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Annual Report 2020

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For all times to come, 2020 shall go down in history as the year when life as we knew it came to a grinding halt. People were isolated, families divided, entire countries in lockdown, and businesses on pause – all waiting for the world to heal from an unseen novel coronavirus that swept the world to become a pandemic. Dubbed COVID-19, the virus forced everyone to adjust to rapidly-changing circumstances for which none was prepared. But the new normal, as it were, also brought with it new lessons and opportunities.

Pakistan is a resilient nation, always first in helping others and going the extra mile – especially in the face of a calamity when immediate action is required. Through collective efforts, we volunteered our time and resources to ensure that our fellow Pakistanis were safe and our communities were given some respite in these difficult times.

Engro's number one priority remains to play our modest part in helping to solve some of Pakistan's most pressing issues – be it by contributing to ease the burden of national debt, providing power to light up homes, fulfilling our role in food security, keeping loved ones connected, or standing shoulder-to-shoulder with our fellow Pakistanis in the face of a daunting pandemic.

This year's report is a tribute to the front-liners of Engro – to each one who went beyond the call of duty to succeed against challenges posed by COVID-19. A true testament to Engro's values, our teams recognized their responsibility to serve Pakistan in this most testing and turbulent time. In the end – as humanity, as a country, and as a business – we have understood well the importance of being compassionate, being wise, being strong, being united, being connected, and being resilient, now more than ever!

contents

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united more than ever

"Engro Vopak & Elengy Terminals

When the pandemic led to lockdown all over Pakistan, Engro Vopak Terminal & Engro Elengy Terminal were identified as essential service providers. Acutely aware of the dependency of the country on their continuous functioning, within 36 hours of lockdown, the companies implemented an island mode at the Terminals, where the non-resident facility was converted into a live-in facility that accommodated 70 personnel. The facility operated under strict compliance of SOPs, ensuring zero cases of COVID-19 at the Terminals.

Even under these circumstances, the teams exhibited incredible camaraderie and the businesses won several prestigious awards on Women Empowerment, Best Safety Practices, Community Impact and as Diversity & Inclusion Leader. Further, despite restricted manning, the front-liners set new records, like handling Pakistan's highest marine LPG import of 246 KTs and executing the fastest 300 ship-to-ship transfers in the world."

company information

Board of Directors
Mr. Hussain Dawood (Chairman)
Mr. Abdul Samad Dawood (Vice Chairman)
Mr. Muhammad Abdul Aleem (Chairperson, BAC)
Ms. Henna Inam (Chairperson, BPC)
Mr. Shahzada Dawood
Ms. Sabrina Dawood
Mr. Rizwan Diwan
Mr. Khawaja Iqbal Hassan
Mr. Raihan Ali Merchant
Mr. Ghias Khan (Chief Executive Officer)

Chief Executive Officer
Mr. Ghias Khan

Company Secretary
Ms. Shomaila Loan

Chief Financial Officer
Mr. Mazhar Abbas Hasnani

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

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

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

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

key figures

	2020	2018	2019
Revenue (Rs. in millions)	248,818	171,568	225,765
EBITDA (Rs. in millions)	85,246	49,379	71,263
Earnings Per Share (Rs.)	43.57	22.06	28.69
Total Assets (Rs. in millions)	580,487	393,155	550,245
Total Equity (Rs. in millions)	219,595	185,587	195,249
Capital Expenditure (Rs. in millions)	18,610	36,580	46,227
Cash Flow From Operation (Rs. in millions)	63,392	28,940	38,866
Dividends (Rs. in millions)	22,821	18,843	23,615
Market Capitalization (Rs. in millions)	177,090	152,463	198,920

our vision

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

group structure

core values

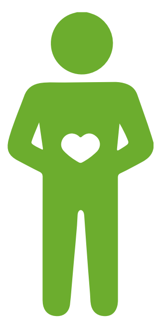
Operating in diverse industries and spread over geographical landscapes, the Engro employees are knit into one big family, united by a drive for success, passion for Pakistan, and the same core values. Our values form the basis of everything we do – from open communication to fostering an environment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

Health, Safety & Environment

cares deeply about environmental impact and safety of people

Ethics & Integrity

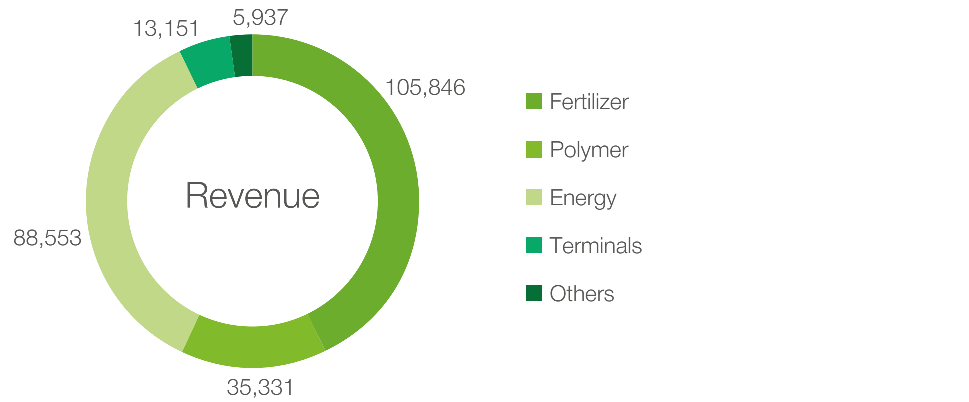
has impeccable character and lives by highest standards of integrity and accountability



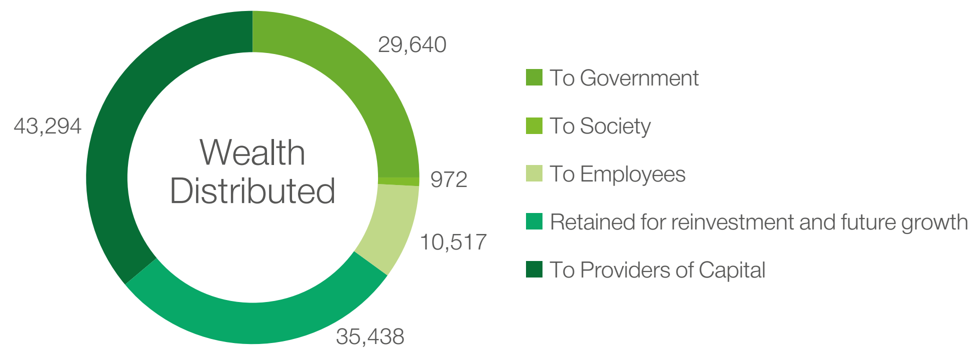
Community & Society

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

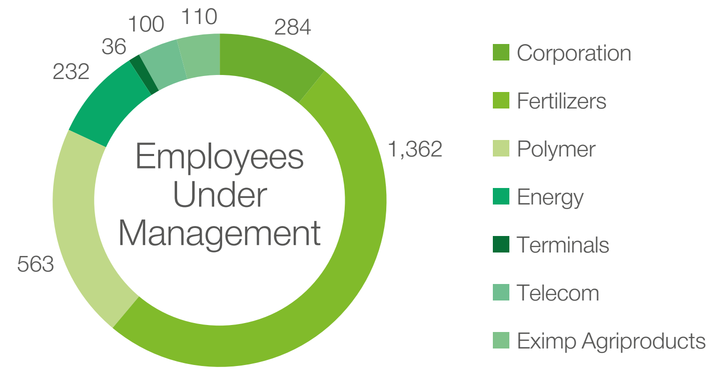
2020 at a glance



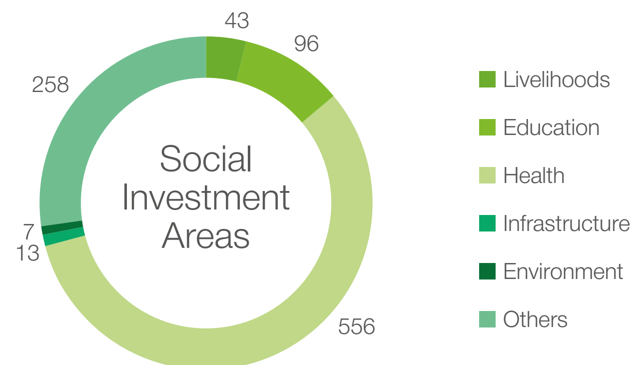
248,818
Consolidated Revenue
(Rs. in millions)



119,861
Wealth Distributed
(Rs. in millions)



2,687
Total Employees



972
Total Social Spend
(Rs. in millions)

2020 snapshot

saved
$1bn
for Pakistan

Engro

Saved Pakistan USD 1 billion through import substitution ~ across all Engro businesses

FrieslandCampina Engro

Helped provide sustainable livelihoods to 116,000 farmers & milk suppliers through more than 1,450 milk collection centers

benefited
116,000
farmers & milk suppliers

contributed
33%
to national food security

Engro Fertilizers

Contributed 33% to Pakistan's food security and provided customized agri-solutions that helped farmers increase yields by up to 11% in wheat & 27% in rice paddy

Engro Vopak Terminal

Contributed towards the energy security of Pakistan through LPG imports serving 2.5 million households

served
2.5mn
households

illuminated
7mn+
Pakistani lives

Engro Energy

Illuminated lives of more than 7 million Pakistanis by dispatching ~4,600 GWH of electricity to the national grid

Engro Elengy Terminal

Fulfilled more than 12% of Pakistan's domestic daily natural gas requirements

fulfilled
12%+
natural gas requirements

operationalized
1200+
telecom towers

Engro Enfrashare

Enabled connectivity by operationalizing more than 1,200 telecom towers across Pakistan

Engro Eximp Agriproducts

Generated more than USD 20 million for Pakistan's forex reserves through rice exports

contributed
$20mn+
to Pakistan's forex reserves

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wise
more than ever

“Engro Fertilizers

With the responsibility of over one-third of Pakistan’s agri-productivity, Engro Fertilizers was classified as an essential service in 2020 and stepped up to fulfilling its role in ensuring food security for our nation.

Realizing that, especially in the pandemic environment, we are only safe if our communities are safe as well, measures were taken in Daharki and surrounding areas, including regular disinfection, free COVID-19 testing, rations to more than 2,000 families, and conversion of the Technical Training College into a 176-bed quarantine facility. New anti-rabies and artificial limbs replacement facilities were also established.

Meanwhile, on plant site, along with implementation of special protocols, the business hosted 525 third-party workers to ensure uninterrupted operations. Technological solutions were designed and launched to enable seamless customer service with the company introducing Pakistan’s first-of-its-kind mobile-enabled Dealer Management System. Despite 2020’s inherent challenges, the business generated its highest ever urea production.”

board of directors

(all Board photography was done prior to the pandemic)

Left to Right

Muhammad Abdul Aleem
Director

Rizwan Diwan
Director

Henna Inam
Director

Abdul Samad Dawood
Vice Chairman

Hussain Dawood
Chairman

Ghias Khan
President

Shahzada Dawood
Director

Sabrina Dawood
Director

Khawaja Iqbal Hassan
Director

Raihan Ali Merchant
Director

board of directors

Hussain Dawood
Chairman

Hussain Dawood serves as the Chairman of Engro Corporation, focusing on solutions to pressing issues faced by the country. Under his stewardship since 2006, Engro has emerged as a partner of choice for international companies that are exploring investments in Pakistan. During his period Engro has expanded existing businesses, entered into new fields of business, and achieved new levels of revenue growth. He also serves as Chairman of the Dawood Hercules Corporation.

Committed to human development, Mr. Dawood is the Co-Chair of the Board of Trustees for The Dawood Foundation (TDF). Established in 1962, TDF focuses on creating collective change by building interactive spaces for formal and informal learning. He is the Founder & Chairman of the Board of Governors of KSBL (the Karachi School of Business & Leadership), a graduate management school focused on inspiring Effective Leaders. Mr. Dawood also acts as Chairman of the Board of Directors of The Karachi Education Initiative and is a member of the Board of Governors at the Islamabad Policy Research Institute.

Mr. Dawood has been leading the groups engagement with the World Economic Forum since 1992.

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

Abdul Samad Dawood
Vice Chairman

Abdul Samad Dawood is presently the Vice Chairman of Engro Corporation which aims to alleviate the most pressing challenges of Pakistan by operating in sectors critical to the nation's economy and development, which include petrochemicals, food and agriculture, energy solutions, and telecommunications infrastructure. He is also the Chair of FrieslandCampina Engro Pakistan Ltd, which he joined in 2012 as a board director of (then) Engro Foods Ltd; he played a leading role in merging the organization into global dairy giant, Royal FrieslandCampina N.V., based on the convergence of values and goals between the two companies, and their combined ability to address Pakistan's nutritional challenges.

Mr. Dawood's rich and diverse experience of management and governance spans 18 years, with a special interest in mergers and acquisitions. He has led more than $ 4 billion worth of M&A deals, including the Dawood group's acquisition of HUBCO from National Power International Holdings B.V. in 2012 and the sale of DH Fertilizers to Fatima Fertilizer Company Ltd in 2015. Mr. Dawood is an active director on the board of Pakistan Business Council, a pan-industry advocacy group that promotes easing of barriers to enable Pakistani businesses to compete in regional and global arenas. He is also a director and trustee of boards across varied industries including investment holding, petrochemicals, renewable energy, and education, some of which are Dawood Hercules Corporation Ltd, Engro Fertilizers Ltd, Dawood Lawrencepur Ltd, Reon (Pvt) Ltd and Dawood Industries. In addition to governance, Mr. Dawood has served as Chief Executive Officer for Dawood Hercules Corporation Ltd and Cyan Ltd, and is an active member of the Young Presidents Organization.

Mr. Dawood is a graduate in Economics from University College London, UK and a certified director of corporate governance from the Pakistan Institute of Corporate Governance.

Ghias Khan
President

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

There have been several notable achievements for Engro under Ghias' guidance thus far. He has stewarded Engro's renewed commitment in petrochemicals with several growth initiatives at Engro Polymer & Chemicals and other greenfield projects, consolidated the management of all energy assets under one platform – Engro Energy - with a long-term strategy of investing in the overall energy value chain, and paved the way for more cooperation with our long-time partner, Royal Vopak, through its entry into Engro Elengy which, as of 2020, has become the most utilized terminal in the world.

In addition, during his Presidency, Engro's Thar Block II mine and power plant have successfully completed one full year of Commercial Operations and contributed 660 MW to the national grid to benefit around 7 million Pakistanis across the country. Ghias' contribution to the robust turnaround of the Engro Eximp Agriproducts' rice business helped win it its first-ever Top Exporter Award in 2018 and triggered an achievement of more than USD 20 million in exports in 2020 alone.

His leadership has helped position Engro Fertilizers as the premier seed-to-harvest solutions provider – in 2020, it achieved record urea production to play its part in food security for Pakistan, while it also undertook several digitization initiatives that have established it as one of the largest e-sales companies in the country. Further, with a firm belief that connectivity is the conduit that enables social and financial inclusion, Ghias was involved in the launch of a new vertical at Engro: telecommunications infrastructure, under which Engro Enfrashare has already partnered with all major telcos and deployed over 1,200+ telecom towers across Pakistan in 2020.

Recognizing that Engro's people are its greatest asset, Ghias has focused on the talent development front and was the force behind the Engro Leadership Academy – a platform to develop effective leaders. Further, Ghias is laying the foundation for a digital future through Engro's OneSAP initiative, endorsed as Pakistan's largest digital transformation project.

Under his guidance, Engro has also earned numerous awards, both locally and globally, for enabling a thriving business environment, investing in the development of its people, upholding high standards of corporate governance, and promoting health, safety, & environment in the workplace.

Former CEO of Inbox Business Technologies, an enterprise technology company that he co-founded in 2001 and remained with till 2015, Ghias grew the employees to over 1,900 and pivoted the company from a computer manufacturer to a systems integrator, and then to a technology-enabled digital services company.

Currently, Ghias serves as Chairman on the Boards of Engro Fertilizers Limited, Engro Polymer & Chemicals Limited, Engro Enfrashare (Pvt) Limited, and Engro Energy Limited. In 2021, Ghias was also elected Vice President of the Overseas Investors Chamber of Commerce & Industry (OICCI).

Ghias was part of the Hong Kong under 16 cricket team, has represented Pakistan in the junior bridge team, and, in 2015, won the amateur singles championship at Karachi Golf Club.

He holds a MBA from the Institute of Business Administration, Karachi.

board of directors

Shahzada Dawood
Director

Shahzada Dawood joined the Board of Engro Corporation in 2003. He also serves as Vice Chairman of the Board of Dawood Hercules Corporation Limited and Director on the Boards of Dawood Lawrencepur Limited.

He is known for his expertise in corporate governance, turnaround and transformation of industries in Pakistan. He is all about finding growth and innovation opportunities through mergers and acquisitions in textiles, fertilizers, foods, and energy for diversified public-listed companies. He stewards the Group's technology investments, including companies focused on changing industries through the internet of things.

With a deep interest in philanthropy, Shahzada is Trustee of both The Dawood Foundation and Engro Foundation. He serves as a Member of the Global Advisory Board for Prince Charles' charity, Prince's Trust International, contributing towards its vision that every young person should have a chance to succeed. He is in the Founder's Circle of The British Asian Trust. Intrigued about understanding life beyond Earth, he is on the Board of Trustees of the SETI Institute, a non-profit research organization. He has been participating in the World Economic Forum and is leading the institutionalisation of key international networks and contacts.

Mr. Dawood holds a M.Sc. in Global Textile Marketing from Philadelphia University, USA, and an LLB from Buckingham University, UK.

Rizwan Diwan
Director

Rizwan Diwan joined the Board of Engro Corporation in 2018.

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

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

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

Henna Inam
Director

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

Ms. Inam is the CEO of Transformational Leadership Inc. Her personal mission is to grow transformational leaders who make the world better for all. She is a former C-suite executive who drove transformation throughout her corporate career at Novartis and Procter & Gamble, including roles such as: Global Head e-Innovation at Novartis, and Chief Marketing & Innovation Officer and Region President for the Americas at Ciba-Vision.

She believes that our fast-changing world needs each of us to be inspired leaders who lead with agility from the core of who we are. Working as an executive and team coach to C-level leaders in Fortune 500 companies, Ms. Inam helps them to thrive in the midst of meaningful and complex challenges. As a trusted advisor to boards and CEOs she also works to groom leaders for CEO-succession.

Ms. Inam is the author of two books Wired for Authenticity and Wired for Disruption and a contributor to Forbes on leadership. She is also the host of the popular Transformational Leadership podcast. She brings a global perspective, having lived or worked in seven countries across four continents. She is passionate about advancing women in leadership and is the founder of TEDxWomen in Atlanta. She is also a founding charter member of OPEN Atlanta. OPEN is the largest Pakistani entrepreneurship and leadership community in the world.

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

Muhammad Abdul Aleem
Director

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

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

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

Since October 2020, Mr. Abdul Aleem has been re-elected as a Director of Pakistan Refinery Limited (PRL) and is also the Chairman of Pakistan Refinery Limited (PRL) Board Audit Committee.

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

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

board of directors

Khawaja Iqbal Hassan
Director

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

Mr. Hassan currently also serves as a Director on the Board of ICI Pakistan Ltd and is a Trustee on the Boards of the Karachi Grammar School, the Layton Rehmatullah Benevolent Trust and the Cardiovascular Foundation. He is also Chairman of the Advisory Committee of the Development Corporation Advisers, a wholly owned subsidiary of the CDC Group Plc of the United Kingdom.

Mr. Hassan has previously served as a Member of the Monetary Policy Committee of Pakistan and has also been a Member of the Board of Directors of the State Bank of Pakistan, Civil Aviation Authority of Pakistan (CAA), Pakistan Steel Mills, Habib Bank Ltd, National Fullerton Asset Management Company Ltd, NIB Bank, Lahore University of Management Sciences, Global Securities Ltd, Citicorp Investment Bank Pakistan, The Pakistan Fund and the Central Depository Company of Pakistan.

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

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

Sabrina Dawood
Director

Sabrina Dawood is the CEO of The Dawood Foundation (TDF), a philanthropic organisation working to promote education and the creation of informal learning spaces and opportunities.

Some of the projects under TDF are the TDF Ghar, TDF Nature Series, The Magnifiscience Children's Studio, Dawood Public School and Karachi School of Business & Leadership. Another ongoing project in the informal education space is the construction of Pakistan's first interactive science museum, The Magnifiscience Center.

Sabrina is Director on the Boards of Engro Corporation Ltd., Engro Foundation, Dawood Hercules Corporation Limited, Dawood Lawrencepur Limited and Karachi Education Initiative (KEI). She is also the member of Board of Governors of the National Management Foundation (NMF) of Lahore University of Management Sciences (LUMS) and the Board of WWF – Pakistan. Recently, due to the COVID pandemic, she Chairs the Hussain Dawood Pledge. The Hussain Dawood (HD) Pledge is a multiple corporate billion-rupee contribution of services in kind and cash for the mitigation and/or relief of COVID and its ramifications.

She holds an MSc in Medical Anthropology from University College London & a BA from London School of Economics in Anthropology and Law.

Raihan Ali Merchant
Director

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

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

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

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

notice of meeting

NOTICE IS HEREBY GIVEN that the Fifty-Fifth Annual General Meeting of Engro Corporation Limited (the "Company") will be held at Karachi via videoconferencing on Monday, April 26, 2021 at 02:30 p.m. to transact the following business.

Due to the current situation caused by COVID-19 pandemic, shareholders are requested to attend the meeting through video conference facility managed by the Company as per the instructions given in the notes section.

A) ORDINARY BUSINESS

(1) To receive, consider and adopt the Standalone and Consolidated Audited Financial Statements of the Company for the year ended December 31, 2020 together with the Directors' and Auditors' Reports thereon and Chairman's Review Report.

(2) To declare, as recommended by the Directors, the payment of a final cash dividend at the rate of PKR 2.00 (20%) for the year ended December 31, 2020. This is in addition to interim dividends of PKR 24.00 per share.

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

(4) To elect 09 directors in accordance with the Companies Act, 2017 for a term of three years commencing from the date of holding of AGM i.e. April 26, 2021. The retiring directors are M/s Hussain Dawood, Abdul Samad Dawood, Sabrina Dawood, Shahzada Dawood, Raihan Ali Merchant, Henna Inam, Khawaja Iqbal Hassan, Muhammad Abdul Aleem and Rizwan Diwan.

By Order of the Board

Karachi,
Dated: February 17, 2021

SHOMAILA LOAN
Company Secretary

N.B.

(1) Participation in the AGM proceeding via the video conference facility:

Due to current COVID-19 situation, the AGM proceedings shall be held via video conference facility only.

Shareholders interested to participate in the meeting are requested to email their Name, Folio Number, Cell Number, and Number of shares held in their name with subject "Registration for Engro Corporation Limited AGM" along with valid copy of both sides of Computerized National Identity Card (CNIC) at agm.ecorp@engro.com, video link and login credentials will be shared with only those members whose emails, containing all the required particulars, are received at least 48 hours before the time of AGM.

Shareholders can also provide their comments and questions for the agenda items of the AGM at the email address agm.ecorp@engro.com

(2) The Share Transfer Books of the Company will be closed from Tuesday, April 20, 2021 to Monday, April 26, 2021 (both days inclusive). Transfers received in order at the office of our Registrar, M/s. FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Block 6, P.E.C.H.S. Shahra-e-Faisal, Karachi, PABX No. (92-21) 34380101-5 and email info.shares@famco.com.pk by the close of business (5:00 p.m) Monday, April 19, 2021 will be treated as being in time for the purposes of payment of final cash dividend to the transferees and to attend and vote at the meeting.

(3) 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 all such rights, (in respect of) attending, speaking and voting at the Meeting as are available to a member. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the Meeting. A proxy need not be a member of the Company.

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

(6) 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).

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

(8) The FBR has clarified that in case of joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to the Company's share registrar, otherwise it will be assumed that the shares are equally held by the joint shareholders:

Company Name	Folio/CDS Account No.	Total Shares	Principal Shareholder	Joint Shareholder (s)
			Name & CNIC No. Shareholding proportion (No. of Shares)	Name & CNIC No. Shareholding proportion (No.of Shares)

STATEMENT OF MATERIAL FACTS UNDER SECTION 166(3) OF THE COMPANIES ACT, 2017

Agenda Item 4 – Election of Directors

The term of office of the present Directors of the Company will expire on April 24, 2021. In terms of Section 159(1) of the Companies Act, 2017 ("Act"), the Board of Directors in its 551st meeting held on February 18, 2021 has fixed the number of elected Directors at 09 (Nine) to be elected in the Annual General Meeting of the Engro Corporation Limited ("the Company") for the period of next three years

Any person who seeks to contest the election to the office of a Director, whether he is retiring director or otherwise, shall file with the Company Secretary, at the Registered Office of the Company located at 8th Floor, The Harbor Front Building, HC#3, Marine Drive, Block 4, Clifton Karachi, not later than fourteen (14) days before the date of Annual General Meeting, the following documents:

(1) Notice of his/her intention to offer himself/herself for election of directors in terms of Section 159(3) of the Act, together with the consent to act as a director in Form 28 prescribed under the Companies Act, 2017.

(2) A detailed profile along with office address as required under SECP' SRO 1196 (I)/2019 dated October 3, 2019.

(3) A director must be a member of the Company at the time of filing of his/her consent for contesting election of directors except a person representing a member, which is not a natural person.

(4) A declaration confirming that:

a. He/she is aware of his/her duties and powers under the relevant laws, Memorandum & Articles of Association of the Company and listing regulations of the Pakistan Stock Exchange; and

b. He/she is not ineligible to become a director of a listed company under any provisions of the Act, the Listed Companies (Code of Corporate Governance) Regulations, 2019, and any other applicable law, rules and regulations.

(5) Independent Director(s) will be elected through the process of election of director in terms of section 159 of the Act and they shall meet the criteria laid down in Section 166 of the Act, and the Companies (Manner and Selection of Independent Directors) Regulations 2018, accordingly the following additional documents are to be submitted by the candidates intending to contest election of directors as an independent director:

a. Declaration by Independent Director(s) under Clause 6(3) of the Listed Companies (Code of Corporate Governance) Regulation 2019; and

b. Undertaking on non-judicial stamp paper that he/she meet the requirements of sub-regulation (1) of Regulation 4 of the Companies (Manner and Selection of Independent Directors) Regulations, 2018.

UPDATE UNDER THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2017:

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

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

During the year, Engro Fertilizers Limited has utilized the above facility of PKR 1 Billion as a funded facility.

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

compassionate more than ever

HUSSAIN DAWOOD PLEDGE

The Dawood Foundation

engro foundation

"We, as a family and as a Group, are committed to playing our part in helping solve the most pressing issues of our time by helping our country overcome this pandemic. I pray that this Pledge aids the relief efforts and helps to reverse the tide of this pandemic."

Chairman Hussain Dawood

Driven by an undeniable responsibility and its fundamental values, Engro Corporation and Dawood Hercules Corporation are committed to solving some of the most pressing issues faced by Pakistan today. Mr. Hussain Dawood, Chairman Engro Corporation and Dawood Hercules Corporation, therefore pledged PKR 1 billion on behalf of his Family and Group companies to support COVID-19 relief efforts across multiple fronts, as identified through comprehensive research conducted by its member company Inbox Technologies:

- disease prevention, with a major focus on testing and diagnostics;
- protecting and enabling healthcare practitioners and other key workers, who are at the frontline of the fight against this pandemic;
- enabling patient care and facilities; and,
- bolstering livelihoods and sustenance of those most in need.

A high-level Steering Committee comprising top leadership and decision-makers from across the Group, including Dawood Hercules Corporation, Engro Corporation, and Reon Energy was formed to plan, execute, and monitor the impact of various interventions under the Hussain Dawood Pledge. The Group firmly believes that success is only possible through inclusive initiatives. The Group-wide approach and close collaboration has helped it to leverage the diverse nature of businesses and combined expertise in philanthropic activities of Engro Foundation and The Dawood Foundation to maximize the impact of Hussain Dawood Pledge initiatives. Over the last two months, several implementation partners have been taken onboard to carry out projects aimed at reducing the spread and impact of the virus.

Disease prevention, with a major focus on testing and diagnostics

Engro Energy Limited made a PKR 50 million donation to the Government of Sindh Corona Emergency Fund to support the provincial government's fight against the pandemic.

In the area of disease prevention, Engro Fertilizers provided PKR 95 million in financial assistance to The Indus Hospital for "Sindh Screening Program – Free of Cost" campaign. Under this initiative, the Company sponsored The Indus Hospital Network to expand COVID-19 testing capacity across rural Sindh, including Ghotki, Larkana, Nawabshah, Jamshoro, Sukkur, Tharparkar, and Badin.

Further, Engro Foundation – the social investment arm of Engro Corporation – also provided PKR 60 million in financial assistance to Shaukat Khanum Memorial Cancer Hospital & Research Centre to expand COVID-19 testing capacity across Southern Punjab, including Multan, Dera Ghazi Khan, Layyah, Muzaffargarh, Bahawalpur, and Bahawalnagar. These testing interventions helped in early detection and control of local virus transmission and strengthened the health sector to cope with the ongoing pandemic.

Protecting and enabling healthcare practitioners and other key workers

To protect frontline healthcare practitioners, the Engro Vopak and Engro Elengy Terminal teams have worked tirelessly with Engro Foundation to commit a donation of 459,000 units of personal protective equipment (PPE) worth PKR 100 million. So far, over 352,500 units of protective gear have already been delivered to 31 institutions& medical centres across Sindh, Punjab, Khyber Pakhtunkhwa, and Balochistan. The donated protective equipment includes face masks, coveralls, face shields, latex gloves, and intubation boxes. For this initiative, National Disaster Management Authority (NDMA) and provincial governments were engaged to identify short medical supplies, most-impacted areas and health institutions that required urgent support in the battle against COVID-19.

Enabling patient care and facilities

Engro Fertilizers also worked closely with Sehat Kahani, a leading e-health solution provider, to use its telemedicine platform to promote quality healthcare for all amid the COVID-19 pandemic. Under the initiative, Sehat Kahani was supported with the addition of 100 more doctors to the telemedicine app for greater number of virtual consultations. This purpose-driven partnership with Sehat Kahani aimed to benefit citizens by democratizing healthcare access through the integration of technology and innovative solutions, while also reducing the spread of COVID-19 due to no physical contact.

To enhance COVID-19 patient care and facilities, in particular for the underprivileged sections of society, an Intensive Care Unit (ICU)-High Dependency Unit (HDU) was established at Nishtar Medical University & Hospital, Multan. The financial assistance of PKR 12 million was used to set up and operationalize a 16-bed, dedicated ICU-HDU facility with medical equipment. The project was implemented and monitored by Strengthening Participatory Organization (SPO), a civil society organization with countrywide presence and outreach.

The Dawood Foundation, the charitable arm of the Dawood Hercules Group, and Allied Bank Limited also made an equal contribution of PKR 9.35 million each for the establishment of High Dependency Unit (HDU) at The Indus Hospital, Karachi, to enhance COVID-19 patient care and facilities. The Indus Hospital used the financial assistance to set up and operationalize a 20-bed, dedicated HDU facility with medical equipment.

The Dawood Foundation entered a strategic partnership with The British Asian Trust to promote mental health support among frontline workers and the general population directly affected by COVID-19 pandemic. Under the program, outreach services were developed to provide mental health support and referral for frontline workers, patients screened and tested for COVID-19 through the Indus Health Network and other partner hospitals, and the public in general as well. The program was executed in collaboration with IRD Pakistan, a health delivery and research organization that has devised specific mental health interventions catered to healthcare providers and population affected by COVID-19.

The Dawood Foundation also collaborated with Aga Khan University (AKU) to build the capacity of frontline healthcare professionals to manage COVID-19 patients across Pakistan. The Dawood Foundation contributed PKR 79.5 million for this two-phased project, in coordination with the Ministry of National Health Services, Regulation and Coordination. In the first phase, 5,000 physicians, nurses and paramedical staff received online training in the management of moderate-to-critical COVID-19 patients across the country. In phase two of the project, AKU provided on-site training to 500 healthcare professionals to build capacity in their respective institutions, in relevant areas of COVID-19 treatment and beyond. Under the partnership, AKU operated a teleconsultation service for healthcare professionals as well, with the aim to enhance the treatment of over 16,000 hospitalized patients.

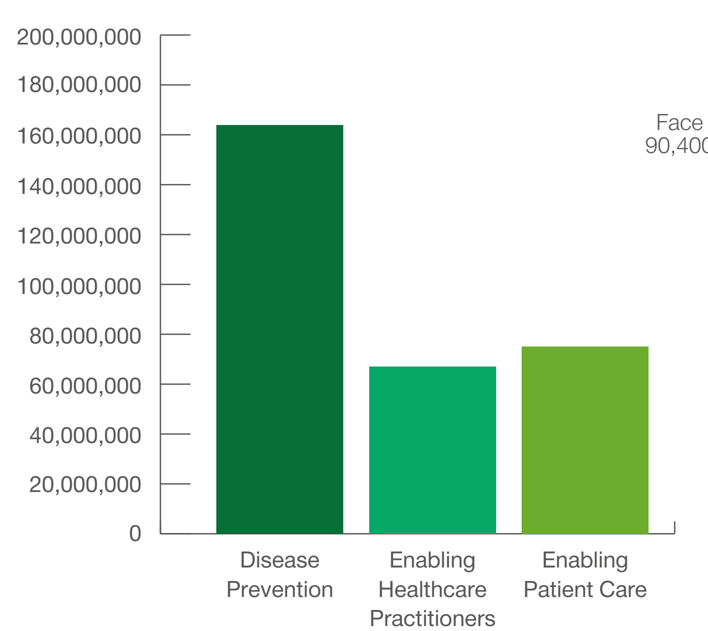
Others - General

To promote the well-being of vulnerable and marginalized segments of the society in Pakistan on a sustainable basis, Engro Foundation has signed a three-year Memorandum of Cooperation with the Bill & Melinda Gates Foundation. Under the cooperation agreement, the organizations will also explore opportunities to support the Government of Pakistan's poverty alleviation program for deserving families, whose incomes have been adversely affected by the coronavirus lockdowns. Engro Foundation will be representing the philanthropic endeavors and mission of The Dawood Foundation and its affiliates as well. Both organizations will also evaluate other areas of mutual interest, such as nutrition, agriculture development, financial inclusion, women empowerment, and health of mothers and children. In addition to program specific cooperation, the organizations will benefit from shared experience and learnings related to grantmaking, including strategy development, grant implementation and operational support.

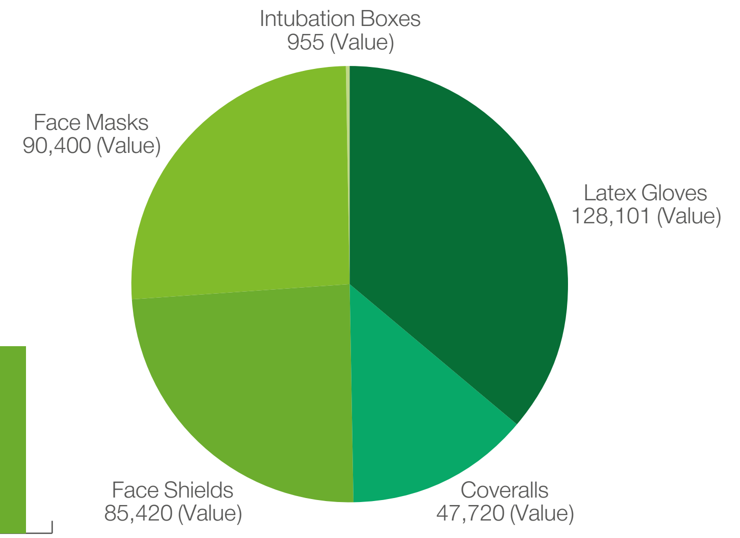
Engro Fertilizers, Engro Powergen Qadirpur, and Thar Foundation have also supported the district authorities and local communities through ration distribution and converting their facilities to quarantine centers.

In the coming days, the PKR 1 billion Hussain Dawood Pledge is expected to announce more initiatives and partnerships with reputable organizations to alleviate the COVID-19 crisis.

distribution of pledge based on areas of focus



personal protective equipment donated



sustainable impact

Putting our people and consumers first is at the core of what we do at Engro Corporation. Our commitment to improving lives and inspiring meaningful change is not just mere philanthropy but a well thought through strategy towards achieving the UN Sustainable Development Goals (SDGs). While the Company continues to grow and evolve with agility, the fundamental essence of the Company to help solve the pressing issues of Pakistan remains unchanged.

Our stakeholders include a much broader range of people than just our employees and financial investors. We continue to invest in sustainable initiatives which impact the lives of communities we work with. Thus, inspiring change and bringing economic prosperity for the society at large. Engro Corporation aspires to build business on the pillars of a sustainably inclusive business strategy. We work with several social development partners on various issues, maximizing social impact for the bottom of the pyramid alongside helping Pakistan achieve its Sustainable Development Goals. The Company continues to drive infrastructure support for economic development by producing low-cost electricity from flared gas for over 5 million people. With the world's fastest LNG terminal at competitive rates in the region and developing indigenous power production from Thar coal, we are well placed to deliver on our vision of helping Pakistan to overcome the current energy crisis.

During the year, several challenges affected the economic, social, business, and environmental landscape of our country due to the ongoing COVID-19 pandemic. However, Engro remained steadfast on its mission and continued to help the most vulnerable by pledging PKR 1 billion, to support the Government in its efforts to curb the impact of the virus and protect the people of Pakistan, under the commitment made by our chairman, Mr. Hussain Dawood.

Our vision to inspire change that can result in socio-economic development, and help those in need, led to the development of Engro Foundation (EF). Founded in 2010, EF is the dedicated CSR arm for all Engro companies which strives to improve the lives of people living in our communities. In congruence with our values, we have actively been aligning with the SDGs through several impactful initiatives. Following are the SDGs on which we actively worked in 2020:

Educations and Skills Development

Engro Corporation, through Engro Foundation (EF), continued to provide formal education to more than 8,500 students this year. These education programs were widespread, including School Adoption Programs at Ghotki, Sukkur, and Sahiwal with 4,267 students, the Katcha Schools Program with 1,560 students, and the Sahara School with 550 students. In parallel, our partnership with The Citizens Foundation (TCF) continues to thrive as a further 2,157 students were enrolled. Furthermore, students' continued learning using the blended learning model through the Sabaq MUSE software which was useful especially during the lockdowns. Later, to continue following the social distancing protocols these students were distributed in groups following all SOPs to ensure their educational journey sustained without any hurdles.

We had also ensured that all schools, under the EF adoption initiative, are following safety protocols by providing them with sufficient stocks of hygiene kits and relevant safety equipment including masks, sanitizers, thermometers, and temperature guns. Teachers were also given training on implementing these safety protocols as well as taking necessary health measures as per the directive of the Education department.

Whilst cost cutting has been one of the biggest challenges of the year, we continued our efforts to provide for quality education as per our Sustainability Plans and constructed a middle school building dedicated for girls in the Rasheed Ahmed Arain village (EPQL catchment area). The inauguration was delayed due to COVID-19; however, classes are planned to launch as per the timeline in 2021 only. This school is our effort in ensuring that girls from the surrounding villages continue their education even beyond primary schooling.

The Company has also increased its focus on technical education by enrolling 650 students in trainings organized over the last year. Our Technical Training College enrolled a further 410 students and our Vocational Training Center's alumni network grew to 2,858 students. Other technical programs such as Tech Karo, a training program conducted with CIRCLE to teach coding and digital skills, trained 259 students with the trainees primarily being women.

Health Care

We believe quality healthcare is a right, not a privilege. In the pursuit of fulfilling our commitment to providing quality healthcare to the underprivileged communities in our value chains and beyond, we have established various partnerships over the years. Unsurprisingly, the COVID-19 pandemic spurred into action existing and many new collaborations, multiplying our efforts manifold.

Our healthcare initiatives included treatment of 41,500 patients at the Sahara Clinic (Ghotki: 5,293 patients), Sina Clinic (Gaghar Phatak: 28,000 patients) and the Engro Clinic (Sukkur: 8,190 patients). Our outreach programs included a Hepatitis Program, successfully administering 9,840 vaccinations and a Free Snake-bite treatment project in Ghotki, with more than 7,086 patients treated.

Through the Hussain Dawood Pledge, committed to offer support in the relief efforts for COVID-19, various initiatives were undertaken primarily focusing on disease prevention, particularly testing and diagnostics; protecting and enabling healthcare professionals and frontline workers; enabling patient care and facilities; and bolstering livelihoods of the most vulnerable communities of the society. At the forefront of the HD Pledge were Mr. Hussain Dawood and family along with Dawood Hercules Corporation and Engro Corporation. At this difficult time, the only certainty was the need for us to stand in solidarity to protect the people of Pakistan. Our teams have gone above and beyond to ensure the fastest possible deployment of this funding with partners including Shaukat Khanam Memorial Hospital and Indus Hospital.

Other initiatives included support to district administration in Ghotki to establish an Isolation Facility with sanitation points and regular sanitation sprays.

We also carried out regular ration drives across the nation to provide for the most vulnerable communities. In Sindh, we were active in Daharki and Qadirpur, managing the drives through our own employee volunteers and, in parallel, Chaghi - Balochistan and Sialkot - Punjab, organized through our donation partners.

Environmental Programs

Our ongoing Sustainable Coasts initiative, Sustainable Fisheries Entrepreneurship Program (SFEP) in the fishing villages of Ebrahim Hyderi and Rehri Goth, provided training to 20 fishermen at the Fishermen Training Centre in Rehri. To further increase their fishing efficiency, the long-line fishing methodology was deployed and 4 vessels were successfully converted on a cost-share basis with boat owners to this function. Distribution of 40 iceboxes and 20 toolkits was also done to improve fishing methods and increase the final product quality.

Moreover, 33 water filters were also installed for the community in their neighborhoods to provide them with clean drinking water. In our longstanding efforts for gender equality and provision of alternative livelihoods, 20 female fishers were also trained in candle-making and cloth-stitching. We also provided them with toolkits to equip them enough to launch their own small enterprises.

While sustainable fishing initiatives continued, we also completed plantation of a further 50 hectares of mangroves this year and continued maintaining the already 350 hectares planted earlier.

Project PAVE

Project PAVE is a prime example of inclusive business model, by creating value for lower income groups while addressing the issues in the value chain in a sustainable way, it provides economic growth to the small farmers of our supply chain such as the seed suppliers and progressive farmers.

In our pursuit of improving lives of the communities we work with, Engro Foundation initiated PAVE Pakistan to make the formal seed system in Pakistan more equitable and inclusive. PAVE, a collaboration between Department of Foreign Affairs and Trade (DFAT) Australia and Engro Corporation, has made great strides in this direction by training 4,400+ small farmers on modern, sustainable farming techniques and building their capacity as users and producers of quality seed.

Over the last 3 years, more than 4,400+ small farmers have switched to more sustainable agricultural practices, including the use of high-quality seed for their crops. This has improved their yields and returns by 14% on an average, leading to a better earning, improved social status, and increased economic empowerment for the women enrolled.

- To date, 2,136 small farmers (including 623 females) have switched to the use of quality seed for their rice and wheat crops.
- The total quantity of certified seed used by these farmers over the course of the project amounts to 900 MT approximately on a total of ~ 22,860 acres.
- PAVE established Seed Research and Development Farms, which also served as the Seed Multiplication Farms for Engro, including 80 such farms covering a total of 4,335 acres.
- More than 400 small farmers participated in these multiplication activities, 360 farmers (including 67 females) were incorporated into Engro's Seed Multiplication Network as well based on their skill level.
- Similarly, 130 (including 38 females) expert seed entrepreneurs were also trained. These entrepreneurs are now running 24 (including 6 females) Village Based Seed Enterprises (VBSEs) to produce and sell quality seed at the local level.
- Furthermore, 150 (including 38 females) farmers have been trained as Master Trainers for the Community on the concepts of PAVE, Community Development, Social Mobilization and Sustainable Development Goals. These Community Champions are now carrying the flag of PAVE forward.

Engro Foundation is proud to have won the Rushlight UK award in the category of "Rushlight Sustainable Agriculture, Forestry & Biodiversity Award 2020-21" for the phenomenal work conducted under the umbrella of this PAVE project.

Project: Enhancing Dairy Skills Through Specialized Trainings

This project is co-sponsored by Australian Govt's Business Partnership Platform and is being implemented in phases in District Vehari and District Sahiwal.

So far 1,012 female farmers and 240 male farmers have been trained with 42 extension workers and 7 female village milk collectors were also trained as a special initiative.

Since COVID-19, basic classes have been split into morning and evening batches of 11 trainees each, a total of 22 trainees per each of the 11 villages, have lead to substantial growth in dairy skills.

Impact Venture: FeedSol

FeedSol, a social enterprise developed by Engro Foundation and Seed Ventures, completed its second year of operations in 2020 to offer quality and affordable animal feed products to small- and medium-sized dairy farmers to improve livestock health, increase milk yields, and improve the overall dairy farming economics in Pakistan. The venture crosses PKR 80 Mn per annum in sales revenues.

I Am the Change Awards

A flagship initiative of Engro Foundation intended to pay tribute to local change agents who have worked tirelessly to improve the living standards of Pakistan. The initiative aims to bridge the corporate and the philanthropic sectors of the country by highlighting and recognizing individuals and institutions that are working to develop and improve communities.

IATC Impact Awards 2020 recognized front-liners battling COVID-19 in Pakistan. The awards were concluded in December 2020 with a digital closing ceremony with over 100+ applications received across these 5 categories including Doctors, Healthcare Workers, Public Sector Health Professionals, NGO/Industry Field Worker and NGO/Industry staff with 38% of the winners being women.

Diversity and Inclusion at Engro

As a thought leader in the industry, Engro has been at the forefront of leading change towards a more inclusive and diverse workforce. The Company aims to empower women across all levels by providing them opportunities for their personal and professional growth. The flag bearers of diversity at Engro are at the senior-most level in the form of two females on our Board of Directors – Sabrina Dawood and Henna Inam.

Diversity at Engro is well spread across the entire organization, increasing in the upper management positions currently at 6.7% at C-1 level (considering C-1 as Head of Departments reporting directly to the CEO) and 18.4% at C-2 level (considering C-2 as the employees directly reporting to the Head of Departments), with a commitment at the management committee level of improving further year-on-year.

Continuing this ambition of an increasingly diverse workforce, Engro has also launched Project Thrive, designed to bring together women from across all subsidiaries and locations. The program focuses on mentoring women for capability development and networking to build a support tribe for future collaborations and assistance.

Respecting human rights is one of the key cornerstones of our corporate values. To support our people, we have in place several internal policies to safeguard basic human rights.

Policies to promote equality have been defined in our Code of Conduct applicable across all subsidiaries. In the Code of Conduct, applicable across all subsidiaries. We are continuously working towards creating a discrimination and harassment free workplace. on creating a work environment free from all forms of discrimination and harassment at the workplace.

The Whistleblower "Speak Out" policy has also been adopted by Engro Corporation to regulate ethical and responsible behavior across all levels and provide employees with a platform to speak out their concerns regarding business ethics, safety, environmental performance, harassment, and other employment-related matters or compliance breaches. Additionally, the policy also adequately covers any incident which may compromise our employees' safety.

In addition to the Speakout platform, an Inquiry Harassment Committee is also in place, to address and investigate workplace harassment complaints. The Committee consists of three members including one female member.

We are also one of the few organizations in the country actively working towards becoming an inclusive organization. With the current number standing at 1, there is an intervention planned for the upcoming year to train a group of differently abled individuals leading to potential job placements upon completion of their training.

Other Initiatives

Engro Foundation, in its relentless pursuit of improving lives of the communities that contribute to the Corporation's business, has time and again established several initiatives to meet this goal. From Jhang to Dharki, all the subsidiaries have adopted the residents by enabling and equipping them with the right tools to have a better lifestyle.

Over the last year, our focus remained on protecting these people from the adverse effects of the pandemic whilst creating an economically sustainable environment for the local communities. For this purpose, a key initiative that was undertaken was to train and educate the livestock farmers on goat fattening techniques that can help them earn a better livelihood. We completed 5 goat fattening programs across 3 locations, resulting in better yield and improved supplementary income.

Additionally, entrepreneurship being at the heart of our business, we deployed micro-enterprise programs focusing on setting up grocery stores, trading shops and beauty parlors. These included 4 general stores, 2 merchant shops, 3 ice cream parlors and 4 beauty salons for women in the Dharki and adjacent towns.

engro corp

strong more than ever

Engro Polymer & Chemicals

"2020 was not just another turn of the business cycle - it was the dawn of a 'new normal'. During the lockdown, Engro Polymer & Chemicals had to suspend operations at its sites while managing a manpower of over 2,300 - 1,000 who commuted everyday and 1,300 project team members whose living was accommodated directly on site.

Among the several measures to ensure the health and safety of its people and continuity of operations, the business formed a dedicated COVID-19 oversight committee with an in-house rapid testing facility, deployed Work Safe Analytics software to monitor and control COVID-19 SOP implementation, and arranged sourcing of key raw materials from alternate sources.

Despite the pandemic, this dedication of front-liners and quick response from teams paved the way for success by completing a new PVC plant that adds a further 100,000 tons in capacity and marks growth opportunities for years to come."

chairman's & vice chairman's message

Dear Shareholders,

On behalf of the board of directors, we are delighted to present to you our 2020 Annual Report.

This past year has been one of great uncertainty and ambiguity, leading many of us to experience the loss of what we took for granted: stability, health and most painfully, that of friends and family. The Engro community is deeply saddened by these irreparable losses, and our thoughts and prayers remain with everyone as we start to emerge from this crisis.

We would also like to humbly express our gratitude to our shareholders for your continued trust in Engro Corporation. Your confidence in us, as stewards of your capital, enabled us to focus our efforts on relief, recovery and prosperity fueled by a passion for this nation and its people. We are heartened by the resilience and agility demonstrated by management teams at Engro which led to some remarkable accomplishments under the leadership of President and Chief Executive Officer, Ghias Khan.

As the crisis unfolded in early 2020, Engro Corporation remained true to its founding values. Bearing in mind the organization's foremost priority, our people, we recognized that we needed a response, not a reaction, now more than ever. Plans were enacted to enhance employee safety: head office-based teams shifted to a work-from-home model, while staff at various production sites moved to SOP-compliant working schedules to ensure consistent delivery of essential products and services.

We established a special Medical Helpdesk to facilitate in-home testing for our employees, and the first ever Wellness @ Work program was launched to connect employees with professional counsellors, yoga and fitness instructors, and nutritionists.

Engro was also entrusted with the responsibility of protecting front-line health workers, contributing to virus testing and diagnostics, and expanding healthcare facilities by pledging PKR 500 million to the pandemic relief efforts, nationwide.

Despite initial setbacks in performance in the first half of the year, management's unwavering investment in its people combined with technology-enabled solutions, contributed to a tremendous reversal, shaping 2020 as one of Engro's most rewarding years. In a world where we can expect to see an increasing number of biological, environmental and technological disruptions, Engro sincerely recognizes the value of placing people at the heart of our efforts.

These efforts are driven by our Central Idea which was established as a charter for developing individual and institutional values, strength and character so that we may contribute to solving the nation's most pressing issues. This guiding ethos encourages the organization to focus on meaningful problems, and in doing so, is fundamentally changing the nature of decisions and decision-making; we see the Central Idea's values and principles manifested in the design of performance management and reward systems, parenting strategy, governance frameworks and increasingly in capital allocation. Our verticals remain in key areas where investments will continue, namely petrochemicals, energy and food security and digital connectivity. The organization has embarked on a long-term journey with this charter to move towards a culture of truth, trust and the relentless pursuit of excellence in the areas where Engro is primed to have an impact.

Given the shifts in dynamics the world is witnessing, the demands of leadership are increasing. 'Tried and trusted' strategies are increasingly coming under question and we have the opportunity to build our organizational capabilities and culture by reinforcing a commitment to learning. This year presented some tremendous learning avenues for Engro Corporation. Since physical interactions were limited, teams adapted to manage workstreams in virtual settings. In addition, global partnerships enabled us to expand our horizons; Engro Corporation most recently had the privilege of engaging at the World Economic Forum's Davos Agenda to learn more about pressing global developments in the sectors we operate in, especially those pertaining to environmental sustainability. A week-long learning event at the Engro Leadership Academy in KSBL with employees from all our subsidiaries enabled teams to learn and commit to transition business towards profits based on sustainability. Cross-enterprise events like these demonstrate the immense value of an open learning culture, where people are guided to act on their responsibilities in organizational initiatives and outcomes.

We are grateful to our Board of Directors for their strong stewardship of the Corporation as its term draws to a close; it has been an extraordinary term, given the role the Board played in articulating the long-term strategy of the Corporation and prioritizing people in a year of such unprecedented crisis. This focus came through in the 'people-first' design of Board Agendas, coupled with a record number of Board People Committee meetings. Directors were able to navigate our approach to capital deployment; despite market pressures, they maintained that capital allocation had to be guided by relevance of opportunities and long-term value creation, in the environment of conducive market conditions. As we continue to move towards more competitive markets, our focus on capability development will become even more critical. Engro strongly advocates the need for market-based reform which unleashes the productive capacity of the economy, as productivity is the best enabler of prosperity for the country. We are excited to continue playing our role with business and Government to materialize these efforts so that the nation sees improvement in investments, jobs creation and standards of living.

None of the achievements of the past year would have been possible without the consistent support of our stakeholders. We are extremely grateful to the Government, regulators, service providers, partners, customers, our people, and to you, our shareholders, for your continued trust and confidence. The past year has been a game-changer on the need for action and we are committed to building on our achievements by promoting more meaningful partnerships, engagements and investments so that we may together play a role in creating a more peaceful, prosperous and sustainable nation and world.

Sincerely,

Hussain Dawood
Chairman

Abdul Samad Dawood
Vice Chairman

president's message

Dear Shareholders,

The year 2020 was very challenging for us, our communities, and our country as the global pandemic proved a serious risk to the health and well-being of all, while also threatening to hinder economic progress of Pakistan. Despite the various predicaments, I am foremost thankful to the Almighty that as Engro we have managed to rise above the challenges, stronger and more united than ever. Apart from playing an integral role in producing value for the country, we have also made continued efforts to protect our people while making proactive contributions to support the wider communities.

I would like to take this opportunity to commend the Government for concentrated and effective measures to contain the pandemic in the country while also facilitating business continuity. It was with the support of the Government, the invaluable guidance from our Chairman, Vice Chairman and the Board of Directors and our team members that Engro was able to adapt to the changing environment and achieve some notable milestones, more resilient than ever.

With the onset of COVID-19, the company implemented stringent measures to limit the transmission of the virus by facilitating our employees to operate virtually, whereas strict protocols were adopted at our plant sites to ensure safe uninterrupted operations. Cognizant of its role in the development of the country, Engro stood with Pakistan in the battle against COVID-19 and invested heavily in the safety of the wider communities as well. I would like to take this opportunity to thank our Chairman, Mr. Hussain Dawood, who continues to inspire us with his passion for Pakistan and its people. In a time of uncertainty with regard to businesses and global market dynamics, his courageous gesture of the PKR 1 Billion Hussain Dawood Pledge to combat the pandemic was testament to his people-first vision. To date, more than PKR 300 million have been donated under this pledge with focus on disease prevention, protecting and enabling healthcare practitioners and frontline workers, enabling patient care and facilities, and bolstering livelihoods and sustenance of the most deserving in society.

On the business front, I am happy to report that Engro Corporation recorded a consolidated Profit After Tax of PKR 44.1 Billion during the year compared to 30.3 Billion in FY 2019. On standalone basis, the Company recorded a profit of PKR 16.3 Billion, EPS of PKR 28.29/sh. and announced dividends of PKR 26.0/sh. representing a 92% payout ratio.

During the year we achieved some noteworthy milestones, with our Fertilizer business registering its highest ever Urea production aided by efficient plant operations. This enabled the company in making its highest ever Urea sales and hence continuing to play a vital role in ensuring national food security. Our Polymer business showed a sharp recovery in the second half of the year and is well positioned to capitalize on the promising potential available to it, with its expansion projects expected to come online in 2021.

In our Energy businesses, maximum availability of our power plants as well as the coal mine was ensured throughout the year. During the year, the Government recommended reducing returns for IPPs which were set up under the 2002 Power Policy. In the larger national interest, we supported the recommendations and as a result EPQL is working with the relevant authorities to reduce its ROE. This year our Terminal business achieved a significant milestone by completing the transfer of over 20 million metric tons of LNG in five years, the most for any floating LNG import terminal in this time frame. In doing so, the company played an instrumental role in reducing Pakistan's natural gas deficit, delivering more than 12% of Pakistan's gas requirement in 2020.

To help reduce the digital divide in the country, we had launched Engro Enfrashare last year and I am happy to report that the company has made terrific progress over the year having secured projects of up to PKR 18 Billion from all mobile network operators and expanding its operational presence to 1,200+ sites by year end.

During the year, the Company has rigorously explored growth opportunities in all its verticals and is looking forward to strengthening its presence in the areas of interest while making valuable contributions towards the prosperity of the country.

As companies across the world accelerated the pace of digitization amidst the pandemic, our digital transformation journey that started in 2018 with ONESAP implementation put us ahead of the curve. The project enabled us to ensure business continuity and efficiency through integration of business processes, agility and data-based decision making.

At Engro, we believe that our people are cornerstone to our success and we are driven to facilitate their development while protecting their health. During these testing times, several emotional and physical wellbeing programs were introduced to assist our colleagues in tackling the various challenges faced during these unprecedented times. Engro is further determined to create an inclusive work environment and has identified diversity as a key focus area to improve the participation of women in the workforce. We have taken various steps to adhere to our commitment by introducing family friendly policies such as day care solutions at all our working locations as well as going above and beyond the legally mandated parental leaves to support our employees. We are hopeful and confident that our efforts will enable a more inclusive and productive environment for all our employees.

I am delighted to acknowledge that the continued efforts made by our teams to achieve excellence were lauded at various national and international forums. Among the numerous achievements, Engro Corporation was recognized by the Pakistan Stock Exchange among the Top 25 Companies of the year in 2019 for a second year in a row, whereas the CFA Society of Pakistan also awarded us for our excellent investor relations. For the second consecutive year, we were rated Pakistan's Most Outstanding Company in the Industrial Sector in Asiamoney Asia's Outstanding Companies Poll.

Once again, I would like to extend my gratitude towards our Chairman, Vice Chairman and Board of Directors for enabling us to conclude another successful year. I would like to thank our various stakeholders for trusting us. To the entire Engro Family, I would like to commend and congratulate each and every one of you for an astounding level of resilience and commitment to excellence which has enabled the company in achieving significant milestones during the year. I look forward to another year of hope, faith, resilience and many more milestones.

Ghias Khan
President and Chief Executive

awards and recognitions 2020

Engro Corp

- United Nations Global Compact Award (UNGC)
- Top 25 Companies of the Year by Pakistan Stock Exchange
- Pakistan's Most Outstanding Company - Industrials Sector Award by Asiamoney
- SAP Quality Awards in the Fast Delivery Category in Middle East and North Africa (MENA)
- Best Investor Relations 2019 - Listed Companies - Runner Up Award by Chartered Financial Analyst (CFA) Society Pakistan
- 10th Annual International CSR Summit Award for Social Impact

Engro Fertilizers

- Global Safety Innovation Award by DuPont Safety and Sustainability Awards
- International Safety Award by British Safety Council
- Best in Country Joint Award by British Safety Council
- Diversity Hub Pakistan's 2020 Global Diversity & Inclusion Benchmark (GDIB) Awards - The Centre for Global Inclusion, USA (7 awards)
- Green Leaf Award by International Fertilizers Association (IFA)
- Corporate Excellence Award by Management Association of Pakistan (MAP)
- Top 25 Companies of the Year by Pakistan Stock Exchange
- Asia Pacific Enterprise Award (APEA) 2020
- National Safety Council, USA, Rising Stars of Safety
- National Forum for Environment & Health (NFEH) CSR Awards 2020 - Sports and Recreational Activities, CSR Projects, and Livelihood
- International Fertilizers Association (IFA) - Industry Stewardship Champion Award
- Fire Safety & Security Convention by the National Forum for Environment & Health (NFEH) and Fire Protection Association of Pakistan (FPAP)
- Green Office Award by WWF (8 awards)
- Laboratory Quality Services International (LQSi) Quality Award
- National Safety Council Community Advancement Award 2020
- Environment Excellence Award by National Forum of Environment & Health (NFEH) – Daharki Plant
- Environment Excellence Award by National Forum of Environment & Health (NFEH) – Zarkhez Plant
- National Forum of Environment & Health (NFEH) Best Performance Award during COVID-19
- Occupational Safety and Health and Environment Award (OSH) by Employee Federation of Pakistan (EFP)
- Company Annual Report Award in Overall Best Corporate Report Category by The Institute of Chartered Accountants of Pakistan (ICAP) and The Institute of Cost & Management Accountants of Pakistan (ICMAP)
- Company Annual Report Award in The Chemical and Fertilizer Category by The Institute of Chartered Accountants of Pakistan (ICAP) and The Institute of Cost & Management Accountants of Pakistan (ICMAP)
- Royal Society for Prevention of Accidents (RoSPA) Health and Safety Silver Award
- Rushlight Sustainable Agriculture, Forestry, and Biodiversity Award (awarded to Engro Foundation for Project PAVE)
- 10th Annual International CSR Summit Awards for CSR Event, Community Impact and Employee Volunteer Program

Engro Energy

- Diversity Hub Pakistan's 2020 Global Diversity & Inclusion Benchmark (GDIB) Awards - The Center for Global Inclusion, USA (6 awards)
- 10 Annual International CSR Summit Awards for Women Empowerment and Media Relations & PR Campaign

Sindh Engro Coal Mining Company

- Annual Environment Excellence Award by National Forum for Environment & Health (NFEH)
- Best Nomination Paper by National Forum for Environment & Health (NFEH)
- Pakistan Digital Awards 2020 in the Category of 'Best Internet of Things'
- Global Gold Award by The Green Organization - UK
- International Safety Award (Merit) by British Safety Council for Demonstrating Safety Excellence

Engro Powergen Thar

- Environment Excellence Award by National Forum for Environment & Health (NFEH)
- Health Safety & Environmental Performance Award by The Professionals Network
- Young Health and Safety Champions of the Year, HSE Engineer

Engro Powergen Qadirpur

- National Forum for Environment & Health (NFEH) CSR Awards 2020 - Sports and Recreational Activities, CSR Projects, and Livelihood

Engro Polymer & Chemicals

- National Forum for Environment & Health (NFEH) CSR Awards 2020 - Community Development, Public Health, and Education
- Diversity Hub Pakistan's 2020 Global Diversity & Inclusion Benchmark (GDIB) Awards - The Centre for Global Inclusion, USA
- 10th Annual International CSR Summit Awards for Education/Scholarship Program, Public Health/Safety Initiative and Corporate Community Partnership (3 awards)

Engro Vopak Terminal

- Overseas Investors Chamber of Commerce and Industry (OICCI) Women Empowerment Award 2020 for Work-Life Integration
- Fire Safety & Security Convention by the National Forum for Environment & Health (NFEH) and Fire Protection Association of Pakistan (FPAP)
- Occupational Safety & Health Appreciation Award by The Employees Federation of Pakistan (EFP)
- 10th Annual International CSR Summit Awards for D&I Leader and Community Impact

Engro Elengy Terminal

- Fire Safety & Security Convention by the National Forum for Environment & Health (NFEH) and Fire Protection Association of Pakistan (FPAP)
- Overseas Investors Chamber of Commerce and Industry (OICCI) Women Empowerment Award 2020 for Work-Life Integration
- 10th Annual International CSR Summit Awards for D&I Leader and Community Impact

engro corp

connected more than ever

"Engro Enfrashare

The year 2020 truly underscored the importance of a robust connectivity infrastructure, the absence of which would undoubtedly hinder the pace of life as we now know it.

Wide adoption of a work-from-home model and friends & family substituting meeting in person with video calls and virtual events are only some of the reasons that the team at Engro Enfrashare sacrificed time with their own loved ones to work round-the-clock and ensure seamless network connectivity. This improbable task was no easy feat as the field team had to remain available 24/7, prioritizing operation management every day.

Connectivity proved to be a fundamental requirement to keep the world from reaching a standstill. Engro Enfrashare's team rapidly adapted to these needs, closing the year with 1,200+ towers and a tenancy ratio of 1.08, thus becoming the fastest growing tower company in Pakistan."

directors' report

The Board of Directors of Engro Corporation Limited has reviewed the performance of the Company and is pleased to submit its annual report and audited accounts for the year ended December 31, 2020.

Principal Activity

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

Business Continuity during the Coronavirus Pandemic (COVID-19)

The COVID-19 pandemic continues to be an unprecedented global challenge that is, to date, having devastating effects on public health, economies, and societies around the world. As vaccination programs roll-out globally, Pakistan is procuring COVID-19 vaccines from various manufacturers and planning to launch its COVID-19 vaccination drive in the first quarter of 2021. In its Economic Outlook update, the Asian Development Bank (ADB) has projected that, with the expected subsidence of the COVID-19 pandemic and the resumption of structural reforms, Pakistan will experience an extensive economic recovery with improving consumer sentiment in fiscal year (FY) 2021.

Engro Corporation Limited's diverse portfolio is well-positioned to persevere through these challenging times. The management has responded proactively during this time of crisis and taken necessary steps to minimize any impact on long-term sustainability of cash flows. A model in which maximum personnel work-from-home has been implemented during the aggravating Wave 2, and all SOPs to prevent spread of the virus are being followed at Engro offices and production facilities in line with our core value wherein the safety and health of our employees is paramount. In order to facilitate employees, Engro companies also continue to operate a 24-hour medical helpdesk and on-site quarantine facilities. Additionally, several initiatives were organized to manage employee morale, including special recognition for frontline staff, emotional wellbeing counseling sessions, and provision of online platforms for social interaction.

Despite these challenging times, we remain committed to our Central Idea which guides us to improve lives of all Pakistanis and have a positive impact on society. In order to tackle the pandemic's negative impacts on Pakistan, Chairman Hussain Dawood, on behalf of Dawood Hercules Corporation, Engro Corporation, and his Family, pledged a contribution in services, kind, and cash of PKR 1 billion for short-, medium-, and long-term recovery. The pledge focuses on disease prevention, protecting and enabling healthcare practitioners and frontline workers, enabling patient care and facilities and bolstering livelihoods and sustenance of the most deserving in society. We believe we must remain fully transparent while attempting to make an impact and work toward saving lives. Information on how and where we apply funds from the Pledge is open to the public and may be viewed at the following website:
https://www.hussaindawoodpledge.com.

Business Review

The Company's consolidated revenue grew by 10%, from PKR 225,765 million during 2019 to PKR 248,818 million primarily attributable to higher revenue from full-year operations of Thar energy projects. The consolidated Profit-After-Tax (PAT) for 2020 was PKR 44,112 million – up by 46%, while PAT attributable to the shareholders increased to PKR 25,100 million from PKR 16,533 million in 2019, resulting in an Earnings per Share (EPS) of PKR 43.57 compared to PKR 28.69 for 2019.

On a standalone basis, the Company posted a PAT of PKR 16,301 million against PKR 14,303 million for the comparative year, translating into an EPS of PKR 28.29 per share. Increase in standalone profitability is primarily on account of higher dividends from subsidiaries as well as cost control initiatives implemented considering the COVID-19 crisis.

Segmental Review of Business Performance

Business	Revenue (PKR in Mn)		Profit After Tax (PKR in Mn)	
	2020	2019	2020	2019
Fertilizers	105,846	121,355	18,133	16,871
Energy	88,552	50,039	14,927	8,813
Polymer and chemicals	35,331	37,837	5,730	3,696
Terminals	17,953	16,704	5,085	5,142
Telecom Infrastructure	1,409	235	(1,299)	(1,142)
Foods	44,155	42,516	177	(955)

engro fertilizers

Despite the challenges faced in 2020, the Company has achieved a historic milestone of highest ever urea production of 2,264 KT as compared to 2,003 KT produced in 2019, an increase of 13% primarily due to better plant utilization supported by minimal outage days and higher gas availability. This was achieved on the back of the unwavering focus on plant efficiency and engineering excellence. In 2020, the Company has also achieved highest ever domestic urea sales of 2,006 KT compared to 1,958 KT in 2019, exhibiting an increase of 2% YoY. As a result, urea market share improved to 33% for the year compared to 32% in 2019. The Phosphates business witnessed a steep resurgence as the Company turned around the business from volumetric sales of 132 KT in 1H to 465 KT on a full year basis.

The Company delivered sales revenue of PKR 105.8 Bn showing a decline of 13%, compared to sales revenue of PKR 121.4 Bn in 2019. This decrease is mainly attributed to a decrease in DAP offtakes and reduction in urea prices announced during the year. On consolidated basis, the Company posted a profit after tax of PKR 18,133 Mn showing a growth of 7% compared to 2019, as a result of higher urea volumes, plant efficiency and tax planning.

Revenue
(Rs. in millions)

105,846
(2020)

engro polymer & chemicals

As the new normal paved its way, it presented numerous social, health and economical challenges and EPolymer was no exception to those challenges. A combination of resolve of the leadership team, and commitment of the workforce, Engro Polymer undertook timely measures to ensure health and safety of its people along with continuity of operations. In 2020, EPCL's revenue decreased by 6% in comparison to 2019, mainly on account of decline in PVC and Caustic volumes by 15% and 27% YoY respectively, primarily due to plant shutdown during lockdown period. The fall in volumes was offset by higher PVC prices which rallied throughout 2H 2020 on account of global supply constraints. The Company recorded highest ever profitability in its history clocking at Rs 5,730 million as a result of recovery in volumes in 2H 2020, PVC prices and effective cost control. Moreover, Engro Polymer continued to work towards execution of its previously announced projects while continuing its endeavors to identify new projects and markets.

Revenue
(Rs. in millions)

35,331
(2020)

engro energy

Coal Mine: Mining operations continued smoothly and the mine supplied 3.8 million tons of coal to Engro Powergen Thar during the year. The expansion of the mine to 7.6 million tons per annum continued with the contractor mobilizing at site. While the overburden removal process remained minimal in the first three quarters owing to delay in equipment delivery because of COVID-19 lockdowns in China and Pakistan, construction work has picked up pace in 4Q as all main mining equipment has reached site.

Thar Power Plant: The plant remained fully operational throughout the year, maintaining system reliability despite challenges posed by the COVID-19 crisis. The plant achieved 84% availability with a load factor of 83%, dispatching 4,032 GwH to the national grid during the period. The Company also completed its two scheduled outages on both units with zero recordable injury.

Qadirpur Power Plant: The power plant operates on permeate gas and is facing gas curtailment due to depletion of the Qadirpur gas field. To make up for this shortfall, the plant has been made available on mixed mode. During the period, the Plant dispatched a Net Electrical Output of 550 GwH to the national grid with a load factor of 29.5% compared to 58.8% last year. Decline in load factor was primarily on account of lower merit order ranking after crash in international oil prices post COVID - 19. The business posted a PAT of PKR 2,079 million for the current period as compared to PKR 3,403 million for 2019.

Revenue

(Rs. in millions)

88,552

(2020)

engro vopak & elengy terminals

Although the ongoing pandemic has caused severe disruptions, Engro's terminals have ensured continuity of service, maintaining a dynamic strategy to cope with challenges as they arise. The Elengy terminal handled 72 cargoes during the year, delivering 215.4 bcf re-gasified LNG into the SSGC network. Availability factor remained at 97.9% for the year. The LNG terminal currently fulfills more than 12% of the country's gas requirements. Since its commencement in March 2015, the fertilizer and CNG sectors as well as over 500 industrial units have been revived, whilst the country has saved nearly USD 2.5 billion to date due to replacement of expensive imported furnace oil and diesel with LNG. During this period, the business faced reduction in demand, however, there were no delays in receipts from the customer. The Engro Vopak Terminal witnessed a volumetric decline of 2% for chemicals and LPG handled over last year, mainly attributable to lower imports of phosphoric acid paraxylene offsetting higher LPG marine imports. The business completed 23 years of safe operations and continued to maintain health, safety and quality standards.

Revenue
(Rs. in millions)

17,953
(2020)

frieslandcampina engro

The business recorded its 9th consecutive quarter of topline growth. During the year, the Company has reported a revenue of PKR 44.2 Bn, registering a 14% growth vs last year, despite COVID-19 related lockdown and closure of retail & leisure outlets.

The overall cost environment remained challenging, with high increases in the commodity costs in last 12 months due to record food inflation and devaluation of the Pakistan Rupee. The Company, however, took multiple business initiatives, including cost optimization and mix management to offset these impacts. As a result, the gross margin improved 80bps versus the same period last year. The Company also continued to drive efficiencies in distribution and administrative expenses through multiple saving initiatives. Consequently, the Company registered a profit after tax of PKR 177 Mn versus a loss of PKR 955 Mn in the same period last year.

Revenue

(Rs. in millions)

44,155

(2020)

engro eximp agriproducts

Increased focus on the Rice business continued in 2020 and the business recorded a 2.5x increase in profitability compared to 2019. Rice exports also continued to grow and witnessed a volumetric increase of 26%. External quality audit by Bureau Veritas for quality re-certification was successfully completed, maintaining ratings of 'AA' for the fourth consecutive year. The rice business has the highest number of quality certifications amongst rice players in Pakistan.

Revenue

(Rs. in millions)

4,703

(2020)

engro enfrashare

Engro Enfrashare engages in the acquisition and construction of shared telecom towers, provision of various telecommunication infrastructure and related services, including state of the art network monitoring solutions. The Company expanded its footprint further in the tower business and achieved a milestone of delivering a total of 1,265 sites by the end of 2020, catering to all Mobile Network Operators (MNOs) in Pakistan. This portfolio expansion has led to a significant increase in the market share from 18% in 2019 to 41% in 2020.

Revenue

(Rs. in millions)

1,409

(2020)

Distribution to Shareholders

The Board endeavors to maximize dividends on a quarterly basis and is pleased to propose a final cash dividend of PKR 2.00 per share for the year ended December 31, 2020. The total dividend attributable to the year is PKR 26.00 per share including the total interim cash dividend of PKR 24.00 per share during the year.

Future Business Outlook

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

We continue to take steps in monitoring and prevention of COVID-19, such as safety and health related measures for our people, securing the supply of materials that are essential to our production processes and communication with our key stakeholders. We foresee an improvement in economic activity in the upcoming year and improvement in results of our businesses and their liquidity position. However, Government interventions related to COVID-19 are expected to play a key role in industry performance going forward.

The recent Supreme Court verdict followed by a Review Order regarding settlement of the long-standing GIDC case poses a cashflow challenge to our Fertilizers and Petrochemicals businesses. The Group is considering all available options in this regard.

Despite the challenges faced in 2020, Engro continued to build on its experience in the Petrochemicals Vertical and made considerable progress on the feasibility study of a polypropylene facility based on a propane dehydrogenation plant. The project's feasibility study is in the final stages of completion.

Fertilizers

2021 promises to be one of the best years for the agriculture sector of Pakistan with both farm yields and farmer's income expected to significantly grow at the back of multiple supporting initiatives by the government. It is expected that the agriculture sector will surpass growth target of 2.8% during FY 2021. The international urea market is expected to continue the momentum built in 2020 into 2021, with modest growth in market demand expected during the year. This growth is mainly expected to originate from India, Europe, Brazil and the US. Urea prices are also expected to remain strong during 2021.

On the local front, urea market demand is expected to remain stable at around 5.9 MT for 2021. At the same time, production is also expected to be in line with 2020 production of ~ 6.1MT. The DAP demand is expected to remain stable at 2.1MT, keeping in view the high landed cost of the product. The demand for DAP is expected to rise in case the subsidy announced by the government during 2020 materializes.

Energy

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

The Government has not been able to eliminate circular debt and we believe that in the absence of any concrete measures to address its root causes, as well as given the current pandemic situation prevalent, circular debt will remain a challenge for the industry going forward.

The Government along with IPPs has reached an understanding to change certain terms in agreements of IPPs for greater national interest and to devise a mechanism for payment of overdue receivables to tackle the circular debt crisis. The same is expected to provide relief to the liquidity of the companies operating in the sector.

Petrochemicals

The Polymer business is well positioned to capitalize on the promising potential available to it with its PVC/VCM expansion project expected to come online next year. It has crafted a holistic strategy to achieve its vision to lead Pakistan in polymers and allied chemicals with an international footprint. In this regard, new projects were announced, several projects were successfully executed and studies for new initiatives are underway. Timelines of the projects already under progress have inevitably been impacted by the COVID 19 pandemic; however, the Business's commitment towards completion remains intact. Alongside the on-going projects, the business is confident to display continued strong operational performance and is hopeful that the per capita PVC consumption will maintain its upward trajectory considering the overall dynamics of the economy.

Terminal Services

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

The LNG terminal is positively playing its role in partially alleviating the energy shortage faced by the country. Keeping in view the demand for energy in the market and leveraging on Royal Vopak's expertise, we shall continue to explore new opportunities to increase shareholder value.

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

Telecommunication Infrastructure

MNOs incur substantial capital expenditure on construction and maintenance of the telecommunication towers which inhibits them from their core business of marketing and providing high quality communication services. TowerCos enable the MNOs to concentrate on their core business by undertaking the telecommunication tower related capex and maintaining operational efficiencies.

Enfrashare has been able to further strengthen its relationships with all 4 MNOs by ensuring timely delivery of towers and continuing to maintain operational excellence throughout. The Company expects to secure market leadership as an independent TowerCo business through aggressive built-to-suit roll-out over the next 5 years.

The business outlook for Engro Enfrashare remains strong on the back of:

- Continued growth in mobile data usage, driving MNOs to enhance quality of services through aggressive Built-to-Suit roll outs in growing demand centers
- Stagnant revenue growth for MNOs will provide the impetus for their cost optimization initiatives encouraging further tower sharing and colocation opportunities

Foods

The macroeconomic environment remains challenging for both consumers and businesses amidst the COVID-19 pandemic. The business also continues to be impacted by steep inflation especially for food and agricultural commodities. The Company therefore sees a tougher operating environment in the future due to the declining consumer purchasing power and higher costs.

The Company's purpose is to transform the health and well-being of Pakistanis now and for generations to come by nourishing them through unlocking the goodness of milk from grass to glass, as well as by enhancing the livelihood of farmers. Staying anchored to its purpose, the Company's priority will be to ensure a consistent supply of nutritious and safe products to its customers, while continuing to drive business growth through conversion from unsafe loose milk to packaged milk.

Leveraging on its partner FrieslandCampina's expertise and heritage of 145+ years, the business remains committed to highest standards in the field of food safety, sustainability, and transparency.

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

Credit Ratings and Gearing

During 2020, Pakistan Credit Rating Agency upgraded the long-term credit rating of Engro Powergen Thar (Private) Limited to 'AA-' and reaffirmed the long-term credit ratings of the Company and its subsidiaries while maintaining their highest short-term ratings in its annual review.

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

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

Consolidated long-term borrowings at year-end remained stable at PKR 157,919 million from PKR 158,456 million on 31 December 2019. The gearing for the year ended 2020 is 42% vs. 45% as at 2019 year-end representing a healthy balance sheet which allows the Company to increase leverage for future growth opportunities.

Risk Management

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

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

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

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

Foreign exchange risk: Our investment portfolio exposes us to foreign exchange risk. By viewing the complete portfolio, we ensure that maximum adequate natural hedges exist.

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

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

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

Board of Directors

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

The existing Board was elected on 24 April 2018. It comprises of 10 directors including the Chief Executive Officer and possess a diverse mix of gender, knowledge and expertise to enhance its effectiveness. The Board consists of 2 female directors and 8 male directors, categorized as follows:

- 3 Independent Directors
- 1 Independent Female Director
- 4 Non-Executive Directors
- 1 Non-Executive Female Director
- 1 Executive Director

Following are the names of the personnel who at any time during 2020 were directors of the Company:

- Mr. Hussain Dawood
- Mr. Abdul Samad Dawood
- Mr. Mohammad Abdul Aleem
- Ms. Henna Inam
- Mr. Shahzada Dawood
- Ms. Sabrina Dawood
- Mr. Rizwan Diwan
- Mr. Khawaja Iqbal Hassan
- Mr. Raihan Ali Merchant
- Mr. Ghias Khan
- Mr. Waqar Ahmed Malik

In 2020, the Board held 16 meetings to cover its complete cycle of activities. The Board has established three committees to assist it in carrying out its fiduciary duties. These committees along with their membership details are as follows:

Board Audit Committee	Board Investment Committee	Board People Committee
4 meetings held in 2020 Mr. Muhammad Abdul Aleem Mr. Raihan Merchant Mr. Rizwan Diwan	12 meetings held in 2020 Mr. Abdul Samad Dawood Mr. Khawaja Iqbal Hasan Mr. Rizwan Diwan Mr. Muhammad Abdul Aleem	13 meetings held in 2020 Ms. Henna Inam Mr. Abdul Samad Dawood Mr. Khawaja Iqbal Hasan Mr. Raihan Merchant

Statement of Directors' Responsibilities

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

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

Remuneration Policy for Non-Executive and Independent Directors

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

- The remuneration shall be appropriate and commensurate with the level of responsibility and expertise of the directors, aimed at attracting and retaining the directors needed to govern the Company successfully and to encourage value addition. The remuneration shall not compromise nor influence in any way the independence of the directors.
- The Board, if deems appropriate, may engage an independent consultant to determine the appropriate level of remuneration of its directors.
- No remuneration shall be paid to an Executive Director or any Non-Executive Directors who are employees in other Engro entities, for attending meetings of the Board and its committees.
- Any travel and other necessary expenses incurred by the directors for attending meetings of the Board and its committees shall be reimbursed at actual.

Adequacy of Internal Financial Controls

The Board of Directors is ultimately responsible for Engro's system of internal control and for reviewing its effectiveness. The Board, whilst maintaining its overall responsibility, has delegated the detailed design and operation of the system of internal controls to the Chief Executive Officer. Engro's system of internal controls comprises of clear governance structures, authority limits and accountabilities, well understood policies, procedures and a budgeting processes. The Board meets quarterly to consider Engro's financial performance, financial and operating budgets, business growth and developmental plans, capital expenditure proposals and other key performance indicators. The Board Audit Committee receives reports on the system of internal financial controls from the external and internal auditors and reviews the process for monitoring the effectiveness of internal controls.

Related Parties

The Company maintains a comprehensive list of all related parties. All such parties with whom the Company has entered into transactions during the year, along with the nature of its relationship and percentage holdings have been appropriately disclosed in Note 51 of the financial statements.

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

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

Auditors

The existing auditors, A.F. Ferguson & Co., Chartered Accountants had retired and being eligible, have offered themselves for re-appointment. The Board Audit Committee recommends their appointment as auditors for the year ending December 31, 2021.

Human Capital

The development of Human Capital is a top priority at Engro and an integral part of its Central Idea. We understand that the challenges for our businesses in the future will be different from those in the past and we must invest in developing the necessary leadership capabilities to meet these challenges. We know that we can only deliver on our aspirations if we have the topmost talent on board. In that endeavor, we have worked on attracting and developing the best people as we aim to enhance and sustain a performance-oriented culture of learning and leadership.

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

We believe that diversity makes us stronger. We not only endeavor to give equal opportunity to all candidates, irrespective of gender, religion or background but also strive to enable an inclusive culture. We have initiated a diversity ambition with rollout of several frameworks geared towards developing that possibility. Moreover, throughout the year we also worked on implementing a rigorous talent development framework which focused on multi-pronged areas and ensured a healthy talent pipeline that guarantees presence of well-rounded future leaders for the organization. We are proud of the engagement and association of our workforce at Engro which has helped us become one of the leading brands in Pakistan.

Social Capital

We believe businesses develop their long-term social capital through the quality of their corporate governance. We strive to earn the trust of our stakeholders through regularly investing in our governance and we value it greatly. We conduct our business transparently and with respect for laws and societal norms. We are fair, transparent, open and encourage our stakeholders to act in a similar way.

We regularly contribute philanthropic capital to support social causes. Engro Foundation, a for-impact organization, channels Engro's philanthropic capital into various community investments. We work closely with communities to understand their priorities and use this as a design input. Our community investments are focused on developing human capital by investing in education and skills development and healthcare. We are cognizant of our need to protect our natural resources and therefore a sizable part of our philanthropic capital goes into environmental sustainability projects like forestation and protecting ecosystems.

Our Integrated Report cover program-wise detail of all our social investments.

Health, Safety and Environment (HSE)

HSE is one of Engro's integral core values and we remain fully committed to our HSE principles in every aspect of our vast operational footprint across the nation. HSE is held sacrosanct at all our affiliates, conforming to the local and international standards of process safety management, environmental protection, and effluent handling.

Our HSE business model includes the identification of hazards (associated with our operations that could affect personnel, environment, and/or assets), utilization of inherent safe design and implementation of process safety management to minimize risks to as low as reasonably practical. Utmost attention is given to the functionality and integrity of the safeguards that keep work processes within safe limits. Occupational safety and health of our employees and contractors is guarded by best practices and procedures. We are also committed to minimize the environmental impact of our operations through the control of air and water quality and solid waste disposal via sustainable practices and progressive growth in environmental performance. Monitoring the carbon footprint associated with our facilities is now in place and efforts are underway towards achieving Net Zero status.

To drive an HSE program's implementation across Engro, we have in place a Group HSE team that works with our affiliates and provides oversight and guidance. Group HSE conducts compliance audits, gap analysis for new and existing facilities, safety reviews, establishes Leading Indicators for tracking HSE performance, provides technical HSE advice, leads major incidents investigations, develops and maintains corporate HSE standards. In our endeavor to further promote HSE excellence, we continue to broaden the impact of our HSE programs and are engaging with external service providers such as DuPont Global Solutions (a global benchmark) to set up a new risk-based approach which identifies all the inherent risks in our facilities up front and implements appropriate barriers for control and mitigation. We believe that continual improvement is critical in keeping our HSE management system at the pinnacle. We rely on Plan Do Check Act (PDCA) cycle to validate effectiveness on an on-going basis and apply adjustments, where required. Our commitment to safe and reliable operations will remain paramount. A detailed report on HSE performance and development is available in the Integrated Report available on the Company's website.

Pattern of Shareholding

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

A statement of the general pattern of shareholding along with the pattern of shareholding of certain classes of shareholders whose disclosure is required under the reporting framework and the statement of purchase and sale of shares by Directors, executives and their spouses including minor children during 2020 is shown in the shareholding section of this report.

Material Changes due to Subsequent Events

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

Acknowledgment

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

Hussain Dawood
Chairman

Ghias Khan
President and Chief Executive

engro corp

resilient
more than ever

Engro Energy

As the world witnessed the most unprecedented situation ever faced by our generation, Engro Energy Limited & its subsidiaries realized the criticality of continued operations in the power sector – an essential industry.

Front-liners did not hesitate to sacrifice time with their families by extending their work-routines at Qadirpur and Thar sites. In the spirit of Engro's values, they also quarantined before each rotation for the protection of their colleagues.

Meanwhile, teams on ground volunteered to conduct community awareness sessions to educate those in our value chains about COVID-19 preventive measures and clear common misconceptions regarding the virus. Engro Energy and its subsidiaries also extended support to the local government in resource mobilization and by utilizing its footprint to carry out free-of-cost COVID-19 testing across rural areas in Sindh & Punjab in collaboration with The Indus Hospital & Shaukat Khanum Memorial Cancer Hospital & Research Centre.

governance control framework
internal control framework

Responsibility

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

Framework

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

Review

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

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

Audit

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

Directors

As at December 31, 2020, the Board comprises of one executive director, four independent directors and five non-executive directors. The Board has the collective responsibility for ensuring that the affairs of Engro are managed competently and with integrity.

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

A Board of Directors' meeting calendar is issued annually which schedules the meetings of the Board and the Board Audit Committee. The full Board met 16 times including meetings for longer term planning, giving consideration both to the opportunities and risks of future strategy.

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

statement of compliance with listed companies (code of corporate governance) regulations, 2019

Year ended December 31, 2020

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

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

Category	Number of Directors
· Male Director	8
· Female Directors	2

2. The composition of the Board is as follows:

Category	Name
Independent directors	Mr. Khawaja Iqbal Hassan Mr. Muhammad Abdul Aleem Mr. Rizwan Diwan Ms. Henna Inam
Non-executive directors	Mr. Hussain Dawood Mr. Abdul Samad Dawood Mr. Shahzada Dawood Mr. Raihan Ali Merchant Ms. Sabrina Dawood
Executive director	Mr. Ghias Khan
Female directors	Ms. Henna Inam Ms. Sabrina Dawood

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

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

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

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

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

9. No Director attended the Directors' Training Program during the year. However, eight directors are duly certified or exempted from the Directors' Training Program.

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 the 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:

Board Audit Committee	
Mr. Muhammad Abdul Aleem	Chairman
Mr. Raihan Ali Merchant	Member
Mr. Rizwan Diwan	Member

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

Board Investment Committee	
Mr. Abdul Samad Dawood	Chairman
Mr. Muhammad Abdul Aleem	Member
Mr. Rizwan Diwan	Member
Mr. Khawaja Iqbal Hassan	Member

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

14 The frequency of meetings of the committees were as per following:

- Audit Committee (4 meetings held during the year);
- Board People's Committee (13 meetings held during the year); and
- Board Investment Committee (12 meetings held during the year).

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

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with the 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, the regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and

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

Mr. Hussain Dawood
Chairman

Ghias Khan
President and Chief Executive

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independent auditor's review report to the members of engro corporation limited

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Engro Corporation Limited (the Company) for the year ended December 31, 2020 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. 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.

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, 2020.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Date: April 2, 2021

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

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key shareholding and shares traded as at december 31, 2020

Information of shareholding required under reporting framework is as follows:

1. Associated companies, undertakings and related parties

Name of Shareholders	No. of Shares Held
Dawood Hercules Corporation Limited	214,469,810
Patek (Private) Limited	30,559,864
Dawood Corporation (Private) Limited	3,436,290
Dawood Foundation	41,861
Total	248,507,825

2. Directors, CEO and their spouses and minor children

Name of Shareholders	No. of Shares Held
Hussain Dawood	5,008,681
Abdul Samad Dawood	1,667,941
Sabrina Dawood	1,475,061
Shahzada Dawood	3,434,141
Raihan Ali Merchant	5,500
Henna Inam	110
Khawaja Iqbal Hassan	40,000
Muhammad Abdul Aleem	110,822
Rizwan Diwan	110
Kulsum Dawood w/o Hussain Dawood	3,576,221
Ayesha Dawood w/o Abdul Samad Dawood	44
Humera Aleem w/o Mohammad Abdul Aleem	37,186
Total	15,355,817

3.	Executives	94,541	0.0164%
4.	Public Sector Companies and Corporations	33,268,290	5.7741%
5.	Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, and Modaraba	48,649,774	8.4437%

6. Mutual Funds

Name of Mutual Fund	No. of Shares Held
Meezan Islamic Fund	6,937,968
Al Ameen Shariah Stock Fund	2,849,956
NBP Stock Fund	2,459,851
NIT-Equity Market Opportunity Fund	1,811,936
NBP Islamic Stock Fund	1,717,670
Atlas Stock Market Fund	1,651,701
UBL Stock Advantage Fund	1,381,410
Meezan Tahaffuz Pension Fund - Equity Sub Fund	1,236,420
MCB Pakistan Stock Market Fund	1,199,990
Al Meezan Mutual Fund	1,112,790
KSE Meezan Index Fund	938,688
ABL Stock Fund	895,291
NBP Islamic Sarmaya Izafa Fund	825,420
NIT Islamic Equity Fund	687,610
ABL Islamic Stock Fund	684,240
Atlas Islamic Stock Fund	668,056
Lakson Equity Fund	606,432

Alhamra Islamic Stock Fund	544,285
Alfalah GHP Islamic Stock Fund	533,199
Meezan Balanced Fund	529,506
Al Ameen Islamic Ret. Sav. Fund-Equity Sub Fund	498,590
Al Hamra Islamic Asset Allocation Fund	370,569
HBL Stock Fund	328,250
JS Growth Fund	315,660
UBL Retirement Savings Fund - Equity Sub Fund	295,577
Al Ameen Islamic Asset Allocation Fund	288,965
PICIC Growth Fund	267,870
Alfalah Ghp Stock Fund	245,470
Faysal Islamic Dedicated Equity Fund	240,223
PICIC Investment Fund	208,700
Meezan Asset Allocation Fund	197,562
Meezan Dedicated Equity Fund	190,387
APIF - Equity Sub Fund	145,400
Unit Trust of Pakistan	140,900
NBP Islamic Active Allocation Equity Fund	139,790
HBL Islamic Stock Fund	134,293
Alfalah GHP Alpha Fund	123,967
APF-Equity Sub Fund	113,450
NBP Sarmaya Izafa Fund	106,970
Atlas Islamic Dedicated Stock Fund	102,220
ABL Islamic Dedicated Stock Fund	101,841
NIT Asset Allocation Fund	94,686
MCB Pakistan Asset Allocation Fund	94,500
NBP Balanced Fund	93,818
Alfalah GHP Value Fund	83,380
Alfalah Ghp Islamic Dedicated Equity Fund	79,979
AKD Index Tracker Fund	75,331
UBL Asset Allocation Fund	73,840
JS Islamic Fund	70,400
Lakson Tactical Fund	64,307
Lakson Islamic Tactical Fund	63,528
NBP Mahana Amdani Fund - MT	61,392
JS Value Fund	58,020
HBL Islamic Equity Fund	57,430
HBL Equity Fund	49,934
JS Large Cap. Fund	49,300
NITIPF Equity Sub-Fund	41,750
Pak Oman Islamic Asset Allocation Fund	40,480
HBL IPF Equity Sub Fund	34,990
HBL PF Equity Sub Fund	33,860
NBP Islamic Regular Income Fund	30,660
Pakistan Capital Market Fund	30,000
HBL Islamic Asset Allocation Fund	28,440
First Habib Islamic Stock Fund	25,040
HBL Multi - Asset Fund	24,950
JS Islamic Pension Savings Fund-Equity Account	24,500
Atlas Income Fund - Mt	22,618
UBL Pakistan Enterprise Exchange Traded Fund	22,360
JS Pension Savings Fund - Equity Account	21,890

Alfalah GHP Income Fund	21,500
First Capital Mutual Fund	20,000
NITPF Equity Sub-Fund	19,600
First Habib Stock Fund	18,850
NIT Pakistan Gateway Exchange Traded Fund	17,784
NBP Pakistan Growth Exchange Traded Fund	17,174
First Habib Asset Allocation Fund	16,827
NAFA Islamic Principal Protected Fund - II	16,390
NBP Financial Sector Income Fund - MT	15,000
ABL Pension Fund - Equity Sub Fund	14,560
Askari Asset Allocation Fund	14,450
Meezan Pakistan Exchange Traded Fund	14,250
Pak Oman Advantage Asset Allocation Fund	13,877
ABL Islamic Pension Fund - Equity Sub Fund	13,740
Al Ameen Islamic Dedicated Equity Fund	10,000
HBL Islamic Dedicated Equity Fund	7,700
UBL Dedicated Equity Fund	5,623
UBL Income Opportunity Fund	4,000
Faysal MTS Fund - MT	2,221
MCB Dynamic Cash Fund - MT	2,000
NBP Savings Fund - MT	1,125
Tri-Star Mutual Fund Limited	1,004
NBP Income Opportunity Fund - MT	190
Faysal Stock Fund	18
Total	35,548,339

7. Shareholders holding 5% or more voting rights in the Company:

Name of Share Holders	No. of Shares Held
Dawood Hercules Corporation Limited	214,469,810
Patek (Private) Limited	30,559,864

8. Details of purchase/sale of shares by Directors, Executives* and their spouses / minor children during 2020:

* For the purpose of declaration of share trades, all employees of the Company are considered as "Executive".

S. No.	Executive Name	Date Of Transaction	Transaction Type	Number of Shares	Price Per Share
1	Vijay Kumar	13-Jan-2020	Sold	1,100	360.40
2	Khawaja Iqbal Hassan	13-Jan-2020	Bought	10,000	357.50
3	Hussain Dawood	22-Jan-2020	Bought	39,600	340.57
4	Shahzada Dawood	22-Jan-2020	Bought	3,000	340.21
5	Kulsum Dawood w/o Hussain Dawood	22-Jan-2020	Bought	5,000	340.21
6	Hussain Dawood	29-Jan-2020	Bought	50,000	339.88
7	Shahzada Dawood	29-Jan-2020	Bought	30,000	339.33
8	Kulsum Dawood w/o Hussain Dawood	29-Jan-2020	Bought	20,000	340.68
9	Hussain Dawood	31-Jan-2020	Bought	7,900	339.89
10	Shahzada Dawood	31-Jan-2020	Bought	2,500	339.86
11	Hussain Dawood	03-Feb-2020	Bought	175,100	329.39
12	Kulsum Dawood w/o Hussain Dawood	03-Feb-2020	Bought	30,000	337.42
13	Shahzada Dawood	03-Feb-2020	Bought	65,000	336.41
14	Kulsum Dawood w/o Hussain Dawood	25-Feb-2020	Bought	35,900	312.00
15	Hussain Dawood	26-Feb-2020	Bought	160,000	301.48
16	Kulsum Dawood w/o Hussain Dawood	26-Feb-2020	Bought	10,000	300.54
17	Khawaja Iqbal Hassan	26-Feb-2020	Bought	5,000	308.12
18	Hussain Dawood	12-Mar-2020	Bought	98,800	289.38
19	Kulsum Dawood w/o Hussain Dawood	12-Mar-2020	Bought	20,000	292.27
20	Hussain Dawood	16-Mar-2020	Bought	50,000	268.38
21	Shahzada Dawood	16-Mar-2020	Bought	25,000	268.38
22	Qamar Jaleel	19-Mar-2020	Bought	1,200	241.36
23	Khawaja Iqbal Hassan	17-Jun-2020	Sold	2,750	284.01
24	Samira Kamil	24-Aug-2020	Bought	1,000	293.00
25	Abdul Samad Dawood	25-Aug-2020	Bought	95,000	295.28
26	Muhammad Abdul Aleem	26-Aug-2020	Bought	40,000	298.67
27	Abdul Samad Dawood	26-Aug-2020	Bought	38,000	295.48
28	Kulsum Dawood w/o Hussain Dawood	26-Aug-2020	Bought	12,000	300.38
29	Kulsum Dawood w/o Hussain Dawood	27-Aug-2020	Bought	5,000	301.00
30	Abdul Samad Dawood	28-Aug-2020	Bought	130,000	299.14
31	Sabrina Dawood	28-Aug-2020	Bought	15,000	298.79
32	Abdul Samad Dawood	02-Sep-2020	Bought	70,000	302.63
33	Humera Aleem	02-Sep-2020	Gift	21,621	-
34	Abdul Samad Dawood	24-Sep-2020	Bought	455,000	303.73
35	Abdul Samad Dawood	25-Sep-2020	Bought	250,000	307.53
36	Abdul Samad Dawood	29-Sep-2020	Bought	355,000	305.04
37	Abdul Samad Dawood	01-Oct-2020	Bought	202,000	303.78
38	Khawaja Iqbal Hassan	13-Oct-2020	Bought	17,607	298.72
39	Shahzada Dawood	26-Oct-2020	Bought	130,000	320.82
40	Sabrina Dawood	26-Oct-2020	Bought	130,000	320.98
41	Sabrina Dawood	19-Nov-2020	Bought	25,000	305.55
42	Shahzada Dawood	19-Nov-2020	Bought	25,000	305.37
43	Sabrina Dawood	25-Nov-2020	Bought	15,000	304.52
44	Shahzada Dawood	25-Nov-2020	Bought	15,000	304.52
45	Shahzada Dawood	30-Nov-2020	Bought	20,000	304.01
46	Sabrina Dawood	30-Nov-2020	Bought	10,000	304.52
47	Kulsum Dawood w/o Hussain Dawood	30-Dec-2020	Bought	75,000	310.49
48	Shahzada Dawood	30-Dec-2020	Bought	30,000	308.52

pattern of shareholding as at december 31, 2020

No. of Shareholders	No. of Shareholdings		Total Shares
	From	To	
2,592	1	100	102,596
2,931	101	500	783,175
1,547	501	1,000	1,160,870
3,220	1,001	5,000	7,753,257
1,058	5,001	10,000	7,571,225
474	10,001	15,000	5,791,973
259	15,001	20,000	4,566,905
173	20,001	25,000	3,894,524
142	25,001	30,000	3,929,892
102	30,001	35,000	3,342,450
67	35,001	40,000	2,548,668
61	40,001	45,000	2,603,216
59	45,001	50,000	2,831,655
51	50,001	55,000	2,730,711
34	55,001	60,000	1,951,306
29	60,001	65,000	1,806,404
23	65,001	70,000	1,561,385
27	70,001	75,000	1,966,048
16	75,001	80,000	1,246,714
29	80,001	85,000	2,392,010
17	85,001	90,000	1,497,835
18	90,001	95,000	1,674,926
21	95,001	100,000	2,044,582
14	100,001	105,000	1,427,569
10	105,001	110,000	1,086,868
7	110,001	115,000	789,722
12	115,001	120,000	1,413,350
8	120,001	125,000	981,949
5	125,001	130,000	643,372
11	130,001	135,000	1,461,373
5	135,001	140,000	688,946
7	140,001	145,000	1,001,514
12	145,001	150,000	1,764,942
7	150,001	155,000	1,063,163
5	155,001	160,000	784,170
5	160,001	165,000	822,576
5	165,001	170,000	834,393
7	170,001	175,000	1,201,806
4	175,001	180,000	709,720
3	180,001	185,000	545,753
5	185,001	190,000	937,670
6	190,001	195,000	1,151,167
4	195,001	200,000	794,511
5	200,001	205,000	1,012,580
1	205,001	210,000	208,700
2	215,001	220,000	434,460
3	220,001	225,000	667,686
4	225,001	230,000	904,872
1	230,001	235,000	231,940
4	235,001	240,000	947,348
5	240,001	245,000	1,207,035
3	245,001	250,000	741,670
2	255,001	260,000	519,246
6	260,001	265,000	1,587,948
6	265,001	270,000	1,606,024
4	270,001	275,000	1,094,533
1	275,001	280,000	278,850
2	280,001	285,000	565,078
1	285,001	290,000	288,965
2	290,001	295,000	583,382
4	295,001	300,000	1,188,417
3	300,001	305,000	908,984
1	310,001	315,000	314,020
5	315,001	320,000	1,594,660
2	320,001	325,000	643,108
3	325,001	330,000	984,269
2	350,001	355,000	706,227
1	355,001	360,000	357,172
2	360,001	365,000	725,834
3	370,001	375,000	1,111,500
1	380,001	385,000	381,040
1	390,001	395,000	394,512
1	395,001	400,000	400,000
1	410,001	415,000	413,787
1	430,001	435,000	430,432
2	440,001	445,000	884,649
1	450,001	455,000	452,688
2	455,001	460,000	913,150
3	460,001	465,000	1,388,741
1	465,001	470,000	466,595
2	475,001	480,000	953,140
1	490,001	495,000	490,214
1	495,001	500,000	498,590
1	510,001	515,000	511,910
3	520,001	525,000	1,564,829
1	525,001	530,000	529,506
1	530,001	535,000	533,199
1	535,001	540,000	536,700
3	540,001	545,000	1,629,933
1	550,001	555,000	550,465
2	570,001	575,000	1,142,321
1	580,001	585,000	581,380
3	585,001	590,000	1,761,325
1	600,001	605,000	600,630
1	605,001	610,000	606,432
1	610,001	615,000	612,646
1	625,001	630,000	627,382
2	640,001	645,000	1,284,525
1	650,001	655,000	652,927
2	655,001	660,000	1,320,000
1	665,001	670,000	668,056
1	680,001	685,000	684,240
3	685,001	690,000	2,061,790
1	695,001	700,000	695,509
1	700,001	705,000	702,865
1	715,001	720,000	716,700
1	730,001	735,000	733,755
1	745,001	750,000	749,088
1	750,001	755,000	750,737
1	775,001	780,000	776,241
1	780,001	785,000	780,685
1	785,001	790,000	787,300
2	815,001	820,000	1,636,943
1	825,001	830,000	825,420
1	830,001	835,000	832,000
1	845,001	850,000	846,440
3	865,001	870,000	2,603,370
1	875,001	880,000	878,115
3	895,001	900,000	2,691,791
1	935,001	940,000	938,688
1	945,001	950,000	950,000
1	1,030,001	1,035,000	1,030,466
1	1,110,001	1,115,000	1,112,790
1	1,135,001	1,140,000	1,138,152
1	1,180,001	1,185,000	1,181,410
1	1,195,001	1,200,000	1,199,990
1	1,210,001	1,215,000	1,211,324
1	1,215,001	1,220,000	1,219,310
1	1,230,001	1,235,000	1,235,000
1	1,235,001	1,240,000	1,236,420
1	1,240,001	1,245,000	1,244,738
1	1,245,001	1,250,000	1,250,000
1	1,295,001	1,300,000	1,295,515
1	1,350,001	1,355,000	1,354,683
1	1,380,001	1,385,000	1,381,410
1	1,390,001	1,395,000	1,394,931
1	1,450,001	1,455,000	1,451,280
1	1,475,001	1,480,000	1,475,061
1	1,585,001	1,590,000	1,589,686
1	1,650,001	1,655,000	1,651,701
1	1,665,001	1,670,000	1,667,941
1	1,715,001	1,720,000	1,717,670
1	1,745,001	1,750,000	1,750,000
1	1,775,001	1,780,000	1,777,914
1	1,810,001	1,815,000	1,811,936
1	1,895,001	1,900,000	1,899,150
2	1,900,001	1,905,000	3,803,178
1	1,995,001	2,000,000	2,000,000
1	2,310,001	2,315,000	2,310,075
1	2,365,001	2,370,000	2,366,770
1	2,455,001	2,460,000	2,459,851
1	2,635,001	2,640,000	2,636,260
1	2,695,001	2,700,000	2,700,000
1	2,745,001	2,750,000	2,748,086
1	2,770,001	2,775,000	2,772,620
1	2,845,001	2,850,000	2,849,956
1	3,105,001	3,110,000	3,109,370
1	3,295,001	3,300,000	3,299,046
1	3,410,001	3,415,000	3,412,196
1	3,430,001	3,435,000	3,434,141
1	3,435,001	3,440,000	3,436,290
1	3,575,001	3,580,000	3,576,221
1	4,290,001	4,295,000	4,294,092
1	4,475,001	4,480,000	4,477,971
1	4,570,001	4,575,000	4,574,007
1	5,005,001	5,010,000	5,008,681
1	6,020,001	6,025,000	6,021,609
1	6,935,001	6,940,000	6,937,968
1	7,205,001	7,210,000	7,207,710
1	7,355,001	7,360,000	7,358,900
1	13,830,001	13,835,000	13,832,159
1	17,095,001	17,100,000	17,097,070
1	19,435,001	19,440,000	19,436,131
1	30,555,001	30,560,000	30,559,864
1	214,465,001	214,470,000	214,469,810
13,297			576,163,230

categories of shareholding as at december 31, 2020

S. No.	Shareholders Category	No. of Shareholders	No. of Shares	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children	13	16,750,748	2.9073
2	Associated Companies, Undertakings and Related Parties	4	248,507,825	43.1315
3	NIT and ICP	2	572,230	0.0993
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	28	12,140,640	2.1072
5	Insurance Companies	22	36,491,309	6.3335
6	Modarabas and Mutual Funds	97	35,566,164	6.1729
7	Share holders holding 10%	1	214,469,810	37.2238
8	General Public (Individuals)			
	a. local	12,581	120,713,174	20.9512
	b .Foreign	-	-	0.0000
9	Others	550	105,421,140	18.2971
	Total (excluding : share holders holding 10%)	13,297	576,163,230	100.0000

shareholder information

Annual General Meeting

The annual shareholders meeting will be held at 02:30 p.m. on April 26, 2021 at Karachi via videoconferancing.

Shareholders as of April 19, 2021 are encouraged to participate and vote.

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

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

Ownership

On December 31, 2020 there were 13,297 shareholders on record of the Company's ordinary shares.

Circulation of Annual Reports through CD/DVD/USB

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and in continuation with the SRO.787(1)/2014 dated 8th September, 2014, and approved by the Shareholders in the Annual General Meeting of the Company held on April 06, 2017, the Company shall circulate its annual balance sheet, and profit and loss account, auditor's report and directors report etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hardcopy of the Annual Audited Accounts. The standard request form for electronic transmission is available at the Company's website www.engro.com.

Alternatively, members can fill up the Standard Request Forms respectively in the Annexures section at the end of the report.

E-DIVIDEND MANDATE (MANDATORY)

In accordance with the provisions of Section 242 of the Companies Act, 2017, a listed company, is required to pay cash dividend ONLY through electronic mode directly into the bank account designated by the entitled shareholders. Accordingly, the shareholders are requested to provide the information mentioned on an E-Dividend Mandate Form available at the Company's website www.engro.com and send the same to your brokers/the Central Depository Company Ltd. if the shares are held in the electronic form or to the Company's Shares Registrar if the shares are held in paper certificate form.

Quarterly Results

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

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

Change of Address

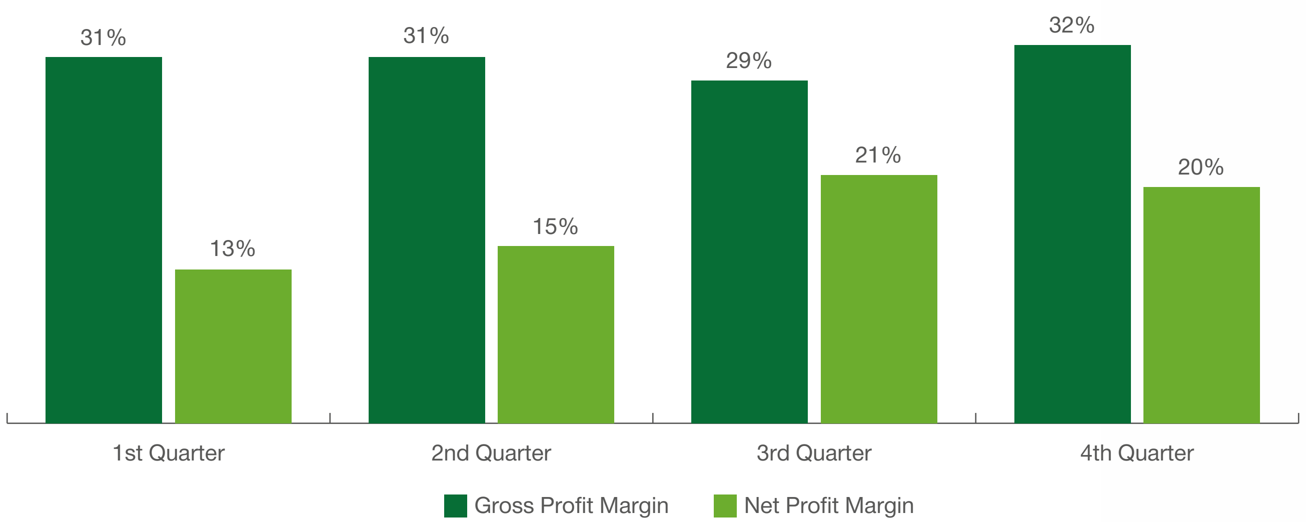
All registered shareholders should send information on changes of address to:

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

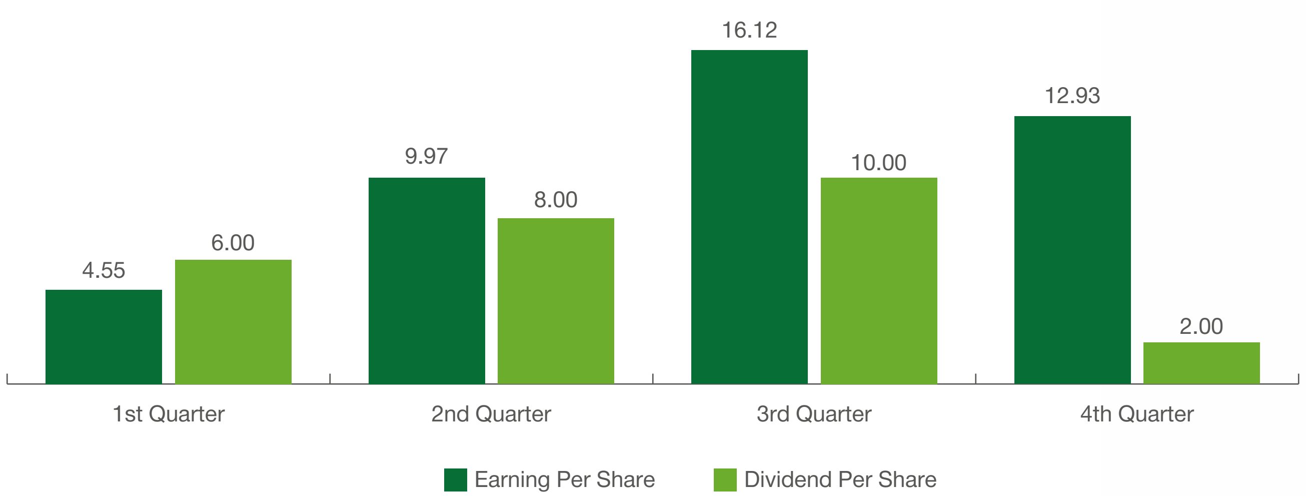
profit and loss quarterly analysis

(Amounts in millions)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
			(Rupees)		
Sales	44,977	62,195	75,333	66,321	248,827
Cost of Sales	(31,257)	(43,026)	(53,512)	(45,021)	(172,817)
Gross Profit	13,720	19,169	21,821	21,300	76,009
Selling and distribution expenses	(1,057)	(2,119)	(2,353)	(2,317)	(7,845)
Administrative expenses	(1,509)	(1,394)	(1,710)	(2,671)	(7,284)
Other Income	3,443	3,576	1,876	8,857	17,753
Other operating expenses	(1,747)	(2,051)	(232)	(3,786)	(7,816)
Finance Cost	(6,066)	(5,199)	(2,678)	(6,530)	(20,473)
Share of Income from Joint Venture and Associates	270	873	804	849	2,796
Profit Before Taxation	7,054	12,855	17,528	15,703	53,140
Tax	(1,114)	(3,267)	(1,984)	(2,664)	(9,029)
Profit After Taxation	5,941	9,588	15,544	13,039	44,112

Quarterly Gross & Net Profit Margin



Earning Vs Dividend Per Share



horizontal analysis
balance sheet

(Amounts In millions)	2020 Rs.	20 Vs. 19 %	2019 Rs.	19 Vs. 18 %	2018 Rs.	18 Vs. 17 %	2017 Rs.	17 Vs. 16 %	2016 Rs.	16 Vs. 15 %	2015 Rs.	15 Vs. 14 %	2014 Rs.
EQUITY AND LIABILITIES													
EQUITY													
Share Capital	5,762	-	5,762	10.0	5,238	-	5,238	-	5,238	-	5,238	-	5,238
Share Premium	13,068	-	13,068	-	13,068	-	13,068	-	13,068	-	13,068	-	13,068
Unappropriated Profits	124,425	9.4	113,729	0.6	113,101	4.2	108,587	(2.2)	111,008	141.9	45,891	35.0	33,997
Reserves	5,161	1.4	5,088	3.7	4,908	7.6	4,563	0.9	4,523	(10.3)	5,044	3.5	4,874
Non-Controlling Interest	71,179	23.6	57,603	16.9	49,272	24.4	39,619	12.4	35,253	114.5	16,431	51.5	10,847
	219,595	12.5	195,249	5.2	185,587	8.5	171,074	1.2	169,091	97.4	85,673	25.9	68,025
NON-CURRENT LIABILITIES													
Borrowings	135,230	(2.4)	138,600	14.4	121,110	54.6	78,351	29.3	60,610	63.8	36,993	(33.2)	55,380
Derivative Financial Instruments	-	-	-	-	-	-	-	(100.0)	2	(87.9)	17	(66.0)	51
Lease liability	50,625	(0.6)	50,941	100.0	-	-	-	-	-	-	-	-	-
Deferred Taxation	14,568	8.7	13,399	59.0	8,428	(21.1)	10,683	18.9	8,983	3.4	8,690	32.5	6,558
Others	17,202	635.4	2,339	800.4	260	15.8	224	14.0	197	22.0	161	(18.4)	198
	217,625	6.0	205,280	58.2	129,799	45.4	89,258	27.9	69,791	52.2	45,862	(26.3)	62,187
CURRENT LIABILITIES													
Current portion of													
Borrowings	22,688	14.3	19,856	92.5	10,316	(16.8)	12,392	(0.9)	12,509	(44.6)	22,589	25.9	17,945
Current maturity of lease liability	4,906	11.3	4,407	100.0	-	-	-	-	-	-	-	-	-
Others	12,423	(57.1)	28,926	25,306.8	114	10.3	103	1.4	102	3.8	98	126.3	43
Trade and Other Payables	88,996	15.4	77,142	33.0	58,014	50.8	38,479	21.7	31,625	(7.1)	34,051	(36.4)	53,498
Accrued Interest / Mark up	1,372	(58.6)	3,316	47.8	2,243	53.5	1,461	28.3	1,138	(14.3)	1,328	(35.8)	2,068
Short-term Borrowings	12,505	(19.4)	15,512	133.6	6,641	(34.2)	10,085	82.2	5,536	(10.4)	6,177	(47.5)	11,765
Others	377	(32.3)	557	26.3	441	(56.2)	1,007	86.0	542	5.4	514	(67.0)	1,556
	143,267	(4.3)	149,716	92.5	77,769	22.4	63,528	23.5	51,451	(20.5)	64,757	(25.5)	86,875
TOTAL EQUITY AND LIABILITIES	580,487	5.5	550,245	40.0	393,155	21.4	323,860	11.5	290,333	47.9	196,292	(9.6)	217,087
ASSETS													
NON-CURRENT ASSETS													
Property, Plant and Equipment	261,957	3.4	253,374	24.0	204,409	29.9	157,355	19.7	131,408	2.3	128,404	(4.5)	134,507
Right of use asset	6,992	44.1	4,851	100.0	-	-	-	-	-	-	-	-	-
Net investment in lease	44,557	(2.2)	45,564	100.0	-	-	-	-	-	-	-	-	-
Long-term Investments	32,045	6.9	29,963	(5.2)	31,590	(1.9)	32,196	(7.2)	34,701	1,012.1	3,120	14.1	2,735
Biological Assets	-	-	-	-	-	-	-	-	-	(100.0)	1,024	19.3	859
Intangible Assets	1,087	13.1	961	202.6	318	25.6	253	13.7	222	(19.7)	277	(6.5)	296
Financial asset at amortised cost	5,161	(12.8)	5,921	100.0	-	-	-	-	-	-	-	-	-
Others	2,191	(38.0)	3,533	(21.1)	4,477	(34.5)	6,834	(34.3)	10,405	112.9	4,888	103.8	2,399
	353,990	2.9	344,168	42.9	240,794	22.5	196,637	11.3	176,736	28.3	137,713	(2.2)	140,796
CURRENT ASSETS													
Store, Spares and Loose Tools	9,069	18.7	7,637	(0.7)	7,688	0.6	7,639	6.9	7,148	(6.9)	7,679	1.7	7,547
Stock-in-Trade	17,938	(9.9)	19,913	15.6	17,228	31.9	13,066	22.1	10,704	(24.0)	14,089	21.8	11,567
Trade Debts	50,617	(2.7)	51,995	179.1	18,629	36.6	13,642	(0.7)	13,733	104.0	6,734	45.9	4,615
Advances, Deposits and Prepayments	3,861	(20.7)	4,868	53.5	3,171	57.5	2,013	44.7	1,390	(7.8)	1,508	(11.7)	1,708
Other Receivables	24,843	8.5	22,897	91.2	11,972	4.8	11,428	16.8	9,783	23.3	7,935	49.2	5,317
Taxes Recoverable	-	-	-	-	-	-	-	(100.0)	212	(91.0)	2,350	(27.8)	3,253
Current portion of net investmnet in lease	3,255	28.0	2,544	100.0	-	-	-	-	-	-	-	-	-
Cash and Bank Balances	23,353	11.8	20,893	75.9	11,881	24.3	9,558	62.0	5,900	43.5	4,112	(66.4)	12,245
Short-term Investments	93,493	26.3	74,004	(9.5)	81,791	17.0	69,879	8.0	64,726	360.7	14,050	(51.5)	28,987
Assets classified as held for sale	67	(94.9)	1,326	100.0	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	(100.0)	122	(88.4)	1,051
	226,496	9.9	206,077	35.3	152,361	19.8	127,223	12.0	113,597	93.9	58,579	(23.2)	76,291
TOTAL ASSETS	580,487	5.5	550,245	40.0	393,155	21.4	323,860	11.5	290,333	47.9	196,292	(9.6)	217,087

vertical analysis
balance sheet

(Amounts In millions)	2020		2019		2018		2017		2016		2015	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
EQUITY AND LIABILITIES												
EQUITY												
Share Capital	5,762	1.0	5,762	1.0	5,238	1.3	5,238	1.6	5,238	1.8	5,238	2.7
Share Premium	13,068	2.3	13,068	2.4	13,068	3.3	13,068	4.0	13,068	4.5	13,068	6.7
Unappropriated Profits	124,425	21.4	113,729	20.7	113,101	28.8	108,587	33.5	111,008	38.2	45,891	23.4
Reserves	5,161	0.9	5,088	0.9	4,908	1.2	4,563	1.4	4,523	1.6	5,044	2.6
Non-Controlling Interest	71,179	12.3	57,603	10.5	49,272	12.5	39,619	12.2	35,253	12.1	16,431	8.4
	219,595	37.8	195,249	35.5	185,587	47.2	171,074	52.8	169,091	58.2	85,673	43.6
NON-CURRENT LIABILITIES												
Borrowings	135,230	23.3	138,600	25.2	121,110	30.8	78,351	24.2	60,610	20.9	36,993	18.8
Derivative Financial Instruments	-	-	-	-	-	-	-	-	2	-	17	-
Lease liability	50,625	8.7	50,941	9.3	-	-	-	-	-	-	-	-
Deferred Taxation	14,568	2.5	13,399	2.4	8,428	2.1	10,683	3.3	8,983	3.1	8,690	4.4
Others	17,202	3.0	2,339	0.4	260	0.1	224	0.1	197	0.1	161	0.1
	217,625	37.5	205,280	37.3	129,799	33.0	89,258	27.6	69,791	24.0	45,862	23.4
CURRENT LIABILITIES												
Current portion of												
Borrowings	22,688	3.9	19,856	3.6	10,316	2.6	12,392	3.8	12,509	4.3	22,589	11.5
Current maturity of lease liability	4,906	0.8	4,407	0.8	-	-	-	-	-	-	-	-
Others	12,423	2.1	28,926	5.3	114	-	103	-	102	-	98	-
Trade and Other Payables	88,996	15.3	77,142	14.0	58,014	14.8	38,479	11.9	31,625	10.9	34,051	17.3
Accrued Interest / Mark up	1,372	0.2	3,316	0.6	2,243	0.6	1,461	0.5	1,138	0.4	1,328	0.7
Short-term Borrowings	12,505	2.2	15,512	2.8	6,641	1.7	10,085	3.1	5,536	1.9	6,177	3.1
Others	377	0.1	557	0.1	441	0.1	1,007	0.3	542	0.2	514	0.3
	143,267	24.7	149,716	27.2	77,769	19.8	63,528	19.6	51,451	17.7	64,757	33.0
TOTAL EQUITY AND LIABILITIES	580,487	100.0	550,245	100.0	393,155	100.0	323,860	100.0	290,333	100.0	196,291	100.0
ASSETS												
NON-CURRENT ASSETS												
Property, Plant and Equipment	261,957	45.1	253,374	46.0	204,409	52.0	157,355	48.6	131,408	45.3	128,404	65.4
Right of use asset	6,992	1.2	4,851	0.9	-	-	-	-	-	-	-	-
Net investment in lease	44,557	7.7	45,564	8.3	-	-	-	-	-	-	-	-
Long-term Investments	32,045	5.5	29,963	5.4	31,590	8.0	32,196	9.9	34,701	12.0	3,120	1.6
Biological Assets	-	-	-	-	-	-	-	-	-	-	1,024	0.5
Intangible Assets	1,087	0.2	961	0.2	318	0.1	253	0.1	222	0.1	277	0.1
Financial asset at amortised cost	5,161	0.9	5,921	1.1	-	-	-	-	-	-	-	-
Others	2,191	0.4	3,533	0.6	4,477	1.1	6,834	2.1	10,405	3.6	4,888	2.5
	353,990	61.0	344,168	62.5	240,794	61.2	196,637	60.7	176,736	60.9	137,713	70.2
CURRENT ASSETS												
Store, Spares and Loose Tools	9,069	1.6	7,637	1.4	7,688	2.0	7,639	2.4	7,148	2.5	7,679	3.9
Stock-in-Trade	17,938	3.1	19,913	3.6	17,228	4.4	13,066	4.0	10,704	3.7	14,089	7.2
Trade Debts	50,617	8.7	51,995	9.4	18,629	4.7	13,642	4.2	13,733	4.7	6,734	3.4
Advances, Deposits and Prepayments	3,861	0.7	4,868	0.9	3,171	0.8	2,013	0.6	1,390	0.5	1,508	0.8
Other Receivables	24,843	4.3	22,897	4.2	11,972	3.0	11,428	3.5	9,783	3.4	7,935	4.0
Taxes Recoverable	-	-	-	-	-	-	-	-	212	0.1	2,350	1.2
Current portion of investment in lease	3,255	0.6	2,544	0.5	-	-	-	-	-	-	-	-
Cash and Bank Balances	23,353	4.0	20,893	3.8	11,881	3.0	9,558	3.0	5,900	2.0	4,112	2.1
Short-term Investments	93,493	16.1	74,004	13.4	81,791	20.8	69,879	21.6	64,726	22.3	14,050	7.2
Assets classified as held for sale	67	-	1,326	0.2	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	122	0.1
	226,496	39.0	206,077	37.5	152,361	38.8	127,223	39.3	113,597	39.1	58,579	29.8
TOTAL ASSETS	580,487	100.0	550,245	100.0	393,155	100.0	323,860	100.0	290,333	100.0	196,291	100.0

horizontal analysis
profit and loss account

(Amounts In millions)	2020 Rs.	20 Vs. 19 %	2019 Rs.	19 Vs. 18 %	2018 Rs.	18 Vs. 17 %	2017 Rs.	17 Vs. 16 %	2016 Rs.	16 Vs. 15 %	2015 Rs.	15 Vs. 14 %	2014 Rs.
Sales	248,818	10.21	225,765	31.59	171,568	33.42	128,593	(18.20)	157,208	(13.46)	181,652	3.24	175,958
Cost of Sales	(172,773)	9.93	(157,167)	30.47	(120,460)	28.44	(93,786)	(22.72)	(121,365)	(10.91)	(136,224)	(2.52)	(139,742)
Gross Profit	76,045	10.85	68,599	34.22	51,108	46.84	34,806	(2.89)	35,843	(21.10)	45,429	25.44	36,217
Selling and Distribution Expenses	(7,845)	(3.19)	(8,103)	(4.54)	(8,488)	8.13	(7,850)	(34.87)	(12,052)	12.04	(10,757)	(0.63)	(10,825)
Administrative Expenses	(7,185)	18.96	(6,040)	34.31	(4,497)	13.71	(3,955)	9.65	(3,607)	(6.23)	(3,846)	(2.98)	(3,964)
	61,015	12.05	54,456	42.84	38,123	65.74	23,002	13.96	20,184	(34.52)	30,826	43.86	21,428
Other Expenses	(7,655)	(6.64)	(8,199)	48.56	(5,519)	129.84	(2,401)	2.24	(2,349)	(27.22)	(3,227)	26.90	(2,543)
Other Income	17,738	30.01	13,643	49.15	9,147	(12.79)	10,489	(84.76)	68,838	1,130.99	5,592	50.36	3,719
Operating Profit	71,098	18.70	59,900	43.47	41,752	34.30	31,089	(64.13)	86,674	161.14	33,191	46.84	22,604
Finance Cost	(20,473)	38.80	(14,750)	170.49	(5,453)	6.29	(5,131)	(15.03)	(6,038)	(28.34)	(8,425)	(31.75)	(12,344)
Share of Income from Joint Venture and Associates	2,796	143.55	1,148	792.36	129	(91.21)	1,463	14.89	1,273	24.98	1,019	40.93	723
Net Profit Before Taxation	53,421	15.39	46,297	27.10	36,427	32.84	27,422	(66.52)	81,909	217.67	25,785	134.77	10,983
Provision for Taxation	(9,030)	(42.52)	(15,710)	22.78	(12,795)	14.94	(11,132)	33.94	(8,311)	(2.41)	(8,516)	167.65	(3,182)
Loss from Discontinued Operations	(279)	(6.81)	(300)	(100.00)	-	-	-	-	-	-	-	-	-
Net Profit After Taxation	44,112	45.64	30,288	28.17	23,632	45.07	16,290	(77.87)	73,598	326.21	17,268	121.36	7,801
Non-Controlling Interest	19,011	38.21	13,755	25.92	10,924	58.72	6,883	53.26	4,491	28.91	3,484	338.75	794
Profit attributable to Owners of the Holding Company	25,100	51.82	16,533	30.10	12,708	35.08	9,407	(86.39)	69,107	401.34	13,784	96.73	7,007

vertical analysis
profit and loss account

(Amounts In millions)	2020		2019		2018		2017		2016		2015	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Sales	248,818	100.00	225,765	100.00	171,568	100.00	128,593	100.00	157,208	100.00	181,652	100.00
Cost of Sales	(172,773)	(69.44)	(157,167)	(69.62)	(120,460)	(70.21)	(93,786)	(72.93)	(121,365)	(77.20)	(136,224)	(74.99)
Gross Profit	76,045	30.56	68,599	30.38	51,108	29.79	34,806	27.07	35,843	22.80	45,429	25.01
Selling and Distribution Expenses	(7,845)	(3.19)	(8,103)	(4.54)	(8,488)	8.13	(7,850)	(34.87)	(12,052)	12.04	(10,757)	(0.63)
Administrative Expenses	(7,185)	(2.89)	(6,040)	(2.68)	(4,497)	(2.62)	(3,955)	(3.08)	(3,607)	(2.29)	(3,846)	(2.12)
	61,015	35.56	54,456	24.12	38,123	22.22	23,002	17.89	20,184	12.84	30,826	16.97
Other Expenses	(7,655)	(3.08)	(8,199)	(3.63)	(5,519)	(3.22)	(2,401)	(1.87)	(2,349)	(1.49)	(3,227)	(1.78)
Other Income	17,738	7.13	13,643	6.04	9,147	5.33	10,489	8.16	68,838	43.79	5,592	3.08
Operating Profit	71,098	28.57	59,900	26.53	41,752	24.34	31,089	24.18	86,674	55.13	33,191	18.27
Finance Cost	(20,473)	(8.23)	(14,750)	(6.53)	(5,453)	(3.18)	(5,131)	(3.99)	(6,038)	(3.84)	(8,425)	(4.64)
Share of Income from Joint Venture and Associates	2,796	1.12	1,148	0.51	129	0.07	1,463	1.14	1,273	0.81	1,019	0.56
Net Profit Before Taxation	53,421	21.47	46,297	20.51	36,427	21.23	27,422	21.32	81,909	52.10	25,785	14.19
Provision for Taxation	(9,030)	(3.63)	(15,710)	(6.96)	(12,795)	(7.46)	(11,132)	(8.66)	(8,311)	(5.29)	(8,516)	(4.69)
Loss from Discontinued Operations	(279)	(0.11)	(300)	(0.13)	-	-	-	-	-	-	-	-
Net Profit After Taxation	44,112	17.73	30,288	13.42	23,632	13.77	16,290	12.67	73,598	46.82	17,268	9.51
Non-Controlling Interest	19,012	7.64	13,755	6.09	10,924	6.37	6,883	5.35	4,491	2.86	3,484	1.92
Profit attributable to Owners of the Holding Company	25,100	10.09	16,533	7.32	12,708	7.41	9,407	7.32	69,107	43.96	13,784	7.59

six years summary

(Amounts In millions)		2020	2019	2018	2017	2016	2015
		-------------------(Rupees)-------------------					
Summary of Balance Sheet							
Shareholders' Funds / Equity		219,595	195,249	185,587	171,074	169,091	85,673
Long-term Borrowings		157,918	158,456	131,426	90,743	73,118	59,583
Lease Liabilities - IFRS 16		55,531	55,348	-	-	-	-
Capital Employed		377,513	353,705	317,014	261,818	242,209	145,255
Property, Plant & Equipment		261,957	253,374	204,409	157,355	131,408	128,404
Net Current Assets / Working Capital		110,823	80,625	84,908	76,087	74,654	16,411
Summary of Profit and Loss							
Sales		248,818	225,765	171,568	128,593	157,208	181,652
Gross Profit		76,045	68,599	51,108	34,806	35,843	45,429
EBITDA		85,246	71,263	49,379	38,602	95,959	42,731
Profit After Tax		44,112	30,288	23,632	16,290	73,598	17,268
Summary of Cash Flows							
Net Cash Flow from Operating Activities		63,392	38,866	28,940	21,120	4,070	5,966
Net Cash Flow from Investing Activities		(7,323)	(78,262)	(12,397)	(9,008)	(17,019)	25,102
Net Cash Flow from Financing Activities		(31,774)	(4,632)	14,213	3,186	30,192	(28,300)
Summary of Actual Production							
		-------------------(Units)-------------------					
Urea	Metric Tons	2,263,806	2,003,035	1,928,080	1,806,977	1,881,016	1,964,034
NPK	Metric Tons	127,082	134,784	132,790	109,059	94,610	126,074
PVC Resin	Metric Tons	153,000	197,000	202,000	187,000	172,000	162,000
EDC	Metric Tons	79,000	110,000	107,000	107,000	106,000	100,000
Caustic Soda	Metric Tons	77,000	105,000	105,000	105,000	103,000	98,000
Caustic Flakes	Metric Tons	2,000	4,000	-	-	-	-
VCM	Metric Tons	148,000	184,000	195,000	180,000	174,000	162,000
Power	Mega Watt Hours	4,582,884	3,097,604	1,526,309	1,737,394	1,264,667	1,424,015
Dairy and Juices	Liters in '000	314,979	328,627	281,903	320,344	482,958	552,532
Drying Unit of Rice Processing Plant	Metric Tons	132,115	93,689	77,008	59,371	28,474	45,982
Ice Cream	Liters in '000	18,157	21,392	18,254	17,467	19,518	19,364

financial ratios

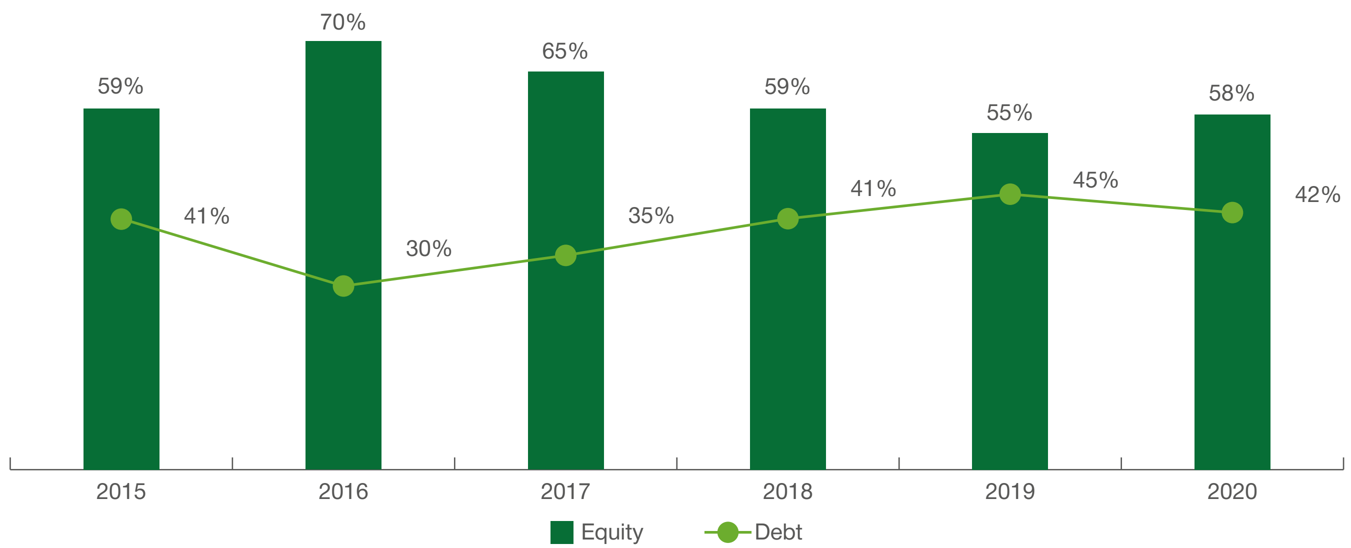
	2020	2019	2018	2017	2016	2015
Profitability Ratios:						
Gross Profit Ratio	31%	30%	30%	27%	23%	25%
Net Profit to Sales	18%	14%	14%	13%	47%	10%
EBITDA Margin to Sales	34%	32%	29%	30%	61%	24%
Operating Leverage Ratio	2.06	1.45	0.86	3.46	(11.67)	14.42
Return on Equity	18%	12%	9%	7%	68%	22%
Return on Capital Employed	19%	18%	14%	13%	44%	22%
Liquidity Ratios:						
Current Ratio	1.58	1.38	1.96	2.00	2.21	0.90
Quick / Acid Test Ratio	1.39	1.19	1.64	1.68	1.86	0.57
Cash and Cash Equivalent to Current Liabilities	0.45	0.27	1.01	0.85	0.64	0.25
Cash Flow from Operations to Sales	0.25	0.17	0.17	0.16	0.03	0.03
Activity / Turnover Ratios:						
Total Assets Turnover Ratio	0.44	0.48	0.48	0.42	0.65	0.88
Fixed Assets Turnover Ratio	0.97	0.99	0.95	0.89	1.21	1.38
No. of Days Inventory	40	43	46	46	37	34
No. of Days in Receivables	75	57	34	39	24	11
No. of Days in Payables	170	145	131	23	14	117
Operating cycle	(55)	(45)	(51)	62	47	(72)
Investment / Market Ratios:						
Earnings per Share (Restated)	43.57	28.69	22.06	16.33	119.94	23.92
Price Earnings Ratio	7.06	12.03	13.20	16.83	2.64	11.68
Price to Book Ratio	1.24	0.98	1.11	1.08	0.93	0.53
Dividend Yield Ratio	7%	9%	8%	7%	9%	8%
Dividend Payout Ratio	57%	87%	95%	129%	20%	75%
Dividend Cover Ratio	1.74	1.15	1.05	0.78	5.00	1.33
Cash Dividend per Share	25.00	25.00	21.00	21.00	24.00	18.00
Market Value per Share at the end of the year; and	307.36	345.25	291.08	274.75	316.09	279.39
- High during the year	366.00	351.54	350.22	399.16	349.86	344.70
- Low during the year	237.65	226.14	280.30	253.43	255.60	222.10
Breakup value per share	381.13	338.88	322.11	296.92	293.48	148.70
Capital Structure Ratios:						
Financial Leverage Ratio	0.78	0.89	0.74	0.59	0.47	0.77
Weighted Average Cost of Debt	12%	9%	5%	6%	8%	11%
Debt to Equity Ratio - Book Value	0.72	0.81	0.71	0.53	0.43	0.70
Debt to Equity Ratio - Market Value	0.89	0.80	0.86	0.63	0.44	0.41
Interest Cover Ratio	3.61	4.14	7.68	6.34	14.57	4.06

financial analysis and graphical presentation of consolidated statement of financial position

Shareholders' Equity

Share Capital has increased from Rs. 5,238 to Rs. 5,762 in 2019 due to issuance of bonus shares in 2019 with the ratio of 1 share for every 10 shares held. Reserves have increased significantly due to better profitability, Energy projects coming online in mid 2019 and divestment of FrieslandCampina Engro Pakistan Limited (formerly Engro Foods Limited) holding from 87.07% to 39.9% in 2016.

Debt / Equity

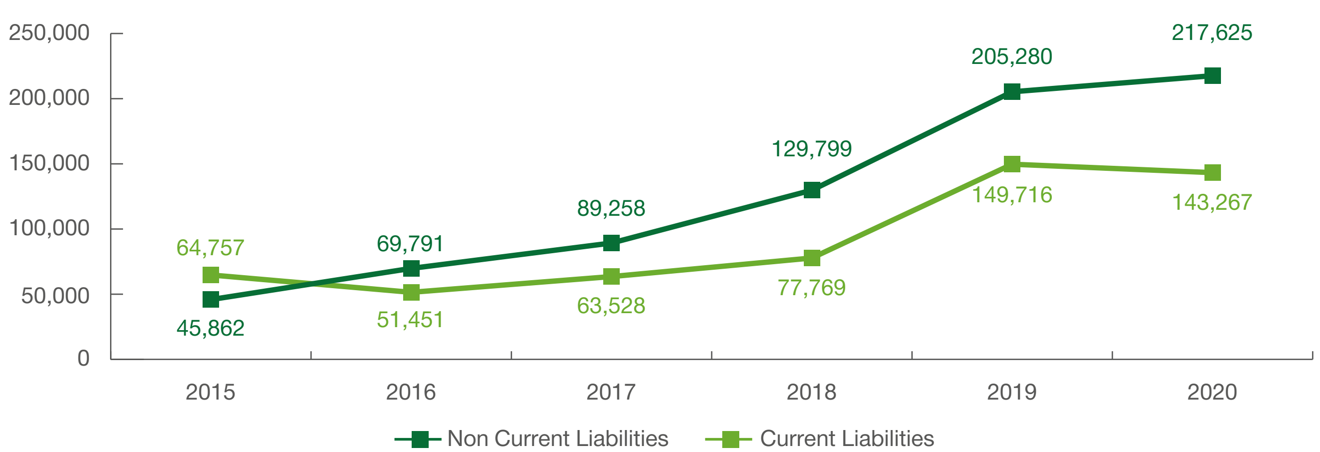


Non-Current Liabilities

Non-current liabilities majorly comprise of Long-Term borrowings from Financial Institutions, Deferred Taxation and Deferred Liabilities. Borrowings have increased from Rs. 36,993 million to Rs. 135,230 million in last 6 years which is due to financing requirements for expansion in Power & Mining and Polymer businesses. Deferred tax liability has increased from Rs. 8,690 million in 2015 to Rs. 14,568 million in 2020. Deferred tax liability as at December 31, 2020 is mainly represented by temporary differences due to accelerated depreciation allowance.

Liabilities have increased by 6% vs. last year. Increase in current year is due to reclassification of long term portion of provision against GIDC from current liabilities to non-current liabilities of Rs. 14,488 million. Further in 2019, IFRS-16 was adopted under which lease liability of Rs. 50,941 million was booked against Right of Use Assets.

Non-current & Current Liabilities (In Millions)



Current Liabilities

Liabilities have reduced by 4% vs. last year which is mainly due to the reclassification of long term portion of GIDC Provision from current liabilities to non-current liabilities of Rs. 14,488 million. Trade and other payables has increased by 15% due to increase in advances from customers.

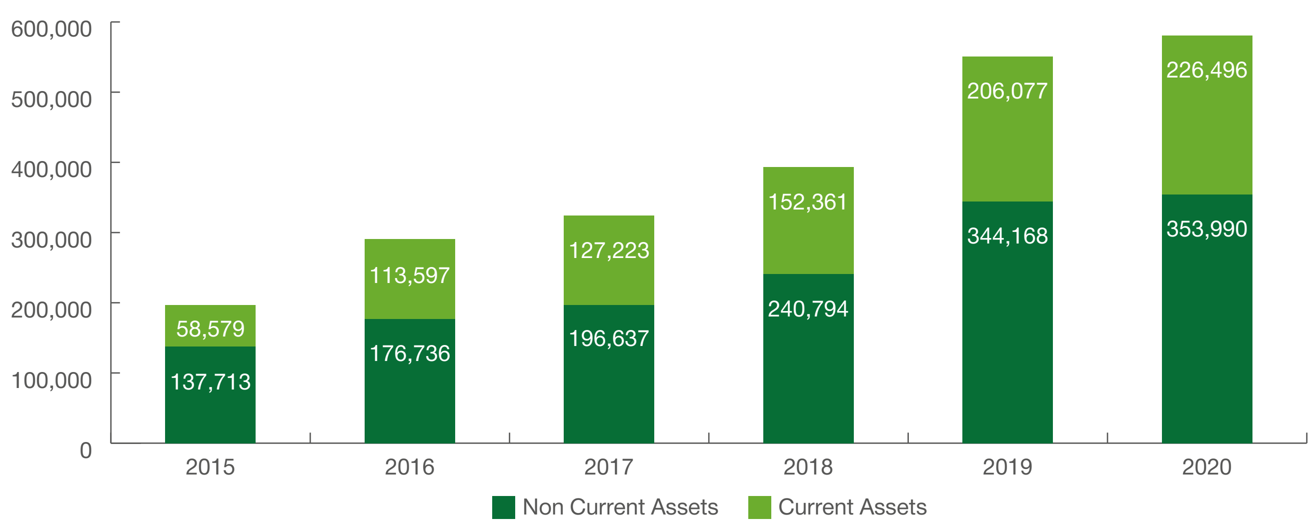
Current liabilities have increased from Rs. 64,757 to Rs. 143,267 in 6 years owing to an increase in trade and other payables by Rs. 54,945 million. Trade and other payables as at December 31, 2020 mainly comprise of payable to SECMC against purchase of coal and increase in advances from customers. In 6 years, short term borrowings increased by Rs. 6,328 million to provide liquidity to energy segments' new projects. Lease liability was recorded in 2019 due to application of IFRS-16 and current portion amounts to Rs. 4,906 million as at December 31,2020.

Non-Current Assets

Non-current assets have increased by 3% compared to last year which pertains to expansion in Polymer and Enfrashare businesses. Furthermore, right of use assets were recognised against lease agreements entered by Enfrashare with landlords in respect of tenanted sites.

Non-current assets increased from Rs. 137,713 million to Rs. 353,990 million in last 6 years which consist of an increase in PPE by Rs. 133,553 million (mainly capitalization of Thar Power Project), increase in Net Investment in Lease by Rs. 44,557 million (sub-letting of FSRU in Elengy) and an increase in Long Term Investment by Rs. 28,925 million (impact of change in ownership status of FrieslandCampina Engro Pakistan Limited (formerly Engro Foods Limited) from subsidiary to associate in 2016)

Current & Non-current Assets (Amount In Millions)



Current Assets

Current assets increased by 10% compared to last year mainly due to increase in short term investment by Rs. 19,489 million in Fertilizer.

Increase in current assets from Rs. 58,579 million to Rs. 226,496 million in last 6 years includes increase in Short term Investment of Rs. 79,443 million (receipts from divestment in FrieslandCampina Engro Pakistan Limited (formerly Engro Foods Limited)), increase in Trade Debts by Rs. 43,883 million (increase in Energy related receivables) and other receivables by Rs. 16,908 million (includes subsidy receivable from GoP, sales tax receivable and delayed payment interest receivable in energy business)

financial analysis and graphical presentation of consolidated statement of profit or loss

Revenue

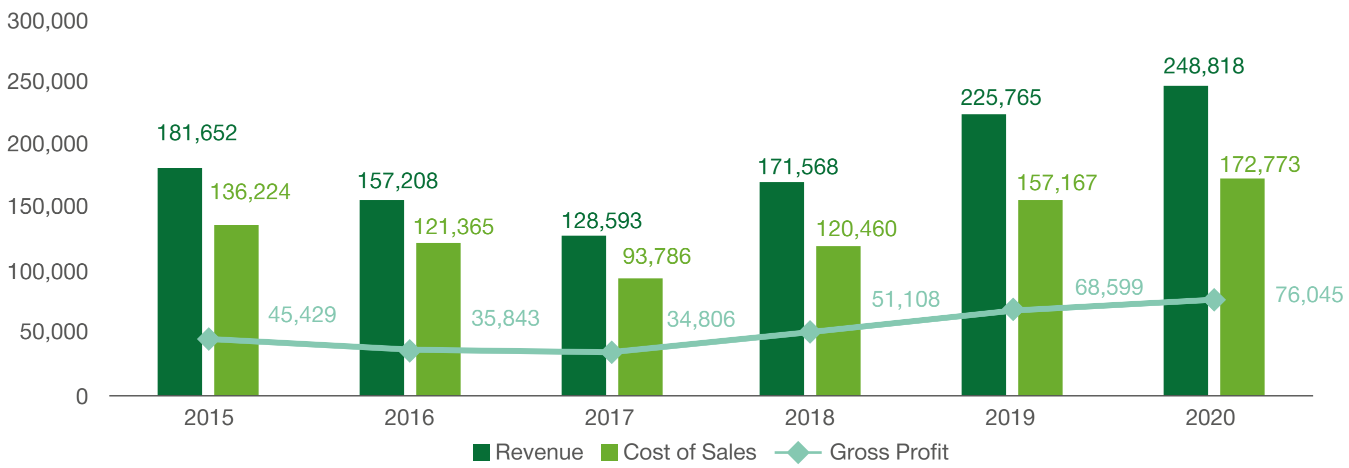
Revenue has increased by 10% (CY: Rs. 248,818 million vs. LY: Rs. 225,765 million). The main contributor to increase in the revenue is Energy segment in which the Thar power plant commenced operations from July 2019.

Considering the 6 years trend, the consolidated revenue has an increasing trend from 2018 and onwards mainly contributed by Fertilizer segment (achieved highest ever revenue then in 2018) and Power & Mining segment (Thar power project started contributing in the consolidated revenue from 2019). The downward revenue trend from 2016 to 2017 is due to the divestment in FrieslandCampina Engro Pakistan Limited (formerly Engro Foods Limited), from 87.07% to 39.9% in 2016.

Cost of Revenue

Cost of revenue has increased by 10% (CY: Rs. 172,773 million vs LY: Rs. 157,167 million). Cost trend of last 6 years is in line with the variation in revenue.

Gross Profit Analysis (In Millions)

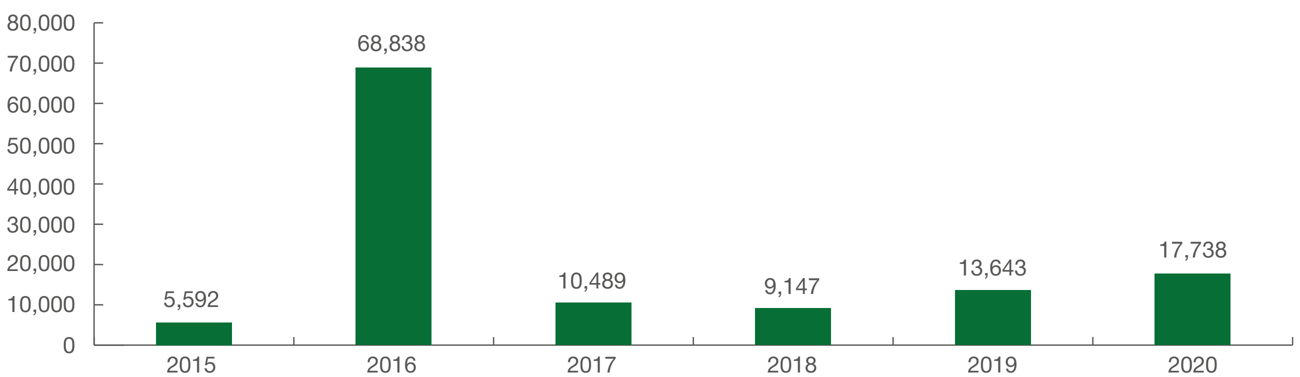


Other Income

Income has increased by 30% vs. LY which is mainly due to remeasurement gain on GIDC of Rs. 2,905 million and increase in delayed payment charges on overdue receivables of Rs. 2,023 million.

Over the period of 6 years, income has increased mainly due to subsidy from GoP and delayed payment charges on overdue receivables. In 2016, the income has increased significantly due to the gain on sale of shares of FrieslandCampina Engro Pakistan Limited (formerly Engro Foods Limited)

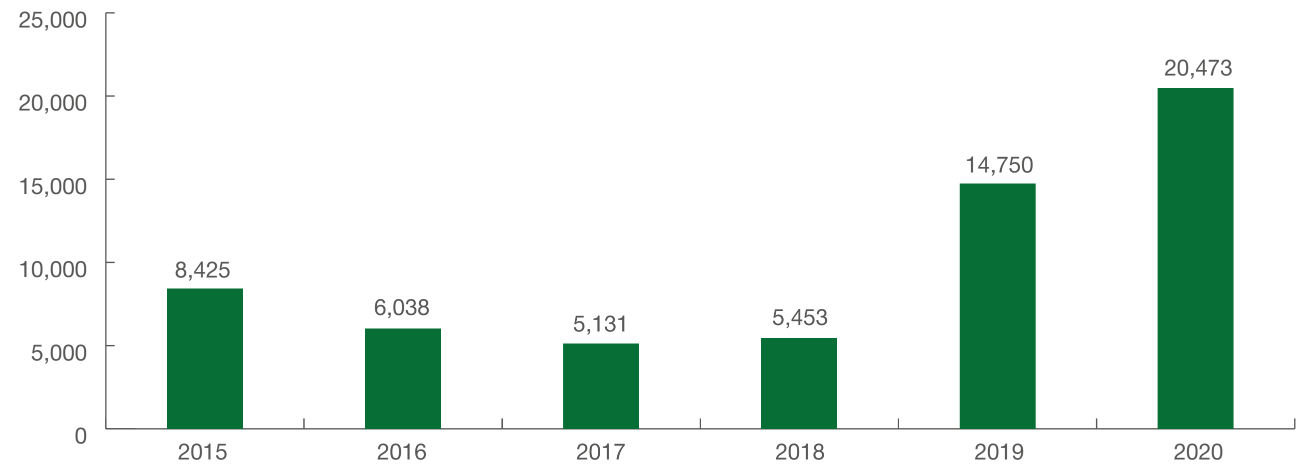
Other Income



Finance Cost

Finance cost of the group has increased significantly from 2018 due to increased borrowings in Polymer and Energy segment to fund new projects. Thar power plant commenced operations in July 2019 and borrowing cost is accordingly expensed in profit or loss statement.

Finance Cost

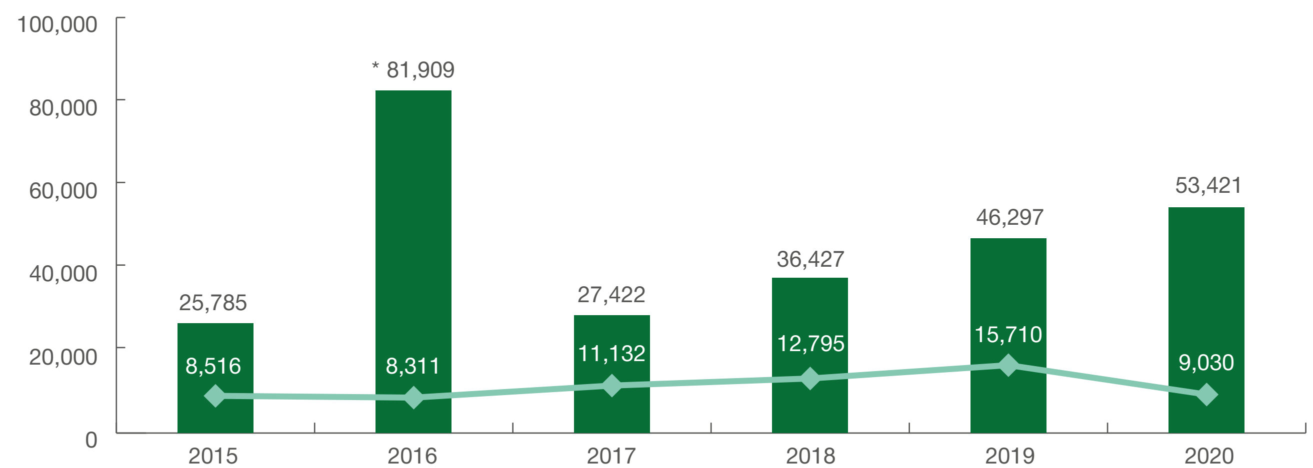


Taxation

Tax expense has reduced by 43% vs. LY due to reduced PBT of Fertilizer, one-off tax reversals booked in 2020 and tax exemption on intercorporate dividend for Engro Corporation.

6 years trend shows steady increase in tax due to increase in profitability of the group

PBT Vs Tax Expense



** This includes capital gain on partial divestment of FrieslandCampina Engro Pakistan Limited (formerly known as Engro Foods Limited) & Engro Fertilizers Limited which was tax exempt.*

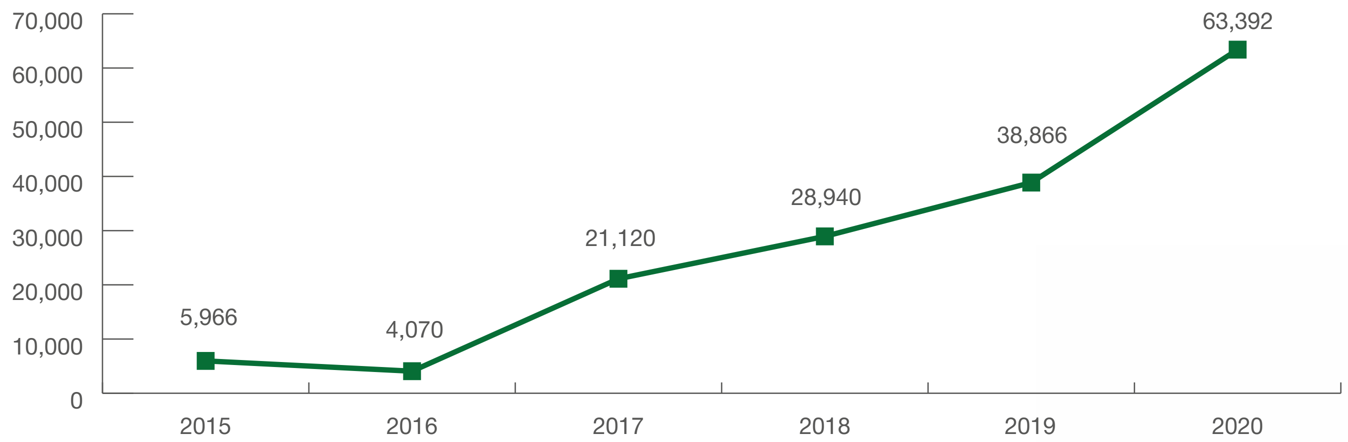
financial analysis and graphical presentation of consolidated statement of cashflow

Cash Flow from Operating Activities

Cash inflows from operations has increased by 63% (CY: Rs. 63,392 million vs. LY: Rs. 38,866 million). This mainly pertains to higher collections in current year in Fertilizer business with net increase in working capital of Rs. 25,413 million. Taxes paid have also decreased by Rs. 8,111 million vs LY as in 2019 taxes were paid against settlement of old cases with tax authorities by the group companies.

The cashflow from operations in last 6 years has significantly increased mainly due to increase in profitability of Fertilizer segment, turnaround of Polymer business and Energy projects coming online from July 2019.

Net Cash Flow from Operating Activities

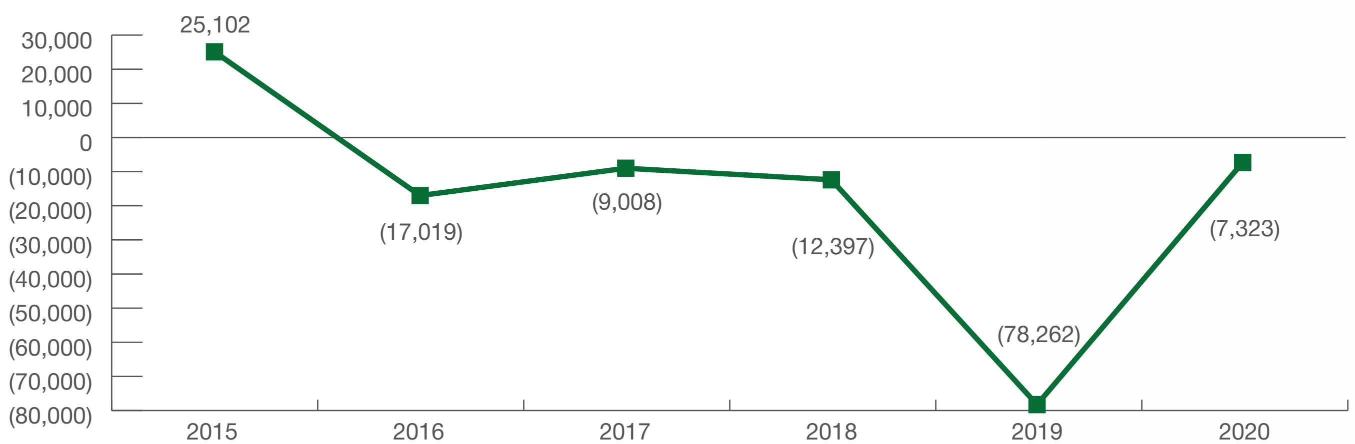


Cash Flow from Investing Activities

Net cash outflow from investing activities has considerably reduced by 91% vs. LY. This is mainly due to capital expenditure on Energy projects and Polymer business in 2019 along with higher investment in fixed income securities against the receipts from trade debts during 2019.

Over the last 6 years, the group has mainly spent on the Energy & Polymer segments.

Net Cash Flow from Investing Activities

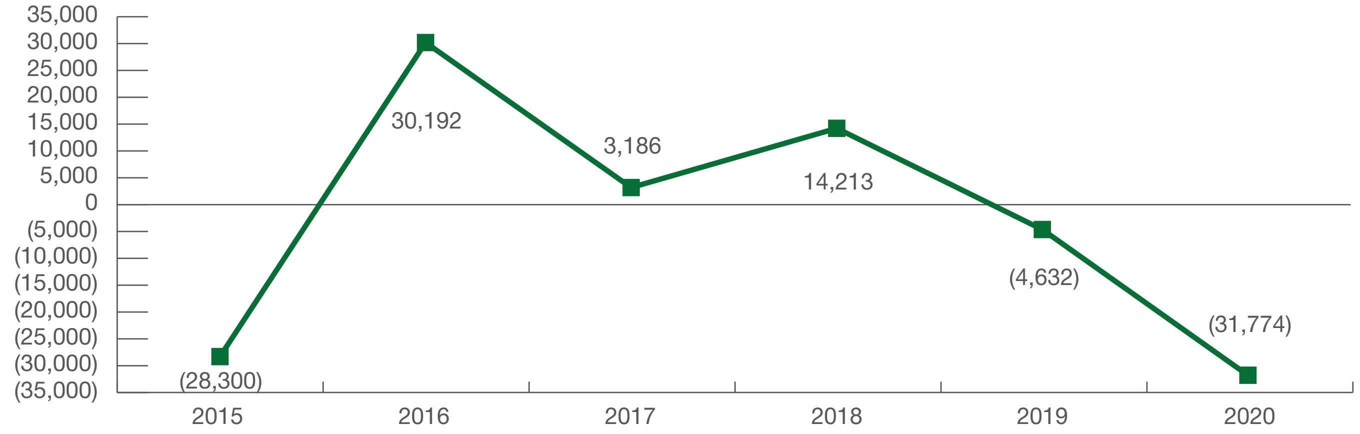


Cash Flow from Financing Activities

Net cash outflow from financing activities has increased by Rs. 27,142 million (CY:Rs. -31,774 vs LY: Rs. -4,632). This is mainly due to net inflow from borrowing of Rs. 21,952 million in 2019 to fund the new projects versus current year net outflow of Rs. 3,015 million.

The group has raised loans to fund its new projects and operations from 2016 to 2019. Major Increase in inflows in 2016 is as a result of proceeds from divestment in holding percentage of subsidiary companies.

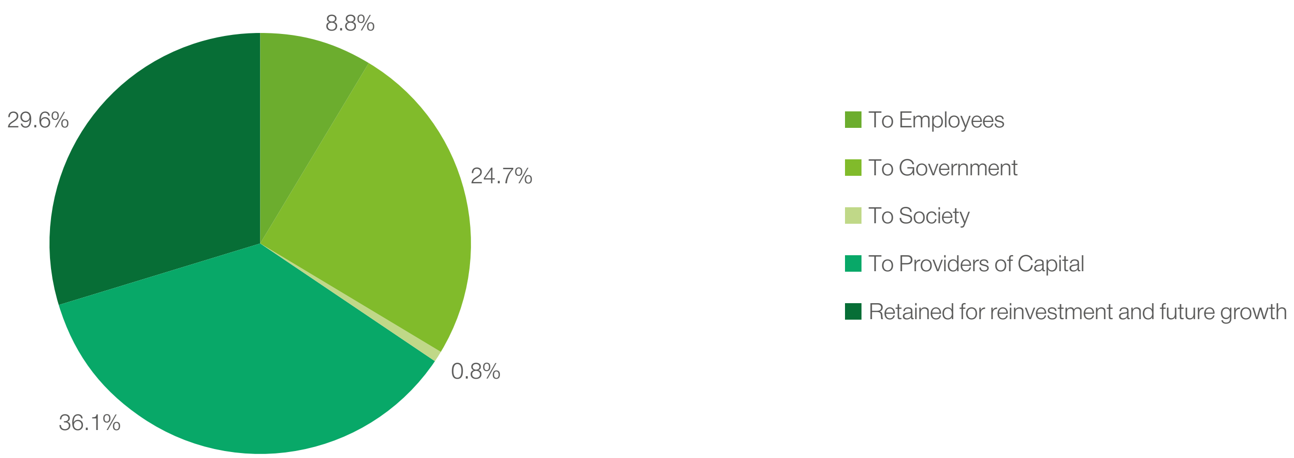
Net Cash Flow from Financing Activities



statement of value addition and distribution

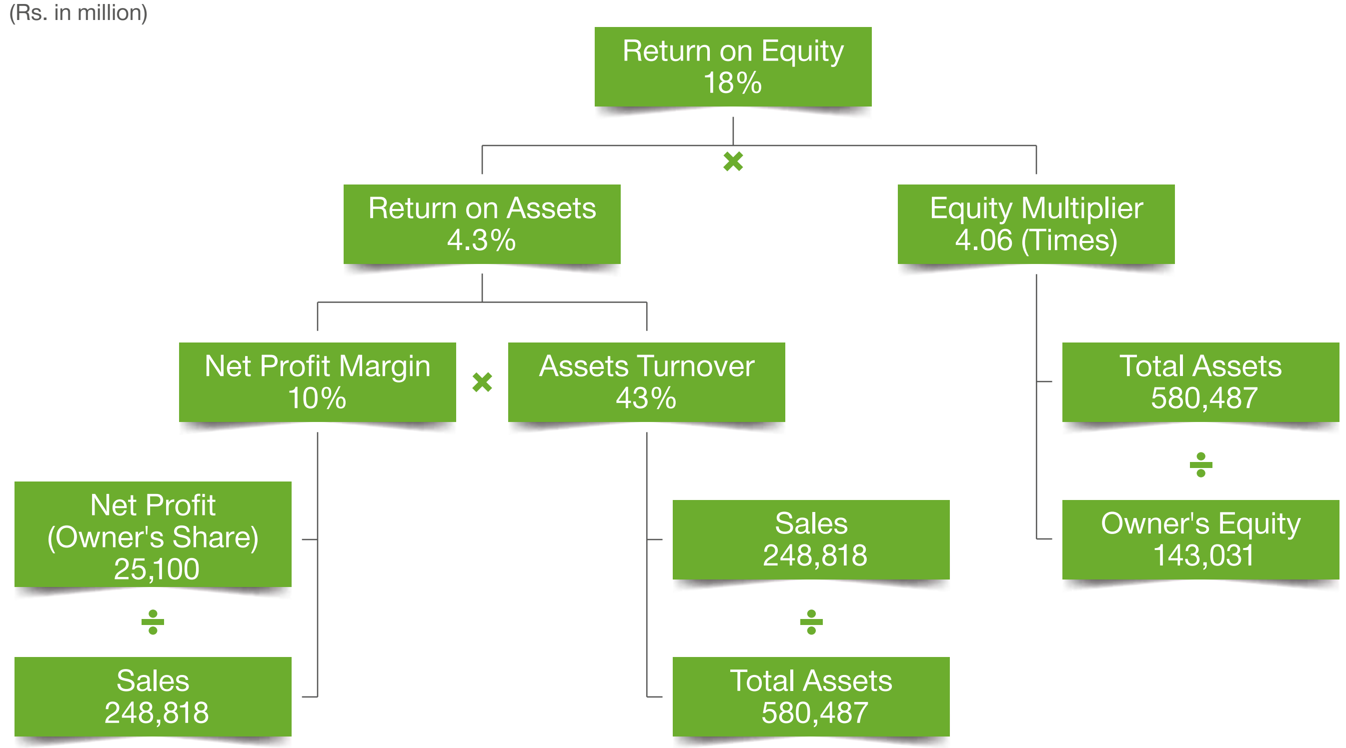
(Rs. in million)

	2020		2019	
	Rs.	%	Rs.	%
Wealth Generated				
Total revenue inclusive of sales tax and other income	284,580		255,899	
Bought-in-material and services	(164,719)		(146,551)	
	119,861		109,348	
Wealth Distributed				
To Employees				
Salaries, benefits and other costs	10,517	8.8%	9,835	9.0%
To Government				
Taxes, duties and development surcharge	29,640	24.7%	42,354	38.7%
To Society				
Donation towards education, health, environment and natural disaster	972	0.8%	749	0.7%
To Providers of Capital				
Dividend to shareholders	22,821	19.0%	23,615	21.6%
Mark-up/interest expense on borrowed money	20,473	17.1%	14,750	13.5%
Retained for reinvestment and future growth				
Depreciation, amortization and retained profit	35,438	29.6%	18,043	16.5%
	119,861		109,348	



dupont analysis

(Rs. in million)



investor relations

Financial Calender

Financial Year ended 31 December 2020	
23 April 2020	Announcement of first quarter results
19 August 2020	Announcement of second quarter results
23 October 2020	Announcement of third quarter results
18 Februrary 2021	Announcement of fourth quarter results
26 April 2021	55th Annual General Meeting

Financial Year ending 31 December 2021*	
22 April 2021	Announcement of first quarter results
24 August 2021	Announcement of second quarter results
25 October 2021	Announcement of third quarter results
18 Februrary 2022	Announcement of fourth quarter results

*Tentative dates subject to change

Trading Performance During the Financial Period	2020	2019	2018
Opening price	345.25	291.08	274.75
Closing price	307.36	345.25	291.08
Highest closing price	366.00	351.54	350.22
Lowest closing price	237.65	226.14	280.3
Average daily volume traded (million shares)	0.73	0.62	0.82

Total Shareholder Return*	
1-year period (01 January 2020 to 31 December 2020)	-3.4%
3-year period (01 January 2018 to 31 December 2020)	50.7%
5-year period (01 January 2016 to 31 December 2020)	64.3%

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

Investor Relations Enquiry:

investor.relations@engro.com
Source: psx.com.pk

standalone accounts

- Auditors' Report to the Members
- Standalone Financials

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independent auditor's report to the members of engro corporation limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Engro Corporation Limited (the Company), which comprise the statement of financial position as at December 31, 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following is the key audit matters:

S.No.	Key audit matter	How the matter was addressed in our audit
1.	Income tax matters (Refer notes 18.1.7 and 25 to the financial statements) The Company has recognized provisions and has disclosed contingent liabilities in respect of certain income tax matters, which are pending adjudication before various appellate and legal forums. Provisions and contingencies require management of the Company to make judgements and estimates in relation to the interpretation of laws, statutory rules, regulations, and the probability of outcome and financial impact, if any, on the Company in respect of such provisions and contingencies.	Our audit procedures amongst others included the following: · obtained and examined details of the documentation relating to pending tax matters and discussed the same with the Company's management; · circularized confirmations to the Company's external legal and tax advisors for their views on matters being handled by them;

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

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S.No.	Key audit matter	How the matter was addressed in our audit
	Due to significance of amounts involved, inherent uncertainties with respect to the outcome of these matters and use of significant management judgement and estimates to assess the same including related financial impacts, we have considered provisions and contingent liabilities relating to income tax as a key audit matter.	· involved internal tax professionals to assess management's conclusions on contingent tax matters and evaluated the consistency of such conclusions with the views of management and external advisors engaged by the Company; · checked correspondence of the Company with the relevant tax authorities including judgments or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved; · checked mathematical accuracy of the calculations underlying the provisions, if any; and · assessed the adequacy of the related disclosures made in the financial statements with respect to the applicable accounting and reporting standards.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional scepticism 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

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risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

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

b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

The engagement partner on the audit resulting in this independent auditor's report is Salman Hussain.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Date: April 2, 2021

statement of financial position as at december 31, 2020

(Amounts in thousand)	Note	2020	2019
		----------------(Rupees)----------------	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	571,384	399,724
Right-of-use assets	5	515,010	919,857
Intangible assets	6	96,810	110,165
Long term investments	7	26,179,044	26,437,079
Long term loans and advances	8	437,552	412,253
Deferred taxation	9	19,518	14,344
		27,819,318	28,293,422
Current Assets			
Loans, advances and prepayments	10	16,561,022	4,466,701
Receivables	11	4,068,276	654,797
Short term investments	12	47,840,010	57,266,555
Cash and bank balances	13	697,064	3,484,311
		69,166,372	65,872,364
TOTAL ASSETS		96,985,690	94,165,786
Equity & Liabilities			
Equity			
Share capital	14	5,761,633	5,761,633
Share premium		13,068,232	13,068,232
General reserve		4,429,240	4,429,240
Remeasurement of post employment benefits - Actuarial loss		(16,375)	(23,137)
Unappropriated profit		63,758,171	61,860,773
Total Equity		87,000,901	85,096,741
LIABILITIES			
Non-Current Liabilities			
Retirement and other service benefit obligations		31,133	50,076
Lease liabilities		357,700	753,626
		388,833	803,702
Current Liabilities			
Trade and other payables	15	4,285,669	2,075,420
Current portion of lease liabilities		272,291	275,227
Taxes payable	25.1	4,769,343	5,623,103
Unclaimed dividends	17	268,653	291,593
		9,595,956	8,265,343
Total Liabilities		9,984,789	9,069,045
Contingencies and Commitments	18		
TOTAL EQUITY & LIABILITIES		96,985,690	94,165,786

The annexed notes from 1 to 38 form an integral part of these financial statements.

Abdul Samad Dawood	Mazhar Abbas Hasnani	Ghias Khan
Vice Chairman	Chief Financial Officer	President and Chief Executive

statement of profit or loss and other comprehensive income for the year ended december 31, 2020

(Amounts in thousand except for earnings per share)	Note	2020	2019
		----------------(Rupees)----------------	
Dividend income	19	13,909,629	12,983,285
Royalty income	20	1,090,516	1,169,880
		15,000,145	14,153,165
Administrative expenses	21	(2,443,199)	(2,673,739)
		12,556,946	11,479,426
Other income	22	7,049,647	7,739,298
Other operating expenses	23	(2,435,426)	(2,294,544)
Operating profit		17,171,167	16,924,180
Finance cost	24	(62,359)	(155,659)
Profit before taxation		17,108,808	16,768,521
Taxation	25	(807,330)	(2,465,203)
Profit for the year		16,301,478	14,303,318
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
- Remeasurement of retirement benefit obligation - Actuarial gain / (loss) (net of tax)	28.2.7	6,762	(10,416)
Total comprehensive income for the year		16,308,240	14,292,902
		----------------(Rupees)----------------	
Earnings per share - basic and diluted	26	28.29	24.83

The annexed notes from 1 to 38 form an integral part of these financial statements.

Abdul Samad Dawood	Mazhar Abbas Hasnani	Ghias Khan
Vice Chairman	Chief Financial Officer	President and Chief Executive

statement of changes in equity
for the year ended december 31, 2020

(Amounts in thousand)

	Share capital	Reserves – Capital – Share premium	Reserves – Revenue – General reserve	Reserves – Revenue – Remeasurement of post employment benefits - Actuarial loss	Reserves – Revenue – Unappropriated profit	Total
	-----------------------	-----------------------	-----------------------(Rupees)	-----------------------	-----------------------	-----------------------
Balance as at January 1, 2019	5,237,848	13,068,232	4,429,240	(12,721)	62,380,565	85,103,164
Profit for the year	-	-	-	-	14,303,318	14,303,318
Other comprehensive loss	-	-	-	(10,416)	-	(10,416)
	-	-	-	(10,416)	14,303,318	14,292,902
Transactions with owners						
Final cash dividend for the year ended December 31, 2018 @ Rs. 2.00 per share	-	-	-	-	(1,047,570)	(1,047,570)
Bonus shares issued during the year in the ratio of 1 share for every 10 shares held	523,785	-	-	-	(523,785)	-
Interim cash dividends for the year ended December 31, 2019 :						
- 1st interim @ Rs.7.00 per share	-	-	-	-	(4,033,143)	(4,033,143)
- 2nd interim @ Rs.8.00 per share	-	-	-	-	(4,609,306)	(4,609,306)
- 3rd interim @ Rs.8.00 per share	-	-	-	-	(4,609,306)	(4,609,306)
	523,785	-	-	-	(14,823,110)	(14,299,325)
Balance as at December 31, 2019	5,761,633	13,068,232	4,429,240	(23,137)	61,860,773	85,096,741
Profit for the year	-	-	-	-	16,301,478	16,301,478
Other comprehensive Income	-	-	-	6,762	-	6,762
	-	-	-	6,762	16,301,478	16,308,240
Transactions with owners						
Final cash dividend for the year ended December 31, 2019 @ Rs. 1.00 per share	-	-	-	-	(576,163)	(576,163)
Interim cash dividends for the year ended December 31, 2020 :						
- 1st interim @ Rs.6.00 per share	-	-	-	-	(3,456,979)	(3,456,979)
- 2nd interim @ Rs.8.00 per share	-	-	-	-	(4,609,306)	(4,609,306)
- 3rd interim @ Rs.10.00 per share	-	-	-	-	(5,761,632)	(5,761,632)
	-	-	-	-	(14,404,080)	(14,404,080)
Balance as at December 31, 2020	5,761,633	13,068,232	4,429,240	(16,375)	63,758,171	87,000,901

The annexed notes from 1 to 38 form an integral part of these financial statements.

Abdul Samad Dawood	Mazhar Abbas Hasnani	Ghias Khan
Vice Chairman	Chief Financial Officer	President and Chief Executive

statement of cash flows
for the year ended december 31, 2020

(Amounts in thousand)

	Note	2020	2019
		---------------(Rupees)	---------------
Cash Flows From Operating Activities			
Cash utilized in operations	29	(1,421,456)	(3,443,860)
Royalty received		1,396,416	992,672
Taxes paid		(1,669,026)	(1,527,158)
Retirement and other service benefits paid		(217,284)	(90,961)
Long term loans and advances - net		25,236	(23,294)
Net cash utilized in operating activities		(1,886,114)	(4,092,601)
Cash Flows From Investing Activities			
Dividends received		10,153,069	12,983,285
Income on deposits / other financial assets including income earned on subordinated loans to subsidiaries		5,005,277	5,665,477
Long term investments		-	(2,157,105)
Loan disbursed to subsidiary companies and joint venture		(11,754,053)	(4,034,676)
Repayment of loan by joint venture		206,221	-
Purchase of Treasury bills, Units of Mutual Funds, Fixed income placements and Pakistan Investment Bonds		(21,392,773)	(61,815,413)
Proceeds from sale of Treasury bills, Units of Mutual Funds and maturity of Fixed income placement and Term Finance Certificates		48,646,690	21,317,566
Purchases of property, plant and equipment		(320,311)	(228,627)
Sale proceeds on disposal of property, plant and equipment		3,148	98
Net cash generated from / (utilized in) investing activities		30,547,268	(28,269,395)
Cash Flows From Financing Activities			
Payment of financial charges		(16,390)	(147,555)
Repayment of Engro Islamic Rupiya Certificates - II		-	(1,000,000)
Lease rentals paid		(297,703)	(320,212)
Dividends paid		(14,427,020)	(14,305,992)
Net cash utilized in financing activities		(14,741,113)	(15,773,759)
Net increase / (decrease) in cash and cash equivalents		13,920,041	(48,135,755)
Cash and cash equivalents at beginning of the year		6,050,273	54,186,028
Cash and cash equivalents at end of the year	30	19,970,314	6,050,273

The annexed notes from 1 to 38 form an integral part of these financial statements.

Abdul Samad Dawood	Mazhar Abbas Hasnani	Ghias Khan
Vice Chairman	Chief Financial Officer	President and Chief Executive

notes to the financial statements
for the year ended december 31, 2020

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

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

1.2 These financial statements denote the standalone financial statements of the Company in which investments in subsidiaries have been accounted for at cost less accumulated impairment losses, if any. The consolidated financial statements of the Company and its subsidiaries have been presented seperately. Details of investments held by the Company in its subsidiaries have been presented in note 7.

1.3 The business units of the Company include the following:

Business Unit	Geographical Location
Head / Registered Office	7th & 8th floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.
Islamabad Office	22 floor, Ufone Tower Jinnah Avenue, Blue Area, Islamabad.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

- Provisions of and directives issued under the Companies Act, 2017.

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

2.1.3 Impact of COVID 19 on the financial statements

On 11 March 2020, the World Health Organization declared Coronavirus disease (COVID-19) a pandemic, as its spread gained momentum. During the year, COVID-19 has spread throughout the country and lockdowns were imposed in most parts of the country along with other measures to contain the spread of the virus. The measures taken to reduce the spread have resulted in an overall economic slowdown and disruptions to various businesses. However, the management of the Company has evaluated and concluded that there are no material implications of COVID-19 that require specific disclosures in these financial statements.

(Amounts in thousand)

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

a) Amendments to published accounting and reporting standards and interpretation which became effective during the year:

- There were certain amendments and interpretations to published accounting and reporting standards that are applicable for the financial year beginning on January 1, 2020 but does not have any significant impact on the Company's financial reporting and, therefore, have not been disclosed in these financial statements.

b) Amendments to published approved accounting and reporting standards which are not yet effective but have been early adopted by the Company:

- IFRS 16 'Leases' - The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

  The Company has applied the practical expedient to all qualifying rent concessions granted in relation to office space acquire under rental basis. As a result, Rs 44,704 has been recognized in profit or loss to reflect changes in lease payments arising from rent concessions that meet the conditions of the practical expedient.

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

There is a new standard and certain other amendments to published accounting and reporting standards that are not yet effective. This standard and amendments are not expected to have any material impact on the Company's financial statements and, therefore, have not been disclosed in these financial statements.

2.2 Property, plant and equipment

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except capital work-in-progress which is stated at cost less impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs (note 2.19). The cost of self constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

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

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

Depreciation is charged to the profit or loss using the straight line method whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life at rates given in note 4.1. Depreciation on addition is charged from the month following the month in which the asset is available for use and on disposals upto the preceding month of disposal.

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

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

2.3 Intangible assets - Computer softwares

a) Acquired

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

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

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

Computer software and license cost treated as intangible assets are amortized from the date the software is put to use on a straight-line basis over a period of ranging from 4 to 8 years.

b) Internally generated

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

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

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

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

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

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

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

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

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

2.4 Right-of-use assets and lease liabilities

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. 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.

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

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

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

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

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

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

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

2.6 Investments

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

2.7 Impairment of non-financial assets

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

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

2.8 Financial instruments

2.8.1 Financial assets

Classification, initial recognition and measurement
Financial assets are classified as financial assets at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVPL). The management determines the classification of financial assets at initial recognition based on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss if it is not measured at amortised cost or at fair value through other comprehensive income.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets at amortised cost are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any. Interest income and impairment losses are recognised in profit or loss. Financial assets carried at FVOCI are initially and subsequently measured at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive income / (loss). Financial assets carried at FVPL are initially recorded at fair value and transaction costs are expensed in the profit or loss. 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 profit or loss in the period in which they arise.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset, in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the profit or loss.

(Amounts in thousand)

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

2.8.3 Offsetting of financial assets and liabilities

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

2.9 Receivables

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

2.10 Cash and cash equivalents

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

2.11 Share capital

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

2.12 Borrowings

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

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

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

(Amounts in thousand)

2.13 Trade and other payables

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

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

2.14 Income tax

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

2.14.1 Current

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

2.14.2 Deferred

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

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

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

2.15 Retirement and other service benefit obligations

2.15.1 Defined contribution plans

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

The Company operates:

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

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

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

(Amounts in thousand)

2.15.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior years; that benefit is discounted to determine its present value. The calculation is performed annually by an independent actuary using the projected unit credit method. Remeasurement gains and losses are recognized in other comprehensive income.

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

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

2.15.3 Employees' compensated absences

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

2.16 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

2.17 Foreign currency transactions and translation

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

2.18 Revenue recognition

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

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

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

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

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

2.19 Borrowing costs

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

(Amounts in thousand)

2.20 Earnings per share

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

2.21 Dividend and appropriation to reserves

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these financial statements in conformity with the above requirements requires the use of certain critical accounting estimates The accounting estimates will by definition, seldom equal the related actual results. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

3.1 Impairment of investments in subsidiaries, associates and joint venture

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

3.2 Income taxes

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

3.3 Provision for retirement and other service benefits obligations

The present value of these obligations depend on a number of factors that are determined on actuarial basis using a number of assumptions. Further, contributions determination requires assumptions to be made for future outcomes which mainly include increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Any changes in these assumptions will impact the carrying amount of these obligations. The underlying assumptions are disclosed in note 28.

4. PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	(Rupees)	
Operating assets (note 4.1)	467,078	375,824
Capital work-in-progress (note 4.2)	104,306	23,900
	571,384	399,724

(Amounts in thousand)

4.1 Operating assets

	Furniture, fixture and equipment	Vehicles	Total
	(Rupees)		
As at January 1, 2019			
Cost	463,464	110,070	573,534
Accumulated depreciation	(169,677)	(66,356)	(236,033)
Net book value	293,787	43,714	337,501
Year ended December 31, 2019			
Opening net book value	293,787	43,714	337,501
Additions - transfers from capital work-in-progress (note 4.2)	65,938	67,204	133,142
Adjustments / reclassifications			
Cost	(17,566)	(106)	(17,672)
Accumulated depreciation	973	14,470	15,443
	(16,593)	14,364	(2,229)
Disposals / Write-offs			
Cost	(11,977)	-	(11,977)
Accumulated depreciation	9,476	-	9,476
	(2,501)	-	(2,501)
Depreciation charge (note 4.3)	(58,014)	(32,075)	(90,089)
Net book value	282,617	93,207	375,824
As at December 31, 2019			
Cost	499,859	177,168	677,027
Accumulated depreciation	(217,242)	(83,961)	(301,203)
Net book value	282,617	93,207	375,824
Year ended December 31, 2020			
Opening net book value	282,617	93,207	375,824
Additions - transfers from capital work-in-progress (note 4.2)	34,555	178,561	213,116
Disposals (note 4.4)			
Cost	-	(3,240)	(3,240)
Accumulated depreciation	-	138	138
	-	(3,102)	(3,102)
Depreciation charge (note 4.3)	(79,341)	(39,419)	(118,760)
Net book value	237,831	229,247	467,078
As at December 31, 2020			
Cost	534,414	352,489	886,903
Accumulated depreciation	(296,583)	(123,242)	(419,825)
Net book value	237,831	229,247	467,078
Annual rate of depreciation (%)	15 to 20	20 to 25	

(Amounts in thousand)

4.2 Capital work-in-progress

	Furniture, fixture and equipment	Advances to suppliers	Internally generated intangible asset	Total
	-------(Rupees)-------			
Year ended December 31, 2019				
Balance as at January 1, 2019	62	-	177,274	177,336
Additions during the year	89,776	138,851	-	228,627
Transferred to:				
- operating assets (note 4.1)	(65,938)	(67,204)	-	(133,142)
- intangible assets (note 6)	-	(71,647)	-	(71,647)
Written-off during the year	-	-	(177,274)	(177,274)
Balance as at December 31, 2019	23,900	-	-	23,900
Year ended December 31, 2020				
Balance as at January 1, 2020	23,900	-	-	23,900
Additions during the year (note 4.5)	66,692	253,619		320,311
Transferred to:				
- operating assets (note 4.1)	(34,555)	(178,561)	-	(213,116)
- intangible assets (note 6)	-	(14,844)	-	(14,844)
Written-off during the year	(11,945)	-	-	(11,945)
Balance as at December 31, 2020	44,092	60,214	-	104,306

4.3 Depreciation has been allocated to administrative expenses (note 21) and capital work in progress amounting to Rs. 118,372 (2019: Rs. 90,089) and Rs. 388 (2019: Nil) respectively.

4.4 Disposal does not exceed aggregate book value of Rs. 5,000.

4.5 This mainly represents advance paid to suppliers for purchase of operating assets.

(Amounts in thousand)

5. RIGHT-OF-USE ASSETS

	2020	2019
	----(Rupees)----	
As at January 1	919,857	-
Additions during the year	-	1,222,538
Termination during the year (note 5.1)	(127,709)	-
Depreciation charge (note 5.2)	(277,138)	(302,681)
As at December 31	515,010	919,857

5.1 During the year, a portion of office space acquired on rental basis was vacated. Accordingly right-of-use asset amounting to Rs. 204,344 having a net book value of Rs. 127,709, was derecognized.

5.2 Depreciation charged on right-of-use assets has been allocated to administrative expenses (note 21) and capital-work-in-progress (note 4.2) amounting to Rs. 253,508 (2019: Rs. 279,049) and Rs. 23,630 (2019: Rs. 23,632) respectively.

6. INTANGIBLE ASSETS

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

	—(Rupees)---
As at January 1, 2019	
Cost	80,694
Accumulated amortization	(22,446)
Net book value	58,248
Year ended December 31, 2019	
Opening net book value	58,248
Additions - Transfers from capital work-in-progress (notes 4.2 and 6.1)	71,647
Adjustments / reclassifications	
Cost	17,672
Accumulated depreciation	(15,443)
	2,229
Amortization charge (note 21)	(21,959)
Net book value	110,165
As at January 1, 2020	
Cost	170,013
Accumulated amortization	(59,848)
Net book value	110,165
Year ended December 31, 2020	
Opening net book value	110,165
Additions - Transfers from capital work-in-progress (note 4.2)	14,844
Amortization charge (note 21)	(28,199)
Net book value	96,810
As at December 31, 2020	
Cost	184,857
Accumulated amortization	(88,047)
Net book value	96,810

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

(Amounts in thousand)

7. LONG TERM INVESTMENTS

	2020	2019
	----------------(Rupees)----------------	
Subsidiary companies - at cost (note 7.1)	26,563,727	26,563,727
Less: Provision for impairment (note 7.1.1)	(3,900,442)	(3,642,407)
	22,663,285	22,921,320
Joint venture company - at cost		
Engro Vopak Terminal Limited		
45,000,000 (2019: 45,000,000) Ordinary shares of Rs. 10 each, equity held 50% (2019: 50%)	450,000	450,000
Associated company - at cost		
FrieslandCampina Engro Pakistan Limited		
306,075,948 (2019: 306,075,948) Ordinary shares of Rs. 10 each, equity held 39.9% (2019: 39.9%)	3,060,759	3,060,759
Others - at cost		
Arabian Sea Country Club Limited		
500,000 (2019: 500,000) Ordinary shares, of Rs. 10 each, equity held 6% (2019: 6%)	5,000	5,000
	26,179,044	26,437,079

(Amounts in thousand)

7.1 Subsidiary companies

	2020		2019	
	Equity % held	Investment at cost (Rupees)	Equity % held	Investment at cost (Rupees)
Quoted				
Engro Fertilizers Limited 751,312,057 (2019: 751,312,057) Ordinary shares of Rs. 10 each	56.27	7,519,968	56.27	7,519,968
Engro Polymer and Chemicals Limited 510,733,461 (2019: 510,733,461) Ordinary shares of Rs. 10 each	56.19	6,685,616	56.19	6,685,616
Unquoted				
Engro Energy Limited 36,476,000 (2019: 36,476,000) Ordinary shares of Rs. 10 each	100	3,106,700	100	3,106,700
Engro Eximp Agriproducts (Private) Limited				
- 190,860,900 (2019: 190,860,900) Ordinary shares of Rs. 10 each	100	4,927,000	100	4,927,000
- 10,000,000 (2019: 10,000,000) Redeemable Preference shares of Rs.10 each	100	100,000	100	100,000
		5,027,000		5,027,000
Elengy Terminal Pakistan Limited 113,493,731 (2019: 113,493,731) Ordinary shares of Rs. 10 each	56	1,134,938	56	1,134,938
Engro Infiniti (Private) Limited - 58,613,140 (2019: 58,613,140) Ordinary shares of Rs. 10 each	100	1,117,000	100	1,117,000
Engro Eximp FZE - 1 (2019: 1) Ordinary share of AED 1,000,000 each	100	1,972,505	100	1,972,505
		26,563,727		26,563,727

(Amounts in thousand)

7.1.1 In 2019, the Company recognised impairment loss amounting to Rs. 372,175 against its investment in Engro Infiniti (Private) Limited (Einfiniti), a wholly owned subsidiary. During the year, Einfiniti in its Board meeting held on April 17, 2020, decided to discontinue the operations of Engro Digital Limited (Edigital), its wholly owned subsidiary. As a result, the Company has recognised further impairment loss amounting to Rs. 258,035 in these financial statements representing the remaining carrying amount of investment in EDigital in the financial statements of Engro Infiniti (Private) Limited.

	2020	2019
	----------------(Rupees)----------------	
8. LONG TERM LOANS AND ADVANCES		
- Considered good		
Long term loans and advances to executives and other employees (note 8.1)	82,710	111,172
Less: Current portion shown under current assets (note 10)	34,856	38,082
	47,854	73,090
Subordinated loan to subsidiary (notes 8.2 and 8.3)	389,698	339,163
	437,552	412,253
8.1 Reconciliation of the carrying amount of loans and advances to executives and other employees		
Balance as at January 1	111,172	93,588
Add: Disbursements	51,696	123,602
Less: Repayments / Amortization	(80,158)	(106,018)
Balance as at December 31	82,710	111,172

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

8.3 The maximum amount outstanding at the end of any month during the year ended December 31, 2020 from subsidiary aggregated to Rs. 389,698 (2019: Rs. 339,163).

8.4 The maximum amount outstanding at the end of any month during the year ended December 31, 2020 from executives aggregated to Rs. 82,710 (2019: Rs. 111,172).

8.5 Loans given to employees and executives are in accordance with the Company policy, return free and are repayable within a period of 1 to 5 years. Further, as at year-end, these include loans given to key management personnel aggregating to Rs. 4,495 (2019: Rs. 1,085).

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

(Amounts in thousand)

	2020	2019
	----------------(Rupees)----------------	
9. DEFERRED TAXATION		
Debit / (Credit) balances arising on account of:		
- accelerated depreciation allowance	1,465	251
- right of use of asset	(57,651)	(51,893)
- lease liability	70,523	58,043
- provision for retirement benefits	5,181	7,943
	19,518	14,344
10. LOANS, ADVANCES AND PREPAYMENTS		
Loans and advances, considered good		
- Current portion of long term loans and advances to executives and other employees (note 8)	34,856	38,082
- Loan to subsidiary companies (notes 10.1, 10.2, 10.3 and 10.4)	16,043,283	3,780,435
- Loan to joint venture (note 10.5)	-	200,153
	16,078,139	4,018,670
Less: Provision for impairment	(40,000)	-
	16,038,139	4,018,670
Advances	37,570	-
Prepayments	485,313	448,031
	16,561,022	4,466,701

10.1 Includes subordinated loan, amounting to Rs. 9,230,000 availed by Engro Infiniti (Private) Limited, a subsidiary company, pursuant to agreement entered into on June 26, 2019. The loan carries mark-up at the rate of 6 months KIBOR plus 0.2% per annum. The loan is repayable on December 31, 2021.

10.2 Includes subordinated loan, amounting to Rs. 4,975,000 availed by Engro Energy Limited, a wholly owned subsidiary company, pursuant to agreement entered into on December 23, 2020. The loan carries mark-up at the rate of 6 months KIBOR plus 0.1% per annum payable on quarterly basis. The loan is repayable on June 23, 2021.

10.3 Includes subordinated loan, amounting to Rs. 1,000,000 availed by Engro Fertilizers Limited, a subsidiary company, pursuant to agreement entered into on November 17, 2020. The loan carries mark-up at the rate of 3 months KIBOR plus 0.1% per annum payable on quarterly basis. The loan is repayable on October 17, 2021.

10.4 This includes accrued interest amounting to Rs. 838,283 (2019: Rs. 280,435).

10.5 In 2019, subordinated loan was extended to Engro Vopak Terminal Limited, a joint venture, pursuant to agreement entered into on December 30, 2019. The loan carries mark-up at the rate of 6 months KIBOR plus 0.50% per annum payable in one lump sum payment at the time of repayment of loan. The entire loan amount was repaid during the year.

10.6 The maximum amount outstanding at the end of any month during the year ended December 31, 2020 from subsidiary and joint venture companies aggregated to Rs. 16,249,504 (2019: Rs. 3,980,588).

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

(Amounts in thousand)

	2020	2019
	----------------(Rupees)----------------	
11. RECEIVABLES		
Considered good		
Due from:		
- Direct / Indirect subsidiary companies		
- EFert Agritrade (Private) Limited	878	-
- Engro Elengy Terminal (Private) Limited	2,335	25,022
- Engro Energy Limited	-	24,914
- Enfrashare (Private) Limited	-	3,955
- Engro Energy Services Limited	1,904	414
- Engro Eximp Agriproducts (Private) Limited	2,330	-
- Engro Fertilizers Limited (note 11.1)	3,798,238	272,424
- Engro Infiniti (Private) Limited	33,863	7,525
- Engro Polymer and Chemicals Limited	39,414	52,573
- Think PVC (Private) Limited	50	-
- Engro Peroxide (Private) Limited	887	-
- Engro Plasticizer (Private) Limited	361	-
- Engro Powergen Qadirpur Limited	10,435	20,143
- Engro Powergen Thar (Private) Limited	5,964	14,839
- Engro Power Investments International B.V.	18,596	47,646
- Engro Power Services Limited	30	30
- Engro Thar Foundation Limited	3,292	2,762
- Kolachi Portgen (Private) Limited	154	-
- Joint venture		
- Engro Vopak Terminal Limited	29,609	24,510
- Associated companies		
- FrieslandCampina Engro Pakistan Limited	1,206	-
- Sindh Engro Coal Mining Company Limited	18,161	6,192
- Thar Power Company Limited	-	1,576
	3,967,707	504,525
- Engro Foundation	1	779
- Retirement benefit funds	39,872	30,625
- Others	60,696	118,868
Considered doubtful		
Due from:		
- FrieslandCampina Pakistan Holdings B.V.	143,366	143,366
- Financial advisors	46,952	46,952
Less: Provision against doubtful receivables	(190,318)	(190,318)
	-	-
	4,068,276	654,797

(Amounts in thousand)

11.1 Includes dividend receivable from Engro Fertilizers Limited amounting to Rs. 3,756,560 (2019: Nil).

11.2 The maximum amount due from related parties at the end of any month during the year aggregated to Rs. 3,967,707 (2019: Rs. 535,929).

11.3 As at December 31, 2020, receivables from related parties aggregating to Rs. 114,714 (2019: Rs. 111,184) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2020	2019
	----------------(Rupees)----------------	
Upto 3 months	35,249	11,340
3 to 6 months	25,803	52,198
More than 6 months	53,662	47,646
	114,714	111,184

11.4 As at December 31, 2020 receivables aggregating to Rs. 190,318 (2019: Rs. 190,318) and Rs. 3,953,562 (2019: Rs. 543,613) were 'past due and impaired' and 'neither past due nor impaired' respectively.

	2020	2019
	----------------(Rupees)----------------	
12. SHORT TERM INVESTMENTS		
Fair value through other comprehensive income		
- Treasury bills (note 12.1)	14,092,722	22,609,639
- Pakistan Investment Bonds (note 12.2)	12,429,684	95,859
	26,522,406	22,705,498
Fair value through profit or loss		
- Mutual fund units (note 12.3)	13,807,537	27,372,021
Amortised cost		
- Fixed income placements (note 12.4)	7,510,067	2,607,685
- Term Finance Certificates (note 12.5)	-	4,581,351
	7,510,067	7,189,036
	47,840,010	57,266,555

12.1 Investment in Treasury bills carries interest at rates ranging from 7.01% to 7.17% and will mature by March 25, 2021.

12.2 Pakistan Investment Bonds carries mark-up at rates ranging from 8.27% to 9% per annum and will mature by June 19, 2023.

(Amounts in thousand)

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

	Number of units	Amount in Rupees
NBP Money Market Fund	64,470,742	638,241
UBL Special Savings Plan - V	20,371,708	2,072,459
NIT Money Market Fund	169,622,854	1,646,224
ABL Special Savings Plan - II	20,078,813	206,890
ABL Special Savings Plan - III	248,325,254	2,534,060
MCB Pakistan Cash Management Fund	31,531,991	1,634,883
Meezan Rozana Amdani Fund	4,397,512	219,876
JS Cash Fund	2,087,964	214,058
HBL Cash Fund	2,631,654	267,435
Faysal Government Securities Fund	23,499,281	2,418,311
Atlas Money Market Fund	1,053,649	533,265
Alfalah GHP Cash Fund	2,766,536	1,421,835
	590,837,958	13,807,537

12.4 These represent placements with banks and carries interest at rates ranging from 6.35% to 12% per annum and will mature by February 11, 2021.

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

13. CASH AND BANK BALANCES

	2020	2019
	----------------(Rupees)----------------	
Cash at banks:		
- in saving accounts		
conventional (note 13.1)	693,961	3,383,355
islamic (note 13.2)	737	12,660
- in current accounts	1,666	87,596
	696,364	3,483,611
Cash in hand	700	700
	697,064	3,484,311

(Amounts in thousand)

13.1 These carry return ranging from 5.5% to 11.30% (2019: 8.0% to 11.25%) per annum.

13.2 These are shariah compliant bank balances and carry profit at rates ranging from 2.35% to 7.06% (2019: 6.0% to 8.5%) per annum.

14. SHARE CAPITAL

14.1 Authorised Capital

2020	2019		2020	2019
-----------(No. of Shares)-----------			----------------(Rupees)----------------	
700,000,000	700,000,000	Ordinary shares of Rs. 10 each	7,000,000	7,000,000

14.2 Issued, subscribed and paid-up capital

2020	2019		2020	2019
-----------(No. of Shares)-----------			----------------(Rupees)----------------	
197,869,803	197,869,803	Ordinary shares of Rs. 10 each fully paid in cash	1,978,699	1,978,699
378,293,427	378,293,427	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	3,782,934	3,782,934
576,163,230	576,163,230		5,761,633	5,761,633

14.3 As at December 31, 2020, Dawood Hercules Corporation Limited and associated companies held 214,469,810 and 39,038,015 (2019: 214,469,810 and 39,438,015) ordinary shares in the Company, respectively.

(Amounts in thousand)

15. TRADE AND OTHER PAYABLES

	2020	2019
	----------------(Rupees)----------------	
Creditors (note 15.1)	208,134	71,647
Accrued liabilities	2,221,139	1,312,410
Withholding tax payable	779,265	122,953
Payable to :		
- Dawood Hercules Corporation Limited	78,187	50,869
- Engro Digital Limited	59,723	135,874
- Engro Energy Limited	29,641	-
- Enfrashare (Private) Limited	3,213	-
- Engro Eximp Agriproducts (Private) Limited	-	27,745
- Engro Eximp FZE	360,155	64,457
- Elengy Terminal Pakistan Limited	15,858	-
- FrieslandCampina Pakistan Holdings B.V. (note 15.2)	417,298	173,308
- Defined contribution gratuity fund	6,994	5,493
- Defined benefit gratuity fund - non-management employees	321	64
Current portion of retirement and other service benefit obligations (note 15.3)	71,614	68,544
Others	34,127	42,056
	4,285,669	2,075,420

15.1 Includes directors; fee amounting to Rs. 13,532 (2019 : Nil).

15.2 Includes an amount recognised in respect of sales tax receivables of FrieslandCampina Engro Pakistan Limited, matter as more fully explained in note 23.3.

15.3 Includes liability towards defined benefit gratuity fund amounting to Rs. 41,202 (2019: Rs. 43,406).

16. BORROWINGS - Secured

The facilities for short term running finance arranged from various banks, amount to Rs. 1,500,000 (2019: Rs. 2,000,000). The facilities are primarily secured against ranking floating charge over all present and future loans, advances, receivables and other current assets (excluding investments) of the Company. Additionally, the facilities are also secured through a pledge over shares of Engro Fertilizers Limited and FrieslandCampina Engro Pakistan Limited, as well as through government securities including Treasury Bills and Pakistan Investment Bonds. The rate of mark-up on these finances range from one month KIBOR plus 0.5% per annum to one month KIBOR plus 1% per annum (2019: one month KIBOR plus 1% per annum). As at December 31, 2020, the unavailed facility amounted to Rs. 1,500,000.

(Amounts in thousand)

17. UNCLAIMED DIVIDENDS

Includes unclaimed dividend amounting to Rs. 257,329 (2019: Rs. 215,179) outstanding for more than 3 years from the date of declaration. Such unclaimed dividend is payable to the Federal Government as per the Act, subject to fulfilment / clarification on certain pre-conditions specified in the Act.

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

	2020	2019
	----------------(Rupees)----------------	
Corporate guarantees issued in favour of		
Engro Powergen Qadirpur Limited, a subisdiary company (note 18.1.1)	-	1,553,500

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

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

- The Company has pledged Treasury Bills amounting to Rs. 1,622,000, against the Standby Letters of Credit (Equity SBLCs) provided by EEL, a wholly owned subsidiary, through National Bank of Pakistan amounting to US Dollars 9,155 (2019: US Dollars 12,598) and US Dollars nil (2019: US Dollars 138) for its equity commitments related to the Sindh Engro Coal Mining Company Limited (SECMC), its associated company, and Engro Powergen Thar (Private) Limited (EPTL), its subsidiary company, in favour of the Intercreditor Agent (Habib Bank Limited) and the Project Companies (i.e. SECMC and EPTL). Equity SBLCs expire on earlier of (i) June 30, 2023; and (ii) fulfilment of sponsor obligations under Sponsor Support Agreements.

- The Company has pledged Treasury Bills amounting to Rs. 4,250,000, against a Standby Letter of Credit (Put Option SBLC) provided by EEL, a subsidiary company, through Allied Bank Limited amounting to US Dollars 21,070 (2019: US Dollars 21,070) in favour of the Put Option Fronting Bank (Habib Bank Limited). The Put Option SBLC has been furnished to meet sponsor obligations under Sponsor Support Agreement (Put Option SSA) and expires on earlier of (i) January 31, 2029; and (ii) fulfilment of sponsor obligations pursuant to Put Option SSA.

18.1.3 Engro Elengy Terminal Pakistan Limited has issued Corporate guarantees, Performance guarantees and SBLCs amounting to US Dollars 22,500 (2019: US Dollars 20,700), US Dollars 10,000 (2019: US Dollars 10,000) and US Dollars 5,000 (2019: US Dollars 5,000) respectively. These guarantees have been secured by the Company by pledging Treasury Bills amounting to Rs. 3,666,000.

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

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

(Amounts in thousand)

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

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

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

The Company, based on the opinion of its legal advisor is confident that it has a reasonable case in favour of the Company, and accordingly no provision has been recognized in these financial statements in this respect.

For other tax related matters refer note 25.

	2020	2019
	----------------(Rupees)----------------	
18.2 Commitments		
18.2.1 Commitments in respect of capital expenditure	416,187	405,491

	2020	2019
19. DIVIDEND INCOME		
Subsidiary companies:		
- Engro Fertilizers Limited	8,264,433	10,518,369
- Engro Energy Limited	2,050,000	-
- Elengy Terminal Pakistan Limited	2,044,022	700,256
- Engro Polymer and Chemicals Limited	102,147	459,660
- Engro Eximp FZE	54,027	-
Joint venture:		
- Engro Vopak Terminal Limited	1,395,000	1,305,000
	13,909,629	12,983,285

20. ROYALTY INCOME

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

	2020	2019
	----------------(Rupees)----------------	
21. ADMINISTRATIVE EXPENSES		
Salaries, wages and staff welfare (notes 21.1 and 21.2)	1,179,130	1,079,933
Staff recruitment, training and safety	87,213	71,178
Purchased services	76,011	48,041
Repairs and maintenance	1,103	12,361
Advertising, promotion and corporate branding	163,922	562,461
Rent, rates and taxes	76,321	160,142
Communication, stationery and other office expenses	184,044	115,309
Travelling	79,472	72,920
Depreciation (note 4.3)	118,372	90,089
Depreciation on right-of-use assets (notes 5 and 21.3)	131,218	169,867
Amortization (note 6)	28,199	21,959
Directors' fee, remuneration and travelling	318,194	262,767
Other expenses	-	6,712
	2,443,199	2,673,739

21.1 Salaries, wages and other staff welfare is net-off recoveries from subsidiaries amounting to Rs. 918,121 (2019: Rs. 703,465) in accordance with the expense sharing agreements.

21.2 Includes Rs.169,453 (2019: Rs. 158,010) in respect of staff retirement benefits.

21.3 Depreciation on right-of-use assets is net-off recoveries from subsidiaries amounting to Rs. 122,290 (2019: Rs. 109,182) in respect of their share in rent of office premises.

21.4 The expenses above are net-off recoveries from subsidiaries amounting to Rs. 703,933 (2019: Rs. 605,406) in accordance with the expense sharing agreements.

	2020	2019
	----------------(Rupees)----------------	
22. OTHER INCOME		
Financial assets		
Income on bank deposits and other financial assets (note 22.1)	6,690,757	7,607,516
Non financial assets		
Service charges (note 22.2)	10,889	14,855
Gain on disposal of property, plant and equipment	46	20
Reversal of provision for doubtful receivables	-	108,173
Others (note 22.3)	347,955	8,734
	7,049,647	7,739,298

(Amounts in thousand)

22.1 Includes Rs. 1,001,955 (2019: Rs. 694,448) in respect of profit earned on Term Finance Certificates and subordinated loans to subsidiary companies.

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

22.3 Represents income received under Emission Reduction Purchase Agreement with Holt Global Group International AGHofstrasse entered into on January 24, 2020, for the sale of contract Emission Reductions (ERs) for the period from August 2019 to September 2020.

23. OTHER OPERATING EXPENSES

	2020	2019
	----------------(Rupees)----------------	
Auditor's remuneration (note 23.1)	38,774	15,433
Write-off of property, plant and equipment	11,945	179,697
Legal and professional charges	413,179	376,068
Donations (note 36)	388,307	35,400
Human resource development (note 23.2)	197,428	814,624
Research and business development	843,344	319,026
Provision for impairment on long term investments (note 7.1.1)	258,035	372,315
Provision for impairment on loan	40,000	-
Others (note 23.3)	244,414	181,981
	2,435,426	2,294,544

23.1 Auditors' remuneration

Fee for:		
- audit of annual financial statements	680	610
- review of half yearly financial statements	389	486
- review of statement of compliance with Code of Corporate Governance	75	50
Certifications and other advisory / assurance services	13,041	8,978
Taxation services	24,261	5,000
Reimbursement of expenses	328	309
	38,774	15,433

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

23.3 Under the Share Purchase Agreement (SPA) with FrieslandCampina Pakistan Holding B.V. (FCP), the Company is required to pay FCP an amount equal to 51% of the sales tax receivable of FrieslandCampina Engro Pakistan Limited (FCEPL), an associated company, recognized in the financial years 2012 to 2016, if it is not recovered by FCEPL within six years after it is recognized. Accordingly, on prudence basis, the Company has recognized its liability under the SPA equivalent to 51% of the sales tax receivable pertaining to FCEPL being sales tax short recovered till December 31, 2020.

(Amounts in thousand)

24. FINANCE COST

	2020	2019
	----------------(Rupees)----------------	
Interest / mark-up on borrowings - Shariah compliant mode	3,218	70,644
Interest expense on lease liability (note 24.1)	45,969	70,627
Amortization of transaction costs	-	1,836
Others	13,172	12,552
	62,359	155,659

25. TAXATION

	2020	2019
	----------------(Rupees)----------------	
Current		
- for the year	1,198,767	2,475,542
- for prior years (note 25.1)	(383,501)	-
	815,266	2,475,542
Deferred	(7,936)	(10,339)
	807,330	2,465,203

25.1 Through Finance Act 2015, levy of 'Super Tax for rehabilitation of temporarily displaced persons' under section 4B of the Income Tax Ordinance, 2001 was introduced for tax year 2015. The said levy was extended and made applicable on succeeding years via subsequent Finance Acts upto financial year ended December 31, 2018. In the year 2019, through Finance Supplementary Act, 2019, the levy of Super Tax has been abolished from financial year ended December 31, 2019 onwards for companies other than banking companies. The Company had challenged the levy in the High Court of Sindh (HCS) and was granted a stay in this respect. The Company, based on the opinion of its legal advisor, believes that there is a reasonable case in its favour. However, based on prudence, the Company had recognized provision for Super Tax relating to tax years 2015 to 2019 amounting to Rs. 2,931,158 (2019: Rs. 3,336,469).

During the year, the petition filed by the Company along-with other taxpayers against the imposition of super tax in the HCS was rejected vide order dated July 21, 2020. The Company, in consultation with its legal and tax advisors, has filed an appeal against the decision of the HCS in the Supreme Court of Pakistan (SCP). Consequent to the High Court judgement, the tax authorities issued notices to the Company and subsequently framed orders for recovery of super tax for tax years 2017 to 2019 with total tax demand of Rs 2,241,400. An appeal was filed against these orders with the Commissioner Inland Revenue (Appeals) (CIR (Appeals)) along with stay against recovery of demand based on certain contentious and factual grounds. For tax year 2017, the CIR (Appeals) has decided the Company's appeal and maintained the levy of super tax considering the HCS judgement , however, deleted the action of taxation officer of imposing the levy on exempt income. Application for giving appeal effect to the CIR (Appeals) decision has been filed and the same pending. The management has assessed the sufficiency of tax provision on account of super tax and considers these sufficient for the purpose.

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

During the year, the Amendment Ordinance was laid down before the Parliament and enacted as Tax Laws (Amendment) Act 2020 (the Act). The Act ratified the exemption on inter-corporate dividend restored by the Ordinance, however, the provision granting exemption from application of withholding tax on inter-corporate dividend, as previously deleted by Finance Act 2016, was not restored. Hence, in respect of the inter-corporate dividend received by the Company from its subsidiaries during the year, the Company has obtained stay from the High Court against deduction of withholding of tax.

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

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

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

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

During the year, the Company received appeal effect orders both dated June 29, 2020 in respect of tax years 2011 and 2012 along with notices of demand amounting to Rs. 75,308 and Rs. 112,681, respectively, whereby the Deputy / Additional Commissioner Inland Revenue - Audit has again maintained the classification of income from interest on bank deposits and from subordinated loans as “income from other sources”. The Company has again challenged these orders before CIR (Appeals) and the matter is still pending to be heard. The Company, based on the advice of its tax consultant, is confident of a favourable decision based on earlier ATIR judgement.

25.3.4 During 2017, the income tax department in respect of the tax year 2015, determined an additional income tax liability of Rs. 128,400, whereby, the Additional Commissioner Inland Revenue (ACIR) - Audit has levied tax on inter-corporate dividends, super tax including on exempt income, the effects of classification of 'Interest Income' as ""Income from Business"" as well as not allowing the adjustment of the minimum tax paid under section 113(1)(c) of the Ordinance. In the year 2019, the CIR(A) vide order dated May 6, 2019 has maintained the matter relating to taxation of intercorporate dividend, super tax under section 4B, the classification of the interest income and carry forward of minimum tax for adjustment whereas the rectificatory matters including the levy of super tax on exempt income was remanded back. The Company has preferred appeal before ATIR on all issues adjudicated against it. The Company, based on advice of its tax consultant, is confident that these matters will be decided in favour of the Company. However, on prudence, the Company has recorded provision against super tax.

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

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

Further, the Company received appeal effect order dated November 20, 2020 issued by the ACIR giving effect to the findings of appellate orders of CIR (Appeals) and ATIR by deleting the tax levied on inter-corporate dividends and super tax on exempt income which resulted in revised demand of Rs. 149,257. Moreover, the issue of classification of income from interest on bank deposits and from subordinated loans has been decided in Company’s favour as “income from business”.

In addition to above, the ACIR issued a further amendment order dated November 24, 2020 for tax year 2016 and determined additional income tax liability of Rs 21,808 on account of capital gain tax on debt securities. The same has been discharged by the Company.

25.3.6 During the year, the Additional Commissioner Inland Revenue - Audit through order dated December 22, 2020 amended the return for the tax year 2017 by creating tax demand of Rs. 4,335,176 mainly on account of tax levied on undistributed profits under section 5A and super tax under section 4B. As explained in note 18.1.7 of these financial statements, the Company has obtained stay from Sindh High Court against the levy of tax on undistributed profits, therefore the said demand is not recoverable by the tax department, as also confirmed by tax consultants. An appeal has been filed before the Commissioner Inland Revenue (Appeals) against the said order. The Company, based on the advice of its legal and tax consultants, is confident that chances of ultimate success are good, hence, no provision has been made in this respect.

25.4 Relationship between tax expense and accounting profit

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

	2020	2019
	----------------(Rupees)----------------	
Profit before tax	17,108,808	16,768,521
Tax calculated at the rate of 29% (2019: 29%)	4,961,554	4,862,871
Effect of applicability of different tax rate on:		
- Dividend	(202,864)	(2,541,048)
- Capital gain	131,180	111,718
Exempt income	(3,727,457)	-
Prior year tax charge reversal	(383,501)	-
Others	28,418	31,662
Tax charge for the year	807,330	2,465,203

26. EARNINGS PER SHARE

As at December 31, 2020, there is no dilutive effect on the basic earnings per share of the Company. Earnings per share is based on following:

	2020	2019
	----------------(Rupees)----------------	
Profit for the year	16,301,478	14,303,318
	(Number of shares)	
Weighted average number of ordinary shares (in thousand)	576,163	576,163
Earning per share - Basic and Diluted	28.29	24.83

27. 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:

	2020			2019		
	Directors		Executives	Directors		Executives
	Chief Executive Officer	Others		Chief Executive Officer	Others	
	----------(Rupees)----------					
Managerial remuneration including bonus	127,923	-	1,698,746	95,771	-	1,052,126
Retirement benefits funds	-	-	157,977	-	-	99,037
Fees	-	133,697	-	-	86,907	-
Other benefits	2	-	13,386	26	-	8,897
Total	127,925	133,697	1,870,109	95,797	86,907	1,160,060
Number of persons including those who worked part of the year	1	10	211	1	9	133

27.1 The Company also provides household items for use of some employees and Chief Executive Officers. Cars are also provided for use of certain employees and directors. In addition, directors of the Company are also entitled for travelling benefits in respect of which Rs. 177,457 (2019: Rs. 139,697) have been incurred.

27.2 Premium charged during the year in respect of directors indemnity insurance policy, purchased by the Company, amounts to Rs. 299 (2019: Rs. 676).

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

28. RETIREMENT BENEFITS

28.1 Defined benefit gratuity plan

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

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

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

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

(Amounts in thousand)

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

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

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

28.2 Valuation results

The latest actuarial valuation of the defined benefit gratuity plan was carried out as at December 31, 2020, using the Projected Unit Credit Method. Details of the defined benefit plan are as follows:

	Defined Benefit Gratuity Plan 2020	2019
	----------------(Rupees)----------------	
28.2.1 Statement of financial position reconciliation		
Present value of defined benefit obligation	55,666	58,898
Fair value of plan assets	(14,838)	(15,866)
Deficit	40,828	43,032
Payable to defined contribution fund	374	374
Net liability recognized in the statement of financial position	41,202	43,406
28.2.2 Movement in net liability recognized		
Net liability at beginning of the year	43,406	22,952
Charge for the year	7,320	5,784
Remeasurement (gain) / loss recognized in other comprehensive income	(9,524)	14,670
Net liability at end of the year	41,202	43,406
28.2.3 Movement in present value of defined benefit obligation		
As at beginning of the year	58,898	73,787
Current service cost	2,730	3,072
Interest cost	6,601	8,807
Remeasurement (gain) / loss recognized in other comprehensive income	(11,542)	12,611
Benefits paid during the year	(1,021)	(39,379)
As at end of the year	55,666	58,898

(Amounts in thousand)

	Defined Benefit Gratuity Plan 2020	2019
	----------------(Rupees)----------------	
28.2.4 Movement in fair value of plan assets		
As at beginning of the year	15,866	51,209
Expected return on plan assets	2,011	6,095
Benefits paid during the year	(1,021)	(39,379)
Remeasurement loss recognized in other comprehensive income	(2,018)	(2,059)
As at end of the year	14,838	15,866
28.2.5 Charge for the year recognised in profit or loss		
Current service cost	2,730	3,072
Net interest cost	4,590	2,712
	7,320	5,784
28.2.6 Actual return on plan assets	16	4,061
28.2.7 Remeasurement recognized in other comprehensive income		
(Gain) / Loss from change in experience adjustments	(11,542)	12,611
Actual return on plan assets	(16)	(4,061)
Expected return on plan assets	2,011	6,095
Difference in opening fair value of plan assets	23	25
Adjustments / transfers	-	-
	2,018	2,059
	(9,524)	14,670
Tax impact at 29% (2019: 29%)	2,762	(4,254)
Remeasurement of retirement benefit obligation- net of tax	(6,762)	10,416
	--------------------%--------------------	
28.2.8 Principal actuarial assumptions used in the actuarial valuation		
Discount rate	8.50	11.25
Expected per annum rate of return on plan assets	8.50	11.25
Expected per annum rate of increase in future salaries	8.50	11.25

(Amounts in thousand)

28.2.9 Plan assets comprise of the following

	2020		2019	
	Rupees	(%)	Rupees	(%)
Fixed income instruments	10,843	73	12,418	78
Equity instruments	3,604	24	3,520	22
Others (including cash)	391	3	(72)	-
	14,838	100	15,866	100

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

28.2.11 Historical information

	2020	2019	2018	2017	2016
	(Rupees)				
Present value of defined benefit obligation	(55,666)	(58,898)	(73,787)	(77,464)	(72,738)
Fair value of plan assets	14,838	15,866	51,209	59,493	72,781
Payable to Defined contribution gratuity fund	(374)	(374)	(374)	(374)	(374)
Deficit	(41,202)	(43,406)	(22,952)	(18,345)	(331)

28.2.12 Expected future cost for the year ending December 31, 2021 is Rs.5,339.

28.2.13 Demographic assumptions

	Defined Benefit Gratuity Plan 2020	2019
	(Rupees)	
Mortality rate	SLIC (2001-05)-1	SLIC (2001-05)-1
Rate of employee turnover	Heavy	Heavy

(Amounts in thousand)

28.2.14 Sensitivity analysis

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

	Increase in Assumption	Decrease in Assumption
	(Rupees)	
Discount rate	54,149	57,257
Long term salary increases	57,242	54,135

28.2.15 Maturity profile

Time in years	Defined Benefit Gratuity Plan (Rupees)
1	5,561
2	881
3	32,259
4	34,582
5-10	1,077
11-15	6,621
16-20	-
Weighted average duration (years)	2.7

28.3 Defined contribution plans

An amount of Rs. 168,894 (2019: Rs. 111,766) has been charged during the year in respect of defined contribution plans maintained by the Company.

29. CASH UTILIZED IN OPERATIONS

	2020	2019
	(Rupees)	
Profit before taxation	17,108,808	16,768,521
Adjustment for non-cash charges and other items:		
Depreciation (note 21)	118,372	90,089
Amortization (note 21)	28,199	21,959
Depreciation on right-of-use assets (note 21)	131,218	169,867
Rent concession on lease liability	(44,704)	-
Gain on termination of lease	(19,463)	-
Gain on disposal of property, plant and equipment (note 22)	(46)	(20)
Write-off of property, plant and equipment (note 23)	11,945	179,697
Provision for retirement and other service benefits	210,936	106,159
Income on bank deposits and other financial assets (note 22)	(6,690,757)	(7,607,516)
Dividend income	(13,909,629)	(12,983,285)
Royalty income	(1,090,516)	(1,169,880)
Financial cost	62,359	155,659
Provision for impairment on long term investments (note 23)	258,035	372,315
Provision for impairment on loan (note 23)	40,000	-
Working capital changes (note 29.1)	2,363,787	452,575
	(1,421,456)	(3,443,860)

(Amounts in thousand)

	2020	2019
	----------------(Rupees)----------------	
29.1 Working capital changes		
(Increase) / Decrease in current assets		
- Loans, advances, deposits and prepayments	119,427	(416,580)
- Other receivables (net)	37,181	210,586
	156,608	(205,994)
Increase in current liabilities		
- Trade and other payables including other service benefits (net)	2,207,179	658,569
	2,363,787	452,575
30. CASH AND CASH EQUIVALENTS		
Short term investments (note 12)	19,273,250	2,565,962
Cash and bank balances (note 13)	697,064	3,484,311
	19,970,314	6,050,273
31. FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets		
- Financial assets measured at amortized cost		
Long term loans	437,552	412,253
Loans and advances	16,078,139	4,018,670
Receivables	4,028,404	624,172
Short term investments	7,510,067	7,189,036
Cash and bank balances	697,064	3,484,311
	28,751,226	15,728,442
- Financial assets measured at fair value through other comprehensive income		
Treasury bills	14,092,722	22,609,639
Pakistan Investment Bonds	12,429,684	95,859
	26,522,406	22,705,498
- Financial assets measured at fair value through profit or loss		
Mutual fund units	13,807,537	27,372,021
Financial liabilities		
- Financial liabilities measured at amortized cost		
Lease liabilities	629,991	1,028,853
Trade and other payables	3,427,475	1,878,366
Unclaimed dividends	268,653	291,593
	4,326,119	3,198,812

(Amounts in thousand)

32. FINANCIAL RISK MANAGEMENT

32.1 Financial risk factors

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

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

a) Market risk

i) Currency risk

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

The Company is exposed to currency risk primarily with respect to receivable and payable balances denominated in currency other than Pakistan Rupee.

As at December 31, 2020, if Pakistan Rupee appreciated / depreciated by 1% against USD with all other variables held constant, the Company's post tax profit for the year would have been higher / lower by Rs. 3,763 as a result of exchange gain / loss on translation of foreign currency denominated financial instruments.

ii) Interest rate risk

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

As at December 31, 2020, if interest rate on bank accounts / loans given to subsidiary companies had been 1% higher / lower with other variables held constant, post tax profit for the year would have been higher / lower by Rs. 13,730.

As at December 31, 2020, if interest rate on Treasury Bills / Pakistan Investment Bonds had been 1% higher / lower with other variables held constant, post tax profit for the year would have been higher / lower by Rs. 22,845.

iii) Other price risk

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

b) Credit risk

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

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

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

	2020	2019
	----------------(Rupees)----------------	
Long term loans	437,552	412,253
Loans and advances	16,038,139	4,018,670
Receivables	3,953,562	512,988
Short term investments	47,840,010	57,266,555
Bank balances	696,364	3,483,611
	68,965,627	65,694,077

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

Bank	Rating agency	Rating	
		Long term	Short term
Allied Bank Limited	PACRA	AAA	A1+
Bank Al-Falah Limited	PACRA	AA+	A1+
Bank Al-Habib Limited	PACRA	AA+	A1+
Faysal Bank Limited	JCR-VIS	AA	A-1+
Habib Bank Limited	JCR-VIS	AAA	A-1+
Habib Metropolitan Bank Limited	PACRA	AA+	A1+
JS Bank Limited	PACRA	AA-	A1+
MCB Bank Limited	PACRA	AAA	A1+
Meezan Bank Limited	JCR-VIS	AA +	A-1+
National Bank of Pakistan Limited	JCR-VIS	AAA	A-1+
Soneri Bank Limited	PACRA	AA-	A1+
Standard Chartered Bank (Pakistan) Limited	PACRA	AAA	A1+
United Bank Limited	JCR-VIS	AAA	A-1+
Citi Bank N.A	Moody	A3	P-1

c) Liquidity risk

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

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

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

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

(Amounts in thousand)

	2020			2019		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	----------------(Rupees)----------------					
Financial liabilities						
Lease liabilities	329,123	380,044	709,167	360,576	849,189	1,209,765
Trade and other payables	3,427,475	-	3,427,475	1,878,366	-	1,878,366
Unclaimed dividends	268,653	-	268,653	291,593	-	291,593
	4,025,251	380,044	4,405,295	2,530,535	849,189	3,379,724

32.2 Capital risk management

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

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

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

	2020	2019
	----------------(Rupees)----------------	
The proportion of borrowings to equity at the year end was:		
Total Borrowings	629,991	1,028,853
Total Equity	87,000,901	85,096,741
	87,630,892	86,125,594
Gearing ratio	0.72%	1.19%

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

(Amounts in thousand)

32.3 Fair value estimation

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

	Level 1	Level 2	Level 3	Total
	----------Rupees----------			
As at December 31, 2020				
Fair value through other comprehensive income				
- Treasury Bills	-	14,092,722	-	14,092,722
- Pakistan Investment Bonds (PIBs)	-	12,429,684	-	12,429,684
	-	26,522,406	-	26,522,406
Fair value through profit or loss				
- Mutual fund units	-	13,807,537	-	13,807,537
As at December 31, 2019				
Fair value through other comprehensive income				
- Treasury Bills	-	22,609,639	-	22,609,639
- Pakistan Investment Bonds (PIBs)	-	95,859	-	95,859
	-	22,705,498	-	22,705,498
Fair value through profit or loss				
- Mutual fund units	-	27,372,021	-	27,372,021

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

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

33. CONTRIBUTORY RETIREMENT FUNDS

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

34. NUMBER OF EMPOLYEES

	Number of employees as at		Average number of employees	
	2020	2019	2020	2019
Management employees	284	217	247	177

35. RELATED PARTIES

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

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

(Amounts in thousand)

S.No	Name of Related Party	Direct Shareholding %	Relationship
40	Karachi School for Business & Leadership	N/A	Common Directorship
41	The Dawood Foundation	N/A	Common Directorship
42	The Pakistan Business Council	N/A	Common Directorship
43	Dawood Corporation (Private) Limited	0.60%	Common Directorship
44	Brainchild Communications Pakistan (Private) Limited	N/A	Common Directorship
45	Karachi Education Initiative	N/A	Common Directorship
46	Engro Corporation Provident Fund	N/A	Post Employement Benefits
47	Engro Corporation Limited DC Gratuity Fund	N/A	Post Employement Benefits
48	Engro Corporation Limited DC Pension Fund	N/A	Post Employement Benefits
49	Engro Corporation Limited DB Gratuity Fund	N/A	Post Employement Benefits
50	Mr. Ahmad Shakoor	N/A	Key Management Personnel
51	Mr. Abdul Qayoom	N/A	Key Management Personnel
52	Mr. Aman Ul Haque	N/A	Key Management Personnel
53	Mr. Muhammad Imran Khalil	N/A	Key Management Personnel
54	Mr. Shariq Abdullah	N/A	Key Management Personnel
55	Mr. Khawaja Bilal Hussain	N/A	Key Management Personnel
56	Mr. Syed Zaheer Mehdi	N/A	Key Management Personnel
57	Mr. Rizwan Masood Raja	N/A	Key Management Personnel
58	Mr. Faisal Imran Hussain Malik	N/A	Key Management Personnel
59	Mr. Sulaiman Ijaz	N/A	Key Management Personnel
60	Mr. Zamin Zaidi	N/A	Key Management Personnel
61	Mr. Kashif Ahmed Soomro	N/A	Key Management Personnel
62	Mr. Eram Hasan	N/A	Key Management Personnel
63	Mr. Chaudhary Muhammad Azhar Nawaz	N/A	Key Management Personnel
64	Mr. Syed Kaleem Asghar Naqvi	N/A	Key Management Personnel

(Amounts in thousand)

35.2 Transactions with related parties

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

	2020	2019
	------------------(Rupees)------------------	
Parent Company		
Dividend paid	5,361,745	5,322,751
Bonus share issued	-	194,973
Reimbursements	78,765	138,422
Subsidiary companies		
Mark-up from subsidiaries	603,190	329,252
Disbursement of loan to subsidiaries	11,754,053	3,834,676
Dividend received	12,514,629	11,678,285
Repayment of TFC by subsidiaries	4,974,048	-
Unwinding of discount on TFCs	392,697	369,442
Royalty income	1,090,516	1,169,880
Reimbursements	2,491,999	1,869,116
Investments made	-	2,157,105
Service fees against corporate guarantees	10,889	10,641
Associated companies		
Donations	230,000	35,400
Reimbursements	373,473	358,071
Dividend paid	994,374	987,826
Bonus share issued	-	36,132
Joint venture		
Dividend received	1,395,000	1,305,000
Reimbursements	123,034	74,835
Mark-up on loan	6,068	153
Repayment of loan	200,000	-
Disbursement of loan	-	200,000
Others		
Remuneration of key management personnel	614,949	520,839
Reimbursements to key management personnel	2,019	35,835
Profit on Engro Islamic Rupiya Certificates - II	-	19,504
Dividend paid	321,743	264,262
Contribution to staff retirement benefit funds	169,453	113,545
Bonus share issued	-	6,076
Directors' Fee	133,697	86,907

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

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

(Amounts in thousand)

36. DONATIONS

36.1 Donations include the following in which directors are interested:

Name of Director	Interest in Donee	Name of Donee	2020	2019
			------------------(Rupees)------------------	
Ghias Khan	Chairman Board of Trustees	Engro Foundation	230,000	35,400

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

Name of Donees	2020	2019
Engro Foundation	30,000	35,400
Human Rights Welfare Front of Pakistan	20,000	-
Karachi Education Initiative	20,400	-
Habib University Foundation	10,000	-
Donation under COVID Relief Fund:		
Engro Foundation	200,000	-
Staff Duties Directorate	40,000	-
Commissioner Rawalpindi	10,000	-
Headquarters Southern Command	30,000	-
Vital Care	11,907	-
Indus Hospital	9,000	-
Dr. Ziauddin Hospitals	7,000	-
	388,307	35,400

37. NON-ADJUSTING EVENT AFTER REPORTING DATE

37.1 The Board of Directors of Engro Polymer and Chemicals Limited, a subsidiary company, in its meeting held on February 10, 2021 has proposed a final cash dividend of Rs. 1.247 per share for the year ended December 31, 2020, amounting to Rs. 1,133,562 of which the proportionate share of the Company amounts to Rs. 636,873.

37.2 The Board of Directors of Engro Vopak Terminal Limited, a joint venture company, in its meeting held on February 2, 2021 has proposed a final cash dividend of Rs. 9.50 per share for the year ended December 31, 2020, amounting to Rs. 855,000 of which the proportionate share of the Company amounts to Rs. 427,500.

37.3 The Board of Directors of Engro Fertilizers Limited, a subsidiary company, in its meeting held on February 15, 2021 has proposed a final cash dividend of Rs. 4.00 per share for the year ended December 31, 2020, amounting to Rs. 5,341,197 of which the proportionate share of the Company amounts to Rs. 3,005,492.

These financial statements do not include the effects of the aforementioned dividend income, which will be accounted for in the financial statements for the year ending December 31, 2021 once the proposed dividends are approved in the Annual General Meetings of respective companies.

(Amounts in thousand)

37.4 The Board of Directors of the Company in its meeting held on February 18, 2021 has proposed a final cash dividend of Rs. 2.00 per share for the year ended December 31, 2020 amounting to Rs. 1,152,326 for approval of the members at the Annual General Meeting to be held on April 26, 2021.

These financial statements do not include the effect of the proposed dividends, which will be accounted for in the financial statements for the year ending December 31, 2021.

38. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 18, 2021 by the Board of Directors of the Company.

Abdul Samad Dawood	Mazhar Abbas Hasnani	Ghias Khan
Vice Chairman	Chief Financial Officer	President and Chief Executive

consolidated accounts

- Auditors' Report to the Members
- Consolidated Financials

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independent auditor's report to the members of engro corporation limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Engro Corporation Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1.	Income tax and sales tax provisions and contingencies (Refer notes 31.2.7, 31.3, 31.5, 40.1, 40.2 and 40.3 to the consolidated financial statements) The Group has recognized provisions and has disclosed contingent liabilities in respect of certain income tax and sales tax matters, which are pending adjudication before various appellate and legal forums. Provisions and contingencies require management to make judgements and estimates in relation to the interpretation of laws, statutory rules, regulations, and the probability of outcome and financial impact, if any, on the Group in respect of such provisions and contingencies.	Our audit procedures included the following: · obtained and examined details of the documentation relating to pending tax matters and discussed the same with the management; · circularized confirmations to the external legal and tax advisors for their views on matters being handled by them;

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

KARACHI LAHORE ISLAMABAD

S.No.	Key audit matters	How the matter was addressed in our audit
	Due to significance of amounts involved, inherent uncertainties with respect to the outcome of these matters and use of significant management judgement and estimates to assess the same including related financial impacts, we have considered provisions and contingent liabilities relating to income tax and sales tax matters as a key audit matter.	· involved internal tax professionals to assess management's conclusions on contingent tax matters and evaluated the consistency of such conclusions with the views of management and external advisors engaged by these companies; · checked correspondence of these companies with the relevant tax authorities including judgments or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved; · checked calculation of the provisions made; and · assessed the adequacy of the related disclosures made in the consolidated financial statements with respect to the applicable accounting and reporting standards.
2.	Gas Infrastructure Development Cess (Refer notes 26 and 36 to the consolidated financial statements) The Supreme Court of Pakistan (SCP) through its judgment dated August 13, 2020 has declared that the Gas Infrastructure Development Cess ("GIDC") Act, 2015 ("the Act") is valid and in accordance with the provisions of the Constitution of Pakistan. Under the judgement, SCP directed companies responsible under the Act to recover GIDC from their consumers that has become due up till July 31, 2020 and has not been recovered so far, in twenty-four equal monthly instalments starting from August 1, 2020, without the component of late payment surcharge. In this regard, subsidiary companies, Engro Polymer and Chemicals Limited (EPCL) and Engro Fertilizers Limited (EFL), being aggrieved by the decision, filed review petitions before the SCP on various grounds. These review petitions were dismissed by SCP on November 2, 2020, by upholding the original judgment. Further, EPCL and EFL have also filed suits with the Sindh High Court (SHC) against collection of GIDC on the grounds that factual determination that the GIDC has been passed on to the customers is to be carried out. SHC granted stay to EPCL and EFL against recovery of GIDC payable till the finalisation of matter by the SHC. The Group has applied the "Guidance on Accounting of GIDC" issued by the Institute of Chartered Accountants of Pakistan (ICAP) on January 19, 2021, for recognition, measurement and presentation of the GIDC provision in the consolidated financial statements. Accordingly, the Group has remeasured the previously undiscounted provision, at its present value using the risk free rate, giving due consideration to the latest available information and the expected timing of the settlement i.e. in 48 monthly instalments commencing from August 2020, as referred to in the aforementioned decision on the review petition by the SCP. The Group, therefore, has recognized remeasurement gain amounting to Rs. 2,905 million against GIDC provision in the consolidated financial statements. Given the nature and significance of the amounts and judgements involved in estimation of the present value of the GIDC provision, including the classification between current and non-current portion, we have considered this as a key audit matter.	Our audit procedures included the following: · obtained an understanding of the background facts pertaining to provision recorded in respect of GIDC through meetings with the management and read the minutes of the meetings of those charged with governance; · obtained and read the (i) detailed judgement of the SCP, (ii) decision of the SCP on the review petition, (iii) requirements of GIDC Act, 2015 and (iv) requirements of "Guidance on Accounting of GIDC" issued by the ICAP; · understood the management's process for applying judgments in relation to estimation of the present value of the GIDC provision, including the classification between current and non-current portion, and held discussion with the management regarding accounting treatment and the related impacts thereof, subsequent to judgements of SCP; · obtained confirmation from external legal counsel in respect of the current developments in the case including their assessment of the potential outcome of the matter; · checked the mathematical accuracy of the management's working of current / non-current classification of GIDC provision, its present value and assessed the accuracy and reasonableness of key estimates used; and · assessed the adequacy of the related disclosures made in the consolidated financial statements with respect to the applicable accounting and reporting standards.
3.	Loss allowance on subsidy receivable from the Government of Pakistan (Refer note 16.3 to the consolidated financial statements) As per the Expected Credit Losses (ECL) impairment model under IFRS 9 - "Financial Instruments", the management is required to assess changes in credit risk, by taking into account time value of money, reasonable and supportable information regarding past events, current conditions, forecast of future events and economic conditions attached to its receivables and recognize ECL, if any, at each reporting date. The Group, taking cognizance of the aforementioned requirements of IFRS 9, has made an assessment of ECL on 'Subsidy receivable from the Government of Pakistan' giving consideration to the time value of money based on expected recovery of subsidy receivable. The Group has determined loss allowance of Rs. 1,238.912 million in this respect, based on various assumptions. Due to the significance of the amount and judgements involved in estimation of ECL on subsidy receivable, we have considered this as a key audit matter.	Our audit procedures included the following: · obtained an understanding of the financial model used by the management for the determination of ECL on subsidy receivable; · involved our internal specialist to independently evaluate the appropriateness of assumptions used to determine the time value of money; · assessed the completeness and accuracy of the data used in the model to the underlying accounting records on a sample basis; · checked the mathematical accuracy of the model by performing recalculations; and · assessed the adequacy of the related disclosures made in the consolidated financial statements with respect to the applicable accounting and reporting standards.

S.No.	Key audit matters	How the matter was addressed in our audit
4.	Receivables from National Transmission and Despatch Company (Refer notes 14.1 and 16.4 to the consolidated financial statements) The Group has following balances receivable from National Transmission and Despatch Company as at December 31, 2020. · Trade debts amounting to Rs. 7,040 million which include overdue debts of Rs. 6,171 million; and · Delayed payment charges amounting to Rs. 3,838 million which include overdue receivables of Rs. 2,736 million. In view of the significant delay in settlement, materiality of the amount involved and consequential impact of the delay in settlement on liquidity and operations of the subsidiary company, Engro Powergen Qadirpur Limited (EPQL), we have considered this to be an area of higher assessed risk and a key audit matter.	Our audit procedures included the following: · assessed whether revenue and related receivables have been recognized in accordance with the applicable accounting policies; · tested whether invoices raised during the year were in accordance with the requirements of the Power Purchase Agreement (PPA); · circularized confirmation of receivables to the Central Power Purchasing Agency (CPPA-G); · made inquiries from the management and read minutes of the meetings of the Board of Directors and Board Audit Committee to ascertain actions taken by them for the recoverability of these amounts; · checked Implementation Agreement and assessed whether receivables are secured against guarantee from the Government of Pakistan and whether any impairment is required to be recognized thereagainst; · assessed the availability of finance with EPQL to fund its business operations through committed credit lines obtained from various financial institutions; and · assessed adequacy of the related disclosures in the consolidated financial statements in accordance with the applicable accounting and reporting standards.
5.	Operating results of Polymer segment (Refer notes 2.1.4.2, 38.1 and 50.4 to the consolidated financial statements) The business activities of Group's Polymer segment were impacted due to the COVID-19 pandemic and the closure of plant on account of major turnaround and gas leakage event during the year. Production of the segment declined, prices of major raw materials were significantly low in the international market as compared to previous year and the prices of segment's products also witnessed significant variation during the year. Further, activities in relation to expansion projects of the segment remained suspended for a few months.	Our audit procedures included the following: · obtained detailed understanding of the background facts pertaining to significant events that happened during the year through meetings with the management, reading of the minutes of the meetings of those charged with governance and communication to Pakistan Stock Exchange; · checked gross profit analysis of Polymer segment;

S.No.	Key audit matters	How the matter was addressed in our audit
	As a result of the price variations, gross profit of the segment increased significantly. The suspension of project expansion activities resulted in discontinuance of capitalisation of borrowing cost for some part of the year. The significant effect of the events on Polymer segment's financial statements resulted in extensive discussions with the management at various stages and required significant attention to the impacts reflected in the consolidated financial statements. Accordingly, we have considered the above as a key audit matter.	· checked and compared the trends of international prices with Polymer segment's products; · checked and compared the trends of international prices for major raw materials for part of the year with the prices on which raw material is purchased by the Polymer segment; · checked the increase in gas prices and also checked the impact of adverse gas ratio due to gas leakage incident and closure of plant; · checked raw material wise inventory reconciliation to identify period costs charged to cost of sales directly; · checked the borrowings and related finance cost; 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 unconsolidated and consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Salman Hussain.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Date: April 2, 2021

consolidated statement of financial position as at december 31, 2020

(Amounts in thousand)	Note	2020	2019
		----------------(Rupees)----------------	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	261,957,144	253,374,314
Right-of-use asset	5	6,991,760	4,851,221
Intangible assets	6	1,087,281	960,866
Long term investments	7	32,045,438	29,963,000
Deferred taxation	8	80,434	228,024
Financial assets at amortized cost	9	5,160,833	5,921,150
Net investment in leases	10	44,557,411	45,563,942
Long term loans, advances and other receivables	11	2,109,917	3,305,027
		353,990,218	344,167,544
Current Assets			
Stores, spares and loose tools	12	9,069,394	7,637,331
Stock-in-trade	13	17,938,391	19,913,340
Trade debts	14	50,616,507	51,995,313
Loans, advances, deposits and prepayments	15	3,861,287	4,868,381
Other receivables	16	18,529,010	17,515,640
Accrued income		598,940	484,224
Contract assets	17	5,714,977	4,896,901
Current portion of net investment in leases	10	3,255,211	2,543,927
Short term investments	18	93,492,881	74,004,144
Cash and bank balances	19	23,353,283	20,892,734
		226,429,881	204,751,935
Assets classified as held for sale	20	67,054	1,325,595
TOTAL ASSETS		580,487,153	550,245,074

(Amounts in thousand)	Note	2020	2019
		----------------(Rupees)----------------	
EQUITY & LIABILITIES			
Equity			
Share capital	21	5,761,632	5,761,632
Share premium		13,068,232	13,068,232
Revaluation reserve on business combination		2,678	12,880
Maintenance reserve	22	156,301	156,301
Exchange revaluation reserve		682,940	608,100
Hedging reserve		(26,173)	(24,969)
General reserve		4,429,240	4,429,240
Unappropriated profit		124,424,783	113,728,540
Remeasurement of post-employment benefits		(83,754)	(94,020)
		142,654,247	131,884,304
		148,415,879	137,645,936
Non-Controlling Interest		71,178,776	57,603,440
Total Equity		219,594,655	195,249,376
Liabilities			
Non-Current Liabilities			
Borrowings	23	135,230,145	138,600,017
Deferred taxation	8	14,568,338	13,399,390
Lease liability	24	50,624,880	50,941,216
Deferred liabilities	25	2,713,632	2,339,209
Long term provisions	26	14,488,376	-
		217,625,371	205,279,832
Current Liabilities			
Trade and other payables	27	86,502,884	74,310,930
Accrued interest / mark-up	28	1,372,323	3,315,762
Current portion of:			
- borrowings	23	22,688,492	19,856,424
- current maturity of lease liability	24	4,905,787	4,406,997
- deferred liabilities	25	730,648	430,358
- long term provisions	26	11,691,978	28,495,790
Taxes payable		2,493,198	2,831,004
Short term borrowings	29	12,505,120	15,511,348
Derivative financial instruments		-	154
Dividend payable		-	151,125
Unclaimed dividends	30	376,697	405,974
		143,267,127	149,715,866
Total Liabilities		360,892,498	354,995,698
Contingencies and Commitments	31		
TOTAL EQUITY & LIABILITIES		580,487,153	550,245,074

The annexed notes from 1 to 60 form an integral part of these consolidated financial statements.

Abdul Samad Dawood	Mazhar Abbas Hasnani	Ghias Khan
Vice Chairman	Chief Financial Officer	President and Chief Executive

consolidated statement of profit or loss for the year ended december 31, 2020

(Amounts in thousand except for earnings per share)	Note	2020	2019
		----------------(Rupees)----------------	
Continuing Operations			
Revenue	32	248,817,815	225,765,492
Cost of revenue	33	(172,773,055)	(157,166,837)
Gross profit		76,044,760	68,598,655
Selling and distribution expenses	34	(7,845,069)	(8,103,286)
Administrative expenses	35	(7,185,228)	(6,039,755)
Other income	36	17,737,785	13,643,256
Other operating expenses	37	(6,415,695)	(8,199,176)
Operating profit		72,336,553	59,899,694
Finance cost	38	(20,472,792)	(14,750,265)
Loss allowance on subsidy receivable from GoP	16.3	(1,238,912)	-
Share of income from joint venture and associates	39	2,796,374	1,147,999
Profit before taxation		53,421,223	46,297,428
Taxation	40	(9,030,265)	(15,709,548)
Profit for the year		44,390,958	30,587,880
Discontinued Operations			
Loss from discontinued operations (attributable to Owners of the Holding Company)	41	(279,364)	(299,789)
		44,111,594	30,288,091
Profit attributable to:			
- Owners of the Holding Company		25,100,323	16,532,846
- Non Controlling Interest		19,011,271	13,755,245
		44,111,594	30,288,091
Earnings / (loss) per share - basic and diluted			
- continuing operations		44.05	29.21
- discontinued operations		(0.48)	(0.52)
	42	43.57	28.69

The annexed notes from 1 to 60 form an integral part of these consolidated financial statements.

Abdul Samad Dawood
Vice Chairman

Mazhar Abbas Hasnani
Chief Financial Officer

Ghias Khan
President and Chief Executive

consolidated statement of comprehensive income for the year ended december 31, 2020

(Amounts in thousand)	2020	2019
	----------------(Rupees)----------------	
Profit for the year	44,111,594	30,288,091
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Hedging reserve - cash flow hedges		
Profit arising during the year	-	-
Less: Reclassification adjustments for loss / (profit) included in statement of profit or loss	(1,750)	-
	(1,750)	-
Revaluation reserve on business combination	(21,004)	(21,004)
Exchange differences on translation of foreign operations	74,840	212,495
	52,086	191,491
Less: Income tax relating to:		
Revaluation reserve on business combination	6,721	6,721
Items that will not be reclassified to profit or loss		
- Remeasurement of post employment benefits obligation - Actuarial gain / (loss)	18,296	(27,190)
Less: Income tax relating to remeasurement of post employment benefits obligation	(5,306)	3,990
	12,990	(23,200)
Other comprehensive income for the year, net of tax	71,797	175,012
Total comprehensive income for the year	44,183,391	30,463,103
Total comprehensive income attributable to:		
- Owners of the Holding Company	25,174,023	16,712,211
- Non Controlling Interest	19,009,368	13,750,892
	44,183,391	30,463,103
Total comprehensive income / (loss) attributable to:		
- continuing operations	44,462,755	30,762,892
- discontinued operations	(279,364)	(299,789)
	44,183,391	30,463,103

The annexed notes from 1 to 60 form an integral part of these consolidated financial statements.

Abdul Samad Dawood
Vice Chairman

Mazhar Abbas Hasnani
Chief Financial Officer

Ghias Khan
President and Chief Executive

consolidated statement of changes in equity
for the year ended december 31, 2020

(Amounts in thousand)

	Share capital	Share premium	Revaluation reserve on business combination	Maintenance reserve (note 22)	Exchange revaluation reserve	Hedging reserve	General reserve	Unappropriated Profit	Remeasurement of post employment benefits	Sub total	Non controlling Interest	Total
	---Attributable to owners of the Holding Company---											
		---Reserves---										
		---Capital Reserves---				---Revenue Reserves---						
	---(Rupees)---											
Balance as at January 1, 2019	5,237,848	13,068,232	23,082	156,301	395,605	(24,969)	4,429,240	113,100,747	(71,092)	136,314,994	49,272,245	185,587,239
Total comprehensive income for the year ended December 31, 2019												
Profit for the year	-	-	-	-	-	-	-	16,532,846	-	16,532,846	13,755,245	30,288,091
Other comprehensive income	-	-	(10,202)	-	212,495	-	-	-	(22,928)	179,365	(4,353)	175,012
	-	-	(10,202)	-	212,495	-	-	16,532,846	(22,928)	16,712,211	13,750,892	30,463,103
Transactions with owners												
Effect of change in accounting policy - net of deferred tax	-	-	-	-	-	-	-	(1,066,505)	-	(1,066,505)	(831,528)	(1,898,033)
Shares issued during the year - net of transaction cost	-	-	-	-	-	-	-	(15,437)	-	(15,437)	2,542,495	2,527,058
Preference shares issued during the year - net of transaction cost	-	-	-	-	-	-	-	-	-	-	2,256,015	2,256,015
Bonus shares issued year the period in the ratio of 1 shares for every 10 shares held	523,784	-	-	-	-	-	(523,784)	-	-	-	-	-
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	(9,386,679)	(9,386,679)
Final cash dividend for the year ended December 31, 2018 @ Rs. 2.00 per share	-	-	-	-	-	-	-	(1,047,570)	-	(1,047,570)	-	(1,047,570)
First Interim cash dividend for the year ended December 31, 2019 @ Rs. 7.00 per share	-	-	-	-	-	-	-	(4,033,143)	-	(4,033,143)	-	(4,033,143)
Second Interim cash dividend for the year ended December 31, 2019 @ Rs. 8.00 per share	-	-	-	-	-	-	-	(4,609,307)	-	(4,609,307)	-	(4,609,307)
Third Interim cash dividend for the year ended December 31, 2019 @ Rs. 8.00 per share	-	-	-	-	-	-	-	(4,609,307)	-	(4,609,307)	-	(4,609,307)
	523,784	-	-	-	-	-		(15,905,053)	-	(15,381,269)	(5,419,697)	(20,800,966)
Balance as at December 31, 2019	5,761,632	13,068,232	12,880	156,301	608,100	(24,969)	4,429,240	113,728,540	(94,020)	137,645,936	57,603,440	195,249,376
Total comprehensive income for the year ended December 31, 2020												
Profit for the year	-	-	-	-	-	-	-	25,100,323	-	25,100,323	19,011,271	44,111,594
Other comprehensive income	-	-	(10,202)	-	74,840	(1,204)	-	-	10,266	73,700	(1,903)	71,797
	-	-	(10,202)	-	74,840	(1,204)	-	25,100,323	10,266	25,174,023	19,009,368	44,183,391
Transactions with owners												
Preference shares issued during the year - net of transaction cost	-	-	-	-	-	-	-	-		-	2,801,524	2,801,524
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	(8,235,556)	(8,235,556)
Final cash dividend for the year ended December 31, 2019 @ Rs. 1.00 per share	-	-	-	-	-	-	-	(576,163)	-	(576,163)	-	(576,163)
First Interim cash dividend for the year ended December 31, 2020 @ Rs. 6.00 per share	-	-	-	-	-	-	-	(3,456,979)	-	(3,456,979)	-	(3,456,979)
Second Interim cash dividend for the year ended December 31, 2020 @ Rs. 8.00 per share	-	-	-	-	-	-	-	(4,609,306)	-	(4,609,306)	-	(4,609,306)
Third Interim cash dividend for the year ended December 31, 2020 @ Rs. 10.00 per share	-	-	-	-	-	-	-	(5,761,632)	-	(5,761,632)	-	(5,761,632)
	-	-	-	-	-	-	-	(14,404,080)	-	(14,404,080)	(5,434,032)	(19,838,112)
Balance as at December 31, 2020	5,761,632	13,068,232	2,678	156,301	682,940	(26,173)	4,429,240	124,424,783	(83,754)	148,415,879	71,178,776	219,594,655

The annexed notes from 1 to 60 form an integral part of these consolidated financial statements.

Abdul Samad Dawood	Mazhar Abbas Hasnani	Ghias Khan
Vice Chairman	Chief Financial Officer	President and Chief Executive

consolidated statement of cash flows
for the year ended december 31, 2020

(Amounts in thousand)	Note	2020	2019
		---(Rupees)---	
Cash flows from operating activities			
Cash generated from operations	45	79,346,069	62,811,005
Retirement and other service benefits paid		(348,160)	(227,600)
Proceeds from net investment in lease		2,672,535	1,721,772
Finance income received on net investment in lease		5,400,497	5,290,427
Deferred income		-	888,732
Financial charges paid		(16,901,612)	(16,586,678)
Taxes paid		(6,899,838)	(15,010,515)
Long term loans and advances - net		182,412	68,996
Discontinued operations		(59,850)	(90,073)
Net cash generated from operating activities		63,392,053	38,866,066
Cash flows from investing activities			
Purchases of property, plant & equipment and intangible assets		(18,610,301)	(46,227,271)
Sale proceeds on disposal of property, plant & equipment		198,552	94,238
Investment in associated companies		(49,053)	(788,726)
Investments made during the year - net		703,217	(43,177,429)
Income on deposits / other financial assets		8,713,422	9,870,058
Deposit in respect of bank guarantees		344,953	804,931
Dividends received		1,395,000	1,305,000
Discontinued operations		(18,954)	(142,776)
Net cash utilized in investing activities		(7,323,164)	(78,261,975)
Cash flows from financing activities			
Proceeds / Repayments of borrowings - net		(3,014,690)	21,951,625
Subordinated Loan to Joint Venture Company		-	(200,000)
Loan repayment by Joint Venture Company		206,221	-
Issuance of right shares to Non-controlling interest, net of share issuance cost		2,801,523	4,783,073
Finance cost paid on lease liability		(3,876,418)	(2,876,372)
Rentals paid during the year		(5,069,411)	(3,675,098)
Repayments of short term finance		-	(1,000,000)
Dividends paid		(22,821,054)	(23,615,075)
Net cash generated from financing activities		(31,773,829)	(4,631,847)
Net increase / (decrease) in cash and cash equivalents		24,295,060	(44,027,756)
Cash and cash equivalents at beginning of the year		27,259,420	70,322,896
Effects of exchange rate changes on cash and cash equivalents		(128,969)	964,280
Cash and cash equivalents at end of the year	46	51,425,511	27,259,420

The annexed notes from 1 to 60 form an integral part of these consolidated financial statements.

Abdul Samad Dawood	Mazhar Abbas Hasnani	Ghias Khan
Vice Chairman	Chief Financial Officer	President and Chief Executive

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

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

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

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

1.2 The "Group" consists of:

Holding Company: Engro Corporation Limited;

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

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

(Amounts in thousand)

	Percentage of direct holding 2020	2019
- Engro Energy Limited (note 1.3.1)	100	100
- Engro Eximp Agriproducts (Private) Limited (note 1.3.2)	100	100
- Engro Infiniti (Private) Limited (note 1.3.3)	100	100
- Engro Eximp FZE (note 1.3.4)	100	100
- Elengy Terminal Pakistan Limited (note 1.3.5)	56	56
- Engro Fertilizers Limited (note 1.3.6)	56.27	56.27
- Engro Polymer and Chemicals Limited (note 1.3.7)	56.19	56.19
Joint Venture Company:		
- Engro Vopak Terminal Limited (note 1.3.8)	50	50
Associated Company:		
- FrieslandCampina Engro Pakistan Limited (note 1.3.9)	39.9	39.9

1.3 Subsidiary companies

1.3.1 Engro Energy Limited

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

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

	Percentage of direct holding 2020	2019
- Engro Powergen Qadirpur Limited (note 1.3.1.1)	68.89	68.89
- Engro Powergen Thar (Private) Limited (note 1.3.1.2)	50.10	50.10
- Engro Energy Services Limited (note 1.3.1.3)	100	100
- Engro Power International Holding B.V. (note 1.3.1.4)	100	100
- Kolachi Portgen (Private) Limited (note 1.3.1.5)	100	100

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

	Percentage of direct holding 2020	2019
- GEL Utility Limited (note 1.3.1.6)	45	45
- Sindh Engro Coal Mining Company Limited (note 1.3.1.7)	11.91	11.91
- Pakistan Energy Gateway Limited (note 1.3.1.8)	33.33	33.33
- Siddiqsons Energy Limited (note 1.3.1.9)	19	19

(Amounts in thousand)

1.3.1.1 Engro Powergen Qadirpur Limited (EPQL) is a public listed company incorporated in Pakistan with the primary objective to undertake the business of power generation, distribution, transmission and sale. EPQL completed construction and testing of its 217.3 MW combined cycle power plant and has commenced commercial operation on March 27, 2010. The electricity generated is transmitted to the National Transmission and Dispatch Company (NTDC) under the Power Purchase Agreement (PPA) dated October 26, 2007, valid for a period of 25 years.

On August 13, 2020, EPQL along with other Independent Private Power Producers ("IPPs") representing the 2002 Power Policy projects (collectively referred to as the "Parties"), signed a Memorandum of Understanding (MOU) with the Committee for negotiations with IPPs, notified by Government of Pakistan vide notification number F.No.IPPs- 1(12)/2019-20 dated June 03, 2020 (the "Committee"), to alter existing contractual arrangements to the extent of, and strictly with respect to, the matters listed under the MoU. The Parties and the Committee have, inter alia, reached an understanding that; return on equity shall be fixed at a certain percentage and exchange rate with no further indexation for rupee dollar parity; fuel and O&M shall be taken as one consolidated line item and any future net savings shall be shared. All projects shall convert their contracts to Take and Pay basis, without exclusivity, when Competitive Trading Arrangement is eventually implemented and becomes fully operational. The Parties have agreed that payment of the receivables of EPQL are an integral part of the MoU. The Board of Directors of EPQL in their meeting dated August 17, 2020 have in-principle approved the terms of this MoU which are also subject to the approval of National Electric Power Regulatory Authority, Federal Cabinet, and other necessary corporate approvals.

1.3.1.2 Engro Powergen Thar (Private) Limited (EPTL) was established on September 23, 2014 with the primary objective to develop 2 x 330 MW mine mouth power plants at Thar Block II, Sindh. As at December 31, 2020, EEL holds 50.10% (2019: 50.10%) of the issued capital of EPTL while the balance shares are held by CMEC Thar Power Investment Limited (35%), Habib Bank Limited (9.5%) and Liberty Mills Limited (5.4%). EPTL has achieved its Commercial Operations Date (COD) on July 10, 2019.

1.3.1.3 Engro Energy Services Limited (EESL) was established as a wholly owned subsidiary of EEL on June 01, 2018 with the primary objective of analyzing potential opportunities in the power sector and undertaking service related contracts for Independent Power Projects (IPPs) based on feasibility of new ventures and to provide operations and maintenance services to IPPs.

1.3.1.4 Engro Power International Holding B.V. (EPIH), a private limited company, has been established in Rotterdam, Netherlands with the objective to incorporate, participate, manage and supervise businesses and companies. EPIH has two wholly owned subsidiaries namely Engro Power Services Holding B.V. (EPSH) and Engro Power Investments International B.V. (EPII) both based in Netherlands. EPSH has a wholly owned subsidiary Engro Power Services Limited (EPSL) established in Nigeria with the objective to carry on business as power generating, transmission, distribution and servicing company. The Board of Directors of EEL, in its meeting held on August 13,2020, has approved the plan of liquidation and dissolution of EPSL. EPSL has a joint venture EngroGen Energy Services Limited established in Mauritius.

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

1.3.1.6 GEL Utility Limited (GEL) is a private limited company in Nigeria with the objective of generation and distribution of energy, power and other related services and has undertaken a project of 72 MW triple redundancy captive power plant, which commenced commercial operations from November 21, 2014. EEL holds 12,272,727 ordinary shares of Naira 1 each in GEL representing a 45% (2019: 45%) equity stake.

1.3.1.7 Sindh Engro Coal Mining Company Limited (SECMC) was formed under a Joint Venture Agreement (JVA), dated September 8, 2009, between the Government of Sindh (GoS), EEL and the Holding Company. The aforementioned JVA is consequent to the selection of SECMC as GoS's joint venture partner, through an International Competitive Bidding process, for the development, construction and operations of an open cast lignite mine in Block-II of Thar Coal Field, Sindh (the Project). SECMC has achieved its CoD for Phase I of the project on July 10, 2019. The financial close of Phase II of the project was achieved on December 31, 2019. EEL holds 11.91% (2019: 11.91%) equity stake. Dividend shall be declared only after Project Completion Date (PCD) of Phase I of mine.

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

1.3.1.9 EEL entered into a Joint Venture Agreement (JVA), dated May 04, 2018 with Siddiqsons Limited (SL) and Arif Habib Equity (Private) Limited (AHEPL) for the joint development of approximately 330 MW of coal-fired power generation facility in Block - II, District Tharparkar, Sindh through a joint venture company, namely Siddiqsons Energy Limited (SEL). The JVA became effective from May 26, 2018 as per the terms of which EEL, AHEPL and SL, were initially required to have shareholding proportions equal to 19%, 19% and 62% respectively in their mutual capacity as the members of SEL. Accordingly, EEL advanced an amount of Rs. 262,000 against the issuance of 26,267,639 ordinary shares constituting the required 19% of the share capital of SEL to be subscribed into by EEL. During the year, EEL subscribed to an additional 4,905,281 (2019: 7,220,000) ordinary shares of SEL while maintaining its percentage shareholding as at December 31, 2020 at 19% (2019: 19%).

1.3.2 Engro Eximp Agriproducts (Private) Limited

Engro Eximp Agriproducts (Private) Limited (EEAPL) is a private limited company, incorporated in Pakistan. The principal activity of EEAPL is to produce, manufacture and trade all kinds of raw, processed and prepared food products including agriculture, dairy and farming products. EEAPL has set up a rice processing plant in District Shaikhupura, which commenced commercial production in 2011.

1.3.3 Engro Infiniti (Private) Limited

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

Following are the subsidiaries of EInfiniti:

	Percentage of direct holding	
	2020	2019
- Engro Digital Limited (note 1.3.3.1)	100	100
- Enfrashare (Private) Limited (note 1.3.3.2)	100	100

1.3.3.1 Engro Digital Limited (EDL) is a public unlisted company, incorporated in Pakistan on October 19, 2017 under the Companies Act, 2017. The Company is a wholly owned subsidiary of Engro Infiniti (Private) Limited. EDL is established with primary objective of analyzing potential opportunities and making available digital and technology services and products inside and outside Pakistan.

The Board of Directors of EDL in their meeting held on May 6, 2020, approved the discontinuation of the EDL's operations effective from May 31, 2020 and novation of all the customer agreements to Empiric AI Limited (an associated company). The decision is in line with the decision taken by the Board of Directors of the Holding Company in their meeting held on February 20, 2020 to discontinue this line of business under Engro's brand name from a strategic point of view. As a result of discontinuation of business operations, the going concern assumption is no longer applicable and accordingly EDL's financial statements have been prepared on a basis other than going concern.

1.3.3.2 Enfrashare (Private) Limited (Enfrashare) was incorporated in Pakistan as a private limited company under the Companies Act, 2017 on November 13, 2018. The registered office of Enfrashare is situated at 15-E, Rehmat Centre, Jinnah Avenue, Blue area, Islamabad. Enfrashare is principally engaged in buying, building, maintaining and operating telecommunication infrastructure and any products and by products and any activities relating to or ancillary thereto.

1.3.4 Engro Eximp FZE

Engro Eximp FZE (EEF) was incorporated in the Jebel Ali Free Zone, Emirate of Dubai, on August 4, 2011 as a wholly owned Subsidiary of Engro Eximp (Private) Limited (EEPL). EEF has obtained a General Trading License issued by Jafza Jebel Ali Free Zone.

(Amounts in thousand)

1.3.5 Elengy Terminal Pakistan Limited

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

1.3.6 Engro Fertilizers Limited

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

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

1.3.7 Engro Polymer and Chemicals Limited

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

Following are the subsidiaries of EPCL:

	Percentage of direct holding	
	2020	2019
- Think PVC (Private) Limited (previously Engro Polymer Trading (Private) Limited) - note 1.3.7.1	100	100
- Engro Peroxide (Private) Limited - note 1.3.7.2	100	100
- Engro Plasticizer (Private) Limited - note 1.3.7.3	100	100

1.3.7.1 Think PVC (Private) Limited (previously Engro Polymer Trading (Private) Limited) (TPPL) was incorporated in Pakistan on November 6, 1999, as a wholly owned subsidiary of the EPCL. TPPL's principal activity is to purchase, market and sell Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and other related chemicals and to develop market for PVC downstream products. TPPL is in the process to set-up its first PVC products showroom, a pilot project of downstream marketing which will commence from the end of first quarter of 2021.

1.3.7.2 Engro Peroxide (Private) Limited (EPPL) was incorporated in Pakistan on July 22, 2019 under the Companies Act, 2017 as a wholly owned subsidiary of EPCL. The main objective of Engro Peroxide (Private) Limited is to manufacture and market Hydrogen Peroxide and related chemicals. On March 31, 2020, EPCL's management reported a forseeable delay in the Hydrogen Peroxide project, to Pakistan Stock Exchange (PSX), due to restrictions on mobilization of local and overseas resources. However, from October 15, 2020, EPPL has resumed work and now its completion is expected at the end of year 2022.

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

1.3.8 Engro Vopak Terminal Limited

Engro Vopak Terminal Limited (EVTL), a 50% share joint venture of the Holding Company, is a public unlisted company incorporated in Pakistan. EVTL is a joint venture of the Holding Company and Royal Vopak Netherlands B.V. EVTL has been granted the exclusive concession, right and license to design, finance, insure, construct, test, commission, complete, operate, manage and maintain an Integrated Liquid Chemical Terminal and Storage Farm at the south western zone of Port Qasim on Build, Operate and Transfer (BOT) basis.

(Amounts in thousand)

1.3.9 FrieslandCampina Engro Pakistan Limited

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

- Provisions of and directives issued under the Companies Act, 2017.

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

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

2.1.4 Impact of COVID-19 on the Consolidated Financial Statements

2.1.4.1 On 11 March 2020, the World Health Organization declared Coronavirus disease (COVID-19) a pandemic, as its spread has gained momentum. During the year, COVID-19 has spread throughout the country and lockdowns were imposed in most parts of the country along with other measures to contain the spread of virus. The measures taken to reduce the spread have resulted in an overall economic slowdown and disruptions to various businesses. However,the management of the Holding Company has evaluated and concluded that there are no material implications of COVID-19 that require specific disclosures in these consolidated financial statements.

2.1.4.2 The Group's Polymer segment was partially impacted as production facilities were closed during the lockdown from March 23, 2020 till the end of April 2020. Its expansion projects were also impacted as some of the equipment deliveries and project construction work was also suspended as a precautionary measure. With effect from May 2020, Polymer segment has resumed its operations with all precautionary measures to prevent the spread of the virus in the light of the directives issued by the relevant authorities.

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

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

There are certain amendments and interpretations that are effective for the first time for the year ended December 31, 2020, however, these are considered not to have a significant impact on the the Group's financial reporting and operations and therefore have not been presented here.

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

IFRS 16 'Leases' - The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

The Holding Company has applied the practical expedient to all qualifying rent concessions granted in relation to office space acquire under rental basis. As a result, Rs 44,704 has been recognized in profit or loss account to reflect changes in lease payments arising from rent concessions that meet the conditions of the practical expedient.

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

There is a new standard and other amendments to the published accounting and reporting standards that are not yet effective and are considered not to have any significant effect on the Group's financial reporting and operations and, therefore, have not been disclosed in these consolidated financial statements.

2.1.6 Basis of consolidation

i) Subsidiaries

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

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

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

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

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

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

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

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

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

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

2.2 Exploration and evaluation assets

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

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

- such costs are expected to be recouped through successful development and exploration of the area of interest or alternatively, by its sale; or

- exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence, or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

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

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

2.3 Development properties

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

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

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

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

2.4 Property, plant and equipment

2.4.1 Owned assets

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

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

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

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

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

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

2.4.2 Dredging expenditure

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

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

2.5 Capital spares

Spare parts and servicing equipment are classified as property, plant and equipment rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. These are valued at weighted average cost less impairment except for items in transit which are stated at invoice value plus other charges paid thereon till the reporting date. For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated realizable value. Upon utilization, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of principal asset, whichever is lower.

2.6 Intangible assets

a) Computer software and licenses

i) Acquired

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

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

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

ii) Internally generated

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

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

Development costs incurred on specific projects are capitalized when all the following conditions are satisfied:
- Completion of the intangible asset is technically feasible so that it will be available for use or sale;
- The Group intends to complete the intangible asset and use or sell it;
- The Group has the ability to use or sell the intangible asset;
- The intangible asset will generate probable future economic benefits. Among other things this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or if it is to be used internally, the asset will be used in generating such benefits;
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

b) Rights for future gas utilization

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

2.7 Leasing activities as a lessee

Lease liability and right-of-use assets:

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

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

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

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

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

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

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

2.8 Leasing activities as a lessor

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

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

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

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

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

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

2.9 Impairment of non-financial assets

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

2.10 Investments in Joint Ventures and Associates

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

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

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

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

2.12 Financial assets

2.12.1 Classification, initial recognition and measurement

Consequent to applicability of IFRS 9, financial assets are classified into appropriate categories on initial recognition and are subsequently measured at amortised cost at fair value through other comprehensive income or at fair value through profit or loss. The management determines the classification of financial assets into appropriate categories based on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss if it is not measured at amortised cost or at fair value through other comprehensive income.

All financial assets are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets at amortised cost are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any. Interest income and impairment losses are recognised in consolidated statement of profit or loss. Financial assets carried at fair value through consolidated statement of comprehensive income are initially and subsequently measured at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive income. Financial assets carried at fair value through profit or loss are initially recorded at fair value and transaction costs are expensed in the consolidated statement of profit or loss. Realised and unrealised gains and losses arising from changes in the fair values of the financial assets and liabilities held at fair value through profit or loss are included in the consolidated statement of profit or loss in the period in which they arise.

2.12.2 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset, in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated statement of profit or loss.

2.12.3 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables except for debts due from the Government of Pakistan as a consequence of circular debt which have been exempted from the application of Expected Credit Loss model under IFRS 9 for a limited period of three years upto June 30, 2021 by the Securities and Exchange Commission of Pakistan (SECP) through its S.R.O 985(I) / 2019 dated September 2, 2019.

2.12.4 Financial liabilities

The Group recognises a financial liability in its consolidated statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial liability at its fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. Subsequently, financial liabilities are stated at amortised cost.

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

2.12.5 Offsetting financial instruments

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

2.13 Hedging relationships

The Group currently accounts for two types of hedging relationships:

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

The Group accounts for fair value hedging relationships as follows:

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

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

Cash flow hedge

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

The Group accounts for cash flow hedging relationships as follows:

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

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

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

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

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

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

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

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

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

2.14 Stores, spares and loose tools

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

2.15 Stock-in-trade

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

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

2.16 Trade debts, contract assets and other receivables

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

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

b) the time value of money; and

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

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

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

(Amounts in thousand)

2.17 Cash and cash equivalents

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

2.18 Share capital

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

2.19 Borrowings

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

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

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

2.20 Trade and other payables

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

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

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

2.21 Deferred Income

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

2.22 Contract liability

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

2.23 Provisions

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

2.24 Income tax

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

2.24.1 Current

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

2.24.2 Deferred

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

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

2.25 Retirement and other service benefits

2.25.1 Defined contribution plans

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

The Group operates:

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

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

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

2.25.2 Defined benefit plans

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

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

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

(Amounts in thousand)

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

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

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

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

2.25.3 Employees' compensated absences

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

2.25.4 Other benefits - Service Incentive Plan

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

2.26 Foreign currency transactions and translation

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

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

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;

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

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

2.27 Revenue / Income recognition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

    - Operations and maintenance revenue over time.

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

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

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

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

2.28 Borrowing costs

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

2.29 Research and development costs

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

2.30 Government grant

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

2.31 Earnings per share

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

2.32 Dividend and appropriation to reserves

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

2.33 Segment reporting

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of carrying material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) Property, plant and equipment and intangibles

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

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

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

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

c) Stock-in-trade

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

d) Income taxes

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

e) Provision for retirement and other service benefits obligations

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

f) Impairment of financial assets

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

g) Trade debts

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

h) Stores and spares

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

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

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

j) Contingencies and Provisions

Significant estimates and judgements are being used by the management in accounting for contingencies and provisions relating to legal and taxation matters being contested at various forums based on applicable laws and the decisions / judgements.

k) Right of use asset and corresponding lease liability

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

(Amounts in thousand)

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

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

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

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

ii) Classification of lease

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

iii) Non-lease components

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

iv) Discount rate

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

l) Provision for decommissioning costs

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

m) Revenue recognition

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

4. PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	(Rupees)	
Operating assets, at net book value (note 4.1)	232,640,693	233,475,521
Capital work in progress - Expansion and other projects (note 4.6)	26,568,260	17,508,521
Capital spares and standby equipments	2,748,191	2,390,272
	261,957,144	253,374,314

4.1 Operating assets

	Land		Building		Pipelines	Plant and Machinery	Catalyst	Furniture, fixture and equipments		Vehicles	Aircraft	Jetty	Dredging	Total
	Freehold	Leasehold	Freehold	Leasehold		Owned		Owned	Leased	Owned				
	(Rupees)													
As at January 1, 2019														
Cost	341,680	450,038	5,779,420	1,818,592	3,027,460	148,726,119	1,611,052	2,626,128	21,723	995,287	-	5,310,725	2,980,907	173,689,131
Accumulated depreciation	-	(148,922)	(1,922,649)	(635,572)	(1,185,663)	(56,714,218)	(1,261,981)	(1,576,905)	(21,002)	(486,594)	-	(753,826)	(808,397)	(65,515,729)
Accumulated impairment	-	(121,617)	-	(594,757)	-	(2,234,824)	-	(83,406)	-	-	-	-	-	(3,034,604)
	341,680	179,499	3,856,771	588,263	1,841,797	89,777,077	349,071	965,817	721	508,693	-	4,556,899	2,172,510	105,138,798
Year ended December 31, 2019														
Opening net book value	341,680	179,499	3,856,771	588,263	1,841,797	89,777,077	349,071	965,817	721	508,693	-	4,556,899	2,172,510	105,138,798
Amortization of revaluation surplus	-	(2,572)	-	(1,140)	3,355	(33,649)	-	-	-	-	-	-	-	(34,006)
Additions including transfers (note 4.6)	-	283,342	1,812,853	1,980	98,288	134,424,582	371,195	1,426,918	-	1,404,932	-	-	67,617	139,891,707
Capitalization of exchange gain by Subsidiary Company (note 4.3)	-	-	-	-	-	(986,415)	-	-	-	-	-	-	-	-
Adjustments / Reclassifications														
Cost	2,488	-	(764)	301	(10,850)	22,915	-	(31,977)	-	17,589	-	-	-	(298)
Accumulated depreciation	-	5	20	1,101	-	(29,798)	-	3,057	-	(738)	-	-	-	(26,353)
Accumulated Impairment - reversal	-	(5)	-	(1,101)	-	(1,880)	-	(2,685)	-	-	-	-	-	(5,671)
	2,488	-	(744)	301	(10,850)	(8,763)	-	(31,605)	-	16,851	-	-	-	(32,322)
Disposals / Write offs (note 4.5)														
Cost	-	(47,616)	-	(3,379)	-	(655,375)	-	(339,483)	-	(55,487)	-	(1,443)	-	(1,102,783)
Accumulated depreciation	-	19,378	-	596	-	568,275	-	333,095	-	46,229	-	173	-	967,746
Accumulated impairment	-	-	-	-	-	-	60,724	-	-	-	-	-	-	60,724
	-	(28,238)	-	(2,783)	-	(26,376)	-	(6,388)	-	(9,258)	-	(1,270)	-	(74,313)
Depreciation charge (note 4.4)	-	(39,742)	(220,067)	(57,945)	(127,962)	(8,956,798)	(151,847)	(408,089)	-	(159,925)	-	(155,276)	(150,277)	(10,427,928)
Net book value	344,168	392,289	5,448,813	528,676	1,804,628	214,189,658	568,419	1,946,653	721	1,761,293	-	4,400,353	2,089,850	233,475,521
As at December 31, 2019														
Cost	344,168	683,192	7,591,509	1,816,354	3,118,253	281,498,177	1,982,247	3,681,586	21,723	2,362,321	-	5,309,282	3,048,524	311,457,336
Accumulated depreciation	-	(169,281)	(2,142,696)	(691,820)	(1,313,625)	(65,132,539)	(1,413,828)	(1,648,842)	(21,002)	(601,028)	-	(908,929)	(958,674)	(75,002,264)
Accumulated impairment	-	(121,622)	-	(595,858)	-	(2,175,980)	-	(86,091)	-	-	-	-	-	(2,979,551)
Net book value	344,168	392,289	5,448,813	528,676	1,804,628	214,189,658	568,419	1,946,653	721	1,761,293	-	4,400,353	2,089,850	233,475,521

	Land		Building		Pipelines	Plant and Machinery	Catalyst	Furniture, fixture and equipments		Vehicles	Aircraft	Jetty	Dredging	Total
	Freehold	Leasehold	Freehold	Leasehold		Owned		Owned	Leased	Owned				
	(Rupees)													
Year ended December 31, 2020														
Opening net book value	344,168	392,289	5,448,813	528,676	1,804,628	214,189,658	568,419	1,946,653	721	1,761,293	-	4,400,353	2,089,850	233,475,521
Amortization of revaluation surplus	-	(2,572)	-	(1,140)	3,355	(33,649)	-	-	-	-	-	-	-	(34,006)
Additions including transfers (note 4.6)	-	18,524	2,487,161	56,538	1,999	2,546,425	-	3,181,278	-	1,254,309	624,228	-	-	10,170,462
Capitalization of exchange loss by Subsidiary Company (note 4.3)	-	-	-	-	-	3,170,122	-	-	-	-	-	-	-	3,170,122
Direct reversals	-	-	-	-	-	(792,005)	-	-	-	-	-	-	-	(792,005)
Assets classified as held for sale (note 20.1)														
Cost	-	-	-	-	-	(400,930)	-	-	-	-	-	-	-	(400,930)
Accumulated depreciation	-	-	-	-	-	62,732	-	-	-	-	-	-	-	62,732
Accumulated Impairment - reversal	-	-	-	-	-	271,144	-	-	-	-	-	-	-	271,144
	-	-	-	-	-	(67,054)	-	-	-	-	-	-	-	(67,054)
Disposals / Write offs (note 4.5)														
Cost	-	-	-	-	-	(192,175)	-	(241,247)	-	(26,944)	-	-	-	(460,366)
Accumulated depreciation	-	-	-	-	-	46,795	-	136,433	-	20,889	-	-	-	204,117
Accumulated impairment	-	-	-	-	-	111,119	-	-	-	-	-	-	-	111,119
	-	-	-	-	-	(34,261)	-	(104,814)	-	(6,055)	-	-	-	(145,130)
Depreciation charge (note 4.4)	-	(43,370)	(306,133)	(51,972)	(125,374)	(11,271,718)	(178,708)	(488,150)	-	(331,234)	(8,695)	(174,825)	(157,038)	(13,137,217)
Net book value	344,168	364,871	7,629,841	532,102	1,684,608	207,707,518	389,711	4,534,967	721	2,678,313	615,533	4,225,528	1,932,812	232,640,693
As at December 31, 2020														
Cost	344,168	699,144	10,078,670	1,871,752	3,123,607	285,795,965	1,982,247	6,621,617	21,723	3,589,686	624,228	5,309,282	-3,048,524	323,110,613
Accumulated depreciation	-	(212,651)	(2,448,829)	(743,792)	(1,438,999)	(76,294,730)	(1,592,536)	(2,000,559)	(21,002)	(911,373)	(8,695)	(1,083,754)	(1,115,712)	(87,872,632)
Accumulated impairment	-	(121,622)	-	(595,858)	-	(1,793,717)	-	(86,091)	-	-	-	-	-	(2,597,288)
Net book value	344,168	364,871	7,629,841	532,102	1,684,608	207,707,518	389,711	4,534,967	721	2,678,313	615,533	4,225,528	1,932,812	232,640,693
Annual rate of depreciation (%)	-	1 to 8	2.5 to 33	2.5 to 10	5	2.5 to 25	No. of production days	3 to 33	20	5 to 25	14.3	6.67	6.67 to 20	

(Amounts in thousand)

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

Description of assets	Address	Total area of land in Acres
Dharki Plant & Colony	Dharki, Sindh	730.00
Zarkhez plant	Port Qasim, Karachi	112.50
Rice Plant	13-KM Sheikhupura Road, Lahore	62.95
LNG Terminal	South Western Industrial Zone, Port Qasim, Karachi	13.18
Power plant and associated buildings	Deh Belo Sanghari, Ghotki, Sindh	41.50
Colony Land	Colony Road, Dharki, Ghotki, Sindh	16.40
Leasehold land	Thar Block II, Islamkot District, Sindh	215.00
Leasehold land	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	121.92
Production facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	3.26
Storage facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	2.21
Administration facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	0.60

4.3 The SECP, through S.R.O. 986(1)/2019 dated September 2, 2019 partially modified its previously issued S.R.O. 24/(1)/2012 dated January 16, 2012 and granted exemption to all companies that have executed their power purchase agreements before January 1, 2019, from the application of IAS 21 'The Effects of Changes in Foreign Exchange Rates' to the extent of capitalization of exchange differences. Accordingly, during the year, the Group has capitalized exchange loss of Rs. 3,170,122 (2019: exchange gain of Rs. 986,415) arising on foreign currency borrowings to the cost of the related property, plant and equipment.

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

	2020	2019
	----------------(Rupees)----------------	
Cost of goods sold (note 33.1)	12,400,031	9,623,651
Capital work-in-progress	388	55,657
Cost of services rendered (note 33.2)	417,191	465,313
Selling and distribution expenses (note 34)	53,411	116,222
Administrative expenses (note 35)	263,787	163,004
Discontinued operations	2,409	4,081
	13,137,217	10,427,928

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

Description and method of disposal	Sold to	Relationship	Cost	Accumulated depreciation & impairment	Net book value	Sale Proceeds	Gain\(Loss)
			----------------------------------(Rupees)----------------------------------				
Plant and machinery							
By Group policy	Muhammad Kamran	-	192,131	157,869	34,262	48,418	14,156
			192,131	157,869	34,262	48,418	14,156
Vehicles							
By Group policy to existing / resigned / retired executives	Muhammad Amjad Khan	Employee	1,406	694	712	1,530	818
	Muhammad Yasir Khan	Employee	3,240	138	3,102	3,148	46
			4,646	832	3,814	4,678	864
Year ended December 31, 2020			196,777	158,701	38,076	53,096	15,020
Year ended December 31, 2019			441,001	409,285	31,716	35,120	3,404

(Amounts in thousand)

4.6 Capital work in progress

	2020	2019
	----------------(Rupees)----------------	
Leasehold land	32,000	32,000
Plant and machinery	21,922,815	14,617,340
Building and civil works including pipelines	269,715	217,917
Furniture, fixture and equipment	2,756,734	1,925,012
Advances to suppliers	546,775	449,902
Internally generated intangible asset	748,927	62,530
Other ancillary cost	291,294	203,820
	26,568,260	17,508,521
Balance as at January 1	17,508,521	98,326,481
Additions during the year (notes 4.6.1 and 4.6.2)	20,090,459	58,596,637
Borrowing cost capitalised during the year	214,679	-
Transferred to:		
- operating assets (note 4.1)	(9,997,449)	(138,134,214)
- intangible assets (note 6)	(306,987)	(829,259)
- net investment in lease	(767,976)	-
- capital spares	-	(1,062)
Impairment	(81,290)	(450,062)
Write-off	(91,697)	-
Balance as at December 31	26,568,260	17,508,521

4.6.1 Includes costs incurred in respect of One SAP Project, which is in progress at reporting date.

4.6.2 Includes auditor's remuneration amounting to Rs. 2,500.

4.6.3 As at December 31, 2020, major engineering and installation in respect of plant and machinery and pipelines for PVC-III and VCM debottlenecking have been completed and will be capitalised in the next financial year after completion of testing phase.

(Amounts in thousand)

5. RIGHT-OF-USE ASSET

	Office space/ rented premises	Storage tanks	Buildings	Vehicle	FSRU	Total
	----------	----------	(Rupees)	----------	----------	----------
Year ended December 31, 2019						
Recognition of right-of-use asset due to application of IFRS 16						
- Cost	1,222,538	2,778,739	66,704	-	45,002,470	49,070,451
- Accumulated depreciation	-	-	-	-	-	-
	1,222,538	2,778,739	66,704	-	45,002,470	49,070,451
Additions	1,216,400	318,319	-	-	-	1,534,719
Derecognition of right of use asset on account of sub-lease						
- cost	-	-	-	-	(45,002,470)	(45,002,470)
- accumulated depreciation	-	-	-	-	-	-
	-	-	-	-	(45,002,470)	(45,002,470)
Depreciation charge for the year (note 5.2)	(335,518)	(399,190)	(16,771)	-	-	(751,479)
Closing net book value	2,103,420	2,697,868	49,933	-	-	4,851,221
As at December 31, 2019						
Cost	2,438,938	3,097,058	66,704	-	-	5,602,700
Accumulated depreciation	(335,518)	(399,190)	(16,771)	-	-	(751,479)
Net book value	2,103,420	2,697,868	49,933	-	-	4,851,221
Year ended December 31, 2020						
Opening net book value	2,103,420	2,697,868	49,933	-	-	4,851,221
Additions (note 5.1)	3,094,203	-	-	5,849	-	3,100,052
Derecognition of right of use asset						
- cost	(204,344)	-	-	-	-	(204,344)
- accumulated depreciation	76,635	-	-	-	-	76,635
	(127,709)	-	-	-	-	(127,709)
Depreciation charge for the year (note 5.2)	(383,758)	(431,022)	(16,771)	(253)	-	(831,804)
Closing net book value	4,686,156	2,266,846	33,162	5,596	-	6,991,760
As at December 31, 2020						
Cost	5,328,797	3,097,058	66,704	5,849	-	8,498,408
Accumulated depreciation	(642,641)	(830,212)	(33,542)	(253)	-	(1,506,648)
Net book value	4,686,156	2,266,846	33,162	5,596	-	6,991,760

(Amounts in thousand)

5.1 This represents right of use aset recognised against lease agreements entered into by Enfrashare with landlords in respect of tentated sites.

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

	2020	2019
	(Rupees)	
Cost of goods sold (note 33.1)	537,642	399,190
Capital work-in-progress	23,630	23,632
Cost of services rendered (note 33.2)	-	32,837
Administrative expenses (note 35)	270,532	295,820
	831,804	751,479

6. INTANGIBLE ASSETS

	Software and licenses	Rights for future gas utilization	Total
As at January 1, 2019			
Cost	767,980	102,312	870,292
Accumulated amortization and impairment	(512,632)	(40,121)	(552,753)
Net book value	255,348	62,191	317,539
Year ended December 31, 2019			
Opening net book value	255,348	62,191	317,539
Additions including transfers (notes 4.6 & 6.2)	829,259	-	829,259
Reclassification			
Cost	20,757	-	20,757
Accumulated amortization	(18,528)	-	(18,528)
	2,229	-	2,229
Amortization charge (note 6.1)	(183,050)	(5,111)	(188,161)
Closing net book value	903,786	57,080	960,866
As at December 31, 2019			
Cost	1,617,996	102,312	1,720,308
Accumulated amortization and impairment	(714,210)	(45,232)	(759,442)
Net book value	903,786	57,080	960,866
Year ended December 31, 2020			
Opening net book value	903,786	57,080	960,866
Additions including transfers (notes 4.6 & 6.2)	306,987	-	306,987
Amortization charge (note 6.1)	(175,461)	(5,111)	(180,572)
Closing net book value	1,035,312	51,969	1,087,281
As at December 31, 2020			
Cost	1,924,983	102,312	2,027,295
Accumulated amortization and impairment	(889,671)	(50,343)	(940,014)
Net book value	1,035,312	51,969	1,087,281

(Amounts in thousand)

	2020	2019
	----------------(Rupees)----------------	
6.1 Amortization charge for the year has been allocated as follows:		
Cost of goods sold (note 33.1)	23,471	79,236
Cost of services rendered (note 33.2)	2	267
Capital work-in-progress	615	4,367
Selling and distribution expenses (note 34)	844	15,290
Administrative expenses (note 35)	155,640	89,001
	180,572	188,161

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

7. LONG TERM INVESTMENTS

	2020	2019
	----------------(Rupees)----------------	
Investments in Joint Venture and Associates:		
Joint venture company - Engro Vopak Terminal Limited (EVTL) - (notes 7.1 to 7.4)	-	-
Investment in associates (notes 7.5 to 7.9):		
- FrieslandCampina Engro Pakistan Limited (FCEPL) 306,075,948 (2019: 306,075,948) ordinary shares of Rs. 10 each	27,864,078	27,793,485
Less: provision for impairment (note 7.5)	(1,224,304)	(1,224,304)
	26,639,774	26,569,181
- Sindh Engro Coal Mining Company (SECMC) 159,602,637 (2019: 159,602,637) ordinary shares of Rs.10 each	4,384,236	3,056,865
- Others		
Gross carrying value as at January 1	486,514	1,910,223
Investments made during the year	49,053	72,203
Add: Asset reclassified from held-for-sale (note 20.2)	1,325,595	-
Share of loss for the year	(975)	(170,317)
Less: Asset classified as held-for-sale (note 20.2)	-	(1,325,595)
Gross carrying value as at December 31	1,860,187	486,514
Less: Impairment recognized thereagainst (note 7.10)	943,755	154,560
	916,432	331,954
Others	104,996	5,000
	32,045,438	29,963,000

7.1 Details of investment in EVTL is as follows:

	2020	2019
At beginning of the year	-	-
Add: Share of profit for the year (note 39)	1,399,385	1,014,206
(Less) / Add: Provision adjustment in respect of tax contingency (note 27.4)	(4,385)	290,794
Less: Dividend received during the year	1,395,000	1,305,000
	-	-

(Amounts in thousand)

7.1.1 As a result of share of profit for the year, the provision for tax contingency amounting to Rs. 1,064,885 previously set off against the carrying value of the Group's investment has increased by Rs. 4,385 representing the difference between the share of profit and dividend received by the Group. Accordingly, the net provision set off against the carrying value of Group's investment in EVTL now amounts to Rs. 1,069,270 (2019: Rs. 1,064,885).

7.2 As at December 31, 2020, the Holding Company held 45,000,000 ordinary shares (2019: 45,000,000 ordinary shares) of EVTL representing 50% of issued, subscribed and paid-up capital of EVTL.

7.3 Cases for the tax year 2003 to tax year 2011 of EVTL to determine as to whether the income of EVTL is liable to be taxed under the Normal Tax Regime (NTR) or the Final Tax Regime (FTR) are pending in the Honorable Supreme Court of Pakistan (SCP) and the Sindh High Court (SHC). In this respect, EVTL has disclosed a contingent liability amounting to Rs. 4,124,069, after taking into account impact of assessment years which are now time barred, in its financial statements representing potential taxation liability that EVTL may have to recognise if the aforementioned cases are decided against EVTL.

On the basis of legal advice, the Group has reversed its proportionate share of the aforementioned time barred assessment years amounting to Rs. 398,559 this year bringing the total provision to Rs. 2,062,025 (2019: Rs. 2,460,584). This potential tax liability has been adjusted against the carrying value of its investment in EVTL to the extent of it being 'Nil' and the balance amount has been recognised as a provision (note 27) depicting the Group's constructive obligation to bear the potential exposure.

7.4 The summary of financial information of EVTL as of December 31, 2020 is as follows:

Statement of financial position		
Particulars	2020	2019
	-----------Rupees -----------	
Cash and cash equivalents	238,084	121,854
Current financial liabilties (excluding trade and other payables)	11,504	200,000
Non-current financial liabilities (excluding trade and other payables)	641,937	-
Non-current assets	3,076,702	2,650,315
Current assets	987,666	758,093
Non-current liabilities	(984,471)	(507,045)
Current liabilities	(906,564)	(736,800)
	2,173,333	2,164,563
Group's share at 50% (2019: 50%)	1,086,667	1,082,282
Provision against tax contingency	(1,069,270)	(1,064,885)
Reversal of WWF	-	-
Others	(17,397)	(17,397)
Carrying amount	-	-

Statement of profit or loss and other comprehensive income		
Particulars	2020	2019
	-----------Rupees -----------	
Revenue	4,802,639	3,991,594
Depreciation and amortization	237,902	237,356
Interest income	72,193	50,074
Income tax expense	1,176,356	1,199,799
Total comprehensive income for the year	2,798,770	2,206,971

(Amounts in thousand)

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

An impairment loss of Rs. 1,224,304 was recognised in the consolidated financial statements for the year ended December 31, 2019 based on Holding Company's assessment of the recoverable amount of the investment. However, based on Holding Company's assessment as at December 31, 2020, no further impairment is required to be recognized in respect of this investment.

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

Particulars	2020		2019	
	FCEPL	SECMC	FCEPL	SECMC
	-----------------------------(Rupees)-----------------------------			
At beginning of the year	26,569,181	3,056,865	28,174,476	1,655,241
Add:				
- Investment in associates	-	-	-	716,523
- Advance against issue of shares	-	-	-	-
- Share of profit / (loss) for the year (note 39)	70,593	1,327,371	(380,991)	685,101
- Dividend received during the year	-	-	-	-
- Provision for impairment	-	-	(1,224,304)	-
	26,639,774	4,384,236	26,569,181	3,056,865

(Amounts in thousand)

7.7 The summary of financial information / reconciliation of Associated Companies in which the Group holds material investment as of December 31, 2020 / 2019 is as follows:

Particulars	FCEPL		SECMC	
	2020	2019	2020	2019
	-----------------------------(Rupees)-----------------------------			
Revenue	44,155,023	38,857,336	37,205,247	17,120,112
Profit / (Loss) after tax	176,926	(954,865)	11,140,083	5,750,505
Other comprehensive income / (loss)	(13,947)	5,341	-	-
Total comprehensive income / (loss)	162,979	(949,524)	11,140,083	5,750,505
Non-current assets	13,014,386	12,975,543	77,656,756	72,603,089
Current assets	10,283,540	10,590,554	49,082,230	31,309,715
Total assets	23,297,926	23,566,097	126,738,986	103,912,804
Less:				
Non-current liabilities	5,039,675	3,613,752	59,463,271	55,944,604
Current liabilities	9,710,607	11,567,680	29,695,915	21,528,483
Total liabilities	14,750,282	15,181,432	89,159,186	77,473,087
Net assets	8,547,644	8,384,665	37,579,800	26,439,717
Group's share in %	39.9%	39.9%	11.91%	11.91%
Share of net assets	3,410,510	3,345,481	4,475,754	3,148,970
Recognition of investment at fair value	24,337,818	24,337,818	-	-
Others	115,750	110,186	(91,518)	(92,105)
Provision for impairment	(1,224,304)	(1,224,304)	-	-
Carrying amount	26,639,774	26,569,181	4,384,236	3,056,865

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

Name of entity	Place of business	Measurement method	Quoted Fair value		Carrying amount	
			2020	2019	2020	2019
			-----------------------------(Rupees)-----------------------------			
FrieslandCampina Engro Pakistan Limited	5th Floor, The Harbour Front Building, Plot No. HC-3, Block-4, Scheme No.5, Clifton, Karachi.	Equity Method	25,180,868	24,042,266	26,639,774	26,569,181

(Amounts in thousand)

7.9 Aggregated information of other individually immaterial investments in associated companies are as follows:

	2020	2019
	(Rupees)	
Loss after tax	(5,134)	(376,447)
Other comprehensive loss	-	-
Total comprehensive loss	(5,134)	(376,447)

7.10 The impairment loss of Rs. 789,195 recognised during the year represents the write down of carrying amount of investment in associate to recoverable amount determined by reference to fair value less costs of disposal.

8. DEFERRED TAXATION

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
	(Rupees)			
Engro Corporation Limited	19,518	-	14,344	-
Engro Fertilizers Limited	-	11,677,783	-	12,182,426
Engro Energy Limited	60,916	708,121	95,227	307,868
Engro Polymer and Chemicals Limited	-	1,183,219	115,822	-
Engro Elengy Terminal (Private) Limited	-	1,088,434	-	995,643
Engro Infiniti (Private) Limited	-	-	-	1,476
Net effect of consolidation adjustments	-	(89,219)	2,631	(88,023)
	80,434	14,568,338	228,024	13,399,390

8.1 Credit / (Debit) balances are on account of:

	2020	2019
	(Rupees)	
- Accelerated depreciation allowance	16,666,539	16,736,497
- Recoupable carried forward tax losses	(16,408)	(1,267)
- Recoupable minimum turnover tax	-	(559,037)
- Recoupable Alternative Corporate Tax	(45)	(369,179)
- Provisions	(1,697,100)	(1,451,279)
- Net investment in lease	13,616,786	13,951,282
- Lease liability	(14,075,132)	(14,686,036)
- Right of use asset	57,651	51,893
- Share issuance cost, net of equity	(57,830)	(57,830)
- Others	(6,557)	(443,678)
	14,487,904	13,171,366

9. FINANCIAL ASSETS AT AMORTIZED COST

	2020	2019
Investment in Term Deposit Receipts - (note 9.1)	4,660,833	5,421,150
Investment in Term Finance Certificates - (note 9.2)	500,000	500,000
	5,160,833	5,921,150

(Amounts in thousand)

9.1 The amount is net off current portion amounting to Rs. 964,120 (Rs. 4,557). It denotes term deposits receipts aggregating to USD 35 million maintained with Dubai Islamic Bank Pakistan Limited. These carry profit at the rate of six months Libor + 0.89% per annum and are due to mature in six equal semi-annual installments of USD 5.833 million starting from July 15, 2021 and ending on January 15, 2024.

9.2 Represents investment in Term Finance Certificates amounting to Rs. 500,000 carrying markup at the rate of 3 months KIBOR with a margin of 1.6%.

10. Net Investment in Leases

	2020	2019
	(Rupees)	
Undiscounted lease payments analysed as:		
Recoverable after 12 months	67,683,036	72,653,572
Recoverable within 12 months	8,366,519	7,697,045
	76,049,555	80,350,617
Less: unearned finance income	(28,236,933)	(32,242,748)
Net investment in lease	47,812,622	48,107,869
Net investment in lease analysed as:		
Recoverable after 12 months	44,557,411	45,563,942
Recoverable within 12 months	3,255,211	2,543,927
	47,812,622	48,107,869
Maturity analysis of net investment in lease:		
within 1 year	3,255,211	2,543,927
between 1 and 2 years	3,636,989	3,015,124
between 2 and 3 years	4,063,837	3,362,498
between 3 and 4 years	4,565,421	3,749,894
between 4 and 5 years	4,916,001	4,205,503
later than 5 years	27,375,163	31,230,923
	47,812,622	48,107,869

10.1 Net investment in lease relates to sublease under LNG Operations and Services Agreement (LSA). Group's implicit rate of return on net investment in lease is 11.52% per annum.

10.2 Lease rentals received during the year aggregate to Rs. 2,672,534 (2019: Rs. 1,721,772).

(Amounts in thousand)

	2020	2019
	----------------(Rupees)----------------	
11. Long Term Loans, Advances And Other Receivables - Considered good		
Executives (notes 11.1 to 11.4)	372,420	571,757
Other employees (notes 11.2 and 11.4)	26,884	41,373
	399,304	613,130
Less: Current portion shown under current assets (note 15)	202,640	224,818
	196,664	388,312
Receivable from Sui Southern Gas Company Limited (SSGCL) (note 11.5)	968,542	1,006,086
Less: Current portion shown under current assets (note 15)	44,888	37,544
	923,654	968,542
Direct cost of Floating Storage & Regasification Unit (FSRU) (note 11.6)	793,061	879,577
Prepaid insurance and loan arrangement fee (note 11.7)	9,042,789	9,042,789
Less: Transaction cost netted off from related borrowings	9,042,789	7,996,840
	-	1,045,949
Other receivables	196,538	22,647
	2,109,917	3,305,027

11.1 Reconciliation of the carrying amount of loans and advances to executives:

	2020	2019
Balance as at January 1	571,757	593,082
Add: Disbursements	145,431	395,646
Less: Repayments / Amortization	(344,768)	(416,971)
Balance as at December 31	372,420	571,757

11.2 Long term loans include:

- interest free services incentive loans to executives repayable in equal monthly installments over a four years period or in one lump sum payment at the end of such period;

- interest free loans given to workers pursuant to Collective Labour Agreement; and

- advances to employees for car earn out assistance, long term incentive and house rent advance.

11.3 The maximum amount outstanding at the end of any month from the executives of the Group aggregated to Rs. 421,419 (2019: Rs. 630,340).

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

11.5 In 2014, Engro Elengy Terminal (Private) Limited (EETPL) entered into LNG Operation and Services Agreement (LSA) with SSGCL. As per the terms of the LSA, EETPL was required to construct a pipeline (SSGCL Branch Pipeline) and transfer it to SSGCL upon commissioning of the LNG Project and recover the cost of construction through recovery of capacity charges to be billed to SSGCL on a monthly basis. EETPL constructed and transferred the SSGCL Branch Pipeline to SSGCL on March 29, 2015, for which the Certificate of Acceptance has been received from SSGCL. The receivable represents construction costs incurred in this respect net of recoveries.

(Amounts in thousand)

11.6 On June 19, 2015, EETPL received a notice from Model Customs Collectorate (the 'Customs Authorities') seeking information on import of FSRU and contending that the import attracts all leviable duties and taxes i.e. customs duty and advance income tax. EETPL was of the view that the FSRU had been classified as plant, machinery and equipment vide SRO 337(I)/2015 dated April 22, 2015 and accordingly, along with sales tax, custom duty is also exempt under SRO 678(I)/2004 dated August 7, 2004, read with condition (vii) relating to the clause 2(a), being of the nature of import-cum-export or temporary import of plant, machinery and equipment.

Further, since the EETPL's profits and gains are exempt from income tax for 5 years from the date of commercial operations, EETPL is also entitled to exemption from collection of advance income tax. The Customs Authorities were not in agreement with EETPL's views on the same and to treat import of FSRU for 15 years as a temporary import. The EETPL in response filed a suit before the High Court of Sindh (the 'Court') which through its order dated June 29, 2015 had restrained Customs Authorities from collection of customs duty and advance income tax.

The Court, in judgement passed on May 26, 2016, held EETPL liable to custom duty and remanded the matter related to advance tax to Customs Authorities with directions. EETPL in response to the aforementioned judgement and demand raised by Customs Authorities has paid an amount of Rs. 1,325,103 in respect of custom duty. This is being amortized over the term of 15 years.

11.7 These primarily represent payments made to China Export and Credit Insurance Bank (Sinosure) by Engro Powergen Thar (Private) Limited (EPTPL) amounting to Rs. 7,094,310, in connection with insurance cover obtained over financing arrangements relating to Chinese lenders, and payments to various financial institutions in respect of transaction and related cost for loan arrangements. The portion of the above costs, Rs. 9,042,789 (2019: Rs. 7,996,840), which relates to facilities actually utilized has been adjusted against related borrowings and is being amortized over the term of the borrowing.

	2020	2019
	----------------(Rupees)----------------	
12. STORES, SPARES AND LOOSE TOOLS		
Consumable stores	9,326,278	7,931,345
Spares and loose tools including in-transit Rs. 48,897 (2019: Rs. 9,422)	815,050	744,115
	10,141,328	8,675,460
Less:		
Provision for surplus and slow moving items (note 12.1)	1,071,934	1,038,129
	9,069,394	7,637,331
12.1 Provision for surplus and slow moving items		
Balance as at January 1	1,038,129	847,071
Charge for the year, net	33,805	191,058
Balance as at December 31	1,071,934	1,038,129
13. STOCK-IN-TRADE		
Raw and packaging material (note 13.1)	7,230,157	3,972,227
Unprocessed rice	1,518,928	1,417,114
Fuel stock	444,036	474,106
Work-in-process	135,688	73,289
Finished goods:		
- own manufactured product (note 13.1)	7,588,920	4,900,819
- purchased product (note 13.1)	1,252,323	9,104,570
	8,841,243	14,005,389
Less: Provision for impairment against stock-in-trade (note 13.2)	231,661	28,785
	17,938,391	19,913,340

(Amounts in thousand)

13.1 Includes:

- materials in transit amounting to Rs. 1,979,023 (2019: Rs. 632,450);

- inventories held at storage facilities of third parties amounting to Rs. 1,268,921 (2019: Rs. 1,444,124); and

- raw materials and finished goods amounting to Rs. 99,704 (2019: Nil) were written off.

	2020	2019
	----------------(Rupees)----------------	
13.2 Provision in respect of net realizable value		
Balance as at January 1	28,785	30,000
Charge for the year, net	403,276	28,785
Written off during the year	(200,400)	(30,000)
Balance as at December 31	231,661	28,785

14. TRADE DEBTS

	2020	2019
Considered good		
- secured (notes 14.1, 14.2 and 14.3)	49,188,929	50,475,120
- unsecured	959,848	1,341,773
	50,148,777	51,816,893
Considered doubtful (note 14.5)	84,792	66,249
	50,233,569	51,883,142
Less: provision for impairment (note 14.6)	84,792	66,249
Unbilled revenue	467,730	178,420
	50,616,507	51,995,313

14.1 Includes trade debts of EPQL due from National Transamission and Despatch Company (NTDC) amounting to Rs. 7,040,059 (2019: Rs. 9,806,697) which alongwith delayed payment charges are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and as such are considered good. This is inclusive of overdue debt of Rs. 6,171,432 (2019: Rs. 7,698,404).

14.2 Include an amount of Rs.1,569,852 (2019: Rs.1,423,608) due from SSGCL, in respect of finance income on net investment in lease, operating lease rentals, utilization / regassification services and operations and maintenance services.

14.3 Includes Trade debts of EPTL amounting to Rs. 37,104,467 (2019: 24,952,461) due from Central Power Purchasing Agency (CPPA). Trade debts, including delayed payment charges are secured by guarantee under Implementation Agreement and as such are not considered impaired.

14.4 As at December 31, 2020, trade debts aggregating to Rs. 18,863,179 (2019: Rs. 24,596,501) were neither past due nor impaired.

14.5 As at December 31, 2020, trade debts aggregating to Rs. 84,792 (2019: Rs. 66,249) were past due and impaired and have been provided for.

14.6 The movement in provision during the year is as follows:

	2020	2019
	----------------(Rupees)----------------	
Balance as at January 1	66,249	56,269
Add: Provision for impairment	68,659	39,009
Trade debts written off as uncollectible	(50,116)	(29,029)
Balance as at December 31	84,792	66,249

(Amounts in thousand)

14.7 As at December 31, 2020, trade debts aggregating to Rs. 31,753,328 (2019: Rs. 27,154,143) were past due but not impaired. These relate to various customers for which there is no recent history of default.

	2020	2019
	----------------(Rupees)----------------	
- Upto 3 months	22,063,762	22,185,214
- 3 to 6 months	5,553,301	3,598,878
- More than six months	4,136,265	1,370,051
	31,753,328	27,154,143

14.8 Details of amounts due from associated undertakings / related parties are as follows:

	2020	2019
- GEL Utility Limited	61,163	187,045
- Tenaga Generasi Limited	143,842	160,555
	205,005	347,600

14.9 The ageing analysis of past due receivables from associated undertakings / related parties are as follows:

	2020	2019
- Upto 3 months	138,181	50,233
- 3 to 6 months	27,628	90,077
- More than 6 months	37,918	20,391
	203,727	160,701

14.10 The maximum amount due from related parties at the end of any month during the year amounts to Rs. 1,279,754 (2019: Rs. 368,753).

15. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

	2020	2019
	----------------(Rupees)----------------	
Current portion of long term loans and advances to executives and other employees (note 11)	202,640	224,818
Advances to executives and other employees (note 15.1)	14,767	15,592
Current portion of receivable from SSGCL (note 11)	44,888	37,544
Advances and deposits	1,469,154	1,815,567
Loan to Engro Vopak Terminal Limited (note 15.2)	-	200,153
Prepayments:		
- insurance	1,151,199	429,067
- others	978,639	2,145,640
	3,861,287	4,868,381

15.1 Represents interest free advances to executives and employees for house rent, given in accordance with the Group's policy.

15.2 Represented subordinated loan extended to Engro Vopak Terminal Limited, a joint venture, by the Holding Company, pursuant to agreement entered into on December 30, 2019.The loan carried mark-up at the rate of 6 months KIBOR plus 0.50% per annum payable in one lump sump payment at the time of repayment of loan. The entire loan amount has been repaid during the year.

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

(Amounts in thousand)

	2020	2019
	----------------(Rupees)----------------	

16. OTHER RECEIVABLES

	2020	2019
Receivable from Government of Pakistan against:		
- Sales tax refunds	4,961,211	4,246,249
- Subsidy (note 16.1)	6,523,493	6,523,493
- Others	54,730	54,730
	11,539,434	10,824,472
Less: Loss allowance on subsidy receivable from GoP (note 16.3)	1,238,912	-
Less: Provision for impairment (notes 16.2 and 16.8)	209,857	209,857
	10,090,665	10,614,615
Delayed payment charges (note 16.4)	6,107,755	2,873,966
Reimburseable costs from NEPRA in respect of:		
Workers' profits participation fund	1,403,324	608,116
Receivable from:		
- Engro Vopak Terminal Limited	30,765	26,393
- GEL Utility Limited	-	39,087
- Engro Foundation	222	24,415
- Thar Foundation	17	3,022
- Sindh Engro Coal Mining Company Limited	38,639	31,593
- Thar Power Company Limited	-	643,461
- FrieslandCampina Engro Pakistan Limited	6,317	2,202
- China East Resources Import and Export Corporation (note 16.5)	85,725	1,908,181
Insurance claim receivable	95,937	99,546
Asset against take-or-pay (note 16.9)	204,286	416,382
Others	465,358	224,661
	18,529,010	17,515,640

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

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

During 2017, another subsidy scheme was announced by the GoP, effective July 01, 2017. Under the new subsidy scheme, aforementioned rates were replaced with Rs. 100 per 50kg bag for Urea only. This subsidy scheme was effective till June 30, 2018. In line with the notification issued for the said scheme, Ministry of National Food Security and Research has appointed third party auditors for verification of subsidy claims which is underway.

16.2 As at December 31, 2020, specific provision in respect of subsidy amounts to Rs. 155,127 (2019: Rs. 155,127).

16.3 As required under IFRS 9, management is required to assess changes in credit risk by taking into account time value of money, reasonable and supportable assumptions regarding past events, current conditions, forecast of future events and economic conditions attached to its receivables and recognize expected credit loss, if any, Based on this management has recomputed expected credit loss amounting to Rs. 1,238,912 on subsidy receivable giving consideration to the time value of money based on expected recovery of subsidy receivable. EFert, however, is confident of full recovery of the subsidy amount from the GoP.

(Amounts in thousand)

16.4 This includes mark-up on overdue trade debts of EPQL amounting to Rs. 3,838,111 (2019: 2,485,061) of which Rs. 2,736,248 (2019: Rs. 1,463,031) is overdue.

16.5 Includes receivable of Rs. Nil (2019: Rs. 1,866,499) in respect of fuel cost incurred by EPTL during commissioning of its power plant. The amount is net of Pre-COD sales amounting to Nil (2019: Rs. 3,781,437).

16.6 The ageing analysis of past due receivables from associated undertakings / related parties are as follows:

	2020	2019
	----------------(Rupees)----------------	
Upto 3 months	25,856	355,779
3 to 6 months	11,528	36,817
More than 6 months	85,725	-
	123,109	392,596

16.7 The maximum amount due from related parties at the end of any month during the year amounts to Rs. 161,685 (2019: 2,678,507).

16.8 As at December 31, 2020, receivables aggregating to Rs. 54,730 (2019: Rs. 54,730) were deemed to be impaired being outstanding for more than six months and provided for.

16.9 This represents receivable on account of take-or-pay cost in accordance with section 3.3 of the Gas Supply Agreement.

17. CONTRACT ASSET

	2020	2019
	----------------(Rupees)----------------	
Capacity Purchase Price component of tariff - EPTL (note 17.1)	5,714,977	4,896,901

17.1 Represents unbilled revenue in respect of Capacity Purchase Price (CPP) component of tariff in the Power Purchase Agreement (PPA) for the period July 10, 2019 to December 31, 2019. EPTL expects to raise the invoice for billing and recovery of the amount once the decision of NEPRA in the matter is received.

18. SHORT TERM INVESTMENTS

	2020	2019
	----------------(Rupees)----------------	
At fair value through profit or loss		
Investment in units of mutual fund (note 18.1)	13,807,537	27,372,021
Treasury bills (note 18.2)	2,024,761	-
Pakistan Investments Bonds (note 18.3)	11,400,762	-
Fixed income placements (note 18.4)	6,000	-
	27,239,060	27,372,021
At fair value through other comprehensive income		
Treasury bills (note 18.2)	17,706,851	35,532,891
Pakistan Investments Bonds (note 18.3)	36,345,991	1,795,904
	54,052,842	37,328,795
At amortized cost		
Treasury bills (note 18.2)	1,687,175	4,625,684
Fixed income placements (note 18.4)	10,513,804	4,677,644
	12,200,979	9,303,328
	93,492,881	74,004,144

(Amounts in thousand)

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

	Number of units	Amount in Rupees
NBP Money Market Fund	64,470,742	638,241
UBL Special Savings Plan - V	20,371,708	2,072,459
NIT Money Market Fund	169,622,854	1,646,224
ABL Special Savings Plan - II	20,078,813	206,890
ABL Special Savings Plan - III	248,325,254	2,534,060
MCB Pakistan Cash Management Fund	31,531,991	1,634,883
Meezan Rozana Amdani Fund	4,397,512	219,876
JS Cash Fund	2,087,964	214,058
HBL Cash Fund	2,631,654	267,435
Faysal Government Securities Fund	23,499,281	2,418,311
Atlas Money Market Fund	1,053,649	533,265
Alfalah GHP Cash Fund	2,766,536	1,421,835
	590,837,958	13,807,537

18.2 These represent treasury bills carrying interest at the rate ranging upto 13.76% per annum. These have maturity dates of upto one year from the reporting date.

18.3 These bonds carry interest at rates ranging upto 9% per annum.

18.4 These represent placements with banks and carry interest ranging upto 12% per annum.

19. CASH AND BANK BALANCES

	2020	2019
	----------------(Rupees)----------------	
Balances with banks in:		
- deposit accounts (notes 19.1 and 19.2)	19,257,732	18,381,052
- deposit accounts - islamic (note 19.3)	496,730	546,843
- current accounts	3,503,662	1,960,477
Cheques / Demand drafts in hand	83,811	100
Cash in hand	11,348	4,262
	23,353,283	20,892,734

19.1 Local currency conventional deposits carry return ranging from 2.32% to 12.25% (2019: 11.25%) per annum.

19.2 Includes Rs. 7,807,629 (2019: Rs. 3,776,536) held in foreign currency bank accounts and carry return ranging upto 0.10% (2019: 0.05%) per annum.

19.3 These are shariah compliant bank balances and carry profit at rates ranging from 2.35% to 7.06% (2019: 6% to 8.5%) per annum.

20. ASSETS CLASSIFIED AS HELD FOR SALE

20.1 This represents steam turbine with a husk fueled boiler installed at EEAPL to provide uninterrupted 4MW electricity with steam extraction. In current operations, the availability of alternate power sources and husk prices have made this asset redundant and not feasible for electricity generation.

The management of EEAPL has agreed the terms of the sale of steam turbine to A.S. Electrical Services and expects the sale to be executed within 12 months from the reporting date.

20.2 In 2019, investment in GEL was classified as "held-for-sale" as EEL was committed to its plan to dispose-off this investment and expected the sale to be executed within next 12 months from December 31, 2019. However, during the year, the investment in GEL has been reclassified to 'Long-term investment' as EEL believes that sale is not highly probable within next one year on account of the ongoing COVID-19 pandemic.

21. SHARE CAPITAL

21.1 Authorised Capital

2020	2019		2020	2019
---------(Number of Shares)---------			----------------(Rupees)----------------	
700,000,000	700,000,000	Ordinary shares of Rs. 10 each	7,000,000	7,000,000

21.2 Issued, subscribed and paid-up capital

2020	2019		2020	2019
---------(Number of Shares)---------			----------------(Rupees)----------------	
197,869,804	197,869,804	Ordinary shares of Rs. 10 each fully paid in cash	1,978,699	1,978,699
378,293,426	378,293,426	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	3,782,933	3,782,933
576,163,230	576,163,230		5,761,632	5,761,632

21.3 As at December 31, 2020, Dawood Hercules Corporation Limited and associated companies held 214,469,810 and 39,038,015 (2019: 214,469,810 and 39,438,015) ordinary shares in the Company, respectively.

21.4 These fully paid ordinary shares carry one vote per share and right to dividend.

22. MAINTENANCE RESERVE

In accordance with the Power Purchase Agreement (PPA), Engro Powergen Qadirpur Limited (EPQL) is required to establish and maintain a separate reserve fund (the Fund) with a depository institution for payment of major maintenance expenses. Any interest income resulting from the depository arrangements of the Fund is to remain in the Fund to the extent of any shortfall from the contractual limit.

Under the PPA, 1/24th of the annual operating and maintenance budget of the Power Plant less fuel expenses is required to be deposited into the Fund on each capacity payment date until such reserve equals to nine such deposits. After the second agreement year and thereafter the Fund may be re-established at such other level that EPQL and NTDC mutually agree.

(Amounts in thousand)

In 2012 EPQL, due to uncertain cash flows resulting from delayed payments by NTDC has, as per flexibility available under the PPA, reduced the amount deposited in a schedule bank, which has been invested in Treasury Bills having a face value of Rs. 49,321 (2019: Rs 56,200) as at December 31, 2020. Till such time the amount is deposited again to the required level, EPQL has unutilized short term financing available to meet any unexpected maintenance requirement that may arise in the foreseeable future.

23. BORROWINGS

- Secured (Non-participatory)

	2020	2019
	(Rupees)	
Islamic Finances (note 23.1)	19,892,374	18,245,391
Conventional Finances (note 23.2)	43,871,930	50,992,449
Foreign currency borrowings and others (note 23.3)	94,154,333	89,218,601
	157,918,637	158,456,441
Less: Current portion shown under current liabilities	22,688,492	19,856,424
	135,230,145	138,600,017

23.1 Islamic Finances

	Note	Mark-up	Instalments Number	Instalments Commenced/ Commencing from	2020	2019
					(Rupees)	
Dubai Islamic Bank Limited		6 months KIBOR + 0.4%	4 half yearly	November 28, 2018	-	200,000
Loan under diminishing musharka agreement	23.1.5	6 month KIBOR + 0.8%	Monthly	February 1, 2021	94,266	-
Islamic Facility Agreements	23.1.1	3 months KIBOR + 3.5%	20 half yearly		3,805,494	4,000,000
Sukuk	23.1.2	3 months KIBOR + 0.9%	5 half yearly	July 10, 2024	8,645,597	8,623,541
Bilateral Loan	23.1.3	6 months KIBOR + 0%	6 half yearly	July 15, 2021	5,421,500	5,421,850
Islamic long term financing facility (ILTFF)	23.1.4	SBP rate + 1.2%	32 quarterly	December 14, 2022	1,925,517	-
					19,892,374	18,245,391

(Amounts in thousand)

23.2 Conventional Finances

	Note	Mark-up	Instalments Number	Instalments Commenced/ Commencing from	2020	2019
					(Rupees)	
MCB Bank Limited		3 months KIBOR + 0.95%	28 quarterly	October 1, 2020	1,000,000	-
Allied Bank Limited	23.2.1	3 months KIBOR + 0.35%	16 half yearly	June 8, 2023	341,725	-
Allied Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	1,000,000	2,000,000
Allied Bank Limited	23.2.1	3 months KIBOR + 0.35%	6 half yearly	June 17, 2023	1,000,000	-
National Bank of Pakistan		6 Months KIBOR + 0.2%	4 half yearly	June 28, 2022	1,000,000	1,000,000
Deutsche Investitions und Entwicklungsgesellschaft		6 Months LIBOR + 3.75%	9 half yearly	December 15, 2019	1,589,841	2,071,917
Allied Bank Limited		6 Months KIBOR + 0.2%	4 half yearly	June 28, 2022	2,100,000	2,100,000
Allied Bank Limited		3 months KIBOR + 0.35%	6 half yearly	June 20, 2022	2,500,000	2,500,000
Syndicated finance		6 months KIBOR + 0.4%	6 half yearly	June 26, 2019	3,044,128	6,080,532
United Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	2,000,000	4,000,000
MCB Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	2,000,000	4,000,000
MCB Bank Limited		6 Months KIBOR + 0.05%	4 half yearly	March 28, 2021	1,500,000	1,500,000
MCB Bank Limited		3 months KIBOR + 0.25%	6 half yearly	June 30, 2022	2,500,000	2,500,000
MCB Bank Limited		6 Months KIBOR + 0.20%	4 half yearly	December 29, 2021	3,000,000	3,000,000
JS Bank Limited		SBP Rate + 2%	20 Quarterly	September 23,2019	70,000	90,000
Bank Alfalah		SBP Rate + 2%	20 Quarterly	May 1,2012	56,057	-
National Bank of Pakistan	23.1.1	3 months KIBOR + 3.5%	20 half yearly	June 1, 2020	2,981,604	3,134,000
HBL - led consortium	23.1.1	3 months KIBOR + 3.5%	20 half yearly	June 1, 2020	16,188,575	17,016,000
					43,871,930	50,992,449

23.3 Foreign Borrowings and Others

	Note	Mark-up	Instalments Number	Instalments Commenced/ Commencing from	2020	2019
International Financial Institutions	23.3.2	6 months LIBOR + 3%	20 half yearly	December 15, 2010	-	861,800
China Development Bank Corporation (CDBC), China Construction Bank Corporation (CCBC) and Industiral and Commercial Bank of China Limited (ICBCL)	23.3.1	6 months LIBOR + 4.2%	20 half yearly	December 21, 2015	84,481,254	77,844,158
International Finance Corporation	23.3.2	6 month LIBOR + 5%	16 half yearly	June 15, 2016	1,105,783	1,369,774
International Finance Corporation	23.3.3	6 months LIBOR + 3.25%	6 half yearly	July 15, 2021	5,539,605	5,343,489
Asian Development Bank		6 month LIBOR + 5%	16 half yearly	June 15, 2016	1,659,644	2,055,951
Local Syndicate Loan		6 month KIBOR + 1.8%	16 half yearly	June 15, 2016	1,368,047	1,743,429
					94,154,333	89,218,601

(Amounts in thousand)

23.1.1 EPTL has entered into following loan agreements:

- Rupee Facility Agreement with an HBL-led consortium (comprising HBL, United Bank Limited, Bank Alfalah Limited, Askari Bank Limited, Soneri Bank Limited, Sindh Bank Limited, Bank of Punjab, MCB Bank Limited, Faysal bank Limited, Pak Oman Investment Company Limited (pursuant to sell down of a portion of loan by United Bank Limited), Industrial and Commercial Bank of China, National Bank of Pakistan and Pak Brunei Investment Company Limited for an aggregate amount of Rs.17,016,000.

- Bilateral Facility Agreement with National Bank of Pakistan for an aggregate amount of Rs. 3,134,000.

- Islamic Facility Agreements with three banks namely Meezan Bank Limited, Faysal Bank Limited and Habib Bank Limited for an aggregate amount of Rs. 4,000,000.

These loans are repayable in 20 semi-annual installments commencing from the earlier of (i) First fixed date falling after 48 months since facility effective date and (ii) Second fixed date falling after Commercial Operations Date; where fixed dates are defined as First June or First December of any year and carries profit at the rate of 3 months KIBOR plus 3.5%. Further, the Shareholders of EPTPL have committed to provide cost overrun support for 10% of entire debt and pledge shares in favor of the Security Trustee. Additionally, shareholders other than Habib Bank Limited (HBL) have also provided SBLCs as coverage for their equity commitments in the project.

23.1.2 In 2019, EPCL had issued sukuk bonds of Rs. 8,750,000 to eligible institutional and other investors by way of private placement. These are repayable over a period of 7.5 years in five equal semi annual installments of Rs. 1,750,000 each with the first repayment commencing in July 2024.

23.1.3 In 2019, EPCL has entered into a musharaka agreement with Dubai Islamic Bank Pakistan Limited (DIBPL). Rental payments are to be made in nine semi-annual installments commencing from January 15, 2020 and ending on January 15, 2024 and are calculated at the rate of six months KIBOR plus 0% per annum.

23.1.4 On September 14, 2020, EPCL obtained Islamic Long Term Financing Facility (ILTFF) of the State Bank of Pakistan through Musharaka agreeement entered with financial institutions to finance its PVC-III expansion project. The amount is repayable over 10 years in equal quaterly installments of Rs. 60,938 each with the first payment commencing from December 2022.

23.1.5 During the year, EPCL entered into a Diminishing Musharaka Agreement for procurement of locally assembled private / imported vehicles under car monetisation policy. The facility amounted to Rs. 125,000 (2019: Rs. Nil). The rental payments are to be made in monthly installments for five year and are calculated at the rate of six months KIBOR plus 0.8% per annum.

23.2.1 During the year, EFert obtained long term finances from Allied Bank Limited of Rs. 1,341,725 in aggregate to finance the capital expenditure. These borrowings have the same charge as on the borrowings from other existing Senior Lenders on Fixed Assets.

23.3.1 EPTL entered into a USD Facility Agreement on December 21, 2015 with three commercial banks namely China Development Bank Corporation, China Construction Bank Corporation and Industrial and Commercial Bank of China Limited for an aggregate amount of USD 621,000 for a period of 14 years. The amount is repayable in 20 semi-annual installments commencing from the earlier of (i) First fixed date falling after 48 months since facility effective date and (ii) Second fixed date falling after Commercial Operations Date; where fixed dates are defined as First June or First December of any year. This loan carries mark-up at the rate of 6 month Libor plus 4.2%. The facility is secured primarily through First ranking hypothecation charge over the project assets of the EPTPL. Further, the shareholders of EPTPL have committed to provide cost overrun support for 10% of entire debt and pledge shares in favor of the Security Trustee. Additionally, shareholders other than Habib Bank Limited (HBL) have also provided Stand By Letter of Credits (SBLCs) as coverage for their equity commitments in the project.

23.3.2 EPQL entered into a financing agreement with a consortium comprising of international financial institutions amounting to USD 144,000. The finance carries mark-up at the rate of six months LIBOR plus 3% payable semi-annually over a period of ten years. The principal is repayable in twenty semi-annual instalments commencing from December 15, 2010. As at December 31, 2020, the outstanding balance of the borrowing was Rs. nil (2019: USD 5,560).

(Amounts in thousand)

23.3.3 In 2018, EPCL had entered into an Ijarah Agreement with International Finance Corporation for a total of US Dollars 35,000 the draw down of which has been made in December 2019. The principal is repayable in six semi-annual instalments commencing from July 2021 and carries markup at the rate of six months LIBOR plus 3.25% payable semi annually.

23.4 These finances are secured primarily through first ranking hypothecation charge over all the present and future movable properties, including all types of investments of the Group except for present and future trademarks, copyrights and certain investments.

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

23.6 Following are the changes in the long term borrowings for which cash flows have been classified as financing activities in the statement of cash flows:

	2020	2019
	----------------(Rupees)	----------------
Balance as at January 1	158,456,441	131,426,395
Add:		
Borrowings availed during the year	16,974,257	36,301,402
Exchange loss	2,661,789	8,989,721
Amortization of transaction cost	866,311	81,501
Less:		
Repayment of borrowings	(19,994,212)	(18,325,942)
Transaction costs	(1,045,949)	(16,636)
	157,918,637	158,456,441
Less: current portion shown under current liablities	(22,688,492)	(19,856,424)
Balance as at December 31	135,230,145	138,600,017

24. LEASE LIABILITY

	2020	2019
Non-current portion	50,624,880	50,941,216
Current portion	4,905,787	4,406,997
Total lease liability as at December 31	55,530,667	55,348,213

25. DEFERRED LIABILITIES

	2020	2019
Retirement and other service benefits obligations	494,898	363,680
Deferred incentive revenue (note 25.1)	1,270,004	1,248,868
Deferred liability on FSRU (note 25.2)	1,444,189	901,439
Deferred income	-	57,654
Provision for dismantling & restoration cost (note 25.3)	235,189	197,926
	3,444,280	2,769,567
Less: Current portion shown under current liabilities	730,648	430,358
	2,713,632	2,339,209

(Amounts in thousand)

25.1 Deferred incentive revenue has been recorded in respect of the following agreements entered into by Enfrashare with its customers for construction, maintenance and operation of telecommunication infrastructure and allied equipment, provision of energy solutions and energy management services whereby Enfrashare provided a discount:

- in respect of service fee charged to it for an initial period of three years from the respective site commencement date. The related discount was provided against the discounted cash consideration under the asset sale and purchase agreements. Present value of the discount amounted to Rs 696,000. The said amount has been recognised as part of the total consideration against assets acquired under the asset sale and purchase agreements and a corresponding deferred incentive revenue has been recognised in this respect which is amortised over a three years period from the site commencement date on the basis of monthly service fee accrued under the agreement.

- against total amount of consideration to be charged to the customers for provision of energy solutions and energy management services. Present value of the discount amounted to Rs 475,000. The said amount has been recognised as part of the total consideration against assets acquired under the asset sale and purchase agreements and a corresponding deferred incentive revenue has been recognised in this respect which is amortised over a period of four and a half years from the date after six months of the project completion date.

25.2 Represent excess of billing over operating lease income in respect of Elengy Terminal. Income is recognized over a straight line basis.

25.3 Represents provision recognized for cost of dismantling of infrastructure and allied equipment for tenanted sites acquired by Enfrashare from PMCL and Deodar under sale and purchase agreement.

26. LONG TERM PROVISIONS

	2020	2019
	----------------(Rupees)----------------	
Provision for Gas Infrastructure Development Cess (GIDC) (note 26.1)	25,662,962	27,978,398
Provision for gas price revision (note 26.2)	517,392	517,392
	26,180,354	28,495,790
Less: Current portion of provision for GIDC and gas price revision	11,691,978	28,495,790
	14,488,376	-

26.1 The Honorable Supreme Court of Pakistan (“SCP”) through its judgment dated August 13, 2020 (“Judgment”) declared that the levy imposed under the Gas Infrastructure Development Cess (“GIDC”) Act, 2015 (“the Act”) is valid and in accordance with the provisions of the Constitution of Pakistan 1973 ("the Constitution"). The SCP issued the following directions:

- It restrained the Federal Government from charging further GIDC until such time that the GIDC already collected and accrued (but not yet collected), is expended on projects listed under the Act;

- As all industrial and commercial entities which consume gas for their business activities pass on the burden to their customers, therefore, GIDC that has become due up to July 31, 2020, and has not been recovered so far, shall be recovered by the gas companies responsible under the Act to recover from their consumers in twenty-four equal monthly installments, without the component of Late Payment Surcharge (“LPS”); and

- In case, no work is carried out on the gas infrastructure pipelines in the manner and/or time specified in the Judgment, the purpose of levying GIDC shall be deemed to have been frustrated and the Act would become completely in-operational and considered dead for all intents and purposes.

(Amounts in thousand)

Pursuant to the Judgement, the gas suppliers began invoicing the GIDC instalments for recovery with effect from August 01, 2020.

Aggrieved by the Judgment, EFL and EPCL filed review petitions before the SCP on various grounds, which were dismissed by the SCP on November 02, 2020, (“Review Decision”). However, the Review Decision noted that the Government of Pakistan is agreeable to recover the unpaid arrears in 48 monthly installments instead of 24 monthly installments provided the time period for the projects was extended to 12 months from 6 months; and (ii) upheld the validity of Section 8(2) of the GIDC Act, 2015. The SCP protected the rights of the Industrial Sector (excluding Fertilizer Fuel Stock) to approach the appropriate fora for enforcement of the exemption provided under the proviso to Section 8(2) of the 2015 Act.

EPCL and EFL have also filed suits before Sindh High Court (“SHC”) against collection of GIDC on the grounds that factual determination of the GIDC passed-on to the customers is to be carried out. The SHC granted interim stay to EPCL and EFL restraining the impleaded gas companies from taking coercive action against the Company for non-payment of GIDC installments till the finalization of the matter.

Considering the recent events and developments in GIDC case (including the Judgement), the Institute of Chartered Accountants of Pakistan (ICAP) released financial reporting guidance on the "Accounting of GIDC" via Circular No. 1/2021 dated January 19, 2021 (the Circular) which discusses key accounting considerations for gas consumer companies. Keeping in view the financial reporting guidance of ICAP and giving due consideration to the latest available information and the expected timing of the settlement (i.e. in 48 monthly instalment commencing from August 2020, as referred to in the aforementioned decision on the review petition by the SCP), the Group has remeasured its previously undiscounted provision at its present value using the risk free rate to incorporate the effect of time value of money arising from the expected settlement based on an instalment plan and has accordingly, recognised remeasurement gain amounting to Rs. 2,904,978. Further, as at December 31, 2020, current and non-current portion of GIDC provision has been separately disclosed in the statement of consolidated financial position.

Further, against the GIDC instalment invoice received from Sui Northern Gas Pipelines Limited (SNGPL) to EFL on concessionary gas supplied under the fixed price gas sale and purchase agreement dated April 11, 2007 (“GSPA”), EFL approached the Sindh High Court (“SHC”) to challenge this imposition. EFL has obtained a stay order in its favour and the SHC has restrained SNGPL from taking any coercive action against EFL on collecting GIDC on feed stock gas supplied under the GSPA. EFL's management has made an assessment (as confirmed by the legal advisor) that there are reasonable chances of a favourable outcome in relation to the legal proceedings filed against SNGPL for feed gas supplied under the GSPA. Hence no provision on account of GIDC has been recorded by EFL in respect of feed gas received under the GSPA.

26.2 In 2017, EPCL had filed suits in the Court, against the increase in tariff of natural gas sold to industries and captive power plants notified by Oil and Gas Regularity Authority (OGRA) vide SRO no. (1)/2016 dated December 30, 2016 whereby EPCL cited the increase as illegal and unconstitutional. The SHC has granted an interim order in favour of EPCL which is still operational. However, EPCL has recognised a provision for the period from December 2017 to September 2018.

(Amounts in thousand)

27. TRADE AND OTHER PAYABLES

	2020	2019
	----------------(Rupees)----------------	
Creditors	14,336,894	17,772,664
Accrued liabilities (notes 27.1 to 27.3)	30,117,076	29,238,781
Provision against tax contingency of EVTL (notes 7.3 and 27.4)	992,754	1,395,698
Advances from customers	12,104,234	2,047,196
Contractors'/ suppliers' deposits and retention money	252,142	298,709
Workers' welfare fund	1,598,435	1,338,155
Workers' profits participation fund	1,132,395	461,475
Sales tax payable	17,246	135,432
Payable to retirement benefit funds	112,555	278,551
Contract Liability	637,126	416,382
Withholding tax payable	1,178,877	531,622
Payable to :		
- Dawood Hercules Corporation Limited	78,187	50,869
- FrieslandCampina Pakistan Holdings B.V.	417,298	173,308
- Sindh Engro Coal Mining Company	21,713,796	19,434,879
- Engro Vopak Terminal Limited	31,695	92,358
Others	1,782,174	644,851
	86,502,884	74,310,930

27.1 Includes accrual in respect of gas charges amounting to Rs. 167,582 (2019: Rs. 414,492).

27.2 Includes Sindh Infrastructure Development Cess amounting to Rs.854,698 (2019: Rs.751,951).

27.3 Includes accruals recorded in respect of the following related parties:

	2020	2019
	----------------(Rupees)----------------	
China Machinery Engineering Corporation	-	10,656,411
China East Resources Import and Export Corporation	-	645,134
Sindh Engro Coal Mining Company Limited	4,992,329	-
Thar Power Company Limited	299,890	255,433
	5,292,219	11,556,978

27.4 The movement in provision is as follows:

	2020	2019
Balance at the beginning of the year	1,395,698	875,375
Provision recognized for the year (note 37)	-	229,529
Provision reversed during the year (note 36)	(398,559)	-
	997,139	1,104,904
Provision adjustment in respect of tax contingency (note 7.1)	(4,385)	290,794
	992,754	1,395,698

27.5 This includes deposits amounting to Rs. 204,767 (2019: Rs. 252,357) which have been kept in separate bank accounts. This also includes deposits amounting to Rs 30,752 (2019: Rs. 34,120) which are fully utilised in business in accordance with the requirements of written agreements and in terms of section 217 of the Companies Act, 2017.

(Amounts in thousand)

28. ACCRUED INTEREST / MARK-UP

	2020	2019
	----------------(Rupees)----------------	
Accrued interest / mark-up on:		
- long term borrowings	1,037,742	2,672,374
- short term borrowings	334,581	643,388
	1,372,323	3,315,762

29. SHORT TERM BORROWINGS

	2020	2019
Running finances utilized under mark-up arrangements (note 29.1)	9,505,120	10,574,339
Shariah compliant short term finance (note 29.2)	3,000,000	3,075,009
Money market loans	-	1,662,000
Export refinance facility	-	200,000
	12,505,120	15,511,348

29.1 The short-term running finances available to the Group from various banks under mark-up arrangements amounts to Rs. 53,077,000 (2019: Rs. 46,602,000). The rates of mark-up on these finances are KIBOR based and range from 0.0% to 1.5% per annum over the relevant period KIBOR (2019: 0.2% to 1.5% over the relevant period KIBOR). The aggregate running finances are secured by way of hypothecation of ranking floating charge over present and future loans, advances, receivables, stocks, book debts, and other current assets and pledge over shares.

29.2 The shariah compliant finances available to the Group from various banks carry profit rate of 3-Month KIBOR plus 1.10 % per annum (2019: 3-Month KIBOR plus 1.10 % per annum). These facilities are secured by way of floating charge on all present and future current assets of the respective Group companies.

30. UNCLAIMED DIVIDENDS

Includes unclaimed dividend amounting to Rs. 257,329 (2019: Rs. 215,179) outstanding for more than 3 years from the date of declaration. Such unclaimed dividend is payable to the Federal Government as per the Act, subject to fulfillment / clarification on certain pre-conditions specified in the Act.

31. CONTINGENCIES AND COMMITMENTS

Contingencies

31.1 The details of guarantees extended by the Group are as follows:

31.1.1 Corporate guarantee amounting to USD 10,000 issued by the Holding Company to Allied Bank Limited to open Debt Service Rerserve Account (DSRA) letter of credit in favour of senior long term lenders of Engro Powergen Qadirpur Limited (EPQL), were released during the year.

31.1.2 Following bank guarantees have been extended by other companies of the Group:

- EFert has issued bank guarantees amounting to Rs. 3,569,428 (2019: Rs. 2,610,188) in favour of third parties.

- On February 9, 2018, EEL furnished 7 bank guarantees amounting to Rs. 5,530 each, expiring on February 8, 2020, to Baluchistan Power Development Board (BPDB). These were issued to acquire Letter of Intents / development rights for 50MW x 7 project sites located in Kuchlak, Khuzdar and Punjgur areas of Baluchistan. These guarantees have been extended till February 8, 2021 and will be renewed as per past practise.

(Amounts in thousand)

- On February 1, 2019, EEL furnished 10 bank guarantees amounting to USD 50 (in Pak Rupee equivalent) each, expiring on January 31, 2021, to Baluchistan Power Development Board (BPDB). These were issued to acquire Letter of Intents / development rights for 50MW x 10 project sites located in Chagai corridor, Baluchistan.

- Bank guarantees amounting to Rs. 2,496,126 (2019: Rs.2,496,126), have been issued by EPQL in favour of Sui Nothern Gas Pipeline Limited (SNGPL), representing an amount equivalent to three months contractual quantities of gas in accordance with the terms of Gas Supply Agreement (GSA) between EPQL and the SNGPL.

- Engro Peroxide (Private) Limited has issued bank guarantees in favor of Excise and Taxation amounting to Rs. 3,500 (2019: Rs. 3,500). The aggregate facilities amounting to Rs. 50,000 (2019: Rs. 50,000) have been issued collectively in favor of EPCL and Engro Plasticizer (Private) Limited (its associate company).

- On June 27, 2019, EEL furnished a bank guarantee amounting to Rs. 100,000 which expired on October 4, 2019, to Frontier Works Organization (FWO) along with a proposal for participation as equity partner for the white oil pipeline project being developed by FWO. During the year, EEL refurnished this bank guarantee which will expire on November 29, 2021 on signing of Joint Development Agreement (JDA). The management is of the opinion that JDA will be converted into a Joint Venture with FWO at the later stage.

- National Bank Limited, Askari Bank Limited and Faysal Bank Limited, have issued guarantees of Rs. 1,500,000, Rs. 1,000,000 and Rs. 2,066,800 respectively, each expiring on December 31, 2021, February 28, 2022 and July 6, 2022 respectively while Meezan Bank Limited has issued two guarantees of Rs. 1,800,000 and Rs. 900,000 each expiring on November 21, 2021 and December 27, 2021 respectively. These guarantees have been issued on behalf of EPTL in favour of Sindh Engro Coal Mining Company to secure EPTL's payment obligations under the Coal Supply Agreement. The SBLC Issuing Banks have entered into a non-funded financing facility with EPTL as Junior Creditors and acceded the Intercreditor Agreement and security accordingly.

- EPTL has outstanding bank guarantees in favour of Collector of Customs amounting to Rs. 24,703 (2019: Rs. 234,210) in respect of income tax on import of plant and machinery. The guarantees were issued under the order of the High Court of Sindh (SHC) where SHC had allowed the imports to be cleared without the payment of income tax till EPTL's exemption application is decided by the Chief Commissioner, Income tax. Last year, the Commissioner Income tax granted exemption and based on such exemption order, the Collector of Customs, have been releasing bank guarantees after completion of legal formalities.

  Furthermore, EPTL also has outstanding bank guarantees of various expiry dates in favour of the Collector of Customs amounting to Rs. 39,288 (2019: Rs. 184,260) in respect of custom duties and sales tax on import of certain items of plant and machinery. The Collector of Customs had requested the Federal Board of Revenue (FBR) for a clarity on allowing concessionary rates of duties on these items. FBR has clarified the matter in favour of EPTL and the bank guarantees are being released after the completion of legal formalities.

31.2 The Holding Company

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

(Amounts in thousand)

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

31.2.4 Following are the details of treasury bills pledged by the Holding Company:

- The Holding Company has pledged Treasury Bills amounting to Rs. 1,622,000 (2019: Rs. 2,700,000), against the Standby Letters of Credit (Equity SBLCs) provided by EEL, a subsidiary company, through National Bank of Pakistan amounting to US Dollars 9,155 (2019: US Dollars 12,598) and US Dollars nil (2019: US Dollars 138) for its equity commitments related to the Sindh Engro Coal Mining Company Limited (SECMC), its associated company, and Engro Powergen Thar (Private) Limited (EPTL), its subsidiary company, in favour of the Intercreditor Agent (Habib Bank Limited) and the Project Companies (i.e. SECMC and EPTL). Equity SBLCs expire on earlier of (i) June 30, 2023; and (ii) fulfilment of sponsor obligations under Sponsor Support Agreements.

- The Holding Company has pledged Treasury Bills amounting to Rs. 4,250,000 (2019: Rs. 4,250,000), against a Standby Letter of Credit (Put Option SBLC) provided by EEL, a subsidiary company, through Allied Bank Limited amounting to US Dollars 21,070 (2019: US Dollars 21,070) in favour of the Put Option Fronting Bank (Habib Bank Limited). The Put Option SBLC has been furnished to meet sponsor obligations under Sponsor Support Agreement (Put Option SSA) and expires on earlier of (i) June 30, 2021; and (ii) fulfilment of sponsor obligations pursuant to Put Option SSA.

31.2.5 Engro Elengy Terminal Pakistan Limited has issued Corporate guarantees, Performance guarantees and SBLCs amounting to US Dollars 22,500 (2019: US Dollars 20,700), US Dollars 10,000 (2019: US Dollars 10,000) and US Dollars 5,000 (2019: US Dollars 5,000) respectively. These guarantees have been secured by the Holding Company by pledging Treasury Bills amounting to Rs. 3,666,000. (2019: Rs. 5,650,000).

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

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

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

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

31.3 Engro Fertilizers Limited and its subsidiary company

31.3.1 EFert has entered into Dealer Finance Agreements (DFAs) with different banks amounting to Rs. 4,500,000 (2019: Rs. 4,500,000) consequent to which the banks will provide financial assistance to dealers approved by EFert. In respect of DFA amounting to Rs. 500,000 EFert has agreed to bear 10% of the principal in case of default by the dealers. As at December 31, 2020, the banks have made disbursements to dealers under the DFAs amounting to Rs. 2,937,099 (2019: Rs. 3,337,876) maturing on various future dates.

31.3.2 EFert had filed a constitutional petition in the High Court of Sindh (HCS), Karachi against the Ministry of Petroleum and Natural Resources (MPNR), Ministry of Industries and Production (MIP) and Sui Northern Gas Pipeline Company Limited (SNGPL) for continuous supply of 100 mmscfd gas per day to EFert's new plant (Enven) and to prohibit from suspending, discontinuing or curtailing the aforementioned supply. The HCS in its order dated October 18, 2011, has ordered that SNGPL should supply 100 mmscfd of gas per day to EFert's new plant. However, five petitions have been filed in the Supreme Court of Pakistan against the aforementioned order of the HCS by SNGPL, MPNR, Agritech Limited, Pak Arab Fertilizers and Kohinoor Mills Limited alongwith 21 other companies (mainly engaged in textile business). The aforementioned petitions are pending for further hearing. EFert's management, as confirmed by the legal advisor, considers the chances of these petitions being allowed to be remote.

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

31.3.3 All Pakistan Textile Processing Mills Association (APTPMA), Shan Dying & Printing Industries (Private) Limited, Agritech Limited (Agritech) and 27 others have each contended, through separate proceedings filed before the Lahore High Court that the supply to EFert's new plant is premised on the output from Qadirpur gas field exceeding 500 mmscfd by 100 mmscfd and, therefore, the Gas Sale and Purchase Agreement (GSA) dated April 11, 2007 between EFert and Sui Northern Gas Pipeline Limited (SNGPL) be declared void ab initio because the output of Qadirpur gas field has infact decreased. Agritech has additionally alleged discrimination in that it is receiving less gas than the other fertilizer companies on the SNGPL system. EFert has out rightly rejected these contentions, and is of the view that it has a strong case for the reasons that (i) 100 mmscfd gas has been allocated to EFert through a transparent international competitive bidding process held by the Government of Pakistan, and upon payment of valuable license fee; (ii) GSA guarantees uninterrupted supply of gas to the new plant, with right to first 100 mmscfd gas production from the Qadirpur gas field; and (iii) both EFert and Qadirpur, are located in Sindh. Further, neither the gas allocation by the Government of Pakistan nor the GSA predicates the gas supply upon Qadirpur gas field producing 100 mmscfd over 500 mmscfd. No orders have been passed in this regard and the petition has also been adjourned sine die given that similar matter is pending in the Supreme Court of Pakistan. However, Group management, as confirmed by the legal advisor, considers chances of petitions being allowed to be remote.

31.3.4 EFert in the year 2013 along with other fertilizer companies, received a show cause notice from the Competition Commission of Pakistan (CCP) for initiating action under the Competition Act, 2010 in relation to the alleged unreasonable increase in fertilizer prices. EFert has responded in detail that factors resulting in such increase were mainly due to the imposition of infrastructure cess and sales tax and partially the gas curtailment. The CCP has issued an order in March 2013, whereby it has held that EFert enjoys a dominant position in the urea market and that it has abused this position by unreasonable increases of urea prices in the period from December 2010 to December 2011. The CCP has also held another fertilizer company to be responsible for abusing its dominant position. In addition, the CCP has imposed a penalty of Rs. 3,140,000 and Rs. 5,500,000 on EFert and other fertilizer company, respectively. An appeal has been filed in the Competition Appellate Tribunal (CAT) and a writ has been filed in the HCS and stay has been granted against the recovery of the imposed penalty. Hearings have been conducted at CAT where Farmer Association has filed an internal application.

In case of other fertilizer company, the CAT has transferred the case back to the CCP for reassessment. EFert has challenged the composition of the CAT. EFert's management believes that the chances of ultimate success are very good, as confirmed by legal advisor, hence, no provision has been made in this respect.

31.3.5 During 2015, EFert received a sales tax order from the tax department for the year ended December 31, 2013 pertaining to discharge of output tax liability, on assumed production of urea amounting to Rs. 402,875 and on presumption that output tax liability is not being discharged by EFert on advances received from dealers amounting to Rs. 1,844,075. EFert filed an appeal thereagainst with the Commissioner Inland Revenue (Appeals) [CIR(A))] which decided the matters in favour of EFert. The department thereafter challenged the decision of the CIR(A) with the Appellate Tribunal Inland Revenue (ATIR), which is pending to be heard. No provision has been made in this respect in these consolidated financial statements.

31.3.6 On July 3 2018, the tax department, LTU raised an order for the period June 2016 to July 2017 with a demand of Rs. 1,006,000 mainly on account of further sales tax to be charged on sales to unregistered persons. EFert filed an appeal thereagainst with the Commissioner Inland Revenue (Appeals) (CIRA) who disposed off the appeal in favor of the taxation department on September 24, 2018. A constitutional petition against the said order has been filed with the SHC and stay for recovery of demand against CIRA's order was obtained on October 31, 2018. EFert also filed an appeal against CIRA decision which is pending before the ATIR. EFert's management believes that the chances of ultimate success are very good, as confirmed by legal advisor, hence, no provision has been made in this respect.

31.3.7 In the year 2017, the High Court of Islamabad in its order dated June 8, 2017 declared that the income derived by the Contractor from its contract with EFert, is subject to tax as per Clause 4 of Article 5 of Double Taxation Treaty between Pakistan and the Netherlands. Thereby confirming demand order issued of Rs 1,178,391. In respect thereof, the Contractor preferred an appeal in the Supreme Court of Pakistan (SCP). In FY 2019, the SCP decided the case on ex-parte basis against the contractor and review application for case restoration has been filed by the Contractor. EFert's management as confirmed by the legal advisor, is confident that the review application for case restoration will be accepted and on the merits of the case no provision is warranted.

31.4 Elengy Terminal Pakistan Limited and its subsidiary company

31.4.1 The Sindh Finance Act, 1994, prescribed the imposition of an infrastructure fee at the rate of 0.5% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The Act thereafter was last amended through Sindh Finance Act, 2014 according to which infrastructure fee will range from 0.9% to 0.95% of total value of goods as assessed by the Custom Authorities (the Authorities) plus one paisa per kilometer against various slab of net weight of goods.

On July 11, 2014, Engro Elengy Terminal (Private) Limited (EETPL) filed a petition against the aforementioned levy before HCS where it is currently pending. Earlier, the Court through an interim order on November 11, 2014 petitions filed by others, directed companies to clear the goods on paying 50% of the amount of levy and furnishing bank guarantee / security for the balance amount. The payment of 50% of the amount of levy has been expensed out in the consolidated financial statements.

In this respect, EETPL has paid 50% of the above levied cess and has provided bank guarantee amounting to Rs. 16,000 (2019: Rs. 15,000) in favor of the Custom Authorities to comply with interim orders of the Court. The bank guarantee shall continue and remain valid until the decision of the Court in the above mentioned cases. The bank guarantee is secured against lien over deposit. Based on the merits of the case and as per the opinion of its legal advisor, EETPL expects a favorable outcome on the matter and accordingly no provision has been made on the remaining 50% levy in this respect in these consolidated financial statements.

31.4.2 On June 19, 2015, EETPL in connection with the import of FSRU, received a demand from Customs Authority amounting to Rs. 1,530,494 contending that the import of FSRU attracts payment of advance income tax. EETPL is of the view that its profits and gains are exempt from income tax for 5 years from the date of commercial operations. EETPL in response to the above demand, filed an appeal based on which the Chief Commissioner Inland Revenue (CCIR) through its order dated August 22, 2016 remanded the case back to the concerned commissioner, who again rejected the request for exemption against which EETPL filed an appeal before CCIR. During the year, CCIR decided appeal against the Subsidiary Company vide order dated July 24, 2020 against which the Subsidiary Company filed an appeal before the Sindh High Court (SHC) on August 6, 2020 and has obtained stay in this regard. EETPL based on the merits of the case and as per the opinion of its legal advisor, expects a favorable outcome on the matter and accordingly, no provision has been made in this respect.

31.5 Engro Polymer and Chemicals Limited and its subsidiary companies

31.5.1 The Deputy Commissioner Inland Revenue (DCIR) through order dated January 8, 2016, raised a sales tax demand of Rs. 524,589 on account of alleged short payment of sales tax due on the finished products of Engro Polymer and Chemicals Limited (EPCL) that would have been produced and sold from the excess wastage of raw material. EPCL filed appeal thereagainst before the Commissioner Inland Revenue Appeals [CIR(A)] on the grounds that the order passed against EPCL was absolutely baseless as the DCIR had used inappropriate theoretical assumptions for calculating the sales tax liability. The CIR(A) through his order dated March 10, 2016, has decided the matter in favor of the Group. However, the department has challenged the said order of CIR(A) before Appellate Tribunal Inland Revenue (ATIR). No proceedings regarding this matter has been carried out by ATIR, till the year end. The Group, based on the advice of its tax consultant, is confident of favourable outcome of this matter, accordingly, no provision has been made in this respect in these consolidated financial statements.

31.6 Engro Eximp Agriproducts (Private) Limited

31.6.1 During the year ended December 31, 2017, the tax department had raised a demand of sales tax of Rs. 250,000 for not charging sales tax on rice husk / rice bran for the tax year 2015. There was an error in the order as the department had treated all the by-products falling under the category of rice bran or rice hull / husk; though in reality the proportion of these two products among by-products is comparatively low while rice bran was admittedly exempt during that period. As the value of rice husk was wrongly taken, the Commissioner (Appeals) has vacated the order and demand but upheld the legal position regarding charging of sales tax on rice husk. EEAP has gone in appeal as it is of the view that the department is not treating husk correctly. Currently, the matter is pending before the Appellate Tribunal.

31.7 Associated Company and Joint Venture

Details of material contingencies which might affect share of profit from associates and joint venture are as follows:

31.7.1 On January 18, 2017, FCEPL received an order from Competition Commission of Pakistan (CCP), imposing a penalty of Rs. 62,293 in respect of the FCEPL's marketing activities relating to one of its products. FCEPL filed an appeal against the aforementioned order on February 8, 2017, which was decided by the CCP tribunal on January 16, 2019, in the FCEPL's favor. However the CCP has appealed the decision of the tribunal in the Supreme Court (SC) of Pakistan and FCEPL has submitted its response in the SC which is pending adjudication.

31.7.2 FCEPL has provided bank guarantees to the Government of Sindh, amounting to Rs. 245,886 (December 31, 2019: Rs. 229,886), upon the order of the High Court of Sindh to furnish bank guarantees for 50% of the amount of Infrastructure cess of the goods entering or leaving the province through air or sea.

31.8 Commitments

Details of commitments as at December 31, 2020 entered by the Group are as follows:

31.8.1 Commitments in respect of capital and operational expenditure contracted but not incurred amount to Rs.11,939,640 (2019: Rs.9,297,407).

31.8.2 The aggregate facilities available to Group for opening Letter of credits and bank guarantees, and other commitments other than those disclosed elsewhere in these consolidated financial statements, amounts to Rs. 34,035,823 (2019: Rs. 39,185,714).

31.8.3 As of December 31, 2020, the rentals outstanding amounted to Rs. 3,805 (2019: Rs. nil) in respect of storage and handling contracts of Ethylene Di Chloride (EDC) and caustic soda.

31.8.4 In 2019, Engro Peroxide (Private) Limited, a subsidiary of EPCL, 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, 2020 commitment for civil works and equipment procurement amounts to EUR 1,082 (December 31, 2019: EUR 5,140).

31.8.5 EETPL under the Time Charter Party and LNG Storage and Re-gasification Agreement (Agreement) with Excelerate Energy Middle East, LLC (EE) has furnished Standby Letter of Credit (SBLC) through National Bank of Pakistan amounting to USD 20,700 and USD 1,800 (2019: USD 20,700 and Nil) to EE secured against the Holding Company's owned Treasury Bills equivalent to 10% margin of the facility amount and project assets of EETPL.

31.8.6 Group has entered into commercial lease agreement for lease of office. The aggregate lease payments as monthly rentals amounting to Rs. 19,342 (2019: Rs. 51,907)

(Amounts in thousand)

31.8.7 National Bank of Pakistan (NBP) has issued Standby Letters of Credit (Equity SBLCs) worth USD 18,900 and 51,100 (in Pak Rupee equivalent) on behalf of EEL for its equity commitments related to SECMC and EPTL in favour of the Inter-creditor Agent (Habib Bank Limited) and the Project Companies (SECMC and EPTL respectively). The Equity SBLCs have been furnished for subscription and / or contribution of sponsor equity pursuant to the Sponsor Support Agreements (SSAs) originally dated February 26, 2016 and February 1, 2016, respectively, (and both as amended and restated from time to time). Equity SBLCs expire as per the terms of the relevant SSAs. These SBLCs are secured through lien over cash or cash equivalent of the Holding Company. As of December 31, 2020, the outstanding amount of these SBLCs are USD 18,635 (2019: 12,599) for SECMC and the Equity SBLC issued for EPTL has been fully utilized and stands discharged (2019: USD 138).

31.8.8 Allied Bank of Pakistan (ABL) has issued a Standby Letter of Credit (Put Option SBLC) worth USD 21,070 on behalf of EEL relating to EPTL in favour of the Put Option Fronting Bank (Habib Bank Limited). The Put Option SBLC has been furnished to meet sponsor obligations under Sponsor Support Agreement (Put Option SSA) dated March 21, 2016 and expires on earlier of (i) June 30, 2021 or (ii) on payment of the Maximum Amount. It is secured through lien over cash and cash equivalent of the The Holding Company.

31.8.9 EEAP has entered into export selling contracts of 15,373 tons (2019: 10,793 tons) of Super Basmati Rice to various parties on agreed terms for delivery on various dates subsequent to the year end. The sales value of these open commitments at year end exchange rate amounts to Rs. 1,959,868 (2019: Rs. 1,352,854).

31.8.10 Commitments in respect of rentals of storage tanks at EVTL for the handling of handling of Ethylene aggregate to USD 30,456 valid till March 31, 2028 and Ethylene Di Chloride (EDC) aggregate to USD 2,400 valid till December 31, 2028.

31.8.11 Commitments given by the associated companies and joint venture in respect of capital and operational expenditure including bank guarantees amount to Rs. 2,732,952 (2019: Rs. 13,952,924). Other commitments include arrangements in respect of standby letters of credit and Ijarah which are not material to the Group.

31.8.12 In 2018, EEL took over the operations and maintenance of the power plant owned by Tenega Generasi Limited (TGL) under an agreement signed between both parties. EEL needs to submit a perfomance bond equivalent to USD 930,000 on an annual basis as per the agreement. The bond was furnished by EEL on October 21, 2019 and was due to expire on October 20, 2020. The Performance bond has been extended upto October 21, 2021.

32. REVENUE

	2020	2019
	----------------(Rupees)----------------	
Own manufactured products (notes 32.1 and 32.2)	218,240,284	181,614,689
Less:		
- Sales tax	(14,182,414)	(12,413,041)
- Discounts	(795,459)	(523,257)
	203,262,411	168,678,391
Purchased product (note 32.3)	34,516,870	44,593,196
Services rendered (note 32.4)	15,722,993	15,873,341
Less: Sales tax	(4,684,459)	(3,379,436)
	45,555,404	57,087,101
	248,817,815	225,765,492

32.1 Includes export sales amounting to Rs. 4,072,034 (2019: Rs. 3,559,552).

32.2 Includes revenue from sale of Energy which comprises of:

	2020	2019
Capacity purchase price (note 32.2.1)	36,216,602	20,809,750
Energy purchase price	51,934,080	33,259,700
	88,150,682	54,069,450

(Amounts in thousand)

32.2.1 Includes amount subject to Commercial Operation Date (COD) tariff adjustment. The COD tariff adjustment is a variable consideration based on the management's best estimate. Variable consideration is not constrained as the potential reversal of cumulative revenue recognized will not be significant.

32.3 This primarily includes sale of Di-Ammonium Phosphate (DAP) by EAPL.

32.4 This includes revenue from services rendered by ETPL which comprises of :

	2020	2019
	(Rupees)	
Operating lease rental income	889,254	805,133
Revenue from O&M services	3,015,535	3,001,211
Finance income on sublease	5,400,497	5,290,427
Revenue from utilization / regasification services	3,845,381	3,615,949
	13,150,667	12,712,720

33. COST OF REVENUE

	2020	2019
Cost of goods sold (note 33.1)	160,433,271	148,363,615
Cost of services rendered (note 33.2)	8,463,366	4,955,538
Finance cost on lease liability	3,876,418	3,847,684
	172,773,055	157,166,837

(Amounts in thousand)

33.1 Cost of goods sold

	2020	2019
	(Rupees)	
Raw and packing materials consumed including unprocessed rice	80,392,283	69,939,952
Salaries, wages and staff welfare (note 33.1.2)	4,948,827	5,137,830
Fuel and power	21,785,376	18,752,069
Operation and management	2,386,441	882,069
Repairs and maintenance	2,091,775	2,392,542
Depreciation - Right of use Asset (note 5.2)	537,642	399,190
Depreciation (note 4.4)	12,400,031	9,623,651
Amortization (note 6.1)	23,471	79,236
Consumable stores	1,664,270	1,623,899
Staff recruitment, training, safety and other expenses	646,907	300,916
Purchased services	1,276,913	1,666,901
Storage and handling / product transportation	1,350,514	1,681,375
Travel	229,342	358,188
Communication, stationery and other office expenses	68,517	100,367
Insurance	1,998,622	1,244,075
Rent, rates and taxes	239,575	85,961
Provision against surplus and slow moving spares (note 12.1)	33,805	191,058
Write-off stores and spares	66,003	-
Write-off stock in trade net of proceeds	96,329	-
Write-off of capital work-in-progress	6,000	-
Other expenses	132,844	82,681
Manufacturing cost	132,375,487	114,541,960
Add: Opening stock of work-in-progress (note 13)	73,289	43,373
Less: Closing stock of work-in-progress (note 13)	135,688	73,289
	(62,399)	(29,916)
Cost of goods manufactured	132,313,088	114,512,044
Add: Opening stock of finished goods manufactured (note 13)	4,900,819	2,596,777
Less: Closing stock of finished goods manufactured (note 13)	7,588,920	4,900,819
	(2,688,101)	(2,304,042)
Cost of goods sold		
- own manufactured product	129,624,987	112,208,002
- purchased product (note 33.1.1)	30,808,284	36,155,613
	160,433,271	148,363,615

33.1.1 Cost of goods sold - purchased product

	2020	2019
Opening stock net of NRV	9,075,785	8,982,883
Add: Purchases	22,753,161	36,248,515
Less: Closing stock net of NRV	1,020,662	9,075,785
	30,808,284	36,155,613

33.1.2 Includes Rs. 321,827 (2019: Rs. 310,991) in respect of staff retirement benefits.

(Amounts in thousand)

33.2 Cost of services rendered

	2020	2019
	----------------(Rupees)----------------	
Fixed expenses	1,747,621	1,618,324
Variable expenses	2,530,880	2,289,421
Operational and maintenance services	2,203,030	-
Depreciation (note 4.4)	417,191	465,313
Depreciation - Right of use Asset (note 5.2)	-	32,837
Amortization (note 6.1)	2	267
Amortization of direct cost on FSRU	86,516	86,516
Salaries, wages and benefits (note 33.2.1)	594,516	115,290
Fuel & Power	208,443	71,167
Rent, rates and taxes	-	96,675
Purchased services	160,646	-
Communication and other office expenses	81,982	-
Stores and spares consumed	45,041	-
Repairs and maintenance	252,020	83,873
Travelling and entertainment	45,242	20,512
Security and other expense	88,629	75,343
Others	1,607	-
	8,463,366	4,955,538

33.2.1 Includes Rs. 3,475 (2019: 6,278) in respect of staff retirement benefits.

34. SELLING AND DISTRIBUTION EXPENSES

	2020	2019
	----------------(Rupees)----------------	
Salaries, wages and staff welfare (note 34.1)	1,307,780	1,213,093
Staff recruitment, training, safety and other expenses	85,620	206,514
Product transportation and handling	4,725,473	5,206,104
Repairs and maintenance	69,213	56,139
Advertising and sales promotion	447,978	472,935
Rent, rates and taxes	702,713	436,305
Communication, stationery and other office expenses	15,173	40,157
Travel	140,618	204,389
Depreciation (note 4.4)	53,411	116,222
Amortization (note 6.1)	844	15,290
Purchased services	166,958	75,117
Others	129,288	61,021
	7,845,069	8,103,286

34.1 Includes Rs. 105,339 (2019: Rs. 96,292) in respect of staff retirement benefits.

(Amounts in thousand)

35. ADMINISTRATIVE EXPENSES

	2020	2019
	----------------(Rupees)----------------	
Salaries, wages and staff welfare (note 35.1)	2,784,160	2,591,895
Staff recruitment, training, safety and other expenses	147,755	167,961
Repairs and maintenance	209,814	69,827
Advertising	178,079	587,608
Rent, rates and taxes	337,753	315,835
Communication, stationery and other office expenses	423,325	224,330
Travel	258,437	420,285
Depreciation - Right of use Assets (note 5.2)	270,532	295,820
Depreciation (note 4.4)	263,787	163,004
Amortization (note 6.1)	155,640	89,001
Purchased services	1,543,832	743,476
Directors remuneration	318,594	262,767
Others	293,520	107,946
	7,185,228	6,039,755

35.1 Includes Rs. 313,124 (2019: Rs. 306,534) in respect of staff retirement benefits.

36. OTHER INCOME

	2020	2019
	----------------(Rupees)----------------	
Financial assets:		
Income on deposits / other financial assets	9,999,448	10,405,162
Income on shariah compliant deposits	49,030	40,393
Exchange gain	-	112,367
Interest on receivable from SSGCL	178,094	184,236
Others	5,599	-
Non financial assets:		
Insurance claims	2,501	-
Gain on disposal of property, plant and equipment	10,501	31,618
Income from sale of spares / scrap	74,041	124,389
Reversal of provision for Worker's Welfare Fund	180,079	999,423
Delayed payment charges on overdue receivables	3,543,812	1,520,555
Remeasurement gain on provision for GIDC (note 26)	2,904,978	-
Reversal of provision against tax contingency of EVTL (notes 7.3 and 27.4)	398,559	-
Others	391,143	225,113
	17,737,785	13,643,256

(Amounts in thousand)

37. OTHER OPERATING EXPENSES

	2020	2019
	----------------(Rupees)----------------	
Workers' profits participation fund	1,463,560	1,732,531
Workers' welfare fund	495,989	547,554
Legal and professional charges	906,203	1,065,034
Human resource development	197,428	814,624
Research and development	867,587	272,914
Provision against tax contingency of EVTL (notes 7.3 and 27.4)	-	229,529
Auditors' remuneration (note 37.1)	119,400	59,804
Provision for doubtful debts	3,294	39,009
Provision against sales tax receivable	-	244,000
Donations (note 53)	972,212	748,948
Exchange loss	263,583	783,185
Impairment against long-term investment	789,195	1,224,304
Write-off of property, plant and equipment	11,945	179,697
Others (note 37.2)	325,299	258,043
	6,415,695	8,199,176

37.1 Auditors' remuneration:

The aggregate amount charged in respect of auditors' remuneration, including remuneration of auditors' of foreign subsidiaries, is as follows:

	2020	2019
	----------------(Rupees)----------------	
Fee for:		
- audit of annual financial statements	15,588	11,889
- review of half yearly financial statements	4,390	4,982
Special audits, certifications, review of compliance with Code of Corporate Governance and other assurance & advisory services	42,097	26,269
Taxation services	52,673	14,343
Reimbursement of expenses	4,652	2,321
	119,400	59,804

37.2 Under the Share Purchase Agreement (SPA) with FrieslandCampina Pakistan Holding B.V. (FCP), the Holding Company is required to pay FCP an amount equal to 51% of the sales tax receivable of FrieslandCampina Engro Pakistan Limited (FCEPL), an associated company, recognized in the financial years 2012 to 2016, if it is not recovered by FCEPL within six years after it is recognized. Accordingly, on prudence basis, the Holding Company has recognized its liability under the SPA equivalent to 51% of the sales tax receivable pertaining to FCEPL being sales tax short recovered till December 31, 2020 amounting to Rs. 244,414.

(Amounts in thousand)

38. FINANCE COST

	2020	2019
	----------------(Rupees)----------------	
Interest / mark-up on: (note 38.1)		
- long term borrowings	13,384,439	9,768,552
- short term borrowings	1,336,841	1,069,268
Markup on shariah compliant borrowings	289,642	511,780
Interest on Lease Liabilities	609,013	506,170
Unwinding of deferred incentive revenue	194,458	99,506
Foreign exchange loss, net	165,658	682,728
Amortization of transaction costs	861,018	481,262
Delayed payment charges	1,852,855	323,377
Financial / bank charges	1,671,079	1,282,622
Others	107,789	25,000
	20,472,792	14,750,265

38.1 This includes borrowing costs in relation to qualifying asset amounting to Rs. 57,110, which was not capitalised, as it relates to period from March 24, 2020 to May 21, 2020 when EPCL's project expansion activities were temporarily suspended due to lockdown.

39. SHARE OF INCOME FROM JOINT VENTURE AND ASSOCIATES

	2020	2019
	----------------(Rupees)----------------	
Joint venture:		
Engro Vopak Terminal Limited (EVTL)		
Share of profit before taxation	1,987,563	1,703,386
Less: Share of provision for taxation	(588,178)	(599,900)
	1,399,385	1,103,486
Less: Reversal of provision for WWF	-	(89,280)
Share of profit for the year	1,399,385	1,014,206
Associates:		
Share of profit / (loss) from:		
- Sindh Engro Coal Mining Company Limited	1,327,371	685,101
- FrieslandCampina Engro Pakistan Limited	70,593	(380,991)
- Others	(975)	(170,317)
	1,396,989	133,793
	2,796,374	1,147,999

(Amounts in thousand)

	2020	2019
	----------------(Rupees)----------------	
40. TAXATION		
Current		
- for the year	11,065,206	9,555,220
- for prior years	(3,357,324)	261,893
	7,707,882	9,817,113
Deferred		
- for the year	1,037,083	5,892,435
- for prior years	285,300	-
	1,322,383	5,892,435
	9,030,265	15,709,548

Details of significant income tax matters are as follows:

40.1 The Holding Company

40.1.1 Through Finance Act 2015, levy of 'Super Tax for rehabilitation of temporarily displaced persons' under section 4B of the Income Tax Ordinance, 2001 was introduced for tax year 2015. The said levy was extended and made applicable on succeeding years via subsequent Finance Acts upto financial year ended December 31, 2018. In the year 2019, through Finance Supplementary Act, 2019, the levy of Super Tax has been abolished from financial year ended December 31, 2019 onwards for companies other than banking companies. The Holding Company had challenged the levy in the High Court of Sindh (HCS) and was granted a stay in this respect. The Holding Company, based on the opinion of its legal advisor, believes that there is a reasonable case in its favour. However, based on prudence, the Holding Company had recognized provision for Super Tax relating to tax years 2015 to 2019 amounting to Rs. 2,931,158 (2019: Rs. 3,336,469).

During the year, the petition filed by the Holding Company along-with other taxpayers against the imposition of super tax in the HCS was rejected vide order dated July 21, 2020. The Holding Company, in consultation with its legal and tax advisors, has filed an appeal against the decision of the HCS in the Supreme Court of Pakistan (SCP). Consequent to the High Court judgement, the tax authorities issued notices to the Holding Company and subsequently framed orders for recovery of super tax for tax years 2017 to 2019 with total tax demand of Rs 2,241,400. An appeal was filed against these orders with the Commissioner Inland Revenue (Appeals) (CIR (Appeals)) along with stay against recovery of demand based on certain contentious and factual grounds. For tax year 2017, the CIR (Appeals) has decided the Holding Company's appeal and maintained the levy of super tax considering the HCS judgement. The CIR (Appeals) has, however, deleted the action of taxation officer of imposing the levy on exempt income. Application for giving appeal effect to the CIR (Appeals) decision has been filed and the same is pending. The management has assessed the sufficiency of tax provision on account of super tax and considers these sufficient for the purpose.

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

During the year, Ordinance was laid down before the Parliament and enacted as Tax Laws (Amendment) Act 2020 (the Act). The Act ratified the exemption on inter-corporate dividend restored by the Ordinance, however, the provision granting exemption from application of withholding tax on inter-corporate dividend, as previously deleted by Finance Act 2016, was not restored. Hence, in respect of the inter-corporate dividend received by the Holding Company from its subsidiaries during the period, the Holding Company has obtained stay from the High Court against deduction of withholding of tax.

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

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

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

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

During the year, the Holding Company received appeal effect orders both dated June 29, 2020 in respect of tax years 2011 and 2012 along with notices of demand amounting to Rs. 75,308 and Rs. 112,681, respectively, whereby the Deputy / Additional Commissioner Inland Revenue - Audit has again maintained the classification of income from interest on bank deposits and from subordinated loans as "income from other sources". The Holding Company has again challenged these orders before CIR (Appeals) and the matter is still pending to be heard. The Holding Company, based on the advice of its tax consultant, is confident of favourable decision based on earlier ATIR judgement.

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

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

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

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

Last year, the Holding Company received appeal effect order dated November 20, 2020 issued by the ACIR giving effect to the findings of appellate orders of CIR (Appeals) and ATIR by deleting the tax levied on inter-corporate dividends and super tax on exempt income which resulted in revised demand of Rs. 149,257. Moreover, the issue of classification of income from interest on bank deposits and from subordinated loans has been decided in Company's favour as "income from business".

In addition to above, the ACIR issued a further amendment order dated November 24, 2020 for tax year 2016 and determined additional income tax liability of Rs. 21,808 on account of capital gain tax on debt securities. The same has been discharged by the Holding Company.

During the year, the Additional Commissioner Inland Revenue - Audit through order dated December 22, 2020 amended the return for the tax year 2017 by creating tax demand of Rs. 4,335,176 mainly on account of tax levied on undistributed profits under section 5A and super tax under section 4B. As explained in note 31.2.7 of these financial statements, the Holding Company has obtained stay from Sindh High Court against the levy of tax on undistributed profits, therefore the said demand is not recoverable by the tax department, as also confirmed by tax consultants. An appeal has been filed before the Commissioner Inland Revenue (Appeals) against the said order. the Holding Company, based on the advice of its legal and tax consultants, is confident that chances of ultimate success are good, hence, no provision has been made in this respect.

Subsidiary Companies

40.2 Engro Fertilizers Limited (EFert) and its subsidiary companies

40.2.1 During the year, the income tax department amended the assessment filed by EFert for tax year 2019. EFert has filed an appeal before the CIRA against the disallowances, which mainly pertained to proration of expenses to exempt/FTR incomes, tax credit on investment in plant and machinery, disallowance of deductible allowances for WWF/ WPPF resulting in additions to taxable income of Rs. 3,305,955. In addition, the tax department raised demand for Super tax amounting to Rs. 476,629. EFert is confident for a favorable outcome on this case.

40.2.2 During the year 2015, the income tax department amended the assessment filed by the Efert for tax year 2014. Efert filed an appeal before the CIRA against the disallowances, which mainly pertained to exchange gain and loss, loss on derivatives and losses purchased from Engro Eximp Agriproducts (Private) Limited, an associate, under section 59B of the Income Tax Ordinance, 2001 resulting in additions to taxable income of Rs. 3,191,963. In addition the tax department raised demand for the Alternative Corporate Tax (ACT) through the same order, for which the Efert specifically obtained a stay order. The matter was heard by CIRA and favorable decision was made in respect of exchange losses and acceptance of prior years tax refunds, whilst other additions made by the tax department in respect of ACT, loss on derivatives and group relief under section 59B were maintained in the order. Efert has filed an appeal against the order of CIRA before the Income Tax Appellate Tribunal which is pending to be heard.

40.2.3 In FY 2019, the income tax department amended the assessment filed by EFert for the tax years 2015, 2016 and 2017. EFert filed appeals there against before the Commissioner Inland Revenue Appeals (CIRA) for disallowances made in the orders which mainly included proration of expenses to exempt/FTR incomes, exchange loss disallowances, loss on derivatives and losses purchased from Engro Eximp Agriproducts Limited under section 59B of the Income Tax Ordinance, 2001, resulting in cumulative addition of Rs. 16,173,826 to taxable income of these tax years. Subsequently, CIRA passed an order for tax years 2015, 2016 and 2017 maintaining most of the additions made by taxation officer in the amendment order, whilst allowing deletion of expenses on allocation basis to exempt income and claim of exchange losses on realised basis. EFert, as well as the tax department, has filed appeals against the order of CIRA before the Appellate Tribunal (ITAT).

Through order dated February 26, 2020, ATIR decided the amendment orders for TY 2015 and 2016 mainly in favor of EFert, except for certain disallowances including provisions on other receivables, retirement benefits and disallowance of loss on fair valuation of embedded derivative which were maintained or remanded back to the tax department for verification. On June 01, 2020, the tax department filed reference application before HCS for questions of law arising out of the ATIR order.

EFert maintains adequate provision in these consolidated financial statements and is confident of an ultimate favorable outcome on these amendments.

40.2.4 During the year 2014, the income tax department amended the assessment filed by EFert for tax years 2010 and 2011. EFert filed appeals thereagainst before the Appellate Tribunal Inland Revenue (ATIR), which through its decision provided relief in respect of certain items and confirmed certain disallowances in favor of the tax department. The said disallowances included the charge in respect of exchange gain and loss incurred for tax year 2010 and 2011, and loss on derivative for tax year 2011 raising a demand in respect of these years aggregating to Rs. 1,075,466. EFert had challenged the said decision before the HCS. During the year the matter was heard, and was reserved for judgement. However, EFert is confident of a favourable outcome.

40.2.5 In Tax Year ("TY") 2019, EFert received recovery notice from the Federal Board of Revenue for payment of Super Tax, in accordance with Section 4B of the Income Tax Ordinance 2001 ("ITO"), for TY 2018. EFert filed a Constitutional Petition before the SHC challenging the notice as well as the vires of Section 4B of the ITO. An interim order was granted in favour of EFert. On July 21, 2020, SHC held that of Section 4B was intra vires the Constitution ("SHC Judgment"). Thereafter, EFert filed a Civil Petition for Leave to Appeal ("CPLA") before the SCP challenging the SHC Judgment. The CPLA was filed by the EFert only in relation to TY 2018 i.e. the year which was challenged before the SHC as well.

Pursuant to the SHC Judgement, the tax department passed orders against the Company for TY 2015 to 2019 in relation to recovery of Super Tax amounting in aggregate of Rs. 2,110,491. EFert filed appeals against the orders before CIRA.

On November 26, 2020, SCP granted leave to appeal and passed an interim order restraining the Respondents from taking any coercive action against the Petitioner taxpayers (including EFert) subject to them depositing 50% of the impugned outstanding tax amount.

EFert has till date paid Super Tax amounting to Rs. 1,121,724 against the relevant tax years. Adequate provision for Super Tax for the respective TYs is being maintained in these financial statements.

(Amounts in thousand)

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

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

- Group Relief (Financial year 2006 to 2008): Rs. 1,500,847

- Inter-Corporate Dividend (Financial year 2007 and 2008): Rs. 336,500

- G.P. Apportionment (Financial years 1995 to 2002): Rs. 653,000

EFert is confident that all the aforementioned pending issues will eventually be decided in its favor. Therefore, no provision in respect of these is being maintained in these consolidated financial statements.

40.2.7 As a result of merger of Engro Eximp (Private) Limited (EXIMP) with the Efert, all pending tax issues of EXIMP have been transferred to the EFert. Major pending issue pertains to exercise of option to be taxed under the Normal Tax Regime (NTR) by EXIMP for the years 2012 and 2013, resulting in an aggregate refund of Rs. 796,000. The tax department had not accepted the said treatment for tax year 2013, however, the matter was decided in favor of the EFert by the Commissioner Income Tax Appeals(CIT(A)), against which the tax department has filed an appeal with the Income Tax Appellate Tribunal (ITAT). However, the department has given appeal effect order to the aforementioned favourable decision of the CIT(A) for tax year 2013.

During FY 2019, in respect of tax year 2013, the matter was decided by the ITAT in favor of the EFert and the departments appeal in this respect was rejected. The management is confident for a favorable outcome on this case and therefore no provision is being maintained in these consolidated financial statements in this respect.

40.2.8 During the year, EFert has re-assessed its income tax provisions based on the finalisation of its income tax assessments of prior tax years by the income tax department. Upon such assesment, the Group has recognised reversal of tax provisions amounting in aggregate to Rs. 3,379,336 in these consolidated financial statements.

40.3 Engro Polymer and Chemicals Limited (EPCL) and its subsidiary companies

40.3.1 The DCIR, through the order dated November 26, 2009 raised a tax demand of Rs. 213,172. The demand arose as a result of additions on account of trading liabilities of Rs. 47,582 under section 34(5) of the Income Tax Ordinance, 2001 (the Ordinance); disallowance of provision for retirement benefits of Rs. 5,899; addition of imputed interest on loans to employees and executives of Rs. 16,069 to income; disallowance of finance cost of Rs. 134,414 and not considering adjustment of minimum tax paid for tax years 2004 to 2007 against the above demand.

EPCL filed an appeal against the aforesaid order before CIR(A), but discharged the entire demand through adjustment against assessed refunds of Rs. 180,768 and paying the balance of Rs. 32,404 'under protest'. Through an appellate order, the CIR(A) maintained certain additions aggregating to Rs. 189,810 including finance cost amounting to Rs. 134,414 and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period of tax years 2004 to 2007. An appeal against the said appellate order was filed by EPCL before the ATIR. The department also filed an appeal against the said appellate order challenging the actions of the CIR(A).

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting EPCL's position except for additions on account of trading liabilities to the extent of Rs. 20,280 and minimum turnover tax for tax years 2004 and 2007 to the extent of Rs. 19,692 and Rs. 7,300 respectively, which were maintained.

(Amounts in thousand)

In 2013, EPCL filed a reference with the High Court of Sindh (the Court) against the additions maintained by ATIR. Likewise, the tax department also filed reference with the Court against the order passed by the ATIR in favor of EPCL. In 2018, the Court disposed of EPCL's appeal on the ground that the issues raised by the EPCL requires factual verification whereas the petition of the tax department are still pending before the Court. During the year, the EPCL performed detailed assessment of the facts of the case and based on the advice of its tax consultants, the EPCL decided to accept the decision of the Court and accordingly, a provision of Rs. 108,882 in respect of addition maintained by ATIR is recognized in these consolidated financial statements.

40.3.2 The DCIR through his order dated November 30, 2010 raised a tax demand of Rs. 163,206. The demand arose as a result of disallowance of finance cost of Rs. 457,282; additions to income of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance; disallowance of provision for retirement benefits of Rs. 14,239; disallowance of provision against Special Excise Duty (SED) refundable of Rs. 36,687; addition of imputed interest on loans to employees and executives of Rs. 20,599 and not considering net loss.

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed of by accepting EPCL's position except for additions on account of SED provision of Rs. 36,687 and imputed interest on loans to employees and executives to the extent of Rs. 17,430, which were maintained. EPCL filed a reference with the Court against the additions maintained by ATIR. Likewise, the tax department has also filed reference with the Court against the order passed by the ATIR in favour of the EPCL. The management of the Group, 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 recognised the effects for the same in these consolidated financial statements.

40.3.3 On August 1, 2018, EPCL filed petition against the levy of super tax in the Court and based on the opinion of its legal advisor, EPCL has made a provision for full amount of Super tax of Rs. 328,000. During the year, super tax has been declared intra virus by the Court and has been declared a tax rightly introduced through Finance Act and vacated all the stays filed in this respect. Consequently, EPCL received various notices from tax authorities for recovery of super tax for the tax years 2017 to 2019. EPCL filed appeal against the said notices with CIR(A) whereby the action of Officer has been confirmed by CIR(A) for tax years 2017 and 2018. EPCL has now filed an appeal before Appellate Tribunal against the decision of CIR(A) which is pending adjudication.

In the meanwhile, EPCL also filed petition in Supreme Court against the order of the Court, which is pending adjudication. In November 2020, the Supreme Court conditionally granted stay subject to deposit of 50% of super tax demand. EPCL has accordingly discharged 50% of the said liability.

40.3.4 Through the notice dated January 20, 2020, the Additional Commissioner Inland Revenue (ACIR) raised issues inter alia with respect to the adjustment of carried forward minimum taxes from the tax liability of Tax Year 2019 and required EPCL to pay Rs. 552,331 being the amount short paid with the return. EPCL filed a Constitutional Petition in the Court challenging the notice, which through order dated February 4, 2020, dismissed the case based on the decision of the Court in respect of another company. However, the Court directed the department to refrain from passing the order on the bases of the aforesaid notice for a period of thirty days which was then extended for further 30 days to enable EPCL to approach the Supreme Court (SC). EPCL has filed Civil Petition for Leave to Appeal against Court order in Supreme Court, which was heard on March 18, 2020 and an interim stay has been granted to EPCL subject to the submission of Bank Guarantee equivalent to the order amount, which has been duly submitted by EPCL. EPCL, based on the advice of legal advisor, is confident of a favourable decision.

40.3.5 EPCL had filed refund applications with the Commissioner Inland Revenue (the Commissioner) for the Tax Year 2008 to Tax Year 2016. All refund applications filed are subject to verification by the Commissioner as per section 170 of Income Tax Ordinance, 2001 (the Ordinance). In previous years, EPCL has received orders from the Commissioner for partial recovery / credit of refunds for certain tax years and furthermore, the Commissioner has also sought additional information for verification of refunds for remaining tax years amounting to Rs. 204,969. EPCL believes that such differences will be reconciled and relevant supporting evidence will be provided to the Commissioner for rectification.

(Amounts in thousand)

40.4 Engro Energy Limited (EEL) and its subsidiary companies

40.4.1 Tax Year 2014 was selected for audit under section 214C of the Income Tax Ordinance, 2001 (the Ordinance). The Deputy Commissioner Inland Revenue (DCIR) after conducting audit made certain additions and disallowances, and hence amended the return filed by EEL vide order dated January 12, 2017, framed under section 122(1)/(5) of the Ordinance and raised a tax demand of Rs. 268,584. EEL being aggrieved filed an appeal before CIR(A). EEL also approached the HCS for a stay against recovery of said demand which was duly granted till the adjudication of appeal by the CIR(A).

During the year, EEL received an order of CIR(A) in which certain issues were remanded back to the DCIR while other issues were decided in favour of tax authorities. EEL filed an appeal before the (ATIR) on the issues decided against it which is currently pending. Based on the views of tax advisor and legal consultant of EEL, the management believes that EEL has a good case on merits and expects a favourable outcome. Accordingly no provision has been made in respect of the aforementioned demand in these consolidated financial statements.

40.4.2 The ACIR, through separate show cause notices dated December 11, 2017 and December 12, 2017, issued in respect of tax years 2012, 2013, 2015 and 2016, raised an issue with respect to the inter-corporate dividend claimed as exempt. The ACIR also showed an intention to levy super tax on dividend income for tax years 2015 and 2016. EEL challenged these notices before the HCS which has restrained the tax authorities from taking any coercive action including passing an order on the basis of the said notices. Accordingly, no provision has been made in this respect in these consolidated financial statements.

40.4.3 Tax Year 2016 was selected for audit under section 214C of the Ordinance. The DCIR after conducting audit made certain additions and disallowances, and hence amended the return filed by EEL vide order dated November 2, 2018, framed under section 122(1)/(5) of the Ordinance. These additions primarily relate to treating reimbursement from subsidiary as services, additions on account of apportionment of administrative expenses and receipts on account of the project management services to be taxed under normal tax regime / minimum tax regime and resulted in tax demand of Rs. 80,888. EEL being aggrieved filed an appeal before the CIR(A). EEL also approached the HCS for stay against recovery of demand which was duly granted till the adjudication of appeal by the CIR(A).

In 2019, EEL received an order from the CIR(A) in which certain issues were remanded back to the DCIR while the other issues were decided in favour of tax authorities. EEL filed an appeal before the ATIR on the issues decided against it which is currently pending. Based on the views of tax advisor and legal consultant of EEL, the management believes that EEL has a good case on merits and expects a favourable outcome. Accordingly no provision has been made in respect of the aforementioned demand in these consolidated financial statement

40.4.4 In November 2017, EPTL, a subsidiary of EEL, received a demand from ACIR amounting to Rs. 1,489,327, inclusive of default surcharge Rs. 202,994, on account of non-withholding of tax on payments made by EPTL to its contractors China Machinery Engineering Corporation (CMEC) and China East Resources Import and Export Corporation (CERIEC) under the 'Offshore Supply and Services Agreement for Power Plant' and 'Onshore Supply and Services Agreement for Power Plant' respectively in relation to the construction of the power plant being set up by EPTL. The ACIR was of the view that the aforementioned payments attract the requirements of withholding of taxes under the Income Tax Ordinance, 2001 (ITO) and as such EPTL was required to withhold tax from such payments. EPTL filed an appeal to CIR(A) with the view that payments to CERIEC fall under the ambit of a specific exemption from withholding of taxes under ITO for coal mining and coal based power generation projects in Sindh. Furthermore, payments to CMEC are made for supply of plant and machinery and EPTL, being an importer, is not liable to withhold taxes.

In 2018, CIR(A) decided the matter in favour of tax authorities and maintained the order of ACIR. EPTL filed an application to the ATIR who through an order has remanded back the case to ACIR for review of facts and to issue a fresh order in the light of emerging facts. EPTL, as a result of various discussion with the tax authorities, agreed and paid Rs 1,400,000 being the lump sum settlement of withholding tax demands for all payments under the contract with CMEC and CERIEC during the project phase. Formal tax demands are yet to be issued by the Tax Authorities. Based on the advice of the tax advisors of EPTL, the management believes that EPTL will not be liable towards making any further payment in this respect. During the year, EPTL has received formal tax demand for Tax year 2017, 2018 and 2019 in respect of the aforementioned settlement. Tax demand for 2020 is expected to be issued by the tax authorities in due course.

(Amounts in thousand)

40.4.5 During the year, the ACIR under section 122 (5A), in respect of tax year 2017, amended the tax return filed by EEL vide order dated November 30, 2020 and made certain additions and disallowances that primarily pertains to apportionment of administrative expenses against profit on debt and reciepts on account of project management services to be taxed under Normal Tax Regime (NTR) / Minimum Tax Regime (MTR).

EEL has filed an appeal before CIR(A) dated December 28, 2020, which is pending for hearing.

40.5 Associated Company

40.5.1 FrieslandCampina Engro Pakistan Limited

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

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

Further, the Appellate Tribunal, in respect of surrender of aforementioned tax losses by FCEPL to the Holding Company for the years ended December 31, 2006 and 2007, decided the appeals in 2010 in favour of the Holding Company, whereby, allowing the surrender of tax losses by FCEPL to the Holding Company. The tax department has filed reference application there against before the High Court of Sindh, which is under the process of hearings. In 2013, the Appellate Tribunal also decided similar appeal filed by the Holding Company for the year ended December 31, 2008 in favour of the Holding Company. FCEPL based on the merits of the case expects a favourable outcome of the matter.

40.5.1.2 In 2013, CIR raised a demand of Rs. 223,369 for tax year 2009 by disallowing the provision for advances, stock written-off, repair and maintenance, sales promotion and advertisement expenses etc. During 2015, in response to the appeal filed against the audit proceedings, CIR Appeals issued an appellate order in favour of FCEPL holding the selection of case for audit to be illegal and without jurisdiction. The tax department has filed an appeal against the order with the Appellate Tribunal Inland Revenue (ATIR), however, no hearing has been conducted to date. On June 24, 2020 the tax authorities have passed an appeal effect order giving effect to the directions of the CIR Appeals whereby they have restored the position of FCEPL as in the return.

40.5.1.3 In 2014, the Additional Commissioner Inland Revenue (ACIR) raised a demand of Rs. 713,341 for tax year 2012 by disallowing the initial allowance and depreciation on certain additions to property, plant and equipment, provision for retirement and other service benefits, purchase expenses, sales promotion and advertisement and other expenses etc. In 2017, CIR(A) upheld the decision of ACIR in respect of provision for retirement benefits and marketing support reimbursements. FCEPL has filed an appeal with ATIR against the order of CIR(A). On October 27, 2020, the tax authorities have passed an order to conlcude reexamination proceeding and give effect to the directions of CIR Appeals. Since complete effect has not been given, being aggrieved with the impugned order, FCEPL has filed appeal before the CIRA Appeal on November 24, 2020, which is pending for adjudication. Based on the opinion of its tax consultant, FCEPL is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable of FCEPL have not been reduced by the effect of the aforementioned disallowances.

40.5.1.4 In 2017, ACIR raised a demand of Rs. 511,801 for tax year 2016 by disallowing minimum turnover tax credit, expenses on account of Employee Share Option Scheme and Worker's Welfare Fund. On June 30, 2018, CIR(A) upheld the decision of ACIR in respect of minimum turnover tax credit and Employee Share Option Scheme against the appeal filed with CIR(A) on November 23, 2017. On August 15, 2018, FCEPL filed an appeal with ATIR against order of CIR(A), which is pending for adjudication. Tax authorities passed an order on December 23, 2020 to allow tax credits arising out of tax year 2015. Based on the opinion of its tax consultant, FCEPL is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

(Amounts in thousand)

40.6 Relationship between tax expense and accounting profit

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

	2020	2019
	----------------(Rupees)----------------	
Profit before taxation	53,421,223	46,297,428
Tax calculated at the rate of 29% (2019: 29%)	15,492,155	13,426,254
Depreciation on exempt assets not deductible for tax purposes	-	529
Effect of exemption from tax on certain income	(5,559,674)	(1,160,291)
Effect of applicability of lower tax rate, Final Tax Regime and other tax credits / debits	1,526,091	1,413,368
Prior year current and deferred tax charge	(3,072,024)	261,893
Tax effect of expenses not allowed for tax	499,032	1,703,631
Others	144,685	64,164
Tax charge for the year	9,030,265	15,709,548

41. LOSS FROM DISCONTINUED OPERATIONS

As stated in note 1.3.3.1, the Board of Directors of EDL has decided to discontinue its operations. As a result, financial performance of EDL has been classified as discontinued operations, a summary of which is as follows:

	2020	2019
	----------------(Rupees)----------------	
Revenue	8,804	154,084
Cost of sales	(44,401)	(66,651)
Gross (loss) / profit	(35,597)	87,433
Administrative expenses	(98,460)	(116,570)
Other operating expenses	(161,757)	(278,444)
Other income	15,054	20,178
Loss from operations	(280,760)	(287,403)
Finance cost	(6)	(7)
Loss before taxation	(280,766)	(287,410)
Taxation	1,402	(12,379)
Loss for the year	(279,364)	(299,789)

(Amounts in thousand)

42. EARNINGS PER SHARE - BASIC AND DILUTED

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of the Group by weighted average number of ordinary shares in issue during the year.

As at December 31, 2020, there is no dilutive effect on the basic earnings per share of the Group. Earnings per share is based on following:

	2020	2019
	----------------(Rupees)----------------	
Profit / (loss) for the year, attributable to:		
- continuing operations	25,379,687	16,832,635
- discontinued operations	(279,364)	(299,789)
	25,100,323	16,532,846
	------Number in thousands------	
Weighted average number of ordinary shares for determination of basic and diluted EPS	576,163	576,163
Earnings / (loss) per share - Basic and Diluted		
- continuing operations	44.05	29.21
- discontinued operations	(0.48)	(0.52)
	43.57	28.69

43. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts for remuneration, including all benefits, to the Chief Executive and Directors of the Holding Company and Executives of the Group are as follows:

	2020			2019		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	----------(Rupees)----------					
Managerial remuneration including bonus	127,923	-	5,551,517	95,771	-	4,587,835
Retirement benefits funds	-	-	525,706	-	-	485,702
Fees	-	133,697	-	-	86,907	44,693
Directors emoluments	-	-	-	-	-	-
Other benefits	2	-	747,768	26	-	627,894
Total	127,925	133,697	6,824,991	95,797	86,907	5,746,124
Number of persons including those who worked part of the year	1	10	1,075	1	9	943

(Amounts in thousand)

43.1 The Group also makes contributions to pension and gratuity funds and provides certain household items for use of some executives.The Group also provides certain household items for use of some employees and Chief Executive. Cars are also provided for use of certain employees and directors. In addition, directors of the Holding Company are also entitled for travelling benefits in respect of which Rs. 177,457 (2019: Rs. 139,697) have been incurred.

43.2 Premium charged during the year in respect of directors indemnity insurance policy, purchased by the Group, amounts to Rs. 3,950 (2019: Rs. 3,719).

44. RETIREMENT BENEFITS

44.1 Defined benefit plans

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

The gratuity and pension funds are governed under the Trusts Act, 1882, Trust Deed and Rules of Fund, Companies Act, 2017, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

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

The Group faces the following risks on account of defined benefit plans:

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

Asset volatility - Most assets are invested in risk free investments of 3, 5 or 10 year Special Savings Certificates, Regular Income Certificates, Defence Savings Certificates or Government Bonds. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

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

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

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

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

44.1.1 Valuation results

The latest actuarial valuation of the defined benefit plans was carried out as at December 31, 2020, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

(Amounts in thousand)

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2020	2019	2020	2019
	---(Rupees)---			
44.1.2 Statement of Financial Position reconciliation				
Present value of defined benefit obligation	537,779	517,729	26,836	24,018
Fair value of plan assets	(511,969)	(306,420)	(38,820)	(38,277)
Deficit / (Surplus)	25,810	211,309	(11,984)	(14,259)
Payable to Defined Contribution Gratuity Fund	10,110	10,110	-	-
Payable in respect of inter group transfers	46	46	-	-
Unrecognized asset	-	-	11,984	14,259
Net liability recognized in the Statement of Financial Position	35,966	221,465	-	-
44.1.3 Movement in net liability recognized in the Statement of Financial Position				
Net liability at beginning of the year	221,465	149,037	-	-
Expense / (income) for the year	49,491	42,070	(1,521)	(1,621)
Remeasurement (gain) / loss to Other Comprehensive Income	(18,296)	31,444	1,521	1,621
Contributions made during the year	(216,694)	-	-	-
Unrecognized asset	-	(1,086)	-	-
Net liability at end of the year	35,966	221,465	-	-
44.1.4 Movement in present value of defined benefit obligation				
As at beginning of the year	517,729	503,530	24,018	24,600
Current service cost	25,884	23,733	-	-
Interest cost	57,757	61,519	2,488	2,881
Benefits paid during the year	(41,765)	(111,665)	(3,910)	(3,929)
Remeasurement loss / (gain) to Other Comprehensive Income	(21,826)	41,698	4,240	466
Liability in respect of promotions	-	(1,086)	-	-
As at end of the year	537,779	517,729	26,836	24,018
44.1.5 Movement in fair value of plan assets				
As at beginning of the year	306,420	364,649	38,277	38,104
Expected return on plan assets	34,150	43,182	4,009	4,502
Benefits paid during the year	(41,765)	(111,665)	(3,910)	(3,929)
Contributions made during the year	216,694	-	-	-
Remeasurement (loss) / gain to Other	-	-	-	-
Comprehensive Income	(3,530)	10,254	444	(400)
As at end of the year	511,969	306,420	38,820	38,277

(Amounts in thousand)

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2020	2019	2020	2019
44.1.6 Charge for the year				
Current service cost	25,884	23,733	-	-
Net Interest cost	23,607	18,337	(1,521)	(1,621)
	49,491	42,070	(1,521)	(1,621)
44.1.7 Principal actuarial assumptions used in the actuarial valuation				
Discount rate	8.50%	11.25% - 11.3%	8.50%	11.25%
Expected rate of return on plan assets - per annum	8.50%	11.25% - 11.3%	-	-
Expected rate of increase in future salaries - per annum	7.50%	10.3% - 11.3%	-	-

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2020	2019	2020	2019
	(Rupees)			
44.1.8 Actual return on plan assets	31,340	54,598	4,453	4,102

	2020		2019	
	Rupees	(%)	Rupees	(%)
44.1.9 Plan assets comprise of the following				
Defined Benefit Gratuity Plans				
Debt	374,055	73%	228,371	75%
Equity	137,914	27%	78,049	25%
	511,969	100%	306,420	100%
Defined Benefit Pension Plan				
Debt	38,820	100%	38,277	100%

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

(Amounts in thousand)

44.1.11 Historical information of staff retirement benefits

	2020	2019	2018	2017	2016
	(Rupees)				
Defined benefit gratuity plans					
Present value of defined benefit obligation	(537,779)	(517,729)	(503,530)	(520,887)	(463,804)
Fair value of plan assets	511,969	306,420	364,649	410,766	418,228
Deficit	(25,810)	(211,309)	(138,881)	(110,121)	(45,576)
Defined benefit pension plan					
Present value of defined benefit obligation	(26,836)	(24,018)	(24,600)	(29,156)	(32,132)
Fair value of plan assets	38,820	38,277	38,104	40,713	44,213
Surplus	11,984	14,259	13,504	11,557	12,081

44.1.12 Expected future cost / (reversal) for the year ending December 31, 2021 is as follows:

	Rupees
Defined benefit gratuity plans	27,572
Defined benefit pension plan	(978)

44.1.13 Remeasurement recognized in Other Comprehensive Income

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2020	2019	2020	2019
Gain / (Loss) from change in experience adjustments	20,843	(42,354)	(832)	1,132
Gain / (Loss) from change in financial assumptions	983	656	(3,408)	(1,598)
Remeasurement of obligation	21,826	(41,698)	(4,240)	(466)
Actual Return on plan assets	31,340	54,598	4,453	4,102
Expected Return on plan assets	(34,150)	(43,182)	(4,009)	(4,502)
Difference in opening fair value of plan assets	(720)	(1,162)	-	-
Remeasurement of plan assets	(3,530)	10,254	444	(400)
Effect of asset ceiling	-	-	2,275	(755)
	18,296	(31,444)	(1,521)	(1,621)

(Amounts in thousand)

44.1.14 Sensitivity analysis

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

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	(Rupees)			
Discount rate	497,012	584,278	25,490	28,324
Long term salary increases	584,263	496,332	-	-
Long term pension increases	-	-	28,441	25,368

44.1.15 Maturity Profile

	Gratuity Plans	Pension Plan
	(Rupees)	
Time in years		
1	31,090	3,910
2	30,011	3,910
3	61,670	3,910
4	91,431	3,910
5-10	265,071	3,910
11-15	489,279	3,910
16-20	516,794	3,910
20+	917,825	3,910
Weighted average duration	5.08	5.59

44.2 Defined contribution plans

44.2.1 An amount of Rs. 429,118 (2019: Rs. 401,129) has been charged during the year in respect of defined contribution plans maintained by the Holding Company.

(Amounts in thousand)

45. CASH GENERATED FROM OPERATIONS

	2020	2019
	(Rupees)	
Profit before taxation	53,140,457	46,010,018
Add: Loss attributable to discontinued operations	(280,766)	(287,410)
Profit before taxation from continued operations	53,421,223	46,297,428
Adjustment for non-cash charges and other items:		
Depreciation	13,134,420	10,367,740
Depreciation on right-of-use asset	808,174	727,847
Amortization of intangible assets	179,957	188,161
Amortization of prepaid financial charges	-	92,314
Amortization of direct cost on FSRU	86,516	86,516
Gain on disposal of property, plant and equipment - net (note 36)	(10,501)	(31,618)
Rent concession on lease liability	(44,704)	-
Gain on termination of lease liability	(19,463)	-
Transfer from capital work-in-progress charged-off to	-	-
profit or loss as Corporate Social Responsibility	-	171,689
Impairment of Intangible and operating assets	-	452,485
Provisions, net	2,447,451	1,715,932
Remeasurement gain on provision for GIDC (note 36)	(2,904,978)	-
Impairment of long term investment	789,195	1,224,304
Financial charges	16,942,498	11,876,871
Finance income on net investment in lease	(5,400,497)	(5,290,427)
Finance cost on lease liability	3,876,418	4,180,765
Income on deposits / other financial assets	(10,054,078)	(11,321,777)
Share of income from joint venture and associates (note 39)	(2,796,374)	(1,147,999)
Foreign currency translation	429,241	1,303,187
Reversal of provision of Workers Welfare Fund (note 36)	(180,079)	(999,423)
Working capital changes (note 45.1)	8,641,650	2,917,010
	79,346,069	62,811,005

45.1 Working capital changes

	2020	2019
(Increase) / Decrease in current assets		
- Stores, spares and loose tools	(1,414,087)	(545,536)
- Stock-in-trade	1,519,587	(2,495,133)
- Trade debts	882,600	(33,239,096)
- Loans, advances, deposits and prepayments	381,106	(6,662,320)
- Other receivables - net	(3,517,239)	(5,969,473)
	(2,148,033)	(48,911,558)
Increase in current liabilities		
- Trade and other payables and provisions	10,789,683	51,828,568
	8,641,650	2,917,010

(Amounts in thousand)

46. CASH AND CASH EQUIVALENTS

	2020	2019
	(Rupees)	
Cash and bank balances (notes 19 and 46.1)	23,251,154	20,521,181
Short term investments with original maturity less than 3 months (note 18)	40,679,477	19,249,587
Short-term borrowings (note 29)	(12,505,120)	(12,511,348)
	51,425,511	27,259,420

46.1 Balances of Rs. 79,991 (2019: Rs. 433,470) held against bank guarantee and Rs. 22,138 (2019: Rs. 13,612) held against letter of credit in favor of Custom Authorities have been excluded from cash and cash equivalents for the purpose of statement of cash flows.

47. FINANCIAL INSTRUMENTS BY CATEGORY

47.1 Financial assets

	2020	2019
	(Rupees)	
- Financial assets at amortised cost		
Financial asset at amortised cost	5,160,833	5,921,150
Loans and advances	1,747,612	1,857,608
Trade debts	50,148,777	51,816,893
Other receivables	13,363,513	6,246,681
Accrued income	598,940	484,224
Short term investments	12,200,979	9,303,328
Cash and bank balances	23,353,283	20,892,734
	106,573,937	96,522,618
- Financial assets measured at fair value through other comprehensive income		
Treasury bills	17,706,851	35,532,891
Pakistan Investment Bonds	36,345,991	1,795,904
	54,052,842	37,328,795
- Financial assets measured at fair value through profit or loss		
Mutual fund units	13,807,537	27,372,021
Treasury bills	2,024,761	-
Pakistan Investments Bonds	11,400,762	-
Fixed income placements	6,000	-
	27,239,060	27,372,021

(Amounts in thousand)

47.2 Financial liabilities

	2020	2019
	(Rupees)	
- Financial liabilities measured at amortized cost		
Borrowings	170,423,757	173,967,789
Trade and other payables	68,729,262	96,202,209
Lease liability	55,530,667	55,348,213
Accrued interest / mark-up	1,372,323	3,315,762
Unclaimed dividend	376,697	405,974
Dividend payable	-	151,125
	296,432,706	329,391,072
- Financial liabilities measured at fair value through profit or loss		
Derivatives financial instruments	-	154

48. FINANCIAL RISK MANAGEMENT

48.1 Financial risk factors

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

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

a) Market risk

i) Currency risk

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

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

At December 31, 2020, if the foreign exchange rate had weakened / strengthened by 1% against Pakistani Rupee with all other variables held constant, consolidated post tax profit for the year would have been lower / higher by Rs.976,112.

ii) Interest rate risk

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

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

(Amounts in thousand)

As at December 31, 2020, if interest rates had been 1% higher / lower with all other variables held constant, consolidated post tax profit for the year would have been lower / higher by Rs. 920,651, mainly as a result of interest exposure on variable rate borrowings.

iii) Other price risk

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

b) Credit risk

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

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits, bank guarantees and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with a reasonably high credit rating or mutual funds which in turn are deposited in banks and government securities. The maximum exposure to credit risk is equal to the carrying amount of financial assets. The Group accepts bank guarantees of banks of reasonably high credit ratings as approved by management.

The Group's fertilizer segment is exposed to concentration of credit risk on its trade debts by virtue of all its customers being agri-based businesses in Pakistan. However, this risk is mitigated by applying individual credit limits and by securing a majority of trade debts against bank guarantees inland letter of credits and by the fact that the exposure is spread over a wide customer base.

The Group's power segment is not exposed to any credit risk on its trade debts as these are secured by sovereign guarantee from the Government of Pakistan.

The Group's polymer / chemical segment is not materially exposed to credit risk on trade debts as unsecured credit is provided to selected parties with no default in recent history and a major part is secured by bank guarantees.

The Group's terminal segment is not materially exposed to credit risk on trade debt, other and lease receivables from SSGC considering history, no default has been made by the customer and payments are received on a timely basis.

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

	2020	2019
	----------------(Rupees)----------------	
Loans and advances	1,747,612	1,857,608
Trade debts	31,753,328	24,662,750
Other receivables	10,504,156	5,191,998
Short term investments	93,492,881	74,004,144
Bank balances	23,341,935	20,888,472
Accrued income	598,940	484,224
	161,438,852	127,089,196

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

Bank	Rating agency	Rating	
		Short term	Long term
Al Baraka Bank (Pakistan) Limited	PACRA	A1	A
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank Al-Habib Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Bank of China	R&I	A1	A
Bank Islami Pakistan Limited	PACRA	A1	A+
Citi Bank N.A.	Moody's	P-1	A3
CIMB Bank Berhad	Moody's	P2	A3
Deutsche Bank A.G	Moody's	P2	A3
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A1+	AA
Faysal Bank Limited	JCR-VIS	A1+	AA
Habib Bank Limited	JCR-VIS	A1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Industrial and Commercial Bank of China	Moody's	P-1	A1
JS Bank Limited	PACRA	A1+	AA-
Mashreq Bank	Moody's	P-2	B aa2
MCB Bank Limited	PACRA	A1+	AAA
MCB Islami Bank Limited	JCR-VIS	A1	A
Meezan Bank Limited	JCR-VIS	A1+	AA+
National Bank of Pakistan	JCR-VIS	A1+	AAA
Samba Bank Limited	JCR-VIS	A1	AA
Silk Bank Limited	JCR-VIS	A-2	A-
Summit Bank Limited	JCR-VIS	Suspended	
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
The Bank of Punjab	PACRA	A1+	AA
U Microfinance Bank	JCR-VIS	A1	A
United Bank Limited	JCR-VIS	A1+	AAA

c) Liquidity risk

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

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

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

(Amounts in thousand)

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

	2020			2019		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	(Rupees)					
Financial liabilities						
Borrowings	35,193,612	135,230,145	170,423,757	35,367,772	138,600,017	173,967,789
Trade and other payables	68,729,262	-	68,729,262	98,014,289	-	98,014,289
Lease liability	9,089,549	73,226,321	82,315,870	4,406,997	50,941,216	55,348,213
Accrued interest / mark-up	1,372,323	-	1,372,323	3,315,762	-	3,315,762
Dividend payable	-	-	-	151,125	-	151,125
Unclaimed dividends	376,697	-	376,697	405,974	-	405,974
	114,761,443	208,456,466	323,217,909	141,661,919	189,541,233	331,203,152

48.2 Capital risk management

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

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

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

The regulatory regime in which the Group's power segment operates, renders the value of the equity to a bond given the guaranteed IRR of 15% with an indexation allowed under the Power Purchase Agreement for changes in US $ / PKR exchange rate.

The Group's strategy is to ensure compliance with the Prudential Regulations issued by the State Bank of Pakistan and is in accordance with agreements executed with financial institutions so that the total long term borrowings to equity ratio does not exceed the lender covenants. The proportion of borrowing to equity at year end was:

	2020	2019
	(Rupees)	
Borrowings (note 23)	157,918,637	158,456,441
Lease liabilities (note 24)	55,530,667	55,348,213
Total Borrowings	213,449,304	213,804,654
Equity	219,594,655	195,249,376
	433,043,959	409,054,030
Gearing ratio	49.29%	52.27%

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

49. FAIR VALUE ESTIMATION

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. The table below analyses financial instruments carried at fair value by valuation method. The different level have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

	Level 1	Level 2	Level 3	Total
	Rupees			
As at December 31, 2020				
Fair value through profit and loss				
- Mutual fund units	-	13,807,537	-	13,807,537
- Treasury Bills	-	2,024,761	-	2,024,761
- Pakistan Investment Bonds (PIBs)	-	11,400,762	-	11,400,762
- Fixed income placements	-	6,000	-	6,000
	-	27,239,060	-	27,239,060
Fair value through othercomprehensive income				
- Treasury Bills	-	17,706,851	-	17,706,851
- Pakistan Investment Bonds (PIBs)	-	36,345,991	-	36,345,991
	-	54,052,842	-	54,052,842
As at December 31, 2019				
Fair value through profit and loss				
- Mutual fund units	-	27,372,021	-	27,372,021
Fair value through other comprehensive income				
- Treasury Bills	-	35,532,891	-	35,532,891
- Pakistan Investment Bonds (PIBs)	-	1,795,904	-	1,795,904
	-	37,328,795	-	37,328,795

Level 2 fair value have been determined on the basis of PKRV rates and closing net asset values for government securities and mutual fund units respectively.

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

(Amounts in thousand)

50. SEGMENT REPORTING

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

Type of segments	Nature of business
Fertilizer	This part of the business manufactures, purchases and markets fertilizers. The operations of this segment includes a wide range of fertilizer brands, besides urea, which primarily comprises of Engro Zarkhez, Zingro and Engro DAP optimized for local cultivation needs and demand. Further, the segment is a leading importer and seller of phosphate products which are marketed extensively across Pakistan as phospatic fertilizers.
Polymer	This part of the business manufactures, markets and sells Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and related chemicals all over Pakistan and few Central Asian countries.
Terminal	This part of the business includes operating and maintaining integrated liquid chemical terminal and storage farm, and LNG terminal for receipt, storage and regasification of LNG
Power and mining	This part of the business includes power generation, distribution, transmission and sale of electricity in Pakistan and operations and management services in Pakistan and Nigeria.
Other operations	It includes management of investments in associates and joint ventures by the Holding Company. It also includes investments made in the foods, telecommunication infrastructure and digital and technology services and products.

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

50.2 The following information presents operating results regarding operating segments for the year ended December 31, 2020 and asset information regarding operating segments as at December 31, 2020:

	Fertilizer		Polymer		Terminal		Power and minimg		Other operations		Elimination - net		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Rupees													
Revenue from external customers (note 32)														
At a point in time	105,846,314	121,354,758	35,246,367	37,764,699	-	-	-	-	19,702,734	17,838,194	(15,000,145)	(14,153,165)	145,795,270	162,804,486
Over the time	-	-	85,031	71,933	13,150,667	12,712,720	88,552,644	50,039,229	1,409,042	209,057	(174,839)	(71,933)	103,022,545	62,961,006
	105,846,314	121,354,758	35,331,398	37,836,632	13,150,667	12,712,720	88,552,644	50,039,229	21,111,776	18,047,251	(15,174,984)	(14,225,098)	248,817,815	225,765,492
Segment gross profit / (loss)	34,254,688	39,539,888	10,949,269	8,106,015	4,207,071	4,308,306	26,474,655	16,364,363	15,866,456	14,463,341	(15,707,379)	(14,183,258)	76,044,760	68,598,655
Segment expenses - net off other income	(9,920,349)	(9,986,904)	(1,623,531)	(2,130,268)	(400,410)	(369,463)	973,121	119,360	(3,291,861)	(4,254,769)	328,251	(1,445,030)	(13,934,779)	(18,067,074)
Interest income	1,439,335	1,731,489	1,099,166	857,324	561,468	509,217	1,360,486	561,396	4,642,170	6,410,028	1,123,947	(701,341)	10,226,572	9,368,113
Finance cost (note 38)	(3,236,285)	(3,886,870)	(2,191,135)	(1,793,775)	(727,203)	(1,306,250)	(14,042,514)	(7,583,444)	(1,278,877)	(889,782)	1,003,222	709,856	(20,472,792)	(14,750,265)
Loss allowance on subsidy receivable from GoP	(1,238,912)	-	-	-	-	-	-	-	-	-	-	-	(1,238,912)	-
Share of income from joint venture and associates (note 39)	-	-	-	-	1,399,385	1,014,206	1,326,396	514,784	70,593	(380,991)	-	-	2,796,374	1,147,999
Income tax (charge) / credit (note 40)	(3,165,130)	(10,526,380)	(2,503,533)	(1,343,259)	(1,281,697)	(206,869)	(1,165,069)	(1,163,742)	(905,082)	(2,526,576)	(9,754)	57,278	(9,030,265)	(15,709,548)
Segment profit / (loss) after tax - continued operations	18,133,347	16,871,223	5,730,236	3,696,037	3,758,614	3,949,147	14,927,075	8,812,717	15,103,399	12,821,251	(13,261,713)	(15,562,495)	44,390,958	30,587,880
Segment loss - discontinued operations	-	-	-	-	-	-	-	-	(279,364)	(299,789)	-	-	(279,364)	(299,789)
	18,133,347	16,871,223	5,730,236	3,696,037	3,758,614	3,949,147	14,927,075	8,812,717	14,824,035	12,521,462	(13,261,713)	(15,562,495)	44,111,594	30,288,091
Segment assets	131,713,375	127,261,901	69,093,661	57,519,217	62,338,352	64,714,675	214,364,787	206,084,446	119,291,539	80,790,099	(48,322,057)	(17,408,859)	548,479,657	518,961,479
Investment in joint venture / associates (note 7)	-	-	-	-	-	-	5,605,313	3,388,819	26,639,774	26,569,181	-	-	32,245,087	29,958,000
Total segment assets	131,713,375	127,261,901	69,093,661	57,519,217	62,338,352	64,714,675	219,970,100	209,473,265	145,931,313	107,359,280	(48,322,057)	(17,408,859)	580,724,744	548,919,479
Total segment liabilities	84,982,635	83,982,441	42,967,530	39,743,061	55,528,898	56,614,312	163,108,406	166,705,951	34,313,725	19,665,855	(19,704,051)	(11,715,922)	361,197,143	354,995,698
Capital expenditure	5,175,376	4,018,508	7,318,314	13,114,040	224,959	271,517	481,723	26,595,114	5,428,265	3,048,868	(18,337)	(678,000)	18,610,300	46,370,047
Impairment of long term investment	-	-	-	-	-	-	789,195	-	-	1,224,304	-	-	789,195	1,224,304
Depreciation	5,236,004	5,601,299	1,740,206	1,443,161	433,315	424,930	5,650,980	3,116,444	876,007	589,042	30,100	-	13,966,612	11,174,876
Amortization of intangible assets (note 6.1)	107,257	76,130	25,193	75,362	10,160	3,363	12,575	14,883	29,249	22,288	(3,862)	(3,865)	180,572	188,161

(Amounts in thousand)

50.3 Revenue derived from CPPA which is in excess of 10% or more of the Group's revenue amounting to Rs 88,150,682 (2019 : Rs 54,069,450), attributal to power and mining segment.

Polymer Segment

50.4 During the year, major turnaround maintenance was planned resulting in closure of plant. Further, on March 6, 2020, EPCL reported, through Pakistan Stock Exchange (PSX), an isolated incident of gas leak at the Engro Polymer & Chemicals Plant, Port Qasim which occurred on March 6, 2020. On March 9, 2020, the EPCL reported through PSX that a notice under Section 21(2) of Sindh Environmental Protection Act, 2014 was received from the Environmental Protection Agency of Government of Sindh directing EPCL to stop all production activities at the plant and fixing a hearing on March 10, 2020. On March 16, 2020, EPCL reported through PSX the resumption of production activities at its plant. Due to the incident the production facilities of EPCL were closed from March 9, 2020 to March 16, 2020.

On March 31, 2020, EPCL reported, through PSX, a foreseeable delay in the Liner Alkyl Benzene Sulphonic Acid (LABSA) and Hydrogen Peroxide (H2O2) project due to restrictions on mobilization of local and overseas resources, on account of COVID-19 pandemic in Pakistan. However, from October 15, 2020, work has been resumed on H2O2 project.

During the year, prices of basic raw materials and finished goods of EPCL were low due to sharp decline in global crude prices mainly due to COVID-19 pandemic. However due to supply shortage for various other reasons the prices of finished goods recovered rapidly as compared to raw materials at the end of the year.

51. TRANSACTIONS WITH RELATED PARTIES

51.1 Following are the details of associated undertakings and other related parties with whom the Group entered into transactions or had agreements and arrangements in place during the year:

S.No.	Name of Related parties	Direct shareholding % of the Holding Company	Relationship
1	Dawood Hercules Corporation Limited	37.22%	Parent Company
2	Engro Foundation	N/A	Associated Company
3	Sindh Engro Coal Mining Company Limited	N/A	Associated Company
4	FrieslandCampina Engro Pakistan Limited	39.90%	Associated Company
5	Reon Energy Limited	N/A	Associated Company
6	GEL Utility Limited	N/A	Associated Company
7	Siddiqsons Energy Limited	N/A	Associated Company
8	International Finance Corporation	N/A	Associated Company
9	Arabian Sea Country Club	N/A	Associated Company
10	Mitsubishi Corporation	N/A	Associated Company
11	Dawood Lawrencepur Limited	N/A	Associated Company
12	Habib Bank Limited	N/A	Associated Company
13	IQ Nexus Management Cooperatie U.S.A	N/A	Associated Company
14	Engro Vopak Terminal Limited	50.00%	Joint Venture
15	Dawood Industries (Private) Limited	N/A	Common Directorship
16	Inbox Business Technologies Private Limited	N/A	Common Directorship
17	Karachi School for Business & Leadership	N/A	Common Directorship
18	Brainchild Communication Pakistan (Private) Limited	N/A	Common Directorship
19	Overseas Investors Chamber of Commerce and Industry	N/A	Common Directorship
20	Patek (Private) Limited	6.24%	Common Directorship
21	The Dawood Foundation (Trustee)	N/A	Common Directorship
22	Dawood Corporation (Private) Limited	0.60%	Common Directorship
23	Tenaga Generasi Limited	N/A	Common Directorship
24	Pakistan Oxygen Ltd (formerly known as Linde Pakistan Limited)	N/A	Common Directorship
25	Abdul Samad Dawood	N/A	Director
26	Ghias Khan	N/A	Director
27	Henna Inam	N/A	Director
28	Hussain Dawood	0.69%	Director
29	Khawaja Iqbal Hassan	N/A	Director
30	Mohammad Abdul Aleem	N/A	Director
31	Raihan Merchant	N/A	Director
32	Rizwan Diwan	N/A	Director
33	Shahzada Dawood	0.43%	Director
34	Waqar Ahmed Malik	N/A	Director
35	Inam Ur Rahman	N/A	Director of Group Company
36	Muhammad Imran Sayeed	N/A	Director of Group Company
37	Zafaryab Khan	N/A	Director of Group Company
38	Khusrau Nadir Gilani	N/A	Director of Group Company
39	Shahab Qader	N/A	Director of Group Company
40	Syed Manzoor Hussain Zaidi	N/A	Director of Group Company
41	Jahangir Piracha	N/A	Director of Group Company
42	Vaqar Zakaria	N/A	Director of Group Company
43	Feroz Rizvi	N/A	Director of Group Company
44	Imran Anwer	N/A	Director of Group Company
45	Noriyuki Koga	N/A	Director of Group Company
46	Asad Said Jafar	N/A	Director of Group Company
47	Asim Murtaza Khan	N/A	Director of Group Company
48	Javed Akbar	N/A	Director of Group Company
49	Sadia Khan	N/A	Director of Group Company
50	Asif Sultan Tajik	N/A	Director of Group Company
51	Imran Ahmed	N/A	Director of Group Company
52	Eram Hassan	N/A	Director of Group Company
53	Ayesha Aziz	N/A	Director of Group Company
54	Nazoor Baig	N/A	Director of Group Company
55	Rizwan Masood Raja	N/A	Director of Group Company
56	Rahat Kaunain Hassan	N/A	Director of Group Company
57	Yusuf Siddiqui	N/A	Director of Group Company
58	Nadir Salar Qureshi	N/A	Director of Group Company
59	Imran Ahmed	N/A	Key Management Personne
60	Amir Iqbal	N/A	Key Management Personne
61	Faiz Chapra	N/A	Key Management Personne
62	Hasnain Moochhala	N/A	Key Management Personne
63	Muhammad Ovais Aziz	N/A	Key Management Personne
64	Farooq Nazim Shah	N/A	Key Management Personne
65	Adil Mushtaq	N/A	Key Management Personne

(Amounts in thousand)

S.No.	Name of Related parties	Direct shareholding % of the Holding Company	Relationship
66	Fahim	N/A	Key Management Personnel
67	Sadaf Aslam	N/A	Key Management Personnel
68	Syed Ammar Shah	N/A	Key Management Personnel
69	Aneeq Ahmed	N/A	Key Management Personnel
70	Jahangir Waheed	N/A	Key Management Personnel
71	Muhammad Imran Khalil	N/A	Key Management Personnel
72	Salman Hafeez	N/A	Key Management Personnel
73	Syed Abbas Raza	N/A	Key Management Personnel
74	Syed Ali Akbar	N/A	Key Management Personnel
75	Fahd Khawaja	N/A	Key Management Personnel
76	Mohammad Azhar Malik	N/A	Key Management Personnel
77	Muhammad Majid Latif	N/A	Key Management Personnel
78	Syed Shahzad Nabi	N/A	Key Management Personnel
79	Mazhar Abbas Hasnani	N/A	Key Management Personnel
80	Kalimuddin A Khan	N/A	Key Management Personnel
81	Ahmad Shakoor	N/A	Key Management Personnel
82	Abdul Qayoom	N/A	Key Management Personnel
83	Aman ul Haq	N/A	Key Management Personnel
84	Shariq Abdullah	N/A	Key Management Personnel
85	Khawaja Bilal Hussain	N/A	Key Management Personnel
86	Syed Zaheer Mehidi	N/A	Key Management Personnel
87	Faisal Imran Hussain Malik	N/A	Key Management Personnel
88	Sulaiman Ijaz	N/A	Key Management Personnel
89	Zamin Zaidi	N/A	Key Management Personnel
90	Kashif Ahmed Soomro	N/A	Key Management Personnel
91	Chaudhary Muhammad Azhar Nawaz	N/A	Key Management Personnel
92	Shomaila Loan	N/A	Key Management Personnel
93	Syed Kaleem Asghar Naqvi	N/A	Key Management Personnel
94	Kan Li	N/A	Key Management Personnel
95	Xiangwei Duan	N/A	Key Management Personnel
96	Farooq Barkat Ali	N/A	Key Management Personnel
97	Khalid Mohsin Shaikh	N/A	Key Management Personnel
98	Shabbir Hashmi	N/A	Key Management Personnel
99	Fauzia Viqar	N/A	Key Management Personnel
100	Kaiser Bengali	N/A	Key Management Personnel
101	Rabia Wafah Khan	N/A	Key Management Personnel
102	Rameez Ahmed Faraz	N/A	Key Management Personnel
103	Imran Aslam	N/A	Key Management Personnel
104	Jahanzeb Dal	N/A	Key Management Personnel
105	Mahmood Siddiqui	N/A	Key Management Personnel
106	Asghar Ali Khan	N/A	Key Management Personnel
107	Salima Hasham	N/A	Key Management Personnel
108	Mohammed Saqib	N/A	Key Management Personnel
109	Suleiman Ajaz	N/A	Key Management Personnel
110	Muhammad Danial Ali	N/A	Key Management Personnel
111	Engro Corporation Limited DB Gratuity Fund	N/A	Post Employment Benefits Fund
112	Engro Corporation Limited DC Gratuity Fund	N/A	Post Employment Benefits Fund

(Amounts in thousand)

S.No.	Name of Related parties	Direct shareholding % of the Holding Company	Relationship
113	Engro Corporation Limited DC Pension Fund	N/A	Post Employment Benefits Fund
114	Engro Corporation Limited Provident Fund	N/A	Post Employment Benefits Fund
115	Engro Corporation Limited MPT Gratuity Fund	N/A	Post Employment Benefits Fund
116	Engro Corporation Limited NMPT Gratuity Fund	N/A	Post Employment Benefits Fund
117	Ayesha Dawood	N/A	Spouse of director
118	Humera Aleem	N/A	Spouse of director
119	Kulsum Dawood	0.52%	Spouse of director
120	Ahsan Zafar Syed	N/A	Common Directorship
121	Pakistan Institute of Corporate Governance	N/A	Common Directorship
122	Sirius (Private) Limited	N/A	Associate/Common Directorship
123	Teach the World Foundation	N/A	Associate/Common Directorship
124	Cyan Limited	N/A	Associate/Common Directorship
125	Mozart Private Limited	N/A	Associate/Common Directorship
126	Abrax Private Limited	N/A	Associate/Common Directorship
127	Grid Egde (Private) Limited	N/A	Associate/Common Directorship
128	Karachi Education Initiative	N/A	Associate/Common Directorship
129	Sach International	N/A	Associate/Common Directorship
130	Empiric AI Limited	N/A	Associate/Common Directorship
131	Najam Saeed	N/A	Key Management Personnel
132	Thomas Patrick Schmitt	N/A	Key Management Personnel

(Amounts in thousand)

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

	2020	2019
	----------------(Rupees)----------------	
Parent Company		
Dividend paid	5,361,745	5,322,751
Bonus shares issued	-	194,973
Reimbursements to Parent company	78,765	138,422
Associated Companies		
Purchases and services	43,310,236	24,243,627
Sale of goods and rendering of services	-	14,267
Donations	591,260	425,710
Advance against share capital / Share capital issued	-	4,548,437
Payments against EPC contract	778,702	18,949,378
Short term loan received	4,225,000	-
Long term loan received	-	384,304
Bonus shares issued	-	36,132
Reimbursement to associated companies	3,022,171	2,241,800
Expenses paid on behalf of associated companies	861,041	567,067
Disposal of assets	9,800	-
Dividends paid / payable	2,606,800	11,318,505
Loans repaid	3,810,096	-
Finance costs	2,270,758	577,053
Joint Ventures		
Purchase of services	1,662,612	1,546,131
Reimbursements	-	42,561
Dividend received	1,395,000	1,305,000
Expenses paid on behalf of joint venture company	1,077,739	126,141
Disbursement of loan	-	200,000
Repayment of loan	200,000	-
Mark-up on loan	6,068	153
Retirement funds		
Contribution to retirement benefit funds	769,126	409,809
Directors		
Dividend paid	321,743	264,262
Directors' fees	133,697	100,611
Profit on Engro Rupiya Certificates	-	19,504
Others		
Other benefits paid	130,793	80,864
Remuneration of key management personnel	1,403,602	1,239,282
Bonus shares issued	-	6,076
Reimbursement to key management personnel	2,019	36,432

51.3 Details of related parties incorporated outside Pakistan with whom the Group had transactions or arrangements in place are as follows:

	Country of Incorporation	% of holding
GEL Utility Limited	Nigeria	45% (indirectly through subsidiary)
China Machinery Engineering Corporation	People's Republic of China	N/A (indirectly through subsidiary)
China East Resources Import & Export Corporation	People's Republic of China	N/A (indirectly through subsidiary)
Engro Power Services Limited (EPSL)	Netherlands	100% (indirectly through subsidiary)
Engro Power Investment International B.V. (EPII B.V.)	Netherlands	100% (indirectly through subsidiary)
Engro Power Services Holding B.V. (EPSH B.V.)	Netherlands	100% (indirectly through subsidiary)
Engro Power International Holding B.V. (EPIH)	Netherlands	100% (indirectly through subsidiary)
Engro Eximp FZE	United Arab Emirates	100% (Subsidiary)

(Amounts in thousand)

52. CONTRIBUTORY RETIREMENT FUNDS

The employees of the Group participate in the Provident Fund maintained by the Holding Company. Monthly contributions are made both by the companies in the Group and the employees to the fund maintained by the Holding Company at the rate of 10% of basic salary.

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

53. DONATIONS

53.1 Donations include the following in which the Director of the Company or Group companies are interested:

Name of Director	Interest	Name of Donee	2020
			----(Rupees)----
Ghias Khan	Chairman, Board of Trustees	Engro Foundation	664,750
Nadir Salar Qureshi	Trustee		
Ahsan Zafar Syed	Trustee		
Imran Anwar	Trustee		
Jahangir Piracha	Trustee		
Ahsan Zafar Syed	Trustee	Thar Foundation	138,010

53.2 During the year the Group made the following donations which are above Rs. 1,000 or 10% of each component's total amount of donatiotn:

Engro Foundation	464,750
Thar Foundation	138,010
Karachi Education Initiative	20,400
Human Rights Welfare Front of Pakistan	20,000
Habib University Foundation	10,000
Harf Foundation	6,668
The Water Foundation	3,578
Citizens Foundation	2,465
Donation under COVID Relief Fund:	
Engro Foundation	200,000
Government of Sindh Corona Virus Emergency Fund	50,000
Staff Duties Directorate	40,000
Headquarters Southern Command	30,000
Vital Care	11,907
Commissioner Rawalpindi	10,000
Indus Hospital	9,000
Dr. Ziauddin Hospitals	7,000

(Amounts in thousand)

54. PRODUCTION CAPACITY

		Designed Annual Capacity		Actual Production	
		2020	2019	2020	2019
Urea (note 54.1)	Metric Tons	2,275,000	2,275,000	2,263,806	2,003,035
NPK (note 54.1)	Metric Tons	100,000	100,000	127,082	134,784
PVC Resin (note 54.1)	Metric Tons	195,000	195,000	153,000	197,000
EDC (note 54.1)	Metric Tons	127,000	127,000	79,000	110,000
Caustic soda (note 54.1)	Metric Tons	106,000	106,000	77,000	105,000
Caustic flakes (note 54.1)	Metric Tons	20,000	20,000	2,000	4,000
VCM (note 54.1)	Metric Tons	204,000	204,000	148,000	184,000
Power (note 54.2)	Mega Watt Hours	7,159,097	4,397,963	4,582,884	3,097,604
Power	Mega Watt	66	66	48	48
Milling / Drying unit of rice processing plant (note 54.3)	Metric Tons	361,000	414,000	132,115	93,689

54.1 Production planned as per market demand and in house consumption needs.

54.2 Output produced by the plants of EPQL and EPTL is dependent on the load demanded by NTDC and plants' availability.

54.3 Three months season design capacity and production is dependent on availability of rice paddy.

54.4 The annual capacity of EETPL as service provider to SSGCL is 4.5 MTPA and there has been no shortfall during the year.

55. NUMBER OF EMPLOYEES OF THE GROUP

	Number of employees as at		Average number of employees as at	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Management employees	2,151	2,088	2,056	1,927
Non-management employees	536	531	535	524
	2,687	2,619	2,591	2,451

56. SEASONALITY

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

The Group's agri business is subject to seasonal fluctuation as majority of paddy / unprocessed rice is procured during the last quarter of the year which is the harvesting period for all rice varieties grown in Pakistan. However, rice is sold evenly throughout the year. The Group manages seasonality in the business through appropriate inventory management.

57. NON-ADJUSTING EVENT AFTER REPORTING DATE

57.1 The Board of Directors of the Holding Company in its meeting held on February 18, 2021 has proposed a final cash dividend of Rs. 2.00 per share for the year ended December 31, 2020 amounting to Rs. 1,152,326 for approval of the members at the Annual General Meeting to be held on April 26, 2021.

(Amounts in thousand)

57.2 The Board of Directors of Engro Vopak Terminal Limited, a joint venture company, in its meeting held on January 28, 2021 has proposed a final cash dividend of Rs. 9.5 per share for the year ended December 31, 2020, amounting to Rs. 855,000 of which the proportionate share of the Holding Company amounts to Rs. 427,500.

The consolidated financial statements for the year ended December 31, 2020 do not include the effect of the aforementioned proposed dividends, which will be accounted for in the consolidated financial statements for the year ending December 31, 2021.

58. LISTING OF SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND JOINT VENTURE

Name of Subsidiaries	Financial year end
Engro Fertilizers Limited (EFert)	December 31
EFERT Agritrade (Private) Limited (EAPL)	December 31
Engro Polymer and Chemicals Limited (EPCL)	December 31
Think PVC (Private) Limited (Previously Engro Polymer (Private) Limited (EPTL))	December 31
Engro Peroxide (Private) Limited	December 31
Engro Plasticizer (Private) Limited	December 31
Engro Energy Limited	December 31
Engro Power Services Limited (EPSL)	December 31
Engro Power International Holding B.V. (EPIH)	December 31
Engro Power Services Holding B.V. (EPSH B.V.)	December 31
Engro Power Investment International B.V. (EPII B.V.)	December 31
Kolachi Portgen (Private) Limited (KPPL)	December 31
Engro Powergen Qadirpur Limited (EPQL)	December 31
Engro Powergen Thar (Private) Limited (EPTPL)	December 31
Elengy Terminal Pakistan Limited (ETPL)	December 31
Engro Elengy Terminal (Private) Limited (EETPL)	December 31
Engro Eximp FZE (FZE)	December 31
Engro Eximp Agriproducts (Private) Limited (EEAPL)	December 31
Engro Digital Limited (EDigital)	December 31
Engro Infiniti (Private) Limited	December 31
Enfrashare (Private) Limited	December 31
Engro Energy Services Limited (EESL)	December 31
Name of Joint Venture	
Engro Vopak Terminal Limited (EVTL)	December 31
Name of Associates	
FrieslandCampina Engro Pakistan Limited (FCEPL)	December 31
Sindh Engro Coal Mining Company Limited (SECMC)	December 31
Gel Utility Limited (GEL)	December 31
Siddiqsons Energy Limited (SEL)	June 30
Pakistan Energy Gateway Limited (PEGL)	December 31
Magboro Power Company Limited (MPCL)	December 31

(Amounts in thousand)

58.1 Set out below is summarised financial information for each subsidiary that has Non-Controlling Interests (NCI). The amounts disclosed for each subsidiary are before inter-company eliminations:

	EPQL	EPTPL	2020 ETPL	EFert	EPCL
			(Rupees)		
Total Assets	25,510,294	196,481,614	62,338,352	131,713,375	69,093,661
Total Liabilities	9,873,568	145,126,257	55,528,898	84,982,635	42,967,530
Total Comprehensive Income	2,078,294	13,800,114	2,359,229	18,139,575	5,730,236
Total Comprehensive Income allocated to NCI	646,658	6,886,256	1,038,060	7,932,435	2,505,959
Accumulated NCI	4,893,782	30,479,356	2,984,818	19,726,227	13,094,593
Cash and cash equivalents	(3,605,404)	9,226,756	3,319,148	5,126,379	14,371,251
Cash (utilized in) / generated from					
- operating activities	2,457,308	9,652,931	4,947,779	51,381,173	11,192,412
- investing activities	(53,889)	97,228	(224,959)	(25,655,875)	(6,252,544)
- financing activities	95,050	(5,901,810)	(5,421,520)	(24,628,876)	1,407,105
Dividend paid / payable to NCI	125,940	-	1,606,061	6,423,915	79,640
Interest of NCI	31.11%	49.90%	44%	43.73%	43.81%

	EPQL	EPTPL	2019 ETPL	EFert	EPCL
			(Rupees)		
Total Assets	27,541,251	186,456,120	64,714,675	127,261,901	57,519,217
Total Liabilities	13,578,068	144,900,877	56,614,312	83,982,441	39,743,061
Total Comprehensive Income	3,401,808	6,123,585	2,934,941	17,135,067	3,696,037
Total Comprehensive Income allocated to NCI	1,058,740	3,055,669	1,291,374	6,730,227	1,615,153
Accumulated NCI	4,373,064	23,593,100	3,552,819	18,217,707	7,866,750
Cash and cash equivalents	(3,700,454)	5,465,563	4,017,848	4,029,957	7,951,181
Cash (utilized in) / generated from					
- operating activities	4,234,290	14,366,231	5,178,590	21,988,785	7,679,131
- investing activities	(114,387)	(26,301,368)	(271,483)	4,502,608	(17,675,057)
- financing activities	(4,124,606)	13,674,496	(3,598,903)	(22,547,158)	8,787,053
Dividend paid / payable to NCI	302,250	-	550,235	8,175,822	358,371
Interest of NCI	31.11%	49.90%	44%	43.73%	43.81%

(Amounts in thousand)

59. CORRESPONDING FIGURES

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

60. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on February 18, 2021 by the Board of Directors of the Holding Company.

Abdul Samad Dawood	Mazhar Abbas Hasnani	Ghias Khan
Vice Chairman	Chief Financial Officer	President and Chief Executive

annexure

proxy form

I/We ____

of ______________________________ being a member of ENGRO CORPORATION LIMITED

and holder of ____

(Number of Shares)

Ordinary shares as per share Register Folio No. ______________________ and/or CDC

Participant I.D. No. ______________ and Sub Account No. ______________ ,hereby appoint

______________________ of ______________________ or failing him

____ of

____

as my proxy to vote for me and on my behalf at the annual general meeting of the Company to be held on the 26th day of April , 2021 and at any adjournment thereof.

Signed this ______________ day of ________ 2021.

Witnesses:

1) Signature : ______________________

Name : ______________________

Address : ______________________

____

CNIC or : ______________________

Passport No.: ______________________

____

2) Signature : ______________________

Name : ______________________

Address : ______________________

____

CNIC or : ______________________

Passport No.: ______________________

____

____

Signature

Signature should agree with the specimen registered with the Company

Note:

Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. A Proxy need not be a member of the Company.

CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.

standard request form circulation of annual audited accounts.

The Share Registrar
Engro Corporation Ltd.
FAMCO Associates (Pvt.) Ltd.
8-F, Near Hotel Faran
Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, KARACHI.
E-mail: info.shares@famco.com.pk
Telephone No. (9221) 3438 0101-5, 3438 4621-3

Date: ________________

Dear Sirs,

Subject: **Request for Hard Copy of Annual Report of Engro Corporation Limited.**

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and approved by the Shareholders in the Annual General Meeting of the Company held on April 06, 2017, the Company is circulating its annual balance sheet, and profit and loss account, auditor's report and directors report etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hardcopy of the Annual Audited Accounts by filling out the details below and sending it to the Company's share registrar and Company Secretary.

I, ______________________________ S/o, D/o, W/o ______________________ being a registered shareholder of Engro Corporation Ltd. with the particulars as mentioned below would request that my name be added to the list of Shareholders of the Company who opt for delivery of a hardcopy of the Annual Audited Accounts of the Company and hereby request you send to me the Annual Audited Accounts in hard copy form at my registered address as contained in the member register instead of providing the same through CD/DVD/USB.

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 Corporation Ltd.
8th Floor, The Harbour Front, Dolmen City
HC-3, Block 4, Clifton, Karachi-75600.
E-mail: skamil@engro.com

ڈائریکٹرز رپورٹ

اینگرو کارپوریشن لمیٹڈ کے بورڈ آف ڈائریکٹرز نے کمپنی کی کارکردگی کا جائزہ لیا ہے اور 31 دسمبر 2020 کو ختم شدہ سال کے لیے اپنی سالانہ رپورٹ اور آڈٹ شدہ اکاؤنٹس جمع کراتے ہوئے خوشی محسوس کر رہے ہیں۔

بنیادی کام

کمپنی کا بنیادی کام اپنے ذیلی اداروں، ایسوسی ایٹس اور جوائنٹ وینچرز کی سرمایہ کاریوں کا اہتمام کرنا ہے جو فرٹیلائزر کی مینوفیکچرنگ اور ٹریڈنگ، پی وی سی ریسن مینوفیکچرنگ اور مارکیٹنگ، فوڈ، پاور جنریشن، کول مائننگ، ٹیلی کمیونیکیشن انفراسٹرکچر، ایل این جی اور بلک کیمیکل ہینڈلنگ ٹرمینل اور اسٹوریج کے کاروبار میں مصروف عمل ہیں۔

کورونا وائرس کی عالمی وباء کے دوران کاروباری تسلسل کو برقرار رکھنا

COVID-19 کی وباء ابھی تک عالمی چیلنج بنی ہوئی ہے جس نے دنیا بھر کے افراد کی صحت، معیشت اور معاشرت کو تباہ کر کے رکھ دیا ہے۔ اس ضمن میں عالمی طور پر ویکسین پروگرام شروع کیا گیا ہے، پاکستان بھی مختلف مینوفیکچررز سے COVID-19 کی ویکسین خرید رہا ہے اور سال 2021 کی پہلی سہ ماہی کے دوران ویکسین پروگرام شروع کرنے کی منصوبہ بندی کی جا رہی ہے۔ ایشین ڈیولپمنٹ بینک نے اپنے اقتصادی جائزے میں COVID-19 کی وباء میں کمی کی پیش گوئی کے ساتھ انتظامی ریفارمز کی توقع ظاہر کی ہے، اور کہا ہے کہ پاکستان مالی سال 2021 کے دوران کنزیومر کے اعتماد میں بہتری سے شاندار معاشی بحالی حاصل کرے گا۔

اینگرو کارپوریشن کا وسیع پورٹ فولیو ان مشکل حالات سے نبرد آزما ہونے کے لیے بہترین صلاحیت کا حامل ہے۔ انتظامیہ نے مشکلات کے اس دور میں موثر حکمت عملی اپنائی اور لین دین کے مستحکم و طویل مدتی نظام پر منفی اثرات کو کم سے کم رکھنے کے لیے ضروری اقدامات اٹھائے۔ اس حوالے سے وباء کی دوسری لہر کے دوران گھر سے کام کرنے کی حکمت عملی کو وسیع رکھا اور اس وباء کو پھیلنے سے روکنے کے لیے اینگرو کی تمام آفیسوں اور پروڈکشن والی جگہوں پر ایس او پیز پر عمل درآمد کو یقینی بنایا تاہم اپنے ملازمین کی صحت اور تحفظ کو حتی الامکان ترجیح دی گئی۔ اپنے ملازمین کو سہولت دینے کے پیش نظر سائٹ پر 24 گھنٹے میڈیکل ہیلپ ڈیسک اور قرنطینہ سینٹر کی سہولت جاری رکھی ہوئی ہے۔ اس کے علاوہ اپنے ملازمین کے حوصلے کو بلند رکھنے کے لیے کئی اقدامات اٹھائے گئے ہیں جس میں فرنٹ لائن اسٹاف کے لیے خصوصی سند کا اجراء، بھرپور صحت سے متعلق کونسلنگ کے سیشن، اور سوشل تبادلہ خیال کے لیے آن لائن پلیٹ فارم فراہم کئے گئے ہیں۔

ان مشکل حالات کے باوجود، ہم اپنے بنیادی نظریہ کے لیے پرعزم رہے جس کے تحت پاکستانیوں کی زندگیوں میں بہتری لانے اور معاشرے پر مثبت اثرات مرتب کرنے کے امور پر توجہ جاری رہی۔ اس وباء کے منفی اثرات سے ملک کو بچانے کے پیش نظر، چیئرمین حسین داؤد نے داؤد ہرکولس کارپوریشن، اینگرو کارپوریشن اور اپنے خاندان کی طرف سے سروسز، فلاح و بہبود کے ساتھ ایک بلین روپے کے عطیات دینے کا وعدہ کیا جو بحالی کے قلیل اور طویل مدتی امور میں استعمال ہو رہے ہیں۔ اس وعدے کے تحت طبی عملے اور فرنٹ لائن ورکرز کو بیماری سے تحفظ اور بچاؤ کے قابل بنانا، طبی سہولیات کی فراہمی اور طرز زندگی میں بہتری اور روزگار کے لیے پریشان افراد کی دادرسی کے کام انجام دیئے جا رہے ہیں۔ ہم یقین رکھتے ہیں کہ ہمیں لوگوں کی زندگیوں کے بچانے اور معاشرے پر مثبت اثرات مرتب کرنے کے لیے دیانتداری کا مظاہرہ کرنا ہوگا۔ اس وعدے کے تحت خرچ ہونے والی رقم سے متعلق معلومات عوام کے لیے عیاں ہے اور اس سے متعلق درج ذیل ویب سائٹ ملاحظہ کی جا سکتی ہے:

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کاروباری کارکردگی کا جائزہ

کمپنی کی مشترکہ آمدنی تھر انرجی پروجیکٹس کے سال بھر فعال رہنے کی بدولت 10 فیصد اضافے کے ساتھ 2019 کے 225,765 ملین روپے کے مقابلے میں 248,818 ملین روپے رہی۔ مشترکہ بعد از ٹیکس منافع (PAT) برائے 2020 پاکستانی 44,112 ملین روپے بنتا ہے جو کہ 46 فیصد زائد ہے جبکہ شیئر ہولڈرز میں تقسیم ہونے والا بعد از ٹیکس منافع 2019 میں 16,533 ملین روپے سے 25,100 ملین روپے بنتا ہے، نتیجے میں ہر ایک شیئر پر منافع 2019 کے 28.69 کے مقابلے میں 43.57 روپے بنتا ہے۔

انفرادی طور پر کمپنی نے مساوی سال کے لیے 14,303 ملین روپے کے مقابلے میں اس سال بعد از ٹیکس منافع 16,301 ملین روپے اپنے نام کیا جس کے مطابق ہر ایک شیئر پر منافع 28.29 روپے بنتا ہے۔ انفرادی منافع میں بہتری بنیادی طور پر ذیلی اداروں سے زائد منافع منقسمہ کے ساتھ COVID-19 کے دوران اخراجات پر قابو پانے کی حکمت عملی سے حاصل ہوئی۔

کاروباری کارکردگی کا تفصیلی جائزہ

کاروبار	آمدنی (روپے ملین میں)		بعد از ٹیکس منافع (روپے ملین میں)	
	2020	2019	2020	2019
فرٹیلائزر	105,846	121,355	18,133	16,871
انرجی	88,552	50,039	14,927	8,813
پالیمر اینڈ کیمیکل	35,331	37,837	5,730	3,696
ٹرمینلز	17,953	16,704	5,085	5,142
ٹیلی کام انفراسٹرکچر	1,409	235	(1,299)	(1,142)
فوڈز	44,155	42,516	177	(955)

اینگرو فرٹیلائزرز

2020 میں مشکلات کے باجود، کمپنی نے یوریا کی سب سے زیادہ پروڈکشن حاصل کرنے کا سنگ میل عبور کیا۔ اس ضمن میں 2019 میں تیار کردہ KT 2,003 کے مقابلے میں اس سال KT 2,264 یوریا کی پروڈکشن حاصل کی گئی جو 13 فیصد زائد ہے اس میں گیس کی بہتر فراہمی، کم از کم غیر فعال دن اور پلانٹ کی بہتر کارکردگی نے اپنا کردار ادا کیا۔ اس سنگ میل کا حصول پلانٹ کی صلاحیت پر بھرپور توجہ اور انجینئرنگ مہارت کی بدولت ہے۔ سال 2020 میں کمپنی نے یوریا کی مقامی سیلز میں بھی زیادہ مقدار کی سیلز کا ریکارڈ حاصل کیا ہے جو کہ سال کے اعتبار سے 2 فیصد اضافے کے ساتھ 2019 کے KT 1,958 کے مقابلے میں KT 2,006 رہی۔ اس کارکردگی کے نتیجے میں ہمارا مارکیٹ شیئر 2019 کے 32 فیصد کے مقابلے میں اس سال 33 فیصد بنتا ہے۔ فاسفیٹ کے کاروبار نے بھی بحالی کا سفر جاری رکھا اور کمپنی کو پہلی ششماہی میں KT 132 کی مقدار کی سیلز سے سالانہ بنیادوں پر 465KT حاصل ہوئی۔

کمپنی نے 105.8 بلین روپے سیلز آمدنی حاصل کی جس کے مطابق 2019 کی سیلز کی 121.4 بلین روپے کی آمدنی کے اعتبار سے 13 فیصد کمی واقع ہوئی۔ اس کمی کی وجوہات میں ڈی اے پی کی فروخت میں کمی اور دوران سال یوریا کی قیمتوں میں کمی شامل ہے۔ مجموعی طور پر کمپنی نے زیادہ یوریا کی مقدار، پلانٹ کی بہتر صلاحیت اور ٹیکس سے متعلق منصوبہ بندی سے 18,133 ملین روپے بعد از ٹیکس منافع حاصل ہونے کے ساتھ گزشتہ سال کے مقابلے میں 7 فیصد ترقی کی۔

ریونیو

(ملین روپے)

105,846

(2020)

اینگرو پالیمر اینڈ کیمیکلز

جیسا کہ نئی صورتحال پیش ہے اور اس سے مختلف قسم کے سماجی، صحت سے متعلق اور معاشی مشکلات کا سامنا ہے اور اینگرو پالیمر بھی ان مشکلات کا شکار رہے۔ انتظامی ٹیم کی رہنمائی اور ملازمین کی لگن سے، اینگرو پالیمر نے اپنے ملازمین کی صحت اور حفاظت کو یقینی بنانے کے لیے بروقت اقدامات کئے اور اپنے آپریشنز کے تسلسل کو قائم رکھا۔ سال 2020 میں اینگرو پالیمر کی آمدنی میں 6 فیصد کمی واقع ہوئی کیونکہ لاک ڈاؤن کے دوران پلانٹ کی بندش سے پی وی سی اور کاسٹک کی مقدار میں 15 فیصد اور 27 فیصد کمی واقع ہوئی۔ مقدار میں کمی کو سال کی دوسری ششماہی کے دوران عالمی سپلائی میں خلل کی بدولت پی وی سی کی قیمتوں میں اضافے سے پورا کیا گیا اور کمپنی نے اپنی تاریخ میں سب سے زیادہ منافع یعنی 5,730 ملین روپے کا شاندار منافع حاصل کیا۔ اس کے ساتھ کمپنی نے اپنے ماضی کے پروجیکٹس پر کام جاری رکھا تاکہ نئے پروجیکٹس اور مارکیٹس کی تلاش کے امور میں پیش رفت ہو۔

ریونیو

(ملین روپے)

35,331

(2020)

اینگرو انرجی

کوئلے کی کان: دوران سال کان کنی کے آپریشن بہترین انداز میں جاری رہے اور اینگرو پاور جن تھر کو 3.8 ملین ٹن کوئلہ فراہم کیا گیا۔ کان کی توسیع کے 7.6 ملین ٹن سالانہ والے منصوبہ کے پیش نظر سائٹ پر کنٹریکٹر موبلائزیشن جاری رہی۔ دوسری جانب اوور برڈن رموول پروسیس میں سست روی رہی کیونکہ کرونا کے سبب چین اور پاکستان میں لاک ڈاؤن کے نتیجے میں سامان کی فراہمی متاثر ہوئی، چوتھی سہ ماہی کے دوران تعمیری کام میں بہتری آئی اور سائٹ پر سامان کی ترسیل ممکن ہوئی۔

تھر پاور پلانٹ: دوران سال پلانٹ مکمل طور پر فعال رہا اور COVID-19 کے سبب مشکلات کے باوجود سسٹم کی پائیداری کا ثبوت دیا۔ پاور پلانٹ سے 83 فیصد لوڈ فیکٹر کے ساتھ 84 فیصد فراہمی کا ہدف حاصل کیا گیا اور دوران سال نیشنل گرڈ کو GwH 4,032 فراہم کیا۔ کمپنی اپنے دونوں یونٹس پر بغیر کسی قابل ذکر حادثہ کے 2 شیڈول بندش مکمل کرنے میں کامیاب رہی۔

قادر پور پلانٹ: یہ پاور پلانٹ پرمیئٹ گیس پر چلتا ہے اور قادر پور گیس فیلڈ سے کمی کے باعث گیس کی قلت کا شکار ہے۔ اس کمی کو پورا کرنے کے لیے دیگر ذرائع سے پلانٹ کی ضرورت پوری کی جا رہی ہے۔ دوران سال پلانٹ سے نیشنل گرڈ کو GwH 550 بجلی فراہم کی اور اس طرح گزشتہ سال کے 58.8 فیصد کے مقابلے میں 29.5 فیصد لوڈ فیکٹر حاصل کرنے میں کامیاب رہا۔ لوڈ فیکٹرز میں کمی بنیادی طور پر کرونا کے بعد تیل کی عالمی قیمتوں میں کمی کے بعد آرڈر دینے میں اہلیت میں پیچھے رہنے سے ہے۔ بزنس نے موجودہ مدت کے لیے بعد از ٹیکس منافع 2,079 ملین روپے حاصل کیا جو کہ 2019 کے دوران 3,403 ملین روپے تھا۔

ریونیو

(ملین روپے)

88,552

(2020)

اینگرو ووپیک اینڈ ایلنجی ٹرمینل

حالانکہ کرونا کی وبا نے مختلف قسم کی مشکلات پیدا کر رکھی ہیں لیکن اینگرو کے ٹرمینلز نے اپنی خدمات جاری رکھتے ہوئے مسائل کو پیدا ہوتے ہی ختم کرنے کی منصوبہ بندی کر رکھی ہے ایلنجی ٹرمینل پر دوران سال 72 کارگو ہینڈل کئے گئے۔ اس سے bcf 215.4 ری گیسیفائیڈ ایل این جی کو سوئی سدرن گیس کمپنی کے نیٹ ورک میں شامل کیا گیا۔ سال کے لیے موجودگی کا فیکٹر 97.9 فیصد رہا۔ ایل این جی ٹرمینل اس وقت ملکی گیس کی ضروریات کا 12 فیصد سے زائد فراہم کر رہا ہے۔ مارچ 2015 میں اس کے آغاز سے لیکر اب تک ایل این جی کی درآمد سے گیس کی مستقل فراہمی کی بدولت ،فرٹیلائزر اور سی این جی سیکٹرز میں 500 سے زائد صنعتی یونٹس کو بحال کیا گیا ہے جبکہ ملک کو مہنگے تیل کے مقابلے میں سستی ایل این جی فراہم کرنے سے تقریباً 2.5 بلین امریکی ڈالرز کا فائدہ ہوا ہے۔ زیر جائزہ مدت کے دوران، بزنس کو طلب میں کمی کا سامنا رہا تاہم صارفین کی طرف سے وصولیوں میں تاخیر نہ تھی۔ اینگرو ووپاک ٹرمینل کو گزشتہ سال کے مقابلے میں کیمیکل کے زیادہ امپورٹس کی بدولت کیمیکلز اور ایل پی جی کی مقدار میں 2 فیصد کمی کا سامنا رہا کیونکہ فاسفورک ایسڈ پیرازائلین کی درآمدات میں کمی سے ایل پی جی کی زائد درآمدات متاثر ہوئیں۔ بزنس نے اپنے ہیلتھ، سیفٹی اور کوالٹی کے اسٹینڈرڈز کو برقرار رکھتے ہوئے محفوظ آپریشنز کے 23 سال مکمل کئے۔

ریونیو

(ملین روپے)

17,953

(2020)

فریز لینڈ کمپینا اینگرو

بزنس نے اپنی شاندار ترقی کا 9 واں سال مکمل کیا، دوران سال کمپنی نے COVID-19 کے سبب لاک ڈاؤن اور ریٹیل اور دیگر کاروباری مراکز کی بندش کے باوجود، گزشتہ سال کے مقابلے میں 14 فیصد ترقی کے ساتھ 44.2 بلین روپے آمدنی حاصل کی۔

گزشتہ 12 ماہ کے دوران ضروریات زندگی کی اشیاء مہنگی ہونے اور خاص طور پر روپے کی ناقدری کے سبب مجموعی طور پر اخراجات کی مشکل صورتحال کا سامنا رہا۔ تاہم کمپنی نے ان اثرات پر قابو پانے کے لیے اخراجات پر کمی سمیت مختلف اقدامات اٹھائے۔ نتیجتاً مجموعی منافع گزشتہ سال کے مقابلے میں 80bps بہتری ہوئی۔ کمپنی نے مختلف اقدامات سے انتظامی اور ڈسٹری بیوشن کے اخراجات پر کنٹرول کے امور جاری رکھے۔ اسی طرح، کمپنی نے گزشتہ سال کی اسی مدت کے 955 ملین روپے کے نقصان کے مقابلے میں 177 ملین روپے منافع کمایا۔

ریونیو

(ملین روپے)

44,155
(2020)

اینگرو ایگزمپ ایگری پراڈکٹس

چاول کے کاروبار میں 2020 میں بھی توجہ جاری رہی اور بزنس نے گزشتہ سال کے مقابلے میں 2.5 گنا اضافہ ریکارڈ کیا۔ دوران سال چاول کی برآمدات میں اضافہ جاری رہا اور مقدار کے اعتبار سے 26 فیصد زائد ایکسپورٹ کی گئی۔ اس حوالے سے بیورو ویریٹاس کی جانب سے ایکسٹرنل کوالٹی آڈٹ کے ذریعے کوالٹی ری سرٹیفکیشن بھی کامیابی کے ساتھ حاصل کی گئی اور اس میں 'AA' ریٹنگ لینے میں کامیاب رہے۔ ہمارے رائس بزنس کو پاکستان میں رائس کا کاروبار کرنے والے بزنسز میں سب سے زیادہ کوالٹی سرٹیفکیشن حاصل ہیں۔

ریونیو

(ملین روپے)

4,703

(2020)

اینگرو انفراشیئر

اینگرو انفراشیئر تقسیم کی بنیاد پر ٹیلی کام ٹاورز کی تعمیر اور حصول کے لیے مصروف ہے تا کہ مختلف ٹیلی کمیونیکشن انفراسٹرکچر کی فراہمی، متعلقہ خدمات اور جدید قسم کے نیٹ ورک سلوشنز فراہم کئے جاسکیں۔ کمپنی نے اپنے رسائی میں اضافہ کرتے ہوئے ٹاور کے کاروبار میں اضافہ کیا اور 2020 کے اختتام تک 1,265 سائٹس کے ذریعے پاکستان کے تمام موبائل نیٹ ورک آپریٹرز کو سروسز فراہم کرنے کا سنگ میل عبور کیا۔ پورٹ فولیو کے اس اضافے سے 2019 میں 18 فیصد کے مقابلے میں 2020 میں 41 فیصد تک مارکیٹ شیئر حاصل کرنے میں کامیاب رہے۔

ریونیو

(ملین روپے)

1,409
(2020)

شیئر ہولڈرز کو حصص کی تقسیم

بورڈ سہ ماہی بنیادوں پر زیادہ سے زیادہ منافع منقسمہ دینے کے لیے پرعزم ہے اور 31 دسمبر 2020 کو ختم ہونے والے سال کے لیے ہر ایک شیئر پر 2.00 روپے کا حتمی نقد منافع منقسمہ تجویز کرنے پر بے حد خوش ہے۔ اس حساب سے سال کے لیے ٹوٹل ڈیویڈنڈ 26 روپے فی شیئر بنتا ہے اور اس میں دوران سال 24 روپے فی شیئر کا ٹوٹل عبوری نقد منافع منقسمہ شامل ہے۔

کاروبار کے مستقبل کا جائزہ

پاکستان کے مستقبل کو بہتر بنانے کے لیے آج سرمایہ کاری کرنا اینگرو کے ہر بزنس کا سنگ بنیاد ہے۔ اینگرو کارپوریشن ملک کو درپیش مسائل میں سے کچھ کو حل کرنے میں معاون بننے کی شاندار صلاحیت رکھتے ہوئے پاکستانی عوام کی زندگیوں میں بہتری لانے کے لیے کوشاں ہے۔ اپنے اسٹیک ہولڈرز کے سرمایے کی قدر میں اضافے کے پیش نظر، ہم نے پاکستان کے سب سے بڑا ہائیڈروکاربن ذخیرہ تھرکول پر حکومت سندھ کے ساتھ شراکت داری کے ذریعے ایک مربوط مائننگ اور پاور جنریشن پلانٹ لگایا ہے۔ ہم نے پاکستان کا پہلا ایل این جی ٹرمینل بہت ہی قلیل مدت میں تیار کیا جو کہ اب ملکی توانائی کے بحران کو بڑی حد تک حل کرنے میں اپنا کردار ادا کر رہا ہے۔ ہم زراعت اور خوراک کے شعبے میں پیداواری صلاحیت بڑھانے اور فارم کی مصنوعات خریدنے کے اہم امور میں سرگرم عمل ہیں۔ ہم اپنے چار اہم شعبہ جات کی ترقی کے لیے پرامید ہیں اور اپنے شیئر ہولڈرز کے سرمایہ میں طویل مدتی اضافہ کے لیے نئے کاروبار تلاش کر رہے ہیں۔

ہم نے COVID-19 کی تشخیص اور بچاؤ کے اقدامات جاری رکھے ہوئے ہیں جس میں ہمارے ملازمین کی حفاظت اور صحت، اپنی پیداواری عمل میں مطلوب تمام ضروری اشیاء کی سپلائی کی فراہمی اور اپنے اہم اسٹیک ہولڈرز کے ساتھ رابطے کے قیام کے اقدامات شامل ہیں۔ ہم آنے والے سال میں معاشی سرگرمیوں میں بہتری کی امید رکھتے ہیں اور اپنے کاروبار اور ان کی لیکویڈٹی کی صورتحال میں بھی بہتری کے لیے پرامید ہیں۔ تاہم COVID-19 سے متعلق حکومتی فیصلے، انڈسٹری کی کارکردگی سے متعلق اہم ثابت ہوں گے۔

سپریم کورٹ کے حالیہ فیصلے کے نتیجے میں طویل مدت سے التوا کے شکار جی آئی ڈی سی کیس کے فیصلے سے متعلق نظرثانی کے حکم سے ہمارے فرٹیلائزر اور پیٹروکیمیکل بزنس کے کیش فلو کے لیے مشکلات پیدا ہوسکتی ہیں۔ گروپ اس ضمن میں تمام موجود آپشنز پر غور کرنے کے لیے تیار ہے۔

2020 میں درپیش مشکلات کے باوجود، اینگرو نے پیٹروکیمیکل کے شعبے میں اپنے تجربے کی وسعت کی کوششیں جاری رکھیں اور اس ضمن میں پروپین ڈی ہائیڈروجنیشن پلانٹ کی بنیاد پر پولی پروپائلین سہولت کی فزیبلٹی اسٹڈی پر قابل ذکر پیش رفت میں کامیاب رہے۔ پروجیکٹ کی فزیبلٹی اسٹڈی تکمیل کے آخری مراحل میں ہے۔

فرٹیلائزرز

2021 پاکستان کے زرعی شعبے کے لیے بہترین سالوں میں سے ایک ہونے جا رہا ہے کیونکہ حکومت کی جانب سے اٹھائے جانے والے زراعت دوست اقدامات سے فارم کی پیداوار اور کسانوں کی آمدنی میں اضافہ کی توقع ہے۔ یہ بھی توقع کی جا رہی ہے کہ مالی سال 2021 کے دوران زراعت کا شعبہ اپنے 2.8 فیصد کے ٹارگٹ کو عبور کرنے میں کامیاب ہوجائے گا۔ یوریا کی عالمی مارکیٹ میں 2020 کی طرح اس سال بھی مارکیٹ کی طلب کے اعتبار سے مناسب ترقی جاری رکھے گی۔ یہ ترقی انڈیا، یورپ، برازیل اور امریکہ میں طلب میں بہتری سے مشروط ہوگی۔ سال 2021 کے دوران یوریا کی قیمتیں بھی مستحکم رہنے کی توقع ہے۔

مقامی سطح پر یوریا کی مقامی طلب برائے 2021 میں 5.9 میٹرک ٹن کی حد تک مستحکم رہنے کا امکان ہے۔ اسی مدت میں پیداوار بھی 2020 کے مساوی رہتے ہوئے 6.1 میٹرک ٹن رہنے کی توقع ہے۔ دریں اثناء، 2020 کے حکومتی اعلان کے مطابق سبسڈی کے نتیجے میں ڈی اے پی کی طلب میں اضافے کا امکان ہے۔

انرجی

انرجی بزنس نے انٹرنیشنل اداروں کے ساتھ شراکت داری کے مواقع کی تلاش جاری رکھی تا کہ اینگرو کی منفرد انجینئرنگ اور پروجیکٹ مینجمنٹ صلاحیتوں سے فائدہ اٹھایا جاسکے۔ بزنس نے رینیوایبل مارکیٹ میں اپنی رسائی حاصل کرنے کے لیے کوشاں ہے اور ونڈ اور سولر پاور پروجیکٹس کے ساتھ ویسٹ ٹو انرجی پاور پروجیکٹ پر بنیادی اسٹڈی جاری ہے۔ بزنس نے مزید نئے مواقع کی تلاش جاری رکھی ہوئی ہے اور ملک بھر میں رینیوایبل انرجی سیکٹر میں تھرڈ پارٹی کے لیے ہائبرڈ سلوشن فراہم کرنے پر بھی کام جاری ہے۔

حکومت ابھی تک سرکلر ڈیٹ ختم کرنے میں کامیاب نہیں رہی اور ہم سمجھتے ہیں کہ اس کے بنیادی اسباب کو حل کرنے کے لیے لازمی اقدامات کی غیر موجودگی کے ساتھ موجودہ وبائی صورتحال میں، سرکلر ڈیٹ کا مسئلہ انڈسٹری کے لیے آگے بھی مسئلہ رہے گا۔

حکومت کے ساتھ آئی پی پیز ملک کے وسیع تر مفاد کے پیش نظر معاہدوں کی کچھ شرائط کو تبدیل کرنے پر رضامند ہوئے ہیں اور سرکلر ڈیٹ کے مسائل کو حل کرنے کے لیے بقایہ جات کی وصولی کے لیے طریقہ کار وضع کرنے پر اتفاق ہوا ہے۔ اسی کے پیش نظر، اس شعبے میں مصروف عمل کمپنیوں کے لیے لیکویڈیٹی کے مسائل میں مدد ملنے کی امید کی جا رہی ہے۔

پیٹروکیمیکلز

پالی مر کا بزنس اپنے آپ میں موجود زبردست صلاحیت سے فائدہ اٹھانے کے لیے بہترین کارکردگی دکھا رہا ہے اور آنے والے سال میں پی وی سی/وی سی ایم کا توسیعی منصوبہ شروع ہونے کی توقع ہے۔ اس نے عالمی معیار کے مطابق پالی مرز اور الائیڈ کیمیکلز میں پاکستان کی رہنمائی کرنے کے لیے شاندار منصوبہ بندی کر رکھی ہے۔ اس حوالے سینکڑوں پروجیکٹ کامیاب کے ساتھ مکمل کئے جا چکے ہیں، نئے پروجیکٹس کا اعلان کیا گیا اور کئی طرح کی اسٹڈیز پر کام شروع کیا گیا۔ جاری پروجیکٹس کی تکمیل مدت کرونا وبا کے سبب متاثر ہوئی ہے تاہم بزنس ان کی تکمیل کے پرامید ہے۔ جاری پروجیکٹس کے ساتھ ساتھ، بزنس اس قابل ہے کہ اپنی شاندار آپریشنل پرفارمنس جاری رکھے اور پرامید ہے کہ مجموعی اقتصادی صورتحال کے پیش نظر PVC کی فی کس کھپت میں تیزی کا رجحان جاری رہے گا۔

ٹرمینل آپریشنز

ہم انڈسٹری لیڈر رائل ووپاک کے ساتھ اپنی طویل شراکت داری برقرار رکھنے پر بے حد خوش ہیں، اسی بدولت اینگرو اور رائل ووپاک اپنے مجموعی وسائل اور تجربات کے استعمال سے مقامی اور بیرون ملک شراکت داری جاری رہے گی۔

ایل این جی ٹرمینل ملک کو درپیش توانائی کے بحران پر قابو پانے میں اپنا کردار ادا کر رہا ہے۔ مارکیٹ میں انرجی کی طلب اور رائل ووپاک کے تجربے سے فائدہ اٹھاتے ہوئے، ہم اپنے شیئر ہولڈر کی قدر میں اضافے کے لیے نئے مواقع کی تلاش جاری رکھیں گے۔

کیمیکل شعبے کی طلب میں بحالی سے مارکیٹ کی صورتحال بہتر ہوئی ہے اور اینگرو ووپاک نے مارکیٹ لیڈر کی اپنی پوزیشن برقرار رکھی ہوئی ہے۔ کیمیکل ٹرمینل بزنس کی کارکردگی بہتر رہنے کی توقع ہے اور یہ لیکوئڈ کیمیکل ہینڈلنگ میں رہنما حیثیت کے سبب اپنی مستحکم اور منافع بخش آپریشن برقرار رکھنے کی بھرپور صلاحیت رکھتا ہے۔

ٹیلی کمیونیکیشن انفراسٹرکچر

موبائل نیٹ ورک آپریٹرز ٹیلی کمیونیکشن ٹاورز کی تعمیر اور مرمت پر قابل ذکر سرمایہ لگاتے ہیں جس سے وہ اپنے مارکیٹنگ کے مقاصد اور شاندار خدمات کی انجام دہی میں مشکلات کا شکار ہوتے ہیں۔ Tower Cos موبائل نیٹ ورک آپریٹرز کو اس قابل بناتا ہے کہ وہ ٹاور سے متعلقہ کیپکس اور دیگر انتظامی امور سے متعلق معاملات حوالے کر کے اپنے اصل کاروبار پر توجہ دیں۔

انفراشیئر نے ٹاورز کی بروقت فراہمی اور ان کے انتظامی کاموں کی شاندار انجام دہی سے تمام 4 موبائل نیٹ آپریٹرز کے ساتھ اپنے تعلقات کو مزید مستحکم کرلیا ہے۔ کمپنی آئندہ پانچ سالوں کے اندر ضرورت کے مطابق سہولت کی فراہم سے ایک آزاد ٹاور کمپنی بزنس کے طور پر خود کو مارکیٹ لیڈر بنانے کے لیے پرامید ہے۔

اینگرو انفراشیئر کا کاروباری جائزہ درج ذیل کی بدولت مستحکم ہے:

- موبائل ڈیٹا کے استعمال میں مسلسل اضافہ، موبائل آپریٹرز کو اپنی سروسز کے معیار کو بہتر بنانے کے لیے موثر اور ضرورت کے مطابق سینٹرز کی طلب میں اضافہ کر رہا ہے۔
- موبائل آپریٹرز کے آمدنی میں اضافہ کی بدولت اخراجات کم کرنے کے اقدامات کی ضرورت سے ان کے ٹاور شیئرنگ اور مشترکہ لوکیشن کے مواقع پیدا ہوں گے۔

فوڈز

COVID-19 کے وبا کے سبب کنزیومرز اور بزنسز کو مشکلات کا سامنا ہے۔ کاروبار پر فوڈ اور زرعی اجناس کی قیمتوں میں اضافے سے بھی منفی اثرات مرتب ہوئے۔ ان حالات میں صارف کی قوت خرید متاثر ہونے اور مہنگائی کی بدولت مستقبل میں کاروباری صورتحال مشکل محسوس ہو رہی ہے۔

کمپنی پاکستانی عوام اور آنے والی نسلوں کی صحت اور غذائیت میں تبدیلی لانے کے لیے کوشاں ہے اس کے لیے گھاس سے لیکر گلاس تک کے سفر میں دودھ کو محفوظ بنانے کے ساتھ کسانوں کی زندگیوں میں بہتری لانے کے لیے پرعزم ہے۔ اپنے مقصد کے پیش نظر کمپنی کی ترجیح ہوگی کہ صارفین کو غذائیت سے بھرپور شفاف پروڈکٹس کی فراہمی جاری رہے، اور غیر محفوظ کھلے دودھ سے پیک دودھ کے مرحلے میں کاروباری ترقی کا سلسلہ قائم ہو۔

اپنے پارٹنر FrieslandCampina کی مہارت اور 145 سالہ ورثہ کی بدولت، بزنس خوراک کے تحفظ، پائیداری اور شفافیت کے اعلیٰ معیار کو برقرار رکھنے کے لیے پرعزم ہے۔

ہمارا چاول کا بزنس انتظامی مہارتوں کے ساتھ منافع میں بہتری، قیمتوں میں کمی اور برآمدات میں اضافے کے لیے اپنی کوششیں جاری رکھے ہوئے ہے تاکہ اپنے شیئر ہولڈرز کی قدر میں اضافہ ہو۔

کریڈٹ ریٹنگ اور گیئرنگ

2020 کے دوران پاکستان کریڈٹ ریٹنگ ایجنسی نے اینگرو پاورجن (پرائیویٹ) لمیٹڈ کے لیے AA طویل مدتی کریڈٹ ریٹنگ اپ گریڈ کی ہے اور سالانہ جائزے میں کمپنی اور اس کے ذیلی اداروں کی طویل مدتی کریڈٹ ریٹنگ کی دوبارہ توثیق کے ساتھ ساتھ اب تک سب سے بہترین قلیل مدتی ریٹنگ برقرار رکھی۔

کمپنی	طویل مدتی ریٹنگ	قلیل مدتی ریٹنگ
اینگرو کارپوریشن لمیٹڈ	AA+	A1+
اینگرو فرٹیلائزر لمیٹڈ	AA	A1+
اینگرو پالیمرز اینڈ کیمیکلز لمیٹڈ	AA-	A1+
اینگرو ایلنجی ٹرمینل (پرائیویٹ) لمیٹڈ	AA-	A1
اینگرو پاورجن تھر (پرائیویٹ) لمیٹڈ	AA-	A1
اینگرو ایگزمپ ایگری پروڈکٹس (پرائیویٹ) لمیٹڈ	A-	A2

یہ کریڈٹ ریٹنگ کمپنی کی مالیاتی اور مینجمنٹ کی قوت اور سازگار کریڈٹ اسٹینڈنگ کی عکاسی کرتی ہے اور ہماری مضبوط بیلنس شیٹ اور شاندار کارکردگی کے ساتھ ساتھ مستقل ڈیویڈنڈ پے آؤٹس کی گواہی دیتی ہے۔

سال کے اختتام پر مجموعی طویل مدتی قرض بڑھ کر، 157,919 ملین روپے تک پہنچ گیا جو کہ 2019 کے اختتام پر 158,456 ملین روپے تھا۔ 2020 کے ختم شدہ سال کے گیئرنگ 2019 کے 45 فیصد کے مقابلے میں 42 فیصد ہے جو کہ مضبوط بیلنس شیٹ کی عکاسی ہے جس سے کمپنی کو مستقبل میں ترقی کے مواقع میں اپنی حصہ داری بڑھانے میں مدد فراہم کرے گی۔

رسک مینجمنٹ

اینگرو کارپوریشن اور اس کے ذیلی ادارے خطرے کی جانچ اور اس کے حل کے لیے لین انٹرپرائز رسک مینجمنٹ فریم ورک استعمال کر رہے ہیں۔ ہمارے کارپوریٹ مقاصد اور اہداف کے حصول پر اثر انداز ہونے والے خطرات اور بے یقینی کی کیفیت سے بچ کر شیئر ہولڈرز کے لیے قدر پیدا کرنے، اس کے تحفظ اور اضافے کے لیے رسک مینجمنٹ کو اہم دینا ہماری پالیسی ہے۔

ہمارے متنوع بزنسز ایک پیچیدہ ماحول میں اپنی سرگرمیاں انجام دیتے ہیں اور انہیں درپیش خطرات کے امکانات اور اس کے اثرات کا جائزہ لینے کی ضرورت ہوتی ہے اور پورے ادارے میں اس سے نمٹنے کے لیے ذمہ داریاں سونپ دی جاتی ہیں۔ ہر ذیلی ادارہ خطرے کے امکانات اور ان پر قابو پانے کی سوچ کی ساتھ ایک طے شدہ طریقہ کار سے خطرے سے نمٹتے ہوئے اسے کم کرتا ہے۔ پورے ادارے میں خطرات کا جائزہ لیا جاتا ہے اور ان کے اثرات کے اعتبار سے ان پر قابو پانے کی ذمہ داری دی جاتی ہے۔ خطرات کی نشاندہی کے بعد اس پر قانو پانے کی منصوبہ بندی وضع کی جاتی ہے جس کی نگرانی مینجمنٹ کمیٹی اور بورڈ کرتے ہیں۔

اینگرو کارپوریشن نے درج ذیل خطرات کی نشاندہی کرتے ہوئے ان پر قابو پانے کی منصوبہ بندی کر رکھی ہے:

معاشی اور ریگولیٹری رسک مستقل اور موثر کوششوں اور پالیسی سازوں سے مذاکرات کے ذریعے اپنے کاروبار کو معاشی اور ریگولیٹری مسائل سے پیدا ہونے والے خطرات سے نمٹنے میں مدد ملی۔

غیر ملکی زرمبادلہ کا خطرہ ہمارے سرمایہ کاری کے پورٹ فولیو نے ہم پر غیر ملکی زرمبادلہ کا خطرہ واضح کردیا تھا، مجموعی طور پر پورٹ فولیو کا جائزہ لیکر ہم اس بات کو یقینی بنائیں گے کہ جہاں تک ممکن ہو مناسب قدرتی حدود کو برقرار رکھا جائے۔

شرح سود کا خطرہ ہمارے قرض اور سرمایہ کاری کے اضافی فنڈز نے ہم پر شرح سود کا خطرہ عیاں کردیا تھا۔ کسی بھی قسم کے منفی اتار چڑھاؤ کی مسلسل نگرانی اور قلیل مدتی منصوبوں میں اضافی فنڈ کی سرمایہ کاری سے اس خطرے کو کم کیا جاسکتا ہے۔

لیکوئڈٹی رسک ٹریژری پالیسی کا مقصد پورٹ فولیو کی ممکنہ ترقی کے لیے درکار معاہدوں کے لیے فنڈز کی دستیابی یقینی بنانا ہے۔ ہم کیش کی اندرونی پیداوار اور مالیاتی اداروں کی سہولیات کے ذریعے لیکوئڈٹی رسک میں کمی لاتے ہیں۔

کریڈٹ رسک اعلیٰ کریڈٹ ریٹنگ کے حامل مضبوط مالیاتی اداروں کے محتاط طریقے سے انتخاب سے ہمیں یہ خطرہ کم کرنے میں مدد ملی۔

بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز کمپنی کے تمام اہم امور پر نظرثانی کرتا ہے۔ اس میں کمپنی کی کاروباری حکمت عملی، سالانہ کاروباری منصوبے اور اہداف، طویل مدتی سرمایہ کاری اور قرضہ جات کے فیصلے شامل ہیں۔ بورڈ آف ڈائریکٹرز کارپوریٹ گورننس کا اعلیٰ معیار قائم رکھنے کے لیے پرعزم ہے۔

بورڈ آف ڈائریکٹرز 24 اپریل 2018 کو منتخب ہوا۔ یہ بورڈ 10 ڈائریکٹرز پر مبنی ہے جو چیف ایگزیکٹیو سمیت علم، جنس اور مہارتوں کے وسیع مجموعے پر مشتمل ہے جو اس کے موثر ہونے کی اہمیت کو مزید بڑھاتا ہے۔ اس بورڈ میں 2 خاتون ڈائریکٹرز سمیت 8 مرد ڈائریکٹرز شامل ہیں جسے درج ذیل انداز میں تقسیم کیا گیا ہے:

3 آزاد ڈائریکٹرز

ایک آزاد خاتون ڈائریکٹر
4 نان ایگزیکٹیو ڈائریکٹرز
ایک نان ایگزیکٹیو خاتون ڈائریکٹر
ایک ایگزیکٹیو ڈائریکٹر

ذیل میں ان افراد کے نام ہیں جو سال 2020 میں کسی بھی وقت کمپنی کے ڈائریکٹرز رہے ہیں:

- جناب حسین داؤد
- جناب عبدالصمد داؤد
- جناب محمد عبدالعلیم
- محترمہ حنا انعام
- جناب شہزادہ داؤد
- محترمہ سبرینہ داؤد
- جناب رضوان دیوان
- جناب خواجہ اقبال حسن
- جناب رائحان علی مرچنٹ
- جناب غیاث خان
- جناب وقار احمد ملک

بورڈ کی سرگرمیوں کا جائزہ لینے کے لیے 2020 میں بورڈ کے 16 اجلاس منعقد ہوئے۔ بورڈ نے تین کمیٹیاں تشکیل دیں تا کہ بورڈ کو اپنی قانونی ذمہ داریاں نبھانے میں مدد مل سکے۔ ممبر شپ تفصیلات کے ساتھ ان کمیٹیوں کی معلومات درج ذیل ہیں:

بورڈ آڈٹ کمیٹی	بورڈ انویسٹمنٹ کمیٹی	بورڈ پیپل کمیٹی
2020 میں 4 اجلاس منعقد ہوئے	2020 میں 12 اجلاس منعقد ہوئے	2020 میں 13 اجلاس منعقد ہوئے
جناب محمد عبدالعلیم	جناب عبدالصمد داؤد	محترمہ حنا انعام
جناب رائحان مرچنٹ	جناب خواجہ اقبال حسن	جناب عبدالصمد داؤد
جناب رضوان دیوان	جناب رضوان دیوان	جناب خواجہ اقبال حسن
	جناب محمد عبدالعلیم	جناب رائحان مرچنٹ

ڈائریکٹرز کی ذمہ داریوں کا بیان

ڈائریکٹرز سیکورٹی اینڈ ایکسچینج کمیشن آف پاکستان کے کوڈ آف کارپوریٹ گورننس کے کارپوریٹ اور فنانشل رپورٹنگ فریم کی تعمیل کی توثیق کرتے ہیں جو کہ درج ذیل ہیں:

- انتظامیہ کی جانب سے تیار کردہ کمپنی کے مالیاتی گوشوارے، کمپنی کے معاملات، آپریشن کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلیوں کی شفاف صورتحال پیش کر رہے ہیں۔
- کمپنی کی جانب سے باقاعدہ طور پر اکاؤنٹس کی بکس برقرار رکھی گئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں پر عمل درآمد کی جاتی ہے، ان معیارات، ترامیم یا وضاحتوں کی بنیادی تعمیل میں ہونے والی تبدیلی کے علاوہ اور اکاؤنٹنگ تخمینے کی تیاری مناسب اور محتاط انداز کی بنیاد پر کی گئی ہے۔
- مالیاتی گوشواروں کی تیاری پاکستان میں لاگو انٹرنیشنل فنانشل رپورٹنگ کے معیار کے مطابق کی گئی ہے اور اس سے کسی طرح کے انحراف کو باقاعدہ واضح کیا گیا ہے۔
- انٹرنل کنٹرول کا سسٹم بہترین ہے اور اس پر بہترین انداز میں عمل درآمد اور نگرانی کی جاتی ہے۔
- کمپنی کے استحکام اور آگے بڑھنے کی صلاحیت پر کسی بھی شک وشبہ کی کوئی گنجائش نہیں۔
- کارپوریٹ گورننس پر بہترین انداز میں عمل درآمد سے کسی طرح کا بھی انحراف دیکھنے میں نہیں آیا۔

نان ایگزیکٹیو اور آزاد ڈائریکٹرز کے مشاہرے کی پالیسی

ڈائریکٹرز کے بورڈ نے نان ایگزیکٹو ڈائریکٹرز اور آزاد ڈائریکٹرز کے مشاہرہ کی پالیسی منظور کی ہے جس کی نمایاں خصوصیات یہ ہیں:

- مشاہرہ معقول اور ڈائریکٹرز کی مہارت اور ذمہ داریوں کے موافق ہونا چاہئے جس کا مقصد ڈائریکٹرز کی توجہ اور مصروفیت کو قائم رکھنا ہے جو کمپنی کی نگرانی کے لیے ضروری اور قدر میں اضافے کے لیے حوصلہ افزا ہیں۔ یہ مشاہرہ ڈائریکٹرز کی خود مختاری پر ہرگز اثر انداز نہیں ہونا چاہئے نہ ہی اس پر کوئی سمجھوتہ کیا جائے گا۔
- بورڈ اگر مناسب سمجھے تو اپنے ڈائریکٹرز کے معاوضوں کی معقول سطح جانچنے کے لیے آزاد کنسلٹنٹ کی خدمات حاصل کر سکتا ہے۔
- اینگرو کی دیگر کمپنیوں میں تعینات دیگر ایگزیکٹیو ڈائریکٹر اور نان ایگزیکٹیو ڈائریکٹرز کو بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کرنے کا کوئی معاوضہ ادا نہیں کیا جائے گا۔
- بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کے لیے ڈائریکٹرز کی طرف سے خرچ کئے گئے کسی بھی طرح کے سفری اور دیگر ضروری اخراجات کو اصل رقم قابل ادا ہوگی۔

اندرونی مالیاتی کنٹرولز کی مناسبت

بورڈ آف ڈائریکٹرز اینگرو کے اندرونی کنٹرول کے سسٹم اور اس کے موثر ہونے کی نگرانی کے قطعی ذمہ دار ہے۔ اپنی مجموعی ذمہ داری کو مدنظر رکھتے ہوئے بورڈ نے اندرونی کنٹرول کے نظام اور تفصیلی ڈیزائن کو چیف ایگزیکٹیو کے سامنے پیش کیا۔ اینگرو کے اندرونی کنٹرول کا نظام عمل درآمد کے واضح ڈھانچے، اختیارات کی حدود اور حساب وکتاب، اچھی طرح سمجھی گئی پالیسیوں اور بجٹ بنانے کے طریقہ کار پر مشتمل ہے۔ بورڈ ہر سہ ماہی میں اجلاس منعقد کرتا ہے جس میں اینگرو کی مالی کارکردگی، مالیاتی اور آپریٹنگ بجٹ، تجارتی ترقی اور ترقیاتی منصوبوں، سرمائے کی اخراجات کی تجاویز اور دیگر اہم کارکردگی کے امور پر غور وخوص کیا جاتا ہے۔ بورڈ آڈٹ کمیٹی اندرونی اور بیرونی آڈیٹرز کی طرف سے اندرونی مالیاتی کنٹرول کے نظام کی رپورٹ وصول کرتی اور اندرونی کنٹرولز کے موثر ہونے کی نگرانی کے عمل کا جائزہ لیتی ہے۔

متعلقہ پارٹیز

کمپنی تمام متعلقہ پارٹیوں کی ایک تفصیلی فہرست برقرار رکھتی ہے۔ وہ تمام متعلقہ پارٹیاں جنہوں نے کمپنی کے سال دوران سال کسی لین دین میں حصہ لیا ہوتا ہے، ان کی تفصیل، تعلق کی نوعیت اور کاروباری شرح مالیاتی گوشواروں کے نوٹ 51 میں وضاحت کے ساتھ بیان کر دی گئی ہے۔

کچھ بیک آفس انجام دیئے جانے والے کام جیسا کہ ہیومن ریسورسز، انفارمیشن ٹیکنالوجی، کارپوریٹ کمیونیکیشن وغیرہ کو کمپنی میں مرکزی طور پر منظّم کیا جاتا ہے تا کہ کمپنی کے شیئر ہولڈر کی قدر میں اضافہ، آپریشنز میں آسانی، دوہراؤ کا خاتمہ اور اجتماعیت کے ذریعے اخراجات میں کمی واقع ہو۔ اس سے انتظامی بہتری اور خطرات پر قابو پانے کے ساتھ معیاری پروسیس، سسٹم اور رپورٹنگ کی بدولت بہتر اور بروقت نگرانی یقینی ہو جاتی ہے۔ کمپنی نے اپنے ذیلی کمپنیز اور متعلقہ اداروں کے ساتھ اخراجات پر گفت وشنید کے معاہدے کئے ہیں تا کہ اس بات کو یقینی بنایا جائے کہ عمومی کاروباری امور میں متعلقہ پارٹیوں کے ساتھ ہونے والی لین دین کو عمومی کاروباری شرائط وضوابط کے تحت نظر میں رکھا جائے۔

کوڈ آف کارپوریٹ گورننس اور نافذ قوانین کی تعمیل میں، ہر سہ ماہی میں تمام متعلقہ پارٹیوں کے ساتھ ٹرانزیکشن کی تفصیل بورڈ آڈٹ کمیٹی کو جائزہ کے لیے پیش کی جاتی ہے اور اس کی تجویز کی بنیاد پر بورڈ کی جانب سے ان کی منظوری ہوتی ہے۔

آڈیٹرز

موجودہ آڈیٹرز اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس ریٹائر ہو گئے ہیں اور اہل ہونے کی بنیاد پر انہوں نے خود کو دوبارہ انتخاب کے لیے پیش کیا ہے۔ بورڈ آڈٹ کمیٹی نے 31 دسمبر 2021 کو ختم ہونے والے سال کے لیے آڈیٹرز کی حیثیت سے ان کے دوبارہ تقرر کی سفارش کی ہے۔

انسانی سرمایہ

انسانی سرمایہ کی ترقی اینگرو کی اولین ترجیح ہے اور اس کے مرکزی نظریہ کا اہم حصہ ہے۔ ہم یہ بخوبی سمجھتے ہیں کہ اپنے بزنسز کو لاحق مستقبل کے مسائل ماضی کے مسائل سے بہت مختلف ہوں گے اور ہمیں لازمی طور پر ان چیلنجز کا سامنا کرنے کے لیے لیڈرشپ صلاحیتوں پر ضروری سرمایہ کاری کرنی ہوگی۔ ہم یہ بھی جانتے ہیں کہ اپنے عزائم کو پانے کے لیے ہمیں بہترین ماہرین کو اپنے ساتھ لینا ہوگا۔ اس ضمن میں، ہم نے بہترین افراد کی ترقی اور توجہ حاصل کرنی ہے تا کہ تربیت اور لیڈرشپ کے ماحول سے جڑی مستحکم کارکردگی کو برقرار رکھا جائے۔

ہم ایک اپرنٹس شپ پروگرام چلاتے ہیں جس میں تمام مینیجرز کے لیے افراد کی ترقی پر کام کرنا اصل ذمہ داری ہوتی ہے۔ ہمارے لیڈرز سے تمام ملازمین کے لیے تربیتی مواقع، کوچنگ کے ساتھ مستقل اور معیاری فیڈ بیک کی توقع کی جاتی ہے، مقاصد کے تعین کے نظام اور کارکردگی کے نئے اصلوب کی سوچ بھی پروان چڑھائی جا رہی ہے۔ ہمارا نئے طریقہ سے وضع شدہ لیڈرشپ کمپی ٹنسی ماڈل اور افراد کو ترقی دینے کا شاندار نظام / پروسیس کو آگے بڑھانے میں معاونت، جدت اور ورک فورس میں ہم آہنگی کا مظہر ہے۔ اسی مقصد کے تحت، ہم اپنے ملازمین کو فیصلے کی آزادی کے ساتھ بہترین سسٹم اور ٹولز فراہم کرنے کی کوشش کرتے ہیں تا کہ ان کی ڈیجیٹلائزیشن اور ڈیٹا سے ماخوذ ہونے والے تصورات اور صلاحیتوں کی ضرورت پوری ہو سکے۔

ہم اس بات پر یقین رکھتے ہیں کہ تنوع ہمیں مضبوط بناتا ہے۔ تمام امیدواروں کو کسی جنس، مذہب یا بیک گراؤنڈ کی پروا کئے بغیر نہ صرف ایک جیسے مواقع فراہم کرتے ہیں بلکہ ایک اجتماعی ماحول پیدا کرنے کی کوشش کرتے ہیں۔ ہم نے بلاتفریق یکساں ماحول کو پروان چڑھانے کے لیے کئی طرح کے فریم ورک بنا رکھے ہیں۔ اس کے ساتھ سال بھر ہم نے ٹیلنٹ کی ترقی کے سخت فریم ورک پر بھی عمل درآمد کو جاری رکھتے ہوئے مختلف مہارتوں والے افراد پر توجہ مرکوز رکھی اور ایسے صحت بخش ٹیلنٹ کے حصول کا راستہ ہموار کئے رکھا جس پر چلتے ہوئے ادارے کے لیے مستقبل کے لیڈرز کی موجودگی یقینی ہوگی۔ ہمیں اینگرو میں ایسے ورک فورس کے ساتھ کام کرنے اور مصروف عمل رہنے پر فخر ہے جس کی لگن سے ہم پاکستان کے ایک بڑے برانڈ میں شمار ہوتے ہیں۔

سماجی سرمایہ

ہمارا یہ ماننا ہے کہ بزنسز اپنی کارپوریٹ گورننس کے معیار کے مطابق طویل مدتی سماجی سرمایہ کاری کرنے کے قابل ہوتا ہے۔ اپنی گورننس میں سرمایہ کاری اور اس کو اہمیت دیتے ہوئے ہم اپنے اسٹیک ہولڈرز کا اعتماد حاصل کرنے کی کوشش میں رہتے ہیں۔ ہم اپنے بزنسز میں دیانتداری اور قانون اور سماجی رویوں کی پاسداری کرتے ہیں۔ ہم درست، شفاف امور کے ساتھ صاف گوئی سے کام کرتے ہیں اور اپنے اسٹیک ہولڈرز سے بھی اسی کی امید رکھتے ہیں۔

ہم اپنے عطیات سماجی بہبود کے کاموں میں خرچ کرتے ہیں۔ اینگرو فاؤنڈیشن، ایک موثر ادارہ ہے جو اینگرو کے فلاحی سرمایہ کو کمیونٹی کے فلاحی کاموں میں لگاتا ہے۔ ہم لوگوں کے ساتھ جڑ کر رہتے ہیں تا کہ ان کی ضروریات کو علم ہو اور ہم اسی کے پیش نظر فلاحی امور انجام دیں۔ ۔ اس حوالے سے تربیت کے ذریعے مہارتوں کی ترقی اور عمومی تعلیم کے ذریعے سماجی ترقی کے طویل مدتی پروگرام کو جاری رکھنا ہماری ترجیح ہے۔ ہم قدرتی وسائل کی حفاظت کے لیے بھی کوشاں ہیں اور قدرتی ماحول کو برقرار رکھنے کے لیے ہمارے فلاحی کاموں میں جنگلات کے قیام اور ایکو سسٹم کی حفاظت کے کام شامل ہیں۔

ہماری سماجی سرمایہ کاریوں کی پروگرام وائز تفصیل مربوط رپورٹ میں پیش کی گئی ہے۔

صحت، تحفظ اور ماحول (HSE)

صحت، تحفظ اور ماحول ہمیشہ سے ہماری اقدار رہی ہیں اور ہم ملک بھر میں اپنے وسیع نیٹ ورک میں ان اقدار کی پاسداری کے لیے تیار رہتے ہیں۔ HSE پر تعمیل ہمارے تمام متعلقہ پارٹیوں کے لیے لازم ہے اور اس میں مقامی اور عالمی معیاروں کے ساتھ ماحول کی حفاظت اور بااخلاق رویے اپنانا لازمی ہے۔

ہمارے HSE سے متعلق بزنس ماڈل میں خطرات کی نشاندہی (ہمارے آپریشنز سے متعلق خطرات جن سے کسی فرد، ماحول اور/یا کسی کی املاک)، محفوظ ڈیزائن کا استعمال، اور پروسیس سیفٹی مینجمنٹ پر عمل درآمد شامل ہے تا کہ ممکنہ حد تک خطرات سے بچا جائے۔ سب سے زیادہ سیف گارڈز کی فعالیت اور صلاحیت پر توجہ دی جاتی ہے تا کہ محفوظ انداز سے کام چلتا رہے۔ اپنے ملازمین اور کنٹریکٹرز کی صحت اور تحفظ کے عمل کو بہت تجربات اور طریقہ کار کے مطابق انجام دیا جاتا ہے۔ ہم مستحکم ضابطہ اخلاق اپنانے اور ماحولیاتی کارکردگی میں مسلسل بہتری کے ذریعے اپنے آپریشنز میں ہوا اور پانی کے معیار کو بہتر بناتے ہوئے ماحولیاتی اثرات کو کم سے کم کرنے کے لیے پرعزم ہیں۔ کاربن کے اخراج سے متعلق نگرانی کی سہولت ہر جگہ میسر ہے اور اس میں زیرو سطح کے حصول کی کوششیں جاری ہیں۔

اینگرو میں HSE کے پروگرام پر عمل کے لیے، ہم نے گروپ ایچ ایس ای ٹیم بنائی ہے جو ہمارے متعلقہ اداروں کی نگرانی کے ساتھ انہیں ہدایات بھی دیتی ہے۔ گروپ HSE کی جانب سے آڈٹ کے امور انجام دیے جاتے ہیں، نئے اور موجودہ پلانٹس پر کمی کی نگرانی، حفاظتی جائزے، HSE کی تعمیل سے متعلق اہم اشاریے، متعلقہ ٹیکنیکل مشاورت، بڑے حادثات کی تفتیش، کارپوریٹ HSE معیارات کی تیاری اور تقرر سے متعلق رہنمائی فراہم کی جاتی ہے۔ اس ضمن میں مزید بہتری کے لیے ہم HSE پروگرامز کی اثرات کو مزید وسیع کر رہے ہیں اور Dupont گلوبل سلوشنز (ایک گلوبل بینچ مارک) جیسے مایہ ناز سروس فراہم کرنے والے سے مصروف عمل ہیں تا کہ ایسی سوچ اپنائی جائی جس سے ہمارے پلانٹ کو لاحق خطرات کی نشاندہی اور ان پر قابو پانے کے لیے مناسب اقدامات کی آگاہی ہو۔ ہم یقین رکھتے ہیں کہ مستقل مزاجی کے ساتھ کام کرنا اور پائیدار ترقی کی جدوجہد جاری رکھنا ہی اداروں کی کامیابی کے لیے ناگزیر ہے۔ ہم پلان ڈو چیک ایکٹ (PDCA) سائیکل پر اعتماد رکھتے ہیں تا کہ ضرورت کے موقع پر اس نظام کو موثر ہونے اور درستگیسے متعلق امور انجام دیئے جائیں۔ پائیدار اور محفوظ آپریشنز کو یقینی بنانا ہماری ترجیحات میں شامل ہے۔ کمپنی کی ویب سائٹ پر موجود ہماری مکمل رپورٹ میں HSE کی کارکردگی اور ترقی پر مشتمل تفصیلی رپورٹ دستیاب ہے۔

پیٹرن آف شیئر ہولڈنگ

داؤد ہرکولس کارپوریشن لمیٹڈ سمیت دی داؤد گروپ اینگرو کارپوریشن کے اہم شیئر ہولڈرز ہیں۔ دیگر شیئر ہولڈرز میں مقامی اور غیر ملکی ادارے اور عوام الناس شامل ہیں۔

شیئر ہولڈنگ کے عام پیٹرن کے ساتھ رپورٹنگ فریم ورک کے تحت شیئر ہولڈرز کی مخصوص کلاسز، جن کا اعلان ضروری تھا، کے شیئر ہولڈنگ کے پیٹرن اور 2020 کے دوران ڈائریکٹرز، ایگزیکٹیوز اور ان کے ازواج سمیت چھوٹے بچوں کی طرف سے شیئر کی خرید و فروخت کے گوشوارے کی تفصیلات اس رپورٹ کے شیئر ہولڈنگ کے سیکشن میں پیش کی گئی ہیں۔

بعد میں وقوع پذیر ہونے والے واقعات سے ہونے والی تبدیلی

کمپنی کے مالی سال کے اختتام اور اس رپورٹ کی تاریخ کے درمیان کمپنی کی مالی حالت پر اشیاء کی تبدیلی یا کوئی دیگر وعدہ کسی طرح اثر انداز نہیں ہوئے۔

اظہار تشکر

ڈائریکٹرز اپنے شیئر ہولڈرز کا شکریہ ادا کرتے ہیں کہ جنہوں نے ہمیشہ کمپنی پر اپنا اعتماد ظاہر کیا۔ ہم اینگرو فیملی کے ہر رکن کے عزائم، لگن اور جدید خیالات پیش کرنے پر مشکور و ممنون ہیں اور پر اعتماد ہیں کہ مستقبل میں بھی یہ لوگ ایسی کوشش جاری رکھیں گے۔

حسین داؤد
چیئرمین

غیاث خان
پریزیڈنٹ اور چیف ایگزیکٹیو

پراکسی فارم

میں / ہم ______________________ اینگرو کارپوریشن لمیٹڈ کے ممبر کی حیثیت سے

______________________ شیئر رجسٹر فولیو نمبر ______________________ اور / یا سی ڈی سی پارٹی سپنٹ آئی ڈی

نمبر ______________________ اور سب کاؤنٹ نمبر ______________________ عمومی شیئرز کی تحویل رکھتا

ہوں۔ میں / ہم یہاں ______________________ کو 26 اپریل 2021 کو ہونے والے سالانہ اجلاس میں اپنی / ہماری غیر موجودگی میں شرکت اور ووٹ دینے

کے لیے اپنا / ہمارا پراکسی مقرر کرتا / کرتی ہوں۔

بتاریخ، ______________________ 2021

گواہان:

دستخط: ______________________

نام: ______________________

ایڈریس: ______________________

سی این آئی سی / پاسپورٹ نمبر: ______________________

دستخط: ______________________

نام: ______________________

ایڈریس: ______________________

سی این آئی سی / پاسپورٹ نمبر: ______________________

____

دستخط

(یہ دستخط کمپنی میں رجسٹرڈ دستخط کے نمونے جیسا ہونا چاہیے)

نوٹ: پراکسیز کے موثر ہونے کے لیے یہ لازمی ہے کہ پراکسیز اجلاس سے کم از کم 48 گھنٹے قبل کمپنی کو موصول ہو جائیں۔ پراکسی کے لیے کمپنی کا ممبر ہونا ضروری نہیں ہے۔

CDC شیئر ہولڈرز اور ان کے پراکسیز سے گزارش کی جاتی ہے کہ کمپنی کو پراکسی فارم جمع کرانے سے پہلے وہ اپنے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ کاپی پراکسی فارم کے ساتھ منسلک کریں۔