



engro fertilizers

# company information

## Board of Directors

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

## 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  
Citi Bank .N.A.  
Deutsche Investitions und  
Entwicklungsgesellschaft (DEG)  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
JS Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
Samba Bank Limited  
Silk Bank Limited  
Soneri Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
The Bank of Punjab  
United Bank Limited

### Shariah Compliant

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

## Microfinance

Mobilink Microfinance Bank  
Telenor Microfinance Bank

## Auditors

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

## Registered Office

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

## Share Registrar

M/s. FAMCO Associates (Pvt) Limited  
8-F, Near Hotel Faran, Block-6, PECHS,  
Shahrah-e-Faisal, Karachi, Pakistan  
Tel: +92(21) 3438 0104-5, 3438 4621-3  
Fax: +92(21) 3438 0106

# directors' report

## Directors' Report

On behalf of the Board of Directors of Engro Fertilizers Limited, we are pleased to present the unaudited financial statements for the period ended September 30, 2019.

### Pakistan Fertilizer Market

Local urea market demand stood at 4,330 KT vs 4,132 KT in 9M 2018, translating into an increase of 5% owing to higher industry avails. Local urea production increased by 12% to 4,585 KT compared to 4,096 KT during the same period last year due to operation of LNG based plants. Further, the import of 100 KT urea arrived in July 2019 which also added to the industry supply. Consequently, industry inventory at the end of 9M 2019 stood at 493 KT vs 130 KT at the end of 9M last year.

On the international front, urea prices have decreased to USD 280/T (landed equivalent of PKR 2,600/bag) from USD 306/T (landed equivalent PKR 2,800/bag) in June 2019. In the domestic market, the price of urea has increased by PKR 210/bag during the quarter to pass on the impact of increase in gas cost. Despite of this increase, urea continues to be sold at a significant discount to international prices.

During the period, the industry has witnessed significant increase in cost on account of rise in gas prices, escalation in price of dollar denominated gas streams, logistics cost arising from changes in axle load regulations and rising financial charges.

The industry continues to face challenges in the recovery of long outstanding subsidy of PKR 19 B and settlement of GIDC. The resolution of these long outstanding matters is expected in the near future as the Supreme Court of Pakistan is expected to rule on this matter shortly.

Phosphates demand in the local market decreased by 4%, with industry sales at 1,181 KT vs 1,236 KT in the same period last year due to increase in DAP prices and high channel inventory. On the international front, DAP prices have declined from a high of USD 422/T in 1Q 2019 to USD 340/T by the end of 3Q 2019.

### Company's Operating Performance

The Company's urea production in 9M 2019 stood at 1,451 KT compared to 1,428 KT in the corresponding period last year. This was despite turnarounds at both plants during the period. Sales during the period clocked in at 1,331 KT compared to 1,496 KT in 9M 2018, a decrease of 11% YoY owing to recent uncertainty in market regarding urea prices linked with GIDC decision. Overall, company's urea domestic market share for the period reduced to 31% (branded urea market share: 32%) from 36% (branded urea market share: 36%) in 9M 2018, mainly due to operation of LNG based plants and import of urea.

The Company's DAP and Zorawar sales during the period stood at 303 KT vs 320 KT last year, resulting in a lower market share of 26% vs 27% for the same period last year.

The Company's specialty fertilizer (Zarkhez, Engro NP, MOP/SOP/AS) sales clocked in at 176 KT in 9M 2019 vs 145 KT during the same period last year, an increase of 21%. The overall potash market remained stable at 27KT in 9M 2019 while the market share of the Company for the period increased to 63% from 46% last year because of better market reach.

Gross Profit of the Company was recorded at PKR 25.0 B for 9M 2019, compared to PKR 23.9 B in the same period last year, an increase of 4%. However, the gross profit as a percentage has shown a decline of 3% at an aggregate portfolio level as increase in input costs have outpaced product prices. Finance cost was higher at PKR 3,229 M (vs PKR 1,420 M last year) resulting mainly from higher policy rates.

On a standalone basis, net profit for 9M 2019 stood at PKR 13.2 B compared to PKR 12.5 B last year, resulting in an EPS of PKR 9.90 vs. PKR 9.39 in 9M 2018. Company's consolidated profit stood at PKR 10.5 B vs. PKR 12.2 B in the corresponding period last year, resulting in EPS of PKR 7.87 vs. last year's EPS of PKR 9.17.

The Board is pleased to recommend second interim cash dividend of PKR 6 per share for FY 2019, bringing the cumulative payout for 9M 2019 to PKR 11.0 per share. The Board has endeavored to maximize dividends on a quarterly basis. The final dividend for the year ending December 31, 2019 would be declared based upon final earnings for the year.

In line with the industry, EFert continues to accrue GIDC on all non-concessionary gases. The Government has recently withdrawn GIDC Ordinance 2019 which was passed on August 29, 2019. The matter is now in the Supreme Court and more clarity is awaited.

The Company obtained a stay order against GIDC applicability on concessionary gas in 2015, and no GIDC has been 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 the Company invested USD 1.1 Billion to expand its fertilizer manufacturing capacity.

During the quarter, the Company received additional sales tax refund bonds of PKR 0.6 B against refund processing orders (RPOs), in settlement of sales tax receivable. These bonds together with the bonds issued earlier this year cumulate to PKR 2.0 B. These bonds carry simple interest at 10% p.a. payable upon completion of a 3-year term.

### **Other significant matters**

During the quarter, the disposal of one of subsidiaries, Engro Eximp FZE, was concluded. On a consolidated basis, the Company recorded a net loss of PKR 263 M primarily on account of recognition of tax on disposal.

The financial statements also incorporate the pro-rated one-off deferred tax charge arising out of the Budget announcement of freezing the tax rate at 29% as compared to the previous announcement of reducing the tax rate to 25% in Finance Bill 2018.

During the period in first quarter, the Company sold an immovable property to Engro Polymer Limited, an associated company, recognizing a gain of PKR 678 M.

The Company was awarded with the Annual National Forum for Environment & Health (NFEH) Corporate Social Responsibility Award in September 2019. This is one of Pakistan's premier recognition awards and winning this accolade is testimony to the high level of focus and commitment towards corporate social responsibility.

On safety front, the Company achieved an important milestone as the Commercial division completed 10 million safe manhours in September 2019.

Additionally, during the quarter, the Company's Annual Report 2018 has been awarded the second place in the sector for the Best Presented Annual Reports Awards organized by the joint committee of the Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP), in recognition of transparent reporting and good governance practices adopted by the Company.

### **Near Term Outlook**

Local urea demand is expected to remain stable going forward. The operation of LNG based plants and import of urea would, however, create oversupply. On DAP front, international prices are expected to stabilize and remain range bound in 4Q (USD 350-355/T). Demand for phosphates and other imported fertilizers is expected to remain restricted owing to higher prices caused by constant devaluations and recent budgetary measures. Further, initial reports of key crops indicate losses on significant acreage. This is likely to dampen farm economics and Govt of Pakistan is encouraged to support the Agri economy of Pakistan through smart subsidy to the small farmers of Pakistan.

Going forward, the Company remains committed to continue to play its role in transforming the agri landscape in Pakistan. On behalf of the Board, the Company would like to thank all stakeholders for their trust and support.



**Nadir Salar Qureshi**  
Chief Executive



**Ghias Khan**  
Chairman



engro fertilizers

consolidated condensed  
interim financial statements  
(unaudited) for the nine months  
ended september 30, 2019

# consolidated condensed interim statement of financial position as at september 30, 2019

(Amounts in thousand)

(Amounts in thousand)		Unaudited September 30, 2019	Audited December 31, 2018
	Note	Rupees	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	67,229,621	68,203,956
Intangible assets		4,488,006	4,487,771
Long term loans and advances		202,314	142,644
		71,919,941	72,834,371
<b>Current assets</b>			
Stores, spares and loose tools		5,480,349	5,325,287
Stock-in-trade		9,303,886	11,538,309
Trade debts		4,500,018	9,109,671
Loans, advances, deposits and prepayments		3,529,086	1,363,411
Other receivables		8,639,362	9,043,657
Accrued income		253,150	54,038
Short term investments	4	24,208,961	7,722,469
Cash and bank balances		727,604	729,836
		56,642,416	44,886,678
<b>TOTAL ASSETS</b>		128,562,357	117,721,049

(Amounts in thousand)

(Amounts in thousand)		Unaudited September 30, 2019	Audited December 31, 2018
	Note	Rupees	
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Share capital		13,352,993	13,352,993
Share premium		3,384,904	3,384,904
Exchange revaluation reserve		-	408,817
Remeasurement of investments		(2,532)	-
Remeasurement of post employment benefits		(44,729)	(44,729)
Unappropriated profit		28,934,002	28,421,170
		32,271,645	32,170,162
<b>TOTAL EQUITY</b>		<b>45,624,638</b>	<b>45,523,155</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	5	18,984,907	25,715,045
Deferred taxation		7,918,286	7,100,022
Deferred liabilities		252,942	254,246
		27,156,135	33,069,313
<b>Current liabilities</b>			
Trade and other payables		41,570,513	29,071,928
Accrued interest / mark-up		868,276	425,920
Taxes payable		2,061,418	3,408,022
Current portion of:			
- borrowings	5	9,016,418	5,095,584
- deferred liabilities		50,377	51,487
Short term borrowings	6	2,149,897	1,009,968
Unclaimed dividend		64,685	65,672
		55,781,584	39,128,581
<b>TOTAL LIABILITIES</b>		<b>82,937,719</b>	<b>72,197,894</b>
<b>Contingencies and Commitments</b>	7		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>128,562,357</b>	<b>117,721,049</b>

The annexed notes from 1 to 18 form an integral part of these consolidated condensed interim financial statements.



**Imran Ahmed**  
Chief Financial Officer



**Nadir Salar Qureshi**  
Chief Executive



**Ghias Khan**  
Chairman

# consolidated condensed interim statement of profit or loss (unaudited) for the nine months ended september 30, 2019

(Amounts in thousand except for earnings per share)

		Quarter ended		Nine months ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	Note	Rupees			
Net sales	8	27,106,187	28,098,690	77,749,136	69,215,104
Cost of sales		(18,266,649)	(18,223,228)	(52,794,633)	(45,319,338)
<b>Gross profit</b>		8,839,538	9,875,462	24,954,503	23,895,766
Selling and distribution expenses		(2,068,744)	(1,974,961)	(5,449,526)	(5,245,967)
Administrative expenses		(296,364)	(248,311)	(887,347)	(762,972)
		6,474,430	7,652,190	18,617,630	17,886,827
Other income	9	1,214,268	213,899	3,652,650	1,867,985
Other operating expenses		(502,558)	(503,634)	(1,489,298)	(1,074,448)
Finance cost		(1,209,649)	(533,734)	(3,228,796)	(1,419,875)
		(1,712,207)	(1,037,368)	(4,718,094)	(2,494,323)
<b>Profit before taxation</b>		5,976,491	6,828,721	17,552,186	17,260,489
Taxation		(2,650,011)	(1,729,009)	(7,041,530)	(5,011,401)
<b>Profit for the period</b>		3,326,480	5,099,712	10,510,656	12,249,088
<b>Profit attributable to :</b>					
- continuing operations		3,326,480	5,093,444	10,474,470	12,233,214
- discontinued operations		-	6,268	36,186	15,874
		3,326,480	5,099,712	10,510,656	12,249,088
<b>Earnings per share (basic and diluted) from :</b>					
- continuing operations		2.49	3.82	7.84	9.16
- discontinued operations		-	-	0.03	0.01
		2.49	3.82	7.87	9.17

The annexed notes from 1 to 18 form an integral part of these consolidated condensed interim financial statements.



**Imran Ahmed**  
Chief Financial Officer



**Nadir Salar Qureshi**  
Chief Executive



**Ghias Khan**  
Chairman



# consolidated condensed interim statement of comprehensive income (unaudited) for the nine months ended september 30, 2019

(Amounts in thousand)

	Quarter ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	Rupees			
Profit for the period	3,326,480	5,099,712	10,510,656	12,249,088
<b>Other comprehensive income:</b>				
<b>Items potentially re-classifiable to profit or loss</b>				
- exchange differences on translation of foreign operations	-	32,704	275,754	160,669
- un-realised loss on remeasurement of investment classified as fair value through other comprehensive income (FVOCI) - net of tax	(2,532)	-	(2,532)	-
	(2,532)	32,704	273,222	160,669
<b>Total comprehensive income for the period</b>	<b>3,323,948</b>	<b>5,132,416</b>	<b>10,783,878</b>	<b>12,409,757</b>
<b>Total comprehensive income for the period attributable to :</b>				
- continuing operations	3,323,948	5,093,444	10,471,938	12,233,214
- discontinued operations	-	38,972	311,940	176,543
	<b>3,323,948</b>	<b>5,132,416</b>	<b>10,783,878</b>	<b>12,409,757</b>

The annexed notes from 1 to 18 form an integral part of these consolidated condensed interim financial statements.



**Imran Ahmed**  
Chief Financial Officer



**Nadir Salar Qureshi**  
Chief Executive



**Ghias Khan**  
Chairman

# consolidated condensed interim statement of changes in equity for the nine months ended september 30, 2019

(Amounts in thousand)

	RESERVES						Total
	Share capital	CAPITAL		Remeasurement of investments	REVENUE		
		Share premium	Exchange revaluation reserve		Remeasurement of post employment benefits	Unappropriated profit	
	Rupees						
Balance as at January 1, 2019 (Audited)	13,352,993	3,384,904	408,817	-	(44,729)	28,421,170	45,523,155
Transactions with owners							
Final dividend for the year ended December 31, 2018 @ Rs. 3.00 per share	-	-	-	-	-	(4,005,898)	(4,005,898)
1st Interim dividend for the year ending December 31, 2019 @ Rs. 5.00 per share	-	-	-	-	-	(6,676,497)	(6,676,497)
	-	-	-	-	-	(10,682,395)	(10,682,395)
Total comprehensive income for the nine months ended September 30, 2019							
Profit for the period	-	-	-	-	-	10,510,656	10,510,656
Other comprehensive income:							
- exchange revaluation	-	-	275,754	-	-	-	275,754
- un-realised loss on remeasurement of FVOCI investments - net of tax	-	-	-	(2,532)	-	-	(2,532)
	-	-	275,754	(2,532)	-	10,510,656	10,783,878
Reclassification of exchange revaluation reserve to profit or loss on disposal of subsidiary	-	-	(684,571)	-	-	684,571	-
Balance as at September 30, 2019 (Unaudited)	13,352,993	3,384,904	-	(2,532)	(44,729)	28,934,002	45,624,638
Balance as at January 1, 2018 (Audited)	13,352,993	3,384,904	83,183	-	(47,315)	25,695,946	42,469,711
Transactions with owners							
Final dividend for the year ended December 31, 2017 @ Rs. 3.00 per share	-	-	-	-	-	(4,005,898)	(4,005,898)
1st Interim dividend for the year ending December 31, 2018 @ Rs. 4.00 per share	-	-	-	-	-	(5,341,198)	(5,341,198)
	-	-	-	-	-	(9,347,096)	(9,347,096)
Total comprehensive income for the nine months ended September 30, 2018							
Profit for the period	-	-	-	-	-	12,249,088	12,249,088
Other comprehensive income:							
- exchange revaluation	-	-	160,669	-	-	-	160,669
- un-realised loss on remeasurement of FVOCI investments - net of tax	-	-	-	-	-	-	-
	-	-	160,669	-	-	12,249,088	12,409,757
Balance as at September 30, 2018 (Unaudited)	13,352,993	3,384,904	243,852	-	(47,315)	28,597,938	45,532,372

The annexed notes from 1 to 18 form an integral part of these consolidated condensed interim financial statements.



**Imran Ahmed**  
Chief Financial Officer



**Nadir Salar Qureshi**  
Chief Executive



**Ghias Khan**  
Chairman

# consolidated condensed interim statement of cash flows (unaudited) for the nine months ended september 30, 2019

(Amounts in thousand)

(Amounts in thousand)

		Nine months ended	
	Note	September 30, 2019	September 30, 2018
		Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	11	30,890,543	11,716,464
Retirement and other service benefits paid		(60,848)	(49,418)
Taxes paid		(7,364,321)	(4,668,527)
Finance cost paid		(2,314,390)	(1,637,489)
Long term loans and advances - net		(60,780)	(28,506)
Net cash generated from operating activities		21,090,204	5,332,524
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment and intangibles		(3,336,888)	(3,160,802)
Proceeds from disposal of property, plant and equipment		733,819	8,837
Proceeds from disposal of subsidiary - net		1,927,286	-
Purchase of short term investments		(25,003,576)	(46,077,346)
Proceeds from investments		28,685,553	50,758,522
Income on deposits / other financial assets		1,480,758	441,927
Net cash generated from investing activities		4,486,952	1,971,138
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		-	3,000,000
Repayments of long term borrowings		(3,092,042)	(8,086,667)
Dividends paid		(4,006,885)	(3,977,539)
Net cash utilised in financing activities		(7,098,927)	(9,064,206)
Net increase / (decrease) in cash and cash equivalents		18,478,229	(1,760,544)
Cash and cash equivalents at beginning of the period		(190,032)	(314,460)
Exchange gain on translation of foreign operations		275,754	160,669
Cash and cash equivalents at end of the period	12	18,563,951	(1,914,335)

The annexed notes from 1 to 18 form an integral part of these consolidated condensed interim financial statements.



**Imran Ahmed**  
Chief Financial Officer



**Nadir Salar Qureshi**  
Chief Executive



**Ghias Khan**  
Chairman

# notes to the consolidated condensed interim financial statements (unaudited) for the nine months ended september 30, 2019

(Amounts in thousand)

## 1. LEGAL STATUS AND OPERATIONS

- 1.1 Engro Fertilizers Limited ('the Holding Company') is a public company incorporated 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. The principal activity of the Holding Company is manufacturing, purchasing and marketing of fertilizers. The Holding Company's registered office is situated at 7th & 8th floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.

### 1.2 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:

	Note	%age of holding	
		September 30, 2019	December 31, 2018
Engro Eximp FZE	1.2.1	-	100
EFERT Agritrade (Private) Limited	1.2.2	100	100

- 1.2.1 Engro Eximp FZE (EEF) was incorporated in the Jebel Ali Free Zone, Emirate of Dubai, on August 4, 2011. On July 17, 2019, the Holding Company entered into a Share Purchase Agreement (the Agreement) with the Parent Company for the sale of its entire holding in EEF. Through the Agreement, the Parent Company purchased 100% shares of EEF for a total consideration of Rs. 1,972,505.
- 1.2.2 EFERT Agritrade (Private) Limited (EAPL) was incorporated as a wholly owned subsidiary of the Holding Company on July 6, 2017 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 EAPL and holds 10,000 ordinary shares of Rs. 10 each in EAPL.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of compliance

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

- International Accounting Standard 34, 'Interim Financial Reporting' (IAS 34), 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 the provisions of and directives issued under the Act differ with the requirements of IAS 34, the provisions of and directives issued under the Act have been followed.

- 2.2 These consolidated condensed interim financial statements do not include all the information required for annual consolidated financial statements and therefore should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2018.

(Amounts in thousand)

2.3 The accounting policies and the methods of computation adopted in the preparation of these consolidated condensed interim financial statements are same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2018, except for changes stated in note 2.4.

## 2.4 New accounting standards, interpretations and amendments to approved accounting standards

### a) Standards, interpretations and amendments to approved accounting standards that are effective for the period and are relevant to the Group.

There are certain new standards, interpretations and amendments to approved accounting standards which are applicable for the first time on the Group's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or have any significant effect on the Group's financial reporting, except as follows:

- IFRS 15 - 'Revenue from Contracts with Customers', supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Group has assessed that significant performance obligations in its contracts with the customers are discharged at a single point of time, and therefore there is no significant financial impact of IFRS 15 on the Group.

- IFRS 16 - 'Leases' replaces the previous standard IAS 17 - 'Leases'. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities on the statement of financial position for almost all leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases. The Group has assessed that application on this standard does not have any material financial impact on these consolidated condensed interim financial statements.
- IFRS 9 - 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit and loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, without recycling of fair value changes to profit or loss.

There is now a new expected credit losses model that replaces the incurred loss impairment model of IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, 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 use for risk management purposes.

(Amounts in thousand)

The following is the summary of the Groups's assessment of impacts on consolidated condensed interim financial statements as at September 30, 2019 due to application of IFRS 9:

Particulars	Classification & measurement category		Carrying amount		Difference
	Original (Under IAS 39)	New (Under IFRS 9)	Original (Under IAS 39)	New (Under IFRS 9)	
			Rupees		
<b>Non - current financial assets</b>					
Long term loans and advances	Loans and receivables	Amortised cost	202,314	202,314	-
<b>Current financial assets</b>					
Trade debts	Loans and receivables	Amortised cost	4,500,018	4,500,018	-
Loans, advances, deposits and prepayments	Loans and receivables	Amortised cost	3,529,086	3,529,086	-
Other receivables	Loans and receivables	Amortised cost	8,639,362	8,639,362	-
Short term investments:					
- Government Securities	Available for sale	Fair value through OCI	24,002,753	24,002,753	-
- Term Deposits / Placements with Banks	Held to maturity	Amortised cost	206,208	206,208	-
Accrued Income	Loans and receivables	Amortised cost	253,150	253,150	-
Cash and bank balances	Loans and receivables	Amortised cost	727,604	727,604	-
<b>Non current financial liabilities</b>					
Borrowings	Amortized cost	Amortised cost	28,001,325	28,001,325	-
<b>Current financial liabilities</b>					
Trade and other payables	Amortized cost	Amortised cost	41,570,513	41,570,513	-
Short term borrowings	Amortized cost	Amortised cost	2,149,897	2,149,897	-
Accrued interest / mark-up	Amortized cost	Amortised cost	868,276	868,276	-

In light of the above requirements, certain changes have been made to the accounting policies of the Group. However, based on aforementioned assessment, there is no material current financial impact of these changes on the Group.

#### b) Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following amendments to approved accounting standards are not yet effective. At present, the impact of application of these amendments on the Group's future financial statements is being assessed.

	Effective date (Annual periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Amendments)	January 1, 2020
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020

- 2.5 The preparation of these consolidated condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During the preparation of these consolidated condensed interim financial statements, the significant judgements and estimates made by the management are the same as those that were applied to annual financial statements of the Group for the year ended December 31, 2018.

- 2.6 Taxes on income in the interim periods are accrued using the effective tax rate that would be applicable to expected total annual profit or loss. Effective tax rate is computed by considering the impact of change in tax rate resulting from the amendment in Finance Act, 2019.

(Amounts in thousand)

	Unaudited September 30, 2019	Audited December 31, 2018
	Rupees	
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating assets at net book value (note 3.1)	62,715,857	64,471,674
Capital work-in-progress (note 3.2)	3,748,487	3,159,249
Major spare parts and stand-by equipment	765,277	573,033
	<u>67,229,621</u>	<u>68,203,956</u>

3.1 Additions to and disposals from operating assets during the period are as follows:

	Unaudited			
	Additions (at cost)		Disposals (at net book value)	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	Rupees			
Building on freehold land	87,646	29,866	-	-
Leasehold land	-	-	28,238	-
Plant and machinery	1,882,091	1,318,239	-	-
Catalyst	371,195	213,900	-	-
Office equipment	71,832	142,696	415	-
Vehicles	116,676	126,025	6,940	1,393
	<u>2,529,440</u>	<u>1,830,726</u>	<u>35,593</u>	<u>1,393</u>

The above disposals represent assets having a cost of Rs. 895,437 (September 30, 2018: Rs. 13,941) and net book value of Rs. 35,593 (September 30, 2018: Rs.1,393), which were disposed off for Rs. 733,819 (September 30, 2018: Rs. 8,837).

	Unaudited September 30, 2019	Audited December 31, 2018
	Rupees	
<b>3.2 Capital work-in-progress</b>		
Balance at beginning of the period / year	3,159,249	3,396,331
Add: Additions during the period / year	3,144,312	4,333,447
Transferred to:		
- operating assets	(2,529,440)	(4,529,819)
- intangible assets	(25,634)	(40,710)
Balance at end of the period / year	<u>3,748,487</u>	<u>3,159,249</u>

#### 4. SHORT TERM INVESTMENTS

Pakistan Investment Bonds	-	6,244,613
Treasury Bills	22,097,166	-
Sales tax refund bonds (note 4.1)	1,905,587	-
Term Deposits Receipts	206,208	1,477,856
	<u>24,208,961</u>	<u>7,722,469</u>

4.1 These bonds have been received from the Federal Board of Revenue (FBR) in settlement of outstanding sales tax refunds upon election by the Holding Company under Section 67A of the Sales tax Act, 1990. These bonds will mature in three years and carry interest at the rate of 10% per annum payable on maturity.

(Amounts in thousand)

	Unaudited September 30, 2019	Audited December 31, 2018
<b>5. BORROWINGS - Secured</b>	<b>Rupees</b>	
Long term finance utilized under mark-up arrangements (notes 5.1 and 5.2)	28,001,325	29,692,102
Sukuk certificates (notes 5.1 and 5.2)	-	1,118,527
	28,001,325	30,810,629
Less: Current portion shown under current liabilities	9,016,418	5,095,584
Balance at end of the period / year	18,984,907	25,715,045

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

Privately Placed Subordinated Sukuk (PPSS) are secured by a sub-ordinated mortgage upon immovable property of the Holding Company and sub-ordinated charge over all present and future fixed assets excluding immovable property of the Holding Company.

- 5.2 During the period, principal repayments of long term finances were made to Local Syndicate, Standard Chartered Bank Limited, Samba Bank Limited, Dubai Islamic Bank Limited and Subordinated Sukuk amounting to Rs. 1,522,042, Rs. 200,000, Rs. 50,000, Rs.200,000 and Rs. 1,120,000, respectively.

## 6. SHORT TERM BORROWINGS

### Holding Company

The facilities for short term running finances, available from various banks, aggregate to Rs. 16,850,000 (December 31, 2018: Rs. 16,850,000). The mark-up rates on these facilities range from 1 to 3 months KIBOR plus 0.2% to 1.5% per annum. These arrangements 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 September 30, 2019, the Holding Company has utilised Rs. 1,480,547 (December 31, 2018: Rs. 636,878) out of the aforementioned facilities.

### Subsidiary Companies

The facilities for short term running finances, available from various banks, aggregate to Rs. 14,725,000 (December 31, 2018: Rs. 14,217,000). The rates of markup on the 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 September 30, 2019, the Company has utilised Rs. 669,350 (December 31, 2018: Rs. 373,090) out of the aforementioned facilities.

## 7. CONTINGENCIES AND COMMITMENTS

### Contingencies

- 7.1 Bank guarantees of Rs. 3,266,942 (December 31, 2018: Rs. 2,982,754) have been issued in favour of third parties.
- 7.2 Claims, including pending lawsuits, against the Group not acknowledged as debts amounted to Rs. 58,680 (December 31, 2018: Rs. 58,680).
- 7.3 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 preferred an appeal in the Supreme Court of Pakistan (SCP). During the period, the SCP decided the case on ex-parte basis against the Contractor. A review application for case restoration has been filed by the Contractor with SCP.



(Amounts in thousand)

The management of the Holding Company based on the opinion of its legal counsel is confident that the chances of restoration application being allowed by SCP are good. Accordingly, no provision has been made in this respect for the potential exposure of Rs. 1,178,391.

- 7.4 Except as mentioned above, as at September 30, 2019, there is no material change in the status of matters reported as contingencies in the annual financial statements of the Group for the year ended December 31, 2018.

	Unaudited September 30, 2019	Audited December 31, 2018
	<u>Rupees</u>	
7.5 <b>Commitments</b>		
Commitments in respect of capital expenditure and other operational items	15,195,609	1,874,155

	Unaudited			
	Quarter ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	<u>Rupees</u>			
8. <b>NET SALES</b>				
Gross sales:				
- manufactured product	18,595,440	17,271,679	53,034,429	48,043,624
- purchased and packaged product	9,062,246	11,416,872	26,345,372	23,385,301
- services	10,429	-	10,429	-
	27,668,115	28,688,551	79,390,230	71,428,925
Less: Sales tax	561,928	589,861	1,641,094	2,213,821
	27,106,187	28,098,690	77,749,136	69,215,104

9. <b>OTHER INCOME</b>				
Income from sales under Government subsidy	-	-	-	1,304,329
<b>On financial assets :</b>				
Income on bank accounts	4,001	1,690	16,596	6,622
Income on treasury bills, term deposit certificates and Pakistan Investment Bonds	1,054,040	84,322	1,711,762	396,561
	1,058,041	86,012	1,728,358	403,183
<b>On non-financial assets :</b>				
Gain on disposal of property, plant and equipment	4,019	-	698,227	7,443
Rental income	-	40,558	2,899	40,558
Reversal of liability of workers' welfare fund	-	-	999,423	-
Gain on disposal of spares / scrap	12,892	-	43,675	2,174
Others	139,316	87,329	180,068	110,298
	156,227	127,887	1,924,292	160,473
	1,214,268	213,899	3,652,650	1,867,985

## 10. TAXATION

- 10.1 During the period, the income tax department amended the assessment filed by the Holding Company for the tax years 2015, 2016 and 2017. The Holding Company has filed appeals thereagainst before the Commissioner Inland Revenue Appeals (CIRA) for disallowances made in the orders, which mainly included proration of expenses to exempt/FTR incomes, exchange loss disallowances, loss on derivatives and losses purchased from Engro Eximp Agriproducts Limited, a related party, under section 59B of the Income Tax Ordinance, 2001, resulting in cumulative addition of Rs. 16,173,826 to taxable income of these tax years. The Holding Company is confident of a favorable outcome of the appeals.

(Amounts in thousand)

- 10.2 Pursuant to the approval of the Board of Directors of the Holding Company on May 10, 2019, the Holding Company withdrew its cases pending in Sindh High Court in respect of Alternate Corporate Tax (ACT) for tax years 2014 to 2016 and discharged the related tax liability amounting to Rs. 1,995,054.

		Nine months ended (Unaudited)	
		September 30, 2019	September 30, 2018
		Rupees	
<b>11. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		17,552,186	17,260,489
Adjustment for non-cash charges and other items:			
Depreciation		4,249,884	3,931,875
Amortization of intangibles		25,512	20,822
Amortization of deferred income		(2,891)	(2,891)
Gain on disposal of property, plant and equipment		(698,227)	(7,443)
Gain on disposal of subsidiary		(120,002)	-
Provision for service benefits		61,994	54,493
Income on deposits / other financial assets		(1,728,358)	(403,183)
Financial charges		2,946,059	1,410,938
Exchange loss on revaluation of long term borrowings		267,600	-
Amortisation of transaction cost on borrowings		15,137	8,937
Provision for doubtful trade debts		13,371	-
Provision for net realisable value of stock in trade		28,591	33,874
Provision for surplus and slow moving stores and spares		7,550	14,816
Working capital changes (note 11.1)		8,272,137	(10,606,263)
		<u>30,890,543</u>	<u>11,716,464</u>
<b>11.1 Working capital changes</b>			
Decrease / (Increase) in current assets			
- Stores, spares and loose tools		(162,612)	(196,674)
- Stock-in-trade		2,205,832	(11,874,019)
- Trade debts		4,374,175	(1,595,491)
- Loans, advances, deposits and prepayments		(2,375,485)	16,772
- Other receivables		(1,690,605)	412,040
		<u>2,351,305</u>	<u>(13,237,372)</u>
Increase in trade and other payables		<u>5,920,832</u>	<u>2,631,109</u>
		<u>8,272,137</u>	<u>(10,606,263)</u>
<b>12. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		727,604	651,572
Short term investments		19,986,244	1,391,194
Short term borrowings		(2,149,897)	(3,957,101)
		<u>18,563,951</u>	<u>(1,914,335)</u>
<b>13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS</b>			
<b>13.1 Financial risk factors</b>			
The Group's activities expose it to a variety of financial risks including: market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk.			
There have been no changes in the risk management policies during the period, consequently these consolidated condensed interim financial statements do not include all the financial risk management information and disclosures required in the annual consolidated financial statements.			

(Amounts in thousand)

### 13.2 Fair value estimation

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

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

	Level 1	Level 2	Level 3	Total
	Rupees			
<b>Assets</b>				
Short term investments				
- Fair value through OCI	-	24,002,753	-	24,002,753

Level 2 - The fair valued financial instruments comprise Pakistan Investment Bonds, Treasury Bills and Sales tax refund bonds which are valued using discounted cash flow model. There were no transfers amongst the levels during the period.

### 13.3 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in these consolidated condensed interim financial statements approximate their fair value.

## 14. TRANSACTIONS WITH RELATED PARTIES

Related parties comprises of Parent Company, associated companies, retirement benefit funds, directors and key management personnel. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these consolidated condensed interim financial statements, are as follows:

	Nine months ended (Unaudited)	
	September 30, 2019	September 30, 2018
	Rupees	
<b>Parent company</b>		
Purchases and services received	401,786	306,524
Services provided	49,417	39,133
Royalty charged to the Company	778,579	694,222
Reimbursements made:		
- to the Company	61,179	45,880
- by the Company	141,603	73,895
Dividend paid by the Company	2,253,936	2,253,936
Expenses incurred on behalf of the Company	7,906	-
<b>Associated companies</b>		
Purchases and services received	124,349	78,059
Sale of product by the Company	1,736	-
Services provided by the Company	60,356	98,104
Reimbursements made:		
- by the Company	47,550	42,658
- to the Company	11,874	9,227
Contribution to Engro Foundation under Corporate Social Responsibility	53,500	40,000
Proceeds against sale of land	705,600	-
Dividend paid to trustees of Engro Foods Limited Gratuity Fund	237	306

(Amounts in thousand)

	Nine months ended (Unaudited)	
	September 30, 2019	September 30, 2018
	Rupees	
<b>Contribution to staff retirement benefits</b>		
Pension fund	7,582	13,844
Gratuity fund	97,880	90,159
Provident fund	108,051	100,163
<b>Dividend paid to staff retirement benefits</b>		
Pension fund	267	429
Gratuity fund	974	909
Provident fund	1,836	1,988
<b>Others</b>		
Remuneration of key management personnel	214,651	195,684
Director's Fees	400	300

#### 15. 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.

#### 16. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the consolidated condensed interim statement of financial position has been compared with the balances of audited annual consolidated financial statements of preceding financial year, whereas the consolidated condensed interim statement of profit or loss, consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

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

#### 17. NON-ADJUSTING EVENT AFTER STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors in its meeting held on October 18, 2019 has approved an interim cash dividend of Rs. 6 per share for the year ending December 31, 2019 amounting to Rs. 8,011,796. These consolidated condensed interim financial statements do not include the effect of the said interim dividend.

#### 18. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue on October 18, 2019 by the Board of Directors of the Holding Company.



**Imran Ahmed**  
Chief Financial Officer



**Nadir Salar Qureshi**  
Chief Executive



**Ghias Khan**  
Chairman



engro fertilizers

condensed interim financial  
statements (unaudited)  
for the nine months ended  
september 30, 2019

# condensed interim statement of financial position as at september 30, 2019

(Amounts in thousand)

	Note	Unaudited September 30, 2019	Audited December 31, 2018
		Rupees	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	67,229,621	68,203,956
Intangible assets		4,488,006	4,487,771
Investment in subsidiary		100	560,416
Long term loans and advances		201,386	140,784
		71,919,113	73,392,927
<b>Current assets</b>			
Stores, spares and loose tools		5,480,349	5,325,287
Stock-in-trade		5,153,961	2,959,696
Trade debts		2,103,210	2,374,797
Working capital loan to subsidiary	4	9,759,500	13,677,700
Loans, advances, deposits and prepayments		795,857	702,171
Other receivables		8,218,021	8,299,348
Accrued income		340,265	439,345
Short term investments	5	23,851,427	6,334,613
Cash and bank balances		723,799	642,060
		56,426,389	40,755,017
<b>TOTAL ASSETS</b>		<b>128,345,502</b>	<b>114,147,944</b>

(Amounts in thousand)

		Unaudited September 30, 2019	Audited December 31, 2018
	Note	Rupees	
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Share capital		13,352,993	13,352,993
<b>Reserves</b>			
Share premium		3,384,904	3,384,904
Reserve on amalgamation		(304,027)	(304,027)
Remeasurement of post employment benefits		(45,083)	(45,083)
Remeasurement of investments		(2,532)	-
Unappropriated profit		29,149,222	26,606,961
		32,182,484	29,642,755
<b>TOTAL EQUITY</b>		<b>45,535,477</b>	<b>42,995,748</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	6	18,984,907	25,715,045
Deferred taxation		7,918,286	7,100,022
Deferred liabilities		250,226	252,050
		27,153,419	33,067,117
<b>Current liabilities</b>			
Trade and other payables		42,553,149	28,626,619
Accrued interest / mark-up		640,881	405,620
Taxes payable		1,851,000	3,203,439
Current portion of:			
- borrowings	6	9,016,418	5,095,584
- deferred liabilities		49,926	51,267
Short term borrowings	7	1,480,547	636,878
Unclaimed dividend		64,685	65,672
		55,656,606	38,085,079
<b>TOTAL LIABILITIES</b>		<b>82,810,025</b>	<b>71,152,196</b>
<b>Contingencies and Commitments</b>			
	8		
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>128,345,502</b>	<b>114,147,944</b>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



**Imran Ahmed**  
Chief Financial Officer



**Nadir Salar Qureshi**  
Chief Executive



**Ghias Khan**  
Chairman

# condensed interim statement of profit or loss (unaudited) for the nine months ended september 30, 2019

(Amounts in thousand except for earnings per share)

	Note	Quarter ended		Nine months ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
		Rupees			
Net sales	9	18,539,344	17,139,278	52,881,187	47,280,766
Cost of sales		(11,143,959)	(9,012,517)	(31,778,305)	(27,202,993)
<b>Gross profit</b>		7,395,385	8,126,761	21,102,882	20,077,773
Selling and distribution expenses		(1,606,959)	(1,577,719)	(4,375,948)	(4,340,270)
Administrative expenses		(290,394)	(238,286)	(853,767)	(730,466)
		5,498,032	6,310,756	15,873,167	15,007,037
Other income	10	2,886,498	1,932,824	7,697,082	3,909,114
Other operating expenses		(502,195)	(503,634)	(1,487,409)	(1,074,448)
Finance cost		(886,085)	(473,321)	(2,922,258)	(1,349,882)
		(1,388,280)	(976,955)	(4,409,667)	(2,424,330)
<b>Profit before taxation</b>		6,996,250	7,266,625	19,160,582	16,491,821
Taxation	11	(2,288,080)	(1,252,526)	(5,935,926)	(3,956,214)
<b>Profit for the period</b>		4,708,170	6,014,099	13,224,656	12,535,607
<b>Earnings per share</b> - basic and diluted		3.53	4.50	9.90	9.39

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



**Imran Ahmed**  
Chief Financial Officer



**Nadir Salar Qureshi**  
Chief Executive



**Ghias Khan**  
Chairman



# condensed interim statement of comprehensive income (unaudited) for the nine months ended september 30, 2019

(Amounts in thousand)

	Quarter ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	Rupees			
<b>Profit for the period</b>	4,708,170	6,014,099	13,224,656	12,535,607
<b>Other comprehensive income:</b>				
<b>Items potentially re-classifiable to profit or loss</b>				
Un-realised loss on remeasurement of investment classified as fair value through other comprehensive income (FVOCI) - net of tax	(2,532)	-	(2,532)	-
<b>Total comprehensive income for the period</b>	<u>4,705,638</u>	<u>6,014,099</u>	<u>13,222,124</u>	<u>12,535,607</u>

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



**Imran Ahmed**  
Chief Financial Officer



**Nadir Salar Qureshi**  
Chief Executive



**Ghias Khan**  
Chairman

# condensed interim statement of changes in equity for the nine months ended september 30, 2019

(Amounts in thousand)

	RESERVES						Total
	Share capital	CAPITAL		REVENUE			
		Share premium	Reserve on amalgamation	Remeasurement of investments	Remeasurement of post employment benefits	Unappropriated profit	
	Rupees						
Balance as at January 1, 2019 (Audited)	13,352,993	3,384,904	(304,027)	-	(45,083)	26,606,961	42,995,748
Transaction with owners:							
Final dividend for the year ended							
December 31, 2018 @ Rs. 3.00 per share	-	-	-	-	-	(4,005,898)	(4,005,898)
1st Interim dividend for the year ending							
December 31, 2019 @ Rs. 5.00 per share	-	-	-	-	-	(6,676,497)	(6,676,497)
	-	-	-	-	-	(10,682,395)	(10,682,395)
Total comprehensive income for the nine months ended September 30, 2019							
Profit for the period	-	-	-	-	-	13,224,656	13,224,656
Un-realised loss on remeasurement of FVOCI investment - net of tax	-	-	-	(2,532)	-	-	(2,532)
	-	-	-	(2,532)	-	13,224,656	13,222,124
Balance as at September 30, 2019 (Unaudited)	13,352,993	3,384,904	(304,027)	(2,532)	(45,083)	29,149,222	45,535,477
Balance as at January 1, 2018 (Audited)	13,352,993	3,384,904	(304,027)	-	(47,669)	24,626,571	41,012,772
Transaction with owners							
Final dividend for the year ended							
December 31, 2017 @ Rs. 3.00 per share	-	-	-	-	-	(4,005,898)	(4,005,898)
1st Interim dividend for the year ending							
December 31, 2018 @ Rs. 4.00 per share	-	-	-	-	-	(5,341,198)	(5,341,198)
	-	-	-	-	-	(9,347,096)	(9,347,096)
Total comprehensive income for the nine months ended September 30, 2018							
Profit for the period	-	-	-	-	-	12,535,607	12,535,607
Unrealised loss on remeasurement of FVOCI investment - net of tax	-	-	-	-	-	-	-
	-	-	-	-	-	12,535,607	12,535,607
Balance as at September 30, 2018 (Unaudited)	13,352,993	3,384,904	(304,027)	-	(47,669)	27,815,082	44,201,283

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



**Imran Ahmed**  
Chief Financial Officer



**Nadir Salar Qureshi**  
Chief Executive



**Ghias Khan**  
Chairman

# condensed interim statement of cash flows (unaudited) for the nine months ended september 30, 2019

(Amounts in thousand)

		Nine months ended	
	Note	September 30, 2019	September 30, 2018
		Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	12	25,322,423	26,322,079
Retirement and other service benefits paid		(59,544)	(48,862)
Taxes paid		(6,470,107)	(3,048,899)
Finance cost paid		(2,249,513)	(1,529,214)
Long term loans and advances - net		(62,146)	(27,166)
Net cash generated from operating activities		16,481,113	21,667,938
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment and intangibles		(3,336,888)	(3,160,802)
Proceeds from disposal of property, plant and equipment		733,819	8,837
Disbursement of working capital loan to subsidiary		(26,699,600)	(26,711,700)
Payment received against working capital loan to subsidiary		30,617,800	9,711,700
Purchase of short term investments		(25,003,576)	(46,077,346)
Proceeds from sale of short term investments		28,580,593	50,758,522
Proceeds from sale of subsidiary		1,972,505	-
Income on deposits / other financial assets		2,529,941	416,682
Net cash generated from / (utilised in) investing activities		9,394,594	(15,054,107)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		-	3,000,000
Repayments of long term borrowings		(3,092,042)	(8,086,667)
Dividends paid		(4,006,885)	(3,977,539)
Net cash utilised in financing activities		(7,098,927)	(9,064,206)
Net increase / (decrease) in cash and cash equivalents		18,776,780	(2,450,375)
Cash and cash equivalents at beginning of the period		95,182	2,032,585
Cash and cash equivalents at end of the period	13	18,871,962	(417,790)

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



**Imran Ahmed**  
Chief Financial Officer



**Nadir Salar Qureshi**  
Chief Executive



**Ghias Khan**  
Chairman

# notes to the condensed interim financial statements (unaudited) for the nine months ended september 30, 2019

(Amounts in thousand)

## 1. LEGAL STATUS AND OPERATIONS

- 1.1 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 registered head office of the Company is situated at 7th and 8th floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of compliance

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

- International Accounting Standard 34, 'Interim Financial Reporting', (IAS 34) 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 the provisions of or directives issued under the Act differs with the requirements of IAS 34, the provisions of and directives issued under the Act have been followed.

- 2.2 These condensed interim financial statements represent the condensed interim financial statements of the Company on a standalone basis. The consolidated condensed interim financial statements of the Company and its subsidiary companies are presented separately. These condensed interim financial statements do not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2018.

- 2.3 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are same as those applied in the preparation of the annual financial statements of the Company for the year ended December 31, 2018 except for changes stated in note 2.4.

### 2.4 New accounting standards, interpretations and amendments to approved accounting standards

#### a) Standards, interpretations and amendments to approved accounting standards that are effective for the period and are relevant to the Company

There are certain new standards, interpretations and amendments to approved accounting standards which are applicable for the first time on the Company's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or have any significant effect on the Company's financial reporting, except as follows:

- IFRS 15 - 'Revenue from Contracts with Customers', supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Company has assessed that significant performance obligations in its contracts with the customers are discharged at a single point of time, and therefore there is no significant financial impact of IFRS 15 on the Company.

- IFRS 16 - 'Leases' replaces the previous standard IAS 17 - 'Leases'. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities on the statement of financial position for almost all leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases. The Company has assessed that application of this standard does not have any financial impact on these condensed interim financial statements.

(Amounts in thousand)

- IFRS 9 - 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39. 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 (OCI) and fair value through profit or loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, without recycling of fair value changes to profit or loss.

There is now a new expected credit losses model that replaces the incurred loss impairment model of IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, 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 use for risk management purposes.

The following is the summary of the Company's assessment of impacts on condensed interim financial statements as at September 30, 2019 due to application of IFRS 9:

Particulars	Classification & measurement category		Carrying amount		Difference
	Original (Under IAS 39)	New (Under IFRS 9)	Original (Under IAS 39)	New (Under IFRS 9)	
			Rupees		
<b>Non - current financial assets</b>					
Long term loans and advances	Loans and receivables	Amortised cost	201,386	201,386	-
<b>Current financial assets</b>					
Trade debts	Loans and receivables	Amortised cost	2,103,210	2,103,210	-
Working capital loan to subsidiary	Loans and receivables	Amortised cost	9,759,500	9,759,500	-
Loans, advances, deposits and prepayments	Loans and receivables	Amortised cost	795,857	795,857	-
Other receivables	Loans and receivables	Amortised cost	8,218,021	8,218,021	-
Short term investments:					
- Government Securities	Available for sale	Fair value through OCI	23,654,819	23,654,819	-
- Term Deposits / Placements with Banks	Held to maturity	Amortised cost	196,607	196,607	-
Accrued Income	Loans and receivables	Amortised cost	340,265	340,265	-
Cash and bank balances	Loans and receivables	Amortised cost	723,799	723,799	-
<b>Non current financial liabilities</b>					
Borrowings	Amortized cost	Amortised cost	18,984,907	18,984,907	-
<b>Current financial liabilities</b>					
Trade and other payables	Amortized cost	Amortised cost	42,553,149	42,553,149	-
Short term borrowings	Amortized cost	Amortised cost	1,480,547	1,480,547	-
Accrued interest / mark-up	Amortized cost	Amortised cost	640,881	640,881	-

In light of the above requirements, certain changes have been made to the accounting policies of the Company. However, based on aforementioned assessment, there is no material current financial impact of these changes on the Company.

**b) Standards, interpretations and amendments to approved accounting standards that are not yet effective**

The following amendments to approved accounting standards are not yet effective. At present, the impact of application of these amendments on the Company's future financial statements is being assessed.

(Amounts in thousand)

**Effective date  
(Annual periods  
beginning on  
or after)**

IAS 1 - Presentation of Financial Statements (Amendments)

January 1, 2020

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)

January 1, 2020

- 2.5 The preparation of these condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During the preparation of these condensed interim financial statements, the significant judgements and estimates made by the management are the same as those that were applied to annual financial statements of the Company for the year ended December 31, 2018.

- 2.6 Taxes on income in the interim periods are accrued using the effective tax rate that would be applicable to expected total annual profit or loss. Effective tax rate is computed by considering the impact of change in tax rate resulting from the amendment in Finance Act, 2019.

	Unaudited September 30, 2019	Audited December 31, 2018
	Rupees	
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating assets at net book value (note 4.1)	62,715,857	64,471,674
Capital work-in-progress (note 4.2)	3,748,487	3,159,249
Major spare parts and stand-by equipment	765,277	573,033
	<u>67,229,621</u>	<u>68,203,956</u>

- 3.1 Additions to and disposals from operating assets during the period are as follows:

	Unaudited			
	Additions (at cost)		Disposals (at net book value)	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	Rupees			
Building on freehold land	87,646	29,866	-	-
Leasehold land	-	-	28,238	-
Plant and machinery	1,882,091	1,318,239	-	-
Catalyst	371,195	213,900	-	-
Office equipment	71,832	142,696	415	-
Vehicles	116,676	126,025	6,940	1,393
	<u>2,529,440</u>	<u>1,830,726</u>	<u>35,593</u>	<u>1,393</u>

The above disposals represent assets having a cost of Rs. 895,437 (September 30, 2018: Rs. 13,941) and net book value of Rs. 35,593 (September 30, 2018: Rs.1,393), which were disposed off for Rs. 733,819 (September 30, 2018: Rs. 8,837).

(Amounts in thousand)

	Unaudited September 30, 2019	Audited December 31, 2018
	Rupees	
3.2 <b>Capital work-in-progress</b>		
Balance at beginning of the period / year	3,159,249	3,396,331
Add: Additions during the period / year	3,144,312	4,333,447
Transferred to:		
- operating assets	(2,529,440)	(4,529,819)
- intangible assets	(25,634)	(40,710)
Balance at end of the period / year	<u>3,748,487</u>	<u>3,159,249</u>

#### 4. WORKING CAPITAL LOAN TO SUBSIDIARY

The working capital loan facility limit provided to EFert Agritrade (Private) Limited (EAPL) has been extended to Rs. 19,000,000. The mark-up on this loan is receivable at the rate of 1 month KIBOR + 0.5% on quarterly basis. The total facility availed by EAPL at the period end amounts to Rs. 9,759,500 (December 31, 2018: Rs. 13,677,700).

	Unaudited September 30, 2019	Audited December 31, 2018
	Rupees	
5. <b>SHORT TERM INVESTMENTS</b>		
Pakistan Investment Bonds	-	6,244,613
Treasury Bills	22,097,166	-
Sales tax refund bonds (note 5.1)	1,557,653	-
Others	196,608	90,000
	<u>23,851,427</u>	<u>6,334,613</u>

- 5.1 These bonds have been received from the Federal Board of Revenue (FBR) in settlement of outstanding sales tax refunds upon election by the Company under Section 67A of the Sales tax Act, 1990. These bonds will mature in three years and carry interest at the rate of 10% per annum payable on maturity.

	Unaudited September 30, 2019	Audited December 31, 2018
	Rupees	
6. <b>BORROWINGS - Secured</b>		
Long term finance utilised under mark-up arrangements (notes 6.1 and 6.2)	28,001,325	29,692,102
Sukuk Certificates (notes 6.1 and 6.2)	-	1,118,527
	<u>28,001,325</u>	<u>30,810,629</u>
Less: Current portion shown under current liabilities	9,016,418	5,095,584
Balance at end of the period / year	<u>18,984,907</u>	<u>25,715,045</u>

- 6.1 All senior debts are secured by an equitable mortgage upon immovable property of the Company and equitable charge over present and future fixed assets excluding immovable property of the Company.

Privately Placed Subordinated Sukuk (PPSS) are secured by a sub-ordinated mortgage upon immovable property of the Company and sub-ordinated charge over all present and future fixed assets excluding immovable property of the Company.

- 6.2 During the period, principal repayments of long term finances were made to Local Syndicate, Standard Chartered Bank Limited, Samba Bank Limited, Dubai Islamic Bank Limited and Subordinated Sukuk amounting to Rs. 1,522,042, Rs. 200,000, Rs. 50,000, Rs.200,000 and Rs. 1,120,000, respectively.

(Amounts in thousand)

## 7. SHORT TERM BORROWINGS

The facilities for short term running finances, available from various banks, aggregate to Rs. 16,850,000 (December 31, 2018: Rs. 16,850,000). The mark-up rates on these facilities range from 1 to 3 months KIBOR plus 0.2% to 1.5% per annum. These arrangements 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. As at September 30, 2019, the Company has utilised Rs. 1,480,547 (December 31, 2018: Rs. 636,878) out of the aforementioned facilities.

## 8. CONTINGENCIES AND COMMITMENTS

### Contingencies

- 8.1 Bank guarantees of Rs. 2,616,942 (December 31, 2018: Rs. 2,582,754) have been issued in favour of third parties.
- 8.2 Claims, including pending lawsuits, against the Company not acknowledged as debts amounted to Rs. 58,680 (December 31, 2018: Rs. 58,680).
- 8.3 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 preferred an appeal in the Supreme Court of Pakistan (SCP). During the period, the SCP decided the case on ex-parte basis against the Contractor. A review application for case restoration has been filed by the Contractor with SCP. The management of the Company based on the opinion of its legal counsel is confident that the chances of restoration application being allowed by SCP are good. Accordingly, no provision has been made in this respect for the potential exposure of Rs. 1,178,391.
- 8.4 Except as mentioned above, as at September 30, 2019, there is no material change in the status of matters reported as contingencies in the annual financial statements of the Company for the year ended December 31, 2018.

	Unaudited September 30, 2019	Audited December 31, 2018
	Rupees	
8.5 <b>Commitments</b>		
Commitments in respect of capital expenditure and other operational items	2,692,931	1,684,473

	Unaudited			
	Quarter ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	Rupees			
9. <b>NET SALES</b>				
Gross sales:				
- manufactured product	18,595,440	17,271,679	53,034,429	48,043,624
- purchased and packaged product	299,149	217,183	880,060	1,082,338
- services	13,069	-	13,069	-
	18,907,658	17,488,862	53,927,558	49,125,962
Less: Sales tax	368,314	349,584	1,046,371	1,845,196
	18,539,344	17,139,278	52,881,187	47,280,766



(Amounts in thousand)

	Unaudited			
	Quarter ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>10. OTHER INCOME</b>	Rupees			
Income from sales under Government subsidy	-	-	-	1,304,329
On financial assets				
Income on bank accounts	4,001	1,691	16,596	6,622
Mark-up on working capital loan to subsidiary	87,115	255,094	727,851	369,257
Income on treasury bills, term deposit certificates and Pakistan Investment Bonds	1,054,040	74,878	1,686,414	371,316
Dividend income	178,241	1,405,000	1,724,976	1,474,088
	1,323,397	1,736,663	4,155,837	2,221,283
On non-financial assets				
Commission income	118,685	155,468	350,878	310,223
Gain on disposal of property, plant and equipment	4,019	-	698,227	7,443
Rental income	-	40,557	2,899	40,557
Reversal of liability for workers' welfare fund	-	-	999,423	-
Gain on disposal of spares / scrap	12,892	-	43,675	2,174
Gain on disposal of subsidiary	1,412,189	-	1,412,189	-
Others	15,316	136	33,954	23,105
	1,563,101	196,161	3,541,245	383,502
	2,886,498	1,932,824	7,697,082	3,909,114

## 11. TAXATION

- 11.1 During the period, the income tax department amended the assessment filed by the Company for the tax years 2015, 2016 and 2017. The Company has filed appeals thereagainst before the Commissioner Inland Revenue Appeals (CIRA) for disallowances made in the orders which mainly included proration of expenses to exempt/FTR incomes, exchange loss disallowances, loss on derivatives and losses purchased from Engro Eximp Agriproducts Limited under section 59B of the Income Tax Ordinance, 2001, resulting in cumulative addition of Rs. 16,173,826 to taxable income of these tax years. The Company is confident of a favorable outcome of the appeals.
- 11.2 Pursuant to the approval of the Board of Directors of the Company on May 10, 2019, the Company withdrew its cases pending in Sindh High Court in respect of Alternate Corporate Tax (ACT) for tax years 2014 to 2016 and discharged the related tax liability amounting to Rs. 1,995,054.

	Nine months ended (Unaudited)	
	September 30, 2019	September 30, 2018
	Rupees	
<b>12. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	19,160,582	16,491,821
Adjustment for non-cash charges and other items:		
Depreciation	4,249,884	3,931,875
Amortization of intangibles	25,512	20,822
Amortization of deferred income	(2,891)	(2,891)
Gain on disposal of property, plant and equipment - net	(698,227)	(7,443)
Provision for service benefits	59,277	52,676
Income on deposits / other financial assets	(2,430,861)	(377,938)
Gain on disposal of subsidiary	(1,412,188)	-
Financial charges	2,639,521	1,340,945
Exchange loss on revaluation of long term borrowings	267,600	-
Amortization of transaction cost on borrowings	15,137	8,937
Provision for doubtful trade debts	13,371	-
Provision for net realisable value of stock-in-trade	28,591	33,874
Provision for surplus and slow moving stores and spares	7,550	14,816
Working capital changes (note 12.1)	3,399,565	4,814,585
	25,322,423	26,322,079

(Amounts in thousand)

		Nine months ended (Unaudited)	
		September 30, 2019	September 30, 2018
		Rupees	
12.1	<b>Working capital changes</b>		
	Decrease / (Increase) in current assets		
	- Stores, spares and loose tools	(162,612)	(196,674)
	- Stock-in-trade	(2,222,856)	409,137
	- Trade debts	258,216	(6,786)
	- Loans, advances, deposits and prepayments	(92,143)	268,861
	- Other receivables	(1,631,073)	884,746
		(3,850,468)	1,359,284
	Increase in trade and other payables	7,250,033	3,455,301
		3,399,565	4,814,585
13.	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and bank balances	723,799	572,155
	Short term investments	19,628,710	400,894
	Short term borrowings	(1,480,547)	(1,390,839)
		18,871,962	(417,790)

#### 14. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

##### 14.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including: market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

There have been no changes in the risk management policies during the period, consequently these condensed interim financial statements do not include all the financial risk management information and disclosures required in the annual financial statements.

##### 14.2 Fair value estimation

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

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

	Level 1	Level 2	Level 3	Total
	Rupees			
<b>Assets</b>				
Short term investments				
- Fair value through OCI	-	23,654,819	-	23,654,819

Level 2 - The fair valued financial instruments comprise Treasury Bills and Sales tax refund bonds which are valued using discounted cash flow model. There were no transfers amongst the levels during the period.

##### 14.3 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in these condensed interim financial statements approximate their fair value.

(Amounts in thousand)

# 15. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Parent Company, associated companies, retirement benefit funds, directors and key management personnel. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these condensed interim financial statements, are as follows:

	Nine months ended (Unaudited)	
	September 30, 2019	September 30, 2018
Rupees		
<b>Parent company</b>		
Purchases and services received	401,786	306,524
Services provided	49,417	39,133
Royalty charged to the Company	778,579	694,222
Reimbursements made:		
- to the Company	61,179	45,880
- by the Company	141,603	70,176
Dividend paid by the Company	2,253,936	2,253,936
<b>Subsidiary companies</b>		
Purchase and services received	-	40,349
Reimbursements made:		
- by the Company	3,097	57,026
- to the Company	22,235	28,833
Dividend received by the Company	1,724,975	1,474,088
Payment of funds collected against sales made on behalf of subsidiary	28,467,410	21,438,651
Disbursements of working capital loan to subsidiary	22,781,400	26,711,700
Repayment received against working capital loan to subsidiary	26,699,600	9,711,700
Mark-up received on working capital loan to subsidiary	727,851	369,257
Commission income earned from subsidiary	350,878	310,223
<b>Associated companies</b>		
Purchases and services received	124,349	78,059
Sale of product by the Company	1,736	-
Services provided by the Company	60,356	98,104
Advance received against sale of land	705,600	-
Reimbursements made:		
- by the Company	47,550	42,658
- to the Company	11,874	9,227
Contribution to Engro Foundation under Corporate Social Responsibility	53,500	40,000
Dividend paid to trustees of Engro Foods Limited Gratuity Fund	237	306
<b>Contribution to staff retirement benefits</b>		
Pension fund	7,582	13,844
Gratuity fund	96,793	89,285
Provident fund	106,733	99,114

(Amounts in thousand)

	Nine months ended (Unaudited)	
	September 30, 2019	September 30, 2018
	Rupees	
<b>Dividend paid to staff retirement benefits</b>		
Pension fund	267	429
Gratuity fund	974	909
Provident fund	1,836	1,988
<b>Others</b>		
Remuneration of key management personnel	198,107	181,341

#### 16. 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.

#### 17. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has been compared with the balances of annual financial statements of preceding financial year, whereas the condensed interim statement of profit or loss, statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

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

#### 18. NON-ADJUSTING EVENT AFTER STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors in its meeting held on October 18, 2019 has approved an interim cash dividend of Rs. 6 per share for the year ending December 31, 2019 amounting to Rs.8,011,796. These condensed interim financial statements do not include the effect of the said interim dividend.

#### 19. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 18, 2019 by the Board of Directors of the Company.



**Imran Ahmed**  
Chief Financial Officer



**Nadir Salar Qureshi**  
Chief Executive



**Ghias Khan**  
Chairman

## دیگر اہم معاملات

سہ ماہی کے دوران، ایک ذیلی ادارے Engro Eximp FZE کا تصفیہ انجام پذیر ہوا۔ مجمع سطح پر، کمپنی نے بنیادی طور پر تصفیے پر لاگو ٹیکس کے باعث 263 ملین روپے کا خالص نقصان برداشت کیا۔

مالیاتی گوشواروں میں تناسبی مؤخر شدہ ٹیکس چارج بھی شامل ہے جو 29 فیصد پر منجمد شرح ٹیکس کے بجٹ اعلان کے نتیجے میں سامنے آیا ہے، جس کا گزشتہ اعلان فرانس بل 2018 میں شرح ٹیکس کو 25 فیصد تک کم کرنے کا تھا۔

پہلی سہ ماہی کی مدت کے دوران، کمپنی نے اپنی ایک منسلک کمپنی اینگرو پولیمر لمیٹڈ کو غیر منقولہ املاک فروخت کی اور 678 ملین روپے کا منافع حاصل کیا۔

کمپنی کو ستمبر 2019 میں سالانہ قومی فورم برائے ماحولیات و صحت (NFEH) کا روبرو سماجی ذمہ داری کے ایوارڈ سے نوازا گیا۔ یہ پاکستان کے صفِ اوّل کے سٹائنڈی ایوارڈز میں سے ایک ہے اور اس ایوارڈ کا ملنا، کاروباری سماجی ذمہ داری پر ہماری بھرپور توجہ اور عزم کا ثبوت ہے۔

تحفظ کے محاذ پر کمپنی نے اُس وقت ایک اہم سنگ میل عبور کیا، جب ستمبر 2019 میں کمرشل ڈویژن نے 10 ملین محفوظ افرادی گھنٹے (مین آؤرز) مکمل کیے۔

علاوہ ازیں، اس سہ ماہی کے دوران، کمپنی کی سالانہ رپورٹ 2018 کو انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) اور انسٹی ٹیوٹ آف کاسٹ اینڈ مینجمنٹ اکاؤنٹنٹس آف پاکستان (ICMAP) کی مشترکہ کمیٹی کی جانب سے، کمپنی کی شفاف رپورٹنگ اور عمدہ نظم و ضبط کو سراہتے ہوئے، بہترین پیش کردہ سالانہ رپورٹس کے لیے شعبے میں دوسری پوزیشن سے نوازا گیا۔

## اگلی میعاد کا منظر نامہ

آئندہ بھی مقامی یورپ کی طلب مستحکم رہنے کی توقع ہے۔ تاہم، ایل این جی سے چلنے والے پلانٹس اور یورپ کی درآمد ضرورت سے زائد رسد کا باعث بنیں گے۔ ڈی اے پی کے محاذ پر، بین الاقوامی قیمتیں مستحکم ہونے اور چوتھی سہ ماہی میں مقررہ حد (350 سے 355 امریکی ڈالرز فی ٹن) میں رہنے کی توقع ہے۔ فاسفیٹس اور دیگر درآمد شدہ فرٹیلائزرز کی طلب روپے کی قدر میں مسلسل کمی اور حالیہ بجٹ کے اقدامات کے نتیجے میں بلند ہونے والی قیمتوں کے باعث محدود رہنے کی توقع ہے۔ اس کے علاوہ بنیادی فصلوں کی ابتدائی رپورٹس بھی خاطر خواہ ایکڑ رقبے پر نقصان کی نشاندہی کر رہی ہیں۔ اس سے زرعی معیشت کے کمزور ہونے کا امکان ہے اور حکومت پاکستان سے امید کی جاتی ہے کہ پاکستان کے چھوٹے کسانوں کے لیے باسہولت سبسڈی کے ذریعے پاکستان کی زرعی معیشت کو استحکام دیا جائے گا۔

کمپنی، آئندہ بھی پاکستان کے زرعی منظر نامے کو ایک نیا رخ دینے کے لیے اپنا کردار نبھاتی رہے گی۔ کمپنی، بورڈ کی جانب سے تمام اسٹیک ہولڈرز کے بھرپور اعتماد اور تعاون پر شکریہ ادا کرتی ہے۔



غیاث خان  
چیرمین



نادر سالار قریشی  
چیف ایگزیکٹو آفیسر

والے پلانٹس اور یوریا کی درآمد کے باعث مذکورہ مدت میں کمپنی کا یوریا کی مقامی مارکیٹ میں شیئر، سال 2018 کے 9 ماہ میں 36 فیصد (برانڈ یوریا کا مارکیٹ شیئر: 36 فیصد) کے مقابلے میں 31 فیصد (برانڈ یوریا کا مارکیٹ شیئر: 32 فیصد) رہا۔

مذکورہ مدت کے دوران کمپنی کی ڈی اے پی اور زور آور کی فروخت گزشتہ سال کی 320 کے ٹی کے مقابلے میں 303 کے ٹی رہی، نتیجتاً اس کا مارکیٹ شیئر گزشتہ سال کی اسی مدت کے دوران 27 فیصد سے کم ہو کر 26 فیصد ہو گیا۔

کمپنی کے اسپیشلٹی فریٹلائزر (زرخیز، اینگریک و NP/MOP/SOP/AS) کی فروخت گزشتہ سال کی اسی مدت کے دوران 145 کے ٹی کے مقابلے میں سال 2019 کے 9 ماہ میں 21 فیصد کے اضافے سے 176 کے ٹی ہو گئی۔ پوناش کی مجموعی مارکیٹ سال 2019 کے 9 ماہ میں 27 کے ٹی پر مستحکم رہی جبکہ اس مدت میں کمپنی کا مارکیٹ شیئر مارکیٹ تک بہتر رسائی کے باعث 46 فیصد سے بڑھ کر 63 فیصد ہو گیا۔

کمپنی کا مجموعی منافع، 2019 کے 9 ماہ میں 25.0 ملین روپے ریکارڈ کیا گیا جو کہ گزشتہ سال کی اسی مدت کے دوران 23.9 ملین روپے تھا، گویا اس میں 4 فیصد کا اضافہ ہوا۔ تاہم، بطور شرح مجموعی منافع میں اجتماعی پورٹ فولیو کی سطح پر 3 فیصد کی کمی ہوئی کیونکہ پیداواری لاگوں میں اضافہ پراڈکٹ کی قیمتوں سے زیادہ ہو گیا تھا۔ پالیسی کی بلند تر شرح کے باعث مالیاتی لاگت زیادہ ہو کر 3,229 ملین روپے (گزشتہ سال 1,420 ملین روپے) رہی۔

انفرادی بنیاد پر، خالص منافع سال 2019 کے 9 ماہ میں 13.2 ملین روپے رہا جو کہ گزشتہ سال 12.5 ملین روپے تھا، جس کا نتیجہ سال 2018 کے 9 ماہ میں 9.39 روپے کے مقابلے میں 9.90 روپے کے ای پی ایس کی صورت میں برآمد ہوا۔ کمپنی کا مجمع منافع، گزشتہ سال کی اسی مدت کے دوران 12.2 ملین روپے کے مقابلے میں 10.5 ملین روپے رہا، جس کے نتیجے میں ای پی ایس، گزشتہ سال کے 9.17 روپے کے مقابلے میں 7.87 روپے ہو گیا۔

بورڈ، انتہائی مسرت کے ساتھ مالی سال 2019 کے لیے 6 روپے فی شیئر کے دوسرے عبوری کیش ڈیویڈنڈ کی تجویز پیش کرتا ہے جس کی بدولت 2019 کے 9 ماہ میں مجموعی ادائیگی 11 روپے فی شیئر ہو گئی ہے۔ بورڈ، سہ ماہی بنیاد پر ڈیویڈنڈز میں زیادہ سے زیادہ اضافے کے لیے کوشاں ہے۔ اختتام سال 31 دسمبر 2019 کے لیے آخری ڈیویڈنڈ کا اعلان سال کی حتمی آمدنیوں کی بنیاد پر کیا جائے گا۔

انڈسٹری سے ہم آہنگ رہتے ہوئے، اینگریک فریٹلائزرز نے تمام غیر رعایتی گیسز پر جی آئی ڈی سی کو روکا ہوا ہے۔ حکومت نے حال ہی میں جی آئی ڈی سی آرڈیننس 2019 کو واپس لے لیا ہے، جو کہ 29 اگست، 2019 کو پاس ہوا تھا۔ یہ معاملہ اب سپریم کورٹ میں ہے اور مزید وضاحت کا انتظار ہے۔

کمپنی نے رعایتی گیس پر جی آئی ڈی سی کے اطلاق کے خلاف 2015 میں حکم التواء بھی حاصل کیا ہے اور یوریا کے نئے پلانٹ کو فراہم کردہ رعایتی گیس کے ضمن میں کوئی جی آئی ڈی سی ادائیگی نہیں کیا جا رہا، اور نہ ہی واجب الادا ہے۔ رعایتی گیس پر جی آئی ڈی سی کا اطلاق فریٹلائزر پالیسی اور ہمارے گیس فراہمی کے معاہدوں کی براہ راست خلاف ورزی ہے، جن کی بنیاد پر کمپنی نے اپنی فریٹلائزرز کی پیداواری گنجائش کو بڑھانے کے لیے 1.1 ملین امریکی ڈالر کی سرمایہ کاری کی تھی۔

مذکورہ سہ ماہی کے دوران، کمپنی نے واجب الوصول سیلنٹس کے تصفیے کے لیے، ری فنڈ پراسیسنگ آرڈرز (RPOs) کے تحت 0.6 ملین روپے مالیت کے اضافی سیلنٹس ٹیکس ری فنڈ بوئڈز وصول کیے۔ یہ بوئڈز اس سال کے آغاز میں جاری کیے جانے والے بوئڈز کے ساتھ مل کر 2.0 ملین روپے کی مالیت اختیار کر گئے ہیں۔ یہ بوئڈز، 3 سالہ مدت کی تکمیل پر واجب الادا 10 فیصد کی سالانہ سادہ شرح سود کے حامل ہیں۔

اینگرفریٹلائزرز لمیٹڈ  
ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز  
برائے اختتامِ میعاد 30 ستمبر، 2019

ڈائریکٹرز رپورٹ

ہم، اینگرفریٹلائزرز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی طرف سے غیر آڈٹ شدہ مالیاتی گوشوارے برائے اختتامِ مدت 30 ستمبر، 2019 پیش کرنے پر مسرت محسوس کرتے ہیں۔

پاکستان کی فریٹلائزر مارکیٹ

مقامی یوریا مارکیٹ کی طلب، سال 2018 کے 9 ماہ میں 4,132 کئی کے مقابلے میں 4,330 کئی رہی، گویا زیادہ صنعتی منافعوں کے باعث اس میں 5 فیصد کا اضافہ ہوا۔ مقامی یوریا کی پیداوار 12 فیصد سے بڑھ کر 4,585 کئی ہو گئی جو کہ گزشتہ سال اسی مدت کے دوران 4,096 کئی تھی، جس کی وجہ ایل این جی کے ذریعے چلنے والے پلانٹس تھے۔ مزید برآں، 100 کئی یوریا کی درآمد جولائی 2019 میں عمل میں آئی جس کی بدولت بھی صنعتی رسد میں اضافہ ہوا۔ نیٹجنا، انڈسٹری انونٹری پچھلے سال کے 9 ماہ کے اختتام پر 130 کئی کے مقابلے میں سال 2019 کے 9 ماہ کے اختتام پر 493 کئی رہی۔

بین الاقوامی محاذ پر، یوریا کی قیمتیں کم ہو کر 280 امریکی ڈالرز فی ٹن (2,600 روپے فی بیگ کے مساوی) ہو گئیں جو کہ جون 2019 میں 306 امریکی ڈالرز فی ٹن (2,800 روپے فی بیگ کے مساوی) تھیں۔ مقامی مارکیٹ میں، یوریا کی قیمت گیس کی لاگت کے اثرات کو منتقل کرنے کے لیے اس سہ ماہی کے دوران 210 روپے فی بیگ سے بڑھ گئی۔ اس اضافے کے باوجود، یوریا کو بین الاقوامی قیمتوں کے مقابلے میں نمایاں رعایت کے ساتھ فروخت کیا جا رہا ہے۔

مذکورہ مدت کے دوران، انڈسٹری کی لاگت میں نمایاں اضافہ ہوا جس کی وجہ گیس کی قیمتوں میں اضافہ، ڈالر پر پی پی گیس اسٹریمرز کے نرخ میں اضافہ، ایکسل لوڈ کے قواعد و ضوابط میں تبدیلی کے باعث نقل و حمل کی لاگت میں اضافہ اور بڑھتے ہوئے مالیاتی چارجز ہیں۔

کمپنی کو طویل عرصے سے واجب الوصول 19 بلین روپے کی سبسڈی کی وصولی اور جی آئی ڈی سی کے تصفیے کے حوالے سے مسلسل مسائل کا سامنا ہے۔ امکان ہے کہ طویل عرصے سے زیر التواء یہ معاملات مستقبل قریب میں حل ہو جائیں گے، کیونکہ سپریم کورٹ آف پاکستان کی جانب سے جلد ہی اس معاملے پر فیصلہ متوقع ہے۔

مقامی مارکیٹ میں فاسفٹس کی طلب میں 4 فیصد کمی واقع ہوئی، جبکہ انڈسٹری سیکٹر گزشتہ سال کی اسی مدت کے 1,236 کئی کے مقابلے میں 1,181 کئی رہیں، جس کی وجہ ڈی اے پی کی قیمتوں اور زیادہ چینل انوینٹری میں اضافہ تھا۔ بین الاقوامی محاذ پر، ڈی اے پی کی قیمتیں 2019 کی پہلی سہ ماہی کے 422 امریکی ڈالرز فی ٹن سے کم ہو کر 2019 کی تیسری سہ ماہی کے اختتام پر 340 امریکی ڈالرز فی ٹن ہو گئیں۔

کمپنی کی عملی کارکردگی

کمپنی کی جانب سے یوریا کی پیداوار سال 2019 کے 9 ماہ کے دوران دونوں پلانٹس میں ہونے والے ترقیاتی کام کے باوجود 1,451 کئی رہی، جو کہ گزشتہ سال اسی مدت کے دوران 1,428 کئی تھی۔ زیر جائزہ مدت کے دوران فروخت، 2018 کے 9 ماہ میں 1,496 کئی کے مقابلے میں 11 فیصد کمی کے ساتھ 1,331 کئی رہی، جس کی وجہ جی آئی ڈی سی کے فیصلے کے باعث یوریا کی قیمتوں کے حوالے سے مارکیٹ میں حالیہ بے یقینی تھی۔ مجموعی طور پر، ایل این جی سے چلنے