
engro fertilizers
together
we
grow
ANNUAL REPORT 2019

transforming lives

Engro Fertilizers Limited is serving farmers and the nation for more than 50 years. Our range of products are spread over a wide spectrum. Our services besides agriculture, also cover education, health, livelihood and environment. Through our significant initiatives in different sectors of the economy, we have made sure that farmers are rewarded for their efforts, and Pakistan continues its journey on the road of progress and prosperity. With the spread of our role, the trust between Engro and the people of Pakistan has steadily grown, enabling us to realize milestones of success, together!

about the annual report

Overview

Throughout this report we focus on the relationships between factors, both external and internal, that enable Engro Fertilizers Limited to create value.

Our annual integrated report provides a holistic assessment of the group's ability to create value. This report also includes information with non-financial aspects which, if not managed, could have a material impact on our performance as well as on our business.

The Annual Report is developed for a wide range of stakeholders, including employees, local communities, non-governmental organizations (NGOs), customers and government. The aim of our integrated reporting approach is to enable our stakeholders to make a more informed assessment of the value of Engro Fertilizers Limited and its prospects.

This Annual Report also forms part of our communication on the efforts towards implementing and promoting 10 Principles of the United Nations Global Compact and United Nations Sustainable Development Goals (SDGs).

Scope and Boundaries of this Report

Engro Fertilizers Limited Annual Report covers the reporting period from January 1, 2019 to December 31, 2019 and provides an overview of the operations of Engro Fertilizers Limited and its subsidiaries.

Reporting Framework

This Report has been prepared in compliance with the following frameworks:

- The accounting and reporting standards as applicable in Pakistan comprise:
  - International Financial Reporting Standards (IFRS Standards), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
  - Provisions of and directives issued under the Companies Act, 2017.
- Where the provisions of and directives issued under the Companies Act, 2017 differ from IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.
- Integrated Reporting (IR) framework issued by the International Integrated Reporting Council (IIRC).
- Reporting requirements of Companies Act 2017, Listed Companies Code of Corporate Governance, 2018 and Listing Regulations of the Pakistan Stock Exchange (PSX).
- Best practices on Corporate Reporting as promoted by Joint Committee of Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP) and South Asian Federation of Accountants (SAFA).

External Assurance

Review Report on Compliance with Code of Corporate Governance	A. F. Ferguson & Co. Chartered Accountants
Independent Auditor's Report on the Audit of Financial Statements	A. F. Ferguson & Co. Chartered Accountants
Independent Auditor's Report on the Audit of Consolidated Financial Statements	A. F. Ferguson & Co. Chartered Accountants
Independent Assurance Report on Statement of Compliance with the Sukuk (Privately Placed) Regulations, 2017	A. F. Ferguson & Co. Chartered Accountants
Entity's Credit Rating	Pakistan Credit Rating Agency

Board's Approval

The Board of Directors of Engro Fertilizers Limited acknowledges its responsibility to ensure the integrity of this Annual Report. The Directors' Review Report and statutory financial statements included in the report have been approved by the Board for circulation in its meeting held on February 17, 2020.

our vision

We are passionate about transforming the agricultural landscape, bringing change and helping the farmers grow.

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company overview

company information

BOARD OF DIRECTORS
Mr. Ghias Khan (Chairman)
Mr. Nadir Salar Qureshi (Chief Executive)
Mr. Abdul Samad Dawood
Mr. Asad Said Jafar
Mr. Asim Murtaza Khan
Mr. Javed Akbar
Mr. Hasnain Moochhala
Ms. Sadia Khan

CHIEF FINANCIAL OFFICER
Mr. Imran Ahmed

COMPANY SECRETARY
Ms. Schaane Ansari

BANKERS

Conventional
Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Citi Bank N.A
Deutche Investitions und Entwicklungsgesellschaft (DEG)
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
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

Shariah Compliant
Bank Islami Pakistan Limited
Al Baraka Islamic Bank (Pakistan) Limited
Dubai Islamic Bank (Pakistan) Limited
Meezan Bank Limited

Microfinance
Mobilink Microfinance Bank
Telenor Microfinance Bank

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

REGISTERED OFFICE
7th & 8th Floor, The Harbor Front Building,
HC # 3, Marine Drive, Block 4, Clifton,
Karachi-75600, Pakistan
Tel: +92 (21) 35297501-10
Fax: +92 (21) 35810669
Website: www.engrofertilizers.com
www.engro.com

SHARE REGISTRAR
M/s. FAMCO Associates (Pvt) Limited
8-F, Near Hotel Faran, Block-6, PECHS,
Shahrah-e-Faisal, Karachi, Pakistan
Tel: +92 (21) 34380104-5, 34384621-3
Fax: +92 (21) 34380106

2019 at a glance

Quarter 1

- Urea sales of 435 KT
- Phosphates sales of 85 KT
- Revenue of PKR 23.7 B
- Successful turnaround of enVen Plant
- Restructuring of Commercial Division
- EPS of PKR 3.0

Quarter 2

- Urea sales of 452 KT
- Phosphates sales of 113 KT
- Revenue of PKR 27 B
- Successful turnaround of Base Plant
- Establishment of separate Supply Chain Division
- EPS of PKR 2.38

Quarter 3

- Official launch of Engro Logistics – Engro Fertilizers Limited's venture into the logistics paradigm
- 10 million commercial man hours achieved
- Secured second position for the best Corporate Report for 2018 in the Chemical sector
- Urea sales of 444 KT
- Phosphates sales of 105 KT
- Revenue of PKR 27.1 B
- EPS of PKR 2.49

Quarter 4

- Highest ever annual Urea production was achieved
- 1SAP go-live
- Won the 2019 Shared Value Award for Project PAVE
- Awarded Gold Medal at the Annual Strategic Forum at the IFA General Meeting, held in Paris-Versailles
- Won in "Top 25 Companies of the Year before 2018" award in the PSX Awards
- Won 6 awards at the Global Diversity and Inclusion Benchmarks (GDIB) Awards
- Urea sales of 626 KT
- Phosphates sales of 242 KT
- Revenue of PKR 43.6 B
- EPS of PKR 4.8

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of Engro Fertilizers Limited (the "Company") will be held at Karachi School of Business & Leadership, National Stadium Road, Opp. Liaquat National Hospital, Karachi on Tuesday, March 31, 2020 at 10:00 a.m. to transact the following business:

A) Ordinary Business

1) To receive, consider and adopt the Standalone and Consolidated Audited Financial Statements of the Company for the year ended December 31, 2019 together with the Directors' and Auditors' Reports, thereon and the Chairman's Review Report.

2) To declare, as recommended by the Directors, the payment of a final cash dividend at the rate of PKR 2 per share (20%) for the year ended December 31, 2019.

3) To appoint Auditors for the year 2020 and fix their remuneration. The Members are hereby notified that the Audit Committee and the Board of Directors have recommended the name of retiring auditors M/s A. F. Ferguson & Co. for re-appointment as auditors of the Company.

By the order of the Board

Karachi **Schaane Ansari**

February 17, 2020 Company Secretary

N.B.

1) The Share Transfer Books of the Company will be closed from Wednesday, March 25, 2020 to Tuesday, March 31, 2020 (both days inclusive). The transfers received in order at the office of the Company's share registrar, M/s. FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Block 6, PECHS, Shahrah-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 Tuesday, March 24, 2020 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. Proxy forms, in order to be effective, must be received by the Company not less than forty-eight (48) hours before the meeting. A proxy need not be a member of the Company.

3) Pursuant to Companies (Postal Ballot) Regulations 2018, for the purpose of election of Directors and for any other agenda item subject to the requirements of sections 143 and 144 of the Companies Act, 2017, members will be allowed to exercise their right of vote through postal ballot, that is voting by post or through any electronic mode, in accordance with the requirements and procedures contained in the aforesaid Regulations.

4) In accordance with the provisions of section 242 of the Companies Act, 2017, a listed Company is required to pay cash dividend only through electronic mode directly into the bank account designated by the entitled shareholders. Accordingly, the shareholders are requested to provide the information mentioned on an E-Dividend Mandate Form available at the website of the Company to the share registrar. The CDC account holders must submit their information directly to their broker (participant) / CDC.

5) In accordance with the directives of the SECP, the dividends of shareholders whose CNIC copies have not been received by the Company shall not be electronically credited until receipt thereof. Therefore, the individual shareholders who have not submitted their CNIC copies are requested to send the same at the earliest to the share registrar of the Company. Corporate entities are requested to provide their NTN. While providing their CNIC / NTN, shareholders must quote their respective folio numbers. The physical shareholders are requested to notify any change in their addresses to the share registrar of the Company and in case of CDC shareholders to their broker (participant).

6) In compliance with section 150 read with Division I of Part III of the First Schedule of the Income Tax Ordinance, 2001 withholding tax on dividend income will be deducted for 'filer' and 'non-filer' shareholders at 15% and 30% respectively. A 'filer' is a taxpayer whose name appears in the Active Taxpayers List (ATL) issued by the FBR from time to time and a 'non-filer' is a person other than a filer. To enable the Company to withhold tax at 15% for filers, all shareholders are advised to ensure that their names appear in the latest available ATL on FBR website, otherwise tax on their cash dividend will be deducted at 30% for non-filers. Withholding tax exemption from the dividend income shall only be allowed if a copy of valid tax exemption certificate is made available to the share registrar of the Company by the first day of book closure.

7) The FBR has clarified that 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 the Company's share registrar, otherwise it will be assumed that the shares are equally held by the joint shareholders:

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

8) In pursuance to Circular No. 10 of 2014 dated May 21, 2014, if the Company receives consent from members holding in aggregate ten percent (10%) or more shareholding residing at geographical location, to participate in the meeting through video conference at least seven (7) days prior to the date of the meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. The Company will intimate members regarding venue of video conference facility at least five (5) days before the meeting along with complete information necessary to enable them to access such facility. In order to avail this facility please provide the following information to our share registrar:

I / We, ________________ of ______________

being a member of Engro Fertilizers Limited, holder of

_________ Ordinary Share(s) as per Register Folio

No. / CDC Account No. ____________ hereby opt for

video conference facility at _______________.

____

Signature of Member

Update under the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

Note relating to Engro Corporation Limited:

Engro Corporation Limited is the majority shareholder of Engro Fertilizers Limited. In 2016, the shareholders approved a short-term loan / financing facility of up to PKR 6 billion for Engro Corporation Limited, which was initially for a period of one (1) year and renewal of the same for four (4) further periods of one (1) year each. This short-term facility has not been utilized to date since approval, however, it is being renewed as earlier approved by the shareholders. There has been no material adverse change in the financial statements of Engro Corporation Limited since the approval of this facility.

2019 - a year of achievements

finance

- ONE SAP Successfully rolled out across 1000+users
- RANKED 2ND FOR BEST CORPORATE REPORTS 2018
- Awarded Merit Certificate for BEST CORPORATE REPORT IN SAFA
- TAX BENEFITS ACHIEVED FOR THE PKR 2 BN SALES TAX CASH REFUNDS

commercial

- SFB crossed RS.10 BILLION Revenue mark in 2019 first time ever!
- CSD DOUBLED topline in difficult & CHALLENGING MARKET CONDITIONS 2X
- 10 MILLION+ SAFE MANHOURS for the first time (Commercial + Supply Chain)
- LAUNCHED FIRST EVER SOIL TESTING MOBILE SERVICES
- HIGHEST MARKET SHARE POTASH INDUSTRY 60% despite declining industry

manufacturing

- BASE PLANT LOAD 137%
- LOAD REACHING TO 102% ENVEN CROSSED NAME PLATE CAPACITY FOR 1ST TIME
- 2 SUCCESSFUL TURNAROUNDS DAHARKI PLANT
- OVER 2 MILLION TONS UREA PRODUCTION HIGHEST EVER IN THE HISTORY
- 0.03 TRIR-DAHARKI SITE Lowest in the history of Engro Fertilizers

supply chain

- ENGRO LOGISTICS 135+ TRUCKS IN SERVICE IN 2019 CASHFLOW POSITIVE WITHIN 6 MONTHS
- HIGHEST EVER PRODUCT HANDLING 2.80 MILLION TONS IN A YEAR
- RECORD IMPORT Handling 275KT in October
- 2.5 MILLION SAFE HOURS
- HIGHEST BLI SCORE OF 96%
- BEST SAFE DRIVING SCORE OF 96%
- 18700 DISPATCHES IN A DAY

human resource

- 6 AWARDS GLOBAL DIVERSITY & INCLUSION BENCHMARKS
- Diversity STRATEGY IMPLEMENTATION

where it all began

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 December 4, 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 of the farmers and their families, and 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 buyout in 1991. Engro also relocated fertilizer manufacturing plants from the UK and US to its Daharki plant site – an international first. Over the years that 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 the 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 Corporation Limited.

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 to raise 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, oversubscribed four times in the book building process whilst being oversubscribed for three times at the time of public issue.

In 2019, the Company has ventured into logistics space with 135 plus trucks in service, aiming to deliver "movement with precision".

As we forge ahead, we aim to build on our world-class experience of five decades to forward our vision of transforming the agricultural landscape of Pakistan.

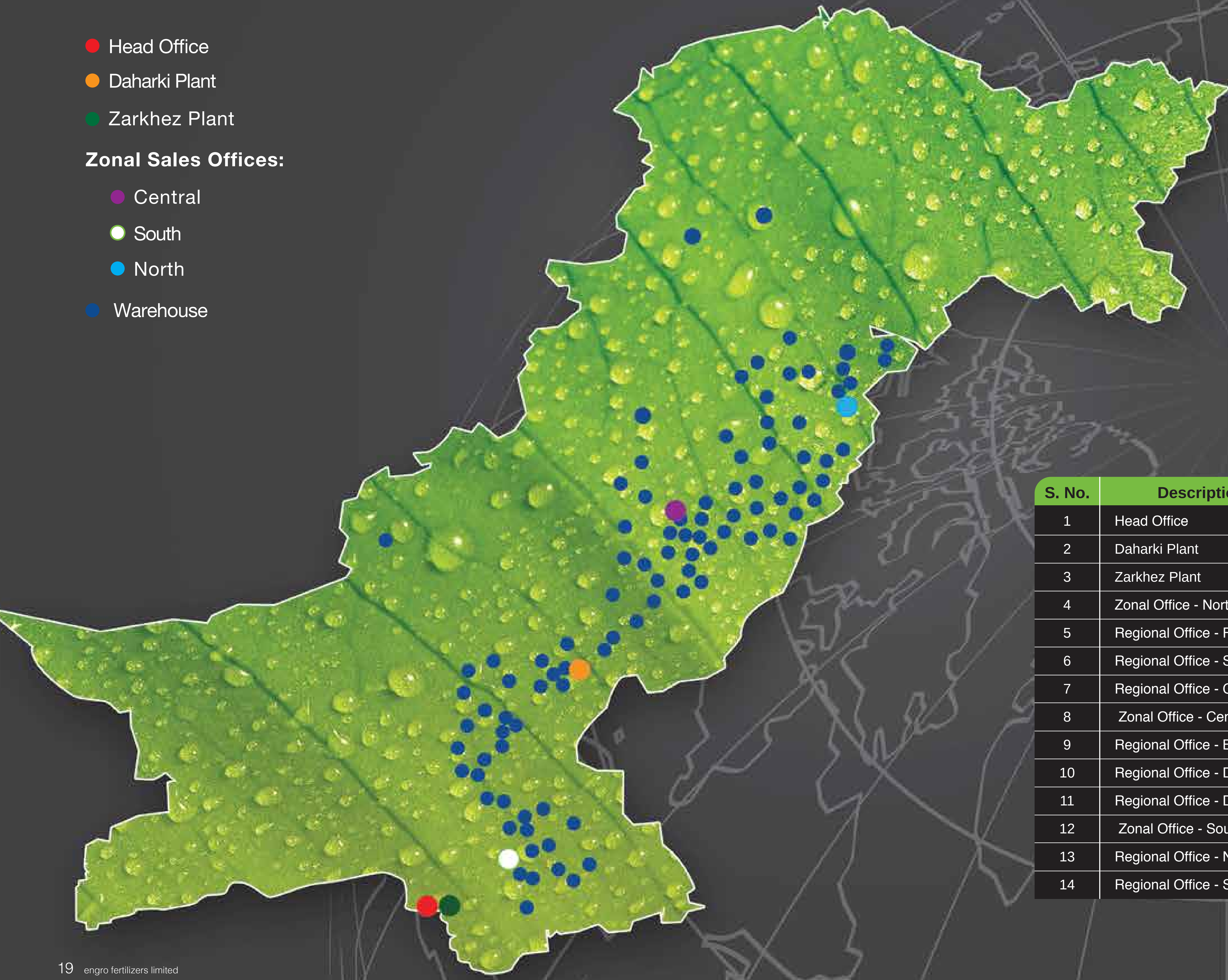
accelerating forward

- Head Office
- Daharki Plant
- Zarkhez Plant

Zonal Sales Offices:

- Central
- South
- North

- Warehouse



S. No.	Description	Address
1	Head Office	7th & 8th Floor, Harbor Front Building, Marine Drive, Block 4, Clifton, Karachi
2	Daharki Plant	Daharki, District Ghotki, Sindh
3	Zarkhez Plant	EZ/ 1 / P – 1 – II Eastern Zone, Port Qasim, Karachi
4	Zonal Office - North	4th Floor, 19-A, Ali Block, New Garden Town, Lahore
5	Regional Office - Faisalabad	3rd Floor, Liaqat Road, Mezan Executive Tower, Faisalabad
6	Regional Office - Sahiwal	Alayan Centre ,Police Line Road, Sahiwal
7	Regional Office - Gujranwala	Al Hamd Plaza, U Market, City Housing Society, Gujranwala
8	Zonal Office - Central	3rd Floor, Mehr Fatima Tower, Opp. High Court, Old Bahawalpur Road, Multan
9	Regional Office - Bahawalpur	Awaisi Plaza , Plot # 14-D, Aziz Bhatti Shaheed Road, Model Town 'A'
10	Regional Office - Daharki	Marketing Office Daharki Plant
11	Regional Office - DG Khan	Taunsa Road, Chowk Chobara, Dera Ghazi Khan
12	Zonal Office - South	6th Floor, State Life Building, Thandi Sadak, Hyderabad
13	Regional Office - Nawabshah	Near Bilawal Stadium, Main Kazi Ahmed Road, Nawabshah
14	Regional Office - Sukkur	Plot # E 37, Pak Memon Cooperative Housing Society, Old Arain Road

building a legacy

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.

1992
Relocation of world-scale ammonia and Urea plants (PakVen 600) from USA and UK – capacity enhancement 278 KT to 600 KT.

1998
Debottlenecking of relocated plants – capacity enhancement from 600 KT to 850 KT by 1998 and further enhancement to 950 KT by 2006.

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 and oversubscribed 3x during the process.

2014
Achieved highest ever Urea sales in the history of Engro Fertilizers Limited 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 534 KT.

2018
2nd highest ever consolidated revenue (PKR 109 billion).

Highest ever fertilizer sales (2,834 KT).

Engro Fertilizers Limited marketing team is the only team in Pakistan to achieve a Dupont Level 4 rating in Safety Systems.

2019
Highest ever consolidated revenue (PKR 121 billion).

Highest ever Urea production (2,003 KT).

Best ever safety at Daharki Plant TRIR of 0.03.

Successful Go-live of SAP S4 / HANA.

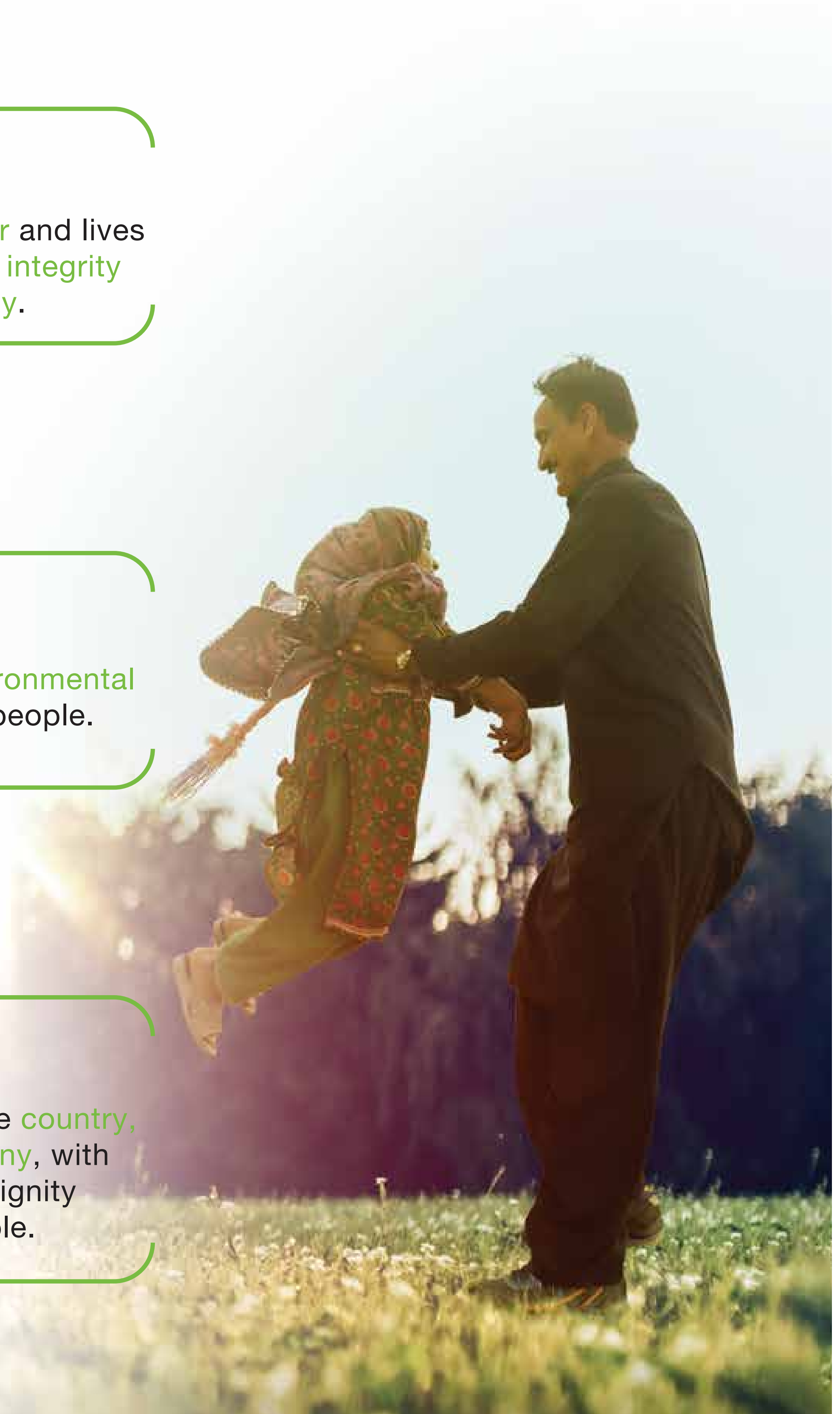
Stepped into the logistics paradigm aiming to deliver "movement with precision".

core values

Has impeccable character and lives by highest standards of integrity and accountability.

Cares deeply about environmental impact and safety of people.

Nurtures passion to serve country, community and company, with strong belief in the dignity and value of people.



code of conduct

Managing Business Relationships

Employees' dealings with customers, suppliers, contractors, competitors, or any person or organization doing or seeking to do business with the Company (our business interfaces) must be in the best interest of the Company, must exclude any consideration of personal preference or advantage, and must avoid conflicts of interest, apparent or otherwise.

Soliciting Customers, Suppliers, Vendors and Contractors

Employees will not solicit vendors and suppliers, or avail offers for anything of value which could be perceived to create obligations in order to keep, increase or obtain Engro business. Actions that might involve a conflict of interest, or the appearance of one, will be disclosed to senior management.

Empowerment with Accountability

Each Engro employee is responsible for his / her own behavior and will be held accountable for it. We are responsible for complying with all applicable laws and company policies & procedures.

Promoting a Positive Work Environment

To ensure a workplace where employees feel safe, respected, and appreciated, we will attract, induct, develop, retain, and motivate high caliber talent who are qualified, capable, and willing to contribute towards the achievement of Company objectives.

Our Commitment to Engro's Stakeholders

We will adhere to the highest ethical standards, foster trust, and always act in the best interest of our shareholders, our customers, our families, our vendors / suppliers, the communities where we operate in, and each other.

Legal Compliance

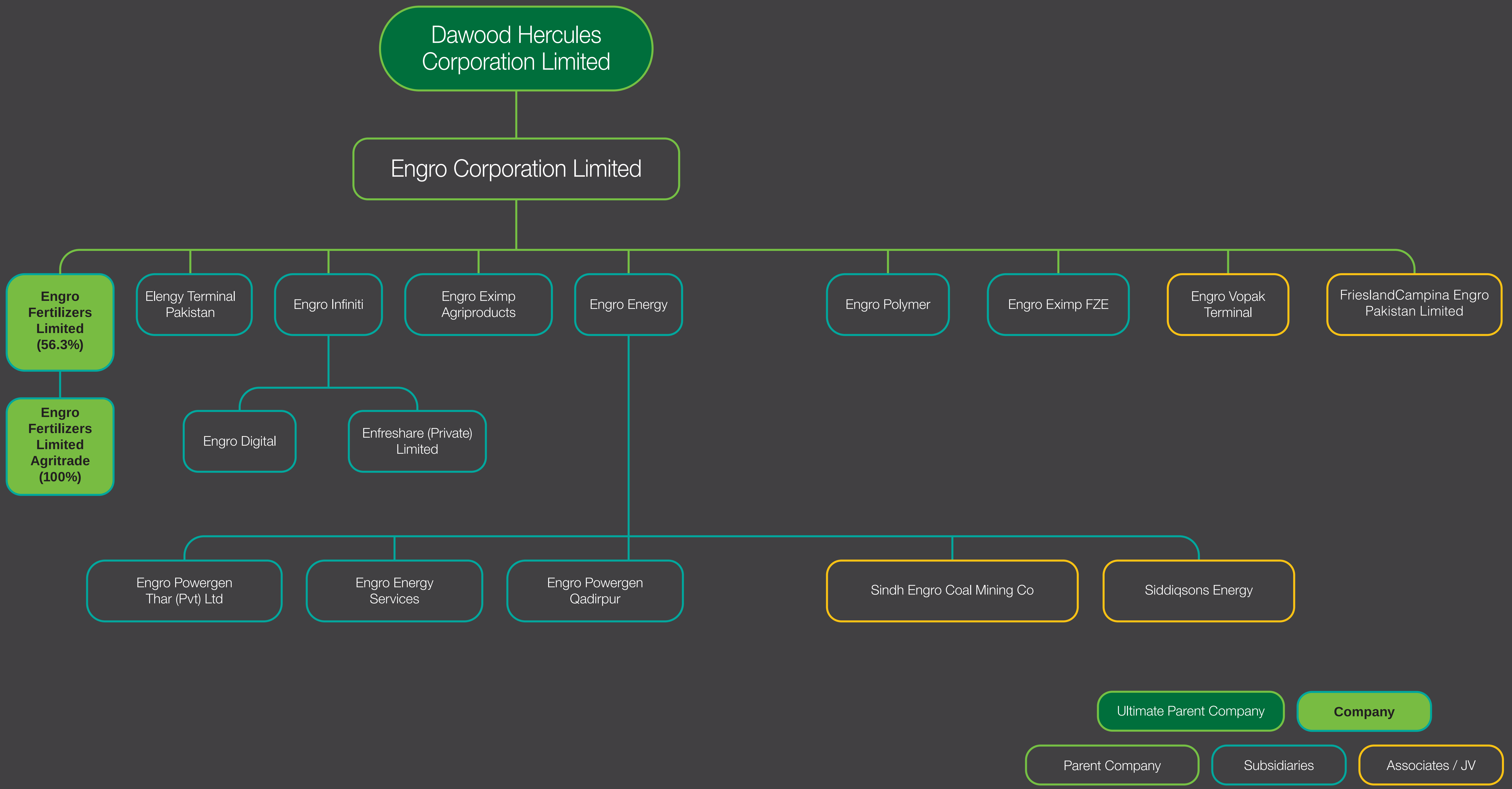
When taking decisions to conduct business, employees must ensure they are aware of their actions and choose not to violate the law.

Protecting Company's Assets

We must use the Company's physical assets / equipment carefully and diligently, and take steps to protect our Company's proprietary and confidential information.

ownership structure

and relationship with group companies



overview of group companies

engro corp

Engro Corporation Limited (the Parent Company) is a public listed company incorporated in Pakistan and its shares are quoted on Pakistan Stock Exchange Limited. The Parent Company is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The principal activity of the Parent Company is to manage investments in subsidiary companies, associated companies and joint ventures, engaged in fertilizers, PVC resin manufacturing and marketing, food, energy, LNG, maintaining and operating telecommunication infrastructure and chemical terminal and storage businesses.

elengy terminal

Elengy Terminal Pakistan Limited (ETPL) is a public unlisted company incorporated in Pakistan. The principal business of ETPL is to establish and operate a terminal for handling, re-gasification, storage, treatment and processing, along with import, export and trading of Liquefied Natural Gas (LNG), Regasified Liquefied Natural Gas (RLNG), Liquid Petroleum Gas (LPG), Natural Gas Liquid (NGL), and all other related liquids, gases and chemical and petroleum products. Engro Elengy Terminal (Private) Limited (EETPL) is a wholly owned subsidiary of ETPL.

engro eximp

Engro Eximp Agriproducts (Private) Limited (EEAPL) is a private limited company incorporated in Pakistan. The principal activity of EEAPL is to produce, manufacture and trade all kinds of raw, processed and prepared food products, including agriculture, dairy and farming products.

EV engro vopak terminal

Engro Vopak Terminal Limited (EVTL), a joint venture of the Holding Company, is a public unlisted company incorporated in Pakistan. EVTL is a joint venture of the Holding Company and Royal Vopak Netherlands B.V. EVTL has been granted the exclusive concession right and license to design, finance, insure, construct, test, commission, complete, operate, manage and maintain an Integrated Liquid Chemical Terminal and Storage Farm at the south western zone of Port Qasim on Build, Operate and Transfer (BOT) basis.

FrieslandCampina Engro Pakistan Limited

FrieslandCampina Engro Pakistan Limited (FCEPL), formerly Engro Foods Limited, is a public listed company, incorporated in Pakistan. FCEPL is a subsidiary of FrieslandCampina Pakistan Holdings B.V., which is a subsidiary of Zuivelcoöperatie FrieslandCampina UA (the Ultimate Parent Company).

The principal activity of FCEPL is to manufacture, process and sell dairy products, beverages, ice cream and frozen desserts. FCEPL also owns and operates a dairy farm.

engro energy

Engro Energy Limited (EEL), a wholly owned subsidiary of the Parent Company, is a public unlisted company incorporated in Pakistan. It is established with the primary objective to analyze potential opportunities in the power sector and undertake supply and service-related contracts and Independent Power Projects (IPPs) based on feasibilities of new ventures.

Following are the companies in which EEL owns 50% or more of the voting rights or are directly controlled by EEL:

- Engro Energy Services Limited (EESL) was established as a wholly owned subsidiary of EEL with the primary objective of analyzing potential opportunities in the power sector and undertaking service related contracts for Independent Power Projects (IPPs) based on feasibility of new ventures and to provide operations and maintenance services to IPPs.
- Engro Powergen Qadirpur Limited (EPQL) is a public listed company incorporated in Pakistan with the primary objective to undertake the business of power generation, distribution, transmission and sale.
- Engro Powergen Thar (Private) Limited (EPTL) was established with the primary objective to develop 2 x 330 MW mine mouth power plants at Thar Block II, Sindh.
- Sindh Engro Coal Mining Company Limited (SECMC) was formed under a Joint Venture Agreement (JVA), dated September 8, 2009, between the Government of Sindh (GoS), EEL and the Parent Company. The aforementioned JVA is consequent to the selection of SECMC as GoS's joint venture partner, through an International Competitive Bidding process, for the development, construction and operations of an open cast lignite mine in Block-II of Thar Coal Field, Sindh (the Project).
- EEL entered into a Joint Venture Agreement (JVA), dated May 04, 2018 with Siddiqsons Limited (SL) and Arif Habib Equity (Private) Limited (AHEPL) for the joint development of approximately 330 MW of coalfired power generation facility in Block - II, District Tharparkar, Sindh, through a joint venture company, namely Siddiqsons Energy Limited (SEL).

engro polymer & chemicals

Engro Polymer and Chemicals Limited (EPCL) is a public listed company incorporated in Pakistan. The principal activity of EPCL is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), Caustic Soda and other related chemicals. It is also engaged in supply of surplus power generated from its power plants to Engro Fertilizers Limited (NPK Plant).

Following are the subsidiaries of EPCL:

- Engro Polymer Trading (Private) Limited, incorporated to purchase, market and sell Poly Vinyl Chloride (PVC), PVC compounds, Caustic Soda and other related chemicals.
- Engro Peroxide (Private) Limited, incorporated to manufacture and market Hydrogen Peroxide and related chemicals.
- Engro Plasticizer (Private) Limited incorporated to manufacture and market Chlorinated Paraffin Wax and other related chemicals.

engro infiniti

Engro Infiniti (Private) Limited, (EInfiniti) was incorporated as a wholly owned subsidiary of Engro Corporation Limited. The primary objective of EInfiniti is to analyze potential opportunities inside and outside Pakistan and to make available digital assets and ventures related to intellectual capital, data collection and analytics of every kind and any activities relating to or ancillary thereto.

Following are the subsidiaries of EInfiniti:

- Engro Digital Limited (EDL) is a public unlisted company, established with primary objective of analyzing potential opportunities and making available digital and technology services and products inside and outside Pakistan.
- Enfrashare (Private) Limited was incorporated in Pakistan as a private limited company and principally engaged in buying, building, maintaining and operating telecommunication infrastructure and any products and by-products and any activities relating to or ancillary, thereto.

board of directors

Left to Right
Standing: Asim Murtaza Khan; Javed Akbar; Abdul Samad Dawood; Hasnain Moochhala
Sitting: Asad Said Jafar; Nadir Salar Qureshi; Ghias Khan; Sadia Khan

directors' profiles

Ghias Khan
Chairman and Non-Executive Director

Ghias Khan is the 4th President & CEO of Engro Corporation. Since he came on board at the end of 2016, Ghias has been instrumental in revamping Engro's strategy, culture, and global outreach. Ghias, along with the Board of Directors, has defined a powerful central narrative for Engro Corporation that will chart its path for years to come.

There have been several notable achievements for Engro under Ghias' guidance thus far. He has stewarded Engro's renewed commitment in the petrochemical sector, with several growth initiatives in Engro Polymer & Chemicals and other greenfield projects, consolidated the management of all energy assets under one platform with a long-term strategy of investing in the overall energy value chain, paved the way for more cooperation with our long-time partner, Royal Vopak, through their entry in Engro Elengy, and was contributory in the robust turnaround of the rice business of Engro Eximp Agriproducts, which won its first-ever Top Exporter Award in 2018. In addition, during his Presidency, Engro's Thar Power Plant achieved commercial operations and set out to fulfill its promise of contributing 660 MW to the national grid and a global record was set by Engro Elengy amongst LNG terminals with the fastest 200 ship-to-ship transfers. Finally, with a firm belief that connectivity is the conduit that enables social and financial inclusion, Ghias was involved in the launch of Enfrashare. Enfrashare aims to drive the development of the country's connectivity infrastructure and has already partnered with all major telcos in the country.

Ghias is leading several innovative transformations at Engro, including an extensive HR transformation that focuses on revamping all talent management, development, and reward philosophies. In this vein, Ghias was the force behind the launch of the Engro Leadership Academy, which serves as a platform to develop effective leaders. Further, Ghias is spearheading Engro's OneSAP initiative, which is bringing the group onto a singular technology platform, laying the foundation for a digital future. Under his guidance, Engro has also earned numerous awards, both locally and globally, for enabling a thriving business environment, investing in the development of its people, upholding high standards of Corporate Governance, and promoting Health, Safety & Environment in the workplace.

Former CEO of Inbox Business Technologies, an enterprise technology company that he co-founded in 2001 and remained with till 2015, Ghias grew the employees to over 1,900 and pivoted the company from a computer manufacturer to a systems integrator, and then to a technology-enabled digital services company. In his final year at Inbox, it was voted the largest technology company in Pakistan by Domestic Spend. Ghias has also previously served as Executive Director of Dawood Hercules.

Currently, Ghias also serves as Chairman on the Boards of Engro Fertilizers Limited, and holds directorship on the Boards of the following:

- Engro Corporation Limited (CEO)
- Engro Polymer & Chemicals Limited
- Engro Energy Limited
- Sindh Engro Coal Mining Company Limited
- Thar Power Company Limited
- Engro Eximp Agriproducts (Private) Limited
- Engro Foundation (Trustee)
- Engro Digital Limited
- Engro Infiniti (Private) Limited
- Karachi School of Business Leadership (KSBL)
- Enfrashare (Private) Limited

Ghias holds an MBA from the Institute of Business Administration, Karachi. He was part of the Hong Kong under-16 cricket team, has represented Pakistan in the junior bridge team, and, in 2015, won the amateur singles championship at Karachi Golf Club.

Nadir Salar Qureshi
Chief Executive Officer and Executive Director

Nadir Salar Qureshi is the Chief Executive Officer of Engro Fertilizers Limited since December 2018. He joined Engro Corporation Limited in March 2017 as Chief Strategy Officer. He completed his MBA from Harvard Business School, and his Bachelors and Masters degrees in Nuclear Engineering from MIT. He brings with him expertise in multiple sectors across the GCC, Turkey, Australia, ASEAN and the EU. He is also experienced in consulting, private equity and finance. Nadir began his career with Engro Chemical Pakistan Limited as a Business Analyst and then moved on to organizations such as Hub Power Company, Bain & Company, Carrier Corporation and Abraaj Capital, leading up to his most recent role as Chief Investment Officer at Makara Capital in Singapore. Nadir also serves as a Director on the Boards of:

- Engro Vopak Terminal Limited
- Engro Fertilizers Limited Agritrade (Private) Limited
- Engro Polymer & Chemicals Limited
- Engro Energy Limited
- Pakistan Energy Gateway Limited

Abdul Samad Dawood
Non-Executive Director

Abdul Samad Dawood has 16 years of experience in management and governance. He joined the Engro Corporation Board in 2009 and now serves as Vice Chairman of the Board.

He is also Chairman of the Board of FrieslandCampina Engro Pakistan Limited, and serves as a Director on the Boards of:

- Engro Corporation Limited
- Dawood Hercules Corporation Limited
- Dawood Lawrencepur Limited
- FrieslandCampina Engro Pakistan Limited
- Dawood Corporation (Private) Limited
- Dawood Industries Limited

- Patek (Private) Limited
- Reon Energy Limited
- Pakistan Business Council (PBC)
- Enfrashare (Pvt.) Limited

In addition, he is a Trustee on the Board of The Dawood Foundation and a member of the Young Presidents' Organization.

He has previously served as Independent Director of International Industries Limited and Independent Non-Executive Director of Sui Northern Gas Pipelines Limited. He has also served on the Boards of Engro Eximp Private Limited, Inbox Business Technologies Private Limited, The Hub Power Company Limited, Tenaga Generasi Limited, Dawood Lawrencepur Limited, Pebbles Private Limited, and World Wildlife Fund for Nature – Pakistan. He was previously Chief Executive of Dawood Hercules Corporation Limited and Cyan Limited, and also commands operational experience gained at Dawood Lawrencepur Limited and Dawood Hercules Chemicals.

Abdul Samad Dawood is a graduate in Economics from University College London, UK, and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance.

Hasnain Moochhala
Non-Executive Director

Hasnain Moochhala joined the Board of Engro Fertilizers Limited in 2019. He joined Engro Corporation Limited as Chief Financial Officer in June 2017. Prior to this, he has had a career in Commercial Finance, M&A, Corporate Governance, Treasury and Audit over 30 years across Europe and Asia. The last 20 years of his career was with Royal Dutch Shell in various roles, including Finance Director Shell Pakistan, Head of Finance for Shell Lubricants Asia Pac, Head of Downstream M&A East and Finance Manager Upstream Joint Ventures. His key achievements in prior roles include the delivery of material M&A transactions, the formulation of global best practice in Joint Venture Governance, cost leadership and the building of strategic partnerships with various stakeholders. Hasnain has also led, coached and mentored teams in Singapore and Pakistan, as well as virtual teams across Asia Pacific and Europe. He also holds directorship on the Boards of the following:

- Engro Polymer Chemical Limited
- Engro Powergen Qadirpur Limited
- Engro Energy Limited
- Engro Eximp FZE
- Elengy Terminal Pakistan Limited
- Engro Elengy Terminal (Private) Limited
- Engro Powergen Thar (Private) Limited
- Engro Corporation Limited Provident Fund (Trusteeship)
- Engro Corporation Limited MPT Employees Defined Contribution Gratuity Fund (Trusteeship)
- Engro Corporation Limited MPT Employees Defined Contribution Pension Fund (Trusteeship)
- Engro Corporation Limited MPT Gratuity Fund (Trusteeship)
- Engro Fertilizers Limited MPT Employees Pension Fund (Trusteeship)
- Engro Fertilizers Limited Non MPT Employees Gratuity Fund (Trusteeship)
- Engro Foods Limited Employees Gratuity Fund (Trusteeship)

Javed Akbar
Non-Executive Director

Javed Akbar is a Chemical Engineer and has over 40 years of experience in fertilizer and chemical business with Exxon, Engro and Vopak in Pakistan and overseas. He was part of the buyout team in 1991 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 retirement, he established a consulting company specializing in analyzing and forecasting petroleum, petrochemical and energy industry trends and providing strategic insight. He currently serves on the Boards of:

- Engro Vopak Terminal Limited
- Javed Akbar Associates (Private) Limited
- Engro Powergen Thar (Private) Limited
- Reon Energy Limited
- The Hub Power Company Limited
- Narowal Energy Limited
- Laraib Energy Limited
- Hub Power Services Limited
- Engro Fertilizers Limited Agritrade (Private) Limited

Sadia Khan
Independent Director

Sadia Khan is the President & CEO of the Pakistan Institute of Corporate Governance (PICG). She 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 and Yale University, Sadia started her career at Lehman Brothers in New York. After obtaining her MBA from INSEAD in France, she has worked with various international institutions and local regulatory authorities, including the Asian Development Bank in the Philippines, the Securities &

Exchange Commission of Pakistan and the State Bank of Pakistan. For the past two decades, Sadia has remained a passionate advocate of corporate governance and currently serves on the following boards:

- Delta Shipping
- Delta Transport
- INSEAD
- Karandaaz
- Pakistan Cables
- Siemens (Pakistan) Engineering Co. Ltd
- Oil & Gas Development Company of Pakistan (OGDCL)
- Pakistan Institute of Corporate Governance (PICG) (Not-for-Profit) as CEO

Her book entitled “Corporate Governance Landscape of Pakistan” was published by Oxford University Press in 2017.

In 2014, the French Government conferred on her, the prestigious French award, "Chevalier de l'Ordre National du Mérite" (Knight of the National Order of Merit). Sadia is the President of the global INSEAD Alumni Association since 2015. She also serves as the Honorary Consul General of Finland in Karachi.

Asim Murtaza Khan
Independent Director

Asim Murtaza Khan is working as Advisor to the Chairman CEO (Honorary) with the Petroleum Institute of Pakistan (PIP) since January 2019 subsequent to leaving the position of CEO PIP (Honorary) which he held since November 2015. Prior to that he worked for Pakistan Petroleum Limited (PPL) for over 32 years. He 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. Asim was appointed MD/CEO of PPL by the Government of Pakistan on May 12, 2011. After completing the contract term as MD / CEO, he served PPL as Executive Director until superannuation in February 2015. He earned his Bachelors in Mechanical Engineering from NED University of Engineering and Technology, Karachi, followed by Masters in Mechanical Engineering from the University of Manchester Institute of Science and Technology, UK. He is an alumnus of the Kellogg School of Management, Northwestern University, USA. He is the Chair of the Petroleum Engineering Advisory Board and Member Academic Council, NED University of Engineering & Technology. He also serves on the Boards of:

- Pakistan LNG Terminals Limited
- Agritech Limited
- Central Council, Institution of Engineers Pakistan.

In the past he has been the Chairman on the Boards of Petroleum Institute of Pakistan (PIP), Pakistan Institute of Corporate Governance (PICG), Community Development Board of the Government of Sindh, and has served as the Chair of the Technical and Operations Committee of the Pakistan Petroleum Exploration and Production Companies Association (PPEPCA).

Asad Said Jafar
Independent Director

Asad Said Jafar is the Chairman & CEO of Signify Pakistan Limited (formerly Philips Pakistan Limited), a position he has held since January 2009.

Asad has a strong track record of delivering outstanding value to shareholders, partners, customers and employees and is passionate about innovation, entrepreneurship and business transformation to drive competitiveness and customer value. He has driven the transformation and revitalization of the Philips portfolio in Pakistan to become a focused lighting technology company offering a complete range of conventional and LED lighting solutions including its connected lighting systems and data-enabled services.

He joined Philips in 1998 and has held senior leadership positions across various businesses and functions in Pakistan, Indonesia, Thailand and Singapore. From 2001 to 2008 he was posted overseas. He was the Head of Supply Chain Management for Philips in Indonesia followed by a role in Bangkok, Thailand where he was responsible for establishing the ASEAN Luminaries Supply Group. This was set up to support the immense growth potential for Philips lighting business in the ASEAN region. In his last expatriate posting he was the Director of Supply Chain Management for Philips Lighting ASEAN based in Singapore.

As a seasoned business leader, Asad served as the President of Overseas Investors Chamber of Commerce and Industry (OICCI) in 2014. He is currently serving on the Board of Directors of Engro Fertilizers Limited. Previously he has served on the Board of Directors of Pakistan Institute of Corporate Governance (PICG) and Engro Polymer & Chemicals Limited.

Asad is a member of the Institute of Business Administration (IBA) Corporate Leaders Advisory Board (ICLAB). He regularly mentors MBA students as part of the Karachi School of Business & Leadership (KSBL) CEO Mentorship Program. He also serves as a member of International Advisory Board at NED University of Engineering and Technology.

Before Philips, Asad worked in various management positions at ICI Pakistan Limited from 1988 to 1996 in engineering, manufacturing, project management and planning, having joined the company as a Management Trainee.

Asad holds a Bachelors degree in Electrical Engineering from NED University, Karachi, Pakistan and a Masters degree in Business Administration (MBA) from the Imperial College Business School, London, UK, where he studied as a Chevening scholar.

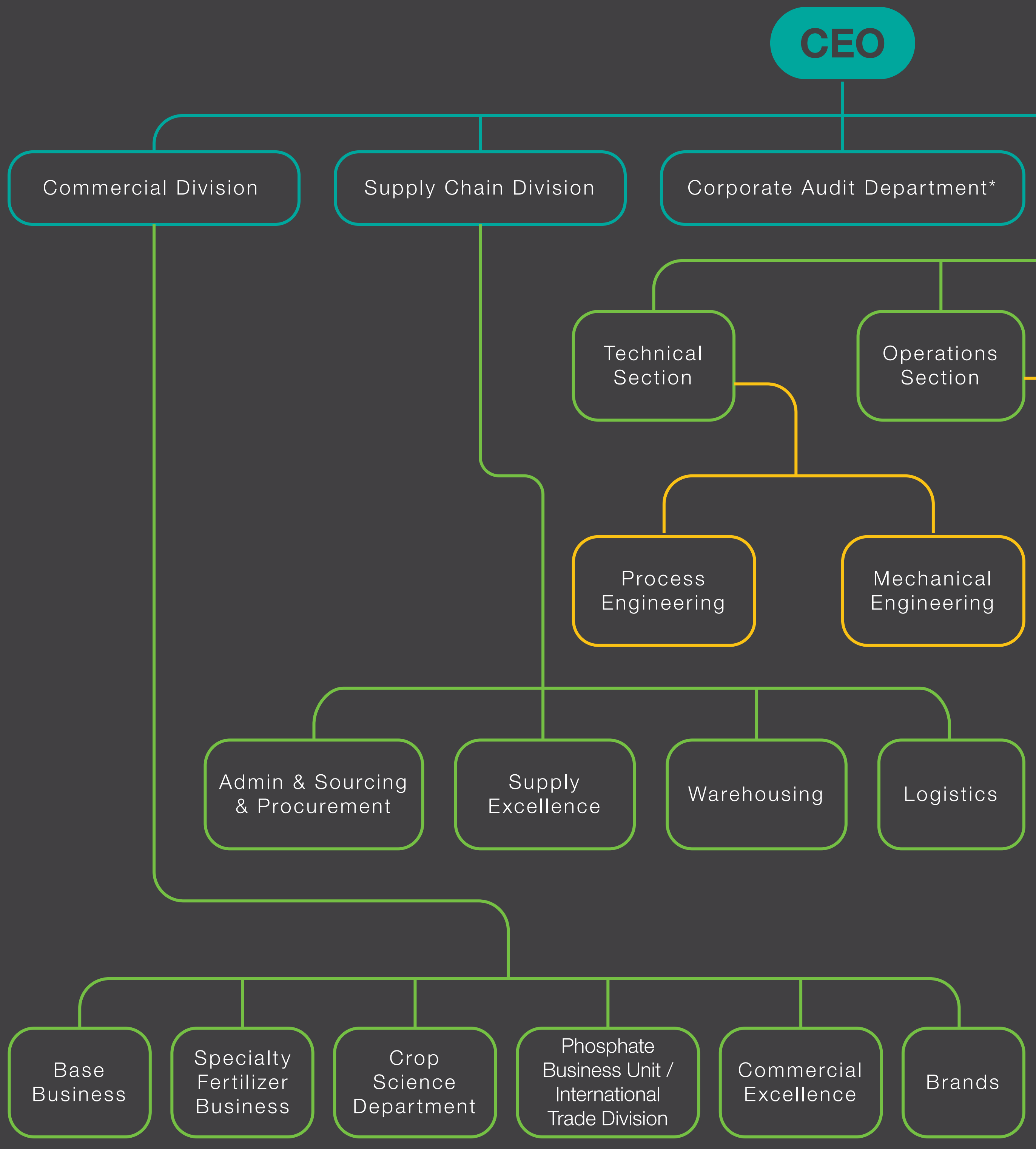
Asad continues to consider learning a priority and has completed several management development programs including the ‘Leading a Business’ Program at Ashridge Business School, UK. He attended the ‘Philips Simplicity Brand 1000’ Program at Chicago Graduate School of Business (London campus) as well as the ‘Business Marketing Strategy’ Program at Kellogg School of Management, Northwestern University, USA. He is often invited to address business professionals and student audiences at corporate and academic events.

management team

Left to Right

Imran Ahmed (Chief Financial Officer); Amir Iqbal (Chief Commercial Officer); Nadir Salar Qureshi (Chief Executive Officer); Syed Shahzad Nabi (Divisional Head Manufacturing); Salman Goheer (Divisional Head Supply Chain)

organizational structure



* Functionally reports to the Board Audit Committee and administratively to the CEO.

Number of Employees

Engro Fertilizers Limited has an employee base of 1,260 people, gracing efficiency in the Organization's operating activities including plant operations and head office activities. Appropriate disclosure of total and average employees can be identified on page 220.

Employees	2019	2019 avg	Female	Differently able
Factory	731	723	5	7
Non-Factory	529	549	54	5
Total	**1,260**	**1,272**	**59**	**12**

Engro Fertilizers Limited's position within Value Chain and how we create value?

Engro Fertilizers Limited takes pride in exploring horizons, creating value-added products and contributing to the community. Our Value Chain reflects our business actions and how we create value, emerging from the acquisition of valued raw materials, incorporating addition of value at manufacturing facilities and enhancing value by collaborating with people, systems, consumers and other stakeholders. Detailed illustration of Engro Fertilizers Limited's value chain structure and value creation model is embedded at page 67.

Significant factors affecting the External Environment

Efficient management calls for identification of significant factors affecting the external environment for Engro Fertilizers Limited, resulting in the emergence of a diverse response framework. The framework encompasses an array of risk factors and strategic impacts, disclosed in detail on page 61.

Significant changes from prior year

Significant changes from FY2018, have been disclosed in their relevant sections, contributing to the changing paradigms and strategic management.

portfolio

At Engro Fertilizers Limited, when we talk about our undying commitment to deliver the highest standards of quality, our focus goes well beyond how our brands and services will fare amongst our target audience, rather, how they will impact our consumer's lives.

The only Company providing seeds to harvest solutions with a portfolio comprising 3 categories of Seeds, 21 variants of Fertilizers and 42 products of Pesticides, Engro Fertilizers Limited's range of products and services cover all stages of agri value chain. It also offers services to farmers to improve their farming practices.

With 195 vehicles on the road in 2019, Engro Logistics intends to bring innovation and efficiency to the existing logistics Industry of Pakistan.

This is precisely why we strive to combine innovation and quality with customer needs and expectations, and are a proud sole provider of seeds to harvest solutions in Pakistan.

products

fertilizers

Engro Urea

Engro is the first Company to have established a Urea production facility in Pakistan, a landmark event in the agricultural sector of the country. The fact that Urea is the most extensively used fertilizer in the country, gives Engro Urea a special standing in the domestic fertilizer market.

Engro Fertilizers Limited started with an annual production of 173,000 tons in 1968 and through various debottlenecking and expansion steps, the capacity was increased to 975,000 tons per year by 2005. Moreover, to meet the local farmers' demand, the Company setup the world's largest single train Urea plant in 2011 with a capacity of 1.3 million tons, taking the total annual capacity to 2.3 million tons.

Urea is the most important and widely utilized Nitrogenous fertilizer in the world. It contains 46% Nitrogen and is readily soluble in water. It is the most concentrated solid Nitrogen fertilizer that is produced in both prilled and granular form; Engro Fertilizers Limited produces prilled Urea.

Urea is commonly used for basal as well as foliar application, as an ingredient of liquid fertilizers and as raw material in NP / NPK complexes.

Engro DAP

A plant requires three major nutrients for healthy growth, namely Nitrogen, Phosphorus and Potassium. Di-Ammonium Phosphate (DAP), which contains 18% Nitrogen and 46% Phosphorus, is the most widely used source of Phosphorus for the plant. DAP helps in seed germination, strengthens the roots of the plant, improves flowering and grain formation.

Till 1994, DAP was imported in Pakistan by the Fertilizer Import Department (FID), thereafter, due to deregulation of imports, the private sector took over and Engro became one of the largest importers in the country. Engro Fertilizers Limited has been marketing DAP since 1996 and is a trusted brand due to its consistently high quality products, which is monitored through stringent quality checks. Furthermore, Engro DAP has high water solubility and characteristic pH which ensures optimal soil distribution.

Engro DAP is marketed in 50 kg bags.

Engro NP

Engro started producing NP in 2005 and has been extensively marketing the product across Pakistan in different variants. NP formulations contain Nitrogen and Phosphorus in almost equal quantity and has been especially important to Pakistani farmers, given the peculiar deficiency of both components in most of the Pakistani soils. Due to higher 'N' content a few farmers also use E-NP for top dressing during crop growth stage.

Engro NP is available in 3 different grades: 22:20 and 20:20 (imported) for lower Sindh where Engro enjoys a high market share and strong brand equity. Alternatively, Engro NP 18:18 is marketed in upper Sindh and the rest of the country.

Engro NP is sold in 50 kg bags.

Zorawar

Zorawar is a high-value Phosphatic Fertilizer which has 10% Nitrogen (N) and 50% Phosphorus (P2O5). It has low pH and comparatively better water solubility compared to other Phosphatic fertilizers, which ensures greater availability of nutrients to the plant. Zorawar improves seed germination, bolsters root development, improves tillering in major crops such as wheat, rice and sugarcane.

Additionally, it improves grain health in cereals, produces more flowers, supports better fruiting in cotton, vegetables, fruit trees, and helps in timely ripening of crops.

Engro Zorawar is available in 50 kg bags.

Neem Coated Urea

Neem Coated Urea is the Urea coated with Neem seed oil. Neem oil serves as an effective inhibitor if coated on Urea. Neem coating leads to gradual release of Urea, helping plants gain more nutrient resulting in high yield and effective pest control management. There is reduction in environmental pollution of ground water due to leaching of nitrates and gaseous emission due to neem coating.

Zarkhez Plus

Plants require three major nutrients (i.e. Nitrogen, Phosphorus and Potassium) for quality & higher yield. Zarkhez Plus, 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 sugarcane increases, quality and size of potato improves, and fruits and vegetables appear and taste better. Zarkhez Plus 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 farmers. In addition to convenience, it also helps ensure uniform and balanced nutrient application.

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

- Zarkhez Green Plus (NPK 8-23-18), available in 50 kg bags, is consumed on vegetables and other cash crops.
- Zarkhez Blue (NPK 17-17-17) and Zarkhez Brown (NPK 15-15-15), available in 50 kg bags, are consumed on fruits and orchards.
- Zarkhez Tobacco (NPK 12-12-18), available in 50 kg bags, is used for tobacco crop.

Zabardast Urea

Zabardast Urea (ZU) is yet another leap forward by Engro Fertilizers Limited in pioneering next generation fertilizer in Pakistan. The product is developed in collaboration with Niha Corp USA and was launched in 2017. It has unique combination of Nitrogen (42%), Bioactive Zinc (1%) and consortium of beneficial microbes. ZU marveled efficiency of Nitrogen and Bioactive Zinc with synergetic advantages of microbial support to mobilize nutrients in soil and enhance crop resistance. ZU expressed great potential in all crops by saving separate zinc use cost, increasing yield, improving quality, enriching zinc contents in produce, and enhancing farmers' profitability.

Engro Ammonium Sulphate

Engro Ammonium Sulphate is used primarily where there is a need for supplemental N and S to meet the nutritional requirement of growing plants, 21% Nitrogen and 24% Sulphate. There is a growing realization in farmers that Sulphur is an important macronutrient, hence, is used by farmers as a source of Sulphur. It helps increase resistance power in plants against diseases, especially against fungus attacks and helps in transportation of nutrients in plants. In this form Ammonia (Ammonium Sulphate) is released slowly, and compared to Urea (Ammonium Nitrate) Nitrogen uptake of plants is better. After application, crops look lush green and better compared to Urea application.

Zingro

Zinc is a micronutrient, 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 specifically rice. Zingro brings to the market the trust of Engro and high-quality standard which has made it distinct from all the competition. It is the market leader in a highly fragmented industry. Zingro acts as a tonic and gives quick response and a better yield. Zingro contains 33% Granular Zinc Sulphate Monohydrate and is 99.99% water soluble.

Zingro has evolved to become the leading brand in the micronutrient category and is accredited to converting the image of the category to a highly acceptable one. Zingro has won the prestigious "Brand of the Year" award for 2009 in the micronutrient category.

Zoron

Zoron is a micronutrient brand which encompasses 20% water soluble boron contents. It increases efficacy of other fertilizers, nourishes the plant, increases yield, reduces boll's deformation, reduces shedding of flower and fruits, and enhances quality of the product. Zoron can be used as basil application and foliar application. Zoron is recommended for cotton, cereals (rice, maize, oat), vegetables (onion, potato, tomato, cauliflower), fruits (apple, banana, grapes, guava, apricot, pear, peach, plum), rose and other ornamental plants.

Engro SOP

Potassium is also applied as a straight fertilizer in the form of SOP or Sulphate of Potash. SOP is low chloride form of Potassium. Engro SOP was launched in a 50 kg SKU in both granular and powder forms, targeting all potash loving crops such as potato, maize, sugarcane, wheat, rice, cotton, vegetables, fruits, orchards, and tobacco. SOP contains 50% Potassium nutrient and 17.5% Sulphur. SOP is considered as a premium quality Potash. Using SOP not only improves quality and crop yields, but also makes plants more resilient to drought, frost, insects and even diseases.

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 launched Engro MOP in a 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 fruits and vegetables.

Potash Power

Potash Power is very high value and ideal source of N and K fertilizer containing 13% Nitrogen (N) and 44% Potassium (K2O). It is low pH fertilizer which makes availability of other nutrients to the soil and is 100% water soluble fertilizer. It is very much suitable for basil and foliar application with high efficiency irrigation system (Sprinkler & Pivot). Potash Power helps to build thick cell walls, increases concentration of electrolytes inside the cell to acquire frost resistance. It increases fruit size, fruit appearance, organoleptic features and shelf life. Potash Power outperforms other potassium fertilizers for crops such as cotton, wheat, rice, sugarcane, sunflower, maize, flowers, and fruits at mid to late stage application for improving health, yield, optimal plant nutrition and quality of crop.

Phos Power

Phos Power is a 100% water soluble product and has 17% Nitrogen and 44% Phosphorus. It is imported from Europe and is best suited for drip, pivots and sprinkles. Being an acidic fertilizer, it opens the choked nasals of the drip system. It is suitable for fertigation or flooding during crop growth stage as booster application. Phos Power can also be used on alkaline soils.

Engro SSP

Single Super Phosphate (SSP) has a nutrient value of 18% (P2O5) and added benefit of gypsum (CaSO4). Engro SSP is produced through Imported Rock Phosphate. Our strategy is to leverage Engro's brand image and provide the farmers with an extremely good quality product, which is not available in the market at the moment. Over the years, SSP faced severe negative feedback due to lack of product quality, with spurious manufacturers present throughout the market, while there is an established market for this category. Engro is fulfilling the need for a quality player in the market for SSP which can uplift the farmer's confidence. 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.

crop protection

Librel Zn

Indication: Chelated Zinc

SKU: 500 grams

Crops: Multiple

Librel Zinc is quality Chelated Zinc, researched, developed and produced by BASF. Product formulation is designed to ensure maximum Zinc offtake in plants. It's water solubility gives the flexibility to be used as foliar, through fertigation or broadcasting. Liberal Zinc is suitable for all zinc deficient soils and can be used in sugarcane, cotton, maize, wheat, orchards, vegetable and rice.

Liberal TMX

Active: Boron

Indication: Nutrient

SKU: 300 grams

Crops: Multiple

Librel TMX is a combination of 5 essential nutrients, produced at BASF, Germany. It is highly water soluble and gives the flexibility to be used as foliar, through fertigation or broadcasting. Liberal TMX not only provides nutrient supplements, but is also used to enhance fruit quality and crop stress management. It is recommended to be used on sugarcane, cotton, maize, wheat, orchards, vegetable and rice.

Truce Xtra 88.8% WG

Active Ingredient: Mesotrione + Atrazine

Indication: Herbicide

SKU: 400 grams

Crops: Maize, Sugarcane

Truce Xtra is one of the premium selective, post emergence herbicides for sugarcane and maize marketed by Engro. It is a broad-spectrum herbicide and controls broad leaves, narrow leaves and sedges with excellent crop safety.

Pivot

Active Ingredient: Pyraclostrobin + Dimethomorph

Indication: Fungicides

SKU: 250 grams

Crops: Potatoes, Vegetables

Pivot is a premium product and mixture of two strong fungicides for early Blight, late Blight and Downy mildew in potatoes and vegetables.

Veyong Jinteng 40% WG

Active Ingredient: Dinotefuran + Pymetrozin

Indication: Insecticides

SKU: 100 grams

Crops: Rice, Cotton, Wheat, Vegetables

This is a new insecticide launched by Engro last year. It was very well received in fields by farmers. The product is used against Jassids, Hoppers & Aphids.

Winsta 30 WP

Active Ingredient: Bispyribac + Bensulfuron

Indication: Herbicides

SKU: 100 grams

Crop: Rice

Winsta is a post emergence rice herbicide used on transplanted and direct seeded rice.

Sulphur 80% WG

Indication: Fungicides

SKU: 1 Kg

Crops: Multiple

Sulphur is considered as 4th essential nutrient after three macro nutrient elements of NPK. Moreover, it is a very effective and safe fungicide against leaf spots in rice and powdery mildew in mango and cucurbits. It possesses very good solubility and absorption properties. Its good stickiness ensures proper coverage and resists rain fastness. It can be applied through foliar or through soil application.

seeds

Bharosa Hybrid Rice Gold

SKU: 2 Kg

Crop: Rice

Bharosa Seeds is a registered trademark of Engro. It was launched in 2011 and since then it is considered a trusted brand amongst the farming community.

Engro offers Seeds of Rice OPVs and Rice Hybrid under the brand name of Bharosa.

Bharosa Hybrid Wheat

SKU: 50 Kg

Crop: Wheat

Bharosa Seeds is a registered trademark of Engro. It was launched in 2011 and since then it is a considered trusted brand amongst the farming community.

Engro offers Seeds of Wheat OPVs under the brand name of Bharosa.

services

Logistics

In 2019, the Company entered into the long haul logistics business. This service arm of the Company will help in consolidating the end-to-end supply chain function of the Company, and at the same time bring innovation and efficiency to the existing logistics industry of Pakistan. In its first year of operations, the fleet size has grown to 195 vehicles comprising a mix of flat bed, containerized and refrigerated vehicles.

Agribusiness Solutions

Expanding its footprint in local agri-value chain, Agribusiness Solutions Division was established to serve the farmer community with services, which are not readily available and will make the crops' value chain efficient.

Farm Mechanization Services

In Pakistan, the level of farm mechanization throughout the agri-value chain is low to medium. Engro aims to raise the level of farm mechanization in the country and make it more accessible to the farmers. Current offering includes mechanized harvesting services. Since 2018, the Division has served a total of 1,400 acres for harvesting of wheat, rice and maize crops.

Chunyu MC T70

Crop: Wheat & Rice

Harvester has a 154 hp engine, which ensures high performance with low fuel consumption besides it also provides good grain quality due to second threshing of not fully threshed ears. Moreover, reliable crop flow is assured with a feeding drum and a single rotor, which separates the grain from the straw. The straw is discharged on the left-hand side of the harvester.

Corn Cob Picker

Crop: Maize

Corn Cob Picker's knife type design with a special support device is better suited to harvest the inverted corn. The harvest is more efficient without hitting the grain. The machine can pick corn dried or in green form and fill it in the bucket mounted behind the tractor. This machine can pick cobs from four rows planted with 26-inch (66 cm) row spacing, simultaneously.

leadership
competency model

- puts people first
- acts entrepreneurial
- thinks engro
- fosters collaboration
- executes with excellence
- demonstrates adaptability

SWOT analysis

strengths

- Strong brand recognition
- Lean organizational structure, creating more customer value via efficient operations
- Wide product and services portfolio, offering farmers complete range of seed to harvest solutions
- Financial sustainability and strong balance sheet position
- Quality and efficiency of Human Resource
- Renowned engineering excellence

weaknesses

- Mature industry with declining / stagnant market growth
- Reliance on depleting natural resources
- Phosphate and Potash based price elastic products in the portfolio

opportunities

- Alignment of gas pricing to fertilizer policy
- Improved production through utilization of idle capacity
- Capacity to build horizontal and vertical integrations, improving on the Company's supply chain
- Invest in energy efficient technological advancements
- Identify alternate sources of raw materials
- Identify and address issues of low farmer yields via positive interventions

threats

- Inconsistent gas supply and elevating costs of production
- Devaluation resulting in increased cost of doing business
- Challenging farm economics
- Excess supply of Urea through non-indigenous gas source
- Inconsistent government policies and pressures on fertilizer pricing

significant factors

affecting the external environment

Political

- Probability of advancement in major gas projects (e.g. TAPI) will positively influence the availability of Engro Fertilizers Limited's primary raw material.

  Engro Fertilizers Limited's Discourse / Impact: Continued engagement with the government on opportunities to improve gas availability.

- Change of government introduces economic changes, which can impact the farmers at large.

  Engro Fertilizers Limited's Discourse / Impact: Carry out pilots and engage with the relevant government bodies to ensure sustainable improvements in farm economics.

- Policy makeovers and regulatory changes consequently impacting the business economics.

  Engro Fertilizers Limited's Discourse / Impact: Work closely with the government to provide necessary inputs into the policy making process.

Economic

- FX changes adversely impact the dollar-linked prices of primary raw materials and imports.

  Engro Fertilizers Limited's Discourse / Impact: Strategic procurement and considerate pricing decisions to avoid full impact of these fluctuations.

- Rising interest rates inflate cost of borrowing for the Company, also aggravating costs for farmers operating on credit.

  Engro Fertilizers Limited's Discourse / Impact: Timely and strategic drawdowns and repayments, resulting in effective management of financial cost. Low cost agri financing for small farmers.

Social

- Over reliance of farmers on Urea, resulting in an unbalanced consumption of nutrients, affecting the 'P' and 'K' markets.

  Engro Fertilizers Limited's Discourse / Impact: Enhanced focus on creating awareness amongst farmers towards balanced use of fertilizers. Engagement with relevant government bodies to promote supportive policy making in this regard.

- An imbalance in the political or social environment can lead to unrest in the neighboring areas of operational facility.

  Engro Fertilizers Limited's Discourse / Impact: Efforts to contribute to sustainable development and growth in the communities we operate in.

Technological

- Not coping with technological advancement may create competitive disadvantages and operational inefficiencies

  Engro Fertilizers Limited's Discourse / Impact: Engro Fertilizers Limited continues to invest in latest ERP, IT infrastructure and manufacturing technology.

- The farming industry of Pakistan fails to employ technological advancements due to lack of information and resources.

  Engro Fertilizers Limited's Discourse / Impact: Introduce latest agri technology, balanced nutrients and farm practices amongst farmers to support improved yields.

Environmental

- Nitrogen and Phosphorous deficient soil in Pakistan results in increased demand for fertilizers.

  Engro Fertilizers Limited's Discourse / Impact: Increased reliance on Urea and DAP fertilizers provides an opportunity to continue addressing enhanced and consistent demand.

- Water supply is attributed as a scarce resource in Pakistan, leading to hindrance in the farming process and thus adversely affecting fertilizer supply to consumers.

  Engro Fertilizers Limited's Discourse / Impact: Continually educating the farmers regarding efficient water use as well as increased use of water efficient crops.

Legal

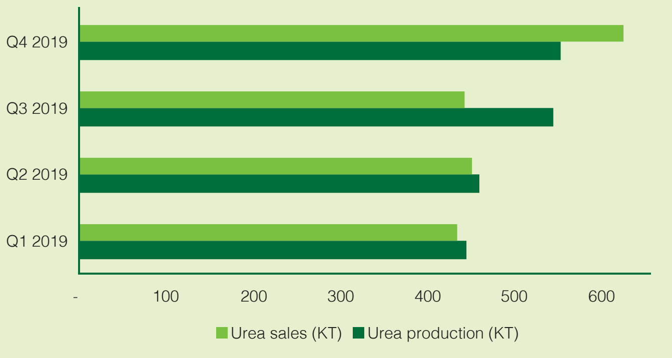
- Laws and Amendments introduced, relating to crucial cost components such as GIDC / Gas prices as well as freight regimes, significantly impact the costs of fertilizer manufacturers.

  Engro Fertilizers Limited's Discourse / Impact: Continued engagement with the government for sustainable solutions that promote industry and agri sector of Pakistan.

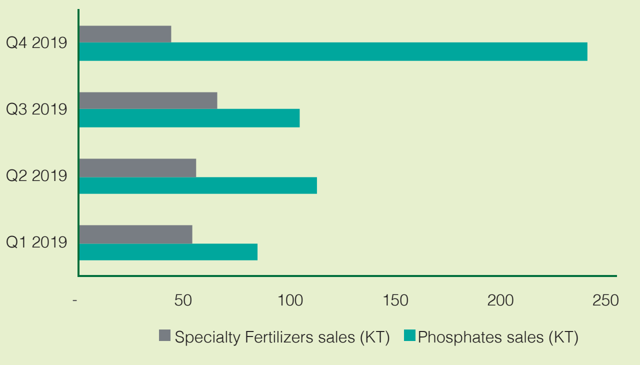
Effect of Seasonality on Business

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 and production / import planning, keeping our products available according to the customers' demand.

Quarter wise Urea Production and Sales



Quarter wise other Fertilizers Sales



competitive landscape and market positioning

Engro Fertilizers Limited has evolved to deliver to the nutritional upbringing of the agricultural lands of Pakistan. Positioned in the fertilizer industry as one of the largest players, Engro Fertilizers Limited has a state-of-the-art operational facility which has helped it to capture a significant market share, functioning along a sustainable paradigm that evolves around various business segments to promote excellence. Its competitive landscape & market positioning delivers Engro Fertilizers Limited's strategic proposition within the sector.

Competition in the Fertilizer Industry

Fertilizer industry of Pakistan harbors an array of competitors, who operate on various scales and organizational structure. In case of Urea, the industry comprises other indigenous and LNG based fertilizers manufacturers who have made significant investments in capital equipment and operates with high fixed cost structures. Engro Fertilizers Limited, during the year, captured 32% of market share for Urea.

In case of imported fertilizers, during 2019, the Company catered to 28% of the market for phosphates, a category in which locally produced fertilizer and imported product range, serve as the primary competitor.

The competition within the industry is dynamic, from traditional players, who enjoy economies of scale, given their high output range to relatively small producers, who fail to minimize fixed expenditure per unit given the current market share they capture. Engro Fertilizers Limited enjoys the ability to spread fixed expenditure over its output base, hence capturing a competitive edge against players in the industry.

Potential of New Entrant into the Industry

Traditionally, fertilizer industry is part of the manufacturing sector and embeds a highly capital-intensive operational structure. The potential risk and threat from new entrants in the industry is minimal, given various factors including high initial capital cost, significant competition from major players and the competitive supply of industry's primary raw material, natural gas.

Furthermore, for a new entrant to succeed, an efficient operational unit, excelling human resource, financial reserves and a vast commercial network are crucial factors to capture a significant market share.

The Urea industry available capacity is in excess of demand. LNG based plants enter into the market as LNG is made available to them.

Power of Suppliers

Supply Chain is a crucial arena of operational excellence for Engro Fertilizers Limited. For the Company to continue growing, it is essential that it enjoys a sustainable framework, which offers an uninterrupted and smooth supply of inputs. Engro Fertilizers Limited enjoys strategic partnership with its business suppliers, be it for smooth access to raw materials or capital inputs.

Procurement of raw material and industrial machinery is regulated by the Company's manufacturing, supply chain and commercial departments in accordance with the approved planning and budgeting guidelines, an aspect of back-end operation that grows steadily given the strategic relationships in place. The Company primarily procures continuous supply of gas from Sui Northern Gas Pipelines Limited & Mari Petroleum Company Limited.

Supplier paradigm evolves on a credit operating structure and Engro Fertilizers Limited's high credit worthiness is reflected by the credit ratings issued by PACRA. For the year, PACRA maintained the company's long-term credit rating of 'AA' and short-term credit rating of 'A1+'.

Power of Customers

Engro Fertilizers Limited takes pride in delivering with excellence to its consumers for more than 50 years. The Company treasures the relationship it enjoys with its customers and continues to facilitate the trust they have in us. As part of our impact on the agricultural landscape of Pakistan, Engro Fertilizers Limited offers value added services to farmers, which will promote sustainability and growth with agri-environment.

Structural aspects of these services range from consumer awareness to soil testing and trade discounts to after services. Developing along the lines of continuous technological advancements, the Company regularly takes into consideration its' consumers' feedback. Engro Fertilizers Limited has an annual survey, which promotes continuous reforms and transformation in business practices and products.

Threat of Substitute Products

Fertilizers are crucial for progressive growth of crop yield as adequate provision of nutrients in required quantity is essential to fulfill the market demand for crops. Substitution strategy among nutrient bases is largely not possible, and therefore each nutrient has its role to deliver in improving crop base.

Engro Fertilizers Limited undertakes extensive research to develop an articulate product base that caters to the needs of the farmers, fulfilling their demand and positively contributing to the nutritional needs of the economy's agriculture landscape. Technological advancement continues to contribute to improvement in agri-yield globally and our Company continues to incorporate innovative enhancement in its offerings.

our business model

Engro Fertilizers Limited continues to grow and prosper on the back of operational excellence and sustainable progress. The Company takes pride in maintaining quality deliverance, reflective of its strong brand recognition in the country. Our business stands high on the principles of integrity and sustainable growth. We take pride in adding value to our inputs with the use of highly efficient operational activities, to develop an array of fertilizer solutions for the farmers of Pakistan. Engro Fertilizers Limited continues to contribute to the country's agri-landscape, while maximizing returns for its stakeholders and the same is inculcated in our business model.

Inputs

Natural Gas | Finances | Infrastructure | Procurement | Workforce

Engro Fertilizers Limited ensures the most effective use of its inputs, which encompass our raw materials including natural gas as well as imported fertilizers, our manufacturing and operational infrastructure, our capital structure and financing as well as our human and intellectual capital.

- Raw materials consumed: Rs. 22 B
- Trading products imported: Rs. 36 B
- CAPEX: Rs. 4 B
- Equity: Rs. 43 B
- Number of employees: 1,260

Business Activities

Manufacturing and Operational Efficiency | Warehousing and Distribution

Engro Fertilizers Limited takes pride in operating one of the biggest and most efficient production facilities, which converts indigenous gas into Urea fertilizers. Simultaneously, the Company employs a very proactive and outreaching distribution network that ensures timely product availability to our consumers.

- Production: 2 million Tons (Urea)
- Total recordable injury rate (TR / IR): 0.05
- Manufacturing facilities: 3
- Warehouses: over 100 locations
- Total man-hours: 12.5 million

Outputs

Engro Fertilizers Limited's range of products and agricultural solutions.

We provide quality products to our customers, offering wide range of fertilizers that include Urea, NPK and Di-Ammonium Phosphate (DAP) fertilizers. We are the only fertilizer manufacturer in Pakistan, providing an array of agri-inputs including seeds and crop protection.

Some of the outputs are produced locally, whereas others are imported.

- Urea sales: 1,958 KT
- Phosphates sales: 569 KT
- Specialty fertilizer sales: 220 KT

Outcomes

Revenue and Cash Flows | Brand Loyalty | Customer Satisfaction | Community Welfare

Engro Fertilizers Limited's efficient and proactive operations ensure ever increasing revenues and cash flows all the while solidifying our customer base. Our one stop agri-solutions ensure that our consumers remain satisfied by our products and the same is periodically measured via our Trade Satisfaction studies. Engro Fertilizers Limited also strongly believes in giving back to the society and therefore corporate social responsibility is firmly inculcated into our culture.

- Total revenue: Rs. 121.4 B
- Operating cash flows: Rs. 22 B
- Salaries: Rs. 4.5 B
- Dividends: Rs. 13.0 per share
- Contribution to national exchequer: Rs. 22 B
- CSR contribution: Rs. 265 M

value chain

Position within the Value Chain – How we create value?

Engro Fertilizers Limited takes pride in exploring nature, creating value-added products and contributing to the community. At Engro Fertilizers Limited, efficient collaboration with resources and customers allows the Organization to develop a functionally efficient and sustainable value chain. We treasure the contribution by our stakeholders in the form of feedback at every step of the value chain, propelling us to achieve the goal of an eco-friendly value chain.

Our Value Chain reflects in our business actions and our value creation model, highlighting the process of value creation at each level of activity. For sustainable development, we regularly engage with our stakeholders and consistently collaborate with our business partners.

Manufacturing

Capital inputs undergo processing to produce fertilizers

- Total Urea production capacity of 2.275 million MT
- Raw materials consumed: PKR 22 B
- Achieved highest ever annual Urea production of 2 million MT
- Two successful plant turnarounds accomplished
- Lowest ever manufacturing TR / IR of 0.03 at our Daharki Plant
- Total factory employees: 731

Transportation

Robust transportation network, both in-house and outsourced, delivers efficiently

- Robust setup of transportation channels across the country for timely distribution
- Highest ever product handling of 2.8 MT during the year
- Record import handling of 275 KT in October 2019
- One of the leading long haul fleets in the country through our E-Logistics business, which became cash flow positive in its first year of operations

Distribution

An articulate network of dealers for Engro Fertilizers Limited's product range

- Wide distribution network throughout the country to improve the availability of our brand at all purchase points
- Over 100 permanent warehousing locations
- Close collaboration with dealers in providing value to our consumers
- 10 million safehours logged by commercial and supply chain teams

Consumers

Farmers benefit from the availability of fertilizers and high yields

- Captured market share of 32% for Urea and 28% for Phosphates during 2019
- Highest ever Potash industry market share achieved of 60%
- Sales revenue: Rs. 121 B (an increase of 11% on YoY basis)
- Consumer analytics serve as a crucial insight, hence Engro Fertilizers Limited conducts consumer satisfaction survey every year

Shareholders

Value is created for our shareholders through profits, growth and sustainability

- Earned a profit after tax of Rs. 16.9 B
- Earnings per share: Rs. 12.6
- Declared dividend per share of Rs. 13 (final dividend pending members approval in AGM)
- Dividend payout ratio: 102.8%

Community

Uplifting lives and contributing to the community's well-being is at the heart of Engro Fertilizers Limited's operations

- Engro Fertilizers Limited has always been a purpose driven organization, striving to improve the lives of people living in low-income communities
- Engro Fertilizers Limited undertakes community engagement to deliver a positive impact in Pakistan with focus on, but not limited to, the following:
  - Community investment and infrastructure development
  - Education & Environment
  - General & Healthcare
  - Total CSR contribution in FY2019: Rs. 265 M vs Rs.100 M last year

strategic objectives

Strategic Objectives	Strategic Actions	Strategic Nature
Enhance farmer productivity	Increase interaction at farmer level to pilot various initiatives of improving farmer productivity. Liaison with relevant stakeholders to support use of balanced nutrients.	Long-term
Optimize on manufacturing excellence	Make efficient use of available gas to improve capacity utilization of manufacturing facility.	Long-term.
Leverage brand name to increase top-line	Use Engro's strong brand name to improve presence across all regions in the country and introduce wide range of products and services.	Medium-term
Become the farmer's preferred partner by offering complete Agri-solutions	Enter new areas within the agri-value chain to offer seed to harvest solutions.	Long-term
Achieving operational efficiency	Work on improving plant utilization and energy efficiency. International benchmarking.	Medium-term
Providing agri-inputs at optimal prices	Facilitate the local farmers by providing inputs at affordable prices. Immediately passing on full impact of GIDC reduction through decrease of Urea prices.	Medium-term
Corporate social responsibility	Focusing on improving quality of life of people in communities in which we operate.	Medium / Long-term

Resource Allocation	Measurable KPI	Relevance in Strategic Excellence
Efficient employment of Human Capital, primarily the network of communication adopted by the commercial department, with financial provisions, facilitate farmers' education and improve agri-yields.	• Yield per acre on pilots	Will continue to be relevant in the foreseeable future.
Financial strength and operational efficiency of trade and manufacturing paradigms, evolve the infrastructure facilities to achieve optimal advancement.	• Capacity utilization of Plant 1 and Plant 2	Will continue to be relevant in the foreseeable future.
Amalgamation of competent human resource, financial capital, manufacturing capabilities and an articulate trade and distribution network with Engro's integral image, aims to enhance the presence and visibility of the brand.	• Market share • Growth in revenue	Will continue to be relevant in the foreseeable future.
Technological capital, in combination with social, research and human resource allocation, to develop and embed advanced solution range.	• Growth in revenue	Will continue to be relevant in the foreseeable future.
Engro Fertilizers Limited enjoys a history of best practice implementation frameworks, employment of all capital bases, to achieve optimization.	• Plant energy index	Will continue to be relevant in the foreseeable future.
Manufacturing excellence, financial feasibility, social resources and intellectual capital introduce cost economization to local farmers, enhancing inputs cost efficiency and farmers' value functionality.	• Local vs International Urea prices	Will continue to be relevant in the foreseeable future.
Social, financial and intellectual capacities are enjoined to facilitate the implementation of CSR projects, enhancing Daharki's social infrastructure.	• Number of lives impacted through our livelihood projects • Number of students at school • Number of patients treated	On going.

Relevance of Measurable KPIs in Future Strategic Excellence

The Organization takes pride in efficiently identifying and designing relevant and tangible performance indicators. The measurable KPIs take into consideration, the planning and implementation attributed to the continuous achievement of defined strategic aims and objectives. Therefore all of the aforementioned KPIs will continue to be relevant in the foreseeable future.

Significant Changes in Objectives and Strategies

Engro Fertilizers Limited has an articulate and structural paradigm of business objectives and strategies. In FY2019, there were no significant changes in the strategic objectives framework of the Organization as compared to the previous year.

Detailed Resource Allocation Plan

In addition to the strategic allocations, a detailed resource allocation plan is outlined on page 71.

resource allocation plans

The Company aims to achieve strategic objectives by optimizing available resources. This would be done by primarily leveraging on its strong brand equity with efficient utilization of the Company's core strengths which include but are not limited to:

- financial strength
- competent human resource
- manufacturing excellence
- strong HSE standards

Engro Fertilizers Limited aims at becoming the preferred partner of the farmer by providing an array of solutions. This will be through achievement of the smart strategic objectives which are easily measurable and will remain relevant in the foreseeable future. Engro Fertilizers Limited will continue to deploy its resources to ensure efficient utilization of local resources and to eliminate dependence on imported fertilizers.

The Company will continue to monitor the strategic objectives on an annual basis and will make amendments, if needed, based on changes in the internal and external environment.

Significant Plans and Decisions

With the Company having achieved significant success in the Fertilizer arena, the Company has built on its momentum of expanding its portfolio in the agriculture industry by introducing various new products in the Seeds and Pesticides business. Engro Fertilizers Limited plans to escalate the business going forward by enriching its portfolio with increased focus on products which could better assist in enhancing farmer productivity and profitability.

The Company has also ventured into logistics space during the year aiming to deliver "movement with precision". Within its first year, the "E-Logistics" Division became cash flow positive and already has one of the leading long haul fleets in the country.

During the year, the Company covered ground on its Long-term reliability plans for efficiency enhancement of its manufacturing facility. Engro Fertilizers Limited aims to make headway into this project to ensure improved and efficient operations.

During the year, Engro Fertilizers Limited sold 100% of its stake in Engro Eximp FZE, a subsidiary established as a trading arm in the Jebel Ali Free Zone in Emirate of Dubai to Engro Corporation Limited.

Changes in Objectives and Strategies

Whereas, the Company's long-term strategies and objectives have stayed intact compared to last year, Engro Fertilizers Limited is continuously exploring opportunities to expand its footprint within the agriculture industry. The Company has already undertaken several initiatives at the farmer level and aims at establishing itself as a one stop solution for all farmer needs.

Liquidity and Cash Flow Management

Treasury Management and Strategy to Overcome Liquidity Problems

To manage its working capital in the most efficient manner, the Company has a proactive Treasury Management System in place. Cash generation realized through sales and borrowings from banks are used to meet the liquidity requirements of the Company. Further, effective controls on credit sales and securing advance payment against sales assist in managing its liquidity position.

The Company invests any additional funds at the most competitive rates, which, in turn, adds to its investment income and duly provides the Company with additional funds to meet its operational needs.

The Company has been able to successfully maintain its long-term and short-term credit rating of 'AA' and 'A1' respectively through its prompt, coherent and effective methods of managing its business, investments, cash and liabilities (long-term and short-term).

The Company operates its Treasury Management System with a focus to enhance profitability, increase shareholder return and preserve invested capital. The Company endeavors to maintain a diversified portfolio of investment by placing funds in government securities / money market, TDRs and other investment schemes.

Key objectives of the Treasury Management System are as follow:

- Based on cash flow projections, surplus funds are identified for investment by matching maturity dates of investments with working capital / other funding requirements of the Company, to ensure sufficient liquidity to meet operational needs of the Company
- Such investments are placed in short-term securities to ensure optimal returns with highly credible institutions to curtail credit risk
- Investment portfolio is adequately diversified to earn maximum returns while maintaining prudent level of risk and exposure

Debt management and capital structure

The Company places great emphasis on value maximization, which in turn leads to higher shareholder returns. The Company does this by minimizing its financing cost and maximizing its financial income. Working capital requirements are met through internal cash generation and short-term borrowing, whereas long-term borrowing is availed to meet capex requirements (if required) and to ensure balance sheet optimization. External financing includes both local and foreign financing which is obtained after exhaustive evaluations of offers in hand and market conditions, ensuring maximization of shareholder value.

In 2019, the Company continued to concentrate its efforts on reducing costs of financing. Improved industry dynamics and resultant cash generation allowed the Company to delay its drawdown of fresh long-term loans towards the tail-end of the year, for financing of capital expenditure, in contrast to repayments of long-term loans made over the course of the year. Long-term borrowings at year end 2019 stand at PKR 31 billion (2018: PKR 30.8 billion). All debt repayments maturing this year were paid by their due dates and there have been no defaults in repayment of any debt during the year. Total equity as at December 31, 2019 stands at PKR 43.3 billion (2018: PKR 45.5 billion).

our approach to risk management and our top risks

Engro Fertilizers Limited uses a well-defined framework to understands and manages the risks faced across the entire Organization. We define risks as situations or actions with the potential to threaten our ability to deliver on our strategic priorities and, ultimately, to create value.

Risk Governance and Oversight

At Engro Fertilizers Limited, the Board of Directors have the overall responsibility for ensuring that Company has a robust process in place for assessment of principal risks facing the Company, including those that would threaten the business model, future performance, solvency or liquidity. The Board Audit Committee is responsible to perform oversight of the Enterprise Risk Management methodology approved by the Board has been implemented across the organization. In addition, the Board Compensation Committee focuses on risks relating to Human Capital, including assessment of compensation programs and succession planning.

Further, various management committees have been constituted which perform regular oversight of performance of the Company with respect to Organization & Employee Development, Health Safety & Environment, Execution of Planned Capital Projects, Business Continuity Planning and Business Process Reengineering.

Engro Fertilizers Limited, Internal Audit function provides independent and objective evaluations while reporting directly to the Audit Committee on the effectiveness of governance, risk management and control processes.

Enterprise Risk Management Process

Engro Fertilizers Limited has implemented an Enterprise Risk Management (ERM) methodology which provides a structured, disciplined and consistent approach to risk management that facilitates risk-informed decision making throughout the Organization. Engro Fertilizers Limited uses a well-defined process to assess its risks, opportunities and material issues:

Formulation of Strategy and Business Objectives

At Engro Fertilizers Limited, the focus of ERM is to ensure achievement of the Organization objectives. Defining the Organization's strategy and objectives is pre-requisite to identifying risks and opportunities. During this step, the management defines strategy and objectives for different areas of the Organization.

Identification of Risks and Opportunities

The purpose of this step is to identify a comprehensive list of risks and events that may potentially impact the achievement of Organization's mission and strategic objectives. In order to identify enterprise-level risks to be managed, a structured and systematic "Enterprise Risk Register" is used.

Identifying associated opportunities is also integral to this process where considering our business model and external environment an assessment is made as to how Engro Fertilizers Limited can leverage opportunities to ultimately create value.

Broad types of risk which are used for categorization of risk and opportunities are as follows:

- **Strategic Risk**

  Strategic risks are risks that affect or are created by an organization's business strategy and strategic objectives.

- **Commercial Risk**

  Commercial risks refer to potential losses arising from the trading partners or the market in which the Company operates.

- **Operational Risk**

  Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

- **Financial Risk**

  Financial risk is an umbrella term for multiple types of risk associated with financing, profitability, liquidity and credit. 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. The Company's policy for management of financial risk are explained in notes to the financial statements for the year ended December 31, 2019. Financial Risk Include Credit Risk, Market Risk and Liquidity Risk.

Risk Assessment

The process involves consideration of the causes and sources of risk, the probability that the risk event will occur, their positive or negative consequences and magnitude, and the likelihood that those consequences may occur. The Board has approved formal criterion for assessment of the 'likelihood' and 'impact' which is used by the management for risk assessment. Each risk is assigned a rating and recorded in the Risk Register. Risk assessment provides the basis for evaluation and decisions regarding risk response or treatment.

Prioritization of Risk

The purpose of this step is to develop a prioritized list of enterprise-level risks for response options. By ranking and prioritizing the enterprise-level risks, Engro leadership can respond as appropriate with strategic allocation of resources while responding to the risks. In order to develop ranking, the risks are ranked according to Impact Likelihood rating.

Implements Risk Responses

The purpose of this step is to select a combination of risk response options that will optimize Engro's resources in managing its portfolio of risks. The process involves identifying and assessing the range of risk response options and preparing implementation plans for selected response options. Using a prioritized list of quantified risks requiring response options, the leadership can make informed strategic decisions about how to allocate resources to risks reflected in the Enterprise Risk Register.

Monitoring and Reporting

The ERM Risk Register is reviewed on periodic basis to ensure updation for changes in external and internal environment. The ERM Risk Register and mitigation strategies are also presented to the Management Committee and the Board Audit Committee on bi-annual basis in the form of Risk Heat Maps.

Key Risks, Related Opportunities and Mitigation Strategies

Following are the major risks and opportunities effecting availability, quality and affordability of capitals in the short, medium and long-term, which may affect our business operations along with the management assessment of their source, likelihood, impact and the mitigating strategies implemented by the Company for these risks:

Risk description: Depletion of allocated gas field affecting production of Urea.				
Associated Objective: Providing agri-inputs at optimal prices / Achieve operational excellence.				
Risk Type	**Capital Impacted**	**Source**	**Likelihood**	**Impact**
Operational	Manufactured Capital / Natural Capital	External	Medium	High
Opportunity	• Invest to improve energy index of both Base and enVen plants. • Identify alternate sources of gas / energy and invest in other businesses.			
Mitigation Plan	• Engro Fertilizers Limited is actively evaluating alternate sources of gas / energy. • Continue to invest in additional plant efficiency improvements.			

Risk description: Continuous changes in government policies and regulations affecting Company's competitiveness.				
Associated Objective: Providing agri-inputs at optimal prices.				
Risk Type	**Capital Impacted**	**Source**	**Likelihood**	**Impact**
Strategic	Financial Capital	External	Medium	High
Opportunity	Improving agricultural productivity of Pakistan resulting in market growth.			
Mitigation Plan	The Company is actively monitoring changes occurring in regulatory framework and engages with government and other stakeholders to provide explain dynamics and issues impacting the industry to enable sustainable and progressive policy making.			

Risk description: Allocation of expensive gases to old plants at Petroleum Policy 2012 or LNG making them uncompetitive.				
Associated Objective: Achieving operational efficiency.				
Risk Type	**Capital Impacted**	**Source**	**Likelihood**	**Impact**
Financial	Financial Capital / Manufacturing Capital	External	Medium	High
Opportunity	Utilize existing idle capacity of base plant to meet domestic Urea demand.			
Mitigation Plan	Continue to convince the government to provide a level playing field to all players by allocating gas on fertilizer industry rate in line with the Fertilizer Policy as charging higher prices increases the cost of doing business and increase input cost of farmers. Engaging with the government to allocate more gas to Base Plant, which can convert it to Urea in most efficient manner.			

Risk description: Decline in international Urea prices allowing for imports resulting in the Company's market share.				
Associated Objective: Leverage brand name to increase top-line.				
Risk Type	**Capital Impacted**	**Source**	**Likelihood**	**Impact**
Commercial	Financial Capital / Manufacturing Capital	External	Low	High
Opportunity	Increase domestic market share through import of Urea.			
Mitigation Plan	• Continue to focus towards cost optimization. • Currently, international Urea prices USD 259/T - landed equivalent Rs. 2,410/bag) is significantly higher than the domestic fertilizer prices of Rs. 1,850/bag. • Continue to actively monitor international fertilizer prices, trends and industry demand / supply dynamics.			

Risk description: Adverse movement in foreign exchange / interest rates impacting profitability of the Company.				
Associated Objective: Achieving operational efficiency / Facilitate the local farmers by providing inputs at cheaper prices.				
Risk Type	**Capital Impacted**	**Source**	**Likelihood**	**Impact**
Financial	Financial Capital	External	Medium	Low
Opportunity	FX / Interest rates hedging arrangements.			
Mitigation Plan	• The Company's treasury function actively monitors movements in market rates and open positions. • Any cost increase due to the changes in market rates to be passed on to the end consumer.			

Risk description: Reduced gas pressure affecting ability of the plant to run at full capacity.				
Associated Objective: Providing agri-inputs at optimal prices / Achieve operational excellence.				
Risk Type	**Capital Impacted**	**Source**	**Likelihood**	**Impact**
Operational	Manufactured Capital	External	Low	High
Opportunity	Invest to improve gas availability.			
Mitigation Plan	Continue to make investments in compression facilities.			

Risk description: Oversupply in local Urea market leading to price competition and decline in market share.				
Associated Objective: Achieving operational efficiency / Facilitate the local farmers by providing inputs at cheaper prices.				
Risk Type	Capital Impacted	Source	Likelihood	Impact
Commercial	Financial Capital / Relationship Capital	External	Medium	Medium
Opportunity	Export Urea to earn valuable Forex for the country.			
Mitigation Plan	• The Company enjoys a strong brand and loyal customer base and holds 34% market share of local Urea sales. • The Company will continue to invest in brand development and long-term customer relationships.			

Risk description: Downturn in domestic demand for Urea sales.				
Associated Objective: Achieving operational efficiency / Facilitate the local farmers by providing inputs at cheaper prices.				
Risk Type	Capital Impacted	Source	Likelihood	Impact
Commercial	Financial Capital / Manufactured Capital	External	Low	Medium
Opportunity	• Export Urea to earn valuable Forex for the country. • Diversify into other product / markets.			
Mitigation Plan	• The Company actively monitors the factors affecting demand for Urea and optimizes its production and marketing strategies. • The Company will continue to invest in brand development, market development and long-term customer relationships. • Subject to regulatory approvals, the Company also has the option to export surplus quantity.			

Risk description: Plant shutdown due to equipment failure leading to equipment failure.				
Associated Objective: Optimize on manufacturing excellence / Facilitate the local farmers by providing inputs at cheaper prices.				
Risk Type	Capital Impacted	Source	Likelihood	Impact
Operational	Financial Capital / Manufacturing Capital	Internal	Low	High
Opportunity	Increase plant reliability to international benchmarks.			
Mitigation Plan	• Preventive maintenance plan in place with specific measures for monitoring and maintenance of Plant vulnerabilities. • The Company has planned CAPEX to enhance reliability of it's plants. • Inventory of critical plant components maintained to ensure timely replacement in case of failure. • Business interruption insurance coverage obtained.			

Risk description: Attrition of critical personnel hindering the operations of the Company.				
Associated Objective: Optimize on manufacturing excellence / Achieving operational efficiency.				
Risk Type	Capital Impacted	Source	Likelihood	Impact
Operational	Human Capital	Internal	Low	Low
Opportunity	Motivated, zealous and ever efficient team that personifies the Company's values, ensuring continued excellence over the years.			
Mitigation Plan	• The Company has formal succession planning process, which is stewarded by the Management Committee and the Board. • Formal training and development plan in place for each critical position. • Human Resource policies developed with focus on employee retention and engagement. • Employee Engagement surveys conducted annually by independent consultants to assess employee engagement level. • Continue on our journey of HR transformation to completely revamp our human capital development system.			

corporate governance

board committees

The board has established the following two committees:

Board Compensation Committee (BCC)

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 twice during 2019.

Members

Ms. Sadia Khan – Chairperson
Mr. Asim Murtaza Khan
Mr. Javed Akbar

The Secretary of the Committee is Mr. Imran Ahmed.

Salient features of terms of reference

The terms of reference of the BCC are defined in the charter of the committee. The salient features are mentioned below:

- To ensure Corporate standards / Human Resource policies and fundamental beliefs are aligned with the Corporate guidelines
- To recommend the performance evaluation, development and succession plans of the Company's executives
- Review the Company's management resources, succession planning and development activities
- Review and approve relevant Human Resource policies

Board Audit Committee (BAC)

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

The Chief Financial Officer regularly attends the Board Audit Committee meetings by invitation to present the accounts. After each meeting, the Chairman of the Committee reports to the Board. The Committee met five times during 2019.

Members

Mr. Asad Said Jafar – Chairman
Mr. Asim Murtaza Khan
Mr. Hasnain Moochhala
Mr. Javed Akbar

The Secretary of the Committee is Mr. Zaib Zaman.

Salient features of terms of reference

The terms of reference of the Board Audit Committee are defined in the Charter of the Committee, duly approved by the Board of Directors. The salient features are stated below:

- To recommend to the Board the appointment and removal of external auditors
- To review quarterly, half-yearly and annual financial statements
- To review the internal control systems and internal audit function
- To review the enterprise risk management system and assess the adequacy and monitoring of the same by the management.
- To monitor management's compliance with all Company's policies including complaints received through the Speak Out – Whistle Blower Policy
- To monitor compliance of statutory requirements

functional committees

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

Management Committee

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

Members

Mr. Nadir Salar Qureshi – Chairman
Mr. Amir Iqbal
Mr. Syed Shahzad Nabi
Mr. Imran Ahmed
Mr. Salman Goheer

The Secretary of the Management Committee is Ms. Nida Fatima Hashmi.

Corporate HSE Committee

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

Members

Mr. Nadir Salar Qureshi – Chairman
Mr. Syed Shahzad Nabi
Mr. Amir Iqbal
Mr. Imran Ahmed
Mr. Salman Goheer
Mr. Fahd Khawaja
Mr. Azhar Malik
Mr. Majid Latif

The Secretary of the Corporate HSE Committee is Mr. Asim Rasheed Qureshi.

Pricing Committee

This committee is responsible to oversee and approve product pricing strategies including its alignment with approved Corporate Plan.

Members

Mr. Nadir Salar Qureshi – Chairman
Mr. Amir Iqbal
Mr. Imran Ahmed

The Secretary of the Pricing Committee is Ms. Nida Fatima Hashmi.

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

Mr. Nadir Salar Qureshi – Chairman
Mr. Amir Iqbal
Mr. Salman Goheer
Mr. Imran Ahmed
Mr. Fahd Khawaja
Mr. Azhar Malik
Mr. Majid Latif

The Secretary of the COED is Mr. Syed Shahzad Nabi.

Capex Committee

This committee is responsible to oversee and approve capital expenditure strategies including its alignment with approved Corporate Plan.

Members

Mr. Syed Shahzad Nabi – Chairman
Mr. Salman Goheer
Mr. Imran Ahmed
Mr. Majid Latif
Mr. Azhar Malik
Mr. Haider Ali Isani

The Secretary of the Capex Committee is Mr. Syed Talha Raza.

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.

Board Of Directors

The Board of Directors carries out its duties with a sense of objective judgment and in good faith in the best interests of the Company and its stakeholders. There are eight (8) numbers of Directors on the Board, comprising of three (3) Independent Directors, four (4) Non-Executive Directors and one (1) Executive Director. The Board collectively has the responsibility for ensuring that the affairs of the Company are governed competently and with integrity.

Biographical details of all the Directors are given in the previous section.

In compliance with best practices of corporate governance, the positions of the chairman of the Board of Directors and the office of the Chief Executive are held by separate person. Mr. Ghias Khan, Non-Executive Director, is the Chairman of the Board and Mr. Nadir Salar Qureshi is the Chief Executive Officer (CEO) of the Company. In addition to the being CEO of the Company, Mr. Nadir Salar Qureshi holds non-executive directorship on the Board of the following companies:

- Engro Vopak Terminal Limited;
- EFert Agritrade (Private) Limited;
- Engro Polymer and Chemicals Limited;
- Engro Energy Limited; and
- Pakistan Energy Gateway Limited.

Meeting of the Board of Directors

A calendar for the meetings of Board is issued annually. The meetings schedule significant matters as agenda for review, discussion and approval of the Board. The Board met eight (8) times this year (all the Board meetings during the year were held in Pakistan) and discussed matters relating to inter alia long-term planning, giving consideration to both the opportunities and risks to future strategy.

Notices along with agendas of the meetings including relevant material, detailed analysis on businesses and information on significant matters where the Board is required to make a decision or give its approval, are circulated to Board members in advance of the meetings.

Directors' Orientation

The Company had its elections during the year and the Chairman had communicated in detail the duties, roles and responsibilities, powers, term of office and remuneration of Directors required under the Companies Act 2017, the Articles of the Company and Code of Corporate Governance.

Directors' Training

The Board has arranged Directors' Training program for Mr. Nadir Salar Qureshi during the year. All the other directors have already completed this program in previous years.

Directors' Remuneration

The Board of Directors have approved a formal policy which set out the requirements and methodology for determining the remuneration for Non-Executive Directors including Independent Directors of the Company. The policy entails:

- The remuneration shall be appropriate and commensurate with the level of responsibility and expertise of the Directors;
- It shall be aimed at attracting and retaining the Directors needed to govern the Company successfully and to encourage value addition;
- It shall not be at a level that could be perceived to compromise or influence in any way the independence of the Director;
- No Director shall determine his/her own remuneration nor of a Director who may be a related party;
- No remuneration shall be paid to Executive Directors, Chief Executive Officer and Non-Executive Directors who are employees in other Engro entities, for attending meetings of the Board and its committees; and
- The Board, if deems appropriate, may engage independent consultant to determine the appropriate level of remuneration of its Directors and recommend to the Board for consideration and approval.

The Company has a documented policy which generally restricts employees from holding directorships in companies that are not subsidiaries or joint ventures of Engro Corporation Limited. However, the President of Engro Corporation Limited or the Chairman of the Company, may make exceptions to this general rule in special circumstances. All expenses incurred by an employee serving as a director of a company that is not a subsidiary or joint venture of ECL in accordance with this policy will be for that employee's own account. The employee may accept and retain annual fees, meeting fees, other remuneration or reimbursed expenses specifically related to service as a director.

For information on remuneration of Directors and CEO in 2019, please refer note 33 to the Consolidated Financial Statements.

Selection of independent Directors

For the purpose of selection of independent directors, assistance is sought from the online database maintained by entities notified by Securities and Exchange Commission of Pakistan (SECP) under the Companies (Manner and Selection of Independent Directors) Regulations, 2018.

Performance Evaluation of Directors

The Board has developed a formal mechanism for evaluation of board's own performance, members of board and of its committees. The assessment was carried out four times in the current year and the results/ feedbacks were evaluated to bring improvement in the evaluation process. The performance evaluation focuses on:

- Clarity of agenda and objectives;
- Preparation for the meetings;
- Quality and diversity of discussions ;
- Clarity of decisions and outcomes;
- Quality of discussion topics; and
- Overall satisfaction.

Matters decided and delegated by board of directors

The Board is committed to ensuring effective delegation of financial powers as is permissible according to the legal framework and have approved formal policy on Delegation of Finance Powers. The policy establishes:

This policy establishes:

- Matters specifically reserved for determination by the Board of Directors; and
- Matters delegated to the Management to empower it to act effectively and make key decisions.

The powers of the Board of Directors and the management of the Company have been defined in the said policy with special reference to, and in compliance with, the Companies Act 2017, the Code of Corporate Governance and the Articles of Association of the Company.

In addition to approving the vision, core values, corporate strategy and the policies for conduct of business of the Company, matters specifically reserved for the Board in relation to delegation of financial powers are listed below:

- Investment and disinvestment of funds where the maturity period of such investments is six months or more;
- Determination of the nature of loans and advances made by the company and fixing a monetary limit thereof;
- Defining the level of materiality, keeping in view the specific circumstances of the company and the recommendations of any technical or executive sub-committee of the Board that may be set up for the purpose;
- Review and approval of related party transactions;
- Appointment, removal, remuneration, terms and conditions of employment of Chief Executive Officer, Chief Financial Officer, Company Secretary and Head of Internal Audit;
- Constitution of committees and appointment of Committee Chairs and approving their terms of reference;
- Governance of risk and determining Company's level of risk tolerance including annual review;
- Powers vested with the Board as per Section 183 of the Companies Act; and
- Significant issues to be placed for decision of the Board of Directors as per Clause 14 of the Code of Corporate Governance, as and when applicable.

Matters Delegated to the Management

All matters not specifically reserved for the Board and have been entrusted to the CEO of the Company who has the primary responsibility for routine business operations of the Company. The authorities necessary for the day-to-day management of the organization and the implementation of corporate objectives have been delegated to management of the Company and is documented in form of a Limits of Authority Manual (LOAM).

Brief roles and responsibilities of the Chairman of the Board:

Every meeting of the Board is be presided by a Chairman. The chairman of a board meeting by virtue of his position and nature of his duties is responsible for the leadership of the board and to ensure that the board plays an effective role in fulfilling its responsibilities and amongst other things, he is empowered to:

- to issue letter to directors setting out their role, obligations, powers and responsibilities at the beginning of term of each director
- set the agenda of the meeting of the Board and ensure that reasonable time is available for discussion of the same
- ensure that the minutes of meetings of the board of directors are kept in accordance with th requirements of Section 178 and 179 of the Companies Act, 2017

Role of the Chief Executive Officer (CEO):

Roles and responsibilities of the Company's CEO are duly assigned by the Board of Directors of the Company. The Chief Executive Officer is vested with the general control of the business of the Company and amongst other things, he is empowered to:

- enter into any trade contracts on behalf of the Company in the ordinary way of business
- to do all other acts and things in the ordinary course of business which he may consider necessary or conducive to the interests of the Company

Performance evaluation of CEO

Performance of the CEO is evaluated through a comprehensive inhouse evaluation structure, which measures performance based on specific, measurable, achievable, realistic and time bound objectives. Furthermore, performance of the CEO is also gauged by analyzing core competencies exhibited in achieving the objectives.

Governance over related party transactions

The Board has approved a formal documented policy for governance over transactions between the Company and one or more of its Related Parties which provides a framework for governance and reporting of Related Party Transactions. This Policy is intended to ensure due and timely approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws.

The said policy:

- defines the type of contracts / agreements that can be made with related part;
- defines the pricing policy for related party transactions;
- defines the framework for review, reporting and approval for transactions not at arm's length; and specifies the methodology for approval for transactions in which Director(s) have interest.

Responsibility for Statutory Financial Statements

In accordance with the requirement of the applicable regulatory framework, CEO and CFO management are responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal controls as management determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

These financial statements were approved by the Board of Directors and circulated to the to the shareholders within the specified time limit.

The annual standalone and consolidated financial statements of the Group for the year ended December 31, 2019 have been audited by the External Auditors and recommended by the Board in its meeting held on February 17, 2020 for shareholders' approval in the Annual General Meeting to be held on March 31, 2020.

Other financial and non-financial statements enclosed with statutory financial statements are in conformity with the applicable regulatory requirements.

Conflict of Interest Among Board Members

A formal code of conduct is in place that promotes ethical culture in the company and prevents conflict of interest in capacity as member of the board, senior conduct also includes a section on fiduciary duties of Directors 'which included the following:

- Duty not to place themselves in a position of conflict between their personal interests and those of the company – this includes the duty to disclose any such personal interests to the Company and the duty not to make secret and/or incidental profits at the expense of the company.
- Duty to account for profits, and not to make secret or incidental profits.
- Duty not to act on behalf of Company in any matter in which he/she has an interest that conflicts, or may conflict, with his duties to his/her company.

The Directors' of the Company excuse themselves from the meetings when the matters under discussion involve a conflict or potential conflict of interest with the activities of any undertaking in which they may hold a real or beneficial interest

Compliance Statement

The Board of Directors has duly complied with the Listed Companies (Code of Corporate Governance) Regulations and the 'Corporate and Financial Reporting Framework' of the Securities & Exchange Commission of Pakistan.

Risk Management Process

All activities undertaken by a business entity carry an element of risk. At Company, the exposure to these risks is managed through the practice of Enterprise Risk Management (ERM). The purpose of ERM is to identify potential risks and to define the strategy for managing the impact of these risks, as well as the mechanisms to effectively monitor and evaluate identified strategies.

It is the policy of the Company to view ERM as integral to the creation, protection and enhancement of shareholder's value by managing the uncertainties that could influence the achievement of corporate goals and objectives. To achieve this, an appropriate framework is adopted by the management and approved by the Board. Detail on the Company's ERM programe is mentioned in the Risk and Opportunities section of this annual report.

Internal Control Framework

Responsibility: The Board is ultimately responsible to ensure that a system of sound internal control is established, which is effectively implemented and maintained at all levels within the Company. However, such a system is designed to govern rather than eliminate the risk of failure to achieve business objectives. The Board, whilst maintaining its overall responsibility for governance of 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 communicated and understood policies and procedures and budgeting for review processes. All policies and control procedures are documented in manuals. The Board establishes overall 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 atleast once in a quarter, 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 Company-wide policy governing appraisal and approval of investment expenditure and asset disposals. Post completion reviews are performed on all material investment expenditure.

Audit: Engro Fertilizers has an Internal Audit function, manned with suitably qualified and experienced staff. The Board Audit Committee annually reviews the appropriateness o f 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.

Investors' Grievance Policy

The Company strives to develop and maintain trustworthy relations with all its stakeholders, including shareholders and investors. It recognizes the importance of timely and fair disclosure of all material information to them, without advantage to any particular investor, group or investment advisor / analyst, in order to enable them to make informed decisions about investing in the Company.

The Company's contact details are disclosed in "Company Information" section of this annual report and on it's website under "Investors relation" section to facilitate shareholders / other investors' and timely resolve their complaints, if any.

Policy for Communication to Investors / Shareholders

The Board of Directors have approved a formal document policy for communication with investors / shareholders. The said policy aims to to develop and maintain trustworthy relations with its stakeholders, including shareholders and investors. It recognizes the importance of timely and fair disclosure of all material information to them, without advantage to any particular investor, group or investment analyst, in order to enable them to make informed decisions about investing in the Company's equity and debt instruments.

Interaction with major shareholders

Engro Corporation Limited continues be the major shareholder in the Company and its President & CEO is also the Chairman of the Company's Board of Directors.

Further, other interactions include the annual general meeting, extra ordinary general meetings, corporate briefings/road shows, responding to investor queries either raised on email, website or on telephone.

Investors' Relations Section on Corporate Website

The investors' relations section on the Company's website (www.engrofertilizers.com) is updated regularly to provide detailed and latest company information including financial highlights, investor information and other requisite information. Furthermore, the Company's website also contains the link to SECP's investor education portal, 'Jamapunji'.

To better facilitate investors, shareholders and other stakeholders, the Company's website is maintained in both English and Urdu.

Analyst Briefings Sessions

Continuing with its policy of promoting transparency and stakeholder engagement, during the year the Company conducted four analyst briefing sessions where the CFO of the Company briefed the stakeholders about the financial and operational performance of the Company. Enough opportunity was provided for Question & Answer during these sessions. These analyst briefing sessions were attended by representatives of PSX, investment analysts and other stakeholders. Details of the analyst briefings held during 2019 are as follows:

Quarter	Date	Agenda
Q4 2018	February 11, 2019	To discuss the following: • details of released financial results; • dividend payouts; • overall business performance; • Key challenges and outlook; and • Any other matters.
Q1 2019	April 22, 2019	
Q2 2019	August 08, 2019	
Q3 2019	October 18, 2019	

Annual General Meeting

The Company's Annual General Meeting (AGM) was held on March 28, 2019, which was attended by the Chairman of the Board, Chairman of Board Audit Committee, Chief Executive Officer and other senior management of the Company to address queries and clarifications sought by the Board of Directors.

During the last AGM, queries and clarifications were sought on the Company's financial statements, which were resolved to the satisfaction of the Shareholders. Apart from the said queries, no significant issues or concern was raised by the shareholders.

Steps taken by the management to encourage minority shareholders to attend the general meetings

Notice of Annual General Meeting is sent to all shareholders of the Company at least twenty-one days before the date fixed for meeting. Such notice is published in Urdu and English languages in at least in one issue each of daily newspaper of respective language having nationwide circulation Further, notice of AGM is also placed on Company's website. The Company encourages maximum participation from all the shareholders including minority shareholders.

The Company also encourages stakeholders to attend Analyst Briefing Sessions for the year and pre-announces the calendar of these events through annual financial report at the start of the year.

Policy for procurement of goods and services

The aim of our procurement policy is to obtain sustainable competitive advantage through efficient sourcing of goods and services that maximizes value for the Company based on innovation, principles of risk / return benefit, ensuring product quality, timely deliveries, reliability and controls.

This policy establishes a foundation for our discipline and serve as guidelines in our daily activities as we interact with external suppliers and service providers.

Corporate Tax Strategy

The Board of Directors have approved a formal document for Corporate Tax Strategy which defines principles aiming to plan, devise and implement tax-efficient and optimized solutions for the Company and support its long-term business strategy. The Corporate tax strategy is governed by the following principles:

- Ensuring high level of tax compliance in every jurisdiction where the Company has operations;
- Making material business decisions after taking into account optimized tax solutions;
- Ensuring minimum exposure through prevention and reduction of significant tax risks;
- Developing and fostering open, honest and good working relationships with tax authorities and undertaking all dealings in a professional, courteous and timely manner;
- Ensuring open communication channels within Engro group to encourage smooth flow of information.

Policy for safety records of the company.

The Company has a documented Record Retention Policy to ensure the safety of the records for periods that exceed the minimum requirement prescribed by Companies Act, 2017 and other applicable regulatory requirements.

In addition, the Company has a formally documented Business Continuity Plan (BCP) complemented by a formal Disaster Recovery Plan (DRP). The BCP and DRP specifies the policy and procedures implemented at the Company for the safety of critical electronic, hard copy data and processes to ensure all critical functions continue in case of a disruption or disaster.

The main purpose of the Company policies for safety of ERP systems and business records are as follows:

- Define roles and responsibilities of all functions and departments to ensure that a proper mechanism is in place within their department for backup of electronic data and digitization and archival of critical hard copy documents.
- Define arrangements for storage of ERP systems and business data at secure location with state of the art protections against physical deterioration, fire, natural disasters etc.
- Availability of suitable alternate site for backup of critical information systems including defining the methodologies for replication of applications on the alternate site based on industry best practices.
- Provide mechanism and arrangements for digitization (through a Document Management Solution) and archival of critical hard copy dataand for backup of critical electronic data.

IT Governance Policy.

Information Technology (IT) Governance is an integral part of enterprise governance and consists of the Leadership, Organizational Structures and Processes. IT Governance aims to ensure that IT activities are aligned with business objectives and that stakeholder requirements of Value Delivery, Risk Optimization, and Resource Optimization are addressed. The Enterprise IT Governance Framework aims to achieve the following objectives:

- Alignment of IT goals with business
- Meet stakeholders' requirements relating to risk optimization, resource optimization and value delivery
- Support the decision-making process regarding governance and management of IT by providing sufficient information and reports
- Achieve effective and prudent IT project management and IT resources management processes
- Enabling enterprise business strategies by developing technological infrastructure and information systems
- Ensure the necessary protection of assets through optimization of IT Risk Management
- Comply with legal and regulatory requirements, internal controls and monitoring, and related policies and procedures
- Maximize the satisfaction level of end user with respect to IT services
- Employ a comprehensive sourcing strategy to manage third parties/vendors relationships

Whistleblower Policy – "Speak Out!"

The Board of Directors of the Company have established a Whistleblower system which allows employees, suppliers, customers and contractors to speak out about any concerns they have regarding business ethics, safety, environmental performance, harassment and other employment related matters or other possible breaches of compliance. The Company also has specific procedures in place to increase awareness of the policy.

In order to further strengthen the Company's Ethics compliance program and promote adherence to sound business conduct, all employees, customers, suppliers and contractors are encouraged to report serious concerns that could have a significant impact on these organizations, such as actions that:

- are unlawful or may damage the reputation of the Corporation or an affiliate
- are fraudulent and lead to a loss of assets
- may be intended to result in incorrect financial reporting
- are in violation of various corporate policies governing business conduct
- are in violation of Safety Health & Environmental standards applicable to the business
- give rise to harassment, discrimination or other unfair employment practices

As per the requirements of the policy, confidentiality of complainants is maintained to protect them from any form of retaliation or victimization for genuinely held concerns that are raised in good faith. Further, all concerns reported are investigated confidentially by the Corporate Audit Department (CAD) which are also presented on a quarterly basis to the Board Audit Committee (BAC).

Below is the number of whistleblowers reported during the year 2019:

No. of whistle blower complaints investigated and closed during the year	30
No. of whistle blower complaints in progress	2

Concerns can be raised at "Speak Out" hotline +9221-35296012,

email to speakout.fertilizers@engro.com or

written to P.O. Box 3851, Clifton Post Office, Karachi

Human resource management policies including preparation of a succession plan.

The Company has a documented Human Resource management policy which aims to attract, induct, develop, retain and motivate high calibre talent who are qualified, capable and willing to contribute their best towards accomplishment of Company objectives.

To complement this policy several other policies have been developed for recruitment, compensation and organizational development. The Company's HR policies have been developed encompassing following principles:

Equal Opportunity

- Provide equal opportunity to all job applicants through clearly defined and consistently applied induction standards.
- Create a work environment where every employee has an equal opportunity to develop their skills and talents.

Training and Development

- To meet employee and organizational needs, provide opportunities to employees for acquisition of knowledge for technical and managerial skills through classroom and on-the-job learning.

Performance Management

- Have a transparent and merit based performance management system in place.
- Have a formal career development and succession planning system.
- Clearly defined system for career progression based on merit and potential.

Compensation and Benefits

- Rewards policies aligned with best companies in the market that compete for high quality talent.
- Clear linkage of reward policies with performance and potential.

Diversity and Non-Discrimination

- Provide an environment free from all forms of discrimination and harassment at workplace.
- Foster gender diversity at all levels within the Company
- Policies aimed at creating flexible and conducive

working arrangements for all.

The Company's Succession Planning policy is aimed at ensuring seamless business continuity, through a stronger talent pipeline for future leadership positions. Keeping People Development at the core and recognizing that change is imminent, focus is on skill enhancement through an indigenous learning architecture called Transitional Training Model (TTM) for all current and future business needs to ensure readiness in times of dynamicity. Career growth for employees has also been mapped keeping in view, the individual's potential, experience, display of Engro competencies along with other factors. Each employee is provided training and development opportunities and is equipped with the necessary tools and resources to perform at the job.

Measurable objective to implement gender diversity policy

To encourage gender diversity at all levels within the Company, the Board has defined measurable KPIs which includes:

- Proportion of female employees to total number of management employees; and
- Proportion of female hires to total number of hires during the year.

The Board monitors progress against the said KPIs on periodic basis. During 2019, the Company has been able to achieve significant headway in this regard and closed the year at a permanent female employees' population percentage of 8% as well as 14% of new hires being females. The Company aims to build on this momentum in the future and elevate its status as one of the most diversity fostering entities in the Country.

Social and Environmental Responsibility Policy

The Company believes that businesses, in their normal course of operations, create positive and adverse impacts. The Company is committed to improve it's understanding of social and environmental impacts of it's business and it will quantify the impact on the lives of it's customers, suppliers and communities in which it operates and will strive to minimize adverse impacts. The associated funding requirement will be part of the business cost.

The Company's Social Responsibility policies and practices include:

- Statement of ethics and business practices
- Policy for handling conflict of interest
- Employee Code of Conduct
- Policy for soliciting customers, suppliers, vendor and contractors
- Allocation of approximately 1% of profit before taxes for social investments

The Company aims to be recognized as a world class performer in the field of Health, safety and environmental management. For this it will:

- Comply with all applicable environmental laws, regulations and apply responsible standards where law and regulations does not exist
- Conserve natural resources & energy by continuously improving our processes and measuring performance
- Continuously improve our processes to minimize pollution and waste

'Corporate Social Responsibility' section of the Directors' report to the shareholders outlines the Company's Social and Environmental practices and interventions during the year.

Disaster Recovery and Business Continuity Planning

The Company has a documented Disaster Recovery Plan (DRP) and Business Continuity Plan (BCP) which describes the business continuity and recovery strategies and related procedures for the Company. It also provides policies and procedures whereby the critical business processes can be restored in a timely and orderly manner and can be operated on an interim basis, thereby helping to ensure that all critical business functions continue in the case of a disruption or disaster. This plan is carefully followed during periodic testing exercises to thoroughly train recovery personnel and ensure that strategies and actions accurately reflect current business recovery requirements.

Compliance of International Financial Reporting Standards (IFRS)

The management of the Company strongly believes in adherence to unreserved compliance with all the applicable International Accounting Standards (IAS) / IFRS issued by International Accounting Standards Board (IASB) and as adopted by SECP vital to fair preparation and presentation of financial information. Compliance to IFRS encourages sufficient disclosures of the financial statements that are beneficial for informed decisions of stakeholders. Financial statements for the year have been prepared in accordance with the accounting and reporting standards issued by IASB as are applicable in Pakistan. IFRS adoption status is in detail is explained in note 2 of annexed consolidated financial statements.

Integrated Reporting

The Company is committed towards adoption of International Integrated Reporting (IR) Framework to give an overview of how the Company's strategy, governance, performance and prospects, in the context of its external environment, leads to the creation of value over the short, medium and long term. The Company has considered the following content elements of IR Framework in this report:

- Organizational overview and external environment
- Governance
- Business model
- Risks and opportunities
- Strategy and resource allocation
- Performance
- Outlook
- Basis of presentation

Efforts to Implement Governance Practices Exceeding Legal Requirements

With a strong legacy system spanning over five decades, Engro Fertilizers continues to optimize its governance framework by institutionalizing its core values, policies and principles across the board to surpass the legal requirements and adhere to global Best Practices and Standards of governance.

Following additional governance practices implemented by the management include:

- Adoption of best reporting practices prescribed by ICAP / ICMAP and SAFA to make the Company's affairs more transparent and to give better insight of the Company's affairs, policies and strategies.
- Implementation of Health, Safety and Environment Policy for better and safe work place environment for employees, workers and surrounded community.
- Implementation of various social projects for welfare of the community as part of it's Corporate Social Responsibility (CSR).
- Adoption of a strict insider trading policy whereby all employees of the Company are restricted from trading in shares of the Company.
- Restriction of employees of group companies to adhere to close period requirements.
- All of the Directors of the company have attended Directors' training program exceeding the legal requirement prescribed by Code of Corporate Governance Regulations, 2017.
- The Company endeavors to replicate the best practices to its privately owned subsidiaries.

stakeholders' engagement policy

The Company regards its stakeholder engagement as an important element of corporate responsibility. It believes that adherence to the highest ethical standards fosters trust. The Company consider itself to be answerable to its stakeholders, customers, vendors and suppliers and the communities where it operates.

S. No.	Stakeholder Group	Frequency of Engagement	Engagement Process	Effect and Value
1	Analysts	Quarterly	Analyst briefings	Helps in responding to various queries and clarifying the Company's stance in the market to create a positive and transparent image of the Company.
2	Shareholders	Regular	Annual General meeting, annual and quarterly reports.	Engagement allow the Company to increase the confidence of providers of capital.
3	Customers and suppliers	Regular	Periodic formal and informal meetings / conferences and technical support services	The success of the Company depends upon the loyalty of our customers and well-being of our customers and suppliers. Our continuous engagement enables us to understand our customer needs and come up with the right products for them.
4	Banks and other lenders	Regular	Meetings on negotiation of rates on various financing matters,	Access to the financial markets to pursue growth of the Company.
5	Media	Occasional	Different communication mediums such as press releases are used on need basis to apprise the general public about new developments and activities	Effective awareness is created regarding the Company and the products and services offered, indirectly having a positive impact.
6	Regulators	Regular	Meetings with officials, submissions of data for review and compliance	Understanding and ensuring all legal and regulatory requirements are complied with. Engaging with the government to address matters impacting the cost of doing business such as GIDC, subsidy and sales tax receivables. Ensure continuation of the common objective of the Government and the Company to transform the agriculture landscape of Pakistan.
7	Local Committees	Regular	Meetings and one-on-one engagements	• Community engagement, an enabling part of our social investment. • The ability to incorporate needs and values of people living in communities in policy development and planning, decision-making, service delivery and assessment is at the heart of smart sustainable social interventions.

report of the audit committee for the year ended December 31, 2019

Composition

The Committee is appointed by the Board and at the year-end comprised of two Independent Directors:

Category	Name
a. Independent directors	Mr. Asad Said Jafar Mr. Asim Murtaza Khan
b. Non-executive directors	Mr. Hasnain Moochhala Mr. Javed Akbar

Mr. Asad Said Jafar holds a bachelor's degree in Electrical Engineering from NED University, Karachi and an MBA degree from Imperial College Business School, London, UK.

Mr. Asim Murtaza Khan is working as Advisor to the Chairman and CEO (Honorary) Petroleum Institute of Pakistan (PIP) since January 2019. He has also worked for Pakistan Petroleum Limited (PPL) for over 32 years.

Mr. Javed Akbar is a Chemical Engineer and has over 40 years of experience in fertilizer and chemical business with Exxon, Engro and Vopak in Pakistan and overseas.

Mr. Hasnain Moochhala is a Chartered Accountant from the Institute of Chartered Accountants from England & Wales (ICAEW). He is working as the Chief Financial Officer of Engro Corporation Limited.

The Head of Internal Audit of the Company functions as the Secretary to the Committee.

The names and profiles of the Audit Committee members are given in Directors Profile section of the Annual Report 2019.

Charter of the Committee

The terms of reference of the Committee are clearly defined in the Charter of the Committee which is duly approved by the Board of Directors. The salient features are stated below:

- To recommend to the Board the appointment and removal of external auditors;
- To review quarterly, half-yearly and annual financial statements;
- To review the internal control systems and internal audit function;
- To monitor management's compliance with all Company's policies including complaints received through the Speak Out – Whistle Blower System; and
- To monitor compliance of statutory requirements.

Meetings during 2019

The Committee met five times during the year. The attendance of the members at these meetings is stated in the Director's Report. The Chief Financial Officer (CFO) and the Head of Internal Audit attended all meetings. The BAC meets external auditors at least once a year, without CFO and Head of Internal Audit being present and when matters pertaining to their functions come up for consideration. The BAC met the external auditors two times during the year.

Role of the Committee

The Committee assists the Board to effectively carry out its supervisory oversight responsibilities on financial reporting and compliance, internal controls and risks, internal and external audit functions of the Company.

The Audit Committee believes that it has carried out responsibilities to the full, in accordance with Terms of Reference approved by the Board. Evaluation of the Board performance, which also included members of the Audit Committee was carried out separately and is detailed in the Annual Report.

The Committee has concluded its annual review of the operations of the Company for the year ended December 31, 2019 and reports that:

- The Committee reviewed the quarterly and annual financial statements of the Company and recommended them for approval of the Board;

- The standalone and consolidated financial statements of the Company for the year ended December 31, 2019 have been prepared on a going concern basis under requirements of Companies Act 2017, incorporating the requirements of the Code of Corporate Governance, International Financial Reporting Standards and other applicable regulations;

- These financial statements present a true and fair view of the Company's state of affairs, results of operations, profits, cash flows and changes in equity of the Company and its subsidiaries for the year under review;

- Appropriate accounting policies have been consistently applied and all applicable accounting standards were followed in preparation of the financial statements for the year ended December 31,2019;

- The Chairman of the Board, Chief Executive Officer, a director and the Chief Financial Officer have endorsed the separate and consolidated financial statements of the Company, while the Directors' Report is signed by the Chairman and the Chief Executive Officer. They acknowledge their responsibility for true and fair presentation of the Company's financial condition and results, compliance with regulations, applicable accounting standards and establishment and maintenance of system of internal controls of the Company;

- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Act, 2017. The financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017 and the external reporting is consistent with management processes and adequate for shareholder needs;

- Proper, accurate and adequate accounting records have been maintained by the Company;

- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and adequacy;

- The Company has issued a "Statement of Compliance with the Code of Corporate Governance" which has also been reviewed and certified by the External Auditors of the Company;

- Understanding and compliance with Company codes and policies has been affirmed by the members of the Board, the Management and employees of the Company. Equitable treatment of shareholders has also been ensured;

- The Committee has reviewed all related party transactions and recommended them for approval of the Board;

- Trading and holdings of Company's shares by Directors & executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction which were notified by the Company Secretary to the Board within the stipulated time. All such holdings have been disclosed in the Pattern of Shareholding. The Annual Secretarial Compliance Certificates are being filed regularly within stipulated time.

- Closed periods were duly determined and announced by the Company, precluding the directors, executives and all employees of all Engro companies from dealing in the shares of the Company, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision which could materially affect the share price.

Risk Management and Internal Control

- The Company has developed a sound mechanism for identification of risks, assigning appropriate criticality level and devising appropriate mitigation measures which are regularly monitored and implemented by the management across all major functions of the Company and presented to the Audit Committee for information and review.

- The Company has devised and implemented an effective internal control framework which also includes an independent internal audit function.

- The Internal Audit department is responsible for monitoring of compliance, inherent and other risks associated with operations of the Company.

- The Company's approach towards risk management has been disclosed in the risk assessment portion of the Annual Report. The types and detail of risks along-with mitigating measures are disclosed therein.

Internal Audit

- The Company's system of internal controls is sound in design and has been continually evaluated for effectiveness and adequacy.

- The Audit Committee has ensured the achievement of operational, compliance, risk management, financial reporting and control and safeguarding of the assets objectives of the Company.

- The Internal Audit function has carried out its duties under the charter defined by the Committee. The Committee has reviewed material Internal Audit findings, taken appropriate actions and brought the matters to the Board's attention where required.

- Audit Committee has provided proper arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters. Adequate remedial and mitigating measures are applied, where necessary.

- The Head of Internal Audit has direct access to the Chairperson of the Audit Committee and the Committee has ensured staffing of personnel with sufficient internal audit acumen and that the function has all necessary access to Management with the right to seek information and explanations.

- Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

External Audit

- The statutory auditors of the Company, A. F. Ferguson & Co., Chartered Accountants, have completed their audit assignment of the Company's financial statements and the statement of compliance with the Code of Corporate Governance for the year ended December 31, 2019 and shall retire on the conclusion of the 11th Annual General Meeting;

- The Committee has reviewed and discussed audit observations with the external auditors. A meeting was also held with the external auditors in the absence of the management;

- The external auditors have direct access to the Committee and Internal Audit Department, thereby ensuring the effectiveness, independence and objectivity of the audit process;

- A.F. Ferguson & Co., Chartered Accountants also provide taxation services to the Company. The firm has no financial or other relationship of any kind with the Company except that of External Auditor and Taxation Consultant.

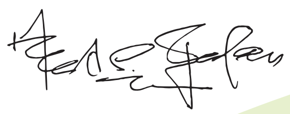
- The performance, cost and independence of the external auditors is reviewed annually by the Committee. The Audit Committee obtained confirmation from the external auditors in its meeting that the engagement team, other partners and staff in the firm, and the firm have complied with the applicable requirements regarding independence.

- The Committee is satisfied with the performance of the External Auditors. The engagement partner on the audit was Mr. Waqas Aftab Shaikh. Being eligible for reappointment under the Code of Corporate Governance, the Committee has recommended to the Board the reappointment of A.F. Ferguson and Co., Chartered Accountants for the year 2020. A resolution to this effect has been proposed at the forthcoming Annual General Meeting.

Annual Report 2019

- The Company has issued a comprehensive Annual Report which besides presentation of the financial statements and the Directors' Reports of the Company, also discloses other information to offer an in depth understanding about the management style, the policies set in place by the Company, its performance during the year, and future prospects to various stakeholder of the Company.

- The information has been disclosed in the form of ratios, trends, graphs, analysis, explanatory notes and statements etc., and the Audit Committee believes that the Annual Report 2019 gives a detailed view of how the Company evolved, its state of affairs and future prospects.



Asad Said Jafar
Chairman, Audit Committee

statement of compliance with listed companies (code of corporate governance) regulations, 2019 year ended december 31, 2019

The company has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors are Eight as per the following:

   a. Male: Seven
   b. Female: One

2. The composition of the Board is as follows:

Category	Name
i. Independent directors	Mr. Asad Said Jafar Mr. Asim Murtaza Khan Ms. Sadia Khan
ii. Non-executive directors	Mr. Ghias Khan Mr. Abdul Samad Dawood Mr. Hasnain Moochhala Mr. Javed Akbar
iii. Executive directors	Mr. Nadir Salar Qureshi
iv. Female directors	Ms. Sadia Khan

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;

4. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Companies Act 2017 (the Act) and these Regulations;

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations;

9. The Board has arranged Directors' Training program for Mr. Nadir Salar Qureshi in 2019. All Directors on the Board have been duly certified as trained directors;

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below:

i. Audit Committee	Mr. Asad Said Jafar - Chairman Mr. Javed Akbar Mr. Hasnain Moochhala Mr. Asim Murtaza Khan
ii. The Board Compensation Committee i.e.HR and Remuneration Committee	Ms. Sadia Khan - Chairperson Mr. Javed Akbar Mr. Asim Murtaza Khan

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings of the committee were as per following:

    a. Audit Committee (five meetings held during the year)
    b. The Board Compensation Committee (two meetings held during the year)

15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

16. 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 and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with.

Ghias Khan
Chairman

Nadir Salar Qureshi
Chief Executive Officer

independent auditor's review report on statement of compliance contained in listed companies (code of corporate governance) regulations, 2019

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To the members of Engro Fertilizers Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Engro Fertilizers Limited for the year ended December 31, 2019 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a part of our audit of the 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 Regulations require 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, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2019.

Chartered Accountants
Karachi
Date: March 9, 2020

statement of compliance with the sukuk (privately placed) regulations, 2017

This Statement is being presented to comply with the requirements under Sukuk (Privately Placed) Regulations 2017 issued by the Securities and Exchange Commission of Pakistan (SECP). This Statement of Compliance (the Statement) is for the year ended December 31, 2019.

Engro Fertilizers Limited (the Company) entered into an arrangement for issue of Sukuk amounting to Rs. 3,200 Million on July 08, 2014 for a period of 5 years which was fully repaid during the year. We state that the Company was in compliance with the Sukuk features and Shariah requirements in accordance with the Sukuk (Privately Placed) Regulations, 2017 till the repayment of the Sukuk.

We specifically confirm that:

- The Company has established policies and procedures for all Sukuk related transactions to comply with Sukuk features and Shariah requirements;
- The Company has implemented and maintained such internal control and risk management systems that are necessary to mitigate the risk of non-compliances of the Sukuk features and Shariah requirements, whether due to fraud or error;
- The Company has a process to ensure that the management and where appropriate those charged with governance, and personnel responsible to ensure the Company's compliance with the Sukuk related features and Shariah requirements are properly trained and systems are properly updated.

The Sukuk features and Shariah requirements in accordance with Sukuk (Privately Placed) Regulations, 2017 comprises of the following:

a. Requirements of Shariah Structure and Transaction Documents as stated in the approval of Meezan Bank Limited's Shariah Advisor, with respect to Sukuk transactions:
   - Investment Agency Agreement
   - Declaration of Trust
   - Musharaka Agreement
   - Payment Agreement
   - Purchase Undertaking
   - Istisna Agreement
   - Agency Agreement
   - Security Documents

b. Guidelines of the relevant Shariah Standards, issued by the Accounting and Auditing Organization of the Islamic Financial Institutions (AAOIFI), as notified by the Securities and Exchange Commission of Pakistan (the SECP);

c. Requirements of the relevant Islamic Financial Accounting Standard as notified by the SECP; and

d. Other compliances specified in the Sukuk (Privately Placed) Regulations 2017 issued by the SECP.

Ghias Khan
Chairman

Nadir Salar Qureshi
Chief Executive Officer

independent assurance report on statement of compliance with the sukuk (privately placed) regulations, 2017

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INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS ON THE STATEMENT OF COMPLIANCE WITH SUKUK (PRIVATELY PLACED) REGULATIONS, 2017

Scope of our Work

We have performed an independent assurance engagement of Engro Fertilizers Limited (the Company) to express an opinion on the annexed Statement of Compliance (the Statement) with the requirements of Sukuk (Privately Placed) Regulations, 2017 as notified by the Securities and Exchange Commission of Pakistan as of December 31, 2019.

Applicable Criteria

The criteria for the assurance engagement against which the underlying subject matter (Statement of Compliance for the year ended December 31, 2019) is assessed comprises of compliance with the features and Shariah requirements of Sukuk in accordance with the requirements of Sukuk (Privately Placed) Regulations, 2017. Our engagement was carried out as required under Rule 12 of Chapter V of the Sukuk (Privately Placed) Regulations, 2017 as notified by the Securities and Exchange Commission of Pakistan.

Responsibility of Company's Management

The responsibility for the preparation and fair presentation of the Statement (the subject matter information) and for compliance with the features and Shariah requirements of Sukuk in accordance with the requirements of Sukuk (Privately Placed) Regulations, 2017 is that of the management of the Company. The management is also responsible for the design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant documentation/records. The management is also responsible to ensure that the personnel involved are conversant with the Criteria for the purpose of the Company's compliance.

Our Independence and Quality Control

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, And Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of Independent Assurance Provider

Our responsibility is to express our conclusion on the Statement for the year ended December 31, 2019 based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagements 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' (ISAE 3000). This standard requires that we plan and perform the engagement to obtain reasonable assurance about whether the annexed Statement reflects the status of the Company's compliance with the features and Shariah requirements of Sukuk in accordance with the requirements of Sukuk (Privately Placed) Regulations, 2017 and is free from material misstatement.

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

Our procedures applied to the selected data primarily comprised of:

- Inquiry and evaluation of the systems, procedures and practices in place with respect to the Company's compliance with the Criteria;

- Verification of Sukuk related transactions on sample basis to ensure the Company's compliance with the Criteria during the year;

- Review of Shariah structure and transaction documents, term sheet and Shariah approval letter issued by the Shariah Advisor of the Sukuk; and

- Review of the annexed Statement based on our procedures performed and conclusion reached.

We believe that the evidences we have obtained through performing our aforementioned procedures were sufficient and appropriate to provide a basis for our opinion.

Conclusion

Based on our independent assurance engagement, in our opinion, the annexed Statement for the year ended December 31, 2019 has been prepared, in all material respects, in compliance with the features and Shariah requirements of Sukuk in accordance with Sukuk (Privately Placed) Regulations, 2017.

Restriction on use and distribution

This report is issued in relation to the requirements as stipulated under Rule 12 of Chapter V of the Sukuk (Privately Placed) Regulations, 2017 and is not to be used or distributed for any other purpose. This report is restricted to the facts stated herein and the attachment.

Chartered Accountants
Karachi
Date: March 9, 2020
Engagement Partner: Waqas Aftab Sheikh

financial
review

chairman's review

Ghias Khan, Chairman and Non-Executive Director

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of Engro Fertilizers Limited reflecting the overall performance of the Company and achievements of its management for the year ended December 31, 2019.

Firstly, I would like to offer my gratitude to each one of you for your continued confidence in Engro Fertilizers Limited. Your confidence and trust help us create greater benefits for the country and the communities in which we operate. Secondly, I would like to congratulate the entire team of Engro Fertilizers Limited for their continued drive to be the corporate vanguards of the country by raising the benchmarks and achieving incredible milestones, despite challenges on multiple fronts, including the economic environment of the country.

Pakistan's agricultural sector depicted a meager growth rate of 0.8% in FY2019, owing to severe water shortages and challenging farm economics. Overall, the crop sector showed a negative growth whereas, some respite was achieved through positive contribution from livestock sector.

The country witnessed one of the massive devaluations of PKR during the year leading to inflationary pressures, whereas interest rates also continued their upward momentum and the policy rate peaked at 13.25%. In addition, prices of gas and other utilities also witnessed substantial increase during the year.

The Company maintains the highest standards of safety and environment at its plant sites and has secured international certifications in this regard, besides contributing significantly to the neighboring communities through our CSR function in the areas of health, education, livelihoods, environmental protection, etc.

I am pleased to inform that the Company's manufacturing facilities at Daharki achieved TRIR of 0.03, which is the lowest in the Company's history despite 2 back to back mega turnarounds, representing the Company's commitment to safety. During the year, the plant sites recorded +15 Million safe man-hours, whereas the commercial teams recorded +10 million safe man-hours.

Among prestigious awards and accolades on HSE this year, the Company was awarded for Excellence in Safety, Environmental Compliance, and Energy Efficiency at the International Fertilizers Association Awards in Paris. Engro Fertilizers Limited was also recognized for Best HSE Practices and Fire Safety Management at NFEH's 9th Fire Safety & Security Awards. The National Safety Council (NSC) USA recognized Engro Fertilizers Limited Daharki as a breeding ground / nursery for the next generation of safety leaders through the first ten years of the Rising Stars of Safety Awards. The Zarkhez Plant achieved the highest ever score of 86%, beating the previous score of 83%, putting Engro in first place across the entire green office network in Pakistan under the umbrella of WWF Finland.

On business performance front, the Company produced highest ever Urea production of 2 million tons. The commercial and supply chain teams led from the front as the Company recorded the highest ever revenue of PKR 121 billion during the year. All of this could not have been possible without the contribution of the support functions.

On the business development front, the Company established a unified Supply Chain function, integrating operations across 3 separate operating sections, and successfully launched Engro Logistics with a promising outlook towards improving food access and security for the people of Pakistan.

People development has always been our priority and with the launch of HR transformation journey during the year, we have ensured that the Company continues to be well led in the achievement of its objectives. Through our enhanced focus on improving gender diversity in our workforce, we ensured that we have access to the entire talent pool of the Country.

To ensure that our people have the right tools to manage the increasingly challenging environment and to pursue the growth therein, the Board has supported implementation of the upgraded version of SAP. The One SAP project endorsed as Pakistan's largest SAP S/4 HANA digital business transformation was successfully rolled out in Oct 2019, leveraging technology and global expertise to enable efficiency and further optimize resources throughout the Company.

As a purpose-driven Organization, doing good while doing well is embedded in our DNA. The Company continued to make social impact in the fields of education, livelihood, health and infrastructure – further details of our projects and impact have been shared in the report. We are humbled to share that our Project PAVE was recognized globally, at the Asia Responsible Enterprise Awards 2019 in Taiwan, and Shared Value Awards 2019 in Australia, for empowering farmers, building their capacities with trainings and quality equipment, and effectively improving their yield and livelihoods. Under our CSR wing, we also launched Engro Ehsaas Project in 2019, which is an employee volunteer program to improve engagement, promote and strengthen the sense of community serving across the people of our Company.

In continuation of our efforts to solve the low agricultural productivity problem in the country, the Company initiated ENGRO Experience Program, wherein complete Seeds to Harvest solution was provided in line with best agronomic practices. The intervention resulted in an average yield increase of 27% per acre. As this program grows, it will increase productivity of rice growers of the country and will help improve food security in Pakistan.

I am pleased to report that the performance of the Board remained par excellence throughout the year, and their contributions effectively steered the Company towards achievement of its objectives and creation of value for the stakeholders. The Board was instrumental in company-wide policy transformations that benefited the overall culture of the Organization. The Board's expertise was also integral to the launch of new business ventures that will prove pivotal for the agricultural landscape, warranting food security for our country. The Board upheld the values and integrity synonymous to the Company's brand, while playing a pivotal role in augmenting the Company's reputation globally, setting a precedence for others to follow. Promoting a culture of transparency and maintaining its reputation for good governance, the Board continued to demonstrate resilience against a challenging business environment, exercised strategic decision-making to maximize wealth and provide long-term attractive returns for our shareholders besides staying socially responsible for the well-being and uplifting of the communities we operate in.

We keep striving to set the standard for corporate governance in Pakistan to ensure that a long-term focus on prudence, efficiency and innovation are even more firmly embedded in our DNA. The Board Audit Committee continues to ensure that the high standards of governance and ethics are maintained. Board Compensation Committee steered us to take the right decisions relating to our most valuable resource i.e. our people.

I am extremely grateful to the untiring contributions of my fellow Board members which led to an outstanding year of achievements. Under the leadership of the Board, the Company earned the 2nd position for 'Best Corporate Reports 2018' at the prestigious awards organized by ICAP & ICMAP. We also won the Merit Certificate for the Best Corporate Report in SAFA. Above all, we are proud of the accolade received at the Pakistan Stock Exchange Awards, where Engro Fertilizers Limited was recognized amongst the top 25 Companies of the Years 2017 & 2018. Our efforts on people front were acknowledged as we received 6 awards on Global Diversity and Inclusion Benchmarks (GDIB).

I would also like to place on record, my appreciation for the exemplary performance of our Chief Executive Officer under whose brilliant leadership, the Company was able to scale new heights in facets of financial performance and stakeholder outreach as well etching its already established agri-footprint across the nation.

Moving forward, our aim is to deliver sustainable results in both operational and financial terms and develop deeper connections with our customers and hosting communities. Engro Fertilizers Limited will continue to be a resilient, tested Company, which is defined by its governance, risk management, steady and sustainable growth, and readiness to adapt and reinvent as and when the need arises.

On behalf of the Board, I would like to thank all stakeholders for their support and trust. As we look forward to the evolving market landscape, I am certain that Engro Fertilizers Limited has all the necessary ingredients to perform exceptionally each year, deliver on its promises and achieve the expectations of our stakeholders. We look forward to your continued support in this very important journey of enabling growth for Pakistan and making it a food secure and self-sufficient country. Pakistan Zindabad!

Ghias Khan
Chairman

CEO's review

Nadir Salar Qureshi,
Chief Executive Officer and Executive Director

Dear Shareholders,

The year 2019, has arguably been one of the best in the history of Engro Fertilizers Limited (EFert). We continued to build upon our legacy of 50+ years and set records across our spectrum of business endeavors. These efforts did not go unrecognised as we won awards for safety, manufacturing, financial performance, environmental stewardship, gender diversity and social inclusion. I am incredibly privileged to lead the team that made this possible and with the able stewardship of our Board enabled us to deliver these outstanding results.

First and foremost, we offer our thanks to the Almighty as we had one of the safest years with lowest TRIR of 0.03 in the history of Daharki plant; and 10 million man-hours logged by our commercial division without a lost work incident. The achievement is a recognition of our relentless commitment to ensuring safety is at the heart of everything we do.

On the production front, our manufacturing division achieved a historic milestone of over 2M tons of Urea production, an all-time high on the back of improved plant efficiency and better gas availability. What makes this feat and our safety statistics truly remarkable was the fact that Engro Fertilizers Limited was able to achieve this despite two back-to-back plant turnarounds at our Daharki site.

Not to be outdone, our commercial division recorded the highest ever monthly sales in December with volumes of nearly 500 KT. These sales could not have been achieved had our Supply Chain Division not stepped up to ensure timely delivery of not only the highest ever December volumes but the highest import and shipment deliveries in the history of the Company.

Overall Engro Fertilizers Limited's Consolidated Profit after Tax for 2019 stands at PKR 16.9 billion, versus PKR 17.4 billion in 2018. In the same vein, I am pleased to report that in addition to interim dividends already paid at PKR 11.0 per share, we are proposing a final dividend of PKR 2.0 for the year ended December 31, 2019 for approval of the members at the Annual General Meeting bringing the total dividend for 2019 to PKR 13.0 per share.

I would also like to shed light on some noteworthy developments during the year:

1. This year, Engro Fertilizers Limited entered the logistics space aiming to deliver "movement with precision". This business, despite volatile regulations in the axle load regime, scaled up to 135 vehicles and delivered promising results in the first year of its launch.
2. The Company went live with an upgraded SAP with effect from 1st of October, which has brought an unprecedented level of data availability and transparency to us as a management team. We look forward to the next phase of moving from one universal system-enabled version of the truth to build business intelligence on this data platform now available to us.

The past year was absolutely transformative for your Company as the Company achieved several milestones. The relentless dedication and hard work of the team over the year has delivered an outcome which is nothing less than outstanding.

We set off on our journey of HR Transformation, a complete revamp of our human capital development system that for the first time measures the how and not just the what. This will be a critical tool in resetting our culture and changing behavior of our managers in developing our people with actionable evidence-based feedback. Engro Fertilizers

Limited has always prided itself as one of the breeding grounds for leaders. The investment in the system demonstrates our continued commitment towards harnessing the human potential by investing in our people, the most valuable asset of Engro Fertilizers Limited.

At Engro Fertilizers Limited, we place Diversity and Inclusion (D&I) at the top of our priorities. Pakistan, despite having women as 50% of the graduates, severely lags when it comes to them joining the workforce as only 25% of the graduate women are part of the current workforce. The discrepancy is concerning and raises important questions about the future fabric of the workforce. Engro Fertilizers Limited realizes its responsibility as we have taken substantial steps to increase women headcount at our workplace. During the year, we introduced an extensive company-wide D&I policy framework. In line with our commitment, we introduced a Day Care Facility at Daharki to provide an enabling environment for working mothers at Daharki. In recognition of our steps, your Company was the winner of 6 Global Diversity and Inclusion Benchmark Awards.

At Engro Fertilizers Limited, we believe in doing good while doing well. We recognize that a strong foundation for growth is only laid if the growth encompasses the development of the communities in which we operate. Building on this philosophy of inclusive growth, your Company continued to work on engaging communities through initiatives of sustainable growth. During the year, the Company scaled up its contribution by 165% to PKR 265 Mn on various community welfare, education, healthcare, environment and infrastructure development projects. This serves as a testament of our steadfast devotion to Corporate Social Responsibility.

Engro Fertilizers Limited remains committed in its pursuit of addressing the most pressing issues of our time while continuing to measurably improve the lives of our colleagues, customers, shareholders and the communities in which we live and operate.

Going forward, 2020 will bring another set of unprecedented challenges with regulatory headwinds and potentially the largest turnaround in the history of the Company. However, with the continued guidance of our sage Board, the help of our unreservedly committed management team and unflinching resolve, I am absolutely convinced that InshAllah, our esteemed management team and employees will collectively overcome these and any other challenges that may come our way.

On behalf of the Board and the Management Committee, I would like to thank all our employees and business partners for making this year an outstanding year in terms of achievements and performance. It is only by collective efforts of our exceptionally motivated team and value chain partners that I feel confident that we will be able to achieve our goals and deliver on our promise of growth.

Nadir Salar Qureshi,
Chief Executive Officer

Scan the following for a video on review of the financial performance of the Company by the Chief Executive Officer

Q 1 2019

Q 2 2019

Q 3 2019

Q 4 2019

key highlights

Financial Highlights

Revenue
Rs.121bn

2019	121
2018	109

Profit after tax
Rs.16.9bn

2019	16.9
2018	17.4

Cash generated from operations
Rs.22bn

2019	22
2018	23

EBITDA
Rs.36.9bn

2019	36.9
2018	31.5

Earnings per share
Rs.12.6

2019	12.64
2018	13.04

Dividend per share
Rs.13 per share

2019	13
2018	11

Operational Highlights

Urea production (in KT)
2,003KT

2019	2,003
2018	1,928

Urea sales (in KT)
1,958KT

2019	1,958
2018	1,986

Phosphate sales (in KT)
569KT

2019	569
2018	626

Total Recordable Injury Rate (TRIR)
0.05

2019	0.05
2018	0.09

Management employees
1,260

2019	1,260
2018	1,252

2019 a defining year

- National Safety Council USA for Safety Leadership
- 9th Annual Fire Safety Excellence Awards
- Asia Responsible Enterprise Awards for PAVE
- Green Office Certification by WWF
- Shared Value Awards Australia for PAVE
- 16th Annual Environment Excellence Awards
- CSR Initiatives for Livelihood & Health by NFEH
- Best Environment Performance & Tree Plantation Award
- CSR Initiative on Shoestring
- 6th Global Diversity & Inclusion Benchmark Awards
- Pink Ribbon Breast Cancer Awareness Awards
- Gold Medal by International Fertilizer Association, Paris
- PSX Awards for Top 25 Companies
- 2nd Best Corporate Report 2018 by ICAP
- Merit Certificate by SAFA

directors' report
to the shareholders

Directors' Report

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, 2019.

Market Review

Local urea industry increased by 7% during the year with urea offtake at 6,183 KT versus 5,797 KT in 2018, with channel inventory hovering around 400 KT at year end. Increase in urea industry was mainly due to higher avails and pre-buying in anticipation of increase in urea prices post the news of gas price hike in December 2019.

Industry urea production in 2019 clocked in at 6,144 KT vs 5,706 KT last year, an increase of 8%. Higher production is mainly attributable to operation of LNG based plants and higher production by Engro Fertilizers Limited due to improved plant efficiency and higher gas availability. Moreover, import of 100 KT urea in July 2019 also added to the industry supply. Industry urea inventory as at year end stood at 200 KT in line with last year.

On the international front, urea prices declined to USD 259/T (landed equivalent PKR 2,410/bag) from USD 300/T in Q4 2018 (landed equivalent of PKR 2,450/bag), due to oversupply in global market coupled with lower demand from India. Domestic urea prices increased from PKR 1,740/bag in 2018 to PKR 2,040/bag in 2019 to pass on the impact of gas price hike and general inflation. Despite this increase, local urea selling prices continue to be at a significant discount to international prices.

While the Government's subsidy scheme on urea has been discontinued, the fertilizer industry continues to bear financial costs owing to long outstanding subsidy receivables from the Government. As an industry, we continue to engage with the Government for streamlining the subsidy disbursement mechanism and payment of overdue receivables of PKR 20 B.

GIDC Scenario

In January 2020, the Economic Coordination Committee of the Cabinet (ECC) approved a proposal by the Ministry of Industries and Production for an out of court settlement for fertilizer sector, to reduce Gas Infrastructure Development Cess (GIDC) on gas consumed by the fertilizer manufacturers from PKR 405/bag to PKR 5/bag and to pass on the proportionate benefit to the farmers by way of reduced urea prices. The Ministry of Energy has subsequently notified the decision of the ECC on January 28, 2020. Consequently, Engro Fertilizers Limited reduced urea prices by PKR 160/bag to pass on the proportionate impact of GIDC.

Gas Pricing

In December 2019, OGRA recommended an increase in gas prices, whereby prices for fertilizer feed gas would have increased from PKR 300/mmBTU to PKR 707/mmBTU (136% increase), whereas for fertilizer fuel gas, prices would have increased from PKR 1,021/mmBTU to PKR 1,343/mmBTU (32% increase).

In response to OGRA's recommendation, the Ministry of Petroleum has worked out certain revisions in the sector wise gas prices where it recommended an increase of 5% for fertilizer feed gas price and an increase of 64% for fertilizer fuel gas price in line with RLNG rates currently at PKR 1,672/mmBTU. This revision creates an unfortunate disparity amongst sectors as prices for other captive power gas consumers will only increase by 15%. However, the price increase recommended by OGRA and subsequent amendment by Ministry of Petroleum is yet to be approved by the Government.

Segment Analysis

- **Urea**

During the year, the Company achieved a historic milestone of highest ever urea production of 2,003 KT, compared to 1,928 KT produced in 2018, an increase of 4% primarily due to better plant efficiency coupled with higher gas availability. Domestic urea sales during the year clocked in at 1,958 KT compared to 1,986 KT in 2018, exhibiting a decrease of 1% YoY. Despite an oversupplied market due to year-long production from LNG based plants (760 KT vs 203 KT last year) and urea imports by the Government, Engro Fertilizers Limited was able to capture market share in line with its avails share. In December 2019, despite industry inventory overhang crossing 1,000 KT, Engro Fertilizers Limited captured market share of 34% versus 32% avails share.

- **Phosphates**

The Company was able to maintain market share of 28% despite weak agronomic demand in peak Rabi season. Engro Fertilizers' phosphates sales were recorded at 569 KT in 2019 vs 626 KT last year.

- **Specialty Fertilizer Business**

The Company's Specialty fertilizers (Zarkhez, Engro NP, MOP / SOP / AS) sales registered an increase of 5% YoY to clock in at 220 KT compared to 210 KT last year. The overall potash market decreased to 44 KT in 2019 vs 51 KT in 2018 as a result of the drastic increase in Potash prices on the back of rupee devaluation. The Company was able to increase market share to 60% compared to 44% last year in a shrinking market, driven by competitive pricing strategy.

- **Crop Science Division**

The Company continued to expand its footprint in the Crop Sciences business (seeds and pesticides), whilst almost doubling topline to PKR 1.3 billion from PKR 0.7 billion in 2018.

- **Engro Logistics**

The Company has ventured into logistics space during the year aiming to deliver "movement with precision". Within its first year, the Company became cash flow positive and already has one of the leading long haul fleets in the country.

- **Financial Review**

Sales revenue for the Company clocked in at PKR 121.4 billion for 2019, depicting an increase of 11% as compared to the previous year (PKR 109.2 billion). This was on the back of higher fertilizer market prices and improved product availability led by enhanced production versus last year.

Gross profit for the year 2019 is PKR 39.5 billion as compared to PKR 35.3 billion last year, an increase of 12%. Other operating income increased to PKR 4.4 billion versus PKR 2.1 billion in 2018 mainly as a result of increased interest income on short-term investments as well as reversal of prior year liability in respect of Workers' Welfare Fund. Finance costs shot up to PKR 3.9 billion from PKR 2.1 billion in 2018 mainly due to significant rise in policy rate of State Bank of Pakistan (SBP).

For the year 2019, the Company has delivered a profit after tax of PKR 18.6 billion (on a standalone basis), an increase of 11% over PKR 16.7 billion in 2018, resulting in a 11% increase in EPS (13.9 in 2019 versus 12.5 in 2018).

Consolidated profit after tax for 2019 stands at PKR 16.9 billion, versus PKR 17.4 billion in 2018, as a result, consolidated earnings per share have decreased to PKR 12.64 vs. PKR 13.04 last year. Lower consolidated profitability includes one-off tax impact of higher future Corporate Tax rates introduced via the Finance Act, 2019.

Profit Appropriation and Reserve Transfers

At the beginning of the year, Engro Fertilizers Limited carried reserves of PKR 32.2 billion, of which, PKR 4.0 billion was approved as final dividend for the year 2018 by the shareholders. During the current year, Engro Fertilizers Limited earned a profit after tax of PKR 16.9 billion and declared two interim dividends aggregating PKR 14.7 billion (PKR 11 per share). The total reserves as at the end of the year, as detailed in the "Dividends and Appropriations" table below stood at PKR 29.9 billion:

Dividends and Appropriation	PKR in millions
Opening reserves	**32,170**
Final dividend 2018: PKR 3 per share	(4,006)
Net profit 2019	16,871
Other comprehensive income	264
Realization of exchange revaluation reserve to P&L on disposal of subsidiary	(685)
Available for Appropriation	**44,614**
Appropriations	
- 1st Interim 2019: PKR 5 per share	(6,676)
- 2nd Interim 2019: PKR 6 per share	(8,012)
Closing Reserves	**29,926**

Dividends and Subsequent Events

The Board is pleased to propose a final dividend of PKR 2 per share in addition to interim dividend already paid at PKR 11 per share (total dividend: PKR 13 per share) for the year ended December 31, 2019 for approval of the members at the Annual General Meeting to be held on March 31, 2020.

There were no other material changes affecting the financial position of the Company till the date of this report.

Capital Structure and Long-term Debt Management

In 2019, the Company continued to concentrate its efforts on reducing costs of financing. Improved industry dynamics and resultant cash generation allowed the Company to delay its drawdown of fresh long-term loans towards the tail-end of the year, for financing of capital expenditure, in contrast to repayments of long-term loans made over the course of the year. Long-term borrowings at year end 2019 stand at PKR 31 billion (2018: PKR 30.8 billion). All debt repayments maturing this year were paid by their due dates and there have been no defaults in repayment of any debt during the year. Total equity as at December 31, 2019 stands at PKR 43.3 billion (2018: PKR 45.5 billion). During the year, PACRA maintained Engro Fertilizers' long-term credit rating of AA and short-term credit rating of A1+.

Auditors' Report on the Financial Statements

Business processes, strategic financial actions and expenditure incurred during the year have been reviewed by the Auditors who have issued unqualified audit opinion on the Company's Separate and Consolidated Financial Statements for the year ended December 31, 2019.

Future Prospects and Market Outlook

Globally, urea demand in 2020 is expected to grow marginally by around 1.7% while supply is expected to catch up, where on one hand new capacities will enter the international market while on the other hand, certain key capacities in China are forecasted to shut down. International urea prices are expected to trend higher on the back of (i) higher demand from India due to pre buying for Kharif season (ii) additional demand from Europe, Brazil and US and (iii) reduced export supply from China as Chinese suppliers are currently better in the domestic market versus export prices.

Local urea demand for 2020 is expected to normalize at 5.8 Mt as compared to 6.2 Mt in 2019. Production for 2020 is expected to be 5.6 Mt (excluding LNG plants) while the gap between demand and supply will be met by adequate channel inventory.

International DAP prices are expected to remain relatively soft in 2020. Until demand picks up for Kharif season, prices are likely to continue to face downward pressure.

Promoting UN Global Compact (UNGC) Principles and Sustainable Development Goals (SDGs)

Engro Fertilizers Limited believes in inclusive growth and shared purpose towards a sustainable value chain. We aim to develop a strong organizational culture that extends benefits for all the company-wide employees and stakeholders. We embrace community responsibility as one of our core values, shared by every member of the group. Our robust and effective organizational structure promotes CSR to each member of the Organization.

Engro Fertilizers Limited strongly believes in the significance of prevalent environmental challenges, and therefore plays a proactive role in implementing and promoting sustainable initiatives within the Organization as well as beyond the organizational boundaries. We strongly support United Nations Sustainable Development Goals (UNSDGs) and encourage our employees to participate in a collective effort towards attaining these goals. The Organization gives primal importance to its stakeholders and strongly believes in the value of the people. The pivotal Sustainability Goals for the organizations are decided by a thorough assessment of our stakeholder's concerns and our organizational sustainability strategy. Where we believe our operations and projects contribute to the achievement of these goals, these icons will appear in this report:

At Engro Fertilizers Limited we focus on meeting the needs of today without compromising the needs of tomorrow. Therefore, we want to incorporate sustainable development in our overall operations throughout the Company.

Health, Safety & Environment

We at Engro Fertilizers Limited have always placed utmost importance on the safety of our employees. We work hard to provide a positive health, environment and safety culture to our employees backed by processes and training. We remain committed to providing the safest working environment to our employees, particularly at our manufacturing facilities while vigilantly fulfilling our environmental duties and responsibilities. We also aspire to raise the bar above globally acceptable standards every year.

2019 Audits and Certifications

Engro Fertilizers Limited achieved highest ever rating in the "Environment Management System" (EMS) audit conducted by a multi-craft team led by Engro Corporation's renowned Safety, OHIH & EMS Internal Expert. In addition, Internal Audits for Health & Safety standards in accordance with DuPont guidelines were carried out by all departments under the supervision of department managers. In addition to a successful IMS surveillance audit, Engro Fertilizers Limited achieved distinction and an all-time high score for "IFA-Protect & Sustain" re-certification.

To ensure hygiene and quality for food handling & safety, surveillance audits of all food clubs and canteens were conducted as per HACCP standards.

Cultivating the HSE-First Mindset

Innovations were introduced under the umbrella of a revitalized "Inherent Safety Program", involving the entire employee and manpower base, making our routine gadgets and practices inherently the safest. The HSE Department at Engro Fertilizers Limited, followed a remarkable tradition by organizing a drive under the banner of "Pause For Safety" for all employees involved in plant operations at our manufacturing facilities. Their focus was developed on specific HSE hazards, emergency operations and safe work practices. The outlined efforts by the HSE Community of Engro Fertilizers Limited are to be accredited for achieving an all-time low injury rate in our history.

Other prominent initiatives launched by Engro Fertilizers Limited to inculcate HSE practices amongst our employees, were:

- "School of EMS";
- "Hazardous Waste Segregation"; and
- "WRAP - Waste Reduction Always Pays" programs.

These projects strive to change the mindsets and behaviors of our employees, both on personal and professional fronts.

In addition, our Occupational Health Program places significance on industrial hygiene and occupational medicine. In accordance with this strategy, various "Health Awareness Programs" were launched in 2019. These programs were accustomed to train employees, keeping them abreast of the numerous technological changes evolving in the current paradigm and enlightening them with various Safety & Health-related aspects of their jobs.

Awards and Recognition

Our expertise and efforts in all three domains of HSE were recognized by various reputed national and international organizations:

- **Annual Environmental Excellence Award** by "National Forum of Environment & Health" on environmental performance and Million Tree Plantation.
- **Annual Fire Safety Excellence Award** by "Fire Protection Association of Pakistan" for exhibiting excellence in fire prevention & safety.
- **Gold Medal Awarded at IFA** - Annual Strategic Forum, in light of our performance regarding IFA's "Protect & Sustain standard" and HSE & energy benchmarks.
- **National Safety Council** (NSC) USA, recognized Engro Fertilizers Limited as a breeding ground / nursery for emerging safety leaders.

Our HSE Performance in 2019

Over the course of 2019, Engro Fertilizers Limited has had numerous safety and health-related initiatives impactfully executed. An efficient strategic outlook along with an effective policy implementation are the key drivers for our annual performance:

Our HSE Performance	
Total Recordable Injury Rate (TRIR)	0.05
Loss Workday Injury (LWI)	0
Total Man-hours	12.5 M
Fatalities	0
Recordable Injuries	3

Corporate Social Responsibility

Being a part of one of the largest conglomerates in Pakistan, Engro Fertilizers Limited has always been a purpose driven Organization. We aspire to exceed the expectations of business goals and endeavor to fulfill sustainable social goals. This vision is demonstrated by our CSR wing – Engro Foundation – which strives to improve the lives of people living in low-income communities with impact investments.

Engro Fertilizers Limited undertakes community engagement initiatives including social investments and business inclusive projects, combining financial and managerial resources to enrich lives and pave the way for sustainable living. We aspire to positively impact Pakistan with a focus on, but not limited to, the following:

- Community investment and infrastructure development
- Education
- Livelihood
- Agri-Value chain projects
- Health-care services
- Energy conservation
- Protecting the environment
- Sports promotion and development

Our aspirations go beyond corporate philanthropy and we aim to build a sustainable inclusive business strategy. We work with development partners and take pride in our employees' direct association with social work for the communities and farmers, maximizing social impact and sustainability.

Engro Fertilizers Limited has established a dedicated CAER (Community Awareness Emergency Response) Committee whose primary role is to provide guidance and training to all communities (present within 2 kms) regarding the Emergency Response of their village in accordance with the established HSE procedures and along with ensuring social development of these villages.

Community Investment and Infrastructure Development

Community Engagement and Infrastructural Development are the key components of our social investment strategy which endeavors to improve the general standard of living as well as play its part in revamping the agri-landscape of Pakistan. We take pride in designing and implementing efficiency enhancing policies that tend to the needs and values of people residing in our target communities. Keen assessment and optimal delivery is key to sustainable social interventions.

In 2019, Engro Fertilizers Limited has invested in developing infrastructure, educational capacities and livelihood strength, in and around Daharki. These developments are part of our efforts in enhancing community building, income generation and the provision of basic health and safety services.

During the year, three RO plants at CAER villages and Daharki were successfully converted to solar power, ensuring availability of clean water along with energy conservation. Additionally, infrastructure improvements were undertaken for sewerage including maintenance and repair of the main line connection and pumping station at Jung village and upgradation of drainage system at Jan Muhammad Bughio village. In line with our strategy, upliftment work was also carried out at Daharki Railway Station platform.

Other community infrastructure enhancements include installation of solar lights in educational facilities in Daharki and Ghotki.

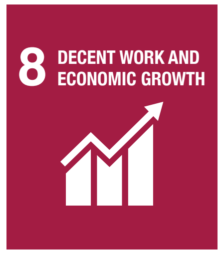
Education

Education has always been one of the most important parts of our CSR strategy. We have worked endlessly to provide quality education to the underprivileged communities around our manufacturing facility, while improving quality and learning outcomes at all levels.

At year end, the enrollment at our government schools stood at 1,565 students. Our Katcha School Network continues to operate as per plan (1,519 students), including the operations at first girls' middle school in Ghazi Chachar (56 female students) with support from CDP, private donors and Engro. We have invested in teachers trainings, including 4 female teachers and building capacity of teachers to adopt better pedagogies.

Sahara Welfare School continues to deliver quality education in the vicinity of our manufacturing facility in Daharki throughout the year where infrastructure developments in the last two years have helped beef up the student enrollments. During the year, we introduced a blended learning model for primary school children at government adopted schools in district Ghotki.

Furthermore, this year Engro Fertilizers Limited organized a large-scale inter-school science festival in district Ghotki, accommodating the participation of more than 60 schools. More than 800 students participated in this first-of-its-kind event and Engro Fertilizers Limited distributed cash vouchers and trophies to the top 3 projects.



Livelihood

Technical Training College (TTC), Daharki

Scan for video

The Technical Training College (TTC), Daharki, established with the help of Engro Fertilizers Limited, serves as the center of our skills training programs. The college offers a 3-year Diploma in Associated Engineering (DAE) in Chemical and Mechanical technologies, as well as a short-term vocational training programs for the youth living in the Daharki vicinity. Over the years, we have helped the College develop and deploy a placement software, which will act as a student databank and will be used for tracking alumni employment for impact evaluation and governance of the college.

Diploma in Associated Engineering (DAE) Program:

In 2019, the total DAE strength stood at 381 students. Out of these, 144 students were new inductees, while we were privileged to witness the graduation of 141 students and their joining of alumni ranks, bringing the total Alumni network to 529 individuals.

Vocational Courses:

Total trainees enrolled in our Vocational Training Center (VTC) in 2019 were 160. The number of graduates were 380, swelling the VTC alumni pool to 2,858 graduates till date. New trainees were inducted so they could learn skills that would make them valuable employees or entrepreneurs as well as contributing members of the community.

GIZ Project:

During the year, TTC also received support from German development agency GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) to train 160 young men and women in 4 different trades (welding, fabrication, machinery and web design).

Agri-value Chain Projects

Partnerships and Value Expansion (PAVE) for inclusive seed systems

Scan for video

PAVE Pakistan is a 2.5 year (2017 – 2020) business inclusive project jointly funded by DFAT (Department of Foreign Affairs and Trade) Australia and Engro Fertilizers Limited, which aims to develop the seed value chain of rice, wheat and vegetables in Pakistan, making it more inclusive for smallholder farmers by building on their capacities and creating market linkages for them. During the year, more than 4,400 (including 600+ female) beneficiaries have been engaged in the project.

The project won two regional awards during the year, one in the social empowerment category at Asia Responsible Enterprise Awards held at Taipei, Taiwan. The second award was for Best Shared Value Project through cross-sector partnership held at Melbourne, Australia.

Scan to hear about the PAVE project from local farmers on its impact towards capacity building and shifting them from traditional to modern farming practices.

Scan for video

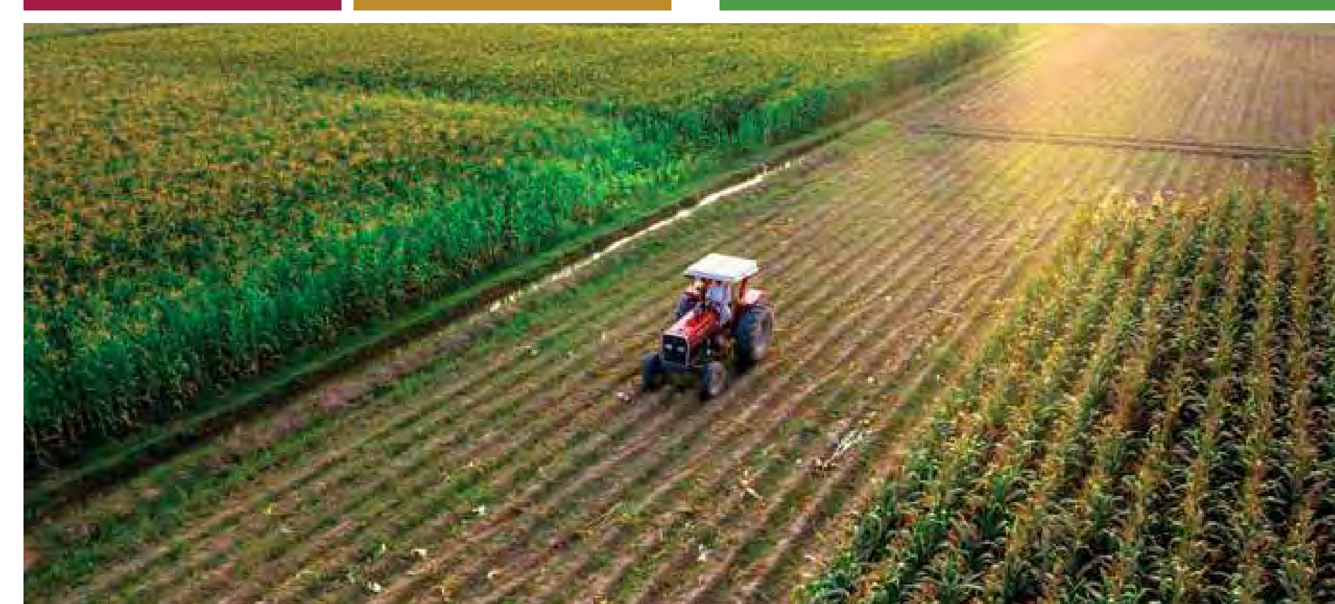
Healthcare Services

Our Health projects continued to provide essential services to supporting communities. The Sahara Clinic treated a total of 14,995 vs 9,528 patients in the last year, while the singular snake-bite treatment facility treated a total of 7,608 patients during 2019.

More than 430 awareness sessions were conducted for Hepatitis Awareness and attended by 12,900 participants. A total of 3,400 people were vaccinated, while 104 HC patients were treated and cured during the year.

During 2019, we also conducted free of cost eye camp for district Ghotki which benefited more than 2,500 patients. Furthermore, in partnership with the National Rural Support Program, a free of cost artificial limb camp was also conducted, which benefited more than 150 patients.

Scan for video



Energy Conservation

2019 predominantly remained the year of operating the plant at best energy efficiency levels. Innovative engineering solutions were adopted to overcome load limitation (furnace sway) at Base Plant, thereby, enabling plant operations at maximum possible load (135%) and efficiency. Making use of latest technology, Advance Process Controller was commissioned at enVen plant enhancing Ammonia production by approximately 9 Metric Tons/day. Moreover, teething issues of Feed Gas Enrichment (FGE) unit were resolved that resulted in our enVen Plant to surpass its nameplate capacity and operate at 102% load (highest ever operations at best efficiency)

Two mega back-to-back turnarounds of enVen & Base Plants respectively, contributed to a energy conservation drive by effective machine overhaul, exchangers cleaning and catalysts replacement.

Protecting the Environment

- **Carbon Footprint Reduction**

Engro Fertilizers Limited developed a carbon footprint reduction plan in accordance with international standards in 2017, with the aim to bring Company performance in line with globally acceptable levels for a Fertilizer complex. Consequently, in 2019, Engro Fertilizers Limited successfully met its carbon footprint reduction target.

- **One Million Tree Project**

In pursuit of our Green Pakistan Vision, we are utilizing hundreds of acres of barren land held by Sindh Forest Department by virtue of an MoU, to grow trees on their land in District Ghotki. Approximately two hundred & seventy thousand trees have been planted, whereas a further 350 acres of land is being prepared to implement our four-year plan for sustainable development and plantation.

Sports Promotion and Development

- **Sponsorship of Quetta Gladiators - Pakistan Super League**

Engro Fertilizers Limited as part of Engro Group, was one of the sponsors of Quetta Gladiators' team in PSL 2019, and is also the sponsor for the 2020 season.

- **Sports & Community Events**

District Boxing Tournament and Hard Ball Cricket Tournament were arranged for youth of Ghotki district, to promote sports in the region, which witnessed the participation of 26 clubs.

Jung Mela at an enhanced and larger scale was organized by Engro Fertilizers Limited. It was one of the most successful community events, which received appreciation from locals as well as the district administration.

Our Commitment to Our People

Engro Fertilizers Limited is proud of having a motivated, zealous and ever efficient team that personifies the Company's values, ensuring continued excellence over the years. The Human Resource Department focuses on strategic policies, efficiently defined contribution and medical plans, attractive compensation packages and incorporating a healthy environment which allows its people to enhance productivity at an individual level as well as the larger organization.

2019 was the year for 'HR Transformation', evolving the Human Resource Function of Engro Fertilizers Limited to introduce philosophical changes in the various operating paradigms and undertake the development and implementation of new initiatives, enhancing employee performance and business development.

The following is HR's contribution to drive Engro Fertilizers' success:

Agricultural Internship Program 2019

- Engro Fertilizer's first ever internship program for agri-based interns was introduced this year. The program targeted a potential candidate base of around 150 students, who went through recruitment testing pipeline. Of these 150 applications, 19 candidates were awarded the opportunity to experience field-based internship at Engro Fertilizers Limited.
- Maintaining diversity and promoting equal gender opportunities, 2 female interns were also inducted as part of this field-based agri Internship program.

Talent Management

Human Resource at Engro Fertilizers Limited is responsible to introduce and promote efficiency within workforce management, an art within itself, talent management allows the firm to promote organizational sustainability and continuity. Over the course of the year, talent management was seamlessly established by the following strategic tools:

- Stewarding of talent internally and externally through our automated tracking system
- Creation of a conducive environment by developing a diverse talent pool including gender diversity and transforming our hiring practices.

Gender Diversity

At Engro Fertilizers Limited, we take pride in providing everyone an equal opportunity at employment and growth. To proactively infuse the concept of diversity and promote an encouraging environment:

- 3-point framework for gender diversity was created with its implementation is in full swing, capturing the areas of Gender Inclusive Culture, Recruitment & Retention of women.
- Extensive work has been done on gender sensitization sessions, conducting an organization wide role mapping exercise, creating gender inclusive policies, source female candidates to fill vacant positions, and engaging with existing female employees at Engro Fertilizers Limited.
- Engro Fertilizers Limited won 6 awards at the Global Diversity & Inclusion Benchmarks (Standards for Organizations around the World). GDIB globally evaluates organizations on the development and implementation of Diversity and Inclusion (D&I) best practices.

5 GENDER EQUALITY

Regional Sales Managers Capability Development:

To enhance commercial capabilities in the newly created layer within the hierarchy, Engro Fertilizers' first ever RSM Development Program was executed. The efficiency of the program was analyzed with a post-training effectiveness framework.

Rewards Transformation

Engro along with McKinsey & Company has formalized a Talent Strategy Paradigm which maintains focus on high performance. All systems, structures and processes within the Human Resource function of Engro Fertilizers Limited have been modified to support with the designed strategy. To start with, the following areas have been aligned:

- Employees grading structure has been restructured and transformed by the inclusion of broader bands and career streams
- Salary structures have been harmonized across the group aligning the rewards mix
- Variable pay has been redesigned, effectively rewarding high performance

Engro Fertilizers Limited takes pride in evolving as Engro's first subsidiary to successfully implement all the outlined changes as per strategy within July's Salary and Increment cycle.

Field Incentive Plan

A Field Incentive Plan was introduced for the Field Force of Engro Fertilizers Limited, ensuring alignment with the changing conditions of the fertilizer market and to have a more direct linkage established between the rewards system and performance, KPI's, and targets.

Field employees now enjoy an enhanced control over their variable pay segment. They attribute it to the targets achieved and their performance delivery.

Head-office based CSR – Engro Ehsaas

A unique initiative that brings employees at our head office together to create social impact. 'Ehsaas' as the name of the initiative suggests, inculcates the realization that we are morally accountable for the well-being of our community, given the privilege we enjoy and the good quality of life we tend to experience.

The idea behind the concept is to:

- Inculcate a mindset of 'giving back', underlining a message of social responsibility in the Organization.
- Encourage employees to contribute to the social development of our country by exposing and enabling them to a variety of volunteering opportunities.
- Enable employees to interact and connect with each other over matters other than business, aiming to create a shared sense of purpose, engagement and motivation.

In light of our focus on transformation, in an attempt to inspire change for the Company and the country, we believe in:

- Providing access to lifelong learning opportunities that ensure capacity and capability enhancement of people.
- Promoting hygiene, good health and an overall well-being to relieve the country of preventable diseases.
- Realizing the full productive potential of women in all spheres for the growth of our country and promoting an environment that exhibits the same.

New Performance Management System – SuccessFactors

Engro Fertilizers' HR is home to an effective performance management system. This was reflected in a successful rollout of new performance management system for Tier III and above employees. During the course of the year, a total of 330 employees were trained on the new system, ensuring 100% coverage of the target employee base.

Engro Experience Survey

Capturing the experience of our people is immensely critical to further enhancing our employee experience. The Engro Experience Survey was successfully rolled out, capturing a healthy response rate of 94%. From the response generated, low scoring areas were highlighted via a comprehensive analysis procedure. Managers for all department were provided with the opportunity to develop action plans against the identified areas. Designed plans, brought forth by the departments are being stewarded by the HR function on a quarterly basis.

Business Critical Positions

An objective methodology to identify business critical positions was developed internally by the HR Department of Engro Fertilizers Limited in line with international best practices. The framework helps identifying critical positions for business growth and sustainability.

The framework acts as a key element in optimization of resources and ensuring a healthy pipeline of homegrown talent, enabling Managers to develop a systematic and focused succession plan for their departments and the Company as a whole.

Business Ethics & Anti-corruption Measures

Engro Fertilizers Limited ensures compliance with all regulatory and governance requirements while conducting its business and has formulated various policies and standards which are continuously monitored with the help of specific committees. Such policies include:

- Code of Conduct
- Fraud Risk Management
- Governance of Conflicts of Interest
- Statement of Ethics and Business Practices
- Whistleblower Policy
- Governance of Transactions/Contracts with Related Parties

Consumer Protection Measures

At Engro Fertilizers Limited, we believe in safeguarding the interests of our farmers through adequate consumer protection measures such as:

- Providing retail price list to all dealers to ensure farmers are not exploited.
- Providing education and guidance to farmers regarding the best usage of fertilizer, recommended nutrition mix and better use of other inputs to enhance the yield.
- Providing education to farmers on improving the soil health.
- Providing free of cost soil sampling services to farmers across Pakistan (approximately 24,000 soil tests are conducted annually).
- Ensuring timely delivery of product through our extensive distribution and dealer network.

Contribution to National Exchequer

During the year 2019, Engro Fertilizers Limited contributed over Rs. 22 billion (2018: Rs. 19.5 billion) towards the National Exchequer by way of Government taxes, duties and levies.

Further, value addition in terms of savings in foreign exchange amounted to approximately US$ 561 million through import substitution of 1,983 KT of urea and related products manufactured and sold in the country by Engro Fertilizers Limited in 2019.

Statement of Charity Account

Rs. in million	2019	2018
Community Welfare & Infrastructure	87	47
Education	34	29
General	19	11
Healthcare	105	6
Environment	20	7
Grand Total	**265**	**100**

Internal Control Framework

- **Responsibility:**

The Board is ultimately responsible for the Company's systems 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 rather than 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 every quarter 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 company-wide policy governing appraisal and approval of investment expenditure and asset disposals. Once projects are completed, reviews are performed on all material investment expenditure.

- **Adequacy of Internal Financial Controls:**

The Board of Directors has employed an articulate paradigm of internal financial controls, promoting the culture of moral conduct and ethical obligation within the Company systems and processes.

Directors' Remuneration

The Board of Directors has duly approved the remuneration of the members of the Board for attending meetings of the Board and its committees. The remuneration is determined with the level of responsibility and expertise, to attract and retain the best talent while ensuring that their independence is not compromised in any manner.

No remuneration shall be paid to Executive Directors, Chief Executive Officer and Non-Executive Directors who are employees in other Engro entities, for attending meetings of the Board and its committees.

The Board, if deems appropriate, may engage independent consultants to determine the appropriate level of remuneration of its Directors and recommend to the Board for consideration and approval. Directors' are also entitled to reimbursement of expenses incurred in connection to attendance of the Board and/or Board Committee meetings.

Detail of the remuneration paid to Directors during the year is given in Note 33 of the attached consolidated financial statements.

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 plans. The value of net assets of Provident Fund (as at June 30, 2019) and Gratuity and Pension funds (as at December 31, 2018) based on their respective audited accounts are:

Provident Fund: PKR 3,826 million (Engro Fertilizers' share: PKR 1,451 million)

DC Pension Fund: PKR 556 million (Engro Fertilizers' share: PKR 336 million)

DB Pension Fund: PKR 38 million (All Engro Fertilizers Limited)

DC Gratuity Fund: PKR 1,728 million (Engro Fertilizers' share: PKR 657 million)

DB NMPT Gratuity Fund: PKR 176 million (All Engro Fertilizers Limited)

DB MPT Gratuity Fund: PKR 188 million (Engro Fertilizers' share: PKR 114 million)

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, 2020

Pattern of Shareholding

As at December 31, 2019, Associated Companies and Directors of the Company held the following number of shares:

Particulars	% of Shareholding
Associated Companies and Related	**56.27%**
Directors and Dependents	**0.003%**

A detailed pattern of shareholding is disclosed in Pattern of shareholding section of the Annual Report 2019.

Statement of Director Responsibilities

The Directors confirm the compliance with Corporate and Financial Reporting Framework of the Securities and Exchange Commission of Pakistan and Code of Corporate Governance for the following matters:

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. The Company has maintained proper books of accounts.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements. Accounting estimates are based on reasonable prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been duly followed in preparation of the financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There is no doubt about the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the Regulations of Rule Book of Pakistan Stock Exchange.
8. One of the Directors has obtained certification of the Directors' Training program during the year. All the other Directors have also completed this program in previous years.

Board Composition & Attendance

The total number of Directors are eight as per the following:

a. Male: Seven
b. Female: One

In 2019, the Board of Directors held 8 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

Ghias Khan	Non-Executive Director - Chairman	8/8
Nadir Qureshi	Executive Director	8/8
Javed Akbar	Non-Executive Director	8/8
Abdul Samad Dawood	Non-Executive Director	5/8
Asad Said Jafar	Independent Director	8/8
Sadia Khan	Independent Director	7/8
Asim Murtaza Khan	Independent Director	8/8
Hasnain Moochhala*	Non-Executive Director	7/8

*Joined Board as Director w.e.f. February 18, 2019.

BCC Composition & Attendance

In 2019, the Board Compensation Committee held 2 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

Sadia Khan (Chairperson)	2/2
Asim Murtaza Khan (Director)	2/2
Javed Akbar (Director)	2/2

BAC Composition & Attendance

In 2019, the Board Audit Committee held 5 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

Mr. Asad Said Jafar – Chairman	5/5
Mr. Asim Murtaza Khan – Member	3/5
Mr. Hasnain Moochhala - Member	4/5
Mr. Javed Akbar – Member	5/5
Ms. Sadia Khan – Member	1/5

- Ms. Sadia Khan was replaced by Mr. Hasnain Moochhala as a member of the BAC during the year.
- Mr. Asim Murtaza Khan joined the BAC as a member during the year.

Chairman

Chief Executive Officer

forward-looking statement

Source of Information and Assumptions Used For Projections / Forecasts

Engro Fertilizers Limited has an articulate paradigm which assesses the assumptions and analysis base employed by the Organization, to build on its narrative and quantitative forecasts. Projections embed detailed information and guidelines from historic data, current trends and future forecasts. Adjustments are incorporated to align production, distribution and financial outlay with the objectives of the Company.

Economic indicators, market perspectives, global projections, regulatory framework, political outlay and internal developments are some of the crucial contributors to the annual and future forecasting guidelines. Engro Fertilizers' internal organizational framework, encompasses various functional divisions such as Commercial, Supply Chain, Finance & Accounting, Human Resources and Manufacturing which contribute to the compilation of information and data for financial projections.

Internal specialized experience and secondary market information define the primary sources of information compilation and assessment, therefore, for the annual corporate planning exercise, no external advice was sought.

Analysis of Last Year's Forward Looking Statement / Status of Projects

Engro Fertilizers Limited, in line with the Company's aim of leveraging its strong brand name, achieved its second highest Profit after Tax in FY2019 of PKR 16.9 billion (on a consolidated basis) which reflects the Organization's enhanced agri footprint in the country. Continuing on Engro Fertilizers Limited's operational excellence, the Organization looks forth to ensure maximum efficiency of production facilities. In line with this, significant headway has been made in the long-term reliability projects of manufacturing facilities, aiming to promote sustenance and building on its part to guarantee food security for the country.

During the year, enhanced utilization of production capabilities determined the Company's invaluable role in curtailing the current account deficit by value addition in terms of savings in foreign exchange amounted to approximately US$ 561 million through import substitution of 1,983 KT of urea and related products manufactured and sold in the country by Engro Fertilizers Limited.

Over the period, the Company delivered on its promise of exploring avenues to maximize product portfolio by achieving increased sales of specialty fertilizers as compared to previous years. Recently introduced range of various new products in the Crop Sciences division aimed to help the farmers benefit from a wide array of agricultural solutions at their disposal.

Devaluation of Pakistani Rupee had adverse impacts on the Company's costs. The trading portfolio was majorly impacted as well as our dollar linked natural gas resulted in an increase in the costs of production and affected gross margins. The recent slash in GIDC by the Economic Coordination Committee (EOC) has allowed Engro Fertilizers Limited to pass on the resulting benefit to the farmers, hence delivering agri inputs at optimal prices and achieving progress on sustainable grounds.

Forward Looking Statement

Engro Fertilizers Limited continues to grow and enhance on the lines of operational excellence and sustainable progress. The Company takes pride in maintaining quality deliverance, sufficing to its strong brand recognition in the country. Effectively designed lean organizational structure, with manufacturing capabilities, an articulate trade network, measures to comprehend farmer economics and a wide product portfolio that caters to an array of farmer demands are the pillars supporting the Company's legacy.

Engro Fertilizers Limited enjoys a sustainable capacity to integrate synergies, accommodate new products, incorporate advanced technology, and develop end-to-end agri based value added solutions for its ultimate beneficiaries. With an aim to contribute to high farmer productivity, continuous progress of operational excellence, strategic partnership activities with farmers, enhancing Engro Fertilizers Limited's market and giving back to the community, the Organization adapts to a sustainable framework of resource allocation where efficient employment of capital basis can help Engro Fertilizers Limited achieve its strategic objectives.

On the political facet, stable regulatory policies and improvements in existing government projects is crucial for sustainable progress. The economic factors, such as the rupee's depreciation along with high borrowing cost, impacts the procurement of imported materials and aggravates farmers' credit costs. Engro Fertilizers Limited contributes to farmer education, by employing technological and social capital, creating awareness by introducing comprehensive solutions, highlighting best practices, outlining the properties of soil and disseminating adequate use of scarce water supply.

The Company looks forward to study the agricultural landscape from a holistic lens, building on a multi-dimensional paradigm where product enhancement, regions' agri-yield, farmers' living standards, financial planning and government's support promote sustainable growth and continue profitability in the years to come.

Response Framework for Future Challenges and Uncertainties

Engro Fertilizers Limited has a highly efficient response framework to cater to future challenges and uncertainties. One of the primary challenges include the depletion of allocated gas field which may affect the production of Urea, in response to which the Organization is evaluating alternate sources of gas / energy along with continued effort to invest in further plant efficiency improvements.

Continuous changes in government policies and regulations may impact the Company's competitiveness, an uncertainty which is actively monitored by Engro Fertilizers Limited. The Company, to ensure smooth progression, engages with Government and other stakeholders to provide explain dynamics and issues impacting the industry hence deliver its role in sustainable and progressive policy making. Adverse movement in Foreign Exchange/Interest Rates harbors an unfavorable impact on the profitability of the Company, resulting in Engro Fertilizers Limited's treasury function to actively monitor FX movements in market rates and open positions.

Higher reliance of farmers on Urea and their resistance on making balanced nutrient usage may eventually hurt the market for 'P' and 'K' variants. As an environmental and social challenge, it can be catered by creating farmer awareness on the benefits of balanced fertilizers usage through engagements, product trials and pilots. As a long-term strategy, Engro Fertilizers Limited plans on working with the government to introduce subsidy plans to encourage farmers to invest in 'P', 'K' and other value-added variants.

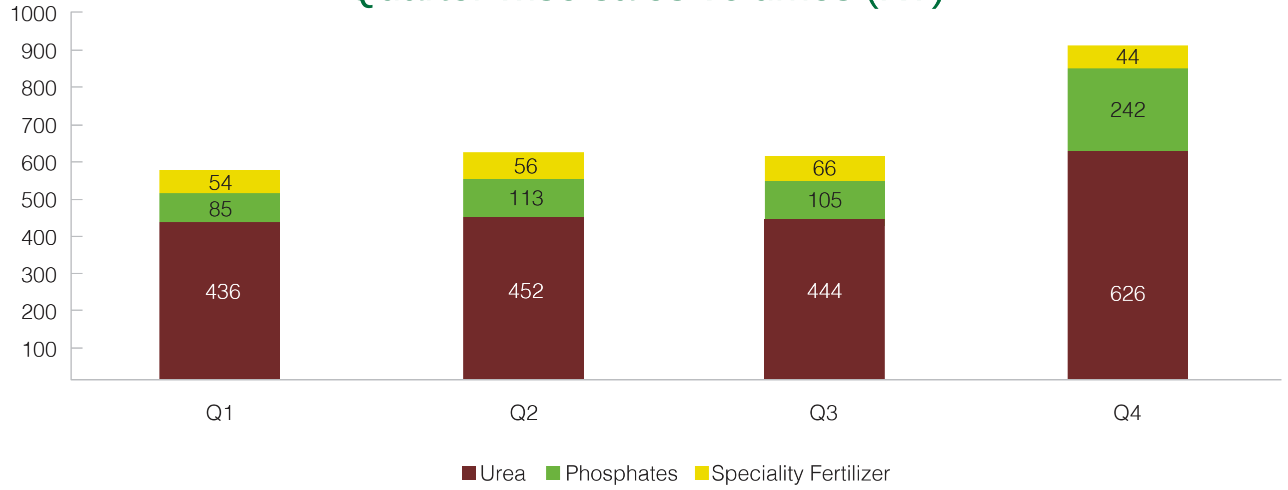
Comprehensive and coherent strategic guidelines with active monitoring of changes in the operating, economic, political and social environment allow Engro Fertilizers Limited to develop along organic lines, contributing to Company's top line growth and the country's economic success.

quarterly analysis

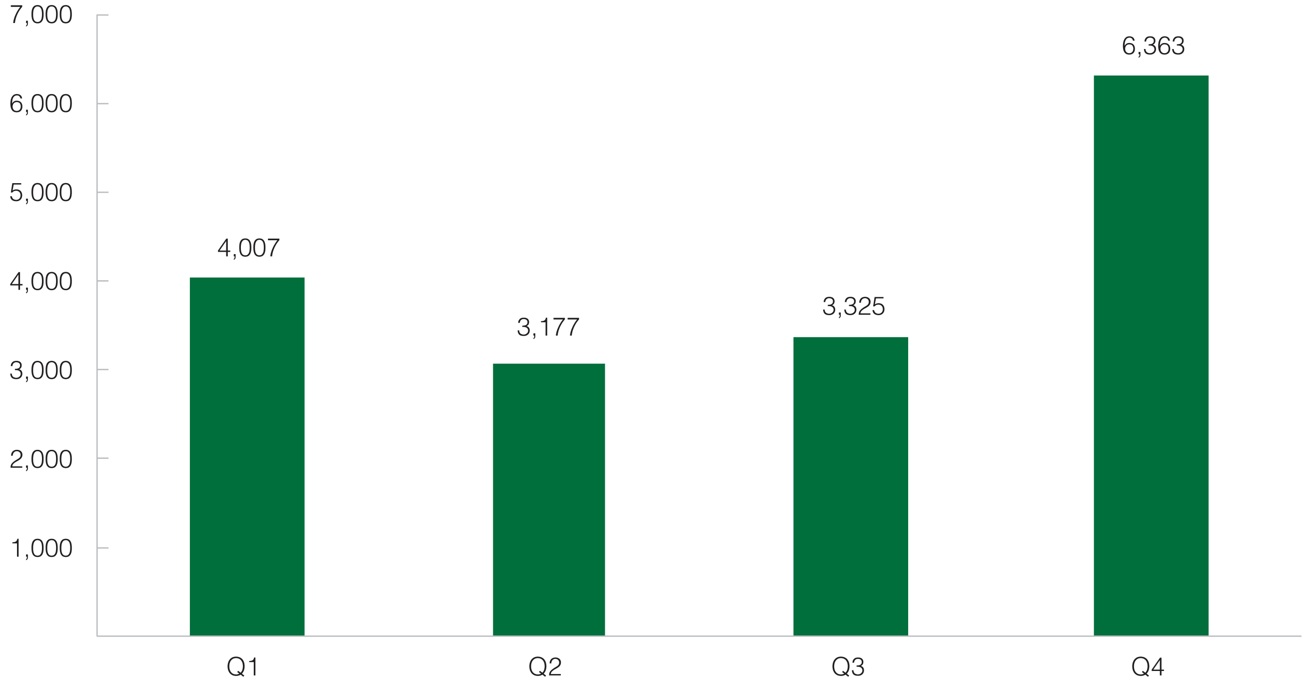
(Rupees in million)

Description	Q1	Q2	Q3	Q4	FY 2019
Net sales	23,652	26,990	27,106	43,607	121,355
Cost of sales	(16,053)	(18,475)	(18,267)	(29,020)	(81,815)
Gross profit	7,599	8,515	8,839	14,587	39,540
Selling and distribution expenses	(1,636)	(1,745)	(2,069)	(3,286)	(8,736)
Administrative expenses	(282)	(309)	(296)	(361)	(1,248)
Other income	1,012	1,427	1,214	699	4,352
Other operating expenses	(406)	(581)	(503)	(1,133)	(2,623)
Finance cost	(799)	(1,220)	(1,210)	(658)	(3,887)
Profit before tax	5,488	6,087	5,975	9,848	27,398
Tax	(1,481	(2,910)	(2,650)	(3,485)	(10,526)
Profit after tax	4,007	3,177	3,325	6,363	16,871
EPS	3.00	2.38	2.49	4.77	12.64
Production (KT)	445	460	545	553	2,003
Urea Sales (KT)	436	452	444	626	1,958

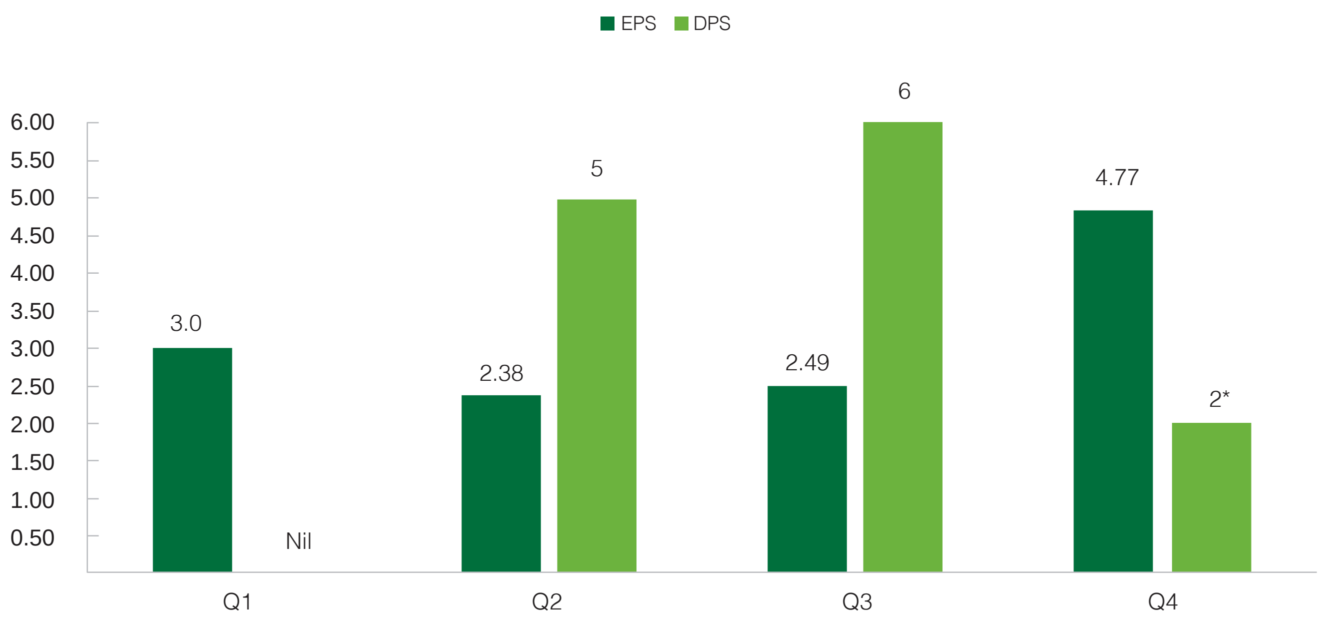
Quarter wise sales volumes (KT)



Profit after tax (rupees in million)



Earnings / Dividends per share



*Final dividend for the year ended December 31, 2019 recommended for approval of members at the Annual General Meeting.

QUARTER 1

Production	Sales	Finance Cost	Net Profit
445 KT	436 KT	PKR. 799 Mn	PKR. 4,007 Mn

Production

The Company's urea production in 1Q 2019 stood at 445KT compared to 517KT in the corresponding period last year, a decrease of 14% YoY, mainly due to a plant shutdown during the quarter.

Sales Revenue

Urea Sales clocked in at 436KT compared to 497KT in 1Q 2018, reflecting a decrease of 12% owing to low production. Engro Fertilizers Limited DAP and Zorawar sales during 1Q 2019 stood at 85 KT vs 54 KT last year, up 57% YoY, resulting in a higher market share of 43% vs 15% for the same period last year. The business continued to enjoy positive momentum from last year.

The Company's Specialty Fertilizer sales clocked in at 54KT in 1Q 2019 vs 44KT during the same period last year, an increase of 23%.

Net Sales Revenue for the quarter recorded a 30% growth primarily due to i) increase in Urea prices from an average of PKR 1,370/bag in 1Q 2018 to PKR 1,700/bag in 1Q 2019, ii) growth of Phosphates and Blended fertilizer volumes, and iii) escalation in prices of Trading products on the back of Rupee depreciation. However, the effect was partially offset by lower Urea volumes which witnessed a decline of 12%.

Cost of Sales and Other Operational Costs

Gross Profit of the Company was recorded at PKR 7.6 B for 1Q 2019, compared to PKR 7.3 B in the same period last year, an increase of 4%. COGS showed a 40% YoY escalation compared to the COGS in 1Q 2018 owing to gas price increases.

Finance Cost

Finance cost was higher at PKR 799 M (vs PKR 512 M last year) as a result of higher policy rates.

Profit

Company's consolidated profit stood at PKR 4.0 B vs. PKR 3.9 B in the corresponding period last year, resulting in EPS of PKR 3.00 vs. last year's EPS of PKR 2.91. The improvement in PAT was due to lower effective tax rate owing to lower tax rate in Finance Act 2018.

QUARTER 2

Production	Sales	Finance Cost	Net Profit
460 KT	452 KT	PKR. 1,220 Mn	PKR. 3,117 Mn

Production

The Company's Urea production in 2Q 2019 stood at 460KT compared to 414KT in the corresponding period last year, an increase of 11% YoY on account of i) lower production in 2Q 2018 due to plant turnaround and ii) higher gas avails in 1Q 2019.

Sales Revenue

Urea sales during the period clocked in at 452 KT compared to 496 KT in 2Q 2019, a decrease of 9% YoY owing to lower avails. Engro Fertilizers Limited DAP and Zorawar sales during 2Q 2019 stood at 113 KT vs 121 KT last year, down 7% YoY, on the back of strong pre-buying amid fears of increase in international prices in 2Q 2018.

The Company's Specialty Fertilizer sales clocked in at 56 KT in 2Q 2019 vs 38 KT during the same period last year, an increase of 47% owing to competitive pricing and better avails.

Net Sales Revenue was 18% higher in 2Q 2019 compared to 1Q 2018 on the back of increase in Urea prices from PKR 1,490/bag in 2Q 2018 to PKR 1,830/bag in 1Q 2019. The increase in revenue was partially offset by lower volumes of Urea and Phosphates in 2Q 2019 versus same period last year.

Cost of Sales and Other Operational Costs

Gross Profit of the Company was recorded at PKR 8.5 B for 2Q 2019, compared to PKR 6.7 B in the same period last year, an increase of 27% despite higher COGS which increased by 14% YoY because of the higher gas prices. S&D expenses saw an increase of 9% owing to inflationary pressures and higher handling costs of trading products

Finance Cost

Finance cost was higher at PKR 1,220 M (vs PKR 362 M last year) mainly as a result of i) higher policy rates, ii) increase in foreign exchange loss due to devaluation and iii) recognition of fair value loss on sales tax bonds.

Profit

Company's consolidated profit stood at PKR 3.2 B vs. PKR 3.3 B in the corresponding period last year on account of higher effective tax rate owing to withdrawal of 1% successive reduction in corporate tax rate up till tax year 2023.

QUARTER 3

Production	Sales	Finance Cost	Net Profit
545 KT	444 KT	PKR. 1,210 Mn	PKR. 3,325 Mn

Production

The Company's urea production in 3Q 2019 clocked in at 545 KT compared to 497 KT in the corresponding period last year on the back of increased inefficiencies and better gas avails.

Sales
Sales during the period clocked in at 444 KT compared to 503 KT in 3Q 2018, a decrease of 12% YoY owing to recent uncertainty in market regarding urea prices linked with GIDC decision.

The Company's DAP and Zorawar sales during the period stood at 105 KT vs 153 KT last year, reflecting a dip of 31% due to demand impetus amid fears of rising international prices in 3Q 2018.

The Company's Specialty Fertilizer sales clocked in at 66 KT in 3Q 2019 vs 62 KT during the same period last year, an increase of 6%.

Net Sales Revenue witnessed a slight decrease of 4% owing to lower Urea and Phosphate sales in 3Q 2019 versus same period last year.

Cost of Sales and Other Operational Costs

Gross Profit of the Company was recorded at PKR 8.8 B for 2Q 2019, compared to PKR 9.9 B in the same period last year, a decline of 10%. The decrease in net revenue completely translated into gross profit as cost of sales remained flattish in 3Q 2019 relative to 3Q 2018. Selling & distribution expenses were higher by 5% on the back of axle load regime being implemented resulting in higher handling costs. The company received a higher other income in 3Q 2019 due to income on investment in PIBs and Treasury bills.

Finance Cost

Finance cost clocked in at PKR 1,210 M (vs PKR 534 M last year) mainly as a result of higher policy rates and outstanding long-term portion during the period.

Profit

Company's consolidated profit stood at PKR 3.3 B vs. PKR 5.1 B in the corresponding period last year. Lower profitability was led by lower Urea and Phosphate volumes, higher finance cost and higher effective tax rate.

QUARTER 4

Production	Sales	Finance Cost	Net Profit
553 KT	626 KT	PKR. 658 Mn	PKR. 6,363 Mn

Production

The Company's urea production in 4Q 2019 clocked in at 553 KT compared to 500 KT in the corresponding period last year on the back of increased efficiencies and better gas avails.

Sales

The Company was able to sell 626 KT of Urea in 4Q 2019 as compared to 490 KT in 4Q 2018. The company was able to push volumes on a possible sentiment of Urea price increases on the back of gas price escalation.

The Company's DAP and Zorawar sales during the period stood at 242 KT vs 298 KT last year, reflecting a dip of 19% due to lower than expected agronomic demand which was affected by dull cotton crop.

The Company's Specialty Fertilizer sales clocked in at 44 KT in 4Q 2019 vs 38 KT during the same period last year, an increase of 16%.

Cost of Sales and Other Operational Costs

Gross Profit of the Company was recorded at PKR 14.6 B for 4Q 2019, compared to PKR 11.4 B in the same period last year, an increase of 28%. This was majorly due to a jump of 28% in Urea volumes and Urea prices versus same period last year. However, the growth was partially dragged down by lower DAP volumes and prices.

Finance Cost

Finance cost clocked in at PKR 658 M (vs PKR 651 M last year) as short term borrowing for curtailed on the back of robust sales in the quarter.

Profit

Company's consolidated profit stood at PKR 6.4 B vs. PKR 5.2 B in the corresponding period last year. Higher profitability was led by higher Urea volumes and prices and lower effective tax rate.

ANALYSIS OF VARIATION IN INTERIM ACCOUNTS WITH FINAL ACCOUNTS

Efert's net sales grew from PKR 24 B in Q1 to PKR 121 B in full year 2019. Company's highest quarterly sales were in the last quarter mainly on the back of robust Urea sales that stretched the yearly demand upto 6.18 M tons. The pricing throughout the year remained on the uptrend owing to inflationary pressures, gas price increases and rupee devaluation that extended from the previous year.

Company's Gross profit in the first quarter clocked in at PKR 7.6 B but closed the year at PKR 39.5 B due to high sales volume in the last quarter. However, the margins in comparison to last year remained flattish. Even on the quarterly basis, the company was able maintain its gross margins throughout the year with minimal variation.

The profit before tax also followed the similar trend as the PBT jumped in the last quarter owing to high volumes of Urea as compared to preceding quarters. The notable reduction in Finance cost in the last quarter was reflective of the improved cash cycle owing to robust sales.

The net margin of the company was significantly accentuated in the 1st Quarter owing to lower tax rate in Finance act 2018. However, with the reversal of 1% successive reduction in corporate tax rate which led to higher effective tax rate in the subsequent quarters, the net margin had normalized by the year end.

horizontal analysis

Consolidated Statement of Financial Position

(Amounts in millions)

	2019 Rs.	19 Vs. 18 %	2018 Rs.	18 Vs. 17 %	2017 Rs.	17 Vs. 16 %	2016 Rs.	16 Vs. 15 %	2015 Rs.	15 Vs. 14 %	2014 Rs.	14 Vs. 13 %	2013 Rs.
EQUITY AND LIABILITIES													
EQUITY													
Share capital	13,353	-	13,353	-	13,353	0.3	13,309	-	13,309	1.0	13,183	7.8	12,228
Share premium	3,385	-	3,385	-	3,385	8.1	3,132	-	3,132	38.5	2,261	20,454.5	11
Advance against issue of shares	-	-	-	-	-	-	-	-	-	-	-	(100.0)	2,119
Exchange revaluation reserves	-	(100.0)	409	392.8	83	654.5	11	(21.4)	14	100.0	-	-	-
Hedging reserve	-	-	-	-	-	-	-	(100.0)	(4)	(89.7)	(39)	(73.6)	(148)
Remeasurement of post employment benefits	(57)	26.7	(45)	(4.3)	(47)	74.1	(27)	(32.5)	(40)	185.7	(14)	(33.0)	(21)
Unappropraited profits	26,598	(6.4)	28,421	10.6	25,696	1.9	25,223	(2.7)	25,921	35.8	19,088	75.4	10,880
	43,279	(4.9)	45,523	7.2	42,470	2.0	41,648	(1.6)	42,332	22.8	34,479	37.5	25,069
NON-CURRENT LIABILITIES													
Borrowing	22,192	(13.7)	25,715	12.9	22,784	(22.5)	29,380	16.2	25,290	(29.9)	36,091	(31.8)	52,896
Working capital loan from Parent Company	-	-	-	-	-	-	-	-	-	-	-	(100.0)	3,000
Derivative financial instruments	-	-	-	-	-	-	-	-	-	(100.0)	7	(99.5)	1,531
Deferred taxation	12,183	71.6	7,099	(24.4)	9,388	25.3	7,492	27.3	5,888	14.3	5,150	12.6	4,574
Deferred liabilities	257	1.3	254	5.8	240	6.2	226	14.4	198	4.0	190	2.8	185
	34,632	4.7	33,068	2.0	32,412	(12.6)	37,098	18.2	31,375	(24.3)	41,438	(33.4)	62,186
CURRENT LIABILITIES													
Trade and other payables	37,686	29.5	29,095	32.5	21,966	46.7	14,969	(15.4)	17,702	(28.4)	24,727	37.3	18,012
Accrued interest / mark-up	588	38.0	426	(28.4)	595	1.9	584	(31.5)	852	(37.4)	1,362	(8.0)	1,480
Taxation - net	-	(100)	3,408	273.3	913	(17.3)	1,104	(57.4)	2,593	283.6	676	100.0	-
Current portion of													
- Borrowings	8,760	71.9	5,096	(37.2)	8,120	57.0	5,172	(51.8)	10,737	35.7	7,913	170.6	2,924
- Retirement and other service benefits obligations	56	9.9	51	2.0	50	2.0	49	2.1	48	11.6	43	(2.0)	44
Short-term borrowings	1,986	96.6	1,010	(80.8)	5,264	175.6	1,910	2,446.7	75	100.0	-	-	-
Unclaimed dividend	60	(9.0)	66	164.0	25	25.0	20	233.3	6	100.0	-	-	-
Derivative financial instruments	-	-	-	-	-	(100.0)	250	(31.7)	366	(66.4)	1,090	411.6	213
	49,136	25.5	39,152	6.0	36,933	53.5	24,058	(25.7)	32,379	(9.6)	35,811	57.9	22,673
TOTAL EQUITY AND LIABILITIES	127,047	7.9	117,743	5.3	111,815	8.8	102,804	(3.1)	106,086	(5.0)	111,728	1.6	109,928
ASSETS													
NON-CURRENT ASSETS													
Property, plant and equipment	65,924	(3.3)	68,204	(1.0)	68,923	(1.8)	70,168	(2.8)	72,199	(3.7)	74,963	(5.5)	79,315
Intangible assets	5,071	13.0	4,488	0.3	4,475	0.5	4,451	(0.2)	4,462	3,681.4	118	(14.8)	138
Deferred taxation	-	-	-	-	-	-	-	(100.0)	73	100.0	-	-	-
Long term loans and advances	164	14.9	143	5.6	135	11.6	121	(24.4)	160	70.2	94	(14.0)	109
	71,159	(2.3)	72,834	(1.0)	73,533	(1.6)	74,740	(2.8)	76,894	2.3	75,175	(5.5)	79,562
CURRENT ASSETS													
Store, spares and loose tools	5,301	(0.5)	5,325	0.9	5,280	8.0	4,887	5.3	4,639	(1.6)	4,714	7.9	4,369
Stock-in-trade	12,478	8.1	11,538	51.1	7,636	12.3	6,799	(3.3)	7,029	538.4	1,101	(20.3)	1,382
Trade debts	14,175	55.6	9,110	68.1	5,419	(28.6)	7,585	235.3	2,262	198.8	757	(0.2)	758
Derivative financial instruments	-	-	-	-	-	-	-	(100.0)	29	100.0	-	(100.0)	130
Loans, advances, deposits and prepayments	2,949	116.3	1,363	17.8	1,157	69.4	683	14.8	595	37.4	433	(30.8)	626
Other receivables	9,412	3.8	9,067	3.0	8,807	26.1	6,986	414.1	1,359	7,052.6	19	(32.6)	28
Taxation - net	2,542	100	-	-	-	-	-	(100.0)	705	100.0	-	(100.0)	557
Accrued income	106	96.1	54	116.0	25	100	-	-	-	-	-	-	-
Short-term Investments	5,512	(28.6)	7,722	(5.4)	8,163	684.9	1,040	(91.1)	11,650	(53.6)	25,084	38.9	18,058
Cash and bank balances	3,413	367.9	730	(59.4)	1,796	2,038.1	84	(90.9)	924	(79.2)	4,445	(0.3)	4,458
	55,888	24.4	44,909	17.3	38,282	36.4	28,064	(3.9)	29,192	(20.1)	36,553	20.4	30,366
TOTAL ASSETS	127,047	7.9	117,743	5.3	111,815	8.8	102,804	(3.1)	106,086	(5.0)	111,728	1.6	109,928

vertical analysis
Consolidated Statement of Financial Position

(Amounts in millions)

	2019		2018		2017		2016		2015		2014	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
EQUITY AND LIABILITIES												
EQUITY												
Share capital	13,353	10.5	13,353	11.3	13,353	11.9	13,309	12.9	13,309	12.5	13,183	11.8
Share premium	3,385	2.7	3,385	2.9	3,385	3.0	3,132	3.0	3,132	3.0	2,261	2.0
Exchange revaluation reserves	-	-	409	0.3	83	0.1	11	0.0	14	0.0	-	-
Hedging reserve	-	-	-	-	-	-	-	-	(4)	(0.0)	(39)	(0.0)
Remeasurement of post employment benefits	(57)	(0.0)	(45)	(0.0)	(47)	(0.0)	(27)	(0.0)	(40)	(0.0)	(14)	(0.0)
Unappropraited profits	26,598	20.9	28,421	24.1	25,696	23.0	25,223	24.5	25,921	24.4	19,088	17.1
	43,279	34.1	45,523	38.7	42,470	38.0	41,648	40.5	42,332	39.9	34,479	30.9
NON-CURRENT LIABILITIES												
Borrowing	22,192	17.4	25,715	21.8	22,784	20.4	29,380	28.6	25,290	23.8	36,091	32.3
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	7	0.0
Deferred taxation	12,183	9.6	7,099	6.0	9,388	8.4	7,492	7.3	5,888	5.5	5,150	4.6
Deferred liabilities	257	0.2	254	0.2	240	0.2	226	0.2	198	0.2	190	0.2
	34,632	27.2	33,068	28.1	32,412	29.0	37,098	36.1	31,375	29.6	41,438	37.1
CURRENT LIABILITIES												
Trade and other payables	37,686	29.6	29,095	24.7	21,966	19.6	14,969	14.6	17,702	16.7	24,727	22.1
Accrued interest / mark-up	588	0.5	426	0.4	595	0.5	584	0.6	852	0.8	1,362	1.2
Taxation - net	-	-	3,408	2.9	913	0.8	1,104	1.1	2,593	2.4	676	0.6
Current portion of												
- Borrowings	8,760	6.9	5,096	4.3	8,120	7.3	5,172	5.0	10,737	10.1	7,913	7.1
- Retirement and other service benefits obligations	56	0.0	51	0.0	50	0.0	49	0.0	48	0.0	43	0.0
Short-term borrowings	1,986	1.6	1,010	0.9	5,264	4.7	1,910	1.9	75	0.1	-	-
Unclaimed dividend	60	0.0	66	0.1	25	0.0	20	0.0	6	0.0	-	-
Derivative financial instruments	-	-	-	-	-	-	250	0.2	366	0.3	1,090	1.0
	49,136	38.7	39,152	33.3	36,933	33.0	24,058	23.4	32,379	30.5	35,811	32.1
TOTAL EQUITY AND LIABILITIES	127,047	100.0	117,743	100.0	111,815	100.0	102,804	100.0	106,086	100.0	111,728	100.0
ASSETS												
NON-CURRENT ASSETS												
Property, plant and equipment	65,924	51.9	68,203	57.9	68,923	61.6	70,168	68.3	72,199	68.1	74,963	67.1
Intangible assets	5,071	4.0	4,488	3.8	4,475	4.0	4,451	4.3	4,462	4.2	118	0.1
Deferred taxation	-	-	-	-	-	-	-	-	73	0.1	-	-
Long term loans and advances	164	0.1	143	0.1	135	0.1	121	0.1	160	0.2	94	0.1
	71,159	56.0	72,834	61.9	73,533	65.8	74,740	72.7	76,894	72.5	75,175	67.3
CURRENT ASSETS												
Store, spares and loose tools	5,301	4.2	5,325	4.5	5,280	4.7	4,887	4.8	4,639	4.4	4,714	4.2
Stock-in-trade	12,478	9.8	11,538	9.8	7,636	6.8	6,799	6.6	7,029	6.6	1,101	1.0
Trade debts	14,175	11.1	9,110	7.7	5,419	4.8	7,585	7.4	2,262	2.1	757	0.7
Derivative financial instruments	-	-	-	-	-	-	-	-	29	0.0	-	-
Loans, advances, deposits and prepayments	2,949	2.3	1,363	1.2	1,157	1.0	683	0.7	595	0.6	433	0.4
Other receivables	9,412	7.4	9,067	7.7	8,807	7.9	6,986	6.8	1,359	1.3	19	0.0
Taxation - net	2,542	2.0	-	-	-	-	-	-	705	0.7	-	-
Accrued income	106	0.1	54	0.0	25	-	-	-	-	-	-	-
Short-term Investments	5,512	4.3	7,722	6.6	8,163	7.3	1,040	1.0	11,650	11.0	25,084	22.5
Cash and bank balances	3,413	2.7	730	0.6	1,796	1.6	84	0.1	924	0.9	4,445	4.0
	55,888	44.0	44,909	38.1	38,282	34.2	28,064	27.3	29,192	27.5	36,553	32.7
TOTAL ASSETS	127,047	100.0	117,743	100.0	111,815	100.0	102,804	100.0	106,086	100.0	111,728	100.0

horizontal and vertical analysis

Consolidated Statement of Profit or Loss

(Amounts in millions)

	2019 Rs.	19 Vs 18 %	2018 Rs.	18 Vs 17 %	2017 Rs.	17 Vs 16 %	2016 Rs.	16 Vs 15 %	2015 Rs.	15 Vs 14 %	2014 Rs.	14 Vs 13 %	2013 Rs.
Horizontal Analysis													
Sales	121,355	11.1	109,197	41.6	77,129	10.9	69,537	(18.6)	85,421	39.1	61,425	22.5	50,129
Cost of Sales	(81,816)	10.7	(73,880)	37.0	(53,911)	3.5	(52,098)	(6.5)	(55,724)	43.5	(38,822)	38.6	(28,008)
Gross profit	39,539	12.0	35,317	52.1	23,218	33.1	17,439	(41.3)	29,697	31.4	22,603	2.2	22,121
Selling and distribution expenses	(8,736)	9.1	(8,008)	10.5	(7,245)	8.1	(6,705)	22.7	(5,466)	23.1	(4,441)	26.5	(3,511)
Administrative expenses	(1,248)	(16.0)	(1,485)	14.8	(1,293)	42.6	(907)	1.2	(896)	16.1	(772)	28.5	(601)
Other income	4,352	111.1	2,062	(64.8)	5,866	(28.0)	8,143	85.4	4,393	79.4	2,449	121.6	1,105
Other expenses	(2,623)	71.2	(1,532)	24.1	(1,234)	7.4	(1,149)	(43.5)	(2,034)	54.3	(1,318)	(36.0)	(2,060)
Operating profit	31,285	18.7	26,354	36.5	19,312	14.8	16,821	(34.5)	25,694	38.7	18,521	8.6	17,054
Finance cost	(3,887)	87.7	(2,071)	(21.8)	(2,648)	(16.9)	(3,187)	(31.1)	(4,627)	(30.2)	(6,625)	(23.6)	(8,670)
Net profit before taxation	27,398	12.8	24,283	45.7	16,664	22.2	13,634	(35.3)	21,067	77.1	11,896	41.9	8,384
Provision for taxation	(10,526)	53.3	(6,869)	24.7	(5,509)	26.6	(4,351)	(30.4)	(6,249)	69.5	(3,687)	27.7	(2,887)
Net profit after taxation	16,871	(3.1)	17,414	56.1	11,156	20.2	9,283	(37.4)	14,818	80.5	8,209	49.3	5,497

	2019		2018		2017		2016		2015		2014	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Vertical Analysis												
Sales	121,355	100	109,197	100	77,129	100	69,537	100	85,421	100	61,425	100
Cost of Sales	(81,816)	(67.4)	(73,880)	(67.7)	(53,911)	(69.9)	(52,098)	(74.9)	(55,724)	(65.2)	(38,822)	(63.2)
Gross profit	39,539	32.6	35,317	32.3	23,218	30.1	17,439	25.1	29,697	34.8	22,603	36.80
Distribution and marketing expenses	(8,736)	(7.2)	(8,008)	(7.33)	(7,245)	(9.4)	(6,705)	(9.6)	(5,466)	(6.4)	(4,441)	(7.2)
Administrative expenses	(1,248)	(1.0)	(1,485)	(1.4)	(1,293)	(1.7)	(907)	(1.3)	(896)	(1.0)	(772)	(1.3)
Other income	4,352	3.6	2,062	1.9	5,866	7.6	8,143	11.7	4,393	5.1	2,449	4.0
Other expenses	(2,623)	(2.2)	(1,532)	(1.4)	(1,234)	(1.6)	(1,149)	(1.7)	(2,034)	(2.4)	(1,318)	(2.1)
Operating profit	31,285	25.8	26,354	24.1	19,312	25.0	16,821	24.2	25,694	30.1	18,521	30.2
Finance cost	(3,887)	(3.2)	(2,071)	(1.9)	(2,648)	(3.4)	(3,187)	(4.6)	(4,627)	(5.4)	(6,625)	(10.8)
Net profit before taxation	27,398	22.6	24,283	22.2	16,664	21.6	13,634	19.6	21,067	24.7	11,896	19.4
Provision for taxation	(10,526)	(8.7)	(6,869)	(6.3)	(5,509)	(7.1)	(4,351)	(6.3)	(6,249)	(7.3)	(3,687)	(6.0)
Net profit after taxation	16,871	13.9	17,414	15.9	11,156	14.5	9,283	13.4	14,818	17.3	8,209	13.4

financial information summary

(Amounts in millions)

	2019	2018	2017	2016	2015	2014
Summary of Consolidated Statement of Financial Positions						
Share capital	13,353	13,353	13,353	13,309	13,309	13,183
Reserves	29,926	32,170	29,117	28,339	29,023	21,296
Shareholders' funds / Equity	43,279	45,523	42,470	41,648	42,332	34,479
Borrowings	30,952	30,811	30,904	34,552	36,027	44,004
Capital employed	74,231	76,334	73,374	76,200	78,358	78,481
Deferred liabilities	12,440	7,353	9,628	7,718	6,086	5,340
Property,plant & equipment	65,924	68,204	68,923	70,168	72,199	74,963
Long term assets	71,159	72,834	73,533	74,740	76,894	75,175
Current assets	55,888	44,909	38,282	28,064	29,192	36,553
Summary of Consolidated Statement of Profit or Loss						
Sales	121,355	109,197	77,129	69,537	85,421	61,425
Gross profit	39,539	35,317	23,218	17,439	29,697	22,603
Operating profit	31,285	26,354	19,312	16,821	25,694	18,521
Profit / (loss) before tax	27,398	24,283	16,664	13,634	21,067	11,896
Profit / (loss) after tax	16,871	17,414	11,156	9,283	14,818	8,209
EBITDA	36,962	31,548	24,404	21,857	30,456	23,273
Summary of Consolidated Statement of Cash Flows						
Net cash flow from operating activities	21,989	23,405	25,435	4,478	11,512	26,408
Net cash flow from investing activities	4,503	(6,635)	(8,109)	(1,676)	19,180	(22,604)
Net cash flow from financing activities	(22,547)	(16,981)	(17,714)	(14,254)	(24,774)	(20,783)
Changes in cash & cash equivalents	3,944	(211)	(387)	(11,452)	5,918	(16,978)
Cash & cash equivalents – Year end	4,030	(190)	(304)	14	11,470	5,538
Summary of Actual Production						
Urea	2,003,035	1,928,080	1,806,977	1,881,016	1,967,552	1,818,937
NPK	134,784	132,790	109,059	94,610	126,074	117,193

financial ratios

		2019	2018	2017	2016	2015	2014
Profitability Ratios							
Return on equity (Profit after tax)	%	38.0	39.6	26.5	22.1	38.6	27.6
Return on equity (Profit before tax)	%	61.7	55.2	39.6	32.5	54.9	40.0
Return on capital employed	%	22.4	23.3	14.9	12.0	18.9	10.3
Pre tax margin	%	22.6	22.2	21.6	19.6	24.7	19.4
Pre tax margin (Including subsidy)	%	22.6	22.0	20.3	17.6	23.9	19.4
Profit markup	%	48.3	47.8	43.1	33.5	53.3	58.2
Profit markup (Including subsidy)	%	48.3	49.5	52.3	48.6	58.0	58.2
Gross profit ratio	%	32.6	32.3	30.1	25.1	34.8	36.8
Gross profit ratio (Including subsidy)	%	32.6	33.1	34.3	32.7	36.7	36.8
Net profit to sales	%	13.9	15.9	14.5	13.4	17.3	13.4
Net profit to sales (Including subsidy)	%	13.9	15.8	13.6	12.0	16.8	13.4
EBITDA	Rs. In million	36,962	31,548	24,404	21,857	30,456	23,273
EBTDA	Rs. In million	33,075	29,477	21,757	18,670	25,829	16,647
Growth in EBITDA	%	17.2	29.3	11.7	(28.2)	30.9	5.8
Growth in EBTDA	%	12.2	35.5	16.5	(27.7)	55.2	24.8
EBITDA margin to sales	%	30.5	28.9	31.6	31.4	35.7	37.9
EBITDA margin to sales (Including subsidy)	%	30.5	28.6	29.7	28.2	34.6	37.9
Operating leverage ratio	Times	1.7	0.9	1.4	1.9	1.0	0.4
Return on assets	%	13.8	15.2	10.4	8.9	13.6	7.4
Growth in operating revenue	%	11.1	41.6	10.9	(18.6)	39.1	22.5
Growth in operating revenue (Including subsidy)	%	9.9	34.5	6.1	(12.1)	43.3	22.5
Capital expenditure to total assets	%	3.0	3.7	3.5	3.0	1.8	0.6
Liquidity Ratios							
Current ratio	Times	1.1	1.1	1.0	1.2	0.9	1.0
Quick / Acid test ratio	Times	0.8	0.7	0.7	0.7	0.5	0.9
Cash and cash equivalents to current liabilities	Times	0.1	0.0	(0.0)	0.0	0.4	0.2
Cash flow from operations to sales	Times	0.2	0.2	0.3	0.1	0.1	0.4
Cash flow from operations to sales (Including subsidy)	Times	0.2	0.2	0.3	0.1	0.1	0.4
Long term liabilities / current liabilities	%	70	84	88	154	97	116
Activity / Turnover Ratios							
No. of days in inventory	Days	54	47	49	48	27	12
Inventory turnover	Times	6.8	7.7	7.5	7.5	13.7	31.3
Debtors turnover ratio.	Times	10.4	15.0	11.9	14.1	56.6	81.1
Debtors turnover ratio (Including subsidy)	Times	6.7	7.8	6.2	9.1	42.4	81.0
No. of days in receivables	Days	35	24	31	26	6	5
No. of days in receivables (Including subsidy)	Days	54	47	59	40	9	5
Trade payables turnover ratio	Times	2.5	2.9	2.9	3.2	2.6	1.8
Trade payables turnover ratio (excluding GIDC)	Times	4.6	4.6	3.7	3.5	3.8	3.0
No. of days in payables	Days	149	126	125	114	139	201
No. of days in payables (excluding GIDC)	Days	79	80	98	105	95	121
Operating cycle	Days	(41)	(32)	(17)	(26)	(104)	(185)
Operating cycle (excluding subsidy and GIDC)	Days	10	(8)	(18)	(31)	(62)	(105)
Total assets turnover ratio	Times	0.99	0.95	0.72	0.67	0.78	0.55
Total assets turnover ratio (Including subsidy)	Times	0.99	0.96	0.77	0.74	0.81	0.55
Fixed assets turnover ratio	Times	1.8	1.6	1.1	1.0	1.2	0.8
Fixed assets turnover ratio (Including subsidy)	Times	1.8	1.6	1.2	1.1	1.2	0.8
Current assets turnover (Including subsidy)	Times	2.40	2.66	2.48	2.70	2.68	1.84
Current assets turnover	Times	2.40	2.63	2.33	2.43	2.60	1.84
Operating working capital turnover	Times	19	31	29	170	(70)	15
Capital employed turnover	Times	1.61	1.46	1.03	0.90	1.09	0.77
Revenue per employee	Rs.	96,313	87,218	64,221	58,731	74,279	54,071
Net income per employee	Rs.	13,390	13,909	9,289	7,841	12,886	7,225

financial ratios

		2019	2018	2017	2016	2015	2014
Investment /Market Ratios							
Earnings per share - basic	Rs./ share	12.6	13.0	8.4	7.0	11.1	6.3
Earnings per share - diluted	Rs./ share	12.6	13.0	8.4	6.9	11.1	6.3
Earnings growth - basic	%	-3.1%	56.0%	19.8%	-37.3%	77.1%	35.0%
Earnings growth - diluted	%	-3.1%	56.0%	21.0%	-37.9%	76.9%	35.0%
Market value per share							
- Year end	Rs./ share	73.4	69.1	67.7	68.0	84.1	78.1
- High during the year	Rs./ share	79.0	83.5	74.4	86.3	100.7	78.2
- Low during the year	Rs./ share	60.4	66.5	51.6	61.0	71.5	31.1
Cash dividend per share	Rs./ share	13.0	11.0	8.5	7.0	6.0	3.0
Breakup value per share	Rs./ share	32.4	34.1	31.8	31.3	31.8	26.2
Breakup value per share - incuding surplus on revalation	Rs./ share	32.4	34.1	31.8	31.3	31.8	26.2
Breakup value per share - including investment in related party at market value and surplus on revaluation.	Rs./ share	32.4	34.1	31.8	31.3	31.8	26.2
Price earning ratio	Times	5.8	5.3	8.1	9.7	7.6	12.4
Change in market value added	%	17.3	(2.7)	(2.1)	(29.9)	0.7	(353.4)
Price to book ratio	Times	2.3	2.0	2.1	2.2	2.6	3.0
Dividend yield ratio	%	17.7	15.9	12.6	10.3	7.1	3.8
Dividend payout ratio	%	102.0	84.4	101.7	100.3	53.9	47.7
Dividend cover ratio	%	97.2	118.5	98.4	99.7	185.7	209.7
Retention (after interim & proposed cash)	%	(2.8)	15.6	(1.7)	(0.3)	46.1	52.3
Capital Structure Ratios							
Financial leverage ratio	Times	0.7	0.7	0.7	0.8	0.9	1.3
Earning assets to total assets	%	6.5	6.6	7.3	1.0	11.8	26.4
Weighted average cost of deposit	%	21.6	6.2	2.3	2.4	6.3	8.1
Weighted average cost of debt	%	12.6	6.7	8.1	9.0	11.6	13.3
Debt to equity ratio (as per book)	%	71.5	67.7	72.8	83.0	85.1	127.6
Debt to equity ratio (as per market value)	%	31.6	33.4	34.2	38.2	32.2	42.7
Interest cover ratio	Times	8.0	12.7	7.3	5.3	5.6	2.8

business rationale of major capital expenditure and projects

Engro Fertilizers Limited operates in an ever-changing paradigm of manufacturing and technological enhancements and therefore disciplined capital allocation remains a key priority for it. Throughout the year, the Company continued its spend on projects under improved capital governance, review and optimization processes and Board oversight. These robust governance processes prioritize safety critical and business continuity capital to be spent, therefore not hurting the business or impacting on operational maintenance costs.

During the year, the Company ventured into the logistics space aiming to deliver "movement with precision". The related capital expenditure in this regard amounting to over PKR 1.5 Billion has helped the business command one of the largest long haul fleets in the country and has enabled the facet to expand its operations many folds in the first year of operations.

A very important project that commanded a capital expenditure of over PKR 600 million during the year was the SAP transformation and implementation through which an unprecedented level of data availability and transparency has been made available to the company. The Company looks forward to the next phase of moving from one universal system enabled version of the truth to building true business intelligence on this data platform now available.

During the year, major capital expenditure was also directed to improve efficiency of the Company's manufacturing facilities. Engro Fertilizers Limited made significant capital investments to not only enhance efficiency but also to ensure production longevity. Every such investment project employs a detailed evaluation to determine the cashflow requirements, business rationale and paybacks as well as operational intricacies so as to have an end to end picture of the benefits and associated costs of the project.

The Company also made headway into projects encompassing the replacement of integral equipment at the Company's plants through advance payments to vendors. These projects are expected to continue in FY2020 whereby completion will help ensure sustained and efficient production.

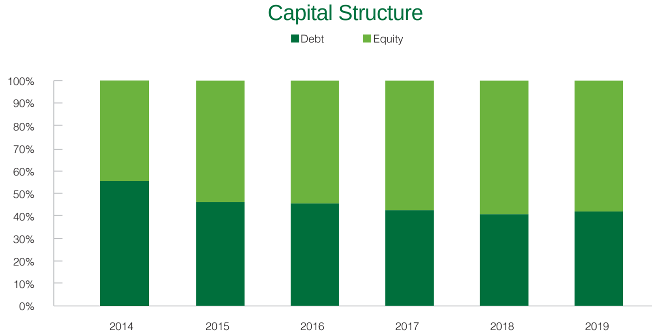
six years analysis

Horizontal Analysis of Consolidated Statement of Financial Position

Shareholders' Equity

Share capital has increased from Rs. 13,183 million to Rs. 13,353 million during the last six years. This is mainly due to injection of further capital in 2015, through issuance of 12.5 million ordinary shares and issuance of 4.4 million ordinary shares upon exercise of conversion option by International Finance Corporation. Further, reserves have been increased significantly due to better profitability and effective reserves retention and payout policies.

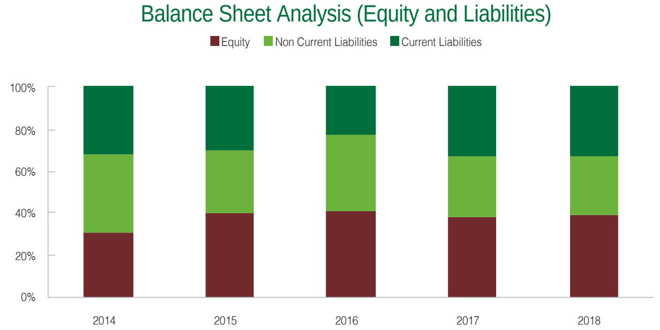
Capital Structure



Non-Current Liabilities

Non-current liabilities majorly comprise of Long-Term borrowings from Financial Institutions, Deferred Taxation and Deferred Liabilities. Borrowings have decreased from Rs. 36,091 million in 2014 to Rs. 22,192 in 2019, in line with the Company's capital structure strategy. During 2019, Sukuk Certificates have been completely redeemed and repaid. Deferred tax liability has increased from Rs. 5,150 million in 2014 to Rs. 12,183 million in 2019. Deferred tax liability as at December 31, 2019 is mainly represented by temporary differences due to accelerated depreciation allowance.

Balance Sheet Analysis (Equity and Liabilities)



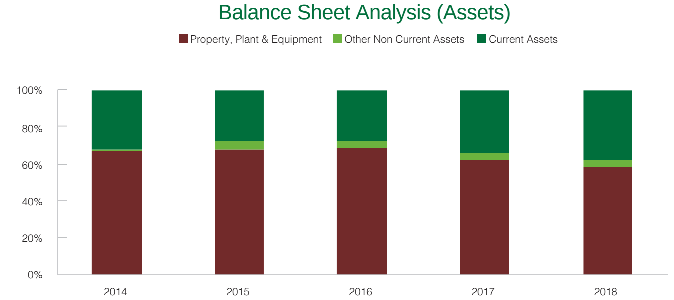
Current Liabilities

Current liabilities mainly comprise of Trade and other payables, current portion of Long-term borrowings and taxes payable. Trade and other payables have increased to Rs. 37,686 million in 2019 from Rs. 24,727 million in 2014 representing an increase of 52%. This increase is mainly due to increase in accrual in respect of Gas Infrastructure Development Cess (GIDC), which is not being paid from October 2016 onwards due to pending litigation.

Non-Current Assets

Non-Current assets mainly comprise of Property Plant & Equipment and Intangible assets. Property, plant and equipment have decreased by 12% in comparison with 2014. This is mainly due to the major capital investments in debottlenecking and optimization of Base and Enven Plant netted of by depreciation charge for each financial year. During 2019, intangible assets increased to Rs. 5,071 million mainly due to investment in implementation of new ERP software.

Balance Sheet Analysis (Assets)



Current Assets

Current assets mainly comprise of stores and spares, stock in trade, trade debts, other receivables, short term investments and bank balances. Over the past six years, current assets have been increased by Rs. 19,335 million.

Stock-in trade increase from Rs. 1,101 million in 2014 to Rs. 12,478 million in 2019 mainly due to higher production during 2019 and depressed market of Phosphates and other specialty fertilizers.

Trade debts have increased from Rs. 14,175 million in 2019 from Rs. 757 million in 2014. The increase is mainly due to higher secured credit given to customers to gain market share.

Other receivables have increased from Rs. 19 million in 2014 to Rs. 9,412 million in 2019 mainly due to increase in Receivables from Government of Pakistan on account of Subsidy and Sales Tax.

Vertical Analysis of Consolidated Statement of Financial Position

Shareholders' Equity

Shareholders' equity stands at 34% of total equity and liabilities compared to 31% in 2014. This is mainly attributable to increased unappropriated profits of the Group representing increased profitability with a healthy and consistent dividend payout strategy.

Non-current liabilities

Long term borrowings (including current portion) have significantly reduced from 57% of Total Liabilities in 2014 to 37% during the current year. This is in line with our long-term debt structure strategy. Deferred liabilities as a percentage of non-current liabilities have increased from 12% in 2014 to 35% during the current year mainly due to temporary differences due to accelerated depreciation allowance accentuated by change in future applicable tax rates promulgated via the Finance Act 2019.

Current liabilities

Trade and other payables as a percentage of total current liabilities stood at 77% as at the year-end as against 69% in 2014. This has increased on account of increase in liabilities relating to Gas Infrastructure Development Cess (GIDC), which is being withheld from 2016 onwards.

Non-current assets

Property plant and equipment as a percentage of total non current assets stood at 93% vs 99.7% in 2014. This is mainly due to steady depreciation charge over the years of our Base and Enven production facilities partially offset by major capital expenditures during this time primarily on plant efficiency, gas compression facilities and implementation of new ERP software in 2019.

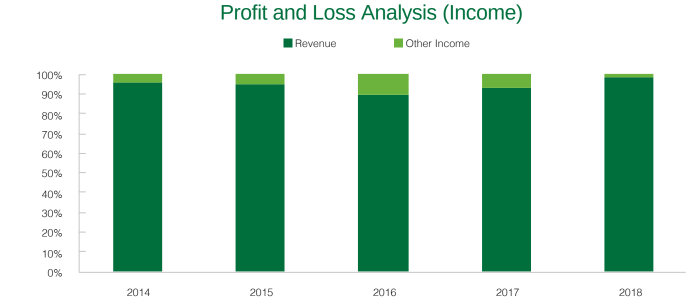
Current assets

Stock-in-trade has increased from 3% of total current assets in 2014 to 22% in 2019 due to consistently high closing inventory levels over the years as a result of depressed market conditions. In order to promote sales amongst high market competition, increased secured credit sales have been offered which have resulted in trade debts increasing from 2% of total current assets in 2014 to 25% in 2019.

Other receivables have significantly increased to 17% of total current assets in 2019 in comparison to 2014 due mainly due to buildup of subsidy receivable from the Government of Pakistan. No movement has been observed in this buildup during the current year.

Horizontal Analysis of Consolidated Statement of Profit or Loss

Profit and Loss Analysis (Income)



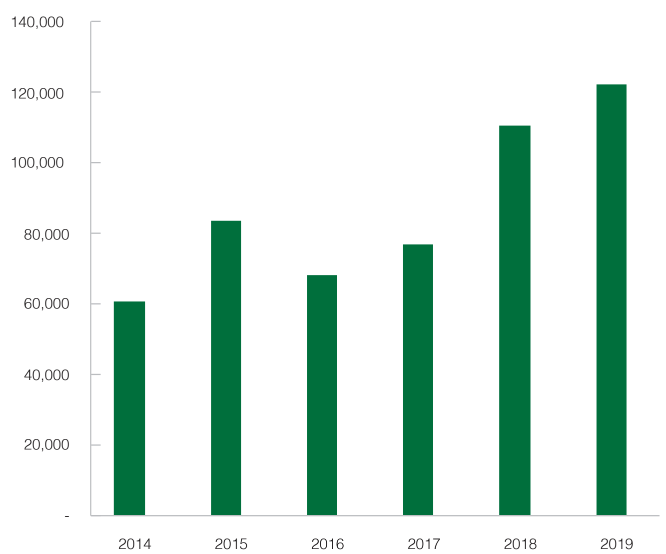
Sales

The Group's major sales comprise of Urea and Phosphates.
In 2014 and 2015, the Group was able to sell 1,818KT and 1,878KT urea respectively, which was significantly reduced to 1,652KT in 2016 due to depressed market conditions for the entire agricultural industry. However, revised strategy

and aggressive approach to increase market share of the Group was able to increase the sales of urea and phosphates from 2,186KT to 2,463KT in 2017.

In 2018, the Group was able to achieve its highest ever consolidated revenue of over PKR 100 billion. Increase versus last year was due to increase in phosphates sales by 125KT and urea sales by 24KT. Continuation of the same approach by the Group accentuated by record urea production by the Company resulted in further increase in sales by 11% in 2019, resultantly reaching the highest ever sales revenue mark of Rs. 121 billion.

Sales Revenue Year-Wise (Rs. In Million)



Cost of sales

The variation in cost of sales is almost in line with the variation of sales over the last six years. Production from Urea and NPK plant increased from 1,936 KT in 2014 to 2,138 KT during the current year, the highest ever production level in the history of the Company. Gradual increase in gas prices, inflationary effect and currency devaluation have also contributed to increase in cost of sales by Rs. 42,994 million over the period of six years.

Gross profit

Gross profit of the Group has increased to Rs. 39,539 million in 2019 as compared to Rs. 22,603 million in 2014. Although a significant downfall in profitability was witnessed in 2016 due to depressed market conditions for the fertilizer industry, increased sales in subsequent years on the back of concentrated commercial strategy and better agronomic demand helped the Group recuperate and clock in an increase of 75% over the period of six years.

Operating profit

Operating profit of the Group has increased by Rs. 12,764 million which is mainly due to the following:

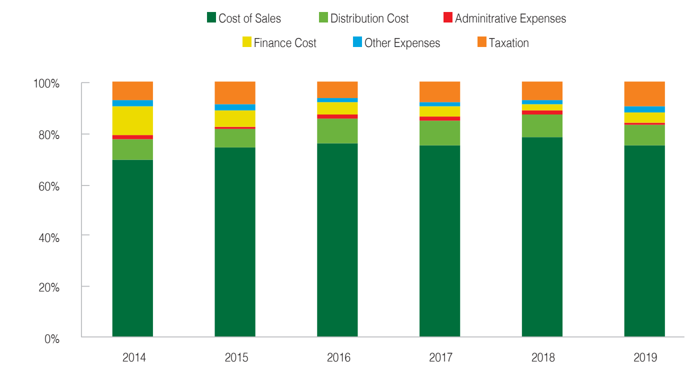
- Increase in gross profit of the group by 75% over the period of six years which is mainly due to significant increase in sales;

- Increase by Rs. 6,076 million over the period in operating expenses has resulted in adverse impact on operating profit of the Group. This is mainly due to increased product transportation expenses on the back of increased offtake;

- Further, better profitability of the Group during the year as compared to 2014 has resultantly increased the workers' profit participation fund and workers welfare fund charge of the Group from Rs. 1,569 million in 2014 to Rs. 1,935 million during the current year; and

- Other income of the group has increased over the period 2015-2018 primarily due to income under Government subsidy scheme. Furthermore, increased investments in securities and short-term debt instruments has resulted in overall increased other income from Rs. 2,449 million in 2014 to Rs. 4,352 million in 2019.

Profit and Loss Analysis (Expenses)



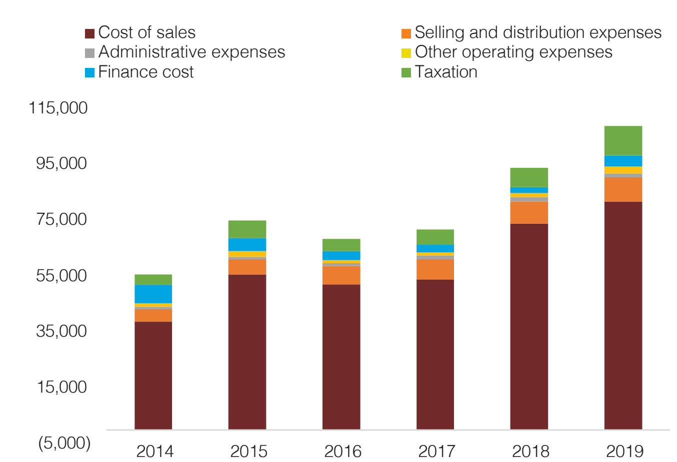
Finance costs

Finance cost of the Group has reduced significantly from Rs. 6,626 million to Rs. 3,887 million over the period of six years. This is mainly due to gradual repayments of long-term borrowings that were contracted at the time investment in new production facility. Better liquidity position on the back of increased sales over the years has enabled the Group to reduce of short-term borrowings from financial institutions consequently reducing finance costs.

Taxation

Taxation has increased significantly on the back of significant increase in profits of the Group over the period of six years. Further, change in applicable tax rates along with additional levies have also contributed in overall increase of tax charge of the Group by Rs. 6,839 million over the last six years.

Cost Analysis (Rs. in million)



Net Profit

The Group's net profit has increased to Rs. 16,871 million from Rs. 8,209 million in 2014. Even though, 2016 was not a fruitful year for the fertilizers industry, the Group was still able to clock in net profit of Rs. 9,283 million which was increased significantly in subsequent financial years through capturing better market share, increase in production levels and increased in sales volume.

Vertical Analysis of Consolidated Statement of Profit or Loss

Gross Profit

Gross profit has increased to Rs. 39,539 million in 2019 as compared to Rs. 22,603 million in 2014. Although a significant downfall in profitability was witnessed in 2016 due to depressed market conditions for the fertilizer industry, increased sales in subsequent years on the back of concentrated commercial strategy and better agronomic demand helped the Group achieve and overall increase of 75% over the last six years.

Taxation

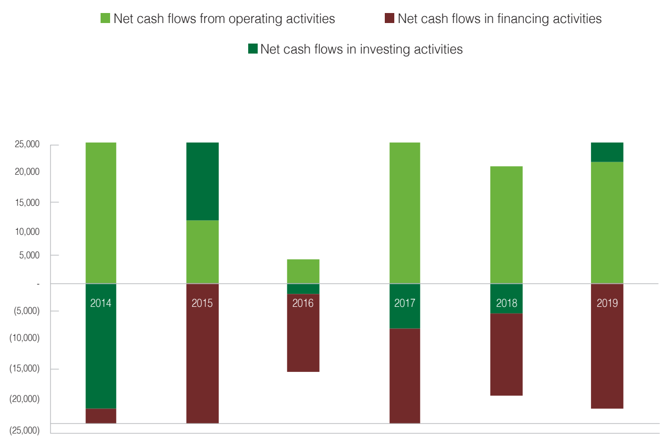
Tax charge as a percentage of turnover increased from 6% in 2014 to 9% in 2019. The increase is mainly due to increase in profit margins and decrease in corporate tax rates from 33% in 2014 to 29% in 2019. The effect of reduction in corporate tax rates was subdued by the imposition of super tax and changes in tax regimes on imported fertilizer to final / minimum tax.

Net Profit

Net profit as a percentage of sales stood at 13.4% in 2014 compare to 13.9% in 2019. Net profit margin increased to 16% during 2018 mainly due one-off reversal of deferred tax liability post introduction of gradual reduction of corporate tax rates made via Finance Act 2018.

Analysis of Consolidated Statement of Cashflows

Cash Flow Analysis (Rs. in Million)



Cashflows from operating activities

In 2014, cashflows from operating activities were Rs. 26,408 million which has been reduced to Rs. 21,989 million in 2019 mainly due to increased tax payments. Significant taxable losses due to accelerated depreciation over capital expenditure resulted in minimum tax payments in 2014. On the other hand, tax over increased profitability coupled with import stage tax payments by its trading subsidiary have resulted in drastically increased tax payments in 2019. Adverse effect of such has been partially set off by increased profitability.

Cashflows from investing activities

Cash flows from investing activities majorly comprise of purchase and disposal of property plant and equipment and short-term investments. These cashflows have increased from negative cashflows of Rs. 22,603 million in 2014 to a positive position of Rs. 4,503 million in 2019. This is because the Group invested heavily in short-term investments in 2014 in anticipation of expected payments due in lieu of certain levies.

Furthermore, in 2019, the Group has disposed of its entire holding in its subsidiary, Engro Eximp FZE against total consideration of Rs. 1,973 million.

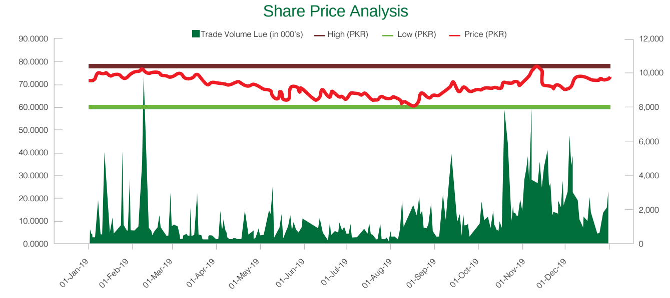
Cashflows from financing activities

Net cash utilized in financing activities have increased from Rs. 20,783 million to Rs. 22,547 million in 2019. This is mainly due to reduced finance cost, due to reduced level of borrowings partially set off by increased dividend payments as compared to previous years.

Sensitivity Analysis of Share Price of the Holding Company

Engro Fertilizers' share price is affected by internal and external factors. Furthermore, the Company's performance directly impacts its share price. Certain external factors that impact the share price include the economic and political environment of the Country, as well as Governmental regulations, macro-economic indicators as well as stakeholder sentiments. The Company regularly monitors these ever-changing factors and remains vary of their impacts.

Share Price Analysis



Shareholder relations and share price

The company has continued engagement with shareholders as well as potential investors over the last year. The Company has regularly held Security Analysts briefings during the year where extensive information over the operating performance of the Company as well as market outlook and strategy has been shared.

While the company's share price increased from Rs. 71.8 at 1 January 2019 to Rs. 73.43 on 31 December 2019, this is still lower than the maximum share price achieved during the year (Rs. 79). Our shareholder base comprises of companies, individuals, pension and provident funds, insurance companies, banks and investment companies, and other corporate bodies. The shareholding of Engro Corporation Limited as at 31 December 2019 was 56.27%.

Market capitalization sensitivity

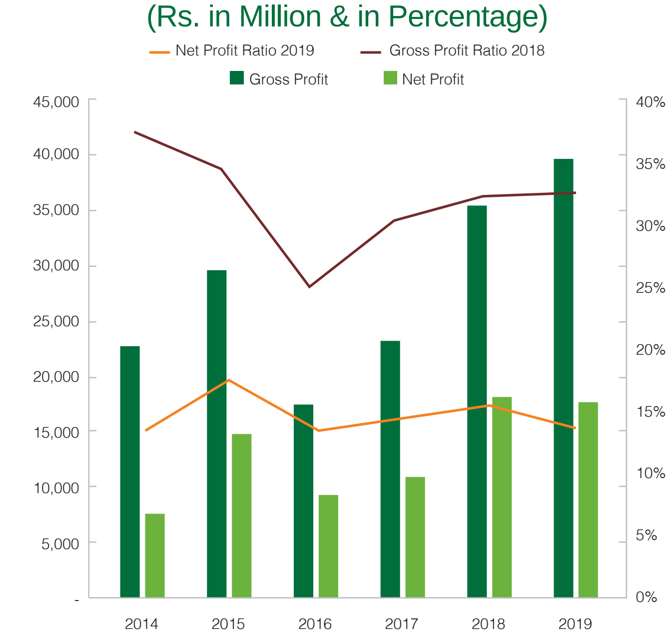
As at December 31, 2019, Engro Fertilizers' market capitalization stood at Rs. 98,011 million. A consequent change of 5% in the market price of EFert's share would result in a change of Rs. 4,901 million in the market capitalization.

Analysis of Financial Ratios of the Group

Profitability Ratios

Despite a decline in 2016 when Government pricing pressures had limited revenue growth, the group was able to catch the highest ever growth of 41.6% in 2018 which has further been improved by 11.1% in 2019.

Gross Profit and Net Profit
(Rs. in Million & in Percentage)

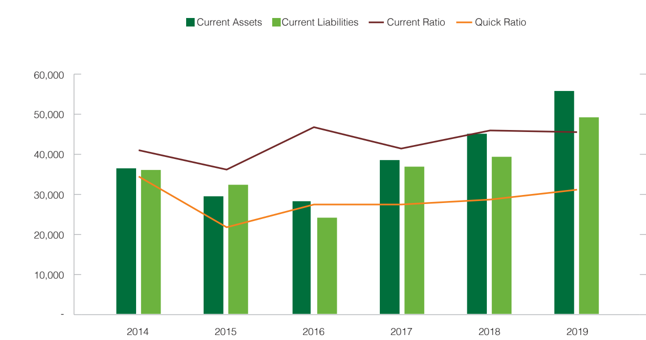


In 2019, gross profit margin has been reduced to 32.6% in comparison with 36.8% in 2014 due to rising inflation, substantial currency devaluation and increase in prices of services. However, net profit has been improved to 13.9% in comparison with 13.4% in 2014 on account of effective treasury management and cost controls.

Liquidity Ratios

The Company's current ratio throughout the years has clocked in at around 1.1 times whereas, which remained consistent with the average current ratios of preceding six years. However, cash and cash equivalent to current liabilities has been improved to 0.1 times in 2019 in comparison with the ratio of 2016 which was significantly reduced on account of increased withholding of GIDC.

Liquidity Analysis (Rs. In Million)

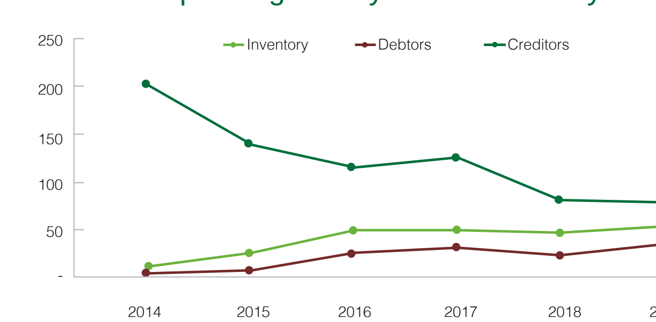


Activity / Turnover Ratios

Higher credit sales have resulted in higher debtor turnover of 35 days in 2019 compared to six years' average of 21 days since 2014. Urea demand led to the Company being able to offload its fertilizer stock during 2019, however, high imported fertilizer inventory at the end of 2018 and 2019 resulted in reduced inventory turnover ratio of 6.8.

Creditor turnover days have increased to 149 days compared to six years' average of 142 days. The Company's operating cycle was thus recorded at negative 41 days compared to negative 68 days on six-year average.

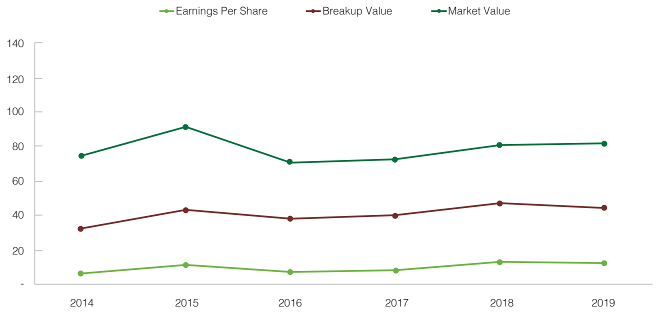
Operating Life Cycle Ratios in Days



Investment / Market Ratios

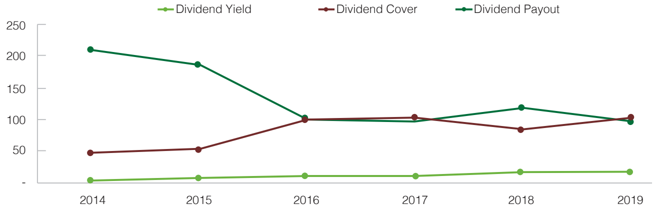
Earnings per share stood at Rs 12.64 for the year ended 2019 registering a 3% decrease over the last year on account of reduction in net profits. Despite mixed trends witnessed at the Stock Exchange, the Company's share was traded on PSX between a range of Rs 60.4 and Rs 79, closing at Rs 73.4 at the year-end, relatively higher by Rs 4.3 compared to last year.
The price to earnings as at December 31, 2019 is 5.8 compared to the high of 12.4 times in 2014.
The breakup value per share of the Company was logged in at Rs. 32.4/share in 2019 increasing from Rs. 26/share in 2014.

Earnings, Breakup Value & Market Value
(in Rs. Per Share)



Dividend payout ratios during 2019 was 102.8%, against a six years' average total payout of 81.8% and stood 22% higher than cash payout of the year 2018.

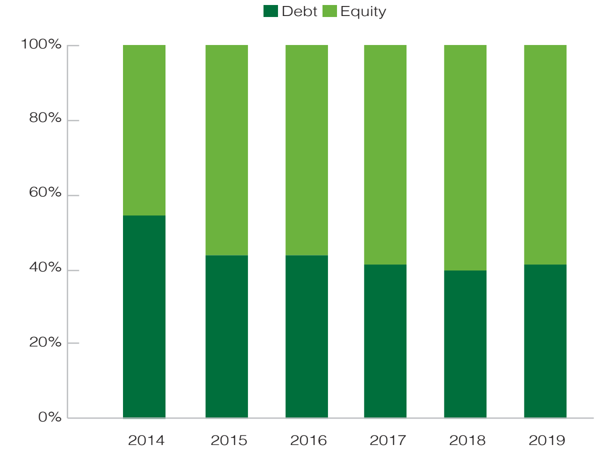
Dividend Ratios (in Percentages)



Capital Structure Ratios

Financial leverage ratio of 0.7 times which is consistent with preceding two years. Debt to equity ratio also changed slightly to 42:58 compared to 40:60 recorded in 2018. In view of significant increase in finance cost because of higher interest rates and financing requirements of the Company, interest cover ratio was 8.0 times in 2019 vs 12.7 in 2018.

Capital Structure



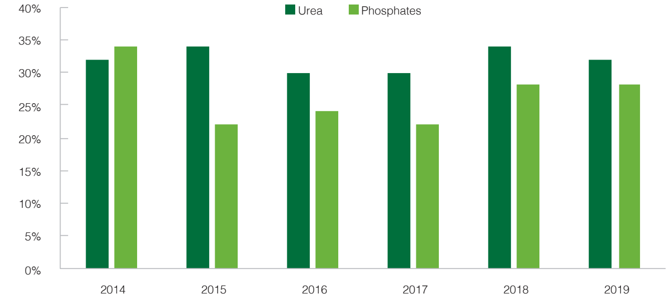
Market share information

Engro Fertilizers Limited has consistently been a key player in the fertilizer industry, providing nutritional support to the agri-landscape of Pakistan. Contributing to sustainable growth and innovative enhancement of the economy's crop yield, EFert's sizeable market share reflects the same.

	2014	2015	2016	2017	2018	2019
Urea	32%	34%	30%	30%	34%	32%*
Phosphates	24%	22%	24%	22%	28%	28%**

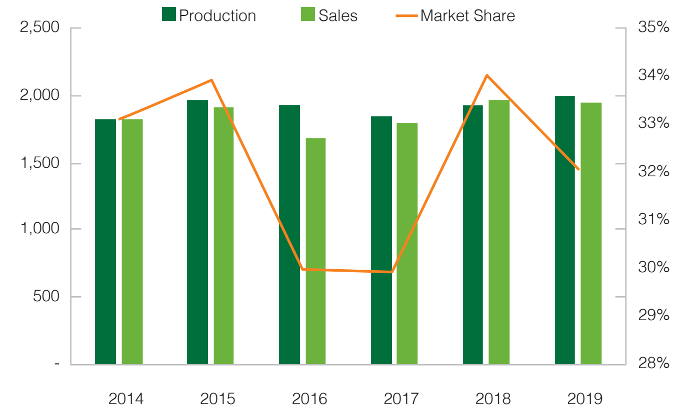
*Market Share is in line with the avails share
** Market share was maintained in a declining industry

Market Share Information

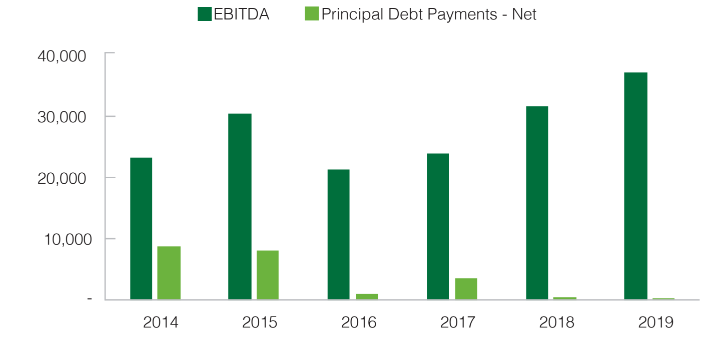


Source: National Fertilizer Development Centre (NFDC) publication

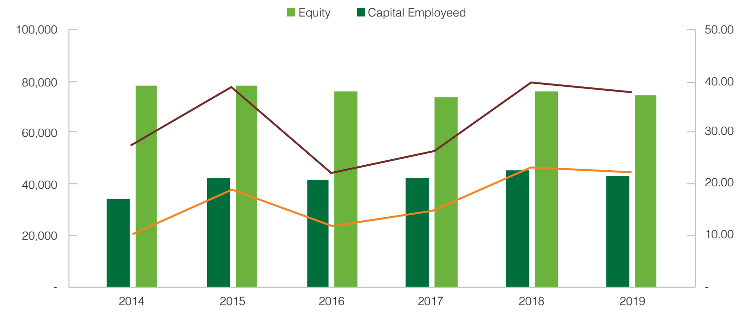
Production and Sales Volume (K Tons)



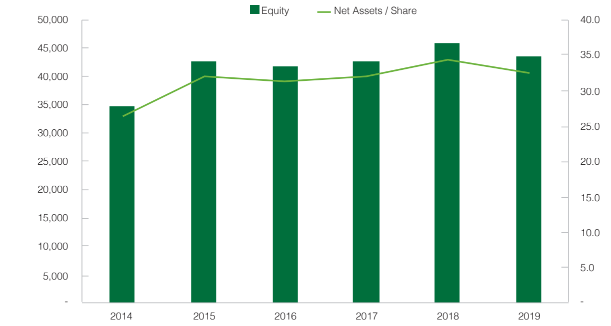
EBITDA and Principal Debt Repayments - Net



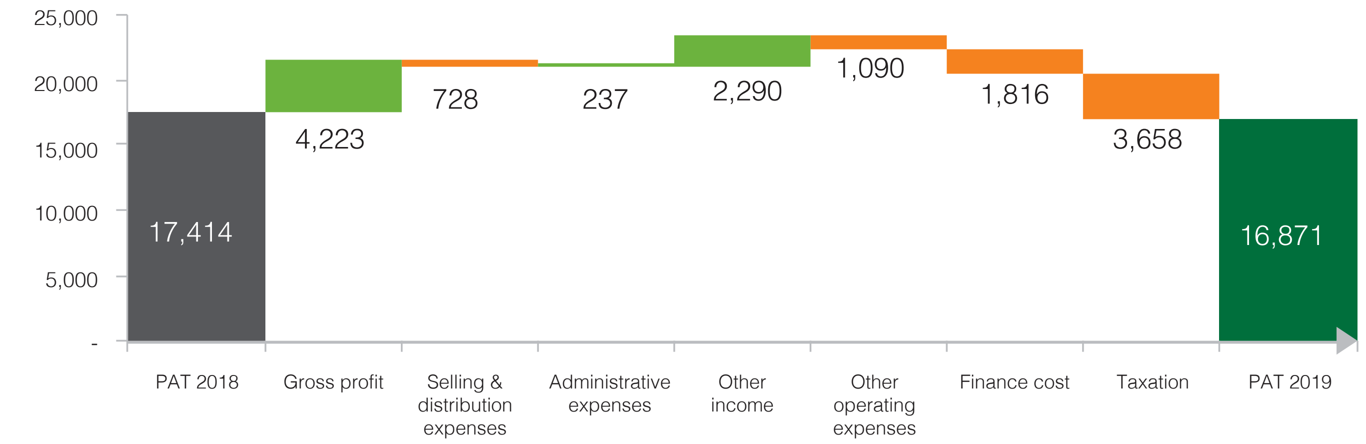
Return on Equity & Capital Employeed
(Rs. in million & in Percentage)



Equity and Net Assets Per Share



Variance Analysis (Rs. in million)

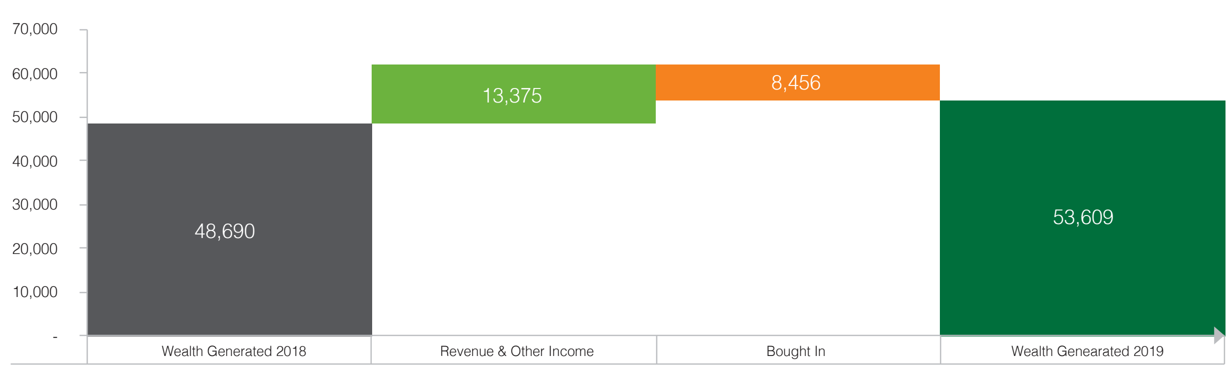


statement of value addition and distribution

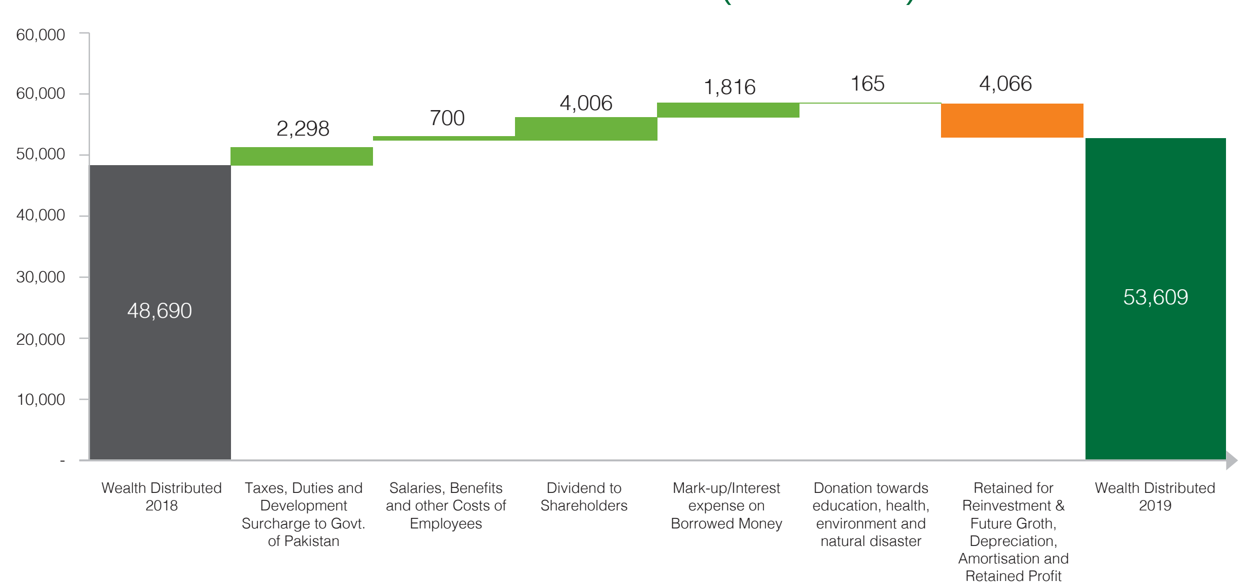
(Rupees in Million)

	2019	2018
Wealth Generated		
Total revenue inclusive of sales-tax and other income	128,232	114,857
Bought-in-materials and services	(74,623)	(66,167)
	53,609	48,690
Wealth Distributed		
Taxes, duties and development surcharge to Govt. of Pakistan	21,838	19,540
Salaries, benefits and other costs of employees	5,070	4,370
Dividend to Shareholders	18,694	14,688
Mark-up / interest expense on borrowed money	3,887	2,071
Donation towards education, health, environment and natural disaster	265	100
Retained for reinvestment & future growth, depreciation, amortisation and retained profit	3,855	7,920
	53,609	48,690

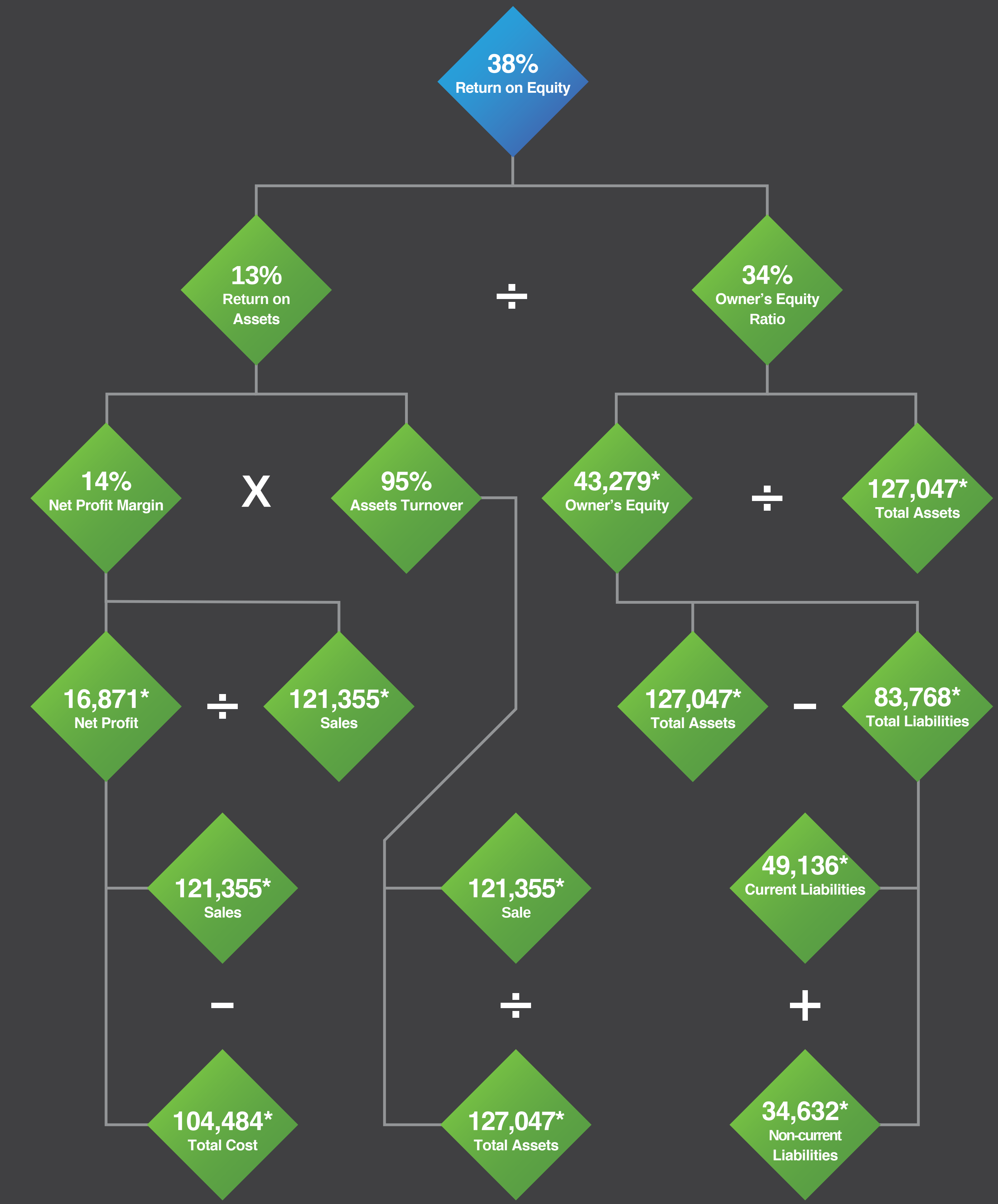
Wealth Generated (Rs. in million)



Wealth Distributed (Rs. in million)



dupont analysis



* Amount in PKR millions

economic value added

Economic value added (EVA) is a measure of a company's financial performance based on the residual wealth calculated by deducting its cost of capital from its operating profit, adjusted for taxes on cash basis (NOPAT).

(Rupees in thousand)	2019	2018
	----------------Rupees---------------	
NOPAT	19,304,740	19,328,486
Less: cost of capital	(13,867,478)	(12,553,208)
Economic value added	5,437,262	6,775,278

free cash flows

(Rupees in thousand)	2019	2018
	----------------Rupees---------------	
Net cash generated from operating activities	21,988,785	23,404,842
Capital expenditures - net	(3,267,289)	(4,466,431)
Free cash flows	18,721,496	18,938,411
Net repayment of borrowings	(122,417)	(103,170)
Free cash flow available to equity shareholders	18,599,079	18,835,241

Free cash flows to equity shareholders represent the cash a company can generate after required investment to maintain or expand its asset base and net repayment of debt. It is a measurement of a company's financial performance and health.

composition of local vs imported materials

Engro Fertilizers Limited procures majority of its raw materials used for manufacturing locally. However, a sizeable chunk of its raw materials used for production of specialty fertilizers is imported. At the same time, Engro Fertilizers Limited largely depends on foreign sources for its traded portfolio (primarily Phosphates based products). The imported content accounts for close to 69% of its total raw material/import of materials cost.

foreign currency sensitivity analysis

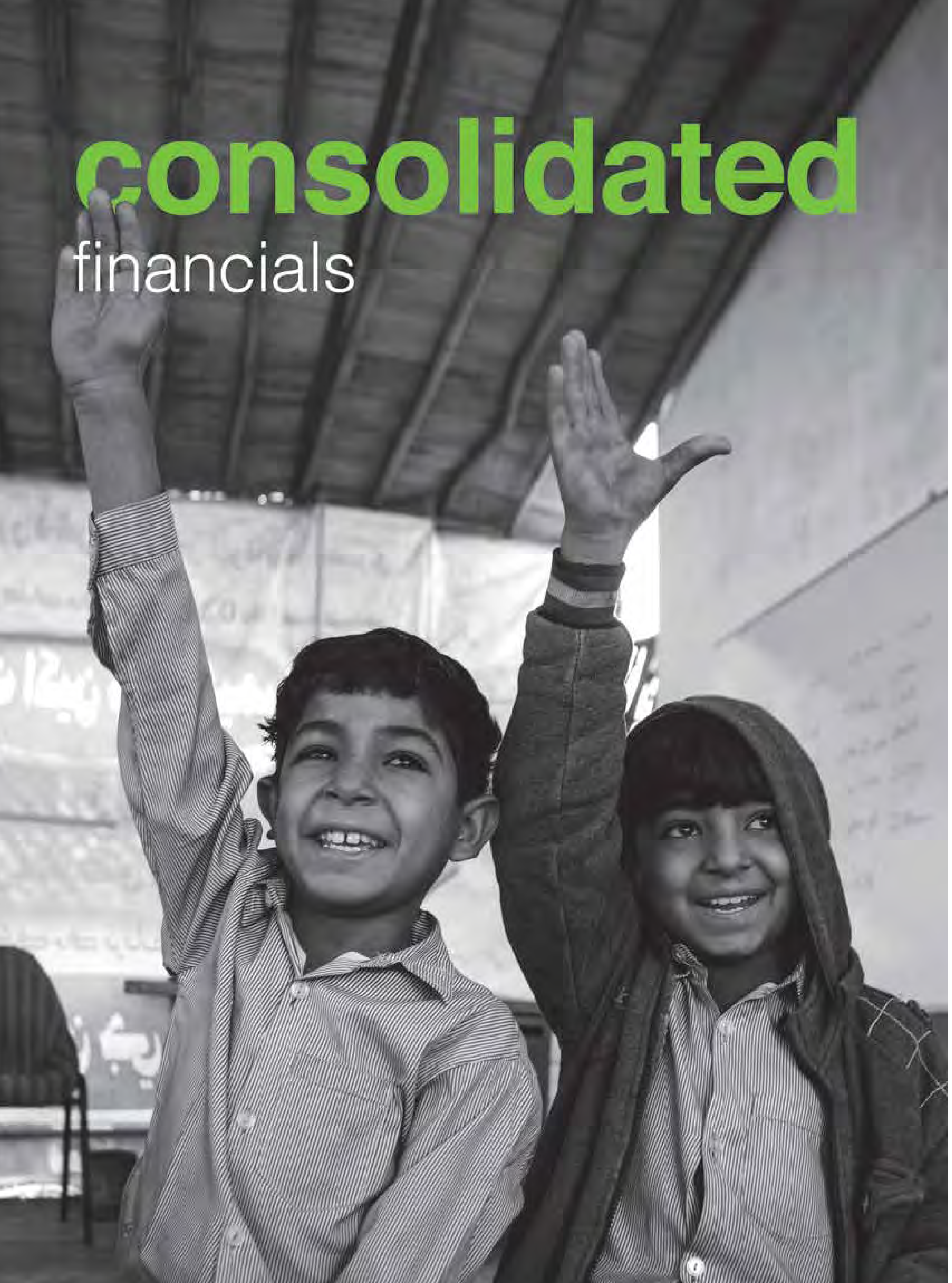
Based on the Company's results for the current year, a 10% variation in exchange rate would have led to an impact of Rs. 4B on cost of goods sold. Currency risk sensitivity over financial instruments is disclosed in Note 38 of the Consolidated Financial statements and Note 39 of the Standalone financial statements.

cashflow statement - direct method

(Rupees in thousand)	2019	2018
	----------------Rupees---------------	
Cash Flows From Operating Activities		
Cash receipts from customers - net	113,219,166	104,390,928
Cash paid to suppliers / service providers and employees - net	(78,466,437)	(75,051,153)
Payment to Workers' Welfare fund - net	-	(92,972)
Payment to Workers' Profit Participation fund - net	(1,318,571)	(1,204,792)
Income tax paid	(11,445,373)	(6,864,007)
Subsidy received from Government	-	2,226,838
Net cash generated from operating activities	21,988,785	23,404,842
Cash Flows From Investing Activities		
Purchases of property, plant and equipment and intangibles	(4,018,508)	(4,495,017)
Proceeds from disposal of property, plant and equipment	751,219	28,586
Purchase of short term investments	(34,018,249)	(55,615,966)
Proceeds from sale of short term investments	37,404,980	52,966,271
Proceeds from disposal of subsidiary	1,927,286	-
Income on deposits / other financial assets	2,455,880	481,129
Net cash generated from / (utilised in) investing activities	4,502,608	(6,634,997)
Cash Flows From Financing Activities		
Proceeds from long term borrowings	5,000,000	8,183,497
Repayments of long term borrowings	(5,122,417)	(8,286,667)
Finance cost paid	(3,724,924)	(2,230,533)
Dividends paid	(18,699,817)	(14,647,515)
Net cash utilised in financing activities	(22,547,158)	(16,981,218)
Net increase in cash and cash equivalents	3,944,235	(211,373)
Cash and cash equivalents at beginning of the year	(190,032)	(304,293)
Exchange gain translation	275,754	325,634
Cash and cash equivalents at end of the year	4,029,957	(190,032)

financial
statements

consolidated
financials



independent auditor's report

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To the members of Engro Fertilizers Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Engro Fertilizers Limited and its subsidiary (the Group), which comprises the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1.	**Income tax and Sales tax provisions and contingencies** (Refer note 21 and 29 to the consolidated financial statements) The Group has recognized provisions and has disclosed contingent liabilities in respect of certain income tax and sales tax matters, which are pending adjudication before various appellate and legal forums. Provisions and contingencies require management of the Group to make judgements and estimates in relation to the interpretation of laws, statutory rules, regulations, and the probability of outcome and financial impact, if any, on the Group in respect of such provisions and contingencies. Due to significance of amounts involved, inherent uncertainties with respect to the outcome of these matters and use of significant management judgement and estimates to assess the same including related financial impacts, we have considered provisions and contingent liabilities relating to income tax and sales tax matters involving the Group as a key audit matter.	Our audit procedures included the following: - obtained and examined details of the pending tax matters and discussed the same with the Group's management; - circularized confirmations to the Group's external legal and tax advisors for their views on matters being handled by them; - involved internal tax professionals to assess management's conclusions on contingent tax matters and evaluated the consistency of such conclusions with the views of management and external legal and tax advisors engaged by the Group; - checked correspondence of the Group with the relevant authorities including judgments or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved; - checked mathematical accuracy of the calculations underlying the provisions, if any; and - assessed the adequacy of the related disclosures made by the Group in the consolidated financial statements with respect to the applicable accounting and reporting standards.
2.	**Provision in respect of Gas Infrastructure Development Cess** (Refer note 19.1 to the consolidated financial statements) As at December 31, 2019, the Group carries a provision of Rs. 18,944 million in respect of Gas Infrastructure Development Cess (GIDC).	Our audit procedures included the following: - obtained an understanding of the background facts pertaining to provision recorded in respect of GIDC through meetings with the management and review

S.No.	Key audit matters	How the matter was addressed in our audit
	The Holding Company has obtained ad-interim stay orders against the GIDC Act, 2015 from the Sindh High Court which has restrained the gas supplying companies from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. In a separate case, Peshawar High Court passed a judgment on May 31, 2017 validating the new GIDC Act, against which the Holding Company has filed a petition in the Supreme Court of Pakistan, which is pending to date alongwith petitions of various other companies raised on the grounds similar to those being contested by the Holding Company. Further, subsequent to year end, the Federal Government through notification dated January 28, 2020 has reduced the GIDC on gas consumed by fertilizer manufacturers to Rs. 5/MMBTU with effect from January 28, 2020. The management believes that the provision recorded as at December 31, 2019 in respect of GIDC represents the management's current best estimate of the potential liability. Due to significance of the amounts involved in the aforementioned matter and the legal forum at which this matter is currently pending, the ultimate outcome and the resultant accounting in the consolidated financial statements is subject to the exercise of significant judgement which may change over time as new facts emerge and the legal case progresses. Therefore, we have considered this to be a key audit matter.	of the minutes of the meetings of those charged with governance; - read correspondence of the Holding Company with the regulatory authorities and Holding Company's external legal counsel; - obtained confirmation from external legal counsel in respect of the current developments in the case including their assessment of the potential outcome of the matter; and - assessed the adequacy of provisioning based on the advice of the legal counsel and the appropriateness of related disclosures made in the consolidated financial statements in accordance with the accounting and reporting standards.

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Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Waqas Aftab Sheikh.

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Date: March 9, 2020

consolidated statement of financial position
as at december 31, 2019

(Amounts in thousand)

	Note	2019	2018
		----------------Rupees---------------	
ASSETS			
Non-current assets			
Property, plant and equipment	4	65,924,426	68,203,956
Intangible assets	5	5,071,003	4,487,771
Long-term loans and advances	6	163,791	142,644
		71,159,220	72,834,371
Current assets			
Stores, spares and loose tools	7	5,301,092	5,325,287
Stock-in-trade	8	12,477,638	11,538,309
Trade debts	9	14,174,520	9,109,671
Loans, advances, deposits and prepayments	10	2,948,706	1,363,411
Other receivables	11	9,412,251	9,066,639
Accrued income		105,910	54,038
Taxation - net		2,542,457	-
Short-term investments	12	5,511,544	7,722,469
Cash and bank balances	13	3,413,473	729,836
		55,887,591	44,909,660
TOTAL ASSETS		127,046,811	117,744,031

(Amounts in thousand)

	Note	2019	2018
		--------------Rupees------------	
EQUITY & LIABILITIES			
Equity			
Share capital	14	13,352,993	13,352,993
Reserves			
Share premium	15	3,384,904	3,384,904
Exchange revaluation reserve	15	-	408,817
Remeasurement of post employment benefits	15	(56,639)	(44,729)
Unappropriated profit	15	26,598,202	28,421,170
		29,926,467	32,170,162
TOTAL EQUITY		43,279,460	45,523,155
Liabilities			
Non-current liabilities			
Borrowings	16	22,192,098	25,715,045
Deferred taxation	17	12,182,426	7,100,022
Deferred liabilities	18	257,403	254,246
		34,631,927	33,069,313
Current liabilities			
Trade and other payables	19	37,685,215	29,094,910
Accrued interest / mark-up		587,866	425,920
Taxation - net		-	3,408,022
Current portion of:			
- borrowings	16	8,760,351	5,095,584
- deferred liabilities	18	56,036	51,487
Short-term borrowings	20	1,985,910	1,009,968
Unclaimed dividend		60,046	65,672
		49,135,424	39,151,563
TOTAL LIABILITIES		83,767,351	72,220,876
Contingencies and Commitments	21		
TOTAL EQUITY AND LIABILITIES		127,046,811	117,744,031

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Imran Ahmed	Nadir Salar Qureshi	Ghias Khan
Chief Financial Officer	Chief Executive	Chairman

consolidated statement of profit or loss
for the year ended december 31, 2019

(Amounts in thousand except for earnings per share)

	Note	2019	2018
		------------------Rupees----------------	
Net sales	22	121,354,758	109,196,586
Cost of sales	23	(81,814,870)	(73,880,139)
Gross profit		39,539,888	35,316,447
Selling and distribution expenses	24	(8,736,345)	(8,007,915)
Administrative expenses	25	(1,248,191)	(1,485,002)
		29,555,352	25,823,530
Other income	26	4,351,782	2,061,954
Other operating expenses	27	(2,622,661)	(1,532,350)
Finance cost	28	(3,886,870)	(2,070,933)
		(6,509,531)	(3,603,283)
Profit before taxation		27,397,603	24,282,201
Taxation	29	(10,526,380)	(6,868,683)
Profit for the year		16,871,223	17,413,518
Profit attributable to			
- continued operations		16,835,037	17,395,580
- discontinued operations	30	36,186	17,938
		16,871,223	17,413,518
Earnings per share - basic and diluted			
- continued operations		12.61	13.03
- discontinued operations		0.03	0.01
	31	12.64	13.04

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Imran Ahmed	Nadir Salar Qureshi	Ghias Khan
Chief Financial Officer	Chief Executive	Chairman

consolidated statement of comprehensive income
for the year ended december 31, 2019

(Amounts in thousand)

	Note	2019	2018
		---------------Rupees-------------	
Profit for the year		16,871,223	17,413,518
Other comprehensive income:			
Items potentially re-classifiable to Profit or Loss			
Exchange differences on translation of foreign operations		275,754	325,634
Items not potentially re-classifiable to Profit or Loss			
Remeasurement of post employment benefits obligations		(16,774)	3,642
Tax relating to remeasurement of post employment benefits obligations		4,864	(1,056)
		(11,910)	2,586
Other comprehensive income for the year, net of tax		263,844	328,220
Total comprehensive income for the year		17,135,067	17,741,738
Total comprehensive income attributable to			
- continued operations		16,823,127	17,398,166
- discontinued operations	30	311,940	343,572
		17,135,067	17,741,738

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Imran Ahmed	Nadir Salar Qureshi	Ghias Khan
Chief Financial Officer	Chief Executive	Chairman

consolidated statement of changes in equity for the year ended december 31, 2019

(Amounts in thousand)

		Reserves				
		Capital		Revenue		
	Share capital	Share premium	Exchange revaluation reserve	Remeasurement of post employment benefits	Unappropriated profit	Total
	-----	-----	-----	Rupees	-----	-----
Balance as at January 1, 2019	13,352,993	3,384,904	408,817	(44,729)	28,421,170	45,523,155
Transactions with owners						
Dividends:						
- Final 2018: Rs. 3.00 per share	-	-	-	-	(4,005,898)	(4,005,898)
- 1st interim 2019: Rs. 5.00 per share	-	-	-	-	(6,676,497)	(6,676,497)
- 2nd interim 2019: Rs. 6.00 per share	-	-	-	-	(8,011,796)	(8,011,796)
	-	-	-	-	(18,694,191)	(18,694,191)
Total comprehensive income for the year ended December 31, 2019						
Profit for the year	-	-	-	-	16,871,223	16,871,223
Other comprehensive income:						
- exchange revaluation	-	-	275,754	-	-	275,754
- remeasurements, net of tax	-	-	-	(11,910)	-	(11,910)
	-	-	275,754	(11,910)	16,871,223	17,135,067
Realization of exchange revaluation reserve to profit or loss on disposal of subsidiary	-	-	(684,571)	-	-	(684,571)
Balance as at December 31, 2019	13,352,993	3,384,904	-	(56,639)	26,598,202	43,279,460
Balance as at January 1, 2018	13,352,993	3,384,904	83,183	(47,315)	25,695,946	42,469,711
Transactions with owners						
Dividends:						
- Final 2017: Rs. 3.00 per share	-	-	-	-	(4,005,898)	(4,005,898)
- 1st interim 2018: Rs. 4.00 per share	-	-	-	-	(5,341,198)	(5,341,198)
- 2nd interim 2018: Rs. 4.00 per share	-	-	-	-	(5,341,198)	(5,341,198)
	-	-	-	-	(14,688,294)	(14,688,294)
Total comprehensive income for the year ended ended December 31, 2018						
Profit for the year	-	-	-	-	17,413,518	17,413,518
Other comprehensive income:						
- exchange revaluation	-	-	325,634	-	-	325,634
- remeasurements, net of tax	-	-	-	2,586	-	2,586
	-	-	325,634	2,586	17,413,518	17,741,738
Balance as at December 31, 2018	13,352,993	3,384,904	408,817	(44,729)	28,421,170	45,523,155

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Imran Ahmed	Nadir Salar Qureshi	Ghias Khan
Chief Financial Officer	Chief Executive	Chairman

consolidated statement of cash flows for the year ended december 31, 2019

(Amounts in thousand)

	Note	2019	2018
		----Rupees----	
Cash Flows From Operating Activities			
Cash generated from operations	35	33,529,490	30,322,653
Retirement and other service benefits paid		(89,672)	(45,695)
Taxes paid		(11,445,373)	(6,864,007)
Long-term loans and advances		(5,660)	(8,109)
Net cash generated from operating activities		21,988,785	23,404,842
Cash Flows From Investing Activities			
Purchases of property, plant and equipment and intangibles		(4,018,508)	(4,495,017)
Proceeds from disposal of property, plant and equipment		751,219	28,586
Purchase of short-term investments		(34,018,249)	(55,615,966)
Proceeds from sale of short-term investments		37,404,980	52,966,271
Proceeds from disposal of subsidiary company		1,927,286	-
Income on deposits / other financial assets		2,455,880	481,129
Net cash generated from / (utilised in) investing activities		4,502,608	(6,634,997)
Cash Flows From Financing Activities			
Proceeds from long-term borrowings		5,000,000	8,183,497
Repayments of long-term borrowings		(5,122,417)	(8,286,667)
Finance cost paid		(3,724,924)	(2,230,533)
Dividends paid		(18,699,817)	(14,647,515)
Net cash utilised in financing activities		(22,547,158)	(16,981,218)
Net increase / (decrease) in cash and cash equivalents		3,944,235	(211,373)
Cash and cash equivalents at beginning of the year		(190,032)	(304,293)
Exchange gain translation		275,754	325,634
Cash and cash equivalents at end of the year	36	4,029,957	(190,032)

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Imran Ahmed	Nadir Salar Qureshi	Ghias Khan
Chief Financial Officer	Chief Executive	Chairman

consolidated notes to the financial statements for the year ended december 31, 2019

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

Engro Fertilizers Limited (the Holding Company) is a public company incorporated in Pakistan on June 29, 2009 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 Holding Company is listed on Pakistan Stock Exchange Limited (PSX).

The Holding Company is engaged in the manufacturing, purchasing and marketing of fertilizers, seeds and pestisides and providing logistics services. The business units of the Holding Company include the following:

Business Unit	Geographical Location
Head / Registered Office	7th & 8th floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.
Engro Daharki Plant	District Ghotki, Sindh.
Engro Zarkhez Plant	EZ/ 1 / P – 1 – II Eastern Zone, Port Qasim, Karachi.

1.1 The 'Group' consists of:

Holding Company: Engro Fertilizers Limited

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

1.1.1 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 the Holding Company. During the year, the Holding Company entered into a Share Purchase Agreement (the Agreement) with the Parent Company for sale of its entire holding in its subsidiary, EEF effective July 17, 2019. Through the Agreement, the Parent Company has purchased 100% holding of the Holding Company in EEF for a total consideration of Rs. 1,972,505.

1.1.2 EFert Agritrade (Private) Limited (EAPL) was incorporated on July 6, 2017, as a wholly owned subsidiary of the Holding Company to carry out trading and distribution of imported fertilizer as part of the business reorganization. The Holding Company transferred its business of trading and distribution of imported fertilizer to the new subsidiary and holds 10,000 ordinary shares of Rs. 10 each in EAPL.

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 years presented, unless otherwise stated.

(Amounts in thousand)

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 and recognition of certain staff retirement benefits at present value.

2.1.2 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable on the Group comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and

- Provision of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the requirements of IFRSs, the provisions of and directives issued under the Act have been followed for the preparation and presentation of the consolidated financial statements.

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

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

a) Standards, amendments to published standards and interpretations that are effective for the year and are relevant to the Group

The following new standards and interpretation to the accounting and reporting standards as applicable in Pakistan are effective for the first time for the year beginning on January 1, 2019 and are relevant to the Holding Company:

- IFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39 "Financial Instruments: Recognition and measurement" that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, without subsequent recycling to consolidated profit or loss.

  The standard also includes an expected credit losses (ECL) model that replaces the current incurred loss impairment model. The ECL model involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

(Amounts in thousand)

For financial liabilities, there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through consolidated profit or loss.

IFRS 9 also relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes.

The adoption of IFRS 9 has resulted in change in accounting policies of the Group. The Group has applied IFRS 9 retrospectively, however, it has elected not to restate comparative information as permitted under the transitional provisions of the standard. The reclassifications and the adjustments arising from the new impairment rules are, therefore, not reflected in the consolidated statement of financial position as at December 31, 2018 and furthermore have not been recognised in the opening consolidated statement of financial position as on January 1, 2019 as the effects were not material.

Furthermore, on January 1, 2019, the management has assessed which business models apply to the financial instruments held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories as follows:

	Original classification under IAS 39	**New classification under IFRS 9**
Financial assets		
Loans, advances and deposits	Loans and receivables	Amortised cost
Trade debts	Loans and receivables	Amortised cost
Other receivables	Loans and receivables	Amortised cost
Accrued income	Loans and receivables	Amortised cost
Short term investments		
- Term Deposit Receipts	Held to maturity	Amortised cost
- Treasury Bills	Held to maturity	Fair value through OCI
Cash and Bank balances	Loans and receivables	Amortised cost
Financial liabilities		
Borrowings	Amortised cost	Amortised cost
Trade and other payables	Amortised cost	Amortised cost
Accrued interest / mark-up	Amortised cost	Amortised cost
Short term borrowings	Amortised cost	Amortised cost

Moreover, no material differences were noted in prior year figures as a result of applying the new expected credit loss model on the adoption of IFRS 9. The reclassifications of the financial instruments also did not result in any changes to measurements. Hence, there was no restatement of opening balances and reserves. Furthermore, there is no impact on the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows.

- IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The standard introduces a single five-step model for revenue recognition with a comprehensive framework based on the core principle that an entity should recognise revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Holding Company has assessed that significant performance obligation in its contracts with customers are discharged at a single point of time, and therefore, there is no significant financial impact of this standard on the consolidated financial statements of the Group.

- IFRS 16 ‘Leases’ replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases. The Group has assessed that the application of this standard does not have any material financial impact on the consolidated financial statements of the Group.

- IFRIC 23 'Uncertainty over tax treatments' - clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments.The IFRS IC had clarified previously that IAS 12, not IAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.The impact of the above interpretation is not material on the consolidated financial statements of the Group.

There are certain other amendments to published accounting and reporting standards and interpretations that are applicable for the financial year beginning on January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Group's financial reporting and operations and, therefore, have not been disclosed in these consolidated financial statements.

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

The following amendments are not effective for the financial year beginning on January 1, 2019 and have not been early adopted by the Group:

IAS 1, 'Presentation of financial statements and IAS 8, 'Accounting policies, changes in accounting estimates and errors (effective for the accounting periods beginning on and after January 1, 2020)

These amendments and consequential amendments to other IFRSs: (i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; (ii) clarify the explanation of the definition of material; and (iii) incorporate some of the guidance in IAS 1 about immaterial information. These amendments are not expected to have a significant impact on the Group's financial statements.

There are certain other standards and amendments to the published accounting and reporting standards that are not yet effective and are considered not to have any significant effect on the Group's financial reporting and operations and, therefore, have not been disclosed in these consolidated financial statements.

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 statement of profit or loss.

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 statement of profit or loss.

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 consolidated statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously 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 or loss.

2.2 Property, plant and equipment

2.2.1 Owned assets

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except 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 2.21). 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 consolidated statement of profit or loss 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 statement of profit or loss.

Depreciation is charged to the consolidated statement of profit or loss 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 depreciated over its 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.

(Amounts in thousand)

2.2.2 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to 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 statement of profit or loss.

(Amounts in thousand)

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 there been no recognition of impairment, except impairment of goodwill which is not reversed.

The useful lives of intangible assets are reviewed at each reporting 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 reporting 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 statement of profit or loss.

2.6 Financial assets

2.6.1 Classification, initial recognition and measurement

Financial assets are classified into appropriate categories on initial recognition and are subsequently measured at amortised cost at fair value through other comprehensive income or at fair value through profit or loss. The management determines the classification of financial assets into appropriate categories based on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss if it is not measured at amortised cost or at fair value through other comprehensive income.

All financial assets are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets at amortised cost are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any. Interest income and impairment losses are recognised in consolidated statement of profit or loss. Financial assets carried at fair value through other comprehensive income are initially and subsequently measured at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive income. Financial assets carried at fair value through profit or loss are initially recorded at fair value and transaction costs are expensed in the consolidated statement of profit or loss. Realised and unrealised gains and losses arising from changes in the fair values of the financial assets and liabilities held at fair value through profit or loss are included in the consolidated statement of profit or loss in the period in which they arise.

2.6.2 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset, in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated statement of profit or loss and consolidated statement of comprehensive income.

2.6.3 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables except for debts due from the Government of Pakistan which have been exempted from the application of Expected Credit Loss model under IFRS 9 for a limited period of three years upto June 30, 2021 by the Securities and Exchange Commission of Pakistan (SECP) through its S.R.O 985(I) / 2019 dated September 2, 2019.

2.7 Financial liabilities

The Group recognises a financial liability in its consolidated statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial liability at its fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. Subsequently, financial liabilities are stated at amortised cost.

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

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle either on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and nust 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 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 reporting 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.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are shown separately as major spare parts and stand by equipment.

2.10 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 reporting 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.

2.11 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 statement of profit or loss. Trade debts and other receivables considered irrecoverable are written-off.

2.12 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 statement of financial position.

2.13 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.

2.14 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 statement of profit or loss over the period of the borrowings using the effective interest rate 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 reporting date.

2.15 Trade and other payables

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

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, 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 reporting 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.

2.17 Employee benefits

2.17.1 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 statement of profit or loss 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.

(Amounts in thousand)

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 2.17.3. 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 2.17.3. Monthly contributions are made by the Group to the fund at the rate of 8.33% of basic salary.

All of the aforementioned funds are managed by the Parent Company.

2.17.2 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 consolidated financial statements.

Remeasurements (actuarial gains / losses) in respect of defined benefit plan are recognised directly in equity through consolidated statement of 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.

2.17.3 In June 2011, the Group gave a one time irrevocable option 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.

2.17.4 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.

(Amounts in thousand)

2.17.5 **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.

2.18 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 reporting date and adjusted to reflect current best estimate.

2.19 Foreign currency transactions and translation

2.19.1 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 statement of profit or loss.

2.19.2 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 reporting date presented are translated at the average closing rate at the date of that reporting date;

- income and expenses for each consolidated statement of profit or loss 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.

2.20 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:

- In case of sale of goods, when control is transferred to customers which coincides with dispatch of goods to the customers;

- Revenue in respect of services is recognized when the services have been rendered;

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

- Commission and sub-licensing income is recognised on accrual basis in accordance with the substance of the relevant agreement; and

- Dividend income on equity investment is recognised when the Company's right to receive the dividend is established.

(Amounts in thousand)

2.21 Borrowing costs

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

2.22 Research and development costs

Research and development costs are charged to consolidated statement of profit or loss as and when incurred.

2.23 Government grant

Government grant that compensates the Group for expenses incurred is recognised in the consolidated statement of profit or loss on a systematic basis in the same period in which the expenses are recognised.

2.24 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.

2.25 Segment reporting

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

2.26 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 Group 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.

(Amounts in thousand)

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 current and 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 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.

3.5 Contingencies and Provisions

Significant estimates and judgements are being used by the management in accounting for contingencies and provisions relating to legal and taxation matters being contested at various forums based on applicable laws and the decisions / judgements.

4. PROPERTY, PLANT AND EQUIPMENT

	2019	2018
	--------------Rupees------------	
Operating assets at net book value (note 4.1)	62,586,001	64,471,674
Capital work in progress (CWIP) (note 4.6)	2,572,476	3,159,249
Major spare parts and stand-by equipment	765,949	573,033
	65,924,426	68,203,956

(Amounts in thousand)

4.1 Operating assets

	Land		Building on							
	Freehold	Leasehold (note 4.4)	Freehold	Leasehold	Plant and machinery	Gas pipeline	Catalyst	Office equipment	Vehicle	Total
	--				Rupees					--
As at January 1, 2018										
Cost	155,773	144,900	2,726,333	440,178	95,511,944	2,525,843	1,397,152	1,039,812	409,605	104,351,540
Accumulated depreciation	-	(53,827)	(1,134,812)	(146,875)	(34,939,982)	(759,799)	(1,173,896)	(745,858)	(281,090)	(39,236,139)
Net book value	155,773	91,073	1,591,521	293,303	60,571,962	1,766,044	223,256	293,954	128,515	65,115,401
Year ended December 31, 2018										
Net book value - January 1, 2018	155,773	91,073	1,591,521	293,303	60,571,962	1,766,044	223,256	293,954	128,515	65,115,401
Transfers from CWIP (note 4.6.1)	-	-	76,791	-	3,796,585	-	213,900	218,011	224,532	4,529,819
Disposals / write offs (note 4.3)										
Cost	-	-	-	-	-	-	-	(10,650)	(39,710)	(50,360)
Accumulated depreciation	-	-	-	-	-	-	-	8,649	34,441	43,090
	-	-	-	-	-	-	-	(2,001)	(5,269)	(7,270)
Depreciation charge (note 4.2)	-	(3,394)	(116,661)	(11,008)	(4,675,076)	(121,872)	(88,085)	(84,704)	(65,476)	(5,166,276)
Net book value	155,773	87,679	1,551,651	282,295	59,693,471	1,644,172	349,071	425,260	282,302	64,471,674
As at January 1, 2019										
Cost	155,773	144,900	2,803,124	440,178	99,308,529	2,525,843	1,611,052	1,247,173	594,427	108,830,999
Accumulated depreciation	-	(57,221)	(1,251,473)	(157,883)	(39,615,058)	(881,671)	(1,261,981)	(821,913)	(312,125)	(44,359,325)
Net book value	155,773	87,679	1,551,651	282,295	59,693,471	1,644,172	349,071	425,260	282,302	64,471,674
Year ended December 31, 2019										
Net book value - January 1, 2019	155,773	87,679	1,551,651	282,295	59,693,471	1,644,172	349,071	425,260	282,302	64,471,674
Transfers from CWIP (note 4.6.1)	-	-	98,496	-	1,871,241	-	371,195	77,914	1,334,157	3,753,003
Disposals / write offs (note 4.3)										
Cost	-	(47,616)	-	-	(542,658)	-	-	(314,329)	(53,578)	(958,181)
Accumulated depreciation	-	19,378	-	-	542,658	-	-	313,799	44,969	920,804
	-	(28,238)	-	-	-	-	-	(530)	(8,609)	(37,377)
Depreciation charge (note 4.2)	-	(1,861)	(105,637)	(10,937)	(4,939,986)	(111,141)	(151,847)	(174,879)	(105,011)	(5,601,299)
Reclassifications:										
Cost	-	-	(764)	301	55,486	(10,850)	-	(19,948)	17,695	41,920
Accumulated depreciation	-	-	20	-	(31,668)	-	-	4,936	(15,208)	(41,920)
	-	-	(744)	301	23,818	(10,850)	-	(15,012)	2,487	-
Net book value	155,773	57,580	1,543,766	271,659	56,648,544	1,522,181	568,419	312,753	1,505,326	62,586,001
As at December 31, 2019										
Cost	155,773	97,284	2,900,856	440,479	100,692,598	2,514,993	1,982,247	990,810	1,892,701	111,667,741
Accumulated depreciation	-	(39,704)	(1,357,090)	(168,820)	(44,044,054)	(992,812)	(1,413,828)	(678,057)	(387,375)	(49,081,740)
Net book value	155,773	57,580	1,543,766	271,659	56,648,544	1,522,181	568,419	312,753	1,505,326	62,586,001
Annual rate of depreciation (%)	-	2 to 5	2.5 to 10	2.5	5 to 10	5	No. of production days	10 to 25	10 to 25	

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

	2019	2018
	---------Rupees---------	
Cost of sales (note 23)	5,478,693	5,087,585
Selling and distribution expenses (note 24)	110,472	67,553
Administrative expenses (note 25)	12,134	11,138
	5,601,299	5,166,276

(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	Gain
		----	----	Rupees	----	----
Items having net book value more than Rs. 500 each						
Leasehold Land (note 4.4)	Engro Polymer & Chemicals Limited	47,616	19,378	28,238	708,000	679,762
Vehicle						
By Company policy to separating executive	M. Asif Sultan Tajik	15,061	9,712	5,349	9,325	3,976
Items having net book value of upto Rs. 500 each						
Office equipment, vehicles and machinery	Various	895,504	891,714	3,790	33,894	30,104
Year ended December 31, 2019		958,181	920,804	37,377	751,219	713,842
Year ended December 31, 2018		50,360	43,090	7,270	28,586	21,316

4.4 During the year, the Holding Company has sold leasehold land measuring approximately 60 acres situated within Plot No. EZ/I/P-II located at East Industrial Zone, Port Qasim, Karachi to Engro Polymer and Chemicals Limited, an associated company, against a total consideration of Rs. 720,000. Bifurcation fee amounting to Rs. 12,000 was incurred on sale of this land.

4.5 Particulars of immovable properties i.e land and building in the name of the Holding Company are as follows:

Location	**Total area (acreage)**
Daharki plant & colony	726
Zarkhez plant land at Port Qasim	112.5

(Amounts in thousand)

		2019	2018
		----Rupees----	
4.6	**Capital work in progress**		
	Plant and machinery	2,076,215	2,758,651
	Building and civil works including gas pipeline	158,954	219,037
	Furniture, fixture and equipment	125,815	10,891
	Advances to suppliers	136,672	2,374
	Others	74,820	168,296
		2,572,476	3,159,249
4.6.1	Balance as at January 1	3,159,249	3,396,331
	Additions during the year	3,825,592	4,333,447
	Transferred to:		
	- operating assets (note 4.1)	(3,753,003)	(4,529,819)
	- intangible assets (note 5)	(659,362)	(40,710)
	Balance as at December 31	2,572,476	3,159,249

5. INTANGIBLE ASSETS

	Goodwill (note 5.1)	Right to use the brand (note 5.1)	Software and licenses	Rights for future gas utilization	Total
	----	----	Rupees	----	----
As at January 1, 2018					
Cost	183,806	4,170,995	327,513	102,312	4,784,626
Accumulated amortisation	-	-	(275,833)	(33,319)	(309,152)
Net book value	183,806	4,170,995	51,680	68,993	4,475,474
Year ended December 31, 2018					
Net book value - January 1, 2018	183,806	4,170,995	51,680	68,993	4,475,474
Transfers from CWIP (note 4.6.1)	-	-	40,710	-	40,710
Amortisation (note 5.3)	-	-	(23,302)	(5,111)	(28,413)
Net book value	183,806	4,170,995	69,088	63,882	4,487,771
As at December 31, 2018					
Cost	183,806	4,170,995	368,223	102,312	4,825,336
Accumulated amortisation	-	-	(299,135)	(38,430)	(337,565)
Net book value	183,806	4,170,995	69,088	63,882	4,487,771
Year ended December 31, 2019					
Net book value - January 1, 2019	183,806	4,170,995	69,088	63,882	4,487,771
Transfers from CWIP (notes 4.6.1 and 5.2)	-	-	659,362	-	659,362
Write-off					
Cost	-	-	(9,884)	-	(9,884)
Accumulated amortisation	-	-	9,884	-	9,884
	-	-	-	-	-
Amortisation (note 5.3)	-	-	(71,019)	(5,111)	(76,130)
Reclassification					
Cost	-	-	3,085	-	3,085
Accumulated amortisation	-	-	(3,085)	-	(3,085)
	-	-	-	-	-
Net book value	183,806	4,170,995	657,431	58,771	5,071,003
As at December 31, 2019					
Cost	183,806	4,170,995	1,020,786	102,312	5,477,899
Accumulated amortisation	-	-	(363,355)	(43,541)	(406,896)
Net book value	183,806	4,170,995	657,431	58,771	5,071,003

(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 - Discount rate
Determination of assumptions	- Growth rates are internal forecasts based on both internal and external market information and past performance. - Cost reflects past experience, adjusted for inflation and expected changes. - 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	16.0%

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.

5.1.1 Right to use the brand is in respect of selling Phospate fertilizers, acquired under an agreement with the Holding Company, that has been valued using Relief from Royalty Method and is considered to have an indefinite life.

5.2 Relates to cost incurred on implementation of new ERP i.e. SAP.

5.3 Amortisation for the year has been allocated as follows:

	2019	2018
	----------Rupees--------	
Cost of sales (note 23)	15,790	15,599
Selling and distribution expenses (note 24)	15,290	11,530
Administrative expenses (note 25)	45,050	1,284
	76,130	28,413

6. LONG TERM LOANS AND ADVANCES- Considered good

	2019	2018
Executives (notes 6.1, 6.2, 6.3, 6.5 and 6.6)	231,074	195,299
Other employees (notes 6.4, 6.5 and 6.6)	41,373	71,488
	272,447	266,787
Less: Current portion shown under current assets (note 10)	108,656	124,143
	163,791	142,644

(Amounts in thousand)

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

	2019	2018
	----------Rupees--------	
Balance as at January 1	195,299	185,974
Disbursements	156,300	155,252
Repayments / amortisation	(120,525)	(145,927)
Balance as at December 31	231,074	195,299

6.2 Details of loans and advances to executives

	2019	2018
Service incentive loans	185,725	148,826
Advances in respect of :		
- Car earn out assistance	3,811	12,100
- House rent	17,684	15,855
- Retention loan	127	5,702
- Salary	9,939	6,421
- Others	13,788	6,395
	231,074	195,299

6.3 The maximum amount outstanding from executives at the end of any month during the year aggregated to Rs. 314,249 (2018: Rs. 208,895).

6.4 Includes interest free loans given to workers pursuant to Collective Labour Agreement.

6.5 Represents loans granted to employees according to Group's policy. These loans are interest free, are repayable within 1 to 4 years and are secured to the extent of the provident fund balance and retirement benefits, if vested, of the respective employees.

6.6 The carrying values of the loan and advances are neither past due nor impaired.

7. STORES, SPARES AND LOOSE TOOLS

	2019	2018
	----------Rupees--------	
Consumable stores, spares and loose tools	5,919,907	5,792,688
Less: Provision for surplus and slow moving items (note 7.1)	618,815	467,401
	5,301,092	5,325,287

7.1 Provision for surplus and slow moving items

	2019	2018
Balance as at January 1	467,401	233,487
Charge for the year	177,813	233,914
Reversal during the year	(26,399)	-
Balance as at December 31	618,815	467,401

(Amounts in thousand)

8. STOCK-IN-TRADE

	2019	2018
	------------Rupees---------	
Raw materials	980,126	1,478,579
Packing materials	135,070	225,849
Work in process	48,169	27,517
	1,163,365	1,731,945
Finished goods:		
- manufactured product	2,238,488	853,481
- purchased and packaged products (note 8.1)	9,104,570	8,982,883
	11,343,058	9,836,364
Less: Provision for net realisable value of raw material products / manufactured products (note 8.2)	28,785	30,000
	12,477,638	11,538,309

8.1 Includes stock-in-transit amounting to Nil (2018: Rs. 612,638).

8.2 Provision for impairment against net realisable value of purchased and packaged product / manufactured product

	2019	2018
	------------Rupees---------	
Balance as at January 1	30,000	-
Charge for the year	28,785	30,000
Written-off during the year	(30,000)	-
Balance as at December 31	28,785	30,000

9. TRADE DEBTS

	2019	2018
Considered good		
- Secured (note 9.1)	13,275,370	9,014,194
- Unsecured (note 9.2)	899,150	95,477
	14,174,520	9,109,671
Considered doubtful	48,799	18,230
	14,223,319	9,127,901
Less: Provision for impairment against trade debts (note 9.3)	48,799	18,230
	14,174,520	9,109,671

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

9.2 Includes Nil (2018: Rs. 340) due from FrieslandCampina Engro Pakistan Limited, an associated company.

(Amounts in thousand)

9.3 Provision for impairment against trade debts

	2019	2018
	----------Rupees---------	
Balance as at January 1	18,230	-
Charge for the year (note 27)	30,569	18,230
Balance as at December 31	48,799	18,230

10. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS
Considered good

Current portion of long term loans and advances to executives and other employees (note 6)	108,656	124,143
Advances and deposits (note 10.1)	1,287,609	239,984
Prepayments		
- Insurance	429,067	308,323
- Others	1,123,374	690,961
	2,948,706	1,363,411

10.1 Includes advance amounting to Rs. 369,777 (2018: Nil) in respect of vehicles.

11. OTHER RECEIVABLES

	2019	2018
	-----------Rupees-----------	
Subsidy receivable from Government of Pakistan (notes 11.1 and 11.2)	6,368,366	6,368,366
Sales tax receivable	2,763,999	2,342,694
Due from Parent Company	-	244,844
Due from associated companies:		
- Engro Polymer & Chemicals Limited	69,772	27,630
- Engro Powergen Qadirpur Limited	8,519	-
- Engro Digital Limited	584	2,239
- Engro Powergen Thar (Private) Limited	12,749	939
- Thar Foundation	260	-
- Engro Foundation	23,525	172
- FrieslandCampina Engro Pakistan Limited	2,202	-
- Engro Eximp Agri Products (Private) Limited	1,877	496
- Sindh Engro Coal Mining Company Limited	410	808
- Engro Infiniti Limited	8,245	-
- Engro Vopak Terminal Limited	560	502
		-
Receivable from Defined Benefit Gratuity Fund MPT	38,634	22,982
Workers' profits participation fund (note 11.3)	-	51,434
Claims receivable	99,546	2,225
Others	13,003	1,308
	9,412,251	9,066,639

(Amounts in thousand)

11.1 During 2015, the Government of Pakistan (GoP) 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 2016, a new subsidy scheme was announced by the GoP, effective June 25, 2016 whereby subsidy was payable 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).

During 2017, another subsidy scheme was announced by GOP, effective July 01, 2017. Under the new subsidy scheme aforementioned rates were replaced with Rs. 100 per 50kg bag for Urea only. This subsidy scheme was effective till June 30, 2018. In line with the notification issued for the said scheme, Ministry of National Food Security and Research has appointed third party auditors for verification of subsidy claims which is underway.

11.2 As at December 31, 2019, the aggregate provision in respect of receivable from GOP amounts to Rs. 155,127 (2018: Rs. 155,127).

11.3 **Workers' profits participation fund**

	2019	2018
	-----------Rupees-----------	
Balance as at January 1	51,434	(4,129)
Charge for the year (note 27)	(1,461,099)	(1,149,229)
Interest expense	-	(697)
Payments during the year	1,318,571	1,205,489
Balance as at December 31	(91,094)	51,434

11.4 The maximum amount due from the Parent Company and associated companies at the end of any month during the year is as follows:

	2019	2018
	-----------Rupees-----------	
Parent Company	310,977	244,844
Associated Companies		
- FrieslandCampina Engro Pakistan Limited	9,245	2,480
- Engro Powergen Qadirpur Limited	8,519	21,022
- Engro Energy Limited	-	3,795
- Sindh Engro Coal Mining Company Limited	6,069	4,113
- Engro Polymer & Chemicals Limited	80,824	-
- Engro Powergen Limited	9,592	-
- Engro Powergen Thar Limited	12,749	1,075
- Engro Thar Foundation	260	-
- Engro Vopak Terminal Limited	661	672
- Engro Eximp Agriproducts (Private) Limited	2,023	2,530
- Engro Digital Limited	1,025	2,685
- Engro Elengy Terminal (Private) Limited	-	313
- Engro Foundation	23,525	11,384
- Engro Eximp FZE	81,974	-

12. SHORT TERM INVESTMENTS

	2019	2018
Treasury Bills	5,305,337	-
Pakistan Investment Bonds	-	6,244,613
Term Deposit Receipts	206,207	1,477,856
	5,511,544	7,722,469

(Amounts in thousand)

13. CASH AND BANK BALANCES

	2019	2018
	-----------Rupees-----------	
Cash at banks in:		
- deposit accounts (note 13.1)	2,787,647	14,055
- currrent accounts (note 13.2)	622,911	714,581
	3,410,558	728,636
Cash in hand	2,915	1,200
	3,413,473	729,836

13.1 Deposit accounts carry return at the rate ranging from 10.30% to 11.30% (2018: 5.40% to 8.00%) per annum.

13.2 Includes Rs. 617,591 (2018: Rs. 708,803) held in foreign currency bank accounts.

14. SHARE CAPITAL

	2019	2018
	-----------Rupees---------	
Authorised Capital		
1,400,000,000 (2018: 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 (2018: 258,132,299) Ordinary shares of Rs. 10 each, fully paid in cash	2,581,323	2,581,323
9,999,993 (2018: 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 (2018: 1,062,800,000) Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	10,628,000	10,628,000
4,367,083 (2018: 4,367,083) Ordinary shares of Rs. 10 each issued upon exercise of conversion option by International Finance Corporation (IFC)	43,670	43,670
	13,352,993	13,352,993

14.1 As at reporting date, the Parent Company held 56.27% (2018: 56.27%) of the share capital of the Holding Company.

14.2 These fully paid Ordinary shares carry one vote per share and right to dividend.

15. RESERVES

	2019	2018
	-----------Rupees---------	
Capital reserves		
Share premium	3,384,904	3,384,904
Exchange revaluation reserves	-	408,817
	3,384,904	3,793,721
Revenue reserves		
Remeasurement of post employment benefits	(56,639)	(44,729)
Unappropriated profit	26,598,202	28,421,170
	26,541,563	28,376,441
	29,926,467	32,170,162

(Amounts in thousand)

16. BORROWINGS - Secured (Non-participatory)

	Note	Mark - up rate per annum	Installments Number	Installments Commenced / Commencing from	2019	2018
					---Rupees---	
Long term finance utilised under mark-up arrangements:						
Senior Lenders						
Allied Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	2,000,000	2,000,000
Allied Bank Limited		6 Months KIBOR + 0.2%	4 half yearly	June 28, 2022	2,100,000	2,100,000
Allied Bank Limited	16.1	3 months KIBOR + 0.35%	6 half yearly	June 20, 2022	2,500,000	-
Deutsche Investitions und Entwicklungsgesellschaft		6 Months LIBOR + 3.75%	9 half yearly	December 15, 2019	2,071,917	2,082,897
Dubai Islamic Bank Pakistan Limited		6 months KIBOR + 0.4%	4 half yearly	November 28,2018	200,000	600,000
MCB Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	4,000,000	4,000,000
MCB Bank Limited		6 months KIBOR + 0.20%	4 half yearly	December 29, 2021	3,000,000	3,000,000
MCB Bank Limited		6 Months KIBOR + 0.05%	4 half yearly	March 28, 2021	1,500,000	1,500,000
MCB Bank Limited	16.1	3 months KIBOR + 0.25%	6 half yearly	June 30, 2022	2,500,000	-
National Bank of Pakistan		6 Months KIBOR + 0.2%	4 half yearly	June 28, 2022	1,000,000	1,000,000
Standard Chartered Bank (Pakistan) Limited		6 Months KIBOR + 0.9%	13 half yearly	June 14, 2013	-	199,687
Samba Bank Limited		6 Months KIBOR + 0.9%	14 half yearly	April 1, 2013	-	99,852
Syndicated finance		6 months KIBOR + 0.4%	6 half yearly	June 26, 2019	6,080,532	9,109,666
United Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	4,000,000	4,000,000
Certificates						
Privately Placed Subordinated Sukuk Certificates	16.3	6 months KIBOR + 1.75%	10 half yearly	January 9, 2015	-	1,118,527
					30,952,449	30,810,629
Less: Current portion shown under current liabilities					8,760,351	5,095,584
					22,192,098	25,715,045

16.1 During the year, the Holding Company obtained long term finances from MCB Bank Limited and Allied Bank Limited of Rs. 2,500,000 each, to finance the capital expenditure. These borrowings have the same charge as on the borrowings from other existing Senior Lenders.

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

16.3 Privately Placed Subordinated Sukuk (PPSS) has been completely paid off during the year. These carried a subordinate mortgage upon immovable property of the Holding Company and a subordinate charge over current and future fixed assets excluding immovable property.

(Amounts in thousand)

16.4 Following are the changes in the long term borrowings for which cash flows have been classified as financing activities in the consolidated statement of cash flows:

	2019	2018
	---Rupees---	
Balance as at January 1	30,810,629	30,903,878
Borrowings availed during the year	5,000,000	8,183,497
Amortization of transaction cost	16,884	10,521
Repayment of borrowings	(5,122,418)	(8,286,667)
Exchange loss / (gain)	247,353	(600)
Balance as at December 31	30,952,448	30,810,629

17. DEFERRED TAXATION

	2019	2018
Credit / (Debit) balances arising on account of:		
- Accelerated depreciation allowance	12,393,426	11,187,680
- Alternative Corporate Tax	-	(3,962,572)
- Provision for:		
- staff retirement benefits	(12,729)	(1,056)
- surplus and slow moving stores and spares and doubtful receivables	(198,271)	(124,030)
	12,182,426	7,100,022

18. DEFERRED LIABILITIES

	2019	2018
Deferred income (note 18.1)	57,654	61,519
Service benefit obligation	255,785	244,214
Less: Current portion shown under current liabilities	(56,036)	(51,487)
	199,749	192,727
	257,403	254,246

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

(Amounts in thousand)

19. TRADE AND OTHER PAYABLES

	2019	2018
	------------Rupees---------	
Creditors	6,820,292	4,482,782
Accrued liabilities (note 19.1)	26,709,732	17,540,249
Advances from customers	1,133,976	4,174,150
Payable to Parent Company	249,680	-
Payable to;		
- FrieslandCampina Engro Pakistan Limited	-	1,562
- Engro Energy Limited	2,863	2,052
- Engro Powergen Qadirpur Limited	-	1,635
- Engro Polymer & Chemicals Limited	-	202,362
- Engro Elengy Terminal (Private) Limited	1,631	1,373
- Engro Eximp FZE	138,294	-
- Defined Contribution Provident Fund	22,888	32
- Defined Contribution Provident Fund NMPT	6,991	90
- Defined Contribution Gratuity Fund MPT	7,753	-
- Defined Contribution Pension Fund	23,502	-
- Defined Benefit Gratuity Fund NMPT	216,694	149,067
Deposits / Retention from dealers and contractors (note 19.2)	203,073	95,447
Workers' welfare fund (WWF) (note 19.3)	1,264,956	1,790,523
Workers' profits participation fund	91,094	-
Witholding tax payable	302,798	199,923
Others	488,998	453,663
	37,685,215	29,094,910

19.1 Includes Rs. 18,943,544 (2018: Rs. 12,576,404) on account of Gas Infrastructure Development Cess (GIDC) payable from October 2016 onwards. The Federal Government challenged the decision of the Sindh High Court (SHC), which declared the GIDC as ultra vires and unconstitutional in case of another company, and obtained a direction from a Larger Bench of SHC suspending the order. However, the Holding Company obtained an injunction / stay order based on the fact that since the Holding Company is not a party to the case, hence, the suspension is not applicable to the Holding Company's case. The Government preferred an appeal before the SHC for suspension of the injunction / stay order, hearing of which is underway. In a separate case, Peshawar High Court passed a judgment on May 31, 2017 validating the new GIDC Act and the same has been challenged by the petitioners in the Supreme Court of Pakistan.

During the current year, GIDC Amendment Ordinance 2019 was promulgated by the Federal Government which provided for 50% waiver of outstanding liability as at December 31, 2018 and 50% reduction in prospective GIDC on feed and fuel gas. Subsequently, the said Ordinance was withdrawn by the Federal Government and the matter is now pending decision of the Supreme Court of Pakistan.

Subsequent to year end, the government through notification dated January 28, 2020, has reduced GIDC on gas consumed by fertilizer manufactures to Rs. 5/MMBTU with effect from January 28, 2020.

19.2 The amount is kept in separate term deposits account as per the terms of agreements and is not utilised for the purpose of the business of the Group.

19.3 During the year, provision made for Workers welfare fund under the Sindh Workers Welfare Fund ACT, 2014 for tax years 2013 to 2015 amounting to Rs. 999,423 has been reversed, based on a legal advice.

(Amounts in thousand)

20. SHORT TERM BORROWINGS

Holding Company

The Company has funded facilities for short term finances available from various banks and institutional investors amounting to Rs. 15,125,000 (2018: Rs. 16,850,000) along with non-funded facilities of Rs. 3,827,000 (2018: Rs. 3,827,000) for bank guarantees. The rates of markup on funded bank overdraft facilities ranged from 0.2% to 0.5% per annum over 1-month & 3-month KIBOR and all 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. 1,546,685 (2018: Rs. 636,878) from funded facilities as at the reporting date.

Subsidiary Company

The facilities for short term running finances, available from various banks, aggregate to Rs. 12,725,000 (2018: Rs. 14,217,000). The rates of markup on the funded bank overdraft facilities ranged from 0.2% to 0.5% per annum over 1-month & 3-months KIBOR. These 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. As at December 31, 2019, the Company has utilised Rs. 439,225 (2018: Rs. 373,090) out of the aforementioned facilities.

21. CONTINGENCIES AND COMMITMENTS

Contingencies

21.1 As at December 31, 2019, bank guarantees of Rs.3,400,747 (2018: Rs. 2,982,754) have been issued in favour of third parties.

21.2 As at December 31, 2019 claims, including pending lawsuits, against the Holding Company not acknowledged as debts amount to Rs. 61,914 (2018: Rs. 58,680).

21.3 The Holding Company has entered into Dealer Finance Agreements (DFAs) with different banks amounting to Rs. 4,500,000 (2018: Rs. 4,500,000) consequent to which the banks will provide financial assistance to dealers approved by the Holding Company. In respect to DFA amounting to Rs. 3,000,000 the Holding Company has agreed to bear 5% to 10% of the principal in case of default by the dealers. As at December 31, 2019, the banks have made disbursements to dealers under the DFAs amounting to Rs. 3,337,876 (2018: Rs. 1,254,832) maturing on various future dates.

21.4 The Holding Company had filed a constitutional petition in the Hight Court of Sindh (HCS) 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 Holding Company's new plant (Enven) and to prohibit from suspending, discontinuing or curtailing the aforementioned supply. The HCS 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 HCS 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 these petitions being allowed to be remote.

(Amounts in thousand)

Further, the Holding Company upon continual curtailment of gas after the aforementioned decision of the HCS 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 have failed to restore full supply of gas to the Holding Company's plant despite the judgment of the HCS in Holding Company's favor. A show cause notice has also been issued against MPNR and SNGPL dated December 31, 2011 by the HCS. The application is pending for hearing and no orders have yet been passed in this regard.

21.5 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 new 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 between the Holding Company and 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 new plant, with right to first 100 mmcfd 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 given that similar matter is pending in Supreme Court of Pakistan. However, the Holding Company's management, as confirmed by the legal advisor, considers chances of petitions being allowed to be remote.

21.6 The Holding Company in the year 2013, 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 Holding 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 the other fertilizer company, respectively. An appeal has been filed in the Competition Appellate Tribunal (CAT) and a writ has been filed in the HCS and stay has been granted against the recovery of the imposed penalty. Hearings have been conducted at CAT where Farmer Association has filed an internal application.

In case of other fertilizer company, the CAT has transferred the case back to the CCP for reassessment. The Holding Company has challenged the composition of the CAT. 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.

21.7 During 2015, the Holding Company 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 thereagainst with the Commissioner Inland Revenue (Appeals) [CIR (A)] which decided the matters in favour of the Holding Company. The department thereafter challenged the decision of the CIR(A) with the Appellate Tribunal Inland Revenue , which is pending to be heard. No provision has been made by the Holding Company in this respect.

(Amounts in thousand)

21.8 On July 3 2018, the Deputy Commissioner Inland Revenue (DCIR), LTU raised an order for the period June 2016 to July 2017 with a demand of Rs. 1,006,000 mainly on account of further sales tax to be charged on sales to unregistered persons. The Holding Company filed an appeal thereagainst with the Commissioner Inland Revenue (Appeals) (CIRA) who disposed off the appeal in favor of the taxation department on September 24, 2018. A constitutional petition against the said order has been filed with the HCS and stay for recovery of demand against CIRA's order was obtained on October 31, 2018. The Holding Company also filed an appeal against CIRA decision which is pending before the Appellate Tribunal Inland revenue. 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

21.9 In the year 2017, the High Court of Islamabad in its order dated June 8, 2017 declared that the income derived by the Contractor from its contract with the Holding Company, is subject to tax as per Clause 4 of Article 5 of Double Taxation Treaty between Pakistan and the Netherlands. Thus confirming demand order issued of Rs 1,178,391. In respect thereof, the Contractor preferred an appeal in the Supreme Court of Pakistan (SCP). During the year, the SCP decided the case on ex-parte basis against the contractor and review application for case restoration has been filed by the Contractor. It is expected that on adjudication on the merits of the case, the exposure will not exceed Rs. 200,000 for the Holding Company. Although certain implications arise under the terms of the Contract, the chances of any obligation crystallising on part of the Holding Company given the time lines of any separate proceedings under the Income Tax Ordinance, 2001 are remote. Accordingly, no provision has been made in respect of the demand order issued by tax department.

21.10 Commitments

	2019	2018
	------------Rupees----------	
Commitments in respect of capital expenditure and other operational items	7,364,808	1,874,155

(Amounts in thousand)

22. NET SALES

	2019	2018
	------------Rupees----------	
Gross sales:		
- manufactured product	79,194,233	67,029,060
- purchased and packaged product	44,593,196	45,766,185
- services	92,533	-
	123,879,962	112,795,245
Less: Sales tax	2,525,204	3,598,659
	121,354,758	109,196,586

23. COST OF SALES

	2019	2018
Cost of sales - Manufactured product		
Raw materials consumed	21,590,127	17,168,622
Salaries, wages and staff welfare (note 23.1)	2,951,589	2,444,767
Fuel and power	12,331,215	8,083,386
Repairs and maintenance	1,833,880	1,079,238
Depreciation (note 4.2)	5,478,693	5,087,585
Amortisation (note 5.3)	15,790	15,599
Consumable stores	1,033,230	862,533
Training, HSE and other related expenses	300,916	274,783
Purchased services	878,504	794,517
Travelling	70,475	52,963
Communication, stationery and other office expenses	63,348	59,144
Insurance	458,875	418,796
Rent, rates and taxes	55,272	52,638
Other expenses	3,002	21,047
Manufacturing cost	47,064,916	36,415,618
Add: Opening stock of work in process (note 8)	27,517	18,526
Less: Closing stock of work in process (note 8)	(48,169)	(27,517)
Cost of goods manufactured	47,044,264	36,406,627
Add: Opening stock of finished goods (note 8)	853,481	1,733,036
Less: Closing stock of finished goods (note 8)	(2,238,488)	(853,481)
	45,659,257	37,286,182
Cost of sales - Purchased and packaged product		
Opening stock - net of NRV (note 8)	8,982,883	4,638,428
Add: Purchases during the year	36,248,515	40,938,412
Less: Closing stock - net of NRV (note 8)	(9,075,785)	(8,982,883)
	36,155,613	36,593,957
	81,814,870	73,880,139

23.1 Salaries, wages and staff welfare includes Rs. 192,251 (2018: Rs. 146,850) in respect of staff retirement benefits.

(Amounts in thousand)

24. SELLING AND DISTRIBUTION EXPENSES

	2019	2018
	------------Rupees----------	
Salaries, wages and staff welfare (note 24.1)	1,029,806	950,964
Staff recruitment, training, safety		
Training, HSE and other related expenses	206,514	153,009
Product transportation and handling	5,104,919	4,756,308
Royalty (note 24.2)	1,170,423	914,263
Repairs and maintenance	56,015	7,580
Advertising and marketing	312,274	445,077
Rent, rates and taxes	423,996	381,768
Communication, stationery and other office expenses	33,676	25,738
Travelling	176,740	155,218
Depreciation (note 4.2)	110,472	67,553
Amortisation (note 5.3)	15,290	11,530
Purchased services	68,411	98,938
Insurance	19,476	35,148
Others	8,333	4,821
	8,736,345	8,007,915

24.1 Salaries, wages and staff welfare includes Rs. 89,230 (2018: Rs. 61,554) in respect of staff retirement benefits.

24.2 Royalty is paid to the Parent Company which has its registered office at 8th floor, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.

25. ADMINISTRATIVE EXPENSES

	2019	2018
	------------Rupees----------	
Salaries, wages and staff welfare (note 25.1)	484,407	450,442
Training, HSE and other related expenses	96,783	96,245
Repairs and maintenance	24,796	12,686
Rent, rates and taxes	55,395	466,319
Communication, stationery and other office expenses	24,367	56,766
Travelling	23,769	24,063
Depreciation (note 4.2)	12,134	11,138
Amortisation (note 5.3)	45,050	1,284
Purchased services	465,627	341,544
Insurance	7,925	1,195
Other expenses	7,938	23,320
	1,248,191	1,485,002

25.1 Salaries, wages and staff welfare includes Rs. 42,547 (2018: Rs. 47,774) in respect of staff retirement benefits.

(Amounts in thousand)

26. OTHER INCOME

	2019	2018
	--------------Rupees------------	
Income from sales under Government subsidy (note 11.1)	-	1,271,334
On financial assets		
Income on bank accounts under:		
- shariah permissible arrangements	16,596	267
- interest / mark up arrangements	-	28,228
Income on Treasury Bills, Term Deposit Certificates and Pakistan Investment Bonds	1,714,893	465,077
Foreign exchange gain	-	128,196
Gain on disposal of sibsidiary (note 30.1)	804,571	-
Others	20,180	-
	2,556,240	621,768
On non-financial assets		
Gain on disposal of property, plant and equipment (note 4.3)	713,842	21,316
Rental income	2,899	40,558
Reversal of liability for workers' welfare fund	999,423	-
Scrap sales	45,425	12,033
Others (note 26.1)	33,953	94,945
	1,795,542	168,852
	4,351,782	2,061,954

26.1 This includes an amount of Nil (2018: Rs. 42,368) charged to the Parent Company.

27. OTHER OPERATING EXPENSES

	2019	2018
	--------------Rupees------------	
Workers' profits participation fund (note 11.3)	1,461,099	1,149,229
Workers' welfare fund	473,856	143,227
Research and development	31	244
Auditors' remuneration (note 27.1)	11,296	8,918
Legal and professional	62,017	51,722
Donation (note 27.2)	265,170	100,424
Provision against sales tax receivable	244,000	-
Provision against trade debts	30,569	18,230
Others	74,623	60,356
	2,622,661	1,532,350

27.1 Auditors' remuneration

	2019	2018
Fee for:		
- audit of annual financial statements	2,865	4,721
- review of half yearly financial information	1,206	555
- review of compliance with the Code of Corporate Governance	50	45
- certifications, advices and audit of retirement funds	2,277	191
- taxation services	4,295	2,889
Reimbursement of expenses	603	517
	11,296	8,918

27.2 During the year, the Holding Company made donations to Engro Foundation amounting to Rs. 230,200 (2018: Rs. 96,000). Mr. Ghias Khan, the Chairman of the Board, and Mr. Nadir Salar Qureshi, the Chief Executive Officer of the Company, are also the trustees of Engro Foundation.

(Amounts in thousand)

28. FINANCE COST

	2019	2018
	---------------Rupees-----------	
Interest / mark-up / return on:		
- long term borrowings		
- interest / mark up arrangements	3,121,262	1,589,740
- shariah permissible arrangements	231,248	320,552
	3,352,510	1,910,292
- short term borrowings		
- interest / mark up arrangements	348,399	149,087
- shariah permissible arrangements	13,125	10,931
	361,524	160,018
Foreign exchange loss - net	172,129	-
Bank charges	707	623
	3,886,870	2,070,933

29. TAXATION

	2019	2018
Current		
- for the year (note 29.5)	5,315,987	8,243,535
- for prior years (notes 29.6 and 29.7)	123,125	914,354
	5,439,112	9,157,889
Deferred	5,087,268	(2,289,206)
	10,526,380	6,868,683

29.1 During the year 2015, the income tax department amended the assessment filed by the Holding Company for tax year 2014. The Holding Company filed an appeal before the Commissioner Inland Revenue (Appeals) (CIRA) against the disallowances, which mainly pertained to exchange gain and loss, loss on derivative and losses purchased from Engro Eximp Agriproducts (Private) Limited, an associate, under section 59B of the Income Tax Ordinance, 2001 resulting in additions to taxable income of Rs. 3,191,963. In addition the tax department raised demand for the Alternative Corporate Tax (ACT) through the same order, for which the Holding Company specifically obtained a stay order.

During the year, the matter was heard by CIRA and favorable decision was made in respect of exchange losses and acceptance of prior years tax refunds, whilst other additions made by the tax department in respect of ACT, loss on derivatives and group relief under section 59B were maintained in the order. The Holding Company has filed an appeal against the order of CIRA before the Income Tax Appellate Tribunal.

29.2 During the year, the income tax department amended the assessment filed by the Holding Company for the tax years 2015, 2016 and 2017. The Holding Company filed appeals there against before the Commissioner Inland Revenue Appeals (CIRA) for disallowances made in the orders which mainly included proration of expenses to exempt/FTR incomes, exchange loss disallowances, loss on derivatives and losses purchased from Engro Eximp Agriproducts (Private) Limited under section 59B of the Income Tax Ordinance, 2001, resulting in cumulative addition of Rs. 16,173,826 to taxable income of these tax years. During the year, CIRA passed an order for tax years 2015, 2016 and 2017 maintaining most of the additions made by taxation officer in the amendment order, whilst allowing deletion of expenses on allocation basis to exempt income and claim of exchange losses on realised basis. The Holding Company, as well as the tax department, has filed appeals against the order of CIRA before the Appellate Tribunal (ITAT). The matter was heard by the ITAT for tax year 2015 and 2016 on January 7, 2020 and the order has been reserved for judgement. The Holding Company is confident of a favourable outcome of the appeals.

(Amounts in thousand)

29.3 During the year 2014, the income tax department amended the assessment filed by the Holding Company for tax years 2010 and 2011.The Holding Company filed appeals thereagainst 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 raising a demand in respect of these years in aggregate of Rs. 1,075,466. The Holding Company had challenged the said decision before the High Court of Sindh (HCS), which is pending to be heard, however, the Holding Company is confident of a favourable outcome.

29.4 During the year 2018, the Holding Company had filed a suit in the HCS, contesting both the retrospective and prospective application of the Alternative Corporate Tax (ACT) under section 113C. On January 27, 2018, the Supreme Court of Pakistan passed an order requiring that a minimum of 50% of tax calculated by the taxation authorities be deposited with taxation authorities to maintain / entertain a suit filed / to be filed with any Court of Pakistan. Pursuant to this, the Holding Company made payment of Rs 615,600 in respect of ACT for tax year 2014 to maintain its stay granted by the HCS. However, in respect of tax years 2015, 2016 and 2017, since no amendments to the returns filed by the Holding Company were received from the tax department, therefore, suits thereagainst were withdrawn by the Holding Company. Later, on September 13, 2018, the Holding Company received recovery notice for payment in respect of tax years 2015, 2016 and 2017 against which a constitutional petition was filed by the Holding Company with the HCS. Stay for recovery of ACT has been granted in respect of the constitutional petition.

During the year, persuant to the approval of the Board of Directors of the Holding Company on May 10, 2019, the Holding Company withdrew its cases pending in HCS in respect of ACT for tax years 2014 to 2017 and discharged the related net tax liability amounting to Rs. 1,995,054.

29.5 This includes Rs. 401,090 (2018: Rs. 200,197) in respect of prior year taxes withheld at source at the time of imports of inventories by EAPL under section 148 of the Income Tax Ordinance and sold during the year.

29.6 The Holding Company had filed a suit in the HCS, contesting the applicability of Super Tax, under section 4B 'Super Tax for rehabilitation of temporary displaced persons' of the Income Tax Ordinance, 2001 (the Ordinance), as unconstitutional and ultravires to the laws. On January 27, 2018, the Supreme Court of Pakistan passed an order requiring that a minimum of 50% of tax calculated by the taxation authorities be deposited with the taxation authorities to maintain / entertain a suit filed / to be filed with any Court of Pakistan. Pursuant to this, the legal suits filed against applicability of Super Tax were withdrawn by the Holding Company.

During the year, the Holding Company received recovery notice from Federal Board of Revenue (FBR) for payment of Super Tax in respect of tax year 2018. The Holding Company has filed a constitutional petition against the same in the HCS and stay thereagainst has been obtained. Adequate provision for Super Tax for the respective tax years are being maintained in these consolidated financial statements.

29.7 This includes provision in accordance with section 4B 'Super Tax for rehabilitation of temporarily displaced persons' of the Income Tax Ordinance, 2001.

29.8 As a result of demerger in the year 2009, all pending tax issues of the then Parent Company, Engro Chemical Pakistan Limited had been transferred to the Holding Company. Major issues pending before the taxation authorities are described below:

In previous years, the taxation department had filed reference applications in the HCS 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 the aforementioned pending issues will eventually be decided in its favor. Therefore, no provision in respect of this is being maintained in these consolidated financial statements.

29.9 As a result of merger of Engro Eximp (Private) Limited (EXIMP) with the Holding Company, all pending tax issues of EXIMP have been transferred to the Holding Company. Major pending issue pertains to exercise of option to be taxed under the Normal Tax Regime (NTR) by EXIMP for the years 2012 and 2013, resulting in an aggregate refund of Rs. 796,000. The tax department had not accepted the said treatment for tax year 2013, however, the matter was decided in favor of the Holding Company by the Commissioner Income Tax Appeals(CIT(A)), against which the tax department has filed an appeal with the Income Tax Appellate Tribunal (ITAT). However, the department has given appeal effect order to the aforementioned favourable decision of the CIT(A) for tax year 2013.

During the year, in respect of tax year 2013, the matter was decided by the ITAT in favor of the Holding Company and the departments appeal in this respect was rejected. The management is confident for a favorable outcome on this case and therefore no provision is being maintained in these consolidated financial statements in this respect.

29.10 Relationship between tax expense and accounting profit

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

	2019	2018
	------Rupees------	
Profit before taxation	27,397,603	24,282,201
Tax calculated at the rate of 29% (2018: 29%)	7,945,305	7,041,838
Depreciation not deductible for tax purposes	528	7,660
Tax effect of:		
- Expenses not allowed for tax	82,444	243,501
- Final / Special Tax Regime and exempt income	772,023	422,219
Effect of:		
- Tax credits	-	(267,040)
- Prior year tax charge	123,125	914,354
- Incremental tax charge for Super Tax	-	554,703
- Change in deferred tax liability rates due to reduction in tax rates (note 29.11)	1,602,955	(2,048,552)
Tax charge for the year	10,526,380	6,868,683

29.11 Through Finance Act 2018, corporate tax rates for year ended December 31, 2018 and onwards were reduced by 1% for each subsequent tax year uptil tax year 2023 (financial year ending December 31, 2022). Subsequently, through Finance Act, 2019, the said change was deleted and corporate tax rates were fixed at 29% for tax year 2019 and onwards. This represents amount of related charge / (reversal) in deferred tax related to aforementioned changes.

(Amounts in thousand)

30. DISCONTINUED OPERATIONS

As explained in note 1.1.1, the Holding Company has disposed of its entire investment in EEF, the summary of which is as follows:

30.1 Summary of gain on disposal of EEF

	Note	2019 -----Rupees----
Sale proceed on disposal		1,972,505
Less : Net assets of the subsidiary	30.2	(1,852,505)
		120,000
Realized exhange gain on translation of reserves	30.3	684,571
		804,571

30.2 An analysis of assets and liabilities attributable to discontinued operations as at the time of disposal is as follows:

	2019 -----Rupees----
Assets attributable to discontinued operations	
- Advances, deposits and prepayments	5,371
- Trade debts	222,108
- Accrued income	48,488
- Short-term investments	1,630,724
- Balance with banks	45,219
	1,951,910
Liabilities associated with discontinued operations	
- Service benefits obligations	661
- Trade and other payables	98,744
	99,405
	1,852,505

30.3 Amount recognised in other comprehensive income and accumulated in equity relating to discontinued operations

Amount recognised in other comprehensive income and accumulated in equity relating to discontinued operations	684,571

30.4 Financial performance of discontinued operations is as follows:

	2019	2018
	--------------Rupees-----------	
Administrative expenses	(2,490)	(6,584)
Other income	40,351	37,095
Other operating expenses	(968)	(11,950)
Finance cost	(707)	(623)
Profit before taxation	36,186	17,938
Taxation	-	-
Profit for the period	36,186	17,938
Other comprehensive income	275,754	325,634
Total comprehensive income for the period	311,940	343,572

30.5 Net cashflows attributable to discontinued operations

	2019	2018
	--------------Rupees-----------	
Net cash generated from / (utilized in) operating activities	398	(26,891)
Net cash generated from investing activities	-	47,809
Net cash utilized in financing activities	(42,957)	(73,665)
	(42,559)	(52,747)

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 As at December 31, 2019, there is no dilutive effect on the basic earnings per share of the Holding Company. EPS is based on following :

	2019	2018
	--------------Rupees-----------	
Profit for the year		
- continued operations	16,835,037	17,395,580
- discontinued operations	36,186	17,938
	16,871,223	17,413,518
	----Numbers (in thousands)----	
Weighted average number of shares for determination of basic / diluted EPS	1,335,299	1,335,299

32. FINANCING STRUCTURE / MODE

Conventional mode:	2019	2018
	--------------Rupees-----------	
Assets		
Short term investments	5,511,544	7,722,469
Cash and bank balances	3,248,048	589,906
	8,759,592	8,312,375
Liabilities		
Long term borrowings	29,752,449	27,892,415
Short term borrowings	1,910,901	941,307
	31,663,350	28,833,722
Shariah compliant mode:		
Assets		
Cash and bank balances	165,425	139,930
Liabilities		
Long term borrowings	1,200,000	2,918,214
Short term borrowings	75,009	68,661
	1,275,009	2,986,875

(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:

	2019			2018		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	------Rupees------			------Rupees------		
Managerial remuneration including bonus	96,532	1,109	1,978,815	73,888	1,300	1,745,893
Retirement benefits funds	4,489	94	185,838	10,943	110	186,050
Other benefits	20	1	25,544	14	4	54,370
Fees	-	10,154	-	-	2,050	-
Total	101,041	11,358	2,190,197	84,845	3,464	1,986,313
Number of persons, including those who worked part of the year	2	8	384	3	7	345

33.2 These amounts are net off salaries, wages and others staff benefits incurred on behalf of EAPL and subsequently charged to EAPL.

33.3 The Holding Company also provides vehicles and certain household items for use of some executives and directors.

33.4 Premium charged in respect of directors' indemnity insurance policy, purchased by the Holding Company during the year, amounted to Rs. 304 (2018: Rs. 295).

34. RETIREMENT AND OTHER SERVICE BENEFITS

34.1 Salient features

The Parent 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 Act, 2017, 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, 2019, 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			
	2019	2018	2019	2018	2019	2018
	------Rupees------					
34.2.1 Consolidated statement of financial position reconciliation						
Present value of obligation	394,314	325,678	64,519	104,068	24,018	24,600
Fair value of plan assets	(177,620)	(176,611)	(112,936)	(136,832)	(38,277)	(38,104)
Deficit / (surplus) of funded plans	216,694	149,067	(48,417)	(32,764)	(14,259)	(13,504)
Payable to Defined Contribution Gratuity Fund	-	-	9,736	9,736	-	-
Payable in respect of inter-transfers	-	-	46	46	-	-
Unrecognised asset	-	-	-	-	14,259	13,504
Net liability / (asset) at end of the year	216,694	149,067	(38,635)	(22,982)	-	-
34.2.2 Movement in net liability / (asset) recognised						
Net liability / (asset) at beginning of the year	149,067	131,832	(22,982)	(29,899)	-	-
Charge / (Reversal) for the year	37,071	27,770	(785)	2,361	(1,621)	(970)
Remeasurements charged to OCI (note 34.2.7)	31,642	(8,198)	(14,868)	4,556	1,621	970
Liability in respect of promotion out	(1,086)	(2,337)	-	-	-	-
Net liability / (asset) at end of the year	216,694	149,067	(38,635)	(22,982)	-	-

(Amounts in thousand)

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan-Funded (Curtailed)	
	NMPT		MPT			
	2019	2018	2019	2018	2019	2018
	---Rupees---					
34.2.3 Movement in defined benefit obligation						
As at beginning of the year	325,678	296,881	104,068	146,542	24,600	29,156
Current service cost	17,512	16,364	3,149	5,325	-	-
Interest cost	42,599	26,217	10,112	10,116	2,881	2,384
Benefits paid during the year	(19,545)	(10,576)	(52,741)	(56,559)	(3,929)	(4,042)
Liability in respect of promotion out	(1,086)	(2,337)	-	-	-	-
Remeasurements charged to OCI (note 34.2.7)	29,156	(871)	(69)	(1,356)	466	(2,898)
As at end of the year	394,314	325,678	64,519	104,068	24,018	24,600
34.2.4 Movement in fair value of plan assets						
At beginning of the year	176,611	165,049	136,832	186,223	38,104	40,713
Expected return on plan assets	23,040	14,811	14,047	13,080	4,502	3,354
Benefits paid during the year	(19,545)	(10,576)	(52,741)	(56,559)	(3,929)	(4,042)
Remeasurements charged to OCI (note 34.2.7)	(2,486)	7,327	14,799	(5,912)	(400)	(1,921)
As at end of the year	177,620	176,611	112,936	136,832	38,277	38,104
34.2.5 Charge / (reversal) for the year						
Current service cost	17,512	16,364	3,149	5,325	-	-
Net interest cost	19,559	11,406	(3,934)	(2,964)	(1,621)	(970)
	37,071	27,770	(785)	2,361	(1,621)	(970)
34.2.6 Actual return on plan assets	21,625	23,111	28,912	8,242	4,102	2,254

(Amounts in thousand)

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan-Funded (Curtailed)	
	NMPT		MPT			
	2019	2018	2019	2018	2019	2018
	---Rupees---					
34.2.7 Remeasurement recognised in consolidated statement of comprehensive income						
(Gain) / Loss from change in experience assumptions	29,812	(2,115)	(69)	(1,356)	(1,132)	2,636
Loss / (Gain) from change in financial assumptions	(656)	1,244	-	-	1,598	(5,534)
Remeasurement of obligation	29,156	(871)	(69)	(1,356)	466	(2,898)
Expected return on plan assets	23,040	14,811	14,047	13,080	4,502	3,354
Actual return on plan assets	(21,625)	(23,111)	(28,912)	(8,242)	(4,102)	(2,254)
Difference in fair value opening	1,071	973	66	1,074	-	821
Remeasurement of plan assets	2,486	(7,327)	(14,799)	5,912	400	1,921
Effect of asset ceiling	-	-	-	-	755	1,947
	31,642	(8,198)	(14,868)	4,556	1,621	970
34.2.8 Principal actuarial assumptions used in the actuarial valuation						
Discount rate	11.3%	13.3%	11.3%	12.8%	11.3%	12.8%
Expected per annum rate of return on plan assets	11.3%	13.3%	11.3%	12.8%	11.3%	12.8%
Expected per annum rate of increase in salaries - next year	10.3%	12.3%	11.3%	12.8%	-	-
Expected per annum rate of increase in salaries-long term	10.3%	12.3%	11.3%	12.8%	-	-

34.2.9 Demographic Assumptions

	NMPT	MPT	Pension 2019	Pension 2018
Mortality rate	SLIC (2001-05) - I	SLIC (2001-05) - I	SLIC (2001-05) - I	PMA-PFA (80) - 2
Rate of employee turnover	Light	Heavy	-	-

(Amounts in thousand)

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 Funds		Pension Fund	Gratuity Funds		Pension Fund
	NMPT	MPT		NMPT	MPT	
	------------------------------------Rupees------------------------------------					
Discount rate	359,920	61,836	22,928	433,810	67,360	25,215
Long Terms Salary Increases	433,810	67,360	-	359,333	101,132	-
Logn Terms Pension Increases	-	-	25,343	-	61,812	22,800

34.2.11 Maturity Profile

	Gratuity Funds		
Time In Years	NMPT	MPT	Pension Fund
	------------------------Rupees----------------------		
1	27,197	4,413	3,910
2	24,539	6,982	3,910
3	16,424	10,266	3,910
4	35,405	2,033	3,910
5-10	232,246	95,986	3,910
11-15	450,279	7,534	3,910
16-20	861,586	13,230	3,910
20+	1,838,393	-	3,910
Weighted average duration (years)	8.72	4.16	4.54

34.2.12 Plan assets comprise of the following:

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan - Funded (Curtailed)	
	NMPT		MPT*			
	2019		2019		2019	
	Rupees	(%)	Rupees	(%)	Rupees	(%)
Fixed income instruments	128,077	72	87,876	78	38,277	100
Investment in equity instruments	49,543	28	25,060	22	-	-
	177,620	100	112,936	100	38,277	100

* The employees of the Holding Company in respect of gratuity are members of Defined Benefit Gratuity Fund maintained and opearated 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 reporting date.

(Amounts in thousand)

34.2.14 Expected future cost / (reversal) for the year ending December 31, 2020 is as follows:

	Rupees
- Gratuity Fund - NMPT	44,831
- Gratuity Fund - MPT	(2,660)
- Pension Fund	(1,521)

34.2.15 Historical information of staff retirement benefits:

	2019	2018	2017	2016	2015
	-------------------------------Rupees-------------------------------				
Gratuity Fund - NMPT					
Present value of defined benefit obligation	394,314	325,678	296,881	238,301	228,376
Fair value of plan assets	(177,620)	(176,611)	(165,049)	(168,767)	(169,638)
Deficit	216,694	149,067	131,832	69,534	58,738
Gratuity Fund - MPT					
Present value of defined benefit obligation	64,519	104,068	146,542	137,729	149,332
Fair value of plan assets	(112,936)	(136,832)	(186,223)	(165,178)	(166,957)
Surplus	(48,417)	(32,764)	(39,681)	(27,449)	(17,625)
Pension Fund					
Present value of defined benefit obligation	24,018	24,600	29,156	32,132	33,367
Fair value of plan assets	(38,277)	(38,104)	(40,713)	(44,213)	(40,835)
Surplus	(14,259)	(13,504)	(11,557)	(12,081)	(7,468)

34.3 Defined contribution plans

An amount of Rs. 289,363 (2018: Rs. 226,016) has been charged during the year in respect of defined contribution plans maintained by the Parent Company.

35. CASH GENERATED FROM OPERATIONS

	2019	2018
	-------------Rupees-----------	
Profit before taxation	27,397,603	24,282,201
Adjustment for non-cash charges and other items:		
Depreciation (note 4.2)	5,601,299	5,166,276
Amortisation of intangibles (note 5.3)	76,130	28,413
Amortisation of deferred income	(3,865)	(3,865)
Gain on disposal of property, plant and equipment (note 26)	(713,842)	(21,316)
Provision for retirement and other service benefits	85,130	68,496
Income on deposits / other financial assets	(2,556,240)	(493,572)
Gain on disposal of subsidiary (note 30.1)	(804,571)	-
Exchange loss on revaluation of long term borrowings	247,353	-
Amortization of transaction cost on borrowings	16,884	10,521
Finance cost (note 28)	3,622,633	2,060,412
Provision for net realisable value of stock-in-trade (note 8)	28,785	30,000
Provision for surplus and slow moving stores and spares (note 7)	177,813	233,914
Reversal of provision of stores and spares (note 7)	(26,399)	-
Provision against trade debts (note 9)	30,569	18,230
Provision against sales tax receivable (note 27)	244,000	-
Working capital changes (note 35.1)	106,208	(1,057,057)
	33,529,490	30,322,653

(Amounts in thousand)

		2019	2018
35.1	Working capital changes	------------Rupees----------	
	(Increase) / Decrease in current assets		
	- Stores, spares and loose tools	(127,219)	(279,407)
	- Stock-in-trade	(998,114)	(3,932,095)
	- Trade debts	(5,317,525)	(3,709,153)
	- Loans, advances, deposits and prepayments	(1,550,371)	(5,274)
	- Other receivables	(589,612)	(236,815)
		(8,582,841)	(8,162,744)
	Decrease in trade and other payables	8,689,049	7,105,687
		106,208	(1,057,057)

36. CASH AND CASH EQUIVALENTS

	2019	2018
Cash and bank balances (note 13)	3,413,473	729,836
Short term investments with original maturity less than 3 months (note 12)	2,602,394	90,100
Short term borrowings (note 20)	(1,985,910)	(1,009,968)
	4,029,957	(190,032)

37. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets at amortised cost

	2019	2018
- Loans, advances and deposits	1,190,280	506,771
Trade debts	14,174,520	9,109,671
Other receivables	6,648,252	6,723,945
Accrued income	105,910	54,038
Short term investment	206,207	1,477,856
Cash and bank balances	3,413,473	729,836
	25,738,642	18,602,117

Financial assets at Fair value through other comprehensive income

	2019	2018
- Short term investments	5,305,337	6,244,613

Financial liabilities at amortised cost

	2019	2018
Long term borrowings	30,952,449	30,810,629
Trade and other payable	34,892,391	22,930,314
Accrued interest / mark-up	587,866	425,920
Short term borrowings	1,985,910	1,009,968
	68,418,616	55,176,831

(Amounts in thousand)

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.

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.

As at December 31, 2019, if exchange 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. 9,743.

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 Group 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, 2019, 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. 194,730.

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.

(Amounts in thousand)

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.

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 Board of Directors.

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:

	2019	2018
	------------Rupees----------	
Loans, advances and deposits	1,190,280	506,771
Trade debts	14,174,520	9,109,671
Other receivables	6,648,252	6,723,950
Accrued income	105,910	54,038
Short term investments	5,511,544	7,722,469
Bank balances	3,410,558	728,636
	31,041,064	24,794,096

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	
	Rating Agency	Short Term	Long Term
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Bank Al Habib Limited	PACRA	A1+	AA+
Bank Islami Pakistan Limited	PACRA	A1	A+
The Bank of Punjab	PACRA	A1+	AA
Albaraka Bank (Pakistan) Limited	PACRA	A1	A
Citi Bank N.A.	MOODY'S	P1	Aa3
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A1+	AA
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1+	AA-
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A1+	AA+
National Bank of Pakistan	PACRA	A1+	AAA
Samba Bank Limited	JCR-VIS	A1	AA
Silk Bank Limited	JCR-VIS	A2	A-
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A1+	AAA

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 statement of financial position 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 reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2019			2018		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	---------------------Rupees-------------------			---------------------Rupees------------------		
Financial liabilities						
Long term borrowings	8,760,351	22,192,098	30,952,449	5,095,584	25,715,045	30,810,629
Trade and other payables	34,892,391	-	34,892,391	22,930,314	-	22,930,314
Accrued interest / mark-up	587,866	-	587,866	425,920	-	425,920
Short term borrowings	1,985,910	-	1,985,910	1,009,968	-	1,009,968
	46,226,518	22,192,098	68,418,616	29,461,786	25,715,045	55,176,831

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, 2019 based on total long term borrowings of Rs. 30,952,449 (2018: Rs. 30,810,629) and total equity of Rs. 43,279,460 (2018: Rs. 45,523,155) was 42%:58% (2018: 40%:60%).

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

As at December 31, 2019, all financial assets and financial liabilities are carried at amortised cost except for investment in Treasury Bills which are carried at their fair values.

The carrying value of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values. The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level1);
- 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); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

The table below analyses financial instruments carried at fair value by valuation method.

	Level 1	Level 2	Level 3	Total
	----------Rupees----------			
Assets				
Short term investments				
FV through OCI	-	5,305,337	-	5,305,337

These represents Treasury Bills which are valued using discounted cash flow model.

38.4 Fair value of financial assets and liabilities

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

(Amounts in thousand)

39. TRANSACTIONS WITH RELATED PARTIES

Following are the names of associated companies, undertakings and other related parties with whom the Group had entered into transactions or had agreements and arrangements in place during the year:

Name of Related parties	Direct shareholding	Relationship
Engro Corporation Limited	56.27%	Parent Company
EFERT Agritrade (Private) Limited	100%	Subsidiary Company
Engro Eximp FZE	N/A	Subsidiary of Parent Company
Dawood Lawrencepur Limited	N/A	Associate of Parent Company
Engro Digital Limited	N/A	Subsidiary of Parent Company
Engro Elengy Terminal (Private) Limited	N/A	Subsidiary of Parent Company
Engro Eximp Agriproducts (Private) Limited	N/A	Subsidiary of Parent Company
FrieslandCampina Engro Pakistan Limited	N/A	Associate of Parent Company
Engro Foundation	N/A	Associate of Parent Company
Engro Polymer & Chemicals Limited	N/A	Subsidiary of Parent Company
Engro Powergen Qadirpur Limited	N/A	Subsidiary of Parent Company
Engro Infiniti (Pvt) Ltd	N/A	Subsidiary of Parent Company
Engro Powergen Thar (Private) Limited	N/A	Subsidiary of Parent Company
Engro Vopak Terminal Limited	N/A	Associate of Parent Company
Sindh Engro Coal Mining Company Limited	N/A	Associate of Parent Company
Pakistan Institute of Corporate Governance (PICG)	N/A	Associate of Parent Company
Dawood Foundation	N/A	Associate of Parent Company
Karachi School of Business and Leadership	N/A	Associate of Parent Company
Abdul Samad Dawood	N/A	Director
Asad Said Jafar	N/A	Director
Asim Murtaza Khan	N/A	Director
Javed Akbar	N/A	Director
Sadia Khan	N/A	Director
Nadir Salar Qureshi	N/A	Chief Executive Officer
Amir Iqbal	N/A	Key Management Personnel
Asif Sultan Tajik	N/A	Key Management Personnel
Mohammad Azhar Malik	N/A	Key Management Personnel
Mohsin Ali Mangi	N/A	Key Management Personnel
Muhammad Majid Latif	N/A	Key Management Personnel
Imran Ahmed	N/A	Key Management Personnel
Salman Goheer	N/A	Key Management Personnel
Shahzad Nabi	N/A	Key Management Personnel
Fahd Khawaja	N/A	Key Management Personnel
FrieslandCampina Engro Pakistan Limited Employees Gratuity Fund	N/A	Associate of Parent Company
Engro Corporation Limited. - DC Pension Fund	N/A	Post Employment Benefits
Engro Corporation Limited. - MPT Gratuity Fund	N/A	Post Employment Benefits
Engro Corporation Limited. - NMPT Gratuity Fund	N/A	Post Employment Benefits
Engro Corporation Limited. - DB Pension Fund	N/A	Post Employment Benefits
Engro Corporation Limited. - DC Gratuity Fund	N/A	Post Employment Benefits
Engro Corporation Limited. - Provident Fund	N/A	Post Employment Benefits

(Amounts in thousand)

39.2 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:

	2019	2018
	----------Rupees----------	
Parent Company		
Dividend paid	10,518,369	8,264,433
Purchases and services	513,558	408,698
Services provided to Parent Company	56,776	52,128
Reimbursements made:		
- by the Company	206,865	118,061
- to the Company	211,818	513,455
Expenses incurred on behalf of the Company	-	14,106
Associated companies		
Purchases and services	159,465	99,219
Sale of products	2,798	340
Services provided	82,778	106,259
Reimbursements		
- by the Company	88,122	15,838
- to the Company	13,722	61,159
Proceeds against sale of land	705,600	-
Payment of mark-up on TFCs and repayment of principal amount	-	1,025
Donations	230,200	96,000
Dividend paid to Trustees of FrieslandCampina Engro Pakistan Limited Employees Gratuity Fund	1,104	-
Contribution to staff retirement benefits		
Pension fund	56,493	17,759
Gratuity fund	132,274	119,773
Provident fund	145,808	134,265
Dividend paid to staff retirement benefits		
Pension fund	994	1,438
Gratuity fund	4,502	3,607
Provident fund	8,568	7,068
Others		
Remuneration of key management personnel	281,594	269,019

40. PRODUCTION CAPACITY

	Disigned annual capacity Metric Tons		Actual production Metric Tons		Remarks
	2019	2018	2019	2018	
Urea plant I & II	2,275,000	2,275,000	2,003,035	1,928,080	Production planned as per market demand
NPK plant	100,000	100,000	134,784	132,790	

(Amounts in thousand)

41. OPERATING SEGMENT RESULTS

	Urea		Phosphate		Special Fertilizers Business		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	-----Rupees-----									
Sales	70,886,927	58,906,475	39,331,492	41,163,843	12,004,398	11,750,897	1,732,570	974,030	123,955,386	112,795,245
Inter-segment sales	1,387,354	1,041,104	-	-	-	-	-	-	1,387,354	1,041,104
Less: Sales tax	(1,402,488)	(1,987,779)	(782,535)	(957,572)	(329,849)	(651,483)	(10,332)	(1,825)	(2,525,204)	(3,598,659)
	70,871,793	57,959,801	38,548,957	40,206,271	11,674,548	11,099,414	1,722,238	972,204	122,817,536	110,237,690
Profit before taxation	24,495,013	20,099,662	2,811,585	3,915,430	740,713	930,572	(649,708)	(663,463)	27,397,603	24,282,201
Segment assets	96,561,557	87,801,147	14,394,706	15,842,336	4,942,794	5,001,673	2,116,827	592,532	118,015,884	109,237,688
Unallocated assets	-	-	-	-	-	-	-	-	9,030,927	8,506,343
Total assets	96,561,557	87,801,147	14,394,706	15,842,336	4,942,794	5,001,673	2,116,827	592,532	127,046,811	117,744,031
Depreciation and amortization	5,570,615	5,159,153	-	-	75,767	35,536	31,047	-	5,677,429	5,194,689
Capital expenditure	2,427,433	4,202,264	-	-	33,125	33,735	1,365,033	97,448	3,825,591	4,333,447

	2019	2018
	----------Rupees----------	

41.1 Reconciliation of reportable segment net sales

	2019	2018
Total net sales for reportable segment	122,817,536	110,237,690
Elimination of intersegment net sales	(1,387,354)	(1,041,104)
Elimination of net sales to subidiary	(75,424)	-
Total net sales	121,354,758	109,196,586

41.2 Reconciliation of reportable segment total assets

	2019	2018
Total assets for reportable segments	118,015,884	109,237,688
Add:		
- Accrued income	105,910	54,038
- Short term investments	5,511,544	7,722,469
- Cash and Bank balances	3,413,473	729,836
	9,030,927	8,506,343
Total assets	127,046,811	117,744,031

42. NUMBER OF EMPLOYEES

	Number of employees as at December 31,		Average number of employees as at December 31,	
	2019	2018	2019	2018
Management employees	729	722	748	722
Non-management employees	531	530	524	509
	1,260	1,252	1,272	1,231

(Amounts in thousand)

43. PROVIDENT FUND

The employees of the Holding Company participate in the Provident Fund maintained by the Parent Company. The investments out of the provident funds have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the conditions specified there under.

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. NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors in its meeting held on February 17, 2020 has proposed a final cash dividend of Rs. 2 per share for the year ended December 31, 2019 amounting to Rs. 2,670,599 for approval of the members at the Annual General Meeting to be held on March 31, 2020.

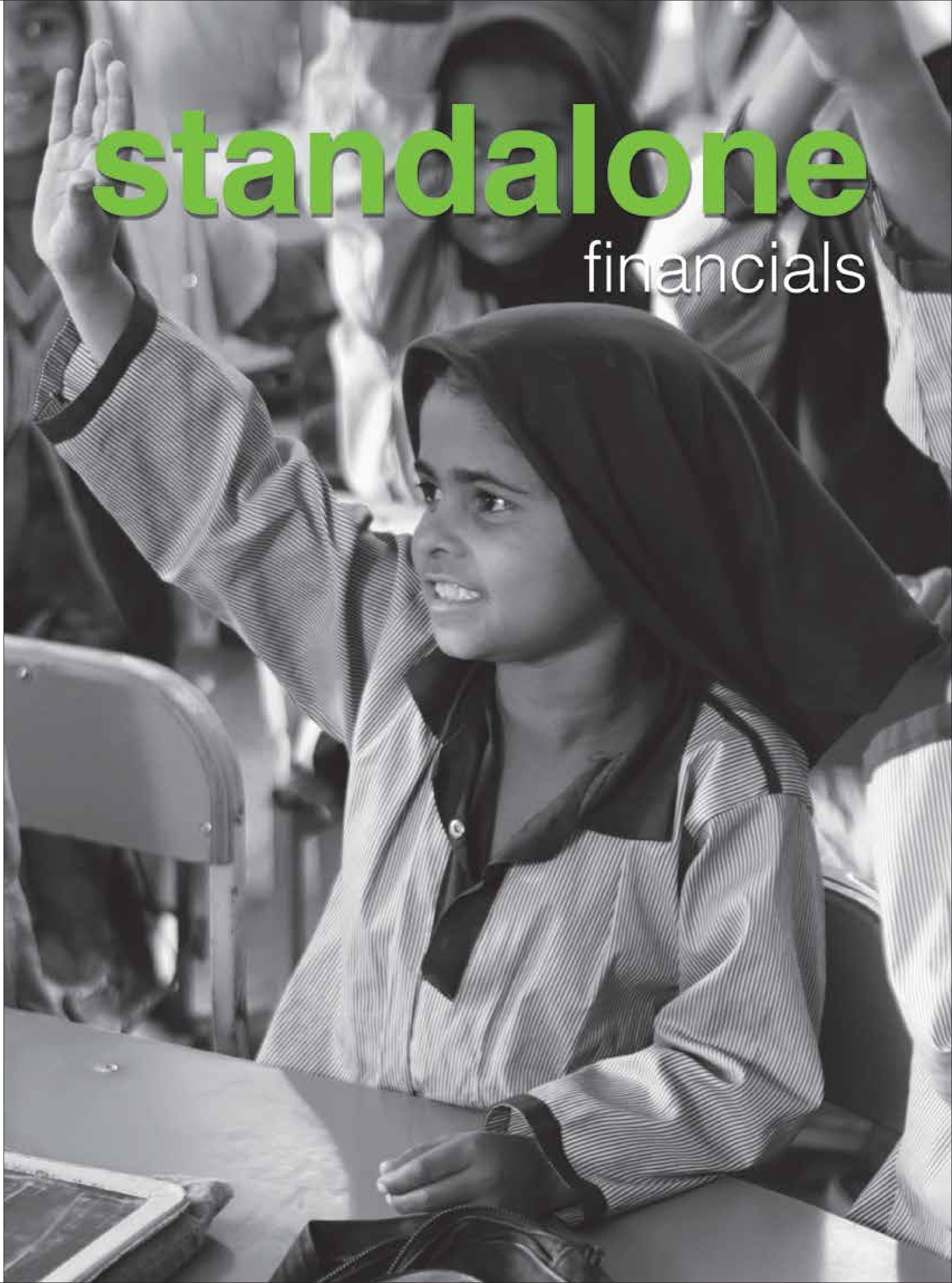
46. CORRESPONDING FIGURES

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

47. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on February 17, 2020 by the Board of Directors of the Holding Company.

Imran Ahmed Chief Financial Officer	Nadir Salar Qureshi Chief Executive	Ghias Khan Chairman



independent auditor's report

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To the members of Engro Fertilizers Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Engro Fertilizers Limited (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof confirm with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2019 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1.	**Income tax and Sales tax provisions and contingencies** (Refer note 23 and 31 to the financial statements) The Company has recognized provisions and has disclosed contingent liabilities in respect of certain income tax and sales tax matters, which are pending adjudication before various appellate and legal forums. Provisions and contingencies require management of the Company to make judgements and estimates in relation to the interpretation of laws, statutory rules, regulations, and the probability of outcome and financial impact, if any, on the Company in respect of such provisions and contingencies. Due to significance of amounts involved, inherent uncertainties with respect to the outcome of these matters and use of significant management judgement and estimates to assess the same including related financial impacts, we have considered provisions and contingent liabilities relating to income tax and sales tax matters involving the Company as a key audit matter.	Our audit procedures included the following: - obtained and examined details of the pending tax matters and discussed the same with the Company's management; - circularized confirmations to the Company's external legal and tax advisors for their views on matters being handled by them; - involved internal tax professionals to assess management's conclusions on contingent tax matters and evaluated the consistency of such conclusions with the views of management and external legal and tax advisors engaged by the Company; - checked correspondence of the Company with the relevant authorities including judgments or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved; - checked mathematical accuracy of the calculations underlying the provisions, if any; and - assessed the adequacy of the related disclosures made in the financial statements with respect to the applicable accounting and reporting standards.
2.	**Provision in respect of Gas Infrastructure Development Cess** (Refer note 21.1 to the financial statements) As at December 31, 2019, the Company carries a provision of Rs. 18,943 million in respect of Gas Infrastructure Development Cess (GIDC).	Our audit procedures included the following: - obtained an understanding of the background facts pertaining to provision recorded in respect of GIDC through meetings with the management and review of

S.No.	Key audit matters	How the matter was addressed in our audit
	The Company has obtained ad-interim stay orders against the GIDC Act, 2015 from the Sindh High Court which has restrained the gas supplying companies from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. In a separate case, Peshawar High Court passed a judgment on May 31, 2017 validating the new GIDC Act, against which the Company has filed a petition in the Supreme Court of Pakistan, which is pending to date alongwith petitions of various other companies raised on the grounds similar to those being contested by the Company. Further, subsequent to year end, the Federal Government through notification dated January 28, 2020 has reduced the GIDC on gas consumed by fertilizer manufacturers to Rs. 5/MMBTU with effect from January 28, 2020. The management believes that the provision recorded as at December 31, 2019 in respect of GIDC represents the management's current best estimate of the potential liability. Due to significance of the amounts involved in the aforementioned matter and the legal forum at which this matter is currently pending, the ultimate outcome and the resultant accounting in the financial statements is subject to the exercise of significant judgement which may change over time as new facts emerge and the legal case progresses. Therefore, we have considered this to be a key audit matter.	the minutes of the meetings of those charged with governance; - read correspondence of the Company with the regulatory authorities and Company's external legal counsel; - obtained confirmation from external legal counsel in respect of the current developments in the case including their assessment of the potential outcome of the matter; and - assessed the adequacy of provisioning based on the advice of the legal counsel and the appropriateness of related disclosures made in the financial statements in accordance with the accounting and reporting standards.

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Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) 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.

The engagement partner on the audit resulting in this independent auditor's report is Waqas Aftab Sheikh.

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Date: March 9, 2020

statement of financial position as at december 31, 2019

(Amounts in thousand)

	Note	2019	2018
		------------------Rupees----------------	
ASSETS			
Non-current assets			
Property, plant and equipment	4	65,924,426	68,203,956
Intangible assets	5	5,071,003	4,487,771
Investment in subsidiaries	6	100	560,416
Long term loans and advances	7	162,852	140,784
		71,158,381	73,392,927
Current assets			
Stores, spares and loose tools	8	5,301,092	5,325,287
Stock-in-trade	9	3,568,895	2,959,696
Trade debts	10	10,009,934	2,374,797
Working capital loan to subsidiary	11	16,245,774	13,677,700
Loans, advances, deposits and prepayments	12	1,735,337	702,171
Other receivables	13	8,639,451	8,322,330
Accrued income		779,897	439,345
Taxation - net		2,757,547	-
Short-term investments	14	5,501,944	6,334,613
Cash and bank balances	15	3,409,674	642,060
		57,949,545	40,777,999
TOTAL ASSETS		129,107,926	114,170,926

(Amounts in thousand)

	Note	2019	2018
		------------------Rupees----------------	
EQUITY & LIABILITIES			
Equity			
Share capital	16	13,352,993	13,352,993
Reserves			
Share premium	17	3,384,904	3,384,904
Reserve on amalgamation	17	(304,027)	(304,027)
Remeasurement of post employment benefits	17	(56,993)	(45,083)
Unappropriated profit	17	26,475,684	26,606,961
		29,499,568	29,642,755
TOTAL EQUITY		42,852,561	42,995,748
Liabilities			
Non-current liabilities			
Borrowings	18	22,192,098	25,715,045
Deferred taxation	19	12,182,426	7,100,022
Deferred liabilities	20	254,538	252,050
		34,629,062	33,067,117
Current liabilities			
Trade and other payables	21	40,648,651	28,649,601
Accrued interest / mark-up		554,985	405,620
Taxation - net		-	3,203,439
Current portion of:			
- borrowings	18	8,760,351	5,095,584
- deferred liabilities	20	55,585	51,267
Short term borrowings	22	1,546,685	636,878
Unclaimed dividend		60,046	65,672
		51,626,303	38,108,061
TOTAL LIABILITIES		86,255,365	71,175,178
Contingencies and Commitments	23		
TOTAL EQUITY AND LIABILITIES		129,107,926	114,170,926

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

Imran Ahmed	Nadir Salar Qureshi	Ghias Khan
Chief Financial Officer	Chief Executive	Chairman

statement of profit or loss
for the year ended december 31, 2019

(Amounts in thousand except for earnings per share)

	Note	2019	2018
		------------------Rupees----------------	
Net sales	24	79,236,924	66,141,478
Cost of sales	25	(46,524,154)	(38,232,280)
Gross profit		32,712,770	27,909,198
Selling and distribution expenses	26	(6,772,924)	(6,367,371)
Administrative expenses	27	(1,197,714)	(1,446,802)
		24,742,132	20,095,025
Other income	28	8,801,596	4,877,969
Other operating expenses	29	(2,620,254)	(1,518,014)
Finance cost	30	(3,687,828)	(2,055,153)
		(6,308,082)	(3,573,167)
Profit before taxation		27,235,646	21,399,827
Taxation	31	(8,672,732)	(4,731,143)
Profit for the year		18,562,914	16,668,684
Earnings per share - basic and diluted	32	13.90	12.48

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

Imran Ahmed	Nadir Salar Qureshi	Ghias Khan
Chief Financial Officer	Chief Executive	Chairman

statement of comprehensive income
for the year ended december 31, 2019

(Amounts in thousand)

	2019	2018
	------------------Rupees----------------	
Profit for the year	18,562,914	16,668,684
Other comprehensive income:		
Items not re-classifiable to Profit or Loss		
Remeasurement of post employment benefits obligations	(16,774)	3,642
Tax relating to remeasurement of post employment benefits obligation	4,864	(1,056)
Other comprehensive (loss) / income for the year, net of tax	(11,910)	2,586
Total comprehensive income for the year	18,551,004	16,671,270

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

Imran Ahmed	Nadir Salar Qureshi	Ghias Khan
Chief Financial Officer	Chief Executive	Chairman

statement of changes in equity
for the year ended december 31, 2019

(Amounts in thousand)

		Reserves				
		Capital		Revenue		
	Share capital	Share premium	Reserve on amalgamation	Remeasurement of post employment benefits	Unappropriated profit	Total
	--------------------	--------------------	--------------------	Rupees	--------------------	--------------------
Balance as at January 1, 2019	13,352,993	3,384,904	(304,027)	(45,083)	26,606,961	42,995,748
Transactions with owners						
Dividends:						
- Final 2018: Rs. 3.00 per share	-	-	-	-	(4,005,898)	(4,005,898)
- 1st interim 2019: Rs. 5.00 per share	-	-	-	-	(6,676,497)	(6,676,497)
- 2nd interim 2019: Rs. 6.00 per share	-	-	-	-	(8,011,796)	(8,011,796)
	-	-	-	-	(18,694,191)	(18,694,191)
Total comprehensive income for the year ended December 31, 2019						
Profit for the year	-	-	-	-	18,562,914	18,562,914
Other comprehensive income:						
- remeasurements, net of tax	-	-	-	(11,910)	-	(11,910)
	-	-	-	(11,910)	18,562,914	18,551,004
Balance as at December 31, 2019	13,352,993	3,384,904	(304,027)	(56,993)	26,475,684	42,852,561
Balance as at January 1, 2018	13,352,993	3,384,904	(304,027)	(47,669)	24,626,571	41,012,772
Transactions with owners						
Dividends:						
- Final 2017: Rs. 3.00 per share	-	-	-	-	(4,005,898)	(4,005,898)
- 1st interim 2018: Rs. 4.00 per share	-	-	-	-	(5,341,198)	(5,341,198)
- 2nd interim 2018: Rs. 4.00 per share	-	-	-	-	(5,341,198)	(5,341,198)
	-	-	-	-	(14,688,294)	(14,688,294)
Total comprehensive income for the year ended December 31, 2018						
Profit for the year	-	-	-	-	16,668,684	16,668,684
Other comprehensive income :						
- remeasurements, net of tax	-	-	-	2,586	-	2,586
	-	-	-	2,586	16,668,684	16,671,270
Balance as at December 31, 2018	13,352,993	3,384,904	(304,027)	(45,083)	26,606,961	42,995,748

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

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

statement of cash flows
for the year ended december 31, 2019

(Amounts in thousand)

	Note	2019	2018
		----------Rupees----------	
Cash Flows From Operating Activities			
Cash generated from operations	36	32,734,532	34,873,494
Retirement and other service benefits paid		(73,060)	(48,862)
Taxes paid		(9,546,447)	(4,730,156)
Long-term loans and advances - net		(22,068)	(6,249)
Net cash generated from operating activities		23,092,957	30,088,227
Cash Flows From Investing Activities			
Purchases of property, plant and equipment and intangibles		(4,018,508)	(4,495,017)
Proceeds from disposal of property, plant and equipment	4.3	751,219	28,586
Disbursement of working capital loan to subsidiary		(32,021,900)	(40,477,400)
Payment received against working capital loan to subsidiary		29,453,826	28,799,700
Purchase of short-term investments		(34,008,649)	(54,211,448)
Proceeds from sale of short-term investments		37,353,711	52,966,271
Proceeds from disposal of subsidiary company	6.1	1,972,505	-
Dividends received		1,813,716	1,474,088
Income on deposits / other financial assets		2,077,785	835,367
Net cash generated from / (utilised in) investing activities		3,373,705	(15,079,853)
Cash Flows From Financing Activities			
Proceeds from long-term borrowings		5,000,000	8,183,497
Repayment of long-term borrowings		(5,122,418)	(8,286,667)
Finance cost paid		(3,274,226)	(2,183,181)
Dividends paid		(18,699,817)	(14,647,515)
Net cash utilised in financing activities		(22,096,461)	(16,933,866)
Net increase / (decrease) in cash and cash equivalents		4,370,201	(1,925,492)
Cash and cash equivalents at beginning of the year		95,182	2,020,674
Cash and cash equivalents at end of the year	37	4,465,383	95,182

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

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

Engro Fertilizers Limited ('the Company') is a public company incorporated in Pakistan on June 29, 2009 as a wholly owned subsidiary of Engro Corporation Limited (the Holding Company), which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The Company is listed on Pakistan Stock Exchange Limited (PSX).

The Company is engaged in the manufacturing, purchasing and marketing of fertilizers, seeds and pestisides and providing logistics services. The business units of the Company include the following:

Business Unit	Geographical Location
Head / Registered Office	7th & 8th floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.
Engro Daharki Plant	District Ghotki, Sindh.
Engro Zarkhez Plant	EZ/ 1 / P – 1 – II Eastern Zone, Port Qasim, Karachi.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

2.1.2 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable on the Company comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and

- Provision of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the requirements of IFRS, the provisions of and directives issued under the Act have been followed for the preparation and presentation of the financial statements.

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.

(Amounts in thousand)

2.1.4 Initial application of a standard, amendment or an interpretation to an existing standard

a) Standards, amendments to published standards and interpretations effective during the year

The following new standards and interpretation to the accounting and reporting standards as applicable in Pakistan are effective for the first time for the year beginning on January 1, 2019 and are relevant to the Company:

- IFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39 "Financial Instruments: Recognition and Measurement" that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, without subsequent recycling to profit or loss.

  The standard also includes an expected credit losses (ECL) model that replaces the current incurred loss impairment model. The ECL model involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

  For financial liabilities, there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

  IFRS 9 also relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

  The adoption of IFRS 9 has resulted in change in accounting policies of the Company. The Company has applied IFRS 9 retrospectively, however, it has elected not to restate comparative information as permitted under the transitional provisions of the standard. The reclassifications and the adjustments arising from the new impairment rules are, therefore, not reflected in the statement of financial position as at December 31, 2018 and furthermore have not been recognised in the opening statement of financial position as on January 1, 2019 as the effects were not material.

  Furthermore, on January 1, 2019, the management has assessed which business models apply to the financial instruments held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories as follows:

(Amounts in thousand)

	Original classification under IAS 39	New classification under IFRS 9
Financial assets		
Loans, advances and deposits	Loans and receivables	Amortised cost
Trade debts	Loans and receivables	Amortised cost
Working capital loan to subsidiary	Amortised cost	Amortised cost
Other receivables	Loans and receivables	Amortised cost
Accrued income	Loans and receivables	Amortised cost
Short term investments		
- Term Deposit Receipts	Held to maturity	Amortised cost
- Treasury Bills	Held to maturity	Fair value through OCI
Cash and bank balances	Loans and receivables	Amortised cost
Financial liabilities		
Borrowings	Amortised cost	Amortised cost
Trade and other payables	Amortised cost	Amortised cost
Accrued interest / mark-up	Amortised cost	Amortised cost
Short term borrowings	Amortised cost	Amortised cost

Moreover, no material differences were noted in prior year figures as a result of applying the new expected credit loss model on the adoption of IFRS 9. The reclassifications of the financial instruments also did not result in any changes to measurements. Hence, there was no restatement of opening balances and reserves. Furthermore, there is no impact on the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows.

- IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The standard introduces a single five-step model for revenue recognition with a comprehensive framework based on the core principle that an entity should recognise revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Company has assessed that significant performance obligation in its contracts with customers are discharged at a single point of time, and therefore, there is no significant financial impact of this standard on the financial statements of the Company.

- IFRS 16 ‘Leases’ replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases. The Company has assessed that the application of this standard does not have any material financial impact on the financial statements of the Company.

- IFRIC 23 'Uncertainty over tax treatments' - clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments.The IFRS IC had clarified previously that IAS 12, not IAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.The impact of the above interpretation is not material on the financial statements of the Company.

  There are certain other amendments to published accounting and reporting standards and interpretations that are applicable for the financial year beginning on January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Company's financial reporting and operations and, therefore, have not been disclosed in these financial statements.

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

The following amendments are not effective for the financial year beginning on January 1, 2019 and have not been early adopted by the Company:

IAS 1, 'Presentation of financial statements and IAS 8, 'Accounting policies, changes in accounting estimates and errors (effective for the accounting periods beginning on and after January 1, 2020)

These amendments and consequential amendments to other IFRSs: (i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; (ii) clarify the explanation of the definition of material; and (iii) incorporate some of the guidance in IAS 1 about immaterial information. These amendments are not expected to have a significant impact on the Company's financial statements.

There are certain other standards and amendments to the published accounting and reporting standards that are not yet effective and are considered not to have any significant effect on the Company's financial reporting and operations and, therefore, have not been disclosed in these financial statements.

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 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 statement of profit or loss during the financial period in which they are incurred.

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

Depreciation is charged to the statement of profit or loss 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 depreciated 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 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 statement of profit or loss.

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 there been no recognition of impairment, except impairment of goodwill which is not reversed.

The useful lives of intangible assets are reviewed at each reporting 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 reporting 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 statement of profit or loss.

2.7 Financial assets

2.7.1 Classification, initial recognition and measurement

Financial assets are classified into appropriate categories on initial recognition and are subsequently measured at amortised cost at fair value through other comprehensive income or at fair value through profit or loss. The management determines the classification of financial assets into appropriate categories based on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss if it is not measured at amortised cost or at fair value through other comprehensive income.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets at amortised cost are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any. Interest income and impairment losses are recognised in profit or loss. Financial assets carried at fair value through other comprehensive income are initially and subsequently measured at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive income. Financial assets carried at fair value through profit or loss are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss. Realised and unrealised gains and losses arising from changes in the fair values of the financial assets and liabilities held at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise.

2.7.2 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset, in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of profit or loss and statement of comprehensive income.

2.7.3 Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables except for debts due from the Government of Pakistan which have been exempted from the application of Expected Credit Loss model under IFRS 9 for a limited period of three years upto June 30, 2021 by the Securities and Exchange Commission of Pakistan (SECP) through its S.R.O 985(I) / 2019 dated September 2, 2019.

2.8 Financial liabilities

The Company recognises a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial liability at its fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. Subsequently, financial liabilities are stated at amortised cost.

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

2.9 Offsetting financial instruments

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

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 reporting 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.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are shown separately as major spare parts and stand by equipment.

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 reporting 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 Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is charged to statement of profit or loss. Trade debts and other receivables considered irrecoverable are written-off.

2.13 Cash and cash equivalents

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

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 statement of profit or loss over the period of the borrowings using the effective interest rate 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 reporting date.

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 rate 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 statement of profit or loss, 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 reporting 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 statement of profit or loss 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 2.18.3. 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 2.18.3. Monthly contributions are made by the Company to the fund at the rate of 8.33% of basic salary.

All of the aforementioned funds are managed by the Holding Company.

2.18.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the Projected Unit Credit method, related details of which are given in note 35 to the financial statements.

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

2.18.3 In June 2011, the Company gave a one time irrevocable option 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 Company recognizes provision under a service incentive plan for certain category of experienced employees to continue in the Company's employment.

2.18.5 Employees' compensated absences

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

2.19 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, 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 reporting date and adjusted to reflect current best estimate.

2.20 Foreign currency transactions and translation

These financial statements are presented in Pakistan Rupees, which is the Company's functional 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 of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the statement of profit or loss.

2.21 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:

- In case of sale of goods, when control is transferred to customers which coincides with dispatch of goods to the customers;
- Revenue in respect of services is recognized when the services have been rendered;

- Income on deposits and other financial assets is recognised on accrual basis;
- Commission and sub-licensing income is recognised on accrual basis in accordance with the substance of the relevant agreement; and
- Dividend income on equity investment is recognised when the Company's right to receive the dividend is established.

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.

2.23 Research and development costs

Research and development costs are charged to statement of profit or loss as and when incurred.

2.24 Government grant

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

2.25 Earnings per share

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

2.26 Segment reporting

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

2.27 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 current and 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 35.

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.

3.5 Contingencies and Provisions

Significant estimates and judgements are being used by the management in accounting for contingencies and provisions relating to legal and taxation matters being contested at various forums based on applicable laws and the decisions / judgements.

4. PROPERTY, PLANT AND EQUIPMENT

	2019	2018
	------------Rupees-----------	
Operating assets at net book value (note 4.1)	62,586,001	64,471,674
Capital work in progress (CWIP) (note 4.6)	2,572,476	3,159,249
Major spare parts and stand-by equipment	765,949	573,033
	65,924,426	68,203,956

(Amounts in thousand)

4.1 Operating assets

	Land		Building on							
	Freehold	Leasehold (note 4.4)	Freehold	Leasehold	Plant and machinery	Gas pipeline	Catalyst	Office equipment	Vehicles	Total
	--				Rupees			--		
As at January 1, 2018										
Cost	155,773	144,900	2,726,333	440,178	95,511,944	2,525,843	1,397,152	1,039,812	409,605	104,351,540
Accumulated depreciation	-	(53,827)	(1,134,812)	(146,875)	(34,939,982)	(759,799)	(1,173,896)	(745,858)	(281,090)	(39,236,139)
Net book value	155,773	91,073	1,591,521	293,303	60,571,962	1,766,044	223,256	293,954	128,515	65,115,401
Year ended December 31, 2018										
Net book value - January 1, 2018	155,773	91,073	1,591,521	293,303	60,571,962	1,766,044	223,256	293,954	128,515	65,115,401
Transfers from CWIP (note 4.6.1)	-	-	76,791	-	3,796,585	-	213,900	218,011	224,532	4,529,819
Disposals / write offs (note 4.3)										
Cost	-	-	-	-	-	-	-	(10,650)	(39,710)	(50,360)
Accumulated depreciation	-	-	-	-	-	-	-	8,649	34,441	43,090
	-	-	-	-	-	-	-	(2,001)	(5,269)	(7,270)
Depreciation charge (note 4.2)	-	(3,394)	(116,661)	(11,008)	(4,675,076)	(121,872)	(88,085)	(84,704)	(65,476)	(5,166,276)
Net book value	155,773	87,679	1,551,651	282,295	59,693,471	1,644,172	349,071	425,260	282,302	64,471,674
As at January 1, 2019										
Cost	155,773	144,900	2,803,124	440,178	99,308,529	2,525,843	1,611,052	1,247,173	594,427	108,830,999
Accumulated depreciation	-	(57,221)	(1,251,473)	(157,883)	(39,615,058)	(881,671)	(1,261,981)	(821,913)	(312,125)	(44,359,325)
Net book value	155,773	87,679	1,551,651	282,295	59,693,471	1,644,172	349,071	425,260	282,302	64,471,674
Year ended December 31, 2019										
Net book value - January 1, 2019	155,773	87,679	1,551,651	282,295	59,693,471	1,644,172	349,071	425,260	282,302	64,471,674
Transfers from CWIP (note 4.6.1)	-	-	98,496	-	1,871,241	-	371,195	77,914	1,334,157	3,753,003
Disposals / write offs (note 4.3)										
Cost	-	(47,616)	-	-	(542,658)	-	-	(314,329)	(53,578)	(958,181)
Accumulated depreciation	-	19,378	-	-	542,658	-	-	313,799	44,969	920,804
	-	(28,238)	-	-	-	-	-	(530)	(8,609)	(37,377)
Depreciation charge (note 4.2)	-	(1,861)	(105,637)	(10,937)	(4,939,986)	(111,141)	(151,847)	(174,879)	(105,011)	(5,601,299)
Reclassifications:										
Cost	-	-	(764)	301	55,486	(10,850)	-	(19,948)	17,695	41,920
Accumulated depreciation	-	-	20	-	(31,668)	-	-	4,936	(15,208)	(41,920)
	-	-	(744)	301	23,818	(10,850)	-	(15,012)	2,487	-
Net book value	155,773	57,580	1,543,766	271,659	56,648,544	1,522,181	568,419	312,753	1,505,326	62,586,001
As at December 31, 2019										
Cost	155,773	97,284	2,900,856	440,479	100,692,598	2,514,993	1,982,247	990,810	1,892,701	111,667,741
Accumulated depreciation	-	(39,704)	(1,357,090)	(168,820)	(44,044,054)	(992,812)	(1,413,828)	(678,057)	(387,375)	(49,081,740)
Net book value	155,773	57,580	1,543,766	271,659	56,648,544	1,522,181	568,419	312,753	1,505,326	62,586,001
Annual rate of depreciation (%)	-	2 to 5	2.5 to 10	2.5	5 to 10	5	No. of production days	10 to 25	10 to 25	

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

	2019	2018
	----------Rupees----------	
Cost of sales (note 25)	5,478,693	5,087,585
Selling and distribution expenses (note 26)	110,472	67,553
Administrative expenses (note 27)	12,134	11,138
	5,601,299	5,166,276

(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	Gain
		--------------------------------	--Rupees--	--------------------------------		
Items having net book value more than Rs. 500 each						
Leasehold Land (note 4.4)	Engro Polymer & Chemicals Limited	47,616	19,378	28,238	708,000	679,762
Vehicle						
By Company policy to separating executive	M. Asif Sultan Tajik	15,061	9,712	5,349	9,325	3,976
Items having net book value of upto Rs. 500 each						
Office equipment, vehicles and machinery	Various	895,504	891,714	3,790	33,894	30,104
Year ended December 31, 2019		958,181	920,804	37,377	751,219	713,842
Year ended December 31, 2018		50,360	43,090	7,270	28,586	21,316

4.4 During the year, the Company has sold leasehold land measuring approximately 60 acres situated within Plot No. EZ/I/P-II located at East Industrial Zone, Port Qasim, Karachi to Engro Polymer and Chemicals Limited, an associated company, against a total consideration of Rs. 720,000. Bifurcation fee amounting to Rs. 12,000 was incurred on sale of this land.

4.5 Particulars of immovable properties i.e. land and building which are in the name of the Company are as follows:

Location	Total Area (Acreage)
Daharki plant & Colony	726
Zarkhez plant land at Port Qasim	112.5

(Amounts in thousand)

	2019	2018
	------------Rupees------------	
4.6 Capital work in progress		
Plant and machinery	2,076,215	2,758,651
Building and civil works including gas pipeline	158,954	219,037
Furniture, fixture and equipment	125,815	10,891
Advances to suppliers	136,672	2,374
Others	74,820	168,296
	2,572,476	3,159,249
4.6.1 Balance as at January 1	3,159,249	3,396,331
Additions during the year	3,825,592	4,333,447
Transferred to:		
- operating assets (note 4.1)	(3,753,003)	(4,529,819)
- intangible assets (note 5)	(659,362)	(40,710)
Balance as at December 31	2,572,476	3,159,249

5. INTANGIBLE ASSETS

	Goodwill (note 5.1)	Right to use the brand (note 5.1)	Software and licenses	Rights for future gas utilization	Total
	-------------------	-------------------	--Rupees--	-------------------	-------------------
As at January 1, 2018					
Cost	183,806	4,170,995	327,513	102,312	4,784,626
Accumulated amortisation	-	-	(275,833)	(33,319)	(309,152)
Net book value	183,806	4,170,995	51,680	68,993	4,475,474
Year ended December 31, 2018					
Net book value - January 1, 2018	183,806	4,170,995	51,680	68,993	4,475,474
Transfers from CWIP (note 4.6.1)	-	-	40,710	-	40,710
Amortisation (note 5.3)	-	-	(23,302)	(5,111)	(28,413)
Net book value	183,806	4,170,995	69,088	63,882	4,487,771
As at December 31, 2018					
Cost	183,806	4,170,995	368,223	102,312	4,825,336
Accumulated amortisation	-	-	(299,135)	(38,430)	(337,565)
Net book value	183,806	4,170,995	69,088	63,882	4,487,771
Year ended December 31, 2019					
Net book value - January 1, 2019	183,806	4,170,995	69,088	63,882	4,487,771
Transfers from CWIP (notes 4.6.1 and 5.2)	-	-	659,362	-	659,362
Write-off					
Cost	-	-	(9,884)	-	(9,884)
Accumulated amortisation	-	-	9,884	-	9,884
	-	-	-	-	-
Amortisation (note 5.3)	-	-	(71,019)	(5,111)	(76,130)
Reclassifications:					
Cost	-	-	3,085	-	3,085
Accumulated amortisation	-	-	(3,085)	-	(3,085)
	-	-	-	-	-
Net book value	183,806	4,170,995	657,431	58,771	5,071,003
					-
As at December 31, 2019					
Cost	183,806	4,170,995	1,020,786	102,312	5,477,899
Accumulated amortisation	-	-	(363,355)	(43,541)	(406,896)
Net book value	183,806	4,170,995	657,431	58,771	5,071,003

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 - Discount rate
Determination of assumptions	- Growth rates are internal forecasts based on both internal and external market information and past performance. - Cost reflects past experience, adjusted for inflation and expected changes. - 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	16%

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.

5.1.1 Right to use the brand is in respect of selling Phospate fertilizers, acquired under an agreement with the Holding Company, that has been valued using Relief from Royalty Method and is considered to have an indefinite life

5.2 Relates to cost incurred on implementation of new ERP i.e. SAP.

5.3 Amortisation for the year has been allocated as follows:

	2019	2018
	-----------Rupees--------	
Cost of sales (note 25)	15,790	15,599
Selling and distribution expenses (note 26)	15,290	11,530
Administrative expenses (note 27)	45,050	1,284
	76,130	28,413

6. INVESTMENT IN SUBSIDIARIES

	2019	2018
Engro Eximp FZE (note 6.1)	-	560,316
EFert Agritrade (Private) Limited (note 6.2)	100	100
	100	560,416

(Amounts in thousand)

6.1 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 the Company. During the year, the Company entered into a Share Purchase Agreement (the Agreement) with the Holding Company for sale of its entire holding in EEF effective July 17, 2019 for a total consideration of Rs. 1,972,505.

6.2 EFert Agritrade (Private) Limited (EAPL) was incorporated on July 6, 2017 as a wholly owned subsidiary of the Company to carry out trading and distribution of imported fertilizer. As part of the business reorganization in 2017, the Company transferred its business of trading and distribution of imported fertilizer to EAPL and holds 10,000 ordinary shares of Rs. 10 each in EAPL.

6.3 No new investment in associated companies and undertakings have been made during the year.

7. LONG TERM LOANS AND ADVANCES - Considered good

	2019	2018
	-----------Rupees---------	
Executives (notes 7.1, 7.2, 7.3, 7.5 and 7.6)	229,720	193,616
Other employees (notes 7.4, 7.5 and 7.6)	41,373	70,464
	271,093	264,080
Less: Current portion shown under current assets (note 12)	108,241	123,296
	162,852	140,784

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

	2019	2018
Balance as at January 1	193,616	185,974
Disbursements	152,147	148,375
Repayments / amortisation	(116,043)	(140,733)
Balance as at December 31	229,720	193,616

7.2 Details of loans and advances to executives

	2019	2018
Service incentive loans	184,374	147,274
Advances in respect of :		
- Car earn out assistance	3,811	12,100
- House rent	17,681	15,724
- Retention loan	127	5,702
- Salary	9,939	6,421
- Others	13,788	6,395
	229,720	193,616

7.3 The maximum amount outstanding from executives at the end of any month during the year aggregated to Rs. 311,752 (2018: Rs. 208,895).

7.4 Includes interest free loans given to workers pursuant to Collective Labour Agreement.

7.5 Represents loans granted to employees according to Company's policy. These loans are interest free, are repayable within 1 to 4 years and are secured to the extent of the provident fund balance and retirement benefits, if vested, of the respective employees.

(Amounts in thousand)

7.6 The carrying values of the loan and advances are neither past due nor impaired.

8. STORES, SPARES AND LOOSE TOOLS

	2019	2018
	-------------Rupees---------	
Consumable stores, spares and loose tools	5,919,907	5,792,688
Less: Provision for surplus and slow moving items (note 8.1)	618,815	467,401
	5,301,092	5,325,287

8.1 Provision for surplus and slow moving items

	2019	2018
Balance as at January 1	467,401	233,487
Charge for the year	177,813	233,914
Reversal during the year	(26,399)	-
Balance as at December 31	618,815	467,401

9 STOCK-IN-TRADE

	2019	2018
Raw materials	980,126	1,478,579
Packing materials	53,569	145,230
Work in process	48,169	27,517
	1,081,864	1,651,326
Finished goods:		
- manufactured product	2,238,488	853,481
- purchased and packaged product (note 9.1)	277,328	484,889
	2,515,816	1,338,370
Less: Provision for net realisable value of purchased and packaged products / manufactured products (note 9.2)	28,785	30,000
	3,568,895	2,959,696

9.1 Includes stock-in-transit amounting to Nil (2018: Rs. 32,855).

9.2 Provision for impairment against net realisable value of purchased and packaged products / manufactured products

	2019	2018
	-------------Rupees---------	
Balance as at January 1	30,000	-
Charge for the year	28,785	30,000
Written-off during the year	(30,000)	-
Balance as at December 31	28,785	30,000

(Amounts in thousand)

10. TRADE DEBTS

	2019	2018
	-----------Rupees---------	
Considered good		
- Secured (note 10.1)	9,515,258	2,320,074
- Unsecured (note 10.2)	494,676	54,723
	10,009,934	2,374,797
Considered doubtful	48,799	18,230
	10,058,733	2,393,027
Less: Provision for impairment against trade debts (note 10.3)	48,799	18,230
	10,009,934	2,374,797

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

10.2 Includes Nil (2018: Rs. 340) due from FrieslandCampina Engro Pakistan Limited, an associated company.

10.3 Provision for impairment against trade debts

	2019	2018
	-----------Rupees---------	
Balance as at January 1	18,230	-
Charge for the year (note 29)	30,569	18,230
Balance as at December 31	48,799	18,230

11. WORKING CAPITAL LOAN TO SUBSIDIARY

Represents unsecured loan given to EAPL amounting to Rs. 16,245,774 (2018: Rs. 13,677,700). The mark-up is receivable on quarterly basis at the rate of 1 months KIBOR + 0.5%. This amount is received on an annual basis.

12. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

	2019	2018
	-----------Rupees---------	
Considered good		
Current portion of long term loans and advances to executives and other employees (note 7)	108,241	123,296
Advances and deposits (note 12.1)	1,052,748	204,681
Prepayments		
- Insurance	429,067	308,173
- Others	145,281	66,021
	1,735,337	702,171

12.1 Includes advance amounting to Rs. 369,777 (2018: Nil) in respect of vehicles.

(Amounts in thousand)

13. OTHER RECEIVABLES	2019	2018
	-----------Rupees-----------	
Subsidy receivable from Government of Pakistan (notes 13.1 and 13.2)	6,368,366	6,368,366
Sales tax receivable	1,968,840	1,515,209
Due from Holding Company	-	272,283
Due from associated companies:		
- Engro Polymer & Chemicals Limited	69,772	27,630
- Engro Powergen Qadirpur Limited	8,519	-
- Engro Digital Limited	584	2,239
- Engro Powergen Thar (Private) Limited	12,749	939
- Thar Foundation	260	-
- Engro Foundation	23,525	172
- FrieslandCampina Engro Pakistan Limited	2,202	-
- Engro Eximp Agri Products (Private) Limited	1,877	424
- Sindh Engro Coal Mining Company Limited	410	636
- Engro Infiniti Limited	8,245	-
- Engro Vopak Terminal Limited	560	502
- Engro Eximp FZE	74,554	56,317
Receivable from Defined Benefit Gratuity Fund MPT	38,635	22,982
Workers' profits participation fund (note 13.3)	-	51,434
Claims receivable	47,350	2,225
Others	13,003	972
	8,639,451	8,322,330

13.1 During 2015, the Government of Pakistan (GoP) 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 2016, a new subsidy scheme was announced by the GoP, effective June 25, 2016 whereby subsidy was payable 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).

During 2017, another subsidy scheme was announced by GOP, effective July 01, 2017. Under the new subsidy scheme aforementioned rates were replaced with Rs. 100 per 50kg bag for Urea only. This subsidy scheme was effective till June 30, 2018. In line with the notification issued for the said scheme, Ministry of National Food Security and Research has appointed third party auditors for verification of subsidy claims which is underway.

13.2 As at December 31, 2019, the aggregate provision in respect of receivable from GOP amounts to Rs. 155,127 (2018: Rs. 155,127).

13.3 Workers' profits participation fund	2019	2018
	-----------Rupees-----------	
Balance as at January 1	51,434	(4,129)
Charge for the year (note 29)	(1,461,099)	(1,149,229)
Interest expense	-	(697)
Payments during the year	1,318,571	1,205,489
Balance as at December 31	(91,094)	51,434

(Amounts in thousand)

13.4 The maximum amount due from the Holding Company, subsidiary and associated companies at the end of any month during the year is as follows:

	2019	2018
	-----------Rupees---------	
Holding Company	310,977	272,283
Subsidiary Company		
- EFERT Agritrade (Private) Limited	184,042	7,602
Associated Companies		
- FrieslandCampina Engro Pakistan Limited	9,245	2,480
- Engro Powergen Qadirpur Limited	8,519	21,022
- Engro Energy Limited	-	3,795
- Sindh Engro Coal Mining Company Limited	6,069	4,113
- Engro Polymer & Chemicals Limited	80,824	-
- Engro Energy Limited	9,592	-
- Engro Powergen Thar Limited	12,749	1,075
- Thar Foundation	260	-
- Engro Vopak Terminal Limited	661	672
- Engro Eximp Agriproducts (Private) Limited	2,023	2,530
- Engro Digital Limited	1,025	2,685
- Engro Elengy Terminal (Private) Limited	-	313
- Engro Foundation	23,525	11,384
- Engro Eximp FZE	81,974	62,640

14. SHORT-TERM INVESTMENTS		
Treasury Bills	5,305,337	-
Pakistan Investment Bonds	-	6,244,613
Term Deposit Receipts	196,607	90,000
	5,501,944	6,334,613

15. CASH AND BANK BALANCES		
Cash at banks in:		
- deposit accounts (note 15.1)	2,787,647	14,055
- currrent accounts (note 15.2)	619,112	626,805
	3,406,759	640,860
Cash in hand	2,915	1,200
	3,409,674	642,060

15.1 Deposit accounts carry return at rates ranging from 10.30% to 11.30% (2018: 5.40% to 8.00%) per annum.

15.2 Includes Rs. 617,591 (2018: Rs. 621,027) held in foreign currency bank accounts.

(Amounts in thousand)

16. SHARE CAPITAL

	2019	2018
	-----------Rupees-----------	
Authorised Capital		
1,400,000,000 (2018: 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 (2018: 258,132,299) Ordinary shares of Rs. 10 each, fully paid in cash	2,581,323	2,581,323
9,999,993 (2018: 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 (2018: 1,062,800,000) Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	10,628,000	10,628,000
4,367,083 (2018: 4,367,083) Ordinary shares of Rs. 10 each issued upon exercise of conversion option by International Finance Corporation (IFC)	43,670	43,670
	13,352,993	13,352,993

16.1 As at reporting date, the Holding Company held 56.27% (2018: 56.27%) of the share capital of the Company.

16.2 These fully paid Ordinary shares carry one vote per share and right to dividend.

17. RESERVES

	2019	2018
	-----------Rupees-----------	
Capital reserves		
Share premium	3,384,904	3,384,904
Reserve on amalgamation (note 17.1)	(304,027)	(304,027)
	3,080,877	3,080,877
Revenue reserves		
Remeasurement of post employment benefits	(56,993)	(45,083)
Unappropriated profit	26,475,684	26,606,961
	26,418,691	26,561,878
	29,499,568	29,642,755

17.1 This reserve was created upon amalgamation of Engro Eximp (Private) Limited with the Company.

(Amounts in thousand)

18. BORROWINGS - Secured (Non-participatory)

	Note	Mark - up rate per annum	Installments Number	Installments Commenced / Commencing from	2019	2018
					--------------Rupees-------------	
Long term finance utilised under mark-up arrangements:						
Senior Lenders						
Allied Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	2,000,000	2,000,000
Allied Bank Limited		6 Months KIBOR + 0.2%	4 half yearly	June 28, 2022	2,100,000	2,100,000
Allied Bank Limited	18.1	3 months KIBOR + 0.35%	6 half yearly	June 20, 2022	2,500,000	-
Deutsche Investitions und Entwicklungsgesellschaft		6 Months LIBOR + 3.75%	9 half yearly	December 15, 2019	2,071,917	2,082,897
Dubai Islamic Bank Pakistan Limited		6 months KIBOR + 0.4%	4 half yearly	November 28,2018	200,000	600,000
MCB Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	4,000,000	4,000,000
MCB Bank Limited		6 months KIBOR + 0.20%	4 half yearly	December 29, 2021	3,000,000	3,000,000
MCB Bank Limited		6 Months KIBOR + 0.05%	4 half yearly	March 28, 2021	1,500,000	1,500,000
MCB Bank Limited	18.1	3 months KIBOR + 0.25%	6 half yearly	June 30, 2022	2,500,000	-
National Bank of Pakistan		6 Months KIBOR + 0.2%	4 half yearly	June 28, 2022	1,000,000	1,000,000
Standard Chartered Bank (Pakistan) Limited		6 Months KIBOR + 0.9%	13 half yearly	June 14, 2013	-	199,687
Samba Bank Limited		6 Months KIBOR + 0.9%	14 half yearly	April 1, 2013	-	99,852
Syndicated finance		6 months KIBOR + 0.4%	6 half yearly	June 26, 2019	6,080,532	9,109,666
United Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	4,000,000	4,000,000
Certificates						
Privately Placed Subordinated Sukuk Certificates	18.3	6 months KIBOR + 1.75%	10 half yearly	January 9, 2015	-	1,118,527
					30,952,449	30,810,629
Less: Current portion shown under current liabilities					8,760,351	5,095,584
					22,192,098	25,715,045

18.1 During the year, the Company obtained long term finances from MCB Bank Limited and Allied Bank Limited of Rs. 2,500,000 each, to finance the capital expenditure. These borrowings have the same charge as on the borrowings from other existing Senior Lenders.

18.2 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.

18.3 Privately Placed Subordinated Sukuk (PPSS) has been completely paid off during the year. These carried a subordinate mortgage upon immovable property of the Company and a subordinate charge over current and future fixed assets excluding immovable property.

(Amounts in thousand)

18.4 Following are the changes in the long term borrowings for which cash flows have been classified as financing activities in the statement of cash flows:

	2019	2018
	------------Rupees---------	
Balance as at January 1	30,810,629	30,903,878
Borrowings availed during the year	5,000,000	8,183,497
Amortization of transaction cost	16,884	10,521
Repayment of borrowings	(5,122,418)	(8,286,667)
Exchange loss / (gain)	247,354	(600)
Balance as at December 31	30,952,449	30,810,629

19. DEFERRED TAXATION

Credit / (Debit) balances arising on account of:		
- Accelerated depreciation allowance	12,393,426	11,187,680
- Alternative Corporate Tax	-	(3,962,572)
- Provision for:		
- staff retirement benefits	(12,729)	(1,056)
- surplus and slow moving stores and spares and doubtful receivables	(198,271)	(124,030)
	12,182,426	7,100,022

20. DEFERRED LIABILITIES

Deferred income (note 20.1)	57,654	61,519
Service benefit obligations	252,469	241,798
Less: Current portion shown under current liabilities	(55,585)	(51,267)
	196,884	190,531
	254,538	252,050

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

(Amounts in thousand)

21. TRADE AND OTHER PAYABLES

	2019	2018
	------------Rupees---------	
Creditors	6,791,564	4,477,450
Accrued liabilities (note 21.1)	24,708,431	16,634,680
Advances from customers	579,446	4,071,104
Payable to Holding Company	249,680	-
Payable to:		
- FrieslandCampina Engro Pakistan Limited	-	1,562
- Engro Energy Limited	2,863	2,052
- Engro Powergen Qadirpur Limited	-	1,635
- Engro Polymer & Chemicals Limited	-	202,362
- Engro Elengy Terminal (Private) Limited	1,631	1,373
- EFERT Agritrade (Private) Limited	5,868,898	732,166
- Defined Contribution Provident Fund MPT	22,448	32
- Defined Contribution Provident Fund NMPT	6,991	90
- Defined Contribution Gratuity Fund MPT	7,753	-
- Defined Contribution Pension Fund	23,502	-
- Defined Benefit Gratuity Fund NMPT	216,694	149,067
Deposits / Retention from dealers and contractors (note 21.2)	197,573	89,947
Workers' welfare fund (note 21.3)	1,264,956	1,790,523
Workers' profits participation fund (note 13.3)	91,094	-
Witholding tax payable	127,423	41,896
Others	487,704	453,662
	40,648,651	28,649,601

21.1 Includes Rs. 18,943,544 (2018: Rs. 12,576,404) on account of Gas Infrastructure Development Cess (GIDC) payable from October 2016 onwards. The Federal Government challenged the decision of the Sindh High Court (SHC), which declared the GIDC as ultra vires and unconstitutional in case of another company, and obtained a direction from a Larger Bench of SHC suspending the order. However, the Company obtained an injunction / stay order based on the fact that since the Company is not a party to the case, hence, the suspension is not applicable to the Company's case. The Government preferred an appeal before the SHC for suspension of the injunction / stay order, hearing of which is underway. In a separate case, Peshawar High Court passed a judgment on May 31, 2017 validating the new GIDC Act and the same has been challenged by the petitioners in the Supreme Court of Pakistan.

During the current year, GIDC Amendment Ordinance, 2019 was promulgated by the Federal Government which provided for 50% waiver of outstanding liability as at December 31, 2018 and 50% reduction in prospective GIDC on feed and fuel gas. Subsequently, the said Ordinance was withdrawn by the Federal Government and the matter is now pending decision of the Supreme Court of Pakistan.

Subsequent to year end, the government through notification dated January 28, 2020, has reduced GIDC on gas consumed by fertilizer manufacturers to Rs. 5/MMBTU, with effect from January 28, 2020.

21.2 The amount is kept in separate term deposits account as per the terms of agreements and is not utilised for the purpose of the business of the Company.

21.3 During the year, provision made for Workers welfare fund under the Sindh Workers Welfare Fund Act, 2014 for tax years 2013 to 2015 amounting to Rs. 999,423 has been reversed, based on a legal advice.

22. SHORT TERM BORROWINGS

The Company has funded facilities for short term finances available from various banks and institutional investors amounting to Rs. 15,125,000 (2018: Rs. 16,850,000) along with non-funded facilities of Rs. 3,827,000 (2018: Rs. 3,827,000) for bank guarantees. The rates of markup on funded bank overdraft facilities ranged from 0.2% to 0.5% per annum over 1-month & 3-month KIBOR and all 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. 1,546,685 (2018: Rs. 636,878) from funded facilities as at the reporting date.

23. CONTINGENCIES AND COMMITMENTS

Contingencies

23.1 As at December 31, 2019, bank guarantees of Rs. 2,610,188 (2018: Rs. 2,582,754) have been issued in favour of third parties.

23.2 As at December 31, 2019 claims, including pending lawsuits, against the Company, not acknowledged as debts amount to Rs. 61,914 (2018: Rs. 58,680).

23.3 The Company has entered into Dealer Finance Agreements (DFAs) with different banks amounting to Rs. 4,500,000 (2018: Rs. 4,500,000) consequent to which the banks will provide financial assistance to dealers approved by the Company. In respect to DFA amounting to Rs. 3,000,000 the Company has agreed to bear 5% to 10% of the principal in case of default by the dealers. As at December 31, 2019, the banks have made disbursements to dealers under the DFAs amounting to Rs. 3,337,876 (2018: Rs. 1,254,832) maturing on various future dates.

23.4 The Company had filed a constitutional petition in the Hight Court of Sindh (HCS) 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 Company's new plant (Enven) and to prohibit from suspending, discontinuing or curtailing the aforementioned supply. The HCS 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 HCS 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 these petitions being allowed to be remote.

Further, the Company upon continual curtailment of gas after the aforementioned decision of the HCS 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 HCS in Company's favor. A show cause notice has also been issued against MPNR and SNGPL dated December 31, 2011 by the HCS. The application is pending for hearing and no orders have yet been passed in this regard.

23.5 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 new 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 between the Company and 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 new plant, with right to first 100 mmcfd 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 given that similar matter is pending in Supreme Court of Pakistan. However, the Company's management, as confirmed by the legal advisor, considers chances of petitions being allowed to be remote.

23.6 The Company in the year 2013, 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 the other fertilizer company, respectively. An appeal has been filed in the Competition Appellate Tribunal (CAT) and a writ has been filed in the HCS and stay has been granted against the recovery of the imposed penalty. Hearings have been conducted at CAT where Farmer Association has filed an internal application.

In case of other fertilizer company, the CAT has transferred the case back to the CCP for reassessment. The Company has challenged the composition of the CAT. 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.

23.7 During 2015, the Company 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 thereagainst with the Commissioner Inland Revenue (Appeals) [CIR(A)] which decided the matters in favour of the Company. The department thereafter challenged the decision of the CIR(A) with the Appellate Tribunal Inland Revenue , which is pending to be heard. No provision has been made by the Company in this respect.

23.8 On July 3 2018, the Deputy Commissioner Inland Revenue (DCIR), LTU raised an order for the period June 2016 to July 2017 with a demand of Rs. 1,006,000 mainly on account of further sales tax to be charged on sales to unregistered persons. The Company filed an appeal thereagainst with the Commissioner Inland Revenue (Appeals) (CIRA) who disposed off the appeal in favor of the taxation department on September 24, 2018. A constitutional petition against the said order has been filed with the HCS and stay for recovery of demand against CIRA's order was obtained on October 31, 2018. The Company also filed an appeal against CIRA decision which is pending before the Appellate Tribunal Inland revenue. 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.

23.9 In the year 2017, the High Court of Islamabad in its order dated June 8, 2017 declared that the income derived by the Contractor from its contract with the Company, is subject to tax as per Clause 4 of Article 5 of Double Taxation Treaty between Pakistan and the Netherlands. Thus confirming demand order issued of Rs 1,178,391. In respect thereof, the Contractor preferred an appeal in the Supreme Court of Pakistan (SCP). During the year, the SCP decided the case on ex-parte basis against the contractor and review application for case restoration has been filed by the Contractor. It is expected that on adjudication on the merits of the case, the exposure will not exceed Rs 200,000 for the Company. Although certain implications arise under the terms of the Contract, the chances of any obligation crystallising on part of the Company given the time lines of any separate proceedings under the Income Tax Ordinance, 2001 are remote. Accordingly, no provision has been made in respect of the demand order issued by tax department.

(Amounts in thousand)

23.10 Commitments

	2019	2018
	-------------Rupees-----------	
Commitments in respect of capital expenditure and other operational items	6,565,922	1,684,473

24. NET SALES

	2019	2018
Gross sales:		
- manufactured product	79,194,233	67,029,060
- purchased and packaged product	1,450,607	1,547,430
- services	167,957	-
	80,812,797	68,576,490
Less: Sales tax	1,575,873	2,435,012
	79,236,924	66,141,478

25. COST OF SALES

	2019	2018
Cost of sales - Manufactured product		
Raw materials consumed	21,590,127	17,168,622
Salaries, wages and staff welfare (note 25.1)	2,951,589	2,444,767
Fuel and power	12,331,215	8,083,386
Repairs and maintenance	1,833,880	1,079,238
Depreciation (note 4.2)	5,478,693	5,087,585
Amortisation (note 5.3)	15,790	15,599
Consumable stores	1,033,230	862,533
Training, HSE and other related expenses	300,916	274,783
Purchased services	878,504	794,517
Travelling	70,475	52,963
Communication, stationery and other office expenses	63,348	59,144
Insurance	458,875	418,796
Rent, rates and taxes	55,272	52,638
Other expenses	3,002	21,047
Manufacturing cost	47,064,916	36,415,618
Add: Opening stock of work in process (note 9)	27,517	18,526
Less: Closing stock of work in process (note 9)	(48,169)	(27,517)
Cost of goods manufactured	47,044,264	36,406,627
Add: Opening stock of finished goods (note 9)	853,481	1,733,036
Less: Closing stock of finished goods (note 9)	(2,238,488)	(853,481)
	45,659,257	37,286,182
Cost of sales - Purchased and packaged product		
Opening stock - net of NRV (note 9)	484,889	530,653
Add : Purchases during the year	628,551	900,334
Less: Closing stock - net of NRV (note 9)	(248,543)	(484,889)
	864,897	946,098
	46,524,154	38,232,280

25.1 Salaries, wages and staff welfare includes Rs. 192,251 (2018: Rs. 146,850) in respect of staff retirement benefits.

(Amounts in thousand)

26. SELLING AND DISTRIBUTION EXPENSES

	2019	2018
	-------------Rupees----------	
Salaries, wages and staff welfare (note 26.1)	1,029,806	950,964
Training, HSE and other related expenses	206,514	153,009
Product transportation and handling	3,159,794	3,122,913
Royalty (note 26.2)	1,170,423	914,263
Repairs and maintenance	56,015	7,580
Advertising and marketing	312,164	445,077
Rent, rates and taxes	405,812	374,619
Communication, stationery and other office expenses	33,676	25,738
Travelling	176,740	155,218
Depreciation (note 4.2)	110,472	67,553
Amortisation (note 5.3)	15,290	11,530
Purchased services	68,411	98,938
Insurance	19,475	35,148
Others	8,332	4,821
	6,772,924	6,367,371

26.1 Salaries, wages and staff welfare includes Rs. 89,230 (2018: Rs. 61,554) in respect of staff retirement benefits.

26.2 Royalty is paid to the Holding Company which has its registered office at 8th floor, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.

27. ADMINISTRATIVE EXPENSES

	2019	2018
	-------------Rupees----------	
Salaries, wages and staff welfare (note 27.1)	437,703	415,961
Training, HSE and other related expenses	96,783	96,245
Repairs and maintenance	24,796	12,686
Rent, rates and taxes	55,395	462,956
Communication, stationery and other office expenses	23,877	56,410
Travelling	22,976	24,063
Depreciation (note 4.2)	12,134	11,138
Amortisation (note 5.3)	45,050	1,284
Purchased services	465,627	341,544
Insurance	7,925	1,195
Others	5,448	23,320
	1,197,714	1,446,802

27.1 Salaries, wages and staff welfare includes Rs. 42,547 (2018: Rs. 47,774) in respect of staff retirement benefits.

(Amounts in thousand)

28. OTHER INCOME

	2019	2018
	------------Rupees-----------	
Income from sales under Government subsidy (note 13.1)	-	1,271,334
On financial assets		
Income on bank accounts under:		
- shariah permissible arrangements	16,596	267
- interest / mark up arrangements	-	28,228
Income on working capital loan to subsidiary company	1,402,347	771,326
Income on Treasury Bills, Term Deposit Certificates and Pakistan Investment Bonds	1,673,890	427,980
Dividend income (note 28.1)	1,813,716	1,474,088
Gain on disposal of subsidiary (note 6.1)	1,412,189	-
Foreign exchange gain	-	128,196
Others	13,210	-
	6,331,948	2,830,085
On non-financial assets		
Commission income (note 28.2)	597,488	607,698
Gain on disposal of property, plant and equipment (note 4.3)	713,842	21,316
Rental income	2,899	40,558
Reversal of liability for workers' welfare fund (note 21.3)	999,423	-
Scrap sales	45,425	12,033
Sub-licensing income from subsidiary	76,618	-
Others (note 28.3)	33,953	94,945
	2,469,648	776,550
	8,801,596	4,877,969

28.1 This comprises of dividend income received from EAPL and Engro Eximp FZE amounting to Rs. 1,771,331 (2018: Rs.1,405,000) and Rs. 42,385 (2018: Rs. 69,088), respectively.

28.2 Represents commission earned as a selling agent of imported fertilizer on behalf of EAPL, subsidiary company.

28.3 This includes an amount of Nil (2018: Rs. 42,368) charged to the Holding Company.

29. OTHER OPERATING EXPENSES

	2019	2018
	------------Rupees-----------	
Workers' profits participation fund (note 13.3)	1,461,099	1,149,229
Workers' welfare fund	473,856	143,227
Research and development	31	244
Auditors' remuneration (note 29.1)	10,875	6,397
Legal and professional	60,030	40,741
Donations (note 29.2)	265,170	100,424
Provision against sales tax receivable	244,000	-
Provision against trade debts (note 10.3)	30,569	18,230
Others	74,624	59,522
	2,620,254	1,518,014

(Amounts in thousand)

29.1 Auditors' remuneration

	2019	2018
	-------------Rupees-----------	
Fee for:		
- audit of annual financial statements	2,615	2,375
- special audit / review of half yearly financial information	1,126	480
- review of compliance with the Code of Corporate Governance	50	45
- certifications, secondments and other advisory services	2,277	191
- taxation services	4,295	2,889
Reimbursement of expenses	512	417
	10,875	6,397

29.2 During the year, the Company made donations to Engro Foundation amounting to Rs. 230,200 (2018: Rs. 96,000). Mr. Ghias Khan, the Chairman of the Board, and Mr. Nadir Salar Qureshi, the Chief Executive Officer of the Company, are also the trustees of Engro Foundation.

30. FINANCE COST

	2019	2018
	-------------Rupees-----------	
Interest / mark-up / return on:		
- long term borrowings under:		
- interest / mark up arrangements	3,121,262	1,589,740
- shariah permissible arrangements	231,248	320,552
	3,352,510	1,910,292
- short term borrowings under:		
- interest / mark up arrangements	150,064	140,773
- shariah permissible arrangements	13,125	4,088
	163,189	144,861
Foreign exchange loss - net	172,129	-
	3,687,828	2,055,153

31. TAXATION

	2019	2018
Current		
- for the year	3,462,339	6,191,075
- for prior years (note 31.5)	123,125	829,274
	3,585,464	7,020,349
Deferred	5,087,268	(2,289,206)
	8,672,732	4,731,143

31.1 During the year 2015, the income tax department amended the assessment filed by the Company for tax year 2014. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) (CIRA) against the disallowances, which mainly pertained to exchange gain and loss, loss on derivatives and losses purchased from Engro Eximp Agriproducts (Private) Limited, an associate, under section 59B of the Income Tax Ordinance, 2001 resulting in additions to taxable income of Rs. 3,191,963. In addition the tax department raised demand for the Alternative Corporate Tax (ACT) through the same order, for which the Company specifically obtained a stay order.

During the year, the matter was heard by CIRA and favorable decision was made in respect of exchange losses and acceptance of prior years tax refunds, whilst other additions made by the tax department in respect of ACT, loss on derivatives and group relief under section 59B were maintained in the order. The Company has filed an appeal against the order of CIRA before the Income Tax Appellate Tribunal.

(Amounts in thousand)

31.2 During the year, the income tax department amended the assessment filed by the Company for the tax years 2015, 2016 and 2017. The Company filed appeals there against before the Commissioner Inland Revenue Appeals (CIRA) for disallowances made in the orders which mainly included proration of expenses to exempt/FTR incomes, exchange loss disallowances, loss on derivatives and losses purchased from Engro Eximp Agriproducts (Private) Limited under section 59B of the Income Tax Ordinance, 2001, resulting in cumulative addition of Rs. 16,173,826 to taxable income of these tax years. During the year, CIRA passed an order for tax years 2015, 2016 and 2017 maintaining most of the additions made by taxation officer in the amendment order, whilst allowing deletion of expenses on allocation basis to exempt income and claim of exchange losses on realised basis. The Company as well as the tax department has filed appeals against the order of CIRA before the Appellate Tribunal (ITAT). The matter was heard by the ITAT for tax year 2015 and 2016 on January 7, 2020 and the order has been reserved for judgement. The Company is confident of a favourable outcome of the appeals.

31.3 During the year 2014, the income tax department amended the assessment filed by the Company for tax years 2010 and 2011.The Company filed appeals thereagainst 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 raising a demand in respect of these years in aggregate of Rs. 1,075,466. The Company had challenged the said decision before the High Court of Sindh (HCS), which is pending to be heard, however, the Company is confident of a favourable outcome.

31.4 During the year 2018, the Company had filed a suit in the HCS, contesting both the retrospective and prospective application of the Alternative Corporate Tax (ACT) under section 113C. On January 27, 2018, the Supreme Court of Pakistan passed an order requiring that a minimum of 50% of tax calculated by the taxation authorities be deposited with taxation authorities to maintain / entertain a suit filed / to be filed with any Court of Pakistan. Pursuant to this, the Company made payment of Rs 615,600 in respect of ACT for tax year 2014 to maintain its stay granted by the HCS. However, in respect of tax years 2015, 2016 and 2017, since no amendments to the returns filed by the Company were received from the tax department, therefore, suits thereagainst were withdrawn by the Company. Later, on September 13, 2018, the Company received recovery notice for payment in respect of tax years 2015, 2016 and 2017 against which a constitutional petition was filed by the Company with the HCS. Stay for recovery of ACT has been granted in respect of the constitutional petition.

During the year, persuant to the approval of the Board of Directors of the Company on May 10, 2019, the Company withdrew its cases pending in HCS in respect of ACT for tax years 2014 to 2017 and discharged the related net tax liability amounting to Rs. 1,995,054.

31.5 The Company had filed a suit in the HCS, contesting the applicability of Super Tax, under section 4B 'Super Tax for rehabilitation of temporary displaced persons' of the Income Tax Ordinance, 2001 (the Ordinance), as unconstitutional and ultravires to the laws. On January 27, 2018, the Supreme Court of Pakistan passed an order requiring that a minimum of 50% of tax calculated by the taxation authorities be deposited with the taxation authorities to maintain / entertain a suit filed / to be filed with any Court of Pakistan. Pursuant to this, the legal suits filed against applicability of Super Tax were withdrawn by the Company.

During the year, the Company received recovery notice from Federal Board of Revenue (FBR) for payment of Super Tax in respect of tax year 2018. The Company has filed a constitutional petition against the same in the HCS and stay thereagainst has been obtained. Adequate provision for Super Tax for the respective tax years are being maintained in these financial statements.

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

In previous years, the taxation department had filed reference applications in the HCS 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 the aforementioned pending issues will eventually be decided in its favor. Therefore, no provision in respect of this is being maintained in these financial statements.

31.7 As a result of merger of Engro Eximp (Private) Limited (EXIMP) with the Company, all pending tax issues of EXIMP have been transferred to the Company. Major pending issue pertains to exercise of option to be taxed under the Normal Tax Regime (NTR) by EXIMP for the years 2012 and 2013, resulting in an aggregate refund of Rs. 796,000. The tax department had not accepted the said treatment for tax year 2013, however, the matter was decided in favor of the Company by the Commissioner Income Tax Appeals(CIT(A)), against which the tax department has filed an appeal with the ITAT. However, the department has given appeal effect order to the aforementioned favourable decision of the CIT(A) for tax year 2013.

During the year, in rescpect of tax year 2013, the matter was decided by the ITAT in favor of the Company and the departments appeal in this respect was rejected. The management is confident for a favorable outcome on this case and therefore no provision is being maintained in these financial statements in this respect.

31.8 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:

	2019	2018
	--------------Rupees------------	
Profit before taxation	27,235,646	21,399,827
Tax calculated at the rate of 29%	7,898,337	6,205,949
Depreciation not deductible for tax purposes	528	7,660
Tax effect of:		
- Expenses not allowed for tax	82,444	243,502
- Final / Special Tax Regime and exempt income	(1,034,657)	(674,852)
Effect of:		
- Tax credits	-	(267,040)
- Prior year tax charge	123,125	829,274
- Incremental tax charge for Super Tax	-	435,202
- Change in deferred tax liability due to reduction in tax rates (note 31.9)	1,602,955	(2,048,552)
Tax charge for the year	8,672,732	4,731,143

31.9 Through Finance Act 2018, corporate tax rates for year ended December 31, 2018 and onwards were reduced by 1% for each subsequent tax year uptil tax year 2023 (financial year ending December 31, 2022). Subsequently, through Finance Act, 2019, the said change was deleted and corporate tax rates were fixed at 29% for tax year 2019 and onwards. This represents amount of related charge / (reversal) in deferred tax related to aforementioned changes.

32. EARNINGS PER SHARE (EPS)

32.1 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.

32.2 As at December 31, 2019, there is no dilutive effect on the basic earnings per share of the Company. EPS is based on following :

	2019	2018
	--------------Rupees------------	
Profit for the year	18,562,914	16,668,684
	---Numbers (in thousands)---	
Weighted average number of ordinary shares at beginning of the year	1,335,299	1,335,299

33. FINANCING STRUCTURE / MODE

Conventional mode:

	2019	2018
Assets		
Short term investments	5,501,944	6,334,613
Cash and bank balances	3,244,331	502,130
Working capital loan to subsidiary	16,245,774	13,677,700
	24,992,049	20,514,443
Liabilities		
Long term borrowings	29,752,449	27,892,415
Short term borrowings	1,471,676	568,217
	31,224,125	28,460,632

Shariah compliant mode:

	2019	2018
Assets		
Cash and bank balances	165,343	139,930
Liabilities		
Long term borrowings	1,200,000	2,918,214
Short term borrowings	75,009	68,661
	1,275,009	2,986,875

(Amounts in thousand)

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2019			2018		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	-----------------Rupees----------------			-----------------Rupees----------------		
Managerial remuneration including bonus	94,713	-	1,941,512	69,196	-	1,718,524
Retirement benefits funds	4,346	-	183,132	8,658	-	183,867
Other benefits	17	-	25,544	14	-	54,209
Fees	-	9,654	-	-	1,700	-
Total	99,076	9,654	2,150,188	77,868	1,700	1,956,600
Number of persons, including those who worked part of the year	1	5	382	2	5	343

34.2 These amounts are net off salaries, wages and others staff benefits incurred on behalf of EAPL and subsequently charged to EAPL.

34.3 The Company also provides vehicles and certain household items for use of some executives and directors.

34.4 Premium charged in respect of directors' indemnity insurance policy, purchased by the Company during the year, amounted to Rs. 304 (2018: Rs. 295).

35. RETIREMENT AND OTHER SERVICE BENEFITS

35.1 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 Act, 2017, 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.

35.2 Valuation results

The latest actuarial valuation of the defined benefit plans was carried out as at December 31, 2019, 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			
	2019	2018	2019	2018	2019	2018
	Rupees					
35.2.1 Statement of financial position reconciliation						
Present value of obligation	394,314	325,678	64,519	104,068	24,018	24,600
Fair value of plan assets	(177,620)	(176,611)	(112,936)	(136,832)	(38,277)	(38,104)
Deficit / (surplus) of funded plans	216,694	149,067	(48,417)	(32,764)	(14,259)	(13,504)
Payable to Defined Contribution Gratuity Fund	-	-	9,736	9,736	-	-
Payable in respect of inter-transfers	-	-	46	46	-	-
Unrecognised asset	-	-	-	-	14,259	13,504
Net liability / (asset) at end of the year	216,694	149,067	(38,635)	(22,982)	-	-
35.2.2 Movement in net liability / (asset) recognised						
Net liability / (asset) at beginning of the year	149,067	131,832	(22,982)	(29,899)	-	-
Charge / (Reversal) for the year	37,071	27,770	(785)	2,361	(1,621)	(970)
Remeasurements charged to OCI (note 35.2.7)	31,642	(8,198)	(14,868)	4,556	1,621	970
Liability in respect of promotion out	(1,086)	(2,337)	-	-	-	-
Net liability / (asset) at end of the year	216,694	149,067	(38,635)	(22,982)	-	-

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan-Funded (Curtailed)	
	NMPT		MPT			
	2019	2018	2019	2018	2019	2018
	Rupees					
35.2.3 Movement in defined benefit obligation						
As at beginning of the year	325,678	296,881	104,068	146,542	24,600	29,156
Current service cost	17,512	16,364	3,149	5,325	-	-
Interest cost	42,599	26,217	10,112	10,116	2,881	2,384
Benefits paid during the year	(19,545)	(10,576)	(52,741)	(56,559)	(3,929)	(4,042)
Liability in respect of promotion out	(1,086)	(2,337)	-	-	-	-
Remeasurments charged to OCI (note 35.2.7)	29,156	(871)	(69)	(1,356)	466	(2,898)
As at end of the year	394,314	325,678	64,519	104,068	24,018	24,600
35.2.4 Movement in fair value of plan assets						
At beginning of the year	176,611	165,049	136,832	186,223	38,104	40,713
Expected return on plan assets	23,040	14,811	14,047	13,080	4,502	3,354
Benefits paid during the year	(19,545)	(10,576)	(52,741)	(56,559)	(3,929)	(4,042)
Remeasurments charged to OCI (note 35.2.7)	(2,486)	7,327	14,799	(5,912)	(400)	(1,921)
As at end of the year	177,620	176,611	112,937	136,832	38,277	38,104
35.2.5 Charge / (reversal) for the year						
Current service cost	17,512	16,364	3,149	5,325	-	-
Net interest cost	19,559	11,406	(3,934)	(2,964)	(1,621)	(970)
	37,071	27,770	(785)	2,361	(1,621)	(970)
35.2.6 Actual return on plan assets	21,625	23,111	28,912	8,242	4,102	2,254

(Amounts in thousand)

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan-Funded (Curtailed)	
	NMPT		MPT			
	2019	2018	2019	2018	2019	2018
	----------Rupees----------					
35.2.7 Remeasurement recognised in statement of other comprehensive income						
(Gain) / loss from change in experience assumptions	29,812	(2,115)	(69)	(1,356)	(1,132)	2,636
(Gain) / Loss from change in financial assumptions	(656)	1,244	-	-	1,598	(5,534)
Remeasurement of obligation	29,156	(871)	(69)	(1,356)	466	(2,898)
Expected return on plan assets	23,040	14,811	14,047	13,080	4,502	3,354
Actual return on plan assets	(21,625)	(23,111)	(28,912)	(8,242)	(4,102)	(2,254)
Difference in fair value opening	1,071	973	66	1,074	-	821
Remeasurement of plan assets	2,486	(7,327)	(14,799)	5,912	400	1,921
Effect of asset ceiling	-	-	-	-	755	1,947
	31,642	(8,198)	(14,868)	4,556	1,621	970

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan-Funded (Curtailed)	
	NMPT		MPT			
	2019	2018	2019	2018	2019	2018
35.2.8 Principal actuarial assumptions used in the actuarial valuation						
Discount rate	11.3%	13.3%	11.3%	12.8%	11.3%	12.8%
Expected per annum rate of return on plan assets	11.3%	13.3%	11.3%	12.8%	11.3%	12.8%
Expected per annum rate of increase in salaries - next year	10.3%	12.3%	11.3%	12.8%	-	-
Expected per annum rate of increase in salaries-long term	10.3%	12.3%	11.3%	12.8%	-	-
35.2.9 Demographic assumptions						
Mortality rate	SLIC (2001-05) - I		SLIC (2001-05) - I		SLIC (2001-05) - I	PMA-PFA (80) - 2
Rate of employee turnover	Light		Heavy		-	-

(Amounts in thousand)

35.2.10 Sensitivity Analysis

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

	Increase in assumption			Decrease in assumption		
	Gratuity Funds		Pension Fund	Gratuity Funds		Pension Fund
	NMPT	MPT		NMPT	MPT	
	----------Rupees----------					
Discount rate	359,920	61,836	22,928	433,810	67,360	25,215
Long terms salary increases	433,810	67,360	-	359,333	101,132	-
Logn terms pension increases	-	-	25,343	-	61,812	22,800

35.2.11 Maturity profile

	Gratuity Funds		
Time in years	NMPT	MPT	Pension Fund
	----------Rupees----------		
1	27,197	4,413	3,910
2	24,539	6,982	3,910
3	16,424	10,266	3,910
4	35,405	2,033	3,910
5-10	232,246	95,986	3,910
11-15	450,279	7,534	3,910
16-20	861,586	13,230	3,910
20+	1,838,393	-	3,910
Weighted average duration (years)	8.72	4.16	4.54

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan - Funded (Curtailed)	
	NMPT		MPT*			
	2019		2019		2019	
35.2.12 Plan assets comprise of the following:	Rupees	(%)	Rupees	(%)	Rupees	(%)
Fixed income instruments	128,077	72	87,876	78	38,277	100
Investment in equity instruments	49,543	28	25,060	22	-	-
	177,620	100	112,936	100	38,277	100

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

35.2.13 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.

(Amounts in thousand)

35.2.14 Expected future cost / (reversal) for the year ending December 31, 2020 is as follows:

	Rupees
- Gratuity Fund - NMPT	44,831
- Gratuity Fund - MPT	(2,660)
- Pension Fund	(1,521)

35.2.15 Historical information of staff retirement benefits:

	2019	2018	2017	2016	2015
	Rupees				
Gratuity Fund - NMPT					
Present value of defined benefit obligation	394,314	325,678	296,881	238,301	228,376
Fair value of plan assets	(177,620)	(176,611)	(165,049)	(168,767)	(169,638)
Deficit	216,694	149,067	131,832	69,534	58,738
Gratuity Fund - MPT					
Present value of defined benefit obligation	64,519	104,068	146,542	137,729	149,332
Fair value of plan assets	(112,936)	(136,832)	(186,223)	(165,178)	(166,957)
Surplus	(48,417)	(32,764)	(39,681)	(27,449)	(17,625)
Pension Fund					
Present value of defined benefit obligation	24,018	24,600	29,156	32,132	33,367
Fair value of plan assets	(38,277)	(38,104)	(40,713)	(44,213)	(40,835)
Surplus	(14,259)	(13,504)	(11,557)	(12,081)	(7,468)

35.3 Defined contribution plans

An amount of Rs. 289,363 (2018: Rs. 226,016) has been charged during the year in respect of defined contribution plans maintained by the Holding Company.

36. CASH GENERATED FROM OPERATIONS

	2019	2018
	Rupees	
Profit before taxation	27,235,646	21,399,827
Adjustment for non-cash charges and other items:		
Depreciation (note 4.2)	5,601,299	5,166,276
Amortisation of intangibles (note 5)	76,130	28,413
Amortization of deferred income	(3,865)	(3,865)
Gain on disposal of property, plant and equipment (note 28)	(713,842)	(21,316)
Provision for retirement and other service benefits	83,730	66,577
Income on deposits / other financial assets	(2,418,337)	(1,227,801)
Gain on disposal of subsidiary (note 28)	(1,412,189)	-
Exchange loss on revaluation of long term borrowings	247,353	-
Amortisation of transaction cost on borrowings	16,884	10,521
Finance cost	3,423,591	2,044,632
Dividends received (note 28)	(1,813,716)	(1,474,088)
Provision for net realisable value of stock-in-trade (note 9.2)	28,785	30,000
Provision for surplus and slow moving stores and spares (note 8)	177,813	233,914
Reversal of provision of stores and spares (note 8)	(26,399)	-
Provision against trade debts (note 10.3)	30,569	18,230
Provision against sales tax receivable (note 29)	244,000	-
Working capital changes (note 36.1)	1,957,080	8,602,174
	32,734,532	34,873,494

(Amounts in thousand)

36.1 Working capital changes

	2019	2018
	Rupees	
(Increase) / Decrease in current assets		
- Stores, spares and loose tools	(127,219)	(279,407)
- Stock-in-trade	(637,984)	538,743
- Trade debts	(7,665,706)	1,091,474
- Loans, advances, deposits and prepayments	(1,033,166)	(778)
- Other receivables (net)	(561,121)	206,979
	(10,025,196)	1,557,011
Increase in trade and other payables	11,982,276	7,045,163
	1,957,080	8,602,174

37. CASH AND CASH EQUIVALENTS

	2019	2018
Cash and bank balances (note 15)	3,409,674	642,060
Short term investments with original maturity less than 3 months	2,602,394	90,000
Short term borrowings (note 22)	(1,546,685)	(636,878)
	4,465,383	95,182

38. FINANCIAL INSTRUMENTS BY CATEGORY

	2019	2018
Financial assets at amortised cost		
Loans, advances and deposits	954,064	468,761
Trade debts	10,009,934	2,374,797
Working capital loan to subsidiary	16,245,774	13,677,700
Other receivables	6,670,611	6,807,121
Accrued income	779,897	439,345
Short-term investments	196,607	90,000
Cash and bank balances	3,409,674	642,060
	38,266,561	24,499,784
Financial assets at Fair value through other comprehensive income		
Short-term investments	5,305,337	6,244,613
Financial liabilities at amortised cost		
Long-term borrowings	30,952,449	30,810,629
Trade and other payable	38,585,732	22,746,078
Accrued interest / mark-up	554,985	405,620
Short-term borrowings	1,546,685	636,878
	71,639,851	54,599,205

(Amounts in thousand)

39. FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

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

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

a) Market risk

i) Currency risk

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

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

As at December 31, 2019, if exchange 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. 9,744.

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.

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, 2019, 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. 76,335.

b) Credit risk

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

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

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

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

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:

	2019	2018
	-----------Rupees-----------	
Loans, advances and deposits	954,064	468,761
Trade debts	10,009,934	2,374,797
Working capital loan to subsidiary	16,245,774	13,677,700
Other receivables	6,670,611	6,807,121
Accrued income	779,897	439,345
Short-term investments	5,501,944	6,334,613
Bank balances	3,406,759	640,860
	43,568,983	30,743,197

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	
	Rating Agency	Short Term	Long Term
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Bank Al Habib Limited	PACRA	A1+	AA+
Bank Islami Pakistan Limited	PACRA	A1	A+
The Bank of Punjab	PACRA	A1+	AA
Albaraka Bank (Pakistan) Limited	PACRA	A1	A
Citi Bank N.A.	MOODY'S	P1	Aa3
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A1+	AA
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1+	AA-
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A1+	AA+
National Bank of Pakistan	PACRA	A1+	AAA
Samba Bank Limited	JCR-VIS	A1	AA
Silk Bank Limited	JCR-VIS	A2	A-
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A1+	AAA

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 statement of financial position 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 reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2019			2018		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	---------------------Rupees-------------------			---------------------Rupees-------------------		
Financial liabilities						
Long term borrowings	8,760,351	22,192,098	30,952,449	5,095,584	25,715,045	30,810,629
Trade and other payables	38,585,732	-	38,585,732	22,746,078	-	22,746,078
Accrued interest / mark-up	554,985	-	554,985	405,620	-	405,620
Short term borrowings	1,546,685	-	1,546,685	636,878	-	636,878
	49,447,753	22,192,098	71,639,851	28,884,160	25,715,045	54,599,205

39.2 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, 2019 based on total long term borrowings of Rs. 30,952,449 (2018: Rs.30,810,629) and total equity of Rs. 42,852,561 (2018: Rs. 42,995,748) was 42%:58% (2018: 42%:58%).

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.

39.3 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

(Amounts in thousand)

As at December 31, 2019, all financial assets and financial liabilities are carried at amortised cost except for investment in Treasury Bills which are carried at their fair values.

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level1);
- 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); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

The table below analyses financial instruments carried at fair value by valuation method.

	Level 1	Level 2	Level 3	Total
	----------------------------Rupees----------------------------			
Assets				
Short term investments				
Fair value through other comprehensive income	-	5,305,337	-	5,305,337

These represents Treasury Bills which are valued using discounted cash flow model.

39.4 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)

40. TRANSACTIONS WITH RELATED PARTIES

40.1 Following are the names of associated companies and undertakings and other related parties with whom the Company had entered into transactions or had agreements and arrangements in place during the year:

Name of Related Parties	Direct Shareholding	Relationship
Engro Corporation Limited	56.27%	Holding Company
EFERT Agritrade (Private) Limited	100%	Subsidiary Company
Engro Eximp FZE	N/A	Subsidiary of Holding Company
Engro Digital Limited	N/A	Subsidiary of Holding Company
Engro Elengy Terminal (Private) Limited	N/A	Subsidiary of Holding Company
FrieslandCampina Engro Pakistan Limited	N/A	Associate of Holding Company
Engro Foundation	N/A	Associate of Holding Company
Engro Polymer & Chemicals Limited	N/A	Subsidiary of Holding Company
Engro Powergen Qadirpur Limited	N/A	Subsidiary of Holding Company
Engro Infiniti (Pvt) Ltd	N/A	Subsidiary of Holding Company
Engro Powergen Thar (Private) Limited	N/A	Subsidiary of Holding Company
Engro Vopak Terminal Limited	N/A	Associate of Holding Company
Sindh Engro Coal Mining Company Limited	N/A	Associate of Holding Company
Karachi School of Business and Leadership	N/A	Associate of Holding Company
Amir Iqbal	N/A	Key Management Personnel
Asif Sultan Tajik	N/A	Key Management Personnel
Mohammad Azhar Malik	N/A	Key Management Personnel
Mohsin Ali Mangi	N/A	Key Management Personnel
Muhammad Majid Latif	N/A	Key Management Personnel
Imran Ahmed	N/A	Key Management Personnel
Salman Goheer	N/A	Key Management Personnel
Shahzad Nabi	N/A	Key Management Personnel
Abdul Samad Dawood	N/A	Director
Asad Said Jafar	N/A	Director
Asim Murtaza Khan	N/A	Director
Javed Akbar	N/A	Director
Sadia Khan	N/A	Director
Nadir Salar Qureshi	N/A	Chief Executive Officer
FrieslandCampina Engro Pakistan Limited Employees Gratuity Fund	N/A	Assosiate of Holding Company
Engro Corporation Limited - DC Pension Fund	N/A	Post Employment Benefits
Engro Corporation Limited - MPT Gratuity Fund	N/A	Post Employment Benefits
Engro Corporation Limited - NMPT Gratuity Fund	N/A	Post Employment Benefits
Engro Corporation Limited - DB Pension Fund	N/A	Post Employment Benefits
Engro Corporation Limited - DC Gratuity Fund	N/A	Post Employment Benefits
Engro Corporation Limited - Provident Fund	N/A	Post Employment Benefits

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

	2019	2018
	------------Rupees------------	
Holding Company		
Dividend paid	10,518,369	8,264,433
Purchases and services	513,558	408,698
Services provided to Holding Company	56,776	52,128
Reimbursements made:		
- by the Company	206,865	118,061
- to the Company	211,818	513,455
Subsidiary companies		
Disbursement of working capital loan to subsidiary	32,021,900	40,477,400
Repayment received against working capital loan disbursed to subsidiary	29,453,826	28,799,700
Reimbursements made:		
- by the Company	83,395	29,604
- to the Company	22,235	131,782
Commission received	597,488	607,698
Dividend received	1,813,715	1,474,088
Services provided	75,424	-
Funds collected against sales made on behalf of subsidiary	39,640,757	41,266,651
Income on working capital loan to subsidiary company	1,402,346	771,326
Associated companies		
Purchases and services	159,465	99,219
Sale of products	2,798	340
Services provided	82,778	106,259
Reimbursements made:		
- by the Company	88,122	15,838
- to the Company	13,722	61,159
Proceed against sale of land	705,600	-
Payment of mark-up on TFCs and repayment of principal amount	-	1,025
Donations	230,200	96,000
Dividend paid to Trustees of FrieslandCampina Engro Pakistan Limited Employees Gratuity Fund	1,104	-
Contribution to staff retirement benefits		
Pension fund	56,493	17,779
Gratuity fund	130,828	118,611
Provident fund	144,058	132,870
Dividend paid to staff retirement benefits		
Pension fund	994	1,438
Gratuity fund	4,502	3,607
Provident fund	8,568	7,068
Others		
Remuneration of key management personnel	259,208	249,190

(Amounts in thousand)

41. OPERATING SEGMENT RESULTS

	Urea		Specialty Fertilizers Business		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	Rupees							
Sales	70,886,926	58,906,475	8,193,300	8,695,985	1,732,571	974,029	80,812,797	68,576,490
Inter-segment sales	1,387,354	1,041,104	-	-	-	-	1,387,354	1,041,104
Sales tax	(1,402,488)	(1,987,779)	(163,053)	(445,408)	(10,332)	(1,826)	(1,575,873)	(2,435,012)
	70,871,792	57,959,801	8,030,247	8,250,577	1,722,239	972,203	80,624,278	67,182,581
Profit before taxation	24,495,013	20,099,662	816,770	459,409	1,923,863	840,756	27,235,646	21,399,827
Segment assets	96,776,647	89,154,502	4,205,999	3,312,406	18,433,765	14,265,018	119,416,411	106,731,926
Unallocated assets	-	-	-	-	-	-	9,691,515	7,416,018
Total assets	96,776,647	89,154,502	4,205,999	3,312,406	18,433,765	14,265,018	129,107,926	114,147,944
Depreciation and amortization	5,570,615	5,159,153	75,767	35,536	31,047	-	5,677,429	5,194,689
Capital expenditure	2,427,433	4,202,264	33,125	33,735	1,365,033	97,448	3,825,592	4,333,447

41.1 Reconciliation of reportable segment net sales

	2019	2018
	Rupees	
Total net sales for reportable segment	80,624,278	67,182,581
Less: Elimination of intersegment net sales	(1,387,354)	(1,041,104)
Total net sales	79,236,924	66,141,477

41.2 Reconciliation of reportable segment total assets

	2019	2018
Total assets for reportable segments	119,416,410	106,731,926
Add:		
- Accrued income	779,897	439,345
- Short term investments	5,501,944	6,334,613
- Cash and Bank balances	3,409,674	642,060
- Unallocated assets	9,691,516	7,416,018
Total Assets	129,107,926	114,147,944

42. PRODUCTION CAPACITY

	Designed Annual Capacity Metric Tons		Actual Production Metric Tons		Remarks
	2019	2018	2019	2018	
Urea plant I & II	2,275,000	2,275,000	2,003,035	1,928,080	Production planned as per market demand
NPK plant	100,000	100,000	134,784	132,790	

(Amounts in thousand)

43. NUMBER OF EMPLOYEES

	Number of employees as at December 31,		Average number of employees as at December 31,	
	2019	2018	2019	2018
Management employees	725	717	743	717
Non-management employees	531	530	524	509
	1,256	1,247	1,267	1,226

44. PROVIDENT FUND

The employees of the Company participate in the Provident Fund maintained by the Holding Company. The investments out of the provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the conditions specified there under.

45. 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.

46. NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors in its meeting held on February 17, 2020 has proposed a final cash dividend of Rs. 2 per share for the year ended December 31, 2019 amounting to Rs. 2,670,599 for approval of the members at the Annual General Meeting to be held on March 31, 2020.

47. CORRESPONDING FIGURES

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

48. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 17, 2020 by the Board of Directors of the Company.

Imran Ahmed	Nadir Salar Qureshi	Ghias Khan
Chief Financial Officer	Chief Executive	Chairman

other information

shareholder information

Annual General Meeting

The annual shareholders meeting will be held at 10:00 a.m. on March 31, 2020 at Karachi School of Business & Leadership, Karachi.

Shareholders as of March 25, 2020 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, 2019, there were 25,535 shareholders on record of the Company's ordinary shares.

Circulation of Annual Reports through CD/DVD/USB

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and in continuation with the SRO.787(1)/2014 dated 8th September, 2014, and approved by the Shareholders in the Annual General Meeting of the Company held on March 30, 2017, the Company shall circulate its annual balance sheet, and profit and loss account, auditor's report and directors report etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hardcopy of the Annual Audited Accounts. The standard request forms for electronic transmission is available at the Company's website www.engrofertilizers.com.

Alternatively members can fill up the Standard Request Forms respectively in the Annexures section at the end of the report.

E-Dividend Mandate (Mandatory)

In accordance with the provisions of Section 242 of the Companies Act, 2017, a listed company, is required to pay cash dividend ONLY through electronic mode directly into the bank account designated by the entitled shareholders. Accordingly, the shareholders are requested to provide the information mentioned on an E-Dividend Mandate Form available at the Company's website www.engrofertilizers.com and send the same to your brokers/the Central Depository Company Ltd. if the shares are held in the electronic form or to the Company's Shares Registrar if the shares are held in paper certificate form. For ease of shareholders, E-Dividend Mandate Form is also provided at the end of the report.

Analyst's Briefing Held During the Year

Engro Fertilizers continued to apprise its stakeholders of the relevant updates about the Company as well as the Fertilizer industry by conducting four Analyst Briefings during the year, one at the end of every quarter. The briefings were attended by analysts as well as our stakeholders. The attendees were briefed on the performance of the Company during the period, both from a financial and an operational perspective. At the end of every session, a Q&A session was conducted to ensure that a comprehensive revelation of the Company's progress was conveyed. The presentation was also uploaded on the website after every analyst briefing for the benefit of all stakeholders.

Quarterly Results

The Company issues quarterly financial statements. The planned dates for release of the quarterly results in 2020 are:

- 1st quarter: April 22, 2020
- 2nd quarter: August 10, 2020
- 3rd quarter: October 21, 2020

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

- 1st quarter: April 22, 2020
- 2nd quarter: August 10, 2020
- 3rd quarter: October 21, 2020

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, Near Hotel Faran Nursery,
Block-6 P.E.C.H.S. Shahra-e-Faisal
Karachi-74000

pattern of shareholding

As at December 31, 2019

	No. of Shareholdings		
No of shareholders	From	To	Total Shares Held
3,855	1	100	121,319
9,646	101	500	4,316,638
3,817	501	1,000	3,552,296
4,187	1,001	5,000	11,001,735
1,293	5,001	10,000	10,268,591
590	10,001	15,000	7,627,636
354	15,001	20,000	6,447,695
265	20,001	25,000	6,194,470
166	25,001	30,000	4,725,003
102	30,001	35,000	3,361,112
114	35,001	40,000	4,364,382
69	40,001	45,000	2,965,768
130	45,001	50,000	6,378,595
57	50,001	55,000	3,018,195
52	55,001	60,000	3,062,535
47	60,001	65,000	2,970,976
31	65,001	70,000	2,130,662
41	70,001	75,000	2,993,251
29	75,001	80,000	2,268,168
15	80,001	85,000	1,254,509
25	85,001	90,000	2,210,557
19	90,001	95,000	1,779,050
58	95,001	100,000	5,781,213
12	100,001	105,000	1,229,157
14	105,001	110,000	1,516,704
10	110,001	115,000	1,136,718
19	115,001	120,000	2,241,461
18	120,001	125,000	2,225,067
14	125,001	130,000	1,786,256
10	130,001	135,000	1,332,681
14	135,001	140,000	1,935,867
11	140,001	145,000	1,559,661
20	145,001	150,000	2,979,821
5	150,001	155,000	760,082
4	155,001	160,000	637,902
7	160,001	165,000	1,135,334
9	165,001	170,000	1,508,273
10	170,001	175,000	1,729,500
5	175,001	180,000	895,933
6	180,001	185,000	1,091,916
6	185,001	190,000	1,125,690
5	190,001	195,000	972,500
19	195,001	200,000	3,781,778
6	200,001	205,000	1,220,329
6	205,001	210,000	1,251,774
2	210,001	215,000	423,500
8	215,001	220,000	1,746,234
7	220,001	225,000	1,561,086
4	225,001	230,000	916,524
4	230,001	235,000	933,526
3	235,001	240,000	712,005
3	240,001	245,000	727,500

As at December 31, 2019

	No. of Shareholdings		
No of shareholders	From	To	Total Shares Held
7	245,001	250,000	1,741,548
6	250,001	255,000	1,517,600
1	255,001	260,000	256,000
4	260,001	265,000	1,057,000
3	265,001	270,000	806,000
4	270,001	275,000	1,091,120
4	275,001	280,000	1,111,000
2	280,001	285,000	568,500
2	285,001	290,000	580,000
2	290,001	295,000	589,500
10	295,001	300,000	2,996,474
3	300,001	305,000	910,060
1	305,001	310,000	306,500
1	310,001	315,000	311,025
2	315,001	320,000	640,000
2	320,001	325,000	646,000
2	325,001	330,000	657,000
4	330,001	335,000	1,331,820
2	335,001	340,000	678,632
5	340,001	345,000	1,718,000
4	345,001	350,000	1,394,192
2	350,001	355,000	705,130
3	355,001	360,000	1,074,000
1	360,001	365,000	360,500
5	370,001	375,000	1,864,028
1	375,001	380,000	379,000
1	385,001	390,000	385,500
6	395,001	400,000	2,400,000
1	400,001	405,000	402,382
1	405,001	410,000	409,000
1	410,001	415,000	412,000
1	415,001	420,000	419,000
2	420,001	425,000	845,931
1	430,001	435,000	434,006
1	445,001	450,000	450,000
1	455,001	460,000	458,500
2	460,001	465,000	928,000
2	465,001	470,000	933,500
1	470,001	475,000	472,500
5	485,001	490,000	2,444,500
6	495,001	500,000	3,000,000
1	500,001	505,000	501,542
1	505,001	510,000	509,000
2	510,001	515,000	1,026,000
3	515,001	520,000	1,551,540
1	525,001	530,000	530,000
2	530,001	535,000	1,069,500
2	540,001	545,000	1,084,500
3	545,001	550,000	1,645,334
1	550,001	555,000	555,000
1	555,001	560,000	558,000
1	560,001	565,000	563,500

As at December 31, 2019

	No. of Shareholdings		
No of shareholders	From	To	Total Shares Held
1	570,001	575,000	575,000
3	595,001	600,000	1,800,000
1	600,001	605,000	600,500
2	610,001	615,000	1,225,068
1	625,001	630,000	627,880
2	640,001	645,000	1,288,000
1	645,001	650,000	650,000
3	650,001	655,000	1,956,000
3	660,001	665,000	1,990,827
2	665,001	670,000	1,333,500
2	685,001	690,000	1,372,789
1	690,001	695,000	694,500
4	695,001	700,000	2,796,000
2	705,001	710,000	1,412,500
1	735,001	740,000	735,500
1	745,001	750,000	746,000
1	755,001	760,000	756,000
1	770,001	775,000	771,500
2	780,001	785,000	1,564,500
1	785,001	790,000	785,761
1	795,001	800,000	800,000
1	805,001	810,000	809,500
1	825,001	830,000	828,221
4	830,001	835,000	3,331,086
1	845,001	850,000	845,500
2	850,001	855,000	1,708,000
1	865,001	870,000	865,364
1	890,001	895,000	891,000
2	895,001	900,000	1,799,500
2	915,001	920,000	1,836,000
1	940,001	945,000	944,212
1	950,001	955,000	952,000
1	960,001	965,000	964,000
2	990,001	995,000	1,987,114
4	995,001	1,000,000	3,998,000
1	1,000,001	1,005,000	1,000,878
1	1,005,001	1,010,000	1,010,000
1	1,025,001	1,030,000	1,026,500
1	1,040,001	1,045,000	1,045,000
1	1,060,001	1,065,000	1,062,000
1	1,070,001	1,075,000	1,071,521
2	1,095,001	1,100,000	2,196,544
1	1,100,001	1,105,000	1,104,500
2	1,125,001	1,130,000	2,255,300
1	1,130,001	1,135,000	1,133,500
1	1,155,001	1,160,000	1,157,105
1	1,165,001	1,170,000	1,168,016
1	1,180,001	1,185,000	1,180,500
2	1,195,001	1,200,000	2,398,500
1	1,230,001	1,235,000	1,230,800
1	1,265,001	1,270,000	1,267,995
1	1,270,001	1,275,000	1,272,582

As at December 31, 2019

	No. of Shareholdings		
No of shareholders	From	To	Total Shares Held
2	1,315,001	1,320,000	2,635,500
3	1,335,001	1,340,000	4,006,500
2	1,345,001	1,350,000	2,698,136
3	1,355,001	1,360,000	4,072,220
1	1,380,001	1,385,000	1,385,000
1	1,400,001	1,405,000	1,401,810
1	1,425,001	1,430,000	1,428,000
1	1,475,001	1,480,000	1,475,189
1	1,485,001	1,490,000	1,488,000
1	1,500,001	1,505,000	1,504,000
1	1,510,001	1,515,000	1,514,129
1	1,525,001	1,530,000	1,527,500
1	1,545,001	1,550,000	1,546,500
1	1,550,001	1,555,000	1,554,500
1	1,580,001	1,585,000	1,585,000
1	1,615,001	1,620,000	1,619,930
1	1,635,001	1,640,000	1,639,500
1	1,640,001	1,645,000	1,645,000
1	1,650,001	1,655,000	1,655,000
1	1,710,001	1,715,000	1,713,000
1	1,715,001	1,720,000	1,717,500
1	1,740,001	1,745,000	1,744,718
1	1,825,001	1,830,000	1,829,000
1	1,830,001	1,835,000	1,830,500
2	1,855,001	1,860,000	3,715,000
1	1,895,001	1,900,000	1,900,000
1	1,900,001	1,905,000	1,904,500
1	1,910,001	1,915,000	1,913,500
1	1,950,001	1,955,000	1,955,000
1	1,955,001	1,960,000	1,958,000
1	1,980,001	1,985,000	1,980,500
2	1,995,001	2,000,000	4,000,000
1	2,010,001	2,015,000	2,012,000
1	2,035,001	2,040,000	2,036,000
1	2,110,001	2,115,000	2,114,893
1	2,200,001	2,205,000	2,201,120
1	2,220,001	2,225,000	2,222,482
1	2,225,001	2,230,000	2,225,500
1	2,285,001	2,290,000	2,285,500
1	2,295,001	2,300,000	2,299,064
1	2,310,001	2,315,000	2,311,500
1	2,350,001	2,355,000	2,355,000
1	2,470,001	2,475,000	2,471,500
1	2,475,001	2,480,000	2,477,000
1	2,495,001	2,500,000	2,500,000
1	2,585,001	2,590,000	2,589,500
1	2,595,001	2,600,000	2,600,000
1	2,605,001	2,610,000	2,608,500
1	2,690,001	2,695,000	2,695,000
1	2,820,001	2,825,000	2,822,500
1	2,850,001	2,855,000	2,851,000
1	2,915,001	2,920,000	2,917,500

As at December 31, 2019

	No. of Shareholdings		
No of shareholders	From	To	Total Shares Held
1	2,970,001	2,975,000	2,974,000
1	2,995,001	3,000,000	3,000,000
1	3,050,001	3,055,000	3,053,000
1	3,075,001	3,080,000	3,080,000
1	3,095,001	3,100,000	3,096,500
1	3,120,001	3,125,000	3,125,000
1	3,150,001	3,155,000	3,152,783
1	3,255,001	3,260,000	3,260,000
1	3,355,001	3,360,000	3,357,000
1	3,640,001	3,645,000	3,643,000
1	3,825,001	3,830,000	3,829,500
1	3,890,001	3,895,000	3,891,500
1	3,935,001	3,940,000	3,940,000
3	3,995,001	4,000,000	11,998,000
1	4,035,001	4,040,000	4,035,500
1	4,090,001	4,095,000	4,092,900
1	4,320,001	4,325,000	4,324,500
1	4,420,001	4,425,000	4,424,500
1	4,495,001	4,500,000	4,500,000
1	4,915,001	4,920,000	4,915,500
1	4,995,001	5,000,000	5,000,000
1	5,370,001	5,375,000	5,373,000
1	5,795,001	5,800,000	5,799,856
1	6,010,001	6,015,000	6,011,000
1	6,175,001	6,180,000	6,177,847
1	6,200,001	6,205,000	6,202,500
1	6,665,001	6,670,000	6,669,000
1	6,700,001	6,705,000	6,700,500
1	7,710,001	7,715,000	7,713,116
1	7,995,001	8,000,000	8,000,000
1	8,145,001	8,150,000	8,150,000
1	8,435,001	8,440,000	8,435,491
1	8,720,001	8,725,000	8,723,880
1	8,935,001	8,940,000	8,936,000
1	10,235,001	10,240,000	10,238,500
1	23,050,001	23,055,000	23,054,200
1	751,305,002	751,315,000	751,312,049
25,535			**1,335,299,375**

categories of shareholding

As at December 31, 2019

S. No.	Shareholders' Category	No. of Shareholders	No. of Shares	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children	8	34,381	0.003
2	Associated Companies, Undertakings and related Parties	1	751,312,049	56.27
3	NIT and ICP	-	-	-
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	35	59,135,138	4.43
5	Insurance Companies	25	17,407,484	1.30
6	Modarabas and Mutual Funds	86	78,850,400	5.91
7	Share holders holding 10%	1	751,312,049	56.27
8	General Public : a. local b .Foreign	24,808	203,422,112	15.23
9	Others	572	225,137,811	16.86

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. Nadir Salar Qureshi	1
Mr. Javed Akbar	26,524
Mr. Abdul Samad Dawood	6,632
Mr. Hasnain Moochhala	1
Mr. Asad Said Jafar	1
Ms. Sadia Khan	1
Mr. Asim Murtaza Khan	1220

3. Executives (Approximately)	795,596
4. Public Sector Companies & Corporations	9,703,486
5. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	88,310,309

6. Mutual Funds

ASIAN STOCKS FUNDS LTD.	1
CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SUB FUND	25,000
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	25,000
CDC - TRUSTEE ABL STOCK FUND	1,385,000
CDC - TRUSTEE AKD INDEX TRACKER FUND	146,275
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	785,761
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	3,053,000
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	276,500
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	2,201,120
CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II	70,000
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	655,000
CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	168,007
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	2,114,893
CDC - TRUSTEE ALFALAH GHP ISLAMIC VALUE FUND	59,000
CDC - TRUSTEE ALFALAH GHP STOCK FUND	916,500
CDC - TRUSTEE ALFALAH GHP VALUE FUND	359,000
CDC - TRUSTEE APF-EQUITY SUB FUND	237,500
CDC - TRUSTEE APIF - EQUITY SUB FUND	409,000
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	54,000
CDC - TRUSTEE ATLAS ISLAMIC DEDICATED STOCK FUND	344,500
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1,315,500
CDC - TRUSTEE ATLAS STOCK MARKET FUND	3,891,500
CDC - TRUSTEE AWT ISLAMIC STOCK FUND	47,000
CDC - TRUSTEE FAYSAL MTS FUND - MT	28,500
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	20,000
CDC - TRUSTEE FIRST HABIB STOCK FUND	38,500
CDC - TRUSTEE HBL - STOCK FUND	834,500
CDC - TRUSTEE HBL EQUITY FUND	110,000
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	71,200
CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	66,500
CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	242,000
CDC - TRUSTEE HBL MULTI - ASSET FUND	53,000
CDC - TRUSTEE HBL PF EQUITY SUB FUND	79,000
CDC - TRUSTEE JS ISLAMIC DEDICATED EQUITY FUND (JSIDEF)	1,645,000
CDC - TRUSTEE JS ISLAMIC FUND	275,000
CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT	84,000
CDC - TRUSTEE JS LARGE CAP. FUND	211,000
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	85,000
CDC - TRUSTEE KSE MEEZAN INDEX FUND	1,348,136
CDC - TRUSTEE LAKSON EQUITY FUND	1,096,544
CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND	62,560
CDC - TRUSTEE LAKSON TACTICAL FUND	162,706
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	1,062,000
CDC - TRUSTEE MEEZAN BALANCED FUND	1,829,000
CDC - TRUSTEE MEEZAN ISLAMIC FUND	23,054,200
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	3,357,000
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	51,500
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	663,827
CDC - TRUSTEE NBP BALANCED FUND	534,500
CDC - TRUSTEE NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND	809,500
CDC - TRUSTEE NBP ISLAMIC REGULAR INCOME FUND	141,000
CDC - TRUSTEE NBP ISLAMIC SARMAYA IZAFA FUND	3,643,000
CDC - TRUSTEE NBP ISLAMIC STOCK FUND	3,260,000
CDC - TRUSTEE NBP MAHANA AMDANI FUND - MT	2,500
CDC - TRUSTEE NBP SARMAYA IZAFA FUND	543,500
CDC - TRUSTEE NBP SAVINGS FUND - MT	23,000
CDC - TRUSTEE NBP STOCK FUND	4,915,500
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	1,857,000
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	992,114
CDC - TRUSTEE PICIC GROWTH FUND	964,000
CDC - TRUSTEE PICIC INVESTMENT FUND	705,500
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	73,000

CDC - TRUSTEE UBL CAPITAL PROTECTED FUND-III	5,000
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	22,318
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	167,800
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	830,801
CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	756,000
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	513,000
CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	77,500
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	341,500
CDC-TRUSTEE NITIPF EQUITY SUB-FUND	101,000
CDC-TRUSTEE NITPF EQUITY SUB-FUND	15,000
MC FSL - TRUSTEE JS GROWTH FUND	187,500
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	1,180,500
MCBFSL - TRUSTEE HBL ISLAMIC DEDICATED EQUITY FUND	119,500
MCBFSL - TRUSTEE JS VALUE FUND	263,000
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	46,000
MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	136,500
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	163,500
MCBFSL-TRUSTEE ABL ISLAMIC ASSET ALLOCATION FUND	19,500
TRI-STAR MUTUAL FUND LIMITED	91
TOTAL:	**78,479,854**

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 2019

S. No.	Name of holder	Date	Sale / Purchase	No of Shares	Rate Per Share
1	Wasimullah Laghari	1/8/2019	Bought	2000	76.49
2	Rana Muhammad Arif	1/31/2019	Sold	1000	75.3
3	Muhammad Yousaf	2/1/2019	Bought	3000	75.75
4	Goheer Saleem	2/22/2019	Bought	1000	75
5	Ghulam Qadir	2/26/2019	Bought	9000	74.45
6	Ghulam Qadir	3/4/2019	Bought	1000	75.74
7	Ghulam Qadir	3/11/2019	Bought	1000	73.9
8	Ghulam Qadir	4/4/2019	Bought	1000	71.1
9	Ali Akbar	4/8/2019	Bought	2000	70
10	Ghulam Qadir	4/18/2019	Bought	1000	71
11	Ali Akbar	5/3/2019	Bought	3000	68.34
12	Ghulam Qadir	5/3/2019	Bought	1500	68.49
13	Bilal Qasim	5/6/2019	Bought	500	68
14	Bilal Qasim	5/8/2019	Bought	1000	67
15	Bilal Qasim	5/8/2019	Bought	500	66
16	Ali Akbar	5/13/2019	Bought	500	64
17	Bilal Qasim	5/13/2019	Bought	2000	64
18	Ali Akbar	5/17/2019	Bought	2000	63
19	Ghulam Qadir	6/19/2019	Bought	25000	64.52
20	Muhammad Munawar Ahmed Shahid	6/26/2019	Bought	25500	64.25
21	Muhammad Munawar Ahmed Shahid	6/28/2019	Bought	44500	64
22	Noorhanuuddin	7/4/2019	Bought	5000	66.5
23	Ghulam Qadir	7/5/2019	Bought	7500	65.8
24	Ghulam Qadir	7/17/2019	Bought	500	65.25
25	Ali Akbar	8/9/2019	Bought	2500	63.61
26	Goheer Saleem	8/19/2019	Sold	500	60.75
27	Goheer Saleem	8/19/2019	Sold	500	60.85
28	Ghulam Qadir	8/21/2019	Bought	1000	66.44
29	Ali Akbar	8/27/2019	Bought	5000	64.95
30	Ali Akbar	8/30/2019	Bought	2500	65.75
31	Muhammad Yousaf	9/3/2019	Bought	21000	66.4
32	Ghulam Qadir	9/5/2019	Bought	2000	66.2
33	Ghulam Qadir	10/3/2019	Bought	1500	67.5
34	Rasheed Ahmed	10/30/2019	Bought	10000	68.8
35	Rasheed Ahmed	10/2/2019	Bought	2000	68.5
36	Rasheed Ahmed	9/18/2019	Bought	5000	67
37	Rasheed Ahmed	10/21/2019	Bought	3000	72.7
38	Ghulam Qadir	10/25/2019	Bought	2500	71.6
39	Wasimullah Laghari	11/1/2019	Bought	1000	71.69
40	Ali Akbar	11/1/2019	Bought	1500	71.58
41	Mohammad Ateeq ul Hassan	11/6/2019	Bought	20000	75.35
42	Farooq Ahmed	11/8/2019	Bought	1000	76.98
43	Syed Usman Ahmed	5/28/2019	Bought	3000	68.37
44	Farooq Ahmed	11/19/2019	Bought	500	70.2
45	Farooq Ahmed Qureshi	12/3/2019	Bought	1500	69.54
46	Noorhanuddin	12/3/2019	Bought	14000	69.7
47	Noorhanuddin	12/11/2019	Bought	15000	74.7
48	Ali Akbar	12/12/2019	Bought	1600	73.88
49	Ali Akbar	12/16/2019	Sold	1600	73.96

* For the purpose of declaration of share trades, all employees of the Company are considered as “Executive”

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/us and on my/our behalf at the 11th Annual general meeting of the Company to be held on the 31st day of March, 2020 and at any adjournment thereof.

Signed this ____________ day of ____________ 2020.

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.

standard request form
circulation of annual audited accounts

The Share Registrar
Engro Fertilizers Ltd.
FAMCO Associates (Pvt.) Ltd.
8-F, Near Hotel Faran
Nursery, Block-6,
P.E.C.H.S. Karachi

Date: ____________________

Subject: **Request for Hard Copy of Annual Audited Accounts**
of Engro Fertilizers Limited

Dear Sirs,

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and approved by the Shareholders in the Annual General Meeting of the Company held on March 30, 2017, the Company is circulating its annual balance sheet, and profit and loss account, auditor's report and directors report, etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hardcopy of the Annual Audited Accounts by filling out the details below and sending it to the Company's Share Registrar and Company Secretary.

I/We, ________________________________ S/o, D/o, W/o ________________________ being a registered shareholder of Engro Fertilizers Limited with the particulars as mentioned below would request that my/our name be added to the list of Shareholders of the Company who opt for delivery of a hardcopy of the Annual Audited Accounts of the Company and hereby request you send to me/us the Annual Audited Accounts in hard copy form at my/our registered address as contained in the member register instead of providing the same through CD/DVD/USB.

Particulars	
Name of Shareholder	
Folio No. / CDC ID No.	
CNIC / NICOP / Passport No.	
Land Line Telephone No. (if any)	
Cell No. (if any)	

Yours truly,

____
Shareholder's Signature

Copy to:
Company Secretary
Engro Fertilizers Limited
7th & 8th Floor, HC # 3, The Harbor Front
Building, Block 4, Karachi – 75600

electronic credit mandate (mandatory)

Dear Shareholder,

ELECTRONIC CREDIT MANDATE (Mandatory)

We wish to inform you that in accordance with the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed company to pay cash dividend to the shareholders only through electronic mode directly into the bank account designated by the entitled shareholders. Please note that in case of non-communication of Bank account details by the shareholders to their respective Registrars, Participant/CDC IAS within the afore-mentioned time frame, the Company would be constrained to act in accordance with the provisions of the law for withholding the amount of dividend which may be payable by the Company on or after November 01, 2017.

In order to receive your dividends directly in your Bank account, please complete the particulars as mentioned below and return this letter duly signed along with a copy of your CNIC to the Registrar of the Company M/s FAMCO Associates (Pvt.) Limited, 8-F, Near Hotel Faran, Nursery, Block 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi.

CDC shareholders are requested to submit their dividend mandate and CNIC directly to their broker (participant)/CDC.

Yours faithfully,
For Engro Fertilizers Limited

Company Secretary

SHAREHOLDERS SECTION:
I hereby communicate to receive my dividends directly in my Bank account as detailed below:

Shareholder details	
Name of the Shareholder	
CDC Participant ID & Sub Account No. / CDC IAS	
CNIC / NICOP / Passport / NTN No. (Please attach copy)	
Contact Number (LandLine & Cell Nos.)	
Shareholders Address	
Shareholder's Bank account details	
Title of Bank Account	
IBAN (See Note 1 below)	
Banks Name	
Branch Name & Code No,.	
Branch Address	

It is stated that the above particulars given by me are correct to the best of my knowledge and I shall keep the Company informed in case of any changes in the said particulars in future.

____

Shareholder's Signature

Note: Please provide complete IBAN after checking with your concerned branch to enable electronic credit directly into your bank account)

The payment of cash dividend will be processed on the basis of the IBAN number alone. The company is entitled to rely on the IBAN number as per your instructions. The company shall not be responsible for any loss, damage, liability or claim arising, directly or indirectly, from any error, delay, or failure in performance of any of its obligations hereunder which is caused by incorrect payment instructions and /or due to any event beyond the control of the company.

محترم شیئر ہولڈر!

الیکٹرانک کریڈٹ مینڈیٹ (لازمی)

ہم آپ کو مطلع کرنا چاہتے ہیں کہ **کمپنیز ایکٹ، 2017** کے سیکشن 242 کی دفعات کے تحت، کسی بھی لسٹڈ کمپنی کے لیے لازم ہے کہ وہ صرف الیکٹرانک طریقے سے ہی استحقاق رکھنے والے شیئر ہولڈرز کے مقررہ بینک اکاؤنٹ میں براہِ راست رقم جمع کروا کر شیئر ہولڈرز کو کیش ڈیویڈنڈ کی ادائیگی کرے۔ براہِ کرم نوٹ فرمائیں کہ شیئر ہولڈرز کی جانب سے اپنے متعلقہ رجسٹرارز، شرکت کنندہ/سی ڈی سی آئی اے ایس کو پہلے بتائے گئے مقررہ دورانیے میں بینک اکاؤنٹ کی تفصیلات سے آگاہ نہ کیا گیا تو کمپنی، قانونی دفعات کے مطابق عمل کرتے ہوئے ڈیویڈنڈ کی رقم روکنے پر مجبور ہوگی۔

اپنے ڈیویڈنڈز براہِ راست اپنے بینک اکاؤنٹ میں وصول کرنے کے لیے، براہِ کرم ذیل میں دیے گئے کوائف مکمل کریں اور اس مراسلے پر جامع دستخط کر کے اپنے CNIC کی ایک نقل کے ساتھ کمپنی کے رجسٹرار، میسرز FAMCO ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، F-8، نزد ہوٹل فاران، نرسری، بلاک 6، پی ای سی ایچ ایس، شاہراہِ فیصل، کراچی کو واپس بھیج دیں۔

سی ڈی سی شیئر ہولڈرز سے گزارش ہے کہ اپنے ڈیویڈنڈ کا مختار نامہ اور CNIC، براہِ راست اپنے بروکر (شرکت کنندہ)/سی ڈی سی کے پاس جمع کروائیں۔

آپ کے مخلص،
برائے اینگرو فرٹیلائزرز لمیٹڈ

کمپنی سیکریٹری

شیئر ہولڈرز کا سیکشن:

میں، بذریعہ ہٰذا، اپنے ڈیویڈنڈز براہِ راست اپنے بینک اکاؤنٹ میں وصول کرنے کے لیے یہ بیان دے رہا/رہی ہوں، جس کی تفصیلات ذیل میں درج ہیں:

i) شیئر ہولڈر کی تفصیلات	
شیئر ہولڈر کا نام	
سی ڈی سی شرکت کنندہ کی آئی ڈی اور ذیلی اکاؤنٹ نمبر/سی ڈی سی آئی اے ایس	
CNIC/NICOP/پاسپورٹ/این ٹی این (براہِ کرم نقل منسلک کریں)	
رابطہ نمبر (لینڈ لائن اور موبائل نمبرز)	
شیئر ہولڈر کا پتہ	
ii) شیئر ہولڈر کے بینک اکاؤنٹ کی تفصیلات	
بینک اکاؤنٹ کا ٹائٹل	
IBAN (ذیل میں نوٹ 1 ملاحظہ کریں)	
بینک کا نام	
برانچ کا نام اور کوڈ نمبر	
برانچ کا پتہ	

یہ بیان کیا جاتا ہے کہ میری جانب سے اوپر دیے گئے کوائف میرے بھرپور علم کے مطابق درست ہیں اور میں مستقبل میں مذکورہ کوائف میں کوئی تبدیلی رونما ہونے پر کمپنی کو آگاہ رکھوں گا/گی۔

____

شیئر ہولڈر کے دستخط

نوٹ: **براہِ کرم اپنی متعلقہ برانچ سے معلوم کرنے کے بعد مکمل IBAN فراہم کریں تاکہ براہِ راست آپ کے بینک اکاؤنٹ میں الیکٹرانک طریقے سے رقم جمع کروانے کا عمل، فعّال بنایا جاسکے**

کیش ڈیویڈنڈ کی ادائیگی صرف اور صرف IBAN کی بنیاد پر عمل میں لائی جائے گی۔ کمپنی، آپ کی ہدایات کے مطابق IBAN پر انحصار کرنے کا استحقاق رکھتی ہے۔ کمپنی، کسی بھی ایسے نقصان، خسارے، مالی واجبات یا دعویٰ کی ذمہ دار نہیں ہوگی، جو بالواسطہ یا بلاواسطہ اپنے مذکورہ فرائض کی انجام دہی میں کسی بھی غلطی، تاخیر یا ناکامی کی صورت میں پیدا ہو، جس کا سبب ادائیگی کی غلط ہدایات اور/یا کمپنی کے اختیار سے باہر کوئی بھی واقعہ ہو۔

اسٹینڈرڈ درخواست فارم

سالانہ آڈٹ شدہ اکاؤنٹس کی ترسیل

بتاریخ: ______________

شیئر رجسٹرار
اینگرو فرٹیلائزرز لمیٹڈ
FAMCO ایسوسی ایٹس (پرائیویٹ) لمیٹڈ
F-8، نزد فاران ہوٹل، نرسری، بلاک 6،
پی ای سی ایچ ایس، کراچی

عنوان: درخواست برائے اینگرو فرٹیلائزرز کے سالانہ آڈٹ شدہ اکاؤنٹس کی ہارڈ کاپی

محترم حضرات!

جیسا کہ سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) نے اپنے 21 مئی 2016 کے ایس آر او 470(I)/2016 کے ذریعے مطلع کیا ہے اور شیئر ہولڈرز نے 30 مارچ 2017 کو منعقدہ کمپنی کے سالانہ اجلاسِ عام میں منظوری کے مطابق کمپنی اپنی سالانہ بیلنس شیٹ، منافع و خسارہ اکاؤنٹ، آڈیٹر کی رپورٹ اور ڈائریکٹرز رپورٹ وغیرہ (''سالانہ آڈٹ شدہ اکاؤنٹس'') اپنے ممبرز کو CD/DVD/USB کے ذریعے اُن کے رجسٹرڈ پتوں پر ارسال کر رہی ہے۔ البتہ ایسے ممبرز جو سالانہ آڈٹ شدہ اکاؤنٹس کی ہارڈ کاپی حاصل کرنا چاہتے ہیں، ان سے گزارش ہے کہ وہ درجِ ذیل جدول میں اپنی معلومات پُر کر کے کمپنی کے شیئر رجسٹرار اور کمپنی سیکرٹری کو فراہم کر دیں۔

میں/ہم، ______________________________ ولد/زوجہ ______________________________
اینگرو فرٹیلائزرز کے/کی رجسٹرڈ شیئر ہولڈر کی حیثیت سے، مندرجہ ذیل فراہم کردہ معلومات کے ذریعے درخواست کرتا/کرتی ہوں/کرتے ہیں کہ میرا/ہمارا نام شیئر ہولڈرز کی اُس فہرست میں شامل کرلیں جنھیں سالانہ آڈٹ شدہ اکاؤنٹس کی ہارڈ کاپی ارسال کی جائے گی اور گزارش کرتا/کرتی ہوں/کرتے ہیں کہ مجھے/ہمیں سالانہ آڈٹ شدہ اکاؤنٹس، CD/DVD/USB میں فراہم کرنے کے بجائے میرے/ہمارے رجسٹرڈ پتوں پر ہارڈ کاپی کی صورت میں ارسال کر دیں۔

معلومات	
شیئر ہولڈر کا نام	
فولیو نمبر/CDC آئی ڈی نمبر	
کمپیوٹرائزڈ قومی شناختی کارڈ نمبر/پاسپورٹ نمبر	
لینڈ لائن ٹیلی فون نمبر (اگر کوئی ہے)	
موبائل فون نمبر (اگر کوئی ہے)	

شکریہ

____
شیئر ہولڈر کے دستخط

نقل ارسال:
کمپنی سیکرٹری، اینگرو فرٹیلائزرز لمیٹڈ۔ 7th اور 8th فلور، HC نمبر 3،
دی ہاربر فرنٹ بلڈنگ، بلاک 4، کلفٹن، کراچی۔ 75600

پراکسی فارم

میں/ہم ______________ کے ______________

بطور اینگرو فرٹیلائزرز لمیٹڈ کے ممبر اور عمومی شیئر ہولڈر(ز) ہونے کی حیثیت سے ______________ (شیئرز کی تعداد)

شیئر رجسٹر کا فولیو نمبر ______________ اور/یا CDC شرکت کنندہ کا ID نمبر ______________ اور ذیلی اکاؤنٹ نمبر ______________

کے ______________ یا ______________ کے ______________ کو

کمپنی کے گیارہویں سالانہ اجلاسِ عام جو 31 مارچ 2020 کو منعقد ہوگا، میں میرے/ہمارے لیے اور میری/ہماری طرف سے بحیثیت اپنا پراکسی، ووٹ ڈالنے کے لیے نامزد کرتا/کرتی ہوں/کرتے ہیں۔

دستخط ______________ بروز ______________ بتاریخ ______________/______________2020۔

گواہان:

1) دستخط: ______________

نام: ______________

پتہ: ______________

____

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: ______________

پاسپورٹ نمبر: ______________

دستخط

(دستخط، کمپنی میں رجسٹرڈ شدہ نمونہ دستخط کے مطابق ہونا لازمی ہے)

2) دستخط: ______________

نام: ______________

پتہ: ______________

____

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: ______________

پاسپورٹ نمبر: ______________

i) نوٹ: پراکسیز کے مؤثر ہونے کے لیے ضروری ہے کہ وہ اجلاس سے کم از کم 48 گھنٹے پہلے موصول ہو جائیں۔ پراکسی کا کمپنی کا ممبر ہونا ضروری نہیں ہے۔

ii) CDC شیئر ہولڈرز اور ان کے پراکسیز سے درخواست ہے کہ وہ یہ پراکسی فارم، کمپنی میں جمع کرانے سے قبل اس کے ساتھ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقل ضرور منسلک کریں۔

آڈیٹرز

موجودہ آڈیٹرز، اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس ریٹائر ہوگئے ہیں اور اہلیت کی بنیاد پر انھوں نے خود کو دوبارہ انتخاب کے لیے پیش کیا ہے۔ بورڈ کی آڈٹ کمیٹی، 31 دسمبر 2020ء کو ختم ہونے والے سال کے لیے ان کے بطور آڈیٹرز، دوبارہ انتخاب کی منظوری کی تجویز پیش کرتی ہے۔

شیئر ہولڈنگ کا پیٹرن

31 دسمبر 2019ء تک ملحقہ کمپنیز اور کمپنی کے ڈائریکٹرز کے پاس شیئرز کا تناسب درجِ ذیل ہے:

تفصیلات	شیئر ہولڈنگ کا تناسب (%)
ملحقہ کمپنیز اور متعلقہ پارٹیز	56.27%
ڈائریکٹرز اوران کے شریکِ حیات و نابالغ بچّے	0.003%

ڈائریکٹر کی ذمّے داریاں

ڈائریکٹرز، درجِ ذیل معاملات کے لیے سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور کوڈ آف کارپوریٹ گورننس کے کارپوریٹ اور فنانشل رپورٹنگ فریم ورک سے تعمیل کی تصدیق کرتے ہیں:

1) کمپنی کی مینجمنٹ کی جانب سے تیار کردہ مالیاتی گوشوارے، اس کے معاملات، اس کے آپریشنز کے نتائج، کیش فلوز اور ایکوئٹی میں ترامیم، احسن طریقے سے پیش کی جاتی ہیں۔
2) کمپنی نے اکاؤنٹس کی باقاعدہ بُکس تشکیل دی ہوئی ہیں۔
3) مالیاتی گوشواروں کی تیاری میں مسلسل مناسب اکاؤنٹنگ پالیسیز کا اطلاق کیا گیا ہے اور حسابات کے گوشوارے مناسب عاقلانہ فیصلوں پر مبنی ہیں۔
4) مالیاتی گوشواروں کی تیاری میں پاکستان میں مروّجہ عالمی فنانشل رپورٹنگ کے اسٹینڈرڈز پر عمل کیا جاتا ہے۔
5) انٹرنل کنٹرول کا نظام اپنے ڈیزائن کی وجہ سے بہت اچھا ہے اور اسے بہت مؤثر انداز میں نافذ کرنے کے ساتھ اس کی نگرانی بھی کی جاتی ہے۔
6) کمپنی کی کاروبار چلانے کی صلاحیت پر کسی بھی قسم کا شبہ نہیں کیا جاسکتا۔
7) جیسا کہ پاکستان کی اسٹاک ایکسچینج کے قواعد کی رُول بُک میں تفصیلاً درج ہے کہ کارپوریٹ گورننس کی بہترین پریکٹسز میں سے کوئی میٹریل ڈیپارچر نہیں ہے۔
8) اس سال کے دوران ڈائریکٹرز میں سے ایک نے ڈائریکٹرز ٹریننگ پروگرام میں شرکت کر کے سرٹیفیکیشن حاصل کی ہے۔ دیگر تمام ڈائریکٹرز گزشتہ سالوں میں پہلے ہی یہ پروگرام مکمل کر چکے ہیں۔

بورڈ کمپوزیشن اور حاضری

ڈائریکٹرز کی کُل تعداد آٹھ ہے جسے اس طرح تقسیم کیا گیا ہے:

a) مرد: سات
b) خواتین: ایک

2019ء میں بورڈ آف ڈائریکٹرز نے اپنی ایکٹیوٹیز کے دورانیے کو پورا کرنے کے لیے آٹھ اجلاس منعقد کیے۔ ڈائریکٹرز کا حاضری ریکارڈ درجِ ذیل ہے:

غیاث خان	نان۔ ایگزیکٹیو ڈائریکٹر۔ چیئرمین	8/8
نادر قریشی	ایگزیکٹیو ڈائریکٹر	8/8
جاوید اکبر	نان۔ ایگزیکٹیو ڈائریکٹر	8/8
عبدالصمد داؤد	نان۔ ایگزیکٹیو ڈائریکٹر	5/8
اسد سید جعفر	انڈپینڈنٹ ڈائریکٹر	8/8
سعدیہ خان	انڈپینڈنٹ ڈائریکٹر	7/8
عاصم مرتضٰی خان	انڈپینڈنٹ ڈائریکٹر	8/8
حسنین موچھالا*	نان۔ ایگزیکٹیو ڈائریکٹر	7/8

* 18 فروری 2019 کو بطور ڈائریکٹر شامل ہوئے

BCC کمپوزیشن اور حاضری

2019ء میں بورڈ کمپنسیشن کمیٹی نے اپنی ایکٹیوٹیز کے دورانیے کو پورا کرنے کے لیے دو اجلاس منعقد کیے۔ ڈائریکٹرز کا حاضری ریکارڈ درجِ ذیل ہے:

سعدیہ خان۔ چیئرپرسن	2/2
عاصم مرتضٰی خان۔ ڈائریکٹر	2/2
جاوید اکبر۔ ڈائریکٹر	2/2

BAC کمپوزیشن اور حاضری

2019ء میں بورڈ آڈٹ کمیٹی نے اپنی ایکٹیوٹیز کے دورانیے کو پورا کرنے کے لیے پانچ اجلاس منعقد کیے۔ ڈائریکٹرز کا حاضری ریکارڈ درجِ ذیل ہے:

اسد سید جعفر۔ چیئرمین	5/5
عاصم مرتضٰی خان۔ ممبر	3/5
حسنین موچھالا۔ ممبر	4/5
جاوید اکبر۔ ممبر	5/5
سعدیہ خان۔ ممبر	1/5

- دورانِ سال، بورڈ آڈٹ کمیٹی میں محترمہ سعدیہ خان کی جگہ محترم حسنین موچھالا بطور ممبر شامل ہوئے۔
- دورانِ سال، محترم عاصم مرتضٰی خان بورڈ آڈٹ کمیٹی میں بطور ممبر شامل ہوئے۔

چیئرمین

چیف ایگزیکٹیو آفیسر

قومی خزانے میں حصّہ

سال 2019ء میں اینگرو فرٹیلائزرز نے 22 بلین رُوپے (2018: 19.5 بلین روپے) قومی خزانے میں حکومتی ٹیکسز، ڈیوٹیز اور لیویز کی مَد میں جمع کرائے۔

اس کے علاوہ 2019ء میں اینگرو فرٹیلائزرز کی جانب سے غیر ملکی زرِ مبادلہ میں بچت کے لیے تقریباً 561 ملین امریکی ڈالرز، تیار کردہ 1,983 کے ٹی یوریا اور متعلقہ پراڈکٹس کی ملک میں تیاری اور فروخت کی درآمد کے متبادل کے طور پر حاصل ہوئے۔

چیریٹی اکاؤنٹ کی اسٹیٹمنٹ

روپے (ملین میں)	2019ء	2018ء
کمیونٹی ویلفیئر اور انفرااسٹرکچر	87	47
تعلیم	34	29
عمومی	19	11
ہیلتھ کیئر	105	6
ماحول	20	7
کل مجموعہ	265	100

انٹرنل کنٹرول فریم ورک

- **ذمّے داری**

بورڈ، کمپنی کے انٹرنل کنٹرول سسٹمز اور ان کی مؤثر کارکردگی کا جائزہ لینے کا ذمّے دار ہے۔ تاہم ایسا سسٹم کاروباری مقاصد میں ناکامی کے خطرے کو ختم کرنے کے بجائے منظّم کرنے کے لیے ڈیزائن کیا گیا ہے، اور یہ میٹیریل غلطی یا نقصان کے بارے میں مکمل کے بجائے مناسب یقین دہانی کراتا ہے۔ کمپنی میں موجود کسی خطرے پر قابو پانے کی اپنی مجموعی ذمّے داری کو نبھاتے ہوئے بورڈ نے انٹرنل کنٹرولز کے سسٹم کا مکمل ڈیزائن اور آپریشن، چیف ایگزیکٹیو کو تفویض کیا ہے۔

- **فریم ورک**

کمپنی نے ایک کنٹرول فریم ورک تشکیل دیا ہے جس میں واضح اسٹرکچرز، اختیارات کی حدود، اور احتساب، اچھی طرح سمجھی ہوئی پالیسیز اور طریقۂ کار اور جائزوں کے طریقۂ کار کی بجٹنگ شامل ہے۔ تمام پالیسیز اور کنٹرول طریقۂ کار، مینوئلز میں درج ہیں۔ بورڈ، کارپوریٹ اسٹریٹجی اور کمپنی کے کاروباری مقاصد بھی تشکیل دیتا ہے۔ ڈویژنل مینجمنٹ ان مقاصد کو مالیاتی مقاصد کی سپورٹ کرتے ہوئے، ڈویژنل بزنس اسٹریٹجیز میں ضم کرتی ہے۔

- **جائزہ**

بورڈ ہر سہ ماہی میں کمپنی کی مالیاتی کارکردگی، مالی اور آپریٹنگ بجٹس اور مستقبل کی پیش بندیوں، کاروباری ترقی اور ترقیاتی منصوبوں، سرمایہ کاری کے اخراجات کی پیشکشوں اور دیگر کارکردگی کے اشاروں پر غور وخوض کے لیے اجلاس منعقد کرتا ہے۔
بورڈ کی آڈٹ کمیٹی، انٹرنل فنانشل کنٹرولز کے سسٹم کے حوالے سے ایکسٹرنل اور انٹرنل آڈیٹرز سے رپورٹس وصول کرتی ہے اور انٹرنل کنٹرولز کے اثرات کی نگرانی کے عمل کا جائزہ لیتی ہے۔ کمپنی کی پالیسی کے تحت سرمایہ کاری کے اخراجات اور اثاثہ جات کی تجاویز کی منظوری دی جاتی ہے۔ جیسے ہی پراجیکٹس کی تکمیل ہوتی ہے، تمام میٹیریل کی سرمایہ کاری کے اخراجات کا دوبارہ جائزہ لیا جاتا ہے۔

- **انٹرنل فنانشل کنٹرولز کی موزونیت**

بورڈ آف ڈائریکٹرز نے انٹرنل فنانشل کنٹرولز کے لیے ایک شفاف طریقۂ کار وضع کیا ہے، جس کی بدولت کمپنی سسٹمز اور طریق ہائے کار میں اخلاقی طرزِ عمل اور اخلاقی ذمہ داری کا کلچر فروغ پائے گا۔

ڈائریکٹرز کا معاوضہ

بورڈ آف ڈائریکٹرز نے بورڈ اور اس کی کمیٹیز کے اجلاسوں میں شرکت کرنے والے بورڈ کے ممبرز کے لیے معاوضے کی منظوری دے دی ہے۔ معاوضے کا تعین ذمّے داری اور مہارت کے درجے کے مطابق کیا گیا ہے، تاکہ بہترین ٹیلنٹ کو اس میں کشش محسوس ہو اور وہ ہمارے شانہ بہ شانہ چل سکے، جس کے ساتھ ساتھ اس کی آزادی بھی کسی طرح متاثر نہ ہو۔

اینگرو کی دوسری کمپنیز میں خدمات انجام دینے والے ایگزیکٹیو ڈائریکٹرز، چیف ایگزیکٹیو آفیسر اور نان ایگزیکٹیو ڈائریکٹرز کو بورڈ اور اس کی کمیٹیز کے اجلاسوں میں شرکت کرنے کا کوئی معاوضہ ادا نہیں کیا جائے گا۔

بورڈ کو اگر مناسب لگا تو وہ اپنے ڈائریکٹرز کے موزوں معاوضے کے تعیّن کے لیے کسی انڈیپینڈنٹ کنسلٹنٹ کی خدمات حاصل کرسکتا ہے جو اس سلسلے میں اپنی تجاویز سے بورڈ کو آگاہ کرے گا، جن پر غور وخوض کے بعد بورڈ اس کی منظوری دے گا۔ بورڈ اور/ یا اس کی کمیٹیز کے اجلاسوں میں حاضری کے لیے آنے والے اخراجات کو ڈائریکٹرز، وصول کرنے کے حقدار ہیں۔

دورانِ سال، ڈائریکٹرز کو ادا شدہ معاوضے کی تفصیل، منسلکہ مجموعی مالیاتی گوشواروں کے نوٹ 33 میں دی گئی ہے۔

پینشن، گریجویٹی اور پراویڈنٹ فنڈ

اینگرو کارپوریشن (مرکزی کمپنی) کی جانب سے قائم کردہ ریٹائرمنٹ فنڈز میں کمپنی کے ملازمین شراکت دار ہوتے ہیں۔ کمپنی ایسے پلانز میں سرمایہ کاری کرتی ہے جن سے اس کے ملازمین کو ملازمت کے بعد ریٹائرمنٹ کے فوائد مل سکیں۔ ان میں ڈی سی پراویڈنٹ فنڈ، ڈی سی گریجویٹی پلان اور ڈی بی گریجویٹی پلانز شامل ہیں۔ ان کے متعلقہ آڈٹ شدہ اکاؤنٹس کے مطابق نیٹ اَیسٹس کی قدر، پراویڈنٹ فنڈ (بمطابق 30 جون 2019)، اور گریجویٹی اور پینشن فنڈز (بمطابق 31 دسمبر 2018ء) کی درجِ ذیل ہیں:

پراویڈنٹ فنڈ: 3,826 ملین پاکستانی روپے (اینگرو فرٹیلائزرز کا شیئر: 1,451 ملین پاکستانی روپے)

ڈی سی پینشن فنڈ: 556 ملین پاکستانی روپے (اینگرو فرٹیلائزرز کا شیئر: 336 ملین پاکستانی روپے)

ڈی بی پینشن فنڈ: 38 ملین پاکستانی روپے (کُل اینگرو فرٹیلائزرز)

ڈی سی گریجویٹی فنڈ: 1,728 ملین پاکستانی روپے (اینگرو فرٹیلائزرز کا شیئر: 657 ملین پاکستانی روپے)

ڈی بی این ایم پی ٹی گریجویٹی فنڈ: 176 ملین پاکستانی روپے (کُل اینگرو فرٹیلائزرز)

ڈی بی ایم پی ٹی گریجویٹی فنڈ: 188 ملین پاکستانی روپے (اینگرو فرٹیلائزرز کا شیئر: 114 ملین پاکستانی روپے)

ٹیلنٹ مینجمنٹ

اینگرو فرٹیلائزرز کے شعبہ ہیومن ریسورس کی یہ ذمّہ داری ہے کہ وہ ورک فورس مینجمنٹ، جو کہ اپنے تئیں ایک فن ہے، میں بہترین مہارت کو متعارف کرائے، اسے فروغ دے، اور اس سلسلے کو جاری رکھے۔ دورانِ سال، ٹیلنٹ مینجمنٹ کو کسی رُکاوٹ کے بغیر درجِ ذیل اسٹریٹیجک ٹولز کے ذریعے قائم کیا گیا:

- ایک خودکار ٹریکنگ سسٹم کے تحت ٹیلنٹ کی اندرونی و بیرونی نگرانی
- صنفی تنوّع سمیت متنوّع ٹیلنٹ پول تیار کر کے امیدواروں کو ملازمت پر رکھنے کے طریقوں میں تبدیلی سے ایک سازگار ماحول کی تشکیل

صنفی تنوّع

اینگرو فرٹیلائزرز میں، ہم سب کو روزگار اور ترقی کے یکساں مواقع فراہم کرنے میں فخر محسوس کرتے ہیں۔ تنوّع کے تصوّر پر فعّال طور پر عملدرآمد اور ایک حوصلہ افزاء ماحول کو فروغ دینے کے لیے:

- صنفی تنوّع کے لیے تین نکاتی فریم ورک تشکیل دیا گیا تھا جس کا بھرپور انداز میں نفاذ کیا گیا، جس میں یکساں صنفی کلچر، خواتین کی بھرتی اور ملازمت پر برقرار رکھنے کے پہلوؤں پر خاص توجّہ دی گئی۔
- صنفی حسّاسیت کے سیشنز، ادارے میں ہر عہدے کی تفویض کے لیے مشق کا انعقاد، یکساں صنفی کلچر کی تخلیق کے لیے پالیسیز، اینگرو فرٹیلائزرز میں خالی پوزیشنز پر خواتین امیدواروں کو رکھا گیا اور انھیں ادارے میں پہلے سے ملازمت کرنے والی خواتین کے ساتھ کام پر لگایا گیا۔
- اینگرو فرٹیلائزرز نے عالمی تنوّع اور شمولیتی بینچ مارکس (دُنیا بھر میں موجود آرگنائزیشنز کے اسٹینڈرڈز) میں چھ ایوارڈز جیتے۔ جی ڈی آئی بی، عالمی سطح پر آرگنائزیشنز کا جائزہ لیتا ہے کہ وہ تنوّع اور شمولیت (D&I) پر بہترین طریقے سے عملدرآمد کر رہی ہیں یا نہیں۔

ریجنل سیلز مینیجرز کی صلاحیتوں میں اضافہ

درجہ بندی میں نئی تشکیل شدہ لیئر میں تجارتی صلاحیتوں میں اضافے کے لیے اینگرو فرٹیلائزرز کا پہلا آر ایس ایم ڈیولپمنٹ شروع کیا گیا۔ پروگرام کی اہمیت کا ٹریننگ کے بعد موزونیت کے فریم ورک کے ساتھ تجزیہ کیا گیا تھا۔

انعامات کا کامیابی سے نفاذ

اینگرو نے میک کنزی اینڈ کمپنی کے ساتھ ایک ٹیلنٹ اسٹریٹجی نمونے کو باقاعدہ شکل دی ہے جو اعلیٰ کارکردگی پر توجہ مرکوز رکھتی ہے۔ اینگرو فرٹیلائزرز کے تمام سسٹمز، اسٹرکچرز اور ہیومن ریسورس فنکشن میں موجود طریق ہائے کار میں ترامیم کی گئی ہیں، تاکہ ترتیب شدہ اسٹریٹجی کی مدد سے سپورٹ کیا جاسکے۔ اس کا آغاز کرنے کے لیے درجِ ذیل ایریاز کو باہم منسلک کیا گیا ہے:

- ملازمین کے گریڈنگ اسٹرکچر کی تنظیمِ نو کی جاچکی ہے اور وسیع بینڈز اور کیریئر اسٹریمز کی شمولیت کی وجہ سے اس میں ترمیم کر دی گئی ہے
- تنخواہوں کے اسٹرکچرز کو گروپ میں ریوارڈز مکس سے ہم آہنگ کیا گیا ہے
- متغیّر تنخواہ کو نئے سرے سے ترتیب دیا گیا ہے، تاکہ اعلیٰ کارکردگی پر مؤثر طریقے سے انعامات دیئے جاسکیں

اینگرو فرٹیلائزرز، اینگرو کا پہلا ذیلی ادارہ ہونے میں فخر محسوس کرتا ہے جس نے حکمتِ علی کے عین مطابق تمام تجویز کردہ ترامیم پر اسے جولائی کی تنخواہ اور انکریمنٹ سائیکل سے نافذ العمل کر دیا ہے۔

فیلڈ پر حوصلہ افزائی کا منصوبہ

فیلڈ پر حوصلہ افزائی کا منصوبہ اینگرو فرٹیلائزرز کی فیلڈ فورس کے لیے متعارف کرایا گیا تھا، تاکہ فرٹیلائزرز مارکیٹ کی بدلتی ہوئی کنڈیشنز سے مطابقت قائم رکھی جاسکے اور ریوارڈز سسٹم اور پرفارمنس، کارکردگی کے رہنما اشاروں (KPI's) اور اہداف کے مابین ایک براہِ راست ربط قائم ہو سکے۔

فیلڈ ملازمین اب اپنے تغیراتی تنخواہ کے سلسلے پر بہتر کنٹرول سے خوب لطف اندوز ہو رہے ہیں۔ وہ اسے اہداف کے حصول اور بہترین کارکردگی دکھانے سے منسوب کرتے ہیں۔

ہیڈ آفس بیسڈ CSR۔ اینگرو احساس

ہمارے ملازمین کی جانب سے ہیڈ آفس کو ایک منفرد اور اچھوتا خیال پیش کیا گیا کہ کیوں نہ مل کر کوئی سماجی کام کیا جائے۔ لہٰذا 'احساس' کے نام سے یہ نیک کام شروع کیا گیا، جس کا تصور یہ تھا کہ اپنی کمیونٹی اور لوگوں کو ایک اچھی زندگی کی فراہمی، ہمارا اخلاقی فرض ہے۔ اس سے ہمیں یہ استحقاق ملتا ہے کہ ہم زندگی کو اچھے طریقے سے گزارنے کے تجربے سے خود بھی لطف اندوز ہوتے ہیں۔

اس تصور کے پیچھے یہ خیال کارفرما ہے کہ:

- ادارے میں معاشرتی ذمہ داری کو اجاگر کرتے ہوئے 'واپس دینے/لوٹانے' کی سوچ کو پروان چڑھایا جائے۔
- ملازمین کو ہمارے ملک کی معاشرتی ترقی میں حصہ لینے پر ان کی حوصلہ افزائی کی جائے اور انھیں رضاکارانہ کاموں کے مختلف مواقع فراہم کیے جائیں
- ملازمین کو کاروباری معاملات کے علاوہ بھی دیگر عوامل پر ایک دوسرے سے رابطے بڑھانے اور معاملات سدھارنے کے مواقع فراہم کیے جائیں، جس کا مقصد ان میں مشترکہ اور باہمی لائحہ عمل اور ترغیب پیدا کرنا ہے۔

چونکہ بدلاؤ پر ہماری پوری توجہ مرکوز ہے، اس لیے کمپنی اور ملک کے لیے تبدیلی کی تحریک پیدا کرنے کی کوشش میں ہم اس پر یقین رکھتے ہیں:

- زندگی بھر سیکھنے کے مواقع تک رسائی ممکن بنانا جو لوگوں کی صلاحیت میں اضافے کو یقینی بنائے۔
- حفظانِ صحت کے اصولوں، اچھی صحت اور ایک مجموعی طور پر اچھے ماحول کو فروغ دینا، تاکہ ملک کو قابلِ علاج بیماریوں سے محفوظ رکھا جاسکے۔
- ہمارے ملک کی ترقی میں شامل خواتین کی ہر شعبے میں مکمل پیداواری صلاحیتوں کا ادراک کرنا اور ایک ایسے ماحول کو فروغ دینا جو ان کاوشوں کا عکاس ہے۔

نیا پرفارمنس مینجمنٹ سسٹم۔ کامیابی کے عوامل

اینگرو فرٹیلائزرز کا ہیومن ریسورس ایک مؤثر پرفارمنس مینجمنٹ سسٹم کا منبع ہے۔ جس کی عکاسی ٹیئر III اور اس سے اوپر کی ملازمین کے لیے بنائے گئے نئے پرفارمنس مینجمنٹ سسٹم کے کامیاب نفاذ میں ہوتی ہے۔ دورانِ سال، 330 ملازمین کو اس نئے سسٹم کے تحت تربیت دی گئی، تاکہ تمام ملازمین کی تربیت کا ہدف 100 فیصد حاصل کیا جاسکے۔

اینگرو تجربہ سروے

اپنے لوگوں کے تجربے سے استفادہ حاصل کرنا ہمارے ملازمین کے تجربے کو مزید بڑھانے کے لیے بے حد ضروری ہے۔ اینگرو تجربہ سروے کامیابی کے ساتھ منعقد کیا گیا جس میں ہمیں 94 فیصد بہترین ریسپانس ملا۔ اس ریسپانس کی مدد سے کم اسکورنگ والے ایریاز کی ایک جامع تجزیاتی طریقۂ کار کے تحت نشاندہی کی گئی۔ ڈیپارٹمنٹ کے تمام منیجرز کو نشاندہی کردہ ایریاز کے لیے بہترین عملی منصوبوں کی تیاری کا موقع فراہم کیا گیا۔ تیار کردہ منصوبوں کی سہ ماہی بنیادوں پر، ہیومن ریسورس فنکشن کے تحت نگرانی کی جاتی ہے۔

اہم کاروباری پوزیشنز

اینگرو فرٹیلائزرز کے ہیومن ریسورس ڈیپارٹمنٹ نے بہترین بین الاقوامی اسٹینڈرڈز کے مطابق اہم کاروباری پوزیشنز کی نشاندہی کرنے کے لیے ایک معروضی طریق ہائے کار ترتیب کیا ہے۔ یہ فریم ورک، کاروباری ترقی اور استحکام کے لیے اہم مقامات کی نشاندہی کرنے میں مدد فراہم کرتا ہے۔

یہ فریم ورک، وسائل کو بہتر بنانے اور مقامی ٹیلنٹ کو ایک صحت مند پائپ لائن کی فراہمی یقینی بنانے میں ایک کلیدی کردار ادا کرتا ہے، جس سے منیجرز کو مجموعی طور پر اپنے ڈیپارٹمنٹس اور کمپنی کے لیے منظّم اور مرکوز جانشینی منصوبہ تیار کرنے میں مدد ملے گی۔

کاروباری اخلاقیات اور بدعنوانی کے خلاف اقدامات

اینگرو فرٹیلائزرز اپنی کاروباری سرگرمیوں کے دوران تمام انتظامی اور حکومتی ضروریات پر عملدرآمد کو یقینی بناتا ہے اور اس نے مختلف پالیسیز اور اسٹینڈرڈز اپنائے ہوئے ہیں جن کی مخصوص کمیٹیز کی مدد سے مسلسل نگرانی کی جارہی ہے۔ ایسی پالیسیز میں شامل ہیں:

- ضابطۂ اخلاق
- فراڈ کے خطرے سے بچاؤ
- مفادات میں تضاد کا سدِّ باب
- اخلاقیات اور کاروباری طریقوں کا بیان
- غیر قانونی کاموں کی نشاندہی کی پالیسی
- متعلقہ پارٹیز سے ٹرانزیکشنز/کنٹریکٹس کا انتظام

صارفین کی حفاظت کے اقدامات

اینگرو فرٹیلائزرز میں ہم اپنے کسانوں کے مفادات کے تحفظ کو صارفین کی حفاظت کے اقدامات کے ذریعے یقینی بناتے ہیں۔ مثلاً:

- تمام ڈیلرز کو ریٹیل پرائس لسٹ کی فراہمی کی بدولت یقینی بنانا کہ کسانوں کا استحصال نہ ہو
- کسانوں کو کھاد بہترین طریقے سے استعمال کرنے کے لیے تعلیم اور رہنمائی کی فراہمی، پیداوار میں اضافے کے لیے تجویز کردہ نیوٹریشن مکس اور دیگر کا بہتر استعمال
- مٹی کی صحت بہتر بنانے کے لیے کسانوں کو تربیت فراہم کرنا
- پاکستان بھر میں موجود کسانوں کو مٹی کے نمونوں کو جانچنے کی مفت خدمات (سالانہ تقریباً 24,000 زمینوں کے ٹیسٹس لیے گئے)
- ہمارے وسیع ڈسٹری بیوشن اور ڈیلر نیٹ ورک کی بدولت پراڈکٹ کی بروقت ترسیل کو یقینی بنانا

ایگری ویلیو چین پراجیکٹس

- **بیج کے اشتمالی نظاموں کے لیے شراکت داریاں اور توسیعِ قدر (PAVE)**

PAVE پاکستان 2.5 سالہ (2017 سے 2020) کاروباری اشتمالی پراجیکٹ ہے جس کا مالی انتظام DFAT (شعبہ برائے خارجی معاملات اور تجارت) آسٹریلیا اور اینگرو فرٹیلائزرز لمیٹڈ کی جانب سے مشترکہ طور پر کیا گیا ہے، جس کا مقصد پاکستان میں چاول، گندم اور سبزیوں کے بیج کی ویلیو چین تخلیق کرنا ہے تاکہ چھوٹے کسانوں کی صلاحیتوں میں اضافہ اور ان کے لیے مارکیٹ سے ربط پیدا کر کے انھیں اس سہولت سے پوری طرح فیضیاب کیا جائے۔ سال کے دوران، اس پراجیکٹ سے 4,400 افراد (بشمول 600 سے زائد خواتین) مستفید ہوئے۔

دورانِ سال اس پراجیکٹ نے دو علاقائی ایوارڈز حاصل کیے، جن میں سے ایک تائے پے، تائیوان میں منعقدہ ایشیاء ریسپانسیبل انٹر پرائز ایوارڈ میں سماجی تقویت کی کیٹگری میں دیا گیا۔ دوسرا ایوارڈ میلبورن، آسٹریلیا میں منعقدہ کثیر شعبہ جاتی شراکت کے توسط سے بہترین اشتراکی ویلیو پراجیکٹ کے لیے تھا۔

صحتِ عامّہ کی خدمات

ہمارے صحت عامّہ کے پراجیکٹس کی جانب سے معاشرتی طبقوں کی معاونت کے لیے اہم ترین خدمات کی فراہمی جاری رہی۔ سہارا کلینک نے گزشتہ سال کے 9,528 مریضوں کے مقابلے میں مجموعی طور پر 14,995 مریضوں کا علاج کیا، جبکہ سانپ کے کاٹے کے علاج کے ایک ادارے نے 2019 کے دوران مجموعی طور پر 7,608 مریضوں کا علاج کیا۔

ہیپاٹائٹس سے آگاہی کے 430 سے زائد سیشنز منعقد کیے گئے، جن میں 12,900 افراد نے شرکت کی۔ مجموعی طور پر 3,400 لوگوں کو ویکسین دی گئی، جب کہ سال کے دوران ہیپاٹائٹس سی کے 104 مریضوں کا علاج کیا گیا۔

2019 کے دوران، ہم نے ضلع گھوٹکی کے لیے آنکھوں کا ایک مفت کیمپ بھی لگایا جس سے 2,500 مریض مستفید ہوئے۔ اس کے علاوہ، قومی دیہی معاونت کے پروگرام کی شراکت سے، مصنوعی اعضاء کا ایک مفت کیمپ لگایا گیا، جس سے 150 مریض فیض یاب ہوئے۔

توانائی کی بچت

2019ء، نمایاں برتری کے ساتھ پلانٹ کو توانائی کے مؤثر درجوں کے ساتھ استعمال کرنے کا سال رہا۔ بیس (Base) پلانٹ میں لوڈ کی حد (بھٹی کا کنٹرول) پر قابو پانے کے لیے اختراعی انجینئرنگ حل اختیار کیے گئے، چنانچہ اس طرح پلانٹ کے افعال کو ممکنہ حد تک زیادہ سے زیادہ لوڈ (135 فیصد) اور مؤثر پذیری پر رکھا گیا۔ جدید ترین ٹیکنالوجی کا استعمال کرتے ہوئے، enVen پلانٹ پر ایڈوانسڈ پراسیس کنٹرولر لگایا گیا جس سے امونیا کی پیداوار میں اندازاً 9 میٹرک ٹن یومیہ کا اضافہ ہوا۔ مزید برآں، فیڈ گیس انرچمنٹ (FGE) یونٹ کے ابتدائی عملی مسائل کو حل کرلیا گیا، جس سے ہمارا enVen پلانٹ اپنی معینہ گنجائش سے بھی تجاوز کر گیا اور 102 فیصد لوڈ پر عمل پذیر رہا (جو کہ بہترین کارکردگی پر اب تک کی بہترین عمل پذیری ہے)۔

بالترتیب enVen اور بیس پلانٹ کی یکے بعد دیگرے دو بڑی موافق تبدیلیوں نے مشینوں کے مؤثر معائنے، مبادلہ کاروں کی صفائی اور عمل انگیز عناصر کی تبدیلی کے ذریعے توانائی کی بچت کی کاوشوں کو تقویت دی۔

ماحولیاتی تحفظ

کاربن کے اثرات میں کمی

اینگرو فرٹیلائزرز نے 2017ء میں کاربن کے اثرات کے بین الاقوامی اسٹینڈرڈز کے مطابق کمی کا اہتمام کیا، اور کمپنی کو ایک فرٹیلائزر ادارے کے لیے عالمی قبولِ عام اسٹینڈرڈز سے ہم آہنگ بنانے کے لیے ایک عملی منصوبہ تیار کیا۔

اس عملی منصوبے کے مطابق، اینگرو فرٹیلائزرز نے 2019ء کے لیے متعین کردہ کاربن کے اثرات میں کمی کا ہدف کامیابی سے پورا کیا۔

ایک ملین درختوں کا پراجیکٹ

اپنے گرین پاکستان کے وژن کے حصول کے لیے ہم نے محکمۂ جنگلات، سندھ کے ساتھ ایک MoU پر دستخط کیے ہیں اور ضلع گھوٹکی کی سینکڑوں ایکڑ بنجر زمین پر درخت لگا رہے ہیں۔ تقریباً دو لاکھ ستر ہزار درخت لگائے جا چکے ہیں، جبکہ ہمارے چار سالہ منصوبے پر عملدرآمد کے لیے مزید 1350 ایکڑ زمین کو شجرکاری کے لیے تیار کیا جا رہا ہے۔

کھیلوں کا فروغ اور ترقی

- **پاکستان سپر لیگ میں کوئٹہ گلیڈی ایٹرز کی اسپانسرشپ**

اینگرو گروپ کے ایک جزو کے طور پر اینگرو فرٹیلائزرز، پی ایس ایل 2019ء میں کوئٹہ گلیڈی ایٹر ٹیم کے اسپانسرز میں سے ایک تھے، اور یہ 2020ء کے سیزن کے لیے بھی اسپانسر ہوں گے۔

- **اسپورٹس اور کمیونٹی ایونٹس**

ضلع گھوٹکی کے جوانوں کے لیے ڈسٹرکٹ باکسنگ ٹورنامنٹ اور ہارڈ بال کرکٹ ٹورنامنٹ کا انعقاد کیا گیا، تاکہ اس خطّے میں اسپورٹس کو فروغ دیا جائے۔ ان ٹورنامنٹس میں 26 کلبس نے شرکت کی۔

اینگرو فرٹیلائزرز کی جانب سے بہت بڑے پیمانے پر جنگ میلہ کا انتظام کیا گیا۔ یہ ایک بہترین کمیونٹی ایونٹ ثابت ہوا، جسے مقامی لوگوں کے ساتھ ساتھ ضلعی انتظامیہ نے بھی خوب سراہا۔

اپنے لوگوں سے ہمارا عہد

اینگرو فرٹیلائزرز کو اپنی فعال، پُرجوش اور ہمہ گیر مؤثر ٹیم پر فخر ہے جو کمپنی کے اقدار کی مجسم تصویر بن کر، سالہا سال سے مسلسل شاندار کامیابیوں کو یقینی بنا رہی ہے۔ ہیومن ریسورس کا شعبہ بنیادی اہمیت کی حامل پالیسیز، مؤثر طور پر وضع شدہ کردار اور طبی منصوبوں، پُرکشش مراعاتی پیکیجز اور صحت مند ماحول پر توجہ مرکوز رکھتا ہے جس سے اس کے ملازمین نہ صرف انفرادی سطح پر بلکہ ایک وسیع تر ادارے کی حیثیت سے پیداواریت میں اضافے کے اہل بنتے ہیں۔

سال 2019ء، ''ایچ آر ٹرانسفارمیشن' کا سال تھا، جس میں اینگرو فرٹیلائزرز کا ہیومن ریسورس فنکشن ارتقائی مراحل طے کرتا ہوا مختلف آپریٹنگ نمونوں میں فلسفیانہ تبدیلیوں کو متعارف کرا سکے، اور نئے اقدامات کی تخلیق، ملازم کی کارکردگی اور کاروباری ترقی جیسے عوامل پر عملدرآمد کیا جا سکے۔

اینگرو فرٹیلائزرز کی ترقی میں ہیومن ریسورس کا کردار درجِ ذیل ہے:

ایگریکلچرل انٹرن شپ پروگرام 2019

• اینگرو فرٹیلائزرز نے اس سال زراعت پر مبنی پہلا انٹرن شپ پروگرام متعارف کرایا تھا۔ اس پروگرام کا ہدف 150 طلبہ تھے، جو ریکروٹمنٹ ٹیسٹنگ کے بعد منتخب کیے گئے تھے۔ ان 150 امیدواروں میں سے 19 امیدواروں کو اینگرو فرٹیلائزرز میں فیلڈ بیسڈ انٹرن شپ پروگرام کا تجربہ حاصل کرنے کا موقع دیا گیا۔

• تنوّع کو برقرار رکھنا اور یکساں صنفی مواقع کو فروغ دینا، 2 خواتین انٹرنز کو بھی فیلڈ بیسڈ انٹرن شپ پروگرام میں حصّہ لینے کے لیے شامل کیا گیا۔

کارپوریٹ سماجی ذمہ داری (سی ایس آر)

پاکستان کے وسیع ترین کاروباری اداروں میں سے ایک، اینگروفرٹیلائزرز ہمیشہ سے ایک مقصد پر کاربند ادارہ رہا ہے۔ ہم مستحکم سماجی اہداف کی تکمیل کے لیے متوقع کاروباری اہداف اور کاوشوں سے بھی آگے نکلنے کا عزم رکھتے ہیں۔ اس عزم کا اظہار ہمارے سی ایس آر کے شعبے، اینگرو فاؤنڈیشن کی جانب سے کیا گیا ہے، جو مؤثر سرمایہ کاریوں کے ذریعے کم آمدنی والے معاشروں میں رہنے والے لوگوں کی زندگیوں کو بہتر بنانے کے لیے کوشاں ہے۔

اینگروفرٹیلائزرز، مالیاتی اور تنظیمی وسائل کو جمع کرکے زندگیوں کو بہتر بنانے اور مستحکم زندگی کی راہ ہموار کرنے کے لیے معاشرے کی مشغولیت کے حامل اقدامات اور سماجی سرمایہ کاریاں عمل میں لاتا ہے۔ ہم اپنے عزم اور ولولے کو درج ذیل اور ان کے علاوہ دیگر عوامل پر توجہ مرکوز رکھتے ہوئے، پاکستان پر مثبت اثرات کے لیے استعمال کرتے ہیں:

- معاشرتی سرمایہ کاری اور انفرااسٹرکچر کی ترقی
- تعلیم
- ذریعۂ معاش
- ایگری ویلیوچین پراجیکٹس
- صحتِ عامّہ کی خدمات
- توانائی کی بچت
- ماحول کا تحفظ
- کھیلوں کا فروغ اور ترقی

ہمارے عزائم کی منزل کارپوریٹ فلاح و بہبود سے بھی آگے ہے اور ہم شرکتِ عمل کی حامل ایک مستحکم کاروباری حکمتِ عملی کی تخلیق کا عزم رکھتے ہیں۔ ہم ترقیاتی پارٹنرز کے ساتھ مل کر کام کرتے ہیں اور اس بات پر فخر محسوس کرتے ہیں کہ ہمارے ملازمین معاشروں اور کسانوں، سماجی اثرات میں زیادہ سے زیادہ اضافے اور استحکام کے لیے سماجی کام سے براہِ راست منسلک ہوں۔

اینگروفرٹیلائزرز نے ایک وقف شدہ CAER (معاشرتی آگاہی کا ہنگامی ردِعمل) کمیٹی قائم کی ہے جس کا بنیادی مقصد تمام معاشروں کو ان کی دیہات کے ہنگامی ردِعمل کے حوالے سے ایچ ایس ای کے مقررہ دستورالعمل کے مطابق اور اس کے ساتھ ساتھ ان دیہاتوں کی معاشرتی ترقی کو یقینی بناتے ہوئے (2 کلومیٹرز کی حدود میں) رہنمائی اور تربیت فراہم کرنا ہے۔

معاشرتی سرمایہ کاری اور انفرااسٹرکچر کی ترقی

ہماری سماجی سرمایہ کاری کی حکمتِ عملی کا ایک بنیادی عنصر معیارِ زندگی کو بہتر بنانے اور اس کے ساتھ ساتھ پاکستان کے زرعی منظرنامے کی بہتری میں اپنا کردار ادا کرنے کے لیے معاشرتی مشغولیت اور انفرااسٹرکچر کی ترقی ہے۔ پالیسی کی تخلیق اور منصوبہ بندی، فیصلہ سازی، خدمت کی فراہمی اور تجزیے میں، ہم ایسی پالیسیوں کی تخلیق اور نفاذ پر فخر محسوس کرتے ہیں جو ہمارے زیرِ عمل معاشروں میں رہنے والے لوگوں کی ضروریات اور اقدار کی تکمیل کرتی ہیں۔ مستحکم سماجی مصالحتی عمل کے لیے فوری تجزیہ اور اعلیٰ ترین فراہمی بنیادی حیثیت رکھتے ہیں۔

2019 میں، اینگروفرٹیلائزرز نے ڈہرکی اور اس کے اطراف میں انفرااسٹرکچر، تعلیمی سہولیات اور ذرائع معاش کی ترقی کے لیے سرمایہ کاری کی۔ یہ ترقیاتی عمل ہماری ان کاوشوں کا جزو ہیں جو ہم معاشرتی تعمیر، آمدنی کی پیداوار اور صحت اور تحفظ کی بنیادی خدمات کی فراہمی کے لیے بروئے کار لا رہے ہیں۔

دورانِ سال، CAER کے دیہاتوں اور ڈہرکی میں تین آر او پلانٹس کو کامیابی سے شمسی توانائی پر منتقل کیا گیا، تاکہ توانائی کی بچت کے ساتھ صاف پانی کی دستیابی کو یقینی بنایا جا سکے۔ مزید برآں، جنگ کے دیہات میں نکاسیِ آب کے لیے انفرااسٹرکچر میں ترقیاتی کام بشمول مین لائن کنکشن اور پمپنگ اسٹیشن کی دیکھ بھال اور مرمت کا کام اور جان محمد بگھیو کے دیہات میں نکاسی کے نظام کو جدید بنیادوں پر استوار کیا گیا۔ اپنی حکمتِ عملی سے ہم آہنگ رہتے ہوئے، ڈہرکی ریلوے اسٹیشن پلیٹ فارم پر ترقیاتی کام عمل میں لایا گیا۔

معاشرتی انفرااسٹرکچر کے دیگر ترقیاتی کاموں میں ڈہرکی اور گھوٹکی میں تعلیمی اداروں میں شمسی روشنیوں کی تنصیب شامل ہے۔

تعلیم

تعلیم، ہمیشہ ہماری سی ایس آر حکمتِ عملی کے اہم ترین اجزاء میں سے ایک رہی ہے۔ ہم نے اپنے مینوفیکچرنگ ادارے کے آس پاس کے پسماندہ معاشرتی طبقوں کو معیاری تعلیم کی فراہمی، اور ہر سطح پر معیار اور سیکھنے سکھانے کے عمل کی بہتری کے لیے بھرپور لگن کے ساتھ کام کیا ہے۔

سال کے اختتام پر، ہمارے سرکاری اسکولوں میں طلباء کی تعداد 1,565 تھی۔ سی ڈی پی، نجی عطیہ دہندگان اور اینگرو کے تعاون سے غازی چاچڑ میں لڑکیوں کے پہلے مڈل اسکول (56 طالبات) کے آغاز کے ساتھ، ہمارا کچا اسکول نیٹ ورک ہمارے منصوبے کے مطابق زیرِ عمل ہے۔ ہم نے بچوں کے تدریسی عمل کی بہتر انجام دہی کے لیے اساتذہ، بشمول 4 استانیوں کی تربیت اور اساتذہ کی استعداد میں اضافے کے لیے سرمایہ کاری کی ہے۔

سہارا ویلفیئر اسکول نے سال بھر، ڈہرکی میں ہمارے مینوفیکچرنگ کے ادارے کے اطراف میں معیاری تعلیم کی فراہمی جاری رکھی، جہاں گزشتہ دو سالوں میں انفرااسٹرکچر کی ہونے والی ترقی نے طلباء کی تعداد میں اضافہ کیا۔ دورانِ سال، ہم نے ضلع گھوٹکی میں اپنی سرپرستی میں چلنے والے سرکاری اسکولوں میں پرائمری کے طلباء کے لیے ایک مخلوط تدریسی ماڈل متعارف کروایا۔

علاوہ ازیں، اس سال اینگروفرٹیلائزرز نے ضلع گھوٹکی میں بڑے پیمانے پر بین الاسکول سائنس فیسٹیول منعقد کیا، جس میں 60 سے زائد اسکولوں نے شرکت کی۔ اپنی طرز کی اس پہلی تقریب میں 800 سے زائد طلباء نے شرکت کی اور اینگروفرٹیلائزرز نے صفِ اوّل کے 3 پراجیکٹس کے لیے نقد انعامات اور ٹرافیاں تقسیم کیں۔

ذریعۂ معاش

تکنیکی تربیت کا مرکز (ٹی ٹی سی)، ڈہرکی

اینگروفرٹیلائزرز کی مدد سے قائم کردہ تکنیکی تربیت کا مرکز (ٹی ٹی سی)، ڈہرکی، ہمارے صلاحیتی تربیتی پروگرامز میں ایک محور کا کردار رکھتا ہے۔ یہ کالج کیمیکل اور میکینکل ٹیکنالوجیز کے شعبے میں ایسوسی ایٹڈ انجینئرنگ میں 3 سالہ ڈپلومہ (ڈی اے ای) کے ساتھ ساتھ ڈہرکی کے قرب و جوار میں رہنے والے نوجوانوں کے لیے قلیل المیعاد پیشہ ورانہ تربیتی پروگرامز پیش کرتا ہے۔ گزشتہ سالوں میں، ہم نے کالج کے لیے ایک جائے تخصیصی سافٹ ویئر کی تیاری اور نفاذ میں مدد دی ہے، جو طلباء کے ڈیٹا بینک کے طور پر کام کرے گا اور کالج کے تعلیمی اثرات کے تجزیے اور عملداری کے لیے سابق طالبِ علم کی ملازمت کی ٹریکنگ میں استعمال کیا جائے گا۔

ایسوسی ایٹڈ انجینئرنگ (ڈی اے ای) پروگرام میں ڈپلومہ:

2019 میں، ڈی اے ای پروگرام میں طلباء کی مجموعی تعداد 381 رہی۔ ان میں سے 144 طلباء نئے داخل کیے گئے تھے، جبکہ ہمیں 141 طلباء کو گریجویٹ ہوتا اور سابق طالبِ علم کے رینک میں شامل ہوتا دیکھنے کا اعزاز بھی حاصل ہوا، اس طرح سابق طالبِ علم کا مجموعی نیٹ ورک 529 افراد تک جا پہنچا۔

پیشہ ورانہ کورسز:

2019 میں ہمارے پیشہ ورانہ تربیتی مرکز (وی ٹی سی) میں تربیت کے لیے داخل ہونے والوں کی مجموعی تعداد 160 تھی۔ گریجویٹ طلباء کی تعداد 380 تھی، جس سے آج کی تاریخ تک، وی ٹی سی کے سابق طلباء کا مجموعہ 2,858 گریجویٹس تک پہنچ چکا ہے۔ نئے تربیت پانے طلباء کو شامل کیا گیا تاکہ انہیں ایسی صلاحیتوں سے آراستہ کیا جا سکے جو نہ صرف انہیں بیش قیمت ملازم یا کاروباری مالک بنائیں بلکہ وہ معاشرے کے لیے کارآمد افراد بھی بن سکیں۔

GIZ پراجیکٹ:

دورانِ سال، ٹی ٹی سی کو GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit)، جو کہ ایک جرمن ترقیاتی ایجنسی ہے، سے 160 نوجوان مرد و خواتین کو 4 مختلف شعبوں (ویلڈنگ، فیبریکیشن، مشینری، ویب ڈیزائن) میں تربیت کے لیے معاونت بھی حاصل ہوئی۔

اینگرو فرٹیلائزرز میں ہم کل کی ضروریات کی تکمیل پر سمجھوتہ کیے بغیر آج کی ضروریات پورا کرنے پر توجہ مرکوز کرتے ہیں۔ لہٰذا، ہم پوری کمپنی کے اندر اپنے مجموعی آپریشنز میں مستحکم ترقی کا معیار قائم کرنا چاہتے ہیں۔

صحت، تحفظ اور ماحول

اینگرو فرٹیلائزرز میں ہمارے لیے اپنے ملازمین کا تحفظ ہمیشہ سے انتہائی اہمیت اور بنیادی ترجیح کا حامل رہا ہے۔ ہم طریقۂ کار اور تربیت کی بدولت اپنے ملازمین کو صحت، ماحول اور تحفظ کی مثبت روایت کی فراہمی کے لیے تگ و دو کرتے ہیں۔ ہم اپنی ماحولیاتی ذمّے داریوں اور فرائض کو مستعدی سے پورا کرتے ہوئے اپنے ملازمین کو کام کا محفوظ ترین ماحول، خصوصاً ہماری مینوفیکچرنگ کی سہولیات میں فراہم کرنے کے لیے کوشاں رہتے ہیں۔ ہم اپنے معیار کو ہر سال عالمی سطح پر قابلِ قبول معیار سے بھی بلند تر کرنے کا عزم رکھتے ہیں۔

- **2019 کے آڈٹس اور اسناد**

اینگرو فرٹیلائزرز نے اینگرو کارپوریشن کے معروف تحفظ، OHIH اور EMS انٹرنل ایکسپرٹ کی زیرِ قیادت ایک کثیر صلاحیتی ٹیم کی جانب سے منعقدہ ''ماحولیاتی انتظامی نظام'' (EMS) سسٹم آڈٹ میں اب تک کی بلند ترین درجہ بندی حاصل کی۔ علاوہ ازیں، شعبہ جاتی منیجرز کے زیرِ سرپرستی تمام شعبوں کی جانب سے DuPont کی ہدایات کے مطابق صحت و تحفظ کے اسٹینڈرڈز کے لیے، انٹرنل آڈٹس عمل میں لائے گئے۔ IMS کے کامیاب نگران آڈٹس کیساتھ ساتھ اینگرو فرٹیلائزرز نے ''IFA- محفوظ کریں اور مستحکم بنائیں'' کی مکرّر سند کے لیے امتیازی حیثیت اور اب تک کا بلند ترین اسکور حاصل کیا۔

غذائی کام اور تحفظ کے لیے حفظانِ صحت اور معیار کو یقینی بنانے کے لیے، HACCP کے اسٹینڈرڈز کے مطابق تمام فوڈ کلبز اور کینٹینز کے نگران آڈٹس انجام دیے گئے۔

- **'ایچ ایس ای سب سے پہلے' کا طرزِ فکر پیدا کرنا**

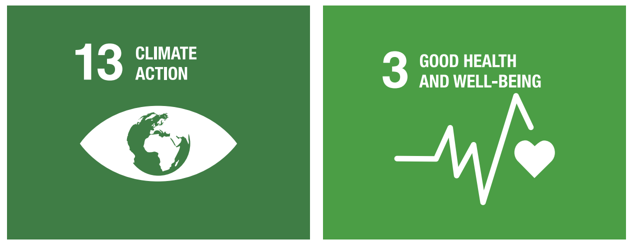
مکرّر اہمیت کے حامل ''فطری حفاظتی پروگرام'' کے تحت، تمام ملازمین اور مکمل افرادی قوت کی شرکتِ عمل کے ساتھ اختراعات متعارف کروائی گئیں، جس نے ہمارے روزمرّہ کے آلاتِ استعمال اور طریقۂ کار کو فطری طور پر محفوظ بنا دیا۔ اینگرو فرٹیلائزرز کے ایچ ایس ای کے شعبے نے ایک شاندار رِوایت پر عمل پیرا رہ کر ہمارے مینوفیکچرنگ کے مراکز پر پلانٹ آپریشنز میں کام کرنے والے تمام ملازمین کے لیے ''تحفظ کے لیے توقف کریں'' کے بینر کے تحت ایک تربیتی عمل کا انعقاد کیا۔ ان کا مطمعِ نظر مخصوص ایچ ایس ای خطرات، ہنگامی افعال اور کام کے محفوظ طریقۂ کار پر مبنی تھا۔ اینگرو فرٹیلائزرز کی ایچ ایس ای کمیونٹی کی جانب سے کی جانے والی نمایاں کوششوں کو ہماری تاریخ میں سب سے کم چوٹوں اور جسمانی نقصانات کی شرح کے حصول پر خراجِ تحسین پیش کیا جانا باقی ہے۔

ہمارے ملازمین کے مابین ایچ ایس ای کے طریقۂ کار کو ذہن نشین کروانے کے لیے اینگرو فرٹیلائزرز کی جانب سے دیگر نمایاں اقدامات کا بھی آغاز کیا گیا، جیسے کہ:

- ''اسکول آف EMS''
- ''خطرناک فاضل مادّوں کی علیٰحدگی کا عمل''؛ اور
- ''WRAP - فاضل مادّوں میں کمی ہمیشہ فائدہ دیتی ہے'' پروگرام

یہ پراجیکٹس ہمارے ملازمین کا طرزِ فکر، ذاتی اور پیشہ ورانہ، دونوں لحاظ سے، بدلنے کے لیے کوشاں ہیں۔

اس کے علاوہ، ہمارا پیشہ ورانہ صحت کا پروگرام صنعتی حفظانِ صحت اور کام کے دوران استعمال کی جانے والی ادویات کو انتہائی اہمیت دیتا ہے۔ اس حکمتِ عملی کے مطابق، 2019 میں مختلف ''صحت سے آگاہی کے پروگرامز'' کا آغاز کیا گیا۔ یہ پروگرامز حسبِ روایت ملازمین کو تربیت مہیا کرتے ہیں، جو انہیں موجودہ دور میں بے شمار ٹیکنالوجیکل تبدیلیوں سے ہم آہنگ کرتے ہیں اور اپنی ملازمتوں کے تحفظ اور صحت سے متعلقہ مختلف پہلوؤں پر انہیں آگاہی دے رہے ہیں۔



ایوارڈز اور ستائش

ایچ ایس ای کے تینوں پہلوؤں میں ہماری مہارت اور کاوشوں کو بے شمار معروف قومی اور بین الاقوامی اداروں نے سراہا ہے:

- **ماحولیاتی امتیاز و سربلندی کا سالانہ ایوارڈ**، جسے ''قومی فورم برائے ماحولیات اور صحت'' کی جانب سے ماحولیاتی کارکردگی اور دس لاکھ درختوں کی شجر کاری پر دیا گیا۔
- **آتشزدگی سے تحفظ میں سربلندی کا سالانہ ایوارڈ**، جسے ''پاکستان کی آتشزدگی سے تحفظ کی ایسوسی ایشن'' کی جانب سے آگ سے بچاؤ اور تحفظ میں شاندار کارکردگی پر دیا گیا۔
- **IFA میں گولڈ میڈل**۔ IFA کے ''تحفظ اور استحکام کا معیار'' اور ایچ ایس ای اور توانائی کے طے شدہ اسٹینڈرڈز کے حوالے سے ہماری کارکردگی کی روشنی میں سالانہ بنیادی اہمیت کے حامل فورم کی جانب سے دیا گیا۔

قومی کونسل برائے تحفظ (این ایس سی) امریکہ نے اینگرو فرٹیلائزرز کو نئے آنے والے حفاظتی قائدین کے لیے جائے نشوونما/نرسری کے طور پر تسلیم کیا۔

- **2019 میں ہماری ایچ ایس ای کارکردگی**

سال 2019 میں، اینگرو فرٹیلائزرز نے تحفظ اور صحت سے متعلقہ لاتعداد اقدامات کی مؤثر انداز میں تکمیل کی۔ مؤثر پالیسی کے نفاذ کے ساتھ ساتھ ایک مؤثر بنیادی اہمیت کا حامل منظر نامہ ہماری سالانہ کارکردگی کے لیے اہم ترین عوامل ہیں:

ہماری ایچ ایس ای کارکردگی	
قابلِ اندراج چوٹوں کی مجموعی شرح (TRIR)	0.05
ملازمتی دن کے ضیاع کی حامل چوٹ (LWI)	0
مجموعی مزدوری گھنٹے	12.5 ملین
ہلاکتیں	0
قابلِ اندراج چوٹیں	3

ڈیویڈنڈز اور مابعد ایونٹس

بورڈ، 31 مارچ 2020ء کو منعقدہ سالانہ اجلاسِ عام میں اراکین کی منظوری کے لیے برائے اختتامِ سال 31 دسمبر، 2019ء پہلے سے اداشدہ 11 روپے فی شیئر کے عبوری ڈیویڈنڈ کے ساتھ ساتھ 2 روپے فی شیئر کے حتمی ڈیویڈنڈ (مجموعی ڈیویڈنڈ: 13 روپے فی شیئر) کی مسرت کے ساتھ تجویز پیش کرتے ہیں۔

اس رپورٹ کی تیاری کی تاریخ تک کمپنی کی مالیاتی حیثیت پر اثر انداز ہونے والی کوئی بھی دیگر نمایاں تبدیلیاں اثر انداز نہیں ہوئیں۔

کیپیٹل کا اسٹرکچر اور طویل المیعاد قرضوں کی مینجمنٹ

2019ء میں، کمپنی نے ہمیشہ کی طرح سرمایہ کاری کی لاگتوں میں کمی کے لیے اپنی کوششوں پر توجہ مرکوز رکھی۔ انڈسٹری کے بہتر ہوتے محرکات اور اس کے نتیجے میں نقد رقم کے اضافے کے باعث کمپنی کو اپنے حالیہ طویل المیعاد قرضوں میں کی جانے والی کمی کو سرمایہ جاتی اخراجات کی رقم کی فراہمی کے لیے سال کے انتہائی اختتام تک مؤخر کرنے کا موقع ملا، جبکہ اس کے برعکس گزشتہ سال میں طویل المیعاد قرضوں کی دوبارہ ادائیگی پورے سال کے دوران کی گئی تھی۔ 2019ء کے اختتام پر طویل المیعاد قرضے 31 بلین روپے (2018: 30.8 بلین روپے) رہے۔ اس سال واجب الادا ہونے والے تمام قرضوں کی ادائیگیاں ان کی واجب الادا تاریخ تک کر دی گئیں اور سال کے دوران کسی بھی قرضے کی دوبارہ ادائیگی میں کوئی رقم باقی نہ رہی۔ 31 دسمبر، 2019ء کو مجموعی ایکوئٹی 43.3 بلین روپے (2018: 45.5 بلین روپے) رہی۔ سال کے دوران، PACRA نے اینگرو فرٹیلائزرز کی طویل المیعاد کریڈٹ ریٹنگ کو AA پر اور قلیل المیعاد کریڈٹ ریٹنگ کو A1+ پر برقرار رکھا۔

مالیاتی گوشواروں پر آڈیٹرز کی رپورٹ

آڈیٹرز نے دورانِ سال ہونے والے کاروباری عمول، کلیدی اہمیت کے حامل مالیاتی افعال اور اخراجات کا جائزہ لیا اور انہوں نے برائے اختتامِ سال 31 دسمبر، 2019 کمپنی کے علیٰحدہ اور اجتماعی مالیاتی گوشواروں پر اَن کوالیفائیڈ آڈٹ رپورٹ جاری کی ہے۔

مستقبل کا پیش منظر اور مارکیٹ کا منظر نامہ

عالمی سطح پر، 2020ء میں یوریا کی طلب میں 1.7 فیصد کے معمولی اضافے، جبکہ سپلائی میں خاطر خواہ اضافے کی توقع ہے، جہاں ایک طرف نئی سپلائی عالمی مارکیٹ میں داخل ہوں گی، وہیں دوسری طرف توقع ہے کہ چین میں مخصوص بنیادی گنجائشیں (Capacities) بند ہو جائیں گی۔ یوریا کی بین الاقوامی قیمتوں میں ان وجوہات کی بناء پر اضافے کی توقع ہے (i) خریف کے موسم کے لیے پیشگی خریداری کے باعث بھارت سے آنے والی زیادہ طلب (ii) یورپ، برازیل اور امریکہ سے اضافی طلب اور (iii) چین سے پست برآمدی سپلائی، کیونکہ چینی سپلائرز فی الحال مقامی مارکیٹ میں برآمدی قیمتوں کے مقابلے میں بہتر ہیں۔ 2020ء کے لیے مقامی یوریا کی طلب 2019ء کی 6.2 ایم ٹی کے مقابلے میں 5.8 ایم ٹی کی نارمل حیثیت میں رہنے کی توقع ہے۔ 2020 کے لیے پیداوار 5.6 ایم ٹی (علاوہ ایل این جی پلانٹس) رہنے کی توقع ہے، جبکہ طلب اور رسد کا درمیانی خلاء موزوں چینل انوینٹری سے پورا کیا جائے گا۔

DAP کی بین الاقوامی قیمتیں 2020ء میں نسبتاً کم رہنے کی توقع ہے۔ جب تک کہ خریف کے موسم کے لیے طلب بڑھ نہیں جاتی، امکان ہے کہ قیمتوں پر مسلسل زیریں جانب حرکت پذیر دباؤ جاری رہے گا۔

UN کے عالمی میثاق (UNGC) کے اصولوں اور مستحکم ترقیاتی اہداف (SDGs) کا فروغ

اینگرو فرٹیلائزرز ایک مستحکم ویلیو چین کی جانب شرکتِ عمل کی حامل ترقی اور مشترکہ مقصد پر یقین رکھتا ہے۔ ہم ایک ایسا مضبوط ادارہ جاتی اسٹرکچر بنانے کا عزم رکھتے ہیں جو پوری کمپنی کے تمام ملازمین اور اسٹیک ہولڈرز کے لیے فوائد پیش کرتا ہے۔ ہم اپنے ایک بنیادی اقدار کے طور پر کمیونٹی کی ذمہ داری اپناتے ہیں، جسے گروپ کا ہر فرد مشترکہ طور پر پورا کرتا ہے۔ ہمارا مضبوط اور مؤثر ادارہ جاتی اسٹرکچر، سی ایس آر کو ادارے کے ہر فرد تک فروغ دیتا ہے۔

اینگرو فرٹیلائزرز مروّجہ ماحولیاتی مسائل کی اہمیت پر بے پناہ یقین رکھتا ہے، چنانچہ ادارے میں اور اس کے ساتھ ادارہ جاتی حدود سے باہر مستحکم اقدامات کے نفاذ اور فروغ میں فعّال کردار ادا کرتا ہے۔ ہم یونائیٹڈ نیشنز کے مستحکم ترقیاتی اہداف (UNSDGs) کی مکمل طور پر حمایت کرتے ہیں اور ان اہداف کے حصول کے لیے کی جانے والی اجتماعی کوشش میں شرکت کے لیے اپنے ملازمین کی حوصلہ افزائی کرتے ہیں۔ ادارہ اپنے اسٹیک ہولڈرز کو اوّلین اہمیت دیتا ہے اور افراد کی قدر پر بھرپور یقین رکھتا ہے۔ اداروں کے لیے مرکزی مستحکم اہداف کا فیصلہ اسٹیک ہولڈرز کے خدشات کے جامع تجزیے کے ذریعے کیا جاتا ہے۔ جیسا کہ ہم اس بات پر یقین رکھتے ہیں کہ ہمارے کاروباری افعال اور پراجیکٹس ان اہداف کے حصول میں اپنا کردار ادا کرتے ہیں، اس رپورٹ میں یہ آئیکنز نظر آئیں گے:

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

برائے اختتامِ میعاد 31 دسمبر، 2019

ڈائریکٹرز رپورٹ

اینگرو فرٹیلائزرز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 31 دسمبر 2019ء کو اختتام پذیر ہونے والے مالیاتی سال کی ڈائریکٹرز رپورٹ اور آڈٹ شدہ مالی گوشوارے پیش کرنے پر مسرت محسوس کرتے ہیں۔

مارکیٹ کا جائزہ

سال کے دوران مقامی یوریا کی انڈسٹری میں 7 فیصد سے اضافہ ہوا جس کے نتیجے میں یوریا کی مجموعی فروخت سال 2018ء میں 5,797 کے ٹی کے مقابلے میں 6,183 کے ٹی رہی، جبکہ چینل انوینٹری سال کے اختتام پر 400 کے ٹی کے لگ بھگ رہی۔ یوریا انڈسٹری میں اضافے کی بنیادی وجہ پہلے سے زیادہ منافع جات اور دسمبر 2019 میں گیس کے نرخ میں اضافے کی خبروں کے بعد یوریا کی قیمتوں میں اضافے کے پیشِ نظر قبل از وقت خریداری تھی۔

سال 2019ء میں یوریا کی صنعتی پیداوار، گزشتہ سال کی 5,706 کے ٹی کے مقابلے میں 8 فیصد اضافے کے ساتھ 6,144 کے ٹی ہوگئی۔ زیادہ پیداوار کی بنیادی وجہ ایل این جی پر مبنی پلانٹس کا چلنا اور پلانٹ کی پہلے سے بہتر کارکردگی اور گیس کی بہتر دستیابی کے باعث اینگرو فرٹیلائزرز کی جانب سے زیادہ پیداوار کا ہونا تھا۔ علاوہ ازیں، جولائی 2019 میں 100 کے ٹی یوریا کی درآمد نے بھی انڈسٹری کی رسد میں اضافہ کیا۔ سال کے اختتام پر انڈسٹری یوریا انوینٹری، گزشتہ سال کی طرح 200 کے ٹی رہی۔

بین الاقوامی محاذ پر، بھارت کی جانب سے کم طلب کے ساتھ ساتھ عالمی مارکیٹ میں اضافی رسد کے باعث، یوریا کی قیمتیں 2018ء کی چوتھی سہ ماہی میں 300 امریکی ڈالرز فی ٹن سے کم ہو کر 259 امریکی ڈالرز فی ٹن (2,410 روپے فی بیگ کے مساوی) ہوگئیں۔ مقامی یوریا کی قیمتیں 2018 میں 1,740 روپے فی بیگ سے بڑھ کر 2019 میں 2,040 روپے فی بیگ ہوگئیں جس کی وجہ گیس کے نرخ کا بڑھنا اور عمومی افراطِ زر تھی۔ اس اضافے کے باوجود، مقامی یوریا کی قیمتِ فروخت بین الاقوامی قیمتوں سے مسلسل نمایاں رعایت کی حامل ہیں۔

چونکہ یوریا پر حکومت کی سبسڈی اسکیم ختم ہوچکی ہے، لہٰذا فرٹیلائزر انڈسٹری، حکومت سے طویل واجب الادا سبسڈی وصولیابیوں کے باعث مسلسل مالیاتی لاگتیں برداشت کر رہی ہے۔ ایک انڈسٹری کی حیثیت سے ہم سبسڈی کے تقسیمی طریقۂ کار کو بہتر خطوط پر استوار کرنے اور 20 بلین روپے کی خطیر واجب الادا رقوم کی ادائیگی کے لیے حکومت کے ساتھ مشغول رہتے ہیں۔

جی آئی ڈی سی کا منظر نامہ

جنوری 2020 میں، کیبنٹ کی اقتصادی رابطے کی کمیٹی (ای سی سی) نے فرٹیلائزر کے شعبے کے لیے ماورائے عدالت تصفیے کے لیے وزارتِ صنعت و پیداوار کی پیشکش کو منظور کیا تاکہ فرٹیلائزر تیار کنندگان کی جانب سے استعمال کردہ گیس پر عائد گیس انفرااسٹرکچر ڈیولپمنٹ سیس (جی آئی ڈی سی) کو 405 روپے فی بیگ سے کم کر کے 5 روپے فی بیگ کیا جائے اور یوریا کی قیمتوں میں ہونے والی کمی سے کسانوں کو تناسبی فائدہ منتقل کیا جائے۔ وزارتِ توانائی، بعدازاں 28 جنوری 2020 کو ای سی سی کے اس فیصلے کو لاگو کر چکی ہے۔ نتیجتاً، اینگرو فرٹیلائزرز نے جی آئی ڈی سی کے تناسبی اثر کو منتقل کرنے کے لیے یوریا کی قیمتیں 160 روپے فی بیگ کم کر دیں۔

گیس کی نرخ بندی

دسمبر 2019 میں، اوگرا نے گیس کے نرخوں میں اضافے کی سفارش کی تھی، نتیجتاً فرٹیلائزر فیڈ گیس کے نرخ 300 روپے فی ایم ایم بی ٹی یو سے بڑھ کر 707 فی ایم ایم بی ٹی یو (136 فیصد اضافہ) ہوجاتے، دوسری جانب فرٹیلائزر فیول گیس کے نرخ 1,021 فی ایم ایم بی ٹی یو سے بڑھ کر 1,343 فی ایم ایم بی ٹی یو (32 فیصد اضافہ) ہوجاتے۔

اوگرا کی سفارشات کے جواب میں وزارتِ پٹرولیم نے ہر شعبے کے لحاظ سے گیس کے نرخوں پر مخصوص نظرِ ثانی کی ہے۔ فرٹیلائزرز فیڈ گیس کے نرخوں میں 5 فیصد اضافے اور آر ایل این جی کے مطابق (1,672 روپے فی ایم ایم بی ٹی یو) فرٹیلائزر فیول گیس کے نرخوں میں 64 فیصد اضافے کی سفارش کی ہے۔ یہ نظرِ ثانی مختلف شعبوں کے درمیان غیر موافق عدم مساوات پیدا کرتی ہے کیونکہ کیپٹیو پاور گیس کے دیگر صارفین کے لیے یہ اضافہ صرف 15 فیصد ہوگا۔ تاہم، اوگرا کی جانب سے سفارش کردہ قیمتوں میں اضافے اور بعد ازاں وزارتِ پٹرولیم کی جانب سے اس میں ترمیم کی منظوری، تاحال حکومت کی جانب سے باقی ہے۔

شعبہ جاتی تجزیہ

- **یوریا**

دورانِ سال، کمپنی نے 2018ء کی 1,928 کے ٹی کی پیداوار کے مقابلے میں 4 فیصد کے اضافے سے 2,003 کے ٹی کی اب تک کی ریکارڈ ساز یوریا کی پیداوار کا سنگِ میل عبور کیا، جس کی بڑی وجہ پلانٹ کی بہتر کارکردگی اور اس کے ساتھ ساتھ گیس کی پہلے سے زیادہ دستیابی تھی۔ دورانِ سال مقامی یوریا کی فروخت 2018ء میں 1,986 کے ٹی کے مقابلے میں 1 فیصد سال بہ سال کمی کے ساتھ 1,958 کے ٹی رہی۔ ایل این جی پر مبنی پلانٹس سے ہونے والی سال بھر پیداوار (گزشتہ سال کی 203 کے ٹی کے مقابلے میں 760 کے ٹی) اور حکومت کی جانب سے یوریا کی درآمدات کے باعث، اضافی رسد کی حامل مارکیٹ کے باوجود، اینگرو فرٹیلائزرز اپنے زرعی شیئر کی مطابقت کے ساتھ مارکیٹ شیئر بھی حاصل کرنے میں کامیاب رہا۔ دسمبر 2019ء میں، انڈسٹری انوینٹری کی ضرورت سے متجاوز 1,000 کے ٹی کے باوجود، اینگرو فرٹیلائزرز نے 32 فیصد منافع جاتی شیئر کے مقابلے میں 34 فیصد مارکیٹ شیئر حاصل کیا۔

فاسفیٹس

کمپنی ربیع کے کاروباری عروج کے موسم میں کمزور زرعی طلب کے باوجود 28 فیصد کا مارکیٹ شیئر برقرار رکھنے میں کامیاب رہی۔ اینگرو فرٹیلائزرز کی فاسفیٹس کی فروخت گزشتہ سال کی 626 کے ٹی کے مقابلے میں 2019 میں 569 کے ٹی ریکارڈ کی گئی۔

اسپیشلٹی فرٹیلائزر کا کاروبار

کمپنی کی تخصیصی فرٹیلائزرز (زرخیز، اینگرو NP، MOP/SOP/AS) کی فروخت، 5 فیصد سال بہ سال اضافے کے ساتھ گزشتہ سال کی 210 کے ٹی کے مقابلے میں 220 کے ٹی رہیں۔ پوٹاش کی مجموعی مارکیٹ 2018ء میں 51 کے ٹی کے مقابلے میں کم ہو کر 2019ء میں 44 کے ٹی ہوگئی جو روپے کی قدر میں کمی کے باعث پوٹاش کی قیمتوں میں بے پناہ اضافے کا نتیجہ تھا۔ کمپنی، مسابقتی قیمتوں کی حکمت عملی کے باعث سکڑتی ہوئی مارکیٹ میں اپنا پوٹاش مارکیٹ کا شیئر گزشتہ سال کے 44 فیصد کے مقابلے میں 60 فیصد تک بڑھانے میں کامیاب رہی۔

کراپ سائنس ڈویژن

کمپنی نے کراپ سائنس بزنس (بیج اور کیڑے مار ادویات) میں اپنی مسلسل پیش قدمی جاری رکھی، اور اپنی فروخت کو تقریباً دوگنا کرتے ہوئے 2018ء میں حاصل کردہ 0.7 بلین روپے سے 1.3 بلین روپے تک پہنچا دیا۔

اینگرو لاجسٹکس

کمپنی نے دورانِ سال، لاجسٹکس کے کام کا آغاز کیا جس کا مقصد ''بالکل درست نقل و حمل'' کے ساتھ فراہمی تھا۔ اپنے پہلے سال میں، کمپنی نے کیش فلو کی مثبت حیثیت حاصل کی اور اب ملک میں اس کی گاڑیوں کا ہراول دستہ سرگرمِ عمل ہے۔

مالیاتی جائزہ

کمپنی کا سیلز ریونیو سال 2019ء میں 121.4 بلین روپے ریکارڈ کیا گیا، جو کہ گزشتہ سال کے 109.2 بلین روپے کے مقابلے میں 11 فیصد زیادہ ہے۔ اس اضافے کی وجہ فرٹیلائزر مارکیٹ کی زیادہ قیمتیں اور گزشتہ سال کے مقابلے میں زیادہ پیداوار کے نتیجے میں پہلے سے بہتر دستیابی تھی۔

سال 2019ء میں مجموعی منافع (Gross Profit) گزشتہ سال کی اسی مدّت میں 35.3 بلین روپے کے مقابلے میں 39.5 بلین روپے رہا، گویا اس میں 12 فیصد کا اضافہ ہوا۔ دیگر عملی کاروباری آمدنی 2018ء کے 2.1 بلین روپے سے بڑھ کر 4.4 بلین روپے ہوگئی جس کی بنیادی وجہ قلیل المیعاد سرمایہ کاریوں پر اضافہ شدہ سودی آمدنی اور اس کے ساتھ ساتھ ورکرز ویلفیئر فنڈ کے حوالے سے گزشتہ سال کی واجب ادائیگی کا ریورسل (reversal) تھا۔ مالیاتی اخراجات 2018ء میں 2.1 بلین روپے کے مقابلے میں نمایاں طور پر بڑھ کر 3.9 بلین روپے ہوگئے جس کی بنیادی وجہ اسٹیٹ بینک آف پاکستان کی پالیسی شرح میں خاطر خواہ اضافہ تھا۔

2019ء کے پورے سال میں، کمپنی نے بعد از ٹیکس منافع 18.6 بلین روپے (شعبہ جاتی منافع۔ On a standalone basis) حاصل کیا، جس میں 2018ء میں کمائے گئے 16.7 بلین روپے پر 11 فیصد کا اضافہ ہوا، نتیجتاً آمدنی فی شیئر (2018ء میں 12.5 کے مقابلے میں 2019ء میں 13.9) میں 11 فیصد کا اضافہ ہوا۔

مجموعی طور پر (Consolidated basis) 2019 میں بعد از ٹیکس مجموعی منافع 2018ء کے 17.4 بلین روپے کے مقابلے میں 16.9 بلین روپے رہا۔ نتیجتاً، مجموعی آمدنی فی شیئر گزشتہ سال کے 13.04 روپے سے کم ہو کر 12.64 روپے ہوگئی۔ پست مجموعی منافع میں فنانس ایکٹ، 2019 کے ذریعے متعارف کردہ مستقبل کی بلند تر کارپوریٹ ٹیکس کی شرح کا یکمشت (one off) محصولاتی اثر بھی شامل ہے۔

منافع کی تخصیص اور ذخائر کی منتقلی

سال کے آغاز میں، اینگرو فرٹیلائزرز کے پاس 32.2 بلین روپے کے ذخائر موجود تھے، جن میں سے 4.0 بلین روپے شیئر ہولڈرز کی جانب سے سال 2018 کے لیے حتمی ڈیویڈنڈ کے طور پر منظور کیے گئے۔ حالیہ سال کے دوران، اینگرو فرٹیلائزرز نے 16.9 بلین روپے کا بعد از ٹیکس منافع حاصل کیا اور مجموعی طور پر 14.7 بلین روپے (11 روپے فی شیئر) کے دو عبوری ڈیویڈنڈز کا اعلان کیا۔ سال کے اختتام پر مجموعی ذخائر 29.9 بلین روپے رہے، جیسا کہ ''ڈیویڈنڈز اور تخصیصی رقوم'' کے درجِ ذیل جدول میں تفصیل دی گئی ہے:

ڈیویڈنڈز اور تخصیصی رقوم	پاکستانی روپے (ملین میں)
گزشتہ سے پیوستہ ذخائر	**32,170**
حتمی ڈیویڈنڈ 2018: 3 روپے فی شیئر	(4,006)
خالص منافع 2019	16,871
دیگر جامع آمدنی	264
ذیلی ادارے کی فروخت پر مبادلاتی مکرر تخمینہ بندی ذخائر (Exchange Revaluation Reserve) کی P&L میں وصولی (Realization)	(685)
تخصیصی رقم کے لیے دستیاب	**44,614**
تخصیصی رقوم	
- پہلا عبوری 2019: 5 روپے فی شیئر	(6,676)
- دوسرا عبوری 2019: 6 روپے فی شیئر	(8,012)
سال کے اختتام پر ذخائر	**29,926**

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Risk profiler*
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