engro corp

enabling growth

Annual Report 2019

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Annual Report 2019

RGBlue Communications

enabling growth

Engro is humbled to have had its share of challenges and milestones over the course of a 54-year journey that began in 1957. In 2019, we spent a lot of time looking inward and taking a deeper look into the pressing issues faced by our homeland today. This introspection led to the creation of a new central narrative for Engro – one in which we identified four primary verticals in which we feel we possess the acumen to help address some of Pakistan's major challenges. In specific, food & agriculture against food scarcity, energy & related infrastructure against the energy shortage, petrochemicals to aid in balance of payments, and telecommunication infrastructure as a conduit that drives inclusion.

Through these verticals, we are working towards our primary goal of enabling growth for Pakistan.

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contents

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food & agriculture: enabling nutrition

In a relentless pursuit to play our part in enabling nutrition, we focus on enriching soils through a number of seed-to-harvest solutions. With one of the largest product portfolios, and our experienced and specialized field teams, Engro empowers farmers to maximize crop yields. Always projecting the best of Pakistan to the world, Engro also exports premium rice, and has Asia's largest paddy cleaning and drying capacity. Through its numerous initiatives across agri value chains, Engro has developed champions to positively transform the agricultural landscape of Pakistan.

company information

Board of Directors
Hussain Dawood - Chairman
Abdul Samad Dawood - Vice Chairman
Muhammad Abdul Aleem
Henna Inam
Shahzada Dawood
Rizwan Diwan
Khawaja Iqbal Hassan
Waqar Ahmed Malik
Raihan Ali Merchant
Ghias Khan - President

Chief Executive Officer
Ghias Khan

Company Secretary
Faiz Chapra

Chief Financial Officer
Hasnain Moochhala

Bankers
Allied Bank Ltd
Askari Bank Ltd
Bank Al-Falah Ltd
Bank Al-Habib Ltd
Citi Bank N.A
Faysal Bank Ltd
Habib Bank Ltd
Habib Metropolitan Bank Ltd
JS Bank Ltd
MCB Bank Ltd
Meezan Bank Ltd
National Bank of Pakistan Ltd
Soneri Bank Ltd
Standard Chartered Bank (Pakistan) Ltd
United Bank Ltd

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

Share Registrar
FAMCO Associates (Private) Limited
8-F, Near Faran Hotel, Nursery, Block-6
PECHS, Shahrah-e-Faisal, Karachi

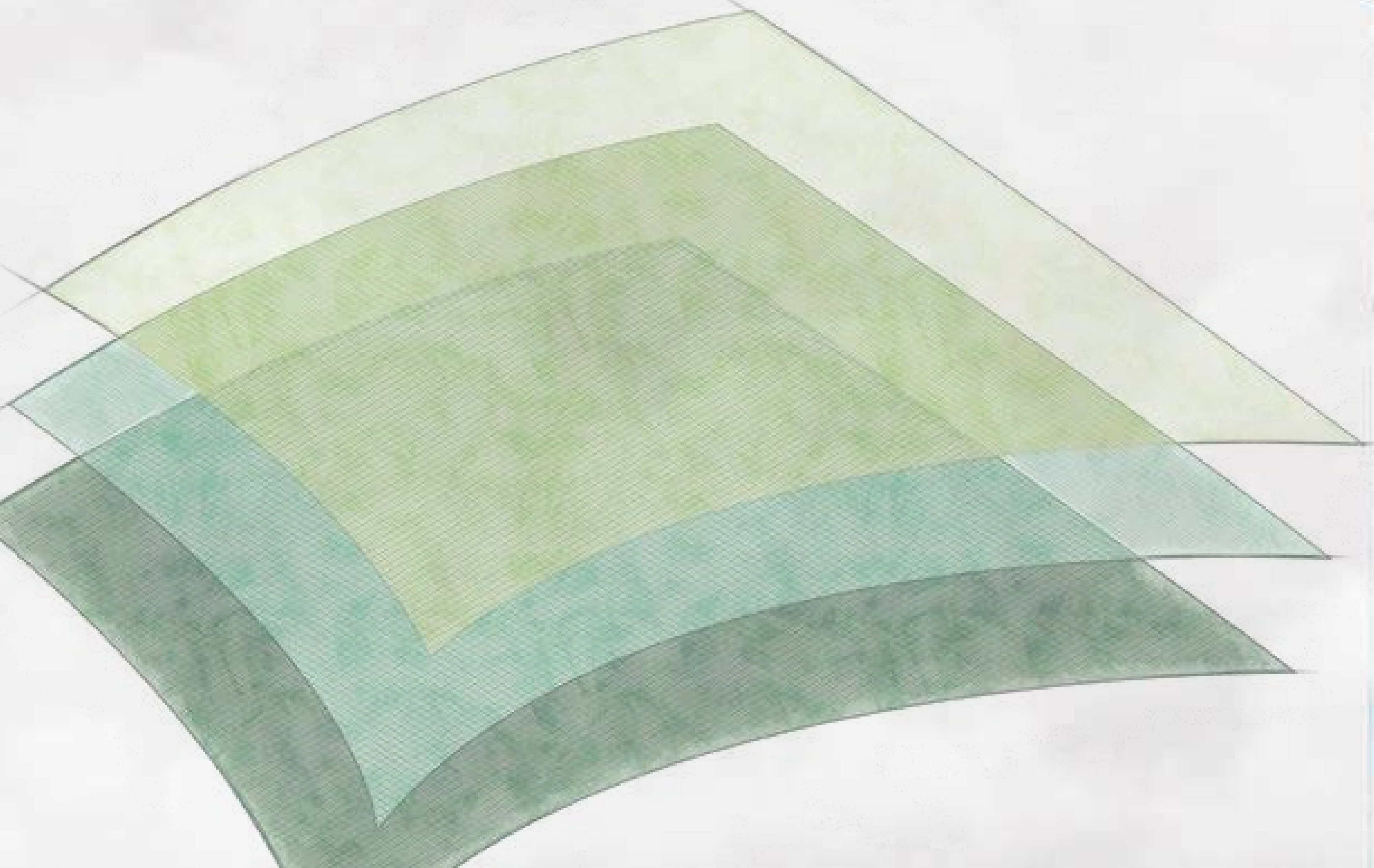
Registered Office
7th & 8th Floors, The Harbour Front Building
HC # 3, Marine Drive, Block 4, Clifton
Karachi-75600, Pakistan
Tel: +92(21) 35297501 – 35297510
Fax: +92(21) 35810669
e-mail: info@engro.com
Website: www.engro.com

key figures

	2019	2018	2017
Revenue (Rs. in millions)	225,920	171,568	128,593
EBITDA (Rs. in millions)	70,901	49,378	40,066
Profit After Tax (attributable to owners) (Rs. in millions)	16,533	12,708	9,407
Earnings Per Share (Rs.)	28.69	22.06	16.33
Total Assets (Rs. in millions)	550,245	393,155	323,860
Total Equity (Rs. in millions)	195,249	185,587	171,074
Capital Expenditure (Rs. in millions)	46,975	36,580	29,883
Cash Flow from Operation (Rs. in millions)	38,614	28,940	21,120
Dividends (Rs. in millions)	23,615	18,843	17,096
Market Capitalization (Rs. in millions)	198,920	152,463	143,910

our vision

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



core values

Operating in diverse industries and spread over geographical landscapes, the Engro employees are knit into one big family, united by a drive for success, passion for Pakistan, and the same core values. Our values form the basis of everything we do – from open communication to fostering an environment of trust and guaranteeing the well-being and safety of our people. At Engro, we never forget what we stand for.

Health, Safety & Environment

cares deeply about environmental impact and safety of people

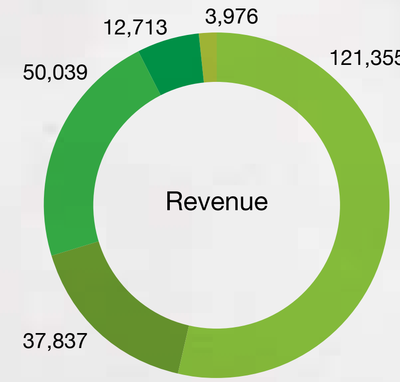
Ethics & Integrity

has impeccable character and lives by highest standards of integrity and accountability

Community & Society

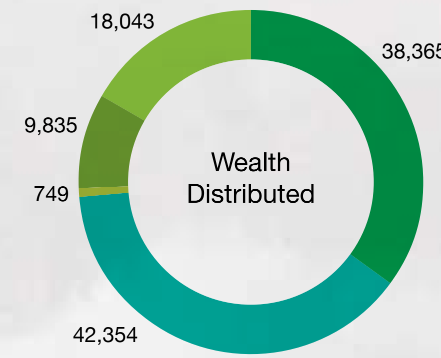
nurtures passion to serve country, community, and company, with strong belief in the dignity and value of people

at a glance



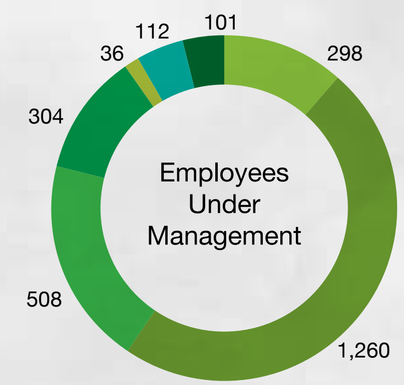
Fertilizers
Polymer
Energy
Terminals
Others

225,920
Consolidated Revenue
(Rs. in millions)



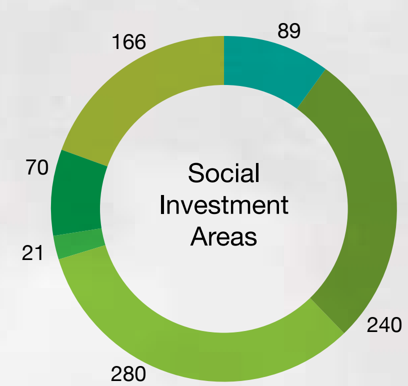
To Providers of Capital
To Government
To Society
To Employees
Retained for reinvestment and future growth

109,347
Wealth Distributed
(Rs. in millions)



Corporation
Fertilizers
Polymer
Energy
Terminals
Digital
Eximp Agriproducts

2,619
Total Employees



Livelihoods
Education
Health
Infrastructure
Management Cost
Others

866
Total Social Spend in 2019
(Rs. in millions)

*This includes an amount of Rs. 36 million paid through associate and joint venture

board of directors

(from left to right)
Muhammad Abdul Aleem - Director
Rizwan Diwan - Director
Henna Inam - Director
Abdul Samad Dawood - Vice Chairman
Hussain Dawood - Chairman
Ghias Khan - President
Shahzada Dawood - Director
Waqar Ahmed Malik - Director
Khawaja Iqbal Hassan - Director
Raihan Ali Merchant - Director

board of directors

Hussain Dawood
Chairman

Hussain Dawood is Chairman of Dawood Hercules, a family-owned group of businesses with a history of entrepreneurship spanning over a century. For over half the century, Mr. Dawood has driven the Group and its investments with a vision of purpose to serve the nation. Today, the Group is recognised as a diversified conglomerate that endeavours to make notable contributions to sectors that are drivers of economy and society.

Mr. Dawood also serves as Chairman of Engro Corporation, one of Pakistan's leading corporates with businesses falling under four primary verticals, meant to help address some of Pakistan's most pressing challenges: food & agriculture against food scarcity, energy & related infrastructure against the energy shortage, petrochemicals to aid in the balance of payments issue, and telecommunication infrastructure, as connectivity is a conduit that enables social and financial inclusion.

Under the stewardship of Mr. Dawood, Engro has emerged as a partner of choice for international companies looking to work in Pakistan, including Royal Vopak, Royal FrieslandCampina, Mitsubishi, China Machinery Engineering Corporation, and International Finance Corporation, to name a few.

The Dawood legacy reflects a continued commitment to Human Development, and Mr. Dawood also Chairs the Board of Trustees for The Dawood Foundation. Set up in 1962, the Foundation focuses on creating collective change by building interactive spaces for formal and informal learning. He is the Founder & Chairman of the Board of Governors of Karachi School of Business & Leadership, a graduate management school focused on inspiring Effective Leaders. Mr. Dawood is also on the Board for Teach the World Foundation, aiming to address the challenge of illiteracy through technology based on self-learning.

He is an active member of the World Economic Forum since 1992. For his contributions to improving international business relations, he was conferred the award "Ufficiale Ordine Al merito della Repubblica Italiana" by the Republic of Italy in 2008.

Hussain Dawood holds a MBA from the Kellogg School of Management, Northwestern University, USA, and is a graduate in Metallurgy from Sheffield University, UK.

Ghias Khan
President

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, have 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 1900 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, Engro Polymer & Chemicals Limited, Enfrashare (Pvt) Limited, and Engro Energy Limited. He holds a MBA from the Institute of Business Administration, Karachi.

Ghias 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.

board of directors

Abdul Samad Dawood
Vice Chairman

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.

Mr. Dawood is also Chairman of the Board of FrieslandCampina Engro Pakistan Limited, and Director on the Boards of Dawood Hercules Corporation Limited, Engro Fertilizers Limited, Enfrashare Private Limited, Reon Private Limited, Dawood Industries Limited, and Pakistan Business Council. In addition, he is a Trustee on the Board of The Dawood Foundation and a member of the Young Presidents' Organization.

Mr. Dawood 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.

Rizwan Diwan
Director

Rizwan Diwan joined the Board of Engro Corporation in 2018

He is a family member of the G&T Group which is a 70 years old business group involved in polyester textile, packaging, cotton textile, retail, energy and has operations in the Middle East and North America.

He is an Executive Director of Novatex Ltd, which is in the business of PET Resin, Preforms, Bottles and BOPET film and the fourth largest exporter of Pakistan. Over the last 26 years he has led many innovations in the field of Rigid & flexible packaging in Pakistan as well as in the region.

Mr. Diwan has taught at the Institute of Business Administration, Karachi, which is his alma mater from where he holds a Masters Degree in Business Administration.

Henna Inam
Director

Henna Inam joined the Board of Engro Corporation in 2017 and also serves as Chair of the Board People Committee.

Ms. Inam is the CEO of Transformational Leadership Inc., an organization that helps Fortune 500 companies grow transformational leaders. She is a former C-suite executive who drove transformation throughout her corporate career, including roles such as: Global Head e-Innovation at Novartis, and Chief Marketing & Innovation Officer and Region President for the Americas at Ciba-Vision.

She believes that our fast-changing world needs each of us to be inspired leaders who make the world better for all. Partnering with Fortune 500 organizations, she helps leaders at pivot points thrive in disruption. Ms. Inam is on a mission to grow transformational leaders globally. She believes the world and workplaces need leaders at every level who are inspired by the work they do, and lead with agility from the core of who they are.

Ms. Inam is an executive coach and trusted advisor to C-level leaders and their teams. She is an author of the book Wired for Authenticity, and a contributor to Forbes on leadership. She brings a global perspective, having lived and worked in seven countries across four continents. She is passionate about advancing women in leadership and is the founder for TEDxWomen in Atlanta. She is also a founding charter member of OPEN Atlanta. OPEN is the largest Pakistani entrepreneurship and leadership organization in the world.

Ms. Inam completed her MBA from Wharton Business School at the University of Pennsylvania, and participated in Executive Education programs at Harvard Business School."

Muhammad Abdul Aleem
Director

Muhammad Abdul Aleem joined the Board of Engro Corporation in 2015 and is Chairman of its Audit Committee.

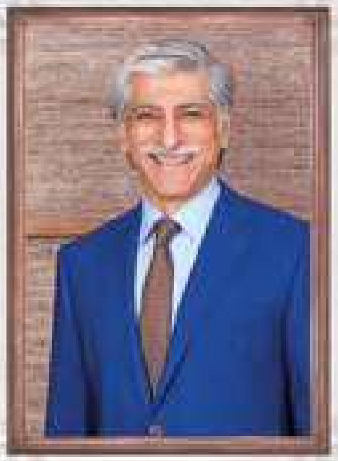
Mr. Abdul Aleem is currently the CEO and Secretary General of Overseas Investors Chambers of Commerce & Industry (OICCI). He has worked in senior positions within both Exxon Chemicals and Engro Corporation, serving in both Singapore and Pakistan. Thereafter, he has worked with British American Tobacco Group UK (BAT) in Pakistan and overseas, where he ultimately served as CEO of BAT Operations in Cambodia, Mauritius, and Indian Ocean territory. Since 2004, he has served in senior positions with large Government-owned organizations in Pakistan. His last assignment was as the Managing Director, Pakistan State Oil Company Ltd.

Mr. Abdul Aleem has been a Director and Chairman of Audit Committee of Dawood Hercules Corporation and Meezan Bank until 2018 . In the past Mr. Aleem was also a Director of Pakistan Tobacco , Lahore University of Management Sciences, Pakistan Institute of Corporate Governance and Pakistan Refinery Ltd, and Chairman of Faysal Asset Management Company.

As a supporter of leading non-profit organizations in the field of education, Mr. Abdul Aleem is currently Vice Chairman of Professional Education Foundation and Chairman of Intellect School Governing Board .

Muhammad Abdul Aleem is a Fellow Chartered Accountant (Gold Medalist) and a Fellow Member of the Institute of Cost & Management Accountant. He has also attended extensive international management training programs including at Stanford University.

board of directors



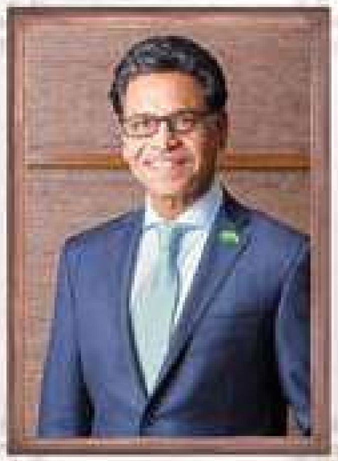
Khawaja Iqbal Hassan
Director

Khawaja Iqbal Hassan joined the Board of Engro Corporation in 2018.

Mr. Hassan currently also serves as a Director on the Board of ICI Pakistan Ltd and is a Trustee on the Boards of the Karachi Grammar School, the Layton Rehmatullah Benevolent Trust and the Cardiovascular Foundation. He is also Chairman of the Advisory Committee of the Development Corporation Advisers, a wholly owned subsidiary of the CDC Group Plc of the United Kingdom. Mr. Hassan has previously served as a Member of the Monetary Policy Committee of Pakistan and has also been a Member of the Board of Directors of the State Bank of Pakistan, Civil Aviation Authority of Pakistan (CAA), Pakistan Steel Mills, Habib Bank Ltd, National Fullerton Asset Management Company Ltd, NIB Bank, Lahore University of Management Sciences, Global Securities Ltd, Citicorp Investment Bank Pakistan, The Pakistan Fund and the Central Depository Company of Pakistan.

Mr. Hassan holds a diploma in Accountancy from the U.K. and a BSc in Finance and Marketing from the University of San Francisco. He started his career in 1980 with Citibank N.A. and in 1994 founded Global Securities Pakistan Ltd, a former joint venture partner of UBS AG and leading stockbroking and investment banking firm. In 2003 he founded NIB Bank Ltd. which, in partnership with Temasek Holdings of Singapore, became a top 10 ranked commercial bank in Pakistan within a period of 4 years.

Mr. Hassan was awarded the Sitara-i-Imtiaz by the Government of Pakistan for meritorious contribution to national interests.



Waqar Ahmed Malik
Director

Waqar A. Malik joined the Board of Engro Corporation in 2015.

Mr. Malik also currently serves as Non-Executive Chairman for Pakistan Oxygen Limited, Non-Executive Director of Standard Chartered Bank Pakistan Limited, Non-Executive Director on the Boards of TPL Insurance Limited and TPL Life Insurance Limited, and as Founder Chairman Noesis (Private) Limited. He is also Trustee for I-Care Pakistan, Member of the Advisory Board of Institute of Business Administration, and visiting faculty at Pakistan Institute of Corporate Governance.

Mr. Malik spent over 27 years with the ICI Plc group based in the UK and then Akzo Nobel in the Netherlands. In Pakistan, he was Country Head of ICI Pakistan Limited. In 2017, he cofounded a semi-private equity company, Adira Capital Holdings.

Waqar A. Malik is a fellow of The Institute of Chartered Accountants in England and Wales and is also an Alumnus of the Harvard Business School and INSEAD. He was awarded Prince of Wales medal as a Trustee of the Prince of Wales Pakistan Recovery Fund for the flood victims in 2010."

Shahzada Dawood
Director

Shahzada Dawood joined the Board of Engro Corporation in 2003. Mr. Dawood also serves as Vice Chairman of the Board of Dawood Hercules Corporation Limited, Director on the Board of Dawood Lawrencepur Limited, and Chairman of Inbox Business Technologies, an enterprise digital services firm.

A Trustee of both The Dawood Foundation, in support of education initiatives, and also Engro Foundation, promoting human development interventions across Engro's value chains, Mr. Dawood believes in inclusive business models that develop low-income communities to maximize social and economic impact and build along business interests.

Committed to a clean energy future, Mr. Dawood has to his credit the title of change agent for initiating group investment in Reon, a leading Solar and Storage Solution.

Mr. Dawood serves as a Member of the Global Advisory Board, Prince's Trust International, contributing towards its vision of every young person having a chance to succeed. He is also in the Founder's Circle of The British Asian Trust.

Mr. Dawood holds a MSc in Global Textile Marketing from Philadelphia University, USA, and an LLB from Buckingham University, UK. He is also a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance.

Raihan Ali Merchant
Director

Raihan Ali Merchant joined the Board of Engro Corporation in 2018.

Mr. Merchant is currently Chairman & CEO of Z2C Pakistan and Chairman of Brainchild Communications Ltd and Blitz (Pvt) Ltd. He started Pakistan's 1st Media Agency, in 1997, creating a new business within the communications and advertising industry. He introduced the concept of research-based decision making for choice of media and that of People Meters to measure TV audiences, worked with PEMRA on TV governance regulations, consulted media organizations on building revenue streams, and helped launch Pakistan Super League – now the largest cricket event in Pakistan. His current projects include development of AI & BI tools in media, the launch of web publishing houses, development of sports as passion points and a specialized Sports Marketing Company in Pakistan.

In recognition of his development work in the industry, Mr. Merchant was honored with the Tamgha-e-Imtiaz from the President of Pakistan in 2012.

Raihan Merchant holds a Masters Degree in Business Administration from the Institute of Business Administration, Karachi."

notice of meeting

NOTICE IS HEREBY GIVEN that the Fifty-Fourth Annual General Meeting of Engro Corporation Limited (the "Company") will be held at Karachi School of Business & Leadership, National Stadium Road, Opp. Liaquat National Hospital, Karachi on Tuesday, April 07, 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 Chairman's Review Report.

(2) To declare, as recommended by the Directors, the payment of a final cash dividend at the rate of PKR 1.00 (10%) for the year ended December 31, 2019.

(3) To appoint Auditors of the Company 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 Order of the Board

Karachi,
Dated: February 21, 2020

Faiz Chapra
Company Secretary and General Counsel

N.B.

(1) The Share Transfer Books of the Company will be closed from Wednesday, March 25, 2020 to Tuesday, April 07, 2020 (both days inclusive). Transfers received in order at the office of our Registrar, M/s. FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Block 6, P.E.C.H.S. Shahra-e-Faisal, Karachi, PABX No. (92-21) 34380101-5 and email info.shares@famco.com.pk by the close of business (5:00 p.m) Tuesday, March 24, 2020 will be treated as being in time for the purposes of payment of final cash dividend to the transferees and to attend and vote at the meeting.

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

(3) 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 procedure 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 in to 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) / Central Depository Company of Pakistan Limited.

(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 (s)
			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 Corporation Limited holder of Ordinary Share(s) as per Register Folio No. ____________ hereby opt for video conference facility at (Please insert name of the City)

____
Signature of member

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

In the Annual General Meeting held on April 24, 2018, the shareholders of the Company approved to lend/provide to the following associated companies, short term funded and unfunded financing facilities / security of up to the amounts stated below in respect of each. The facility was approved for one year, but renewal of the same for four further periods of one year each was also approved.

- Engro Fertilizers Limited – PKR 9 billion
- Engro Polymer & Chemicals Limited – PKR 6 billion
- Engro Vopak Terminal Limited – PKR 1 billion
- Elengy Terminal Pakistan Limited – PKR 1 billion
- Engro Elengy Terminal Pvt. Limited – PKR 2 billion
- Engro Powergen Qadirpur Limited – PKR 2 billion

During the year, Engro Powergen Qadirpur Limited has utilized the above facility of PKR 150 million as security while Engro Vopak Terminal Limited has utilized PKR 200 million as a funded facility.

The above facility is being renewed as earlier approved by the shareholders.

engro corp

energy & related infrastructure: enabling progress

Fueled by an inherent need to meet new challenges and enable progress, we aim to improve energy efficiency. Be it through one of the few green power plants in Pakistan earning carbon credits, mining and using the country's natural resources for fuel, or Pakistan's first liquefied natural gas terminal, we aim to see our country shine!

chairman's & vice chairman's message

Dear Shareholders,

On behalf of the Board of Directors, it is our privilege to present to you the Annual Report of Engro Corporation Limited for the year ended 31 December 2019.

Your continued confidence and unwavering trust in Engro Corporation is deeply appreciated. Your faith in your Corporation fuels our passion for Pakistan and enhances our determination to work towards progress and prosperity for the Country. We would like to congratulate the entire team at Engro Corporation on achieving some remarkable milestones in 2019, under the able leadership of the President and CEO Ghias Khan, and with the valuable support and insight of the Board members.

For over 50 years, Engro has been committed to the vision of an empowered Pakistan. While focusing efforts on instilling truth, trust, and the relentless pursuit of excellence to build Character in our people and businesses, Engro aims to champion such people to lead Pakistan's progress into the future.

In 2019, we spent considerable time introspecting, taking a deeper look into the pressing issues faced by our homeland today. This introspection led to the creation of a new central narrative for Engro, which we call the **Central Idea**. We identified four primary verticals based on their importance for the country and where we believe we are better able to use our capabilities, resources, and partnerships, to create a positive impact for our stakeholders. These are 1) providing affordable, quality nutrition to a growing population, 2) affordable and sustainable energy to power the economy, 3) addressing international competitiveness through petrochemicals, and 4) bridging the digital divide through shared telecommunication infrastructure.

Pakistan is at a very important stage of its development. Given the world we live in, the path for the Country's prosperity will be different to the ones we have seen other countries take before us. Globally, we are living in a time of *unprecedented change*. Not only do we need to provide an inclusive model for growth and prosperity, but we must do so in an environment where climate change and technological disruptions continue to fundamentally redefine business models, supply chains, and markets. No longer is it necessary to sit in one room to work together - embracing technology would mean remote working, real-time collaboration from across the world, complete industrial reinvention, and much more, adapting to all of which requires an extremely agile mindset.

In order to effectively thrive in this challenging environment, we believe that investment in people is absolutely paramount. To meet these challenges, Engro has committed itself to put people and their development at the core of our organisation.

We believe that **the best people are those who have the best Character and Good Manners, combined with relevant competencies**. These people would ensure us long-term competitiveness and success, and would make our Corporation the most desirable institution to work for.

This transformation entails many aspects, including how we define what success looks like, how we measure and reward performance, how we ensure timely and accurate information by investing in the latest information technology, and how we develop partnerships with global organisations.

With this passion, *to develop Inspirational Leadership and good Decision-Making skills,* we established the Engro Leadership Academy at the Karachi School of Business and Leadership. The Academy is the first of its kind in Pakistan, with a purpose of creating and sustaining a culture of learning and development. The Academy is facilitated by globally-recognised experts, ensuring a carefully designed curriculum suited to the needs of our nation.

Simultaneously, we created a company called Enfrashare, which is focused on creating a national connectivity infrastructure. The purpose for this is to accelerate internet access for everyone by reducing the cost and reach of digital services. Democratising internet access will be essential to position Pakistan for the future by providing people with the opportunity to improve their skills, connect to local and global markets, get access to financial services, and even get quality healthcare. It cannot be overstated how important it is to bridge the digital divide, lest we are left with a country where millions of people do not have a market for their skills. Entrashare has already partnered with major telcos in the Country, and we look forward to furthering our growth in this industry.

The Board acknowledges the unwavering commitment and passion of the Management and the Employees which led the Company to have a fantastic year with strong financial results, and numerous awards won in this year 2019. A few of the most notable awards include Engro Corporation's *Living the UN Global Compact Business Sustainability Award, SAP Quality Awards Gold Winner in the Fastest Delivery Category in MENA, and Asiamoney's Most Outstanding Company in Pakistan - Industrial Sector,* Engro Polymer & Chemicals' *Islamic Financing News Pakistan Deal of the Year Award 2019,* Engro Fertilizers' *Asia Responsible Enterprise Award, Taiwan and Shared Value Award, Australia* for Project PAVE, *National Safety Council, USA Award* for a high number of Rising Safety Leaders, and *International Fertilizers Association Award, Paris,* Engro Powergen Thar's *Asian Power Award for Coal Power Project of the Year 2019,* and numerous awards across our companies on health, safety, and environment, as well as on global diversity and inclusion.

While 2019 was an important step in our company's journey, we welcome the New Year with even more passion and zeal. In that spirit, we are grateful to all the support we have received from various stakeholders, including the Government, the Regulators, Service Providers, Partners, Stakeholders, and Shareholders. We look forward to continue building on what has been achieved and developing more meaningful partnerships and engagements so that we may create a world where we all have a chance to live in peace and prosperity.

We are particularly grateful to you, our fellow shareholders, for your continued trust, confidence, and support.

Hussain Dawood
Chairman
Engro Corporation Limited

Abdul Samad Dawood
Vice Chairman
Engro Corporation Limited

president's message

By the grace of God, I am humbled to report that 2019 has been another incredible year of accomplishments and accolades for Engro. I am pleased to share that the Group has delivered strong business results and has demonstrated operational excellence. It is my pleasure to share with you the highlights of Engro Corporation's performance in 2019 and the deliberate effort we are making to ensure a sustainable operating model.

Engro Corporation posted a consolidated profit after tax of PKR 30.3 billion for 2019, up from PKR 23.6 billion the previous year. On a standalone basis, our profit was PKR 14.3 billion, our earnings per share were PKR 24.83, and our total dividends were PKR 24 per share for the year. This translated into an overall dividend payout of 96.7%.

Our success would not have been possible without the trust and support of our Board, our leadership, our employees, and our shareholders. Hence, before all else, I would like to thank the entire Engro family for their crucial role in embodying Engro's purpose of solving some of Pakistan's most pressing issues.

We have had a strong year despite macroeconomic volatility. This demonstrates our capability to be a resilient and agile Organization. I am pleased to share that Engro Fertilizers achieved the highest ever production of over 2 million tons and demonstrated our resolve to improve food security in Pakistan. In our Energy business, we took a key step towards ensuring energy security for Pakistan. Our Thar coal mine and power project declared Commercial Operations, proving our ability to deliver large scale projects that enable development for the people of Pakistan. We also achieved the fastest 200 ship-to-ship transfers, setting a global record across all terminals in the world.

We believe that our Polymer business has the potential to not only fulfill growing domestic demand, but also enhance the Country's exports. In our effort to enhance digital access across the Country, we launched Enfrashare which has forged strategic partnerships with all major telecom providers.

To remain agile in rapidly changing times, we have embarked on Organization-wide centralized initiatives. 2019 marked the year in which we rolled out Engro's Central Idea which has become the reference point on our future direction. Staying true to our core value of putting our people first, we implemented a world-class human capital transformation project. We have initiated a Cost Excellence Program to bring our cost structures in line with international best practices and realize significant savings. To achieve higher business efficiencies, we invested in OneSAP to bring technology to the centre of our key operations.

I am delighted to acknowledge that all our businesses have been consistently recognized with numerous local and global awards. Both Engro Corporation and Engro Fertilizers were recognized by the Pakistan Stock Exchange among the PSX Top 25 companies of Pakistan. The CFA Society of Pakistan recognized us for our strong investor relations, and the United Nations Global Compact awarded us, second year in a row, for Living the UNGC Business Sustainability Award.

Among our milestones for 2019 is our ceremonious partnership with the Quetta Gladiators, who emerged as the Champions of PSL 2019. We are thrilled to continue this victorious partnership for another season.

As we march ahead into the new decade, Engro will stay true to its commitment to Pakistan by striving to play a meaningful role in solving some of its most pressing issues. We will continue to be the conduit of sustainable business practices by keeping the interest of our communities at the forefront of our operations.

Once again, I would like to thank the Chairman, Vice Chairman, and Board of Directors for their invaluable guidance, our stakeholders for trusting us, and the entire Engro family for its undeniable contribution through sheer hard work and dedication, working every day towards the betterment of our economy and citizens of this Country.

Ghias Khan
President & Chief Executive Officer
Engro Corporation Limited

engro corp

recognition of our efforts

enabling a thriving business environment

Engro Corporation
- Asiamoney Asia's Outstanding Companies Poll 2019: Most Outstanding in Pakistan – Industrial Sector
- SAP Quality Awards Gold Winner in the Fastest Delivery Category in MENA

Engro Powergen Thar
Asian Power Awards: Coal Power Project of the Year 2019

Engro Polymer & Chemicals
Islamic Finance News Awards: Pakistan Deal of the Year 2018

enabling stronger corporate governance

Engro Fertilizers
- 35th Annual MAP Corporate Excellence Awards: Top Trophy in Industrial Category for 2019
- CFA Society Pakistan's 16th Annual Excellence Awards: 2nd Best Investor Relations 2018
- Pakistan Stock Exchange Awards: Top 25 Companies of the Years 2017 & 2018
- ICAP & ICMA Awards: 2nd Best Corporate Report 2018 in the Chemical and Fertilizer Sector
- South Asian Federation of Accountants Awards: Merit Certificate in Corporate Governance

Engro Corporation
Pakistan Stock Exchange Awards: Top 25 Companies of the Year 2018

enabling a safe and sustainable future

Engro Fertilizers
- National Safety Council, USA: Daharki awarded for being a breeding ground for the Next Generation of Safety Leaders through the First Ten Years of the Rising Stars of Safety Awards
- World Wildlife Federation, under WWF Finland: Zarkhez Plant recognized for achieving the Highest Ever Score in Pakistan's Green Office Network
- International Fertilizers Association Awards, Paris: Excellence in Safety, Environmental Compliance, and Energy Efficiency
- NFEH's 16th Annual Environment Excellence Awards 2019: Best Environmental Performance & Tree Plantation
- NFEH's 9th Fire Safety & Security Awards: Best HSE Practices and Fire Safety Management

Engro Polymer & Chemicals
- 5th International Summit on Environment, Health, And Safety: Award for Commitment to Safe Operations
- EFP's 14th Organizational Safety, Health, & Environment Awards: Promoting Occupational Safety & Health

Engro Energy
NFEH's 16th Annual Environment Excellence Awards 2019: Best in Sustainability Interventions & Resource Conservation Initiatives

enabling the development of our people

Engro Polymer & Chemicals
EFP's 7th Employer of the Year Awards 2019: 2nd in Medium National Category

Engro Energy
- Diversity Hub Pakistan's 2020 GDIB Awards: Best Practices in two categories of D&I Learning and Education, and Community, Government Relations, & Social Responsibility
- The Centre for Global Inclusion, USA: Sindh Engro Coal Mining Company Awarded for Best Practices in Social Responsibility toward Women Empowerment

Engro Fertilizers
Diversity Hub Pakistan's 2020 GDIB Awards: Best Practices in six categories of D&I Vision and Strategy, Leadership & Accountability, Job Design & Compensation, Recruitment & Development, Benefits & Work-life Balance, and Assessment & Measurement

engro corp

telecommunication infrastructure: enabling connectivity

With a firm belief that enabling connectivity shall be a conduit for social and financial inclusion, we envision enhancing digitization throughout the country. While our expertise and investment in connectivity infrastructure allow mobile operators to reduce the cost of access to consumers, we aim to engage with all stakeholders in the telecom ecosystem in order to help realize a larger goal of digitizing Pakistan.

directors' report

The Board of Directors of Engro Corporation Limited has reviewed the performance of the Company and is pleased to submit its annual report and audited accounts for the year ended December 31, 2019.

Principal Activity

The principal activity of the Company is to manage its investments in subsidiaries, associates and joint ventures, engaged in fertilizer manufacturing and trading, PVC resin manufacturing and marketing, food, power generation, coal mining, telecommunication infrastructure, LNG and bulk chemical handling terminal and storage businesses.

Business Performance Overview

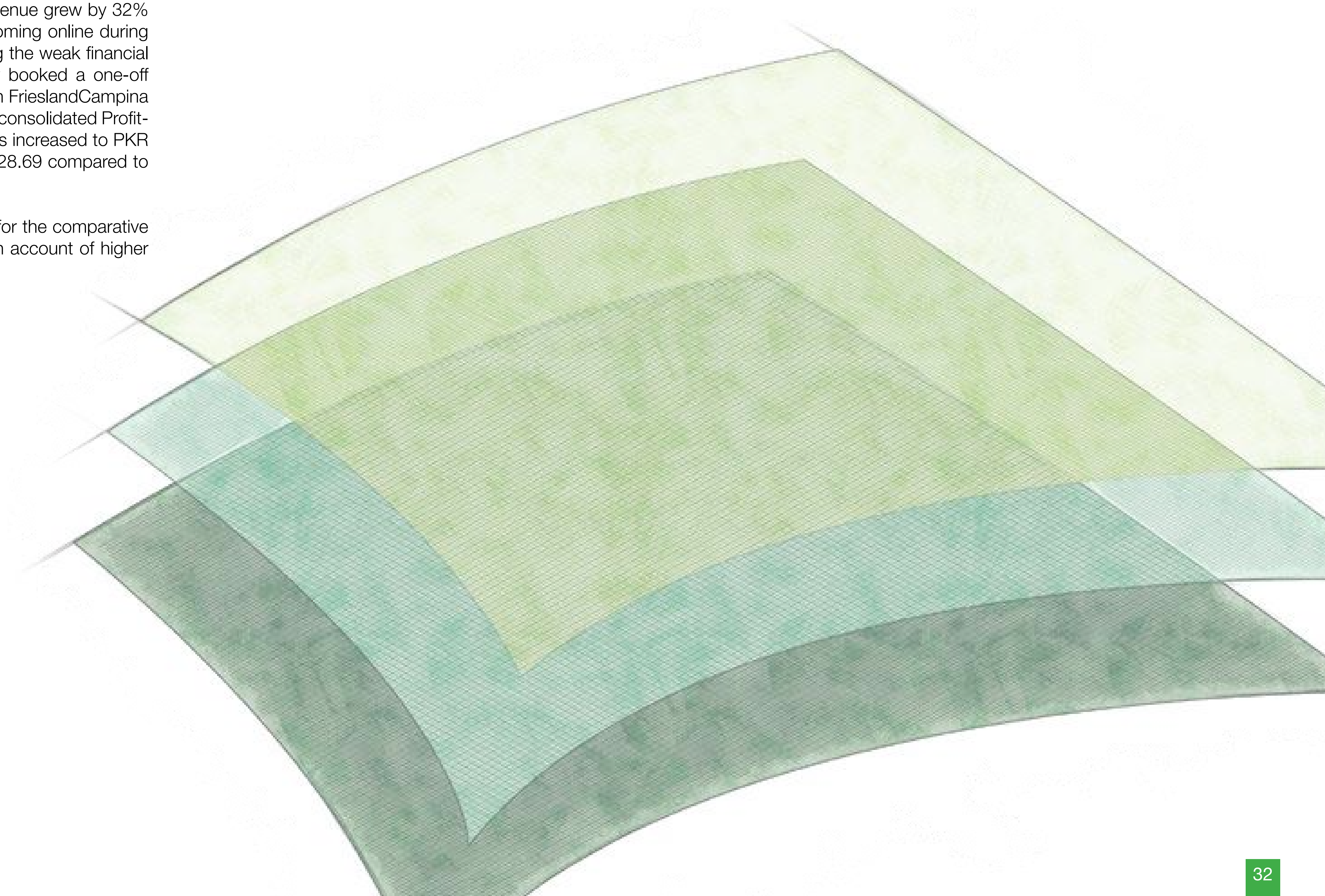
The macroeconomic environment remained challenged during 2019 as the country suffered from twin deficit concerns and inflationary pressures. To address these issues, the government turned towards tightening of monetary and fiscal policies as well as a market-based exchange rate mechanism resulting in devaluation of the Pak Rupee. These measures have led to a contraction in domestic demand in some sectors.

Against this backdrop, Engro Corporation performed reasonably well. The Company's consolidated revenue grew by 32% from PKR 171,568 million during 2018 to PKR 225,920 million mainly driven by the energy projects coming online during July 2019 and augmented by higher turnover of Fertilizers and Petrochemicals businesses. Considering the weak financial performance of the dairy sector due to the challenging macroeconomic environment, the Company booked a one-off impairment provision, as required by accounting standards of PKR 1,224 million against its investment in FrieslandCampina Engro Pakistan Limited. Owing to the start of the Thar projects' contribution towards the bottom line, the consolidated Profit-After-Tax (PAT) for 2019 was PKR 30,288 million – up by 28%, while PAT attributable to the shareholders increased to PKR 16,533 million from PKR PKR 12,708 million in 2018, resulting in an Earnings per Share (EPS) of PKR 28.69 compared to PKR 22.06 for 2018.

On a standalone basis, the Company posted a PAT of PKR 14,303 million against PKR 12,720 million for the comparative year, translating into an EPS of PKR 24.83 per share. Increase in standalone profitability is primarily on account of higher dividends from the subsidiaries as well as higher interest income on investments.

Segmental Review of Business Performance

Business	Revenue (PKR in Mn)		Profit After Tax (PKR in Mn)	
	2019	2018	2019	2018
Fertilizers	121,355	109,197	16,871	17,414
Energy	50,039	11,955	8,813	1,597
Polymer and chemicals	37,837	35,272	3,696	4,930
Terminals	16,704	15,881	5,142	3,779
Foods	42,516	34,977	(942)	82



engro fertilizers

Business achieved a historic milestone of highest ever urea production of 2,003 KT due to better plant efficiency and higher gas availability. Sales revenue witnessed an increase of 11% over the last year on the back of improved product availability due to enhanced production as well as higher fertilizer prices. The business recorded a PAT of PKR 16.9 billion - down by 3% from last year - decrease mainly attributed to one-off deferred tax impact of higher future corporate tax rates introduced through Finance Act, 2019.

Revenue
(Rs. in millions)

121,355
(2019)

engro polymer & chemicals

2019 proved to be an important year for the Polymer business. The business successfully initiated commercial production from its caustic flake plant, commenced export, announced Hydrogen Peroxide and other diversification and efficiency projects. Efforts on PVC expansion, VCM de-bottlenecking and Oxygen based VCM production projects are progressing well. The business core profitability remained in line with last year, despite higher gas prices and volume decline, however, PAT decreased as compared to last year due to higher financial cost and certain one-off benefits booked in 2018.

Revenue
(Rs. in millions)

37,837
(2019)

engro energy

Within our Energy vertical, the development of phase I of the Thar Block II 3.8 Mt per annum mine concluded on 03 June 2019. Thereafter, COD for both mining and the 2x330MW Thar power plant was declared on 10 July 2019. From COD till the yearend, the mine supplied 2.28 million tons of coal to the power plant. Further, the mining project commenced construction of Phase II of the mine expansion and achieved Financial Close on December 31, 2019, which will enhance production of coal from the mine to 7.6 Mt per annum. During the year, the power plant achieved 87% availability with a load factor of 79%. Plant operations remained smooth since COD, and dispatched ~2,000 GwH to the national grid. The Qadirpur Power Plant continued to demonstrate excellence owing to the strategic operational and HR transformation and recalibration carried out at the plant during the year. The plant displayed a billable availability factor of 99.9% during 2019. However, it dispatched a total net electrical output of 1,097 GwH to the national grid demonstrating a load factor of 58.8% compared to 81.9% last year. The decrease in load factor was primarily due to lower merit order ranking and consequently lower dispatch given that newer plants were commissioned during the year. Circular debt remains a persistent problem in the domestic energy sector.

Revenue
(Rs. in millions)

50,039
(2019)

engro vopak

Witnessed a volumetric increase of 6% for chemicals and LPG handled over last year, which is mainly attributable to higher chemical imports. The business completed 22 years of safe operations without lost work injury and continued to maintain health, safety and quality standards.

Revenue
(Rs. in millions)

3,991
(2019)

elengy terminal

Handled 74 cargoes during the year. Elengy terminal delivered 216.6 bcf re-gasified LNG into the SSGC network. The availability factor remained at 97.4% for the year. The LNG terminal currently fulfills more than 12% of the country's gas requirements. Since its commencement in March 2015, the terminal has handled over 17 million tons of LNG. Through the consistent supply of gas via LNG import, the fertilizer and CNG sectors as well as over 500 industrial units have been revived, whilst the country has saved nearly USD 3 billion to date due to replacement of import of more expensive furnace oil and diesel with LNG.

Revenue
(Rs. in millions)

12,713
(2019)

frieslandcampina engro

Revenue
(Rs. in millions)

38,857
(2019)

The Dairy business witnessed strong growth momentum on the back of strong volumetric sales in both Dairy and Ice Cream segments and reported a revenue of PKR 39 billion – up by 20% over last year. However, the profitability was significantly impacted by the sharp economic headwinds, particularly steep increase in commodity prices due to PKR depreciation, higher interest rates and one-off deferred tax charge due to higher future corporate taxes. The business has taken price increases across its portfolio in the last six months to offset these inflationary pressures. The business posted a post-tax loss of PKR 955 million for the year.

engro eximp agriproducts

Increased focus on the Rice business continued in 2019 and the business closed the year in profit for the second time in a row. Rice exports also continued to grow and witnessed a volumetric increase of 22% over 2018. External quality audit by Bureau Veritas for quality re-certification was successfully completed, maintaining ratings of 'AA'. The Rice business has the highest number of quality certifications amongst rice players in Pakistan.

Revenue
(Rs. in millions)

3,659
(2019)

Distribution to Shareholders

The Board endeavors to maximize dividends on a quarterly basis and is pleased to propose a final cash dividend of PKR 1.00 per share for the year ended December 31, 2019. The total dividend attributable to the year is PKR 24.00 per share including the total interim cash dividends of PKR 23.00 per share during the year.

Strategic Direction

Engro's investment strategy is governed by its Central Idea which states that we create value by solving pressing issues faced by the Country in a way that creates value for our stakeholders, improves the lives of the people of Pakistan and has a positive impact on the society we operate in. Taking this vision forward, our business portfolio encompasses the following verticals:

- Food & Agriculture – enhance the agricultural productivity of the country and enhance food security
- Energy & Related Infrastructure – provide cost effective energy infrastructure to help reduce the energy shortage
- Petrochemicals – grow the industry through projects that enable import substitution and develop export potential
- Telecommunication Infrastructure – develop infrastructure to provide data and information access to the population at large

With regard to the Energy & Related Infrastructure vertical, 10 July 2019 was a historic day for Engro, as both Sindh Engro Coal Mining Company Limited (SECMC) and Engro Powergen Thar (Private) Limited, declared Commercial Operations Date (COD) of the Thar Coal Project. With this accomplishment, Engro is using indigenous resources to help alleviate the energy shortage that Pakistan faces and has, once again, proved its ability to deliver on mega projects that enable development for the people of Pakistan.

During 2019, continuing to build on Engro's experience in the Petrochemicals vertical, the Board approved the commencement of a feasibility study of a polypropylene facility based on a propane dehydrogenation plant. The feasibility study is progressing well.

Tower sharing market in Pakistan is largely an untapped space, with only two major Independent Tower Companies. The market has immense potential for growth owing to multiple, redundant infrastructure and the possibility of consolidation through cost excellence. During 2019, the Board approved an investment of up to Rs 7.5 billion in the Telecommunication Infrastructure vertical under a subsidiary, Enfrashare (Private) Limited. Enfrashare will engage in the acquisition & construction of shared telecom towers, provision of various telecommunication infrastructure & related services, including state of the art network monitoring solutions. The business has progressed well, acquiring a portfolio of over 1,500 towers catering to all Mobile Network Operators (MNO) in Pakistan.

Future Business Outlook

Investing today for a better tomorrow for Pakistan is at the cornerstone of every Engro business. Engro Corporation is well placed to make a major contribution in helping solve some of the the country's pressing issues and improves the lives of the people of Pakistan. Keeping value creation for stakeholders at the forefront, we have developed Pakistan's largest hydrocarbon reserves – Thar Coal, through an integrated mining and power generation plant, in partnership with the Government of Sindh. We have built the first LNG terminal of Pakistan in the shortest possible time which is playing its crucial role in reducing the energy shortage of the country. We continue to grow our presence in the agri/food vertical by providing significant farm input and procuring farm produce. We look forward to developing our four verticals and explore new avenues of growth to create long-term shareholder value.

Fertilizers

Global urea demand in 2020 is expected to grow marginally by 1.7% while supply is expected to catch up as, although new capabilities will enter the international market, certain key capacities in China are forecasted to shut down. International urea prices are expected to trend higher on the back of higher demand from India, Europe, Brazil and US, and reduced export supply from China. Local urea demand for 2020 is expected to normalize at 5.8 M tons as compared to 6.2 M tons in 2019. Production for 2020 is expected to be 5.6 M tons (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.

Energy

The Qadirpur power plant engaged stakeholders to agree on alternate gas solution as gas from Qadirpur field is depleting. The business will continue to actively work towards achieving the same.

Circular debt remains a challenge for the government and the energy sector in the medium term, despite measures being taken by the government to control the issue. Although our energy businesses' performance and profitability remain robust, the buildup of overdue receivables may have an adverse impact on the liquidity.

The Energy business continues to seek new opportunities in partnership with international players to utilize Engro's unique engineering and project management skillset. The business continues to work extensively to gain foothold in the renewables market and initial studies on wind and solar power projects as well as waste-to-energy power project are in progress. The business continues to explore more opportunities including hybrid solutions for third parties in the renewable energy sector across the country.

Polymer and Chemicals

The Polymer business is well positioned to capitalize on the promising potential available to it. It has crafted a holistic strategy to achieve its vision to lead Pakistan in polymers and allied chemicals with an international footprint. In this regard, several projects were successfully executed, new projects were announced, and several studies have been initiated. Alongside the on-going projects, the business is confident to display continued strong operational performance and is hopeful that the per capita PVC consumption will maintain its upward trajectory considering the overall dynamics of the economy.

Terminal Services

We are pleased to continue our long-standing relationship of over twenty years with industry leader Royal Vopak, which continues to pave the way for Engro and Royal Vopak to collaborate in further ventures at home and abroad using their combined resources and expertise.

The LNG terminal is positively playing its role in alleviating some of the energy shortage in the country. Considering the first ever dry dock activity scheduled in 2020, the business expects a challenging year ahead, however management is fully geared up for the challenge. Keeping in view the demand for energy in the market and leveraging on Royal Vopak's expertise, we shall continue to explore new opportunities to increase shareholder value.

The chemical industry has been stable, and Engro Vopak has retained its status as the market leader. The chemical terminal business expects to perform well and maintain its operations and profitability in a stable fashion due to its unique and leading position in liquid chemicals handling industry.

Foods

The Dairy sector continues to be impacted by an extremely challenging macroeconomic environment with rising inflation and eroding consumer purchasing power. All these factors pose significant challenges to business profitability in the short term. Loose milk remains an untapped opportunity. Driving conversion from loose milk is a key thrust to fuel growth for the business. Leveraging on our partner FrieslandCampina's expertise and heritage of 145 years, the business remains committed to highest standards in the field of food safety, sustainability and transparency.

The Rice business will continue its focus on improving operational efficiencies and margins, cost minimization and increasing export sales thus creating shareholder value.

Telecommunication Infrastructure

Mobile Data usage is growing exponentially in Pakistan and while revenue growth for MNOs is stagnant, the shift in pattern is driving MNOs towards cost optimization. Enfrashare will continue to provide optimum cost solutions in the tower sharing space for all capacity and coverage requirements across Pakistan. In addition, Engro Corporation continues to seek new opportunities across the entire connectivity value chain to bridge the digital divide.

Credit Ratings and Gearing

During 2019, Pakistan Credit Rating Agency upgraded the long-term credit rating of Engro Elengy Terminal (Private) Limited to 'AA-' and also reaffirmed the long-term credit ratings of the Company and its subsidiaries while maintaining their highest short-term ratings in its annual review.

Company	Long-term rating	Short-term rating
Engro Corporation Limited	AA+	A1+
Engro Fertilizers Limited	AA	A1+
Engro Polymer and Chemicals Limited	AA-	A1+
Engro Elengy Terminal (Private) Limited	AA-	A1
Engro Powergen Thar (Private) Limited	A	A1
Engro Eximp Agriproducts (Private) Limited	A-	A2

These credit ratings reflect the entities' financial and management strength as well as favorable credit standing and are a testament to our strong balance sheet and robust performance with consistent dividend payouts.

Consolidated long-term borrowings at year end increased to PKR 158,456 million from PKR 131,426 million at 2018 yearend, primarily due to drawdowns for Thar coal power project. The gearing for the year ended 2019 is 45% vs. 41% as at 2018 yearend representing a healthy balance sheet which allows the Company to increase leverage for future growth opportunities.

Risk Management

Engro Corporation and its subsidiaries use the Lean Enterprise Risk Management framework in assessing and managing risk. It is our policy to view risk management as integral to the creation, protection and enhancement of shareholder value by managing the significant uncertainties and risks that could possibly influence the achievement of our corporate goals and objectives.

Our diversified businesses operate in a complex business environment and it requires assessment of each business's strategy and quantum of risk that the business is willing to accept by adequately assigning responsibilities throughout the organization. Each subsidiary assesses the probability and impact of risk that the entity is exposed to and assigns responsibilities to manage those risks on an on-going basis. Risks are identified across the organization and are ranked based on their impact and probability. Upon identification of risks, a strategy is devised to mitigate its impact which is monitored by the Management Committee and the Board.

Engro Corporation has identified the following significant risks and mitigation strategies:

Economic and Regulatory risk: Continuous and pro-active efforts and dialogue with policy makers helps our businesses to respond to the challenges posed by economic conditions and regulatory challenges.

Foreign exchange risk: Our investment portfolio exposes us to foreign exchange risk. By viewing the portfolio as a whole, we ensure that adequate natural hedges exist as far as possible.

Interest rate risk: Our borrowings and investment of surplus funds exposes us to interest rate risk. We mitigate this risk by regularly monitoring interest rates for adverse movements and investing surplus funds in short-term instruments.

Liquidity risk: The purpose of our treasury policies is to ensure availability of sufficient funds to meet contractual commitments and requirements for potential portfolio growth. We mitigate liquidity risk through internal cash generation and committed facilities with financial institutions.

Credit risk: Careful selection of strong financial institutions with a high credit rating helps us mitigate this risk.

Board of Directors

The Board of Directors reviews all significant matters of the Company. These include Company's strategic direction, annual business plans and targets, decision on long-term investments and borrowings. The Board of Directors is committed to maintain high standards of Corporate Governance.

The existing Board was elected on 24 April 2018. It comprises of 10 directors including the Chief Executive Officer and possess a diverse mix of gender, knowledge and expertise to enhance its effectiveness. The Board consist of 1 female director and 9 male directors, categorized as follows:

- 6 Independent Directors (of whom 1 is Female)
- 3 Non-Executive Directors
- 1 Executive Director

Following are the names of persons who at any time during 2019 were directors of the Company:

01. Hussain Dawood - Chairman
02. Abdul Samad Dawood - Vice Chairman
03. Muhammad Abdul Aleem
04. Henna Inam
05. Shahzada Dawood
06. Rizwan Diwan
07. Khawaja Iqbal Hassan
08. Waqar Ahmed Malik
09. Raihan Ali Merchant
10. Ghias Khan - President

In 2019, the Board held ten (10) meetings to cover its complete cycle of activities. The Board has established three committees to assist it in carrying out its fiduciary duties. These committees along with their membership details are as follows:

Board Audit Committee	Board Investment Committee	Board People Committee
4 meetings held in 2019	7 meetings held in 2019	10 meetings held in 2019
Mr. Muhammad Abdul Aleem	Mr. Abdul Samad Dawood	Ms. Henna Inam
Mr. Raihan Ali Merchant	Mr. Khawaja Iqbal Hassan	Mr. Abdul Samad Dawood
Mr. Rizwan Diwan	Mr. Rizwan Diwan	Mr. Khawaja Iqbal Hassan
Mr. Waqar Ahmed Malik	Mr. Waqar Ahmed Malik	Mr. Raihan Ali Merchant

Statement of Directors' Responsibilities

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

- 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.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements except for changes resulting on initial application of standards and amendments or interpretations to existing standards. Accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures therefrom have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There is no material departure from the best practices of corporate governance.

Remuneration Policy for Non-Executive and Independent Directors

The Board of Directors has approved a 'Remuneration Policy for Non-Executive and Independent Directors', salient features of which are:

- The remuneration shall be appropriate and commensurate with the level of responsibility and expertise of the directors, aimed at attracting and retaining the directors needed to govern the Company successfully and to encourage value addition. The remuneration shall not compromise nor influence in any way the independence of the directors.
- The Board, if deems appropriate, may engage independent consultant to determine the appropriate level of remuneration of its directors.

- No remuneration shall be paid to Executive Director and any Non-Executive Directors who are employees in other Engro entities, for attending meetings of the Board and its committees.
- Any travel and other necessary expenses incurred by the directors for attending meetings of the Board and its committees shall be reimbursed at actual.

Adequacy of Internal Financial Controls

The Board of Directors is ultimately responsible for Engro's system of internal control and for reviewing its effectiveness. The Board, whilst maintaining its overall responsibility, has delegated the detailed design and operation of the system of internal controls to the Chief Executive. Engro's system of internal controls comprises of clear governance structures, authority limits and accountabilities, well understood policies and procedures and budgeting processes. The Board meets quarterly to consider Engro's financial performance, financial and operating budgets, business growth and developmental 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.

Related Parties

The Company maintains a comprehensive list of all related parties. All related parties with whom the Company had entered into transactions during the year, along with the nature of its relationship and percentage holdings have been appropriately disclosed in Note 36 of the financial statements.

Certain back-office business functions e.g. human resources, information technology, corporate communications etc. have been strategically centralized at the Company to increase the shareholder value, optimize operations, eliminate duplication and reduction of costs through synergy. It ensures robust governance and risk management as well as better and timely insights due to standardized processes, systems and reporting. The Company has entered into cost sharing agreements with its subsidiaries and associated entities ensuring that all transactions with its related parties arising in the normal course of business are carried out on an arm's length basis at normal commercial terms and conditions.

In compliance with the Code of Corporate Governance and applicable laws, every quarter a comprehensive list of all related party transactions is placed before the Board Audit Committee for review and based on its recommendation, are subsequently approved by the Board.

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.

Human Capital

The development of Human Capital is a top priority at Engro and an integral part of its Central Idea. We understand that the challenges for our businesses in the future will be different from those in the past and we must invest in developing the necessary leadership capabilities to meet these challenges. We know that we can only deliver on our aspirations if we have the best talent on board. In that endeavor, we have worked on attracting and developing the best people as we aim to enhance and sustain a performance-oriented culture of learning and leadership. Our key focus areas for 2019 remained the HR Transformation encapsulating the new Leadership Competency Model behaviors ingrained via trainings and reinforced as part of year-end performance appraisal and rewards policies in our push towards developing strong performing teams. We celebrate an apprenticeship culture, in which people development is a critical responsibility for all managers.

Our leaders are expected to create learning opportunities, provide coaching and give regular, constructive feedback to all their people; a philosophy further reinforced in the new performance management and goal-setting system. Our revamped Leadership Competency Model and robust people systems/ processes promote collaboration, innovation and resilience in the workforce. With this aim, we strive to provide the best systems and tools to our workforce to drive decision-making they need via digitization and data-driven insights and capabilities.

We believe that diversity makes us stronger. We not only endeavor to give equal opportunity to all candidates, irrespective of gender, religion or background but also strive to enable an inclusive culture. We have initiated a diversity ambition with rollout of several frameworks geared towards developing that possibility.

Moreover, throughout the year we also worked on implementing a rigorous talent development framework which focused on multi-pronged areas and ensured a healthy talent pipeline that guarantees presence of well-rounded future leaders for the organization. We are proud of the engagement and association of our workforce with Engro which has helped us become one of the leading brands in Pakistan.

Social Capital

Engro focuses on creating long-term social capital by investing into communities using its expertise and resources. Community investments are designed with community's input and implemented with their partnership. We use our business expertise to make our value chains inclusive of disadvantaged groups like smallholder farmers. This approach keeps us to stay relevant to our community needs and be able to create impactful programs.

Engro Foundation works as a singular platform for our social investments. Contributions from all Engro companies are invested through Engro Foundation. Long-term human capital development through skills development and formal education remains a priority. Our technical trainings and value chain projects are imparting demand driven skills. We are supporting health care programs in communities along with livelihood interventions. In maintaining natural environment, we are investing in forestation and conserving mangroves and coastal ecosystems.

Engro Corporation publishes its consolidated Integrated Report every summer – highlighting financial performance and sustainability dynamics under the categories of human capital, social capital, financial capital, and natural capital. This report serves as a supplementary document to our Annual Report, and provides detailed insights across our verticals.

Health, Safety and Environment (HSE)

As Engro continues to grow in service to Pakistan, it continues to increase its focus on health, safety and the environment. We believe in empowering our businesses to deliver the best-in-class HSE performance based on international benchmarks and developing a culture that fosters a safety mindset in every individual. All of our investment decisions retain adequate provisions for the implementation of inherent safety features at inception because we are custodians of the people coming to our workplaces.

One of the core values at Engro is stewardship for planet Earth and maintaining people's safety and health. Engro clearly acknowledges that the wellbeing and health of working people, the community and society as a whole is central to its business approach and therefore places great emphasis on reducing workplace accidents and reducing carbon emissions.

Being a corporate model citizen, Engro constantly evaluates the need for our investments to raise the bar on sustainability and sustainable growth. Increasing our share of renewable resources is the key to Pakistan's long-term sustainability, and is part of our strategy for development. A detailed report on HSE results and growth is available on the Company's web site in the Integrated Report.

Pattern of Shareholding

Major shareholders of Engro Corporation are The Dawood Group including Dawood Hercules Corporation Limited. Other shareholders include local and foreign institutions and the general public.

A statement of the general pattern of shareholding along with pattern of shareholding of certain classes of shareholders whose disclosure is required under the reporting framework and the statement of purchase and sale of shares by Directors, executives and their spouses including minor children during 2019 is shown in the shareholding section of this report.

Material Changes due to Subsequent Events

No material changes or commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company and the date of this report.

Acknowledgment

The Directors would like to express their deep appreciation to our shareholders who have consistently demonstrated their confidence in the Company. We would also like to place on record our sincere appreciation for the commitment, dedication and innovative thinking put in by each individual of the Engro family and are confident that they will continue to do so in the future.

Hussain Dawood
Chairman

Ghias Khan
President and Chief Executive

six years summary

		2019	2018	2017	2016	2015	2014
		(Rupees in million)					
Summary of Balance Sheet							
Shareholders' Funds / Equity		195,249	185,587	171,074	169,091	85,673	68,025
Long-term Borrowings		158,456	131,426	90,743	73,118	59,583	73,325
Lease Liabilities - IFRS 16		55,348	-	-	-	-	-
Capital Employed		353,705	317,014	261,818	242,209	145,255	141,350
Property, Plant & Equipment		253,374	204,409	157,355	131,408	128,404	134,507
Net Current Assets / Working Capital		80,625	84,908	76,087	74,654	16,411	7,362
Summary of Profit and Loss							
Sales		225,920	171,568	128,593	157,208	181,652	175,958
Gross Profit		68,686	51,108	34,806	35,843	45,429	36,217
EBITDA		70,901	49,378	40,066	97,350	43,750	32,306
Profit After Tax		30,288	23,632	16,290	73,598	17,268	7,801
Summary of Cash Flows							
Net Cash Flow from Operating Activities		38,614	28,940	21,120	4,070	5,966	29,160
Net Cash Flow from Investing Activities		(80,086)	(12,397)	(9,008)	(17,019)	25,102	(29,317)
Net Cash Flow from Financing Activities		(5,603)	14,213	3,186	30,192	(28,300)	(13,269)
		(Units)					
Summary of Actual Production							
Urea	Metric Tons	2,003,035	1,928,080	1,806,977	1,881,016	1,964,034	1,818,937
NPK	Metric Tons	134,784	132,790	109,059	94,610	126,074	117,193
PVC Resin	Metric Tons	197,000	202,000	187,000	172,000	162,000	153,000
EDC	Metric Tons	110,000	107,000	107,000	106,000	100,000	118,000
Caustic Soda	Metric Tons	105,000	105,000	105,000	103,000	98,000	114,000
Caustic Flakes	Metric Tons	4	-	-	-	-	-
VCM	Metric Tons	184,000	195,000	180,000	174,000	162,000	168,000
Power	Mega Watt Hours	3,097,604	1,526,309	1,737,394	1,264,667	1,424,015	1,721,959
Dairy and Juices	Thousand Liters	328,627	281,903	320,344	482,958	552,532	472,735
Drying Unit of Rice Processing Plant	Metric Tons	93,689	77,008	59,371	28,474	45,982	166,801
Ice Cream	Thousand Liters	21,392	18,254	17,467	19,518	19,364	16,726

financial ratios

Ratios	2019	2018	2017	2016	2015	2014
Profitability Ratios:						
Gross Profit Ratio	30%	30%	27%	23%	25%	21%
Net Profit to Sales	13%	14%	13%	47%	10%	4%
Return on Equity	12%	9%	7%	68%	22%	13%
Return on Capital Employed	13%	10%	8%	40%	17%	13%
Liquidity Ratios:						
Current Ratio	1.59	2.26	2.49	2.92	1.39	1.11
Quick / Acid Test Ratio	1.43	2.00	2.23	2.64	1.06	0.94
Investment /Market Ratios:						
Earnings per Share (Restated)	28.69	22.06	16.33	119.94	23.92	12.16
Price Earnings Ratio	12.03	13.20	16.83	2.64	11.68	18.21
Dividend Yield Ratio	9%	8%	7%	9%	8%	4%
Dividend Payout Ratio	87%	95%	129%	20%	75%	49%
Dividend Cover Ratio	1.15	1.05	0.78	5.00	1.33	2.03
Capital Structure Ratios:						
Financial Leverage Ratio	0.89	0.74	0.59	0.47	0.77	1.25
Weighted Average Cost of Debt	9%	5%	6%	8%	11%	13%
Debt to Equity Ratio	0.81	0.71	0.53	0.43	0.70	1.08
Interest Cover Ratio	4.12	7.68	6.34	14.57	4.06	1.89

investor relations

Financial Calender

Financial Year ended 31 December 2019	
26 April 2019	Announcement of first quarter results
20 August 2019	Announcement of second quarter results
24 October 2019	Announcement of third quarter results
21 February 2020	Announcement of fourth quarter results
24 April 2019	53rd Annual General Meeting

Financial Year ending 31 December 2020*	
24 April 2020	Announcement of first quarter results
19 August 2020	Announcement of second quarter results
23 October 2020	Announcement of third quarter results
20 February 2021	Announcement of fourth quarter results

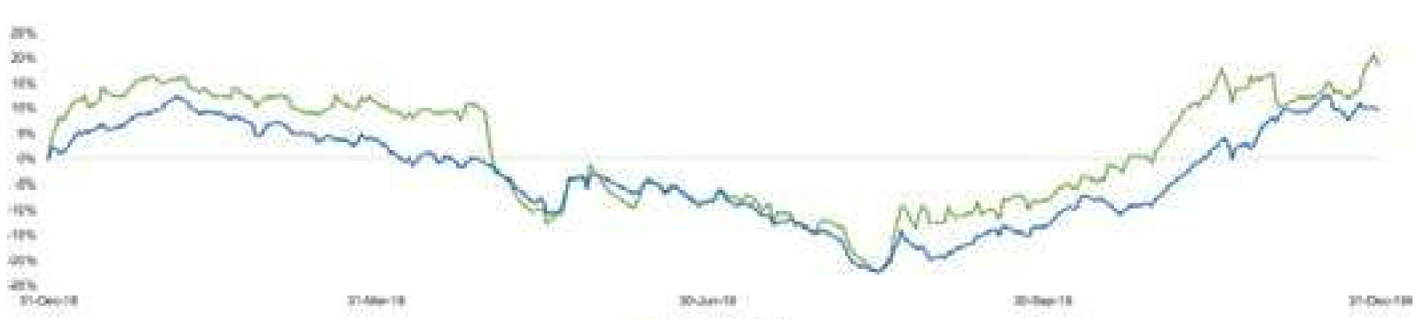
* Tentative dates that are subject to change

Trading Performance During the Financial Period	2019	2018	2017
Opening price	291.08	274.75	318.00
Closing price	345.25	291.08	274.75
Highest closing price	351.54	350.22	399.16
Lowest closing price	226.14	280.30	253.43
Average daily volume traded (million shares)	0.62	0.82	1.56

Total Shareholder Return*	
1- year period (01 January 2019 to 31 December 2019)	26.9%
3 - year period (01 January 2017 to 31 December 2019)	41.8%
5 - year period (01 January 2015 to 31 December 2019)	121.3%

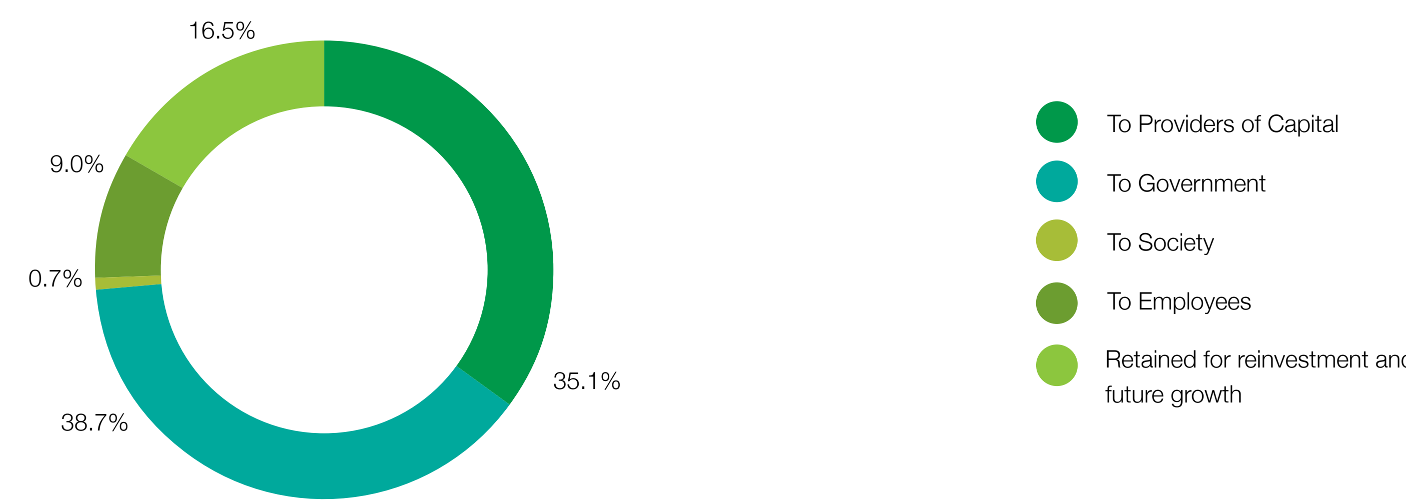
* Total returns are computed based on the closing unit price on the last trading day of the preceding reporting period compared with the closing unit price on the last trading day of the current period

Investor Relations Enquiry:
investor.relations@engro.com
Source: psx.com.pk



statement of value addition and distribution

(Rs. in million)	2019		2018	
	Rs.	%	Rs.	%
Wealth Generated				
Total revenue inclusive of sales tax and other income	255,899		193,216	
Bought-in-material and services	(146,551)		(114,587)	
	109,347		78,629	
Wealth Distributed				
To Providers of Capital				
Dividend to shareholders	23,615	21.6%	18,843	24.0%
Mark-up/interest expense on borrowed money	14,750	13.5%	5,453	6.9%
To Government				
Taxes, duties and development surcharge	42,354	38.7%	34,512	43.9%
To Society				
Donation towards education, health, environment and natural disaster	749	0.7%	308	0.4%
To Employees Salaries, benefits and other costs	9,835	9.0%	7,097	9.0%
Retained for reinvestment and future growth				
Depreciation, amortization and retained profit	18,043	16.5%	12,415	15.8%
	109,347		78,629	



governance control framework

Internal Control Framework

Responsibility

The Board is ultimately responsible for Engro's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.The Board, whilst maintaining its overall responsibility for managing risk within the Company, has delegated the detailed design and operation of the system of internal controls to the Chief Executive.

Framework

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

Review

The Board meets quarterly to consider Engro's financial performance, financial and operating budgets and forecasts, business growth and development plans, capital expenditure proposals and other key performance indicators. The Board Audit Committee receives reports on the system of internal financial controls from the external and internal auditors and reviews the process for monitoring the effectiveness of internal controls.

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

Audit

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

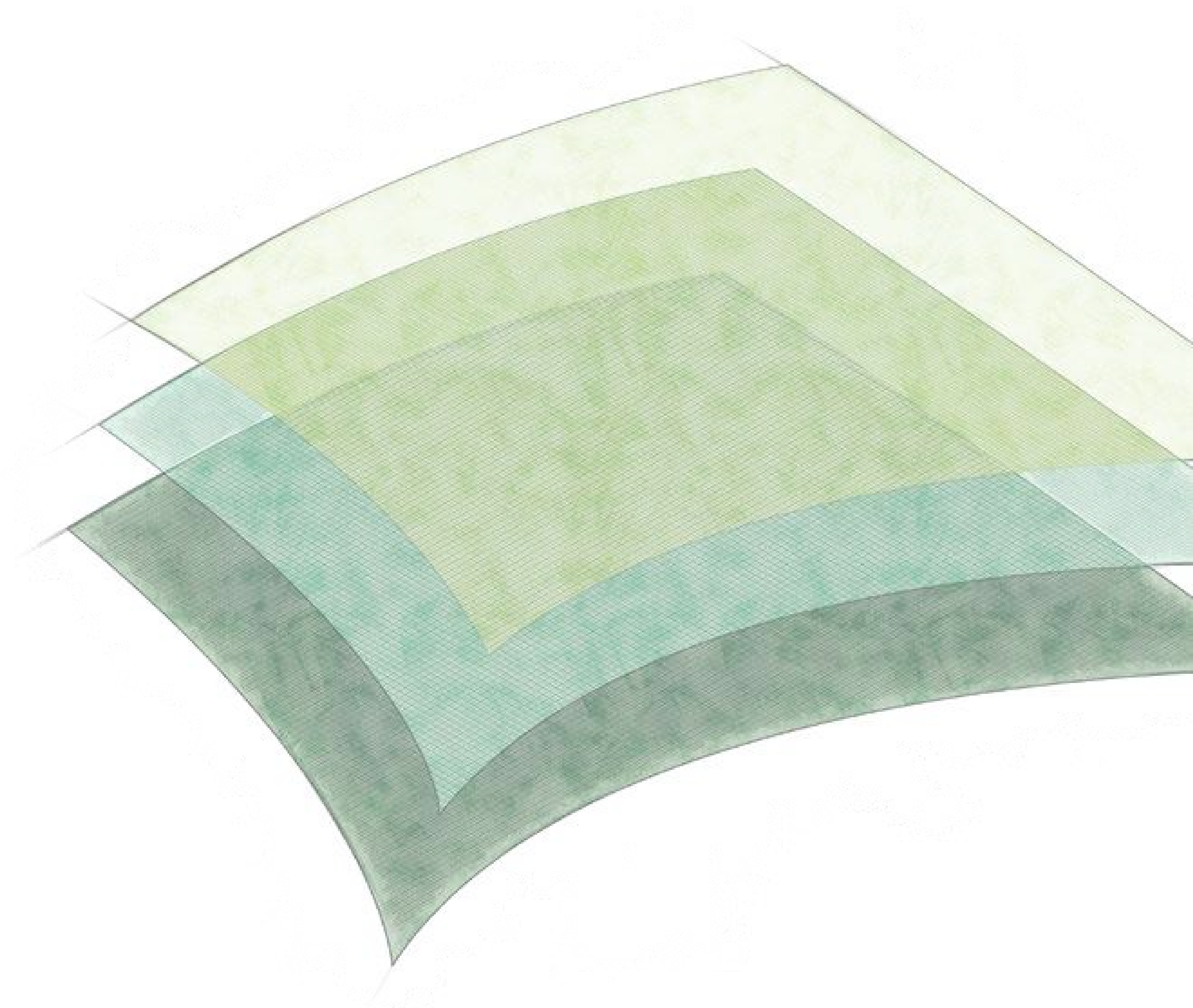
Directors

As at December 31, 2019, the Board comprises of one executive director, six independent directors and three non-executive directors. The Board has the collective responsibility for ensuring that the affairs of Engro are managed competently and with integrity.

A non-executive Director, Mr Hussain Dawood, chairs the Board and the Chief Executive Officer is Mr. Ghias Khan. Biographical details of the Directors have been provided in the previous section.

A Board of Directors' meeting calendar is issued annually which schedules the meetings of the Board and the Board Audit Committee. The full Board met 10 times including meetings for longer term planning, giving consideration both to the opportunities and risks of future strategy.

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



statement of compliance with 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 Ten as per the following, -
a. Male: 9
b. Female: 1

2. The composition of the Board is as follows:

Category	Name
i. Independent Directors	Mr. Rizwan Diwan
	Mr. Raihan Ali Merchant
	Ms. Henna Inam
	Mr. Muhammad Abdul Aleem
	Mr. Waqar Ahmed Malik
	Mr. Khawaja Iqbal Hassan
ii. Non-executive Directors	Mr. Hussain Dawood
	Mr. Abdul Samad Dawood
	Mr. Shahzada Dawood
iii. Executive Director	Mr. Ghias Khan
iv. Female Director	Ms. Henna Inam

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 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. Rizwan Diwan in 2019. However, six directors are duly certified or exempted from the Directors' Training Program.

10. The Board had 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.-
    a) Audit Committee
    Mr. Muhammad Abdul Aleem - Chairman
    Mr. Raihan Ali Merchant - Member
    Mr. Waqar Ahmed Malik – Member
    Mr. Rizwan Diwan – Member

    b) The Board People's Committee i.e.HR and Remuneration Committee
    Ms. Henna Inam - Chairperson
    Mr. Raihan Ali Merchant - Member
    Mr. Khawaja Iqbal Hassan - Member
    Mr. Abdul Samad Dawood - Member

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 (Quarterly)
    b) The Board People's Committee – Held 10 meetings

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;

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

Hussain Dawood
Chairman

Ghias Khan
President and Chief Executive

independent auditor's review report

To the members of Engro Corporation 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 Corporation 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.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Date: March 16, 2020

statement of compliance with the public offering regulations, 2017

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

Engro Corporation Limited (the Company) entered into an arrangement for issue of Sukuk-2 amounting to Rs. 1,000 Million, on July 10, 2014 for a period of 5 years (this was repaid during the year). We state that the Company is in compliance with the Sukuk features and Shariah requirements in accordance with Public Offering Regulations, 2017.

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 Public Offering Regulations, 2017 comprises of the following:

a) Requirements of Shariah Structure and Transaction Documents as stated in the Prospectus, with respect to issuance of Sukuk-2:

a. Declaration of Trust
b. Musharaka Agreements
c. Master Murabaha Facility Agreements
d. Payment Agreements
e. Purchase Undertaking
f. Asset Purchase Agreement
g. Deed of Floating Charges
h. Murabaha Agency Agreement
i. Agency Agreement

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 Public Offering Regulations 2017 issued by the Securities and Exchange Commission of Pakistan.

Hussain Dawood
Chairman

Ghias Khan
President and Chief Executive

independent assurance report to the board of directors on the statement of compliance with public offering regulations, 2017

Scope of our work

We have performed an independent assurance engagement of Engro Corporation Limited (the Company) to express an opinion on the annexed Statement of Compliance (the Statement) with the requirements of Public Offering 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 Public Offering Regulations, 2017. Our engagement was carried out as required under Rule 13 of Chapter VII of the Public Offering 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 Public Offering 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 Public Offering Regulations, 2017 and is free from material misstatement.

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 Public Offering Regulations, 2017.

Restriction on use and distribution

This report is issued in relation to the requirements as stipulated under rule 13 of Chapter VII of the Public Offering 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 16, 2020
Engagement Partner: Salman Hussain

engro corp

petrochemicals: enabling prosperity

We aim to enable prosperity by going beyond the conventional measures of success. For us, success is when our expansion creates local job opportunities for people who once longed for a stable income, when we reach new heights in the level of import substitution, and when we are able to empower local communities through education and health facilities. Hence our vision to lead Pakistan in polymer and allied chemicals with an international footprint.

key shareholding & shares traded

Information of shareholding required under the reporting framework is as follows:

1. Associated Companies, Undertakings and Related Parties

Name of Shareholders	No. of Shares Held
Dawood Hercules Corporation Limited	214,469,810
Patek (Private) Limited	35,959,864
Dawood Corporation (Private) Limited	3,436,290
Dawood Foundation	41,861
Total	253,907,825

2. Directors, Chief Executive Officer and their spouse(s) and minor children

Name of Shareholders	No. of Shares Held
Hussain Dawood	4,427,281
Shahzada Dawood	3,118,641
Abdul Samad Dawood	72,941
Henna Inam	110
Muhammad Abdul Aleem	70,822
Khawaja Iqbal Hassan	10,143
Raihan Ali Merchant	5,500
Waqar Ahmed Malik	2,001
Rizwan Diwan	110
Kulsum Dawood w/o Hussain Dawood	3,438,321
Humera Aleem w/o Mohammad Abdul Aleem	15,565
Ayesha Dawood w/o Abdul Samad Dawood	44
Total	11,161,479

3. Executives 101,027

4. Public sector companies and corporations 33,310,324

5. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds 32,134,330

6. Mutual Funds

Name of Mutual Fund	No. of Shares Held
CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SUB FUND	15,140
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	12,360
CDC - TRUSTEE ABL STOCK FUND	674,350
CDC - TRUSTEE AKD INDEX TRACKER FUND	77,031
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	587,821
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1,579,290
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	268,670
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	1,592,148
CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II	11,000
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	216,700
CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	77,679
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	978,720
CDC - TRUSTEE ALFALAH GHP ISLAMIC VALUE FUND	27,070
CDC - TRUSTEE ALFALAH GHP STOCK FUND	305,560
CDC - TRUSTEE ALFALAH GHP VALUE FUND	117,380
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	593,630
CDC - TRUSTEE APF-EQUITY SUB FUND	73,650
CDC - TRUSTEE APIF - EQUITY SUB FUND	125,500
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	24,950
CDC - TRUSTEE ATLAS ISLAMIC DEDICATED STOCK FUND	112,920
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	435,000
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1,304,700
CDC - TRUSTEE AWT ISLAMIC STOCK FUND	25,750
CDC - TRUSTEE AWT STOCK FUND	6,500
CDC - TRUSTEE FAYSAL ISLAMIC ASSET ALLOCATION FUND	20,000
CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	300
CDC - TRUSTEE FAYSAL STOCK FUND	15,400
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	5,000
CDC - TRUSTEE FIRST HABIB ASSET ALLOCATION FUND	100
CDC - TRUSTEE FIRST HABIB STOCK FUND	21,650
CDC - TRUSTEE HBL - STOCK FUND	368,950
CDC - TRUSTEE HBL EQUITY FUND	49,630
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	41,690
CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	41,340
CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	142,930
CDC - TRUSTEE HBL MULTI - ASSET FUND	22,050
CDC - TRUSTEE HBL PF EQUITY SUB FUND	36,460
CDC - TRUSTEE JS ISLAMIC DEDICATED EQUITY FUND (JSIDEF)	730,800
CDC - TRUSTEE JS ISLAMIC FUND	82,900
CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT	30,500
CDC - TRUSTEE JS LARGE CAP. FUND	81,100
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	29,290
CDC - TRUSTEE KSE MEEZAN INDEX FUND	671,300
CDC - TRUSTEE LAKSON EQUITY FUND	1,030,904
CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND	59,738
CDC - TRUSTEE LAKSON TACTICAL FUND	157,107
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	106,200
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1,115,080
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	419,600
CDC - TRUSTEE MEEZAN BALANCED FUND	819,990
CDC - TRUSTEE MEEZAN ISLAMIC FUND	8,291,673
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	1,296,420
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	20,790
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	461,225
CDC - TRUSTEE NBP BALANCED FUND	150,518
CDC - TRUSTEE NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND	345,990
CDC - TRUSTEE NBP ISLAMIC REGULAR INCOME FUND	45,260
CDC - TRUSTEE NBP ISLAMIC SARMAYA IZAFA FUND	1,550,020
CDC - TRUSTEE NBP ISLAMIC STOCK FUND	1,423,420
CDC - TRUSTEE NBP MAHANA AMDANI FUND - MT	2,200
CDC - TRUSTEE NBP SARMAYA IZAFA FUND	172,170
CDC - TRUSTEE NBP SAVINGS FUND - MT	11,600
CDC - TRUSTEE NBP STOCK FUND	2,060,812
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	615,110
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1,811,936
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	77,000
CDC - TRUSTEE PICIC GROWTH FUND	345,870
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	250,300

CDC - TRUSTEE UBL DEDICATED EQUITY FUND	25,023
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	123,080
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	750,526
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	62,400
CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	363,130
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	310,680
CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	387,880
CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	24,840
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	188,280
CDC-TRUSTEE NITIPF EQUITY SUB-FUND	41,250
CDC-TRUSTEE NITPF EQUITY SUB-FUND	17,600
MC FSL - TRUSTEE JS GROWTH FUND	160,160
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	479,940
MCBFSL - TRUSTEE HBL ISLAMIC DEDICATED EQUITY FUND	59,970
MCBFSL - TRUSTEE JS VALUE FUND	108,820
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	18,700
MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	58,400
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	97,820
TRI-STAR MUTUAL FUND LIMITED	1,004
TOTAL	37,610,585

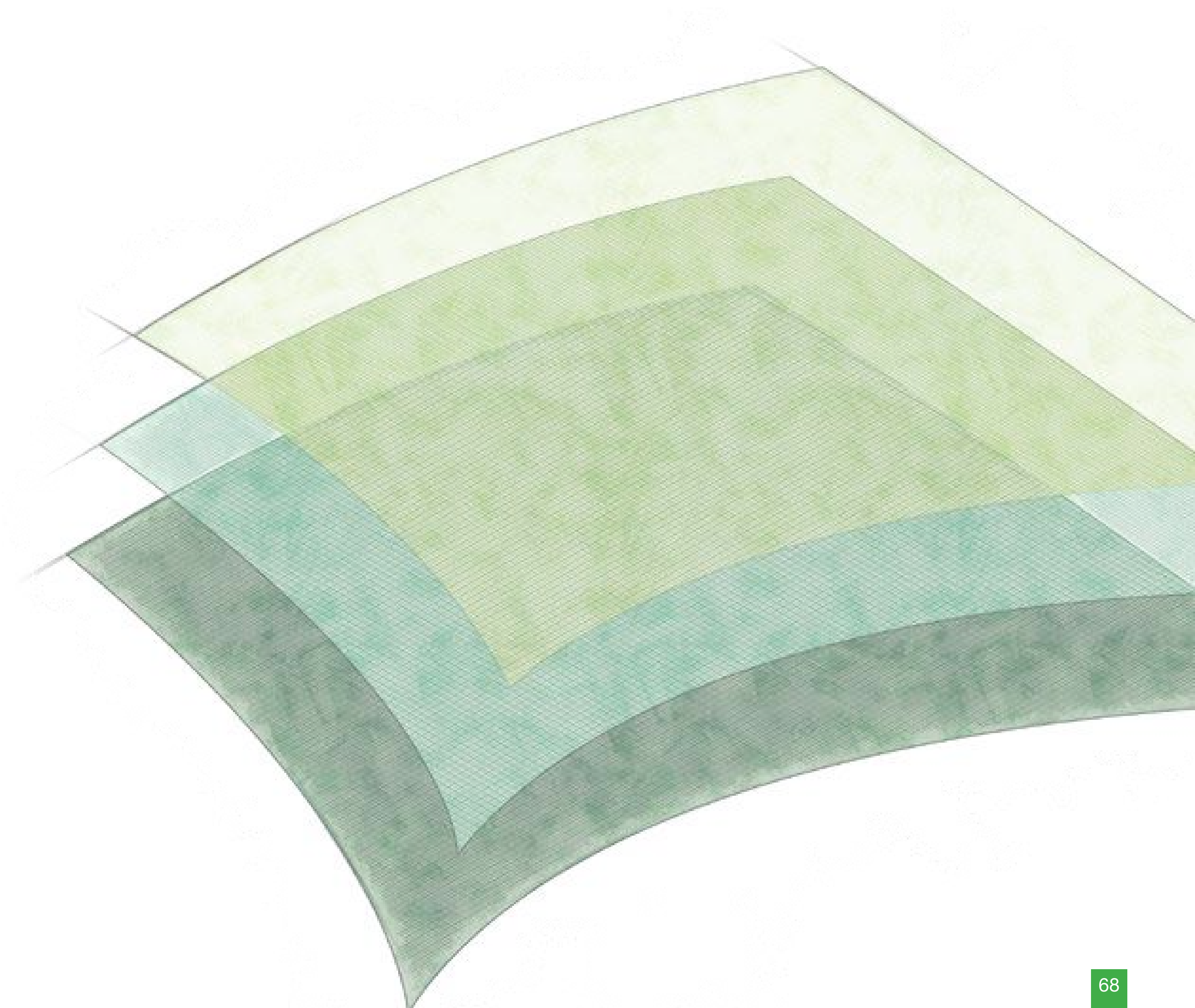
7. Name of Shareholders holding five percent or more voting rights in the Company:

Name of Shareholders	No. of Shares Held
Dawood Hercules Corporation Limited	214,469,810
Patek (Private) Limited	35,959,864

8. Details of purchase/sale of shares by Directors, Executives* and their spouse(s) / minor children during 2019.

Name	Date of Purchase / Sale	Shares Purchased	Shares Sold	Rate
Kulsum Dawood w/o Hussain Dawood	20-Feb-2019	5,000	-	332.0
Mohammad Miqdad	15-Mar-2019	500	-	315.5
Shahzada Dawood	29-Mar-2019	48,600	-	326.8
Mohammad Miqdad	02-Apr-2019	300	-	319.0
Shahzada Dawood	03-Apr-2019	35,500	-	321.0
Shahzada Dawood	04-Apr-2019	100,000	-	318.3
Shahzada Dawood	08-Apr-2019	9,600	-	314.3
Shahzada Dawood	09-Apr-2019	1,700	-	311.9
Ghias Khan	19-Mar-2019	-	2,500	325.0
Mohammad Miqdad	29-Apr-2019	700	-	323.0
Mohammad Miqdad	06-May-2019	300	-	290.0
Kulsum Dawood w/o Hussain Dawood	10-May-2019	24,500	-	265.8
Shahzada Dawood	14-May-2019	131,000	-	258.3
Kulsum Dawood w/o Hussain Dawood	17-May-2019	20,000	-	256.5
Waqar Ahmed Malik	23-May-2019	15,000	-	276.5
Kulsum Dawood w/o Hussain Dawood	25-May-2019	25,000	-	280.7
Kulsum Dawood w/o Hussain Dawood	28-May-2019	35,000	-	278.4
Kulsum Dawood w/o Hussain Dawood	08-Jul-2019	100,000	-	269.3
Shahzada Dawood	08-Jul-2019	100,000	-	269.2
Shahzada Dawood	15-Jul-2019	200,000	-	263.5
Kulsum Dawood w/o Hussain Dawood	15-Jul-2019	150,000	-	264.0
Hussain Dawood	16-Jul-2019	125,000	-	265.2
Hussain Dawood	17-Jul-2019	85,000	-	265.8
Muhammad Ashiq	18-Jul-2019	-	1,000	261.0
Claudette J. Santamaria (transaction made by husband)	08-Aug-2019	-	4,171	240.4
Kulsum Dawood w/o Hussain Dawood	21-Aug-2019	16,100	-	254.8
Fahad Tariq Rafi	29-Aug-2019	900	-	270.0
Hussain Dawood	03-Sep-2019	236,000	-	255.9
Khawaja Iqbal Hassan	30-Aug-2019	6,000	-	259.6
Khawaja Iqbal Hassan	18-Sep-2019	4,000	-	257.1
Waqar Ahmed Malik	26-Nov-2019	-	35,000	338.1

* For the purpose of declaration of share trades all employee of the company are considered as “Executives”



pattern of shareholding

As at December 31, 2019

	Shareholding		
No of Shareholders	From	To	Total Shares
2,190	1	100	77,891
2,670	101	500	679,591
1,356	501	1,000	978,681
3,072	1,001	5,000	7,216,398
1,051	5,001	10,000	7,413,940
453	10,001	15,000	5,488,304
241	15,001	20,000	4,206,606
191	20,001	25,000	4,297,884
141	25,001	30,000	3,862,866
99	30,001	35,000	3,225,584
60	35,001	40,000	2,274,169
67	40,001	45,000	2,855,930
47	45,001	50,000	2,261,047
54	50,001	55,000	2,882,342
42	55,001	60,000	2,406,519
22	60,001	65,000	1,365,360
21	65,001	70,000	1,425,146
26	70,001	75,000	1,890,359
20	75,001	80,000	1,550,169
23	80,001	85,000	1,892,987
12	85,001	90,000	1,052,477
17	90,001	95,000	1,573,454
16	95,001	100,000	1,565,344
11	100,001	105,000	1,126,504
14	105,001	110,000	1,522,333
9	110,001	115,000	1,008,180
10	115,001	120,000	1,173,268
11	120,001	125,000	1,348,555
10	125,001	130,000	1,280,022
7	130,001	135,000	929,247
11	135,001	140,000	1,511,945
7	140,001	145,000	996,493
12	145,001	150,000	1,766,933
8	150,001	155,000	1,211,208
7	155,001	160,000	1,101,214
5	160,001	165,000	819,026
6	165,001	170,000	1,002,717
7	170,001	175,000	1,207,139
3	175,001	180,000	531,904
2	180,001	185,000	361,753
5	185,001	190,000	937,512
3	190,001	195,000	578,382
6	195,001	200,000	1,200,000
3	200,001	205,000	605,980
2	205,001	210,000	417,250
1	210,001	215,000	213,209
4	215,001	220,000	871,160
2	220,001	225,000	445,686
1	225,001	230,000	227,000
4	230,001	235,000	927,330
2	235,001	240,000	476,396

	Shareholding		
No of Shareholders	From	To	Total Shares
5	240,001	245,000	1,208,784
1	245,001	250,000	250,000
2	250,001	255,000	505,300
1	255,001	260,000	259,246
1	260,001	265,000	262,948
8	265,001	270,000	2,139,702
2	270,001	275,000	545,585
3	275,001	280,000	833,040
1	280,001	285,000	284,330
1	285,001	290,000	286,370
1	290,001	295,000	291,511
2	295,001	300,000	592,222
2	300,001	305,000	607,243
3	305,001	310,000	921,010
1	310,001	315,000	310,680
2	315,001	320,000	639,000
1	320,001	325,000	321,138
4	325,001	330,000	1,316,800
2	330,001	335,000	667,259
1	335,001	340,000	336,019
2	340,001	345,000	688,000
3	345,001	350,000	1,036,960
2	350,001	355,000	707,870
1	355,001	360,000	357,172
1	360,001	365,000	363,130
1	365,001	370,000	368,950
3	370,001	375,000	1,114,981
3	375,001	380,000	1,131,988
1	380,001	385,000	381,040
1	385,001	390,000	387,880
2	390,001	395,000	784,940
4	395,001	400,000	1,599,670
1	415,001	420,000	419,600
1	425,001	430,000	429,000
1	430,001	435,000	435,000
1	440,001	445,000	443,449
1	445,001	450,000	448,267
2	455,001	460,000	913,150
2	460,001	465,000	923,456
1	475,001	480,000	479,940
1	490,001	495,000	491,070
1	510,001	515,000	511,910
2	520,001	525,000	1,043,948
1	530,001	535,000	533,912
1	535,001	540,000	536,700
2	540,001	545,000	1,086,724
1	570,001	575,000	570,196
2	580,001	585,000	1,165,150
2	585,001	590,000	1,176,431
2	590,001	595,000	1,184,636
1	600,001	605,000	600,630

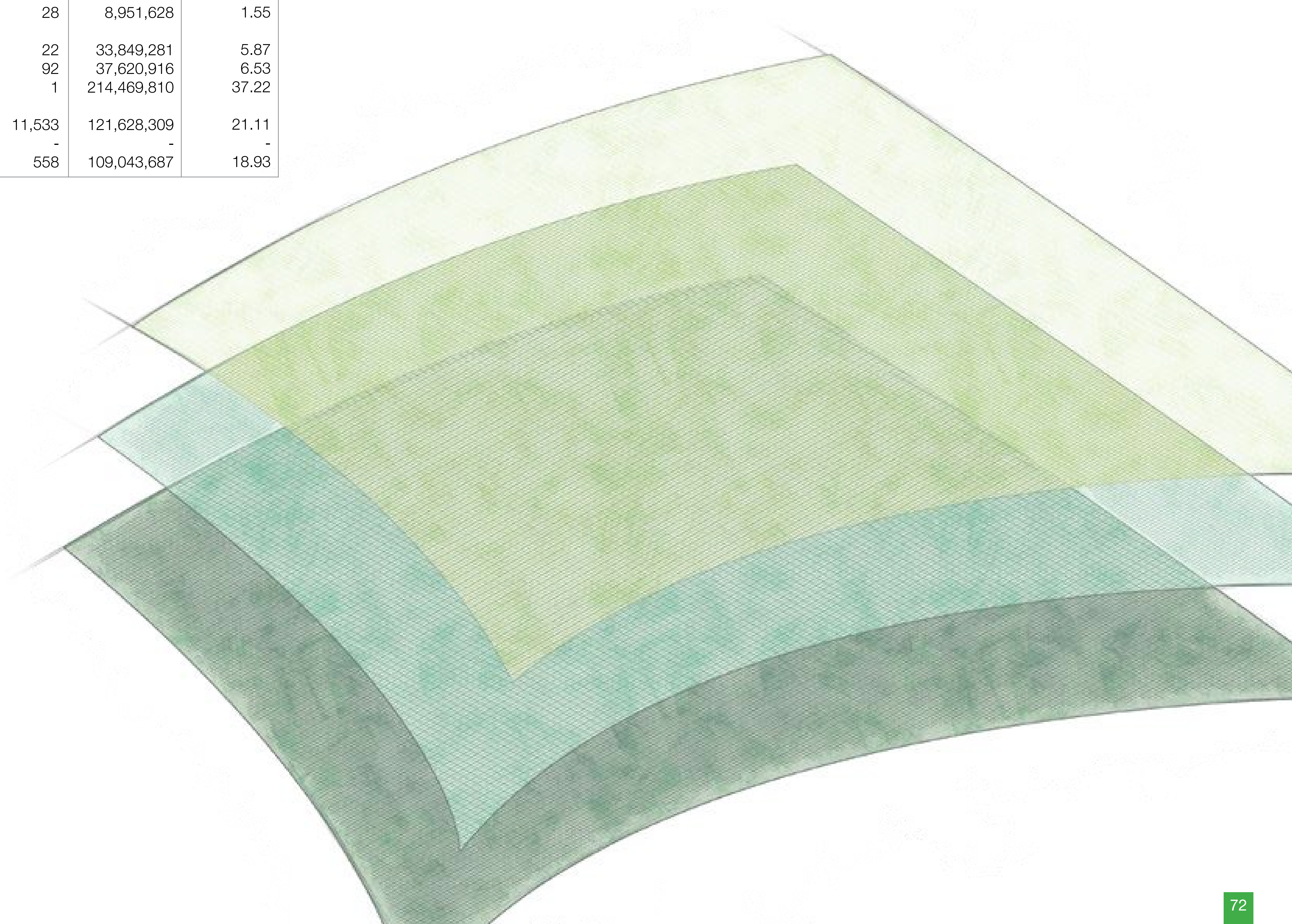
	Shareholding		
No of Shareholders	From	To	Total Shares
1	610,001	615,000	612,646
1	615,001	620,000	615,110
1	640,001	645,000	644,212
1	645,001	650,000	647,927
2	655,001	660,000	1,320,000
1	660,001	665,000	661,290
2	670,001	675,000	1,345,650
3	695,001	700,000	2,093,171
1	715,001	720,000	716,700
1	730,001	735,000	730,800
1	740,001	745,000	740,420
1	750,001	755,000	750,526
1	755,001	760,000	756,660
1	780,001	785,000	780,685
1	790,001	795,000	791,269
1	795,001	800,000	800,000
1	815,001	820,000	819,990
1	825,001	830,000	828,000
2	830,001	835,000	1,664,615
3	865,001	870,000	2,603,370
1	870,001	875,000	870,496
1	895,001	900,000	896,500
1	900,001	905,000	905,000
1	920,001	925,000	920,710
2	925,001	930,000	1,858,010
1	970,001	975,000	975,000
1	975,001	980,000	978,720
1	995,001	1,000,000	1,000,000
1	1,030,001	1,035,000	1,030,904
2	1,035,001	1,040,000	2,075,010
1	1,115,001	1,120,000	1,115,080
1	1,135,001	1,140,000	1,138,152
2	1,145,001	1,150,000	2,292,420
1	1,155,001	1,160,000	1,158,361
1	1,205,001	1,210,000	1,210,000
1	1,210,001	1,215,000	1,211,324
1	1,215,001	1,220,000	1,218,180
1	1,240,001	1,245,000	1,243,000
1	1,250,001	1,255,000	1,251,431
1	1,295,001	1,300,000	1,296,420
1	1,300,001	1,305,000	1,304,700
1	1,350,001	1,355,000	1,354,359
1	1,360,001	1,365,000	1,363,736
1	1,395,001	1,400,000	1,399,720
1	1,420,001	1,425,000	1,423,420
1	1,495,001	1,500,000	1,500,000
1	1,550,001	1,555,000	1,550,020
1	1,570,001	1,575,000	1,574,890
1	1,575,001	1,580,000	1,579,290
1	1,590,001	1,595,000	1,592,148
1	1,700,001	1,705,000	1,701,000
1	1,705,001	1,710,000	1,706,000
1	1,775,001	1,780,000	1,777,914
1	1,810,001	1,815,000	1,811,936

	Shareholding		
No of Shareholders	From	To	Total Shares
1	1,900,001	1,905,000	1,901,728
1	1,955,001	1,960,000	1,958,900
1	1,995,001	2,000,000	2,000,000
1	2,005,001	2,010,000	2,007,214
1	2,060,001	2,065,000	2,060,812
1	2,130,001	2,135,000	2,130,585
1	2,225,001	2,230,000	2,225,920
1	2,365,001	2,370,000	2,366,770
1	2,475,001	2,480,000	2,479,149
1	2,635,001	2,640,000	2,636,260
1	2,735,001	2,740,000	2,739,620
1	3,105,001	3,110,000	3,109,370
1	3,115,001	3,120,000	3,118,641
1	3,295,001	3,300,000	3,299,046
1	3,350,001	3,355,000	3,350,259
2	3,435,001	3,440,000	6,874,611
1	3,495,001	3,500,000	3,497,122
1	4,425,001	4,430,000	4,427,281
1	5,120,001	5,125,000	5,124,326
1	5,250,001	5,255,000	5,254,212
1	5,945,001	5,950,000	5,947,370
1	7,540,001	7,545,000	7,543,440
1	8,290,001	8,295,000	8,291,673
1	13,140,001	13,145,000	13,141,324
1	18,735,001	18,740,000	18,736,700
1	20,165,001	20,170,000	20,169,000
1	35,955,001	35,960,000	35,959,864
1	214,465,001	214,470,000	214,469,810
12,251			576,163,230

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	13	11,161,479	1.94
2	Associated Companies, Undertakings and related Parties	4	253,907,825	44.07
3	NIT and ICP	1	105	0.00
4	Banks, Development Financial Institutions, Non-Banking Financial Institutions	28	8,951,628	1.55
5	Insurance Companies	22	33,849,281	5.87
6	Modarabas and Mutual Funds	92	37,620,916	6.53
7	Shareholders holding 10%	1	214,469,810	37.22
8	General Public:			
	a. local	11,533	121,628,309	21.11
	b. Foreign	-	-	-
9	Others	558	109,043,687	18.93



shareholder information

Annual General Meeting

The annual shareholders meeting will be held at 10:00 a.m. on April 07, 2020 at Karachi School of Business & Leadership, Karachi.

Shareholders as of March 24, 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 along with 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 12,251 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 April 06, 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 Form for hard copies of the Annual Audited Accounts is available at the Company's website www.engro.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.engro.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.

Quarterly Results

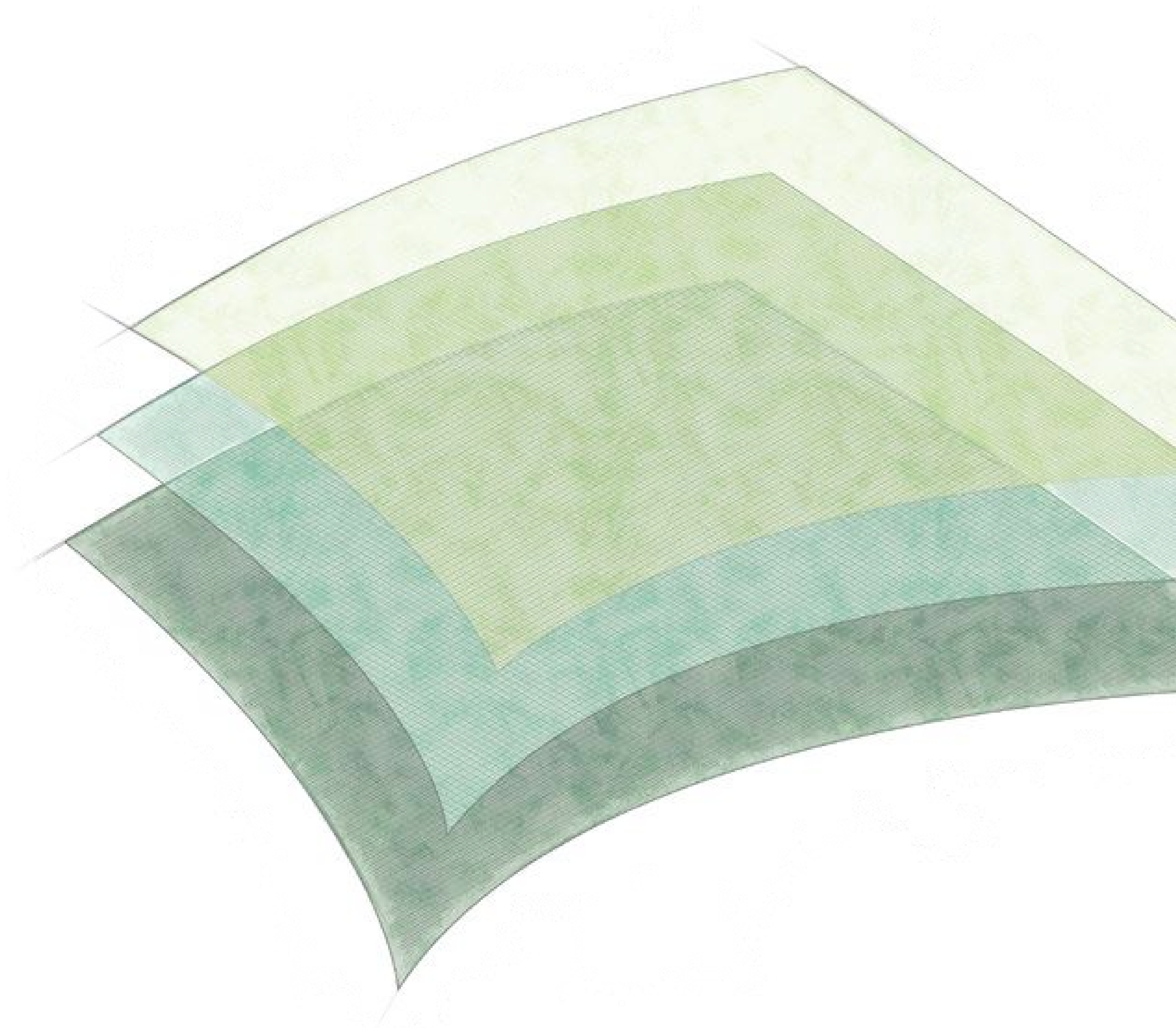
The Company issues quarterly financial statements and holds periodic briefings with security analysts to discuss the results and the business environment.

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

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



social interventions: enabling opportunities

Engro Foundation is a mark of our commitment to Pakistan. To enable opportunities that change lives, Engro Foundation has pivoted to an inclusive business model that targets low-income communities where Engro businesses are based. By innovatively providing low-income communities with opportunities of skill and livelihood development, we create an ecosystem that spurs economic growth and encourages entrepreneurship. This model enables underprivileged members of our society to emerge as potential business partners and become vendors, customers, and employees in our value chains.

standalone financial statements

- Auditor's Report to the Members
- Standalone Financials

independent auditor's report

To the members of Engro Corporation Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Engro Corporation Limited (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss and other 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 and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform 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 income, 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 matters** (Refer notes 19.1.8 and 26 to the financial statements) The Company has recognized provisions and has disclosed contingent liabilities in respect of certain income 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 as a key audit matter.	Our audit procedures amongst others included the following: - obtaining and reviewing details of the pending tax matters and discussing the same with the Company's management; - circularizing confirmations to the Company's external advisors for their views on matters being handled by them; - involving internal tax professionals to assist us in assessing management's conclusions on contingent tax matters and evaluating the consistency of such conclusions with the views of management and external advisors engaged by the Company; - reviewing correspondence of the Company with the relevant tax 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; - checking mathematical accuracy of the calculations underlying the provisions, if any; and - we assessed whether the disclosures made by the Company adequately discloses the matter in accordance with the applicable accounting and reporting standards.

Information Other than the Financial Statements and Consolidated Financial Statements and Auditor's Reports 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.

- 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 with 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 and other 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 Salman Hussian.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Date: March 16, 2020

statement of financial position as at december 31, 2019

(Amounts in thousand)	Note	2019 Rupees	2018 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	5	399,724	514,837
Right-of-use assets	6	919,857	-
Intangible assets	7	110,165	58,248
Long term investments	8	26,437,079	24,652,289
Long term loans and advances	9	412,253	49,796
Deferred taxation	10	14,344	-
		28,293,422	25,275,170
Current assets			
Loans, advances and prepayments	11	4,466,701	350,121
Receivables	12	654,797	499,462
Short term investments	13	57,266,555	64,842,059
Cash and bank balances	14	3,484,311	1,609,160
		65,872,364	67,300,802
TOTAL ASSETS		94,165,786	92,575,972

(Amounts in thousand)	Note	2019 Rupees	2018 Rupees
EQUITY & LIABILITIES			
Equity			
Share capital	15	5,761,633	5,237,848
Share premium		13,068,232	13,068,232
General reserve		4,429,240	4,429,240
Remeasurement of post employment benefits - Actuarial loss		(23,137)	(12,721)
Unappropriated profit		61,860,773	62,380,565
Total equity		85,096,741	85,103,164
Liabilities			
Non-current liabilities			
Retirement and other service benefit obligations		50,076	50,366
Lease liabilities		753,626	-
Deferred taxation	10	-	249
		803,702	50,615
Current liabilities			
Trade and other payables	16	2,075,420	1,386,693
Current portion of lease liabilities		275,227	-
Provision	26.1	3,243,130	3,243,130
Taxes payable		2,379,973	1,431,589
Borrowings	17	-	998,164
Accrued interest / mark-up		-	64,357
Unclaimed dividends	18	291,593	298,260
		8,265,343	7,422,193
Total liabilities		9,069,045	7,472,808
Contingencies and Commitments	19		
TOTAL EQUITY & LIABILITIES		94,165,786	92,575,972

The annexed notes from 1 to 40 form an integral part of these financial statements.

Abdul Samad Dawood	Hasnain Moochhala	Ghias Khan
Vice Chairman	Chief Financial Officer	President and Chief Executive

statement of profit or loss and other comprehensive income for the year ended december 31, 2019

(Amounts in thousand except for earnings per share)	Note	2019	2018
		Rupees	
Dividend income	20	12,983,285	10,263,698
Royalty income	21	1,169,880	968,959
		14,153,165	11,232,657
Administrative expenses	22	(2,673,739)	(1,614,207)
		11,479,426	9,618,450
Other income	23	7,739,298	8,597,203
Other operating expenses	24	(2,294,544)	(1,390,898)
Operating profit		16,924,180	16,824,755
Finance cost	25	(155,659)	(148,844)
Profit before taxation		16,768,521	16,675,911
Taxation	26	(2,465,203)	(3,956,036)
Profit for the year		14,303,318	12,719,875
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
- Remeasurement of retirement benefit			
obligation - Actuarial loss (net of tax)	29.2.12	(10,416)	(65)
Total comprehensive income for the year		14,292,902	12,719,810
		Rupees	
			(Restated)
Earnings per share - basic and diluted	27	24.83	22.08

The annexed notes from 1 to 40 form an integral part of these financial statements.

Abdul Samad Dawood
Vice Chairman

Hasnain Moochhala
Chief Financial Officer

Ghias Khan
President and Chief Executive

statement of changes in equity for the year ended december 31, 2019

(Amounts in thousand)		RESERVES				
		CAPITAL	REVENUE			
	Share Capital	Share premium	General reserve	Remeasurement of post employment benefits - Actuarial loss	Unappropriated profit	Total
				Rupees		
Balance as at January 1, 2018	5,237,848	13,068,232	4,429,240	(12,656)	60,660,171	83,382,835
Profit for the year	-	-	-	-	12,719,875	12,719,875
Other comprehensive loss	-	-	-	(65)	-	(65)
	-	-	-	(65)	12,719,875	12,719,810
Transactions with owners						
Final cash dividend for the year ended December 31, 2017 @ Rs. 2.00 per share	-	-	-	-	(1,047,567)	(1,047,567)
Interim cash dividends for the year ended December 31, 2018:						
- 1st interim @ Rs.5.00 per share	-	-	-	-	(2,618,924)	(2,618,924)
- 2nd interim @ Rs.7.00 per share	-	-	-	-	(3,666,495)	(3,666,495)
- 3rd interim @ Rs.7.00 per share	-	-	-	-	(3,666,495)	(3,666,495)
	-	-	-	-	(10,999,481)	(10,999,481)
Balance as at December 31, 2018	5,237,848	13,068,232	4,429,240	(12,721)	62,380,565	85,103,164
Profit for the year	-	-	-	-	14,303,318	14,303,318
Other comprehensive loss	-	-	-	(10,416)	-	(10,416)
	-	-	-	(10,416)	14,303,318	14,292,902
Transactions with owners						
Final cash dividend for the year ended December 31, 2018 @ Rs. 2.00 per share	-	-	-	-	(1,047,570)	(1,047,570)
Bonus shares issued during the year in the ratio of 1 share for every 10 shares held	523,785	-	-	-	(523,785)	-
Interim cash dividends for the year ended December 31, 2019 :						
- 1st interim @ Rs.7.00 per share	-	-	-	-	(4,033,143)	(4,033,143)
- 2nd interim @ Rs.8.00 per share	-	-	-	-	(4,609,306)	(4,609,306)
- 3rd interim @ Rs.8.00 per share	-	-	-	-	(4,609,306)	(4,609,306)
	523,785	-	-	-	(14,823,110)	(14,299,325)
Balance as at December 31, 2019	5,761,633	13,068,232	4,429,240	(23,137)	61,860,773	85,096,741

The annexed notes from 1 to 40 form an integral part of these financial statements.

Abdul Samad Dawood
Vice Chairman

Hasnain Moochhala
Chief Financial Officer

Ghias Khan
President and Chief Executive

statement of cash flows
for the year ended december 31, 2019

(Amounts in thousand)	Note	2019	2018
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilized in operations	30	(3,443,860)	(2,721,115)
Royalty received		992,672	830,722
Taxes paid		(1,527,158)	(1,900,523)
Retirement and other service benefits paid		(90,961)	(88,542)
Long term loans and advances - net		(23,294)	(17,371)
Net cash utilized in operating activities		(4,092,601)	(3,896,829)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		12,983,285	10,623,638
Income on deposits / other financial assets including income earned on subordinated loans to subsidiaries		5,665,477	3,800,410
Proceeds from disposal of investments in subsidiary		-	4,357,823
Long term investments		(2,157,105)	(3,480,301)
Loan disbursed to subsidiary companies and joint venture		(4,034,676)	-
Repayment of loan by subsidiary company		-	896,542
Purchase of Treasury bills, Units of Mutual Funds, Fixed income placements and Pakistan Investment Bonds		(61,815,413)	(26,894,313)
Proceeds from sale of Treasury bills, Units of Mutual Funds and maturity of Pakistan Investment Bonds		21,317,566	44,061,443
Purchases of property, plant and equipment		(228,627)	(168,674)
Sale proceeds on disposal of property, plant and equipment		98	484
Net cash (utilized in) / generated from investing activities		(28,269,395)	33,197,052
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of financial charges		(147,555)	(145,522)
Repayment of Engro Islamic Rupiya Certificates - II		(1,000,000)	-
Lease rentals paid		(320,212)	-
Dividends paid		(14,305,992)	(10,955,386)
Net cash utilized in financing activities		(15,773,759)	(11,100,908)
Net (decrease) / increase in cash and cash equivalents		(48,135,755)	18,199,315
Cash and cash equivalents at beginning of the year		54,186,028	35,986,713
Cash and cash equivalents at end of the year	31	6,050,273	54,186,028

The annexed notes from 1 to 40 form an integral part of these financial statements.

Abdul Samad Dawood	Hasnain Moochhala	Ghias Khan
Vice Chairman	Chief Financial Officer	President and Chief Executive

notes to the financial statements
for the year ended december 31, 2019

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

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

1.2 These financial statements denote the standalone financial statements of the Company in which investments in subsidiaries have been accounted for at cost less accumulated impairment losses, if any. The consolidated financial statements of the Company and its subsidiaries have been presented seperately. Details of investments held by the Company in its subsidiaries have been presented in note 8.

1.3 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.
Islamabad Office	22 floor, Ufone Tower Jinnah Avenue, Blue Area, Islamabad.

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, except for the adoption of new standards as disclosed in note 3.

2.1 Basis of preparation

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

2.1.2 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.1.3 **Initial application of a Standard, Amendment or an Interpretation to existing Standards**

a) New Standards, amendments to published approved accounting and reporting standards and interpretations which are effective during the year:

A number of new or amended standards became applicable for the current reporting period, and the Company had to change its accounting policies and make adjustments as a result of adopting the following standards:

(Amounts in thousand)

- IFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39 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. Impacts of adopting IFRS 9 are disclosed in note 3.1.

- 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 adoption of this standard did not have any material impact on these financial statements.

- IFRS 16 'Leases' - IFRS 16 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 impact of changes introduced by this standard have been disclosed in note 3.1.

  There are other amendments to published approved 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 presented in these financial statements.

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

There are number of other standards, amendments to the published approved accounting and reporting standards and interpretations that are not yet effective and have not been early adopted by the Company and, therefore, have not been presented in these financial statements.

(Amounts in thousand)

2.2 Property, plant and equipment

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except capital work-in-progress which is stated at cost less impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs (note 2.18). 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 capitalized as part of that equipment.

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

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

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

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

The assets' residual values, the method of depreciation and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

2.3 Intangible assets - Computer softwares

a) Acquired

These are stated at cost less accumulated amortisation and impairment losses, if any.

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

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

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

b) Internally generated

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by the management. After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and impairment losses, if any. These are amortized using the straight-line basis over a period of 5 years. Amortization on addition is charged from the month following the month in which the asset is available for use and on disposals upto the month preceding the month of disposal.

Expenditure on research (or the research phase of an internal project) is recognized as an expense in the year in which it is incurred.

(Amounts in thousand)

Development costs incurred on specific projects are capitalized when all the following conditions are satisfied:

a) completion of the intangible asset is technically feasible so that it will be available for use or sale;

b) the Company intends to complete the intangible asset and use or sell it;

c) the Company has the ability to use or sell the intangible asset;

d) the intangible asset will generate probable future economic benefits. Among other things this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or if it is to be used internally, the asset will be used in generating such benefits;

e) there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f) the expenditure attributable to the intangible asset during its development can be measured reliably.

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

Non-current assets (or disposal groups) are classified as assets held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

2.5 Investments

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

2.6 Impairment of non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized as an expense in the profit or loss. The recoverable amount is the higher of an asset's fair value less cost of disposal and value-in-use. Value-in-use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Amounts in thousand)

2.7 Financial instruments

2.7.1 Financial assets

Classification, initial recognition and measurement

Consequent to the adoption of IFRS 9, financial assets are classified as financial assets at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVPL). The management determines the classification of financial assets at initial recognition 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.

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 FVOCI are initially and subsequently measured at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive income / (loss). Financial assets carried at FVPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income, in profit or loss for the period. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVPL are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

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 other comprehensive income.

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 FVOCI. The impairment methodology applied depends on whether there as been a significant increase in credit risk.

2.7.2 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.

(Amounts in thousand)

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 and other comprehensive income.

2.7.3 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount 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.

2.8 Receivables

Receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case they are recognised at fair value and subsequently measured at amortized cost using effective interest method less loss allowance.

2.9 Cash and cash equivalents

For the purpose of presentation in statement of cash flows, cash and cash equivalents includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts, if any.

2.10 Share capital

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

2.11 Borrowings

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

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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.

2.12 Trade and other payables

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

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

2.13 Income tax

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

(Amounts in thousand)

2.13.1 Current

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

2.13.2 Deferred

Deferred tax is recognized using the liability method, on all temporary differences arising at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary difference recognized to the extent it is probable that future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

2.14 Retirement and other service benefit obligations

2.14.1 Defined contribution plans

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

The Company operates:

- a defined contribution provident fund for its permanent employees and permanent employees of its subsidiaries, associates and joint ventures (here-in-after referred to as Group companies). Monthly contributions are made both by the Company, other Group companies and employees to the fund at the rate of 10% of basic salary;

- a defined contribution pension fund for the benefit of its management employees and management employees of its Group companies. Monthly contributions are made by the Company and other Group companies to the fund at rates ranging from 12.5% to 13.75% of basic salary; and

- a defined contribution gratuity fund for the benefit of management employees and management employees of its Group companies. Monthly contributions are made by the Company and other Group companies to the fund at the rate of 8.33% of basic salary.

2.14.2 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 years; that benefit is discounted to determine its present value. The calculation is performed annually by an independent actuary using the projected unit credit method. Remeasurement gains and losses are recognized in other comprehensive income.

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

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

(Amounts in thousand)

2.14.3 Employees' compensated absences

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

2.15 Provisions

Provisions are recognized when the Company has a 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 the amount can be reliably estimated. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

2.16 Foreign currency transactions and translation

These financial statements are presented in Pakistan Rupees, which is Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in profit or loss, except where such gains and losses are directly attributable to the acquisition, construction or production of a qualifying asset, in which case, such gains and losses are capitalized as part of the cost of that asset.

2.17 Revenue recognition

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

- Dividend income from investments is recognized when the Company's right to receive the payment has been established.

- Mark-up on deposits and other financial assets is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

- Royalty income from subsidiary and associated companies is recognized on an accrual basis in accordance with the agreements entered therewith.

- Gains and losses arising on sale of investments are included in profit or loss in the year in which they arise.

2.18 Borrowing costs

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

2.19 Earnings per share

The Company presents basic and diluted earnings per share (EPS) in respect of its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the 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.

2.20 Dividend and appropriation to reserves

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

(Amounts in thousand)

3. CHANGES IN ACCOUNTING POLICIES

The Company has applied the following standards for the first time for its annual reporting period commencing January 1, 2019:

3.1 IFRS 9 "Financial Instruments" (effective for annual periods ending on or after June 30, 2019)

This standard replaces the provisions of IAS 39 "Financial Instruments: Recognition and Measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 from January 1, 2019 by the Company has resulted in change in accounting policies. The Company has applied IFRS 9 retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", 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 assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories as follows:

Particulars	As at January 1, 2019	
	Original (Under IAS 39)	New (Under IFRS 9)
Non-Current financial assets		
Long term loans and advances	Loans and Receivables	Amortized Cost
Current financial assets		
Loans and advances	Loans and Receivables	Amortized Cost
Receivables	Loans and Receivables	Amortized Cost
Short term investments		
- Treasury bills	Fair value through profit or loss	Fair value through other comprehensive income
- Pakistan Investment Bonds	Fair value through profit or loss	Fair value through other comprehensive income
- Fixed income placement	Held to maturity	Amortized Cost
- Term Finance Certificates	Available for sale	Amortized Cost
Cash and bank balances	Loans and Receivables	Amortized Cost
Current financial liabilities		
Trade and other payables	Amortized Cost	Amortized Cost
Borrowings	Amortized Cost	Amortized Cost
Accrued interest / mark-up	Amortized Cost	Amortized 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 significant changes except that certain short-term investments which were previously classified as fair value through profit or loss are now classified as fair value through other comprehensive income. Hence, there was no restatement of opening balances and reserves. Furthermore, there is no material impact on the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows.

3.2 IFRS 16 'Leases' (effective from accounting period beginning on or after January 1, 2019)

Effective January 1, 2019, the Company has adopted IFRS 16, "Leases" which replaces existing guidance on accounting for leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentive" and SIC-27 "Evaluating the substance of transactions involving the legal form of a Lease". IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The accounting polices relating to Company's right-of-use assets and lease liabilities are as follows:

(Amounts in thousand)

Lease liabilities and right-of-use assets

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From January 1, 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Company.

The lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liabilities are subsequently measured at amortised cost using the effective interest method. They are remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the respective right-of-use asset, or is recorded in profit or loss if the carrying amount of that right-of-use asset has been reduced to zero.

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liability.

The Company has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Company recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 11.8%.

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the statement of financial position immediately before the date of initial application, accordingly, there is no impact on the opening balances of unappropriated profit as on January 1, 2019. The recognised right-of-use assets relates to the office space acquired on rental basis.

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

(Amounts in thousand)

Impact on Statement of Financial Position

	December 31, 2019	Rupees	January 1, 2019
Right of use assets - increased by	919,857		1,222,538
Lease liabilities - increased by	1,028,853		1,222,538
Current portion of lease liability	(275,227)		(208,847)
Long term portion of lease liability	753,626		1,013,691

Impact on Statement of Profit or loss and other comprehensive income

	Year ended December 31, 2019 Rupees
Increase in finance cost	(126,527)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(302,681)
- Rent expense	320,212
Decrease in profit before tax	(108,996)
Decrease in tax	31,609
Decrease in profit after tax	(77,387)

Earnings per share for the year ended December 31, 2019 are Rs. 0.13 per share lower as a result of the adoption of IFRS 16.

The company has used six months KIBOR plus 2% spread as incremental borrowing rate.

Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of operating leases with a remaining lease term of less than 12 months as at January 1, 2019;

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these financial statements in conformity with the above requirements requires the use of certain critical accounting estimates The accounting estimates will by definition, seldom equal the related actual results. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. 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. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements or 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:

(Amounts in thousand)

4.1 Impairment of investments in subsidiaries, associates and joint venture

In making estimates of future cash flows from investments in subsidiaries, associates and joint ventures, the management considers future dividend stream and an estimate of the terminal value of these investments, which are subject to change.

4.2 Income taxes

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

4.3 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 a number of assumptions. Further, contributions determination requires assumptions to be made for 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. Any changes in these assumptions will impact the carrying amount of these obligations. The underlying assumptions are disclosed in note 29.

5. PROPERTY, PLANT AND EQUIPMENT

	2019	2018
	Rupees	
Operating assets (note 5.1)	375,824	337,501
Capital work-in-progress (note 5.2)	23,900	177,336
	399,724	514,837

(Amounts in thousand)

5.1 Operating assets

	Furniture, fixture and equipment	Vehicles	Total
		Rupees	
As at January 1, 2018			
Cost	244,398	105,520	349,918
Accumulated depreciation	(137,305)	(45,871)	(183,176)
Net book value	107,093	59,649	166,742
Year ended December 31, 2018			
Opening net book value	107,093	59,649	166,742
Additions - transfers from capital work-in-progress (note 5.2)	219,940	4,550	224,490
Disposals			
Cost	(874)	-	(874)
Accumulated depreciation	564	-	564
	(310)	-	(310)
Depreciation charge (note 22)	(32,936)	(20,485)	(53,421)
Net book value	293,787	43,714	337,501
As at December 31, 2018			
Cost	463,464	110,070	573,534
Accumulated depreciation	(169,677)	(66,356)	(236,033)
Net book value	293,787	43,714	337,501
Year ended December 31, 2019			
Opening net book value	293,787	43,714	337,501
Additions - transfers from capital work-in-progress (note 5.2)	65,938	67,204	133,142
Adjustments / reclassifications (note 5.4)			
Cost	(17,566)	(106)	(17,672)
Accumulated depreciation	973	14,470	15,443
	(16,593)	14,364	(2,229)
Disposals / Write-offs (note 5.3)			
Cost	(11,977)	-	(11,977)
Accumulated depreciation	9,476	-	9,476
	(2,501)	-	(2,501)
Depreciation charge (note 22)	(58,014)	(32,075)	(90,089)
Net book value	282,617	93,207	375,824
As at December 31, 2019			
Cost	499,859	177,168	677,027
Accumulated depreciation	(217,242)	(83,961)	(301,203)
Net book value	282,617	93,207	375,824
Annual rate of depreciation (%)	15 to 20	20 to 25	

(Amounts in thousand)

5.2 Capital work-in-progress

	Furniture, fixture and equipment	Advances to suppliers	Internally generated intangible asset	Total
	Rupees			
Year ended December 31, 2018				
Balance as at January 1, 2018	11,613	108,499	177,274	297,386
Additions during the year	11,510	207,813	-	219,323
Transferred to:				
- operating assets (note 5.1)	(23,061)	(201,429)	-	(224,490)
- associated companies	-	(50,649)	-	(50,649)
- intangible assets (note 7)	-	(64,234)	-	(64,234)
Balance as at December 31, 2018	62	-	177,274	177,336
Year ended December 31, 2019				
Balance as at January 1, 2019	62	-	177,274	177,336
Additions during the year	89,776	138,851	-	228,627
Transferred to:				
- operating assets (note 5.1)	(65,938)	(67,204)	-	(133,142)
- intangible assets (note 7)	-	(71,647)	-	(71,647)
Written-off during the year (note 5.5)	-	-	(177,274)	(177,274)
Balance as at December 31, 2019	23,900	-	-	23,900

5.3 Disposal / write-offs do not include any asset with book value exceeding Rs. 500.

5.4 Adjustment / reclassification represents transfer to intangible assets at net book value (note 7).

5.5 The Company had recognised an internally generated intangible asset of Rs. 177,274 in prior years in respect of cost incurred in development of digital software and other solutions. This amount has been written-off during the year as the management does not foresee that this asset will result in inflow of future economic benefits to the Company.

6. RIGHT-OF-USE ASSETS

Year ended December 31, 2019	
As at January 1, 2019	-
Additions during the year (note 6.1)	1,222,538
Depreciation charge (note 6.2)	(302,681)
As at January 31, 2019	919,857

6.1 This represent right-of-use assets recognized in relation to the office space acquired on rental basis as explained in note 3.2.

6.2 Depreciation charged on right-of-use assets has been allocated to administrative expenses (note 22) and capital-work-in-progress (note 5.2) amounting to Rs. 109,182 and Rs. 23,632 respectively.

(Amounts in thousand)

7. INTANGIBLE ASSETS

Represent various computer softwares which are amortized on straight line basis over a period ranging from 4 to 8 years. Movement during the year is as follows:

		Rupees
As at January 1, 2018		
Cost		16,460
Accumulated amortization		(7,946)
Net book value		8,514
Year ended December 31, 2018		
Opening net book value		8,514
Additions - Transfers from capital work-in-progress (note 5.2)		64,234
Amortization charge (note 22)		(14,500)
Net book value		58,248
As at January 1, 2019		
Cost		80,694
Accumulated amortization		(22,446)
Net book value		58,248
Year ended December 31, 2019		
Opening net book value		58,248
Additions - Transfers from capital work-in-progress (notes 5.2 and 7.1)		71,647
Adjustments / reclassifications (note 5.4)		
Cost	17,672	
Accumulated depreciation	(15,443)	
		2,229
Amortization charge (note 22)		(21,959)
Net book value		110,165
As at December 31, 2019		
Cost		170,013
Accumulated amortization		(59,848)
Net book value		110,165

7.1 This represents Company's share of cost incurred in respect of One SAP project which is being amortized over a period of 8 years.

(Amounts in thousand)

8. LONG TERM INVESTMENTS

	2019	2018
	Rupees	
Subsidiary companies - at cost (note 8.1)	26,563,727	24,406,622
Less: Provision for impairment (note 8.1.3)	(3,642,407)	(3,270,092)
	22,921,320	21,136,530
Joint venture company - at cost		
Engro Vopak Terminal Limited		
45,000,000 (2018: 45,000,000) Ordinary shares		
of Rs. 10 each, equity held 50% (2018: 50%)	450,000	450,000
Associated company - at cost		
FrieslandCampina Engro Pakistan Limited (previously Engro Foods Limited)		
306,075,948 (2018: 306,075,948)		
Ordinary shares of Rs. 10 each,		
equity held 39.9% (2018 39.9%)	3,060,759	3,060,759
Others - at cost		
Arabian Sea Country Club Limited		
500,000 (2018: 500,000) Ordinary shares,		
of Rs. 10 each, equity held 6% (2018: 6%)	5,000	5,000
	26,437,079	24,652,289

(Amounts in thousand)

8.1 Subsidiary companies

	2019		2018	
	Equity % held	Investment at cost — Rupees —	Equity % held	Investment at cost — Rupees —
Quoted				
Engro Fertilizers Limited				
751,312,057 (2018: 751,312,057)				
Ordinary shares of Rs. 10 each	56.27	7,519,968	56.27	7,519,968
Engro Polymer and Chemicals Limited				
510,733,461 (2018: 510,733,461)				
Ordinary shares of Rs. 10 each	56.19	6,685,616	56.19	6,685,616
Unquoted				
Engro Energy Limited				
36,476,000 (2018: 36,476,000)				
Ordinary shares of Rs. 10 each	100	3,106,700	100	3,106,700
Engro Eximp Agriproducts (Private) Limited				
- 190,860,900 (2018: 190,860,900)				
Ordinary shares of Rs. 10 each	100	4,927,000	100	4,927,000
- 10,000,000 (2018: 10,000,000) Redeemable				
Preference shares of Rs.10 each	100	100,000	100	100,000
		5,027,000		5,027,000
Elengy Terminal Pakistan Limited				
113,493,731 (2018: 113,493,731)				
Ordinary shares of Rs. 10 each	56	1,134,938	56	1,134,938
Engro Infiniti (Private) Limited				
- 58,613,140 (2018: 153,140) Ordinary shares of				
Rs. 10 each (note 8.1.1)	100	1,117,000	100	532,400
- Advance against issue of share capital		-		400,000
		1,117,000		932,400
Engro Eximp FZE				
- 1 (2018: nil) Ordinary shares of				
AED 1,000,000 each (note 8.1.2)	100	1,972,505		-
		26,563,727		24,406,622

(Amounts in thousand)

8.1.1 During the year, the Company has made investment in Engro Infiniti (Private) Limited, a wholly owned subsidiary, through subscription of 18,460,000 ordinary shares of Rs. 10 each at par. Further, during the year, Engro Infiniti (Private) Limited has issued 40,000,000 shares of Rs. 10 each in respect of the advance against subscription of shares paid by the Company for investments made during the year ended December 31, 2018.

8.1.2 During the year, the shareholders of the Company in its Extraordinary General Meeting held on May 28, 2019, authorised the Company to acquire 100% of the issued and paid-up share capital of Engro Eximp FZE (UAE) from Engro Fertilizers Limited, a subsidiary Company, against an amount of Rs. 1,757,280 (subject to adjustments at the date of closing of the transaction). On July 17, 2019, the Company acquired Engro Eximp FZE for a consideration of Rs. 1,972,505.

8.1.3 Provision for the year amounting to Rs. 372,175 represents impairment recognised in Company's investment in Engro Infiniti (Private) Limited (EInfiniti). This is primarily due to loss recognised by EInfiniti's subsidiary company Engro Digital Limited (EDigital) on its internally generated intangible relating to development of digital and other related solution / products for various industries resulting in decline in net assets value of EDigital.

9. LONG TERM LOANS AND ADVANCES

- Considered good

	2019	2018
	Rupees	
Long term loans and advances to executives and other employees (note 9.1)	111,172	93,588
Less: Current portion shown under current assets (note 11)	38,082	43,792
	73,090	49,796
Subordinated loan to subsidiary (note 9.2)	339,163	-
	412,253	49,796

9.1 Reconciliation of the carrying amount of loans and advances to executives and other employees

	2019	2018
Balance as at January 1	93,588	63,714
Add: Disbursements	123,602	89,028
Less: Repayments / Amortization	(106,018)	(59,154)
Balance as at December 31	111,172	93,588

9.2 Represents subordinated loan availed during the year by Engro Energy Limited, a subsidiary company, pursuant to agreement entered into on December 28, 2018. The total facility available under this agreement amounts to USD 21,400 (PKR equivalent). The loan carries mark-up at the rate of 6 months KIBOR plus 2.00% per annum payable on quarterly basis. The loan is repayable on December 28, 2023.

9.3 The maximum amount outstanding at the end of any month during the year ended December 31, 2019 from executives aggregated to Rs. 111,172 (2018: Rs. 93,588).

9.4 Loans given to employees and executives are in accordance with the Company policy, return free and are repayable within a period of 1 to 5 years. Further, as at year-end, these include loans given to key management personnel aggregating to Rs. 1,085 (2018: Rs. 7,036)

9.5 The carrying values of the loans and advances are neither past due nor impaired.

(Amounts in thousand)

10. DEFERRED TAXATION

	2019	2018
	Rupees	
Debit / (Credit) balances arising on account of:		
- accelerated depreciation allowance	251	(165)
- right of use of asset	(51,893)	-
- lease liability	58,043	-
- provision for retirement benefits	7,943	26
- amortization of transaction costs incurred on borrowings	-	(110)
	14,344	(249)

11. LOANS, ADVANCES AND PREPAYMENTS

	2019	2018
Loans and advances, considered good		
- Current portion of long term loans and advances to executives and other employees (note 9)	38,082	43,792
- Loan to subsidiary company (note 11.1)	3,780,435	-
- Loan to joint venture (note 11.2)	200,153	-
	4,018,670	43,792
Prepayments	448,031	306,329
	4,466,701	350,121

11.1 Represents subordinated loan availed during the year by Engro Infiniti (Private) Limited, a subsidiary company, pursuant to agreement entered into on June 26, 2019.The loan carries mark-up at the rate of 6 months KIBOR plus 2.00% per annum payable on monthly basis. The loan is repayable on May 17, 2020.

11.2 Represents subordinated loan extended during the year to Engro Vopak Terminal Limited, a joint venture, pursuant to agreement entered into on December 30, 2019.The loan carries mark-up at the rate of 6 months KIBOR plus 0.50% per annum payable in one lump sump payment at the time of repayment of loan. The loan is repayable on June 30, 2020.

11.3 The carrying values of the loans and advances are neither past due nor impaired.

(Amounts in thousand)

12. RECEIVABLES

	2019 Rupees	2018 Rupees
Considered good		
Due from:		
- Parent Company - Dawood Hercules Corporation Limited	-	798
- Direct / Indirect subsidiary companies		
- Engro Elengy Terminal (Private) Limited	25,022	11,592
- Engro Energy Limited	24,914	34,341
- Enfrashare (Private) Limited	3,955	-
- Engro Energy Services Limited	414	-
- Engro Eximp FZE	-	29,026
- Engro Eximp Agriproducts (Private) Limited	-	22,043
- Engro Fertilizers Limited (note 12.1)	272,424	138,237
- Engro Infiniti (Private) Limited	7,525	32,857
- Engro Polymer and Chemicals Limited	52,573	17,029
- Engro Powergen Qadirpur Limited	20,143	14,578
- Engro Powergen Thar (Private) Limited	14,839	15,746
- Engro Power Investments International B.V.	47,646	51,846
- Engro Power Services Limited	30	-
- Engro Thar Foundation Limited	2,762	-
- Elengy Terminal Pakistan Limited	-	726
- Joint venture		
- Engro Vopak Terminal Limited	24,510	6,253
- Associated companies		
- FrieslandCampina Engro Pakistan Limited (previously Engro Foods Limited)	-	7,764
- Sindh Engro Coal Mining Company Limited	6,192	16,498
- Thar Power Company Limited	1,576	2,428
	504,525	401,762
- Engro Foundation	779	-
- Retirement benefit funds	30,625	15,688
- FrieslandCampina Pakistan Holdings B.V.	-	41,460
- Others	118,868	40,552
Considered doubtful		
Due from:		
- FrieslandCampina Pakistan Holdings B.V.	143,366	143,366
- Financial advisors	46,952	155,124
Less: Provision against doubtful receivables (note 12.4)	(190,318)	(298,490)
	-	-
	654,797	499,462

12.1 This primarily includes receivable in respect of royalty fee amounting to Rs.315,445 (2018: 138,237) and is net off miscellaneous amounts payable to Engro Fertilizers Limited.

12.2 The maximum amount due from related parties at the end of any month during the year aggregated to Rs. 535,929 (2018: Rs. 468,622).

(Amounts in thousand)

12.3 As at December 31, 2019, receivables from related parties aggregating to Rs. 111,184 (2018:Rs. 73,831) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2019 Rupees	2018 Rupees
Upto 3 months	11,340	34,318
3 to 6 months	52,198	12,412
More than 6 months	47,646	27,101
	111,184	73,831

12.4 During the year, financial advisor, Evercore Partner International LLP paid an amount of Rs. 108,172, accordingly, the provision there against has been reversed (note 23).

12.5 As at December 31, 2019 receivables aggregating to Rs. 190,318 and Rs. 543,613 were 'past due and impaired' and 'neither past due nor impaired' respectively.

13. SHORT TERM INVESTMENTS

	2019	2018
Fair value through other comprehensive income		
- Treasury bills (note 13.1)	22,609,639	52,896,953
- Pakistan Investment Bonds (note 13.2)	95,859	7,699,778
	22,705,498	60,596,731
Fair value through profit or loss		
- Mutual fund units (note 13.3)	27,372,021	-
Amortised cost		
- Fixed income placements (note 13.4)	2,607,685	33,418
- Term Finance Certificates (note 13.5)	4,581,351	4,211,910
	7,189,036	4,245,328
	57,266,555	64,842,059

13.1 Investment in Treasury bills carries interest at rates ranging from 12.60% to 13.91% are due to mature by November 5, 2020.

13.2 Pakistan Investment Bonds carry mark-up at the rate of 9% (2018: 6.2%) per annum and will mature by September 19, 2022.

13.3 The details of investment in mutual funds are as follows:

	Number of units	Amount in Rupees
NBP Money Market Fund	169,802,899	1,678,960
UBL Liquidity Plus Fund	1,978,915	200,000
UBL Special Savings Plan - V	62,548,162	6,514,698
NIT Money Market Fund	107,881,849	1,054,912
ABL Special Savings Plan - II	341,605,685	3,547,336
ABL Special Savings Plan - III	400,000,000	4,113,840
MCB Cash Management Optimizer	73,471,959	3,922,514
Meezan Rozana Amdani Fund	4,103,658	205,183
Alfalah GHP Cash Fund	11,540,685	6,134,578
	1,172,933,812	27,372,021

13.4 These represent placements with banks and carry interest ranging from 6% to 17% per annum and will mature by May 3, 2020.

(Amounts in thousand)

13.5 In 2017, the Company subscribed to privately placed, unsecured and non-convertible zero-coupon Term Finance Certificates (TFCs) issued by Engro Energy Limited, a wholly owned subsidiary company. These TFCs were issued at a discounted value of Rs. 3,560,000 and have a tenure of one year, extendable annually upon mutual consent upto a maximum of 48 months. Under the terms of TFCs, the Company is entitled to redeem these TFC's at any time during the term at a price to be computed using an effective interest rate of 8.77% per annum.

14. CASH AND BANK BALANCES

	2019	2018
	Rupees	
Cash at banks:		
- in saving accounts		
conventional (note 14.1)	3,383,355	1,600,385
islamic (note 14.2)	12,660	275
- in current accounts	87,596	8,110
	3,483,611	1,608,770
Cash in hand	700	390
	3,484,311	1,609,160

14.1 These carry return ranging from 8.0% to 11.25% (2018: 5.0% to 8.0%) per annum.

14.2 These are shariah compliant bank balances and carry profit at rates ranging from 6.0% to 8.5% (2018: 4.5% to 6.0%) per annum.

15. SHARE CAPITAL

15.1 Authorized capital

2019	2018		2019	2018
(Number of shares)			Rupees	
700,000,000	550,000,000	Ordinary shares of Rs. 10 each (note 15.3)	7,000,000	5,500,000

15.2 Issued, subscribed and paid-up capital

2019	2018		2019	2018
(Number of shares)			Rupees	
197,869,803	197,869,803	Ordinary shares of Rs. 10 each fully paid in cash	1,978,699	1,978,699
378,293,427	325,914,951	Ordinary shares of Rs. 10 each issued as fully paid bonus shares (note 15.4)	3,782,934	3,259,149
576,163,230	523,784,754		5,761,633	5,237,848

15.3 During the year, the Company increased its authorized share capital from Rs. 5,500,000 to Rs. 7,000,000.

15.4 During the year, the Company issued bonus shares in the ratio of 1 share for every 10 shares held. Accordingly, 52,378,476 shares were issued.

(Amounts in thousand)

15.5 As at December 31, 2019, Dawood Hercules Corporation Limited and associated companies held 214,469,810 and 39,438,015 (2018: 194,972,555 and 33,825,286) ordinary shares in the Company, respectively.

16. TRADE AND OTHER PAYABLES

	2019	2018
	Rupees	
Creditors	71,647	90,684
Accrued liabilities	1,312,410	870,836
Withholding tax payable	122,953	1,046
Zakat payable	-	117
Payable to :		
- Dawood Hercules Corporation Limited	50,869	-
- Engro Digital Limited	135,874	53,251
- Engro Eximp FZE	64,457	-
- Engro Eximp Agriproducts (Private) Limited	27,745	-
- Engro Fertilizers Limited	-	327,306
- FrieslandCampina Pakistan Holdings B.V. (note 16.2)	173,308	-
- Defined contribution gratuity fund	5,493	45
- Defined benefit gratuity fund - non-management employees	64	80
Current portion of retirement and other service benefit obligations (note 16.1)	68,544	38,386
Others	42,056	4,942
	2,075,420	1,386,693

16.1 Includes liability towards defined benefit gratuity fund amounting to Rs. 43,406 (2018: Rs. 22,952).

16.2 Includes an amount recognised in respect of sales tax receivables of FrieslandCampina Engro Pakistan Limited, matter as more fully explained in note 24.2.

17. BORROWINGS - Secured

	2019	2018
	Rupees	
Engro Islamic Rupiya Certificate II (notes 17.1)	-	998,164

17.1 During the year, the Company has repaid the entire principal balance of Engro Islamic Rupiya Certificates - II to the certificate holders, along with profit thereon upon completion of the tenure of five years.

17.2 The facilities for short term running finance arranged from various banks, which represents the aggregate sale price of the mark-up arrangements, amount to Rs. 2,000,000 (2018: Rs. 1,500,000). The facilities are primarily secured against ranking floating charge over all present and future loans, advances, receivables and other current assets (excluding investments) of the Company. Additionally, the facilities are also secured through a pledge over shares of Engro Fertilizers Limited and FrieslandCampina Engro Pakistan Limited. The rate of mark-up on these finances are based on one month KIBOR plus 1% per annum (2018: one month KIBOR plus 1% per annum). The corresponding purchase prices are payable on various dates by December 2020. During the year, the Company has not utilized these facilities.

(Amounts in thousand)

18. UNCLAIMED DIVIDENDS

Includes unclaimed dividend amounting to Rs. 215,179 (2018: Rs. 157,589) outstanding for more than 3 years from the date of declaration. Such unclaimed dividend is payable to the Federal Government as per the Act, subject to fulfilment / clarification on certain pre-conditions specified in the Act.

19. CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

	2019	2018
	Rupees	
Corporate guarantees issued in favour of subsidiary companies:		
- Engro Powergen Qadirpur Limited (note 19.1.1)	1,553,500	1,391,000
Bank guarantees (note 19.1.2)	-	1,535,000
	1,553,500	2,926,000

19.1.1 Represents Corporate guarantee amounting to US Dollars 10,000 issued to a bank to open Debt Service Reserve Account (DSRA) letter of credit in favour of the subsidiary company's senior long term lenders.

19.1.2 In the years 2014 and 2016, the Company divested some of its shareholding in Engro Fertilizers Limited (EFert). The Company had held such shareholding in EFert since 2010 and is of the view that capital gain on the sale of such securities do not attract any income tax. However, the Company was informed by the National Clearing Company of Pakistan Limited (NCCPL) that their clearing system shall deduct capital gain tax on such disposal and NCCPL shall deposit the same with the tax authorities. The Company had obtained stays there against from High Court of Sindh and had also provided bank guarantees amounting to Rs. 1,535,000 in this respect in favour of Nazir of High Court of Sindh. During the year, the matter was decided in favour of the Company by the High Court of Sindh, ordering the release of the aforementioned bank guarantees.

19.1.3 Following are the details of treasury bills pledged by the Company in favour of Engro Energy Limited (EEL):

- The Company has pledged Treasury Bills amounting to Rs. 2,700,000, against the Standby Letters of Credit (Equity SBLCs) provided by EEL, a subsidiary company, through National Bank of Pakistan amounting to US Dollars 12,598 (2018: US Dollars 12,598) and US Dollars 138 (2018: US Dollars 17,827) for its equity commitments related to the Sindh Engro Coal Mining Company Limited (SECMC), its associated company, and Engro Powergen Thar (Private) Limited (EPTL), its subsidiary company, in favour of the Intercreditor Agent (Habib Bank Limited) and the Project Companies (i.e. SECMC and EPTL). Equity SBLCs expire on earlier of (i) June 30, 2023; and (ii) fulfilment of sponsor obligations under Sponsor Support Agreements.

- The Company has pledged Treasury Bills amounting to Rs 4,250,000, against a Standby Letter of Credit (Put Option SBLC) provided by EEL, a subsidiary company, through Allied Bank Limited amounting to US Dollars 21,070 (2018: Dollars 21,070) in favour of the Put Option Fronting Bank (Habib Bank Limited). The Put Option SBLC has been furnished to meet sponsor obligations under Sponsor Support Agreement (Put Option SSA) and expires on earlier of (i) January 31, 2029; and (ii) fulfilment of sponsor obligations pursuant to Put Option SSA.

(Amounts in thousand)

19.1.4 Engro Elengy Terminal (Private) Limited has issued Corporate guarantees, Performance guarantees and SBLCs amounting to US Dollars 20,700 (2018: US Dollars 20,700) , US Dollars 10,000 (2018: US Dollars 10,000) and US Dollars 5,000 (2018: US Dollars 5,000) respectively. These guarantees have been secured by the Company by pledging Treasury Bills amounting to Rs. 5,650,000. During the year, Treasury Bills amounting to Rs. 1,970,000 were partially released against Corporate guarantees and were transferred to assets of Engro Elengy Terminal (Private) Limited.

19.1.5 The Company, as Sponsor Support, has permitted a bank to create ranking charge over receivables of the Company against the Stand By Letter of Credit (SBLC) facility amounting to US Dollars 4,673 and Rs. 411,949 granted to Engro Elengy Terminal (Private) Limited.

19.1.6 In the year 2017, FrieslandCampina Engro Pakistan Limited (previously Engro Foods Limited) (FCEPL), an associated company, received an order from the Competition Commission of Pakistan, imposing a penalty of Rs. 62,293 in respect of FCEPL's marketing activities relating to one of its products. FCEPL has filed an appeal against the aforementioned order. As per the terms of the Share Purchase Agreement with FrieslandCampina Pakistan Holding B.V. (FCP), the Company is required to reimburse 51% of the amount together with all reasonable cost and expenses to FCP in case any such penalty materializes. The Company, based on the opinion of the legal advisor, is confident of a favourable outcome of the appeal, and accordingly, no provision has been recognized in these financial statements in this respect.

19.1.7 During 2016, the Company entered into a Share Purchase Agreement (SPA) with FrieslandCampina Pakistan Holding B.V. (FCP) for the sale of 47.1% of the total issued shares of FrieslandCampina Engro Pakistan Limited (previously Engro Foods Limited) (FCEPL). In accordance with the terms of the SPA, the Company is required to pay to FCP, an amount equivalent to 47.1% of any tax liability (as defined in the SPA) together will all reasonable costs and expenses incurred, in case any tax contingency materializes. The Company, based on the opinion of FCEPL's tax and legal advisors, is confident of favourable outcomes in respect of various tax matters being contested by FCEPL, and accordingly no provision has been recognized in these financial statements in this respect.

19.1.8 Pursuant to the Finance Act, 2017 and the Finance Act, 2018, section 5A 'Tax on undistributed reserves' of the Income Tax Ordinance, 2001 was substituted by 'Tax on undistributed profits' whereby for tax year 2017 to 2019, a tax has been imposed at the rate of 5% of accounting profit-before-tax, on every public company, that derives profit for a tax year but does not distribute at least 20% of its after-tax-profits within six months of the end of the tax year, through cash.

The Company has obtained a stay on the levy of aforesaid tax from the Sindh High Court, based on the grounds that this tax is applicable on the accounting profit-before-tax, that does not represent real income which can be taxed under the law and that the requirement to distribute profits or pay tax, amounts to an interference in corporate actions and implies amendment to the relevant company laws, which give shareholders the discretion to approve dividends. Furthermore, it is the contention of the Company that such an amendment to company laws could not have been made through a money bill.

(Amounts in thousand)

The Company, based on the opinion of its legal advisor is confident that it has a reasonable case in favour of the Company.

For other tax related matters refer note 26.

19.2 Commitments

	2019 Rupees	2018
19.2.1 Commitments in respect of capital expenditure	405,491	230,687

20. DIVIDEND INCOME

	2019	2018
Subsidiary companies:		
- Engro Fertilizers Limited	10,518,369	8,264,433
- Engro Polymer and Chemicals Limited	459,660	706,835
- Elengy Terminal Pakistan Limited	700,256	-
Joint venture:		
- Engro Vopak Terminal Limited	1,305,000	1,170,000
Associated company:		
- FrieslandCampina Engro Pakistan Limited	-	122,430
	12,983,285	10,263,698

21. ROYALTY INCOME

The Company has granted Engro Fertilizers Limited, a subsidiary company, the right to use trade marks and copy rights of the Company for marketing of fertilizer products under a licensing agreement effective January 1, 2010.

22. ADMINISTRATIVE EXPENSES

	2019 Rupees	2018
Salaries, wages and staff welfare (notes 22.1 and 22.2)	1,079,933	556,738
Staff recruitment, training and safety	71,178	20,630
Purchased services	48,041	52,882
Repairs and maintenance	12,361	4,079
Advertising, promotion and corporate branding	562,461	152,017
Rent, rates and taxes	160,142	179,384
Communication, stationery and other office expenses	115,309	57,949
Travelling	72,920	34,330
Depreciation (note 5.1)	90,089	53,421
Depreciation on right-of-use assets (notes 6 and 22.3)	169,867	-
Amortization (note 7)	21,959	14,500
Directors' fee, remuneration and travelling	262,767	479,594
Other expenses	6,712	8,683
	2,673,739	1,614,207

22.1 Salaries, wages and other staff welfare is net-off recoveries from subsidiaries amounting to Rs. 703,465 (2018: Rs. 552,252) in accordance with the expense sharing agreements.

(Amounts in thousand)

22.2 Includes Rs.158,010 (2018: Rs. 93,346) in respect of staff retirement benefits.

22.3 Depreciation on right-of-use assets is net-off recoveries from subsidiaries amounting to Rs. 109,182 in respect of their share in rent of office premises.

23. OTHER INCOME

	2019 Rupees	2018
Financial assets		
Income on deposits / other financial assets (note 23.1)	7,607,516	4,489,499
Non financial assets		
Service charges (note 23.2)	14,855	12,413
Gain on disposal of property, plant and equipment (note 5.3)	20	174
Capital gain on disposal of investment in subsidiary company	-	3,849,369
Reversal of provision for WWF	-	204,229
Reversal of provision for doubtful receivables (note 12.4)	108,173	-
Others	8,734	41,519
	7,739,298	8,597,203

23.1 Includes Rs. 694,448 (2018: Rs. 356,984) in respect of profit earned on Term Finance Certificates and subordinated loans to subsidiary companies.

23.2 Represent service charges recovered against corporate guarantees extended by the Company on behalf of subsidiary company.

24. OTHER OPERATING EXPENSES

	2019 Rupees	2018
Auditors' remuneration (note 24.1)	15,433	3,373
Write-off of property, plant and equipment	179,697	-
Legal and professional charges	422,211	127,601
Donations (note 37)	35,400	80,250
Human resource development (note 24.3)	814,624	658,883
Research and business development	272,883	129,954
Charge against indemnity to subsidiary company	-	338,837
Provision for impairment on long term investments (note 8.1.3)	372,315	-
Others (note 24.2)	181,981	52,000
	2,294,544	1,390,898

24.1 Auditors' remuneration

	2019	2018
Fee for:		
- audit of annual financial statements	610	550
- review of half yearly financial statements	486	230
- review of statement of compliance with Code of Corporate Governance	50	45
Certifications and other advisory / assurance services	8,978	1,160
Taxation services	5,000	721
Reimbursement of expenses	309	667
	15,433	3,373

(Amounts in thousand)

24.2 Under the Share Purchase Agreement (SPA) with FrieslandCampina Pakistan Holding B.V. (FCP), the Company is required to pay FCP an amount equal to 51% of the sales tax receivable of FrieslandCampina Engro Pakistan Limited (FCEPL), an associated company, recognized in the financial years 2012 to 2016, if it is not recovered by FCEPL within six years after it is recognized. Accordingly, on prudence basis, the Company has recognized its liability under the SPA equivalent to 51% of the sales tax receivable pertaining to FCEPL being sales tax short recovered till December 31, 2019.

24.3 Represents professional consultancy charges incurred under an agreement, for the development of human resource strategies and the Engro Leadership Academy.

25. FINANCE COST

	2019	2018
	Rupees	
Interest / mark-up on borrowings - Shariah compliant mode	70,644	135,000
Interest expense on lease liability (note 25.1)	70,627	-
Amortization of transaction costs	1,836	3,323
Others	12,552	10,521
	155,659	148,844

25.1 Interest expense is net-off recoveries from subsidiaries amounting to Rs. 45,395 (2018: Nil) in respect of their share in rent of office premises.

26. TAXATION

	2019	2018
	Rupees	
Current		
- for the year:		
- current charge	2,475,542	3,119,580
- provision for super tax (note 26.1)	-	375,636
	2,475,542	3,495,216
- for prior years:		
- provision for super tax (note 26.1)	-	512,857
- others	-	(62,191)
	-	450,666
	2,475,542	3,945,882
Deferred	(10,339)	10,154
	2,465,203	3,956,036

26.1 Represents provision for ‘Super Tax for rehabilitation of temporarily displaced persons’, levied through Finance Act, 2018 retrospectively on the income for the financial year ended December 31, 2017 and 2018. The Company had challenged the levy in the High Court of Sindh and has been granted a stay in this respect. The Company, based on the opinion of its legal advisor, believes that there is a reasonable case in Company’s favour. However, based on prudence, the Company had made provision for Super Tax for the tax year 2018 and 2019. During the year, through Finance Supplementary Act, 2019, the levy of Super Tax has been abolished from financial year ended December 31, 2019 onwards for companies other than banking companies.

In addition, to above the company had also recognised provision for super tax relating to year ended December 31, 2014 to December 31, 2016 amounting to Rs. 2,354,637 (2018: Rs. 2,354,637).

(Amounts in thousand)

26.2 In 2016, an amendment was introduced in the Income Tax Ordinance 2001 (the Ordinance) via the Finance Act 2016 imposing tax on inter-corporate dividends which were previously exempt to companies designated as a Group under section 59B of the Ordinance. Subsequently, the exemption on inter-corporate dividend was restored through amendment in the Ordinance vide Tax Laws (Second Amendment) Ordinance, 2019. However, in respect of the dividends received before the said amendment, the Company had challenged the imposition of tax on inter-corporate dividends in the High Court of Sindh and has been granted a stay in this respect.

26.3 Following is the position of the Company’s open tax assessments:

26.3.1 In 2013, the income tax department, in respect of the tax year 2011, determined additional income tax liability of Rs. 218,790 and raised a demand of Rs. 139,575 whereby the Deputy Commissioner Inland Revenue (DCIR) - Audit disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. The Company filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals who maintained the apportionment of expenses against dividend income and capital gains but allowed the allocation of administrative expenses against interest income, thereby reducing the income tax liability to Rs. 184,191 and revised the demand to Rs. 104,976. The Company paid Rs. 53,250 there against and simultaneously filed an appeal against the CIR - Appeals decision with Appellate Tribunal Inland Revenue (ATIR) which granted a stay to the Company. During 2014, the ATIR issued an order whereby the aforementioned appeal was remanded back to the assessing officers for denovo proceedings, thereby accepting the Company’s contention. The income tax department, in response there against, had filed an appeal with ATIR, which was dismissed during 2016.

26.3.2 In 2014, the income tax department in respect of tax year 2012, amended the assessment and raised an additional demand of Rs. 250,773 on similar grounds as above. The Company filed an appeal against the said order with CIR - Appeals, who based on ATIR’s order for tax year 2011, has remanded back the order to assessing officers for denovo proceedings.

26.3.3 During 2015, in respect of pending tax assessments for tax year 2011 and tax year 2012, the Company received notices of demand amounting to Rs. 105,955 and Rs. 250,773, respectively, whereby the Deputy / Additional Commissioner Inland Revenue - Audit again disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. The Company filed appeals there against with the CIR - Appeals and also obtained stays from the High Court of Sindh from initiating any recovery proceedings in respect of both tax years. During 2016, in respect of tax year 2011 and tax year 2012, the CIR - Appeals accepted the Company’s plea and annulled the order passed by the DCIR. In response, the DCIR filed appeals before the ATIR for rectification of the orders passed by the CIR - Appeals for both tax years, which were subsequently dismissed. In 2017, the Company has reversed excess provision of Rs. 168,896 in respect of tax years 2011 and 2012 consequent to denovo proceedings after which the amended orders were passed in respect of the aforementioned tax years, wherein, the Commissioner has maintained the classification of income from interest on bank deposits and from subordinated loans as “income from other sources”. In response, the Company has filed an appeal challenging this contention and the Company is confident of favourable decision based on earlier ATIR judgment. During the year, the CIR - Appeals has passed the orders dated January 10, 2019 for both the years in relation to company’s appeal and has again remanded the matter to the assessing officer for denovo proceedings.

26.3.4 During 2017, the income tax department in respect of the tax year 2015, determined an additional income tax liability of Rs. 128,400, whereby, the Additional Commissioner Inland Revenue (ACIR) - Audit has levied tax on inter-corporate dividends, super tax including on exempt income, the effects of classification of ‘Interest Income’ as “Income from Business” as well as not allowing the adjustment of the minimum tax paid under section 113(1)(c) of the Ordinance.

During the year, the CIR(A) vide order dated May 6, 2019 has maintained the matter relating to taxation of intercorporate dividend, super tax under section 4B, the classification of the interest income and carry forward of minimum tax for adjustment whereas the rectificatory matters including the levy of super tax on exempt income was remanded back. The Company has preferred appeal before ATIR on all issues adjudicated against it. The Company, based on advice of its tax consultant, is confident that these matters will be decided in favour of the Company. However, on prudence, the Company has recorded provision against super tax.

(Amounts in thousand)

26.3.5 In 2017, the ACIR through order dated June 23,2017 amended the return for the tax year 2016 creating tax demand of Rs 1,484,903 mainly on account of tax levied on inter-corporate dividend, super tax including on exempt income and disallowance on account of allocation of expenses to dividend and capital gains including minimum tax paid under section 113 of the Ordinance. The CIR(A) while disposing off the Company's appeal maintained the order of ACIR with respect to certain issues which were further contested before the ATIR. During the year, the ATIR in its order dated July 31, 2019 has annulled the order of ACIR and validated the exemption on intercorporate dividend as well as the non-applicability of super tax on such exempt income whereas the issues relating to the levy of super tax under section 4B and the carry forward of minimum have been linked to the pending decisions of the Sindh High Court (where the matter is separately being contested by the company) and the carry forward under section 113(1)(c) has been linked to the decision of the Supreme Court in the case of another taxpayer.

Against the order dated June 23, 2017, the Company had filed an application for rectification. The ACIR through rectified order dated August 29, 2017 reduced the demand to Rs 1,084,733. Through the said order, the ACIR accepted the Company's contention relating to various matters except the issue of allocation of expenses to capital gains. The Company contested this matter in appeal before the CIR(A) who has maintained the order of ACIR through order dated December 18, 2018. During the year, the Company filed an appeal before the ATIR against the CIR(A) order.

26.4 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 tax	16,768,521	16,675,911
Tax calculated at the rate of 29% (2018: 29%)	4,862,871	4,836,014
Effect of Super tax of current year	-	375,636
Effect of applicability of different tax rate on:		
- Dividend	(2,541,048)	(1,436,918)
- Capital gain	111,718	(279,079)
Prior year tax charge	-	450,666
Others	31,662	9,717
Tax charge for the year	2,465,203	3,956,036

27. EARNINGS PER SHARE

As at December 31, 2019, there is no dilutive effect on the basic earnings per share of the Company. Earnings per share is based on following:

	2019	2018
	Rupees	
Profit for the year	14,303,318	12,719,875
	(Number of shares)	(Restated)
Weighted average number of ordinary shares (in thousand)	576,163	576,163
Earning per share - Basic and Diluted	24.83	22.08

(Amounts in thousand)

28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2019			2018		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	Rupees					
Managerial remuneration	95,771	-	1,052,126	86,672	-	867,880
Retirement benefits funds	-	-	99,037	-	-	71,327
Fees	-	86,907	-	-	80,893	-
Directors emoluments	-	-	-	-	310,500	-
Other benefits	26	-	8,897	70	-	9,601
Total	95,797	86,907	1,160,060	86,742	391,393	948,808
Number of persons including those who worked part of the year	1	9	133	1	12	103

28.1 The Company also provides certain household items for use of some employees and Chief Executive. Cars are also provided for use of certain employees and directors. In addition, certain directors of the Company are also entitled for travelling benefits in respect of which Rs. 139,697 (2018: Rs. 40,729) have been incurred.

28.2 Premium charged during the year in respect of directors indemnity insurance policy, purchased by the Company, amounts to Rs. 676 (2018: Rs. 570).

28.3 The above remuneration of executives is stated before accounting for the impact of recoveries from subsidiaries in accordance with the expense sharing agreements.

29. RETIREMENT BENEFITS

29.1 Defined benefit gratuity plan

The Company faces the following risks on account of its gratuity plan:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has 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 Special Savings Certificates, Regular Income Certificates, Defence Savings Certificates or Government Bonds. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

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

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

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

In addition to above, the gratuity plan exposes the Company to longevity risk i.e. the members survive longer than the expectation used in determining the obligation.

(Amounts in thousand)

29.2 Valuation results

The latest actuarial valuation of the defined benefit gratuity plan was carried out as at December 31, 2019, using the Projected Unit Credit Method. Details of the defined benefit plan are as follows:

29.2.1 Statement of financial position reconciliation

	Defined Benefit Gratuity Plan 2019	2018
	Rupees	
Present value of defined benefit obligation	58,898	73,787
Fair value of plan assets	(15,866)	(51,209)
Deficit	43,032	22,578
Payable to defined contribution fund	374	374
Net liability recognized in the statement of financial position	43,406	22,952

29.2.2 Movement in net liability recognized

	2019	2018
Net liability at beginning of the year	22,952	18,345
Charge for the year	5,784	4,516
Remeasurement loss recognized in Other comprehensive income	14,670	91
Net liability at end of the year	43,406	22,952

29.2.3 Movement in present value of defined benefit obligation

	2019	2018
As at beginning of the year	73,787	77,464
Current service cost	3,072	3,174
Interest cost	8,807	5,578
Remeasurement loss / (gain) recognized in Other comprehensive income	12,611	(1,404)
Benefits paid during the year	(39,379)	(11,025)
As at end of the year	58,898	73,787

29.2.4 Movement in fair value of plan assets

	2019	2018
As at beginning of the year	51,209	59,493
Expected return on plan assets	6,095	4,237
Benefits paid during the year	(39,379)	(11,026)
Remeasurement loss recognized in Other comprehensive income	(2,059)	(1,495)
As at end of the year	15,866	51,209

29.2.5 Charge for the year

	2019	2018
Current service cost	3,072	3,174
Net interest cost	2,712	1,342
	5,784	4,516

29.2.6 Actual return on plan assets

	2019	2018
29.2.6 Actual return on plan assets	4,061	3,085

(Amounts in thousand)

29.2.7 Principal actuarial assumptions used in the actuarial valuation

	Defined Benefit Gratuity Plan 2019	2018
	%	
Discount rate	11.25	12.75
Expected per annum rate of return on plan assets	11.25	12.75
Expected per annum rate of increase in future salaries	11.25	12.75

29.2.8 Plan assets comprise of the following

	2019		2018	
	Rupees	%	Rupees	%
Fixed income instruments	12,418	78	33,763	66
Equity instruments	3,520	22	15,902	31
Others (including cash)	(72)	0	1,544	3
	15,866	100	51,209	100

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

29.2.10 Historical information

	2019	2018	2017	2016	2015
	Rupees				
Present value of defined benefit obligation	(58,898)	(73,787)	(77,464)	(72,738)	(71,486)
Fair value of plan assets	15,866	51,209	59,493	72,781	54,889
Payable to Defined contribution gratuity fund	(374)	(374)	(374)	(374)	(374)
Deficit	(43,406)	(22,952)	(18,345)	(331)	(16,971)

29.2.11 Expected future cost for the year ending December 31, 2020 is Rs. 7,320.

29.2.12 Remeasurement recognized in Other Comprehensive Income

	Defined Benefit Gratuity Plan 2019	2018
	Rupees	
Loss / (Gain) from change in experience adjustments	12,611	(1,404)
Remeasurement of obligation	12,611	(1,404)
Actual return on plan assets	(4,061)	(3,085)
Expected return on plan assets	6,095	4,237
Difference in opening fair value of plan assets	25	343
Remeasurement of plan assets	2,059	1,495
	14,670	(91)
Tax impact at 29% (2018: 29%)	(4,254)	26
Remeasurement of retirement benefit obligation - net of tax	10,416	(65)

(Amounts in thousand)

29.2.13 Demographic assumptions

	Defined Benefit Gratuity Plan 2019	2018
	Rupees	
Mortality rate	SLIC (2001-05)-1	SLIC (2001-05)-1
Rate of employee turnover	Heavy	Heavy

29.2.14 Sensitivity analysis

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

	Increase in Assumption	Decrease in Assumption
	Rupees	
Discount rate	56,597	61,339
Long term salary increases	61,316	56,337

29.2.15 Maturity profile

Time in years (Rupees)	Defined Benefit Gratuity Plan
1	3,177
2	6,529
3	1,855
4	37,122
5-10	67,525
11-15	9,054
16-20	-
Weighted average duration (years)	3.9

29.3 Defined contribution plans

An amount of Rs. 111,766 (2018: Rs. 88,830) has been charged during the year in respect of defined contribution plans maintained by the Company.

30. CASH UTILIZED IN OPERATIONS

	2019	2018
	Rupees	
Profit before taxation	16,768,521	16,675,911
Adjustment for non-cash charges and other items:		
Depreciation (note 22)	90,089	53,421
Amortization (note 22)	21,959	14,500
Depreciation on right-of-use assets (note 22)	169,867	-
(Gain) / Loss on disposal of property, plant and equipment (note 23)	(20)	(174)
Write-off of property, plant and equipment (note 24)	179,697	-
Provision for retirement and other service benefits	106,159	107,468
Reversal of provision against WWF (note 23)	-	(204,229)
Income on deposits / other assets (note 23)	(7,607,516)	(4,543,431)
Capital gain on disposal of investments in subsidiaries (note 23)	-	(3,849,369)
Dividend income	(12,983,285)	(10,263,698)
Royalty income	(1,169,880)	(968,959)
Financial charges	155,659	148,844
Provision for impairment on long term investments (note 8.1.3)	372,315	-
Working capital changes (note 30.1)	452,575	108,601
	(3,443,860)	(2,721,115)

(Amounts in thousand)

30.1 Working capital changes

	2019	2018
	Rupees	
(Increase) / Decrease in current assets		
- Loans, advances, deposits and prepayments	(416,580)	(11,804)
- Other receivables (net)	210,586	(147,006)
	(205,994)	(158,810)
Increase in current liabilities		
- Trade and other payables including other service benefits (net)	658,569	267,411
	452,575	108,601

31. CASH AND CASH EQUIVALENTS

	2019	2018
Short term investments (note 13)	2,565,962	52,576,868
Cash and bank balances (note 14)	3,484,311	1,609,160
	6,050,273	54,186,028

32. FINANCIAL INSTRUMENTS BY CATEGORY

	2019	2018
	Rupees	
- Financial assets measured at amortized cost		
Long term loans	412,253	49,796
Loans and advances	4,018,670	43,792
Receivables	624,172	483,774
Short term investments	7,189,036	4,245,328
Cash and bank balances	3,484,311	1,609,160
	15,728,442	6,431,850
- Financial assets measured at fair value through other comprehensive income		
Treasury bills	22,609,639	52,896,953
Pakistan Investment Bonds	95,859	7,699,778
	22,705,498	60,596,731
- Financial assets measured at fair value through profit or loss		
Mutual fund units	27,372,021	-
Financial liabilities		
- Financial liabilities measured at amortized cost		
Lease liabilities	1,028,853	-
Trade and other payables	1,878,366	1,347,142
Accrued interest / mark-up	-	64,357
Borrowings	-	998,164
	2,907,219	2,409,663

(Amounts in thousand)

33. FINANCIAL RISK MANAGEMENT

33.1 Financial risk factors

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

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

a) Market risk

i) Currency risk

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

The Company has given guarantees in favour of its subsidiary companies amounting to US Dollars 10,000 (2018: US Dollars 177,078). The devaluation / revaluation of currency will only impact contingent liabilities and the impact on post tax profit for the year is Nil.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on balances maintained with banks and loans given to subsidiary companies.

As at December 31, 2019, if interest rate on bank accounts / loans given to subsidiary companies had been 1% higher / lower with other variables held constant, post tax profit for the year would have been higher / lower by Rs. 21,688.

As at December 31, 2019, if interest rate on Treasury Bills / Pakistan Investment Bonds had been 1% higher / lower with other variables held constant, post tax profit for the year would have been higher / lower by Rs. 394,341.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Company is exposed to price risk on its mutual fund investments.

b) Credit risk

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

Credit risk arises from deposits with banks and financial institutions, loans and advances, deposits, bank guarantees and other receivables. The credit risk on liquid funds and mutual fund securities is limited because counter parties are financial institutions with a reasonably high credit rating. The Company maintains an internal policy to place funds with commercial banks / mutual funds having a minimum short term credit rating of A1 / AM3. Investment in Treasury bills and Pakistan Investment Bonds is government guaranteed.

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:

(Amounts in thousand)

	2019	2018
	Rupees	
Long term loans	412,253	49,796
Loans and advances	4,018,670	43,792
Receivables	512,988	409,943
Short term investments	57,266,555	64,842,059
Bank balances	3,483,611	1,608,770
	65,694,077	66,954,360

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

Bank	Rating agency	Rating	
		Long Term	Short Term
Allied Bank Limited	PACRA	AAA	A1+
Askari Bank Limited	JCR-VIS	AA+	A-1+
Bank Al-Falah Limited	PACRA	AA+	A1+
Bank Al-Habib Limited	PACRA	AA+	A1+
Faysal Bank Limited	JCR-VIS	AA	A-1+
Habib Bank Limited	JCR-VIS	AAA	A-1+
Habib Metropolitan Bank Limited	PACRA	AA+	A1+
JS Bank Limited	PACRA	AA-	A1+
MCB Bank Limited	PACRA	AAA	A1+
Meezan Bank Limited	JCR-VIS	AA +	A-1+
National Bank of Pakistan Limited	JCR-VIS	AAA	A-1+
Soneri Bank Limited	PACRA	AA-	A1+
Standard Chartered Bank (Pakistan) Limited	PACRA	AAA	A1+
United Bank Limited	JCR-VIS	AAA	A-1+
Citi Bank N.A	Moody	Aa3	P-1

c) Liquidity risk

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

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

These objectives are achieved by maintaining sufficient cash and marketable securities.

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

(Amounts in thousand)

	2019			2018		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	Rupees					
Financial liabilities						
Lease Liabilities	275,227	753,626	1,028,853	-	-	-
Trade and other payables	1,878,366	-	1,878,366	1,347,142	-	1,347,142
Accrued interest / mark-up	-	-	-	64,357	-	64,357
Borrowings	-	-	-	998,164	-	998,164
	2,153,593	753,626	2,907,219	2,409,663	-	2,409,663

33.2 Capital risk management

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

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

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

	2019	2018
	Rupees	
The proportion of borrowings to equity at the year end was:		
Total Borrowings	1,028,853	998,164
Total Equity	85,096,741	85,103,164
	86,125,594	86,101,328
Gearing ratio	1.19%	1.16%

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.

33.3 Fair value estimation

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level1);

(Amounts in thousand)

- 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).

	Level 1	Level 2	Level 3	Total
	Rupees			
As at December 31, 2019				
Fair value through other comprehensive income				
- Treasury Bills	-	22,609,639	-	22,609,639
- Pakistan Investment Bonds (PIBs)	-	95,859	-	95,859
	-	22,705,498	-	22,705,498
Fair value through profit or loss				
- Mutual fund units	-	27,372,021	-	27,372,021
As at December 31, 2018				
Fair value through profit or loss				
- Treasury Bills	-	52,544,368	-	52,544,368
- Pakistan Investment Bonds (PIBs)	-	7,699,778	-	7,699,778
	-	60,244,146	-	60,244,146

Level 2 fair values have been determined on the basis of PKRV rates and closing Net Asset Values for government securities and Mutual Fund Units respectively.

There were no transfers amongst the levels during the year. Further, there were no changes in the valuation techniques during the year.

34. CONTRIBUTORY RETIREMENT FUNDS

The investments out of the contributory retirement funds have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the conditions specified there under.

35. NUMBER OF EMPLOYEES

	Number of employees as at		Average number of employees	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Management employees	224	129	177	125

(Amounts in thousand)

36. RELATED PARTIES

36.1 Following are the details of associated, undertakings and other related parties with whom the Company has arrangement / agreement or have during the year:

S.No	Name of Related Party	Direct Shareholding %	Relationship
1	Dawood Hercules Corporation Limited	37.22%	Holding Company
2	Engro Eximp Agriproducts (Private) Limited	100.00%	Subsidiary
3	Engro Energy Limited	100.00%	Subsidiary
4	Engro Infiniti (Private) Limited	100.00%	Subsidiary
5	Engro Fertilizers Limited	56.27%	Subsidiary
6	Engro Polymer and Chemicals Limited	56.19%	Subsidiary
7	Elengy Terminal Pakistan Limited	56.00%	Subsidiary
8	Engro Eximp FZE	100.00%	Subsidiary
9	Engro Digital Limited	N/A	Indirect subsidiary
10	Engro Elengy Terminal (Private) Limited	N/A	Indirect subsidiary
11	Engro Power Investments International B.V - Netherlands	N/A	Indirect subsidiary
12	Engro Powergen Qadirpur Limited	N/A	Indirect subsidiary
13	Engro Powergen Thar (Private) Limited	N/A	Indirect subsidiary
14	Engro Vopak Terminal Limited	50.00%	Joint Venture
15	Friesland Campina Engro Pakistan Limited (previously Engro Food Limited)	39.90%	Associated Company
16	Engro Foundation	N/A	Associated Entity
17	Sindh Engro Coal Mining Company Limited	N/A	Associated Company
18	Mr. Ghias Khan	N/A	Key Management Personnel/Director
19	Mr. Hasnain Moochhala	N/A	Key Management Personnel
20	Mr. Faiz Chapra	N/A	Key Management Personnel
21	Mr. Hussain Dawood	0.69%	Director
22	Mrs. Kulsum Dawood	0.52%	Spouse of Director
23	Mr. Mohammad Abdul Aleem	N/A	Director
24	Mrs. Humera Aleem	N/A	Spouse of Director
25	Mr. Abdul Samad Dawood	N/A	Director
26	Mrs. Ayesha Dawood	N/A	Spouse of Director
27	Mr. Shahzada Dawood	0.43%	Director
28	Mr. Khawaja Iqbal Hassan	N/A	Director
29	Mr. Waqar Ahmed Malik	N/A	Director
30	Ms. Henna Inam	N/A	Director
31	Mr. Rizwan Diwan	N/A	Director
32	Mr. Raihan Merchant	N/A	Director
33	Dawood Industries (Private) Limited	N/A	Common Directorship
34	Patek (Private) Limited	6.24%	Common Directorship
35	Overseas Investors Chamber of Commerce and Industry	N/A	Common Directorship
36	Inbox Business Technologies Private Limited	N/A	Common Directorship
37	Karachi School for Business & Leadership	N/A	Common Directorship
38	The Dawood Foundation	N/A	Common Directorship
39	The Pakistan Business Council	N/A	Common Directorship
40	Meezan Bank Limited	N/A	Common Directorship
41	Dawood Corporation (Private) Limited	0.60%	Common Directorship
42	Engro Corporation Provident Fund	N/A	Post Employement Benefits
43	Engro Corporation Limited DC Gratuity Fund	N/A	Post Employement Benefits
44	Engro Corporation Limited DC Pension Fund	N/A	Post Employement Benefits
45	Engro Corporation Limited DB Gratuity Fund	N/A	Post Employement Benefits

(Amounts in thousand)

36.2 Transactions with related parties

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	5,322,751	4,094,424
Bonus share issued	194,973	-
Reimbursements	138,422	12,214
Subsidiary companies		
Purchases and services	1,323,017	1,068,787
Mark-up from subsidiaries	329,252	17,334
Disbursement of loan to subsidiaries	3,834,676	-
Repayment of loan by subsidiaries	-	896,542
Dividend received	11,678,285	8,971,267
Unwinding of discount on TFCs	369,442	339,650
Royalty income	1,169,880	968,959
Reimbursements	546,099	772,480
Investments made	2,157,105	3,480,310
Associated companies		
Purchases and services	337,075	428,243
Dividend received	-	122,430
Donations	35,400	30,000
Interest on deposit	-	18
Reimbursements	20,996	53,845
Dividend paid	987,826	759,137
Bonus share issued	36,132	-
Joint venture		
Services rendered	68,832	51,905
Dividend received	1,305,000	1,170,000
Reimbursements	6,003	13,778
Mark-up on loan	153	-
Disbursement of loan	200,000	-
Others		
Remuneration of key management personnel	520,839	338,281
Reimbursements to key management personnel	35,835	20,871
Profit on Engro Islamic Rupiya Certificate	19,504	18,118
Dividend paid	264,262	178,991
Contribution to staff retirement benefit funds	113,545	82,650
Bonus share issued	6,076	-
Directors' Fee	86,907	80,893
Directors' Emoluments	-	310,500

(Amounts in thousand)

36.3 Details of subsidiary companies incorporated outside Pakistan with whom the Company had transaction or arrangements in place are as follows:

	Engro Power International Holding B.V. (EPIH)	Engro Eximp FZE (EEF)
Registered address	Blaak 40, 3011 TA Rotterdam, Netherlands	BCW JAFZA 18 & 19, Office No 110, UAE
Country of incorporation	Netherlands	UAE
Chief Executive Officer	Robert - Jan - Vgrut	Nadir Salar Qureshi
Percentage of holding of the Company	100% (indirect)	100% (Direct)

37. DONATIONS

37.1 Donations include the following in which directors are interested:

Name of Director	Interest in Donee	Name of Donee	2019	2018
			Rupees	
Ghias Khan	Chairman, Board of Trustees	Engro Foundation	35,400	30,000

37.2 The name of donees to whom donation amount exceeds Rs. 500 are:

Name of Donees	2019	2018
Supreme Court of Pakistan Diamer Basha Dam Fund	-	50,000
Engro Foundation	35,400	30,000
	35,400	80,000

38. NON-ADJUSTING EVENT AFTER REPORTING DATE

38.1 The Board of Directors of Engro Polymer & Chemicals Limited, a subsidiary company, in its meeting held on February 4, 2020 has proposed a final cash dividend of Rs. 0.2 per share for the year ended December 31, 2019, amounting to Rs. 181,785 of which the proportionate share of the Company amounts to Rs. 102,147.

38.2 The Board of Directors of Engro Vopak Terminal Limited, a joint venture company, in its meeting held on January 31, 2020 has proposed a final cash dividend of Rs. 6 per share for the year ended December 31, 2019, amounting to Rs. 540,000 of which the proportionate share of the Company amounts to Rs. 270,000.

(Amounts in thousand)

38.3 The Board of Directors of Engro Fertilizers Limited, a subsidiary company, in its meeting held on February 7, 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 of which the proportionate share of the Company amounts to Rs. 1,502,624.

These financial statements do not include the effects of the aforementioned dividend income, which will be accounted for in the financial statements for the year ending December 31, 2020 once the proposed dividends are approved in the Annual General Meetings of respective companies.

38.4 The Board of Directors of the Company in its meeting held on February 21, 2020 has proposed a final cash dividend of Rs.1 per share for the year ended December 31, 2019 amounting to Rs. 576,163 for approval of the members at the Annual General Meeting to be held on April 7, 2020.

These financial statements do not include the effect of the proposed dividends , which will be accounted for in the financial statements for the year ending December 31, 2020.

39. CORRESPONDING FIGURES

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

40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 21, 2020 by the Board of Directors of the Company.

Abdul Samad Dawood	Hasnain Moochhala	Ghias Khan
Vice Chairman	Chief Financial Officer	President and Chief Executive

consolidated financial statements

- Auditor's Report to the Members
- Consolidated Financials

independent auditor's report

To the members of Engro Corporation Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Engro Corporation Limited and its subsidiaries (the Group), which comprise 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 and 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 notes 30.2.1, 30.2.3, 30.2.7, 30.3.5 to 30.3.7, 39.1 and 39.2 to the consolidated financial statements) Engro Corporation Limited and its subsidiary company Engro Fertilizers Limited (EFert) have 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 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 these Companies 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 relating to these companies as a key audit matter.	Our audit procedures included the following: - obtaining and reviewing details of the pending tax matters and discussing the same with the management; - circularizing confirmations to the external advisors for their views on matters being handled by them; - involving internal tax professionals to assist us in assessing management's conclusions on contingent tax matters and evaluating the consistency of such conclusions with the views of management and external advisors engaged by these companies; - reviewing correspondence of these companies with the relevant tax 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; - checking mathematical accuracy of the calculations underlying the provisions, if any; and - assessing whether the disclosures made in the consolidated financial statements adequately discloses the matters in accordance with the applicable accounting and reporting standards.

S.No.	Key audit matters	How the matter was addressed in our audit
2.	**Provision in respect of Gas Infrastructure Development Cess** (Refer note 26.1 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) relating to EFert. EFert 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 EFert has filed a petition in the Supreme Court of Pakistan, which is pending to date along with petitions of various other companies raised on the grounds similar to those being contested by EFert. EFert's 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. We have therefore considered this to be a key audit matter.	Our audit procedures included the following: - obtaining an understanding of the background facts pertaining to provision recorded in respect of GIDC through meetings with the management and reviewing of the minutes of the meetings of those charged with governance; - reading correspondence of EFert with the regulatory authorities and EFert's external legal counsel; - obtaining 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 - assessing the adequacy of provisioning and the appropriateness of related disclosures made in the consolidated financial statements in accordance with the accounting and reporting standards.
3.	**Receivables from National Transmission and Despatch Company (NTDC)** (Refer notes 14.1 and 16.3 to the consolidated financial statements) Engro Powergen Qadirpur Limited (EPQL) has following balances receivable from National Transmission and Despatch Company (NTDC) as at December 31, 2019: • Trade debts amounting to Rs. 9,807 million which include overdue debts of Rs. 7,698 million; and • Delayed payment charges amounting to Rs. 2,485 million which include overdue receivables of Rs. 1,463 million. In view of the significant delay in settlement, materiality of the amount involved and consequential impact of the delay in settlement on liquidity and operations of EPQL, we have considered this to be an area of higher risk and a Key Audit Matter.	Our audit procedures included the following: - assessing whether revenue and related receivables have been recognized in accordance with the applicable accounting policies; - testing whether invoices raised by EPQL during the year were in accordance with the requirements of the Power Purchase Agreement (PPA); - circularizing confirmation of receivables from the Central Power Purchasing Agency (CPPA-G); - making inquiries from the management and reading minutes of the meetings of the Board of Directors and Board Audit Committee to ascertain actions been taken by them for the recoverability of these amounts;

S.No.	Key audit matters	How the matter was addressed in our audit
		- reviewing Implementation Agreement and assessing whether receivables are secured against guarantee from the Government of Pakistan and whether any impairment is required to be recognized there against; - assessing the availability of finance with the Company to fund its business operations through committed credit lines obtained from various financial institutions; and - assessing adequacy of the related disclosures in the consolidated financial statements in accordance with the applicable accounting and reporting standards.
4.	**Capitalisation of items in property, plant and equipment and capital work-in-progress** (Refer notes 4 and 48.2 to the consolidated financial statements) During the year ended December 31, 2019, the Group's Polymer and Power and Mining segments have incurred a significant amount of capital expenditure in respect of its various expansion projects in order to enhance the efficiency and production capacity. The incurrence of capital expenditure involves the assessment of appropriateness of costs capitalised in this respect, the determination of costs that meet the criteria for capitalisation under the accounting and reporting standards and the determination of dates on which capital work-in-progress is transferred to operating fixed assets and the respective dates from which their depreciation should commence. As the capital expenditure incurred during the year constitutes a significant amount and involves significant judgemental areas such as the capitalization of elements of eligible cost components as per applicable accounting and reporting standards, we have considered this a key audit matter.	Our audit procedures amongst others, included the following: - obtaining an understanding of the Group's process with respect to capital expenditure incurred and testing controls relevant to such process; - testing the cost capitalized with the relevant underlying documentation; - testing, on a sample basis, the date of transferring capital work-in-progress to operating fixed assets by examining the completion certificates and/or project progress reports; - assessing whether the nature of capitalized costs is in accordance with the recognition criteria set out in IAS 16; - assessing the useful lives assigned by the management and tested the calculation of related depreciation; - testing the existence of capitalized assets through physical verification on a sample basis; and - assessing the adequacy of the related disclosures made in the consolidated financial statements in accordance with the applicable accounting and reporting standards.
5.	**Long-term financing arrangements** (Refer notes 23, 23.2.3, 23.2.4, 23.3.1 and 23.4.2 to the consolidated financial statements) During the year ended December 31, 2019, the Group's Polymer segment has reprofiled its debt structure through the issuance of sukuk bonds to various institutional investors and has also entered into agreements with various other local and foreign lenders to finance its capital projects and other operations.	Our audit procedures included the following: - obtaining and reviewing financing arrangements that the Polymer segment had in place during the year; - testing the drawdowns and repayments of loans as per the contractual terms of the agreements;
	These loan agreements are complex in nature and involve the use of significant judgments in determination of appropriate treatment in the consolidated financial statements in line with the applicable accounting and reporting standards. Due to the significance of the amounts involved and the significant judgements exercised by the management in arriving at appropriate conclusions on accounting treatment with respect to complex terms of the agreement, we have considered this to be a key audit matter.	- testing the Polymer segment's status of compliance with the covenants contained in the financing agreements and ensuring that appropriate waivers had been obtained for any actual breaches; - recomputing borrowing costs incurred during the year as per the terms contained in the respective agreements with lenders and assessing whether these were eligible for capitalization; - obtaining legal opinion from lawyer on terms of the agreements which involved significant management's judgements; - circulating requests to lenders for confirmation of terms of the outstanding agreement including but not limited to applicable mark-up rates, repayment terms, amounts outstanding under the facilities and any breaches of covenants; and - assessing the adequacy of the related disclosures made in the consolidated financial statements, in accordance with the applicable accounting and reporting standards.
6.	**Application of IFRS 16** Refer notes 2.1.4(iii) to the consolidated financial statements. The Group has adopted IFRS 16 "Leases" with effect from January 1, 2019. IFRS 16 introduces a single on balance sheet lease accounting model for leases entered into by lessees. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. On adoption of IFRS 16, the Group has changed its accounting policy for operating leases which are now recognized on the statement of financial position. The Group has accordingly recognized right-of-use assets, net investment in lease and lease liability amounting to Rs. 4,067.98 million, 45,002.47 million and Rs. 51,771.53 million respectively as at January 1, 2019. The comparative figures for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions of the standard. The adoption of IFRS 16 involves estimation and judgement. Because of the significance of the impact of these judgements / estimates, we considered this a key audit matter.	Our audit procedures included the following: - obtaining an understanding of the management's process for identification of agreements which contain leasing arrangements; - evaluating the selection of accounting policies and methodology followed by the management for determination and measurement of right-of-use assets, corresponding lease liabilities and other related impacts; - on a sample basis, testing the underlying data used by the management from the lease contracts for determination of the right-of-use assets and corresponding lease liabilities. Further, performed re-computations on a test basis to assess the accuracy of computations performed by the management; and - assessing whether the presentation and disclosures relating to the adoption of IFRS 16 in the consolidated financial statements are in compliance with the applicable financial reporting framework.

Information Other than the Unconsolidated and Consolidated 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 unconsolidated and consolidated financial statements and our auditor's report 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 accounting and reporting standards as applicable in Pakistan and 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.

The Board of Directors is 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.

- 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 with 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 Salman Hussain.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Date: March 16, 2020

consolidated statement of financial position as at december 31, 2019

(Amounts in thousand)	Note	2019 Rupees	2018 Rupees
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	253,374,314	204,408,878
Right-of-use asset	5	4,851,221	-
Intangible assets	6	960,866	317,539
Long term investments	7	29,963,000	31,590,380
Deferred taxation	8	228,024	384,612
Financial asset at amortized cost	9	5,921,150	-
Net investment in lease	10	45,563,942	-
Long term loans, advances and other receivables	11	3,305,027	4,092,566
		344,167,544	240,793,975
Current Assets			
Stores, spares and loose tools	12	7,637,331	7,687,869
Stock-in-trade	13	19,913,340	17,228,278
Trade debts	14	51,816,893	18,629,468
Loans, advances, deposits and prepayments	15	4,868,381	3,170,670
Other receivables	16	17,277,678	11,447,568
Accrued income		484,224	524,809
Contract asset	17	5,313,283	-
Current portion of net investment in lease	10	2,543,927	-
Short term investments	18	74,004,144	81,791,320
Cash and bank balances	19	20,892,734	11,880,811
		204,751,935	152,360,793
Assets classified as held for sale	20	1,325,595	-
TOTAL ASSETS		550,245,074	393,154,768

(Amounts in thousand)	Note	2019 Rupees	2018 Rupees
EQUITY & LIABILITIES			
Equity			
Share capital	21	5,761,632	5,237,848
Share premium		13,068,232	13,068,232
Revaluation reserve on business combination		12,880	23,082
Maintenance reserve	22	156,301	156,301
Exchange revaluation reserve		608,100	395,605
Hedging reserve		(24,969)	(24,969)
General reserve		4,429,240	4,429,240
Unappropriated profit		113,728,540	113,100,747
Remeasurement of post-employment benefits		(94,020)	(71,092)
		131,884,304	131,077,146
		137,645,936	136,314,994
Non-Controlling Interest		57,603,440	49,272,245
Total Equity		195,249,376	185,587,239
Liabilities			
Non-current liabilities			
Borrowings	23	138,600,017	121,110,471
Deferred taxation	8	13,399,390	8,428,363
Lease liability	24	50,941,216	-
Deferred liabilities	25	2,339,209	259,786
		205,279,832	129,798,620
Current Liabilities			
Trade and other payables	26	102,806,720	50,371,278
Accrued interest / mark-up	27	3,315,762	2,242,686
Current portion of:			
- borrowings	23	19,856,424	10,315,924
- current maturity of lease liability	24	4,406,997	-
- deferred liabilities	25	430,358	113,852
Taxes payable		2,831,004	7,642,916
Short term borrowings	28	15,511,348	6,641,207
Derivative financial instruments		154	-
Dividend payable		151,125	25,683
Unclaimed dividends	29	405,974	415,363
		149,715,866	77,768,909
Total Liabilities		354,995,698	207,567,529
Contingencies and Commitments	30		
TOTAL EQUITY & LIABILITIES		550,245,074	393,154,768

The annexed notes from 1 to 58 form an integral part of these consolidated financial statements.

Abdul Samad Dawood	Hasnain Moochhala	Ghias Khan
Vice Chairman	Chief Financial Officer	President and Chief Executive

consolidated statement of profit or loss for the year ended december 31, 2019

(Amounts in thousand except for earnings per share)	Note	2019 Rupees	2018 Rupees
Revenue	31	225,919,576	171,568,238
Cost of revenue	32	(157,233,488)	(120,459,766)
Gross profit		68,686,088	51,108,472
Selling and distribution expenses	33	(8,103,286)	(8,488,256)
Administrative expenses	34	(6,156,325)	(4,497,302)
Other income	35	13,663,434	9,147,368
Other operating expenses	36	(8,477,620)	(5,518,656)
Operating profit		59,612,291	41,751,626
Finance cost	37	(14,750,272)	(5,453,221)
Share of income from joint venture and associates	38	1,147,999	128,647
Profit before taxation		46,010,018	36,427,052
Taxation	39	(15,721,927)	(12,795,319)
Profit for the year		30,288,091	23,631,733
Profit attributable to:			
- Owners of the Holding Company		16,532,846	12,707,526
- Non Controlling Interest		13,755,245	10,924,207
		30,288,091	23,631,733
		Rupees	(Restated)
Earnings per share - basic and diluted	40	28.69	22.06

The annexed notes from 1 to 58 form an integral part of these consolidated financial statements.

Abdul Samad Dawood
Vice Chairman

Hasnain Moochhala
Chief Financial Officer

Ghias Khan
President and Chief Executive

consolidated statement of comprehensive income for the year ended december 31, 2019

(Amounts in thousand)	Note	2019 Rupees	2018 Rupees
Profit for the year		30,288,091	23,631,733
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Hedging reserve - cash flow hedges			
Profit arising during the year		-	63,028
Less: Reclassification adjustments for loss / (profit) included in statement of profit or loss		-	(874)
		-	62,154
Revaluation reserve on business combination		(21,004)	(21,004)
Exchange differences on translation of foreign operations		212,495	456,596
		191,491	497,746
Less: Income tax relating to:			
Revaluation reserve on business combination		6,721	6,721
Items that will not be reclassified to profit or loss			
- Remeasurement of post employment benefits obligation - Actuarial (loss) / gain		(27,190)	2,582
Less: Income tax relating to remeasurement of post employment benefits obligation		3,990	(749)
		(23,200)	1,833
Other comprehensive income for the year, net of tax		175,012	506,300
Total comprehensive income for the year		30,463,103	24,138,033
Total comprehensive income attributable to:			
- Owners of the Holding Company		16,712,211	13,056,362
- Non Controlling Interest		13,750,892	11,081,671
		30,463,103	24,138,033

The annexed notes from 1 to 58 form an integral part of these consolidated financial statements.

Abdul Samad Dawood
Vice Chairman

Hasnain Moochhala
Chief Financial Officer

Ghias Khan
President and Chief Executive

consolidated statement of changes in equity for the year ended december 31, 2019

(Amounts in thousand)

Attributable to owners of the Holding Company — Reserves — Capital reserves / Revenue reserves

	Share capital	Share premium	Revaluation reserve on business combination	Maintenance reserve (note 22)	Exchange revaluation reserve	Hedging reserve	General reserve	Unappropriated Profit	Remeasurement of post employment benefits - Actuarial (loss) / income	Sub Total	Non Controlling Interest	Total
	Rupees											
Balance as at January 1, 2018	5,237,848	13,068,232	33,284	156,301	82,112	(68,921)	4,429,240	108,586,694	(69,056)	131,455,734	39,618,743	171,074,477
Total comprehensive income for the year ended December 31, 2018												
Profit for the year	-	-	-	-	-	-	-	12,707,526	-	12,707,526	10,924,207	23,631,733
Other comprehensive income	-	-	(10,202)	-	313,493	43,952	-	(928)	2,521	348,836	157,464	506,300
	-	-	(10,202)	-	313,493	43,952	-	12,706,598	2,521	13,056,362	11,081,671	24,138,033
Transactions with owners												
Issuance of rights shares of subsidairy company	-	-	-	-	-	-	-	-	-	-	2,331,153	2,331,153
Share issuance cost	-	-	-	-	-	-	-	(13,174)	-	(13,174)	-	(13,174)
Advance against issue of share capital	-	-	-	-	-	-	-	-	-	-	1,997,646	1,997,646
Reclassification of acturial gain on withdrawal of gratuity scheme	-	-	-	-	-	-	-	4,557	-	(4,557)	-	-
Disposal of subsidiary company	-	-	-		-	-	-	2,815,554	-	2,815,554	1,520,229	4,335,783
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	(7,277,197)	(7,277,197)
Final cash dividend for the year ended December 31, 2017 @ Rs. 2.00 per share	-	-	-	-	-	-	-	(1,047,570)	-	(1,047,570)	-	(1,047,570)
1st Interim cash dividend @ Rs.5.00 per share for the year ended December 31, 2018	-	-	-	-	-	-	-	(2,618,924)	-	(2,618,924)	-	(2,618,924)
2nd Interim cash dividend @ Rs.7.00 per share for the year ended December 31, 2018	-	-	-	-	-	-	-	(3,666,494)	-	(3,666,494)	-	(3,666,494)
3rd Interim cash dividend @ Rs.7.00 per share for the year ended December 31, 2018	-	-	-	-	-	-	-	(3,666,494)	-	(3,666,494)	-	(3,666,494)
	-	-	-	-	-	-	-	(8,192,545)	(4,557)	(8,197,102)	(1,428,169)	(9,625,271)
Balance as at December 31, 2018	5,237,848	13,068,232	23,082	156,301	395,605	(24,969)	4,429,240	113,100,747	(71,092)	136,314,994	49,272,245	185,587,239
Total comprehensive income for the year ended December 31, 2019												
Profit for the year	-	-	-	-	-	-	-	16,532,846	-	16,532,846	13,755,245	30,288,091
Other comprehensive income	-	-	(10,202)	-	212,495	-	-	-	(22,928)	179,365	(4,353)	175,012
	-	-	(10,202)	-	212,495	-	-	16,532,846	(22,928)	16,712,211	13,750,892	30,463,103
Transactions with owners												
Effect of change in accounting policy - net of deferred tax	-	-	-	-	-		-	(1,066,505)	-	(1,066,505)	(831,528)	(1,898,033)
Shares issued during the period - net of transaction cost	-	-	-	-	-	-	-	(15,437)	-	(15,437)	2,542,495	2,527,058
Preference shares issued during the period - net of transaction cost	-	-	-	-	-	-	-	-	-	-	2,256,015	2,256,015
Bonus shares issued during the period in the ratio of 1 share for every 10 shares held	523,784	-	-	-	-	-	-	(523,784)	-	-	-	-
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	(9,386,679)	(9,386,679)
Final cash dividend for the year ended December 31, 2018 @ Rs. 2.00 per share	-	-	-	-	-	-	-	(1,047,570)	-	(1,047,570)	-	(1,047,570)
First Interim cash dividend for the year ended December 31, 2019 @ Rs. 7.00 per share	-	-	-	-	-	-	-	(4,033,143)	-	(4,033,143)	-	(4,033,143)
Second Interim cash dividend for the year ended December 31, 2019 @ Rs. 8.00 per share	-	-	-	-	-	-	-	(4,609,307)	-	(4,609,307)	-	(4,609,307)
Third Interim cash dividend for the year ended December 31, 2019 @ Rs. 8.00 per share	-	-	-	-	-	-	-	(4,609,307)	-	(4,609,307)	-	(4,609,307)
	523,784	-	-	-	-	-	-	(15,905,053)	-	(15,381,269)	(5,419,697)	(20,800,966)
Balance as at December 31, 2019	5,761,632	13,068,232	12,880	156,301	608,100	(24,969)	4,429,240	113,728,540	(94,020)	137,645,936	57,603,440	195,249,376

The annexed notes from 1 to 58 form an integral part of these consolidated financial statements.

Abdul Samad Dawood	Hasnain Moochhala	Ghias Khan
Vice Chairman	Chief Financial Officer	President and Chief Executive

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	43	62,471,638	47,679,811
Retirement and other service benefits paid		(227,600)	(259,468)
Proceeds from net investment in lease		1,721,772	-
Finance income received on net investment in lease		5,290,427	-
Deferred income		888,732	-
Financial charges paid		(16,586,684)	(8,588,225)
Taxes paid		(15,012,981)	(9,793,153)
Long term loans and advances - net		68,996	(99,207)
Net cash generated from operating activities		38,614,300	28,939,758
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant & equipment and intangible assets		(46,975,130)	(36,579,545)
Sale proceeds on disposal of property, plant & equipment		94,238	40,830
Investment in associated companies		(788,726)	(226,640)
Investments made during the year - net		(43,177,429)	15,027,077
Income on deposits / other financial assets		9,874,606	9,271,865
Deposit in respect of bank guarantees		(418,470)	(1,223,401)
Dividends received		1,305,000	1,292,430
Net cash utilized in investing activities		(80,085,911)	(12,397,384)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds / Repayments of borrowings - net		21,951,625	28,740,361
Subordinated Loan to Joint Venture Company		(200,000)	-
Issuance of right shares to Non-controlling interest, net of share issuance cost		4,783,073	4,315,625
Finance cost paid on lease liability		(3,847,684)	-
Rentals paid during the year		(3,675,098)	-
Repayments of short term finance		(1,000,000)	-
Dividends paid		(23,615,075)	(18,843,057)
Net cash generated from financing activities		(5,603,159)	14,212,929
Net (decrease) / increase in cash and cash equivalents		(47,074,770)	30,755,303
Cash and cash equivalents at beginning of the year		70,322,896	38,852,051
Effects of exchange rate changes on cash and cash equivalents		935,765	715,542
Cash and cash equivalents at end of the year	44	24,183,891	70,322,896

The annexed notes from 1 to 58 form an integral part of these consolidated financial statements.

Abdul Samad Dawood	Hasnain Moochhala	Ghias Khan
Vice Chairman	Chief Financial Officer	President and Chief Executive

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

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

The business units of the Holding Company and its subsidiaries include the following:

Business Unit	Geographical Location
Head / Registered offices	
- The Holding Company	7th and 8th Floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme No. 5, Clifton, Karachi
- Engro Fertilizers Limited	7th and 8th Floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme No. 5, Clifton, Karachi
- Engro Polymer and Chemicals Limited	12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi
- Elengy Terminal Pakistan Limited	4th Floor, Corporate Offices Block, Dolmen City, Plot Number HC-3, Block 4, Clifton, Karachi
- Engro Energy Limited	16th Floor, Harbour Front Building, Plot Number HC-3, Block 4, Scheme No. 5, Clifton, Karachi
- Engro Eximp Agriproducts (Private) Limited	8th Floor, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme No. 5, Clifton, Karachi.
- Engro Eximp FZE	BCW JAFZA 18 & 19, Office No 110 Dubai, United Arab Emirates
- Engro Infiniti (Private) Limited	8th Floor, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme No. 5, Clifton, Karachi
Regional offices	
- The Holding Company	22 Floor, Ufone Tower Jinnah Avenue, Blue Area, Islamabad
- Engro Polymer and Chemicals Limited	1st Floor, 38 Z Block, Commercial Area, Phase III, DHA, Lahore
Manufacturing plants	
- Engro Fertilizers Limited	- District Ghotki, Sindh. - EZ/ 1 / P – 1 – II Eastern Zone, Port Qasim, Karachi.
- Engro Polymer and Chemicals Limited	EZ/I/P-II-I Eastern Zone, Port Bin Qasim Industrial Area, Karachi, Pakistan
- Engro Eximp Agriproducts (Private) Limited	13-Km Muridke Sheikhupura Road Muridke, Muridke, 54800, Pakistan
Power Plants	
- Engro Powergen Thar (Private) Limited	- Thar Block II, Islamkot District, Sindh
- Engro Powergen Qadirpur Limited	- Deh Belo Sanghari, Ghotki, Sindh
Terminal - Elengy Terminal Pakistan Limited	Plot # OZ-I-P-81, South Western Zone, Berth no. 13, Port Qasim Karachi

(Amounts in thousand)

1.2 The "Group" consists of:

Holding Company: Engro Corporation Limited;

Associated Companies: Associated companies are entities over which the Group has significant influence but not control.

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

	Percentage of direct shareholding	
	2019	2018
- Engro Energy Limited (note 1.3.1)	100	100
- Engro Eximp Agriproducts (Private) Limited (note 1.3.2)	100	100
- Engro Infiniti (Private) Limited (note 1.3.3)	100	100
- Engro Eximp FZE (note 1.3.4)	100	-
- Elengy Terminal Pakistan Limited (note 1.3.5)	56	56
- Engro Fertilizers Limited (note 1.3.6)	56.27	56.27
- Engro Polymer and Chemicals Limited (note 1.3.7)	56.19	56.19
Joint Venture Company:		
- Engro Vopak Terminal Limited (note 1.3.8)	50	50
Associated Company:		
- FrieslandCampina Engro Pakistan Limited previously (Engro Foods Limited) (note 1.3.9)	39.9	39.9

1.3 Subsidiary companies

1.3.1 Engro Energy Limited

Engro Energy Limited (EEL), a wholly owned subsidiary of the Holding 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:

	Percentage of shareholding	
	2019	2018
- Kolachi Portgen (Private) Limited (note 1.3.1.1)	100	100
- Engro Power International Holding B.V. (note 1.3.1.2)	100	100
- Engro Power Services Limited (note 1.3.1.3)	100	100
- Engro Energy Services Limited (note 1.3.1.4)	100	100
- Engro Powergen Qadirpur Limited (note 1.3.1.5)	68.89	68.89
- Engro Powergen Thar (Private) Limited (note 1.3.1.6)	50.10	50.10

Following are associated companies of EEL in which it holds direct shareholding:

	Percentage of direct holding	
	2019	2018
- GEL Utility Limited (note 1.3.1.7)	45	45
- Sindh Engro Coal Mining Company Limited (note 1.3.1.8)	11.91	11.91
- Pakistan Energy Gateway Limited (note 1.3.1.9)	33.33	33.33
- Siddiqsons Energy Limited (note 1.3.1.10)	19	19

(Amounts in thousand)

1.3.1.1 Kolachi Portgen (Private) Limited has been established and incorporated in Pakistan with the objective to operate and own a Regasified Liquefied Natural Gas (RLNG) based power generation plant.

1.3.1.2 Engro Power International Holding B.V. (EPIH), a private limited company, has been established in Rotterdam, Netherlands with the objective to incorporate, participate, manage and supervise businesses and companies. EPIH has two wholly owned subsidiaries namely Engro Power Services Holding B.V. (EPSH) and Engro Power Investments International B.V. (EPII) both based in Netherlands.

1.3.1.3 Engro Power Services Limited (EPSL), a private limited company, has been established in Nigeria with the objective to carry on business as power generating, transmission, distribution and servicing company. EPSL is currently providing Operations and Maintenance (O&M) services to a Captive Power Plant located in a refinery within Nigeria. The agreement of providing O&M services was entered into by EEL. EPSL is acting as an agent of EEL to discharge its obligations under the agreement.

1.3.1.4 Engro Energy Services Limited (EESL) was established as a wholly owned subsidiary of EEL on June 01, 2018 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.

1.3.1.5 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. EPQL completed construction and testing of its 217.3 MW combined cycle power plant and has commenced commercial operation on March 27, 2010. The electricity generated is transmitted to the National Transmission and Dispatch Company (NTDC) under the Power Purchase Agreement (PPA) dated October 26, 2007, valid for a period of 25 years.

1.3.1.6 Engro Powergen Thar (Private) Limited (EPTL) was established on September 23, 2014 with the primary objective to develop 2 x 330 MW mine mouth power plants at Thar Block II, Sindh. During the year, additional 256,812,202 (2018: 219,589,305) ordinary shares were acquired by the EEL in EPTL. As at December 31, 2019, EEL holds 50.10% (2018: 50.10%) of the issued capital of EPTL while the balance shares are held by CMEC Thar Power Investment Limited (35%), Habib Bank Limited (9.5%) and Liberty Mills Limited (5.4%). EPTL has achieved its commercial operation date (CoD) on July 10, 2019.

1.3.1.7 GEL Utility Limited (GEL) is a private limited company in Nigeria with the objective of generation and distribution of energy, power and other related services and has undertaken a project of 72 MW triple redundancy captive power plant, which commenced commercial operations from November 21, 2014. EEL holds 12,272,727 ordinary shares of Naira 1 each in GEL representing a 45% (2018: 45%) equity stake. During the year, EEL has classified this investment as held for sale.

1.3.1.8 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 Holding 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). During the year, the EEL subscribed to an additional 48,348,460 (2018: 40,829,133) ordinary shares of SECMC, at a premium of Rs. 4.82 per share while maintaining its percentage shareholding as at 2019 at 11.91% (2018: 11.91%). SECMC has achieved its CoD on July 10, 2019.

1.3.1.9 Pakistan Energy Gateway Limited is a special purpose vehicle incorporated jointly with Shell Gas B.V. and Pakarab Fertilizers Limited for the purpose of developing a private integrated LNG terminal, with each of the three subscribers/shareholders having a 33.3% shareholding.

1.3.1.10 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 coal-fired power generation facility in Block - II, District Tharparkar, Sindh through a joint venture company, namely Siddiqsons Energy Limited (SEL). The JVA became effective from May 26, 2018 as per the terms of which EEL, AHEPL and SL, were initially required to have shareholding proportions equal to 19%, 19% and 62% respectively in their mutual capacity as the members of SEL. Accordingly, EEL advanced an amount of Rs. 262,000 against the issuance of 26,267,639 ordinary shares constituting the required 19% of the share capital of SEL to be subscribed into by EEL. During the year, EEL subscribed to an additional 7,220,000 (2018: 26,267,639) ordinary shares of SEL while maintaining its percentage shareholding at 19% (2018: 19%).

(Amounts in thousand)

1.3.2 Engro Eximp Agriproducts (Private) Limited

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. EEAPL has set up a rice processing plant in District Shaikhupura, which commenced commercial production in 2011.

1.3.3 Engro Infiniti (Private) Limited

Engro Infiniti (Private) Limited, (EInfiniti) was incorporated as a wholly owned subsidiary. 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. During the year, the Holding Company has made investment in Engro Infiniti (Private) Limited, a wholly owned subsidiary, through subscription of 18,460,000 ordinary shares of Rs. 10 each at par. Further, during the year, Engro Infiniti (Private) Limited has issued 40,000,000 shares of Rs. 10 each in respect of the advance against subscription of shares paid by the Holding Company for investments made during the year ended December 31, 2018.

Following are the subsidiaries of EInfiniti:

	Percentage of direct shareholding	
	2019	2018
- Engro Digital Limited (note 1.3.3.1)	100	100
- Enfrashare (Private) Limited (note 1.3.3.2)	100	100

1.3.3.1 Engro Digital Limited (EDL) is a public unlisted company, incorporated in Pakistan on October 19, 2017 under the Companies Act, 2017. EDL has its registered office at the 6th floor, Dawood Center, M.T Khan Road, Civil Lines, Karachi. EDL is established with primary objective of analyzing potential opportunities and making available digital and technology services and products inside and outside Pakistan.

1.3.3.2 Enfrashare (Private) Limited was incorporated in Pakistan as a private limited company under the Companies Act, 2017 on November 13, 2018. The registered office of Enfrashare is situated at 15-E, Rehmat Centre, Jinnah Avenue, Blue area, Islamabad. Enfrashare is principally engaged in buying, building, maintaining and operating telecommunication infrastructure and any products and by products and any activities relating to or ancillary thereto. During the year, Enfrashare became a subsidiary of Engro Infiniti (Private) Limited upon issuance of 45,000,000 shares of Rs 10 each and has 100% holding in the said Company.

1.3.4 Engro Eximp FZE

Engro Eximp FZE (EEF) was incorporated in the Jebel Ali Free Zone, Emirate of Dubai, on August 4, 2011 as a wholly owned Subsidiary of Engro Eximp (Private) Limited (EEPL). It is engaged in the business of trading fertilizers.

During the year, the shareholders of the Holding Company in its Extraordinary General Meeting held on May 28, 2019, authorised the Holding Company to acquire 100% of the issued and paid-up share capital of Engro Eximp FZE (UAE) from Engro Fertilizers Limited, a Subsidiary company, against an amount of Rs. 1,757,280 (subject to adjustments at the date of closing of the transaction). On July 17, 2019, the Holding Company acquired Engro Eximp FZE for a consideration of Rs. 1,972,505.

1.3.5 Elengy Terminal Pakistan Limited

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), Re-gasified 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.

(Amounts in thousand)

1.3.6 Engro Fertilizers Limited

Engro Fertilizers Limited (EFert), is a public listed company, incorporated in Pakistan. The principal activity of EFert is manufacturing, purchasing and marketing of fertilizers, seeds and pestisides and providing logistics services.

Following are the subsidiaries of EFert:

	Percentage of shareholding	
	2019	2018
- Engro Eximp FZE (note 1.3.4)	-	100
- EFERT Agritrade (Private) Limited (note 1.3.6.1)	100	100

1.3.6.1 In 2017, EFert Agritrade (Private) Limited (EAPL) was incorporated as a wholly owned subsidiary of EFert to carry out trading and distribution of imported fertilizers as part of the business reorganization. EFert has transferred its business of trading and distribution of imported fertilizers to EAPL, and holds 10,000 ordinary shares of Rs. 10 each in EAPL.

1.3.7 Engro Polymer and Chemicals Limited

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 EFert (NPK Plant).

Following are the subsidiaries of EPCL:

	Percentage of shareholding	
	2019	2018
- Engro Polymer Trading (Private) Limited (note 1.3.7.1)	100	100
- Engro Peroxide (Private) Limited (note 1.3.7.2)	100	-
- Engro Plasticizer (Private) Limited (note 1.3.7.3)	100	-

1.3.7.1 Engro Polymer Trading (Private) Limited (EPTPL) was incorporated in Pakistan on November 6, 1999, as a wholly owned subsidiary of the EPCL. EPTPL's principal activity is to purchase, market and sell Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and other related chemicals. During the year, EPTPL has taken steps to develop market for PVC downstream products. Subsequent to the year end, the Securities and Exchange Commission of Pakistan (SECP) has approved the application filed for change in its name to "Think PVC (Private) Limited".

1.3.7.2 Engro Peroxide (Private) Limited was incorporated in Pakistan on July 22, 2019 under the Companies Act, 2017 as a wholly owned subsidiary of EPCL. The main objective of Engro Peroxide (Private) Limited is to manufacture and market Hydrogen Peroxide and related chemicals.

1.3.7.3 Engro Plasticizer (Private) Limited was incorporated in Pakistan on July 22, 2019 under the Companies Act, 2017 as a wholly owned subsidiary of EPCL. The main objective of Engro Plasticizer (Private) Limited is to manufacture and market Chlorinated Paraffin Wax and other related chemicals.

1.3.8 Engro Vopak Terminal Limited

Engro Vopak Terminal Limited (EVTL), a 50% share 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.

1.3.9 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.

(Amounts in thousand)

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.

2.1 Basis of preparation

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

2.1.2 These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) 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 provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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

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

a) Standards, amendments to published standards and interpretations that became effective during the year and are relevant to the Group

The following new Standards and interpretations 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 Group:

i) 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 Measurements) 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 consolidated statement of 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 consolidated statement of comprehensive income, for liabilities designated at fair value through consolidated statement of profit or loss.

(Amounts in thousand)

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 have not been recognised in the opening consolidated statement of financial position as on January 1, 2019 as the effects were not material.

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:

Financial assets	**Original Classification under IAS 39**	**New classification under IFRS 9**
Loans advances and deposits	Loans and receivables	Amortised cost
Trade debts	Loans and receivables	Amortised cost
Other receivables	Loans and receivables	Amortised cost
Short term investments		
- Investment in units of mutual funds	Fair value through profit or loss	Fair value through profit or loss
- Treasury bills	Fair value through profit or loss	Fair value through other comprehensive income
- Pakistan investment bonds	Fair value through profit or loss	Fair value through other comprehensive income
- Fixed income placement	Held to maturity	Amoritised Cost
Cash and Bank balances	Loans and receivables	Amoritised 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 material 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.

ii) IFRS 15, 'Revenue from contracts with customers'

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.

(Amounts in thousand)

iii) IFRS 16, 'Leases'

IFRS 16 'Leases' replaces the previous lease standard: IAS 17 Leases and other interpretations and related guidance. It results 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 adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 ranges from 5.76% to 13.8%.

For all segments other than Polymer, the right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the statement of financial position immediately before the date of initial application. Accordingly, there is no impact on the opening balances of unappropriated profit as on January 1, 2019. However, the right of use assets for Group "Polymer segment" were measured on a retrospective basis as if IFRS 16 had been applied since the commencement date of respective leases. These were discounted using the lessee's incremental borrowing rate at the date of initial application.

The right of use assets of the group relates to:

- office space acquired on rental basis;
- storage tanks of EPCL operation
- Floating Storage and Regasification Unit (FSRU) arrangement under Time Charter Party (TCP) agreement entered by EETPL; and
- lease agreements entered into by the Group with landlords in respect of tenanted sites.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

At the date of initial application, Group has reassessed its operating sublease on the basis of remaining contractual terms and conditions of the head lease and the sublease. Based on the assessment, the Group has reclassified its operating sublease arrangement relating to FSRU as a finance lease and has accounted for the sublease as a new finance lease entered into at the date of initial application as per requirements of the IFRS 16.

The impact of adoption of this Standard can be summarised as follows.

Impact on Consolidated Statement of Financial Position

	January 1, 2019 ----Rupees----
Right of use assets - increased by	49,070,451
Derecognition of right of use asset on account of sub-lease	(45,002,470)
	4,067,981
Increase in net investment in lease	45,002,470
Lease liabilities - increased by	51,711,532
Current portion of lease liability	(2,743,061)
Long term portion of lease liability	48,968,471
Decrease in unappropriated profit	(1,898,033)
Increase in deferred tax asset	743,048

(Amounts in thousand)

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of operating leases with a remaining lease term of less than 12 months as at January 1, 2019;
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

IFRIC 23, 'Uncertainty over tax treatments

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.

The other new standards, amendments to published standards and interpretations that are applicable for the financial year beginning on January 1, 2019 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 new standards, interpretations and amendments to published standards 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. Further, the Group also considers whether:

- it has power to direct the relevant activities of the subsidiaries;
- it is exposed to variable returns from the subsidiaries; and
- decision making power allows the Group to affect its variable returns from the subsidiaries.

(Amounts in thousand)

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value 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 the consolidated 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 / received and the relevant share acquired / disposed off of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses 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 subsequent accounting for the retained interest as an associate, joint venture or financial asset depending on the level of influence retained. In addition, any amounts previously recognized in statement of 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 statement of comprehensive income are reclassified to consolidated statement of profit or loss.

2.1.6 The consolidated financial statements have been prepared on the basis of audited financial statements of the Holding Company and the subsidiary companies.

2.2 Exploration and evaluation assets

Exploration and evaluation assets in respect of area of interest includes license fee, detailed feasibility study and all other related studies to ensure bankability of the project including ancillary (operating and administrative) cost related thereto.

The aforementioned expenditure supporting the technical feasibility and economic / commercial viability, are capitalized as exploration and evaluation assets, where:

(Amounts in thousand)

- such costs are expected to be recouped through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence, or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

Capitalized exploration and evaluation expenditure is recorded at cost less impairment charges. As asset is not available for use, it is not depreciated, however, an estimate of recoverable amount of asset is made for possible impairment on an annual basis.

Cash flows associated with exploration and evaluation expenditure are classified as investing activities in the consolidated statement of cash flows.

2.3 Development properties

Development expenditure represents expenditure incurred in area in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and related infrastructure.

Once a development decision has been taken the carrying amount of the exploration and evaluation asset is transferred to development expenditure and classified under non-current assets as ‘development properties’.

Capitalized development properties expenditure is recorded at cost less impairment, if any. As asset is not available for use, it is not depreciated; however, an estimate of recoverable amount of asset is made for possible impairment on an annual basis.

Cash flows associated with development properties are classified as investing activities in the consolidated statement of cash flows.

2.4 Property, plant and equipment

2.4.1 Owned assets

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

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

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

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

Depreciation is charged to 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 is written off over its estimated useful life. Depreciation on addition is charged from the month following the month in which the asset is available for use and on disposals upto the preceding month of disposal.

The Group reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation on a regular basis.

(Amounts in thousand)

2.4.2 Dredging expenditure

Dredging expenditure is categorized into capital dredging and major maintenance dredging. Capital dredging is expenditure, which creates new harbour and deepens or extends the basin in front of jetty in order to allow access to larger ships. This expenditure is capitalized and is being depreciated over a period of 15 years.

Major maintenance dredging is expenditure incurred to restore the depth to its previous condition. The management estimates that maintenance dredging has an average service potential of 5 years. Maintenance dredging is regarded as a separate component and is capitalized and depreciated over a period of 5 years on straight line basis.

2.5 Capital spares

Spare parts and servicing equipment are classified as property, plant and equipment rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. These are valued at weighted average cost less impairment 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 realizable value. Upon utilization, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of principal asset, whichever is lower.

2.6 Intangible assets

a) Computer software and licenses

i) Acquired

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

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

Computer software cost treated as intangible assets are amortized from the date the software is put to use on a straight-line basis over their respective useful lives.

ii) Internally generated

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by the management. After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and impairment losses. These are amortized using straight-line basis over a period of 5 years. Amortization on additions is charged from the month following the month in which the asset is available for use and on disposals upto the month preceding the month of disposal.

Expenditure on research (or the research phase of an internal project) is recognized as an expense in the period in which it is incurred.

Development costs incurred on specific projects are capitalized when all the following conditions are satisfied:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale;
- The Group intends to complete the intangible asset and use or sell it;
- The Group has the ability to use or sell the intangible asset;

(Amounts in thousand)

- The intangible asset will generate probable future economic benefits. Among other things this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or if it is to be used internally, the asset will be used in generating such benefits;

- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- The expenditure attributable to the intangible asset during its development can be measured reliably.

b) Rights for future gas utilization

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

2.7 Leasing activities as a lessee

Lease liability and right-of-use assets:

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments include fixed payments less any lease incentives received, variable lease payments that are based on an index or a rate which are initially measured using the index or a rate as at the commencement date, amounts expected to be payable by the Group under residual value guarantees, the exercise price of a purchase option, if any, and if the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Group is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-to-use asset, and is recorded in the consolidated statement of profit or loss if the carrying amount of right-to-use asset has been reduced to zero.

A change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increases the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use asset.

The right-of-use asset is initially measured based on the initial amount of initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(Amounts in thousand)

2.8 Leasing activities as a lessor

The Group enters into lease arrangements with respect to its LNG infrastructure for receipt, storage and regasification of LNG.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

2.9 Impairment of non-financial assets

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

2.10 Investments in Joint Ventures and Associates

Investment in Joint venture / associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the investors share of profit or loss of the investee after the date of acquisition. The Group's investment in Joint venture / associates includes goodwill identified on acquisition. The Group determines at each reporting date whether there is any objective evidence that the investment in joint venture/ associate is impaired. If this is the case, the Group calculates the impairment loss as the difference between the recoverable amount of Joint venture / associates and its carrying value and recognizes it in the consolidated profit or loss.

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

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

Non-current assets classified as held for sale are presented separately from the other assets in the consolidated statement of financial position.

(Amounts in thousand)

2.12 Financial assets

2.12.1 Classification, initial recognition and measurement

Consequent to applicability of IFRS 9, 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 consolidated statement of 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.

2.12.2 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.

2.12.3 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.

(Amounts in thousand)

2.12.4 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.

2.12.5 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 must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.13 Hedging relationships

The Group currently accounts for two types of hedging relationships:

Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or a component of any such item, that is attributable to a particular risk and could affect profit or loss.

The Group accounts for fair value hedging relationships as follows:

(a) the gain or loss on the hedging instrument is recognized in the consolidated statement of profit or loss (or consolidated statement of other comprehensive income, if the hedging instrument hedges an equity instrument for which the Group has elected to present changes in fair value in the consolidated statement of comprehensive income).

(b) the hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item (if applicable) and be recognized in the consolidated statement of profit or loss. If the hedged item is a financial asset (or a component thereof) that is measured at fair value through other comprehensive income, the hedging gain or loss on the hedged item is recognized in the consolidated statement of profit or loss. However, if the hedged item is an equity instrument for which the Group has elected to present changes in fair value in consolidated statement of comprehensive income, those amounts remain in other comprehensive income. When a hedged item is an unrecognized firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognized as an asset or a liability with a corresponding gain or loss recognized in the consolidated statement of profit or loss.

Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognized asset or liability (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction, and could affect profit or loss.

(Amounts in thousand)

The Group accounts for cash flow hedging relationships as follows:

(a) the separate component of equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following (in absolute amounts):

(i) the cumulative gain or loss on the hedging instrument from inception of the hedge; and

(ii) the cumulative change in fair value (present value) of the hedged item (i.e. the present value of the cumulative change in the hedged expected future cash flows) from inception of the hedge.

(b) the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge [i.e. the portion that is offset by the change in the cash flow hedge reserve calculated in accordance with (a)] is recognized in other comprehensive income.

(c) any remaining gain or loss on the hedging instrument [or any gain or loss required to balance the change in the cash flow hedge reserve calculated in accordance with (a)] is hedge ineffectiveness that is recognized in consolidated statement of profit or loss.

(d) the amount that has been accumulated in the cash flow hedge reserve in accordance with (a) is accounted for as follows:

(i) if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability.

(ii) for cash flow hedges other than those covered by (i), that amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

(iii) however, if that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it immediately reclassifies the amount that is not expected to be recovered into the consolidated statement of profit or loss as a reclassification adjustment.

2.14 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 realizable value. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence, if any.

2.15 Stock-in-trade

These are valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for raw material and certain purchased products 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 realizable value signifies the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessarily to be incurred in order to make the sales.

(Amounts in thousand)

2.16 Trade debts, contract assets and other receivables

Trade debts and other receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognized at fair value. The Group holds the trade debts and other receivables with the objective to collect contractual cash flows and, therefore, measures them subsequently at amortized cost using effective interest method. A provision for impairment is established under the simplified model stipulated in IFRS 9. Under this model expected credit losses are measured based on lifetime expected loss allowance for all trade debts and other receivables. The Group measures expected credit losses on trade debts and other receivables in a way that reflects:

a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

b) the time value of money; and

c) reasonableness and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The amount of the provision is charged to the consolidated statement of profit or loss. Trade debts and other receivables considered irrecoverable are written-off.

A contract asset is recognized for the Group's right to consideration in exchange for goods or services that it has transferred to a customer. If the Group performs its obligation by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Group presents the amount as a contract asset, excluding any amounts presented as a receivable.

2.17 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows includes cash in hand and in transit, cheques in hand, balances with banks on current, deposit and saving account, other short term highly liquid investments with original maturities of three months or less and short term borrowings other than term finance.

2.18 Share capital

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

2.19 Borrowings

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

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

Exchange gains and losses arising in respect of borrowings in foreign currency are added to the carrying amount of the borrowing.

2.20 Trade and other payables

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

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

Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

(Amounts in thousand)

2.21 Deferred Income

Amount received on account of operating lease rental income for terminal is recognized as deferred income where not earned and credited to the consolidated statement of profit or loss in the relevant period of provision of services for recognition of rentals on straight line basis.

2.22 Contract liability

A contract liability is recognized for the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional (i.e. a receivable), before the Group transfers a good or service to the customer, the Group shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

2.23 Provisions

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

2.24 Income tax

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

2.24.1 Current

Provision for current taxation 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.

2.24.2 Deferred

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

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

2.25 Retirement and other service benefits

2.25.1 Defined contribution plans

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

(Amounts in thousand)

The Group operates:

- defined contribution provident funds 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 funds for the benefit of management employees. Monthly contributions are made by the Group to the fund at the rate ranging from 12.5% to 13.75% of basic salary; and

- defined contribution gratuity funds for the benefit of management employees. Monthly contributions are made by the Group to the fund at the rate of 8.33% of basic salary.

2.25.2 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.

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

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

The Group operates defined benefit funded gratuity schemes for its management employees and non-management employees of Engro Fertilizers Limited (EFert).

The Group also operates defined benefit funded pension scheme for EFert's management employees; the pension scheme provides life time pension to retired employees or to their spouses. Contributions are made annually to these funds on the basis of actuarial recommendations. The pension scheme has been curtailed and effective from July 1, 2005, no new members are inducted in this scheme. Actuarial gains on curtailment are recognized immediately once the certainty of recovery is established.

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

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.

2.25.3 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.

2.25.4 Other benefits - Service Incentive Plan

Provision is made under a service incentive plan for certain category of experienced employees to continue in the Group's employment. The provision is made on the basis of management's estimates of incentives to be paid to employees on fulfillment of criteria given in the incentive plan.

(Amounts in thousand)

2.26 Foreign currency transactions and translation

2.26.1 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 recognized in the consolidated statement of profit or loss.

2.26.2 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 consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;

- income and expenses for each consolidated 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.

2.27 Revenue / Income recognition

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

- The Group recognises revenue at a point in time when control of product is transferred to customer. Control, depending on contractual terms, is considered to be transferred either when the product is directly uplifted by customer from the Group's premises or when it is delivered by the Group at customer premises.

- Revenue from contracts and long term service agreements is recognized when or as performance obligations are satisfied by transferring control of promised services to a customer, and control either transfers over time or at a point in time. Where, revenue over the time is recognized based on the percentage of completion method, the stage of completion is assessed by milestones which ascertain the completion of the proportion of contract work or the performance of services provided in the agreement.

- Income on bank deposits and other financial assets is recognized on an accrual basis.

- Dividend income from investments is recognized when the Group's right to receive such payment has been established.

- Operation and maintenance fee under various contracts is measured at fair value of the consideration received or receivable and is recognized on accrual basis when services are rendered i.e. performance obligations are fulfilled in accordance with the terms of agreements.

- Revenue from supply of electricity to National Transmission and Dispatch Company (NTDC), the sole customer of Engro Powergen Qadirpur Limited (EPQL) and Engro Powergen Thar (Private) Limited (EPTL), is recognized when the following performance obligations are satisfied:

- Capacity revenue is recognized based on the capacity made available to NTDC; and

- Energy revenue is recognized based on the Net Electrical Output (NEO) delivered to NTDC.

  Capacity and Energy revenue is recognized based on the rates determined under the mechanism laid down in the Power Purchase Agreements (PPAs).

(Amounts in thousand)

- Consultancy fee is recognized at the time the services are rendered.

- Delayed payment charges on overdue trade receivables are recognized on an accrual basis.

- Revenue from re-gasification and transportation of Liquefied Natural Gas (LNG) to Sui Southern Gas Company Limited (SSGCL) under LNG operations and Services Agreement (LSA) is recognized on the following basis:

  - Utilization revenue on the basis of Re-gasified LNG throughput to SSGCL over time.
  - Operations and maintenance revenue over time.

- Revenue from tower infrastructure provisioning is recognised on straight line basis over the non-cancellable agreement period, regardless of whether the payments from customers are received, in equal monthly amounts during the contract term. The Group considers all fixed elements of the relevant contractual escalation provisions in calculating the straight-line revenue. Whereas revenue for cancellable agreements are recorded at the amounts invoiced to the customers, as per the agreement.

- Revenue from operations and maintenance services for telecommunication infrastructure is recognized when services are rendered as the performance obligations are generally met over time as customer simultaneously receives and consumes benefits of services as and when the services are performed by the Group. The Group generally uses output method to measure progress towards satisfying a performance obligation. The Group recognises revenue at the amount of the Group's right to invoice as per the agreements with the customers if the Group's right to invoice the customers is based on the value of services transferred and the amount invoiced represents the value transferred to the customers.

- Deferred incentive revenue is recognised based on the present value of discount provided by the Group in its bundled contracts with the customers. The unwinding of discount on deferred incentive revenue is recognised as finance cost in the statement of profit or loss. Subsequent amortisation of deferred incentive revenue is credited to revenue on a systematic basis.

- Revenue from energy support services is recognised by the group through bills on a pass through basis as the Group does not consider it controls the specific services before their delivery to customers. Accordingly, the Group recognises revenue arising from pass through billings on net basis.

2.28 Borrowing costs

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

2.29 Research and development costs

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

2.30 Government grant

Government grant that compensates the Group for expenses incurred is recognized in the consolidated profit or loss on a systematic basis in the same period in which the expenses are recognized. Government grants are deducted in reporting the related expenses.

(Amounts in thousand)

2.31 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 period. 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.

2.32 Dividend and appropriation to reserves

Dividends and appropriations to reserves are recognized in the period in which these are approved.

2.33 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 Holding Company that makes strategic decisions.

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 estimates and assumptions that have a significant risk of carrying material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) Property, plant and equipment and intangibles

The Group annually reviews appropriateness of the method of depreciation and amortisation, useful life and residual value used in the calculation of depreciation and amortisation. Further, where applicable, an estimate of the recoverable amount of asset is made for possible impairment on an annual basis. These calculations require the use of estimates. Any change in these estimates in the future, might affect the carrying amount of the respective item of property and equipment and intangible assets, with a corresponding effect on the depreciation, amortisation charge, and impairment.

In case of acquisition of group of assets and liabilities, the Group allocates the purchase consideration to individual assets and liabilities on basis of their relative fair value at the date of purchase. For determination of fair value, the Group takes into account its principle ability to generate economic benefits by either using the asset in its highest and best use or by selling it to another customer. Estimation of highest and best use is made on basis of estimated net cash in flows associated with the assets or group of assets. The consideration for selling it to another customer is based on the fair market value after adjusting the impacts of obsolescence.

b) Investments at fair value through profit or loss / other comprehensive income

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

c) Derivatives

The Group reviews the changes in fair values of the derivative hedging financial instruments at each reporting date based on the valuations received from the contracting banks. These valuations represent estimated fluctuations in the relevant currencies/interest rates over the reporting period and other relevant variables signifying currency and interest rate risks.

(Amounts in thousand)

d) Stock-in-trade

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

e) Income taxes

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

f) Provision for retirement and other service benefits obligations

The present value of these obligations depend on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations.

g) Impairment of financial assets

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

h) Trade debts

An estimate of the collectible amount of trade debts is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Any difference between the amounts actually collected in future periods and the amounts expected is recognized in the consolidated statement of profit or loss.

i) Stores and spares

The Group regularly reviews the provision for slow moving stores and spares to assess the consumption of stores and spares, thereby ensuring that slow moving items are provided for.

j) Un-billed revenue in respect of CoD tariff adjustment

As per the applicable tariff regime, EPTL has applied to NEPRA for COD tariff adjustment. EPTL is currently billing its revenue based on the provisional tariff for Capacity Purchase Price, previously notified by NEPRA. Meanwhile, the differential un-billed revenue has been recognized based on management's best estimate of final tariff to be approved by NEPRA, which will be invoiced as and when notified by NEPRA.

k) 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.

l) Right of use asset and corresponding lease liability

IFRS 16 requires the Group to assess the lease term as the non-cancelable lease term in line with the lease contract together with the period for which the Company has extension options which the Group is reasonably certain to exercise and the periods for which the Group has termination options for which the Group is not reasonably certain to exercise those termination options.

The rate used on transition to discount future lease payments represents Group's incremental borrowing rate.

(Amounts in thousand)

With specific reference to Engro Elengy Terminal Private Limited's arrangement under Time Charter Party and LNG operations and Services Agreement (LSA), significant estimates further included:

i) Evaluation and separation of lease and non-lease components

The LSA has been determined to have an operating lease component with respect to terminal, a sublease of right-of-use asset [Floating Storage and Regasification Unit (FSRU)] and certain non-lease components including utilization / regassification and operations and maintenance services. The assessment required significant judgement and interpretation of the requirements of IFRS 16 with respect to separation of lease components of terminal and the right-of-use asset. Accordingly, the right-of-use asset and terminal were determined not to be highly dependent or interrelated to each other and the lessee having the ability to use the underlying asset on its own or together with other resources readily available to it.

ii) Classification of lease

The classification of lease of terminal required use of estimates of cash flows during the contract period, margins, residual values and allocation of amounts under daily capacity charges to lease and non-lease components and determine minimum lease payments at the inception of lease from terminal and sublease of right-of-use asset. As a result the lease of terminal has been determined as an operating lease as significant risk and rewards relating to the same remain with the EETPL at the end of the lease term, taking into account the useful life and fair value of terminal assets, minimum lease payments, residual value and the assessment that customer is not likely to exercise purchase option.

iii) Non-lease components

The non-lease components include utilization / regassification and operations and maintenance services relating to terminal and right-of-use asset, recovery of SSGC Branch pipeline and other recurring costs which have been determined and excluded from daily capacity charges based on actual cost incurred and estimates of future costs. This recovery was estimated with reference to cost plus estimated margin, where applicable, as standalone prices were not observable.

iv) Discount rate

The rate used on transition to discount future lease payments under TCP represent the EETPL's incremental borrowing rate. The rate has been estimated using LIBOR rates available in the lease currency and adjusted to reflect the underlying lease term based on observable inputs.

m) Provision for decommissioning costs

The timing of recognition of provision for decommissioning requires the application of judgement of existing facts and circumstances, which can be subject to change. In determining the present value of the provision for decommissioning, assumptions and estimates are made in relation to discount rates, the expected cost to decommission and remove the equipment from the site and the expected timing of those costs.

n) Revenue recognition

Revenue on long-term service agreements / construction contracts is recognized based on the percentage of completion method. The Group reviews the appropriateness of the stage of completion through milestones / cost incurred which ascertain the completion of a proportion of the contract work or the performance of services provided.

4. PROPERTY, PLANT AND EQUIPMENT

	2019	2018
	Rupees	
Operating assets, at net book value (note 4.1)	233,475,521	105,138,798
Capital work in progress - Expansion and other projects (note 4.6)	17,508,521	98,326,481
Capital spares and standby equipments	2,390,272	943,599
	253,374,314	204,408,878

4.1 Operating assets

	Land		Building		Pipelines	Plant and Machinery	Catalyst	Furniture fixture and equipments		Vehicles	Jetty	Dredging	Total
	Freehold	Leasehold	Freehold	Leasehold		Owned		Owned	Leased	Owned			
							Rupees						
As at January 1, 2018													
Cost	312,254	452,610	5,630,598	1,814,806	3,024,105	141,425,409	1,397,152	2,019,098	21,723	796,744	5,304,592	2,864,149	165,063,240
Accumulated depreciation	-	(134,281)	(1,727,892)	(598,389)	(1,038,461)	(50,359,664)	(1,173,896)	(1,362,671)	(21,002)	(425,342)	(613,249)	(569,876)	(58,024,723)
Accumulated impairment	-	(134,921)	-	(750,646)	-	(2,484,357)	-	(87,300)	-	-	-	-	(3,457,224)
Net book value	312,254	183,408	3,902,706	465,771	1,985,644	88,581,388	223,256	569,127	721	371,402	4,691,343	2,294,273	103,581,293
Year ended December 31, 2018													
Opening net book value	312,254	183,408	3,902,706	465,771	1,985,644	88,581,388	223,256	569,127	721	371,402	4,691,343	2,294,273	103,581,293
Amortization of revaluation surplus	-	(2,572)	-	(1,140)	3,355	(33,649)	-	-	-	-	-	-	(34,006)
Additions including transfers (note 4.6)	26,938	-	148,822	4,926	-	6,284,288	213,900	620,112	-	251,104	6,133	116,758	7,672,981
Transfers to capital spares	-	-	-	-	-	-	-	13,320	-	-	-	-	13,320
Capitalization of exchange gain by Subsidiary Company (note 4.3)	-	-	-	-	-	1,106,522	-	-	-	-	-	-	1,106,522
Reclassifications													
Cost	2,488	-	-	-	-	(32,581)	-	-	-	-	-	-	(30,093)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Impairment - reversal	-	13,304	-	155,889	-	233,701	-	622	-	-	-	-	403,516
	2,488	13,304	-	155,889	-	201,120	-	622	-	-	-	-	373,423
Disposals / Write offs (note 4.5)													
Cost	-	-	-	-	-	(23,870)	-	(26,402)	-	(52,561)	-	-	(102,833)
Accumulated depreciation	-	-	-	-	-	4,004	-	15,962	-	45,580	-	-	65,546
Accumulated impairment	-	-	-	-	-	15,832	-	3,272	-	-	-	-	19,104
	-	-	-	-	-	(4,034)	-	(7,168)	-	(6,981)	-	-	(18,183)
Depreciation charge (note 4.4)	-	(14,641)	(194,757)	(37,183)	(147,202)	(6,358,558)	(88,085)	(230,196)	-	(106,832)	(140,577)	(238,521)	(7,556,552)
Net book value	341,680	179,499	3,856,771	588,263	1,841,797	89,777,077	349,071	965,817	721	508,693	4,556,899	2,172,510	105,138,798
As at December 31, 2018													
Cost	341,680	450,038	5,779,420	1,818,592	3,027,460	148,726,119	1,611,052	2,626,128	21,723	995,287	5,310,725	2,980,907	173,689,131
Accumulated depreciation	-	(148,922)	(1,922,649)	(635,572)	(1,185,663)	(56,714,218)	(1,261,981)	(1,576,905)	(21,002)	(486,594)	(753,826)	(808,397)	(65,515,729)
Accumulated impairment	-	(121,617)	-	(594,757)	-	(2,234,824)	-	(83,406)	-	-	-	-	(3,034,604)
	341,680	179,499	3,856,771	588,263	1,841,797	89,777,077	349,071	965,817	721	508,693	4,556,899	2,172,510	105,138,798

	Land		Building		Pipelines	Plant and Machinery	Catalyst	Furniture fixture and equipments		Vehicles	Jetty	Dredging	Total
	Freehold	Leasehold	Freehold	Leasehold		Owned		Owned	Leased	Owned			
							Rupees						
Year ended December 31, 2019													
Opening net book value	341,680	179,499	3,856,771	588,263	1,841,797	89,777,077	349,071	965,817	721	508,693	4,556,899	2,172,510	105,138,798
Amortization of revaluation surplus	-	(2,572)	-	(1,140)	3,355	(33,649)	-	-	-	-	-	-	(34,006)
Additions including transfers (note 4.6)	-	283,342	1,812,853	1,980	98,288	134,424,582	371,195	1,426,918	-	1,404,932	-	67,617	139,891,707
Capitalization of exchange loss by Subsidiary Company (note 4.3)	-	-	-	-	-	(986,415)	-	-	-	-	-	-	(986,415)
Adjustments / Reclassifications													
Cost	2,488	-	(764)	301	(10,850)	22,915	-	(31,977)	-	17,589	-	-	(298)
Accumulated depreciation	-	5	20	1,101	-	(29,798)	-	3,057	-	(738)	-	-	(26,353)
Accumulated Impairment - reversal	-	(5)	-	(1,101)	-	(1,880)	-	(2,685)	-	-	-	-	(5,671)
	2,488	-	(744)	301	(10,850)	(8,763)	-	(31,605)	-	16,851	-	-	(32,322)
Disposals / Write offs (note 4.5)													
Cost	-	(47,616)	-	(3,379)	-	(655,375)	-	(339,483)	-	(55,487)	(1,443)	-	(1,102,783)
Accumulated depreciation	-	19,378	-	596	-	568,275	-	333,095	-	46,229	173	-	967,746
Accumulated impairment	-	-	-	-	-	60,724	-	-	-	-	-	-	60,724
	-	(28,238)	-	(2,783)	-	(26,376)	-	(6,388)	-	(9,258)	(1,270)	-	(74,313)
Depreciation charge (note 4.4)	-	(39,742)	(220,067)	(57,945)	(127,962)	(8,956,798)	(151,847)	(408,089)	-	(159,925)	(155,276)	(150,277)	(10,427,928)
Net book value	344,168	392,289	5,448,813	528,676	1,804,628	214,189,658	568,419	1,946,653	721	1,761,293	4,400,353	2,089,850	233,475,521
As at December 31, 2019													
Cost	344,168	683,192	7,591,509	1,816,354	3,118,253	281,498,177	1,982,247	3,681,586	21,723	2,362,321	5,309,282	3,048,524	311,457,336
Accumulated depreciation	-	(169,281)	(2,142,696)	(691,820)	(1,313,625)	(65,132,539)	(1,413,828)	(1,648,842)	(21,002)	(601,028)	(908,929)	(958,674)	(75,002,264)
Accumulated impairment	-	(121,622)	-	(595,858)	-	(2,175,980)	-	(86,091)	-	-	-	-	(2,979,551)
Net book value	344,168	392,289	5,448,813	528,676	1,804,628	214,189,658	568,419	1,946,653	721	1,761,293	4,400,353	2,089,850	233,475,521
Annual rate of depreciation (%)	-	1 to 8	2.5 to 33	2.5 to 10	5	2.5 to 25	No. of production days	3 to 33	20	5 to 25	6.67	6.67 to 20	

(Amounts in thousand)

4.2 The details of immovable fixed assets (i.e. land and buildings) are as follows:

Description of assets	Address	Total Area of land in Acres
Dharki Plant & Colony	Dharki, Sindh	726.00
Zarkhez Plant	Port Qasim, Karachi	112.50
Rice Plant	13-KM Sheikhupura Road, Lahore	62.95
LNG Terminal	South Western Industrial Zone, Port Qasim, Karachi	13.18
Power plant and associated buildings	Deh Belo Sanghari, Ghotki, Sindh	41.50
Colony Land	Colony Road, Dharki, Ghotki, Sindh	16.40
Leasehold land	Thar Block II, Islamkot District, Sindh	215.00
Leasehold land	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	121.92
Production facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	3.26
Storage facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	2.21
Administration facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	0.60

4.3 The SECP, through S.R.O. 986(1)/2019 dated September 2, 2019 partially modified its previously issued S.R.O. 24/(1)/2012 dated January 16, 2012 and granted exemption to all companies that have executed their power purchase agreements before January 1, 2019, from the application of IAS 21 'The Effects of Changes in Foreign Exchange Rates' to the extent of capitalization of exchange differences. Accordingly, during the year, the Group has capitalized exchange gain of Rs. 986,415 (2018: exchange loss of Rs. 1,106,522) arising on foreign currency borrowings to the cost of the related property, plant and equipment.

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

	2019	2018
	Rupees	
Cost of goods sold (note 32.1)	9,623,651	6,905,789
Capital work-in-progress	55,657	-
Cost of services rendered (note 32.2)	469,139	478,016
Selling and distribution expenses (note 33)	116,222	71,384
Administrative expenses (note 34)	163,259	101,363
	10,427,928	7,556,552

4.4.1 During the year, as required under the EPCLs accounting policy, EPCL engaged an independent expert / valuer to carry out a reassessment of scrap values of certain items of plant and machinery and pipelines. Based on the valuation report of the expert, the scrap values of these assets have been increased from 0% - 5% to 5% - 17% of the cost of these assets with effect from January 1, 2019. This change in accounting estimate of scrap values has been accounted for prospectively in accordance with the requirements of IAS 8 "Accounting Policies, Change in Accounting Estimates and Errors" and has resulted in a decrease in depreciation charge for the year by Rs. 147,265. Further, based on the same report the useful lives of some of the major items of plant and machinery have also been increased by 4 years with effect from January 1, 2019 , resulting in a decrease in depreciation charge for the year by Rs. 61,841. This has also been accounted for prospectively as a change in accounting estimate as required under IAS 8.

Furthermore, during the year, EETPL re-estimated useful lives of capital dredging, leasehold land, jetty, plant and machinery which were revised. This change in accounting estimate has also been applied prospectively and the net effect of the change in current financial year was decrease in depreciation expense of Rs. 100,838 in capital dredging, Rs. 3,171 in leasehold land, Rs. 30,800 in plant and machinery and increase in depreciation of Rs. 31,140 in jetty. Assuming the assets are held until the end of their estimated useful lives, depreciation in future years in relation to these assets will be decreased by the same amount each year as stated above.

(Amounts in thousand)

4.5 The details of operating assets (having net book values in excess of Rs. 500) disposed / written-off during the year are as follows:

Description and method of disposal	Sold to	Relationship	Cost	Accumulated depreciation & impairment	Net book value	Sale proceeds	Gain \ (Loss)
			Rupees				
Plant and machinery							
By Group Policy							
- Diesel Generator 500 KVA	Power Control Sales & Services	-	3,500	205	3,295	1,321	(1,974)
- Cooling Towers	Muhammad Kamran	-	97,375	78,268	19,107	15,000	(4,107)
- Distribution transformer 1000 KVA	Muhammad Arshad	-	5,065	4,032	1,033	700	(333)
Items having net book value more than Rs. 500 each	N.R.S & Roshan Traders		4,230	3,262	968	791	(177)
			110,170	85,767	24,403	17,812	(6,591)
Furniture, fixture and equipment							
By Group policy to existing / resigned / retired executives			1,441	7	1,434	4,314	2,880
Write-off							
Items having net book value more than Rs. 500 each			314,329	313,799	530	3,669	3,139
			315,770	313,806	1,964	7,983	6,019
Vehicles							
By Group policy to existing / resigned / retired executives	M. Asif Sultan Tajik	Ex Employee	15,061	9,712	5,349	9,325	3,976
			15,061	9,712	5,349	9,325	3,976
Year ended December 31, 2019			441,001	409,285	31,716	35,120	3,404
Year ended December 31, 2018			102,833	84,650	18,183	40,830	22,647

(Amounts in thousand)

4.6 Capital work in progress

	2019	2018
	Rupees	
Leasehold land	32,000	153,769
Plant and machinery	14,617,340	97,041,079
Building and civil works including pipelines	217,917	388,289
Furniture, fixture and equipment	1,925,012	39,272
Advances to suppliers	449,902	96,734
Internally generated intangible asset	62,530	428,949
Dredging Maintenance	-	10,093
Other ancillary cost	203,820	168,296
	17,508,521	98,326,481
Balance as at January 1	98,326,481	52,994,469
Additions during the year (notes 4.6.2 and 4.6.3)	58,596,637	53,072,911
Transferred to:		
- operating assets (note 4.1)	(138,134,214)	(7,603,696)
- intangible assets (note 6)	(829,259)	(134,505)
- capital spares	(1,062)	(2,698)
Impairment (note 4.6.1)	(450,062)	-
Balance as at December 31	17,508,521	98,326,481

4.6.1 During the year, EDigital incurred a loss after taxation of Rs. 299,787 which includes an impairment loss of Rs. 272,787 on its internally generated intangible assets relating to development of digital and other related solutions/products for various industries. Further, the Holding Company has also recognized an impairment loss of Rs. 177,274 relating to the development of digital and other related solutions for various industries appearing in its books.

4.6.2 Includes, additions in civil works, infrastructure and electrical equipments acquired by Enfrashare under the asset sale and purchase agreements entered by it . The fair value of the assets acquired under the respective agreements amounted to Rs. 1,779,800.

4.6.3 Additions also include cost incurred in respect of PVC-III and VCM debottlenecking and other efficiency and reliability projects.

Further, it includes payments made by Engro Peroxide (Private) Limited to Chematur Engineering AB amounting to Rs. 317,292 against import of equipment for hydrogen peroxide plant. The plant is intended for construction on the land to be sub-let by Engro Peroxide (Private) Limited at Port Bin Qasim Industrial Area subject to the approval of Port Qasim Authority.

(Amounts in thousand)

5. RIGHT-OF-USE ASSET

	Office space / rented premises	Storage tanks	Buildings	FSRU	Total
Year ended December 31, 2019					
Recognition of right-of-use asset due to application of IFRS 16 (note 2.1.4)					
- Cost	1,222,538	2,778,739	66,704	45,002,470	49,070,451
- Accumulated depreciation	-	-	-	-	-
	1,222,538	2,778,739	66,704	45,002,470	49,070,451
Additions - net	1,216,400	318,319	-	-	1,534,719
Derecognition of right of use asset on account of sub-lease					
- cost	-	-	-	(45,002,470)	(45,002,470)
- accumulated depreciation	-	-	-	-	-
	-	-	-	(45,002,470)	(45,002,470)
Depreciation charge for the year (note 5.1)	(335,518)	(399,190)	(16,771)	-	(751,479)
Closing net book value	2,103,420	2,697,868	49,933	-	4,851,221
As at December 31, 2019					
Cost	2,438,938	3,097,058	66,704	-	5,602,700
Accumulated depreciation	(335,518)	(399,190)	(16,771)	-	(751,479)
Net book value	2,103,420	2,697,868	49,933	-	4,851,221

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

	Rupees
Cost of goods sold (note 32.1)	399,190
Cost of services rendered (note 32.2)	32,837
Administrative expenses (note 34)	295,820
	727,847

Depreciation amounting Rs. 23,632 was capitalized duringing the year.

(Amounts in thousand)

6. INTANGIBLE ASSETS

	Software and licenses	Right for future gas utilization	Total
		Rupees	
As at January 1, 2018			
Cost	633,475	102,312	735,787
Accumulated amortization and impairment	(447,925)	(35,010)	(482,935)
Net book value	185,550	67,302	252,852
Year ended December 31, 2018			
Opening net book value	185,550	67,302	252,852
Additions including transfers (notes 4.6 and 6.2)	134,505	-	134,505
Amortization charge (note 6.1)	(64,707)	(5,111)	(69,818)
Closing net book value	255,348	62,191	317,539
As at January 1, 2019			
Cost	767,980	102,312	870,292
Accumulated amortization and impairment	(512,632)	(40,121)	(552,753)
Net book value	255,348	62,191	317,539
Year ended December 31, 2019			
Opening net book value	255,348	62,191	317,539
Additions including transfers (notes 4.6 & 6.2)	829,259	-	829,259
Reclassification			
Cost	20,757	-	20,757
Accumulated amortization	(18,528)	-	(18,528)
	2,229	-	2,229
Amortization charge (note 6.1)	(183,050)	(5,111)	(188,161)
Closing net book value	903,786	57,080	960,866
As at December 31, 2019			
Cost	1,617,996	102,312	1,720,308
Accumulated amortization and impairment	(714,210)	(45,232)	(759,442)
Net book value	903,786	57,080	960,866

6.1 Amortization charge for the year has been allocated as follows:

	2019	2018
	Rupees	
Cost of goods sold (note 32.1)	79,236	24,248
Capital work-in-progress	4,634	-
Selling and distribution expenses (note 33)	15,290	11,530
Administrative expenses (note 34)	89,001	34,040
	188,161	69,818

6.2 This includes cost incurred in respect of One SAP project which is being amortised over a period of 8 years.

(Amounts in thousand)

7. LONG TERM INVESTMENTS

	2019 Rupees	2018 Rupees
Joint venture company - Engro Vopak Terminal Limited (EVTL) - (notes 7.1 to 7.3)	-	-
Investment in associates (notes 7.5 and 7.8):		
- FrieslandCampina Engro Pakistan Limited (FCEPL) 306,075,948 (2018: 306,075,948) ordinary shares of Rs. 10 each	27,793,485	28,174,476
Less: provision for impairment (note 7.4)	(1,224,304)	-
	26,569,181	28,174,476
- Sindh Engro Coal Mining Company (SECMC) 159,602,637 (2018: 111,254,177) ordinary shares of Rs.10 each	3,056,865	1,655,241
- Siddique Sons Energy Limited (SEL) 33,487,639 (2018: 26,267,639) ordinary shares of Rs. 10 each	331,854	258,981
- Pakistan Energy Gateway Limited (PEGL) advance against 10,000 ordinary share of Rs. 10 each	100	100
	29,958,000	30,088,798
Others, at cost		
- Arabian Sea Country Club Limited 500,000 Ordinary shares of Rs. 10 each	5,000	5,000
- GEL Utility Limited (GEL) 12,272,727 (2018: 12,272,727) ordinary shares of Naira 1 each	1,325,595	1,496,582
Less: Asset classified as held-for-sale (note 20)	(1,325,595)	-
	-	1,496,582
- Magboro Power Company		
Fair value as at January 1	154,560	154,560
Less: provision for impairment	(154,560)	(154,560)
	-	-
	29,963,000	31,590,380

7.1 Details of investment in EVTL is as follows:

	2019	2018
At beginning of the year	-	1,337,772
Add: Share of profit for the year (note 38)	1,014,206	1,187,907
Add: Provision adjustment in respect of tax contingency (note 26.6)	290,794	-
Less: Dividend received during the year	1,305,000	1,170,000
Less: Provision against tax contingency	-	1,355,679
	-	-

7.1.1 As a result of distribution of current year dividend by EVTL, the provision for tax contingency amounting to Rs. 1,355,679 previously set off against the carrying value of Group's investment in EVTL has been reduced by Rs. 290,794 representing the difference between the share of profit and dividend received by the Group. Accordingly, the net provision set off against the carrying value of Group's investment in EVTL now amounts to Rs. 1,064,885 (2018: Rs. 1,355,679).

7.2 As at December 31, 2019, the Holding Company held 45,000,000 ordinary shares (2018: 45,000,000 ordinary shares) of EVTL representing 50% of issued, subscribed & paid-up capital of EVTL.

(Amounts in thousand)

7.3 Cases for the tax year 2003 to tax year 2011 of EVTL to determine as to whether the income of EVTL is liable to be taxed under the Normal Tax Regime (NTR) or the Final Tax Regime (FTR) are pending in the Honorable Supreme Court of Pakistan (SCP) and the Sindh High Court (SHC). In this respect, EVTL has disclosed a contingent liability amounting to Rs. 4,921,167, in its financial statements representing potential taxation liability that EVTL may have to recognise if the aforementioned cases are decided against EVTL.

On the basis of prudence, the Group has recognized its proportionate share of the aforementioned potential taxation liability amounting to Rs. 229,530 this year bringing the total provision to Rs. 2,460,584 (2018: 2,231,054). This potential tax liability has been adjusted against the carrying value of its investment in EVTL to the extent of it being 'Nil' and the balance amount has been recognised as a provision (note 26) depicting the Group's constructive obligation to bear the potential exposure.

7.4 FrieslandCampina Engro Pakistan Limited (FCEPL), formerly Engro Foods Limited, is a public listed company, incorporated in Pakistan. The Holding Company holds 39.9% shareholding in FCEPL. The principal activity of FCEPL is to manufacture,process and sell dairy products, beverages, ice cream and frozen desserts. Earlier in 2016, the Holding Company partially disposed-off its investment in FCEPL resulting in it being recognized as an associate and the retained interest in FCEPL valued at the fair value on the date of disposal in accordance with the International Financial Reporting Standards (IFRS). As per the accounting policy of the Group, investment in associate is carried at cost in the consolidated financial statements which is adjusted for post-acquisition change in net assets. Accordingly, as at December 31, 2019, the carrying value of the Holding Company's investment in FCEPL was Rs. 90.81 per share, whereas the quoted price was Rs. 79.30 per share.

During the year, FCEPL incurred a loss after taxation of Rs. 954,865 against a profit after taxation of Rs. 63,783 for the financial year ended December 31, 2018. The weak financial performance is primarily impacted by macro-economic instability, impact of currency devaluations and high interest rates which resulted in significant reduction of margins. The Holding Company's management taking cognizance of the above as well as quoted price of FCEPL, as indicators of impairment, has conducted an impairment test for its long-term investment in FCEPL to determine the recoverable amount of the investment as required under International Accounting Standard 36 "Impairment of Assets". The recoverable amount has been determined by estimating the fair value of the shares and based on this estimation, provision for impairment of Rs. 1,224,304 has been recognized.

Despite challenging macroeconomic environment, FCEPL has shown considerable improvement in its volumes and market share during the year coupled with recent price increase of its products. Keeping this in view, the management is confident of improvement in financial performance of FCEPL in future periods.

(Amounts in thousand)

7.5 The summary of financial information of EVTL as of December 31, 2019 is as follows:

Statement of financial position

Particulars	2019	2018
	Rupees	
Cash and cash equivalents	121,854	11,665
Current financial liabilties (excluding trade and other payables)	200,000	-
Non-current financial liabilities (excluding trade and other payables)	-	-
Non-current assets	2,650,315	2,485,147
Current assets	758,093	650,025
Non-current liabilities	(507,045)	(9,095)
Current liabilities	(736,800)	(558,485)
	2,164,563	2,567,592
Group's share at 50% (2018: 50%)	1,082,282	1,283,796
Provision against tax contingency	(1,064,885)	1,355,679
Reversal of WWF	-	89,280
Others	(17,397)	(17,397)
Carrying amount	-	-

Statement of profit or loss and other comprehensive income

Particulars	2019	2018
	Rupees	
Revenue	3,991,594	3,277,133
Depreciation and amortization	237,356	225,511
Interest income	50,074	17,529
Income tax expense	1,199,79	313,594
Total comprehensive income for the year	2,206,971	2,197,255

7.6 Details of material investments in Associated Companies are as follows:

Particulars	2019				2018			
	FCEPL	GEL	SECMC	SEL	FCEPL	GEL	SECMC	SEL
	Rupees				Rupees			
At beginning of the year	28,174,476	1,496,582	1,655,241	258,981	28,271,457	1,218,689	1,208,203	-
Add:								
- Investment in associates	-	-	716,523	72,203	-	-	450,270	262,672
- Share of profit / (loss) for the year (note 38)	(380,991)	(170,987)	685,101	670	25,449	277,893	(3,232)	(3,691)
- Dividend received during the year	-	-	-	-	(122,430)	-	-	-
- Provision for impairment	(1,224,304)	-	-	-	-	-	-	-
	26,569,181	1,325,595	3,056,865	331,854	28,174,476	1,496,582	1,655,241	258,981

(Amounts in thousand)

7.7 The summary of financial information / reconciliation of Associated Companies in which the Group holds material investment as of December 31, 2019 / 2018 is as follows:

	FCEPL		GEL		SECMC		PEGL		SEL	
	Rupees									
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	38,857,336	32,439,451	2,518,661	2,042,270	17,010,726	35,411	-	-	-	-
Profit/(Loss) after tax	(954,865)	63,783	(379,972)	617,542	5,681,404	(27,132)	-	-	3,525	(19,431)
Other comprehensive income / (loss)	5,341	(57,183)	-	-	-	-	-	-	-	-
Total comprehensive income / (loss)	(949,524)	6,600	(379,972)	617,542	5,681,404	(27,132)	-	-	3,525	(19,431)
Non-current assets	12,975,543	13,190,947	9,820,958	9,159,657	72,802,841	62,532,381	-	-	1,508,895	1,051,082
Current assets	10,590,554	9,577,519	5,207,386	3,392,106	30,180,490	2,257,014	300	300	40,294	336,061
Total assets	23,566,097	22,768,466	15,028,344	12,551,763	102,983,331	64,789,395	300	300	1,549,189	1,387,143
Less:										
Non-current liabilities	3,613,752	4,616,413	6,285,797	3,506,240	55,944,604	43,451,571	-	-	-	-
Current liabilities	11,567,680	8,810,993	4,484,212	4,876,829	20,081,609	7,352,969	-	-	63,237	311,518
Total liabilities	15,181,432	13,427,406	10,770,009	8,383,069	76,026,213	50,804,540	-	-	63,237	311,518
Net assets	8,384,665	9,341,060	4,258,335	4,168,694	26,957,118	13,984,855	300	300	1,485,952	1,075,625
Group's share in %	39.9%	39.9%	45%	45%	11.91%	11.91%	33.33%	33.33%	19.00%	19.00%
Share of net assets	3,345,481	3,727,083	1,916,251	1,875,912	3,210,593	1,665,596	100	100	282,331	204,369
Recognition of investment at fair value	24,337,818	24,337,818	-	-	-	-	-	-	-	-
Others	110,186	109,575	(590,656)*	(379,330)	(153,728)	(10,355)	-	-	49,523	54,612
Provision for impairment	(1,224,304)	-	-	-	-	-	-	-	-	-
Carrying amount	26,569,181	28,174,476	1,325,595	1,496,582	3,056,865	1,655,241	100	100	331,854	258,984

* This primarily represents impact of exchange rate movement on net assets of foreign associate (GEL).

7.8 The comparison between quoted fair value and carrying amount of listed Associated Company is given below:

Name of entity	Place of business	Measurement method	Quoted Fair value		Carrying amount	
			2019	2018	2019	2018
			Rupees		Rupees	
FrieslandCampina Engro Pakistan Limited	5th Floor, The Harbour Front Building, Plot No. HC-3, Block-4, Scheme No.5, Clifton, Karachi	Equity Method	24,042,266	24,400,375	26,569,181	28,174,476

(Amounts in thousand)

8. DEFERRED TAXATION

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
	Rupees			
Engro Corporation Limited	14,344	-	-	249
Engro Fertilizers Limited	-	12,182,426	-	7,100,022
Engro Energy Limited	95,227	307,868	381,981	151,986
Engro Polymer and Chemicals Limited	115,822	-	-	390,146
Engro Elengy Terminal (Private) Limited	-	995,643	-	801,678
Engro Infiniti (Private) Limited	-	1,476	-	1,424
Net effect of consolidation adjustments	2,631	(88,023)	2,631	(17,142)
	228,024	13,399,390	384,612	8,428,363

8.1 Credit / (Debit) balances are on account of:

	2019	2018
	Rupees	
- Accelerated depreciation allowance	16,736,497	14,846,654
- Recoupable carried forward tax losses (note 8.2)	(1,267)	(431,194)
- Recoupable minimum turnover tax (note 8.3)	(559,037)	(537,505)
- Recoupable Alternative Corporate Tax (note 8.4)	(369,179)	(4,432,116)
- Provisions	(1,451,279)	(1,220,638)
- Net investment in lease	13,951,282	-
- Lease liability	(14,634,143)	-
- Others	(501,508)	(181,450)
	13,171,366	8,043,751

8.2 Relates to aggregate tax losses of EPCL available for carry forward amounting to 4,373 (2018: Rs. 1,539,979).

8.3 EPCL has recognized net deferred tax asset on recoupable minimum turnover tax in respect of current year amounting to Rs. 21,486 (2018: Rs. 27,374) as EPCL, based on its financial projections, expects to recoup it in the ensuing years. In 2013, the High Court of Sindh, in respect of another company, overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and decided that minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year or carried forward losses. EPCL's management is however of the view, duly supported by the legal advisor, that the above order would not be maintained by the Supreme Court, which EPCL intends to approach if required. Accordingly, EPCL has recognized deferred tax asset on recoupable minimum turnover tax.

8.4 Relates to Alternative Corporate Tax (ACT) adjustable upto 10 years.

(Amounts in thousand)

9. FINANCIAL ASSETS AT AMORTIZED COST

	2019	2018
	Rupees	
Investment in Term Deposit Receipts - (note 9.1)	5,421,150	-
Investment in Term Finance Certificates - (note 9.2)	500,000	-
	5,921,150	-

9.1 These denote term deposits aggregating to USD 35 million maintained with Dubai Islamic Bank Pakistan Limited by EPCL. These carry profit at the rate of 2.79% per annum and are due to mature in six equal annual installments of USD 5.833 million starting from July 15, 2021 and ending on January 15, 2024.

9.2 Represents investment in Term Finance Certificates amounting to Rs. 500,000 carrying markup at the rate of 3 months KIBOR with a margin of 1.6%.

10. NET INVESTMENT IN LEASE

	2019	2018
	Rupees	
Undiscounted lease payments analysed as:		
Recoverable after 12 months	72,653,572	-
Recoverable within 12 months	7,697,045	-
	80,350,617	-
Less: unearned finance income	(32,242,748)	-
Net investment in lease	48,107,869	-
Net investment in lease analysed as:		
Recoverable after 12 months	45,563,942	-
Recoverable within 12 months	2,543,927	-
	48,107,869	-
Maturity analysis of net investment in lease:		
within 1 year	2,543,927	-
between 1 and 2 years	3,015,124	
between 2 and 3 years	3,362,498	-
between 3 and 4 years	3,749,894	-
between 4 and 5 years	4,205,503	-
later than 5 years	31,230,923	-
	48,107,869	-

10.1 Net investment in lease relates to sublease under LSA, as more fully explained in (note 2.1.4). Group's implicit rate of return on net investment in lease is 11.52% per annum.

10.2 Lease rentals received during the year aggregate to Rs. 1,721,772 (2018: Nil).

(Amounts in thousand)

11. LONG TERM LOANS, ADVANCES AND OTHER RECEIVABLES
- Considered good

	2019 Rupees	2018 Rupees
Executives (notes 11.1 to 11.4)	571,757	593,082
Other employees (notes 11.2 and 11.4)	41,373	71,509
	613,130	664,591
Less: Current portion shown under current assets (note 15)	224,818	260,476
	388,312	404,115
Receivable from Sui Southern Gas Company Limited (SSGCL) (note 11.5)	1,006,086	1,037,487
Less: Current portion shown under current assets (note 15)	37,544	31,401
	968,542	1,006,086
Direct cost of Floating Storage & Regasification Unit (FSRU) (note 11.6)	879,577	966,093
Prepaid insurance and loan arrangement fee (note 11.7)	9,042,789	9,042,789
Less: Transaction cost netted off from related borrowings	7,996,840	7,335,346
	1,045,949	1,707,443
Other receivables	22,647	8,829
	3,305,027	4,092,566

11.1 Reconciliation of the carrying amount of loans and advances to executives:

	2019	2018
Balance as at January 1	593,082	480,566
Add: Disbursements	395,646	424,153
Less: Repayments / Amortization	(416,971)	(311,637)
Balance as at December 31	571,757	593,082

11.2 Long term loans include:

- interest free services incentive loans to executives repayable in equal monthly installments over a four years period or in one lump sum payment at the end of such period;
- interest free loans given to workers pursuant to Collective Labour Agreement; and
- advances to employees for car earn out assistance, long term incentive and house rent advance.

11.3 The maximum amount outstanding at the end of any month from the executives of the Group aggregated to Rs. 630,340 (2018: Rs. 593,082).

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

(Amounts in thousand)

11.5 In 2014, Engro Elengy Terminal (Private) Limited (EETPL) entered into LNG Operation and Services Agreement (LSA) with SSGCL. As per the terms of the LSA, EETPL was required to construct a pipeline (SSGCL Branch Pipeline) and transfer it to SSGCL upon commissioning of the LNG Project and recover the cost of construction through recovery of capacity charges to be billed to SSGCL on a monthly basis. EETPL constructed and transferred the SSGCL Branch Pipeline to SSGCL on March 29, 2015, for which the Certificate of Acceptance has been received from SSGCL. The receivable represents construction costs incurred in this respect net of recoveries.

11.6 On June 19, 2015, EETPL received a notice from Model Customs Collectorate (the 'Customs Authorities') seeking information on import of FSRU and contending that the import attracts all leviable duties and taxes i.e. customs duty and advance income tax. EETPL was of the view that the FSRU had been classified as plant, machinery and equipment vide SRO 337(I)/2015 dated April 22, 2015 and accordingly, along with sales tax, custom duty is also exempt under SRO 678(I)/2004 dated August 7, 2004, read with condition (vii) relating to the clause 2(a), being of the nature of import-cum-export or temporary import of plant, machinery and equipment.

Further, since the EETPL's profits and gains are exempt from income tax for 5 years from the date of commercial operations, EETPL is also entitled to exemption from collection of advance income tax. The Customs Authorities were not in agreement with EETPL's views on the same and to treat import of FSRU for 15 years as a temporary import. The EETPL in response filed a suit before the High Court of Sindh (the 'Court') which through its order dated June 29, 2015 had restrained Customs Authorities from collection of customs duty and advance income tax.

The Court, in judgement passed on May 26, 2016, held EETPL liable to custom duty and remanded the matter related to advance tax to Customs Authorities with directions. EETPL in response to the aforementioned judgement and demand raised by Customs Authorities has paid an amount of Rs. 1,325,103 in respect of custom duty. This is being amortized over the term of 15 years.

11.7 These primarily represent payments made to China Export and Credit Insurance Bank (Sinosure) by Engro Powergen Thar (Private) Limited (EPTPL) amounting to Rs. 7,094,310, in connection with insurance cover obtained over financing arrangements relating to Chinese lenders, and payments to various financial institutions in respect of transaction and related cost for loan arrangements. The portion of the above costs, Rs. 7,996,840 (2018: Rs. 7,335,346), which relate to facilities actually utilized has been adjusted against related borrowings and is being amortized over the term of the loan. The balance amount of Rs. 1,045,949 (2018: Rs. 1,707,443), will be recognized as transaction cost over the term of financing upon draw down of facilities.

12. STORES, SPARES AND LOOSE TOOLS

	2019 Rupees	2018 Rupees
Consumable stores	7,931,345	2,539,343
Spares and loose tools including in-transit Rs. 9,422 (2018: Rs. 135,955)	744,115	5,995,597
	8,675,460	8,534,940
Less:		
Provision for surplus and slow moving items (note 12.1)	1,038,129	847,071
	7,637,331	7,687,869

12.1 Provision for surplus and slow moving items

	2019	2018
Balance as at January 1	847,071	581,966
Charge for the year, net	191,058	265,105
Balance as at December 31	1,038,129	847,071

(Amounts in thousand)

13. STOCK-IN-TRADE

	2019	2018
	Rupees	
Raw and packaging material (note 13.1)	3,972,227	4,145,072
Unprocessed rice	1,417,114	1,110,699
Fuel stock	474,106	379,474
Work-in-process	73,289	43,373
Finished goods:		
- own manufactured product (note 13.1)	4,900,819	2,596,777
- purchased product net of NRV (notes 13.1)	9,075,785	8,952,883
	13,976,604	11,549,660
	19,913,340	17,228,278

13.1 Includes:

- materials in transit amounting to Rs. 632,450 (2018: Rs. 1,406,643);
- provision in respect of net realizable value amounting to Rs. 28,785 (2018: Rs. 30,000); and
- inventories held at storage facilities of third parties amounting to Rs. 1,444,124 (2018: Rs. 557,703).

14. TRADE DEBTS

	2019	2018
	Rupees	
Considered good		
- secured (note 14.1, 14.2 and 14.3)	50,475,120	18,374,458
- unsecured	1,341,773	255,010
	51,816,893	18,629,468
Considered doubtful (note 14.6)	66,249	56,269
	51,883,142	18,685,737
Less: provision for impairment (note 14.6)	66,249	56,269
	51,816,893	18,629,468

14.1 Includes trade debts of EPQL amounting to Rs. 9,806,697 (2018: Rs. 7,601,705) which alongwith delayed payment charges are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and as such are considered good. This is inclusive of overdue debt of Rs. 7,698,404 (2018: Rs. 4,964,826).

14.2 Include an amount of Rs. 1,423,608 (2018: Rs.1,257,583) due from SSGCL, in respect of finance income on net investment in lease, operating lease rentals, utilization / regassification services and operations and maintenance services.

14.3 Includes Trade debts of EPTL amounting to Rs. 14,372,385 (2018: Nil) due from from Central Power Purchasing Authority (CPPA). Trade debts, including delayed payment charges are secured by guarantee under Implementation Agreement and as such are not considered impaired.

14.4 As at December 31, 2019, trade debts aggregating to Rs. 24,596,501 (2018: Rs. 13,536,854) were neither past due nor impaired.

(Amounts in thousand)

14.5 As at December 31, 2019, trade debts aggregating to Rs. 66,249 (2018: Rs. 56,269) were past due and impaired and have been provided for.

14.6 The movement in provision during the year is as follows:

	2019	2018
	Rupees	
Balance as at January 1	56,269	39,039
Add: Provision for impairment	39,009	17,230
Trade debts written off as uncollectible	(29,029)	-
Balance as at December 31	66,249	56,269

14.7 As at December 31, 2019, trade debts aggregating to Rs. 27,154,143 (2018: Rs. 5,092,614) were past due but not impaired. These relate to various customers for which there is no recent history of default.

	2019	2018
- Upto 3 months	22,185,214	5,003,380
- 3 to 6 months	3,598,878	89,234
- More than six months	1,370,051	-
	27,154,143	5,092,614

14.8 Details of amounts due from associated undertakings / related parties are as follows:

	2019	2018
- FrieslandCampina Engro Pakistan Limited	-	340
- GEL Utility Limited	187,045	154,172
- Tenaga Generasi Limited	160,555	57,534
- Siddiqsons Energy Limited	-	7,931
	347,600	219,977

14.9 The ageing analysis of past due receivables from associated undertakings / related parties are as follows:

	2019	2018
- Upto 3 months	50,233	45,336
- 3 to 6 months	90,077	47,008
- More than 6 months	20,391	35,444
	160,701	127,788

14.10 The maximum amount due from related parties at the end of any month during the year amounts to Rs. 368,753 (2018: 427,938).

(Amounts in thousand)

15. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

	2019	2018
	Rupees	
Current portion of long term loans and advances to executives and other employees (note 11)	224,818	260,476
Advances to executives and other employees (notes 15.1)	15,592	21,806
Current portion of receivable from SSGCL (note 11)	37,544	31,401
Advances and deposits	1,815,567	1,335,879
Loan to Engro Vopak Terminal Limited (note 15.2)	200,153	-
Prepayments:		
- insurance	429,067	308,323
- others	2,145,640	1,212,785
	4,868,381	3,170,670

15.1 Represents interest free advances to executives and employees for house rent, given in accordance with the Group's policy.

15.2 Represents subordinated loan extended during the year to Engro Vopak Terminal Limited, a joint venture, by the Holding Company, pursuant to agreement entered into on December 30, 2019.The loan carries mark-up at the rate of 6 months KIBOR plus 0.50% per annum payable in one lump sump payment at the time of repayment of loan. The loan is repayable on June 30, 2020.

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

15.4 The maximum amount due at the end of any month during the year amounts to Rs. 440,410 (2018: 282,282)

(Amounts in thousand)

16. OTHER RECEIVABLES

	2019	2018
	Rupees	
Receivable from Government of Pakistan against:		
- Sales tax refundable	4,246,249	2,731,011
- Subsidy (notes 16.1 and 16.2)	6,368,366	6,368,366
	10,614,615	9,099,377
- Others	54,730	54,730
Less: Provision for impairment (note 16.7)	54,730	54,730
	-	-
	10,614,615	9,099,377
Delayed payment charges (note 16.3)	2,873,966	1,353,411
Reimburseable costs from NTDC in respect of:		
- Workers' profits participation fund	608,116	272,260
Receivable from:		
- Engro Vopak Terminal Limited	26,393	7,140
- GEL Utility Limited	39,087	34,992
- Engro Foundation	24,415	1,152
- Thar Foundation	3,022	-
- Sindh Engro Coal Mining Company Limited	31,593	45,128
- Thar Power Company Limited	643,461	2,428
- FrieslandCampina Engro Pakistan Limited	2,202	49,229
- Dawood Hercules Corporation Limited	-	798
- China East Resources Import and Export Corporation (note 16.4)	1,908,181	12,354
Insurance claim receivable	99,546	483,131
Others	403,081	86,168
	17,277,678	11,447,568

16.1 During 2015, the Government of Pakistan (GoP) had notified payment of subsidy on sold product at the rate of Rs. 500 per 50 kg bag of Di-Ammonia Phosphate (DAP), 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, another subsidy scheme was announced by the GoP effective June 25, 2016 whereby subsidy was payable on sold product at the rate of Rs. 156 per 50 kg bag of Urea, 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 the 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.

16.2 As at December 31, 2019, the aggregate provision in respect of receivable from GoP amounts to Rs. 155,127 (2018: Rs. 155,127).

(Amounts in thousand)

16.3 This includes mark-up on overdue trade debts of EPQL amounting to Rs. 2,485,061 (2018: 1,353,411) of which Rs. 1,463,031 (2018: Rs. 1,078,469) is overdue.

16.4 Includes receivable of Rs. 1,866,499 in respect of fuel cost incurred by EPTL during commissioning of its power plant. The amount is net of Pre-COD sales amounting to Rs. 3,781,437.

16.5 The ageing analysis of past due receivables from associated undertakings / related parties are as follows:

	2019	2018
	Rupees	
Upto 3 months	355,779	77,245
3 to 6 months	36,817	24,064
More than 6 months	-	8,129
	392,596	109,438

16.6 The maximum amount due from related parties at the end of any month during the year amounts to Rs. 2,678,507 (2018: 153,221).

16.7 As at December 31, 2019, receivables aggregating to Rs. 54,730 (2018: Rs. 54,730) were deemed to be impaired being outstanding for more than six months and provided for.

17. CONTRACT ASSET

	2019	2018
	Rupees	
Capacity Purchase Price component of tariff - EPTL (note 17.1)	4,896,901	-
Monthly Energy Shortfall - EPQL (note17.2)	416,382	-
	5,313,283	-

17.1 This includes unbilled revenue in respect of Capacity Purchase Price (CPP) component of tariff in the Power Purchase Agreement (PPA) for the period July 10, 2019 to December 31, 2019. EPTL expects to raise the invoice for billing and recovery of the amount once the decision of NEPRA in the matter is received.

17.2 This represents receivable on account of take-or-pay cost in accordance with section 3.3 of the Gas Supply Agreement, associated with the "Monthly Energy Shortfall" for the months of November and December 2019.

18. SHORT TERM INVESTMENTS

	2019	2018
	Rupees	
At fair value through profit or loss		
Investment in units of mutual fund (note 18.1)	27,372,021	200,000
At fair value through other comprehensive income		
Pakistan Investments Bonds (note 18.2)	1,795,904	7,699,778
Treasury bills (note 18.3)	35,532,891	58,642,472
	37,328,795	66,342,250
At amortized Cost		
Fixed income placements (note 18.4)	4,677,644	4,587,031
Treasury bills (note 18.3)	4,625,684	2,497,835
Pakistan Investment Bonds	-	8,164,204
	9,303,328	15,249,070
	74,004,144	81,791,320

(Amounts in thousand)

18.1 The details of investment in mutual funds are as follows:

	Number of units	Amount in Rupees
NBP Money Market Fund	1,678,960,126	1,678,960
UBL Liquidity Plus Fund	200,000,000	200,000
UBL Special Savings Plan - V	6,514,697,526	6,514,698
NIT Money Market Fund	1,054,911,868	1,054,912
ABL Special Savings Plan - II	3,547,335,915	3,547,336
ABL Special Savings Plan - III	4,113,840,000	4,113,840
MCB Cash Management Optimizer	3,922,513,575	3,922,514
Meezan Rozana Amdani Fund	205,182,881	205,183
Alfalah GHP Cash Fund	6,137,663,043	6,134,578
	27,375,104,934	27,372,021

18.2 These bonds carry interest at rates ranging upto 13.36% per annum.

18.3 These represent treasury bills carrying interest at the rate ranging upto 13.91% per annum. These have maturity dates of upto one year from the reporting date.

18.4 These represent placements with banks and carry interest ranging upto 17% per annum.

19. CASH AND BANK BALANCES

	2019	2018
	Rupees	
Balances with banks in:		
- deposit accounts (notes 19.1 and 19.2)	18,381,052	8,364,887
- deposit accounts - islamic (notes 19.3)	546,843	948,160
- current accounts	1,960,477	2,533,128
Cheques / Demand drafts in hand	100	32,653
Cash in hand	4,262	1,983
	20,892,734	11,880,811

19.1 Local currency conventional deposits carry return up to the rate of 11.25% (2018: 9%) per annum.

19.2 Includes Rs. 3,776,536 (2018: Rs. 4,253,965) held in foreign currency bank accounts and carry return ranging upto of 1% (2018: 1%) per annum.

19.3 These are shariah compliant bank balances and carry profit at rates ranging from 6% to 8.5% (2018: 4.5% to 6.0%) per annum.

20. ASSETS CLASSIFIED AS HELD FOR SALE

As noted in note 7, carrying value of EEL's investment in GEL Utility Limited (GEL) amounting to Rs. 1,325,595 (Cost as at December 31, 2019: Rs. 536,400) has been classified as Held-for-Sale. The management is committed in its plan to dispose-off this investment and expects the sale to be executed within 12 months from the reporting date.

(Amounts in thousand)

21. SHARE CAPITAL

21.1 Authorized capital

2019	2018		2019	2018
(Number of shares)			Rupees	
700,000,000	550,000,000	Ordinary shares of Rs. 10 each (note 21.5)	7,000,000	5,500,000

21.2 Issued, subscribed and paid-up capital

2019	2018		2019	2018
(Number of shares)			Rupees	
197,869,804	197,869,804	Ordinary shares of Rs. 10 each fully paid in cash	1,978,699	1,978,699
378,293,426	325,914,951	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	3,782,933	3,259,149
576,163,230	523,784,755	(note 21.6)	5,761,632	5,237,848

21.3 As at December 31, 2019, Dawood Hercules Corporation Limited (the Parent Company) and associated companies respectively held 214,469,810 and 39,438,015 (2018: 194,972,555 and 33,825,286) ordinary shares in the Holding Company.

21.4 These fully paid ordinary shares carry one vote per share and right to dividend.

21.5 During the year, the Holding Company increased its authorised share capital from Rs. 5,500,000 to Rs. 7,000,000.

21.6 During the year, the Holding Company issued bonus shares in the ratio of 1 share for every 10 shares held. Accordingly, 52,378,476 shares were issued.

22. MAINTENANCE RESERVE

In accordance with the Power Purchase Agreement (PPA), Engro Powergen Qadirpur Limited (EPQL) is required to establish and maintain a separate reserve fund (the Fund) with a depository institution for payment of major maintenance expenses. Any interest income resulting from the depository arrangements of the Fund is to remain in the Fund to the extent of any shortfall from the contractual limit.

Under the PPA, 1/24th of the annual operating and maintenance budget of the Power Plant less fuel expenses is required to be deposited into the Fund on each capacity payment date until such reserve equals to nine such deposits. After the second agreement year and thereafter the Fund may be re-established at such other level that EPQL and NTDC mutually agree.

In 2012 EPQL, due to uncertain cash flows resulting from delayed payments by NTDC has, as per flexibility available under the PPA, reduced the amount deposited in a schedule bank, which has been invested in Treasury Bills having a face value of Rs. 56,200 (2018: Rs 50,004) as at December 31, 2019 (note 18). Till such time the amount is deposited again to the required level, the Company has unutilized short term financing available to meet any unexpected maintenance requirement that may arise in the foreseeable future.

(Amounts in thousand)

23. BORROWINGS

- Secured (Non-participatory)

	2019	2018
	Rupees	
Engro Rupiya Certificates (note 23.1)	-	998,164
Islamic Finances (note 23.2)	18,245,391	5,039,803
Conventional Finances (note 23.3)	50,992,449	52,117,423
Foreign currency borrowings and others (note 23.4)	89,218,601	73,271,005
	158,456,441	131,426,395
Less: Current portion shown under current liabilities	19,856,424	10,315,924
	138,600,017	121,110,471

23.1 Engro Rupiya Certificates

	Note	Mark-up	Installments Number	Installments Commenced/ Commencing from	2019	2018
					Rupees	
Engro Islamic Rupiya Certificates II	23.1.1	13.5%	Lump sum	July 10, 2019	-	998,164

23.2 Islamic Finances

	Note	Mark-up	Installments Number	Installments Commenced/ Commencing from	2019	2018
Dubai Islamic Bank Limited		6 months KIBOR + 0.4%	4 half yearly	November 28, 2018	200,000	600,000
Privately Placed Subordinated Sukuk Certificates	23.2.1	6 months KIBOR + 1.75%	10 half yearly	January 9, 2015	-	1,118,527
Standard Chartered Bank (Pakistan) Limited		6 Months KIBOR + 0.8%	1 bullet payment	March 18, 2018	-	199,687
Islamic Facility Agreements	23.2.2	3 months KIBOR + 3.5%	20 half yearly		4,000,000	3,121,589
Sukuks	23.2.3	3 months KIBOR + 0.9%	5 half yearly	July 10, 2024	8,623,541	-
Bilateral Loan	23.2.4	6 months KIBOR + 0%	6 half yearly	July 15, 2021	5,421,850	-
					18,245,391	5,039,803

(Amounts in thousand)

23.3 Conventional Finances

	Note	Mark-up	Installments Number	Installments Commenced/ Commencing from	2019 Rupees	2018 Rupees
Bilateral - IV	23.3.1	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	-	1,500,000
Bilateral - V	23.3.1	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	-	1,500,000
Bilateral - VI	23.3.1	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	-	750,000
Bilateral - VIII	23.3.1	6 months KIBOR + 0.8%	6 half yearly	June 1, 2019	-	1,000,000
Bilateral - IX	23.3.1	6 months KIBOR + 0.4%	6 half yearly	June 30, 2020	-	750,000
Bilateral - X	23.3.1	6 months KIBOR + 0.4%	6 half yearly	June 26, 2020	-	2,000,000
Allied Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	2,000,000	2,000,000
National Bank of Pakistan		6 Months KIBOR + 0.2%	4 half yearly	June 28, 2022	1,000,000	1,000,000
Deutsche Investitions und Entwicklungsgesellschaft		6 Months LIBOR + 3.75%	9 half yearly	December 15, 2019	2,071,917	2,082,897
Allied Bank Limited		6 Months KIBOR + 0.2%	4 half yearly	June 28, 2022	2,100,000	2,100,000
Samba Bank Limited		6 Months KIBOR + 1.2%	14 half yearly	April 1, 2013	-	99,852
Allied Bank Limited	23.3.2	3 months KIBOR + 0.35%	6 half yearly	June 30, 2022	2,500,000	-
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
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 + 0.05%	4 half yearly	March 28, 2021	1,500,000	1,500,000
MCB Bank Limited	23.3.2	3 months KIBOR + 0.25%	12 quarterly	June 30, 2022	2,500,000	-
MCB Bank Limited		6 Months KIBOR + 0.20%	4 half yearly	December 29, 2021	3,000,000	3,000,000
JS Bank Limited		SBP Rate + 2%	20 Quarterly	June 27,2019	90,000	-
National Bank of Pakistan	23.2.2	3 months KIBOR + 3.5%	20 half yearly		3,134,000	2,954,007
HBL-led consortium	23.2.2	3 months KIBOR + 3.5%	20 half yearly		17,016,000	12,771,001
					50,992,449	52,117,423

23.4 Foreign Borrowings and Others

	Note	Mark-up	Installments Number	Installments Commenced/ Commencing from	2019	2018
International Financial Institutions		6 months LIBOR + 3%	24 half yearly	December 15, 2010	861,800	3,563,099
China Development Bank Corporation (CDBC), China Construction Bank Corporation (CCBC) and Industiral and Commercial Bank of China Limited (ICBCL)	23.4.1	6 months LIBOR + 4.2%	20 half yearly	December 21, 2015	77,844,158	63,498,057
International Finance Corporation		6 month LIBOR + 5%	16 half yearly	June 15, 2016	1,369,774	1,579,326
International Finance Corporation	23.4.2	6 months LIBOR + 3.25%	6 half yearly	July 15, 2021	5,343,489	-
Asian Development Bank		6 month LIBOR + 5%	16 half yearly	June 15, 2016	2,055,951	2,370,604
Local Syndicate Loan		6 month KIBOR + 1.8%	16 half yearly	June 15, 2016	1,743,429	2,259,919
					89,218,601	73,271,005

23.1.1 During the year, the entire amount raised from general public against the issuance of Engro Islamic Rupiya (EIR) Certificates - II was repaid to the certificate holders on maturity along with the markup thereon.

23.2.1 Privately Placed Subordinated Sukuk (PPSS) has been completely paid off during the year by EFert.

(Amounts in thousand)

23.2.2 EPTPL has entered into following loan agreements:

- Rupee Facility Agreement with an HBL-led consortium (comprising HBL, United Bank Limited, Bank Alfalah Limited, Askari Bank Limited, Soneri Bank Limited, Sindh Bank Limited, Bank of Punjab, MCB Bank Limited, Faysal bank Limited, Pak Oman Investment Company Limited (pursuant to sell down of a portion of loan by United Bank Limited), Industrial and Commercial Bank of China, National Bank of Pakistan and Pak Brunei Investment Company Limited for an aggregate amount of Rs.17,016,000. As at December 31, 2019, EPTL has made a draw down of the entire amount (2018: Rs. 13,279,243) against this facility.

- Bilateral Facility Agreement with National Bank of Pakistan for an aggregate amount of Rs. 3,134,000. As at December 31, 2019, EPTL has made a draw down of the entire amount (2018: Rs. 2,445,765) against this facility.

- Islamic Facility Agreements with three banks namely Meezan Bank Limited, Faysal Bank Limited and Habib Bank Limited for an aggregate amount of Rs. 4,000,000. As at December 31, 2019, EPTL has made draw down of the entire amount (2018: Rs. 3,121,589) against this facility.

These loans are repayable in 20 semi-annual installments commencing from the earlier of (i) First fixed date falling after 48 months since facility effective date and (ii) Second fixed date falling after Commercial Operations Date; where fixed dates are defined as First June or First December of any year and carries profit at the rate of 3 months KIBOR plus 3.5%. Further, the Shareholders of EPTPL have committed to provide cost overrun support for 10% of entire debt and pledge shares in favor of the Security Trustee. Additionally, shareholders other than Habib Bank Limited (HBL) have also provided SBLCs as coverage for their equity commitments in the project.

23.2.3 During the year, EPCL has issued sukuk bonds of Rs. 8,750,000 to eligible institutional and other investors by way of private placement. These are repayable over a period of 7.5 years in five equal semi annual installments of Rs. 1,750,000 each with the first repayment commencing in July 2024.

23.2.4 During the year, EPCL has entered into a musharaka agreement with Dubai Islamic Bank Pakistan Limited (DIBPL). Rental payments are to be made in nine semi-annual installments commencing from January 15, 2020 and ending on January 15, 2024 and are calculated at the rate of six months KIBOR plus 0% per annum. has made early repayment of the long-term loans outstanding as at December 31, 2018.

23.3.1 During the year, EPCL has made early repayment of the long-term loans outstanding as at December 31, 2018.

23.3.2 During the year, EFert 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.

23.4.1 EPTPL entered into a USD Facility Agreement on December 21, 2015 with three commercial banks namely China Development Bank Corporation, China Construction Bank Corporation and Industrial and Commercial Bank of China Limited for an aggregate amount of USD 621,000 for a period of 14 years. The amount is repayable in 20 semi-annual installments commencing from the earlier of (i) First fixed date falling after 48 months since facility effective date and (ii) Second fixed date falling after Commercial Operations Date; where fixed dates are defined as First June or First December of any year. This loan carries mark-up at the rate of 6 month Libor plus 4.2%. The facility is secured primarily through First ranking hypothecation charge over the project assets of the EPTPL. Further, the shareholders of EPTPL have committed to provide cost overrun support for 10% of entire debt and pledge shares in favor of the Security Trustee. Additionally, shareholders other than Habib Bank Limited (HBL) have also provided Stand By Letter of Credits (SBLCs) as coverage for their equity commitments in the project. As at December 31, 2019, EPTPL has made draw down of USD 545,462 (December 31, 2018: USD 504,731) against this facility.

(Amounts in thousand)

23.4.2 In 2018, EPCL had entered into an Ijarah Agreement with International Finance Corporation for a total of US Dollars 35,000 the draw down of which has been made in December 2019. The principal is repayable in six semi-annual instalments commencing from July 2021 and carries markup at the rate of six months LIBOR plus 3.25% payable semi annually. has made early repayment of the long-term loans outstanding as at December 31, 2018.

23.5 These finances are secured primarily through first ranking hypothecation charge over all the present and future movable properties, including all types of investments of the Group except for present and future trademarks, copyrights and certain investments.

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

23.7 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	131,426,395	90,743,123
Add		
Borrowings availed during the year	36,301,402	42,063,523
Exchange loss	8,989,721	14,155,523
Amortization of transaction cost	81,501	562,358
Less:		
Repayment of borrowings	(18,325,942)	(13,387,841)
Transaction costs	(16,636)	(2,710,291)
	158,456,441	131,426,395
Less: current portion shown under current liablities	(19,856,424)	(10,315,924)
Balance as at December 31	138,600,017	121,110,471

(Amounts in thousand)

24. LEASE LIABILITY

	2019	2018
	Rupees	
Non-current portion	50,941,216	-
Current portion	4,406,997	-
Total lease liability as at December 31	55,348,213	-

24.1 Represents liability recognized upon recognition of right of use assets as explained in note 2.1.4.

25. DEFERRED LIABILITIES

	2019	2018
	Rupees	
Retirement and other service benefits obligations	363,680	373,638
Deferred incentive revenue (note 25.1)	1,248,868	-
Deferred liability on FSRU (note 25.2)	901,439	-
Deferred income	57,654	-
Provision for dismantling & restoration cost (note 25.3)	197,926	-
	2,769,567	373,638
Less: Current portion shown under current liabilities	430,358	113,852
	2,339,209	259,786

25.1 Deferred incentive revenue has been recorded in respect of the following agreements entered into by Enfrashare during the year with its customers for construction, maintenance and operation of telecommunication infrastructure and allied equipment, provision of energy solutions and energy management services whereby Enfrashare provided a discount:

- in respect of service fee charged to it for an initial period of three years from the respective site commencement date. The related discount was provided against the discounted cash consideration under the asset sale and purchase agreements. Present value of the discount amounted to Rs 696,000. The said amount has been recognised as part of the total consideration against assets acquired under the asset sale and purchase agreements and a corresponding deferred incentive revenue has been recognised in this respect which is amortised over a three years period from the site commencement date on the basis of monthly service fee accrued under the agreement.

- against total amount of consideration to be charged to the customers for provision of energy solutions and energy management services. Present value of the discount amounted to Rs 475,000. The said amount has been recognised as part of the total consideration against assets acquired under the asset sale and purchase agreements and a corresponding deferred incentive revenue has been recognised in this respect which is amortised over a period of four and a half years from the date after six months of the project completion date.

25.2 Represent excess of billing over operating lease income in respect of Elengy Terminal. Income is recognized over a straight line basis.

25.3 Represents provision recognized for cost of dismantling of infrastructure and allied equipment for tenanted sites acquired from PMCL and Deodar under sale and purchase agreement.

(Amounts in thousand)

26. TRADE AND OTHER PAYABLES

	2019 Rupees	2018
Creditors	17,772,664	13,593,382
Accrued liabilities (notes 26.1 to 26.4)	57,734,571	27,608,976
Provision against tax contingency of EVTL (notes 7.3 and 26.6)	1,395,698	875,375
Advances from customers	2,047,196	4,833,749
Contractors'/ suppliers' deposits and retention money (note 26.7)	298,709	126,874
Workers' welfare fund (note 26.5)	1,338,155	1,856,394
Workers' profits participation fund	461,475	380,185
Sales tax payable	135,432	139,882
Payable to retirement benefit funds	278,551	22,668
Contract Liability	416,382	-
Withholding tax payable	531,622	220,298
Payable to :		
- Dawood Hercules Corporation Limited	50,869	-
- FrieslandCampina Engro Pakistan Ltd	-	1,562
- FrieslandCampina Pakistan Holdings B.V.	173,308	-
- Sindh Engro Coal Mining Company	19,434,879	-
- Engro Vopak Terminal Limited	92,358	178,137
Others	644,851	533,796
	102,806,720	50,371,278

26.1 Includes accrual for Gas Infrastructure Development Cess (GIDC) relating to EFert amounting to Rs. 18,943,544 (2018: Rs. 12,576,404). 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, EFert obtained an injunction / stay order based on the fact that since EFert is not a party to the case, hence, the suspension is not applicable to the EFert'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.

26.2 Includes accrual in respect of gas charges amounting to Rs. 414,492 (2018: Rs. 786,118).

26.3 Includes Sindh Infrastructure Development Cess amounting to Rs. 751,951 (2018: Rs. 595,500).

26.4 Includes accruals recorded in respect of the following related parties:

(Amounts in thousand)

	2019 Rupees	2018
China Machinery Engineering Corporation	10,656,411	-
China East Resources Import and Export Corporation	645,134	-
Sindh Engro Coal Mining Company Limited	-	2,070
Thar Power Company Limited	255,433	-
	11,556,978	2,070

26.5 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.

26.6 The movement in provision is as follows:

	2019 Rupees	2018
Balance at the beginning of the year	875,375	-
Provision recognized for the year (note 36)	229,529	875,375
	1,104,904	875,375
Provision adjustment in respect of tax contingency (note 7.1)	290,794	-
	1,395,698	875,375

26.7 This includes deposits amounting to Rs. 252,357 (2018: Rs. 98,188) which have been kept in a separate bank accounts. This also includes deposits amounting to Rs 34,120 (2018: Rs. 24,710) which are fully utilised in business in accordance with the requirements of written agreements and in terms of section 217 of the Companies Act, 2017.

27. ACCRUED INTEREST / MARK-UP

	2019 Rupees	2018
Accrued interest / mark-up on:		
- long term borrowings	2,672,374	2,145,752
- short term borrowings	643,388	96,934
	3,315,762	2,242,686

28. SHORT TERM BORROWINGS

	2019 Rupees	2018
Running finances utilized under mark-up arrangements (note 28.1)	10,574,339	5,973,142
Shariah compliant short term finance (note 28.2)	3,075,009	668,065
Money market loans (note 28.3)	1,662,000	-
Export refinance facility (28.4)	200,000	-
	15,511,348	6,641,207

(Amounts in thousand)

28.1 The short-term running finances available to the Group from various banks under mark-up arrangements amounts to Rs. 46,602,000 (2018: Rs. 41,867,000). The rates of mark-up on these finances are KIBOR based and range from 0.2% to 0.5% per annum over the relevant period KIBOR (2018: 0.2% to 1.5% over the relevant period KIBOR). The aggregate running finances are secured by way of hypothecation of ranking floating charge over present and future loans, advances, receivables, stocks, book debts, and other current assets and pledge over shares.

28.2 The shariah compliant finances available to the Group from various banks carry profit rate of 3-Month KIBOR plus 1.10 % per annum (2018: 3% to 11.9%). These facilities are secured by way of floating charge on all present and future current assets of the respective Group companies.

28.3 These represent money market loans obtained from commercial banks carrying mark-up ranging from 13.65% to 14.41% per annum. These loans were obtained for a period ranging from 9 to 90 days and were secured by a joint parri passu floating charge over stocks and book debts of EPCL.

28.4 This represents export refinancing facility carrying mark-up at the rate of 3% (2018: Nil) on a rollover basis for six months. This facility is secured by a joint pari passu floating charge over stocks and book debts of the Company.

29 UNCLAIMED DIVIDENDS

Includes unclaimed dividend amounting to Rs. 215,179 (2018: Rs. 157,589) outstanding for more than 3 years from the date of declaration. Such unclaimed dividend is payable to the Federal Government as per the Act, subject to fulfillment / clarification on certain pre-conditions specified in the Act.

30. CONTINGENCIES AND COMMITMENTS

Contingencies

30.1 The details of guarantees extended by the Group are as follows:

30.1.1 Corporate guarantee amounting to USD 10,000 has been issued by the Holding Company to Allied Bank Limited to open Debt Service Rerserve Account (DSRA) letter of credit in favour of senior long term lenders of Engro Powergen Qadirpur Limited (EPQL).

30.1.2 Following bank guarantees have been extended by other companies of the Group:

- EFert has issued bank guarantees amounting to Rs. 3,440,747 (2018: Rs. 2,982,754) in favour of third parties.

- On February 9, 2018, EEL furnished 7 bank guarantees amounting to Rs. 5,530 each, expiring on February 8, 2020, to Baluchistan Power Development Board (BPDB). These were issued to acquire Letter of Intents / development rights for 50MW x 7 project sites located in Kuchlak, Khuzdar and Punjgur areas of Baluchistan.

- Bank guarantees amounting to Rs. 2,496,126 (2018: Rs. 2,496,126), have been issued by EPQL in favour of Sui Nothern Gas Pipeline Limited (SNGPL), representing an amount equivalent to three months contractual quantities of gas in accordance with the terms of Gas Supply Agreement (GSA) between EPQL and the SNGPL.

- On February 01, 2019, EEL furnished 10 bank guarantees amounting to USD 50 (in Pak Rupee equivalent) each, expiring on January 31, 2021, to Baluchistan Power Development Board (BPDB). These, were issued to acquire Letter of Intents / development rights for 50MW x 10 project sites located in Chagai corridor, Baluchistan.

(Amounts in thousand)

- On June 27, 2019, EEL furnished a bank guarantee amounting to Rs. 100,000 which expired on October 4, 2019, to Frontier Works Organization (FWO) along with a proposal for participation as equity partner for the white oil pipeline project being developed by FWO. Management is of the opinion that JDA will be signed with FWO for 2 years and subsequently the guarantee will be extended for the same period as well.

- During the year, Engro Peroxide (Private) Limited as at December 31, 2019 issued bank guarantee in favor of Excise and Taxation Department, amounts to Rs. 3,500. The aggregate facilities amounting to Rs. 50,000 has been issued collectively in favor of Engro Peroxide (Private) Limited , EPCL and Engro Plasticizer (Private) Limited (its associate company).

- EPTL has outstanding bank guarantees in favour of Collector of Customs amounting to Rs. 234,210 in respect of income tax on import of plant and machinery. The guarantees were issued under the order of the High Court where the Court had allowed the imports to be cleared without the payment of income tax till EPTL's exemption application is decided by the Chief Commissioner, Income tax. During the year, the Commissioner Income tax has granted exemption and based on such exemption order, the Collector of Customs has been releasing bank guarantees after completion of legal formalities.

  Furthermore, EPTL also has outstanding bank guarantees of various expiry dates in favour of the Collector of Customs amounting to Rs. 184,260 in respect of custom duties and sales tax on import of certain items of plant and machinery. The Collector of Customs had requested the Federal Board of Revenue (FBR) for a clarity on allowing concessionary rates of duties on these items. FBR has clarified the matter in favour of EPTL and the bank guarantees are being released after the completion of legal formalities.

- On October 18, 2019, EEL furnished a bank guarantee amounting to Rs. 5,100 expiring on April 14, 2020, to K-Electric as tender security for hiring of consultancy engineering services for Design Review and EPC Contract Supervision, Monitoring and Control of 700 MW coal power plant project.

30.2 The Holding Company

30.2.1 In the years 2014 and 2016, the Holding Company divested some of its shareholding in Engro Fertilizers Limited (EFert). The Holding Company had held such shareholding in EFert since 2010 and is of the view that capital gains on the sale of such securities do not attract any income tax. However, the Holding Company was informed by the National Clearing Company of Pakistan Limited (NCCPL) that their clearing system shall deduct capital gain tax on such disposal and NCCPL shall deposit the same with the tax authorities. The Holding Company had obtained stays thereagainst from High Court of Sindh and had also provided bank guarantees amounting to Rs. 1,535,000 in this respect in favor of Nazir of High Court of Sindh. During the year, the matter was decided in favor of the Holding Company by the High Court of Sindh, ordering the release of the aforementioned bank guarantees.

30.2.2 In the year 2017, FrieslandCampina Engro Pakistan LImited (FCEPL), an associated company, received an order from the Competition Commission of Pakistan, imposing a penalty of Rs. 62,293 in respect of FCEPL's marketing activities relating to one of its products. FCEPL has filed an appeal against the aforementioned order. As per the terms of the Share Purchase Agreement with FrieslandCampina Pakistan Holding B.V. (FCP), the Holding Company is required to reimburse 51% of the amount together will all reasonable cost and expenses to FCP in case any such penalty materializes. The Group, based on the opinion of the legal advisor, is confident of a favorable outcome of the appeal, and accordingly, no provision has been recognized in these consolidated financial statements in this respect.

30.2.3 During 2016, the Holding Company entered into a Share Purchase Agreement (SPA) with FrieslandCampina Pakistan Holding B.V. (FCP) for the sale of 47.1% of the total issued shares of FCEPL. In accordance with the terms of the SPA, the Holding Company is required to pay to FCP, an amount equivalent to 47.1% of any tax liability (as defined in the SPA) together with all reasonable costs and expenses incurred, in case any tax contingency materializes. The Holding Company, based on the opinion of FCEPL' tax and legal advisors, is confident of favorable outcomes in respect of various tax matters being contested by FCEPL, and accordingly no provision has been recognized in these consolidated financial statements in this respect.

(Amounts in thousand)

30.2.4 Following are the details of treasury bills pledged by the Holding Company:

- The Holding Company has pledged Treasury Bills amounting to Rs. 2,700,000, against the Standby Letters of Credit (Equity SBLCs) provided by EEL, a subsidiary company, through National Bank of Pakistan amounting to US Dollars 12,598 (2018: US Dollars 12,598) and US Dollars 138 (2018: US Dollars 17,827) for its equity commitments related to the Sindh Engro Coal Mining Company Limited (SECMC), its associated company, and Engro Powergen Thar (Private) Limited (EPTL), its subsidiary company, in favour of the Intercreditor Agent (Habib Bank Limited) and the Project Companies (i.e. SECMC and EPTL). Equity SBLCs expire on earlier of (i) June 30, 2023; and (ii) fulfilment of sponsor obligations under Sponsor Support Agreements
- The Holding Company has pledged Treasury Bills amounting to Rs 4,250,000, against a Standby Letter of Credit (Put Option SBLC) provided by EEL, a subsidiary company, through Allied Bank Limited amounting to US Dollars 21,070 (2018: Dollars 21,070) in favour of the Put Option Fronting Bank (Habib Bank Limited). The Put Option SBLC has been furnished to meet sponsor obligations under Sponsor Support Agreement (Put Option SSA) and expires on earlier of (i) January 31, 2029; and (ii) fulfilment of sponsor obligations pursuant to Put Option SSA.

30.2.5 Engro Elengy Terminal (Private) Limited has issued Corporate guarantees, Performance guarantees and SBLC's amounting to US Dollars 20,700 (2018: US Dollars 20,700) , US Dollars 10,000 (2018: US Dollars 10,000) and US Dollars 5,000 (2018: US Dollars 5,000) respectively. These guarantees have been secured by the Holding Company by pledging Treasury Bills amounting to Rs. 5,650,000. During the year, Treasury Bills amounting to Rs. 1,970,000 were partially released against Corporate guarantees and were transferred to assets of Engro Elengy Terminal (Private) Limited.

30.2.6 The Holding Company, as Sponsor Support, has permitted a bank to create ranking charge over receivables of the Company against the Stand By Letter of Credit (SBLC) facility amounting to US Dollars 4,673 and Rs. 411,949 granted to Engro Elengy Terminal (Private) Limited.

30.2.7 Pursuant to the Finance Act, 2017 and the Finance Act, 2018, section 5A 'Tax on undistributed reserves' of the Income Tax Ordinance, 2001 was substituted by 'Tax on undistributed profits' whereby for tax year 2017 to 2019, a tax has been imposed at the rate of 5% of accounting profit-before-tax, on every public company, that derives profit for a tax year but does not distribute at least 20% of its after-tax-profits within six months of the end of the tax year, through cash.

The Holding Company has obtained a stay on the levy of aforesaid tax from the Sindh High Court, based on the grounds that this tax is applicable on the accounting profit-before-tax, that does not represent real income which can be taxed under the law and that the requirement to distribute profits or pay tax, amounts to an interference in corporate actions and implies amendment to the relevant company laws, which give shareholders the discretion to approve dividends. Furthermore, it is the contention of the Holding Company that such an amendment to company laws could not have been made through a money bill.

The Holding Company, based on the opinion of its legal advisor is confident that it has a reasonable case in favour of the Holding Company.

30.3 Engro Fertilizers Limited and its subsidiary company

30.3.1 EFert 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 EFert. In respect to DFA of Rs. 3,000,000 from the banks, EFert 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.

30.3.2 EFert had filed a constitutional petition in the High Court of Sindh (HCS), Karachi against the Ministry of Petroleum and Natural Resources (MPNR), Ministry of Industries and Production (MIP) and Sui Northern Gas Pipeline Company Limited (SNGPL) for continuous supply of 100 mmscfd gas per day to EFert's new plant (Enven) and to prohibit from suspending, discontinuing or

(Amounts in thousand)

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 EFert'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 21 other companies (mainly engaged in textile business). The aforementioned petitions are pending for further hearing. EFert's management, as confirmed by the legal advisor, considers the chances of these petitions being allowed to be remote.

Further, EFert 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. EFert, in the aforementioned application has submitted that SNGPL and MPNR have failed to restore full supply of gas to EFert's plant despite the judgment of the HCS in EFert'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.

30.3.3 All Pakistan Textile Processing Mills Association (APTPMA), Shan Dying & Printing Industries (Private) Limited, Agritech Limited (Agritech) and 27 others have each contended, through separate proceedings filed before the Lahore High Court that the supply to EFert's expansion plant is premised on the output of Qadirpur gas field exceeding 500 mmscfd by 100 mmscfd and therefore, the Gas Sale and Purchase Agreement (GSA) dated April 11, 2007 between EFert and Sui Northern Gas Pipeline 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. EFert 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 EFert 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 mmscfd gas production from the Qadirpur gas field; and (iii) both EFert and Qadirpur, are located in Sindh. Also neither the gas allocation by the Government of Pakistan nor the GSA predicates the gas supply upon 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 the Supreme Court of Pakistan. However, Group management, as confirmed by the legal advisor, considers chances of petitions being allowed to be remote.

30.3.4 EFert 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. EFert 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 EFert 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 EFert and 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. EFert has challenged the composition of the CAT. EFert'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.

30.3.5 During 2015, EFert 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 EFert on advances received from dealers amounting to Rs. 1,844,075. EFert filed an appeal thereagainst with the Commissioner Inland Revenue (Appeals) [CIR(A))] which decided the matters in favour of EFert. The department thereafter challenged the decision of the CIR(A) with the Appellate Tribunal Inland Revenue (ATIR), which is pending to be heard. No provision has been made in this respect in these consolidated financial statements.

(Amounts in thousand)

30.3.6 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. EFert filed an appeal thereagainst with the CIR(A) 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 CIR(A)'s order was obtained on October 31, 2018. EFert also filed an appeal against CIR(A) decision which is pending before the ATIR. EFert'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.

30.3.7 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 EFert, 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 EFert. Although certain implications arise under the terms of the Contract, the chances of any obligation crystallising on part of EFert 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.

Moreover, management has made an assessment on the basis of profit figures shared by the Contractor and has evaluated maximum exposure of Rs. 200,000, if the decision is made on the merits of the case.

30.3.8 Claims, including pending lawsuits, not acknowledged as debts amounting to Rs. 61,914 (2018: Rs. 58,680).

30.4 Engro Energy Limited and its subsidiary companies

30.4.1 In 2018, EEL took over the operations and maintenance of the power plant owned by Tenega Generasi Limited (TGL) under an agreement signed between both parties. EEL needs to submit a perfomance bond equivalent to USD 930,000 on an annual basis as per the agreement. The bond was furnished by EEL on October 21, 2019 and is set to expire on October 20, 2020.

30.4.2 In 2019, EEL submitted bids for further exploration of coal reserves in three blocks in Thar on invitation of bids issued by Sind Coal Authority. As part of the bids submission requirements, the Company furnished bank guarantees amounting to USD 15 per block for each of the three blocks on November 06, 2019 which are set to expire on May 03, 2020.

30.4.3 Meezan Bank Limited (MBL), National Bank Limited (NBP) and Habib Bank Limited (a related party of EPTL), have issued guarantees of Rs. 1,800,000, 1,500,000 and 1,425,000, each expiring on November 21, 2020, December 31, 2020 and August 01, 2020 respectively, on behalf of the EPTL in favour of SECMC to secure the EPTL's payment obligations under the Coal Supply Agreement. The SBLC Issuing Banks have entered into a non-funded financing facility with the Company as Junior Creditors and acceded the Intercreditor Agreement and security accordingly.

(Amounts in thousand)

30.5 Elengy Terminal Pakistan Limited and its subsidiary company

30.5.1 The Sindh Finance Act, 1994, prescribed the imposition of an infrastructure fee at the rate of 0.5% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The Act thereafter was last amended through Sindh Finance Act, 2014 according to which infrastructure fee will range from 0.9% to 0.95% of total value of goods as assessed by the Custom Authorities (the Authorities) plus one paisa per kilometer against various slab of net weight of goods.

On July 11, 2014, Engro Elengy Terminal (Private) Limited (EETPL) filed a petition against the aforementioned levy before HCS where it is currently pending. Earlier, the Court through an interim order on November 11, 2014 petitions filed by others, directed companies to clear the goods on paying 50% of the amount of levy and furnishing bank guarantee / security for the balance amount. The payment of 50% of the amount of levy has been expensed out in the consolidated financial statements.

In this respect, EETPL has paid 50% of the above levied cess and has provided bank guarantee amounting to Rs. 15,000 (2018: Rs. 15,000) in favor of the Custom Authorities to comply with interim orders of the Court. The bank guarantee shall continue and remain valid until the decision of the Court in the above mentioned cases. The bank guarantee is secured against lien over deposit. Based on the merits of the case and as per the opinion of its legal advisor, EETPL expects a favorable outcome on the matter and accordingly no provision has been made in this respect in these consolidated financial statements.

30.5.2 In 2014, EETPL imported steel linepipes (the goods) for the LNG Project, on which the authorities allowed exemption from custom duty, but did not allow exemption from sales tax. EETPL filed a petition before the Court against levy of sales tax on the goods and to restrain the authorities from hindering clearance of the same. Under interim orders, the Court directed the authorities to release the goods subject to deposit of pay order / bank guarantee with the Nazir of the Court amounting to Rs. 9,026 which has been duly deposited. The matter is currently pending for further hearing.

Further, EETPL received various orders on December 12, 2017 in respect of the import of pipeline material for natural gas during 2014 and 2015, raising an aggregate demand of Rs. 148,282 in respect of customs duty, sales tax and advance income tax on the same. However, EETPL being exempted from levy of customs duty and sales tax, filed a petition before the Court on February 14, 2018, and has obtained stay in this regard.

The Group based on the merits of the case and as per the opinion of legal advisor, expects a favorable outcome on the matter and accordingly no provision has been made in this respect in these consolidated financial statements.

30.5.3 EETPL in connection with the import of FSRU, received a demand from Customs Authority amounting to Rs. 1,530,494 contending that the import of FSRU attracts payment of advance income tax. EETPL is of the view that its profits and gains are exempt from income tax for 5 years from the date of commercial operations. EETPL in response to the above demand has filed an appeal based on which the Chief Commissioner Inland Revenue (CCIR) through its order dated August 22, 2016 remanded the case back to the concerned commissioner, which again rejected the request for exemption against which EETPL filed an appeal before CCIR. EETPL, based on the merits of the case and opinion of its tax consultant and legal advisor, is expecting a favorable outcome in this case. Accordingly, no provision has been recorded in this respect.

(Amounts in thousand)

30.6 Engro Polymer and Chemicals Limited and its subsidiary companies

30.6.1 The Deputy Commissioner Inland Revenue (DCIR) through order dated January 8, 2016, raised a sales tax demand of Rs. 524,589 on account of alleged short payment of sales tax due on the finished products of Engro Polymer and Chemicals Limited (EPCL) that would have been produced and sold from the excess wastage of raw material. EPCL filed appeal thereagainst before the Commissioner Inland Revenue Appeals [CIR(A)] on the grounds that the order passed against EPCL was absolutely baseless as the DCIR had used inappropriate theoretical assumptions for calculating the sales tax liability. The CIR(A) through his order dated March 10, 2016, has decided the matter in favor of the Group. However, the department has challenged the said order of CIR(A) before Appellate Tribunal Inland Revenue (ATIR). No proceedings regarding this matter has been carried out by ATIR, till the year end. The Group, based on the advice of its tax consultant, is confident of favourable outcome of this matter, accordingly, no provision has been made in this respect in these consolidated financial statements.

30.7 Engro Eximp Agriproducts (Private) Limited

30.7.1 During the year ended December 31, 2017, the tax department had raised a demand of sales tax of Rs. 250,000 for not charging sales tax on rice husk / rice bran for the tax year 2015. There was an error in the order as the department had treated all the by-products falling under the category of rice bran or rice hull / husk; though in reality the proportion of these two products among by-products is comparatively low while rice bran was admittedly exempt during that period. As the value of rice husk was wrongly taken, the Commissioner (Appeals) has vacated the order and demand but upheld the legal position regarding charging of sales tax on rice husk. EEAP has gone in appeal as it is of the view that the department is not treating husk correctly. Currently, the matter is pending before the Appellate Tribunal.

30.8 Associated Company and Joint Venture

30.8.1 Details of material contingencies which might affect share of profit from associates and joint venture are as follows:

30.8.2 On January 18, 2017, FCEPL received an order from Competition Commission of Pakistan (CCP), imposing a penalty of Rs. 62,293 in respect of the FCEPL's marketing activities relating to one of its products. FCEPL filed an appeal against the aforementioned order on February 8, 2017, which was decided by the CCP tribunal on January 16, 2019, in the FCEPL's favor. However the CCP has appealed the decision of the tribunal in the Supreme Court (SC) of Pakistan and FCEPL has submitted its response in the SC which is pending adjudication.

30.8.3 FCEPL has provided bank guarantees to the Government of Sindh, amounting to Rs. 229,886 (December 31, 2018: Rs. 212,887), upon the order of the High Court of Sindh to furnish bank guarantees for 50% of the amount of Infrastructure cess of the goods entering or leaving the province through air or sea.

30.9 Commitments

Details of commitments as at December 31, 2019 entered by the Group are as follows:

30.9.1 Commitments in respect of capital and operational expenditure contracted but not incurred amount to Rs. 9,297,407 (2018: Rs.23,026,122).

30.9.2 The aggregate facilities available to Group for opening Letter of credits and bank guarantees, and other commitments other than those disclosed elsewhere in these consolidated financial statements, amounts to Rs. 39,185,714 (2018: Rs. 22,419,558).

(Amounts in thousand)

30.9.3 As of December 31, 2019, the rentals outstanding amounted to Nil (2018: Rs. 14,053) in respect of storage and handling contracts of Ethylene Di Chloride (EDC) and caustic soda.

30.9.4 EEL has also provided sponsor support contractual commitment, among other commitments, in favour of Senior Lenders amounting to USD 5,400 and USD 41,600 as cost overrun support pursuant to the Sponsor Support Agreements (SSA) dated February 22, 2016 for SECMC and February 1, 2016 for EPTL respectively (and the Amendment and Restatement Agreement dated February 12, 2016 relating to the SSA in case of EPTL).

30.9.5 During the year, Engro Peroxide (Private) Limited, a subsidiary of EPCL, has entered into a contract with Chematur Engineering AB to establish a plant of Hydrogen Peroxide at a consideration of EUR 6,993. As at December 31, 2019 commitment for civil works and equipment procurement amounts to EUR 5,140.

30.9.6 EETPL under the Time Charter Party and LNG Storage and Re-gasification Agreement (Agreement) with Excelerate Energy Middle East, LLC (EE) has furnished Standby Letter of Credit (SBLC) through National Bank of Pakistan amounting to USD 20,700 (2018: USD 20,700) to EE. This SBLC is valid till March 7, 2020 and is renewable annually. The aforementioned guarantee is secured against ECL's owned Treasury Bills equivalent to 10% margin of the facility amount and it is a corporate guarantee.

30.9.7 Group has entered into commercial lease agreement for lease of office. The aggregate lease payments as monthly rentals amounting to Rs. 51,907 (2018: Rs. 90,000)

30.9.8 On June 27, 2019, EEL furnished a bank guarantee amounting to Rs. 100,000 which expired on October 4, 2019, to Frontier Works Organization (FWO) along with a proposal for participation as equity partner for the white oil pipeline project being developed by FWO. Management is of the opinion that JDA will be signed with FWO for 2 years and subsequently the guarantee will be extended for the same period as well.

30.9.9 National Bank of Pakistan (NBP) has issued Standby Letters of Credit (Equity SBLCs) worth USD 18,900 and 51,100 (in Pak Rupee equivalent) on behalf of EEL for its equity commitments related to SECMC and EPTL in favour of the Inter-creditor Agent (Habib Bank Limited) and the Project Companies (SECMC and EPTL respectively). The Equity SBLCs have been furnished for subscription and / or contribution of sponsor equity pursuant to the Sponsor Support Agreements (SSAs) originally dated February 26, 2016 and February 1, 2016, respectively, (and both as amended and restated from time to time). Equity SBLCs expire as per the terms of the relevant SSAs. These SBLCs are secured through lien over cash or cash equivalent of the Holding Company. As of December 31, 2019, the outstanding amount of these SBLCs are USD 12,599 (2018: 12,599) and USD 138 (2018: 17,827) for SECMC and EPTL, respectively.

30.9.10 Allied Bank of Pakistan (ABL) has issued a Standby Letter of Credit (Put Option SBLC) worth USD 21,070 on behalf of the Holding Company relating to EPTL in favour of the Put Option Fronting Bank (Habib Bank Limited). The Put Option SBLC has been furnished to meet sponsor obligations under Sponsor Support Agreement (Put Option SSA) dated March 21, 2016 and expires on earlier of (i) June 30, 2020 or (ii) on payment of the Maximum Amount. It is secured through lien over cash and cash equivalent of the The Holding Company.

30.9.11 EEAP has entered into export selling contracts of 10,793 (2018: 9,521 tons) of Super Basmati Rice to various parties on a agreed terms for delivery on various dates subsequent to the year end. The sales value of these open commitments at year end exchange rate amounts to Rs. 1,352,854 (2018: Rs. 1,181,436).

30.9.12 Commitments given by the associated companies and joint venture in respect of capital and operational expenditure including bank guarantees amount to Rs. 13,952,924 (2018: Rs. 10,020,300). Other commitments include arrangements in respect of standby letters of credit and Ijarah which are not material to the Group.

(Amounts in thousand)

	2019 Rupees	2018 Rupees
31. REVENUE		
Own manufactured products (notes 31.1 and 31.2)	181,614,689	124,315,998
Less:		
- Sales tax	(12,413,041)	(9,670,660)
- Discounts	(523,257)	(360,984)
	168,678,391	114,284,354
Purchased product (note 31.3)	44,593,196	45,766,185
Services rendered (note 31.4)	16,027,425	14,347,524
Less: Sales tax	(3,379,436)	(2,829,825)
	57,241,185	57,283,884
	225,919,576	171,568,238

31.1 Includes export sales amounting to Rs. 3,559,552 (2018: Rs. 2,857,507).

31.2 Includes revenue from sale of Energy which comprises of:

	2019	2018
Capacity purchase price (note 31.2.1)	20,809,750	4,037,816
Energy purchase price	33,259,700	9,168,762
	54,069,450	13,206,578

31.2.1 Includes amount subject to Commercial Operation Date (COD) tariff adjustment amounting to Rs. 5,967,561. The COD tariff adjustment is a variable consideration based on the management's best estimate. Variable consideration is not constrained as the potential reversal of cumulative revenue recognized will not be significant.

31.3 This primarily includes sale of Di-Ammonium Phosphate (DAP) by EAPL.

31.4 This includes revenue from services rendered by ETPL which comprises of :

	2019 Rupees	2018 Rupees
Capacity charges	-	9,688,934
Operating lease rental income	805,133	-
Revenue from O&M services	3,001,211	-
Finance income on sublease	5,290,427	-
Revenue from utilization / regasification services	3,615,949	2,912,172
	12,712,720	12,601,106

(Amounts in thousand)

32. COST OF REVENUE

	2019 Rupees	2018 Rupees
Cost of goods sold (note 32.1)	148,363,615	111,204,177
Cost of services rendered (note 32.2)	5,022,189	9,255,589
Finance cost on lease liability	3,847,684	-
	157,233,488	120,459,766

32.1 Cost of goods sold

	2019	2018
Raw and packing materials consumed including unprocessed rice (note 32.1.1)	69,939,952	36,080,329
Salaries, wages and staff welfare (note 32.1.2)	5,137,830	4,221,010
Fuel and power	18,752,069	20,032,256
Operation and management	882,069	-
Repairs and maintenance	2,392,542	1,570,319
Depreciation - Right of use Asset	399,190	-
Depreciation (note 4.4)	9,623,651	6,905,789
Amortization (note 6.1)	79,236	24,248
Reversal of provision for Impairment against operating assets	-	(403,516)
Consumable stores	1,623,899	1,056,423
Staff recruitment, training, safety and other expenses	300,916	274,783
Purchased services	1,666,901	1,034,191
Storage and handling / product transportation	1,681,375	1,371,309
Travel	358,188	218,928
Communication, stationery and other office expenses	100,367	134,749
Insurance	1,244,075	749,051
Rent, rates and taxes	85,961	78,066
Provision against surplus and slow moving spares (note 12.1)	191,058	265,105
Other expenses	82,681	46,568
Manufacturing cost	114,541,960	73,659,608
Add: Opening stock of work-in-progress (note 13)	43,373	47,372
Less: Closing stock of work-in-progress (note 13)	73,289	43,373
	(29,916)	3,999
Cost of goods manufactured	114,512,044	73,663,607
Add: Opening stock of finished goods manufactured (note 13)	2,596,777	3,543,390
Less: Closing stock of finished goods manufactured (note 13)	4,900,819	2,596,777
	(2,304,042)	946,613
Cost of goods sold		
- own manufactured product	112,208,002	74,610,220
- purchased product (note 32.1.1)	36,155,613	36,593,957
	148,363,615	111,204,177

(Amounts in thousand)

32.1.1 Cost of goods sold - purchased product

	2019 Rupees	2018 Rupees
Opening stock net of NRV (note 13)	8,982,883	4,638,428
Add: Purchases	36,248,515	40,938,412
Less: Closing stock net of NRV (note 13)	9,075,785	8,982,883
	36,155,613	36,593,957

32.1.2 Includes Rs. 310,991 (2018: Rs. 252,797) in respect of staff retirement benefits.

32.2 Cost of services rendered

	2019 Rupees	2018 Rupees
Fixed expenses	1,618,324	6,790,703
Variable expenses	2,289,421	1,709,105
Depreciation (note 4.4)	469,139	478,016
Depreciation - Right of use Asset	32,837	-
Amortization of intangible assets	267	-
Amortization of direct cost on FSRU	86,516	86,516
Salaries, wages and benefits (note 32.2.1)	155,997	40,168
Fuel & Power	71,167	-
Rent, rates and taxes	113,776	-
Repairs and maintenance	83,873	104,875
Travelling and entertainment	25,529	11,894
Security and other expense	75,343	34,312
	5,022,189	9,255,589

32.2.1 Includes Rs. 6,278 (2018: 2,236) in respect of staff retirement benefits.

33. SELLING AND DISTRIBUTION EXPENSES

	2019 Rupees	2018 Rupees
Salaries, wages and staff welfare (note 33.1)	1,213,093	1,115,784
Staff recruitment, training, safety and other expenses	206,514	168,720
Product transportation and handling	5,206,104	5,750,047
Repairs and maintenance	56,139	8,132
Advertising and sales promotion	472,935	632,317
Rent, rates and taxes	436,305	411,288
Communication, stationery and other office expenses	40,157	33,358
Travel	204,389	155,218
Depreciation (note 4.4)	116,222	71,384
Amortization (note 6.1)	15,290	11,530
Purchased services	75,117	107,376
Others	61,021	23,102
	8,103,286	8,488,256

33.1 Includes Rs. 96,292 (2018: Rs. 74,296) in respect of staff retirement benefits.

(Amounts in thousand)

34. ADMINISTRATIVE EXPENSES

	2019 Rupees	2018 Rupees
Salaries, wages and staff welfare (note 34.1)	2,653,084	1,720,525
Staff recruitment, training, safety and other expenses	167,961	165,958
Repairs and maintenance	69,828	46,472
Advertising	587,608	134,451
Rent, rates and taxes	315,835	703,651
Communication, stationery and other office expenses	238,237	133,972
Travel	439,955	133,287
Depreciation - Right of use Asset	295,820	-
Depreciation (note 4.4)	163,259	101,363
Amortization (note 6.1)	89,001	34,040
Purchased services	761,592	674,943
Directors remuneration	262,767	479,594
Others	111,378	169,046
	6,156,325	4,497,302

34.1 Includes Rs. 306,534 (2018: Rs. 209,934) in respect of staff retirement benefits.

(Amounts in thousand)

35. OTHER INCOME

	2019	2018
	Rupees	
Financial assets:		
Income on deposits / other financial assets	10,416,401	5,243,395
Income on shariah compliant deposits	40,393	1,228
Exchange gain	121,307	219,208
Interest on receivable from SSGCL	184,236	189,374
Non financial assets:		
Subsidy from Government of Pakistan	-	1,271,334
Insurance claims	-	841,790
Gain on disposal of property, plant and equipment	31,618	22,647
Income from sale of spares / scrap	124,389	37,677
Reversal of provision for Worker's Welfare Fund	999,423	650,110
Delayed payment charges on overdue receivables	1,520,555	537,066
Others	225,112	133,539
	13,663,434	9,147,368

36. OTHER OPERATING EXPENSES

	2019	2018
Workers' profits participation fund	1,732,531	1,493,005
Workers' welfare fund	547,554	555,443
Legal and professional charges	1,068,502	486,174
Human resource development	814,624	658,883
Research and development	272,914	130,198
Provision against tax contingency of EVTL (note 7.3)	229,529	875,375
Auditors' remuneration (note 36.1)	61,993	41,849
Provision for doubtful debts	39,009	17,230
Provision against sales tax receivable	244,000	-
Donations (notes 36.2 and 51)	748,948	308,187
Exchange loss	783,185	280,212
Impairment against long-term investment	1,224,304	154,560
Write-off of property, plant and equipment	452,484	-
Others (note 36.3)	258,043	517,540
	8,477,620	5,518,656

(Amounts in thousand)

36.1 Auditors' remuneration:

The aggregate amount charged in respect of auditors' remuneration, including remuneration of auditors' of foreign subsidiaries, is as follows:

	2019	2018
	Rupees	
Fee for:		
- audit of annual financial statements	11,983	13,180
- review of half yearly financial statements	5,040	2,256
Special audits, certifications, review of compliance with Code of Corporate Governance and other assurance & advisory services	28,056	8,337
Taxation services	14,343	15,746
Reimbursement of expenses	2,571	2,330
	61,993	41,849

36.2 This includes cost of construction of a hospital and school at Thar aggregating to Rs. 282,907 (2018: nil).

36.3 Under the Share Purchase Agreement (SPA) with FrieslandCampina Pakistan Holding B.V. (FCP), the Holding Company is required to pay FCP an amount equal to 51% of the sales tax receivable of FrieslandCampina Engro Pakistan Limited (previously Engro Foods Limited) (FCEPL), an associated company, recognized in the financial years 2012 to 2016, if it is not recovered by FCEPL within six years after it is recognized. Accordingly, on prudence basis, the Holding Company has recognized its liability under the SPA being 51% of the sales tax receivable pertaining to FCEPL being sales tax short recovered till December 31, 2019 amounting to Rs. 162,000 included above.

37. FINANCE COST

	2019	2018
	Rupees	
Interest / mark-up on:		
- long term borrowings	9,768,552	2,616,418
- short term borrowings	1,069,268	445,846
Markup on shariah compliant borrowings	511,780	828,782
Interest on Lease Liabilities	506,170	-
Unwinding of deferred incentive revenue	99,506	-
Foreign exchange loss, net	682,728	984,374
Amortization of transaction costs	481,262	-
Delayed payment charges	323,377	-
Financial / bank charges	1,282,629	492,810
Others	25,000	84,991
	14,750,272	5,453,221

38. SHARE OF INCOME FROM JOINT VENTURE AND ASSOCIATES

	2019	2018
Joint venture:		
Engro Vopak Terminal Limited (EVTL)		
Share of profit before taxation	1,703,386	1,255,425
Less: Share of provision for taxation	(599,900)	(156,798)
	1,103,486	1,098,627
Add / Less: Reversal / Provision for WWF	(89,280)	89,280
Share of profit for the year end	1,014,206	1,187,907
Less: Provision against tax contingency (note 7.3)	-	(1,355,679)
	1,014,206	(167,772)

(Amounts in thousand)

	2019	2018
	Rupees	
Associates:		
Share of profit / (loss) from:		
- Sindh Engro Coal Mining Company Limited	685,101	(3,232)
- GEL Utility Limited	(170,987)	277,893
- Siddique Sons Energy Limited	670	(3,691)
- FrieslandCampina Engro Pakistan Limited	(380,991)	25,449
	133,793	296,419
	1,147,999	128,647

39. TAXATION

	2019	2018
Current		
- for the year	9,567,547	13,743,382
- for prior years (note 39.1.1)	261,893	1,667,136
	9,829,440	15,410,518
Deferred	5,892,487	(2,615,199)
	15,721,927	12,795,319

Details of significant income tax matters are as follows:

39.1 The Holding Company

39.1.1 Includes provision for 'Super Tax for rehabilitation of temporarily displaced persons', made last year by the Holding Company amounting to Rs. 888,413 levied through Finance Act, 2018 retrospectively on the income for the financial year ended December 31, 2017 and 2018. The Holding Company had challenged the levy in the High Court of Sindh and has been granted a stay in this respect. The Holding Company, based on the opinion of its legal advisor, believes that there is a reasonable case in the Holding Company's favour. However, based on prudence, the Holding Company had made provision for Super Tax for the tax year 2018 and 2019. During the year, through Finance Supplementary Act, 2019, the levy of Super Tax has been abolished from financial year ended December 31, 2019 onwards for companies other than banking companies.

In addition, to above the Holding Company had also recognised provision for super tax relating to year ended December 31, 2014 to December 31, 2016 amounting to Rs. 2,354,637 (2018: 2,354,637).

39.1.2 In 2016, an amendment was introduced in the Income Tax Ordinance 2001 (the Ordinance) via the Finance Act 2016 which imposed tax on inter-corporate dividends, which were previously exempt to companies designated as a Group under section 59B of the Ordinance. Subsequent to the year end, the exemption on inter-corporate dividend has been restored through amendment in the Ordinance vide Tax Laws (Second Amendment) Ordinance, 2019. However, in respect of the dividends received before the said amendment, the Holding Company had challenged the imposition of tax on inter-corporate dividends in the High Court of Sindh and has been granted a stay in this respect.

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

39.1.3.1 In 2013, the income tax department, in respect of the tax year 2011, determined additional income tax liability of Rs. 218,790 and raised a demand of Rs. 139,575 whereby the Deputy Commissioner Inland Revenue (DCIR) - Audit disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. The Holding Company filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals who maintained the apportionment of expenses against dividend income and capital gains but allowed the allocation of administrative expenses against interest income, thereby reducing the income tax liability to Rs. 184,191 and revised the demand to Rs. 104,976. The Holding Company paid Rs. 53,250 thereagainst and simultaneously filed an appeal against the CIR - Appeals decision with Appellate Tribunal Inland Revenue (ATIR) which granted a stay to the Holding Company. During 2014, the ATIR issued an order whereby the aforementioned appeal was remanded back to the assessing officers for denovo proceedings, thereby accepting the Holding Company's contention. The income tax department, in response thereagainst, had filed an appeal with ATIR, which was dismissed during 2016.

(Amounts in thousand)

39.1.3.2 In 2014, the income tax department in respect of tax year 2012, amended the assessment and raised an additional demand of Rs. 250,773 on similar grounds as above. The Holding Company filed an appeal against the said order with CIR - Appeals, who based on ATIR's order for tax year 2011, has remanded back the order to assessing officers for denovo proceedings.

39.1.3.3 In 2015, in respect of pending tax assessments for tax year 2011 and tax year 2012, the Holding Company received notices of demand amounting to Rs. 105,955 and Rs. 250,773, respectively, whereby the Deputy / Additional Commissioner Inland Revenue - Audit again disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. The Holding Company filed appeals thereagainst with the CIR - Appeals and also obtained stays from the High Court of Sindh from initiating any recovery proceedings in respect of both tax years. During 2016, in respect of tax year 2011 and tax year 2012, the CIR - Appeals accepted the Holding Company's plea and annulled the order passed by the DCIR. In response, the DCIR filed appeals before the ATIR for rectification of the orders passed by the CIR - Appeals for both tax years, which were subsequently dismissed. In the previous year, the Holding Company has reversed excess provision of Rs. 168,896 in respect of tax years 2011 and 2012 consequent to denovo proceedings after which the amended orders were passed in respect of the aforementioned tax years, wherein, the Commisioner has maintained the classification of income from interest on bank deposits and from subordinated loans as "income from other sources". In response, the Holding Company has filed an appeal challenging this contention and the Holding Company is confident of favourable decision based on earlier ATIR judgment. During the year, CIR(A) has passed the orders dated January 10, 2019 for both the tax years in relation to the Holding Company's appeal and has again remanded the matter to the assessing officer for denovo proceedings.

39.1.3.4 During 2017, the income tax department in respect of the tax year 2015, determined an additional income tax liability of Rs. 128,400, whereby, the Additional Commissioner Inland Revenue (ACIR) - Audit has levied tax on inter-corporate dividends, super tax including on exempt income, the effects of classification of 'Interest Income' as "Income from Business" as well as not allowing the adjustment of the minimum tax paid under section 113(1)(c) of the Ordinance.

During the year, the CIR(A) vide order dated May 6, 2019 has maintained the matter relating to taxation of intercorporate dividend, super tax under section 4B, the classification of the interest income and carry forward of minimum tax for adjustment whereas the rectificatory matters including the levy of super tax on exempt income was remanded back. The Holding Company has preferred appeal before ATIR on all issues adjudicated against it. The Holding Company, based on advice of its tax consultant, is confident that these matters will be decided in favour of the Holding Company. However, on prudence, the Holding Company has recorded provision against super tax.

39.1.3.5 In 2017, the ACIR through order dated June 23,2017 amended the return for the tax year 2016 creating tax demand of Rs 1,484,903 mainly on account of tax levied on inter-corporate dividend, super tax including on exempt income and disallowance on account of allocation of expenses to dividend and capital gains including minimum tax paid under section 113 of the Ordinance. The CIR(A) while disposing off the Holding Company's appeal maintained the order of ACIR with respect to certain issues which were further contested before the ATIR. During the year, the ATIR in its order dated July 31, 2019 has annulled the order of ACIR and validated the exemption on intercorporate dividend as well as the non-applicability of super tax on such exempt income whereas the issues relating to the levy of super tax under section 4B and the carry forward of minimum have been linked to the pending decisions of the Sindh High Court (where the matter is separately being contested by the Holding Company) and the carry forward under section 113(1)(c) has been linked to the decision of the Supreme Court in the case of another taxpayer.

Against the order dated June 23, 2017, the Holding Company had filed an application for rectification. The ACIR through rectified order dated August 29, 2017 reduced the demand to Rs 1,084,733. Through the said order, the ACIR accepted the Holding Company's contention relating to various matters except the issue of allocation of expenses to capital gains. The Holding Company contested this matter in appeal before the CIR(A) who has maintained the order of ACIR through order dated December 18, 2018. During the year, the Holding Company filed an appeal before the ATIR against the CIR(A) order.

(Amounts in thousand)

Subsidiary Companies

39.2 Engro Fertilizers Limited (EFert) and its subsidiary companies

39.2.1 During the year 2015, the income tax department amended the assessment filed by EFert for tax year 2014. EFert filed an appeal before CIR(A) 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 EFert specifically obtained a stay order.

During the year, the matter was heard by CIR(A) 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. EFert has filed an appeal against the order of CIR(A) before the Income Tax Appellate Tribunal.

39.2.2 During the year, the income tax department amended the assessment filed by EFert for the tax years 2015, 2016 and 2017. EFert 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 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. EFert, 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. EFert is confident of a favourable outcome of the appeals.

39.2.3 In 2014, the income tax department amended the assessment filed by EFert for tax years 2010 and 2011. EFert 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 2011, and loss on derivative for tax year 2011 raising a demand in respect of these years in aggregate of Rs. 1,075,466. EFert had challenged the said decision before the HCS, which is pending to be heard, however, EFert is confident of a favourable outcome.

39.2.4 During the year, EFert 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, EFert 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 EFert were received from the tax department, therefore, suits thereagainst were withdrawn by EFert. Later, on September 13, 2018, EFert received recovery notice for payment in respect of tax years 2015, 2016 and 2017 against which a constitutional petition was filed by EFert 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, EFert withdrew its cases pending in the HCS in respect of ACT for tax years 2014 to 2017 and discharged the related net tax liability amounting to Rs. 1,995,054.

(Amounts in thousand)

39.2.5 EFert 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), applicability as unconstitutional and ultravires 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 EFert.

During the year, EFert received recovery notice from Federal Board of Revenue (FBR) for payment of Super Tax in respect of tax year 2018. EFert 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.

39.2.6 As a result of demerger in 2009, all pending tax issues of the then Holding Company, Engro Chemical Pakistan Ltd. had been transferred to EFert. Major issues pending before the tax 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 EFert’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 and 2008): Rs. 336,500
- G.P. Apportionment (Financial years 1995 to 2002): Rs. 653,000

EFert is confident that all the aforementioned pending issues will eventually be decided in its favor. Therefore, no provision in respect of these is being maintained in these consolidated financial statements.

39.2.7“As a result of merger of Engro Eximp (Private) Limited (EXIMP) with EFert, all pending tax issues of EXIMP have been transferred to EFert. 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 EFert by the Commissioner Income Tax Appeals(CIT(A)), against which the tax department has filed an appeal with the Appellate Tribunal. However, during the year, the department has given appeal effect order to the aforementioned favourable decision of the CIT(A) for tax year 2013.

During the year, on September 26, 2019, the matter was decided by the ITAT in favor of EFert for TY 2013 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.”

39.3 Engro Polymer and Chemicals Limited (EPCL) and its subsidiary companies

39.3.1 The DCIR, through the order dated November 26, 2009 raised a tax demand of Rs. 213,172. The demand arose as a result of additions on account of trading liabilities of Rs. 47,582 under section 34(5) of the Income Tax Ordinance, 2001 (the Ordinance); disallowance of provision for retirement benefits of Rs. 5,899; addition of imputed interest on loans to employees and executives of Rs. 16,069 to income; disallowance of finance cost of Rs. 134,414 and not considering adjustment of minimum tax paid for tax years 2004 to 2007 against the above demand.

(Amounts in thousand)

EPCL filed an appeal against the aforesaid order before CIR(A), but discharged the entire demand through adjustment against assessed refunds of Rs. 180,768 and paying the balance of Rs. 32,404 'under protest'. Through his appellate order, the CIR(A) maintained certain additions aggregating Rs. 189,810 including finance cost amounting to Rs. 134,414 and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period of tax years 2004 to 2007. An appeal against the said appellate order was filed by EPCL before the ATIR. The department also filed an appeal against the said appellate order challenging the actions of the CIR(A)

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting EPCL's position except for additions on account of trading liabilities to the extent of Rs. 20,280 and minimum turnover tax for tax years 2004 and 2007 to the extent of Rs. 19,692 and Rs. 7,300 respectively, which were maintained.

EPCL filed a reference to the HCS against the additions maintained by ATIR. Likewise, the tax department has also filed reference to the HCS against the order passed by the ATIR in favour of EPCL. The Group management, based on the advice of tax consultant, is confident that the ultimate outcome of the aforementioned matters would be favorable and accordingly, no provision has been recognized in these consolidated financial statements.

39.3.2 The DCIR through his order dated November 30, 2010 raised a tax demand of Rs. 163,206. The demand arose as a result of disallowance of finance cost of Rs. 457,282; additions to income of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance; disallowance of provision for retirement benefits of Rs. 14,239; disallowance of provision against Special Excise Duty (SED) refundable of Rs. 36,687; addition of imputed interest on loans to employees and executives of Rs. 20,599 and not considering net loss.

The entire demand of Rs. 163,206 was adjusted against assessed tax refunds and an appeal was filed by EPCL before the CIR(A). Through his appellate order, the CIR(A) maintained certain additions aggregating to Rs. 493,971 including disallowance of finance cost amounting to Rs. 457,282 and remanded back the issue of imputed interest on loans to employees and executives. An appeal against the said appellate order was filed before the ATIR. The department also filed an appeal against the said appellate order challenging the action of CIR(A), regarding deletion of addition on account of provision for the retirement benefits.

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting EPCL's position except for additions on account of SED provision of Rs. 36,687 and imputed interest on loans to employees and executives to the extent of Rs. 17,430, which were maintained.

39.4 Elengy Terminal Pakistan Limited

39.4.1 EETPL in connection with the import of FSRU received a demand from Customs Authority amounting to Rs. 1,530,494 contending that the import of FSRU attracts payment of advance income tax. EETPL is of the view that the EETPL's profits and gains are exempt from income tax for 5 years from the date of commercial operations. EETPL in response to the above demand has filed an appeal based on which the Chief Commissioner Inland Revenue (CCIR) through its order dated August 22, 2016 remanded the case back to the concerned commissioner, which again rejected the request for exemption against which EETPL filed an appeal before CCIR. EETPL, based on the merits of the case and opinion of its tax consultant and legal advisor, is expecting a favorable outcome in this case. Accordingly, no provision has been recorded in this respect.

(Amounts in thousand)

39.5 Engro Energy Limited (EEL) and its subsidiary companies

39.5.1 Tax Year 2014 was selected for audit under section 214C of the Income Tax Ordinance, 2001 (the Ordinance). The Deputy Commissioner Inland Revenue (DCIR) after conducting audit made certain additions and disallowances, and hence amended the return filed by EEL vide order dated January 12, 2017, framed under section 122(1)/(5) of the Ordinance and raised a tax demand of Rs. 268,584. EEL being aggrieved filed an appeal before CIR(A). EEL also approached the HCS for a stay against recovery of said demand which was duly granted till the adjudication of appeal by the CIR(A).

During the year, EEL received an order of CIR(A) in which certain issues were remanded back to the DCIR while other issues were decided in favour of tax authorities. EEL filed an appeal before the (ATIR) on the issues decided against it which is currently pending. Based on the views of tax advisor and legal consultant of EEL, the management believes that EEL has a good case on merits and expects a favourable outcome. Accordingly no provision has been made in respect of the aforementioned demand in these consolidated financial statements.

39.5.2 The ACIR, through separate show cause notices dated December 11, 2017 and December 12, 2017, issued in respect of tax years 2012, 2013, 2015 and 2016, raised an issue with respect to the inter-corporate dividend claimed as exempt. The ACIR also showed an intention to levy super tax on dividend income for tax years 2015 and 2016. EEL challenged these notices before the HCS which has restrained the tax authorities from taking any coercive action including passing an order on the basis of the said notices. Accordingly, no provision has been made in this respect in these consolidated financial statements.

39.5.3 The Tax Year 2016 was selected for audit under section 214C of the Ordinance. The DCIR after conducting audit made certain additions and disallowances, and hence amended the return filed by EEL vide order dated November 2, 2018, framed under section 122(1)/(5) of the Ordinance. These additions primarily relate to treating reimbursement from subsidiary as services, additions on account of apportionment of administrative expenses and receipts on account of the project management services to be taxed under normal tax regime / minimum tax regime and resulted in tax demand of Rs. 80,888. EEL being aggrieved filed an appeal before the CIR(A). EEL also approached the HCS for stay against recovery of demand which was duly granted till the adjudication of appeal by the CIR(A).

During the year, EEL received an order from the CIR(A) in which certain issues were remanded back to the DCIR while the other issues were decided in favour of tax authorities. EEL filed an appeal before the ATIR on the issues decided against it which is currently pending. Based on the views of tax advisor and legal consultant of EEL, the management believes that EEL has a good case on merits and expects a favourable outcome. Accordingly no provision has been made in respect of the aforementioned demand in these consolidated financial statements.

39.5.4 In November 2017, EPTL, a subsidiary of EEL, received a demand from ACIR amounting to Rs. 1,489,327, inclusive of default surcharge Rs. 202,994, on account of non-withholding of tax on payments made by EPTL to its contractors China Machinery Engineering Corporation (CMEC) and China East Resources Import and Export Corporation (CERIEC) under the 'Offshore Supply and Services Agreement for Power Plant' and 'Onshore Supply and Services Agreement for Power Plant' respectively in relation to the construction of the power plant being set up by EPTL. The ACIR was of the view that the aforementioned payments attract the requirements of withholding of taxes under the Income Tax Ordinance, 2001 (ITO) and as such EPTL was required to withhold tax from such payments. EPTL filed an appeal to CIR(A) with the view that payments to CERIEC fall under the ambit of a specific exemption from withholding of taxes under ITO for coal mining and coal based power generation projects in Sindh. Furthermore, payments to CMEC are made for supply of plant and machinery and EPTL, being an importer, is not liable to withhold taxes.

(Amounts in thousand)

In 2018, CIR(A) decided the matter in favour of tax authorities and maintained the order of ACIR. EPTL filed an application to the ATIR who through an order has remanded back the case to ACIR for review of facts and to issue a fresh order in the light of emerging facts. EPTL, as a result of various discussion with the tax authorities, agreed and paid Rs 1,400,000 being the lump sum settlement of withholding tax demands for all payments under the contract with CMEC and CERIEC during the project phase. Formal tax demands are yet to be issued by the Tax Authorities. Based on the advice of the tax advisors of EPTL, the management believes that EPTL will not be liable towards making any further payment in this respect.

39.6 Associated Company

39.6.1 FrieslandCampina Engro Pakistan Limited

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

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

Further, the Appellate Tribunal, in respect of surrender of aforementioned tax losses by FCEPL to the Holding Company for the years ended December 31, 2006 and 2007, decided the appeals in 2010 in favour of the Holding Company, whereby, allowing the surrender of tax losses by FCEPL to the Holding Company. The tax department has filed reference application there against before the High Court of Sindh, which is under the process of hearings. In 2013, the Appellate Tribunal also decided similar appeal filed by the Holding Company for the year ended December 31, 2008 in favour of the Holding Company. FCEPL based on the merits of the case expects a favourable outcome of the matter.

39.6.1.2 In 2013, CIR raised a demand of Rs. 223,369 for tax year 2009 by disallowing the provision for advances, stock written-off, repair and maintenance, sales promotion and advertisement expenses etc. During 2015, in response to the appeal filed against the audit proceedings, CIR Appeals issued an appellate order in favour of FCEPL holding the selection of case for audit to be illegal and without jurisdiction. The tax department has filed an appeal against the order with the Appellate Tribunal Inland Revenue (ATIR), however, no hearing has been conducted to date. FCEPL, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable of FCEPL have not been reduced by the effect of the aforementioned disallowances.

39.6.1.3 In 2014, the Additional Commissioner Inland Revenue (ACIR) raised a demand of Rs. 713,341 for tax year 2012 by disallowing the initial allowance and depreciation on certain additions to property, plant and equipment, provision for retirement and other service benefits, purchase expenses, sales promotion and advertisement and other expenses etc. In 2017, CIR(A) upheld the decision of ACIR in respect of provision for retirement benefits and marketing support reimbursements. FCEPL has filed an appeal with ATIR against the order of CIR(A) and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable of FCEPL have not been reduced by the effect of the aforementioned disallowances.

39.6.1.4 In 2017, ACIR raised a demand of Rs. 511,801 for tax year 2016 by disallowing minimum turnover tax credit, expenses on account of Employee Share Option Scheme and Worker's Welfare Fund. On June 30, 2018, CIR(A) upheld the decision of ACIR in respect of minimum turnover tax credit and Employee Share Option Scheme against the appeal filed with CIR(A) on November 23, 2017. On August 15, 2018, FCEPL filed an appeal with ATIR against order of CIR(A) and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

(Amounts in thousand)

39.7 Relationship between tax expense and accounting profit

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

	2019	2018
	Rupees	
Profit before taxation	46,010,018	36,427,052
Tax calculated at the rate of 29% (2018: 29%)	13,342,905	10,563,845
Depreciation on exempt assets not deductible for tax purposes	529	7,660
Effect of exemption from tax on certain income	(1,160,291)	(1,302,112)
Effect of applicability of lower tax rate, Final Tax Regime and other tax credits / debits	1,509,096	(474,987)
Prior year current and deferred tax charge	121,968	2,849,519
Tax effect of expenses not allowed for tax	1,703,631	1,287,626
Others	204,089	(136,232)
Tax charge for the year	15,721,927	12,795,319

40. EARNINGS PER SHARE - BASIC AND DILUTED

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

As at December 31, 2019, there is no dilutive effect on the basic earnings per share of the Group. Earnings per share is based on following:

	2019	2018
	Rupees	
Profit for the year	16,532,846	12,707,526
	Number in thousands	
		(Restated)
Weighted average number of ordinary shares for determination of basic and diluted EPS	576,163	576,163
Earnings per share - Basic and Diluted	28.69	22.06

41. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts for remuneration, including all benefits, to the Chief Executive and Directors of the Holding Company and Executives of the Group are as follows:

(Amounts in thousand)

	2019			2018		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	Rupees					
Managerial remuneration	95,771	-	4,587,835	86,672	-	3,918,054
Retirement benefits funds	-	-	485,702	-	-	427,331
Fees	-	86,907	44,693	-	80,893	5,744
Directors emoluments	-	-	-	-	310,500	-
Other benefits	26	-	627,894	70	-	511,163
Total	95,797	86,907	5,746,124	86,742	391,393	4,862,292
Number of persons including those who worked part of the year	1	9	943	1	12	763

41.1 The Group also makes contributions to pension and gratuity funds and provides certain household items for use of some executives.The Group also provides certain household items for use of some employees and Chief Executive. Cars are also provided for use of certain employees and directors. In addition, certain directors of the Holding Company are also entitled for travelling benefits in respect of which Rs. 139,697 (2018: Rs. 40,729) have been incurred.

41.2 Premium charged during the year in respect of directors indemnity insurance policy, purchased by the Group, amounts to Rs.3,719 (2018: Rs. 3,784).

42. RETIREMENT BENEFITS

42.1 Defined benefit plans

The Group offers a defined post-employment gratuity benefit to permanent management and non-management employees. In addition, until June 30, 2005, the Group 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 Group faces the following risks on account of defined benefit plans:
Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

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

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

(Amounts in thousand)

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

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

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

42.1.1 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:

42.1.2 Statement of financial position reconciliation

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2019	2018	2019	2018
	Rupees			
Present value of defined benefit obligation	517,729	503,530	24,018	24,600
Fair value of plan assets	(306,420)	(364,649)	(38,277)	(38,104)
Deficit / (Surplus)	211,309	138,881	(14,259)	(13,504)
Payable to Defined Contribution Gratuity Fund	10,110	10,110	-	-
Payable in respect of inter group transfers	46	46	-	-
Unrecognized asset	-	-	14,259	13,504
Net liability recognized in the Statement of Financial Position	221,465	149,037	-	-

42.1.3 Movement in net liability recognized in the Statement of Financial Position

Net liability at beginning of the year	149,037	120,277	-	-
Expense / (income) for the year	42,070	34,648	(1,621)	(970)
Remeasurement (gain) / loss to Other Comprehensive Income	31,444	(3,550)	1,621	970
Unrecognized asset	(1,086)	(2,338)	-	-
Net liability at end of the year	221,465	149,037	-	-
	221,465	149,037	-	-

(Amounts in thousand)

42.1.4 Movement in present value of defined benefit obligation

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2019	2018	2019	2018
	Rupees			
As at beginning of the year	503,530	520,887	24,600	29,156
Current service cost	23,733	24,863	-	-
Interest cost	61,519	41,911	2,881	2,384
Benefits paid during the year	(111,665)	(78,161)	(3,929)	(4,042)
Remeasurement loss / (gain) to Other Comprehensive Income	41,698	(3,633)	466	(2,898)
Liability in respect of promotions	(1,086)	(2,337)	-	-
As at end of the year	517,729	503,530	24,018	24,600

42.1.5 Movement in fair value of plan assets

	2019	2018	2019	2018
As at beginning of the year	364,649	410,766	38,104	40,713
Expected return on plan assets	43,182	32,126	4,502	3,354
Benefits paid during the year	(111,665)	(78,162)	(3,929)	(4,042)
Remeasurement (loss) / gain to Other Comprehensive Income	10,254	(81)	(400)	(1,921)
As at end of the year	306,420	364,649	38,277	38,104

42.1.6 Charge for the year

	2019	2018	2019	2018
Current service cost	23,733	24,863	-	-
Net Interest cost	18,337	9,785	(1,621)	(970)
	42,070	34,648	(1,621)	(970)

42.1.7 Principal actuarial assumptions used in the actuarial valuation

	2019	2018	2019	2018
Discount rate	11.25% - 11.3%	12.75% - 13.25%	11.25%	12.75%
Expected rate of return on plan assets - per annum	11.25% - 11.3%	12.75% - 13.25%	-	-
Expected rate of increase in future salaries - per annum	10.3% - 11.3%	12.25% - 12.75%	-	-

42.1.8 Actual return on plan assets

	Rupees			
Actual return on plan assets	54,598	34,438	4,102	2,254

(Amounts in thousand)

42.1.9 Plan assets comprise of the following

	2019		2018	
	Rupees	%	Rupees	%
	Rupees			
Defined Benefit Gratuity Plans				
Debt	228,371	75%	306,918	84%
Equity	78,051	25%	57,731	16%
	306,422	100%	364,649	100%
Defined Benefit Pension Plan				
Debt	38,277	100%	29,264	77%
Equity	-	0%	6,850	18%
Others	-	0%	1,990	5%
	38,277	100%	38,104	100%

42.1.10 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Statement of Financial Position date.

42.1.11 Historical information of staff retirement benefits

	2019	2018	2017	2016	2015
	Rupees				
Defined benefit gratuity plans Present value of defined benefit obligation	(517,731)	(503,530)	(520,887)	(463,804)	(988,477)
Fair value of plan assets	306,422	364,649	410,766	418,228	876,698
(Deficit) / Surplus	(211,309)	(138,881)	(110,121)	(45,576)	(111,779)
Defined benefit pension plan 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

42.1.12 Expected future cost / (reversal) for the year ending December 31, 2019 is as follows:

	Rupees
Defined benefit gratuity plans	49,491
Defined benefit pension plan	(1,521)

(Amounts in thousand)

42.1.13 Remeasurement recognized in Other Comprehensive Income

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2019	2018	2019	2018
	Rupees			
Gain / (Loss) from change in experience adjustments	(42,354)	4,875	1,132	(2,636)
(Loss) / Gain from change in financial assumptions	656	(1,244)	(1,598)	5,534
Remeasurement of obligation	**(41,698)**	**3,631**	**(466)**	**2,898**
Actual Return on plan assets	54,598	34,439	4,102	2,254
Expected Return on plan assets	(43,182)	(32,127)	(4,502)	(3,354)
Difference in opening fair value of plan assets	(1,162)	(2,391)	-	(821)
Remeasurement of plan assets	**10,254**	**(79)**	**(400)**	**(1,921)**
Effect of asset ceiling	**-**	**-**	**(755)**	**(1,947)**
	(31,444)	3,552	(1,621)	(970)

42.1.14 Sensitivity analysis

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

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	Rupees			
Discount rate	118,433	470,394	22,928	23,517
Long term salary increases	128,676	541,091	-	-
Long term pension increases	-	-	25,343	25,933

42.1.15 Maturity Profile

	Gratuity Plans	Pension Plan
	Rupees	
Time in years		
1	34,787	3,910
2	38,050	3,910
3	28,545	3,910
4	74,560	3,910
5-10	395,757	3,910
11-15	466,867	3,910
16-20	874,816	3,910
20+	1,838,393	3,910
Weighted average duration	5.59	4.54

42.2 Defined contribution plans

42.2.1 An amount of Rs. 401,129 (2018: Rs. 350,547) has been charged during the year in respect of defined contribution plans maintained by the Holding Company.

(Amounts in thousand)

43. CASH GENERATED FROM OPERATIONS

	2019	2018
	Rupees	
Profit before taxation	46,010,018	36,427,052
Adjustment for non-cash charges and other items:		
Depreciation (note 4.4)	10,372,271	7,556,552
Depreciation on right-of-use asset	727,847	-
Amortization of intangible assets (note 6.1)	188,161	69,818
Amortization of prepaid financial charges	92,314	64,617
Amortization of direct cost on FSRU	86,516	86,516
Gain on disposal of property, plant and equipment - net (note 35)	(31,618)	(22,647)
Transfer from capital work-in-progress charged-off to profit or loss as Corporate Social Responsibility	171,689	-
Impairment of Intangible and operating assets	452,485	-
Provisions, net	1,817,029	1,958,577
Impairment of long term investment	1,224,304	-
Financial charges	11,876,878	4,468,847
Finance income on net investment in lease	(5,290,427)	-
Finance cost on lease liability	4,180,765	-
Income on deposits / other financial assets	(11,321,777)	(5,244,623)
Share of income from joint venture and associates (note 38)	(1,147,999)	(128,647)
Foreign currency translation	1,303,187	1,165,654
Reversal of provision of Workers Welfare Fund (note 35)	(999,423)	(650,110)
Working capital changes (note 43.1)	2,759,418	1,928,205
	62,471,638	47,679,811

43.1 Working capital changes

	2019	2018
(Increase) / Decrease in current assets		
- Stores, spares and loose tools	(436,452)	(667,358)
- Stock-in-trade	(2,447,915)	(3,815,782)
- Trade debts	(33,352,798)	(5,013,862)
- Loans, advances, deposits and prepayments	(6,896,268)	(1,528,506)
- Other receivables - net	(5,969,473)	241,382
	(49,102,906)	(10,784,126)
Increase in current liabilities		
- Trade and other payables and provisions	51,862,324	12,712,331
	2,759,418	1,928,205

(Amounts in thousand)

44. CASH AND CASH EQUIVALENTS

	2019	2018
	Rupees	
Cash and bank balances (notes 19 and 44.1)	20,445,652	10,618,049
Short term investments with original maturity less than 3 months (note 18)	19,249,587	66,346,054
Short-term borrowings (note 28)	(15,511,348)	(6,641,207)
	24,183,891	70,322,896

44.1 Balances of Rs. 433,470 (2018: Rs. 15,000) held against bank guarantee and Rs. 13,612 (2018: Rs. 1,247,762) held against letter of credit in favor of Custom Authorities have been excluded from cash and cash equivalents for the purpose of statement of cash flows.

45. FINANCIAL INSTRUMENTS BY CATEGORY

	2019	2018
	Rupees	
45.1 Financial assets		
- Financial assets at amortised cost		
Loans and advances	1,857,608	1,732,713
Trade debts	51,816,893	18,629,468
Other receivables	6,663,063	2,348,191
Cash and bank balances	20,892,734	11,880,811
Contract asset	5,313,283	-
Accrued income	484,224	524,809
	87,027,805	35,115,992
- Financial assets measures at fair value through other comprehensive income		
Treasury bills	35,532,891	58,642,472
Pakistan Investment Bonds	1,795,904	7,699,778
	37,328,795	66,342,250
- Financial assets measured at fair value through profit or loss		
Mutual fund units	27,372,021	200,000
45.2 Financial liabilities		
- Financial liabilities at amortized cost		
Borrowings	173,967,789	138,067,602
Trade and other payables	98,014,289	42,918,102
Lease liability	55,348,213	-
Accrued interest / mark-up	3,315,762	2,242,686
	330,646,053	183,228,390
- Financial liabilities measured at fair value through profit or loss		
Derivatives financial instruments	154	-

(Amounts in thousand)

46. FINANCIAL RISK MANAGEMENT

46.1 Financial risk factors

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

Risk management is carried out by the Group's Finance and Planning departments under policies approved by the Senior Management.

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 commercial transactions, 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.

The Holding Company has given guarantees in favor of its subsidiary companies amounting to USD 10,000 (2018: USD 10,000). The devaluation / revaluation of currency will only impact contingent liabilities and the impact on consolidated post tax profit for the year is Nil.

At December 31, 2019, if the Pakistani Rupee had weakened / strengthened by 1% against the US Dollars with all other variables held constant, consolidated post tax profit for the year would have been lower / higher by Rs. 623,120.

ii) Interest rate risk

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

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

The Group manages its interest rate exposure through floating to fixed rate interest swaps on its foreign currency borrowings.

As at December 31, 2019, if interest rates on Group's borrowings had been 1% higher / lower with all other variables held constant, consolidated post tax profit for the year would have been lower / higher by Rs. 269,189, mainly as a result of interest exposure on variable rate borrowings.

(Amounts in thousand)

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Group is exposed to price risk on its mutual fund investments.

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 maximum exposure to credit risk is equal to the carrying amount of financial assets. The Group accepts bank guarantees of banks of reasonably high credit ratings as approved by management.

The Group's fertilizer segment is exposed to 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 a majority of trade debts against bank guarantees inland letter of credits and by the fact that the exposure is spread over a wide customer base.

The Group's power segment is not exposed to any credit risk on its trade debts as these are secured by sovereign guarantee from the Government of Pakistan.

The Group's polymer / chemical segment is not materially exposed to credit risk on trade debts as unsecured credit is provided to selected parties with no default in recent history and a major part is secured by bank guarantees and letters of credit from customers or written terms of agreement.

The Group's terminal segment is not materially exposed to credit risk on trade debt, other and lease receivables from SSGC considering history, no default has been made by the customer and payments are received on a timely basis.

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 and advances	1,857,608	1,732,713
Trade debts	24,662,750	13,536,854
Other receivables	5,584,594	1,269,722
Short term investments	74,004,144	81,791,320
Bank balance	20,888,472	11,878,828
Accrued income	484,224	524,809
	127,481,792	110,734,246

(Amounts in thousand)

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

Bank	Rating agency	Rating	
		Short Term	Long Term
Albaraka Bank (Pakistan) Limited	PACRA	A1	A
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank AL Habib Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Bank Islami Pakistan Limited	PACRA	A1	A+
Citi Bank Europe plc	MOODY'S	P-1	a3
Citi Bank N.A.	MOODY'S	P1	Aa3
CIMB Bank Berhud	MOODY'S	P2	A3
Deutsche Bank A.G	MOODY'S	P2	Ba3
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A1	AA
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
HSBC Bank Middle East	MOODY'S	P-2	A3
Industrial and Commercial Bank of China	MOODY'S	P-1	A1
JS Bank Limited	PACRA	A1+	AA-
Mashreq Bank	MOODY'S	P-2	B aa2
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA+
National Bank of Pakistan	PACRA	A1+	AAA
Noor Bank	FITCH	-	A-
Samba Bank Limited	JCR-VIS	A-1	AA
Silk Bank Limited	JCR-VIS	A-2	A-
Summit Bank Limited	JCR-VIS	Suspended	
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
The Bank of Punjab	PACRA	A1+	AA
U Microfinance Bank	JCR-VIS	A-1	A
United Bank Limited	JCR-VIS	A-1+	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 liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

(Amounts in thousand)

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

	2019			2018		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	Rupees					
Financial liabilities						
Borrowings	35,367,772	138,600,017	173,967,789	16,957,131	123,820,762	140,777,893
Trade and other payables	98,014,289	-	98,014,289	42,918,102	-	42,918,102
Lease liability	4,406,997	50,941,216	55,348,213	-	-	-
Accrued interest / mark-up	3,315,762	-	3,315,762	2,242,686	-	2,242,686
	141,104,820	189,541,233	330,646,053	62,117,919	123,820,762	185,938,681

46.2 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 stake holders and to maintain an optimal capital structure to reduce the cost of capital.

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

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The regulatory regime in which the Group's power segment operates, renders the value of the equity to a bond given the guaranteed IRR of 15% with an indexation allowed under the Power Purchase Agreement for changes in US $ / PKR exchange rate.

The Group's strategy is to ensure compliance with the Prudential Regulations issued by the State Bank of Pakistan and is in accordance with agreements executed with financial institutions so that the total long term borrowings to equity ratio does not exceed the lender covenants. The proportion of borrowing to equity at year end was:

	2019	2018
	Rupees	
Borrowings (note 23)	158,456,441	121,110,471
Lease liabilities (note 24)	55,348,213	-
Total Borrowings	213,804,654	121,110,471
Equity	195,249,376	185,587,239
	409,054,030	306,697,710
Gearing ratio	52.27%	39.49%

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)

47. FAIR VALUE ESTIMATION

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. The table below analyses financial instruments carried at fair value by valuation method. The different level have been defined as follows:

- 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).

	Level 1	Level 2	Level 3	Total
	Rupees			
As at December 31, 2019				
Fair value through profit and loss				
- Mutual fund units	-	27,372,021	-	27,372,021
Fair value through other comprehensive income				
- Treasury Bills	-	35,532,891	-	35,532,891
- Pakistan Investment Bonds (PIBs)	-	1,795,904	-	1,795,904
	-	37,328,795	-	37,328,795
As at December 31, 2018				
Fair value through profit and loss				
- Mutual fund Units	-	200,000	-	200,000
Fair value through other comprehensive income				
- Treasury Bills	-	58,642,472	-	58,642,472
- Pakistan Investment Bonds	-	7,699,778	-	7,699,778
	-	66,342,250	-	66,342,250

Level 1 fair valued instruments comprise mutual fund units.

Level 2 fair valued have been determined on the basis of PKRV rates and closing net asset values for government securities and mutual fund units respectively

There were no transfers amongst the levels during the year. Further, there were no changes in the valuation techniques during the year.

(Amounts in thousand)

48. SEGMENT REPORTING

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

Type of segments	**Nature of business**
Fertilizer	This part of the business manufactures, purchases and markets fertilizers. The operations of this segment includes a wide range of fertilizer brands, besides urea, which primarily comprises of Engro Zarkhez, Zingro, Engro DAP and Envy etc. optimized for local cultivation needs and demand. Further, the segment is a leading importer and seller of phosphate products which are marketed extensively across Pakistan as phosphatic fertilizers.
Polymer	This part of the business manufactures, markets and sells Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and related chemicals all over Pakistan and few Central Asian countries.
Terminal	This part of the business includes operating and maintaining integrated liquid chemical terminal and storage farm, and LNG terminal for receipt, storage and regasification of LNG
Power and mining	This part of the business includes power generation, distribution, transmission and sale of electricity in Pakistan and operations and management services in Pakistan and Nigeria.
Other operations	It includes management of investments in associates and joint ventures by the Holding Company. It also includes investments made in the foods, telecommunication infrastructure and digital and technology services and products.

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

48.2 The following information presents operating results regarding operating segments for the year ended December 31, 2019 and asset information regarding operating segments as at December 31, 2019:

	Fertilizer		Polymer		Terminal		Power and mining		Other operations		Elimination - net		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Rupees													
Revenue from external customers (note 31)														
At a point in time	121,354,758	109,196,586	37,764,699	35,212,095	-	-	50,039,229	11,954,606	17,838,194	13,775,658	(14,153,165)	(11,231,353)	212,843,715	158,907,592
Over the Time	-	-	71,933	59,540	12,712,720	12,601,106	-	-	363,141	60,844	(71,933)	(60,844)	13,075,861	12,660,646
	121,354,758	109,196,586	37,836,632	35,271,635	12,712,720	12,601,106	50,039,229	11,954,606	18,201,335	13,836,503	(14,225,098)	(11,292,198)	225,919,576	171,568,238
Segment gross profit / (loss)	39,539,888	35,316,447	8,106,015	8,736,015	4,308,306	3,352,346	16,364,363	3,090,343	14,550,774	11,844,041	(14,183,258)	(11,230,719)	68,686,088	51,108,472
Segment expenses - net of other income	(9,986,904)	(9,456,885)	(2,130,268)	(2,012,076)	(185,227)	(110,348)	119,360	(535,797)	(5,902,521)	843,172	(1,445,030)	(3,329,535)	(19,530,591)	(14,601,469)
Income on deposits / other financial assets (note 35)	1,731,489	493,572	857,324	345,512	324,981	90,288	561,396	195,515	7,682,945	4,495,769	(701,341)	(376,033)	10,456,794	5,244,623
Finance cost (note 37)	(3,886,870)	(2,070,933)	(1,793,775)	(606,148)	(1,306,250)	(1,726,446)	(7,583,444)	(613,295)	(889,788)	(265,095)	709,856	(171,304)	(14,750,271)	(5,453,221)
Share of income from joint venture and associates (note 38)	-	-	-	-	1,014,206	-	514,784	270,969	(380,991)	(142,322)	-	-	1,147,999	128,647
Income tax (charge) / credit (note 39)	(10,526,380)	(6,868,683)	(1,343,259)	(1,533,132)	(206,869)	49,301	(1,163,742)	(810,879)	(2,538,956)	(3,986,251)	57,278	354,324	(15,721,927)	(12,795,319)
Segment profit / (loss) after tax	16,871,223	17,413,518	3,696,037	4,930,171	3,949,147	1,655,141	8,812,717	1,596,856	12,521,463	12,789,314	(15,562,495)	(14,753,267)	30,288,091	23,631,733
Segment assets	127,261,901	117,721,049	57,519,217	36,023,287	64,714,675	15,414,039	206,084,446	129,761,553	80,785,099	96,878,267	(17,408,859)	(34,228,807)	518,956,479	361,569,388
Investment in joint venture / associates (note 7)	-	-	-	-	-	-	3,388,819	3,410,904	26,574,181	28,174,476	-	-	29,963,000	31,585,380
Total segment assets	127,261,901	117,721,049	57,519,217	36,023,287	64,714,675	15,414,039	209,473,265	133,172,457	107,359,280	125,052,743	(17,408,859)	(34,228,807)	548,919,479	393,154,768
Total segment liabilities	83,982,441	72,197,894	39,743,061	19,227,103	56,614,312	8,998,126	166,705,951	102,452,003	19,665,855	9,632,687	(11,715,922)	(4,940,284)	354,995,698	207,567,529
Capital expenditure	4,018,508	4,495,017	13,114,040	4,259,715	271,517	492,865	27,200,197	26,859,945	3,048,868	554,929	(678,000)	(82,926)	46,975,130	36,579,545
Depreciation (note 4.4 and 5)	5,601,299	5,166,276	1,443,161	958,607	424,930	492,681	3,116,444	815,413	593,573	123,575	-	-	11,179,407	7,556,552
Amortization of intangible assets (note 6.1)	76,130	28,413	75,362	15,970	3,363	3,263	14,883	11,045	22,288	14,992	(3,865)	(3,865)	188,161	69,818

(Amounts in thousand)

49. TRANSACTIONS WITH RELATED PARTIES

49.1 Following are the details of associated undertakings and other related parties with whom the Group entered into transactions or had agreements and arrangements in place during the year:

S.No.	Name of Related parties	Direct shareholding % of the Holding Company	Relationship
1	Dawood Hercules Corporation Limited	37.22%	Parent Company
2	Engro Foundation	N/A	Associated Company
3	Sindh Engro Coal Mining Company Limited	N/A	Associated Company
4	FrieslandCampina Engro Pakistan Limited	39.90%	Associated Company
5	Reon Energy Solutions	N/A	Associated Company
6	GEL Utility Limited	N/A	Associated Company
7	Siddiqusons Energy Limited	N/A	Associated Company
8	International Finance Corporation	N/A	Associated Company
9	Arabian Sea Country Club	N/A	Associated Company
10	Mitsubishi Corporation	N/A	Associated Company
11	Dawood Lawrencepur Limited	N/A	Associated Company
12	Habib Bank Limited	N/A	Associated Company
13	Engro Vopak Terminal Limited	50.00%	Joint Venture
14	Dawood Industries (Private) Limited	N/A	Common Directorship
15	Inbox Business Technologies Private Limited	N/A	Common Directorship
16	Karachi School for Business & Leadership	N/A	Common Directorship
17	Meezan Bank Limited	N/A	Common Directorship
18	Overseas Investors Chamber of Commerce and Industry	N/A	Common Directorship
19	Patek (Private) Limited	6.24%	Common Directorship
20	The Dawood Foundation (Trustee)	N/A	Common Directorship
21	Dawood Corporation (Private) Limited	0.60%	Common Directorship
22	Tenaga Generasi Limited	N/A	Common Directorship
23	Pakistan Oxygen Ltd (formerly known as Linde Pakistan Limited)	N/A	Common directorship
24	Abdul Samad Dawood	N/A	Director
25	Ghias Khan	N/A	Director
26	Heena Inam	N/A	Director
27	Hussian Dawood	0.69%	Director
28	Khawaja Iqbal Hassan	N/A	Director
29	Mohammad Abdul Aleem	N/A	Director
30	Raihan Merchant	N/A	Director
31	Rizwan Diwan	N/A	Director
32	Shahzada Dawood	0.43%	Director
33	Waqar Ahmed Malik	N/A	Director
34	Inam Ur Rahman	N/A	Director of Group Company
35	Muhammad Imran Sayeed	N/A	Director of Group Company
36	Zafaryab Khan	N/A	Director of Group Company
37	Khusrau Nadir Gilani	N/A	Director of Group Company
38	Shahab Qadir	N/A	Director of Group Company
39	Shamsuddin Ahmad Sheikh	N/A	Ex-Director of Group Company
40	Syed Manzoor Hussain Zaidi	N/A	Director of Group Company
41	Jahangir Piracha	N/A	Director of Group Company
42	Vaqar Zakaria	N/A	Director of Group Company
43	Feroz Rizvi	N/A	Director of Group Company
44	Imran Anwer	N/A	Director of Group Company
45	Mohammad Asif Sultan Tajik	N/A	Director of Group Company
46	Noriyuki Koga	N/A	Director of Group Company
47	Asad Said Jafar	N/A	Director of Group Company
48	Asim Murtaza Khan	N/A	Director of Group Company
49	Javed Akbar	N/A	Director of Group Company
50	Sadia Khan	N/A	Director of Group Company
51	Amir Iqbal	N/A	Director of Group Company
52	Asif Sultan Tajik	N/A	Director of Group Company

(Amounts in thousand)

S.No.	Name of Related parties	Direct shareholding % of the Holding Company	Relationship
53	Imran Ahmed	N/A	Director of Group Company
54	Mohsin Ali Mangi	N/A	Director of Group Company
55	Nadir Salar Qureshi	N/A	Director of Group Company
56	Faiz Chapra	N/A	Key Management Personnel
57	Hasnain Moochhala	N/A	Key Management Personnel
58	Muhammad Ovais Aziz	N/A	Key Management Personnel
59	Atif Muhammad Ali	N/A	Key Management Personnel
60	Faisal Shafiq	N/A	Key Management Personnel
61	Farooq Nazim Shah	N/A	Key Management Personnel
62	Tarique Quadir Lakhiar	N/A	Key Management Personnel
63	Adil Mushtaq	N/A	Key Management Personnel
64	Amir Mahmud	N/A	Key Management Personnel
65	Fahim	N/A	Key Management Personnel
66	Sadaf Aslam	N/A	Key Management Personnel
67	Syed Ammar Shah	N/A	Key Management Personnel
68	Usman Mehmood Khan	N/A	Key Management Personnel
69	Abdul Qayoom Shaikh	N/A	Key Management Personnel
70	Aneeq Ahmed	N/A	Key Management Personnel
71	Jahangir Waheed	N/A	Key Management Personnel
72	Muhammad Imran Khalil	N/A	Key Management Personnel
73	Salman Hafeez	N/A	Key Management Personnel
74	Syed Abbas Raza	N/A	Key Management Personnel
75	Syed Ali Akbar	N/A	Key Management Personnel
76	Vijay Kumar	N/A	Key Management Personnel
77	Aasim Butt	N/A	Key Management Personnel
78	Atif Kaludi	N/A	Key Management Personnel
79	Fahd Khawaja	N/A	Key Management Personnel
80	Mohammad Azhar Malik	N/A	Key Management Personnel
81	Mudassar Yaqub Rathore	N/A	Key Management Personnel
82	Muhammad Majid Latif	N/A	Key Management Personnel
83	Syed Shahzad Nabi	N/A	Key Management Personnel
84	Engro Corporation Limited DB Gratuity Fund	N/A	Post Empleyement Benefits Fund
85	Engro Corporation Limited DC Gratuity Fund	N/A	Post Empleyement Benefits Fund
86	Engro Corporation Limited DC Pension Fund	N/A	Post Empleyement Benefits Fund
87	Engro Corporation Limited Provident Fund	N/A	Post Empleyement Benefits Fund
88	Engro Corporation Limited MPT Gratuity Fund	N/A	Post Empleyement Benefits Fund
89	Engro Corporation Limited NMPT Gratuity Fund	N/A	Post Empleyement Benefits Fund
90	Aysha Dawood	N/A	Spouse of director
91	Humera Aleem	N/A	Spouse of director
92	Kulsum Dawood	0.52%	Spouse of director
93	Ahsan Zafar Syed	N/A	Common Directorship
94	Pakistan Institute of Corporate Governance	N/A	Common Directorship
95	Eram Hassan	N/A	Director
96	Mazhar Hasnani	N/A	Key Management Personnel
97	Kalimuddin A Khan	N/A	Key Management Personnel
98	Sirius (Private) Limited	N/A	Associate/Common Directorship
99	Teach the World	N/A	Associate/Common Directorship
100	Cyan Limited	N/A	Associate/Common Directorship
101	Mozart Private Limited	N/A	Associate/Common Directorship
102	Abrax Pvt Limited	N/A	Associate/Common Directorship
103	Grid Egde Pvt limited	N/A	Associate/Common Directorship
104	Karachi Education Institute	N/A	Associate/Common Directorship
105	Sach international	N/A	Associate/Common Directorship
106	Emperical limited	N/A	Associate/Common Directorship
107	Najam Saeed	N/A	Associate/Common Directorship
108	Thomas Patrik	N/A	Associate/Common Directorship

(Amounts in thousand)

49.2 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	
Parent Company		
Dividend paid	5,322,751	4,094,424
Bonus Share issued	194,973	-
Reimbursements to Parent company	138,422	12,214
Associated Companies		
Purchases and services	2,241,800	4,328,879
Sale of goods and rendering of services	14,267	560,901
Dividends received	-	122,430
Donations	425,710	149,253
Payment of interest on TFCs and repayment of principal amount	-	1,025
Advance against share capital / Share capital issued	4,548,437	1,901,703
Payments against EPC contract	18,949,378	22,189,403
Long term loan received	384,304	847,065
Bonus Share issued	36,132	-
Reimbursement to associated companies	567,067	107,099
Expenses paid on behalf of associated companies	24,243,627	66,278
Interest on deposit	-	92,141
Bank charges	-	49
Dividends paid / payable	11,318,505	1,429,225
Loans repaid	-	353,648
Finance costs	577,053	362,714
Investment in subsidiary company by associates	-	3,892,547
Joint Venture		
Purchase of services	1,546,131	1,896,398
Reimbursements	42,561	27,853
Dividend received	1,305,000	1,170,000
Expenses paid on behalf of joint venture company	126,141	-
Disbursement of loan	200,000	-
Mark-up on loan	153	-
Retirement funds		
Contribution to retirement benefit funds	409,809	604,533
Directors		
Dividend paid	264,262	191,103
Directors emoluments	-	310,500
Directors' fees	100,611	80,893
Profit on Engro Rupiya Certificates	19,504	-
Others		
Other benefits paid	80,864	477,944
Remuneration of key management personnel	1,239,282	912,204
Bonus Share Issued	6,076	-
Reimbursement to key management personnel	36,432	23,314

(Amounts in thousand)

49.3 Details of related parties incorporated outside Pakistan with whom the Group had transactions or arrangements in place are as follows:

	GEL Utility Limited	China Machinery Engineering Corporation	Chine East Resources Import & Export Corporation	Magboro Power Company Limited
Country of Incorporation	Nigeria	People's Republic of China	People's Republic of China	Nigeria
% of holding of EEL	45% (indirectly through subsidiary)	N/A	N/A	3.33%

50. PROVIDENT FUND

The employees of the Group participate in the Provident Fund maintained by the Holding Company. Monthly contributions are made both by the companies in the Group and the employees to the fund maintained by the Holding Company at the rate of 10% of basic salary.

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.

51. DONATIONS

51.1 Donations include the following in which the Directors of the Holding Company or Group companies are interested:

Director	Interest in Donee	Name of donee	2019 -----Rupees-----
Ghias Khan	Chairman, Board of Trustees	Engro Foundation	313,653
Nadir Salar Qureshi	Trustee		
Ahsan Zafar Syed	Trustee		
Imran Anwar	Trustee		
Jahangir Piracha	Trustee		
Ahsan Zafar Syed	Trustee	Thar Foundation	61,034

51.2 During the year the Group made the following donations which are above Rs. 1000 or 10% of Group's total amount of donation:

	2019 -----Rupees-----
Citizens Foundation	13,543
Sina Health Education & Welfare Trust	26,390
Thar Foundation	61,034
Engro Foundation	313,653

(Amounts in thousand)

52. PRODUCTION CAPACITY

		Designed Annual Capacity		Actual Production	
		2019	2018	2019	2018
Urea (note 52.1)	Metric Tons	2,275,000	2,275,000	2,003,035	1,928,080
NPK (note 52.1)	Metric Tons	100,000	100,000	134,784	132,790
PVC Resin (note 52.1)	Metric Tons	195,000	195,000	197,000	202,000
EDC (note 52.1)	Metric Tons	127,000	127,000	110,000	107,000
Caustic soda (note 52.1)	Metric Tons	106,000	106,000	105,000	105,000
Caustic flakes (note 52.1)	Metric Tons	20	-	4	-
VCM (note 52.1)	Metric Tons	204,000	204,000	184,000	195,000
Power (note 52.2)	Mega Watt Hours	4,397,963	1,863,724	3,097,604	1,526,309
Power	Mega Watt	66	66	48	48
Milling / Drying unit of rice processing plant (note 52.3)	Metric Tons	414,000	414,000	93,689	77,008

52.1 Production planned as per market demand and in house consumption needs.

52.2 Output produced by the plants of EPQL and EPTL is dependent on the load demanded by NTDC and plants' availability.

52.3 Three months season design capacity and production is dependent on availability of rice paddy.

52.4 The annual capacity of EETPL as service provider to SSGCL is 4.5 MTPA and there has been no shortfall during the year.

53. NUMBER OF EMPLOYEES OF THE GROUP

	Number of employees as at		Average number of employees as at	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Management employees	2,088	1,583	1,927	1,556
Non-management employees	531	722	524	638
	2,619	2,305	2,451	2,194

54. SEASONALITY

The Group'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 Group manages seasonality in the business through appropriate inventory management.

The Group's agri business is subject to seasonal fluctuation as majority of paddy / unprocessed rice is procured during the last quarter of the year which is the harvesting period for all rice varieties grown in Pakistan. However, rice is sold evenly throughout the year. The Group manages seasonality in the business through appropriate inventory management.

(Amounts in thousand)

55. NON-ADJUSTING EVENT AFTER REPORTING DATE

55.1 The Board of Directors of the Holding Company in its meeting held on February 21, 2020 has proposed a final cash dividend of Rs. 1 per share for the year ended December 31, 2019 amounting to Rs. 576,163 for approval of the members at the Annual General Meeting to be held on April 7, 2020.

55.2 The Board of Directors of Engro Vopak Terminal Limited, a joint venture company, in its meeting held on January 31, 2020 has proposed a final cash dividend of Rs. 6.00 per share for the year ended December 31, 2019, amounting to Rs. 540,000, of which the proportionate share of the Holding Company amounts to Rs. 270,000.

The consolidated financial statements for the year ended December 31, 2019 do not include the effect of the aforementioned proposed dividends, which will be accounted for in the consolidated financial statements for the year ending December 31, 2020.

56. LISTING OF SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND JOINT VENTURE

Name of Subsidiaries	Financial year end
Engro Fertilizers Limited (EFert)	December 31
EFERT Agritrade (Private) Limited (EAPL)	December 31
Engro Polymer and Chemicals Limited (EPCL)	December 31
Engro Polymer Trading (Private) Limited (EPTL)	December 31
Engro Peroxide (Private) Limited	December 31
Engro Plasticizer (Private) Limited	December 31
Engro Energy Limited	December 31
Engro Power Services Limited (EPSL)	December 31
Engro Power International Holding B.V. (EPIH)	December 31
Engro Power Services Holding B.V. (EPSH B.V.)	December 31
Engro Power Investment International B.V. (EPII B.V.)	December 31
Kolachi Portgen (Private) Limited (KPPL)	December 31
Engro Powergen Qadirpur Limited (EPQL)	December 31
Engro Powergen Thar (Private) Limited (EPTPL)	December 31
Elengy Terminal Pakistan Limited (ETPL)	December 31
Engro Elengy Terminal (Private) Limited (EETPL)	December 31
Engro Eximp FZE (FZE)	December 31
Engro Eximp Agriproducts (Private) Limited (EEAPL)	December 31
Engro Digital Limited (EDigital)	December 31
Engro Infiniti (Private) Limited	December 31
Enfrashare (Private) Limited	December 31
Engro Energy Services Limited (EESL)	December 31
Name of Joint Venture	
Engro Vopak Terminal Limited (EVTL)	December 31
Name of Associates	
FrieslandCampina Engro Pakistan Limited (FCEPL)	December 31
Sindh Engro Coal Mining Company Limited (SECMC)	December 31
Gel Utility Limited (GEL)	December 31
Siddiqsons Energy Limited (SEL)	June 30
Pakistan Energy Gateway Limited (PEGL)	December 31

(Amounts in thousand)

56.1 Set out below is summarised financial information for each subsidiary that has Non-Controlling Interests (NCI). The amounts disclosed for each subsidiary are before inter-company eliminations:

	EPQL	EPTPL	ETPL	EFert	EPCL
			Rupees		
Total Assets	27,541,251	186,456,120	64,714,675	127,261,901	57,519,217
Total Liabilities	13,578,068	144,900,877	56,614,312	83,982,441	39,743,061
Total Comprehensive Income	3,401,808	6,123,585	2,934,941	17,135,067	3,696,037
Total Comprehensive Income allocated to NCI	1,058,740	3,055,669	1,291,374	6,730,227	1,615,153
Accumulated NCI	4,373,064	23,593,100	3,552,819	18,215,197	7,866,750
Cash and cash equivalents	(3,700,454)	5,465,563	4,017,848	4,029,957	7,951,181
Cash (utilized in) / generated from					
- operating activities	4,234,290	14,366,231	5,178,590	21,988,785	7,679,131
- investing activities	(114,387)	(26,301,368)	(271,483)	4,502,608	(17,675,057)
- financing activities	(4,124,606)	13,674,496	(3,598,903)	(22,547,158)	8,787,053
Dividend paid / payable to NCI	302,250	-	550,235	8,175,822	358,371
Interest of NCI	31.11%	49.90%	44%	43.73%	43.81%

57. CORRESPONDING FIGURES

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

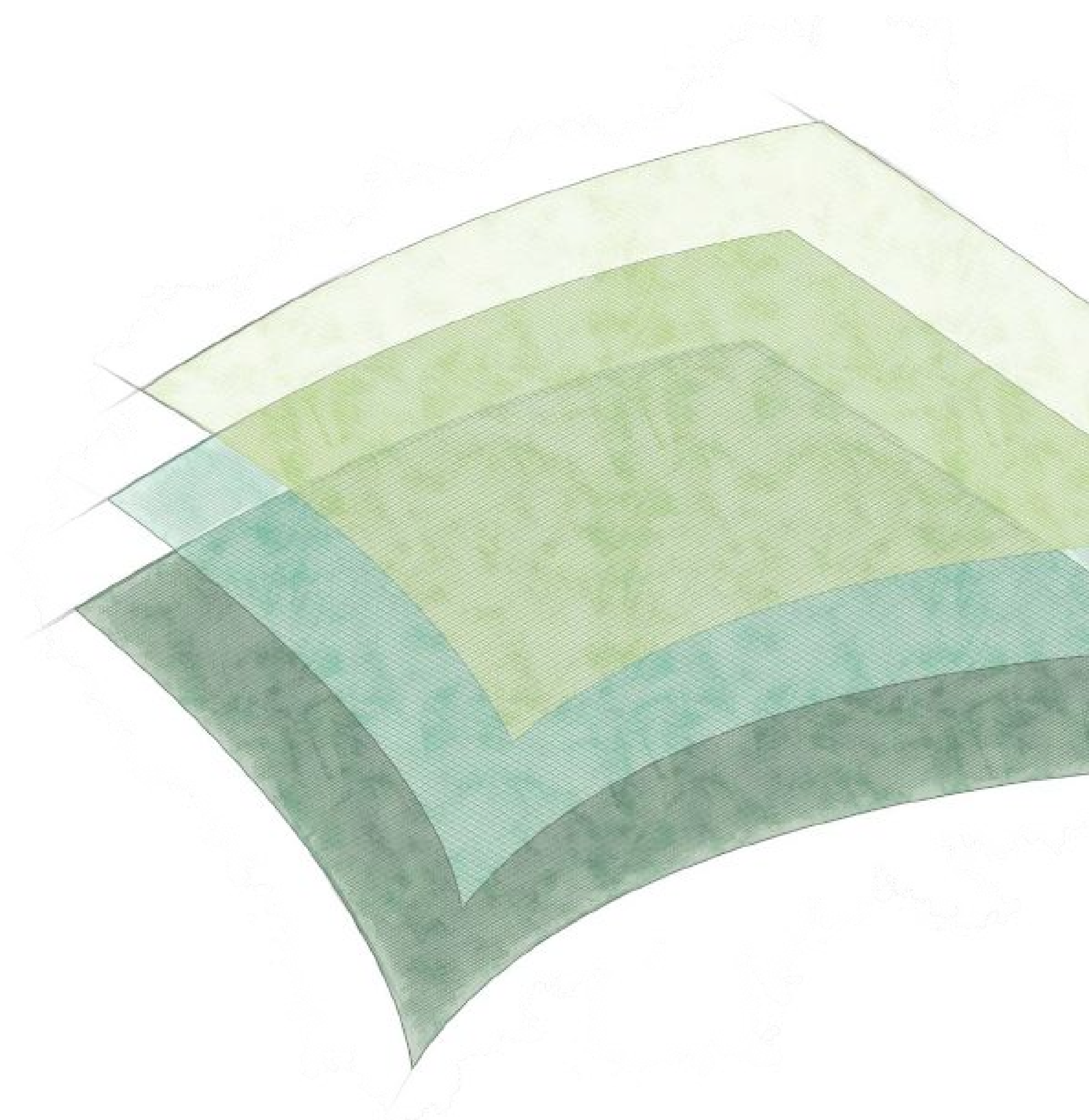
58. DATE OF AUTHORIZATION FOR ISSUE

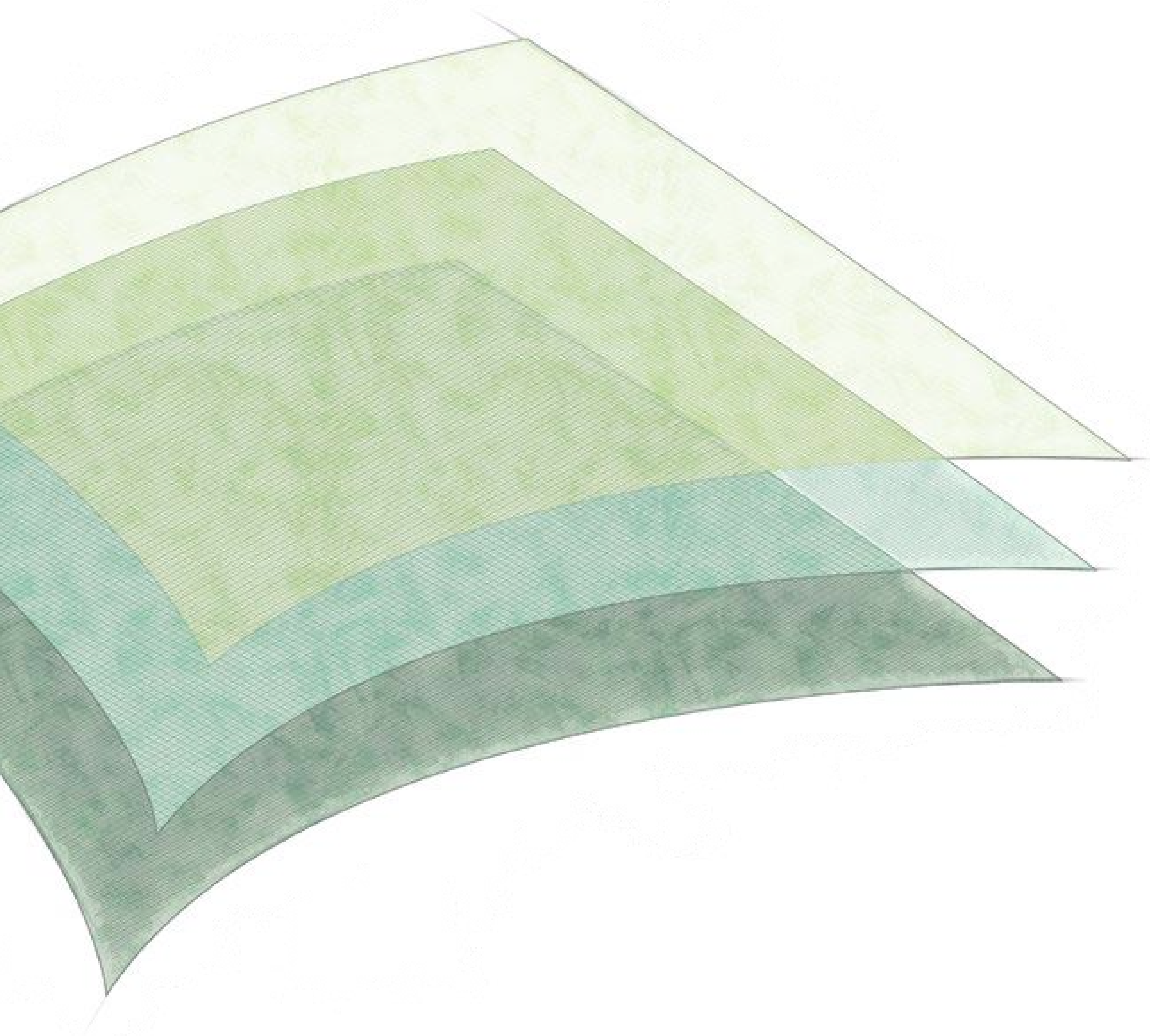
These consolidated financial statements were authorized for issue on February 21, 2020 by the Board of Directors of the Holding Company.

Abdul Samad Dawood
Vice Chairman

Hasnain Moochhala
Chief Financial Officer

Ghias Khan
President and Chief Executive





proxy form

I/We ____

of ________________________________ being a member of ENGRO CORPORATION LIMITED

and holder of ____

(Number of Shares)

Ordinary shares as per share Register Folio No. ______________________________ and/or CDC Participant I.D. No. ____________________ and Sub Account No. _______________, hereby appoint ________________________ of ______________________or failing him ______________________________ of ______________________ as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 07th day of April, 2020 and at any adjournment thereof.

Signed this _____________day of ________ 2020.

WITNESSES:

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

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

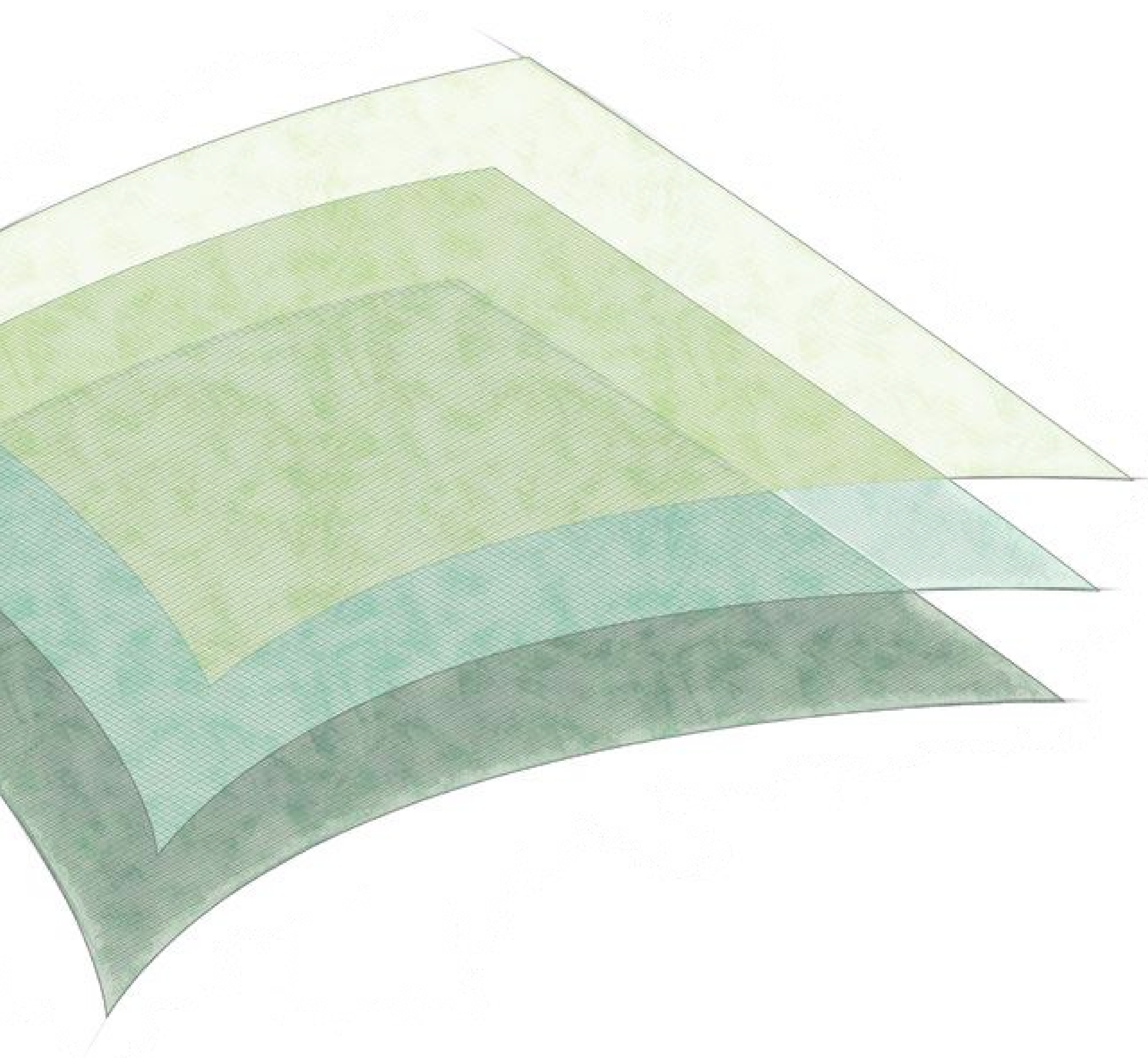
____

Signature

Signature should agree with the specimen registered with the Company

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

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



standard request form
circulation of annual audited accounts

The Share Registrar
Engro Corporation Ltd.
FAMCO Associates (Pvt.) Ltd.
8-F, Near Hotel Faran
Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal
KARACHI.
E-mail: info.shares@famco.com.pk
Telephone No. (9221) 3438 0101-5, 3438 4621-3

Date: ________________

Dear Sirs,
Subject: Request for Hard Copy of Annual Report of Engro Corporation Limited.

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 April 06, 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, ______________________________ S/o, D/o, W/o ______________________ being a registered shareholder of Engro Corporation Ltd. with the particulars as mentioned below would request that my 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 the Annual Audited Accounts in hard copy form at my registered address as contained in the member register instead of providing the same through CD/DVD/USB.

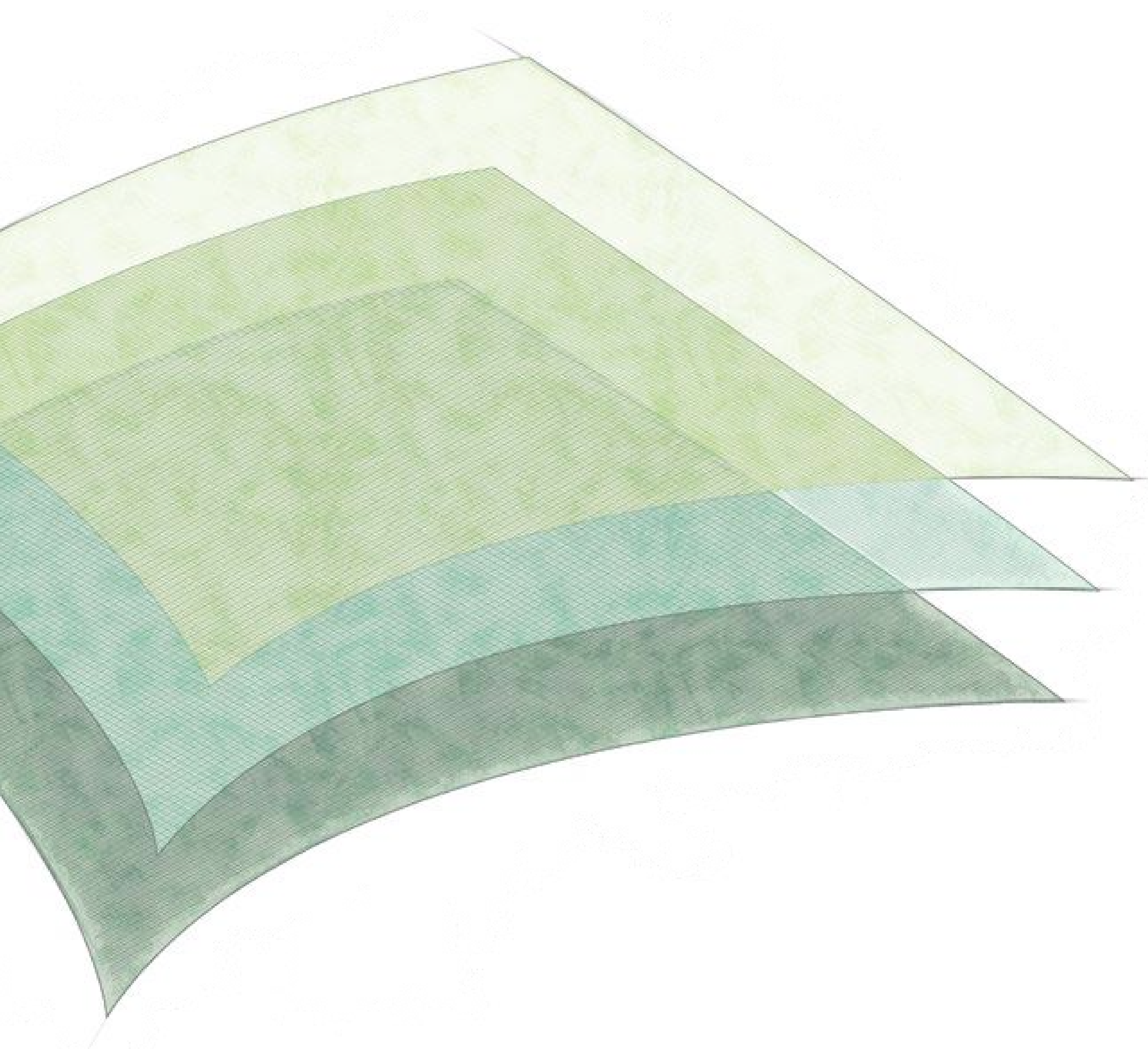
Particlars	
Name of Shareholder	
Folio No. / CDC ID No.	
CNIC / NICOP / Passport No.	
Land Line Telephone No. (if any)	
Cell No.(if any)	

Yours truly,

____
Shareholder's Signature

Copy to:

Company Secretary
Engro Corporation Ltd.
8th Floor, The Harbour Front, Dolmen City
HC-3, Block 4, Clifton, Karachi-75600.
E-mail: skamil@engro.com



پراکسی فارم

میں/ہم -- کے --

اینگرو کارپوریشن لمیٹڈ کے رکن اور عام شیئرز کے حامل کی حیثیت کے -- (شیئرز کی تعداد)

رجسٹرڈ فولیو نمبر ---------------- اور / یا سی ڈی سی فولیو کا آئی ڈی نمبر ---------------- اور ذیلی اکاؤنٹ نمبر -- کے

-- کے -- یا

کو کمپنی کے سالانہ عام اجلاس جو 07 اپریل 2020 کو منعقد ہوگا، میرے/ ہمارے لیے اور میری/ ہماری طرف سے بحیثیت اپنا پراکسی، ووٹ دینے کے لیے نامزد کرتا / کرتے ہیں۔

دستخط ---------------------------- بروز ---------------- بتاریخ -------- / -------- 2020

گواہان:

دستخط: --

نام: --

پتہ: --

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: --

پاسپورٹ نمبر: --

دستخط شیئر ہولڈر

(دستخط کا کمپنی میں رجسٹرڈ نمونے کے ہو بہو مطابق ہونا ضروری ہے)

دستخط: --

نام: --

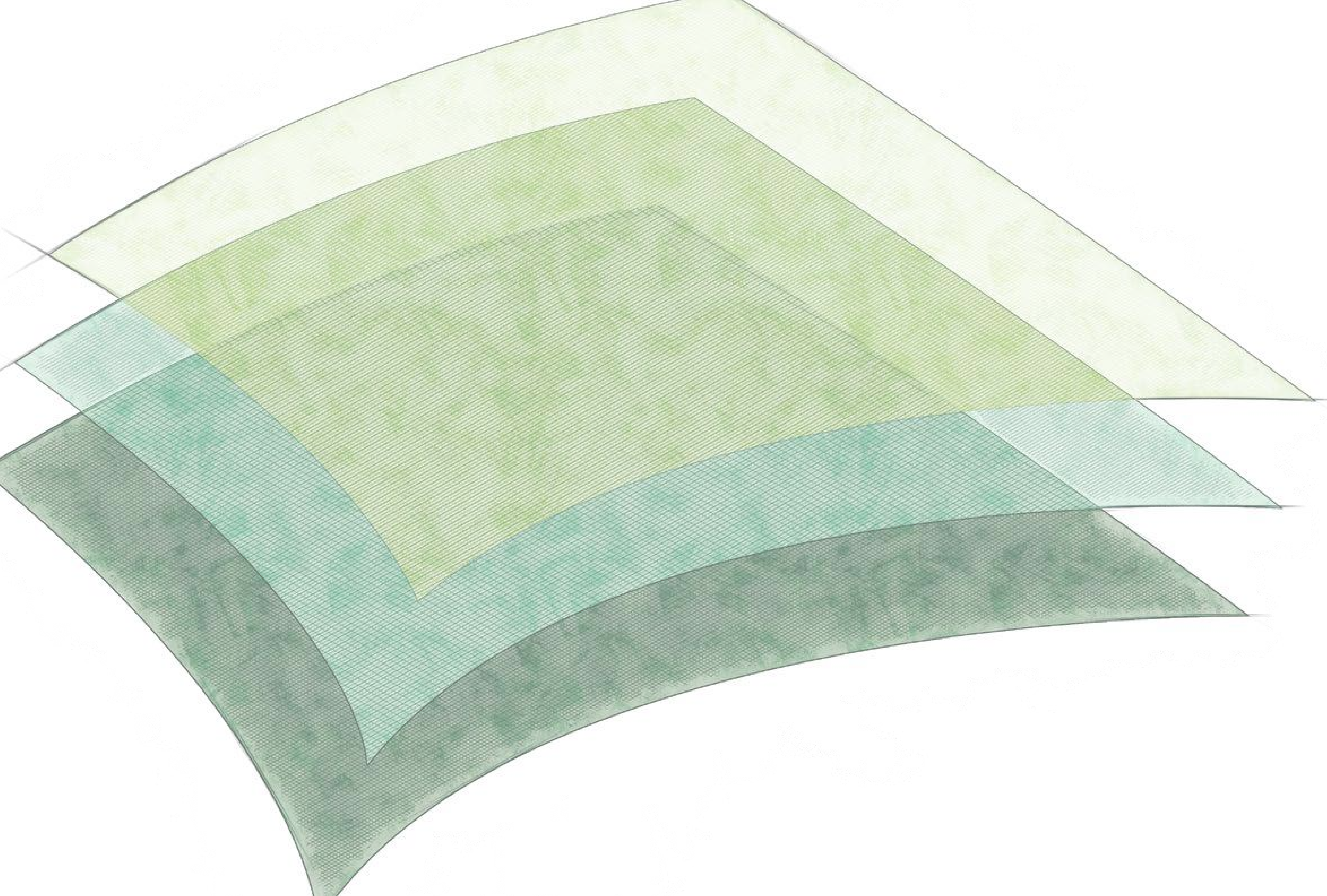
پتہ: --

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: --

پاسپورٹ نمبر: --

نوٹ: نمائندے کو فعال بنانے کے لیے نامزدگی فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کو موصول ہونا چاہیے۔ نمائندے کو کمپنی کا رکن ہونا ضروری نہیں۔

سی ڈی سی شیئر ہولڈرز اور ان کے نمائندوں سے فرداً فرداً درخواست ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ نقل یا پاسپورٹ، پراکسی فارم داخل کرنے سے قبل اس کے ساتھ منسلک کریں۔



2019 کے لیے ہماری توجہ کے اہم ایریاز میں ایچ آر کی تجدیدِ نو ہے جس میں لیڈرشپ کی مہارت کے نئے طریقوں پر کام کیا گیا اور سال کے آخر میں اپریزل اور انعامات کی پالیسیوں سے شاندار کارکردگی دکھانے والی بہترین ٹیموں کی دریافت پر کام جاری رہا۔ ہم ایک اپرنٹس شپ پروگرام چلاتے ہیں جس میں تمام مینیجرز کے لیے افراد کی ترقی پر کام کرنا اصل ذمہ داری ہوتی ہے۔ ہمارے لیڈرز سے تمام ملازمین کے لیے تربیتی مواقع، کوچنگ کے ساتھ مستقل اور معیاری فیڈ بیک کی توقع کی جاتی ہے، مقاصد کے تعین کے نظام اور کارکردگی کے نئے اسلوب کی سوچ بھی پروان چڑھائی جا رہی ہے۔ ہمارا نئے طریقہ سے وضع شدہ لیڈرشپ کمپی ٹنسی ماڈل اور افراد کو ترقی دینے کا شاندار نظام/پروسیس کو آگے بڑھانے میں معاونت، جدت اور ورک فورس میں ہم آہنگی کا مظہر ہے۔ اسی مقصد کے تحت، ہم اپنے ملازمین کو فیصلے کی آزادی کے ساتھ بہترین سسٹم اور ٹولز فراہم کرنے کی کوشش کرتے ہیں تاکہ ان کی ڈیجیٹلائزیشن اور ڈیٹا سے ماخوذ ہونے والے تصورات اور صلاحیتوں کی ضرورت پوری ہو سکے۔

ہم اس بات پر یقین رکھتے ہیں کہ تنوع ہمیں مضبوط بناتا ہے۔ تمام امیدواروں کو کسی جنس، مذہب یا بیک گراؤنڈ کی پروا کئے بغیر نہ صرف ایک جیسے مواقع فراہم کرتے ہیں بلکہ ایک اجتماعی ماحول پیدا کرنے کی کوشش کرتے ہیں۔ ہم نے بلاتفریق یکساں ماحول کو پروان چڑھانے کے لیے کئی طرح کے فریم ورک بنا رکھے ہیں۔ اس کے ساتھ سال بھر ہم نے ٹیلنٹ کی ترقی کے تحت فریم ورک پر بھی عمل درآمد کو جاری رکھتے ہوئے مختلف مہارتوں والے افراد پر توجہ مرکوز رکھی اور ایسے صحت بخش ٹیلنٹ کے حصول کا راستہ ہموار کئے رکھا جس پر چلتے ہوئے ادارے کے لیے مستقبل کے لیڈرز کی موجودگی یقینی ہوگی۔ ہمیں اینگرو میں ایسے ورک فورس کے ساتھ کام کرنے اور مصروفِ عمل رہنے پر فخر ہے جس کی لگن سے ہم پاکستان کے ایک بڑے برانڈ میں شمار ہوتے ہیں۔

سماجی سرمایہ

اینگرو اپنی مہارت اور وسائل کے استعمال سے معاشرے میں سرمایہ کاری کے ذریعے طویل مدتی سماجی سرمایہ کاری کرنے کے لیے پرعزم ہے۔ کمیونٹی کی سطح پر سرمایہ کاری ان کے مشورے اور ان کی شراکت داری سے انجام دی جاتی ہے۔ ہم اپنی کاروباری مہارت چھوٹے کسانوں جیسے محروم افراد کی زندگیوں میں بہتری لانے میں استعمال کرتے ہیں۔ یہ سوچ ہمیں اپنی کمیونٹی کے ساتھ جڑے رہنے میں مدد دیتی ہے اور ہمیں ان کے لیے موثر پروگرام شروع کرنے کے قابل بناتی ہے۔

اینگرو فاؤنڈیشن ہماری سوشل سرمایہ کاریوں کے لیے ایک انفرادی پلیٹ فارم کے طور پر کام کرتی ہے۔ اینگرو کی تمام کمپنیوں سے جمع ہونیوالا سرمایہ اینگرو فاؤنڈیشن کے ذریعے لگایا جاتا ہے۔ اس حوالے سے تربیت کے ذریعے مہارتوں کی ترقی اور عمومی تعلیم کے ذریعے سماجی ترقی کے طویل مدتی پروگرام کو جاری رکھنا ہماری ترجیح ہے۔ ہماری ٹیکنیکل ٹریننگ اور ویلیو چین پروجیکٹ ضرورت کے مطابق مہارتوں کی تربیت پر مشتمل ہوتے ہیں۔ ہم معاشرے میں طبی سہولیات کے پروگراموں اور گزر بسر کی ضروریات میں معاونت بھی کر رہے ہیں۔ قدرتی ماحول کو برقرار رکھنے کے لیے، ہم جنگلات کے قیام اور مین گرووز کے تحفظ اور کوسٹل ایکوسسٹم کی ترقی کے لیے کوشاں ہیں۔
ہماری سماجی سرمایہ کاریوں کی پروگرام وائز تفصیل مربوط رپورٹ میں پیش کی گئی ہے۔

صحت، تحفظ اور ماحول (HSE)

صحت، تحفظ اور ماحول ہمیشہ سے ہماری اقدار رہی ہیں۔ ہم اپنے ملازمین کی صحت اور ان کے تحفظ اور پیشہ ورانہ نقصان/زیادتی سے محفوظ رکھنے کے لیے خصوصی طور پر محتاط رہے ہیں۔ اینگرو میں ہم قیادت میں مثال بننے پر یقین رکھتے ہیں اور یہی وجہ ہے کہ ہم ایسی اسٹریٹجک سرمایہ کاری کرتے ہیں جس سے ہمارے افراد کے تحفظ کے لیے ایک ٹھوس اقدام اٹھایا جاتا ہو۔ HSE پر تعمیل ہماری روزمرہ کی سرگرمیوں اور فیصلوں میں شامل ہوتی ہے۔ ہمارے تمام کاروباری امور میں تحفظاتی خطرات کو کم سے کم کرنے کے لیے تحفظ کے اسٹینڈرڈز اور طریقوں کو بہتر بنانے کے لیے تمام کوششیں کی جاتی ہیں۔ ہمارے حفاظتی پروگرام کے اثرات کا پھیلاؤ جاری ہے جس میں DuPont (ایک عالمی بینچ مارک) کی ہدایات بھی شامل ہیں تاکہ ہمارے ملازمین، کنٹریکٹرز اور ان کے ملازمین کے مابین محفوظ رویوں کو اجاگر کرنے والا ایک مستحکم و محفوظ کلچر رائج کیا جا سکے۔ ہمارے ساتھ کام کرنے والے کنٹریکٹرز کے لیے بھی HSE کی شرائط پر عمل کرنا لازمی ہے۔

ہم یقین رکھتے ہیں کہ مستقل مزاجی کے ساتھ کام کرنا اور پائیدار ترقی کی جدوجہد جاری رکھنا ہی اداروں کی کامیابی کے لیے ناگزیر ہے۔ ہم مستحکم ضابطہ اخلاق اپنانے اور ماحولیاتی کارکردگی میں مسلسل بہتری کے ذریعے اپنے آپریشنز کے ماحولیاتی اثرات کو کم سے کم کرنے کے لیے پرعزم ہیں۔ کمپنی کی ویب سائٹ پر موجود ہماری مکمل رپورٹ میں HSE کی کارکردگی اور ترقی پر مشتمل تفصیلی رپورٹ دستیاب ہے۔

پیٹرن آف شیئر ہولڈنگ

داؤد ہرکولس کارپوریشن لمیٹڈ سمیت دی داؤد گروپ اینگرو کارپوریشن کے اہم شیئر ہولڈرز ہیں۔ دیگر شیئر ہولڈرز میں مقامی اور غیر ملکی ادارے اور عوام الناس شامل ہیں۔

شیئر ہولڈنگ کے عام پیٹرن کے ساتھ رپورٹنگ فریم ورک کے تحت شیئر ہولڈرز کی مخصوص کلاسز، جن کا اعلان ضروری تھا، کے شیئر ہولڈنگ کے پیٹرن اور 2019 کے دوران ڈائریکٹرز، ایگزیکٹیوز اور ان کے ازواج سمیت چھوٹے بچوں کی طرف سے شیئر کی خرید و فروخت کے گوشوارے کی تفصیلات اس رپورٹ کے شیئر ہولڈنگ کے سیکشن میں پیش کی گئی ہیں۔

engro corp

بعد میں وقوع پذیر ہونے والے واقعات کے باعث اشیاء میں تبدیلی

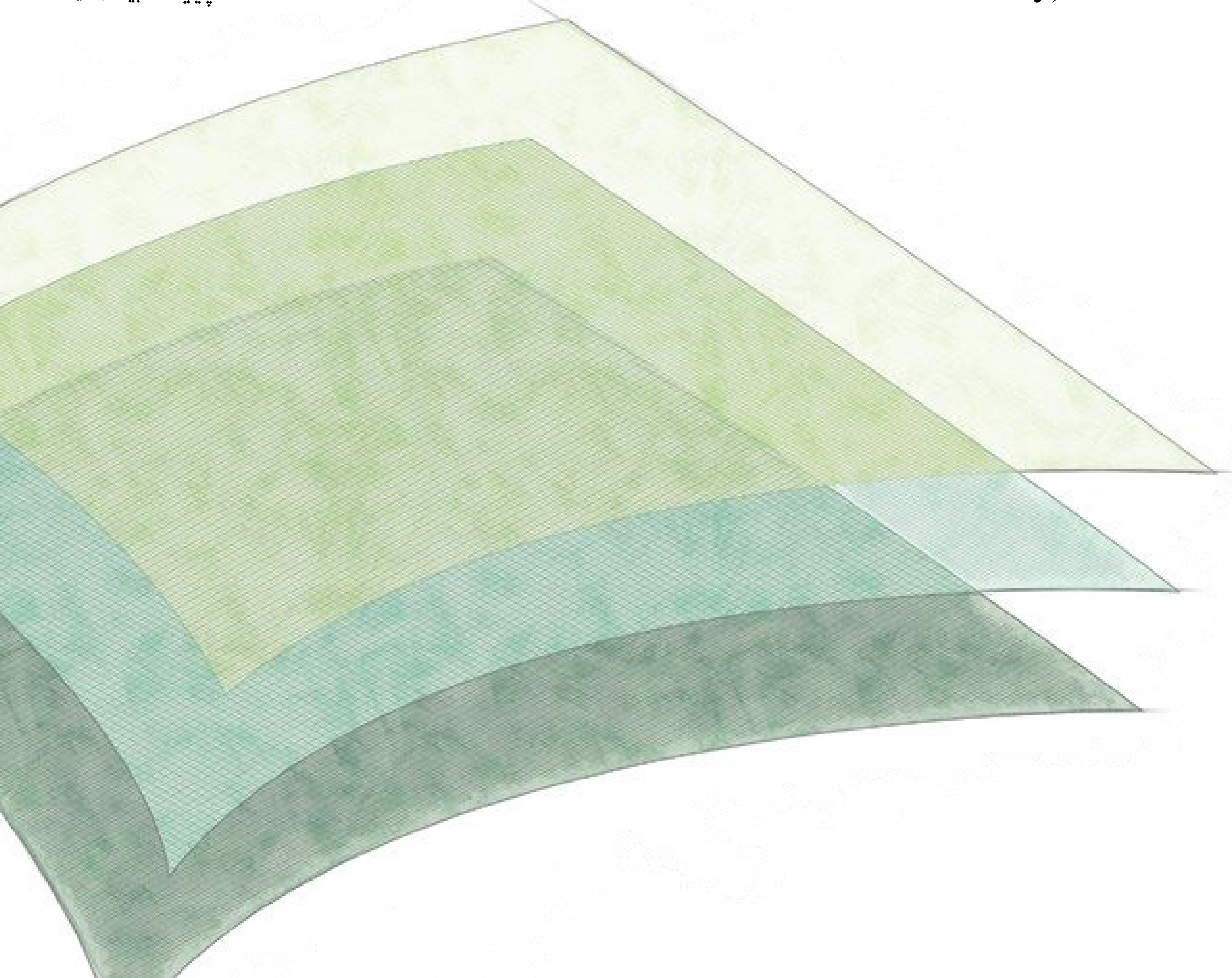
کمپنی کے مالی سال کے اختتام اور اس رپورٹ کی تاریخ کے درمیان کمپنی کی مالی حالت پر اشیاء کی تبدیلی یا کوئی دیگر وعدہ کسی طرح اثر انداز نہیں ہوئے۔

اظہارِ تشکر

ڈائریکٹرز اپنے شیئر ہولڈرز کا شکریہ ادا کرتے ہیں کہ جنہوں نے ہمیشہ کمپنی پر اپنا اعتماد ظاہر کیا۔ ہم اینگرو فیملی کے ہر رکن کے عزائم، لگن اور جدید خیالات پیش کرنے پر مشکور و ممنون ہیں اور پراعتماد ہیں کہ مستقبل میں بھی یہ لوگ ایسی کوشش جاری رکھیں گے۔

حسین داؤد
چیئرمین

غیاث خان
پریزیڈنٹ اور چیف ایگزیکٹیو



6 آزاد ڈائریکٹرز (ایک خاتون ڈائریکٹر)

3 نان ایگزیکٹیو ڈائریکٹرز

ایک ایگزیکٹیو ڈائریکٹر

ذیل میں ان افراد کے نام ہیں جو سال 2019 میں کسی بھی وقت کمپنی کے ڈائریکٹرز رہے ہیں:

- جناب حسین داؤد
- جناب عبدالصمد داؤد
- جناب محمد عبدالعلیم
- محترمہ حنا انعام
- جناب شہزادہ داؤد
- جناب رضوان دیوان
- جناب خواجہ اقبال حسن
- جناب وقار احمد ملک
- جناب رائحان علی مرچنٹ
- جناب غیاث خان

بورڈ کی سرگرمیوں کا جائزہ لینے کے لیے 2019 میں بورڈ کے 10 اجلاس منعقد ہوئے۔ بورڈ نے تین کمیٹیاں تشکیل دیں تا کہ بورڈ کو اپنی قانونی ذمہ داریاں نبھانے میں مدد مل سکے۔ ممبر شپ تفصیلات کے ساتھ ان کمیٹیوں کی معلومات درج ذیل ہیں:

بورڈ آڈٹ کمیٹی	بورڈ انویسٹمنٹ کمیٹی	بورڈ پیپل کمیٹی
2019 میں 4 اجلاس منعقد ہوئے	2019 میں 7 اجلاس منعقد ہوئے	2019 میں 10 اجلاس منعقد ہوئے
جناب محمد عبدالعلیم	جناب عبدالصمد داؤد	محترمہ حنا انعام
جناب رائحان علی مرچنٹ	جناب خواجہ اقبال حسن	جناب عبدالصمد داؤد
جناب رضوان دیوان	جناب رضوان دیوان	جناب خواجہ اقبال حسن
جناب وقار احمد ملک	جناب وقار احمد ملک	جناب رائحان علی مرچنٹ

ڈائریکٹرز کی ذمہ داریوں کا بیان

ڈائریکٹرز سیکورٹی اینڈ ایکسچینج کمیشن آف پاکستان کے کوڈ آف کارپوریٹ گورننس کے کارپوریٹ اور فنانشل رپورٹنگ فریم کی تعمیل کی توثیق کرتے ہیں جو کہ درج ذیل ہیں:

- انتظامیہ کی جانب سے تیار کردہ کمپنی کے مالیاتی گوشوارے، کمپنی کے معاملات، آپریشن کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلیوں کی شفاف صورتحال پیش کر رہے ہیں۔
- کمپنی کی جانب سے باقاعدہ طور پر اکاؤنٹس کی بکس برقرار رکھی گئی ہیں۔
- مالیاتی گوشواروں اور اکاؤنٹنگ تخمینے کی تیاری مناسب اور محتاط انداز کی بنیاد پر متعلقہ اکاؤنٹنگ پالیسیوں کے تحت کی گئی ہے۔
- مالیاتی گوشواروں کی تیاری پاکستان میں لاگو انٹرنیشنل فنانشل رپورٹنگ کے معیار کے مطابق کی گئی ہے اور اس سے کسی طرح کے انحراف کو باقاعدہ واضح کیا گیا ہے۔
- انٹرنل کنٹرول کا سسٹم بہترین ہے اور اس پر بہترین انداز میں عمل درآمد اور نگرانی کی جاتی ہے۔
- کمپنی کے استحکام اور آگے بڑھنے کی صلاحیت پر کسی بھی شک وشبہ کی کوئی گنجائش نہیں۔
- کارپوریٹ گورننس پر بہترین انداز میں عمل درآمد سے کسی طرح کا بھی انحراف دیکھنے میں نہیں آیا۔

نان ایگزیکٹیو اور آزاد ڈائریکٹرز کے مشاہرے کی پالیسی

ڈائریکٹرز کے بورڈ نے نان ایگزیکٹو ڈائریکٹرز اور آزاد ڈائریکٹرز کے مشاہرہ کی پالیسی منظور کی ہے جس کی نمایاں خصوصیات یہ ہیں:

- مشاہرہ معقول اور ڈائریکٹرز کی مہارت اور ذمہ داریوں کے موافق ہونا چاہئے جس کا مقصد ڈائریکٹرز کی توجہ اور مصروفیت کو قائم رکھنا ہے جو کمپنی کی نگرانی کے لیے ضروری اور قدر میں اضافے کے لیے حوصلہ افزا ہیں۔ یہ مشاہرہ ڈائریکٹرز کی خودمختاری پر ہرگز اثر انداز نہیں ہونا چاہئے نہ ہی اس پر کوئی سمجھوتہ کیا جائے گا۔
- بورڈ اگر مناسب سمجھے تو اپنے ڈائریکٹرز کے معاوضوں کی معقول سطح جانچنے کے لیے آزاد کنسلٹنٹ کی خدمات حاصل کرسکتا ہے۔
- اینگرو کی دیگر کمپنیوں میں تعینات دیگر ایگزیکٹیو ڈائریکٹر اور نا ایگزیکٹیو ڈائریکٹرز کو بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کرنے کا کوئی معاوضہ ادا نہیں کیا جائے گا۔
- بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کے لیے ڈائریکٹرز کی طرف سے خرچ کئے گئے کسی بھی طرح کے سفری اور دیگر ضروری اخراجات کو اصل رقم قابل ادا ہوگی۔

اندرونی مالیاتی کنٹرولز کی مناسبت

بورڈ آف ڈائریکٹرز اینگرو کے اندرونی کنٹرول کے سسٹم اور اس کے موثر ہونے کی نگرانی کے قطعی ذمہ دار ہے۔ اپنی مجموعی ذمہ داری کو مدنظر رکھتے ہوئے بورڈ نے اندرونی کنٹرول کے نظام اور تفصیلی ڈیزائن کو چیف ایگزیکٹیو کے سامنے پیش کیا۔ اینگرو کے اندرونی کنٹرول کا نظام عمل درآمد کے واضح ڈھانچے، اختیارات کی حدود اور حساب وکتاب، اچھی طرح سمجھی گئی پالیسیوں اور بجٹ بنانے کے طریقہ کار پر مشتمل ہے۔ بورڈ ہر سہ ماہی میں اجلاس منعقد کرتا ہے جس میں اینگرو کی مالی کارکردگی، مالیاتی اور آپریٹنگ بجٹ، تجارتی ترقی اور ترقیاتی منصوبوں، سرمائے کی اخراجات کی تجاویز اور دیگر اہم کارکردگی کے امور پر غور وخوص کیا جاتا ہے۔ بورڈ آڈٹ کمیٹی اندرونی اور بیرونی آڈیٹرز کی طرف سے اندرونی مالیاتی کنٹرول کے نظام کی رپورٹ وصول کرتی اور اندرونی کنٹرولز کے موثر ہونے کی نگرانی کے عمل کا جائزہ لیتی ہے۔

متعلقہ پارٹیز

کمپنی تمام متعلقہ پارٹیوں کی ایک تفصیلی فہرست برقرار رکھتی ہے۔ وہ تمام متعلقہ پارٹیاں جنہوں نے کمپنی کے سال دوران سال کسی لین دین میں حصہ لیا ہوتا ہے، ان کی تفصیل، تعلق کی نوعیت اور کاروباری شرح مالیاتی گوشواروں کے نوٹ 36 میں وضاحت کے ساتھ بیان کردی گئی ہے۔

کچھ بیک آفس انجام دیئے جانے والے کام جیسا کہ ہیومن ریسورسز، انفارمیشن ٹیکنالوجی، کارپوریٹ کمیونیکیشن وغیرہ کو کمپنی میں مرکزی طور پر منظّم کیا جاتا ہے تاکہ کمپنی کے شیئر ہولڈر کی قدر میں اضافہ، آپریشنز میں آسانی، دوہراؤ کا خاتمہ اور اجتماعیت کے ذریعے اخراجات میں کمی واقع ہو۔ اس سے انتظامی بہتری اور خطرات پر قابو پانے کے ساتھ معیاری پروسیس، سسٹم اور رپورٹنگ کی بدولت بہتر اور بروقت نگرانی یقینی ہوجاتی ہے۔ کمپنی نے اپنے ذیلی کمپنیز اور متعلقہ اداروں کے ساتھ اخراجات پر گفت وشنید کے معاہدے کئے ہیں تا کہ اس بات کو یقینی بنایا جائے کہ عمومی کاروباری امور میں متعلقہ پارٹیوں کے ساتھ ہونے والی لین دین کو عمومی کاروباری شرائط وضوابط کے تحت نظر میں رکھا جائے۔

کوڈ آف کارپوریٹ گورننس اور نافذ قوانین کی تعمیل میں، ہر سہ ماہی میں تمام متعلقہ پارٹیوں کے ساتھ ٹرانزیکشن کی تفصیل بورڈ آڈٹ کمیٹی کو جائزہ کے لیے پیش کی جاتی ہے اور اس کی تجویز کی بنیاد پر بورڈ کی جانب سے ان کی منظوری ہوتی ہے۔

آڈیٹرز

موجودہ آڈیٹرز اے ایف فرگوسن اینڈ کو اینڈ چارٹرڈ اکاؤنٹنٹس ریٹائر ہوگئے ہیں اور اہل ہونے کی بنیاد پر انہوں نے خود کو دوبارہ انتخاب کے لیے پیش کیا ہے۔ بورڈ آڈٹ کمیٹی نے 31 دسمبر 2020 کو ختم ہونے والے سال کے لیے آڈیٹرز کی حیثیت سے ان کے دوبارہ تقرر کی سفارش کی ہے۔

انسانی سرمایہ

انسانی سرمایہ کی ترقی اینگرو کی اولین ترجیح ہے اور اس کے مرکزی نظریہ کا اہم حصہ ہے۔ ہم یہ بخوبی سمجھتے ہیں کہ اپنے بزنسز کو لاحق مستقبل کے مسائل ماضی کے مسائل سے بہت مختلف ہوں گے اور ہمیں لازمی طور پر ان چیلنجز کا سامنا کرنے کے لیے لیڈرشپ صلاحیتوں پر ضروری سرمایہ کاری کرنی ہوگی۔ ہم یہ بھی جانتے ہیں کہ اپنے عزائم کو پانے کے لیے ہمیں بہترین ماہرین کو اپنے ساتھ لینا ہوگا۔ اس ضمن میں، ہم نے بہترین افراد کی ترقی اور توجہ حاصل کرنی ہے تا کہ تربیت اور لیڈرشپ کے ماحول سے جڑی مستحکم کارکردگی کو برقرار رکھا جائے۔

فوڈز

مشکل معاشی حالات کے ساتھ بڑھتی ہوئی مہنگائی نے ڈیری سیکٹر کو بری طرح متاثر کر رکھا ہے اور صارفین کی قوت خرید کو کمزور کر دیا ہے۔ یہ تمام حالات قلیل مدت کے لیے بزنس کی منافع کمانے کی صلاحیت کے لیے خطرہ بنے ہوئے ہیں۔ کھلے دودھ کی مارکیٹ سے ابھی تک فائدہ نہیں اٹھایا گیا۔ کھلے دودھ سے متبادل کا حصول بزنس کی ترقی کا ضامن ہے۔ اپنے پارٹنر FrieslandCampina کی مہارت اور 145 سالہ ورثہ کی بدولت، بزنس خوراک کے تحفظ، پائیداری اور شفافیت کے اعلیٰ معیار کو برقرار رکھنے کے لیے پرعزم ہے۔

ہمارا چاول کا بزنس انتظامی مہارتوں کے ساتھ منافع میں بہتری، قیمتوں میں کمی اور برآمدات میں اضافے کے لیے اپنی کوششیں جاری رکھے ہوئے ہے تاکہ اپنے شیئر ہولڈرز کی قدر میں اضافہ ہو۔

ٹیلی کمیونیکیشن انفراسٹرکچر

پاکستان میں موبائل ڈیٹا کا استعمال روز بروز بڑھتا جا رہا ہے اور موبائل نیٹ ورک آپریٹرز کا منافع بھی قابل رشک ہے، طریقہ کار کی اس تبدیلی نے موبائل نیٹ ورک آپریٹرز کو قیمتوں میں بہتری پر مجبور کر دیا ہے۔ انفراشیئر نے پاکستان بھر میں کوریج کی ضروریات اور لوازمات کے لیے ٹاور شیئرنگ کے ذریعے مناسب قیمتوں والے سلوشنز کی فراہمی شروع کر دی ہے۔ اس کے علاوہ اینگرو کارپوریشن نے ڈیجیٹل تقسیم کے درمیان پل کا کردار ادا کرتے ہوئے پورے کنیکٹوٹی ویلیو چین میں نئے مواقع کی تلاش کا کام جاری رکھا ہوا ہے۔

کریڈٹ ریٹنگ اور گیئرنگ

2019 کے دوران پاکستان کریڈٹ ریٹنگ ایجنسی نے اینگرو ویلنجی ٹرمینل (پرائیویٹ) لمیٹڈ کے لیے -AA طویل مدتی کریڈٹ ریٹنگ اپ گریڈ کی ہے اور سالانہ جائزے میں کمپنی اور اس کے ذیلی اداروں کی طویل مدتی کریڈٹ ریٹنگ کی دوبارہ توثیق کے ساتھ ساتھ اب تک سب سے بہترین قلیل مدتی ریٹنگ برقرار رکھی۔

کمپنی	طویل مدتی ریٹنگ	قلیل مدتی ریٹنگ
اینگرو کارپوریشن	AA+	A1+
اینگرو فرٹیلائزر لمیٹڈ	AA	A1+
اینگرو پالیمر زاینڈ کیمیکلز لمیٹڈ	AA-	A1+
اینگرو ویلنجی ٹرمینل (پرائیویٹ) لمیٹڈ	AA-	A1
اینگرو پاورجن تھر (پرائیویٹ) لمیٹڈ	A	A1
اینگرو ایگزمپ ایگری پروڈکٹس (پرائیویٹ) لمیٹڈ	A-	A2

یہ کریڈٹ ریٹنگ کمپنی کی مالیاتی اور مینجمنٹ کی قوت اور سازگار کریڈٹ اسٹینڈنگ کی عکاسی کرتی ہے اور ہماری مضبوط بیلنس شیٹ اور شاندار کارکردگی کے ساتھ ساتھ مستقل ڈیویڈنڈ پے آؤٹس کی گواہی دیتی ہے۔ سال 2019 کے اختتام پر مجموعی طویل مدتی قرض بڑھ کر 158,456 ملین روپے تک پہنچ گیا جو کہ 2018 کے اختتام پر 131,426 ملین روپے تھا اور اس اضافے کی بنیادی وجہ تھر کول پاور پلانٹ پروجیکٹ میں کمی ہے۔ 2019 کے ختم شدہ سال کے گیئرنگ 2018 کے 41 فیصد کے مقابلے میں 45 فیصد ہے جو کہ مضبوط بیلنس شیٹ کی عکاسی ہے جس سے کمپنی کو مستقبل میں ترقی کے مواقع میں اپنی حصہ داری بڑھانے میں مدد فراہم کرے گی۔

رسک مینجمنٹ

اینگرو کارپوریشن اور اس کے ذیلی ادارے خطرے کی جانچ اور اس کے حل کے لیے لین انٹر پرائز رسک مینجمنٹ فریم ورک استعمال کر رہے ہیں۔ ہمارے کارپوریٹ مقاصد اور اہداف کے حصول پر اثر انداز ہونے والے خطرات اور بے یقینی کی کیفیت سے بچ کر شیئر ہولڈرز کے لیے قدر پیدا کرنے، اس کے تحفظ اور اضافے کے لیے رسک مینجمنٹ کو اہم دینا ہماری پالیسی ہے۔

ہمارے متنوع بزنسز ایک پیچیدہ ماحول میں اپنی سرگرمیاں انجام دیتے ہیں اور انہیں درپیش خطرات کے امکانات اور اس کے اثرات کا جائزہ لینے کی ضرورت ہوتی ہے اور پورے ادارے میں اس سے نمٹنے کے لیے ذمہ داریاں سونپ دی جاتی ہیں۔ ہر ذیلی ادارہ خطرے کے امکانات اور ان پر قابو پانے کی سوچ کی ساتھ ایک طے شدہ طریقہ کار سے خطرے سے نمٹتے ہوئے اسے کم کرتا ہے۔ پورے ادارے میں خطرات کا جائزہ لیا جاتا ہے اور ان کے اثرات کے اعتبار سے ان پر قابو پانے کی ذمہ داری دی جاتی ہے۔ خطرات کی نشاندہی کے بعد اس پر قانو پانے کی منصوبہ بندی وضع کی جاتی ہے جس کی نگرانی مینجمنٹ کمیٹی اور بورڈ کرتے ہیں۔

اینگرو کارپوریشن نے درج ذیل خطرات کی نشاندہی کرتے ہوئے ان پر قابو پانے کی منصوبہ بندی کر رکھی ہے:

معاشی اور ریگولیٹری رسک : مستقل اور موثر کوششوں اور پالیسی سازوں سے مذاکرات کے ذریعے اپنے کاروبار کو معاشی اور ریگولیٹری مسائل سے پیدا ہونے والے خطرات سے نمٹنے میں مدد ملی۔

غیر ملکی زرمبادلہ کا خطرہ : ہمارے سرمایہ کاری کے پورٹ فولیو نے ہم پر غیر ملکی زرمبادلہ کا خطرہ واضح کر دیا تھا، مجموعی طور پر پورٹ فولیو کا جائزہ لیکر ہم اس بات کو یقینی بنائیں گے کہ جہاں تک ممکن ہو مناسب قدرتی حدود کو برقرار رکھا جائے۔

شرح سود کا خطرہ : ہمارے قرض اور سرمایہ کاری کے اضافی فنڈز نے ہم پر شرح سود کا خطرہ عیاں کر دیا تھا۔ کسی بھی قسم کے منفی اتار چڑھاؤ کی مسلسل نگرانی اور قلیل مدتی منصوبوں میں اضافی فنڈ کی سرمایہ کاری سے اس خطرے کو کم کیا جا سکتا ہے۔

لیکوئڈٹی رسک : ٹریژری پالیسی کا مقصد پورٹ فولیو کی ممکنہ ترقی کے لیے درکار معاہدوں کے لیے فنڈز کی دستیابی یقینی بنانا ہے۔ ہم کیش کی اندرونی پیداوار اور مالیاتی اداروں کی سہولیات کے ذریعے لیکوئڈٹی رسک میں کمی لاتے ہیں۔

کریڈٹ رسک : اعلیٰ کریڈٹ ریٹنگ کے حامل مضبوط مالیاتی اداروں کے محتاط طریقے سے انتخاب سے ہمیں یہ خطرہ کم کرنے میں مدد ملی۔

بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز کمپنی کے تمام اہم امور پر نظر ثانی کرتا ہے۔ اس میں کمپنی کی کاروباری حکمت عملی، سالانہ کاروباری منصوبے اور اہداف، طویل مدتی سرمایہ کاری اور قرضہ جات کے فیصلے شامل ہیں۔ بورڈ آف ڈائریکٹرز کارپوریٹ گورننس کا اعلیٰ معیار قائم رکھنے کے لیے پرعزم ہے۔

بورڈ آف ڈائریکٹرز 24 اپریل 2018 کو منتخب ہوا۔ یہ بورڈ 10 ڈائریکٹرز پر مبنی ہے جو چیف ایگزیکٹیو سمیت علم، جنس اور مہارتوں کے وسیع مجموعے پر مشتمل ہے جو اس کے موثر ہونے کی اہمیت کو مزید بڑھاتا ہے۔ اس بورڈ میں ایک خاتون ڈائریکٹر سمیت 9 مرد ڈائریکٹرز شامل ہیں جسے درج ذیل انداز میں تقسیم کیا گیا ہے:

شیئر ہولڈرز کو حصص کی تقسیم

بورڈ سہ ماہی بنیادوں پر زیادہ سے زیادہ منافع منقسمہ دینے کے لیے پرعزم ہے اور 31 دسمبر 2019 کو ختم ہونے والے سال کے لیے ہر ایک شیئر پر 1 روپے کا حتمی نقد منافع منقسمہ تجویز کرنے پر بے حد خوش ہے۔ اس حساب سے سال کے لیے ٹوٹل ڈیویڈنڈ 24 روپے فی شیئر بنتا ہے اور اس میں دوران سال 23 روپے فی شیئر کا ٹوٹل عبوری نقد منافع منقسمہ شامل ہے۔

کاروباری حکمت عملی

اینگرو کی سرمایہ کاری سے متعلق منصوبہ بندی اس کے مرکزی نظریے کے پیش نظر مرتب کی جاتی ہے۔ مرکزی نظریہ اس بات کی ہدایات دیتا ہے کہ ملک کو درپیش مسائل کو حل کرنے کے لیے سرمایہ لگا کر اپنے اسٹیک ہولڈرز کے مفادات کا تحفظ کیا جائے اور پاکستان کے عوام کی زندگیوں میں بہتری لاتے ہوئے اپنے کاروبار سے معاشرے میں مثبت تبدیلی لائی جائے۔ اسی نظریہ کے پیش نظر، ہمارے بزنس پورٹ فولیو درج ذیل شعبہ جات پر مشتمل ہیں:

- فوڈ اور ایگریکلچر: ملکی زرعی پیداوار کو بڑھا کر خوراک کے میدان میں خود کفیل کرنا۔
- توانائی اور متعلقہ انفراسٹرکچر: ملک میں توانائی کی کمی کو پورا کرنے کے لیے موثر انرجی انفراسٹرکچر فراہم کرنا۔
- پیٹروکیمیکلز: پروجیکٹس کے ذریعے ایسی انڈسٹری کا قیام جس سے برآمدات میں کمی اور درآمدات میں اضافہ ہو۔
- ٹیلی کمیونیکیشن انفراسٹرکچر: ایسا انفراسٹرکچر تیار کیا جائے جس سے زیادہ سے زیادہ لوگوں تک ڈیٹا اور معلومات کی رسائی ممکن ہو۔

توانائی اور متعلقہ انفراسٹرکچر کے حوالے سے، 10 جولائی 2019 کا دن اینگرو کے لیے ایک تاریخ ساز دن تھا کیونکہ اس دن سندھ اینگرو کول مائننگ کمپنی لمیٹڈ (SECMC) اور اینگرو پاورجن تھر (پرائیویٹ) لمیٹڈ، دونوں نے تھر کول پروجیکٹ سے اپنے کمرشل آپریشنز ڈیٹ (COD) کا آغاز کیا۔ اس تاریخ ساز کامیابی کے ساتھ، اینگرو مقامی وسائل کے استعمال سے پاکستان کو درپیش توانائی کے بحران کو ختم کرنے میں معاونت کر رہا ہے اور ایک بار پھر یہ ثابت کر دیا ہے کہ اس میں ایسے میگا پروجیکٹس پر کام کرنے کی بھرپور صلاحیت ہے جس سے پاکستانیوں کی ترقی یقینی ہوتی ہے۔

2019 کے دوران، پیٹروکیمیکلز کے شعبہ میں اینگرو کے تجربہ کو بروئے کار لاتے ہوئے، بورڈ نے پولی پروپائلین کی تیاری کے لیے پروپین ڈی ہائیڈروجنیشن پلانٹ کے قیام کے لیے فزیبلٹی اسٹڈی کرانے کی منظوری دی۔ اس اسٹڈی پر تسلی بخش کام جاری ہے۔

پاکستان میں ٹاور شیئرنگ کی مارکیٹ میں کام کرنے کی بڑی گنجائش ہے، اور اس میں صرف دو بڑی ٹاور کمپنیاں کام کر رہی ہیں۔ اس مارکیٹ میں ترقی کی بہت گنجائش ہے جس میں موبائل نیٹ ورک آپریٹرز کی جانب سے متعدد، فالتو انفراسٹرکچر موجود ہیں اور انہیں سرمایہ کاری کے ذریعے مختلف کاموں کے لیے استعمال کرنے کا قوی امکان ہے۔ سال 2019 کے دوران، بورڈ نے ٹیلی کمیونیکیشن انفراسٹرکچر کے شعبے میں اپنے مکمل زیر ملکیتی ذیلی ادارے، انفراشیئر (پرائیویٹ) لمیٹڈ کے ذریعے 7.5 بلین روپے سرمایہ کاری کی منظوری دی ہے۔ انفراشیئر لمیٹڈ حصہ داری کی بنیاد پر ٹیلی کام ٹاورز کے حصول اور تعمیر، مختلف ٹیلی کمیونیکیشن انفراسٹرکچر اور متعلقہ سروسز کی فراہمی اور جدید نیٹ ورک مانیٹرنگ سلوشن کے لئے مصروف عمل ہوگی۔ بزنس نے اچھی کارکردگی کا مظاہرہ کرتے ہوئے پاکستان میں تمام موبائل نیٹ ورک آپریٹرز کے زیر استعمال 1,500 ٹاورز حاصل کر لیے ہیں۔

کاروبار کے مستقبل کا جائزہ

پاکستان کے مستقبل کو بہتر بنانے کے لیے آج سرمایہ کاری کرنا اینگرو کے ہر بزنس کا سنگ بنیاد ہے۔ اینگرو کارپوریشن ملک کو درپیش مسائل میں سے کچھ کو حل کرنے میں معاون بننے کی شاندار صلاحیت رکھتے ہوئے پاکستانی عوام کی زندگیوں میں بہتری لانے کے لیے کوشاں ہے۔ اپنے اسٹیک ہولڈرز کے سرمایے کی قدر میں اضافے کے پیش نظر، ہم نے پاکستان کے سب سے بڑا ہائیڈرو کاربن ذخیرہ تھر کول پر حکومت سندھ کے ساتھ شراکت داری کے ذریعے ایک مربوط مائننگ اور پاور جنریشن پلانٹ لگایا ہے۔ ہم نے پاکستان کا پہلا ایل این جی ٹرمینل بہت ہی قلیل مدت میں تیار کیا جو کہ اب ملکی توانائی کے بحران کو بڑی حد تک حل کرنے میں اپنا کردار ادا کر رہا ہے۔ ہم زراعت اور خوراک کے شعبے میں پیداواری صلاحیت بڑھانے اور فارم کی مصنوعات خریدنے کے اہم امور میں سرگرم عمل ہیں۔ ہم اپنے چار اہم شعبہ جات کی ترقی کے لیے پرامید ہیں اور اپنے شیئر ہولڈرز کے سرمایہ میں طویل مدتی اضافہ کے لیے نئے کاروبار تلاش کر رہے ہیں۔

فرٹیلائزرز

2020 میں عالمی طور پر یوریا کی طلب میں 1.7 فیصد تک بہتری کی امید ہے جبکہ سپلائی میں تیزی کا امکان ہے، کیونکہ نئی کمپنیاں عالمی مارکیٹ میں رسائی حاصل کرنے جا رہی ہیں تاہم چین کی کچھ بڑی کمپنیاں بند ہونے کی پیش گوئی بھی کی جا رہی ہے۔ انڈیا، یورپ، برازیل اور امریکہ میں بڑھتی ہوئی طلب اور چین سے سپلائی میں کمی کے باعث عالمی طور پر یوریا کی قیمتوں میں تیزی کا امکان ہے۔ یوریا کی مقامی طلب برائے 2020 بھی 2019 میں 6.2 میٹرک ٹن کے مقابلے میں 5.8 میٹرک ٹن کی حد تک رہنے کا امکان ہے۔ 2020 کے لیے پیداوار 5.6 میٹرک ٹن (ایل این جی پلانٹ کے علاوہ) رہنے کی توقع ہے جبکہ طلب اور رسد میں پیدا ہونے والے خلا کو موجود اسٹاک سے پورا کیا جائے گا۔

عالمی طور پر ڈی اے پی کی قیمتیں 2020 میں نسبتاً نرم رہیں گی، خریف کے سیزن میں طلب میں اضافے تک، قیمتوں میں کمی کا رجحان جاری رہے گا۔

انرجی

قادر پور پاور پلانٹ اسٹیک ہولڈرز کے ساتھ متبادل گیس سلوشن پر راضی کرنے کے لیے کوشاں ہے کیونکہ قادر پور فیلڈ سے گیس ملنا ختم ہو رہی ہے۔ بزنس اسی کے حصول کی کوششوں کو جاری رکھے ہوئے ہے۔

وفاقی حکومت کے لیے سرکلر ڈیٹ ایک مستقل چیلنج بنا ہوا ہے اور انرجی کے شعبے میں حکومت کی جانب سے اقدامات اٹھائے جانے کے باوجود مسائل ہیں۔ حالانکہ ہماری انرجی بزنس کی کارکردگی اور منافع شاندار رہا لیکن اوور ڈیو وصولیوں سے لیکوئڈٹی پر منفی اثرات مرتب ہو سکتے ہیں۔

انرجی بزنس نے انٹرنیشنل اداروں کے ساتھ شراکت داری کے مواقع کی تلاش جاری رکھی تا کہ اینگرو کی منفرد انجینئرنگ اور پروجیکٹ مینجمنٹ صلاحیتوں سے فائدہ اٹھایا جا سکے۔ بزنس نے رینیوایبل مارکیٹ میں اپنی رسائی حاصل کرنے کے لیے کوشاں ہے اور ونڈ اور سولر پاور پروجیکٹس کے ساتھ ویسٹ ٹو انرجی پاور پروجیکٹ پر بنیادی اسٹڈی جاری ہے۔ بزنس نے مزید نئے مواقع کی تلاش جاری رکھی ہوئی ہے اور ملک بھر میں رینیوایبل انرجی سیکٹر میں تھرڈ پارٹی کے لیے ہائبرڈ سلوشن فراہم کرنے پر بھی کام جاری ہے۔

پالیمر اور کیمیکلز

پالیمر کا بزنس اپنے آپ میں موجود زبردست صلاحیت سے فائدہ اٹھانے کے لیے بہترین کارکردگی دکھا رہا ہے۔ اس نے عالمی معیار کے مطابق پالیمرز اور الائیڈ کیمیکلز میں پاکستان کی رہنمائی کرنے کے لیے شاندار منصوبہ بندی کر رکھی ہے۔ اس حوالے سینکڑوں پروجیکٹ کامیاب کے ساتھ مکمل کئے جا چکے ہیں، نئے پروجیکٹس کا اعلان کیا گیا اور کئی طرح کی اسٹڈیز پر کام شروع کیا گیا۔ جاری پروجیکٹس کے ساتھ ساتھ بزنس اس قابل ہے کہ اپنی شاندار آپریشنل پرفارمنس جاری رکھے اور پرامید ہے کہ مجموعی اقتصادی صورتحال کے پیش نظر PVC کی فی کس کھپت میں تیزی کا رجحان جاری رہے گا۔

ٹرمینل سروسز

ہم انڈسٹری لیڈر رائل ووپاک کے ساتھ اپنی 22 سالہ طویل شراکت داری برقرار رکھنے پر بے حد خوش ہیں، اسی بدولت اینگرو اور رائل ووپاک اپنے مجموعی وسائل اور تجربات کے استعمال سے مقامی اور بیرون ملک شراکت داری جاری رہے گی۔

ایل این جی ٹرمینل ملک کو درپیش توانائی کے بحران پر قابو پانے میں اپنا کردار ادا کر رہا ہے۔ 2020 میں مجوزہ پہلی ڈرائی ڈاک ایکٹیوٹی کے پیش نظر، بزنس کے لیے آئندہ سال مشکل ہو سکتا ہے، تاہم بزنس اس چیلنج کا سامنا کرنے کے لیے مکمل طور پر تیار ہے۔ مارکیٹ میں انرجی کی طلب اور رائل ووپاک کے تجربے سے فائدہ اٹھاتے ہوئے، ہم اپنے شیئر ہولڈر کی قدر میں اضافے کے لیے نئے مواقع کی تلاش جاری رکھیں گے۔

کیمیکل انڈسٹری مستحکم ہے اور اینگرو ووپاک نے مارکیٹ لیڈر کی اپنی پوزیشن برقرار رکھی ہوئی ہے۔ کیمیکل ٹرمینل بزنس کی کارکردگی بہتر رہنے کی توقع ہے اور یہ لیکوئڈ کیمیکل ہینڈلنگ میں رہنما حیثیت کے سبب اپنی مستحکم اور منافع بخش آپریشن برقرار رکھنے کی بھرپور صلاحیت رکھتا ہے۔

اینگرو ایگزمپ ایگری پراڈکٹس

2019 میں بھی رائس بزنس پر توجہ مرکوز رہی اور بزنس نے مسلسل دوسرے سال بھی منافع کے ساتھ سال کا اختتام کیا۔ دوران سال چاول کی برآمدات میں اضافہ جاری رہا اور مقدار کے اعتبار سے 2018 کے مقابلے میں 22 فیصد زائد ایکسپورٹ کی گئی۔ اس حوالے سے بیورو ویریٹاس کی جانب سے ایکسٹرنل کوالٹی آڈٹ کے ذریعے کوالٹی ری سرٹیفکیشن بھی کامیابی کے ساتھ حاصل کی گئی اور اس میں 'AA' ریٹنگ لینے میں کامیاب رہے۔ ہمارے رائس بزنس کو پاکستان میں رائس کا کاروبار کرنے والے بزنسز میں سب سے زیادہ کوالٹی سرٹیفکیشن حاصل ہیں۔

ریونیو

(ملین روپے)

3,659

(2019)

فریزلینڈ کمپینا اینگرو

ڈیری بزنس نے ڈیری اور آئس کریم کے شعبہ جات میں سیلز مقدار میں بہترین اضافے کے رجحان کی بدولت گزشتہ سال کے مقابلے میں 20 فیصد ترقی کے ساتھ 39 بلین روپے کی آمدنی ریکارڈ کروائی۔ تاہم یہ منافع تیزی سے بدلتے ہوئے اقتصادی حالات، خاص طور پر روپے کی ناقدری کے سبب بڑھتی ہوئی مہنگائی، سود کی شرح میں اضافے اور ہائر فیوچر کارپوریٹ ٹیکسز کے سبب تاخیری ٹیکس چارجز کے سبب بڑی حد تک متاثر ہوا۔ مہنگائی کے اس دباؤ پر قابو پانے کے لیے بزنس نے گزشتہ چھ ماہ میں اپنے پورٹ فولیو کی قیمتوں میں اضافہ کیا ہے۔ اس پوری صورتحال میں بزنس نے سال کے لیے 955 ملین روپے کا قبل از ٹیکس نقصان کیا ہے۔

ریونیو

(ملین روپے)

38,857

(2019)

اینگرو ووپاک

اینگرو ووپاک ٹرمینل نے گزشتہ سال کے مقابلے میں کیمیکل کے زیادہ امپورٹس کی بدولت کیمیکلز اور ایل پی جی کی مقدار میں 6 فیصد اضافہ حاصل کیا۔ بزنس نے کسی حادثہ کے بغیر محفوظ آپریشنز کے 22 سال مکمل کرتے ہوئے اپنے ہیلتھ، سیفٹی اور کوالٹی کے اسٹینڈرڈز کو برقرار رکھا۔

ایلنجی ٹرمینل

ایلنجی ٹرمینلپر دوران سال 74 کارگو ہینڈل کئے گئے۔ اس سے bcf 216.6 ری گیسیفائیڈ ایل این جی کو سوئی سدرن گیس کمپنی کے نیٹ ورک میں شامل کیا گیا۔ سال کے لیے موجود گیرکا فیکٹر 97.4 فیصد رہا۔ ایل این جی ٹرمینل اس وقت ملکی گیس کی ضروریات کا 12 فیصد سے زائد فراہم کررہا ہے۔ مارچ 2015 میں اس کے آغاز سے لیکر اب تک ٹرمینل نے 17 ملین ٹن سے زائد ایل این جی ہینڈل کی ہے۔ ایل این جی کی درآمد سے گیس کی مستقل فراہمی ہونے کی بدولت، فرٹیلائزر اور سی این جی سیکٹرز میں 500 سے زائد صنعتی یونٹس کو بحال کیا گیا ہے جبکہ ملک کو مہنگے تیل کے مقابلے میں سستی ایل این جی فراہم کرنے سے تقریباً 3 بلین امریکی ڈالرز کا فائدہ ہوا ہے۔

ریونیو

(ملین روپے)

3,991

(2019)

ریونیو

(ملین روپے)

12,713

(2019)

اینگرو انرجی

انرجی کے کاروبار میں، تھر بلاک سے 3.8 میٹرک ٹن سالانہ پیداوار والی مائن کے فیز 1 کی تکمیل 3 جون 2019 کو ہوئی۔ بعد ازاں دونوں مائننگ کے لیےCOD اور 2x330 میگاواٹ کے تھر پاور پلانٹ کے آغاز کا اعلان 10 جولائی 2019 کو کیا گیا۔COD سے سال کے آخر تک، کان سے پاور پلانٹ کو 2.28 ملین ٹن کوئلہ فراہم کیا گیا۔ مزید براں، کان کی توسیع کے فیز 2 کی مائننگ کا پروجیکٹ بھی شروع کیا گیا اور 31 دسمبر 2019 کو فنانشل کلوز حاصل کرنے میں کامیاب رہے۔ جس سے کوئلہ کی پیداوار میں 7.6 میٹرک ٹن تک پیداوار بڑھ جائے گی۔ سال کے دوران، پاور پلانٹ سے 79 فیصد لوڈ فیکٹر کے ساتھ 87 فیصد فراہمی کا ہدف حاصل کیا گیا۔COD سے لے کر اب تک پلانٹ کے آپریشن بہتری کے ساتھ چلتے رہے اور اب تک نیشنل گرڈ کو GWH 2,000~ فراہم کی جا چکی ہے۔ قادر پور پاور پلانٹ نے بہترین آپریشنل کارکردگی کے ساتھ اپنے آرٹرانسفارمیشن اور ری کیلیبریشن کا کام بخوبی انجام دیا۔ پلانٹ نے 2019 کے دوران 99.9 فیصد فراہمی کے قابل ادائیگی فیکٹر کے ساتھ اپنا کام جاری رکھا، تاہم نیشنل گرڈ کو GWH 1,097 بجلی فراہم کی اور اس طرح گزشتہ سال کے 81.9 فیصد کے مقابلے میں 58.8 فیصد لوڈ فیکٹر حاصل کرنے میں کامیاب رہا۔ لوڈ فیکٹرز میں کمی بنیادی طور پر آرڈر دینے میں اہلیت کو نظرانداز کرنے اور دوران سال نئے پلانٹس کے قیام کی بدولت ہے۔ اس سال بھی مقامی انرجی سیکٹر کے لیے سرکلر ڈیٹ کا مسئلہ موجود رہا۔

ریونیو

(ملین روپے)

50,039

(2019)

اینگرو پالیمر اینڈ کیمیکلز

سال 2019 پالیمر بزنس کے لیے بہت اہم ثابت ہوا۔ بزنس نے اپنے کاسٹک فلیک پلانٹ سے کمرشل پروڈکشن کا کامیاب کے ساتھ آغاز کیا، ایکسپورٹ کی شروعات کی، ہائیڈروجن پرآکسائیڈ اور دیگر متنوع اور شاندار پروجیکٹس کا اعلان کیا گیا۔ پی وی سی ایکسپینشن، وی سی ایم ڈی باٹل نیکنگ اور آکسیجن بیسڈ وی سی ایم کی پیداوار والے پروجیکٹس پر بہتر انداز میں آگے بڑھ رہے ہیں۔ گیس کی قیمتوں میں اضافے اور مقدار میں کمی کے باوجود بزنس کا اصل منافع گزشتہ سال کے برابر ہی رہا، تاہم بعد از ٹیکس منافع میں کمی واقع ہوئی کیونکہ مالیاتی بوجھ بڑھ گیا اور 2018 کے کچھ فوائد ختم ہو گئے۔

ریونیو

(ملین روپے)

37,837

(2019)

اینگرو فرٹیلائزر

فرٹیلائزر کے کاروبار میں پلانٹ کی شاندار صلاحیت اور گیس کی مناسب فراہمی کے سبب 2,003 KT یوریا کی سب سے زیادہ اور تاریخی پیداوار کا سنگ میل عبور کیا۔ اضافی پیداوار کے ساتھ فرٹیلائزر کی بہتر قیمتوں کے سبب گزشتہ سال کے مقابلے میں 11 فیصد زائد سیلز آمدنی حاصل ہوئی۔ بزنس نے گزشتہ سال کے مقابلے میں 3 فیصد کمی کے ساتھ 16.9 بلین روپے کا بعد از ٹیکس منافع کمایا کیونکہ فنانس ایکٹ 2019 کے ذریعے متعارف کرائے جانے کارپوریٹ ٹیکس ریٹس سے ماضی کے تاخیری ٹیکس کے منفی اثرات مرتب ہوئے۔

ریونیو

(ملین روپے)

121,355

(2019)

ڈائریکٹرز رپورٹ

اینگرو کارپوریشن لمیٹڈ کے بورڈ آف ڈائریکٹرز نے کمپنی کی کارکردگی کا جائزہ لیا ہے اور 31 دسمبر 2019 کو ختم شدہ سال کے لیے اپنی سالانہ رپورٹ اور آڈٹ شدہ اکاؤنٹس جمع کراتے ہوئے خوشی محسوس کر رہے ہیں۔

بنیادی کام

کمپنی کا بنیادی کام اپنے ذیلی اداروں، ایسوسی ایٹس اور جوائنٹ وینچرز کی سرمایہ کاریوں کا اہتمام کرنا ہے اور ہم فرٹیلائزر کی مینوفیکچرنگ اور ٹریڈنگ، پی وی سی ریسن مینوفیکچرنگ اور مارکیٹنگ، فوڈ، پاور جنریشن، کول مائننگ، ٹیلی کمیونیکیشن انفراسٹرکچر، ایل این جی اور بلک کیمیکل ہینڈلنگ ٹرمینل اور اسٹوریج کے کاروبار میں مصروف عمل ہیں۔

کاروباری کارکردگی کا جائزہ

2019 کے دوران میکرواکنامک صورتحال گھمبیر رہی کیونکہ ملک کو دوہرے خسارے اور مہنگائی کے دباؤ کا سامنا رہا۔ ان مسائل پر قابو پانے کے لیے حکومت نے مانیٹری اور مالیاتی پالیسیوں پر سختی کے ساتھ مارکیٹ بیسڈ ایکسچینج ریٹ کے طریقہ کار پر سختی کردی، نتیجے میں پاکستانی روپے کی قدر میں کمی واقع ہوئی۔ ان اقدامات سے کچھ شعبوں میں مقامی طلب میں کھچاؤ سامنے آیا۔

ان مشکل حالات کے باوجود، اینگرو کارپوریشن نے نسبتاً بہتر کارکردگی کا مظاہرہ کیا۔ کمپنی کی مجموعی آمدنی میں 32 فیصد اضافہ ہوا، اور 2018 میں 171,568 ملین روپے سے 225,920 ملین روپے تک پہنچ گئی۔ اس اضافے میں جولائی 2019 میں انرجی پروجیکٹس کے شروع ہونے اور فرٹیلائزر اور پیٹروکیمیکل بزنسز میں شاندار منافع نے اہم کردار ادا کیا۔ مسائل کا شکار ملکی اقتصادی صورتحال کے سبب ڈیری سیکٹر کی کمزور مالیاتی کارکردگی کے پیش نظر، کمپنی نے (FrieslandCampina Engro Pakistan Limited) میں ڈیری سرمایہ کاری کے مقابلے میں، اکاؤنٹنگ معیار کے مطابق، 1,244 ملین روپے کی ون آف امپیئرمنٹ پروویژن کا اہتمام کیا۔ توانائی پروجیکٹس شروع ہونے سے ان کی آمدنی آنے سے، مجموعی بعد از ٹیکس منافع (PAT) برائے 2019 پاکستانی 30,288 ملین روپے بنتا ہے جو کہ 28 فیصد زائد ہے جبکہ شیئر ہولڈرز میں تقسیم ہونیوالا بعد از ٹیکس منافع 2018 میں 12,708 ملین روپے سے 16,533 ملین روپے بنتا ہے، نتیجے میں ہر ایک شیئر پر منافع 2018 کے 22.06 کے مقابلے میں 28.69 پے بنتا ہے۔

انفرادی طور پر کمپنی نے مساوی سال کے لیے 12,720 ملین روپے کے مقابلے میں اس سال بعد از ٹیکس منافع 14,303 ملین روپے اپنے نام کیا جس کے مطابق ہر ایک شیئر پر منافع 24.83 روپے بنتا ہے۔ انفرادی منافع میں بہتری بنیادی طور پر ذیلی اداروں سے زائد منافع منقسمہ کے ساتھ سرمایہ کاریوں سے حاصل ہونے والا اضافی سود ہے۔

کاروباری کارکردگی کا تفصیلی جائزہ

کاروبار	آمدنی (روپے ملین میں)		بعد از ٹیکس منافع (روپے ملین میں)	
	2019	2018	2019	2018
فرٹیلائزر	121,355	109,197	16,871	17,414
انرجی	50,039	11,955	8,813	1,597
پالیمر اینڈ کیمیکل	37,837	35,272	3,696	4,930
ٹرمینلز	16,704	15,881	5,142	3,779
فوڈز	42,516	34,977	(942)	82