engro fertilizers

celebrating the joy of harvest
annual report 2018

engrofertilizers.com

celebrating the joy of harvest

They are partners of the sky and earth,
They are partners of the sun and rain,
They work day and night,
They never fall and help the Nation rise,
They are our farmers.

With record breaking sales and impressive production numbers, we appreciate and acknowledge the efforts of our farmers who have worked diligently to earn a year full of happiness and success for the nation.

contents

our vision

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

company overview

company information

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

CHIEF FINANCIAL OFFICER
Mr. Imran Ahmed

COMPANY SECRETARY
Mr. Umair Mukhtar

BANKERS
Conventional
Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
CIMB Bank
Citi Bank .N.A.
Deutsche Investitions und Entwicklungsgesellschaft (DEG)
Faysal Bank Limited
Habib Bank Limited
Habib Bank Limited Dubai
Habib Metropolitan Bank Limited
JS Bank Limited
Mashreq Bank
MCB Bank Limited
National Bank of Pakistan
Samba Bank Limited
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Bank of Punjab
United Bank Limited
United Bank Limited Dubai

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

Microfinance
Mobilink Microfinance Bank
Telenor Microfinance Bank

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

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

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

notice of annual general meeting

Notice is hereby GIVEN that the Tenth Annual General Meeting of Engro Fertilizers Limited (the "**Company**") will be held at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi on Thursday, March 28, 2019 at 10 a.m. to transact the following business:

A) Ordinary Business

1) To receive and consider the standalone and consolidated audited Financial Statements for the year ended December 31, 2018 alongwith the Directors' and Auditors' Reports thereon.

2) To approve a final dividend at the rate of PKR 3.00 (30%) for the year ended December 31, 2018.

3) To appoint Auditors for the year 2019 and fix their remuneration. The present Auditors, A.F. Ferguson & Co., Chartered Accountants have offered themselves for re-appointment.

4) To elect eight (8) Directors in accordance with the Companies Act, 2017. The retiring Directors are Mr. Ghias Khan, Mr. Abdul Samad Dawood, Mr. Nadir Salar Qureshi, Mr. Hasnain Moochhala, Mr. Javed Akbar, Ms. Sadia Khan Mr. Asim Murtaza Khan and Mr. Asad Said Jafar.

N.B.

1) In terms of the section 159(1) of the Companies Act, 2017, the Directors of the Company have fixed the number of elected Directors at eight (8).

2) Any person who seeks to contest election of Director shall file with the Company a notice of his/her intention to offer himself/herself for election as a Director along with the consent to act as a Director in Form 28 under section 159(3) and section 167 respectively, of the Companies Act, 2017 and a detailed profile along with office address for placement onto the Company's website in terms of SRO 634(I)/2014 dated July 10, 2014, not later than fourteen days before the date of meeting.

3) The selection of Independent Directors will be complied with the requirements of section 166 of the Companies Act, 2017 and Regulation 6 of Listed Companies (Code of Corporate Governance) Regulations, 2017.

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

5) The Share Transfer Books of the Company will be closed from Thursday, March 21, 2019 to Thursday, March 28, 2019 (both days inclusive). The transfers received in order at the office of the Company's share registrar, M/s. FAMCO Associates (Private) Limited, 8-F, near hotel Faran, Block 6, PECHS, Shahra-e-Faisal, Karachi PABX Nos. (92-21) 34380101-5 and email info.shares@famco.com.pk by the close of business (5:00 p.m.) on Wednesday, March 20, 2019 will be treated to have been in time for the purposes of payment of final dividend to the transferees and to attend and vote at the meeting.

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

7) In accordance with the provisions of section 242 of the Companies Act, 2017, a listed Company is required to pay cash dividend only through electronic mode directly 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 Limited.

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

of the Company and in case of CDC shareholders to their broker (participant).

9) In compliance with section 150 read with Division I of Part III of the First Schedule of the Income Tax Ordinance, 2001 withholding tax on dividend income will be deducted for 'filer' and 'non-filer' shareholders at 15% and 20% 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 20% 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.

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

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

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

I / We, ________________ of ______________ being a member of Engro Fertilizers Limited, holder of _________ Ordinary Share(s) as per Register Folio No / CDC Account No. _____________ hereby opt for video conference facility at ________________.

____

Signature of Member

UPDATE UNDER S.R.O. 1240/1/2017

Note relating to Engro Corporation Limited

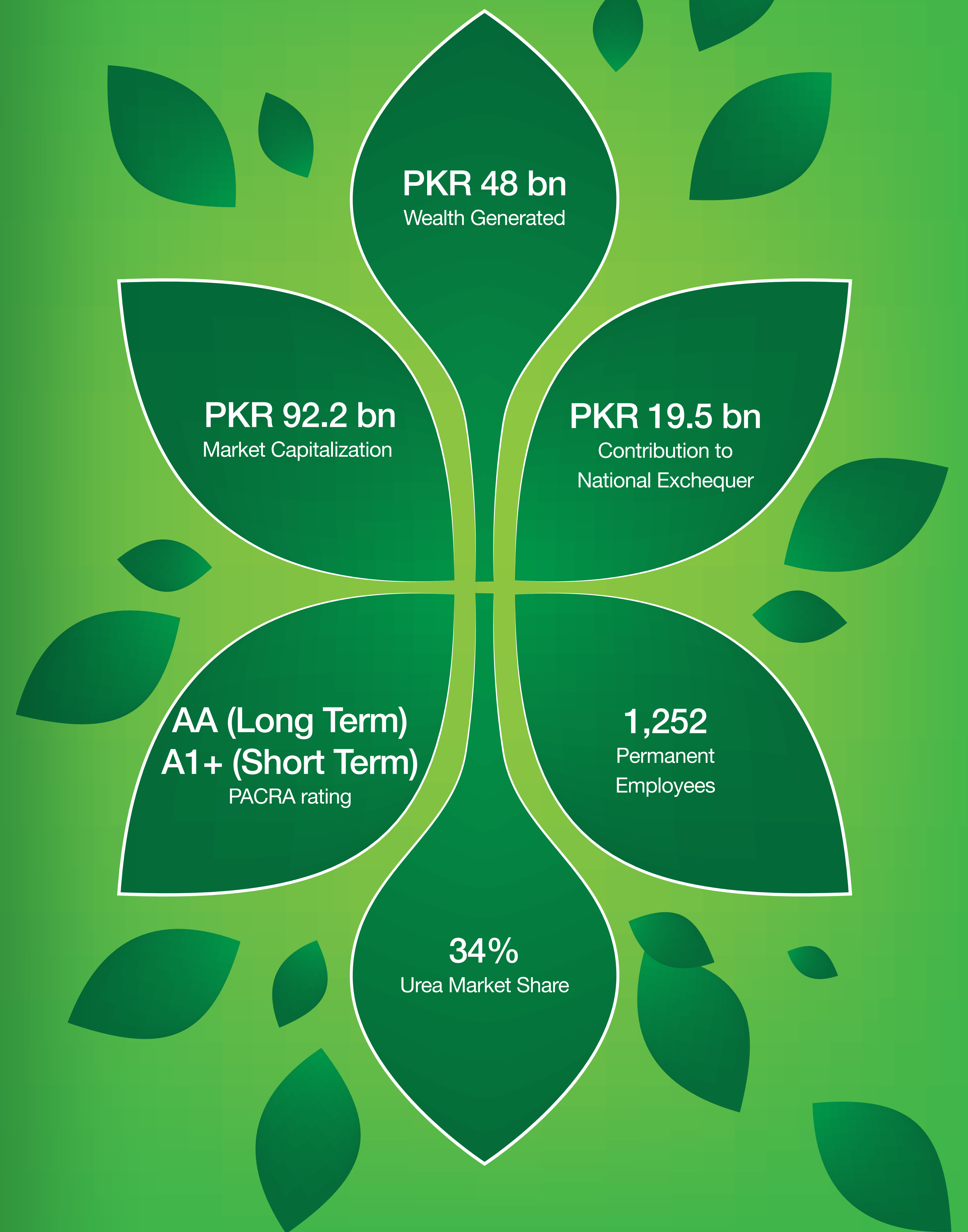
Engro Corporation Limited is the majority shareholder of Engro Fertilizers Limited. In 2016 the shareholders approved a short-term loan / financing facility of up to PKR 6 billion, which was initially for a period of one (1) year and renewal of the same for four (4) further periods of one (1) year each. This short-term facility was not utilized during the year, however, it is being renewed as earlier approved by the shareholders.

By the order of the Board

Karachi
February 8, 2019

Umair Mukhtar
Company Secretary

2018 at a glance



our history

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

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

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

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

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

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

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

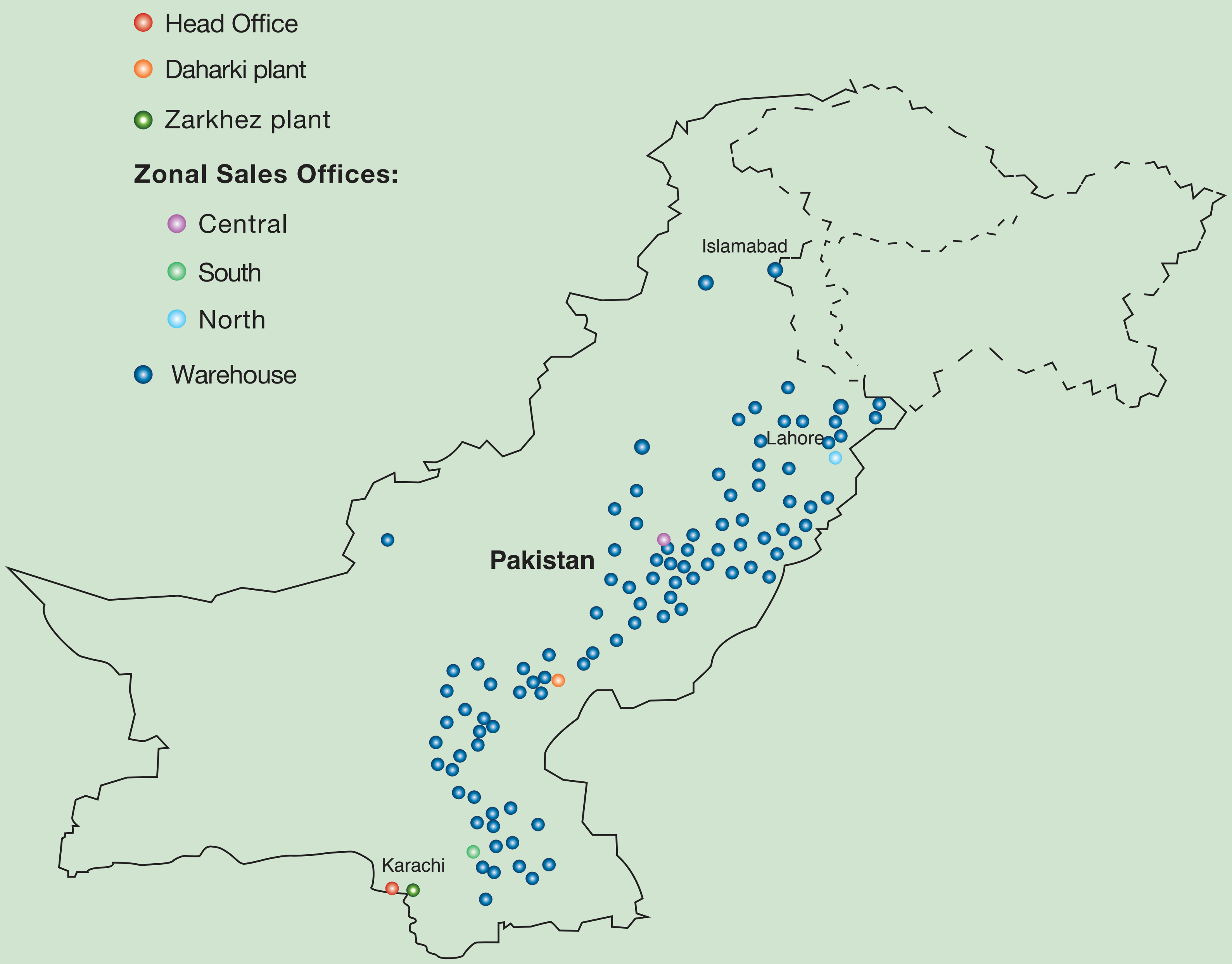
The Company undertook its largest urea expansion project in 2007.

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

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

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

our footprint



S. No.	Description	Address
1	Head Office	7th & 8th Floor, Harbor Front Building, Marine Drive, Block 4, Clifton, Karachi
2	Daharki Plant	Daharki, District Ghotki
3	Zarkhez Plant	EZ/ 1 / P – 1 – II Eastern Zone, Port Qasim, Karachi
4	Sales Zone – South	6th Floor, State Life Building, Thandi Sarak, Hyderabad
5	Sales Zone – Central	3rd Floor, Mehr Fatima Tower, Opp. Highcourt, Old Bahawalpur Road, Multan
6	Sales Zone – North	19-A, 4th Floor, Ali Block, New Garden Town, Lahore

our milestones

1957

Mari gas field discovered by Esso Mobil joint venture

1964

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

1965

The Company was incorporated as Esso Pakistan Fertilizer Limited, to manufacture and market fertilizers

1968

Urea plant commissioned

1991

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

1992

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

1998

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

2007

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

2010

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

2011

Enven capitalized and started commercial production

2013

Successful IPO conducted. Oversubscribed 3x during the process

2014

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

2015

Highest ever production of UREA (1968 KT) as well as highest ever UREA sales (1878 KT) Only fertilizer company registered with Dupont to achieve a Level 4 rating in Safety Management Systems Acquisition of Engro Eximp's Phosphates bus

2018

Highest ever consolidated revenue (PKR 109 billion)
Highest ever fertilizer sales (2,834 KT)
EFert Marketing team is the only team in Pakistan to achieve a Dupont Level 4 rating in Safety Systems

calendar of major events for 2018

Quarter 1

- EFERT won the Pakistan Advertisers Society (PAS) award for its “Aam Aadmi Nahi” campaign in the category of “Agriculture & Related Industries” in PAS AWARDS 2018
- Fatality at E-Pond occurred during January which was a disappointment
- Exported 12 KT Urea which was allocated from new export quota
- Started marketing 4 new products; Zoron, Power Potash, SSP+Zn and Zabardast Urea
- EPS of PKR 2.91
- 2,500 trees planted along with railway lines near Gate-3, in Daharki

Quarter 2

- Successful turnaround of Enven Plant
- PACRA upgraded EFERT Long Term rating from AA- to AA
- Successful launch of “ENGRO JASHAN-E-PACHAS” campaign
- EPS of PKR 2.44
- Dividend of PKR 4.0 per share announced

Quarter 3

- Dupont auditors rated EFert Marketing Division as Dupont Level 4 compliant on Safety Systems. EFert marketing team is the only team in Pakistan to achieve level 4 rating
- EFERT relaunched its premium Phosphates brand Zorawar
- EFERT’s “One Million Tree” Project was initiated
- EPS of PKR 3.82
- DPS of PKR 4.0

Quarter 4

- Highest ever full year sales of Urea were achieved
- Highest ever full year profit was recorded
- Highest ever full year DAP sales were achieved
- EPS of PKR 3.87
- DPS of PKR 3.0 announced

our core values

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

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

Following are our core values:

Ethics & Integrity

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

Health, Safety & Environment

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

Innovation & Risk Taking

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

Our People

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

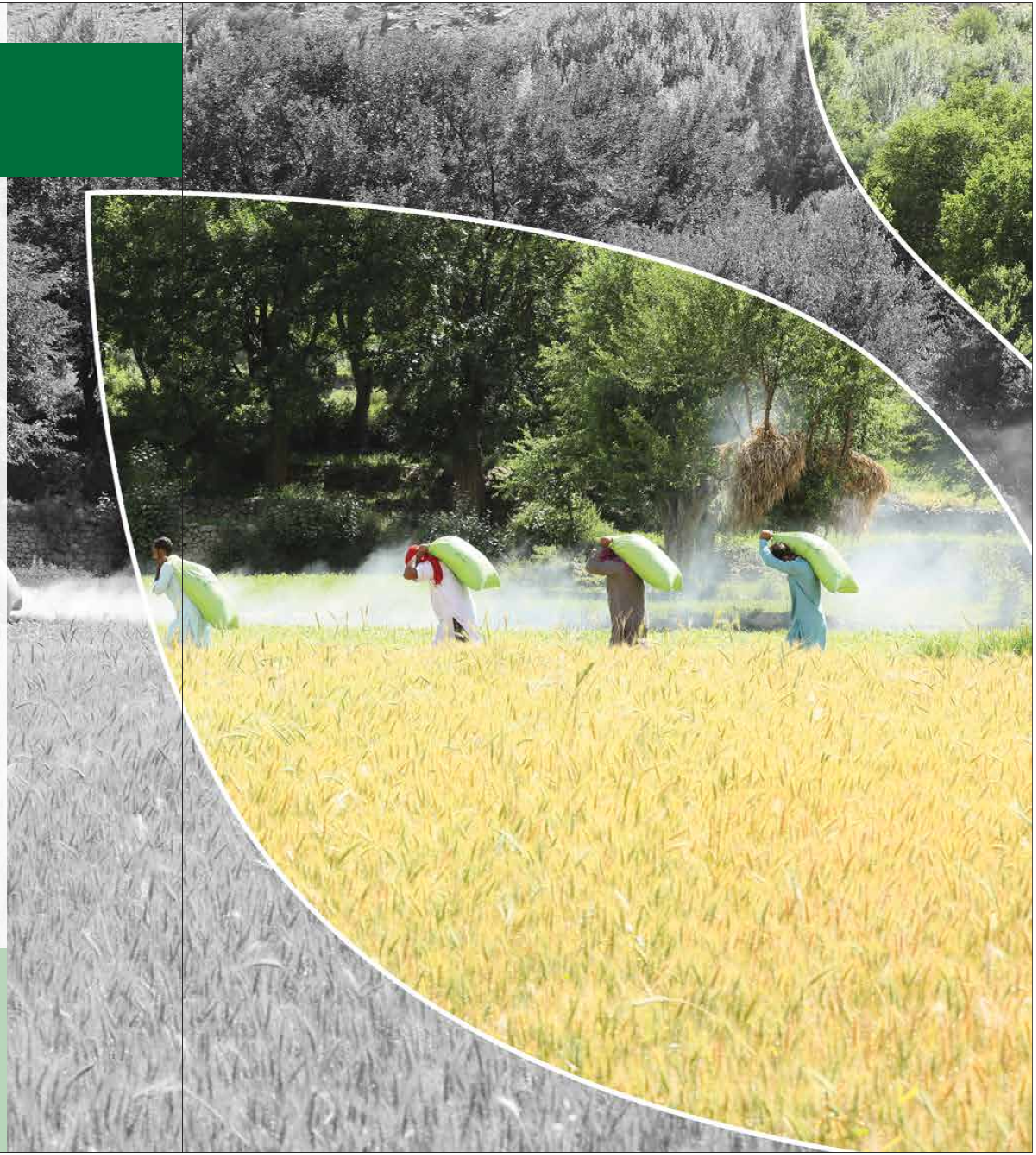
Community & Society

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

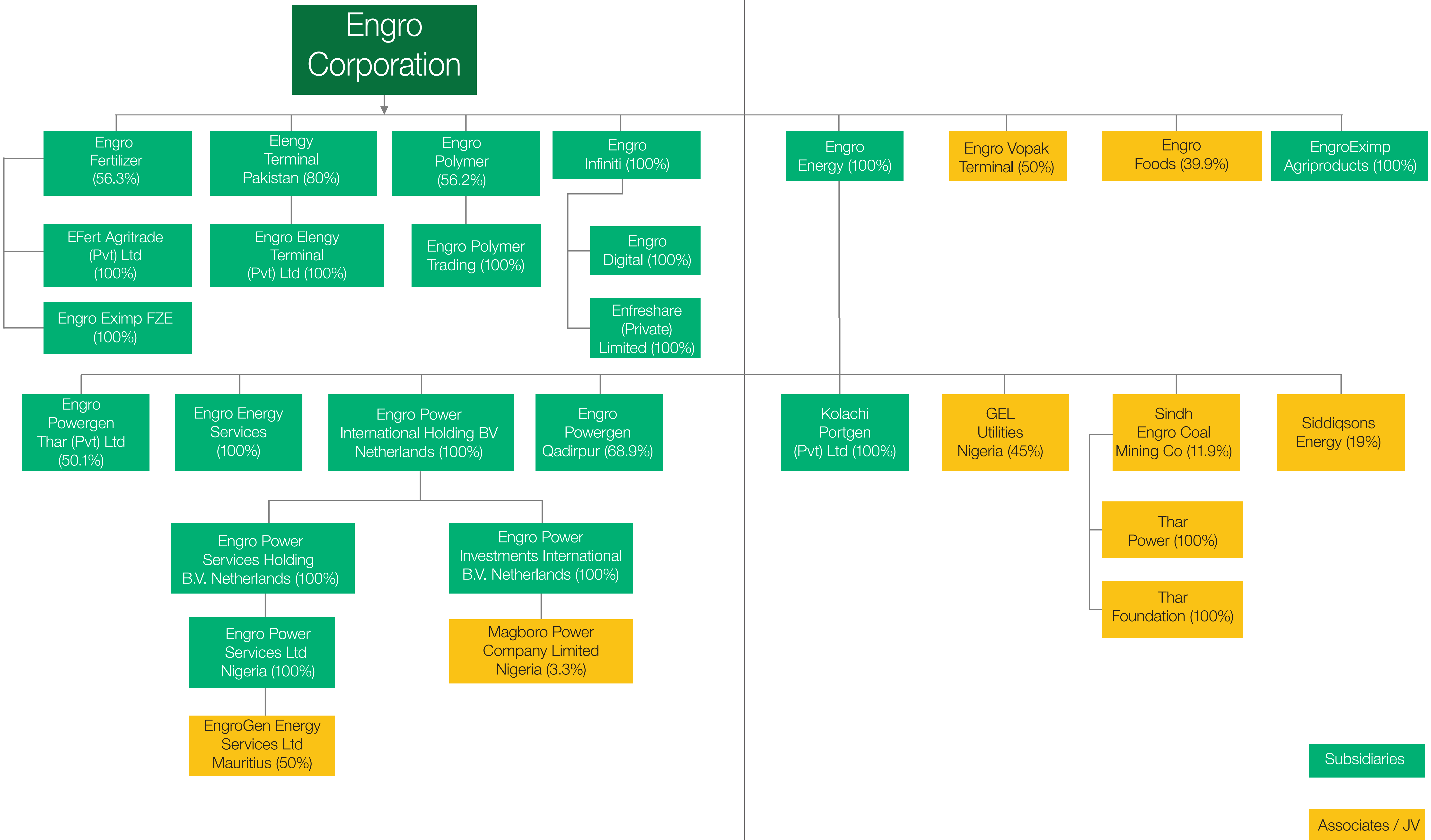
Ethics & Code of Conduct

Ethics and integrity are cardinal values of Engro Fertilizers. It refers to a commitment to moral thought and action in all aspects of how a Company is managed. Not only is it about complying with all laws but also describes the moral choices that often have to be made in areas where the law is not clear.

The Company has prepared a "Code of Conduct" comprising of Ethics and Business Practices policies and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.



ownership structure and relationship with group companies



board of directors

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

directors' profiles

Ghias Khan
CHAIRMAN

Ghias Khan is the President and Chief Executive Officer (CEO) of Engro Corporation Limited and the Chairman of Engro Fertilizers. Before being appointed President and CEO, he held several roles across the Dawood Hercules Group of Companies, most recently being the Executive Director of Dawood Hercules.

Prior to Engro, Ghias remained the Chief Executive of Inbox Business Technologies for 15 years and, under his leadership, Inbox grew to 1,900 employees. He helped in pivoting Inbox from a computer manufacturer to a systems integrator, and then to a technology-enabled digital services company. In his final year at Inbox, it was voted the largest technology company in Pakistan by Domestic Spend. He also served as Chairman of the Board of Elixir Securities for over 3 years.

At Engro, Ghias has played a critical role in developing a 'digital first' vision and a strategic plan to guide the entire group of companies.

Ghias holds an MBA from the Institute of Business Administration in Karachi.

Nadir Salar Qureshi
CHIEF EXECUTIVE OFFICER

Nadir Salar Qureshi is the Chief Executive Officer of Engro Fertilizers since December 2018. He joined Engro Corporation Limited in March 2017 as Chief Strategy Officer. He completed his MBA from Harvard Business School, and his Bachelors and Masters degrees in Nuclear Engineering from MIT. He brings with him expertise in multiple sectors across GCC, Turkey, Australia, India, ASEAN and EU. He is also experienced in consulting, private equity and finance.

Nadir began his career with Engro Chemical Pakistan Limited as a Business Analyst and then moved on to organizations such as Hub Power Company, Bain & Company, Carrier Corporation and Abraaj Capital, leading up to his most recent role as Chief Investment Officer at Makara Capital in Singapore. Nadir is a Director on the Boards of Engro Fertilizers Limited, Engro Powergen Limited, Engro Polymer Limited and Engro Vopak Terminal Limited.

Abdul Samad Dawood
DIRECTOR

Abdul Samad Dawood joined the Board of Engro Fertilizers in 2010. He is Vice Chairman of the Board of Engro Corporation Limited, Chairman of the Board of Engro Foods Limited, and sits on the Boards of Dawood Hercules Corporation Limited, Dawood Lawrencepur Limited, Engro Fertilizer Limited and Reon (Private) Limited. He is also a Trustee on the Board of Dawood Foundation.

Abdul Samad Dawood has served as CEO of Cyan Limited and Dawood Hercules Corporation Limited. He has also sat as Director on the Boards of International Industries Limited, ABL Asset Management Company, Sui Northern Gas Pipeline Company, and World Wide Fund for Nature – Pakistan. He is also a member of the Young Presidents' Organization.

Abdul Samad Dawood is a graduate in Economics from University College London, UK.

Asad Said Jafar
DIRECTOR

Asad Said Jafar, who is presently the Chairman & CEO of Philips Pakistan, a role he was appointed to in 2009, has been a part of the company for over twenty years. Over the course of his professional career at Philips, Asad has held senior leadership positions across the Philips world, in Pakistan, Indonesia, Thailand and Singapore.

Asad is responsible for managing the company, formulating, executing long-term strategies, and ensuring emergence of the company as a robust market leading solutions provider. He brought to the forefront, the company's global mission of creating meaningful innovations for people which served as a driver of success in business.

A veteran business professional, Asad was serving as Director, Supply Chain Management (SCM) for the ASEAN region for Philips before he took on the role of CEO for Philips Pakistan. As the Supply Chain Director, he implemented various modern SCM strategies that streamlined cumbersome business processes. He was responsible for the setting up of the ASEAN Luminaries Supply Group in Bangkok, Thailand which propelled a massive turnaround in the business. During his expatriate postings, he was also the Head of SCM at Philips Indonesia.

In addition to his responsibility as the Country Leader for Philips Pakistan, Asad is associated with various prestigious external organizations. He was the president of Overseas Investors Chamber of Commerce and Industry (OICCI) for the year 2014. He serves on the Board of Directors of Engro Fertilizer. He formerly also served on the Board of Directors of Pakistan Institute of Corporate Governance (PICG) and Engro Polymer & Chemicals Limited. He is a member of the Institute of Business Administration (IBA) Corporate Leaders Advisory Board (ICLAB), a member of NED University's International Advisory Board and also mentors MBA students as part of the Karachi School of Business & Leadership (KSBL) CEO Mentorship program.

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

Asad continues to consider learning a priority and has completed many management development programs including the 'Leading a Business' program of Ashrides Business School, UK. He attended the 'Philips Simplicity Brand 1000' program at Chicago Graduates School of Business as well as a Business Marketing Strategy program at Kellogg School of Management, Northwestern University, USA. He is often invited to address business professionals and student audiences at corporate and academic events.

Asim Murtaza Khan

DIRECTOR

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

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

He earned his Bachelor's in Mechanical Engineering from NED University of Engineering and Technology, Karachi followed by a Masters in Mechanical Engineering from the University of Manchester Institute of Science and Technology, UK. He is an alumnus of the Kellogg School of Management, Northwestern University, USA and has also attended several advanced technical and management training programs.

He is the Chair of the Petroleum Advisory Board, NED University of Engineering & Technology and is a Central Council member of the Institution of Engineers Pakistan. He also serves on the Boards of Pakistan LNG Terminals Limited and Agritech Limited. In the past he has been the Chairman on the Board of Petroleum Institute of Pakistan (PIP), Member of the Management Committee, Overseas Investment Chamber of Commerce and Industries (OICCI) and a Member of the Executive Committee, Vice Chairman and the Chair of the Technical and Operations Committee of the Pakistan Petroleum Exploration and Production Companies Association (PPEPCA). He has also served on the Boards of Pakistan Institute of Corporate Governance (PICG), the Community Development Board of the Government of Sindh.

Javed Akbar

DIRECTOR

Javed Akbar is a Chemical Engineer and has over 40 years of experience in fertilizer and chemical business with Exxon, Engro and Vopak in Pakistan and overseas. He was part of the buyout team in 1991 when Exxon divested its stake in Engro.

Prior to his retirement in 2006, he was Chief Executive of Engro Vopak Terminal Limited, a joint venture between Engro and Royal Vopak of Holland. After retirement, he established a consulting company specializing in analyzing and forecasting petroleum, petrochemical and energy industry trends and providing strategic insight.

He currently serves on the Board of companies involved in fertilizer, petroleum, power and renewable energy.

Hasnain Moochhala

DIRECTOR

Hasnain Moochhala joined the board of Engro Fertilizers Limited in 2019. He joined Engro Corporation Limited as Chief Financial Officer in June 2017. Prior to that he has had a career in Commercial Finance, M&A, Corporate Governance, Treasury and Audit over 30 years across Europe and Asia. The last 20 years of his career was with Royal Dutch Shell in various roles including Finance Director Shell Pakistan, Head of Finance for Shell Lubricants Asia Pac, Head of Downstream M&A East and Finance Manager Upstream Joint Ventures.

Hasnain has partnered with businesses of significant size across China, South and East Asia, delivering turnaround business performance whilst ensuring robust business controls and compliance in matrixed organizations. His key achievements in prior roles include the delivery of material M&A transactions, the formulation of global best practice in Joint Venture Governance, cost leadership and the building of strategic partnerships with various stakeholders. Hasnain has also led, coached and mentored teams in Singapore and Pakistan, as well as virtual teams across Asia Pacific and Europe.

Sadia Khan

DIRECTOR

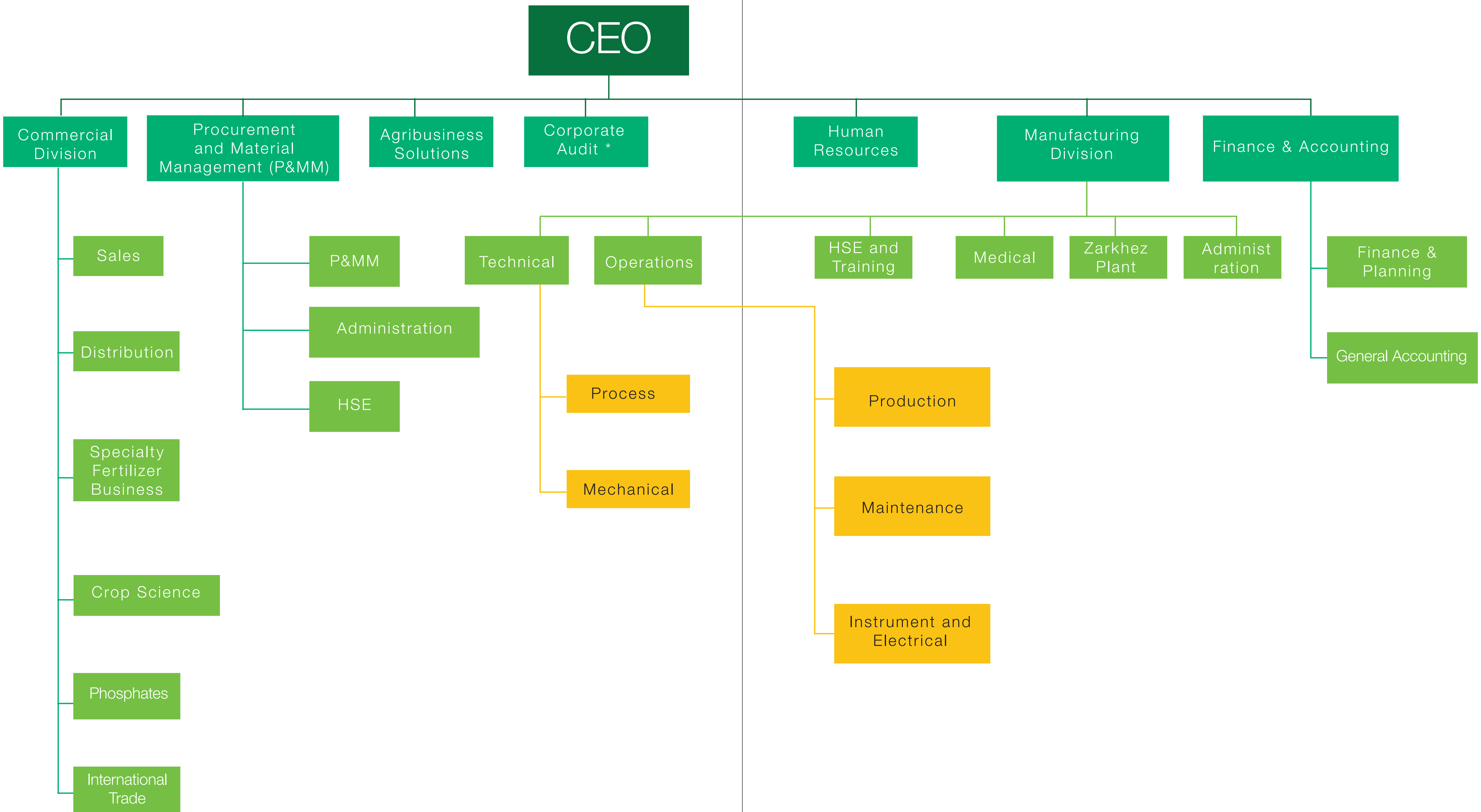
Sadia Khan has pursued a versatile career path traversing investment banking, financial regulation, family businesses and entrepreneurship across three continents. With Masters degrees in Economics from both Cambridge University and Yale University, Sadia started her career at Lehman Brothers in New York. Since then she has worked with various international institutions and local regulatory authorities, including the Asian Development Bank in the Philippines, the Securities & Exchange Commission of Pakistan and the State Bank of Pakistan. She is currently the CEO of Selar Enterprises, a company she founded in 2011 while working as Group Executive Director in her family owned business, Delta Shipping. For the past two decades, Sadia has remained a passionate advocate of corporate governance and currently serves on various boards as an independent director, including Pakistan Cables, Engro Fertilizer, Karandaaz, Habib Bank, Siemens and INSEAD. Her book entitled “Corporate Governance Landscape of Pakistan” was published by Oxford University Press in 2017.

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

management team

Left to Right
Amir Iqbal, Muhammad Majid Latif, Muhammad Azhar Malik,
Nadir Salar Qureshi, Syed Shahzad Nabi, Fahd Khawaja,
Mohsin Ali Mangi, Imran Ahmed

organisational structure



* Administrative reporting

our brands


ENGRO
Urea Fertilizer 46
46%
Librel® Zn
EDTA Chelated Zinc
8 23 18
N P K
SOP
60%
50%

our winning formula

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

Engro Urea

Engro is the first Company to have established a Urea production facility in Pakistan, a landmark event in agricultural sector of the Country. This together with the fact that urea is the most widely used fertilizer in the Country, gives Engro Urea a special standing in the domestic fertilizer market. Engro Fertilizers Limited started annual production of 173,000 tons in 1968. Through various debottlenecking and expansion steps, the capacity has been increased to 975,000 tons per year.

In 2011, the Company setup world's largest single train urea plant of 1,300,000 ton capacity.

Urea is the most important and widely utilized Nitrogen fertilizer in the world. It contains 46% nitrogen and is readily soluble in water. It is the most concentrated solid Nitrogen fertilizer that is produced in prilled and granule and form; Engro Fertilizers produces prilled Urea. Urea is used for basil and foliar application, as an ingredient of liquid fertilizers as well as in NP/ NPK complexes.

Engro DAP

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

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

Zorawar

Zorawar is high-value Phosphatic Fertilizer which has 10% Nitrogen (N) and 50% Phosphorus (P2O5). It is low pH Fertilizer with better availability of nutrients. It is more soluble as compared to other Phosphatic Fertilizers. Zorawar improves seed germination, strengthens root development, improves tillering in wheat, rice, sugarcane, improves grains health in cereals and better grain weight, trigger more flowers and better fruiting in cotton, vegetables and fruit trees and help timely ripening of crop. Engro Zorawar is available in 50 kg bags.

Engro NP

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

Engro Zarkhez

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

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

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

Zingro

Zinc is a micronutrient, which the crop requires in small dosages and it compliments functions of major nutrients. Over the years, zinc deficiency has been well established on a variety of crops and in rice specifically. Zingro brings to the market the trust of Engro and high-quality standard which has made it distinct from all the competition. It is the market leader in a highly fragmented industry. Zingro acts as a tonic and gives quick response and a better yield. Zingro contains 33% Granular Zinc Sulphate Monohydrate and is 99.99% water soluble.

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

Engro MOP

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

Engro SOP

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

Engro SSP

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

Over the years, SSP has been faced with severe negative consequences due to a lack of product quality, with spurious manufacturers present throughout the market, while there is an established market for this category. Engro is fulfilling the need for a quality player in the market for SSP which can uplift the farmer confidence.

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

Engro Ammonium Sulphate

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

Zabardast Urea

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

Zoron

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

Potash Power

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

crops sciences division nutrient segment

Librel Zn

Indication : Chelated Zinc
SKU : 500 grams
Crop : Multiple

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

Azidox 32.5 SC

Indication: Fungicides
SKU : 200 ml
Crop : Rice, Vegetable & Fruit Orchards
Azidox is a two-way mixture of fungicides registered against sheath blight in rice and anthraconze & powdery mildew in vegetables. It is protective, curative and eradicative in action.

Sulphur 80% WG

Indication: Fungicides
SKU : 1 Kg
Crop : Multiple Crops
Sulphur is considered as 4th essential nutrient after three macro nutrient elements of NPK. Moreover, it is a very effective and safe fungicide against leaf spots in rice and powdery mildew in mango & cucurbits. It possesses very good solubility and absorption properties. Its good stickiness ensures proper coverage and resists rain fastness. It can be applied through foliar or through soil application.

Truce Xtra 88.8% WG

Indication: Herbicides
SKU : 400 grams
Crop : Maize, Sugarcane
Truce Xtra is one of the premium selective, post emergence herbicides for sugarcane and maize marketed by Engro. It is a pre-mix of two herbicides and premium 88% concentration product. It is a broad-spectrum herbicide and controls broad leaves, narrow leaves and sedges. It has excellent crop safety.

MAI TU

Indication: Herbicides
SKU: 300 ml
Crop: Wheat
Mai Tu is a strong combination of two selective, post emergence systemic herbicide for grass weeds, particularly for phalaris minor control in Wheat.

Umbra

Indication: Herbicides
SKU: 24 gram
Crop: Wheat
Umbra is a combination of two strong board leaf weeds in wheat crop.

significant factors affecting the external environment

strategic objectives

Strategic Objectives	Strategic Actions	Measurable KPI	Relevance
Enhance farmer productivity	Increase interaction at farmer level to pilot various initiatives of improving farmer productivity Liaison with relevant stakeholders to optimize cost of inputs	Improve local agriculture yield per acre by guiding farmers to adopt best practices	Will continue to be relevant in the foreseeable future
Optimize on manufacturing excellence	Make efficient use of available gas to improve capacity utilization of manufacturing facility	Increase the percentage capacity utilization of Plant 1	Will continue to be relevant in the foreseeable future
Leverage brand name to increase top-line	Use Engro's strong brand name to improve presence across all regions in the Country	Enhance market share especially for Phosphates and Potassium variants	Will continue to be relevant in the foreseeable future
Become the farmer's preferred partner by offering complete Agri-solutions	Enter new areas within the Agri-value chain to offer farmers end-to-end solutions	Enhance position in the Agri-space by offering increased numbers of products and solutions	Will continue to be relevant in the foreseeable future
Achieving Operational efficiency	Bringing efficiency in line with global standards	Reduction in costs through operational efficiencies	Will continue to be relevant in the foreseeable future
Providing Agri-inputs at optimal prices	Facilitate the local farmers by providing inputs at cheaper prices	Maintain price delta of locally manufactured products by Engro Fertilizers with international prices	Will continue to be relevant in the foreseeable future
Corporate social responsibility	Focusing on improving quality of life of people residing in Daharki	Number of lives impacted	On going

Indicators and Performance measures

The Company has a separate mechanism for all its products, to design relevant and tangible performance indicators which would remain relevant for the foreseeable future. The indicators are designed keeping in mind the Company's forecasts on indicative industry dynamics, as well as the macro factors which could impact its profitability. The performance measures are long term in nature and remain unchanged compared to last year.

resource allocation plans

The Company aims to achieve its long-term goals by optimizing available resources. This would be done by primarily leveraging on its strong brand equity with efficient utilization of the Company's core strengths which includes but is not limited to:

1) Financial strength

2) Competent human resource

3) Manufacturing excellence

4) Strong HSE standards

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

The Company will continue to monitor the strategic objectives on an annual basis and will make amendments if needed based on changes in the internal and external environment. The Company is exploring various initiatives to achieve its long term ambitions and has undertaken a comprehensive sales restructuring program which will enable the Company to strengthen its reach within the country.

Significant Plans and Decisions

With the Company having achieved significant success in the Fertilizer arena, the company took a step in expanding its portfolio in the agriculture industry by venturing in the Seeds and Pesticides business. Engro Fertilizers plans to escalate the business going forward by enriching its portfolio with increased focus on products which could better assist in enhancing farmer productivity and profitability.

During the year, the Company also undertook several capital expenditures to allow for gas enrichment, this will ensure a more efficient use of its allocated share of gas.

Changes in Objectives and Strategies

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

Liquidity and Working Capital Management

Improved market dynamics resulting in higher cash collection increased the Company's working capital position (PKR 1.35 billion in 2017 to PKR 5.76 billion in 2018). In order to manage its working capital in the most efficient manner, the Company has a proactive Treasury Management System in place. Cash generation realized through sales and borrowings from banks are used to meet the liquidity requirements of the Company. Further, effective controls on credit sales and securing advance payment against sales assist in managing its liquidity position.

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

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

Treasury Management

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

Key objectives of the Treasury Management System are as follow:

- Based on cashflow projections, surplus funds are identified for investment by matching maturity dates of investments with working capital/ other funding requirements of the Company, to ensure sufficient liquidity to meet operational needs of the Company

- Such investments are placed in short term securities to ensure optimal returns with highly credible institutions to curtail credit risk

- Investment portfolio is adequately diversified to earn maximum returns while maintaining prudent level of risk and exposure

Financing Arrangements

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

The Company's strong financial position and credibility allowed it to avail foreign currency financing of USD 15 million (in addition to other local long-term financing) during the year to meet CAPEX requirements.

The Company recognizes it's responsibility for timely repayment of outstanding loans. No default on repayment of loans was made during the year.

risks and opportunities

Risks are inherent in the businesses and can relate to strategic threats, operational issues, compliance with laws, and reporting obligations. In order to deliver value to all stakeholders, it is important that the Company understands and manages the risks faced across the entire organization.

RISK GOVERNANCE

The Board of Directors are responsible for ensuring that the Company has a robust process in place for assessment of principal risks facing the company, including those that would threaten the business model, future performance, solvency or liquidity. The Board Audit Committee is responsible to oversee implementation of the Enterprise Risk Management methodology approved by the Board. In addition, the Board Compensation Committee focuses on risks relating to Human Capital including assessment of compensation programs and succession planning.

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

The Company has a dedicated Internal Audit function which provides independent and objective evaluations while reporting directly to the Audit Committee on the effectiveness of governance, risk management and control processes.

ENTERPRISE RISK MANAGEMENT PROCESS

Enterprise Risk Management (ERM) methodology implemented at the Company provides a structured, disciplined and consistent approach to risk management that facilitates risk-informed decision-making throughout the organization. The Framework implemented at the Company is illustrated below:

A. **Formulation of Strategy and Business Objectives**

The focus of ERM at the Company is to ensure achievement of the organization objectives. Defining the Organization's strategy and objectives is pre-requisite to identifying risks and opportunities. During this step, the management defines strategy and objectives for different areas of the organization which are then approved by the Board of Directors.

B. **Identification of Risks and Opportunities**

The purpose of this step is to identify a comprehensive list of risks and events that may potentially impact the achievement of organization's mission and strategic objectives. In order to identify enterprise-level risks to be managed, a structured and systematic "Enterprise Risk Register" is used. Broad types of risk which are used for categorization of risk and opportunities are as follows:

Risk Type	Description
Strategic Risk	Strategic risks are risks that affect or are created by an organization's business strategy and strategic objectives.
Commercial Risk	Commercial risks refer to potential losses arising from the trading partners or the market in which the Company operates.
Operational Risk	Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
Financial Risk	Financial risk is an umbrella term for multiple types of risk associated with financing, profitability, liquidity and credit. The Company's overall risk management program focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders. The Company's policy for management of financial risks is explained in notes to the financial statements for the year ended December 31, 2018. Financial Risk includes Credit Risk, Market Risk and Liquidity Risk.

C. **Risk Assessment**

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

D. **Prioritization of Risk**

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

E. **Implements Risk Responses**

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

The following table lists down different risk response strategies that are considered:

Strategy	Description
Accept Risk	• Retain risk at its present level, taking no further action.
Avoid Risk	• Discontinue operations or activities in a particular area. • Prohibit unacceptably high-risk activities and asset exposures through appropriate policies.

	• Stop specific activities by redefining objectives, refocusing strategic plans and policies, or redirecting resources. • Screen alternative projects and budgeted investments to avoid off-strategy and unacceptably high-risk initiatives. • Eliminate at the source by designing and implementing internal preventive processes.
Reduce Risk	• Disperse financial, physical, or information assets to reduce risk of unacceptable catastrophic losses. • Control risk through internal processes or actions that reduce the likelihood of undesirable events occurring to an acceptable level. • Respond to well-defined contingencies by documenting an effective plan and empowering appropriate personnel to make decisions; periodically test and, if necessary, execute the plan. • Diminish the magnitude of the activity that drives the risk. • Isolate differentiating characteristics of proprietary assets to reduce risk of loss through imitation, obsolescence, or other competitive pressures. • Test strategies and implemented measures on a limited basis to evaluate results under distressed conditions. • Improve capabilities to manage a desired exposure. • Relocate operations in order to transfer risk from one location, in which it cannot be well managed, to another location in which it can. • Redesign the approach to managing the risk. • Diversify organizational assets that entity currently implements for business operations.
Share Risk	• Outsource non-core processes (a viable risk transfer option only when risk is contractually transferred). • Delegate risk by entering into arrangements with independent, capable authorities.

F. **Monitoring and Reporting**

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

KEY RISKS AND MITIGATION PLAN

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

KEY RISKS AND MITIGATION PLAN (CONTINUED)

Risk	Risk Assessment		Mitigation Strategies
	Likelihood	Impact	
Strategic Risks			
Continuous changes in government policies and regulations affecting Company's competitiveness **Source of Risk: External**	Medium	Medium	• The Company's management is actively monitoring changes occurring in the regulatory framework. • Closely work and support the Government in its vision to support and grow the agriculture sector of the country.
Decline in international Urea prices allowing for imports impacting Company's market share **Source of Risk: External**	Low	Medium	• Outflow of forex is required to finance imports. • Continue to invest in manufacturing excellence to increase efficiencies. • The Company is currently selling urea at prices mush lower than the imported urea by approximately PKR 700 per bag.
Downturn in domestic demand for Urea sales **Source of Risk: External**	Low	Medium	• The Company actively monitors the factors affecting demand for Urea and optimizes its production and marketing strategies. • The Company will continue to invest in brand development, market development and long-term customer relationships. • Subject to regulatory approvals, the Company also has the option to export surplus quantity.
Commercial Risks			
Oversupply in local Urea market leading to price competition and decline in market share **Source of Risk: External**	Medium	High	• The Company enjoys a strong brand and loyal customer base and currently holds 34% market share of local Urea Sales. The Company will continue to invest in brand development and long-term customer relationships.
Inability of the Company to pass through increase in production and distribution costs affecting profitability **Source of Risk: Internal**	Medium	High	• The Company is committed towards operational efficiencies and implementation of effective cost controls. • The Company is actively looking into alternate sources of energy to reduce cost.
Rising prices of 'P' and 'K' variants could restrict market for the said and thus impact profitability of the company's Phosphates and Specialty Businesses **Source of Risk: External**	Medium	Low	• The Company plans on working with the Government to introduce subsidy plans to encourage farmer to invest in 'P', 'K' and other value added variants

KEY RISKS AND MITIGATION PLAN (CONTINUED)

Risk	Risk Assessment		Mitigation Strategies
	Likelihood	Impact	
Higher reliance of farmers on Urea and resistance on making balanced nutrient usage. This will hurt market for 'P' and 'K' variants **Source of Risk: External**	Medium	Low	• Company will continue to engage with the farmer at the ground level and stress on the benefits of making a balanced use of fertilizers.
Financial Risks			
Non-availability of cash to allow for investment in working capital, settle liabilities or finance capital investments **Source of Risk: Internal**	Low	Medium	• The Company has a pro-active treasury function which ensures that adequate funds and credit lines are kept available for any unforeseen situation.
Defaults by Customer in settlement of their obligations towards the Company **Source of Risk: External**	Low	Low	• Majority of the sales are either against advance cash, hence are not exposed to credit risk. • For credit sales, majority of the credit sales are secured against Bank guarantees by minimum A+ rated Banks. Credit limits are defined for each guarantor bank to limit concentration of risks.
Movements in foreign exchange rates adversely affecting the Company **Source of Risk: External**	Low	Low	• The Company's treasury function actively monitors FX movements and manages the Company's open positions accordingly.
Allocation of expensive gases to old plants at Petroleum Policy 2012 making them uncompetitive **Source of Risk: External**	Medium	High	• Continue to convince the government to provide a level playing field to all players by allocating gas on Fertilizer Industry rate in line with the Fertilizer Policy as charging higher prices increases the cost of doing business.
Imposition of GIDC on concessionary plants which has significant impact on Company's bottom line **Source of Risk: External**	Medium	High	• Continue to convince the government to fulfil its commitment in line with the Fertilizer Policy 2001 on the basis of which we invested USD 1.1 billion. • Continue to pursue litigation against GIDC on concessionary gas.
Operational Risks			
Depletion of allocated gas field affecting production of Urea **Source of Risk: External**	Medium	High	• The Company is actively evaluating alternate sources of gas.

KEY RISKS AND MITIGATION PLAN (CONTINUED)

Risk	Risk Assessment		Mitigation Strategies
	Likelihood	Impact	
Reduced gas pressure affecting ability of the plant to run at full capacity **Source of Risk: External**	Medium	High	• Capital Investment in compression facilities made in 2018 which will sustain pressure for the next two years. • Continue to make investments in Compression facilities.
Plant shutdown due to equipment failure **Source of Risk: Internal**	Medium	High	• Preventive maintenance plan in place with specific measures for monitoring and maintenance of Plant vulnerabilities. • The Company has planned CAPEX to enhance reliability of its plants • Inventory of Critical Plant components maintained to ensure timely replacement in case of failure. • Business Interruption insurance coverage obtained.
Strategic Risks			
Attrition of critical personnel hindering the operations of the Company **Source of Risk: Internal**	Low	Medium	• The Company has formal succession planning process which is stewarded by the Management Committee and the Board. • Formal training and development plan in place for each critical position. • Human Resource policies developed with focus on employee retention and engagement. • Employee Engagement surveys conducted annually by independent consultants to assess employee engagement level.
Interruptions to critical business operations due to disruptions or disasters such as fire, floods, earthquakes, explosions, terrorism, tornadoes, extended power interruptions, hazardous chemical spills, and other natural or man-made disasters **Source of Risk: External / Internal**	Low	Medium	• Formal Business Continuity Plan (BCP) complemented by a formal Disaster Recovery Plan (DRP) in place for all locations to ensure resilience and built capability for an effective response that safeguards the interest of key stakeholders, reputation, brand and value creating activities. • The BCP is reviewed on a periodic basis to ensure it is up to date and effective.
Political / Economic Risks			
Influence of the Government over price regulations	Medium	Medium	• The Company continuously monitors market dynamics and its cost structures and ensures that product pricing is reflective of the same.

			• The Company is currently selling urea at prices mush lower than the imported urea by approximately PKR 700 per bag. • The Company through various forums will continue to highlight its position, as a player of deregulated industry, and its contribution to the agriculture sector and the economy of Pakistan.

OPPORTUNITY ANALYSIS

The Company is committed to its vision of transforming the agricultural landscape, bringing change and helping the farmer grow. The Company continuously seek opportunities for enhancement of revenues, optimization of costs and efficiencies, and undertaking of diversification projects to continue providing attractive returns to the shareholders.

Key Opportunity	Impact Area	Way Forward
Improvements in operational efficiencies	Manufactured Capital	The Company realizes the importance of fertilizers for the economy and plans to incur capital expenditure to improve reliability and efficiency of both Urea plants. During the year the Company made significant capital investments in feed gas enrichment and compression facilities which will enable the Company to enhance plant production and efficiency.
Availability of unutilized production capacity	Natural Capital	The Company is actively exploring additional sources of gas to utilize its production capacity and enable steady supply of Urea to farmers
Develop Horizontal / Vertical Integration	Financial Capital	The Company continues to explore opportunities within the agriculture sector in Pakistan to create value for its stakeholders by leveraging its strong position in the Agri space. The Company will continue to expand its footprint in the Crop Sciences business (seeds and pesticides) and is evaluating other business opportunities in the local agri space to improve farmer productivity.
Low farm yields in Pakistan compared to regional peers	Social Capital	The Company plans to expand its footprint in local Agri-value chain. While growing in the Agribusiness Solutions space, the Company aims to improve farmer economics and contribute positively to Pakistan's economic and resource ecosystem by focusing on initiatives that increase agri-import substitution, grow national agri-exports and agriculture yield enhancement.

corporate governance

board committees

The board has established the following two committees:

Board Compensation Committee (BCC)

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

The Chief Executive Officer attends Board Compensation Committee meetings by invitation. The committee met twice during 2018.

Members

Mr. Javed Akbar – Chairman
Mr. Ghias Khan
Mr. Abdul Samad Dawood

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

Salient features of terms of reference

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

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

Board Audit Committee (BAC)

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

The Chief Financial Officer regularly attends the Board Audit Committee meetings by invitation to present the accounts. After each meeting, the Chairman of the Committee reports to the Board. The Committee met four times during 2018.

Members

Asad Said Jafar – Chairman
Javed Akbar
Sadia Khan

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

Salient features of terms of reference

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

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

functional committees

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

Management Committee

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

Members

Nadir Salar Qureshi – Chairman
Amir Iqbal
Syed Shahzad Nabi
Mohsin Ali Mangi
Imran Ahmed
Fahd Khawaja
Muhammad Majid Latif
Muhammad Azhar Malik

The Secretary of the Management Committee is Ms. Rabia Wafah Khan.

Committee for Organizational and Employee Development (COED)

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

Members

Nadir Salar Qureshi – Chairman
Amir Iqbal
Imran Ahmed
Mohsin Ali Mangi
Fahd Khawaja
Azhar Malik
Majid Latif

The Secretary of the COED is Syed Shahzad Nabi.

Corporate HSE Committee

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

Members

Nadir Salar Qureshi – Chairman
Amir Iqbal
Syed Shahzad Nabi
Imran Ahmed
Mohsin Ali Mangi
Fahd Khwaja
Azhar Malik
Majid Latif

The Secretary of the Corporate HSE Committee is Asim Rasheed Qureshi

Six Sigma Corporate Council

This council oversees the implementation of Six Sigma.

Members

Nadir Salar Qureshi – Chairman
Amir Iqbal
Syed Shahzad Nabi
Mohsin Ali Mangi
Imran Ahmed
Fahd Khawaja
Muhammad Majid Latif
Muhammad Azhar Malik

Afsah Ahrar – Secretary & Six Sigma Coordinator MFG

our governance framework

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

Board Of Directors

The Board of Directors carries out its duties with a sense of objective judgment and in good faith in the best interests of the Company and its stakeholders. There are eight (8) numbers of Directors on the Board, comprising of four (4) Independent Directors, three (3) Non-Executive Directors and one (1) Executive Director. The Board collectively has the responsibility for ensuring that the affairs of the Company are governed competently and with integrity. A Non-Executive Director, Ghias Khan, Chairs the Board and Mr. Nadir Salar Qureshi is the Chief Executive Officer of the Company. Biographical details of the Directors are given in the previous section.

A calendar for the meetings of Board is issued annually. The meetings schedule significant matters as agenda for review, discussion and approval of the Board. The Board met six (6) times this year (all the Board meetings during the year were held in Pakistan) and discussed matters relating to inter alia long term planning, giving consideration to both the opportunities and risks of future strategy.

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

Directors' Orientation Program

During the year, the Company arranged an orientation course on "Companies Act, 2017 and Code of Corporate Governance regulation, 2017" for its Directors and Head of Departments to acquaint them with the abovementioned Act and Regulations including their duties and responsibilities to enable them to effectively govern the affairs of the listed Company for and on behalf of shareholders.

Directors' Training

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

Directors' Remuneration

The remuneration of the Board members is approved by the Board itself. However, in accordance with the Code of Corporate Governance, it is ensured that no Director takes part in deciding his own remuneration. The Company does not pay remuneration to non-executive directors except for fees for attending the meetings.

For information on remuneration of Directors and CEO in 2017-18, please refer notes to the Financial Statements.

The Company has a documented policy which generally restricts employees from holding directorships in companies that are not subsidiaries or joint ventures of Engro Corporation Limited. However, the President of Engro Corporation Limited or the Chairman of the Company, may make exceptions to this general rule in special circumstances.

All expenses incurred by an employee serving as a director of a company that is not a subsidiary or joint venture of ECL in accordance with this policy will be for that employee's own account. The employee may accept and retain annual fees, meeting fees, other remuneration or reimbursed expenses specifically related to service as a director.

Performance Evaluation of Directors

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

- Clarity of agenda and objectives;
- Preparation for the meetings;
- Quality and diversity of discussions;
- Clarity of decisions and outcome

Matters decided and delegated by board of directors

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

In addition to approving the vision, core values, corporate strategy and the policies for conduct of business of the Company, the types of decisions taken by the Board includes the following:

- to issue shares
- to issue debentures or any instrument in the nature of redeemable capital
- to borrow moneys otherwise than on debentures
- to invest and divest funds of the company
- to determine the nature of loans and advances made by the Company and to fix monetary limit thereof
- to authorise a director or the firm of which he is a partner or any partner of such firm or a private company of which he is a member or director to enter into any contract with the company for making sale, purchase or supply of goods or rendering services with the company
- to approve financial statements
- to approve bonus to employees
- to incur capital expenditure on any single item or dispose of a fixed asset in accordance with the limits as may be specified
- to undertake obligations under leasing contracts exceeding such amount as may be notified
- to declare interim dividend
- having regard to such amount as may be determined to be material (as construed in Generally Accepted Accounting Principles) by the board
- to write off bad debts, advances and receivables
- to write off inventories and other assets of the company
- to determine the terms of and the circumstances in which a law suit may be compromised and a claim or right in favour of a company may be released, extinguished or relinquished
- to take over a company or acquire a controlling or substantial stake in another company
- any other matter which may be specified

Matters Delegated to the Management

Management of the Company is entrusted with the responsibility to conduct operations of the Company adhering to the vision, core values, corporate strategy and the policies for conduct of business approved by Board of Directors. The delegation of authority to the management has been formally documented in the Limits of Authority Manual (LOAM) which is periodically reviewed and appropriately updated.

A brief description about the role of the Chairman and the CEO

Chairman of the board:

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

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

Chief Executive Officer (CEO):

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

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

Performance evaluation of CEO

The performance of the CEO is formally appraised through the evaluation system which is based on quantitative and qualitative values. It includes the performance of the business, the accomplishment of objectives, organization building, succession planning and corporate success.

Policy for related party transactions

The Company has a documented policy which states that all related party transactions involving goods, services and transfer of tangible and intangible assets will be carried out at arms length without compromising the business interest of either party.

Responsibilities of Management 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 controls as management determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Conflict of Interest Among Board Members

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

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

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

Compliance Statement

The Board of Directors has duly complied with the Listed Companies (Code of Corporate Governance) Regulations, 2017 and the 'Corporate and Financial Reporting Framework' of the Securities & Exchange Commission of Pakistan.

Risk Management Process

The Board at Engro Fertilizers periodically reviews major financial and operating risks faced by the business. We also continue to operate an Enterprise-wide Risk (ERM) system to proactively highlight risks associated with the business and deploy appropriate mitigation strategies that feed into our governance framework. Detail on the Company's ERM programe is mentioned in the Risk and Opportunities section of this annual report.

Internal Control Framework

Responsibility: The Board is ultimately responsible to ensure that a system of sound internal control is established, which is effectively implemented and maintained at all levels within the Company. However, such a system is designed to govern rather than eliminate the risk of failure to achieve business objectives. The Board, whilst maintaining its overall responsibility for governance of risk within the Company, has delegated the detailed design and operation of the system of internal controls to the Chief Executive.

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

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

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

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

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

Investors' Grievance Policy

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

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

Policy for safety records of the company.

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

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

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

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

Disclosure of IT Governance Policy.

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

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

Whistleblower Policy – "Speak Out!"

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

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

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

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

Concerns can be raised at "Speak Out" hotline +9221-35296012, email to speakout.fertilizers@engro.com or written to P.O. Box 3851, Clifton Post Office, Karachi

Human resource management policies including preparation of a succession plan.

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

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

Equal Opportunity

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

Training and Development

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

Performance Management

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

Compensation and Benefits

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

Diversity and Non-Discrimination

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

The Company's Succession Planning policy is aimed at ensuring seamless business continuity, through a stronger talent pipeline for future leadership positions. Keeping People Development at the core and recognizing that change is imminent, focus is on skill enhancement through an indigenous learning architecture called Transitional Training Model (TTM) for all current and future business needs to ensure readiness in times of dynamicity. Career growth for employees has also been mapped keeping in view, the individual's potential, experience, display of Engro competencies along with other factors. Each employee is provided training and development opportunities and is equipped with the necessary tools and resources to perform at the job. The Company has also initiated the Leadership Pipeline Development Framework, which encompasses a holistic approach to People Development covering aspects like on-going coaching, rotations and Cross Functional Projects. In addition to this, Mentorship is also an integral part of the system along with a Top Talent Strategy to ensure focused upward mobility.

Social and Environmental Responsibility Policy

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

The Company's Social Responsibility policies and practices include:

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

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

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

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

Disaster Recovery and Business Continuity Planning

The Company has a documented Disaster Recovery Plan (DRP) and Business Continuity Plan (BCP) which describes the business continuity and recovery strategies and related procedures for the Company. It also provides policies and procedures whereby the critical business processes can be restored in a timely and orderly manner and can be operated on an

interim basis, thereby helping to ensure that all critical business functions continue in the case of a disruption or disaster.

This plan is carefully followed during periodic testing exercises to thoroughly train recovery personnel and ensure that strategies and actions accurately reflect current business recovery requirements.

Interaction with major shareholders

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

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

Investors' Relations Section on Corporate Website

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

Issues Raised at Last AGM

The Company's Annual General Meeting was held on March 26, 2018, queries and clarifications were sought on the Company's financial statements, which were resolved to the satisfaction of the Shareholders.

Javed Akbar (then BAC Chairman) was present in the last AGM.

Compliance of International Financial Reporting Standards (IFRS)

The management of the Company strongly believes in adherence to unreserved compliance with all the applicable International Accounting Standards (IAS) / IFRS issued by International Accounting Standards Board (IASB) and as adopted by SECP vital to fair preparation and presentation of financial information. Compliance to IFRS encourages sufficient disclosures of the financial statements that are beneficial for informed decisions of stakeholders. Financial statements for the year have been prepared in accordance with the accounting and reporting standards issued by IASB as are applicable in Pakistan. IFRS adoption status is in detail is explained in note 3 of annexed consolidated financial statements.

Integrated Reporting

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

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

Efforts to Implement Governance Practices Exceeding Legal Requirements

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

Following additional governance practices implemented by the management include:

- Voluntary disclosure of additional corporate and financial information in this annual report for the year ended 2018, although not required by any law, to make the Company's affairs more transparent and to give better insight of the Company's affairs, policies and strategies.
- Implementation of Health, Safety and Environment Policy for better and safe work place environment for employees, workers and surrounded community.
- Implementation of various social projects for welfare of the community as part of it's Corporate Social Responsibility (CSR).
- Adoption of a strict insider trading policy whereby all employees of the Company are restricted from trading in shares of the Company.
- Restriction of employees of group companies to adhere to close period requirements.
- All of the Directors of the company have attended Directors' training program exceeding the legal requirement prescribed by Code of Corporate Governance Regulations, 2017.
- The Company endeavors to replicate the best practices to its privately owned subsidiaries.

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

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

stakeholders' engagement policy

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

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

report of the audit committee

Composition

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

Directors:

Mr. Asad Said Jafar - Chairman
Mr. Javed Akbar - Member
Ms. Sadia Khan - Member

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

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

Charter of the Committee

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

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

Meetings during 2018

The Committee met four times during the year. The attendance of the members at these meetings is stated in the Director's Report. The Chief Financial Officer and the Head of Internal Audit attended all meetings. The external auditor attends meetings when matters pertaining to their functions come up for consideration and attended two meetings during the year.

Role of the Committee

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

The Committee has concluded its annual review of the operations of the Company for the year ended December 31, 2018 and reports that:

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

- Appropriate accounting policies have been consistently applied and all applicable accounting standards were followed in preparation of the financial statements for the year ended December 31,2018, which present fairly the state of affairs, results of operations, profits, cash flows, and changes in equity of the Company

- The Chief Executive Officer and the Chief Financial Officer have reviewed the financial statements of the Company. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting and compliance with regulations and applicable accounting standards

- Accounting estimates are based on reasonable and prudent judgement.
- Proper, accurate and adequate accounting records have been maintained by the Company.
- The Company's system of internal control issound in design and has been continually evaluated for effectiveness and adequacy.
- The Committee has reviewed all related party transactions and recommended them for approval of the Board.
- Closed periods were duly determined and announced by the Company, precluding the directors, executives and all employees of all Engro companies from dealing in the shares of the Company, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision which could materially affect the share price.

Internal Audit

- The Board has effectively implemented the internal control framework through the Internal Audit Department, manned with suitably qualified staff.
- The Internal Audit function reviews the risks and control processes in accordance with the internal audit plan approved by the Committee.
- The Committee reviews the findings and observation of the internal audit and provides appropriate guidance to the management.
- The Committee met with the internal audit in the absence of the management.

External Audit

- The statutory auditors of the Company, A. F. Ferguson & Co., Chartered Accountants, have completed their audit assignment of the Company's financial statements and the statement of compliance with the Code of Corporate Governance for the year ended December 31, 2018 and shall retire on the conclusion of the 10th Annual General Meeting.
- The Committee has reviewed and discussed audit observations with the external auditors. A meeting was also held with the external auditors in the absence of the management.
- The external auditors have direct access to the Committee and Internal Audit Department, hereby ensuring the effectiveness, independence and objectivity of the audit process.
- The performance, cost and independence of the external auditors is reviewed annually by the Committee. Being eligible for reappointment under the Code of Corporate Governance, the Committee has recommended to the Board the reappointment A.F. Ferguson and Co., Chartered Accountants for the year 2019. A resolution to this effect has been proposed at the forthcoming Annual General Meeting.

Asad Said Jafar
Chairman, Audit Committee

independent auditor's review report

pwc A·F·FERGUSON&Co.

To the members of Engro Fertilizers Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Engro Fertilizers Limited for the year ended December 31, 2018 in accordance with the requirements of regulation 40 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 Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2018.

A. F. Ferguson & Co.,
Chartered Accountants

Karachi
Date: March 6, 2019
Engagement Partner: Waqas Aftab Sheikh

statement of compliance with listed companies (code of corporate governance) regulations, 2017 year ended december 31, 2018

The Company has complied with the Requirements of the regulations in the following manner:

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

   a. Male: Seven*

   b. Female: One

   * One casual vacancy occurred on the Board on December 1, 2018 which was duly filled with in the prescribed time period subsequent to the year end.

2. Composition of the Board is as follows:

a.	Independent Directors	Mr. Asim Murtaza Khan Mr. Javed Akbar Mr. Asad Said Jafar Ms. Sadia Khan
b.	Executive Directors	Mr. Nadir Salar Qureshi
c.	Non-Executive Directors	Mr. Abdul Samad Dawood Mr. Ghias Khan

3. The Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

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

7. All the meetings of the Board were presided over by the Chairman. The Board has complied with requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.

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

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

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the Board.

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

a.	Audit Committee:	Mr. Asad Said Jafar – Chairman Mr. Javed Akbar Ms. Sadia Khan
b.	HR and Remuneration Committee i.e. Board Compensation Committee:	Mr. Javed Akbar – Chairman Mr. Ghias Khan Mr. Abdul Samad Dawood

13. The Terms of reference of the aforesaid Committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the Committee were as per following:
    a. Board Audit Committee - Quarterly
    b. HR & Remuneration Committee i.e. Board Compensation Committee – Half yearly

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 (ICAP) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

18. We confirm that all other requirements of the Regulations have been complied with.

Ghias Khan
Chairman

Nadir Salar Qureshi
Chief Executive Officer

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

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

Scope of our Work

We have performed an independent assurance engagement of Engro Fertilizers Limited (the Company) to express an opinion on the annexed Statement of Compliance (the Statement) with the requirements of Sukuk (Privately Placed) Regulations, 2017 as notified by the Securities and Exchange Commission of Pakistan as of December 31, 2018.

Applicable Criteria

The criteria for the assurance engagement against which the underlying subject matter (Statement of Compliance for the year ended December 31, 2018) is assessed comprises of compliance with the features and Shariah requirements of Sukuk in accordance with the requirements of Sukuk (Privately Placed) Regulations, 2017. Therefore, the underlying subject matter may not be suitable for another purpose. Our engagement was carried out as required under Rule 12 of Chapter V of the Sukuk (Privately Placed) Regulations, 2017 as notified by the Securities and Exchange Commission of Pakistan.

Responsibility of Company's Management

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

Our Independence and Quality Control

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

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

Responsibility of Independent Assurance Provider

Our responsibility is to express our conclusion on the Statement for the year ended December 31, 2018 based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagements 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' (ISAE 3000). This standard requires that we plan and perform the engagement to obtain reasonable assurance about whether the annexed Statement reflects the status of the Company's compliance with the features and Shariah requirements of

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Sukuk in accordance with the requirements of Sukuk (Privately Placed) Regulations, 2017 and is free from material misstatement.

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

Our procedures applied to the selected data primarily comprised of:

- Inquiry and evaluation of the systems, procedures and practices in place with respect to the Company's compliance with the Criteria;
- Verification of Sukuk related transactions on sample basis to ensure the Company's compliance with the Criteria during the year;
- Review of Shariah structure and transaction documents, term sheet and Shariah approval letter issued by the Shariah Advisor of the Sukuk; and
- Review of the annexed Statement based on our procedures performed and conclusion reached.

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

Conclusion

Based on our independent assurance engagement, in our opinion, the annexed Statement for the year ended December 31, 2018 has been prepared, in all material respects, in compliance with the features and Shariah requirements of Sukuk in accordance with Sukuk (Privately Placed) Regulations, 2017.

Chartered Accountants
Karachi
Date: March 6, 2019
Engagement Partner: Waqas Aftab Sheikh

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

This Statement is being presented to comply with the requirements under Sukuk (Privately Placed) Regulations, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP). This Statement of Compliance (the Statement) is for the year ended December 31, 2018.

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

We specifically confirm that:

- The Company has established policies and procedures for all Sukuk related transactions to comply with Sukuk features and Shariah requirements;

- The Company has implemented and maintained such internal control and risk management systems that are necessary to mitigate the risk of non-compliances of the Sukuk features and Shariah requirements, whether due to fraud or error;

- The Company has a process to ensure that the management and where appropriate those charged with governance, and personnel responsible to ensure the Company's compliance with the Sukuk related features and Shariah requirements are properly trained and systems are properly updated.

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

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

   a. Investment Agency Agreement
   b. Declaration of Trust
   c. Musharaka Agreement
   d. Payment Agreement
   e. Purchase Undertaking
   f. Istisna Agreement
   g. Agency Agreement
   h. Security Documents

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

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

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

Ghias Khan
Chairman

Nadir Salar Qureshi
Chief Executive Officer

financial review

chairman's message

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of Engro Fertilizers showing overall performance of the Company and effectiveness of the leadership in attaining the Company's aims and objectives for the year ended December 31, 2018.

Firstly, I would like to offer my gratitude to each one of you for your continued confidence in Engro Fertilizers as a vehicle for your investment. The trust in us helps us create greater benefits for the country and the communities in which we operate. This year has been an important one for Engro Fertilizers, with challenges on multiple fronts. Hence, secondly, I would like to congratulate the entire team of Engro Fertilizers on achieving incredible milestones this year.

In 2018, we recorded the highest ever profit in the history of Engro Fertilizers and crossed the PKR 100 billion revenue mark for the first time, while we celebrated our journey spanning five decades: 50 years of trust – *bharosay ke pachaas saal.*

Fifty years of trust placed in us by the farmer community whose lives we are determined to improve, and work tirelessly to uplift. Fifty years of trust placed in us by the people of Pakistan for pioneering in a sector that remains integral to Pakistan's food security. Most importantly, fifty years of trust placed in us by you. Your contribution is critical to our mission and higher purpose of uplifting Pakistan as a whole.

I am pleased to report that the performance of the Board remained par excellence throughout the year, and their contributions effectively steered the Company towards achievement of its objectives and creation of new benchmarks, while maintaining its reputation for good governance and providing steady returns to our shareholders.

We will keep striving to set the standard for corporate governance in Pakistan to ensure that a long-term focus on prudence, efficiency, and innovation are even more firmly embedded in our DNA. The Board Audit Committee continues to ensure that the governance structure is fully compliant, while monitoring high standards of ethics, control procedures, and risks associated with the business as identified by the Board, whose top priority is to act in the best interest of the shareholder at all times.

It was 50 years ago when foundations of this Company were laid to ensure food security for the nation. Since then, we have grown significantly and overcome unprecedented challenges to reach this point. However, the sad reality is that, even today, 40 million Pakistanis are malnourished. The challenge that lies ahead is far more complex than it was 50 years ago. With water getting scarcer by the day and population on the rise, we consider it our sacred duty to play a part in increasing the agriculture productivity of the Country. It will require us to think and act entrepreneurially. It will require us to build eco-systems to facilitate our farming community by giving them sound advice, the right agri inputs, better equipment, and, most importantly, access to market. It will require us to invest in new business models powered by technology.

As we march ahead, our aim is to deliver sustainable results in both operational and financial terms and develop deeper connections with our customers and hosting communities. Investors will find Engro Fertilizers to be a resilient, tested Company which is defined by its prudent management of risk, steady and sustainable growth, and willingness to adapt and reinvent when the need arises.

On behalf of the Board, I would like to thank all stakeholders for their trust and support as we look forward to the evolving market landscape with optimism. I am certain that Engro Fertilizers has all the necessary ingredients to perform exceptionally each year, deliver on its promises and achieve the expectations of our stakeholders – most importantly: you. We look forward to your continued support in this very important journey of making Pakistan food secure and self-sufficient.

Ghias Khan
Chairman

CEO’s message

Dear Shareholders,

2018 marked an important milestone as your company completed 50 years of its journey in providing high quality and affordable fertilizers and agri-solutions in the Country. Building on that legacy, 2018 was a year of exceptional achievements for Engro Fertilizers as many records were made and others broken on production, sales and profitability. I am extremely pleased to report that your Company crossed the PKR 100 billion revenue mark and recorded the highest ever profit in its history.

Starting with safety, I am pleased to report that for the first time the Commercial Division achieved a DuPont Level 4 compliant rating on Safety Systems. Our Manufacturing Team successfully retained Excellence Level 4 in Dupont OHIH Audit. However, we were reminded of the criticality of our relentless devotion to safety when earlier in the year we suffered a fatality. Philosophy and processes were revisited and revised and we were reminded that we can never let our vigilance flag on this front.

Against the backdrop of a rapidly evolving environment, Engro Fertilizers, anchored by operational excellence and strong leadership, was able to deliver record results. For the year 2018, consolidated profit after tax stands at PKR 17.4 billion, versus PKR 11.2 billion in 2017 and consolidated earnings per share increased to PKR 13.04 vs. PKR 8.36 last year. Our shareholders seek us out and trust Engro Fertilizers to consistently create value for them. In that spirit, I am delighted to report that in addition to interim dividends already paid at PKR 8.0 per share, we are proposing a further dividend of PKR 3.0 for the year ended December 31, 2018 for approval of the members at the Annual General Meeting to be held on March 28, 2019, bringing the total dividend for 2018 to PKR 11.0 per share.

On the Manufacturing front, our Daharki plant bore witness to some of the highest ever urea production levels with both plants operating at high load factors. Plant-2 turnaround was completed successfully and going forward, the commissioning of ENCOP-3 fourth compression unit is expected to improve business sustainability. Our Zarkhez Plant at Port Qasim also successfully completed an extensive turnaround sooner than planned.

Our Commercial Division’s focused efforts resulted in improvement in dealer spread and surpassed all previous sales records to close the year at an all time high. This was also the first year when our Phosphates business started functioning as a separate business unit and captured nearly a third of the market. The Specialty Fertilizer Business improved its potash market share and launched four new products. Our Crop Sciences Division launched 19 new products and has a robust product pipeline, both in seed varieties and crop protection products. Engro continues to deepen its participation across the agri-value chain and we look forward to building out our product portfolio in 2019.

People development is imperative for the success of any organization and a cornerstone of Engro. Our HR developed and executed the Transitional Training Model, a novel capability building intervention focusing on functional and management skills enhancement. Ninety percent of management employees were trained and with the launch of the new Engro Leadership Academy, additional trainings are planned in 2019. This leadership academy is a critical component in developing and enhancing our current capabilities and developing a new generation of leaders at Engro. With this initiative, I am certain that our human capital will continue to appreciate.

Engro Fertilizers strongly believes that a robust and prosperous society is imperative for the growth of our business. We believe that our growth as an organization is intertwined with the development of society. Building on this philosophy of inclusive growth, your company continued to undertake community engagement initiatives and social investments, to combine financial and managerial resources to enrich lives and pave the way for sustainable growth. During the year, the Company invested PKR 100 million on various community welfare, education, healthcare, environment and infrastructure development projects in the Country. We believe that with our unwavering focus on corporate social responsibility, we will continue to play our role in uplifting and empowering people in the communities in which we operate.

2019 promises to be more challenging as we keep raising the bar. It shall be a year filled with innovations and yet a back-to-basics approach. We are looking at two or more turnarounds at our Daharki plant, broadening our product reach across the nation and striving towards best practices in supply-chain. There will be a concentrated focus on engineering excellence, a core differentiator of the Engro brand. In addition an enhanced focus on improving customer service through capability development of our sales team and specific technological interventions will enable us to improve the overall customer experience. We will continue to engage with the relevant stakeholders to allow us to improve our manufacturing capacity utilization as the nation's most efficient urea producer.

Our aim is not only to be the best at what we do but to set benchmarks of exemplary conduct at how we do it. We will strive for excellence, not just by local standards but aim to be at par if not exceed global benchmarks. I am convinced that with the support of our unrelentingly committed and talented management team at Engro Fertilizers, we shall strive and InshaAllah succeed in exceeding the expectations of all our stakeholders.

On behalf of the Board and the Management Committee, I would like to thank all our employees and business partners for making Engro Fertilizers what it is today. It is only by the collective efforts of our exceptionally motivated team and our valued supply chain partners that we are able to be successful. I am confident that we will achieve our goals in the years to come and deliver on our promises and potential to transform Pakistan's agricultural landscape.

Nadir Salar Qureshi
Chief Executive Officer

key numbers

1,928 KT
Urea production

2 Plant operations for the 5th year

PKR 109 bn
Revenue in 2018

PKR 17 bn highest ever PAT

626 KT
Phosphate sales

1,986 KT
Domestic Urea sales

directors' report to the shareholders

On behalf of the Board of Directors of Engro Fertilizers Limited, we are pleased to submit the Directors' Report and the audited financial statements of the Company for the year ended December 31, 2018.

Market Review

Local urea industry demand remained stable in 2018 with urea offtake at 5,797 KT versus 5,826 KT in 2017. The industry also exported 75 KT during the first quarter, utilizing the entire export quota of 635 KT allotted by ECC since 2017.

Urea production in 2018 clocked in at 5,706 KT vs 5,614 KT last year, an increase of 2%. Higher production is mainly attributable to higher production by EFert due to an increase in our production days. LNG based plants added ~200 KT to industry production this year, similar to last year with the allocation of subsidized LNG by the Government. Moreover, the Government also imported 100 KT urea in December 2018 to avoid the issue of urea shortfall. Industry urea inventory as at 31 December 2018, stood at 0.2 MT vs 0.3 MT last year.

Local urea prices have increased to PKR 1,740/bag from PKR 1,610/bag in October to pass on the increase in fertilizer industry gas prices by OGRA. While the subsidy on sale price of urea has been discontinued, the domestic industry continues to face challenges in the form of prior subsidy receivables and long lead times in their disbursement. As an industry, we continue to engage with the Government for streamlining the subsidy disbursement mechanism and payment of outstanding dues of PKR 20 B.

On the international front, urea prices declined to USD 300/T (landed equivalent PKR 2,450/bag) from USD 365/T in Q3 2018, due to lower demand from India.

DAP demand in the local market decreased by 5% compared to last year, with sales recorded at 2,224KT vs 2,336 KT in 2017, on the back of escalating DAP international prices and rupee devaluation. On the International front, DAP prices remained in the range of USD 422-435/T during the year.

Gas Scenario

Gas supply from Mari and SNGPL continued throughout the year. In line with the industry, EFert continues to withhold GIDC on all non-concessionary gases in line with the interim order of the High Court in October 2016, striking down the GIDC Act. The Company obtained a stay order against GIDC applicability on concessionary gas in 2015, and no GIDC is being paid or accrued for concessionary gas supplied to the new urea plant. GIDC on concessionary gas is in direct contravention of the Fertilizer Policy and our Gas Supply Contracts, on the basis of which we invested USD 1.1 Billion to expand our fertilizer manufacturing capacity.

The industry is currently in negotiations with the Government over the settlement of past GIDC payable and future GIDC liability.

Segment Analysis

- **Urea**

The Company produced 1,928 KT of urea, compared to 1,807 KT produced in 2017, an increase of 7% due to higher production days compared to last year. Domestic Urea sales during the year clocked in at 1,986 KT compared to 1,739 KT in 2017, exhibiting an increase of 14% YoY due to better avails. Overall, our domestic urea market share stood at 34% vs 30% in 2017.

- **Phosphates**

Company sales were recorded at 626 KT in 2018 vs 501 KT last year, increasing by 25% YoY, which led to an increase in EFert's market share to 28% vs 22% last year. Sales were significantly higher primarily due to focus on product quality and consistency and improvement in channel management especially in Punjab.

- **Specialty Fertilizer Business**

The Company's Specialty fertilizer (Zarkhez, Engro NP, MOP/SOP/AS) sales registered an increase of 43% YoY to clock in at 210 KT compared to 147 KT last year. The overall potash market increased to 50 KT in 2018 vs 48 KT in 2017. The Company's potash market share was at 44% compared to 40% last year on account of better potash avails this year and application of potash on non-conventional crops.

- **Crop Science Division and Agri-Business Solutions**

The Company continues to explore opportunities within the agriculture sector in Pakistan to create value for its stakeholders by leveraging its strong position in the Agri space. The Company continued to expand its footprint in the Crop Sciences business (seeds and pesticides) and is evaluating other business opportunities in the local agri space to improve farmer productivity. EFert's Crop Sciences Division earned a revenue of PKR 671 M in 2018 vs PKR 225 M last year.

Financial Review

Sales revenue for the Company was recorded at PKR 109.2 billion for 2018, 42% higher compared to the previous year (PKR 77.1 billion). The increase in sales revenue was witnessed on the back of both higher fertilizer offtake and prices.

Gross profit for the year 2018 was PKR 35.3 billion as compared to PKR 23.2 billion for the same period last year, an increase of 52%. Financial charges declined to PKR 2.1 billion versus PKR 2.6 billion in 2017 as a result of improvements in working capital.

For full year 2018, the Company has declared a profit after tax of PKR 16.7 billion (standalone), a significant increase of 66% over PKR 10.1 billion earned in 2018, resulting in EPS of 12.48 vs EPS of 7.60 in 2017. Higher profitability was led by higher urea and DAP offtake and prices coupled with one-off tax effects. These included the impact of the Budget announcement reducing the corporate tax rate from 30% to 25% in a phased manner.

2018 consolidated profit after tax stands at PKR 17.4 billion, versus PKR 11.2 billion in 2017 due to the reasons explained above. Resultantly, consolidated earnings per share increased to PKR 13.04 vs. PKR 8.36 last year.

Dividend

The Board is pleased to propose a final dividend of PKR 3 per share in addition to interim dividend already paid at PKR 8 per share (total dividend: PKR 11 per share) for the year ended December 31, 2018 for approval of the members at the Annual General Meeting to be held on March 28, 2019.

Capital Structure

In 2018, the Company continued to concentrate its efforts on reducing costs of financing; towards this end, on the back of improved industry conditions and higher urea offtake and DAP sales, the Company delayed its drawdown of long-term loans and raised PKR 8.2 billion for capex financing, while repaying PKR 8.3 billion during the year. We plan to gradually reduce our loan portfolio in the coming years. Long term borrowings at year end 2018 were PKR 30.8 billion (2017: PKR 30.9 billion). Total equity as at December 31, 2018 stands at PKR 45.5 billion (2017: PKR 42.5 billion). During the year, PACRA upgraded EFert's long-term credit rating to AA from AA- and maintained the short-term credit rating of A1+ respectively.

Outlook

Globally, urea demand in 2019 is expected to grow marginally by 1.7%, while supply is expected to trend moderately higher with new capacities entering the global market. International urea prices are expected to remain soft at current levels on the back of North America and India slightly reducing their reliance on imports. This is likely to put pressure on suppliers to find other markets for their product.

Local urea demand for 2019 is expected to remain stable at current levels due to price in-elasticity of Urea. Production for 2019 is expected to be 5.6 M tons (excluding LNG plants). The delta between demand and supply will either be met by imports or operation of LNG based plants.

International DAP prices are expected to remain at relatively the same level in 2019. Local demand, however, is expected to decline slightly due to rising DAP prices post rupee devaluation.

HEALTH, SAFETY & ENVIRONMENT

The safety of our workers has always been of paramount importance and a key priority for Engro Fertilizers. We work hard to provide a positive health, environment and safety culture to our employees backed by processes and training so that HSE is second nature to everyone. We remain committed to providing the safest working environment to our employees, particularly at our manufacturing facilities while vigilantly fulfilling our environmental duties and responsibilities. We also aspire to raise the bar above globally acceptable standards every year.

However, despite of our efforts and commitment to HSE, we were reminded of the criticality of our relentless devotion to safety, when earlier in the year we suffered a fatality. An unfortunate incident occurred at one of the evaporation ponds in which a security guard accidently drowned. A detailed investigation of the event was carried out to identify the root cause for the incident. Subsequently, a detailed action plan was developed and implemented to avoid its recurrence in the future.

- **Upholding the highest levels of Safety-Certifications achieved during the year**

Engro Fertilizers achieved excellence level (Rating 4) from DuPont-USA in "Occupational Health & Industrial Hygiene Systems", and a top-notch rating in "Process Safety Management (PSM) from DuPont in 2018 in an external audit conducted by world renowned experts in safety and OHIH systems & standards. We also had a successful surveillance audit of IMS and IFA-Protect & Sustain certification.

On Food handling and safety, surveillance audits were conducted, and HACCP certifications were successfully sustained for all food clubs and canteens.

- **Cultivating the Safety-First mindset**

We launched "How Might We", "I Ambassador HSE" & "Pause for Safety" programs, to improve operational discipline by empowering our sites to lead various initiatives. With these programs we strive to change the mindsets and behaviors of our employees, on the personal and professional front.

Promoting health & well-being

The "Healthy Daharki Project" phase-2 was launched to improve lifestyles of the community, including "Bike to work" campaign and "Health Awareness" sessions.

Our HSE expertise was sought out within the Engro group and outside it. We provided HSE services to other subsidiaries including EMS facilitation for EPQL. We also conducted HAZOP Studies for Unilever sites in 2018.

Our HSE Performance	
Total Recordable Injury Rate (TRIR)	0.09
Loss Workday Injury (LWI)	1
Total Man-hours	13.2 M
Fatalities	1
Recordable Injuries	4

Our initiatives to scale HSE initiatives and welcome them to the digital age also continued. OPERA Phase-2/3 for MOC and Risk Management was developed and launched successfully.

We ensure that all employees in plant operations at all our manufacturing facilities are provided an outline of the process and operating procedures, with an emphasis on specific HSE hazards, emergency operations and safe work practices. The Occupational Health Program at the company includes aspects of industrial hygiene and occupational medicine. In addition, all employees are trained and kept abreast of technological changes and safety-related aspects of their jobs.

CORPORATE SOCIAL RESPONSIBILITY

Engro Fertilizers believes that a robust and prosperous society is imperative for the growth of business, such that our growth as an organization is intertwined with the development of society. Built on an inclusive growth philosophy, we prosper when Pakistan prospers as a whole. The Company targets impoverished, bottom-of-the-pyramid communities around our business operations to raise their economic conditions, thereby making our value chains stronger and sustainable.

Social purpose is integrated into Engro Fertilizers' business model. We passionately believe in "shared value" where benefits extend beyond employees and shareholders to communities in our areas of business and the nation at large. We invest in sustainable initiatives that impact lives and result in enduring economic change. We hold ourselves accountable for the impact of our business decisions and take ownership of the welfare and development of the communities with whom we engage. We aspire to exceed the expectations of business goals and endeavor to fulfil sustainable social goals. This vision is demonstrated by our CSR wing – Engro Foundation – which strives to improve the lives of people living in low-income communities with impact investments.

Engro Fertilizers undertakes community engagement initiatives and social investments, to combine financial and managerial resources to enrich lives and pave the way for sustainable living. We channel our passion and aspirations to positively impact Pakistan with a focus on, but not limited to, the following:

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

Our aspirations go beyond corporate philanthropy and we aim to build a sustainable inclusive business strategy.

Community Investment and Infrastructure Development

A key component of our social investment strategy is community engagement and infrastructural development to uplift quality of life. Incorporating the needs and values of people living in our target communities in policy development and planning, decision-making, service delivery and assessment is at the heart of our smart and sustainable social interventions. Throughout the year, we invested in capacity building in the areas of livelihood, education and infrastructure development in and around Daharki. Our interventions included renovation of educational facilities, upgrading of community physical infrastructure, provision of income generation opportunities, and provision of basic health treatment through medical care centers.

During the year, the RO plant at Jan Mohammad Bugio was successfully converted to solar power, ensuring clean water availability while conserving energy. Additionally, a sewerage line was laid down in Jung in the Christaintian, Patafi and Burrerio Mohalas, while the railway station at Daharki was upgraded to improve service levels.

Education

Education has always been one of our core focus areas for social investments. Education is a basic human right and the foundation on which a life of opportunity and an escape from poverty is built. Since our inception, we have worked passionately to provide education to the underprivileged communities around our manufacturing facility, while improving quality and learning outcomes at all levels.

On December 31, 2018, the enrollment at our 13 adopted government schools stood at 1,424 students. Our Katcha school network continues to operate as per plan, along with the addition of the first girls middle school in Ghazi Chachar with support from CDP, private donors and Engro. Sahara Welfare School also continues to deliver quality education in our neighboring communities throughout the year, with new rooms and playground added to the school. The additions helped in facilitating more students, and this year the total number of students jumped to 533 from 481 in 2017.

Livelihood

• Technical Training Centre (TTC), Daharki

The Technical Training Centre (TTC), Daharki, established with the help of Engro Fertilizers, serves as the fulcrum of our skills training programs. The College offers a 3-year Diploma in Associated Engineering (DAE) in Chemical and Mechanical technologies, as well as short-term vocational training programs for the youth living in the Daharki vicinity. Over the years, we have helped the College develop and deploy a placement software, which will act as a student databank and will be used for tracking alumni employment for impact evaluation and governance of the College. In addition, a manpower recruitment study was conducted for the TTC, which identified employment opportunities for TTC graduates overseas. For vocational training courses, a partnership with USAID worth PKR 7 million was secured to train youth to become carpenters, welders, and general electricians.

Around 540 trainees were enrolled in TTC in 2018. The number of graduates were 380, swelling the TTC alumni pool to 2,478 graduates till date. Around 240 new trainees were inducted to equip them with employment and entrepreneurial skills and empower them to become valuable and contributing members of the community.

The strength of the Diploma (DAE) program stands at 407 students in 2018. Of these, 112 students were new inductees, while we were privileged to witness 137 students graduate and join the ranks of alumni, bringing the total Alumni network to 384 individuals.

• Pathways to Success

In 2017 we implemented a ground-breaking USAID funded Project in Karachi and Ghotki called "Pathways to Success" focused on improving access and opportunity of livelihood for girls.

During 2018, this project completed major targets including training 1500+ adolescent girls in LSBE (Life Skills Based Education) from government schools in Karachi and Ghotki. Additionally, business startup toolkits were distributed to 39 young entrepreneurs in Ghotki, along with mentorship and facilitating market linkages.

To inculcate and facilitate a learning environment for young girls, Faiz Library was established at Sahara Welfare School, which continues to host 20+ girls from nearby villages for book club and mentorship sessions.

Agri. Value Chain Projects

• Partnerships and Value Expansion (PAVE) for inclusive seed systems

PAVE Pakistan is a two-year business inclusive project jointly funded by DFAT (Department of Foreign Affairs and Trade) Australia and Engro Fertilizers Limited, which aims to develop the seed value chain of rice, wheat and vegetables in Pakistan, making it more inclusive to smallholder farmers by building their capacities and creating market linkages for them.

Smallholder farmers in this project will benefit primarily through increased income gained from producing and selling certified seed, which can be sold at a higher price than regular crops. The enrolled farmers will also benefit from knowledge of new farming practices, including HSE awareness and marketing techniques.

During the year, 4,425 (including 604 female) beneficiaries have been engaged in the project.

- **Project *Humqadam***

Humqadam is an initiative to help subsistence level farmers (with land size of less than 12.5 acres) by providing them with interest-free loans (in-kind) for crop input, and other agri services. This will also help us connect with the farmers at the grass root level.

The company launched the project in the current Rabi Wheat cycle in 4 districts, where interest free loans were provided to 205 farmers.

Healthcare Services

Our health projects continued to provide essential services. The Sahara Clinic treated a total of 9,528 patients, while the singular snake-bite treatment facility treated a total of 7,998 patients. More than 350 awareness sessions were held for Hepatitis awareness, attended by 9,860 participants. A total of 8,441 people were vaccinated, while 143 HC patients were treated and cured during the year.

Energy Conservation

Reduction in consumption of energy resources is of topmost priority at EFert. The Company continuously seeks to undertake measures to conserve energy, besides regularly conducting energy conservation awareness drives at Head Office and plant sites

Further, as part of our commitment to conserve energy, we have successfully sustained "Green Office" certifications awarded by WWF for our Head Office, all zonal offices and Zarkhez Plant.

Protecting the Environment

- **Carbon Footprint reduction**

Engro Fertilizers undertook a carbon footprint quantification, verification & benchmarking exercise of international standards in 2017, and has developed an action plan to bring the Company in line with globally acceptable levels for a Fertilizer complex.

In line with the action plan, Engro Fertilizers successfully met its Carbon Footprint reduction target for 2017.

- **One Million Tree Project**

Engro Fertilizers initiated a landmark project of One Million Trees in 2018, and an MoU was signed with Sindh Forest Department. The goal of the project is to contribute constructively to efforts to reverse environmental degradation, restore biodiversity, reduce carbon footprints and promote a healthy environment for the community.

As per the One Million Tree project, the extension of "Sarhad" and "Meer Pur Mathelo" deserts has been completed by 100 acres as part of Phase-1. For Phase-2, land preparations are being undertaken across 200 acres.

A massive tree plantation in our colony and surroundings was also part of the project. Engro Fertilizers has successfully planted 500,000 trees in Phase-I of the plantation drive.

Sports Promotion and Development

- **Annual Sports Weekend 2018**

Engro Fertilizers held Sports Weekend 2018, to which all participating employees of Engro Fertilizers, including senior management and players from other

Engro subsidiaries, were invited. The Sports Weekend kicked off with an awe-inspiring opening ceremony, followed by competitive indoor and outdoor games such as cricket, football, volleyball, chess, tennis, table tennis etc.

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

Engro Fertilizers as part of Engro group, was one of the sponsors of Quetta Gladiator team in PSL 2018, and is also the sponsor for 2019 season.

- **Franchise owner of 'Karachi Zorawars' in Super Kabaddi League**

Engro Fertilizers participated in Pakistan's first ever International Super Kabaddi League held in 2018, as team franchise owners of "Karachi Zorawars". Major international kabaddi players participated in the league and it was widely covered by national TV channel as well as on social media.

PROMOTING UN GLOBAL COMPACT (UNGC) PRINCIPLES AND SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The PAVE Project by Engro Fertilizers was one of the main initiatives in the United Nations Global Compact Business Sustainability Award won by our parent company, Engro Corporation, in the Large National Companies category for its consistent and sustainable efforts in 2018. The PAVE Project is directly aligned with the following Sustainable Development Goals (SDGs): Goal 2: Zero Hunger, Goal 5: Gender Equality, Goal 8: Decent Work and Economic Growth, Goal 12: Responsible Production and Consumption. In addition to these, all other initiatives undertaken by the Company are geared at promoting all the SDGs, particularly the following: Goal 1: No Poverty, Goal 3: Good Health and Well-being, Goal 6: Clean Water and Sanitation, Goal 9: Industry, Innovation and Infrastructure, Goal 10: Reduced Inequalities.

OUR COMMITMENT TO OUR PEOPLE

One of the core drivers of organizational growth are its people. Engro Fertilizers' HR strives to uphold this philosophy to achieve organizational excellence by acquiring, developing, managing and retaining talent to build organizational capability.

The year 2018 was declared as the "Year of Learning" for Engro Fertilizers, reinforcing our focus on human capital development through a series of meticulously planned initiatives and activities.

The following is HR's contribution to drive Engro Fertilizers' success in the market.

Maintaining focus on gauging the true pulse of the organization through:

- Enhanced engagement of HR at all levels of the organization
- Identification and addressing employee concerns to foster trust in organizational development systems and processes

Talent Management

To seamlessly enable organizational sustainability and continuity through:

- Structured skill development opportunities covered in the Transitional Training Model (Technical + Management Skills Interventions)
- Effective succession and career planning strategy
- Leadership Pipeline Development Framework
- A new Mentorship Program, with a comprehensive monitoring and execution mechanism
- Continuous focus on de-clogging talent pipeline to ensure organizational health

Talent Acquisition

To proactively create a candidate pipeline by continuously attracting talent and reducing recruitment lead time through:

- A new recruitment and induction process
- Review of new HR ISO standards to assess EFert HR's alignment
- Deep dive data analysis of attrition to identify areas of improvement
- Creation of a conducive environment by developing a diverse talent pool including PWDs, gender diversity and sensitizing our hiring practices
- Developing an external talent pool

HR Services & Operational Excellence

To facilitate process efficiency, attain internal customer satisfaction and enable a high-performance culture by:

- Formulating KPIs for HR to develope a customer service orientation
- Analyzing all HR processes to weed out inefficiencies

At Engro Fertilizers, we are cognizant of the dynamic operating environment we operate in. Based on this insight, we have consistently leveraged use of ICT to improve accessibility of HR related information across our target audience. New and improved systems have been implemented across HR to provide better and faster solutions.

Gender Diversity

The Company is committed to promoting diversity in the workplace by providing equal opportunities to all, based on merit and suitability. Currently, females comprise 8% of the middle and senior management and with the increased focus, there is a determination to increase this number in the coming years.

Employment of Special Persons

Employment of Special Persons was an objective of the Company and HR for 2018 to ensure inclusivity within the corporate world. A specific focus towards hiring special persons was maintained, through specific induction drives which resulted in successful hiring.

Communications

- CEO sessions with employees were held during the year to keep them aware of the strategic direction of the Company
- Half-yearly magazines were published and distributed to all employees to bridge communication amongst all facets
- EFert has used Facebook Workplace to reiterate the values of the Company among the employees

Industrial Relations

Engro Fertilizers Limited appreciates employee rights, including those of Collective Bargaining Agent, besides providing special incentives to maintain industrial peace through avoidance of labor disputes and operating disruptions. In addition, many opportunities are provided to these employees through social and professional events to engage and enhance their skills and performance.

BUSINESS ETHICS & ANTI-CORRUPTION MEASURES

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

- Code of Conduct
- Fraud Risk Management- (During 2018, EFert conducted Fraud Risk Management workshops for its employees)
- Governance of Conflicts of Interest
- Statement of Ethics and Business Practices
- Whistleblower Policy
- Governance of transactions/contracts with related parties

CONSUMER PROTECTION MEASURES

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

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

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year 2018, Engro Fertilizers contributed over Rs 19.5 billion (2017: Rs 18.7 billion) towards the national exchequer by way of Government taxes, duties and levies

Further, value addition in terms of savings in foreign exchange amounted to approximately USD 581 million through import substitution of 1,986 KT of urea manufactured and sold in the country by Engro Fertilizers in 2018.

STATEMENT OF CHARITY ACCOUNT

PKR in million	2018	2017
Community Welfare & Infrastructure	47	47
Education	29	23
General	11	9
Healthcare	6	4
Environment	7	-
Grand Total	100	83

INTERNAL CONTROL FRAMEWORK

- **Responsibility:**

The Board is ultimately responsible for the Company's systems of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable rather than absolute assurance against material misstatement or loss. The Board, whilst maintaining its overall responsibility for managing risk within the Company, has delegated the detailed design and operation of the system of internal controls to the Chief Executive.

- **Framework:**

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

- **Review:**

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

The Board Audit Committee receives reports on the system of internal financial controls from the external and internal auditors and reviews the process for monitoring the effectiveness of internal controls. There is a company-wide policy governing appraisal and approval of investment expenditure and asset disposals. Once projects are completed, reviews are performed on all material investment expenditure.

DIRECTORS' REMUNERATION

The Board of Directors has duly approved the remuneration of the members of the Board for attending meetings of the Board and its committees.

The remuneration is determined with the level of responsibility and expertise, to attract and retain the best talent while ensuring that their independence is not compromised in any manner.

DIVIDENDS AND APPROPRIATIONS

Profit after tax distribution is as under:

	2018
	PKR in '000
Profit after tax	17,413,518
Dividends:	
- Final 2017: PKR 3.00 per share	(4,005,898)
- 1st interim 2018: PKR 4.00 per share	(5,341,198)
- 2nd interim 2018: PKR 4.00 per share	(5,341,198)
	(14,688,294)
Balance transferred to Retained Earnings	2,725,224

PENSION, GRATUITY AND PROVIDENT FUND

The employees of the Company participate in Retirement Funds maintained by Engro Corporation (the Parent Company). The Company contributes to plans that provide post-employment and retirement benefits for its employees. These include DC provident fund, DC gratuity plan and DB gratuity plans. The value of net assets of Provident Fund (as at June 30, 2018), Gratuity funds (as at December 31, 2017) and Pension Funds (as at December 31, 2017) based on their respective audited accounts (except Provident Fund) are;

Provident Fund: PKR 3,876 million (EFert's share: ~PKR 1,861 million)

DC Pension Fund: PKR 719 million (EFert's share: ~PKR 474 million)

DB Pension Fund: PKR 40 million (All EFert)

DC Gratuity Fund: PKR 1,564 million (EFert's share: ~PKR 719 million)

DB NMPT Gratuity Fund: PKR 164 million (All EFert)

DB MPT Gratuity Fund: PKR 244 million (EFert's share: ~PKR 159 million)

AUDITORS

The existing auditors, A.F. Ferguson & Co., Chartered Accountants retire and being eligible, have offered themselves for re-appointment. The Board Audit Committee recommends their appointment as auditors for the year ending December 31, 2019

PATTERN OF SHAREHOLDING

Major shareholding of Engro Fertilizers Limited is with Engro Corporation. A statement of the general pattern of shareholding along with statement of purchase and sale of shares by Directors, Executives and their spouses and minor children, during 2018 is shown later in this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

BOARD COMPOSITION AND ATTENDANCE

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

a. Male: Seven
b. Female: One

In 2018, the Board of Directors held 6 meetings to cover its complete cycle of activities.

The attendance record of the Directors is as follows:

Ghias Khan	Non-Executive Director-Chairman	6/6
Ruhail Mohammed	Executive Director	6/6
Javed Akbar	Independent Director	6/6
Abdul Samad Dawood	Non-Executive Director	5/6
Asad Said Jafar	Independent Director	6/6
Sadia Khan	Independent Director	4/6
Asim Murtaza Khan	Independent Director	6/6
Nadir Salar Qureshi	Executive Director	5/6

BCC COMPOSITION AND ATTENDANCE

In 2018, the Board Compensation Committee held 2 meetings to cover its complete cycle of activities.The attendance record of the Directors is as follows:

Javed Akbar-Chairman	2/2
Ghias Khan-Member	2/2
Abdul Samad Dawood-Member	2/2

BAC COMPOSITION AND ATTENDANCE

In 2018, the Board Audit Committee held 4 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

Asad Said Jaffar-Chairman	3/4
Javed Akbar-Member	4/4
Sadia Khan-Member	2/4

Ghias Khan
Chairman

Nadir Salar Qureshi
Chief Executive Officer

forward-looking statement

2018 has been a year of record profitability for the Engro Fertilizers and the company plans to build upon the exemplary performance showcased by its business units. The Company will continue to leverage its strong brand name to enhance its foot print in the agriculture arena and aims to continue playing its part in guaranteeing food security for the Country .

Engro Fertilizers, keeping in mind the need of the Country, has planned on undertaking reliability expenditures which should ensure maximum utilization of its production facilities. Engro Fertilizers will continue to play its role in providing Agri-inputs to farmers at optimal prices while also providing for valuable import substitution. The Company will be looking forward to continued support from the Government in relation to availability of gas and its pricing.

Engro Fertilizers is continuously exploring avenues to maximize its product portfolio, both in the manufacturing and the trading divisions to enrich availability of resources to the farmer. Engro Fertilizers is also aiming at introducing high tech farm equipment to the average farmer in the country to ensure more optimal use of resources to enhance the local agriculture yields. Simultaneously, the Company has also launched various initiatives at the ground level to guide the farmer to assist bridging the severe yield gap which exists in Pakistan.

The Company expects stable Urea demand in the coming year, supported by positive farmer sentiments. However, demand for Phosphates is likely to decline due to escalation in prices and higher channel inventory. The Company has been benefiting from growth in its other businesses, namely the Specialty Fertilizer Business as well as the Crop Sciences Division, and expects them to continue to progress.

Engro Fertilizers remains wary of the gas situation in the Country and has been taking measures to efficiently use its allocated share. However, any disruption in availability of gas and its distribution will pose a threat to Company's profitability. Furthermore, erratic movement in PKR/ USD parity poses a threat to Company's gross margins due to its impact on the traded products as well as the dollar linked gas. Whereas, various government measures including application of GIDC and super tax are likely to hurt profitability.

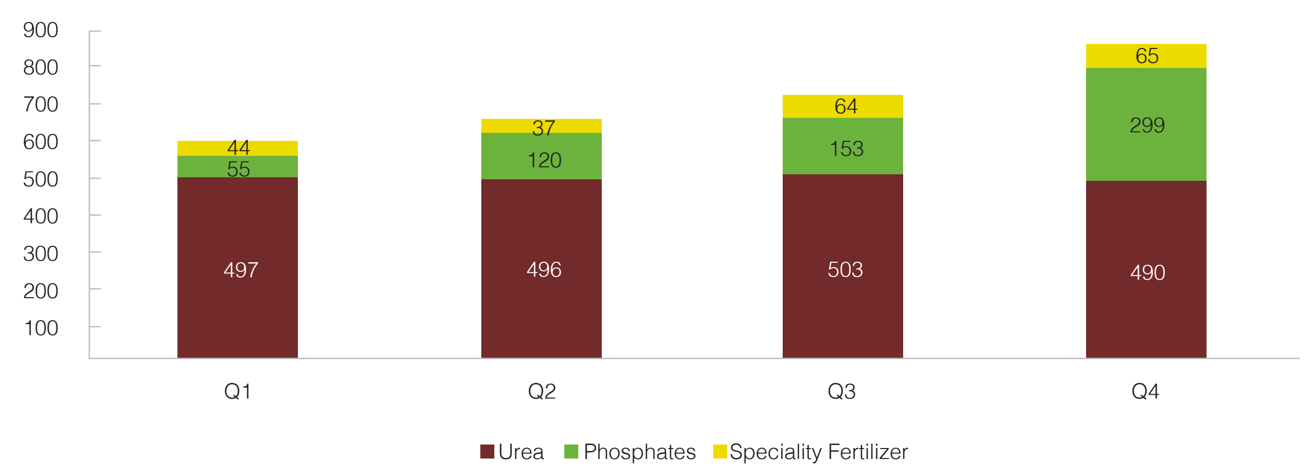
The Company takes a holistic view while detailing out plans for the coming years, which includes studying the local as well as the global agriculture landscape. Engro Fertilizers continues to keep the wellbeing of the farmer in mind during its planning cycle, focusing on providing the farmer with a wide portfolio of solutions at optimal prices. Assumptions used and forecasts made are by inhouse Company resources, valuable inputs from whom were taken based on their specialized experiences and thus no external advise was sought for the purpose.

quarterly analysis

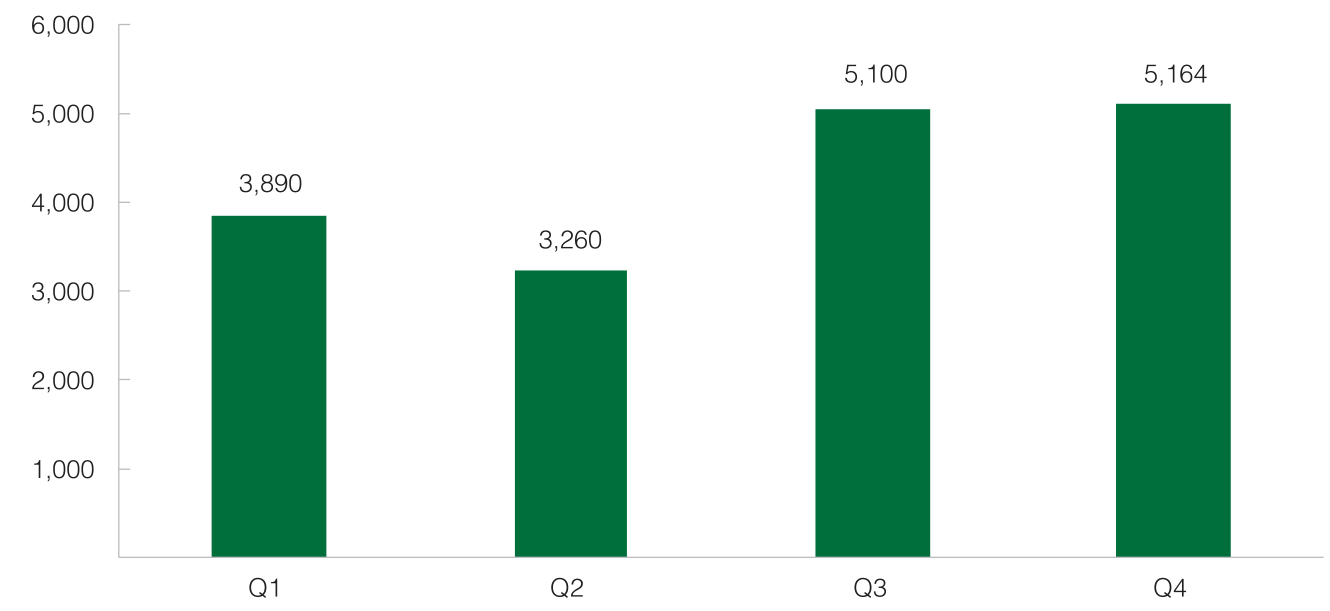
(Rupees in million)

Description	Q1	Q2	Q3	Q4	FY 2018
Net sales	18,219	22,898	28,099	39,981	109,197
Cost of sales	(10,888)	(16,208)	(18,223)	(28,561)	(73,880)
Gross profit	7,331	6,690	9,876	11,420	35,317
Selling and distribution expenses	(1,665)	(1,606)	(1,975)	(2,762)	(8,008)
Administrative expenses	(296)	(217)	(299)	(773)	(1,585)
Other income	1,145	509	214	194	2,062
Other operating expenses	(404)	(169)	(453)	(406)	(1,432)
Finance cost	(524)	(362)	(534)	(651)	(2,071)
Profit before tax	5,587	4,845	6,829	7,022	24,283
Tax	(1,697)	(1,585)	(1,729)	(1,857)	(6,869)
Profit after tax	3,890	3,260	5,100	5,164	17,414

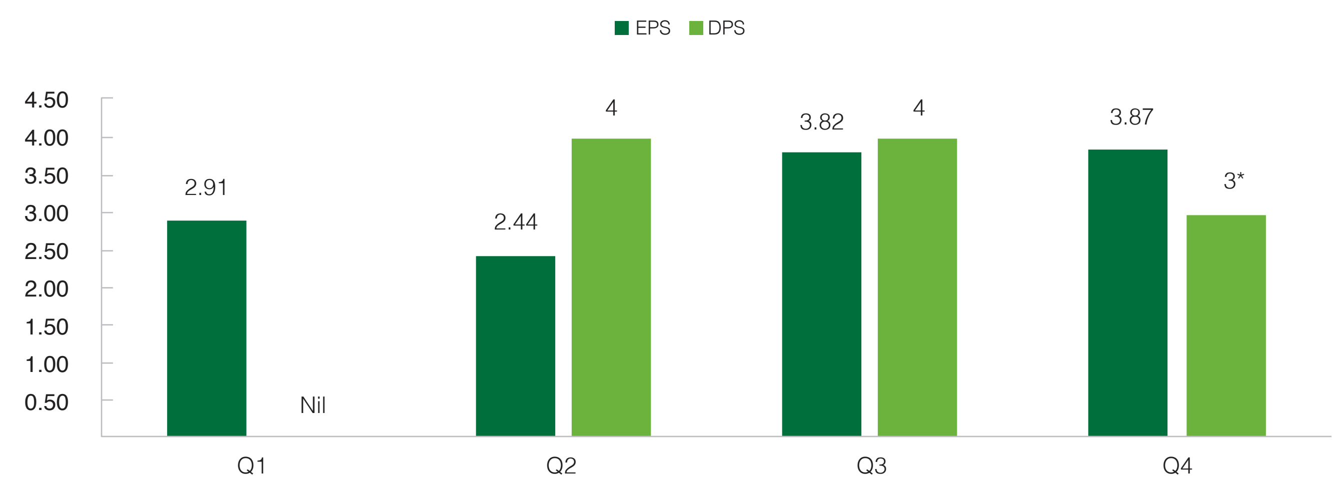
Quarter Wise Sales Volumes (KT)



Profit After Tax (Rupees in million)



Earnings / Dividends Per Share



*Final dividend for the year ended December 31, 2018 recommended for approval of members at the Annual General Meeting.

QUARTER 1

Production

The Company's urea production in 1Q 2018 stood at 517KT as compared to 447KT same period last year (SPLY), an increase of 16% YoY due to plant shutdown in 1Q last year.

Sales Revenue

Urea sales during the period clocked in at 497KT compared to 269KT in 1Q 2017, an increase of 85% YoY because of overall increase in urea market and lower industry avails vs 1Q 2017.

Phosphate sales during 1Q 2018 stood at 55 KT vs 37 KT last year, up 49% YoY. Higher sales were led by pre-buying in anticipation of rising international prices.

The Company's blended fertilizer (Zarkhez and Engro NP) sales clocked in at 44KT in 1Q 2018 vs 31KT during the same period last year, an increase of 42%, mainly due to industry avails.

Net revenue for the quarter stood at PKR 18 B vs PKR 10 B SPLY mainly due to increase in volumes as explained above, increase in prices of urea from average of PKR 1,270/bag in Q1 2017 to PKR 1,370/bag in Q1 2018 and increase in prices of DAP due to rising exchange rate.

Cost of Sales and Other Operational Costs

Gross profit margin stood at 40% in Q1 2018 vs 35% in Q1 2017, mainly due to better prices of urea vs SPLY.

Selling expenses increased by 29% from in Q1 2017 mainly due increase in sales volume.

Finance Cost

Finance cost was lower at PKR 524 M (vs PKR 687 M last year) as a result of improved working capital, lower benchmark interest rates and re-pricing of various long-term loans.

Profit

Company's consolidated profit for the quarter stood at PKR 3.9 B vs. PKR 1.6 B in the corresponding period last year. Higher profitability was led by higher urea offtake and higher domestic prices.

QUARTER 2

Production

Company's urea production in Q2 2018 stood at 414 KT a decline 17% from SPLY and mainly due to a plant turnaround in 2Q 2018.

Sales Revenue

Urea sales stood at 496 KT, declining by 5% from SPLY mainly due to increase in urea prices post elimination of subsidy in Q2 2018.
Phosphates sales during Q2 2018 stood at 120 KT vs 58 KT SPLY, a whooping increase of 107% YoY. Higher sales were due to (i) constant efforts to improve channel management, product quality and consistency (ii) pre-buying because of rising international prices, and (iii) coupon-based subsidy (direct to farmer) in Punjab.

The Company's Specialty fertilizer sales clocked in at 37KT increasing by 12% from SPLY, mainly due to better industry avails and subsidy on potash.

Net revenue of the Company increased by 33% from SPLY mainly due to increase in volumes, price increase of urea post elimination of subsidy and increase in DAP prices due to escalating international prices.

Cost of Sales and Other Operational Costs

Gross profit margin stood at 29% for Q2 2018, almost in line with SPLY.

Selling costs declined by 14% from SPLY despite increase in sales revenue, mainly due to savings in freight cost caused by change in sales region mix.

Finance Cost

Finance cost was significantly lower from SPLY mainly due to improved working capital.

Profit

Company's Net profit stood at PKR 3.2 B increasing by 32% from SPLY. Higher profitability vs SPLY was mainly due to one-off tax effects arising out of the Budget announcement of reducing tax rate from 30% in phases to 25% and increase in volumes and prices of phosphates.

QUARTER 3

Production

The Company's urea production in Q3 2018 stood at 497 KT increasing by 9% from SPLY, mainly due to higher production days in Q3 2018.

Sales Revenue

Urea sales during the period clocked in at 503 KT an increase of 15% from SPLY, mainly due to higher production days leading to better avails.

Phosphate sales during Q3 2018 stood at 153 KT Vs 139 KT in SPLY, due to better product availability.

The Company's Specialty fertilizer sales clocked in at 65 KT increasing by 64% from SPLY, mainly due to better potash avails and application of potash on non-conventional crops.

Net revenue of the Company increased by 33% from SPLY mainly due to increase in volumes and price increase of urea and DAP.

Cost of Sales and Other Operational Costs

Gross profit margin stood at 35% for Q3 2018 Vs 29% in SPLY, mainly due to better prices of DAP and urea vs. SPLY.

Selling costs increased by 13% from SPLY due to increase in average freight costs due to change in sales region mix, offset by savings in warehousing cost due to significant decline in average stock levels of urea.

Finance Cost

Finance cost was lower than SPLY by 23% due to improved working capital and reduction in long term loans.

Profit

Company's net profit stood at PKR 5 B for Q3 2018 vs PKR 2.8 B in Q3 2017. Higher profitability was led by higher urea and Phosphates offtake and higher domestic prices.

QUARTER 4

Production

Company's Urea production stood at 500 KT vs 407 KT in SPLY, an increase of 23%, mainly due to higher production days in Q4 2018 vs Q4 2017.

Sales Revenue

Urea sales during the period declined to 490 KT in Q4 2018 vs 508 KT in Q4 2017, mainly due to increase in urea prices post increase in gas prices by OGRA.

Phosphates sales stood at 299 KT in Q4 2018 increasing by 12% from SPLY due to better penetration in Punjab and improvement in product quality and consistency.
The Company's Specialty fertilizer sales clocked in at 65 KT increasing by 48% from SPLY, mainly due to better market penetration.

Net revenue of the Company increased by 40% from SPLY, mainly due to increase urea and DAP prices and increase in volumes of phosphates and other trading products.

Cost of Sales and Other Operational Costs

Gross profit margins remained in line with SPLY.

Selling costs increased by 18% from SPLY due to increase in volumes offset by savings of reduced stock levels.

Finance Cost

Finance cost remained in line with SPLY.

Profit

Company's Net profit for Quarter stood at PKR 5.2 B increasing by 24% vs Q4 2017, mainly due to higher urea prices and higher phosphates offtake.

ANALYSIS OF VARIATION IN INTERIM ACCOUNTS WITH FINAL ACCOUNTS

Efert's net sales grew from PKR 18 B in Q1 to PKR 109 B for Full year 2018. Company's highest quarterly sales were recorded in the last quarter mainly due to increase in urea prices and higher DAP offtake.

Company's Gross profit stood at PKR 7.3 B in Q1 2018, which increased to PKR 35 B for Full year 2018. Company's highest quarterly gross profit was recorded in Q4 2018 of PKR 11.4 B, mainly due to increase in urea prices from October 2018 and increase in phosphate sales.

Gross profit margin of the company reduced from 40% in Q1 to 32% for FY 2018, due to increase in cost of sales associated with increase in sales volume of phosphates Vs Q1, which has lower margins as compared to Urea, and increase in crude oil prices resulting in overall increase in gas cost throughout the year.

Net profit for the company increased from PKR 3.9 B in Q1 2018 to PKR 17.4 B for FY 2018, on back of increased revenue caused by higher urea prices, increase in phosphates sales, and higher inventory holding gains caused by increasing international prices of phosphates and other trading products.

Overall the net profit margin decreased from 21% in Q1 2018 to 16% for FY 2018, mainly due to decline in gross profit margins as explained above.

horizontal analysis

Consolidated Statement of Financial Position

(Amounts in millions)

	2018 Rs.	18 Vs. 17 %	2017 Rs.	17 Vs. 16 %	2016 Rs.	16 Vs. 15 %	2015 Rs.	15 Vs. 14 %	2014 Rs.	14 Vs. 13 %	2013 Rs.	13 Vs. 12 %	2012 Rs.
EQUITY AND LIABILITIES													
EQUITY													
Share capital	13,353	-	13,353	0.3	13,309	-	13,309	1.0	13,183	7.8	12,228	14.0	10,728
Share premium	3,385	-	3,385	8.1	3,132	-	3,132	38.5	2,261	20,454.5	11	-	11
Advance against issue of shares	-	-	-	-	-	-	-	-	-	(100.0)	2,119	100.0	-
Exchange revaluation reserves	409	392.8	83	654.5	11	(21.4)	14	100.0	-	-	-	-	-
Hedging reserve	-	-	-	-	-	(100.0)	(4)	(89.7)	(39)	(73.6)	(148)	(54.4)	(324)
Remeasurement of post employment benefits	(45)	(4.3)	(47)	74.1	(27)	(32.5)	(40)	185.7	(14)	(33.0)	(21)	100.0	-
Unappropraited profits	28,421	10.6	25,696	1.9	25,223	(2.7)	25,921	35.8	19,088	75.4	10,880	102.1	5,383
	45,523	7.2	42,470	2.0	41,648	(1.6)	42,332	22.8	34,479	37.5	25,069	58.7	15,798
NON-CURRENT LIABILITIES													
Borrowing	25,715	12.9	22,784	(22.5)	29,380	16.2	25,290	(29.9)	36,091	(31.8)	52,896	9.1	48,482
Working capital loan from Holding Company	-	-	-	-	-	-	-	-	-	(100.0)	3,000	-	3,000
Derivative financial instruments	-	-	-	-	-	-	-	(100.0)	7	(99.5)	1,531	207.5	498
Deferred liabilities	7,161	(24.2)	9,454	25.0	7,561	26.8	5,960	14	5,227	12.3	4,655	37.7	3,381
Service benefit obligations	193	10.3	175	11.5	157	25.6	125	10.6	113	8.6	104	5.1	99
	33,069	2.0	32,413	(12.6)	37,098	18.2	31,375	(24.3)	41,438	(33.4)	62,186	12.1	55,460
CURRENT LIABILITIES													
Trade and other payables	29,072	32.3	21,966	46.7	14,969	(15.4)	17,702	(28.4)	24,727	37.3	18,012	126.3	7,960
Accrued interest / mark-up	426	(28.4)	595	1.9	584	(31.5)	852	(37.4)	1,362	(8.0)	1,480	(17.2)	1,788
Taxes payable	3,408	273.3	913	(17.3)	1,104	(57.4)	2,593	283.6	676	100.0	-	-	-
Current portion of													
- Borrowings	5,096	(37.2)	8,120	57.0	5,172	(51.8)	10,737	35.7	7,913	170.6	2,924	(80.4)	14,896
- Retirement and other service benefits obligations	51	2.0	50	2.0	49	2.1	48	11.6	43	(2.0)	44	9.7	40
Short-term borrowings	1,010	(80.8)	5,264	175.6	1,910	2,446.7	75	100.0	-	-	-	(100.0)	1,000
Unclaimed dividend	66	164.0	25	25.0	20	233.3	6	100.0	-	-	-	-	-
Derivative financial instruments	-	-	-	(100.0)	250	(31.7)	366	(66.4)	1,090	411.6	213	(62.4)	566
	39,129	5.9	36,933	53.5	24,058	(25.7)	32,379	(9.6)	35,811	57.9	22,673	(13.6)	26,250
TOTAL EQUITY AND LIABILITIES	117,721	5.3	111,816	8.8	102,804	(3.1)	106,086	(5.0)	111,728	1.6	109,928	12.7	97,508
ASSETS													
NON-CURRENT ASSETS													
Property, plant and equipment	68,204	(1.0)	68,923	(1.8)	70,168	(2.8)	72,199	(3.7)	74,963	(5.5)	79,315	(4.3)	82,878
Intangible assets	4,488	0.3	4,475	0.5	4,451	(0.2)	4,462	3,681.4	118	(14.8)	138	(14.5)	162
Deferred taxation	-	-	-	-	-	(100.0)	73	100.0	-	-	-	-	-
Long term loans and advances	142	5.2	135	11.6	121	(24.4)	160	70.2	94	(14.0)	109	30.2	84
	72,834	(1.0)	73,533	(1.6)	74,740	(2.8)	76,894	2.3	75,175	(5.5)	79,562	(4.3)	83,124
CURRENT ASSETS													
Store, spares and loose tools	5,325	0.9	5,280	8.0	4,887	5.3	4,639	(1.6)	4,714	7.9	4,369	6.4	4,107
Stock-in-trade	11,538	51.1	7,636	12.3	6,799	(3.3)	7,029	538.4	1,101	(20.3)	1,382	(18.1)	1,687
Trade debts	9,110	68.1	5,419	(28.6)	7,585	235.3	2,262	198.8	757	(0.2)	758	(27.5)	1,046
Derivative financial instruments	-	-	-	-	-	(100.0)	29	100.0	-	(100.0)	130	12,920.7	1
Loans, advances, deposits and prepayments	1,363	17.8	1,157	69.4	683	14.8	595	37.4	433	(30.8)	626	58.4	395
Other receivables	9,044	2.7	8,807	26.1	6,986	414.1	1,359	7,052.6	19	(32.6)	28	(56.0)	64
Taxes recoverable	-	-	-	-	-	(100.0)	705	100.0	-	(100.0)	557	(72.1)	2,000
Accrued income	37	48.0	25	100	-	-	-	-	-	-	-	-	-
Short-term Investments	7,740	(5.2)	8,163	684.9	1,040	(91.1)	11,650	(53.6)	25,086	38.9	18,058	585.3	2,635
Cash and bank balances	730	(59.4)	1,796	2,038.1	84	(90.9)	924	(79.2)	4,443	(0.3)	4,458	82.0	2,449
	44,887	17.3	38,283	36.4	28,064	(3.9)	29,192	(20.1)	36,553	20.4	30,366	111.1	14,384
TOTAL ASSETS	117,721	5.3	111,816	8.8	102,804	(3.1)	106,086	(5.0)	111,728	1.6	109,928	12.7	97,508

vertical analysis

Consolidated Statement of Financial Position

(Amounts in millions)

	2018		2017		2016		2015		2014		2013	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
EQUITY AND LIABILITIES												
EQUITY												
Share capital	13,353	11.3	13,353	11.9	13,309	12.9	13,309	12.5	13,183	11.8	12,228	11.1
Share premium	3,385	2.9	3,385	3.0	3,132	3.0	3,132	3.0	2,261	2.0	11	0.0
Advance against issue of shares	-	-	-	-	-	-	-	-	-	-	2,119	1.9
Exchange revaluation reserves	409	0.3	83	0.1	11	0.0	14	0.0	-	-	-	-
Hedging reserve	-	-	-	-	-	-	(4)	(0.0)	(39)	(0.0)	(148)	(0.1)
Remeasurement of post employment benefits	(45)	(0.0)	(47)	(0.0)	(27)	(0.0)	(40)	(0.0)	(14)	(0.0)	(21)	(0.0)
Unappropraited profits	28,421	24.1	25,696	23.0	25,223	24.5	25,921	24.4	19,088	17.1	10,880	9.9
	45,523	38.7	42,470	38.0	41,648	40.5	42,332	39.9	34,479	30.9	25,069	22.8
NON-CURRENT LIABILITIES												
Borrowing	25,715	21.8	22,784	20.4	29,380	28.6	25,290	23.8	36,091	32.4	52,896	48.1
Working capital loan from Holding Company	-	-	-	-	-	-	-	-	-	-	3,000	2.7
Derivative financial instruments	-	-	-	-	-	-	-	-	7	0.0	1,531	1.4
Deferred liabilities	7,161	6.1	9,454	8.5	7,561	7.4	5,960	5.6	5,227	4.7	4,655	4.2
Service benefit obligations	193	0.2	175	0.2	157	0.2	125	0.1	113	0.1	104	0.1
	33,069	28.1	32,413	29.0	37,098	36.1	31,375	29.6	41,438	37.2	62,186	56.6
CURRENT LIABILITIES												
Trade and other payables	29,072	24.7	21,966	19.6	14,969	14.6	17,702	16.7	24,727	22.1	18,012	16.4
Accrued interest / mark-up	426	0.4	595	0.5	584	0.6	852	0.8	1,362	1.2	1,480	1.3
Taxes payable	3,408	2.9	913	0.8	1,104	1.1	2,593	2.4	676	0.6	-	-
Current portion of												
- Borrowings	5,096	4.3	8,120	7.3	5,172	5.0	10,737	10.1	7,913	7.1	2,924	2.7
- Retirement and other service benefits obligations	51	0.0	50	0.0	49	0.0	48	0.0	43	0.0	44	0.0
Short-term borrowings	1,010	0.9	5,264	4.7	1,910	1.9	75	0.1	-	-	-	-
Unclaimed dividend	66	0.1	25	0.0	20	0.0	6	0.0	-	-	-	-
Derivative financial instruments	-	-	-	-	250	0.2	366	0.3	1,090	1.0	213	0.2
	39,129	33.2	36,933	33.0	24,058	23.4	32,379	30.5	35,811	32.1	22,673	20.6
TOTAL EQUITY AND LIABILITIES	117,721	100.0	111,816	100.0	102,804	100.0	106,086	100.0	111,728	100.0	109,928	100.0
ASSETS												
NON-CURRENT ASSETS												
Property, plant and equipment	68,204	57.9	68,923	61.6	70,168	68.3	72,199	68.1	74,963	67.2	79,315	72.2
Intangible assets	4,488	3.8	4,475	4.0	4,451	4.3	4,462	4.2	118	0.1	138	0.1
Deferred taxation	-	-	-	-	-	-	73	0.1	-	-	-	-
Long term loans and advances	142	0.1	135	0.1	121	0.1	160	0.2	94	0.1	109	0.1
	72,834	61.9	73,533	65.8	74,740	72.7	76,894	72.5	75,175	67.4	79,562	72.4
CURRENT ASSETS												
Store, spares and loose tools	5,325	4.5	5,280	4.7	4,887	4.8	4,639	4.4	4,714	4.2	4,369	4.0
Stock-in-trade	11,538	9.8	7,636	6.8	6,799	6.6	7,029	6.6	1,101	1.0	1,382	1.3
Trade debts	9,110	7.7	5,419	4.8	7,585	7.4	2,262	2.1	757	0.7	758	0.7
Derivative financial instruments	-	-	-	-	-	-	29	0.0	-	-	130	0.1
Loans, advances, deposits and prepayments	1,363	1.2	1,157	1.0	683	0.7	595	0.6	433	0.4	626	0.6
Other receivables	9,044	7.7	8,807	7.9	6,986	6.8	1,359	1.3	19	0.0	28	0.0
Taxes recoverable	-	-	-	-	-	-	705	0.7	-	-	557	0.5
Accrued income	37	0.0	25	0.0	-	-	-	-	-	-	-	-
Short-term Investments	7,740	6.6	8,163	7.3	1,040	1.0	11,650	11.0	25,086	22.5	18,058	16.4
Cash and bank balances	730	0.6	1,796	1.6	84	0.1	924	0.9	4,443	4.0	4,458	4.1
	44,887	38.1	38,283	34.2	28,064	27.3	29,192	27.5	36,553	32.7	30,366	27.6
TOTAL ASSETS	117,721	100.0	111,816	100.0	102,804	100.0	106,086	100.0	111,728	100.0	109,928	100.0

horizontal and vertical analysis

Consolidated Statement of Profit or Loss

(Amounts in millions)

	2018 Rs.	18 Vs 17 %	2017 Rs.	17 Vs 16 %	2016 Rs.	16 Vs 15 %	2015 Rs.	15 Vs 14 %	2014 Rs.	14 Vs 13 %	2013 Rs.	13 Vs 12 %	2012 Rs.
Horizontal Analysis													
Sales	109,197	41.6	77,129	10.9	69,537	(18.6)	85,421	39.1	61,425	22.5	50,129	63.7	30,627
Cost of sales	(73,880)	37.0	(53,911)	3.5	(52,098)	(6.5)	(55,724)	43.5	(38,822)	38.6	(28,008)	34.9	(20,766)
Gross profit	35,317	52.1	23,219	33.1	17,439	(41.3)	29,697	31.4	22,603	2.2	22,121	124.3	9,861
Selling and distribution expenses	(8,008)	10.5	(7,245)	8.1	(6,705)	22.7	(5,466)	23.1	(4,441)	26.5	(3,511)	40.4	(2,500)
Administrative expenses	(1,585)	22.5	(1,294)	42.7	(907)	1.2	(896)	16.1	(772)	28.5	(601)	3.1	(583)
Other income	2,062	(64.8)	5,866	(28.0)	8,143	85.4	4,393	79.4	2,449	121.6	1,105	191.6	379
Other operating expenses	(1,432)	16.0	(1,234)	7.4	(1,149)	(43.5)	(2,034)	54.3	(1,318)	(36.0)	(2,060)	407.4	(406)
Operating profit	26,354	36.5	19,312	14.8	16,821	(34.5)	25,694	38.7	18,521	8.6	17,054	152.6	6,751
Finance cost	(2,071)	(21.8)	(2,648)	(16.9)	(3,187)	(31.1)	(4,627)	(30.2)	(6,625)	(23.6)	(8,670)	(19.0)	(10,703)
Profit before taxation	24,283	45.7	16,664	22.2	13,634	(35.3)	21,067	77.1	11,896	41.9	8,384	312.1	(3,952)
Taxation	(6,869)	24.7	(5,509)	26.6	(4,351)	(30.4)	(6,249)	69.5	(3,687)	27.7	(2,887)	(383.8)	1,017
Profit after taxation	17,414	56.1	11,156	20.2	9,283	(37.4)	14,818	80.5	8,209	49.3	5,497	287.3	(2,935)

	2018		2017		2016		2015		2014		2013	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Vertical Analysis												
Sales	109,197	100	77,129	100	69,537	100	85,421	100	61,425	100	50,129	100
Cost of sales	(73,880)	(67.7)	(53,911)	(69.9)	(52,098)	(74.9)	(55,724)	(65.2)	(38,822)	(63.2)	(28,008)	(55.9)
Gross profit	35,317	32.3	23,219	30.1	17,439	25.1	29,697	34.8	22,603	36.80	22,121	44.1
Selling and distribution expenses	(8,008)	(7.33)	(7,245)	(9.4)	(6,705)	(9.6)	(5,466)	(6.4)	(4,441)	(7.2)	(3,511)	(7.0)
Administrative expenses	(1,585)	(1.5)	(1,294)	(1.7)	(907)	(1.3)	(896)	(1.0)	(772)	(1.3)	(601)	(1.2)
Other income	2,062	1.9	5,866	7.6	8,143	11.7	4,393	5.1	2,449	4.0	1,105	2.2
Other operating expenses	(1,432)	(1.3)	(1,234)	(1.6)	(1,149)	(1.7)	(2,034)	(2.4)	(1,318)	(2.1)	(2,060)	(4.1)
Operating profit	26,354	24.1	19,312	25.0	16,821	24.2	25,694	30.1	18,521	30.2	17,054	34.0
Finance cost	(2,071)	(1.9)	(2,648)	(3.4)	(3,187)	(4.6)	(4,627)	(5.4)	(6,625)	(10.8)	(8,670)	(17.3)
Profit before taxation	24,283	22.2	16,664	21.6	13,634	19.6	21,067	24.7	11,896	19.4	8,384	16.7
Taxation	(6,869)	(6.3)	(5,509)	(7.1)	(4,351)	(6.3)	(6,249)	(7.3)	(3,687)	(6.0)	(2,887)	(5.8)
Profit after taxation	17,414	15.9	11,156	14.5	9,283	13.4	14,818	17.3	8,209	13.4	5,497	11.0

summary of financial information

(Amounts in millions)

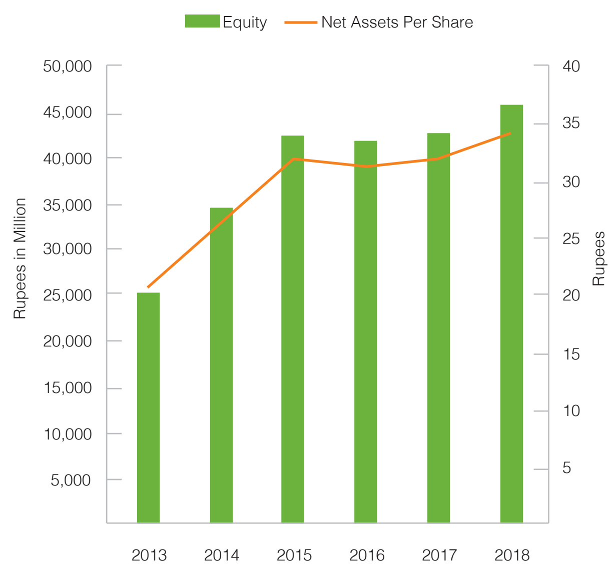
	2018	2017	2016	2015	2014	2013
Summary of Consolidated Statement of Financial Positions						
Share capital	13,353	13,353	13,309	13,309	13,183	12,228
Reserves	32,170	29,117	28,339	29,023	21,296	12,841
Shareholders' funds / Equity	45,523	42,470	41,648	42,332	34,479	25,069
Borrowings	30,811	30,904	34,552	36,026	44,003	55,821
Capital employed	76,334	73,374	76,200	78,358	78,481	80,890
Deferred liabilities	7,161	9,454	7,561	5,960	5,227	4,655
Property,plant & equipment	68,204	68,923	70,168	72,198	74,963	79,315
Non current assets	72,834	73,533	74,740	76,894	75,175	79,563
Current assets	44,887	38,283	28,064	29,192	36,553	30,366
Summary of Consolidated Statement of Profit or Loss						
Net Sales	109,197	77,129	69,537	85,421	61,425	50,129
Gross profit	35,316	23,219	17,439	29,697	22,603	22,121
Operating profit	26,354	19,312	16,821	25,694	18,521	17,054
Profit / (loss) before tax	24,283	16,664	13,634	21,067	11,896	8,384
Profit / (loss) after tax	17,414	11,156	9,283	14,818	8,209	5,497
EBITDA	31,548	24,404	21,857	30,456	23,273	22,006
Summary of Consolidated Statement of Cash Flows						
Net cash flow from operating activities	21,174	22,784	1,047	7,048	19,317	24,813
Net cash flow from investing activities	(5,230)	(8,109)	(1,676)	19,180	(22,604)	(560)
Net cash flow from financing activities	(14,751)	(15,062)	(10,823)	(20,309)	(13,692)	(5,821)
Changes in cash & cash equivalents	1,193	(387)	(11,452)	5,918	(16,978)	18,432
Cash & cash equivalents – Year end	1,214	(304)	14	11,470	5,538	22,516
Summary of Actual Production						
Urea	1,928,080	1,806,977	1,881,016	1,967,552	1,818,937	1,561,575
NPK	132,790	109,059	94,610	126,074	117,193	92,839

financial ratios

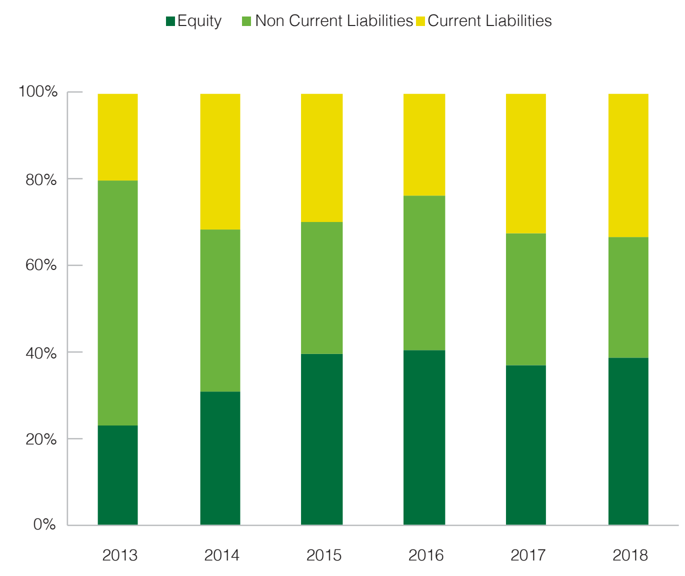
		2018	2017	2016	2015	2014	2013
Profitability Ratios							
Return on Equity	%	38.3	26.3	22.3	35.0	23.8	21.9
Return on Capital Employed	%	23.3	14.9	12.0	18.9	10.3	6.9
Gross Profit to Sales	%	32.3	30.1	25.1	34.8	36.8	44.1
Net Profit to Sales	%	15.9	14.5	13.4	17.3	13.4	11.0
Net Profit to Sales (Including subsidy)	%	15.8	13.6	12.0	16.8	13.4	11.0
EBITDA Margin to Sales	%	28.9	31.6	31.4	35.7	37.9	43.9
EBITDA Margin to Sales (Including subsidy)	%	28.6	29.7	28.2	34.6	37.9	43.9
Operating leverage ratio	Times	0.9	1.4	1.9	1.0	0.4	2.4
Liquidity Ratios							
Current ratio	Times	1.1	1.0	1.2	0.9	1.0	1.3
Quick / Acid test ratio	Times	0.7	0.7	0.7	0.5	0.9	1.1
Cash and cash equivalents to Current Liabilities	%	3.1	(0.8)	0.1	35.4	15.5	99.3
Cash flow from Operations to Sales	%	19.4	29.5	1.5	8.3	31.4	49.5
Activity / Turnover Ratios							
No. of days Inventory	Days	47	49	48	27	12	20
Inventory turnover	Times	7.7	7.5	7.5	13.7	31.3	18.3
No. of days in receivables	Days	24	31	26	6	5	7
Debtors turnover ratio.	Times	15.0	11.9	14.1	56.6	81.1	55.6
No. of days in payables	Days	22	39	68	87	98	52
Credit turnover ratio.	Times	16.3	9.4	5.4	4.2	3.7	7.0
Total Assets turnover ratio	Times	1.0	0.7	0.7	0.8	0.6	0.5
Fixed Assets turnover ratio	Times	1.6	1.1	1.0	1.2	0.8	0.6
Operating cycle	Days	49	41	6	(54)	(82)	(26)
Investment /Market Ratios							
Earnings per Share - basic	Rs./ share	13.0	8.4	7.0	11.1	6.3	4.7
Earnings per Share - diluted	Rs./ share	13.0	8.4	6.9	11.1	6.3	4.7
Market value per share							
-Year end	Rs./ share	69.1	67.7	68.0	84.1	78.1	-
-High during the year	Rs./ share	83.5	74.4	86.3	100.7	78.2	-
-Low during the year	Rs./ share	66.5	51.6	61.0	71.5	31.1	-
Cash dividend per share	Rs./ share	11.0	8.5	7.0	6.0	3.0	-
Breakup value per share	Rs./ share	34.1	31.8	31.3	31.8	26.2	20.5
Price earning ratio	Times	5.3	8.1	9.7	7.6	12.4	-
Price to book ratio	Times	0.8	0.8	0.9	1.1	0.9	-
Dividend yield ratio	%	15.9	12.6	10.3	7.1	3.8	-
Dividend payout ratio	%	84.4	101.7	100.3	53.9	47.7	-
Dividend cover ratio	%	118.5	98.4	99.7	185.7	209.7	-
Capital Structure Ratios							
Financial leverage ratio	Times	0.7	0.8	0.9	0.9	1.3	2.3
Weighted average cost of debt	%	6.7	8.1	9.0	11.6	13.3	14.5
Debt to Equity ratio (as per book)	%	67.7	72.8	83.0	85.1	127.6	222.7
Debt to Equity ratio (as per market value)	%	33.4	34.2	38.1	32.2	42.7	-
Interest Cover ratio	Times	12.7	7.3	5.3	5.6	2.8	2.0

graphical analysis

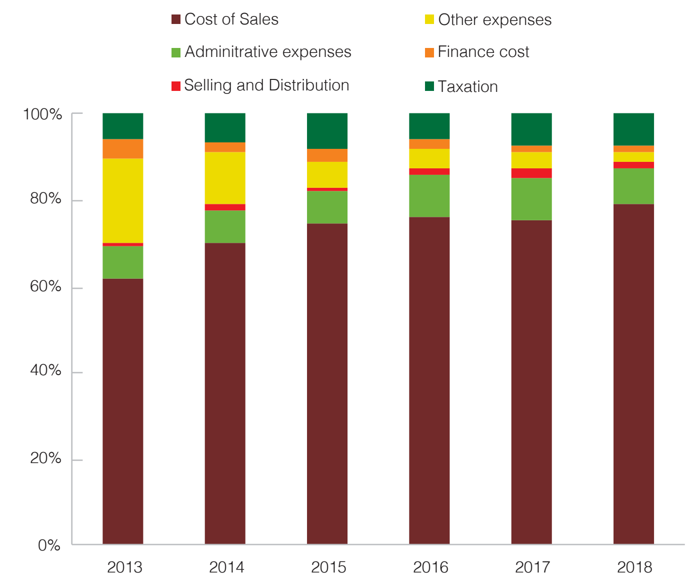
Equity and Net Assets Per Share



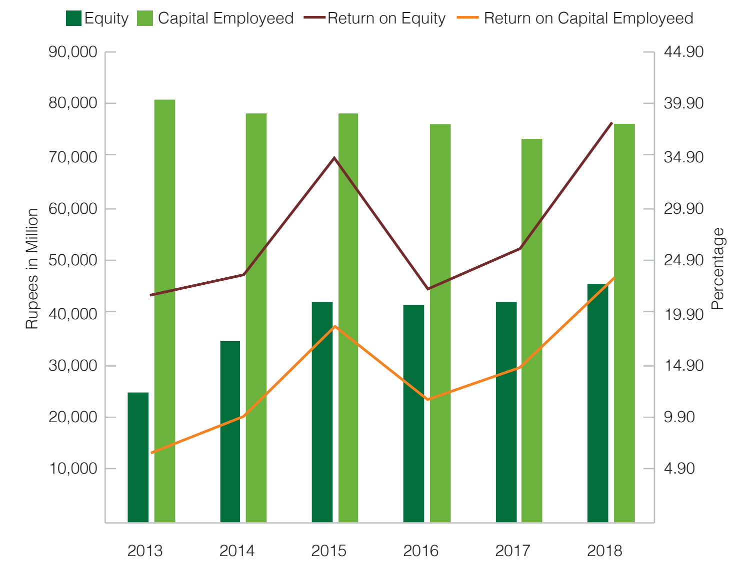
Balance Sheet Analysis (Equity and Liabilities)



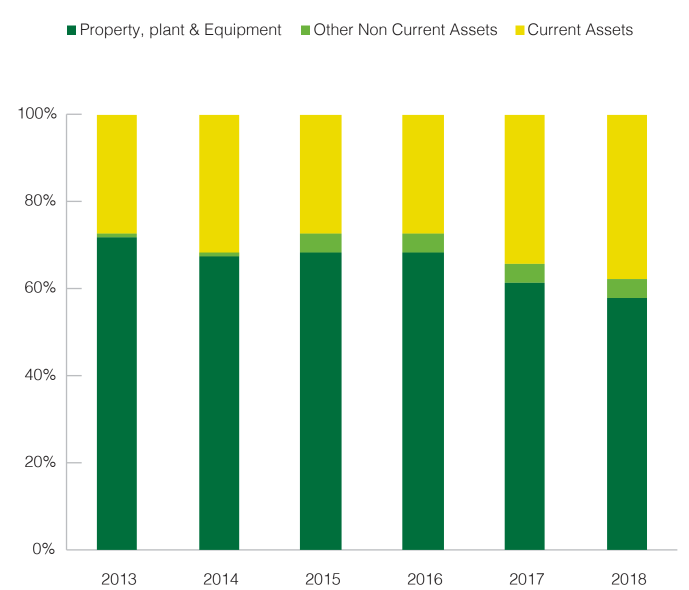
Profit And Loss Analysis (Expenses)



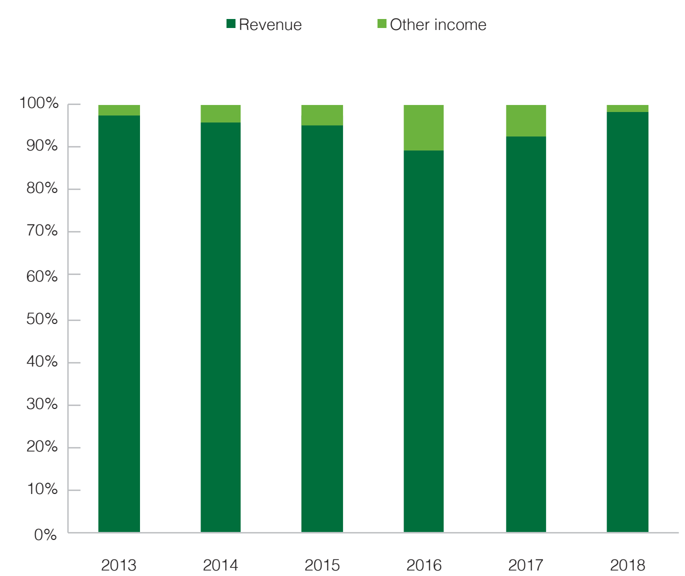
Return On Equity & Capital Employed (PKR in Million and in Percentage)



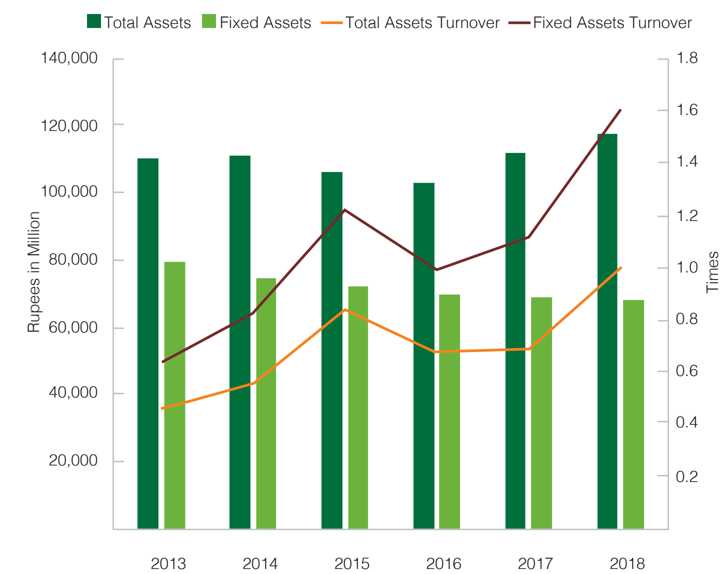
Balance Sheet Analysis (Assets)



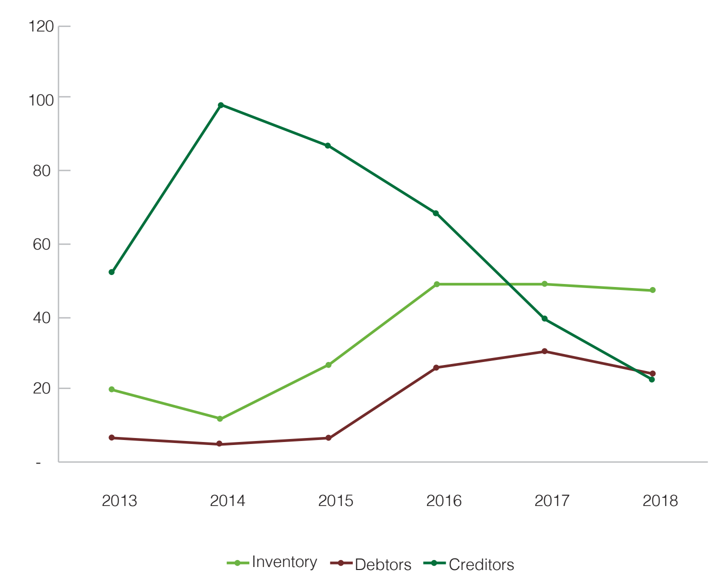
Profit and Loss Analysis (Income)



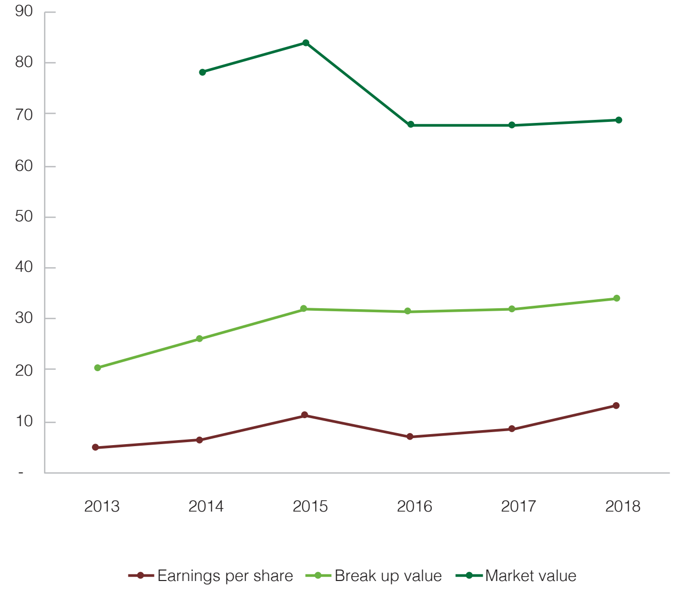
Total Assets and Fixed Assets Turnover (PKR in Million and in Percentage)



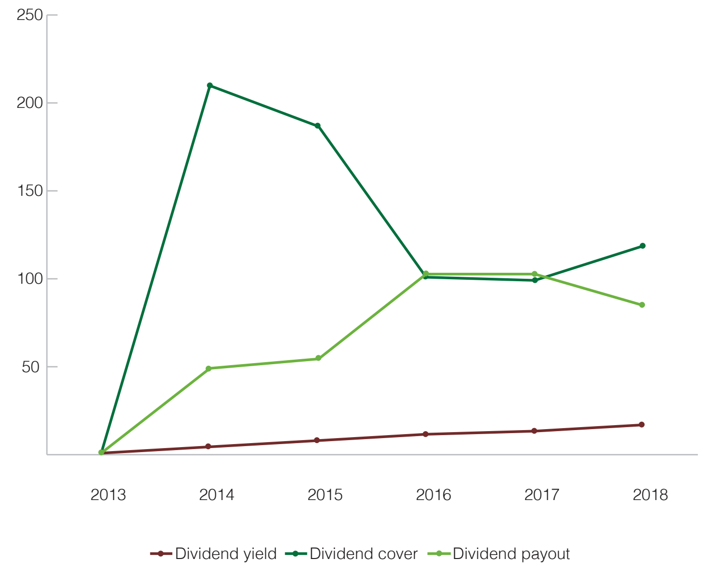
Operating Life Cycle (In Days)



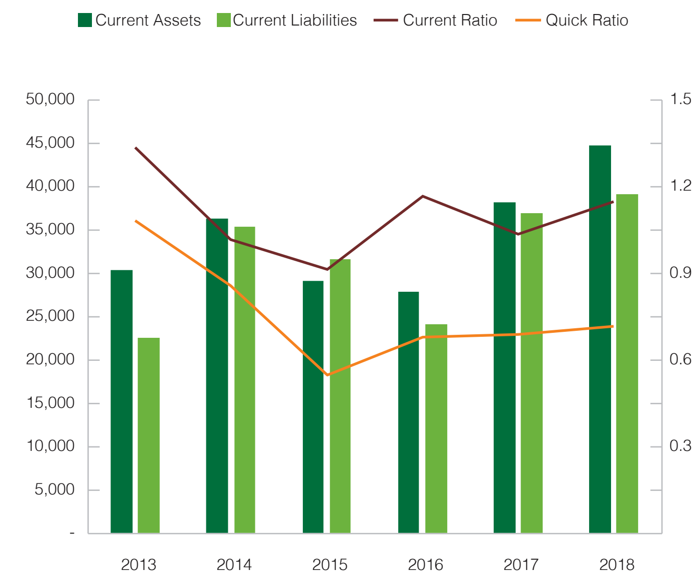
Earnings, Break Up Value and Market Value (In PKR Per Share)



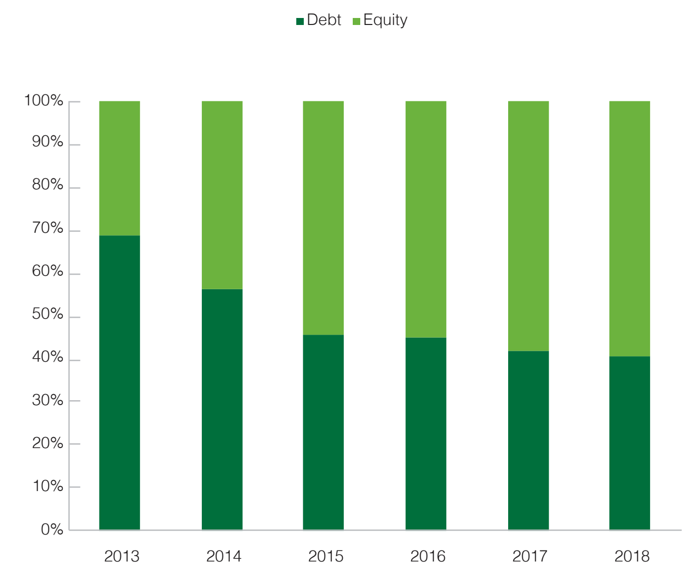
Dividend Yield, Cover and Payout (in Percentages)



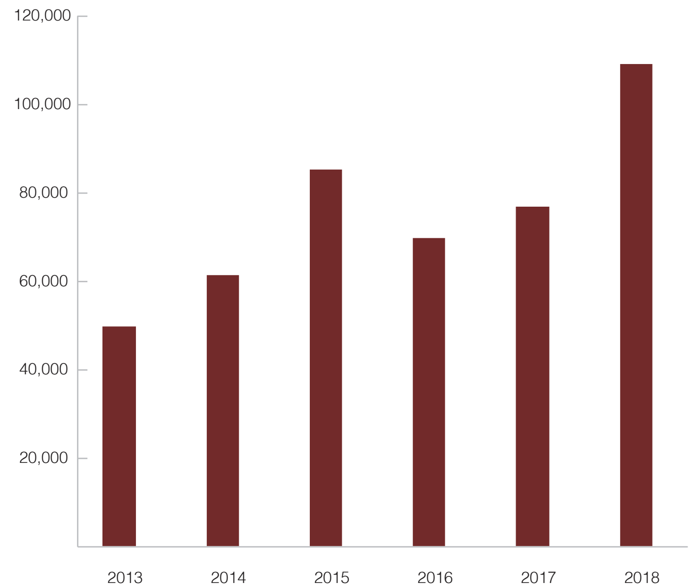
Liquidity Analysis (PKR In Million)



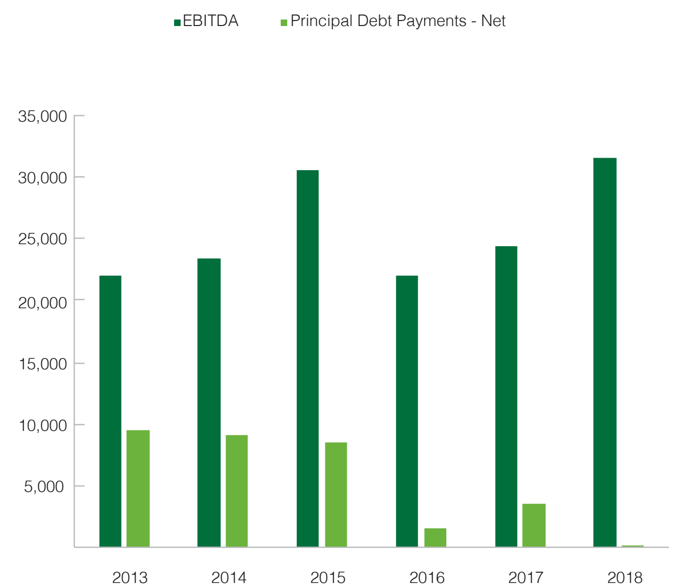
Capital Structure



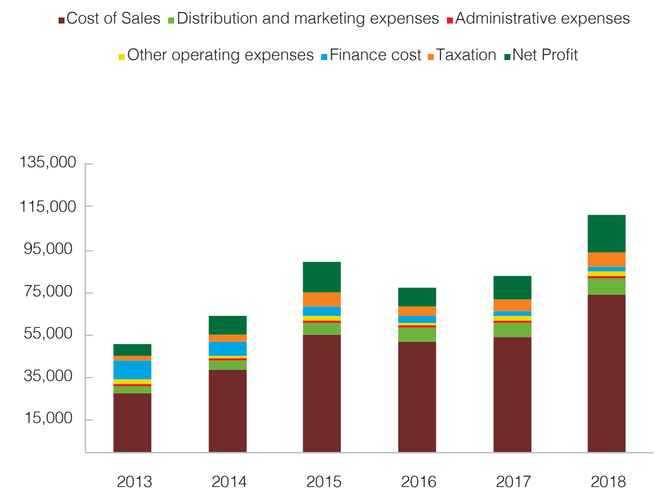
Sales Revenue (PKR In Million)



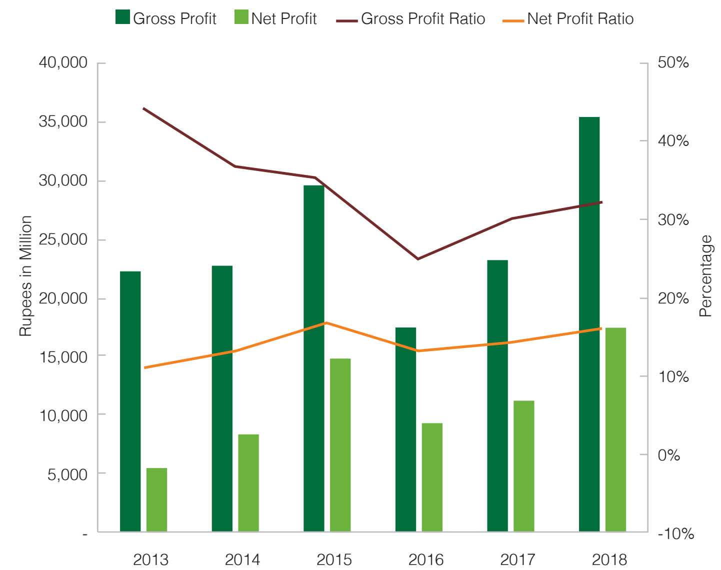
EBITDA and Principal Debt Repayments - Net



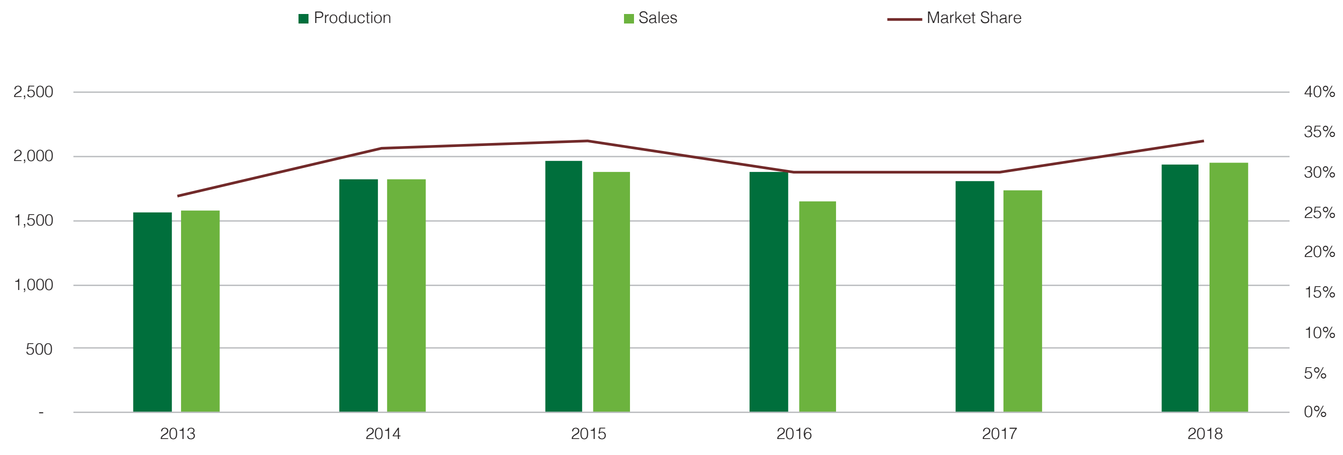
Revenue Analysis (PKR in Million)



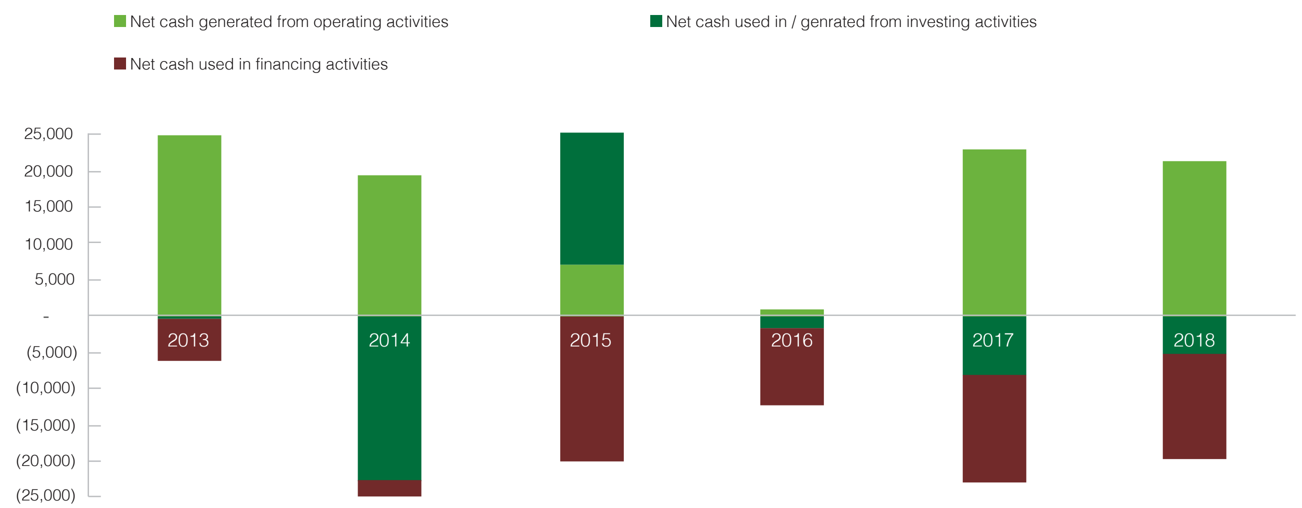
Gross Profit and Net Profit (PKR in Million and in Percentage)



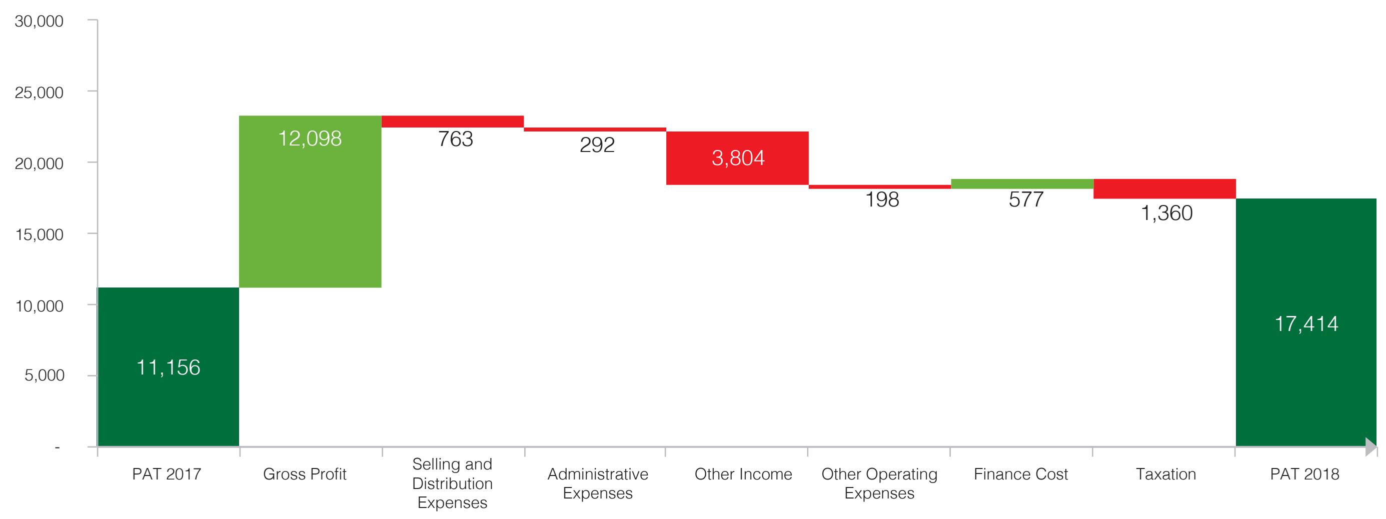
Production and Sales Volume (Metric tons in 000's)



Cash Flow Analysis (PKR in Million)



Variance Analysis (PKR in Million)



economic value added

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

(Rupees in Million)	**2018**	**2017**
NOPAT	19,328	14,877
Less: cost of capital	(12,553)	(12,450)
Economic value added	6,775	2,427

free cash flows

(Rupees in Million)	**2018**	**2017**
Net cash generated from operating activities	21,174	22,784
Capital expenditures - net	(4,466)	(3,196)
Free cash flows	16,708	19,588
Net repayment of borrowings	(103)	(4,385)
Free cash flow available to equity shareholders	16,605	15,203

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

composition of local vs. imported raw materials

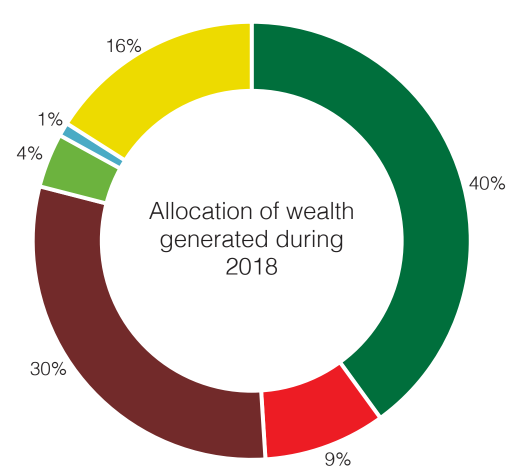
Whereas bulk of the Company's raw material for manufacturing is procured locally, Engro Fertilizers largely depends on foreign sources for its traded portfolio as well as production of Phosphorous and Potash products. Engro Fertilizers imported content accounts for 64% of its total raw material/import of materials cost. A 10% variation in exchange rate will lead to an impact of Rs. 3.6B on costs.

statement of value addition and distribution

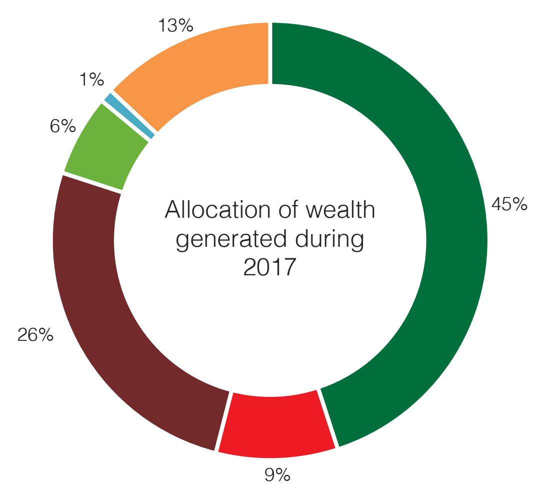
(Rupees in Million)

Statement of Value Addition and Distribution

	2018	2017
Wealth Generated		
Total revenue inclusive of sales-tax and other income	114,857	87,848
Bought-in-materials and services	(66,167)	(46,498)
	48,690	41,350
Wealth Distributed		
Taxes, duties and development surcharge to Govt. of Pakistan	19,540	18,713
Salaries, benefits and other costs of employees	4,370	3,659
Dividend to Shareholders	14,683	10,682
Mark-up / interest expense on borrowed money	2,071	2,648
Donation towards education, health, environment and natural disaster	100	83
Retained for reinvestment & future growth, depreciation, amortisation and retained profit	7,925	5,566
	48,690	41,350

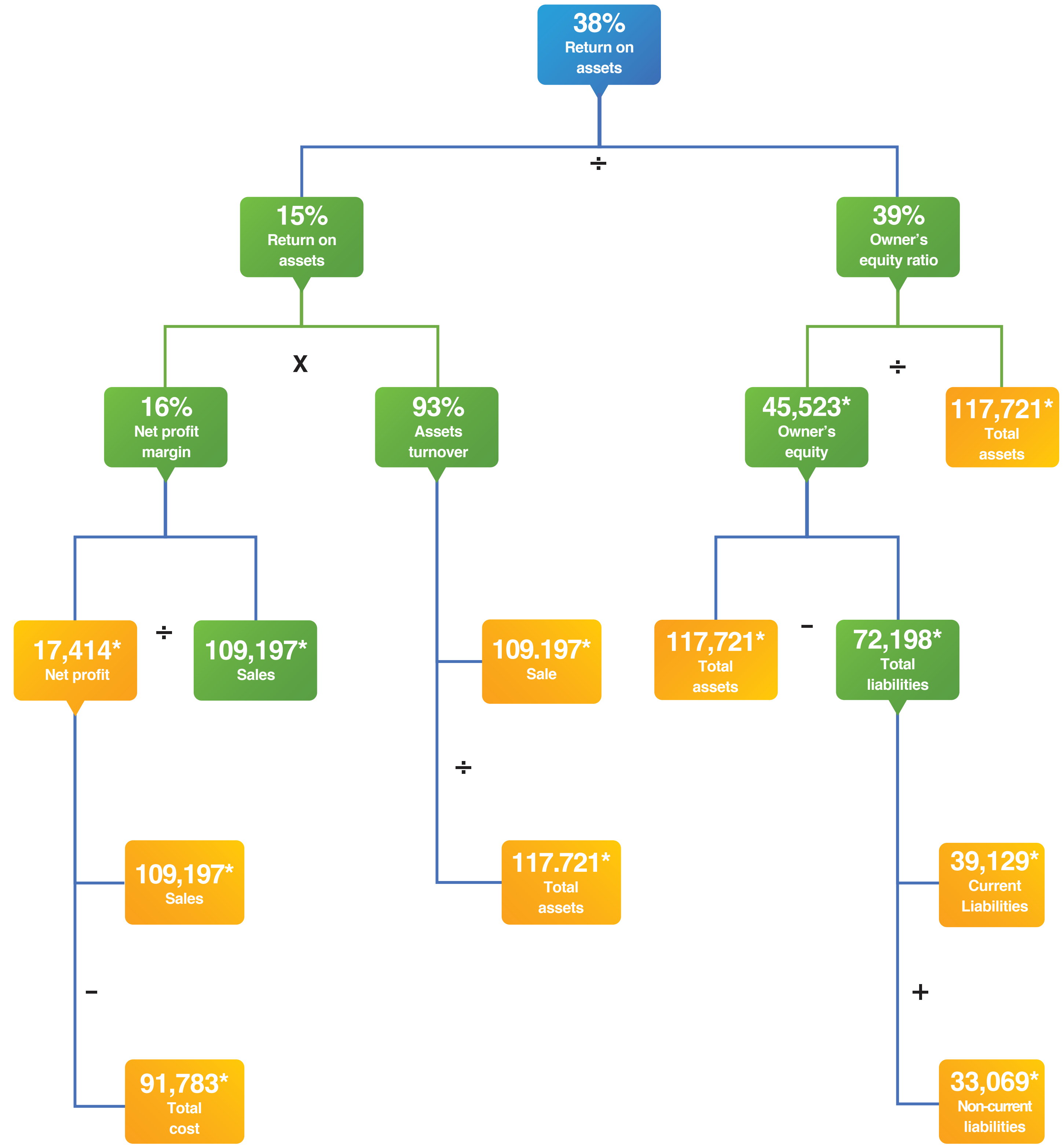


- Taxes, duties and development surcharge to Govt. of Pakistan
- Salaries, benefits and other costs of employees
- Dividend to Shareholders
- Mark-up / interest expense on borrowed money
- Donation towards education, health, environment and natural disaster
- Retained for reinvestment & future growth, depreciation, amortisation and retained profit



- Taxes, duties and development surcharge to Govt. of Pakistan
- Salaries, benefits and other costs of employees
- Dividend to Shareholders
- Mark-up / interest expense on borrowed money
- Donation towards education, health, environment and natural disaster
- Retained for reinvestment & future growth, depreciation, amortisation and retained profit

dupont analysis

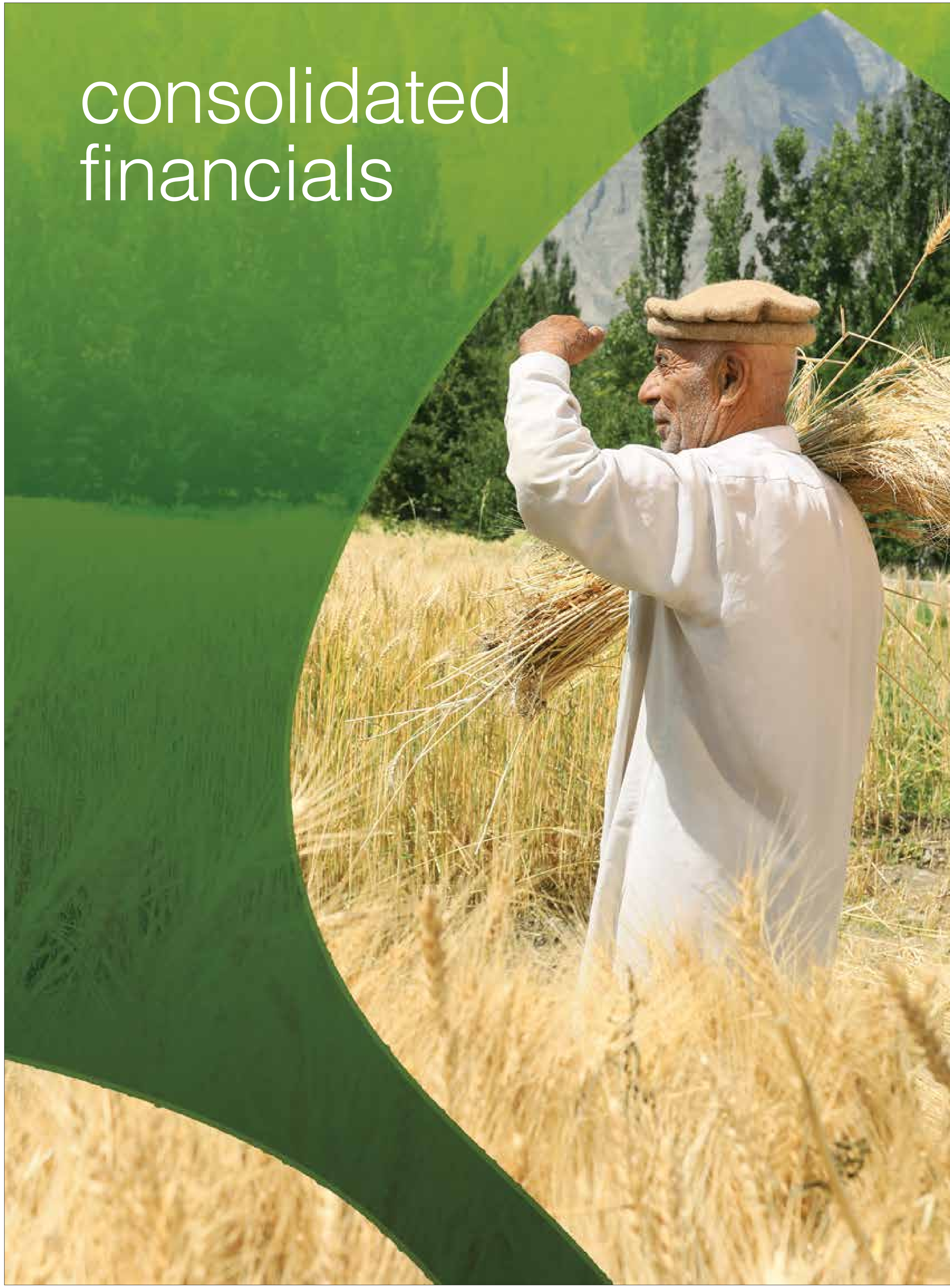


*Amount in PKR millions

cashflow statement - direct method

(Rupees in Million)	2018	2017
Cash Flows From Operating Activities		
Cash receipts from customers - net	104,391	84,116
Cash paid to suppliers / service providers and employees - net	(75,051)	(57,530)
Payment to Workers' Welfare fund - net	(93)	(53)
Payment to Workers' Profit Participation fund - net	(1,205)	(840)
Finance cost paid	(2,231)	(2,651)
Income tax paid	(6,864)	(3,994)
Subsidy received from Government	2,227	3,736
Net cash generated from operating activities	21,174	22,784
Cash Flows From Investing Activities		
Purchases of property, plant and equipment and intangibles	(4,495)	(3,900)
Proceeds from disposal of property, plant and equipment	29	704
Purchase of short term investments	(54,211)	(27,106)
Proceeds from sale of short term investments	52,966	22,106
Income on deposits / other financial assets	481	87
Net cash utilised in investing activities	(5,230)	(8,109)
Cash Flows From Financing Activities		
Proceeds from long term borrowings	8,183	1,500
Repayments of :		
- long term borrowings	(8,287)	(5,085)
- short term borrowings	-	(800)
Dividends paid	(14,647)	(10,677)
Net cash utilised in financing activities	(14,751)	(15,062)
Net increase in cash and cash equivalents	1,193	(387)
Cash and cash equivalents at beginning of the year	(304)	11
Exchange gain on translation	325	72
Cash and cash equivalents at end of the year	1,214	(304)

financial statements



independent auditor's report

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To the members of Engro Fertilizers Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Engro Fertilizers Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, 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, 2018, 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 the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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Following are the key audit matters:

S.No	Key audit matters	How the matter was addressed in our audit
1.	**First time application of Fourth Schedule to the Companies Act, 2017** (Refer note 3.1.2 to the consolidated financial statements) The Fourth Schedule to the Companies Act, 2017 became applicable to the Group for the first time for the preparation of annual financial statements. As part of transition to the requirements, management performed an analysis to identify differences between the previous and current Fourth Schedules and as a result certain amendments relating to presentation and disclosures were made in the consolidated financial statements. In view of the various new disclosures prepared and presented in the consolidated financial statements, we have considered this a key audit matter.	Our audit procedures amongst others included the following: - reviewing and obtaining understanding of the requirements of the Fourth Schedule to the Companies Act, 2017; - considering the management's process of identifying the additional disclosures required in the Company's annexed consolidated financial statements; - obtaining relevant underlying supports for the additional disclosures and assessed their appropriateness for sufficient audit evidence; and - verifying on a test basis the supporting evidence for the additional disclosures and ensured appropriateness of the disclosures made.
2.	**Income tax and Sales tax** (Refer note 22 and 30 to the consolidated financial statements) The Group has recognized provisions and has disclosed contingent liabilities in respect of certain income tax and sales tax matters, which are pending adjudication before various appellate and legal forums. Provisions and contingencies require management of the Group to make judgements and estimates in relation to the interpretation of laws, statutory rules, regulations, and the probability of outcome and financial impact, if any, on the Group in respect of such provisions and contingencies. Due to significance of amounts involved, inherent uncertainties with respect to the outcome of these matters and use of significant management judgement and estimates to assess the same	Our audit procedures amongst others included the following: - obtaining and reviewing details of the pending tax matters and discussed the same with the Group's management; - circularizing confirmations to the Group's external legal and tax counsels for their views on matters being handled by them; - involving internal tax professionals to assess management's conclusions on contingent tax matters and evaluating the consistency of such conclusions with the views of management and external tax advisors engaged by the Group;

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S.No	Key audit matters	How the matter was addressed in our audit
	including related financial impacts, we have considered provisions and contingent liabilities relating to income tax and sales tax a key audit matter.	- reviewing correspondence of the Group with the relevant authorities including judgments or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved; - checking mathematical accuracy of the calculations underlying the provisions, if any; and - reviewing the adequacy of the disclosures made by the Group with regard to the applicable accounting and reporting standards.
3.	**Provision in respect of Gas Infrastructure Development Cess (GIDC)** (Refer note 20.1 to the consolidated financial statements) The Group maintains a provision in respect of Gas Infrastructure Development Cess (GIDC) of Rs. 12,576,404 thousand as at December 31, 2018. The Holding Company has obtained ad-interim stay orders against the GIDC Act, 2015 from the Sindh High Court which has restrained the gas supplying companies from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. In a separate case, Peshawar High Court passed a judgment on May 31, 2017 validating the new GIDC Act, against which the Holding Company has filed a petition in the Supreme Court of Pakistan. The management believes that the provision recorded as at December 31, 2018 in respect of GIDC represents the management's current best estimate of the amounts. Given the nature and significance of the amounts involved in the aforementioned case and the legal forum at which this matter is currently pending, the ultimate outcome and the resultant accounting in the consolidated financial statements is subject to the exercise of significant judgement which may change over time as new facts emerge and the legal case progresses. Therefore, we have considered this as a key audit matter.	Our audit procedures amongst others included the following: - obtaining an understanding of the background facts pertaining to provision recorded in respect of GIDC through meetings with the management and review of the minutes of the meetings of those charged with governance; - reading correspondence of the Holding Company with the regulatory authorities and Holding Company's external legal counsel; - obtaining confirmation from external legal counsel in respect of the current developments in the case including their assessment of the potential outcome of the matter; and - assessing the adequacy of provisioning based on the advice of the legal counsel and the appropriateness of related disclosures made in the consolidated financial statements in accordance with the accounting and reporting standards.

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S.No	Key audit matters	How the matter was addressed in our audit
4.	**Sales** (Refer note 23 to the consolidated financial statements) The Group provides its customers with various discounts and allowances which are accounted for as a deduction from the gross sales. Further, accruals for unsettled amounts in this respect are recognized as at year end. Certain portion of these discounts and allowances are not based on achievement of specific criteria, and the management is required to make certain judgments in respect of the level of discounts and allowances to be provided to the respective customers. Further, there is a presumed risk of sales being overstated resulting from the pressure management may feel to achieve performance targets set for the year. Accordingly, we consider that there is a risk of material misstatement of financial statements relating to transactions occurring close to the year end, as transactions could be recorded in the wrong financial period. On account of sales being considered as an area involving high level of risk of material misstatement therefore significant audit efforts are involved for the verification of the same. Accordingly this has been considered to be a key audit matter.	Our audit procedures amongst others included the following: - considering the appropriateness of the Group's process for making judgements in this area and tested the design, implementation and operating effectiveness of controls adopted by management in determining the accounting for discounts, allowances and other sales deductions; - undertaking a review of the historical accuracy of judgements by reference to actual discounts paid in prior periods; - agreeing a sample of discounts and allowances provided during the year to supporting documentation; - obtaining supporting documentation for sales transactions recorded either side of year end to determine whether revenue was recognised in the correct period; - reviewing and obtaining comfort over the management's internal control processes over revenue recognition and validation of appropriate cut-off; and - critically assessing manual journal entries posted to sales to identify unusual or irregular items.

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

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

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

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

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

Responsibilities of Management and the 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.

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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Waqas Aftab Shaikh.

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Date: March 6, 2019

consolidated statement of financial position as at december 31, 2018

(Amounts in thousand)

	Note	2018	2017
		----------------Rupees---------------	
ASSETS			
Non-current assets			
Property, plant and equipment	5	68,203,956	68,923,195
Intangible assets	6	4,487,771	4,475,474
Long term loans and advances	7	142,644	134,535
		72,834,371	73,533,204
Current assets			
Stores, spares and loose tools	8	5,325,287	5,279,794
Stock-in-trade	9	11,538,309	7,636,214
Trade debts	10	9,109,671	5,418,748
Loans, advances, deposits and prepayments	11	1,363,411	1,157,243
Other receivables	12	9,043,657	8,806,842
Accrued income		37,276	24,833
Short term investments	13	7,739,231	8,163,442
Cash and bank balances	14	729,836	1,795,929
		44,886,678	38,283,045
TOTAL ASSETS		117,721,049	111,816,249

(Amounts in thousand)

	Note	2018	2017
		---------------Rupees-------------	
EQUITY & LIABILITIES			
Equity			
Share capital	15	13,352,993	13,352,993
Reserves			
Share premium	16	3,384,904	3,384,904
Exchange revaluation reserve	16	408,817	83,183
Remeasurement of post employment benefits	16	(44,729)	(47,315)
Unappropriated profit	16	28,421,170	25,695,946
		32,170,162	29,116,718
TOTAL EQUITY		45,523,155	42,469,711
Liabilities			
Non-current liabilities			
Borrowings	17	25,715,045	22,784,014
Deferred liabilities	18	7,161,541	9,453,556
Service benefits obligations	19	192,727	174,784
		33,069,313	32,412,354
Current liabilities			
Trade and other payables	20	29,071,928	21,966,241
Accrued interest / mark-up		425,920	595,441
Taxes payable		3,408,022	913,246
Current portion of:			
- borrowings	17	5,095,584	8,119,864
- service benefits obligations	19	51,487	50,271
Short term borrowings	21	1,009,968	5,264,228
Unclaimed dividend		65,672	24,893
		39,128,581	36,934,184
TOTAL LIABILITIES		72,197,894	69,346,538
Contingencies and Commitments	22		
TOTAL EQUITY AND LIABILITIES		117,721,049	111,816,249

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

consolidated statement of profit or loss
for the year ended december 31, 2018

(Amounts in thousand except for earnings per share)

	Note	2018	2017
		------------------Rupees----------------	
Net sales	23	109,196,586	77,129,343
Cost of sales	24	(73,880,139)	(53,910,755)
Gross profit		35,316,447	23,218,588
Selling and distribution expenses	25	(8,007,915)	(7,244,739)
Administrative expenses	26	(1,585,426)	(1,292,798)
		25,723,106	14,681,051
Other income	27	2,061,954	5,865,860
Other operating expenses	28	(1,431,926)	(1,234,367)
Finance cost	29	(2,070,933)	(2,647,774)
		(3,502,859)	(3,882,141)
Profit before taxation		24,282,201	16,664,770
Taxation	30	(6,868,683)	(5,509,148)
Profit for the year		17,413,518	11,155,622
Earnings per share - basic and diluted	31	13.04	8.36

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

consolidated statement of comprehensive income
for the year ended december 31, 2018

(Amounts in thousand)

	2018	2017
	----------------Rupees--------------	
Profit for the year	17,413,518	11,155,622
Other comprehensive income:		
Items potentially re-classifiable to Profit or Loss		
Exchange differences on translation of foreign operations	325,634	72,381
Items not potentially re-classifiable to Profit or Loss		
Remeasurement of post employment benefits obligations	3,642	(30,375)
Tax relating to remeasurement of post employment benefits obligations	(1,056)	9,706
	2,586	(20,669)
Other comprehensive income for the year, net of tax	328,220	51,712
Total comprehensive income for the year	17,741,738	11,207,334

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

consolidated statement of changes in equity
for the year ended december 31, 2018

(Amounts in thousand)

	Share capital	Reserves – Capital: Share premium	Reserves – Capital: Exchange revaluation reserve	Reserves – Revenue: Remeasurement of post employment benefits	Reserves – Revenue: Unappropriated profit	Total
	Rupees					
Balance as at January 1, 2018	13,352,993	3,384,904	83,183	(47,315)	25,695,946	42,469,711
Transactions with owners						
Dividends:						
- Final 2017: Rs. 3.00 per share	-	-	-	-	(4,005,898)	(4,005,898)
- 1st interim 2018: Rs. 4.00 per share	-	-	-	-	(5,341,198)	(5,341,198)
- 2nd interim 2018: Rs. 4.00 per share	-	-	-	-	(5,341,198)	(5,341,198)
	-	-	-	-	(14,688,294)	(14,688,294)
Total comprehensive income for the year ended December 31, 2018						
Profit for the year	-	-	-	-	17,413,518	17,413,518
Other comprehensive income:						
- exchange revaluation	-	-	325,634	-	-	325,634
- remeasurements, net of tax	-	-	-	2,586	-	2,586
	-	-	325,634	2,586	17,413,518	17,741,738
Balance as at December 31, 2018	13,352,993	3,384,904	408,817	(44,729)	28,421,170	45,523,155
Balance as at January 1, 2017	13,309,323	3,132,181	10,802	(26,646)	25,222,724	41,648,384
Shares issued upon exercise of conversion option (note 15)	43,670	252,723	-	-	-	296,393
Transactions with owners						
Dividends:						
- Final 2016: Rs. 2.50 per share	-	-	-	-	(3,338,251)	(3,338,251)
- 1st interim 2017: Rs. 2.50 per share	-	-	-	-	(3,338,251)	(3,338,251)
- 2nd interim 2017: Rs. 3.00 per share	-	-	-	-	(4,005,898)	(4,005,898)
	-	-	-	-	(10,682,400)	(10,682,400)
Total comprehensive income for the year ended December 31, 2017						
Profit for the year	-	-	-	-	11,155,622	11,155,622
Other comprehensive income:						
- exchange revaluation	-	-	72,381	-	-	72,381
- remeasurements, net of tax	-	-	-	(20,669)	-	(20,669)
	-	-	72,381	(20,669)	11,155,622	11,207,334
Balance as at December 31, 2017	13,352,993	3,384,904	83,183	(47,315)	25,695,946	42,469,711

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

consolidated statement of cash flows
for the year ended december 31, 2018

(Amounts in thousand)

	Note	2018	2017
		Rupees	
Cash Flows From Operating Activities			
Cash generated from operations	35	30,322,653	29,489,065
Retirement and other service benefits paid		(45,695)	(45,888)
Finance cost paid		(2,230,533)	(2,651,371)
Taxes paid		(6,864,007)	(3,994,219)
Long term loans and advances - net		(8,109)	(13,898)
Net cash generated from operating activities		21,174,309	22,783,689
Cash Flows From Investing Activities			
Purchases of property, plant and equipment and intangibles		(4,495,017)	(3,900,123)
Proceeds from disposal of property, plant and equipment		28,586	704,092
Purchase of short term investments		(54,211,448)	(27,105,991)
Proceeds from sale of short term investments		52,966,271	22,106,555
Income on deposits / other financial assets		481,129	86,857
Net cash utilised in investing activities		(5,230,479)	(8,108,610)
Cash Flows From Financing Activities			
Proceeds from long term borrowings		8,183,497	1,500,000
Repayments of :			
- long term borrowings		(8,286,667)	(5,085,439)
- short term borrowings		-	(800,000)
Dividends paid		(14,647,515)	(10,677,051)
Net cash utilised in financing activities		(14,750,685)	(15,062,490)
Net increase in cash and cash equivalents		1,193,145	(387,411)
Cash and cash equivalents at beginning of the year		(304,293)	10,737
Exchange gain translation		325,634	72,381
Cash and cash equivalents at end of the year	36	1,214,486	(304,293)

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

Engro Fertilizers Limited (the Holding Company) is a public company incorporated in Pakistan on June 29, 2009 as a wholly owned subsidiary of Engro Corporation Limited (the Parent Company), which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The Holding Company is listed on Pakistan Stock Exchange Limited (PSX).

The principal activity of the Holding Company is manufacturing, purchasing and marketing of fertilizers. The business units of the Holding Company include the following:

Business Unit	Geographical Location
Head / Registered Office	7th & 8th floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.
Engro Daharki Plant	District Ghotki, Sindh.
Engro Zarkhez Plant	EZ/ 1 / P – 1 – II Eastern Zone, Port Qasim, Karachi.

1.1 The 'Group' consists of:

Holding Company: Engro Fertilizers Limited

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

1.1.1 Engro Eximp FZE (EEF) was incorporated in the Jebel Ali Free Zone, Emirate of Dubai, on August 4, 2011 as a wholly owned subsidiary of Engro Eximp (Private) Limited (EEPL).

1.1.2 EFert Agritrade (Private) Limited (EAPL) was incorporated on July 6, 2017, as a wholly owned subsidiary of the Holding Company to carry out trading and distribution of imported fertilizer as part of the business reorganization. The Holding Company transferred its business of trading and distribution of imported fertilizer to the new subsidiary and holds 10,000 ordinary shares of Rs. 10 each in EAPL.

2. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE GROUP'S FINANCIAL POSITION AND PERFORMANCE DURING THE YEAR

Following is the summary of significant transactions and events affecting the Groups's financial position and performance during the year:

2.1 During the year, the Holding Company has incurred capital expenditure amounting to Rs. 4,333,447. Majority of capital expenditure relates to plant and machinery. The said capital expenditure mainly includes expenditure relating to gas enrichment and compression facilities. These expenditures will enable the Holding Company to enhance plant production and efficiency.

2.2 The subsidy scheme announced by Government of Pakistan in 2017 was discontinued in June 2018. Further, Rs. 2,227,631 was recovered on account of subsidy. However, Rs. 6,368,366 is still outstanding as disclosed in note 12.1.

(Amounts in thousand)

2.3 Corporate tax rates for year ended December 31, 2018 and subsequent years were reduced by 1% for each tax year uptil tax year 2023 . Due to the reduction in current and future corporate tax rates, decrease in deferred tax liability amounting to Rs 2,048,552 has been recognized in these consolidated financial statements as elaborated in note 30.9.

2.4 The Holding Company has accrued Rs. 6,365,269 in lieu of Gas Infrastructure Development Cess during the year, accumulating the total accrual to Rs. 12,576,404 as explained in 20.1.

2.5 Subsequent to the enactment of Finance Act 2018, the Holding Company has recognized liability for Super Tax under Section 4B of the Income Tax Ordinance, 2001 relating to tax years 2018 and 2019 amounting to Rs. 561,721 and Rs. 572,703 respectively as detailed in note 30.4 and 30.5.

3. 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.

3.1 Basis of preparation

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

3.1.2 Statement of compliance

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

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

- Provision of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the requirements of IFRSs, the provisions of and directives issued under the Act have been followed for the preparation and presentation of the consolidated financial statements.

3.1.3 The preparation of consolidated financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying Holding Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

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

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

The following amendments to the published accounting and reporting standards are mandatory for the financial year beginning January 1, 2018 and are relevant to the Group:

- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective 1 January 2018). This amendment clarify the determination of the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. The impact of the above amendment is not considered material on these consolidated financial statements.

  The other new standards, amendments to published accounting and reporting standards and interpretations that are mandatory for the financial year beginning on January 1, 2018 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations.

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

The following new standards are not effective for the financial year beginning on January 1, 2018 and have not been early adopted by the Group:

- IFRS 9, 'Financial instruments' (effective for periods beginning on or after July 1, 2018).
  IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance in IAS 39 "Financial Instruments: Recognition and Measurement" that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is also a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. The management is in the process of assessing the impact this standard will have on the consolidated financial statements of the Group.

- IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after July 1, 2018). This standard stipulates clarifications of the guidance on identifying performance obligations, accounting for License of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Group is yet to assess the full impact of the standard. The management is in the process of assessing the impact this standard will have on the consolidated financial statements of the Group.

- IFRS 16, 'Leases' (effective for periods beginning on or after January 1, 2019). This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17,

lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The management is in the process of assessing the impact this standard will have on the consolidated financial statements of the Group.

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

3.1.5 Basis of consolidation

i) Subsidiaries

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

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

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

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

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

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

ii) Transactions and non-controlling interests

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

iii) Disposal of subsidiaries

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

3.2 Property, plant and equipment

3.2.1 Owned assets

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except freehold land and capital work in progress which are stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs (note 3.21). The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

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

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

3.2.2 Leased assets

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

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

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

3.3 Intangible assets

a) Computer Software and licenses

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

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

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

b) Rights for future gas utilization

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

c) Goodwill

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

d) Right to use the brand

These are stated at cost less impairment, if any.

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

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

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

3.4 Impairment of non-financial assets

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

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

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

3.6 Financial assets

3.6.1 Classification

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

a) At fair value through profit or loss

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

b) Loans and receivables

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

c) Held to maturity

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

d) Available-for-sale

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

3.6.2 Recognition and measurement

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

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

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

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

The Group assesses at the end of each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the consolidated profit or loss. Impairment losses recognised in the consolidated profit or loss on equity instruments are not reversed through the profit or loss. Impairment testing of trade debts and other receivables is described in note 3.11.

3.7 Financial liabilities

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

(Amounts in thousand)

3.8 Offsetting financial instruments

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

3.9 Stores, spares and loose tools

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

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are shown separately as major spare parts and stand by equipment.

3.10 Stock-in-trade

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

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

3.11 Trade debts and other receivables

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

3.12 Cash and cash equivalents

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

3.13 Share capital

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

(Amounts in thousand)

3.14 Borrowings

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

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

3.15 Trade and other payables

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

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

3.16 Current and deferred income tax

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

Current

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

Deferred

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

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

3.17 Employee benefits

3.17.1 Defined contribution plans

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

(Amounts in thousand)

The Group contributes to:

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

- defined contribution pension fund for the benefit of those management employees who have not opted for defined contribution gratuity fund as explained in note 3.17.3. Monthly contributions are made by the Group to the fund at rates ranging from 12.5% to 13.75% of basic salary; and
- defined contribution gratuity fund for the benefit of those management employees who have selected to opt out of defined benefit gratuity fund and defined contribution pension plans as more fully explained in note 3.17.3. Monthly contributions are made by the Group to the fund at the rate of 8.33% of basic salary.

All of the aforementioned funds are managed by the Parent Company.

3.17.2 Defined benefit plans

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

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

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

The Group also contributes to:

- defined benefit funded pension scheme for its management employees.

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

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

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

3.17.4 Service incentive plan

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

(Amounts in thousand)

3.17.5 Employees' compensated absences

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

3.18 Provisions

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

3.19 Foreign currency transactions and translation

3.19.1 These consolidated financial statements are presented in Pakistan Rupees, which is the Group's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

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

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

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

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

3.20 Revenue recognition

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

- Sales revenue is recognized when significant risk and rewards are transferred to customers, which coincides with delivery of goods to the customers;

- Revenue in respect of services is recognized when the services have been rendered;

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

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

- Dividend income on equity investment is recognised when the Group's right to receive the dividend is established.

(Amounts in thousand)

3.21 Borrowing costs

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

3.22 Research and development costs

Research and development costs are charged to consolidated statement of profit or loss as and when incurred.

3.23 Government grant

Government grant that compensates the Group for expenses incurred is recognised in the consolidated statement of profit or loss on a systematic basis in the same period in which the expenses are recognised.

3.24 Earnings per share

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

3.25 Dividend and appropriation to reserves

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Property, plant and equipment

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

4.2 Income taxes

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

(Amounts in thousand)

4.3 Provision for retirement and other service benefits obligations

The present value of these obligations depend on a number of factors that are determined on actuarial basis using various assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present value of these obligations and the underlying assumptions are disclosed in note 34 respectively.

4.4 Impairment of goodwill and right to use the brand

Determining the recoverable value of goodwill and right to use the brand involves use of significant estimates and assumptions. In making the aforementioned fair valuation estimates discounted cash flow approach is used. The underlying assumptions used for such valuation are disclosed in note 6.1.

5. PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	--------------Rupees-----------	
Operating assets at net book value (note 5.1)	64,471,674	65,115,401
Capital work in progress (CWIP) (note 5.6)	3,159,249	3,396,331
Major spare parts and stand-by equipment	573,033	411,463
	68,203,956	68,923,195

(Amounts in thousand)

5.1 Operating assets

	Land		Building on							
	Freehold	Leasehold (note 5.4)	Freehold	Leasehold	Plant and machinery	Gas pipeline	Catalyst	Office equipment	Vehicle	Total
	----	----	----	----	----	Rupees	----	----	----	----
As at January 1, 2017										
Cost	149,575	187,320	2,722,208	434,711	92,830,745	2,414,963	2,209,022	966,607	366,824	102,281,975
Accumulated depreciation	-	(65,426)	(1,163,020)	(133,811)	(30,359,029)	(434,525)	(1,881,174)	(677,520)	(253,246)	(34,967,751)
Net book value	149,575	121,894	1,559,188	300,900	62,471,716	1,980,438	327,848	289,087	113,578	67,314,224
Year ended December 31, 2017										
Net book value - January 1, 2017	149,575	121,894	1,559,188	300,900	62,471,716	1,980,438	327,848	289,087	113,578	67,314,224
Transfers from CWIP (note 5.6.1)	6,200	-	104,757	-	2,591,258	-	8,978	129,081	55,332	2,895,606
Disposals / write offs (note 5.3)										
Cost	-	(42,420)	-	-	-	-	(770,686)	(234)	(12,701)	(826,041)
Accumulated depreciation	-	16,014	-	-	-	-	770,686	122	10,827	797,649
	-	(26,406)	-	-	-	-	-	(112)	(1,874)	(28,392)
Depreciation charge (note 5.2)	-	(4,310)	(144,836)	(11,004)	(4,532,730)	(144,016)	(113,570)	(76,516)	(39,055)	(5,066,037)
Reclassification during the year										
Cost	(2)	-	(100,632)	5,467	89,941	110,880	(50,162)	(55,642)	150	-
Accumulated depreciation	-	(105)	173,044	(2,060)	(48,223)	(181,258)	50,162	8,056	384	-
	(2)	(105)	72,412	3,407	41,718	(70,378)	-	(47,586)	534	-
Net book value	155,773	91,073	1,591,521	293,303	60,571,962	1,766,044	223,256	293,954	128,515	65,115,401
As at January 1, 2018										
Cost	155,773	144,900	2,726,333	440,178	95,511,944	2,525,843	1,397,152	1,039,812	409,605	104,351,540
Accumulated depreciation	-	(53,827)	(1,134,812)	(146,875)	(34,939,982)	(759,799)	(1,173,896)	(745,858)	(281,090)	(39,236,139)
Net book value	155,773	91,073	1,591,521	293,303	60,571,962	1,766,044	223,256	293,954	128,515	65,115,401
Year ended December 31, 2018										
Net book value - January 1, 2018	155,773	91,073	1,591,521	293,303	60,571,962	1,766,044	223,256	293,954	128,515	65,115,401
Transfers from CWIP (note 5.6.1)	-	-	76,791	-	3,796,585	-	213,900	218,011	224,532	4,529,819
Disposals / write offs (note 5.3)										
Cost	-	-	-	-	-	-	-	(10,650)	(39,710)	(50,360)
Accumulated depreciation	-	-	-	-	-	-	-	8,649	34,441	43,090
	-	-	-	-	-	-	-	(2,001)	(5,269)	(7,270)
Depreciation charge (note 5.2)	-	(3,394)	(116,661)	(11,008)	(4,675,076)	(121,872)	(88,085)	(84,704)	(65,476)	(5,166,276)
Net book value	155,773	87,679	1,551,651	282,295	59,693,471	1,644,172	349,071	425,260	282,302	64,471,674
As at December 31, 2018										
Cost	155,773	144,900	2,803,124	440,178	99,308,529	2,525,843	1,611,052	1,247,173	594,427	108,830,999
Accumulated depreciation	-	(57,221)	(1,251,473)	(157,883)	(39,615,058)	(881,671)	(1,261,981)	(821,913)	(312,125)	(44,359,325)
Net book value	155,773	87,679	1,551,651	282,295	59,693,471	1,644,172	349,071	425,260	282,302	64,471,674
Annual rate of depreciation (%)	-	2 to 5	2.5 to 10	2.5	5 to 10	5	No. of production days	10 to 25	12 to 25	

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

	2018	2017
	----Rupees----	
Cost of sales (note 24)	5,087,585	5,018,362
Selling and distribution expenses (note 25)	67,553	36,188
Administrative expenses (note 26)	11,138	11,487
	5,166,276	5,066,037

(Amounts in thousand)

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

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (Loss)
		----	----	Rupees	----	----
Vehicle						
By Holding Company policy to separating executive	Ruhail Mohammed	14,267	11,235	3,032	7,800	4,768
Office Equipment						
By Holding Company policy to separating executive	Ruhail Mohammed	1,238	103	1,135	1,104	(31)
Items having net book value of upto Rs. 500 each						
Office equipment and vehicles	Various	34,855	31,752	3,103	19,682	16,579
Year ended December 31, 2018		50,360	43,090	7,270	28,586	21,316
Year ended December 31, 2017		826,041	797,649	28,392	704,092	675,700

5.4 Asset held for sale

On February 8, 2018, the Holding Company entered into an Agreement to Sell (the Agreement) with Engro Polymer and Chemicals Limited (EPCL) for sale of land measuring approximately 60 acres situated within Plot No. EZ/I/P-II located at East Industrial Zone, Port Qasim, Karachi.

The land was acquired by the Holding Company through a scheme of arrangement between the Holding Company and the Parent Company (then Engro Chemicals Pakistan Limited) on June 15, 2010. As at the reporting date, the land has a net book value of Rs. 30,497.

Through the Agreement, the Holding Company has agreed to sell, transfer, convey and assign to EPCL, the rights, free from all encumbrances, charges, taxes, dues, duties, burdens, disputes, mortgages, ground rent, premium, lis pendis, litigation, liens etc. of any nature whatsoever with vacant peaceful possession and EPCL has agreed to purchase the said rights for the total consideration of Rs. 720,000.

The Agreement is subject to approval and issuance of a no dues certificate by the Port Qasim Authority (PQA) in relation to transfer of rights by the Holding Company to EPCL. Subsequent to year end, the Holding Company has applied PQA for transfer of the said right.

(Amounts in thousand)

5.5 Particulars of immovable properties i.e land and building in the name of the Holding Company are as follows:

Location	Total area (acreage)
Dharki plant & colony	726
Zarkhez plant land at Port Qasim	172.5

	2018	2017
	------------Rupees-----------	
5.6 Capital work in progress		
Plant and machinery	2,758,651	2,987,204
Building and civil works including gas pipeline	219,037	215,858
Furniture, fixture and equipment	10,891	31,024
Advances to suppliers	2,374	82,761
Others	168,296	79,484
	3,159,249	3,396,331
5.6.1 Balance as at January 1	3,396,331	2,443,486
Additions during the year	4,333,447	3,899,216
Transferred to:		
- operating assets (note 5.1)	(4,529,819)	(2,895,606)
- intangible assets (note 6)	(40,710)	(50,765)
Balance as at December 31	3,159,249	3,396,331

6. INTANGIBLE ASSETS

	Goodwill (note 6.1)	Right to use the brand (note 6.1)	Software and licenses	Rights for future gas utilization	Total
	------------Rupees------------				
As at January 1, 2017					
Cost	183,806	4,170,995	276,748	102,312	4,733,861
Accumulated amortisation	-	-	(255,047)	(28,208)	(283,255)
Net book value	183,806	4,170,995	21,701	74,104	4,450,606
Year ended December 31, 2017					
Net book value - January 1, 2017	183,806	4,170,995	21,701	74,104	4,450,606
Transfers from CWIP (note 5.6.1)	-	-	50,765	-	50,765
Amortisation (note 6.2)	-	-	(20,786)	(5,111)	(25,897)
Net book value	183,806	4,170,995	51,680	68,993	4,475,474
As at December 31, 2017					
Cost	183,806	4,170,995	327,513	102,312	4,784,626
Accumulated amortisation	-	-	(275,833)	(33,319)	(309,152)
Net book value	183,806	4,170,995	51,680	68,993	4,475,474
Year ended December 31, 2018					
Net book value - January 1, 2018	183,806	4,170,995	51,680	68,993	4,475,474
Transfers from CWIP (note 5.6.1)	-	-	40,710	-	40,710
Amortisation (note 6.2)	-	-	(23,302)	(5,111)	(28,413)
Net book value	183,806	4,170,995	69,088	63,882	4,487,771
As at December 31, 2018					
Cost	183,806	4,170,995	368,223	102,312	4,825,336
Accumulated amortization	-	-	(299,135)	(38,430)	(337,565)
Net book value	183,806	4,170,995	69,088	63,882	4,487,771

(Amounts in thousand)

6.1 Goodwill and Right to use the brand

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

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

Valuation basis	Value in use
Key assumptions	- Sales growth rates - Discount rate
Determination of assumptions	- Growth rates are internal forecasts based on both internal and external market information and past performance. - Cost reflects past experience, adjusted for inflation and expected changes. - Discount rate is primarily based on weighted average cost of capital.
Terminal growth rate	2.5%
Period of specific projected cash flows	5 years
Discount rate	15.0%

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

6.1.1 Right to use the brand in respect of selling Phosphate fertilizers, acquired under an agreement with the Parent Company that has been valued using relief from Royalty Method and is considered to have an indefinite life.

	2018	2017
	-----------Rupees---------	
6.2 Amortisation for the year has been allocated as follows:		
Cost of sales (note 24)	15,599	15,700
Selling and distribution expenses (note 25)	11,530	7,543
Administrative expenses (note 26)	1,284	2,654
	28,413	25,897
7. LONG TERM LOANS AND ADVANCES- Considered good		
Executives (notes 7.1, 7.2, 7.3 and 7.5)	195,299	185,974
Other employees (notes 7.4 and 7.5)	71,488	38,385
	266,787	224,359
Less: Current portion shown under current assets (note 11)	124,143	89,824
	142,644	134,535

(Amounts in thousand)

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

	2018	2017
	----------Rupees---------	
Balance as at January 1	185,974	177,048
Disbursements	155,252	124,247
Repayments / amortisation	(145,927)	(115,321)
Balance as at December 31	195,299	185,974

7.2 Details of loans and advances to executives

Service incentive loans	148,826	132,863
Advances in respect of :		
- Car earn out assistance	12,100	18,671
- House rent	15,855	15,961
- Retention loan	5,702	10,820
- Salary	6,421	7,500
- Others	6,395	159
	195,299	185,974

7.3 The maximum amount outstanding from executives at the end of any month during the year aggregated to Rs. 208,895 (2017: Rs. 182,219).

7.4 Includes interest free loans given to workers pursuant to Collective Labour Agreement.

7.5 Represents loans granted to employees according to Group's policy. These loans are interest free, are repayable within 1 to 4 years and are secured to the extent of the Provident fund balance and retirement benefits, if vested, of the respective employees.

7.6 The carrying values of the loan and advances are neither past due nor impaired.

8. STORES, SPARES AND LOOSE TOOLS

	2018	2017
	----------Rupees---------	
Consumable stores	579,735	492,698
Spares	5,207,235	5,015,871
Loose tools	5,718	4,712
	5,792,688	5,513,281
Less: Provision for surplus and slow moving items (note 8.1)	467,401	233,487
	5,325,287	5,279,794

8.1 Provision for surplus and slow moving items

Balance as at January 1	233,487	229,052
Charge for the year, net	233,914	4,435
Balance as at December 31	467,401	233,487

(Amounts in thousand)

9. STOCK-IN-TRADE

	2018	2017
	------------Rupees----------	
Raw materials	1,478,579	1,130,508
Packing materials	225,849	115,716
Work in process	27,517	18,526
	1,731,945	1,264,750
Finished goods:		
- manufactured product (note 9.1)	853,481	1,733,036
- purchased and packaged product (note 9.2)	8,982,883	4,638,428
	9,836,364	6,371,464
Less: Provision for net realisable value of raw material (note 9.3)	30,000	-
	11,538,309	7,636,214

9.1 Includes stock held with third parties amounting to Nil (2017: Rs. 1,128,105).

9.2 Includes stock-in-transit amounting to Rs. 612,638 (2017: Rs. 222,742).

9.3 This represents provision charged in respect of net realisable value of raw material.

10. TRADE DEBTS

	2018	2017
	------------Rupees----------	
Considered good		
- Secured (note 10.1)	9,014,194	5,372,171
- Unsecured (note 10.2)	95,477	46,577
	9,109,671	5,418,748
Considered doubtful	18,230	-
	9,127,901	5,418,748
Less: Provision for impairment against trade debts	18,230	-
	9,109,671	5,418,748

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

10.2 Includes Rs. 340 (2017: Nil) due from Engro Foods Limited, an associated company.

11. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS - Considered good

	2018	2017
	------------Rupees----------	
Current portion of long term loans and advances to executives and other employees (note 7)	124,143	89,824
Advances and deposits	239,984	412,868
Prepayments		
- Insurance	308,323	210,117
- Others	690,961	444,434
	1,363,411	1,157,243

(Amounts in thousand)

12. OTHER RECEIVABLES

	2018	2017
	-----------Rupees-----------	
Subsidy receivable from Government of Pakistan (notes 12.1 and 12.2)	6,368,366	7,323,870
Sales tax receivable	2,342,694	1,459,450
Due from associated companies:		
- Engro Corporation Limited	244,844	-
- Engro Polymer & Chemicals Limited	27,630	12,645
- Engro Digital Limited	2,239	-
- Engro Powergen Thar Limited	939	313
- Engro Energy Limited	-	98
- Engro Foundation	172	107
- Engro Eximp Agri Products (Private) Limited	496	2,364
- Sindh Engro Coal Mining Company Limited	808	939
- Engro Vopak Terminal Limited	502	297
- Hub Power Services Limited	-	591
Workers' profits participation fund (note 12.3)	51,434	-
Claims on foreign suppliers	2,225	5,711
Others	1,308	457
	9,043,657	8,806,842

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

During 2016, a new subsidy scheme was announced by the GoP, effective June 25, 2016 whereby subsidy was payable on sold products at the rate of Rs. 156 per 50kg bag of Urea and Rs. 300 per 50kg bag of DAP and for Nitrophos 22:20 & 18:18 grade (based on phosphorus content) and Nitrogen, Phosphorus and Potassium (NPK) fertilizers (based on phosphorus content).

During 2017, another subsidy scheme was announced by GOP, effective July 01, 2017. Under the new subsidy scheme aforementioned rates were replaced with Rs. 100 per 50kg bag for Urea only. This subsidy scheme was effective till June 30, 2018. In line with the notification issued for the said scheme, Ministry of National Food Security and Research has appointed third party auditors for verification of subsidy claims which is underway.

12.2 During the year, an amount of Rs. 78,006 was provided for in respect of receivable from GoP. The aggregate provision in this respect amounts to Rs. 155,127 (2017: Rs. 77,121).

12.3 Workers' profits participation fund

	2018	2017
	-----------Rupees-----------	
Balance as at January 1	(4,129)	(39,099)
Charge for the year	(1,149,229)	(805,322)
Interest expense	(697)	(1,193)
Payments during the year	1,205,489	841,485
Balance as at December 31	51,434	(4,129)

12.4 The maximum amount due from the Parent Company and associated companies at the end of any month during the year is as follows:

	2018	2017
	-----------Rupees-----------	
Associated Companies		
- Engro Corporation Limited	244,844	-
- Engro Foods Limited	2,480	5,575
- Engro Powergen Qadirpur Limited	21,022	14,187
- Engro Energy Limited	3,795	1,064
- Sindh Engro Coal Mining Company Limited	4,113	1,593
- Engro Powergen Thar Limited	1,075	4,210
- Engro Vopak Terminal Limited	672	1,787
- Engro Eximp Agriproducts (Private) Limited	2,530	2,616
- Engro Digital Limited	2,685	-
- Engro Elengy Terminal (Private) Limited	313	-
- Engro Foundation	11,384	9,326
- Hub Power Services Limited	-	591

13. SHORT TERM INVESTMENTS

Holding Company

Represents investments in Pakistan Investment Bonds and other fixed income placement amounting to Rs. 6,244,613 (2017: Rs. 6,999,436) at interest rates ranging from 10.15% to 10.30% (2017: 6.08% to 6.80%) per annum; and local currency deposits with various banks amounting to Rs. 90,000 (2017: Rs. 37,000) at interest rate of 9.75% (2017: 5.40% to 6.50%) per annum.

Subsidiary Companies

These represents investment in TDR having value US $10,122 (2017: US $10,231) at interest rate of 3.5% (2017: 2.7%) per annum and have maturity of 12 months (2017: 6 months).

14. CASH AND BANK BALANCES

	2018	2017
	-----------Rupees-----------	
Cash at banks in:		
- deposit accounts (note 14.1)	14,055	7,766
- currrent accounts (note 14.2)	714,581	1,786,963
	728,636	1,794,729
Cash in hand	1,200	1,200
	729,836	1,795,929

14.1 Deposit accounts carry return at the rate ranging from 5.40% to 8.00% (2017: 4.00%) per annum.

14.2 Includes Rs. 708,803 (2017: Rs. 456,183) held in foreign currency bank accounts.

(Amounts in thousand)

15. SHARE CAPITAL

	2018	2017
	-----------Rupees---------	
Authorised Capital		
1,400,000,000 (2017: 1,400,000,000) Ordinary shares of Rs. 10 each	14,000,000	14,000,000
Issued, subscribed and paid-up capital		
258,132,299 (2017: 258,132,299) Ordinary shares of Rs. 10 each, fully paid in cash	2,581,323	2,581,323
9,999,993 (2017: 9,999,993) Ordinary shares of Rs. 10 each issued as at January 1, 2010 on transfer of fertilizer undertaking	100,000	100,000
1,062,800,000 (2017: 1,062,800,000) Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	10,628,000	10,628,000
4,367,083 (2017: 4,367,083) Ordinary shares of Rs. 10 each issued upon exercise of conversion option by International Finance Corporation (IFC)	43,670	43,670
	13,352,993	13,352,993

15.1 Movement in issued, subscribed and paid up capital

2018	2017		2018	2017
----------Number of shares---------			----------Rupees---------	
1,335,299,375	1,330,932,292	At January 1	13,352,993	13,309,323
-	4,367,083	Ordinary shares of Rs. 10 each issued upon exercise of conversion option by IFC	-	43,670
1,335,299,375	1,335,299,375		13,352,993	13,352,993

15.2 As at reporting date, the Parent Company held 56.27% (2017: 56.27%) of the share capital of the Holding Company.

15.3 These fully paid Ordinary shares carry one vote per share and right to dividend.

16. RESERVES

	2018	2017
	----------Rupees---------	
Capital reserves		
Share premium	3,384,904	3,384,904
Exchange revaluation reserves	408,817	83,183
	3,793,721	3,468,087
Revenue reserves		
Remeasurement of post employment benefits	(44,729)	(47,315)
Unappropriated profit	28,421,170	25,695,946
	28,376,441	25,648,631
	32,170,162	29,116,718

(Amounts in thousand)

17. BORROWINGS - Secured (Non-participatory)

	Note	Mark - up rate per annum	Installments Number	Installments Commenced / Commencing from	2018	2017
					--------------Rupees-------------	
Long term finance utilised under mark-up arrangements:						
Senior Lenders						
Allied Bank Limited		6 months KIBOR + 0.8%	1 bullet payment	March 18, 2018	-	2,000,000
Allied Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	2,000,000	2,000,000
Faysal Bank Limited		6 months KIBOR + 1.2%	13 half yearly	May 26, 2013	-	499,138
National Bank of Pakistan	17.1	6 Months KIBOR + 0.2%	4 half yearly	June 28, 2022	1,000,000	-
Deutsche Investitions und Entwicklungsgesellschaft	17.1	6 Months LIBOR + 3.75%	9 half yearly	December 15, 2019	2,082,897	-
Allied Bank Limited	17.1	6 Months KIBOR + 0.2%	4 half yearly	June 28, 2022	2,100,000	-
Standard Chartered Bank (Pakistan) Limited		6 Months KIBOR + 0.9%	13 half yearly	June 14, 2013	199,687	398,741
Standard Chartered Bank (Pakistan) Limited		6 Months KIBOR + 0.8%	1 bullet payment	March 18, 2018	-	1,000,000
Samba Bank Limited		6 Months KIBOR + 0.9%	14 half yearly	April 1, 2013	99,852	199,431
National Bank of Pakistan		6 Months KIBOR + 1.2%	10 half yearly	September 28, 2013	-	166,531
Syndicated finance		6 months KIBOR + 0.4%	6 half yearly	June 26, 2019	9,109,666	9,108,338
United Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	4,000,000	4,000,000
MCB Bank Limited		6 months KIBOR + 0.80%	1 bullet payment	March 18, 2018	-	3,000,000
MCB Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	4,000,000	4,000,000
MCB Bank Limited	17.1	6 months KIBOR + 0.20%	4 half yearly	December 29, 2021	3,000,000	-
MCB Bank Limited		6 Months KIBOR + 0.05%	4 half yearly	March 28, 2021	1,500,000	1,500,000
Dubai Islamic Bank Pakistan Limited		6 months KIBOR + 0.4%	4 half yearly	November 28, 2018	600,000	800,000
Certificates						
Privately Placed Subordinated Sukuk Certificates	17.3	6 months KIBOR + 1.75%	10 half yearly	January 9, 2015	1,118,527	2,231,699
					30,810,629	30,903,878
Less: Current portion shown under current liabilities					5,095,584	8,119,864
					25,715,045	22,784,014

17.1 During the year, the Holding Company obtained long term finances from MCB Bank Limited, Allied Bank Limited, National Bank of Pakistan and Deutsche Investitions- und Entwicklungsgesellschaft (DEG) amounting to Rs. 3,000,000, Rs. 2,100,000, Rs. 1,000,000 and US Dollars 15,000 respectively, to finance the capital expenditure. These borrowings have the same charge as on the borrowings from other existing Senior Lenders.

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

17.3 Privately Placed Subordinated Sukuk (PPSS) has a subordinate mortgage upon immovable property of the Holding Company and a subordinate charge over current and future fixed assets excluding immovable property of the Holding Company.

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

(Amounts in thousand)

17.5 Following are the changes in the long term borrowings for which cash flows have been classified as financing activities in the consolidated statement of cash flows:

	2018	2017
	-------------Rupees----------	
Balance as at January 1	30,903,878	34,551,461
Borrowings availed during the year	8,183,497	1,500,000
Amortization of transaction cost	10,521	36,499
Repayment of borrowings	(8,286,667)	(5,085,439)
Conversion of IFC loan option	-	(104,810)
Exchange (gain) / loss	(600)	6,167
Balance as at December 31	30,810,629	30,903,878

18. DEFERRED LIABILITIES

	2018	2017
Deferred taxation (note 18.1)	7,100,022	9,388,172
Deferred income (note 18.2)	61,519	65,384
	7,161,541	9,453,556

18.1 Deferred taxation

	2018	2017
Credit / (Debit) balances arising on account of:		
- Accelerated depreciation allowance	11,187,680	13,467,920
- Alternative Corporate Tax	(3,962,572)	(3,962,572)
- Provision for:		
- staff retirement benefits	(1,056)	(30,760)
- slow moving stores and spares and doubtful receivables	(124,030)	(86,416)
	7,100,022	9,388,172

18.2 Deferred income

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

19. SERVICE BENEFIT OBLIGATION

	2018	2017
	-------------Rupees----------	
Service benefit obligation	244,214	225,055
Less: Current portion shown under current liabilities	51,487	50,271
	192,727	174,784

(Amounts in thousand)

20. TRADE AND OTHER PAYABLES

	2018	2017
	------------Rupees---------	
Creditors	4,905,934	4,021,451
Accrued liabilities (note 20.1)	17,117,097	9,887,217
Advances from customers	4,174,150	5,270,655
Payable to:		
- Engro Corporation Limited	-	34,654
- Engro Foods Limited	1,562	1,626
- Engro Energy Limited	2,052	-
- Engro Powergen Qadirpur Limited	1,635	1,713
- Engro Polymer & Chemicals Limited	202,362	114,486
- Engro Elengy Terminal (Private) Limited	1,373	1,463
- Gratuity Fund - NMPT	151,404	131,832
- Provident Fund	32	9
- Pension Fund	90	-
Deposits / Retention from dealers and contractors (note 20.2)	95,447	35,952
Workers' welfare fund (WWF) (note - 20.3)	1,790,523	1,740,268
Workers' profits participation fund	-	4,129
Witholding tax payable	199,923	238,565
Others	428,344	482,221
	29,071,928	21,966,241

20.1 Includes Rs. 12,576,404 (2017: Rs. 6,211,135) on account of Gas Infrastructure Development Cess (GIDC) payable from October 2016 onwards. The Federal Government challenged the decision of the Sindh High Court (SHC), which declared the GIDC as ultra vires and unconstitutional in case of another company, and obtained a direction from a Larger Bench of SHC suspending the order. However, the Holding Company obtained an injunction / stay order based on the fact that since the Company is not a party to the case, hence, the suspension is not applicable to the Company's case. The Government preferred an appeal before the SHC for suspension of the injunction / stay order, hearing of which is underway. In a separate case, Peshawar High Court passed a judgment on May 31, 2017 validating the new GIDC Act and the same has been challenged by the petitioners in the Supreme Court of Pakistan.

Recently, discussions have been initiated by the Government with the fertilizer industry for the possible settlement of outstanding litigations by the fertilizer industry against GIDC. The structure and legislation of the settlement has not been finalized and accordingly no impact in this respect has been recognized in the consolidated financial statements.

20.2 The amount is kept in separate bank account as per the terms of agreement.

20.3 In 2016, the Supreme Court of Pakistan, through its order dated November 10, 2016 decided that the changes to the WWF Ordinance, 1971 made through Finance Acts, 2006 and 2008 were ultra vires to the constitution of Pakistan. However, the taxation authorities had proceeded to file a review petition thereagainst in the Supreme Court of Pakistan, which is in the process of being heard. Based on the advice of the legal advisor, the aforementioned provision amounting to Rs. 293,228 has been reversed during the year.

(Amounts in thousand)

21. SHORT TERM BORROWINGS

Holding Company

The Company has funded facilities for short term finances available from various banks and institutional investors amounting to Rs. 16,850,000 (2017: Rs. 17,250,000) along with non-funded facilities of Rs. 3,827,000 (2017: Rs. 3,327,000) for bank guarantees. The rates of markup on funded bank overdraft facilities ranged from 0.2% to 1.5% per annum over 1-month KIBOR and all the facilities are secured by floating charge upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts, outstanding monies, receivable claims and bills of the Company. The Company has utilised Rs.636,878 (2017: Rs. 1,671,732) from funded facilities as at the reporting date.

Subsidiary Company

The facilities for short term running finances, available from various banks, aggregate to Rs. 14,217,000 (2017: Rs. 7,900,000). The rates of markup on funded bank overdraft facilities ranged from 0.2% to 1.5% per annum over 1-month KIBOR. These facilities are secured by floating charge upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts, outstanding monies, receivable claims and bills of the Holding Company. As at December 31, 2018, the Company has utilised Rs. 373,090 (2017: Rs. 3,592,496) out of the aforementioned facilities.

22. CONTINGENCIES AND COMMITMENTS

Contingencies

22.1 As at December 31, 2018, bank guarantees of Rs.2,982,754 (2017: Rs. 2,430,860) have been issued in favour of third parties.

22.2 Claims, including pending lawsuits, against the Holding Company not acknowledged as debts amount to Rs. 58,680 as at December 31, 2018 (2017: Rs. 58,680).

22.3 The Holding Company has entered into Dealer Finance Agreements (DFAs) with different banks amounting to Rs. 4,500,000 (2017: Rs. 4,500,000) consequent to which the banks will provide financial assistance to dealers approved by the Holding Company. In respect to DFA of Rs. 3,000,000 from the banks the Holding Company has agreed to bear 5% to 10% of the principal in case of default by the dealers.

As at December 31, 2018, the banks have made disbursements to dealers under the DFAs amounting to Rs. 1,254,832 (2017: Rs. 1,226,631) maturing on various future dates.

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

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

(Amounts in thousand)

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

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

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

22.8 The Holding Company in the year 2013 along with other fertilizer companies, received a show cause notice from the Competition Commission of Pakistan (CCP) for initiating action under the Competition Act, 2010 in relation to unreasonable increase in fertilizer prices. The Company has responded in detail that factors resulting in such increase were mainly the imposition of infrastructure cess and sales tax and partially the gas curtailment. The CCP has issued an order in March 2013, whereby it has held that the Company enjoys a dominant position in the urea market and that it has abused this position by unreasonable increases of urea prices in the period from December 2010 to December 2011. The CCP has also held another fertilizer company to be responsible for abusing its dominant position. In addition, the CCP has imposed a penalty of Rs. 3,140,000 and Rs. 5,500,000 on the Holding Company 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. The Holding

(Amounts in thousand)

Company has challenged the composition of the CAT. The Holding Company's management believes that the chances of ultimate success are very good, as confirmed by legal advisor, hence, no provision has been made in this respect.

22.9 During 2015, the Holding Company received a sales tax order from the tax department for the year ended December 31, 2013 pertaining to discharge of output tax liability, on assumed production of urea amounting to Rs. 402,875 and on presumption that output tax liability is not being discharged by the Holding Company on advances received from dealers amounting to Rs. 1,844,075. The Holding Company filed an appeal thereagainst with the Commissioner Inland Revenue (Appeals) which decided the matters in favour of the Holding Company. The department thereafter challenged the decision of the CIR(A) with the Appellate Tribunal Inland Revenue , which is pending to be heard. No provision has been made by the Holding Company in this respect.

22.10 On July 3 2018, the Deputy Commissioner Inland Revenue (DCIR), LTU raised an order for the period June 2016 to July 2017 with a demand of Rs. 1,006,000 mainly on account of further sales tax to be charged on sales to unregistered persons. The Holding Company filed an appeal thereagainst with the Commissioner Inland Revenue (Appeals) (CIRA) who disposed off the appeal in favor of the taxation department on September 24, 2018. A constitutional petition against the said order has been filed with the HCS and stay for recovery of demand against CIRA's order was obtained on October 31, 2018. The Holding Company's management believes that the chances of ultimate success are very good, as confirmed by legal advisor, hense, no provision has been made in this respect.

22.11 In the year 2017, the High Court of Islamabad in its order dated June 8, 2017 declared that the income derived by M/s Snamprogetti Engineering (the Contractor) from its contract with the Holding Company, is subject to tax as per Clause 4 of Article 5 of Double Taxation Treaty between Pakistan and the Netherlands. As per the terms of the contract, the Holding Company is liable to reimburse the Contractor for any taxes applied to the income of the Contractor under the contract by the taxation authorities. In respect thereof, the Contractor has preferred an appeal in the Supreme Court of Pakistan.

The management of the Holding Company based on the opinion of its legal counsel, is of the view that the income of the Contractor is exempt from tax under the aforementioned clause of the Double Taxation Treaty and the matter will be decided in favour of the Contractor and, hence, no provision has been made in this respect.

22.12 Commitments

	2018	2017
	------------Rupees----------	
Commitments in respect of capital expenditure and other operational items	1,874,155	2,626,904

23. NET SALES

	2018	2017
	------------Rupees----------	
Gross sales:		
- manufactured product	67,029,060	54,134,282
- purchased and packaged product	45,766,185	27,848,187
	112,795,245	81,982,469
Less: Sales tax	3,598,659	4,853,126
	109,196,586	77,129,343

23.1 The above amount includes trade discount amounting to Rs. Nil (2017: Rs. 362).

24. COST OF SALES

	2018	2017
Cost of sales - Manufactured product		
Raw materials consumed	17,168,622	12,094,227
Salaries, wages and staff welfare (note 24.1)	2,444,767	2,021,099
Fuel and power	8,083,386	6,639,650
Repairs and maintenance	1,079,238	1,025,019
Depreciation (note 5.2)	5,087,585	5,018,362
Amortisation (note 6.2)	15,599	15,700
Consumable stores	862,533	446,686
Training, HSE and other related expenses	274,783	404,448
Purchased services	794,517	523,297
Travelling	52,963	52,175
Communication, stationery and other office expenses	59,144	40,589
Insurance	418,796	329,605
Rent, rates and taxes	52,638	21,078
Other expenses	21,047	2,576
Manufacturing cost	36,415,618	28,634,511
Add: Opening stock of work in process	18,526	30,233
Less: Closing stock of work in process (note 9)	(27,517)	(18,526)
Cost of goods manufactured	36,406,627	28,646,218
Add: Opening stock of finished goods	1,733,036	5,050,607
Less: Closing stock of finished goods (note 9)	(853,481)	(1,733,036)
	37,286,182	31,963,789
Cost of sales - Purchased and packaged product		
Opening stock - net of NRV	4,638,428	1,135,905
Add: Purchases during the year	40,938,412	25,449,489
Less: Closing stock - net of NRV (note 9)	(8,982,883)	(4,638,428)
	36,593,957	21,946,966
	73,880,139	53,910,755

24.1 Salaries, wages and staff welfare includes Rs. 146,850 (2017: Rs. 130,347) in respect of staff retirement benefits.

(Amounts in thousand)

25. SELLING AND DISTRIBUTION EXPENSES

	2018	2017
	-------------Rupees-----------	
Salaries, wages and staff welfare (note 25.1)	950,964	668,445
Training, HSE and other related expenses	153,009	90,246
Product transportation and handling	4,756,308	4,655,090
Royalty	914,263	757,164
Repairs and maintenance	7,580	6,510
Advertising and marketing	445,077	319,833
Rent, rates and taxes	381,768	550,039
Communication, stationery and other office expenses	25,738	23,433
Travelling	155,218	82,140
Depreciation (note 5.2)	67,553	36,188
Amortisation (note 6.2)	11,530	7,543
Purchased services	98,938	21,738
Insurance	35,148	22,821
Others	4,821	3,549
	8,007,915	7,244,739

25.1 Salaries, wages and staff welfare includes Rs. 61,554 (2017: Rs. 49,388) in respect of staff retirement benefits.

25.2 Royalty is paid to the Parent Company which has its registered office at 8th floor, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.

26. ADMINISTRATIVE EXPENSES

	2018	2017
	-------------Rupees-----------	
Salaries, wages and staff welfare (note 26.1)	450,442	432,957
Training, HSE and other related expenses	96,245	41,560
Repairs and maintenance	12,686	15,693
Rent, rates and taxes	466,319	364,937
Communication, stationery and other office expenses	56,766	41,670
Travelling	24,063	20,393
Depreciation (note 5.2)	11,138	11,487
Amortisation (note 6.2)	1,284	2,654
Purchased services	341,544	258,015
Donations (note 26.2)	100,424	83,477
Insurance	1,195	6,882
Others	23,320	13,073
	1,585,426	1,292,798

26.1 Salaries, wages and staff welfare includes Rs. 47,774 (2017: Rs. 38,389) in respect of staff retirement benefits.

26.2 Donations

Party wise details of donations in excess of Rs. 500 are given below:

	2018	2017
	-------------Rupees-----------	
Name of Donees		
Engro Foundation	96,000	63,000
National Rural Support Programme	1,000	-
Pakistan Agricultural Coalition	2,100	-

(Amounts in thousand)

26.3 Recipients of donations do not include any donee in which any director or his spouse had any interest except for donation made to Engro Foundation. Mr. Ghias Khan who is a Chairman of the Board of the Holding Company is also a trustee of Engro Foundation.

27. OTHER INCOME

	2018	2017
	--------------Rupees------------	
Income from sales under Government subsidy (note 12.1)	1,271,334	4,980,288
On financial assets		
Income on bank accounts under:		
- shariah permissible arrangements	267	183
- interest / mark up arrangements	28,228	16,236
Income on Treasury Bills, Term Deposit Certificates and Pakistan Investment Bonds	465,077	90,609
Foreign exchange gain - net	128,196	-
Others	-	1,034
	621,768	108,062
On non-financial assets		
Commission income	-	4,154
Gain on disposal of property, plant and equipment (note 5.3)	21,316	675,700
Rental income	40,558	5,045
Scrap sales	12,033	47,577
Others (note 27.1)	94,945	45,034
	168,852	777,510
	2,061,954	5,865,860

27.1 This includes an amount of Rs. 42,368 charged to the Parent Company.

28. OTHER OPERATING EXPENSES

	2018	2017
Workers' profits participation fund (note 20.3)	1,149,229	805,322
Workers' welfare fund	143,227	306,022
Research and development	244	31,360
Auditors' remuneration (note 28.1)	8,918	13,733
Legal and professional	51,722	67,572
Others	78,586	10,358
	1,431,926	1,234,367

28.1 Auditors' remuneration

	2018	2017
Fee for:		
- audit of annual financial statements	4,721	3,926
- review of half yearly financial information	555	435
- review of compliance with the Code of Corporate Governance	45	40
- certifications, advices and audit of retirement funds	191	850
- taxation services	2,889	8,017
- reimbursement of expenses	517	465
	8,918	13,733

(Amounts in thousand)

29. FINANCE COST

	2018	2017
	---------------Rupees-----------	
Interest / mark-up / return on:		
- long term borrowings under:		
- interest / mark up arrangements	1,589,740	1,869,226
- shariah permissible arrangements	320,552	337,647
	1,910,292	2,206,873
- short term borrowings under:		
- interest / mark up arrangements	149,087	368,530
- shariah permissible arrangements	10,931	22,407
	160,018	390,937
Gain on fair value of IFC conversion option	-	(3,415)
Foreign exchange loss - net	-	5,249
Bank charges	623	26,690
Financial charges on issuance of letters of credit	-	21,440
	2,070,933	2,647,774

30. TAXATION

	2018	2017
Current		
- for the year	8,243,535	5,355,437
- for prior years (note 30.4 and 30.5)	914,354	(1,752,308)
	9,157,889	3,603,129
Deferred	(2,289,206)	1,906,019
	6,868,683	5,509,148

30.1 During the year 2015, the income tax department amended the assessment filed by the Holding Company for tax year 2014. The Holding Company filed an appeal before the Commissioner Inland Revenue (Appeals) against the disallowances, which mainly pertained to exchange gain and loss, loss on derivative and losses purchased from Engro Eximp Agriproducts (Private) Limited, an associate, under section 59B of the Income Tax Ordinance, 2001 resulting in additions to taxable income of Rs. 3,191,963. In addition the tax department raised demand for the Alternative Corporate Tax through the same order, for which the Holding Company specifically obtained a stay order. The hearing of the aforesaid appeal was held on October 15, 2018 before the CIR(A) where written arguments were submitted by the Commissioner and the case has been reserved for order.

30.2 During the year 2014, the income tax department amended the assessment filed by the Holding Company for tax years 2010 and 2011.The Holding Company filed appeals thereagainst before the Appellate Tribunal Inland Revenue (ATIR) against the said disallowances, which through its decision provided relief in respect of certain items and confirmed certain disallowances in favor of the tax department. The said disallowances included the charge in respect of exchange gain and loss incurred for tax year 2010 and tax year 2011, and loss on derivative for tax year 2011 raising a demand in respect of these years in aggregate of Rs. 1,075,466. The Holding Company had challenged the said decision before the High Court of Sindh, which is pending to be heard, however, the Holding Company is confident of a favourable outcome.

30.3 The Holding Company had filed a suit in the High Court of Sindh (HCS), contesting both the retrospective and prospective application of the Alternative Corporate Tax (ACT) under section 113C. On January 27, 2018, the Supreme Court of Pakistan passed an order requiring that a minimum of 50% of tax calculated by the taxation authorities be deposited with taxation authorities to maintain / entertain a suit filed / to be filed with any Court of Pakistan. Pursuant to this, the Holding Company made payment of Rs. 615,600 in respect of ACT for tax year 2014 to maintain its stay granted by the HCS. However, in respect of tax years 2015, 2016 and 2017, since no amendments to the returns filed by the Holding Company were received from the tax department, therefore, suits thereagainst were withdrawn by the Holding Company. Later, on September 13, 2018, the Holding Company received recovery notice for payment in respect of tax years 2015, 2016 and 2017 against which a constitutional petition has been filed by the Holding Company with the HCS. Stay for recovery of ACT has been granted in respect of the constitutional petition. Any amount payable as ACT can be adjusted against tax liability of 10 future tax years immediately succeeding the tax year in which it was paid.

30.4 This includes provision for Super Tax of Rs. 352,633 and Rs. 476,641 in respect of tax years 2015 and 2018, respectively, in accordance with section 4B 'Super Tax for rehabilitation of temporarily displaced persons' of the Income Tax Ordinance, 2001 (the Ordinance), whereby, tax at the rate 3% (tax year 2018) and 2% (tax year 2015) is imposed on specified income of the Holding Company.

The Company had filed a suit in the HCS, contesting Super Tax applicability as unconstitutional and ultravires the laws. On June 27, 2018, the Supreme Court of Pakistan passed an order requiring that a minimum of 50% of tax calculated by the taxation authorities be deposited with the taxation authorities to maintain / entertain a suit filed / to be filed with any Court of Pakistan. Pursuant to this, the legal suits filed against applicability of Super tax were withdrawn by the Holding Company.

Subsequent to the year end, on January 15, 2019, the Holding Company received recovery notice from Federal Board of Revenue (FBR) for payment of Super Tax in respect of tax year 2018. The Holding Company has filed a constitutional petition against the same in the High Court of Sindh and stay thereagainst has been generated. Adequate provision for super tax for the respective tax year is being maintained in these consolidated financial statements.

30.5 This includes Rs. 200,196 in respect of prior year taxes of EAPL withheld at source at the time of imports of inventories under section 148 of the Income Tax Ordinance and sold during the year ended December 31, 2018.

This also includes amount of Rs. 85,080 on account of provision in accordance with section 4B 'Super Tax for rehabilitation of temporarily displaced persons' of the Income Tax Ordinance, 2001 (the Ordinance) whereby tax at the rate 3 percent is payable on specified income exceeding Rs. 500,000 for the year ended December 31, 2017. Subsequent to year end, EAPL received a notice for payment of super tax for the year ended December 31, 2017. EAPL has proceeded with filing a constitutional petition thereagainst in the High Court of Sindh contesting the applicability of super tax and a stay order restraining recovery of aforesaid amount has been granted.

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

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

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

The Holding Company is confident that all the aforementioned pending issues will eventually be decided in its favor. Therefore, no provision in respect of this is being maintained in these consolidated financial statements.

(Amounts in thousand)

30.7 As a result of merger of Engro Eximp (Private) Limited (EXIMP) with the Holding Company, all pending tax issues of EXIMP have been transferred to the Company. Major pending issue pertains to exercise of option to be taxed under the Normal Tax Regime (NTR) by EXIMP for the years 2012 and 2013, resulting in an aggregate refund of Rs. 796,000. The tax department had not accepted the said treatment for tax year 2013, however, the matter was decided in favor of the Holding Company by the Commissioner Income Tax Appeals(CIT(A)), against which the tax department has filed an appeal with the Appellate Tribunal. However, during the year, the department has given Appeal Effect order to the aforementioned favourable decision of the CIT(A) for tax year 2013. 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.

30.8 Relationship between tax expense and accounting profit

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

	2018	2017
	--------------Rupees-----------	
Profit before taxation	24,282,201	16,664,770
Tax calculated at the rate of 29% (2017: 30%)	7,041,838	4,999,431
Depreciation not deductible for tax purposes	7,660	34,040
Tax effect of:		
- Expenses not allowed for tax	243,501	332,883
- Final Tax Regime	422,219	(218,317)
Effect of:		
- Tax credits	(267,040)	(70,236)
- Recoupable minimum turnover tax	-	2,178,308
- Prior year tax charge	914,354	(1,752,308)
- Incremental tax charge for Super Tax	554,703	-
- Change in deferred tax liability rates due to reduction in tax rates (note 30.9)	(2,048,552)	-
- Others	-	5,347
Tax charge for the year	6,868,683	5,509,148

30.9 Through Finance Act 2018, corporate tax rates for year ended December 31, 2018 and onwards were reduced by 1% for each subsequent tax year uptil tax year 2023 (financial year ending December 31, 2022). This represents amount of deferred tax expense relating to changes in tax rates.

30.10 Tax Provision of the Holding Company

The Holding Company carries tax provision in it's unconsolidated financial statements of Rs. 3,675,656, Rs. 2,757,986 and Rs. 4,704,830, respectively, for the years ended 2015, 2016 and 2017, whilst the tax assessed for these years is Rs. 775,822, Rs. 448,753 and Rs. 1,877,149, respectively. Management has assessed that the tax provisions in these consolidated financial statements are sufficient.

(Amounts in thousand)

30.11 Tax Provision of the Subsidiary Company

The Subsidiary Company has tax provision in it's financial statements of Rs. 850,804 for year ended 2017, whilst the tax assessed for the year is Rs. 850,804. Management has assessed that the tax provisions in the financial statements are sufficient.

31. EARNINGS PER SHARE (EPS)

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

As at December 31, 2018, there is no dilutive effect on the basic earnings per share of the Holding Company. Earnings per share is based on following:

	2018	2017
	--------------Rupees-----------	
Profit for the year	17,413,518	11,155,622
Add		
- Interest on IFC loan - net of tax	-	588
- Gain on revaluation of conversion options on IFC loan - net of tax	-	(2,225)
Profit used for the determination of Diluted EPS	17,413,518	11,153,985
	----Numbers (in thousands)----	
Weighted average number of ordinary shares at beginning of the year	1,335,299	1,330,932
Add: Weighted average adjustments for shares issued during the year under conversion of option	-	3,482
Weighted average number of shares for determination of basic / diluted EPS	1,335,299	1,334,414

(Amounts in thousand)

32 FINANCING STRUCTURE / MODE

	2018	2017
	--------------Rupees----------	
Conventional mode:		
Assets		
Short term investments	7,739,231	8,161,442
Cash and bank balances	589,906	1,703,338
	8,329,137	9,864,780
Liabilities		
Long term borrowings	27,892,415	26,473,438
Short term borrowings	941,903	5,264,228
	28,834,318	31,737,666
Shariah compliant mode:		
Assets	-	2,000
Short term investments	139,930	92,591
Cash and bank balances	139,930	94,591
Liabilities		
Long term borrowings	2,918,214	4,430,440
Short term borrowings	68,065	-
	2,986,279	4,430,440

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2018			2017		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	------------------Rupees------------------			------------------Rupees------------------		
Managerial remuneration including bonus	73,888	1,300	1,745,893	48,383	-	1,867,936
Retirement benefits funds	10,943	110	186,050	6,794	-	195,070
Other benefits	14	4	54,370	91	-	62,067
Fees	-	2,050	-	-	1,450	-
Total	84,845	3,464	1,986,313	55,268	1,450	2,125,073
Number of persons, including those who worked part of the year	3	7	345	1	5	568

(Amounts in thousand)

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

33.3 Premium charged in respect of directors' indemnity insurance policy, purchased by the Holding Company during the year, amounted to Rs. 295 (2017: Rs. 381).

34. RETIREMENT AND OTHER SERVICE BENEFITS

34.1 Salient features

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

The gratuity and pension funds are governed under the Trusts Act, 1882, Trust Deed and Rules of Fund, Companies Act, 2017, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

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

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

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

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

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

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

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

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

34.2 Valuation results

The latest actuarial valuation of the defined benefit plans was carried out as at December 31, 2018, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

(Amounts in thousand)

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan-Funded (Curtailed)	
	NMPT		MPT			
	2018	2017	2018	2017	2018	2017
	Rupees					
34.2.1 Consolidated statement of financial position reconciliation						
Present value of obligation	325,678	296,881	104,068	146,542	24,600	29,156
Fair value of plan assets	(176,611)	(165,049)	(136,832)	(186,223)	(38,104)	(40,713)
Deficit / (surplus) of funded plans	149,067	131,832	(32,764)	(39,681)	(13,504)	(11,557)
Payable to Defined Contribution Gratuity Fund	-	-	9,736	9,736	-	-
Payable in respect of inter-transfers	-	-	46	46	-	-
Unrecognised asset	-	-	-	-	13,504	11,557
Net liability / (asset) at end of the year	149,067	131,832	(22,982)	(29,899)	-	-
34.2.2 Movement in net liability / (asset) recognised						
Net liability / (asset) at beginning of the year	131,832	69,534	(29,899)	(17,667)	-	-
Actual contribution paid by the employer	-	-	-	-	-	79
Charge / (Income) for the year	27,770	18,202	2,361	3,632	-	(930)
Remeasurements charged to OCI (note 34.2.7)	(8,198)	44,537	4,556	(15,864)	-	851
Unrecognised asset	(2,337)	(441)	-	-	-	-
Net liability / (asset) at end of the year	149,067	131,832	(22,982)	(29,899)	-	-

(Amounts in thousand)

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan-Funded (Curtailed)	
	NMPT		MPT			
	2018	2017	2018	2017	2018	2017
	Rupees					
34.2.3 Movement in defined benefit obligation						
As at beginning of the year	296,881	238,301	146,542	137,729	29,156	32,132
Current service cost	16,364	12,754	5,325	5,745	-	-
Interest cost	26,217	18,947	10,116	10,978	2,384	2,413
Benefits paid during the year	(10,576)	(19,835)	(56,559)	(6,444)	(4,042)	(3,920)
Liability in respect of promotion out	(2,337)	(441)	-	-	-	-
Remeasurments charged to OCI (note 34.2.7)	(871)	47,155	(1,356)	(1,466)	(2,898)	(1,469)
As at end of the year	325,678	296,881	104,068	146,542	24,600	29,156
34.2.4 Movement in fair value of plan assets						
At beginning of the year	165,049	168,767	186,223	165,178	40,713	44,213
Expected return on plan assets	14,811	13,499	13,080	13,091	3,354	3,343
Benefits paid during the year	(10,576)	(19,835)	(56,559)	(6,444)	(4,042)	(3,920)
Remeasurments charged to OCI (note 34.2.7)	7,327	2,618	(5,912)	14,398	(1,921)	(2,844)
Actual contribution by the employer	-	-	-	-	-	(79)
As at end of the year	176,611	165,049	136,832	186,223	38,104	40,713
34.2.5 Charge / (reversal) for the year						
Current service cost	16,364	12,754	5,325	5,745	-	-
Net interest cost	11,406	5,448	(2,963)	(2,113)	-	(930)
	27,770	18,202	2,362	3,632	-	(930)
34.2.6 Actual return on plan assets	23,111	14,491	8,242	8,617	2,254	2,221

(Amounts in thousand)

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan-Funded (Curtailed)	
	NMPT		MPT			
	2018	2017	2018	2017	2018	2017
	Rupees					
34.2.7 Remeasurement recognised in consolidated statement of other comprehensive income						
(Gain) / Loss from change in experience assumptions	(2,115)	51,080	(1,356)	(115)	2,636	(161)
Loss / (Gain) from change in financial assumptions	1,244	(3,925)	-	(1,351)	(5,534)	(1,308)
Remeasurement of obligation	(871)	47,155	(1,356)	(1,466)	(2,898)	(1,469)
Expected return on plan assets	14,811	13,499	13,079	13,091	3,354	3,343
Actual return on plan assets	(23,111)	(14,491)	(8,242)	(8,617)	(2,254)	(2,221)
Difference in fair value opening	973	(1,626)	1,075	(18,872)	821	1,722
Remeasurement of plan assets	(7,327)	(2,618)	5,912	(14,398)	1,921	2,844
Effect of asset ceiling	-	-	-	-	1,947	(524)
	(8,198)	44,537	4,556	(15,864)	970	851
34.2.8 Principal actuarial assumptions used in the actuarial valuation						
Discount rate	13.3%	8.8%	12.8%	7.8%	12.8%	8.8%
Expected per annum rate of return on plan assets	13.3%	8.0%	12.8%	8.0%	12.8%	8.8%
Expected per annum rate of increase in salaries - next year	12.3%	7.8%	12.8%	7.8%	-	-
Expected per annum rate of increase in salaries-long term	12.3%	7.8%	12.8%	7.8%	-	-

34.2.9 Demographic Assumptions

	NMPT	MPT	Pension (2018)	Pension (2017)
Mortality rate	SLIC (2001-05) - I	SLIC (2001-05) - I	SLIC (2001-05) - I	PMA-PFA (80) - 2
Rate of employee turnover	Light	Heavy	-	-

(Amounts in thousand)

34.2.10 Sensitivity Analysis

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

	Increase in assumption			Decrease in assumption		
	Gratuity Funds		Pension Fund	Gratuity Funds		Pension Fund
	NMPT	MPT		NMPT	MPT	
	Rupees					
Discount rate	297,748	101,157	23,517	357,743	107,182	25,788
Long Terms Salary Increases	357,743	107,153	-	297,280	101,132	-
Logn Terms Pension Increases	-	-	25,933	-	-	23,374

34.2.11 Maturity Profile

Time In Years	Gratuity Funds NMPT	Gratuity Funds MPT	Pension Fund
	Rupees		
1	26,136	54,186	4,013
2	24,026	4,281	4,013
3	18,210	7,109	4,013
4	19,841	10,437	4,013
5-10	242,569	92,582	4,013
11-15	510,995	20,289	4,013
16-20	1,022,457	1,745	4,013
20+	2,406,656	-	4,013
Weighted average duration (years)	8.58	2.80	5.82

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan - Funded (Curtailed)	
	NMPT		MPT*			
	2018		2018		2018	
34.2.12 Plan assets comprise of the following:	Rupees	(%)	Rupees	(%)	Rupees	(%)
Fixed income instruments	139,280	79	121,988	89	29,264	77
Investment in equity instruments	33,434	19	42,491	31	6,850	18
Cash	3,897	2	4,122	3	1,990	5
Other liabilities	-	-	(31,769)	(23)	-	-
	176,611	100	136,832	100	38,104	100

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

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

(Amounts in thousand)

34.2.14 Expected future cost / (reversal) for the year ending December 31, 2019 is as follows:

	Rupees
- Gratuity Fund - NMPT	37,071
- Gratuity Fund - MPT	(785)
- Pension Fund	(1,621)

34.2.15 Historical information of staff retirement benefits:

	2018	2017	2016	2015	2014
	-----	-----	Rupees	-----	-----
Gratuity Fund - NMPT					
Present value of defined benefit obligation	325,678	296,881	238,301	228,376	166,212
Fair value of plan assets	(176,611)	(165,049)	(168,767)	(169,638)	(178,713)
Deficit / (surplus)	149,067	131,832	69,534	58,738	(12,501)
Gratuity Fund - MPT					
Present value of defined benefit obligation	104,068	146,542	137,729	149,332	135,336
Fair value of plan assets	(136,832)	(186,223)	(165,178)	(166,957)	(140,235)
Surplus	(32,764)	(39,681)	(27,449)	(17,625)	(4,899)
Pension Fund					
Present value of defined benefit obligation	24,600	29,156	32,132	33,367	34,406
Fair value of plan assets	(38,104)	(40,713)	(44,213)	40,835	(38,824)
Surplus	(13,504)	(11,557)	(12,081)	(7,468)	(4,418)

34.3 Defined contribution plans

An amount of Rs. 226,016 has been charged during the year (2017: Rs. 197,220) in respect of defined contribution plans maintained by the Parent Company.

35. CASH GENERATED FROM OPERATIONS

	2018	2017
	------Rupees	------
Profit before taxation	24,282,201	16,664,770
Adjustment for non-cash charges and other items:		
Depreciation (note 5.2)	5,166,276	5,066,037
Amortisation - net	24,548	22,032
Gain on disposal of property, plant and equipment (note 5.3)	(21,316)	(675,700)
Provision for retirement and other service benefits	68,496	64,561
Income on deposits / other financial assets	(493,572)	(108,062)
Finance cost (note 29)	2,070,933	2,647,774
Provision for net realisable value of raw materials (note 9)	30,000	-
Provision for surplus and slow moving stores and spares (note 8)	233,914	4,435
Provision for impairment against trade debts (note 10)	18,230	-
Working capital changes (note 35.1)	(1,057,057)	5,803,218
	30,322,653	29,489,065

(Amounts in thousand)

35.1 Working capital changes

	2018	2017
	------Rupees	------
(Increase) / Decrease in current assets		
- Stores, spares and loose tools	(279,407)	(397,555)
- Stock-in-trade	(3,932,095)	(837,199)
- Trade debts	(3,709,153)	2,166,564
- Loans, advances, deposits and prepayments	(5,274)	(277,936)
- Other receivables	(236,815)	(1,817,157)
	(8,162,744)	(1,163,283)
Decrease in trade and other payables	7,105,687	6,966,501
	(1,057,057)	5,803,218

36. CASH AND CASH EQUIVALENTS

	2018	2017
Cash and bank balances (note 14)	729,836	1,795,929
Short term investments with original maturity less than 3 months (note 13)	1,494,618	3,164,006
Short term borrowings (note 21)	(1,009,968)	(5,264,228)
	1,214,486	(304,293)

37. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets as per statement of financial position

	2018	2017
- Loans and receivables at amortised cost		
Loans, advances and deposits	364,127	502,692
Trade debts	9,109,671	5,418,748
Other receivables	6,700,963	7,347,392
Accrued income	37,276	24,833
Cash and bank balances	729,836	1,795,929
	16,941,873	15,089,594
- Available for sale		
Short term investments	6,244,613	4,999,436
- Held to maturity		
Short term investments	1,494,618	3,164,006

Financial liabilities as per statement of financial position

	2018	2017
- Financial liabilities at amortised cost		
Long term borrowings	30,810,629	30,903,878
Trade and other payable	22,907,332	14,712,624
Short term borrowings	1,009,968	5,264,228
Accrued interest / mark-up	425,920	595,441
	55,153,849	51,476,171

(Amounts in thousand)

38. FINANCIAL RISK MANAGEMENT

38.1 Financial risk factors

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

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

a) Market risk

i) Currency risk

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

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

As at December 31, 2018, if exchange rates had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by Rs. 14,793.

ii) Interest rate risk

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

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

As at December 31, 2018, if interest rates had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by Rs. 318,206.

b) Credit risk

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

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

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

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

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

	2018	2017
	------------Rupees----------	
Loans, advances and deposits	364,127	502,692
Trade debts	9,109,671	5,418,748
Other receivables	6,700,963	7,347,392
Short term investments	6,244,613	4,999,436
Cash and bank balances	729,836	1,795,929
	23,149,210	20,064,197

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

	Rating Agency	Rating Short Term	Rating Long Term
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Bank Al Habib Limited	PACRA	A1+	AA+
Bank Islami Pakistan Limited	PACRA	A1	A+
The Bank of Punjab	PACRA	A1+	AA
Albaraka Bank (Pakistan) Limited	PACRA	A1	A
Citi Bank N.A.	MOODY'S	P1	A1
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A1	AA-
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1+	AA-
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A1+	AA+
National Bank of Pakistan	PACRA	A1+	AAA
Samba Bank Limited	JCR-VIS	A1	AA
Silk Bank Limited	JCR-VIS	A2	A-
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	A1	A-
United Bank Limited	JCR-VIS	A1+	AAA
HSBC Bank Middle East	MOODY'S	P-2	A3
CIMB Bank Berhud	MOODY'S	P-2	A3
Habib Bank Limited	MOODY'S	NP	Caa1
United Bank Limited	MOODY'S	NP	Caa1
Mashreq Bank	MOODY'S	P2	B aa2
Noor Bank	Fitch	F2	A-

(Amounts in thousand)

c) Liquidity risk

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

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

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

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

	2018			2017		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	---------------------Rupees-------------------			---------------------Rupees-------------------		
Financial liabilities						
Trade and other payables	22,907,332	-	22,907,332	14,712,624	-	14,712,624
Accrued interest / mark-up	425,920	-	425,920	595,441	-	595,441
Long term borrowings	5,095,584	25,715,045	30,810,629	8,119,864	22,784,014	30,903,878
Short term borrowings	1,009,968	-	1,009,968	5,264,228	-	5,264,228
	29,438,804	25,715,045	55,153,849	28,692,157	22,784,014	51,476,171

38.2 Capital risk management

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.
The total long term borrowings to equity ratio as at December 31, 2018 based on total long term borrowings of Rs. 30,810,629 (2017: Rs. 30,903,878) and total equity of Rs. 45,685,676 (2017: Rs. 42,469,711) was 40%:60% (2017: 42%:58%).

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

(Amounts in thousand)

38.3 FAIR VALUE ESTIMATION

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

As at December 31, 2018, all financial assets and financial liabilities are carried at amortised cost except for investment in Pakistan Investment Bonds which are carried at their fair values.

The carrying value of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values. The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

The table below analyses financial instruments carried at fair value by valuation method.

	Level 1	Level 2	Level 3	Total
	---------------------------Rupees---------------------------			
Assets				
Short term investments				
Available for sale	-	6,244,613	-	6,244,613

Level 2 - The fair valued financial instruments comprise of Pakistan Investment Bonds which are valued using discounted cash flow model.

There were no transfers amongst the levels during the year.

38.4 Fair value of financial assets and liabilities

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

(Amounts in thousand)

39. TRANSACTIONS WITH RELATED PARTIES

39.1 Following are the names of associated companies, undertakings and other related parties with whom the Group had entered into transactions or had agreements and arrangements in place during the year:

Name of Related parties	Direct shareholding	Relationship
Engro Corporation Limited	56.27%	Parent Company
Efert Agritrade (Private) Limited	100%	Subsidiary Company
Engro Eximp FZE	100%	Subsidiary Company
Dawood Lawrencepur Limited	N/A	Associate of Parent Company
Engro Digital Limited	N/A	Subsidiary of Parent Company
Engro Elengy Terminal (Private) Limited	N/A	Subsidiary of Parent Company
Engro Eximp Agriproducts (Private) Limited	N/A	Subsidiary of Parent Company
Engro Foods Limited	N/A	Associate of Parent Company
Engro Foundation	N/A	Associate of Parent Company
Engro Polymer & Chemicals Limited	N/A	Subsidiary of Parent Company
Engro Energy Limited	N/A	Subsidiary of Parent Company
Engro Powergen Qadirpur Limited	N/A	Subsidiary of Parent Company
Engro Powergen Thar Limited	N/A	Subsidiary of Parent Company
Engro Vopak Terminal Limited	N/A	Associate of Parent Company
Sindh Engro Coal Mining Company Limited	N/A	Associate of Parent Company
Aasim Butt	N/A	Key Management Personnel
Amir Iqbal	N/A	Key Management Personnel
Asad Said Jafar	N/A	Director
Atif Kaludi	N/A	Key Management Personnel
Asif Sultan Tajik	N/A	Key Management Personnel
Asim Murtaza Khan	N/A	Director
Fahd Khawaja	N/A	Key Management Personnel
Imran Ahmed	N/A	Key Management Personnel
Javed Akbar	N/A	Director
Mohammad Azhar Malik	N/A	Key Management Personnel
Mohsin Ali Mangi	N/A	Key Management Personnel
Mudassar Yaqub Rathore	N/A	Key Management Personnel
Muhammad Majid Latif	N/A	Key Management Personnel
Nadir Salar Qureshi	N/A	Chief Executive
Ruhail Mohammed	N/A	Former Chief Executive
Sadia Khan	N/A	Director
Syed Shahzad Nabi	N/A	Key Management Personnel
Engro Corporation Limited DC Pension Fund	N/A	Post Employement Benefits
Engro Corporation Limited MPT Gratuity Fund	N/A	Post Employement Benefits
Engro Corporation Limited NMPT Gratuity Fund	N/A	Post Employement Benefits
Engro Corporation Limited DB Pension Fund	N/A	Post Employement Benefits
Engro Corporation Limited DC Gratuity Fund	N/A	Post Employement Benefits
Engro Corporation Limited Provident Fund	N/A	Post Employement Benefits

(Amounts in thousand)

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

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

	2018	2017
	----------Rupees----------	
Parent Company		
Dividend paid	8,264,433	6,010,496
Purchases and services	408,698	249,670
Services provided to Parent Company	52,128	32,106
Reimbursements made:		
- by the Company	118,061	83,989
- to the Company	513,455	7,575
Expenses incurred on behalf of the Company	14,106	-
Use of assets	-	499
Associated companies		
Purchases and services	99,219	134,989
Sale of products	340	2,645
Services provided	106,259	112,782
Reimbursements made:		
- by the Company	15,838	17,295
- to the Company	61,159	77,517
Payment of mark-up on TFCs and repayment of principal amount	1,025	9,016
Donation	96,000	63,000
Use of assets	-	2,706
Contribution to staff retirement benefits		
Pension fund	17,759	18,881
Gratuity fund	119,773	97,020
Provident fund	134,265	112,471
Dividend paid to staff retirement benefits		
Pension fund	1,438	18,881
Gratuity fund	3,607	97,020
Provident fund	7,068	112,471
Others		
Remuneration of key management personnel	269,019	215,406

(Amounts in thousand)

40. PRODUCTION CAPACITY

	Disigned annual capacity Metric Tons		Actual production Metric Tons		Remarks
	2018	2017	2018	2017	
Urea plant I & II	2,275,000	2,275,000	1,928,080	1,806,977	Production planned as per market demand
NPK plant	100,000	100,000	132,790	109,059	

41. NUMBER OF EMPLOYEES

	Number of employees as at December 31,		Average number of employees as at December 31,	
	2018	2017	2018	2017
Factory Employees				
Management employees	221	221	223	230
Non-management employees	521	518	500	517
Other than Factory employees				
Management employees	501	453	499	429
Non-management employees	9	9	9	9
	1,252	1,201	1,231	1,185

42. PROVIDENT FUND

The employees of the Group participate in the Provident Fund maintained by the Parent Company. The investments out of the provident funds have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the conditions specified there under.

43. 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.

44. NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors in its meeting held on February 8, 2019 has proposed a final cash dividend of Rs. 3 per share for the year ended December 31, 2018 amounting to Rs. 4,005,898 for approval of the members at the Annual General Meeting to be held on March 28, 2019. The amount of total dividend is calculated at the number of shares outstanding as at December 31, 2018.

(Amounts in thousand)

45. CORRESPONDING FIGURES

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

45.2 Under the Companies Act, 2017 the definition of 'executives' has been revised. As a result, comparative figures have been restated to reflect the said change.

46. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on February 8, 2019 by the Board of Directors of the Holding Company.

Imran Ahmed	Nadir Salar Qureshi	Ghias Khan
Chief Financial Officer	Chief Executive	Chairman

standalone financials

independent auditor's report

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To the members of Engro Fertilizers Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Engro Fertilizers Limited (the Company), which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof 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, 2018 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.

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Following are the key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1.	**First time application of Fourth Schedule to the Companies Act, 2017** (Refer note 3.1.2 to the financial statements) The Fourth Schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of annual financial statements. As part of transition to the requirements, management performed an analysis to identify differences between the previous and current Fourth Schedules and as a result certain amendments relating to presentation and disclosures were made in the financial statements. In view of the various new disclosures prepared and presented in the financial statements, we have considered this a key audit matter.	Our audit procedures amongst others included the following: - reviewing and obtaining understanding of the requirements of the Fourth Schedule to the Companies Act, 2017; - considering the management's process of identifying the additional disclosures required in the Company's annexed financial statements; - obtaining relevant underlying supports for the additional disclosures and assessed their appropriateness for sufficient audit evidence; and - verifying on a test basis the supporting evidence for the additional disclosures and ensured appropriateness of the disclosures made.
2.	**Income tax and Sales tax** (Refer note 24 and 32 to the financial statements) The Company has recognized provisions and has disclosed contingent liabilities in respect of certain income tax and sales tax matters, which are pending adjudication before various appellate and legal forums. Provisions and contingencies require management of the Company to make judgements and estimates in relation to the interpretation of laws, statutory rules, regulations, and the probability of outcome and financial impact, if any, on the Company in respect of such provisions and contingencies. Due to significance of amounts involved, inherent uncertainties with respect to the outcome of these matters and use of significant management judgement and estimates to assess the same including related financial	Our audit procedures amongst others included the following: - obtaining and reviewing details of the pending tax matters and discussed the same with the Company's management; - circularizing confirmations to the Company's external legal and tax counsels for their views on matters being handled by them; - involving internal tax professionals to assess management's conclusions on contingent tax matters and evaluating the consistency of such conclusions with the views of management and external tax advisors engaged by the Company;

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S.No.	Key audit matters	How the matter was addressed in our audit
	impacts, we have considered provisions and contingent liabilities relating to income tax and sales tax a key audit matter.	- reviewing correspondence of the Company with the relevant authorities including judgments or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved; - checking mathematical accuracy of the calculations underlying the provisions, if any; and - reviewing the adequacy of the disclosures made by the Company with regard to the applicable accounting and reporting standards.
3.	**Provision in respect of Gas Infrastructure Development Cess (GIDC)** (Refer note 22.1 to the financial statements) The Company maintains a provision in respect of Gas Infrastructure Development Cess (GIDC) of Rs. 12,576,404 thousand as at December 31, 2018. The Company has obtained ad-interim stay orders against the GIDC Act, 2015 from the Sindh High Court which has restrained the gas supplying companies from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. In a separate case, Peshawar High Court passed a judgment on May 31, 2017 validating the new GIDC Act, against which the Company has filed a petition in the Supreme Court of Pakistan. The management believes that the provision recorded as at December 31, 2018 in respect of GIDC represents the management's current best estimate of the amounts. Given the nature and significance of the amounts involved in the aforementioned case and the legal forum at which this matter is currently pending, the ultimate outcome and the resultant accounting in the financial statements is subject to the exercise of significant judgement which may change over time as new facts emerge and the legal case progresses.	Our audit procedures amongst others included the following: - obtaining an understanding of the background facts pertaining to provision recorded in respect of GIDC through meetings with the management and review of the minutes of the meetings of those charged with governance; - reading correspondence of the Company with the regulatory authorities and Company's external legal counsel; - obtaining confirmation from external legal counsel in respect of the current developments in the case including their assessment of the potential outcome of the matter; and - assessing the adequacy of provisioning based on the advice of the legal counsel and the appropriateness of related disclosures made in the financial statements in accordance with the accounting and reporting standards.

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S.No.	Key audit matters	How the matter was addressed in our audit
	Therefore, we have considered this as a key audit matter.	
4.	**Sales** (Refer note 25 to the financial statements) The Company provides its customers with various discounts and allowances which are accounted for as a deduction from the gross sales. Further, accruals for unsettled amounts in this respect are recognized as at year end. Certain portion of these discounts and allowances are not based on achievement of specific criteria, and the management is required to make certain judgments in respect of the level of discounts and allowances to be provided to the respective customers. Further, there is a presumed risk of sales being overstated resulting from the pressure management may feel to achieve performance targets set for the year. Accordingly, we consider that there is a risk of material misstatement of financial statements relating to transactions occurring close to the year end, as transactions could be recorded in the wrong financial period. On account of sales being considered as an area involving high level of risk of material misstatement therefore significant audit efforts are involved for the verification of the same. Accordingly this has been considered to be a key audit matter.	Our audit procedures amongst others included the following: - considering the appropriateness of the Company's process for making judgements in this area and tested the design, implementation and operating effectiveness of controls adopted by management in determining the accounting for discounts, allowances and other sales deductions; - undertaking a review of the historical accuracy of judgements by reference to actual discounts paid in prior periods; - agreeing a sample of discounts and allowances provided during the year to supporting documentation; - obtaining supporting documentation for sales transactions recorded either side of year end to determine whether revenue was recognised in the correct period; - reviewing and obtaining comfort over the management's internal control processes over revenue recognition and validation of appropriate cut-off; and - critically assessing manual journal entries posted to sales to identify unusual or irregular items.

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Waqas Aftab Sheikh.

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Date: March 6, 2019

statement of financial position as at december 31, 2018

(Amounts in thousand)

	Note	2018	2017
		------------------Rupees----------------	
ASSETS			
Non-current assets			
Property, plant and equipment	5	68,203,956	68,923,195
Intangible assets	6	4,487,771	4,475,474
Investment in subsidiaries	7	560,416	560,416
Long term loans and advances	8	140,784	134,535
		73,392,927	74,093,620
Current assets			
Stores, spares and loose tools	9	5,325,287	5,279,794
Stock-in-trade	10	2,959,696	3,528,439
Trade debts	11	2,374,797	3,484,501
Working capital loan to subsidiary	12	13,677,700	2,000,000
Loans, advances, deposits and prepayments	13	702,171	701,392
Other receivables	14	8,299,348	8,506,327
Accrued income		439,345	46,911
Short term investments	15	6,334,613	7,036,436
Cash and bank balances	16	642,060	1,655,406
		40,755,017	32,239,206
TOTAL ASSETS		114,147,944	106,332,826

(Amounts in thousand)

	Note	2018	2017
		------------------Rupees----------------	
EQUITY & LIABILITIES			
Equity			
Share capital	17	13,352,993	13,352,993
Reserves			
Share premium	18	3,384,904	3,384,904
Reserve on amalgamation	18	(304,027)	(304,027)
Remeasurement of post employment benefits	18	(45,083)	(47,669)
Unappropriated profit	18	26,606,961	24,626,571
		29,642,755	27,659,779
TOTAL EQUITY		42,995,748	41,012,772
Liabilities			
Non-current liabilities			
Borrowings	19	25,715,045	22,784,014
Deferred liabilities	20	7,161,541	9,453,556
Service benefits obligations	21	190,531	173,811
		33,067,117	32,411,381
Current liabilities			
Trade and other payables	22	28,626,619	21,585,098
Accrued interest / mark-up		405,620	543,569
Taxes payable		3,203,439	913,246
Current portion of:			
- borrowings	19	5,095,584	8,119,864
- service benefits obligations	21	51,267	50,271
Short term borrowings	23	636,878	1,671,732
Unclaimed dividend		65,672	24,893
		38,085,079	32,908,673
TOTAL LIABILITIES		71,152,196	65,320,054
Contingencies and Commitments	24		
TOTAL EQUITY AND LIABILITIES		114,147,944	106,332,826

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

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

statement of profit or loss
for the year ended december 31, 2018

(Amounts in thousand except for earnings per share)

	Note	2018	2017
		-----------------Rupees---------------	
Net sales	25	66,141,478	63,010,060
Cost of sales	26	(38,232,280)	(42,538,067)
Gross profit		27,909,198	20,471,993
Selling and distribution expenses	27	(6,367,371)	(6,493,239)
Administrative expenses	28	(1,547,226)	(1,267,577)
		19,994,601	12,711,177
Other income	29	4,877,969	6,074,598
Other operating expenses	30	(1,417,590)	(1,230,232)
Finance cost	31	(2,055,153)	(2,560,453)
		(3,472,743)	(3,790,685)
Profit before taxation		21,399,827	14,995,090
Taxation	32	(4,731,143)	(4,858,541)
Profit for the year		16,668,684	10,136,549
Earnings per share - basic and diluted	33	12.48	7.60

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

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

statement of comprehensive income
for the year ended december 31, 2018

(Amounts in thousand)

	2018	2017
	------------------Rupees----------------	
Profit for the year	16,668,684	10,136,549
Other comprehensive income:		
Items not re-classifiable to Profit or Loss		
Remeasurement of post employment benefits obligations	3,642	(30,375)
Tax relating to remeasurement of post employment benefits obligations	(1,056)	9,706
Other comprehensive income / (loss) for the year, net of tax	2,586	(20,669)
Total comprehensive income for the year	16,671,270	10,115,880

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

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive

Ghias Khan
Chairman

statement of changes in equity
for the year ended december 31, 2018

(Amounts in thousand)

	Share capital	Share premium	Reserve on amalgamation	Remeasurement of post employment benefits	Unappropriated profit	Total
		Reserves				
		Capital		Revenue		
	--------	--------	--------	Rupees	--------	--------
Balance as at January 1, 2018	13,352,993	3,384,904	(304,027)	(47,669)	24,626,571	41,012,772
Transactions with owners						
Dividends:						
- Final 2017: Rs. 3.00 per share	-	-	-	-	(4,005,898)	(4,005,898)
- 1st interim 2018: Rs. 4.00 per share	-	-	-	-	(5,341,198)	(5,341,198)
- 2nd interim 2018: Rs. 4.00 per share	-	-	-	-	(5,341,198)	(5,341,198)
	-	-	-	-	(14,688,294)	(14,688,294)
Total comprehensive income for the year ended December 31, 2018						
Profit for the year	-	-	-	-	16,668,684	16,668,684
Other comprehensive income:						
- remeasurements, net of tax	-	-	-	2,586	-	2,586
	-	-	-	2,586	16,668,684	16,671,270
Balance as at December 31, 2018	13,352,993	3,384,904	(304,027)	(45,083)	26,606,961	42,995,748
Balance as at January 1, 2017	13,309,323	3,132,181	(304,027)	(27,000)	25,172,422	41,282,899
Transactions with owners						
Shares issued upon exercise of conversion option (note 17)	43,670	252,723	-	-	-	296,393
Dividends:						
- Final 2016: Rs. 2.50 per share	-	-	-	-	(3,338,251)	(3,338,251)
- 1st interim 2017: Rs. 2.50 per share	-	-	-	-	(3,338,251)	(3,338,251)
- 2nd interim 2017: Rs. 3.00 per share	-	-	-	-	(4,005,898)	(4,005,898)
	-	-	-	-	(10,682,400)	(10,682,400)
Total comprehensive income for the year ended December 31, 2017						
Profit for the year	-	-	-	-	10,136,549	10,136,549
Other comprehensive income:						
- remeasurements, net of tax	-	-	-	(20,669)	-	(20,669)
	-	-	-	(20,669)	10,136,549	10,115,880
Balance as at December 31, 2017	13,352,993	3,384,904	(304,027)	(47,669)	24,626,571	41,012,772

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

Imran Ahmed	Nadir Salar Qureshi	Ghias Khan
Chief Financial Officer	Chief Executive	Chairman

statement of cash flows
for the year ended december 31, 2018

(Amounts in thousand)

	Note	2018	2017
		------Rupees------	
Cash Flows From Operating Activities			
Cash generated from operations	37	34,873,494	33,928,392
Retirement and other service benefits paid		(48,862)	(46,254)
Finance cost paid		(2,183,181)	(2,615,921)
Taxes paid		(4,730,156)	(3,143,417)
Long term loans and advances - net		(6,249)	(13,898)
Net cash generated from operating activities		27,905,046	28,108,902
Cash Flows From Investing Activities			
Purchases of property, plant and equipment and intangibles		(4,495,017)	(3,900,123)
Working capital loan to subsidiary - net		(11,677,700)	(2,000,000)
Investment in EFert Agritrade (Private) Limited		-	(100)
Purchase of short term investments		(54,211,448)	(27,105,991)
Proceeds from sale of short term investments		52,966,271	22,106,555
Proceeds from disposal of property, plant and equipment	5.3	28,586	704,092
Dividends received		1,474,088	52,384
Income on deposits / other financial assets		835,367	59,714
Net cash utilised in investing activities		(15,079,853)	(10,083,469)
Cash Flows From Financing Activities			
Proceeds from long term borrowings		8,183,497	1,500,000
Repayments of :			
- long term borrowings		(8,286,667)	(5,085,439)
- short term borrowings		-	(800,000)
Dividends paid		(14,647,515)	(10,677,051)
Net cash utilised in financing activities		(14,750,685)	(15,062,490)
Net (decrease) / increase in cash and cash equivalents		(1,925,492)	2,962,943
Cash and cash equivalents at beginning of the year		2,020,674	(942,269)
Cash and cash equivalents at end of the year	38	95,182	2,020,674

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

Imran Ahmed	Nadir Salar Qureshi	Ghias Khan
Chief Financial Officer	Chief Executive	Chairman

notes to and forming part of the financial statements for the year ended december 31, 2018

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

Engro Fertilizers Limited ('the Company') is a public company incorporated in Pakistan on June 29, 2009 as a wholly owned subsidiary of Engro Corporation Limited (the Holding Company), which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The Company is listed on Pakistan Stock Exchange Limited (PSX).

The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers. The business units of the Company include the following:

Business Unit	Geographical Location
Head / Registered Office	7th & 8th floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.
Engro Daharki Plant	District Ghotki, Sindh.
Engro Zarkhez Plant	EZ/ 1 / P – 1 – II Eastern Zone, Port Qasim, Karachi.

2. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE DURING THE YEAR

Following is the summary of significant transactions and events affecting the Company's financial position and performance during the year:

2.1 During the year, the Company has incurred capital expenditure amounting to Rs. 4,333,447. Majority of capital expenditure relates to plant and machinery. The said capital expenditure mainly includes expenditure relating to gas enrichment and compression facilities. These expeditures will enable the Company to enhance plant production and efficency.

2.2 The subsidy scheme announced by Government of Pakistan in 2017 was discontinued in June 2018. Further, Rs. 2,227,631 was recovered on account of subsidy. However, Rs. 6,368,366 is still outstanding as disclosed in note 14.1 of these financial statements.

2.3 Corporate tax rates for year ended December 31, 2018 and subsequent years were reduced by 1% for each tax year uptil tax year 2023 . Due to the reduction in current and future corpoate tax rates, decrease in deferred tax liability amounting to Rs. 2,048,552 has been recognized in these financial statements as elaborated in note 32.8.

2.4 The Company has accrued Rs.6,365,269 in lieu of Gas Infrastructure Development Cess during the year, accumulating the total accrual to Rs.12,576,404 as explained in note 22.1.

2.5 Subsequent to the enactment of Finance Act 2018, the Company has recognized liability for Super Tax under Section 4B of the Income Tax Ordinance, 2001 relating to tax years 2018 and 2019 amounting to Rs. 476,641 and Rs. 453,202 respectively as detailed in note 32.4.

(Amounts in thousand)

3. 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.

3.1 Basis of preparation

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

3.1.2 Statement of compliance

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

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

- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the requirements of IFRSs, the provisions of and directives issued under the Act have been followed for the preparation and presentation of the financial statements.

3.1.3 The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

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

a) Standards, amendments to published standards and interpretations that are effective for the year and are relevant to the Company

The following interpretation is applicable for the financial year beginning January 1, 2018 and is relevant to the Company:

- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective 1 January 2018). This amendment clarifies the determination of the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. The impact of the above amendment is not considered material on the financial statements of the Company.

The other new standards, amendments to published accounting and reporting standards and interpretations that are mandatory for the financial year beginning on January 1, 2018 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following new standards are not effective for the financial year beginning on January 1, 2018 and have not been early adopted by the Company:

- IFRS 9, 'Financial instruments' (effective for periods beginning on or after July 1, 2018). IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance in IAS 39 "Financial Instruments: Recognition and Measurement" that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is also a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. The management is in the process of assessing the impact this standard will have on the financial statements of the Company.

- IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after July 1, 2018). This standard stipulates clarifications of the guidance on identifying performance obligations, accounting for License of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contract's and related interpretations. The management is in the process of assessing the impact this standard will have on the financial statements of the Company.

- IFRS 16, 'Leases' (effective for periods beginning on or after January 1, 2019). This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The management is in the process of assessing the impact this standard will have on the financial statements of the Company.

There are other amendments to published standards and interpretations that are not yet effective and are also not relevant to the Company's financial reporting and operations and therefore, have not been presented here.

3.2 Property, plant and equipment

3.2.1 Owned assets

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except freehold land and capital work in progress which are stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs (note 3.22). The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

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

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

3.2.2 Leased assets

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

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

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

3.3 Intangible assets

a) Computer Software and licenses

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

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

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

b) Rights for future gas utilization

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

c) Goodwill

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

d) Right to use the brand

These are stated at cost less impairment, if any.

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

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

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

3.4 Impairment of non-financial assets

Assets that are subject to depreciation / amortisation are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. An impairment loss is recognised

(Amounts in thousand)

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.

3.5 Investment in subsidiary

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

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

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

3.7 Financial assets

3.7.1 Classification

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

a) At fair value through profit or loss

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

b) Loans and receivables

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

c) Held to maturity

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

d) Available-for-sale

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

3.7.2 Recognition and measurement

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

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

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

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

The Company assesses at the end of each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the profit or loss. Impairment testing of trade debts and other receivables is described in note 3.12.

3.8 Financial liabilities

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

3.9 Offsetting financial instruments

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

3.10 Stores, spares and loose tools

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

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are shown separately as major spare parts and stand by equipment.

3.11 Stock-in-trade

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

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

3.12 Trade debts and other receivables

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

3.13 Cash and cash equivalents

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

3.14 Share capital

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

3.15 Borrowings

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

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

(Amounts in thousand)

3.16 Trade and other payables

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

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

3.17 Current and deferred income tax

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

Current

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

Deferred

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

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

3.18 Employee benefits

3.18.1 Defined contribution plans

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

The Company contributes to:

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

- defined contribution pension fund for the benefit of those management employees who have not opted for defined contribution gratuity fund as explained in note 3.18.3. Monthly contributions are made by the Company to the fund at rates ranging from 12.5% to 13.75% of basic salary; and

- defined contribution gratuity fund for the benefit of those management employees who have selected to opt out of defined benefit gratuity fund and defined contribution pension plans as explained in note 3.18.3. Monthly contributions are made by the Company to the fund at the rate of 8.33% of basic salary.

All of the aforementioned funds are managed by the Holding Company.

3.18.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the Projected Unit Credit method, related details of which are given in note 36 to the financial statements.

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

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

The Company also contributes to:

- defined benefit funded pension scheme for its management employees.

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

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

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

3.18.4 Service incentive plan

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

3.18.5 Employees' compensated absences

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

3.19 Provisions

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

(Amounts in thousand)

3.20 Foreign currency transactions and translation

These financial statements are presented in Pakistan Rupees, which is the Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the statement of profit or loss.

3.21 Revenue recognition

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

- Sales revenue is recognised when significant risk and rewards are transferred to customers, which concides with delivery of goods to the customers;
- Revenue in respect of services is recognized when the services have been rendered;
- Income on deposits and other financial assets is recognised on accrual basis;
- Commission income is recognised on accrual basis in accordance with the substance of the relevant agreement; and
- Dividend income on equity investment is recognised when the Company's right to receive the dividend is established.

3.22 Borrowing costs

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

3.23 Research and development costs

Research and development costs are charged to statement of profit or loss as and when incurred.

3.24 Government grant

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

3.25 Earnings per share

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

3.26 Dividend and appropriation to reserves

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Property, plant and equipment

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

4.2 Income taxes

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

4.3 Provision for retirement and other service benefits obligations

The present value of these obligations depend on a number of factors that are determined on actuarial basis using various assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present value of these obligations and the underlying assumptions are disclosed in note 36.

4.4 Impairment of goodwill and right to use the brand

Determining the recoverable value of goodwill and right to use the brand involves use of significant estimates and assumptions. In making the aforementioned fair valuation estimates discounted cash flow approach is used. The underlying assumptions used for such valuation are disclosed in note 6.1.

5. PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	-------------Rupees------------	
Operating assets at net book value (note 5.1)	64,471,674	65,115,401
Capital work in progress (CWIP) (note 5.6)	3,159,249	3,396,331
Major spare parts and stand-by equipment	573,033	411,463
	68,203,956	68,923,195

(Amounts in thousand)

5.1 Operating assets

	Land		Building on							
	Freehold	Leasehold (note 5.4)	Freehold	Leasehold	Plant and machinery	Gas pipeline	Catalyst	Office equipment	Vehicle	Total
	-----Rupees-----									
As at January 1, 2017										
Cost	149,575	187,320	2,722,208	434,711	92,830,745	2,414,963	2,209,022	966,607	366,824	102,281,975
Accumulated depreciation	-	(65,426)	(1,163,020)	(133,811)	(30,359,029)	(434,525)	(1,881,174)	(677,520)	(253,246)	(34,967,751)
Net book value	149,575	121,894	1,559,188	300,900	62,471,716	1,980,438	327,848	289,087	113,578	67,314,224
Year ended December 31, 2017										
Net book value - January 1, 2017	149,575	121,894	1,559,188	300,900	62,471,716	1,980,438	327,848	289,087	113,578	67,314,224
Transfers from CWIP (note 5.6.1)	6,200	-	104,757	-	2,591,258	-	8,978	129,081	55,332	2,895,606
Disposals / write offs (note 5.3)										
Cost	-	(42,420)	-	-	-	-	(770,686)	(234)	(12,701)	(826,041)
Accumulated depreciation	-	16,014	-	-	-	-	770,686	122	10,827	797,649
	-	(26,406)	-	-	-	-	-	(112)	(1,874)	(28,392)
Depreciation charge (note 5.2)	-	(4,310)	(144,836)	(11,004)	(4,532,730)	(144,016)	(113,570)	(76,516)	(39,055)	(5,066,037)
Reclassification during the year										
Cost	(2)	-	(100,632)	5,467	89,941	110,880	(50,162)	(55,642)	150	-
Accumulated depreciation	-	(105)	173,044	(2,060)	(48,223)	(181,258)	50,162	8,056	384	-
	(2)	(105)	72,412	3,407	41,718	(70,378)	-	(47,586)	534	-
Net book value	155,773	91,073	1,591,521	293,303	60,571,962	1,766,044	223,256	293,954	128,515	65,115,401
As at January 1, 2018										
Cost	155,773	144,900	2,726,333	440,178	95,511,944	2,525,843	1,397,152	1,039,812	409,605	104,351,540
Accumulated depreciation	-	(53,827)	(1,134,812)	(146,875)	(34,939,982)	(759,799)	(1,173,896)	(745,858)	(281,090)	(39,236,139)
Net book value	155,773	91,073	1,591,521	293,303	60,571,962	1,766,044	223,256	293,954	128,515	65,115,401
Year ended December 31, 2018										
Net book value - January 1, 2018	155,773	91,073	1,591,521	293,303	60,571,962	1,766,044	223,256	293,954	128,515	65,115,401
Transfers from CWIP (note 5.6.1)	-	-	76,791	-	3,796,585	-	213,900	218,011	224,532	4,529,819
Disposals / write offs (note 5.3)										
Cost	-	-	-	-	-	-	-	(10,650)	(39,710)	(50,360)
Accumulated depreciation	-	-	-	-	-	-	-	8,649	34,441	43,090
	-	-	-	-	-	-	-	(2,001)	(5,269)	(7,270)
Depreciation charge (note 5.2)	-	(3,394)	(116,661)	(11,008)	(4,675,076)	(121,872)	(88,085)	(84,704)	(65,476)	(5,166,276)
Net book value	155,773	87,679	1,551,651	282,295	59,693,471	1,644,172	349,071	425,260	282,302	64,471,674
As at December 31, 2018										
Cost	155,773	144,900	2,803,124	440,178	99,308,529	2,525,843	1,611,052	1,247,173	594,427	108,830,999
Accumulated depreciation	-	(57,221)	(1,251,473)	(157,883)	(39,615,058)	(881,671)	(1,261,981)	(821,913)	(312,125)	(44,359,325)
Net book value	155,773	87,679	1,551,651	282,295	59,693,471	1,644,172	349,071	425,260	282,302	64,471,674
Annual rate of depreciation (%)	-	2 to 5	2.5 to 10	2.5	5 to 10	5	No. of production days	10 to 25	12 to 25	

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

	2018	2017
	----------Rupees----------	
Cost of sales (note 26)	5,087,585	5,018,362
Selling and distribution expenses (note 27)	67,553	36,188
Administrative expenses (note 28)	11,138	11,487
	5,166,276	5,066,037

(Amounts in thousand)

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

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (Loss)
		-----Rupees-----				
Vehicle						
By Company policy to separating executive	Ruhail Mohammed	14,267	11,235	3,032	7,800	4,768
Office Equipment						
By Company policy to separating executive	Ruhail Mohammed	1,238	103	1,135	1,104	(31)
Items having net book value of upto Rs. 500 each						
Office equipment and vehicles	Various	34,855	31,752	3,103	19,682	16,579
Year ended December 31, 2018		50,360	43,090	7,270	28,586	21,316
Year ended December 31, 2017		826,041	797,649	28,392	704,092	675,700

5.4 Asset held for sale

On February 8, 2018, the Company entered into an Agreement to Sell (the Agreement) with Engro Polymer and Chemicals Limited (EPCL), on associated company, for sale of land measuring approximately 60 acres situated within Plot No. EZ/I/P-II located at East Industrial Zone, Port Qasim, Karachi.

The land was acquired by the Company through a scheme of arrangement between the Company and the Holding Company (then Engro Chemicals Pakistan Limited) on June 15, 2010. As at the reporting date, the land has a net book value of Rs. 30,497.

Through the Agreement, the Company has agreed to sell, transfer, convey and assign to EPCL, the rights, free from all encumbrances, charges, taxes, dues, duties, burdens, disputes, mortgages, ground rent, premium, lis pendis, litigation, liens etc. of any nature whatsoever with vacant peaceful possession and EPCL has agreed to purchase the said rights for a total consideration of Rs. 720,000.

The Agreement is subject to approval and issuance of a no dues certificate by the Port Qasim Authority (PQA) in relation to transfer of rights by the Company to EPCL. Subsequent to year end, the Company has applied to PQA for the transfer of the said right.

(Amounts in thousand)

5.5 Particulars of immovable properties i.e land and building in the name of the Company are as follows:

Location	Total area (acreage)
Dharki plant & colony	726
Zarkhez plant land at Port Qasim	172.5

5.6 Capital work in progress

	2018	2017
	---Rupees---	
Plant and machinery	2,758,651	2,987,204
Building and civil works including gas pipeline	219,037	215,858
Furniture, fixture and equipment	10,891	31,024
Advances to suppliers	2,374	82,761
Others	168,296	79,484
	3,159,249	3,396,331

	2018	2017
5.6.1 Balance as at January 1	3,396,331	2,443,486
Additions during the year	4,333,447	3,899,216
Transferred to:		
- operating assets (note 5.1)	(4,529,819)	(2,895,606)
- intangible assets (note 6)	(40,710)	(50,765)
Balance as at December 31	3,159,249	3,396,331

6. INTANGIBLE ASSETS

	Goodwill (note 6.1)	Right to use the brand (note 6.1)	Software and licenses	Rights for future gas utilization	Total
	---Rupees---				
As at January 1, 2017					
Cost	183,806	4,170,995	276,748	102,312	4,733,861
Accumulated amortisation	-	-	(255,047)	(28,208)	(283,255)
Net book value	183,806	4,170,995	21,701	74,104	4,450,606
Year ended December 31, 2017					
Net book value - January 1, 2017	183,806	4,170,995	21,701	74,104	4,450,606
Transfers from CWIP (note 5.6.1)	-	-	50,765	-	50,765
Amortisation (note 6.2)	-	-	(20,786)	(5,111)	(25,897)
Net book value	183,806	4,170,995	51,680	68,993	4,475,474
As at December 31, 2017					
Cost	183,806	4,170,995	327,513	102,312	4,784,626
Accumulated amortisation	-	-	(275,833)	(33,319)	(309,152)
Net book value	183,806	4,170,995	51,680	68,993	4,475,474
Year ended December 31, 2018					
Net book value - January 1, 2018	183,806	4,170,995	51,680	68,993	4,475,474
Transfers from CWIP (note 5.6.1)	-	-	40,710	-	40,710
Amortisation (note 6.2)	-	-	(23,302)	(5,111)	(28,413)
Net book value	183,806	4,170,995	69,088	63,882	4,487,771
As at December 31, 2018					
Cost	183,806	4,170,995	368,223	102,312	4,825,336
Accumulated amortization	-	-	(299,135)	(38,430)	(337,565)
Net book value	183,806	4,170,995	69,088	63,882	4,487,771

(Amounts in thousand)

6.1 Goodwill and Right to use the brand

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

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

Valuation basis	Value in use
Key assumptions	- Sales growth rates - Discount rate
Determination of assumptions	- Growth rates are internal forecasts based on both internal and external market information and past performance. - Cost reflects past experience, adjusted for inflation and expected changes. - Discount rate is primarily based on weighted average cost of capital.
Terminal growth rate	2.5%
Period of specific projected cash flows	5 years
Discount rate	15%

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

6.1.1 Right to use the brand in respect of selling Phosphate fertilizers, acquired under an agreement with the Holding Company that has been valued using relief from Royalty Method and is considered to have an indefinite life.

	2018	2017
	---Rupees---	
6.2 Amortisation for the year has been allocated as follows:		
Cost of sales (note 26)	15,599	15,700
Selling and distribution expenses (note 27)	11,530	7,543
Administrative expenses (note 28)	1,284	2,654
	28,413	25,897

7. INVESTMENT IN SUBSIDIARIES

	2018	2017
Engro Eximp FZE (note 7.1)	560,316	560,316
EFert Agritrade (Private) Limited (note 7.2)	100	100
	560,416	560,416

(Amounts in thousand)

7.1 Engro Eximp FZE (EEF), was incorporated in United Arab Emirates (UAE) as a wholly owned subsidiary of the Company. The registered office of EEF is situated at BCW JAFZA 18 & 19, Office No 110, UAE. The Company has obtained a General Trading License issued by Jafza Jebel Ali Free Zone and is engaged in the business of trading agricultural products. The investment amounts to AED 20,250 as at the reporting date.

As at December 31, 2018, the director of the Company was Ruhail Mohammed. The latest available audited financial statements of the Company have been prepared on going concern basis and the auditor has issued unmodified opinion on the same.

7.2 EFert Agritrade (Private) Limited (EAPL) was incorporated on July 6, 2017 as a wholly owned subsidiary of the Company to carry out trading and distribution of imported fertilizer. As part of the business reorganization in 2017, the Company transferred its business of trading and distribution of imported fertilizer to EAPL and holds 10,000 ordinary shares of Rs. 10 each in EAPL.

7.3 No new investment in associated companies and undertakings have been made during the year.

8. LONG TERM LOANS AND ADVANCES - Considered good

	2018	2017
	-----------Rupees---------	
Executives (notes 8.1, 8.2, 8.3 and 8.5)	193,616	185,974
Other employees (notes 8.4 and 8.5)	70,464	38,385
	264,080	224,359
Less: Current portion shown under current assets (note 13)	123,296	89,824
	140,784	134,535

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

Balance as at January 1	185,974	177,048
Disbursements	148,375	124,247
Repayments / amortisation	(140,733)	(115,321)
Balance as at December 31	193,616	185,974

8.2 Details of loans and advances to executives

Service incentive loans	147,274	132,863
Advances in respect of :		
- Car earn out assistance	12,100	18,671
- House rent	15,724	15,961
- Retention loan	5,702	10,820
- Salary	6,421	7,500
- Others	6,395	159
	193,616	185,974

(Amounts in thousand)

8.3 The maximum amount outstanding from executives at the end of any month during the year aggregated to Rs. 208,895 (2017: Rs. 182,219).

8.4 Includes interest free loans given to workers pursuant to Collective Labour Agreement.

8.5 Represents loans granted to employees according to Company's policy. These loans are interest free, are repayable within 1 to 4 years and are secured to the extent of the Provident fund balance and retirement benefits, if vested, of the respective employees.

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

9. STORES, SPARES AND LOOSE TOOLS

	2018	2017
	-------------Rupees---------	
Consumable stores	579,735	492,698
Spares	5,207,235	5,015,871
Loose tools	5,718	4,712
	5,792,688	5,513,281
Less: Provision for surplus and slow moving items (note 9.1)	467,401	233,487
	5,325,287	5,279,794

9.1 Provision for surplus and slow moving items

Balance as at January 1	233,487	229,052
Charge for the year, net	233,914	4,435
Balance as at December 31	467,401	233,487

10. STOCK-IN-TRADE

Raw materials	1,478,579	1,130,508
Packing materials	145,230	115,716
Work in process	27,517	18,526
	1,651,326	1,264,750
Finished goods:		
- manufactured product (note 10.1)	853,481	1,733,036
- purchased and packaged product (note 10.2)	484,889	530,653
	1,338,370	2,263,689
Less: Provision for net realisable value of raw material (note 10.3)	30,000	-
	2,959,696	3,528,439

(Amounts in thousand)

10.1 Includes stock held with third parties amounting to Nil (2017: Rs. 1,128,105).

10.2 Includes stock-in-transit amounting to Rs. 32,855 (2017: Rs. 81,688).

10.3 This represents provision charged in respect of net realisable value of raw material.

11. TRADE DEBTS

	2018	2017
	----------Rupees----------	
Considered good		
- Secured (note 11.1)	2,320,074	3,441,175
- Unsecured (note 11.2)	54,723	43,326
	2,374,797	3,484,501
Considered doubtful	18,230	-
	2,393,027	3,484,501
Less: Provision for impairment against trade debts	18,230	-
	2,374,797	3,484,501

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

11.2 Includes Rs. 340 (2017: Nil) due from Engro Foods Limited, an associated company.

12. WORKING CAPITAL LOAN TO SUBSIDIARY

Represents unsecured loan given to EAPL amounting to Rs. 13,677,700 (2017: Rs. 2,000,000). The mark up is receivable on quarterly basis at the rate of 1 months KIBOR + 0.5%. The amount is receivable on an annual basis. The loan is repayable by October 18, 2019.

13. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS - Considered good

	2018	2017
	----------Rupees----------	
Current portion of long term loans and advances to executives and other employees (note 8)	123,296	89,824
Advances and deposits	204,681	303,576
Prepayments		
- Insurance	308,173	210,117
- Others	66,021	97,875
	702,171	701,392

(Amounts in thousand)

14. OTHER RECEIVABLES

	2018	2017
	----------Rupees----------	
Subsidy receivable from Government of Pakistan (notes 14.1 and 14.2)	6,368,366	7,323,870
Sales tax receivable	1,515,209	1,111,093
Due from subsidiary company:		
- Engro Eximp FZE	56,317	51,451
Due from associated companies:		
- Engro Corporation Limited	272,283	-
- Engro Polymer & Chemicals Limited	27,630	12,645
- Engro Digital Limited	2,239	-
- Engro Powergen Thar Limited	939	313
- Engro Energy Limited	-	98
- Engro Foundation	172	107
- Engro Eximp Agri Products (Private) Limited	424	2,364
- Sindh Engro Coal Mining Company Limited	636	939
- Engro Vopak Terminal Limited	502	297
- Hub Power Services Limited	-	591
Workers' profits participation fund (note 14.3)	51,434	-
Claims on foreign suppliers	2,225	2,225
Others	972	334
	8,299,348	8,506,327

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

During 2016, a new subsidy scheme was announced by the GoP, effective June 25, 2016 whereby subsidy was payable on sold products at the rate of Rs. 156 per 50kg bag of Urea and Rs. 300 per 50 kg bag of DAP and for Nitrophos 22:20 & 18:18 grade (based on phosphorus content) and Nitrogen, Phosphorus and Potassium (NPK) fertilizers (based on phosphorus content).

During 2017, another subsidy scheme was announced by GOP, effective July 01, 2017. Under the new subsidy scheme aforementioned rates were replaced with Rs. 100 per 50kg bag for Urea only. This subsidy scheme was effective till June 30, 2018. In line with the notification issued for the said scheme, Ministry of National Food Security and Research has appointed third party auditors for verification of subsidy claims which is underway.

14.2 During the year, an amount of Rs. 78,006 was provided for in respect of receivable from GoP. The aggregate provision in this respect amounts to Rs. 155,127 (2017: Rs. 77,121).

14.3 **Workers' profits participation fund**

	2018	2017
	----------Rupees----------	
Balance as at January 1	(4,129)	(39,099)
Charge for the year	(1,149,229)	(805,322)
Interest expense	(697)	(1,193)
Payments during the year	1,205,489	841,485
Balance as at December 31	51,434	(4,129)

(Amounts in thousand)

14.4 The maximum amount due from the Holding Company, subsidiary and associated companies at the end of any month during the year is as follows:

	2018	2017
	-----------Rupees---------	
Holding Company		
- Engro Corporation Limited	272,283	-
Subsidiary Companies		
- EFert Agritrade (Private) Limited	7,602	321
- Engro Eximp FZE	62,640	71,102
Associated Companies		
- Engro Foods Limited	2,480	5,575
- Engro Powergen Qadirpur Limited	21,022	14,187
- Engro Energy Limited	3,795	1,064
- Sindh Engro Coal Mining Company Limited	4,113	1,593
- Engro Powergen Thar Limited	1,075	4,210
- Engro Vopak Terminal Limited	672	1,787
- Engro Eximp Agriproducts (Private) Limited	2,530	2,616
- Engro Digital Limited	2,685	-
- Engro Elengy Terminal (Private) Limited	313	-
- Engro Foundation	11,384	9,326
- Hub Power Services Limited	-	591

15. SHORT TERM INVESTMENTS

Represents investments in Pakistan Investment Bonds and other fixed income placement amounting to Rs. 6,244,613 (2017: Rs. 6,999,436) at interest rates ranging from 10.15% to 10.30% (2017: 6.08% to 6.80%) per annum; and local currency deposits with various banks amounting to Rs. 90,000 (2017: Rs. 37,000) at interest rate of 9.75% (2017: 5.40% to 6.50%) per annum.

16. CASH AND BANK BALANCES

	2018	2017
	-----------Rupees---------	
Cash at banks in:		
- deposit accounts (note 16.1)	14,055	7,766
- currrent accounts (note 16.2)	626,805	1,646,440
	640,860	1,654,206
Cash in hand	1,200	1,200
	642,060	1,655,406

16.1 Deposit accounts carry return at rates ranging from 5.40% to 8.00% (2017: 4.00%) per annum.

16.2 Includes Rs. 621,027 (2017: Rs.456,183) held in foreign currency bank accounts.

(Amounts in thousand)

17. SHARE CAPITAL

	2018	2017
	-----------Rupees----------	
Authorised Capital		
1,400,000,000 (2017: 1,400,000,000) Ordinary shares of Rs. 10 each	14,000,000	14,000,000
Issued, subscribed and paid-up capital		
258,132,299 (2017: 258,132,299) Ordinary shares of Rs. 10 each, fully paid in cash	2,581,323	2,581,323
9,999,993 (2017: 9,999,993) Ordinary shares of Rs. 10 each issued as at January 1, 2010 on transfer of fertilizer undertaking	100,000	100,000
1,062,800,000 (2017: 1,062,800,000) Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	10,628,000	10,628,000
4,367,083 (2017: 4,367,083) Ordinary shares of Rs. 10 each issued upon exercise of conversion option by International Finance Corporation (IFC)	43,670	43,670
	13,352,993	13,352,993

17.1 Movement in issued, subscribed and paid up capital

2018	2017		2018	2017
----------Number of Shares----------			-----------Rupees----------	
1,335,299,375	1,330,932,292	At January 1	13,352,993	13,309,323
-	4,367,083	Ordinary shares of Rs. 10 each issued upon exercise of conversion option by IFC	-	43,670
1,335,299,375	1,335,299,375		13,352,993	13,352,993

17.2 As at reporting date, the Holding Company held 56.27% (2017: 56.27%) of the share capital of the Company.

17.3 These fully paid Ordinary shares carry one vote per share and right to dividend.

18. RESERVES

	2018	2017
	-----------Rupees----------	
Capital reserves		
Share premium	3,384,904	3,384,904
Reserve on amalgamation (note 18.1)	(304,027)	(304,027)
	3,080,877	3,080,877
Revenue reserves		
Remeasurement of post employment benefits	(45,083)	(47,669)
Unappropriated profit	26,606,961	24,626,571
	26,561,878	24,578,902
	29,642,755	27,659,779

18.1 This reserve was created upon amalgamation of Engro Eximp (Private) Limited with the Company.

(Amounts in thousand)

19. BORROWINGS - Secured (Non-participatory)

	Note	Mark - up rate per annum	Installments Number	Installments Commenced / Commencing from	2018	2017
					---Rupees---	
Long term finance utilised under mark-up arrangements:						
Senior Lenders						
Allied Bank Limited		6 months KIBOR + 0.8%	1 bullet payment	March 18, 2018	-	2,000,000
Allied Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	2,000,000	2,000,000
Faysal Bank Limited		6 months KIBOR + 1.2%	13 half yearly	May 26, 2013	-	499,138
National Bank of Pakistan	19.1	6 Months KIBOR + 0.2%	4 half yearly	June 28, 2022	1,000,000	-
Deutsche Investitions und Entwicklungsgesellschaft	19.1	6 Months LIBOR + 3.75%	9 half yearly	December 15, 2019	2,082,897	-
Allied Bank Limited	19.1	6 Months KIBOR + 0.2%	4 half yearly	June 28, 2022	2,100,000	-
Standard Chartered Bank (Pakistan) Limited		6 Months KIBOR + 0.9%	13 half yearly	June 14, 2013	199,687	398,741
Standard Chartered Bank (Pakistan) Limited		6 Months KIBOR + 0.8%	1 bullet payment	March 18, 2018	-	1,000,000
Samba Bank Limited		6 Months KIBOR + 0.9%	14 half yearly	April 1, 2013	99,852	199,431
National Bank of Pakistan		6 Months KIBOR + 1.2%	10 half yearly	September 28, 2013	-	166,531
Syndicated finance		6 months KIBOR + 0.4%	6 half yearly	June 26, 2019	9,109,666	9,108,338
United Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	4,000,000	4,000,000
MCB Bank Limited		6 months KIBOR + 0.80%	1 bullet payment	March 18, 2018	-	3,000,000
MCB Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	4,000,000	4,000,000
MCB Bank Limited	19.1	6 months KIBOR + 0.20%	4 half yearly	December 29, 2021	3,000,000	-
MCB Bank Limited		6 Months KIBOR + 0.05%	4 half yearly	March 28, 2021	1,500,000	1,500,000
Dubai Islamic Bank Pakistan Limited		6 months KIBOR + 0.4%	4 half yearly	November 28, 2018	600,000	800,000
Certificates						
Privately Placed Subordinated Sukuk Certificates	19.3	6 months KIBOR + 1.75%	10 half yearly	January 9, 2015	1,118,527	2,231,699
					30,810,629	30,903,878
Less: Current portion shown under current liabilities					5,095,584	8,119,864
					25,715,045	22,784,014

19.1 During the year, the Company obtained long term finances from MCB Bank Limited, Allied Bank Limited, National Bank of Pakistan and Deutsche Investitions- und Entwicklungsgesellschaft (DEG) amounting to Rs. 3,000,000, Rs. 2,100,000, Rs. 1,000,000 and US Dollars 15,000 respectively, to finance the capital expenditure. These borrowings have the same charge as on the borrowings from other existing Senior Lenders.

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

19.3 Privately Placed Subordinated Sukuk (PPSS) has a subordinate mortgage upon immovable property of the Company and a subordinate charge over current and future fixed assets excluding immovable property of the Company.

19.4 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.

(Amounts in thousand)

19.5 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:

	2018	2017
	---Rupees---	
Balance as at January 1	30,903,878	34,551,461
Borrowings availed during the year	8,183,497	1,500,000
Amortisation of transaction cost	10,521	36,499
Repayment of borrowings	(8,286,667)	(5,085,439)
Conversion of IFC loan option	-	(104,810)
Exchange (gain) / loss	(600)	6,167
Balance as at December 31	30,810,629	30,903,878

20. DEFERRED LIABILITIES

	2018	2017
Deferred taxation (note 20.1)	7,100,022	9,388,172
Deferred income (note 20.2)	61,519	65,384
	7,161,541	9,453,556

20.1 Deferred taxation

	2018	2017
Credit / (Debit) balances arising on account of:		
- Accelerated depreciation allowance	11,187,680	13,467,920
- Alternative Corporate Tax	(3,962,572)	(3,962,572)
- Provision for:		
- staff retirement benefits	(1,056)	(30,760)
- slow moving stores and spares and doubtful receivables	(124,030)	(86,416)
	7,100,022	9,388,172

20.2 Deferred income

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

21. SERVICE BENEFITS OBLIGATIONS

	2018	2017
	---Rupees---	
Service benefits obligations	241,798	224,082
Less: Current portion shown under current liabilities	51,267	50,271
	190,531	173,811

(Amounts in thousand)

22. TRADE AND OTHER PAYABLES

	2018	2017
	------------Rupees---------	
Creditors	4,603,937	3,243,843
Accrued liabilities (note 22.1)	16,508,193	9,760,343
Advances from customers	4,071,104	5,098,627
Payable to:		
- Engro Foods Limited	1,562	1,626
- Engro Energy Limited	2,052	-
- Engro Powergen Qadirpur Limited	1,635	1,713
- Engro Polymer & Chemicals Limited	202,362	114,486
- Engro Elengy Terminal (Private) Limited	1,373	1,463
- EFert Agritrade (Private) Limited	732,166	786,298
- Gratuity Fund - NMPT	151,404	131,832
- Provident Fund	32	9
- Pension Fund	90	-
Deposits / Retention from dealers and contractors (note 22.2)	89,947	35,952
Workers' welfare fund (WWF) (note 22.3)	1,790,523	1,740,268
Workers' profits participation fund (note 14.3)	-	4,129
Witholding tax payable	41,896	165,000
Others	428,343	499,509
	28,626,619	21,585,098

22.1 Includes Rs. 12,576,404 (2017: Rs. 6,211,135) on account of Gas Infrastructure Development Cess (GIDC) payable from October 2016 onwards. The Federal Government challenged the decision of the Sindh High Court (SHC), which declared the GIDC as ultra vires and unconstitutional in case of another company, and obtained a direction from a Larger Bench of SHC suspending the order. However, the Company obta vined an injunction / stay order based on the fact that since the Company is not a party to the case, hence, the suspension is not applicable to the Company's case. The Government preferred an appeal before the SHC for suspension of the injunction / stay order, hearing of which is underway. In a separate case, Peshawar High Court passed a judgment on May 31, 2017 validating the new GIDC Act and the same has been challenged by the petitioners in the Supreme Court of Pakistan.

Recently, discussions have been initiated by the Government with the fertilizer industry for the possible settlement of outstanding litigations by the fertilizer industry against GIDC. The structure and legislation of the settlement has not been finalized and accordingly no impact in this respect has been recognised in the financial statements.

22.2 The amount is kept in separate bank account as per the terms of agreements and is not utilisable for the purpose of the business.

22.3 In 2016, the Supreme Court of Pakistan, through its order dated November 10, 2016 decided that the changes to the WWF Ordinance, 1971 made through Finance Acts, 2006 and 2008 were ultra vires to the constitution of Pakistan. However, the taxation authorities had proceeded to file a review petition thereagainst in the Supreme Court of Pakistan, which is in the process of being heard. Based on the advice of the legal advisor, the aforementioned provision amounting to Rs. 293,228 has been reversed during the year.

(Amounts in thousand)

23. SHORT TERM BORROWINGS

The Company has funded facilities for short term finances available from various banks and institutional investors amounting to Rs. 16,850,000 (2017: Rs. 17,250,000) along with non-funded facilities of Rs. 3,827,000 (2017: Rs. 3,327,000) for bank guarantees. The rates of markup on funded bank overdraft facilities ranged from 0.2% to 1.5% per annum over 1-month KIBOR and all the facilities are secured by floating charge upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts, outstanding monies, receivable claims and bills of the Company. The Company has utilised Rs. 636,878 (2017: Rs. 1,671,732) from funded facilities as at the reporting date.

24. CONTINGENCIES AND COMMITMENTS

Contingencies

24.1 As at December 31, 2018, bank guarantees of Rs. 2,582,754 (2017: Rs. 2,280,860) have been issued in favour of third parties.

24.2 Claims, including pending lawsuits, against the Company not acknowledged as debts amount to Rs. 58,680 as at December 31, 2018 (2017: Rs. 58,680).

24.3 The Company has entered into Dealer Finance Agreements (DFAs) with different banks amounting to Rs. 4,500,000 (2017: Rs. 4,500,000) consequent to which the banks will provide financial assistance to dealers approved by the Company. In respect to DFA of Rs. 3,000,000 from the banks the Company has agreed to bear 5% to 10% of the principal in case of default by the dealers.

As at December 31, 2018, the banks have made disbursements to dealers under the DFAs amounting to Rs. 1,254,832 (2017: Rs. 1,226,631) maturing on various future dates.

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

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

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

(Amounts in thousand)

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

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

24.8 The Company in the year 2013, along with other fertilizer companies, received a show cause notice from the Competition Commission of Pakistan (CCP) for initiating action under the Competition Act, 2010 in relation to unreasonable increase in fertilizer prices. The Company has responded in detail that factors resulting in such increase were mainly the imposition of infrastructure cess and sales tax and partially the gas curtailment. The CCP has issued an order in March 2013, whereby it has held that the Company enjoys a dominant position in the urea market and that it has abused this position by unreasonable increases of urea prices in the period from December 2010 to December 2011. The CCP has also held another fertilizer company to be responsible for abusing its dominant position. In addition, the CCP has imposed a penalty of Rs. 3,140,000 and Rs. 5,500,000 on the Company and the other fertilizer company, respectively. An appeal has been filed in the Competition Appellate Tribunal (CAT) and a writ has been filed in the HCS and stay has been granted against the recovery of the imposed penalty. Hearings have been conducted at CAT where Farmer Association has filed an internal application.

In case of other fertilizer company, the CAT has transferred the case back to the CCP for reassessment. The Company has challenged the composition of the CAT. The Company's management believes that the chances of ultimate success are very good, as confirmed by legal advisor, hence, no provision has been made in this respect.

24.9 During 2015, the Company received a sales tax order from the tax department for the year ended December 31, 2013 pertaining to discharge of output tax liability, on assumed production of urea amounting to Rs. 402,875 and on presumption that output tax liability is not being discharged by the Company on advances received from dealers amounting to Rs. 1,844,075. The Company filed an appeal thereagainst with the Commissioner Inland Revenue (Appeals) which decided the matters in favour of the Company. The department thereafter challenged the decision of the CIR(A) with the Appellate Tribunal Inland Revenue, which is pending to be heard. No provision has been made by the Company in this respect.

24.10 On July 3 2018, the Deputy Commissioner Inland Revenue (DCIR), LTU raised an order for the period June 2016 to July 2017 with a demand of Rs. 1,006,000 mainly on account of further sales tax to be charged on sales to unregistered persons. The Company filed an appeal thereaginast with the Commissioner Inland Revenue (Appeals) (CIRA) who disposed off the appeal in favor of the taxation department on September 24, 2018. A constitutional petition against the said order has been filed with the HCS and stay for recovery of demand against CIRA's order was obtained on October 31, 2018. The Company'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.

24.11 In the year 2017, the High Court of Islamabad in its order dated June 8, 2017 declared that the income derived by M/s Snamprogetti Engineering (the Contractor) from its contract with the Company, is subject to tax as per Clause 4 of Article 5 of Double Taxation Treaty between Pakistan and the Netherlands. As per the terms of the contract, the Company is liable to reimburse the Contractor for any taxes applied to the income of the Contractor under the contract by the taxation authorities. In respect thereof, the Contractor has preferred an appeal in the Supreme Court of Pakistan.

The management of the Company based on the opinion of its legal counsel, is of the view that that the income of the Contractor is exempt from tax under the aforementioned clause of the Double Taxation Treaty and the matter will be decided in favour of the Contractor and, hence, no provision has been made in this respect.

	2018	2017
	------------Rupees----------	
24.12 Commitments		
Commitments in respect of capital expenditure and other operational items	1,684,473	2,366,269

(Amounts in thousand)

25. NET SALES

	2018	2017
	--------------Rupees------------	
Gross sales:		
- manufactured product	67,029,060	54,134,282
- purchased and packaged product	1,547,430	13,178,764
	68,576,490	67,313,046
Less: Sales tax	2,435,012	4,302,986
	66,141,478	63,010,060

25.1 The above amount includes trade discount amounting to Nil (2017: Rs. 362).

26. COST OF SALES

	2018	2017
Cost of sales - Manufactured product		
Raw materials consumed	17,168,622	12,094,227
Salaries, wages and staff welfare (note 26.1)	2,444,767	2,021,099
Fuel and power	8,083,386	6,639,650
Repairs and maintenance	1,079,238	1,025,019
Depreciation (note 5.2)	5,087,585	5,018,362
Amortisation (note 6.2)	15,599	15,700
Consumable stores	862,533	446,686
Training, HSE and other related expenses	274,783	404,448
Purchased services	794,517	523,297
Travelling	52,963	52,175
Communication, stationery and other office expenses	59,144	40,589
Insurance	418,796	329,605
Rent, rates and taxes	52,638	21,078
Other expenses	21,047	2,576
Manufacturing cost	36,415,618	28,634,511
Add: Opening stock of work in process	18,526	30,233
Less: Closing stock of work in process (note 10)	(27,517)	(18,526)
Cost of goods manufactured	36,406,627	28,646,218
Add: Opening stock of finished goods	1,733,036	5,050,607
Less: Closing stock of finished goods (note 10)	(853,481)	(1,733,036)
	37,286,182	31,963,789
Cost of sales - Purchased and packaged product		
Opening stock - net of NRV	530,653	1,157,051
Add: Purchases during the year	900,334	9,947,880
Less: Closing stock - net of NRV (note 10)	(484,889)	(530,653)
	946,098	10,574,278
	38,232,280	42,538,067

26.1 Salaries, wages and staff welfare includes Rs. 146,850 (2017: Rs. 130,347) in respect of staff retirement benefits.

(Amounts in thousand)

27. SELLING AND DISTRIBUTION EXPENSES

	2018	2017
	-------------Rupees----------	
Salaries, wages and staff welfare (note 27.1)	950,964	668,445
Training, HSE and other related expenses	153,009	90,246
Product transportation and handling	3,122,913	3,925,965
Royalty (note 27.2)	914,263	757,164
Repairs and maintenance	7,580	6,510
Advertising and marketing	445,077	319,833
Rent, rates and taxes	374,619	527,735
Communication, stationery and other office expenses	25,738	23,433
Travelling	155,218	82,140
Depreciation (note 5.2)	67,553	36,188
Amortisation (note 6.2)	11,530	7,543
Purchased services	98,938	21,738
Insurance	35,148	22,750
Others	4,821	3,549
	6,367,371	6,493,239

27.1 Salaries, wages and staff welfare includes Rs. 61,554 (2017: Rs. 49,388) in respect of staff retirement benefits.

27.2 Royalty is paid to the Holding Company which has its registered office at 8th floor, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.

28. ADMINISTRATIVE EXPENSES

	2018	2017
	-------------Rupees----------	
Salaries, wages and staff welfare (note 28.1)	415,961	411,923
Training, HSE and other related expenses	96,245	41,560
Repairs and maintenance	12,686	15,693
Rent, rates and taxes	462,956	360,750
Communication, stationery and other office expenses	56,410	41,670
Travelling	24,063	20,393
Depreciation (note 5.2)	11,138	11,487
Amortisation (note 6.2)	1,284	2,654
Purchased services	341,544	258,015
Donations (note 28.2)	100,424	83,477
Insurance	1,195	6,882
Others	23,320	13,073
	1,547,226	1,267,577

28.1 Salaries, wages and staff welfare includes Rs. 47,774 (2017: Rs. 38,389) in respect of staff retirement benefits.

28.2 Donations

Party wise details of donations in excess of Rs. 500 are given below:

Name of Donees	2018	2017
	-------------Rupees----------	
Engro Foundation	96,000	63,000
National Rural Support Programme	1,000	-
Pakistan Agricultural Coalition	2,100	-

(Amounts in thousand)

28.3 Recipients of donations do not include any donee in which any director or his spouse had any interest except for donation made to Engro Foundation. Mr. Ghias Khan who is a Chairman of the Board of the Company is also a trustee of Engro Foundation.

29. OTHER INCOME

	2018	2017
	-------------Rupees------------	
Income from sales under Government subsidy (note 14.1)	1,271,334	4,980,288
On financial assets		
Income on bank accounts under:		
- shariah permissible arrangements	267	183
- interest / mark up arrangements	28,228	16,236
Income on working capital loan to subsidiary company	771,326	22,078
Income on Treasury Bills, Term Deposit Certificates and Pakistan Investment Bonds	427,980	64,500
Dividend income (note 29.1)	1,474,088	52,384
Foreign exchange gain	128,196	-
Others	-	1,034
	2,830,085	156,415
On non-financial assets		
Commission income (note 29.2)	607,698	198,348
Gain on disposal of property, plant and equipment (note 5.3)	21,316	675,700
Rental income	40,558	5,045
Scrap sales	12,033	47,577
Others (note 29.3)	94,945	11,225
	776,550	937,895
	4,877,969	6,074,598

29.1 This comprises of dividend income received from EAPL and EEF amounting to Rs. 1,405,000 (2017: Nil) and Rs. 69,088 (2017: Rs. 52,384), respectively.

29.2 Represents commission earned as a selling agent of imported fertilizer on behalf of EAPL.

29.3 This includes an amount of Rs. 42,368 charged to the Holding Company.

30. OTHER OPERATING EXPENSES

	2018	2017
	-------------Rupees------------	
Workers' profits participation fund (note 14.3)	1,149,229	805,322
Workers' welfare fund	143,227	306,022
Research and development	244	31,360
Auditors' remuneration (note 30.1)	6,397	11,957
Legal and professional	40,741	66,043
Others	77,752	9,528
	1,417,590	1,230,232

(Amounts in thousand)

30.1 Auditors' remuneration

	2018	2017
	-------------Rupees------------	
Fee for:		
- audit of annual financial statements	2,375	2,150
- review of half yearly financial information	480	435
- review of compliance with the Code of Corporate Governance	45	40
- certifications, advices and audit of retirement funds	191	850
- taxation services	2,889	8,017
- reimbursement of expenses	417	465
	6,397	11,957

31. FINANCE COST

	2018	2017
Interest / mark-up / return on:		
- long term borrowings under:		
- interest / mark up arrangements	1,589,740	1,869,226
- shariah permissible arrangements	320,552	337,647
	1,910,292	2,206,873
- short term borrowings under:		
- interest / mark up arrangements	140,773	334,588
- shariah permissible arrangements	4,088	22,407
	144,861	356,995
Gain on fair value of IFC conversion option	-	(3,415)
	2,055,153	2,560,453

32. TAXATION

	2018	2017
Current		
- for the year	6,191,075	4,704,830
- for prior years (note 32.4)	829,274	(1,752,308)
	7,020,349	2,952,522
Deferred	(2,289,206)	1,906,019
	4,731,143	4,858,541

32.1 During the year 2015, the income tax department amended the assessment filed by the Company for tax year 2014. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) against the disallowances, which mainly pertained to exchange gain and loss, loss on derivative and losses purchased from Engro Eximp Agriproducts (Private) Limited, an associate, under section 59B of the Income Tax Ordinance, 2001 resulting in additions to taxable income of Rs. 3,191,963. In addition the tax department raised demand for the Alternative Corporate Tax through the same order, for which the Company specifically obtained a stay order. The hearing of the aforesaid appeal was held on October 15, 2018 before the CIR(A) where written arguments were submitted by the Commissioner and the case has been reserved for order.

32.2 During the year 2014, the income tax department amended the assessment filed by the Company for tax years 2010 and 2011.The Company filed appeals thereagainst before the Appellate Tribunal Inland Revenue (ATIR) against the said disallowances, which through its decision provided relief in respect of certain items and confirmed certain disallowances in favor of the tax department. The said disallowances included the charge in respect of exchange gain and loss incurred for tax year 2010 and tax year 2011, and loss on derivative for tax year 2011 raising a demand in respect of these years

(Amounts in thousand)

in aggregate of Rs. 1,075,466. The Company had challenged the said decision before the High Court of Sindh, which is pending to be heard, however, the Company is confident of a favourable outcome.

32.3 The Company had filed a suit in the High Court of Sindh (HCS), contesting both the retrospective and prospective application of the Alternative Corporate Tax (ACT) under section 113C. On January 27, 2018, the Supreme Court of Pakistan passed an order requiring that a minimum of 50% of tax calculated by the taxation authorities be deposited with taxation authorities to maintain / entertain a suit filed / to be filed with any Court of Pakistan. Pursuant to this, the Company made payment of Rs 615,600 in respect of ACT for tax year 2014 to maintain its stay granted by the HCS. However, in respect of tax years 2015, 2016 and 2017, since no amendments to the returns filed by the Company were received from the tax department, therefore, suits thereagainst were withdrawn by the Company. Later, on September 13, 2018, the Company received recovery notice for payment in respect of tax years 2015, 2016 and 2017 against which a constitutional petition has been filed by the Company with the HCS. Stay for recovery of ACT has been granted in respect of the constitutional petition. Any amount payable as ACT can be adjusted against tax liability of 10 future tax years immediately succeeding the tax year in which it was paid.

32.4 This includes provision for Super Tax of Rs. 352,633 and Rs. 476,641 in respect of tax years 2015 and 2018, respectively, in accordance with section 4B 'Super Tax for rehabilitation of temporarily displaced persons' of the Income Tax Ordinance, 2001 (the Ordinance), whereby, tax at the rate 3% (tax year 2018) and 2% (tax year 2015) is imposed on specified income of the Company.

The Company had filed a suit in the HCS, contesting Super Tax applicability as unconstitutional and ultravires the laws. On June 27, 2018, the Supreme Court of Pakistan passed an order requiring that a minimum of 50% of tax calculated by the taxation authorities be deposited with the taxation authorities to maintain / entertain a suit filed / to be filed with any Court of Pakistan. Pursuant to this, the legal suits filed against applicability of Super tax were withdrawn by the Company.

Subsequent to the year end, on January 15, 2019, the Company received recovery notice from Federal Board of Revenue (FBR) for payment of Super Tax in respect of tax year 2018. The Company has filed a constitutional petition against the same in the High Court of Sindh and stay thereagainst has been generated. Adequate provision for super tax for the respective tax year is being maintained in these financial statements.

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

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

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

The Company is confident that all the aforementioned pending issues will eventually be decided in its favor. Therefore, no provision in respect of this is being maintained in these financial statements.

32.6 As a result of merger of Engro Eximp (Private) Limited (EXIMP) with the Company, all pending tax issues of EXIMP have been transferred to the Company. Major pending issue pertains to exercise of option to be taxed under the Normal Tax Regime (NTR) by EXIMP for the years 2012 and 2013, resulting in an aggregate refund of Rs. 796,000. The tax department had not accepted the said treatment for tax year 2013, however, the matter was decided in favor of the Company by the Commissioner Income Tax Appeals(CIT(A)), against which the tax department has filed an appeal

(Amounts in thousand)

with the Appellate Tribunal. However, during the year, the department has given Appeal Effect order to the aforementioned favourable decision of the CIT(A) for tax year 2013. The management is confident for a favorable outcome on this case and therefore no provision is being maintained in these financial statements in this respect.

32.7 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:

	2018	2017
	--------------Rupees------------	
Profit before taxation	21,399,827	14,995,090
Tax calculated at the rate of 29% (2017: 30%)	6,205,949	4,498,526
Depreciation not deductible for tax purposes	7,660	134,308
Tax effect of:		
- Expenses not allowed for tax	243,502	332,883
- Final Tax Regime	(674,852)	(462,940)
Effect of:		
- Tax credits	(267,040)	(70,236)
- Recoupable minimum turnover tax	-	2,178,308
- Prior year tax charge	829,274	(1,752,308)
- Incremental tax charge for Super Tax	435,202	-
- Change in deferred tax liability rates due to reduction in tax rates (note 32.8)	(2,048,552)	-
Tax charge for the year	4,731,143	4,858,541

(Amounts in thousand)

32.8 Through Finance Act 2018, corporate tax rates for year ended December 31, 2018 and onwards were reduced by 1% for each subsequent tax year uptil tax year 2023 (financial year ending December 31, 2022). This represents amount of deferred tax reversal relating to changes in tax rates.

32.9 The Company carries tax provision in its financial statements of Rs. 3,675,656, Rs. 2,757,986 and Rs. 4,704,830, respectively, for the years ended 2015, 2016 and 2017, whilst the tax assessed for these years is Rs. 775,822, Rs. 448,753 and Rs. 1,877,149, respectively. Management has assessed that the tax provisions in the financial statements are sufficient.

33. EARNINGS PER SHARE (EPS)

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

33.2 As at December 31, 2018, there is no dilutive effect on the basic earnings per share of the Company. Earnings per share is based on following:

	2018	2017
	--------------Rupees-----------	
Profit for the year	16,668,684	10,136,549
Add:		
- Interest on IFC loan - net of tax	-	588
- Gain on revaluation of conversion options on IFC loan - net of tax	-	(2,225)
Profit used for the determination of basic / diluted EPS	16,668,684	10,134,912

	---Numbers (in thousands)---	
Weighted average number of ordinary shares at beginning of the year	1,335,299	1,330,932
Add: Weighted average adjustments for shares issued during the year under conversion of option	-	3,482
Weighted average number of shares for determination of basic / diluted EPS	1,335,299	1,334,414

(Amounts in thousand)

34. FINANCING STRUCTURE / MODE

	2018	2017
	-------------Rupees----------	
Conventional mode:		
Assets		
Short term investments	6,334,613	7,081,347
Cash and bank balances	502,130	1,562,815
Working capital loan to subsidiary	13,677,700	2,000,000
	20,514,443	10,644,162
Liabilities		
Long term borrowings	27,892,415	26,473,438
Short term borrowings	568,217	1,671,732
	28,460,632	28,145,170
Shariah compliant mode:		
Assets		
Short term investments	-	2,000
Cash and bank balances	139,930	92,591
	139,930	94,591
Liabilities		
Long term borrowings	2,918,214	4,430,440
Short term borrowings	68,661	-
	2,986,875	4,430,440

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2018			2017		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	-----------------Rupees----------------			-----------------Rupees----------------		
Managerial remuneration including bonus	69,196	-	1,718,524	47,612	-	1,288,675
Retirement benefits funds	8,658	-	183,867	6,649	-	145,773
Other benefits	14	-	54,209	87	-	49,365
Fees	-	1,700	-	-	1,450	-
Total	77,868	1,700	1,956,600	54,348	1,450	1,483,813
Number of persons, including those who worked part of the year	2	5	343	1	5	258

(Amounts in thousand)

35.2 These amounts are net off salaries, wages and others staff benefits paid on behalf of EAPL and subsequently charged to EAPL.

35.3 The Company also provides vehicles and certain household items for use of some executives and directors.

35.4 Premium charged in respect of directors' indemnity insurance policy, purchased by the Company during the year, amounted to Rs. 295 (2017: Rs. 381).

36. RETIREMENT AND OTHER SERVICE BENEFITS

36.1 Salient features

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

The gratuity and pension funds are governed under the Trusts Act, 1882, Trust Deed and Rules of Fund, Companies Act, 2017, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

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

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

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

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

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

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

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

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

(Amounts in thousand)

36.2 Valuation results

The latest actuarial valuation of the defined benefit plans was carried out as at December 31, 2018, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan-Funded (Curtailed)	
	NMPT		MPT			
	2018	2017	2018	2017	2018	2017
	-----	-----	-----	Rupees	-----	-----
36.2.1 Statement of financial position reconciliation						
Present value of obligation	325,678	296,881	104,068	146,542	24,600	29,156
Fair value of plan assets	(176,611)	(165,049)	(136,832)	(186,223)	(38,104)	(40,713)
Deficit / (surplus) of funded plans	149,067	131,832	(32,764)	(39,681)	(13,504)	(11,557)
Payable to Defined Contribution Gratuity Fund	-	-	9,736	9,736	-	-
Payable in respect of inter-transfers	-	-	46	46	-	-
Unrecognised asset	-	-	-	-	13,504	11,557
Net liability / (asset) at end of the year	149,067	131,832	(22,982)	(29,899)	-	-
36.2.2 Movement in net liability / (asset) recognised						
Net liability / (asset) at beginning of the year	131,832	69,534	(29,899)	(17,667)	-	-
Actual contribution paid by the employer	-	-	-	-	-	79
Charge / (Income) for the year	27,770	18,202	2,361	3,632	-	(930)
Remeasurements charged to OCI (note 36.2.7)	(8,198)	44,537	4,556	(15,864)	-	851
Unrecognised asset	(2,337)	(441)	-	-	-	-
Net liability / (asset) at end of the year	149,067	131,832	(22,982)	(29,899)	-	-

(Amounts in thousand)

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan-Funded (Curtailed)	
	NMPT		MPT			
	2018	2017	2018	2017	2018	2017
	------	------	--Rupees--	------	------	------
36.2.3 Movement in defined benefit obligation						
As at beginning of the year	296,881	238,301	146,542	137,729	29,156	32,132
Current service cost	16,364	12,754	5,325	5,745	-	-
Interest cost	26,217	18,947	10,116	10,978	2,384	2,413
Benefits paid during the year	(10,576)	(19,835)	(56,559)	(6,444)	(4,042)	(3,920)
Liability in respect of promotion out	(2,337)	(441)	-	-	-	-
Remeasurments charged to OCI (note 36.2.7)	(871)	47,155	(1,356)	(1,466)	(2,898)	(1,469)
As at end of the year	325,678	296,881	104,068	146,542	24,600	29,156
36.2.4 Movement in fair value of plan assets						
At beginning of the year	165,049	168,767	186,223	165,178	40,713	44,213
Expected return on plan assets	14,811	13,499	13,080	13,091	3,354	3,343
Benefits paid during the year	(10,576)	(19,835)	(56,559)	(6,444)	(4,042)	(3,920)
Remeasurments charged to OCI (note 36.2.7)	7,327	2,618	(5,912)	14,398	(1,921)	(2,844)
Actual contribution by the employer	-	-	-	-	-	(79)
As at end of the year	176,611	165,049	136,832	186,223	38,104	40,713
36.2.5 Charge / (reversal) for the year						
Current service cost	16,364	12,754	5,325	5,745	-	-
Net interest cost	11,406	5,448	(2,963)	(2,113)	-	(930)
	27,770	18,202	2,362	3,632	-	(930)
36.2.6 Actual return on plan assets	23,111	14,491	8,242	8,617	2,254	2,221

(Amounts in thousand)

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan-Funded (Curtailed)	
	NMPT		MPT			
	2018	2017	2018	2017	2018	2017
	------	------	--Rupees--	------	------	------
36.2.7 Remeasurement recognised in statement of other comprehensive income						
(Gain) / loss from change in experience assumptions	(2,115)	51,080	(1,356)	(115)	2,636	(161)
Loss / (gain) from change in financial assumptions	1,244	(3,925)	-	(1,351)	(5,534)	(1,308)
Remeasurement of obligation	(871)	47,155	(1,356)	(1,466)	(2,898)	(1,469)
Expected return on plan assets	14,811	13,499	13,080	13,091	3,354	3,343
Actual return on plan assets	(23,111)	(14,491)	(8,242)	(8,617)	(2,254)	(2,221)
Difference in fair value opening	973	(1,626)	1,074	(18,872)	821	1,722
Remeasurement of plan assets	(7,327)	(2,618)	5,912	(14,398)	1,921	2,844
Effect of asset ceiling	-	-	-	-	1,947	(524)
	(8,198)	44,537	4,556	(15,864)	970	851

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan-Funded (Curtailed)	
	NMPT		MPT			
	2018	2017	2018	2017	2018	2017
36.2.8 Principal actuarial assumptions used in the actuarial valuation						
Discount rate	13.3%	8.8%	12.8%	7.8%	12.8%	8.8%
Expected per annum rate of return on plan assets	13.3%	8.0%	12.8%	8.0%	12.8%	8.8%
Expected per annum rate of increase in salaries - next year	12.3%	7.8%	12.8%	7.8%	-	-
Expected per annum rate of increase in salaries-long term	12.3%	7.8%	12.8%	7.8%	-	-
36.2.9 Demographic assumptions						
Mortality rate	SLIC (2001-05) - I Light		SLIC (2001-05) - I Heavy		SLIC (2001-05) - I	PMA-PFA (80) - 2
Rate of employee turnover					-	-

(Amounts in thousand)

36.2.10 Sensitivity Analysis

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

	Increase in assumption			Decrease in assumption		
	Gratuity Funds		Pension Fund	Gratuity Funds		Pension Fund
	NMPT	MPT		NMPT	MPT	
	Rupees					
Discount rate	297,748	101,157	23,517	357,743	107,182	25,788
Long terms salary increases	357,743	107,153	-	297,280	101,132	-
Logn terms pension increases	-	-	25,933	-	-	23,374

36.2.11 Maturity profile

Time in years	Gratuity Funds NMPT	Gratuity Funds MPT	Pension Fund
	Rupees		
1	26,136	54,186	4,013
2	24,026	4,281	4,013
3	18,210	7,109	4,013
4	19,841	10,437	4,013
5-10	242,569	92,582	4,013
11-15	510,995	20,289	4,013
16-20	1,022,457	1,745	4,013
20+	2,406,656	-	4,013
Weighted average duration (years)	8.58	2.80	5.82

36.2.12 Plan assets comprise of the following:

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan - Funded (Curtailed)	
	NMPT		MPT*			
	2018		2018		2018	
	Rupees	(%)	Rupees	(%)	Rupees	(%)
Fixed income instruments	139,280	79	121,988	89	29,264	77
Investment in equity instruments	33,434	19	42,491	31	6,850	18
Cash	3,897	2	4,122	3	1,990	5
Other liabilities	-	-	(31,769)	(23)	-	-
	176,611	100	136,832	100	38,104	100

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

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

(Amounts in thousand)

36.2.14 Expected future cost / (reversal) for the year ending December 31, 2019 is as follows:

	Rupees
- Gratuity Fund - NMPT	37,071
- Gratuity Fund - MPT	(785)
- Pension Fund	(1,621)

36.2.15 Historical information of staff retirement benefits:

	2018	2017	2016	2015	2014
	Rupees				
Gratuity Fund - NMPT					
Present value of defined benefit obligation	325,678	296,881	238,301	228,376	166,212
Fair value of plan assets	(176,611)	(165,049)	(168,767)	(169,638)	(178,713)
Deficit / (surplus)	149,067	131,832	69,534	58,738	(12,501)
Gratuity Fund - MPT					
Present value of defined benefit obligation	104,068	146,542	137,729	149,332	135,336
Fair value of plan assets	(136,832)	(186,223)	(165,178)	(166,957)	(140,235)
Surplus	(32,764)	(39,681)	(27,449)	(17,625)	(4,899)
Pension Fund					
Present value of defined benefit obligation	24,600	29,156	32,132	33,367	34,406
Fair value of plan assets	(38,104)	(40,713)	(44,213)	(40,835)	(38,824)
Surplus	(13,504)	(11,557)	(12,081)	(7,468)	(4,418)

36.3 Defined contribution plans

An amount of Rs. 226,016 has been charged during the year (2017: Rs. 197,220) in respect of defined contribution plans maintained by the Holding Company.

37. CASH GENERATED FROM OPERATIONS

	2018	2017
	Rupees	
Profit before taxation	21,399,827	14,995,090
Adjustment for non-cash charges and other items:		
Depreciation (note 5.2)	5,166,276	5,066,037
Amortisation - net	24,548	22,032
Gain on disposal of property, plant and equipment (note 29)	(21,316)	(675,700)
Provision for retirement and other service benefits	66,577	64,561
Income on deposits / other financial assets	(1,227,801)	(102,997)
Finance cost (note 31)	2,055,153	2,560,453
Dividends received	(1,474,088)	(52,384)
Provision for net realisable value of raw materials (note 10)	30,000	-
Provision for surplus and slow moving stores and spares (note 9)	233,914	4,435
Provision for impairment against trade debts (note 11)	18,230	-
Working capital changes (note 37.1)	8,602,174	12,046,865
	34,873,494	33,928,392

(Amounts in thousand)

		2018	2017
		------------Rupees----------	
37.1	Working capital changes		
	(Increase) / Decrease in current assets		
	- Stores, spares and loose tools	(279,407)	(397,555)
	- Stock-in-trade	538,743	3,291,722
	- Trade debts	1,091,474	4,100,811
	- Loans, advances, deposits and prepayments	(778)	(23,041)
	- Other receivables	206,979	(1,520,258)
		1,557,011	5,451,679
	Increase in trade and other payables	7,045,163	6,595,186
		8,602,174	12,046,865
38.	CASH AND CASH EQUIVALENTS		
	Cash and bank balances (note 16)	642,060	1,655,406
	Short term investments with original maturity less than 3 months (note 15)	90,000	2,037,000
	Short term borrowings (note 23)	(636,878)	(1,671,732)
		95,182	2,020,674
39.	FINANCIAL INSTRUMENTS BY CATEGORY		
	Financial assets as per statement of financial position		
	- Loans and receivables at amortised cost		
	Loans, advances and deposits	212,565	173,716
	Trade debts	2,374,797	3,484,501
	Other receivables	364,339	71,364
	Working capital loan to subsidiary	13,677,700	2,000,000
	Accrued income	439,345	46,911
	Cash and bank balances	642,060	1,655,406
		17,710,806	7,431,898
	- Available for sale		
	Short term investments	6,244,613	4,999,436
	- Held to maturity		
	Short term investments	90,000	2,037,000
		12,579,226	7,036,436
	Financial liabilities as per statement of financial position		
	- Financial liabilities at amortised cost		
	Long term borrowings	30,810,629	30,903,878
	Trade and other payables	22,723,096	14,421,143
	Short term borrowings	636,878	1,671,732
	Accrued interest / mark-up	405,620	543,569
		54,576,223	47,540,322

(Amounts in thousand)

40. FINANCIAL RISK MANAGEMENT

40.1 Financial risk factors

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

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

a) Market risk

i) Currency risk

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

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

As at December 31, 2018, if exchange rates had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by Rs. 14,793.

ii) Interest rate risk

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

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

As at December 31, 2018, if interest rates had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by Rs. 223,277.

b) Credit risk

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

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

(Amounts in thousand)

The Company is exposed to a concentration of credit risk on its trade debts by virtue of all its customers being agri-based businesses in Pakistan. However, this risk is mitigated by applying individual credit limits and by securing the majority of trade debts against bank guarantees and inland letter of credit.
The credit risk arising on account of acceptance of these bank guarantees is managed by ensuring that the bank guarantees are issued by banks of reasonably high credit ratings as approved by the management.

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

	2018	2017
	-----------Rupees-----------	
Loans, advances and deposits	212,565	173,716
Trade debts	2,374,797	3,484,501
Other receivables	364,339	71,364
Working capital loan to subsidiary	13,677,700	2,000,000
Short term investments	6,334,613	7,083,347
Cash and bank balances	640,860	1,654,206
	23,604,874	14,467,134

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

		Rating	
	Rating Agency	Short Term	Long Term
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Bank Al Habib Limited	PACRA	A1+	AA+
Bank Islami Pakistan Limited	PACRA	A1	A+
The Bank of Punjab	PACRA	A1+	AA
Albaraka Bank (Pakistan) Limited	PACRA	A1	A
Citi Bank N.A.	MOODY'S	P1	A1
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A1	AA-
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1+	AA-
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A1+	AA+
National Bank of Pakistan	PACRA	A1+	AAA
Samba Bank Limited	JCR-VIS	A1	AA
Silk Bank Limited	JCR-VIS	A2	A-
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A1+	AAA

c) Liquidity risk

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

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

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

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

	2018			2017		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	---------Rupees---------			---------Rupees---------		
Financial liabilities						
Trade and other payables	22,723,096	-	22,723,096	14,421,143	-	14,421,143
Accrued interest / mark-up	405,620	-	405,620	543,569	-	543,569
Borrowings	5,095,584	25,715,045	30,810,629	8,119,864	22,784,014	30,903,878
Short term borrowings	636,878	-	636,878	1,671,732	-	1,671,732
	28,861,178	25,715,045	54,576,223	24,756,308	22,784,014	47,540,322

40.2 Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The total long term borrowings to equity ratio as at December 31, 2018 based on total long term borrowings of Rs. 30,810,629 (2017: Rs. 30,903,878) and total equity of Rs. 42,995,748 (2017: Rs. 41,012,772) was 42%:58% (2017: 43%:57%).

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)

40.3 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

As at December 31, 2018, all financial assets and financial liabilities are carried at amortised cost except for investment in Pakistan Investment Bonds which are carried at their fair values.

The carrying value of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

The table below analyses financial instruments carried at fair value by valuation method.

	Level 1	Level 2	Level 3	Total
	---------------------------Rupees----------------------------			
Assets				
Short term investments				
Available for sale	-	6,244,613	-	6,244,613

Level 2 - The fair valued financial instruments comprise of Pakistan Investment Bonds which are valued using discounted cash flow model.

There were no transfers amongst the levels during the year.

40.4 Fair value of financial assets and liabilities

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

(Amounts in thousand)

41. TRANSACTIONS WITH RELATED PARTIES

41.1 Following are the names of associated companies, undertakings and other related parties with whom the Company had entered into transactions or had agreements and arrangements in place during the year:

Name of Related Parties	Direct Shareholding	Relationship
Engro Corporation Limited	56.27%	Holding Company
EFert Agritrade (Private) Limited	100%	Subsidiary Company
Engro Eximp FZE	100%	Subsidiary Company
Dawood Lawrencepur Limited	N/A	Associate of Holding Company
Engro Digital Limited	N/A	Subsidiary of Holding Company
Engro Elengy Terminal (Private) Limited	N/A	Subsidiary of Holding Company
Engro Eximp Agriproducts (Private) Limited	N/A	Subsidiary of Holding Company
Engro Foods Limited	N/A	Associate of Holding Company
Engro Foundation	N/A	Associate of Holding Company
Engro Polymer & Chemicals Limited	N/A	Subsidiary of Holding Company
Engro Energy Limited	N/A	Subsidiary of Holding Company
Engro Powergen Qadirpur Limited	N/A	Subsidiary of Holding Company
Engro Powergen Thar Limited	N/A	Subsidiary of Holding Company
Engro Vopak Terminal Limited	N/A	Associate of Holding Company
Sindh Engro Coal Mining Company Limited	N/A	Associate of Holding Company
Aasim Butt	N/A	Key Management Personnel
Amir Iqbal	N/A	Key Management Personnel
Asad Said Jafar	N/A	Director
Atif Kaludi	N/A	Key Management Personnel
Asif Sultan Tajik	N/A	Key Management Personnel
Asim Murtaza Khan	N/A	Director
Fahd Khawaja	N/A	Key Management Personnel
Imran Ahmed	N/A	Key Management Personnel
Javed Akbar	N/A	Director
Mohammad Azhar Malik	N/A	Key Management Personnel
Mohsin Ali Mangi	N/A	Key Management Personnel
Mudassar Yaqub Rathore	N/A	Key Management Personnel
Muhammad Majid Latif	N/A	Key Management Personnel
Nadir Salar Qureshi	N/A	Chief Executive
Ruhail Mohammed	N/A	Former Chief Executive
Sadia Khan	N/A	Director
Syed Shahzad Nabi	N/A	Key Management Personnel
Engro Corporation Limited DC Pension Fund	N/A	Post Employement Benefits
Engro Corporation Limited MPT Gratuity Fund	N/A	Post Employement Benefits
Engro Corporation Limited NMPT Gratuity Fund	N/A	Post Employement Benefits
Engro Corporation Limited DB Pension Fund	N/A	Post Employement Benefits
Engro Corporation Limited DC Gratuity Fund	N/A	Post Employement Benefits
Engro Corporation Limited Provident Fund	N/A	Post Employement Benefits

(Amounts in thousand)

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

	2018	2017
	------------Rupees-------------	
Holding Company		
Dividend paid	8,264,433	6,010,496
Purchases and services	408,698	249,670
Services provided to Holding Company	52,128	32,106
Reimbursements made:		
- by the Company	118,061	77,568
- to the Company	513,455	7,575
Use of assets	-	499
Subsidiary companies		
Purchase of products	-	9,125,835
Disbursement of working capital loan to subsidiary	40,477,400	2,000,000
Repayment received against working capital loan disbursed to subsidiary	28,799,700	-
Reimbursements made:		
- by the Company	29,604	92,637
- to the Company	131,782	177,755
Commission received	607,698	198,348
Dividend received	1,474,088	52,384
Funds collected against sales made on behalf of subsidiary	41,266,651	13,638,822
Mark-up on short term sub-ordinated loan from subsidiary	771,326	22,078
Associated companies		
Purchases and services	99,219	134,989
Sale of products	340	2,645
Services provided	106,259	112,782
Reimbursements made:		
- by the Company	15,838	17,241
- to the Company	61,159	77,517
Payment of mark-up on TFCs and repayment of principal amount	1,025	9,016
Donation	96,000	63,000
Use of assets	-	2,706
Contribution to staff retirement benefits		
Pension fund	17,759	18,881
Gratuity fund	118,611	97,020
Provident fund	132,870	112,471
Dividend paid to staff retirement benefits		
Pension fund	1,438	-
Gratuity fund	3,607	-
Provident fund	7,068	-
Others		
Remuneration of key management personnel	249,190	214,028

(Amounts in thousand)

42. PRODUCTION CAPACITY

	Designed Annual Capacity Metric Tons		Actual Production Metric Tons		Remarks
	2018	2017	2018	2017	
Urea plant I & II	2,275,000	2,275,000	1,928,080	1,806,977	Production planned as per market demand
NPK plant	100,000	100,000	132,790	109,059	

43. NUMBER OF EMPLOYEES

	Number of employees as at December 31,		Average number of employees as at December 31,	
	2018	2017	2018	2017
Factory Employees				
Management employees	221	221	223	230
Non-management employees	521	518	500	517
Other than Factory employees				
Management employees	496	453	494	429
Non-management employees	9	9	9	9
	1,247	1,201	1,226	1,185

44. PROVIDENT FUND

The employees of the Company participate in the Provident Fund maintained by the Holding Company. The investments out of the provident funds have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the conditions specified there under.

45. SEASONALITY

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

46. NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors in its meeting held on February 8, 2019 has proposed a final cash dividend of Rs. 3 per share for the year ended December 31, 2018 amounting to Rs. 4,005,898 for approval of the members at the Annual General Meeting to be held on March 28, 2019. The amount of total dividend is calculated at the number of shares outstanding as at December 31, 2018.

(Amounts in thousand)

47. CORRESPONDING FIGURES

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

47.2 Under the Companies Act, 2017 the definition of 'executives' has been revised. As a result, comparative figures have been restated to reflect the said change.

48. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 8, 2019 by the Board of Directors of the Company.

Imran Ahmed Chief Financial Officer	Nadir Salar Qureshi Chief Executive	Ghias Khan Chairman

other information

shareholder information

Annual General Meeting

The Annual General Meeting will be held at 10:00 a.m. on March 28, 2019 at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi. The shareholders as of March 21, 2019 are encouraged to participate and vote.

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

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

Ownership

On December 31, 2018, there were 24,795, shareholders on record of the Company's ordinary shares.

Circulation of Annual Reports through CD/DVD/USB

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and in continuation with the SRO.787(1)/2014 dated 8th September, 2014, and approved by the shareholders in the Annual General Meeting of the Company held on March 30, 2017, the Company shall circulate its annual balance sheet, and profit and loss account, auditor's report and directors report etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hardcopy of the Annual Audited Accounts. The standard request forms for electronic transmission is available at the Company's website www.engrofertilizers.com.

Alternatively members can fill up the Standard Request Forms respectively at the end of the report.

E-Dividend Mandate (Mandatory)

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

Analyst's Briefing Held During the Year

Engro Fertilizers continued to apprise its stakeholders of the relevant updates about the Company as well as the Fertilizer industry by conducting four Analyst Briefings during the year, one at the end of every quarter. The briefings were attended by analysts as well as our stakeholders. The attendees were briefed on the performance of the Company during the period, both from a financial and an operational perspective. At the end of every session, a Q&A session was conducted to ensure that a comprehensive revelation of the Company's progress was conveyed. The presentation was also uploaded on the website after every analyst briefing for the benefit of all stakeholders.

Quarterly Results

The Company issues quarterly Financial Statements. The planned dates for release of the quarterly results in 2019 are:

- 1st quarter: April 19, 2019
- 2nd quarter: August 08, 2019
- 3rd quarter: October 18, 2019

The Company holds quarterly briefings with Security Analysts to discuss the results and the business environment. These sessions are planned to be held on:

- 1st quarter : April 22, 2019
- 2nd quarter: August 9, 2019
- 3rd quarter: October 21, 2019

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

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

Change of Address

All registered shareholders should send information on changes of address to:
M/s. FAMCO Associates (Private) Limited
8-F, Next to Hotel Faran Nursery,
Block-6 P.E.C.H.S. Shahra-e-Faisal
Karachi-74000

pattern of shareholding

As at December 31, 2018

	No. of Shareholdings		
No of shareholders	From	To	Total Shares Held
3,897	1	100	121,884
9,816	101	500	4,390,320
3,732	501	1,000	3,460,711
3,822	1,001	5,000	9,922,240
1,112	5,001	10,000	8,840,706
505	10,001	15,000	6,530,080
307	15,001	20,000	5,577,916
224	20,001	25,000	5,271,647
146	25,001	30,000	4,152,316
92	30,001	35,000	3,018,472
97	35,001	40,000	3,731,157
55	40,001	45,000	2,369,716
109	45,001	50,000	5,369,765
48	50,001	55,000	2,547,386
44	55,001	60,000	2,582,112
36	60,001	65,000	2,259,157
33	65,001	70,000	2,258,231
45	70,001	75,000	3,310,656
22	75,001	80,000	1,724,500
13	80,001	85,000	1,081,352
16	85,001	90,000	1,406,691
10	90,001	95,000	932,480
54	95,001	100,000	5,375,701
16	100,001	105,000	1,633,167
14	105,001	110,000	1,518,804
4	110,001	115,000	448,000
16	115,001	120,000	1,901,432
12	120,001	125,000	1,482,200
16	125,001	130,000	2,042,476
8	130,001	135,000	1,064,706
9	135,001	140,000	1,239,331
6	140,001	145,000	850,311
20	145,001	150,000	2,991,200
8	150,001	155,000	1,220,130
6	155,001	160,000	951,402
6	160,001	165,000	970,156
9	165,001	170,000	1,513,399
6	170,001	175,000	1,042,650
6	175,001	180,000	1,071,048
3	180,001	185,000	553,000
4	185,001	190,000	751,190
6	190,001	195,000	1,166,000
15	195,001	200,000	2,986,978
8	200,001	205,000	1,622,929
5	205,001	210,000	1,039,774
4	210,001	215,000	851,161
3	215,001	220,000	655,115
9	220,001	225,000	2,014,971
6	225,001	230,000	1,369,524
2	230,001	235,000	467,500
8	235,001	240,000	1,912,505
3	240,001	245,000	729,312

As at December 31, 2018

	No. of Shareholdings		
No of shareholders	From	To	Total Shares Held
7	245,001	250,000	1,745,500
5	250,001	255,000	1,264,000
5	255,001	260,000	1,290,056
3	260,001	265,000	792,000
5	265,001	270,000	1,342,000
4	270,001	275,000	1,093,620
3	275,001	280,000	838,000
2	280,001	285,000	564,500
1	285,001	290,000	288,000
3	290,001	295,000	884,500
9	295,001	300,000	2,695,974
4	300,001	305,000	1,212,250
2	305,001	310,000	615,300
4	315,001	320,000	1,278,315
2	320,001	325,000	643,500
2	325,001	330,000	656,500
2	330,001	335,000	669,000
3	335,001	340,000	1,019,820
4	340,001	345,000	1,375,500
3	345,001	350,000	1,046,192
2	355,000	360,000	713,000
1	365,001	370,000	366,500
2	370,001	375,000	742,128
1	375,001	380,000	379,000
3	380,001	385,000	1,149,500
1	385,001	390,000	385,800
2	390,001	395,000	782,500
5	400,000	405,000	2,005,382
2	410,001	415,000	829,500
3	415,001	420,000	1,247,000
2	425,000	430,000	852,000
4	430,001	435,000	1,728,506
1	440,001	445,000	442,000
2	450,001	455,000	904,000
1	460,001	465,000	463,500
1	465,001	470,000	467,240
2	475,000	480,000	952,500
2	480,001	485,000	964,500
4	485,001	490,000	1,951,500
9	495,001	500,000	4,497,500
1	500,001	505,000	501,542
2	510,001	515,000	1,027,500
3	515,001	520,000	1,552,800
3	530,001	535,000	1,600,500
2	550,000	555,000	1,100,000
1	555,001	560,000	558,500
2	560,001	565,000	1,122,000
1	565,001	570,000	565,040
2	580,001	585,000	1,164,000
3	600,000	605,000	1,800,500
3	605,001	610,000	1,824,500
2	610,001	615,000	1,224,528

As at December 31, 2018

	No. of Shareholdings		
No of shareholders	From	To	Total Shares Held
1	615,001	620,000	615,500
1	620,001	625,000	621,000
1	625,001	630,000	626,000
2	645,001	650,000	1,299,500
2	655,001	660,000	1,313,500
1	670,001	675,000	671,789
2	680,001	685,000	1,369,000
2	685,001	690,000	1,373,500
2	690,001	695,000	1,389,000
1	700,000	705,000	700,000
1	705,001	710,000	707,000
1	735,001	740,000	738,500
2	750,000	755,000	1,500,000
1	765,001	770,000	767,000
1	790,000	795,000	790,000
1	820,001	825,000	821,500
1	825,001	830,000	828,221
1	830,001	835,000	832,785
2	845,001	850,000	1,694,000
3	850,001	855,000	2,560,500
1	860,001	865,000	862,500
1	865,001	870,000	865,364
2	880,001	885,000	1,768,000
1	910,001	915,000	913,827
1	920,001	925,000	924,507
1	930,001	935,000	933,000
2	955,000	960,000	1,914,521
1	970,001	975,000	973,000
1	975,001	980,000	977,000
2	985,000	990,000	1,971,500
2	990,001	995,000	1,987,114
6	995,001	1,000,000	5,998,500
1	1,000,001	1,005,000	1,004,000
1	1,010,001	1,015,000	1,011,500
3	1,025,001	1,030,000	3,082,500
2	1,035,000	1,040,000	2,071,945
1	1,050,001	1,055,000	1,051,500
1	1,065,001	1,070,000	1,069,500
1	1,070,001	1,075,000	1,072,500
1	1,090,001	1,095,000	1,091,000
1	1,120,001	1,125,000	1,123,082
1	1,125,001	1,130,000	1,127,300
2	1,145,001	1,150,000	2,294,000
1	1,155,001	1,160,000	1,157,105
1	1,160,001	1,165,000	1,161,500
2	1,165,001	1,170,000	2,334,645
1	1,185,001	1,190,000	1,188,275
1	1,200,001	1,205,000	1,201,000
1	1,210,001	1,215,000	1,211,500
1	1,220,001	1,225,000	1,223,136
1	1,230,001	1,235,000	1,230,800
2	1,265,001	1,270,000	2,536,995

As at December 31, 2018

	No. of Shareholdings		
No of shareholders	From	To	Total Shares Held
1	1,300,000	1,305,000	1,300,000
3	1,335,001	1,340,000	4,006,500
1	1,355,001	1,360,000	1,355,720
1	1,385,000	1,390,000	1,385,000
2	1,395,001	1,400,000	2,795,500
2	1,405,001	1,410,000	2,815,500
1	1,425,001	1,430,000	1,429,000
1	1,455,001	1,460,000	1,455,282
1	1,515,001	1,520,000	1,519,516
1	1,535,001	1,540,000	1,536,500
1	1,545,001	1,550,000	1,546,500
2	1,550,001	1,555,000	3,109,000
1	1,625,001	1,630,000	1,625,500
1	1,635,001	1,640,000	1,635,500
1	1,640,001	1,645,000	1,644,000
1	1,685,001	1,690,000	1,689,600
1	1,700,000	1,705,000	1,700,000
1	1,715,001	1,720,000	1,717,500
1	1,735,001	1,740,000	1,737,500
1	1,740,001	1,745,000	1,744,718
1	1,750,001	1,755,000	1,751,761
1	1,775,000	1,780,000	1,775,000
1	1,800,001	1,805,000	1,801,000
1	1,805,001	1,810,000	1,805,430
1	1,830,001	1,835,000	1,830,500
2	1,935,000	1,940,000	3,875,000
1	1,955,001	1,960,000	1,958,000
2	1,995,001	2,000,000	3,998,000
1	2,010,001	2,015,000	2,012,000
1	2,150,000	2,155,000	2,150,000
1	2,205,001	2,210,000	2,207,000
1	2,220,001	2,225,000	2,222,482
2	2,225,001	2,230,000	4,454,500
1	2,235,001	2,240,000	2,236,301
1	2,300,001	2,305,000	2,304,200
1	2,380,000	2,385,000	2,380,000
1	2,445,001	2,450,000	2,446,500
1	2,500,000	2,505,000	2,500,000
1	2,605,001	2,610,000	2,608,500
1	2,630,001	2,635,000	2,633,500
1	2,635,001	2,640,000	2,635,500
1	2,685,001	2,690,000	2,687,500
1	2,705,001	2,710,000	2,708,500
1	2,755,001	2,760,000	2,759,000
1	2,850,001	2,855,000	2,851,000
3	2,870,000	2,875,000	8,618,000
1	2,965,001	2,970,000	2,967,000
1	3,015,000	3,020,000	3,015,000
1	3,095,001	3,100,000	3,096,500
1	3,150,001	3,155,000	3,152,783
1	3,180,001	3,185,000	3,180,263
1	3,195,001	3,200,000	3,196,000

As at December 31, 2018

No of shareholders	No. of Shareholdings From	No. of Shareholdings To	Total Shares Held
1	3,205,001	3,210,000	3,207,000
1	3,260,001	3,265,000	3,263,000
1	3,310,001	3,315,000	3,310,893
1	3,600,000	3,605,000	3,600,000
1	3,680,000	3,685,000	3,680,000
2	3,750,000	3,755,000	7,500,000
1	3,755,001	3,760,000	3,758,620
1	3,915,001	3,920,000	3,919,500
1	4,000,000	4,005,000	4,000,000
1	4,035,001	4,040,000	4,035,500
1	4,285,001	4,290,000	4,289,000
1	4,425,000	4,430,000	4,425,000
1	4,500,001	4,505,000	4,502,761
1	4,515,001	4,520,000	4,516,000
1	4,595,001	4,600,000	4,596,500
1	4,760,001	4,765,000	4,762,000
1	5,045,001	5,050,000	5,046,000
1	5,155,001	5,160,000	5,156,000
1	5,260,001	5,265,000	5,262,000
1	5,300,001	5,305,000	5,303,000
1	5,370,001	5,375,000	5,373,000
1	5,450,001	5,455,000	5,453,900
1	5,545,001	5,550,000	5,549,856
1	5,835,001	5,840,000	5,838,991
1	6,010,001	6,015,000	6,011,000
1	6,080,001	6,085,000	6,080,347
1	6,665,001	6,670,000	6,669,000
1	6,700,001	6,705,000	6,700,500
1	7,930,001	7,935,000	7,930,350
1	8,000,000	8,005,000	8,000,000
1	8,150,000	8,155,000	8,150,000
1	8,335,001	8,340,000	8,335,380
1	8,935,001	8,940,000	8,936,000
1	27,235,001	27,240,000	27,235,200
1	751,310,001	751,315,000	751,312,050
24,795			**1,335,299,375**

categories of shareholding

As at December 31, 2018

S. No.	Shareholders' Category	No. of Shareholders	No. of Shares	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children	7	34,380	0.003
2	Associated Companies, Undertakings and Related Parties	1	751,312,050	56.27
3	NIT and ICP	-	-	-
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	32	59,681,638	4.47
5	Insurance Companies	24	17,200,555	1.29
6	Modarabas and Mutual Funds	105	117,204,691	8.78
7	Shareholders holding 10%	1	751,312,050	56.27
8	General Public:			
	a. local	24,052	175,181,372	13.12
	b. Foreign	-	-	-
9	Others	574	214,684,689	16.08

key shareholding and shares traded

Information of shareholding required under reporting framework is as follows:

1.	Associated Companies, undertakings & related parties	
	Engro Corporation Limited	751,312,050
2.	Directors, CEO & their spouses & minor children	
	Mr. Ghias Khan	1
	Mr. Nadir Salar Qureshi	1
	Mr. Javed Akbar	26,524
	Mr. Abdul Samad Dawood	6,632
	Mr. Asim Murtaza Khan	1220
	Mr. Asad Said Jafar	1
	Ms. Sadia Khan	1
3.	Executives	1,861,997
4.	Public Sector Companies & Corporations	7,106,986
5.	Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	91,788,172
6.	Mutual Funds	
	ASIAN STOCKS FUNDS LTD.	1
	CDC - TRUSTEE ABL INCOME FUND	86,000
	CDC - TRUSTEE ABL INCOME FUND – MT	272,500
	CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SUB FUND	40,000
	CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	22,000
	CDC - TRUSTEE ABL STOCK FUND	1,737,500
	CDC - TRUSTEE AKD INDEX TRACKER FUND	140,275
	CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	4,502,761
	CDC - TRUSTEE AL MEEZAN MUTUAL FUND	5,046,000
	CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	1,429,000
	CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	3,758,620
	CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II	162,000
	CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1,051,500
	CDC - TRUSTEE ALFALAH GHP INCOME MULTIPLIER FUND - MT	35,000
	CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	924,507
	CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	3,310,893
	CDC - TRUSTEE ALFALAH GHP ISLAMIC VALUE FUND	98,500
	CDC - TRUSTEE ALFALAH GHP STOCK FUND	1,635,500
	CDC - TRUSTEE ALFALAH GHP VALUE FUND	687,500
	CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	1,625,500
	CDC - TRUSTEE APF-EQUITY SUB FUND	269,000
	CDC - TRUSTEE APIF - EQUITY SUB FUND	335,000
	CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	30,000
	CDC - TRUSTEE ASKARI EQUITY FUND	38,500
	CDC - TRUSTEE ATLAS INCOME FUND - MT	253,000
	CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1,400,000
	CDC - TRUSTEE ATLAS STOCK MARKET FUND	3,919,500
	CDC - TRUSTEE DAWOOD ISLAMIC FUND	3,500
	CDC - TRUSTEE FAYSAL ISLAMIC ASSET ALLOCATION FUND	60,000
	CDC - TRUSTEE FAYSAL STOCK FUND	5,000
	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	25,000
	CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	3,500
	CDC - TRUSTEE FIRST HABIB ASSET ALLOCATION FUND	14,000
	CDC - TRUSTEE FIRST HABIB STOCK FUND	88,000
	CDC - TRUSTEE HBL - STOCK FUND	1,146,000
	CDC - TRUSTEE HBL EQUITY FUND	79,000
	CDC - TRUSTEE HBL IPF EQUITY SUB FUND	101,200
	CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	282,500
	CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	237,000
	CDC - TRUSTEE HBL MULTI - ASSET FUND	66,500
	CDC - TRUSTEE HBL PF EQUITY SUB FUND	78,500
	CDC - TRUSTEE JS ISLAMIC DEDICATED EQUITY FUND (JSIDEF)	1,188,275
	CDC - TRUSTEE JS ISLAMIC FUND	607,000
	CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT	135,000
	CDC - TRUSTEE JS LARGE CAP. FUND	534,000
	CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	134,500
	CDC - TRUSTEE KSE MEEZAN INDEX FUND	1,223,136
	CDC - TRUSTEE LAKSON EQUITY FUND	1,689,600
	CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND	83,700
	CDC - TRUSTEE LAKSON TACTICAL FUND	319,026
	CDC - TRUSTEE MCB DCF INCOME FUND	18,500
	CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	403,000
	CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	4,596,500
	CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	1,940,000
	CDC - TRUSTEE MEEZAN BALANCED FUND	3,015,000
	CDC - TRUSTEE MEEZAN ISLAMIC FUND	27,235,200
	CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	3,263,000
	CDC - TRUSTEE NAFA INCOME FUND - MT	15,000
	CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT	41,000
	CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	1,408,500
	CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	4,762,000
	CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	27,000
	CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	4,516,000
	CDC - TRUSTEE NAFA MULTI ASSET FUND	327,500
	CDC - TRUSTEE NAFA STOCK FUND	5,303,000
	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	913,827
	CDC - TRUSTEE NBP AITEMAAD REGULAR PAYMENT FUND	119,500
	CDC - TRUSTEE NIT INCOME FUND - MT	126,500
	CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	1,407,000
	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	992,114
	CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	279,000
	CDC - TRUSTEE PAKISTAN INCOME FUND - MT	2,500
	CDC - TRUSTEE PICIC GROWTH FUND	1,644,000
	CDC - TRUSTEE PICIC INVESTMENT FUND	862,500
	CDC - TRUSTEE UBL ASSET ALLOCATION FUND	431,000
	CDC - TRUSTEE UBL CAPITAL PROTECTED FUND-III	5,000
	CDC - TRUSTEE UBL DEDICATED EQUITY FUND	55,318
	CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	385,800
	CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	2,236,301
	CDC - TRUSTEE UNIT TRUST OF PAKISTAN	477,500
	CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	933,000
	CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	738,500

CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	2,207,000
CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	96,500
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	955,000
CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	514,000
CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	47,000
CDC-TRUSTEE NITIPF EQUITY SUB-FUND	71,000
CDC-TRUSTEE NITPF EQUITY SUB-FUND	15,000
M C F S L-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	70,500
MC FSL - TRUSTEE JS GROWTH FUND	427,000
MC FSL TRUSTEE JS - INCOME FUND	84,500
MC FSL TRUSTEE JS - INCOME FUND - MT	15,500
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	1,554,500
MCBFSL - TRUSTEE HBL ISLAMIC DEDICATED EQUITY FUND	211,500
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	21,000
MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	183,000
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	986,500
MCBFSL-TRUSTEE ABL ISLAMIC ASSET ALLOCATION FUND	15,000
TRI-STAR MUTUAL FUND LIMITED	91
TOTAL	**116,869,645**

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

Engro Corporation Limited	751,312,050

8. Details of purchase/sale of shares by Directors, Executives* and their spouses / minor children during 2018

S. No.	Name of holder	Date	Sale / Purchase	No of Shares	Rate Per Share
1	Farooq Ahmed Qureshi	17.1.2018	Bought	6,500	68
2	Nadeem Ismat	22.1.2018	Sold	582	69
3	Ghulam Qadir	24.1.2018	Bought	1,500	69.62
4	Farooq Ahmed Qureshi	06.2.2018	Bought	2,500	68.63
5	Fahd Khawaja	16.2,2018	Bought	5,000	68.88
6	Farooq Ahmed Qureshi	14.3.2018	Bought	3,500	70.40
7	Fahd Khawaja	26.4.2018	Bought	2,500	73.14
8	Zafar Altaf	18/05/2018	Sold	1,000	72.5
9	Shahid Mahmood	05/06/2018	Sold	7	75
10	Shahid Mahmood	05/06/2018	Sold	5	74.1
11	Muddassar Yaqub	06/06/2018	Sold	4,000	74
12	Muddassar Yaqub	12/06/2018	Sold	1,000	74.5
13	Fahd Khawaja	16/07/2018	Bought	2,500	75.8
14	Imtiaz ali	10/08/2018	Bought	500	81
15	Muhammad Asif Sultan Tajik	17/09/2018	Bought	27,500	76.99
16	Muhammad Asif Sultan Tajik	18/09/2018	Bought	87,500	78.26
17	Muhammad Shafiq Ahmad Ajmal	25/09/2018	Sold	3000	76.25
18	Mohammad Asif Sultan Tajik	01/10/2018	Bought	65,000	75.48
19	Farooq Ahmed Qureshi	27.9.2018	Sold	12,500	75.5
20	Farooq Ahmed Qureshi	2.10.2018	sold	67,000	74.5
21	Raza Mohammad Burero	29/10/2018	Bought	18,500	82.42
22	Mohammad Asif Sultan Tajik	30.10.2018	Bought	17,000	80.80
23	Mohammad Asif Sultan Tajik	07/11/2018	Bought	118,500	82.45
24	Mohammad Asif Sultan Tajik	08/11/2018	Bought	234,500	83
25	Mohammad Asif Sultan Tajik	09/11/2018	Bought	238,000	83.39
26	Fahd Khawaja	12/11/2018	Bought	5,000	81.7
27	Raza Mohammad Burero	12/11/2018	Bought	7,500	81.5
28	Fahd Khawaja	12/11/2018	Bought	5,000	81
29	Bilal Qasim	03/12/2018	Bought	1,300	73.85
30	Muhammad Mujtaba Khan	03/12/2018	Sold	1000	73.8
31	Ali Akbar	03/12/2018	Bought	2000	75
32	Mohammad Asif Sultan Tajik	17/12/2018	Bought	41,000	72.3835
33	Imtiaz Ali	19/12/2018	Bought	4,000	71.51
34	Ali Akbar	28/12/2018	Bought	500	70.98
35	Ali Akar	31/12/2018	Bought	5,500	69.43
36	Bilal Qasim	28/12/2018	Bought	1,000	70.01
37	Mumtaz Ali Soomro	31/12/2018	Bought	7,000	69.5
38	Mumtaz Ali Soomro	31.12.2018	Bought	4,000	69.80

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

Proxy Form

I/We ____

of ____ being a member of ENGRO FERTILIZERS LIMITED

and holder of ____

(Number. of shares)

Ordinary shares as per share Register Folio No. ______________________ and/or CDC Participant I.D. No. ______________________ and Sub Account No. ______________, hereby appoint ______________________ of ______________________ or failing him ____ of ____

as my/our proxy to vote for me/us and on my/our behalf at the 10th Annual general meeting of the Company to be held on the 28th day of March, 2019 and at any adjournment thereof.

Signed this ______________ day of ______________ 2019.

WITNESSES:

1) Signature : ______________________

Name : ______________________

Address : ______________________

____

CNIC Or : ______________________

Passport No. ______________________

____

____

Signature

(Signature should agree with the specimen registered with the Company)

2) Signature : ______________________

Name : ______________________

Address : ______________________

____

CNIC Or : ______________________

Passport No. ______________________

Note:

Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. A Proxy need not be a member of the Company.

CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.

standard request form
circulation of annual audited accounts

The Share Registrar
Engro Fertilizers Ltd.
FAMCO Associates (Pvt.) Ltd.
8-F, Near Hotel Faran
Nursery, Block-6,
P.E.C.H.S. Karachi

Date: ____________________

Subject: **Request for Hard Copy of Annual Audited Accounts**
of Engro Fertilizers Limited

Dear Sirs,

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and approved by the Shareholders in the Annual General Meeting of the Company held on March 30, 2017, the Company is circulating its annual balance sheet, and profit and loss account, auditor's report and directors report, etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hardcopy of the Annual Audited Accounts by filling out the details below and sending it to the Company's Share Registrar and Company Secretary.

I/We, ______________________________ S/o, D/o, W/o ______________________ being a registered shareholder of Engro Fertilizers Limited with the particulars as mentioned below would request that my/our name be added to the list of Shareholders of the Company who opt for delivery of a hardcopy of the Annual Audited Accounts of the Company and hereby request you send to me/us the Annual Audited Accounts in hard copy form at my/our registered address as contained in the member register instead of providing the same through CD/DVD/USB.

Particulars	
Name of Shareholder	
Folio No. / CDC ID No.	
CNIC / NICOP / Passport No.	
Land Line Telephone No. (if any)	
Cell No. (if any)	

Yours truly,

____
Shareholder's Signature

Copy to:
Company Secretary
Engro Fertilizers Limited
7th & 8th Floor, HC # 3, The Harbor Front
Building, Block 4, Karachi – 75600

electronic credit mandate (mandatory)

Dear Shareholder,

ELECTRONIC CREDIT MANDATE (Mandatory)

We wish to inform you that in accordance with the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed company to pay cash dividend to the shareholders only through electronic mode directly into the bank account designated by the entitled shareholders. Please note that in case of non-communication of Bank account details by the shareholders to their respective Registrars, Participant/CDC IAS within the afore-mentioned time frame, the Company would be constrained to act in accordance with the provisions of the law for withholding the amount of dividend which may be payable by the Company on or after November 01, 2017.

In order to receive your dividends directly in your Bank account, please complete the particulars as mentioned below and return this letter duly signed along with a copy of your CNIC to the Registrar of the Company M/s FAMCO Associates (Pvt.) Limited, 8-F, Near Hotel Faran, Nursery, Block 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi.

CDC shareholders are requested to submit their dividend mandate and CNIC directly to their broker (participant)/CDC.

Yours faithfully,
For Engro Fertilizers Limited

Company Secretary

SHAREHOLDERS SECTION:
I hereby communicate to receive my dividends directly in my Bank account as detailed below:

Shareholder details	
Name of the Shareholder	
CDC Participant ID & Sub Account No. / CDC IAS	
CNIC / NICOP / Passport / NTN No. (Please attach copy)	
Contact Number (LandLine & Cell Nos.)	
Shareholders Address	
Shareholder's Bank account details	
Title of Bank Account	
IBAN (See Note 1 below)	
Banks Name	
Branch Name & Code No,.	
Branch Address	

It is stated that the above particulars given by me are correct to the best of my knowledge and I shall keep the Company informed in case of any changes in the said particulars in future.

____
Shareholder's Signature

Note: Please provide complete IBAN after checking with your concerned branch to enable electronic credit directly into your bank account)

The payment of cash dividend will be processed on the basis of the IBAN number alone. The company is entitled to rely on the IBAN number as per your instructions. The company shall not be responsible for any loss, damage, liability or claim arising, directly or indirectly, from any error, delay, or failure in performance of any of its obligations hereunder which is caused by incorrect payment instructions and /or due to any event beyond the control of the company.

اسٹینڈرڈ درخواست فارم

سالانہ آڈٹ شدہ اکاؤنٹس کی ترسیل

بتاریخ: ______________

شیئر رجسٹرار
اینگرو فرٹیلائزرز لمیٹڈ
FAMCO ایسوسی ایٹس (پرائیویٹ) لمیٹڈ
8-F، نزد فاران ہوٹل، نرسری، بلاک 6،
پی ای سی ایچ ایس، کراچی

عنوان: درخواست برائے اینگرو فرٹیلائزرز کے سالانہ آڈٹ شدہ اکاؤنٹس کی ہارڈ کاپی

محترم حضرات!

جیسا کہ سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) نے اپنے 21 مئی 2016 کے ایس آر او 470(I)/2016 کے ذریعے مطلع کیا ہے اور شیئر ہولڈرز نے 30 مارچ 2017 کو منعقدہ کمپنی کے سالانہ اجلاسِ عام میں منظوری کے مطابق کمپنی اپنی سالانہ بیلنس شیٹ، منافع وخسارہ اکاؤنٹ، آڈیٹر کی رپورٹ اور ڈائریکٹرز رپورٹ وغیرہ (''سالانہ آڈٹ شدہ اکاؤنٹس'') اپنے ممبرز کو CD/DVD/USB کے ذریعے اُن کے رجسٹرڈ پتوں پر ارسال کر رہی ہے۔ البتہ ایسے ممبرز جو سالانہ آڈٹ شدہ اکاؤنٹس کی ہارڈ کاپی حاصل کرنا چاہتے ہیں، ان سے گزارش ہے کہ وہ درجِ ذیل جدول میں اپنی معلومات پُر کر کے کمپنی کے شیئر رجسٹرار اور کمپنی سیکرٹری کو فراہم کر دیں۔

میں/ہم، ____ ولد/زوجہ ________________________________
اینگرو فرٹیلائزرز کے/کی رجسٹرڈ شیئر ہولڈر کی حیثیت سے، مندرجہ ذیل فراہم کردہ معلومات کے ذریعے درخواست کرتا/کرتی ہوں/کرتے ہیں کہ میرا/ہمارا نام شیئر ہولڈرز کی اُس فہرست میں شامل کر لیں جنھیں سالانہ آڈٹ شدہ اکاؤنٹس کی ہارڈ کاپی ارسال کی جائے گی اور گزارش کرتا/کرتی ہوں/کرتے ہیں کہ مجھے/ہمیں سالانہ آڈٹ شدہ اکاؤنٹس، CD/DVD/USB میں فراہم کرنے کے بجائے میرے/ہمارے رجسٹرڈ پتوں پر ہارڈ کاپی کی صورت میں ارسال کر دیں۔

معلومات	
شیئر ہولڈر کا نام	
فولیو نمبر/CDC آئی ڈی نمبر	
کمپیوٹرائزڈ قومی شناختی کارڈ نمبر/پاسپورٹ نمبر	
لینڈ لائن ٹیلی فون نمبر (اگر کوئی ہے)	
موبائل فون نمبر (اگر کوئی ہے)	

شکریہ

____
شیئر ہولڈر کے دستخط

نقل ارسال:
کمپنی سیکرٹری، اینگرو فرٹیلائزرز لمیٹڈ۔ 7th اور 8th فلور، HC نمبر 3،
دی ہاربر فرنٹ بلڈنگ، بلاک 4، کلفٹن، کراچی۔ 75600

پراکسی فارم

میں/ہم ______________ کے ______________

بطور اینگرو فرٹیلائزرز لمیٹڈ کے ممبر اور عمومی شیئر ہولڈر(ز) ہونے کی حیثیت سے ______________ (شیئرز کی تعداد)

شیئر رجسٹر کا فولیو نمبر ______________ اور/یا CDC شرکت کنندہ کا ID نمبر ______________ اور ذیلی اکاؤنٹ نمبر ______________

کے ______________ یا ______________ کے ______________ کو

کمپنی کے دسویں سالانہ اجلاسِ عام جو 28 مارچ 2019 کو منعقد ہوگا، میں میرے/ہمارے لیے اور میری/ہماری طرف سے بحیثیت اپنا پراکسی، ووٹ ڈالنے کے لیے نامزد کرتا ہوں/کرتے ہیں۔

دستخط ______________ بروز ______________ بتاریخ ______________ / ______________ 2019۔

گواہان:

1) دستخط: ______________

نام: ______________

پتہ: ______________

____

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: ______________

پاسپورٹ نمبر: ______________

2) دستخط: ______________

نام: ______________

پتہ: ______________

____

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: ______________

پاسپورٹ نمبر: ______________

دستخط

(دستخط، کمپنی میں رجسٹرڈ شدہ نمونہ دستخط کے مطابق ہونا لازمی ہے)

i) نوٹ: پراکسیز کے مؤثر ہونے کے لیے ضروری ہے کہ وہ اجلاس سے کم از کم 48 گھنٹے پہلے موصول ہو جائیں۔ پراکسی کا کمپنی کا ممبر ہونا ضروری نہیں ہے۔

ii) CDC شیئر ہولڈرز اور ان کے پراکسیز سے درخواست ہے کہ وہ یہ پراکسی فارم، کمپنی میں جمع کرانے سے قبل اس کے ساتھ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقل ضرور منسلک کریں۔

گریجویٹی فنڈز (بمطابق 31 دسمبر 2017ء) اور پینشن فنڈز (بمطابق 31 دسمبر 2017ء) کی درج ذیل ہیں:

پراویڈنٹ فنڈ:	3,876 ملین پاکستانی روپے (اینگرو فرٹیلائزرز کا شیئر: 1,861~ ملین پاکستانی روپے)
ڈی سی پینشن فنڈ:	719 ملین پاکستانی روپے (اینگرو فرٹیلائزرز کا شیئر: 474~ ملین پاکستانی روپے)
ڈی بی پینشن فنڈ:	40 ملین پاکستانی روپے (کُل اینگرو فرٹیلائزرز)
ڈی سی گریجویٹی فنڈ:	1,564 ملین پاکستانی روپے (اینگرو فرٹیلائزرز کا شیئر: 719~ ملین پاکستانی روپے)
ڈی بی این ایم پی ٹی گریجویٹی فنڈ:	164 ملین پاکستانی روپے (کُل اینگرو فرٹیلائزرز)
ڈی بی ایم پی ٹی گریجویٹی فنڈ:	244 ملین پاکستانی روپے (اینگرو فرٹیلائزرز کا شیئر: 159~ ملین پاکستانی روپے)

آڈیٹرز

موجودہ آڈیٹرز، اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس ریٹائر ہوگئے ہیں اور اپنی اہلیت کی بنیاد پر انھوں نے خود کو دوبارہ انتخاب کے لیے پیش کیا ہے۔ بورڈ کی آڈٹ کمیٹی 31 دسمبر 2019ء کو ختم ہونے والے سال کے لیے ان کے بطور آڈیٹرز، دوبارہ انتخاب کی منظوری کی سفارش کرتی ہے۔

شیئر ہولڈنگ کا پیٹرن

اینگرو فرٹیلائزرز کے زیادہ شیئرز اینگرو کارپوریشن کے پاس ہیں۔ 2018ء کے دوران ڈائریکٹرز، ایگزیکٹیوز اور ان کے شریکِ حیات اور نابالغ بچوں کے شیئرز کی اسٹیٹمنٹ آف پرچیز اینڈ سیل کے ساتھ شراکت داری کا بیان اس رپورٹ کے ساتھ بعد میں دکھایا جائے گا۔

ڈائریکٹرز کی ذمے داریاں

ڈائریکٹرز، درج ذیل معاملات کے لیے سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور کوڈ آف کارپوریٹ گورننس کے کارپوریٹ اور فنانشل رپورٹنگ فریم ورک سے تعمیل کی تصدیق کرتے ہیں:

1) کمپنی کی مینجمنٹ کی جانب سے تیار کردہ مالیاتی گوشوارے، اس کے معاملات، اس کے آپریشنز کے نتائج، کیش فلوز اور ایکوئٹی میں ترامیم، احسن طریقے سے پیش کی جاتی ہیں۔
2) کمپنی نے اکاؤنٹس کی باقاعدہ بُکس بنا رکھی ہیں۔
3) مالیاتی گوشواروں کی تیاری میں مسلسل مناسب اکاؤنٹنگ پالیسیز کا اطلاق کیا گیا ہے اور حسابات کے گوشوارے مناسب عاقلانہ فیصلوں پر مبنی ہیں۔
4) مالیاتی گوشواروں کی تیاری میں پاکستان میں مروّجہ عالمی فنانشل رپورٹنگ معیارات پر عمل کیا جاتا ہے۔
5) انٹرنل کنٹرول اپنے ڈیزائن کی وجہ سے بہت اچھا ہے اور اسے بہت مؤثر انداز میں نافذ کرنے کے ساتھ اس کی نگرانی بھی کی جاتی ہے۔
6) کمپنی کی کاروبار چلانے کی صلاحیت پر کسی بھی قسم کا شبہ نہیں کیا جاسکتا۔
7) جیسا کہ پاکستان کی اسٹاک ایکسچینج کے قواعد کی رُول بُک میں تفصیلاً درج ہے کہ کارپوریٹ گورننس کی بہترین پریکٹسز میں سے کوئی میٹریل ڈیپارچر نہیں ہے۔
8) اس سال کے دوران ڈائریکٹرز میں سے ایک نے ڈائریکٹرز ٹریننگ پروگرام میں شرکت کی ہے۔ دیگر تمام ڈائریکٹرز گزشتہ سالوں میں پہلے ہی یہ پروگرام مکمل کر چکے ہیں۔

بورڈ کمپوزیشن اور حاضری

ڈائریکٹرز کی کُل تعداد آٹھ (8) ہے جسے اس طرح تقسیم کیا گیا ہے:

a) مرد: 7
b) خواتین: 1

2018ء میں بورڈ آف ڈائریکٹرز نے اپنی ایکٹیوٹیز کے دورانیے کو پورا کرنے کے لیے 6 اجلاس منعقد کیے۔ ڈائریکٹرز کا حاضری ریکارڈ درج ذیل ہے:

غیاث خان	نان۔ایگزیکٹیو ڈائریکٹر۔چیئرمین	6/6
روحیل محمد	ایگزیکٹیو ڈائریکٹر	6/6
جاوید اکبر	انڈپینڈنٹ ڈائریکٹر	6/6
عبدالصمد داؤد	نان۔ایگزیکٹیو ڈائریکٹر	5/6
اسد سید جعفر	انڈپینڈنٹ ڈائریکٹر	6/6
سعدیہ خان	انڈپینڈنٹ ڈائریکٹر	4/6
عاصم مرتضیٰ خان	انڈپینڈنٹ ڈائریکٹر	6/6
نادر سالار قریشی	ایگزیکٹیو ڈائریکٹر	5/6

BCC کمپوزیشن اور حاضری

2018ء میں بورڈ کمپنسیشن کمیٹی نے اپنی ایکٹیوٹیز کے دورانیے کو پورا کرنے کے لیے 2 اجلاس منعقد کیے۔ ڈائریکٹرز کا حاضری ریکارڈ درج ذیل ہے:

جاوید اکبر۔چیئرمین	2/2
غیاث خان۔ممبر	2/2
عبدالصمد داؤد۔ممبر	2/2

BAC کمپوزیشن اور حاضری

2018ء میں بورڈ آڈٹ کمیٹی نے اپنی ایکٹیوٹیز کے دورانیے کو پورا کرنے کے لیے 4 اجلاس منعقد کیے۔ ڈائریکٹرز کا حاضری ریکارڈ درج ذیل ہے:

اسد سید جعفر۔چیئرمین	3/4
جاوید اکبر۔ممبر	4/4
سعدیہ خان۔ممبر	2/4

نادر سالار قریشی
چیف ایگزیکٹیو آفیسر

غیاث خان
چیئرمین

جائزہ

بورڈ ہر سہ ماہی میں کمپنی کی مالیاتی کارکردگی، مالی اور آپریٹنگ بجٹس اور مستقبل کی پیش بندیوں، کاروباری ترقی اور ترقیاتی منصوبوں، سرمایہ کاری کے اخراجات کی پیشکشوں اور دیگر کارکردگی کے اشاروں پر غور و خوض کے لیے اجلاس منعقد کرتا ہے۔ بورڈ کی آڈٹ کمیٹی، انٹرنل فنانشل کنٹرولز کے سسٹم کے حوالے سے ایکسٹرنل اور انٹرنل آڈیٹرز سے رپورٹس وصول کرتی ہے اور انٹرنل کنٹرولز کے اثرات کی نگرانی کے عمل کا جائزہ لیتی ہے۔

کمپنی کی پالیسی کے تحت سرمایہ کاری کے اخراجات اور اثاثہ جات کی تجاویز کی منظوری دی جاتی ہے۔ جیسے ہی پراجیکٹس کی تکمیل ہوتی ہے، تمام میٹریل کی سرمایہ کاری کے اخراجات کا دوبارہ جائزہ لیا جاتا ہے۔

ڈائریکٹرز کا معاوضہ

بورڈ آف ڈائریکٹرز نے بورڈ اور اس کی کمیٹیز کے اجلاسوں میں شرکت کرنے والے بورڈ کے ممبرز کے لیے معاوضے کی منظوری دے دی ہے۔ معاوضے کا تعین ذمّے داری اور مہارت کے درجے کے مطابق کیا گیا ہے، تاکہ بہترین ٹیلنٹ کو اس میں کشش محسوس ہو اور وہ ہمارے شانہ بہ شانہ چل سکے، جس کے ساتھ ساتھ اس کی آزادی بھی کسی طرح متاثر نہ ہو۔

منافع منقسمہ اور تصرف

ٹیکس کی تقسیم کے بعد منافع درج ذیل ہے:

		2018ء (روپے '000 میں)
بعد از ٹیکس منافع		17,413,518
منافع منقسمہ:		
- حتمی 2017ء:	3.00 روپے فی شیئر	(4,005,898)
- پہلا عبوری 2018ء:	4.00 روپے فی شیئر	(5,341,198)
- دوسرا عبوری 2018ء:	4.00 روپے فی شیئر	(5,341,198)
بچت کردہ آمدنی میں ٹرانسفر کردہ بیلنس		2,725,224

پینشن، گریجویٹی اور پراویڈنٹ فنڈ

اینگرو کارپوریشن (مرکزی کمپنی) کی جانب سے قائم کردہ ریٹائرمنٹ فنڈز میں کمپنی کے ملازمین شراکت دار ہوتے ہیں۔ کمپنی ایسے پلانز میں سرمایہ کاری کرتی ہے جن سے اس کے ملازمین کو ملازمت کے بعد ریٹائرمنٹ کے فوائد مل سکیں۔ ان میں ڈی سی پراویڈنٹ فنڈ، ڈی سی گریجویٹی پلان اور ڈی بی گریجویٹی پلانز شامل ہیں۔ ان کے متعلقہ آڈٹ شدہ اکاؤنٹس (ماسوائے پراویڈنٹ فنڈ کے) کے مطابق نیٹ ایسٹس کی قدر، پراویڈنٹ فنڈ (بمطابق 30 جون 2018)،

- مٹی کی صحت بہتر بنانے کے لیے کسانوں کو تربیت فراہم کرنا
- پاکستان بھر میں موجود کسانوں کو مٹی کے نمونوں کو جانچنے کی مفت خدمات (سالانہ تقریباً 24,000 زمینوں کے ٹیسٹس لیے گئے)
- ہمارے وسیع ڈسٹری بیوشن اور ڈیلر نیٹ ورک کی بدولت پراڈکٹ کی بروقت ترسیل کو یقینی بنانا

قومی خزانے میں حصّہ

سال 2018ء میں اینگرو فرٹیلائزرز نے 19.5 بلین رُوپے قومی خزانے میں حکومتی ٹیکسز، ڈیوٹیز اور لیویز کی مَد میں جمع کرائے۔ اس کے علاوہ 2018ء میں غیر ملکی زرِمبادلہ میں بچت کے لیے تقریباً 581 ملین امریکی ڈالرز، تیار کردہ 1,986 کے ٹی یوریا کی درآمد اور فروخت کی درآمد کے متبادل کے طور پر حاصل ہوئے۔

چیریٹی اکاؤنٹ کی اسٹیٹمنٹ

روپے (ملین میں)	2018ء	2017ء
کمیونٹی ویلفیئر اور انفرااسٹرکچر	47	47
تعلیم	29	23
عمومی	11	9
ہیلتھ کیئر	6	4
ماحول	7	-
کل مجموعہ	100	83

انٹرنل کنٹرول فریم ورک

ذمّے داری

بورڈ، کمپنی کے انٹرنل کنٹرول سسٹمز اور ان کی مؤثر کارکردگی کا جائزہ لینے کا ذمّے دار ہے۔ تاہم ایسا سسٹم کاروباری مقاصد میں ناکامی کے خطرے کو ختم کرنے کے بجائے منظّم کرنے کے لیے ڈیزائن کیا گیا ہے، اور یہ میٹریل غلطی یا نقصان کے بارے میں مکمل کے بجائے مناسب یقین دہانی کراتا ہے۔ کمپنی میں موجود کسی خطرے پر قابو پانے کی اپنی مجموعی ذمّے داری کو نبھاتے ہوئے بورڈ نے انٹرنل کنٹرولز کے سسٹم کا مکمل ڈیزائن اور آپریشن، چیف ایگزیکٹیو کو تفویض کیا ہے۔

فریم ورک

کمپنی نے ایک کنٹرول فریم ورک تشکیل دیا ہے جس میں واضح اسٹرکچرز، اختیارات کی حدود، اور احتساب، اچھی طرح سمجھی ہوئی پالیسیز اور طریقۂ کار اور جائزوں کے طریقۂ کار کی بجٹنگ شامل ہے۔ تمام پالیسیز اور کنٹرول طریقۂ کار، مینوئلز میں درج ہیں۔ بورڈ، کارپوریٹ اسٹریٹجی اور کمپنی کے کاروباری مقاصد بھی تشکیل دیتا ہے۔ ڈویژنل مینجمنٹ ان مقاصد کو مالیاتی مقاصد کی سپورٹ کرتے ہوئے، ڈویژنل بزنس اسٹریٹجیز میں ضم کرتی ہے۔

خصوصی افراد کا روزگار

2018ء میں کارپوریٹ دُنیا میں خصوصی افراد کو روزگار کی فراہمی یقینی بنانا بھی کمپنی اور شعبہ ہیومن ریسورس کے مقاصد میں شامل تھا۔ خصوصی افراد کو ملازمت دینے پر خاص توجہ دی گئی اور اس سلسلے میں کی گئیں تمام کوششوں کے بہت اچھے نتائج برآمد ہوئے۔

تبادلۂ خیال (گفت وشنید)

- چیف ایگزیکٹیو آفیسر اور ملازمین کے درمیان بات چیت کے مختلف اجلاس منعقد کیے گئے جن میں انھیں کمپنی کی حکمتِ عملی سے آگاہ کیا گیا۔
- ششماہی میگزین کی اشاعت کے بعد انھیں ملازمین میں تقسیم کیا گیا، تاکہ ہر سطح پر مؤثر پیغام رسانی ممکن ہو سکے۔
- اینگرو فرٹیلائزرز نے ملازمین میں کمپنی کی اقدار پر عملدرآمد کے لیے فیس بک ورک پلیس کو بھی استعمال کیا ہے۔

صنعتی تعلقات

اینگرو فرٹیلائزرز لمیٹڈ ملازمین کے حقوق، بشمول اجتماعی سوداگر ایجنٹ کی کاوشوں کو قدر کی نگاہ سے دیکھتی ہے، جن کی بدولت ملازمین کے جھگڑوں اور عملی رُکاوٹوں سے گریز کرتے ہوئے صنعتی امن کو برقرار رکھنے کے لیے اہم اقدامات میں مدد ملی۔ اس کے علاوہ ان ملازمین کو سوشل اور پروفیشنل ایونٹس کے ذریعے ان کی مہارت اور کارکردگی کو آزمانے اور ان میں اضافہ کرنے کے لیے کئی مواقع مہیا کیے گئے۔

کاروباری اخلاقیات اور بدعنوانی کے خلاف اقدامات

اینگرو اپنی کاروباری سرگرمیوں کے دوران تمام انتظامی اور حکومتی ضروریات پر عملدرآمد کو یقینی بناتا ہے اور اس نے مختلف پالیسیز اور اسٹینڈرڈز اپنائے ہوئے ہیں جن کی مخصوص کمیٹیز کی مدد سے مسلسل نگرانی کی جارہی ہے۔ ایسی پالیسیز میں شامل ہیں:

- ضابطۂ اخلاق
- فراڈ کے خطرے سے بچاؤ۔ (2018ء میں اینگرو فرٹیلائزرز نے اپنے ملازمین کے لیے فراڈ کے خطرے سے بچاؤ کے لیے مختلف ورکشاپس منعقد کی تھیں)
- مفادات میں تضاد کا سدِّ باب
- اخلاقیات اور کاروباری طریقوں کا بیان
- غیر قانونی کاموں کی نشاندہی کی پالیسی
- متعلقہ پارٹیز سے ٹرانزیکشنز/کنٹریکٹس کا انتظام

صارفین کی حفاظت کے اقدامات

اینگرو فرٹیلائزرز میں ہم اپنے کسانوں کے مفادات کے تحفظ کو صارفین کی حفاظت کے اقدامات کے ذریعے یقینی بناتے ہیں۔ مثلاً:

- تمام ڈیلرز کو ریٹیل پرائس لسٹ کی فراہمی کی بدولت یقینی بنانا کہ کسانوں کا استحصال نہ ہو
- کسانوں کو کھاد بہترین طریقے سے استعمال کرنے کے لیے تعلیم اور رہنمائی کی فراہمی، پیداوار میں اضافے کے لیے تجویز کردہ نیوٹریشن مکس اور دیگر کا بہتر استعمال

ہنرمند افراد کا انتظام

کسی ابہام کے بغیر ادارے کی استعداد اور تسلسل کو یقینی بنانے کے لیے:

- ٹرانزیشنل ٹریننگ ماڈل (تکنیکی + انتظامی مہارتوں میں مداخلتیں) میں مہارت کے مواقع کو منظّم انداز میں ترتیب دیا گیا ہے
- مؤثر طریقے سے تسلسل اور کیریئر پلاننگ کی حکمتِ عملی
- قیادت کے تسلسل کا فریم ورک
- جامع نگرانی اور عملی میکنزم کے ساتھ ایک نیا رہنما پروگرام
- اپنے بہترین ٹیلنٹ پر بھرپور توجہ، تاکہ ادارہ بھی خوب پھلے پھولے

ہنرمند افراد کا حصول:

امیدواروں کے سلسلے کو مؤثر طریقے سے قائم رکھنے اور ہنرمند افراد کی نظروں میں ادارے کو پُرکشش بناکر نئی بھرتی پر لگنے والے وقت کو کم کرنے کے لیے:

- ادارے میں بھرتی اور آگاہی کا ایک نیا طریقۂ کار
- اینگرو فرٹیلائزرز کے شعبہ ہیومن ریسورس کی صلاحیتوں کے جائزے کے لیے نئے ہیومن ریسورس آئی ایس او اسٹینڈرڈز کا جائزہ
- پوشیدہ معلومات کے تجزیے کی بدولت بہتری کے مواقع کی نشاندہی
- بشمول PWDs، ایک متنوع ٹیلنٹ پول بنانے، صنفی تنوع اور ہمارے ملازمین رکھنے کے طریقوں کی حسّاسیت کے حوالے سے ایک سازگار ماحول کی تخلیق
- بیرونی ٹیلنٹ پول کی تیاری

ہیومن ریسورس کی خدمات اور عملی مہارت:

طریقۂ کار کی آسانی، اندرونی کسٹمر کے اطمینان اور اعلیٰ مہارت کی روایت کو یقینی بنانے کے لیے:

- کسٹمر سروس سے آگاہی کے لیے ہیومن ریسورس کے لیے کارکردگی کے اہم اشاروں (KPIs) کی تشکیل
- ناکامیوں پر قابو پانے کے لیے ہیومن ریسورس کے تمام طریقۂ کار کا تجزیہ

اینگرو فرٹیلائزرز میں شامل ہم تمام لوگ کام کے بہترین ماحول کی اہمیت سے بخوبی واقف ہیں، جہاں ہم کام کرتے ہیں۔ اس واقفیت کی بنیاد پر ICT سے فائدہ اٹھاتے ہوئے ہم ہیومن ریسورس سے متعلقہ معلومات اپنے ٹارگٹ کسٹمرز سے بآسانی حاصل کرسکتے ہیں۔ شعبہ ہیومن ریسورس میں نئے اور بہتر سسٹمز کا نفاذ کیا جاچکا ہے، تاکہ بہتر اور تیز تر حل مہیا کیے جاسکیں۔

صنفی تنوّع

کمپنی اس عزم پر قائم ہے کہ کام کی جگہ پر میرٹ اور موزونیت کی بنیاد پر سب کو مساوی مواقع دیئے جائیں۔ تاحال، مڈل اور سینئر مینجمنٹ میں 8 فیصد خواتین شامل ہیں، جن کی تعداد میں آئندہ سالوں میں اضافہ متوقع ہے۔

یونائیٹڈ نیشنز کے عالمی معاہدے (UNGC) کے ضوابط اور قابلِ استعداد ترقیاتی مقاصد (SDGs) کا فروغ

اینگرو فرٹیلائزرز کا PAVE پراجیکٹ یونائیٹڈ نیشنز کے عالمی معاہدے برائے کاروباری استعداد کے اہم اقدامات میں سے ایک تھا، جس کا ایوارڈ بڑی نیشنل کمپنیز کی کیٹگری میں ہماری مرکزی کمپنی، اینگرو کارپوریشن نے 2018ء میں اپنی مسلسل اور پائیدار کوششوں کی بدولت جیتا۔ PAVE پراجیکٹ، درج ذیل قابلِ استعداد ترقیاتی مقاصد کے عین مطابق ہے:

مقصد 2: کوئی بھوکا نہ رہے
مقصد 5: ہر جنس کو یکساں مواقع
مقصد 8: عمدہ کام اور معاشی ترقی
مقصد 12: ذمّے دار پراڈکشن اور کھپت

ان کے علاوہ کمپنی کی جانب سے دیگر اقدامات بھی کیے گئے ہیں جن کی نشاندہی پہلے کی جاچکی ہے، اور جو تمام SDGs کے فروغ میں معاون ہیں، ان میں سے کچھ خاص درج ذیل ہیں:

مقصد 1: کوئی غریب نہ رہے
مقصد 3: اچھی صحت اور فلاح و بہبود
مقصد 6: صاف پانی اور حفظانِ صحت
مقصد 9: صنعت، جدّت اور انفرااسٹرکچر
مقصد 10: عدم مساوات میں کمی

اپنے لوگوں سے ہمارا عہد

کسی بھی ادارے کی ترقی میں، وہاں کے لوگ بنیادی کردار ادا کرتے ہیں۔ اینگرو فرٹیلائزرز کے شعبہ ہیومن ریسورس کی یہ کوشش ہوتی ہے کہ وہ اس فلسفے پر عمل کرے کہ شعبہ جاتی مہارت کے حصول کے لیے ماہر افراد کی تعیناتی، تربیت، تنظیم اور انھیں ادارے میں ہر طرح کی سہولت کی فراہمی کی بدولت ادارتی صلاحیت میں اضافہ کیا جائے۔

سال 2018ء اینگرو فرٹیلائزرز کے لیے ''سیکھنے کا سال'' قرار دیا گیا، جس میں انتہائی موزوں طریقے سے مرتب کردہ اقدامات اور سرگرمیوں کے ذریعے ہیومن ڈیولپمنٹ کیپیٹل پر بھرپور فوکس کیا گیا۔

مارکیٹ میں اینگرو فرٹیلائزرز کی کامیابی، ہیومن ریسورس کے درج ذیل اقدامات کی بدولت ممکن ہوئی:

ادارے کے حقیقی پلس کی اس طرح پیمائش پر توجہ مرکوز رکھنا:

- ادارے میں ہر شعبے اور ہر سطح پر ہیومن ریسورس کی شمولیت بڑھانا
- ادارے کی ترقی کے حوالے سے نظام اور طریقۂ کار پر ملازم کا اعتماد بڑھانے کے لیے اس کے خدشات کی نشاندہی اور ان کا خاتمہ

ماحولیاتی تحفظ

کاربن کے اثرات میں کمی

اینگرو فرٹیلائزرز نے 2017ء میں کاربن کے اثرات کے بین الاقوامی اسٹینڈرڈز کے مطابق تعین، تصدیق اور پیمانہ بندی کا اہتمام کیا، اور کمپنی کو ایک فرٹیلائزر ادارے کے لیے عالمی قبولِ عام معیار سے ہم آہنگ بنانے کے لیے ایک عملی منصوبہ تیار کیا۔

اس عملی منصوبے کے مطابق، اینگرو فرٹیلائزرز نے 2017ء کے لیے متعین کردہ کاربن کے اثرات میں کمی کا ہدف کامیابی سے پورا کیا۔

دس لاکھ (ایک ملین) درختوں کا پراجیکٹ

اینگرو فرٹیلائزرز نے 2018ء میں دس لاکھ درختوں کے ایک سنگِ میل پراجیکٹ کا آغاز کیا ہے، اور شعبۂ جنگلات، سندھ کے ساتھ ایک MoU پر دستخط کیے ہیں۔ اس پراجیکٹ کا مقصد ماحولیاتی آلودگی کو ختم کرنے کی کوششوں میں تعمیری حصہ ڈالنا، مختلف حیاتیات کو محفوظ بنانا، کاربن کے اثرات کو کم کرنا اور معاشرے کے لیے ایک صحتمند ماحول کو فروغ دینا ہے۔

10 لاکھ درختوں کے پراجیکٹ کے مطابق، ''سرحد'' اور ''میرپور ماتھیلو'' کے ریگستانوں میں پہلے مرحلے کے طور پر 100 ایکڑ کو مکمل کرلیا گیا ہے۔ دوسرے مرحلے کے لیے، 200 ایکڑ رقبے پر زمین کی تیاری جاری ہے۔

ہماری کالونی اور اس کے اطراف میں وسیع پیمانے پر شجرکاری بھی اس پراجیکٹ کا حصہ تھی۔ اینگرو فرٹیلائزرز نے شجرکاری کی مہم کے پہلے مرحلے میں کامیابی کے ساتھ 5 لاکھ درخت لگادیے ہیں۔

کھیلوں کا فروغ اور ترقی

سالانہ اسپورٹس ویک اینڈ 2018ء

اینگرو فرٹیلائزرز نے کھیلوں کے ویک اینڈ 2018ء کا انعقاد کیا، جس میں اینگرو فرٹیلائزرز کے تمام شریک ملازمین بشمول سینئر مینجمنٹ اور اینگرو کے دیگر ذیلی اداروں کے کھلاڑیوں کو مدعو کیا گیا۔ اسپورٹس ویک اینڈ کا آغاز ایک پُر وقار افتتاحی تقریب سے ہوا، جس کے بعد مختلف انڈور اور آؤٹ ڈور کھیل جیسے کرکٹ، فٹ بال، والی بال، شطرنج، ٹینس، ٹیبل ٹینس وغیرہ کے مقابلے ہوئے۔

پاکستان سپر لیگ میں کوئٹہ گلیڈی ایٹرز کی اسپانسر شپ

اینگرو گروپ کے ایک جزو کے طور پر اینگرو فرٹیلائزرز، پی ایس ایل 2018ء میں کوئٹہ گلیڈی ایٹر ٹیم کے اسپانسرز میں سے ایک تھے، اور یہ 2019ء کے سیزن کے لیے بھی اسپانسرز ہوں گے۔

سپر کبڈی لیگ میں 'کراچی زور آورز' کی فرنچائز اَونر

اینگرو فرٹیلائزرز نے 2018ء میں منعقدہ پاکستان کی اوّلین انٹرنیشنل سپر کبڈی لیگ میں ''کراچی زور آورز'' کی فرنچائز اَونر کی حیثیت سے شرکت کی۔ جس میں بڑے پیمانے پر انٹرنیشنل کبڈی کے کھلاڑیوں نے شرکت کی اور اس ایونٹ کو نیشنل ٹی وی چینل کے علاوہ سوشل میڈیا پر بھی بھرپور کوریج ملی۔

گیا۔ ان اضافوں نے اور زیادہ طلباء کو اسکول کی جانب راغب کیا، اور طلباء کی مجموعی تعداد 2017ء کے 481 طلباء سے بڑھ کر اس سال 533 ہوگئی۔

ذریعۂ معاش

تکنیکی تربیت کا مرکز (TTC)، ڈہرکی

اینگرو فرٹیلائزرز کی مدد سے قائم کردہ، تکنیکی تربیت کا مرکز (TTC)، ڈہرکی، ہمارے صلاحیتی تربیتی پروگرامز میں ایک محور کا کردار رکھتا ہے۔ یہ کالج کیمیکل اور میکینکل ٹیکنالوجیز کے شعبے میں ایسوسی ایٹڈ انجینئرنگ میں 3 سالہ ڈپلومہ (DAE) کے ساتھ ساتھ ڈہرکی کے قرب و جوار میں رہنے والے نوجوانوں کے لیے قلیل المیعاد پیشہ ورانہ تربیتی پروگرامز پیش کرتا ہے۔ گزشتہ سالوں میں، ہم نے کالج کے لیے ایک جائے تخصیصی سافٹ ویئر کی تیاری اور نفاذ میں مدد دی ہے، جو طلباء کے ڈیٹا بینک کے طور پر کام کرے گا اور کالج کے تعلیمی اثرات کے تجزیے اور عملداری کے لیے سابق طالب علم کی ٹریکنگ میں استعمال کیا جائے گا۔ علاوہ ازیں، TTC کے لیے افرادی قوت کی بھرتی کے تجزیے کا اہتمام کیا گیا، جس نے بیرونِ ملک TTC گریجویٹس کے لیے ملازمتی مواقع کی نشاندہی کی۔ پیشہ ورانہ تربیتی کورسز کے لیے، USAID کے ساتھ 7 ملین روپے مالیت کی ایک شراکت کی گئی، تاکہ نوجوانوں کو کارپینٹرز، ویلڈرز، اور جنرل الیکٹریشنز بننے کی تربیت مہیا کی جاسکے۔

2018ء میں کم و بیش 540 زیرِ تربیت افراد کو شامل کیا گیا۔ گریجویٹس کی تعداد 380 تھی، جس نے آج کی تاریخ تک TTC سابق طالب علم کے پُول میں گریجویٹس کی مجموعی تعداد کو 2,478 تک پہنچا دیا۔ تقریباً 240 نئے زیرِ تربیت افراد کو داخل کیا گیا، تاکہ انھیں ملازمتی اور کاروباری انتظامی صلاحیتوں سے آراستہ کیا جائے اور معاشرے کے قیمتی اور سود مند افراد کے طور پر ڈھالا جائے۔

2018ء میں ڈپلومہ (DAE) پروگرام میں طلباء کی کل تعداد 407 رہی۔ ان میں سے 112 طلباء نئے داخل کیے گئے تھے، جبکہ ہمیں 137 طلباء کو گریجویٹ ہوتا اور سابق طالب علم کے رینک میں شامل ہوتا دیکھنے کا اعزاز بھی حاصل ہوا، اس طرح سابق طالب علم کا مجموعی نیٹ ورک 384 افراد تک جا پہنچا۔

کامیابی کے راستے

2017ء میں ہم نے کراچی اور گھوٹکی میں ''کامیابی کے راستے'' کے نام سے USAID سے فنڈ یافتہ ایک نئے پراجیکٹ کا نفاذ کیا جس کا مطمعٔ نظر لڑکیوں کے لیے ذریعۂ معاش تک رسائی اور مواقع کو بہتر بنانا تھا۔

2018ء کے دوران، اس پراجیکٹ نے بڑے اہداف مکمل کیے جن میں کراچی اور گھوٹکی کے سرکاری اسکولوں سے 1500 سے زائد نوعمر لڑکیوں کی LSBE (زندگی کی صلاحیتوں سے مزین تعلیم) میں تربیت بھی شامل ہے۔ مزید برآں، گھوٹکی میں 39 نوجوان کاروباری منتظمین کے درمیان کاروبار کے آغاز کی ٹول کٹس کی تقسیم کے ساتھ ساتھ انھیں رہنمائی اور مارکیٹ سے ربط کی سہولیات فراہم کی گئیں۔

نوعمر لڑکیوں کے لیے سیکھنے کا ماحول پیدا کرنے اور آسان بنانے کے لیے سہارا ویلفیئر اسکول میں فیض لائبریری قائم کی گئی، جہاں سے بک کلب اور رہنمائی سیشنز کے لیے قریبی گاؤں دیہات سے 20 سے زائد لڑکیاں فیض پاتی ہیں۔

ایگری ویلیو چین پراجیکٹس

بیج کے اشتمالی نظاموں کے لیے شراکت داریاں اور توسیعِ قدر (PAVE)

PAVE پاکستان دو سالہ کاروباری اشتمالی پراجیکٹ ہے جس کا مالی انتظام DFAT (شعبہ برائے خارجی معاملات اور تجارت) آسٹریلیا اور اینگرو فرٹیلائزرز لمیٹڈ کی جانب سے مشترکہ طور پر کیا گیا ہے، جس کا مقصد پاکستان میں چاول، گندم اور سبزیوں کے بیج کی ویلیو چین تخلیق کرنا ہے تاکہ چھوٹے کسانوں کی صلاحیتوں میں اضافہ اور ان کے لیے مارکیٹ سے ربط پیدا کر کے انھیں اس سہولت سے پوری طرح فیضیاب کیا جائے۔

اس پراجیکٹ میں چھوٹے کسان بنیادی طور پر ایسے تصدیق یافتہ بیج کی پیداوار اور فروخت سے حاصل شدہ زیادہ آمدنی کے ذریعے مستفید ہوں گے، جنھیں معمول کی فصل کے مقابلے میں زیادہ قیمت پر فروخت کیا جاسکتا ہے۔ اس عمل میں شامل کیے جانے والے کسان زراعت کے نئے طریقوں، بشمول ایچ ایس ای سے آگاہی اور مارکیٹنگ کی تکنیکس سے بھی فائدہ پائیں گے۔

سال کے دوران، اس پراجیکٹ سے 4,425 (بشمول 604 خواتین) افراد مستفید ہوئے۔

پراجیکٹ ہم قدم

'ہم قدم' ایک ایسا قدم ہے جس کا مقصد انتہائی چھوٹے درجے کے کسانوں (جن کی زمین کا سائز 12.5 ایکڑ سے کم ہو) کو فصلوں کی تیاری، اور دیگر ایگری خدمات کے لیے بلاسود قرضے (غیر رقمی شکل میں) فراہم کرتے ہوئے ان کی مدد کرنا ہے۔ اس سے ہمیں بھی کسانوں سے بالکل ابتدائی سطح پر منسلک ہونے میں مدد ملے گی۔

کمپنی نے یہ پراجیکٹ 4 اضلاع میں موجودہ ربیع کی گندم کے دورانیے میں متعارف کروایا، جس کے ذریعے 205 کسانوں کو بلاسود قرضے فراہم کیے گئے۔

صحتِ عامّہ کی خدمات

ہمارے صحت عامّہ کے پراجیکٹس کی جانب سے اہم ترین خدمات کی فراہمی جاری ہے۔ سہارا کلینک نے مجموعی طور پر 9,528 مریضوں کا علاج کیا، جبکہ سانپ کے کاٹے کے علاج کی سہولت سے 7,998 مریضوں کا علاج کیا گیا۔ ہیپاٹائٹس سے آگاہی کے 350 سے زائد سیشنز منعقد کیے گئے، جن میں 9,860 افراد نے شرکت کی۔ مجموعی طور پر 8,441 لوگوں کو ویکسین دی گئی، جب کہ سال کے دوران ہیپاٹائٹس سی کے 143 مریضوں کا علاج کیا گیا۔

توانائی کی بچت

توانائی کے وسائل کے استعمال میں کمی اینگرو فرٹیلائزرز کی اوّلین ترجیح ہے۔ کمپنی توانائی کی بچت کے اقدامات کے لیے مسلسل کوشاں رہتی ہے، اسی حوالے سے ہیڈ آفس اور پلانٹ کی سائٹس پر باقاعدگی سے توانائی کی بچت کے حوالے سے آگاہی پروگرامز بھی منعقد کیے جاتے ہیں۔

علاوہ ازیں، توانائی کی بچت کے لیے ہمارے عزم کے جزو کے طور پر، ہمیں اپنے ہیڈ آفس، تمام زونل آفسز اور زرخیز پلانٹ کے لیے WWF کی جانب سے عطا کردہ ''گرین آفس'' کی اسناد کو کامیابی سے برقرار رکھا۔

بشمول EPQL کے لیے EMS کی سہولت فراہم کی۔ ہم نے 2018ء میں یونی لیور سائٹس کے لیے HAZOP کے تحقیقی تجزیوں کا بھی انعقاد کیا۔

ایچ ایس ای کے اقدامات کی درجہ بندی کے لیے ہمارے اقدامات اور ڈیجیٹل دور میں ان کا خیر مقدم بھی جاری ہے۔ MOC اور رسک مینجمنٹ کے لیے OPERA مرحلہ 2/3 کامیابی کے ساتھ تخلیق اور متعارف کروایا گیا۔

ہم اس بات کو یقینی بناتے ہیں کہ ہماری تمام تر مینوفیکچرنگ سہولیات پر پلانٹ آپریشنز میں تمام ملازمین کو پراسیسز اور طریقۂ عمل کے بارے میں ہدایات فراہم کی جائیں، جن میں مخصوص ایچ ایس ای خطرات، ہنگامی افعال اور محفوظ کام کے طریقۂ کار پر خصوصی توجہ ہو۔ کمپنی میں پیشہ ورانہ صحت کے پروگرام میں صنعتی حفظانِ صحت اور پیشے سے متعلقہ ادویات کے پہلو شامل ہیں۔ علاوہ ازیں، تمام ملازمین کو ٹیکنالوجی میں آنے والی تبدیلیوں اور اپنی ملازمتوں میں تحفظ سے متعلقہ پہلوؤں کے حوالے سے تربیت یافتہ اور جدّت سے ہم آہنگ رکھا جاتا ہے۔

ہماری ایچ ایس ای کارکردگی	
قابلِ اندراج چوٹوں کی مجموعی شرح (TRIR)	0.09
ملازمتی دن کے ضیاع کی حامل چوٹ (LWI)	1
مجموعی مزدوری گھنٹے	13.2 ملین
ہلاکتیں	1
قابلِ اندراج چوٹیں	4

کارپوریٹ سماجی ذمہ داری

اینگرو فرٹیلائزرز کو اس بات کا یقین ہے کہ کاروبار کی ترقی کے لیے ایک مستحکم اور خوشحال معاشرہ ناگزیر ہے، کیونکہ ایک ادارے کے طور پر ہماری ترقی معاشرے کی ترقی سے منسلک ہے۔ مجموعی ترقی کے فلسفے سے استفادہ کرتے ہوئے، ہم اُسی وقت خوشحال ہوں گے جب مجموعی طور پر پاکستان خوشحال ہوگا۔ کمپنی کی سرگرمیوں کا مطمعِ نظر مفلس و پست معاشرتی طبقوں کے معاشی حالات کو بہتر بنانا ہے، تاکہ ہمارا اقدار کی تسلسل مزید مضبوط اور مستحکم ہو جائے۔

سماجی مقصد، اینگرو فرٹیلائزرز کے کاروباری ماڈل میں مجتمع کر دیا گیا ہے۔ ہم بھرپور جذبے کے ساتھ ایسی ''مشترکہ قدر'' پر یقین رکھتے ہیں جہاں فوائد ملازمین اور شیئر ہولڈرز سے بڑھ کر ہمارے کاروباری خطوں میں معاشروں کو اور وسیع بنیاد پر پوری قوم کو فیضیاب کریں۔ ہم ایسے مستحکم اقدامات میں سرمایہ کاری کرتے ہیں جو زندگیوں پر اثر انداز ہوں اور آگے چل کر معاشی تبدیلی کا باعث بنیں۔ ہم اپنے کاروباری فیصلوں کے اثرات پر خود احتسابی کرتے ہیں اور خود سے منسلک معاشروں کی فلاح و بہبود اور ترقی کی ذمے داری لیتے ہیں۔ ہم مستحکم سماجی مقاصد کو پورا کرنے کے لیے کاروباری مقاصد اور کاوشوں کی توقعات کو وسعت دینے کا عزم رکھتے ہیں۔ اس وژن کا اظہار ہمارے سی ایس آر کے ونگ، اینگرو فاؤنڈیشن کی جانب سے کیا گیا ہے جو مؤثر سرمایہ کاری کی بدولت کم آمدنی والے معاشروں میں رہائش پذیر افراد کی زندگیاں بہتر بنانے کے لیے کوشاں ہے۔

اینگرو فرٹیلائزرز، مالیاتی اور تنظیمی وسائل کو جمع کر کے زندگیوں کو بہتر بنانے اور مستحکم زندگی کی راہ ہموار کرنے کے لیے معاشرے کی مشغولیت کے حامل اقدامات اور سماجی سرمایہ کاریاں عمل میں لاتا ہے۔ ہم اپنے عزم اور ولولے کو درج ذیل اور ان کے علاوہ دیگر عوامل پر توجہ مرکوز رکھتے ہوئے، پاکستان پر

مثبت اثرات کے لیے استعمال کرتے ہیں:

- معاشرتی سرمایہ کاری اور انفرااسٹرکچر کی ترقی
- تعلیم
- ذریعۂ معاش
- ایگری ویلیو چین پراجیکٹس
- صحتِ عامہ کی خدمات
- توانائی کی بچت
- ماحول کا تحفظ
- کھیلوں کا فروغ اور ترقی

ہمارے عزائم کی منزل کارپوریٹ فلاح و بہبود سے بھی آگے ہے اور ہم شرکتِ عمل کی حامل ایک مستحکم کاروباری حکمتِ عملی کی تخلیق کا عزم رکھتے ہیں۔

معاشرتی سرمایہ کاری اور انفرااسٹرکچر کی ترقی

ہماری سماجی سرمایہ کاری کی حکمتِ عملی کا ایک بنیادی عنصر معیارِ زندگی کو بہتر بنانے کے لیے معاشرتی مشغولیت اور انفرااسٹرکچر کی ترقی ہے۔ پالیسی کی تخلیق اور منصوبہ بندی، فیصلہ سازی، خدمت کی فراہمی اور تجزیے میں، ہمارے زیرِ عمل معاشروں میں رہنے والے لوگوں کی ضروریات اور اقدار کو شامل کرنا ہماری زیرک اور مستحکم سماجی بحالی کی سرگرمیوں کا محور ہے۔ سال بھر، ہم نے ڈہرکی اور اس کے ارد گرد کے علاقوں میں ذریعۂ معاش، تعلیم اور انفرااسٹرکچر کی ترقی میں اہلیتی معیار کے اضافے کے لیے سرمایہ کاری کی۔ ہماری بحالی کی سرگرمیوں میں تعلیمی سہولیات کی ازسرِ نو تعمیر، کمیونٹی کے طبعی انفرااسٹرکچر میں جدّت، آمدنی میں اضافے کے مواقع کی فراہمی، طبی نگہداشت کے مراکز کے ذریعے بنیادی امراض کے علاج کی فراہمی شامل ہیں۔

سال کے دوران، جان محمد بگیو میں ایک RO پلانٹ کو کامیابی کے ساتھ سولر پاور میں تبدیل کیا گیا، تاکہ توانائی کو محفوظ کرتے ہوئے صاف پانی کی دستیابی کو یقینی بنایا جا سکے۔ علاوہ ازیں، جھنگ میں کرچینٹشن، پتافی اور بریرو محلوں میں نکاسی کی لائنیں بچھائی گئیں، جبکہ ڈہرکی میں خدماتی سطح کو بہتر بنانے کے لیے ایک ریلوے اسٹیشن کو جدید خطوط پر استوار کیا گیا۔

تعلیم

سماجی سرمایہ کاریوں میں تعلیم ہمیشہ سے ہمارا بنیادی مطمعِ نظر رہا ہے۔ تعلیم وہ بنیادی انسانی حق اور اساس ہے جس پر مواقع سے بھرپور اور غربت سے محفوظ زندگی کی تعمیر ہوتی ہے۔ اپنے آغاز سے لے کر اب تک، ہم نے اپنے مینوفیکچرنگ ادارے کے آس پاس کے پسماندہ معاشرتی طبقوں کو تعلیم کی فراہمی، اور ہر سطح پر معیار اور سیکھنے سکھانے کے عمل کی بہتری کے لیے بھرپور لگن کے ساتھ کام کیا ہے۔

31 دسمبر، 2018ء کو ہماری ذمہ داری میں شامل 13 سرکاری اسکولوں میں طلباء کی تعداد 1,424 رہی۔ CDP، نجی عطیہ دہندگان اور اینگرو کے تعاون سے غازی چاچڑ میں لڑکیوں کے پہلے مڈل اسکول کے اضافے کے ساتھ، ہمارا کچا اسکول نیٹ ورک ہمارے منصوبے کے مطابق زیرِ عمل ہے۔ سہارا ویلفیئر اسکول بھی سارا سال ہمارے قریبی معاشروں میں معیاری تعلیم کی فراہمی میں مصروفِ عمل رہا، جبکہ اسکول میں نئے کمروں اور کھیل کے میدان کا اضافہ کیا

سال 2018ء میں مجموعی منافع گزشتہ سال کی اسی مدّت میں 23.2 بلین روپے کے مقابلے میں 35.3 بلین روپے رہا، گویا اس میں 52 فیصد کا اضافہ ہوا۔ مالیاتی اخراجات 2017ء میں 2.6 بلین روپے کے مقابلے میں کم ہو کر 2.1 بلین روپے ہو گئے جس کی وجہ عملی سرمائے میں آنے والی بہتری تھی۔

2018ء کے پورے سال میں، کمپنی نے بعد از ٹیکس منافع 16.7 بلین روپے (شعبہ جاتی منافع) کا اعلان کیا، جس میں 2018ء میں کمائے گئے 10.1 بلین روپے پر 66 فیصد کا نمایاں اضافہ ہوا، نتیجتاً آمدنی فی شیئر 2017ء میں 7.60 کے مقابلے میں بڑھ کر 12.48 ہو گئی۔ بلند تر منافع یوریا اور DAP کی زیادہ خریداری اور زیادہ قیمتوں کے ساتھ ساتھ ٹیکس کے وَن آف اثرات کے باعث سامنے آیا۔ اس میں بجٹ کا اعلامیہ بھی شامل تھا جس میں کارپوریٹ ٹیکس کی شرح کو مرحلہ وار 30 فیصد سے کم کر کے 25 فیصد کیا گیا۔

2018ء میں بعد از ٹیکس مجموعی منافع مذکورہ بالا وجوہات کی بناء پر، 2017ء کے 11.2 بلین روپے کے مقابلے میں 17.4 بلین روپے رہا۔ نتیجتاً، مجموعی آمدنی فی شیئر گزشتہ سال کے 8.36 روپے سے بڑھ کر 13.04 روپے ہو گئی۔

بورڈ، سالِ مختتمہ 31 دسمبر 2018ء کو انتہائی مسرت کے ساتھ پہلے سے ادا کردہ 8 روپے فی شیئر کے حساب سے عبوری منافع منقسمہ کے علاوہ 3 روپے فی شیئر (کل منافع منقسمہ: 11 روپے فی شیئر) کا حتمی منافع منقسمہ 28 مارچ، 2019ء کو منعقدہ سالانہ اجلاسِ عام میں اراکین کی منظوری کے لیے پیش کرنے جا رہا ہے۔

کیپیٹل کا اسٹرکچر

2018ء میں، کمپنی نے ہمیشہ کی طرح سرمایہ کاری کی لاگتوں میں کمی کے لیے اپنی کوششوں پر توجہ مرکوز رکھی، اس مقصد کے لیے انڈسٹری کے بہتر ہوتے حالات اور یوریا اور DAP کی اضافی فروخت کی بدولت، کمپنی نے اپنے طویل المیعاد قرضوں میں کمی کی شرح کو پست کیا اور کمپنی کی جانب سے سرمایہ کاری کے لیے 8.2 بلین روپے اکٹھے کیے گئے، جبکہ دورانِ سال 8.3 بلین روپے ادا کیے گئے۔ آئندہ سالوں میں ہم اپنے قرضہ جاتی پورٹ فولیو کو رفتہ رفتہ کم کرنے کا منصوبہ رکھتے ہیں۔ سال 2018ء کے اختتام پر طویل المیعاد قرضے 30.8 بلین روپے رہے (2017ء: 30.9 بلین روپے)۔ مجموعی ایکوئٹی 31 دسمبر، 2018ء کو 45.5 بلین روپے رہی (2017ء: 42.5 بلین روپے)۔ سال کے دوران، PACRA نے اینگرو فرٹیلائزرز کی طویل المیعاد کریڈٹ ریٹنگ -AA سے AA کر دی اور قلیل المیعاد کریڈٹ ریٹنگ بالترتیب +A1 برقرار رکھی۔

مستقبل قریب کا منظر نامہ

عالمی سطح پر، 2019ء میں یوریا کی طلب میں 1.7 فیصد کے معمولی اضافے کی توقع ہے، جبکہ عالمی مارکیٹ میں نئی گنجائشوں کی شمولیت کے ساتھ سپلائی معتدل طور پر بلند تر رہنے کی توقع ہے۔ شمالی امریکہ اور بھارت کی جانب سے اپنی درآمدات پر انحصار میں معمولی کمی سے یوریا کی بین الاقوامی قیمتوں کے موجودہ سطح پر معتدل رہنے کی توقع ہے۔ اس سے سپلائرز پر اپنی پراڈکٹس کے لیے دوسری مارکیٹس تلاش کرنے کا دباؤ بڑھے گا۔

یوریا کی غیر لچکدار قیمت کی خصوصیت کے باعث مقامی یوریا کی طلب 2019ء میں موجودہ سطح پر مستحکم رہنے کی توقع ہے۔ 2019ء میں متوقع پیداوار 5.6 ملین ٹن (علاوہ ایل این جی پلانٹس) ہے۔ طلب اور رسد کے درمیان خلیج کو یا تو برآمدات یا پھر ایل این جی پر مبنی پلانٹس کے ذریعے پورا کیا جائے گا۔

DAP کی بین الاقوامی قیمتیں 2019ء میں نسبتاً ایک ہی سطح پر برقرار رہنے کی توقع ہے۔ تاہم، مقامی طلب میں روپے کی قدر میں کمی کے بعد DAP کی قیمتوں میں اضافے کے باعث معمولی کمی کا امکان ہے۔

صحت، تحفظ اور ماحول (ایچ ایس ای)

اینگرو فرٹیلائزرز کے لیے اپنے کارکنوں کا تحفظ ہمیشہ سے انتہائی اہمیت اور بنیادی ترجیح کا حامل رہا ہے۔ ہم طریقۂ کار اور تربیت کی بدولت اپنے ملازمین کو صحت، ماحول اور تحفظ کی مثبت روایت کی فراہمی کے لیے تگ و دو کرتے ہیں، تاکہ ایچ ایس ای ہر ایک کے لیے فطرتِ ثانیہ بن جائے۔ ہم اپنی ماحولیاتی ذمّے داریوں اور فرائض کو مستعدی سے پورا کرتے ہوئے اپنے ملازمین کو کام کا محفوظ ترین ماحول، خصوصاً ہماری مینوفیکچرنگ کی سہولیات میں فراہم کرنے کے لیے کوشاں رہتے ہیں۔ ہم اپنے معیار کو ہر سال عالمی سطح پر قابلِ قبول معیار سے بھی بلند تر کرنے کا عزم رکھتے ہیں۔

تاہم، ایچ ایس ای کے لیے ہماری کاوشوں اور والہانہ وابستگی کے باوجود، ہمیں تحفظ کے لیے اپنی بے لاگ ذمہ داریوں کی اہمیت کا دوبارہ احساس اُس وقت ہوا، جب سال کے آغاز میں ہمیں ایک ہلاکت سے دوچار ہونا پڑا۔ یہ افسوسناک واقعہ ایک تبخیری تالاب پر رونما ہوا جس میں ایک سیکیورٹی گارڈ حادثاتی طور پر ڈوب گیا تھا۔ اس حادثے کے بنیادی سبب کی نشاندہی کے لیے ایک تفصیلی تفتیش عمل میں لائی گئی۔ اس کے بعد، مستقبل میں اس قسم کے واقعات کی روک تھام کے لیے ایک منصوبہ تخلیق اور نافذ کیا گیا۔

سال کے دوران حاصل کردہ تحفظ کی اسناد کے اعلیٰ ترین درجوں کو برقرار رکھنا

اینگرو فرٹیلائزرز نے ''پیشہ ورانہ صحتی اور صنعتی حفظانِ صحت کے سسٹمز'' میں DuPont، امریکہ سے شاندار کارکردگی کا درجہ (ریٹنگ 4)، اور 2018ء میں DuPont کی طرف سے دنیا کے معروف ماہرین کی جانب سے سیفٹی اور OHIH سسٹمز اور اسٹینڈرڈز پر منعقدہ بیرونی آڈٹ میں ''پراسیس سیفٹی مینجمنٹ (PSM)'' میں اعلیٰ ترین اسٹینڈرڈ کی ریٹنگ حاصل کی۔ ہم IMS کے کامیاب نگرانی آڈٹ اور IFA - تحفظ اور استحکام کی سند بھی حاصل کر چکے ہیں۔

غذائی استفادے اور تحفظ پر، نگرانی آڈٹس عمل میں لائے گئے، اور HACCP کی اسناد تمام فوڈ کلبز اور کینٹینز کے لیے کامیابی سے برقرار رکھی گئیں۔

'تحفظ سب سے پہلے' کا طرزِ فکر پیدا کرنا

ہم نے اپنی سائٹس کو مختلف اقدامات عمل میں لانے کے قابل بناتے ہوئے عملی نظم و نسق میں اصلاح کے لیے ''ہم کیسے ہیں''، ''میں ایچ ایس ای کا سفیر'' اور ''تحفظ کے لیے توقف کریں'' پروگرامز کو متعارف کروایا۔ ان پروگرامز کے ذریعے ہم شخصی اور پیشہ ورانہ حیثیت میں اپنے ملازمین کے طرزِ فکر اور رویوں کو بدلنے کے لیے کوشاں ہیں۔

صحت اور خوشحالی کا فروغ

معاشرے کے طرزِ زندگی کو بہتر بنانے کے لیے ''صحت مند ڈہرکی'' کا مرحلہ نمبر 2، اور اس کے ساتھ ساتھ ''کام کے لیے بائیک'' کی مہم اور ''صحت سے آگاہی'' کے سیشنز متعارف کروائے گئے۔

ایچ ایس ای کے حوالے سے ہماری مہارتوں کی خدمات اینگرو گروپ کے اندر اور باہر حاصل کی گئیں۔ ہم نے ایچ ایس ای کی خدمت دیگر ذیلی اداروں کو،

ڈائریکٹرز رپورٹ

اینگرو فرٹیلائزرز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 31 دسمبر 2018ء کو اختتام پذیر ہونے والے مالیاتی سال کی ڈائریکٹرز رپورٹ اور آڈٹ شدہ مالی گوشوارے پیش کرنے پر مسرت محسوس کرتے ہیں۔

مارکیٹ کا جائزہ

سال 2018ء میں مقامی یوریا کی طلب مستحکم رہی جس کے نتیجے میں یوریا کی مجموعی فروخت سال 2017ء میں 5,826 کے ٹی کے مقابلے میں 5,797 کے ٹی رہی۔ انڈسٹری نے ECC کی جانب سے 2017ء کے بعد سے مختص کردہ 635 کے ٹی کے مجموعی برآمدی کوٹے کو استعمال کرتے ہوئے پہلی سہ ماہی کے دوران 75 کے ٹی کی برآمدات کیں۔

سال 2018ء میں یوریا کی پیداوار، گزشتہ سال کی 5,614 کے ٹی کے مقابلے میں 2 فیصد اضافے کے ساتھ 5,706 کے ٹی ہوگئی۔ پیداوار کے دنوں میں اضافے کے باعث اینگرو فرٹیلائزرز کی جانب سے ہونے والی زیادہ پیداوار اس اضافے کا سبب بنی۔ ایل این جی کے حامل پلانٹس نے حکومت کی جانب سے سبسڈی شدہ ایل این جی مختص کیے جانے کے باعث گزشتہ سال کی طرح، اس سال انڈسٹری کی پیداوار میں تقریباً 200 کے ٹی کا اضافہ کیا۔ علاوہ ازیں، حکومت نے یوریا کی کمی سے بچنے کے لیے دسمبر 2018ء میں 100 کے ٹی یوریا درآمد بھی کی۔ 31 دسمبر 2018ء کو یوریا کی انڈسٹری انوینٹری، گزشتہ سال کی 0.3 ایم ٹی کے مقابلے میں 0.2 ایم ٹی رہی۔

اوگرا کی جانب سے فرٹیلائزر انڈسٹری کی گیس کی قیمتوں میں اضافے کے باعث مقامی یوریا کی قیمتیں اکتوبر میں 1,610 روپے فی بیگ سے بڑھ کر 1,740 روپے فی بیگ ہوگئیں۔ چونکہ یوریا کی قیمتِ فروخت پر سبسڈی کو ختم کردیا گیا ہے، لہٰذا مقامی انڈسٹری کو سابقہ سبسڈی کی وصولی اور اس کی تقسیم کے طویل دورانیے کی شکل میں تا حال مسائل کا سامنا ہے۔ ایک انڈسٹری کی حیثیت سے ہم سبسڈی کے تقسیمی طریقہ کار کو بہتر خطوط پر استوار کرنے اور 20 بلین روپے کی خطیر واجب الادا رقوم کی ادائیگی کے لیے حکومت کے ساتھ مشغول رہتے ہیں۔

بین الاقوامی محاذ پر، بھارت کی جانب سے کم طلب کے باعث، یوریا کی قیمتیں 2018ء کی تیسری سہ ماہی میں 365 امریکی ڈالرز فی ٹن سے کم ہوکر 300 امریکی ڈالرز فی ٹن (2,450 روپے فی بیگ کے مساوی) پر پہنچ گئیں۔

مقامی بازار میں DAP کی طلب گزشتہ سال کے مقابلے میں 5 فیصد سے کم ہوگئی، جبکہ فروخت 2017ء کے 2,336 کے ٹی کے مقابلے میں کم ہوکر 2,224 کے ٹی رہ گئی، جس کی وجہ DAP کی بین الاقوامی قیمتوں کا بڑھنا اور روپے کی قدر کا کم ہونا ہے۔ بین الاقوامی محاذ پر، DAP کی قیمتیں سال کے دوران 422 سے 435 امریکی ڈالرز فی ٹن کی حد میں رہیں۔

گیس کا منظرنامہ

ماری اور ایس این جی پی ایل سے گیس کی فراہمی پورا سال جاری رہی۔ انڈسٹری کے نقطۂ نظر کی روشنی میں اور عدالتِ عالیہ کے اکتوبر 2016ء کے حکم (جس میں عدالت نے جی آئی ڈی سی ایکٹ کو کالعدم قرار دیا) کے مطابق کمپنی نے غیر رعایتی گیسوں پر جی آئی ڈی سی کسی بھی حوالے سے ادا نہیں کیا۔ کمپنی نے 2015ء میں رعایتی گیس پر جی آئی ڈی سی کے اطلاق کے خلاف حکمِ التوا حاصل کر رکھا ہے اور یوریا کے نئے پلانٹ کو فراہم کردہ رعایتی گیس پر کوئی جی آئی ڈی سی ادا نہیں کیا جارہا، اور نہ ہی واجب الادا ہے۔ رعایتی گیس پر جی آئی ڈی سی کا اطلاق فرٹیلائزر پالیسی اور ہمارے گیس کی فراہمی کے معاہدوں کی براہِ راست خلاف ورزی ہے، جس کی بنیاد پر ہم نے فرٹیلائزر کی تیاری کی گنجائش بڑھانے کے لیے 1.1 بلین امریکی ڈالرز کی سرمایہ کاری کی تھی۔

انڈسٹری، فی الحال جی آئی ڈی سی کی گزشتہ اور آئندہ کی واجب الادا رقوم کے تصفیے پر حکومت کے ساتھ مستقل رابطے میں ہے۔

شعبہ جاتی تجزیہ

- **یوریا**

کمپنی نے 2017ء کی 1,807 کے ٹی کی پیداوار کے مقابلے میں 7 فیصد کے اضافے سے 1,928 کے ٹی یوریا پیدا کی، جس کی بڑی وجہ گزشتہ سال کے مقابلے میں زیادہ پیداوار کے دن تھے۔ دورانِ سال یوریا کی فروخت 2017ء میں 1,739 کے ٹی کے مقابلے میں 14 فیصد سال بہ سال اضافے کے ساتھ 1,986 کے ٹی رہی، جس کی وجہ بہتر دستیابی تھی۔ مجموعی طور پر، ہماری یوریا کی مارکیٹ کا مقامی شیئر 2017ء میں 30 فیصد کے مقابلے میں 34 فیصد رہا۔

- **فاسفیٹس**

کمپنی کی فروخت 25 فیصد سال بہ سال اضافے کے ساتھ، گزشتہ سال کی 501 کے ٹی کے مقابلے میں 2018ء میں 626 کے ٹی رہی، جسے سے اینگرو فرٹیلائزرز کا مارکیٹ شیئر گزشتہ سال کے 22 فیصد سے بڑھ کر 28 فیصد ہوگیا۔ فروخت، نمایاں طور پر زیادہ رہی جس کی بنیادی وجہ پراڈکٹ کے معیار اور تسلسل پر خصوصی توجہ دینا اور خصوصاً پنجاب میں ذرائع کے نظم و نسق میں کی جانے والی اصلاحات تھیں۔

- **اسپیشلٹی فرٹیلائزر کا کاروبار**

کمپنی کی تخصیصی فرٹیلائزر (زرخیز، اینگرو NP، MOP/SOP/AS) کی فروخت، 43 فیصد سال بہ سال اضافے کے ساتھ گزشتہ سال کی 147 کے ٹی کے مقابلے میں 210 کے ٹی رہیں۔ پوٹاش کی مجموعی مارکیٹ 2017ء میں 48 کے ٹی کے مقابلے میں بڑھ کر 2018ء میں 50 کے ٹی ہوگئی۔ کمپنی کا پوٹاش مارکیٹ کا شیئر گزشتہ سال کے 40 فیصد کے مقابلے میں 44 فیصد رہا، جس کی وجہ اس سال پوٹاش کی بہتر دستیابی اور غیر روایتی فصلوں پر پوٹاش کا استعمال تھا۔

- **کراپ سائنس ڈویژن اور ایگری بزنس سلوشنز**

کمپنی، زرعی شعبے میں اپنی مضبوط حیثیت سے استفادہ کرتے ہوئے، اپنے اسٹیک ہولڈرز کے لیے ویلیو میں بہتری کے لیے پاکستان کے زرعی شعبے میں مواقع کی تلاش جاری رکھے ہوئے ہے۔ کمپنی، کراپ سائنسز کے کاروبار (بیج اور زرعی ادویات) میں اپنے اثرات منتقل کرنے کے لیے مسلسل مصروفِ عمل ہے اور کسانوں کی پیداواری صلاحیت کو بہتر بنانے کے لیے مقامی زرعی شعبے میں دیگر کاروباری مواقع کا تجزیہ کررہی ہے۔ اینگرو فرٹیلائزرز کے کراپ سائنسز ڈویژن نے گزشتہ سال کے 225 ملین روپے کے مقابلے میں 2018ء میں 671 ملین روپے کا ریونیو حاصل کیا۔

مالیاتی جائزہ

کمپنی کا سیلز ریونیو سال 2018ء میں 109.2 بلین روپے ریکارڈ کیا گیا، جو کہ گزشتہ سال کے 77.1 بلین روپے کے مقابلے میں 42 فیصد زیادہ ہے۔ سیلز ریونیو میں اضافہ، مقامی فروخت اور قیمتوں میں اضافے کے باعث ہوا۔