement benefits.

(Amounts in thousand)

## 27. OTHER INCOME

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Income from sales under Government subsidy (note 11.1) | 7,878,050 | 2,611,879 |
| **On financial assets** | | |
| Income on bank accounts under: | | |
| - Shariah permissible arrangements | 47 | 20,189 |
| - interest / mark up arrangements | 17,489 | 140,620 |
| Income on subordinated loan to subsidiary company | 22,243 | 39,812 |
| Income on treasury bills, term deposit certificates and Pakistan Investment Bonds | 119,500 | 1,134,570 |
| Income on mutual funds | - | 8,109 |
| Others | 774 | 948 |
| | 160,053 | 1,344,248 |
| **On non-financial assets** | | |
| Commission income | - | 660 |
| Gain on disposal of property, plant and equipment (note 4.3) | 1,140 | 17,844 |
| Rental income | 4,795 | 4,567 |
| Scrap sales | 7,879 | 13,895 |
| Reversal of provision for infrastructure cess (note 27.1) | - | 50,000 |
| Others (note 27.2) | 83,457 | 275,845 |
| | 97,271 | 362,811 |
| | 8,135,374 | 4,318,938 |

27.1 As per the interim arrangement with the Excise and Customs authorities, the bank guarantees furnished by the Company (Appellants before the Supreme Court) upto December 27, 2006 were discharged and returned. As agreed, 50% in value of the bank guarantees furnished for consignments released after the aforesaid date were permitted to be encashed; the remaining 50% were to be retained until a judicial resolution. It was specifically agreed, as per the joint statement, that after May 31, 2011 all imports would be released on payment of 50% cash and 50% bank guarantee.

The management of the Company being confident that no demand will be raised for any amount pertaining to the period prior to December 27, 2006, reversed the provision relating to prior period in 2015.

27.2 This includes Nil (2015: Rs. 141,936) in respect of damaged compressor claim received against insurance claim of assets written-off in 2014.

(Amounts in thousand)

## 28. OTHER OPERATING EXPENSES

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Workers' profits participation fund | 719,099 | 1,136,892 |
| Workers' welfare fund | 287,656 | 432,019 |
| Research and development | 69,090 | 101,425 |
| Auditors' remuneration (note 28.1) | 7,276 | 6,708 |
| Legal and professional | 51,334 | 125,342 |
| Others | 9,723 | 11,253 |
| | 1,144,178 | 1,813,639 |

### 28.1 Auditors' remuneration

| | 2016 | 2015 |
|---|---|---|
| Fee for: | | |
| - audit of annual financial statements | 2,050 | 1,825 |
| - special audit / review of half yearly financial information | 459 | 350 |
| - review of compliance with code of corporate governance | 40 | 40 |
| - certifications, advices and audit of retirement funds | 2,320 | 2,167 |
| - taxation services | 2,146 | 1,875 |
| - reimbursement of expenses | 261 | 451 |
| | 7,276 | 6,708 |

## 29. FINANCE COST

| | 2016 | 2015 |
|---|---|---|
| Interest / mark-up / return on: | | |
| - long term borrowings | 2,611,067 | 3,830,677 |
| - short term borrowings | 471,398 | 63,862 |
| (Gain) / Loss on fair value of IFC conversion option | (103,750) | 28,551 |
| Foreign exchange loss - net | 157,330 | 664,836 |
| | 3,136,045 | 4,587,926 |

## 30. TAXATION

| | 2016 | 2015 |
|---|---|---|
| Current | | |
| - for the year (note 30.3) | 2,757,986 | 3,675,656 |
| - for prior years (note 30.4) | 294,742 | 775,209 |
| | 3,052,728 | 4,450,865 |
| Deferred | 1,297,800 | 1,690,584 |
| | 4,350,528 | 6,141,449 |

(Amounts in thousand)

30.1 Last year, the income tax department had amended the assessment filed by the Company for tax year 2014. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) against the disallowances, which mainly pertained to exchange gain and loss, loss on derivative and losses purchased from Engro Eximp Agriproducts under section 59B of the Income Tax Ordinance, 2001. In addition the tax department raised demand for the Alternative Corporate Tax through the same order, for which the Company specifically obtained a stay order. The case is pending to be heard with the CIR(A) and the Company is confident of a favourable outcome.

30.2 During 2014, the income tax department amended the assessment filed by the Company for tax years 2010 and 2011.The Company filed appeals there against before the Appellate Tribunal Inland Revenue (ATIR) against the said disallowances, which through its decision provided relief in respect of certain items and confirmed certain disallowances in favor of the tax department. The said disallowances included the charge in respect of exchange gain and loss incurred for tax year 2010 and tax year 2011 , and loss on derivative for tax year 2011. Last year, the Company had challenged the said decision before the High Court of Sindh, which is pending to be heard and the Company is confident of a favorable outcome.

30.3 During the year, the Company has taxable income on which tax has been computed at the applicable normal corporate tax rate. Last year, the tax expense mainly comprised of alternative corporate tax under section 113C of the Income Tax Ordinance, 2001 amounting to Rs. 2,599,772 and minimum turnover tax amounting to Rs. 876,153.

The Company had filed a suit in the High Court of Sindh, contesting both the retrospective and prospective application of the advance corporate tax under section 113C and has been granted stay in this respect for the years 2013, 2014 and 2015.

30.4 This includes Rs. 656,000 (net-off of reversal of last year provision on this account of Rs. 361,258) on account of provision in accordance with section 4B ‘Super Tax for rehabilitation of temporarily displaced persons’ again inserted in the Income Tax Ordinance, 2001 (the Ordinance) through Finance Act, 2016, whereby tax at the rate 3 percent is payable on specified income exceeding Rs. 500,000 for the year ended December 31, 2015 (tax year 2016).

Initially, this provision was inserted in the Ordinance through Finance Act, 2015 for the year ended December 31, 2014 (tax year 2015), which was not applicable on the Company for the said year, as also clarified through the modification made through Finance Act, 2016.

30.5 As a result of demerger in 2009, all pending tax issues of the then Parent Company, Engro Chemical Pakistan Ltd. had been transferred to the Company. Major issues pending before the tax authorities are described below.

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

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

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

(Amounts in thousand)

30.6 Last year, the Company had received a sales tax order from the tax department for the year ended December 31, 2013 pertaining to discharge of output tax liability, on assumed production of urea amounting to Rs. 402,875 and on presumption that output tax liability is not being discharged by the Company on advances received from dealers amounting to Rs. 1,844,075. The Company filed an appeal there against with the Commissioner Inland Revenue (Appeals) which has decided the matters in favour of the Company. The department has now challenged the decision of the CIR(A) with the Appellate Tribunal Inland Revenue , which is pending to be heard.

30.7 As a result of EXIMP merger, all pending tax issues of EXIMP have been transferred to the Company. Major pending issue pertains to exercise of option to be taxed in NTR (introduced through Finance Act, 2012) by EXIMP for years 2012 and 2013, resulting in an aggregate refund of Rs. 796 million. The tax department has not accepted the said treatment, however the matter was decided in favor of the Company by the Commissioner Appeals.

30.8 Relationship between tax expense and accounting profit

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

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Profit before taxation | 13,375,229 | 21,168,930 |
| Tax calculated at the rate of 31% (2015: 32%) | 4,146,320 | 6,774,058 |
| Depreciation on exempt assets not deductible for tax purposes | 3,389 | 3,043 |
| Tax effect of: | | |
| - Expenses not allowed for tax / tax benefit lost | 99,370 | 30,765 |
| - Final Tax Regime / separate block of income | - | (1,511) |
| Effect of: | | |
| - Tax credits | (193,293) | (159,784) |
| - Change in tax rates | - | (1,069,026) |
| - Prior year tax charge | 294,742 | 563,904 |
| Tax charge for the year | 4,350,528 | 6,141,449 |

31. EARNINGS PER SHARE (EPS)

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

31.2 Diluted EPS has been calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has convertible debt as dilutive potential ordinary shares, which is assumed to have been converted into ordinary shares, and net profit is adjusted to eliminate the related effects.

(Amounts in thousand)

The information necessary to calculate basic and diluted earnings per share is as follows:

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Profit for the year | 9,024,701 | 15,027,481 |
| Add: | | |
| - Interest on IFC loan - net of tax | 2,926 | 4,765 |
| - (Gain) / Loss on revaluation of conversion options on IFC loan - net of tax | (66,648) | 18,074 |
| Profit used for the determination of Diluted EPS | 8,960,979 | 15,050,320 |
| | --------Numbers (in thousands)-------- | |
| Weighted average number of ordinary shares at the beginning of year | 1,330,932 | 1,318,342 |
| Add : Weighted average adjustment for shares issued during the year (including conversion of option) | - | 11,728 |
| Weighted average number of shares for determination of basic EPS | 1,330,932 | 1,330,070 |
| - Assumed conversion of US$ 1,000 IFC loan | 2,848 | 3,160 |
| - Exercise of conversion option on US$ 3,000 IFC loan | - | 601 |
| Weighted average number of shares for determination of diluted EPS | 1,333,780 | 1,333,831 |

## 32. FINANCING STRUCTURE / MODE

**Conventional mode:**

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| Short term investments | 140,729 | 10,984,555 |
| Cash and bank balances | 28,386 | 864,998 |
| | 169,115 | 11,849,553 |
| **Liabilities** | | |
| Borrowings | 27,533,633 | 28,101,414 |
| Short term borrowings | 1,909,843 | - |
| | 29,443,476 | 28,101,414 |

**Shariah compliant mode:**

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| Short term investments | 2,000 | - |
| Cash and bank balances | 87 | 304 |
| | 2,087 | 304 |
| **Liabilities** | | |
| Borrowings | 7,017,828 | 7,924,830 |

(Amounts in thousand)

## 33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

33.1 The aggregate amounts for remuneration, including all benefits, to chief executive, directors and executives of the Company are given below:

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Directors | | Executives | Directors | | Executives |
| | Chief Executive | Others | | Chief Executive | Others | |
| | ---------- Rupees ---------- | | | ---------- Rupees ---------- | | |
| Managerial remuneration | 87,711 | - | 2,087,102 | 65,073 | - | 1,695,085 |
| Retirement benefits funds | 6,564 | - | 187,424 | 5,806 | - | 174,624 |
| Other benefits | 36 | - | 77,927 | 5 | - | 79,893 |
| Fees | - | 2,000 | - | - | 1,850 | - |
| Total | 94,311 | 2,000 | 2,352,453 | 70,884 | 1,850 | 1,949,602 |
| Number of persons including those who worked part of the year | 1 | 7 | 540 | 1 | 7 | 492 |

33.2 The Company also provides cars and certain household items for use of some executives and directors.

33.3 Premium charged in the financial statements in respect of directors' indemnity insurance policy, purchased by the Company during the year, amounted to Rs. 509 (2015: Rs. 488).

## 34. RETIREMENT AND OTHER SERVICE BENEFITS

### 34.1 Salient features

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

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

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

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

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

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

(Amounts in thousand)

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

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

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

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

34.2 Valuation results

The latest actuarial valuation of the defined benefit plans was carried out as at December 31, 2016, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

| | Defined Benefit Gratuity Plans - Funded | | | | Defined Benefit Pension Plan - Funded (Curtailed) | |
|---|---|---|---|---|---|---|
| | NMPT | | MPT | | | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | ---- Rupees ---- | | | | | |
| **34.2.1 Balance sheet reconciliation** | | | | | | |
| Present value of obligation | 238,301 | 228,376 | 137,729 | 149,332 | 32,132 | 33,367 |
| Fair value of plan assets | (168,767) | (169,638) | (165,178) | (166,957) | (44,213) | (40,835) |
| Deficit / (surplus) of funded plans | 69,534 | 58,738 | (27,449) | (17,625) | (12,081) | (7,468) |
| Payable to DC Gratuity Fund | - | - | 9,736 | 9,736 | - | - |
| Payable in respect of inter-transfers | - | - | 46 | 43 | - | - |
| Unrecognised asset | - | - | - | - | 12,081 | 7,468 |
| Net liability / (asset) at end of the year | 69,534 | 58,738 | (17,667) | (7,846) | - | - |
| **34.2.2 Movement in net liability / (asset) recognised** | | | | | | |
| Net liability / (asset) at beginning of the year | 58,738 | (12,501) | (7,846) | 4,878 | - | - |
| Charge / (Income) for the year | 18,318 | 14,598 | 3,424 | 4,728 | (672) | (464) |
| Remeasurements charged to OCI (note 34.2.7) | (7,522) | 56,641 | (13,245) | (17,452) | 672 | 464 |
| Net liability / (asset) at end of the year | 69,534 | 58,738 | (17,667) | (7,846) | - | - |

(Amounts in thousand)

| | Defined Benefit Gratuity Plans - Funded | | | | Defined Benefit Pension Plan - Funded (Curtailed) | |
|---|---|---|---|---|---|---|
| | NMPT | | MPT | | | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | ------------------------------------------ Rupees ------------------------------------------ | | | | | |

34.2.3 Movement in defined benefit obligation

| | | | | | | |
|---|---|---|---|---|---|---|
| As at beginning of the year | 228,376 | 166,212 | 149,332 | 135,336 | 33,367 | 34,406 |
| Current service cost | 13,255 | 9,502 | 5,779 | 6,186 | - | - |
| Past service cost | - | 6,345 | - | - | - | - |
| Interest cost | 20,221 | 16,974 | 12,043 | 13,042 | 2,823 | 3,400 |
| Benefits paid during the year | (23,121) | (19,623) | (31,581) | (21,213) | (4,028) | (4,054) |
| Remeasurments charged to OCI (note 34.2.7) | (430) | 48,966 | 2,160 | (3,274) | (30) | (385) |
| Inter-fund transfers | - | - | - | (2) | - | - |
| Liability transferred in respect of inter group transfers | - | - | (4) | 42,785 | - | - |
| Liability transferred to DC Gratuity Fund | - | - | - | (23,528) | - | - |
| As at end of the year | 238,301 | 228,376 | 137,729 | 149,332 | 32,132 | 33,367 |

34.2.4 Movement in fair value of plan assets

| | | | | | | |
|---|---|---|---|---|---|---|
| At beginning of the year | 169,638 | 178,713 | 166,957 | 140,235 | 40,835 | 38,824 |
| Expected return on plan assets | 15,158 | 18,223 | 14,398 | 14,500 | 3,495 | 3,864 |
| Benefits paid during the year | (23,121) | (19,623) | (31,581) | (21,213) | (4,028) | (4,054) |
| Remeasurments charged to OCI (note 34.2.7) | 7,092 | (7,675) | 15,405 | 14,178 | 3,911 | 2,201 |
| Assets transferred in respect of inter group transfers | - | - | (1) | - | - | - |
| Assets transferred to DC Gratuity Fund | - | - | - | (23,528) | - | - |
| Assets transferred in respect of inter fund transfers | - | - | - | 42,785 | - | - |
| As at end of the year | 168,767 | 169,638 | 165,178 | 166,957 | 44,213 | 40,835 |

(Amounts in thousand)

| | Defined Benefit Gratuity Plans - Funded | | | | Defined Benefit Pension Plan - Funded (Curtailed) | |
|---|---|---|---|---|---|---|
| | NMPT | | MPT | | | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | ---------- Rupees ---------- | | | | | |

34.2.5 Charge / (Reversal) for the year

| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Current service cost | 13,255 | 9,502 | 5,779 | 6,186 | - | - |
| Past service cost | - | 6,345 | - | - | - | - |
| Net interest cost | 5,063 | (1,249) | (2,355) | (1,458) | (672) | (464) |
| | 18,318 | 14,598 | 3,424 | 4,728 | (672) | (464) |

| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| 34.2.6 Actual return on plan assets | 22,145 | 16,194 | 26,616 | 20,914 | 4,826 | 3,823 |

34.2.7 Remeasurement recognised in Other Comprehensive Income

| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| (Gain) / loss from change in experience assumptions | (1,320) | 47,178 | 1,526 | (3,021) | 128 | (138) |
| Loss / (gain) from change in financial assumptions | 890 | 1,788 | 634 | (253) | (158) | (247) |
| Remeasurement of Obligation | (430) | 48,966 | 2,160 | (3,274) | (30) | (385) |
| Expected Return on plan assets | 15,158 | 18,223 | 14,398 | 14,500 | 3,495 | 3,864 |
| Actual Return on plan assets | (22,145) | (16,194) | (26,616) | (20,914) | (4,826) | (3,823) |
| Difference in fair value opening | (105) | 5,646 | (3,187) | (7,764) | (2,580) | (2,242) |
| Remeasurement of Plan Assets | (7,092) | 7,675 | (15,405) | (14,178) | (3,911) | (2,201) |
| Effect of Asset Ceiling | - | - | - | - | 4,613 | 3,050 |
| | (7,522) | 56,641 | (13,245) | (17,452) | 672 | 464 |

34.2.8 Principal actuarial assumptions used in the actuarial valuation

| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Discount rate | 8.0% | 9.0% | 8.0% | 9.0% | 8.0% | 9.0% |
| Expected per annum rate of return on plan assets | 8.0% | 9.0% | 8.0% | 9.0% | 8.0% | 9.0% |
| Expected per annum rate of increase in pension | - | - | - | - | 0.0% | 1.0% |
| Expected per annum rate of increase in salaries - next year | 9.5% | 9.5% | 10.0% | 10.0% | - | - |
| Expected per annum rate of increase in salaries-long term | 7.0% | 8.0% | 8.0% | 9.0% | - | - |

(Amounts in thousand)

### 34.2.9 Demographic Assumptions

| | | | | |
|---|---|---|---|---|
| Mortality rate | SLIC (01-05) - I | SLIC (2001-05) -1 | SLIC (01-05) - I | PMA-PFA (80) - 2 |
| Rate of employee turnover | Light | Heavy | - | - |

### 34.2.10 Sensitivity Analysis

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

| | Increase in assumption | | | Decrease in assumption | | |
|---|---|---|---|---|---|---|
| | Gratuity Fund | | Pension | Gratuity Fund | | Pension |
| | NMPT | MPT | Fund | NMPT | MPT | Fund |
| | Rupees | | | | | |
| Discount Rate | 216,593 | 132,720 | 30,261 | 263,533 | 143,090 | 34,235 |
| Long Term Salary Increases | 262,310 | 142,381 | - | 217,231 | 133,294 | - |
| Long Term Pension Increases | - | - | 34,390 | - | - | 30,101 |

### 34.2.11 Maturity Profile

| | Gratuity Fund | | Pension |
|---|---|---|---|
| Time in Years | NMPT | MPT | Fund |
| | Rupees | | |
| 1 | 15,733 | 6,763 | 4,013 |
| 2 | 15,839 | 39,741 | 4,013 |
| 3 | 24,113 | 57,881 | 4,013 |
| 4 | 18,330 | 5,001 | 4,013 |
| 5-10 | 81,985 | 92,075 | 4,013 |
| 11-15 | 240,263 | 29,627 | 4,013 |
| 16-20 | 372,785 | 954 | 4,013 |
| 20+ | 617,306 | 4,974 | 4,013 |
| Weighted average duration (years) | 9.11 | 3.64 | 5.82 |

(Amounts in thousand)

34.2.12 Plan assets comprise of the following:

| | Defined Benefit Gratuity Plans - Funded | | | | Defined Benefit Pension Plan - Funded (Curtailed) | |
|---|---|---|---|---|---|---|
| | NMPT 2016 | | MPT* 2016 | | 2016 | |
| | Rupees | (%) | Rupees | (%) | Rupees | (%) |
| Fixed income instruments | 138,457 | 82 | 118,600 | 72 | 42,017 | 95 |
| Investment in equity instruments | 24,629 | 15 | 43,040 | 26 | - | - |
| Cash | 5,681 | 3 | 3,538 | 2 | 2,196 | 5 |
| | 168,767 | 100 | 165,178 | 100 | 44,213 | 100 |

* The employees of the Company in respect of gratuity are members of Defined Benefit Gratuity Fund maintained and funded by the Parent Company. Accordingly, the above information is based upon the plan assets of Engro Corporation Limited Gratuity Fund.

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

34.2.14 Expected future cost / (reversal) for the year ending December 31, 2017 is as follows:

| | Rupees |
|---|---|
| - NMPT Gratuity Fund | 18,202 |
| - MPT Gratuity Fund | 3,632 |
| - MPT Pension Fund | (930) |

34.2.15 Historical information of staff retirement benefits:

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| | ---Rupees--- | | | | |
| **Gratuity Plans Funded - NMPT** | | | | | |
| Present value of defined benefit obligation | 238,301 | 228,376 | 166,212 | 162,184 | 122,832 |
| Fair value of plan assets | (168,767) | (169,638) | (178,713) | (98,340) | (87,352) |
| Deficit / (Surplus) | 69,534 | 58,738 | (12,501) | 63,844 | 35,480 |
| **Gratuity Plans Funded - MPT** | | | | | |
| Present value of defined benefit obligation | 137,729 | 149,332 | 135,336 | 153,367 | 116,545 |
| Fair value of plan assets | (165,178) | (166,957) | (140,235) | (177,549) | (149,929) |
| Surplus | (27,449) | (17,625) | (4,899) | (24,182) | (33,384) |
| **Pension Plan Funded** | | | | | |
| Present value of defined benefit obligation | 32,132 | 33,367 | 34,406 | 32,218 | 31,289 |
| Fair value of plan assets | (44,213) | (40,835) | (38,824) | (38,535)\ | (38,313) |
| Surplus | (12,081) | (7,468) | (4,418) | (6,317) | (7,024) |

(Amounts in thousand)

### 34.3. Defined contribution plans

An amount of Rs. 195,767 has been charged during the year (2015: Rs. 149,516) in respect of defined contribution plans maintained by the Parent Company.

## 35. CASH USED IN OPERATIONS

| | 2016 | 2015 |
|---|---|---|
| | ------------------Rupees------------------ | |
| Profit before taxation | 13,375,229 | 21,168,930 |
| Adjustment for non-cash charges and other items: | | |
| Depreciation | 5,017,941 | 4,728,517 |
| Amortisation - net | 17,831 | 23,386 |
| Profit on disposal of property, plant and equipment | (1,140) | (17,844) |
| Provision for retirement and other service benefits | 76,795 | 58,540 |
| Income on deposits / other financial assets | (159,279) | (1,303,488) |
| Finance cost | 3,136,045 | 4,587,926 |
| Provision for NRV on finished goods | 13,049 | 402,651 |
| Provision for surplus and slow moving stores and spares | 12,233 | 122,428 |
| Working capital changes (note 35.1) | (13,839,214) | (17,142,195) |
| | 7,649,490 | 12,628,851 |

### 35.1 Working capital changes

| | | |
|---|---|---|
| (Increase) / decrease in current assets | | |
| - Stores, spares and loose tools | (259,765) | (47,824) |
| - Stock-in-trade | 272,856 | (6,243,839) |
| - Trade debts | (5,323,565) | (1,504,703) |
| - Loans, advances, deposits and prepayments | (87,469) | (155,304) |
| - Other receivables (net) | (5,721,261) | (1,311,007) |
| | (11,119,204) | (9,262,677) |
| Decrease in trade and other payables | (2,720,010) | (7,879,518) |
| | (13,839,214) | (17,142,195) |

## 36. CASH AND CASH EQUIVALENTS

| | | |
|---|---|---|
| Cash and bank balances (note 13) | 28,473 | 865,302 |
| Short term investments (note 12) | 142,729 | 10,590,958 |
| Short term borrowings (note 21) | (1,109,843) | - |
| | (938,641) | 11,456,260 |

(Amounts in thousand)

## 37. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2016 | 2015 |
|---|---|---|
| | ----------------Rupees---------------- | |
| **Financial assets as per balance sheet** | | |
| - Loans and receivables | | |
| Loans, advances and deposits | 116,775 | 194,436 |
| Trade debts | 7,609,712 | 2,286,147 |
| Other receivables | 13,320 | 19,388 |
| Cash and bank balances | 28,473 | 865,302 |
| | 7,768,280 | 3,365,273 |
| - Fair value through profit and loss | | |
| Short term investments | 142,729 | 10,984,555 |
| Derivative financial instruments | - | 29,207 |
| | 142,729 | 11,013,762 |
| **Financial liabilities as per balance sheet** | | |
| - Financial liabilities measured at amortised cost | | |
| Borrowings | 34,551,461 | 36,225,027 |
| Trade and other payable | 12,983,174 | 14,547,963 |
| Accrued interest / mark-up | 583,632 | 843,803 |
| | 48,118,267 | 51,616,793 |
| - Fair value through profit and loss | | |
| Conversion option on IFC loan | 194,999 | 298,749 |
| Derivative financial instruments | 54,654 | 67,735 |
| | 249,653 | 366,484 |

## 38. FINANCIAL RISK MANAGEMENT

### 38.1 Financial risk factors

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

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

(Amounts in thousand)

a) Market risk

i) Currency risk

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

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

On foreign currency borrowing of USD 20,625 as on December 31, 2016, the Company has Rupee / USD hedge of USD 19,625.

At December 31, 2016, if the currency had weakened / strengthened by 1% against the US dollar with all other variables held constant, post-tax profit for the year would have been lower / higher by Rs. 722 mainly as a result of foreign exchange loss / gain on translation of US dollar denominated loans.

ii) Interest rate risk

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

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

As at December 31, 2016, if interest rates had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by Rs. 251,583.

b) Credit risk

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

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

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

(Amounts in thousand)

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

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

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Loans, advances and deposits | 116,775 | 190,927 |
| Trade debts | 7,585,312 | 2,261,747 |
| Other receivables | 13,320 | 19,388 |
| Short term investments | 142,729 | 10,984,555 |
| Derivative financial instruments | - | 29,207 |
| Cash and bank balances | 23,314 | 858,052 |
| | 7,881,450 | 14,343,876 |

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

| | Rating agency | Rating | |
|---|---|---|---|
| | | Short term | Long term |
| Allied Bank Limited | PACRA | A1+ | AA+ |
| Askari Bank Limited | JCR-VIS | A-1+ | AA |
| Bank Alfalah Limited | PACRA | A1+ | AA |
| Bank AL Habib Limited | PACRA | A1+ | AA+ |
| Bank Islami Pakistan Limited | PACRA | A1 | A+ |
| The Bank of Punjab | PACRA | A1+ | AA- |
| Albaraka Bank (Pakistan) Limited | JCR-VIS | A-1 | A |
| Citi Bank N.A. | MOODY'S | P-1 | A1 |
| Dubai Islamic Bank (Pakistan) Limited | JCR-VIS | A-1 | A+ |
| Faysal Bank Limited | PACRA | A1+ | AA |
| Habib Bank Limited | JCR-VIS | A-1+ | AAA |
| Habib Metropolitan Bank Limited | PACRA | A1+ | AA+ |
| JS Bank Limited | PACRA | A1+ | A+ |
| MCB Bank Limited | PACRA | A1+ | AAA |
| Meezan Bank Limited | JCR-VIS | A-1+ | AA |
| National Bank of Pakistan | JCR-VIS | A-1+ | AAA |
| Samba Bank Limited | JCR-VIS | A-1 | AA |
| Silk Bank Limited | JCR-VIS | A-2 | A- |
| Soneri Bank Limited | PACRA | A1+ | AA- |
| Standard Chartered Bank (Pakistan) Limited | PACRA | A1+ | AAA |
| Summit Bank Limited | JCR-VIS | A-1 | A- |
| United Bank Limited | JCR-VIS | A-1+ | AAA |

(Amounts in thousand)

c) Liquidity risk

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

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

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

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.

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Maturity upto one year | Maturity after one year | Total | Maturity upto one year | Maturity after one year | Total |
| | ------------------Rupees------------------ | | | ------------------Rupees------------------ | | |
| Financial liabilities | | | | | | |
| Derivatives | 249,653 | - | 249,653 | 366,484 | - | 366,484 |
| Trade and other payables | 12,983,174 | - | 12,983,174 | 14,547,963 | - | 14,547,963 |
| Accrued interest / mark-up | 583,632 | - | 583,632 | 843,803 | - | 843,803 |
| Borrowings | 5,171,515 | 29,379,946 | 34,551,461 | 10,736,586 | 25,289,658 | 36,026,244 |
| | 18,987,974 | 29,379,946 | 48,367,920 | 26,494,836 | 25,289,658 | 51,784,494 |

38.2 Capital risk management

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

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

The total long term borrowings to equity ratio as at December 31, 2016 based on total long term borrowings of Rs. 34,551,461 and total equity of Rs. 41,282,899 was 46%:54%.(2015: 46%:54%)

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

(Amounts in thousand)

## 38.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)

- Inputs for the asset or liability that are not based on observable market data (level 3)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | ---------------------------------- Rupees | | ---------------------------------- | |
| **Assets** | | | | |
| Financial assets at fair value through profit and loss | | | | |
| - Short term investments | - | 142,729 | - | 142,729 |
| **Liabilities** | | | | |
| Derivatives | | | | |
| - Derivative financial instruments | - | 54,654 | - | 54,654 |
| - Conversion option on IFC loans | - | 194,999 | - | 194,999 |
| | - | 249,653 | - | 249,653 |

### Valuation techniques used to derive Level 2 fair values

Level 2 fair valued instruments comprise short term investments and hedging derivatives which include forward exchange contracts and conversion option on IFC loans. These forward foreign exchange contracts have been fair valued using forward exchange rates that are received from the contracting banks and financial institutions. The fair value of conversion options on IFC loan is determined using the option pricing model where its determinants are derived from observable market inputs.

Short term investments comprise treasury bills and fixed income placements which are valued using discounted cash flow model.

There were no transfers amongst the levels during the year.

## 38.4 Fair value of financial assets and liabilities

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

(Amounts in thousand)

## 39. TRANSACTIONS WITH RELATED PARTIES

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

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

| | 2016 | 2015 |
|---|---|---|
| | ----------------Rupees---------------- | |
| **Parent Company** | | |
| Dividend paid | 6,526,428 | 6,570,543 |
| Purchases and services | 254,568 | 229,368 |
| Services provided to Parent Company | 25,521 | 25,400 |
| Royalty | 745,010 | 929,158 |
| Reimbursements | 193,809 | 211,368 |
| Mark-up paid on short term subordinated loan | 13,697 | - |
| Use of assets | 1,378 | 3,109 |
| Repayment of sub-ordinated loan | 3,000,000 | - |
| Receipt of sub-ordinated loan | 3,000,000 | - |
| Consideration for acquisition of subsidiary | - | 4,383,000 |
| **Subsidiary companies** | | |
| Purchase of products | 14,421,838 | 6,714,473 |
| Services provided | - | 472 |
| Reimbursements | 77,483 | 49,821 |
| Sub-ordinated loan to Subsidiary | - | 900,000 |
| Funds collected against sales made on behalf of Subsidiary | 17,141 | 518,408 |
| Mark-up on short term sub-ordinated loan | 22,243 | 39,812 |
| **Associated companies** | | |
| Purchases and services | 118,656 | 129,637 |
| Sale of products | 1,338 | 1,459 |
| Purchase of tax losses | - | 956,791 |
| Services provided | 84,751 | 71,973 |
| Reimbursements | 102,032 | 213,731 |
| Funds collected against sales made on behalf of an associate | - | 2,035,579 |
| Payment of mark-up on TFCs and repayment of principal amount | 54,847 | 18,739 |
| Purchase of mutual fund units | - | 490,000 |
| Redemption of mutual fund units | - | 491,210 |
| Donation | 57,500 | 55,000 |
| Use of assets | 2,366 | 3,672 |
| **Contribution to staff retirement benefits** | | |
| Pension fund | 18,939 | 19,519 |
| Gratuity fund | 93,474 | 83,485 |
| Provident fund | 107,767 | 101,175 |
| **Others** | | |
| Remuneration of key management personnel | 198,880 | 166,203 |

## 40 DONATIONS

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

| | Interest in Donee | Name and address of Donee | 2016 | 2015 |
|---|---|---|---|---|
| | | | --------------Rupees-------------- | |
| Khalid Siraj Subhani | President | | | |
| Ghias Khan | President | Engro Foundation | 57,500 | 55,000 |
| Ruhail Mohammed | Trustee | | | |

(Amounts in thousand)

## 41 PRODUCTION CAPACITY

| | Designed annual capacity (note 41.1) Metric Tons | | Actual production Metric Tons | | Remarks |
|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | |
| Urea plant I & II | 2,275,000 | 2,275,000 | 1,881,016 | 1,967,552 | Production planned as per market demand |
| NPK plant | 100,000 | 100,000 | 94,610 | 126,074 | |

41.1 Represents capacity as at balance sheet date.

## 42. NUMBER OF EMPLOYEES

| | Number of employees as at | | Average number of employees | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Management employees | 653 | 623 | 640 | 540 |
| Non-management employees | 531 | 527 | 530 | 604 |
| | 1,184 | 1,150 | 1,170 | 1,144 |

## 43. PROVIDENT FUND

The employees of the Company participate in Provident Fund maintained by Engro Corporation (the Parent Company). Monthly contribution are made both by the Company and employees to the fund maintained by the Parent Company at the rate of 10% of basic salary. Accordingly, the following information is based upon the latest unaudited financial statements of the provident fund maintained by the Parent Company as at June 30, 2016 and the audited financial statements as at June 30, 2015.

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Size of the fund - Total assets | 3,205,658 | 3,063,502 |
| Cost of the investments made | 2,800,793 | 2,333,996 |
| Percentage of investments made | 94% | 89% |
| Fair value of investments | 3,015,867 | 2,736,879 |

The break-up of investments is as follows:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Rupees | % | Rupees | % |
| National Savings Scheme | 790,505 | 26 | 223,037 | 8 |
| Government securities | 702,336 | 23 | 1,045,090 | 38 |
| Listed securities | 927,211 | 31 | 1,164,311 | 43 |
| Balances with banks in savings account | 595,815 | 20 | 304,441 | 11 |
| | 3,015,867 | 100 | 2,736,879 | 100 |

(Amounts in thousand)

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

## 44. SEASONALITY

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

## 45. LOSS OF CERTAIN ACCOUNTING RECORDS

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

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

## 46. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on February 08, 2017 has proposed a final cash dividend of Rs. 2.50 (2015: Rs. 3.00) per share in addition to interim dividend already paid at Rs. 4.50 (2015: Rs. 3.00) per share for the year ended December 31, 2016, for approval of the members at the Annual General Meeting to be held on March 30, 2017.

## 47. CORRESPONDING FIGURES

During the year for better presentation, the following reclassification has been made:

| Description | Head of account in financial statements for the year ended December 31, 2015 | Head of account in financial statements for the year ended December 31, 2016 | Rupees |
|---|---|---|---|
| Income from sale under government subsidy | Net sales | Other income | 2,611,879 |

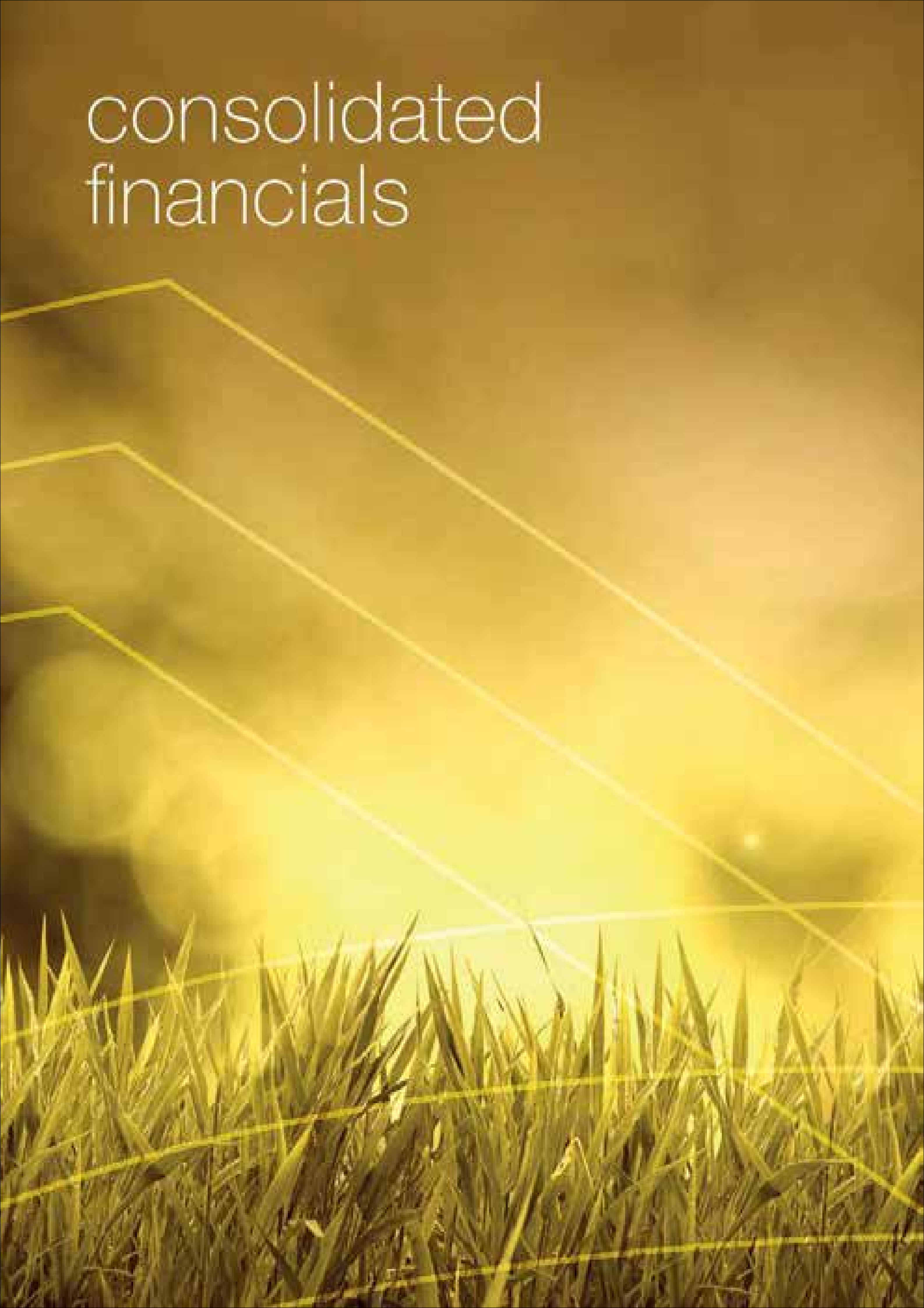
## 48. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 8, 2017 by the Board of Directors of the Company.

Ruhail Mohammed
Chief Executive

Ghias Khan
Chairman

# consolidated financials



# auditors' report to the members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Engro Fertilizers Limited (the Holding Company) and its subsidiary company Engro Eximp FZE as at December 31, 2016 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, whereas, financial statements of Engro Eximp FZE have been audited by PricewaterhouseCoopers – UAE, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for Engro Eximp FZE, is based solely on the report of such other auditor.

These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated 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 Fertilizers Limited (the Holding Company) and its subsidiary company as at December 31, 2016 and the results of their operations for the year then ended.

Chartered Accountants
Karachi
Date: 6 March, 2017

Engagement Partner: Waqas A. Sheikh

# consolidated balance sheet as at december 31, 2016

(Amounts in thousand)

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | -----------------Rupees----------------- | |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 70,168,266 | 72,198,393 |
| Intangible assets | 5 | 4,450,606 | 4,461,716 |
| Deferred taxation | 18 | - | 73,472 |
| Long term loans and advances | 6 | 120,637 | 160,353 |
| | | 74,739,509 | 76,893,934 |
| **Current assets** | | | |
| Stores, spares and loose tools | 7 | 4,886,674 | 4,639,142 |
| Stock-in-trade | 8 | 6,799,015 | 7,029,437 |
| Trade debts | 9 | 7,585,312 | 2,261,747 |
| Taxes recoverable | | - | 705,129 |
| Derivative financial instruments | 17 | - | 29,207 |
| Loans, advances, deposits and prepayments | 10 | 682,595 | 594,608 |
| Other receivables | 11 | 6,986,199 | 1,358,578 |
| Short term investments | 12 | 1,039,782 | 11,650,389 |
| Cash and bank balances | 13 | 84,426 | 923,555 |
| | | 28,064,003 | 29,191,792 |
| **TOTAL ASSETS** | | 102,803,512 | 106,085,726 |

(Amounts in thousand)

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | -----------------Rupees----------------- | |
| **EQUITY & LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 14 | 13,309,323 | 13,309,323 |
| Share premium | | 3,132,181 | 3,132,181 |
| Exchange revaluation reserve | | 10,802 | 13,805 |
| Hedging reserve | 15 | - | (4,536) |
| Remeasurement of post employment benefits | | (26,646) | (40,310) |
| Unappropriated profit | | 25,222,724 | 25,921,266 |
| | | 28,339,061 | 29,022,406 |
| **TOTAL EQUITY** | | 41,648,384 | 42,331,729 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 16 | 29,379,946 | 25,289,658 |
| Deferred liabilities | 18 | 7,561,108 | 5,960,684 |
| Service benefits obligations | 19 | 157,225 | 124,653 |
| | | 37,098,279 | 31,374,995 |
| **Current liabilities** | | | |
| Trade and other payables | 20 | 14,969,365 | 17,701,544 |
| Accrued interest / mark-up | | 583,632 | 851,684 |
| Taxes payable | | 1,104,140 | 2,593,069 |
| Current portion of: | | | |
| - borrowings | 16 | 5,171,515 | 10,736,586 |
| - service benefits obligations | 19 | 49,157 | 48,232 |
| Unclaimed dividend | | 19,544 | 6,103 |
| Short term borrowings | 21 | 1,909,843 | 75,300 |
| Derivative financial instruments | 17 | 249,653 | 366,484 |
| | | 24,056,849 | 32,379,002 |
| **TOTAL LIABILITIES** | | 61,155,128 | 63,753,997 |
| Contingencies and Commitments | 22 | | |
| **TOTAL EQUITY AND LIABILITIES** | | 102,803,512 | 106,085,726 |

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

Ruhail Mohammed
Chief Executive

Ghias Khan
Chairman

# consolidated profit and loss account
# for the year ended december 31, 2016

(Amounts in thousand except for earnings per share)

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | -----------------Rupees----------------- | |
| Net sales | 23 | 69,537,253 | 85,420,742 |
| Cost of sales | 24 | (52,098,086) | (55,723,866) |
| Gross profit | | 17,439,167 | 29,696,876 |
| Selling and distribution expenses | 25 | (6,704,962) | (5,465,925) |
| Administrative expenses | 26 | (907,230) | (895,578) |
| | | 9,826,975 | 23,335,373 |
| Other income | 27 | 8,143,250 | 4,393,008 |
| Other operating expenses | 28 | (1,149,489) | (2,033,782) |
| Finance cost | 29 | (3,186,755) | (4,626,907) |
| | | (4,336,244) | (6,660,689) |
| Profit before taxation | | 13,633,981 | 21,067,692 |
| Taxation | 30 | (4,350,528) | (6,248,661) |
| Profit for the year | | 9,283,453 | 14,819,031 |
| Earnings per share - basic | 31 | 6.98 | 11.14 |
| Earnings per share - diluted | 31 | 6.91 | 11.13 |

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

Ruhail Mohammed
Chief Executive

Ghias Khan
Chairman

# consolidated statement of comprehensive income for the year ended december 31, 2016

(Amounts in thousand)

| | 2016 | 2015 |
|---|---|---|
| | ----------------Rupees---------------- | |
| Profit for the year | 9,283,453 | 14,819,031 |
| Other comprehensive income: | | |
| Items potentially re-classifiable to Profit and Loss Account | | |
| Exchange differences on translation of foreign operations | (3,003) | 13,805 |
| Hedging reserve - cash flow hedges | | |
| Loss arising during the year | (219,452) | (120,333) |
| Less: Adjustment for amounts transferred to profit and loss account | 226,997 | 172,238 |
| Tax relating to hedging reserve | (3,009) | (16,610) |
| | 4,536 | 35,295 |
| Items not potentially re-classifiable to Profit and Loss Account | | |
| Remeasurement of post employment benefits obligations | 20,095 | (39,132) |
| Tax relating to remeasurement of post employment benefits obligations | (6,431) | 12,925 |
| | 13,664 | (26,207) |
| Other comprehensive income for the year, net of tax | 15,197 | 22,893 |
| Total comprehensive income for the year | 9,298,650 | 14,841,924 |

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

Ruhail Mohammed
Chief Executive

Ghias Khan
Chairman

# consolidated statement of changes in equity for the year ended december 31, 2016

(Amounts in thousand)

| | | Reserve | | | | | |
|---|---|---|---|---|---|---|---|
| | | Capital | | Revenue | | | |
| | Share capital | Share premium | Exchange revaluation reserve | Hedging reserve | Remeasurement of post employment benefits | Unappropriated profit | Total |
| | Rupees | | | | | | |
| Balance as at January 1, 2016 | 13,309,323 | 3,132,181 | 13,805 | (4,536) | (40,310) | 25,921,266 | 42,331,729 |
| Transactions with owners | | | | | | | |
| Dividends paid: | | | | | | | |
| - Final 2015: Rs. 3.00 per share | - | - | - | - | - | (3,992,797) | (3,992,797) |
| - 1st interim 2016: Rs. 2.00 per share | - | - | - | - | - | (2,661,865) | (2,661,865) |
| - 2nd interim 2016: Rs. 2.50 per share | - | - | - | - | - | (3,327,333) | (3,327,333) |
| | - | - | - | - | - | (9,981,995) | (9,981,995) |
| Total comprehensive income for the year ended December 31, 2016 | | | | | | | |
| Profit for the year | - | - | - | - | - | 9,283,453 | 9,283,453 |
| Other comprehensive income: | | | | | | | |
| - exchange revaluation | - | - | (3,003) | - | - | - | (3,003) |
| - cash flow hedges, net of tax | - | - | - | 4,536 | - | - | 4,536 |
| - remeasurements, net of tax | - | - | - | - | 13,664 | - | 13,664 |
| | - | - | (3,003) | 4,536 | 13,664 | 9,283,453 | 9,298,650 |
| Balance as at December 31, 2016 | 13,309,323 | 3,132,181 | 10,802 | - | (26,646) | 25,222,724 | 41,648,384 |
| Balance as at January 1, 2015 | 13,183,417 | 2,260,784 | - | (39,831) | (14,103) | 19,087,828 | 34,478,095 |
| Transactions with owners | | | | | | | |
| Shares issued at exercise of conversion option | 125,906 | 871,397 | - | - | - | - | 997,303 |
| Dividends: | | | | | | | |
| - Final 2014: Rs. 3.00 per share | - | - | - | - | - | (3,992,797) | (3,992,797) |
| - 1st interim 2015: Rs. 1.50 per share | - | - | - | - | - | (1,996,398) | (1,996,398) |
| - 2nd interim 2015: Rs. 1.50 per share | - | - | - | - | - | (1,996,398) | (1,996,398) |
| | 125,906 | 871,397 | - | - | - | (7,985,593) | (6,988,290) |
| Total comprehensive income for the year ended December 31, 2015 | | | | | | | |
| Profit for the year | - | - | - | - | - | 14,819,031 | 14,819,031 |
| Other comprehensive income: | | | | | | | |
| - exchange revaluation | - | - | 13,805 | - | - | - | 13,805 |
| - cash flow hedges, net of tax | - | - | - | 35,295 | - | - | 35,295 |
| - remeasurements, net of tax | - | - | - | - | (26,207) | - | (26,207) |
| | - | - | 13,805 | 35,295 | (26,207) | 14,819,031 | 14,841,924 |
| Balance as at December 31, 2015 | 13,309,323 | 3,132,181 | 13,805 | (4,536) | (40,310) | 25,921,266 | 42,331,729 |

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

Ruhail Mohammed
Chief Executive

Ghias Khan
Chairman

# consolidated statement of cash flows
# for the year ended december 31, 2016

(Amounts in thousand)

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | ----------------Rupees---------------- | |
| **Cash Flows From Operating Activities** | | | |
| Cash generated from operations | 35 | 7,979,703 | 15,103,171 |
| Retirement and other service benefits paid | | (43,617) | (42,344) |
| Finance cost paid | | (3,430,269) | (4,464,334) |
| Taxes paid | | (3,498,254) | (2,535,906) |
| Tax loss purchased from Engro Eximp Agriproducts (Private) Limited | | - | (956,791) |
| Long term loans and advances - net | | 39,716 | (56,256) |
| Net cash generated from operating activities | | 1,047,279 | 7,047,540 |
| **Cash Flows From Investing Activities** | | | |
| Purchases of property, plant and equipment and intangibles | | (3,010,417) | (1,985,144) |
| Acquisition of business - Engro Eximp (Private) Limited | | - | (3,949,751) |
| Proceeds from disposal of : | | | |
| - Property, plant & equipment | | 11,983 | 36,855 |
| - Investments - net | | 1,104,129 | 22,885,346 |
| Working capital loan | | - | 879,612 |
| Income on deposits / other financial assets | | 217,833 | 1,312,862 |
| Net cash (utilised in) / generated from investing activities | | (1,676,472) | 19,179,780 |
| **Cash Flows From Financing Activities** | | | |
| Proceeds from: | | | |
| - borrowings - net | | 25,132,253 | 2,430,491 |
| - short term borrowings | | 724,700 | - |
| Repayments of : | | | |
| - borrowings | | (26,711,653) | (10,833,839) |
| - short term borrowings | | - | (3,926,450) |
| Dividends paid | | (9,968,554) | (7,979,490) |
| Net cash utilised in financing activities | | (10,823,254) | (20,309,288) |
| Net (decrease) / increase in cash and cash equivalents | | (11,452,447) | 5,918,032 |
| Cash and cash equivalents at beginning of the year | | 11,469,815 | 5,537,978 |
| Exchange gain translation on foreign operations | | (3,003) | 13,805 |
| **Cash and cash equivalents at end of the year** | 36 | 14,365 | 11,469,815 |

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

Ruhail Mohammed
Chief Executive

Ghias Khan
Chairman

(Amounts in thousand)

## 1. LEGAL STATUS AND OPERATIONS

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

1.2 The Holding Company is listed on Pakistan Stock Exchange Limited (PSX). The Holding Company has also issued Term Finance Certificates (TFC's) which are listed at the PSX.

### 1.3 The 'Group' consists of:

Holding Company: Engro Fertilizers Limited

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

| | | %age of holding | |
|---|---|---|---|
| | Note | 2016 | 2015 |
| Engro Eximp (Private) Limited (EEPL) | 1.3.1 | Amalgamated in the Holding Company | 100 |
| Engro Eximp FZE | 1.3.2 | 100 | 100 |

1.3.1 Last year, the Board of Directors of EEPL and the Board of Director of the Holding Company gave approval to proceed with the scheme of Amalgamation (the Scheme) of EEPL with the Holding Company. The said scheme was sanctioned by the court on April 30, 2016 pursuant to which EEPL ceased to exist as a legal entity, with all its assets being merged and amalgamated into the Holding Company.

### 1.3.2 Engro EXIMP FZE

Engro Eximp FZE (EEF) was incorporated in the Jebel Ali Free Zone, Emirate of Dubai, on August 4, 2011 as a wholly owned subsidiary of Engro Eximp (Private) Limited (EEPL). Subsequent to amalgamation, EEF is now a wholly owned subsidiary of the holding company.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

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

2.1.2 These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.1.3 The preparation of 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 Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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

a) Standards, amendments to published standards and interpretations that are effective in 2016

The following amendments to published standards are mandatory for the financial year beginning January 1, 2016 and are relevant to the Group:

- IAS 27 (Amendment) 'Separate financial statements'. The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment does not have any impact on the Group's financial statements.

- IFRS 7, 'Financial instruments: Disclosures'. There are two amendments:

  - Servicing contracts - If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognize the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The amendment provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively.

  - Interim financial statements - The amendment clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34. The amendment is retrospective.

These amendments only affects the disclosures in the Group's consolidated financial statements.

- IAS 1, 'Presentation of Financial Statements' (effective for annual periods beginning on or after January 1, 2016). The amendments provide clarifications on a number of issues, including:

  - Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

  - Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

  - Notes – confirmation that the notes do not need to be presented in a particular order.

- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

- IAS 19 (Amendment), 'Employee benefits'. The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented. This amendment only affects the disclosures in the Group's consolidated financial statements.

- IAS 34, 'Interim financial reporting'. This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. This amendment only affects the disclosures in the Group's financial statements.

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2016 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations.

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

The following new standards and amendments to published standards are not effective for the financial year beginning on January 1, 2016 and have not been early adopted by the Group:

- IFRS 9 'Financial instruments' (effective for periods beginning on or after January 1, 2018). This standard is yet to be notified by the SECP. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. It is unlikely that the standard will have any significant impact on the Group's consolidated financial statements.

- IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after January 1, 2018). This standard is yet to be notified by the SECP. This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Group is yet to assess the full impact of the standard.

- IAS 7 'Cashflow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers balance sheet items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. It is unlikely that the amendment will have any significant impact on the Group's consolidated financial statements.

- Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealised losses (effective for periods beginning on or after January 1, 2017). These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. It is unlikely that the amendment will have any significant impact on the Group's consolidated financial statements.

- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for periods beginning on or after January 1, 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. It is unlikely that the interpretation will have any significant impact on the Group's consolidated financial statements.

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

### 2.1.5 Basis of consolidation

#### i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-recognized from the date the control ceases. These consolidated financial statements include Engro Fertilizers Limited (the Holding Company) and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors (the Subsidiaries).

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

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

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

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

ii) Transactions and non-controlling interests

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

iii) Disposal of subsidiaries

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

## 2.2 Property, plant and equipment

### 2.2.1 Owned assets

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

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

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

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

Depreciation is charged to the profit and loss account using the straight line method, except for catalyst whose depreciation is charged on the basis of number of production days, whereby the cost of an operating asset less its estimated residual value, if significant, is written off over its estimated useful life. Depreciation on addition is charged from the month following the month in which the asset is available for use and on disposals up to the preceding month of disposal.

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

### 2.2.2 Leased assets

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

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

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

## 2.3 Intangible assets

### a) Computer Software and licenses

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

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

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

### b) Rights for future gas utilization

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

### c) Goodwill

Goodwill represents the difference between the consideration paid for acquiring interests in a business and the fair value of the Group's share of its net assets at the date of acquisition and is carried at cost less accumulated impairment, if any.

d) Right to use the brand

These are stated at cost less impairment, if any.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, assets or cash generating units are tested for impairment. Also, goodwill is tested for impairment atleast once a year and other intangibles with indefinite life are tested for impairment at reporting date. Where the carrying value exceeds the estimated recoverable amount, these are written down to their recoverable amount and the resulting impairment is charged to consolidated profit and loss account.

Impairment is reversed only if there have been changes in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amount does not exceed the carrying values that would have existed, had no impairments been recognised, except impairment of goodwill which is not reversed.

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

## 2.4 Impairment of non-financial assets

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

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

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

## 2.6 Financial assets

### 2.6.1 Classification

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

a) At fair value through profit or loss

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

b) Loans and receivables

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

c) Held to maturity

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

d) Available-for-sale

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

2.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs except for all financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the 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. Held to maturity and loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

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

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

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

## 2.7 Financial liabilities

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

## 2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle either on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

## 2.9 Derivative financial instruments and hedging activities

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

### a) Cash flow hedges

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

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

### b) Other non-trading derivatives

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

The Group holds derivative financial instruments to hedge its foreign currency exposure. Further, the Holding Company has issued options to convert IFC loan on its shares as disclosed in note 16.10. The fair values of various derivative instruments used for hedging and the conversion options are disclosed in note 17.

### 2.10 Stores, spares and loose tools

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

### 2.11 Stock-in-trade

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

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

### 2.12 Trade debts and other receivables

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

### 2.13 Cash and cash equivalents

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

### 2.14 Share capital

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

### 2.15 Borrowings

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

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

(Amounts in thousand)

## 2.16 Trade and other payables

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

These are classified as current liabilities if payment is due within 12 months or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

## 2.17 Current and deferred income tax

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

### Current

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

### Deferred

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

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

## 2.18 Employee benefits

### 2.18.1 Defined contribution plans

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

The Group contributes to:

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

- defined contribution pension fund for the benefit of those management employees who have not opted for defined contribution gratuity fund as explained in note 2.18.3. Monthly contributions are made by the Group to the fund at rates ranging from 12.5% to 13.75% of basic salary; and

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

2.18.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the Projected Unit Credit method, related details of which are given in note 34 to the financial statements.

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

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

The Group also contributes to:

- defined benefit funded pension scheme for its management employees.

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

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

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

2.18.4 Service incentive plan

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

2.18.5 Employees' compensated absences

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

## 2.19 Provisions

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

(Amounts in thousand)

## 2.20 Foreign currency transactions and translation

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

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

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

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

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

## 2.21 Revenue recognition

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

- Sales revenue is recognised when product is dispatched to customers, which usually concides with delivery of goods to the customers;

- Income on deposits and other financial assets is recognised on accrual basis; and

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

## 2.22 Borrowing costs

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

## 2.23 Research and development costs

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

## 2.24 Government grant

Government grant that compensates the Group for expenses incurred is recognised in the profit and loss account on a systematic basis in the same period in which the expenses are recognised.

## 2.25 Earnings per share

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

## 2.26 Transactions with related parties

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

## 2.27 Dividend and appropriation to reserves

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

# 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

## 3.1 Property, plant and equipment

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

## 3.2 Income taxes

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

## 3.3 Provision for retirement and other service benefits obligations

The present value of these obligations depend on a number of factors that are determined on actuarial basis using various assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present value of these obligations and the underlying assumptions are disclosed in note 34.2.3 and 34.2.8 respectively.

(Amounts in thousand)

3.4 Impairment of goodwill and right to use the brand

Determining the recoverable value of goodwill and right to use the brand involves use of significant estimates and assumptions. In making the aforementioned fair valuation estimates discounted cash flow approach is used. The underlying assumptions used for such revaluatoin are disclosed in note 5.1

## 4 PROPERTY, PLANT AND EQUIPMENT

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Operating assets at net book value (note 4.1) | 67,314,224 | 69,759,180 |
| Capital work in progress (CWIP) (note 4.4) | 2,443,486 | 1,946,598 |
| Major spare parts and stand-by equipment | 410,556 | 492,615 |
| | 70,168,266 | 72,198,393 |

(Amounts in thousand)

## 4.1 Operating assets

| | Land | | Building on | | Plant and machinery | Gas pipeline | Catalyst | Office equipment | Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold | Leasehold | Freehold | Leasehold | | | | | | |
| | ---Rupees--- | | | | | | | | | |
| **As at January 1, 2015** | | | | | | | | | | |
| Cost | 149,575 | 187,320 | 2,592,856 | 433,537 | 90,136,749 | 2,414,963 | 1,960,174 | 739,286 | 357,226 | 98,971,686 |
| Accumulated depreciation | - | (56,640) | (884,304) | (112,050) | (21,678,649) | (291,357) | (1,463,765) | (558,507) | (252,281) | (25,297,553) |
| Net book value | 149,575 | 130,680 | 1,708,552 | 321,487 | 68,458,100 | 2,123,606 | 496,409 | 180,779 | 104,945 | 73,674,133 |
| **Year ended December 31, 2015** | | | | | | | | | | |
| Net book value - January 1, 2015 | 149,575 | 130,680 | 1,708,552 | 321,487 | 68,458,100 | 2,123,606 | 496,409 | 180,779 | 104,945 | 73,674,133 |
| Assets of subsidiary acquired at business combination (note 1.3.1) | - | - | - | - | - | - | - | 2,280 | 6,985 | 9,265 |
| Transfers from CWIP (note 4.4.1) | - | - | 31,404 | 1,174 | 661,310 | - | - | 93,235 | 37,512 | 824,635 |
| Disposals / write offs (note 4.3) | | | | | | | | | | |
| Cost | - | - | - | - | - | - | - | (2,398) | (65,757) | (68,155) |
| Accumulated depreciation | - | - | - | - | - | - | - | 2,386 | 50,737 | 53,123 |
| | - | - | - | - | - | - | - | (12) | (15,020) | (15,032) |
| Depreciation charge (note 4.2) | - | (4,393) | (135,353) | (10,838) | (4,200,022) | (71,584) | (216,820) | (56,369) | (38,442) | (4,733,821) |
| Net book value | 149,575 | 126,287 | 1,604,603 | 311,823 | 64,919,388 | 2,052,022 | 279,589 | 219,913 | 95,980 | 69,759,180 |
| **As at January 1, 2016** | | | | | | | | | | |
| Cost | 149,575 | 187,320 | 2,624,260 | 434,711 | 90,798,059 | 2,414,963 | 1,960,174 | 832,403 | 335,966 | 99,737,431 |
| Accumulated depreciation | - | (61,033) | (1,019,657) | (122,888) | (25,878,671) | (362,941) | (1,680,585) | (612,490) | (239,986) | (29,978,251) |
| Net book value | 149,575 | 126,287 | 1,604,603 | 311,823 | 64,919,388 | 2,052,022 | 279,589 | 219,913 | 95,980 | 69,759,180 |
| **Year ended December 31, 2016** | | | | | | | | | | |
| Net book value - January 1, 2016 | 149,575 | 126,287 | 1,604,603 | 311,823 | 64,919,388 | 2,052,022 | 279,589 | 219,913 | 95,980 | 69,759,180 |
| Transfers from CWIP (note 4.4.1) | - | - | 97,947 | - | 2,032,558 | - | 248,848 | 139,416 | 66,456 | 2,585,225 |
| Disposals / write offs (note 4.3) | | | | | | | | | | |
| Cost | - | - | - | - | - | - | - | (1,752) | (39,576) | (41,328) |
| Accumulated depreciation | - | - | - | - | - | - | - | 1,492 | 28,993 | 30,485 |
| | - | - | - | - | - | - | - | (260) | (10,583) | (10,843) |
| Depreciation charge (note 4.2) | - | (4,393) | (143,363) | (10,923) | (4,480,230) | (71,584) | (200,589) | (69,981) | (38,275) | (5,019,338) |
| Net book value | 149,575 | 121,894 | 1,559,187 | 300,900 | 62,471,716 | 1,980,438 | 327,848 | 289,088 | 113,578 | 67,314,224 |
| **As at December 31, 2016** | | | | | | | | | | |
| Cost | 149,575 | 187,320 | 2,722,207 | 434,711 | 92,830,617 | 2,414,963 | 2,209,022 | 970,067 | 362,846 | 102,281,328 |
| Accumulated depreciation | - | (65,426) | (1,163,020) | (133,811) | (30,358,901) | (434,525) | (1,881,174) | (680,979) | (249,268) | (34,967,104) |
| Net book value | 149,575 | 121,894 | 1,559,187 | 300,900 | 62,471,716 | 1,980,438 | 327,848 | 289,088 | 113,578 | 67,314,224 |
| Annual rate of depreciation (%) | - | 2 to 5 | 2.5 to 8 | 2.5 | 5 to 10 | 5.0 | No. of production days | 10 to 25 | 12 to 25 | |

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

| | 2016 | 2015 |
|---|---|---|
| | ---Rupees--- | |
| Cost of sales (note 24) | 4,972,487 | 4,694,369 |
| Selling and distribution expenses (note 25) | 31,524 | 17,721 |
| Administrative expenses (note 26) | 15,327 | 21,731 |
| | 5,019,338 | 4,733,821 |

(Amounts in thousand)

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

| Description and method of disposal | Sold to | Cost | Accumulated depreciation | Net book value | Sale proceeds |
|---|---|---|---|---|---|
| | | ------------------------ | Rupees | ------------------------ | |
| Vehicles | | | | | |
| By Company policy to existing / separating executives | Farman Ahmad Khan Lodhi | 2,083 | 1,561 | 522 | 522 |
| | Nadeem Munawar | 1,560 | 1,170 | 390 | 390 |
| | Jawed Hussain | 1,560 | 1,170 | 390 | 390 |
| | Imran Raza Shaikh | 1,560 | 1,170 | 390 | 390 |
| | Rabia Wafah Khan | 1,560 | 1,170 | 390 | 390 |
| | Muhammad Asad Waheed | 2,091 | 1,568 | 523 | 523 |
| | Ahmad Shakoor | 8,000 | 6,000 | 2,000 | 2,000 |
| | Aasim Butt | 8,000 | 6,000 | 2,000 | 2,000 |
| | Mohammad Imran Khaliq | 1,638 | 1,228 | 410 | 410 |
| | Hurmat Bano | 1,638 | 1,229 | 409 | 409 |
| | Umed Ali Mallah | 1,638 | 1,229 | 409 | 409 |
| | Mudassir Yaqoob Rathor | 2,447 | 1,835 | 612 | 612 |
| | Usman Asif | 1,638 | 1,229 | 409 | 409 |
| | Saqib Ansari | 1,638 | 1,229 | 409 | 409 |
| | | 37,051 | 27,788 | 9,263 | 9,263 |
| Insurance claims | EFU General Insurance Limited | 2,525 | 1,205 | 1,320 | 2,432 |
| Office Equipment | | | | | |
| Insurance claims | EFU General Insurance Limited | 463 | 203 | 260 | 286 |
| | | 40,039 | 29,196 | 10,843 | 11,981 |
| Items having net book value upto Rs. 50 each | | | | | |
| Office equipment | | 1,289 | 1,289 | - | 2 |
| Year ended December 31, 2016 | | 41,328 | 30,485 | 10,843 | 11,983 |
| Year ended December 31, 2015 | | 68,155 | 53,123 | 15,032 | 36,855 |

(Amounts in thousand)

### 4.4 Capital work in progress

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Plant and machinery | 2,109,278 | 1,678,493 |
| Building and civil works including Gas pipeline | 185,992 | 156,557 |
| Furniture, fixture and equipment | 6,543 | 16,999 |
| Advances to suppliers | 28,542 | 36,962 |
| Others | 113,131 | 57,587 |
| | 2,443,486 | 1,946,598 |

| | 2016 | 2015 |
|---|---|---|
| 4.4.1 Balance as at January 1 | 1,946,598 | 863,917 |
| Additions during the year | 3,092,476 | 1,917,296 |
| Assets of subsidiary acquired at business combination | - | 5,886 |
| Transferred to: | | |
| - operating assets (note 4.1) | (2,585,225) | (824,635) |
| - intangible assets (note 5) | (10,363) | (15,866) |
| Balance as at December 31 | 2,443,486 | 1,946,598 |

### 5. INTANGIBLE ASSETS

| | Goodwill (note 5.1) | Right to use the brand | Software and licenses | Rights for future gas utilization | Total |
|---|---|---|---|---|---|
| | ----------------------------------- | Rupees | ----------------------------------- | | |
| **As at January 1, 2015** | | | | | |
| Cost | - | - | 250,331 | 102,312 | 352,643 |
| Accumulated amortisation | - | - | (216,319) | (17,988) | (234,307) |
| Net book value | - | - | 34,012 | 84,324 | 118,336 |
| **Year ended December 31, 2015** | | | | | |
| Net book value - January 1, 2015 | - | - | 34,012 | 84,324 | 118,336 |
| Assets of subsidiary acquired - net book value | - | - | 569 | - | 569 |
| Recognition on account of acquisition | 183,806 | 4,170,995 | - | - | 4,354,801 |
| Transfers from CWIP (note 4.4.1) | - | - | 15,866 | - | 15,866 |
| Amortisation (note 5.2) | - | - | (22,746) | (5,110) | (27,856) |
| Net book value | 183,806 | 4,170,995 | 27,701 | 79,214 | 4,461,716 |
| **As at December 31, 2015** | | | | | |
| Cost | 183,806 | 4,170,995 | 266,766 | 102,312 | 4,723,879 |
| Accumulated amortisation | - | - | (239,065) | (23,098) | (262,163) |
| Net book value | 183,806 | 4,170,995 | 27,701 | 79,214 | 4,461,716 |
| **Year ended December 31, 2016** | | | | | |
| Net book value - January 1, 2016 | 183,806 | 4,170,995 | 27,701 | 79,214 | 4,461,716 |
| Transfers from CWIP (note 4.4.1) | - | - | 10,363 | - | 10,363 |
| Amortisation (note 5.2) | - | - | (16,363) | (5,110) | (21,473) |
| Net book value | 183,806 | 4,170,995 | 21,701 | 74,104 | 4,450,606 |
| **As at December 31, 2016** | | | | | |
| Cost | 183,806 | 4,170,995 | 277,129 | 102,312 | 4,734,242 |
| Accumulated amortization | - | - | (255,428) | (28,208) | (283,636) |
| Net book value | 183,806 | 4,170,995 | 21,701 | 74,104 | 4,450,606 |

(Amounts in thousand)

5.1 Goodwill and Right to use the brand

The recoverable amount of cash generating unit is the higher of value in use or fair value less cost to sell. Value in use is calculated as the net present value of the projected cash flows of the cash generating unit to which the asset belongs, discounted at risk-adjusted discount rate.

Details relating to the discounted cash flow model used to determine the value in use are as follows:

| | |
|---|---|
| Valuation basis | Value in use |
| Key assumptions | Sales growth rates<br>Discount rate |
| Determination of assumptions | Growth rates are internal forecasts based on both internal and external market information and past performance.<br>Cost reflects past experience, adjusted for inflation and expected changes.<br>Discount rate is primarily based on weighted average cost of capital. |
| Terminal growth rate | 2.5% |
| Period of specific projected cash flows | 5 years |
| Discount rate | 14% |

The valuation indicates sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill and right to use the brand.

5.2 Amortisation for the year has been allocated as follows:

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Cost of sales (note 24) | 13,410 | 23,257 |
| Selling and distribution expenses (note 25) | 5,341 | 960 |
| Administrative expenses (note 26) | 2,723 | 3,639 |
| | 21,474 | 27,856 |

6. LONG TERM LOANS AND ADVANCES- Considered good

| | | |
|---|---|---|
| Executives (notes 6.1 and 6.2) | 212,142 | 230,775 |
| Other employees (note 6.3) | 12,839 | 47,733 |
| | 224,981 | 278,508 |
| Less: Current portion shown under current assets (note 10) | 104,344 | 118,155 |
| | 120,637 | 160,353 |

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

| | | |
|---|---|---|
| Balance at beginning of the year | 230,775 | 183,374 |
| Assets of subsidiary acquired | - | 10,166 |
| Disbursements | 144,375 | 200,724 |
| Repayments / amortization | (163,008) | (163,489) |
| Balance at end of the year | 212,142 | 230,775 |

(Amounts in thousand)

6.2 Includes service incentive loans to executives of Rs. 127,353 (2015: Rs. 111,599). It also includes advances of Rs. 30,334 (2015: Rs. 28,215), Rs. 904 (2015: Rs. 5,313), Rs. 18,204 (2015: Rs. 14,094), Rs. 15,444 (2015: Rs. 49,358), Rs.13,021 (2015: Rs. 15,408) and Rs.6,882 (2015: Rs. 6,788) to executives for car earn out assistance, long term incentive, house rent advance, retention loan, other employee loan and employees advance salary respectively. The maximum amount outstanding at the end of any month during the year ended December 31, 2016 from executives aggregated to Rs. 257,035 (2015: Rs. 274,441).

6.3 Represents interest free loans given to workers pursuant to Collective Labour Agreement.

## 7. STORES, SPARES AND LOOSE TOOLS

| | 2016 | 2015 |
|---|---|---|
| | Rupees | |
| Consumable stores | 472,430 | 503,731 |
| Spares | 4,639,053 | 4,346,982 |
| Loose tools | 4,243 | 5,248 |
| | 5,115,726 | 4,855,961 |
| Less: Provision for surplus and slow moving items | 229,052 | 216,819 |
| | 4,886,674 | 4,639,142 |

## 8. STOCK-IN-TRADE

| | 2016 | 2015 |
|---|---|---|
| Raw materials | 495,633 | 1,238,476 |
| Packing materials | 86,637 | 65,304 |
| Work in process | 30,233 | 20,688 |
| | 612,503 | 1,324,468 |
| Finished goods: | | |
| - manufactured product | 5,050,607 | 2,028,795 |
| - purchased and packaged product (note 8.1) | 1,148,954 | 4,078,825 |
| | 6,199,561 | 6,107,620 |
| Less: Provision for NRV on finished goods | 13,049 | 402,651 |
| | 6,799,015 | 7,029,437 |

8.1 Includes stock-in-transit amounting to Rs. 112,528 (2015: Nil).

## 9. TRADE DEBTS

| | 2016 | 2015 |
|---|---|---|
| Considered good | | |
| - Secured (note 9.1) | 7,525,976 | 2,180,408 |
| - Unsecured | 59,336 | 81,339 |
| | 7,585,312 | 2,261,747 |
| Considered doubtful | 24,400 | 24,400 |
| | 7,609,712 | 2,286,147 |
| Less: Provision for impairment (note 9.2) | 24,400 | 24,400 |
| | 7,585,312 | 2,261,747 |

(Amounts in thousand)

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

9.2 As at December 31, 2016, trade debts aggregating to Rs. 24,400 (2015: Rs. 24,400) were past due and provided for. These receivables have been outstanding for more than 1 year from the balance sheet date.

## 10. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

| | 2016 | 2015 |
|---|---|---|
| | ----------------Rupees---------------- | |
| **Considered good** | | |
| Current portion of long term loans and advances to executives and other employees - (note 6) | 104,344 | 114,646 |
| Advances and deposits | 331,743 | 209,406 |
| Prepayments | | |
| - Insurance | 231,897 | 253,456 |
| - Others | 14,611 | 17,100 |
| | 682,595 | 594,608 |
| **Considered doubtful** | | |
| Advances and deposits | 3,509 | 3,509 |
| Less: Provision for doubtful debts | (3,509) | (3,509) |
| | - | - |
| | 682,595 | 594,608 |

10.1 As at December 31, 2016, advances and deposits aggregating to Rs. 3,509 (2015: Rs. 3,509) were impaired and provided for. These have been outstanding for more than 1 year from the balance sheet date.

## 11. OTHER RECEIVABLES

| | 2016 | 2015 |
|---|---|---|
| | ----------------Rupees---------------- | |
| Receivable from Government of Pakistan (note 11.1) | 6,079,329 | 1,128,957 |
| Deffered freight | - | 1,243 |
| Sales tax receivable | 893,420 | 195,135 |
| Due from associated companies: | | |
| - Engro Corporation Limited | - | 3,593 |
| - Engro Foods Limited | - | 301 |
| - Engro Polymer & Chemicals Limited | 4,102 | 650 |
| - Engro Powergen Qadirpur Limited | - | 4,330 |
| - Engro Powergen Thar Limited | 67 | - |
| - Engro Foundation | 1,707 | 9 |
| - Engro Eximp Agri Product (Private) Limited | 1,981 | 6,590 |
| - Sindh Engro Coal Mining Company Limited | 157 | 67 |
| - Engro Elengy Terminal (Private) Limited | - | 298 |
| - Engro Vopak Terminal Limited | 179 | 1,224 |
| Claims on foreign suppliers | 1,629 | 10,278 |
| Others | 3,628 | 5,903 |
| | 6,986,199 | 1,358,578 |

(Amounts in thousand)

11.1 During 2015, the Government of Pakistan (GoP) had notified payment of subsidy on sold product at the rate of Rs. 500 per 50 kg bag of Di Ammonia Phosphate (DAP), and Rs.217 per 50 kg bag of Nitrophos (N) and Nitrogen, Phosphorous and Potassium (NPK) fertilizers (based on phosphorous content). This subsidy scheme was effective till May 27, 2016.

During current year, another subsidy scheme was announced by the GoP effective June 25, 2016 and onwards. Through this scheme the GoP has notified payment of subsidy on sold product at the rate of Rs. 156 per 50kg bag of Urea, and Rs. 300 per 50 kg bag of DAP and for Nitrophos 22: 20 & 18: 18 grade (based on phosphorus content) and Nitrogen, Phosphorus and Potassium (NPK) fertilizers (based on phosphorus content) sold.

11.2 The maximum amount due from the Parent Company, subsidiary and associated companies at the end of any month during the year amounted to:

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Parent Company | | |
| - Engro Corporation Limited | - | 20,678 |
| Associated Companies | | |
| - Engro Foods Limited | 2,225 | 5,913 |
| - Engro Polymer & Chemicals Limited | 4,464 | 10,945 |
| - Engro Powergen Qadirpur Limited | 14,847 | 15,061 |
| - Engro Powergen Limited | 360 | 2,972 |
| - Sindh Engro Coal Mining Company Limited | 2,023 | 7,813 |
| - Engro Powergen Thar Limited | 3,897 | - |
| - Engro Powergen Limited (Thar Project) | 167 | - |
| - Engro Eximp Agriproducts (Private) Limited | 6,347 | 82,477 |
| - Engro Foundation | 1,663 | 3,809 |
| - Engro Elengy Terminal (Private) Limited | 856 | 2,840 |
| - Engro Vopak Terminal Limited | 1,119 | 3,517 |
| - Elengy Terminal Pakistan Limited | 203 | - |

11.3 As at December 31, 2016, receivables aggregating to Rs. 5,257 (2015: Rs. 16,181) were past due but not impaired. The ageing analysis of these receivables is as follows:

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Upto 3 months | 5,257 | 12,049 |
| 3 to 6 months | - | 1,251 |
| More than 6 months | - | 2,881 |
| | 5,257 | 16,181 |

(Amounts in thousand)

## 12. SHORT TERM INVESTMENTS

**Holding Company**

Represent treasury bills and other fixed income placement amounting to Rs.142,729 (2015: Rs. 10,984,555) at the interest rate ranging from 5.94% to 6.68% (2015: 6.23% to 6.42%) per annum; and local and foreign currency deposits with various banks, at interest rates ranging from 5.50% to 7.00% (2015: 4.25% to 6.18%) per annum and at 1.50% (2015: 1.50%) per annum, respectively.

**Subsidiary Company**

These represents investment in TDR having value $8,500 (2015:$5,700) with effective interest rate of 2.7% per annum. These mature on February 27, 2017.

## 13. CASH AND BANK BALANCES

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Cash at banks on: | | |
| - deposit accounts (notes 13.1 and 13.2) | 8,884 | 838,925 |
| - saving accounts | 273 | 1,243 |
| - current accounts | 70,110 | 76,137 |
| | 79,267 | 916,305 |
| Cash in hand - imprest funds | 5,159 | 7,250 |
| | 84,426 | 923,555 |

13.1 Deposit accounts carried return at rates ranging from 4.00% to 5.75% per annum (2015: 4.00% to 6.00%) per annum.

13.2 Includes Rs. 12,723 (2015: Rs.67,410) held in foreign currency bank accounts.

## 14. SHARE CAPITAL

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| **Authorised Capital** | | |
| 1,400,000,000 (2015: 1,400,000,000) Ordinary shares of Rs. 10 each | 14,000,000 | 14,000,000 |
| **Issued, subscribed and paid-up capital** | | |
| 258,132,299 (2015: 258,132,299) Ordinary shares of Rs. 10 each, fully paid in cash | 2,581,323 | 2,581,323 |
| 9,999,993 (2015: 9,999,993) Ordinary shares of Rs. 10 each issued as at January 1, 2010 on transfer of fertilizer undertaking | 100,000 | 100,000 |
| 1,062,800,000 (2015: 1,062,800,000) Ordinary shares of Rs. 10 each, issued as fully paid bonus shares | 10,628,000 | 10,628,000 |
| | 13,309,323 | 13,309,323 |

(Amounts in thousand)

14.1 Movement in issued, subscribed and paid up capital

| 2016 | 2015 | | 2016 | 2015 |
|---|---|---|---|---|
| ----------Number of shares---------- | | | -----------------Rupees---------------- | |
| 1,330,932,292 | 1,318,341,667 | At January 1 | 13,309,323 | 13,183,417 |
| - | 12,590,625 | Ordinary shares of Rs. 10 each issued upon exercise of conversion option by International Finance Corporation (IFC) - note 14.2 | - | 125,906 |
| 1,330,932,292 | 1,330,932,292 | | 13,309,323 | 13,309,323 |

14.2 These represent shares issued to IFC, pursuant to exercise of conversion option (note 16.10).

14.3 As at balance sheet date, the Parent Company held 56.45% of the share capital of the Company.

## 15. HEDGING RESERVE

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Hedging reserve on interest rate swaps | - | (7,545) |
| Deferred tax thereon | - | 3,009 |
| | - | (4,536) |

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

(Amounts in thousand)

## 16. BORROWINGS - Secured (Non-participatory)

| | Note | Mark-up rate p.a. | Installments Number | Installments Commenced / Commencing from | 2016 | 2015 |
|---|---|---|---|---|---|---|
| | | | | | --------------Rupees-------------- | |
| Long term finance utilised under mark-up arrangements: | | | | | | |
| **Senior Lenders** | | | | | | |
| Habib Bank Limited | 16.1 | 6 months KIBOR + 1.1% | 8 half yearly | March 31, 2013 | - | 199,714 |
| Allied Bank Limited | 16.1 | 6 months KIBOR + 1.1% | 8 half yearly | June 26, 2013 | - | 399,160 |
| Allied Bank Limited | 16.2 | 6 months KIBOR + 0.8% | 1 bullet payment | March 18, 2018 | 2,000,000 | - |
| Allied Bank Limited | 16.3 | 6 months KIBOR + 0.15% | 4 half yearly | March 29, 2020 | 2,000,000 | - |
| National Bank of Pakistan | | 6 months KIBOR + 1.1% | 10 half yearly | March 5, 2013 | 599,521 | 790,364 |
| Faysal Bank Limited | | 6 months KIBOR + 1.2% | 13 half yearly | May 26, 2013 | 831,182 | 859,503 |
| Standard Chartered Bank (Pakistan) Limited | | 6 Months KIBOR + 0.9% | 13 half yearly | June 14, 2013 | 594,942 | 593,090 |
| Standard Chartered Bank (Pakistan) Limited | 16.2 | 6 Months KIBOR + 0.8% | 1 bullet payment | March 18, 2018 | 1,000,000 | - |
| Samba Bank Limited | | 6 Months KIBOR + 0.9% | 14 half yearly | April 1, 2013 | 297,621 | 296,813 |
| National Bank of Pakistan | | 6 Months KIBOR + 1.2% | 10 half yearly | September 28, 2013 | 415,521 | 545,050 |
| Syndicated finance | 16.4 | 6 months KIBOR + 1.8% | 15 half yearly | February 28, 2013 | - | 9,880,750 |
| Syndicated finance | 16.5 | 6 months KIBOR + 0.4% | 6 half yearly | June 26, 2019 | 9,100,403 | - |
| Islamic offshore finance | 16.6 | 6 months LIBOR + 2.57% | 7 half yearly | March 28, 2014 | 1,762,711 | 3,525,468 |
| DFI Consortium finance | 16.7 | 6 months LIBOR + 2.6% | 13 payments | April 15, 2011 | - | 2,789,150 |
| Habib Metropolitan Bank Limited | 16.8 | 6 Months KIBOR + 0.9% | 10 half yearly | June 21, 2013 | 40,000 | 80,000 |
| Pak Kuwait Investment Company (Private) Limited | 16.1 | 6 months KIBOR + 1.0% | 10 half yearly | April 30, 2012 | - | 99,803 |
| United Bank Limited | 16.1 | 6 months KIBOR + 0.65% | 8 payments | December 17, 2015 | - | 1,460,855 |
| United Bank Limited | 16.3 | 6 months KIBOR + 0.15% | 4 half yearly | March 29, 2020 | 4,000,000 | - |
| MCB Bank Limited | 16.2 | 6 months KIBOR + 0.80% | 1 bullet payment | March 18, 2018 | 3,000,000 | - |
| MCB Bank Limited | 16.3 | 6 months KIBOR + 0.15% | 4 half yearly | March 29, 2020 | 4,000,000 | - |
| **Subordinated Lenders** | | | | | | |
| International Finance Corporation | 16.9, 16.10 | 6 months LIBOR + 3% | 5 half yearly | April 29, 2014 | - | 2,415,784 |
| International Finance Corporation | 16.9, 16.10 | 6 months LIBOR + 3% | 5 half yearly | July 18, 2014 | 1,249,386 | 2,284,468 |
| Dubai Islamic Bank Pakistan Limited | 16.9, 16.11 | 6 months KIBOR + 0.4% | 4 half yearly | November 28, 2018 | 800,000 | 800,000 |
| **Certificates** | | | | | | |
| Privately Placed Subordinated Term Finance Certificates | 16.2 | 6 months KIBOR + 0.8% | 1 yearly | March 18, 2016 | - | 6,000,000 |
| Privately Placed Subordinated Sukuk Certificates | 16.12 | 6 months KIBOR + 1.75% | 10 half yearly | January 9, 2015 | 2,860,174 | 3,006,272 |
| | | | | | 34,551,461 | 36,026,244 |
| Less: Current portion shown under current liabilities | | | | | 5,171,515 | 10,736,586 |
| | | | | | 29,379,946 | 25,289,658 |

(Amounts in thousand)

16.1 These loans have matured during the year.

16.2 During the year, the Holding Company exercised the call option of the Privately Placed Term Finance Certificates (PPTFCs). As a result, the Holding Company paid Rs. 6,000,000 to the holders of PPTFCs and refinanced this amount through three bilateral loans from Allied Bank Limited, Standard Chartered Bank (Pakistan) Limited and MCB Bank Limited amounting to Rs. 2,000,000, Rs. 1,000,000 and Rs. 3,000,000 respectively. These loans are repayable in a single installment in March 2018 and carry mark up / profit at the rate of 6 months KIBOR plus 0.80%, per annum.

16.3 During the year, the Holding Company availed three bilateral loans from Allied Bank Limited, United Bank Limited and MCB Bank Limited amounting to Rs. 2,000,000, Rs. 4,000,000 and Rs. 4,000,000 respectively. The new loans have a pricing of 6 months KIBOR plus 0.15% and will mature in September 2021. The loans were made a part of the Inter Creditor Agreement (ICA) and thus have the same charge with the other senior Lenders.

16.4 Borrowing under local Syndicate Agreement, entered in 2008, with National Bank of Pakistan, Habib Bank Limited, United Bank Limited, MCB Bank Limited, Standard Chartered Bank Limited, Bank Alfalah Limited, Allied Bank Limited, Askari Bank Limited, Habib Metropolitan Bank, Summit Bank Limited, Soneri Bank Limited and Pak Librya Holding Company, with National Bank of Pakistan acting as the Agent for the Syndicate members was pre-paid on December 15, 2016.

16.5 This represents the balance amount, availed in during the year, of a Syndicated Finance Agreement entered with National Bank of Pakistan, MCB Bank Limited, Allied Bank, Habib Bank Limited, Bank Alfalah Limited, with National Bank of Pakistan acting as the Agent for the Syndicate members. The loan was made a part of the Inter Creditor Agreement (ICA) and thus has the same charge, as the other Senior Lenders.

16.6 The borrowings also include Offshore Islamic Finance Facility of US$ 36,000 with Habib Bank Limited and National Bank of Pakistan and Rs. 3,618,000 with Faysal Bank, Dubai Islamic Bank Pakistan Limited and Standard Chartered Bank. During the year, Habib Bank Limited bought out SAMBA Financial Group's portion in the US$ portion of the facility.

16.7 This represents the balance amount of a facility agreement amounting to US$ 85,000 with a consortium of Development Finance Institutions comprising of DEG, FMO and OFID. This was fully repaid during the year.

16.8 This represents the outstanding balance amount of a facility agreement amounting to Rs. 200,000 with Habib Metropolitan Bank Limited.

16.9 During the year, the Holding Company negotiated re-pricing for the following borrowings:

| | Mark-up rate per annum | | Effective Date of Repricing |
|---|---|---|---|
| Senior Lenders | Original | Repriced | |
| Dubai Islamic Bank Limited | 6 months KIBOR + 1.75% | 6 months KIBOR + 0.4% | November 28, 2016 |
| IFC - US$ 30 million | 6 months LIBOR + 6% | 6 months LIBOR + 3% | February 15, 2016 |
| IFC - US$ 50 million | 6 months LIBOR + 6% | 6 months LIB OR + 3% | February 15, 2016 |

(Amounts in thousand)

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

In 2014, IFC exercised its entire conversion option for an outstanding amount of US$ 15,000 of Tranche A and accordingly 12,515,319 ordinary shares of the Parent Company were issued to the IFC.

On December 22, 2010, the Holding Company and IFC entered into an amended agreement for further disbursement of US$ 30,000 over and above the aforementioned disbursed amount of US$ 50,000. The amount was fully disbursed as at June 30, 2011. The salient features of the Original Loan essentially remained the same and some of the terms of the loan were further amended through an agreement dated January 29, 2014. The additional loan of US$ 30,000 is divided into (i) Tranche A2 30% convertible loan on the shares of the Holding Company at Rs. 24 per ordinary share calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option and (ii) Tranche B2 70% non-convertible loan. The additional loan is repayable by September 15, 2017 in three equal installments and carries interest at 6 months LIBOR plus a spread of 6%.

On June 25, 2014, the Holding Company received a notice from the IFC for exercise of option on US$ 5,000 loan which, along with the fair value of related options on that date has been classified as equity; accordingly 20,541,667 ordinary shares of the Holding Company were allotted to the IFC. Last year, the Holding Company received a notice from IFC for exercise of further US$ 3,000 loan on January 9, 2015 out of the remaining US$ 4,000 of Tranche A2, accordingly 12,590,625 ordinary shares of the Holding Company were allotted to the IFC on January 26, 2015. The fair value of the remaining conversion options, included in derivative financial instruments, amounts to Rs. 194,999 (note 17).

During the year, the pricing of the IFC loans was revised to 6 months LIBOR plus 3.0% from 6 months LIBOR plus 6.0%, effective February 15, 2016. Furthermore, US$ 50,000 disbursed on December 31, 2009, was fully repaid in September 2016.

16.11 The Holding Company arranged a loan facility of Rs. 800,000 from Dubai Islamic Bank Pakistan Limited on December 1, 2014. This loan was used to repay the sub-ordinated loan received from the Parent Company on account of exercise of IFC conversion option as more fully explained in note 16.10. The facility price was changed from 6 months KIBOR plus 1.75% to 6 months KIBOR plus 0.4% in November 2016 and has been moved to 1st charge.

(Amounts in thousand)

16.12 This represents Privately Placed Subordinated Sukuk (PPSS) amounting to Rs. 3,200,000. Pak Brunei Investment Company Limited is the Trustee while Meezan Bank Limited acts as the Investment Agent for this Sukuk. The Holding Company used PPSS to refinance the subordinated loan from the Parent Company.

16.13 All senior debts are secured by an equitable mortgage upon immovable property of the Company and equitable charge over current and future fixed assets excluding immovable property of the Company.

Loans from the IFC are secured by a sub-ordinated mortgage upon immovable property of the Company and sub-ordinated charge over all present and future fixed assets excluding immovable property of the Company. Subordinated Dubai Islamic Bank Pakistan Limited (DIBPL) loan and Privately Placed Subordinated Sukuk (PPSS) has a subordinate mortgage upon immovable property of the Company and a subordinate charge over current and future fixed assets excluding immovable property of the Company.

For the loan from IFC, the Company has issued a subordinated corporate guarantee.

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

## 17. DERIVATIVE FINANCIAL INSTRUMENTS

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| | Rupees | | | |
| Conversion options on IFC loan (note 16.10) | - | 194,999 | - | 298,749 |
| Cash flow hedges: | | | | |
| - Foreign exchange forward contracts - net (note 17.1) | - | 54,654 | 29,207 | 54,569 |
| - Interest rate swaps (note 17.2) | - | - | - | 13,166 |
| | - | 249,653 | 29,207 | 366,484 |
| Less: Current portion shown under current assets / liabilities | | | | |
| Conversion options on IFC loan | - | 194,999 | - | 298,749 |
| Cash flow hedges: | | | | |
| - Foreign exchange forward contracts | - | 54,654 | 29,207 | 54,569 |
| - Interest rate swaps | - | - | - | 13,166 |
| | - | 249,653 | 29,207 | 366,484 |
| | - | - | - | - |

### 17.1 Foreign exchange forward contracts

The Holding Company entered into various US$ : PKR forward contracts to hedge its foreign currency exposure. As at December 31, 2016, the Holding Company had forward contracts to purchase US$ 19,625 (2015: US$ 96,133) at various maturity dates to hedge its foreign currency loan obligations. The net fair value of these contracts as at December 31, 2016 is negative and amounted to Rs. 54,654 (2015: Rs. 25,362 negative).

(Amounts in thousand)

### 17.2 Interest rate swap

The Holding Company had entered into interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing from a consortium of Development Finance Institutions for a notional amount of US$ 7,727 which matured in April 2016.

## 18. DEFERRED LIABILITIES

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Deferred taxation (note 18.1) | 7,491,859 | 5,887,570 |
| Deferred income (note 18.2) | 69,249 | 73,114 |
| | 7,561,108 | 5,960,684 |

### 18.1 Deferred taxation

| | 2016 | 2015 |
|---|---|---|
| **Engro Fertilizers Limited** | | |
| Credit / (Debit) balances arising on account of: | | |
| - Accelerated depreciation allowance | 13,741,142 | 13,959,978 |
| - Carried forward tax losses, substantially pertaining to unabsorbed tax depreciation | - | (1,517,981) |
| - Recoupable minimum turnover tax (note 18.1.1) | (2,178,308) | (2,491,715) |
| - Fair values of hedging instruments | - | (3,009) |
| - Alternative Corporate Tax | (3,962,572) | (3,962,572) |
| - Provision for: | | |
| - staff retirement benefits | (23,462) | (18,819) |
| - slow moving stores and spares and doubtful receivables | (84,941) | (78,312) |
| | 7,491,859 | 5,887,570 |
| **Engro Eximp (Private) Limited** | | |
| - Accelerated depreciation allowance | - | (4,683) |
| - Carried forward tax losses substantially pertaining to unabsorbed tax depreciation | - | (32,286) |
| - Recoupable minimum turnover tax | - | (25,430) |
| - Provision for staff retirement benefits | - | (11,073) |
| | - | (73,472) |
| | 7,491,859 | 5,814,098 |

18.1.1 In 2013, the High Court of Sindh, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2)(c) of the Income Tax Ordinance, 2001 and has decided that the minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year. The Holding Company's management is however of the view, duly supported by legal advisor, that the above order would not be maintainable at the Supreme Court. Therefore, the Holding Company has continued to carry forward and adjust minimum tax, as reflected above.

(Amounts in thousand)

18.2 Deferred income

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

## 19. SERVICE BENEFITS OBLIGATIONS

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Service benefit obligation | 206,382 | 172,885 |
| Less: Current portion shown under current liabilities | 49,157 | 48,232 |
| | 157,225 | 124,653 |

## 20. TRADE AND OTHER PAYABLES

| | 2016 | 2015 |
|---|---|---|
| Creditors | 7,355,052 | 11,224,015 |
| Accrued liabilities (note 20.1) | 4,854,787 | 3,469,352 |
| Advances from customers | 450,043 | 1,361,727 |
| Payable to: | | |
| - Engro Corporation Limited | 88,362 | 83,273 |
| - Engro Foods Limited | 1,633 | - |
| - Engro Powergen Limited | 2,419 | 2,532 |
| - Engro Powergen Qadirpur Limited | 2,611 | - |
| - Elengy Terminal Pakistan Limited | 1,352 | 275 |
| - Engro Eximp Agriproducts (Private) Limited | - | 475 |
| Deposits from dealers refundable on termination of dealership | 18,155 | 16,297 |
| Contractors' deposits and retentions | 91,273 | 58,076 |
| Workers' welfare fund (note - 20.2) | 1,487,221 | 1,146,666 |
| Workers' profits participation fund | 39,099 | 11,892 |
| Withholding tax payable | - | 139 |
| Others | 577,359 | 326,825 |
| | 14,969,365 | 17,701,544 |

20.1 Includes Rs. 1,782,787 (2015: Rs. 789,775) on account of Gas Infrastructure Development Cess (GIDC). During the year, GIDC was struck down by the Sindh High Court being ultra vires, against which the Ministry of Petroleum and Natural Resources obtained a suspension order. However, some clarifications are being taken legal advisors to decide the way forward in this regard.

20.2 During the year, the Supreme Court of Pakistan through its order dated November 10, 2016 decided that the changes to the WWF Ordinance, 1971 made through Finance Acts, 2006 and 2008 were ultra vires to the constitution of Pakistan. However, the taxation authorities have proceeded to file a review petition thereagainst in the Supreme Court of Pakistan. Due to this review petition and other legal uncertainities, the Holding Company continuous to carry the payable in this respect inclusive of payable of Rs. 150,000 related to EXIMP.

## 21. SHORT TERM BORROWINGS

The Holding Company has funded facilities for short term finances available from various banks and institutional investors amounting to Rs. 14,000,000 (2015: Rs. 7,050,000) along with non-funded facilities of Rs. 2,178,048 (2015: Rs. 1,600,000) for bank guarantees. The rates of markup on funded bank overdraft facilities ranged from 0.5% to 1.5% per annum over 3-month KIBOR and all the facilities are secured by floating charge upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts, outstanding monies, receivable claims and bills of the Holding Company. The Holding Company has utilised Rs. 1,909,843 (2015: Nil) from these facilities as at the balance sheet date.

## 22. CONTINGENCIES AND COMMITMENTS

### Contingencies

22.1 Bank guarantees of Rs.2,178,048 (2015: Rs. 1,402,223) have been issued in favour of third parties.

22.2 Claims, including pending lawsuits, against the Holding Company not acknowledged as debts amounted to Rs.58,680 (2015: Rs. 109,685).

22.3 During the year, the Holding Company entered into a Dealer Finance Agreement (DFA) with a bank. Under the DFA the bank will provide financial assistance upto Rs. 2,000,000 to dealers approved by the Holding Company. In case of default by any dealer, the Holding Company has agreed to bear 10% of the principal in default.

As at year end the bank has made disbursements under the DFA amounting to Rs. 999,000 maturing on various future dates.

22.4 The Holding Company is contesting a penalty of Rs. 115,631 paid and expensed in 1997, imposed by the State Bank of Pakistan (SBP) for alleged late payment of foreign exchange risk cover fee on long term loans and has filed a suit in the High Court of Sindh. Out of the total penalty Rs. 62,618 was received in 1999 from SBP while recovery of the balance amount is dependent on the Court's decision.

22.5 The Parent Company had commenced two separate arbitration proceedings against the Government of Pakistan for non-payment of marketing incidentals relating to the years 1983-84 and 1985-86. The sole arbitrator in the second case has awarded the Holding Company Rs. 47,800, whereas the award for the earlier years is awaited. The award for the second arbitration was challenged in the High Court of Sindh. In December 2013, the High Court of Sindh has upheld the award. However, as this can be challenged by way of further appeals, it will be recognised as income on realisation thereof.

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

(Amounts in thousand)

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

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

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

### 22.9 Commitments

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Commitments in respect of capital expenditure and other operational items | 2,483,898 | 1,622,392 |

(Amounts in thousand)

## 23. NET SALES

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Gross sales: | | |
| - manufactured product | 50,899,776 | 72,899,472 |
| - purchased and packaged product | 28,111,771 | 28,306,724 |
| | 79,011,547 | 101,206,196 |
| Less: Sales tax | 9,474,294 | 15,785,454 |
| | 69,537,253 | 85,420,742 |

23.1 This includes trade discount amounting to Rs. 406,277 (2015: Rs. 847,715).

## 24. COST OF SALES

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| **Cost of sales - Manufactured product** | | |
| Raw materials consumed | 15,417,290 | 18,589,567 |
| Salaries, wages and staff welfare (note 24.1) | 1,896,338 | 2,178,564 |
| Fuel and power | 7,651,502 | 7,499,418 |
| Repairs and maintenance | 1,813,913 | 910,283 |
| Depreciation (note 4.2) | 4,972,487 | 4,694,369 |
| Amortisation (note 5.2) | 13,410 | 23,257 |
| Consumable stores | 574,544 | 1,715,645 |
| Training, HSE and other related expenses | 408,061 | 142,557 |
| Purchased services | 431,932 | 406,887 |
| Travel | 48,684 | 50,938 |
| Communication, stationery and other office expenses | 31,371 | 21,874 |
| Insurance | 359,334 | 354,351 |
| Rent, rates and taxes | 19,577 | 11,747 |
| Other expenses | 3,304 | 2,891 |
| Manufacturing cost | 33,641,747 | 36,602,348 |
| Add: Opening stock of work in process | 20,688 | 89,780 |
| Less: Closing stock of work in process (note 8) | (30,233) | (20,688) |
| Cost of goods manufactured | 33,632,202 | 36,671,440 |
| Add: Opening stock of finished goods manufactured - net of NRV | 1,915,094 | 205,810 |
| Less: Closing stock of finished goods manufactured - net of NRV (note 8) | (5,050,607) | (1,915,094) |
| Cost of sales | 30,496,689 | 34,962,156 |
| **Cost of sales - Purchased and packaged product** | | |
| Opening stock - Purchased and packaged product - net of NRV | 3,688,392 | - |
| Add: Purchase of product | 19,048,910 | 24,450,102 |
| Less: Closing stock - Purchased and packaged product - net of NRV | (1,135,905) | (3,688,392) |
| | 21,601,397 | 20,761,710 |
| | 52,098,086 | 55,723,866 |

24.1 Salaries, wages and staff welfare includes Rs. 130,776 (2015: Rs. 123,709) in respect of staff retirement benefits.

(Amounts in thousand)

## 25. SELLING AND DISTRIBUTION EXPENSES

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Salaries, wages and staff welfare (note 25.1) | 547,744 | 553,708 |
| Training, HSE and other related expenses | 87,735 | 61,856 |
| Product transportation and handling | 4,001,296 | 3,502,639 |
| Royalty expense | 745,010 | 929,158 |
| Repairs and maintenance | 5,510 | 4,404 |
| Advertising and marketing expense | 504,764 | 54,687 |
| Rent, rates and taxes | 605,006 | 206,317 |
| Communication, stationery and other office expenses | 28,130 | 23,011 |
| Travel | 77,008 | 52,355 |
| Depreciation (note 4.2) | 31,524 | 17,721 |
| Amortisation (note 5.2) | 5,341 | 960 |
| Purchased services | 24,471 | 19,866 |
| Insurance | 28,282 | 24,754 |
| Other expenses | 13,141 | 14,489 |
| | 6,704,962 | 5,465,925 |

25.1 Salaries, wages and staff welfare includes Rs. 49,170 (2015: Rs. 39,460) in respect of staff retirement benefits.

## 26. ADMINISTRATIVE EXPENSES

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Salaries, wages and staff welfare (note 26.1) | 374,570 | 397,586 |
| Training, HSE and other related expenses | 36,555 | 48,065 |
| Repairs and maintenance | 15,867 | 13,934 |
| Rent, rates and taxes | 77,578 | 69,855 |
| Communication, stationery and other office expenses | 41,702 | 38,946 |
| Travel | 32,409 | 36,889 |
| Depreciation (note 4.2) | 15,327 | 21,731 |
| Amortisation (note 5.2) | 2,723 | 3,639 |
| Purchased services | 223,143 | 167,364 |
| Donations (note 40) | 71,292 | 69,340 |
| Insurance | 2,567 | 1,650 |
| Other expenses | 13,497 | 26,579 |
| | 907,230 | 895,578 |

26.1 Salaries, wages and staff welfare includes Rs. 36,891 (2015: Rs. 37,447) in respect of staff retirement benefits.

(Amounts in thousand)

## 27. OTHER INCOME

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Income from sales under Government subsidy (note 11.1) | 7,878,050 | 2,611,879 |
| **On financial assets** | | |
| Income on bank accounts under: | | |
| - Shariah permissible arrangements | 47 | 20,189 |
| - interest / mark up arrangements | 17,489 | 140,620 |
| Income on subordinated loan to subsidiary company | - | 39,812 |
| Income on treasury bills,term deposit certificates and Pakistan Investment Bonds | 135,342 | 1,103,184 |
| Income on mutual funds | - | 8,109 |
| Income on futures | - | 1,271 |
| Others | 774 | 948 |
| | 153,652 | 1,314,133 |
| **On non-financial assets** | | |
| Gain on disposal of property, plant and equipment (note 4.3) | 1,140 | 21,823 |
| Rental income | 4,795 | 4,569 |
| Scrap sales | 7,879 | 13,895 |
| Reversal of provision for infrastructure cess (note 27.1) | - | 148,583 |
| Others (note 27.2) | 97,734 | 278,126 |
| | 111,548 | 466,996 |
| | 8,143,250 | 4,393,008 |

27.1 As per the interim arrangement with the Excise and Customs authorities, the bank guarantees furnished by the Holding Company (Appellants before the Supreme Court) upto December 27, 2006 were discharged and returned. As agreed, 50% in value of the bank guarantees furnished for consignments released after the aforesaid date were permitted to be encashed; the remaining 50% were to be retained until a judicial resolution. It was specifically agreed, as per the joint statement, that after May 31, 2011 all imports would be released on payment of 50% cash and 50% bank guarantee.

The management of the Holding Company being confident that no demand will be raised for any amount pertaining to the period prior to December 27, 2006, reversed the provision relating to prior period in 2015.

27.2 This includes Nil (2015: Rs. 141,936) in respect of damaged compressor claim received against insurance claim of assets written-off in 2014.

(Amounts in thousand)

## 28. OTHER OPERATING EXPENSES

| | 2016 | 2015 |
|---|---|---|
| | ---Rupees--- | |
| Workers' profits participation fund | 719,099 | 1,136,892 |
| Workers' welfare fund | 287,056 | 432,019 |
| Research and development | 69,090 | 98,959 |
| Auditors' remuneration (note 28.1) | 9,104 | 10,783 |
| Legal and professional | 54,817 | 128,156 |
| Provision against refundable sales tax | - | 180,000 |
| Provision against receivable against suppliers | - | 35,718 |
| Others | 9,723 | 11,255 |
| | 1,149,489 | 2,033,782 |

### 28.1 Auditors' remuneration

| | | |
|---|---|---|
| Fee for: | | |
| - audit of annual financial statements | 3,728 | 3,642 |
| - special audit / review of half yearly financial information | 459 | 741 |
| - review of compliance with code of corporate governance | 40 | 40 |
| - certifications, advices and audit of retirement funds | 2,362 | 2,786 |
| - taxation services | 2,146 | 3,036 |
| - reimbursement of expenses | 368 | 538 |
| | 9,104 | 10,783 |

## 29. FINANCE COST

| | | |
|---|---|---|
| Interest / mark-up / return on: | | |
| - long term borrowings | 2,611,067 | 3,830,677 |
| - short term borrowings | 497,919 | 101,167 |
| (Gain) / Loss on fair value of IFC conversion option | (103,750) | 28,551 |
| Foreign exchange loss - net | 157,330 | 681,945 |
| Bank charges | 3,585 | 296 |
| Financial charges on issuance letters of credit | 20,604 | 26,027 |
| Less: | | |
| Interest charged to Engro Eximp Agriproduct (Private) Limited | - | (41,624) |
| Interest income on unwinding of discount on trade debts | - | (132) |
| | 3,186,755 | 4,626,907 |

## 30. TAXATION

| | | |
|---|---|---|
| Current | | |
| - for the year (note 30.3) | 2,757,986 | 3,701,866 |
| - for prior years (note 30.4) | 294,742 | 877,099 |
| | 3,052,728 | 4,578,965 |
| Deferred | 1,297,800 | 1,669,696 |
| | 4,350,528 | 6,248,661 |

(Amounts in thousand)

30.1 Last year, the income tax department had amended the assessment filed by the Holding Company for tax year 2014. The Holding Company filed an appeal before the Commissioner Inland Revenue (Appeals) against the disallowances, which mainly pertained to exchange gain and loss, loss on derivative and losses purchased from Engro Eximp Agriproducts under section 59B of the Income Tax Ordinance, 2001. In addition the tax department raised demand for the Alternative Corporate Tax through the same order, for which the Company specifically obtained a stay order. The case is pending to be heard with the CIR(A) and the Holding Company is confident of a favourable outcome.

30.2 During 2014, the income tax department amended the assessment filed by the Holding Company for tax years 2010 and 2011.The Holding Company filed appeals there against before the Appellate Tribunal Inland Revenue (ATIR) against the said disallowances, which through its decision provided relief in respect of certain items and confirmed certain disallowances in favor of the tax department. The said disallowances included the charge in respect of exchange gain and loss incurred for tax year 2010 and tax year 2011 , and loss on derivative for tax year 2011. Last year, the Holding Company had challenged the said decision before the High Court of Sindh, which is pending to be heard and the Holding Company is confident of a favorable outcome.

30.3 During the year, the Holding Company has taxable income on which tax has been computed at the applicable normal corporate tax rate. Last year, the tax expense mainly comprised of alternative corporate tax under section 113C of the Income Tax Ordinance, 2001 amounting to Rs. 2,599,772 and minimum turnover tax amounting to Rs. 876,153.

The Holding Company had filed a suit in the High Court of Sindh, contesting both the retrospective and prospective application of the advance corporate tax under section 113C and has been granted stay in this respect for the years 2013, 2014 and 2015.

30.4 This includes Rs. 656,000 (net-off of reversal of last year provision on this account of Rs. 361,258) on account of provision in accordance with section 4B 'Super Tax for rehabilitation of temporarily displaced persons' again inserted in the Income Tax Ordinance, 2001 (the Ordinance) through Finance Act, 2016, whereby tax at the rate 3 per cent is payable on specified income exceeding Rs. 500,000 for the year ended December 31, 2015 (tax year 2016).

Initially, this provision was inserted in the Ordinance through Finance Act, 2015 for the year ended December 31, 2014 (tax year 2015), which was not applicable on the Company for the said year, as also clarified through the modification made through Finance Act, 2016.

30.5 As a result of demerger in 2009, all pending tax issues of the then Parent Company, Engro Chemical Pakistan Ltd. had been transferred to the Holding Company. Major issues pending before the tax authorities are described below.

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

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

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

(Amounts in thousand)

30.6 Last year, the Holding Company had received a sales tax order from the tax department for the year ended December 31, 2013 pertaining to discharge of output tax liability, on assumed production of urea amounting to Rs. 402,875 and on presumption that output tax liability is not being discharged by the Holding Company on advances received from dealers amounting to Rs. 1,844,075. The Holding Company filed an appeal there against with the Commissioner Inland Revenue (Appeals) which has decided the matters in favor of the Holding Company. The department has now challenged the decision of the CIR(A) with the Appellate Tribunal Inland Revenue , which is pending to be heard.

30.7 As a result of EXIMP merger, all pending tax issues of Eximp have been transferred to the Company. Major pending issue pertains to exercise of option to be taxed in NTR (introduced through Finance Act, 2012) by EXIMP for years 2012 and 2013, resulting in an aggregate refund of Rs 796 million. The tax department has not accepted the said treatment, however the matter was decided in favor of the Company by the Commissioner Appeals.

30.8 Relationship between tax expense and accounting profit

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

| | 2016 | 2015 |
|---|---|---|
| | ----------------Rupees---------------- | |
| Profit before taxation | 13,633,981 | 21,067,692 |
| Tax calculated at the rate of 31% (2015: 32%) | 4,226,534 | 6,741,661 |
| Depreciation on exempt assets not deductible for tax purposes | 3,389 | 3,043 |
| Tax effect of: | | |
| - Expenses not allowed for tax / tax benefit lost | 99,370 | 94,711 |
| - Final Tax Regime / separate block of income | - | 10,191 |
| Effect of: | | |
| - Tax credits | (193,293) | (159,784) |
| - Change in tax rates | - | (1,076,250) |
| - Prior year tax charge | 294,742 | 671,455 |
| Others | (80,214) | (36,366) |
| Tax charge for the year | 4,350,528 | 6,248,661 |

## 31. EARNINGS PER SHARE (EPS)

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

31.2 Diluted EPS has been calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Holding Company has convertible debt as dilutive potential ordinary shares, which is assumed to have been converted into ordinary shares, and net profit is adjusted to eliminate the related effects.

(Amounts in thousand)

The information necessary to calculate basic and diluted earnings per share is as follows:

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Profit for the year | 9,283,453 | 14,819,031 |
| Add: | | |
| - Interest on IFC loan - net of tax | 2,926 | 4,765 |
| - (Gain) / Loss on revaluation of conversion options on IFC loan - net of tax | (66,648) | 18,074 |
| Profit used for the determination of Diluted EPS | 9,219,731 | 14,841,870 |
| | -------Numbers (in thousands)-------- | |
| Weighted average number of ordinary shares at the beginning of year | 1,330,932 | 1,318,342 |
| Add : Weighted average adjustment for shares issued during the year (including conversion of option) | - | 11,728 |
| Weighted average number of shares for determination of basic EPS | 1,330,932 | 1,330,070 |
| - Assumed conversion of US$ 1,000 IFC loan | 2,848 | 3,160 |
| - Exercise of conversion option on US$ 3,000 IFC loan | - | 601 |
| Weighted average number of shares for determination of diluted EPS | 1,333,780 | 1,333,831 |

## 32. FINANCING STRUCTURE / MODE

**Conventional mode:**

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| Short term investments | 1,037,782 | 11,650,389 |
| Cash and bank balances | 84,339 | 923,251 |
| | 1,122,121 | 12,573,640 |
| **Liabilities** | | |
| Borrowings | 27,533,633 | 28,101,414 |
| Short term borrowings | 1,909,843 | 75,300 |
| | 29,443,476 | 28,176,714 |

**Shariah compliant mode:**

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| Short term investments | 2,000 | - |
| Cash and bank balances | 87 | 304 |
| | 2,087 | 304 |
| **Liabilities** | | |
| Borrowings | 7,017,828 | 7,924,830 |

(Amounts in thousand)

## 33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

33.1 The aggregate amounts for remuneration, including all benefits, to chief executive, directors and executives of the Group are given below:

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Directors | | Executives | Directors | | Executives |
| | Chief Executive | Others | | Chief Executive | Others | |
| | ---------- Rupees ---------- | | | ---------- Rupees ---------- | | |
| Managerial remuneration | 87,711 | - | 2,087,102 | 65,967 | - | 1,702,527 |
| Retirement benefits funds | 6,564 | - | 187,424 | 5,806 | - | 175,402 |
| Other benefits | 36 | - | 77,927 | 5 | - | 80,358 |
| Fees | - | 2,000 | - | - | 1,850 | - |
| Total | 94,311 | 2,000 | 2,352,453 | 71,778 | 1,850 | 1,958,287 |
| Number of persons including those who worked part of the year | 1 | 7 | 540 | 1 | 7 | 494 |

33.2 The Holding Company also provieds cars and certain household items for use of some executives and directors.

33.3 Premium charged in the financial statements in respect of directors' indemnity insurance policy, purchased by the Holding Company during the year, amounted to Rs. 509 (2015: Rs. 488).

## 34. RETIREMENT AND OTHER SERVICE BENEFITS

### 34.1 Salient features

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

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

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

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

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

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

(Amounts in thousand)

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

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

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

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

34.2 Valuation results

The latest actuarial valuation of the defined benefit plans was carried out as at December 31, 2016, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

| | Defined Benefit Gratuity Plans - Funded | | | | Defined Benefit Pension Plan - Funded (Curtailed) | |
|---|---|---|---|---|---|---|
| | NMPT | | MPT | | | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | ---------- Rupees ---------- | | | | | |
| **34.2.1 Balance sheet reconciliation** | | | | | | |
| Present value of obligation | 238,301 | 228,376 | 137,729 | 149,709 | 32,132 | 33,367 |
| Fair value of plan assets | (168,767) | (169,638) | (165,178) | (167,607) | (44,213) | (40,835) |
| Deficit / (surplus) of funded plans | 69,534 | 58,738 | (27,449) | (17,898) | (12,081) | (7,468) |
| Payable to DC Gratuity Fund | - | - | 9,736 | 9,736 | - | - |
| Payable in respect of inter-transfers | - | - | 46 | 448 | - | - |
| Unrecognised asset | - | - | - | - | 12,081 | 7,468 |
| Net liability / (asset) at end of the year | 69,534 | 58,738 | (17,667) | (7,714) | - | - |
| **34.2.2 Movement in net liability / (asset) recognised** | | | | | | |
| Net liability / (asset) at beginning of the year | 58,738 | (12,501) | (7,846) | 5,253 | - | - |
| Charge / (Income) for the year | 18,318 | 14,598 | 3,424 | 5,006 | (672) | (464) |
| Remeasurements charged to OCI (note 34.2.7) | (7,522) | 56,641 | (13,245) | (17,973) | 672 | 464 |
| Net liability / (asset) at end of the year | 69,534 | 58,738 | (17,667) | (7,714) | - | - |

(Amounts in thousand)

| | Defined Benefit Gratuity Plans - Funded | | | | Defined Benefit Pension Plan - Funded (Curtailed) | |
|---|---|---|---|---|---|---|
| | NMPT | | MPT | | | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | Rupees | | | | | |

34.2.3 Movement in defined benefit obligation

| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| As at beginning of the year | 228,376 | 166,212 | 149,709 | 136,153 | 33,367 | 34,406 |
| Current service cost | 13,255 | 9,502 | 5,779 | 6,507 | - | - |
| Past service cost | - | 6,345 | - | - | - | - |
| Interest cost | 20,221 | 16,974 | 12,043 | 13,144 | 2,823 | 3,400 |
| Benefits paid during the year | (23,121) | (19,623) | (31,581) | (21,213) | (4,028) | (4,054) |
| Remeasurments charged to OCI (note 34.2.7) | (430) | 48,966 | 2,160 | (3,812) | (30) | (385) |
| Inter-fund transfers | - | - | - | (2) | - | - |
| Liability transferred in respect of inter group transfers | - | - | (381) | 42,460 | - | - |
| Liability transferred to DC Gratuity Fund | - | - | - | (23,528) | - | - |
| As at end of the year | 238,301 | 228,376 | 137,729 | 149,709 | 32,132 | 33,367 |

34.2.4 Movement in fair value of plan assets

| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| At beginning of the year | 169,638 | 178,713 | 167,607 | 141,082 | 40,835 | 38,824 |
| Expected return on plan assets | 15,158 | 18,223 | 14,398 | 14,645 | 3,495 | 3,864 |
| Benefits paid during the year | (23,121) | (19,623) | (31,581) | (21,213) | (4,028) | (4,054) |
| Remeasurments charged to OCI (note 34.2.7) | 7,092 | (7,675) | 15,405 | 14,161 | 3,911 | 2,201 |
| Assets transferred to DC Gratuity Fund | - | - | (1) | (23,528) | - | - |
| Assets transferred in respect of inter fund transfers | - | - | (650) | 42,460 | - | - |
| As at end of the year | 168,767 | 169,638 | 165,178 | 167,607 | 44,213 | 40,835 |

(Amounts in thousand)

| | Defined Benefit Gratuity Plans Funded | | | | Defined Benefit Pension Plan Funded (Curtailed) | |
|---|---|---|---|---|---|---|
| | NMPT | | MPT | | | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | ---------- Rupees ---------- | | | | | |

34.2.5 Charge / (Reversal) for the year

| | | | | | | |
|---|---|---|---|---|---|---|
| Current service cost | 13,255 | 9,502 | 5,779 | 6,507 | - | - |
| Past service cost | - | 6,345 | - | - | - | - |
| Net interest cost | 5,063 | (1,249) | (2,355) | (1,501) | (672) | (464) |
| | 18,318 | 14,598 | 3,424 | 5,006 | (672) | (464) |

| | | | | | | |
|---|---|---|---|---|---|---|
| 34.2.6 Actual return on plan assets | 22,145 | 16,194 | 26,616 | 20,995 | 4,826 | 3,823 |

34.2.7 Remeasurement recognised in Other Comprehensive Income

| | | | | | | |
|---|---|---|---|---|---|---|
| (Gain) / loss from change in experience assumptions | (1,320) | 47,178 | 1,526 | (3,523) | 128 | (138) |
| Loss / (gain) from change in financial assumptions | 890 | 1,788 | 634 | (289) | (158) | (247) |
| Remeasurement of Obligation | (430) | 48,966 | 2,160 | (3,812) | (30) | (385) |
| Expected Return on plan assets | 15,158 | 18,223 | 14,398 | 14,645 | 3,495 | 3,864 |
| Actual Return on plan assets | (22,145) | (16,194) | (26,616) | (20,995) | (4,826) | (3,823) |
| Difference in fair value opening | (105) | 5,646 | (3,187) | (7,811) | (2,580) | (2,242) |
| Remeasurement of Plan Assets | (7,092) | 7,675 | (15,405) | (14,161) | (3,911) | (2,201) |
| Effect of Asset Ceiling | - | - | - | - | 4,613 | 3,050 |
| | (7,522) | 56,641 | (13,245) | (17,973) | 672 | 464 |

34.2.8 Principal actuarial assumptions used in the actuarial valuation

| | | | | | | |
|---|---|---|---|---|---|---|
| Discount rate | 8.0% | 9.0% | 8.0% | 9.0% | 8.0% | 9.0% |
| Expected per annum rate of return on plan assets | 8.0% | 9.0% | 8.0% | 9.0% | 8.0% | 9.0% |
| Expected per annum rate of increase in pension | - | - | - | - | 0.0% | 1.0% |
| Expected per annum rate of increase in salaries-long term | 7.0% | 8.0% | 10.0% | 9.0% | 0.0% | 8.0% |

(Amounts in thousand)

### 34.2.9 Demographic Assumptions

| | | | | |
|---|---|---|---|---|
| Mortality rate | SLIC (01-05) - I | SLIC (2001-05) -1 | SLIC (01-05) - I | PMA-PFA (80) - 2 |
| Rate of employee turnover | Light | Heavy | - | - |

### 34.2.10 Sensitivity Analysis

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

| | Increase in assumption | | | Decrease in assumption | | |
|---|---|---|---|---|---|---|
| | Gratuity Fund | | Pension | Gratuity Fund | | Pension |
| | NMPT | MPT | Fund | NMPT | MPT | Fund |
| | Rupees | | | | | |
| Discount Rate | 216,593 | 132,720 | 30,261 | 263,533 | 143,090 | 34,235 |
| Long Term Salary Increases | 262,310 | 142,381 | - | 217,231 | 133,294 | - |
| Long Term Pension Increases | - | - | 34,390 | - | - | 30,101 |

### 34.2.11 Maturity Profile

| | Gratuity Fund | | Pension |
|---|---|---|---|
| Time in Years | NMPT | MPT | Fund |
| | Rupees | | |
| 1 | 15,733 | 6,763 | 4,013 |
| 2 | 15,839 | 39,741 | 4,013 |
| 3 | 24,113 | 57,881 | 4,013 |
| 4 | 18,330 | 5,001 | 4,013 |
| 5-10 | 81,985 | 92,075 | 4,013 |
| 11-15 | 240,263 | 29,627 | 4,013 |
| 16-20 | 372,785 | 954 | 4,013 |
| 20+ | 617,306 | 4,974 | 4,013 |
| Weighted average duration (years) | 9.11 | 3.64 | 5.82 |

(Amounts in thousand)

34.2.12 Plan assets comprise of the following:

| | Defined Benefit Gratuity Plans Funded | | | | Defined Benefit Pension Plan Funded (Curtailed) | |
|---|---|---|---|---|---|---|
| | NMPT 2016 | | MPT* 2016 | | 2016 | |
| | Rupees | (%) | Rupees | (%) | Rupees | (%) |
| Fixed income instruments | 138,457 | 82 | 118,600 | 72 | 42,017 | 95 |
| Investment in equity instruments | 24,629 | 15 | 43,040 | 26 | - | - |
| Cash | 5,681 | 3 | 3,538 | 2 | 2,196 | 5 |
| | 168,767 | 100 | 165,178 | 100 | 44,213 | 100 |

* The employees of the Holding Company in respect of gratuity are members of Defined Benefit Gratuity Fund maintained and funded by the Parent Company. Accordingly, the above information is based upon the plan assets of Engro Corporation Limited Gratuity Fund.

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

34.2.14 Expected future cost / (reversal) for the year ending December 31, 2017 is as follows:

| | Rupees |
|---|---|
| - NMPT Gratuity Fund | 18,202 |
| - MPT Gratuity Fund | 3,632 |
| - MPT Pension Fund | (930) |

34.2.15 Historical information of staff retirement benefits:

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| | Rupees | | | | |
| **Gratuity Plans Funded - NMPT** | | | | | |
| Present value of defined benefit obligation | 238,301 | 228,376 | 166,212 | 162,184 | 122,832 |
| Fair value of plan assets | (168,767) | (169,638) | (178,713) | (98,340) | (87,352) |
| Deficit / (Surplus) | 69,534 | 58,738 | (12,501) | 63,844 | 35,480 |
| **Gratuity Plans Funded - MPT** | | | | | |
| Present value of defined benefit obligation | 137,729 | 149,709 | 135,336 | 153,367 | 116,545 |
| Fair value of plan assets | (165,178) | (167,607) | (140,235) | (177,549) | (149,929) |
| Surplus | (27,449) | (17,898) | (4,899) | (24,182) | (33,384) |
| **Pension Plan Funded** | | | | | |
| Present value of defined benefit obligation | 32,132 | 33,367 | 34,406 | 32,218 | 31,289 |
| Fair value of plan assets | (44,213) | (40,835) | (38,824) | (38,535) | (38,313) |
| Surplus | (12,081) | (7,468) | (4,418) | (6,317) | (7,024) |

(Amounts in thousand)

## 34.3. Defined contribution plans

An amount of Rs. 195,767 has been charged during the year (2015: Rs. 149,516) in respect of defined contribution plans maintained by the Parent Company.

## 35. CASH USED IN OPERATIONS

| | 2016 | 2015 |
|---|---|---|
| | ----------------Rupees---------------- | |
| Profit before taxation | 13,633,981 | 21,067,692 |
| Adjustment for non-cash charges and other items: | | |
| Depreciation | 5,019,338 | 4,733,821 |
| Amortisation - net | 17,608 | 23,990 |
| Profit on disposal of property, plant and equipment | (1,140) | (21,820) |
| Provision for retirement and other service benefits | 77,114 | 58,543 |
| Income on deposits / other financial assets | (159,279) | (1,312,862) |
| Finance cost | 3,186,755 | 4,626,907 |
| Provision for NRV on finished goods | 13,049 | 402,651 |
| Provision for surplus and slow moving stores and spares | 12,233 | 122,428 |
| Provision against sales tax refundable | - | 180,000 |
| Reversal of provision against loans and advances | - | 35,718 |
| Working capital changes (note 36.1) | (13,819,956) | (14,813,897) |
| | 7,979,703 | 15,103,171 |

## 36. CASH AND CASH EQUIVALENTS

| | | |
|---|---|---|
| Cash and bank balances (note 13) | 84,426 | 923,555 |
| Short term investments (note 12) | 1,039,782 | 10,546,260 |
| Short term borrowings (note 21) | 1,109,843 | - |
| | 2,234,051 | 11,469,815 |

## 36.1 Working capital changes

| | | |
|---|---|---|
| (Increase) / decrease in current assets | | |
| - Stores, spares and loose tools | (259,765) | (47,824) |
| - Stock-in-trade | 217,373 | (6,058,232) |
| - Trade debts | (5,323,565) | (1,498,503) |
| - Loans, advances, deposits and prepayments | (87,987) | 303,665 |
| - Other receivables (net) | (5,686,175) | 2,880,413 |
| | (11,140,119) | (4,420,481) |
| Decrease in trade and other payables | (2,679,837) | (10,393,416) |
| | (13,819,956) | (14,813,897) |

(Amounts in thousand)

## 37. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2016 | 2015 |
|---|---|---|
| | ----------------Rupees---------------- | |
| **Financial assets as per balance sheet** | | |
| - Loans and receivables | | |
| Loans, advances and deposits | 124,528 | 201,320 |
| Trade debts | 7,609,712 | 2,286,147 |
| Other receivables | 13,580 | - |
| Cash and bank balances | 84,426 | 923,555 |
| | 7,832,246 | 3,411,022 |
| - Fair value through profit and loss | | |
| Short term investments | 1,039,782 | 11,034,555 |
| Derivative financial instruments | - | 29,207 |
| | 1,039,782 | 11,063,762 |
| - Held to maturity | | |
| Short term investments | - | 615,834 |
| **Financial liabilities as per balance sheet** | | |
| - Financial liabilities measured at amortised cost | | |
| Borrowings | 34,551,461 | 36,300,327 |
| Trade and other payable | 12,903,002 | 16,401,746 |
| Accrued interest / mark-up | 599,676 | 851,684 |
| | 48,054,139 | 53,553,757 |
| - Fair value through profit and loss | | |
| Conversion option on IFC loan | 194,999 | 298,749 |
| Derivative financial instruments | 54,654 | 67,735 |
| | 249,653 | 366,484 |

## 38. FINANCIAL RISK MANAGEMENT

### 38.1 Financial risk factors

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

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

(Amounts in thousand)

a) Market risk

i) Currency risk

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

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

On foreign currency borrowing of USD 20,625 as on December 31, 2016, the Group has Rupee / USD hedge of USD 19,625.

At December 31, 2016, if the currency had weakened / strengthened by 1% against the US dollar with all other variables held constant, post-tax profit for the year would have been lower / higher by Rs. 722 mainly as a result of foreign exchange loss / gain on translation of US dollar denominated loans.

ii) Interest rate risk

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

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

As at December 31, 2016, if interest rates had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by Rs. 251,583.

b) Credit risk

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

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

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

(Amounts in thousand)

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

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

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Loans, advances and deposits | 124,528 | 197,811 |
| Trade debts | 7,585,312 | 2,261,747 |
| Other receivables | 13,580 | - |
| Short term investments | 1,039,782 | 11,650,389 |
| Derivative financial instruments | - | 29,207 |
| Cash and bank balances | 79,267 | 923,555 |
| | 8,842,468 | 15,062,709 |

(Amounts in thousand)

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

| | Rating agency | Rating | |
|---|---|---|---|
| | | Short term | Long term |
| Allied Bank Limited | PACRA | A1+ | AA+ |
| Askari Bank Limited | JCR-VIS | A-1+ | AA |
| Bank Alfalah Limited | PACRA | A1+ | AA |
| Bank AL Habib Limited | PACRA | A1+ | AA+ |
| Bank Islami Pakistan Limited | PACRA | A1 | A+ |
| The Bank of Punjab | PACRA | A1+ | AA- |
| Albaraka Bank (Pakistan) Limited | JCR-VIS | A-1 | A |
| Citi Bank N.A. | MOODY'S | P-1 | A1 |
| Dubai Islamic Bank (Pakistan) Limited | JCR-VIS | A-1 | A+ |
| Faysal Bank Limited | PACRA | A1+ | AA |
| Habib Bank Limited | JCR-VIS | A-1+ | AAA |
| Habib Metropolitan Bank Limited | PACRA | A1+ | AA+ |
| JS Bank Limited | PACRA | A1+ | A+ |
| MCB Bank Limited | PACRA | A1+ | AAA |
| Meezan Bank Limited | JCR-VIS | A-1+ | AA |
| National Bank of Pakistan | JCR-VIS | A-1+ | AAA |
| Samba Bank Limited | JCR-VIS | A-1 | AA |
| Silk Bank Limited | JCR-VIS | A-2 | A- |
| Soneri Bank Limited | PACRA | A1+ | AA- |
| Standard Chartered Bank (Pakistan) Limited | PACRA | A1+ | AAA |
| Summit Bank Limited | JCR-VIS | A-1 | A- |
| United Bank Limited | JCR-VIS | A-1+ | AAA |
| HSBC Bank Middle East | MOODY'S | P-1 | A2 |
| CIMB Bank Berhud | MOODY'S | P-2 | A3 |
| Mashreq Bank | MOODY'S | P-2 | Baa2 |
| United Bank Limited | MOODY'S | NP | Caa1 |
| Habib Bank Limited | MOODY'S | NP | Caa1 |

(Amounts in thousand)

c) Liquidity risk

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

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

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

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

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Maturity upto one year | Maturity after one year | Total | Maturity upto one year | Maturity after one year | Total |
| | -------------------Rupees------------------- | | | -------------------Rupees------------------- | | |
| Financial liabilities | | | | | | |
| Derivatives | 249,653 | - | 249,653 | 366,484 | - | 366,484 |
| Trade and other payables | 12,903,002 | - | 12,903,002 | 16,401,746 | - | 16,401,746 |
| Accrued interest / mark-up | 599,676 | - | 599,676 | 851,684 | - | 851,684 |
| Borrowings | 5,171,515 | 29,379,946 | 34,551,461 | 10,736,586 | 25,289,658 | 36,026,244 |
| | 18,923,846 | 29,379,946 | 48,303,792 | 28,356,500 | 25,289,658 | 53,646,158 |

## 38.2 Capital risk management

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

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

The total long term borrowings to equity ratio as at December 31, 2016 based on total long term borrowings of Rs. 34,551,461 and total equity of Rs. 41,648,384 was 46%:54%.(2015: 46%:54%)

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

(Amounts in thousand)

## 38.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)

- Inputs for the asset or liability that are not based on observable market data (level 3)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | ---------------------------------- Rupees---------------------------------- | | | |
| **Assets** | | | | |
| Financial assets at fair value through profit and loss | | | | |
| - Short term investments | - | 1,039,782 | - | 1,039,782 |
| **Liabilities** | | | | |
| Derivatives | | | | |
| - Derivative financial instruments | - | 54,654 | - | 54,654 |
| - Conversion option on IFC loans | - | 194,999 | - | 194,999 |
| | - | 249,653 | - | 249,653 |

### Valuation techniques used to derive Level 2 fair values

Level 2 fair valued instruments comprise short term investments and hedging derivatives which include forward exchange contracts and conversion option on IFC loans. These forward foreign exchange contracts have been fair valued using forward exchange rates that are received from the contracting banks and financial institutions. The fair value of conversion options on IFC loan is determined using the option pricing model where its determinants are derived from observable market inputs.

Short term investments comprise treasury bills and fixed income placements which are valued using discounted cash flow model.

There were no transfers amongst the levels during the year.

(Amounts in thousand)

### 38.4 Fair value of financial assets and liabilities

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

## 39. TRANSACTIONS WITH RELATED PARTIES

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

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

| | 2016 | 2015 |
|---|---|---|
| | ----------------Rupees---------------- | |
| **Parent Company** | | |
| Dividend paid | 6,526,428 | 6,570,543 |
| Purchases and services | 254,568 | 229,368 |
| Receipt against disposal of investment | - | 4,400,000 |
| Consideration for acquisition of subsidiary | - | 4,383,000 |
| Services provided to Parent Company | 25,521 | 25,400 |
| Royalty | 745,010 | 929,158 |
| Reimbursements | 193,809 | 214,557 |
| Mark-up paid on short term subordinated loan | 13,697 | - |
| Use of assets | 1,378 | 3,109 |
| Repayment of sub-ordinated loan | 3,000,000 | - |
| Receipt of sub-ordinated loan | 3,000,000 | - |
| **Associated companies** | | |
| Purchases and services | 118,656 | 130,109 |
| Sale of products | 1,338 | 1,459 |
| Purchase of tax losses | - | 956,791 |
| Purchase of product | - | 41,662 |
| Services provided | 84,751 | 71,973 |
| Reimbursements | 102,523 | 225,874 |
| Funds collected against sales made on behalf of an associate | - | 2,035,579 |
| Payment of mark-up on TFCs and repayment of principal amount | 54,847 | 18,739 |
| Purchase of mutual fund units | - | 490,000 |
| Redemption of mutual fund units | - | 491,210 |
| Donation | 57,500 | 55,000 |
| Markup on loans | - | 20,299 |
| Loans issued | - | 57,484 |
| Loans returned | - | 1,005,301 |
| Use of assets | 3,488 | 5,343 |
| **Contribution to staff retirement benefits** | | |
| Pension fund | 18,939 | 19,519 |
| Gratuity fund | 93,518 | 83,844 |
| Provident fund | 107,875 | 101,606 |
| **Others** | | |
| Remuneration of key management personnel | 200,396 | 174,508 |

(Amounts in thousand)

## 40 DONATIONS

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

| | Interest in Donee | Name and address of Donee | 2016 | 2015 |
|---|---|---|---|---|
| | | | --------------Rupees--------------- | |
| Khalid Siraj Subhani | President | | | |
| Ghias Khan | President | Engro Foundation | 57,500 | 55,000 |
| Ruhail Mohammed | Trustee | | | |

## 41 PRODUCTION CAPACITY

| | Designed annual capacity (note 41.1) Metric Tons | | Actual production Metric Tons | | Remarks |
|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | |
| Urea plant I & II | 2,275,000 | 2,275,000 | 1,881,016 | 1,967,552 | Production planned as per market demand |
| NPK plant | 100,000 | 100,000 | 94,610 | 126,074 | |

## 42. NUMBER OF EMPLOYEES

| | Number of employees as at | | Average number of employees | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Management employees | 654 | 625 | 640 | 548 |
| Non-management employees | 531 | 527 | 530 | 604 |
| | 1,185 | 1,152 | 1,170 | 1,152 |

## 43. PROVIDENT FUND

The employees of the Group participate in Provident Fund maintained by Engro Corporation (the Parent Company). Monthly contribution are made both by the Holding Company and employees to the fund maintained by the Parent Company at the rate of 10% of basic salary. Accordingly, the following information is based upon the latest unaudited financial statements of the provident fund maintained by the Parent Company as at June 30, 2016 and the audited financial statements as at June 30, 2015.

(Amounts in thousand)

| | 2016 | 2015 |
|---|---|---|
| | -----------------Rupees----------------- | |
| Size of the fund - Total assets | 3,205,658 | 3,161,499 |
| Cost of the investments made | 2,800,793 | 2,333,996 |
| Percentage of investments made | 94% | 87% |
| Fair value of investments | 3,015,867 | 2,736,879 |

The break-up of investments is as follows:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Rupees | % | Rupees | % |
| National Savings Scheme | 790,505 | 26 | 223,037 | 8 |
| Government securities | 702,336 | 23 | 1,045,090 | 38 |
| Listed securities | 927,211 | 31 | 1,164,311 | 43 |
| Balances with banks in savings account | 595,815 | 20 | 304,441 | 11 |
| | 3,015,867 | 100 | 2,736,879 | 100 |

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

## 44. SEASONALITY

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

## 45. LOSS OF CERTAIN ACCOUNTING RECORDS

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

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

(Amounts in thousand)

## 46. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on February 08, 2017 has proposed a final cash dividend of Rs. 2.50 (2015: Rs. 3.00) per share in addition to interim dividend already paid at Rs. 4.50 (2015: Rs. 3.00) per share for the year ended December 31, 2016, for approval of the members at the Annual General Meeting to be held on March 30, 2017.

## 47. CORRESPONDING FIGURES

During the year for better presentation, the following reclassification has been made:

| Description | Head of account in financial statements for the year ended December 31, 2015 | Head of account in financial statements for the year ended December 31, 2016 | Rupees |
|---|---|---|---|
| Income from sale under government subsidy | Net sales | Other income | 2,611,879 |

## 48. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 8, 2017 by the Board of Directors of the Holding Company.

Ruhail Mohammed
Chief Executive

Ghias Khan
Chairman

# proxy form

I/We ______________________________________________

of ______________________________ being a member of ENGRO FERTILIZERS LIMITED

and holder of ______________________________________________

(Number of Shares)

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

as my/our proxy to vote for me and on my/our behalf at the annual general meeting of the Company to be held on the 30th day of March, 2017 and at any adjournment thereof.

Signed this ______________ day of ________ 2017.

## WITNESSES:

1) Signature : ______________

Name : ______________

Address : ______________

______________

CNIC or : ______________

Passport No. ______________

______________

______________

Signature

Signature should agree with the specimen registered with the Company

2) Signature : ______________

Name : ______________

Address : ______________

______________

CNIC or : ______________

Passport No. ______________

______________

## Note:

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

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

# electronic transmission consent form

The Securities & Exchange Commission of Pakistan through SRO 787(I)/2014 of September 8, 2014 allowed the Company to circulate its annual balance sheet and profit & loss accounts, auditor's report and directors' report etc. (Audited Financial Statements) along with the Company's Notice of Annual General Meeting to its shareholders through email. Those shareholders who wish to receive the Company's Annual Report through email are requested to complete the requisite form below.

CDC shareholders are requested to submit their Electronic Transmission Consent Form along with their CNIC directly to their broker (participant)/CDC; while shareholders having physical shares are to send the forms and a copy of their CNIC to the Company's Registrar, FAMCO Associates (Pvt) Limited, 8-F, Block 6, P.E.C.H.S, next to Hotel Faran, Nursery, Shahrah-e-Faisal, Karachi.

# Electronic Transmission Consent Form

Pursuant to the directions given by the Securities & Exchange Commission of Pakistan through its SRO 787(I)/2014 of September 8, 2014, I, Mr. /Ms. ____________________________________ S/o, D/o, W/o ____________________ hereby consent to have the Engro Fertilizers Limited's Audited Financial Statements and Notice of Annual General Meeting delivered to me via email on my email address provided below:

| | |
|---|---|
| Name of Member/Shareholder | |
| Folio/CDC Account Number | |
| CNIC | |
| Email Address | |

It is stated that the above mentioned information is true and correct and that I shall notify the Company and its Share Registrar in writing of any change in my email address or withdrawal of my consent to email delivery of the Company's Audited Financial Statements and Notice of the Meeting.

____________________________
Signature of Member/Shareholder

Date: ____________________

# request for video conferencing facility form

Members can also avail video conference facility in Lahore and Islamabad. If the Company receives consent at least 10 days prior to date of meeting, from members holding in aggregate 10% or more shareholding and residing at either Lahore and/or Islamabad to participate in the meeting through video conference, the company may arrange video conference facility in that city.

In this regard please fill up the following form and submit it to registered address of the Company 10 days before holding of the annual general meeting.

I/We, ______________________________ of ______________________________ being a member of Engro Fertilizers Ltd., holder of ___________________________ Ordinary Share(s) as per Register Folio No/CDC A/c No.___________________________ hereby opt for video conference facility at ______________________.

_________________________________

Signature of Member/Shareholder

Date: ______________________

# ویڈیو کانفرنسنگ کی سہولت کے فارم کی درخواست

لاہور اور اسلام آباد میں اراکین ویڈیو کانفرنس کی سہولت بھی حاصل کر سکتے ہیں۔ لاہور اور ریا اسلام آباد میں مقیم وہ شیئر ہولڈرز جو مجموعی طور پر 10 فیصد یا اس سے زیادہ شیئرز کے حامل ہوں اور اجلاس میں ویڈیو کانفرنس کے ذریعے شامل ہونا چاہتے ہوں تو اگر اجلاس کی تاریخ سے کم از کم 10 روز قبل کمپنی کو ان کی طرف سے اجازت موصول ہو جاتی ہے تو وہ ان میں سے کسی بھی شہر میں اُن کے لئے ویڈیو کانفرنس کی سہولت مہیا کر سکتی ہے۔

اس ضمن میں براہِ مہربانی درج ذیل فارم پُر کیجئے اور اسے کمپنی کے رجسٹرڈ پتے پر سالانہ اجلاسِ عام کے انعقاد کی تاریخ سے کم از کم 10 روز قبل داخل کروا دیجئے۔

میں رہم ---------------------------------------------------------------------------------- اینگرو فرٹیلائزرز لمیٹڈ کے رکن اور رجسٹر کے

صفحہ نمبر رسی ڈی سی اکاؤنٹ نمبر------------------- کے مطابق------------عام شیئر (ز) کے حامل کی حیثیت سے------------ میں ویڈیو کانفرنس کی سہولت حاصل کرنا چاہتا ہوں رچاہتے ہیں۔

-------------------------------------

-------------------------------------

دستخط رکن رشیئر ہولڈر

تاریخ:--------------------------------

# پراکسی فارم

میں/ہم ---------------------------------------------------- کے ----------------------------------------------

اینگرو فرٹیلائزرز لمیٹڈ کے رکن اور عام شیئر کے حامل کی حیثیت کے ---------------------------------------- (شیئرز کی تعداد)

رجسٹر کا فولیو نمبر ------- اور/یا سی ڈی سی فولیو کا آئی ڈی نمبر ---------------------- اور ذیلی اکاؤنٹ نمبر -----------------،------------------------- کے

------------------------------------- یا ------------------------------ کے ----------------------------------------

کو کمپنی کے سالانہ عام اجلاس جو 30 مارچ 2017 ءکو منعقد ہوگا، میں میرے/ہمارے لئے اور میری/ہماری طرف سے بحیثیت اپنا پراکسی، ووٹ دینے کے لئے نامزد کرتا ہوں/کرتے ہیں۔

دستخط ---------------------------- بروز ------------ بتاریخ ------- / ----------- 2017ء

گواہان:

- دستخط : ------------------------------------------
  نام : ------------------------------------------
  پتہ : ------------------------------------------
  ------------------------------------------
  کمپیوٹرائزڈ قومی شناختی کارڈ نمبر : ------------------------------
  پاسپورٹ نمبر : -------------------------------------

----------------------------

دستخط شیئر ہولڈر

(دستخط کا کمپنی میں رجسٹرڈ نمونے کے ہو بہو مطابق ہونا ضروری ہے)

- دستخط : ------------------------------------------
  نام : ------------------------------------------
  پتہ : ------------------------------------------
  ------------------------------------------
  کمپیوٹرائزڈ قومی شناختی کارڈ نمبر : ------------------------------
  پاسپورٹ نمبر : -------------------------------------

نوٹ : نمائندے کو فعال بنانے کے لئے نامزدگی کا فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کو موصول ہو جانا چاہیئے۔ نمائندے کو کمپنی کا رکن ہونا ضروری نہیں۔

سی ڈی سی شیئر ہولڈرز اور ان کے نمائندوں سے فرداً فرداً درخواست ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ نقل یا پاسپورٹ، پراکسی فارم داخل کرنے سے قبل اس کے ساتھ منسلک کریں۔

## ڈائریکٹرز کی ذمہ داریوں کا اعلامیہ

ڈائریکٹرز درج ذیل ذمہ داریوں کے حوالے سے SECP کوڈ آف کارپوریٹ گورننس کے کارپوریٹ اینڈ فائنانشل رپورٹنگ فریم ورک کی تعمیل کی تصدیق کرتے ہیں۔

۱۔ کمپنی کی انتظامیہ کی طرف سے تیارکردہ مالیاتی گوشوارے منصفانہ طور پر اس کے معاملات کی صورت حال، سرگرمیوں کے نتائج، کیش فلو اور ایکویٹی میں تبدیلیاں پیش کرتے ہیں۔

۲۔ کمپنی کے اکاؤنٹس کے درست کھاتے مینٹین رکھے گئے ہیں۔

۳۔ مالیاتی گوشواروں کی تیاری میں مسقلاً مناسب اکاؤنٹنگ پالیسیز کا اطلاق کیا گیا ہے اور حسابات کے گوشوارے مناسب عاقلانہ فیصلے پر مبنی ہیں۔

۴۔ مالیاتی گوشواروں کی تیاری میں انٹرنیشنل فائنانشل رپورٹنگ اسٹینڈرڈز جیسا کہ پاکستان میں قابل اطلاق ہیں کی پیروی کی گئی اوران سے کسی گریز کے راستے مناسب طور پر بند کئے گئے ہیں۔

۵۔ نظام کے داخلی کنٹرول کی ساخت محفوظ ہے اوراس کا موثر اطلاق اور نگرانی کی گئی ہے۔

۶۔ بطور ایک چلتے ادارے کمپنی کے کاروبار جاری رکھنے کی اہلیت پر کوئی قابل زکر خدشات نہیں ہیں۔

۷۔ کارپوریٹ گورننس کی بہترین روایات سے کسی قسم کا مادی گریز نہیں کیا گیا ہے جیسے کہ لسٹنگ ریگولیشن میں تفصیلات شامل ہیں۔

۸۔ ایک ڈائریکٹرز نے پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس کی طرف سے منعقدہ ڈائریکٹرز ٹریننگ کورس میں شرکت کی ہے۔ بقیہ چھے ڈائریکٹرز یہ کورس پہلے ہی مکمل کرچکے ہیں۔

## بورڈ کے اجلاس اور حاضری

2016ء میں، بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے

ڈائریکٹرز حاضری ریکارڈ مندرجہ ذیل ہے

| ڈائریکٹرز کے نام | اجلاسوں کی تعداد جن میں شرکت کی |
|---|---|
| جناب سید خالد سراج سبحانی | 5*** |
| جناب روحیل محمد | 5 |
| جناب جاوید اکبر | 3** |
| محترمہ ناز خان | 5 |
| جناب عبدالصمد داؤد | 5 |
| جناب شبیر ہاشمی | 1* |
| جناب شاہد حامد پراچہ | 1* |
| جناب انعام اللہ نوید خان | 1* |
| جناب اسد سعید جعفر | 4* |
| محترمہ سعدیہ خان | 4* |
| جناب عاصم مرتضی خان | 3* |
| جناب غیاث خان | 0**** |

(*) 28 مارچ 2016ء کو ڈائریکٹرز کے انتخابات منعقد کئے گئے

(**) 7 نومبر 2016ء کو محترمہ ناز خان نے استعفیٰ دے دیا

(***) 30 نومبر 2016ء کو جناب سید خالد سراج سبحانی نے استعفیٰ دے دیا

(****) 9 دسمبر 2016ء کو غیاث خان نے شمولیت اختیار کی

## بی سی سی حاضری

بورڈ کمپینسیشن کمیٹی نے سال 2016ء میں تین بورڈ میٹنگز منعقد کیں اور اپنی کارکردگی پیش کی۔ ڈائریکٹرز کی حاضری کا ریکارڈ درج ذیل ہے:

| ممبران کے نام | میٹنگز میں حاضری |
|---|---|
| خالد سراج سبحانی* | 03 |
| عبدالصمد داؤد | 02 |
| جاوید اکبر | 03 |

* 30 نومبر 2016ء کو مستعفی ہوئے۔

## بی اے سی حاضری

2016ء میں بورڈ آڈٹ کمیٹی کی سرگرمیوں کا مکمل احاطہ کرنے کے لئے چار اجلاس منعقد کئے۔ ڈائریکٹرز کی حاضری ریکارڈ درج ذیل ہے:

| ممبران کے نام | میٹنگز میں حاضری |
|---|---|
| جاوید اکبر | 04 |
| اسد سعید جعفر* | 03 |
| سعدیہ خان* | 03 |
| عبدالصمد داؤد** | 0 |
| شبیر ہاشمی** | 01 |

* 28 مارچ 2016ء کو شامل ہوئے۔

** 28 مارچ 2016ء کو بی اے سی سے مستعفی ہوئے۔

روحیل محمد
چیف ایگزیکٹو آفیسر

غیاث خان
چیئرمین

اورزونل دفاتر کے لئے گرین آفس سرٹیفکیشن شامل ہے۔ اس کے علاوہ پروٹیکشن اور آئینی سرٹیفکشن میں بھرپور توجہ کی وجہ سے (Product Stewardship initiative of International fertilizers Association) نے ''ایکسیلنس'' کی ریٹنگ دی 2016ء میں گرین لیف بیسٹ پروگریشن ایوارڈ سے نوازا گیا۔

مزید براں ماحولیات سے متعلق آگاہی اور ہمارے کردار پر کئی انی شیٹیو کا آغاز کیا گیا جیسے 2016ء میں ہم نے 40 ملین روپے کی لاگت والے منصوبے سے آبی بخارات بنانے والے تالابوں کو اپ گریڈ کیا گیا۔ ساتھ ساتھ 5S سرٹیفکیشن — جاپانی مینجمنٹ سسٹم جو ورک اسپیس کو عمدگی سے سنبھالنے کے طریقہ کار بیان کرتا ہے — کو مزید چار نئی بلڈنگوں تک پھیلا دیا گیا۔ اس طرح 10 سائٹس تک دائرہ کار کو بڑھا دیا گیا ہے۔ زیرِ جائزہ سال کے دوران ہم نے حکومتِ پاکستان کے قوانین کے عین مطابق 104 ٹن زہریلہ فُضلہ محفوظ اور ماحول دوست طریقے سے تلف کیا۔

ہمارے تمام مینوفیکچرنگ پلانٹ کے آپریشنز میں کام کرنے والے ملازمین کو مخصوص HSE خطرات، ایمرجنسی آپریشن اور محفوظ کام کے طریقوں کی آگاہی کے ساتھ، عمل اور آپریٹنگ طریقہ کار کا ایک خاکہ فراہم کیا جاتا ہے۔ کمپنی میں پیشہ ورانہ صحت کے پروگرام میں صنعتی حفظان صحت اور پیشہ ورانہ طب بھی شامل ہیں۔ مزید براں تمام ملازمین کو تربیت دی جاتی ہے اور تکنیکی تبدیلیوں اور ان کے کام کرنے کی جگہ کی حفاظت سے متعلق پہلوؤں کے متعلق بھی آگاہ کیا جاتا ہے۔ سال 2016ء کے دوران HSE نظام اور طرزِ عمل سے اپنے ملازمین کی واقفیت بڑھانے کے لئے ہم نے تمام سائٹس پر HSE کے حوالے سے سروے کیا۔ ملازمین کی معلومات بڑھانے کیلئے ہم نے زرخیز پلانٹ اور مارکیٹنگ ڈویژن میں ڈوپونٹ پیشہ ورانہ صحت اور صنعتی صفائی پروگرام عمل شروع کیا۔ اس کے علاوہ، سائٹ پر (فوڈ سیفٹی اضافہ) پروگرام بھی شروع کیا گیا۔

زیر جائزہ سال میں موجودہ نظام کا ایک جامع تجزیہ مکمل کیا گیا اور دو اہم سسٹمز کو شروع کیا گیا۔ کمپنی نے برطانوی سلامتی کونسل ماحولیاتی مینجمنٹ سسٹم (EMS) سے ڈیوپونٹ پر منتقلی کی اور فرسودہ سیفٹی مینجمنٹ سسٹم سے جدید Sphera نظام اختیار کیا۔

| ہماری HSE کارکردگی | |
|---|---|
| کُل ریکارڈ چوٹ کی شرح (TRIR) | 0.05 |
| لوس ورک ڈے انجری | 2 |
| مکمل مین آورز | 15,147,955 |
| ہلاکتیں | کوئی نہیں |
| ریکارڈ ہوئی انجریاں | 4 |

### ہماری سماجی سرمایہ کاری

ہمارے اسٹیک ہولڈرز میں صرف ہمارے سرمایہ کار اور ملازمین ہی نہیں بلکہ لوگوں کی ایک وسیع تعداد شامل ہے۔ ہم دیرپا انیشیٹیو میں سرمایہ کاری کرتے ہیں جو مقامی آبادی کے ساتھ ساتھ پوری قوم میں نا صرف مثبت تبدیلی کا پیش خیمہ ثابت ہو بلکہ اُن کی سماجی اور معاشی نمو میں بھی کردار ادا کرے۔ ہم اپنے کاروباری فیصلوں سے ہونے والے اثرات پر جوابدہ ہیں اس لئے ہم اُن کمیونٹیز کی فلاح بہبود میں بڑھ چڑھ کر حصہ لیتے ہیں جو ہمارے ساتھ جڑی ہوئی ہیں۔ اس طرح سے ہم اپنے وژن کے عین مطابق اپنے اسٹیک ہولڈرز کی اُن کی توقعات سے بڑھ کر خدمت کرتے ہیں۔ ہمارا وژن ایک ایسی تبدیلی ہے جو سماجی اقتصادی ترقی کی وجہ بنے اور اُن کی مدد کرنا ہے جو ضرورت مند ہوں جیسا کہ ہمارا سی ایس آر ونگ اینگرو فاؤنڈیشن کی کارکردگی سے ظاہر ہے جو کم آمدنی والے علاقوں کے لوگوں کی زندگیاں تعلیم، زریعہ معاش، انفراسٹرکچر کی ترقی، علاج معالجہ اور ہنگامی امداد کے زریعے بہتر بنانے کے لئے کوشاں ہے۔ لیکن زیادہ اہم اس کا وہ کردار ہے جس میں یہ لوگوں کی فلاح بہبود کے لئے کارپوریٹ خدمت خلق سے بھی بڑھ ایک جامع کاروبار کی حکمت عملی پر زور دیتی ہے۔

### کمیونٹی کے ساتھ شمولیت

جیسے ہم نے اپنے بنیادی ایریاز کو مضبوط کیا ہے ویسے ہم نے میزبان کمیونٹیز کی سماجی و اقتصادی ترقی کے لئے کئی اقدامات لے کر ان کے ساتھ ایک کامیاب اتحاد قائم کیا ہے۔ سال بھر میں ہم نے ڈھرکی میں اپنے پلانٹ کے اطراف کی آبادیوں کے لئے زریعہ معاش، تعلیم، اور انفراسٹرکچر کی ترقی کے لئے کئی اقدامات کئے جن سے اطراف کے کئی دیہات مستفید ہوئے جن میں باگو بھٹو، جان محمد بوگھیو، جنگ، کالو بھوریرو، کوٹلو مرزا، نورحسن شاہ سمیت کئی دیہات شامل ہیں۔ ان اقدامات میں طبی دیکھ بھال، تعلیمی سہولیات، آمدنی کے مواقع اور کمیونٹی کے فزیکل انفراسٹرکچر میں اصلاح ہے۔

### ٹیکنیکل ٹریننگ کالج (TTC)

سال بھر ہماری توجہ مقامی آبادیوں میں ہنر مند افرادی قوت پیدا کرنے پر مرکوز رہی۔ کمپنی نے TTC کے قیام میں معاونت فراہم کی جو ہماری ہنرمندانہ صلاحیتوں کو بہتر کرنے میں اہم کردار کر رہا ہے۔ TTC کیمیکل اور مکینکل ٹیکنالوجیز میں 3 سالہ ایسوسی ایٹڈ انجینئرنگ ڈپلومہ کے ساتھ ساتھ کئی مختصر مدتی ووکیشنل ٹریننگ پروگرام کا بھی انعقاد کرتا ہے تا کہ مقامی نوجوان انڈسٹری میں ہنر مند انسانی وسائل کی مطلوبہ طلب پوری کر سکیں۔ علاوہ ازیں، افرادی قوت کی بھرتی سے متعلق ایک مطالعہ کیا گیا جس کے زریعے TTC سے فارغ التحصیل افراد کے لئے بیرون ملک روزگار کے مواقع کا جائزہ لیا گیا۔ ووکیشنل ٹریننگ کورسز کے لئے USAID کے ساتھ 7 ملین روپے کی شراکت کی گئی جس کے زریعے نوجوانوں کو کارپینٹری، ویلڈنگ اور الیکٹریشن کے ہنر کی تعلیم دی گئی۔

زیر جائزہ سال 2016ء میں 405 نوجوان ایسوسی ایٹڈ انجینئرنگ ڈپلومہ میں شامل ہوئے جبکہ اسی سال 61 نوجوانوں نے ڈپلومہ پاس کیا۔ اب تک 165 نوجوان ڈپلومہ مکمل کر چکے ہیں ان میں سے 68 فارغ التحصیل برسرروزگار ہیں جن میں سے 70 فیصد کو اینگرو نے اپنی ٹیم کا حصہ بنایا ہے۔ اسی طرح 595 نوجوانوں کو نیشنل ووکیشنل اینڈ ٹیکنکل ٹریننگ کمیشن، بینظیر بھٹو شہید یوتھ ڈولپمنٹ پروگرام اور انڈس ریسورس سینٹر کی مدد سے 23 مختلف کورسز میں اسپانسر کیا گیا۔

مقامی آبادی کو نوجوانوں میں انٹر پرینیورشپ کو فروغ دینے کے لئے 2015ء میں انکوبیشن پارک قائم کیا گیا۔ فی الحال اس میں 9 فارغ التحصیل اب خودمختار کاروباری بن گئے ہیں۔

مستقبل میں کمپنی گھوٹکی میں Let Girls Learn (LGL) پروگرام کے آغاز کا ارادہ رکھتی ہے۔ یہ پروگرام یو ایس ایڈ کی جانب سے اینگرو فاؤنڈیشن کو دیا گیا ہے تا کہ لڑکیوں کو پیشہ ورانہ تعلیم کے کورسز کروائے جائیں۔

مالی سال 2016ء کے دوران اینگرو کے زیرِ سایہ اسکولوں میں بچوں کی تعداد میں 15 فیصد کی نمو دیکھی گئی۔ زیر جائزہ سال میں بچوں کی تعداد 1,681 ریکارڈ کی گئی جبکہ سال 2015 میں 1,461 بچے اسکول میں رجسٹرڈ تھے۔ اس اہم کامیابی کی وجہ انفراسٹرکچر میں بہتری اور کمپیوٹر لیبارٹری کا قیام ہے۔ زیادہ خوش آئند بات بچیوں کی اسکول میں رجسٹریشن ہے جن کی تعداد میں 39 فیصد اضافہ ہوا جبکہ پچھلے سال 32 فیصد طالبات اسکول میں داخل ہوئیں تھیں۔ مقامی آبادی کے ساتھ تعلقات بہتر کرنے کی ہماری کاوشوں کی بدولت اسکول چھوڑنے والے بچوں میں نمایاں کمی دیکھی گئی۔ گزشتہ سال 5 فیصد بچوں نے مختلف وجوہات کی بناء پر اسکول چھوڑ دیا تھا تاہم اِس سال 4 فیصد بچوں نے اسکول آنا چھوڑا جو یقیناً ایک توجہ طلب مسئلہ ہے لیکن اعداد وشمار میں معمولی مثبت تبدیلی بھی قابل تحسین ہے۔

مالی سال 2016ء کے دوران سیکنڈری تعلیم میں داخلے کی شرح میں بھی بہتری دیکھی گئی۔ سال 2015ء میں 72 فیصد بچوں نے سیکنڈری نے اسکول آنا چھوڑا جو یقیناً ایک توجہ طلب مسئلہ ہے لیکن اعداد وشمار میں معمولی مثبت تبدیلی بھی قابل تحسین ہے۔

سال 2016ء کے دوران ہمارے کچا اسکول نیٹ ورک پلان کے مطابق کام کرتا رہا، سہارا کمیونٹی اسکول پورے سال اطراف کی کمیونٹیوں کے بچوں کو اعلی اور معیاری تعلیم فراہم کرتا رہا۔ اپ گریڈ سہولیات اور میٹرک تک کلاس کی توسیع کے ساتھ یہ اسکول کمیونٹی کا اہم جز بن گیا ہے۔

### صحت

ہمارے صحت عامہ کے منصوبوں نے مختلف کمیونٹیز کو علاج معالجہ کی بنیادی سہولیات فراہم کی ہیں۔ ہمارے سہارا کلینک کمیونٹیوں کے 15,102 اشخاص کو صحت عامہ بنیادی سہولتیں فراہم کر رہے ہیں ان میں سے 11,136 لوگوں کو سنیک بائٹ ٹریٹمنٹ فیسلٹی میں ضروری میڈیکل سروسز دی گئیں۔

### این وژن Envision

این وژن ایک ملازم رضا کارانہ پروگرام ہے جو کمپنی کے ملازمین کو سماجی سرگرمیوں میں حصہ لینے کے مواقع فراہم کرتا ہے۔ ڈھرکی کراچی اور دیگر مقامات میں مقیم ملازمین سماجی کاموں میں بڑھ چڑھ کر حصہ لیا اور 4,595 گھنٹے سماجی کاموں میں صرف کیئے جبکہ سال 2015ء میں کمپنی کے ملازمین نے اسی سلسلے میں 3,101 گھنٹے صرف کیئے۔

### اپنے لوگوں سے ہمارا عزم

ہر سال کی طرح اِس سال بھی ہم نے انسانی وسائل کے انتظام کے لئے ایک سخت گیر اور مربوط نقطہِ نظر کو برقرار رکھا ہے۔ ہماری کوشش رہی کہ پاکستان کے سب سے زیادہ باصلاحیت لوگوں کو اپنی ٹیم کا حصہ بنایا جائے۔ ہماری اعلی کارکردگی دکھانے والی ٹیموں کو تخلیق کرنے کی صلاحیت ایک ایسے کلچر کا فروغ جس میں جامعیت، پروفیشنل ازم اور مہارت پر زور ہو، وہ چیز ہے جو ہماری کامیابی کی ضمانت ہے۔ یہ کمپنی کی چاہ ہے کہ وہ ایک ایسا ادارہ بنے جس میں نا صرف پاکستان بلکہ دنیا کے باصلاحیت لوگ اس کا حصہ بننے کی خواہش کریں۔ اس کے لئے ہم نے سال 2010ء میں ڈے کیئر سینٹر قائم کیا، اس کے علاوہ زچگی کی چھٹیاں، پارٹ ٹائم کام، آف ٹریک کیریئر آپشنز، تعلیم میں معاون پلان اور ای ایم ای اے معاونت پلان بھی متعارف کروائے۔

اس کے علاوہ 2016ء میں ہم نے انسانی وسائل کے انتظام پر توجہ برقرار رکھی اور اس ضمن میں کئی پروگرام اور ایکٹیوٹی کروائیں جیسے ایچ آر کنکٹ پروگرام (HR Connect Program)۔ یہ پروگرام ٹیلنٹ کی ترقی، صلاحیتوں میں بہتری اور اضافہ اور کیریئر میں آگے بڑھنے کے مواقع فراہم کرنے میں مددگار ہے۔ اس کے ساتھ ساتھ ہم نے اپنے ملازمین کی صحت اور تندرستی پر بھی توجہ مرکوز رکھی۔

کمپنی ٹیلنٹ کی حوصلہ افزائی اور پہچانے کی اہمیت سے بخوبی واقف ہے۔ ہم آرگنائزیشن میں ہر سطح پر اپنے ملازمین کو بہتر اچھا معاوضہ کا پیکج دیتے ہیں۔ مارکیٹنگ کی استعداد کار کو بڑھانے کے واسطے ہم نے سال کی پہلی سہ ماہی میں ایک اسپیشل ٹریننگ پروگرام ترتیب دیا۔ اینگرو فرٹیلائزر میں ہم متحرک آپریٹنگ ماحول کے لئے کوشاں ہیں۔ اس بناء پر ہم نے ICT کا استعمال کیا ہے تا کہ تمام افراد تک HR کی متعلقہ معلومات مہیا ہو۔

### پینشن گریجویٹی اور پروویڈینٹ فنڈ

کمپنی کے ملازمین اینگرو کارپوریشن (پیرنٹ کمپنی) کے زیرِ نگرانی وویڈنٹ فنڈ میں حصہ لیتے ہیں۔ اپنے ملازمین کو بعد از ملازمت اور ریٹائرمنٹ پر مراعات فراہم کرنے کے منصوبے رکھتی ہے۔ ان میں DC پروویڈنٹ فنڈ، (DC) گریجویٹی پلان اور DB گریجویٹی پلان شامل ہیں۔ 30 جون 2016ء تک پروویڈنٹ فنڈ کے نیٹ اثاثہ جات کی ویلیو، 31 دسمبر 2015ء تک کے گریجویٹی فنڈز اور 31 دسمبر 2015ء تک کے پینشن فنڈز کے آڈٹ شدہ گوشوارے مندرجہ ذیل ہیں۔

Provident Fund: PKR 3,206 million (EFERT's share: ~PKR 1,317 million)

DC Pension Fund: PKR 685 million (EFERT's share: ~PKR 414 million)

DB Pension Fund: PKR 36 million (All EFERT)

DC Gratuity Fund: PKR 1,032 million (EFERT's share: ~PKR 509 million)

DB NMPT Gratuity Fund: PKR 118 million (All EFERT)

DB MPT Gratuity Fund: PKR 249 million (All EFERT)

### آڈیٹرز

موجودہ آڈیٹرز اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹینس ریٹائر ہو چکے ہیں اور اہل ہونے کی بنیاد پر خود کو دوبارہ تقرری کے لیے پیش کیا ہے۔ بورڈ کی آڈٹ کمیٹی 31 دسمبر، 2017ء کو ختم ہونے والے سال کے لئے ان کی بحیثیت آڈیٹر تقرری کی سفارش کرتی ہے۔

### کلیدی حصہ داری اور فروخت کئے گئے حصص

31 دسمبر 2016ء تک کمپنی کی سب سے بڑی شیئر ہولڈر اینگرو کارپوریشن ہے۔ شیئر ہولڈنگ کے عمومی نقشے اور شیئر ہولڈرز کے مخصوص طبقوں کی شیئر ہولڈنگ کے خاکے کے ہمراہ جن کی معلومات رپورٹنگ فریم ورک کے تحت درکار ہے، ازواج اور چھوٹے بچوں کی طرف سے شیئرز کی خرید وفروخت کا ایک گوشوارہ اس رپورٹ کے آخر میں دکھایا گیا ہے۔

# ڈائریکٹرز رپورٹ

## اینگرو فرٹیلائزرز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 31 دسمبر 2016ء کو اختتام پزیر ہونے والے مالیاتی سال کی ڈائریکٹرز رپورٹ اور آڈٹ شدہ مالی گوشوارے پیش کرنے پر مسرت محسوس کرتے ہیں۔

### مارکیٹ کا جائزہ

زیرِ جائزہ سال 2016ء میں مقامی یوریا کی صنعتی طلب 2 فیصد کمی کے ساتھ 5,485 کے ٹی رہی جبکہ گزشتہ سال 5,582 کے ٹی ریکارڈ کی گئی تھی۔ اس کمی کی بنیادی وجوہات کسان کی قوتِ خرید میں کمی، فصل کی گرتی ہوئی قیمتیں اور 2016 کے بجٹ میں ممکنہ طور پر ملنے والی یوریا سبسڈی ہیں۔ البتہ سال 2016ء کی دوسری ششماہی کے دوران حجم میں بہتری دیکھنے میں آئی کیونکہ حکومتِ پاکستان نے مالی سال 17 – 2016 میں یوریا سبسڈی کا اعلان کیا جس کی وجہ سے نا صرف یوریا کی قیمتوں میں قابل ذکر کمی آئی بلکہ کاٹن اور چاول کی کاشت کی وجہ سے کسانوں کی اقتصادی حالت میں بہتری آئی۔

مقامی صنعتی پروڈکشن سال 2016ء میں 13 فیصد اضافے کے ساتھ 5,998 کے ٹی رہی جبکہ سال 2015ء میں مقامی صنعتی پروڈکشن 5,290 کے ٹی تھی۔ اس اضافے کی اہم وجہ مسلسل گیس کی فراہمی بشمول درآمدی ایل این جی تھی۔ گو کہ اس سال مجموعی طور پر انڈسٹری میں گراوٹ رہی لیکن مقامی طور پر تیار یوریا کا مارکیٹ شیئر پچھلے سال کے 91 فیصد سے بڑھ کر 100 فیصد ہو گیا۔ اس کی بنیادی وجہ مقامی اور درآمدی یوریا کی قیمتوں میں فرق اور کسانوں کا مقامی طور پر تیار کردہ یوریا کے استعمال کو فوقیت دینا ہے۔

زیر جائزہ سال کی پہلی ششماہی میں مقامی طور پر تیار کھاد کی قیمتیں 1,760 روپے فی تھیلا سے 1850 روپے فی تھیلا رہیں۔ کسانوں کی آمدنی میں کمی اور اس سے پاکستان کی زرعی معیشت پر پڑنے والے منفی اثرات کو مدنظر رکھتے ہوئے حکومت پاکستان نے بجٹ 2016 میں کھاد کی قیمتوں میں کمی کا اعلان کیا اور قیمت 1,790 روپے فی تھیلا سے کم کر کے 1,400 روپے فی تھیلا متعین کر دی۔ یہ کمی جنرل سیلز ٹیکس کی شرح میں کمی، مینوفیکچررز کی جانب سے فی تھیلا 50 روپے کمی اور سبسڈی کے مجموعے کے ذریعے کی گئی۔

سال کے دوران بین الاقوامی مارکیٹ میں کموڈیٹیز بشمول تیل میں گراوٹ کی وجہ سے قیمتیں مسلسل دباؤ کا شکار رہیں۔ کھاد کی قیمتیں ربی سیزن میں 193 ڈالر فی ٹن (CFR Karachi) جو کہ 1,300 روپے فی بیگ بنتی ہے کے برابر کی نچلی ترین سطح تک جا پہنچیں۔ تاہم سال کے آخر میں قیمتوں میں چڑھاؤ دیکھا گیا اور قیمت 240 ڈالر فی ٹن (CFR Karachi) (1,560 روپے فی تھیلا کے برابر) پر مستحکم ہوئی۔ تاہم درآمدی کھاد کو 156 روپے فی تھیلا کی سبسڈی کی سہولت میسر نہیں یہ سہولت صرف مقامی طور پر تیار کردہ کھاد کو دی گئی درآمدی یوریا سال بھر کے دوران 1,200 روپے سے 1,300 روپے بغیر سبسڈی فروخت ہوتی رہی۔

### گیس کا منظر نامہ

اقتصادی رابطہ کمیٹی (ای سی سی) نے 2016 کی پہلی سہ ماہی میں 60 ایم ایم ایس سی ایف ڈی گیس مستقل بنیادوں پر فرٹیلائزر سیکٹر کے اصل الاٹیز کو الاٹ کر دی تھی جس میں EFERT کا شیئر 12.5 ایم ایم ایس سی ایف ڈی ہے۔ زیرِ جائزہ سال کے دوران کمپنی مسلسل سرپلس گیس کی ایلوکیشن کے لئے مختلف متعلقہ فریقوں کے ساتھ مذاکرات میں مصروف عمل ہے تا کہ دونوں پلانٹس کے آپریشنز کو مسلسل جاری رکھا جا سکے۔ مزید براں حال ہی میں ای سی سی نے 26 ایم ایم ایس سی ایف ڈی گیس کمپنی کو الاٹ کر دی ہے۔ یہ مختص گیس اور دیگر موجودہ گیس کی اسٹریم کمپنی کے دونوں پلانٹس کے لئے کافی ہیں۔

سال 2016ء کے دوران عدالت عالیہ سندھ نے جی آئی ڈی سی (GIDC) کو غیر قانونی قرار دیا جس پر وزارت نے معطّلی کا آرڈر لے لیا۔ تاہم قانونی مشیروں کی طرف سے وضاحت کے بعد کمپنی اپنی سابقہ پوزیشن کا ازسرِنو جائزہ لے رہی ہے۔ اس قانونی چارہ جوئی کے علاوہ کمپنی کا فرٹیلائزر پالیسی کے تناظر میں رعایتی گیس کے حوالے سے ایک الگ کیس زیر سماعت ہے۔ یوریا پلانٹ کو فراہم کی جانے والی رعایتی گیس پر جی آئی ڈی سی کسی بھی حوالے سے ادا نہیں کیا گیا کیونکہ رعایتی گیس پر جی آئی ڈی سی فرٹیلائزر پالیسی اور ہمارے گیس کی فراہمی کے معاہدوں کی براہ راست خلاف ورزی ہے۔ جس کی بنیاد پر ہم نے اپنے یوریا مینوفیکچرنگ پلانٹ کو وسعت دینے کے لیے کئے 1.1 ارب ڈالر کا سرمایہ کاری کی ہے۔

### سیگمنٹ کا جائزہ

#### یوریا

اینگرو فرٹیلائزر لمیٹڈ نے 2016ء میں 1,881 کے ٹی یوریا کی پیداوار کی جو 2015ء کی پیداوار 1,968 کے ٹی کے مقابلے 4 فیصد کم ہے۔ جس کی بنیادی وجہ پلانٹ میں ٹرن اراؤنڈ کی پہلے سے کی گئی منصوبہ بندی ہے۔ زیادہ رسد کے پس منظر میں ہمارے فروخت کے اعداد و شمار گزشتہ سال کے مقابلے 12 فیصد کم ہیں (1,652 کے ٹی 2016ء بمقابلہ 1,879 کے ٹی 2015ء) جس کی وجہ سے کمپنی کا مارکیٹ شیئر زیرِ جائزہ سال میں 34 فیصد سے گھٹ کر 30 فیصد رہا۔ سال 2016ء میں ہمارا پیداواری شیئر بھی پچھلے سال 2015ء کے 37 فیصد سے گھٹ کر 31 فیصد ہو گیا، اس کی وجہ دوسری فرٹیلائزر تیار کرنے والی کمپنیوں کی زیادہ پیداوار ہے کیونکہ سسٹم میں ایل این جی کے شامل ہونے سے سیکٹر میں گیس کی سپلائی بہتر ہوئی ہے۔

#### فاسفیٹس

کمپنی نے 2016ء میں 534 کے ٹی (DAP) فروخت کئے جو مارکیٹ شیئر کا 24 فیصد بنتے ہیں۔ گزشتہ سال کمپنی نے 391 کے ٹی فروخت ریکارڈ کی تھی اور مارکیٹ شیئر 22 فیصد تھا۔ یہ سال بسال کی بنیاد پر 41 فیصد اضافہ ہے۔ سیلز میں یہ نمو DAP کی مانگ میں اضافے اور کمپنی کی جانب سے سیلز پر توجہ کا براہ راست نتیجہ ہے۔ مقامی صنعت سال 2015ء کی 1,814 کے ٹی کے مقابلے اِس سال 2016ء میں 2,225 کے ٹی تک جا پہنچی۔ اس کی وجہ فاسفیٹ پر سبسڈی اور بین الاقوامی مارکیٹ میں ڈی اے پی کی قیمت میں کمی رہی۔ سال کے آغاز میں ڈی اے پی کی قیمت بین الاقوامی سطح پر 400 ڈالر فی ٹن (CFR پاکستان) تھی جو سال کے دوران اوسطً 345 ڈالر فی ٹن (CFR پاکستان) ہو گئی۔

#### زرخیز

اینگرو کی مرکب اور پوٹاش کھاد (زرخیز اور اینگرو MOP/SOP، NP) کی فروخت 2016ء میں سال بسال کی بنیاد پر 16 فیصد کمی کے ساتھ 114 کے ٹی رہی جبکہ گزشتہ سال 135 کے ٹی کی فروخت ریکارڈ کی گئی تھی۔ مقامی پوٹاش کی صنعت پر کوئی سبسڈی نہ ہونے کے باوجود 2016ء میں پوٹاش کی فروخت 27 کے ٹی رہی جو کہ پچھلے سال 25 کے ٹی تھی۔ MOP اور SOP کی کم قیمتوں کی وجہ سے کسانوں نے زرخیز کے بجائے پوٹاش کھاد استعمال کی۔ نتیجتاً زرخیز کا مارکیٹ شیئر 47 فیصد سے گھٹ کر 38 فیصد ہو گیا۔ پوٹاش کا مارکیٹ شیئر سال 2016ء میں 48 فیصد رہا (49 فیصد 2015ء)

### آؤٹ لک

2017ء میں کھاد کی عالمی مانگ میں نمو متوقع ہے اور سپلائی میں بھی قدرے بہتری کی امید ہے۔ گو کہ یوریا کی عالمی قیمتوں میں بہتری دیکھی گئی اور قیمت 240 ڈالر فی ٹن (CFR Karachi) تک پہنچ گئی یعنی 1,560 روپے فی بیگ۔ تاہم چند مخصوص مارکیٹ (ایف ایس یو اور افریقہ) کی پیداوار میں اضافہ خراب فصل اور مستحکم ان پُٹ پرائس کی وجہ سے بین الاقوامی قیمتوں پر دباؤ برقرار رہے گا اور کھاد کے نرخ مزید کم ہو سکتے ہیں۔

مقامی یوریا کی مانگ 2017ء میں مستحکم رہنے کی توقع ہے کیونکہ کسان کی آمدن میں اضافے کی بدولت یوریا کی مانگ میں اضافہ ہو سکتا ہے۔ سال 2016ء میں ماری اور سوئی گیس نیٹ ورک میں بہتری اور ایل این جی منصوبے کے پیشِ نظر مقامی طور پر تیار ہونے والا یوریا کی پیداوار میں اضافہ ہوا ہے لیکن اس سے کاروبار میں آنے والی لاگت میں اضافہ ہوا۔ ای سی سی نے حال ہی میں 300 کے ٹی کی برآمد کی منظوری 28 اپریل 2017ء تک دے دی ہے۔ اس کے بعد صورت حال کا ازسرِنو جائزہ لیا جائے گا۔

مزید برآں 2017ء میں انٹرنیشنل ڈی اے پی کے نرخوں میں استحکام متوقع ہے۔ اہم عوامل جو مارکیٹ میں تبدیلیاں رونما کریں گے اُن میں چین اور مشرق وسطی کی جانب سے مستحکم سپلائی اور بڑے درآمدی سینٹر کی مانگ میں اضافہ ہے۔ کسانوں کی بہتری کے لئے سبسڈی کے جاری رہنے اور فصل کی قیمتوں میں چڑھاؤ کے سبب ڈی اے پی کی طلب سال 2017ء میں مستحکم رہنے کی توقع ہے۔

### مالیاتی جائزہ

2016ء میں سیلز ریونیو 12 فیصد کمی کے ساتھ 77,415 ملین روپے ریکارڈ کئے گئے جبکہ پچھلے سال 88,033 ملین روپے تھے۔ سیلز ریونیو میں کمی کی بنیادی وجہ کھاد کی قیمت اور طلب میں کمی ہے۔

رواں سال کمپنی کے فنانشنل چارجز 1440 ملین روپے کی کمی کے ساتھ 3187 روپے رہے۔ پچھلے برس اس دورانئے میں کمپنی کے فنانشل چارجز 4627 ملین روپے تھے۔ اس کمی کے اہم اسباب میں قرضوں کی اقساط کی ادائیگی، شرح سود میں کمی اور طویل مدتی قرضہ جات کی ری پرائسنگ ہیں۔

سال 2016ء کا نیٹ منافع بعد از ٹیکس 9,025 ملین روپے ریکارڈ ہوا جو پچھلے سال 15,027 ملین روپے سے 40 فیصد کم ہے۔ منافع میں کمی کی بنیادی وجہ یوریا کی کم قیمت اور وافر سپلائی کا پس منظر ہے۔ تاہم مثبت پہلو یہ رہا کہ کمپنی کا فاسفیٹ سیگمنٹ جو 2015ء میں حاصل کیا گیا، اچھی اور مضبوط کارکردگی کا مظاہرہ کیا۔ انتظامیہ سال بھر میں کمپنی کے مختصر مدتی اور طویل مدتی قرضوں پر شرح سود کم کرنے کے لئے متواتر مذاکرات کئے جن سے فنانشل چارجز میں کمی ہوئی اور منافع میں اضافہ دیکھا گیا۔ Consolidated نیٹ منافع بعد از ٹیکس 9,283 ملین روپے رہا، جبکہ گزشتہ سال یہ منافع 14,819 ملین روپے رہا تھا۔

اس کمی کا آمدنی فی شیئر پر بھی اثر پڑا ہے (6.98 روپے فی شیئر بمقابلہ 11.14 روپے فی شیئر گزشتہ سال)۔

### ڈیویڈنڈ

بورڈ 31 دسمبر، 2016 کو ختم ہونے والی مالیاتی سال کے لئے 2.50 روپے فی شیئر فائنل کیش ڈیویڈنڈ کو مسرت سے پیش کرتا ہے جو حتمی منظوری کے لئے ممبران کے سامنے 30 مارچ 2017ء کو سالانہ جنرل میٹنگ کے سامنے پیش کیا جائے گا۔

### کیپٹل اسٹرکچر

2016ء میں کمپنی نے فنانسنگ کی لاگت کو کم کرنے کی کوششوں پر توجہ مرکوز رکھی۔ اس مقصد کے لیے کمپنی نے مضبوط مالیاتی کارکردگی اور قرض دہندہ کی حمایت کی بدولت مقامی قرضہ جات کے پورٹ فولیو کو ری فنانسنگ اور ری پرائسنگ کے ذریعے 26,000 ملین روپے تک محدود کر دیا۔ اس ضمن میں آنے والے سال میں ہمارے قرض پورٹ فولیو میں مزید اصلاح کرنے کے لئے مذاکرات جاری ہیں۔

2016ء میں طویل مدتی قرضے 2015ء کے 36,026 ملین روپے سے کم ہو کر 34,551 ملین روپے رہ گئے ہیں۔ 31 دسمبر 2016ء تک شیئر ہولڈرز ایکوئٹی 41,648 ملین روپے ہے۔ (42,332:2015 ملین روپے)

دورانِ سال PACRA نے طویل مدتی کریڈٹ ریٹنگ -AA اور مختصر مدت کی ریٹنگ بھی +A1 پر قائم رکھی ہے۔

### ایچ ایس ای سے ہماری وابستگی

مناسب حفاظتی اقدامات کے بغیر ہمارے ملازمین اور ہمارے آپریشنز دونوں خطرے میں رہیں گے اس وجہ سے، ہم اپنے ملازمین کو کام کرنے کا محفوظ ماحول فراہم کرنے کی اپنی ذمہ داری سے آگاہ ہیں بالخصوص مینوفیکچرنگ شعبے میں۔ ہم آپسی صحت، حفاظت اور ماحولیاتی فرائض سے بخوبی آگاہ ہیں۔ ہماری صحت، حفاظت اور ماحولیات میں بے مثال کارکردگی کے پیچھے ہماری بھاری سرمایہ کاری ہے جس کی وجہ سے اب آرگنائزیشن میں ہر سطح پر صحت اور حفاظت کو مانیٹر کیا جاتا ہے اور برقرار رکھا جاتا ہے۔ سال 2016ء کے دوران ڈھرکی میں قائم ہمارے پلانٹ سے پیدا ہونے والے شور کو کم کرنے اور اطراف کی آبادیوں کو محفوظ بنانے کے لیے 35 ملین روپے کی خطیر رقم کے نئے منصوبے کا آغاز کیا گیا۔ جس سے ہمارا مینوفیکچرنگ پلانٹ IFC عالمی بینک کے وضع کردا معیارات کے عین مطابق ہو گیا۔

اینگرو فرٹیلائزر مطلوبہ لاگو معیار سے آگے نکلنے کے لئے مصروف عمل ہے اور صحت اور حفاظت کے حوالے سے مزید سخت پالیسیاں اختیار کرنا چاہتی ہے ان میں وہ بھی شامل ہیں جو اوکیوپشنل ہیلتھ اینڈ سیفٹی ایڈمنسٹریشن امریکہ اور ڈیوپونٹ ورک پلیس سیفٹی اسٹینڈرڈز نے وضع کی گئی ہیں۔

ہمیشہ کی طرح ہم نے اِس سال بھی ایچ ایس ای مینجمنٹ سسٹم اور پراسسز کو بین الاقوامی بہترین پریکٹسز کے عین مطابق رکھا ہے۔ تیسری پارٹی تمام ایچ ایس ای سسٹمز اور پراسسز باقاعدی سے پرکھتی اور آڈٹ کرتی ہے۔ اسی اپروچ کے زریعے ہم نے کئی سرٹیفکٹس حاصل کئے جن میں مارکیٹنگ