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engro polymer & chemicals

taking Pakistan forward

annual report 2019

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Engro Polymer & Chemicals is proud to present its annual report for the year 2019.

This report focuses on stakeholder information, corporate governance, the directors' report and financial statements for the year ended December 31, 2019.

For any feedback, suggestions or queries kindly contact the following:

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This report is also available on our website:
www.engropolymer.com

about the theme

With every passing day, we see rapid growth and success in our industrial sector. However, at Engro Polymer & Chemicals Limited, we believe that our impact goes beyond the conventional measurements of success. For us, success is when our expansion creates local job opportunities for people who once longed for a stable income and gives them a feeling of peace; success is when we reach new heights in the level of import substitution and promote local businesses, making them feel appreciated; success is when we are able to empower local communities through education and health facilities; success is when our downstream applications spread joys in various forms and ways. All these emotions that we touch are our true measure of success.

Hence, this annual report is an ode to all those emotions, those lives, and those people because this is the energy we feed on, this is the dynamism we wish to explore, and this is the way we want to take Pakistan and its people forward.

engro polymer & chemicals

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taking our **mission** forward

To achieve innovative growth which creates value for our stakeholders, customers and employees. Our commitment is to maintain the highest standards of ethics, safety and environmental responsibility.

taking our vision forward

Lead Pakistan in polymers & allied chemicals with international footprint.

Objective and Strategy

At EPCL, we believe that strategy is at the core of any business. In this regard, extensive deliberations are done at management and board levels. In line with the strategy, objectives are developed and cascaded down to divisions.

Corporate Objectives

1. Manage and utilize resources and operations in such a way that ensures the health and safety of our people, neighbors, customers, and visitors
2. Enhance site reliability and ensure product availability
3. Execute Board-approved capital structure
4. Execute expansion, diversification, sustainability and operational efficiency projects successfully within Board approved timelines
5. Create value for Pakistan by increasing import substitution
6. Ensure availability of talent base and motivated employees for achieving the organizational objectives
7. Deliver a common set of business processes, standard master data, and quality information in a timely fashion, all of which will improve the speed of decision-making, especially:
    a. Execute digitization strategy with the objective to make EPCL a model and agile organization with digitized and automated business processes leveraging latest technologies
    b. Implementation of state-of-the-art end to end ERP "SAP S4 HANA", including FIORI and success factors

Short, Medium and Long-Term Strategic Objectives

	Strategic Objectives	Strategic Actions
Short-term	Optimize sales mix to ensure maximum value creation for all stakeholders	Continuously monitor product margins and recalibrate product mix as per business needs
	Develop marketing strategies for additional PVC volumes and other upcoming products	Remain in constant touch with our potential customers and appraise them of product quality and benefits
	Focus on overheads and create cost efficiencies	Conduct in-depth analysis of cost structure to identify potential savings opportunities and realize them in a timely manner
Medium-term	Enter new markets to diversify product base	The company is entering into new products i.e. Hydrogen Peroxide and LABSA while study of other businesses is underway. Meanwhile, our Caustic Flake facility also came online in 2019
	Maintain and enhance plant reliability by ensuring regular maintenance	Conduct plant turnaround within aligned time frames and allocated resources. Preventive maintenance and testing of critical equipment is done
Long-term	Develop domestic PVC markets by introducing the latest applications	Establish PVC Branded Outlet, a store which showcases the latest PVC applications to retail consumers and sells PVC products of our downstream customers with the view of broadening their acceptance in Pakistan
	Ensure manufacturing excellence	Introduce efficient processes in our manufacturing to ensure maximum utilization of resources
	Corporate social responsibility	Focusing on improving the quality of life of people residing near Port Qasim
	Automation and digitization of business processes	Detailed strategy with 4 pillars (i.e. going paperless, wireless systems upgrade, workplace agility enhancement, and automation of sales operations)
	Develop & retain talent, and increase workforce diversity	Attrition rates and diversity ratios are monitored and reported regularly. Job rotations / enrichment are planned to ensure retention of talent and diverse workplace

Functional Objectives and Strategies

Based on the corporate objectives, functional objectives are set for all divisions and strategy is crafted.

Health, Safety, and Environment

Objectives	Critical Performance Indicator	Future Relevance	Strategy
Ensure a safe working environment	Reduced Total Recordable Incident Rate (TRIR) and Fleet Accident Frequency Rate (FAFR)	The CPIs shall remain relevant in the future	Implementation of best practices as prescribed by DuPont Framework and regular monitoring of numbers at management / BoD levels
Carry out external independent assessments about Health, Safety and Environment (HSE)	DuPont Ratings		Carry out DuPont Audit and implement findings accordingly
Ensure HSE standards are maintained for expansion and operational efficiency projects	Keeping all safety ratios intact during completion of expansion projects		A new team has been assigned responsibility for maintaining high safety standards in all activities pertaining to the execution of expansion plans with tangible KPIs and regular reporting to the management
Minimize environmental impact	Performance is measured against several international benchmarks and is also verified by external authorities		Environmental impact studied for all projects and implementation is carefully planned to ensure compliance with stringent environmental benchmarks

Marketing

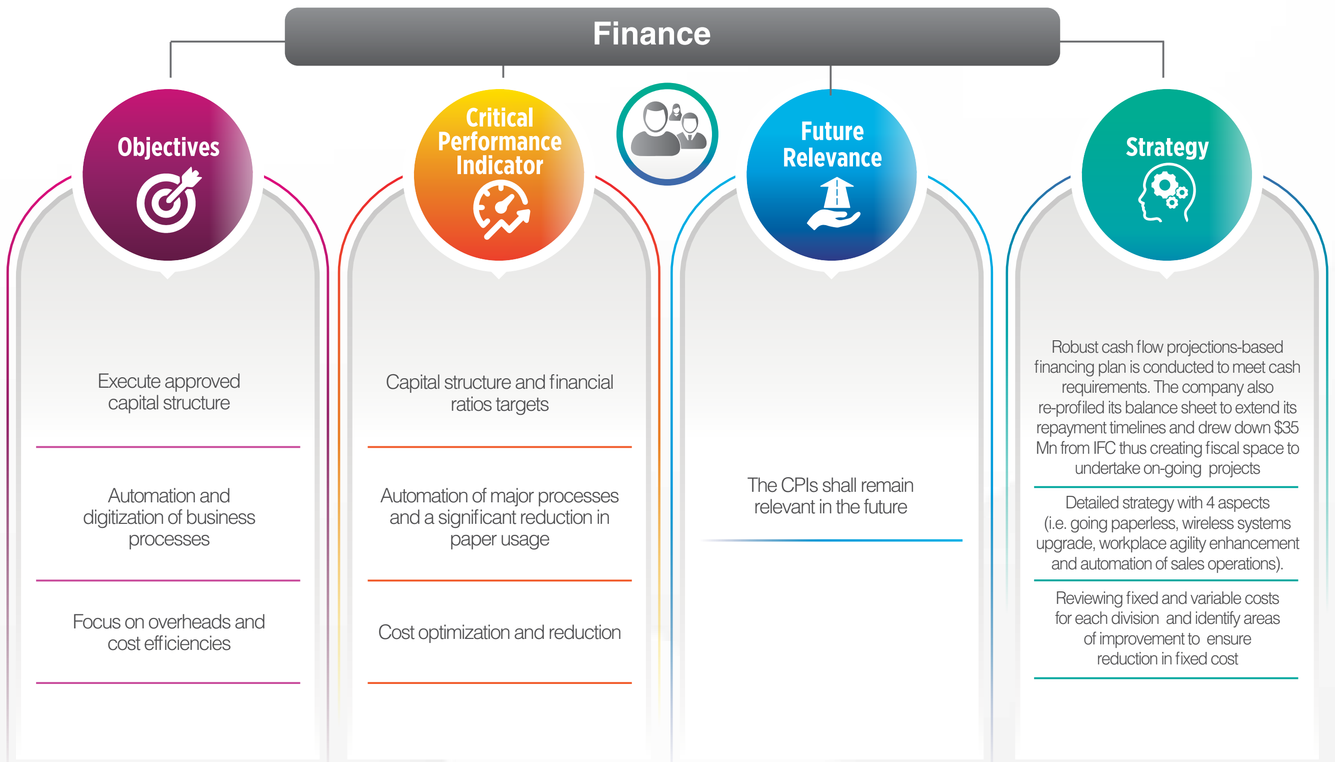
Objectives	Critical Performance Indicator	Future Relevance	Strategy
Optimize sales mix and development of the domestic market for all our portfolio products	Volumetric targets are set and monitored on a monthly basis	The plans for market development and enhancing sales are analyzed on an annual basis and will remain key to the future growth of the Company	Detailed analysis of the sales mix is conducted to monitor geographic, product wise, application wise sales mix. Business development team work closely with downstream customers and provides technical services for existing products and help them with new product formulation and recipes
Develop and execute marketing strategies for upcoming products in the portfolio of the Company			Market surveys and analysis have started and distribution channels are being developed to ensure sales operations go as per plan as the capacities come online

Manufacturing

Objectives	Critical Performance Indicator	Future Relevance	Strategy
Maintain and enhance plant reliability	Number of unplanned shutdowns, production loss and tasks completed	The CPIs shall remain relevant in the future	Conduct plant turnaround within time frames and allocated resources. Preventive maintenance is done and critical equipment are tested for reliability regularly
Maintain optimal production levels at benchmark costs	Production targets are set for all products		Monitoring the production facility / processes on a timely basis to identify and eliminate bottlenecks
Maintain and optimize raw material / energy consumption ratios	Raw material and energy consumption ratios have been set for all products against which performance would be compared		Regular monitoring of production / consumption ratios is done at all levels and an action plan is devised in case of deviation for immediate rectification
Satisfactory completion of growth, efficiency and reliability projects	Progress report / status is monitored by senior management and BoD regularly		Strategic milestones are established and performance is measured against them to ensure satisfactory completion of projects within prescribed time and resources. Post completion analysis is also conducted and reported

Human Resources

Objectives	Critical Performance Indicator	Future Relevance	Strategy
Develop & retain talent, and increase workforce diversity	Attrition ratios and diversity ratio	Talent development and retention shall remain the core focus area in the future	Attrition rates and diversity ratios are monitored and reported regularly. Job rotations / enrichment is planned to ensure retention of talent and to ensure diverse workforce
Improve employee engagement	Employee Engagement Survey		Implement action items from previous employee surveys to ensure better employee engagement. CEO conducts regular open house sessions with employees to discuss potential concerns and to encourage conducive workplace environment
Availability of requisite human resources in all aspects of operations	Uninterrupted operations in all departments		Development of a succession plan for all key positions within the organization



Significant Changes in the Entity's Objectives from Previous Periods

To keep the objectives aligned with the strategic vision of the Company, they are consistently reviewed. Since the Company has announced expansion plans, all objectives are aligned accordingly to ensure timely and satisfactory completion of the projects to achieve the desired results and value creation for shareholders.

Resource Allocation Plan

EPCL intends to achieve its long-term objectives by utilizing the optimal mix of available resources. This will be done by leveraging our experience in the manufacturing and marketing of chemical products in Pakistan and export markets. To achieve our goals, the company will align this with our other core strengths which includes but are not limited to:

1. **Manufacturing Excellence**
2. **Strong HSE Standards**
3. **Financial Strength**
4. **Competent Human Resource**
5. **In-depth Market Knowledge / Expertise**

Engro Polymer envisions to lead Pakistan in polymers & allied chemicals with international footprint. To achieve this the company plans to eliminate the country's dependence on imported PVC by expanding its production capacity. Simultaneously, EPCL has also announced several new projects as it looks to strengthen its footprint in the allied chemical space. Resource identification and allocation have already been planned for these projects in the most efficient manner to enhance value creation for all stakeholders. The company continues to explore more initiatives with the aim of achieving its long-term targets. Concurrently, the management will continue to monitor the resource allocation plan on an annual basis and will make amendments on need basis emanating from the internal and external environment.

Strategy to Overcome Liquidity Problems

Cashflow projections are regularly monitored and analyzed for the identification of either short-term and long-term financing needs or investment opportunities. Cash generated from operating activities is optimally invested to ensure ready availability without significant compromise on investment returns. The Company has readily available bank lines in order to meet any short-term liquidity gaps whereas long term financing arrangements are also in place for funding of upcoming projects. The company's product offtake and generation of operating cash flows are robust enough to ensure comfortable debt servicing. In addition, the options of getting extended supplier credit and discounting the customer credit have been tested and made a regular feature of the business.

Significant Plans and Decisions

2019 proved to be an important year for the company in terms of its strategic objectives. During the year, EPCL announced two new projects i.e. LABSA and HTDC at a combined cost of $22 Mn. LABSA will enable the company to enter a new market while HTDC will bring efficiencies to our PVC business. Following the reporting period, the company has also announced the issuance of Rs.3 Bn preference shares. These funds will be utilized for PVC III and VCM Debottlenecking projects with the view to benefit from tax credit arising out of project funding from freshly issued equity. During the period, the company also incorporated two wholly-owned subsidiaries for diversification projects.

Information about Defaults and Reasons

The company fulfilled all its contractual commitments during the outgoing period.

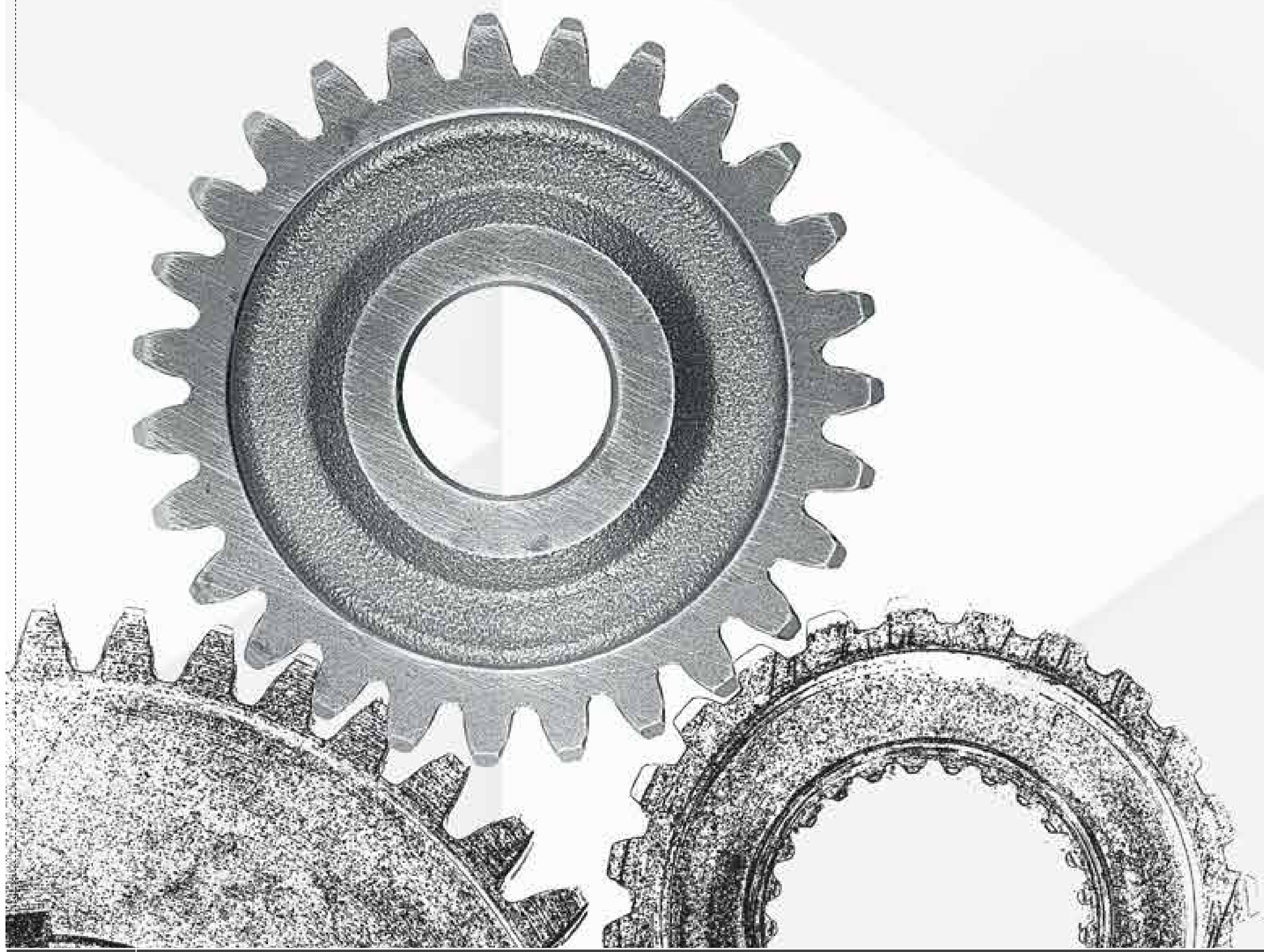
Inadequacy in the Capital Structure and Plans to Address

EPCL has maintained an optimal capital structure during the period under review.

Business Rationale for Major Capital Expenditure

During the outgoing year, the company incurred capital expenditure of Rs. 13.1 Bn where a significant portion of it was spent on PVC III / VCM debottlenecking. This project will enable the company to serve a bigger segment of the domestic market.

our core values



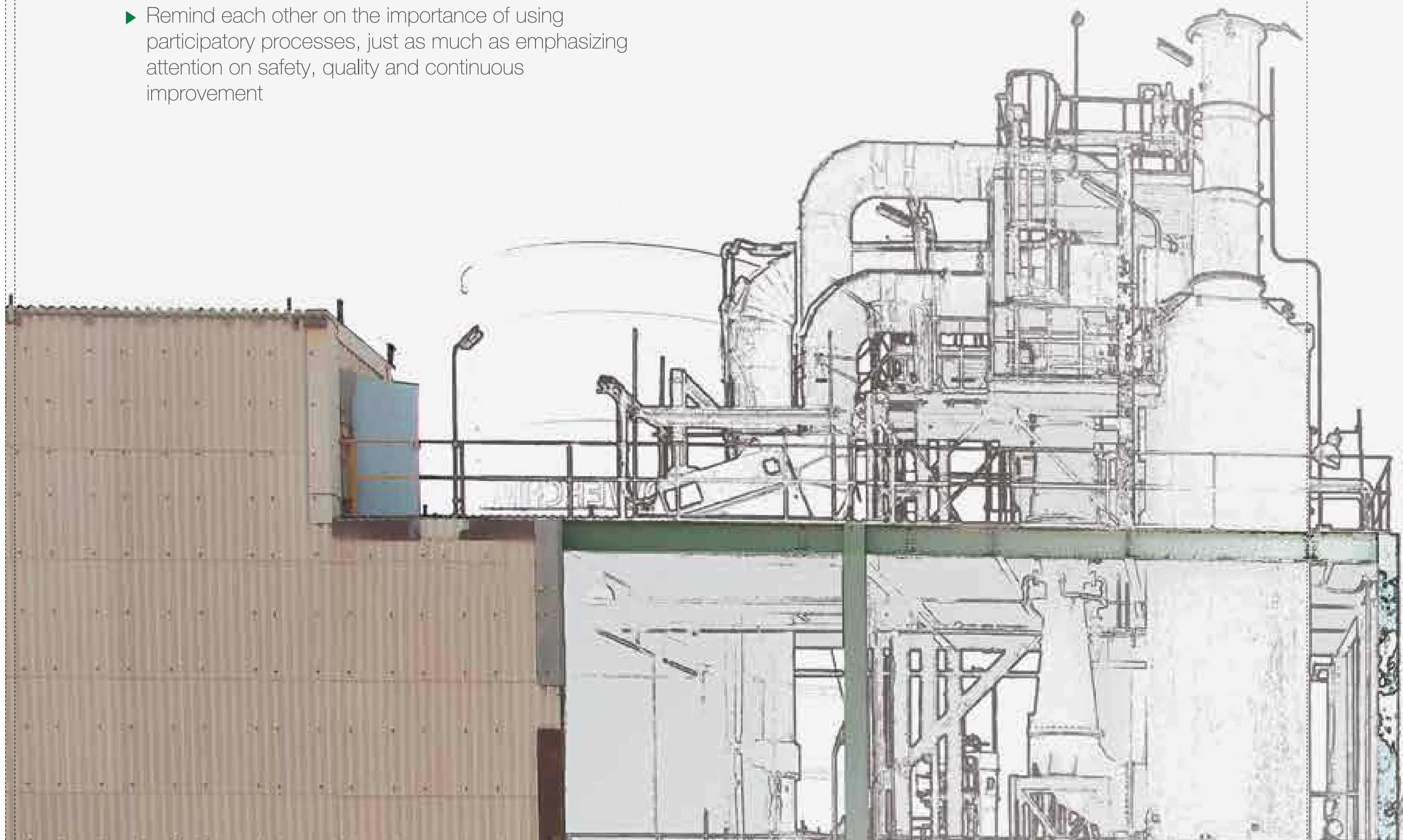
Has impeccable character and lives by highest standards of integrity and accountability

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

Cares deeply about environmental impact and safety of people

Our Statement of Best Practices

- Overall, work towards creating an environment which promotes the realization of our Vision and Values, by focusing on behavioral modification and systematic changes
- Challenge the status quo by experimenting and taking reasonable and calculated risks
- Think EPCL, by placing Company interest above individual, sectional and departmental interests
- Collectively develop clear, concise and realistic goals, also agreeing on the process of achieving these before implementation
- Balance task, team and individual needs, by keeping the helicopter view
- Work through teams, by valuing all ideas and effectively committing people through consensus building and active involvement
- Remind each other on the importance of using participatory processes, just as much as emphasizing attention on safety, quality and continuous improvement
- Recognize individual needs and help fulfill them
- Trust each other by delegating authority and decision making to the lowest possible level
- Encourage sharing clear, consistent, and timely feedback for learning and growth
- Give everyone a chance by listening patiently and thinking before speaking
- Recognize team and individual efforts to change by celebrating both lessons and successes



Our Statement of Business Ethics

The policy of EPCL is one of the strict observances of all laws applicable to its business. Our policy does not stop there. Even where the law is permissive, EPCL chooses the course of the highest integrity. Local customs and traditions differ from place to place, and this must be recognized. But honesty is not subject to criticism in any culture. Shades of dishonesty simply invite demoralizing and reprehensible judgments. A well-founded reputation for scrupulous dealing is itself a priceless Company asset.

An overly-ambitious employee might have the mistaken idea that we do not care how results are obtained, as long as they get results. They might think it's best not to tell higher management all that they are doing, not to record all transactions accurately in their books and records, and to deceive the Company's internal and external auditors. They would be wrong on all counts.

We do care about how we get results. We expect compliance with our standards of integrity throughout the organization. We will not tolerate an employee who achieves results at the cost of violation of laws or unscrupulous dealing. By the same token, we support and we expect you to support, an employee who passes up an opportunity or advantage which can only be secured at the sacrifice of principle.

Equally important, we expect candor from managers at all levels and compliance with accounting rules and controls. We don't want employees to misrepresent facts, whether they are misrepresenting in a mistaken effort to protect us or to make themselves look good.

One of the kinds of harm that result when a manager conceals information from higher management and the auditors is that subordinates within his organization think they are being given a signal that Company policies and rules, including accounting and control rules, can be ignored whenever inconvenient. This can result in corruption and demoralization of an organization. Our system of management will not work without honesty, including honest book keeping, honest budget proposals and honest economic evaluation of projects.

It has been and continues to be EPCL's policy that all transactions shall be accurately reflected in its books and records. This, of course, means that falsification of its books and records and any off-the-record bank accounts are strictly prohibited.

Our Approach Towards Creating Meaningful Value

Our Board of Directors is representative of our shareholders' interests and works with the CEO in deciding the overall strategic vision and direction of the Company.

Two principal Board Committees assist the Board in making decisions related to business management and compensation. Furthermore, there are numerous Functional Committees acting at the operational level in an advisory capacity to the CEO, providing suggestions and recommendations related to business, environment and employee matters.

Functional Heads provide advice and recommendations in their capacities and concerning their respective business areas. These include health and safety, technical matters relating to the plants, marketing and sales, finance, employee matters, supply chain, information technology, and logistics.

The Senior Management of the Company considers feedback as a significant contributor to the review of objectives and for the development of future plans and strategies. The Company gathers information through various stakeholders, including the government, shareholders and community, which ensures an efficient flow of information, both in and out of the Company.

Engaging Stakeholders

Policy for Engaging Stakeholders

Engro Polymer & Chemicals Limited recognizes the significance of its stakeholders and has therefore devised a policy that looks to engage them both formally and informally, periodically and regularly.

EPCL's Stakeholders

Media

Our engagement with print & visual media takes place through regular press releases on key achievements and activities as well as through informal conversations on Company news and updates throughout the year.

Investors, Lenders, and Shareholders

Investors and shareholders look forward to our Annual General Meeting as well as Corporate Reports (Annual and Sustainability Reports), which include comprehensive information on both financial and non-financial matters related to the organization.

Suppliers and Customers

Our suppliers and customers are engaged through periodic formal and informal meetings / conferences. We regularly provide them with technical assistance related to their businesses, to benefit both the industry and the economy in which we operate.

Host Communities (local to our facilities and throughout Pakistan)

We consider ourselves responsible for our host communities and hold regular interactions in order to understand how we can improve our relationships. The Company is extremely active in health, education, livelihood, and environmental projects for the betterment of these communities.

Employees

EPCL concentrates on employee engagement as it is key to performance. A survey is carried out every year to assess the levels of engagement and motivation at the workplace and based on feedback, areas of weakness are improved and strengths held stable.

Regulators

The Company complies with all regulatory requirements and in this regard maintains close coordination with relevant regulators including the Pakistan Stock Exchange, Securities and Exchange Commission of Pakistan (SECP), and FBR.

Analysts

EPCL engages analysts from security markets by conducting analyst briefings at the end of each quarter at least, exceeding the regulatory requirement. EPCL also coordinates with the analysts as and when needed through formal meetings and discussions.

history of major events

1997
- Engro Asahi Polymer & Chemicals Limited established

1999
- PVC 1 Plant commissioned with 100 KT capacity

2006
- Expansion / backward integration project launched
- Asahi Glass divested its shareholding

2008
- PVC II plant (50 KT) started up in Q4 2008
- Listed on the stock exchange in 2008

2010
- Back-integration completed
- Commercial production declared in 2010

2014
- Completed debottlenecking of PVC capacity to 174 KT

2017
- Further debottlenecking increases plant capacity to 195 KT

2018
- Announcement of an extensive expansion plan including increase of PVC capacity by 100 KT & entry in
- Rights shares issuance of Rs. 5.4 Bn

2019
- Commencement of Caustic Flakes plant with a capacity of 20 KT
- Announcement of HTDC efficiency and LABSA diversification projects

constructing the future of the nation

Being the sole manufacturer of PVC in the country we feel that it is our responsibility to empower and nurture our local business partners. Hence, we continue to provide for our customers with technical support and quality products and aim to be their backbone so that they can continue to grow, innovate, and create the future of our nation.

engro polymer & chemicals

company information

Board of Directors

Mr. Ghias Uddin Khan
Mr. Imran Anwer
Mr. Feroz Rizvi
Mr. Noriyuki Koga
Mr. Eram Hasan
Mr. Nadir Salar Qureshi
Mr. Hasnain Moochhala

Company Secretary

Mr. Khawaja Haider Abbas

Bankers

Allied Bank Ltd.
Askari Bank Ltd.
Bank Alfalah Ltd.
Bank Al Habib Ltd.
Bank Islami Pakistan Ltd.
Burj Bank Ltd.
Citi N.A
Deutsche Bank AG
Faysal Bank Ltd.
Habib Bank Ltd.
Industrial & Commercial Bank of China Ltd
MCB Bank Ltd.
Meezan Bank Ltd.
National Bank of Pakistan
NIB Bank Ltd.
Standard Chartered Bank Ltd
Summit Bank Ltd.
The Bank of Punjab
United Bank Ltd.

Website

www.engropolymer.com

CEO Message (Video Link)

www.engropolymer.com/corporate_highlights/ceo-message.php

Auditors

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

Registered Office

12th Floor, Ocean Tower, G-3, Block 9, Clifton,
Khayaban-e-Iqbal, Karachi-75600
PABX: +92-21-35166863-64
UAN: 111 411 411

Share Registrar

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

Plant

EZ/1/P-ii-1, Eastern Zone, Bin Qasim, Karachi.

Lahore Office

Office No. 601, 6th Floor, Haly Tower,
Lalik Chowk, DHA, Lahore.
UAN: 111 211 211

business at a glance

Exporting Countries

Ethylene: Middle East, Europe, USA, and South East Asia

Ethylene Di Chloride (EDC): Middle East, USA, and Europe

Importing Country

Poly Vinyl Chloride: India

PVC Products

The Company manufactures and markets five grades (AU 58, AU 60, AU 67 R, AU 67 S, AU 72) of PVC under the brand name 'SABZ' echoing its commitment to environment and in line with its core values.

PVC Regions

- Karachi
- Multan
- Lahore
- Bahawalpur
- Hattar
- Peshawar
- Rawalpindi
- Quetta
- Larkana
- Faisalabad
- Sukkur
- Gujranwala
- Islamabad
- Gadoon
- Hyderabad
- Gujrat

PVC Plant Information

CAPACITIES

PVC	EDC	VCM
195 KTA	127 KTA	204 KTA

caustic & allied chemicals

Raw Material

Salt is our primary raw material for caustic and allied chemicals.

Production Design Capacities

Caustic Liquid:	106 KTA
Hypo:	30 KTA
HCL:	60 KTA
Hydrogen:	3 KTA
Caustic Flakes:	20 KTA

domestic market

Caustic Soda

- Karachi
- Hub
- Hyderabad
- Multan
- Rahim Yar Khan
- Faisalabad
- Lahore
- Daharki
- Gujranwala
- Quetta
- Rawalpindi

Sodium Hypochlorite

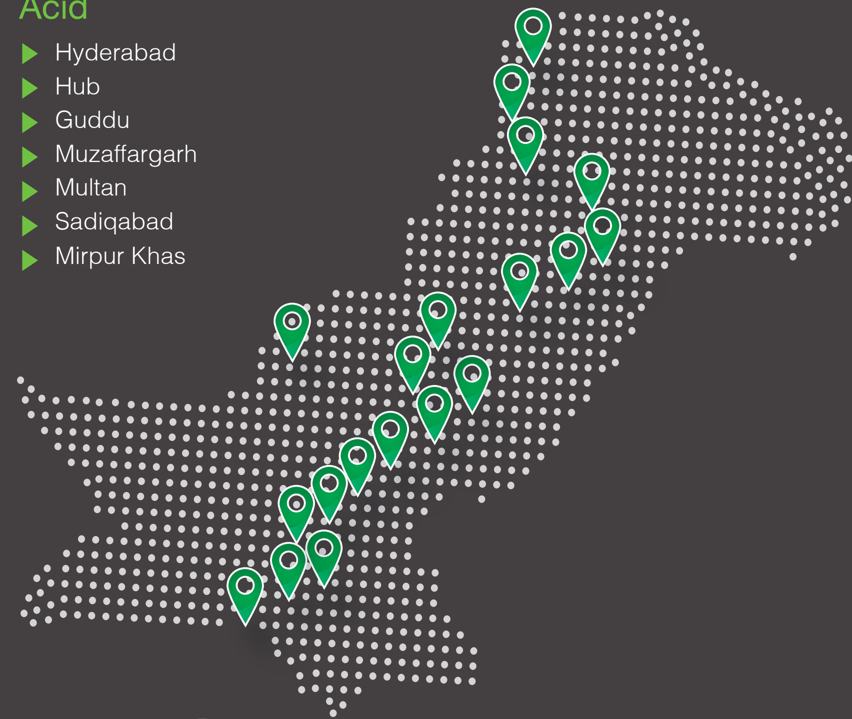
- Karachi
- Hyderabad
- Hub
- Ghotki
- Sadiqabad
- Daharki

Hydrogen

- Karachi

Hydrochloric Acid

- Hyderabad
- Hub
- Guddu
- Muzaffargarh
- Multan
- Sadiqabad
- Mirpur Khas



Caustic & Allied Chemical

1 Caustic Soda / Flakes

Dyeing and mercerizing in textile sector, FFA removal from edible oil & ghee, soap and water purification

2 Hydrogen

Used in the manufacturing of terephthalic acid

3 Hydrochloric Acid

Pickling, oil well acidizing, water treatment, cleaning, food processing and medicine

4 Sodium Hypochlorite

Water treatment, detergents, denim bleaching and paper bleaching

swot analysis

Strengths

- Sole PVC resin manufacturer in Pakistan
- Integrated production facility capable of operating at high capacity utilization
- Established brand name and diversified product portfolio
- Strong human resource base and unique technical expertise in Chlor-Vinyls business
- Established domestic presence and access to global export markets
- Strong credit ratings reflecting financial strength and management depth

Weaknesses

- High exposure to volatility in international commodity prices limiting pricing power
- Dependence on specialized raw material, which is subject to erratic supply
- Over supplied caustic market
- Increase in gas prices resulting in reduced margins

Opportunities

- Lower per capita PVC consumption in the country to lead to demand growth
- Uptick in PVC demand with expected improvement in economic growth
- Diversified downstream integration and new market segments development
- Alternate energy and operational efficiency projects

Threats

- Changes in tariff and duty structures
- Rise in gas prices in Pakistan
- Dumping of PVC from regions where Anti-Dumping Duty has not been imposed
- Economic uncertainty

pestel

Significant factors affecting the External Environment

Political

- Government policies on export promotion directly impacts the demand of the company's products where our chlor-alkali products are used in export-oriented textile sector
- High public spending may spur growth in the construction sector which can have a positive impact on PVC demand growth
- Gas prices form part of EPCL's cost of production where the government's decision on the matter will impact the company's profitability

Economic

- Improvement in macro-economic scenario may lead to higher purchasing power thereby increasing demand
- Possible decline in interest rates will reduce the company's cost of borrowing while also spurring domestic demand

Social

- Changing consumption patterns to drive per capita PVC consumption in Pakistan to international standards
- Rising population levels to drive housing demand which will contribute towards PVC market growth

Technological

- Technological advancement in downstream PVC industry will improve production efficiencies and introduce new applications in the country. This will, in turn, increase the demand for PVC resin in Pakistan

Environmental

- PVC is a replacement for wood and several applications of metal therefore it contributes towards the protection of forests and the overall environment
- The company has invested in several projects including HTDC and OVR with the view of improving its environmental impact

Legal

- The GIDC case is currently being argued in the supreme court. An adverse decision will impact the company's liquidity position but not profitability as it has been provided for in prior years
- Misdeclaration of PVC price at import stage has enabled importers to under-pay the applicable duties which reduces our competitiveness and also hurts the national exchequer. The company is in constant contact with all relevant stakeholders to weed out these practices

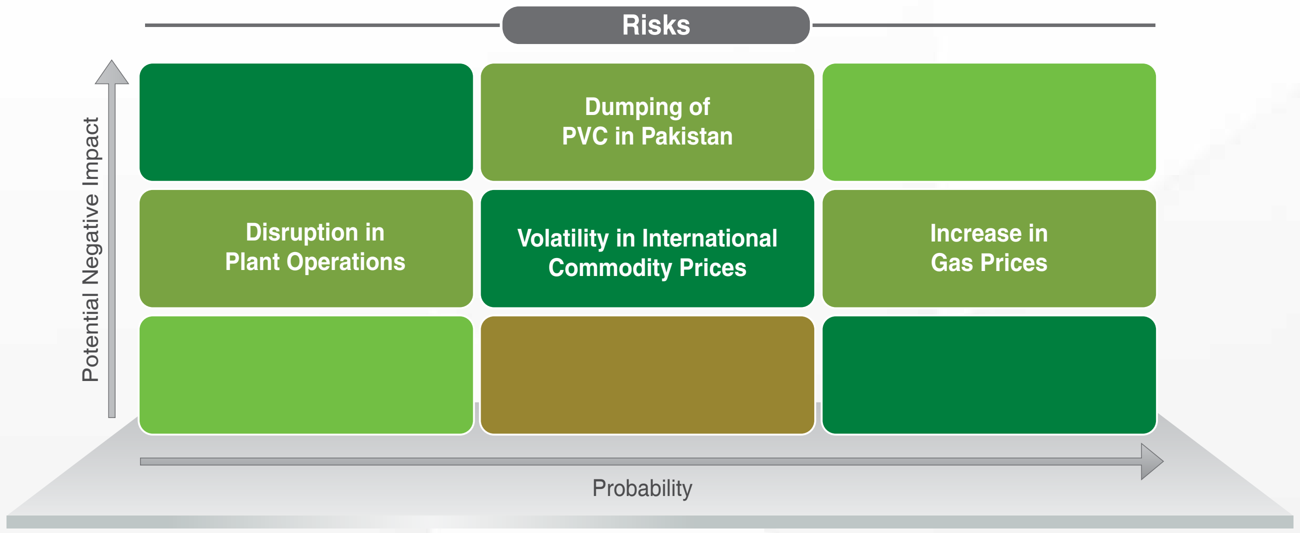
Composition of Local Vs. Imported Material and Sensitivity Analysis Due to FX Fluctuations

The company imports the major raw materials for its PVC business. Therefore, any volatility in currency rates directly impacts our cost of production. However, the company competes with imports in this segment where the pricing is based on international benchmarks. Chlor-alkali business's major raw materials are locally sourced and is therefore protected from forex fluctuations. Overall 90% of the company's raw material consumed was imported.

Significant Changes from the Prior Year

Significant changes from FY2018 have been disclosed in their relevant sections.

risk and opportunity **report**



Dumping of PVC Resin in Pakistan

Capital Impacted: Financial Capital, Social & Relationship Capital

Source: External

Risk

The continued flow of dumped products curtails EPCL's ability to operate at a level playing field and impairs value creation.

Mitigating Risk

EPCL presented its case to NTC, because of which final Anti-Dumping Duty has been imposed on China, Taiwan, South Korea, and Thailand in 2018. However, dumping has started from other regions which the Company is evaluating and will approach NTC accordingly.

Gas Price Increase

Capital Impacted: Financial Capital, Manufactured Capital

Source: External

Risk

Increase in gas prices can have substantial adverse impact on Company's profitability.

Mitigating Risk

EPCL has implemented several energy conservation projects and is in the process of executing several other energy efficiency projects which would partially insulate the bottom line from the impact of increasing natural gas prices. Meanwhile, the company is also exploring other energy sources.

Disruption in Plant Operations

Capital Impacted: Manufactured Capital

Source: Internal

Risk

Disruption in plant operations can severely hamper production, the probability of which is low.

Mitigating Risk

EPCL is continuously investing in plant infrastructure and benchmarking with acclaimed global players to ensure best practices are followed not only within the ambit of plant operations but also in the areas of Health, Safety, and Environment.

In addition, we also have Business Interruption Insurance policy to neutralize the adverse impacts of unanticipated disruptions.

Volatility in International Commodity Prices

Capital Impacted: Financial Capital

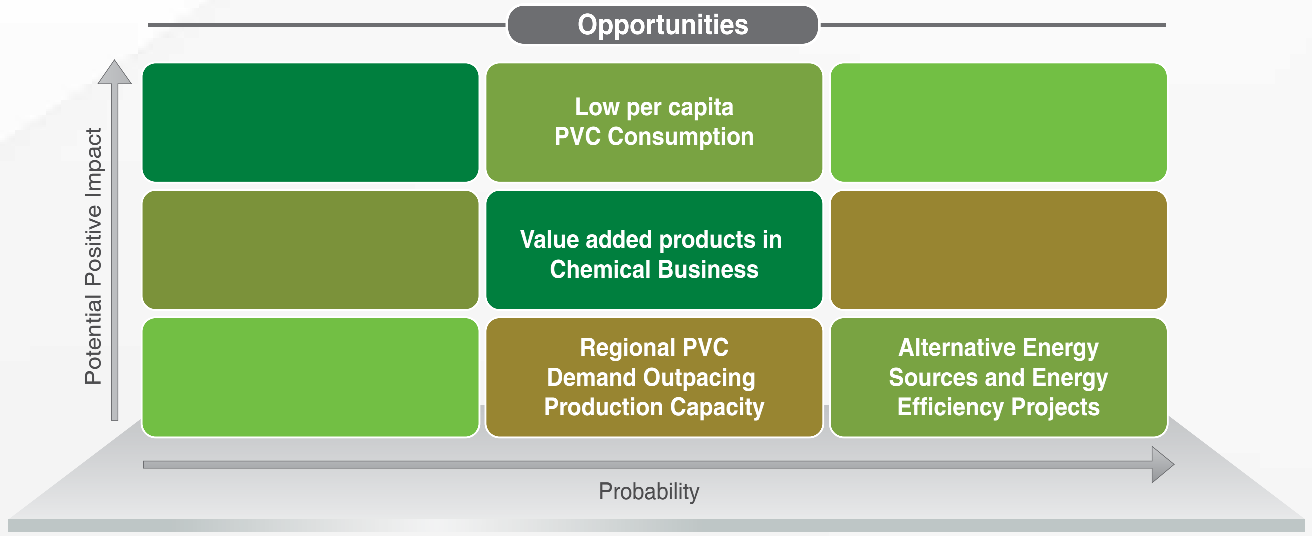
Source: External

Risk

The Company's margin are a function of global PVC and ethylene prices where a decline in international core delta will directly impact profitability.

Mitigating Risk

Diversification projects such as Hydrogen Peroxide and LABSA will enable the company to reduce the impact of product specific commodity market volatility.



Lower Per Capita Consumption of PVC

Capital Impacted: Financial Capital, Social & Relationship Capital

Source: External

Opportunity

The per capita consumption of PVC for Pakistan is the lowest in the South Asian region standing at ~1.2KG / capita. This phenomenon exists primarily because Pakistan uses PVC in conventional applications. EPCL is working with local players to introduce new PVC products including PVC Foam Board, PVC Wood Plastic and PVC Wall Panels to increase the size of the market.

Regional PVC Demand Outpacing Production Capacity

Capital Impacted: Financial Capital,

Source: External

Opportunity

The regional demand has outpaced production capacities providing with an opportunity to export in the regional market. The commissioning of additional capacity will enable EPCL to export the product.

Value Added Products in Chemical Business

Capital Impacted: Financial Capital, Manufactured Capital, Intellectual Capital

Source: Internal

Opportunity

EPCL is focusing on and investing in broadening the portfolio of products in its chemical business. The company has commissioned the Caustic Flake plant in 2019 while Hydrogen Peroxide and LABSA have also been announced. This will enable the company to earn incremental profit while also diversifying its risk.

Alternative Energy Sources and Energy Efficiency Projects

Capital Impacted: Financial Capital, Manufactured Capital, Natural Capital

Source: Internal

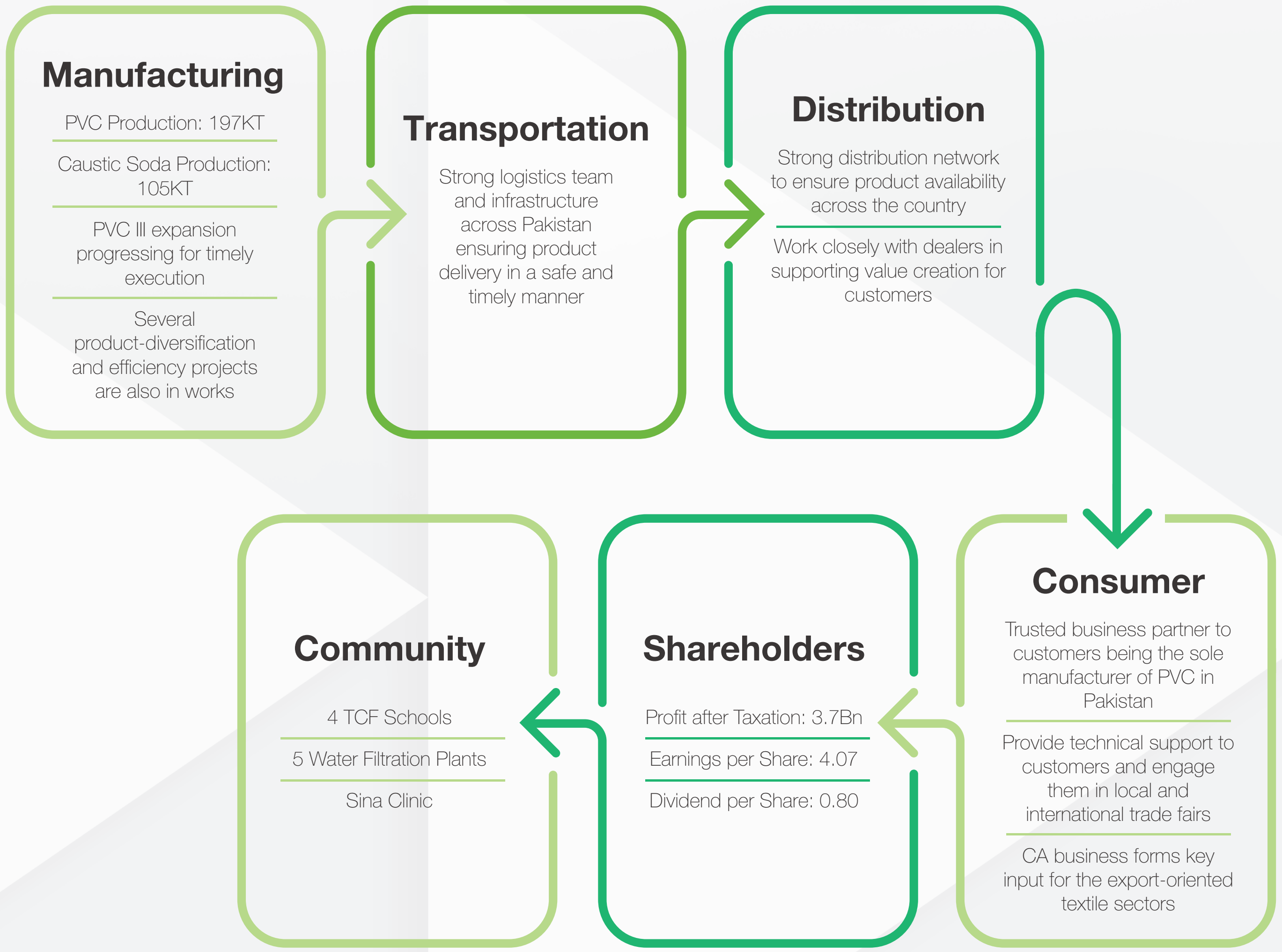
Opportunity

The company is currently exploring alternative energy sources for its business as it looks to reduce its power cost and also mitigate from the risk of a gas price increase. Meanwhile, EPCL has announced efficiency projects to reduce power consumption in the manufacturing process.

value chain

At EPCL, value creation and contribution towards the community form the core driving forces of our operations. To ensure this, we operate our production facility efficiently without compromising on safety. Concurrently, we continue to engage our customers by way of participation in local and international conferences and establishment of a PVC branded outlet. Ultimately, being the sole manufacturer of PVC resin in Pakistan we touch the lives of the masses.

The company continues to endeavor towards further value creation, where several new projects are in works. Finally, we believe that collaboration is the most sustainable way to ensure value generation and therefore we engage with all stakeholders, including customers, shareholders and the community around us.



Source of Information and Assumptions Used for Projections / Forecasts

Engro Polymer utilizes a well-defined process to analyze and assess the assumptions that are being used for quantitative and qualitative analysis and forecasts. For pricing, demand dynamics and macro-economic trends, the company refers to historic data, current trends and estimates released by global services which are then closely studied by our Supply Chain, Marketing, Commercial, Finance and other functional disciplines to adapt them to Pakistan and the company's objectives and capacity.

The company also relies heavily on primary sources of information where we conduct customer surveys, market visits and other activities to develop an understanding of the domestic market and use this for the purpose of our forecasts.

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

In 2018, the company crafted a holistic strategy to achieve its vision. To realize this, the company initiated several new projects and also commissioned studies for several potential opportunities with the view of attaining of these goals in 2019. In line with this target, EPCL has announced two new projects in 2019 which are HTDC and LABSA. At a combined CAPEX of $22 Mn, these projects will enable the company to increase its presence in allied chemicals space and reduce its energy consumption.

The company had announced the following projects in prior years which were discussed in last years forward looking statements:

PVC / VCM Expansion: The expansion entails additional PVC plant capacity of 100,000 MT (total capacity of 295,000 MT post-completion) and VCM plant debottlenecking for an incremental capacity of 50,000 MT. The project is progressing as per its schedule and is on track for completion as per previously announced timeline.

Caustic Flakers Plant: The flaker plant with a capacity of 20,000 MT came online in 2019, as previously announced. This has enabled the company to venture into a higher margin product while also enabling us to export through sea route.

Oxygen based VCM Production: The project is underway and is expected to be completed as per previously announced timeline of 2020. Post completion it will reduce the overall raw material consumption by ~2%.

Hydrogen Per Oxide: The LC for the project has been opened and the project is in the execution phase. This will enable the company to enter a new market while also generating higher value from its hydrogen by-product.

key figures

Key Figure	2018	2019
Sales Revenue (Rs. In thousand)	35,271,635/-	37,836,632/-
Profit after Tax (Rs. In thousand)	4,930,171/-	3,696,037/-
Earning Per Share (In Rs.)	6.22/-	4.07/-
Capital Expenditure (Rs. In thousand)	4,259,715/-	13,114,040/-
Total Assets (Rs. In thousand)	36,023,287/-	57,519,217/-
Market Capitalization (Rs. In thousand)	33,757,413/-	30,185,344/-
Price Per Share (In Rs.)	37.14/-	33.21/-
Total Equity (Rs. In thousand)	16,796,184/-	17,776,156/-
Total/Average Number of Employees	455 / 447	508 / 483
Total/Average Number of Plant Employees	385 / 378	435 / 467

key highlights & major achievements 2019

- Entry in LABSA business and operational efficiency HTDC project approved by BoD

- Harvard ManageMentor Program
- Learning framework
- E4ME app launched

- Strong credit rating reflects investors' confidence in the company

- High LI scores
- OHIH external audit rating 3.9

- Started commercial production of Caustic Soda Flakes

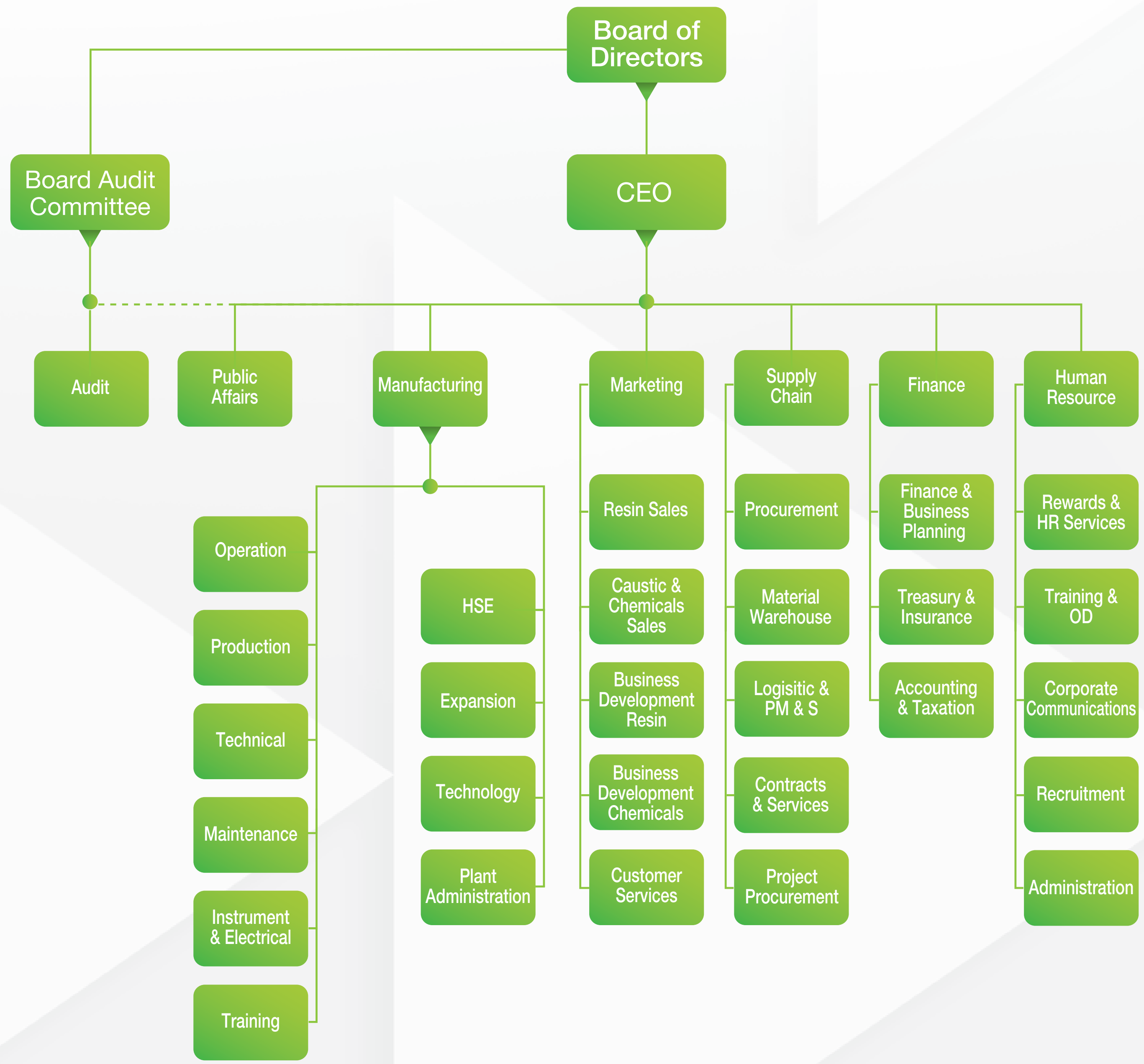
PVC-III expansion in progress

- Conclusion of engineering works related to new PVC plant
- Completion of major civil works
- Completion of major equipment procurement and installation

Serving the community

- 2 new TCF schools
- SINA clinic became operational
- 5 water filtration plans

organisational **structure**

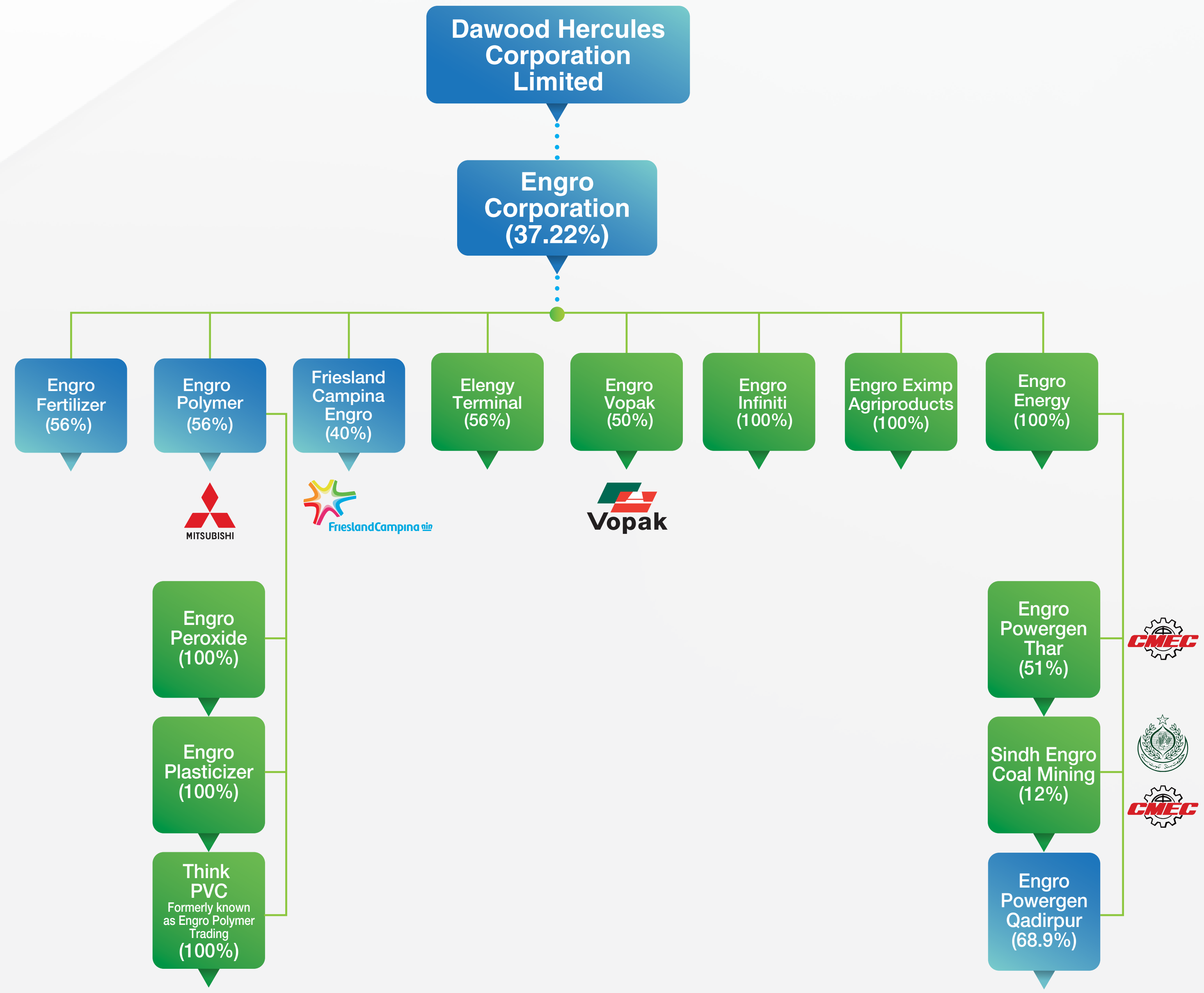


Legend

Reports functionally

Reports administratively

corporate structure reflecting **direct and indirect ownership**



Legend

Listed Entities

Unlisted Entities

awards, achievements & accreditations

DuPont Certification

DuPont analyzed Occupational Health and Industrial Hygiene (OHIH) Systems at EPCL Site.

DuPont assesses various safety and OHIH systems of an organization on a scale of '1' (basic systems in place) to '5' (sustained world-class performance).

DuPont PSM 22 Elements Audit concluded with excellence rating of 3.9 / 5.0 in 2019.

QMS – ISO 9001 certification

The Company has been ISO-9001 (Quality Management System) certified since 1999, which meant increased customer satisfaction via documented systems and procedures. The company continues to remain ISO9001 certified for Manufacturing and Sales of PVC Resin and Allied Chlor Vinyl Products vide the certification audit carried out by URS in 2019 according to the latest standard (ISO 9001:2015), during which no non-compliances were reported.

EMS – ISO 14001 certification

The Company is ISO-14001 (Environment Management System) certified by a credible third party (URS). Accordingly, the organization has amplified its focus on Health, Safety and Environmental Policies through re-certification. The company was audited in 2019 according to the latest standard (ISO 14001:2015), during which no non-compliances were reported.

OHSAS – ISO 18001 certification (Revised to ISO 45001)

The Company implemented OHSAS ISO-18001 (Occupational Health & Safety Administrative Series) in 2013. The company was audited in 2019 according to the latest standard (ISO 45001:2015), during which no non-compliances were reported.

ISO / IEC 17025:2005

In 2019 EPCL Laboratory was granted ISO / IEC 17025 Accreditation by Pakistan National Accreditation Council (PNAC), which comes under Ministry Of Science & Technology. ISO / IEC 17025 is used by laboratories to develop & implement a quality management system which aims at improving their ability to consistently produce valid results by well-defined administrative and technical operations.

Unilever Responsible Sourcing Audit (URSA)

Unilever Responsible Sourcing Audit (URSA) was concluded in 2018 and the accreditation received will continue in 2019.

HR Awards

EPCL won 2 HR awards in 2019.

Employers Federation of Pakistan awarded EPCL 1st position for Best HR practices 2018 in the category of Large National Companies and 2nd position in the category of 'Medium National Companies' for their best practices in human resource management, providing employees with their legal rights as per applicable laws and regulations, observing labor standards, and encouraging workers' participation in management.

CSR Awards

EPCL won 6 CSR awards in 2019.

At the NFEHs (National Forum for Environment & Health) Corporate Social Responsibility Awards 2020 EPCL was awarded in the categories of Community Development, Public Health and Education. Further, at the 9th Annual Corporate Social Responsibility Awards, EPCL won for its sustainability initiatives, CSR Events, and its Corporate Community Partnerships. These awards are a testament to EPCL's continued commitment towards corporate social responsibility initiatives.

Islamic Finance News Award

The Company was awarded the "Pakistan Deal of the Year 2018" award at IFN award ceremony held on March 10, 2019 on account of Pakistan's first-ever deal of Islamic finance amounting to USD 35 Mn by International Finance Corporation (IFC).

credibility

PACRA Credit Ratings

Owing to the Company's promising fundamentals and strong liquidity, the PACRA maintained "AA– / A1+" long-term / short-term credit ratings of EPCL which is highest ever in the history of the Company. Strong rating is a testimony to the fact that the Company has achieved operational consolidation and has promising fundamentals.

AGM issues & responses

The Annual General Meeting of the Company was held on April 01, 2019. During the meeting, several questions pertaining to the Company's business were asked by the shareholders which were answered satisfactorily by the CEO. Thereupon, the meeting was concluded without any pending query on the unresolved issue.

Mr. Feroz Rizvi, independent director and chairman of the board's audit committee was present at the AGM to answer questions on the audit committee's activities.

valuable for everyone

With a diverse range of downstream applications, our product is now able to touch lives in numerous ways. From the toys that children play with to the kitchen where a nice home-cooked meal is prepared, PVC is being used in various ways. We are proud to provide the foundation for such products and are happy to be a part of these emotions.

Governance Framework

Our Governance Framework is designed to ensure that the Company embodies its core values and principles, institutionalizing excellence in everything that we do. Driven by the highest standards of integrity, transparency and zeal to protect stakeholders' value, EPCL has ordinated its Governance Framework on the industry's best practices. The Board of Directors and Senior Management place significant emphasis on internal controls, which trickles down to each and every employee in the Company.

Our Corporate Governance is grounded on the basis of proper management policies and the organization conforms to accepted guidelines of Pakistan Stock Exchange Limited as well as the Securities and Exchange Commission of Pakistan (SECP). The Board of Directors is committed to honest, ethical, knowledgeable and comprehensive management and to implement good Corporate Governance as a means of accomplishing maximum success and effectiveness for the Company. Corporate Governance is a tool for enhancing and reinforcing our values and sustainable growth. Developing good Corporate Governance is an iterative process and aims to incorporate standards that are universally practiced and appreciated.

The Internal Environment

The organization is structured in a way that corresponds well to its business plan and responsibilities are clearly assigned to each department. High-quality personnel are hired and given continuous opportunities to develop knowledge, competencies and represent the Company's commitment to ethical and professional business standards. The organization also encourages employees to participate as well as understand their work, while instilling in them the responsibility of reducing risk. Work is consistently being upgraded, improved and fashioned in such a way that internal controls form an integral part of operations. Operating manuals of key functions have been produced to ensure efficiency of operations and avoid duplication of effort.

Internal Control Framework

Responsibility

The Board is ultimately responsible for EPCL's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure in achieving business objectives and provides reasonable assurance against material misstatements or losses that the Company could possibly face.

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 Officer.

Framework

An established control framework is maintained by the organization, constituting clear structures, authority limits and accountabilities. All policies and standard operating procedures are properly documented in operating manuals. Both corporate strategy and the Company's business objectives are established by the Board, after which they are integrated by divisional management into business strategies with supporting financial objectives.

Risk Assessment

EPCL conducts its operations keeping in view the risks involved and has instituted measures to control risk and ensure that it remains manageable. In this way, damage due to risk is minimized and stability is ensured. Long-term and annual plans are designed ensuring that concrete measures of success can be obtained. Audit operations and insurance measures are also continuously improved with the help of various tools in the effort to reduce risk.

Control Activities

The Company has determined a number of control activities that are in accordance with the nature of business operations and has assigned responsibilities in such a way that mutual supervision is in effect.

Information Systems' Governance Framework and Safety of Accounting Records

EPCL information systems from 1st of Jan 2018 are being driven by ECORP IS laying down a Digitization Strategy 2020 for EPCL with the vision of 'Digitization' of processes & Information to make the organization Paperless & Wireless thereby, enabling the employees to Work from anywhere, anytime & from any device. It will also harness on automation to deliver 'Sales Operations without Human Intervention'. This is a 3-year program in which major applications and interventions have gone live, the remaining will go live by Q3, 2020 and OneSAP implementation is also under way.

The driving force of the Digitization IT Strategy 2020 is to improve the business end to end, be it operations, manufacturing, supply chain or engaging with customers to generate a value that creates a sustainable impact in the growth of EPCL. The Information Systems, Governance Framework sets minimum control requirements for Information Systems that must be met by all businesses across EPCL. It also lays down the various policies related to the Management, usage and protection of EPCL's Information Systems provisions.

The framework is aligned with the industry's standard Control Objectives for Information and Related Technology (COBIT) ISO 27001 and ITIL v3. EPCL maintains a robust system for the maintenance of its books of accounts, including detailed contingency plans for their safekeeping and recovery in the event of a disaster. The Company fully complies with the regulatory requirements envisaged in the Companies Act 2017, the listing regulations and the relevant pronouncements thereunder.

Conflict of Interest Policy

At Engro Polymer & Chemicals Limited, every employee, director and executive is required to avoid any direct or indirect interests, which might conflict with the interests of the Company when dealing with customers, suppliers, contractors, competitors or any other person or organization doing or seeking to do business with the Company or any affiliate.

Additionally, in the event that such conflicts arising in the conduct of employees', executives' or directors' personal affairs, including transactions in securities of the Company, of any affiliate, or any unaffiliated company having a business relationship with Company interests, full compliance with the restrictions and set of disclosures requirements laid down by the Management should be ensured. A robust mechanism to report exceptions, if any, has been established within the Company.

Social and Environmental Responsibility Policy

The company's community development and uplift policy focuses mainly on education, environment and water conservation-related initiatives. It has various diversified programs in place and is on its way to create visible social impact on communities within which it operates. It invests in programs that address the environmental and social challenges faced by its business, thus mitigating impact of its operations through taking these initiatives.

It also focuses on the element of sustainable business development and that is what is most visible in its key social investments.

Human Resource Management Policies

EPCL's Human Resource policy is designed to attract, induct, develop, retain and motivate high caliber talent who are qualified, capable and willing to contribute towards the company's long-term and short-term objectives. To accomplish this, the HR policies have been developed encompassing following principles:

- Equal Opportunity
- Training and Development
- Performance Management
- Compensation and Benefits
- Diversity and Non-Discrimination

Succession Planning

Every year at Engro Polymer & Chemicals Limited "Talent Review Sessions' are conducted. The main objective of talent review process is to map the succession plan of a department with the capacity, potential, and career development needs of employees in order to develop a comprehensive Talent Management Plan. Talent review process is a series of structured, facilitated discussions where employees (direct reports) are reviewed in terms of their key strengths, career goals, stage of readiness, and areas for development and action plans. Outcome of these sessions has helped the Company in increasing the rate of internal moves as well as replacements.

Management Actions to Encourage Minority Shareholders Attendance at the AGM

The notice of the annual general meeting and extraordinary general meetings are sent to all shareholders of the company at least twenty-one days prior to the meeting. The notice is published in both Urdu and English, in at least one issue of a daily newspaper with nationwide circulation for each respective language. Further, a notice of the AGM is sent to the exchange and is also placed on the Company's website. The Company encourages minority shareholders to also participate in quarterly analyst briefing sessions the date of which are announced through the stock exchange.

The company entertains meeting requests from minority shareholders where their queries are addressed and they are also encouraged to attend general meetings.

investor relations policy

Engro Polymer & Chemicals Limited strives to develop and maintain trustworthy relations with its stakeholders, including shareholders and investors. It recognises the importance of timely and fair disclosure of all material information to them, without advantage to any particular investor, group or investment advisor / analyst, in order to enable them to make informed decisions about investing in the Company's equity and other debt instruments.

- The Company will ensure that Shareholders are able to contact the shares Registrar of the company for shareholders matters and investors complaints.
- The Company will disclose all material information in a fair and transparent manner in compliance with legal requirements and listing regulations of the stock exchanges where it is listed.
- It may also disclose, through designated spokespersons, other financial or non-financial information that it considers useful for enhancing stakeholders understanding. This may be done through analyst briefings, press releases, television programs or postings on the Company's website.
- Where it makes any forward-looking statements / projections based upon information available at the time of disclosure or assumptions of future events. It will qualify such statements by disclosing the factors that could cause actual results to materially differ from those being implied in such statements.
- To prevent information leaks and maintain fairness in disclosure, the Company will observe a quiet period prior to the announcement of quarterly / annual results, during which it will decline to respond to inquiries about its business performance and related matters.

Investors' Relations section

For investor queries or complaints please find our contact details on the company information page of this report or go to the investor relations webpage of our website by using the link below:

https://www.engropolymer.com/investors/index.php

HSE policy

"To be Recognized as a World Class Performer in the field of Health, Safety & Environmental Management"

Engro Polymer Will:

- Conduct its business in a manner that protects the health and safety of employees, contractors, others involved in our operations, and the community in which we operate.
- Continuously improve environmental performance to achieve sustainable development.
- Strengthen its business by making Health, Safety, & Environment (HSE) considerations an integral part of all business activities.
- Comply with all relevant laws & regulations.
- Practice transparent public reporting of the HSE performance.
- Ensure that HSE is a major responsibility of appropriately trained, empowered, & accountable employees & management.
- Promote a culture of learning & practicing HSE management among employees and contractor's.
- Encourage off the job HSE awareness among employees and families.

To Achieve These Objectives, Engro Polymer Shall:

Health

- Identify and evaluate health risks related to its operations that could potentially affect its employees, contractors, or the public.
- Provide structured, risk based occupational health and industrial hygiene program, with a focus on health promotion and prevention, reporting, and investigation of occupational illnesses.
- Implement programs and appropriate protective measures to control such risks, including appropriate monitoring of its potentially affected employees.
- Carry out pre-employment and periodic medical check-up of its employees.
- Provide or arrange for medical services necessary for the treatment of employees occupational illnesses or injuries and for handling medical emergencies.

Safety

- Implement a rigorous system of Process Safety Risk Management.
- Institutionalize behavioral safety practices using the Personnel Safety Management System.
- Keep abreast of the latest international codes, standards and practices, and adopting the same where applicable.

Environment

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

HSE performance 2019

Safety is at the core of the EPCL business strategy as we conduct everything in a manner that protects the health and safety of employees, contractors, others involved in our operations, and the community in which we operate.

We not only comply with all laws and regulations but also practice transparent public reporting of the HSE performance. This has helped us in establishing an HSE Management System that meets the requirements of ISO-9001, ISO-14001, OHSAS-45001, DuPont PSM/OHIH, OSHA, EPA, SEPA, and Pakistan Labor Laws. In 2019, the Total Recordable Injury Rate (TRIR) closed at 0.09 which is below the target of 0.12, setting new heights and higher benchmarks for the years to come. On the road to standardization, EPCL has made some remarkable efforts in aligning the Leading Indicators to API guidelines. We achieved a PSM Excellence rating of 3.9/5 in 3rd party DuPont PSM audit reflecting our stringent safety management system. For ERP improvement, EPCL trained the emergency squad members through a series of training sessions by a specialist fire chief, 3rd party Scaffolding Certifications of employees, ERP gadgets and PPEs upgradation, Emergency Response Team Competition, Operational Discipline Campaign, Housekeeping drive, MERA SABAQ campaign (1200 Contractor's workforce were trained on this safety training), and many such initiatives were taken by the HSE team to achieve operational excellence and develop a notable safety culture through continuous improvement and learnings.

During the year, a fatality occurred at our expansion site which was fully investigated and adequate measures have been taken to ensure that underlying causes are appropriately addressed.

EPCL deeply cares for the environment as we ensure complete compliance with all applicable environmental laws and regulations and apply responsible standards where laws and regulations do not exist. We believe that being green is both an ethical and a business responsibility as it results in lower costs and a better environment for all. In continuation of this effort EPCL, revamped the Evaporation-pond and installed high quality HDPE membrane in it to make the pond more reliable. For the expansion site, an IMC (Independent Monitoring Consultant) was hired to monitor the environmental impacts, such as noise and ambient air quality. Nevertheless, Environment impact assessment (EIA) for future projects such as H2O2 are in their progression phase. NOC for Renewal of Hazardous substance license has been received from SEPA. Above all, no NEQS excursion has been recorded in 2019.

cardinal **rules**

- Mandatory to report all "On the job" unsafe acts / conditions, near misses and incidents.
- Mandatory to follow Company Policies, Safety Rules, and all applicable laws. Contractors engaged by the Company shall strictly adhere and cause its employees to strictly adhere to Company Policies, Safety Rules, and all applicable laws.
- Work with a valid work permit.
- Wear mandatory PPEs in designated areas.
- Bypassing Safety Critical device without authorization is prohibited.
- Lighting a flame without authorization is prohibited.
- Walking under a suspended load is prohibited.
- Ensure that there is no violation of work at height protocols (not latching harness, not using protection like handrails, nets, lifelines, etc.).
- Engaging in or provoking horseplay or fighting within Company premises is prohibited.
- Damaging Company property intentionally is prohibited.
- Sleeping & carrying mobile phones in Plant operating areas is prohibited.
- Bringing weapon or any form of intoxicant on site is prohibited.
- Making video / picture of plant site areas is not allowed.

Willful negligence of all above protocols will be treated as misconducts and liable to penalties / accountability as per company's progressive motivation principals or any other action as the Company may deem fit.

Jahangir Waheed
Vice President Manufacturing
Engro Polymer and Chemicals Limited

driving **safety policy**

The safety and wellbeing of our employees & contractors is of foremost importance to the Organization. We, therefore, have a responsibility of not only safeguarding ourselves when on the road, but also to play our part to protect those around us.

It is incumbent on all company employees, whether permanent or on contract, when driving or being driven, on company business, to consistently apply & follow driving safety rules as below:

- Be in possession of valid driving license while driving.
- Wear seat belts on front seats in cars and on designated seats in other vehicles being used for company business.
- Wearing of crash helmets for both motorcycle drivers and pillion riders. Texting or using cell phone while driving is illegal in Pakistan. In case of dire need, stop the vehicle in a safe area to text or use the cell phone, or have a passenger operate it.
- Use of alcohol and drugs is prohibited. Use of other substances, including certain cold or allergy medications which may cause drowsiness and impair driving ability, should be used with caution.
- Follow driving laws and regulations for road safety such as adherence to posted speed limits, directional signs, use of turn signals and adopt defensive driving techniques.
- Promptly report any road accident to his / her supervisor in accordance with established procedures of incident reporting.

Imran Anwer
CEO
Engro Polymer and Chemicals Limited

Board Review Frequency

The Board meets at least once every quarter to consider the Organization's financial performance, financial and operating budgets and forecasts, business growth and development plans, investment plans and other Key Performance Indicators. Post completion reviews are performed on all material investment expenditures.

Responsibilities of the Chairman

Every meeting of the Board is to be headed by a Chairman. The chairman of a board is responsible to lead the board and its proceedings and ensure that it plays an effective role in fulfilling its responsibilities. The chairman is empowered and responsible to:

- Issue letter to directors setting out their role, obligations, powers, and responsibilities in accordance with the Company's Act, 2017, and the Articles of Association, their remuneration, and entitlement.
- Set the agenda of the board meetings and ensure sufficient time is allocated for discussion of the same;
- Ensure that statutory requirements are fulfilled including the issuance, authentication and maintenance of the minutes of meetings of the board of directors; and
- Regulate and monitor the process of voting, including making demand of a poll.

Responsibilities of the Chief Executive Officer (CEO)

The Board of Directors set the role and responsibilities of the company's CEO. The CEO is entrusted with the general management of the company's operations and to do all acts which include:

- Compliance with regulations and best practices
- Ensuring effective functioning of internal control system
- Identifying risks and designing mitigation strategies
- Safeguarding of Company assets
- Development of human capital and good investor relations
- Sustainable growth of shareholder value
- Identification of potential diversification / investment projects
- Implementation of projects approved by the Board
- Preservation and promotion of the Company's image
- Endorse quarterly, half-yearly, and annual financial statements, after external auditors intials in case of half yearly and annual financial statements, prior to placing and circulating for consideration and approval of the Board
- Placement of significant issues for the information, consideration, and decision, as the case may be, to the Board or its committees

Formal Orientation

The Human Resource department chalks out a formal orientation plan, which is followed at the induction of a new Board member. The orientation plan is devised to familiarise the new member with the business. Each Divisional Head of the Company takes them through a presentation pertaining to their own divisions and macro-level policies are discussed. Plant site and Head office visits are a part of this orientation plan.

Training Program for Directors

The Directors training program was completed by Mr.Ghias Uddin Khan, Mr.Imran Anwer, Mr.Feroz Rizvi, Mr. Nadir Salar Qureshi and Mr. Hasnain Moochhala during the preceding years from recognised institutions of Pakistan, approved by the SECP.

Whistleblower Policy

Speak out – the Whistleblowing system has been established by the Board as an integral part of governance at EPCL and it acts as an additional measure to promote and strengthen high standards of governance and business conduct.

EPCL expects all employees, suppliers and contractors to not only abide by the Company's Code of Business Conduct but also encourages all to speak out about any concerns they have regarding business ethics including corruption, frauds, incorrect financial reporting, violation of applicable Health, Safety & Environmental standards, harassment, discrimination, other unfair employment practices, or other possible breaches of applicable laws and corporate policies.

All complaints and concerns should be reported on the Speakout platform at Speakout@engro.com for confidential investigation.

Salient features of Board People's Committee
(Human Resource and Remuneration Committee)

The Committee is comprised of 4 directors (a majority of non-executive directors) with the Chairperson being an Independent Director. The Secretary of the Committee is nominated by the Chairperson and is either the Chief People's Officer (or duly authorized delegate) or the Company Secretary to the Board. The Chief Executive Officer is invited to attend the Committee's meetings as appropriate.

The terms of reference of the Committee include the following:

- Recommend to the Board the right HR Management policies and practices aligned to deliver best-in-class talent for Engro companies (and future portfolio needs);
- Recommend to the Board the right compensation framework for the CEO and direct reports, and an overall compensation philosophy that serves as the strategic driver for the organization;
- Recommend to the Board the selection, separation, and compensation of statutory positions (CEO, Company Secretary, CFO, and Head of Internal Audit);
- Recommend to the Board a compensation framework for directors; and
- Recommend to the Board matters relating to the succession planning of key senior management positions reporting to the CEO.

Internal Audit

At EPCL, Internal Audit is an independent department functionally reporting to the Board Audit Committee and administratively to the CEO.

The Internal Audit department is responsible for impartially assessing the key risks of the Organisation, appraising and reporting on the adequacy and effectiveness of EPCL's Risk Management and Internal Controls in financial, information systems, and other business and operational areas. Internal Audit at EPCL provides recommendations which are taken up by Management to remediate control lapses. The observations are shared on a regular basis with Board Audit Committee, Chief Executive Officer and the concerned Divisional Management.

Internal Audit is also responsible for monitoring and reporting of ethical issues. All allegations in relation to breach of the Company's Code of Business Conduct are thoroughly investigated by Internal Audit in cooperation with management and subsequently reported to the Audit Committee.

It works in collaboration with the Business by taking up coaching responsibilities, driving performance improvement initiatives, and closing internal control gaps. The role of Internal Audit Function continues to change in reaction to events, risk, and regulation affecting the Company whilst ensuring that its mandate is aligned with the organizational objectives and risks.

Salient Features of Internal Audit Charter

Internal Audit provides independent, objective assurance, and advisory services to evaluate and improve the effectiveness of the control environment, risk management, and compliance processes and assesses whether these are adequate and functioning appropriately as intended to ensure:

- Significant financial, managerial, and operating information, is accurate, reliable, and timely.
- Significant statutory or regulatory issues impacting the Company are recognized and addressed appropriately.
- Resources are acquired economically, used efficiently, and protected adequately.
- Quality and continuous improvement are fostered in the Company's control process.
- Risks are appropriately identified and managed.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.

Audit Committee Report

Dear Shareholder,

On behalf of the Board, I am pleased to present the Audit Committee's Report for the financial year ended 31st December 2019. Our key focus was to assist the Board of Directors in fulfilling their governance and stewardship responsibilities, ensuring integrity of financial reporting and robustness of internal controls and risk management process at Engro Polymer & Chemicals Limited.

Composition of the Committee

The Committee comprises:

- Mr. Feroz Rizvi (Chairman) - Independent Director
- Mr. Hasnain Moochhala (Member) - Non Executive Director
- Mr. Noriyuki Koga (Member) - Non Executive Director
- Mr. Kalimuddin A. Khan (Secretary) - Head of Internal Audit

Mr. Kalimuddin A. Khan was appointed in place of Mr. Vijay Kumar.

These Committee members possess sufficient business and commercial knowledge and have extensive experience in the field.

Meetings of Board Audit Committee

Audit Committee meetings take place ahead of Board meetings and the Audit Committee Chairman provides an update to the Board on the key issues discussed during each Audit Committee meeting. The minutes of Audit Committee meetings are provided to the Board on regular basis and also to the External Auditor on request. The CFO and other departmental Heads are invited on a need basis for matters pertaining to their respective areas.

During the year 2019, the Committee met six times. Furthermore, as required by the Code, the Committee also independently met external and internal auditors during the year.

Charter of the Committee

The terms of the Audit Committee's mandate are governed by the Board of Directors and the Code of Corporate Governance. The terms of reference of the Committee are clearly defined in the Charter of the Committee which is duly approved by the Board of Directors. The salient features are stated below:

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

Role of Audit Committee

The Committee assists the Board to effectively carry out its supervisory oversight responsibilities on risk management, internal controls, financial reporting, compliance, and internal & external audit functions. The Audit Committee believes that it has carried out all its responsibilities, in accordance with the Terms of Reference approved by the Board. The evaluation of the Board performance, which also included members of the Audit Committee, was carried out separately and is included in the Annual Report.

During 2019, the following key responsibilities were satisfactorily carried out by the Audit Committee:

- Ensured compliance with the listed Companies (Code of Corporate Governance) Regulations 2019;
- Reviewed quarterly, half-yearly, and annual financial statements of the Company prior to their approval by the Board of Directors, focusing on major judgmental areas, financial estimates, going concern assumption, compliance

of accounting standards, local regulations, and other statutory / regulatory requirements;

- Reviewed Related Party Transactions, ensuring that the pricing methods used were on terms equivalent to those that prevail on arm's length basis;
- Ensured that proper, accurate, and adequate accounting records have been maintained by the Company;
- Recommended the appointment of the external auditors to the Board to be confirmed by the Company shareholders in the Annual General Meeting;
- Reviewed new policies / modifications to existing policies and Management's compliance with all Company's policies, procedures, and guidelines;
- Reviewed and investigated whistleblower complaints lodged during the year;
- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and adequacy;
- Closed periods were duly determined and announced by the Company, preventing the directors, executives and all employees of all Engro companies from dealing in the shares of the Company, prior to each Board meeting.

Risk Management and Internal Control

The Company has developed a sound mechanism for identification of risks, assigning appropriate criticality level and devising appropriate mitigation measures, which are regularly monitored and implemented by the management across all major functions of the Company and presented to the Audit Committee for information and review. The Company has devised and implemented an effective internal control framework which also includes an independent internal audit function. The Internal Audit department is responsible for monitoring of compliance, inherent and other risks associated with operations of the Company.

External Audit

The statutory auditors of the Company, A. F. Ferguson & Co., Chartered Accountants, have completed their audit of the Company's financial statements and the statement of compliance with the Code of Corporate Governance for the year ended December 31, 2019 and shall retire on the conclusion of the 22nd Annual General Meeting:

- The Committee has reviewed and discussed audit observations with the external auditors; a meeting was also held with the external auditors in the absence of the management.
- The external auditors have direct access to the Committee and Internal Audit Department, thereby ensuring the effectiveness, independence, and objectivity of the audit process.
- A.F. Ferguson & Co., Chartered Accountants also provided taxation services to the Company; the statutory auditors have no financial or other relationship of any kind with the Company except that of External Auditor and Taxation Consultant.
- The performance, cost and independence of the external auditors is reviewed annually by the Committee. The Audit Committee obtained confirmation from the external auditors in its meeting that the engagement team, other partners and staff in the firm, and the firm have complied with the applicable requirements regarding independence.
- The Committee is satisfied with the performance of the External Auditors. The engagement partner on the audit was Mr. Farrukh Rehman. Being eligible for reappointment under the Code of Corporate Governance, the Committee has recommended to the Board the reappointment of A.F. Ferguson and Co., Chartered Accountants for the year 2020. A resolution to this effect has been proposed at the forthcoming Annual General Meeting.

Financial Statements 2019

The Committee assessed the 2019 Financial Statements as fair, balanced, and understandable, and that it provided sufficient information to enable the shareholders to assess the performance.

Mr. Feroz Rizvi
Chairman of the Audit Committee Engro Polymer and Chemicals Limited

Directors

As at December 31, 2019 the Board comprises of one Executive Director, one Independent Director, five Non Executive Directors, four of whom are executives in other Engro Group companies, who have the collective responsibility for ensuring that the affairs of the Company are managed competently and with integrity.

A Non-Executive Director, Mr. Ghias Uddin Khan, Chairs the Board and the Chief Executive Officer is Mr. Imran Anwer. Biographical details of the Directors are given later in this section.

A Board of Directors' meeting calendar is issued annually that schedules the matters reserved for discussion and approval. The full Board met 6 times this year and discussed matters relating to inter alia long-term planning, giving consideration both to the opportunities and risks of future strategy.

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

Board Evaluation

The Listed Companies (Code of Corporate Governance) Regulations 2019, mandatorily requires evaluation of the Board of Directors as a whole, its Committees, and the contribution of each Director to the strategic direction and steerage of the Company. In this regard, a comprehensive range of self-evaluation surveys were conducted in the Company with respect to the performance of its Board of Directors and Board Committees. Purposive feedback from all Board members was solicited on areas of strategic clarity & beliefs, direction of business plan, and functional adequacy of its role.

Equal emphasis is given to evaluate and assess the individual contribution of each Director during the year by the Chairman of the Board highlighting significant areas of development for them.

Evaluation Criteria of Board Performance:

- Has clarity on company beliefs, values, and strategic / business plans.
- Board meetings are conducted in a manner that ensures open communication, meaningful participation, and timely resolution of issues.
- Quality material is received by Directors for Board meetings.
- Board Members receive timely meeting notices along with advance written agendas.
- Clear and concise background material for the meetings is provided.
- Minutes of the Meeting are accurately documented.
- Board receives timely reports on finances / budgets / compensation and other important matters.
- Board Members respect the difference between the Board's policy making role and CEO's management role.
- Board goals, expectation, and concerns are communicated to the CEO.
- Overall rating for the performance of the Board.

Board meetings held outside Pakistan

During 2019, all board meetings were held in Pakistan

Board Meetings and Attendance

In 2019, the Board of Directors held 6 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

Director's Name	Meeting Attended
Mr. Ghias Uddin Khan	5/6
Mr. Imran Anwer	6/6
Mr. Feroz Rizvi	5/6
Mr. Hasnain Moochhala	6/6
Mr. Noriyuki Koga	6/6
Mr. Nadir Salar Qureshi	3/6
Mr. Muhammad Asif Sultan Tajik*	3/6
Mr. Eram Hasan**	1/6

*Resigned from board on July 30, 2019.
**Joined board on October 28, 2019.

Board Audit Committee (BAC)

Six meetings were conducted during 2019.

Director's Name	Meetings Attended
Mr. Feroz Rizvi	6/6
Mr. Hasnain Moochhala	6/6
Mr. Noriyuki Koga*	1/6

* One of the meetings was attended by Mr. Noriyuki Koga through proxy.

Board People's Committee (BPC)

(Human Resource and Remuneration Committee)

Two BPC meetings were conducted during the 2019.

Director's Name	Meetings Attended
Mr. Feroz Rizvi	2/2
Mr. Noriyuki Koga*	2/2
Mr. Ghias Uddin Khan	1/2
Mr. Nadir Salar Qureshi	1/2

* Two of the meetings were attended by Mr. Noriyuki Koga through proxy.

Enterprise Risk Management

EPCL launched Lean Enterprise Risk Management (ERM) in 2011. It is the policy of EPCL to view Risk Management as integral to the creation, protection, and enhancement of shareholder value by managing the uncertainties and risks that could possibly influence the achievement of our corporate goals and objectives.

Operating in a highly dynamic environment mandates assessment of organization strategy and quantum of risks that the entity is willing to accept by adequately assigning responsibilities throughout the organization. It is a continuous cycle led by the Chief Risk Officer (CRO), endorsed by the Board of Directors and Management, with the objective of proactively managing risks across the company over the years.

1 Dumping of PVC Resin in Pakistan

Impact
Dumped products are available at less than market competitive rates hampering the pricing capability for EPCL.

Strategy
EPCL presented its case to NTC, because of which final Anti-Dumping Duty has been imposed on China, Taiwan, South Korea and Thailand during 2018. However, dumping has started from other regions. Company is closely monitoring the situation.

2 Gas Price Increase

Impact
Increase in gas prices can have a substantial adverse impact on company profitability owing to its contribution in the overall cost of production.

Strategy
EPCL has implemented several energy conservation projects and is in the process of executing several other energy efficiency projects which would partially offset the impact of increasing natural gas prices. Meanwhile the company is also exploring alternate energy sources.

3 Disruption in Plant Operations

Impact
Being a key supplier to the domestic market, it is imperative for the company to maintain stable plant operations.

Strategy
The company strives to conduct operations in a sustainable manner. We regularly monitor our production facilities to identify any potential problems and take preemptive measures to ensure smooth production. Annual turnarounds are also carried out to ensure the same.

4 Volatility in International Commodity Prices

Impact
The company's margins are a function of global PVC and ethylene prices where any change in international core delta will directly impact profitability.

Strategy
Diversification projects such as Hydrogen Peroxide and LABSA will enable the company to reduce the impact of PVC commodity market volatility in the medium-term.

5 Increase in Raw Material Duty

Impact
Increase in cost of production

Strategy
EPCL works closely with the relevant regulatory bodies to ensure that a level playing field is provided to the domestic industry. The company produces quality products at market competitive rates and any increase in raw material duty will negatively impact our competitiveness against international competition.

Treasury Management

Liquidity Risk Management

Liquidity Management is a crucial aspect of our business owing to a combination of various external factors including volatility in international commodity prices, currency exchange rate, and gas prices. The company diligently monitors its current and future cash position. Frequent cash forecasting enables the company to determine liquidity requirements, with a clear distinction between short term and long-term funding. Long term cash requirements are measured in our Corporate Planning Cycle over a 5-year horizon. Peak cash cycles are mitigated using approved lines of credit. Excess cash is placed in various board approved investment instruments to earn the best possible returns which include savings accounts, government securities and mutual fund units. Overall, the working capital cycle in days of the company, remains positive as our sales are mostly based on cash while we enjoy credit from our raw material suppliers.

Foreign Exchange Risk Management

EPCL's revenues and import liabilities are subject to foreign exchange volatility. PVC revenue is determined in US Dollars with reference to international PVC pricing. However, PVC Revenue determination mechanism provides a natural hedge against foreign exchange fluctuation exposure on USD denominated liabilities. Furthermore, the company frequently monitors its Net Foreign Currency liabilities exposure and takes decisions accordingly to restrict the downside from currency devaluation by hedging FCY loans and booking forward contracts on usance import LCs (in case they are available). The company has entered into a first of its kind landmark Shariah compliant synthetic FX hedge arrangement for its foreign currency long-term financing of $35 Mn.

Interest Rate Risk Management

The company's capital structure involves sizeable leverage, mainly to fund expansion and efficiency projects, exposing EPCL to an interest rate risk. As of December 31, 2019 outstanding KIBOR based borrowings stood at Rs. 16,331 Mn whereas outstanding LIBOR based borrowings stood at US$ 35 Mn. As part of treasury operations, the company will continue to evaluate various options to hedge against interest rate risk (in case they are available).

Credit Risk Management

The company diligently monitors and manages the credit quality of its financial assets. Exposure to credit risk is minimal as unsecured receivables from customers and advances to vendors are restricted. Most of trade debt is secured by bank guarantees and letters of credit, accepted only through financial institutions with good credit ratings. Credit risk with regards to investments is limited, as the Company places its idle funds in government securities and with institutions approved by the Board or with institutions possessing minimum credit ratings as approved by the Board

Management Approach

Materiality Approach Adopted by Management

Material levels, other than those provided under regulations, are judgmental and may vary substantially from scenario to scenario. Matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company.

Procedures Adopted for Quality Assurance of Products / Services

We benchmark the quality of our product against international players to ensure provision of optimum value for money to our customers. Therefore, the Company's flagship brand 'SABZ' has become synonymous with quality PVC in the country.

Shariah Advisor

During the capital raising / re-profiling exercise, the Company appointed Ehsan Shariah Advisor and Consultants for shariah advisory in respect of agreement and term sheets pertaining to IFC agreement signed during the year and Sukuk instrument during the year.

Profile of Shariah Advisor

ESAAC is a Management Consulting & Shariah Advisory firm, providing innovative Ethical / Shariah based solutions & services. ESAAC offers proficient customized services to its clients by blending Shariah knowledge of scholars with financial skills of professionals. ESAAC works with leading organizations and offers its services to full-fledged Islamic Banks, Islamic Micro Finance Banks, Islamic Banking Divisions of Conventional Banks, Takaful Operators, Re-Takaful Companies, Islamic Mutual Funds and Islamic Asset Management Companies.

board of directors

profile of directors

Ghias Uddin Khan
Chairman

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

Joining Dawood group via acquisition in 2005, Ghias was the CEO of Inbox Business Technologies, one of Pakistan's largest technology companies. During his 15 years at Inbox, Ghias grew the employees to over 1,900 and pivoted the company from a computer manufacturer to a systems integrator and then again to a technology enabled digital services company.

Most recently, Ghias was the Executive Director & Head of the Chairman's Corporate Office at Dawood Hercules. He was the principal aide of the Chairman of the Group on a range of matters of institutional importance including, but not limited to, board governance, communications, external relationships, and special projects. Ghias also served as Chairman of Elixir Securities from 2011-2014. Ghias is a strong believer in the social enterprise and the responsibility of businesses to environmental and human wellbeing. Ghias holds an MBA from the Institute of Business Administration in Karachi. He also serves on the board of the following companies:

- Engro Corporation Limited (CEO)
- Engro Fertilizers Limited
- Engro Energy Limited
- Sindh Engro Coal Mining Company Limited
- Thar Power Company Limited
- Engro Eximp Agriproducts (Private) Limited
- Engro Foundation (Trustee)
- Engro Digital Limited
- Engro Infinity (Pvt) Limited
- Karachi School of Business Leadership (KSBL)

Imran Anwer
Chief Executive Officer

Imran is a Chartered Accountant with over 25 years of experience. Before becoming the CEO of Engro Polymer in 2015, he was VP Business Development and Finance at Engro Foods since 2005, prior to which he worked for PwC Karachi and Deloitte & Touche Jeddah. He also serves as a director in the following companies:

- Engro Eximp Agriproducts (Private) Limited
- Think PVC (Private) Limited
- Engro Peroxide (Private) Limited
- Engro Plasticizer (Private) Limited
- Engro Foundation (Trustee)
- Overseas Investors Chamber of Commerce & Industry (OICCI) (Member Managing Committee)

Feroz Rizvi
Director

Feroz qualified as a Chartered Accountant from England and Wales. On his return to Pakistan, he joined ICI Pakistan Ltd. and moved through various businesses and functions, including a period of secondment to the ICI Head Office in London and retired from the company as Finance Director. Mr. Rizvi has vast experience in the field of Corporate Finance, Strategy, Corporate Restructuring, Mergers and Acquisitions. He has worked in Pakistan, UK and Saudi Arabia. He also serves on the board of the following companies:

- Honda Atlas Cars (Pakistan) Limited
- Pakistan Oxygen Limited

Noriyuki Koga
Director

Noriyuki Koga joined Mitsubishi Corporation in 1992 and has held several positions during this time. He is currently the General Manager of Mitsubishi Corporation's Chlor-Alkali Department and has a degree in Law from Keio University in Japan. He joined the EPCL Board in 2017. He also serves on the board of the following companies:

- Mitsukojima Transshipment Co. Ltd.
- Kashima Chemcial Co. Ltd.
- Exportadora De Sal S.A. DE C.V
- Baja Bulk Carriers S.A.
- Philippine Resins Industries, Inc.
- PT. Asahimas Chemical
- AGC Chemicals Vietnam Company Limited

Nadir Salar Qureshi
Director

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

- Engro Fertilizers Limited
- Efert Agritrade (Pvt.) Limited
- Engro Vopak Terminal Limited
- Engro Energy Limited
- Pakistan Energy Gateway Limited

Eram Hasan
Director

Eram Hasan joined Engro as the Chief Information and Transformation Officer (CITO) in November 2019. Eram is responsible for managing and developing the following operating functions in line with Engro's central idea – IT, ECTD, Admin, Procurement, and Engro Foundation – in addition to the special transformation projects such as OneSAP and Catalyst. Eram joins with over 25 years of international general management experience in diverse areas of Operations, Digitalization, Strategy, Business Development, Sales, Customer Services, and Supply Chain. He was last serving as the Chief Strategy Officer / Managing Director at K-Electric. In his previous roles, he was associated with Coca-Cola Beverages Pakistan Ltd. as Chief Operating Officer and Unilever Pakistan as Head of Sales & Operations. He was also associated with Alcoa, USA, as Business Director and Alcoa Asia / Middle East as Regional Vice President. Eram holds a MBA degree from Harvard Business School and a Masters and Bachelors in Materials Science & Engineering from MIT.

Hasnain Moochhala
Director

Hasnain Moochhala joined Engro Corporation Limited as Chief Financial Officer in June 2017. Prior to that he has had a career in Commercial Finance, M&A, Corporate Governance, Treasury, and Audit over 30 years across Europe and Asia. The last 20 years of his career have been with Royal Dutch Shell in various roles including Finance Director for Shell Pakistan, Head of Finance for Shell Lubricants Asia Pacific, Head of Downstream M&A East, and Finance Manager Upstream Joint Ventures.

With extensive local and global experience, Hasnain has partnered with businesses of significant size across China, South and East Asia, delivering turnaround business performance whilst ensuring robust business controls and compliance in matrixed and complex environments. His key achievements in his prior roles encompass a strong record in the delivery of material M&A transactions, the formulation of global best practice in Joint Venture Governance, cost leadership, and the building and sustaining of strategic partnerships with various stakeholders. Hasnain has also led, coached, and mentored local teams in Singapore and Pakistan, as well as, virtual teams across Asia Pacific and Europe. He also serves on the board of the following companies:

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

Principal Board Committees

Board Audit Committee (BAC)

The Board Audit Committee meets at minimum once every quarter and assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to shareholders, systems of Internal Control, Risk Management, and the Audit Processes. The BAC has the power to call for information from the Management and to consult directly with external auditors or their advisors, as considered appropriate. The Chief Financial officer and the Head of Internal Audit regularly attend BAC meetings by invitation to discuss matters relating to financial statements and audits. The Committee also frequently meets with external auditors independently. The Committee met 6 times during 2019.

Members

- **Mr. Feroz Rizvi**
  (Chairman) Independent Director
- **Mr. Hasnain Moochhala**
  (Director)- Non Executive Director
- **Mr. Noriyuki Koga**
  (Director)- Non Executive Director

Secretary

- **Mr. Kalimuddin A. Khan**

Board People's Committee (BPC)

(Human Resource and Remuneration Committee)

The Board People's Committee meets with the aim of reviewing and recommending all elements of the compensation system, as well as, the organization and employee development policies relating to Senior Executives, including Members of the Management Committee. It reviews the key human resource initiatives and the organisational structure of the Company.

The Members of the Committee are as follows:

Members

- **Mr. Feroz Rizvi**
  (Chairman) - Independent Director
- **Mr. Ghias Uddin Khan**
  (Member)- Non Executive Director
- **Mr. Noriyuki Koga**
  (Member)- Non Executive Director
- **Mr. Nadir Salar Qureshi**
  (Member)- Non Executive Director

Secretary

- **Mr. Salman Hafeez**

Functional Committees

Management Committee

- **Imran Anwer**
  (Chairman)
- **Jahangir Waheed**
  (Member)
- **Syed Abbas Raza**
  (Member)
- **Syed Ali Akbar**
  (Member)
- **Mazhar Hasnaini**
  (Member)
- **Salman Hafeez**
  (Member)
- **Aneeq Ahmed**
  (Member and Secretary)

Corporate HSE

- **Imran Anwer**
  (Chairman)
- **Jahangir Waheed**
  (Member)
- **Syed Abbas Raza**
  (Member)
- **Syed Ali Akbar**
  (Member)
- **Mazhar Hasnani**
  (Member)
- **Salman Hafeez**
  (Member)
- **Aneeq Ahmed**
  (Member)
- **Mahmood Siddiqui**
  (Secretary)

Inquiry Committee

(Harassment of Women at the Workplace Act 2010)

- **Jahangir Waheed**
  (Chairman)
- **Kalimuddin Khan**
  (Secretary)
- **Salima Hasham**
  (Member)
- **Sehrish Kiran Sher**
  (Member)

management committee

Imran Anwer
Chairman

Imran is a Chartered Accountant with over 25 years of experience. Before becoming the CEO of Engro Polymers in 2015, he was VP Business Development and Finance at Engro Foods since 2005, prior to which he worked for PwC Karachi and Deloitte & Touche Jeddah.

Jahangir Waheed
Member

Jahangir is Vice President Manufacturing at Engro Polymer & Chemicals. He brings with him almost 30 years of manufacturing experience, and has held key positions at Engro Fertilizer, Engro Powergen, and SAFCO KSA. Jahangir completed his Masters in Chemical Engineering with specialization in Research in Industrial Computerized Control from King Fahad University KSA in 1987.

Syed Abbas Raza
Member

Abbas is an experienced professional with degrees in Management Accounting, Business Administration, and Electrical Engineering. Prior to joining EPCL, he was working for General Mills, a US multinational, as Finance Director for their South East Asia business, based out of Singapore. Before General Mills, he had a distinguished career with Procter & Gamble spanning almost 2 decades during which he worked in various senior positions in Pakistan, Middle East, Europe, and Africa. His last position was CFO, Procter & Gamble, Pakistan.

Syed Ali Akbar
Member

Ali has been associated with EPCL since 1998, he has held several positions in the Company including Services and Training Manager, Operations Manager, and Commissioning and Startup Manager. He has a Bachelors in Chemical Engineering from Dawood College of Engineering and Technology.

Salman Hafeez
Member

Salman has over 15 years of experience in Human Resources, Organization Development, and HR Business Partner. He has been associated with top multinationals in his career across different roles in FMCG, Banking, as well as, in the Telecommunication Industry. Prior to joining EPCL, he was associated with Jazz (Mobilink) as Regional Head HR (South). He has also worked at Standard Chartered Bank as Senior Talent Acquisition Manager and for Philip Morris Pakistan as an HR Business Partner, Management & Organization Development Manager, as well as, National Training Manager. He holds a Master's degree from Iqra University.

Mazhar Hasnani
Member

He has been with the Engro group for over 9 years and has worked in business development and finance roles across multiple companies. Prior to this role, he was GM – Corporate Strategy at Engro Corporation Limited. Before Engro, Mazhar spent 10 years in various finance and advisory roles with Deloitte, PwC and Nortel Networks in USA & Canada. He holds a Bachelors degree in Economics & Accounting and is a Certified Public Accountant (Colorado).

Aneeq Ahmed
Member & Secretary

Aneeq Ahmed started his career at Engro Polymer & Chemicals as a graduate trainee engineer and is currently heading the Company's Supply Chain Division. In his illustrious career spanning over 16 years, he has held several key positions and roles in the Company, including Unit Manager Stationary and Rotary Equipment Maintenance, Maintenance Department Head, and PVC / VCM Plants' Debottlenecking and Capacity Enhancement Project Lead. Aneeq has a bachelor's degree in Mechanical Engineering from NED University of Engineering and Technology and a master's degree in Business Administration from the Institute of Business Administration.

chairman's review

Dear Shareholders,

I am pleased to present to you the financials of Engro Polymer & Chemicals Limited for the period ended 31st December 2019. During this period, the macro-economic environment of Pakistan remained turbulent on account of twin deficits and high inflationary pressure. To tackle these challenges, policy makers resorted to tight monetary and fiscal policies, moved to market-based exchange rate mechanism, and entered in a $6 Bn IMF program. We hope that the government's efforts to reform the economy and increase exports improve the overall economic sentiment and activity within the country.

For EPCL, 2019 was a strategically significant year. The company successfully initiated commercial production from its caustic flaker plant, announced LABSA diversification project, and the HTDC efficiency project. The company also managed to contain domestic volumetric decline of PVC and Chlor Alkali segments to 6% and 4% respectively, despite strong economic headwinds. The company remains on track to deliver its PVC expansion, VCM de-bottlenecking, and Oxygen based VCM production projects on time. We are confident that these projects will position EPCL to capitalize on the immense potential of the polymers and allied chemicals sector in Pakistan.

An incident occurred at the construction site during the year which led to the loss of a life. We deeply regret this and have investigated the cause for the event. Subsequently, 61 recommendations were made by the investigation team to enhance and improve safety standards at the plant. All of these have been implemented by the management. I feel it is important to reiterate that at EPCL we hold safety as a core value and will continue to improve and align our HSE standards to international best practices.

While the company continues its efforts to maximize value generation for all stakeholders, we have experienced external challenges that pose business risks. These issues, i.e. possible rise in gas prices and continued dumping of PVC despite the imposition of anti-dumping duty in 2018, can be addressed through government support. I would like to take this opportunity to emphasize that the rise in gas prices will not only have a detrimental impact on EPCL's overall business, but will also negatively impact the export-oriented sector. We urge the government to support this sector and its upstream industries to create an enabling business environment. It is also imperative that the government protect local industry from unfair business practices of global players, especially those that contribute towards saving of foreign exchange and have devoted capital towards expansion. Additionally, disruption in the PVC segment will lead to higher imports and have a negative impact on the country's current account.

I am pleased to report that the performance of the Board remained par excellence throughout the year and its contributions effectively steered the Company towards achieving its objectives. EPCL's Board continues to play a crucial role in stewarding the company towards its ambition to lead Pakistan in polymers & allied chemicals with an international footprint. Simultaneously, the Board has actively monitored core aspects of corporate governance via the Board Peoples' Committee (BPC) and Board Audit Committee (BAC).

Looking ahead, EPCL will continue to identify ways to deliver higher shareholder value by identifying promising business opportunities, cost efficiency initiatives, and technological advancements while continuing to adhere to strict business ethics and best in class safety practices.

Mr. Ghias Uddin Khan
Chairman-Board of Director

CEO's review

During 2018, the company achieved its highest ever profitability of Rs. 4.9 Bn adjusting for one-off items, i.e. insurance claim and minimum turn-over tax reversal, last year's profitability came in at Rs. 3.8 Bn Despite a downturn in the overall macro-economic scenario, the company maintained its profitability inline with last year declaring a profit of Rs. 3.7 Bn. This performance enabled the company to generate strong operating cashflow which supported funding of the company's ongoing projects.

At Engro Polymer & Chemicals Limited, we place immense importance on safety. Despite this focus, an incident occurred at our construction site in 2019 which resulted in a fatality. The company deeply regrets this incident and has conducted a detailed investigation into this event and has identified and implemented learnings to ensure that a similar event does not happen again in the future. We remain committed to process and personnel safety where the company's safety management systems are aligned with the DuPont standards. Last year, our plant was certified by DuPont with a rating of 3.9 which is considered world scale standard.

On the business side, the slowdown in economic growth translated into a decline of 6% in the domestic PVC market as the construction activity in the country slowed down. However, the PVC market performed better than the overall construction market as a result of our multi-year effort to develop new applications of the resin in Pakistan. Consequently, the PVC market and in turn EPCL sales have become more resilient to the downturns in construction activity. The profitability was supported by higher core delta following steeper price declines of Ethylene as compared to PVC. Despite the imposition of anti-dumping duty on product from several geographical locations, dumping has started from other sources and continues to remain a challenge for the company.

On the Chlor-Alkali front, the market declined following the implementation of a CNIC requirement, sales tax on local sales, and gas curtailment. Despite these challenges the company has maintained its market share in the Chlor-Alkali segment. Margins also remained healthy in the division, even after another gas price hike. Looking ahead, we anticipate some pressure on margins owing to OGRA's recommendation of another gas price increase which will translate into higher cost of production.

The company has also announced several new projects in 2019 i.e. LABSA and HTDC with CAPEX of $6 Mn and $16 Mn respectively. LABSA will enable the company to diversify its product base while the latter is an efficiency project and will bring energy and utilities savings. Meanwhile work on PVC III, VCM debottlenecking, Hydrogen Peroxide, and efficiency projects is in progress for timely commissioning. Recently, we have faced issues of contractors and material mobilization from China and have been served force majeure by contractors due to the Coronavirus outbreak. We continue to monitor the developments and are in constant contact with respective vendors.

During 2019, our Caustic Flakes plant came online with a capacity of 20KT. The product was primarily exported.

EPCL remains committed to serving communities around Port Qasim, where our plant is located. To achieve this, the company has collaborated with TCF, where two schools are currently operational while another two are under construction and will commence sessions in April 2020. Meanwhile, our clinic in alliance with SINA provides 100% free-of-cost medical services to over 150 patients per day. The company has also established three water filtration plants in the nearby communities while another two will commence following the completion of our TCF schools. Our efforts in CSR have been recognized by the National Forum for Environment & Health and at the 9th annual corporate social responsibility summit and awards.

The company remains cognizant of the organizational development needs and had therefore initiated several initiatives last year. 2019 marked the execution of these projects where Harvard ManageMentor: a platform by Harvard was also implemented. The platform enables our employees to choose from a wide range of subject matter and strengthen their knowledge base.

Following the end of the reporting period, the company has announced preference share issuance of Rs. 3 Bn to be utilized for our PVC expansion and VCM debottlenecking projects. The purpose of this issuance is to also benefit from tax credit on equity funding for new projects under section 65E of income tax ordinance 2001.

Looking ahead, we anticipate some challenges during the first half of the year as the current domestic macro-economic scenario holds. However, we are confident about the longer-term growth potential of the country and the increase in PVC and Chlor-Alkali products demand to follow with it.

EPCL will continue to work towards serving the domestic industry by way of delivering high quality product and volumes to create a sustainable eco-system for them. Meanwhile, we strive to maintain our focus and strengthen our strategy to create economic value for our shareholders. I would like to express my gratitude to our employees, customers, suppliers, business partners, and stakeholders for believing in the management and the organization and look forward to a stronger relationship in the coming years.

Mr. Imran Anwer
Chief Executive Officer

CEO Message (Video Link)
www.engropolymer.com/corporate_highlights/ceo-message.php

directors' report

The directors of Engro Polymer & Chemicals Limited are pleased to submit the annual report and audited accounts for the year ended December 31, 2019.

During the year, the Company posted revenue of Rs. 37,837 Mn as against Rs. 35,272 Mn and Profit After Tax of Rs. 3,696 Mn as compared to Rs. 4,930 Mn last year, translating into earning per share of Rs. 4.07 per share against Rs. 6.22 per share last year. The Board of Directors also approved interim cash dividend of Rs. 0.60 per share and final cash dividend of Rs. 0.20 per share for 2019, making it a total of Rs. 0.80 per share for the outgoing year.

Principal Activities

Engro Polymer & Chemicals Limited ("EPCL" or "The Company") is a subsidiary of Engro Corporation Limited ("ECL" or "The Holding Company of EPCL"), which is a subsidiary of Dawood Hercules Corporation Limited ("DH Corp" or "The Holding Company of ECL").

EPCL was incorporated in 1997 as a Public Limited Company under the Companies' Ordinance, 1984, and commenced commercial operations in 1997. Shares of the Company are listed on the Pakistan Stock Exchange.The principal activity of the Company is to produce and market Chlor-Vinyl products which include Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), Caustic Soda Liquid, Hydrochloric Acid, and Sodium Hypochlorite. The Company's flagship brand 'SABZ' has become synonymous with quality PVC in the country. EPCL strongly endorses its triple bottom line philosophy – People, Planet, and Profit. In 2019, the company also started commercial production of Caustic Soda Flakes.

Business Model

Engro Polymer & Chemicals Limited operates in the Chlor-Vinyl segment and its profitability is a function of business context within which it operates.

Macro-Economic Environment

From a macro-economic perspective, 2019 proved to be a tumultuous year for Pakistan. During the year current and fiscal account deficits remained a cause of concern for policy makers. To address these issues, the State Bank increased benchmark interest rates by 3.25% and adopted a flexible exchange regime allowing rupee devaluation of 11%. Simultaneously fiscal authorities adopted strict measures for tax collection as they look to increase the overall tax collection. The country also entered in an $6 Bn IMF program to resolve foreign exchange liquidity concerns.

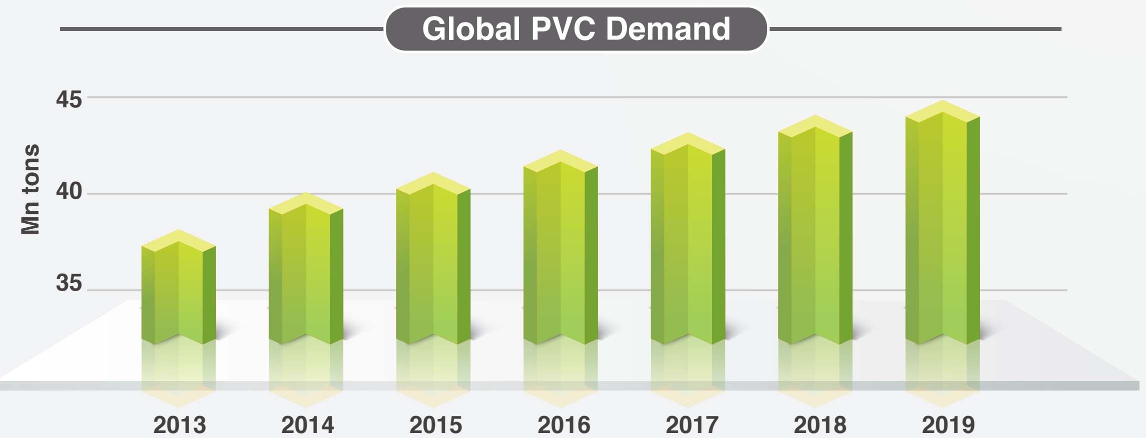
While these measures had the desired impact on twin deficits, they also squeezed domestic purchasing power and dampened business sentiment which led to a slowdown in GDP growth and contraction in overall domestic demand. Further, the IMF reform package advocated periodic review of energy prices to tackle circular debt. In the past year, there has been a 31% increase in gas prices already and another 32% is under consideration based on OGRA recommendation. This cost pressure poses significant risk to the overall business environment of the country, especially as the government looks to boost exports to improve current account.

We are also exposed to this risk. It is pertinent to mention here that Caustic Soda, an EPCL product, forms a core input for the textile sector, thus exposing the export-oriented sector to the same risks. We request the policy makers to support not only the textile sector but also its suppliers to develop a cost competitive ecosystem for exporting sectors in Pakistan.

The company, on its part, has continued to work towards improving its operational efficiencies and reduce gas consumption per ton to minimalize the impact of gas prices and availability on overall business.

Vinyl Market Overview

Global PVC demand increased by ~2% in 2019, slower than prior years as demand increased by ~3% in 2017 and 2018. The overall softness in demand can be attributed to demand erosion in North America and Western Europe due to macro-economic concerns, lower export demand, rise of trade protectionism, and overall weak business sentiment. Meanwhile, demand growth from Asia was also lower than previously anticipated. On the supply side, the overall capacity remained flattish.



North America

Indigenous North American demand declined during 2019 as demand from construction activity remained weak. As per the most recent numbers by the US Census Bureau, construction spending declined by 0.8% in the US during 11M19. The decline can be attributed to slowness in private sector spending. Meanwhile, export volumes remained flattish midst the threat of a trade war with China. On the supply front, the region experienced a decline of 3% owing to capacity curtailment in the beginning of the year. This happened due to CertainTeed Corp's decision to shut down its PVC resin facility in Louisiana.

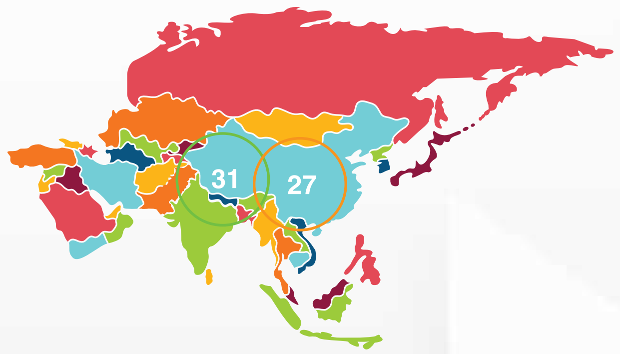
Asia

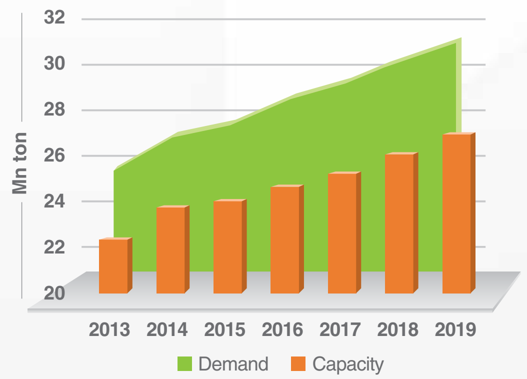
Asia is an important market for PVC owing to its historic contribution to the overall demand growth where developing economies like China and India have provided growth impetus. Demand growth in the region dwindled near the end of the year due to prolonged monsoon season and overall macro-economic concerns. Chinese authorities have also started inspections, forcing curbs on carbide-based PVC production.

During the outgoing period, PVC prices declined owing to lower raw material prices. However, the decline in product prices was lower than the decline in Ethylene prices which led to an overall expansion in margins.

Moving ahead, the regional market is expected to remain tight in the beginning of 2020 due to supply shortage from a Taiwan based producer, owing to power outage, and scheduled maintenance.

PVC Demand & Capactiy - Asia



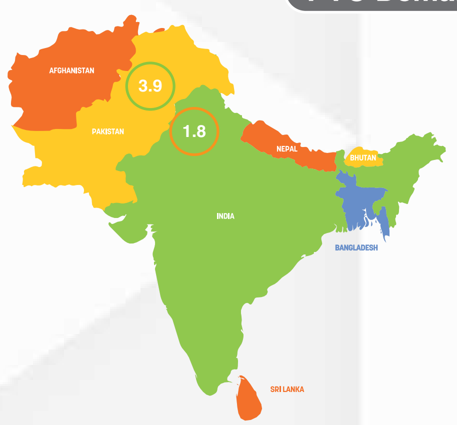


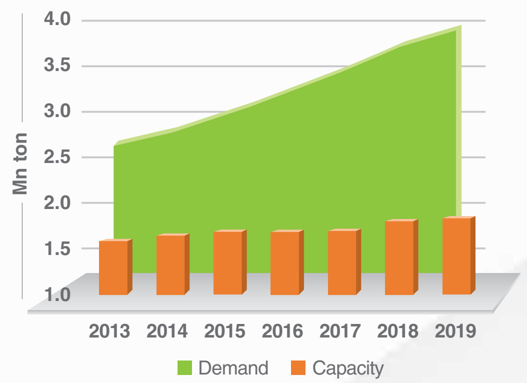
South Asia

The South-Asia PVC market posted a growth of ~4% in 2019, lower than last year's volumetric expansion of ~8%. Demand decelerated due to a prolonged monsoon season, elections in India, and concerns of trade protectionism due to an ongoing trade dispute between China and the US. The region remains an intriguing prospect from a global perspective, as its demand of ~4 Mn tons outstrips capacity (~2 Mn tons) by over 100%.

Despite slowing growth rates in the region, PVC demand is expected to continue its growth owing to significantly low consumption of PVC per capita as compared to the world and high population base. Meanwhile, limited increase is expected in regional production capacity led, as per IHS projections, mainly by EPCL's upcoming capacity expansion.

PVC Demand & Capactiy - South Asia



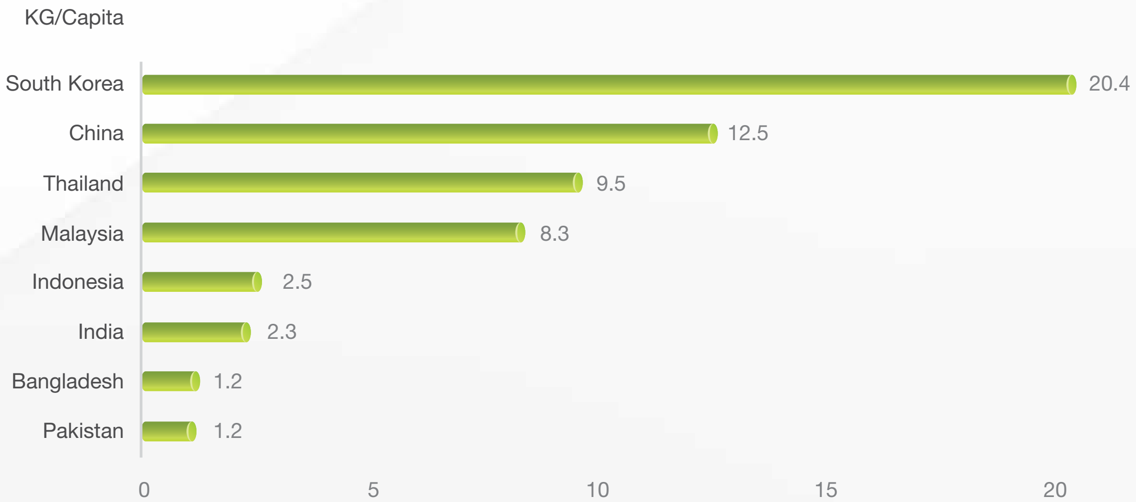


During the outgoing year, strength in the construction sector continued to drive demand growth in the region where pipe & fittings accounted for over 60% of the incremental volumes. Encouragingly, alternative applications of PVC such as films & sheets also posted strong increase, albeit with smaller base. Moving ahead, growth from the construction sector and new applications of PVC will push the demand upwards.

This will make the region a bigger net importer of PVC as demand growth is expected to outstrip capacity expansions.

In the medium to long-term, South-Asia's low per capita consumption is expected to converge towards global standards as the regions' PVC consumptions moves beyond conventional uses such as plastic bottles and packaging.

Per Capita PVC Consumption



Pakistan

The domestic PVC market experienced a decline of 6% during the outgoing year owing to deteriorating macro-economic indicators and slowdown in the construction sector. Despite slowdown, PVC continues to be the plastic of choice in Pakistan, where its used extensively in the construction sector. Recently new PVC applications have also started to gain higher market acceptance. During 2019, Rigid Sheets and PVC Profile gained traction in the market growing by 20% and 10 % respectively.

In view of the governments focus on affordable housing, expected improvement in macro-economics, and an increase in the range of new PVC applications, we are hopeful that the country's per capita PVC consumption will increase and converge towards international levels.

Market Development Activities

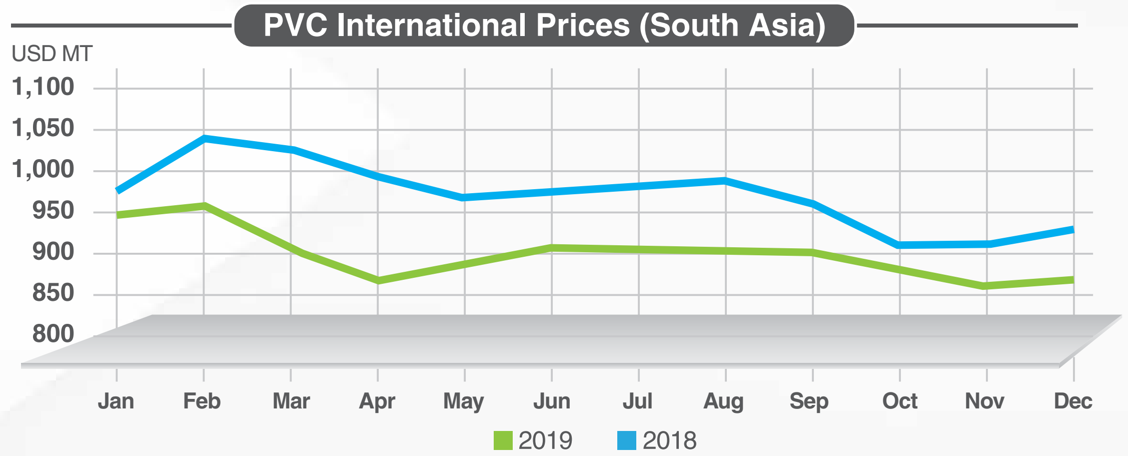
Being the sole PVC resin manufacturer in the country, we consider it our responsibility to endeavor and take pride in the promotion and development of the domestic downstream industry. EPCL along with its customers has been participating in several local & international Industrial fairs and trade exhibitions to create awareness amongst consumers & manufacturers regarding recent Industrial developments while providing opportunities to engage with relevant stakeholders.

In continuation of our regular marketing practices, EPCL participated in this year's Build Asia Exhibition to exhibit high quality PVC products like foam boards, wall panels, pipes and fittings, door and windows, etc. During the year, EPCL also took a delegation of its customers to Düsseldorf, Germany to participate in K-Fair, the leading global trade fair for the plastics and rubber industry. The purpose of this initiative was to foster innovation in the downstream market by way of exposure to global applications of PVC and modern technology.

At EPCL, we place high importance on introducing customers to the features and benefits of PVC products and their application in the construction sector. Therefore, the company has conceptualized the idea of a PVC Branded Outlet, a retail store that will exhibit consumer PVC products like wall panels, boards, garden furniture, window profiles, and doors amongst others. This project has been undertaken in collaboration with our customers, whose products will be available for sale at the outlet. Currently the outlet is in the execution phase where the outlet location has been identified and civil works are underway.

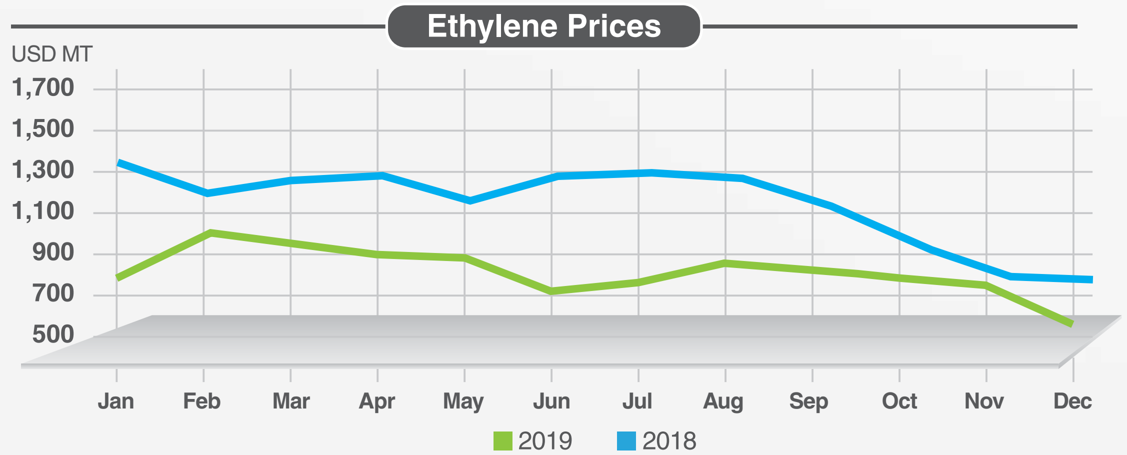
International Vinyl Chain Prices

Despite being a globally traded commodity, PVC prices vary across regions. For Pakistan, the relevant pricing benchmark is South Asian prices (applicable in India / Pakistan / Bangladesh / Sri Lanka). Slower than anticipated growth, lower raw material prices, and decline in regional growth dragged PVC prices during the outgoing period.



Ethylene, the primary raw material for PVC is also used in the production of other polymers including Polyethylene which accounts for ~60% of global ethylene demand.

During the outgoing year, China imposed curbs on polyethylene due to environmental concerns. This in turn dampened the overall demand for ethylene, thus pushing its prices lower.



Outlook

The longer than expected monsoon in the region and civil unrest in India has kept PVC prices under pressure. However, the upcoming turnaround season may likely support prices. Simultaneously, recovery in Indian demand and resolution of US-China trade war could be the likely triggers that push prices upwards. Continued pressure on Ethylene prices may push Asian players to cut supply owing to deteriorating Naphtha economics which can support its prices.

Chlor Alkali Market

The global prices of caustic soda remained volatile during the outgoing year where they closed 8% lower against last year.

The year started with continued pressure on demand owing to the introduction of new import regulations in India on caustic soda. As part of these regulations, exporters to India required a certification from the Bureau of Indian Standards (BIS). This led to a buildup of inventory levels in exporting regions, thus keeping prices low. By the turn of the year, most sellers to the Indian market had received the required certification which led to normalization of exports to the country. Looking ahead, new capacities are expected to come online which will likely lead to higher supply in the region, with 955,000 DMT expected in Asia, while slower forecasted GDP growth may cap demand increase.

During the year, the caustic flakes market followed the price trajectory of the liquid, as it forms the core input of the product.

The domestic caustic soda market remained weak during the outgoing year. This decline was caused by slowdown in GDP growth, higher gas prices, and CNIC requirement. Simultaneously, North based Caustic Soda players also suffered from the ban of exports to India. The government has announced support for the export-oriented textile sector as it looks to improve current account deficit. This may lead to improvement in caustic soda demand, although proposed higher gas prices may limit supply or result in higher caustic soda prices.

Sodium Hypochlorite and Hydrochloric Acid form part of the company's Chlor-Alkali portfolio. The former is used mainly by the textile industry as a bleaching agent while its other applications include usage as a disinfectant and as a water treatment agent. In Pakistan, HCL is used in the steel galvanizing industry, waste water treatment, power plants, gelatin segment amongst others. Moving ahead we recognize growth potential in the downstream applications of these chemicals may come from the water purification segment and expansion in power sector for Sodium Hypochlorite and Hydrochloric Acid respectively.

Outlook

Local industry dynamics drive domestic Chlor-Alkali prices and therefore they do not move in line with international prices. However, energy costs constitutes a sizable proportion of the overall manufacturing cost therefore any increase in gas prices may impact product pricing.

Historically, the segment has remained stable where its demand side trends depend on the textile sector owing to its significant portion in the overall consumption of these products. We remain optimistic of the government's efforts to increase the country's export and hope that this has a trickle-down effect on its ancillary industries.

Operational Efficiencies

Improving operational efficiencies is a key business focus at EPCL, as it contributes positively to the environment and bottom line. To this end, the company continued to work on the Hydrogen Venting project to capture previously released gas. During the year, annual turnaround of the plant was also performed to improve reliability and efficiency of the facility.

Energy Management and Conservation

At EPCL we strive to achieve maximum environmental conservation and efficiency in resource utilization to deliver maximum value for all stakeholders, including the country. Accordingly, we are currently working on two efficiency projects i.e. Transfer Line Exchangers (TLEx) and Oxy Vent Recycle (OVR). These projects are expected to reduce the company's energy requirement thereby reducing the drain on the country's depleting gas reserves and improve raw material efficiency thereby limiting imports. This will also offer the company some reprieve from the proposed gas price increase and future rupee devaluation. Recently, EPCL has announced High Temperature Direct Chlorination (HTDC) project which will bring further energy efficiencies, reduce water consumption, and reduce carbon dioxide emissions and will be undertaken in 2021.

We believe that going green is both ethical and our business responsibility as it enables us to sustain the environment and improve business performance.

Financial Overview & Management

Sales Review

In 2019, EPCL's revenue increased by 7% to clock in at Rs. 37,837 Mn despite a decline of 6% in domestic PVC volumes and 4% in Caustic volumes, on the back of favourable exchange rate movement. The company began commercial operations from its caustic flaker plant and has successfully started exporting the product.

Domestic Sales (KT)	2019	2018	YoY
PVC	191	203	-6%
Caustic Soda	83	86	-4%
Caustic Flakes	1	-	NA

Profitability

EPCL announced a consolidated PAT of RS. 3,696 Mn in 2019, as compared to Rs. 4,930 Mn in 2018 which marks a decline of 25% YoY. Similarly, on an unconsolidated basis, the company's profitability declined 25% against last year.

Excluding one-time items, the company's core profitability remained in line with last year, despite higher gas prices and volume declines. This was possible due to favorable international vinyl market movement and a strong focus on cost control. The net impact of one-time items, detailed below, amount to Rs. 1,182 Mn.

One-time items (Rupees Mn)	Impact (after tax)
2019	
IFRS 16 Implementation	(93)
2018	
MTOT reversal benefit	542
One-time insurance benefit	547
Total Impact	(1,182)

Dividend

The Board of Directors of the company have approved a final cash dividend of Rs. 0.20/sh. This is in addition to interim dividend of Rs. 0.60/sh taking total dividend to Rs. 0.80/sh for the year.

Contribution to National Exchequer

During 2019, EPCL contributed over Rs. 10.6 Bn to the government treasury in shape of taxes, excise duty, custom duty, income tax, and sales tax.

Liquidity & Cash Flows

During 2019, the company generated cashflows of Rs. 9 Bn from operations. A strong liquidity position allowed the company to finance new projects and delay the drawdown of IFC loan facility thereby enabling it to limit its foreign currency liability and reduce forex losses emanating from local currency devaluation. Meanwhile, excess liquidity was invested in debt market instruments and TDRs to ensure maximum value generation for shareholders while limiting exposure to interest rate risks.

Near the end of the year, the company drew down a $35 Mn IFC loan facility as it looks to fund its various new projects.

Financing

At the start of the year, the company successfully completed a Sukuk issue of Rs. 8.75 Bn. The terms of the instrument include repayment over a period of 7.5 years with a grace period of 5.5 years. The purpose of this issue was to reprofile the company's existing long-term debt. The company has also entered into a financing agreement with IFC for $35 Mn. In a ceremony held in Mar'19, this transaction won the IFN Pakistan deal of the year.

During the year, the company also entered into a hedging solution against its IFC loan facility.

The transaction was structured through a Shariah Compliant mechanism which ensured a hedge from dollar devaluation and LIBOR volatility risks. Post balance sheet date, the company has taken in principal approval from the board for issuance of preference shares to be utilized for PVC expansion and VCM debottlenecking projects to benefit from tax credit on equity funding under section 65E of income tax ordinance 2001.

Credit Rating

In 2019, Pakistan Credit Rating Agency Limited (PACRA) renewd EPCL's long term and short-term rating of AA– and A1+ respectively. This rating implies low credit risk based on the company's ability to meet its financial commitments in a timely manner.

Capital Structure

The assets of the Company are financed by debt and equity in the ratio of 57:43 as compared to 31:69 in 2018. The shift in capital structure comes as EPCL embarks towards the implementation of our previously announced projects for which the company has raised funding.

Risk Management Framework

EPCL launched its Lean Enterprise Risk Management framework in 2011. It is the policy of the company to view risk management as integral to the creation, protection, and enhancement of shareholder value by managing the uncertainties and risks that may possibly influence the achievement of our corporate goals and objectives.

We recognize that the company operates in a complex business environment and it mandates assessment of the organization's strategy and quantum of risk that the entity is willing to accept by adequately assigning responsibilities throughout the organization.

EPCL entrusts accountability at all levels and requires monitoring, communicating, and reporting changes in the risk environment and the effectiveness of actions taken to manage identified risks are on an ongoing basis. Risks are identified across the organization and are ranked based on their impact on probability. Upon identification of risks, a strategy is devised to mitigate its impact which is regularly monitored by the Management Committee. The Risk Management process is led by the Chief Risk Officer (CRO) and endorsed by the Board Audit Committee (BAC).

The key risks identified are as follows:

Strategic Risk

Disruption in Plant Operations

Strategy	Result
The company has deployed top-of-the-line technology, undergoes regular maintenance, and annual turnaround to ensure smooth function of the facility	Plant operated smoothly during the year

Commerical / Operational Risk

International Commodity Prices

Strategy	Result
Strengthen internal business intelligence and established network with international olefins analysts to have better insight of international price trend and fundamentals defining market dynamics	The management regularly evaluates pricing trends of final products and primary raw materials. Based on these analyses they develop pricing / procurement strategies to capitalize on market dynamics

Energy Prices

Strategy	Result
Study and implement energy efficiency projects to reduce consumption and identify cheaper energy options	The impact of possible increase in gas price is being managed through efficiency enhancement

FInancial Risk

Liquidity Risk / Balance Sheet Profile

Strategy	Result
Move towards Shariah Compliant financing while increasing the repayment profile of long-term debt	The company has extended the maturity profile of its debt and has ensured even distribution of principal repayments

Foreign Exchange Risk

Strategy	Result
Closely follow key macro-economic indicators and collaborate with banks to identify potential legally compliant hedging solutions	Reduced impact of PKR devaluation by delaying IFC drawdown and putting in place FX hedging solutions in anticipation of rupee devaluation

Business Continuity Plan

We recognize our responsibility to operate and ensure protection of business operations from any potential disruption. With this vision and intent, we initiated our Business Continuity Plan in 2013 and have also upgraded this plan in 2018. The plan ensures smooth functioning of critical business processes in the event of an unforeseen disaster and has the following objectives:

- To provide a framework for building resilience and the capability for an effective response that safeguards the interests of key stakeholders, reputation, brand, and value creating activities.
- To assess the risks to our operations and to understand the impact of the risks if they materialize, whilst considering business priorities and organizational inter-dependency.
- To manage the response to and aftermath of any potential disruption, in an effective and appropriate manner to minimize impact.
- To recover business operations at an acceptable level as quickly as possible in a pre-determined time window, should an incident result in disruption to our critical business operations or support services.
- To test and review at regular intervals and revise as required, the plans supporting the Business Continuity.

The plan encompasses our response strategy, minimum operating requirements, BCP team organization, damage assessment, and primary site restoration activities. It ensures preservation of critical data by mapping out key elements of the process of disaster recovery. Our management regularly evaluates the threats to its business and infrastructure & has developed a strategy to adequately respond to any unpredictable challenges it might face.

Responsible Citizenship & CSR Activities

EPCL is a socially responsible organization setting examples for other companies to follow. With a well-crafted CSR strategy, EPCL has heavily focused its efforts towards uplifting the standard of living in Ghaggar Pathak, a community close to the Port Qasim Plant.

Education

School Construction Program with TCF

In collaboration with The Citizens Foundation, EPCL established two new purpose-built schools at a cost of Rs. 50.5 Mn to benefit the children of lesser-privileged communities of Ghaggar Phattak villages and adjoining areas.

These two new schools will be completed by March 2020 and the first session will start in April 2020. With the start of these two new schools EPCL will provide quality education to more than 1,200 students through a total of four schools.

Additionally, EPCL also funded to start the second shift of TCF Austin Campus in the same area.

Extra-Curricular Activities for TCF Students

EPCL employees actively engaged TCF Engro students in various activities and learnings that went beyond the classroom. From carrying out educational field trips, to setting up libraries and organizing celebratory events, students were given various platforms to enhance their knowledge and showcase their potential.

Healthcare

Agreement with SINA

EPCL has established a primary healthcare clinic for the nearby community residents of Ghaggar Phattak villages, Bin Qasim Town to improve their health conditions with a capital expenditure of approximately Rs. 16 Mn. The services include screening, OPD, doctor consultation, immunization, lab collection point, and lab testing. The facility also includes an ultrasound facility, a pharmacy for prescribed medicines with a range of 150 medicines, preventive healthcare on diabetes, hypertension, eye, and TB program with its partners.

The clinic started operations in July 2019 and is operating 6 days a week providing 100% free of cost services to more than 150 patients every day. EPCL has also installed solar power systems at the clinic to fulfil the electricity needs of the facility.

Water Purification Plants In Partnership With The Water Foundation

Five water filtration plants were successfully installed at various locations across Ghaggar Pathak to provide clean drinking water to over 5,000 households. This initiative came as a result of the complaints of the residents which were heard by EPCL. Clean drinking water is a luxury for many living in remote villages and far flung areas. Thus, EPCL took this responsibility and established long-term solutions which will continue to grow in the years to come. All these water filtration plants are based on solar power system.

4 TCF Schools	Quality education for more than 1,200 children
5 Water Filtration Plants	Access to clean drinking water for more than 5,000 households
Sina Clinic	100% free of cost services to over 4,000 patients per month

Blood Donation Drives Employee Volunteering

Continuing the annual tradition, EPCL conducted blood donation drives at its head office and plant in collaboration with Indus Hospital. Employees enthusiastically participated and made generous donations to save lives.

Employee Volunteering

EPCL believes very strongly in employee volunteering and continuously engages its employees in various volunteering activities throughout the year under its EPCL Cares program. Some of the key highlights include a blood donation drive, winter clothes distribution, tree plantation, cleaning drives in Ghaggar Pathak, eye camps, field trip for TCF students, visiting old age homes etc. Around 2,000 hours were spent in 2019 towards these community welfare projects.

Business Ethics & Anti-Corruption

Business Ethics is our fundamental value and lies at the heart of what we do. The board of directors of the Company have univocally set down the acceptable business practices and behaviors in the "Code of Conduct" to ensure that all our business dealings are undertaken whilst maintaining the highest standards of ethical values. We uphold a "Zero tolerance" policy against all sorts of unethical practices no matter how adverse the outcome. This is ascertained through implementation of effectively designed and executed audit plans and assurance procedures which proscribe all sorts of unethical behaviors and highlight matters causing concerns in respect to business conduct. In addition, multiple channels are available to our stakeholders to speak-out and identify practices and behaviors that are unacceptable to our fundamental values.

Corporate governance affects the way we direct our company and the relationships we have with interested parties. Management has placed due emphasis on transparency and ethical practices which play a fundamental role in developing our employees and those dealing with us in the capacity of vendors and customers as responsible professionals and corporate citizens.

Health, Safety, and Environment

During the outgoing year, an unfortunate event occurred at our construction site which resulted in the loss of a valuable life. The company deeply sympathizes on this case and has taken concrete steps to ensure that such an event does not happen again. Following the event, an internal investigation was launched where the team made several recommendations, all of which have been already implement. Safety is at the core of the EPCL business strategy as we strive to conduct everything in a manner that protects the health and safety of employees, contractors, others involved in our operations, and the community in which we operate. We try to not only comply with all laws and regulations but also practice transparent public reporting of the HSE performance. This has helped us in establishing an HSE Management System that meets the requirements of ISO-9001, ISO-14001, OHSAS-45001, DuPont PSM/OHIH, OSHA, EPA, SEPA and Pakistan Labor Laws.

On road to standardization, EPCL has made some remarkable efforts in aligning the Leading Indicators to API guidelines. We achieved a PSM Excellence rating of 3.9/5 in a 3rd party DuPont PSM audit. For ERP improvement, EPCL trained the emergency squad members through a series of training sessions by a specialist fire chief. 3rd party Scaffolding Certifications of employees, ERP gadgets and PPEs upgradation, Emergency Response Team Competition, Operational Discipline Campaign, Housekeeping drive, MERA SABAQ campaign (1200 Contractor's workforce were trained on this safety training), and many such initiatives taken by the HSE team to achieve the operational excellence and develop a notable safety culture through continuous improvement and learnings.

EPCL deeply cares for the environment as we ensure complete compliance with all applicable environmental laws and regulations and apply responsible standards where laws and regulations do not exist. We not only conserve natural resources and energy by improving our processes and measuring performance but also continuously strive to minimize pollution and waste. We believe that being green is both an ethical and a business responsibility as it results in lower costs and a better environment for all. For the expansion site, an IMC (Independent monitoring consultant) was hired to monitor the environmental impacts such as noise and ambient air quality. Nevertheless, Environment Impact Assessment (EIA) for future projects such as H2O2 are also in the progression phase. NOC for Renewal of Hazardous substance license has been received from SEPA. Above all, no NEQS excursion has been recorded in 2019.

As part of the road map for audits, the company went through multiple 2nd and 3rd party surveillance audits:

- DuPont PSM 22 Elements Audit conducted with excellence rating of 3.9/5.0 in 2019
- IMS Audit of EPCL was successfully conducted in 2019 on new standards of ISO 9001, ISO 14001 and OHSAS 45001 without any incompliance
- OHIH 2nd party Audit was done by Engro Fertilizers Limited and concluded satisfactory

Information Systems

In 2018, the board of directors approved a 3-year Digitization 2020 strategy. EPCL IT Strategy is based on the 'Digitization' of processes & information to make the organization paperless & wireless, enabling the employees to work from anywhere, anytime, and from any device. It will also harness on automation to deliver 'Sales Operations without Human Intervention'.

To make EPCL an IT savvy company, digitization remained one of the main objective in 2019 resulting in several successful deliverables. The key focus was to bring efficiencies through major interventions like Customer Online Ordering, Field Force Management, digitization of invoice to pay process, E4Me Apps Suite for employee services, Virtual Info Center, Digital Learning Management System and Plant Data digitization.

The EPCL Digitization 2020 journey will continue till year end by leveraging state-of-the-art technologies to become a paperless company and solutions implemented here can potentially be rolled out across the larger Engro landscape as well.

Industrial Relations

Human Resources

With several new business initiatives and projects that were approved this year, focus on learning and development became imperative. There were keen efforts towards the development and engagement of our people for executional excellence, strengthening organization-level communications, and the consequent achievement of business goals.

The Learning Framework, which comprised of various specific programs, was successfully executed at all career levels ranging from managers and supervisors to individual contributors. One of the most appreciated programs was Harvard ManageMentor: a platform by Harvard that provides online digital learning opportunity for people and gives flexibility to the employees to choose any subject area within management in accordance with the interests, development and growth needs from the best in class modules designed by Harvard. In 2019, 53 users completed 331 Harvard MangeMentor trainings successfully. Based on the positive feedback, 100 more licenses have been issued for next year providing a great learning platform to the employees.

The flagship initiative for this year, however, remained EPCL Cares – a wholesome project which goes beyond corporate experiences and combines different festivities, celebrations and important moments in our employees' lives including their families. HR plans to further this initiative and build upon the EPCL Cares platform by launching additional touch points for employees and their families.

Moreover, the Employee Outbreak was launched and executed this year where cross-functional employee groups went through a learning, adventurous and experiential journey to Thailand. The purpose was to bring about synergy, strengthen a collaborative working environment, and bring in a positive workplace attitude.

It is also essential to mention the shift to a digitized HR services platform. In the upcoming year, a majority of the HR services will be offered on a mobile-based application, the aim of which is to make processes easier, smoother and more efficient at both ends. It is anticipated that nearly 200,000 papers will be saved throughout the year. As part of digitization, the performance management program was also automated during the year (Success Factors) where the start of the year goal setting to mid-year review to final-year review all are now online.

Stakeholder Engagement & Relations

EPCL believes in engaging with stakeholders across all levels. During the past year we have used several instruments including quarterly securities analyst briefings, press releases, plant visits, disclosure to the stock exchange on strategic matters and informal conversations to this effect.

To comply with all regulatory requirements, the company remains in close coordination with relevant authorities including tax agencies, stock exchange, and the Securities and Exchange Commission of Pakistan. We use formal and informal media such as meetings and conferences to interact with our vendors and customers. Our interactions with customers often include technical assistance and business development related to their businesses in our effort to benefit the industry.

Employees are a core driving force behind the company's growth and, therefore, EPCL measures employee motivation on regular intervals, benchmarks its findings against industry standards, and share them with respective managers and HR to formulate appropriate strategies.

Support Required from Government

The company seeks government support on the following matters:

Gas Price Increase: Since 2018, the domestic industry has already experienced multiple rounds of gas price increases which has reduced margins. To ensure local industry's competitiveness against international players and continued growth in industrial base it is imperative for the government to arrest the increase in energy prices.

GIDC Case: The GIDC case is a key issue for the industry where, during the year, the government had agreed and notified a settlement for the GIDC issue before reverting back midst public pressure. The case is now being argued in the honorable Supreme Court. This uncertainty dampens the risk appetite of the business community where a swift resolution of this matter will create a more conducive business environment.

Dumping of PVC: The country continues to experience the dumping of PVC despite imposition of final anti-dumping duty on product from China, Taiwan, South Korea and Thailand. This has happened because importers have started to venture into other regions such as Europe, North America and other Asian countries. Governments support in this area will allow the company to serve the nation by way of import substitution.

Definition of Greenfield Projects: The government has recently announced, with retrospective impact via Finance Amendment Ordinance, a definition of greenfield project which stipulates the requirement of a completely new process or technology whereas no such requirement existed previously. The retrospective implementation will adversely impact the investment climate within the country.

This will exclude our expansion projects from the tax benefit announced for greenfield projects. We request the government to reconsider the measure or to stop retrospective application of this definition.

Future Outlook / Forward Looking Statements

During the outgoing year, EPCL continued to work towards efficient and timely execution of its previously announced projects while continuing its endeavors to identify new projects and markets. The driving force behind these efforts emanate from our vision to Lead Pakistan in polymers & allied chemicals with international footprint. To this end, the company announced new projects and commissioned new studies in 2019. Restructuring of the company balance sheet, by way of maturity lengthening through Sukuk issue, has enabled it to capitalize on freshly identified opportunities with the aim to maximize shareholder value.

Update On Projects is as Follow:

PVC / VCM Expansion: The expansion entails additional PVC plant capacity of 100,000 MT (total capacity of 295,000 MT post completion) and VCM plant de-bottlenecking for incremental capacity of 50,000 MT. The project is progressing as per its schedule and is on track for completion as per previously announced timeline. Subsequent to its execution, the company will be able to serve a bigger proportion of the domestic market which has to currently rely on imports.

Caustic Flakers Plant: The flaker plant with a capacity of 20,000 MT came online in 2019, as previously announced. This has enabled the company to venture into a higher margin product while also enabling us to export through the sea route. During the period under review, the company sold ~3,500MT with ~70% sales being exports.

Oxygen Based VCM Production: Operational efficiency is a core focus of the company owing to its positive impact on shareholder value. Resultantly, the Board of Directors approved this project with the objective of shifting VCM production from air based technology to an oxygen based process. This will reduce the overall raw material consumption by ~2%. The project is underway and is expected to be completed as per previously announced timeline of 2020.

Hydrogen Peroxide: The company generates hydrogen as a by-product of its caustic manufacturing process that is currently being used as fuel in our power plant. Post completion of the project, hydrogen will be diverted to this manufacturing process which will generate higher value as compared to its utilization as fuel. The LC for the project has been opened and the project is in execution phase.

Linear Alkyl Benzene Sulphonic Acid (LABSA): EPCL has continuously looked to create a diversified product base to create new profit streams and ensure it against commodity cycle risks. To this end, the company Board of Directors decided to enter the LABSA, an integral part of powder detergent recipe, market via a greenfield venture. The project will come online in 2021 with a capacity of 24,000 MT and will be funded through internally generated cashflow.

High Temperature Direct Chlorination (HTDC): In an attempt to reduce its exposure on the utilities pricing in the country, EPCL is always in search of energy efficient solution. HTDC is an outcome of the company's efforts towards the same objective. Post completion, this will reduce the company's water consumption requirements and also bring further energy efficiency. The project will be funded through internally generated cash and is expected to come online in 2021.

Looking ahead, the completion of the aforementioned projects will remain the core focus of EPCL. Further, the company will look to continue its strong operational and financial performance.

Corporate Review

The shareholding in the company as at December 31, 2019 is as follow:

Shareholders Category	No. of Shareholders	No. of Shares held	% of holding
Directors, Chief Executive Officer, and their spouse and minor children.	8	13,706	0.00
Associated Companies, undertaking and related parties.	3	611,827,852	67.31
Banks Development Financial Institutions, Non-Banking Financial Institutions.	11	16,352,696	1.80
Insurance Companies	15	49,581,843	5.46
Modarabas and Mutual Funds	73	107,478,188	11.82
Shareholders holding 10%	2	610,787,012	67.20
General Public:			
a. Local (Individuals)	28,492	95,329,670	10.49
b. Foreign	0		
Others	213	28,339,378	3.12

Category of Shareholding

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

1. Associated Companies, Undertaking and Related Parties

Shareholders' Category	No. of Shares held
Engro Corporation Limited	510,733,450
Mitsubishi Corporation	100,053,562
EPCL Employees' Trust	1,040,840
	611,827,852

2. Modarabas and Mutual Funds

Name	Holding
CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SUB FUND	59,699
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	25,199
CDC - TRUSTEE ABL STOCK FUND	3,343,870
CDC - TRUSTEE AKD INDEX TRACKER FUND	76,997
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	2,394,454
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1,570,041
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	1,044,890
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	6,548,472
CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II	92,000
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1,070,500
CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	143,500
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	2,121,000
CDC - TRUSTEE ALFALAH GHP ISLAMIC VALUE FUND	68,000
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1,504,500
CDC - TRUSTEE ALFALAH GHP VALUE FUND	591,000
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	3,989,114
CDC - TRUSTEE APF-EQUITY SUB FUND	75,000
CDC - TRUSTEE APIF - EQUITY SUB FUND	186,500
CDC - TRUSTEE ATLAS ISLAMIC DEDICATED STOCK FUND	122,000
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	479,000
CDC - TRUSTEE ATLAS STOCK MARKET FUND	900,000
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	123,000
CDC - TRUSTEE FAYSAL ISLAMIC ASSET ALLOCATION FUND	300,000
CDC - TRUSTEE FAYSAL MTS FUND - MT	211,500
CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	500
CDC - TRUSTEE FAYSAL STOCK FUND	350,000
CDC - TRUSTEE FIRST HABIB STOCK FUND	50,000
CDC - TRUSTEE HBL - STOCK FUND	1,802,079
CDC - TRUSTEE HBL EQUITY FUND	249,096
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	184,385

Name	Holding
CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	117,931
CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	622,952
CDC - TRUSTEE HBL MULTI - ASSET FUND	98,500
CDC - TRUSTEE HBL PF EQUITY SUB FUND	190,814
CDC - TRUSTEE JS ISLAMIC DEDICATED EQUITY FUND (JSIDEF)	2,141,000
CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT	102,000
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	115,000
CDC - TRUSTEE KSE MEEZAN INDEX FUND	682,771
CDC - TRUSTEE LAKSON EQUITY FUND	3,567,342
CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND	204,583
CDC - TRUSTEE LAKSON TACTICAL FUND	538,078
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	941,536
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	11,841,155
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	512,761
CDC - TRUSTEE MEEZAN BALANCED FUND	1,481,954
CDC - TRUSTEE MEEZAN ISLAMIC FUND	16,228,721
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	2,278,209
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	84,529
CDC - TRUSTEE NBP BALANCED FUND	988,123
CDC - TRUSTEE NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND	871,416
CDC - TRUSTEE NBP ISLAMIC SARMAYA IZAFA FUND	3,729,000
CDC - TRUSTEE NBP ISLAMIC STOCK FUND	3,095,980
CDC - TRUSTEE NBP SARMAYA IZAFA FUND	1,008,357
CDC - TRUSTEE NBP STOCK FUND	9,424,569
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	401,187
CDC - TRUSTEE PICIC GROWTH FUND	1,743,699
CDC - TRUSTEE PICIC INVESTMENT FUND	1,242,462
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	230,368
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	174,113
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	674,872
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	3,491,898
CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	676,644
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	1,412,990
CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	3,636,748
CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	133,000
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	816,566
MC FSL - TRUSTEE JS GROWTH FUND	53,500
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	1,543,675
MCBFSL - TRUSTEE HBL ISLAMIC DEDICATED EQUITY FUND	265,000
MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	39,500
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	314,690
MCBFSL-TRUSTEE ABL ISLAMIC ASSET ALLOCATION FUND	83,500

Name	Holding
FIRST EQUITY MODARABA	199
TOTAL	107,478,188

3. Directors and their Spouses and Minor Children

Shareholders' Category	No. of Shares Held
MR. NADIR SALAR QURESHI	1
MR. NORIYUKI KOGA	1
MR. FEROZ RIZVI	1
MR. HASNAIN MOOCHHALA	1
MR. IMRAN ANWER	1
MR. GHIAS UDDIN KHAN	1
MR. ERAM HASAN	1
MRS. KULSUM ASHFAQ W/O. MR. ERAM HASAN	13,699
TOTAL	13,706

4. Executives

Shareholders' Category	No. of Shares Held
Executives (approximately)	986,927

5. Public Sector Companies and Corporations

Shareholders' Category	No. of Shares Held
Public sector companies and corporations	-

6. Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance, Takaful, Modarbas & Pension Funds

Shareholders' Category	No. of Shares Held
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance, Takaful, Modarbas & Pension Funds	70,228,555

7. Shareholding Five Percent or More Voting Interest in the Company

Shareholders' Category	No. of Shares	No. of Shares Held
Engro Corporation Limited	510,733,450	56
Mitsubishi Corporation	100,053,562	11

8. Details of Purchase/Sale of Shares by Directors, Executives and their Spouse / Minor Children

Name	Shares Purchased	Shares Sold	Rate	Date of Purchase / Sale
Mirza Arsalan Baig	500		36.25	25-Feb-19
Anthony H/o Claudette J. Santamaira		22,000	35.88	27-Feb-19
Mirza Arsalan Baig	500		23.20	16-May-19
Muhammad Ali Khan	2,000		28.20	30-May-19
Anthony H/o Claudette J. Santamaira		872	22.10	09-Aug-19
Muhammad Ali Khan	1,500		35.80	10-Dec-19

9. Pattern of Shareholding - As at December 31st, 2019

No of Shareholders	Size of Holding		Total Shares
	From	To	
533	1	100	14,327
18,125	101	500	8,592,142
5,880	501	1,000	4,342,805
2,560	1,001	5,000	6,363,872
594	5,001	10,000	4,580,153
215	10,001	15,000	2,780,654
158	15,001	20,000	2,906,300
110	20,001	25,000	2,531,847
67	25,001	30,000	1,877,610
53	30,001	35,000	1,761,463
41	35,001	40,000	1,565,789
20	40,001	45,000	860,825
47	45,001	50,000	2,304,293
29	50,001	55,000	1,541,572
16	55,001	60,000	929,568
18	60,001	65,000	1,138,303
20	65,001	70,000	1,366,884
13	70,001	75,000	958,955
11	75,001	80,000	849,996
6	80,001	85,000	496,113
6	85,001	90,000	523,145
5	90,001	95,000	463,657
32	95,001	100,000	3,179,319
8	100,001	105,000	821,930
9	105,001	110,000	967,147
7	110,001	115,000	793,314
4	115,001	120,000	469,312
8	120,001	125,000	989,796
1	125,001	130,000	126,500
5	130,001	135,000	669,340
10	135,001	140,000	1,378,965
2	140,001	145,000	285,494
4	145,001	150,000	598,159
5	150,001	155,000	761,182
2	155,001	160,000	315,183
2	160,001	165,000	325,652
1	165,001	170,000	166,500
6	170,001	175,000	1,037,234
2	175,001	180,000	356,005
3	180,001	185,000	551,885

No of Shareholders	Size of Holding		Total Shares
	From	To	
3	185,001	190,000	561,440
3	190,001	195,000	579,513
10	195,001	200,000	1,988,592
3	200,001	205,000	607,583
2	205,001	210,000	418,374
1	210,001	215,000	211,500
4	215,001	220,000	877,000
1	220,001	225,000	221,000
4	225,001	230,000	911,042
3	230,001	235,000	694,251
2	245,001	250,000	499,096
3	250,001	255,000	756,587
1	260,001	265,000	265,000
3	270,001	275,000	821,973
2	285,001	290,000	573,298
2	290,001	295,000	587,300
7	295,001	300,000	2,098,000
2	300,001	305,000	604,890
1	305,001	310,000	310,000
2	310,001	315,000	628,014
1	320,001	325,000	325,000
1	335,001	340,000	336,995
2	345,001	350,000	700,000
2	365,001	370,000	736,000
1	380,001	385,000	381,532
1	385,001	390,000	388,697
4	395,001	400,000	1,594,499
1	400,001	405,000	401,187
2	405,001	410,000	815,991
2	410,001	415,000	823,486
1	425,001	430,000	430,000
1	430,001	435,000	434,096
1	450,001	455,000	453,770
2	455,001	460,000	915,659
1	475,001	480,000	479,000
1	485,001	490,000	487,214
1	490,001	495,000	493,786
4	495,001	500,000	2,000,000
1	500,001	505,000	500,034
1	505,001	510,000	505,493
1	510,001	515,000	512,761

No of Shareholders	Size of Holding		Total Shares
	From	To	
1	530,001	535,000	530,173
2	535,001	540,000	1,073,578
2	545,001	550,000	1,098,500
1	560,001	565,000	563,500
1	580,001	585,000	581,000
1	585,001	590,000	589,000
1	590,001	595,000	591,000
2	595,001	600,000	1,200,000
1	615,001	620,000	619,121
1	620,001	625,000	622,952
1	655,001	660,000	655,500
2	665,001	670,000	1,336,867
1	670,001	675,000	674,872
1	675,001	680,000	676,644
3	680,001	685,000	2,052,727
1	685,001	690,000	689,088
1	760,001	765,000	762,828
1	790,001	795,000	792,041
1	815,001	820,000	816,566
1	820,001	825,000	821,973
2	845,001	850,000	1,696,905
1	860,001	865,000	860,500
1	870,001	875,000	871,416
1	895,001	900,000	900,000
1	910,001	915,000	914,462
1	940,001	945,000	941,536
1	985,001	990,000	988,123
4	995,001	1,000,000	4,000,000
1	1,005,001	1,010,000	1,008,357
2	1,040,001	1,045,000	2,085,730
1	1,050,001	1,055,000	1,051,335
1	1,070,001	1,075,000	1,070,500
1	1,140,001	1,145,000	1,144,000
1	1,240,001	1,245,000	1,242,462
1	1,345,001	1,350,000	1,348,000
1	1,365,001	1,370,000	1,369,956
1	1,410,001	1,415,000	1,412,990
1	1,420,001	1,425,000	1,425,000
1	1,465,001	1,470,000	1,469,456
1	1,480,001	1,485,000	1,481,954

No of Shareholders	Size of Holding		Total Shares
	From	To	
1	1,500,001	1,505,000	1,504,500
1	1,540,001	1,545,000	1,543,675
1	1,570,001	1,575,000	1,570,041
1	1,705,001	1,710,000	1,710,000
1	1,725,001	1,730,000	1,728,199
1	1,740,001	1,745,000	1,743,699
1	1,795,001	1,800,000	1,796,000
1	1,800,001	1,805,000	1,802,079
1	1,845,001	1,850,000	1,849,500
1	1,875,001	1,880,000	1,876,000
1	1,905,001	1,910,000	1,910,000
1	2,120,001	2,125,000	2,121,000
1	2,140,001	2,145,000	2,141,000
1	2,275,001	2,280,000	2,278,209
1	2,390,001	2,395,000	2,394,454
1	2,445,001	2,450,000	2,448,500
1	3,095,001	3,100,000	3,095,980
1	3,110,001	3,115,000	3,115,000
1	3,340,001	3,345,000	3,343,870
1	3,445,001	3,450,000	3,448,000
1	3,490,001	3,495,000	3,491,898
1	3,565,001	3,570,000	3,567,342
1	3,635,001	3,640,000	3,636,748
1	3,725,001	3,730,000	3,729,000
1	3,985,001	3,990,000	3,989,114
1	4,500,001	4,505,000	4,500,345
1	4,760,001	4,765,000	4,763,582
1	5,425,001	5,430,000	5,427,016
1	6,545,001	6,550,000	6,548,472
1	8,665,001	8,670,000	8,665,196
1	9,420,001	9,425,000	9,424,569
1	11,840,001	11,845,000	11,841,155
1	16,225,001	16,230,000	16,228,721
1	34,395,001	34,400,000	34,400,000
1	100,050,001	100,055,000	100,053,562
1	137,920,001	137,925,000	137,923,461
1	372,805,001	372,810,000	372,809,991
28,817			908,923,333

Board Meetings and Attendance

In 2019, the Board of Directors held 6 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

Director's Name	Meeting Attended
Mr. Ghias Uddin Khan	5/6
Mr. Imran Anwer	6/6
Mr. Feroz Rizvi	5/6
Mr. Hasnain Moochhala	6/6
Mr. Noriyuki Koga	6/6
Mr. Nadir Salar Qureshi	3/6
Mr. Muhammad Asif Sultan Tajik*	3/6
Mr. Eram Hasan**	1/6

*Resigned from board on July 30, 2019.
**Joined board on October 28, 2019.

Board Composition

Male	7
Female	None

Categories	Names
Independent	Mr. Feroz Rizvi
Executive – CEO	Mr. Imran Anwer
Non Executive	Mr. Ghias Uddin Khan
	Mr. Noriyuki Koga
	Mr. Hasnain Moochhala
	Mr. Nadir Salar Qureshi
	Mr. Eram Hasan

Board Audit Committee	
Mr. Feroz Rizvi	Chairman
Mr. Noriyuki Koga	Member
Mr. Hasnain Moochhala	Member

Board People's Committee (Human Resource and Renumeration Committee)	
Mr. Feroz Rizvi	Chairman
Mr. Noriyuki Koga	Member
Mr. Ghias Uddin Khan	Member
Mr. Nadir Salar Qureshi	Member

Directors' Remuneration

The remuneration paid to the members of the Board for attendance of Board and Committee meetings has been duly approved by the Board of Directors. The details of the aggregate amount of remuneration paid to the directors is disclosed in the Financial Statement.

The Board of Directors during the year, have duly approved the policy and procedure for remuneration of the Directors for attendance of Board and Committee meetings in accordance with the Companies Act, 2017 and the listed companies (Code of Corporate Governance) Regulations, 2019.

Major Judgement Areas

Main areas related to Income Taxes, provisions, contingencies / commitments, Deferred Tax Assets, and other areas involving subjective judgements and having material impact on financial statements are detailed in Notes to the accounts.

Accounting Standards

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.

Provident Fund

In 2013, the Company replaced its provident fund with the provident fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company. Accordingly, the following information is based on the latest audited financial statements of the Fund maintained by the Holding Company as at June 30, 2019 and unaudited financial statements as at December 31, 2019.

Details of the fund are as follows:

	31-Dec-19	30-Jun-19
Total Assets	4,471,561,494	3,825,631,072
Cost of Investments	4,299,730,041	3,582,001,809
Percentage of Investment made	96.16%	93.63%
Fair value of Investments	4,350,105,544	3,494,680,852

Board's Policy on Gender Diversity

Currently there is no female director on the Board. Therefore, the requirement to ensure at least one female director on the Board will be complied with in the upcoming election of Directors.

Compliance with Corporate Governance

The Board of Directors reviews all significant matters of the Company. These include but are not limited to Company's strategic direction, annual business plans and targets, decision on long-term investment and borrowings. The Board of Directors is committed to maintain high standards of Corporate Governance.

The Board of Directors is pleased to report that:

- The financial statements prepared by the management present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has 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 ability of the Company to continue as a going concern.
- There have been no departures from the best practices of corporate governance, as detailed in the listing regulations.

Board's Assessment of the Principal Risks

The Board has reviewed the risks facing the company, including but not limited to those that would threaten the business model, future performance, solvency or liquidity.

Training Program for Directors

The Directors Training Program has been completed by Mr. Ghias Uddin Khan, Mr. Imran Anwer, Mr. Feroz Rizvi, Mr. Nadir Salar Qureshi and Mr. Hasnain Moochhala during the preceding years from recognized institutions of Pakistan, approved by the SECP.

Director Orientation

The Company's directors come from diversified backgrounds and bring a wealth of experience with them. At the induction of a new director, they are briefed about the market dynamics that impact the company, its operations and its long-term strategy. They are also informed of their fiduciary responsibilities towards all stakeholders.

Security Clearance of Foreign Director

The Company follows the SECP guidelines for appointment of any foreign director and subject to issuance of security clearance from the Ministry of Interior, foreign directors are appointed.

Implementing Governance Practices Exceeding Legal Requirements

Being a responsible corporate citizen, the Company has always conducted itself in a responsible and clear manner. To foster transparency the Company:

- benchmarks reporting requirements against ICAP / ICMAP and SAFA prescribed guidelines
- has adopted a stringent insider trading policy which goes beyond the legal requirement
- holds quarterly analyst briefings and regularly interacts with all stakeholders

Board and Management Decision Matrix

The Board of the Company sets the strategic direction for the Company and monitors its implementation plans and progress. Meanwhile the core responsibility of the management is to ensure the implementation of the strategies approved by the Board. The management is empowered by the Board to take the necessary decisions to manage the operations of the company and the execution of strategies.

Board Evaluation

The Listed Companies (Code of Corporate Governance) Regulations 2019, mandatorily requires evaluation of the Board of Directors as a whole, its Committees and the contribution of each Director to the strategic direction and steerage of the Company. In this regard, a comprehensive range of self-evaluation surveys were conducted in the Company with respect to the performance of its Board of Directors and Board Committees. Equally emphasized, the individual contribution of each Director was assessed and evaluated during the year by the Chairman of the Board.

Shares Traded and Average Prices

During the year 606 Mn shares of the Company were traded on Pakistan Stock Exchange. The average price of the Company's share based on daily closing rates was Rs. 30.76. The 52-week low-high during 2019 was Rs. 20.93 - 41.84 per share, respectively.

Dividends

During the period, an interim dividend of Rs. 0.60 per share had been declared. In addition to this an annual dividend of Rs. 2% i.e. Rs. 0.20 per share has been declared by the Board of Directors and is to be approved by the shareholders in Annual General Meeting.

Auditors

The present auditors, M/s A.F. Ferguson & Co. retire, and offer themselves for reappointment. The Board Audit Committee has recommended the reappointment and the Board of Directors has endorsed the recommendation.

Imran Anwer
Chief Executive Officer

Feroz Rizvi
Director

helping those who need it most

We believe that all it takes to change the world is a little bit of compassion. We understood the gap of a basic healthcare system within Ghaggar Pathak and saw how residents had to travel far and wide for health-related issues. This is why we partnered up with SINA and built a Hospital which could provide free healthcare facilities to all of the residents.

sustainability report

sustainable development goals

Engro Polymer and Chemicals and the UN's Sustainable Development Goals

The UN's 17 Sustainable Development Goals (SDGs) seek to address the world's biggest challenges, including ending poverty, improving health and education, making cities sustainable and tackling climate change. Governments are responsible for prioritizing and implementing approaches that meet the SDGs, and many have started to articulate plans to meet the goals. But achieving these tasks will require unprecedented collaboration and collective action with business and civil society.

Engro Polymer and Chemicals welcomes the SDGs and believes that we have an important role to play in supporting these goals. All the SDGs are relevant to our business to varying degrees and we are already contributing to many of these goals.

Some of the key goals we are supporting are:

Goal 1: No Poverty
Goal 8: Decent Work and Economic Growth

Employment generation is the backbone of any country's economy and we fulfil our responsibility towards this goal by providing jobs and following applicable labour, health and safety standards. We encourage local businesses to be part of our supply chain and seek to ensure our suppliers meet our standards. We work with governments and others to offer training to build local skills and expertise. We support downstream industries through various programmes like setting up the first PVC Branded Outlet in Pakistan which will help new entrepreneurs by developing the PVC market and introducing new usages. We also contribute to economic growth by paying taxes to local governments and helping in import substitution.

Goal 3: Good Healthcare and Well-being

Engro Polymer and Chemicals has invested in the local communities to work towards this goal and promote good healthcare and well-being for local residents. EPCL has established a primary healthcare clinic for nearby community residents of Ghaggar Phattak villages, Bin Qasim Town to improve their health conditions. The services being offered include screening, OPD / doctor consultation, immunization, lab collection point, lab testing, ultrasound facility, pharmacy for prescribed medicines with a range of 150 medicines, preventive healthcare on diabetes, hypertension & eye, TB program with its partners, EPI vaccination programs for children under one year, and electronic medical record systems with complete history of each patient.

The clinic commenced operations from July 2019 and is operating 6 days a week and all facilities being provided are 100% free of cost. The clinic is treating around 150 patients per day totaling to around 4,000 patients per month. The clinic is operating under an installed solar power system.

Goal 4: Quality Education

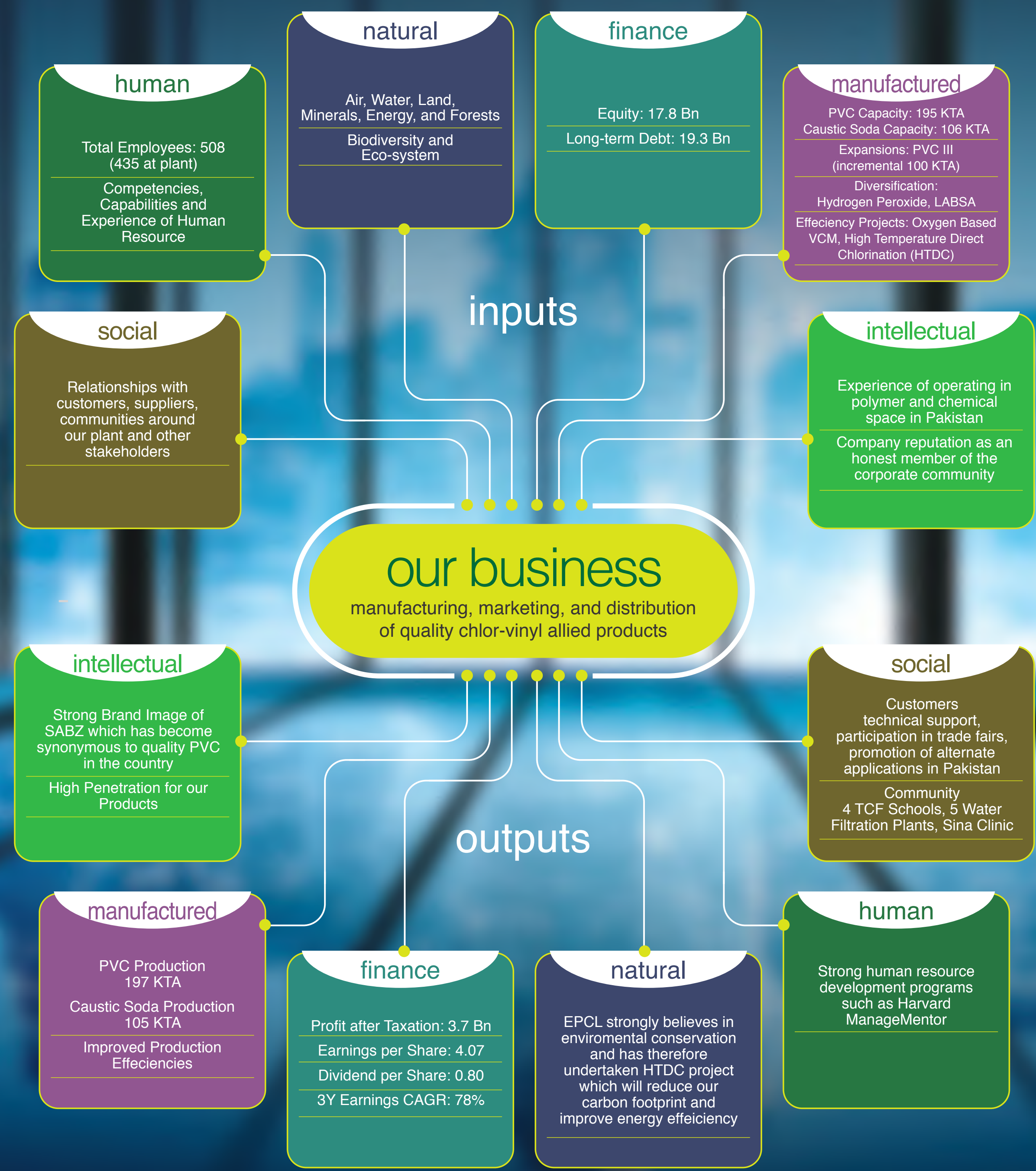
Education is an integral component for healthier societies and a long-term investment for sustainable economic development. Our interventions in the field of education help in uplifting the education level and the socio-economic development of the surrounding communities of Port Qasim.

In collaboration with The Citizens Foundation, the company has established two new purpose-built schools. The campuses will benefit the children of lesser-privileged communities of Ghaggar Phattak villages and adjoining areas. These two new schools will be completed by March 2020 and the first session will start in April 2020. With the start of these two new schools, EPCL will be providing quality education to more than 1,200 students through a total of four TCF schools in the area. Additionally, EPCL also funded the second shift of another campus which is TCF Austin Campus of knowledge in the same area.

Goal 6: Clean Water and Sanitation

Clean drinking water is a luxury for many of our citizens living in remote villages and far flung areas. Engro Polymer and Chemicals established five water filtration plants with The Water Foundation in 2019 to help make clean drinking water accessible to people living in such areas. Under the initiative, three water filter plants have already started distribution of clean drinking water for the residents of areas around Ghaggar Phattak, Bin Qasim Town Karachi while two more will be operational by February 2020. More than 6,000 households will benefit from clean water from these water filter plants. All these water filter plants are based on a solar power system.

business model



sustainability of PVC **use in Pakistan**

Market Development and Sustainability of PVC Industry in Pakistan

During the year 2019, the domestic PVC demand has declined owing to an overall slowdown of the economy which has dampened the construction sector. Engro Polymer & Chemicals Limited (EPCL) have been working tirelessly to promote new applications for the PVC downstream industry in the local market based on their durability and sustainability. PVC has always played an important role in the construction industry, with new and innovative PVC applications entering Pakistan's interior and décor industry.

Amongst recent developments in PVC downstream applications in the domestic market are foam boards, wall and ceiling panels, roofing, flooring and door / window profiles, which have the benefit of being durable, easy to maintain, environmentally friendly, as well as, fire, pest, corrosion and water resistant, while possessing good insulation and sound proofing properties. Globally, most of these applications are well-recognized as being environmentally friendly & high on health and safety standards.

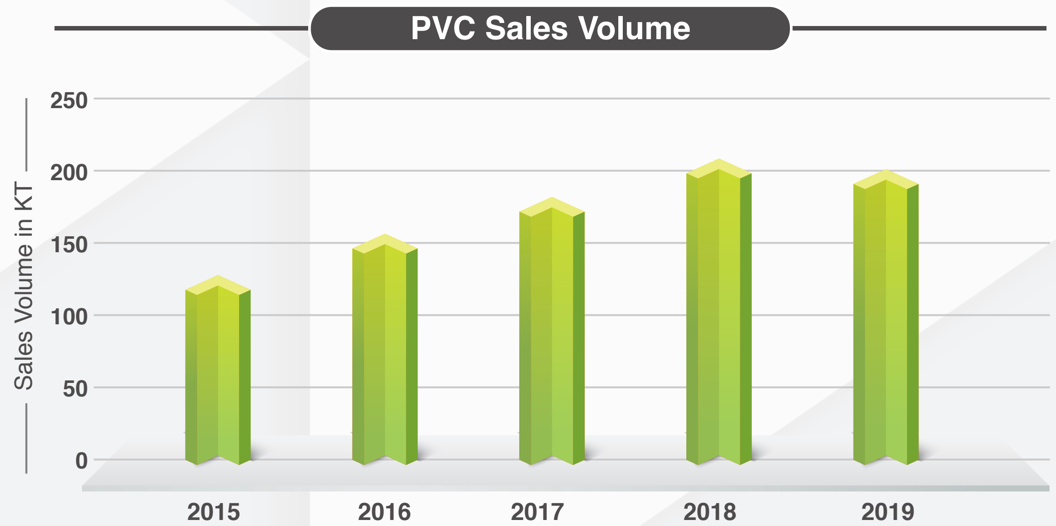
Not only these products are suitable for areas with high moisture content such as kitchens, bathrooms, public partitions, and ceilings but are also beneficial for office and home furniture.

Through EPCL's rigorous efforts, there has been rapid growth and increased market penetration of these products in recent years.

EPCL continues to focus on contributing towards the promotion of sustainable and durable PVC products in Pakistan. The organization along with its customers, participated in the Build Asia Exhibition held in 2019, utilizing this platform to create awareness and promotion of durable PVC products in Pakistan.

Like the PVC world demand segmentation, the largest share (>50%) under the PVC applications has remained with the pipes and fittings component. We, at EPCL, are cognizant of the value and importance of this sector and are therefore quite strategically focused on its development and sustainability.

The graph below further showcases the sustainability of PVC through the depiction of continuously growing PVC sales volumes over the past five years. EPCL's domestic PVC sales in Pakistan have observed a strong growth rate in the past few years as population growth triggers demand for housing while alternate applications of PVC also gain strength.



financial **capital**

At EPCL, we operate with the view of creating sustainable financial value for all our stakeholders including but not limited to the shareholders and government. During the outgoing year, the company's profitability came in at Rs. 3.7 Bn as compared to normalized earnings (adjusting for insurance claim and minimum turn-over tax one-timers) of Rs. 3.8 Bn last year.

In line with its long-term strategy the Company has announced two new projects this year. These projects are LABSA and HTDC, which will require a combined investment of $22 Mn. LABSA will enable the company to diversify its product base while the latter is an efficiency project and will bring energy and utilities savings. Moving ahead this will bring added sustainability to the Company's financial performance.

Integrated Reporting

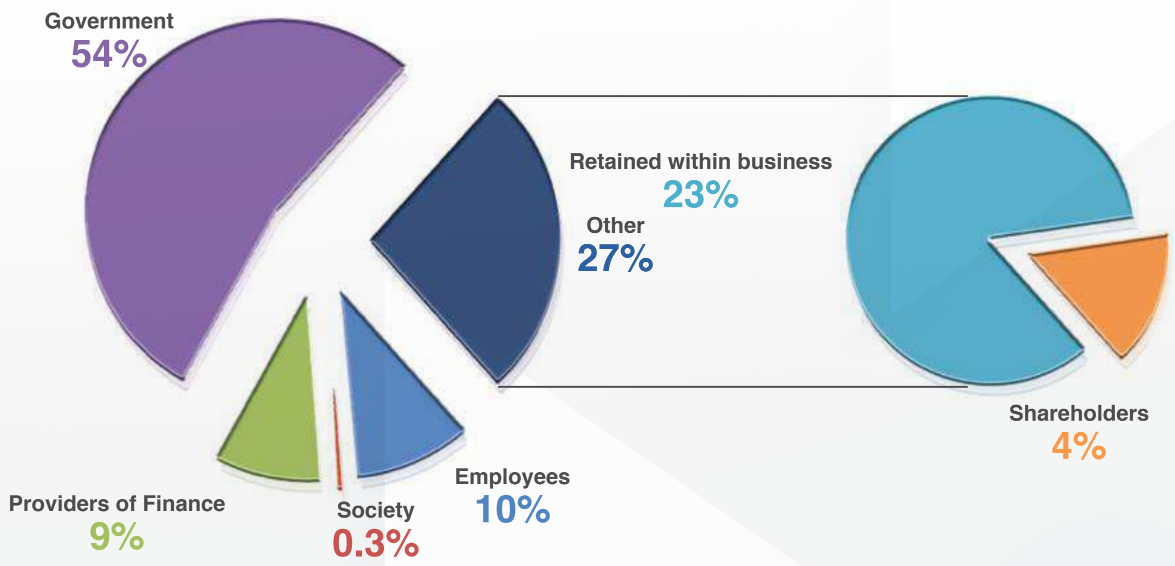
The Company is committed towards the adoption of International Integrated Reporting (IR) Framework to give an overview of how the Company's strategy, governance, performance, and prospects, in the context of its external environment, leads to the creation of value over the short, medium, and long term.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

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

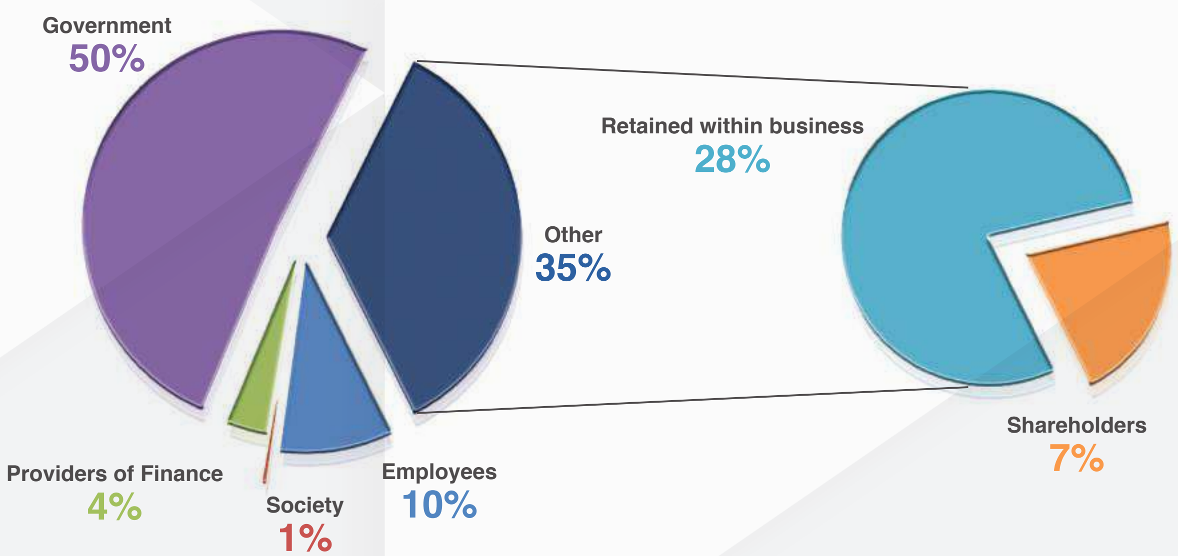
During the year ended December 31, 2019, the wealth generation and distribution were made in the following manner:

	2019		2018	
	Rs in '000	%	Rs in '000	%
Wealth Generated				
Gross Sales and Other Income	45,171,300		42,424,463	
Materials and Services Purchased	(25,709,969)		(25,669,264)	
	19,461,331	100%	16,755,199	100%
Wealth Distributed				
Employees				
Salaries, wages and other benefits	1,972,264	10%	1,597,058	10%
Society				
Donations and other CSR activities	56,759	0.3%	89,085	1%
Shareholders				
Dividend	818,031	4%	1,257,914	8%
Providers of Finance				
Finance cost	1,793,775	9%	606,148	4%
Government				
Income Tax, Sales Tax, Duties, WWF, and WPPF	10,423,973	54%	8,558,160	50%
Retained within Business				
Retained earnings, Depreciation and Amortization	4,396,529	23%	4,646,834	28%
	19,461,331	100%	16,755,199	100%

Distribution of value added - 2019



Distribution of value added - 2018



human capital

Performance Management

Performance Appraisal Program is managed for all permanent employees of Engro Polymer & Chemicals Limited, who received regular performance and career developments through quarterly appraisals, mid-year reviews, and year end appraisals.

The Company is an equal opportunity employer and there is no discrimination based on gender or employee category. Each employee has an objective setting session at the beginning of the year, charting out the performance targets of the year. These objectives and the employee's performance are reviewed half-yearly appraisal cycle. Any shortcomings identified in the performance are highlighted and guidance is given on how to correct it.

At the end of the annual cycle, 100% permanent employees go through a stringent appraisal cycle, and are ranked based on their performance throughout the year.

At EPCL, we believe in accelerating, not managing, performance. Creating the right experience for our employees allows our workforce to feel valued and empowered to perform at their best.

Learning and Development

We at EPCL believe in learning and constant growth; Harvard ManageMentor is an effort towards that journey. Harvard ManageMentor is a globally recognized program consisting of a suite of 41 essential business topics ranging from developing employees to stress management, and delivering critical management skills when and where you need them. It also provides in-depth expertise which will develop our people and help them grow, that will ultimately aid in achieving the vision of Engro Polymer. With that belief, we partnered with Harvard Business School Publishing and purchased 55 licenses that were assigned to our employees. Total courses completed last year were 483.

Diversity and Equal Opportunity

In line with our HR strategy, we strive to be an equal opportunity employer. Engro Polymer and Chemicals is committed to encouraging greater diversity and ensuring equal opportunities for individuals based on merit. This belief is driven by our core value to 'Nurture passion to serve country, community and company, with strong belief in the dignity and value of people'.

Process Safety

Process Safety at the EPCL site is built up by major key elements. Mechanical Integrity is to assure that all safety critical systems and devices are functional and their corrective and preventive maintenance is in place. Management of Change observes the safety management through which changes and modifications are made at the plant site. Safety culture looks after the effectiveness of departmental committees, also incorporating housekeeping and inherent safety audits into them. Operating and Maintenance Procedures checks and ensures Work-Permit, Lock out Tag out Procedures, and the Job Cycle Check Plan and its compliance. Lastly, Process Safety Training and Compliance quantifies the training compliances and the skill certifications of employees at the site.

Recommendation waivers and near miss events are debited accordingly.

Lagging indicators are reflected by the Process Safety Incident Rate (PSTIR) which is a measure of the number of Process Safety Incidents at the site and are run through corporate targets that have to be met.

Personnel Safety

Personnel Safety Standards at EPCL plant are measured through Behavioral Leading Indicators with its elements being Management Safety Audit, its quality and its observations, Incident Report reviews, Housekeeping and ERP drill scores, role statements and their compliances.

Personnel Safety can be quantified by Total Recordable Injury Rate (TRIR) that is an estimate of the number of recordable injuries per 100 employees and by safe man hours that is the number of working man hours since the last Lost Work Day Injury.

OHIH

EPCL has adapted DuPont OHIH system and quantifies its leading indicators by multiple important sub-structures. OH and IH Leading Indicators are gauged separately. Occupational Health Indicators include the Health Surveillance Program, Epidemiology study and its implementation, and fitness, to work with employees annual medical check-up and their compliance to return to work.

Industrial Hygiene is checked through Toxic Chemical Monitoring where TLV concerns are raised, Drinking Water and its management, Catering and Hygiene with its audit compliance and recommendation closures, PPE compliance and their audits, and Health Risk Assessment Plan. IH is also gauged through Noise and Air Quality.

Data Compilation from the period January 1, 2019 to December 31, 2019

Indicators / Performance Measures	Unit of Measurement	2018 Performance	2018 Targets	2019 Performance	2019 Targets
	Quantitative KPIs				
TRIR		0.05	<0.17	0.09	<0.12
PSTIR		1.6	<2.5	2.26	<2.5

natural capital

Our organization has been a torch bearer in valuing its operating environment from mere reactive compliance to proactive environmental stewardship. And, throughout the years Engro Polymer & Chemicals has developed to protect the environment we work in as an active part of our organizational culture. Our responsibility towards guaranteeing our natural capital objectives drives and flourishes from the topmost level of administration and executives. We take extraordinary consideration to characterize and assign need regions inside our own operating environment to redesign, refine and assign aggressive targets for a fruitful administration of natural effluents and resource conservation. We treat our ecosystem management and responsible resource utilization as our own natural capital and consistently take steps towards its betterment. It is pertinent to mention that standardization is how we plan on achieving these goals. We keep up a thorough internal audit regime with a focus on continuous learning and improvement from behavioral, as well as. technical interfaces.

Environmental Indicators

Total expenditures and investments made in the area of Occupational Health and Safety Management.
This will also include salaries and benefits of staff responsible for Occupational Health and Safety Management.

Nature of Investment / Expenditure	Rs. (for 12 months ending Dec 31, 2018)	Rs. (for 12 months ending Dec 31, 2019)
Expenses on HSE	37,000,000	40,000,000
Investments on HSE	33,000,000	46,000,000

Environment

Environment KPIs are also monitored with its major elements being Effluent and Emission Quality with its compliance to Monitoring Control Limits and Sindh Environment Quality Standards, Waste Generation, Generation of CO2 in ratio with products, and Environment related recommendations.

Environment Conservation

The Company over the years has made multiple efforts to help conserve the environment including waste emission and effluent handling with proper classification of hazardous and non-hazardous waste, complying to its proper disposal. Other measures include heavier hydrocarbons and hydrogen being used as fuel, waste being used as fertilizer, and effective daily monitoring of all Environment KPIs.

EPCL has its own Combined Cycle Power Plant run through natural gas to produce its own energy. EPCL also uses Hydrogen gas as an alternative source of Energy. EPCL went through refurbishment of its electrolyzers in 2018 at the Chlor Alkali Plant which has improved energy efficiency.

Environment Impact Assessment

EPCL has adapted a stringent Environment Management System that helps to identify environmental risks, vulnerabilities, and their impact. Efforts are made to reduce impact of carbon footprints and help conserve water resources. EMS is audited by ISO-14001.

Environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.

Logistics Support handles the products for delivery to customers and also for transfer within warehouses. EPCL is striving for safe deliverance by maintaining the quality of products and logistics.

The Company takes the following measures:

Route Hazard Analysis is on-road assessment of identification of issues and is done to mitigate the impact of said issues by training drivers to avoid such situations.

Fleet Accident Frequency Rate (FAFR) is an index which measures the accidents happening during driving on roads, it's the number of accidents per 1 Million KMs.

social **capital**

EPCL's vision of providing a safe, healthy, and educated environment goes beyond its closed doors, it is deep seated into the will of making a difference and empowering communities that are largely ignored by the city, communities that go unheard, and communities that lack basic human rights. The belief of developing Ghaggar Pathak to an extent that it becomes a model village for even the government to take inspiration from and pursue, is not an easy goal, it is long-term and will come with its challenges. Nonetheless, it is a goal that EPCL is keen on achieving and will not back down till the entire community of Ghaggar Pathak is empowered and has access to a life that is not in constant danger of health, education, and safety deprivation.

Hence, we have launched several programs to benefit the local community:

- Solar Lights Illumination Project at Ghaghar Phatak
- Community Park & Mosque
- Water Filtration Plants in Ghaggar Pathak
- Blood Donation Campaigns
- Winter Clothes Distribution
- 2 TCF Schools for Ghaggar Pathak residents
- 2 more TCF Schools in the building process
- SINA Clinic
- Ao TB Mitao Campaign

To make an impact through education, EPCL, in collaboration with The Citizens Foundation, built and funded a primary school unit on a land of approximately 1 acre in Haji Jangi Khan Goth in 2015.

4 QUALITY EDUCATION

The school caters to a total of 350 students through the morning and afternoon shift. But, the vision of providing quality education on part of EPCL does not end here; currently two new schools are being built, in Hammer Goth and Ibrahim Goth, at the cost of Rs. 25 Mn each, which will cater to another 320 students. The campuses are expected to be completed by the end of this year. EPCL also financed the operational costs of Rs. 8.73 Mn for the afternoon shift of three academic years, 2018-2021, for the TCF Austin Campus situated in Haji Jangi Khan Goth. These schools have been successful in keeping a number of children off the streets, inculcating a sense of civic responsibility in them, and most importantly, in providing quality education and developing a thirst for knowledge.

3 GOOD HEALTH AND WELL-BEING

In order to provide for healthcare facilities EPCL, in partnership with SINA, constructed a hospital at the cost of Rs. 15.7 Mn in the heart of Ghagghar Phattak area. The clinic provides multiple services free of cost such as consultation, OPD, ultrasound, vaccination, lab testing, and even free medication. In addition to these services, there is a Community Engagement Team in place which goes door to door to nearby villages to educate people of the availability of free healthcare at the SINA Clinic and there also exist on-going medical camps that aid people in getting regulatory check-ups and encourages the residents to come forward with their concerns, for example, this past month EPCL organized a medical eye-camp where POB doctors examined 151 patients in total and followed up accordingly for further check-ups. The SINA hospital has a daily round of 125-150 patients and all those patients who have so far received medical assistance and treatment at the clinic are not only content but are more than thankful to EPCL for providing them with a fully equipped healthcare unit.

A major health hazard which EPCL addressed, was the absence of clean and safe drinking water for the residents of the Ghagghar Phattak community. Most of these communities received water through the public water supply system, which was not only irregular and scarce in supply, but also extremely contaminated with life-threatening microbial bacteria.

6 CLEAN WATER AND SANITATION

The entire issue had become a major public health concern, because such waterborne diseases are responsible for a significant amount of human and economic losses; these losses include the loss of millions of working hours of productivity in total, and of course, associated costs for healthcare. Hence, EPCL, on its mission to make Ghagghar Phattak a safe and healthy living space, installed two water filtration plants at Ghagghar Phattak and Razzakabad in partnership with the Water Foundation, and is in the process of setting up three additional water filtration plants in different villages of Ghagghar Phattak.

The daily consumption of water lies between 5,000 - 5,500 liters per day. The improvement in the quality of water from the water filtration plants compared to normal tap water have not gone unnoticed and most of the residents have switched to this alternative and have consequently experienced better health conditions.

Statement of Charity Account

Rs. (in thousand)	2019	2018
Community welfare	14,500	5,969
Environment	1,220	8,837
Education	13,543	53,140
Healthcare	26,390	15,700
General	1,106	5,439
Total	**56,759**	**89,085**

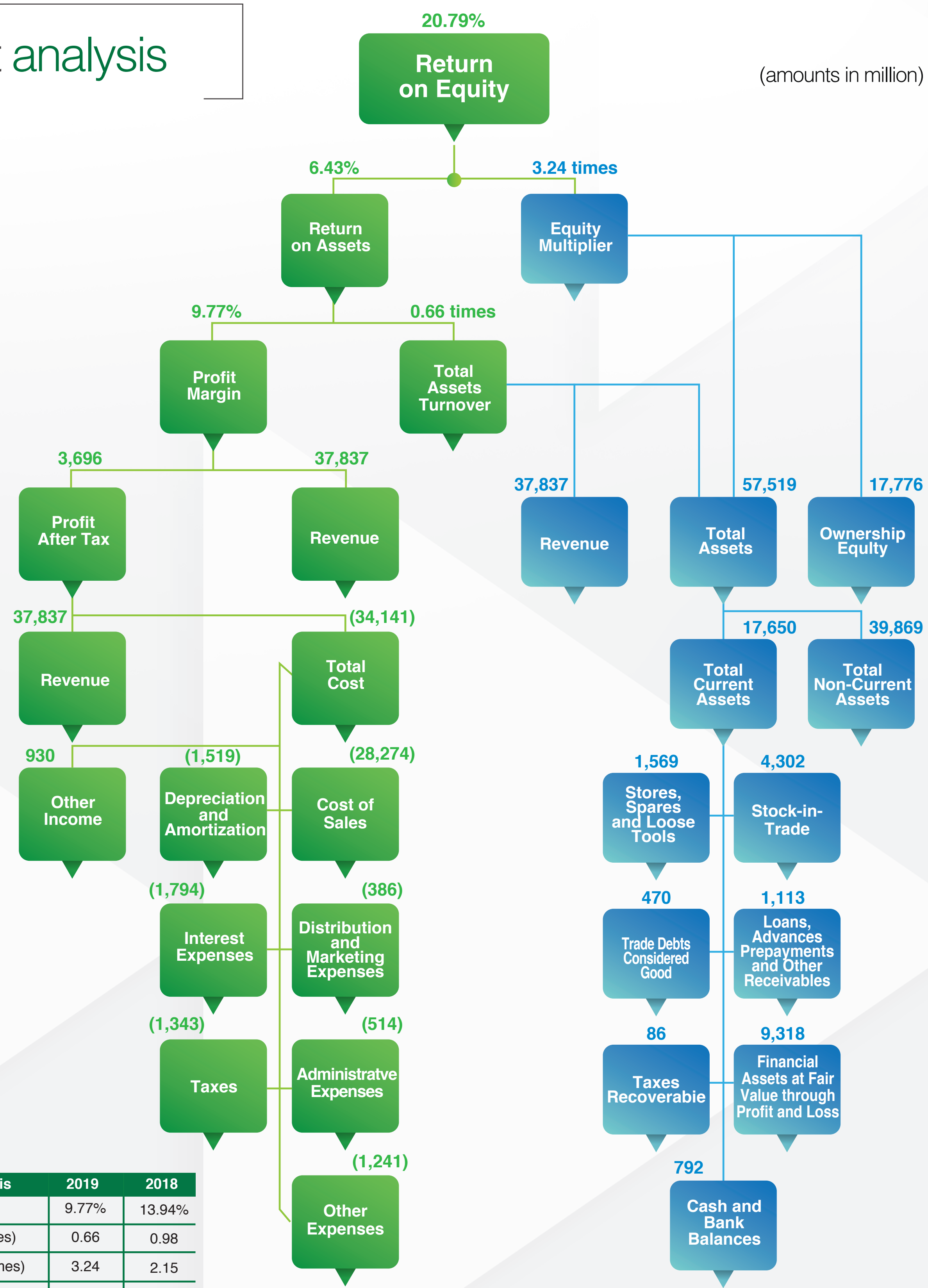
fostering our future

Education is the key to a better and prosperous future for our nation. Therefore, we have taken responsibility of making sure that our children of Ghaggar Pathak have access to quality education. By establishing 5 schools we feel successful in the fact that we are touching the lives of 1,200 young residents, who will grow up with ambitions and will be able to uplift their community.

financial summary

dupont analysis

(amounts in million)



Dupont Analysis	2019	2018
Profit margin	9.77%	13.94%
Asset turnover (times)	0.66	0.98
Equity multiplier (times)	3.24	2.15
Return on investment	**20.79%**	**29.37%**

six years summary of financial and non-financial information

(amounts in million)

Summary of consolidated statement of profit or loss	2019	2018	2017	2016	2015	2014
Net revenue	37,837	35,272	27,731	22,854	22,264	23,819
Gross profit	8,106	7,609	5,148	3,074	1,874	749
Operating profit / (loss)	6,833	7,069	3,935	2,107	783	(463)
Profit / (loss) before taxation	5,039	6,463	3,115	1,187	(360)	(1,528)
Profit / (loss) after taxation	3,696	4,930	2,053	660	(644)	(1,109)
Summary of consolidated statement of financial position						
Property, plant and equipment	31,433	19,398	16,011	16,008	16,249	16,923
Right-of-use asset	2,748	-	-	-	-	-
Intangibles, investments, deferred taxation and long-term loans & advances	5,688	191	192	711	1,065	1,085
Current assets	17,650	16,434	8,161	7,702	6,898	8,329
Current liabilities	15,810	11,337	7,854	9,667	13,598	14,229
Non-current liabilities	23,933	7,890	8,750	8,750	5,280	6,143
Share capital	12,964	12,964	7,599	7,599	7,599	7,599
Revenue reserves	4,812	3,832	161	(1,595)	(2,265)	(1,634)
Summary of consolidated statement of cashflows						
Net cash generated from operating activities	7,679	9,916	1,848	3,108	(1,192)	1,158
Net cash used in investing activities	(17,675)	(3,914)	(1,034)	(637)	(611)	(840)
Net cash generated from / (used in) financing activities	8,787	2,235	(978)	(246)	(98)	(554)
Net change in cash and cash equivalents	(1,209)	8,237	(164)	2,225	(1,901)	(236)
Cash and cash equivalents at end of the year	7,951	9,160	923	1,087	(1,138)	763
Summary of non-financial information						
Actual production						
PVC (in kilo tons)	197	202	187	172	162	153
Caustic soda (in kilo tons)	105	105	105	103	98	114
Caustic flake (in kilo tons)	4	-	-	-	-	-
Power (in mega watts)	48	48	48	48	50	50
Number of employees						
Total	508	455	439	421	433	442
Average	483	447	439	418	438	433

engro polymer & chemicals

Consolidated Statement of Value added

(Amounts in million)

	2018	2019
Revenue	Rs. 42,424	Rs. 45,171
− Purchases	Rs. 25,669	Rs. 25,710
= Wealth Generated	Rs. 16,755	Rs. 19,461

Wealth Distributed

	2018		2019	
Employees as remuneration	Rs.1,597	10%	Rs.1,972	10%
Society	Rs.89	1%	Rs.57	0.3%
Shareholders as dividend	Rs.1,258	8%	Rs.818	4%
Government as taxes and duties	Rs.8,558	50%	Rs.10,424	53.7%
Providers of finance	Rs.606	4%	Rs.1,794	9%
Retained with business	Rs.4,647	27%	Rs.4,397	23%

Government as taxes and duties	2018	2019
Direct taxes	Rs. 1,533	Rs. 1,343
Indirect taxes	Rs. 5,903	Rs. 6,404
Duties and others	Rs. 1,122	Rs. 2,677

quarterly analysis

Quarter 1

Profit and Loss	Q1- 2019	Q1- 2018
Net revenue	9,344	8,687
Cost of sales	(7,364)	(6,441)
Gross profit	1,979	2,246
Operating profit	1,788	2,191
Profit before tax	1,520	2,033
Net profit	1,092	1,448

The net profitability for the period has reduced by Rs. 356 Mn. primarily on account of insurance income in respect of business interruption of Rs. 286 Mn. net of tax booked in Q1-2018.

Balance Sheet	Mar 2019	Dec 2018
Total assets	38,044	36,023
Total equity	17,618	16,796
Total liabilities	20,426	19,227

The assets of the Company from December 2018 to March 2019 have increased moderately on account of progress in expansion projects and finalization of land transfer arrangement with EFERT.

Quarter 2

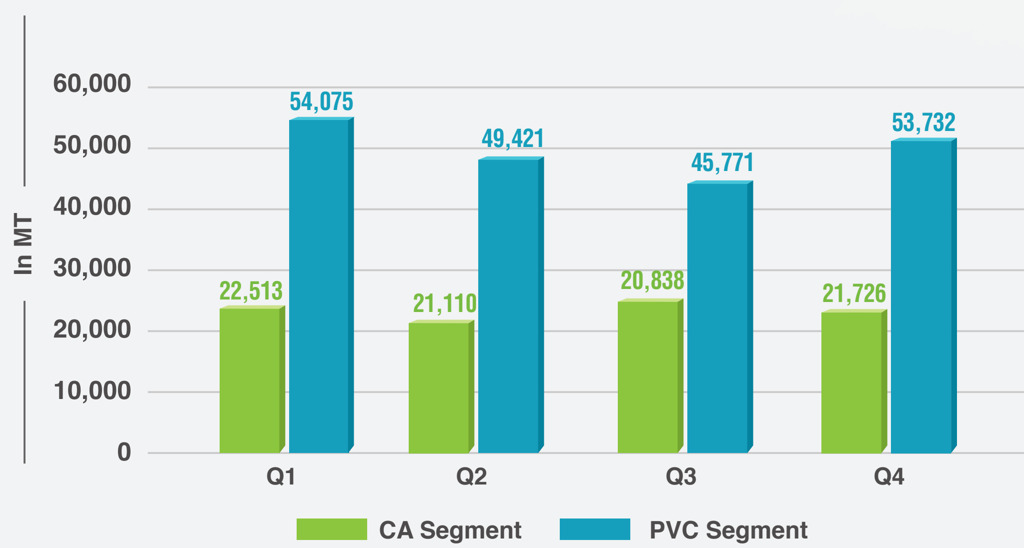
Profit and Loss	Q2- 2019	Q2- 2018
Net revenue	9,257	8,414
Cost of sales	(7,230)	(6,578)
Gross profit	2,027	1,837
Operating profit	1,013	1,511
Profit before tax	554	1,370
Net profit	452	1,336

The net profitability for the period has decreased significantly by Rs. 884 Mn. with the last corresponding period due to application of IFRS-16 affecting our bottom line by Rs. 373 Mn. Further in the corresponding period, a write-back adjustment was recorded in respect of minimum turnover tax recouped of Rs. 542 Mn.

Balance Sheet	Jun 2019	Dec 2018
Total assets	43,548	36,023
Total equity	16,421	16,796
Total liabilities	27,127	19,227

With the application of IFRS 16, the overall balance sheet outlook has changed with the recognition of lease liabilities and right-of-use asset having net value of Rs. 3,204 Mn.

Sales Volume 2018



Quarter 3

Profit and Loss	Q3- 2019	Q3- 2018
Net revenue	9,234	8,422
Cost of sales	(6,992)	(6,409)
Gross profit	2,242	2,014
Operating profit	2,203	1,717
Profit before tax	1,731	1,564
Net profit	1,270	1,082

The botton line increased by 17% against the same period last year due to average devaluation of 27% in exchange rates. The positive impact of steep devaluation was capped due to gas price increase in July 2019.

Balance Sheet	Sep 2019	Dec 2018
Total assets	47,386	36,023
Total equity	17,490	16,796
Total liabilities	29,895	19,227

The assets and liabilities of the Company have increased owing to progress in expansion and efficiency capital projects undertaken.

Quarter 4

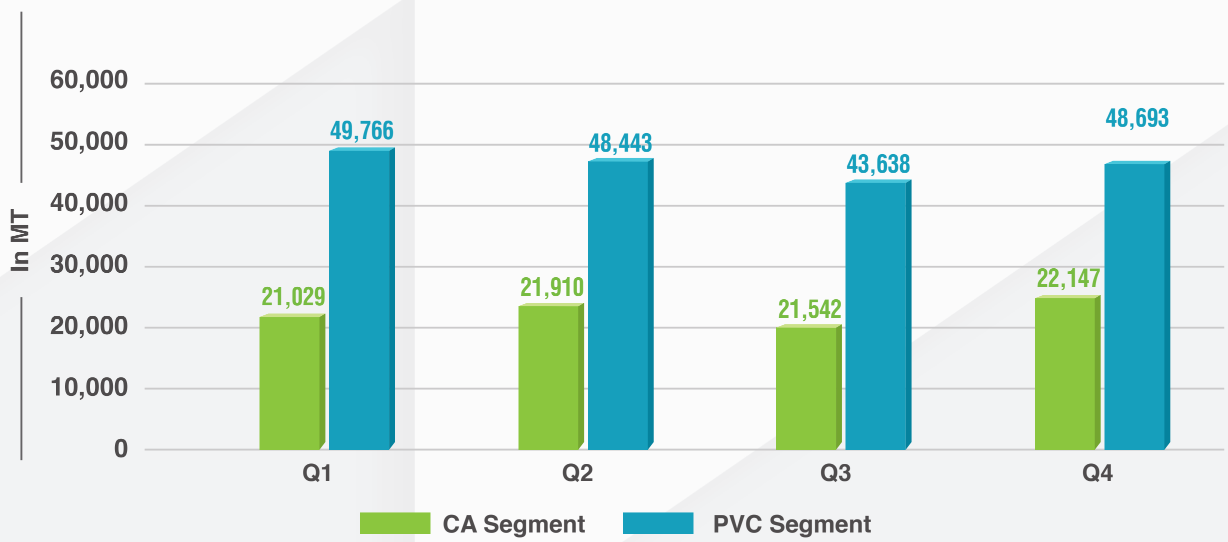
Profit and Loss	Q4- 2019	Q4- 2018
Net revenue	10,002	9,749
Cost of sales	(8,145)	(8,235)
Gross profit	1,857	1,514
Operating profit	1,829	1,650
Profit before tax	1,234	1,496
Net profit	882	1,064

The income generated for Q4-19 has decreased by Rs. 183 Mn. primarily due to the insurance income recognized in respect of business interruption of Rs. 271 Mn. net of tax booked in Q4-2018. However, the profitability derived from the core operations was improved due to higher core delta.

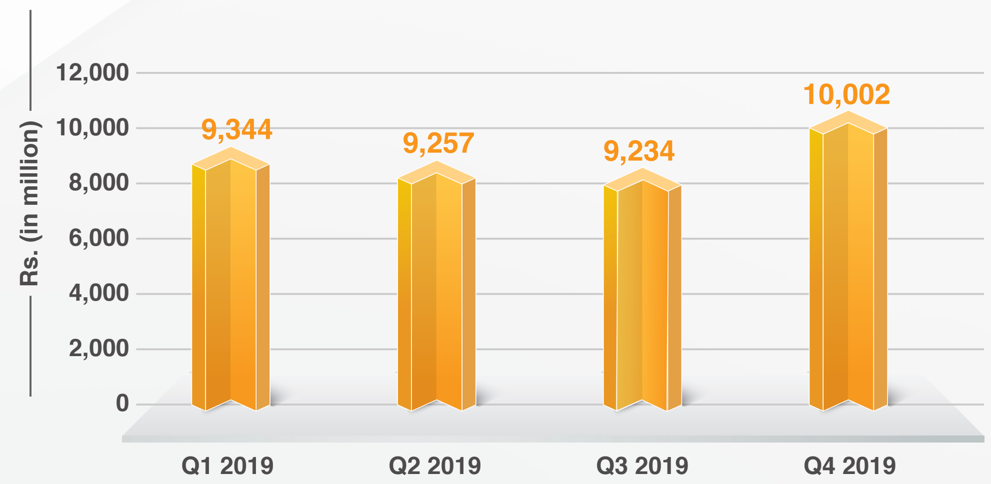
Balance Sheet	Dec 2019	Dec 2018
Total assets	57,519	36,023
Total equity	17,776	16,796
Total liabilities	39,743	19,227

The financial position of the Company has enhanced notably on account of draw down made from IFC of USD 35 Mn. equivalent to Rs. 5,421 Mn. and incurrence of capital expenditures in respect of PVC and VCM debottlenecking Hydrogen peroxide and other efficiency projects of Rs. 13,114 Mn.

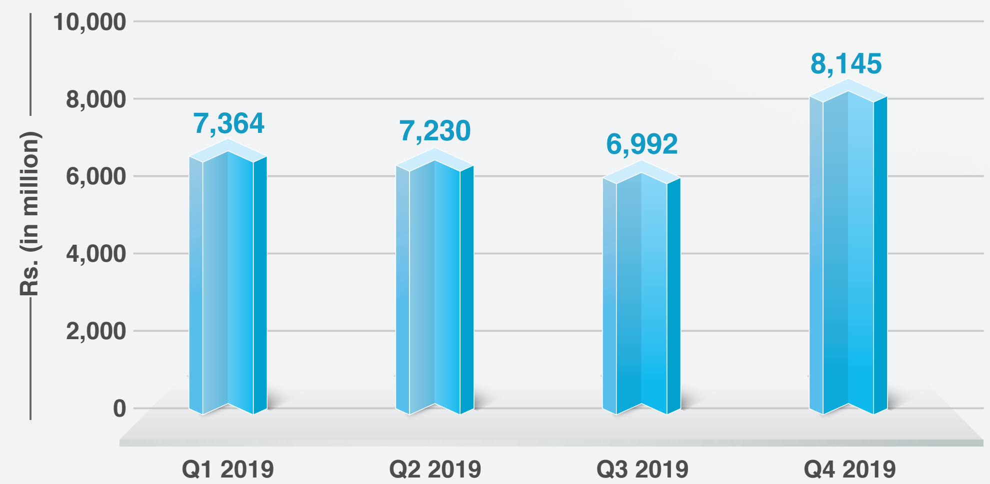
Sales Volume 2019

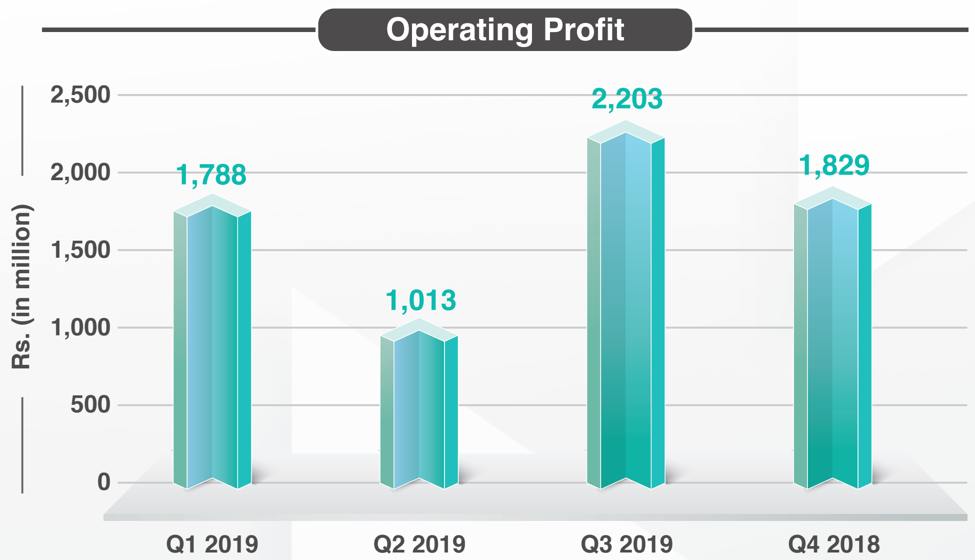


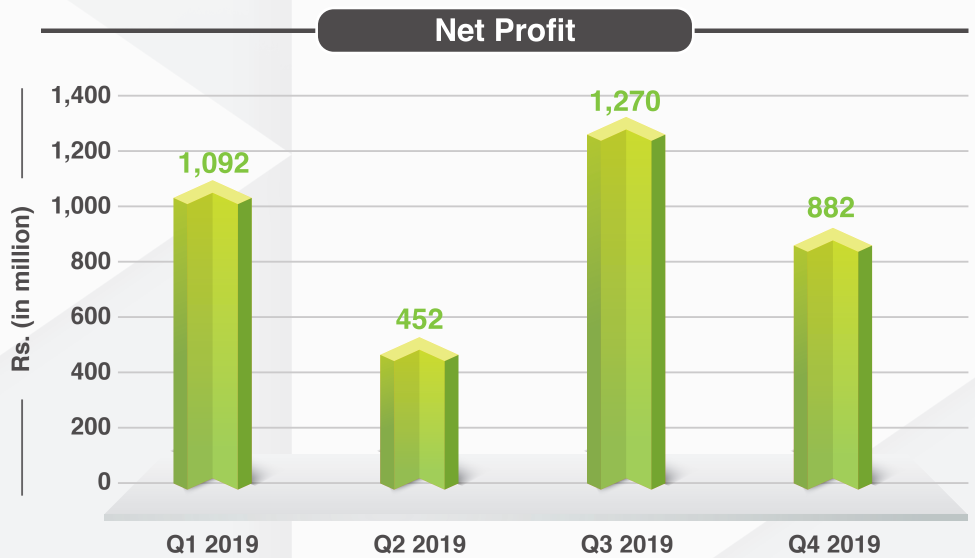
Net Revenue

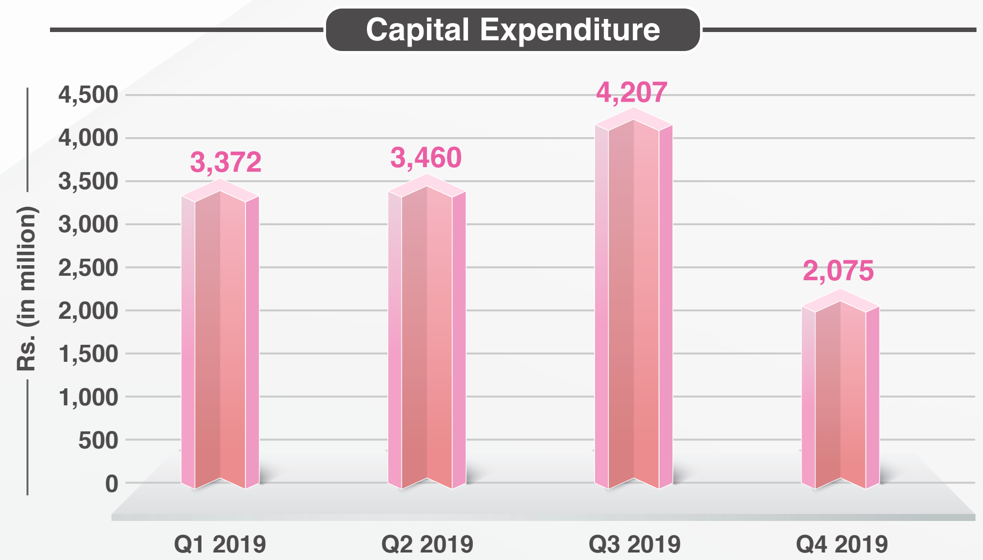


Cost of Sales









analysis of variation in interim accounts with final accounts

The revenue earned by the Company has increased in comparison to last year and remained consistent on a quarter by quarter basis, except for Q4-2019 when the revenue has increased moderately. The upward trajectory in revenue is due to higher foreign exchange rates and increase in sales of PVC in Q4.

The operating profit of the Company which was 19% in Q1 reduced to 11% in Q2 primarily due to the higher raw material costs on account of fluctuation in international prices. However, the operating profit was normalized by the end of the year due to increase in prices and improvement in core delta on account of positive movement in International prices.

Further, these events were occurred which had an impact on the bottom line of the Company in the quarterly and annual reporting:

- Implication of IFRS-16 since Q2-2019 having net loss of Rs. 373 Mn. which towards the end of the year has reduced to Rs. 93 Mn.
- Revision in accounting estimates pertaining to useful life/scrap value of operating assets made a positive contribution of Rs.149 Mn. net of tax.

The net profit after tax followed the same trajectory as operating profit due to the reasons explained above.

segment analysis

The Company is organized into three business segments based on the products as follows:

- **Poly Vinyl Chloride (PVC) and Allied Chemicals:**
  The segment is formed to manufactures and sell PVC and allied chemicals to various industrial customers including pipe manufacturers, shoe and packaging industry. The Company supplies the products throughout Pakistan. Moreover, PVC is also exported to various countries mainly in the Asia region.

  The operating results and net assets of Think PVC (Private) Limited (formerly known as Engro Polymer Trading (Private) Limited) and Engro Plasticizer (Private) Limited are formed part of this segment.

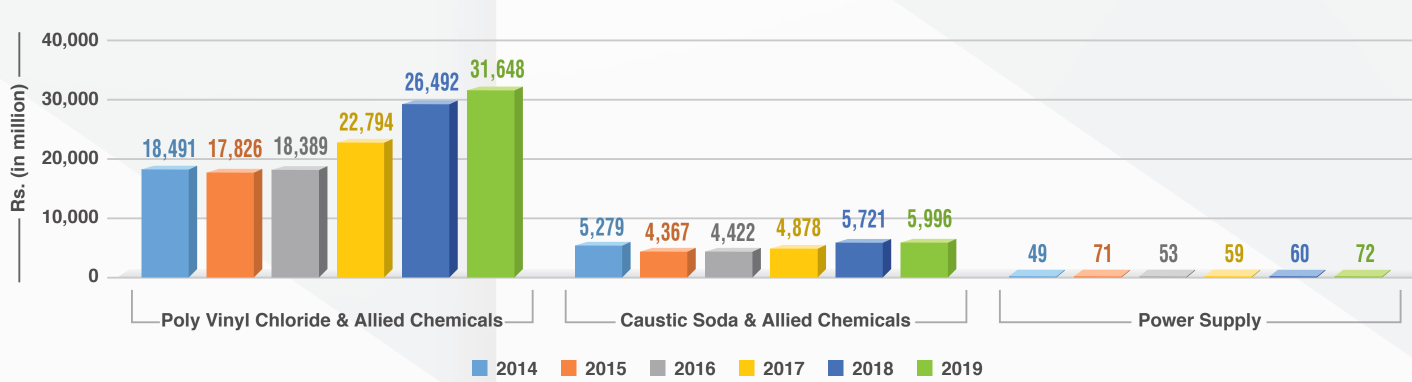
- **Caustic Soda and Allied Chemicals:**
  The segment is formed to manufacture and sell caustic soda and allied chemicals mostly to textile and soap industry.

  The operating results and net assets of Engro Peroxide (Private) Limited are included in it.

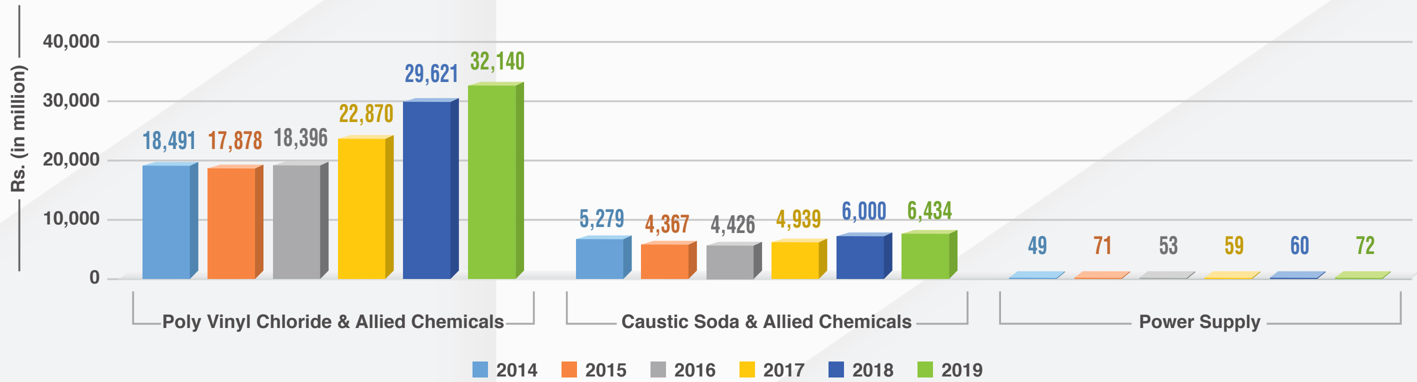
- **Power Supplies:**
  The segment supplies surplus power generated from its power plants to Engro Fertilizers Limited.

The quantative and qualitative segmental analysis are explained in director's report.

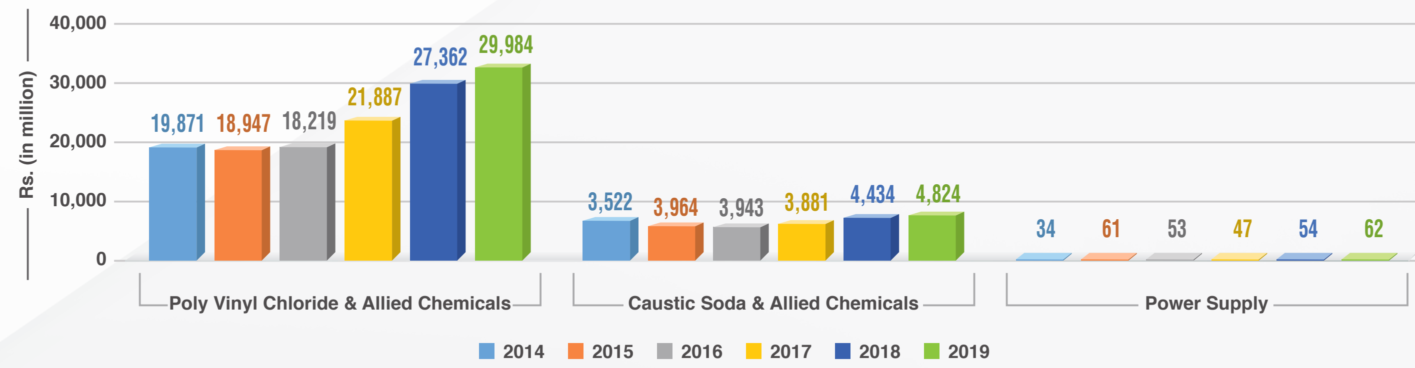
Revenue Analysis



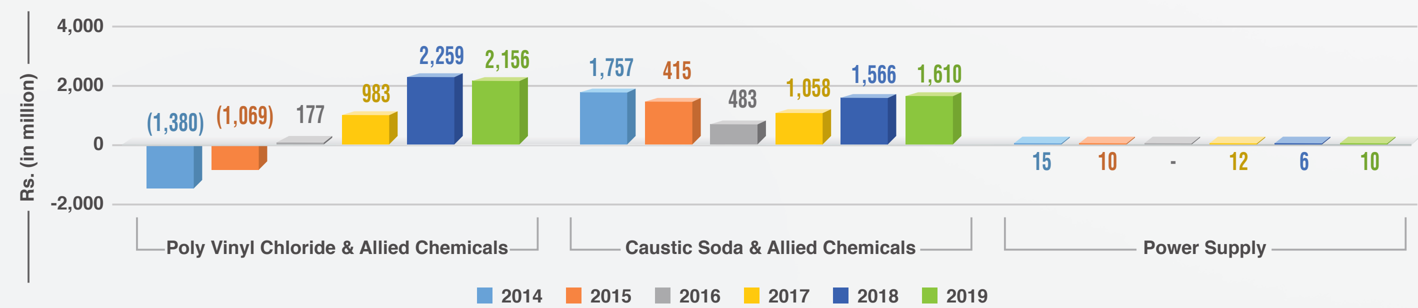
Total Revenue Analysis



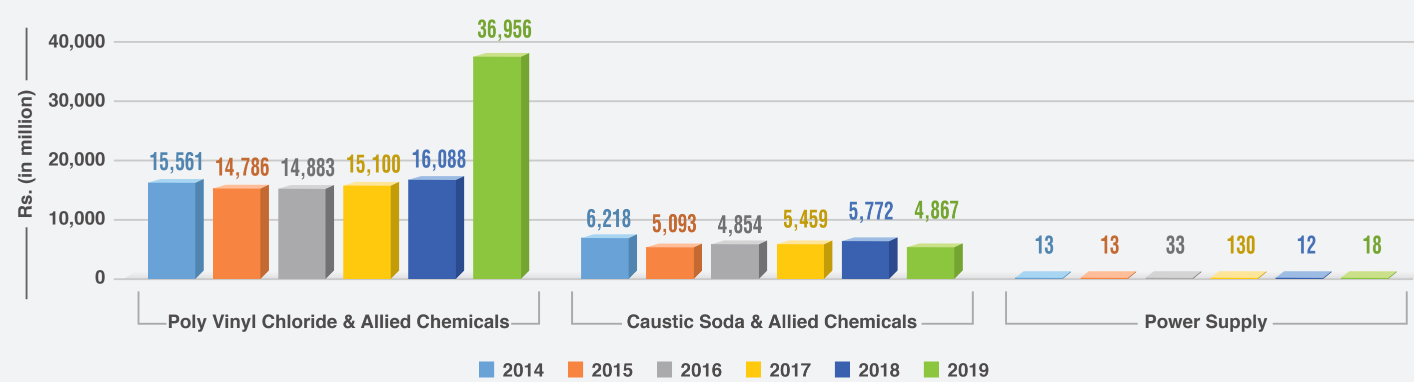
Total Cost Analysis



Profit Analysis



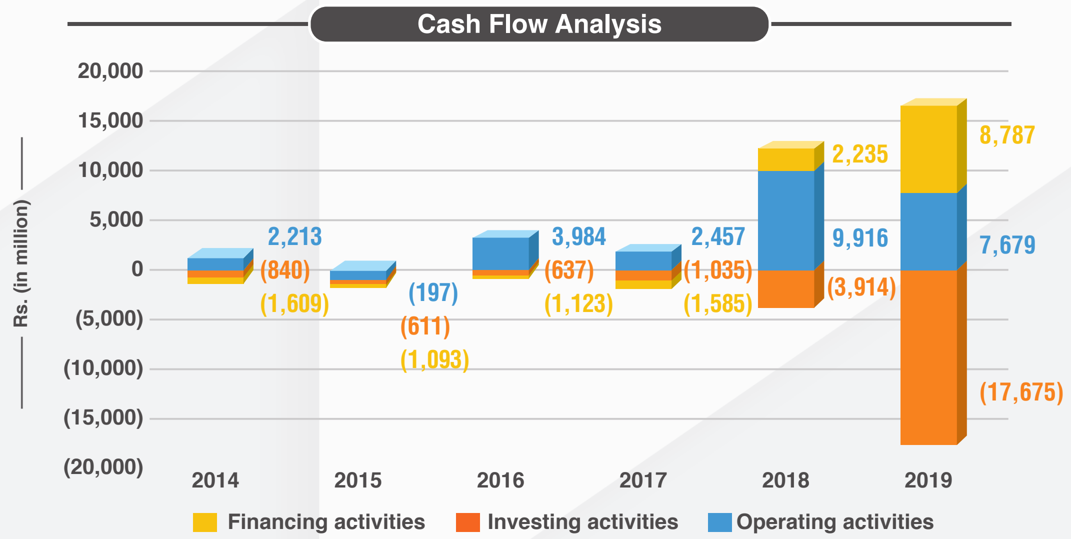
Assets Analysis



cash flow statements - direct method

(amounts in million)

	2019	2018	2017	2016	2015	2014
Cash flows from customers	37,799	35,347	27,671	22,835	22,382	23,789
Cash payments to suppliers and others	(28,807)	(24,989)	(24,937)	(18,528)	(22,153)	(20,984)
Cash generated from operations	8,992	10,358	2,734	4,307	229	2,805
Long-term loans and advances	12	(9)	(6)	(4)	-	(14)
Retirement benefits paid	(45)	(155)	(104)	(138)	(162)	(120)
Income tax paid	(1,280)	(278)	(167)	(181)	(264)	(458)
Net cash flow from operating activities	**7,679**	**9,916**	**2,457**	**3,984**	**(197)**	**2,213**
Purchase of operating assets and intangibles	(13,114)	(4,260)	(1,093)	(645)	(661)	(1,052)
Proceeds from disposal of operating assets	3	-	9	7	11	12
Proceeds from short-term investments	-		-	-	-	171
Investment in Term Deposit Receipt	(5,421)	-	-	-	-	-
Income on investments and bank deposits	857	346	49	1	39	29
Net cash flow from investing activities	**(17,675)**	**(3,914)**	**(1,035)**	**(637)**	**(611)**	**(840)**
Proceeds from long-term borrowings	19,367	-	3,000	6,600	2,150	1,700
Proceeds from short-term borrowings	-	-	-	-	750	300
Repayments of long-term borrowings	(7,500)	(1,250)	(3,417)	(5,796)	(2,998)	(2,254)
Repayments of short-term borrowings	-	-	(300)	(1,050)	-	(300)
Issue of share capital	-	5,365	-	-	-	-
Finance costs	(999)	(638)	(607)	(877)	(995)	(1,055)
Rentals paid	(1,241)	-	-	-	-	-
Dividend	(840)	(1,242)	(261)	-	-	-
Net cash flow from financing activities	**8,787**	**2,235**	**(1,585)**	**(1,123)**	**(1,093)**	**(1,609)**
Net (decrease) / increase in cash and cash equivalents	**(1,209)**	**8,237**	**(163)**	**2,224**	**(1,901)**	**(236)**
Cash and cash equivalents at beginning of the year	**9,160**	**923**	**1,086**	**(1,138)**	**763**	**999**
Cash and cash equivalents at end of the year	**7,951**	**9,160**	**923**	**1,086**	**(1,138)**	**763**



vertical and horizontal analysis
consolidated statement of profit or loss

(amounts in million)

	2019	2018	2017	2016	2015	2014
Net revenue	37,837	35,272	27,731	22,854	22,264	23,819
Cost of sales	(29,731)	(27,663)	(22,582)	(19,780)	(20,390)	(23,070)
Gross profit	**8,106**	**7,609**	**5,148**	**3,074**	**1,874**	**749**
Distribution and marketing expenses	(392)	(385)	(411)	(319)	(312)	(356)
Administrative expenses	(570)	(577)	(584)	(519)	(515)	(628)
Other expenses	(1,241)	(827)	(356)	(150)	(326)	(310)
Other income	930	1,249	138	21	63	82
Operating profit / (loss)	**6,833**	**7,069**	**3,935**	**2,107**	**784**	**(463)**
Finance costs	(1,794)	(606)	(820)	(920)	(1,144)	(1,065)
Profit / (loss) before taxation	**5,039**	**6,463**	**3,115**	**1,187**	**(360)**	**(1,528)**
Taxation	(1,343)	(1,533)	(1,062)	(527)	(284)	419
Profit / (loss) for the year	**3,696**	**4,930**	**2,053**	**660**	**(644)**	**(1,109)**

Vertical Analysis	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Net revenue	100%	100%	100%	100%	100%	100%
Cost of sales	(79%)	(78%)	(81%)	(87%)	(92%)	(97%)
Gross profit	21%	22%	19%	13%	8%	3%
Distribution and marketing expenses	(1%)	(1%)	(1%)	(1%)	(1%)	(1%)
Administrative expenses	(2%	(2%)	(2%)	(2%)	(2%)	(3%)
Other expenses	(3%)	(2%)	(1%)	(1%)	(1%)	(1%)
Other income	2%	4%	0%	0%	0%	0%
Operating profit / (loss)	18%	20%	14%	9%	4%	(2%)
Finance costs	(5%)	(2%)	(3%)	(4%)	(5%)	(4%)
Profit / (loss) before taxation	13%	18%	11%	5%	(2%)	(6%)
Taxation	(4%)	(4%)	(4%)	(2%)	(1%)	2%
Profit / (loss) for the year	10%	14%	7%	3%	(3%)	(5%)

Horizontal Analysis Increase / (decrease)	**2019 Over 2018**	**2018 Over 2017**	**2017 Over 2016**	**2016 Over 2015**	**2015 Over 2014**	**2014 Over 2013**
Net revenue	7%	27%	21%	3%	(7%)	(7%)
Cost of sales	7%	22%	14%	(3%)	(12%)	17%
Gross profit	7%	48%	67%	64%	150%	(85%)
Distribution and marketing expenses	2%	(6%)	29%	2%	(12%)	(74%)
Administrative expenses	(1%)	(1%)	13%	1%	(18%)	4%
Other expenses	50%	132%	137%	(54%)	5%	(40%)
Other income	(26%)	805%	557%	(67%)	(23%)	(71%)
Operating profit / (loss)	(3%)	80%	87%	169%	(269%)	0%
Finance costs	196%	(26%)	(11%)	(20%)	7%	(22%)
Profit / (loss) before taxation	(22%)	107%	162%	(430%)	(76%)	(214%)
Taxation	(12%)	44%	102%	86%	(168%)	(167%)
Profit / (loss) for the year	(25%)	140%	211%	(202%)	(42%)	(255%)

vertical and horizontal analysis
consolidated statement financial position

	2019	2018	2017	2016	2015	2014
Assets						
Non-current assets	39,869	19,589	16,203	16,719	17,314	18,008
Current assets	17,650	16,434	8,161	7,702	6,898	8,329
Total assets	57,519	36,023	24,364	24,421	24,212	26,337
Equity and liabilities						
Equity	17,776	16,796	7,760	6,004	5,334	5,965
Non-current liabilities	23,933	7,890	8,750	8,750	5,280	6,143
Current liabilities	15,810	11,337	7,854	9,667	13,598	14,229
Total equity and liabilities	57,519	36,023	24,364	24,421	24,212	26,337

Vertical Analysis	2019	2018	2017	2016	2015	2014
Assets						
Non-current assets	69%	54%	67%	68%	72%	68%
Current assets	31%	46%	33%	32%	28%	32%
Total assets	100%	100%	100%	100%	100%	100%
Equity and liabilities						
Equity	31%	47%	32%	25%	22%	23%
Non-current liabilities	42%	22%	36%	36%	22%	23%
Current liabilities	27%	31%	32%	40%	56%	54%
Total equity & liabilities	100%	100%	100%	100%	100%	100%

Horizontal Analysis Increase / (decrease)	2019 over 2018	2018 over 2017	2017 over 2016	2016 over 2015	2015 over 2014	2014 over 2013
Assets						
Non-current assets	104%	21%	-3%	-3%	-4%	2%
Current assets	7%	101%	6%	12%	-17%	8%
Total assets	60%	48%	0%	1%	-8%	4%
Equity and liabilities						
Equity	6%	116%	29%	13%	-11%	-15%
Non-current liabilities	203%	-10%	0%	66%	-14%	-19%
Current liabilities	39%	44%	-19%	-29%	-4%	32%
Total equity & liabilities	60%	48%	0%	1%	-8%	4%

key financial ratios

Investor Information	Unit	2019	2018	2017	2016	2015	2014
Profitability Ratios							
Gross profit ratio	%	21.42	21.57	18.57	13.45	8.42	3.14
Cost/income ratio	%	82.37	80.64	85.88	90.79	96.49	101.94
Net profit /(loss) to sales	%	9.77	13.98	7.40	2.89	(2.89)	(4.66)
EBITDA	Rs. in Mn	8,352	8,044	4,879	2,985	2,068	774
EBITDA to sales	%	22.07	22.81	17.59	13.06	9.29	3.25
Operating leverage ratio	No. of times	0.53	2.39	2.97	16.73	(25.61)	20.66
Return on equity	%	20.79	29.35	26.46	10.99	(12.07)	(18.59)
Return on capital employed	%	11.13	23.93	13.13	5.20	(5.67)	(8.30)
Liquidity Ratios							
Cash flow from operations to sales	No. of times	0.24	0.29	0.10	0.19	0.01	0.12
Cash to current liabilities	No. of times	0.50	0.81	0.12	0.11	0.08	0.05
Current ratio	No. of times	1.12	1.45	1.04	0.80	0.51	0.59
Quick ratio	No. of times	0.74	1.00	0.37	0.32	0.18	0.21
Capital Structure							
Interest cover ratio	No. of times	3.81	11.67	4.80	2.29	0.69	(0.43)
Long-term debt to equity ratio	%	57:43	31:69	49:51	59:41	50:50	51.49
Long-term debt to equity ratio at market value	%	44:56	18:82	28:72	42:58	43:57	51.49
Weighted average cost of debt	%	9.45	7.57	8.70	7.52	8.66	11.61
Financial leverage	%	152.33	44.65	96.65	145.74	156.11	162.87
Price to book ratio	Rs.	0.53	0.94	0.78	0.50	0.29	0.30
Earning assets to total assets	%	92.68	94.75	93.26	90.71	89.36	89.66
Net assets per share	Rs.	19.56	18.48	11.70	9.06	8.05	9.00
Activity/Turnover Ratios							
Fixed assets turnover	No. of times	1.20	1.82	1.73	1.43	1.37	1.41
Total assets turnover	No. of times	0.66	0.98	1.14	0.94	0.92	0.90
Inventory turnover days	No.of days	48.39	47.91	54.19	55.04	61.21	56.55
Inventory turnover	No. of times	0.13	0.13	0.15	0.15	0.17	0.15
Debtor turnover days	No.of days	3.71	4.19	5.41	6.14	7.54	8.18
Debtor turnover	No. of times	0.01	0.01	0.01	0.02	0.02	0.02
Creditor turnover days	No.of days	66.48	55.56	95.50	158.40	192.91	165.00
Creditor turnover	No. of times	0.18	0.15	0.26	0.43	0.53	0.45
Operating cycle	No.of days	(14.37)	(3.46)	(35.90)	(97.22)	(124.15)	(100.27)
Investment/Market Ratios							
Number of outstanding shares at year end	No. in Mn	909	909	663.00	663	663	663
Earnings per share - basic and diluted	Rs.	4.07	6.22	2.93	0.99	(0.97)	(1.67)
Price earning ratio	No. of times	8.16	5.97	9.75	18.65	(10.76)	(7.19)
Market value per share (at the end of the year)	Rs.	33.21	37.14	28.56	18.46	10.44	12.00
Market value per share (highest during the year)	Rs.	41.84	40.73	39.71	19.00	14.14	17.25
Market value per share (lowest during the year)	Rs.	20.93	25.49	18.11	8.20	7.91	10.65
Break-up value per share	Rs.	19.56	18.48	11.70	9.06	8.05	9.00
Break-up value with investments at market value	Rs.	19.56	18.48	11.70	9.06	8.05	9.00
Dividend per share	Rs.	0.80	1.10	1.25	-	-	-
Dividend payout ratio	%	19.66	17.68	42.66	-	-	-
Dividend cover ratio	No. of times	5.09	5.65	2.34	-	-	-
Dividend yield ratio	%	2.00	3.00	4.00	-	-	-

financial statements analysis with graphical presentation

Non-current Assets

Non-current assets of the Company have increased by Rs. 20,280 Mn against last year i.e. by 104%. The increase is mainly attributable to diversified range of CAPEX being undertaken by the Company which include PVC III and VCM debottlenecking and other operational efficiency and reliability projects.

Further, the Company has made investment in dollar denominated Term Deposit Receipt having equivalent value of Rs. 5,421 Mn. during the year.

Trend analysis:
Over the period of six years, the non-current assets of the Company have been continuing to increase owing to a diversified range of expansion projects being undertaken to achieve productivity and efficiency.

Current Assets

The net increase in current assets amounts to Rs. 1,216 Mn. over last year is majorly due to availability of excess cash owing to draw-down of debts, which is yet to be utilized in PVC/VCM Expansion project. Meanwhile, the cash is being invested in short-term instruments in line with Board's approved investment policy to maximize the returns.

Trend analysis:
The current assets have grown up over the period from Rs. 8,329 Mn. to 17,650 Mn. on account of increase in cash which will be utilized going forward in various capital expenditure projects.

Shareholders' equity

Share holders' equity showed a positive change i.e. an increase of Rs. 980 Mn.

The variation is attributed to the following events:

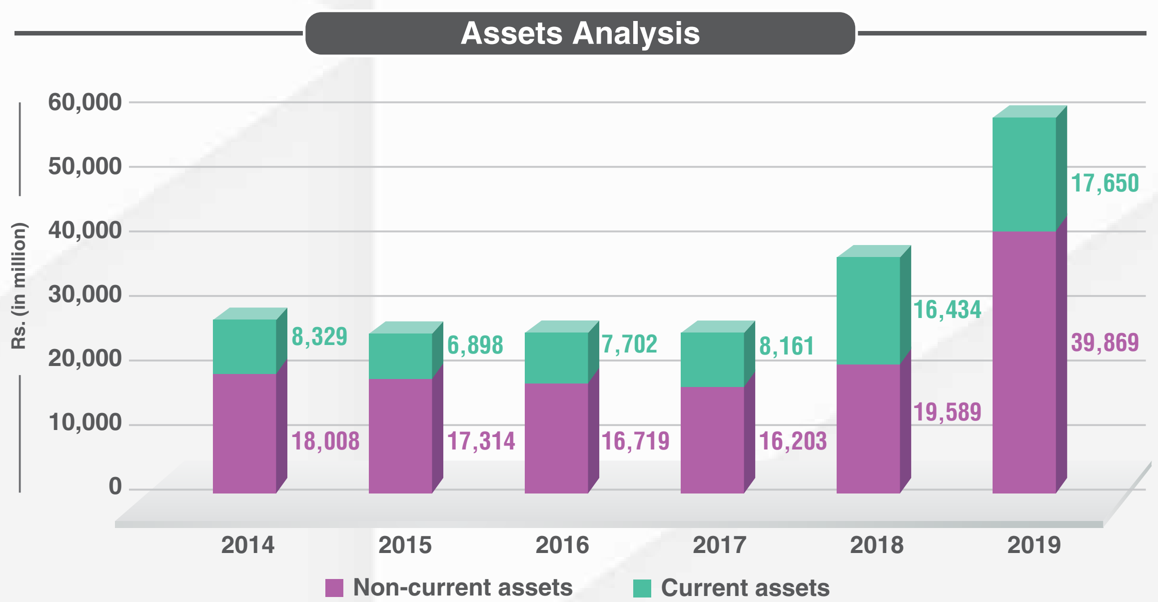
1. The Company adjusted its equity by Rs. 1,898 Mn. in order to implement IFRS-16 "Leases".
2. Net profit reported for the year was Rs. 3,696 Mn. which has dropped by Rs. 1,234 Mn. mainly because the one-off positive impacts accounted for in the previous year amounted to Rs. 1,099 Mn., in respect of reversal of MTOT and insurance income.
3. Profit appropriation made during the year was Rs. 818 Mn. against Rs. 1,258 Mn in corresponding year.

Trend analysis:
Equity has been constantly increasing from Rs. 5,965 Mn. to Rs. 17,776 Mn. due to right shares issued in 2018 of Rs. 5,365 Mn. and improvement in Company's performance from 2016 onwards.

Non-current Liabilities

Non-current liabilities have raised significantly by Rs. 16,043 Mn. due to these events took place during the year:

1. Drawdown from International Finance Corporation (IFC) of USD 35 Mn. equivalent to Rs. 5,343 Mn.
2. Proceeds received under Musharaka Agreement with Dubai Islamic Bank Pakistan Limited of Rs. 5,422 Mn.
3. Long-term portion of lease liabilities recognized under IFRS-16 of Rs. 4,544 Mn.

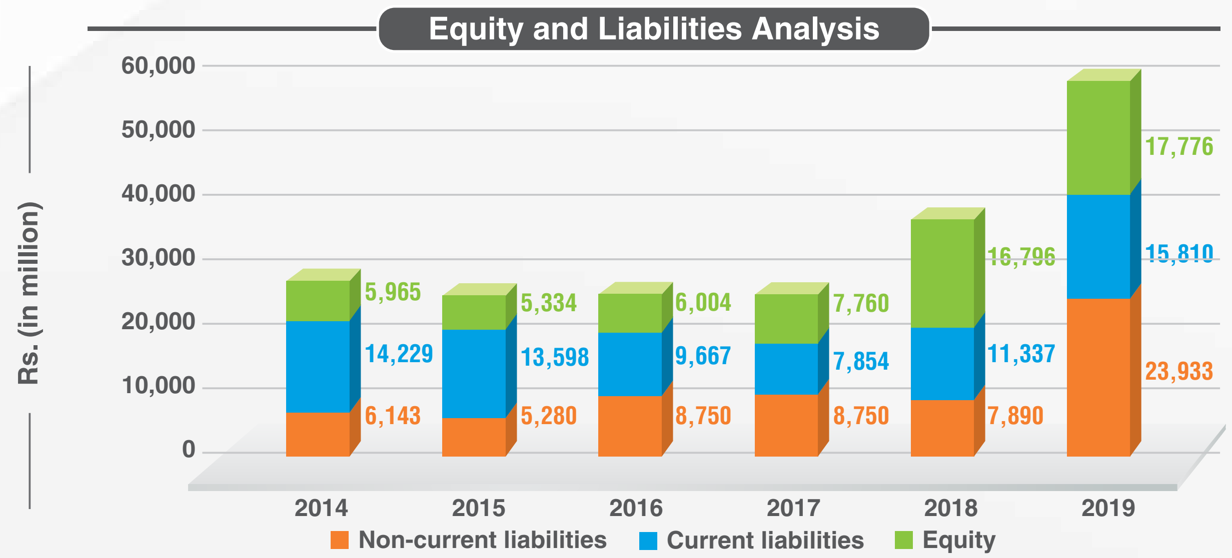


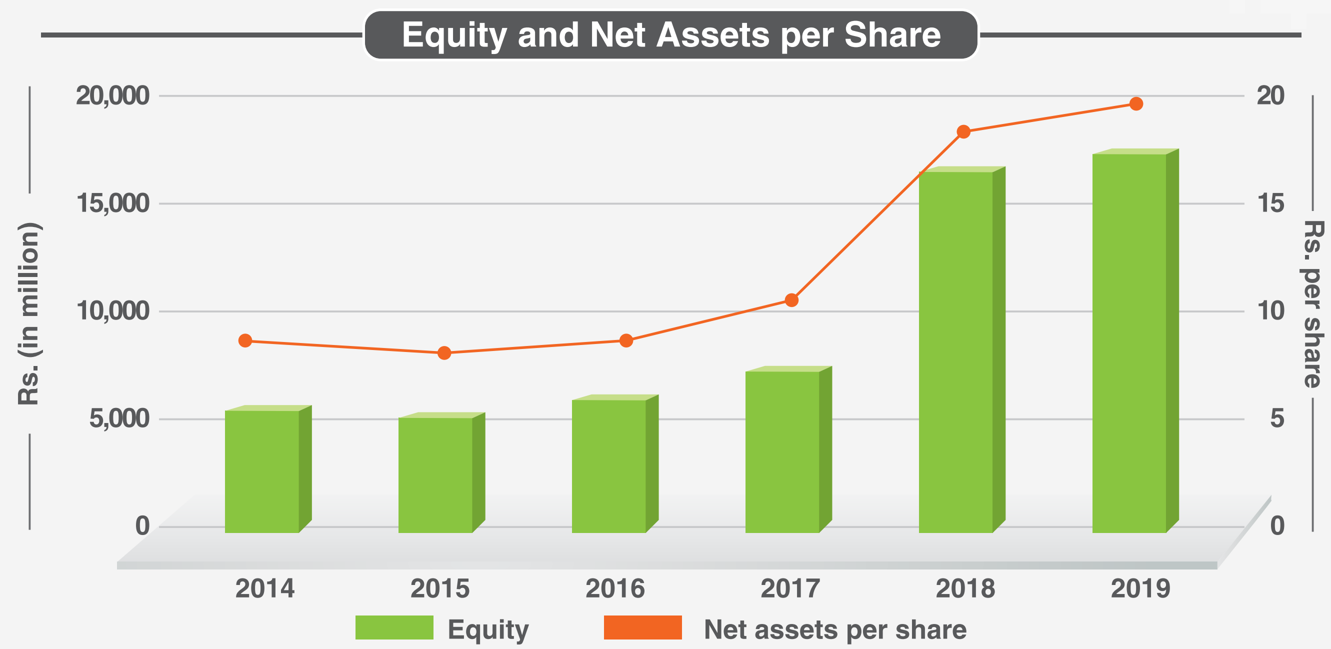
Trend analysis:
The increasing movement in non-current liabilities, were brought down in 2016 through reprofiling the debt structure. But, these have again increased in 2019 owing to expenditures being made in respect of capital projects.

Current Liabilities

Current liabilities stood at Rs. 15,810 Mn. as at the balance sheet date against Rs. 11,337 as at December 31, 2018 i.e. an increase of Rs. 4,473 Mn. The increase can be majorly attributed to utilization of short-term financing facilities of Rs. 2,159 Mn., incremental provisioning of Gas Infrastructure Development Cess (GIDC) of Rs. 1,019 Mn. and recognition of current maturity of lease liabilities recognized under IFRS-16 of Rs. 988 Mn. Further, the increase in long-term and short-term borrowings have increased borrowing cost of the Company and consequently the interest due as on December 31, 2019 was Rs. 366 Mn.

Trend analysis:
On account of liquidity issues in the preceding years, the current liabilities of the Company were up in 2014 and 2015. Thereafter, it began to reduce till 2018 when the management had prudently handled these crunches. Since 2018, the increase in current liabilities is observed due to recorded payable on account of capex related procurement, recognition of lease liabilities and short-term borrowing drawn.





profitability analysis

Revenue

The top-line of the Company increased by 7.27% YoY which stems from favorable pricing prevailed during the year. Further, the increment is observed due to addition of caustic flake in the product line. However, the increase has been partly offset by slow down in economic activity eventually affecting the demand.

Trend analysis:
The Company's revenue is moving in the upward direction year by year except for the year 2015 when the Company had faced reduction owing to the sharp decline in PVC prices in the international market. The increase in revenue is primarily attributable to increase in PVC volumes and favorable exchange rates.

Cost of Sales

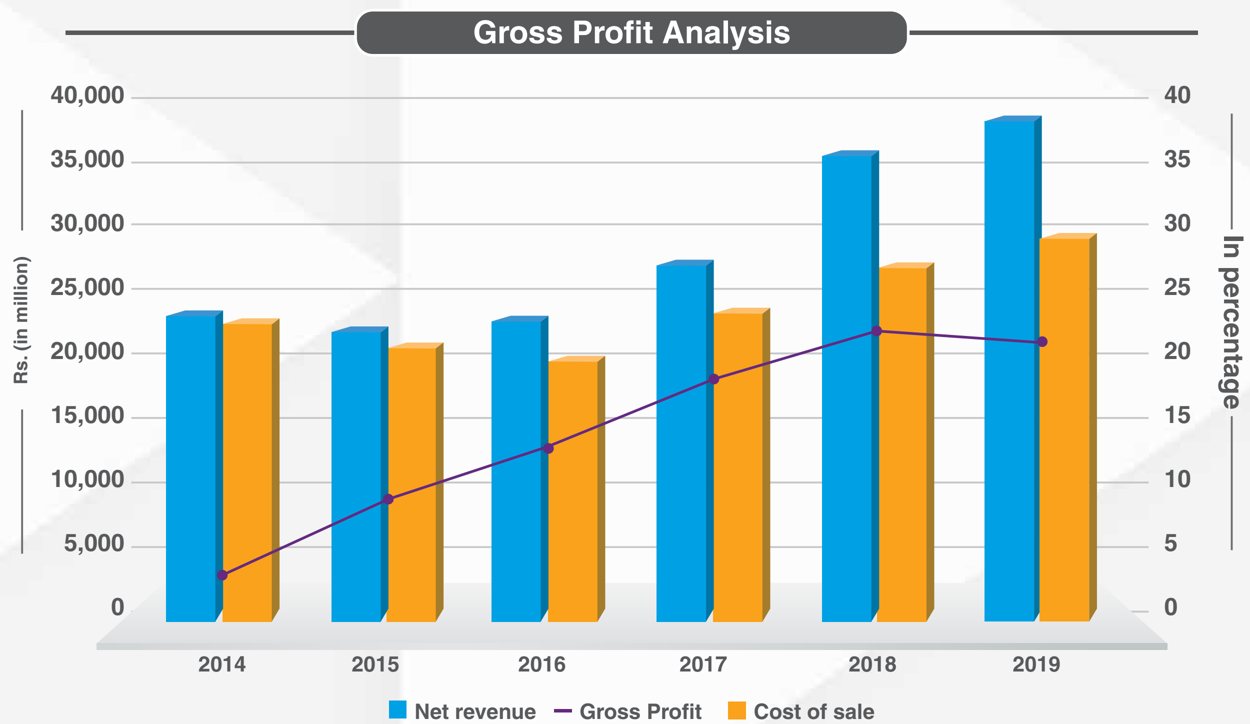
Cost of sales have increased by Rs. 2,068 Mn owing primarily to increase in natural gas prices by 31%. Whereas, the net impact of favorable exchange rates and lowered raw material prices have partly off-setted the increase in gas prices.

Trend analysis:
Over the period, the fluctuation in raw materials prices, increase in gas prices, favorable foreign exchange rates and declining demand have kept upward pressure on the cost of sales of the Company.

Gross Profit

The gross profit margin relies on many factors such as international PVC and ethylene prices, gas prices and currency fluctuations. Despite of the varrying behavior of these variables, the Company has managed to increase gross profit by Rs. 497 Mn.

Trend analysis:
The gross profitability of the Company has increased significantly showing turnaround of the Company which was primarily driven by enhanced sales volume and improvement in margins on account of various efficiency projects undertaken by the Company and favorable international market dynamics.



Other Income:

The other income earned from financial assets have increased from Rs. 346 Mn. in 2018 to Rs. 857 Mn. The increase is mainly attributed to increase in average cash availability along with higher interest rates. Whereas, the non-financial income has reduced from the prior year due to insurance income recognized of Rs. 841Mn in respect to business interruption.

Trend analysis:
Other income increased considerably in 2018 due to one off insurance claim recognized of Rs. 841 Mn. Keeping this impact aside, the interest income has been constantly increasing due to effective utilization of surplus funds along with favorable movement in interest rates.

Finance Costs

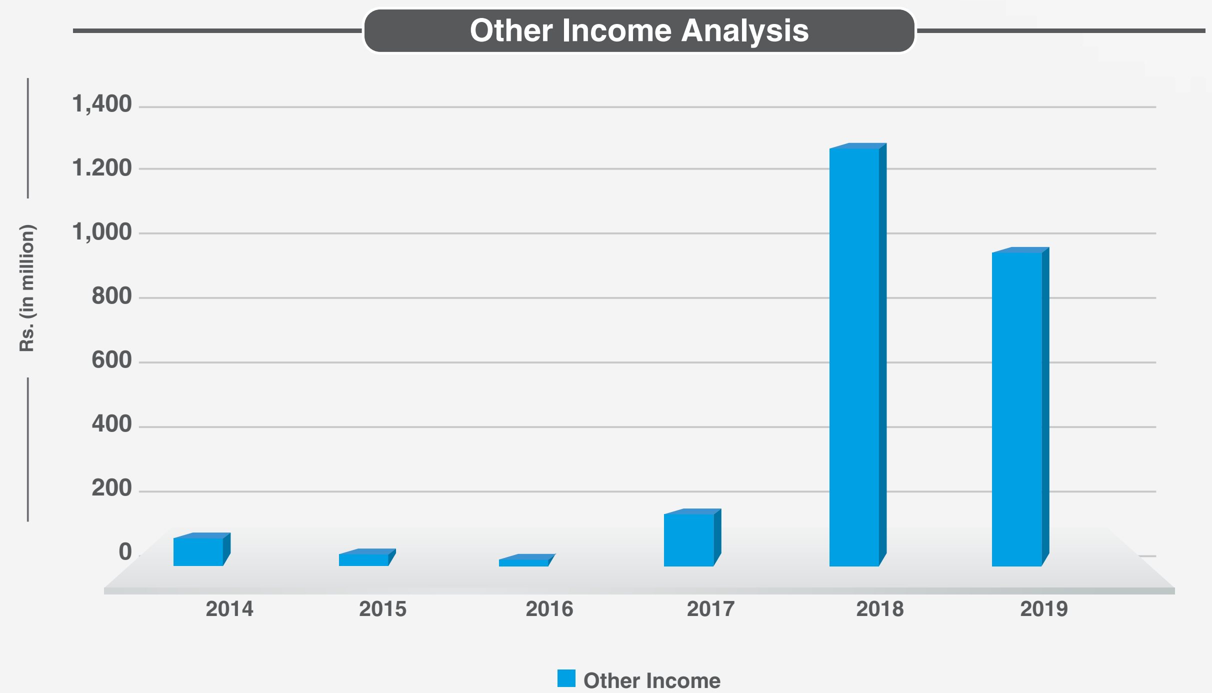
Finance costs have increased by Rs. 1,188 Mn. during the year on account of increase in borrowing lines and interest rates prevailed during the tenor. Further, the interest accrued on lease liabilities under IFRS-16 was of Rs 333 Mn.

Trend analysis:
Finance cost of the Company have kept on changing with the change in borrowings and interest rates.

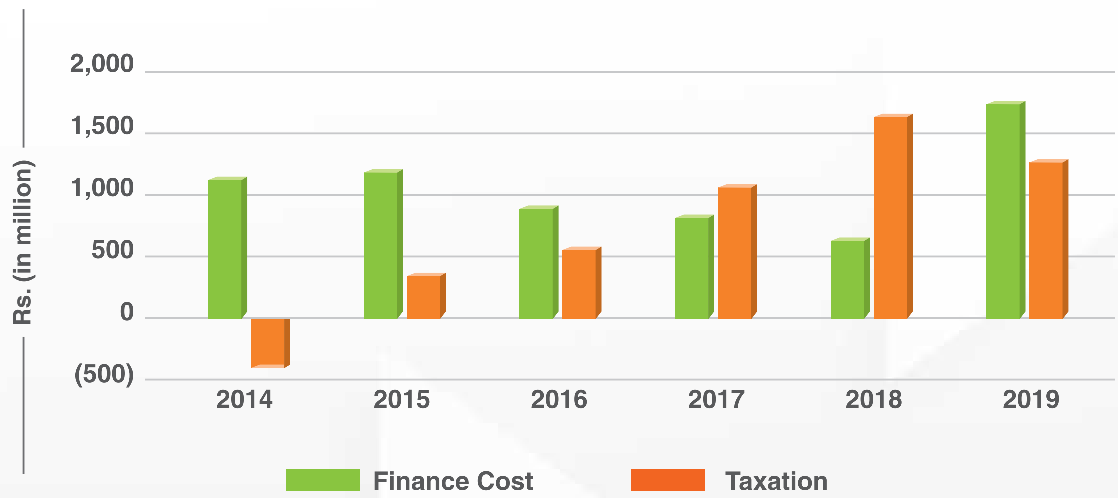
Taxation

Tax charge, being a function of profitability, so the profitability of the Company, subject to taxation, has reduced by 25% from the last year, eventually decreasing the tax charge for the year.

Trend analysis:
Taxation being the function of profitability, hence tends to vary accordingly with it.



Finance Cost and Taxation



ratio analysis

Profitability Ratios

The gross profit ratio for the year has remained in line with last year. However, the net profitability ratio has declined from last year i.e. from 13.98% to 9.77% owing to the application of IFRS-16, incurrence of higher financial costs and one-off incomes in preceding period in respect of insurance claim and MTOT reversal.

Trend analysis:
The gross profit and net profit ratio have increased considerably from 3% to 21% and 4.66%-ve to 9.77% respectively from 2014 to 2019 primarily because of volumetric increase which stems from the capitalization of debottlenecking and expansion projects and improvement in international market dynamics.

Liquidity Analysis

Liquidity ratios for the year 2019 have shown significant improvement since 2014 but slightly declined from 2018 owing to recognition of current portion of lease liabilities and drawdown of short-term borrowings.

Trend analysis:
The current and quick asset ratios for the year 2014 and 2015 were ranged in between 0.5 to 0.6 times and 0.18 to 0.21 times respectively primarily due to the cash flow issues on account of lowered profitability, with which the Company recouped from 2016. Since then, the balance outlook has improved eventually improving these ratios to 1.12 and 0.74 in 2019.

Capital Structure Ratios

The Company's balance sheet is presently carrying long-term borrowings more than the equity in the composition of 57:43 respectively as against 31:69 in the prior year. This increase has been observed because of the capital projects being undertaken by the Company. Further, the recognition of lease liabilities under IFRS-16 in the current year has made addition to this line item.

Trend analysis:
In the year 2014 and 2015, the capital structure i.e. long-term debt and equity, of the Company was at par owing to the effects of backward integration projects undertaken in these years. Thereafter, it has begun till 2019 when the external borrowings were obtained to finance capital intensive projects.

Investment / Market Ratios

EPS for the current year is Rs. 4.07 per share as compared to Rs. 6.22 per share in the previous year. EPS for 2019 is lower vs. 2018 due to one-off items recorded in 2018.

Average market value per share has traded in between from Rs. 29.93 per share to Rs. 41.84 per share whereas the closing price was Rs. 33.21 per share.

Breakup value per share has been on a rising trend due to increase in retained earnings mainly on account of higher profitability.

Trend analysis:
These ratios depend on the internal performance of the Company and external market dynamics. Since these factors have kept on changing, in response the ratios behaved accordingly.

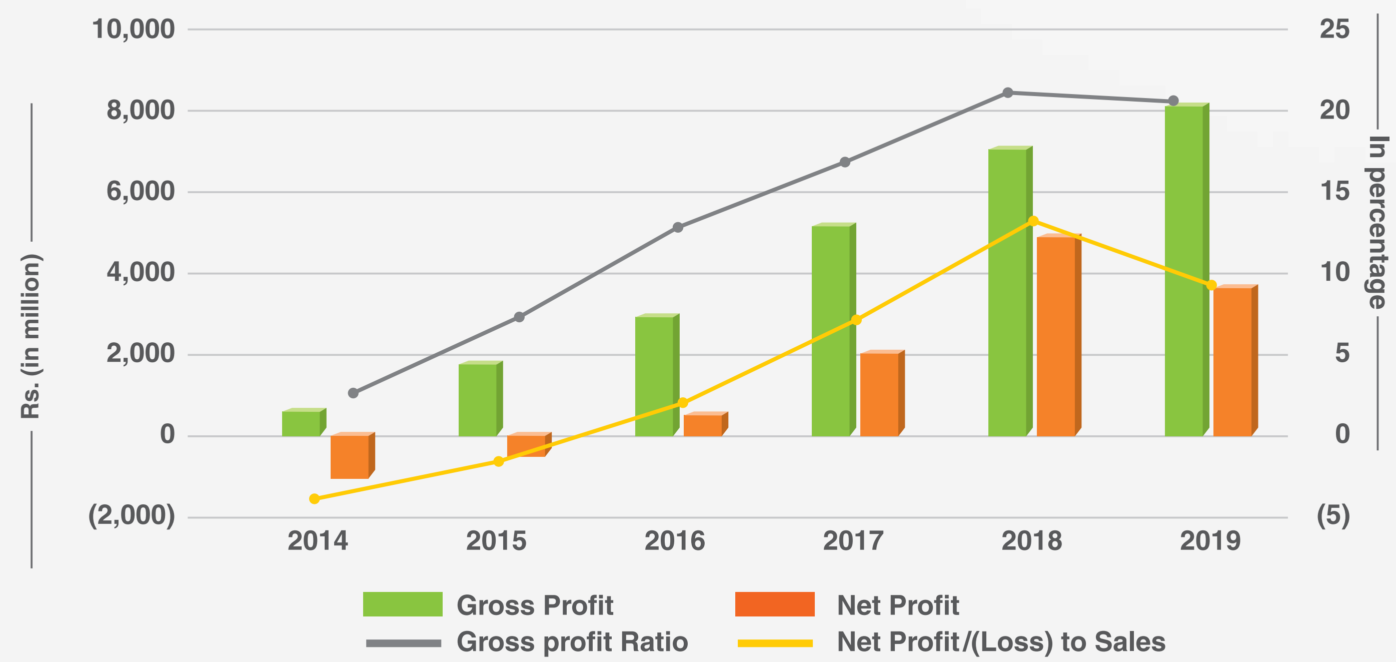
Activity / Turnover Ratios

The inventory and debtor turnover days have remained in line with year. Whereas, the creditor turnover days have increased to 67 days as compared to 56 days in 2018 due to increase in average creditors balance. The Company's operating cycle thus recorded at negative 14 days as against 3 days in 2018.

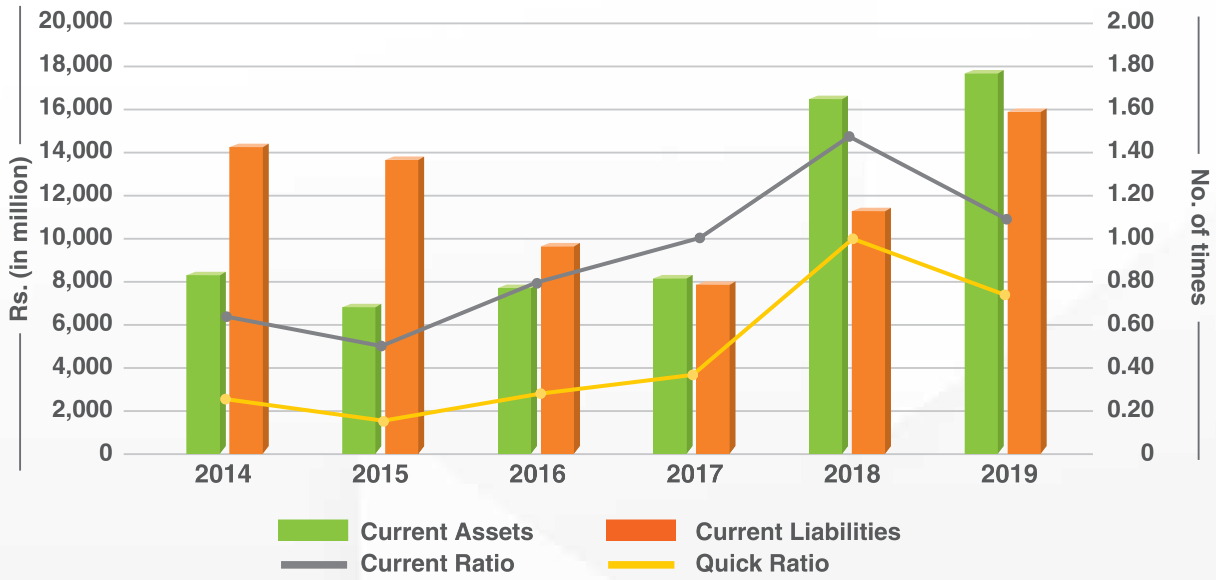
Trend analysis:
The inventory and debtors' turnover days has continued to improve from 61 to 48 days and 8 to 4 days depicting strong products' demand and efficient debtors' management controls respectively.

Whereas, the creditor days varied from 192 to 56 days owing to liquidity issues faced in the year 2014 and 2015 from which the Company recovered in the subsequent years and eventually resulted in normalization of creditors' days

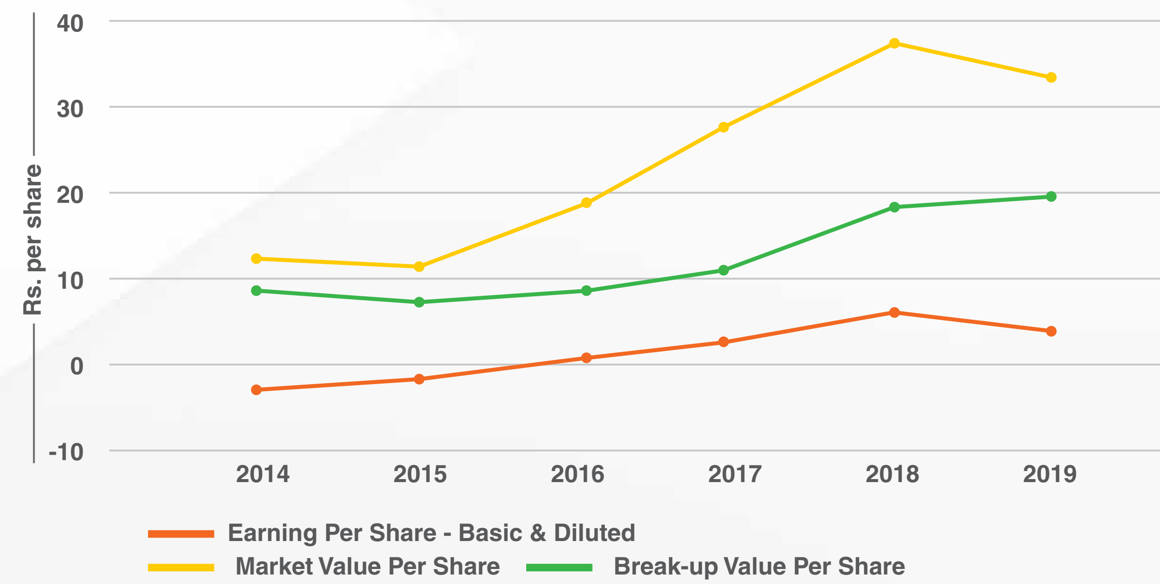
Profitability Analysis



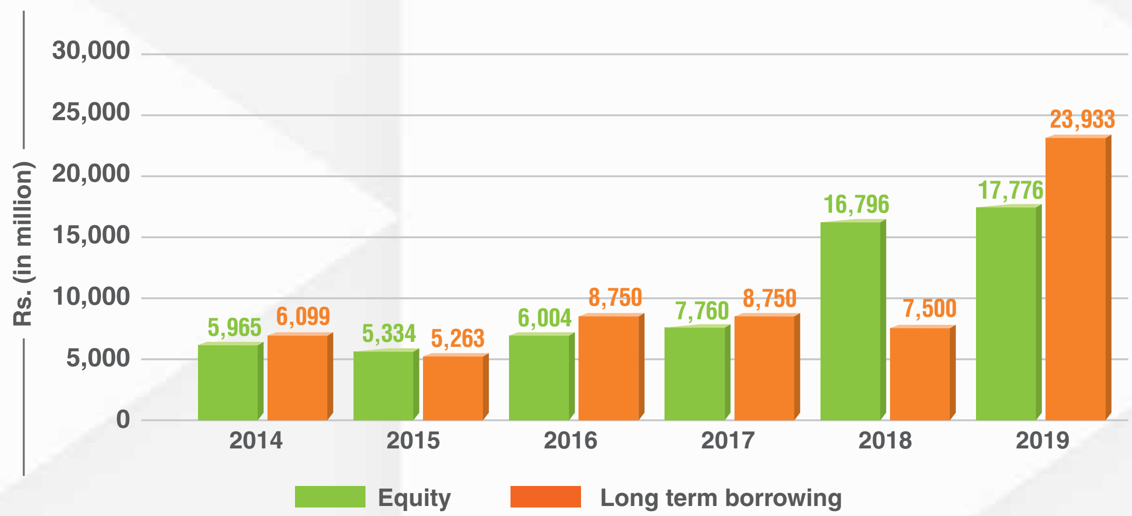
Liquidity Analysis



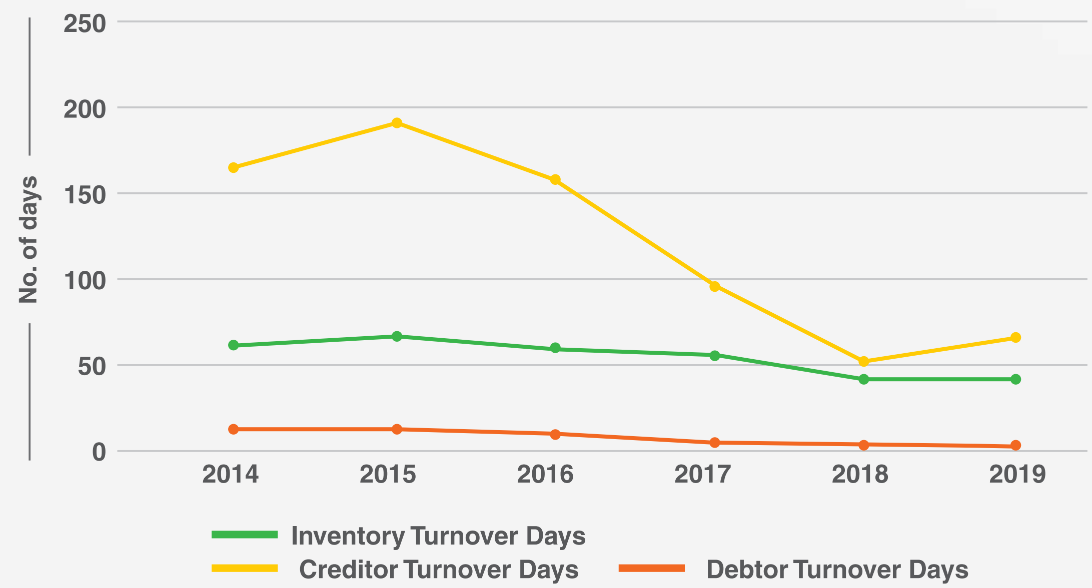
Earnings, Market & Break-up Value per Share



Capital Structure



Operating Cycle



free cash flows

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

	2019	2018
	Rs. in million	
Cash flow from operations	7,679	9,916
Capital expenditures - net	(13,111)	(4,260)
Free cash flows to the firm	(5,432)	5,656
Long-term borrowings	10,868	(1,888)
Free cash flow available to equity shareholders	5,436	3,768

During the year, the Company has undertaken diversified range of capital projects which are capital intensive. Therefore, the Company has raised external debts to finance these expenditures.

economic value added

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

	2019	2018
	Rs. in million	
NOPAT	4,209	5,258
Less: cost of capital	(5,391)	(3,624)
Economic value added	(1,182)	1,634

As compared to year 2018, the asset base of the Company has increased significantly on account of expansion and diversification projects being undertaken: the positive impact will be reflected in the Company's performance in the coming years. Further, the change in economic variable has changed weighted average cost of capital. Resultantly, the economic value added for the year has behaved inversely as that of year 2018.

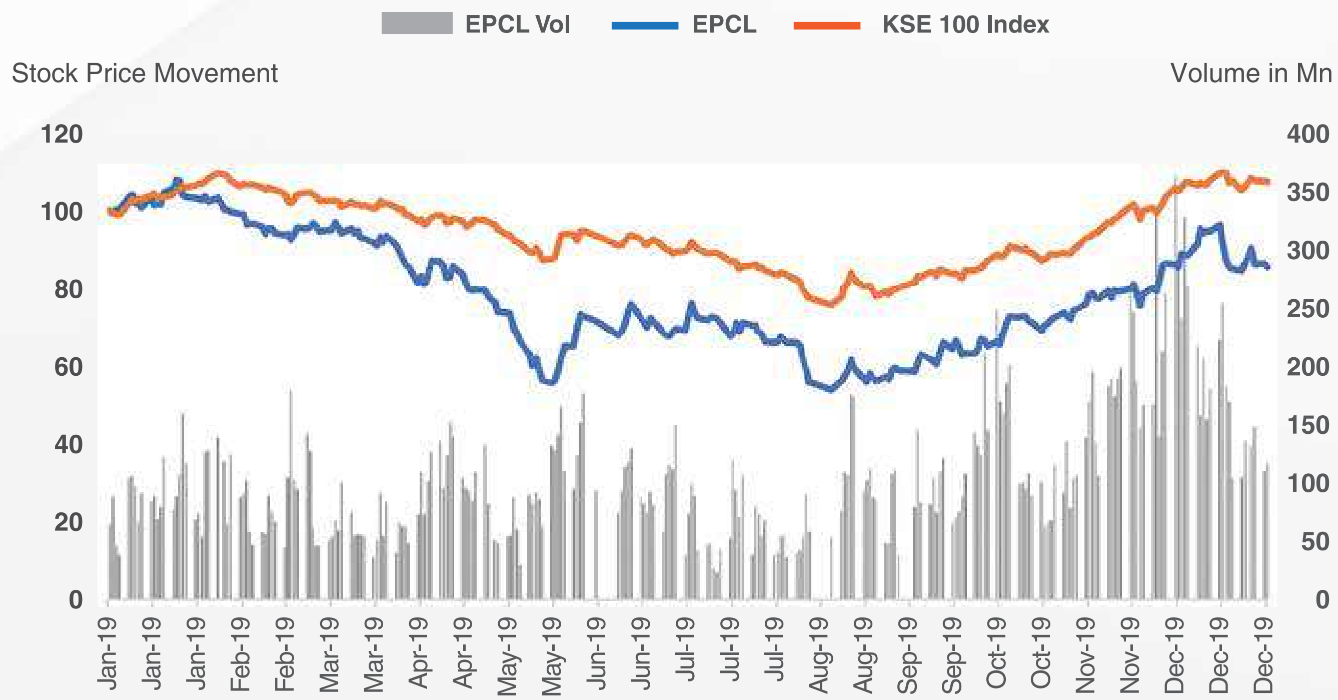
compliance of international financial reporting standards (IFRS)

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

share price sensitivity

During the year, 603 Mn shares were traded at Pakistan Stock Exchange at an average per share price of Rs. 30.76. Further during the year, low to high stock prices ranged in between Rs. 20.93 – 41.84 per share. The scrip underperformed the benchmark index returning -15% as compared to KSE 100 Index performance of 7%.

Share Price and KSE 100 Index in 2019



Interest Rates

The Company is funding its expansion projects from external borrowing which carry financial cost that is benchmarked against prevailing interest rates. During the year 2019, the interest rates remained in the upward trajectory, affecting Company's profitability and enevtually impacting share price negatively.

Exchange Rate Sentivity

The significant proportion of the Company's profitability is sensitive to exchange rate. Therefore, any volatility in exchange rate has direct impact on our cost of production and pricing.

Energy Price

The Company's operations are energy senitive and the energy cost constitutes a sizable proportion of the overall manufacturing costs, therefore any increase in gas prices impact product pricing directly. During the year 2019, the Company experienced incremental ~30% change in gas price, which accordingly increased the cost.

engro polymer & chemicals

filtering opportunities

Water is an essential part of our daily lives. However, for the residents of Ghaggar Pathak clean water became a dream far from reality. Hence, EPCL stepped in, took responsibility, and established 3 water filtration plants in collaboration with the Water Foundation providing for long-term solutions, which will continue to grow in the years to come.

financial statements

engro polymer & chemicals

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 seven as per the following, -
   a. Male: 7
   b. Female: None

2. The composition of the Board is as follows:

Category	Name
i. Independent directors	Mr. Feroz Rizvi
ii. Non-executive directors	Mr. Ghias Uddin Khan (Chairman) Mr. Nadir Salar Qureshi Mr. Hasnain Moochhala Mr. Noriyuki Koga Mr. Eram Hasan
iii. Executive directors	Mr. Imran Anwer

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 has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. No Director attended the Directors' Training Program during the year. However, five directors have already completed the Directors' Training Program in previous years;

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

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

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

a) Board Audit Committee

Mr. Feroz Rizvi – (Chairman);
Mr. Hasnain Moochhala; and
Mr. Noriyuki Koga

b) Board People's Committee

Mr. Ghias Uddin Khan;
Mr. Feroz Rizvi – (Chairman);
Mr. Nadir Salar Qureshi; and
Mr. Noriyuki Koga

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

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

   a) Board Audit Committee - 6 meetings
   b) Board People's Committee - 2 meetings

15. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is 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.

Ghias Uddin Khan
Chairman

Imran Anwer
Chief Executive

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INDEPENDENT AUDITOR'S REPORT

To the members of Engro Polymer and Chemicals 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 Polymer and Chemicals 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 12, 2020

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

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

Engro Polymer & Chemicals Limited (the Company) entered into an arrangement for issue of Sukuk amounting to Rs.8,750 Million on January 11, 2019 for a period of 7.5 years. We state that the Company is in compliance with the Sukuk features and Shariah requirements in accordance with the Sukuk (Privately Placed) 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 Sukuk (Privately Placed) Regulations, 2017 comprises of the following:

a) Requirements of Shariah Structure and Transaction Documents as stated in the approval of Dubai Islamic Bank Limited's Shariah Advisor, with respect to Sukuk transactions:

   a. Sukuk Subscription & Issue Agency Agreement
   b. Trust Deed
   c. Asset Purchase Agreement
   c. Musharaka Agreement
   d. Purchase Undertaking
   e. Sale Undertaking
   f. DSRA Agreement
   g. Payment Agreement
   h. Letter of Hypothecation
   i. Letter of Lien and Right of Set-off

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

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

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

Imran Anwer
Chief Executive

Ghias Uddin Khan
Chairman

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

Scope of our Work

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

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 Sukuks in accordance with the requirements of the Regulations. Our engagement was carried out as required under Regulation 12 of the Regulations.

Responsibility of Company's Management

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

Our Independence and Quality Control

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

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, 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 Sukuks in accordance with the requirements of the Regulations and is free from material misstatement.

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The procedures selected by us for the engagement depend on our judgement, 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:

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

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

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

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

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

Conclusion

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

Restriction on use and distribution

This report is issued in relation to the requirements as stipulated under Regulation 12 of the Regulations and is not to be used or distributed for any other purpose. This report is restricted to the facts stated herein and the attachment.

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Date: March 13, 2020
Engagement Partner: Farrukh Rehman

INDEPENDENT AUDITOR'S REPORT

To the members of Engro Polymer and Chemicals Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Engro Polymer and Chemicals Limited (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss, the statement of 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, statement of profit or loss, 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 accorciance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KeyAudit 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.

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Following are the key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1.	**Capitalization of items in property, plant and equipment and capital work-in-progress** (Refer note 4 to the financial statements) During the year ended December 31,2019, the Company has 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 to be a key audit matter.	Our audit procedures included the following: - obtained an understanding of the Company's process with respect to capital expenditure incurred and tested controls relevant to such process; - tested the cost capitalized with the relevant underlying documentation; - reviewed, 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; - assessed the nature of capitalized costs to ensure whether assets capitalized meet the recognition criteria set out in IAS 16; - assessed the useful lives assigned by the management and tested the calculation of related depreciation; - validated the existence of capitalized assets through physical verification on a sample basis; and - assessed the adequacy of the related disclosures made in the financial statements with respect to the applicable accounting and reporting standards
2.	**Transition from the accounting standard IAS 17 "Leases" to 16 "Leases"** (Refer notes 3 and 5 to the financial statements) 'IFRS 16 - Leases' becomes effective for annual reporting beginning on or after 1 January 2019. The application of the new standard gives rise to a right of use asset and a corresponding increase in lease liabilities. The Company has chosen to apply the provisions of IFRS 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings as at January 1, 2019 as allowed under the transitional provisions of the standard. The assessment of the impact of the new standard is significant to our audit, as the balances recorded are material, the update of the accounting policy requires policy elections, the implementation process to identify and process all relevant data associated with the leases is complex and the measurement of the right-of-use asset and lease liability is based on assumptions such as discount rates and the lease terms, including termination and renewal options. Therefore, we have considered this to be a key audit matter.	Our audit procedures included the following: - evaluated management's implementation process and reviewed the updated accounting policy and policy elections; - for a sample of leases, computed the right-of-use assets and corresponding lease liabilities independently and compared the results to that of the management; - considered the completeness of leases identified by testing the reconciliation to the Company's operating lease commitments (as disclosed in prior year financial statements) and by going through key service contracts to assess whether they contained a lease under IFRS 16; - assessed the reasonableness of management's assumptions used especially in respect of determination of discount rates, the application of a single discount rate for a portfolio of leases and the assessment of renewal and termination options contained in the lease agreements; - checked the accuracy of the underlying lease data by agreeing each material lease to the original contract or other supporting information and checked the integrity and mechanical accuracy of the IFRS 16 calculations for each lease recorded through recalculation of the expected IFRS 16 adjustment; and - assessed the adequacy of the related disclosures made in the financial statements, with regards to the applicable accounting and reporting standards.

S.No.	Key audit matters	How the matter was addressed in our audit
3.	**Long-term financing arrangements** (Refer notes 19, 23, 32 to the unconsolidated financial statements) During the year ended December 31, 2019, the Company 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. These loan agreements are complex in nature and involve the use of significant judgments in the determination of appropriate treatment in the 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.	Our audit procedures included the following: - obtained and reviewed all financing arrangements that the Company had in place during the year; - tested the drawdowns and repayments of loans as per the contractual terms of the agreements; - tested the Company's status of compliance with the covenants contained in the financing agreements and ensured appropriate waivers had been obtained for any actual breaches; - recomputed borrowing costs incurred during the year as per the terms contained in the respective agreements with lenders and assessed whether these were eligible for capitalization; - obtained legal opinion from lawyer on terms of the agreements which involved significant management's judgements; - circulated 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 - assessed the adequacy of the related disclosures made in the financial statements, with respect to the applicable accounting and reporting standards

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 consolidated and unconsolidated 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 Responsibilitiesfor 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 them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of 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 Farrukh Rehman.

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Date: March 13, 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	4	31,064,266	19,397,763
Right-of-use asset	5	2,747,801	-
Intangible assets	6	78,966	106,773
Long-term investments	7	1,625,000	50,000
Financial assets at amortised cost	8	5,421,150	-
Long-term loans and advances	9	72,078	84,465
Deferred tax asset	10	114,510	-
		41,123,771	19,639,001
Current Assets			
Stores, spares and loose tools	11	1,568,929	1,562,767
Stock-in-trade	12	4,302,841	3,581,387
Trade debts - considered good	13	469,613	430,400
Loans, advances, deposits, prepayments and other receivables	14	1,170,163	1,694,483
Income tax payments less provision	15	88,886	-
Financial assets at fair value through profit and loss	16	7,964,420	6,203,151
Financial assets at amortized cost		-	1,499,908
Cash and bank balances	17	777,823	1,359,208
		16,342,675	16,331,304
TOTAL ASSETS		57,466,446	35,970,305
EQUITY AND LIABILITIES			
Equity			
Share capital	18	9,089,233	9,089,233
Share premium		3,874,953	3,874,953
Unappropriated profits		4,766,837	3,779,400
		17,731,023	16,743,586
Non-Current Liabilities			
Long-term borrowings	19	19,388,880	7,500,000
Lease liabilities		4,543,830	-
Deferred tax liability	10	-	390,146
		23,932,710	7,890,146
Current Liabilities			
Current portion of lease liabilities		987,487	-
Service benefit obligations	20	61,049	55,354
Short-term borrowings	21	2,158,836	-
Trade and other payables	22	6,539,817	6,435,073
Unclaimed dividend		31,333	27,498
Derivative financial instruments		154	-
Unpaid dividend		-	25,683
Accrued interest / mark-up	23	366,272	64,911
Income tax provision less payments	15	-	89,227
Provisions	24	5,657,765	4,638,827
		15,802,713	11,336,573
		39,735,423	19,226,719
Contingencies and Commitments	25		
TOTAL EQUITY AND LIABILITIES		57,466,446	35,970,305

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

Imran Anwer
Chief Executive

Syed Abbas Raza
Chief Financial Officer

Hasnain Moochhala
Director

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
Net revenue	26	37,836,632	35,271,635
Cost of sales	27	(29,730,593)	(27,663,022)
Gross Profit		8,106,039	7,608,613
Distribution and marketing expenses	28	(391,624)	(384,790)
Administrative expenses	29	(565,842)	(576,527)
Other expenses	30	(1,214,558)	(827,417)
Other income	31	894,262	1,234,411
Operating profit		6,828,277	7,054,290
Finance costs	32	(1,785,583)	(605,555)
Profit for the year before taxation		5,042,694	6,448,735
Taxation	33	(1,339,192)	(1,531,438)
Profit for the year after taxation		3,703,502	4,917,297
Earnings per share - basic and diluted	34	4.07	6.21

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

Imran Anwer
Chief Executive

Syed Abbas Raza
Chief Financial Officer

Hasnain Moochhala
Director

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

(Amounts in thousand)

	2019	2018
	Rupees	
Profit for the year after taxation	3,703,502	4,917,297
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Deferred tax charge relating to revaluation of equity related items - share issuance cost	-	(1,651)
Total comprehensive income for the year	3,703,502	4,915,646

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

Imran Anwer
Chief Executive

Syed Abbas Raza
Chief Financial Officer

Hasnain Moochhala
Director

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

(Amounts in thousand)

		RESERVES		
		CAPITAL	REVENUE	
	Share capital	Share premium	Unappropriated profit / (accumulated losses)	Total
	Rupees			
Balance as at January 1, 2018	6,634,688	964,029	121,668	7,720,385
Total comprehensive income for the year				
Profit for the year ended December 31, 2018	-	-	4,917,297	4,917,297
Other comprehensive loss for the year ended December 31, 2018	-	-	(1,651)	(1,651)
	-	-	4,915,646	4,915,646
Transactions with owners				
Right shares issued during the year including share premium net of share issuance cost	2,454,545	2,910,924	-	5,365,469
Final dividend for the year ended December 31, 2017 - Re. 0.80 per share	-	-	(530,775)	(530,775)
Interim dividend for the year ended December 31, 2018 - Re. 0.80 per share	-	-	(727,139)	(727,139)
	2,454,545	2,910,924	(1,257,914)	4,107,555
Balance as at December 31, 2018	9,089,233	3,874,953	3,779,400	16,743,586
Effect of change in accounting policy net of deferred tax - note 3.3	-	-	(1,898,034)	(1,898,034)
Total comprehensive income for the year				
Profit for the year ended December 31, 2019	-	-	3,703,502	3,703,502
Other comprehensive income for the year ended December 31, 2019	-	-	-	-
	-	-	3,703,502	3,703,502
Transactions with owners				
Final dividend for the year ended December 31, 2018 - Re. 0.30 per share	-	-	(272,677)	(272,677)
Interim dividend for the year ended December 31, 2019 - Re. 0.60 per share	-	-	(545,354)	(545,354)
	-	-	(818,031)	(818,031)
Balance as at December 31, 2019	9,089,233	3,874,953	4,766,837	17,731,023

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

Imran Anwer
Chief Executive

Syed Abbas Raza
Chief Financial Officer

Hasnain Moochhala
Director

engro polymer & chemicals

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	37	8,962,907	10,357,435
Long-term loans and advances		12,387	(8,709)
Retirement benefits paid		(45,428)	(154,570)
Income tax paid		(1,278,914)	(276,516)
Net cash generated from operating activities		7,650,952	9,917,640
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
- property, plant and equipment		(12,478,416)	(4,241,635)
- intangible assets		(266,425)	(18,080)
Proceeds from disposal of property, plant and equipment		2,809	-
Investments in subsidiary companies	7	(1,575,000)	-
Investment in Term Deposit Receipt	8	(5,421,150)	-
Income on short-term investments and bank deposits		821,317	339,255
Net cash used in investing activities		(18,916,865)	(3,920,460)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings - net of transaction costs		19,366,880	-
Repayments of long-term borrowings		(7,500,000)	(1,250,000)
Issuance of right shares at premium		-	5,365,469
Finance cost paid		(998,523)	(637,780)
Rentals paid during the year		(1,241,425)	-
Dividend payment		(839,879)	(1,242,483)
Net cash generated from financing activities		8,787,053	2,235,206
Net (decrease) / increase in cash and cash equivalents		(2,478,860)	8,232,386
Cash and cash equivalents at beginning of the year		9,062,267	829,881
Cash and cash equivalents at end of the year	38	6,583,407	9,062,267

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

Imran Anwer	**Syed Abbas Raza**	**Hasnain Moochhala**
Chief Executive	Chief Financial Officer	Director

notes to and forming part of the financial statements
for the year ended december 31, 2019

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 Engro Polymer and Chemicals Limited (the Company) was incorporated in Pakistan in 1997 under the (now repealed) Companies Ordinance, 1984. The Company is listed on the Pakistan Stock Exchange Limited.

1.2 The Company is a subsidiary of Engro Corporation Limited (the Holding Company) which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The Company's principal activity is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), Caustic soda and other related chemicals. The Company is also engaged in the supply of surplus power generated from its power plants to Engro Fertilizers Limited (a related party).

1.3 These financial statements denote the standalone financial statements of the Company. The consolidated financial statements of the Company and its subsidiaries have been presented separately. Details of investments held by the Company in its subsidiaries have been provided in note 7.

1.4 The geographical location and addresses of all business units of the Company are as follows:

Business unit	Geographical location
Head office	12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban -e- Iqbal, Karachi
Manufacturing plant	EZ/I/P-II-I Eastern Zone, Port Bin Qasim Industrial Area, Karachi, Pakistan
Regional sales unit	1st Floor, 38 Z Block, Commercial Area, Phase III, DHA, Lahore

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, except for the adoption of new standards as disclosed in note 3.

2.1 **Basis of preparation**

2.1.1 **Accounting convention**

These financial statements have been prepared under the historical cost convention except that certain financial assets and financial liabilities (including derivative financial instruments) have been carried at fair value.

(Amounts in thousand)

Statement of compliance

1 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 Critical accounting estimates and judgements

The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires the 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. The accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

2.1.3.1 Useful lives, depreciation / amortisation methods and residual values of property, plant and equipment and intangible assets

The Company reviews appropriateness of the useful lives and residual values, where applicable, used in the calculation of depreciation / amortization of operating fixed assets and intangible assets on an annual basis. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis. During the year, the Company has reassessed the useful lives and residual values of its operating assets the effects of which have been disclosed in note 4.4.

2.1.3.2 Provision for slow-moving stores and spares

The Company regularly reviews the provision for slow moving stores and spares which are not consumed for more than three years and the quantity available is in excess to minimum stock level, thereby ensuring that items meeting the criteria are provided for.

2.1.3.3 Provision for stock-in-trade

The Company regularly 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 expenditure to make the sales.

2.1.3.4 Impairment of financial assets

The amount of Expected Credit Losses (ECL) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

(Amounts in thousand)

2.1.3.5 Current income taxes

In making the estimates for current income taxes payable by the Company, the management looks at the applicable law and the decisions of appellate authorities on certain issues in the past. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such final outcome is determined.

2.1.3.6 Deferred taxation

In assessing the recognition of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences, become deductible. Management considers the scheduled reversal of deferred applies tax liabilities, projects future taxable income and tax planning strategies in making this assessment. The amount of deferred tax assets considered realizable, however, could change in the near term if future estimates of projected taxable income during the carry forward period are revised.

2.1.3.7 Lease accounting

The implementation process to identify and process all relevant data associated with the leases is complex and the measurement of the right-of-use asset and lease liability is based on assumptions such as discount rates and the lease terms, including termination and renewal options. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the Company's incremental borrowing rate is used, being the rate the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2.1.4 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the Company's functional currency.

2.1.5 Initial application of a standard, amendment or an interpretation to existing standards

2.1.5.1 Standards, amendments to published standards and interpretations 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:

- 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.

(Amounts in thousand)

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.

- 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.

- 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 laid down by these standards have been disclosed in note 3.

There are other amendments to published accounting and reporting standards and interpretations that are applicable for the financial year beginning on January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Company's financial reporting and operations and, therefore, have not been disclosed in these financial statements.

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

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

2.2 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any, except capital work-in-progress. Cost in relation to fixed assets signifies historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Capital work-in-progress is stated at historical cost less impairment, if any.

(Amounts in thousand)

Depreciation on assets is charged to income using the straight line method to allocate their cost less the residual values over their estimated useful lives at rates given in note 4. Depreciation on additions is charged from the month in which the asset is available for use and no depreciation is charged in the month of disposal.

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

Assets' residual values 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 asset's carrying amount is greater than its estimated recoverable amount and the resulting impairment loss is recognized in income. The recoverable amount is the higher of fair value less expected selling expenses and value in use. Reversal of impairment is effected in the case of indications of a change in recoverable amount and is recognized in income, however, is restricted to the original cost of the asset. An impairment loss recognised in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

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

2.3 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. Upon utilization, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of principal asset, whichever is lower.

2.4 Intangible assets - computer software

Costs associated with developing and maintaining computer software programmes are recognized as an expense as incurred. 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 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 available for use on straight-line basis over a period of 5 to 10 years. The carrying amount of the intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount and is charged in the statement of profit or loss. Reversal of impairment losses are also recognized in income, however, is restricted to the original cost of the asset.

2.5 Investments in subsidiaries

Investments in subsidiaries are classified as long-term investments and are stated at cost net of provision for impairment, if any.

(Amounts in thousand)

2.6 Financial instruments

2.6.1 Financial assets

Classification, initial recognition and measurement

Financial assets are classified, at initial recognition and subsequently measured 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. 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.

(Amounts in thousand)

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 has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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

2.6.3 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.

2.6.4 Financial instruments - policy upto December 31, 2019

Financial assets and liabilities were initially measured at cost, which was the fair value of the consideration given and received respectively and were subsequently measured at fair value, amortised cost or cost, as the case may be.

A financial asset and a financial liability is offset and the net amount is reported in the unconsolidated statement of financial position, if the Company had a legally enforceable right to set-off the recognised amount and had the intent either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(Amounts in thousand)

2.7 Stores, spares and loose tools

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the reporting date. The management assess store items which are not consumed for at least three years and the quantity available is in excess to the minimum stock level. Provision is recognized for such items in the statement of profit or loss.

2.8 Stock-in-trade

These are valued at the lower of cost and net realizable value. Cost in relation to raw materials represents the weighted average cost and in relation to finished goods and work-in-process represents weighted average cost comprising direct materials, labour and related manufacturing overheads.

Cost of stock-in-transit represents the invoice value plus other charges incurred thereon till the reporting date. Net realizable value signifies the estimated selling price in the ordinary course of business less cost of completion and costs necessarily to be incurred in order to make the sales. Provision is made for slow moving stocks, where considered necessary.

2.9 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash in hand and in transit, balance with banks and other short-term highly liquid investments with original maturities of three months or less and short-term finances. Short-term finances on the statement of financial position are shown as part of current liabilities.

2.10 Share capital

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

2.11 Borrowings

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

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

2.12 Retirement and other service benefits

2.12.1 Gratuity fund

The employees of the Company participate in a defined contributory gratuity fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company. As per the terms of the defined contribution plan, the Company contributes to the Fund at the rate of 8.33% of basic salary. Annual contribution by the Company is charged to the statement of profit or loss.

(Amounts in thousand)

2.12.2 Provident fund

The employees of the Company participate in defined contributory provident fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company. Equal monthly contributions at the rate of 10% of the basic salary are made both by the Company and the employees to the Fund. Annual contribution by the Company is charged to the statement of profit or loss.

2.12.3 Other benefits - Service Incentive Plan

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

2.13 Provisions

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

2.14 Taxation

2.14.1 Current

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

2.14.2 Deferred

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

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax is charged or credited in the statement of profit or loss except to the extent that it relates to the items recognized directly in equity, in which case it is recognized in equity.

2.15 Foreign currency transactions and translation

These financial statements are presented in Pakistan Rupee, which is the Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. 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 statement of profit or loss.

(Amounts in thousand)

2.16 Revenue recognition

The Company 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 Company's premises or when it is delivered by the Company at customer premises.

2.17 Borrowing costs

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

2.18 Earnings per share

i) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, (excluding any costs of servicing equity other than ordinary shares) by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.19 Segment reporting

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

2.20 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 unconsolidated statement of financial position as at December 31, 2018 and furthermore have not been recognised in the opening unconsolidated 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 a result of this, financial assets previously classified as "loans and receivables" and "held-to-maturity" have now been classified as at "amortised cost". Financial liabilities continue to be classified as at amortised cost.

Moreover, no material differences were noted in prior year figures as a result of applying the new expected credit loss model on the adoption of IFRS 9. The reclassifications of the financial instruments also did not result in any changes to measurements. Hence, there was no restatement of opening balances and reserves. Furthermore, there is no impact on the unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in equity and unconsolidated statement of cash flows.

3.2 IFRS 15 'Revenue from contracts with customers’ (effective from accounting period beginning on or after July 1, 2018)

IFRS 15 allows for two methods of adoption:

- retrospectively to each prior period presented with or without practical expedients,
- retrospectively with cumulative effect of adoption as an adjustment to opening retained earnings in the period of adoption.

The management has assessed that the significant performance obligation arising from contracts with customers is to deliver the products and is discharged at a point in time and has concluded that the requirements contained in IFRS 15 are generally consistent with the timing of revenue the Company recognised in accordance with the previous standard, IAS 18 and related interpretations. Hence, the management has concluded that this standard does not have a material impact on these unconsolidated financial statements. However, product transportation and handling expenses amounting to Rs.966,405 thousand previously included in distribution and marketing expenses have now been reclassified to cost of sales.

(Amounts in thousand)

3.3 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:

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 rate 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.

(Amounts in thousand)

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. The impact of adoption of this standard is, therefore, recognised in the opening unconsolidated statement of financial position on January 1, 2019.

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 weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.76%.

The following summary reconciles the Company's operating lease commitments as at December 31, 2018 as previously disclosed in the Company's annual audited financial statements as at December 31, 2018 to the lease liabilities recognised on the initial application of IFRS 16 as at January 01, 2019:

	Rupees
Operating lease as at December 31, 2018	14,053
Discounted using the lessee's incremental borrowing rate at the date of initial application	
(Less): short-term leases recognised on a straight-line basis as expense	(8,400)
(Less): low value leases recognised on a straight-line basis as expenses	-
(Less): contracts assessed as service agreements	(5,653)
Add: contracts assessed as lease	5,486,524
Add/(less): adjustments as a result of a different treatment of extension and termination options	-
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	-
Lease liability recognised as at January 1, 2019	5,486,524
Of which are:	
Current lease liabilities	812,442
Non-current lease liabilities	4,674,082
	5,486,524

The right-of use assets were measured on a retrospective basis at its carrying amounts as if IFRS 16 had been applied since the commencement date of the respective leases, but discounted using the lessee's incremental borrowing rate at the date of initial application.

The change in accounting policy affected the following items in the statement of financial position on January 1, 2019:

	Rupees
Right of Use assets - increased by	2,845,443
Unappropriated profits - decreased by	1,898,034
Deferred tax asset - increased by	743,047
Lease liabilities - increased by	5,486,524

(Amounts in thousand)

The statement of profit or loss for the year ended December 31, 2019 shows the following amounts relating to leases:

	Rupees
- Depreciation charge of the right-of-use assets (note 5.2):	
Storage Tanks at Engro Vopak Terminal Limited	399,190
Building	16,771
- Foreign exchange loss on translation of foreign currency denominated denominated lease liabilities (note 30.3)	634,818
- Interest on lease liabilities recognised under IFRS 16 (note 32)	333,081

Total cash outflow for the leases in 2019 was Rs. 1,241,425.

The company leases storage tanks at Vopak Terminal Limited and head office and regional sales unit. Rental contracts are typically made for fixed periods of 5 years to 17 years.

Lease terms are negotiated on an individual basis and contains a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Lease asset may not be used as security for borrowing purposes.

To determine the incremental borrowing rate, the company:

- for agreements in USD, borrowing rate for IFC loan has been used
- for agreements in PKR, borrowing rates for sukuks has been used

Extention and termination option are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. Contracts with EVTL and premises contains termination option which may be exercisable by either party via written notice.

	Rupees
Expense relating to short term leases included in distribution and marketing expenses - note 28	8,400
Expense relating to varibale lease payments not included in measurment of lease liabilities - note 27	139,718

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 accounting for operating leases with a remaining lease term of less than 12 months as at January 01, 2019 as short-term leases,
- 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.

4. PROPERTY, PLANT AND EQUIPMENT

	2019	2018
	Rupees	
Operating assets, at net book value - note 4.1	18,304,481	16,582,904
Capital work-in-progress - note 4.5	12,695,993	2,751,067
Capital spares	63,792	63,792
	31,064,266	19,397,763

(Amounts in thousand)

4.1 Operating Assets

	Leasehold land (note 4.2)	Building on leasehold land (note 4.2)	Plant and machinery	Pipelines: Water	VCM	Ethylene	EDC	Gas	Furniture, fixtures and equipment	Vehicles	Total
	Rupees										
As at January 1, 2018											
Cost	194,127	383,245	24,059,542	398,968	26,122	50,315	-	33,849	262,234	76,583	25,484,985
Accumulated depreciation	(48,755)	(96,239)	(9,821,582)	(225,604)	(23,704)	(19,452)	-	(16,612)	(183,283)	(25,818)	(10,461,049)
Net book value	145,372	287,006	14,237,960	173,364	2,418	30,863	-	17,237	78,951	50,765	15,023,936
Year ended December 31, 2018											
Opening net book value	145,372	287,006	14,237,960	173,364	2,418	30,863	-	17,237	78,951	50,765	15,023,936
Additions - note 4.5	-	4,926	2,338,554	-	-	-	-	-	51,377	19,053	2,413,910
Reversal of impairment / write back											
Cost	-	164,788	-	-	-	-	-	-	-	-	164,788
Accumulated depreciation	-	(61,123)	-	-	-	-	-	-	-	-	(61,123)
	-	103,665	-	-	-	-		-	-	-	103,665
Depreciation charge - note 4.3	(3,931)	(11,996)	(879,702)	(19,969)	(1,317)	(2,414)	-	(1,630)	(28,126)	(9,522)	(958,607)
Net book value	141,441	383,601	15,696,812	153,395	1,101	28,449	-	15,607	102,202	60,296	16,582,904
As at January 1, 2019											
Cost	194,127	552,959	26,398,096	398,968	26,122	50,315	-	33,849	313,611	95,636	28,063,683
Accumulated depreciation	(52,686)	(169,358)	(10,701,284)	(245,573)	(25,021)	(21,866)	-	(18,242)	(211,409)	(35,340)	(11,480,779)
Net book value	141,441	383,601	15,696,812	153,395	1,101	28,449	-	15,607	102,202	60,296	16,582,904
Year ended December 31, 2019											
Opening net book value	141,441	383,601	15,696,812	153,395	1,101	28,449	-	15,607	102,202	60,296	16,582,904
Additions - note 4.5	939,528	1,980	1,627,267	-	-	-	98,288	-	81,726	3,571	2,752,360
Disposals											
Cost	-	(3,379)	-	-	-	-	-	-	(3,820)	(2,892)	(10,091)
Accumulated depreciation	-	596	-	-	-	-	-	-	3,645	2,243	6,484
		(2,783)							(175)	(649)	(3,607)
Depreciation charge - note 4.3 & 4.4	(32,931)	(29,702)	(898,297)	(12,898)	(8)	(2,190)	(253)	(1,472)	(37,040)	(12,385)	(1,027,176)
Net book value	1,048,038	353,096	16,425,782	140,497	1,093	26,259	98,035	14,135	146,713	50,833	18,304,481
As at December 31, 2019											
Cost	1,133,655	551,560	28,025,363	398,968	26,122	50,315	98,288	33,849	391,517	96,315	30,805,952
Accumulated depreciation	(85,617)	(198,464)	(11,599,581)	(258,471)	(25,029)	(24,056)	(253)	(19,714)	(244,804)	(45,482)	(12,501,471)
Net book value	1,048,038	353,096	16,425,782	140,497	1,093	26,259	98,035	14,135	146,713	50,833	18,304,481
Annual rate of depreciation (%)	2 to 2.14	2.5 to 10	2.5 to 25	5	5	5	3	5	5 to 33	5 to 25	

(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 (square yards)
- Leasehold land	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	590,114
- Production facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	15,794
- Storage facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	10,705
- Administration facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	2,908

	2019	2018
	Rupees	
4.3 Depreciation charge has been allocated as follows:		
Cost of sales - note 27	1,003,842	936,673
Distribution and marketing expenses - note 28	5,750	3,831
Administrative expenses - note 29	17,584	18,103
	1,027,176	958,607

4.4 During the year, as required under the Company's accounting policy, the Company 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.

Furthermore, 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. This change in accounting estimate of scrap values has also 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. 61,841.

(Amounts in thousand)

4.5 Capital work-in-progress

	Leasehold land	Building on leasehold land	Plant and machinery and pipelines (note 4.5.4)	Furniture, fixtures and equipments	Advances for vehicles and software	Total
			Rupees			
Year ended December 31, 2018						
Balance as at January 1, 2018	-	-	897,286	13,269	12,787	923,342
Additions during the year	236,695	7,041	3,847,362	49,911	118,706	4,259,715
Transferred to:						
- Operating assets - note 4.1	-	(4,926)	(2,338,554)	(51,377)	(19,053)	(2,413,910)
- Intangible assets note - 6	-	-	-	-	(18,080)	(18,080)
Balance as at December 31, 2018	236,695	2,115	2,406,094	11,803	94,360	2,751,067
Year ended December 31, 2019						
Balance as at January 1, 2019	236,695	2,115	2,406,094	11,803	94,360	2,751,067
Additions during the year - notes 4.5.1, 4.5.2 and 4.5.3	734,833	20,359	11,618,569	101,084	269,996	12,744,841
Transferred to:						
- Operating assets - note 4.1	(939,528)	(1,980)	(1,725,555)	(81,726)	(3,571)	(2,752,360)
- Intangible assets note - 6	-	-	-	-	(47,555)	(47,555)
Balance as at December 31, 2019	32,000	20,494	12,299,108	31,161	313,230	12,695,993

4.5.1 Additions to leasehold land during the year represent cost in relation to the purchase of land (measuring 60 acres) from Engro Fertilizers Limited (EFL) persuant to an agreement entered into between the Company and EFL on February 23, 2018. During the year, the legal formalities in relation to the transfer of land from EFL to the Company were finalized and physical possession of the land has been transferred to the Company.

4.5.2 Additions to plant and machinery and pipelines represent cost incurred in respect of PVC-III and VCM debottlenecking and other efficiency and reliability projects.

4.5.3 Additions to software include cost incurred in respect of digitization project through which the Company is in the process of making organization paperless.

4.5.4 As of December 31, 2019, major engineering and civil works in respect of plant and machinery and pipelines for PVC-III and VCM debottlenecking have been completed. The machinery and ancillary equipment installation for PVC and VCM plants are underway.

(Amounts in thousand)

5. RIGHT-OF-USE ASSET

	Storage tanks at Engro Vopak Terminal Limited	Building	Total
		Rupees	
Year ended December 31, 2019			
Balance as at January 1, 2019	2,778,739	66,704	2,845,443
Addition during the year - note 5.1	318,319	-	318,319
Depreciation charge during the year - note 5.2	(399,190)	(16,771)	(415,961)
Balance as at December 31, 2019	2,697,868	49,933	2,747,801

5.1 This represent right of use asset recognized in relation to terminal service agreement entered into on August 5, 2019 for the reception, storage and delivery of Ethylene Dichloride.

5.2 Depreciation charge has been allocated as follows:

	2019	2018
	Rupees	
Cost of sales - note 27	399,190	-
Administrative expenses - note 29	16,771	-
	415,961	-

6. INTANGIBLE ASSETS - Computer software

	2019	2018
Net carrying value		
Balance as at beginning of the year	106,773	104,663
Add: Additions at cost - note 4.5	47,555	18,080
Less: Amortisation charge for the year - notes 27 and 29	(75,362)	(15,970)
Balance as at the end of the year	78,966	106,773
Gross carrying value		
Cost at the beginning of the year	268,042	220,487
Less: Accumulated amortisation	(189,076)	(113,714)
Net book value	78,966	106,773

6.1 The cost is being amortized over a period of 5 to 10 years.

(Amounts in thousand)

7. LONG-TERM INVESTMENTS

	2019	2018
	Rupees	
Subsidiary companies, at cost - notes 7.1 and 7.2	1,625,000	50,000

7.1 Subsidiary companies:

	2019	2018
- Engro Polymer Trading (Private) Limited 5,000,000 (2018: 5,000,000) ordinary shares of Rs. 10 each - note 7.1.1	50,000	50,000
- Engro Peroxide (Private) Limited 157,000,000 ordinary shares of Rs. 10 each - note 7.1.2 paid in cash	1,570,000	-
- Engro Plasticizer (Private) Limited 500,000 ordinary shares of Rs. 10 each - note 7.1.3 paid in cash	5,000	-
	1,625,000	50,000

7.1.1 Engro Polymer Trading (Private) Limited (EPTL) was incorporated in Pakistan in November 6, 1999, under the (now repealed) Companies Ordinance, 1984 as a wholly owned subsidiary of the Company. EPTL's principal activity is to purchase, market and sell Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and other related chemicals. During the year, EPTL 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".

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

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

7.2 The registered office of the subsidiary companies is situated at 12th Floor, Plot G-3, Block 9, Khayaban-e-Iqbal, Clifton, Karachi. As at December 31, 2019, the Company continues to hold 100% of the share capital of these companies.

(Amounts in thousand)

	2019	2018
	Rupees	
8. FINANCIAL ASSETS AT AMORTIZED COST		
Investment in Term Deposit Receipts - note 8.1	5,421,150	-

8.1 These denote term deposits aggregating to USD 35 million maintained with Dubai Islamic Bank Pakistan Limited (DIBPL). These carry profit at the rate of 2.79% per annum and are due to mature in six equal semi-annual installments of $ 5.833 million starting from July 15, 2021 and ending on January 15, 2024.

	2019	2018
	Rupees	
9. LONG-TERM LOANS AND ADVANCES - Considered good		
Executives - notes 9.1, 9.2 and 9.4	107,522	125,871
Less: Current portion shown under current assets - note 14	(35,444)	(41,406)
	72,078	84,465
Employees - note 9.3	-	21
Less: Current portion shown under current assets - note 14	-	(21)
	-	-
	72,078	84,465

9.1 Reconciliation of the carrying amount of loans and advances to executives is as follows:

	2019	2018
Balance at beginning of the year	125,871	112,359
Add: Disbursements	67,375	66,893
Less: Repayments / amortizations	(85,724)	(53,381)
Balance at end of the year	107,522	125,871

9.2 These include interest free loans and advances to executives for house rent, vehicles, home appliances and investments given in accordance with the terms of employment. Loans for house rent are repayable in 12 to 18 equal monthly installments and investment are repayable in lump sum amount after 36 months. Loans for home appliances are repayable in 5 equal annual installments. Advances for vehicles are charged to statement of profit or loss over a period of 4 years.

9.3 These include interest free loans to employees for home appliances and investments, given in accordance with the terms of employment. Loans are repayable in accordance with the terms stated in note 9.2.

9.4 The maximum aggregate amount due from the executives at the end of any month during the year was Rs. 146,227 (2018: Rs. 130,578). These are secured by way of promissory notes.

9.5 The maximum aggregate amount due from related parties at any time during the year with respect to month end balance was Rs. 4,898 (2018: Rs. 11,243)

9.6 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 material defaults in recent history.

9.7 The Company does not have any loans or advances placed under any arrangements permissible under Shariah.

(Amounts in thousand)

	2019	2018
	Rupees	
10. DEFERRED TAXATION - NET		
Debit balances arising due to:		
- recoupable carried forward tax losses - note 10.1	-	431,194
- recoupable minimum turnover tax - note 10.2	558,991	537,505
- recoupable alternative corporate tax	369,179	469,544
- unpaid liabilities	128,170	100,340
- leases recognized under IFRS 16	783,120	-
- provision for Gas Infrastructure Development Cess and Special Excise Duty	1,451,279	1,004,673
- provision for slow moving stores and spares	102,345	91,935
- provision for bad debts	2,055	2,535
- share issuance cost, net to equity	57,830	57,830
	3,452,969	2,695,556
Credit balances arising due to:		
- accelerated tax depreciation	(3,338,459)	(3,085,702)
	114,510	(390,146)

10.1 Deferred income tax asset is recognized for tax losses available for carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate tax losses available for carry-forward as at December 31, 2019 amount to Rs. nil (2018: Rs. 1,539,979).

10.2 During the year, the Company 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 the Company, 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 on carried forward losses. The Company'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 the Company intends to approach if required. Accordingly, the Company has recognized deferred tax asset on recoupable minimum turnover tax.

	2019	2018
	Rupees	
11. STORES, SPARES AND LOOSE TOOLS		
Consumable stores and spares - note 11.1	1,932,703	1,886,897
Less: Provision for slow moving stores and spares - note 11.2	363,774	324,130
	1,568,929	1,562,767

11.1 This includes goods in transit amounting to Rs. 9,422 (2018: Rs. 135,955).

(Amounts in thousand)

	2019	2018
	Rupees	
11.2 The movement in the provision for slow moving stores and spares is as follows:		
Balance at beginning of the year	324,130	277,943
Add: Recognized during the year - note 27	39,644	74,400
Less:		
- Reversal during the year - note 27	-	(26,194)
- Write-offs during the year	-	(2,019)
Balance at end of the year	363,774	324,130

12. STOCK-IN-TRADE

	2019	2018
Raw and packing materials - notes 12.1 and 12.2	2,561,552	2,439,712
Work-in-process	25,120	15,856
Finished goods - own manufactured product and trading products - notes 12.1 and 12.3	1,716,169	1,125,819
	4,302,841	3,581,387

12.1 This includes stocks held at storage facilities of the following parties:

	2019	2018
- Engro Vopak Terminal Limited, a related party	1,284,031	554,035
- Fatima Fertilizer Company Limited	-	2,500
- Al-Noor Petroleum (Private) Limited	9,306	-
- Al-Rahim Trading Company (Private) Limited	147,301	-
- Al-Hamd Traders	3,486	1,168
	1,444,124	557,703

12.2 This includes goods in transit amounting to Rs. 632,450 (2018: Rs. 794,005).

12.3 During the year, the Company has started trading of Chlorinated Paraffin- 52 (CP), hexane and Vinyl Acetate Monomer (VAM).

13. TRADE DEBTS - Considered good

	2019	2018
	Rupees	
Related parties - note 13.1	6,775	-
Others		
Secured - note 13.2	308,697	270,867
Unsecured	154,141	159,533
	462,838	430,400
Considered doubtful - note 13.3	7,309	9,010
	476,922	439,410
Less: Provision for doubtful debts - notes 13.3	7,309	9,010
	469,613	430,400

(Amounts in thousand)

13.1 Due from related parties comprise of:

	Upto 1 month		2 to 6 months		More than 6 months		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	Rupees							
Engro Powegen Thar (Private) Limited	599	-	-	-	-	-	599	-
Engro Fertilizers Limited	6,120	-	-	-	56	-	6,176	-
	6,719	-	-	-	56	-	6,775	-

13.1.1 The maximum aggregate amount due from the related parties at the end of any month during the year was:

	2019	2018
	Rupees	
- Engro Fertilizers Limited	22,556	211,301
- Engro Powergen Thar (Private) Limited	698	-
	23,254	211,301

13.2 These debts are secured by way of bank guarantees and letters of credit from customers.

	2019	2018
	Rupees	
13.3 The movement in provision during the year is as follows:		
Balance at beginning of the year	9,010	9,628
Less: Reversal of provision during the year - notes 13.3.1 & 28	(1,701)	(618)
Balance at end of the year	7,309	9,010

13.3.1 During the year, the Company has received payment from one of the customer whose balance was provided for in previous years.

(Amounts in thousand)

	2019	2018
	Rupees	
14. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Considered good		
Current portion of long term-loans and advances - note 9		
- executive	35,444	41,406
- employees	-	21
	35,444	41,427
Advances to employees - note 14.1	525	8,019
Advances to suppliers and others	166,766	629,836
Deposits	218,363	128,661
Prepayments	41,943	110,233
Receivable from Government of Pakistan		
- Sales tax and Federal excise duty refundable	495,945	151,836
- Octroi / duty claims	152	152
	496,097	151,988
Due from related parties - note 14.2		
Engro Vopak Terminal Limited	-	385
Engro Polymer Trading (Private) Limited	2,212	-
Engro Plasticizer (Private) Limited	3,109	-
Engro Energy Limited	1,531	331
Engro Peroxide (Private) Limited	70,036	-
Sindh Engro Coal Mining Company Limited	53	-
FrieslandCampina Engro Pakistan Limited	5	5
Engro Corporation Limited	23,725	1,590
Engro Digital Limited	-	2,007
Engro Fertilizers Limited	2,119	118,613
Engro Powergen Qadirpur Limited	9	9
	102,799	122,940
Insurance receivable	-	483,131
Accrued mark-up	77,654	13,406
Other receivables	30,572	4,842
	1,170,163	1,694,483
Considered doubtful		
Custom duty claims refundable - note 14.3	18,043	18,043
Less: Provision for impairment - notes 14.3 and 14.5	(18,043)	(18,043)
	-	-
Special Excise Duty (SED) refundable - note 14.4	36,687	36,687
Less: Provision for impairment - notes 14.4 and 14.5	(36,687)	(36,687)
	-	-
	1,170,163	1,694,483

14.1 The advances given to the parties are in accordance with the terms of employment. Maximum aggregate amount due from related parties at any time during the year with respect to month end balance was Rs. 4,708 (2018: Rs. 2,540).

(Amounts in thousand)

14.2 Maximum aggregate amount due from related parties at any time during the year with respect to month end balance is as follows:

	2019	2018
	Rupees	
Engro Vopak Terminal Limited	-	385
Engro Polymer Trading (Private) Limited	2,212	-
Engro Plasticizer (Private) Limited	3,109	-
Engro Energy Limited	1,982	331
Engro Peroxide (Private) Limited	70,036	-
Sindh Engro Coal Mining Company Limited	53	-
FrieslandCampina Engro Pakistan Limited	5	5
Engro Corporation Limited	23,725	1,590
Engro Digital Limited	-	2,007
Engro Fertilizers Limited	141,763	118,613
Engro Powergen Qadirpur Limited	9	9
	242,894	122,940

14.3 The Customs Appellate Tribunal, Karachi Bench, through its order dated October 31, 2011, disposed of the Company's appeal filed on April 11, 2008 against the order of Collector of Customs, Port Muhammad Bin Qasim, Karachi, for the refund of custom duty paid during the period June 16, 2006 to July 24, 2006 on imports of Vinyl Chloride Monomer (VCM). The Tribunal was informed that all the aforementioned VCM consignments were released after the issuance of SRO 565(1) / 2006 dated June 6, 2006 and the benefit of five percent duty reduction was also passed onto the customers. However, as the price of the Company's product was increased which is linked with international market, the Tribunal inadvertently presumed that the said benefit had not been transferred to the customers and passed an order against the Company.

The Company has filed an appeal with the High Court of Sindh against the aforesaid order of the Tribunal. However, the Company is maintaining full provision against the aforementioned custom duty refundable till such time that all available legal forums are exhausted.

14.4 During 2007, Special Excise Duty (SED) amounting to Rs. 91,616 was paid on import of certain fixed assets. Out of the total SED paid, an amount of Rs. 54,299 was adjusted through input claim in sales tax returns. Subsequently, the remaining amount of Rs. 36,687 could not be adjusted as the said duty was disallowed as adjustment from output tax under section 7 of Sales Tax Act, 1990. Therefore, the Company has fully provided the said amount. However, the Company is pursuing recovery of the remaining amount from the tax authorities based on the view that the SED can be recovered as it was paid prior to the change in the Sales Tax Act.

14.5 As at December 31, 2019, receivables aggregating to Rs. 54,730 (2018: Rs. 54,730) were deemed to be impaired and have been provided for in full. The remaining balances of loans, deposits, due from related parties and other receivables are neither past due nor impaired.

15. TAXES PAYABLE

15.1 Tax year 2008

The Deputy Commissioner Inland Revenue (DCIR) through an 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 disallowance of adjustment of minimum tax paid for tax years 2004 to 2007 against the above demand.

(Amounts in thousand)

The Company filed an appeal against the aforesaid order before the Commissioner Inland Revenue Appeals [CIR(A)], but discharged the entire demand through adjustment against assessed refunds of Rs. 180,768 and payment of 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 from tax years 2004 to 2007. An appeal against the said appellate order was filed by the Company before the Appellate Tribunal Inland Revenue (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 of by accepting Company'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.

The Company filed a reference with the High Court of Sindh against the additions maintained by ATIR. Likewise, the tax department has also filed reference with the High Court of Sindh against the order passed by the ATIR in favour of the Company. The management of the Company, based on the advice of its tax consultants, is confident that the ultimate outcome of the aforementioned matters would be favourable and, accordingly, has not recognized the effects for the same in these financial statements.

15.2 Tax year 2009

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 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 the Company 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 of by accepting Company'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.

The Company filed a reference with the High Court of Sindh against the additions maintained by ATIR. Likewise, the tax department has also filed reference with the High Court of Sindh against the order passed by the ATIR in favour of the Company. The management of the Company, based on the advice of its tax consultants, is confident that the ultimate outcome of the aforementioned matters would be favourable and, accordingly, has not recognized the effects for the same in these financial statements.

(Amounts in thousand)

16. FINANCIAL INSTRUMENT AT FAIR VALUE THROUGH PROFIT AND LOSS

	2019	2018
	Rupees	
Treasury bills - note 16.1	6,264,375	6,003,151
Pakistan Investment Bond - note 16.2	1,700,045	-
Investment in units of mutual fund	-	200,000
	7,964,420	6,203,151

16.1 These carry mark-up at rates ranging between 12.74% to 13.50% per annum (2018: 10.20% per annum) and have maturities ranging between January 16, 2020 and October 8, 2020.

16.2 This carries interest at the rate of 13.36% per annum and has been sold on January 7, 2020.

17. CASH AND BANK BALANCES

	2019	2018
	Rupees	
Cash in hand	647	392
Cash at bank - note 17.1		
- in current accounts	319,077	220,206
- in saving accounts - note 17.2	458,099	1,138,610
	777,176	1,358,816
	777,823	1,359,208

17.1 These include Rs.215,905 (2018: Rs. 140,738) held in foreign currency bank accounts.

17.2 These carry mark-up at rates ranging between 5.01% to 11.25% per annum (2018: 2.40% to 8.00% per annum).

18. SHARE CAPITAL

	2019	2018
	Rupees	
Authorized capital		
1,250,000,000 (2018: 1,250,000,000) ordinary shares of Rs. 10 each	12,500,000	12,500,000
400,000,000 (2018: 400,000,000) preference shares of Rs. 10 each	4,000,000	4,000,000
Issued, subscribed and paid-up capital		
908,923,333 (2018: 908,923,333) ordinary shares of Rs. 10 each, fully paid in cash - notes 18.1 and 18.2	9,089,233	9,089,233

(Amounts in thousand)

18.1 As at December 31, 2019, Engro Corporation Limited (the Holding Company) and Mitsubishi Corporation (an associated company) held 510,733,450 and 100,053,562 (2018: 510,733,450 and 100,053,562) ordinary shares of Rs.10 each denoting 56.19% (2018: 56.19%) and 11.01% (2018: 11.01%) of the share capital of the Company.

18.2 There is a shareholders' agreement between Engro Corporation Limited (ECL) and Mitsubishi Corporation (MC) which includes provisions in respect of board selection, voting rights, rights of first refusal, etc.

19. LONG-TERM BORROWINGS

Title	Mark-up rate per annum	Installments Number	Installments Commencing from	2019 Rupees	2018 Rupees
Sukuks - note 19.1	3 months KIBOR + 0.9%	5 half yearly	July 10, 2024	8,623,541	-
Loan from International Finance Corporation (IFC) - note 19.2	6 months LIBOR + 3.25%	6 half yearly	July 15, 2021	5,343,489	-
Bilateral loan - note 19.3	6 months KIBOR + 0%	6 half yearly	July 15, 2021	5,421,850	-
Bilateral - IV - note 19.4	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	-	1,500,000
Bilateral - V - note 19.4	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	-	1,500,000
Bilateral - VI - note 19.4	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	-	750,000
Bilateral - VIII - note 19.4	6 months KIBOR + 0.8%	6 half yearly	June 28, 2019	-	1,000,000
Bilateral - IX - note 19.4	6 months KIBOR + 0.4%	6 half yearly	June 30, 2020	-	750,000
Bilateral - X - note 19.4	6 months KIBOR + 0.4%	6 half yearly	June 26, 2020	-	2,000,000
				19,388,880	7,500,000
Less: Current portion shown under current liabilities				-	-
				19,388,880	7,500,000

19.1 During the year, the Company 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 annual installments of Rs. 1,750,000 each with the first repayment commencing in July 2024. These are secured by way of hypothecation charge of present and future fixed assets of the Company (excluding land and building) which shall rank pari passu with the charges created in favour of the existing creditors.

19.2 In 2018, the Company had entered into a financing 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 installments commencing from July 2021 and carries markup at the rate of six months LIBOR plus 3.25% payable semi annually.

The borrowing is by way of hypothecation charge of present and future fixed assets of the Company (excluding land and building) which shall rank pari passu with the charges created in favour of the existing creditors.

(Amounts in thousand)

19.3 During the year, the Company 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. The borrowing is secured by a hypothecation charge in favour of the Bank which constitutes a ranking charge over the existing and future fixed assets of the Company (except land and building), ranking subordinate and subservient to the charges created in favour of the existing creditors and a lien and a right of set-off over the Term Deposit Receipt maintained with DIBPL as referred to in note 8.

19.4 During the year, the Company has made early repayment of the long-term loans outstanding as at December 31, 2018.

20. SERVICE BENEFIT OBLIGATIONS

	2019 Rupees	2018 Rupees
Service incentive plan - note 20.1	61,049	55,354

20.1 This represents provision for annual employment benefits payable to eligible employees who have successfully completed 3 years of vesting period with the Company.

21. SHORT-TERM BORROWINGS

	2019 Rupees	2018 Rupees
Running finance utilized under mark-up arrangements - note 21.1	296,836	-
Export refinance facility - note 21.2	200,000	-
Money market loans - note 21.3	1,662,000	
	2,158,836	-

21.1 These denote short-term running finance facilities obtained from various banks. The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 0.5% to 1% (2018: relevant period KIBOR plus 0.5% to 1%) per annum. These facilities are secured by a joint pari passu floating charge over stocks and book debts of the Company.

21.2 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.

21.3 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 pari passu floating charge over stocks and book debts of the Company.

(Amounts in thousand)

21.4 The aggregate facilities for running finance available from various banks as at December 31, 2019, representing the sales price of all mark-up arrangements, amounted to Rs. 2,925,000 (2018: Rs. 2,900,000) of which Rs 766,164 (2018: Rs 2,900,000) remain unutilised as at year end.

22. TRADE AND OTHER PAYABLES

	2019	2018
	Rupees	
Trade and other creditors - note 22.1	2,844,907	3,446,781
Accrued liabilities - notes 22.1 and 22.2	2,637,665	1,857,567
Advances from customers	904,882	643,303
Retention money	1,545	1,545
Security deposits - note 22.3	34,120	24,710
Payable to provident funds	-	6,852
Payable to gratuity funds	258	576
Workers' Welfare Fund	73,199	65,871
Withholding tax payable	22	9,016
Workers' Profits Participation Fund - note 22.4	35,133	342,876
Others	8,086	35,976
	6,539,817	6,435,073

22.1 Includes due to the following related parties:

	2019	2018
- Engro Corporation Limited	88,305	40,545
- Mitsubishi Corporation	-	344,807
- Engro Fertilizers Limited	40,926	43
- Engro Powergen Thar (Private) Limited	613	-
- Engro Vopak Terminal Limited	139,849	119,241
	269,693	504,636

22.2 This includes Sindh Infrastructure Development Cess amounting to Rs. 751,951 (2018: 595,500).

22.3 These represent interest-free deposits from dealers for the performance of their service as defined in the dealership agreements. The deposits are refundable on termination of dealership agreements and are payable on demand. The amount is fully utilised in business in accordance with the requirement of written agreements and in terms of section 217 of the Act.

22.4 The movement in WPPF payable is as follows:

	2019	2018
	Rupees	
Balance at the beginning of the year	342,876	163,661
Allocation for the year - note 30	265,133	342,876
Interest charges on funds utilised	4,163	592
	612,172	507,129
Less: Payments during the year	(577,039)	(164,253)
Balance at the end of the year	35,133	342,876

(Amounts in thousand)

23. ACCRUED INTEREST / MARK-UP

	2019	2018
	Rupees	
Mark-up accrued on:		
- long-term borrowings	332,563	64,911
- short-term borrowings	33,709	-
	366,272	64,911

24. PROVISIONS

	2019	2018
Provision for Gas Infrastructure Development Cess - note 24.1	5,140,373	4,121,435
Provision for gas price revision - note 24.2	517,392	517,392
	5,657,765	4,638,827

24.1 Provision for Gas Infrastructure Development Cess (GIDC)

Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development Cess (GIDC) on all industrial gas consumers at the rate of Rs. 13 per MMBTU. Subsequently, the GIDC rates were enhanced through notifications under OGRA Ordinance 2002, Finance Act, 2014 and GIDC Ordinance 2014 against which the Company had obtained ad-interim stay orders from the High Court of Sindh. However, on prudent basis the Company recognized a provision of Rs. 1,345,789 till May 21, 2015.

On May 22, 2015 the Gas Infrastructure Development Cess (GIDC) Act, 2015 was promulgated whereby cess rate of Rs.100 per MMBTU and Rs.200 per MMBTU were fixed for industrial and captive power consumption, respectively. The GIDC Act, 2015 was made applicable with immediate effect superseding the GIDC Act, 2011 and the GIDC Ordinance, 2014.

The Company, based on the advice of its legal counsel, was of the view that as per GIDC Act, 2015, the uncollected portion of cess levied through GIDC Act, 2011 and GIDC Ordinance 2014, shall not be collected from the industrial sector. Therefore, the Company reversed the provision relating to industrial portion of GIDC amounting to Rs. 753,664 for the period prior to promulgation of GIDC Act, 2015 and retained GIDC provision amounting to Rs. 592,125 in respect of captive power.

Further, the Company has also obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Southern Gas Company Limited (SSGCL) from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a further provision of Rs.1,018,938 (2018: Rs. 1,008,816) for the year.

24.2 During the year ended December 31, 2017, the Company had filed suits in the Sindh High Court (SHC), against the increase in tariff of natural gas sold to industries and captive power plants notified by Oil and Gas Regulatory Authority (OGRA) vide SRO no. (1)/2016 dated December 30, 2016 whereby the Company cited the increase as illegal and unconstitutional. The SHC has granted an interim order in favour of the Company which is still operational. However, the Company has recognised a provision of Rs. 517,392 for the period from December 2017 to September 2018.

25. CONTINGENCIES AND COMMITMENTS

25.1 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 that would have been produced and sold from the excess wastage of raw material. The Company filed thereagainst before the Commissioner Inland Revenue Appeals [CIR(A)] on the grounds that the order passed against the Company 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 favour of the Company. However, the department has challenged the

(Amounts in thousand)

said order of CIR(A) before Appellate Tribunal Inland Revenue (ATIR). No proceedings regarding this matter have been carried out by ATIR, till the year end. The management of the Company, based on the advice of its tax consultants, is confident of favourable outcome of this matter, accordingly, no provision has been made in this respect.

25.2 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at December 31, 2019 amounts to Rs. 2,348,000 (2018: Rs. 1,896,000). The amount utilized there against as at December 31, 2019 is Rs. 2,163,090 (2018: Rs. 1,856,000).

25.3 The facility for opening letters of credit as at December 31, 2019 aggregates to Rs. 24,007,000 (2018: Rs. 15,800,000). The amount utilized thereagainst as at December 31, 2019 was Rs. 3,120,000 (2018: Rs.6,453,000). These facilities carry commission at rates running between 0.05% and 0.1% (2018: 0.05% and 0.1%).

25.4 The Company has entered into operating lease arrangments with Al-Rahim Trading Company (Priavte) Limited for the storage and handling of Ethylene Di Cholride (EDC) in respect of which future lease commitments aggregate to Rs. Nil (2018 : Rs 5,653).

25.5 Commitments in respect of rentals of storage tanks at EVTL for the handling of Ethylene aggregate to USD $ 38,664 valid till March 31, 2026 and Ethylene Di Chloride (EDC) aggregate to USD $ 5,700 valid till December 31, 2038. With effect from January 1, 2019, the Company has recorded right-of-use assets in respect of these contracts as detailed in note 3.3.

26. NET REVENUE

	2019	2018
	Rupees	
Gross local sales	44,223,191	40,704,079
Less:		
- Sales tax	6,404,399	5,903,435
- Discounts	523,257	360,984
	6,927,656	6,264,419
	37,295,535	34,439,660
Export sales	469,164	772,435
Supply of electricity - note 26.1	71,933	59,540
	37,836,632	35,271,635

26.1 This represents revenue against supply of surplus power to Engro Fertilizers Limited - a related party.

27. COST OF SALES

	2019	2018
	Rupees	
Opening stock of work-in-process	15,856	28,846
Raw and packing materials consumed	17,274,480	16,956,345
Salaries, wages and staff welfare - note 27.1	1,503,316	1,133,216
Fuel, power and gas	6,299,932	4,818,222
Repairs and maintenance	409,887	351,048
Depreciation and amortization - notes 4.3 and 6	1,058,073	936,673
Depreciation on Right-of-use asset - note 5.1	399,190	-
Consumable stores	553,077	386,250
Purchased services	495,582	397,655
Storage and handling - note 27.2	491,610	1,371,309
Training, conveyance and travelling	258,024	141,980
Communication, stationery and other office expenses	11,614	10,760
Rent, rates and taxes	28,084	25,372
Product transportation	1,134,097	966,405
Insurance, fees and subscription	186,727	110,985
Reversal of impairment / impairment of property, plant and equipment	-	(103,665)
Provision for slow moving stores and spares - note 11.2	39,644	74,400
Reversal of provision for slow moving stores and spares - note 11.2	-	(26,194)
Other expenses	21,177	13,114
	30,164,514	27,563,875
Closing stock of work-in-process	(25,120)	(15,856)
Cost of goods manufactured	30,155,250	27,576,865
Opening stock of finished goods	1,125,819	1,211,976
Closing stock of finished goods	(1,622,853)	(1,125,819)
	(497,034)	86,157
Cost of sales - purchased product	72,377	-
	29,730,593	27,663,022

27.1 These include Rs. 89,183 (2018: Rs. 76,709) in respect of staff retirement and other service benefits.

27.2 This includes expense relating to varibale lease payments not included in lease liabilities amounting to Rs. 139,718.

28. DISTRIBUTION AND MARKETING EXPENSES

	2019	2018
	Rupees	
Salaries, wages and staff welfare - note 28.1	175,231	158,336
Sales promotion	159,219	163,365
(Reversal of provision) / provision for doubtful debt - note 13.3	(1,701)	(618)
Write off trade debts	-	409
Rent, rates and taxes - note 28.2	12,308	29,497
Purchased services	6,706	8,438
Insurance	-	-
Depreciation - note 4.3	5,750	3,831
Training, conveyance and travelling	27,649	15,711
Communication, stationery and other office expenses	1,674	3,163
Others	4,788	2,658
	391,624	384,790

28.1 These include Rs. 7,062 (2018: Rs. 12,287) in respect of staff retirement and other service benefits.

28.2 The decrease is mainly attributable to lease rentals in respect of buildings recognised during the year as right-of-use asset upon adoption of IFRS 16.

(Amounts in thousand)

29. ADMINISTRATIVE EXPENSES

	2019	2018
	Rupees	
Salaries, wages and staff welfare - note 29.1	293,717	298,244
Rent, rates and taxes - note 29.2	41,992	52,397
Purchased services	88,455	92,030
Depreciation - note 4.3	17,584	18,103
Amortization - note 6	21,131	15,970
Depreciation on right-of-use asset - note 5.2	16,771	-
Training, conveyance and travelling	37,838	39,427
Communication, stationery and other office expenses	27,722	49,414
Others	20,632	10,942
	565,842	576,527

29.1 These include Rs. 25,989 (2018: Rs. 23,645) in respect of staff retirement and other service benefits.

29.2 The decrease is mainly attributable to lease rentals in respect of buildings recognised during the year as right-of-use asset upon adoption of IFRS 16.

30. OTHER EXPENSES

	2019	2018
	Rupees	
Legal and professional charges	34,926	43,776
Auditors' remuneration - note 30.1	4,503	5,214
Donations - note 30.2	56,759	89,085
Loss on disposal of operating assets	798	-
Foreign exchange loss (net) - note 30.3	774,578	279,969
Workers' Welfare Fund	73,698	65,905
Workers' Profits Participation Fund	269,296	343,468
	1,214,558	827,417

30.1 Auditors' remuneration

	2019	2018
Fee for:		
- Annual statutory audit	1,060	957
- Half yearly review	235	270
- Review of compliance with the Code of Corporate Governance	50	43
Taxation and other advisory services	2,940	3,663
Reimbursement of expenses	218	281
	4,503	5,214

30.2 These include donations made to the Citizens Foundation, Engro Foundation and Sina Health Education & Welfare Trust of Rs. 13,543, Rs. 14,200 and Rs. 26,390 respectively. Mr Imran Anwar, (the Chief Executive of the Company), and Mr. Ghias Khan, (the Chairman of the Board of Directors) are the trustees of Engro Foundation.

30.3 This includes Rs. 634,818 (2018 : Nil) arising on translation of foreign currency denominated lease liabilities recognised on application of IFRS 16.

(Amounts in thousand)

31. OTHER INCOME

	2019	2018
	Rupees	
On financial assets		
Income on bank deposits	30,657	44,952
Income from financial assets at fair value through profit or loss	790,660	96,810
Income from financial assets amortized cost	-	197,493
	821,317	339,255
On non-financial assets		
Scrap sales	63,130	7,198
Insurance claim	-	841,790
Others	9,815	46,168
	894,262	1,234,411

32. FINANCE COSTS

	2019	2018
	Rupees	
Interest / mark-up on:		
- long-term borrowings	1,190,039	567,156
- short-term borrowings and other facilities	109,845	448
	1,299,884	567,604
Interest on lease liabilities recognised under IFRS 16	333,081	-
Foreign exchange loss on derivative financial asset	8,607	-
Guarantee commission	11,007	17,444
Transaction costs on borrowings	22,000	-
Commitment fees on borrowings	73,406	-
Cash management charges	11,693	-
Bank charges and others	25,905	20,507
	1,785,583	605,555

33. TAXATION

	2019	2018
Current		
- for the year	962,033	979,005
- for prior year	138,768	152,686
	1,100,801	1,131,691
Deferred		
- for the year	238,391	399,747
	1,339,192	1,531,438

(Amounts in thousand)

		2019	2018
		Rupees	
33.1	Relationship between tax expense and accounting profit		
	Profit before taxation	5,042,694	6,448,735
	Tax calculated at applicable rate of 29% (2018: 29%)	1,462,381	1,870,133
	Tax effect of presumptive tax regime and income subject to lower tax rates	(115,141)	(72,038)
	Prior year tax charge - net	(1,157)	152,686
	Effect of inadmissible expenses / permanent differences	12,554	16,256
	Impact of change in tax rates	(23,463)	(30,212)
	Super tax for the current year	-	137,071
	Effect of recognition of minimum turnover tax	-	(542,426)
	Others	4,018	(32)
		1,339,192	1,531,438

34. EARNINGS PER SHARE - basic and diluted

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	2019	2018
	Rupees	
Profit for the year	3,703,502	4,917,297
	Number in thousands	
Weighted average number of ordinary shares	908,923	792,188
	Rupees	
Earnings per shares (basic and diluted)	4.07	6.21

35. RETIREMENT AND OTHER SERVICE BENEFITS

35.1 In 2013, the Company replaced its provident fund with the provident fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company.

35.2 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.

36. 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:

(Amounts in thousand)

	2019			2018		
	Director			Director		
	Chief Executive	Others	Executives	Chief Executive	Others	Executives
	Rupees					
Managerial remuneration	29,162	-	667,133	24,047	-	578,414
Retirement benefit funds	6,286	-	104,289	3,464	-	93,484
Bonus	29,985	-	152,221	18,936	-	89,384
Other benefits	3,454	-	166,911	3,416	-	148,308
Directors fee	-	1,100	-	-	1,250	-
Total	68,887	1,100	1,090,554	49,863	1,250	909,590
Number of persons including those who worked part of the year	1	2	179	1	2	179

36.1 The Company also provides certain household items and vehicles for the use of the Chief Executive Officer and certain executives.

36.2 Expense charged in respect of directors' indemnity insurance policy purchased by the Company amounts to Rs. 49 (2018: Rs. 262).

37. CASH GENERATED FROM OPERATIONS

	2019	2018
	Rupees	
Profit before taxation	5,042,694	6,448,735
Adjustments for non cash-charges and other items:		
Provision for staff retirement and other service benefits	51,123	163,974
Depreciation - note 4.3	1,027,176	958,607
Depreciation on right-of-use asset - note 5.2	415,961	-
Amortization - note 6	75,362	15,970
(Reversal of provision) / provision for doubtful debts - note 13.3	(1,701)	(618)
Write off trade debts	-	409
(Reversal of impairment) / impairment of property, plant and equipment - note 27	-	(103,665)
Provision for slow moving stores and spares - note 11.2	39,644	74,400
Reversal for provision for slow moving stores and spares - note 11.2	-	(26,194)
Foreign exchange loss under derivative financial asset	154	-
(Reversal of provision) for net realizable value of stock-in-trade, net	-	(25,453)
Income on bank deposits and short-term investments - note 31	(821,317)	(339,255)
Foreign exchange loss under IFRS 16	634,818	-
Interest expense on IFRS 16	333,081	-
Amortization of transaction cost	22,000	-

(Amounts in thousand)

	2019	2018
	Rupees	
Finance costs - note 32	1,299,884	567,604
Loss on disposal of operating assets - note 30	798	-
Provision against GIDC - note 24.1	1,018,938	1,008,816
Provision for gas price revision - note 24.2	-	517,392
Working capital changes - note 37.1	(175,708)	1,096,713
	8,962,907	10,357,435

37.1 WORKING CAPITAL CHANGES

	2019	2018
(Increase) / decrease in current assets		
Stores, spares and loose tools	(45,806)	(8,586)
Stock-in-trade	(721,454)	125,228
Trade debts	(37,512)	74,932
Loans, advances, deposits, prepayments and other receivables - net	524,320	(1,016,565)
	(280,452)	(824,991)
Increase in current liabilities		
Trade and other payables	104,744	1,921,704
	(175,708)	1,096,713

38. CASH AND CASH EQUIVALENTS

	2019	2018
	Rupees	
Financial instrument at fair value through profit and loss	7,964,420	6,203,151
Financial instrument at amortized cost	-	1,499,908
Cash and bank balances - note 17	777,823	1,359,208
Short-term borrowings - note 21	(2,158,836)	-
	6,583,407	9,062,267

39. FINANCIAL INSTRUMENTS BY CATEGORY

39.1 Financial assets as per statement of financial position

	2019	2018
At amortized cost		
Long-term loans	72,078	84,465
Financial assets at amortized cost	5,421,150	1,499,908
Trade debts - considered good	469,613	430,400
Loans, deposits and other receivable	465,357	802,426
Cash and bank balances	777,823	1,359,208
	7,206,021	4,176,407
At fair value through profit and loss		
Financial assets at fair value through profit or loss	7,964,420	6,203,151
	15,170,441	10,379,558

(Amounts in thousand)

39.2 Financial liabilities as per statement of financial position

	2019	2018
	Rupees	
At amortized cost		
Long-term borrowings	19,388,880	7,500,000
Lease liabilities	5,531,317	-
Service benefit obligation	61,049	55,354
Short-term borrowings	2,158,836	-
Trade and other payables	4,774,372	4,777,931
Accrued interest / mark-up	366,272	64,911
	32,280,726	12,398,196
At fair value through profit and loss		
Derivative financial instruments	154	-
	32,280,880	12,398,196

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

40.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk factors, where it deems appropriate. Risk management is carried out by the Company's finance division under the guidance of the Company's Board of Directors.

a) Market is the risk

Market risk in the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market prices. It comprises of the following risks:

i) Currency risk

Currency risk represents the risk that the fair values of future cash flows of financial instruments will fluctuate because of changes in foreign currency rates. The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to US Dollar. The risk arises from outstanding payments for imports, assets and liabilities denominated in foreign currencies and future commercial transactions. In the current economic environment, the Company is significantly exposed to currency risk because of the expected volatility in exchange rates. The Company, atits discretion, manages the currency risk through forward exchange contracts.

At December 31, 2019, the financial assets and liabilities exposed to foreign exchange risk amount to Rs.5,637,055 (2018: Rs. 140,738) and Rs. 12,560,205 (2018: Rs. 2,740,237) respectively.

At December 31, 2019, if the Pakistan Rupee had weakened / strengthened by 5% against the US Dollar with all other variables held constant, post-tax profit / loss for the year would have been lower / higher by Rs. 346,158 (2018: Rs. 91,755), mainly as a result of foreign exchange losses / gains on translation of uncovered US Dollar-denominated liabilities. However, this change in profits or losses would be partially offset by a corresponding change in margins as bulk of revenues is linked with movements in exchange rates.

(Amounts in thousand)

ii) Yield / interest rate risk

Yield / interest rate risk represents the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk arising from investments in government securities, bank balances maintained in saving accounts, borrowings and running finance facilities and term deposits, utilised under mark-up arrangements. Variable rate financial instruments expose the Company to cash flow interest rate risk, whereas, fixed rate financial instruments expose the Company to fair value interest rate risk.

To manage its cash flow interest rate risk, the Company has the ability to enter into floating to fixed rate interest swaps on its floating rate borrowings. Under the interest rate swap agreements, the Company can agree with the banks to exchange, at half yearly intervals, the difference between contracted rates and the floating rate interest amounts calculated by reference to the agreed notional amounts.

As at December 31, 2019, if interest rate on Company's unhedged borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by approximately Rs. 20,183 (2018: Rs. 55,078) mainly as a result of higher / lower interest charged on variable rate borrowings.

iii) Other price risk

Price risk represents the risk that the fair vale of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financials instruments or its issuers or factors affecting all similar financial instruments traded in the market. The Company is not exposed to price risk as at December 31, 2019 as the Company does not hold any financial instruments which expose it to price risk.

b) Credit risk

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge their obligations. Credit risk arises from deposits with banks and financial institutions, trade debts, loans, deposits, other receivables financial assets at amortized cost and financial assets at fair value through profit or loss. The maximum exposure to credit risk is equal to the carrying amount of these financial assets.

The Company is not materially exposed to credit risk as unsecured credit is provided to selected parties with no history of default. Moreover, major part of trade debts are secured by bank guarantees and letters of credit from customers. Furthermore, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings, or investments are made in government securities.

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 exposed to credit risk, which are neither past due nor impaired, are as follows:

	2019	2018
	Rupees	
Long-term loans	72,078	84,465
Trade debts - considered good	469,613	430,400
Loans, deposits and other receivables	465,357	802,426
Financial instrument at fair value through profit and loss	7,964,420	6,203,151
Financial instrument at amortized cost	5,421,150	1,499,908
Bank balances	777,176	1,358,816
	15,169,794	10,379,166

(Amounts in thousand)

The credit quality of receivables can be assessed with reference to their historical performance with no defaults in recent history. As at December 31, 2019 the credit quality of the Company's bank balances can be assessed with reference to external credit ratings assigned to the respective banks as follows:

Bank	Rating agency	2019 Ratings		2018 Ratings	
		Short-term	Long-term	Short-term	Long-term
Allied Bank Limited	PACRA	A1+	AAA	A1+	AA+
Askari Bank Limited	PACRA	A1+	AA+	A1+	AA
Al Baraka Bank (Pakistan) Limited	PACRA	A1	A	A1	A
Bank Alfalah Limited	PACRA	A1+	AA+	A1+	AA+
Bank AL Habib Limited	PACRA	A1+	AA+	A1+	AA+
Bank of China	Moody	P1	A1	A-1	A
Bank Islami Pakistan Limited	PACRA	A1	A+	A1	A+
Citibank N.A.	Moody	P1	Aa3	P-1	A1
Deutsche Bank A.G	Moody	P2	Ba3	P2	Baa2
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A1+	AA	A-1	AA-
Faysal Bank Limited	PACRA	A1+	AA	A1+	AA
Habib Bank Limited	JCR-VIS	A1+	AAA	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+	-	-
Industrial and Commercial Bank of China	Moody	P-1	A1	P-1	A1
JS Bank Limited	PACRA	A1+	AA-	A1+	AA-
MCB Bank Limited	PACRA	A1+	AAA	A1+	AAA
MCB Islamic Bank Limited	PACRA	A1	A	-	-
Meezan Bank Limited	JCR-VIS	A-1+	AA+	A-1+	AA
National Bank of Pakistan	JCR-VIS	A1+	AAA	A-1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA	A1+	AAA
Summit Bank Limited	JCR-VIS	A3	BBB-	A-1	A-
SAMBA Bank Limited	JCR-VIS	A1	AA	-	-
The Bank of Punjab	PACRA	A1+	AA	A1+	AA
United Bank Limited	JCR-VIS	A1+	AAA	A-1+	AAA

(Amounts in thousand)

c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company's liquidity management involves maintaining sufficient cash and marketable securities, the availability of funds through an adequate amount of credit facilities and through its ability to close out market positions. Due to the dynamic nature of the business, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

The general nature of credit facilities available to the Company under any contract and not availed as at the date of statement of financial position has been disclosed in notes 19 & 21.

The table below analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

	2019				2018			
	Maturity upto one year	Maturity more than one year but less than five years	Maturity after five years	Total	Maturity upto one year	Maturity more than one year but less than five years	Maturity after five years	Total
	Rupees							
Financial liabilities								
Long-term borrowings	-	15,888,880	3,500,000	19,388,880	-	7,500,000	-	7,500,000
Lease liabilities	987,487	4,300,809	243,021	5,531,317	-	-	-	-
Service benefit obligations	61,049	-	-	61,049	55,354	-	-	55,354
Short term borrowings	2,158,836	-	-	2,158,836	-	-	-	-
Trade and other payables	4,774,372	-	-	4,774,372	5,374,007	-	-	5,374,007
Derivative financial instruments	154	-	-	154	-	-	-	-
Accrued interest / mark-up	366,272	-	-	366,272	64,911	-	-	64,911
	8,348,170	20,189,689	3,743,021	32,280,880	5,494,272	7,500,000	-	12,994,272

41. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.
Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Company to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: 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); and
Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).
The Company held the following assets measured at fair values:

(Amounts in thousand)

	As at December 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	**Rupees**			
Treasury bills	-	6,264375	-	6,264375
Pakistan investment bonds	-	1,700,045	-	1,700,045
	-	7,964,420	-	7,964,420

	As at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	Rupees			
Treasury bills	-	6,003,151	-	6,003,151
Investment in units of mutual funds	200,000	-	-	200,000
	200,000	6,003,151	-	6,203,151

42. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern and to provide expected returns to its shareholders by maintaining optimum capital structure to minimize the cost of capital. To maintain or adjust the capital structure, the Company may issue new equity, manage dividend payouts to its shareholders or sell assets to reduce debt.

The Company manages capital by maintaining gearing ratio at certain levels. This ratio is calculated as long term borrowings, as disclosed in note 16, divided by total capital. Total capital is calculated as 'equity' as shown in the statement of financial position plus long-term borrowings.

The gearing ratio of the Company is as follows:

	2019	2018
	Rupees	
Long-term borrowings - note 19	19,388,880	7,500,000
Lease liabilities	45,43,830	-
	23,932,710	7,500,000
Total equity	17,731,023	16,743,586
Total capital	41,663,733	24,243,586
Gearing ratio	0.574	0.309

42. SEGMENT INFORMATION

42.1 Based on the internal management reporting structure, the Company is organized into three business segments based on the products produced and sold as follows:

- Poly Vinyl Chloride (PVC) and allied chemicals: The segment is formed to manufacture and sell PVC and allied chemicals to various industrial customers including pipe manufacturers, shoe and packaging industry. The Company supplies the products throughout Pakistan mainly through dealers. Moreover, PVC is also exported to various countries mainly in Asia Region.

(Amounts in thousand)

- Caustic soda and allied chemicals: The segment is formed to manufacture and sell caustic soda and allied chemicals mostly to textile and soap industry.

- Power supplies: The segment supplies surplus power generated from its power plants to Engro Fertilizers Limited.

Management monitors the operating results of above-mentioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on profit / (loss) after tax for that segment, which in certain respects, as explained in table below, is measured differently from profit or loss in the financial statements. Items which are directly attributable to a particular segment have been allocated to the respective segment, while those which are not directly attributable have been allocated on the basis of revenue.

43.2 The following table presents the profit or loss and total assets for the operating segments of the Company:

	Poly Vinyl Chloride (PVC) and allied chemicals		Caustic soda and allied chemicals		Power supply		Total	
Segment profit and loss	2019	2018	2019	2018	2019	2018	2019	2018
	Rupees							
Revenue								
At a point in time	31,647,675	29,491,590	5,995,675	5,720,505	-	-	37,643,350	35,212,095
Over time	-	-	-	-	71,933	59,540	71,933	59,540
	31,647,675	29,491,590	5,995,675	5,720,505	71,933	59,540	37,715,283	35,271,635
Less:								
Cost of sales	(26,488,041)	(24,292,576)	(3,903,637)	(3,320,926)	(57,030)	(49,516)	(30,448,708)	(27,663,018)
Distribution and marketing expenses	(318,647)	(314,146)	(72,977)	(70,644)	-	-	(391,624)	(384,790)
Administrative expenses	(510,011)	(519,316)	(63,187)	(57,211)	-	-	(573,198)	(576,527)
Other expenses	(422,168)	(647,851)	(164,582)	(120,403)	(1,750)	(485)	(588,480)	(768,739)
Other income	480,131	113,535	413,670	279,082	461	-	894,262	392,617
Finance costs	(1,442,646)	(600,532)	(9,740)	(5,559)	(117)	(58)	(1,452,503)	(606,149)
Profit before tax	2,946,293	3,230,704	2,195,242	2,424,844	13,497	9,481	5,155,032	5,665,029
Taxation	(791,223)	(984,195)	(576,405)	(859,114)	(3,854)	(3,281)	(1,371,482)	(1,846,590)
	2,155,070	2,246,509	1,618,837	1,565,730	9,643	6,200	3,783,550	3,818,439
Insurance claim (post tax)							-	556,432
Minimium Tax recognised							-	542,426
Impact of IFRS 16, post tax							(93,194)	
Others, post tax							13,146	
Profit for the year	2,155,070	2,246,509	1,618,837	1,565,730	9,643	6,200	3,703502	4,917,297
Segment assets								
Total segment assets (note 41.3)	37,010,774	16,088,188	6,068,487	5,771,628	17,886	11,928	43,097,147	21,871,744
Unallocated assets (note 41.3)							14,369,299	14,098,561
Total assets							57,466,446	35,970,305

43.3 Segment assets consist primarily of property, plant and equipment, stores and spares, stock in trade and trade debts. Unallocated assets include long term investment, long term loans and advances, loans, advances, prepayments and other receivables, taxes recoverable, and cash and bank balances.

(Amounts in thousand)

43.4 During the year, the Company has adopted IFRS 16 as disclosed in note 3.3. For better comparability of the current year numbers with that of prior year, the incremental impact of IFRS 16 has been presented separately.

44. TRANSACTIONS WITH RELATED PARTIES

44.1 Following are the name of associated companies and related parties with whom the Company had entered into transactions or had arrangements or agreements in place during the year:

Name of related parties	Direct shareholding	Relationship
Engro Corporation Limited	56.19%	Parent company
Engro Polymer Trading (Private) Limited	100.00%	Subsidiary company
Engro Perxoide (Private) Limited	100.00%	Subsidiary company
Engro Plasticizer (Private) Limited	100.00%	Subsidiary company
Mitsubishi Corporation	11.01%	Associated company
Engro Fertilizers Limited	N/A	Common directorship
Sindh Engro Coal Minning Company Limited	N/A	Common directorship
Engro Energy Limited	N/A	Common directorship
Thar Power Company Limited	N/A	Common directorship
Engro Digital Limited	N/A	Common directorship
Engro Eximp Agri Products (Private) Limited	N/A	Common directorship
Engro Foods Limited	N/A	Common directorship
Engro Infinity (Private) Limited	N/A	Common directorship
Engro Foundation	N/A	Common directorship
Karachi School of Business Leadership (KSBL)	N/A	Common directorship
Engro Elengy Terminal Private Limited	N/A	Common directorship
Engro Eximp FZE	N/A	Common directorship
Engro Powergen Qadirpur Limited	N/A	Common directorship
EFERT Agri Trade (Private) Limited	N/A	Common directorship
Engro Vopak Terminal Limited	N/A	Common directorship
Pakistan Oxygen Ltd	N/A	Common directorship
Overseas Investors Chamber of Commerce & Industry	N/A	Common directorship
Pakistan Institute of Corporate Governance	N/A	Common directorship
Retirement funds		
- Provident fund	N/A	Post employment benefits
- Gratuity fund	N/A	Post employment benefits
- Pension fund	N/A	Post employment benefits
Mr. Nadir Salar Qureshi - note 44.1.1	N/A	Director
Mr. Feroz Rizvi - note 44.1.1	N/A	Director
Mr. Imran Anwer - note 44.1.1	N/A	Director
Mr. Mohammad Asif Sultan Tajik - note 44.1.1	N/A	Director
Mr. Noriyuki Koga - note 44.1.1	N/A	Director
Mr. Hasnain Moochhala - note 44.1.1	N/A	Director
Mr. Ghias Uddin Khan - note 44.1.1	N/A	Director
Mr. Eram Hassan	N/A	Director
Mr. Aneeq Ahmed	N/A	Key management personnel
Mr. Syed Ali Akbar	N/A	Key management personnel
Mr. Abdul Qayoom Shaikh	N/A	Key management personnel
Mr. Mazhar Hasnaini	N/A	Key management personnel
Mr. Jahangir Waheed	N/A	Key management personnel
Mr. Muhammad Imran Khalil	N/A	Key management personnel
Mr. Salman Hafeez	N/A	Key management personnel
Mr. Kalimuddin A Khan	N/A	Key management personnel
Mr. Vijay Kumar	N/A	Key management personnel
Mr. Syed Abbas Raza	N/A	Key management personnel

(Amounts in thousand)

44.1.1 These denote elected directors of the Company.

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

Nature of relationship	Nature of transactions	2019 Rupees	2018 Rupees
Holding Company			
- Engro Corporation Limited	Reimbursement made	25,012	59,125
	Reimbursement received	2,386	6,552
	Advance for Intangible asset	276,595	45,341
	Purchase of services	262,462	203,244
	Life insurance contribution	537	610
	Medical insurance contribution	194	229
Subsidiary Company			
- Engro Polymer Trading (Private) Limited	Payments made on behalf of the Subsidiary company	2,212	-
- Engro Peroxide (Private) Limited	Payments made on behalf of the Subsidiary company	70,036	-
- Engro Plasticizer (Private) Limited	Payments made on behalf of the Subsidiary company	3,109	-
Associated Company			
- Mitsubishi Corporation	Purchase of goods	702,673	3,113,548
	Sale of goods	-	397,953
Member of the Group			
- Engro Fertilizers Limited	Sale of goods	11,305	14,201
	Sales of utilities	112,834	91,571
	Purchase of services	13,412	11,550
	Reimbursement received	3,771	2,112
	Purchase of land - note 4.5.1	722,122	138,995
	Reimbursement made	12,641	3,525
Engro Vopak Terminal Limited	Purchase of services	1,477,298	1,210,771
	Reimbursement made	20,119	17,043
	Reimbursement received	936	4,345
- Engro PowerGen Qadirpur Limited	Reimbursement made	-	105
- Engro Digital Limited	Reimbursement received	32	-
- Engro Energy Limited	Reimbursements received	4,372	4,028
- Engro Powergen Thar (Private) Limited	Sale of goods	3,987	-
- Engro Foundation	Donations	14,200	5,253
- Engro Elengy Terminal Limited	Reimbursement received	-	126
Directors	Fee	1,100	1,250
	Repayment of advance	-	-

(Amounts in thousand)

		2019 Rupees	2018 Rupees
Contribution to staff retirement benefits	**Managed and operated by the Holding Company**		
	- Provident fund	69,636	65,134
	- Gratuity fund	48,853	52,230
	- Pension fund	4,629	3,285
Key management personnel	Managerial remuneration	117,369	106,046
	Retirement benefit funds	20,853	16,385
	Bonus	37,351	81,276
	Other benefits	27,134	23,439

44.3 The related party status of outstanding balances as at December 31, 2019 is disclosed in the respective notes.

45. GENERAL

45.1 Number of employees	2019	2018
- Total number of employees	508	455
- Average number of employees	483	447

45.1.1 Included herein are 435 (2018: 385) employees working at the plant of the Company as at December 31, 2019 and average number of these employees during the year was 467 (2018: 378).

45.2 Production capacity

	Designed annual capacity 2019	Designed annual capacity 2018	Actual production 2019	Actual production 2018	Remarks
	Kilo tons				
PVC	195	195	197	202	Production planned as per market demand and in-house consumption needs
EDC	127	127	110	107	
Caustic soda	106	106	105	105	
Caustic flakes	20	-	4	-	
VCM	204	204	184	195	
	Mega Watts				
Power	66	66	48	48	

46. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors in its meeting held on February 04, 2020 has proposed a final cash dividend of Re.0.20 (2018: Re. 0.30) per share in addition to an interim cash dividend already paid at Rs. 0.60 (2018: Re. 0.8) per share for the year ended December 31, 2019. This appropriation will be approved by the members at the Annual General Meeting to be held on April 16, 2020.

(Amounts in thousand)

47. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, for the purposes of better comparison. Following are the major reclassifications that have been made during the year:

Description	Reclassified		Amount
	From	To	
Repairs and maintenance	Cost of sales	Administrative expenses	11,351
Sales promotion	Distribution and marketing expenses	Administrative expenses	23,772
Purchased services	Administrative expenses	Cost of sales	172,348
Legal and professional charges	Other expenses	Administrative expenses	44,852
Interest on WPPF funds utilized	Finance cost	Other operating expenses	592

48. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 04, 2020 by the Board of Directors of the Company.

Imran Anwer	Syed Abbas Raza	Hasnain Moochhala
Chief Executive	Chief Financial Officer	Director

consolidated financial statements

INDEPENDENT AUDITOR'S REPORT

To the members of Engro Polymer and Chemicals Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Engro Polymer and Chemicals Limited (the Company) 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 profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019 and 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 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 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.

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Following are the key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1.	**Capitalization of items in property, plant and equipment and capital work-in-progress** (Refer note 4 to the consolidated financial statements) During the year ended December 31, 2019, the Company has 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 to be a key audit matter.	Our audit procedures included the following: - obtained an understanding of the Company's process with respect to capital expenditure incurred and tested controls relevant to such process; - tested the cost capitalized with the relevant underlying documentation; - reviewed, 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; - assessed the nature of capitalized costs to ensure whether assets capitalized meet the recognition criteria set out in IAS 16; - assessed the useful lives assigned by the management and tested the calculation of related depreciation; - validated the existence of capitalized assets through physical verification on a sample basis; and - assessed the adequacy of the related disclosures made in the consolidated financial statements with respect to the applicable accounting and reporting standards.
2.	**Transition from the accounting standard IAS 17 "Leases" to IFRS 16 "Leases"** (Refer notes 3 and 5 to the consolidated financial statements) 'IFRS 16 - Leases' becomes effective for annual reporting beginning on or after 1 January 2019. The application of the new standard gives rise to a right of use asset and a corresponding increase in lease liabilities. The Company has chosen to apply the provisions of IFRS 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings as at January 1, 2019 as allowed under the transitional provisions of the standard. The assessment of the impact of the new standard is significant to our audit, as the balances recorded are material, the update of the accounting policy requires policy elections, the implementation process to identify and process all relevant data associated with the leases is complex and the measurement of the right-of-use asset and lease liability is based on assumptions such as discount rates and the lease terms, including termination and renewal options. Therefore, we have considered this to be a key audit matter.	Our audit procedures included the following: - evaluated management's implementation process and reviewed the updated accounting policy and policy elections; - for a sample of leases, computed the right-of-use assets and corresponding lease liabilities independently and compared the results to that of the management; - considered the completeness of leases identified by testing the reconciliation to the Company's operating lease commitments (as disclosed in prior year consolidated financial statements) and by going through key service contracts to assess whether they contained a lease under IFRS 16; - assessed the reasonableness of management's assumptions used especially in respect of determination of discount rates, the application of a single discount rate for a portfolio of leases and the assessment of renewal and termination options contained in the lease agreements; - checked the accuracy of the underlying lease data by agreeing each material lease to the original contract or other supporting information and checked the integrity and mechanical accuracy of the IFRS 16 calculations for each lease recorded through recalculation of the expected IFRS 16 adjustment; and - assessed the adequacy of the related disclosures made in the consolidated financial statements, with regards to the applicable accounting and reporting standards.

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S.No.	Key audit matters	How the matter was addressed in our audit
3.	**Long-term financing arrangements** (Refer notes 18, 22, 31 to the consolidated financial statements) During the year ended December 31, 2019, the Company 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. These loan agreements are complex in nature and involve the use of significant judgments in the 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.	Our audit procedures included the following: - obtained and reviewed all financing arrangements that the Company had in place during the year; - tested the drawdowns and repayments of loans as per the contractual terms of the agreements; - tested the Company's status of compliance with the covenants contained in the financing agreements and ensured appropriate waivers had been obtained for any actual breaches; - recomputed borrowing costs incurred during the year as per the terms contained in the respective agreements with lenders and assessed whether these were eligible for capitalization; - obtained legal opinion from lawyer on terms of the agreements which involved significant management's judgements; - circulated 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 - assessed the adequacy of the related disclosures made in the consolidated financial statements, with respect to the applicable accounting and reporting standards.

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 consolidated and unconsolidated 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 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 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 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.

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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 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 Farrukh Rehman.

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Date: March 13, 2020

consolidated statement of financial position
as at december 31, 2019

(Amounts in thousand)

	Note	2019	2018
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	31,433,441	19,397,763
Right-of-use asset	5	2,747,801	-
Intangible assets	6	78,966	106,773
Financial assets at amortised cost	7	5,421,150	-
Long-term loans and advances	8	72,078	84,465
Deferred tax asset	9	115,822	-
		39,869,258	19,589,001
Current Assets			
Stores, spares and loose tools	10	1,568,929	1,562,767
Stock-in-trade	11	4,302,841	3,581,387
Trade debts - considered good	12	469,613	430,400
Loans, advances, deposits, prepayments and other receivables	13	1,113,037	1,699,678
Income tax payments less provision	14	85,522	-
Derivative financial instruments		-	-
Financial assets at fair value through profit and loss	15	9,317,960	6,298,104
Financial assets at amortized cost		-	1,499,908
Cash and bank balances	16	792,057	1,362,042
		17,649,959	16,434,286
TOTAL ASSETS		57,519,217	36,023,287
EQUITY AND LIABILITIES			
Equity			
Share capital	17	9,089,233	9,089,233
Share premium		3,874,953	3,874,953
Hedging reserve		-	-
Unappropriated profits		4,811,970	3,831,998
		17,776,156	16,796,184
Non-Current Liabilities			
Long-term borrowings	18	19,388,880	7,500,000
Lease liabilities		4,543,830	-
Deferred tax liability	9	-	390,146
		23,932,710	7,890,146
Current Liabilities			
Current portion of lease liabilities		987,487	-
Service benefit obligations	19	61,049	55,354
Short-term borrowings	20	2,158,836	-
Trade and other payables	21	6,547,455	6,435,906
Unclaimed dividend		31,333	27,498
Derivative financial instruments		154	-
Unpaid dividend		-	25,683
Accrued interest / mark-up	22	366,272	64,911
Income tax provision less payments	14	-	88,778
Provisions	23	5,657,765	4,638,827
		15,810,351	11,336,957
		39,743,061	19,227,103
Contingencies and Commitments	24		
TOTAL EQUITY AND LIABILITIES		57,519,217	36,023,287

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

Imran Anwer	**Syed Abbas Raza**	**Hasnain Moochhala**
Chief Executive	Chief Financial Officer	Director

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

(Amounts in thousand except for earnings per share)

	Note	2019	2018
		Rupees	
Net revenue	25	37,836,632	35,271,635
Cost of sales	26	(29,730,617)	(27,663,022)
Gross profit		8,106,015	7,608,613
Distribution and marketing expenses	27	(391,624)	(384,790)
Administrative expenses	28	(570,363)	(576,527)
Other expenses	29	(1,241,226)	(827,830)
Other income	30	930,269	1,249,393
Operating profit		6,833,071	7,068,859
Finance costs	31	(1,793,775)	(605,556)
Profit for the year before taxation		5,039,296	6,463,303
Taxation	32	(1,343,259)	(1,533,132)
Profit for the year after taxation		3,696,037	4,930,171
Earnings per share - basic and diluted	33	4.07	6.22

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

Imran Anwer	**Syed Abbas Raza**	**Hasnain Moochhala**
Chief Executive	Chief Financial Officer	Director

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

(Amounts in thousand)

	2019	2018
	Rupees	
Profit for the year after taxation	3,696,037	4,930,171
Other comprehensive income:		
Items that not be reclassified to profit or loss		
Deferred tax charge relating to revaluation of equity related items - share issuance cost	-	(1,651)
Total comprehensive income for the year	3,696,037	4,928,520

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

Imran Anwer	Syed Abbas Raza	Hasnain Moochhala
Chief Executive	Chief Financial Officer	Director

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

(Amounts in thousand)

	Share capital	RESERVES CAPITAL Share premium	RESERVES REVENUE Unappropriated profit / (accumulated losses)	Total
	Rupees			
Balance as at January 1, 2018	6,634,688	964,029	161,392	7,760,109
Total comprehensive income for the year				
Profit for the year ended December 31, 2018	-	-	4,930,171	4,930,171
Other comprehensive loss for the year ended December 31, 2018	-	-	(1,651)	(1,651)
	-	-	4,928,520	4,928,520
Transactions with owners				
Right shares issued during the year including share premium net of share issuance cost	2,454,545	2,910,924	-	5,365,469
Final dividend for the year ended December 31, 2017 - Re. 0.80 per share	-	-	(530,775)	(530,775)
Interim dividend for the year ended December 31, 2018 - Re. 0.80 per share	-	-	(727,139)	(727,139)
	2,454,545	2,910,924	(1,257,914)	4,107,555
Balance as at December 31, 2018	9,089,233	3,874,953	3,831,998	16,796,184
Effect of change in accounting policy - net of deferred tax - note 3.3	-	-	(1,898,034)	(1,898,034)
Total comprehensive income for the year				
Profit for the year ended December 31, 2019	-	-	3,696,037	3,696,037
Other comprehensive income for the year ended December 31, 2019	-	-	-	-
	-	-	3,696,037	3,696,037
Transactions with owners				
Final dividend for the year ended December 31, 2018 - Re. 0.30 per share	-	-	(272,677)	(272,677)
Interim dividend for the year ended December 31, 2019 - Re. 0.60 per share	-	-	(545,354)	(545,354)
	-	-	(818,031)	(818,031)
Balance as at December 31, 2019	9,089,233	3,874,953	4,811,970	17,776,156

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

Imran Anwer	Syed Abbas Raza	Hasnain Moochhala
Chief Executive	Chief Financial Officer	Director

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	36	8,992,652	10,357,258
Long-term loans and advances		12,387	(8,709)
Retirement benefits paid		(45,428)	(154,570)
Income tax paid		(1,280,480)	(278,088)
Net cash generated from operating activities		7,679,131	9,915,891
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
- property, plant and equipment		(12,847,615)	(4,241,635)
- intangible assets		(266,425)	(18,080)
Proceeds from disposal of property, plant and equipment		2,809	-
Investment in Term Deposit Receipt	7	(5,421,150)	-
Income on short-term investments and bank deposits		857,324	345,512
Net cash used in investing activities		(17,675,057)	(3,914,203)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings - net of transaction costs		19,366,880	-
Repayments of long-term borrowings		(7,500,000)	(1,250,000)
Issuance of right shares at premium		-	5,365,469
Finance cost paid		(998,523)	(637,780)
Rentals paid during the year		(1,241,425)	-
Dividend payment		(839,879)	(1,242,483)
Net cash generated from financing activities		8,787,053	2,235,206
Net (decrease) / increase in cash and cash equivalents		(1,208,873)	8,236,894
Cash and cash equivalents at beginning of the year		9,160,054	923,160
Cash and cash equivalents at end of the year	37	7,951,181	9,160,054

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

Imran Anwer	**Syed Abbas Raza**	**Hasnain Moochhala**
Chief Executive	Chief Financial Officer	Director

notes to and forming part of the consolidated financial statements
for the year ended december 31, 2019

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 The Group consists of Engro Polymer and Chemicals Limited and its wholly owned subsidiary companies, Engro Polymer Trading (Private) Limited, Engro Peroxide (Private) Limited and Engro Plasticizer (Private) Limited. Engro Polymer and Chemicals Limited (the Company) was incorporated in Pakistan in 1997 under the (now repealed) Companies Ordinance, 1984. The Company is listed on the Pakistan Stock Exchange Limited.

1.2 The Company is a subsidiary of Engro Corporation Limited (the Holding Company) which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The Company's principal activity is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), Caustic soda and other related chemicals. The Company is also engaged in the supply of surplus power generated from its power plants to Engro Fertilizers Limited (a related party).

1.3 These financial statements denote the consolidated financial statements of the Company. The standalone financial statements of the Company and its subsidiaries have been presented separately.

Details of investments held by the Company in its subsidiaries are as follows:

	Percentage of shareholding of the Company	
	2019	2018
- Engro Polymer Trading (Private) Limited - note 1.3.1	100%	100%
- Engro Peroxide (Private) Limited - note 1.3.2	100%	N/A
- Engro Plasticizer (Private) Limited - note 1.3.3	100%	N/A

1.3.1 Engro Polymer Trading (Private) Limited (EPTL) was incorporated in Pakistan on November 6, 1999, under the (now repealed) Companies Ordinance, 1984 as a wholly owned subsidiary of the Company. EPTL's principal activity is to purchase, market and sell Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and other related chemicals. During the year, EPTL 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".

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

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

1.4 The geographical location and addresses of all business units of the Company are as follows:

Business unit	Geographical location
Head office of the Company and its subsidiaries	12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban -e- Iqbal, Karachi
Manufacturing plant	EZ/I/P-II-I Eastern Zone, Port Bin Qasim Industrial Area, Karachi, Pakistan
Regional sales unit	1st Floor, 38 Z Block, Commercial Area, Phase III, DHA, Lahore

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

2.1 Basis of preparation

2.1.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain financial assets and financial liabilities (including derivative financial instruments) have been carried at fair value.

2.1.2 Statement of compliance

2.1.2.1 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

- 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 Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires the 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. The accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

2.1.3.1 Useful lives, depreciation / amortisation methods and residual values of property, plant and equipment and intangible assets

The Group reviews appropriateness of the useful lives and residual values, where applicable, used in the calculation of depreciation / amortization of operating fixed assets and intangible assets on an annual basis. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis. During the year, the Company has reassessed the useful lives and residual values of its operating assets the effects of which have been disclosed in note 4.4.

2.1.3.2 Provision for slow-moving stores and spares

The Group regularly reviews the provision for slow moving stores and spares which are not consumed for more than three years and the quantity available is in excess to minimum stock level, thereby ensuring that items meeting the criteria are provided for.

(Amounts in thousand)

2.1.3.3 Provision for stock-in-trade

The Group regularly 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 expenditure to make the sales.

2.1.3.4 Impairment of financial assets

The amount of Expected Credit Losses (ECL) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

2.1.3.5 Current income taxes

In making the estimates for current income taxes payable by the Group, the management looks at the applicable law and the decisions of appellate authorities on certain issues in the past. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such final outcome is determined.

2.1.3.6 Deferred taxation

In assessing the recognition of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences, become deductible. Management considers the scheduled reversal of deferred tax liabilities, projects future taxable income and tax planning strategies in making this assessment. The amount of deferred tax assets considered realizable, however, could change in the near term if future estimates of projected taxable income during the carry forward period are revised.

2.1.3.7 Lease accounting

The implementation process to identify and process all relevant data associated with the leases is complex and the measurement of the right-of-use asset and lease liability is based on assumptions such as discount rates and the lease terms, including termination and renewal options. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used, being the rate the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2.1.4 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees which is the Group's functional currency.

(Amounts in thousand)

2.1.5 Initial application of a standard, amendment or an interpretation to existing standards

2.1.5.1 Standards, amendments to published standards and interpretations effective during the year

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

- 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.

- 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.

- 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.

(Amounts in thousand)

The impact of changes laid down by these standards have been disclosed in note 3.

There are other amendments to published accounting and reporting standards and interpretations that are applicable for the financial year beginning on January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Group's financial reporting and operations and, therefore, have not been disclosed in these consolidated financial statements.

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

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

2.1.6 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies – "the Group".

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

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

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. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis at their respective book values. The carrying values of investments held by the Company is eliminated against the share capital of subsidiaries in the consolidated financial statements and material inter-company transactions, balances, income and expenses on transactions between group companies have been eliminated.

2.2 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any, except capital work-in-progress. Cost in relation to fixed assets signifies historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Capital work-in-progress is stated at historical cost less impairment, if any.

Depreciation on assets is charged to income using the straight line method to allocate their cost less the residual values over their estimated useful lives at rates given in note 4. Depreciation on additions is charged from the month in which the asset is available for use and no depreciation is charged in the month of disposal.

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

Assets' residual values 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 asset's carrying amount is greater than its estimated

(Amounts in thousand)

recoverable amount and the resulting impairment loss is recognized in income. The recoverable amount is the higher of fair value less expected selling expenses and value in use. Reversal of impairment is effected in the case of indications of a change in recoverable amount and is recognized in income, however, is restricted to the original cost of the asset. An impairment loss recognised in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

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

2.3 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. Upon utilization, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of principal asset, whichever is lower.

2.4 Intangible assets - computer software

Costs associated with developing and maintaining computer software programmes are recognized as an expense as incurred. 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 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 available for use on straight-line basis over a period of 5 to 10 years. The carrying amount of the intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount and is charged in the statement of profit or loss. Reversal of impairment losses are also recognized in income, however, is restricted to the original cost of the asset.

2.5 Investments in subsidiaries

Investments in subsidiaries are classified as long-term investments and are stated at cost net of provision for impairment, if any.

2.6 Financial instruments

2.6.1 Financial assets

Classification, initial recognition and measurement

Financial assets are classified, at initial recognition and subsequently measured 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 Group's business model for managing the financial assets and the contractual terms of the cash flows.

(Amounts in thousand)

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 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. 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 consolidated 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 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 the consolidated statement of profit or loss and other comprehensive income.

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 FVOCI. 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.

2.6.2 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.

(Amounts in thousand)

2.6.3 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount 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.

2.6.4 Financial instruments - policy upto December 31, 2019

Financial assets and liabilities were initially measured at cost, which was the fair value of the consideration given and received respectively and were subsequently measured at fair value, amortised cost or cost, as the case may be.

A financial asset and a financial liability is offset and the net amount is reported in the consolidated statement of financial position, if the Group had a legally enforceable right to set-off the recognised amount and had the intent either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.7 Stores, spares and loose tools

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the reporting date. The management assess store items which are not consumed for at least three years and the quantity available is in excess to the minimum stock level. Provision is recognized for such items in the consolidated statement of profit or loss.

2.8 Stock-in-trade

These are valued at the lower of cost and net realizable value. Cost in relation to raw materials represents the weighted average cost and in relation to finished goods and work-in-process represents weighted average cost comprising direct materials, labour and related manufacturing overheads.

Cost of stock-in-transit represents the invoice value plus other charges incurred thereon till the reporting date. Net realizable value signifies the estimated selling price in the ordinary course of business less cost of completion and costs necessarily to be incurred in order to make the sales. Provision is made for slow moving stocks, where considered necessary.

2.9 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash in hand and in transit, balance with banks and other short-term highly liquid investments with original maturities of three months or less and short-term finances. Short-term finances on the consolidated statement of financial position are shown as part of current liabilities.

2.10 Share capital

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

2.11 Borrowings

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

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

(Amounts in thousand)

2.12 Retirement and other service benefits

2.12.1 Gratuity fund

The employees of the Company participate in a defined contributory gratuity fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company. As per the terms of the defined contribution plan, the Company contributes to the Fund at the rate of 8.33% of basic salary. Annual contribution by the Company is charged to the consolidated statement of profit or loss.

2.12.2 Provident fund

The employees of the Company participate in defined contributory provident fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company. Equal monthly contributions at the rate of 10% of the basic salary are made both by the Company and the employees to the Fund. Annual contribution by the Company is charged to the consolidated statement of profit or loss.

2.12.3 Other benefits - Service Incentive Plan

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

2.13 Provisions

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

2.14 Taxation

2.14.1 Current

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

2.14.2 Deferred

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

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax is charged or credited in the consolidated statement of profit or loss except to the extent that it relates to the items recognized directly in equity, in which case it is recognized in equity.

(Amounts in thousand)

2.15 Foreign currency transactions and translation

These consolidated financial statements are presented in Pakistan Rupee, which is the Group's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. 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 statement of profit or loss.

2.16 Revenue recognition

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.

2.17 Borrowing costs

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

2.18 Earnings per share

i) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, (excluding any costs of servicing equity other than ordinary shares) by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.19 Segment reporting

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

2.20 Dividend and appropriation to reserves

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

(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 Group has resulted in change in accounting policies. The Group 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 consolidated statement of financial position as at December 31, 2018 and furthermore have not been recognised in the opening consolidated statement of financial position as on January 1, 2019 as the effects were not material.

Furthermore, on January 1, 2019, the management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. As a result of this, financial assets previously classified as "loans and receivables" and "held-to-maturity" have now been classified as at "amortised cost". Financial liabilities continue to be classified as at amortised cost.

Moreover, no material differences were noted in prior year figures as a result of applying the new expected credit loss model on the adoption of IFRS 9. The reclassifications of the financial instruments also did not result in any changes to measurements. Hence, there was no restatement of opening balances and reserves. Furthermore, there is no impact on the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows.

3.2 IFRS 15 'Revenue from contracts with customers' (effective from accounting period beginning on or after July 1, 2018)

IFRS 15 allows for two methods of adoption:

- retrospectively to each prior period presented with or without practical expedients,
- retrospectively with cumulative effect of adoption as an adjustment to opening retained earnings in the period of adoption.

The management has assessed that the significant performance obligation arising from contracts with customers is to deliver the products and is discharged at a point in time and has concluded that the requirements contained in IFRS 15 are generally consistent with the timing of revenue the Group recognised in accordance with the previous standard, IAS 18 and related interpretations. Hence, the management has concluded that this standard does not have a material impact on these consolidated financial statements. However, product transportation and handling expenses amounting to Rs. 966,405 thousand previously included in distribution and marketing expenses have now been reclassified to cost of sales.

(Amounts in thousand)

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

Effective January 1, 2019, the Group 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 Group's right-of-use assets and lease liabilities are as follows:

Lease liabilities and right-of-use assets

At the 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.

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 Group.

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 Group'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 Group is reasonably certain to exercise these options.

The lease liabilities are subsequently measured at amortised cost using the effective interest rate 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 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 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 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. The impact of adoption of this standard is, therefore, recognised in the opening consolidated statement of financial position on January 1, 2019.

(Amounts in thousand)

On adoption of IFRS 16, the 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 weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.76%.

The following summary reconciles the Group's operating lease commitments as at December 31, 2018 as previously disclosed in the Group's annual audited consolidated financial statements as at December 31, 2018 to the lease liabilities recognised on the initial application of IFRS 16 as at January 01, 2019:

	Rupees
Operating lease as at December 31, 2018	14,053
Discounted using the lessee's incremental borrowing rate at the date of initial application	
(Less): short-term leases recognised on a straight-line basis as expense	(8,400)
(Less): low value leases recognised on a straight-line basis as expenses	-
(Less): contracts assessed as service agreements	(5,653)
Add: contracts assessed as lease	5,486,524
Add/(less): adjustments as a result of a different treatment of extension and termination options	-
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	-
Lease liability recognised as at January 1, 2019	5,486,524
Of which are:	
Current lease liabilities	812,442
Non-current lease liabilities	4,674,082
	5,486,524

The right-of use assets were measured on a retrospective basis at its carrying amounts as if IFRS 16 had been applied since the commencement date of the respective leases, but discounted using the lessee's incremental borrowing rate at the date of initial application.

The change in accounting policy affected the following items in the consolidated statement of financial position on January 1, 2019:

	Rupees
Right of Use assets - increased by	2,845,443
Unappropriated profits - decreased by	1,898,034
Deferred tax asset - increased by	743,047
Lease liabilities - increased by	5,486,524

The consolidated statement of profit or loss for the year ended December 31, 2019 shows the following amounts relating to leases:

	Rupees
-Depreciation charge of the right-of-use assets: (note 5.2)	
-Storage Tanks at Engro Vopak Terminal Limited	399,190
-Building	16,771
- Foreign exchange loss on translation of foreign currency denominated denominated lease liabilities (note 29.3)	634,818
- Interest on lease liabilities recognised under IFRS 16 (note 31)	333,081

Total cash outflow for the leases in 2019 was Rs. 1,241,425.

(Amounts in thousand)

The Group leases storage tanks at Engro Vopak Terminal Limited and has obtained premises for head office and regional sales unit. Rental contracts are typically made for fixed periods of 5 years to 17 years.

Lease terms are negotiated on an individual basis and contains a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Lease asset may not be used as security for borrowing purposes.

To determine the incremental borrowing rate, the Group has used:

- borrowing rate for IFC loan for agreements denominated in USD; and
- borrowing rates for sukuks for agreements denominated in PKR.

Extention and termination option are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. Contracts with Engro Vopak Terminal Limited and those related to rental of premises contains termination option which may be exercisable by either party via written notice.

	Rupees
Expense relating to short term leases included in distribution and marketing expenses - note 27	8,400
Expense relating to varibale lease payments not included in measurment of lease liabilities - note 26	139,718

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 accounting for operating leases with a remaining lease term of less than 12 months as at January 01, 2019 as short-term leases,
- 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.

4. PROPERTY, PLANT AND EQUIPMENT

	2019	2018
	Rupees	
Operating assets, at net book value - note 4.1	18,305,349	16,582,904
Capital work-in-progress - note 4.5	13,064,300	2,751,067
Capital spares	63,792	63,792
	31,433,441	19,397,763

(Amounts in thousand)

4.1 Operating assets

	Leasehold land (note 4.2)	Building on leasehold land (note 4.2)	Plant and machinery	Pipelines: Water	VCM	Ethylene	EDC	Gas	Furniture, fixtures and equipment	Vehicles	Total
						Rupees					
As at January 1, 2018											
Cost	194,127	383,245	24,059,542	398,968	26,122	50,315	-	33,849	262,234	76,583	25,484,985
Accumulated depreciation	(48,755)	(96,239)	(9,821,582)	(225,604)	(23,704)	(19,452)	-	(16,612)	(183,283)	(25,818)	(10,461,049)
Net book value	145,372	287,006	14,237,960	173,364	2,418	30,863	-	17,237	78,951	50,765	15,023,936
Year ended December 31, 2018											
Opening net book value	145,372	287,006	14,237,960	173,364	2,418	30,863	-	17,237	78,951	50,765	15,023,936
Additions - note 4.5	-	4,926	2,338,554	-	-	-	-	-	51,377	19,053	2,413,910
Reversal of impairment / write back											
Cost	-	164,788	-	-	-	-	-	-	-	-	164,788
Accumulated depreciation	-	(61,123)	-	-	-	-	-	-	-	-	(61,123)
	-	103,665	-	-	-	-		-	-	-	103,665
Depreciation charge - note 4.3	(3,931)	(11,996)	(879,702)	(19,969)	(1,317)	(2,414)	-	(1,630)	(28,126)	(9,522)	(958,607)
Net book value	141,441	383,601	15,696,812	153,395	1,101	28,449	-	15,607	102,202	60,296	16,582,904
As at January 1, 2019											
Cost	194,127	552,959	26,398,096	398,968	26,122	50,315	-	33,849	313,611	95,636	28,063,683
Accumulated depreciation	(52,686)	(169,358)	(10,701,284)	(245,573)	(25,021)	(21,866)	-	(18,242)	(211,409)	(35,340)	(11,480,779)
Net book value	141,441	383,601	15,696,812	153,395	1,101	28,449	-	15,607	102,202	60,296	16,582,904
Year ended December 31, 2019											
Opening net book value	141,441	383,601	15,696,812	153,395	1,101	28,449	-	15,607	102,202	60,296	16,582,904
Additions - note 4.5	939,528	1,980	1,627,267	-	-	-	98,288	-	82,618	3,571	2,753,252
Disposals											
Cost	-	(3,379)	-	-	-	-	-	-	(3,820)	(2,892)	(10,091)
Accumulated depreciation	-	596	-	-	-	-	-	-	3,645	2,243	6,484
		(2,783)							(175)	(649)	(3,607)
Depreciation charge - note 4.3 & 4.4	(32,931)	(29,702)	(898,297)	(12,898)	(8)	(2,190)	(253)	(1,472)	(37,064)	(12,385)	(1,027,200)
Net book value	1,048,038	353,096	16,425,782	140,497	1,093	26,259	98,035	14,135	147,581	50,833	18,305,349
As at December 31, 2019											
Cost	1,133,655	551,560	28,025,363	398,968	26,122	50,315	98,288	33,849	392,409	96,315	30,806,844
Accumulated depreciation	(85,617)	(198,464)	(11,599,581)	(258,471)	(25,029)	(24,056)	(253)	(19,714)	(244,828)	(45,482)	(12,501,495)
Net book value	1,048,038	353,096	16,425,782	140,497	1,093	26,259	98,035	14,135	147,581	50,833	18,305,349
Annual rate of depreciation (%)	2 to 2.14	2.5 to 10	2.5 to 25	5	5	5	3	5	5 to 33	5 to 25	

(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 (square yards)
- Leasehold land	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	590,114
- Production facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	15,794
- Storage facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	10,705
- Administration facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	2,908

	2019	2018
	Rupees	
4.3 Depreciation charge has been allocated as follows:		
Cost of sales - note 26	1,003,866	936,673
Distribution and marketing expenses - note 27	5,750	3,831
Administrative expenses - note 28	17,584	18,103
	1,027,200	958,607

4.4 During the year, as required under the Group's accounting policy, the Group 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.

Furthermore, 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. This change in accounting estimate of scrap values has also 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. 61,841.

(Amounts in thousand)

4.5 Capital work-in-progress

	Leasehold land	Building on leasehold land	Plant and machinery and pipelines (note 4.5.4)	Furniture, fixtures and equipments	Advances for vehicles and software	Total
			Rupees			
Year ended December 31, 2018						
Balance as at January 1, 2018	-	-	897,286	13,269	12,787	923,342
Additions during the year	236,695	7,041	3,847,362	49,911	118,706	4,259,715
Transferred to:						
- Operating assets - note 4.1	-	(4,926)	(2,338,554)	(51,377)	(19,053)	(2,413,910)
- Intangible assets note - 6	-	-	-	-	(18,080)	(18,080)
Balance as at December 31, 2018	236,695	2,115	2,406,094	11,803	94,360	2,751,067
Year ended December 31, 2019						
Balance as at January 1, 2019	236,695	2,115	2,406,094	11,803	94,360	2,751,067
Additions during the year - notes 4.5.1, 4.5.2 and 4.5.3	734,833	20,359	11,986,876	101,976	269,996	13,114,040
Transferred to:						
- Operating assets - note 4.1	(939,528)	(1,980)	(1,725,555)	(82,618)	(3,571)	(2,753,252)
- Intangible assets note - 6	-	-	-	-	(47,555)	(47,555)
Balance as at December 31, 2019	32,000	20,494	12,667,415	31,161	313,230	13,064,300

4.5.1 Additions to leasehold land during the year represent cost in relation to the purchase of land (measuring 60 acres) from Engro Fertilizers Limited (EFL) persuant to an agreement entered into between the Company and EFL on February 23, 2018. During the year, the legal formalities in relation to the transfer of land from EFL to the Company were finalized and physical possession of the land has been transferred to the Company.

4.5.2 Additions to plant and machinery and pipelines represent 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.

4.5.3 Additions to software include cost incurred in respect of digitization project through which the Company is in the process of making organization paperless.

4.5.4 As of December 31, 2019, major engineering and civil works in respect of plant and machinery and pipelines for PVC-III and VCM debottlenecking have been completed. The machinery and ancillary equipment installation for PVC and VCM plants are underway.

(Amounts in thousand)

5. RIGHT-OF-USE ASSET

	Storage tanks at Engro Vopak Terminal Limited	Building	Total
		Rupees	
Year ended December 31, 2019			
Balance as at January 1, 2019	2,778,739	66,704	2,845,443
Addition during the year - note 5.1	318,319	-	318,319
Depreciation charge during the year - note 5.2	(399,190)	(16,771)	(415,961)
Balance as at December 31, 2019	2,697,868	49,933	2,747,801

5.1 This represent right of use asset recognized in relation to terminal service agreement entered into on August 5, 2019 for the reception, storage and delivery of Ethylene Dichloride.

5.2 Depreciation charge has been allocated as follows:

	2019	2018
	Rupees	
Cost of sales - note 26	399,190	-
Administrative expenses - note 28	16,771	-
	415,961	-

6. INTANGIBLE ASSETS - Computer software

	2019	2018
Net carrying value		
Balance as at beginning of the year	106,773	104,663
Add: Additions at cost - note 4.5	47,555	18,080
Less: Amortisation charge for the year - note 6.2	(75,362)	(15,970)
Balance as at the end of the year	78,966	106,773
Gross carrying value		
Cost at the beginning of the year	268,042	220,487
Less: Accumulated amortisation	(189,076)	(113,714)
Net book value	78,966	106,773

6.1 The cost is being amortized over a period of 5 to 10 years.

6.2 Amortisation charge has been allocated as follows:

	2019	2018
Cost of sales - note 26	54,231	-
Administrative expenses - note 28	21,131	15,970
	75,362	15,970

(Amounts in thousand)

7. FINANCIAL ASSETS AT AMORTIZED COST

	2019	2018
	Rupees	
Investment in Term Deposit Receipts - note 7.1	5,421,150	-

7.1 These denote term deposits aggregating to USD 35 million maintained with Dubai Islamic Bank Pakistan Limited (DIBPL). These carry profit at the rate of 2.79% per annum and are due to mature in six equal semi-annual installments of $ 5.833 million starting from July 15, 2021 and ending on various dates January 15, 2024.

8. LONG-TERM LOANS AND ADVANCES

- Considered good

	2019	2018
	Rupees	
Executives - notes 8.1, 8.2 and 8.4	107,522	125,871
Less: Current portion shown under current assets - note 13	(35,444)	(41,406)
	72,078	84,465
Employees - note 8.3	-	21
Less: Current portion shown under current assets - note 13	-	(21)
	-	-
	72,078	84,465

8.1 Reconciliation of the carrying amount of loans and advances to executives is as follows:

	2019	2018
Balance at beginning of the year	125,871	112,359
Add: Disbursements	67,375	66,893
Less: Repayments / amortizations	(85,724)	(53,381)
Balance at end of the year	107,522	125,871

8.2 These include interest free loans and advances to executives for house rent, vehicles, home appliances and investments given in accordance with the terms of employment. Loans for house rent are repayable in 12 to 18 equal monthly instalments and investment are repayable in lump sum amount after 36 months. Loans for home appliances are repayable in 5 equal annual instalments. Advances for vehicles are charged to consolidated statement of profit or loss over a period of 4 years.

8.3 These include interest free loans to employees for home appliances and investments, given in accordance with the terms of employment. Loans are repayable in accordance with the terms stated in note 8.2.

8.4 The maximum aggregate amount due from the executives at the end of any month during the year was Rs. 146,227 (2018: Rs. 130,578). These are secured by way of promissory notes.

8.5 The maximum aggregate amount due from related parties at any time during the year with respect to month end balance was Rs. 4,898 (2018: Rs. 11,243)

8.6 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 material defaults in recent history.

(Amounts in thousand)

8.7 The Group does not have any loans or advances placed under any arrangements permissible under Shariah.

9. DEFERRED TAXATION - NET

	2019	2018
	Rupees	
Debit balances arising due to:		
- recoupable carried forward tax losses - note 9.1	1,267	431,194
- recoupable minimum turnover tax - note 9.2	558,991	537,505
- recoupable alternative corporate tax	369,224	469,544
- unpaid liabilities	128,170	100,340
- leases recognized under IFRS 16	783,120	-
- provision for Gas Infrastructure Development Cess and Special Excise Duty	1,451,279	1,004,673
- provision for slow moving stores and spares	102,345	91,935
- provision for bad debts	2,055	2,535
- share issuance cost, net to equity	57,830	57,830
	3,454,281	2,695,556
Credit balances arising due to:		
- accelerated tax depreciation	(3,338,459)	(3,085,702)
	115,822	(390,146)

9.1 Deferred income tax asset is recognized for tax losses available for carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate tax losses available for carry-forward as at December 31, 2019 amount to Rs. 4,373 (2018: Rs. 1,539,979).

9.2 During the year, the Group 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 the Company, 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. The Group'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 the Group intends to approach if required. Accordingly, the Group has recognized deferred tax asset on recoupable minimum turnover tax.

10. STORES, SPARES AND LOOSE TOOLS

	2019	2018
	Rupees	
Consumable stores and spares - note 10.1	1,932,703	1,886,897
Less: Provision for slow moving stores and spares - note 10.2	363,774	324,130
	1,568,929	1,562,767

10.1 This includes goods in transit amounting to Rs. 9,422 (2018: Rs. 135,955).

(Amounts in thousand)

	2019	2018
	Rupees	
10.2 The movement in the provision for slow moving stores and spares is as follows:		
Balance at beginning of the year	324,130	277,943
Add: Recognized during the year - note 26	39,644	74,400
Less:		
- Reversal during the year - note 26	-	(26,194)
- Write-offs during the year	-	(2,019)
Balance at end of the year	363,774	324,130

11. STOCK-IN-TRADE

	2019	2018
Raw and packing materials - notes 11.1 and 11.2	2,561,552	2,439,712
Work-in-process	25,120	15,856
Finished goods - own manufactured product and trading products - notes 11.1 and 11.3	1,716,169	1,125,819
	4,302,841	3,581,387

	2019	2018
11.1 This includes stocks held at storage facilities of the following parties:		
- Engro Vopak Terminal Limited, a related party	1,284,031	554,035
- Fatima Fertilizer Company Limited	-	2,500
- Al-Noor Petroleum (Private) Limited	9,306	-
- Al-Rahim Trading Company (Private) Limited	147,301	-
- Al-Hamd Traders	3,486	1,168
	1,444,124	557,703

11.2 This includes goods in transit amounting to Rs. 632,450 (2018: Rs. 794,005).

11.3 During the year, the Company has started trading of Chlorinated Paraffin- 52 (CP), hexane and Vinyl Acetate Monomer (VAM).

12. TRADE DEBTS - Considered good

	2019	2018
	Rupees	
Related parties - note 12.1	6,775	-
Others		
Secured - note 12.2	308,697	270,867
Unsecured	154,141	159,533
	462,838	430,400
Considered doubtful - note 12.3	7,309	9,010
	476,922	439,410
Less: Provision for doubtful debts - notes 12.3	7,309	9,010
	469,613	430,400

(Amounts in thousand)

12.1 Due from related parties comprise of:

	Upto 1 month		2 to 6 months		More than 6 months		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	Rupees							
Engro Powegen Thar (Private) Limited	599	-	-	-	-	-	599	-
Engro Fertilizers Limited	6,120	-	-	-	56	-	6,176	-
	6,719	-	-	-	56	-	6,775	-

12.1.1 The maximum aggregate amount due from the related parties at the end of any month during the year was:

	2019	**2018**
	Rupees	
- Engro Fertilizers Limited	22,556	211,301
- Engro Powergen Thar (Private) Limited	698	-
	23,254	211,301

12.2 These debts are secured by way of bank guarantees and letters of credit from customers.

12.3 The movement in provision during the year is as follows:

	2019	2018
	Rupees	
Balance at beginning of the year	9,010	9,628
Less: Reversal of provision during the year - notes 12.3.1 & 27	(1,701)	(618)
Balance at end of the year	7,309	9,010

12.3.1 During the year, the Company has received payment from one of the customer whose balance was provided for in previous years.

(Amounts in thousand)

	2019	2018
	Rupees	
13. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Considered good		
Current portion of long term-loans and advances - note 8		
- executive	35,444	41,406
- employees	-	21
	35,444	41,427
Advances to employees - note 13.1	525	8,019
Advances to suppliers and others	166,766	629,836
Deposits	221,863	128,661
Prepayments - note 13.6	51,488	110,233
Receivable from Government of Pakistan		
- Sales tax and Federal excise duty refundable	500,978	156,869
- Octroi / duty claims	152	152
	501,130	157,021
Due from related parties - note 13.2		
Engro Vopak Terminal Limited	-	385
Engro Energy Limited	1,531	331
Sindh Engro Coal Mining Company Limited	53	-
FrieslandCampina Engro Pakistan Limited	5	5
Engro Corporation Limited	23,725	1,590
Engro Digital Limited	-	2,007
Engro Fertilizers Limited	2,119	118,613
Engro Powergen Qadirpur Limited	9	9
	27,442	122,940
Insurance receivable	-	483,131
Accrued mark-up	77,807	13,568
Other receivables	30,572	4,842
	1,113,037	1,699,678
Considered doubtful		
Custom duty claims refundable - note 13.3	18,043	18,043
Less: Provision for impairment - notes 13.3 and 13.5	(18,043)	(18,043)
-	-	-
Special Excise Duty (SED) refundable - note 13.4	36,687	36,687
Less: Provision for impairment - notes 13.4 and 13.5	(36,687)	(36,687)
	-	-
	1,113,037	1,699,678

13.1 The advances given to the parties are in accordance with the terms of employment. Maximum aggregate amount due from related parties at any time during the year with respect to month end balance was Rs. 4,708 (2018: Rs. 2,540).

(Amounts in thousand)

13.2 Maximum aggregate amount due from related parties at any time during the year with respect to month end balance is as follows:

	2019	2018
	Rupees	
Engro Vopak Terminal Limited	-	385
Engro Energy Limited	1,982	331
Sindh Engro Coal Mining Company Limited	53	-
FrieslandCampina Engro Pakistan Limited	5	5
Engro Corporation Limited	23,725	1,590
Engro Digital Limited	-	2,007
Engro Fertilizers Limited	141,763	118,613
Engro Powergen Qadirpur Limited	9	9
	167,537	122,940

13.3 The Customs Appellate Tribunal, Karachi Bench, through its order dated October 31, 2011, disposed of the Company's appeal filed on April 11, 2008 against the order of Collector of Customs, Port Muhammad Bin Qasim, Karachi, for the refund of custom duty paid during the period June 16, 2006 to July 24, 2006 on imports of Vinyl Chloride Monomer (VCM). The Tribunal was informed that all the aforementioned VCM consignments were released after the issuance of SRO 565(1) / 2006 dated June 6, 2006 and the benefit of five percent duty reduction was also passed onto the customers. However, as the price of the Company's product was increased which is linked with international market, the Tribunal inadvertently presumed that the said benefit had not been transferred to the customers and passed an order against the Company.

The Company has filed an appeal with the High Court of Sindh against the aforesaid order of the Tribunal. However, the Company is maintaining full provision against the aforementioned custom duty refundable till such time that all available legal forums are exhausted.

13.4 During 2007, Special Excise Duty (SED) amounting to Rs. 91,616 was paid on import of certain fixed assets. Out of the total SED paid, an amount of Rs. 54,299 was adjusted through input claim in sales tax returns. Subsequently, the remaining amount of Rs. 36,687 could not be adjusted as the said duty was disallowed as adjustment from output tax under section 7 of Sales Tax Act, 1990. Therefore, the Company has fully provided the said amount. However, the Company is pursuing recovery of the remaining amount from the tax authorities based on the view that the SED can be recovered as it was paid prior to the change in the Sales Tax Act.

13.5 As at December 31, 2019, receivables aggregating to Rs. 54,730 (2018: Rs. 54,730) were deemed to be impaired and have been provided for in full. The remaining balances of loans, deposits, due from related parties and other receivables are neither past due nor impaired.

13.6 During the year, Engro Polymer Trading (Private) Limited has undertaken a rent agreement for building premises in respect of which it has paid Rs. 8,100

14. TAXES PAYABLE

14.1 Tax year 2008

The Deputy Commissioner Inland Revenue (DCIR) through an 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 disallowance of adjustment of minimum tax paid for tax years 2004 to 2007 against the above demand.

(Amounts in thousand)

The Company filed an appeal against the aforesaid order before the Commissioner Inland Revenue Appeals [CIR(A)], but discharged the entire demand through adjustment against assessed refunds of Rs. 180,768 and payment of 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 from tax years 2004 to 2007. An appeal against the said appellate order was filed by the Company before the Appellate Tribunal Inland Revenue (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 of by accepting Company'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.

The Company filed a reference with the High Court of Sindh against the additions maintained by ATIR. Likewise, the tax department has also filed reference with the High Court of Sindh against the order passed by the ATIR in favour of the Company. The management of the Company, based on the advice of its tax consultants, is confident that the ultimate outcome of the aforementioned matters would be favourable and, accordingly, has not recognized the effects for the same in these Consolidated financial statements.

14.2 Tax year 2009

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 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 the Company 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 of by accepting Company'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.

The Company filed a reference with the High Court of Sindh against the additions maintained by ATIR. Likewise, the tax department has also filed reference with the High Court of Sindh against the order passed by the ATIR in favour of the Company. The management of the Company, based on the advice of its tax consultants, is confident that the ultimate outcome of the aforementioned matters would be favourable and, accordingly, has not recognized the effects for the same in these financial statements.

(Amounts in thousand)

	2019	2018
	Rupees	

15. FINANCIAL INSTRUMENT AT FAIR VALUE THROUGH PROFIT AND LOSS

	2019	2018
Treasury bills - note 15.1	7,617,915	6,098,104
Pakistan Investment Bond - note 15.2	1,700,045	-
Investment in units of mutual fund	-	200,000
	9,317,960	6,298,104

15.1 These carry mark-up at rates ranging between 12.74% to 13.50% per annum (2018: 10.20% per annum) and have maturities ranging between January 16, 2020 and October 8, 2020.

15.2 This carries interest at the rate of 13.36% per annum and has been sold on January 7, 2020.

16. CASH AND BANK BALANCES

	2019	2018
	Rupees	
Cash in hand	647	392
Cash at bank - note 16.1		
- in current accounts	330,334	220,206
- in saving accounts - note 16.2	461,076	1,141,444
	791,410	1,361,650
	792,057	1,362,042

16.1 These include Rs.215,905 (2018: Rs. 140,738) held in foreign currency bank accounts.

16.2 These carry mark-up at rates ranging between 5.01% to 11.25% per annum (2018: 2.40% to 8.00% per annum).

17. SHARE CAPITAL

	2019	2018
	Rupees	
Authorized capital		
1,250,000,000 (2018: 1,250,000,000) ordinary shares of Rs. 10 each	12,500,000	12,500,000
400,000,000 (2018: 400,000,000) preference shares of Rs. 10 each	4,000,000	4,000,000
Issued, subscribed and paid-up capital		
908,923,333 (2018: 908,923,333) ordinary shares of Rs. 10 each, fully paid in cash - notes 17.1 and 17.2	9,089,233	9,089,233

17.1 As at December 31, 2019, Engro Corporation Limited (the Holding Company) and Mitsubishi Corporation (an associated company) held 510,733,450 and 100,053,562 (2018: 510,733,450 and 100,053,562) ordinary shares of Rs.10 each denoting 56.19% (2018: 56.19%) and 11.01% (2018: 11.01%) of the share capital of the Company.

17.2 There is a shareholders' agreement between Engro Corporation Limited (ECL) and Mitsubishi Corporation (MC) which includes provisions in respect of board selection, voting rights, rights of first refusal, etc.

(Amounts in thousand)

18. LONG-TERM BORROWINGS

Title	Mark-up rate per annum	Installments Number	Installments Commencing from	2019 Rupees	2018 Rupees
Sukuks - note 18.1	3 months KIBOR + 0.9%	5 half yearly	July 10, 2024	8,623,541	-
Loan from International Finance Corporation (IFC) - note 18.2	6 months LIBOR + 3.25%	6 half yearly	July 15, 2021	5,343,489	-
Bilateral loan - note 18.3	6 months KIBOR + 0%	6 half yearly	July 15, 2021	5,421,850	-
Bilateral - IV - note 18.4	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	-	1,500,000
Bilateral - V - note 18.4	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	-	1,500,000
Bilateral - VI - note 18.4	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	-	750,000
Bilateral - VIII - note 18.4	6 months KIBOR + 0.8%	6 half yearly	June 28, 2019	-	1,000,000
Bilateral - IX - note 18.4	6 months KIBOR + 0.4%	6 half yearly	June 30, 2020	-	750,000
Bilateral - X - note 18.4	6 months KIBOR + 0.4%	6 half yearly	June 26, 2020	-	2,000,000
				19,388,880	7,500,000
Less: Current portion shown under current liabilities				-	-
				19,388,880	7,500,000

18.1 During the year, the Company 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 annual installments of Rs. 1,750,000 each with the first repayment commencing in July 2024. These are secured by way of hypothecation charge of present and future fixed assets of the Company (excluding land and building) which shall rank pari passu with the charges created in favour of the existing creditors.

18.2 In 2018, the Company had entered into an financing 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.

The borrowing is by way of hypothecation charge of present and future fixed assets of the Company (excluding land and building) which shall rank pari passu with the charges created in favour of the existing creditors.

18.3 During the year, the Company 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. The borrowing is secured by a hypothecation charge in favour of the Bank which constitutes a ranking charge over the existing and future fixed assets of the Company (except land and building), ranking subordinate and subservient to the charges created in favour of the existing creditors and a lien and a right of set-off over the Term Deposit Receipt maintained with DIBPL as referred to in note 7.

18.4 During the year, the Company has made early repayment of the long-term loans outstanding as at December 31, 2018.

19. SERVICE BENEFIT OBLIGATIONS

	2019	2018
	Rupees	
Service incentive plan - note 19.1	61,049	55,354

19.1 This represents provision for annual employment benefits payable to eligible employees who have successfully completed 3 years of vesting period with the Company.

(Amounts in thousand)

	2019	2018
	Rupees	
20. SHORT-TERM BORROWINGS		
Running finance utilized under mark-up arrangements - note 20.1	296,836	-
Export refinance facility - note 20.2	200,000	-
Money market loans - note 20.3	1,662,000	-
	2,158,836	-

20.1 These denote short-term running finance facilities obtained from various banks. The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 0.5% to 1% (2018: relevant period KIBOR plus 0.5% to 1%) per annum. These facilities are secured by a joint parri passu floating charge over stocks and book debts of the Company.

20.2 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 parri passu floating charge over stocks and book debts of the Company.

20.3 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 the Company.

20.4 The aggregate facilities for running finance available from various banks as at December 31, 2019, representing the sales price of all mark-up arrangements, amounted to Rs. 2,925,000 (2018: Rs. 2,900,000) of which Rs 766,164 (2018: Rs 2,900,000) remain unutilised as at year end.

	2019	2018
	Rupees	
21. TRADE AND OTHER PAYABLES		
Trade and other creditors - note 21.1	2,844,907	3,446,781
Accrued liabilities - notes 21.1 and 21.2	2,645,303	1,858,400
Advances from customers	904,882	643,303
Retention money	1,545	1,545
Security deposits - note 21.3	34,120	24,710
Payable to provident funds	-	6,852
Payable to gratuity funds	258	576
Workers' Welfare Fund	73,199	65,871
Withholding tax payable	22	9,016
Workers' Profits Participation Fund - note 21.4	35,133	342,876
Others	8,086	35,976
	6,547,455	6,435,906
21.1 Includes due to the following related parties:		
- Engro Corporation Limited	88,305	40,545
- Mitsubishi Corporation	-	344,807
- Engro Fertilizers Limited	40,926	43
- Engro Powergen Thar (Private) Limited	613	-
- Engro Vopak Terminal Limited	139,849	119,241
	269,693	504,636

(Amounts in thousand)

21.2 This includes Sindh Infrastructure Development Cess amounting to Rs. 751,951 (2018: 595,500).

21.3 These represent interest-free deposits from dealers for the performance of their service as defined in the dealership agreements. The deposits are refundable on termination of dealership agreements and are payable on demand. The amount is fully utilised in business in accordance with the requirement of written agreements and in terms of section 217 of the Act.

	2019	2018
	Rupees	
21.4 The movement in WPPF payable is as follows:		
Balance at the beginning of the year	342,876	163,661
Allocation for the year - note 29	265,133	342,876
Interest charges on funds utilised	4,163	592
	612,172	507,129
Less: Payments during the year	(577,039)	(164,253)
Balance at the end of the year	35,133	342,876
22. ACCRUED INTEREST / MARK-UP		
Mark-up accrued on:		
- long-term borrowings	332,563	64,911
- short-term borrowings	33,709	-
	366,272	64,911
23. PROVISIONS		
Provision for Gas Infrastructure Development Cess - note 23.1	5,140,373	4,121,435
Provision for gas price revision - note 23.2	517,392	517,392
	5,657,765	4,638,827

23.1 Provision for Gas Infrastructure Development Cess (GIDC)

Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development Cess (GIDC) on all industrial gas consumers at the rate of Rs. 13 per MMBTU. Subsequently, the GIDC rates were enhanced through notifications under OGRA Ordinance 2002, Finance Act, 2014 and GIDC Ordinance 2014 against which the Company had obtained ad-interim stay orders from the High Court of Sindh. However, on prudent basis the Company recognized a provision of Rs. 1,345,789 till May 21, 2015.

On May 22, 2015 the Gas Infrastructure Development Cess (GIDC) Act, 2015 was promulgated whereby cess rate of Rs.100 per MMBTU and Rs.200 per MMBTU were fixed for industrial and captive power consumption, respectively. The GIDC Act, 2015 was made applicable with immediate effect superseding the GIDC Act, 2011 and the GIDC Ordinance, 2014.

The Company, based on the advice of its legal counsel, was of the view that as per GIDC Act, 2015, the uncollected portion of cess levied through GIDC Act, 2011 and GIDC Ordinance 2014, shall not be collected from the industrial sector. Therefore, the Company reversed the provision relating to industrial portion of GIDC amounting to Rs. 753,664 for the period prior to promulgation of GIDC Act, 2015 and retained GIDC provision amounting to Rs. 592,125 in respect of captive power.

Further, the Company has also obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Southern Gas Company Limited (SSGCL) from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a further provision of Rs.1,018,938 (2018: Rs. 1,008,816) for the year.

(Amounts in thousand)

23.2 During the year ended December 31, 2017, the Company had filed suits in the Sindh High Court (SHC), against the increase in tariff of natural gas sold to industries and captive power plants notified by Oil and Gas Regulatory Authority (OGRA) vide SRO no. (1)/2016 dated December 30, 2016 whereby the Company cited the increase as illegal and unconstitutional. The SHC has granted an interim order in favour of the Company which is still operational. However, the Company has recognised a provision of Rs. 517,392 for the period from December 2017 to September 2018.

24. CONTINGENCIES AND COMMITMENTS

24.1 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 that would have been produced and sold from the excess wastage of raw material. The Company filed thereagainst before the Commissioner Inland Revenue Appeals [CIR(A)] on the grounds that the order passed against the Company 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 favour of the Company. However, the department has challenged the said order of CIR(A) before Appellate Tribunal Inland Revenue (ATIR). No proceedings regarding this matter have been carried out by ATIR, till the year end. The management of the Company, based on the advice of its tax consultants, is confident of favourable outcome of this matter, accordingly, no provision has been made in this respect.

24.2 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at December 31, 2019 amounts to Rs. 2,348,000 (2018: Rs. 1,896,000). The amount utilized there against as at December 31, 2019 is Rs. 2,163,090 (2018: Rs. 1,856,000).

24.3 The facility for opening letters of credit as at December 31, 2019 aggregates to Rs. 29,607,000 (2018: Rs. 15,800,000). The amount utilized thereagainst as at December 31, 2019 was Rs. 4,336,782 (2018: Rs.6,453,000). These facilities carry commission at rates running between 0.05% and 0.1% (2018: 0.05% and 0.1%).

24.4 The Group has entered into operating lease arrangments with Al-Rahim Trading Company (Priavte) Limited for the storage and handling of Ethylene Di Cholride (EDC) in respect of which future lease commitments aggregate to Rs. Nil (2018 : Rs 5,653).

24.5 Commitments in respect of rentals of storage tanks at EVTL for the handling of Ethylene aggregate to USD $ 38,664 valid till March 31, 2026 and Ethylene Di Chloride (EDC) aggregate to USD $ 5,700 valid till December 31, 2038. With effect from January 1, 2019, the Group has recorded right-of-use assets in respect of these contracts as detailed in note 3.3.

24.6 During the year, Engro Peroxide (Private) Limited 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.

24.7 During the year, Engro Peroxide (Private) Limited as at December 31, 2019 issued bank guarantee in favor of Excise and Taxation, amounts to Rs. 3,500. The aggregate facilities amounting to Rs. 50,000 has been issued collectively in favor of the Company, Engro Peroxide (Private) Limited and Engro Plasticizer (Private) Limited.

(Amounts in thousand)

25. NET REVENUE

	2019	2018
	Rupees	
Gross local sales	44,223,191	40,704,079
Less:		
- Sales tax	6,404,399	5,903,435
- Discounts	523,257	360,984
	6,927,656	6,264,419
	37,295,535	34,439,660
Export sales	469,164	772,435
Supply of electricity - note 25.1	71,933	59,540
	37,836,632	35,271,635

25.1 This represents revenue against supply of surplus power to Engro Fertilizers Limited - a related party.

26. COST OF SALES

	2019	2018
	Rupees	
Opening stock of work-in-process	15,856	28,846
Raw and packing materials consumed	17,274,480	16,956,345
Salaries, wages and staff welfare - note 26.1	1,503,316	1,133,216
Fuel, power and gas	6,299,932	4,818,222
Repairs and maintenance	409,887	351,048
Depreciation - note 4.3	1,003,866	936,673
Amortization - note 6.2	54,231	-
Depreciation on Right-of-use asset - note 5.2	399,190	-
Consumable stores	553,077	386,250
Purchased services	495,582	397,655
Storage and handling - note 26.2	491,610	1,371,309
Training, conveyance and travelling	258,024	141,980
Communication, stationery and other office expenses	11,614	10,760
Rent, rates and taxes	28,084	25,372
Product transportation	1,134,097	966,405
Insurance, fees and subscription	186,727	110,985
Reversal of impairment / impairment of property, plant and equipment	-	(103,665)
Provision for slow moving stores and spares - note 10.2	39,644	74,400
Reversal of provision for slow moving stores and spares - note 10.2	-	(26,194)
Other expenses	21,177	13,114
	30,164,538	27,563,875
Closing stock of work-in-process	(25,120)	(15,856)
Cost of goods manufactured	30,155,274	27,576,865
Opening stock of finished goods	1,125,819	1,211,976
Closing stock of finished goods	(1,622,853)	(1,125,819)
	(497,034)	86,157
Cost of sales - purchased product	72,377	-
	29,730,617	27,663,022

(Amounts in thousand)

26.1 These include Rs. 89,183 (2018: Rs. 76,709) in respect of staff retirement and other service benefits.

26.2 This includes expense relating to varibale lease payments not included in lease liabilities amounting to Rs. 139,718.

27. DISTRIBUTION AND MARKETING EXPENSES

	2019 Rupees	2018 Rupees
Salaries, wages and staff welfare - note 27.1	175,231	158,336
Sales promotion	159,219	163,365
(Reversal of provision) / provision for doubtful debt - note 12.3	(1,701)	(618)
Write off trade debts	-	409
Rent, rates and taxes - note 27.2	12,308	29,497
Purchased services	6,706	8,438
Insurance	-	-
Depreciation - note 4.3	5,750	3,831
Training, conveyance and travelling	27,649	15,711
Communication, stationery and other office expenses	1,674	3,163
Others	4,788	2,658
	391,624	384,790

27.1 These include Rs. 7,062 (2018: Rs. 12,287) in respect of staff retirement and other service benefits.

27.2 The decrease is mainly attributable to lease rentals in respect of buildings recognised during the year as right-of-use asset upon adoption of IFRS 16.

28. ADMINISTRATIVE EXPENSES

	2019 Rupees	2018 Rupees
Salaries, wages and staff welfare - note 28.1	293,717	298,244
Rent, rates and taxes - note 28.2	46,513	52,397
Purchased services	88,455	92,030
Depreciation - note 4.3	17,584	18,103
Amortization - note 6.2	21,131	15,970
Depreciation on right-of-use asset - note 5.2	16,771	-
Training, conveyance and travelling	37,838	39,427
Communication, stationery and other office expenses	27,722	49,414
Others	20,632	10,942
	570,363	576,527

28.1 These include Rs. 25,989 (2018: Rs. 23,645) in respect of staff retirement and other service benefits.

28.2 The decrease is mainly attributable to lease rentals in respect of buildings recognised during the year as right-of-use asset upon adoption of IFRS 16.

(Amounts in thousand)

29. OTHER EXPENSES

	2019 Rupees	2018 Rupees
Legal and professional charges	60,721	43,826
Auditors' remuneration - note 29.1	5,376	5,577
Donations - note 29.2	56,759	89,085
Loss on disposal of operating assets	798	-
Foreign exchange loss (net) - note 29.3	774,578	279,969
Workers' Welfare Fund	73,698	65,905
Workers' Profits Participation Fund	269,296	343,468
	1,241,226	827,830

29.1 Auditors' remuneration

Fee for:		
- Annual statutory audit	1,439	1,109
- Half yearly review	263	297
- Review of compliance with the Code of Corporate Governance	50	43
Taxation and other advisory services	3,374	3,825
Reimbursement of expenses	250	303
	5,376	5,577

29.2 These include donations made to the Citizens Foundation, Engro Foundation and Sina Health Education & Welfare Trust of Rs. 13,543, Rs. 14,200 and Rs. 26,390 respectively. Mr Imran Anwar, (the Chief Executive of the Company), and Mr. Ghias Khan, (the Chairman of the Board of Directors) are the trustees of Engro Foundation.

29.3 This includes Rs. 634,818 (2018 : Nil) arising on translation of foreign currency denominated lease liabilities recognised on application of IFRS 16.

30. OTHER INCOME

	2019 Rupees	2018 Rupees
On financial assets		
Income on bank deposits	31,109	45,694
Income from financial assets at fair value through profit or loss	826,215	102,325
Income from financial assets amortized cost	-	197,493
	857,324	345,512
On non-financial assets		
Scrap sales	63,130	7,198
Insurance claim	-	841,790
Others	9,815	54,893
	930,269	1,249,393

(Amounts in thousand)

31. FINANCE COSTS

	2019	2018
	Rupees	
Interest / mark-up on:		
- long-term borrowings	1,190,039	567,156
- short-term borrowings and other facilities	109,845	448
	1,299,884	567,604
Interest on lease liabilities recognised under IFRS 16	333,081	-
Foreign exchange loss on derivative financial asset	8,607	
Guarantee commission	11,007	17,444
Transaction costs on borrowings	22,000	-
Commitment fees on borrowings	73.406	-
Cash management charges	11,693	-
Bank charges and others	34,097	20,508
	1,793,775	605,556

32. TAXATION

	2019	2018
Current		
- for the year	967,412	980,699
- for prior year	138,768	152,686
	1,106,180	1,133,385
Deferred		
- for the year	237,079	399,747
	1,343,259	1,533,132

32.1 Relationship between tax expense and accounting profit

	2019	2018
Profit before taxation	5,039,296	6,463,303
Tax calculated at applicable rate of 29% (2018: 29%)	1,461,396	1,874,358
Tax effect of presumptive tax regime and income subject to lower tax rates	(110,089)	(72,038)
Prior year tax charge - net	(1,157)	152,686
Effect of inadmissible expenses / permanent differences	12,554	13,725
Impact of change in tax rates	(23,463)	(30,212)
Super tax for the current year	-	137,071
Effect of recognition of minimum turnover tax	-	(542,426)
Others	4,018	(32)
	1,343,259	1,533,132

(Amounts in thousand)

33. EARNINGS PER SHARE - basic and diluted

There is no dilutive effect on the basic earnings per share of the Group, which is based on:

	2019	2018
	Rupees	
Profit for the year	3,696,037	4,930,171
	Number in thousands	
Weighted average number of ordinary shares	908,923	792,188
	Rupees	
Earnings per shares (basic and diluted)	4.07	6.22

34. RETIREMENT AND OTHER SERVICE BENEFITS

34.1 In 2013, the Company replaced its provident fund with the provident fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company.

34.2 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.

35. 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		
	Director			Director		
	Chief Executive	Others	Executives	Chief Executives	Others	Executives
	Rupees					
Managerial remuneration	29,162	-	667,133	24,047	-	578,414
Retirement benefit funds	6,286	-	104,289	3,464	-	93,484
Bonus	29,985	-	152,221	18,936	-	89,384
Other benefits	3,454	-	166,911	3,416	-	148,308
Directors fee	-	1,100	-	-	1,250	-
Total	68,887	1,100	1,090,554	49,863	1,250	909,590
Number of persons including those who worked part of the year	1	2	179	1	2	179

35.1 The Company also provides certain household items and vehicles for the use of the Chief Executive Officer and certain executives.

35.2 Expense charged in respect of directors' indemnity insurance policy purchased by the Company amounts to Rs. 49 (2018: Rs. 262).

(Amounts in thousand)

36. CASH GENERATED FROM OPERATIONS

	2019	2018
	Rupees	
Profit before taxation	5,039,296	6,463,303
Adjustments for non cash-charges and other items:		
Provision for staff retirement and other service benefits	51,123	163,974
Depreciation - note 4.3	1,027,200	958,607
Depreciation on right-of-use asset - note 5.2	415,961	-
Amortization - note 6	75,362	15,970
(Reversal of provision) / provision for doubtful debts - note 12.3	(1,701)	(618)
Write off trade debts	-	409
(Reversal of impairment) / impairment of property, plant and equipment - note 26	-	(103,665)
Provision for slow moving stores and spares - note 10.2	39,644	74,400
Reversal for provision for slow moving stores and spares - note 10.2	-	(26,194)
Foreign exchange loss under derivative financial liability	154	-
(Reversal of provision) for net realizable value of stock-in-trade, net	-	(25,453)
Income on bank deposits and short-term investments - note 30	(857,324)	(345,512)
Foreign exchange loss under IFRS 16	634,818	-
Interest expense on IFRS 16	333,081	-
Amortization of transaction cost	22,000	
Finance costs - note 31	1,299,884	567,604
Loss on disposal of operating assets - note 29	798	-
Provision against GIDC - note 23.1	1,018,938	1,008,816
Provision for gas price revision - note 23.2	-	517,392
Working capital changes - note 36.1	(106,582)	1,088,225
	8,992,652	10,357,258

36.1 WORKING CAPITAL CHANGES

	2019	2018
(Increase) / decrease in current assets		
Stores, spares and loose tools	(45,806)	(8,586)
Stock-in-trade	(721,454)	125,228
Trade debts	(37,512)	74,932
Loans, advances, deposits, prepayments and other receivables - net	586,641	(1,016,447)
	(218,131)	(824,873)
Increase in current liabilities		
Trade and other payables	111,549	1,913,098
	(106,582)	1,088,225

(Amounts in thousand)

37. CASH AND CASH EQUIVALENTS

	2019	2018
	Rupees	
Financial instrument at fair value through profit and loss	9,317,960	6,298,104
Financial instrument at amortized cost	-	1,499,908
Cash and bank balances - note 16	792,057	1,362,042
Short-term borrowings - note 20	(2,158,836)	-
	7,951,181	9,160,054

38. FINANCIAL INSTRUMENTS BY CATEGORY

38.1 Financial assets as per consolidated statement of financial position

	2019	2018
At amortized cost		
Long-term loans	72,078	84,465
Financial assets at amortized cost	5,421,150	1,499,908
Trade debts - considered good	469,613	430,400
Loans, deposits and other receivable	393,128	794,569
Cash and bank balances	792,057	1,362,042
	7,148,026	4,171,384
At fair value through profit and loss		
Financial assets at fair value through profit or loss	9,317,960	6,298,104
	16,465,986	10,469,488

38.2 Financial liabilities as per consolidated statement of financial position

	2019	2018
At amortized cost		
Long-term borrowings	19,388,880	7,500,000
Lease liabilities	5,531,317	-
Service benefit obligation	61,049	55,354
Short-term borrowings	2,158,836	-
Trade and other payables	4,782,010	4,771,912
Accrued interest / mark-up	366,272	64,911
	32,288,364	12,392,177
At fair value through profit and loss		
Derivative financial instruments	154	-
	32,288,518	12,392,177

(Amounts in thousand)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

39.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk factors, where it deems appropriate. Risk management is carried out by the Company's finance division under the guidance of the Company's Board of Directors.

a) Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market prices. It comprises of the following risks:

i) Currency risk

Currency risk represents the risk that the fair values of future cash flows of financial instruments will fluctuate because of changes in foreign currency rates. The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to US Dollar. The risk arises from outstanding payments for imports, assets and liabilities denominated in foreign currencies and future commercial transactions. In the current economic environment, the Company is significantly exposed to currency risk because of the expected volatility in exchange rates. The Company, at its discretion, manages the currency risk through forward exchange contracts.

At December 31, 2019, the financial assets and liabilities exposed to foreign exchange risk amount to Rs.5,637,055 (2018: Rs. 140,738) and Rs. 12,560,205 (2018: Rs. 2,740,237) respectively.

At December 31, 2019, if the Pakistan Rupee had weakened / strengthened by 5% against the US Dollar with all other variables held constant, post-tax profit / loss for the year would have been lower / higher by Rs. 346,158 (2018: Rs. 91,755), mainly as a result of foreign exchange losses / gains on translation of uncovered US Dollar-denominated liabilities. However, this change in profits or losses would be partially offset by a corresponding change in margins as bulk of revenues is linked with movements in exchange rates.

ii) Yield / interest rate risk

Yield / interest rate risk represents the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk arising from investments in government securities, bank balances maintained in saving accounts, borrowings and running finance facilities and term deposits, utilised under mark-up arrangements. Variable rate financial instruments expose the Company to cash flow interest rate risk, whereas, fixed rate financial instruments expose the Company to fair value interest rate risk.

To manage its cash flow interest rate risk, the Company has the ability to enter into floating to fixed rate interest swaps on its floating rate borrowings. Under the interest rate swap agreements, the Company can agree with the banks to exchange, at half yearly intervals, the difference between contracted rates and the floating rate interest amounts calculated by reference to the agreed notional amounts.

As at December 31, 2019, if interest rate on Company's unhedged borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by approximately Rs. 20,183 (2018: Rs. 55,078) mainly as a result of higher / lower interest charged on variable rate borrowings.

(Amounts in thousand)

iii) Other price risk

Price risk represents the risk that the fair vale of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financials instruments or its issuers or factors affecting all similar financial instruments traded in the market. The Company is not exposed to price risk as at December 31, 2019 as the Company does not hold any financial instruments which expose it to price risk.

b) Credit risk

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge their obligations. Credit risk arises from deposits with banks and financial institutions, trade debts, loans, deposits, other receivables financial assets at amortized cost and financial assets at fair value through profit or loss. The maximum exposure to credit risk is equal to the carrying amount of these financial assets.

The Company is not materially exposed to credit risk as unsecured credit is provided to selected parties with no history of default. Moreover, major part of trade debts are secured by bank guarantees and letters of credit from customers. Furthermore, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings, or investments are made in government securities.

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 exposed to credit risk, which are neither past due nor impaired, are as follows:

	2019	2018
	Rupees	
Long-term loans	72,078	84,465
Trade debts - considered good	469,613	430,400
Loans, deposits and other receivables	393,128	794,569
Financial instrument at fair value through profit and loss	9,317,960	6,298,104
Financial instrument at amortized cost	5,421,150	1,499,908
Bank balances	791,410	1,361,650
	16,465,339	10,469,096

The credit quality of receivables can be assessed with reference to their historical performance with no defaults in recent history. As at December 31, 2019 the credit quality of the Company's bank balances can be assessed with reference to external credit ratings assigned to the respective banks as follows:

(Amounts in thousand)

Bank	Rating agency	2019 Ratings Short-term	2019 Ratings Long-term	2018 Ratings Short-term	2018 Ratings Long-term
Allied Bank Limited	PACRA	A1+	AAA	A1+	AA+
Askari Bank Limited	PACRA	A1+	AA+	A1+	AA
Al Baraka Bank (Pakistan) Limited	PACRA	A1	A	A1	A
Bank Alfalah Limited	PACRA	A1+	AA+	A1+	AA+
Bank AL Habib Limited	PACRA	A1+	AA+	A1+	AA+
Bank of China	Moody	P1	A1	A-1	A
Bank Islami Pakistan Limited	PACRA	A1	A+	A1	A+
Citibank N.A.	Moody	P1	Aa3	P-1	A1
Deutsche Bank A.G	Moody	P2	Ba3	P2	Baa2
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A1+	AA	A-1	AA-
Faysal Bank Limited	PACRA	A1+	AA	A1+	AA
Habib Bank Limited	JCR-VIS	A1+	AAA	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+	-	-
Industrial and Commercial Bank of China	Moody	P-1	A1	P-1	A1
JS Bank Limited	PACRA	A1+	AA-	A1+	AA-
MCB Bank Limited	PACRA	A1+	AAA	A1+	AAA
MCB Islamic Bank Limited	PACRA	A1	A	-	-
Meezan Bank Limited	JCR-VIS	A-1+	AA+	A-1+	AA
National Bank of Pakistan	JCR-VIS	A1+	AAA	A-1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA	A1+	AAA
Summit Bank Limited	JCR-VIS	A3	BBB-	A-1	A-
SAMBA Bank Limited	JCR-VIS	A1	AA	-	-
The Bank of Punjab	PACRA	A1+	AA	A1+	AA
United Bank Limited	JCR-VIS	A1+	AAA	A-1+	AAA

(Amounts in thousand)

c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company's liquidity management involves maintaining sufficient cash and marketable securities, the availability of funds through an adequate amount of credit facilities and through its ability to close out market positions. Due to the dynamic nature of the business, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

The general nature of credit facilities available to the Company under any contract and not availed as at the date of statement of financial position has been disclosed in notes 18 & 20.

The table below analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

	2019				2018			
	Maturity upto one year	Maturity more than one year but less than five years	Maturity after five years	Total	Maturity upto one year	Maturity more than one year but less than five years	Maturity after five years	Total
	Rupees							
Financial liabilities								
Long-term borrowings	-	15,888,880	3,500,000	19,388,880	-	7,500,000	-	7,500,000
Lease liabilities	987,487	4,300,809	243,021	5,531,317	-	-	-	-
Service benefit obligations	61,049	-	-	61,049	55,354	-	-	55,354
Short term borrowings	2,158,836	-	-	2,158,836	-	-	-	-
Trade and other payables	4,782,010	-	-	4,782,010	4,771,912	-	-	4,771,912
Derivative financial instruments	154	-	-	154	-	-	-	-
Accrued interest / mark-up	366,272	-	-	366,272	64,911	-	-	64,911
	8,355,808	20,189,689	3,743,021	32,288,518	4,892,177	7,500,000	-	12,392,177

40. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern and to provide expected returns to its shareholders by maintaining optimum capital structure to minimize the cost of capital. To maintain or adjust the capital structure, the Company may issue new equity, manage dividend payouts to its shareholders or sell assets to reduce debt.

The Company manages capital by maintaining gearing ratio at certain levels. This ratio is calculated as long-term borrowings, as disclosed in note 16, divided by total capital. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus long-term borrowings and long-term maturities of lease liabilities.

(Amounts in thousand)

The gearing ratio of the Company is as follows:

	2019	2018
	Rupees	
Long-term borrowings - note 18	19,388,880	7,500,000
Lease liabilities	4,543,830	-
Total equity	17,776,156	16,796,184
Total capital	41,708,866	24,296,184
Gearing ratio	0.465	0.309

41. SEGMENT INFORMATION

41.1 Based on the internal management reporting structure, the Company is organized into three business segments based on the products produced and sold as follows:

- Poly Vinyl Chloride (PVC) and allied chemicals: The segment is formed to manufacture and sell PVC and allied chemicals to various industrial customers including pipe manufacturers, shoe and packaging industry. The Company supplies the products throughout Pakistan mainly through dealers. Moreover, PVC is also exported to various countries mainly in Asia Region.

- Caustic soda and allied chemicals: The segment is formed to manufacture and sell caustic soda and allied chemicals mostly to textile and soap industry.

- Power supplies: The segment supplies surplus power generated from its power plants to Engro Fertilizers Limited.

Management monitors the operating results of above-mentioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on profit / (loss) after tax for that segment, which in certain respects, as explained in table below, is measured differently from profit or loss in the financial statements. Items which are directly attributable to a particular segment have been allocated to the respective segment, while those which are not directly attributable have been allocated on the basis of revenue.

(Amounts in thousand)

	Poly Vinyl Chloride (PVC) and allied chemicals		Caustic soda and allied chemicals		Power supply		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	Rupees							
Segment profit and loss								
Revenue								
At a point in time	31,647,675	29,491,590	5,995,675	5,720,505	-	-	37,643,350	35,212,095
Over time	-	-	-	-	71,933	59,540	71,933	59,540
	31,647,675	29,491,590	5,995,675	5,720,505	71,933	59,540	37,715,283	35,271,635
Less:								
Cost of sales	(26,488,041)	(24,292,576)	(3,903,661)	(3,320,926)	(57,030)	(49,516)	(30,448,732)	(27,663,018)
Distribution and marketing expenses	(318,647)	(314,146)	(72,977)	(70,644)	-	-	(391,624)	(384,790)
Administrative expenses	(514,532)	(519,316)	(63,187)	(57,211)	-	-	(577,719)	(576,527)
Other expenses	(427,087)	(648,264)	(186,312)	(120,403)	(1,750)	(485)	(615,149)	(769,152)
Other income	492,021	128,517	437,787	279,082	461	-	930,269	407,599
Finance costs	(1,443,328)	(600,533)	(17,250)	(5,559)	(117)	(58)	(1,460,695)	(606,150)
Profit before tax	2,948,061	3,245,272	2,190,075	2,424,844	13,497	9,481	5,151,633	5,679,597
Taxation	(791,671)	(985,889)	(580,023)	(859,114)	(3,854)	(3,281)	(1,375,548)	(1,848,284)
	2,156,390	2,259,383	1,610,052	1,565,730	9,643	6,200	3,776,085	3,831,313
Insurance claim (post tax)							-	556,432
Minimium Tax recognised							-	542,426
Impact of IFRS 16, post tax							(93,194)	
Others, post tax							13,146	
Profit for the year	2,156,390	2,259,383	1,610,052	1,565,730	9,643	6,200	3,696,037	4,930,171
Segment assets								
Total segment assets (note 41.3)	36,955,774	16,088,188	4,866,795	5,771,628	17,886	11,928	41,840,455	21,871,744
Unallocated assets (note 41.3)							15,678,762	14,151,543
Total assets							57,519,217	36,023,287

41.3 Segment assets consist primarily of property, plant and equipment, stores and spares, stock in trade and trade debts. Unallocated assets include long term investment, long term loans and advances, loans, advances, prepayments and other receivables, taxes recoverable, and cash and bank balances.

41.4 During the year, the Company has adopted IFRS 16 as disclosed in note 3.3. For better comparability of the current year numbers with that of prior year, the incremental impact of IFRS 16 has been presented separately.

42. TRANSACTIONS WITH RELATED PARTIES

42.1 Following are the name of associated companies and related parties with whom the Company had entered into transactions or had arrangements or agreements in place during the year:

(Amounts in thousand)

Name of related parties	Direct shareholding	Relationship
Engro Corporation Limited	56.19%	Parent company
Engro Polymer Trading (Private) Limited	100.00%	Subsidiary company
Engro Peroxide (Private) Limited	100.00%	Subsidiary company
Engro Plasticizer (Private) Limited	100.00%	Subsidiary company
Mitsubishi Corporation	11.01%	Associated company
Engro Fertilizers Limited	N/A	Common directorship
Sindh Engro Coal Mining Company Limited	N/A	Common directorship
Engro Energy Limited	N/A	Common directorship
Thar Power Company Limited	N/A	Common directorship
Engro Digital Limited	N/A	Common directorship
Engro Eximp Agri Products (Private) Limited	N/A	Common directorship
Engro Foods Limited	N/A	Common directorship
Engro Infinity (Private) Limited	N/A	Common directorship
Engro Foundation	N/A	Common directorship
Karachi School of Business Leadership (KSBL)	N/A	Common directorship
Engro Elengy Terminal Private Limited	N/A	Common directorship
Engro Eximp FZE	N/A	Common directorship
Engro Powergen Qadirpur Limited	N/A	Common directorship
EFERT Agri Trade (Private) Limited	N/A	Common directorship
Engro Vopak Terminal Limited	N/A	Common directorship
Pakistan Oxygen Limited	N/A	Common directorship
Overseas Investors Chamber of Commerce & Industry	N/A	Common directorship
Pakistan Institute of Corporate Governance	N/A	Common directorship
Retirement funds		
- Provident fund	N/A	Post employment benefits
- Gratuity fund	N/A	Post employment benefits
- Pension fund	N/A	Post employment benefits
Mr. Nadir Salar Qureshi - note 42.1.1	N/A	Director
Mr. Feroz Rizvi - note 42.1.1	N/A	Director
Mr. Imran Anwer - note 42.1.1	N/A	Director
Mr. Mohammad Asif Sultan Tajik - note 42.1.1	N/A	Director
Mr. Noriyuki Koga - note 42.1.1	N/A	Director
Mr. Hasnain Moochhala - note 42.1.1	N/A	Director
Mr. Ghias Uddin Khan - note 42.1.1	N/A	Director
Mr. Eram Hassan	N/A	Director
Mr. Aneeq Ahmed	N/A	Key management personnel
Mr. Syed Ali Akbar	N/A	Key management personnel
Mr. Abdul Qayoom Shaikh	N/A	Key management personnel
Mr. Mazhar Hasnaini	N/A	Key management personnel
Mr. Jahangir Waheed	N/A	Key management personnel
Mr. Muhammad Imran Khalil	N/A	Key management personnel
Mr. Salman Hafeez	N/A	Key management personnel
Mr. Kalimuddin A Khan	N/A	Key management personnel
Mr. Vijay Kumar	N/A	Key management personnel
Mr. Syed Abbas Raza	N/A	Key management personnel

(Amounts in thousand)

42.1.1 These denote elected directors of the Company.

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

Nature of relationship	Nature of transactions	2019 Rupees	2018 Rupees
Holding Company			
- Engro Corporation Limited	Reimbursement made	25,012	59,125
	Reimbursement received	2,386	6,552
	Advance for Intangible asset	276,595	45,341
	Purchase of services	262,462	203,244
	Life insurance contribution	537	610
	Medical insurance contribution	194	229
Associated Company			
- Mitsubishi Corporation	Purchase of goods	702,673	3,113,548
	Sale of goods	-	397,953
Member of the Group			
- Engro Fertilizers Limited	Sale of goods	11,305	14,201
	Sales of utilities	112,834	91,571
	Purchase of services	13,412	11,550
	Reimbursement received	3,771	2,112
	Purchase of land - note 4.5.1	722,122	138,995
	Reimbursement made	12,641	3,525
Engro Vopak Terminal Limited	Purchase of services	1,477,298	1,210,771
	Reimbursement made	20,119	17,043
	Reimbursement received	936	4,345
- Engro PowerGen Qadirpur Limited	Reimbursement made	-	105
- Engro Digital Limited	Reimbursement received	32	-
- Engro Energy Limited	Reimbursements received	4,372	4,028
- Engro Powergen Thar (Private) Limited	Sale of goods	3,987	-
- Engro Foundation	Donations	14,200	5,253
- Engro Elengy Terminal Limited	Reimbursement received	-	126
Directors	Fee	1,100	1,250
	Repayment of advance	-	-
Contribution to staff retirement benefits	**Managed and operated by the Holding Company**		
	- Provident fund	69,636	65,134
	- Gratuity fund	48,853	52,230
	- Pension fund	4,629	3,285
Key management personnel	Managerial remuneration	117,369	106,046
	Retirement benefit funds	20,853	16,385
	Bonus	37,351	81,276
	Other benefits	27,134	23,439

(Amounts in thousand)

42.3 The related party status of outstanding balances as at December 31, 2019 is disclosed in the respective notes.

43. GENERAL

		2019	2018
43.1	Number of employees		
	- Total number of employees	508	455
	- Average number of employees	483	447

43.1.1 Included herein are 435 (2018: 385) employees working at the plant of the Company as at December 31, 2019 and average number of these employees during the year was 467 (2018: 378).

43.2 Production capacity

	Designed annual capacity		Actual production		Remarks
	2019	2018	2019	2018	
	Kilo tons				
PVC	195	195	197	202	Production planned as per market demand and in-house consumption needs
EDC	127	127	110	107	
Caustic soda	106	106	105	105	
Caustic flakes	20	-	4	-	
VCM	204	204	184	195	
	Mega Watts				
Power	66	66	48	48	

44. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors in its meeting held on February 04,2020 has proposed a final cash dividend of Re. 0.20 (2018: Re. 0.30) per share in addition to an interim cash dividend already paid at Rs. 0.60 (2018: Re. 0.8) per share for the year ended December 31, 2019. This appropriation will be approved by the members at the Annual General Meeting to be held on April 16, 2020.

45. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Group to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: 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); and

(Amounts in thousand)

Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).
The Group held the following assets measured at fair values:

As at December 31, 2019

	Level 1	Level 2	Level 3	Total
	Rupees			
Financial assets at fair value through profit or loss				
Treasury bills	-	7,617,915	-	7,617,915
Pakistan investment bonds	-	1,700,045	-	1,700,045
	-	9,317,960	-	9,317,960

As at December 31, 2018

	Level 1	Level 2	Level 3	Total
	Rupees			
Financial assets at fair value through profit or loss				
Treasury bills	-	6,098,104	-	6,098,104
Investment in units of mutual funds	200,000	-	-	200,000
	200,000	6,098,104	-	6,298,104

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

46. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions. Following are the major reclassifications have been made during the year:

Description	Reclassified From	Reclassified To	Amount
Repairs and maintenance	Cost of sales	Administrative expenses	11,351
Sales promotion	Distribution and marketing expenses	Administrative expenses	23,772
Purchased services	Administrative expenses	Cost of sales	172,348
Legal and professional charges	Other expenses	Administrative expenses	44,852
Interest on WPPF funds utilized	Finance cost	Other operating expenses	592

47. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 04,2020 by the Board of Directors of the Company.

Imran Anwer
Chief Executive

Syed Abbas Raza
Chief Financial Officer

Hasnain Moochhala
Director

notice of AGM and annexures

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty Second Annual General Meeting of Engro Polymer & Chemicals Limited (the "Company") will be held at Karachi School of Business & Leadership, National Stadium Road Opp. Liaquat National Hospital, Karachi on Thursday, April 16, 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 for the year ended December 31, 2019 along with the Directors' and Auditors' Reports thereon and the Chairman's Review Report.

2) To declare, as recommended by the Directors, the payment of a final dividend at the rate of PKR 0.20 per share (2%) for the year ended December 31, 2019.

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

4) To elect eight (8) Directors in accordance with the Companies Act, 2017. The retiring Directors are Mr. Ghias Uddin Khan, Mr. Imran Anwer, Mr. Nadir Salar Qureshi, Mr. Hasnain Moochhala, Mr. Noriyuki Koga, Mr. Feroz Rizvi and Mr. Eram Hasan

By the order of the Board

Karachi
February 4, 2020

Khawaja Haider Abbas
Company Secretary

N.B.

1) In terms of the section 159(1) of the Companies Act, 2017, the Directors of the Company have fixed the number of elected Directors at eight (8).

2) Any person who seeks to contest election of Director shall file with the Company a notice of his/her intention to offer himself/herself for election as a Director along with the consent to act as a Director in Form 28 under section 159(3) and section 167 respectively, of the Companies Act, 2017 and a detailed profile along with office address for placement onto the Company's website in terms of SRO 634(I)/2014 dated July 10, 2014, not later than fourteen days before the date of meeting.

3) The selection of Independent Directors will be complied with the requirements of section 166 of the Companies Act, 2017 and Regulation 6 of Listed Companies (Code of Corporate Governance) Regulations, 2019.

4) 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.

5) The Share Transfer Books of the Company will be closed from Friday, April 10, 2020 to Thursday, April 16, 2020 (both days inclusive). The transfers received in order at the office of the Company's share registrar, M/s. FAMCO Associates (Private) Limited, 8-F, near hotel Faran, Block 6, PECHS, Shahra-e-Faisal, Karachi PABX Nos. (92-21) 34380101-5 and email info.shares@famco.com.pk by the close of business (5:00 p.m.) on Thursday, April 9, 2020 will be treated to have been in time for the purposes of payment of final dividend to the transferees and to attend and vote at the meeting.

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

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

8) 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).

9) 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 shareholders appearing in Active Taxpayers List (ATL) at 15%. For shareholders whose name is not appearing in ATL, section 100BA read with the Tenth schedule of the Income Tax Ordinance, 2001 requires withholding tax on dividend income to be increased to 30%. To enable the Company to withhold tax at 15%, 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%. 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.

10) 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 Secretary	Folio / CDS Account No.	Total Shares	Principal Shareholder		Joint Shareholder	
			Name & CNIC No.	Shareholding Proportion No. of shares	Name & CNIC No.	Shareholding Proportion No. of shares

11) 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 Polymer and Chemicals Limited, holder of _________ Ordinary Share(s) as per Register Folio No / CDC Account No. _____________ hereby opt for video conference facility at ________________.

____

Signature of Member

By the order of the Board

Karachi
February 4, 2020

Khawaja Haider Abbas
Company Secretary

calender of **major events**

standard **request form**

Circulation of Annual Audited Accounts

The Share Registrar
Engro Polymer & Chemicals Ltd.

Dated: ________________

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

Dear Sirs,

Subject: **Request for Hard Copy of Annual Report of Engro Polymer & Chemicals 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 14, 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 Polymer & Chemicals 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 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.

Particulars	
Name of Shareholder	
Folio No. / CDC ID No.	
CNIC / NICOP / Passport No.	
Land Line Telephone No. (if any)	
Cell No. (if any)	

Yours truly,

____
Shareholder's Signature

Copy to:

Company Secretary
Engro Polymer & Chemicals Ltd.
16th Floor, The Harbour Front, Dolmen City
HC-3, Block 4, Clifton, Karachi-75600.
E-mail: skamil@engro.com

engro polymer & chemicals

proxy **form**

I/We ____
of ______________________________________ being a member of ENGRO POLYMER AND CHEMICALS and holder of _______________ ordinary shares as per share(Number of Shares)Register Folio No. ______________________ and/or CDC Participant I.D. No. _______ and Sub Account No. _________, hereby appoint ____________________ of ______________________ or failing him/her ________________ of __________________ as my / our proxy to vote for me / us and on my / our behalf at the 22nd Annual General Meeting of the Company to be held on the 16th day of April, 2020 and 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)

Notes:

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.

پراکسی **فارم**

میں/ہم ____
کے ______________________________ بطور اینگرو پولیمر اینڈ کیمیکلز کا رکن اور
حامل ______________ (حصص کی تعداد) عام حصص جیسا کے رجسٹر فولیو نمبر ________ اور/یا سی ڈی سی شراکت دار شناخت
نمبر ______________ اور سب اکاؤنٹ نمبر ______________ اس طرح مقرر/ منتخب ______________
کیا جاتا ہے یا انکی ناکامی کی صورت میں ______________ کے ______________
کو مورخہ 16 اپریل 2020 کو منعقد ہونے والی کمپنی کی بیسویں سالانہ جنرل میٹنگ میں بحیثیت میرے/ہمارے قائم مقام/نمائندہ اور میرے/ہماری جانب سے ووٹ دینا اور اس کے اختتام/التواء تک۔

مورخہ ______________

گواہان

دستخط ______________
نام ______________
پتہ ______________
شناختی کارڈ نمبر ☐☐☐☐☐■☐☐☐☐☐☐■☐
یا پاسپورٹ نمبر: ______________

دستخط کمپنی کے رجسٹر سے متفق ہونا چاہیے

دستخط ______________
نام ______________
پتہ ______________
____
شناختی کارڈ نمبر ☐☐☐☐☐■☐☐☐☐☐☐■☐
یا پاسپورٹ نمبر: ______________

نوٹ:
نمائندہ/ قائم مقام کو مئوثر کرنے کے لیے کمپنی کو میٹنگ شروع ہونے سے 48 گھنٹے قبل لازم موصول ہو جانی چاہیے۔ نمائندہ/ قائم مقام کو کمپنی کا رکن ہونا ضروری نہیں ہے۔

اس فارم کو کمپنی میں کرانے سے پہلے حاصل سی ڈی سی حصص اور انکے نمائندہ/ قائم مقام دونوں کے کمپیوٹرائزڈ شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقل اس فارم کے ساتھ منسلک کرنا ہوگی۔

ڈائریکٹرز رپورٹ

ڈائریکٹرز کا معاوضہ

بورڈ اور کمیٹی کے اجلاس میں بورڈ کے اراکین کی حاضری کے لیے انہیں دیئے جانے والے معاوضے کی بورڈ آف ڈائریکٹرز باقاعدہ منظوری دیتا ہے۔ ڈائریکٹرز کو دیئے جانے والے معاوضے کی مجموعی رقم کی تفصیلات مالیاتی گوشوارے میں بتادی گئی ہیں۔

دورانِ سال ڈائریکٹرز کے بورڈ نے کمپنیز ایکٹ 2017 اور اندراج شدہ کمپنیز کا کوڈ آف کارپوریٹ گورننس ریگولیشنز۔ 2019 کے مطابق بورڈ اور کمیٹی کے اجلاسوں میں شرکت کرنے کے لیے ڈائریکٹرز کے مشاہرے کے حوالے سے حکمت عملی اور طریقہ کار کی باضابطہ منظوری دے دی ہے۔

اہم فیصلوں کا دائرۂ کار

انکم ٹیکس، مال کی قبل از وقت ذخیرہ اندوزی، ناگہانی صورتحال/ذمہ داری، مؤخر شدہ ٹیکس اثاثہ جات اور داخلی فیصلوں سے متعلق دیگر اہم دائرۂ کاروں اور مالیاتی گوشواروں پر مرتب ہونے والے واضح اثرات کی مکمل تفصیلات اکاؤنٹ کے بیانات میں درج ہیں۔

حساب داری (اکاؤنٹنگ) کے معیارات

یہ مالیاتی گوشوارے پاکستان میں نافذ العمل اکاؤنٹنگ اور رپورٹنگ کے معیارات کے مطابق تیار کیے جاتے ہیں۔ پاکستان میں نافذ العمل اکاؤنٹنگ اور رپورٹنگ کے معیارات مندرجہ ذیل پر مشتمل ہیں:

- کمپنیز ایکٹ 2017 کے تحت بیان کیے گئے انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز بورڈ (IASB) سے جاری کردہ بین الاقوامی معیارات برائے مالیاتی رپورٹنگ (IFRSs)
- کمپنیز ایکٹ 2017 کے تحت جاری کردہ دفعات اور ہدایات،

جس میں کمپنیز ایکٹ 2017 کے تحت جاری کردہ دفعات اور ہدایات کے IFRSs سے مختلف ہونے کی صورت میں، کمپنیز ایکٹ 2017 کے تحت جاری کردہ دفعات اور ہدایات پر عمل کیا جائے گا۔

پرووِیڈنٹ فنڈ

سال 2013 میں کمپنی نے اپنے پرووِیڈنٹ فنڈ کو ہولڈنگ کمپنی اینگرو کارپوریشن لمیٹڈ کے تحت منضبط اور چلنے والے پرووِیڈنٹ فنڈ سے تبدیل کر دیا تھا۔ چنانچہ ذیل میں دی گئی معلومات 30 جون، 2019 میں ہولڈنگ کمپنی کی جانب سے منضبط کیے گئے فنڈ کے تازہ ترین آڈٹ شدہ مالیاتی گوشواروں اور 31 دسمبر، 2019 کے غیر آڈٹ شدہ مالیاتی گوشواروں پر مبنی ہیں۔ فنڈ کی تفصیلات درج ذیل ہیں:

	31 دسمبر 2019	30 جون 2019
مجموعی اثاثہ جات	4,471,561,494	3,825,631,072
سرمایہ کاری کی لاگت	4,299,730,041	3,582,001,809
کی گئی سرمایہ کاری کی شرح فیصد	96.16%	93.63%
سرمایہ کاری کی منصفانہ قیمت	4,350,105,544	3,494,680,852

جنس کے فرق پر بورڈز کی پالیسی

اس وقت بورڈ میں کوئی خاتون ڈائریکٹر نہیں ہے۔ کم از کم ایک خاتون ڈائریکٹر کے مطلوبہ تقاضے کی آئندہ ہونے والے ڈائریکٹرز کے انتخابات میں تعمیل میں لایا جائے گا۔

کارپوریٹ گورننس کی تعمیل

بورڈ آف ڈائریکٹرز نے کمپنی کے تمام اہم امور کی جانچ پڑتال کی ہے۔ ان میں کمپنی کی اسٹریٹیجک ہدایات، سالانہ کاروباری منصوبے اور اہداف، طویل مدتی سرمایہ کاری کے حوالے سے فیصلے اور قرضہ جات شامل ہیں۔ بورڈ آف ڈائریکٹرز، کارپوریٹ گورننس کے اعلیٰ معیار کو برقرار رکھنے کے وعدے کا پاسدار ہے۔

بورڈ آف ڈائریکٹرز یہ بتاتے ہوئے انتہائی مسرت محسوس کرتا ہے کہ:

بورڈ آف ڈائریکٹرز یہ بتاتے ہوئے انتہائی مسرت محسوس کرتا ہے کہ:

- انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے اس کے معاملات کی حالت، عملی امور کے نتائج، زرنقد کی ترسیل اور ایکویٹی میں تبدیلی کو درست طور پر پیش کرتے ہیں۔
- کھاتوں کی مخصوص کتابیں (Books of Accounts) باقاعدہ طور پر تیار کی گئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب حکمت عملی یکساں طور پر اپنائی گئی ہے اور اکاؤنٹنگ تخمینوں کی بنیاد معقول اور محتاط طور پر رکھی گئی ہیں۔
- پاکستان میں نافذ العمل بین الاقوامی اکاؤنٹنگ معیارات پر عمل کرتے ہوئے مالیاتی گوشوارے تیار کئے گئے ہیں اور وہاں سے کسی بھی قسم کی روگردانی کو موزوں طریقے سے منکشف کیا جاتا ہے۔
- سسٹم ایک مستحکم اور ٹھوس اندرونی کنٹرول کے نظام کا حامل ہے اور مؤثر طریقے سے اس کا اطلاق کیا جاتا اور اس پر نظر رکھی جاتی ہے۔
- کمپنی کو ایک جاری رہنے والے ادارے کے طور پر مسلسل چلتے رہنے میں کوئی شبہ نہیں۔
- لسٹنگ ریگولیشنز میں درج تفصیلات کے مطابق کارپوریٹ گورننس کے بہترین طریقہ کار سے کسی بھی قسم کی روگردانی نہیں پائی گئی ہے۔

اصل خدشات (رسک) ر بورڈ کی تشخیص

بورڈ نے کمپنی کو درپیش ان خدشات کا جائزہ لیا ہے، جن سے کاروباری ماڈل، آئندہ کی کارکردگی، قرض کی ادائیگی کی حیثیت یا ترسیلِ زر کو خطرات لاحق ہو سکتے ہیں۔

ڈائریکٹرز کے لیے تربیتی پروگرام

گزشتہ سالوں کے دوران جناب غیاث الدین خان، جناب عمران انور، جناب فیروز رضوی، جناب نادر سالار قریشی اور جناب حسنین موچھالا نے SECP سے منظور شدہ پاکستان کے معروف اداروں سے ڈائریکٹرز کا تربیتی پروگرام مکمل کیا ہے۔

ڈائریکٹرز کے عہدے کا تعین

کمپنی کے ڈائریکٹرز مختلف پس منظر کے حامل ہوتے ہیں اور وسیع تجربہ رکھتے ہیں۔ نئے ڈائریکٹر کی شمولیت پر، انہیں مارکیٹ کے ان محرکات کے بارے میں بتایا جاتا ہے جو کمپنی، اس کے امور اور اس کی طویل المدت حکمت عملی کو متاثر کرتے ہیں۔ انہیں شراکت داروں کے حوالے سونپی جانے والی ان کی ذمہ داریوں کے بارے میں بھی بتایا جاتا ہے۔

غیر ملکی ڈائریکٹرز کی سیکیورٹی کلیئرنس

کمپنی کسی بھی غیر ملکی ڈائریکٹر کی تقرری کے لیے SECP گائیڈ لائنز پر عمل کرتی ہے اور وزارت داخلہ کی جانب سے سیکیورٹی کلیئرنس کے اجراء سے مشروط، غیر ملکی ڈائریکٹرز کا تقرر کیا جاتا ہے۔

گورننس کے عملی امور کا قانونی تقاضوں سے تجاوز کرنے پر اطلاق

ایک ذمہ دار کارپوریٹ شہری ہونے کے ناطے، کمپنی ہمیشہ ذمہ داری اور واضح طریقہ کا مظاہرہ کرتی ہے۔ شفافیت کو قائم رکھنے کے لیے کمپنی مندرجہ ذیل اقدامات کرتی ہے:

- ICAP / ICMAP اور SFA کے مجوزہ اصولوں کے حوالے سے رپورٹنگ کے تقاضوں کے اہداف کا تعین کرتی ہے۔
- اندرونی طور پر ایک سخت تجارتی پالیسی کو رائج کیا گیا ہے، جو قانونی تقاضوں کے عین مطابق کام کرتی ہے۔
- تمام شراکت داروں کو سہ ماہی بنیادوں پر تجزیاتی بریفنگز دی جاتی ہیں نیز ان کے ساتھ باقاعدہ طور پر رابطہ استوار رکھا جاتا ہے۔

بورڈ اور انتظامی فیصلوں کا سانچہ

کمپنی کا بورڈ، کمپنی کی حکمت عملی کے حوالے سے سمت کا تعین کرتا ہے اور اس کے اطلاق، منصوبوں اور آگے بڑھنے کے عمل کی نگرانی کرتا ہے۔ اس کے ساتھ ساتھ انتظامی کی یہ کلیدی ذمہ داری ہوتی ہے کہ وہ بورڈ کی جانب سے منظور شدہ حکمت عملی کے اطلاق کو یقینی بنائے۔ انتظامیہ کے پاس یہ اختیار ہوتا ہے کہ وہ کمپنی کے آپریشنز کے انتظام و انصرام کے ضروری فیصلے کرے اور اس حکمت عملی پر عمل درآمد کرے۔

بورڈ کی تشخیص

لسٹڈ کمپنیز کوڈ آف کارپوریٹ گورننس ریگولیشنز 2019 کے تحت یہ لازم ہے کہ بورڈ آف ڈائریکٹرز بطور مجموعی، اس کی کمیٹیز اور حکمت عملی کی سمت اور کمپنی کو آگے بڑھانے میں ڈائریکٹر کے کردار کی تشخیص کرے۔ اس حوالے سے کمپنی میں ڈائریکٹرز کے بورڈ اور بورڈ کمیٹیز کے حوالے سے ایک جامع اور خود تشخیصی جائزے منعقد کئے گئے تھے۔ مساوی طور پر اس بات پر بھی زور دیا گیا کہ بورڈ کے چیئرمین کی جانب سے دوران سال ہر ڈائریکٹر کے انفرادی شراکت کو جانچا جائے اور اس کی تشخیص کی جائے۔

حصص کا کاروبار اور اوسط نرخ

دورانِ سال پاکستان اسٹاک ایکسچینج پر کمپنی کے 606 ملین حصص کا کاروبار کیا گیا۔ روزانہ کی اختتامی نرخوں کی بنیاد پر کمپنی کے حصص کے اوسط نرخ 30.76 روپے تھے۔ 2019 کے 52 ہفتوں کے دوران حصص کی کم از کم اور زیادہ سے زیادہ قیمت بالترتیب 20.93 روپے اور 41.84 روپے فی حصص تھی۔

منافع منقسمہ

دورانِ مدت 0.60 فی حصص کے عبوری منافع منقسمہ کا اعلان کیا گیا۔ اس کے علاوہ ڈائریکٹرز کے بورڈ کی جانب سے 2% یعنی 0.20 روپے فی حصص کے سالانہ منافع منقسمہ کا بھی اعلان کیا گیا اور اسے سالانہ اجلاسِ عام میں حصص یافتگان سے منظور کرانا ہے۔

آڈیٹرز

موجودہ آڈیٹرز M/s A.F Ferguson & Co. ریٹائر ہو گئے ہیں اور انہوں نے اپنی دوبارہ تعیناتی کی پیشکش کی ہے۔ بورڈ آڈٹ کمیٹی نے ان کی دوبارہ تعیناتی کی سفارش کی ہے اور بورڈ آف ڈائریکٹرز نے اس سفارش کی توثیق کر دی ہے۔

عمران انور	**فیروز رضوی**
چیف ایگزیکٹو آفیسر	ڈائریکٹرز

حصص یافتگان کی قسم	شراکت داری کا حجم		مجموعی حصص
	سے	تک	
1	1,500,001	1,505,000	1,504,500
1	1,540,001	1,545,000	1,543,675
1	1,570,001	1,575,000	1,570,041
1	1,705,001	1,710,000	1,710,000
1	1,725,001	1,730,000	1,728,199
1	1,740,001	1,745,000	1,743,699
1	1,795,001	1,800,000	1,796,000
1	1,800,001	1,805,000	1,802,079
1	1,845,001	1,850,000	1,849,500
1	1,875,001	1,880,000	1,876,000
1	1,905,001	1,910,000	1,910,000
1	2,120,001	2,125,000	2,121,000
1	2,140,001	2,145,000	2,141,000
1	2,275,001	2,280,000	2,278,209
1	2,390,001	2,395,000	2,394,454
1	2,445,001	2,450,000	2,448,500
1	3,095,001	3,100,000	3,095,980
1	3,110,001	3,115,000	3,115,000
1	3,340,001	3,345,000	3,343,870
1	3,445,001	3,450,000	3,448,000
1	3,490,001	3,495,000	3,491,898
1	3,565,001	3,570,000	3,567,342
1	3,635,001	3,640,000	3,636,748
1	3,725,001	3,730,000	3,729,000
1	3,985,001	3,990,000	3,989,114
1	4,500,001	4,505,000	4,500,345
1	4,760,001	4,765,000	4,763,582
1	5,425,001	5,430,000	5,427,016
1	6,545,001	6,550,000	6,548,472
1	8,665,001	8,670,000	8,665,196
1	9,420,001	9,425,000	9,424,569
1	11,840,001	11,845,000	11,841,155
1	16,225,001	16,230,000	16,228,721
1	34,395,001	34,400,000	34,400,000
1	100,050,001	100,055,000	100,053,562
1	137,920,001	137,925,000	137,923,461
1	372,805,001	372,810,000	372,809,991
28,817			908,923,333

engro polymer & chemicals

بورڈ کے اجلاس اور حاضری

سال 2019 میں، بورڈ آف ڈائیریکٹرز نے اپنی سرگرمیوں کے دورانیہ کا مکمل احاطہ کرنے کے لیے 6 اجلاس منعقد کیئے۔ ڈائیریکٹرز کی حاضری کا ریکارڈ درج ذیل کے مطابق ہے:

ڈائیریکٹر کا نام	حاضر شدہ اجلاس
جناب غیاث الدین خان	5/6
جناب عمران انور	6/6
جناب فیروز رضوی	5/6
جناب حسنین موچھالا	6/6
جناب نوری یوکی کوگا	6/6
جناب نادر سالار قریشی	3/6
جناب محمد آصف سلطان تاجک*	3/6
جناب ارم حسن**	1/6

* 30 جولائی، 2019 کو بورڈ سے استعفیٰ دیا

** 28 اکتوبر، 2019 کو بورڈ سے منسلک ہوئے

بورڈ کی ترتیب

مرد	7
خاتون	کوئی نہیں

اقسام	نام
انفرادی / آزاد	جناب فیروز رضوی
ایگزیکیٹو۔ سی ای او	جناب عمران انور
نان ایگزیکیٹو	جناب غیاث الدین خان
	جناب نوری یوکی کوگا
	جناب حسنین موچھالا
	جناب نادر سالار قریشی
	جناب ارم حسن

بورڈ آڈٹ کمیٹی	
جناب فیروز رضوی	چیئرمین
جناب نوری یوکی کوگا	رکن
جناب حسنین موچھالا	رکن

بورڈ معاوضہ کمیٹی	
جناب فیروز رضوی	چیئرمین
جناب نوری یوکی کوگا	رکن
جناب غیاث الدین خان	رکن
جناب نادر سالار قریشی	رکن

مجموعی حصص	شراکت داری کا حجم		حصص یافتگان کی قسم
	تک	سے	
561,440	190,000	185,001	3
579,513	195,000	190,001	3
1,988,592	200,000	195,001	10
607,583	205,000	200,001	3
418,374	210,000	205,001	2
211,500	215,000	210,001	1
877,000	220,000	215,001	4
221,000	225,000	220,001	1
911,042	230,000	225,001	4
694,251	235,000	230,001	3
499,096	250,000	245,001	2
756,587	255,000	250,001	3
265,000	265,000	260,001	1
821,973	275,000	270,001	3
573,298	290,000	285,001	2
587,300	295,000	290,001	2
2,098,000	300,000	295,001	7
604,890	305,000	300,001	2
310,000	310,000	305,001	1
628,014	315,000	310,001	2
325,000	325,000	320,001	1
336,995	340,000	335,001	1
700,000	350,000	345,001	2
736,000	370,000	365,001	2
381,532	385,000	380,001	1
388,697	390,000	385,001	1
1,594,499	400,000	395,001	4
401,187	405,000	400,001	1
815,991	410,000	405,001	2
823,486	415,000	410,001	2
430,000	430,000	425,001	1
434,096	435,000	430,001	1
453,770	455,000	450,001	1
915,659	460,000	455,001	2
479,000	480,000	475,001	1
487,214	490,000	485,001	1
493,786	495,000	490,001	1
2,000,000	500,000	495,001	4
500,034	505,000	500,001	1
505,493	510,000	505,001	1
512,761	515,000	510,001	1

مجموعی حصص	شراکت داری کا حجم		حصص یافتگان کی قسم
	تک	سے	
530,173	535,000	530,001	1
1,073,578	540,000	535,001	2
1,098,500	550,000	545,001	2
563,500	565,000	560,001	1
581,000	585,000	580,001	1
589,000	590,000	585,001	1
591,000	595,000	590,001	1
1,200,000	600,000	595,001	2
619,121	620,000	615,001	1
622,952	625,000	620,001	1
655,500	660,000	655,001	1
1,336,867	670,000	665,001	2
674,872	675,000	670,001	1
676,644	680,000	675,001	1
2,052,727	685,000	680,001	3
689,088	690,000	685,001	1
762,828	765,000	760,001	1
792,041	795,000	790,001	1
816,566	820,000	815,001	1
821,973	825,000	820,001	1
1,696,905	850,000	845,001	2
860,500	865,000	860,001	1
871,416	875,000	870,001	1
900,000	900,000	895,001	1
914,462	915,000	910,001	1
941,536	945,000	940,001	1
988,123	990,000	985,001	1
4,000,000	1,000,000	995,001	4
1,008,357	1,010,000	1,005,001	1
2,085,730	1,045,000	1,040,001	2
1,051,335	1,055,000	1,050,001	1
1,070,500	1,075,000	1,070,001	1
1,144,000	1,145,000	1,140,001	1
1,242,462	1,245,000	1,240,001	1
1,348,000	1,350,000	1,345,001	1
1,369,956	1,370,000	1,365,001	1
1,412,990	1,415,000	1,410,001	1
1,425,000	1,425,000	1,420,001	1
1,469,456	1,470,000	1,465,001	1
1,481,954	1,485,000	1,480,001	1

نام	مالیات
فرسٹ ایکویٹی مضاربہ	199
کل	107,478,188

3۔ ڈائیریکٹرز، ان کے خاوند/زوجہ اور چھوٹے بچے

حصص یافتگان کی قسم	قبضے میں موجود حصص کی تعداد
جناب نادر سالار قریشی	1
جناب نوری یوکی کوگا	1
جناب فیروز رضوی	1
جناب حسنین موچھالا	1
جناب عمران انور	1
جناب غیاث الدین خان	1
جناب ارم حسن	1
بیگم کلثوم اشفاق زوجہ جناب ارم حسن	13,699
کل	13,706

4۔ ایگزیکٹیوز

حصص یافتگان کی قسم	قبضے میں موجود حصص کی تعداد
ایگزیکٹیوز (تقریباً)	986,927

5۔ پبلک سیکٹر کمپنیز اور کارپوریشنز

حصص یافتگان کی قسم	قبضے میں موجود حصص کی تعداد
پبلک سیکٹر کمپنیز اور کارپوریشنز	-

6۔ بینکس، ڈیولپمنٹ فنانس انسٹی ٹیوشنز، نان بینکنگ فنانس کمپنیز، انشورنس، تکافل، مضاربہ اور پینشن فنڈز

حصص یافتگان کی قسم	قبضے میں موجود حصص کی تعداد
6۔ بینکس، ڈیولپمنٹ فنانس انسٹی ٹیوشنز، نان بینکنگ فنانس کمپنیز، انشورنس، تکافل، مضاربہ اور پینشن فنڈز	70,228,555

7۔ کمپنی میں پانچ فیصد کی شراکت داری اور اضافی ووٹنگ میں دلچسپی

حصص یافتگان کی قسم	حصص کی تعداد	قبضے میں موجود حصص کی تعداد
اینگرو کارپوریشن لمیٹڈ	510,733,450	56
مٹسوبیشی کارپوریشن	100,053,562	11

8۔ ڈائیریکٹرز، ایگزیکٹیوز اور ان کے خاوند/زوجہ/چھوٹے بچوں کی طرف سے حصص کی خرید/ کی تفصیلات

نام	حصص کی خرید	حصص کی فروخت	قیمت	قیمت/خرید کی تاریخ
مرزا ارسلان بیگ	500		36.25	25-Feb-19
انتھونی خاوند کلوڈیٹ جے، سنتا مائرہ		22000	35.88	27-Feb-19
مرزا ارسلان بیگ	500		23.20	16-May-19
محمد علی خان	2000		28.20	30-May-19
انتھونی خاوند کلوڈیٹ جے، سنتا مائرہ		872	22.10	09-Aug-19
محمد علی خان	1500		35.80	10 Dec -19

9۔ 31 دسمبر، 2019 کو شراکت داری کا خاکہ

حصص یافتگان کی قسم	شراکت داری کا حجم		مجموعی حصص
	سے	تک	
533	1	100	14,327
18,125	101	500	8,592,142
5,880	501	1,000	4,342,805
2,560	1,001	5,000	6,363,872
594	5,001	10,000	4,580,153
215	10,001	15,000	2,780,654
158	15,001	20,000	2,906,300
110	20,001	25,000	2,531,847
67	25,001	30,000	1,877,610
53	30,001	35,000	1,761,463
41	35,001	40,000	1,565,789
20	40,001	45,000	860,825
47	45,001	50,000	2,304,293
29	50,001	55,000	1,541,572
16	55,001	60,000	929,568
18	60,001	65,000	1,138,303
20	65,001	70,000	1,366,884
13	70,001	75,000	958,955
11	75,001	80,000	849,996
6	80,001	85,000	496,113
6	85,001	90,000	523,145
5	90,001	95,000	463,657
32	95,001	100,000	3,179,319
8	100,001	105,000	821,930
9	105,001	110,000	967,147
7	110,001	115,000	793,314
4	115,001	120,000	469,312
8	120,001	125,000	989,796
1	125,001	130,000	126,500
5	130,001	135,000	669,340
10	135,001	140,000	1,378,965
2	140,001	145,000	285,494
4	145,001	150,000	598,159
5	150,001	155,000	761,182
2	155,001	160,000	315,183
2	160,001	165,000	325,652
1	165,001	170,000	166,500
6	170,001	175,000	1,037,234
2	175,001	180,000	356,005
3	180,001	185,000	551,885

شراکت داری کی قسم:

نشریاتی خدوخال کے تحت مطلوب شراکت داری کی معلومات درج ذیل کے مطابق ہے:

1۔ منسلک کمپنیز، اقرارنامہ اور متعلقہ فریقین

حصص یافتگان کی قسم	قبضے میں موجود حصص کی تعداد
اینگرو کارپوریشن لمیٹڈ	510,733,450
مٹسوبیشی کارپوریشن	100,053,562
EPCL ایمپلائیز ٹرسٹ	1,040,840
	611,827,852

2۔مضاربہ اور میوچل فنڈز

نام	مالیات
سی ڈی سی ۔ٹرسٹی ABL اسلامک پینشن فنڈ ۔ ایکویٹی سب فنڈ	59,699
سی ڈی سی ۔ٹرسٹی ABL پینشن فنڈ ۔ ایکویٹی سب فنڈ	25,199
سی ڈی سی ۔ٹرسٹی ABL اسٹاک فنڈ	3,343,870
سی ڈی سی ۔ٹرسٹی ABL انڈیکس ٹریکر فنڈ	76,997
سی ڈی سی ۔ٹرسٹی الامین اسلامک ڈیڈی کیٹڈ ایکویٹی فنڈ	2,394,454
سی ڈی سی ۔ٹرسٹی المیز ان میوچل فنڈ	1,570,041
سی ڈی سی ۔ٹرسٹی اسلامک ایسٹ ایلوکیشن فنڈ	1,044,890
سی ڈی سی ۔ٹرسٹی الامین شریعہ اسٹاک فنڈ	6,548,472
سی ڈی سی ۔ٹرسٹی الفلاح کیپٹل پریزرویشن فنڈ II	92,000
سی ڈی سی ۔ٹرسٹی الفلاح جی ایچ پی ایلفا فنڈ	1,070,500
سی ڈی سی ۔ٹرسٹی الفلاح جی ایچ پی اسلامک ڈیڈیکیٹڈ ایکویٹی فنڈ	143,500
سی ڈی سی ۔ٹرسٹی الفلاح جی ایچ پی اسلامک اسٹاک فنڈ	2,121,000
سی ڈی سی ۔ٹرسٹی الفلاح جی ایچ پی اسلامک ویلیو فنڈ	68,000
سی ڈی سی ۔ٹرسٹی الفلاح جی ایچ پی اسٹاک فنڈ	1,504,500
سی ڈی سی ۔ٹرسٹی الفلاح جی ایچ پی ویلیو فنڈ	591,000
سی ڈی سی ۔ٹرسٹی الحمرا اسلامک اسٹاک فنڈ	3,989,114
سی ڈی سی ۔ٹرسٹی اے پی ایف ۔ ایکویٹی سب فنڈ	75,000
سی ڈی سی ۔ٹرسٹی اے پی آئی ایف ۔ ایکویٹی سب فنڈ	186,500
سی ڈی سی ۔ٹرسٹی اٹلس اسلامک ڈیڈی کیٹڈ اسٹاک فنڈ	122,000
سی ڈی سی ۔ٹرسٹی اٹلس اسلامک اسٹاک فنڈ	479,000
سی ڈی سی ۔ٹرسٹی اٹلس اسٹاک مارکیٹ فنڈ	900,000
سی ڈی سی ۔ٹرسٹی فیصل ایسٹ ایلوکیشن فنڈ	123,000
سی ڈی سی ۔ٹرسٹی فیصل اسلامک ایسٹ ایلوکیشن فنڈ	300,000
سی ڈی سی ۔ٹرسٹی فیصل ایم ٹی ایس فنڈ ۔ ایم ٹی	211,500
سی ڈی سی ۔ٹرسٹی فیصل سیونگز گروتھ فنڈ ۔ ایم ٹی	500
سی ڈی سی ۔ٹرسٹی فیصل اسٹاک فنڈ	350,000
سی ڈی سی ۔ٹرسٹی فرسٹ حبیب اسٹاک فنڈ	50,000
سی ڈی سی ۔ٹرسٹی ایچ بی ایل اسٹاک فنڈ	1,802,079
سی ڈی سی ۔ٹرسٹی ایچ بی ایل ایکویٹی فنڈ	249,096
سی ڈی سی ۔ٹرسٹی ایچ بی ایل آئی پی ایف ایکویٹی سب فنڈ	184,385

نام	مالیات
سی ڈی سی ۔ٹرسٹی ایچ بی ایل اسلامک ایسٹ ایلوکیشن فنڈ	117,931
سی ڈی سی ۔ٹرسٹی ایچ بی ایل اسلامک ایکویٹی فنڈ	622,952
سی ڈی سی ۔ٹرسٹی ایچ بی ایل ملٹی ایسٹ فنڈ	98,500
سی ڈی سی ۔ٹرسٹی ایچ بی ایل پی ایف ایکویٹی سب فنڈ	190,814
سی ڈی سی ۔ٹرسٹی جے ایس اسلامک ڈیڈی کیٹڈ ایکویٹی فنڈ	2,141,000
سی ڈی سی ۔ٹرسٹی جے ایس اسلامک پینشن سیونگز فنڈ ۔ ایکویٹی اکاؤنٹ	102,000
سی ڈی سی ۔ٹرسٹی جے ایس پینشن سیونگز فنڈ ۔ ایکویٹی اکاؤنٹ	115,000
سی ڈی سی ۔ٹرسٹی کے ایس ای میزان انڈیکس فنڈ	682,771
سی ڈی سی ۔ٹرسٹی لیکسن ایکویٹی فنڈ	3,567,342
سی ڈی سی ۔ٹرسٹی لیکسن اسلامک ٹیکٹیکل فنڈ	204,583
سی ڈی سی ۔ٹرسٹی لیکسن ٹیکٹیکل فنڈ	538,078
سی ڈی سی ۔ٹرسٹی ایم سی بی پاکستان ایسٹ ایلوکیشن فنڈ	941,536
سی ڈی سی ۔ٹرسٹی ایم سی بی پاکستان اسٹاک مارکیٹ فنڈ	11,841,155
سی ڈی سی ۔ٹرسٹی میزان ایسٹ ایلوکیشن فنڈ	512,761
سی ڈی سی ۔ٹرسٹی میزان بیلنسڈ فنڈ	1,481,954
سی ڈی سی ۔ٹرسٹی میزان اسلامک فنڈ	16,228,721
سی ڈی سی ۔ٹرسٹی میزان تحفظ پینشن فنڈ ۔ ایکویٹی سب فنڈ	2,278,209
سی ڈی سی ۔ٹرسٹی نفع اسلامک پرنسپل پروٹیکٹڈ فنڈ ۔II	84,529
سی ڈی سی ۔ٹرسٹی این بی پی بیلنسڈ فنڈ	988,123
سی ڈی سی ۔ٹرسٹی این بی پی اسلامک ایکٹیو ایلوکیشن ایکویٹی فنڈ	871,416
سی ڈی سی ۔ٹرسٹی این بی پی اسلامک سرمایہ اضافہ فنڈ	3,729,000
سی ڈی سی ۔ٹرسٹی این بی پی اسلامک اسٹاک فنڈ	3,095,980
سی ڈی سی ۔ٹرسٹی این بی پی سرمایہ اضافہ فنڈ	1,008,357
سی ڈی سی ۔ٹرسٹی این بی پی اسٹاک فنڈ	9,424,569
سی ڈی سی ۔ٹرسٹی پاکستان کیپیٹل مارکیٹ فنڈ	401,187
سی ڈی سی ۔ٹرسٹی پیک گروتھ فنڈ	1,743,699
سی ڈی سی ۔ٹرسٹی پیک انویسٹمنٹ فنڈ	1,242,462
سی ڈی سی ۔ٹرسٹی یو بی ایل ایسٹ ایلوکیشن فنڈ	230,368
سی ڈی سی ۔ٹرسٹی یو بی ایل ڈیڈیکیٹڈ ایکویٹی فنڈ	174,113
سی ڈی سی ۔ٹرسٹی یو بی ایل ریٹائرمنٹ سیونگز فنڈ ۔ ایکویٹی سب فنڈ	674,872
سی ڈی سی ۔ٹرسٹی یو بی ایل اسٹاک ایڈوانٹیج فنڈ	3,491,898
سی ڈی سی ۔ٹرسٹی میزان ڈیڈی کیٹڈ ایکویٹی فنڈ	676,644
سی ڈی سی ۔ٹرسٹی الامین اسلامک ریٹائرمنٹ سیونگ فنڈ ۔ ایکویٹی سب فنڈ	1,412,990
سی ڈی سی ۔ٹرسٹی الحمرا اسلامک ایسٹ ایلوکیشن فنڈ	3,636,748
سی ڈی سی ۔ٹرسٹی فرسٹ حبیب اسلامک اسٹاک فنڈ	133,000
سی ڈی سی ۔ٹرسٹی ایچ بی ایل اسلامک اسٹاک فنڈ	816,566
ایم سی ایف ایس ایل ۔ٹرسٹی جے ایس گروتھ فنڈ	53,500
ایم سی بی ایف ایس ایل ۔ٹرسٹی اے بی ایل اسلامک اسٹاک فنڈ	1,543,675
ایم سی بی ایف ایس ایل ۔ٹرسٹی ایچ بی ایل اسلامک ڈیڈی کیٹڈ ایکویٹی فنڈ	265,000
ایم سی بی ایف ایس ایل ۔ٹرسٹی پاک عمان اسلامک ایسٹ ایلوکیشن فنڈ	39,500
ایم سی بی ایف ایس ایل ۔ٹرسٹی اے بی ایل اسلامک ڈیڈی کیٹڈ اسٹاک فنڈ	314,690
ایم سی بی ایف ایس ایل ۔ٹرسٹی اے بی ایل اسلامک ایسٹ ایلوکیشن فنڈ	83,500

اس کے علاوہ، ملازمین کے لیے اس سال آؤٹ بریک کا انعقاد کیا گیا، جس میں کمپنی کے ملازمین کو تربیت، مہم جوئی اور تجرباتی سفر کے لیے تھائی لینڈ لے جایا گیا۔ اس کا مقصد باہمی یگانگت کو فروغ اور کام کے امور میں باہمی تعاون کو مستحکم کرتے ہوئے، کام کی جگہ پر مثبت رویوں کی روایت کو قائم کرنا ہے۔

یہاں ڈیجیٹائز ایچ آر پلیٹ فارم کی جانب منتقلی بھی ایک اہم قابل ذکر بات ہے۔ آئندہ سال، زیادہ تر ایچ آر سروسز کو موبائل بیسڈ ایپلیکیشن کے ذریعے پیش کیا جائے گا، جس کا مقصد طریقہ کار کو آسان، سہل اور دونوں اطراف میں مؤثر اور کارگر بنانا ہے۔ یہ اندازہ لگایا گیا ہے کہ اس کے ذریعے سال بھر میں تقریباً 200,000 پیپرز کی بچت کی جائے گی۔ ڈیجیٹل کے جزو کی حیثیت سے، دورانِ سال کامیابی کے عوامل پر پرفارمنس مینجمنٹ پروگرام کو بھی خودکار بنایا گیا تھا، جس میں اہداف طے کرتے ہوئے درمیانی سال سے سال کے اختتام تک کا تمام تر جائزہ اَب آن لائن موجود ہوتا ہے۔

اسٹیک ہولڈر سے نسبت اور مراسم

EPCL ہر سطح پر اسٹیک ہولڈرز کے ساتھ تعلق قائم رکھنے پر یقین رکھتا ہے۔ گزشتہ سال کے دوران ہم نے اسٹرٹیجک معاملات اور غیر رسمی گفتگو پر مختلف انسٹرومنٹس بشمول سہ ماہی بنیادوں پر سیکیورٹیز کے تجزیہ پر بریفنگ، پریس ریلیزز، پلانٹس کے وزٹس، حکمت عملی کے امور پر اسٹاک ایکسچینج کے انتباہ اور اس حوالے سے غیر رسمی گفتگو کو استعمال کیا ہے۔

تمام قواعد وضوابط کے تقاضوں کی تعمیل کے لیے، کمپنی متعلقہ حکام بشمول ٹیکس ایجنسیز، اسٹاک ایکسچینج اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ساتھ قریبی رابطے میں رہتی ہے۔ ہم اپنے وینڈرز اور کسٹمرز کے ساتھ رابطے کے عمومی اور غیر عمومی میڈیا جیسے میٹنگز اور کانفرنسز کا استعمال کرتے ہیں۔ ہمارا اپنے کسٹمرز کے ساتھ رابطہ، ان کے کاروبار سے متعلق تیکنیکی معاونت اور کاروباری ارتقاء پر مشتمل ہوتا ہے، جو ہماری جانب سے صنعت کے مفاد میں کی جانے والی ایک کوشش ہے۔

کمپنی کی نمو کے پیچھے متحرک ملازمین کی افرادی قوت ہے اور اسی وجہ سے EPCL اپنے ملازمین کو باقاعدہ بنیادوں پر حوصلہ افزائی کرتا ہے، صنعت کے معیارات کے حوالے سے اپنے نتائج کی درجہ بندی اور انہیں متعلقہ مینیجرز اور ایچ آر کے ساتھ شیئر کرتے ہوئے اس کے لیے موزوں حکمت عملی وضع کرتا ہے۔

حکومت سے مطلوب معاونت

کمپنی سرکار سے مندرجہ ذیل معاملات میں معاونت کی طالب ہے:

گیس کے نرخوں میں اضافہ:

سال 2018 سے، مقامی صنعت کو پہلے ہی مختلف مرحلوں پر گیس کے نرخوں میں اضافے کا سامنا کرنا پڑا جس سے منافع میں کمی واقع ہوئی ہے۔ بین الاقوامی اداروں کے مقابلے میں مقامی صنعت کی مسابقتی اہلیت کو یقینی اور صنعتی اساس میں نمو کے تسلسل کو برقرار رکھنے کے لیے، حکومت پر لازم ہے کہ وہ توانائی کے نرخوں میں اضافے کی روک تھام کرے۔

GIDC کیس:

GIDC کیس اس صنعت کا اہم مسئلہ ہے، جبکہ دوران سال حکومت نے GIDC کو وسطی عوامی دباؤ کی واپسی سے قبل GIDC کے مسئلے کے حوالے سے رضامندی اور اس کے تصفیہ کی اطلاع دی تھی۔ یہ معاملہ اب معزز عدالت عظمیٰ میں زیر بحث ہے۔ یہ غیر یقینی صورتحال کاروباری حلقے کے خدشات کو بڑھا رہی ہے جبکہ اس معاملے کا سہل حل کاروباری ماحول کو مزید بہتر بنانے میں معاون ہوگا۔

PVC کی ڈمپنگ:

چائنا، تائیوان، جنوبی کوریا اور تھائی لینڈ کی جانب سے پراڈکٹ پر حتمی اینٹی ڈمپنگ ڈیوٹی کے اطلاق کے باجود، ملک میں PVC کی تلفی کا عمل جاری ہے۔ یہ اس لیے وقوع پذیر ہوا ہے کیوں کہ درآمد کنندگان نے دیگر خطوں جیسے یورپ، شمالی امریکہ اور دیگر ایشیائی ممالک میں شراکت داری شروع کردی ہے۔ اس شعبے میں سرکاری معاونت، کمپنی کو درآمدی متبادل کے طریقے سے قوم کی بہتر انداز میں خدمت کرنے کے قابل بنائے گی۔

گرین فیلڈ منصوبوں کی تعریف:

حکومت نے حال ہی میں سابقہ اثر کے ساتھ مالیاتی ترمیمی مجریہ کے ذریعے گرین فیلڈ منصوبے کی تعریف بیان کی ہے، جو مکمل طور پر ایک نئے طریقہ کار یا ٹیکنالوجی کی مطلوبہ ضرورت کی وضاحت کرتی ہے جبکہ اس سے قبل اس قسم کا کوئی تقاضہ موجود نہیں تھا۔ یہ ہمارے توسیعی منصوبوں کو گرین فیلڈ منصوبوں کے حوالے سے اعلان کردہ ٹیکس کے فوائد سے محروم کردے گا۔ ہم حکومت سے درخواست کرتے ہیں کہ وہ ان اقدامات پر نظر ثانی کرے یا اس تعریف کے بہ ماضی انداز میں اطلاق کو روکے۔

مستقبل بینی:

گزرتے ہوئے سال کے دوران، EPCL نے نئے منصوبوں اور مارکیٹس کی نشاندہی کے لیے بھی کوششیں جاری رکھتے ہوئے، اپنے سابقہ اعلان شدہ منصوبوں کی مؤثر انداز میں بروقت انجام دہی کو جاری رکھا۔ ان کوششوں کے پیچھے کارفرما قوت، ہمارا وہ نظریہ ہے جس کے تحت ہم پاکستان کو ملکی اور بین الاقوامی سطح پر پولیمرز اور اس سے منسلک کیمیکلز میں مرکزی حیثیت دلوانا ہے۔ اس حوالے سے کمپنی نے سال 2019 میں نئے منصوبوں اور نئی معلومات کا اعلان کیا۔ صکوک کی میچوریٹی کی مدت کو بڑھاتے ہوئے کمپنی کی بیلنس شیٹ کی تنظیم نو نے اسے حصص یافتگان کو زیادہ سے زیادہ فائدہ پہنچانے کے مقصد کے ساتھ تازہ ترین ظاہر ہونے والے مواقعوں پر سرمایہ کاری کرنے کے قابل بنایا۔

منصوبوں کی تازہ ترین معلومات درج ذیل ہے:

PVC/VCM کی توسیع:

توسیع میں PVC پلانٹ کی پیداواری صلاحیت میں 100,000 میٹرک ٹن (ایم ٹی کی تکمیل کے بعد مجموعی صلاحیت 295,000 میٹرک ٹن) اور 50,000 میٹرک ٹن کی اضافی صلاحیت کے لیے VCM ڈی باٹل نیکنگ پلانٹ شامل ہیں۔ یہ منصوبہ اپنے شیڈول کے مطابق آگے بڑھ رہا ہے اور سابقہ اعلان شدہ وقت کے مطابق تکمیل کے حوالے سے اپنے لائحہ عمل کے مطابق کام کر رہا ہے۔ بعدازاں اس کی اطلاق کے حوالے سے کمپنی مقامی مارکیٹ کے ایک بڑے حصے کو اپنی خدمات پیش کرنے کے قابل ہوگی جو اس وقت درآمدات پر انحصار کر رہے ہیں۔

کاسٹک فلیکرز پلانٹ:

سابقہ اعلان کے مطابق 20,000 میٹرک ٹن کی صلاحیت کے ساتھ فلیکر پلانٹ سال 2019 میں فعال ہوا۔ اس سے کمپنی نہ صرف زیادہ منافع کے منصوبوں میں شامل ہونے کے قابل ہوئی ہے بلکہ اس نے ہمیں بحری راستے سے برآمدات کے قابل بھی بنایا ہے۔ زیر بحث مدت کے دوران، کمپنی نے 70% برآمدات کی فروخت کے ساتھ 3,500 تقریباً میٹرک ٹن فروختگی کی۔

آکسیجن کی بنیاد پر VCM کی پیداوار:

عملی امور میں بہتر کارکردگی سے کمپنی کی توجہ حصص یافتگان کے منافع پر پڑنے والے مثبت اثرات پر مرکوز رہتی ہے۔ جس کے نتیجے میں بورڈ آف ڈائیریکٹرز نے اس منصوبے کو ہوا کی بنیاد پر VCM کی پیداوار کے عمل کو آکسیجن کی بنیاد پر منتقل کرنے کے مقصد کے ساتھ منظوری دی۔ اس سے مجموعی طور پر خام مال کے استعمال میں 2% تک کمی ہوگی۔ یہ منصوبہ جاری ہے اور پہلے سے اعلان شدہ 2020 کے مقررہ وقت کے مطابق اس کی تکمیل متوقع ہے۔

ہائیڈروجن پر آکسائیڈ:

کمپنی اپنے کاسٹک کی تیاری کے طریقہ کار کی ضمنی پراڈکٹ کے طور پر ہائیڈروجن پیدا کرتی ہے، جو کہ اس وقت ہمارے پاور پلانٹ میں بطور ایندھن استعمال کیا جارہا ہے۔ منصوبے کی تکمیل کے بعد، ہائیڈروجن کو تیاری کے عمل کی طرف بھیجا جاتا ہے جو اس کی ایندھن کے طور پر استعمال کے مقابلے میں زیادہ بہتر پیداوار دے گی۔ اس منصوبے کی ایل سی کھولی جا چکی ہے اور یہ منصوبہ عمل درآمد کے مراحل میں ہے۔

لینیئر الکلائن بینزین سلفونک ایسڈ (LABSA):

EPCL مسلسل مختلف مصنوعات کا تخلیق کی متلاشی رہا ہے تاکہ نئے منافع جات کو حاصل کرتے ہوئے اجناس کے دورانیہ میں درپیش خدشات کے حوالے سے اسے یقینی بنایا جائے۔ اس حد تک، کمپنی کے بورڈ آف ڈائیریکٹر نے LABSA، جو کہ پاؤڈر ڈٹرجنٹ کے اجزائے ترکیبی کا اہم حصہ ہے، میں شامل ہونے کا فیصلہ کیا اور اسے گرین فیلڈ پراجیکٹ کی صورت میں مارکیٹ میں متعارف کرایا۔ یہ منصوبہ 24,000 میٹرک ٹن کی پیداواری صلاحیت کے ساتھ سال 2021 میں فعال ہوگا اور اسے اندرونی طور پر تخلیق شدہ ترسیل زر کے ذریعے فنڈ کیا جائے گا۔

بلند درجہ حرارت پر براہِ راست کلورینیشن (HTDC):

ملک میں توانائی کی قیمت پر اس کے اثرات کو کم کرنے کی ایک کوشش میں، EPCL ہمیشہ سے توانائی دوست حل کی تلاش میں رہی ہے۔ اسی مقصد کی جانب HTDC کمپنی کی اسی کاوش کا نتیجہ ہے۔ بعداز تکمیل، اس سے کمپنی کے پانی کے استعمال میں کمی واقع ہوگی اور توانائی کے لحاظ سے کارکردگی بھی بڑھے گی۔ اس منصوبے کو اندرون طور پر حاصل شدہ زر نقد سے فنڈ کیا جائے گا نیز سال 2021 میں فعال ہونے کی توقع کی جاتی ہے۔

اسی پیش قدمی کے ساتھ مذکورہ بالا منصوبوں پر EPCL کی بھرپور توجہ رہے گی۔ مزید یہ کہ کمپنی اپنی مستحکم عملی اور مالی کارکردگی کے عمل کو جاری رکھے گی۔

ادارہ جاتی جائزہ:

31 دسمبر 2019 کو کمپنی کی شیئر ہولڈنگ مندرجہ ذیل کے مطابق ہے:

حصص یافتگان کی قسم	حصص یافتگان کی تعداد	قبضے میں موجود حصص کی تعداد	حصص کی تعداد کا فیصد
ڈائیریکٹرز، چیف ایگزیکٹیو آفیسر، اور ان کے بچے نیز چھوٹے بچے	8	13,706	0.00
منسلک کمپنیز، اقرارنامہ اور متعلقہ فریقین	3	611,827,852	67.31
بینکس ڈیولپمنٹ فنانشل انسٹی ٹیوشنز، نان بینکنگ فنانشل انسٹی ٹیوشنز	11	16,352,696	1.80
بیمہ (انشورنس) کمپنیز	15	49,581,843	5.46
قبضے میں موجود مضاربہ اور میوچل فنڈز	73	107,478,188	11.82
حصص یافتگان کی ہولڈنگز 10%	2	610,787,012	67.20
عوام الناس:			
a۔ مقامی (افراد)	28,492	95,329,670	10.49
b۔ غیر ملکی	0		
دیگر	213	28,339,378	3.12

دی واٹر فاؤنڈیشن کے ساتھ اشتراک میں پانی کو صاف کرنے کے پلانٹس

5,000 سے زائد خاندانوں کو پینے کا صاف پانی فراہم کرنے کے لیے پورے گھگر پھاٹک میں مختلف مقامات پر کامیابی کے ساتھ پانچ واٹر فلٹریشن پلانٹ نصب کئے گئے۔ یہ قدم EPCL تک پہنچنے والی وہاں کے رہائشیوں کی شکایات پر اٹھایا گیا۔ پینے کا صاف پانی اس پسماندہ گاؤں اور ان دور دراز علاقوں میں بسنے والے کئی لوگوں کے لیے ایک آسائش سے کسی طور بھی کم نہیں ہے۔ اس لیے EPCL نے یہ ذمہ داری اپنے سر لی اور انہیں اس حوالے سے ایک دیرپا سہولت فراہم کی، جس میں آنے والے سالوں میں اضافہ جاری رہے گا۔ یہ تمام واٹر فلٹریشن پلانٹس سولر پاور سسٹم سے منسلک ہیں۔

4 عدد TCF اسکولز	1200 سے زائد بچوں کے لیے معیاری تعلیم
5 عدد واٹر فلٹریشن پلانٹس	5000 سے زائد خاندانوں کے لیے پینے کے صاف پانی تک رسائی
SINA کلینک	ماہانہ 4,000 سے زائد مریضوں کے لیے 100% بلا معاوضہ علاج کی سہولت

خون کے عطیات کی مہم اور ملازمین کی رضاکارانہ شرکت

اپنی سالانہ روایت کو برقرار رکھتے ہوئے EPCL نے اپنے ہیڈ آفس اور پلانٹ پر انڈس اسپتال کے اشتراک سے خون کے عطیہ کی مہم کا انعقاد کیا۔ EPCL کے ملازمین نے اس مہم میں جوش و خروش سے حصہ کیا اور زندگیاں بچانے کے لیے بڑی تعداد میں عطیات دیئے۔

ملازمین کی رضاکارانہ خدمات

EPCL اپنے ملازمین کی رضاکارانہ سرگرمیوں میں خدمات کی انجام دہی پر قوی یقین رکھتا ہے اور اپنے کیئرز پروگرام کے تحت پورے سال مختلف رضاکارانہ خدمات کی سرگرمیوں میں اپنے ملازمین کو باقاعدگی سے مصروف رکھتا ہے۔ اس میں سے کچھ اہم سرگرمیوں میں خون کے عطیات کی مہم، سردیوں کے کپڑوں کی تقسیم، شجرکاری، گھگر پھاٹک میں صفائی کی مہم، آئی کیمپس، TCF کے طلباء کے لیے فیلڈ ٹرپس، اولڈ ایج ہومز کے دورے وغیرہ شامل ہیں۔ ان عوامی فلاحی پراجیکٹس میں سال 2019 میں تقریباً 2,000 گھنٹے صرف ہوئے۔

کاروباری ضابطہ اخلاق اور انسدادِ بدعنوانی

کاروباری ضابطہ اخلاق ہمارے یہاں بنیادی اہمیت کا حامل ہے اور ہمارے ہر کام میں قلبی حیثیت رکھتا ہے۔ کمپنی کے بورڈ آف ڈائریکٹرز نے غیر مبہم طور پر قابل قبول کاروباری پریکٹیسز اور رویوں کو "ضابطہ اخلاق" میں مذکور کر دیا ہے تاکہ ہمارے تمام کاروباری امور میں اعلیٰ معیار کی اخلاقی روایات کو ملحوظِ خاطر رکھا جائے۔ ہم ہر قسم کے غیر اخلاقی یا ضابطے کے خلاف عمل کے حوالے سے "عدم برداشت" کی پالیسی کے حامل ہیں، خواہ اس کے نتائج کتنے ہی منفی کیوں نہ ہوں۔ اسے مؤثر طور پر ڈیزائن شدہ اور انجام شدہ آڈٹ پلانز اور پراعتماد طریقوں کے ذریعے لاگو کیا جاتا ہے، جو ہر قسم کے غیر اصولی موقف / رویے کی ممانعت کرتے ہوئے کاروباری امور کے حوالے سے عزت و تکریم کے معاملات کو اجاگر کرتا ہے۔ اس کے علاوہ، ہمارے اسٹیک ہولڈرز کو آواز اٹھانے یا اپنی بات کہنے کے لیے مختلف ذرائع دستیاب ہیں، جس کے ذریعے وہ ہماری بنیادی اور اہم روایات کے منافی اور ناقابلِ قبول عملی کاموں اور رویوں کی نشاندہی کرتے ہیں۔

کارپوریٹ گورننس ہماری جانب سے کمپنی کو چلانے کے طریقے اور دلچسپی رکھنے والی پارٹیز سے تعلق پر اثر انداز ہوتی ہے۔ انتظامیہ شفافیت اور اخلاقی روایات کے مطابق امور کی انجام دہی پر زور دیتی ہے، جو ہمارے ملازمین اور ان تمام افراد کی، جو ہمارے ساتھ ذمہ دار پیشہ ور اور کارپوریٹ شہریوں کے طور پر وینڈرز اور کسٹمرز کی حیثیت میں کام کرتے ہیں، کی ترقی میں بنیادی کردار ادا کرتے ہیں۔

صحت، تحفظ اور ماحول

رخصت ہونے والے سال کے دوران، ہماری تعمیراتی سائٹ پر ایک افسوس ناک واقعہ رونما ہوا، جس کے نتیجے میں ایک قیمتی جان کا نقصان ہوا۔ کمپنی کو اس معاملے پر تہہ دل سے افسوس ہے اور کمپنی نے اس قسم کے واقعات سے آئندہ بچاؤ کو یقینی بنانے کے لیے متعلقہ اقدامات کئے ہیں۔ اس واقعے کے حوالے سے کمپنی نے ایک اندرونی تحقیقی عمل کا آغاز کیا تھا، جس میں ٹیم نے کئی سفارشات پیش کی تھیں، جن سب کو پہلے ہی لاگو کیا جا چکا ہے۔ EPCL کی کاروباری حکمت عملی میں سیفٹی کو انتہائی اہمیت حاصل ہے، کیوں کہ ہم ہر کام کو اس طریقے سے انجام دیتے ہیں، جس میں ملازمین، کنٹریکٹرز اور ہمارے آپریشنز اور کمیونٹی، جس میں ہم کام کر رہے ہیں، میں شریک دیگر افراد کی صحت کو محفوظ رکھا جائے اور سیفٹی فراہم کی جائے۔ ہم صرف تمام قوانین اور قواعد کی تعمیل کے لیے کوشاں نہیں رہتے بلکہ HSE کارکردگی کے حوالے سے شفاف پبلک رپورٹنگ پر بھی عمل کرتے ہیں۔ اس سے ہمیں HSE مینجمنٹ سسٹم کے قیام میں معاونت ملی ہے، جو ISO - 9001، ISO - 14001، OHSAS - 45001، DuPont، PSM / OHIH، OSHA، EPA، SEPA اور پاکستان لیبر لاز کے مطلوبہ تقاضوں کے عین مطابق ہے۔

معیار کے مطابق بنانے کے عمل کے دوران، EPCL نے API گائیڈ لائنز سے اہم اعشاریوں کو صف بندھ کرنے کے حوالے سے کچھ غیر معمولی کوششیں کی ہیں۔ ہم نے تھرڈ پارٹی DuPont PSM آڈٹ میں 3.9/5 کی ایکسیلنس ریٹنگ حاصل کی۔ ERP میں بہتری کے حوالے سے، EPCL نے اسپیشلسٹ فائر چیف کے ذریعے ایک تربیتی سلسلے میں ایمرجنسی اسکواڈ ممبرز کو تربیت دی۔ کام میں بہترین فن مہارت کے حصول اور مسلسل بہتری اور تربیت کے ذریعے قابل ذکر سیفٹی کلچر رائج کرنے کے لیے ملازمین کی تھرڈ پارٹی اسکاف فولڈنگ سرٹیفکیشنز، ERP گیجٹس اور PPEs اپ گریڈیشن، ایمرجنسی رسپانس ٹیم کمپیٹیشن، آپریشنل ڈسپلین کیمپین، ہاؤس کیپنگ ڈرائیو، میرا سبق کیمپین (سیفٹی کی اس تربیت میں 1,200 کنٹریکٹرز کی ورک فورس کو تربیت دی گئی) اور اس طرح کے بہت سے اقدامات HSE ٹیم کی جانب سے کئے گئے۔

EPCL ماحولیاتی تحفظ کا بہت زیادہ خیال رکھتا ہے، کیوں کہ ہم لاگو ماحولیاتی قوانین اور قواعد کی مکمل تعمیل کو یقینی بناتے ہیں اور جس جگہ قوانین اور قواعد موجود نہیں ہوتے وہاں ذمہ داری سے اسی معیار کا اطلاق کرتے ہیں۔ ہم اپنے طریقہ کار میں بہتری لاکر اور اپنی کارکردگی کی جانچ کے ذریعے نہ صرف قدرتی وسائل اور توانائی کو بچاتے ہیں بلکہ آلودگی اور فاضل مادوں کو کم سے کم کرنے کے لیے بھی مسلسل کوشاں ہیں۔ ہمارا ماننا ہے کہ ماحولیاتی آلودگی سے پاک سرسبز ماحول ہماری اخلاقی اور کاروباری ذمہ داری ہے کیوں کہ یہ کم لاگت کے ساتھ ساتھ سب کے لیے بہتر ماحول کا باعث ہے۔ توسیعی سائٹ پر ماحولیاتی اثرات جیسے شور اور اس جگہ پر موجود ہوا کے معیار کی نگرانی کے لیے IMC (ایک خودمختار مانٹرنگ کنسلٹنٹ) کی خدمات حاصل کی گئیں۔ ہر چند یہ کہ مستقبل کے پراجیکٹس جیسے H2O2 کے حوالے سے انوائرمنٹ امپیکٹ اسسمنٹ (EIA) پر بھی پیش رفت جاری ہے۔ SEPA سے خطرناک مواد کی تجدید کے حوالے سے عدم اعتراض کی سند بھی حاصل کر لی گئی ہے۔ مذکورہ تمام باتوں کے ساتھ سال 2019 میں کوئی NEQs ایکزرشن ریکارڈ نہیں کیا گیا ہے۔

آڈٹس کے حوالے سے اس طریقہ کار کے جزو کے طور پر، کمپنی درج ذیل مختلف سیکنڈ اور تھرڈ پارٹی سرویلنس آڈٹ کے عمل سے گزری:

- DuPont PSM 22 Elements Audit سال 2019 میں 3.9/5 کی بہترین ریٹنگ کے ساتھ انجام دیا گیا؛
- سال 2019 میں EPCL کا IMS آڈٹ کامیابی کے ساتھ انجام دیا گیا جس میں کمپنی کو ISO 14001 , 19001 اور OHSAS 45001 کے نئے معیارات پر جانچا گیا۔
- Efert کی جانب سے OHIH سیکنڈ پارٹی آڈٹ کامیابی کے ساتھ انجام دیا گیا۔

معلومات / آگہی کا نظام

سال 2018 میں، بورڈ آف ڈائریکٹرز نے ایک 3 سالہ ڈیجیٹائزیشن 2020 اسٹریٹیجی کی منظوری دی۔ EPCL آئی ٹی اسٹریٹیجی طریقہ کار اور معلومات کی ڈیجیٹائزیشن کی بنیاد پر ہے تاکہ ادارہ بغیر کاغذ کے استعمال اور وائرلیس کے استعمال کو فروغ اور ملازمین کسی بھی جگہ، کسی بھی وقت اور کسی بھی ڈیوائس سے کام کرنے کے قابل ہو جائیں۔ اسے "انسانی مداخلت کے بغیر سیلز آپریشنز" کی فراہمی کی غرض سے آٹومیشن کے مقاصد کے لیے بھی استعمال کیا جائے گا۔

EPCL کو ایک IT سے متعلق معلومات کا حامل ادارہ بنانے کے لیے سال 2019 میں ڈیجیٹائزیشن کا عمل ایک اہم ترین مقصد رہا، جس کے نتیجے میں کئی کامیابیاں ملیں۔ اس حوالے سے اہم سمجھے جانے والے امور جیسے کسٹمر آن لائن آرڈرنگ، فیلڈ فورس مینجمنٹ، ادائیگی کے عمل کی ڈیجیٹائزیشن، ملازمین کی خدمات کے حوالے سے E4Me Apps Suite، ورچول انفوسینٹر، ڈیجیٹل لرننگ مینجمنٹ سسٹم اور پلانٹ ڈیٹا ڈیجیٹلائزیشن کے ذریعے کارکردگی کو بہتر بنانے پر توجہ مرکوز رہی۔
فن مہارت کی حامل ٹیکنالوجیز سے استفادہ حاصل کرتے ہوئے کمپنی کو پیپرلیس بنانے کے لیے EPCL ڈیجیٹلائزیشن 2020 کا یہ سفر سال کے اختتام تک جاری رہے گا اور ان تمام تر سہولیات اور جدت کو پورے اینگرو میں بھی رائج کیا جائے گا۔

صنعتی مراسم

افرادی قوت

اس سال منظور ہونے والے کئی نئے کاروباری اقدامات اور پراجیکٹس کے ساتھ ساتھ ہماری توجہ تربیت اور ڈیولپمنٹ پر رہی۔ ہم نے اپنے لوگوں کی ڈیولپمنٹ اور ان میں عملی طور پر بہتری، ادارہ جاتی گفت و شنید اور کاروباری اہداف کے مستقل حصول کے حوالے سے اپنی کاوشوں کو جاری رکھا۔

مختلف مخصوص پروگرامز پر مشتمل لرننگ فریم ورک کی منیجرز اور سپروائزرز سے لے کر شامل انفرادی اشخاص تک کے کیریئر کی تمام سطحوں پر تعمیل کرائی گئی۔ سب سے زیادہ قابل ستائش پروگرام ہارورڈ مینیج مینٹر (ہارورڈ کی جانب سے فراہم شدہ ایک پلیٹ فارم جو لوگوں کو آن لائن ڈیجیٹل لرننگ کا موقع فراہم کرتا ہے اور ملازمین کو یہ اختیار دیتا ہے کہ وہ اپنی دلچسپی، ڈیولپمنٹ اور نمو کے مطابق ہارورڈ کی جانب سے ڈیزائن شدہ بہترین ان کلاس ماڈیولز میں سے کسی بھی شعبہ کے مضمون کا انتخاب کر لیں۔ سال 2019 میں 53 ملازمین نے 331 Harvard Mange Mentor Trainings کامیابی کے ساتھ مکمل کی۔ مثبت آراء اور ردعمل کی بنیاد پر، ملازمین کو اس بہترین تربیتی پلیٹ فارم کی آئندہ سال فراہمی کے لیے 100 عدد مزید لائیسنس جاری کئے گئے ہیں۔

اس سال اٹھایا جانے والا اہم ترین قدم EPCL کیئرز ہے، یہ ایک ایسا جامع پراجیکٹ ہے، جو کارپوریٹ تجربات سے آگے بڑھ کر ہمارے ملازمین بشمول ان کی فیملیز کو مختلف تفریقی، تقریبات اور اہم لمحات کو مجمع کرتا ہے۔ ایچ آر نے اس اقدام کو آگے بڑھانے اور EPCL کیئرز کے پلیٹ فارم کی تعمیر کے لیے ملازمین اور ان کی فیملیز کے لیے اضافی ٹچ پوائنٹس متعارف کرائے گا۔

رسک مینجمنٹ فریم ورک

EPCL نے سال 2011 میں اپنے لین انٹر پرائز مینجمنٹ فریم ورک کا آغاز کیا۔ کمپنی کی یہ پالیسی ہے کہ وہ مربوط طور پران تمام غیر یقینی صورتحال اور خدشات، جو ہمارے ادارہ جاتی مقاصد اور اہداف کے حصول کو ممکنہ طور پر متاثر کر سکتے ہیں، کے انتظام وانصرام کے ذریعے حصص یافتگان (شیئر ہولڈر) کے مفاد کی تخلیق، تحفظ اور اس میں اضافے کے لیے ممکنہ خدشات کے نظم پر غور کرے۔

ہمیں اس بات کا ادراک ہے کہ کمپنی پیچیدہ کاروباری ماحول میں کام کرتی ہے اور یہ اس کا استحقاق ہے کہ ادارہ اپنی حکمتِ عملی اوران خدشات کے حجم کی تشخیص کرے، جسے ادارہ اپنی ذمہ داریوں کی موزوں طور پر ادائیگیوں کے ساتھ منظور کرتا ہے۔ EPCL تمام سطحوں پر احتساب پر یقین رکھتی ہے اور خدشات کے ماحول میں نگرانی، گفت وشنید اور رپورٹ کرنے کی ضرورت اور باقاعدہ بنیادوں پر شناخت شدہ خدشات کے انتظام وانصرام کے حوالے سے مؤثر انداز میں عملی اقدامات کی ضرورت کو سمجھتی ہے۔

خدشات (رسک) کی پورے ادارے میں نشاندہی کی جاتی ہے اور منافع پر ان کے اثرات کے لحاظ سے ان کی درجہ بندی کی جاتی ہے۔ خدشات کی نشاندہی پر انہیں کم کرنے کے مؤثر حکمت عملی مرتب کی جاتی ہے، جس کی باقاعدہ طور پر انتظامی کمیٹی کرتی ہے۔ خدشات کے انتظام وانصرام (رسک مینجمنٹ) کے عمل کی سرپرستی چیف رسک آفیسر (CRO) کرتا ہے اور بورڈ آڈٹ کمیٹی (BAC)، اس کی توثیق کرتی ہے۔

منصوبہ بندی کے خدشات

پلانٹ آپریشن میں خلل

حکمت عملی	نتیجہ
کمپنی اعلیٰ ترین ٹیکنالوجی کو استعمال میں لاتی ہے اور اس سہولت کو بہتر انداز میں جاری رکھنے کو یقینی بنانے کے لیے اس کی باقاعدہ مرمت اور سالانہ بنیاد ردوبدل / تبدیلیاں کرتی ہے۔	دورانِ سال پلانٹ کو بہترین انداز میں چلایا گیا۔

تجارتی / عملیاتی خدشات

بین الاقوامی اجناس کے نرخ

حکمت عملی	نتیجہ
انٹرنل بزنس انٹیلی جنس کا استحکام اور بین الاقوامی نرخ کے رجحان کے بہتر ادراک اور مارکیٹ کے محرکات کی بنیادی تشریح کے حصول کے لیے بین الاقوامی اولیفن تجزیہ کاروں کے ساتھ نیٹ ورک کا قیام	انتظامیہ فائنل پراڈکٹس اور خام مال کے نرخوں کی تخمینیت باقاعدگی سے کرتی ہے۔ مارکیٹ کے محرکات سے سرمایہ کاری پر فائدہ اٹھانے کے لیے ان تجزیاتی بنیادوں پر ادارہ نرخوں / فراہمی سے متعلق حکمت عملی مرتب کرتا ہے۔

توانائی کے نرخ

حکمت عملی	نتیجہ
استعمال کو کم کرنے اور توانائی کے سستے ذرائع کی نشاندہی کے لیے توانائی دوست پراجیکٹس کا مطالعہ اور ان کا اطلاق	کارکردگی کو بڑھا کر ممکنہ طور پر بڑھتے ہوئے گیس کے نرخوں کے اثرات کی نگرانی کی جارہی ہے۔

مالیاتی خدشات

لیکویڈیٹی رسک / بیلنس شیٹ پروفائل

حکمت عملی	نتیجہ
طویل المدت قرضہ جات کی واپس ادائیگی کے پروفائل میں اضافہ کرتے ہوئے شرعی اصولوں کے مطابق فنانسنگ کی جانب پیش قدمی	کمپنی نے اپنے قرضوں کے میچوریٹی پروفائل میں توسیع کردی ہے اور ساتھ ہی اصل رقم کی واپس ادائیگی کی ترسیل کو بھی یقینی بنایا ہے۔

غیر ملکی زرمبادلہ کے خدشات

حکمت عملی	نتیجہ
اہم معاشیاتی اعشاریوں پر توجہ سے عمل کرنا اور قانون کے مطابق Hedging Solutions کی نشاندہی کے حوالے سے بینکوں کے ساتھ اشتراک کرنا۔	IFC کی واپسی میں تاخیر اور روپے کی قدر میں کمی کی پیش رفت میں FX Hedging Solutions کو استعمال کرتے ہوئے، پاکستانی روپے کی قدر میں کمی کے اثرات کو کم کیا۔

کاروباری تسلسل کا منصوبہ

ہمیں اپنے کاروبار کو چلانے اور کسی بھی ممکنہ خلل سے کاروبار کو بچانے کی اپنی ذمہ داری کا بخوبی ادراک ہے۔ اسی نظریہ اور ارادے کے ساتھ، ہم نے سال 2013 میں اپنے کاروباری تسلسل کے منصوبے کا آغاز کیا اور اس منصوبے کو سال 2018 میں اپ گریڈ بھی کیا۔ یہ پلان غیر متوقع ناگہانی حالات میں پیچیدہ کاروباری عمل کے بہتر اور ہموار طریقے سے انجام دہی کو یقینی بناتا ہے اور مندرجہ ذیل اہداف / مقاصد کا حامل ہے:

- اہم اسٹیک ہولڈرز کے مفادات، ساکھ، برانڈ اور فائدہ مند امور کے تحفظ پر مؤثر درعمل کے حوالے سے جذبہ اور صلاحیت پیدا کرنے کے لیے فریم ورک فراہم کرنا۔
- کاروباری ترجیحات اور اداروں کے باہمی انحصار کو زیر غور لاتے ہوئے، عملی جامہ پہنائے جانے کی صورت میں اپنے عملی کاموں کو درپیش خدشات کی تشخیص کرنا اور ان خدشات کے اثرات کو سمجھنا۔
- کسی بھی ممکنہ خلل کے ردعمل اور اس کے نتائج کے اثرات کو کم سے کم کرنے کے لیے اس کا انتظام وانصرام مؤثر اور موزوں طریقے سے کرنا۔
- پہلے سے طے شدہ وقت میں جتنا جلد ممکن ہو قابل قبول سطح پر کاروباری امور کو بازیافت کرنا، جس کے ہمارے پیچیدہ کاروباری امور یا سپورٹ سروسز پر خلل کے حوالے سے بروقت نتائج مرتب ہوں۔
- کاروباری تسلسل کی معاونت کرنے والے منصوبوں کی باقاعدہ بنیادوں پر جانچ اور نظر ثانی اور وقفے وقفے سے ضرورت کے مطابق ان میں تبدیلی کرنا۔

منصوبے (پلان) میں ہماری جوابی حکمتِ عملی، کم از کم آپریٹنگ ضروریات، بی سی پی ٹیم کا انتظام، ناکارہ تشخیص اور ابتدائی طور پر سائٹ کی بحالی کے کام شامل ہیں۔ یہ منصوبہ ڈیزاسٹر ریکوری کے طریقہ کار کے اہم جزئیات کو طے کرتے ہوئے اہم کوائف / معلومات کے تحفظ کو یقینی بناتا ہے۔ ہماری انتظامیہ کاروبار اور انفرااسٹرکچر کو درپیش خطرات کا باقاعدگی سے تخمینہ لگاتی ہے اور اس نے کسی بھی قسم کے غیر متوقع مسائل سے مناسب انداز میں نبرد آزما ہونے کے لیے حکمت عملی مرتب کی ہوئی ہے۔

ذمہ دار شہری اور فلاحی سرگرمیاں

EPCL ایک سماجی بہبود کے لحاظ سے ایک ذمہ دار ادارہ ہے جو دیگر اداروں کو اپنی تقلید کے لیے مثالیں قائم کررہا ہے۔ سماجی بہبود کے امور (CSR) کی بہترین حکمت عملی کے ساتھ EPCL گھگر پھاٹک میں بسنے والی عوام (جو کہ پورٹ قاسم پلانٹ سے قریب ایک کمیونٹی پر مشتمل ہے) کے معیار زندگی کو بہتر بنانے کے حوالے سے بھرپور توجہ کے ساتھ اپنی کاوشیں جاری رکھے ہوئے۔

تعلیم

TCF کے ساتھ اسکول کی تعمیر کا پروگرام

EPCL نے سٹیزنز فاؤنڈیشن کے اشتراک سے 50.5 ملین روپے کی لاگت سے دو نئے اسکولوں کی عمارت قائم کیں، جن سے گھگر پھاٹک گاؤں اور اس کے اطراف میں بسنے والے شدید پسماندہ بچوں کو فائدہ پہنچے گا۔ یہ دونوں اسکولز مارچ، 2020 میں مکمل ہوجائیں گے اور اس کے پہلے سیشن کا آغاز اپریل 2020 میں ہوگا۔ ان دو نئے اسکولز کی شروعات کے ساتھ ہی، EPCL مجموعی طور پر اپنے چار اسکولز کے ذریعے 1,200 سے زائد طلبا وطالبات کو معیاری تعلیم فراہم کررہا ہوگا۔

اس کے علاوہ EPCL نے اسی علاقے کے TCF آسٹن کیمپس میں دوسری شفٹ کی شروعات کے لیے بھی فنڈ فراہم کردیئے ہیں۔

TCF کے طلباء کے لیے غیر نصابی سرگرمیاں

EPCL کے ملازمین نے TCF کے طلباء کو کلاس روم سے بڑھ کر مختلف قسم کی صحت مندانہ اور سیکھنے سکھانے کی سرگرمیوں میں فعال انداز میں شامل کیا۔ جس میں فیلڈ ٹرپس، لائبریریوں کے قیام اور جشن منانے جیسی تقریبات کا انعقاد شامل ہے۔ طلباء کو اپنی معلومات میں اضافے اور اپنی پوشیدہ صلاحیتوں کے اظہار کے لیے مختلف پلیٹ فارمز فراہم کیئے جاتے ہیں۔

علاج معالجے کی سہولت (ہیلتھ کیئر)

SINA کے ساتھ معاہدہ

EPCL نے گھگر پھاٹک گاؤں، بن قاسم ٹاؤن اور ان کے قرب وجوار میں بسنے والی عوام کو ابتدائی طبی سہولت کی فراہمی اور ان کی صحت کی صورتحال کو بہتر بنانے کے لیے تقریباً 16 ملین روپے کے مصارف سے ایک ہیلتھ کیئر کلینک قائم کیا ہے۔

اس کلینک میں موجود سروسز میں اسکریننگ، او پی ڈی، ڈاکٹر کنسلٹیشن، امیونائیزیشن، لیب کلیکشن پوائنٹ اور لیب ٹیسٹنگ کی سہولیات شامل ہیں۔ اس میں الٹرا ساؤنڈ کی سہولت، 150 ادویات کے ساتھ مجوزہ ادویات کے لیے فارمیسی، ذیابیطس کے حوالے سے احتیاطی طبی سہولت، آنکھ اور اپنے شراکت داروں کے ساتھ ٹی بی پروگرام جیسی سہولیات بھی شامل ہیں۔

کلینک نے اپنے کام کا آغاز جولائی 2019 میں کیا اور یہ ہر روز 150 سے زائد مریضوں کو ہفتے میں چھ دن بلامعاوضہ طبی سہولیات بہم فراہم کررہا ہے۔ EPCL نے کلینک کی بجلی کی ضروریات کو پورا کرنے کے لیے سولر پاور سسٹم بھی نصب کیا ہے۔

نتیجے میں کاسٹک سوڈا کی طلب میں اضافہ ہوسکتا ہے، ہر چند یہ کہ گیس کے مجوزہ بلند نرخ فراہمی کو محدود یا کاسٹک سوڈا کے نرخ میں اضافے کا باعث بن سکتے ہیں۔

سوڈیم ہائیڈروکلورائیٹ اور ہائیڈروکلورک ایسڈ کمپنی کے کلورالکلی پورٹ فولیو کا جزو ہیں۔اس سے قبل اسے ٹیکسٹائل کی صنعت میں بطور بلیچنگ ایجنٹ استعمال کیا جاتا تھا جبکہ اس کے دیگر استعمال میں جراثیم کش اور پانی کو صاف کرنے والے ایجنٹ کے طور پر استعمال شامل ہیں ۔ پاکستان میں HCL کو اسٹیل گیلوینائزنگ انڈسٹری ، واٹر ویسٹ ٹریٹمنٹ، پاور پلانٹس، جیلیٹن کے شعبہ جات میں استعمال کیا جاتا ہے۔مستقبل میں ہمیں ان کیمیکلز کا استعمال مختلف صنعتوں میں نظر آرہا ہے، جس میں پانی کو صاف کرنے اور بجلی کے شعبہ جات شامل ہیں۔

جائزہ

مقامی صنعت کے محرکات نے کلورالکلی کے نرخوں کو جلا بخشی جو کہ بین الاقوامی نرخوں کے معیار کے مساوی نہیں ہیں ۔ ہر چند یہ کہ، توانائی کی لاگت مجموعی تیاری کی لاگت کا ایک بڑے حصے کی حامل ہوتی ہے، اسی وجہ سے گیس کے نرخوں میں اضافہ پراڈکٹ کے نرخوں کو بڑھا سکتا ہے۔

تاریخی اعتبار سے، یہ شعبہ مستحکم رہا ہے جبکہ اس کی طلب کا رجحان ٹیکسٹائل کے شعبہ پر منحصر ہے، جو ان پراڈکٹس کے مجموعی استعمال کے اہم جزو کی وجہ سے ہے۔ہم ملک کی برآمدات کو بڑھانے کے حوالے سے کی جانے والی سرکاری کاوشوں سے پرامید ہیں اور توقع کرتے ہیں کہ اس کے مثبت اثرات منسلک صنعتوں پر بھی ہوں گے۔

پیداواری بہتری

EPCL میں عملی کارکردگی کو بہتر بنانا اہم کاروباری ضرورت ہے کیوں کہ یہ ماحول اور منافع پر مثبت کردار ادا کرتی ہے ۔اس حد تک کمپنی نے پہلے سے دی گئی گیس کے دوبارہ استعمال کے لیے ہائیڈروجن وینٹنگ پراجیکٹ پر کام جاری رکھا۔دورانِ سال پلانٹ کے سالانہ ٹرن اراؤنڈ نے پیداواری کارکردگی کو بہتر بنانے میں بھی کردار ادا کیا۔

توانائی کا انتظام وانصرام اور بچت

EPCL میں ہم زیادہ سے زیادہ ماحولیاتی تحفظ کے حصول اور اپنے تمام اسٹیک ہولڈرز بشمول ملک کے لیے زیادہ سے زیادہ منافع فراہم کرنے کے حوالے سے اپنے وسائل کے مؤثر انداز میں استعمال کے لیے کوشاں رہتے ہیں۔جس کے مطابق، ہم اس وقت دو ایفیشنسی پراجیکٹس ؛ ٹرانسفر لائن ایکسچینجر (TLEx) اور Oxy Vent Recycle (OVR) پر کام کررہے ہیں۔ان پراجیکٹس کے ذریعے کمپنی کی توانائی کی طلب میں کمی متوقع ہے، جس سے ملک کے گیس کے ذخائر کا استعمال کم ہوگا۔ نیز خام مال کی کارکردگی میں اضافہ اور درآمدات محدود ہوگی ہے۔ یہ پراجیکٹ کمپنی کو مجوزہ گیس کے بڑھتے ہوئے نرخوں اور آنے والے وقت میں پاکستانی روپے کی قدر میں ہونے والی کمی میں کچھ رعایت کی پیشکش بھی کرے گا۔حال ہی میں EPCL نے ہائی ٹمپریچر ڈائیریکٹ کلورینیشن (HTDC) پراجیکٹ کا اعلان کیا ہے، جو توانائی کے حوالے سے کارکردگی میں مزید بہتری، پانی کے استعمال میں کمی اور کاربن ڈائی آکسائیڈ کے اخراج میں کمی لائے گا اور اس سال 2021 میں شروع کیا جائے گا۔

ہمارا یقین ہے کہ سرسبز ماحول نہ صرف اخلاقی طور پر بلکہ ہماری کاروباری ذمہ داری بھی ہے، کیوں کہ یہ عمل ہمیں اپنے ماحول کو بچانے اور کاروباری کارکردگی کو بہتر بنانے کے قابل بناتا ہے۔

مالیاتی تجزیہ اور انتظامیہ

فروختگی پر تبصرہ

EPCL نے 37,837 ملین پاکستانی روپے کی محصولات حاصل کی جو کہ پچھلے سال کے مقابلے میں 7% زائد ہے، جبکہ مقامی مارکیٹ میں PVC کے حجم میں 6% اور کاسٹک کے حجم میں 4% کمی رہی، تاہم سازگار زرمبادلہ نے اس میں معاونت کی۔کمپنی نے اپنے کاسٹک فلیکر پلانٹ سے تجارتی کام کا آغاز کیا اور پراڈکٹ کو کامیابی کے ساتھ برآمد کرنا شروع کیا۔

مقامی فروخت (کے ٹی)	2019	2018	YoY
پی وی سی	191	203	-6%
کاسٹک سوڈا	83	86	-4%
کاسٹک فلیکس	1	-	NA

منافع جات

EPCL نے سال 2019 میں 3,696 ملین روپے کا منافع بعد از ٹیکس کا اعلان کیا جو کہ سال 2018 میں 4,930 ملین روپے تھا، منافع کا یہ فرق YoY 25% کی کمی ظاہر کرتا ہے۔اسی طرح غیر مستحکم بنیادوں پر کمپنی کا منافع گذشتہ سال کے مقابلے میں 25% منافع کی کمی کی صورت میں سامنے آتا ہے۔
گیس کی قیمتوں میں اضافہ، گرتے ہوئے وولیوم اور ون ٹائم آئٹمز کے ریکارڈ کے باوجود کمپنی کا مرکزی منافع گذشتہ سال کی طرح ایک طرز پر رہا جس کی وجہ انٹرنیشنل وینائل مارکیٹ کی سازگار موومنٹ اور قیمت کے کنٹرول پر گہری توجہ تھی۔ ذیل میں دیا گیا ون ٹائم آئٹمز کا خالص منافع جو کہ 1,182 ملین روپے ہے تاہم منافع میں کمی کی وجہ اونچی فائنانشیل کوسٹ اور 2018 اور 2019 میں بک ہوئے کئی ایسے آئٹمز ہیں جو کہ ون ٹائم کے تھے۔

ہر چند یہ کہ بلند مالی اخراجات کی وجہ سے زیریں منافع میں کمی واقع ہوئی اور سال 2018 اور 2019 میں مختلف منفرد آئیٹمز بک کئے گئے ۔ایک دفعہ کے آئیٹمز کے صافی اثرات کی تفصیل درج ذیل ہے جو 1,182 ملین پاکستانی روپے ہے:

ون ٹائم آئیٹمز	منافع بعد از ٹیکس پر اثر (ملین پاکستانی روپے)
2019	
آئی ایف آر ایس 16 استعمال	(93)
2018	
MTOT کی واپسی کا فائدہ	542
ایک دفعہ کے بیمہ (انشورنس) کا فائدہ	547
مجموعی اثر	(1,182)

منافع منقسمہ

کمپنی کے بورڈ آف ڈائیریکٹرز نے 0.20 فی حصص (شیئر) کے حتمی زر نقد منافع منقسمہ کی منظوری دی ہے۔ یہ منافع منقسمہ 0.60 فی حصص (شیئر) کے عبوری منافع منقسمہ کے علاوہ ہے، جو کہ اس سال کا مجموعی طور پر 0.80 فی حصص (شیئر) بنتا ہے۔

قومی خزانے میں کردار

سال 2019 کے دوران EPCL نے سرکاری خزانے میں 10.6 بلین روپے ایکسائز ڈیوٹی، کسٹم ڈیوٹی، انکم ٹیکس اور سیلز ٹیکس کی صورت میں جمع کرایا گیا۔

لیکویڈیٹی اور زر نقد کا بہاؤ (کیش فلوز)

سال 2019 کے دوران، کمپنی نے آپریشنز سے 9 بلین روپے کا کیش فلو بنایا۔لیکویڈیٹی کی مستحکم صورتحال سے کمپنی کو نئے پراجیکٹس کو فنانس کرنے میں حوصلہ ملا اور IFC سے قرض کی سہولت تاخیر سے حاصل کی ۔ اس سے غیر ملکی کرنسی کے واجبات کو محدود کرنے میں اور مقامی کرنسی کی قدر میں کمی سے ہونے والے فاریکس نقصانات کو کم کرنے میں مدد کرتا ہے۔اسی دوران حصص یافتگان (شیئر ہولڈرز) کے زیادہ سے زیادہ فائدے کو یقینی بنانے اور شرح سود کے خدشات کو مدِّنظر رکھتے ہوئے حکومتی قرضہ جات کی دستاویزات اور TDRs میں اضافی لیکویڈیٹ کی سرمایہ کاری کی گئی۔ چوں کہ کمپنی کو اپنے مختلف نئے پراجیکٹس کے لیے فنڈز درکار تھے لہٰذا کمپنی نے سال کے اختتام کے قریب ، 35 ملین امریکی ڈالر IFC قرض کی سہولت حاصل کی۔

مالی سرمایہ کاری (فنانسنگ)

سال کے شروع ہوتے ہی کمپنی نے کامیابی سے 8.75 بلین روپے کا SUKUK ایشو مکمل کر لیا تھا۔اس انسٹرومنٹ کی شرائط میں 7.5 سالوں سے زائد کے پیریڈ کی ری۔پیمنٹ بھی شامل تھی جس میں 5.5 سالوں کا گریس پیریڈ بھی شامل تھا۔اس کا مقصد کمپنی کے حالیہ طویل دورانیے کے قرضوں کو ری۔ پروفائل کرنا تھا۔کمپنی IFC کے ساتھ 35 ملین ڈالرز کے فائنانسنگ معائدے میں بھی داخل ہوئی ۔ مارچ 2019 میں منعقد ہوئی ایک تقریب میں اس ٹرانزیکشن نے IFN پاکستان ڈیل آف دی ائیر جیتی۔

ٹرانزیکشن کا یہ عمل بذریعہ میکینزم کے تحت ہوا جس نے اس بات کو یقینی بنایا کہ ڈالر اور LIBOR کی قدر و قیمت میں کمی کے خطرات کو کم سے کم کیا جا سکے۔

بیلنس شیٹ کی تاریخ کے بعد، کمپنی نے انکم ٹیکس آرڈیننس 2001 کی شق 65E کے تحت ایکویٹی فنڈنگ پر ٹیکس کریڈٹ سے فائدہ اٹھانے کی غرض سے PVC توسیع اور VCM ڈی باٹل نیکنگ کے منصوبوں کے حوالے سے استعمال کے لیے ترجیحی حصص (شیئرز) کے اجراء کے لیے بورڈ سے اصولی منظور حاصل کی ہے۔

کریڈٹ ریٹنگ

سال 2019 میں پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے EPCL کو طویل المدتی اور قلیل لمدتی کے حوالے سے بالترتیب -AA اور +A1 ریٹنگ ایوارڈ کی ۔ یہ ریٹنگ کمپنی کی وقت پر اپنی مالیاتی ذمہ داریوں کو پورا کرنے کی صلاحت کو ظاہر کرتی ہے۔

اثاثہ جاتی خدوخال

کمپنی کے اثاثہ جات میں قرض اور ایکویٹی سے 57:43 کے تناسب سے سرمایہ کاری کی جاتی ہے، جو کہ سال 2018 میں 31:69 تھی۔اس تبدیلی کی وجہ کمپنی کے گزشتہ سال میں کئے گئے پراجیکٹس کے اعلانات کے لیے فنڈنگ حاصل کرچکی ہے۔

پاکستان

رخصت ہونے والے سال کے دوران مقامی PVC مارکیٹ میں اقتصادی و معاشی عوامل کی خراب صورتحال اور تعمیراتی شعبہ کی سست روی کی وجہ سے 6% کی کمی دیکھنے میں آئی۔

اس کمی کے باوجود، PVC پاکستان میں پلاسٹک کے طور پر پسندیدہ رہا جہاں اس کو تعمیراتی شعبے میں بڑے پیمانے پر استعمال کیا گیا۔ حال ہی میں مارکیٹ میں PVC استعمال کے نئے طریقے بھی سامنے آئے ہیں۔ سال 2019 کے دوران، سخت شیٹس اور PVC پروفائل کی مارکیٹ میں بالترتیب 20% اور 10% تک بڑھوتری حاصل ہوئی۔

قابل استطاعت ہاؤسنگ اسکیمز پر سرکاری توجہ، متوقع اقتصادی و معاشی بہتری اور PVC کے نئے استعمال کی وسعت میں اضافہ کے پیش نظر، ہمیں امید ہے کہ ملک میں PVC کے فی کس استعمال میں اضافہ ہوگا اور یہ بین الاقوامی سطح کے استعمال کی طرف گامزن ہوگا۔

مارکیٹ کے ارتقائی امور

ملک میں PVC Resin کا واحد تیار کنندہ ہونے کے ناطے، ہم مقامی طور پر ڈاؤن اسٹریم (Down Stream) صنعت کی بہتری اور ترقی میں اپنا کردار ادا کرنے میں فخر اور اس کے لیے جدوجہد کرنے کو اپنی ذمہ داری سمجھتے ہیں۔ EPCL اپنے کسٹمرز کے ساتھ مختلف مقامی اور بین الاقوامی صنعتی نمائشوں میں شرکت کرتی رہی ہے تاکہ متعلقہ صارفین (کنزیومرز) میں صنعتی ترقی کے بارے میں آگاہی پیدا کی جائے اور ان کے ساتھ مل کر مواقع ڈھونڈے جائیں۔

مارکیٹنگ کے حوالے سے ہمارے جاری عمل کے تسلسل میں، EPCL نے اعلیٰ معیار کی پراڈکٹس جیسے فوم بورڈز، وال پینلز، پائپس اور فٹنگز، دروازے اور کھڑکیوں وغیرہ کو صارفین کو پیش کرنے کی غرض سے اس سال کی بلڈ ایشیاء نمائش میں شرکت کی۔ دورانِ سال EPCL نے K-Fair، جو کہ پلاسٹکس اور ربر کی صنعت کے حوالے سے عالمی سطح کی معروف ترین نمائش ہے، میں شرکت کے لیے اپنے کسٹمرز کے وفد کو Dusseldorf، جرمنی لے کر گئی۔ اس اقدام کا مقصد PVC کے عالمی سطح کے استعمال اور جدید ٹیکنالوجی سے آگاہی کو اجاگر کرنے کے طریقوں کے ذریعے ڈاؤن اسٹریم مارکیٹ میں جدت کے ساتھ تیزی پیدا کرنا تھا۔

بطور EPCL، ہم PVC پراڈکٹس کی خصوصیات اور تعمیراتی شعبے میں اس کے استعمال کو اپنے کسٹمرز میں متعارف کرانے کو انتہائی اہمیت دیتے ہیں۔ اسی لیے، کمپنی نے PVC برانڈڈ آؤٹ لیٹ تخلیق کیا ہے، جو کہ ایک ریٹیل اسٹور ہے اور جہاں PVC پراڈکٹس جیسے وال پینلز، بورڈ، گارڈن فرنیچر، ونڈو پروفائلز اور دروازوں کو دیگر لوگوں کے لیے نمائش کے لیے رکھا جائے گا۔ یہ پراجیکٹ ہمارے اُن کسٹمرز کے اشتراک سے انجام دیا جا رہا ہے، جن کی پراڈکٹس آؤٹ لیٹ پر فروخت کے لیے دستیاب ہوں گے۔ اس وقت آؤٹ لیٹ عمل درآمد کے مراحل میں ہے، جس کے لیے جگہ کی نشاندہی کردی گئی ہے اور اس حوالے سے تعمیرات کام جاری ہیں۔

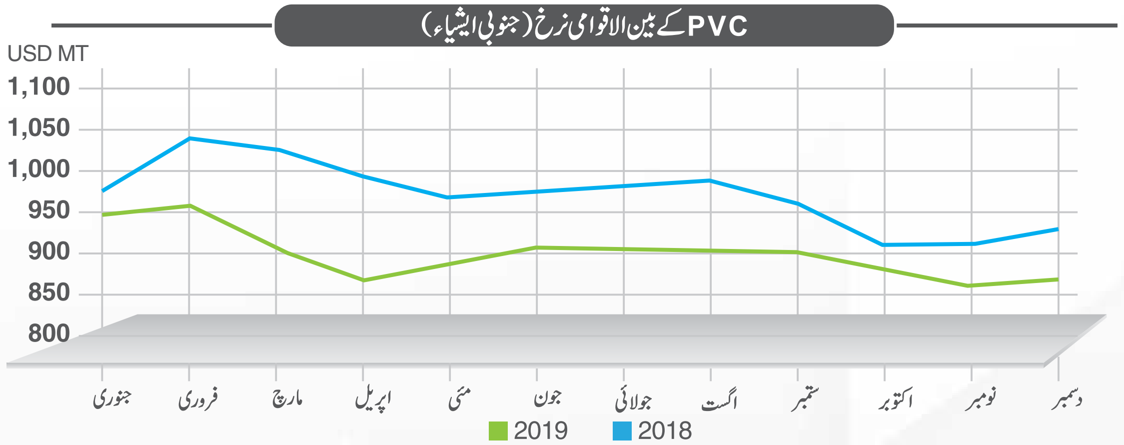
ایتھیلین، جو کہ PVC کا بنیادی خام مال ہے، دیگر پولیمرز بشمول پولیتھیلین میں ایتھیلین کا 60% استعمال ہوتا ہے۔ رخصت ہونے والے سال کے دوران چین نے ماحولیاتی خدشات کی وجہ سے پولیتھیلین پر پابندی عائد کردی تھی جس سے ایتھیلین کی مجموعی طلب کم ہوگئی، چنانچہ اس کے نرخ کم ہو گئے۔

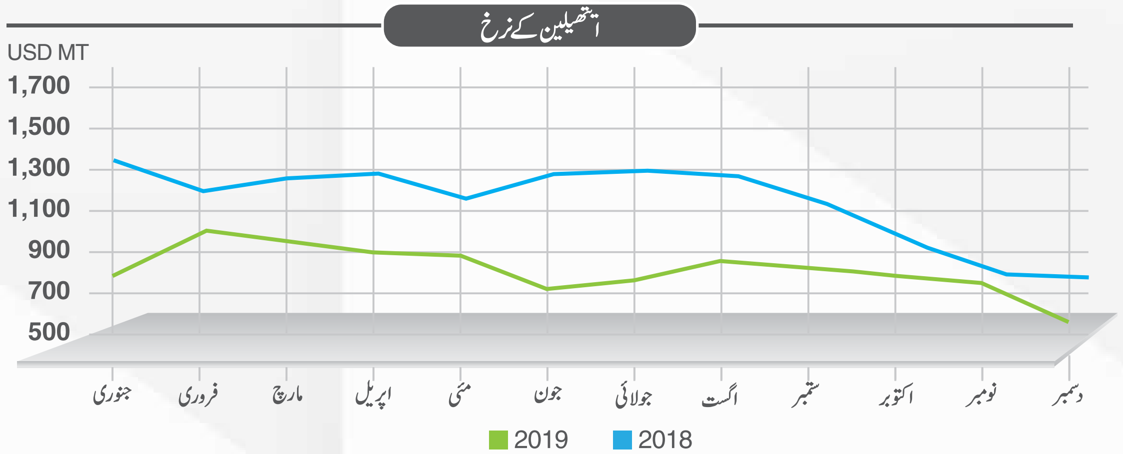
وینائل چین کے بین الاقوامی نرخ

عالمی سطح پر تجارتی شے ہونے کے باوجود، PVC کے نرخ مختلف خطوں میں مختلف ہوتے ہیں۔ پاکستان میں نرخ کے حوالے سے طے شدہ معیار جنوبی ایشیاء کا معیار قابلِ اطلاق ہے (انڈیا/پاکستان/بنگلہ دیش/سری لنکا)۔ متوقع بڑھوتری میں کمی، خام مال کے کم نرخ اور علاقائی سطح پر ہونے والی کمی کی وجہ سے PVC کے نرخ میں کمی واقع ہوئی۔

ایتھیلین، جو کہ PVC کا بنیادی خام مال ہے، دیگر پولیمرز بشمول پولیتھیلین میں ایتھیلین کا 60% استعمال ہوتا ہے۔ رخصت ہونے والے سال کے دوران چین نے ماحولیاتی خدشات کی وجہ سے پولیتھیلین پر پابندی عائد کردی تھی جس سے ایتھیلین کی مجموعی طلب کم ہوگئی، چنانچہ اس کے نرخ کم ہو گئے۔

engro polymer & chemicals





جائزہ

خطے میں مون سون کا توقع سے زیادہ طویل موسم اور انڈیا میں بدامنی کی صورتحال سے PVC کے نرخ دباؤ میں رہے۔ ہر چند یہ کہ آنے والا موسم میں اس کے نرخوں میں اضافے کی توقع کی جا رہی ہے۔ اسی کے ساتھ ساتھ، انڈیا کی طلب میں بہتری اور امریکہ۔ چین تجارتی جنگ کی قرارداد سے اس کے نرخ بڑھنے کی توقع ہے۔ ایتھیلین کے نرخوں پر مسلسل دباؤ جنوبی ایشیاء کے تجارتی حلقوں کو نفتھ معاشیات کی خراب صورتحال کو سامنے رکھتے ہوئے فراہمی منقطع کرنے کی جانب دھکیل سکتا ہے، جس سے اس کے نرخوں میں معاونت ملے گی۔

کلورالکلی مارکیٹ

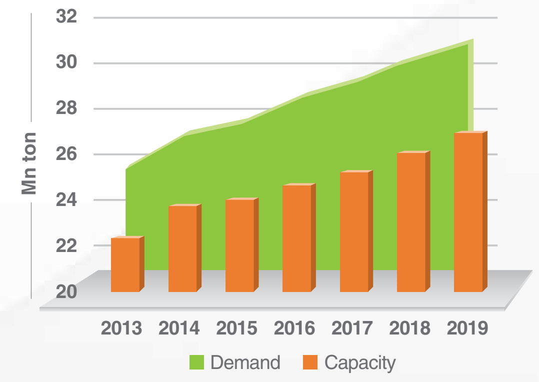
رخصت ہونے والے سال کے دوران کاسٹک سوڈا کے عالمی نرخ غیر مستحکم رہے اور یہ گزشتہ سال کے مقابلے میں 8% کم پر بند ہوئے۔

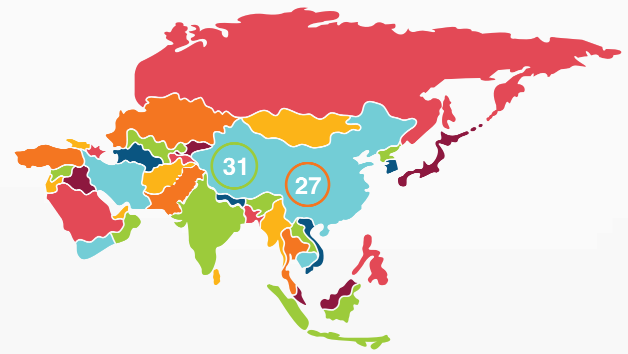
انڈیا میں کاسٹک سوڈا کی درآمد کے حوالے سے نئے قواعد متعارف ہونے پر اس کی طلب سال کے شروع میں دباؤ میں رہی تھی۔ ان قواعد کے جزو کے طور پر انڈیا کے برآمد کنندگان کو بیورو آف انڈین اسٹینڈرڈز (BIS) سے سند مطلوب تھا۔ اس کے نتیجے میں برآمداتی خطوں میں کم نرخ رکھتے ہوئے انوینٹری کی نئی سطحیں طے ہوئی ہیں۔ نئے سال کے آغاز تک، انڈیا کے زیادہ تر فروخت کنندگان نے اپنی مطلوبہ سند حاصل کر لی ہے، جس کے نتیجے میں ملک کی برآمدات نارمل ہوئی ہے۔ اسی تسلسل کے ساتھ نئی پیداواری صلاحیتوں کا حصول بھی متوقع ہے، جس سے ایشیاء میں 955,000 DMT کی اضافی فراہمی کی امید ہے، جبکہ GDP میں ہونے والی طلب میں کمی رکاوٹ کا باعث ہوسکتی ہے۔

دورانِ سال کاسٹک سوڈا فلیکس کی مارکیٹ نے کاسٹک لیکویڈ کے نرخ کے طریقے پر عمل کیا کیوں کہ یہ پراڈکٹ کا اہم ترین خام مال ہے۔

کاسٹک سوڈا کی مقامی مارکیٹ رخصت ہونے والے سال کے دوران کمزور رہی۔ یہ کمی GDP کی نمو میں سست روی، گیس کے بلند ترین نرخ اور CNIC کے مطلوبہ تقاضے کے باعث ہوئی۔ اسی کے ساتھ، شمالی خطوں کے کاسٹک سوڈا کے تاجر بھی انڈیا میں برآمدات پر پابندی سے متاثر ہوئے۔ حکومت نے برآمدات پر مبنی ٹیکسٹائل کے شعبے کے لیے تعاون کا اعلان کیا ہے کیوں کہ اس سے کرنٹ اکاؤنٹ خسارہ میں بہتری ہونا متوقع ہے۔ اس کے

PVC Demand & Capactiy - Asia

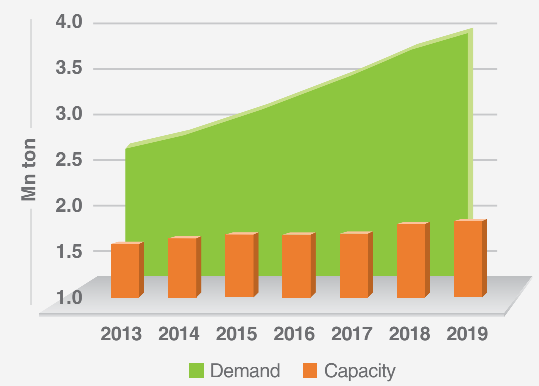


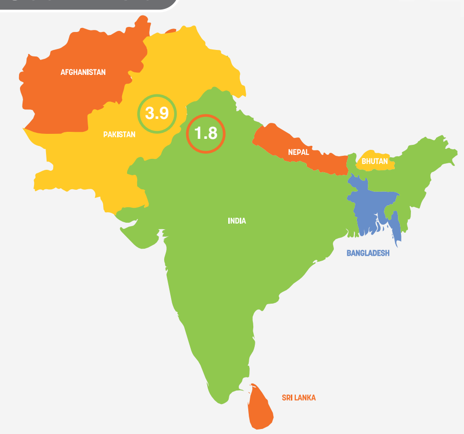


جنوبی ایشیاء

جنوبی ایشیاء کی مارکیٹ نے سال 2019 میں 4% کا اضافہ ظاہر کیا جو کہ گزشتہ سال کے 8% توسیعی حجم سے کم تھی۔مون سون کے طویل موسم، انڈیا میں الیکشنز اور تجارتی تحفظ سے متعلق خدشات بالخصوص چائنا اور امریکہ کے مابین جاری تجارتی تنازعہ کی وجہ سے طلب میں کمی رہی۔ عالمی نقطہ نظر سے خطہ تجسس کا شکار رہا ہے کیوں کہ یہ 100% تک 4 ملین ٹن کی اضافی صلاحیت کی طلب کا حامل ہے۔ خطے میں نمو کی شرح میں سست روی کے باوجود، PVC کی طلب میں عالمی سطح اور بلند شرح آبادی کے مقابلے میں قابل غور حد تک کم استعمال کے ساتھ بڑھوتری / نمو متوقع ہے۔اسی دوان IHS پروجیکشنز کے مطابق، بالخصوص مستقبل میں EPCL کی توسیعی صلاحیت سے علاقائی پیداواری صلاحیت میں محدود اضافہ متوقع ہے۔

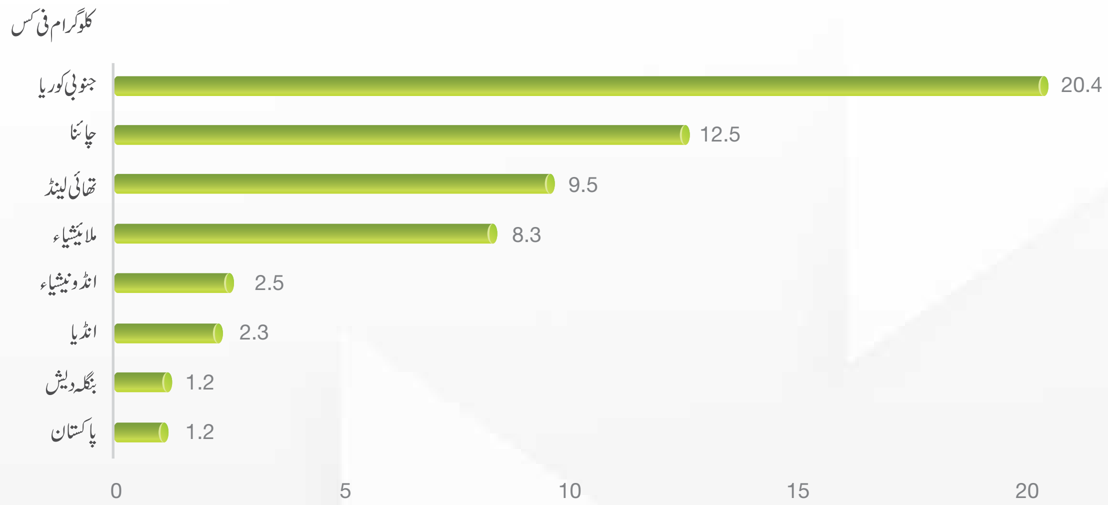
PVC Demand & Capactiy - South Asia





رخصت ہونے والے سال کے دوران، تعمیراتی شعبے میں استحکام کی بدولت خطے میں طلب میں اضافہ جاری رہا، جس میں پائپ اور فٹنگز کے حجم میں 60% اضافہ ہوا۔حوصلہ افزائی کے لیے PVC کی متبادل اشیاء جیسے فلمز اور شیٹس میں بھی چھوٹے پیمانے پر ہونے کے باوجود مستحکم اضافہ دیکھنے میں آیا۔اسی پیش قدمی کے ساتھ تعمیراتی شعبہ میں ہونے والا اضافہ اور PVC کا نیا استعمال طلب کو آگے بڑھائے گا۔متوقع اضافی توسیعی صلاحیت کی وجہ سے بڑھتی ہوئی طلب، خطے کو PVC کا سب سے بڑا درآمد کنندہ بنادے گی۔ درمیانی سے طویل دورانیہ میں، جنوبی ایشیاء کے فی کس کا کم استعمال عالمی معیارات سے مماثل ہونا متوقع ہے، کیوں کہ علاقائی سطح پر PVC کا استعمال اس کے عمومی استعمال جیسے پلاسٹک کی بوتلوں اور پیکیجنگ سے آگے نکل گیا ہے۔

فی کس PVC کا استعمال



اہم امور/سرگرمیاں

اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ ("EPCL" یا "کمپنی")، اینگرو کارپوریشن لمیٹڈ ("ECL" یا "EPCL کی ہولڈنگ کمپنی") کا ذیلی ادارہ ہے، جو داؤد ہرکولیس کارپوریشن لمیٹڈ ("DH کارپ یا "ECL" کی ہولڈنگ کمپنی") کا ماتحت ادارہ ہے۔ EPCL کا قیام سن 1997 میں کمپنیز آرڈیننس 1984 کے تحت بطور پبلک لمیٹڈ کمپنی عمل میں آیا اور اس نے اپنی تجارتی سرگرمیوں کا آغاز سن 1997 میں کیا اس کمپنی کے حصص (شیئرز) کا اندراج پاکستان اسٹاک ایکسچینج میں موجود ہے۔ کمپنی کا اہم/بنیادی کام Chlor-Vinyl پراڈکٹس جس میں پولی وینائل کلورائیڈ (PVC)، وینائل کلورائیڈ مونومر (VCM)، کاسٹک سوڈا لیکویڈ، ہائیڈروکلورک ایسڈ اور سوڈیم ہائپوکلورائٹ شامل ہیں، کی تیاری ہے۔ کمپنی کا فلیگ شپ برانڈ "SABZ" ملک بھر میں اپنے اعلیٰ معیار کی وجہ سے معروف ہے۔ EPCL اپنی سہ سطری فلسفہ یعنی عوام، پلانٹ اور منافع کی تائید و توثیق کرتا ہے۔ سال 2019 میں کمپنی نے کاسٹک سوڈا فلیکس کی تجارتی طور پر پیداوار بھی شروع کر دی ہے۔

کاروبار کی نوعیت اور کاروباری ماڈل

اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ Chlor-Vinyl کے شعبہ میں کام کرتا ہے اور اس کا منافع مذکورہ ذیل عملی امور پر منحصر ہے۔

معاشیاتی ماحول (Macro-economic Environment)

معاشیاتی نقطہ نظر سے 2019 پاکستان کے لیے ایک افراتفری اور بے چینی کا سال ثابت ہوا۔ دوران سال موجودہ اور مالیاتی اکاؤنٹ کا فرق پالیسی بنانے والوں کے لیے تشویش کا سبب رہا۔ ان مسائل سے نبرد آزما ہونے کے لیے اسٹیٹ بینک نے طے شدہ معیار کے شرح سود کو 3.25% مزید بڑھا دیا اور زرِمبادلہ کے حوالے سے لچکدار پالیسی کو اپنایا جس سے پاکستانی روپے کی قدر میں 11% کی کمی واقع ہوئی۔ اسی طرح مالیاتی اداروں کے حکام نے ٹیکس وصولی کے لیے سخت اقدامات کئے کیوں کہ ان کی نظر مجموعی طور پر ٹیکس کی وصولی کو بڑھانے پر مرکوز ہے۔ غیر ملکی زرمبادلہ کی ترسیل سے متعلق خدشات و تحفظات کو حل کرنے کی غرض سے ملک، 6 بلین امریکی ڈالر کے آئی ایم ایف پروگرام میں بھی داخل ہوا۔

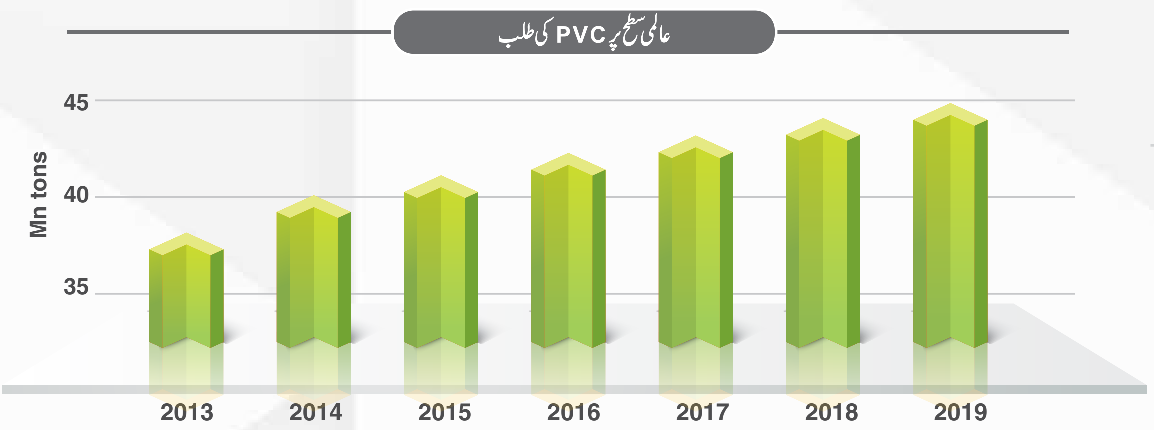
جہاں ان اقدامات سے دوہری خسارہ جات پر مطلوبہ اثرات مرتب ہوئے تھے، وہیں مقامی طور پر قوت خرید بھی محدود ہوگئی اور اس سے کاروباری سرگرمیاں کم ہوگئیں، جس کے نتیجے میں GDP میں نمو کی رفتار کم ہوگئی اور مجموعی طور پر مقامی طلب بھی کم ہوگئی۔ مزید برآں، آئی ایم ایف کے بحالی پیکیج سے بجلی اور گیس کے نرخوں پر وقتاً فوقتاً نظر ثانی کرنے اور گردشی قرضہ (Circular Debt) سے نمٹنے میں مدد ملی۔ گزشتہ سال گیس کے نرخوں میں پہلے ہی 31% اضافہ ہوا ہے اور اوگرا کی سفارش پر مزید 32% اضافہ زیر غور ہے۔

لاگت (قیمت) کے اس دباؤ سے بالخصوص ملک کے مجموعی کاروباری ماحول کو اہم خدشات لاحق ہیں، کیوں کہ حکومت کرنٹ اکاؤنٹ کو بہتر بنانے کے لیے برآمدات کے اضافے کی جانب دیکھ رہی ہے۔ ہم نے بھی ان خدشات کا اظہار کیا ہے۔ یہاں یہ باور کرانا ضروری ہے کہ کاسٹک سوڈا جو کہ EPCL کی پراڈکٹ ہے، ٹیکسٹائل کے شعبے کی بنیادی ضرورت ہے تاہم اس برآمداتی شعبے کو بھی یہی خدشات لاحق ہیں ہم پالیسی سازوں سے درخواست کرتے ہیں کہ وہ صرف ٹیکسٹائل کے شعبے کو ہی نہیں بلکہ اس کے فراہم کنندگان کی بھی مدد کریں تاکہ پاکستان میں برآمداتی شعبہ جات کے لیے لاگت کے لحاظ سے مسابقتی نظام قائم ہو جائے۔

کمپنی اپنے طور پر، اپنی عملی کارکردگی کو بہتر بنانے کے لیے مسلسل کام کر رہی ہے اور کمپنی نے گیس کے نرخوں کے اثرات کو کم سے کم کرنے اور مجموعی طور پر کاروباری امور کے لیے گیس کی دستیابی کے لیے گیس کے استعمال میں کمی کی ہے۔

وینائل مارکیٹ کا جائزہ

سال 2019 میں وینائل پی وی سی کی طلب میں 2% تک اضافہ ہوا، جو کہ گزشتہ سالوں کے مقابلے میں کم ہے کیوں کہ سال 2017 اور 2018 میں طلب میں 3% اضافہ ہوا۔ طلب میں ہونے والی اس کمی کو معاشیاتی خدشات، کمتر برآمداتی طلب، کاروباری تحفظ کے اقدامات میں اضافے اور مجموعی طور پر کمزور کاروباری سرگرمیوں کی وجہ سے شمالی امریکہ اور جنوبی امریکہ میں ہونے والے طلب کی کمی سے تعبیر دیا جا سکتا ہے۔ اسی دوران ایشیاء سے بھی گزشتہ سالوں کے مقابلے میں طلب میں کمی رہی۔ فراہمی کے حوالے سے بھی مجموعی طور پر صلاحیت مساوی رہی۔



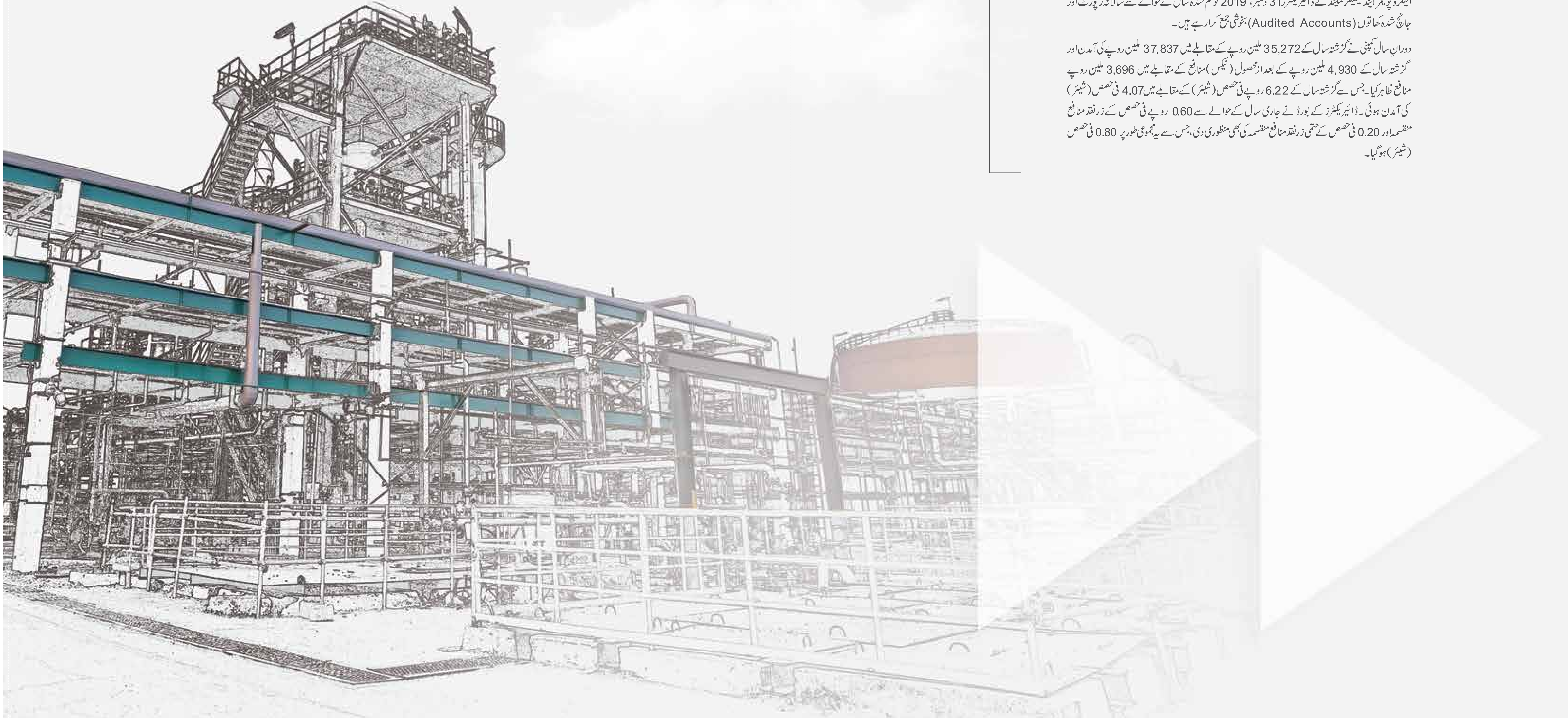
شمالی امریکہ

مقامی شمالی امریکہ میں سال 2019 کے دوران طلب میں کمی رہی کیوں کہ تعمیراتی شعبے اور امور کی جانب سے اس کی طلب کم رہی۔ امریکی مردم شماری کے تازہ ترین اعداد و شمار کے مطابق، 11M 19 کے دوران امریکہ میں تعمیراتی اخراجات میں 0.8% تک کمی واقع ہوئی۔ اس کمی کی وجہ نجی شعبے میں ہونے والے اخراجات میں ہونے والی کمی سے عبارت ہے۔ جبکہ چائنا سے تجارتی جنگ کے خطرے کے پیش نظر برآمداتی حجم بھی نہ ہونے کے برابر رہا۔ فراہمی کے شعبہ جات میں سال کی شروعات میں صلاحیت محدود ہونے پر خطے کو 3% کمی کا سامنا رہا۔ Teed کارپ کے مخصوص فیصلے کے سبب Louisiana میں PVC Resin کی سہولت کو بند کیا۔

ایشیاء

PVC کی مجموعی طور پر بڑھتی ہوئے طلب میں تاریخی کردار ادا کرنے کے حوالے سے ایشیاء ایک اہم مارکیٹ ہے جہاں چین اور انڈیا جیسی ترقی پذیر معیشت نے اسے سہارا فراہم کیا ہے۔ طویل مون سون کے موسم اور مجموعی معاشیاتی تحفظات کی وجہ سے سال کے اختتام کے قریب اس خطے میں طلب میں کمی واقع ہوئی۔ چین کے حکام نے بھی کاربائیڈ بیسڈ پی وی سی کی تیاری کو روکنے والے عوامل پر تحقیقات شروع کر دی ہیں۔

گزرتے ہوئے سال کے دوران PVC کے نرخوں میں خام مال کی کم قیمتوں کی وجہ سے کمی واقع ہوئی۔ ہر چند یہ کہ پراڈکٹ کے نرخوں میں کمی ایتھیلین کے نرخوں میں کمی سے کم تھی، جس کے نتیجے میں مجموعی طور پر منافع میں اضافہ ہوا۔ اسی پیش قدمی کے ساتھ تائیوان کے فراہم کنندہ کی جانب سے فراہمی میں کمی کی وجہ سے سال 2020 کے آغاز میں علاقائی مارکیٹ کے حالات سخت رہنے کی توقع ہے، جس کی وجہ سے بجلی کی بندش اور شیڈول مینٹیننس ہوگی۔



ڈائریکٹرز رپورٹ

اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ کے ڈائریکٹرز 31 دسمبر، 2019 کو ختم شدہ سال کے حوالے سے سالانہ رپورٹ اور جانچ شدہ کھاتوں (Audited Accounts) بخوشی جمع کرا رہے ہیں۔

دورانِ سال کمپنی نے گزشتہ سال کے 35,272 ملین روپے کے مقابلے میں 37,837 ملین روپے کی آمدن اور گزشتہ سال کے 4,930 ملین روپے کے بعد از محصول (ٹیکس) منافع کے مقابلے میں 3,696 ملین روپے منافع ظاہر کیا۔ جس سے گزشتہ سال کے 6.22 روپے فی حصص (شیئر) کے مقابلے میں 4.07 فی حصص (شیئر) کی آمدن ہوئی۔ ڈائریکٹرز کے بورڈ نے جاری سال کے حوالے سے 0.60 روپے فی حصص کے زرنقد منافع منقسمہ اور 0.20 فی حصص کے حتمی زرنقد منافع منقسمہ کی بھی منظوری دی، جس سے یہ مجموعی طور پر 0.80 فی حصص (شیئر) ہو گیا۔