engro fertilizers

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building,
Stock Exchange Road,
Karachi

March 9, 2021

Dear Sir/Madam,

Transmission of the Annual Report 2020 for the year ended December 31, 2020.

We have to inform you that the Annual Report of the Company for the year ended December 31, 2020 have been transmitted through PUCARS and is also available on Company's website which can be downloaded from the following link:

https://www.engro.com/investor-relations/financial-reports/#fertilizers

You may please inform the TRE Certificate Holders of the Exchange accordingly.

Yours faithfully,

For and on behalf of
Engro Fertilizers Limited

Suhaib Barkat, ACA
Company Secretary

Cc:

1. The Director (Enforcement), Securities & Exchange Commission of Pakistan, NIC Building, 63 Jinnah Avenue, Blue Area, Islamabad (with 3 printed copies of the Annual Report 2020 of the Company for the year ended December 31, 2020)

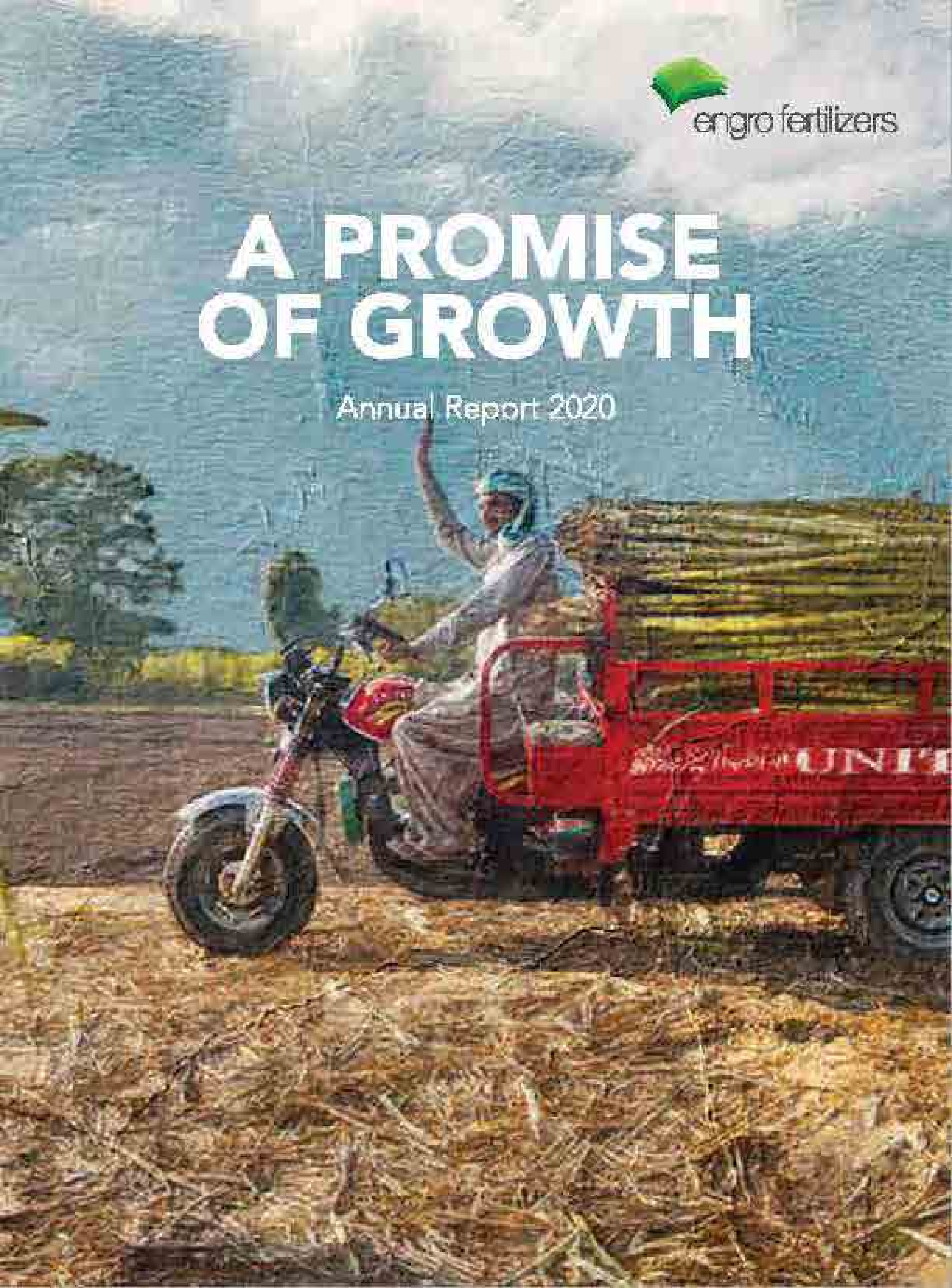
2. The Registrar, Company Registration Office, State Life Building No. 2, 4th Floor, North Wing, Wallace Road, I.I. Chundrigar Road, Karachi (with 3 printed copies of the Annual Report 2020 of the Company for the year ended December 31, 2020)

Engro Fertilizers Limited
7th & 8th Floor, The Harbor Front Building, HC-3, Marine Drive, Block 4, Clifton, Karachi 75600, Pakistan.
T 00 92 (21) 35297501-10 F 00 92 (21) 35810669
engrofertilizers.com

engro fertilizers

A PROMISE OF GROWTH

Annual Report 2020



OUR PROMISE OF GROWTH

Today EFERT is recognized as one of the most trusted brands in Pakistan, a result of the relentless pursuit of excellence in transforming the agricultural landscape and in delivering consistent growth – ***our Promise***. Starting more than 50 years ago as the first Urea production facility in the country, ushering in a green revolution, we empower our farmers with world-class Seed to Harvest solutions now and influence 40% of agricultural productivity in Pakistan.

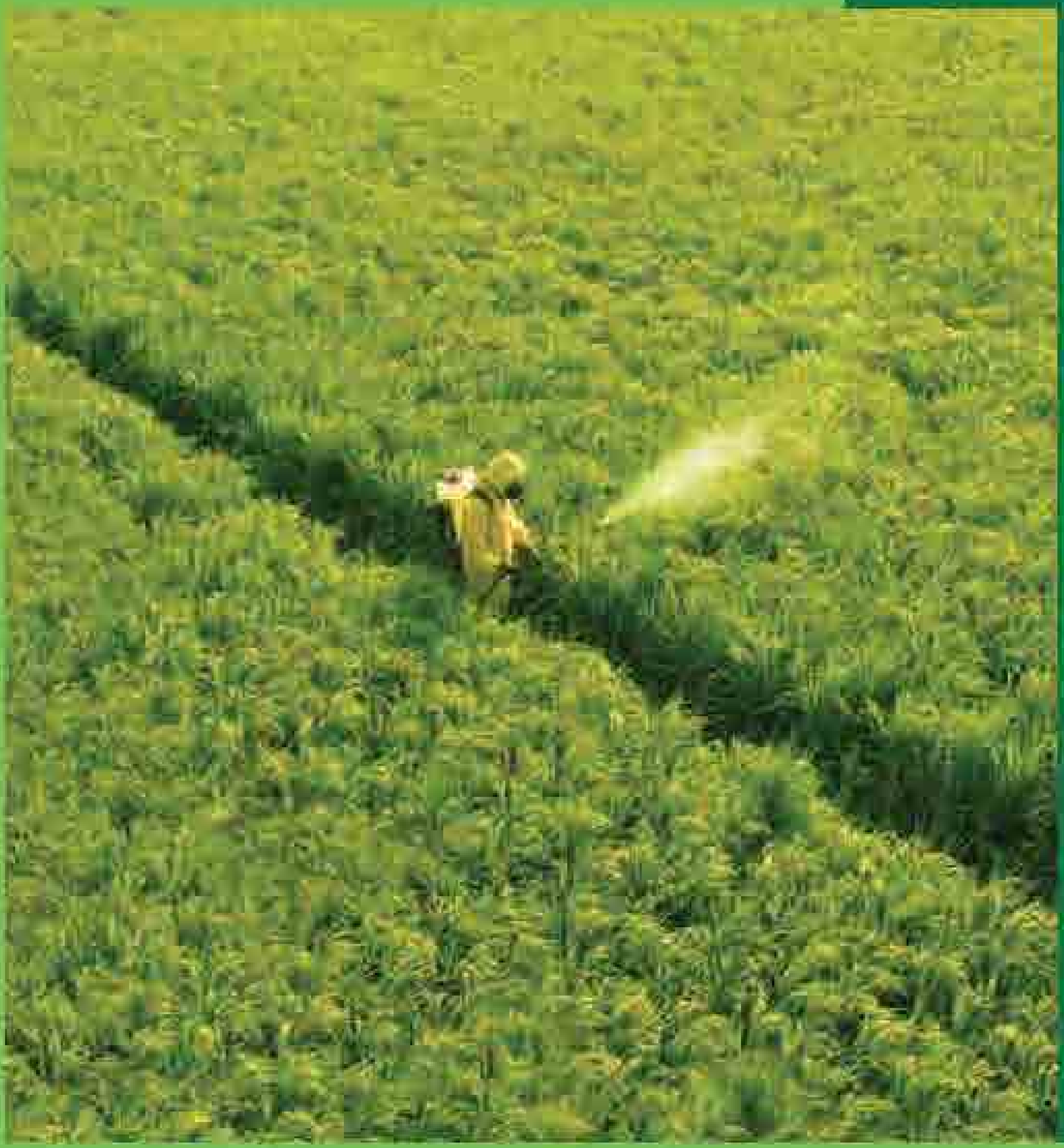
Our growth is a result of a shared belief that what we do at EFERT is for a higher purpose. This belief drives our dedicated teams to deliver on our Promise of Growth - of local farmers, our employees, the Nation as well as our shareholders.

2020 was a reminder that sometimes we're tested not to show our weaknesses but to discover our strengths, as EFERT continued to grow. When the Food Security of the Nation rests upon our shoulders, our teams rise to the occasion, go above and beyond for the farmers and, for Pakistan.

This is not only recognized by our customers and stock market but also by the elite local and global organizations like MAP, APEA and Dupont. Recently we have been awarded the APEA APAC Regional "Corporate Excellence" Award, a first for any Pakistani company as well as Dupont Safety Innovation Award 2020.

These victories have bolstered our resolve to reach higher and further, to create many more firsts in pursuit of our vision and, our Promise of Growth.

ABOUT THE 2020 ANNUAL REPORT



Overview

Our 2020 Engro Fertilizers Limited (EFERT or the Company) Annual Report (the Report) provides a holistic assessment of the Company's ability to create value by focusing on the relationships between internal and external factors. The report includes financial and non-financial information about aspects which have material impacts on our performance and integrates the following sections:

- Company Overview
- Corporate Governance
- Performance Review Report
- Audited Financial Statements
- Shareholder's Information

This report is developed for a wide range of stakeholders including shareholders, employees, local communities, customers, governments and non-governmental organizations (NGOs). The aim of our reporting approach is to assist our stakeholders in assessing the Company's macro and micro-environment, current year performance and future outlook. The report contains strategic, operational and financial reviews using information extracted from the Company's audited financial statements for year ended December 31, 2020, overview of our governance, risk management and internal control frameworks.

Furthermore, the report explains the Company's business model which enables us to create positive outcomes across the entire value chain, leveraging on our human, social, manufactured, intellectual and financial capital.

Board Approvals

The Board of Directors of EFERT acknowledge their responsibility of ensuring the integrity of this Report. The Directors Review Report and statutory financial statements included in the report have been approved by the Board for circulation in its meeting held on February 15, 2021.

Scope And Boundaries Of This Report

This Report covers the results of EFERT and its consolidated results with its subsidiary company, EFERT Agritrade (Private) Limited. The report covers the reporting period from January 1, 2020 to December 31, 2020. Subsequent events up to the issuance of this report have also been explained where applicable.

Materiality

The process for determination of materiality has been determined in accordance with the applicable financial reporting framework. Please refer Section 04: Financial Statement section of this Report.

External Assurance / Reviews

Assurance	External Firm
Review report on Compliance with Code of Corporate Governance	A. F. Ferguson & Co. Chartered Accountants
Independent Auditor's Report on the Audit of Financial Statements	A. F. Ferguson & Co. Chartered Accountants
Independent Auditor's Report on the Audit of Consolidated Financial Statements	A. F. Ferguson & Co. Chartered Accountants
Entity's Credit Rating	Pakistan Credit Rating Agency

Reporting Framework

This Report has been prepared in compliance with:

- The accounting and reporting standards as applicable in Pakistan comprising of:
  - International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
  - Provisions of and directives issued under the Companies Act, 2017.
  - Where the provisions of and directives issued under the Companies Act, 2017 differ from IFRS the provisions and directives issued under the Companies Act, 2017 have been followed.
- Reporting requirements of Companies Act, 2017, Listed Companies Code of Corporate Governance, 2019 and Listing Regulations of the Pakistan Stock Exchange (PSX).
- The report has also been prepared in compliance with Integrated Reporting (IR) framework issued by the International Integrated Reporting Council (IIRC).
- Best practices on Corporate Reporting as promoted by Joint Committee of Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP) and South Asian Federation of Accountants (SAFA).

There are no significant changes to the scope, boundary and reporting basis since the previous year.

Forward-Looking Statement

The Forward-Looking Statement addresses our expected future business and financial performance, status of projects disclosed in the previous year's forward-looking statement, sources of information and assumption used for projections / forecasts and our future course of action to manage risks and capitalize on opportunities.

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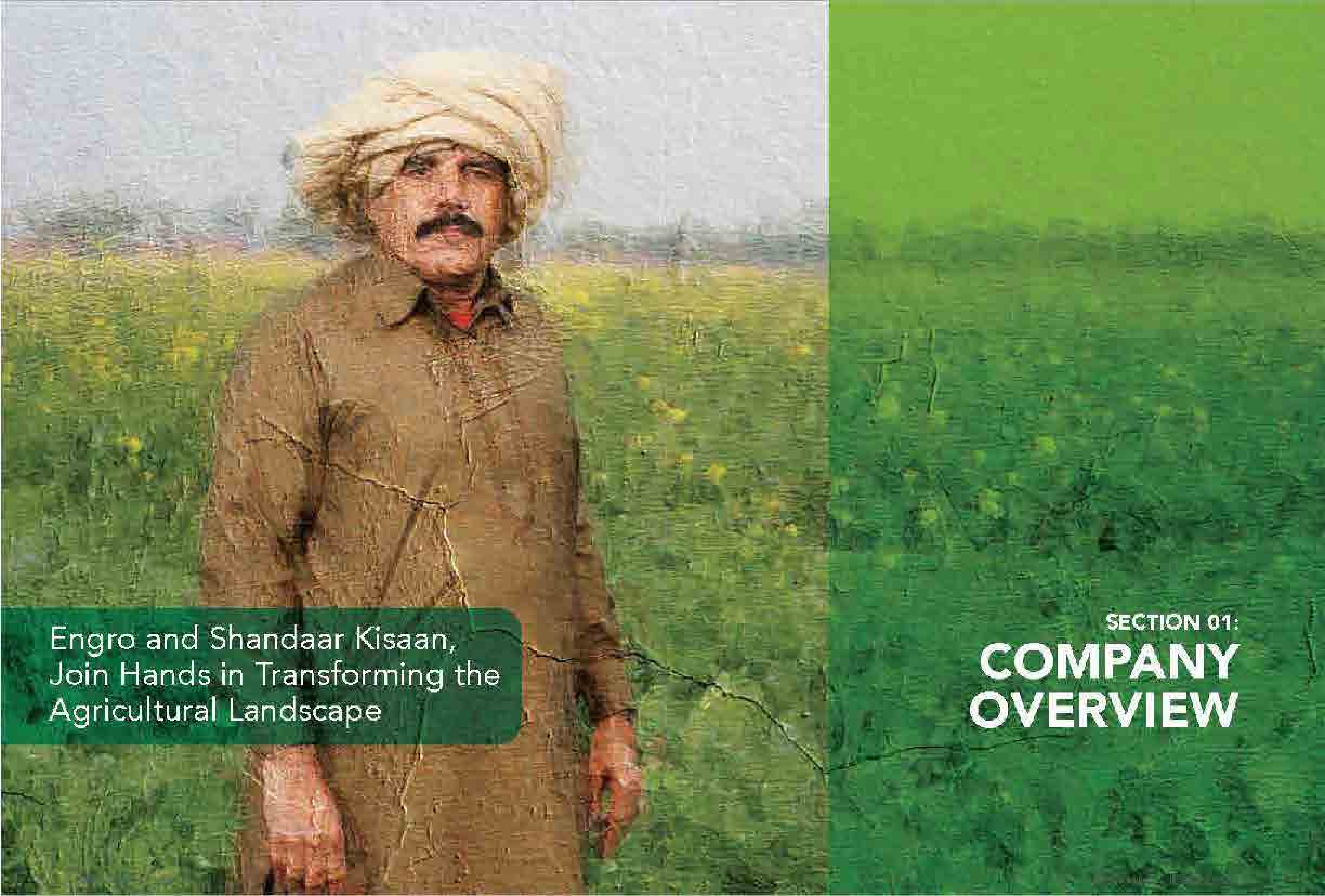

Engro and Shandaar Kisaan, Join Hands in Transforming the Agricultural Landscape

SECTION 01:

COMPANY OVERVIEW

General information about the Company and its operations

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COMPANY OVERVIEW

01. COMPANY VISION

VISION STATEMENT

We are passionate about transforming the agricultural landscape, bringing change and [illegible] along the farmer group.

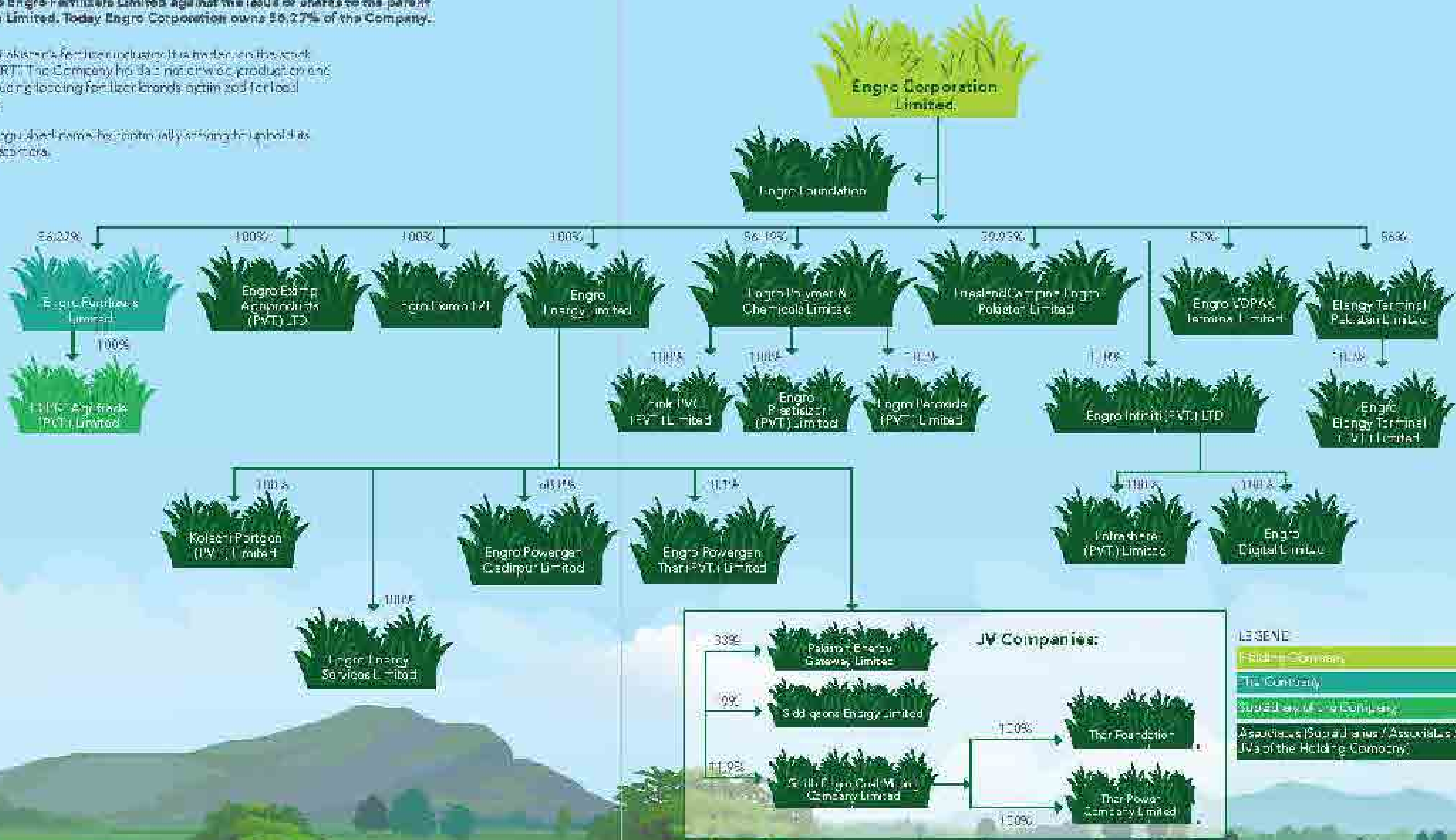
02. COMPANY PROFILE & GROUP STRUCTURE

EFERT was incorporated in June 2009, post demerger from parent company Engro Chemical Pakistan Limited effective from January 1, 2010. Subsequently, all fertilizer business assets and liabilities were transferred to Engro Fertilizers Limited against the issue of shares to the parent company, Engro Corporation Limited. Today Engro Corporation owns 56.27% of the Company.

EFERT is a renowned name in Pakistan's fertilizer industry. It is traded on the stock market under the symbol "EFERT". The Company holds nationwide production and marketing infrastructure producing leading fertilizer brands optimized for local cultivation needs and demand.

EFERT has earned itself a distinguished name by continually striving to uphold its tradition and the trust of its customers.

ENGRO GROUP STRUCTURE



OVERVIEW OF GROUP COMPANIES

Engro Corporation Limited

Engro Corporation Limited (the Parent Company), is a public listed company incorporated in Pakistan and its shares are quoted on Pakistan Stock Exchange Limited. It is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company).

The main responsibility of Engro Corporation is to manage investments in all its subsidiary companies, associated companies and joint venture, engaged in fertilizers, PVC resin manufacturing and marketing, food, energy, LNG, maintaining and operating telecommunication infrastructure and chemical terminal and storage businesses.

Engro Polymer and Chemicals Limited

Engro Polymer and Chemicals Limited (EPCL), is a public listed company, incorporated in Pakistan.

The principal activity of EPCL is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), caustic soda and other related chemicals. It is also engaged in supply of surplus power generated from its power plants to EFERT (EFK Plant).

Following are the subsidiaries of EPCL:

- **Engro Polymer Trading (Private) Limited**, incorporated to purchase, market and sell Poly Vinyl Chloride (PVC), PVC compounds, Caustic Soda and other related chemicals.
- **Engro Peroxide (Private) Limited**, incorporated to manufacture and market Hydrogen Peroxide and related chemicals.
- **Engro Plasticizer (Private) Limited** incorporated to manufacture and market Chlorinated Paraffin Wax and other related chemicals.

Elengy Terminal Pakistan Limited

Elengy Terminal Pakistan Limited (ETPL), is a public unlisted company, incorporated in Pakistan. Engro Elengy Terminal (Private) Limited (EETPL) is a wholly owned subsidiary of ETPL.

The principal business of ETPL is to establish and operate a terminal for handling, regasification, storage, treatment, and processing along with import, export and trading of Liquefied Natural Gas (LNG), Regasified Liquefied Natural Gas (RLNG), Liquid Petroleum Gas (LPG), Natural Gas Liquid (NGL) and all other related liquids, gases and chemical and petroleum products.

Engro Energy Limited

Engro Energy Limited (EEL), a wholly owned subsidiary of the Parent Company, it is a public unlisted company incorporated in Pakistan.

Engro Energy Limited's primary objective is to analyze potential opportunities in the power sector, undertake supply and service-related contracts and grow its Independent Power Projects (IPPs) based on feasibilities for new ventures.

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

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

- **Engro Energy Services Limited (EESL)** is a wholly owned subsidiary of EEL which analyzes potential opportunities in the power sector and undertakes service related contracts for Independent Power Projects (IPPs) based on feasibility for new ventures, providing operations as well as maintenance services.
- **Sindh Engro Coal Mining Company Limited (SECMC)** was formed under a Joint Venture Agreement (JVA) between the Government of Sindh (GoS), EEL and the Parent Company in September 2009. The [illegible] JVA is consequent to the selection of SECMC through an International Competitive Bidding process for the development, construction and operations of an open cast lignite mine in Block II of Thar Coal Field Sindh (the Project).
- **Pakistan Energy Gateway Limited** is a special purpose vehicle incorporated jointly with Shell Gas B.V. and Pakistan Petroleum Limited for the purpose of developing a [illegible] integrated LNG terminal with each of the three shareholders having a 33.3% stake.
- **Engro Powergen Qadirpur Limited (EPQL)** is a public listed company incorporated in Pakistan focused on power generation [illegible] distribution, transmission and sale.
- **Engro Powergen Thar (Private) Limited (EPTL)** was established to develop 2x330 MW mine-mouth power plants at Thar Block II, Sindh.
- EEL entered into a Joint Venture Agreement (JVA) on May 24, 2016 with [illegible] Limited (Pakistan) and Arif Habib Equity (Private) Limited (AHEPL) for the development of approximately 330 MW of a coal fired power generation facility in Block II, District Tharparkar, Sindh, through a joint venture company under the name of **Siddiqsons Energy Limited (SEL)**.

Engro Eximp Agriproducts (Private) Limited

Engro Eximp Agriproducts (Private) Limited (EEAPL) is a private limited company, incorporated in Pakistan. The principal activity of EEAPL is to produce, manufacture and trade all kinds of raw, processed and prepared food products including agricultural, dairy and farming.

Engro Infiniti

Engro Infiniti **(Private) Limited, (EInfiniti) was incorporated as a wholly owned subsidiary.**

The primary objective of EInfiniti is to analyse potential opportunities inside and outside Pakistan. This includes making available digital assets and ventures related to intellectual capital, direction, control, analytics of every kind of activity.
Following are the subsidiaries of EInfiniti:

Engro **Digital Limited (EDL)** is a public unlisted company established with primary objective of analyzing potential opportunities, providing digital services, technology and products both locally and globally.

Enfrashare (Private) Limited was incorporated in Pakistan as a private limited company, principally engaged in buying, building, maintaining, operating telecommunication infrastructure and related products and activities.

Engro Vopak Terminal

Engro Vopak Terminal Limited (EVTL), a 50% share joint venture of the Parent Company, is a public unlisted company incorporated in Pakistan. EVTL is a joint venture of the Parent Company and Royal Vopak Netherlands B.V.

EVTL has been granted the exclusive concession right and licence to design, finance, insure, construct, test, commission, complete, operate, manage and maintain an Integrated Liquid Chemicals Terminal along with the Storage Farm at the north western zone of Port Qasim on build, operate and transfer (BOT) basis.

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

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

Board Members

03. PROFILE OF THE BOARD

GHIAS KHAN

CHAIRMAN & NON-EXECUTIVE DIRECTOR

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

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

In addition, during his Presidency, Engro's Thar Block II mine and power plant have successfully completed one full year of Commercial Operations and contributed 660 MW to the national grid to benefit around 7 million Pakistanis across the country. Ghias' contribution to the robust turnaround of the Engro Eximp Agriproducts' rice business helped win it its first-ever Top Exporter Award in 2018 and triggered an achievement of more than USD 40 million in exports in 2020 alone.

His leadership has helped position Engro Fertilizers as the premier seed-to-harvest solutions provider – in 2020, it achieved record urea production to play its part in food security for Pakistan, while it also undertook several digitization initiatives that have established it as one of the largest e-sales companies in the country. Further, with a firm belief that connectivity is the conduit that enables social and financial inclusion, Ghias was involved in the launch of a new vertical at Engro: telecommunications infrastructure, under which Engro Enfrashare has already partnered with all major telcos and deployed over 1,000 telecom towers across Pakistan in 2020.

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

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

Former CEO of Inbox Business Technologies, an enterprise technology company that he co-founded in 2001 and remained with till 2015, Ghias grew the employees to over 1,200 and pivoted the company from a computer manufacturer to a systems integrator, and then to a technology-enabled digital services company.

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

Ghias was part of the Hong Kong under-19 cricket team, has represented Pakistan in the junior bridge team, and, in 2015, won the amateur singles championship at Karachi Golf Club.

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

NADIR SALAR QURESHI

CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR

Nadir Salar Qureshi is the Chief Executive Officer of Engro Fertilizers Limited since December 2017. He joined Engro Corporation Limited in March 2017 as Chief Strategy Officer. He completed his MBA from Harvard Business School, and his Bachelors and Masters degrees in Nuclear Engineering from MIT. He brings with him expertise in multiple sectors across the GCC, Turkey, Australia, ASEAN and the EU. He is also experienced in strategy, private equity and investments. 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, Cerner Corporation and Abraaj Capital, leading up to his most recent role as Chief Investment Officer at Makara Capital in Singapore. Nadir serves as a Chairman on the Board of Engro Vopak Terminal Limited and also as a Director on the Boards of:

- EFERT Agritrade (Private) Limited
- Engro Polymer & Chemicals Limited
- Engro Energy Limited
- Pakistan Energy Gateway Limited

ABDUL SAMAD DAWOOD

NON-EXECUTIVE DIRECTOR

Abdul Samad Dawood has 18 years of experience in management and governance. He joined the Engro Corporation Board in 2009 and now serves as Vice Chairman of the Board.

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

Mr. Dawood has previously served as Independent Director of International Industries Limited and Independent Non-Executive Director of Sui Northern Gas Pipelines Limited. He has also served on the Board of Engro Eximp Private Limited, Inbox Business Technologies Private Limited, The Hub Power Company Limited, Tenaga Generasi Limited, Dawood Lawrencepur Limited, Pebbles Private Limited, and World Wildlife Fund for Nature - Pakistan. He was previously Chief Executive of Dawood Hercules Corporation Limited and Cyan Limited and also commands operational experience gained at Dawood Lawrencepur Limited and Dawood Hercules Chemicals.

Abdul Samad Dawood is a graduate in Economics from University College London, UK and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance.

JAVED AKBAR

NON-EXECUTIVE DIRECTOR

Javed Akbar is a Chemical Engineer and has over 40 years of experience in the 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 2016, he was Chief Executive Officer of Engro Vopak Terminal Limited, a joint venture between Engro and Royal Vopak of Holland. After retirement, he established a consulting company that analyzes and forecasts petroleum, petrochemical and energy industry trends while providing strategic insights.

He currently serves on the Boards of:

- Engro Vopak Terminal Limited
- Javed Akbar Associates (Private) Limited
- Engro Powergen Thar (Private) Limited
- Reon Energy Limited
- The Hub Power Company Limited
- Narowal Energy Limited
- Laraib Energy Limited
- Hub Power Services Limited
- [illegible] Agritrade (Private) Limited

ASAD SAID JAFAR

INDEPENDENT & NON-EXECUTIVE DIRECTOR

Asad Said Jafar, has held the position of Chief Executive Officer and Chairman of the Board of Directors at Signify Pakistan Limited (formerly Philips Pakistan Limited) since 2009. Prior to this, he was Director Supply Chain for Philips Lighting ASEAN from 2006 to 2008. Asad has extensive manufacturing, supply chain, business excellence and general management experience and has held various leadership roles at Philips including overseas expatriate postings to Indonesia, Thailand and Singapore from 2001 to 2008. Asad joined Philips in 1998 as Supply Chain Manager at Philips Pakistan Limited.

He has driven the transformation and revitalization of the Philips business in Pakistan to become a focused lighting technology company offering a complete range of conventional and LED lighting solutions including its connected lighting systems and data enabled services, design services and turnkey solutions. He has also steered the transition of the company from Philips to Signify in Pakistan.

Before Philips, Asad worked at ICI Pakistan Limited from 1985 to 1995 joining them as a Management Trainee and gaining experience of projects, plant maintenance, design and engineering planning before leaving the company to pursue an MBA degree.

Asad served as the President of Overseas Investors Chamber of Commerce and Industry (OICCI) in 2014 and as its Vice President in 2013. He is currently serving on the Board of Directors of Engro Fertilizers Limited. Previously he has served on the Board of Directors of Pakistan Institute of Corporate Governance (PICG) and Engro Polymer & Chemicals Limited and has been a member of the Institute of Business Administration (IBA) Corporate Leaders Advisory Board (CLAB). He also serves as the member of International Advisory Board at NED University of Engineering and Technology. He participates regularly in Karachi School of Business & Leadership's CEO mentorship program.

Asad holds an Electrical Engineering (BE) degree from the NED University of Engineering & Technology and a Master's degree in Business Administration (MBA) from the Imperial College Business School, London, UK where he studied as a Chevening scholar.

Asad has completed several management development programs including the 'Leading a Business' program at Ashridge Business School, UK. He attended the 'Philips Emerging Board 1000' programme at the Chicago Graduate School of Business (London campus) as well as the '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

INDEPENDENT & NON-EXECUTIVE DIRECTOR

Asim Murtaza Khan is working as pro bono CEO of Petroleum Institute of Pakistan (PIP) since November 2015. Prior to that he has worked for Pakistan Petroleum Limited (PPL) for over 32 years. Asim oversaw the Bolan Mining Enterprises, a joint venture between PPL and the Government of Balochistan for mining of barites, iron ore and lead-zinc. He was one of the founder Directors of PPL's overseas subsidiary companies, PPL Europe E&P Ltd. and PPL Asia E&P B.V. Asim was appointed as MD/CEO of PPL by the Government of Pakistan in May, 2011 and he superannuated in February, 2015.

He has a Bachelor's in Mechanical Engineering from NED University of Engineering and Technology, Karachi and 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. Asim is a Fellow and Member Central Council of the Institution of Engineers Pakistan, Chair of the Petroleum Engineering Advisory Board and Member Academic Council at NED University of Engineering & Technology, and member of a key committee of the Pakistan Engineering Council.

Previously, he has served as the Chair on the Boards of Pakistan LNG Terminals Limited, Petroleum Institute of Pakistan (PIP) and on the Boards of Pakistan Institute of Corporate Governance (PICG), Community Development Board of the Government of Sindh. Asim also served as the Chair of the Technical Committee of the Pakistan Petroleum Exploration and Production Companies Association (PPEPCA).

MAZHAR HASNANI

NON-EXECUTIVE DIRECTOR

Mazhar Hasnani, the Chief Financial Officer at Engro Corporation Limited has been with the Engro Group for over 11 years and has worked in finance, business development and commercial positions across multiple companies. Most recently he was the Vice President – Marketing at Engro Polymer & Chemicals Limited and prior to that he served as GM – Corporate Strategy at Engro Corporation Limited. Among his most notable successes at Engro are the raising of capital for the Group for the FrieslandCampina / Engro Foods transaction, the private placement of Engro Fertilizers' shareholding, and developing the roadmap for turnaround of Engro's rice business.

Prior to joining the Engro Group, Mazhar gained valuable experience while working in various finance and advisory roles with Deloitte, PricewaterhouseCoopers, and Nortel Networks in USA & Canada. Mazhar holds a Bachelor's degree in Economics & Accounting and is a Certified Public Accountant (CPA – Colorado).

Management Committee

NADIR SALAR QURESHI
Chief Executive Officer

IMRAN AHMED
Chief Financial Officer

AMIR IQBAL
Chief Commercial Officer

SYED SHAHZAD NABI
Divisional Executive [illegible]

SALMAN GOHEER
Divisional Head Supply Chain

IMRAN LAKHWERE
General Manager
Digital Transformation

ARSHIA SAQIB
General Manager
Human Resources

04. 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. Mazhar Hasnani
Casual Vacancy*

CHIEF FINANCIAL OFFICER
Mr. Imran Ahmed

COMPANY SECRETARY
Mr. Suhaib Barkat

BANKERS
Conventional Banks

Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Citibank 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
Summit Bank Limited
The Bank of Punjab
United Bank Limited

Shariah Compliant Banks

BankIslami Pakistan Limited
Al Baraka Islamic Bank (Pakistan) Limited
Dubai Islamic Bank (Pakistan) Limited
Meezan Bank Limited
MCB Islamic Bank Limited

Microfinance Banks
Mobilink Microfinance Bank
Telenor Microfinance Bank

*[illegible] 31st December

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
PABX: +92(21) 111 211 211
Fax: +92(21) [illegible]
Website: www.engrofertilizers.com
www.engro.com

PLANT SITES
Daharki
Daharki, District Ghotki, Sindh
PABX: +92 723 641001-10
Fax: +92 723 641025-9

Zarkhez
EZ/1/P-II-1 Eastern Industrial Zone Port Qasim, Karachi
PABX: [illegible]
Fax: +9221 3474 0051

DISTRIBUTION HEAD OFFICE
Engro Fertilizers Limited
Plant Site Daharki

SALES & MARKETING HEAD OFFICE
7th Floor, The Harbor Front Building,
HC #3, Marine Drive, Block 4, Clifton,
Karachi-75600, Pakistan

SHARE REGISTRAR
M/s. FAMCO Associates (Pvt.) Limited
8-F, Near Hotel Faran, Block 6, PECHS,
Shahrah-e-Faisal, Karachi, Pakistan
Tel: +92(21) 34380101-5, 34384621-3
Fax: +92(21) 34380106

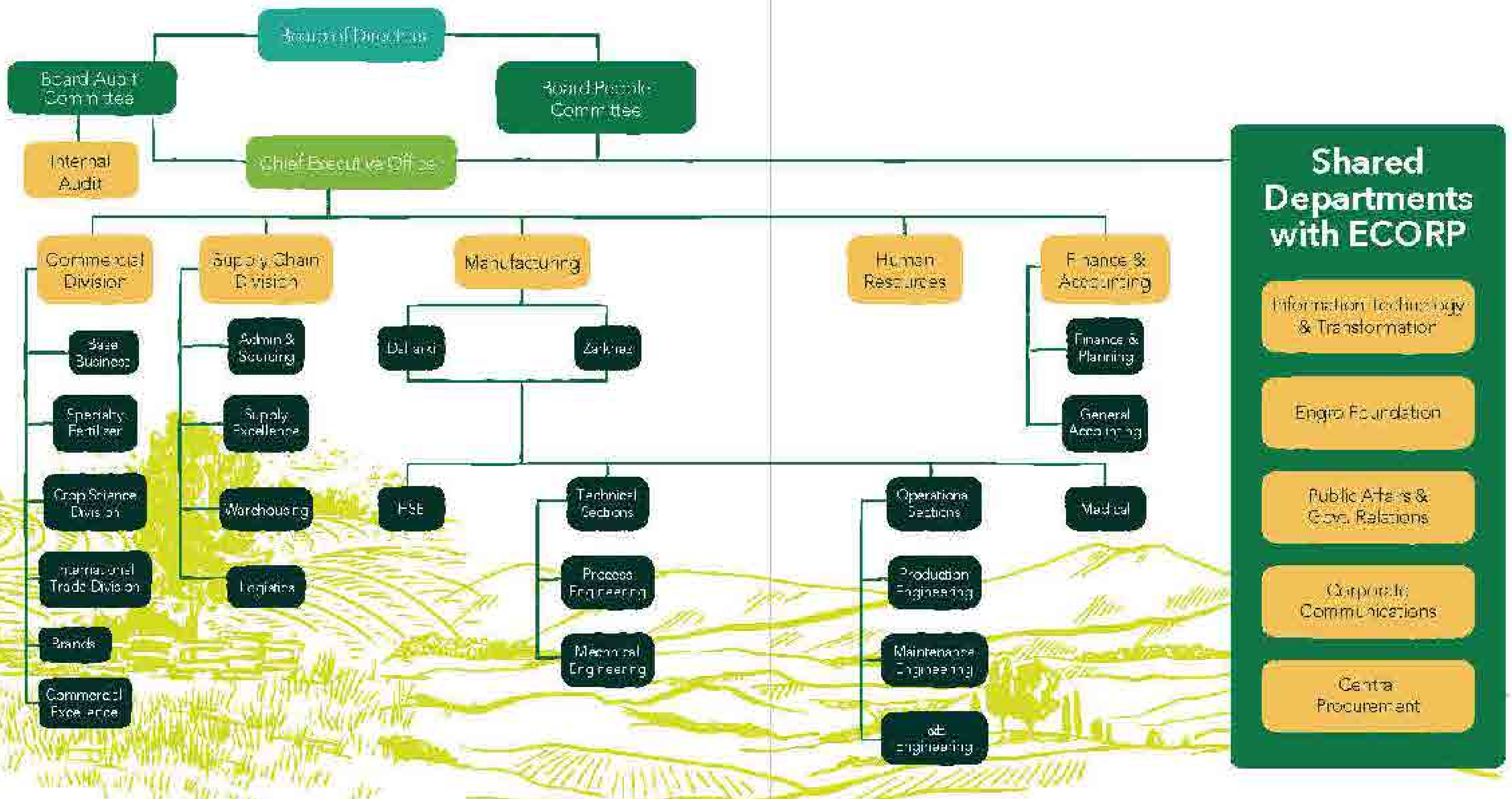
SPEAK-OUT, WHISTLEBLOWER HOTLINE
For complaints or concerns in relation to business ethics and Compliance
Engro Fertilizers Limited
Tel: [illegible]
Email: speakoutfertilizers@engro.com
P.O. Box 3851, Clifton, Karachi

05. GEOGRAPHICAL PRESENCE

S.No.	Description	Address
1	Head Office	2nd & 3rd Floor, Harbour Front Building, Marina Drive, Block 4, Clifton, Karachi
2	Daharki Plant	Daharki, District Ghotki, Sindh
3	Zarkhez Plant	E2/1/7 P-1 [illegible] Eastern Zone, Port Qasim, Karachi
4	Zonal Office - North	4th Floor, 17-A, Ali Block, New Garden Town, Lahore
5	Regional Office - Faisalabad	4th Floor, Mezan Executive Tower, Liaquat Road, Faisalabad
6	Regional Office - Sahiwal	Alayan Centre, Police Line Road, Sahiwal
7	Regional Office - Gujranwala	Al Hamd Plaza, GT Market, City Housing Society, Gujranwala
8	Zonal Office - Central	2nd Floor, Mehr Lahore Tower, Opp. High Court, Old Bahawalpur Road, Multan
9	Regional Office - Bahawalpur	Awais Plaza, Plot # 14-D, Aziz Bhatti Shaheed Road, Model Town 'A', Bahawalpur
10	Regional Office - Daharki	Marketing Office Daharki Plant
11	Regional Office - DG Khan	Engro Warehouse, Opp. BH S.E. Multan Road, Dera Ghazi Khan
12	Zonal Office - South	6th Floor, State Life Building, Thandi Sadak, Hyderabad
13	Regional Office - Nawabshah	Near Bilawal Stadium, Main Kazi Ahmed Road, Nawabshah
14	Regional Office - Sukkur	Plot # E-37, Pak Memon Cooperative Housing Society, Old Arain Road, Sukkur

06. EFERT'S ORGANIZATION & ITS OPERATING SCALE

Organizational Chart



Quantitative information of our employees:

Total Employees

1,362

Workforce strength by Gender

1,293	69
MALE	FEMALE

Number of Factory / Non-Factory Employees

739	623
FACTORY	NON-FACTORY

Workforce strength by Age

289	933	140
<30	30-50	>50

Workforce strength by Location

DAHARKI PLANT	687
FAISALABAD OFFICE	70
HEAD OFFICE	180
HYDERABAD OFFICE	111
LAHORE OFFICE	72
MULTAN OFFICE	102
SUKKUR OFFICE	88
ZARKHEZ PLANT	52

Workforce strength by Employment type

826	536
MANAGEMENT	NON-MANAGEMENT

Significant Changes From Prior Years

The economic uncertainty triggered by COVID-19 did not significantly impact the Company's profitability or operations during the year. Significant changes from FY 2019 contributing to the changing paradigms and strategic management, have been discussed in relevant sections of this Report.

07. PRODUCT PORTFOLIO & SERVICES

At EFERT, we believe in delivering the highest standards of quality hence our focus goes beyond the performance of brands to how our brands are impacting the lives of our consumers and enriching nutrient deficient lands. Our efforts are directed at increasing crop yields and driving the Nation's Food Security Agenda.

Therefore, at EFERT we strive to combine innovation and quality with customer needs and expectations.

The primary business segments of the Company are:
- Fertilizers (Urea, Phosphatic Fertilizers and Specialty Fertilizers)
- Crop Sciences; and
- Agri services (including its premier flagship brand of logistics services i.e. Engro Logistics).

Fertilizers

Engro Fertilizers has a portfolio of premium fertilizers that focuses on balanced crop nutrition and improved crop yields, including Engro Urea and DAP (Di-Ammonium Phosphate) which comprise of some of the most trusted brands among Pakistani farmers.

Engro Urea

EFERT set up the first urea production facility in Pakistan, a landmark event in the agricultural sector of the country with a production capacity of 173,000 tons per year in 1968. With various debottlenecking and expansion steps, production capacity increased to 975,000 tons per year. In 2011, the Company set up the world's largest (at that time) single train urea plant of 1.3 Mn tons capacity. Currently, EFERT is producing ~2 Mn tons per year.

Nitrogen is the most important nutrient required by plants in large quantities. Engro Urea contains 46% Nitrogen. It is the most concentrated solid Nitrogen fertilizer which is produced in prilled form. It is white in color and is used for soil and foliar applications in all field crops, orchards and turfs, for healthy plant growth and improving crop yields. It is marketed in 50 Kg bag.

Phosphatic Fertilizers:

Engro DAP

Till 1994, Di-Ammonium Phosphate (DAP) was imported in Pakistan by the fertilizer import department (FID), however due to deregulation of imports the private sector took over and EFERT became one of the largest importers in the country. Engro DAP is a compound fertilizer that has a Nitrogen to Phosphorus ratio of 18:46. It is amongst the most widely used sources of Phosphorus in Pakistan. It strengthens the roots of plants, flower and fruit formation and enhances grain size and weight. EFERT has been importing and marketing Engro DAP in the country since 1995. Engro DAP complies with Pakistan Standards 2331 and only the best quality is imported from renowned sources from around the world. This is the reason it is a popular and trusted brand among farmers. It is marketed in a 50 Kg bag.

Engro Zorawar

Engro Zorawar or Mono-Ammonium Phosphate (MAP) is a compound fertilizer with high content of Phosphate (52%) and 11% Nitrogen. It is in granular form and acidic in nature, having high solubility and efficiency compared to other Phosphatic Fertilizers. Engro Zorawar supports seed germination, strengthens root development and improves tillering in Wheat, Rice and Sugarcane. In addition, it also helps in improving grain feeding in cereals, gives more flowers and better fruiting in Cotton, Vegetables and fruit trees. EFERT is the only company which imports MAP in the country. Due to White color, it has less chances of adulteration. It is marketed in a 50 Kg bag.

Specialty Fertilizers

Specialty fertilizers are an extension of fertilizer's business with unique products targeted at specific issues to certain crops. They are new and innovative products developed after research and development using state of the art technology.

Engro Zarkhez:

Majority of the soils in Pakistan are deficient in macronutrients especially in Nitrogen, Phosphorous and Potassium. As a result, yields and quality of fruits are low. EFERT has introduced Engro Zarkhez which has all the three major nutrients in a balanced proportion.

The presence of all macro nutrients in one granule results in efficient nutrient uptake. The application is convenient with a granular nature for the farmers whether it is applied through manual application, automatic or a planter. Engro Zarkhez is currently available in two different variants which are Engro Zarkhez Plus and Engro Zarkhez Khaas. It is marketed in a 50 kg bag.

Engro Zarkhez Plus

has added organic fillers and bio stimulants which ensure prolonged availability of nutrients resulting in higher yield and good quality of produce. It has NPK in 8:23:18 ratio and it is used for all major crops.

Engro Zarkhez Khaas

is a unique recipe with Boron and Sulphur, enriched with organic fillers and bio stimulants. It has NPK in the ratio of 15:10:15 and it is used in fruit plants and orchards. Engro Zarkhez Khaas improves fruit yield and quality, reduces flower and fruit shedding.

Engro Zingro

Zinc is a micronutrient which is required in small dosages and it complements the functions of major nutrients. Over the years, Zinc deficiency has been well established on a variety of crops especially in rice. Use of Engro Zingro which is a premium product, results in quick response and improved crop yields due to improved Zinc efficiency. It contains 33% Zinc and is a high purity fertilizer which means it is free from heavy metals. It is marketed in a 3 kg bag.

Engro Zabardast Urea

Engro Zabardast Urea (ZU) launched in 2019, is yet another leap forward by EFERT in pioneering next generation fertilizers in Pakistan. This product is developed in collaboration with Vithal Corp USA. It has a unique combination of Nitrogen (42%), Bioactive Zinc (1%) and a consortium of beneficial microbes that mobilize nutrients in soil and enhance crop resistance. Engro Zabardast Urea is beneficial for all the crops as it increases crop yields, improves quality and enriches zinc contents in produce. It is marketed in a 50 kg bag.

Engro NP Plus

Engro NP Plus is an innovative formulation that contains Nitrogen and Phosphorus in equal proportions (18:18) providing balanced growth in terms of crop health and productivity. Additionally, it has Boron and organic fillers. It helps in grain filling and improves grain weight while controlling flower shedding. It is ideally suited for soil application and broadcasting at the time of seed sowing as well as during early crop growth stage. It is marketed in a 50 kg bag.

Engro MOP

In addition to potash based blended fertilizer, Potassium can also be applied in the form of straight fertilizer out of which, one widely used potassium fertilizer is Engro Muriate of Potash (MOP). Engro MOP targets all potash loving crops such as potato, maize, sugarcane, wheat, rice, cotton, vegetables, fruits and orchards. Engro MOP contains (60%) Potassium nutrient and is the most concentrated form of granular potassium. It can be used in every type of soil except saline soils (which have high contents of chloride) and chloride sensitive crops like Tobacco. It improves crop yields and develops resistance to diseases. It also improves color, flavor and shelf life of fruit and vegetables. It is marketed in a 50 kg bag.

Engro SOP

Engro SOP is a premium, chloride-free form of Potassium that can be applied as a straight fertilizer. Engro SOP is available in both Granular and Powder forms, targeting all potash loving crops such as potato, maize, sugarcane, wheat, rice, cotton, vegetables, fruits, orchards and tobacco. Engro SOP contains (50%) Potassium nutrient and 17.5% Sulphur. Engro SOP not only improves quality parameters, but also makes plants resilient to drought, frost, insects and diseases. It is marketed in a 50 kg bag.

Engro Ammonium Sulphate

Engro Ammonium Sulphate with 21% Nitrogen and 24% Sulphate is used primarily to fulfill the supplemental need of Nitrogen and Sulphur in growing plants. It is an acidic fertilizer which is highly soluble in water and contains plant preferred Sulphate form. Farmers are becoming increasingly aware of the importance of Sulphur as a secondary nutrient as it helps in nutrient uptake and increases resistance against diseases like fungal attacks. It is marketed in a 50 kg bag.

Engro Zoron

Engro Zoron is a 100% water soluble fertilizer which contains 20% Boron as an essential micro nutrient. It increases efficacy of other fertilizers, nourishes the plants, increases crop yields, retains the shape of the produce, reduces flower and fruit shedding as well as improves overall quality. It can be used for soil or foliar application. Engro Zoron is recommended for cotton, cereals (rice, maize etc.) vegetables (onion, potato, tomato, cauliflower), fruits (apple, banana, grapes, guava, apricot, pear, peach, plum), roses and other ornamental plants. It is marketed in a 500 gm pack.

Engro Potash Power

Engro Potash Power, imported from SQM in Chile (world's largest manufacturer of Potash), has a high composition of Potash (44%) in addition to Nitrogen (13%). It is 100% water soluble and acidic in nature especially designed for high-efficiency drip irrigation system. It enables availability of other nutrients to the soil and is suitable for both soil and foliar applications with high efficiency irrigation system (Drip / Sprinkler / Pivot).

Engro Potash Power provides greater resistance against frost. It increases fruit size, fruit appearance, organoleptic features and shelf life. Engro Potash Power is for all crops including cotton, wheat, rice, sugarcane, sunflower, maize, flowers and fruits at mid to late stage application for improving health, yield, optimal plant nutrition and overall quality. It is marketed in a 25 kg bag.

Engro Phos Power

Engro Phos Power, imported from Europe, is acidic in nature and 100% water soluble which is specially designed for high-efficiency irrigation system. It contains Phosphorous (44%) and Nitrogen (17%). It is a premium product, free from impurities which improves the availability of calcium, magnesium and other trace elements to the plant. It can be used for soil or foliar applications, and applied to all types of crops, orchards and vegetables for improving health, vigor, yield and overall quality of produce. It is marketed in a 25 kg bag.

Crop Sciences Division

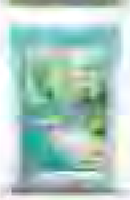
FFBL expanded its Seeds business operations with the introduction of the Crop Sciences Division (CSD) in 2017. CSD has a range of insecticides, fungicides, herbicides and micro nutrients in addition to Hybrid and Open pollinated seed varieties of different crops and vegetables. CSD is committed to providing high quality seeds and plant protection products to drive the National Food Security agenda.

Seeds

BHAROSA SEEDS (OPEN POLLINATED VARIETIES)

RICE SEEDS SUPER BASMATI

Rice variety Super Basmati, released in 1996, falls in Aromatic Long Grain Category. This variety is widely cultivated in rice-zone areas such as Sialkot, Gujranwala, Sheikhupura and Narowal as it is popular for its rich aroma and taste, enabling the farmer to fetch a high price. It has high contribution to exports in the Basmati Rice Category. These Super Basmati Rice seeds are marketed in a 20 kg bag.

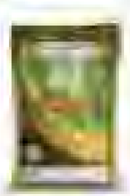


RICE SEEDS BASMATI 515

Rice seeds variety Basmati 515 was commercialized in 2011 under the Aromatic Long Grain Category. It is growing popular among rice growers across Pakistan especially in Sindh. Additionally, rice millers are increasingly interested in this variety due to its high head rice recovery and low incidence of aflatoxin disease. This rice variety of Basmati 515 is marketed in a 20 kg bag.

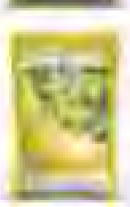
RICE SEEDS PK-1121

Rice seeds variety PK-1121 (Aromatic) are available for sale since 2013 under the Extra Long Grain Aromatic Category. It is a popular variety in the rice-zone rice growing areas owing to high demand of parboiled rice. These rice seeds significantly contribute towards exports of parboiled rice, especially in Gulf countries. It is marketed in a 20 kg bag.



RICE SEEDS PK-386

Rice seeds variety PK-386 commercialized in 2014, falls in Non Aromatic Fine Grain Category. This variety is very popular in Gujranwala District due to short-duration variety (100 Maturity Days). This variety is best for three crop rotations model per year to increase output for farmers. It is being marketed in a 20 kg bag.



RICE SEEDS SHANDAAR

The Shandaar rice variety, commercialized in 2016, falls under Non-Aromatic Coarse Grain Category. After coarse hybrids, it is one of the most popular rice varieties in lower and upper Sindh. It is marketed in a 20 kg bag.

WHEAT SEEDS FAISALABAD 2008

Faisalabad 2008 variety released in 2008 is popular among wheat growing communities as this is the only variety that can be sown in mid-late sowing regimes with good tillering capacity and wider geographical adaptability. Faisalabad 2008 is a dominant wheat variety in Pakistan and is marketed in a 50 kg bag.

WHEAT SEEDS TD-1

The TD-1 seeds variety commercialized in 2016 is popular due to its flexible sowing time (Early to Mid-sowing) and geographical spread that includes both lower and upper Sindh. It is a short-statured variety that has high resistance to lodging. It is marketed in a 50 kg bag.

WHEAT SEEDS GALAXY 2013

The Galaxy 2013 seeds variety, released in 2013, is recommended for Early sowing. It is a popular variety in Central Punjab in wheat-cotton rotation areas owing to better adaptability, delivering high yields. This variety is increasingly becoming popular in Sindh due to its comparatively better performance compared to other varieties in areas with low rainfall. Galaxy 2013 is marketed in a 50 kg bag.

WHEAT SEEDS ABDUL SATTAR (AS-2002)

The AS-2002 seed variety was commercialized in 2002 and is popular in Southern Punjab, upper Sindh and some parts of Balochistan due to its ability to deliver high yields as well as bold and shining grains. This variety has no lodging because of the stiff stem and short stature. It is marketed in a 50 kg bag.

HYBRID VARIETIES

RICE SEEDS HRS-313

HRS-313 is a high yielding early maturity (short duration) hybrid rice seed variety. It is from a Chinese source with good performance across upper and lower Sindh areas, Balochistan belt and DG Khan hybrid rice sowing pockets. HRS-313 has good grain length with high heat tolerance and resistance against chaffing. It is marketed in a 5 kg bag.

MULTI-CUT HYBRID SORGO SWEET SEEDS

Sorgo Sweet is a high yielding multi-cut sorghum-Sudan grass hybrid seed variety. It has a South American origin with sweetness preferred by the livestock. Sorgo Sweet is suitable for flexible sowing areas across all the four provinces and in multiple areas. It is marketed in a 10 kg bag.

Crop Protection

Libral Zinc

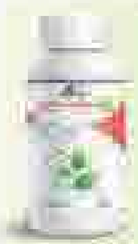
Libral Zinc is a special Zinc (Chelated) that quickly absorbs into plants due to its excellent soluble properties. It improves plant growth and enhances fruiting and flowering. It can be mixed with other NPK fertilisers for applying onto the soil or can be sprayed on the plants. Its recommended dosage per acre is of 500 gm.

Azidox

Azidox is a mixture of two broad spectrum fungicides that has preventive and curative activities to fight against different diseases such as Blast in rice, Rust in wheat, Powdery Mildew and Anthracnose in mango, chillies and cucumbers etc. Its recommended dosage per acre is 200 ml.

Truce Xtra

Truce Xtra is a mixture of two different herbicides which is absorbed through weed leaves and roots preventing their growth. Due to its unique WG formulation, it gives long lasting control of sedges, grasses and broad leaf weeds of maize and sugarcane. The recommended dosage for maize crop is 400 gm per acre and for sugarcane crop is 800 gm per acre.

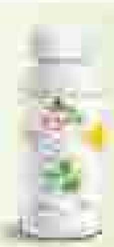


Sega Pest Clear

Sega Pest Clear is a unique mixture of two powerful insecticides that effectively controls chewing pests like bollworms, armyworm, fruit borer etc. in different crops and vegetables. It is sprayed at the rate of 400 ml per acre.

Veyong Jinteng

Veyong Jinteng is a combination of two quick action insecticides. It penetrates into plant cell sap to control sucking pests like jassid, aphid and hoppers attacking various crops, orchards and vegetables. Its recommended dose is 100 gm per acre.

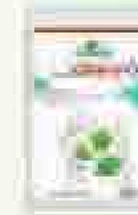


Fusho

Fusho is a mixture of broad spectrum herbicides which is absorbed through leaves and roots of undesired weeds present in potato fields. The recommended dose of Fusho is 600 ml per acre.

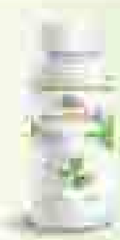
Libral TMX

Libral TMX is a multi-micronutrient (chelated) that improves crop vegetative growth, induces flowering and fruiting. It is 100% water soluble and has excellent quality of sticking and absorbing into the plant. It is sprayed at the dosage of 100 gm in 100 liters of water on different crops, vegetables and orchards.



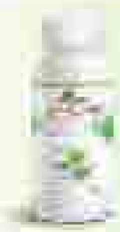
Pivot

Pivot is an advanced mixture of two fungicides which penetrates into the plant after application. It controls different diseases such as late blight and downy mildew in vegetables through its protective, curative and eradicative functions. It is sprayed at the dosage of 250 gm per acre.



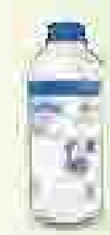
Vigorion Super

Vigorion Super is a combination of amino acids and plant growth regulators. As a ready-to-use food supply source, it induces fruiting and flowering in different crops and vegetables. It also acts as stress manager, protecting plants from several climatic conditions such as heat stress, frost, dryness etc. It is sprayed at the rate of 500 ml per acre.



Magnator

Magnator is a Potassium based liquid product which is used not only to supplement potash deficiency in plants but also to increase size and weight of the produce, delivering high quality yield. The recommended dose per acre is 1000 ml.



Sefina

Sefina is a BASF brand derived from a natural fungal source with a new active ingredient Inscalis (Afidopyropen). Its rapid action provides long lasting control against sucking insect pests like jassid, whitefly and aphid etc. In addition, it induces flowering, fruiting and enhances the quality of produce in different crops such as cotton, vegetables and fruits. Most importantly, it is environmentally safe and good for beneficial pollinators. It is sprayed at the dosage of 400 ml per acre.

Agri-Services

EFERT has expanded its offering to cater to different areas of agricultural needs to provide our customers with one-stop solutions. Following are the services currently provided under EFERT's hood:

Engro Logistics

2020 was the first year of commercial operations for newly established services arm dealing in long haul logistics business. This service arm of the Company will help in consolidating the end-to-end supply chain function of the Company and at the same time bring innovation and efficiency to the existing logistics industry of Pakistan. In its first year of operations, the fleet size has grown to 195 vehicles comprising a mix of flatbed, containerized and refrigerated vehicles covering 16 million KMs and moving a combined weight of 511KT with safety statistics better than industry average from first year of operations.

Agribusiness Solutions

Agri-Business Solutions Division

EFERT is the first company to offer efficient farm mechanization services which include provision of modern machinery and mechanization tools with the aim to increase crop yields for the farmers of Pakistan and drive the Nation's Food Security agenda.

In 2020, EFERT operated in 9 districts of Punjab: Sahiwal, Bahawalnagar, Okara, Pakpattan, Vehari, Multan, Khanewal, Kasur, and Lodhran, and served a total of 6,100 acres in Wheat, Rice, and Maize value chains. Moreover, the Company conducted trials of mechanical transplanting of maize and rice which have proven to be very successful.

Mechanical Maize Planting Service

Our service uses latest 3-in-1 seed planting technology which prepares bed, sows seed, and applies fertilizer at the same time, saving a lot of time and most importantly delivering high quality produce. It ensures uniformity in seeding by creating even rows of 25-26 inches and distributing fertilizer at 2-3 inches from the seed. These uniform rows make the crop suitable to be harvested through machines. The planter is mounted on a tractor having a working capacity of planting up to 15 acres / day and ensures 32,000 - 35,000 plant population per acre.

Bed Shaping Service

Our service provides Bed shaper that is used to form raised beds which facilitates rows to be uniform in size and shape for manual sowing. Raised beds also help standardize the growing environment across a crop field and different soil types. Moreover, with the help of consistent rows, excessive rainwater can be drained quickly, which prevents saturation and improves pest and disease control. It creates two rows per bed with row size of 25-26 inches.

Corn Harvesting Service

Our service uses latest technology having capacity of harvesting four rows simultaneously. The front of the machine is especially designed (knife shaped) for effective harvesting of inverted corn. The machine can pick corn dried or in green form without damaging the grains and fill it in the bucket carried behind the tractor. Harvesting corn via our service minimizes post-harvest losses and increases yield. This machine has 26 inches (66 cm) row spacing respectively. It has a harvesting capacity of up to 15 acres per day which is time efficient and land becomes readily available for the cultivation of next crop.

Rice Transplanting Service

Our service uses latest technology for fast and efficient rice transplantation as compared to manual transplantation method. It has capacity to sow approximately 5 acres of land per day. It is a six row transplanter which uses seedlings nurtured in trays. It requires less labour, ensures timely planting and uniform spacing and plant population. Due to mechanized transplanting, seedlings grow fast, fine and mature uniformly. It ensures 53,000 - 55,000 plant population per acre.

Wheat and Rice Harvesting Service

Our service uses latest Axial Flow technology. The Harvester has a 154 hp engine which ensures high performance with low fuel consumption. It provides high quality of harvested grain with <1% trash content, less broken grain and minimizes post-harvest losses. Moreover, while harvesting it separates the straw from the grain, which can be used as animal fodder or can be sold by the farmer enabling them to gain added benefit from harvested yield.

08. HOW WE EVOLVED / OUR HISTORY

Our story began in 1957 when Pakistan's Esso / Mobil joint venture stumbled upon vast deposits of natural gas in Mari while pursuing crude oil exploration in Sindh. Esso Standard's focus was exclusively on oil exploration; however, the discovery shifted their focus to Esso, which decided to invest in the massive industrial potential of Mari gas field. Esso proposed the 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. The total investment made was **US $46M – it was the single largest foreign investment** made 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, their families and the nation at large. Farmer educational 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 perhaps the most successful employee buy out in Pakistan's corporate history to date. The company was renamed Engro Chemicals Pakistan Limited. The company thrived 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 USA to its Daharki plant site, done for the first time internationally. Over the years that followed, Engro Chemicals Pakistan Limited started venturing into other sectors namely: foods, energy, chemical storage handling, trading, industrial automation and petrochemicals.

By 2009, Engro was already fast growing and had diversified its business portfolio in as many as seven different industries. These continuous expansions necessitated a broad restructuring of 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 7, 2009, which 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 1.3, stands tall at 145 meters – dubbed as the tallest structure in Pakistan. The total cost of this expansion was approximately US $1.1 billion, making Engro one of the largest urea manufacturers in Pakistan. This has substantially reduced the cost of urea imports to the national exchequer.

In 2013, the Company forayed into the capital markets to fund development capex on securing additional gas supplies along with restructuring 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 and three times during public issue.

In 2017, the Company has ventured into logistics space with 105 bulk trucks in service, aiming to deliver improvement with precision.

As we forge ahead, we aim to build on our world-class experience of five decades and our vision to transform the agricultural landscape of Pakistan.

Our Milestones

1957 — 2020

1957
Mari gasfield 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
Esso 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 270 KT to 500 KT

1998
Debottlenecking of the existing plant – 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. Over-subscribed 3x during the process

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

2015
Highest ever production of UREA (1,968 KT) as well as highest ever UREA sales (1,978 KT). Only fertilizer company registered with Dupont to achieve a Level 4 rating in Safety Management Systems. Acquisition of Engro Eximp's Phosphates business

2016
Achieved lowest ever Total Recordable Injury Rate of 0.06. Achieved highest ever phosphates sales of 634 KT

2018
Highest ever consolidated results (Rs. 159 Bn)
Highest ever fertilizer sales (2,824 KT)
EFERT Marketing team is the only team in Pakistan to achieve a Dupont Level 4 rating in Safety Systems

2019
Highest ever consolidated revenue (Rs. 121 Bn)
Successful Go-Live of SAP S/4 HANA
Best safety plant TRIR of 0.03
Stepped into the logistics area during the year aiming to deliver "movement with precision"

2020
The year 2020 was a VUCA year for the Company when EFERT fought against all challenges and delivered on its promises. The year was marked with hallmark production and sales performances.

EFERT achieved the milestone of the highest annual Urea production of 2.26 Mn MT in its history with record lowest TRIR.

EFERT Urea sales crossed 2 Mn MT Mark.
E-Bank Guarantee was pioneered by EFERT.

EFERT remained in the spotlight during the year 2020 and has successful achievements/awards in various categories/disciplines. Refer to the Awards section for further details.

09. CODE OF CONDUCT

Ethics & Integrity

Ethics and integrity are one of the cardinal values of all Engro Group of Companies. Our history includes a long-standing commitment to comply with all laws and to conduct our business activities with the highest standards of ethics and integrity. Not only that it is also about complying with all laws but describing the moral principles that must be made in areas where the law is not clear. Ethics policies have also been adopted by the Board of Directors of the Company in this regard.

Empowerment with accountability

Each Engro employee is responsible for his / her behavior and will be held accountable for it. All employees are bound to submit an ethics compliance certificate. We are responsible for complying with all applicable laws and company policies & procedures.

Our commitment to Engro's stakeholders

We adhere to the highest ethical standards, foster trust, and always act in the best interest of our shareholders, customers, families, vendors / suppliers, the communities where we operate, and each other. We want our stakeholders to know they can depend on us.

Promoting a positive work environment

To ensure a workplace where employees feel safe, respected, and appreciated. We aim to attract, induct, develop, retain, and motivate high calibre talent who are qualified, capable, and willing to contribute towards the achievement of Company objectives. Engro is committed to being a harassment-free workplace and has strict laws against any form of inappropriate conduct in order to ensure a safe workplace and the protection of the environment.

Managing business relationships

Employees' dealings with customers, suppliers, contractors, competitors, or any person or organization doing or seeking to do business with the Company (our business interfaces) must be in the best interest of the Company, must exclude any consideration of personal preference or advantage and must avoid conflicts of interest, apparent or otherwise.

Soliciting customers, suppliers, vendors, and contractors

Employees will not solicit vendors and suppliers, or avail offers for anything of value that could be perceived to create obligations in order to keep, increase, or obtain Engro business. Actions that might involve a conflict of interest, or the appearance of one, will be disclosed to senior management.

Legal compliance

When making decisions to conduct business, employees must ensure they are aware of their actions and choose not to violate the law. All Engro companies hold information and training sessions to promote legal compliance and have systems in place to monitor and report violations.

Protecting the company's assets

We must use the Company's physical assets / equipment carefully and diligently and take steps to protect our Company's proprietary and confidential information.

Core Values

At Engro, 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: from formal decision making to how we conduct our business to spot awards and recognitions. At Engro we never forget what we stand for. Following are our core values:

Ethics and Integrity
Has impeccable character and lives by the highest standards of integrity and accountability.

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

Community and Society
Cares deeply about environment impact and safety of people.

Code of Ethics

[illegible]

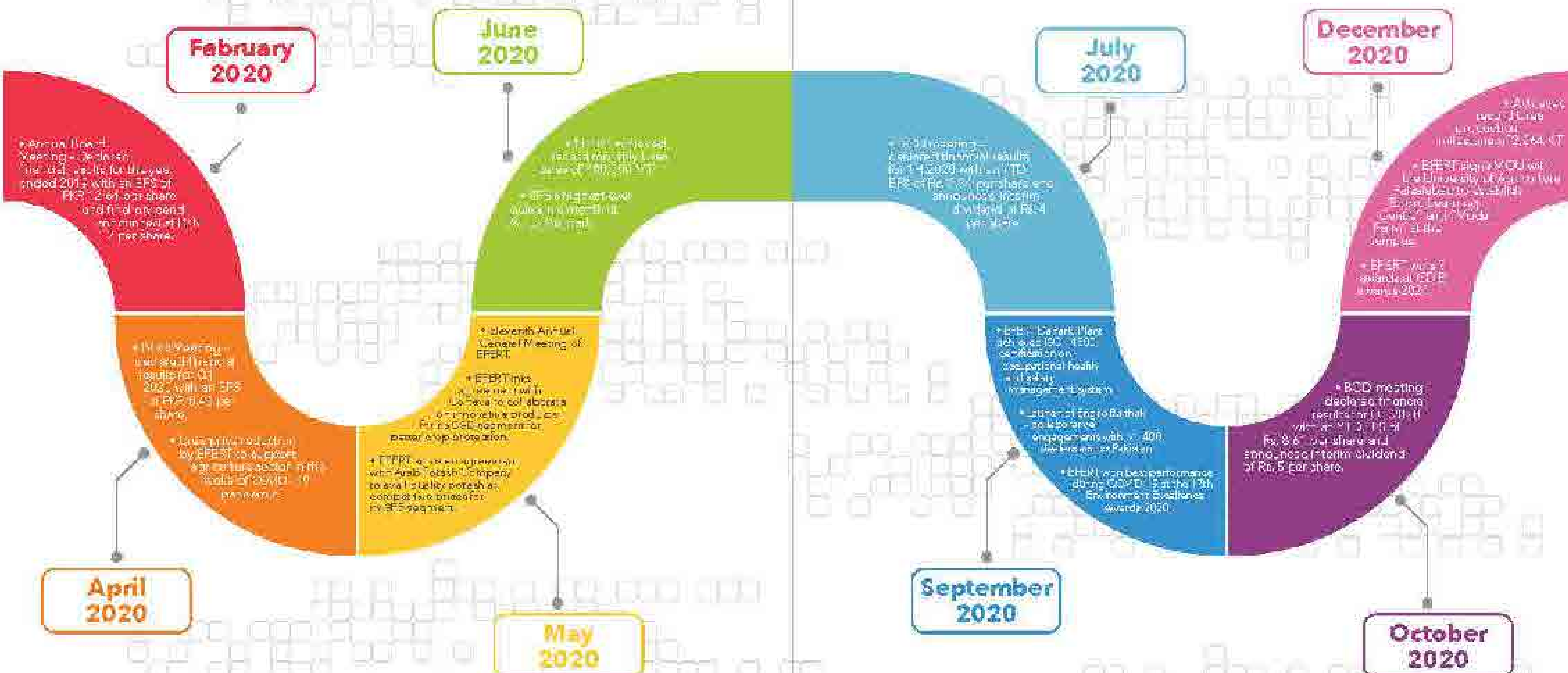
[illegible]

Engro rewards employees on best conduct by recognizing them as "Ethics Champions" for group-level encouragement.

[illegible]

[illegible]

10. CALENDAR OF MAJOR EVENTS DURING THE YEAR



11. PERFORMANCE HIGHLIGHTS 2020

EFERT PRODUCED A RECORD [illegible] OF UREA

EFERT UREA SALES CROSSES 2,006 KT MARK

CONTRIBUTES TOWARDS SUSTAINABLE PRODUCTION OF FOOD AND IMPROVING FARMER YIELD BY EDUCATING FARMERS ON BALANCED FERTILIZATION

Rs [illegible] CSR SPENDINGS

WATER CONSERVATION LED TO REUSABILITY OF [illegible] Mn TONS / ANNUM OF WATER

CONTRIBUTED ~ Rs. [illegible] Mn. UNDER THE HUSSAIN DAWOOD Rs. 1Bn PLEDGE TO SUPPORT THE NATION IN ITS FIGHT AGAINST PANDEMIC

7 REVERSE OSMOSIS (RO) PLANTS INSTALLED AS OF 2020 AT VARIOUS [illegible] VILLAGES AND AT THE DAHARKI SITE.

LED THE INDUSTRY IN EMPLOYING WOMEN IN UNCONVENTIONAL FIELD ORIENTED ROLES

INTRODUCED ELECTRONIC BANK GUARANTEES FOR THE FIRST TIME IN PAKISTAN MOVING TOWARDS DIGITIZATION

12. AWARDS & RECOGNITIONS 2020

STRIVING FOR EXCELLENCE

Corporate Social Responsibility

EFERT is a purpose driven organization that aspires to be an industry leader while being socially accountable and mindful of its sustainability goals. We believe in collective effort and therefore, have created a strong organizational culture that extends benefits to all employees and stakeholders. We embrace social responsibility as one of our core values and it is shared by every member of the group.

Environment Excellence Award

Best Performance during COVID-19

Best Performance despite COVID-19 at NFEH (National Forum for Environment & Health) for carrying out initiatives to support and help the community.

Our efforts towards giving back to the community and "A Promise of Growth", especially during these unprecedented times of COVID-19 was acknowledged and rewarded. We were honored with the following awards.

We have been recognized for our key initiatives on international forums.

Corporate Social Responsibility Award 2020

Awarded by the ICG Government of Pakistan [illegible] for CSR [illegible] initiatives on a shoestring budget.

CSR efforts recognized on International forums

Recognized & awarded by The Professional Network for the effective CSR initiatives.

Corporate Social Responsibility Award

NFEH (National Forum for Environment & Health) awarded us with this award in 2019 and 2020 for our high level of focus & commitment in Sports & Recreational Activities, Livelihood and CSR projects sustainability.

Health, Safety and Environment

We at EFERT prioritise the safety of our employees, and work hard to provide a positive environment, good health and safety culture particularly at our manufacturing facilities while vigilantly fulfilling our environmental duties and responsibilities. We also aspire to push the envelope both locally and globally every year.

Our company gives importance to the occupational safety and health of our workers. In this regard, we have made it our top priority to adopt the best safety practices. In doing so, we have been recognized at both national and international levels. We have been honoured with:

Fire Safety Excellence Award 2020

Awarded by Fire Protection Association of Pakistan (FPAP), National Forum for Environment & Health (NFEH) for exhibiting excellence in Fire Prevention & Fire Safety Performance.

Community Advancement Award

By National Safety Council (NSC) for outstanding activity in enhancing engagement with HSE stakeholders and community [illegible] neighbouring villages through [illegible] Community Awareness & Emergency Response (CAER) program.

Industry Stewardship Champion Award 2020

By International Fertilizer Association (IFA) for commitment to world-class HSE in its operations and [illegible] throughout product life cycle.

International Safety Award 2020

Awarded by BSC (British Safety Council)

Overall Country Winner (Pakistan) 2020

British Safety Council (BSC) awarded this to EFERT [illegible] International Safety Awards

Platinum Award for Occupational Safety & Health 2020

By Employers Federation of Pakistan (EFP) [illegible] International Labour Organization (ILO)

Rising Stars of Safety Award

Awarded by National Safety Council (NSC) USA to one of our employee's commitment towards Health and Safety.

Health & Safety Silver Award 2020

The Royal Society for Prevention of Accidents (RoSPA) awarded the [illegible] world class performance in health and safety practices.

Sustainable, Agriculture & Forestry Award 2020

EFERT was awarded by [illegible] Sustainable Agriculture, Forestry and Biodiversity.

National Safety Council Community Advancement Award 2020

Awarded to EFERT Daharki Plant

DuPont Safety Innovation Award 2020

Awarded to EFERT Daharki Plant

The Country Best Joint Award 2020

by the British Safety Council (BSC)

We also understand how paramount it is to conserve our environment and mitigate any harmful impact our business cycle may have. In this regard, we have adopted environmental friendly practices and have been appreciated for our efforts in the process:

Most Innovation ECO Solution

By WWF - Pakistan, in recognition of developing cost effective recycling solution under the Green Office Program

IFA Green Leaf - 1st Runner Up

By International Fertilizer Association for outstanding performance in Health, Safety & Environment

Highest Score in Green Office Surveillance Audit

By WWF - Pakistan, for implementation of world-class best practices [illegible]

Best Tree Plantation 2019

[illegible] Annual Environment Excellence Awards

International Fertilizer Association's (IFA) Award 2019

Awarded for EFERT's commitment [illegible] standards of Safety, Environmental Compliance & Energy Efficiency

17th Annual Environment & Excellence Award 2020

By National Forum for Environment and Health (NFEH) in recognition of conceptualizing and implementing [illegible] at the Daharki Plant & Zarkhez Plant

Won Eight Green Office Award

by WWF Pakistan 2020

4 Awards for Head Office

- Reduction of Carbon Emissions
- Energy Conservation
- Paper Consumption and
- Waste Reduction

3 Awards for Zarkhez Plant

- Best Landscaping
- Most Innovative Recycling and
- Highest Audit Score

1 Award for Daharki Plant

- Massive Tree Plantation Drive

Corporate Excellence

[illegible] aims to achieve corporate excellence and exemplify exceptional financial performance coupled with incomparable governance, leadership, strategic and operational practices. In this regard we have been proud recipients of;

Amir S. Chinoy Corporate Excellence Award

In Overall [illegible] category of the Management Association of Pakistan's (MAP) [illegible] Corporate Excellence Awards in recognition of outstanding performance, demonstrating progressive and enlightened management practices.

Best Corporate Report 2019

Third Position in [illegible] Category by ICAP / ICMAP

Best Corporate Report 2019

Second position in the [illegible] Category by ICAP / ICMAP

Sixth ranking in "Top 25 Companies for the Year" 2019

from Pakistan Stock Exchange

LQSi Quality Award 2019

[illegible] Laboratory Quality Services International of SGS USA awarded in recognition of EPSBT [illegible] towards quality improvement.

Bronze Winner SAP Quality Awards Middle East And North Africa 2020

[illegible] new ERP implementation [illegible] SAP has been recognized for its effective business transformation [illegible]

The Asia Pacific Enterprise Award 2020

[illegible] Enterprise Asia awarded for exemplary Corporate Excellence practices in the [illegible] industry.

Diversity

At EFERT, we take pride in providing everyone an equal opportunity at employment and growth. We proactively infuse the concept of diversity and promote an encouraging environment. Our efforts have been acknowledged on multiple platforms.

EFERT applied for the first time for **Global Diversity and Inclusion Benchmarks (GDIB) Conference and Awards 2020 and made its mark by winning awards in 7 different categories.**

4 best practice awards

- In Structure
- Recruitment and Development
- Learning and Education; and
- Sustainability

3 progressive awards

- Benefits
- Assessment, Measurement and Research
- DI Communications

2nd position overall

For furthering the agenda of gender diversity & inclusion and equality

13. CORPORATE AFFILIATIONS & MEMBERSHIPS

EFERT believes in collective effort and collaboration with local and international platforms to promote best practices within economic, environmental and social areas.

We strive for excellence which is why we ensure timely communication and engagement with all these organizations and actively participate in activities and events that concern our area of business. We are engaged with Academia and Research Institutes at National and International levels for Research and Development.

EFERT is in collaboration with following National and International R&D partners

INTERNATIONAL

CORTEVA agriscience

FERTINAGRO BIOTECH

Arab Potash

BASF We create chemistry

BAYER

NATIONAL

NRSP

PAKISTAN AGRICULTURAL COALITION

PAC

We are also Member of Soil Salinity Research Institute Board, Member of Board of Studies at University of Agriculture, Faisalabad and MNS University of Agriculture, Multan. Many of our Agronomists also hold memberships of Soil Science Society of Pakistan. To learn global best practices, we nominate and send our Agronomists to National and International conferences and training programs.

Memberships

EFERT is a member of the following national and international bodies. Representation in these bodies ensures that the Company contributes towards best management practices and is well connected with the relevant networks to stay on top of recent developments in fertilizers / agriculture sector and industrial affairs. It also helps the Company to proactively contribute towards various policy making proposals and to represent and advocate business / industrial community concerns at various platforms.

map Management Association of Pakistan

ifa

FMPAC

In addition, we are also member of the following bodies at group level:

PAKISTAN GREEN BUILDING COUNCIL

COUNCIL ON FOREIGN RELATIONS

PGBF PAKISTAN GERMAN BUSINESS FORUM

Overseas Investors Chamber of Commerce & Industry

Foundation for the Global Compact

GERMAN PAKISTAN CHAMBER MEMBERSHIP GERMAN PAKISTAN TRADE AND INVESTMENT

United Nations Global Compact

Apart from this Engro is an active signatory of UN Global Compact and adopts the ten principles of Global Compact with respect to human rights, labour, environment and anti-corruption. Moreover, Engro is committed to make the UN Global Compact and its ten principles a part of its sustainability strategy and engages in collaborative projects to advance the development goals of the United Nations. To this end, Engro has also made a clear statement of this commitment to its stakeholders and the general public.

14. BUSINESS MODEL

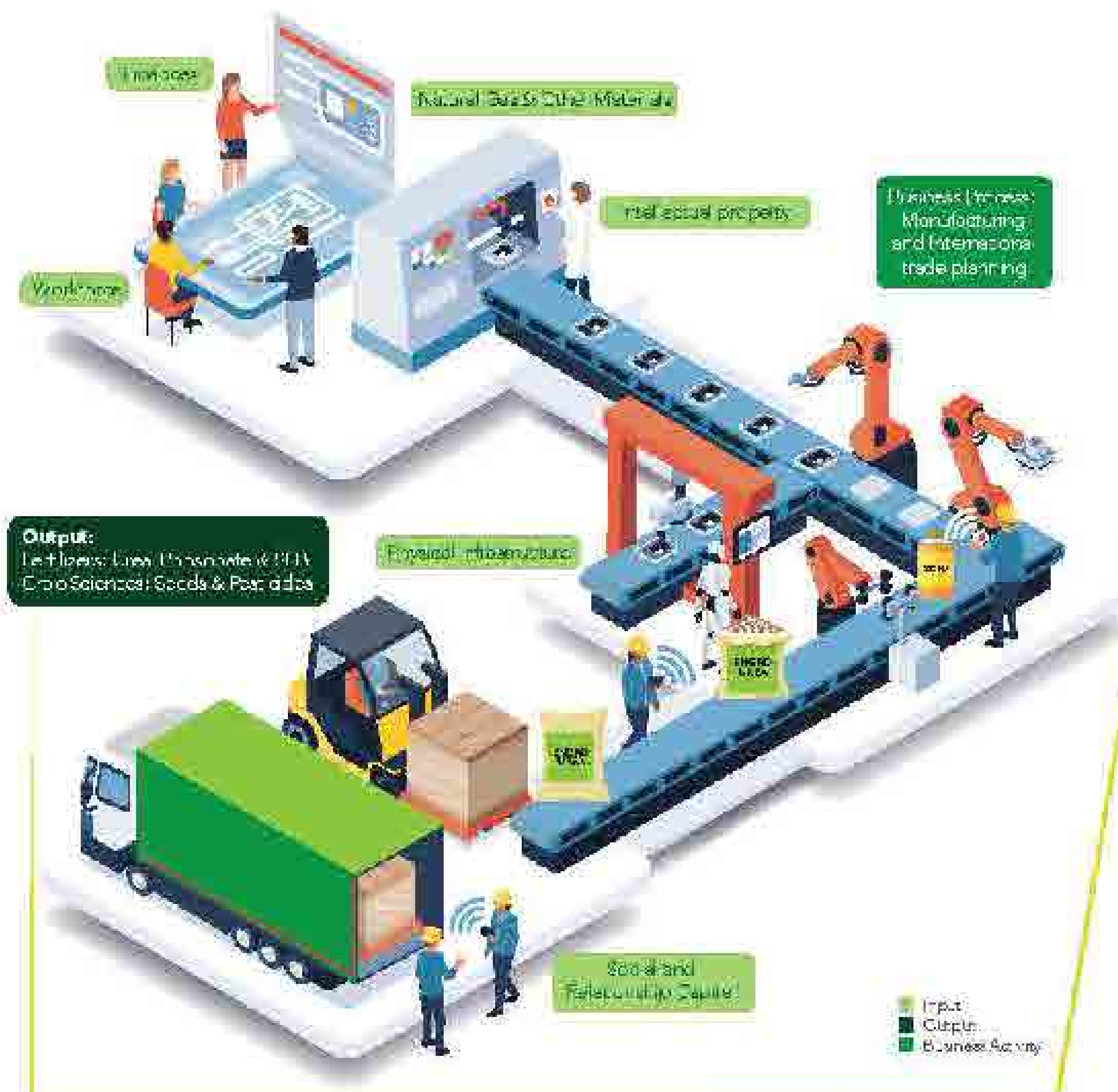
OUR BUSINESS MODEL

EFERT continues to grow and strives to enhance operational excellence and sustainable progress.

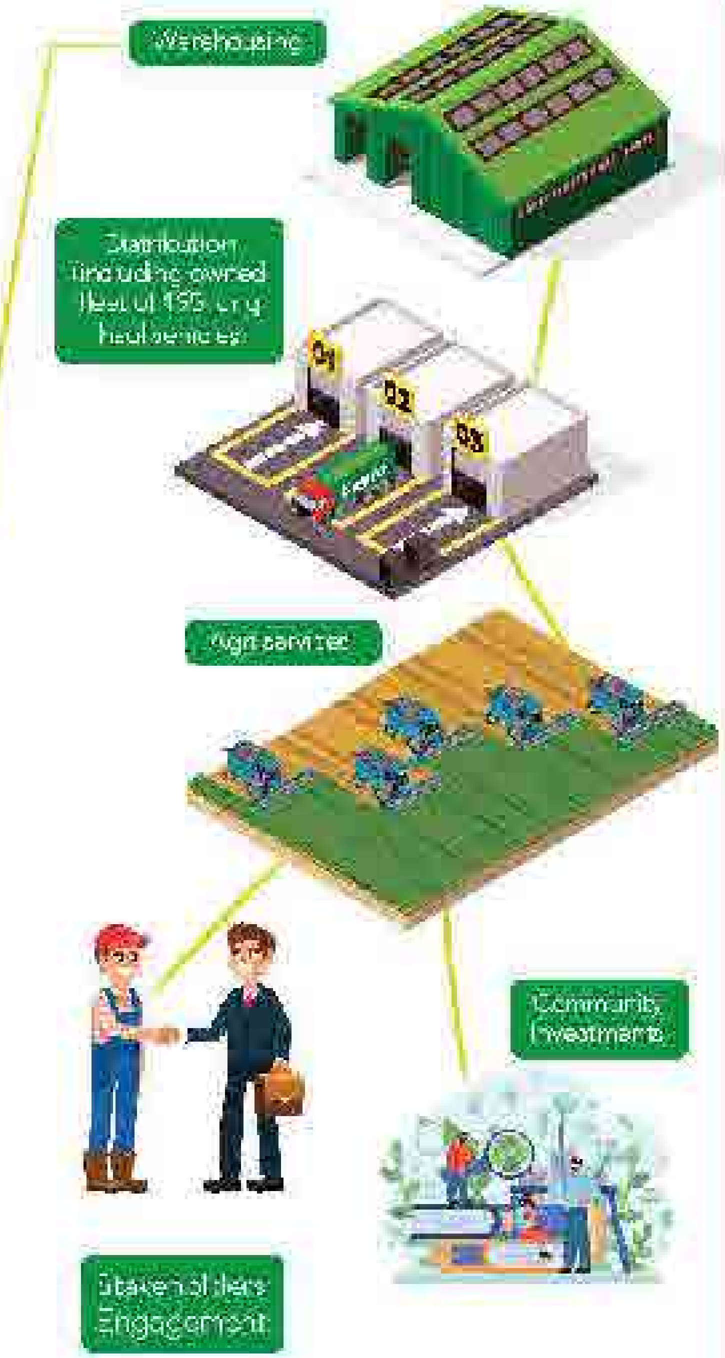
Our Business stands high on the principles of integrity and sustainable growth. We take pride in generating value from our inputs leveraging on our business relationships with our suppliers coupled with the use of highly efficient operational activities, to develop an array of fertilizer solutions for the farmers of Pakistan.

Critical stakeholders throughout the process include suppliers of our primary raw material, natural gas suppliers, our banking partners, shareholders, our workforce, and the communities surrounding our operating locations.

EFERT strives to contribute to the country's agri-landscape while maximizing returns for its stakeholders and the same is inculcated in our business model.



BUSINESS OUTCOMES AND EFERT'S FOOTPRINT



ECONOMIC

- Total revenue: Rs 106 Bn
- Operating cashflows: Rs 22 Bn
- [illegible]: Rs 5.4 Bn
- Dividends: Rs 11.6 Bn
- Economic value added: Rs 11 Bn
- Wealth generated: Rs 40 Bn
- Contribution to National Exchequer: Rs 7 Bn
- Contribution to national food security through supply of fertilizers: 35%

ENVIRONMENTAL

- Innovation in energy and material consumption and conservation
- Planted trees on 200 acre land under the "Million Trees" flagship project in collaboration with Sindh Forest Department
- Responsible energy consumption with increased focus on renewable energy
- Innovative cooling water system providing capability of 615 Million tonnes per annum

SOCIAL

- Customer satisfaction: 97%
- Smallholder farmer development and market linkages
- Employee engagement: 84%
- CSR contribution: Rs. 295 Mn
- ICAP's reporting award (2nd position in Fertilizer industry and 3rd position on overall basis)
- PSX Top Companies Awards 2019 (6th place)
- Ensure gender inclusion at all levels with 14% female

EFERT's efficient and proactive operations ensure ever increasing revenues and cashflows all the while solidifying the customer base. Our one stop agri-solutions make sure that our consumers remain satisfied by the products and the same is periodically measured via our Trade Satisfaction studies.

Capitals	Key inputs	Business Activity	Processes	Outcomes
Financial	- Availability of adequate finances to sustain business activities	- Equity: Rs. 15.5 Bn - Long-term debt: Rs. 36 Bn	Value creation and addition through: - Efficient production processes - Efficient logistics / supply chain management via partnering with supply chain partners and company's own fleet of long haul vehicles - Robust internal controls system with continued focus on Business ethics - Clear documented processes and transparent records - Exemplary corporate governance practices and oversight from Board	• Operational Excellence with highest safety standards • Wealth generation and Economic growth • Trust based relationships with all stakeholders Refer business outcomes for details on this.
Manufactured/ Infrastructure Capital	- Maintenance and expansion of infrastructure	- Manufacturing facilities: 2 - No of selling locations: [illegible] - Market Channels: Primary and Secondary via dealers/ distributors - Production Capacity: 2,2[illegible],000 MT Urea, 100,000 MT NPK		
Human	- Availability of a highly trained, talented and motivated workforce	No. of employees: 1,362 Positive culture, motivated employees		
Natural	Availability of required materials for the business operations: - Materials - Water - Natural Gas	- Raw materials consumed per annum: Rs. 23,88[illegible] Mn - Fuel and power consumed per annum: Rs. 11,342 Mn		
Intellectual	- ERP systems - Plant manufacturing processes - Talent of our People	- Investment in ERP systems - Investment in intangibles & externally purchased proprietary rights Rs. 5,27[illegible] Mn - Talented workforce		
Social and Relationship	- Relations with our stakeholders (customers, suppliers, investors etc) and local community - Representations and associations with external bodies, access to platforms	- Dealers / Distributors: 3,500+ - No. of Shareholders: [illegible] - Various local and international R&D partners - Refer to subscribed corporate memberships and affiliations section of this report		

15. POSITION WITHIN THE VALUE CHAIN – HOW WE CREATE VALUE

EFERT takes pride in exploring nature, creating value added products and contributing to the community. At Engro Fertilizers, an efficient collaboration with resources and customers, allows the organization to develop a functionally efficient and sustainable value chain. We treasure the contribution by our stakeholders in the form of feedback at every step of the value chain, propelling us to achieve the goal of an eco friendly value chain.

Our Value Chain reflects on our business actions and our value creation model, highlighting the process of value creation at each level of activity. For continuous sustainable development, we regularly engage with our stakeholders and consistently collaborate with our business partners.

UPSTREAM VALUE CHAIN

Suppliers of natural gas and packaging material

- We engage with our suppliers and collaborate for creating value added products for our value chain.

Research and development partner

- We collaborate with National and International R&D partner to develop quality products and to serve the agri value chain.

ENGRO FERTILIZERS LIMITED

Manufacturing

Critical inputs undergo processing to produce fertilizers

- EFERT has a total production capacity of **3.275 million MT**
- Achieved the highest ever production this year of **2.26 million MT**

Transportation

Robust transportation network (both in-house and outsourced) delivers efficiently

- Robust setup of transportation channels over the country for timely distribution
- EFERT has also ventured into the Logistics paradigm, aiming to provide 'Movement with Precision' and already has one of the leading long haul fleets in the country

Warehousing

- 150+ selling locations to better serve our customers

DOWNSTREAM VALUE CHAIN

Distribution

An extensive network of dealers for EFERT's product range

- Wide distribution network throughout the country to improve the availability of our brands at all purchase points
- With over 3500+ locations, EFERT closely collaborates with dealers in providing value to our consumers

Consumers

Farmers benefit from the availability of fertilizers and higher yields

- EFERT has a strong market share of 3?% for Urea and ??% for Phosphates during the year
- Farmer advisory services and development of small holder farmers
- Consumer analytics serve as a crucial tool, hence EFERT conducts consumer satisfaction every year

EFFECTS OF OUR VALUE GENERATING ACTIVITIES

STAKEHOLDERS

Value is created for our stakeholders through profits, growth and sustainability

- EFERT earned a profit after tax of Rs. 18.1 Bn
- EFERT declared dividend per share of Rs. 13 (final dividend pending members approval in AGM)
- ROE: 38%
- ROCE: 22.4%
- Earnings per share: Rs. 13.55
- Dividend distributed: Rs. 11 per share
- Wealth generated: Rs. 43 Bn
- Ongoing engagements with our stakeholders

COMMUNITY

Uplifting lives and contributing to the community's well-being is at the heart of EFERT's operations

- EFERT has always been a purpose driven organization, striving to improve the lives of people living in low income communities with impact investments.
- EFERT undertakes community engagement to deliver a positive impact in Pakistan with a focus on, but not limited to, the following:
- Community investment and infrastructure development
- Education & Environment
- General & Healthcare

16. SIGNIFICANT FACTORS AFFECTING THE EXTERNAL ENVIRONMENT

P — POLITICAL

• Possibility of enhanced import of major gas projects (e.g. TAPI) will positively influence the availability of EFert's primary raw material.

EFert's Discourse / Impact: Continued Engagement with the government to pursue sustainable gas availability.

• Change of Government introduces economic changes which can impact the farmers at large.

EFert's Discourse / Impact: Engage with the government to enhance farmer economics.

• Policy makers are working on policy changes with respect to agriculture policies and tax laws, consequently impacting business economics.

EFert's Discourse / Impact: Work closely with the government and the farmers to provide necessary inputs into the policy making process.

E — ECONOMIC

• FX changes adversely impact the dollar linked prices of primary raw materials and imports.

EFert's Discourse / Impact: Strategic procurement and considerate pricing decisions could lead to avoidance of full impact of these fluctuations.

• Rising interest rates inflate cost of borrowing for the Company, also aggravating costs for farmers operating on credit.

EFert's Discourse / Impact: Timely and strategic drawdowns and repayment, resulting in effective management of finance cost. Increasing agri financing for small farmers.

• Lockdown implemented due to pandemic situation may affect demand levels and Company's ability to produce / supply.

EFert's Discourse/Impact: COVID SOPs / protocols were immediately implemented to ensure safe and smooth operations on both production and supply side. The agriculture sector was granted exemption by the Government from the lockdown. For agriculture based economy of Pakistan, there was no material impact on local demand.

S — SOCIAL

• Impact of COVID-19 on physical and mental health of employees and stakeholders results in disruption of employees well-being, discontinued supplier / customer operations thereby affecting business performance.

EFert's Discourse / Impact: Proactively implementing health care & support systems including special medical help desk, hotlines to quarantine facilities, counselling sessions and online platforms for social interaction. COVID SOPs/protocols were immediately implemented to ensure smooth operations with supplier/customer. Several initiatives taken to combat the spread of virus in surrounding communities.

• An imbalance in the political or social environment can lead to social unrest in the area of buying areas of operational facility.

EFert's Discourse / Impact: Efforts to contribute to sustainable development and upliftment of the target communities.

• Increased reliance of farmers on Urea resulting in an imbalanced consumption of nutrients affecting the "P" and "K" offtake.

EFert's Discourse / Impact: Enhanced focus on increasing awareness through effective dissemination of information. The Company has initiated various learning programs including the Sarsabz Kissan Program adopting over 150,000 farmers for trainings.

• Pakistan has low farm yields which can be explored with structured food investment in agri value chains, expanding operational capacity and output productivity.

EFert's Discourse / Impact: Assess the changes and collaborate with farmers for holistic solutions.

T — TECHNOLOGICAL

• Not coping with technological advancements may cause operational inefficiencies and competitive disadvantages.

EFert's Discourse / Impact: EFERT continues to establish technological benchmarks by investing in latest advancements and developing its infrastructural capabilities. Improved plant efficiencies towards output enhancement.

• The farming industry of Pakistan fails to employ technological advancements due to lack of information and resources.

EFert's Discourse / Impact: Continue to educate farmers on latest agri technology, balanced nutrients and modern farm practices to support improved yields.

• COVID-19 Pandemic may affect the business operations due to lack of technological advancements to support remote operations.

EFert's Discourse / Impact: Provide resources to stakeholders to allow connectivity from home. Move towards paperless operations resulting in favourable impact on environment and ensuring transparency and swiftness of transactions. EFERT led the industry in various digitization initiatives.

E — ENVIRONMENTAL

• Nitrogen and Phosphorous deficient soil in Pakistan results in increased demand for fertilizers.

EFert's Discourse / Impact: Increased reliance on Urea and DAP fertilizers provides an opportunity to continue addressing enhanced and consistent demand. Continue to provide diversified portfolio of specialty fertilizers that can address special soil / crop needs.

• Water supply is attributed as a scarce resource in Pakistan, leading to a hindrance in the farming process, adversely affecting fertilizer consumers.

EFert's Discourse / Impact: Continually educating the farmers regarding efficient water usage. We have increased use of water efficient pumps. EFERT provides design solutions to farmers through trained operational staff and technologically advanced harvesting machinery ensuring more efficient sowing to harvesting operations.

L — LEGAL

• Laws, amendments, and rulings relating to crucial cost components such as GIDC / gas prices, freight regimes and revisions in sales and income tax regulations pertaining to unregistered dealers significantly impact the costs of fertilizer manufacturers.

EFert's Discourse / Impact: Continued engagement with the Government for sustainable solutions that benefit all stakeholders. The Company has always supported the Government in its drive to widen the tax net, therefore the company has conducted various engagement sessions with dealers across Pakistan to encourage them to register for income and sales tax to mitigate the impact of these amendments.

SWOT ANALYSIS

Strengths

- Strong brand recognition
- Lean organizational structure, creating more customer value via efficient operations
- Wide product and services portfolio, offering farmers complete range of seed to harvest solutions
- Financial sustainability and strong balance sheet position
- Quality and efficiency of Human Resources
- Renowned engineering excellence
- Access to larger talent pool based on Gender, Diversity and Inclusion
- Competitive advantage by virtue of being one of few Pakistani suppliers of logistics services
- First mover advantage in crop sciences through international collaborations

Weaknesses

- Mature industry with declining / stagnant market growth
- Reliance on depleting supply of natural resources
- Phosphate & Potash based price elastic products in the portfolio

Opportunities

- Improved capacity utilization through enhancement of manufacturing and production range
- Capacity to build horizontal and vertical integrations, improving on the Company's supply chain
- Leverage existing networks to facilitate new products
- Invest in energy efficient technological advancements
- Identify alternate sources of raw materials
- Identify and address issues of low farmer yields via positive interventions
- Develop and offer end-to-end value chain solutions to farmers on a large scale

Threats

- Inconsistent gas supply and elevating costs of production
- Devaluation resulting in increased cost of doing business
- Challenging farm economics
- Excess supply of urea through non indigenous gas sources
- Inconsistent Government policies and pressures on fertilizer pricing
- Loss of earnings arising from dealers' reluctance to register for income and sales tax

17. COMPETITIVE LANDSCAPE & MARKET POSITIONING

EFERT has evolved to deliver on the nutritional upbringing of the agricultural lands of Pakistan. Positioned in the fertilizer industry as one of the largest players, the Company has a state of the art operational facility that helps achieve a significant market share, functioning along a sustainable paradigm that evolves around various business segments to promote excellence. Its competitive landscape & market positioning define a strategic proposition within the sector.

COMPETITION IN THE FERTILIZER INDUSTRY
Fertilizer Industry of Pakistan harbors an array of competitors, who operate on various scales and organizational structures. In case of Urea, the industry comprises of other indigenous fertilizers manufacturers who have made significant investments in capital equipment and operate with high fixed cost structures. EFERT, during the year captured 33% of market share for Urea.

In case of imported fertilizers, during 2020, the Company catered to 18% of the market for phosphates, a category in which locally produced fertilizer and imported product are dispersed as the primary competitor.

The competition within the industry is dynamic, from traditional players who enjoy economies of scale given their high output range to relatively small producers, who fail to minimize fixed expenditure per unit given the current market share they command. The Company enjoys the ability to spread fixed expenditure over its output base, hence capturing a competitive edge against players in the industry.

Potential of new entrants in the Industry
Traditionally, fertilizer industry is part of the manufacturing sector and embeds a highly capital-intensive operational structure. The potential risk and threat from new entrants in the industry is minimal, given various factors including high initial capital cost, significant competition from major players and the competitive supply of industry's primary raw material i.e. natural gas.

Furthermore, for a new entrant to succeed, an efficient operational unit, excelling human resource, financial reserves and a vast commercial network are crucial factors to capture a significant market share.

Power of suppliers
Supply Chain is a crucial arena of operational excellence for Engro Fertilizers. For the Company to continue growing, it is essential that it enjoys a sustainable framework which offers an uninterrupted and smooth supply of inputs. The Company enjoys strategic partnership with its business suppliers, both for smooth access to raw materials or capital inputs.

Procurement of raw material and industrial machinery is regulated by the Company's manufacturing and commercial department in accordance with advanced planning and budgeting guidelines, an aspect of operation backend that grows feasibly given the strong relationships in place. The Company primarily procures continuous supply of gas from Sui Northern Gas Pipelines Limited and Mari Petroleum Company Limited.

Supplier paradigm revolves on a credit operating structure and EFERT high credit worthiness is reflected by the credit ratings issued by PACRA. In the year PACRA maintained the Company's long-term credit rating of AA and short-term credit rating of A1+.

Power of customers
EFERT takes pride in delivering with excellence to its consumers for the past 50 years. The Company treasures the relationship it enjoys with its customers and continues to facilitate the trust they have in us. As part of our impact on the agricultural landscape of Pakistan, the Company offers value added services to farmers, which will promote sustainability and growth in agri environment.

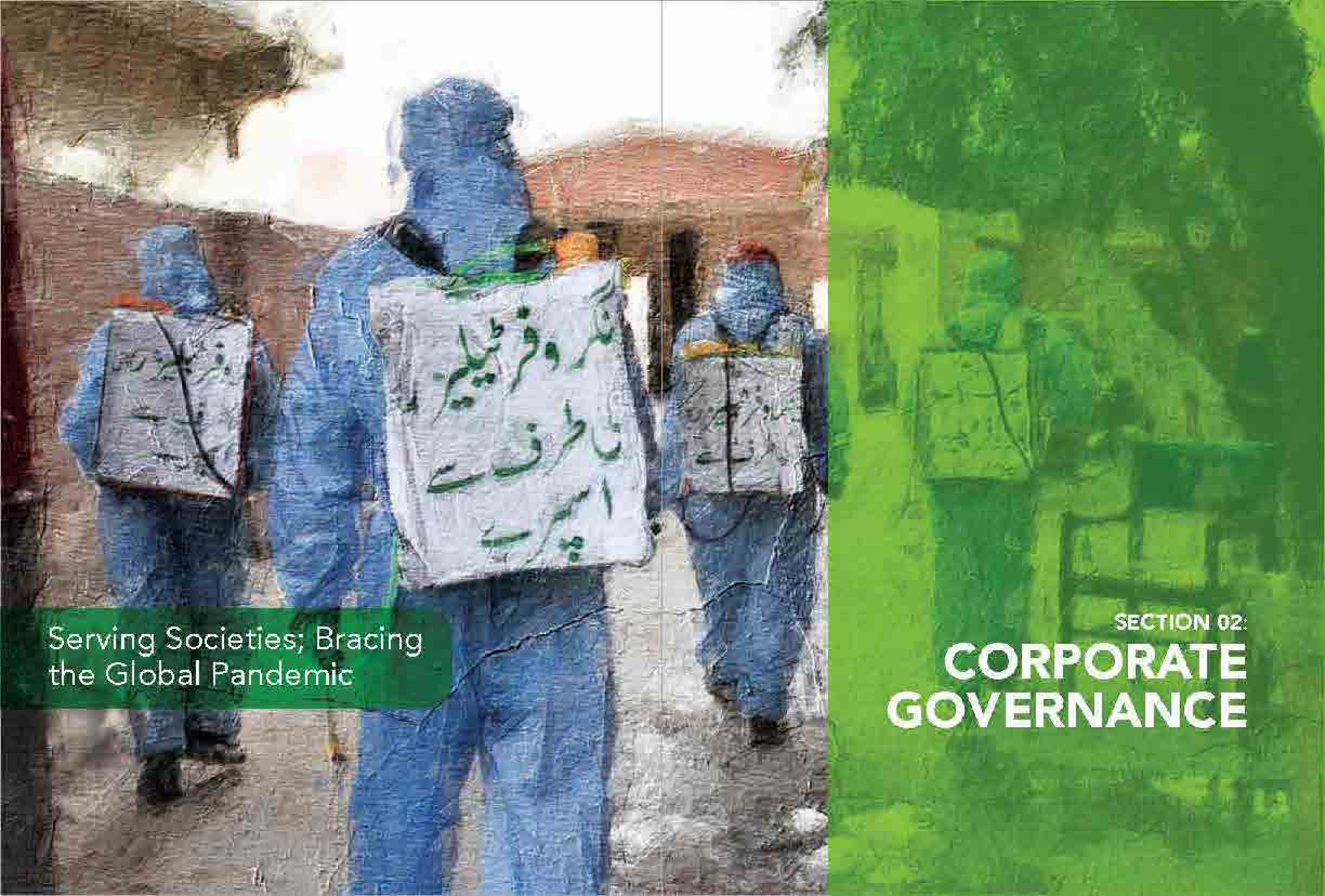
Structural aspects of these services range from consumer awareness to soil testing and trade discounts to after sales-services. Developing along the lines of continuous technological advancements, the Company regularly takes into consideration its customers' feedback. EFERT has an annual survey, which promotes continuous reforms and transformation in business practices and products.

Threat of Substitute products
Fertilizers are critical for progressive growth of crop yield as adequate provision of nutrients in required quantity is essential to fulfill the market demand for crops. Substitution strategy among nutrient bases is largely not possible and therefore each nutrient has its role to deliver in improving crop base.

EFERT undertakes extensive research to develop an articulate product base that caters to the needs of the farmers fulfilling their demand and positively contributing to the nutritional needs of the economy's agriculture landscape. Technological advancement continues to contribute to improvement in agri yield globally and our Company continues to incorporate innovative enhancement in its offerings.

Effect of Seasonality on Business

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 and production / import planning, keeping our products available as per the customers' demand.



Serving Societies; Bracing the Global Pandemic

SECTION 02:
CORPORATE GOVERNANCE

Role Of Governance In EFERT's Value Creation – Strong Corporate Commitment In Challenging Times

1 **Board Committees**
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01. BOARD COMMITTEES

Our governance framework is designed to ensure that the Company lives up to its core values and principles, institutionalizing Engro's commitment to enabling excellence in everything we do.

The Board has established the following two Committees:

Board People Committee (BPC)

The Committee meets three times through the year to approve, 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 Management Committee.

The Chief Executive Officer attends Board People Committee meetings by invitation. The Committee met twice during 2020.

Members

Mr. Asim Murtaza Khan - Chairman
Mr. Ghias Khan
Mr. Javed Akbar

The Secretary of the Committee is Ms. Arshia Saqib.

Salient features of terms of reference

The terms of reference of the BPC 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 selection, performance evaluation, compensation, development and the succession plan of the CEO and his direct reports;
- Recommend the salary and bonus programme to the Board; and
- Review engagement survey results.

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 five times during 2020.

Members

Mr. Asad Said Jafar - Chairman
Mr. Asim Murtaza Khan
Mr. Mazhar Hasnain
Mr. Javed Akbar
The Secretary of the Committee is Mr. Umair Ali Bhatti

Salient features of terms of reference

- 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; and
- To monitor compliance of statutory requirements.

02. MANAGEMENT COMMITTEES

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

• Management Committee

Management Committee is headed by the President and 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

Mr. Nadir Salar Qureshi – Chairman
Mr. Amir Iqbal
Mr. Syed Shahzad Nabi
Mr. Imran Ahmad
Mr. Salman Goheer
Ms. Aisha Saqib

The Secretary of the Management Committee is Ms. Nida Rahmat Hussain.

• Pricing Committee

This Committee is responsible to oversee and approve product pricing strategies including its alignment with approved Corporate Plan.

Members

Mr. Nadir Salar Qureshi – Chairman
Mr. Amir Iqbal
Mr. Imran Ahmad

The Secretary of the Pricing Committee is Ms. Nida Fatima Hashmi.

• Corporate HSE Committee

This Committee is responsible for bringing in excellence in the domains of Health, Safety and Environment.

Members

Mr. Nadir Salar Qureshi – Chairman
Mr. Syed Shahzad Nabi
Mr. Amir Iqbal
Mr. Imran Ahmad
Mr. Salman Goheer
Mr. Azhar Malik
Mr. Majid Latif

The Secretary of the Corporate HSE Committee is Mr. Aaim Rasheed Qureshi.

• Capex Committee

This Committee is responsible to oversee and approve capital expenditure strategies including its alignment with approved Corporate Plan.

Members

Mr. Syed Shahzad Nabi – Chairman
Mr. Imran Ahmad
Mr. Salman Goheer
Mr. Muhammad Majid Latif
Mr. Muhammad Azhar Malik

The Secretary of the Capex Committee is Mr. Syed Talha Raza.

03. OUR GOVERNANCE FRAMEWORK

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 seven (7) Directors on the Board, comprising of two (2) Independent Directors, four (4) Non-Executive Directors and one (1) Executive Director. Biographical details of all the Directors are given in the previous section. Moreover, the Board was represented by a female director, Ms. Mahwish Elahi who has resigned in September 2020 and the casual vacancy is yet to be filled.

The Board collectively has the responsibility for ensuring that the affairs of the Company are governed competently and with integrity.

In compliance with best practices of corporate governance, the positions of the Chairman of the Board of Directors and the office of the Chief Executive are held by separate person. Mr. Ghias Khan, Non-Executive Director, is the Chairman of the Board and Mr. Nadir Salar Qureshi is the Chief Executive Officer (CEO) of the Company. In addition to being CEO of the Company, Mr. Nadir Salar Qureshi holds non-executive directorship on the Board of the following companies:

- Engro Vopak Terminal Limited;
- Elengy Terminal Pakistan Limited;
- Engro Polymer and Chemicals Limited;
- Engro Energy Limited; and
- Pakistan Energy Gateway Limited.

Meeting of the Board of Directors

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 seven (7) times this year (all the Board meetings during the year were held in Pakistan) and discussed matters relating to inter alia long-term planning, considering both the opportunities and risks to 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

The Company had its elections during the year 2019 and the Chairman had communicated in detail the duties, roles and responsibilities, powers, term of office and remuneration of Directors required under the Companies Act 2017, the Articles of Association of the Company and the Code of Corporate Governance.

The same has also been communicated to Mr. Mazhar Abbas Hasnani and Ms. Mahwish Elahi incoming directors during the year 2020 due to casual vacancy.

Directors' Training

The Board ensures that all its Directors have duly completed the Directors' Training program from Securities & Exchange Commission of Pakistan (SECP) approved institutions. The Directors Training program has been completed by all Directors at the date of this report, except for Mr. Mazhar Abbas Hasnani who has attended it during January 2021 from recognized institution(s) of Pakistan, approved by the SECP.

Directors' Remuneration

The Board of Directors have approved a formal policy which sets out the requirements and methodology for determining the remuneration for Non-Executive Directors including Independent Directors of the Company. The policy entails:

- The remuneration shall be appropriate and commensurate with the level of responsibility and expertise of the Directors;
- It shall be aimed at attracting and retaining the Directors needed to govern the Company successfully and to encourage value addition;
- It shall not be at a level that could be perceived to compromise or influence in any way the independence of the Director;
- No Director shall determine his/her own remuneration nor of a Director who is his/her related party;
- No remuneration shall be paid to Executive Directors, Chief Executive Officer and Non-Executive Directors who are employees of other Engro entities, for attending meetings of the Board and its Committees; and
- The Board, if deems appropriate, may engage independent consultant to determine the appropriate level of remuneration of its Directors and recommend to the Board for consideration and approval.

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.

For information on remuneration of Directors and CEO in 2020, please refer Note 36 to the Consolidated Financial Statements.

Selection of Independent Directors

Selection of independent directors is carried out from a list maintained by the Pakistan Institute of Corporate Governance (PICG) under the Companies (Manner and Selection of Independent Directors) Regulations, 2018. PICG has no other connection with the Company except for providing access to the database on independent directors besides directors' training and evaluation of Board and individual directors' performance.

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 four times in the current year and the result of 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 outcomes;
- Quality of discussion topics; and
- Overall satisfaction.

Matters decided and delegated by Board of Directors

The Board is committed to ensuring effective delegation of financial powers as is permissible according to the legal framework and have approved formal policy on Delegation of Finance Powers.

This policy establishes:

- Matters specifically reserved for determination by the Board of Directors; and
- Matters delegated to the Management to empower it to act effectively and make key decisions.

The powers of the Board of Directors and the management of the Company have been defined in the said policy 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, corporate values, corporate strategy and the policies for conduct of business of the Company, matters specifically reserved for the Board in relation to delegation of financial powers are listed below:

- Investment and disinvestment of funds where the maturity period of such investment is six months or more;
- Determination of the nature of loans and advances made by the Company and fixing a monetary limit thereof;
- Defining the level of materiality, keeping in view the specific circumstances of the Company and the recommendations of any technical or executive sub-committee of the Board that may be set up for the purpose;
- Review and approval of related party transactions;
- Appointment, removal, remuneration, terms and conditions of employment of Chief Executive Officer, Chief Financial Officer, Company Secretary and Head of Internal Audit;
- Constitution of Committees and appointment of Committee Chairs and approving their terms of reference;
- Governance of risk and determining Company's level of risk tolerance including 2017 annual review;
- Powers vested with the Board as per Section 183 of the Companies Act 2017; and
- Significant issues to be placed for decision of the

Board of Directors as per Clause 14 of the Code of Corporate Governance, as and when applicable.

Matters Delegated to the Management

All matters not specifically reserved for the Board, have been entrusted to the CEO of the Company who has the primary responsibility for routine business operations of the Company. The authorities necessary for the day-to-day management of the organization and the implementation of corporate objectives have been delegated to the management of the Company and is circumscribed in form of a Limits of Authority Manual (LOAM).

Leading from the front: Role of the Chairman of the Board

Every meeting of the Board is 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:

- issue letters 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; and
- 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)

Role of the 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 any trade contracts on behalf of the Company in the ordinary way of business; and
- 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

Performance of the CEO is evaluated through a comprehensive in-house evaluation structure, which measures performance based on specific, measurable, achievable, realistic and time bound objectives. Furthermore, performance of the CEO is also gauged by analyzing core competencies exhibited in achieving the objectives.

Governance Processes And Internal Control Frameworks

Governance Over Related Party Transactions

The Board Has Approved A Formal Documented Policy For Governance Over Transactions Between The Company And One Or More Of Its Related Parties Which Provides A Framework For Governance And Reporting Of Related Party Transactions. The Policy Is Intended To Ensure Due And Timely Approval, Disclosure And Reporting Of Transactions Between The Company And Any Of Its Related Parties In Compliance With The Applicable Laws.

The Said Policy:

- Defines The Type Of Contracts / Agreements That Can Be Made With Related Party;
- Defines The Pricing Policy For Related Party Transactions;
- Defines The Framework For Review, Reporting And Approval For Transactions Not At Arm's Length; and
- Specifies The Methodology For Approval For Transactions In Which Director(s) Have Interest.

During The Year, No Contracts Or Arrangements With The Related Party Were Entered Into Other Than In The Ordinary Course Of Business On An Arm's Length Basis. Names Of Related Parties In Pakistan And Outside Pakistan With Whom The Company Had Entered Into Transactions Or Had Agreements And / Or Arrangements In Place During The Financial Year Is Mentioned In Note 42 To The Consolidated Financial Statements.

Responsibility For Statutory Financial Statements

In Accordance With The Requirement Of The Applicable Regulatory Framework, 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.

These Financial Statements Were Approved By The Board Of Directors And Circulated To The Shareholders Within The Specified Time Limit.

The Annual Standalone And Consolidated Financial Statements Of The Group For The Year Ended December 31, 2020 Have Been Audited By The External Auditors And Recommended By The Board In Its Meeting Held On February 15, 2021 For Shareholders' Approval In The Annual General Meeting To Be Held On March 30, 2021.

Other Financial And Non-financial Statements Enclosed With Statutory Financial Statements Are In Conformity With The Applicable Regulatory Requirements.

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. Further, The Board Of Directors Has Duly Complied With The Listed Companies (Code Of Corporate Governance) Regulations And The 'Corporate And Financial Reporting Framework' Of The Securities & Exchange Commission Of Pakistan. Each Member Of The Board Accordingly Understands Its Fiduciary Responsibilities Including 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; And
- Duty Not To Act On Behalf Of The 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

All activities undertaken by a business entity carry an element of risk. At EFERT, the exposure to these risks is managed through the practice of Enterprise Risk Management (ERM). The purpose of ERM is to identify potential risks and to define the strategy for managing the impact of these risks, as well as the mechanisms to effectively monitor and evaluate identified strategies.

It is the policy of the Company to view ERM as integral to the creation, protection and enhancement of shareholders' value by managing the uncertainties that could influence the achievement of corporate goals and objectives. To achieve this, an appropriate framework is adopted by the management and approved by the Board. Detail on the Company's ERM program 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 at least 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.

Ensuring Excellence in Corporate Governance Practices

With a strong legacy system spanning over five decades, EFERT 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:

- Adoption of best reporting practices prescribed by ICAP, ICMAP and SAFA 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 working environment for employees, workers and surrounded community;
- Implementation of various social projects for welfare of the community as part of its 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 the Directors of the Company have attended Directors' training program exceeding the legal requirement prescribed by Code of Corporate Governance Regulations, 2017; and
- The Company endeavors to replicate the best practices to its privately owned subsidiaries.

04. KEY BOARD POLICIES

Engro's culture is based upon [illegible] while remaining mindful of the impact of our corporate actions on people and places of operations. Protecting our corporate reputation is critical in [illegible] the global marketplace. To this end, the Board of Directors has adopted [illegible]

REVIEW OF THE COMPANY'S PERFORMANCE BY THE BOARD AND ITS OWN PERFORMANCE EVALUATION

The Board has developed a formal mechanism for evaluation of the Board's own performance, members of board and of its committees. [illegible]

[illegible]

GROUP POLICY GOVERNING PHILANTHROPIC CONTRIBUTIONS AND CHARITABLE DONATIONS BY ENGRO CORP AND ITS AFFILIATES

The policy provides guidelines for philanthropic contributions and charitable donations made by Engro group companies with a framework defined for evaluation and prior approval of all such contributions. As part of this policy, Engro is committed to creating sustainable prosperity that brings long-term social and economic benefits for all the stakeholders. Engro's strategy is based on the principle of Inclusive Business and Strategic Community Investment. Engro looks to connect the underprivileged, youth and women in its value chains for sustainable impact. Where inclusive opportunities are limited or not relevant, Engro looks to invest in strategic community initiatives.

RISK MANAGEMENT PROCESS

All activities undertaken by a business entity carry an element of risk [illegible] through the Enterprise Risk Management (ERM) [illegible]

KEY STAKEHOLDER ENGAGEMENT

The policy aims to develop and maintain trustworthy relations with stakeholders and investors. The investors' relations section on the Company's website [illegible] is updated regularly to provide detailed and latest Company information including financial highlights, investor information and other relevant information. The Company's website, maintained in English and Urdu, also contains the link to [illegible] investor education portal [illegible].

PROCUREMENT OF GOODS AND SERVICES

The aim of our procurement [illegible] sustainable [illegible] advantage through efficient sourcing of goods and services [illegible] for the Company [illegible] innovation [illegible] ensuring product quality, timely deliveries [illegible] and controls. This policy [illegible] foundation for [illegible] and serves as guidelines [illegible] suppliers and service providers.

SAFETY RECORDS OF THE COMPANY

[illegible] Record Retention Policy is in place to ensure the safety of the records for [illegible] as required [illegible] Companies Act, 2017 and other applicable [illegible] requirements. [illegible] Business Continuity Plan (BCP) [illegible] Disaster Recovery Plan (DRP) to ensure uninterrupted / seamless operations.

INVESTORS' GRIEVANCE POLICY

The Company [illegible] with all its stakeholders [illegible] investors [illegible] information [illegible] the Company.
The Company's [illegible] "Company Information" section of the annual report and on its website under the [illegible] section [illegible] shareholders [illegible].

DISASTER RECOVERY AND BUSINESS CONTINUITY PLANNING

The Company has [illegible] Disaster Recovery Plan (DRP) and Business Continuity Plan (BCP) [illegible] business continuity and recovery strategies and related procedures for the Company. It also provides policies and procedures [illegible] 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. The plan is carefully [illegible] periodic testing exercises [illegible] recovery personnel, and ensure that strategies and actions adequately reflect current business recovery requirements.

WHISTLEBLOWER POLICY – "SPEAK OUT!"

The whistleblower complaints are independently reported to the BAC Chairman of the Company and are managed by the Corporate Audit and Compliance Department.

HUMAN RESOURCE MANAGEMENT

[illegible] policies are in place to attract, [illegible] employees to work [illegible] towards [illegible] Company [illegible] development [illegible] non-discrimination and gender diversity.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLICY

The Company believes that businesses, in their normal course of operations, create positive and adverse impacts. The policy aims to build the Company's commitment to manage and improve social and environmental impacts of its operations on the society, its customers, suppliers, and communities at large.

CORPORATE TAX STRATEGY

The Board of Directors have approved a formal document on Corporate Tax Strategy which [illegible] and [illegible] long-term business strategy. The Corporate tax strategy is governed by the following principles:

- Ensuring [illegible] level of tax compliance in every jurisdiction where the Company has operations;
- Making material business decisions after taking into account optimized tax solutions;
- [illegible] significant tax risks;
- Developing and fostering open, honest and good working relationships with tax authorities and undertaking all dealings in a professional, courteous and timely manner;
- Ensuring open communication channels within [illegible] group to encourage smooth flow of information.

IT GOVERNANCE POLICY

[illegible] IT Governance is an integral part of [illegible] governance [illegible] to ensure that IT [illegible] aligned with business objectives [illegible] requirements of Value Delivery, Risk Optimization and Resource Optimization are addressed.

05. INVESTOR RELATIONS & POLICY FRAMEWORKS

Policy for Communication to Investors / Shareholders

The Board of Directors have approved a formal documented policy for communication with investors / shareholders. The said policy aims to develop and maintain trustworthy relations with 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 of investors or analyst, in order to enable them to make informed decisions about investing in the Company's equity and debt instruments. **The Company also has an investor grievance policy which aims to facilitate in timely management of investor concerns. The Company has a separate investor relations section on its website in this relation.**

Interaction with major shareholders

Engro Corporation Limited continues to 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, extraordinary 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 investors' 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'.

To better facilitate investors, shareholders and other stakeholders, the Company's website is maintained in both English and Urdu.

Analyst Briefings Sessions

Continuing with its policy of promoting transparency and stakeholder engagement, the Company conducted four analyst briefing sessions during the year where the CFO of the Company briefed the stakeholders about the financial and operational performance of the Company. Enough opportunity was provided for Question & Answer during these sessions. These analyst briefing sessions were attended by representatives of PSX, investment analysts and other stakeholders. Details of the analyst briefings held during 2020 are as follows:

Quarter	Date	Agenda
Q4 2019	February 17, 2020	To discuss the following: • Details of released financial results; • Dividend payouts; • Overall business performance and industry dynamics; • Key challenges and outlook; and • Any other matters along with Q&A
Q1 2020	April 20, 2020	
Q2 2020	July 23, 2020	
Q3 2020	October 21, 2020	

Annual General Meeting - Update of last AGM, decisions taken and their implementation status

The Company's Annual General Meeting (AGM) was held on May 08, 2020, which was attended by the Chairman of the Board, Chairman of Board Audit Committee, Chief Executive Officer and other senior management of the Company to address queries and clarifications sought by the Board of Directors.

During the last AGM, queries and clarifications were sought on the Company's financial statements, which were resolved to the satisfaction of the Shareholders. Apart from the said queries, no significant issue or concern was raised by the shareholders.

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 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.

The Company also encourages stakeholders to attend Analyst Briefing Sessions for the year and pre-announces the calendar of these events through annual financial report at the start of the year.

Business Continuity Plan (BCP) Framework

The BCP 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 custody 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; and
- 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.

IT Governance Framework

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; and
- Employ a comprehensive sourcing strategy to manage third parties / vendors relationships.

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 explained in detail in Note 2 of annexed Consolidated Financial Statements.

06. INTERNAL AUDIT, ETHICS & COMPLIANCE

EFERT 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. Moreover, the Board Audit Committee in coordination with the Board People Committee ensures that the performance review and compensation mechanism of the Internal Audit personnels are appropriate to maintain their independence from the Company's management.

The Head of Internal Audit functionally reports to the Audit Committee and has indirect reporting to the Head of Corporate Audit of the Parent Company i.e. Engro Corporation Limited. The Head of Internal Audit only reports for administrative matters to the CEO of the Company.

The Board Audit Committee approves the audit program, based on an annual risk assessment of the operating areas. The Internal Audit function carries out reviews on the financial, operational and compliance controls, and reports on findings to the Board Audit Committee.

The Company ensures appropriate focus on its business ethics policies through an inhouse Ethics and Compliance section housed within its Internal Audit department that monitors compliance against all ethics related policies, interalia the following:

- Code of Conduct
- Fraud Risk Management
- Governance of Conflicts of Interest
- Statement of Ethics and Business Practices
- Whistleblower Policy – Speak Out
- Governance of Transactions/Contracts with Related Parties

Reporting critical concerns:

EFERT has a strong internal control system that encourages its employees, customers and suppliers to report any suspected misconduct, fraud and violation of law or ethical standards. There are a number of avenues to do so, including the whistleblower complaint system called "Speak-Out", a transparent system that reviews a complaint and guarantees confidentiality and protection from any form of retribution. Apart from this, EFERT has an internal system of voluntary reporting called "Irregularity reporting" that allows employees to voluntarily disclose actual or suspected non-compliance through the Irregularity Reporting system. Employees are encouraged to raise red flags and help strengthen the control environment.

Irregularity reports are shared with management and Board Audit Committee on a quarterly basis. Whistleblower complaints and results of their investigations are also reported to Board Audit Committee every quarter. There exists a process of periodic business practices review involving all Engro companies and employees to identify questionable business practices. All identified issues are reported directly to the Board Audit Committee and the Board of Directors. A total of 13 irregularities were reported in FY 2020 as against 21 irregularities in FY 2019.

Moreover, the Parent Company's Internal Audit (Corporate Audit) is responsible for conducting periodic shareholder audits of all group companies which includes review of Company's performance in terms of economic, environmental and social aspects, the appropriateness of its risk management plans in this respect and the ability of the Company to generate long term value creation. The results of such audit are reviewed by the respective Company's Board of Directors and the Parent Company's Board of Directors. In case of EFERT, last such audit was successfully concluded in 2019, the results of which were rated satisfactory.

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 or 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; and
- 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).

Below is the number of whistleblowers reported during the year 2020:

No. of Whistleblower complaints investigated and closed during the year [illegible]

No. of Whistleblower complaints in progress [illegible]

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**

Ethical Compliance and Whistle-blowing

EFERT gives highest priority to conduct of business with highest ethical practices and compliance of laws and regulations. We understand that to ensure this, and to embed a culture of integrity and honesty, it is crucial that effective monitoring and reporting mechanisms are in place. Our sustainable strategy recognizes this and incorporates Accountability and Transparency as an integral part of its governance framework. This strategy recognizes that organizations ethical culture and governance system can have material impact on the ability of an organization to create long-term sustainable value.

In response to this strategy, the Company has in place an independent ethics and compliance function that is housed within the group's Corporate Audit department and ensures that all ethical concerns and whistleblower complaints are independently and transparently monitored and reviewed.

The whistleblower system of the Company - the SpeakOut, is managed by the Ethics and Compliance shop and allows access to internal and external parties to raise any concerns with respect to business ethics and compliance via independent hotlines available on both email and phone.

The Ethics and Corporate Compliance Department, through its whistle blowing policy 'SpeakOut!' has made real 'progress' in terms of reporting and taking corrective measures against complaints registered based on unethical and non-compliant behavior. There is a healthy increase of 10% in the no. of complaints registered on whistleblower platform for the group for FY 2020 against last year which is indicative of the trust placed by our employees/ external parties on transparency of this system.

A quarterly newsletter called Ethics and Compliance newsletter is also published to keep our people aware of all the latest developments in the Compliance front and to assure them of the transparency process.

The ethics and compliance incidents are registered under the following categories:

- Theft
- Fraud and Embezzlement
- Misuse of company assets
- Behavioral misconduct
- Conflict of interest
- COVID-19 SOP violation
- HR violation
- Policy breach
- Abuse of power
- Third party compliance issues
- Corruption & bribery

Our scope of compliance goes beyond the legal and regulatory requirements. We also take into account the environmental impact that our operations and employees have. Employees are expected to comply with all environmental regulation that are impacted by our business activities as well as internal policies and procedures. If a policy breach is witnessed, we encourage our employees to SpeakOut and register their complaint to Ethics and Compliance department.

Ethics and Compliance Department also organizes Ethics and Compliance roadshows to encourage awareness around company's policies and processes. Timely feedback on roadshows is also received at compliance@engro.com to address any gaps in the trainings and adapt to the changing trends. In 2020, Ethics and Compliance Roadshow was organized which was well-received.

These measures ensure that our employees are fully aware of all the policies and encourage people to report unethical behavior in a safe and comfortable environment.

07. STAKEHOLDERS ENGAGEMENT

The Company regards its stakeholder engagement as an important element of its corporate responsibility. It believes that coherent, inclusive engagement delivers value. We recognize that stakeholder engagement can contribute to value co-creation both for the Company and along the value chain.

Our stakeholder engagement approach involves identification of relevant groups or individuals as our stakeholders by taking into account those groups or individuals who can be significantly affected by our business activities, outputs or outcomes, or whose actions can be expected to significantly affect our ability to create value over time. These are prioritized, mapped and categorized for consultation based on factors of influence, responsibility, proximity, dependency, willingness to engage and representation. We consult with our stakeholders on a continuous basis through relevant departments.

The Company is committed to be accountable to all its stakeholders.

Consulting stakeholders on economic, social and environmental topics:

EFERT engages with key stakeholders and consults with them on all material topics in relation to its long-term strategy of ensuring sustainable operations. The purpose of these engagements is to:

- Build new and maintain existing relations
- Attain understanding on their needs and expectations
- Identify and track perceptions and feedback on Company's affairs; and
- Provide feedback on executing planned developments

The Company mainly engages with its stakeholders through periodic discussions / meetings. All aspects of engagement are covered in these discussions. Minutes of these discussions are maintained with the respective division heads, the summaries of which are shared by the division heads in the weekly management committee meetings, which are chaired by the Company's CEO.

The Company's performance is periodically reviewed centrally by the Management Committee through its weekly meetings and key developments arising out of these meetings are periodically reported to the Board through quarterly updates.

The Company also has a group reporting framework that requires reporting of significant developments, both financial and non-financial matters, to its Parent Company, Engro Corporation, including significant developments regarding its discussions / engagements with its stakeholders.

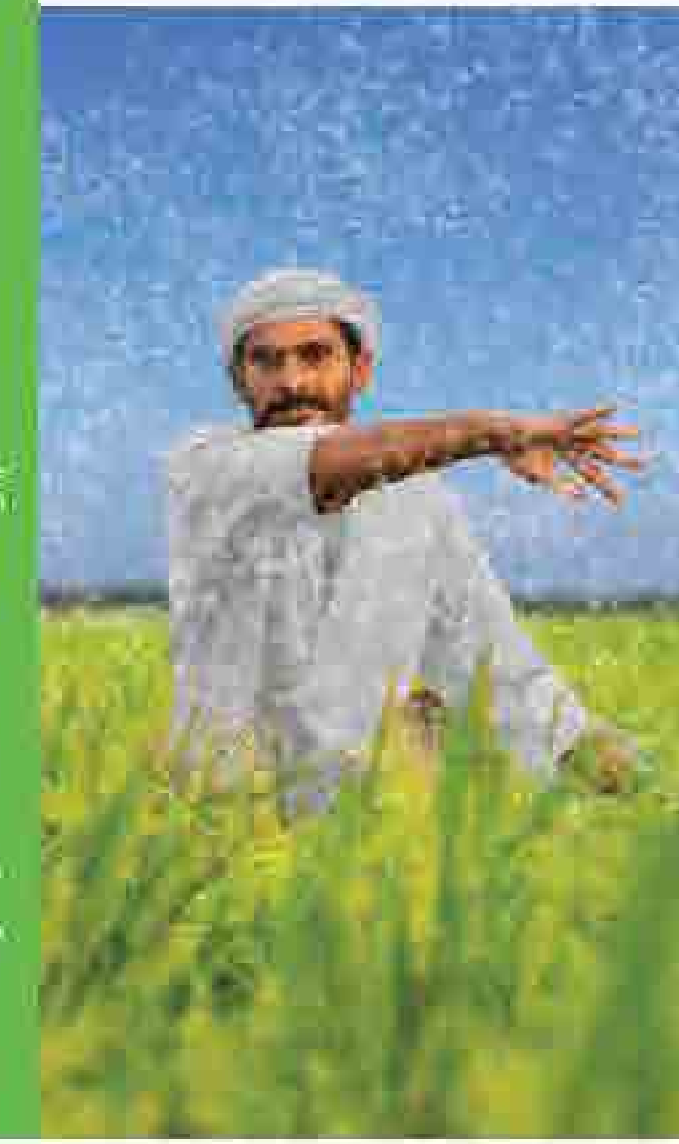
The consultation / engagement strategy with each stakeholder is covered in more detail in the next pages.

EFERT has representation on various global and local forums and platforms, and maintains active membership in industry associations and other relevant organizations and initiatives.

Platforms to invite open feedback / recommendations from our stakeholders

Contact details of Head office, Plant sites and Marketing offices have been provided on the corporate website (engrofertilizers.com) to encourage all stakeholders to share their queries and feedback in real time.

The Company openly allows stakeholders to provide their feedback / recommendations on various channels where it can facilitate them. The investor relations department of the Company manages all concerns received from shareholders over letters or emails. Similarly, the customer and supplier helplines encourage feedback from suppliers / customers to be appropriately captured. There is an independent whistleblower hotline that ensures complete transparency over any concerns reported through this platform, including its review and reporting to the Company's Board of directors. The concerned officials regularly evaluate the feedback and action is taken as required.



Stakeholders Engagement Strategy

The Company has defined stakeholder engagement strategy for various stakeholder groups which is reviewed along with the results of engagement on quarterly basis by the Company's Management Committee and a summary of key developments arising therefrom are shared with the Board of Directors. Company's engagement strategy and the processes / measures taken against the strategy are reported below.

STAKEHOLDERS	FREQUENCY OF ENGAGEMENT
Analysts	Quarterly
Shareholders	Regularly
Customers and Suppliers	Regularly
Employees	Regularly
Banks/Lenders	Regularly
Media	Occasionally
Regulators	Regularly
Local Communities	Regularly

ANALYST

ENGAGEMENT PROCESS

Analyst briefing sessions.

CFO presents quarterly performance of the Company. Finance and Planning analysts and Managers, Deputy Managers General Accounting are also present during the briefings.

EFFECT AND VALUE

Consults on significant quarterly developments in relation to quarterly performance and results.

Attends to analyst concerns by responding to various queries and clarifying Company's position.

Provide feedback on planned developments and take suggestions to improve the process going forward.

ACTIONS TAKEN

During the year, keeping in view the COVID-19 constraints the Company arranged quarterly corporate briefing sessions virtually on respective dates of board meeting which were attended, amongst others, by key stock analysts and PSX representatives.

The company was one of the 5 companies which was featured in the South Asia Investor Conference 2021.

SHAREHOLDERS

ENGAGEMENT PROCESS

Regular engagement as a part of:

- Annual General Meeting
- Stock Exchange Announcement
- Press Release
- Corporate Briefings
- Annual and Quarterly Reports
- Notices to Shareholders

Further the Company also maintains a dedicated section on the corporate website for investor relations to facilitate shareholder queries.

EFFECT AND VALUE

Engagement allows the Company to increase the confidence of providers of capital by:

- Reporting performance and results to the shareholders
- Discuss with them reasons for significant variations and future corporate plans
- Investor hotline to maintain healthy investor relations and timely responding to shareholder queries

ACTIONS TAKEN

Annual General Meetings held to inform and obtain consent of shareholders.

These meetings provide opportunity to engage with shareholders and address their concerns on a wider forum and provide updates on the Company's performance and activities.

The Board members and senior management were also available during these meetings to answer to investors and analysts' questions.

CUSTOMERS AND SUPPLIERS

ENGAGEMENT PROCESS

Periodic formal and informal meetings / conferences and business support services including visits, regular meetings, emails, telephone calls and assistance / advise on technical areas such as taxation and treasury.

EFFECT AND VALUE

Our continuous engagement enables us to understand our customer and supplier needs and come up with the right products for them.

ACTIONS TAKEN

We continue to invest in various customers / suppliers engagement initiatives including regular meetings, visits and providing technical assistance etc.

In case of suppliers the Company recognizes its relationship with gas suppliers to be critical in maintaining sustainable operations. EFERT ensures continuous and proactive engagement with suppliers on all gas regulatory matters including taxes and levies in relation to gas. Also, it collaborates with the gas supplier on issues of gas availability in the country.

EMPLOYEES

ENGAGEMENT PROCESS

The company maintains regular and open communication with its employees.

Formal and Informal meetings / sessions including:

- Employee engagement sessions
- Performance appraisals
- Feedback sessions including corporate retreats
- Employee satisfaction surveys
- Internal website and
- Internal magazine and newsletters.

EFFECT AND VALUE

Helps in focusing on increased employee satisfaction, promoting diversity and inclusion initiatives resulting in improved performances.

ACTIONS TAKEN

Multiple pulse surveys conducted during lockdown / periods (WFH) to engage employees and to look out for their emotional and physical well-being.

EFERT launched "Employee Central", a digital platform for HR policies and employee related processes to allow employees online access and opportunity to learn about their benefits and apply for them through the system.

BANK / LENDERS

ENGAGEMENT PROCESS

Regular meetings with relevant teams to review the ongoing operations. Meetings on negotiation of rates on various financing matters.

EFFECT AND VALUE

Access to the financial markets to pursue growth of the Company.

Helps in obtaining effective solutions for the banking needs of the Company.

ACTIONS TAKEN

With new ways of agile working, the engagement was continued through regular Zoom calls during the year.

In 2020, the Company launched various innovative financing solutions in engagement with its banking partners setting new standards in the fertilizer industry. Innovative banking products launched include Electronic Bank guarantee and Alternate Bank Guarantee.

EFERT continues to engage with Banks aiming at further digitization of operations to ease the needs of agri supply chain players.

MEDIA

ENGAGEMENT PROCESS

Various communication mediums such as press releases on need basis to apprise the public about new developments and activities.

EFFECT AND VALUE

Effective awareness is created regarding the Company and the products and services offered, indirectly having a positive impact.

ACTION TAKEN

EFERT has a corporate communications department at group level which ensures that all media affairs are appropriately handled.

REGULATORS

ENGAGEMENT PROCESS

Meetings with officials, submissions of data for review and compliance. The company has a separate "Public Affairs and Government" division to manage engagements with government and regulatory bodies.

EFFECT AND VALUE

Ensuring all legal and regulatory requirements are complied with.

Ensure continuation of the common objective of the Government and the Company to transform the agricultural landscape of Pakistan.

ACTIONS TAKEN

EFERT has a Public Relations and Government affairs department at group level to bring special focus on engagement with regulators.

Engagement with government to address and resolve Company's concern on various matters impacting business operations such as Gas Infrastructure Development Cess (GIDC), recovery of fertilizer subsidy and processing of sales tax refunds.

The Company also engages with government ministries on various policy matters.

LOCAL COMMUNITIES

ENGAGEMENT PROCESS

The Company conducts Meetings, CSR drives and one-on-one engagements with community.

EFFECT AND VALUE

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 assists in achieving of our sustainable goals.

ACTIONS TAKEN

Various initiatives undertaken during the year for our local communities by the Company and its employees under the Enable programme.

Engagement Processes

Customer Engagement

EFERT engages with its customers; its dealers in various ways including regular meetings, periodic sessions and via digital platforms and customer engagement surveys/ performance feedback sessions.

Additionally several initiatives were taken during the year to maximize customer engagement and to look out for their emotional and physical well-being during the pandemic.

Improved customer satisfaction since last year:

EFERT periodically conducts market studies to evaluate its customer's satisfaction through an independent party. The results of FY 2020 indicate improvement since last year with respect to various metrics:

- *EFERT Net Promoter score has increased by 3% since last year*

Rehbar hotline for continuous customer feedback and queries:

Rehbar is Engro's Call Centre set up to provide a platform to our end consumers (Farmers) and customers (Dealers) for voicing their feedback. All dealers / customers have access to the system to reach out for any query, consultation on farm advisory matter or to provide valuable feedback to the Company or register a complaint in relation to order management, delivery etc. The details of the hotline are as follows:

Toll Free Number: 0800-00110

The system is operated by an independent party to better and timely respond to our customers / farmers. After a decade of manual operations, new modules have been added to the system to improve our services, drive efficiencies and reduce the time to resolve complaints from the time it is opened to the time it is closed.

Our customer satisfaction with respect to information related to ordering, delivery and availability was 97% during the year. Few of the related satisfaction metrics are as follows:

		2020	2019
Satisfaction metric - Image	↑ +12%	[illegible]	[illegible]
Satisfaction metric - Order booking and delivery	↑ +4%	93%	89%
Satisfaction metric - Timeliness of delivery	↑ +1%	95%	94%

RECRUITED SHANDAR KISAANS AS OUR BRAND AMBASSADORS

We recruited Shandar Kisaans as our ambassadors and engaged with them so that our farmers have access to modern agri solutions and expert knowledge base on timely basis. Our Facebook Page, Whatsapp Groups and Youtube Tutorials are designed to provide real-time support and guidance.

SUPPORTING CUSTOMERS DURING PANDEMIC - UREA PRICE REDUCTION

Living up to the expectations as one of Pakistan's most responsible companies and remaining committed to alleviate the adverse impact of the global pandemic, the Company took the decision to reduce urea price that would result in an **annualized benefit of PKR 28 Billion, passed on to the farmer community**. The initiative was widely appreciated and recognized by Pakistan's leading newspapers.

The queries/complaints registered on the system are periodically reviewed by respective business manager(s). During the year 2020, [illegible] queries/complaints were registered by our dealers/ farmers through this system.

DEALER ENGAGEMENT SESSIONS THROUGHOUT PAKISTAN:

Engro Baithak Sessions: Baithak is a collaborative event held in 2020 aimed at engaging with our dealer network and keeping them updated on current and future market trends.

In 2020, EFERT's Commercial team partnered with Finance and Supply Chain to carry out **29 sessions in Rabi for 1400+ dealers** to communicate EFERT's ability to offer a one window solution through its diversified product portfolio and end to end services for all agri business needs. The session helped dealers learn about company's products and their uses for different crop types.

Open Communication during COVID -19, with Senior Management

During COVID, our CEO and senior management were in touch with our dealers in order to understand their concerns, answer their queries and how EFERT could support them in difficult times. These meetings were held online across different regions in Pakistan.

DIGITIZATION INITIATIVES TO IMPROVE ENGAGEMENT WITH CUSTOMERS

Leveraging technology to benefit from real-time connectivity via digital interfaces was the focus for 2020 to allow maximum connectivity between the Company and its customers (dealers) and ultimate consumers (farmers) and to create a competitive edge.

Various online applications and tools were launched to support engagement with dealers on operational / finance related matters as well as to engage with them on their business / purchasing patterns.

Hamsafar – Dealer Management System

EFERT launched first ever Online Mobile app in the fertilizer industry, Hamsafar which significantly shortens the Order to Cash cycle for all our dealers and customers. The automation of Ordering cycle helped drive efficiencies, reduced the time required to place orders and most importantly, during COVID-19 it provided convenience to execute orders from mobile app while sitting at home. Additionally, it has Electronic Bank Guarantee (eBG) enabled, saving the need to physically visit the bank.

EFERT's field force is empowered with FIORI app

Through this app information is decentralized, enabling us to significantly improve Customer Services. FIORI mobile app provides instant access to real time data enabling quick decision making. Our customers are highly satisfied with such technological advancements which bring convenience, speed and efficiencies.

Employees Engagement

THE ENGRO EXPERIENCE SURVEY

Capturing the experience of our people is immensely critical to further enhancing our employee experience. During stressful times of pandemic and remote work from home situation, the Company constantly checked-in to ensure employees through various collaboration tools and applications.

Pulse surveys were also conducted during the year to check in on employees emotional and mental well-being. Survey results including remediation plans against the concerns identified were showcased for closure by the Head of HR including the Management Committee.

Annual Engro Experience Survey was also launched like previous years at the end of 2020 via an independent third party. The results successfully showed a healthy response rate from employees with an improved engagement score of 84%.

EMPLOYEES ENGAGEMENT SCORE

2020	84%
2019	80%

1

LAUNCH OF "EMPLOYEE CENTRAL" - HR DIGITAL PLATFORM

The Employee Central was launched as an online repository for all employee related benefits and providing a one stop solution to all. The application allows employees to access, learn and apply for benefits online. Around 50% employees used the tool during the year.

2

ROADSHOWS ON POLICIES AWARENESS

8 roadshows were conducted to create awareness about more than 10 HR policies and to address employees' queries.

3

HR BUSINESS PARTNERS

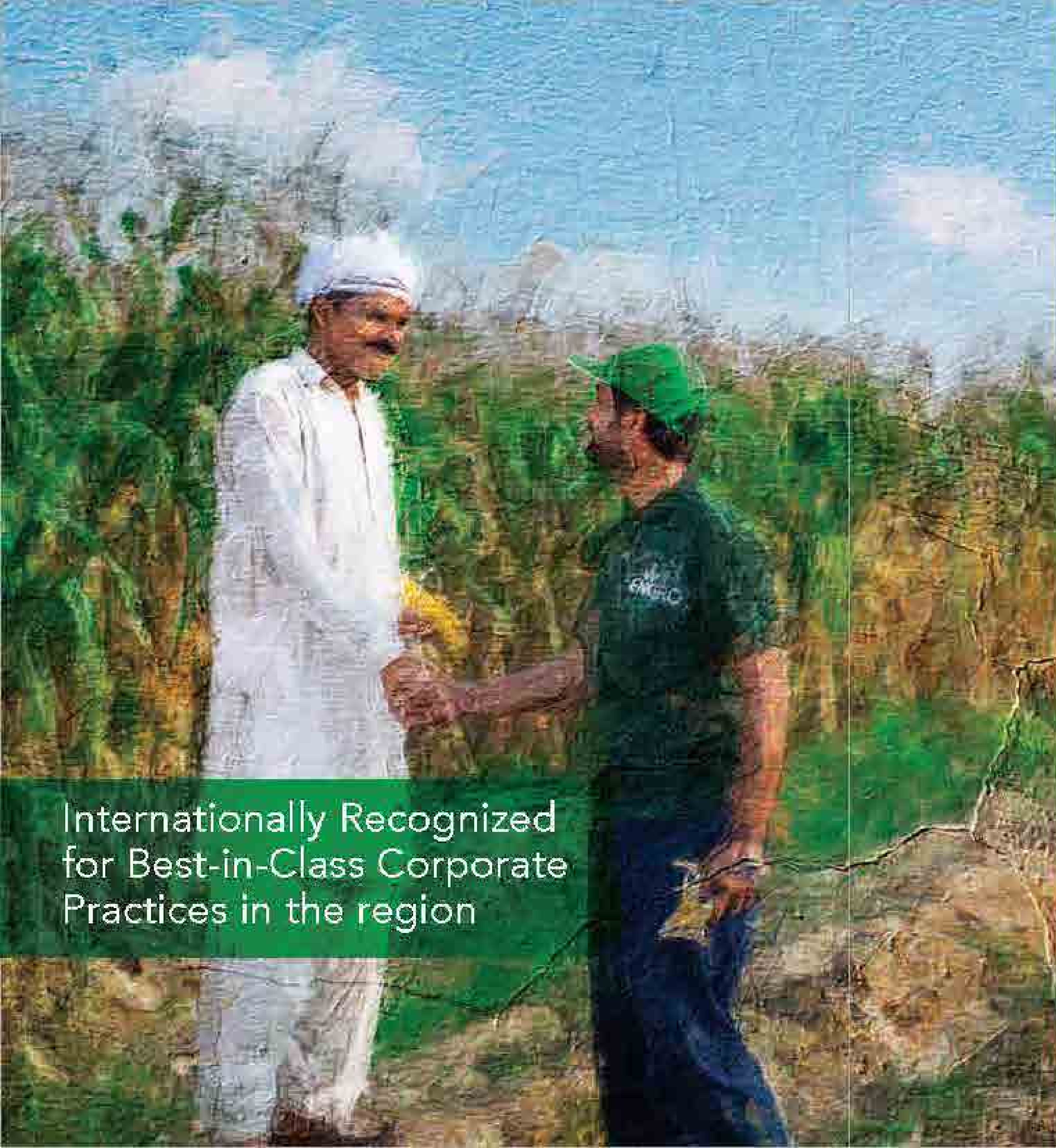
HR Business Partnering model was launched with the vision to uplift the quality and standard of customer service and create a one window operation that enhance overall employee experience.

4

EHSAAS - EMPLOYEES PARTICIPATION IN SUSTAINABILITY

Ehsaas is a unique initiative that encourages employees to participate in Company's drive to create social impact. The program encourages employees to contribute to the social development of our country and help improve employee engagement and motivation by having a shared sense of purpose.

In 2020, 34 employees participated in the "Ehsaas" program contributing 38 hours of volunteerism, reflecting EFERT's commitment to serve our communities.



Internationally Recognized for Best-in-Class Corporate Practices in the region

SECTION 03:

EFERT'S PERFORMANCE REVIEW REPORT

Overview Of Company's Performance And Contribution Towards Sustainable Development Goals

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2 Chairman's Review (English / Urdu)
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4 Corporate Strategy & Resource Allocation
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6 EFERT and UN Sustainable Development Goals (SDG's)
[illegible]

7 Financial Capital - Risk Management Plans & Detailed Financial Performance Review
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11 Pandemic Recovery Plan & EFERT's Role In Nation's Fight Against Pandemic
Page [illegible] to 280

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PERFORMANCE REVIEW REPORT

01. DIRECTORS' REPORT

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, 2020.

COVID-19 Combat and Business Continuity Strategy

The 1st wave of the COVID-19 pandemic initially brought the world to a grinding halt. However, with the introduction of SOPs to cope with the pandemic and mass vaccination on the horizon, businesses and corporates all over the globe are beginning to see light at the end of the tunnel. Pakistan underwent a period of nation-wide lockdown to prevent the spread of COVID-19 and this led to significant economic burden for the economy and hardship for the masses. With an effective policy framework and a number of impactful initiatives taken by the Government of Pakistan (GoP), the country witnessed a speedy economic revival in the second half of the year.

The agriculture sector also faced its own set of challenges during the year. Interruption in supply chain due to COVID-19 along with locust attacks emerged as key risks to the sector. However, timely Government action helped in keeping these impacts to a bare minimum.

Being responsible for more than a third of Pakistan's agricultural output, we are cognizant of our strategic role in Pakistan's agricultural landscape. Therefore, we remained committed to accomplish uninterrupted operations during this challenging year. In this pursuit, the Company developed comprehensive business continuity strategies and protocols to combat the virus. With health and safety of our employees being our utmost priority, the Company continues to operate a specialized medical isolation facility. Furthermore, during the year, the Company took several initiatives to manage morale of employees, including special recognition for front-line staff, counseling sessions for emotional well-being and using online platforms for social interaction.

COVID-19 CSR Initiatives

The Company strongly believes that our success lies in addressing the most pressing issues of our time and in line with the call of the Chairman of Engro Corporation Limited and Dawood Hercules Corporation Limited, Mr. Hussain Dawood, announced a PKR 1 Bn pledge to help the Country in its time of need. Under this pledge, the Company has made significant contributions to hospitals and NGOs to prevent the spread of the pandemic and enable diagnostic and testing facilities. Details of the initiatives taken by the Company are covered in the CSR section of this report.

Market Review

On the international front, Urea prices recovered by 12% during the year and stood at USD 261/T (landed equivalent PKR 2,895/bag) in December 2020, compared to USD 259/T (landed equivalent PKR 3,110/bag) in December 2019. DAP prices have witnessed rapid resurgence during the period with prices clocking in as high as USD 425/T by the end of the year.

On the local front, domestic Urea prices are currently at a discount of 44% to international prices, hovering around PKR 1,717/bag, significantly lower than PKR 2,040/bag at the start of 2020. The local Urea market demand stood at 5,999 KT vs 6,201 KT in 2019, which translates into a decline of 3% over the year. The decline in market demand can mainly be attributed to significant channel inventory at the start of the year. On the Phosphates front, the industry demand stood at 2,214 KT compared to 2,021 KT in 2019. This translated into a rise of 10% for the industry, mainly due to opportunistic buying in anticipation of international supply challenges and further increase in DAP prices in the upcoming months.

Indigenous gas-based Urea production of the industry increased by 8% and stood at 5,187 KT vs 5,777 KT last year. The increase in production is primarily attributable to the Company's record-high production of 2,264 KT, a surge of 13% versus comparable period last year. Total Urea production for the industry including RLNG plants stood at 6,133 KT in 2020 vs 6,164 KT in 2019.

Urea Prices

In January 2020, the Company welcomed the decision of the Government to reduce Gas Infrastructure Development Cess (GIDC) for fertilizer manufacturers by fully passing on the benefit through a Urea price reduction of PKR 100/bag. Subsequently, in wake of COVID-19, the Company announced further price cut on Urea of PKR 240/bag in March 2020.

With the end of the 1st wave of COVID-19 coupled with positive farm economics, the Company increased Urea price by PKR 25/bag in Q3 2020.

GIDC Scenario

On August 13, 2020, the Supreme Court of Pakistan (SCP) decided on the challenge to the constitutionality of the Gas Infrastructure Development Cess (GIDC) Act, 2015. The SCP held that the GIDC Act, 2015 is constitutional and the cess payable by companies outstanding as of July 31, 2020 would be recovered through 24 equal monthly installments. The SCP did however restrain the Federal Government from collecting any further cess from the date of the judgment.

Pursuant to the judgement the gas suppliers started invoicing the GIDC installments for recovery with effect from August 01, 2020. Further, against the GIDC installment invoice received from SNGPL on concessionary gas supplied under the fixed price gas sale and purchase agreement dated April 11, 2007 (GSPA), the Company approached the Sindh High Court (SHC) to challenge this imposition. The Company has obtained a stay order in its favour and the SHC has restrained SNGPL from taking any coercive action against the Company on collecting GIDC on feed stock gas supplied to the Company under the GSPA. The management has made an assessment (and as confirmed by the legal advisor) there are reasonable chances of a favourable outcome in relation to the legal proceedings filed against SNGPL for feed gas supplied under the GSPA. Hence, no provision for recognition of GIDC has been recorded by the Company in respect of feed gas received under the GSPA.

Various petitioners including Engro Fertilizers Limited, filed review petitions before the SCP which were dismissed on November 2, 2020 confirming its earlier held position. However, the SCP in their written judgment instructed the Government to recover the GIDC in 48 installments instead of 24 and allowed one year's time instead of six months to initiate the North-South pipeline as per initial judgement.

The Company filed a rectification application in the SCP for the correction of the typographical mistake in the written order. Order is requested to be corrected so that the direction orally given to the Government by the Court to recover the arrears of GIDC in 60 monthly installments may be correctly captured in the written order versus the current version of 48 months.

The Company also filed a suit before Sindh High Court (SHC) on December 17, 2020 against collection of GIDC on concessionary feed gas supplied under the nonfixed price contracts and the fuel gas, based on relief available under section 8(2) of the Act and on the grounds that factual determination of the GIDC passing is to be carried out. The SHC granted the Company an interim stay restraining the impleaded gas companies from taking coercive action against the Company for non-payment of GIDC installments.

Segment Analysis

Urea

During the year, the Company has achieved a historic milestone of highest ever Urea production of 2,264 KT as compared to 2,007 KT produced in 2019, an increase of 13% primarily due to better plant utilization supported by minimal outage days and higher gas availability. This was achieved on the back of unwavering focus on plant efficiency and engineering excellence. In 2020, the Company has also achieved highest ever domestic Urea sales of 2,036 KT compared to 1,923 KT in 2019, exhibiting an increase of 6% YoY. As a result, our market share improved to 35% for the year compared to 32% in 2019.

Phosphates (DAP/Zorawar/NP)

The Phosphates business witnessed a steep resurgence as the Company turned around the business from volumetric sales of 132 KT in 1H to 403 KT on a full-year basis.

Specialty Fertilizer Business (SFB)

The SFB division's sales for the year stood at 201 KT (Zarkhez/MOP/SOP/AS) compared to 173 KT (Zarkhez/MOP/SOP/AS) last year, registering a growth of 16%. The Potash market increased to 61 KT in 2020 from 45 KT in 2019, mainly due to robust potato and sugarcane crop along with lower prices than last year. The Company was able to maintain its market share of 60% in a growing industry.

Crop Sciences Division (CSD)

The Company has continued to make inroads in the Seeds and Pesticides business and despite serious challenges faced by the business during the year, the CSD revenue has increased modestly to reach PKR 1.4 Bn compared to PKR 1.2 Bn in 2019. The Company also entered into strategic partnerships with multinational brands to introduce new high yield and high margin products, to generate value for the Company and its customers.

E-logistics

The Company's logistics business was adversely impacted by the abolishment of the axle load regime. However, the business continues to maintain its focus on improving the standards and bringing operational efficiency.

Financial Review

Despite multitude of challenges faced by the Company during the year, we managed to deliver sales revenue of PKR 105.5 Bn showing a decline of 13%, compared to sales revenue of PKR 121.4 Bn in 2019. This decrease can mainly be attributed to decrease in DAP offtakes and reduction in Urea prices announced during the year. The fall was partly mitigated by the stellar performance of our sales team that achieved the highest ever volumetric Urea sales during the year.

The Company posted a gross profit of Rs. 34.3 Bn for the year which translates into a gross margin of 32% compared to 36% in 2019. Further, considering the recent events and developments on GIDC legal case and pursuant to the guidance on accounting of GIDC by ICAP via its Circular no. 1/2021 issued on January 19, 2021, the Company has remeasured its GIDC provision at its present value giving due consideration to the latest available information and the expected timing of the settlement as per the current legal scenario and has recognized remeasurement gain on GIDC provision of PKR 2.1 Bn in these financial statements. In addition, the Company has also recognized accounting loss of Rs. 1.2 Bn on its Subsidy receivable from the Government of Pakistan under the requirements of its financial reporting framework, giving consideration to the time value of money on the basis of expected recovery period of such receivables. The finance cost of the Company decreased by 12% to reach Rs. 2.1 Bn from Rs. 2.9 Bn in 2019, mainly due to declining interest rates and decrease in outstanding long-term loans of the company. The company's tax expense for 2020 stood at Rs. 3.2 Bn, a decrease of 70% compared to the 2019 tax expense of Rs. 10.5 Bn. One of the major reasons for this decline is the reversal of Rs. 3.4 Bn in tax provisions.

For the year 2020, on a standalone basis the Company's profit after tax stood at Rs. 16.8 Bn, compared to Rs. 15.6 Bn in 2019, registering a decline of 10%. On a consolidated basis the Company posted a profit after tax of Rs. 18.1 Bn showing a growth of 7% compared to profit after tax of Rs. 16.9 Bn in 2019. As a result, consolidated earnings per share increased to Rs. 13.57/share compared to Rs. 12.67/share in 2019.

Profit Appropriation and Reserve Transfer

At the start of the year, the total reserves of the Company stood at Rs. 29.9 Bn out of which the Board announced a dividend of Rs. 2.7 Bn, taking total reserves to Rs. 27.3 Bn. During the current year, the Company has announced two interim dividends of Rs. 9.0/share in total. The total reserves as at end of 2020 stood at Rs. 33.4 Bn and the detailed reconciliation is given in the Dividend and Appropriations table below:

Dividends and Appropriation	Rs. in Mn
Opening Reserves	**29,926**
Final dividend 2019: Rs. 2 per share	(2,671)
Net profit 2020	18,133
Other comprehensive income	6
Available for appropriation	**45,394**
Appropriations	
1st interim 2020: Rs. 4 per share	(5,341)
2nd interim 2020: Rs. 5 per share	(6,676)
Closing Reserves	**33,377**

Dividends and Subsequent Events

The Board is pleased to propose a final dividend of Rs. 4.0/share, in addition to interim dividends of Rs. 9.0/share that have already been already paid out, for the approval of our respected shareholders in the Annual General Meeting to be held on March 30, 2021.

There were no other material changes affecting the financial position of the Company till the date of issue of this report.

Capital Structure and Long-term Debt Management

In 2020, the Company continued to concentrate its efforts on reducing the costs of financing through better capital management as well as exploring low-cost financing options. Long term borrowings at year end 2020 stood at Rs. 23.5 Bn compared to Rs. 31 Bn in 2019. All debt repayments maturing this year were paid by their due dates and there have been no defaults in repayment of any debt during the year. Total equity as of December 31, 2020 stood at Rs. 45.7 Bn, compared to Rs. 43.3 Bn in 2019. During the year, PACRA maintained EFERT's long-term credit rating of AA and short-term credit rating of A1+.

Auditors' Report on the Financial Statements

Our Auditors have reviewed our business processes, strategic financial actions and expenditure incurred during the year and we are pleased to share that they have issued an unqualified opinion on the Company's Standalone and Consolidated Financial Statements for the year ended December 31, 2020.

Future Prospects and Market Outlook

Timely actions on the part of government to reduce urea prices coupled with availability of sufficient inventories have resulted in decline in urea prices. 2021 promises to be one of the best years for the agriculture sector of Pakistan with both farm yields and farmers income expected to significantly grow on the back of multiple supporting initiatives by the government. It is expected that the agriculture sector will surpass growth target of 2.8% during FY 2021 on the back of improved production of sugarcane and rice compared to FY 2020.

The international urea market is expected to continue the momentum built in 2020 into 2021, with modest growth in market demand expected during the year. This growth is mainly expected to originate from India, Europe, Brazil, and the US. Urea prices are also expected to remain strong during 2021. This is depicted by the fact that in January 2021 international urea prices jumped significantly to USD 350/ton (landed equivalent of Rs. 3,091 / bag).

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

Awards and Recognition

During the year, the Company received a myriad of awards and accolades in recognition of various aspects of its operations. Below is a list of major awards received by the Company in 2020:

- **HSE**
    - DuPont Safety Innovation Award 2020 by DuPont Sustainable Solutions;
    - Royal Society for Prevention of Accidents (RoSPA) Health and Safety Silver Award 2020 by RoSPA;
    - International Safety Award and Country Best Sport Award by British Safety Council;
    - Industry Stewardship Champion Award and Green Leaf Runner-Up Award by International Fertilizer Association; and
    - The Company received Global CSR Excellence & Leadership Award 2021 by Techno Solution and Australian Multicultural Global in the categories of Best Services in health especially during COVID-19 and best services in education.
- **Finance**
    - Ranked 5th in PSX Top 25 Companies of the year; and
    - Corporate Excellence Award by Management Association of Pakistan.
- **Manufacturing**
    - Asia Pacific Enterprise Award 2020 by Enterprise Asia; and
    - Our Analytical laboratory also received Quality award 2019 from Laboratory Quality Services International, SGS, USA.
- **HR**
    - Won 7 awards at the Global Diversity & Inclusion Benchmarks (Standards for Organizations around the World). GDIB globally evaluates organizations on the development and implementation of Diversity and Inclusion (D&I) best practices.

Health, Safety & Environment

The safety of our employees has always been the foremost priority of the Company. We have developed comprehensive HSE practices and all employees undergo in-depth training to ensure that the commitment to HSE is inculcated in all our employees.

Our HSE Performance

We ensure that all employees & contract workforce involved in plant and commercial operations at all our facilities are provided with highest level of HSE training and the best tools and equipment. With strong emphasis on specific safety hazards, emergency operations and safe work practices we achieved following HSE stats during the year:

Our HSE Performance*	2020
Total Recordable Injury Rate (TRIR)	0.04
Safe Man-Hours without Loss workday Injury (Million Man Hrs.)	31.3**
Loss Workday Injury (LWI)	0
Recordable Injuries (RWC / MTC)	2

*Excluding newly commenced E logistics business.
**Calculated from last LWI in 2016.

2020 Audits & Certifications

During 2020, manufacturing Daharki site was audited by various 2nd & 3rd Party experts. Details of which are as follows:

- OHIH 2nd Party audit - A team of experts from group company's HSE department audited Daharki manufacturing site for 3 days on OHIH management systems and its practices. Auditors were very appreciative of site performance and suggested few areas of improvements against which action plan is being developed;
- ISO-45001 Transformation - Manufacturing site went through transformation from OHSAS 18001 to ISO-45001 management on health, safety, and risk management without any non-compliance in its first-year audit; and
- HACCP certification for Plant canteen and colony clubs was retained in 2020.

Cultivating the HSE-First mindset

In 2020, "SHIFT" campaign was designed and launched at our Daharki manufacturing site focusing on bringing improvement towards workplace safety aspects like eliminating fall hazards, slip/trip hazards & electrical shock hazards etc. The focus of this campaign was to our collective efforts towards behavioral & inherent safety improvement at site to improve operational discipline by empowering people to lead various HSE initiatives. With these programs, we strive to change the mindsets and behaviors of our employees on the personal as well as professional front.

Safety Day - Management Commitment towards HSE

Safety Day was held in January 2020 at Engro manufacturing site in Daharki. The dedication of a whole day on HSE is a testament to management's commitment towards sustainable safety performance. Safety day focused primarily on developing HSE road map for 2020, learning sessions on international case studies & previous incidents and promoting awareness on safety challenges in 2020 and their containment procedures. Panel discussions and focus groups were also held to deliberate on behavioral safety aspects and to develop future strategies improvement.

Process Safety Improvement

The year 2020 was an extraordinary year in terms of the massive process safety improvements that were conducted at the site. Dedicated teams worked round the year to improve risk assessment studies & their methodologies so that we can bridge gaps in comparison to world's best practices. In this effort, detailed workings were carried out to revamp the risk and develop a new HSE Risk Matrix. HAZOP exercise's effectiveness was also improved by integrating it with LOPA technique in line with DuPont. Moreover, systems like Safety critical identification and defeat protocols, and set point change and P&ID systems were also revamped with sustainable models to make sure plant safety is not compromised.

Promoting health & well-being

The Occupational Health Program at the Company includes aspects of industrial hygiene and occupational medicine. As per plan, various health awareness programs including Ergonomics and risk assessment studies were performed in 2020.

Other engagement initiatives launched by the Company to inculcate HSE practices amongst our employees, were:

- Inherently Safety Program
- Management Safety Audit Revamp
- Risk Assessment Workshop (HAZOP / LOPA)
- School of OHIH & EMS
- Hazardous Waste Management
- Ergonomics Evaluation and Health Risk Assessment, etc.
- Process Safety Studies Related to Facilities Siting, Control Rooms and Modernized Safe Havens at Site

Corporate Social Responsibility

EFERT believes in doing good while doing well.

The Company aims to go beyond traditional corporate philanthropy and build an inclusive business model in collaboration with Engro Foundation, that will create positive value for both the Company and its communities. As a result, we take ownership of the welfare and development of the communities that we engage with and invest in sustainable initiatives that impact the lives of the people around us by inspiring positive change through social and economic growth of our communities. This commitment is inculcated in all our employees and we are proud of their direct association with these social initiatives. To achieve our objectives, we have also partnered with Government and development agencies and this has helped us create greater synergy for the communities.

We have also set up the Environment Sustainability & Stakeholders Engagement Steering Committee. The main objective of this committee is to ensure social and economic uplift of the communities within a 2-mile radius of our plant and to train them on Emergency Response Procedures in line with ERP standard.

Our CSR initiatives can be broadly categorized in the following areas, that have been chosen with the intention of maximizing the impact of our investment in the communities:

- Community Investment and Infrastructure Development
- Education
- Livelihood
- Agri-Value chain projects
- Healthcare services
- Energy conservation
- Protecting the environment
- Sports promotion and development

Community Investment and Infrastructure Development

Community Investment and Infrastructure Development is one the most critical parts of our CSR strategy. Under this pillar, the Company invests in developing infrastructure in surrounding communities to enhance the general standard of living in these areas and to provide income generation and community building opportunities to the residents of these communities.

To date, the Company has invested in several social project with the aim of revamping the landscape in communities surrounding our plant. These projects include educational institutes, health care facilities, provision of basic services like water, improvement of public places and development of drainage system.

A mental health hub facility was established at Daharki where more than 150 beneficiaries are treated in a year. A dialysis center in the facility has also been initiated at Daharki and will become operational in 2021. These facilities have dedicated health staff and trained professionals in place and are accessible for not only the surrounding villages but also to the larger population in Sindh.

In line with our strategy to support community and sports activities, uplift work has also been carried out at Daharki cricket stadium. Other community infrastructure enhancements include installation of solar lights in Noor Hassan Shah village and support to government educational facilities in Daharki and Ghotki.

Education

The Company strongly believes that Education is one of the most important catalyst for change and as a result, education has always been amongst the top priorities of our CSR strategy. We have worked endlessly to provide quality education to the underprivileged communities around our manufacturing facility, while consistently improving quality and learning outcomes at these institutions.

At the end of 2020, the enrollment at our government schools stood at 1,600+ students whereas our Katcha school network continues to operate as per plan with 1,000+ students. Our first Katcha Girls' Middle school has also started operations in Ghazi Chachar with 60 female students. We would like to acknowledge the support received from GSP and private donors in setting up this school. To ensure continuous improvement and advanced learning for our students, the Company also invest heavily in training the teacher who have been employed at these schools.

During COVID-19 restrictions, students continued their learning through blended learning techniques using Sabaq MUSE software. Furthermore, all adopted schools were provided with masks, sanitizers, thermometers and temperature guns for preventive measures and teachers were trained to ensure all SOP's were being strictly followed.

At SAHARA school, we strive to redefine lives of local community through sustainable development programs. SAHARA Welfare society (Engro employees volunteer society) operating since 1990, has been the beacon in serving local community through multiple initiatives associated with health, education, and vocational trainings. During the year, various infrastructure and portfolio expansion projects were initiated at SAHARA to help the community grow.

In addition to current strength of 550+ students at SAHARA School, HUNAR Program (technical skill enhancement program) was also initiated in 2020 with the aim of empowering local population by enhancing their skills & knowledge so that they can achieve economic independence. Under this program, 1,000 students were provided with quality academic support in evening classes program. This was followed by expansion of the computer lab and addition of 20+ new high-end computers to train individuals on basic and advanced computer skills. Sahara teams continued its efforts to tackle challenges faced during COVID-19. The Company ensured that the students were engaged and can continue their learning journey even during the pandemic, by providing them academic assignments at their doorstep. In addition to this, multiple academic events like Sahara Entrepreneurship Event, Inter-School Debate Competition, Creative Writing Competition and Science Practical Competitions were organized to create opportunities for the community.

Livelihood

- **Technical Training College (TTC), Daharki**

  The Technical Training Centre (TTC) Daharki, serves as the hub for the skills training initiative launched by the Company. The college offers a 3-year Diploma in Associated Engineering (DAE) in Chemical, Electrical and Mechanical technologies, as well as a short-term vocational training programs for the youth living in the Daharki vicinity. We have also started inducting graduates under a 2-year Trade Apprentice (TA) program through a structured selection and interview process at the plant. In 2020, 26 TAs were inducted in this course.

- **Diploma in Associated Engineering (DAE) Program**

  In 2020, the total DAE strength stood at 300 students. Out of these, 125 students were new inductees while we were privileged to witness the graduation of 131 students and their joining of alumni ranks, bringing the total Alumni network to 550 individuals. TTC students secured Top 11 Electrical & 14 chemical positions in 2019-20.

- **Vocational Courses**

  Total trainees enrolled in our Vocational Training Center (VTC) in 2020 were 350. The number of graduates were 120, swelling the VTC alumni pool to 2,975 graduates till date. New trainees were inducted so they could learn skills that would make them valuable employees or entrepreneurs as well as contributing members of the community.

Agri-Value Chain Projects

Partnerships and Value Expansion (PAVE) for inclusive seed systems

PAVE Pakistan is a 2.5 year (2017 - 2020) business incentive project jointly funded by DFAT (Department of Foreign Affairs and Trade) Australia and EFERT, which aims to develop the seed value chain in Pakistan and make it more inclusive for smallholder farmers by building on their capacities and creating market linkages for them. During the year, more than 4,400 beneficiaries, including 600+ females, have been engaged in the project through trainings on seed multiplication and best crop management practices. More than 300 small farmers have been registered as part of EFERT's seed business network. Apart from this, 24 village-based seed enterprises have been established, which are also disseminating learnings to fellow farmers and communities. A case study with regards to this initiative, and its objectives and achievements has also been published by Shared Value Australia on their website.

During the year, partnerships have been established with Agriculture University of Faisalabad and International organization CABI's regional center for development and operations of community center.

Healthcare Services

Our health projects continue to provide essential services to surrounding communities. The Sohni Clinic treated a total of 5,895 patients in 2020, while the singular snake-bite treatment facility treated a total of 7,085 patients during 2020.

More than 283 awareness sessions were conducted for Hepatitis Awareness and these sessions were attended by 9,840 participants. A total of 5,477 people were vaccinated, while 227 Hep C patients were treated and cured during the year.

During 2020 we have established free of cost lamp and dog bite facility with the coordination of NMSI, both facilities will be operational next year.

Protecting the Environment

- **Carbon Footprint reduction**

  The Company has developed a carbon footprint reduction plan in accordance with international standards in 2017, which aims to bring the Company performance in line with globally acceptable levels for a fertilizer complex. Consequently, multiple projects were carried out to maximize the available margin and protect the environment. In 2020, carbon dioxide network integration project between all three Urea plants was executed which will reduce direct CO2 venting state. In addition to that, water & solid footprint measurement and benchmarking activity was also carried out and plans are being developed to review optimization margins. Moreover in 2020, for the first time, approx. 60 tons of hazardous waste was recycled instead of disposal following all legal requirements.

- **One Million Tree Project**

  In pursuit of our Green Pakistan Vision, we are utilizing hundreds of acres of barren land held by Sindh Forest Department by virtue of an MoU, to grow trees on the land in District Ghotki. Approximately, two hundred & seventy thousand trees have been planted so far at 300 acre land, whereas Phase-2 for another 240 acres has been proposed to forest department to meet our target to implement five year plan for sustainable development and plantation.

Community Events and Sports Promotion/Development

- PPEs awareness and distribution campaign were arranged at Sindh Punjab border with the coordination of Pakistan Rangers and Motorway Police;
- Career counselling session for Katcha youth;
- Snake bite awareness sessions conducted at Katcha schools;
- Organized a livestock vaccination drive with the coordination of Livestock Department of Sindh at Katcha areas of Kashmore; and
- Distributed 25 sewing machines with gift packs to poor deshuhalo families. Further, 17 livelihood machines were distributed among the widows and poor families.

CSR initiatives during the COVID-19

The Company has taken multiple steps to prevent the spread of COVID-19 in the surrounding communities. These initiatives include:

- The Company converted its Technical Training College into a 176-bed quarantine facility;
- EFERT also established a free of cost COVID-19 testing facility in Daharki under the umbrella of Hussain Dawood Pledge and with the coordination of Indus Hospital. On average, 450 people per week are screened and tested at this facility;
- Fumigation/Disinfecting of nearby villages and Daharki City on a periodic basis;
- Hand wash stations were installed at different locations within city and in nearby schools, and public places;
- To alleviate suffering of the families affected by COVID-19 and the resulting lockdown, 2000 ration bags were distributed in Daharki and surrounding communities. Admin team / volunteers also distributed 150 ration bags in Jing colony; and
- In addition to the above, various beneficiaries of Engro livelihood projects who were out of business due to COVID-19 lock down were provided financial support.

Rs. 1 Bn Hussain Dawood (HD) Pledge

In line with our Groups' strong belief that our success lies in helping those around us, the Chairman of Engro Corporation and Dawood Hercules Corporation, Mr. Hussain Dawood, announced a Rs. 1 Bn pledge to help the Country in its time of need. Under HD pledge the following donations were made by the Company to hospitals and NGOs to assist them in battling the spread of COVID-19:

- Rs. 95 Mn to Indus Hospital to expand COVID-19 testing capacity across Sindh;
- Rs. 20 Mn to Ghausia Kharram Hospital for testing COVID-19 patients; and
- Rs. 4.8 Mn to Sehat Kahani for promoting quality remote healthcare.

Statement of Charity Account

Rs. In Mn	2020	2019	2018
Community & Welfare & Infrastructure (including COVID-19 related contribution)	135.5	87	47
Education	33.0	34	35
General	12.5	19	11
Healthcare	97.1	100	5
Environment	19	25	2
Grand Total	298.5	265	100

Our Commitment to our People

The Company is proud of having a motivated, zealous and efficient team that personifies the Company's values, ensuring continued excellence over the years. The Human Resource department focuses on strategic policies, effective defined contribution and medical plans, attractive compensation packages and incorporating a healthy environment which allows its people to enhance productivity at an individual level as well as the larger organization.

2020 was a transformational year for Human Resource Function of EFERT as multiple structural changes were introduced and new initiatives were implemented for greater efficiency, increased employee satisfaction and improved employee performance.

The following is HR's contribution to the Company's success:

Talent Acquisition

The department strives to continuously improve our processes to enhance employee and stakeholder experience. Multiple initiatives were introduced to positively impact the overall HR efficiency.

Service Level Agreement

To align recruitment process timelines and improve overall service delivery, a Service Level Agreement (SLA) was introduced and presented to all relevant stakeholders. The goal of the agreement was to attract and hire the best talent available in a smooth and timely manner along with meeting the stakeholder expectations. The key components included:

- Process with set timelines for transparency and efficient process execution; and
- Internal & External stakeholder management by introducing continuous feedback and improvement.

The SLA along with HR fit for purpose restructuring helped us improve the overall hiring lead time.

Proactive Sourcing Strategy

Using industry analysis and attrition as basis to augment the quality of talent and to transition from a reactive hiring to proactive hiring approach.

- A Commercial Trainee Program was introduced to attract and train fresh graduates from Agricultural and Business background for Field Roles. The program aims to facilitate in:
  - Providing an assessed and readily available pool of candidates;
  - Enhanced quality of hire; and
  - Gender diversity by hiring women in unconventional field role(s).
- Talent/Candidate Pool development was initiated for all divisions to enable a quicker hiring for future, positively impacting the overall process efficiency and customer experience.

Extensive Onboarding Program

To positively impact employee productivity and business growth, we have developed an extensive and engaging onboarding experience for all new Hires by:

- Equipping employees with relevant business knowledge;
- Effectively integrating the employees in their teams; and
- Acquainting the employees with Company values, competencies, and culture.

Gender Diversity

At EFERT, we take pride in providing everyone an equal opportunity at employment and growth and this year has proven to be a year of multiple 'first ever(s)' for EFERT's HR. Some of the key milestones achieved with respect to gender diversity in 2020 include:

- The gender diversity percentage increased from [illegible]% to [illegible]% this year;
- The Women of Impact platform was rolled out for the professional development of women under the 'Development & Retention' ambit. Webinars were held with EFERT's senior management to create awareness in women on having difficult yet meaningful conversations, managing their careers and balancing work during the work from home situation;
- Increase of 20% diversity ratio in GTE hiring 2020;
- Commercial Trainee Program launched to hire females in field-based roles;
- EFERT was able to set a new industry-wide record by hiring 11 women as Warehouse In-charge in different locations all over Pakistan;
- 2 women were hired as Product Managers in businesses such as Crop Science and Speciality Fertilizers where they are required to frequently work in the field with farmers and dealers;
- For the first time ever, 6 women Trade Apprentices were hired at Daharki Plant; and
- The first ever woman supervisor was hired at Daharki Plant this year.

Rewards Transformation

EFERT successfully implemented its Talent Strategy Paradigm focused on high performance and efficiency. Pay, promotion, increments and appraisal cycles based on the updated structure designed and formalized along with McKinsey & Company. Through the revised structures the following areas have been aligned:

- Employees Grading structure has been restructured and transformed by the inclusion of broader bands and career streams;
- Salary structures have been harmonized across the group aligning the rewards mix; and
- Variable Pay has been redesigned, effectively rewarding high performance.

Policy Roadshow

To create awareness about HR policies, the Rewards team introduced 'Our Efforts for you – Policy awareness campaign'. As part of this initiative, a series of sessions have been conducted to educate and remind employees about all the benefits that they can avail. Each session has been designed and curated for the specific audience entailing all the benefits they are entitled to. The awareness session not only enables employees to be cognizant of HR policies but also provides a platform where they can voice their opinions and provide feedback.

Employee Central

Employee Central, which is a centralized Employee Benefit System, has been launched successfully in all functions. It makes it simple for employees to access, learn, and apply for benefits through the system. It allows for a quicker and more efficient processing of Employees requests.

Capability Development

Human Resource at EFERT is responsible to introduce and promote efficiency within the workforce through skills and capability development. The initiatives mentioned below have been taken throughout the year for capability development of employees:

- 2 competencies trainings on Fosters Collaboration and Demonstrates Adaptability were executed for Regional Sales Managers in Commercial along with an effectiveness framework to ensure that trainings are implemented on the field and directly benefit field operations;
- Level Up was developed and executed in collaboration with Supply Chain, a functional eLearning program using the platform of Accenture Solutions to upskill 200+ employees in the Supply Chain division across Pakistan;
- An end to end virtual intervention for upskilling of First Time People Managers was executed focusing on self paced learning, reinforcement learning material and concluding with a peer learning session led by VP Supply Chain & Head of HR;
- HR Academy was launched as a capability development solution to upskill the HR team around the philosophy of 'Future Focused HR' focusing on online courses and a broad variety of learning material on modern people practices;
- Created and rolled out a tier wise Learning Needs Analysis framework for all functions to get an in depth understanding of customer's learning needs and deliver customized solutions; and
- Training on Creating a Culture of Feedback executed for all M3 & M4s before the launch of year end appraisals to refresh the art of having effective feedback conversations.

Improving Customer Centricity

HR Business Partnering model has been launched with the vision to uplift the quality and standard of customer service and create a one window operation that enhance overall employee experience. HRBPs act as the forefront for HR Services for their respective functions making it convenient for employees to approach and have issues resolved more efficiently.

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;
- Providing free of cost soil sampling services to farmers across Pakistan (approximately 24,000 soil tests are conducted annually); and
- Ensuring timely delivery of product through our extensive distribution and dealer network.

Contribution To National Exchequer

During the year 2020, the Company contributed over Rs. 7 Bn, compared to Rs. 22.3 Bn in 2019, towards the National Exchequer by way of Government taxes, duties, and levies. The main reasons for variance are removal of GIDC going forward and prior year tax reversals.

Further, value addition in terms of savings in foreign exchange amounted to approximately USD 324 Mn through import substitution of 2,035 KT of Urea and related products manufactured and sold in the country by EFERT in 2020.

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.

- **Adequacy of Internal Financial Controls:**
The Board of Directors has employed an articulate paradigm of internal financial controls, promoting the culture of moral conduct and ethical obligation within the Company systems and processes.

Directors' Remuneration

The remuneration paid to the members of the Board for attendance of Board and Committee meetings has been duly approved by the Board of Directors.

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

No remuneration is paid to Executive Directors, Chief Executive Officer and Non-Executive Directors who are employees of other Engro entities, for attending meetings of the Board and its Committees.

The Board, if deems appropriate, may engage independent consultant to determine the appropriate level of remuneration of its Directors and recommend to the Board for consideration and approval. Directors are also entitled to reimbursement of expenses incurred in connection to attendance of the Board and/or Board Committee meetings.

Details of the remuneration paid to Directors during the year is given in Note 56 of the Consolidated Financial Statements.

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 plan. The value of net assets of Provident Fund (as of June 30, 2020) and Gratuity and Pension funds (as at December 31, 2019) based on their respective audited accounts are:

Provident Fund: Rs. 4,724 Mn (EFERT's share = Rs. 1,543 Mn)
DC Pension Fund: Rs. 556 Mn (EFERT's share = Rs. 182 Mn)
DB Pension Fund: Rs. 38 Mn (All EFERT)
DC Gratuity Fund: Rs. 2,189 Mn (EFERT's share = Rs. 513 Mn)
DB NMPT Gratuity Fund: Rs. 177 Mn (All EFERT)
DB MPT Gratuity Fund: Rs. 429 Mn (EFERT's share = Rs. 113 Mn)

Auditors

The existing auditors of the Company are 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, 2021.

Pattern of Shareholding

As of December 31, 2020, Associated Companies and Directors of the Company held the following number of shares:

Particulars	% of Shareholding
Associated Companies and Related Parties	56.27%
Directors and Dependents	0.13%

A detailed pattern of shareholding is disclosed in Section 05: Shareholders' Information of this Report.

Statement of Director 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:

- The Company has maintained proper books of accounts;
  Appropriate accounting policies have been consistently applied in preparation of the financial statements;
- Accounting estimates are based on reasonable prudent judgement;
- International Financial Reporting Standards, as applicable in Pakistan, have been duly followed in preparation of the financial statements;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There is no doubt about the Company's ability to continue as a going concern;
- There has been no material departure from the best practices of Corporate Governance, as detailed in the Listed Companies (Code of Corporate Governance) Regulations, 2019; and
- The Directors Training program has been completed by all Directors during the year, except for Mr. Mazhar Abbas Hashmi who has attended it during January 2021, from recognized institutions of Pakistan, approved by the Securities & Exchange Commission of Pakistan.

Board Composition and Attendance

The Board of Directors held 7 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

[illegible]	Non-Executive Director, Chairman	[illegible]
Mr. Abdul Samad Dawood	Non-Executive Director	[illegible]
Mr. Javed Akbar	Non-Executive Director	[illegible]
[illegible]*	Non-Executive Director	[illegible]
[illegible]	Executive Director	[illegible]
[illegible]	Independent Director	[illegible]
[illegible]	Independent Director	[illegible]
Ms. Sadia Khan**	Independent Director	[illegible]
[illegible]***	Independent Director	[illegible]
[illegible]****	Non-Executive Director	[illegible]

* Appointed as Director on August [illegible], 2020 in place of Mr. Hasnain Moochhala.
** Resigned from Board as Director on March 23, 2020.
*** Appointed as Director on May 30, 2020 in place of Ms. Sadia Khan.
**** Resigned from Board as Director on September [illegible], 2020 and [illegible] casual vacancy on the Board.
***** Resigned from Board as Director on August 06, 2020.

BPC Composition and Attendance

In 2020, the Board People Committee held 3 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

Asim Murtaza Khan, Chairman	[illegible]
Sadia Khan*	[illegible]
Javed Akbar	[illegible]
[illegible]**	[illegible]

* Sadia Khan was replaced by Ghias Khan after February BPC meeting.
** Ghias Khan joined the Committee during the year and attended last 2 BPC meetings.

BAC Composition and Attendance

In 2020, the Board Audit Committee held 4 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

[illegible], Chairman	[illegible]
[illegible]	[illegible]
Mr. Javed Akbar	[illegible]
[illegible]*	[illegible]
[illegible]**	[illegible]

* Joined BAC as member during the year and attended [illegible] BAC.
** [illegible] was replaced by [illegible] Hashmi in the BAC during the year.

Chairman

Chief Executive Officer

شیئر ہولڈنگ کا خاکہ

31 دسمبر 2020 کو منسلک کمپنیز اور کمپنی کے ڈائریکٹرز مندرجہ ذیل حصص کی تعداد کے حامل تھے۔

کیٹیگری	شیئر ہولڈنگ (فیصد) (%)
منسلک کمپنیز اور متعلقہ فریقین	56.27%
ڈائریکٹرز اور دیگر ایگزیکٹوز افراد	0.13%

شیئر ہولڈنگ کا مفصل خاکہ سالانہ رپورٹ کے شیئر ہولڈنگ سیکشن میں دیا گیا ہے۔

ڈائریکٹرز کی ذمہ داریوں کے حوالے سے بیان

ڈائریکٹرز، درج ذیل امور کے حوالے سے سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ادارہ جاتی اور مالیاتی رپورٹنگ کے فریم ورک کی تعمیل کی توثیق کرتے ہیں:

- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالی گوشوارے، اس کے معاملات، اس کے عملی امور کے نتائج، زر نقد کی ترسیل اور ایکویٹی میں ہونے والے تغیرات کو منصفانہ انداز میں پیش کرتے ہیں۔
- کمپنی نے کھاتہ جات (اکاؤنٹس) کی کتابیں درست طریقے سے تیار کی ہیں۔
- مالی گوشواروں کی تیاری میں تصوص میں اکاؤنٹنگ پالیسیز کو مستقل بنیادوں پر استعمال کیا گیا ہے۔ اکاؤنٹنگ کے تخمینہ جات موزوں اور دانشمندانہ فیصلوں کی بنیاد پر کئے جاتے ہیں۔
- مالی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ کے معیارات پر باضابطہ طور پر عمل کیا گیا ہے۔
- داخلی نگرانی کا نظام بناوٹ کے اعتبار سے مستحکم ہے اور اس کا اطلاق موثر انداز میں کیا گیا ہے نیز اس کی نگرانی کی گئی ہے۔
- کمپنی کے اسی طرح جاری رہنے اور کمپنی کی صلاحیت کے حوالے سے کسی قسم کا شک نہیں ہے۔
- لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 میں دی گئی تفصیلات کے مطابق کارپوریٹ گورننس کے بہترین طریقوں سے کسی قسم کا کوئی مادی اخراج نہیں کیا گیا ہے۔
- دوران سال، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے منظور شدہ اور پاکستان کے رجسٹرڈ اداروں سے تمام ڈائریکٹرز نے ڈائریکٹرز ٹریننگ پروگرام کو مکمل کر لیا ہے، ماسوائے منظور عباس حسنانی، جنہوں نے اس میں جنوری 2021 کے دوران شرکت کی۔

بورڈ کی تشکیل اور حاضری

بورڈ آف ڈائریکٹرز نے اپنے مختلف امور کا احاطہ کرنے کے لیے 7 اجلاس منعقد کیے۔ ان میں ڈائریکٹرز کی حاضری کا ریکارڈ درج ذیل ہے:

[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible] **	[illegible]
[illegible] ***	[illegible]
[illegible] ****	[illegible]

* 07 اگست 2020 کو جناب حسنین موچھالا کی جگہ بطور ڈائریکٹر تقرری ہوئی

** 03 مارچ 2020 کو بورڈ سے بطور ڈائریکٹر مستعفی ہوئے

*** مسماۃ سعدیہ خان کی جگہ 30 مئی 2020 کو بطور ڈائریکٹر تقرری ہوئی

*** بورڈ میں اسامی خالی چھوڑتے ہوئے، 24 ستمبر 2020 کو بورڈ سے بطور ڈائریکٹر مستعفی ہوئے

**** 06 اگست 2020 کو بطور ڈائریکٹر بورڈ سے مستعفی ہوئے

بی پی سی کمپوزیشن اور حاضری

سال 2020 میں بورڈ پالیسی کمیٹی نے اپنی تمام سرگرمیوں کا احاطہ کرنے کے لیے 3 اجلاس منعقد کیے۔ ان میں ڈائریکٹرز کی حاضریوں کا ریکارڈ درج ذیل ہے:

[illegible] (چیئرمین)
[illegible] *
[illegible]
[illegible] **

* [illegible] خان نے فروری بی پی سی اجلاس کے بعد سعدیہ خان کی جگہ لی تھی

** [illegible] خان دوران سال کمیٹی کے ساتھ منسلک ہوئے اور انہوں نے 2 بی پی سی اجلاس میں شرکت کی

بی اے سی کی تشکیل اور حاضری

سال 2020 میں بورڈ آڈٹ کمیٹی نے اپنی تمام سرگرمیوں کا احاطہ کرنے کے لیے 4 اجلاس منعقد کیے۔ ان میں ڈائریکٹرز کی حاضریوں کا ریکارڈ درج ذیل ہے:

جناب [illegible] (چیئرمین)
[illegible]
جناب [illegible]
جناب منظور عباس حسنانی *
جناب حسنین موچھالا **

* بی اے سی کے ساتھ بطور رکن دوران سال منسلک ہوئے اور 44 ویں بی اے سی میں شرکت کی

** جناب منظور حسنانی نے دوران سال بی اے سی میں جناب حسنین موچھالا کی جگہ لی تھی۔

چیف ایگزیکٹو آفیسر

چیئرمین

قومی خزانہ میں تعاون / کردار

سرکاری محصولات، ڈیوٹیز اور ٹیکسز کے ذریعے کمپنی نے قومی خزانے میں سال 2019 میں ادا کی جانے والی 22 بلین روپے کی رقم کے مقابلے میں سال 2020 میں کمپنی نے 7 بلین روپے ادا کئے۔ اس تبدیلی کی بنیادی وجہ GIDC کا آگے بڑھنا اور گزشتہ سال میں بکنگ کی منسوخی ہے۔ مزید یہ کہ سال 2020 میں 2,006KT یوریا کی درآمد کے متبادل، اینگرو فرٹیلائزرز کے ذریعے ملک میں تیار کردہ اور فروخت کردہ یوریا بیگز کے ذریعے غیر ملکی زرمبادلہ میں بچت کے حوالے سے ملکی ایڈیشن کی لاگت تقریباً 524 ملین امریکی ڈالر رہی۔

انٹرنل کنٹرول فریم ورک

- ذمہ داری

بورڈ کمپنی کے انٹرنل کنٹرول کے نظام اور اس کی مؤثریت کے حوالے سے کلی طور پر ذمہ دار ہے۔ تاہم ایسا نظام کاروباری مقاصد کے حصول میں ناکامی کے خطرے کو منظم کرنے کیلئے بنایا گیا ہے۔ یہ میٹیریل غلطی یا نقصان نہ ہونے کے حوالے سے مناسب یقین دہانی کرتا ہے۔ بورڈ نے کمپنی کے اندر رسک کے انتظام و انصرام کے لیے اپنی مجموعی ذمہ داری کو برقرار رکھتے ہوئے انٹرنل کنٹرول کے نظام کا تفصیلی ڈیزائن اور عملی امور کے جائزے کی ذمہ داری چیف ایگزیکٹیو کو سونپی ہے۔

فریم ورک

کمپنی جائزے کے لیے واضح اسٹرکچر، اختیار کی حدود اور احتساب، مکمل قسم پالیسیز اور طریقوں اور بجٹ پر مشتمل نگرانی کے ایک منظم فریم ورک کو برقرار رکھتی ہے۔ تمام پالیسیز اور نگرانی کے طریقہ کار کو مینولز میں دستاویزی شکل میں رکھا گیا ہے۔ بورڈ کارپوریٹ حکمت عملی اور کاروباری اہداف کو طے کرتا ہے۔ دیانتداری اخلاقیات ان اہداف کو اپنی اہداف کی مطابقت سے دیانتداری اور کاروباری حکمت عملی کے ساتھ منسلک کرتی ہے۔

جائزہ

بورڈ کمپنی کی مالی کارکردگی، مالیات، آپریٹنگ بجٹ اور پیش بینی، کاروباری منصوبہ اور اہم منصوبوں، سرمایہ جاتی اخراجات، معاہدوں اور کارکردگی کے حوالے سے دیگر اہم معاملات پر غور کرنے کے لیے ہر سہ ماہی (کوارٹر) میں ملاقات کرتا ہے۔
بورڈ آڈٹ کمیٹی، اندرونی اور بیرونی آڈیٹرز سے انٹرنل فنانشل کنٹرولز کے نظام پر رپورٹس وصول کرتی ہے اور انٹرنل کنٹرول کی مؤثریت کی نگرانی کے لیے طریقہ کار کا جائزہ لیتی ہے۔ کمپنی کی سطح پر سرمایہ کارانہ اخراجات اور اثاثہ جات کی فروختگی کی تشخیص اور منظوری کی نگرانی کرنے کی باضابطہ پالیسی موجود ہے اور ایک مرتبہ پراجیکٹس کی تکمیل پر، تمام بڑے سرمایہ کارانہ اخراجات کا جائزہ لیا جاتا ہے۔

انٹرنل فنانشل کنٹرولز کی مؤثریت:

بورڈ آف ڈائریکٹرز نے کمپنی کے نظام اور طریقہ کار میں اخلاقی ضابطہ کار کی ذمہ داریوں کی روایت کے فروغ کے لیے انٹرنل فنانشل کنٹرولز کا ایک واضح نمونہ اشتمال واضح استعمال کیا ہے۔

ڈائریکٹرز کا مشاہرہ

بورڈ آف ڈائریکٹرز کی جانب سے بورڈ اور کمیٹی کے اجلاس میں حاضری کے حوالے سے بورڈ کے اراکین کو مشاہرہ کی ادائیگی کی اجازت دے دی گئی ہے۔ ڈائریکٹرز کو ادا شدہ مشاہرہ کی مجموعی رقم کی تفصیلات، مالی گوشوارے کے نوٹس میں ظاہر کی گئی ہیں۔

بورڈ آف ڈائریکٹرز نے کمپنیز ایکٹ، 2017 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) کے مطابق بورڈ اور کمیٹی کے اجلاسوں میں حاضری کے حوالے سے ڈائریکٹرز کے مشاہرے کے لیے پالیسی اور طریقہ کار کی باضابطہ منظوری دے دی ہے۔ بہترین قابلیت کو اپنی جانب راغب کرنے اور انھیں اپنے ساتھ برقرار رکھنے کے لیے مشاہرہ کا تعین ذمہ داری کی نوعیت اور تجربے سے کیا جاتا ہے اور اس بات کو بھی یقینی بنایا جاتا ہے کہ کسی بھی طریقے سے ان کی آزادی پر سمجھوتہ نہ ہو۔
اینگرو کے دیگر اداروں میں ملازمت کرنے والے ایگزیکٹیو ڈائریکٹرز / چیف ایگزیکٹیو آفیسر اور نان ایگزیکٹیو ڈائریکٹرز کو بورڈ اور اس کی کمیٹی کے اجلاسوں میں شرکت کرنے کے حوالے سے کسی مشاہرہ کی ادائیگی نہیں کی جاتی ہے۔
بورڈ اگر موزوں تصور کرے تو اپنے ڈائریکٹرز کے مشاہرہ کی موزوں سطح کے تعین کے لیے ایک غیر جانبدار مشیر کو شامل کر سکتا ہے اور بعد ازاں بورڈ سے اس پر بحث اور منظوری کی سفارش کر سکتا ہے۔ ڈائریکٹرز، بورڈ اور/یا بورڈ کمیٹی کے اجلاسوں میں حاضری کے لیے اس پر آنے والے اخراجات کی وصولی کے بھی اہل ہیں۔

دوران سال ڈائریکٹرز کو ادا شدہ مشاہرہ کی تفصیل منسلکہ شدہ مجموعی مالیاتی گوشوارے کے نوٹ 36 میں دی گئی ہے۔

پنشن، گریجویٹی اور پراویڈنٹ فنڈز

کمپنی کے ملازمین، اینگرو کارپوریشن (بنیادی کمپنی) کی جانب سے برقرار رکھے جانے والے ریٹائرمنٹ فنڈز میں شریک ہوتے ہیں۔ کمپنی ایسے منصوبوں میں حصہ ڈالتی ہے جو اس کے ملازمین کے لیے بعد از ملازمت اور ریٹائرمنٹ پر فنڈ فراہم کرتے ہیں۔ اس میں ڈی سی پراویڈنٹ فنڈ / ڈی سی گریجویٹی پلان شامل ہیں۔ متعلقہ آڈٹ شدہ اکاؤنٹس کی بنیاد پر پراویڈنٹ فنڈ کے سرمایہ کاری اثاثہ جات کی مالیت (30 جون 2020ء کو) نیز گریجویٹی اور پنشن فنڈز (31 دسمبر 2019ء کو) کی مالیت درج ذیل ہے:

پراویڈنٹ فنڈ: 4,724 ملین روپے (اینگرو فرٹیلائیزرز کے حصص: 1,543 ملین روپے)
ڈی سی پنشن فنڈ: 356 ملین پاکستانی روپے (اینگرو فرٹیلائیزرز کے حصص: 182 ملین روپے)
ڈی بی پنشن فنڈ: 38 ملین پاکستانی روپے (تمام اینگرو فرٹیلائیزرز)
ڈی سی گریجویٹی فنڈ: 2,189 ملین پاکستانی روپے (اینگرو فرٹیلائیزرز کے حصص: 813 ملین روپے)
ڈی بی NMPT گریجویٹی فنڈ: 177 ملین پاکستانی روپے (تمام اینگرو فرٹیلائیزرز)
ڈی بی MPT گریجویٹی فنڈ: 129 ملین پاکستانی روپے (اینگرو فرٹیلائیزرز کے حصص: 113 ملین روپے)

آڈیٹرز

کمپنی کے موجودہ آڈیٹرز A.F.Ferguson & Co. چارٹرڈ اکاؤنٹنٹس ہیں جو کہ سبکدوش ہو چکے ہیں اور اہل ہیں نیز انھوں نے خود کو دوبارہ تقرری کے لیے پیش کیا ہے۔ بورڈ آڈٹ کمیٹی 31 دسمبر 2021ء کو ختم ہونے والے سال کے لیے ان کی تقرری کی سفارش کرتی ہے۔

- گروپ سائنس اور اسپیشلٹی فرٹیلائزر کے شعبوں میں 2 خواتین کو بطور پراڈکٹ مینیجر رکھا گیا، جہاں انہیں کاشتکاروں اور ڈیلروں کے ساتھ اکثر فیلڈ میں کام کرنے کی ضرورت پیش آتی ہے۔
- پچھلی بار دہرکی پلانٹ میں 6 خواتین ٹریننگ پرنٹس کی خدمات حاصل کی گئیں۔
- رواں سال ڈہرکی پلانٹ میں پہلی بار خاتون سپروائزر کی خدمات حاصل کی گئیں۔

ریوارڈز ٹرانسفارمیشن

اینگرو نے اعلیٰ کارکردگی پر توجہ مرکوز رکھتے ہوئے اپنے ٹیلنٹ مینجمنٹ تنظیمی نمونہ کو کامیابی کے ساتھ، ڈیزائن اور میک کینزی اینڈ کمپنی کے ساتھ مل کر بیرونی اور داخلی طور پر جدید ترین ڈھانچے پر مبنی پے اسٹرکچر اور تنظیمی سائیکل کو موثر طریقے سے چلایا۔ نظرثانی شدہ ڈھانچے کے ذریعے درج ذیل امور کو اس کے ساتھ منسلک کیا گیا ہے:
- سو سچ ٹریڈ اور کیریئر اسٹرکچر کی شمولیت سے ملازمین کی گریڈنگ کے ڈھانچے کو دوبارہ ترتیب دیا گیا اور اس میں تبدیلی کی گئی۔
- تنخواہوں کے ڈھانچے کو مختلف ریوارڈز سے منسلک کرتے ہوئے پورے گروپ کے ساتھ ہم آہنگ کیا گیا ہے۔
- اعلیٰ کارکردگی کو موثر طریقے سے فائدہ پہنچاتے ہوئے مختلف ادائیگی کو نئے سرے سے ترتیب دیا گیا۔

پالیسی روڈ شو

ہماری ایچ آر پالیسیز سے متعلق آگاہی حاصل کرنے کے لیے ہماری ٹیم نے "ہماری کوشش آپ کے لیے" کے نام سے ایک پالیسی سے متعلق آگاہی کی مہم شروع کی۔ اس اقدام کے جزو کے طور پر ملازمین کو ان تمام فوائد کے بارے میں آگاہی فراہم کرنے اور ان کی بحالی کے لیے آگہی نشستوں کا ایک سلسلہ شروع کیا گیا ہے، جس سے وہ فائدہ اٹھا سکتے ہیں۔ ہر آگہی نشست کو علیحدہ علیحدہ ان مخصوص سامعین کے لیے ڈیزائن کی جاتی ہے جس سے وہ مستفید ہونے کے اہل ہوتے ہیں۔ یہ آگہی نشستیں نہ صرف ملازمین کو ایچ آر پالیسیز کی معلومات بہم فراہم کرتی ہیں بلکہ انہیں ایک ایسا پلیٹ فارم مہیا کرتی ہیں جہاں وہ اپنی رائے کو آواز دے سکتے اور انہیں اپنے ردعمل سے آگاہ کر سکتے ہیں۔

ایمپلائی سینٹرل

ایمپلائی سینٹرل، ملازمین کا ایک مرکزی نظام ہے جسے کامیابی کے ساتھ متعارف کرایا گیا ہے۔ اس کے کام کرنے کے طریقے نے ملازمین کے لیے اس کو سادہ اور آسان بنایا ہے اور وہ اس سسٹم تک باآسانی رسائی حاصل کر سکتے، سیکھ سکتے اور اپنے فوائد کے حصول کے لیے درخواست کر سکتے ہیں۔ اس کے ذریعے ملازمین کی درخواستوں پر تیز اور زیادہ موثر انداز میں کام ہوتا ہے۔

صلاحیت میں اضافہ

اینگرو فرٹیلائزرز میں موجود افرادی قوت (ہیومن ریسورس کا شعبہ افرادی قوت (ملازمین) کو مہارتوں سے آراستہ کرکے اور ان کی صلاحیت میں اضافہ کے ذریعے افرادی قوت کی کارکردگی کو بڑھانے کی ذمہ دار ہے۔ ملازمین کی کارکردگی کو بڑھانے کے لیے سال بھر کیے جانے والے اقدامات درج ذیل ہیں:
- دی جانے والی تربیت نے فیلڈ میں اطلاق اور اس سے فیلڈ کے امور کو فائدہ پہنچانے کے عمل کو یقینی بنانے کے لیے کام کیا۔ جنرل مینیجرز کے لیے ورکنگ کے موثریت کے ساتھ "تعاون کے فریم ورک معاونت کا مظاہرہ کرنے" پر 2 دن پر مشتمل ورکشاپ کا انعقاد کیا گیا۔
- لیول اپ کو سپلائی چین کے تعاون سے تیار کرنے کے ساتھ ساتھ اس پر عملی طور پر کام شروع کیا گیا۔ صلاحیت پر توجہ کے پلیٹ فارم کو استعمال کرتے ہوئے ایک ای لرننگ پروگرام کے ذریعے پاکستان میں سپلائی چین ورکنگ کے 200 سے زائد ملازمین کی صلاحیتوں میں اضافہ کیا گیا۔ سپلائی چین اور ایچ آر کے ہر بار وہی مربوط حکمت عملی سے خود سیکھنے کے عمل پر توجہ مرکوز رکھتے ہوئے تعلیمی مواد کے اہتمام سیکھنے کے حوالے سے سیشنز کے لیے کئی مرحلہ

غیر ریٹیل والے لوگوں کی صلاحیتوں کو بڑھانے کے حوالے سے ایک ورچوئل مڈ لیول مینجمنٹ سسٹم کا قیام عمل میں لایا گیا۔
- مستقبل پر توجہ دینے والے ایچ آر کے فلسفے کے تحت ایچ آر اکیڈمی کی صلاحیتوں کو بڑھانے کے لیے ایچ آر اکیڈمی کا آغاز کیا گیا، جس میں آن لائن کورسز اور لوگوں کی پریکٹس کے لیے تعلیمی مواد کی وسیع رینج فراہم کی گئی۔
- تمام امور کے لیے ایک درجہ بندی کے علاوہ تعلیمی ضروریات کے تجزیے کے مطابق ایک فریم ورک تشکیل دیا گیا تاکہ سسٹم کی علمی ضروریات کو گہرائی کے ساتھ سمجھا جا سکے اور حسب ضرورت اس کا حل فراہم کیا جا سکے۔
- موثر رائے دہی کے فن کو نکھارنے کے لیے سال کے اختتام پر دیے جانے والے ان پٹ سے مکمل رائے دہی کی ثقافت کی تخلیق پر تربیت کے حوالے سے تمام ایم 3 اور ایم 4 کے لیے نشستوں کا انعقاد کیا گیا۔

سسٹم کی مرکزیت کو بہتر بنانے کا عمل

سسٹم سروس کی کوالٹی اور معیار کو بہتر بنانے کے نظریے کے ساتھ ایک ایچ آر بزنس پارٹنرنگ ماڈل کا آغاز کیا گیا ہے اور ایک ملٹی ونڈو آپریشن تیار کیا گیا جو مجموعی طور پر ملازمین کے تجربے کو بڑھاتا ہے۔ HRBPs اپنے متعلقہ امور کو ملازمین کے لیے قابل رسائی اور آسان بنانے اور مسائل کو زیادہ موثر انداز میں حل کرنے کے لیے ایچ آر مرو سرز کے ہراول دستے کا کردار ادا کرتے ہیں۔

کاروباری ضابطۂ اخلاق اور انسدادِ بدعنوانی کے اقدامات

اینگرو فرٹیلائزرز اپنے امور کی انجام دہی کے دوران تمام ضابطوں اور نگرانی کے تقاضوں کی تعمیل کو یقینی بناتا ہے اور اس حوالے سے اس نے مختلف پالیسیز اور معیارات تشکیل دیے ہیں، جن کی داخلی سطح کی کمیٹیوں کے ذریعے نگرانی کی جاتی ہے۔ ان پالیسیز میں شامل ہیں:
- ضابطۂ کار
- فراڈ رسک مینجمنٹ
- مفادات کے ٹکراؤ کی نگرانی
- کاروباری ضابطۂ اخلاق اور کاروباری امور کو چلانے کے طریقۂ کار کا بیان
- وسل بلوور پالیسی
- متعلقہ فریقین کے ساتھ لین دین / معاہدہ جات کی نگرانی

صارف کے تحفظ کے لیے اقدامات

اینگرو فرٹیلائزرز میں ہم اپنے کاشتکاروں کے مفادات کو تحفظ دینے کے لیے موزوں اقدامات کرنے پر یقین رکھتے ہیں، جیسے:
- کاشتکاروں کے استحصال کو روکنے کو یقینی بنانے کے لیے تمام ڈیلرز کو ریٹیل پرائس لسٹ کی فراہمی
- فصل کو بڑھانے کے لیے کھاد کے بہترین استعمال، مجوزہ غذائیت اور شامل کیے جانے والے دیگر اجزا کے حوالے سے کاشتکاروں کو معلومات اور رہنمائی کی فراہمی
- مٹی کی صحت کو بہتر بنانے کے لیے کاشتکاروں کو معلومات کی فراہمی
- پاکستان بھر میں کاشتکاروں کو بلامعاوضہ مٹی کے نمونہ جات کی فراہمی (سالانہ تقریباً 24,000 مٹی کے ٹیسٹ کیے جاتے ہیں)
- ڈسٹری بیوشن اور ڈیلرز کے اپنے وسیع نیٹ ورک کے ذریعے پراڈکٹ کی بروقت ترسیل کو یقینی بنانا

اسٹیک ہولڈرز کو پیش کیا گیا۔ اس جائزے کا مقصد اسٹیک ہولڈرز کی توقعات پر پورا اترتے ہوئے بہتر طریقے اور بروقت دستیاب بہترین اور قابل افراد کو کمپنی کی جانب رغبت دلانا اور انہیں اپنے ساتھ شامل کر کے ان کی خدمات حاصل کرنا تھا۔ اس کے اہم جزئیات درج ذیل ہیں:

- شفافیت اور موثر طریقہ عمل کے لیے مجوزہ طریقہ کے مطابق نظم و نسق عمل درآمد
- مستقل بنیاد پر ماسٹر ڈگری اور بھرتی کو متعارف کرواتے ہوئے اندرونی اور بیرونی اسٹیک ہولڈرز کا اعتماد و احترام

فعال ذرائع کے حوالے سے حکمت عملی

قابلیت کے معیار کو بڑھانے اور کسی قابل عمل ملازمت سے منسلک خدمات حاصل کرنے کے لیے صنعت کے تجربے کو استعمال کیا گیا:

- فیلڈ میں کردار ادا کرنے کے لیے زرعی اور کاروباری پس منظر کے حامل حال ہی میں فارغ التحصیل افراد کو راغب کرنے اور ان کی تربیت کے لیے ایک کمرشل ٹرینی پروگرام متعارف کرایا گیا تھا۔ اس پروگرام کا مقصد درج ذیل سہولیات کی فراہمی تھا:
- امیدواروں کی تشخیص کرنا اور ان کا آسانی سے دستیاب پول فراہم کرنا
- بھرتی کے معیار کو بڑھانا
- فیلڈ کے غیر روایتی کردار میں خواتین کو بھرتی کر کے صنفی تنوع کو فروغ دینا

- ٹیلنٹ کمیونٹی اور وسائل کا پول تیار کرنے کا عمل تمام شعبہ جات کے لیے شروع کیا گیا تھا تاکہ مستقبل میں فوری طور پر بھرتی کے عمل کو فعال کیا جا سکے اور جس سے کارکردگی اور مستقبل پر مجموعی طور پر مثبت اثرات مرتب ہوں۔

آن بورڈنگ (شمولیت) کا وسیع پروگرام

ملازمین کی کارکردگی اور کاروباری محور پر مثبت اثرات مرتب کرنے کے لیے، ہم نے تمام نئے بھرتی ہونے والے افراد کے لیے ایک وسیع اور فعال آن بورڈنگ کا طریقہ کار تیار کیا ہے، جس کے ذریعے درج ذیل امور انجام دیے جائیں گے:

- ملازمین کو زیادہ سے زیادہ کاروباری معلومات سے لیس کرنا
- موثر انداز میں ملازمین کو اپنی ٹیموں میں شامل کرنا
- کمپنی کی اقدار، حکمت عملی اور ثقافت کے حوالے سے ملازمین کو آگاہی دینا

صنفی تنوع

فوجی فرٹیلائیزر میں ہم سب کو روزگار اور ترقی کے مساوی مواقع فراہم کرنے میں فخر محسوس کرتے ہیں اور یہ سال ایف ایف سی کے لیے صنفی تنوع کے فروغ کا پہلا بہترین سال ثابت ہوا ہے۔ سال 2020 میں صنفی تنوع کے حوالے سے حاصل کردہ چند اہم سنگ میل درج ذیل ہیں:

- امسال صنفی تنوع 6.2 سے بڑھ کر 9 فیصد ہو گیا
- خواتین کی پیشہ ورانہ ترقی کے لیے "ارتقاء اور برتری" کے تحت ویمن آف امپیکٹ پلیٹ فارم متعارف کرایا گیا
- خواتین میں مشکل لیکن مثبت گفتگو کے بارے میں شعور پیدا کرنے، گھر سے کام کرنے کے دوران کیریئر اور کام توازن میں رکھنے کے لیے EFERT کی اعلیٰ انتظامیہ کے ساتھ ویبینارز منعقد کیے گئے
- سال 2020 میں جی ٹی پی کی خدمات حاصل کرنے میں 20% کے تناسب سے اضافہ
- فیلڈ میں کردار ادا کرنے کے لیے خواتین کی خدمات کے حصول کے حوالے سے کمرشل ٹرینی پروگرام کا آغاز
- فوجی فرٹیلائیزر نے پاکستان بھر میں مختلف مقامات پر 8 خواتین سے گودام کے انچارج کی خدمات حاصل کر کے انڈسٹری میں ایک نیا ریکارڈ قائم کیا۔

ذیل عطیات دیے گئے:

- سندھ بھر میں COVID-19 کے ٹیسٹ کرنے کی صلاحیت میں اضافے کے لیے انڈس اسپتال کو 95 ملین روپے
- COVID-19 کے مریضوں کے ٹیسٹ کے حوالے سے شوکت خانم اسپتال کو 23 ملین روپے اور
- اعلیٰ معیار کی صحت کی سہولیات کی فراہمی کے لیے صحت کہانی کو 4.8 ملین روپے

فلاحی اکاؤنٹ کا گوشوارہ

[illegible]	2020	2019	2018
کیڈٹ کالج اور دیگر ادارے (فوجی فاؤنڈیشن سمیت) COVID-19 سے متعلق عطیات	193.9	87	47
تعلیم	43.5	54	29
جنرل / عمومی	12.5	19	11
صحت کی نگہداشت	47.1	105	6
دیگر	1.5	20	7
کل	298.5	265	100

ہمارے لوگوں سے ہمارا عزم

کمپنی کو اس بات پر فخر ہے کہ وہ ایک حوصلہ مند، پرجوش اور موثر کارکردگی دکھانے والی ٹیم کی حامل ہے، جو نہ صرف کمپنی کی اقدار کو نمایاں کرتی ہے بلکہ ساتھ ہی ساتھ سال بہ سال بہترین کارکردگی کے تسلسل کو بھی یقینی بناتی ہے۔ ہماری افرادی قوت کا شعبہ اسٹریٹیجک پالیسیز، موثر اور واضح شراکت، منصفانہ صلے اور پرکشش معاوضے کے پیکجز پر خصوصی توجہ مرکوز رکھتا ہے اور ایک صحت مند اور خوشگوار ماحول تخلیق دیتا ہے جو نہ صرف اس کے لوگوں کی انفرادی طور پر کام کرنے کی صلاحیت کو بڑھاتا ہے بلکہ وہ اجتماعی سطح پر بھی اس کی موثر کارکردگی کو یقینی بناتا ہے۔

فوجی فرٹیلائیزر کے ہیومن ریسورس کے امور کے حوالے سے 2020 ایک تبدیلی کا سال ثابت ہوا۔ اس سال کے دوران بڑے پیمانے پر اس کی ساخت میں بنیادی تبدیلیاں متعارف کرائی گئیں اور زیادہ سے زیادہ صلاحیت کے استعمال، ملازمین کے اطمینان میں اضافے اور ملازمین کی کارکردگی کو بہتر بنانے کے لیے اقدامات کا نفاذ کیا گیا۔

کمپنی کی کامیابی میں ایچ آر نے درج ذیل اقدامات کے ذریعے اپنا کردار ادا کیا:

قابل افراد کا حصول:

یہ شعبہ ملازمین اور اسٹیک ہولڈرز کے تجربات کو بہتری کی جانب گامزن کرنے اور انہیں بہتر بنانے کے لیے مستقل بنیادوں پر کوشش کرتا ہے۔ مجموعی طور پر ایچ آر کی کارکردگی کو مثبت انداز میں پیش رفت کے حوالے سے متعدد اقدامات متعارف کرائے گئے تھے۔

سروس کی سطح کے معاہدے

بھرتی کے عمل کے اوقات اور خدمات کی مجموعی سطح پر فراہمی کو بہتر بنانے کے لیے ایک سروس لیول ایگریمنٹ (ایس ایل اے) متعارف کرایا گیا اور تمام

سکیں جو انہیں قابلِ قدر ملازمتیں، پائیدار روزگار کا حامل اور معاشرے میں اپنا قیمتی کردار ادا کرنے والا شخص بنائیں۔

ایگری ویلیو چین پراجیکٹس

جامع سیڈ سسٹمز کے حوالے سے شراکت داری اور قدر میں وسعت (PAVE)

PAVE پاکستان میں ایک اعانتی سالہ (2017 سے 2020) کاروباری جامعیت کا پراجیکٹ ہے، جسے DFAT (ڈیپارٹمنٹ آف فارن افیئرز اینڈ ٹریڈ) آسٹریلیا اور اینگرو فرٹیلائزرز کی طرف سے مشترکہ طور پر مالیات فراہم کیے جاتے ہیں، جس کا مقصد پاکستان میں سیڈ ویلیو چین کو جدید کرنا اور چھوٹے کاشتکاروں کے لیے ان کی کمائی کے ذریعے مزید جامع بنانا اور ان کے لیے مارکیٹ کے دروازے کھولنا ہے۔ دورانِ سال 4,400 سے زیادہ مرد اور خواتین بشمول 600+ خواتین نے اس پراجیکٹ میں شرکت کی اور پیداوار میں اضافے اور فصل کے انتظام و انصرام کے بہترین طریقوں پر تربیت حاصل کی۔ اس کے علاوہ گاؤں کی سطح پر 24 سیڈ انٹرپرائزز کا قیام عمل میں لایا جا چکا ہے جو دیگر کسانوں اور کیو جینز کو اس سے متعلق معلومات فراہم کر رہی ہیں۔ اس اقدام اور ہمارے شراکت داروں کی کامیابیوں کے حوالے سے ایک کیس اسٹڈی بھی ڈی ایف اے ٹی آسٹریلیا کی جانب سے ان کی ویب سائٹ پر شائع کی جا چکی ہے۔

دورانِ سال، کیو جینز سینٹرز کے ارتقاء اور ان کے امور کو چلانے کے لیے ایگریکلچر یونیورسٹی آف فیصل آباد اور انٹرنیشنل آرگنائزیشن CABI کے علاقائی مرکز کے ساتھ ساتھ شراکت داری کا قیام عمل میں آیا ہے۔

ہیلتھ کیئر سروسز

صحت کی نگہداشت سے متعلق ہمارے پراجیکٹس، اطراف میں رہنے والے تمام طبقات کے لوگوں کو ضروری خدمات فراہم کر رہے ہیں۔ سال 2020 میں ہمارے کلینک نے مجموعی طور پر 5,805 مریضوں کو علاج کیا جبکہ سانپ کے کاٹنے کے علاج کی واحد سہولت سال 2020 میں مجموعی طور پر 7,086 مریضوں کا علاج کیا گیا۔

ہیپاٹائٹس کے حوالے سے 283 سے زائد آگاہی نشستوں کا انعقاد کیا گیا اور ان نشستوں میں 9,840 افراد نے شرکت کی۔ دورانِ سال مجموعی طور پر 5,477 افراد کو ویکسین دی گئی جبکہ ہیپاٹائٹس سی کے 227 مریضوں کو علاج کی سہولت فراہم کی گئی۔

سال 2020 کے دوران ہم نے NRSP کے تعاون سے مصنوعی اعضاء اور کتے کے کاٹنے کے علاج کی سہولت کا آغاز کیا۔ یہ دونوں سہولیات آئندہ سال عملی طور پر اپنا کام شروع کر دیں گی۔

ماحول کا تحفظ

کاربن کے اثرات میں کمی کے اقدامات

کمپنی نے سال 2017 میں بین الاقوامی معیارات کے مطابق کاربن کے اثرات کو کم کرنے کے حوالے سے پلان تیار کیا ہے۔ جس کا مقصد کمپنی کی کارکردگی کو کاربن کے اثرات کی عالمی سطح پر قابلِ قبول معیار کے مطابق بنانا ہے۔ اس کے نتیجے میں وہ معیار جن کو اختیار کرنے اور ماحولیات کی حفاظت کے لیے متعدد منصوبے انجام دیئے گئے۔ سال 2020 میں تیجوں پر پلانٹ جس کے ذریعے کاربن ڈائی آکسائیڈ کے انتظام کے منصوبے پر عمل درآمد ہوا تھا جس سے سائٹ پر براہِ راست CO2 کا اخراج کم ہو گی۔ اس کے علاوہ پانی اور ٹھوس اخراجات کی پیمائش اور معیار طے کرنے کا کام بھی کیا گیا ہے اور

اصلاحی مارجن کا جائزہ لینے کے لیے منصوبے تیار کیے جا رہے ہیں۔ مزید یہ کہ 2020 میں، پہلی بار اگ بھگ تمام قانونی تقاضوں کے بعد 650 ٹن سنٹر فضلہ کو ضائع کرنے کی بجائے دوبارہ استعمال کیا گیا۔

ایک ملین درختوں کا منصوبہ

ہمارے "سرسبز پاکستان" نظریے کے تحت ہم محکمہ جنگلات سندھ سے زیرِ قبضہ ہیکٹروں ایکڑ بنجر اراضی کو ایک ایم او یو کے تحت ڈسٹرکٹ گھوٹکی میں اپنی زمین پر درخت لگانے کے لیے استعمال کر رہے ہیں۔ 200 ایکڑ اراضی پر اب تک لگ بھگ دو لاکھ سرسبز درخت لگائے جا چکے ہیں، جبکہ دوسرے مرحلے میں مزید 240 ایکڑ کے حوالے سے محکمہ جنگلات کو یہ تجویز دی گئی کہ وہ مستحکم بنیاد پر ترقی اور پودے لگانے کے حوالے سے پانچ سالہ منصوبے پر عملدرآمد کرنے کے لیے ہمارے ہدف کو پورا کرے۔

کیو ٹی پراجیکٹس اور کھیلوں کا فروغ و ارتقاء

- پاکستان رینجرز اور موٹر وے پولیس کے تعاون سے ملحقہ پنجاب بارڈر پر پانی ایز کی آگاہی اور تقسیم کی مہم کا انعقاد کیا گیا۔
- کمزور کو انسانی سیشن برائے کیپٹل تھم
- کچا اسکولوں میں سانپ کے کاٹنے کی آگاہی کے سیشنز کا انعقاد
- کچا کے سیلابی علاقوں میں لائیوسٹاک آف سندھ کے تعاون سے لائیو اسٹاک ویکسینیشن مہم کا انعقاد
- پولیس شہداء کے گھر والوں میں گفٹ پیکس کے ساتھ 25 سلائی مشینوں کی تقسیم۔ مزید یہ کہ ذریعہ معاش کے حوالے سے 17 مشینیں بیواؤں اور غریب گھرانوں میں تقسیم کی گئیں۔

COVID-19 کے دوران سی ایس آر اقدامات

کمپنی نے اطراف میں رہنے والے طبقات پر COVID-19 کے پھیلاؤ کو روکنے کے لیے مختلف اقدامات کیے۔ ان اقدامات میں شامل ہیں:

- کمپنی نے ٹیکنیکل ٹریننگ کالج کو 176 بستروں کے قرنطینہ اسپتال کی سہولت میں تبدیل کر دیا۔
- اینگرو فرٹیلائزرز لمیٹڈ نے حسین داؤد عہد کے تحت اور انڈس اسپتال کے تعاون سے عوام کے لیے COVID کے ٹیسٹ کی مفت سہولت کا مرکز بھی قائم کیا۔ اس سہولت کے ذریعے ماہانہ 450 افراد کو اسکرین کیا جاتا ہے۔
- قریبی دیہات کے گاؤں اور ڈہرکی شہر میں وقفے وقفے سے ڈس انفیکشن اور جراثیم کش ادویات کا چھڑکاؤ
- شہر کے اندر مختلف مقامات پر اور قریبی دیہات کے اسکولوں اور عوامی مقامات پر ہاتھ دھونے کی سہولت کے اسٹیشنز نصب کیے گئے۔
- COVID-19 اور اس کے نتیجے میں لاک ڈاؤن سے متاثرہ خاندانوں کی پریشانیوں کے خاتمے کے لیے، ڈہرکی اور اس کے آس پاس کی کمیونٹیز میں 2000 راشن بیگ تقسیم کیے گئے۔ انتظامی ٹیم اور رضاکاروں نے ہاؤسنگ کالونی میں 200 راشن بیگ تقسیم کیے۔
- مذکورہ بالا کے علاوہ، اینگرو کے ذریعہ معاش کے منصوبوں سے فائدہ اٹھانے والی بیواؤں / افراد، جن کے کاروبار COVID-19 کے دوران ہونے والے لاک ڈاؤن سے متاثر ہوئے تھے، انہیں مالی معاونت فراہم کی۔

1 بلین روپے کا حسین داؤد (انتظامی) کا عہد

ہمارے گروپ کے اداروں کا یہ پختہ ایمان ہے کہ ہماری کامیابی کا راز اپنے آس پاس کے لوگوں کی مدد کرنے میں ہے اور اس یقین کے تحت اینگرو کارپوریشن اور داؤد ہرکولیس کارپوریشن کے چیئرمین، جناب حسین داؤد نے اس مشکل وقت میں ملک کی مدد کے لیے 1 بلین روپے دینے کے وعدے کا اعلان کیا۔ انتظامی کے عہد کے تحت، کمپنی نے اسپتالوں اور غیر سرکاری تنظیموں کو COVID-19 کے پھیلاؤ سے لڑنے میں مدد کرنے کے لیے متعدد رچ

تربیت دیتا ہے۔
ہماری جانب سے سماجی بہبود کے لیے کیے جانے والے اقدامات کو وسیع پیمانے پر درج ذیل شعبوں میں تقسیم کیا جاسکتا ہے، جن کا انتخاب ہماری جانب سے ان طبقات پر کی جانے والی سرمایہ کاری کے اثرات کی بنیاد پر کیا گیا ہے۔
- کمیونٹی میں سرمایہ کاری اور انفرااسٹرکچر کی ڈیولپمنٹ
- تعلیم
- ذریعہ معاش
- انگری ویلیو چین پراجیکٹس
- حفظان صحت کی خدمات
- توانائی کی بچت
- ماحولیاتی تحفظ
- کھیلوں کا فروغ اور ان کا ارتقاء

کمیونٹی میں سرمایہ کاری اور انفرااسٹرکچر کی ڈیولپمنٹ

کمیونٹی میں سرمایہ کاری اور انفرااسٹرکچر کی ڈیولپمنٹ ہماری سی ایس آر حکمت عملی کا سب سے اہم ترین جز ہے۔ اس مقصد کے تحت کمپنی اپنے اطراف میں بسنے والے طبقات کے انفرااسٹرکچر پر سرمایہ کاری کرتی ہے تاکہ ان علاقوں میں رہنے کے عمومی معیار کو بڑھایا جاسکے، انہیں کمانے کے ذرائع فراہم کیے جائیں، اور ان علاقوں کے رہائشیوں کو دیرپا طور پر معاشی بحالی رکھنے کے مواقع فراہم کیے جائیں۔
اب تک کمپنی نے کئی سماجی پراجیکٹس میں سرمایہ کاری کی ہے جس کا مقصد ہمارے پلانٹس کے اطراف رہنے والے طبقات کے منظر نامے کو نئے سرے سے تیار کرنا ہے۔ ان پراجیکٹس میں تعلیمی ادارے، حفظان صحت کی سہولیات، بنیادی ضروریات جیسے پانی، پبلک مقامات کی بہتری اور نکاسی کے نظام کی ڈیولپمنٹ کی خدمات فراہم کی گئی ہیں۔
ڈہرکی میں مصنوعی اعضاء کی سہولت فراہم کرنے کا پروگرام عمل میں لایا گیا ہے جہاں ایک سال میں 150 سے زائد افراد کو یہ سہولت فراہم کی جاتی ہے۔ ڈہرکی میں کتے کے کاٹنے (اینٹی ریبیز) کے علاج کی سہولت کا بھی آغاز کیا گیا ہے جو سال 2021 میں مکمل طور پر کام شروع کردے گی۔ فراہم کی جانے والی ان سہولیات میں صحت سے متعلق مخصوص عملہ اور تربیت یافتہ پیشہ ور افراد تعینات ہیں اور یہ نہ صرف اطراف کے دیہاتوں کے لیے دستیاب ہیں بلکہ مضافات کی ایک بڑی آبادی بھی ان سے مستفید ہوتی ہے۔
ان طبقات کی معاونت کرنے اور کھیل کے فروغ کے حوالے سے ہماری حکمت عملی کے تسلسل میں ڈہرکی کرکٹ اسٹیڈیم کو بہتر بنانے کا کام بھی شروع کیا جاچکا ہے۔ کمیونٹی انفرااسٹرکچر کو بہتر بنانے کے دیگر اقدامات میں نور حسین شاہ گاؤں میں سولر لائٹس کی تنصیب اور گھوٹکی اور ڈہرکی میں سرکاری تعلیمی سہولیات کی معاونت کرنا شامل ہیں۔

تعلیم

کمپنی کا یہ ماننا ہے کہ تعلیم کا فروغ، تبدیلی کے لیے سب سے اہم ذریعہ ہے اور اسی وجہ سے تعلیمی اداروں میں معیار کو بہتر بنانے کے لیے مستقل بنیادوں پر کام کرتے ہوئے تعلیم ہماری سی ایس آر سرگرمیوں میں سرفہرست ترجیح ہے۔ ہم نے اپنی مینوفیکچرنگ کی سہولت کے اطراف پسماندہ طبقات کو اعلیٰ معیار کی تعلیم کی لاتعداد سہولیات فراہم کی ہیں۔
سال 2020 کے اختتام پر، ہمارے سرکاری اسکولوں میں بچوں کے داخلوں کی تعداد 1600+ طلباء پر مشتمل تھی جبکہ ہمارے تھر اسکول نیٹ ورک 1500+ طلباء کے ساتھ مدارس کا مکمل دورہ کر رہے ہوئے ہیں۔ ہماری جانب سے پہلے گرلز کالج اسکول نے 60 طالبات کے ساتھ باقاعدہ طور پر کام شروع کردیا ہے۔ ہم یہاں پر اسکول کے قیام میں سی ڈی پی اور تھر کول عطیہ دینے والوں کی جانب سے فراہم کی جانے والی معاونت پر ان کا شکریہ ادا کرتے ہیں۔ اپنے طلباء میں مسلسل بہتری لانے اور انہیں اعلیٰ تعلیم سے روشناس کرانے کے عمل کو یقینی بنانے کے لیے، کمپنی ان اسکولوں میں ملازمت کرنے والے اساتذہ کی تربیت میں بھی کثیر سرمایہ کاری کرتی ہے۔
COVID-19 میں طالبات بندشوں کے دوران، طلباء نے MUSB سافٹ ویئر کو استعمال کرتے ہوئے اپنی تعلیم کے سلسلے کو جاری رکھا۔ مزید برآں تمام اسکولوں کے انتظامی معاملات کی نگرانی کی ذمہ داری کمپنی نے لی ہے۔ تمام اسکولوں کو ماسک، سینیٹائزر، تھرمامیٹر اور حرارت بتانے والے آلات، احتیاطی تدابیر کے طور پر پیش کیے گئے اور اساتذہ کرام کو ان حفاظتی ہدایات پر سختی کے ساتھ عمل کرانے کی تربیت دی گئی۔
ہمارا اسکول میں، ہم مقامی طبقے کی زندگی کو ڈیولپمنٹ پر۔ گرانٹس کے ذریعے وہاں سے ترتیب دینے کی کوشش کرتے ہیں۔ ہمارا ڈیلفیئر سوسائٹی (انگرو ملازمین کی رضاکارانہ سوسائٹی) سال 1990 سے کام کر رہی ہے اور مقامی طبقے کو صحت، تعلیم اور ووکیشنل ٹریننگز سے متعلق مختلف اقدامات کے ذریعے ایک مشغل رہنمائی کی ہے۔ دوران سال، کمیونٹی کو بہتر بنانے میں مدد دینے کے لیے ہمارا میں کئی انفرااسٹرکچر اور پورٹ فولیوز کے تحت میں پراجیکٹس کا آغاز کیا گیا۔
ہمارا اسکول میں 550+ سے زائد بچوں کی موجودہ تعداد کے علاوہ، سال 2020 میں بہتر پروگرام (ٹیکنیکل بہتر میں اضافے کا پروگرام) بھی شروع کیا گیا تھا، جس کا مقصد مقامی آبادی کو بہتر معیار کا اور انہیں علم فراہم کرنا ہے تاکہ وہ معاشی طور پر آزادانہ زندگی گزار سکیں۔ اس پروگرام کے تحت 100+ سے زائد طلباء کو ٹیوشن کلاسز پروگرام میں اعلیٰ معیار کی تعلیمی معاونت فراہم کی گئی۔ بعد ازاں میں کمپیوٹر ٹریننگ کی تربیت بھی دی گئی اور 20+ سے زائد پانی بینڈ کمپیوٹر کا بھی اضافہ کیا گیا تھا۔ بنیادی اور ایڈوانس کمپیوٹر اسکلز پر طلباء کو تربیت دی جائے۔ ہماری ٹیم نے COVID-19 کے دوران مسائل کا سامنا کرنے کے باوجود اپنی کوششوں کو جاری رکھا۔ کمپنی نے اس بات کو یقینی بنایا کہ طلباء کو اپنے ساتھ منسلک رکھا جائے اور انہیں ان کے دروازے پر تعلیمی مواد فراہم کیا جائے تاکہ وہ وبائی مرض کے دوران بھی تعلیم کا یہ سفر جاری رکھ سکیں۔ اس کے علاوہ مختلف تعلیمی تقریبات جیسے ہمارا انٹرپرینیورشپ ایونٹ، بین المدارس تقریری مقابلے، تخلیقی تحریر کے مقابلے اور سائنس پر پینٹنگ کے مقابلے بھی منعقد کیے گئے تاکہ کمیونٹی کو مواقع فراہم کیے جائیں۔

ذریعہ معاش

ٹیکنیکل ٹریننگ کالج (ٹی ٹی سی) ڈہرکی

ٹیکنیکل ٹریننگ سینٹر (ٹی ٹی سی) ڈہرکی، کمپنی کی طرف سے جز کی تربیت کے مرکز کے طور پر کام کرتا ہے۔ یہ کالج کیمیکل، الیکٹریکل اور مکینیکل ٹیکنالوجیز میں تین سالہ ایسوسی ایٹ انجینئرنگ ڈپلومہ (DAE) کی پیشکش کرتا ہے اور اس کے ساتھ ہی یہ کالج ڈہرکی کے علاقے میں رہنے والے نوجوانوں کے لیے تکمیل مدتی ووکیشنل ٹریننگ پروگرامز کا بھی انعقاد کرتا ہے۔ ہم نے میرٹ پر انتخاب کے حوالے سے ایک طے شدہ طریقہ کار اور انٹرویو کے عمل کے ذریعے دو سالہ ٹریڈ اپرنٹس (TA) پروگرام کے تحت گریجویٹس کو بھی شامل کرنا شروع کردیا ہے۔ سال 2020 میں اس کورس میں 26 ٹی ایز کو شامل کیا گیا تھا۔

ایسوسی ایٹ انجینئرنگ میں ڈپلومہ (ڈی اے ای) پروگرام

سال 2020 میں ڈی اے ای میں طلباء کی کل تعداد 300 تھی، ان میں 125 نئے طلباء شامل تھے، جبکہ کہ 131 طلباء کی گریجویشن اور ان کے سابق طلباء کی شمولیت کا مشاہدہ کرنے کا اعزاز حاصل ہوا، جس سے مجموعی طور پر سابق طلباء کا نیٹ ورک 660 افراد تک پہنچ گیا۔

ووکیشنل کورسز

سال 2020 میں ہمارے ووکیشنل ٹریننگ سینٹر (VTC) میں داخلہ لینے والے طلباء کی تعداد 300 تھی، ان میں سے گریجویٹس کی تعداد 120 تھی، جس سے آج تک ہمارے اہل مقامی لوگوں کی مجموعی تعداد 2,978 ہوگئی۔ نئے تربیت لینے والوں کو اس میں شامل کیا گیا تھا تاکہ وہ ایسے کام سیکھ

کے استعمال پر زور دینے کی وجہ سے ہم نے دورانِ سال HSE کے حوالے سے مندرجہ ذیل اور اچھے نتائج حاصل کیے:

ہماری HSE کارکردگی*	2020
مجموعی قابلِ ریکارڈ حادثاتی چوٹ کی شرح (TRIR)	[illegible]
بغیر کسی انسانی نقصان کے یومیہ بنیاد پر حادثاتی چوٹ سے محفوظ کام کے اوقات	[illegible]
یوم کار کے دوران حادثاتی چوٹ	[illegible]
قابلِ ریکارڈ حادثاتی چوٹ (RWC/MTC)	[illegible]

* نئے شروع کیے جانے والے ای لاجسٹکس کاروبار کے علاوہ
** سال 2018 میں آخری LWI سے حساب کردہ

2020 آڈٹس اور سرٹیفکیشنز

سال 2020 کے دوران، دہرکی سائٹ کا آڈٹ مختلف قسم کے سیکنڈ اور تھرڈ پارٹی کے ماہرین نے کیا تھا جس کی تفصیلات درج ذیل ہیں:

- OHIH سیکنڈ پارٹی آڈٹ۔ گروپ کمپنی کے شعبہ HSE ای کے ماہرین کی ایک ٹیم نے دہرکی کی مینوفیکچرنگ سائٹ کے OHIH مینجمنٹ سسٹم اور اس کے طریقہ کار پر 03 دن تک آڈٹ کیا۔ آڈیٹرز سائٹ کی کارکردگی کو بہت سراہا اور ساتھ ہی انہوں نے اس میں بہتری لانے کے لیے چند شعبہ جات کی تجویز بھی دی، جن کے حوالے سے ایکشن پلان تیار کیا جا رہا ہے۔
- ISO-45001 ٹرانسفارمیشن۔ مینوفیکچرنگ سائٹ صحت، تحفظ اور رسک مینجمنٹ اپنے پہلے سال کے آڈٹ کی کسی بھی عدم تعمیل کے بغیر OHSAS-18001 سے ISO-45001 مینجمنٹ میں تبدیل ہوئی۔
- سال 2020 میں پلانٹ کیفیٹیریا اور کلب کے لیے HACCP کی سند برقرار رکھی گئی تھی۔

سب سے پہلے HSE کی ذہنیت کی تشکیل

سال 2020 میں ہم نے اپنی دہرکی مینوفیکچرنگ سائٹ پر "اسٹاپ" کے نام سے ایک مہم کا آغاز کیا، جس میں ہم نے کام کی جگہ پر حفاظتی عوامل بہتر بنا کر گرنے، پھسلنے اور بجلی کے جھٹکوں جیسے خطرات کو ختم کرنے پر توجہ مرکوز رکھی۔ اس مہم کے دوران HSE کے مختلف اقدامات کے حوالے سے لوگوں کو انفرادی طور پر اور اجتماعی طور پر مجموعی طور عمل اور ذاتی تحفظ کے لیے کی جانے والی کوششوں کو مزید بہتر بنانے کی جانب توجہ مرکوز رکھی گئی۔ ان پروگرامز کے ذریعے ہم ذاتی اور پیشہ ورانہ سطح پر اپنے ملازمین کے طرزِ عمل کو تبدیل کرنے کی کوشش کرتے ہیں۔

یوم تحفظ HSE کے حوالے سے انتظامیہ کا عزم

جنوری 2020 میں پوری مینجمنٹ سائٹ دہرکی میں یوم تحفظ کا انعقاد کیا گیا۔ HSE پر ایک پورے دن کو منتقل کرنے کا عمل، انتظامیہ کی جانب سے منظم حفاظتی اقدامات کے لیے کیے جانے والے عزم کا ثبوت ہے۔ یوم تحفظ بنیادی طور پر سال 2020 کے لیے ایک روڈمیپ کی تیاری، بین الاقوامی کیس اسٹڈیز اور سابقہ واقعات سے سیکھنے کے لیے نشستوں کے انعقاد اور سال 2020 میں حفاظتی چیلنجز اور ان پر قابو پانے کے طریقہ کار سے متعلق آگاہی کو فروغ دینے پر مرکوز تھا۔ محفوظ طرزِ عمل کے مختلف پہلوؤں پر بحث اور مستقبل میں بہتری کے حوالے سے حکمت عملی ترتیب دینے کے لیے پینل کے ساتھ

گفت و شنید اور فوکس گروپس بھی منعقد کیے گئے۔

تحفظ میں بہتری کا عمل

سال 2020 سائٹ میں بڑھتے چلے جانے پر حفاظتی اقدامات میں بہتری کے حوالے سے ایک غیر معمولی نوعیت کا سال تھا۔ خطرے کی جانچ پڑتال اور ان کے طریقوں کو بہتر بنانے کے لیے مخصوص ٹیموں نے سال بھر کام کیا تاکہ ہم دنیا میں استعمال کیے جانے والے بہترین طریقوں کے مقابلے میں اپنے معیار موجودہ خلا کو پر کر سکیں۔ اسی کوشش میں ایک نئے HSE رسک میٹرکس کو بینچ مارک (معیار بنانے) اور تیار کرنے کے حوالے سے مسلسل اقدامات کیے گئے۔ HAZOP کی مشق کو DuPont کے تسلسل میں LOPA تکنیک کے ساتھ منسلک کر کے اس کے اثرات کو بھی مزید بہتر بنایا گیا تھا۔ مزید یہ کہ سیفٹی کریٹیکل آئیڈینٹیفیکیشن، ڈیفیشنسی پروٹوکولز اور پی اینڈ آئی ڈی سسٹمز کی اپ ڈیٹ ماڈلز کے ذریعے تجدید کی گئی تاکہ پلانٹ کی حفاظت کے عمل پر کسی قسم کا سمجھوتہ کرنے کو یقینی بنایا جائے۔

صحت اور خیر و عافیت کو فروغ دینا

کمپنی کے پیشہ ورانہ صحت پروگرام میں متعلقہ حفاظتی صحت اور پیشہ ورانہ ادویات کے پہلو شامل ہیں۔ جس کے مطابق صحت سے متعلق آگاہی کے مختلف پروگرام جن میں ایرگونومکس اور رسک اسسمنٹ اسٹڈی شامل ہیں، سال 2020 میں انجام دیئے گئے۔ کمپنی کی جانب سے ملازمین میں HSE کے طریقوں کو فروغ دینے کے لیے شروع کیے جانے والے اہم اقدامات میں درج ذیل شامل تھے:

- ذاتی تحفظ کا پروگرام
- مینجمنٹ سیفٹی آڈٹ ری ویمپ
- رسک اسسمنٹ ورکشاپ (HAZOP/LOPA)
- اسکول آف OHIH اینڈ EMS
- خطرناک کیمیکل مواد کا انتظام و انصرام
- ایرگونومکس کی تشخیص اور صحت کو درپیش خطرات کی تشخیص
- سائٹ پر واقع پسٹیسائڈ کنٹرول، دھواں اور ہوا دار سیفٹی ریو تھرمل سے متعلق حفاظت کے طریقہ کار کا مطالعہ

سماجی بہبود کے کام

اینگرو فرٹیلائزرز لمیٹڈ سماجی خدمت کو اپنا شعار بنانے پر یقین رکھتا ہے۔

کمپنی کا بنیادی مقصد روایتی کارپوریٹ سوشل ریسپانسبلٹی سے آگے بڑھ کر اینگرو فاؤنڈیشن کے تعاون سے ایک جامع کاروباری ماڈل تیار کرنا ہے، جو کمپنی اور معاشرے دونوں کے لیے مثبت اقدار کی تخلیق کرے گا۔ اس کے نتیجے میں ہم سماج کی فلاح و بہبود کی ذمہ داری لیتے ہیں اور اس کے لیے ہم ہمہ وقت کام کرتے ہیں اور سماج کی بہتری کے لیے منظم اقدامات میں سرمایہ کاری کرتے ہیں۔ اس عمل سے ہمارے اطراف موجود لوگوں کی زندگیاں مثبت انداز میں تبدیل ہوتی ہیں اور اس سے ہمارے معاشرے میں رہنے والے طبقات کے سماجی اور معاشی حالات بھی بہتر ہوتی ہے۔ یہی عزم ہمارے تمام اقدامات میں نمایاں ہے اور ہمیں ان سماجی اقدامات سے براہ راست منسلک ہونے پر فخر ہے۔ اپنے اعلیٰ مقاصد کے حصول کے لیے ہم نے حکومت اور ترقیاتی اداروں کے ساتھ بھی شراکت داری کی ہے اور اس سے ہمیں معاشرے میں رہنے والے لوگوں میں زیادہ سے زیادہ ہم آہنگی پیدا کرنے میں مدد ملی ہے۔ ہم نے ماحولیاتی استحکام اور اسٹیک ہولڈرز کو باہم ملانے کے لیے ایک اسٹیئرنگ کمیٹی بھی قائم کی ہے۔ اس کمیٹی کے قیام کا بنیادی مقصد اپنے پلانٹ کے 2 میل کے احاطے میں رہنے والے طبقات کی معاشرتی اور معاشی ترقی کو یقینی بنانا اور انہیں ہنگامی حالات میں HSE کے طے شدہ معیار کے مطابق طریقوں پر عمل کرنے کی

منافع منقسمہ اور اس کے بعد کے واقعات

بورڈ 9.0 روپے فی حصص کے عبوری منافع منقسمہ، جس کی ادائیگی پہلے ہی کر دی گئی ہے، کے علاوہ 4.0 روپے فی حصص کے حتمی منافع منقسمہ کی منظوری کے حوالے سے مورخہ 30 مارچ، 2021 کو منعقد ہونے والے سالانہ اجلاس عام میں اپنے معزز حصص یافتگان کی منظوری کی تجویز دینے پر خوش ہے۔
اس رپورٹ کے اختتام کی تاریخ تک کمپنی کی مالی حیثیت کو متاثر کرنے والی کوئی اور مادی تبدیلی نہیں کی گئی تھی۔

اصل سرمایہ کا اسٹرکچر اور طویل المدتی قرض کا انتظام و انصرام

سال 2020 میں کمپنی نے بہتر سرمایہ کے انتظام و انصرام کے ذریعے مالی صلاحیت کے اخراجات کو کم کرنے کے ساتھ ساتھ کم لاگت والے مالی آپشنز کو دریافت کرنے کی کاوشوں پر اپنی توجہ مرکوز رکھنے کا عمل جاری رکھا۔ سال 2020 کے اختتام پر طویل المدت قرض 23.6 بلین روپے پر تھا جو کہ سال 2019 میں 31 بلین روپے تھا۔ اس سال پختگی مدت مکمل کرنے والے تمام قرضہ جات کی ان کی مقررہ وقت تک ادائیگی کر دی گئی تھی۔ اس سال کے دوران کسی بھی قرض کی ادائیگی میں کوئی بے ضابطگی نہیں تھی۔ 31 دسمبر 2020 کو مجموعی ایکویٹی سال 2019 کے 43.3 بلین پاکستانی روپے کے مقابلے میں 46.7 بلین روپے رہی۔ دوران سال، PACRA نے کمپنی کی طویل المدت کریڈٹ ریٹنگ کو AA اور قلیل المدت کریڈٹ ریٹنگ کو A1+ پر برقرار رکھا۔

مالی گوشواروں پر آڈیٹرز کی رپورٹ

ہمارے آڈیٹرز نے ہمارے کاروباری عمل و حکمت عملی سے متعلق مالی اقدامات اور سال کے دوران ہونے والے اخراجات کا جائزہ لیا ہے۔ ہمیں یہ بتاتے ہوئے خوشی ہو رہی ہے کہ انہوں نے 31 دسمبر 2020 کو ختم ہونے والے سال کے حوالے سے کمپنی کے انفرادی اور مجموعی مالیاتی گوشواروں کے بارے میں ایک غیر مصدقہ رائے جاری کی ہے۔

مستقبل بینی اور مارکیٹ کا نقطہ نظر

حکومت کی جانب سے یوریا کی قیمتوں کو کم کرنے کے لیے کیے جانے والے بروقت اقدامات کے ساتھ ساتھ موزوں انوینٹری کی موجودگی کے نتیجے میں یوریا کی نرخوں میں مسلسل کمی واقع ہوئی ہے۔ سال 2021 پیداوار اور کاشتکاروں کی آمدن کے لحاظ سے پاکستان میں زراعت کے شعبے کے لیے ایک بہترین سال ثابت ہو گا۔ جس میں حکومت کی طرف سے متعدد معاون اقدامات کے نتیجے میں زرعی پیداوار اور کسانوں کی آمدنی میں نمایاں اضافہ ہو گا۔ یہ توقع کی جا رہی ہے کہ مالی سال 2021 میں گنے اور چاول کی پیداوار مالی سال 2020 کے مقابلے میں زیادہ ہو گی اور زراعت کا شعبہ 2.8 فیصد کے اضافے کے طے شدہ ہدف سے آگے نکل جائے گا۔
یہ بھی توقع کی جا رہی ہے کہ بین الاقوامی یوریا مارکیٹ کی بڑھوتی کا یہ تسلسل سال 2021 میں بھی اسی رفتار سے جاری رہے گا نیز اس سال کے دوران مارکیٹ کی طلب میں بھی معمولی اضافہ متوقع ہے۔ یہ بڑھوتی بالخصوص انڈیا، یورپ، برازیل اور یو ایس سے متوقع ہے۔ سال 2021 کے دوران یوریا کی قیمتوں میں بڑھاؤ متوقع ہے۔ یہ بات اس حقیقت سے عیاں ہوتی ہے کہ جنوری 2021 میں بین الاقوامی یوریا کی قیمتیں عظیم اضافے کے ساتھ 326 امریکی ڈالر (3,091/- فی بوری) کے مساوی ہو گئیں۔
مقامی طور پر سال 2021 کے حوالے سے یوریا مارکیٹ کی طلب تقریباً 5.9MT پر مستحکم رہنے کی توقع کی جاتی ہے۔ اس کے ساتھ ساتھ پیداوار بھی سال 2020 میں ہونے والی 6.1MT کی پیداوار کے تسلسل میں ہی متوقع ہے۔ ڈی اے پی کی طلب اس کی بلند ترین قیمت کو مدنظر رکھتے ہوئے 2.1MT کی سطح پر مستحکم رہے گی۔ حکومت کی جانب سے سال 2020 کے دوران اعلان شدہ سبسڈی کی ادائیگی ہونے کی صورت میں ڈی اے پی کی طلب بڑھ جانے کی توقع کی جاتی ہے۔

ایوارڈز اور خراج تحسین

دوران سال کمپنی نے اپنے عملی امور کے مختلف پہلوؤں کی احسن طریقے سے انجام دہی کے اعتراف میں متعدد ایوارڈز وصول کیے۔ سال 2020 میں کمپنی کو ملنے والے اہم ایوارڈز کی فہرست ذیل میں درج ہے:

ایچ ایس ای:

- DuPont سسٹینیبل سلوشنز کی جانب سے DuPont سیفٹی انوویشن ایوارڈ 2020
- RoSPA کی جانب سے دی رائل سوسائٹی فار پریونشن آف ایکسیڈنٹس (RoSPA) ہیلتھ اینڈ سیفٹی سلور ایوارڈ 2020
- برٹش سیفٹی کونسل کی جانب سے انٹرنیشنل سیفٹی ایوارڈ اور ملک کا بہترین مشترکہ ایوارڈ
- انٹرنیشنل فرٹیلائزر ایسوسی ایشن کی جانب سے انڈسٹری اسٹیورڈ شپ چیمپئن ایوارڈ اور گرین لیف ٹرافی ایوارڈ
- کمپنی نے Techin سلوشن اور آسٹریلین ملٹی کیئر گلوبل کی جانب سے بالخصوص COVID-19 کے دوران صحت عامہ میں 8 بہترین خدمات کی کیٹیگری اور تعلیمی میدان میں بہترین خدمات کی کیٹیگری میں گلوبل سی ایس آر ایکسیلنس اینڈ لیڈرشپ ایوارڈ 2021 حاصل کیا

مالیات:

- سال کے دوران کمپنی نے PSX کی سرفہرست 25 کمپنیز میں چھٹا (06) درجہ حاصل کیا
- مینجمنٹ ایسوسی ایشن آف پاکستان کی جانب سے کارپوریٹ ایکسیلنس ایوارڈ جیتا

مینوفیکچرنگ:

- انرجی انڈیا کی جانب سے ایشیا پیسیفک انرجی ایوارڈ حاصل کیا
- ہماری تجزیاتی لیبارٹری نے بھی لیبارٹری کوالٹی سروسز انٹرنیشنل، ایس جی ایس، یو ایس اے کی جانب سے کوالٹی ایوارڈ 2019 وصول کیا

ایچ آر:

- گلوبل ڈائیورسٹی اور انکلوژن بینچ مارکس (GDIB) دنیا بھر میں اداروں کے طے شدہ معیارات پر 07 ایوارڈ جیتے۔ GDIB عالمی سطح پر اداروں کے مختلف تنظیمی اور تنوع پر مشمولیت (D&I) کے بہترین طریقوں کا اطلاق کرتا ہے۔

صحت، تحفظ اور ماحول

اپنے ملازمین کا تحفظ ہمیشہ سے کمپنی کی اولین ترجیح رہی ہے۔ ہم نے جامع HSE طریقوں کو نافذ کیا ہے اور تمام ملازمین کو اس کی مکمل تربیت دی جاتی ہے تاکہ تمام ملازمین کو HSE کے طریقے ذہن نشین کرانے اور ان پر عمل درآمد کو یقینی بنایا جا سکے۔

HSE کے حوالے سے ہماری کارکردگی

ہم اس بات کو یقینی بناتے ہیں کہ ہمارے تمام پلانٹ اور کمرشل آپریشنز، موجودہ ملازمین اور کنٹریکٹ پر کام کرنے والے عملے کو HSE کی اعلیٰ درجے کی تربیت اور بہترین ٹولز اور ویکسی نیشن کے ساتھ تمام سہولیات بہم فراہم کی جائیں۔ خصوصی خطرات سے تحفظ، بنیادی اصول اور باحفاظت کام کرنے کے طریقوں

مالیاتی جائزہ

سال 2020 میں کمپنی کو درپیش کئی گونا مسائل کے باوجود ہم نے 108.8 بلین کی فروخت کی جو سال 2019 کی 121.4 بلین کی فروخت کے مقابلے میں 13% کی کمی ظاہر کرتا ہے۔ اس کمی کو بنیادی طور پر ڈی اے پی (کی فروخت) میں کمی اور دوران سال اعلان کردہ یوریا کی قیمتوں میں کمی سے منسوب کیا جاسکتا ہے۔ دوران سال حجم کے لحاظ سے سب سے زیادہ یوریا کی فروخت حاصل کر کے ہماری سیلز ٹیم نے فروخت میں کمی کو کم کیا۔

کمپنی نے سال کے حوالے سے 34.3 بلین کا مجموعی منافع حاصل کیا جو مجموعی طور پر 32% منافع بنتا ہے جبکہ سال 2019 میں یہ 33% تھا۔ مزید برآں GIDC کے قانونی مقدمہ میں پیش آنے والے حالیہ واقعات اور پیش رفت کو زیر غور لاتے ہوئے اور ICAP کی جانب سے 19 جنوری 2021 کو جاری شدہ سرکلر، مراسلہ نمبر 2021/1، کے حساب سے کمپنی نے اپنی GIDC کے تحت قابل ادائیگی رقوم کا جائزہ لیا۔ اس حوالے سے رقوم کی ادائیگی کے متوقع وقت کو مدنظر رکھتے ہوئے کمپنی نے اپنی GIDC کی قابل ادائیگی رقم کا دوبارہ تخمینہ لگایا ہے اور اس مالی گوشوارے میں GIDC کی فراہمی پر 2.1 بلین روپے کے نفع کی شناخت کی ہے۔ اس کے علاوہ کمپنی نے اپنے مالیاتی رپورٹنگ فریم ورک کے تحت حکومت پاکستان سے قابل وصول سبسڈی اور اسے وصول کنندگان کی متوقع ادائیگی کی مدت میں پیسے کی قدر کی بنیاد کو زیر غور لاتے ہوئے 1.2 بلین روپے کے خسارے کی شناخت بھی کی ہے۔ کمپنی کی مالیاتی لاگت 17% کے ساتھ 3.2 بلین روپے پر پہنچ گئی، جبکہ سال 2019 میں 3.9 بلین روپے تھی۔ اس کی بنیادی وجہ شرح سود میں کمی اور کمپنی کے طویل مدتی قرضوں میں کمی ہے۔ کمپنی کے محصولات کے اخراجات سال 2019 کے 10.5 بلین روپے کے مقابلے میں 70% کی کمی کے ساتھ سال 2020 میں 3.2 بلین روپے پر رہے۔ اس کمی کی ایک جزوی وجہ ٹیکس کی واجب ادائیگی میں 3.4 بلین کا ردوبدل (Reversal) ہے۔

سال 2020 کے حوالے سے وفاقی بنیاد پر کمپنی کا بعد از ٹیکس منافع 10 فیصد کی کمی کو ظاہر کرتے ہوئے 16.8 بلین روپے پر رہا جو سال 2019 میں 18.6 بلین روپے تھا۔ مجموعی بنیاد پر کمپنی نے 7% کی بڑھوتری ظاہر کرتے ہوئے 18.1 بلین روپے کا بعد از ٹیکس منافع درج کیا جبکہ سال 2019 میں 16.9 بلین روپے تھا۔ اس کے نتیجے میں فی حصص مجموعی آمدن سال 2019 کی 12.64 روپے فی حصص کے مقابلے میں بڑھ کر 13.57 روپے ہوگئی۔

منافع کی تخصیص اور ذخائر (ریزرو) کی منتقلی

سال کے شروع میں کمپنی کے مجموعی ذخائر 29.9 بلین روپے رہے، جس میں سے بورڈ نے 2.7 بلین روپے کے منافع منقسمہ کا اعلان کیا اور اس کی وجہ سے ادارے کے مجموعی ذخائر 27.2 بلین روپے پر پہنچ گئے۔ رواں سال کے دوران، کمپنی نے مجموعی طور پر 9.0 روپے فی حصص کے دو عبوری منافع منقسمہ کا اعلان کیا ہے۔ سال 2020 کے اختتام پر مجموعی ذخائر 33.4 بلین روپے پر رہے اور اس کی موافقت جاتی تفصیل ذیل میں مذکور منافع منقسمہ اور تخصیصات کی جدول میں درج کی گئی ہے:

[illegible]	[illegible]
ابتدائی ذخائر (ریزرو)	[illegible]
حتمی منافع منقسمہ سال 2019: 2.0 روپے فی حصص	[illegible]
سال کا منافع 2020	[illegible]
دیگر جامع آمدن	0
تخصیص کے لیے دستیاب	[illegible]
تخصیص	
پہلا عبوری 2020: 4.0 روپے فی حصص	[illegible]
دوسرا عبوری 2020: 5.0 روپے فی حصص	[illegible]
اختتامی ذخائر (ریزرو)	[illegible]

کمپنی نے غیر طے شدہ فروغ کے معاہدوں اور قبول کیس کے تحت فراہم کی جانے والی غیر مراعات یافتہ گیس پر GIDC جمع کرنے کے خلاف بھی 17 دسمبر 2020 کو مجریہ کی دفعہ 8(2) کے تحت دستیاب ریلیف کی بنیاد پر اور GIDC کی منظوری کو حقیقتاً منصفانہ طریقے سے طے کرنے کے لیے معزز عدالت عالیہ سندھ (SHC) میں ایک مقدمہ دائر کیا تھا۔ معزز عدالت عالیہ سندھ (SHC) نے GIDC کی عدم ادائیگی پر مقدمہ کرنے والی گیس کمپنیز کو کمپنی کے خلاف جبری کارروائی کرنے سے روکتے ہوئے ایک عبوری حکم امتناعی جاری کر دیا۔

شعبہ جاتی / عملیاتی تجزیہ

یوریا

سال 2020 میں کمپنی نے سال 2019 کی 2,003KT کی پیداوار کے مقابلے میں 2,264KT کی بلند ترین یوریا پیداوار کی اور ایک جدید سنگ میل طے کیا ہے۔ جو کہ سالانہ 13% اضافہ بنتا ہے اور اس کی بنیادی وجہ بندش کے کم سے کم ایام اور زیادہ گیس کی دستیابی کے ذریعے پلانٹ کا بہتر استعمال ہے۔ جبکہ پلانٹ کی بہتر کارکردگی اور انجینئرنگ کی صلاحیتوں پر بھرپور توجہ دیتے ہوئے حاصل کیا گیا۔ مقامی یوریا کی فروخت کے حوالے سے کمپنی نے سال 2019 کی 1,958KT کے مقابلے میں سال 2020 میں 2,006KT کی بلند ترین یوریا کی فروخت حاصل کی جو سالانہ 2% کے اضافے کو ظاہر کرتی ہے۔ اس کے نتیجے میں یوریا مارکیٹ میں ہمارا شیئر سال 2019 کے 32% کے مقابلے میں 2020 میں 33% تک پہنچ گیا۔

فاسفیٹس (ڈی اے پی / ازور آور / این پی)

سال کی دوسری ششماہی میں ہمارے فاسفیٹس کے کاروبار میں تیزی کے ساتھ بہتری دیکھنے میں آئی جس کی وجہ سے کمپنی نے اپنی 132KT کی حتمی فروخت کو بڑھا کر سال کے اختتام پر 465KT تک پہنچا دیا۔

اسپیشل فرٹیلائزر بزنس (SFB)

گزشتہ سال کے 170KT (زرخیز / ایم او پی / ایس او پی / اے ایس) کے مقابلے میں اس سال ایس ایف بی کی پیداوار کی فروخت 201KT (زرخیز / ایم او پی / ایس او پی / اے ایس) پر رہی جو کہ 18% کا اضافہ ظاہر کر رہی ہے۔ پوٹاش کی مارکیٹ سال 2019 میں 45KT کے مقابلے میں سال 2020 میں 50KT تک بڑھ گئی، جس کی بنیادی وجہ آلو اور گنے کی صحت مند فصل اور گزشتہ سال کے مقابلے میں کم نرخ ہیں۔ کمپنی اس ترقی پذیر صنعت کی مارکیٹ میں اپنا 60% حصہ برقرار رکھنے میں کامیاب رہی۔

کراپ سائنس ڈویژن (سی ایس ڈی)

کمپنی نے بیجوں اور کیڑے مار ادویات کے کاروبار میں اضافے کا عمل جاری رکھا ہوا ہے اور ایک سال کے دوران اس کاروبار کو درپیش شدید چیلنجز کے باوجود سی ایس ڈی کی فروخت سال 2019 کی 1.3 بلین روپے کی آمدن کے مقابلے میں بڑھ کر 1.4 بلین روپے تک پہنچ گئی ہے۔ کمپنی نے نئے برانڈز کے ساتھ بیج اور بہترین تکنیکی مصنوعات متعارف کرانے کے حوالے سے اسٹریٹیجک شراکت داری بھی کی ہے۔

ای لاجسٹکس

ایکسل لوڈ کے سرکاری نظام کے نفاذ سے کمپنی کا سردلاجسٹکس کا کاروبار بری طرح متاثر ہوا ہے۔ تاہم کاروبار، معیارات کو بہتر بنانے اور عملی امور کی کارکردگی کو موثر بنانے کی جانب اپنی توجہ مرکوز رکھے ہوئے ہے۔

ڈائریکٹرز رپورٹ

ہم، فوجی فرٹیلائزر کمپنی لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے سال مختتمہ 31 دسمبر 2020 کے حوالے سے کمپنی کی ڈائریکٹرز رپورٹ اور آڈٹ شدہ مالیاتی گوشوارے جمع کراتے ہوئے خوشی محسوس کرتے ہیں۔

COVID-19 سے جنگ اور کاروباری تسلسل کی حکمت عملی

COVID-19 کے وبائی مرض کی پہلی لہر نے ابتدائی طور پر پوری دنیا کو مشکل میں مبتلا کر دیا تاہم اس وبائی مرض پر قابو پانے کے لیے احتیاطی تدابیر اور جسے جانے والی ویکسینیشن متعارف کرائی گئی ہیں جس کی وجہ سے پوری دنیا کے کاروباری اداروں اور کارپوریٹ اداروں کو اب مستقبل میں امید کی ایک کرن نظر آنا شروع ہوئی ہے۔ پاکستان نے COVID-19 کے پھیلاؤ کو روکنے کے لیے ملک بھر میں لاک ڈاؤن کا دورانیہ طے کیا۔ جس کے نتیجے میں معیشت پر بوجھ پڑا اور عوام کو مشکلات کا سامنا کرنا پڑا۔ ایک موثر پالیسی فریم ورک اور حکومت پاکستان کی جانب سے اٹھائے گئے متعدد اثر انگیز اقدامات کی وجہ سے سال کی دوسری ششماہی میں ملکی معیشت میں تیزی کے ساتھ بحالی کا عمل دکھائی دیا۔

اس سال کے دوران زراعت کے شعبے کو بھی بڑی نوعیت کے مسائل کا سامنا کرنا پڑا۔ ٹڈی دل کے حملے کے ساتھ ساتھ COVID-19 کی وجہ سے سپلائی چین میں رکاوٹ، اس شعبے کے لیے ایک اہم خطرہ بن کر ابھری۔ تاہم بروقت حکومتی کارروائی سے ان کے اثرات کو کم رکھنے میں مدد ملی۔

بطور فرٹیلائزر ملک کی ایک تہائی زرعی پیداوار سے وابستہ ہے اور کمپنی اس اعزاز کے ساتھ آنے والے اسٹریٹجک کردار سے بخوبی واقف ہے، اسی لیے ہم نے مشکلات سے بھرپور اس سال کے دوران بلا تعطل اپنے عملی امور کی انجام دہی اور ان کی تکمیل کو یقینی بنایا۔ اس حوالے سے کمپنی نے وائرس سے نمٹنے کے لیے کاروباری تسلسل کے حوالے سے ایک جامع حکمت عملی اور طریقہ کار تیار کیا۔ ملازمین کی صحت اور تحفظ ہماری اولین ترجیح ہے، اسی لیے کمپنی نے ایک خصوصی میڈیکل ہیلپ لائن کی سہولت کو جاری رکھا ہوا ہے۔ مزید برآں، اس سال کے دوران کمپنی نے ملازمین کے حوصلوں کو بلند رکھنے کے لیے متعدد اقدامات کیے، جن میں فرنٹ لائن عملے کی خصوصی حوصلہ افزائی، جذباتی لحاظ سے تندرست و توانا رہنے کے لیے مشاورتی نشستیں اور سماجی روابط کے لیے آن لائن پلیٹ فارم کا استعمال شامل ہے۔

COVID-19: سی ایس آر اقدامات

کمپنی اس بات پر پختہ یقین رکھتی ہے کہ اس کی کامیابی، اس وقت کے انتہائی اہم مسائل کو حل کرنے میں مضمر ہے اور اسی یقین کے تسلسل میں دیگر کارپوریشن اور اداروں کو لیس کے چیئرمین جناب محترم نے ضرورت کے اس وقت میں ملک کی مدد کرنے کے لیے 1 بلین روپے دینے کا اعلان کیا۔ اس عزم کے تحت، کمپنی نے اس وبائی مرض کے پھیلاؤ کو روکنے، اس کی تشخیص اور تحفظاتی سہولیات کو قابل عمل بنانے اور بہتر بنانے کے لیے اسپتالوں اور سماجی تنظیموں کے ساتھ بڑے پیمانے پر تعاون کیا ہے۔ اس رپورٹ کے سی ایس آر سیکشن میں کمپنی کی جانب سے اٹھائے گئے اقدامات کی تفصیلات شامل ہیں۔

مارکیٹ کا جائزہ

بین الاقوامی سطح پر سال کے دوران یوریا کے نرخ 12% سے بڑھ گئے اور دسمبر 2019 کے T/259 (فی بوری 2,410/- روپے کے مساوی) کے مقابلے میں دسمبر 2020 میں T/289 (فی بوری 2,895/- روپے کے مساوی) تک پہنچ گئے۔ اس مدت کے دوران ڈی اے پی کے نرخوں میں تیزی کے ساتھ بہتری دیکھنے میں آئی اور سال کے اختتام تک نرخ T/375 کی بلند سطح تک پہنچ گئے۔

لوکل مارکیٹ میں فی الحال مقامی یوریا کے نرخ بین الاقوامی نرخوں کے مقابلے میں 44% کی رعایت پر ہیں اور تقریباً 1,717/- روپے فی بوری کے فرق پر ہیں، جو کہ سال 2020 کے آغاز پر 2,040/- فی بیگ کے مقابلے میں نمایاں طور پر کم ہے۔ سال 2020 میں مقامی یوریا مارکیٹ کی طلب 5,989KT رہی جو سال 2019 کی 6,201KT کی مارکیٹ کے مقابلے میں 3% کی کمی ہے۔ مارکیٹ کی طلب میں کمی کو بنیادی طور پر سال کے آغاز کی غیر معمولی چینل انوینٹری سے منسوب کیا جا سکتا ہے۔ فاسفیٹس مارکیٹ کی طلب سال 2020 میں 2,214KT رہی جو سال 2019 کی 2,021KT کی طلب سے 10% زیادہ ہے۔ اس اضافے کی بنیادی وجہ آنے والے وقتوں میں بین الاقوامی رسد کے چیلنجوں کی توقعات اور ڈی اے پی کے نرخوں میں مزید اضافے کی امید ہے۔

انڈسٹری میں مقامی گیس پر مبنی یوریا کی پیداوار میں 8 فیصد اضافہ ہوا ہے اور یہ گزشتہ سال کے 5,397KT کے مقابلے میں 5,847KT پر رہی۔ پیداوار میں اضافہ بنیادی طور پر کمپنی کی ریکارڈ شدہ 2,264KT کی پیداوار سے منسوب ہے جو کہ گزشتہ سال کے مقابلے میں 13% اضافے کو ظاہر کرتا ہے۔ RLNG پلانٹس سمیت یوریا انڈسٹری کی مجموعی پیداوار سال 2019 میں 6,164KT کے مقابلے میں سال 2020 میں 6,136 KT رہی۔

یوریا کے نرخ

جنوری، 2020 میں کمپنی نے گیس انفرا اسٹرکچر ڈیولپمنٹ سیس (GIDC) میں کمی کے حوالے سے سرکاری فیصلے کا خیر مقدم کیا اور اس سے ملنے والے فائدے کو یوریا کی نرخ میں 160/- روپے فی بوری کی کمی کے ذریعے کسانوں کو منتقل کر دیا گیا۔ اسی تسلسل میں، COVID-19 کے دوران کمپنی نے مارچ 2020 میں یوریا کی فی بوری نرخ میں 240/- روپے کی مزید کمی کا اعلان کیا۔

کمپنی نے قیمت زرعی معاونت کے ساتھ ساتھ COVID-19 کی پہلی لہر کے اختتام کو مد نظر رکھتے ہوئے سال 2020 کی تیسری سہ ماہی (Q3) میں یوریا کی فی بوری نرخ میں 25/- روپے کا اضافہ کیا۔

GIDC کا منظرنامہ

13 اگست، 2020 کو معزز عدالت عظمیٰ (SCP) نے گیس انفرا اسٹرکچر ڈیولپمنٹ سیس (GIDC) ایکٹ 2015 کی آئینی حیثیت کے متعلق فیصلہ کیا۔ معزز عدالت عظمیٰ (SCP) نے کہا کہ GIDC ایکٹ، 2015 آئینی ہے اور 31 جولائی، 2020 تک کمپنیوں پر لاگو سیس کے بقایاجات کو 24 ماہانہ اقساط کے ذریعے بازیافت کیا جائے گا۔ تاہم SCP نے وفاقی حکومت کو اس فیصلے کی تاریخ سے مزید سیس وصول کرنے سے روک دیا۔

اس فیصلے کے نتیجے میں گیس سپلائی کرنے والوں نے یکم اگست، 2020 سے رقوم کی وصولی کے لیے GIDC کی اقساط کو انوائس کرنا شروع کر دیا۔ مزید یہ کہ، مقررہ نرخ پر گیس کی خرید و فروخت کے معاہدے بتاریخ 11 اپریل، 2007 (GSPA) ("ایس این جی پی ایل") کے تحت SNGPL کی طرف سے موصول شدہ متعلقہ گیس پر GIDC کی قسط کی انوائس کے حوالے سے کمپنی نے اس فیصلہ کو چیلنج کرنے کے لیے معزز عدالت عالیہ سندھ (SHC) سے رجوع کیا۔ کمپنی نے اپنے حق میں حکم امتناعی حاصل کر لیا ہے اور SCP نے SNGPL کو GSPA کے تحت کمپنی کو فراہم کی جانے والی فیڈ اسٹاک گیس پر GIDC چارج کرنے پر کمپنی کے خلاف کسی بھی قسم کی کارروائی سے روک دیا ہے۔ انتظامیہ نے یہ تجزیہ کیا ہے (اور جیسا کہ قانونی مشیر کی جانب سے تصدیق شدہ ہے) کہ GSPA کے تحت فراہم کی جانے والی فیڈ گیس کے لیے SNGPL کے خلاف دائر قانونی کارروائی کے حوالے سے سازگار نتائج کے معقول امکانات موجود ہیں۔ لہذا کمپنی کی طرف سے GSPA کے تحت موصول شدہ فیڈ گیس کے سلسلے میں GIDC کے اکاؤنٹ میں کسی قسم کی کوئی فراہمی ریکارڈ نہیں کی گئی ہے۔

ایگریٹیک لمیٹڈ سمیت متعدد درخواست گزاروں نے SCP میں نظر ثانی کی درخواستیں دائر کیں، جن کو 02 نومبر 2020 کو مسترد کر دیا گیا تھا اور ان کی پچھلی والی پوزیشن کی توثیق کی ہے۔ تاہم SCP نے اپنے تحریری فیصلے میں حکومت کو ہدایت جاری کی کہ GIDC کو 24 کی بجائے 48 اقساط میں بازیافت کیا جائے اور شمال جنوبی پائپ لائن کا آغاز کرنے کے لیے اپنا ابتدائی فیصلے کے مطابق دیے جانے والے چھ ماہ کی بجائے ایک سال کا وقت دیا گیا ہے۔ کمپنی نے تحریری حکم میں ٹائپوگرافیکل غلطی کی اصلاح کے لیے SCP میں اصلاحی درخواست دائر کی۔ حکم نامے کو درست کرنے کی درخواست کی گئی ہے تاکہ عدالت کی جانب سے زبانی طور پر بیان کردہ حکم جس میں GIDC کے بقایاجات کو 60 ماہانہ اقساط میں جمع کیا جانے کے حکم کو عمل میں لایا جا سکے۔ اس کے لیے 48 ماہ کے موجودہ دورانیے کو درست کرنا ہوگا۔

02. CHAIRMAN'S REVIEW

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report for Engro Fertilizers Limited for the year ended 31st December 2020.

The past year proved to be extremely challenging as COVID-19 derailed Pakistan's nascent economic recovery. Initial challenges including slumping demand and supply chain interruptions dampened the macroeconomic situation signaling difficult times ahead. However, subsequent measures taken by the Government including permission for sustained operations of essential industries, smart lockdowns, and industry stimulus packages amongst other timely interventions enabled an economic recovery as evident through improved fiscal and external indicators. We would like to take this opportunity to commend the Government's efforts during the year and are looking forward to improved economic conditions in the coming year.

Despite the challenges during the year, EFERT exhibited extraordinary resilience and resolve in not just fulfilling its role towards safeguarding food security in the country, but also by adopting stringent safety measures to protect its people, neighbors, and customers.

During these testing times, Mr. Hussain Dawood, Chairman of Engro Corporation Limited and Dawood Hercules Corporation Limited, pledged PKR 1Bn on behalf of the group to help fight the pandemic. Under this pledge, EFERT has donated over PKR 120Mn to hospitals and social enterprises with the funds being utilized to minimize the spread of the virus while also enabling timely availability of testing facilities. The Company also took other initiatives to help the nearby communities including distribution of ration and medical supplies, and conversion of our Technical Training Center into a 176-bed quarantine and testing facility.

To ensure the safety of our employees, strict adherence to SOPs was implemented at our offices and plant sites to prevent the spread of the virus. With the health and safety of our employees being our utmost priority, the Company continues to operate a special medical help desk facility.

Compared to other sectors, the agriculture sector remained relatively protected from the negative impact of COVID-19. Output of major crops grew by 2.9% during FY 2020, mainly due to improving farm economics, adequate water availability and increased area under cultivation. This growth was able to more than compensate for the decrease in cotton output, primarily attributable to weather conditions and pest attacks, and as a result the agricultural sector grew moderately by 2.7% during FY 2020.

On the business front, I would like to start off by congratulating the management for an excellent year. The Company achieved its highest ever urea production by ensuring continued plant operations with the best ever efficiency statistics. The Company also recorded its highest ever urea sales during the year.

It is a matter of great pride for me that the Company's performance and commitment to excellence was recognized on several forums. The awards received are a testament to our management's continuous efforts for improvement that has put us at par with the best in the world on several metrics.

I would like to thank my fellow board members for their active contributions in this year which enabled the Company in achieving its objectives while continuing to create long term value for the shareholders. The board members have been instrumental in stewarding the Company to deliver sustainable returns during a year of significant turbulence.
EFERT strongly believes that in today's age, human resource is an important source of competitive advantage and in this regard, our Board Peoples Committee played a crucial role in devising long term strategies for the growth of our employees. Similarly, the Board Audit Committee ensured that the Company operates with the highest standards of transparency and corporate governance.

I would also like to take this opportunity to express my gratitude to our esteemed investors for their continued trust in the Company which has allowed EFERT to achieve new heights in a socially responsible and ethical manner.

Ghias Khan,
Chairman

چیئرمین کا جائزہ

محترم شیئر ہولڈرز،

بورڈ آف ڈائریکٹرز کی طرف سے، میں آپ کی خدمت میں 31 دسمبر 2020 کو ختم شدہ سال کے لیے اینگرو فرٹیلائزرز لمیٹڈ کی سالانہ رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔

گزشتہ سال بہت ہی مشکل ثابت ہوا کیونکہ Covid-19 نے پاکستان کی معاشی بحالی کی طرف پیش قدمی کو روک دیا۔ طلب اور رسد میں پیدا ہونے والی مشکلات نے میکرو اکنامک صورتحال پر منفی اثرات مرتب کرتے ہوئے آمدہ کے لیے مشکلات کا عندیہ دیا۔ تاہم حکومت کی جانب سے ضروری صنعتوں کو آپریشن شروع کرنے کی اجازت، اسمارٹ لاک ڈاؤن اور انڈسٹری کے لیے پیکجز کے اعلان جیسے مشکل بروقت اقدامات سے معیشت کی بحالی ہو رہی ہے۔ اسی کی وجہ سے اب مالی صورتحال اور ایکسٹرنل انڈیکیٹرز میں بہتری دیکھی جا رہی ہے۔ ہم اس موقع پر حکومت کی شاندار کوششوں اور اقدامات کو خراج تحسین پیش کرنا چاہتے ہیں اور آنے والے سال میں ہم معیشت کی بہتری کے لیے پر امید ہیں۔

دوران سال مشکلات کے باوجود اینگرو فرٹیلائزرز نے شاندار قوت برداشت کا مظاہرہ کیا اور نہ صرف ملک میں خوراک کی حفاظت کو یقینی بنانے میں اپنے کردار کو بخوبی نبھایا بلکہ اپنے ملازمین، اطراف میں رہنے والی کمیونٹیز اور صارفین کی صحت کے لیے فوری اور بہترین اقدامات بھی اٹھائے۔

ان مشکل حالات میں، اینگرو کارپوریشن اور داؤد ہرکولیس کارپوریشن کے چیئرمین جناب حسین داؤد نے اس وبا سے نمٹنے میں مدد کے لیے ایک بلین روپے کے عطیات دینے کا وعدہ کیا۔ اس وعدے کے تحت، اینگرو فرٹیلائزرز نے ہسپتالوں اور سماجی آرگنائزیشن کو 120 ملین روپے سے زائد کے فنڈز فراہم کیے تاکہ اس وائرس کے پھیلاؤ کو روکا جا سکے اور ہیلتھ کیئر کی سہولیات کو عوام کے لیے بروقت یقینی بنایا جا سکے۔ کمپنی نے اپنے ارد گرد کے علاقوں میں بھی مختلف فلاحی امور انجام دیے جن میں راشن اور ادویات کی تقسیم اور اپنے ٹیکنیکل ٹریننگ سینٹر کو 176 بیڈز پر مشتمل قرنطینہ اور ٹیسٹنگ سینٹر میں تبدیل کرنا شامل ہے۔

اپنے ملازمین کی حفاظت کو یقینی بنانے کے لیے، ہم نے اپنے آفس اور پلانٹ سائٹس پر SOPs کی عمل درآمد کو سختی سے یقینی بنایا تاکہ اس وائرس کے پھیلاؤ سے بچا جا سکے۔ اپنے ملازمین کی صحت اور حفاظت کو اولین ترجیح دینے کے پیش نظر، کمپنی نے اضافی میڈیکل ہیلپ لائن کی سہولت ابھی تک جاری رکھی ہوئی ہے۔

دوسرے شعبہ جات کے مقابلے میں، ہمارا زراعت کا شعبہ Covid-19 کے منفی اثرات سے نسبتاً محفوظ رہا۔ مالی سال 2020 کے دوران اہم فصلوں کی پیداوار میں 2.9 فیصد اضافہ ہوا جس کی اہم وجہ گندم اور مکئی میں بہتری، پانی کی مناسب دستیابی اور زیر کاشت رقبہ میں اضافہ ہے۔ اس اضافی پیداوار نے نامناسب موسمی حالات اور ٹڈیوں کے حملے کے باعث کپاس کی پیداوار میں ہونے والی کمی کا ازالہ کیا، نتیجتاً مالی سال 2020 کے دوران زراعت کے شعبے میں 2.7 فیصد کا بتدریج اضافہ ہوا۔

کاروباری اعتبار سے، میں انتظامیہ کو اس شاندار سال کے لیے دل کی گہرائیوں سے مبارکباد پیش کرتا ہوں۔ کمپنی نے دوران سال اپنی بہترین صلاحیت اور حکمت عملی کے تحت پلانٹ کے مسلسل آپریشن کو یقینی بنایا اور یوریا کی اب تک کی سب سے زیادہ پیداوار حاصل کی۔ اس کے ساتھ ساتھ کمپنی نے دوران سال یوریا کی سب سے زیادہ فروخت کا ریکارڈ بھی قائم کیا۔

یہ بات میرے لیے فخر کا باعث ہے کہ مختلف فورمز پر کمپنی کی کارکردگی اور مہارت کی حوصلہ افزائی اور تصدیق کی گئی۔ جیسے ملنے والے ایوارڈز ہماری انتظامیہ کی جانب سے بہتری کی مسلسل کوششوں کا نتیجہ ہیں، جس سے اب ہم کئی متعدد میٹرکس میں دنیا کی بہترین کمپنیز کی برابری کرتے ہیں۔

میں اپنے بورڈ ممبران کا بھی شکریہ ادا کرتا ہوں کہ دوران سال ان کے موثر تعاون کی بدولت کمپنی اپنے مقاصد حاصل کرنے میں کامیاب رہی اور اس کے ساتھ اپنے شیئر ہولڈرز کی قدر میں اضافہ کا سبب بھی بنی۔ بورڈ ممبران نے مشکلات میں گھرے اس سال کے دوران کارپوریٹ ضمیر دار بنتے ہوئے اور مستحکم منافع کے لیے کمپنی کی ترجیحات قائم کرنے میں موثر کردار ادا کیا ہے۔

اینگرو فرٹیلائزرز لمیٹڈ اس بات پر بھرپور یقین رکھتی ہے کہ آج کے دور میں بہترین ریسورسز مسابقتی سبقت کا اہم ذریعہ ہیں اور اس ضمن میں بورڈ پیپلز کمیٹی (BPC) نے ہمارے ملازمین کی ترقی کے لیے طویل المدتی منصوبہ بندیوں کی تشکیل میں اہم کردار ادا کیا ہے۔ اسی طرح بورڈ کی آڈٹ کمیٹی (BAC) نے کمپنی کے آپریشنز میں کارپوریٹ گورننس اور شفافیت و دیانتداری کے اعلیٰ معیاروں کے قیام کو یقینی بنایا ہے۔

میں اس موقع پر اپنے پروقار سرمایہ کاروں کا تہہ دل سے شکریہ ادا کرنا چاہوں گا۔ ان کے مسلسل اعتماد کی بدولت اینگرو فرٹیلائزرز لمیٹڈ نے مالی اور اخلاقی طور پر ایک ذمہ دار ادارے کی حیثیت میں نئی کامیابیاں حاصل کی ہیں۔

غیاث خان
چیئرمین

03. CEO STATEMENT

The past year has been incredibly challenging for the world, our nation and our Company. The challenges came from multiple fronts: regulatory changes in GIDC, continuous alterations in the Government's agriculture policy and of course the global pandemic that debilitated our struggling economy and posed an existential risk to the health and safety of our people. As a Company, we adapted and working closely together, probably far more so than in a pre-pandemic era, have by the Grace of the Almighty, risen above these challenges and concluded what is perhaps the most successful year in the history of our Company.

At the start of the year, Government of Pakistan (GoP) reduced GIDC for the fertilizer industry which resulted in an overall price reduction of Urea by Rs. 400 / bag. This led to a significant decline in profitability as the Company started the year by recording one of the worst performing first quarters, reporting 85% lower profitability vs Q1 2019.

With the onset of COVID-19, the GoP undertook multiple proactive measures to successfully contain the spread of the virus including lockdowns, suspension of flight operations, and limitation on intercity movements. These much-needed measures on one hand helped to control the spread of COVID-19 but on the other hand posed significant challenges for enterprises to ensure business continuity. The Company, cognizant of its role in Pakistan's agri-value chain, and acknowledging its position as being the source of nearly a third of Pakistan's agri productivity, also took multiple steps to ensure uninterrupted operations. To this end ensuring the safety and well-being of employees remained a key priority for the management.

On the back of our Comprehensive COVID-19 Strategy and consistent focus on engineering excellence aided by better gas availability during the year, the Company was able to achieve its highest ever urea production of 2,267 KT, 13% higher than 2019. Over the last two years, with continuous focus on operational excellence by the plant team, we have been able to increase our production by ~200KT. This is a paradigm shift in the local fertilizer industry whereby urea manufactured from indigenous gas has largely ensured self-sufficiency to address

domestic demand. The Company carried out a global benchmarking exercise in 2020 and would be taking further actions to improve our manufacturing efficiency in future.

Our sales team delivered an outstanding performance as the Company sold the highest ever urea volume of over 2.2 Mn Tons. I would like to take this opportunity to recognize the valiant efforts of our front-line staff that enabled uninterrupted deliveries and seamless supply chain operations despite strict COVID-19 restrictions.

Moving on to our growth businesses, Specialty Fertilizers accelerated its positive momentum and registered 18% volumetric growth vs 2019. Similarly, the Company continued to make inroads in the relatively new Seeds and Pesticides business which has finally grown to a scale and scope where it is able to attract international partners for exclusive deals including partnerships with BASF and Corteva with the Company gaining proprietary access to new products.

Our newly established long-haul logistics business completed its first full year of operations profitably. The Company now commands a fleet that places us amongst the top ten players in the industry. This business operates in an inherently higher risk environment of local Highway traffic. However, despite significant challenges, we were able to achieve safety performance of over 2x the national average. In our endeavor to build a culture of safety in this new line of business that mirrors the standards of our plant operations, we aspire to set new standards of safety for long haul delivery in the country.

Despite serious challenges during the year arising from the complexity of ensuring continuous operations during the pandemic and significant changes in the agriculture support policies, the Company delivered strong financial performance for the year 2020 with a record profit of Rs. 18.1 Bn. The impact of price reduction was counter balanced by higher production, sales and certain one-off tailwinds on tax. I am pleased to report that in addition to interim dividends of Rs. 9 / share, a final dividend of Rs. 4 / share was proposed for the year ended December 31, 2020 for approval of the members at the Annual General Meeting bringing the total dividend for the year to Rs. 13 / share.

The relentless drive of the team at EFERT to achieve corporate excellence and set global standards of performance was recognized at several international and local forums and it is my privilege to share with you that the Company received over 35 domestic and international awards during the year recognizing the Company's performance across our spectrum of operations. Of these awards, I am particularly pleased to report that EFERT won the Dupont Safety Innovation Award 2020 that is globally considered to be one of the most venerable safety awards.

Our Company is a purpose-driven enterprise that believes in doing good while doing well. In this endeavor, a number of Corporate Social Responsibility (CSR) initiatives were taken as detailed in the Annual Report. We continued with our commitment to education, healthcare, and community development in district Ghotki, in addition to the initiatives we had taken to combat COVID-19 under the Hussain Dawood Rs. 1 Bn pledge. The initiatives included the establishment of an amputee rehabilitation clinic, the foundation stone of which was laid by our Chairman, Mr. Ghias Khan, the construction of a permanent limb replacement facility and a revamp of Sehara Clinic. Furthermore, we deepened our engagement in the difficult to access Kacho district and in particular established girls' middle school, taking our total education outreach to over 3,000 students. We remain committed to the cause of ensuring social inclusion in the communities in which we live and operate. Whilst safety is our license to operate, an unrelenting commitment to social inclusion is our license for sustainability over the long term.

Our people are our competitive advantage, and we continue to focus on their development and growth. This was the second year in our Human Resources (HR) Transformation journey as we further refined HR operations to ensure effective development of our human capital. Despite the uncertainty that prevailed for much of the year and new challenge of working from home, we witnessed significant improvement in our employees' engagement scores due to intensive efforts by our management team. Diversity has been a key focus area as we have improved the participation of women in our workforce by 30%. I am pleased to report that we have succeeded in attracting women in roles that have historically been only occupied by men. These are small yet critical early steps in our journey to raise gender diversity amongst our ranks.

Looking ahead, the implementation of the agri support program announced by the government is expected to ensure robust agronomic demand during 2021. Lack of clarity around price of concessionary gas would be the most notable challenge for the year. However, with the continued guidance of respected members of the Board, unreservedly commitment of the management team and unflinching resolve of our employees, I am absolutely convinced that InshaAllah the team will overcome any obstacles that may come in our way.

I would once again like to thank all our employees and value chain partners for their contributions in making this an outstanding year. It is only by the collective efforts of our talented teams and the continued support of our esteemed customers that we have been able to deliver the exceptional results of 2020. I am particularly grateful to our Chairman and board members for their continued support, guidance and patience in stewarding us through what was undoubtedly a very challenging year. With their continued support and that of our valued investors, I am confident that we will continue to deliver on our promise of growth.

Nadir Salar Qureshi,
Chief Executive Officer

مقدار کی بدولت عالمی شراکت داروں کے ساتھ شاندار معاہدے کرنے کے لیے پرکشش پارٹنر کے طور پر خود کو منوانے میں کامیاب رہی، اس میں BASF اور Corteva کے ساتھ تجارتی برانڈز کی پروپرائٹری رسائی حاصل کرنے سے متعلق معاہدے شامل ہیں۔

ہمارے لانگ ہال لاجسٹکس بزنس نے منافع بخش آپریشنز کا اپنا پہلا سال مکمل کر لیا ہے۔ کمپنی کے پاس اب ایسا اثاثہ رواں ہے جس کی بدولت ہم انڈسٹری کے ٹاپ پلیئرز میں اپنی جگہ بنا چکے ہیں۔ ہمارا یہ بزنس ملکی ہائی ویز کے روایتی طور پر خطرناک ماحول میں سرگرم عمل ہے، تاہم ان خطرات کے باوجود ہم نے ملکی شرح سے 2 گنا بہتر حفاظتی کارکردگی حاصل کی ہے۔ اپنے نئے بزنس کی اس لائن میں ہم حفاظت کا ایسا ماحول پیدا کرنے کے لیے پرعزم ہیں کہ جو ہمارے پلانٹ آپریشنز کے معیارات سے مطابقت رکھتا ہو۔ ہم اس ضمن میں ملکی سطح پر لاجسٹکس ڈیلیوری کے اعلیٰ معیاروں کے قیام کے لیے کوشاں ہیں۔

عالمی وباء کے دوران آپریشنز کو جاری رکھنے کی پریشانی اور زرعی سہولتی کی پالیسیوں میں ہونے والی تبدیلیوں سے پیدا ہونے والی شدید مشکلات کے باوجود، کمپنی نے سال 2020 کے دوران زبردست مالیاتی کارکردگی دکھائی اور 18.1 بلین روپے کا ریکارڈ منافع اپنے نام کیا۔ قیمتوں میں کمی کے منفی اثر کا بہتر ترین پیداوار، بلند ترین سیلز اور ٹیکس میں کچھ خصوصی رعایتیں ملنے سے ازالہ کر لیا گیا۔

میں یہ رپورٹ کرتے ہوئے خوشی محسوس کرتا ہوں کہ عبوری منافع منقسمہ بحساب فی شیئر 9 روپے کے ساتھ 31 دسمبر 2020 کو ختم شدہ سال کے لیے حتمی منافع منقسمہ بحساب 4 روپے فی شیئر تجویز کیا گیا ہے جس کی منظوری سالانہ اجلاس عام کے موقع پر ممبران کی منظوری سے مشروط ہے۔ اس طرح سال کے لیے فی شیئر منافع منقسمہ 13 روپے بنتا ہے۔

اینگرو فرٹیلائزرز کی ٹیم کی جانب سے عالمی معیار کی کارپوریٹ مہارت حاصل کرنے کی انتھک کوششوں کو مختلف عالمی اور مقامی فورمز پر سراہا گیا اور اس بات سے مجھے فخر ہے کہ کمپنی نے دوران سال 35 سے زائد انٹرنیشنل اور قومی ایوارڈز حاصل کیے جو کمپنی آپریشنز کے تمام شعبہ جات کی شاندار کارکردگی کا مظہر ہیں۔ ان ایوارڈز کے حوالے سے، میں خاص طور پر اس بات سے خوش ہوں کہ اینگرو فرٹیلائزرز نے Dupont سیفٹی انوویشن ایوارڈ 2020 جیتا جسے عالمی طور پر اعلیٰ سیفٹی ایوارڈز میں سے ایک مانا جاتا ہے۔

کمپنی ایک بامقصد ادارے کے طور پر سماجی فلاح و بہبود کیلئے محنت کرنے پر یقین رکھتی ہے۔ اس ضمن میں مختلف کارپوریٹ سوشل ریسپانسبلٹی سے متعلق اقدامات اٹھائے گئے ہیں جس کی تفصیل سالانہ رپورٹ میں فراہم کی گئی ہے۔ ہم نے تعلیم، صحت اور کمیونٹی کی فلاح کے اپنے عزم کے پیش نظر، ضلع گھوٹکی میں کام جاری رکھا ہوا ہے۔ اس کے علاوہ ہم نے حسین داؤد کے ایک بلین عطیہ دینے کے وعدے کے تحت، Covid-19 پر قابو پانے کے لیے مختلف اقدامات اٹھائے ہیں۔ ہمارے اقدامات میں ماڈل ویلفیئر کلینک کا قیام، جس کا افتتاح ہمارے چیئرمین جناب غیاث خان نے کیا ہے، ماحولیاتی تبدیلی کے لیے ایک مستقل عمارت کی تعمیر اور سہارا کلینک کی دوبارہ بحالی کے کام شامل ہیں۔ مزید برآں، ہم نے ضلع کے کچے کے علاقے میں تعلیمی رسائی کو مزید بڑھاتے ہوئے گرلز مڈل اسکول قائم کیا ہے۔ ان اقدامات کی بدولت اب ہم +3,000 طلباء کو تعلیم کی سہولت فراہم کر رہے ہیں۔ ہم ان علاقوں میں اپنے سماجی روابط بڑھانے کے لیے پرعزم ہیں جہاں ہم آپریٹ کرتے ہیں، جبکہ حفاظت ہمارے امور کا لازمی حصہ ہے، سماجی رسائی کا بھرپور عزم طویل مدتی استحکام کے لیے ضروری ہے۔

ہمارے ملازمین ہماری کلیدی طاقت ہیں اور ہم ان کی ترقی اور بہتری کے لیے کوشاں ہیں۔ یہ سال ہماری ہیومن ریسورس مینجمنٹ کی تبدیلی کا دوسرا سال تھا اور ہم نے اپنے ہیومن کیپیٹل کی موثر ترقی کے لیے کوشش جاری رکھی۔ سال بھر غیر یقینی کی صورتحال اور گھر سے کام کرنے کے ماحول میں بھی، انتظامیہ کی موثر کوششوں سے، ہم نے اپنے ملازمین کی صحت و حفاظت کے امور میں قابل ذکر بہتری دیکھی۔ صنفی عدم تفریق کو ہم ترجیح دیتے ہیں اور اس ضمن میں ہم نے اپنے ورک فورس میں خواتین کی شمولیت میں 30 فیصد کا اضافہ حاصل کیا۔ مجھے یہ رپورٹ کرتے ہوئے خوشی ہوتی ہے کہ ہم ایسے امور میں خواتین کو لانے میں کامیاب رہے ہیں جنہیں روایتی طور پر صرف مردوں کے لیے مخصوص سمجھا جاتا تھا۔ یہ ہمارے لیے بہت اہم اقدامات ہیں جو ہم نے اپنی صفوں میں صنفی عدم تفریق کو ختم کرنے کے لیے اٹھائے ہیں۔

مزید برآں، حکومت کی جانب سے زراعت کی بہتری کے پروگرام پر عمل درآمد سے سال 2021 کے دوران زرعی اشیاء کی طلب میں شاندار اضافے کی توقع ہے۔ سابقہ گیس کے حوالے سے شکوک و شبہات آئندہ سال کے لیے قابل ذکر مشکلات پیدا کر سکتے ہیں، تاہم بورڈ ممبران کی رہنمائی، انتظامی ٹیم کی مسلسل کوشش اور اپنے ملازمین کی ثابت قدمی سے، میں پرعزم ہوں کہ انشاء اللہ ہماری ٹیم کسی بھی مشکل سے نبرد آزما ہونے میں کامیاب رہے گی۔

میں ایک بار پھر اپنے ملازمین، ڈیلرز، بزنس پارٹنرز کا اس سال کو ایک شاندار سال بنانے پر شکریہ ادا کرتا ہوں۔ یہ صرف ہماری غیر معمولی طور پر باصلاحیت ٹیم کی انتھک محنت اور ہمارے باوقار سٹیک ہولڈرز کی مجموعی کوششوں کا نتیجہ ہے کہ ہم 2020 میں غیر معمولی نتائج حاصل کرنے میں کامیاب رہے۔ میں خاص طور پر اپنے چیئرمین اور بورڈ ممبران کا شکر گزار ہوں کہ ایک مشکل ترین سال کے دوران ان کی مسلسل رہنمائی، تعاون اور تحمل کی بدولت ہم نے یہ کامیابی حاصل کی۔ میں ان سے، اور ہمارے قابل عزت سرمایہ کاروں سے، تعاون کی بدولت پرعزم ہوں کہ ہم ترقی کرنے کے اپنے وعدے کو وفا کرنے کا سلسلہ جاری رکھیں گے۔

نادر سالار قریشی
چیف ایگزیکٹو آفیسر

چیف ایگزیکٹو آفیسر کا بیان

گزشتہ سال پوری دنیا، ہمارے ملک اور کمپنی کو مشکلات کا سامنا رہا۔ مشکلات کئی اطراف سے آئیں، جی آئی ڈی سی میں ریگولیٹری تبدیلیاں، حکومتی زرعی پالیسی میں مسلسل ردوبدل، اور عالمی وبا پہلے سے مشکلات میں گھری ہماری معیشت کو مزید جھٹکے دینے کے ساتھ ہمارے لوگوں کی صحت اور حفاظت کے لیے ایک بڑا خطرہ بنی ہوئی ہے۔
کمپنی کی حیثیت میں، ہم نے بہتر حکمت عملی اور اشتراک عمل سے، شاید اس وبا سے پہلے کی صورت حال سے بڑھ کر، اللہ تعالیٰ کے فضل و کرم سے ان مشکلات پر قابو پانے میں کامیاب رہے ہیں اور مجموعی طور پر یہ سال کمپنی کی تاریخ کا سب سے زیادہ کامیاب سال ثابت ہوا۔

سال کے آغاز میں، حکومت پاکستان نے فرٹیلائزر انڈسٹری کے لیے جی آئی ڈی سی کم کرنے کا اعلان کیا جس کے نتیجے میں مجموعی طور پر یوریا کی قیمت میں 400 روپے فی بوری تک کمی واقع ہوئی۔ اس فیصلے کے نتیجے میں کمپنی کے منافع میں واضح کمی آئی اور کمپنی نے سال کا آغاز بدترین سہ ماہی نتائج کے ساتھ کیا اور منافع میں 2019 کی پہلی سہ ماہی کے مقابلے میں 86 فیصد کی واقع ہوئی۔

Covid-19 کے پیش نظر، حکومت پاکستان نے اس وائرس کے پھیلاؤ کو روکنے کے لیے مختلف قسم کے موثر اقدامات اٹھائے جن میں لاک ڈاؤن، فلائٹ آپریشنز کی معطلی اور مختلف شہروں کے درمیان ٹرانسپورٹ کو محدود کرنا شامل تھا۔ ان ضروری اقدامات سے ایک جانب کرونا کے پھیلاؤ پر قابو پانے میں مدد ملی تو دوسری جانب کاروباری اداروں کو اپنی کاروباری سرگرمیاں جاری رکھنے میں شدید مشکلات کا سامنا رہا۔ کمپنی نے، پاکستان کے ایگری ویلیو چین میں اپنی حیثیت اور ملکی زرعی پیداوار کے تقریباً تہائی کا ذریعہ ہونے کی اپنی پوزیشن کے پیش نظر، اپنے آپریشنز کو بلا تعطل چلانے کے لیے مختلف اقدامات اٹھائے۔ اس ضمن میں اپنے ملازمین کی صحت اور حفاظت کو یقینی بنانا کمپنی کی اولین ترجیح رہا۔

دوران سال Covid-19 پر قابو پانے کی منصوبہ بندی اور گیس کی بہتر فراہمی کے ساتھ اپنی انجینئرنگ مہارت کو بروئے کار لاتے ہوئے کمپنی نے 2,264KT یوریا کی بلند ترین پیداوار حاصل کر کے ایک اہم سنگ میل عبور کیا جو کہ 2019 سے 13 فیصد زیادہ ہے۔ گزشتہ دو سالوں کے دوران، پلانٹ ٹیم کی جانب سے اپنی آپریشنل صلاحیت پر مسلسل توجہ کی بدولت، ہم اپنی پیداوار میں 330KT اضافہ کرنے میں کامیاب رہے ہیں۔ یہ مقامی فرٹیلائزر انڈسٹری میں مثبت تبدیلی ہے جس سے مقامی گیس پر چلنے والے پلانٹس سے یوریا کی پیداوار میں خود کفیل بن کر ملکی طلب کی تکمیل یقینی بنائی گئی ہے۔ کمپنی نے 2020 میں گلوبل [illegible] بھی شروع کر دی ہے اور مستقبل میں اپنی پیداواری صلاحیت کو مزید بہتر کرنے کے لیے مختلف اقدامات اٹھائے جا رہے ہیں۔

ہماری سیلز ٹیم نے شاندار کارکردگی کا مظاہرہ جاری رکھا اور کمپنی نے 2MT یوریا کی بلند ترین مقدار فروخت کرنے میں کامیاب رہی۔ اس موقع پر میں اپنے فرنٹ لائن سٹاف کی کوششوں کو سلام پیش کرتا ہوں کہ جن کی بدولت Covid-19 کی سخت پابندیوں کے باوجود آپریشنز اور سپلائی چین بلا تعطل جاری رہی۔

اپنے بڑھتے ہوئے بزنس کے حوالے سے، انگیج فرٹیلائزر نے اپنی ترقی کی رفتار بڑھائی اور 2019 کے مقابلے میں مقدار کے اعتبار سے اس سال 18 فیصد اضافہ حاصل کیا۔ اسی طرح کمپنی نے بیجوں اور ایگری کیمیکلز کے کاروبار میں اپنی قدرتی ترقی جاری رکھی اور اپنے معیار اور

04. CORPORATE STRATEGY & RESOURCE ALLOCATION

Strategy

The Organization sets short, medium and long term strategic objectives, defines priorities and actionable strategy thereagainst which not only allows the Company to make efficient use of its resources but also provides focus and motivation to the teams giving them a sense of purpose and direction. With an overall vision in place, the Company monitors its progress which ultimately drives long-term success and creates value for its stakeholders.

Measurable KPIs in achieving Strategic Excellence and their Relevance

The Organization takes pride in efficiency identifying and designing relevant and tangible performance indicators. The determination of measurable KPIs fosters critical conversations between the organization's personnel and these discussions facilitate clear communication of the meaning and purpose of the KPI process and highlight its strategic importance to the company's plan and vision. Accordingly, an effective skill planning, implementation and monitoring process is in place to ensure continuous achievement of defined strategic aims and objectives. Further, the identified KPIs continue to remain relevant in the near future.

Significant Changes in Objectives and Strategies

EFERT has an articulate and structural paradigm of business objectives and strategies which are re-evaluated / updated based on the developments in the internal and external environment.

In FY2020, the outbreak of COVID-19 gravely affected the lives of people globally and changed how the world functions. Recognizing the gravity of the situation and the unprecedented, rapidly evolving challenge due to the pandemic, the Organization recognized the need to devise a comprehensive COVID-19 strategy identifying the risks, immediate responses, possible interruptions and levers for business continuity. The Pandemic Recovery Plan has been discussed in detail in Sub-section 11 of this Section.

Resource Allocation Plans

The Organisation aims to achieve strategic objectives by optimizing available resources. This is primarily done by leveraging its strong brand equity with efficient utilization of the Company's financial strength, competent human resource, manufacturing excellence and strong HSE standards etc.

Optimal / proper allocation of resources is vital for business growth, supports the delivery of measurable KPIs and eliminates existing risks and the Company, therefore, deploys a combination of the following resources to reach the targets and drive value for the stakeholders.
The Company uses these resources and capitals as the financial strength and operational efficiency of trade and manufacturing paradigms to evolve the infrastructure facilities to achieve optimal advancement, develop and embed advanced solution range, enhance product delivery and farmers' value functions etc and introduce cost economization to local farmers. An efficient allocation of these resources also allows the Company to facilitate farmers' education, improve agri yields, stimulate trade and distribution network with EFERT's integral image, enhance the presence and

visibility of the brand. Facilitate the implementation of CSR projects and adopt best sustainable practices.

EFERT aims at becoming the preferred partner of the farmer 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. EFERT will continue to deploy its resources to ensure efficient utilization of local resources and to eliminate dependence on imported fertilizers.

Based on the analysis of risk and opportunities identified in the report, the relationship between the Company's objectives, strategy along with priority and performance indicators (financial & non financial) used by the management to evaluate actual results are summarized below:

01 Enhance Farmer Productivity

LONG-TERM OBJECTIVE

STRATEGIC ACTIONS

- Increase in/penetration at farmer level to adopt benefits initiatives of improving farmer productivity
- Liaison with relevant stakeholders to support use of balanced nutrients

MEASURABLE KPI AND ITS RELEVANCE

- Yield per acre on a fully
- Will continue to be relevant in the foreseeable future

02 Optimize on manufactuing excellence

LONG-TERM OBJECTIVE

STRATEGIC ACTIONS

Make efficient use of available assets to improve capacity utilization of manufacturing facility

MEASURABLE KPI AND ITS RELEVANCE

Capacity utilization of Plant 1 and Plant 2. Will continue to be relevant in the foreseeable future

03 Leverage brand name to increase top-line

MEDIUM-TERM OBJECTIVE

STRATEGIC ACTIONS

Use Engro's strong brand name to improve presence across all regions in the country. Introduce wide range of products and services

MEASURABLE KPI AND ITS RELEVANCE

Market share. Growth in revenue. Will continue to be relevant in the foreseeable future

04 Become the farmer's preferred partner by offering complete Agri-solutions

LONG-TERM OBJECTIVE

STRATEGIC ACTIONS

- Enter new areas within the agri-value chain to offer seed to harvest solutions

MEASURABLE KPI AND ITS RELEVANCE

- Growth in revenue
- Enhanced profitability
- Will continue to be relevant in the foreseeable future

06 Providing agri-inputs at optimal prices

MEDIUM-TERM OBJECTIVE

STRATEGIC ACTIONS

- Facilitate the local farmers by providing inputs at affordable prices

MEASURABLE KPI AND ITS RELEVANCE

- Local vs international urea prices
- Will continue to be relevant in the foreseeable future

05 Achieving operational efficiency

MEDIUM-TERM OBJECTIVE

STRATEGIC ACTIONS

- Work on improving plant utilisation and energy efficiency
- International benchmarking

MEASURABLE KPI AND ITS RELEVANCE

- Plant energy index
- Less outage days
- Will continue to be relevant in the foreseeable future

07 Corporate social responsibility

LONG-TERM OBJECTIVE

STRATEGIC ACTIONS

- Focusing on improving quality of life of people in communities in which we operate

MEASURABLE KPI AND ITS RELEVANCE

- Number of lives impacted through our livelihood projects
- Number of students in school
- Number of patients treated
- Will continue to be relevant in the foreseeable future

08 Ensure health and safety of employees & community during COVID-19

MEDIUM-TERM OBJECTIVE

09 Making a positive impact by adopting best sustainable practices

LONG-TERM OBJECTIVE

Liquidity and Cash Flow Management

Treasury Management and Strategy to Overcome Liquidity Problems

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 duly 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).

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

Debt management and capital structure

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.

During the year, the Company continued to concentrate its efforts on reducing the costs of financing through better capital management as well as exploring low cost financing schemes. Improved industry dynamics and resultant cash generation and efforts to raise financing through State Bank's Temporary Economic Refinancing Facility (TERF) has resulted in deferring the drawdown of fresh long-term loans towards the tail-end of the year / next year for financing of capital expenditure. In contrast all debt repayments falling this year were paid by their due dates and there have been no defaults in repayment of any debt during the year. As at December 31, 2020, Long term borrowings stand at Rs. 23.6 Bn (December 31, 2019: Rs. 31 Bn). As at December 31, 2020, total equity stands at Rs. 45.7 Bn (December 31, 2019: Rs. 42.0 Bn).

Significant Plans And Decisions

With the Company having achieved significant success in the Fertilizer arena, the Company has built on its momentum of expanding its portfolio in the agriculture industry by introducing various new products in the Specialty Fertilizer and Seeds and Pesticides businesses. During the year, the Company has also expanded its logistics business by entering into new contracts and developing warehouse solutions whilst ensuring compliance to safety standards.

EFERT 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. The Company also aims to identify and evaluate new investment projects to enable the Company to diversify its portfolio.

05. ENTERPRISE RISK MANAGEMENT

In ensuring long term shareholder wealth creation, EFERT is cognizant of the importance of identifying, monitoring and timely addressing the risks and capitalizing on the opportunities arising out of macro & micro economic environment. The Company, therefore, performs a comprehensive analysis of internal, external and industry-specific risks and opportunities in order to develop effective strategies.

The Company identifies risk as situations or factors with the potential to threaten its ability to deliver on strategic priorities and, ultimately, to create shareholder value.

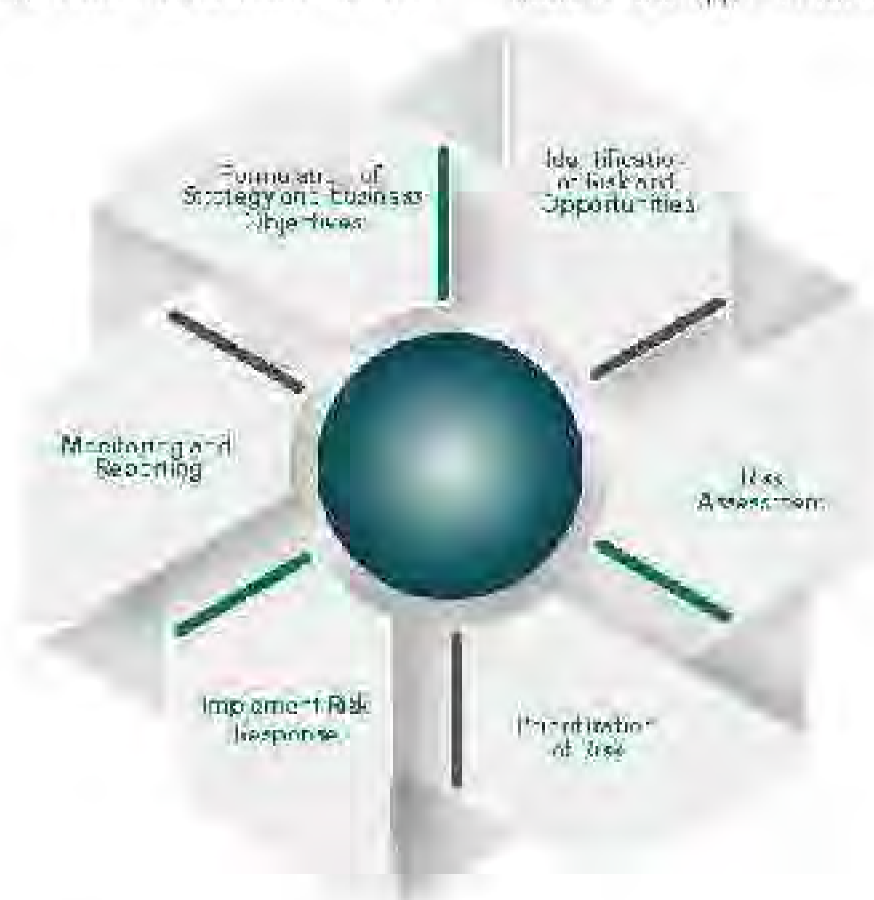
RISK GOVERNANCE, MANAGEMENT POLICY AND OVERSIGHT

The overall responsibility for establishing and monitoring of an enterprise-wide Risk Management System lies with the Board of Directors. The Board ensures 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.

This is done through a meticulously created risk management framework approved by EFERT's Board which describes the risk management identification and management process and provides enterprise-wide risk management guidelines that cover key risk areas including strategic, commercial, reputational, operational, financial, political and other risks. Exposure to these risks is managed through the Enterprise Risk Management (ERM) process. The purpose of ERM is to identify potential risks and to define the strategy for managing the impact of these risks, as well as the mechanisms to effectively monitor and evaluate identified strategies. It is the policy of the Company to view ERM as integral to the creation, protection and enhancement of shareholder's value by managing the uncertainties that could influence the achievement of corporate goals and objectives.

Enterprise Risk Management Process

EFERT has implemented an Enterprise Risk Management (ERM) methodology which provides a structured, disciplined and consistent approach to risk management that facilitates risk-informed decision making throughout the organization. EFERT uses a well-defined process to assess its risks, opportunities and material issues.



Risk is considered to be integral part of the Organisation's culture and therefore all new investment decisions and business planning processes give appropriate consideration to risk management. Apart from these, the Board of Directors ensure that appropriate focus is given to risk management. The top 10 risks along with the risk register are presented to the Board Audit Committee for its review on half yearly basis.

FORMULATION OF STRATEGY AND BUSINESS OBJECTIVES

At EFERT, the focus of ERM is to ensure achievement of the Organization's short-term objectives and long-term sustainable value creation. Defining the Organization's strategy and objectives is a prerequisite to identifying risks and opportunities. During this step, the management defines strategy and objectives for different areas of the Organization. Refer previous section for further details on Company's strategies and resource allocation plans.

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 overall mission, its strategic objectives and its long term sustainability and growth. In order to identify enterprise level risks to be managed, a structured and systematic "Enterprise Risk Register" is used. Identifying associated opportunities is also integral to this process where considering our business model and external environment an assessment is made as to how EFERT can leverage opportunities to ultimately create value.

Broad types of risk which are used for categorization of risk and opportunities are as follows:

- **Strategic Risk**
Strategic risks are mostly external, associated with operating in a particular industry and are beyond the Company's control and are also created by the Company's strategic objectives and business strategy decisions that could affect its long term positioning and performance. The Board of Directors actively oversees the management of these risks and devises mitigating strategies wherever required.

- **Commercial Risk**
These risks emanate from the commercial substance of an organization. Decline in the Company's market share owing to demand supply, product price regulation by Government and new constitutional amendment posing threat to the Company's profitability and commercial viability are a few examples of these risks.

- **Operational Risk**
These are risks associated with internal factors, administrative and operational procedures like employee turnover, supply chain disruption, IT system shutdowns and control failures.

- **Financial Risk**
The Company's activities and external environment 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.

i. Market risk – currency risk; interest rate 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.

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. Borrowings are benchmarked to variable rates which expose the Company to cash flow 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.

ii. 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 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. 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 credits. 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 Board of Directors.

iii. 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.

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.

Prioritization of Risk

The purpose of this step is to develop a prioritized list of enterprise-level risks for response options. Ranking and prioritizing the enterprise level risks enable the management to respond better to the risks in a structured and planned manner. In order to develop ranking, the risks are ranked according to Impact x Likelihood rating.

Implements Risk Responses

The purpose of this step is to select a combination of risk response options that will optimize the EFERT'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.

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 and mitigation strategies are also presented to the Management Committee and the Board Audit Committee on bi-annual basis in the form of Risk Heat Maps.

PLANS AND STRATEGIES FOR MITIGATING THESE RISKS AND POTENTIAL OPPORTUNIES

The Board Audit Committee, a sub-committee of the Board, has been entrusted to perform oversight of the ERM. In addition, the Board People 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 roles of these Management Committees have been outlined in the corporate governance section of our annual report.

Additionally, the Internal Audit function provides independent and objective evaluations while reporting directly to the Board Audit Committee on the effectiveness of governance, risk management and control processes.

KEY SOURCES OF UNCERTAINITY

International Financial Reporting Standards require judgements, estimates and assumptions while preparing the financial statements which affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and relevant assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods.

Details of significant accounting estimates and judgements including those related to retirement benefits, estimates of useful life of property, plant and equipment and intangible assets and recoverable amount of goodwill have been disclosed in Note 3 of both separate and consolidated financial statements of the Company.

KEY RISKS, RELATED OPPORTUNITIES AND MITIGATION STRATEGIES

An in-depth and critical analysis of the principal risks/threats faced by the Company's business has been carried out by management of the Company, who have been delegated this responsibility by the Board Audit Committee. Following are the major risks and opportunities affecting, or likely to affect, the quality and availability of Capitals in the short, medium and long term, which may affect our business operations, along with the management's assessment of their source, likelihood, impact and the mitigating strategies implemented by the Company for these risks.

Risk Description	Risk Type	Risk Term	Capital Impacted	Source	Likelihood	Impact	Mitigation Plan	Opportunity
Depletion of allocated gas field and reduced supply pressure due to faster draw downs affecting production of Urea and ability of the plant to operate efficiently. **Associated objective:** Providing agri-inputs at optimal prices / Achieve operational excellence	Strategic / Operational	Medium to Long Term	Manufactured Capital / Natural Capital / Financial Capital	External regulatory environment and natural gas availability / domestic consumption	Medium	High	Actively evaluating alternate sources of gas / engaging regulators and gas suppliers to ensure gas availability; continue to invest in additional plant efficiency improvements including compression facilities.	Invest to improve energy index of both Base and Enven Plants; Identify alternate sources of gas / energy and invest in other businesses.
Continuous changes in government policies and regulations affecting Company's competitiveness. **Associated objective:** Providing agri-inputs at optimal prices	Strategic	Short to Medium	Financial Capital / Relationship Capital	External regulatory environment	Medium	High	The Company is actively monitoring changes occurring in regulatory framework and engages with Government and other stakeholders to explain business dynamics and issues impacting the industry to enable sustainable and progressive policy making.	Improving agriculture productivity of Pakistan resulting in market growth.
Non-availability of cash to allow for investment in working capital, settle liabilities or finance capital investments. Significant liquidity strain on the Company arising from an adverse conclusion of the ongoing legal disputes on GIDC on concessionary gas consumption. **Associated objective:** Achieving operational efficiency / providing agri-inputs at optimal prices	Financial	Short to Medium	Financial Capital	Internal	Low	Medium	The Company's Treasury function ensures adequate funds are kept available for any unforeseen situation. Adequate working capital lines are available which can be utilized. The Company has obtained a stay order from the Sindh High Court ("SHC") on the matter of non applicability of GIDC on fixed price concessionary gas. The Company also filed a suit before SHC against collection of GIDC on normal feed-stock or any feed gas supplied under the non-fixed price contracts and the fuel gas, based on relief available under section 8(2) of the Act and on the grounds that factual determination of the GIDC pass on is to be carried out. The SHC has granted the Company an interim stay thereagainst.	Efficient management of working capital.
Base plant economics becoming unviable due to allocation of high cost gases. **Associated objective:** Providing agri-inputs at optimal prices / Achieve operational excellence.	Strategic / Operational	Medium	Financial Capital / Manufacturing Capital	External regulatory environment	Medium	High	Continue to engage the Government to provide a level playing field to all players in the Fertilizer Industry by allocating gas in line with the Industry policy as charging higher prices increases the manufacturing costs.	To engage with the Government to highlight gas pricing challenge and to create level playing field for the manufacturers producing Urea from indigenous low BTU gas.

Risk Description	Risk Type	Risk Term	Capital Impacted	Source	Likelihood	Impact	Mitigation Plan	Opportunity
Adverse movement in Foreign Exchange / Interest rates impacting profitability of the Company **Associated objective:** Achieving operational efficiency / providing agri-inputs at optimal prices	Financial	Short	Financial Capital	External	Medium	Low	The Company's Treasury function actively monitors movements in market rates and open positions. Any cost increase due to the changes in market rates to be passed on to the end consumer.	FX / Interest rates [illegible] formal hedging arrangements
Oversupply in local Urea market leading to price competition and decline in Market share **Associated objective:** Achieving operational efficiency / providing agri-inputs at optimal prices	Commercial	Short to Medium	Financial Capital / Relationship Capital	External	Medium	Medium	The Company continually invests in R&D and has the widest product range among other Fertilizer manufactures (please refer our product portfolio for details). The Company enjoys a strong brand and loyal customer base, and holds [illegible]% market share of local Urea sales. The Company will continue to invest in brand development and long-term customer relationships.	Export Urea to earn valuable forex for the country.
Decline in international Urea prices allowing for imports affecting the Company's market share **Associated objective:** Leverage brand name to increase [illegible]	Commercial	Short to Medium	Financial Capital / Manufacturing Capital	External	Low	Medium	Continue to focus towards cost optimization. Engagement with Ministries / Government based on the rationale that landed price / bag is significantly higher than the domestic fertilizer prices / bag. Continue to actively monitor international fertilizer prices, trends and industry demand / supply dynamics.	Increase domestic market share by identifying export opportunities.
Downturn in domestic demand for Urea sales. **Associated objective:** Achieving operational efficiency / providing agri-inputs at optimal prices	Commercial	Short to Medium	Financial Capital / Manufactured Capital	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.	Export Urea to earn valuable forex for the country. Diversify into other product / markets.
Higher reliance of farmers on Urea and resistance on making balanced nutrient usage. This will hurt market for 'P' and 'K' variants. **Associated objective:** Achieving operational efficiency / providing agri-inputs at optimal prices	Commercial	Medium to long	Relationship Capital	External	Medium	Low	Increase farmer awareness on the benefits of balanced fertilizers usage through engagements, product trials and pilots. 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.	Balanced fertilizer use and improved crop productivity.

Risk Description	Risk Type	Risk Term	Capital Impacted	Source	Likelihood	Impact	Mitigation Plan	Opportunity
Plant shutdown / outage due to equipment failure leading to production loss. **Associated objective:** Optimization manufacturing excellence / facilitate the local farmers by providing inputs at cheaper prices.	Operational	Medium	Human Capital	Internal	Low	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. Replacement parts of critical machinery procured, made available and stored in safe locations for when required.	Increase plant reliability to international benchmarks. Continue stewardship of all high reliability items that have been identified through dedicated Reliability Forum chaired by senior management.
Attrition of critical personnel hindering the operations of the Company. **Associated objective:** Optimization manufacturing excellence / Achieving operational efficiency	Operational	Short to Medium	Human Capital	Internal	Low	Low	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.	Motivated, zealous and overall workforce that personifies the company's values ensuring continued excellence over the years.
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. **Associated objective:** Achieving operational efficiency	Operational	Medium to long	Intellectual Capital Manufactured Capital	Internal / External	Low	Medium	Formal program in place for Business Continuity and Disaster Recovery. Business Interruption Insurance coverage obtained. State of the art IT infrastructure in place. Regular system updates, IT audits, vulnerability awareness campaigns and trainings are conducted to monitor and minimize the risk.	Business continuity and uninterrupted operations.
Disallowances in income tax and sales tax laws linked with customers' tax registration that could not be passed through as price increase, negatively impacting Company's bottom line and shareholder value. **Associated objective:** Providing agri-inputs at optimal prices	Finance	Short to Medium	Financial Capital	External	Medium	Medium	Continue engagement with Government for exemption of retrospective period of Jan-June 2023 for sales tax purposes. Continue to engage with Government to pursue exemption on income tax disallowance. Continue to collaborate with dealers and the Government for resolution of tax anomalies and encouraging the dealers to register in sales tax.	Availability of agri-inputs at optimal prices.

06. EFERT & UN SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The Agenda for 2030 Sustainable Development Goals was adopted by UN Member States at the Sustainable Development Summit in 2015. The new 17 SDGs were built on the Millennium Development Goals (MDGs) which included new areas such as sustainable consumption, climate change, peace and justice and economic inequality among other significant areas. The aim for these SDGs is to ensure sustainable development in the 4 P's i.e People (human development), Planet (our environment), Prosperity (economic development) and Peace (peaceful/tolerant societies) by 2030. Pakistan enthusiastically adopted the SDGs, by being one of the first few countries to endorse them and integrate the SDGs in its development agenda by February 2016.

The UN SDGs cover broad challenges the world is currently facing with respect to economic, environmental and social issues. Businesses across the world play an integral role in meeting these goals effectively.

Endorsing a sustainable approach in our business activities is embedded in our values. To ensure we are up to date with all the latest developments concerning these goals, EFERT regularly engages in talks and sessions to further strengthen its knowledge and skills in this respect.

Journey To SDGs: EFERT's Contributions

EFERT is committed towards generating value for its stakeholders while focusing on creating sustainable ways to do so. With our promise to grow, Engro believes in collective efforts of all stakeholders across the value chain in its journey towards achieving the United Nations sustainable goals.

At group level, EFERT is a member of UN Global Compact and is committed to making meaningful impact by incorporating its ten principles into the strategy, culture, and day-to-day operations.

EFERT has taken the United Nations Social Development Goals as a baseline to make valuable contributions to society and the surrounding environment.

In pursuance of this, EFERT strives to build long lasting partnerships that can positively impact the environment, communities, and the economy.

We believe in a shared purpose of creating a sustainable value chain. We take community responsibility as one of our core values and in line with this, CSR activities are promoted at each level of our strong and effective organizational structure.

We understand the significance of prevailing environmental challenges and strive to promote sustainable activities within the organization and beyond it. We strongly support United Nations Sustainable Development Goals (SDGs) and encourage all our stakeholders to put in collective effort to achieve them.

We at Engro are proponents of achieving today's goals without compromising the needs of tomorrow. Therefore, after a thorough assessment of all our stakeholders' concerns as well as our sustainability strategy, pivotal SDGs were selected and incorporated in overall operations of the Company. For all projects and operations that fulfills the SDGs, a relevant icon will appear next to it in this report.

EFERT understands its pivotal role in providing for food security in Pakistan and takes great pride in serving farmers through its indigenous fertilizer product portfolio which represents [illegible]% of the total fertilizer market. With Pakistan's ever increasing population that is completely dependent on local crops for sustenance and agriculture sector being the driving force of its economy, the Company continues to play a crucial role in ensuring supply of fertilizers at affordable prices to the farmers and serves a complete portfolio of quality products / agri services which improves crop yield and feed the growing population.

EFERT's Crops Science Division (CSD) in collaboration with its R&D partners, is continuously working on research and development of cutting-edge seeds that together with the Company's fertilizer portfolio, would help to replenish nutrient deficient soil yielding in larger harvest and quality food production.

EFERT believes that training and education of its farmers in agricultural sciences is paramount to achieving good results. To this end, EFERT has a structured and well-designed Agri Services Program for the farming community where its agronomists arrange seminars, farmer meetings, group discussions and agri workshops. We also do farm visits and educate farmers on sustainable crop management practices including 4R nutrient stewardship and provide soil / water testing services to farmers through labs established at various locations.

Additionally, various initiatives were launched during the year i.e. **Hamqadam Program**, **Agricultural Internship Program** and **Shandaar Kisan program**, that were aimed at the development and growth of farmers.

EFERT strives to uplift communities and to strengthen the financial circumstances of underprivileged factions of society by striving to reduce inequalities in income and economic status. It maintains its stance on UNSDG 1: "No Poverty" and UNSDG 4: "Quality Education" and understands the only way to achieve this is to empower people financially which can only be achieved by improving the accessibility and quality of education. As such, Daharki Welfare School continues to deliver quality education in the vicinity of our manufacturing facility in Daharki throughout the year and currently have 550 students enrolled.

During the year, a blended learning model was introduced for primary school children at 10 government adopted schools in district Ghotki.

Our Katcha School Network, with enrollment of over 1500 students, continues to promote quality education to our underprivileged society members; girls' middle school in Ghari Chachar was instituted with support from CDP (Government of Sindh), private donors and EFERT.

We continue to invest in various teachers' training programs, including capacity building of teachers to adopt better pedagogies and integration of technology.

We also understand that providing quality education may not prove enough to break the poverty barrier and ensure economic growth. Thus, EFERT continues to invest in skills training programs including the Technical Training College (TTC) at Daharki. The TTC College offers a 3-year Diploma in Associated Engineering (DAE) in three technologies: Electrical, Chemical and Mechanical. It also offers short-term vocational training programs for the youth. The college is a proud institution with over 1,500+ alumni. the TTC has also implemented a skills training project with the support of German development agency GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) to train 100 young men and women in 4 different trades (welding, fabrication, machinery and web design).

These initiatives aim to not only lift communities out of poverty by empowering them with quality education, but also strive to provide opportunity for decent work and the opportunity for economic growth.

Responsible energy consumption and emphasis on renewable and clean energy is our top priority.

We are therefore consistently striving to mitigate our energy consumption and are constantly exploring renewable energy resources.

In 2020, Engro leads the way in fertilizer industry by switching 60 warehouses to solar power.

Moreover, in line with our promise of clean and affordable energy, community enhancements such as installation of solar lights in educational facilities have also been carried out.

Operating in the chemical sector and given that water is a scarce resource, we understand our responsibility to keep our water sources clean and ensure responsible disposal of waste and water effluents. For this purpose, a multi-layered approach is followed to ensure high standards of quality and control in managing our effluent generation, quality and disposal at site. A dedicated effluent treatment facility is installed to treat effluent generated at residential colonies to ensure that quality controls are met before disposal. Furthermore, when it comes to water consumption, EFERT has been focusing on reusing the water in our manufacturing processes to keep our water footprint to a minimum, thereby reducing the need from fresh water sources. In this regard, the site is designed in a manner that water used in manufacturing process is recycled and reused after extensive chemical treatment. The Cooling Water System installed at our manufacturing facility cools process streams, which is then recycled in a closed loop after extensive chemical treatment allowing for reuse. Our system of water stewardship has led to **reusability of 615 Mn Tons/Annum** of water which can irrigate **250,000 acres of wheat area.**

Effluent generated at site is also being reused for horticultural purposes reflecting high standards of quality and control.

We are consistently improving our processes to ensure more environmentally sustainable operations. Daharki Site is equipped with 16 evaporation ponds that store water when canal discharge facility is unavailable. To avoid soil and underground water contamination, EFERT has taken initiative to geomembrane line its evaporation ponds. To date around 90% of the ponds have been lined saving underground water contamination.

EFERT has 9 Reverse Osmosis (RO) plants installed at various CAER villages and at the Daharki site, ensuring availability of clean water along with energy conservation. The Reverse Osmosis Plant at CAER and Daharki Village provides 15 Mn Liter / annum of clean water to over 300 households.

Infrastructural improvements have been made to the sewerage system including maintenance and repair of the main line connection and pumping station at Dung village, and upgradation of drainage system at Jan Muhammad Bughio village.

At EFERT, we take pride in providing everyone an equal opportunity at employment and growth, and understand that gender inequality is rampant in some regions and there exists significant gaps between men and women in the labor market. We strive to turn this wave and to utilize our resources by opening opportunities for women.

To encourage gender diversity at all levels within the Company, the Board has defined measurable KPIs which it uses to monitor the Company performance and updates under this SDG. To proactively infuse the concept of diversity and promote an encouraging environment, a 3-point framework for gender diversity has been developed.

In 2020, EFERT led the industry in its gender diversity drive by opening avenues to women in various unconventional roles, historically occupied by males only i.e. Trade Apprentices, GTEs, Workshop Supervisors, Warehouse In-Charges and various field-oriented roles.

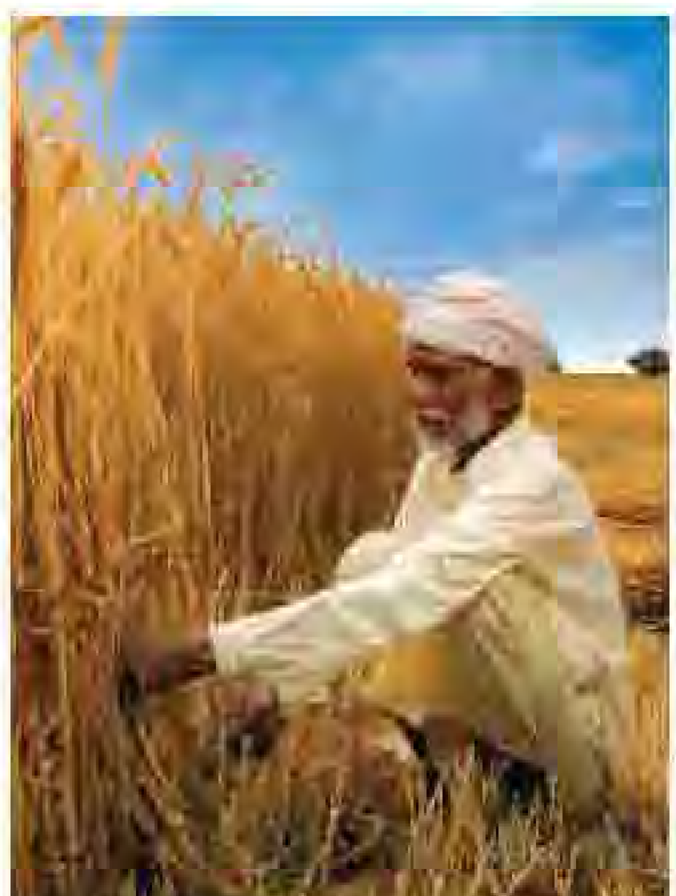
EFERT has always held the safety and well-being of employees integral to its operations, and therefore strives to provide a positive and healthy working environment, with safety culture embedded in all its operations.

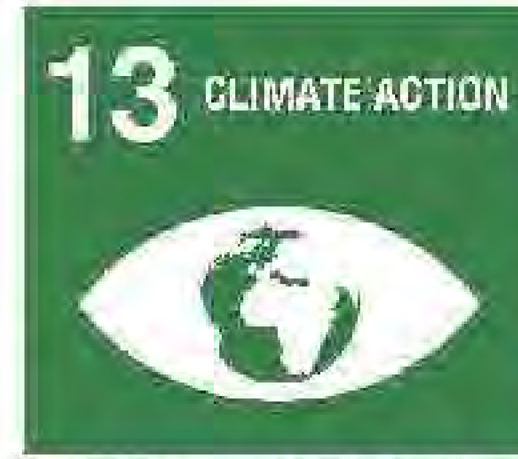
For Health and Safety to be the top priority EFERT finds it crucial to cultivate a HSE First Mindset in its employees. In this end, various programs were conducted including **"Inherent Safety Program", "Pause For Safety", "School of EMS", "Hazardous Waste Segregation"; and "WRAP - Waste Reduction Always Pays"**. These projects strive to change the mindsets and behaviors of our employees, both on personal and professional fronts. EFERT has also historically been involved in legislation with Government of Pakistan on National Disaster Management, National Environmental Quality standards, Environment Protection agency and Fire and safety advisory body.

During the new remote "Work from Home" routine in the pandemic situation, EFERT implemented medical support services for its employees. COVID testing centers and online help desk services. The Company constantly looked out for the emotional and mental well-being of the employees throughout the pandemic.

EFERT aims to go beyond the health and safety of its employees and focus on good health and well-being of the surrounding communities as well. Multiple initiatives have been implemented targeted at ensuring sustainable operations and protecting our value chain. **Our Snake Bite Centers have treated over 100,000 patients since 2005. The Artificial Limb Programs have benefitted 150+ people.**

To support the Nation in its fight against the pandemic, the Chairman of Engro Corporation (the "Parent Company") and Dawood Hercules Corporation, announced a Rs. 1 Billion pledge, against which EFERT made contribution of Rs. 122.2 Mn.





EFERT realizes the urgency of tackling the climate change issue. In this regard, a carbon footprint reduction plan was developed in accordance with international standards back in 2017, with the aim to bring Company performance in line with globally acceptable levels for the fertilizer sector. EFERT through increased urea production and implementation of more environment friendly gas inputs, continues to play a crucial role in reduction of carbon footprint. EFERT undertook a number of strategic initiatives to improve its plant efficiencies including the Feed Gas Enrichment programme that recycles the Flue gases back into the production process.

In pursuit of continuous improvement, EFERT manufacturing Daharki site did extensive exercises for measurement of air shed quality for 6 long months in 2020 to evaluate its operational impacts on ambient air. Flare system is provided at our state of the art environmentally friendly EnVen plant where all gaseous streams are burnt before venting directly into atmosphere, making it the only facility in Pakistan operating with this feature.

To pursue Green Pakistan Vision, our flagship project 'Million Trees' is converting hundreds of acres of barren land held by Sindh Forest Department into forest by virtue of a signed MoU.

To date, approximately 276,000 trees have been planted at 200 acres land, whereas Phase-2 for another 240 acres has been proposed to forest department to meet our target to implement the five-year plan for sustainable development and plantation.

It is paramount that Company keeps up with the changing circumstances that the world is facing right now by focusing on innovation and building resilient infrastructure to ensure responsible consumption and production.

Innovative engineering solutions were adopted to overcome load limitation (furnace away) at Base plant, thereby, enabling plant operations at maximum possible load (135%) and efficiency. Making use of latest technology, an advance process control was commissioned at Enven plant enhancing Ammonia production by approximately 9 Metric Tons/day.

As per our resolve to engineering excellence and self reliance, we adapted to changing circumstances bringing innovation to execute critical and complex field projects to ensure business sustainability.

In 2020, EFERT also led the industry towards digitization and automation with various initiatives such as introduction of electronic bank guarantees for the first time in Pakistan and the launch of the first ever customer relationship management application in the industry that enables customers to book orders efficiently.

07. FINANCIAL CAPITAL

Risk Management Plans & Detailed Financial Performance Review

Creating Value For Stakeholders

EFERT successfully delivered record earnings of Rs. 18.1 Bn for FY 2020, setting a year full of exemplary performance and achievements.

TOTAL WEALTH GENERATED

Rs. **39,473** Mn

2020 Rs. 39,473 Mn
2019 Rs. 52,309 Mn

NET PROFIT AFTER TAX

Rs. **18,133** Mn

2020 Rs. 18,133 Mn
2019 Rs. 16,071 Mn

ECONOMIC VALUE ADDED

Rs. **11,111** Mn

2020 Rs. 11,111 Mn
2019 Rs. 5,437 Mn

ROE

40.29%

2020 40.29%
2019 [illegible]%

DIVIDEND DISTRIBUTED PER SHARE

Rs. **11**

2020 Rs. 11
2019 Rs. 14

Being associated with the largest business conglomerate in Pakistan, EFERT recognizes it has a significant role to play in uplifting the Pakistan's economy. Hence as a socially responsible organization, the Company has been making major contributions to the economy which are represented by its significant contributions to national exchequer in the form of duties and taxes, its contributions to society in general and its contributions to development and capability building of all members of its value chain including its farmers, customers, workers, suppliers etc.

EFERT understands its pivotal role in the national food security and therefore takes great pride in serving farmers through its indigenous fertilizer product portfolio which represents [illegible]% of local fertilizer market. With Pakistan's ever increasing population that is completely dependent on local crops for sustenance and agriculture sector being the driving force of its economy, the Company continues to play a crucial role in ensuring supply of fertilizers at affordable prices to the farmers and serves a complete portfolio of quality products / services which improves crop yield and feed the growing population.

Outstanding Financial Performance

The hallmarks of this year were record annual urea sales of 2 million MT with efficient production management to achieve highest ever annual urea production of 2.26 million MT. The Company continued to drive successes one after another this year from efficient operations management to optimization of business processes using ESSA (Eliminate, Simplify, Standardize and Automate) model.

Corporate Recognition & Awards Promoting Company's Brand Value

FY 2020 was a year marked by awards and accomplishments for EFERT.

During 2020, the Company won the prestigious Amir S. Chinoy award for the Best Industrial Company in Pakistan awarded by the Management Association of Pakistan at the 35th Corporate Excellence Awards. This award marked EFERT returning to the winner's podium after a [illegible] year interval.

Moreover, EFERT also set standards for Pakistan corporate sector by being the first company to be recognized at international forum and was awarded the Asia Pacific Enterprise Award for Corporate Excellence at Enterprise Asia in 2020, for its exemplary Corporate Excellence practices in the manufacturing industry.

The Company was also recognized for its transparent financial reporting and improved investor confidence and secured 2nd position in the ICAP Best Corporate Award in the industry and 5th spot in the PSX Top 25 Companies award in 2020 based on our Annual Report for FY 2019.

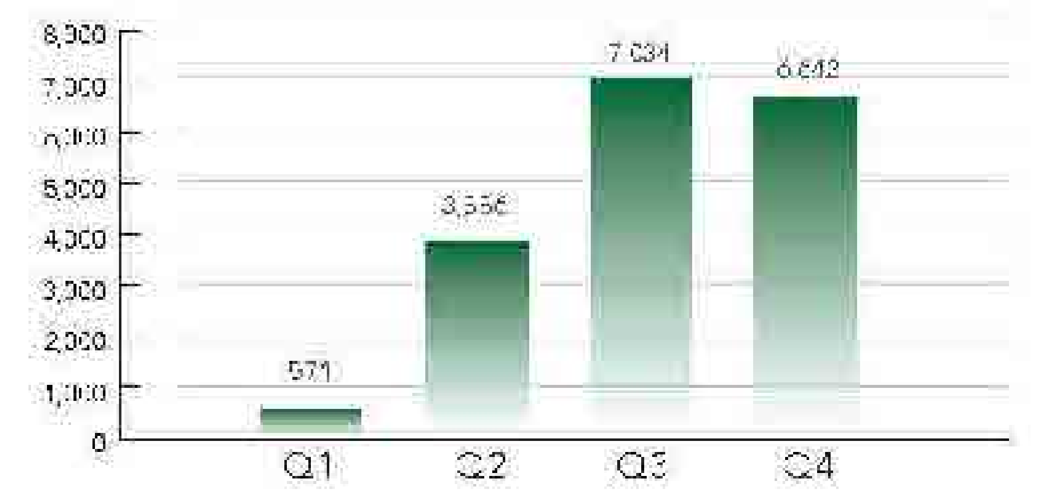
Detailed Financial Performance Review

Quarterly Analysis

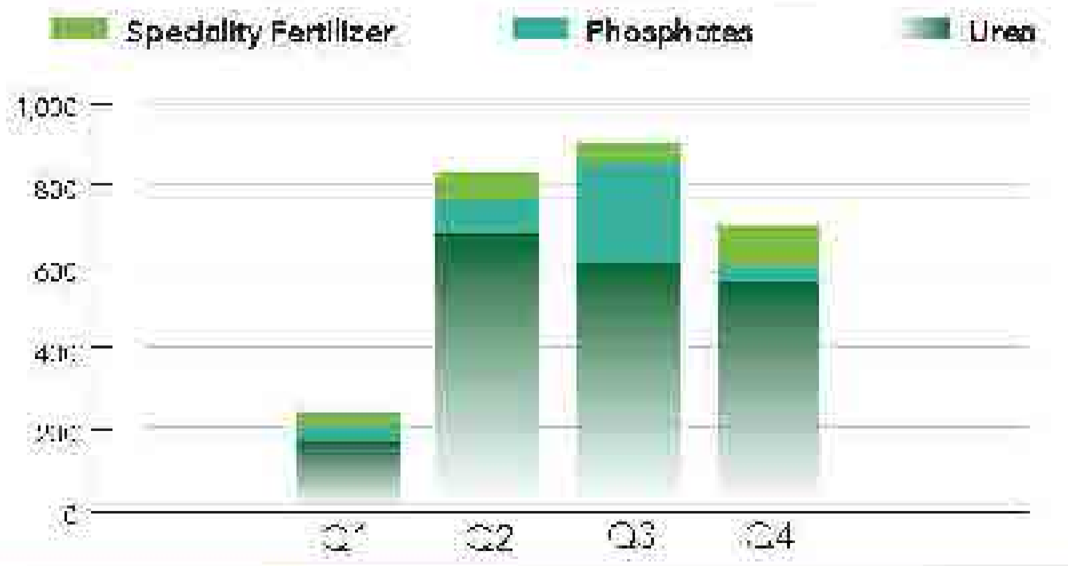
(Rs. in Mn)

Description	Q1	Q2	Q3	Q4	FY 2020
Net sales	15,792	29,911	33,420	27,729	[illegible]
Cost of sales	[illegible]	(19,522)	[illegible]	(18,321)	[illegible]
Gross profit	**8,635**	**10,389**	**10,843**	**9,388**	**[illegible]**
Selling and distribution expenses	(1,936)	(2,371)	(2,565)	(2,167)	(8,157)
Administrative expenses	[illegible]	[illegible]	(565)	(551)	[illegible]
Other income	261	[illegible]	581	[illegible]	[illegible]
Other operating expenses	[illegible]	(1,222)	(495)	(125)	[illegible]
Finance cost	(1,212)	(590)	[illegible]	(473)	(3,236)
Remeasurement gain on provision for GIDC	-	-	-	2,121	2,121
Loss allowance on subsidy receivable from GoP	-	-	-	[illegible]	[illegible]
Profit before tax	**1,122**	**[illegible]**	**[illegible]**	**7,191**	**[illegible]**
Tax	(551)	(1,596)	(169)	(549)	[illegible]
Profit after tax	**571**	**3,556**	**7,034**	**6,642**	**[illegible]**
Production (KT)	**572**	**564**	**558**	**570**	**2,264**
Urea Sales (KT)	**169**	**673**	**601**	**565**	**2,006**
EPS	**0.43**	**2.91**	**5.27**	**4.97**	**13.58**

Profit after tax (Rs. in Mn)



Quarter wise sales volumes (KT)



Earnings / Dividend per share

*Final dividend for the year ended December 31, 2020 recommended for approval to be obtained at the Annual General Meeting

Quarter 1

Production	Sales	Finance Cost	Net Profit
572 KT	169 KT	Rs. 1,212 Mn	Rs. 571 Mn

Production

The Company's Urea production in Q1 2020 stood at 573 KT compared to 445 KT in the corresponding period last year, an increase of 29% YoY, mainly due to continued focus on plant efficiency and engineering excellence.

Sales

EFERT was the first company to have fully passed on the benefit of reduction in GIDC to its [illegible] by decreasing Urea prices by Rs. 160/bag. The impact of reduction in GIDC varied for different fertilizer manufacturers and the Company passed on the full impact of Government's decision given the particular mix of gases being received by the Company. In March 2020, the Company further reduced its price by Rs. 240/bag to help alleviate the adverse impact of COVID-19, resulting in overall price reduction of Rs. 400/bag.

Urea Sales clocked in at 169 KT compared to 430 KT in Q1 2019, reflecting a decrease of 61% owing to mainly price disparity between the market for the most part of the quarter. However, the price disparity was eliminated by the end of the quarter. [illegible] DAP and Zorawar sales during Q1 2020 stood at 34 KT vs 85 KT last year, up 60% YoY, decrease in offtake was mainly due to Urea price disparity with competition as well as prevalent [illegible] due to COVID-19.

The Company's Specialty Fertilizer sales clocked in at 36 KT in Q1 2020 vs 54 KT during the same period last year, a decrease of 33%.

Net Sales Revenue for the quarter recorded a 51% of decrease primarily due to a) decrease in volume Urea, Phosphates and Blended Fertilizer volumes.

Cost of Sales and Other Operational Costs

Gross Profit of the Company was recorded at Rs. 3.6 Bn for Q1 2020, compared to Rs. 7.6 Bn in the same period last year, a decrease of 53% on the back of lower offtake.

Finance Cost

Finance cost was higher at Rs. 1,212 Mn (vs Rs. [illegible] Mn last year) as a result of higher policy rates and exchange loss on foreign denominated borrowing.

Profit

Company's consolidated profit stood at Rs. 0.6 Bn vs Rs. 4.0 Bn in the corresponding period last year, resulting in EPS of Rs. 0.43 vs. last year's EPS of Rs. 3.00.

Quarter 2

Production	Sales	Finance Cost	Net Profit
564 KT	678 KT	Rs. 896 Mn	Rs. 3,896 Mn

Production

The Company's Urea production in Q2 2020 stood at 564 KT compared to 460 KT in the corresponding period last year, an increase of 23% YoY on account of continued focus on plant efficiency and engineering excellence.

Sales

Urea sales during the period clocked in at 678 KT compared to 452 KT in Q2 2019, an increase of 50% YoY as the company was able to gain the market share due to higher production. [illegible] DAP and Zorawar sales during Q2 2020 stood at [illegible] KT vs [illegible] KT last year, down [illegible]% YoY, on the back of lower offtake volume due to delay in implementation of subsidy package.

The Company's Specialty Fertilizer sales clocked in at 51 KT in Q2 2020 vs 55 KT during the same period last year, an increase of [illegible]%.

Net Sales Revenue was 11% higher in Q2 2020 compared to Q2 2019 mainly due increase in market share although Urea prices were reduced by Rs. 400/bag.

Cost of Sales and Other Operational Costs

Gross Profit of the Company was recorded at Rs. 10.4 Bn for Q2 2020, compared to Rs. 8.5 Bn in the same period last year, an increase of 22% despite of reduction in Urea prices. S&D expenses saw an increase of [illegible] owing to inflationary pressures and higher handling costs of [illegible] products.

Finance Cost

Finance cost was lower at Rs. 895 Mn (vs Rs. 1,220 Mn last year) mainly as a result of i) lower policy rates, ii) decrease in borrowings by [illegible].

Profit

Company's consolidated profit stood at Rs. 3.8 Bn vs Rs. 3.2 Bn in the corresponding period last year resulting in EPS of Rs. 2.91 vs last year's EPS of Rs. 2.38.

Quarter 3

Production	Sales	Finance Cost	Net Profit
558 KT	594 KT	Rs. 655 Mn	Rs. 7,200 Mn

Production

The Company's Urea production in Q3 2020 clocked in at [illegible] KT compared to 545 KT in the corresponding period last year on the back of increased plant efficiencies and better gas availability.

Sales

Sales during the period clocked in at 594 KT compared to 444 KT in Q3 2019, an increase of [illegible]% YoY due to higher [illegible] increasing the Urea market share to [illegible]% from 51% last year.

The Company's DAP and Zorawar sales during the period stood at 215 KT vs 195 KT last year, reflecting an increase of 10% YoY, due to opportunistic buying in anticipation of further increase in DAP prices in the upcoming months. Local DAP prices also increased during the quarter which was aligned with increase in international DAP prices.

The Company's Specialty Fertilizer sales clocked in at 40 KT in Q3 2020 vs [illegible] KT during the same period last year, a decrease of 16%.

Net Sales Revenue witnessed an increase of 38% despite the significant price reduction taken by the Company earlier in 1H 2020, cutting down on the margins. The Company was able to sustain profitability due to improved production and stringent focus on managing cost versus same period last year.

Cost of Sales and Other Operational Costs

Gross Profit of the Company was recorded at Rs. 10.8 Bn for Q3 2020 compared to Rs. 8.8 Bn in the same period last year, a rise of 23%. The increase in net revenue completely translated into gross profit. Selling & distribution expenses were higher by 24% on the back of axle load regime being implemented resulting in higher handling costs.

Finance Cost

Finance cost clocked in at Rs. 655 Mn (vs Rs. 1,210 Mn last year) mainly as a result of lower policy rates and lower outstanding long-term portion during the period.

Profit

The Company's consolidated profit stood at Rs. 7.2 Bn vs Rs. 3.3 Bn in the corresponding period last year. Higher profitability was led by higher Urea and Phosphate volumes and lower finance cost.

Quarter 4

Production	Sales	Finance Cost	Net Profit
570 KT	555 KT	Rs. 1,212 Mn	Rs. 571 Mn

Production

The Company's Urea production in Q4 2020 clocked in at [illegible] KT compared to [illegible] KT in the corresponding period last year on the back of increased plant efficiencies and better gas availability.

Sales

The Company was able to sell [illegible] KT of Urea in Q4 2020 as compared to [illegible] KT in Q4 2019 exhibiting a decrease of [illegible]% YoY. The Company was able to push volumes and decrease Urea price post GIDC decision dated January 2020 in wake of COVID-19 by Rs. 400/bag.

The Company's DAP and Zorawar sales during the period stood at 131 KT vs 212 KT last year, reflecting a dip of 15% YoY.

The Company's Specialty Fertilizer sales clocked in at 72 KT in Q4 2020 vs 44 KT during the same period last year, an increase of 64%.

Cost of Sales and Other Operational Costs

Gross Profit of the Company was recorded at Rs. [illegible] Bn for Q4 2020 compared to Rs. 14.5 Bn in the same period last year, a decrease of [illegible]%. This was mainly due to decrease of 11% in Urea volumes. This decrease can mainly be attributed to the massive price decrease in Urea prices announced during the year. The fall was partly mitigated by the highest ever volumetric Urea sales achieved during the year.

Finance Cost

Finance cost clocked in at Rs. 473 Mn (vs Rs. 685 Mn last year), mainly due to better capital management as well as exploring low cost financing schemes.

Profit

The Company's consolidated profit stood at Rs. [illegible] Bn vs Rs. [illegible] Bn in the corresponding period last year. Higher profitability was led by higher Urea volumes and tax reversals of Rs. 3.35 Bn in tax provisions YTD for previous years causing the total tax expense for the year to decrease.

Analysis of variation in interim accounts with final accounts

EFERT's net sales grew from Rs. 16 Bn in Q1 to Rs. 105 Bn for full year 2020. The Company's highest quarterly sales were recorded in the third quarter mainly due to increase in Urea sales volume backed by higher production volumes.

The Company's Gross profit stood at Rs. 3.6 Bn in Q1, 2020, which increased to Rs. 34 Bn for full year 2020. Company's highest quarterly gross profit was recorded in Q4 2020 of Rs. 10.6 Bn, mainly due to increase in Urea sales volume and lower finance cost.

GP% of the Company reduced from 31% in Q1 to 32% for FY 2020, due to decrease in Urea prices announced during the year.

Net profit for the Company increased from Rs. 0.5 Bn to Rs. 18.1 Bn for FY 2020, owing to recognition of one off events of remeasurement gain on GIDC provision of Rs. 2.1 Bn and accounting loss on its subsidy receivable of Rs. 1.07 Bn. The finance cost of the company decreased by 17% at Rs. 3.2 Bn from Rs. 3.9 Bn in 2019, mainly due to declining interest rates and decrease in outstanding long-term loans of the company. The company's tax expense for 2020 stood at Rs. 3.2 Bn, a decrease of 70% compared to the 2019 tax liability of Rs. 10.5 Bn mainly due to reversals of Rs. 3.38 Bn in tax provisions for previous years.

The net margin of the Company significantly increased from 5% in Q1 to 17% for FY 2020, mainly due to lower finance cost and tax charge.

Horizontal Analysis
Consolidated Statement of Financial Position

(Rs in Mn)	2020	20 vs 19	2019	19 vs 18	2018	18 vs 17	2017	17 vs 16	2016	16 vs 15	2015	15 vs 14	2014
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs
EQUITY AND LIABILITIES													
EQUITY													
Share capital	13,397		13,932		13,932		13,358	0.3	13,309	-	13,529	1.2	13,183
Share Premium	3,985		3,385		3,385		3,385	8.1	3,132		3,132	38.8	2,261
Exchange revaluation reserves			-	(100.0)	409	352.6	90	554.5	11	(21.4)	14	100.0	-
Hedging reserve			-		-		-			(100.0)	(4)	89.7	(39)
Remeasurement of post employment benefits	(50)	1.5	29	26.7	(75)	(13.1)	(42)	7.0	(27)	(82.5)	10	85.7	(14)
Unappropriated Profits	30,247	10.1	27,580	(4.4)	26,421	1.6	25,495	1.9	25,027	(8.7)	27,927	7.5	19,009
	36,231	3.0	43,279	(4.9)	45,523	7.2	42,470	2.0	41,648	(7.5)	43,332	28.5	34,079
NON-CURRENT LIABILITIES													
Borrowings	13,311	(89.1)	22,132	(13.7)	25,716	12.9	22,781	(22.5)	29,380	16.2	25,270	(29.9)	36,09
Derivative financial instruments					-		-		-		-	(100.0)	/
Deferred taxation	11,770	(4.3)	12,273	7.5	7,099	(23.4)	9,000	25.0	7,490	23.0	6,026	14.0	5,150
Deferred liabilities	275	8.2	257	2	251	3.8	242	6.2	228	(14.4)	137	4.2	190
Provision for GIDC	10,530	100.0	-		-		-		-		-		-
	35,975	3.9	34,689	4.7	33,068	2.0	32,473	(12.8)	37,298	18.2	31,275	(24.5)	41,458
CURRENT LIABILITIES													
Trade and other payables	30,219	98.8	15,228	29.5	29,095	33.5	21,965	46.7	14,969	(15.4)	17,722	(28.9)	24,727
Accrued interest / mark-up	255	(56.2)	598	38.0	426	(25.9)	575	7.9	584	(31.5)	848	37.4	1,262
Taxation - net			-	(100.0)	1,400	279.7	950	(17.3)	1,106	(73.4)	3,531	200.0	(876)
Current portion of													
- Borrowings	10,362	84.9	5,750	71.9	5,096	(37.2)	8,120	57.0	5,172	(51.3)	10,787	35.7	7,913
- Retirement and other service benefits obligations	54	(2.3)	56	9.9	51	2.0	50	2.0	49	2.1	48	11.6	43
Provision for GIDC	6,327	(33.1)	9,458										
Short-term borrowings	425	(78.3)	1,956	93.6	1,010	(80.8)	5,264	175.6	1,910	2,446.7	75	100.0	-
Unclaimed dividend	57	(4.5)	50	(19.0)	66	164.0	25	25.0	20	233.3	6	100.0	
Payable to Holding Company	1,766	100.0			-		-		-		-		
Derivative financial instruments			-		-		-	(100.0)	250	(31.7)	366	66.6	1,099
	49,507	(0.3)	47,136	25.5	39,152	5.0	36,933	56.5	24,158	(25.7)	32,379	(19.6)	35,817
TOTAL EQUITY AND LIABILITIES	131,713	3.7	127,047	7.9	117,740	[illegible]	111,875	0.0	102,304	(5.4)	108,076	(5.0)	111,738
ASSETS													
NON-CURRENT ASSETS													
Property, plant and equipment	65,546	(0.4)	65,810	(2.3)	68,203	1.0	68,763	(1.3)	70,136	(2.6)	72,124	(3.5)	74,953
Intangible assets	5,165	1.9	5,071	13.0	4,488	0.2	4,475	0.5	4,451	(0.2)	4,462	3,681.4	118
Deferred taxation										(100.0)	78	100.0	
Long-term loans and advances	81	(50.0)	164	14.9	141	7.6	131	11.6	121	(74.4)	470	70.2	94
	70,792	(0.4)	71,135	(2.3)	72,754	1.0	72,600	(1.1)	74,740	(2.7)	77,084	2.0	75,175
CURRENT ASSETS													
Stores, spares and loose tools	4,999	2.7	7,252	(0.5)	5,325	7.9	5,290	0.0	4,707	5.0	4,479	(1.6)	3,714
Stock in trade	1,353	(39.6)	2,478	6.1	11,558	51.1	7,635	12.3	6,799	(3.3)	7,039	558.1	1,112
Trade debts	2,506	(79.5)	12,175	55.5	9,110	53.1	6,415	(28.6)	7,185	236.8	2,262	102.5	1,117
Derivative financial instruments										(100.0)	39	100.0	
Loans, advances, deposits and prepayments	2,189	(25.2)	2,919	(16.3)	3,363	17.8	1,182	39.4	848	41.5	598	(27.1)	733
Other receivables	1,004	(71.0)	3,412	3.0	9,067	0.0	6,008	20.1	5,306	414.1	1,179	2,052.6	19
Taxation - net	2,556	2.4	2,542	100.0			-		-	(100.0)	359	100.0	
Accrued income	156	4.7	86	96.1	34	115.0	25	100.0	-				
Short-term investments	26,701	10[illegible]	1,512	(50.0)	7,722	(7.4)	20,130	104.9	10,140	(8.1)	11,670	(50.6)	27,074
Cash and bank balances	[illegible]	5.8	3,413	367.9	730	(59.1)	1,799	2,037.6	84	(90.9)	924	(79.2)	4,415
	60,921	5.9	55,871	24.4	44,969	17.3	38,282	36.4	28,064	(7.3)	26,152	(20.7)	33,563
TOTAL ASSETS	131,713	3.7	127,047	7.9	117,723	5.5	111,875	8.8	102,804	(5.4)	108,036	(5.0)	111,738

Six Yearly Analysis

Horizontal Analysis of Consolidated Statement of Financial Position

Capital Structure

Balance Sheet Analysis (Equity and Liabilities)

Shareholders' Equity

Share capital has increased from Rs. 13,309 Mn to Rs. 13,353 Mn in the last six years. This increase in share capital and share premium is due to conversion option amounting to USD 1 Mn exercised by International Finance Corporation consequent to which 4.4 Mn ordinary shares were issued in 2017. Further, reserves have increased significantly due to better profitability and effective reserves retention and payout policies.

Non-current Liabilities

Non-current liabilities majorly comprise of long-term borrowings from Financial Institutions, deferred taxation and provision for GIDC. Borrowings have decreased from Rs. 25,290 Mn in 2015 to Rs. 13,514 Mn in 2020, in line with the Company's capital structure strategy. During the last couple of years, long term loans amounting to Rs. 8.8 Bn have been paid off. Other than Long term loans, Sukuk certificates have been completely redeemed and repaid. Deferred tax liability has increased from Rs. 5,888 Mn in 2015 to Rs. 11,678 Mn in 2020. Deferred tax liability as at December 31, 2020 is mainly represented by temporary differences due to accelerated depreciation allowance.

As per SCP's judgement dated Aug 13, 2020 GIDC is a valid obligation for the Company and should be paid in installments. Therefore, the long-term and current portion of GIDC provision has been presented in current year's financial statement. As at Dec 31, 2020 long term portion for GIDC provision is Rs. 10,510 Mn.

Current Liabilities

Current liabilities mainly comprise of trade and other payables, current portion of long-term borrowings, taxes payable and provision for GIDC. Trade and other payables have increased to Rs. 30,219 Mn in 2020 from Rs. 17,702 Mn in 2015 representing an increase of 71%. This increase is mainly due to increase in advances from customers from Rs. 1,280 Mn in 2015 to Rs. 10,191 Mn in 2020. Increase in accrual of GIDC's current portion has also contributed to the increase in trade and other payables.

Balance Sheet Analysis (Assets)

Non-current Assets

Non-Current assets mainly comprise of Property Plant & Equipment and Intangible assets. Property, plant and equipment have decreased by 9% in comparison with 2015. This is mainly due to the major capital investments in debottlenecking and optimization of Base and EnVen Plant netted of by depreciation charge for each financial year. During 2020, intangible assets increased to Rs. 5,165 Mn mainly due to investment in implementation of new ERP software.

Current Assets

Over the past six years, current assets have been increased by Rs. 31,629 Mn. Major contributors are short term investments, other receivables, taxes recoverable and bank balances. Short term investments added up an increment of Rs. 15,113 Mn mainly due to purchase of Pakistan Investment Bonds. Other receivables have shown an increase of Rs. 6,945 Mn due to increasing number of subsidy receivable from Government of Pakistan.

Vertical Analysis
Consolidated Statement of Financial Position

(Rs in Mn)	2020		2019		2018		2017		2016		2015	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
EQUITY AND LIABILITIES												
EQUITY												
Share capital	[illegible]	[illegible]	13,358	10.5	13,350	11.3	13,358	11.9	13,302	12.4	13,302	12.5
Share Premium	3,385	2.8	3,385	2.7	3,385	2.9	3,385	3.0	3,132	3.3	3,132	3.0
Exchange revaluation reserves			-	-	409	0.3	183	0.2	11	0.0	714	0.7
Hedging reserve											(4)	(0.0)
Remeasurement of post retirement benefits	(30)	(0.0)	(37)	(0.0)	(47)	(0.0)	(47)	(0.0)	(27)	(0.0)	(40)	(0.0)
Unappropriated Profit	30,049	22.8	26,598	20.9	28,431	24.1	25,898	23.0	25,322	24.3	25,921	24.4
	[illegible]	35.9	43,279	34.1	45,523	38.7	42,470	38.0	41,548	40.5	42,332	39.9
NON CURRENT LIABILITIES												
Borrowings	13,514	10.3	22,192	17.5	25,715	21.8	22,784	20.4	27,380	26.6	26,290	24.8
Deferred taxation	11,670	8.9	12,100	9.5	7,299	6.2	9,500	8.4	7,492	7.3	5,898	5.5
Deferred liabilities	273	0.2	257	0.2	254	0.3	240	0.2	226	0.2	197	0.2
Provision for GIDC	[illegible]	8.0	10,458	5.3	-	-	-	-	-	-		
	35,975	27.3	35,632	27.8	33,268	28.1	32,412	29.0	37,298	36.1	31,375	29.5
CURRENT LIABILITIES												
Trade and other payables	43,219	32.9	18,328	14.5	29,295	24.7	21,966	19.6	14,579	14.4	17,702	16.7
Accrued interest / mark-up	258	0.2	588	0.5	126	0.1	595	0.5	581	0.5	352	0.3
Taxation - net			-	-	4,400	3.9	933	0.8	1,084	1.1	2,520	2.4
Current portion of:												
- Borrowings	10,022	7.6	8,760	6.5	5,296	4.9	8,120	7.3	5,172	5.2	10,723	10.1
- Deferred liabilities	34	0.0	56	0.0	51	0.0	50	0.0	49	0.0	48	0.0
- Provision for GIDC	4,827	5.5	19,698	15.5								
Short term borrowings	475	0.4	1,906	[illegible]	[illegible]	0.5	5,264	4.7	1,510	1.5	73	0.1
Unclaimed dividend	37	0.0	60	0.0	66	0.1	25	0.0	30	0.0	6	0.0
Loan from Holding Company	1,020	0.8					-	-	-			
Derivative financial instruments							-	-	250	0.2	266	0.2
	49,[illegible]	[illegible]	49,[illegible]	38.7	39,452	33.3	36,9[illegible]	33.0	24,[illegible]	23.4	32,379	30.5
TOTAL EQUITY AND LIABILITIES	131,713	100.0	127,047	100.0	117,745	100.0	111,815	100.0	102,508	100.0	106,086	100.0
ASSETS												
NON-CURRENT ASSETS												
Property, plant and equipment	[illegible]	49.8	66,940	[illegible]	68,20[illegible]	[illegible]	68,923	61.6	70,168	58.8	72,[illegible]99	68.1
Intangible assets	[illegible]	[illegible]	5,07[illegible]	4.0	4,400	[illegible]	4,475	4.0	4,451	4.3	4,462	4.2
Deferred taxation									-	-	73	0.1
Long term loans and advances	51	0.1	134	0.1	143	0.1	[illegible]	0.1	127	0.1	180	0.2
	70,09[illegible]	[illegible]	[illegible]	[illegible]	72,[illegible]	61.5	73,[illegible]	65.8	74,[illegible]	72.[illegible]	76,8[illegible]	72.[illegible]
CURRENT ASSETS												
Stores, spares and loose tools	4,479	3.4	5,285	4.2	[illegible]	4.[illegible]	5,2[illegible]0	[illegible]	4,5[illegible]	4.5	4,6[illegible]9	4.4
Stock-in-trade	[illegible]	5.7	12,478	9.5	[illegible]	[illegible]	7,6[illegible]	6.8	6,799	[illegible]	7,029	6.[illegible]
Trade debts	[illegible]	[illegible]	14,[illegible]	[illegible]	[illegible]	[illegible]	5,41[illegible]	[illegible]	3,385	[illegible]	2,262	2.1
Derivative financial instruments			-	-	-				-	-	59	[illegible]
Loans, advances, deposits and prepayments	[illegible]	[illegible]	2,969	2.3	383	0.3	[illegible]	[illegible]	582	0.5	595	0.6
Other receivables	[illegible]	[illegible]	9,472	7.4	[illegible]	[illegible]	8,80[illegible]	[illegible]	6,758	6.5	1,359	1.3
Taxes recoverable	2,838	2.2	2,543	2.0					-	-	705	0.7
Accrued income	38	0.1	96	0.1	5[illegible]	0.0	25	0.0				
Short term investments	[illegible]	[illegible]	5,512	4.3	7,722	[illegible]	[illegible]	[illegible]	1,[illegible]40	1.[illegible]	11,650	[illegible]
Cash and bank balances	5,0[illegible]	[illegible]	3,415	2.7	730	0.6	1,295	1.[illegible]	8[illegible]	0.1	924	0.9
	[illegible]	[illegible]	55,872	[illegible]	44,509	38.[illegible]	38,382	34.[illegible]	28,26[illegible]	27.[illegible]	29,[illegible]92	27.[illegible]
TOTAL ASSETS	131,713	100.0	127,047	100.0	117,745	100.0	111,815	100.0	102,508	100.0	106,086	100.0

Vertical Analysis of Consolidated Statement of Financial Position

Shareholders' Equity

Shareholders' equity stands at 35.5% of total equity and liabilities compared to 40% in 2015. This is mainly attributable to increased unappropriated profits of the Company representing increased profitability with a healthy and consistent dividend payout strategy netted off by a 4% increase in current and non-current liabilities.

Non-current Liabilities

Long term borrowings (including current portion) have significantly reduced from 57% of total liabilities in 2015 to 25% during the current year. This is in line with our long-term debt structure strategy. Deferred liabilities as a percentage of non-current liabilities have increased from 13% in 2015 to 30% during the current year mainly due to temporary differences due to accelerated depreciation allowance accentuated by change in future applicable tax rates promulgated via the Finance Act 2019. Long-term portion of GIDC provision has contributed 37% to the non-current liabilities in current year.

Current Liabilities

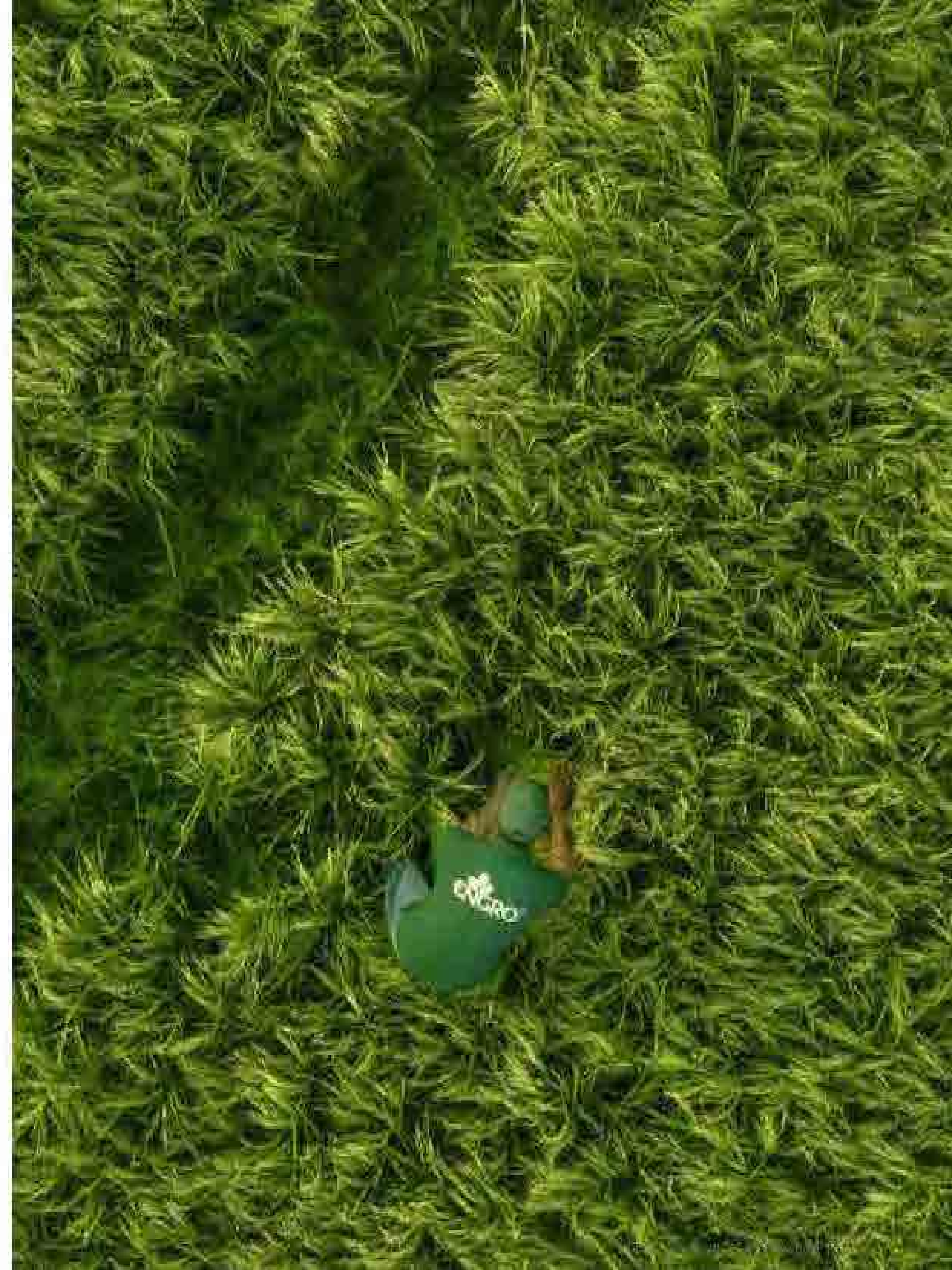
Trade and other payables as a percentage of total current liabilities stood at 67% as in 2020 against 50% in 2015. This has increased on account of increase in advances from customers and liabilities relating to Gas Infrastructure Development Cess (GIDC).

Non-current Assets

Property, plant and equipment as a percentage of total non-current assets stood at 93% vs 94% in 2015. This is mainly due to steady depreciation charge over the years of our Base and EnVen production facilities partially offset by major capital expenditures during this time primarily on plant efficiency, gas compression facilities and implementation of new ERP software in the past couple of years.

Current Assets

Stock-in-trade has decreased from 24% of total current assets in 2015 to 12% in 2020 due to consistent efficient inventory management. Short term investments have grown to 44% in 2020 as compared to 40% of the total current assets in 2015. Other receivables have significantly increased to 14% of total current assets in 2020 in comparison to 5% in 2015 mainly due to buildup of subsidy receivable from the Government of Pakistan. Cash & bank balances have also doubled from 3% to 6% over the period due to incremental sales.



Horizontal and Vertical analysis
Consolidated Statement of Profit or Loss Account

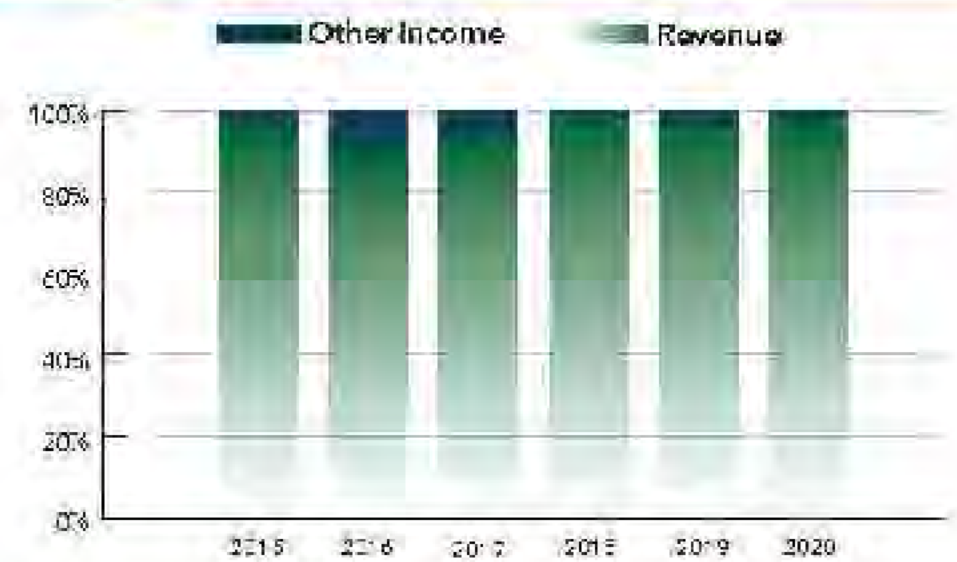
(Rupees in million)

	2020 Rs.	20 vs. 19 %	2019 Rs.	19 vs. 18 %	2018 Rs.	18 vs. 17 %	2017 Rs.	17 vs. 16 %	2016 Rs.	16 vs. 15 %	2015 Rs.	15 vs. 14 %	2014 Rs.
Horizontal Analysis													
Sales	135,646	12.8	121,255	[illegible]	106,157	[illegible]	77,133	[illegible]	59,557	(18.6)	85,421	39.1	61,425
Cost of Sales	91,392	12.5	81,615	13.7	73,850	[illegible]	55,911	8.5	52,098	(6.5)	55,724	43.5	38,922
Gross profit	34,256	(13.4)	33,539	12.0	32,317	52.1	21,215	38.1	17,439	(41.3)	29,697	31.4	22,503
Selling and distribution expenses	8,457	18.2	5,736	9.1	5,028	10.5	7,245	8.1	6,705	22.7	5,466	23.1	4,441
Administrative expenses	1,908	53.9	1,218	(16.0)	1,455	10.8	1,293	45.6	907	1.2	896	(6.1)	772
Other income	1,667	61.7	4,172	[illegible]	2,062	(34.7)	5,066	(25.0)	6,147	75.4	4,791	79.4	2,949
Other expenses	1,205	[illegible]	2,603	71.2	1,582	24.1	1,251	2.1	1,149	(43.5)	2,034	34.3	1,348
Operating profit	23,951	(34.4)	31,274	10.7	27,074	20.5	19,812	14.0	16,721	(34.5)	25,694	30.7	19,720
Finance cost	3,234	16.7	3,857	82.7	2,071	(21.5)	2,643	(15.9)	3,187	(31.1)	4,627	(30.2)	6,625
Remeasurement gain on provision for GIDC	2,121	100.0		-	-	-	-	-	-	-	-	-	-
Loss allowance on subsidy receivable from GoP	1,239	(100.0)		-				-		-	-		-
Net profit before taxation	21,495	22.2	27,397	12.8	24,253	45.7	16,654	22.2	13,534	(35.3)	21,067	76.1	11,976
Taxation	3,165	69.8	10,526	52.3	6,829	24.7	5,503	25.6	4,351	(30.4)	6,249	49.5	3,587
Net profit after taxation	19,107	7.5	17,071	(11.1)	17,414	56.1	11,151	[illegible]	9,283	(33.4)	14,018	50.7	9,709

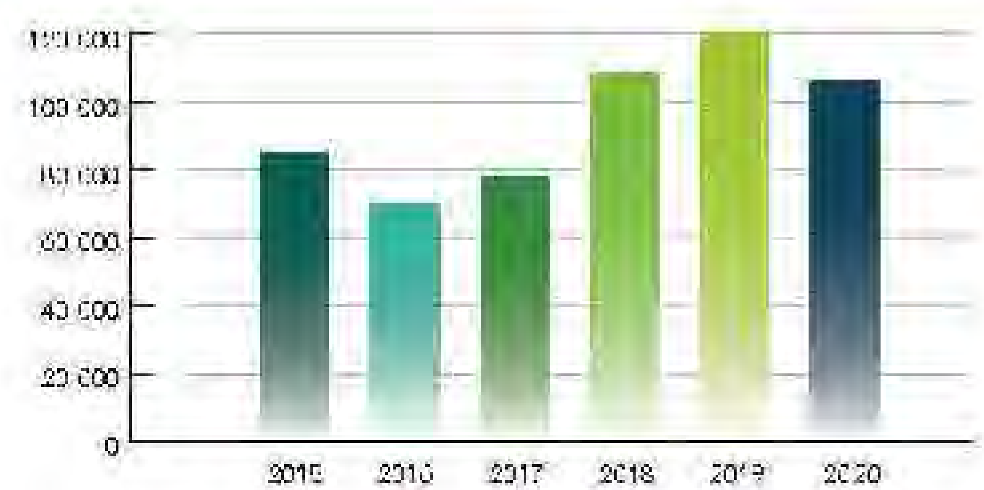
	2020 Rs.	2020 %	2019 Rs.	2019 %	2018 Rs.	2018 %	2017 Rs.	2017 %	2016 Rs.	2016 %	2015 Rs.	2015 %
Vertical Analysis												
Sales	135,846	100	121,255	100	106,157	100	77,127	100	69,557	100	85,421	100
Cost of Sales	71,392	67.4	81,816	67.4	73,850	67.7	55,911	69.5	52,098	74.9	55,724	65.2
Gross profit	24,254	35.7	33,539	32.6	35,317	32.3	20,218	30.1	17,459	25.1	29,697	34.8
Selling and distribution expenses	8,757	7.99	5,736	7.30	5,028	7.33	7,245	9.1	6,705	9.6	5,166	6.1
Administrative expenses	1,808	1.4	1,240	1.0	1,475	1.4	1,290	1.7	907	1.3	898	1.0
Other income	1,667	1.8	4,252	3.6	2,062	1.9	5,566	7.2	8,143	1.2	4,395	5.1
Other expenses	1,505	1.8	2,628	2.2	1,582	1.4	1,234	1.5	1,149	1.7	2,034	2.4
Operating profit	23,851	22.2	31,254	25.8	25,351	24.1	19,812	25.0	6,821	20.2	25,590	30.1
Finance cost	3,236	3.1	3,857	3.2	2,071	1.9	2,298	3.4	3,187	4.6	4,627	5.4
Remeasurement gain on provision for GIDC	2,121	2.0		-		-	-		-		-	-
Loss allowance on subsidy receivable from GoP	1,239	1.2	-	-		-	-				-	-
Net Profit before taxation	21,298	20.1	27,397	22.6	24,271	22.2	16,654	21.5	13,654	19.6	21,167	21.7
Taxation	3,168	3.0	10,526	8.7	6,079	6.3	5,500	7.1	4,351	6.3	6,249	7.3
Net profit after taxation	18,133	17.1	16,871	13.9	17,414	5.9	11,156	14.3	9,283	5.1	14,918	17.3

Horizontal Analysis of Consolidated Statement of Profit or Loss

Profit and Loss Analysis (Income)



Sales Revenue year-wise (Rs. in Mn)



Sales

The Group's major sales comprise of Urea and Phosphates. In 2015, the Group was able to sell 1,878KT Urea respectively, which was significantly reduced to 1,552KT in 2016 due to depressed market conditions for the entire agricultural industry. However, revised strategy and aggressive approach to increase market share of the Group was able to increase the sales of Urea and Phosphates from 2,185KT to 2,465KT in 2017. In 2018, the Group was able to achieve its highest ever consolidated revenue of over Rs. 109 Bn. Increase versus last year was due to increase in phosphates sales by 123KT and urea sales by 24KT. Continuation of the same approach by the Group accentuated by record urea production by the Company resulting in further increase in sales by 11% in 2019, consequently reaching the highest ever sales revenue mark of Rs. 121 Bn.

During the year 2020, the Company has achieved a historic milestone of highest ever Urea production of 2,264 KT as compared to 2,003 KT produced in 2019, an increase of 13% primarily due to better plant efficiency coupled with minimal outage days and higher gas availability. The Company has also achieved highest ever domestic Urea sales of 2,006 KT compared to 1,959 KT in 2019, exhibiting an increase of 2% YoY. As a result, our market share improved to 33% for the year compared to 32% in 2019. Despite multitude of challenges faced by the Company during the year, we managed to deliver sales revenue of Rs. 105.6 Bn showing a decline of 13%, compared to sales revenue of Rs. 121.4 Bn in 2019. This decrease can mainly be attributed to the massive price decrease in Urea prices announced during the year.

Cost of Sales

The variation in cost of sales is almost in line with the variation of sales over the last six years. Production from Urea and NPK plant increased from 2,094 KT in 2015 to 2,391 KT during the current year, keeping the badge of the highest ever production level in the history of the Company. Gradual increase in gas prices, inflationary effect and currency devaluation have also contributed to increase in cost of sales by Rs. 15,868 Mn over the period of six years.

Gross Profit

Gross profit of the Group has increased to Rs. 24,254 Mn in 2020 as compared to Rs. 22,692 Mn in 2015. Although a significant downfall in profitability was witnessed in 2016 due to depressed market conditions for the fertilizer industry, increased sales in subsequent years on the back of concentrated commercial strategy and better agronomic demand helped the Group recuperate and clock in an increase of 15% over the period of six years. Although the massive price decrease in Urea prices has adversely affected gross margins.

Operating profit

Operating profit of the Group has decreased by Rs. 2,013 Mn which is mainly due to the following:

- Substantial decrease in Urea prices have cut down gross margins. Gross profit of the Group increased by 15% from 2015 to 2020 whereas the increase was of 28% from 2015 to 2019.

- Increase by Rs. 3,874 Mn over the period in operating expenses has resulted in adverse impact on operating profit of the Group. This is mainly due to increased product transportation expenses on the back of increased offtake; and

- Other income of the group has seen a decline of 62% in 2020 as compared to 2015, primarily due to one off subsidy provision reversal as per interim arrangement with the excise and customs authorities.

Finance Costs

Finance cost of the Group has reduced significantly from Rs. 4,527 Mn to Rs. 3,230 Mn over the period of six years. This is mainly due to gradual repayments of long-term borrowings that were contracted at the time of investment in new production facility. Better liquidity position on the back of increased sales over the years has enabled the Group to reduce short term borrowings from financial institutions consequently reducing finance costs.

Taxation

Taxation has decreased significantly by Rs. 5,094 Mn in 2020 as compared to 2015. The primary reason of this decrease is that the Company's management has reassessed its income tax provisions based on the finalization of its income tax assessments of prior tax years by the income tax department. Upon such assessment, the Company's management has recognised reversal of tax provisions amounting in aggregate to Rs 3,379 Mn. Furthermore, the increase & decrease in operating profits, change in applicable tax rates along with additional taxes have impacted the reported number.

Cost Analysis (Rs. in Mn)

Net Profit

The Group's net profit has increased to Rs. 1[illegible] Mn from Rs. 14,[illegible] Mn in 2015. Even though 2016 was not a fruitful year for the fertilizers industry, the Group was still able to clock in net profit of Rs. [illegible] Mn which was increased significantly in subsequent financial years through capturing better market share, increase in production levels and increased in sales volume.

Further, considering the recent events and developments on GIDC legal case, the Company has remeasured its previously discounted provision at its present value and has recognized remeasurement gain on GIDC provision of Rs. 2,121 Mn. In addition, the Company has also recognized accounting loss on its subsidy receivable from the Government of Pakistan of Rs. 1,23[illegible] Mn.

Profit and Loss Analysis (Expenses)

Vertical Analysis of Consolidated Statement of Profit or Loss

Gross Profit

Gross profit has increased to Rs. 34,[illegible] Mn in 2020 as compared to Rs. 29,[illegible] Mn in 2015. Although a significant downfall in profitability was witnessed in 2016 due to decreased market conditions for the fertilizer industry, increased sales in subsequent years on the back of concentrated commercial strategy and better agronomic demand helped the Group achieve an overall increase of [illegible]% over the last six years.

Taxation

Tax charge as a percentage of turnover decreased from 7% in 2015 to 3% in 2020. The decrease is mainly due to reassessment of Company's income tax provisions based on the finalisation of its income tax assessments of prior tax years by the income tax department. Upon such assessment, the Company's management has recognised reversal of tax provisions amounting in aggregate to Rs. [illegible] Mn in current year.

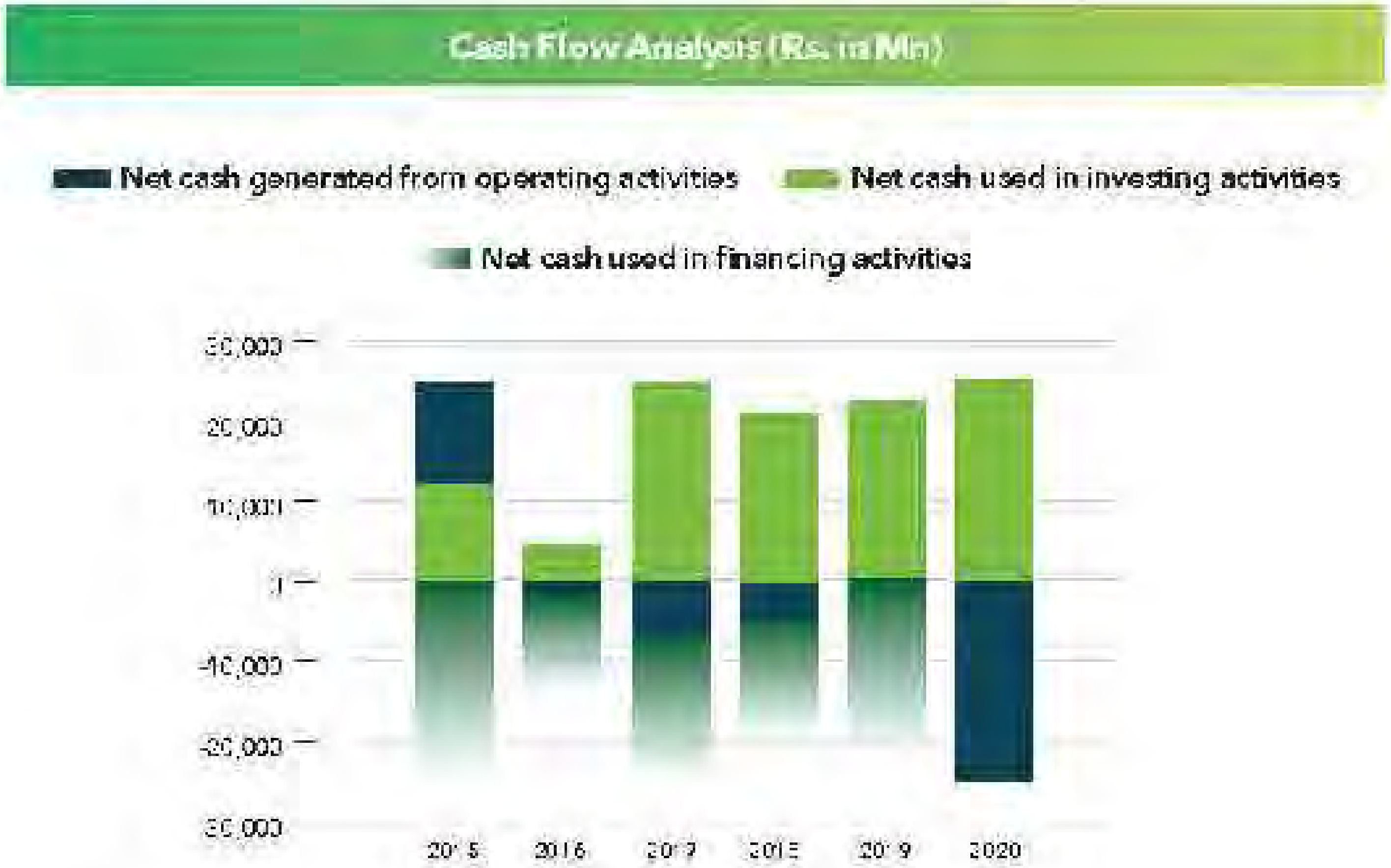
Net Profit

Net profit as a percentage of sales stood at 17.3% in 2015 compared to 17.1% in 2020. Net profit margin increased to 10% during 2018 mainly due to one-off reversal of deferred tax liability post introduction of gradual reduction in corporate tax rates made via Finance Act 2018.

Financial Information Summary

Summary (Rs. in Mn)	2020	2019	2018	2017	2016	2015
Summary of Consolidated Statement of Financial Position						
Share capital	13,353	13,353	13,353	13,353	13,309	13,303
Reserves	[illegible]	29,926	[illegible]	29,117	28,239	29,027
Shareholders funds / Equity	46,751	43,279	43,525	42,470	41,548	42,335
Borrowings	23,576	30,952	30,811	30,904	34,551	36,026
Capital employed	70,326	74,232	74,334	73,374	76,200	78,355
Deferred liabilities	11,851	12,440	[illegible]	9,290	[illegible]	[illegible]
Property, plant & equipment	[illegible]	69,940	[illegible]	[illegible]	70,468	72,195
Long term assets	70,872	71,175	72,834	73,553	74,740	76,809
Current assets	60,831	55,872	44,915	38,253	28,364	29,793
Summary of Consolidated Statement of Profit or Loss						
Sales	[illegible]	121,335	107,197	77,129	69,587	55,421
Gross profit	34,255	39,540	35,318	23,219	17,439	29,697
Operating profit	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Profit / (loss) before tax	[illegible]	27,398	24,283	16,655	13,534	[illegible]
Profit / (loss) after tax	18,155	6,871	17,414	11,156	7,283	14,817
EBITDA	29,878	36,962	31,575	21,451	21,357	30,455
Summary of Consolidated Statement of Cashflows						
Net cash flow from operating activities	51,351	21,929	23,405	25,438	4,478	11,512
Net cash flow from investing activities	(25,656)	1,503	(6,635)	(8,109)	(1,676)	19,783
Net cash flow from financing activities	(24,629)	(22,547)	(16,981)	(17,714)	(14,254)	(24,774)
Changes in cash & cash equivalents	[illegible]	[illegible]	(211)	(385)	(11,452)	6,910
Cash & cash equivalents - Year end	5,126	4,030	(190)	(304)	14	11,472
Summary of Actual Production (Units in MT)						
Urea	2,263,806	2,523,039	1,928,280	1,804,977	1,851,013	1,967,552
DAP	157,082	134,754	83,700	109,852	94,810	125,076

Analysis of Consolidated Statement of Cashflows



Cash Flows from operating activities

In 2015, cash flows from operating activities were Rs. 11,512 Mn which has been increased to Rs. 51,351 Mn in 2020. This huge increase is mainly due to the increase in working capital changes amounting to Rs. 40,333 Mn and mainly attributable to the decrease in inventory levels, trade debts and increase in trade payables. This has been slightly set off by tax over increased profitability coupled with import stage tax payments by its trading subsidiary.

Cash Flows from investing activities

Cash flows from investing activities majorly comprise of purchase and disposal of property plant and equipment and short-term investments. These cash flows have decreased from positive position of Rs. 19,180 Mn in 2015 to negative cash flows of Rs. 25,656 Mn in 2020. This is because the Group invested heavily in short-term investments in 2020 in anticipation of expected payments due in lieu of certain levies.

Cash Flows from financing activities

Net cash utilised in financing activities have decreased slightly from Rs. 24,774 Mn to Rs. 24,629 Mn in 2020. Repayment of borrowings have been lower as compared to 2015 which has been set off by a comparatively higher paid dividend in 2020. Finance costs on the other hand have been reduced due to lower portion of borrowings in current year as compared to previous years.

Business Rationale of Major Capital Expenditure and Projects

EFERT strongly believes that continuous improvement is essential for delivering sustainable value to our shareholders. In addition, the nature of the business in which the Company operates is such that we experience an ever-changing paradigm of manufacturing and technological enhancements. As a result, disciplined capital allocation acts as an important tool for the company to achieve its strategic objectives. The Company has a comprehensive set policies and procedures to plan and execute capital expenditure projects keeping in view long-term objectives of the Company. Our robust Capital governance framework ensures that safety critical and business continuity expenditure are prioritized, thus ensuring smooth and safe operations. All of this expenditure is spent with utmost transparency and strict Board oversight.

During the year, the Company continued making significant major capital expenditure in line with our focus to improve efficiency and reliability of the Company's manufacturing facilities. In this regard we spent nearly Rs. 0.5Bn on our Waste Heat Boiler project while a similar amount was also spent on long term reliability projects that were initiated by the Company in previous years. The Company's highest ever Urea production of 2,264KT on the back of improved plant efficiency and lower number of outage days is testament of continuous investments in our Plant. Plant reliability and efficiency projects are done on basis of a detailed evaluation to determine the cash flow requirements, the business rationale, and payback periods to ensure that we have an adequate picture of the benefits and associated costs of the projects.

During the year, the Company also continued making significant investments in our logistics business. Last year, the Company had ventured into the logistics industry with the aim to deliver movement with [illegible]. The business now commands one of the largest long-haul fleets in the country, which has enabled the focus to expand its operations many folds in the first two years of operations. During the year, the Company spent Rs. 0.5 Bn on the business which in addition to the amount spent last year takes the company's total investment in the project to over Rs. 2.1 Bn.

The Company also incurred capital expenditure Rs. 0.2 Bn on our landmark SAP transformation project, the implementation of which is now completed. The project has provided us access to unprecedented levels of data, and this has enabled the Company to improve its decision making process across a broad spectrum of operations, while also enabling increased transparency and governance through internal controls. The Company plans to keep investing in technology as we believe that it will provide us with a strong competitive advantage. We are excited by the new opportunities in business analytics that arise from our investment in SAP and looks forward to exploiting these avenues to ensure that we can generate greater business intelligence enabling the Company to make optimal business decisions.

The Company plans to continue making significant capital expenditure encompassing the replacement of integral equipment at the Company's plants through advance payments to vendors. These projects are expected to continue in FY 2021 and will ensure continuation of sustainable Plant operations.

Financial Ratios

		2020	2019	2018	2017	2016	2015
Profitability Ratios							
Return on Equity (Profit after tax)	%	40.29	35.60	39.6	26.5	23.1	39.6
Return on Equity (Profit before tax)	%	[illegible]	51.7	56.2	37.4	32.5	54.9
Return on Capital Employed	%	25.1	22.8	20.0	14.9	12.3	16.7
Pre tax margin	%	22.1	22.6	22.2	21.6	19.9	24.7
Pre tax margin (including subsidy)	%	20.4	22.6	22.0	20.0	17.5	23.9
Profit markup	%	47.5	40.0	47.0	40.1	30.3	50.0
Profit markup (including subsidy)	%	47.5	46.3	49.5	[illegible]	45.5	38.0
Gross profit ratio	%	32.2	32.6	32.3	30.1	25.1	34.8
Gross profit ratio (including subsidy)	%	32.4	32.0	30.1	24.3	22.7	34.7
Net profit to sales	%	[illegible]	13.9	15.9	14.5	13.4	17.3
Net profit to sales (including subsidy)	%	[illegible]	13.9	15.8	13.6	12.0	16.0
EBITDA	Rs. in Mn	29,879	36,342	31,048	24,404	21,652	30,854
EBITDA	Rs. in Mn	26,412	33,026	29,627	21,727	18,673	25,859
Growth in EBITDA	%	(17.8)	17.2	29.0	12.7	(20.2)	30.9
Growth in EBITDA	%	(19.5)	18.8	35.5	16.3	(27.2)	33.2
EBITDA margin to sales	%	35.0	30.5	35.9	31.6	31.4	35.7
EBITDA margin to sales (including subsidy)	%	35.5	30.5	38.6	29.7	20.2	34.6
Operating leverage ratio	Times	[illegible]	1	0.9	[illegible]	1.5	1.9
Return on assets	%	14.1	15.8	15.2	10.4	8.5	15.6
Growth in operating revenue	%	(12.75)	1.13	41.58	0.92	(15.59)	23.02
Growth in operating revenue (including subsidy)	%	(12.49)	[illegible]	37.21	5.16	(16.06)	13.82
Capital Expenditure to total assets	%	[illegible]	3.03	5.68	4.49	4.01	3.81
Liquidity Ratios							
Current ratio	Times	1.2	1	1	1.0	1.2	0.9
Quick / Acid test ratio	Times	1.1	0.8	0.7	0.7	0.7	0.5
Cash and cash equivalents / Current liabilities	Times	1.1	0.1	0.0	0.0	0.1	0.4
Cash flow from operations to sales	Times	0.5	0.2	0.2	0.3	0.1	0.1
Cash flow from operations to sales (including subsidy)	Times	0.5	0.2	0.2	0.3	0.1	0.1
Long term liabilities / Current liabilities	%	23	21	34	38	154	42
Activity / Turnover Ratios							
No. of days inventory	Days	51	53	42	49	40	27
Inventory turnover	Times	7.2	6.9	8.7	7.5	9.1	13.7
Debtors turnover ratio	Times	[illegible]	10.3	15.0	17.9	9.1	56.6
Debtors turnover ratio (including subsidy)	Times	7.1	6.7	7.8	6.2	5.1	42.4
No. of days in receivables	Days	30	25	24	21	25	6
No. of days in receivables (including subsidy)	Days	51	54	47	59	40	9
Trade payables turnover ratio	Times	2.1	2.5	2.7	2.7	3.3	2.8
Trade payables turnover ratio (excluding GIDC)	Times	3.0	4.9	4.8	3.9	3.7	4.8
No. of days in payables	Days	173	143	136	135	114	129
No. of days in payables (excluding GIDC)	Days	129	75	76	93	100	81
Operating cycle	Days	(121)	(71)	(52)	(77)	(25)	(101)
Operating cycle (excluding subsidy and GIDC)	Days	(46)	13	(4)	(13)	(25)	(38)
Total assets turnover ratio	Times	0.82	0.99	0.95	0.72	0.67	0.78
Total assets turnover ratio (including subsidy)	Times	0.89	0.98	0.96	0.77	0.74	0.84
Fixed assets turnover ratio	Times	1.5	1.2	1.6	1.1	1.0	1.2
Fixed assets turnover ratio (including subsidy)	Times	1.6	1.8	1.8	1.2	1.1	1.2
Current Assets Turnover (including subsidy)	Times	1.81	2.41	2.66	2.48	2.73	2.48
Current Assets Turnover	Times	1.91	2.41	2.60	2.20	2.40	2.60
Operating working capital turnover	Times	11	19	51	29	175	79
Capital employed turnover	Times	1.40	1.61	1.43	1.00	0.90	1.09
Revenue per employee	Rs	77,714	96,513	97,716	64,591	56,781	74,379
Net income per employee	Rs	15,411	18,293	14,819	9,259	7,811	12,866

Financial Ratios

		2020	2019	2018	2017	2016	2015
Investment / Market Ratios							
Earnings per share - basic	Rs/share	13.4	12.6	13.0	8.4	7.6	11.1
Earnings per share - diluted	Rs/share	13.4	12.5	13.0	8.4	5.5	11.1
Earning growth - diluted	%	7.4	(3.1)	55.1	51.1	(37.9)	76.9
Earnings growth - basic	%	7.4	(3.1)	55.0	19.8	(37.3)	77.1
Market value per share							
- Year end	Rs/share	62.2	70.8	70.1	67.7	65.0	54.1
- High during the year	Rs/share	78.6	85.7	83.7	74.9	84.3	100.7
- Low during the year	Rs/share	49.8	60.9	66.5	51.6	63.0	71.5
Cash dividend per share	Rs/share	11.0	13.5	11.5	10.5	7.5	6.0
Breakup value per share	Rs/share	33.0	37.8	33.1	31.8	31.5	31.8
Breakup value per share - including surplus on revaluation	Rs/share	35.6	32.4	34.1	31.0	31.2	31.0
Breakup value per share - including investment in related party at market value and surplus on revaluation	Rs/share	35.6	32.4	34.1	31.0	31.2	31.0
Price earning ratio	Times	[illegible]	5.6	5.3	8.1	[illegible]	7.6
Change in market value added	%	(31.2)	17.8	(2.7)	(6.1)	(25.9)	0.7
Price to book ratio	Times	1.8	2.3	2.0	2.1	2.2	2.6
Dividend yield ratio	%	17.4	19.1	15.9	13.6	10.5	7.1
Dividend payout ratio	%	81.0	110.0	[illegible]	101.7	103.3	53.9
Dividend cover ratio	%	123.5	90.8	118.1	98.4	96.7	185.7
Retention (after interim & proposed cash)	%	19.0	(10.0)	15.4	(1.7)	(0.3)	46.1
Capital Structure Ratios							
Financial leverage ratio	Times	0.5	0.7	0.7	0.7	0.5	0.9
Earning assets to total assets	%	20.8	6.5	4.6	7.3	1.0	11.8
Weighted average cost of deposit	%	8.1	11.5	6.7	6.3	6.4	6.3
Weighted average cost of debt	%	10.8	10.4	6.2	6.7	7.7	9.6
Debt to equity ratio (as per book)	%	50.7	71.7	67.7	72.8	83.1	85.1
Debt to equity ratio (as per market value)	%	27.9	31.8	33.9	34.2	38.2	32.2
Interest cover ratio	Times	2.8	8.4	12.7	2.8	6.5	5.6

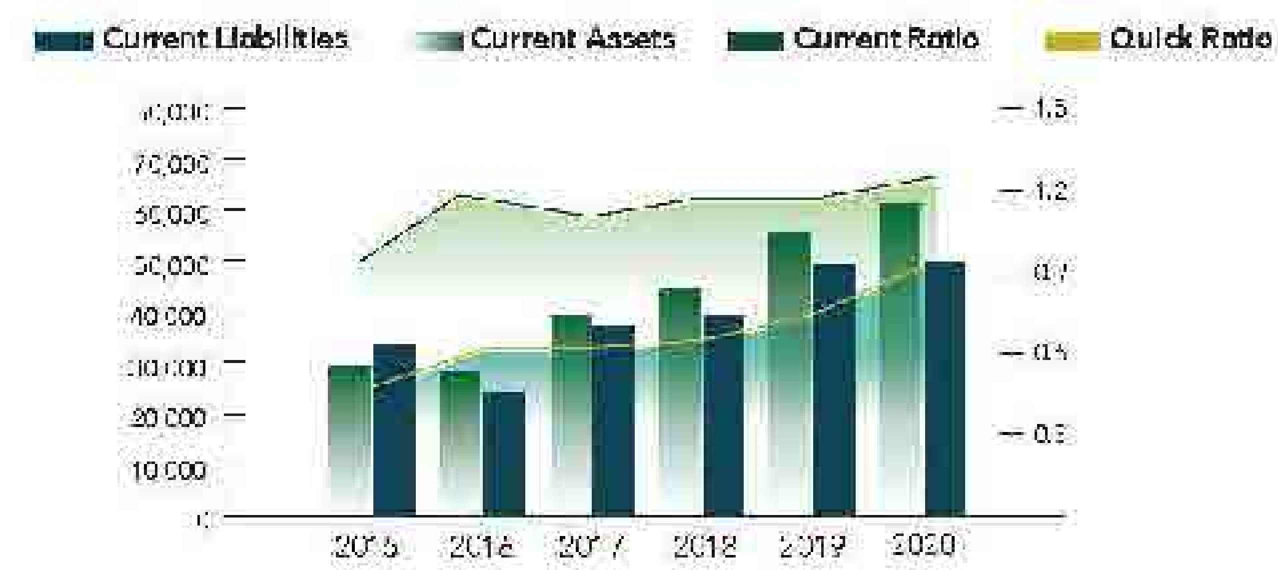
Analysis of Financial Ratios of the Group

Gross Profit and Net Profit (Rs. in Mn)

Profitability Ratios

The Company's gross profit margin has been reduced to 32.4% in comparison with 34.8% in 2015 due to rising inflation, substantial currency devaluation and increase in prices of services. However, net profit has been improved to 17.4% in comparison with 16.8% in 2015 on account of declining interest rates and decrease in tax expense of 70% compared to 2019.

Liquidity Analysis (Rs. in Mn)



Liquidity Ratios

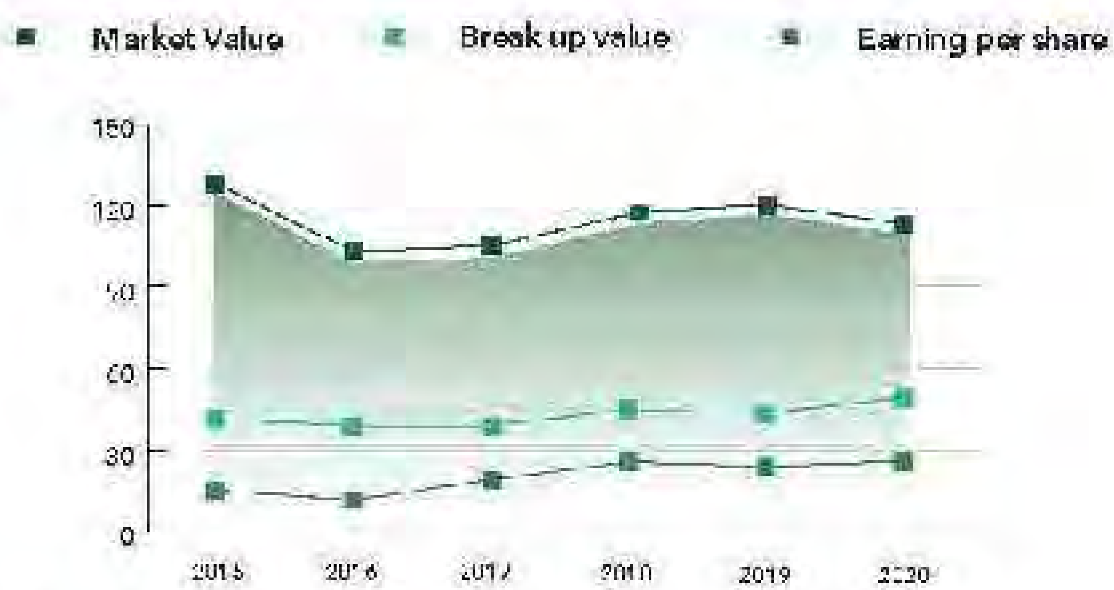
The Company's current ratio changed slightly to 1.2 times compared to the high of 1.1 times from 2019. However, cash flow from operations to sales have been improved to 0.5 times in 2020 in comparison with the ratio of 2015 on account of better working capital management.

Operating Life Cycle Ratios in Days

Activity / Turnover Ratios

Greater sale against advance payment in 2020 results in debtors turnover of [illegible] days compared to six years' average of 25 days since 2015. Inventory turnover has increased to 7.2 times in comparison with 6.8 times in 2019 due to more production [illegible] at the end of 2020 and 2019. Creditor turnover days have increased to 173 days compared to six years' average of 138 days. The Company's operating cycle was thus recorded at negative 71 days compared to negative [illegible] days on six-year average.

Earnings, Break up Value & Market Value (in Rs. per share)



Investment / Market Ratios

Earnings per share has increased to Rs. [illegible] per share in comparison with Rs. [illegible] / share in 2019 due to reversals of Rs. [illegible] in tax provisions for previous years causing the total tax expense for the year to decrease. Despite mixed trends witnessed at the Stock Exchange, the Company's share was traded on PSX between a range of Rs. [illegible] and Rs. 75.49, closing at Rs. 63.2 at the year end, relatively lower by Rs. 13.53 compared to last year. The price to earnings as at December 31, 2020 is 4.7 compared to highest of 7.5 times in 2015. The breakup value per share of the Company was logged in at Rs. 35 / share in 2020 increasing from Rs. 31.8 / share in 2015.

Dividend Ratio (in Percentages)

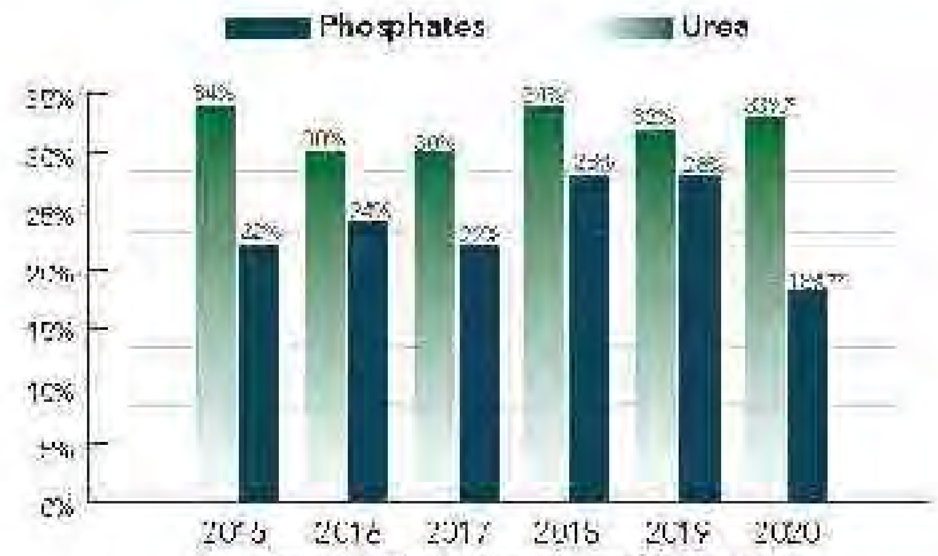
Dividend payout ratio during 2020 was [illegible]% against six years average total payout of 88.7%

Capital Structure

Capital Structure Ratios

Financial leverage ratio has decreased to 0.5 times compared to six years. Debt to equity ratio also changed to 34:66 compared to 42:58 recorded in 2019. In our best, significant repayments of long-term loans were made over the course of the year. All debt repayments falling this year were paid by their due dates. Interest cover ratio was 7.3 times in 2020 vs [illegible] in 2019.

Market Share Information



Source: National Fertilizer Development Centre (NFDC) publication

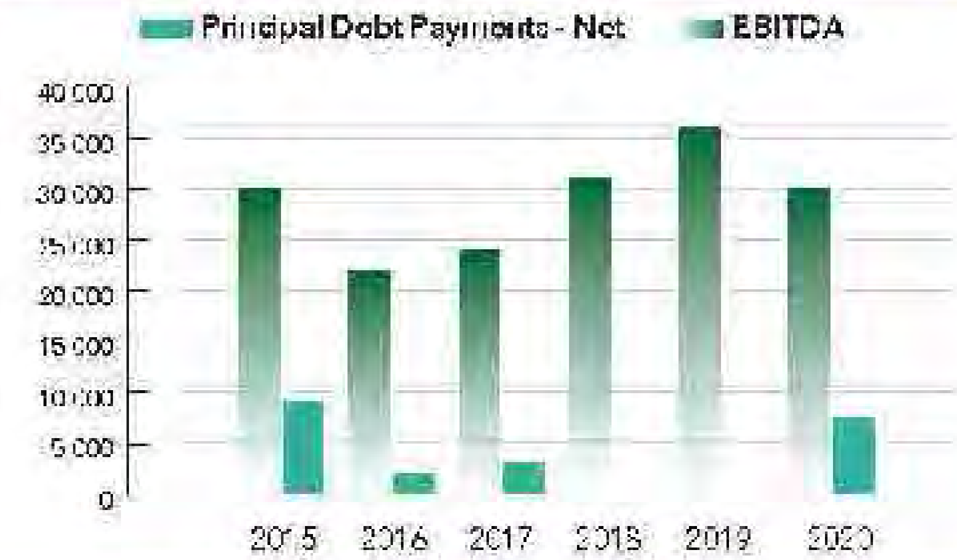
* Market Share is in line with the availability share
** Market share was maintained in a declining industry.

Market share information

EFERT has consistently been a key player in the fertilizer industry, providing nutritional support to the agri-landscape of Pakistan. Contributing to sustainable growth and innovative enhancement of the economy's crop yield, EFERT's sizeable market share reflects the same.

Production and Sales Volume (KT)

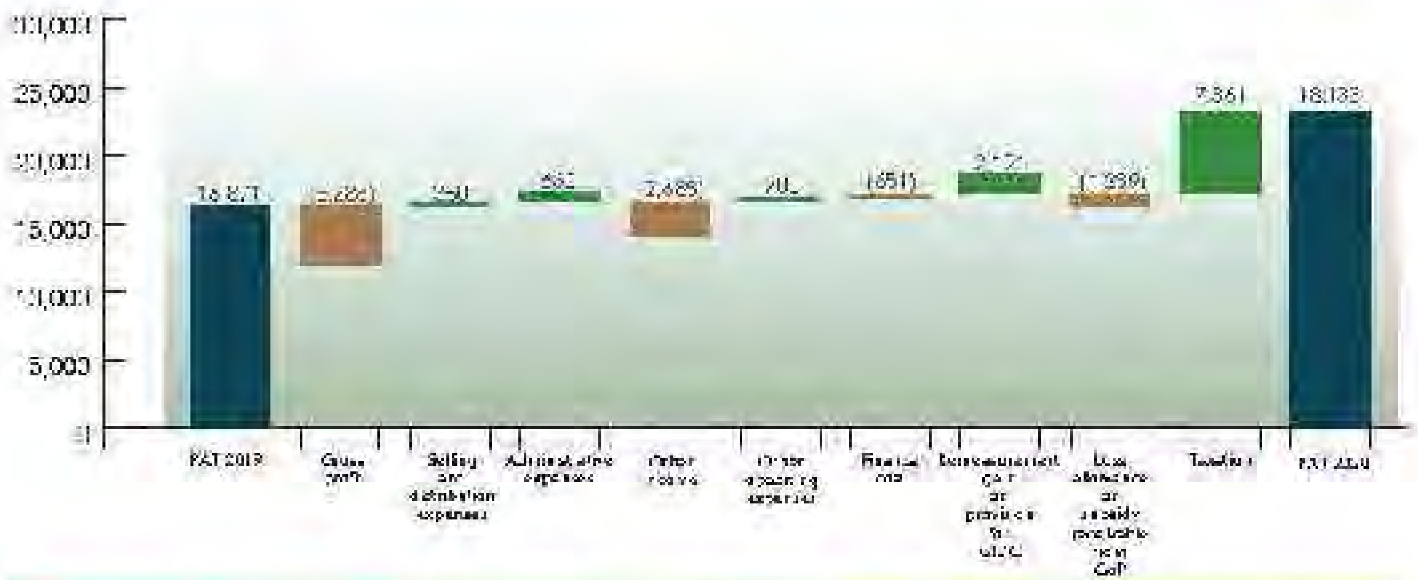
EBITDA and Principal Debt Repayments - Net (Rs. in Mn)



Return on Equity & Capital Employed (Rs. in Mn)

Equity and Net Assets (Rs. in Mn)

PAT - Variance Analysis (Rs. in Mn)



Sensitivity Analysis of Share price

Sensitivity analysis of share price

EFERT's share price is affected by internal and external factors. Furthermore, the Company's performance directly impacts its share price. Certain external factors that impact the share price include the economic and political environment of the Country, as well as Governmental regulations, macro economic indicators as well as stakeholder sentiments. The Company regularly monitors these ever changing factors and remains wary of their impacts.

Shareholder relations and share price

The Company has continued engagement with shareholders as well as potential investors over the last year. The Company has regularly held Security Analysts briefings during the year where extensive information over the operating performance of the Company as well as market outlook and strategy has been shared.

While the Company's share price decreased from Rs. 73.70 at 1 January 2020 to Rs. 63.20 on 31 December 2020, the maximum share price achieved during the year (Rs. 75.49). Our shareholder base comprises of companies, individuals, pension and provident funds, insurance companies, banks and investment companies, and other corporate bodies. The shareholding of Engro Corporation Limited as at 31 December 2020 was 56.27%.

Market capitalization sensitivity

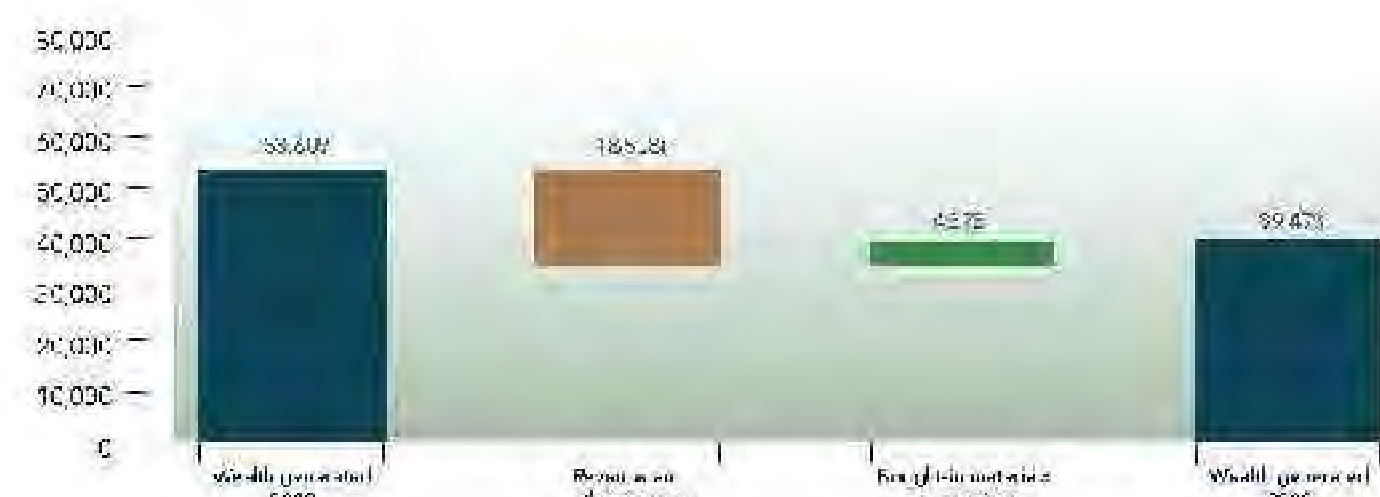
As at December 31, 2020, EFERT's market capitalization stood at Rs. 84,391 Mn. A consequent change of 5% in the market price of EFERT's share would result in a change of Rs. 4,220 Mn in the market capitalization.

Statement Of Value Addition And Distribution

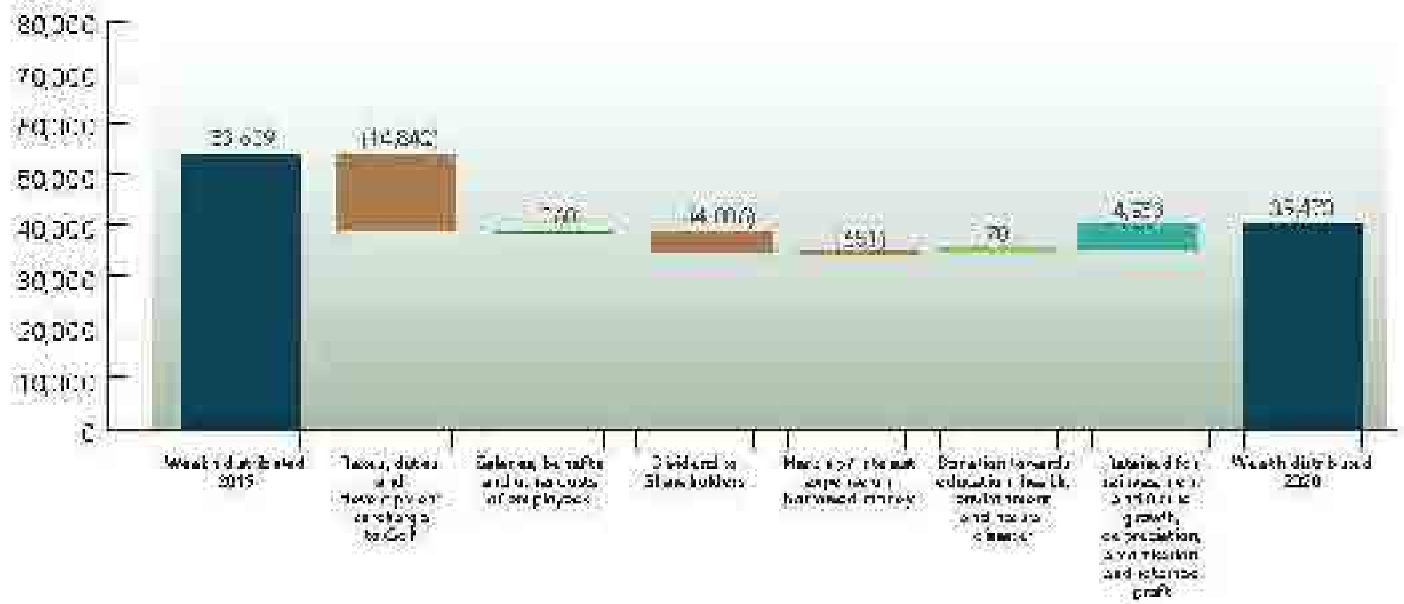
(Rs. in Mn)

	2020	2019
Wealth Generated		
Total revenue inclusive of sales-tax and other income	109,724	128,232
Bought-in-materials and services	(70,251)	(74,6[illegible])
	39,473	53,609
Wealth Distributed		
Taxes, duties and development surcharge to GoP	[illegible]	[illegible]
Salaries, benefits and other costs of employees	6,430	5,073
Dividend to shareholders	14,688	18,694
Mark-up / interest expense on borrowed money	2,236	3,857
Donation towards education, health, environment and natural disaster	105	255
Retained for reinvestment & future growth, depreciation, amortisation and retained profit	5,788	3,855
	39,473	53,609

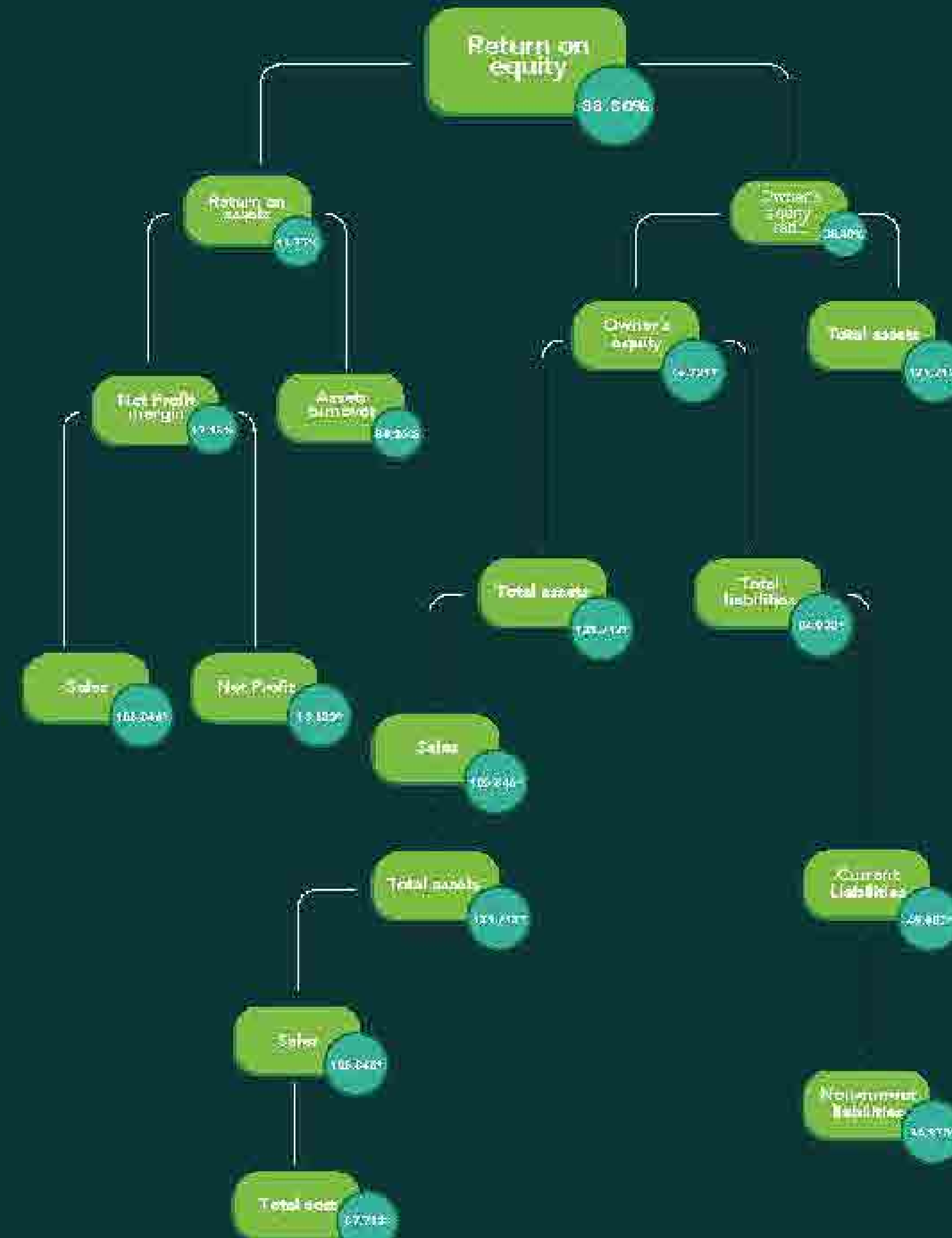
Wealth Generated (Rs. in Mn) - Variance Analysis



Wealth Distributed (Rs. in Mn) - Variance Analysis



Dupont Analysis



*Rs in Mn

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 thousand)

	2020	2019
NOPAT	[illegible]	1[illegible],304,[illegible]40
Less: cost of capital	(9,577,153)	(13,867,478)
Economic value added	[illegible]	5,437,262

Free Cash Flows

(Rupees in thousand)

	2020	2019
Net cash generated from operating activities	51,381,[illegible]74	21,988,785
Capital expenditures - net	(5,[illegible]29,531)	(3,267,289)
Free cash flows	45,[illegible]51,[illegible]64	18,[illegible]
Net repayment of borrowings	(7,463,399)	(122,417)
Free cash flow available to equity shareholders	[illegible]	[illegible]

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.

Foreign Currency Sensitivity Analysis

The Company has significant exposure to foreign currency sensitivity due to substantial raw material and trading products the Company procures. Based on the Company's results for 2020 and the proportion of foreign material procured during the year, a 10% variation in exchange rate would have led to an impact of Rs. [illegible] on cost of goods sold. Currency risk sensitivity over financial instruments is disclosed in Note 4[illegible] of the Consolidated Financial Statements and Note 4[illegible] of the Standalone Financial Statements.

Composition of Local vs Imported Materials

Since the primary business of the Company is still Urea, a substantial bulk of the Company's raw material is sourced locally. However, a sizeable chunk of its raw materials used for production of specialty fertilizers has to be imported. At the same time, the Company's traded portfolio, primarily Phosphate based and Crop Sciences Division products, largely depends on foreign sources for their requirements. The imported content accounts for close to 53% of its total raw material / import of material cost. The decrease in imported raw material proportion, compared to 2019, is mainly attributable to lower DAP procurement in 2020.

Cash Flow Statement - Direct Method

(Rupees in thousand)

	2020	2019
Cash flows from operating activities		
Cash receipt from customers - net	120,337,000	1[illegible]5,219,[illegible]65
Cash paid to supplier / services providers and employees - net	(58,935,324)	(75,400,437)
Payment to workers' profit participation fund - net	(1,346,204)	(1,318,571)
Income tax paid	(3,544,335)	(11,4[illegible]5,373)
Net cash generated from operating activities	51,[illegible]	2[illegible]
Cash flows from investing activities		
Purchases of property, plant and equipment and intangibles	(5,176,376)	([illegible],018,805)
Proceeds from disposal of property, plant and equipment	45,845	751,2[illegible]9
Purchase of short-term investments	(2[illegible],813,331)	(3[illegible],018,249)
Proceeds from sale of short-term investments	2,899,550	37,104,980
Proceeds from sale of subsidiary	-	[illegible]
Income on deposits / other financial assets	1,[illegible]07,440	[illegible]
Net cash (utilized) / generated from investing activities	(25,656,375)	[illegible]502,605
Cash flows from financing activities		
Proceeds from long-term borrowings	1,[illegible]41,725	[illegible],000,000
Repayments of long-term borrowings	(5,790,124)	(5,122,4[illegible]7)
Loan from Parent Company	1,030,000	
Finance cost paid	(3,409,456)	(3,734,924)
Dividends paid	(1[illegible],69[illegible],321)	([illegible]5,659,8[illegible]7)
Net cash utilised in financing activities	(24,638,578)	(22,847,[illegible]55)
Net increase in cash and cash equivalents	1,093,922	[illegible],944,235
Exchange gain on translation of foreign operations		275,754
Cash and cash equivalents at beginning of the year	4,029,957	(190,032)
Cash and cash equivalents at end of the year	5,[illegible]23,879	[illegible],029,957

Methods and assumptions used in compiling the indicators

The Company prepares its financial information 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 (IFRS) 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 IFRS, the provisions of and directives issued under the Act have been followed.

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

Additional disclosures in compliance with the IFRS and ICAP's Best Corporate Reporting disclosures

- The Company has not adopted the Islamic Financial Accounting Standards (IFAS) issued by the ICAP therefore specific disclosures arising from the same have not been incorporated;
- During 2020, there were no receivable balances arising out of export sales; and
- During 2020, there were no properties or assets acquired with the funds of the Company which are not held in the name, possession or control of the Company.

08. SOCIAL & RELATIONSHIP CAPITAL

Risk Management Plans & Performance

EFERT believes in doing good while doing well. The Company aims to go beyond traditional corporate philanthropy and build an inclusive business model in collaboration with Engro Foundation that will create positive value for both the Company and its communities. As a result, we take ownership of the welfare and development of the communities that we engage with and invest in sustainable initiatives that impact the lives of the people around us by inspiring positive change through social and economic growth of our communities. This commitment is inculcated in all our employees and we are proud of their direct association with these social initiatives.

CSR Initiatives

Our CSR initiatives can be broadly categorized in the following areas that have been chosen with the intention of maximizing the impact of our investment in the communities.

- **Community Investment and Infrastructure Development** - the Company invests in developing infrastructure in surrounding communities to enhance the general standard of living in these areas and to provide income generation and community building opportunities to the residents of these communities.

- **Education** - The Company strongly believes that Education is one of the most important catalyst for change. As a result education has always been amongst the top priorities of our CSR strategy. We have worked relentlessly to provide quality education to the underprivileged communities around our manufacturing facility, while consistently improving quality and learning outcomes at these institutions.

- **Livelihood** - The Company focuses on sustaining the livelihood of its employees and their surrounding communities through continuing professional development. The Company launched the Technical Training Centre (TTC) Daharki, offering a 3-year Diploma in Associated Engineering in Chemical, Electrical and Mechanical technologies with a total strength of 300 students in 2020. Out of these, 125 students were new inductees, while we were privileged to witness the graduation of 131 students and the joining of alumni ranks, bringing the total Alumni network to 560 individuals. TTC students secured Top 11 Electrical & 14 Chemical positions in 2019-20. Additionally, total trainees enrolled in our Vocational Training Center (VTC) in 2020 were 300.

- **Agri-Value chain projects** - LAMP Pakistan is a 3-year (2017 – 2020) inclusive business project jointly funded by DFAT (Department of Foreign Affairs and Trade) Australia and EFERT, which aims to develop the seed value chain in Pakistan and make it more inclusive for smallholder farmers.

- **Health care services** - Our health projects continued to provide essential services to surrounding communities, with the Sehat Clinic providing treatment to a total of 5,805 patients in 2020, and 7,086 patients being treated at the singular snake-bite treatment facility.

The Company also worked towards improving customer centricity, business ethics and anti-corruption measures and consumer protection measures.

Local Communities

EFERT recognizes that a strong foundation for growth is only laid if the growth encompasses the development of the communities in which we operate. Building on this philosophy of inclusive growth, our Company has continued to work on engaging communities through initiatives of sustainable growth.

Community Engagement and Infrastructural Development are the key components of our social investment strategy which endeavors to improve the general standard of living as well as play its part in revamping the agri-landscape of Pakistan.

We take pride in designing and implementing community investment policies that [illegible] the needs and values of people residing in our target communities. Keen assessment and [illegible] are key to our sustainable social interventions.

We aspire to positively impact Pakistan and our communities with key focus on:

- COMMUNITY INVESTMENT AND INFRASTRUCTURE DEVELOPMENT
- EDUCATION
- LIVELIHOOD
- AGRI VALUE CHAIN PROJECTS
- HEALTH CARE SERVICES
- ENERGY CONSERVATION
- PROTECTING THE ENVIRONMENT
- SPORTS PROMOTION AND DEVELOPMENT

This vision is delivered by our CSR division, including Engro Foundation, which strives to improve the lives of people living in low income communities with impact investments.

Social Fairness: Local communities; contributing positively to stakeholder interest.

EFERT views social fairness in the highest regard and therefore works towards ensuring sustainable business operations that protect the value chain and contribute to all stakeholder interest. In case of EFERT investments in local communities primarily cover geographical areas adjoining its primary manufacturing plant i.e. Daharki, Sindh.

STATEMENT OF CHARITY ACCOUNT

Community & Welfare & Infrastructure (including COVID 19 related contribution)

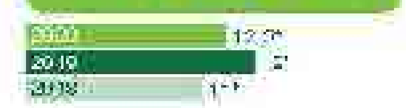
Rs 193.9 Mn

Education

Rs 43.5 Mn

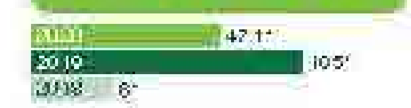
General

Rs 12.5 Mn



Healthcare

Rs 47.1 Mn



Environment

Rs 1.5 Mn

Grand Total

Rs 298.5 Mn

*Rs in Mn

During 2020, multiple initiatives were taken at ensuring sustainable operations that protect the value chain and contribute to all stakeholder interests including:

Health

All health projects continue to provide essential services to surrounding communities.

Artificial Limbs Facility

- EFERT established artificial limbs facility at Daharki
- More than 300 patients to get treatment in this facility

Engro Anti-rabies Facility

- By ECORP President & CEO
- 90% Construction completed
- 1st center in vicinity
- First facility will be operational in the first quarter of 2021

Hepatitis Treatment & Vaccination

- 2,928 vaccinations (1st dose)
- 2,549 vaccinations (2nd dose)
- **700 patients treated**

Snake Bite Facility

- Continued its operation despite COVID-19 crisis
- 150K + patients treated since 1977
- **Saved 900 lives in COVID-19**

Livestock Vaccination in Katcha area

- **1,600 Animals got vaccinated**
- In coordination of EFERT's efforts, the government appointed one permanent veterinary doctor at Katcha

SAHARA Clinic

- Revamp of SAHARA clinic
- Clinic provides OPD service (free of cost) to local community
- **5,806 patients attended to in 2020**

Educational Initiatives

EFERT strongly believes that education is one of the most important catalysts for change and as a result, education has always been amongst the top priority of our CSR strategy.

SAHARA

- **550 students currently enrolled**
- Established computer lab in 2020
- 20 Computers provided
- Upgraded school and added new playing area for young students

ENGRO adopted schools

- **10 Government schools adopted by EFERT**
- PPEs & necessary material provided to schools during COVID-19
- **1,620 (1,020 boys & 600 girls) students currently enrolled**

TTC College

Technical Training College: The Vocational Technical Training Centre (TTC) was established by EFERT to provide vocational courses to local communities to empower and facilitate them. A 3 year diploma is also being offered in the Associated Engineering (DAE) in Chemical and Mechanical technologies

- 436 Diploma students
- 2,500 + alumni to date
- Vocational courses in 10 trades
- TTC students secured Top 11 Electrical & 14 chemical positions in 2019-20

KATCHA School

- **Infrastructural improvements in Katcha schools**
- 01 Katcha Girls school upgraded from Primary to Middle education
- 01 Katcha Boys school upgraded from Middle to High School Education
- Total 1,532 boys & Girls are studying in these schools
- Total 13 schools are operational

Community Engagement Initiatives

Continuing it's commitment towards uplifting the community, EFERT has taken several initiatives during the year.

Environment sustainability and stakeholder's engagement

- **Initiated 17 livelihood projects - Supports marginalised individuals from the community facilitating them in starting / initiating independent small scale livelihood programs.**
- These projects have empowered **50 people.**
- Variety of micro-enterprises were supported by the program (retail shop, food stall or small poultry farms).

Distribution of sewing machines to 25 Shuhada's families

Clean water Projects

- Installation of Reverse Osmosis (RO) plants has increased the availability of clean water at Daharki village.
- 3 RO plants converted on Solar Power

Flood relief campaign at Katcha distributed food items to 200 families

During 2020, the Company was awarded the Corporate Social Responsibility Award 2020 by National Forum for Environment and Health (NFEH) in the following 3 categories:

1 Sports **2** Livelihood **3** CSR projects sustainability

Organized livestock vaccination drive with the contribution of Livestock Department of Sindh at Katcha areas

SAHARA Arts & Craft center trained 500+ women

Infrastructure Development

- [illegible]
- [illegible]

Infrastructure Improvement

- Daharki Railway station renovated
- General public waiting area renovated
- General public toilet revamped
- Solar lights installed at the railway stations

200 ration bags distributed in Jung colony

COVID-19 Specific Initiatives

EFERT demonstrated that it stands hand in hand with the nation in the fight against COVID-19 and remains committed towards providing support and assistance to the people in the communities in which it operates.

Hussain Dawood (HD) Pledge: To support country during these challenging times, the Chairman of Engro Corporation and Dawood Hercules Corporation, Mr. Hussain Dawood announced a PKR [illegible] pledge focusing on 4 verticals:

- Prevention: Testing/Diagnostics
- Patient care and facilities
- Protecting front line staff
- Livelihoods and sustenance

During 2020, EFERT has made the following contributions under the HD pledge to expand testing capacity and promote quality healthcare:

- **Rs. 95 Mn to Indus Hospital to expand COVID-19 testing capacity across Sindh;**
- **Rs. 23 Mn to Shaukat Khanum Hospital for testing COVID-19** patients; and
- **Rs. 4.8 Mn to Sehat Kahani for promoting quality remote healthcare.**

Initiatives in the Surrounding Communities: Multiple **initiatives were taken to prevent the** spread of COVID-19 **in surrounding** communities.

Patient care & Facility

- [illegible]
- [illegible] medical services for the general public
- Boarding & lodging arrangements for those who were isolated
- [illegible] isolation facility

Prevention: Testing / Diagnostics

- **Established COVID-19 Testing Facility** with the help of INDUS hospital at [illegible]
- Free tests for public
- [illegible] tests conducted
- [illegible] Antigen tests conducted

Protecting Community & frontline staff

- 40,000 food meals distributed
- 5,000 PPEs kits distributed to Doctors and paramedical staff
- 1,500 sanitizers and 35 Temperature Guns distributed at public places, courts and adopted schools
- Disinfection tunnels and 40 hand wash stations installed at public areas
- Daily disinfection of public areas for 5 months
- Awareness campaign about COVID-19 for the general public

Livelihood & sustenance

- Distributed [illegible] ration bags (food) to widows and those who were out of their jobs during COVID-19
- Engro Community volunteered & distributed 500 additional ration bags to underprivileged families

In recognition of COVID-19 related initiatives, the National Forum of Environment and Health (NFEH) recognized the Company at the 17th Environmental Excellence Awards 2020 on Best Performance during COVID-19 for its support for local community during these times.

Helping Our Farmers Grow:

Farmer Sessions

1,386

2020	1,386
2019	[illegible]

Group Discussions

1,612

2020	1,612
2019	[illegible]

Farm Visits

40,326

2020	40,326
2019	[illegible]

Soil Sampling And Testing

46,346

2020	46,346 [illegible]
2019	[illegible]

Farm Acres

6,211

2020	[illegible]
2019	[illegible]

Farmer Financing

Rs. 87 Mn

2020	[illegible] Mn
2019	[illegible] Mn

Farmers Contacted

51,374

2020	51,374
2019	[illegible]

At EFERT we [illegible] [illegible] Pakistan.

- [illegible]
- [illegible]
- [illegible]
- [illegible] EFERT [illegible] 2020 [illegible]
- [illegible]

OTHER INITIATIVES TO SUPPORT FARMERS:

Warehouse receipt financing for small farmers

[illegible]

Soil Mapping

[illegible]

Shandar Kissan Program:

EFERT registered 2500+ selected farmers and provided them Seed-to-Harvest solutions to improve their farm productivity. The concept resulted in these farmers becoming change agents in their respective communities and guide neighbouring farmers on best crop management practices.

MoU with University of Agriculture, Faisalabad for establishing Engro Learning Center and Model Farm:

Engro Learning Center provides a platform where Academia, Research, Extension, Company Agronomists and Farmers interact for knowledge sharing. This center will be used for capacity building of the farmers. Model farm will demonstrate the modern agri technologies and best management practices to the farmers.

Hamqadam Program - Support Subsistence Level Farmers:

EFERT continues its investment in Hamqadam initiative which was introduced in FY 2018, aimed to support subsistence level farmers by providing them with interest-free micro-financed loans in-kind value. NGOs affiliated with Pakistan Poverty Alleviation Fund (PPAF) have been engaged to aid EFERT in field execution and to facilitate recoveries as well. These initiatives are benefiting more than thousand farmers from a couple hundred enhancing incomes.

Introduction of Zabardast Urea - First Value Added Urea of Pakistan:

EFERT was the first company to venture into the value added fertilizer category, with the launch of Zabardast Urea.

With the addition of locally cultured Zinc, Zabardast Urea enhances the uptake of Zinc nutrient in plants and the coating on urea reduces nitrogen losses, making it an environment friendly fertilizer.

Zabardast Urea increases the farm produce up to 10% and is increasing the food security of the nation, enabling farmers to grow more crops over the same area of land, hence catering to the needs of a growing population.

Moreover, widespread use of Zabardast Urea ensures that the Zinc requirement in diets is maintained thereby addressing the issue of stunted growth in children.

Zabardast Urea has received an overwhelming response from the consumers and is rapidly growing every year.

Improving Lives of Smallholder Farmers - PAVE Project:

PAVE Pakistan is a business inclusive project operational since 2017, jointly funded by DFAT (Department of Foreign Affairs and Trade), Australia and EFERT, which aims to develop the seed value chains of rice, wheat and vegetables in Pakistan, making it more inclusive for smallholder farmers by building on their capacities and creating market linkages for them. Under the PAVE project, EFERT has trained 4,400+ smallholder farmers, registered 100 of them as EFERT seed suppliers and procured 2500+ tons of seed from them and established 24 village based seed enterprises to help other smallholders. The project has been recognized on various international forums including its recent win in the category of Sustainable Agriculture, Forestry & Biodiversity from [illegible] Awards, US.

Collaboration with Government of Punjab in "Grow More Wheat" Program:

EFERT organized wheat seminars during the year. In total 63 mega events were organized which were attended by more than 20,000 farmers. Two of these events were attended by Honorable Agri Minister Punjab, Secretary Agriculture Punjab, DG Agriculture Extension as well as Director Wheat. Experts presented best management practices to improve wheat production.

EFERT and BASF joined hands to bring high quality products to Pakistani Farmers:

Seline is not only effective in protecting cotton crop from Whitefly, Jassids and Aphid attacks. It is made from a natural fungus which improves plant health and increases cotton crop yield as well. EFERT & BASF proudly announce their alliance and commitment to helping the farmers grow in Pakistan with the launch of Seline.

Scan the QR code at the back of the brochure for additional details available on a youtube tutorial.

Occupation Health and Safety

As the Company continues to grow, it continues to increase its focus on health, safety and the environment. We believe in empowering our businesses to deliver the best-in-class HSE performance based on international standards and foster a culture of safety first. Our investment decisions retain adequate provisions for the implementation of inherent safety features since inception because we are the custodians of people coming to our workplaces.

EFERT's safety management system at Daharki Plant and its marketing operations are accredited with DuPont Level 4 rating, recognizing its adoption of global best practices on employee health and safety.

The Corporate Health and Safety (HSE) Committee is responsible for ensuring governance and oversight of the execution of Health, Safety and Environment. The HSE Committee is chaired by the CEO of the Company, thus highlighting the focus and importance placed on HSE initiatives, actions and learnings for the Company. EFERT has implemented an internationally accredited system of occupational health and safety at all material locations including the two Plant sites and the Head Office operations. The system has been implemented based on regulatory requirements of Environmental Protection Act 1997, Industrial Relations Act, National Environmental Quality Standards and OHSA guidelines for health and safety. Furthermore, the system also addresses the risk management plans of the Company in relation to health and safety of its employees and workers. The system covers all workers including workers who are not employees but their work / workplace is controlled by the Company.

The Company follows DuPont PSM / OHIH management system. Multiple process risk management studies like PHA / HAZOP / LOPA / QRA are followed along with high standards of design to make plant inherently safe for workers. For OHIH matters, HRA and human factor analysis is performed to make sure people are protected and all hazards identified are well addressed. The Company uses CFERA to manage its risk recommendations.

The HSE committee, in its objective to achieve and set the highest standards of HSE has laid out the following action plan and policies:

HEALTH

- Identify and evaluate health risks related to the operations that potentially affect its employees, contractors and the public.
- Implement programmes and appropriate protective measures to control such risks, including appropriate monitoring of its potentially affected employees. Carry out pre-employment and periodic medical check-ups of the employees.
- Provide and arrange for medical services necessary for the treatment of employees of occupational illness or injuries and for handling medical emergencies.

SAFETY

- Institutionalize process and behavioural safety practices using Process Safety Management (PSM) system.
- Keep abreast of the latest international codes, standards and practices and adopting the same where applicable.

ENVIRONMENT

- Implement Environment Management System to identify aspects and impacts of our operations on Environment.
- Engage with stakeholders to maintain positive relationship and better understanding of environment related matters and grievances.
- Comply with all applicable environmental laws, regulations and apply responsible standards where law and regulations do not exist.
- Conserve natural resources & energy by continuously improving our processes and measuring performance.
- Continuously improve our processes to minimize pollution and waste.

Cultivating the HSE-First Mindset

Innovations were introduced under the umbrella of a revitalized Inherent Safety Program, involving the active employees and manpower, making our routine gadgets and practices inherently the safest. The HSE Department at EFERT followed a remarkable tradition by organizing the drive under the banner of "Pause For Safety" and "STOP" for all employees involved in plant operations at our manufacturing facilities. Their focus was developed on specific HSE hazards, emergency operations and safe work practices. The outlined efforts by the HSE Community of Engro Fertilizers Limited are to be accredited for achieving an all-time low injury rate in our history. Other prominent initiatives launched by EFERT to inculcate HSE practices amongst our employees were:

- Risk assessment workshop (HAZOP/LOPA);
- Inherently safety Program;
- Management safety audit revamp;
- Schedule OHIH & EMS;
- Hazardous Waste Segregation;
- WRAP – Waste Reduction Awareness Program;
- Ergonomics Evaluation and Health Risk Assessment; and
- Process Safety Studies Related to Blast Resistance Control Rooms and Motorized Safe Havens at Site.

These projects contribute immensely towards changing the mindsets and behaviours of our employees, both on personal and professional fronts.

EFERT has also established a dedicated **CAER (Community Awareness Emergency Response) Committee** whose primary role is to provide guidance and training to all communities (present within 3kms) regarding the Emergency Response of their villages in accordance with the established HSE procedures and along with ensuring social development of these villages.

In addition, our Occupational Health Program places significance on industrial hygiene and occupational medicine. In accordance with this strategy, various "**Health Awareness Programs**" were launched in the current and previous years. These programs were accustomed to train employees, keeping them abreast of the numerous technological changes evolving in the current paradigm and enlightening them with various Safety & Health-related aspects of their jobs.

During the year, there have been no recorded cases of work-related illnesses.

Worker trainings

Regular trainings are conducted covering aspects related to health and safety of product and product quality. The training calendar includes the following HSE Topics:

- Process safety and risk management
- Incident investigation and root cause analysis
- Safety training for line supervision
- Personnel safety management
- Health Safety & Environment Fundamentals
- Process Hazards analysis
- Work permit system
- Firefighting techniques
- Introduction of occupational health & industrial hygiene
- Environment management systems
- IMS (ISO-9001/14001/18001/50001) training
- First aid and CPR training

Furthermore, the HSE Committee has also ensured adequate independent oversight on the HSE management system in the form of scheduling regular audits including the following activities:

- Initial gap analysis of the HSE systems
- Action planning
- Third party audit training and checklist development
- Third party audit for compliance and benchmarking by DuPont and 3rd party experts

Safety Day

Safety Day at the Company's plant site in Daharki was held in January 2020. The intent of the whole day engagement was to celebrate Total Recordable Incident Rate (TRIR) achieved in the previous year, promote awareness on TRIR and its containment, CEO's message on safety, learn from international Case Studies and previous incidents, what went wrong and what to learn from them. Panel Discussions were undertaken to discuss on behavioural safety aspects and develop strategies for further improvement in 2020 were held.

COVID-19 related HSE

In response to COVID-19 emergency preparedness, HSE medical and admin team collaborated and developed strong protocols to avoid spread at worksites as well as residential colony. Stringent measures and control layers were deployed at plant entry / exit while ensuring preventive disinfection protocols. Moreover, mock drills were carried out to ensure our preparedness to handle COVID patients without affecting operations and sustaining plant operations.

OUR HSE PERFORMANCE

Total Recordable Injury Rate (TRIR)

	2020	2019
Daharki	0.08	0.03
Zarkhez	0.00	0.358

Loss Workday Injury (LWI)

	2020	2019
Daharki	0	0
Zarkhez	0	0

Total man-hours

	2020	2019
Daharki	5.2 M	7.6 M
Zarkhez	1.052 M	1.116 M

Fatalities

	2020	2019
Daharki	0	0
Zarkhez	0	0

HSE related actions taken to combat and contain COVID-19 in our workplaces and surrounding communities:

COVID-19 presented one of the greatest challenges worldwide to health and safety. Logistics, manufacturing, sales were significantly [illegible]. Overall [illegible] seen, the Company has taken multiple steps that have ensured uninterrupted business operations. Strict adherence to SOPs has been implemented in our offices and plant sites to prevent the spread of virus.

With health and safety of our employees being our utmost priority, the Company continued to operate a special medical help desk facility and [illegible] facilities. Furthermore, many initiatives have been introduced to manage the morale of employees including special assignments [illegible] counselling sessions for emotional well-being and online platforms for social interaction.

09. HUMAN CAPITAL
Risk Management Plans & Performance

Total number of employees	2020	2019
	1,362	1,260

HIRING

Hiring by Age Group	Male	Female
<30 (New Hiring in 2020)	65	13
30-50 (New Hiring in 2020)	78	10
>50 (New Hiring in 2020)	01	0
Total (New Hiring in 2020)	143	24

167 Total Hiring in 2020

Hiring by Age Group	Male	Female
<30 (New Hiring in 2019)	42	10
30-50 (New Hiring in 2019)	51	5
>50 (New Hiring in 2019)	0	0
110 (New Hiring in 2019)	96	14

110 Total Hiring in 2019

ATTRITION

Attrition by Age Group	Male	Female
<30 (Leavers in 2020)	26	04
30-50 (Leavers in 2020)	44	1
>50 (Leavers in 2020)	05	0
Total (Leavers in 2020)	75	05

80 Total Leavers in 2020

Attrition by Age Group	Male	Female
<30 (Leavers in 2019)	26	05
30-50 (Leavers in 2019)	37	05
>50 (Leavers in 2019)	04	0
Total 110 (Leavers in 2019)	73	05

78 Total Leavers in 2019

EMPLOYEE DATA BY CONTRACT TYPE IN 2020

MANAGEMENT EMPLOYEES

Total	825
Male	762
Female	(7.8%) 64

NON-MANAGEMENT EMPLOYEES

Total	536
Male	531
Female	(1%) 5

TOTAL PERMANENT EMPLOYEES

Total	1,362
Male	1,293
Female	(5.1%) 69

TRADE APPRENTICE (TA)

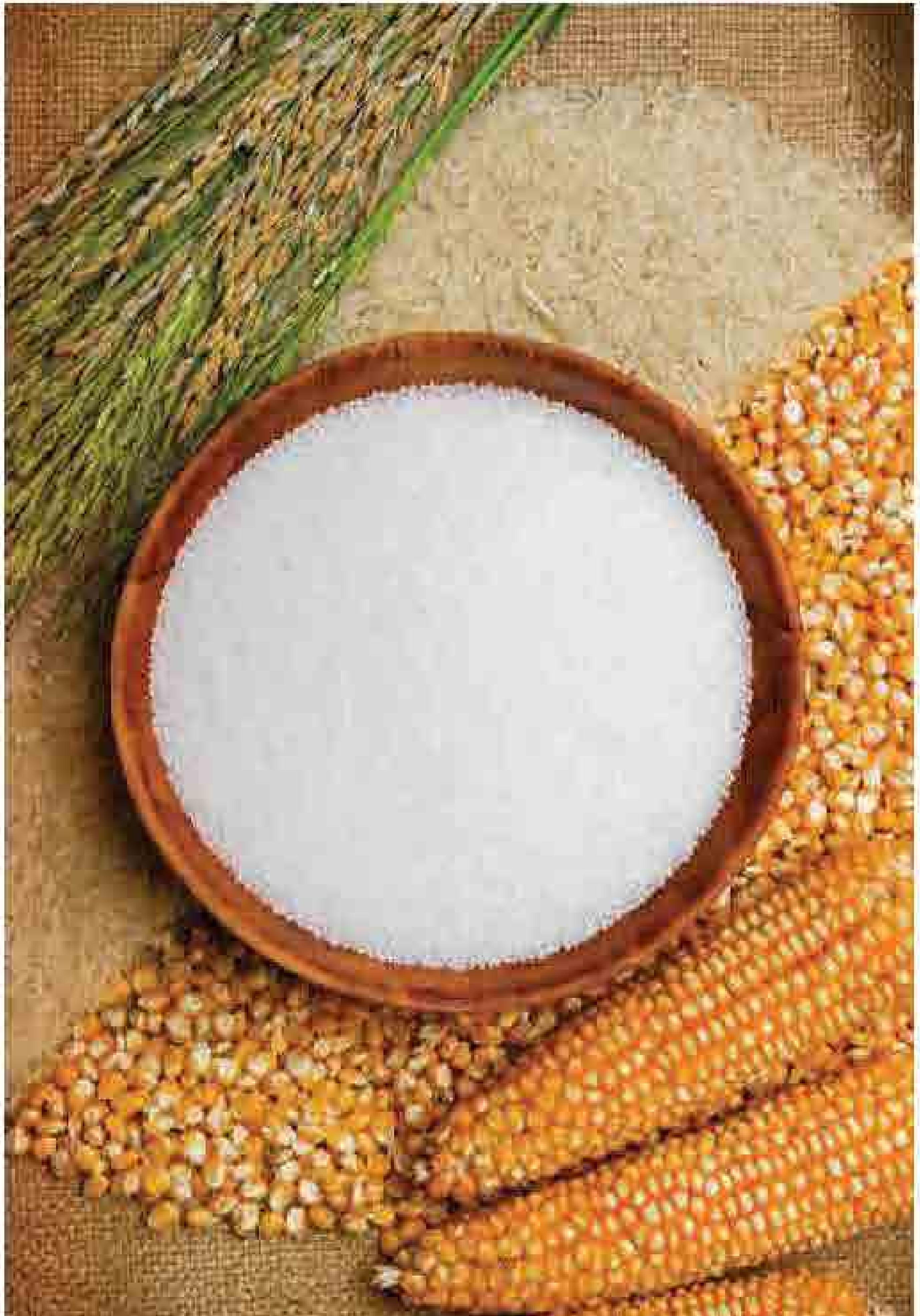
Total	163
Male	157
Female	(3.8%) 6

GRADUATE TRAINEE ENGINEER (GTE)

Total	16
Male	9
Female	(43.8%) 7

GRAND TOTAL

Total	1,541
Male	1,459
Female	(5.3%) 82



HR Governance Process

EFERT strongly believes in valuing our 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.

EFERT recognizes its "People" to be its most valuable asset and therefore People development has always been our priority. We understand that satisfied and highly motivated employees demonstrating the Company's values, ensuring continued excellence is the foundation for a sustainable and growing company. We recognize the importance of human capital and its critical role in creating value potential for our businesses and a successful corporate echo system.

Therefore, EFERT's Board places great importance on People development and the related policies and processes are at the heart of our core values and our People leadership competencies model. To ensure dedicated focus on HR matters, the Board has established the Board People Committee (BPC) that exercises oversight over HR policies and systems and is responsible for the review of performance evaluation, development and succession plans of its People.

There is also a Management Committee (MC) for review and stewardship of all HR matters including compensation, organization, training and development of people. MC is comprised of all divisional heads of the Company including the Head of HR and CEO as the Chairman of the Committee.

EFERT's HR policies encompass the following principles:

Equal Opportunity

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

Training and Development

- To meet employees' 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

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

Compensation and Benefits

- Rewards and benefits aligned with [illegible] in the market [illegible] for high quality talent.
- Clear, integrated reward policies with [illegible].

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.

EFERT's HR policies are approved by the BPC and Board and are stewarded by the Management Committee and Board periodically.

The most senior management position that is responsible for HR matters is Head of Human Resources at company level, who directly reports to the Company's CEO and indirectly reports to Chief People Officer (CPO) at group level. Certain People level policies are also managed at group level by Engro's People Division based at the holding company. Furthermore, industrial relations at plant sites is managed by respective Admin Division at the plant.

During the year, the HR function was re-modelled to improve HR functional services by inducting HR Business Partners in 3 major divisions to enable HR function to serve better and be "Fit for Purpose" in line with its shared vision.

Employee remuneration policies and processes

The Company's HR policies ensure competitive and appropriate compensation and remuneration for its employees based on their role, experience, and performance. Employee remuneration for management employees is determined by relevant competitive markets and guided by Company policies.

The Company maintains separate funded pension and gratuity schemes for its employees. Employees are eligible for these schemes based on completion of vesting period. Trustees of the Fund are responsible to administer these funds. The annual contributions to gratuity and management staff pension funds are based on actuarial valuation. The benefits are provided to full time employees including management and staff. These benefits are not offered to contractual employees. The Company contributes to the defined contribution provident fund for its permanent employees.

Monthly contributions are made both by the Company and employees to the fund at a rate of 10% of the basic salary.

Additionally, a service incentive plan is also maintained for certain category of employees to reward them for their service of more than [illegible] years with the company.

The Company strives to maintain a well balanced program of employee benefits. Various programs mentioned below are currently in place for our employees on retirement:

- Contributory Pension Fund
- Defined Benefit Gratuity Fund
- [illegible] Pension Fund
- [illegible] Provident Fund
- [illegible] Gratuity Fund

Other benefits to permanent employees include:

- Annual Incentive Bonus and Performance Bonus
- Health care and life insurance
- Service incentive plans
- Hajj policy
- Home ownership assistance
- Compensation cars
- Employee's education assistance including Children's Education Assistance, E-Fert Scholars Program, Employee's education assistance, Executive MBA Assistance, Engro Foundation Scholarship and ACCA Annual Subscription fee reimbursement
- Medical and death benefits
- Loans and advances
- Paternity/Maternity leaves and sabbatical leaves
- Long service awards
- Club memberships
- Travel and Transport benefits
- Part-Time Work Policy

Streamlining of Performance Pay structure

Engro successfully implemented its **Talent Strategy Paradigm** focused on Pay for Performance and efficiently ran its yearly promotion, increments and appraisal cycles based on the revised updated structure designed and formalized along with McKinsey & Company. Through the revised structure the following areas have been aligned:

- Employees Grading structure has been restructured and transformed by the inclusion of broader bands and career streams.
- Salary structures have been harmonized across the group aligning the reward matrix.
- Variable Pay has been redesigned, effectively rewarding high performance.

POLICY ROADSHOW

To create awareness about HR policies, the Rewards team introduced "Our EFert for you: Policy awareness campaign". As part of this initiative, a series of sessions have been conducted to educate and remind employees about all the benefits that they can avail. Each session has been designed and tailored for the specific audience entailing all the benefits they are entitled to. The awareness session not only enables employees to be cognizant of HR policies but also provides a platform where they can voice their opinions and provide feedback.

EMPLOYEE CENTRAL

Employee Central, which is a central tool Employee Benefit System, has been launched successfully. Its launch not only allows the employees to easily access, learn, and apply for benefits through the system but also ensures quick and efficient processing of Employees' requests.

ENGRO FERTILIZERS SCHOLARS PROGRAM

EFERT recently launched a "Scholars Program" for children of its non-management employees, enabling them to secure educational assistance for university education of their children in top ranked universities of Pakistan. This initiative provides access to life changing opportunities for children of our non-management employees, highlighting the Company's unwavering commitment towards supporting its employees.

PARENTAL LEAVES METRICS FOR 2020

The company offers 15 days paternal leaves and 6 months maternity leaves. During the year 2020, there were no parental leaves availed.

Employee Engagement

EFERT recognizes that employee engagement is critical for retaining valuable talent and is an important piece of overall satisfaction puzzle. EFERT's Board and HR management therefore takes results of employee engagement survey very seriously. These results are also stewarded at group level by the group People division.

In FY 2020 in view of the stressful pandemic situation and the new remote work from home operating model the Company conducted four pulse surveys to check on its employees emotional and mental health being. The results of these surveys were also stewarded at group level and the remediation plans to address employee concerns were immediately implemented. Employee feelings between first and second lockdown showed improvement. Themes addressed included ease of managing work from home, confidence in the management during the pandemic, increase in productivity, satisfaction with the support provided from their immediate line manager.

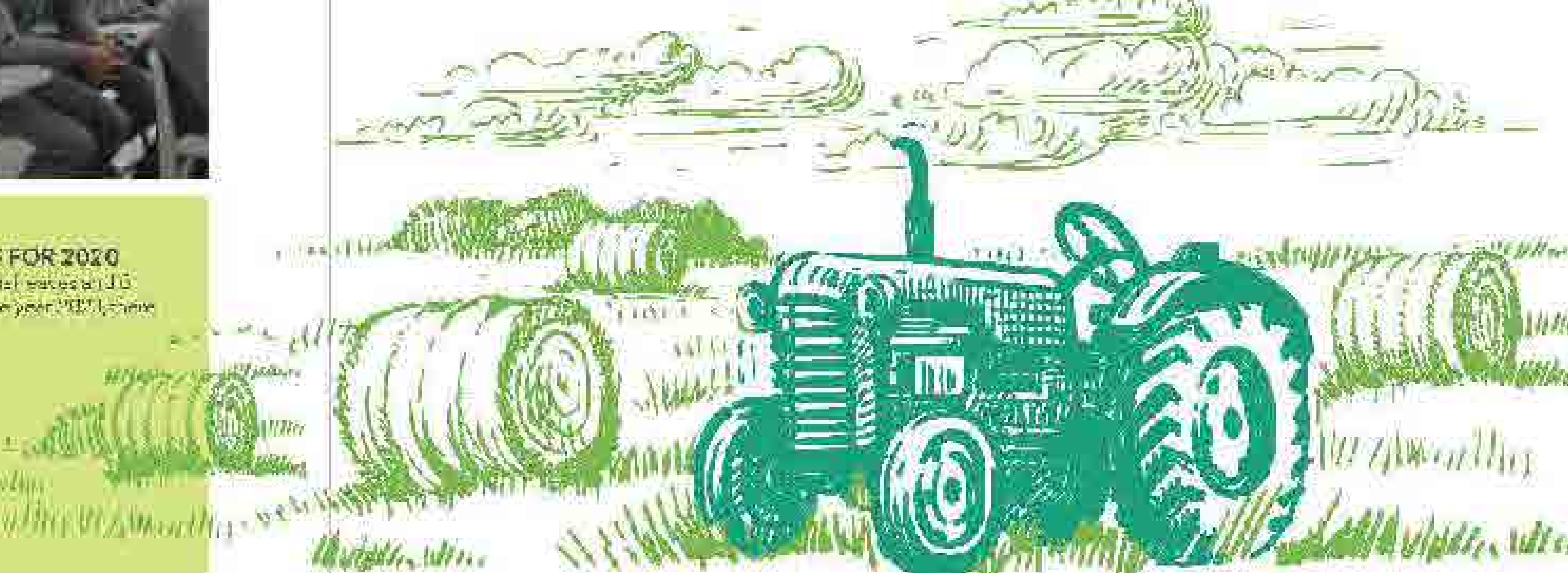
Moreover, the Company also conducts independent annual employee experience survey via a third party. Thus, consistent with last year the Engro Experience Survey was successfully rolled out across the group this year garnering a healthy response rate.

The survey entailed questions focusing on 4 dimensions which include pride, recommendation, job satisfaction and retention.

Overall Employee Engagement Score

84%
2020

80%
2019



People / Talent Development

People development is at the Core of Engro's People Philosophy and is guided by the group's Core Values and Leadership Competencies framework.

EFERT recognizes the importance of talent management in organizational sustainability and continuity.

The Company demonstrates its persistent commitment towards harnessing the human capital potential by continuing to invest in its most valuable asset, its People. This includes following recent strategic initiatives:

- Launch of Leadership Competencies framework across the group
- Creation of a conducive environment by developing a diverse talent pool including gender diversity and transforming our hiring practices
- Launch of HR transformation journey including the new performance management system last year - a complete revamp of our human capital development system that for the first time measures "how" to employee's performance and not just the "what". This has been a critical tool in resetting our culture and in development of our people with actionable evidence based feedback
- Launch of EFERT's online performance management system on "success factors" enabling a comprehensive and transparent process of performance management which includes quality checks by central HR department
- 3 point framework for gender diversity capturing areas of Gender inclusive Culture, Recruitment & Retention of women
- Engro along with McKinsey & Company has recently formalized its Talent Strategy Paradigm which maintains focus on high performance. All systems, structures and processes within HR function have been modified to support the designed strategy
- Stewarding of talent internally and externally through an automated tracking system
- Launch of Finance competencies framework for assessment of finance employees across the group against one consistent framework

Succession planning:
EFERT has a clear succession planning policy and strategy, aimed at ensuring seamless business continuity, by building a talent pipeline for future leadership positions. Keeping People Development at the core and recognizing that change is imminent, the focus is on skill enhancement through an indigenous learning architecture called Transactional 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.

Leadership Competency Model at ENGRO

Training and Education

The Management Committee is responsible for the review of Compensation, Organization, Training and Development matters of all employees. The Committee is chaired by the Company's CEO.

Training initiatives:

Continued Focus on training and development during COVID-19: Striving to achieve excellence and continuing the process of learning, the Company ensured that the focus on training and development is not lost even during pandemic and was successful in conducting some of the most technical trainings online.

- In 2020, EFERT directed resources aimed at philosophical changes in the various HR related paradigms including the training and professional development of its employees:
    - **FDA Academy** was launched to address capability development needs and functional skill gaps of 70+ employees at different levels.
    - **HR Academy** launched to build business acumen and learn effective business partnering practices for a team of 13 employees.
    - **Virtual coaching program** - launched in collaboration with Gallup for 24 leadership team members to focus on developing strengths to build high performing teams. 40+ coaching sessions were conducted.
- 1st ever online training session of project engineering team was held remotely covering essential modules related to Plant Design, Inspection and Repair.
- **First Time Managers - Developing Future leaders:** EFERT introduced a unique training program specialized for the professional development needs of its first-time managers. This was an end-to-end solution that uses technology to build fundamentals, reinforces critical concepts and facilitates learning through experiences of peers and senior leaders. The program is used by top quartile organizations around the world and achieved an 89% satisfaction score.

"Skill lab" facility for young engineers and technicians - I&E department of the Company displayed its commitment towards core skill enhancement by developing a hands-on skill lab facility. The facility is furnished with cut models of equipment such as motor, transformer, control valve, circuit breakers etc. Hands-on training on these models and simulators will enable young professionals to enhance their technical expertise and has yielded positive results previously.

Average hours of training by employee category

	Male	Female
	13,10	2,04
Total 15,147		

Executives

	Male	Female
	308	55
Total 363		

Management employees

	Male	Female
	12,79	1,99
Total 14,784		

Engro Learning Center: The Company has entered into partnership with University of Agriculture, Faisalabad (UAF) to establish "Engro Learning Center" including a Model Farm at UAF campus.

This is a first of its kind initiative by any industry player in Pakistan where Academia-Industry linkage will be leveraged for research, innovation, and demonstration of "Seed to Harvest Solutions" for the capacity building of young graduates and farmers. This Academia-Industry partnership will bring UAF's expertise and EFERT experience together to test and leverage new technologies and effectively showcase EFERT's products to the farming community through model farms.

These initiatives align with our vision to transform the agricultural landscape of Pakistan while also building capacity of our young and upcoming agronomists.

Agricultural Internship Program: EFERT's first ever internship program for agri-based students was introduced during the previous year. The program targeted a potential candidate base of around 150 students, who went through recruitment testing pipeline. Of these 150 applications, 19 candidates were awarded the opportunity to experience the field-based internship at EFERT.

Maintaining diversity and promoting equal gender opportunities, two female interns were also inducted as part of this field-based agri Internship program.

Diversity And Equal Opportunity

Board oversight on diversity and equal opportunity

EFERT welcomes individuals from all walks of life and celebrates **Diversity, Equality and Inclusion** in the workplace. As a diverse and engaged organization, EFERT has taken active measures to introduce policies promoting Diversity and Inclusion.

As part of this vision, EFERT has allocated one seat to a female director on its Board of Directors. During the year two female directors participated in Board meetings.

The leadership at EFERT plays a fundamental role in encouraging all women to progress within their careers and deliver value across all locations, divisions and levels. The goal is to foster gender diversity at all levels within the Company.

The Board has defined measurable KPIs in this regard which includes:

- Proportion of female employees to total number of management employees; and
- Proportion of female hires to total number of hires during the year.

For Company's performance in relation to aforementioned KPIs (i.e. ratio of female employees to males) please refer GRI 401: Employment part of this report.

Gender Inclusion at all levels

Female director on the Board 1*	Female HoDs reporting directly to the CEO 2
Female employees who directly report to HoDs 5	Differently abled employees 24

* As of Dec 31, 2020, the seat is vacant due to casual vacancy arising.

The Board monitors progress against the said KPIs on periodic basis.

During 2020, the Company has been able to achieve significant headway in this regard and closed the year with female permanent employees representing 8% of the work force and 14% of new hires being females.

The Company aims to build on this momentum in the future and elevate its status as one of the most diversity fostering entities in the Pakistan.

Management Employee

8%

14%
new hires

Management initiatives and responsibilities
The Company has a documented HR management policy which encompasses the following principles:

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

A varied workforce is of great value to us, consequently, we **do not tolerate** any discrimination based on the race, ethnicity, religion, views, disability, age, or sexual identity of employees.

At EFERT we take pride in providing everyone an equal opportunity at employment and growth. To proactively infuse the concept of diversity and promote an encouraging environment.

- Creation of a conducive environment by developing a diverse talent pool, enhancing gender diversity and transforming our hiring practices. Gender inclusive policies have been developed.
- 3 point framework for gender diversity has been created, capturing the areas of Gender Inclusive Culture, Recruitment & Retention of women.
- Gender sensitization sessions conducted across Company.
- Organization wide role mapping exercise were conducted, and priority was given to female candidates for new hiring.

Pioneers in promoting diversity in the agriculture industry:

At EFERT we turn dreams into reality through our inclusive culture and gender friendly policies welcoming women from all walks of life to break barriers and empowering them to work.

EFERT led the industry in its gender diversity drive by opening avenues for women in unconventional roles and hiring women from various socio-economic backgrounds as Trade Apprentices, Graduate Trainee Engineers, Workshop Supervisors, Warehouse In-Charges and in field-oriented roles.

Notable Diversity & Equal Opportunity actions in 2020

- **The Finance department launched EFERT Finance Women Forum and successfully addressed concerns raised therein.**
- Women of impact: **Platform of "Women of Impact" rolled out for professional development of women to bring greater focus on career growth and development of Women. Core team from various divisions were formed to mentor the women on their professional career development.**
- **Hired women in unconventional roles (6 warehouse in-charges, 6 trade apprentices (NIMPTs) at Daharki, first in industry, 3 in field-oriented roles in commercial division). The Trade Apprentice 2020 batch now includes 7% women apprentices vs. 0% in last year's.**

Trade Apprentice 2020 Batch:

Proportion of women to total apprentices

7%	0%
2020	2019

Recognition and Awards

EFERT made a mark at the Global Diversity & Inclusion Benchmarks (GDIB) Conference & Awards 2020 by winning 7 awards in different categories and 2nd position overall, for furthering the agenda of gender diversity, inclusion, and equality. The Company won 4 best practice awards in structure, recruitment & development, learning & education, and sustainability; 3 progressive awards were presented for benefits assessment, measurement & research, and D&I communications. The Company remains resolute in its commitment to promote this agenda through the implementation of more robust initiatives.

Board oversight on non-discrimination

The Company's objective is to provide an impartial employment and work ethics framework to employees to provide freedom from all forms of discrimination and harassment at workplace. It is aimed at encouraging employees to treat each other with the same respect and courtesy as we do with our family and friends. The Company does not tolerate harassment, discrimination or abuse of authority of any kind at the workplace regardless of employee seniority or work relationship. In this regard the Company also maintains a "Non-discrimination and Harassment Policy" accessible and viewable to all employees at the Company's online policies portal.

The goal is to provide an environment free from all forms of discrimination and harassment at the workplace.

10. MANUFACTURED & INTELLECTUAL CAPITAL

Risk Management Plans & Performance

The Company's manufacturing operations were faced unique challenges, mainly arising from the uncertainty brought about as a result of the novel COVID-19. With the resolve and efforts of its highly competent workforce, the Company not only managed safe and sustainable plant operations under strict control measures but also managed to set historic records in the form of Excellent Safety Statistics (500 days with ZERO TRIR in 2020) and Highest Ever Urea Production with Best Efficiency.

A consistent, reliable operation of the Company's Base and Enven plants were ensured throughout 2020. During the COVID-19 lockdown, a special operations strategy was adopted and maintenance regimes / surveillance programs were re-strategized resulting in:

- Highest ever Urea production – 2.26 Mn MET;
- Fastest 2 Mn MET Production in record time – 321 days;
- Best ever service factor at Enven (100% [illegible]) and
- Best ever Enven Plant Energy Index.

Production during the year also showed favorable increase in plant reliability and plant utilization.

Alongside these technical challenges, the Company also maintained industrial peace and concluded CBA with zero business interruption through effective union management & regular engagement.

During the year, the Company received uninterrupted feed and fuel gas supply on predetermined rates fixed by the Government. Other procurements, both local and international, were made in line with the Company's approved budget.

Leading Agri-Industry Towards Innovation

Faced with the challenges of global pandemic COVID-19, EFERT was quick to adapt to the new normal and led the industry towards digitization in all respects, from customer / vendor support to digital payment solutions inducing online payments / collections to virtual operations.

KEY PERFORMANCE MEASURES	2020
First ever dealer management system in the industry "Hamsafar" bridging gap between Company and Customer (No. of connected customers)	**2,761 Customers and generated 45% Total Order Value**
Connected farmers through Shandaar Kissan digital program	2500+
Pioneered Electronic BG (E-BG) in Pakistan (Value orders [illegible] against E-BGs amounting to)	Rs. 1,200 Mn

"Hamsafar" is the first ever Online Dealer management system in the industry which automated the Order-To-Cash Cycle for Dealers. The automation of Ordering cycle helped drive efficiencies, reduced the time required to place orders and most importantly, during COVID it provided convenience to place orders via mobile app while staying at home. Additionally, it uses Electronic Bank Guarantees (eBG) enabled saving the need to physically move to bank. Overall 45% of Total Order Value was generated through Hamsafar app. The response has been overwhelming with a total of 2,761 dealers activated on Hamsafar and a total of PKR 22.2 billion worth of orders were placed via this platform. This application is integrated with over 20 banks to avail [illegible] [illegible] payments and [illegible].

To further facilitate our employees, FIORI app was introduced to decentralize information and empower our field force employees; they have access to information even without VPN connection. These applications work on multiple devices making it convenient to readily access pertinent data. To promote its usage, multiple demo sessions were conducted and a gamified campaign was especially rolled out. To tackle the hurdles created by COVID-19, EFERT made provisions to mediate challenges of remote working by providing seamless operations. Laptops and applications for virtual conference calls such as MS Teams were provided to our employees to enable working from home. Moreover, some of the most technical operations / trainings were managed remotely including some critical trainings of plant modules and external certifications from ASME certified inspectors.

EFERT pioneered electronic banking (e-BG) in Pakistan to promote digitization and enhanced corporate services delivery during Covid-19. EFERT developed Pakistan's first ever solution to electronically manage bank guarantees (e-BG). This digital solution significantly reduced ordering time and saved paper. The program will bring about a major transformation in the way bank guarantees are managed in Pakistan.

For the first time in Pakistan, Engro Fertilizers has introduced a year-round soil sampling facility for Pakistani farmers. Two **mobile lab testing** operations are actively running in Sindh and Punjab where they offer soil sampling services to farmers at their doorsteps. Analyzing 35,000 samples annually, the lab offers soil analysis, water analysis and organic matter analysis which in turn formulates fertilizer recommendations. To date, they have served more than 25,000 farmers / growers.

Adapting To The New Norm Through Digitization

In these volatile times where most of the operations and almost all modes of communication are dependent on technology, it is crucial that every organization transition towards digital platforms for increased efficiency. In 2020, EFERT set into motion several initiatives that would eventually pave our way towards digitizing all our operations on digital platforms.

One such initiative was the introduction of **Virtual Knowledge Library on Workplace** to promote independent learning and empowering employees by allowing them quick access to essential data and information. The library is regularly updated with new and latest material.

For smooth HR operations, **Employee Central** went live. This has helped automate core HR processes such as travel management, reimbursements, loans. Furthermore, it enables employees to access self-service features allowing employees to maintain and update their information.

[illegible] Enterprise Resource Planning (ERP) system [illegible] EFERT has [illegible] adoption of a comprehensive ERP system [illegible] S/4HANA. [illegible] EFERT [illegible] in the month of [illegible] 2020.

Harnessing the immense power of the Company's newly installed ERP, the Company was also able to quickly achieve [illegible] by closing monthly books within [illegible] hours [illegible] allowing prompt and accurate financial information [illegible] management and shareholders alike.

EFERT strived to pave way to digitization and set a precedent for others to follow. In these testing times, not only are we ensuring efficiency across all our business operations but are also using these resources to mitigate obstacles and provide comfort to all our stakeholders.

11. PANDEMIC RECOVERY PLAN & EFERT'S ROLE IN NATION'S FIGHT AGAINST PANDEMIC

The World Health Organization declared COVID-19 (the virus) a global pandemic. The Government of Pakistan, in response to the virus and growing number of cases in Pakistan provided directions and implemented a country-wide lockdown during second quarter of 2020. Later, as the COVID situation improved, the Government of Pakistan gradually eased the lockdown to support economic revival. Manufacturing, transportation, distribution and selling of essential commodities including Fertilizers, Seeds and Pesticides, however remained permitted during the lockdown.

The outbreak of COVID-19 gravely affected the lives of people and businesses globally and forever changed the way the world functions. Businesses and corporations had to navigate through uncharted territories and adjust to a new normal of transacting and carrying out their day to day activities in a safe manner.

Being a provider of essential commodities, the pandemic impacted the Company's financial position and performance on a temporary basis only. EFERT's practical and structured recovery plan for COVID-19 was developed and implemented during Q2 2020 and with timely actions, seamless implementation of the Company's business continuity plan ("BCP"), EFERT witnessed a complete turnaround and recovery during Q3 2020.

The logistics department was the one of the few departments that was hit hard due to the wave of the virus. However, it did not stop our logistics departments from maintaining seamless operations. SOPs were created and strictly implemented to ensure Safety and Health of staff. Multiple hand wash stations have been installed, social distancing measures put in place, face masks are provided to our truck drivers and PPE protocols strictly followed. Regular disinfections carried out at logistics and SD departments to prevent spread and transmission of the virus.

EFERT ensured business continuity while adopting safety protocols to ensure health and safety of Engro employees and the community. 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 in scenarios such as natural disasters including epidemics and pandemics. There are policies and procedures in place so critical business processes can be managed with minimal interruption.

EFERT also quickly adopted to the new norms of working and led the industry in adaptation by digitizing various of sections and virtually managing the process.

COVID-19 has changed the way of living across the world. It is important to keep up with the times and find solutions to maintain normalcy in our lives. EFERT strives to set an example for the rest of the country and thus began its transition to this new world with great valor.

EFERT's role in nation's fight against pandemic:
EFERT remained cognizant of its strategic role in Pakistan's agricultural landscape during these challenging times and for this purpose, rose to combat the nation's fight against pandemic. Mr Hussain Dawood, Chairman of Dawood Hercules Corporation and Engro Corporation, pledged a contribution in services, kind, and cash of Rs. 1 Bn for the short, medium and long term. The pledge focuses on disease prevention, protecting and enabling healthcare practitioners and frontline workers, and aiding patient care and facilities. As part of the pledge, the Company extended financial assistance of PKR 75 Million to The Indus Hospital to expand their COVID-19 testing capacity across Sindh to strengthen the health sector.

Furthermore, under these testing times, "Sindh Screening Program – Free of Cost" campaign was launched by EFERT to ensure testing facilities across rural Sindh, especially cities like Larkana, Nawabshah, Jamshoro, Sukkur, Tharparkar and Badin that has seen increasing number of virus transmission.

This is also regularly tested through periodic testing exercises to ensure that strategies accurately reflect current business recovery requirements, and appropriate trainings of relevant personnel.

To further alleviate the impact of COVID-19, Engro expanded its 65 bed quarantine facility to 176 beds at the Technical Training Center in Daharki, a dedicated facility for the general public of Daharki city and surrounding villages.

The HSE&T department at Daharki carried out mask fit testing of medical staff as per OSHA recommendations and conducted a specialized training of the medical staff.

EFERT fully recognizes the financial burden of the cost of COVID-19 tests on workers on our employees. Many of our field workers are working on contract and are medically exposed due to nature of their job. Therefore, EFERT to provide COVID-19 OPD Medical Assistance to all employees and those on contract with EFERT.

The Company recognizes that our women farmers play a key role in providing for their families and communities.

EFERT recognizes the contribution these women make and therefore conducted an impact survey to understand the difficulties they were facing in these uncertain times, not just in their capacity as farmers but as an indispensable member of household. We were happy to conclude that these women were well aware of the severity of the virus and thus have prioritized the well being of themselves and their families by taking precautionary measures to avoid its contraction.

12. FORWARD LOOKING STATEMENT

Source of information and assumptions used for projections / forecasts

EFERT believes that in order to deliver sustainable growth, we need to think ahead and offer differentiated product and service that add value for our customers. In line with this, the Company places strong emphasis on generation and analysis of information to better understand historic and current trends so that we can accurately forecast future events. Economic indicators, market perspectives, global projections, regulatory framework, political outlay, and internal developments are a few crucial contributors to our annual and future forecasting processes.

The Company has developed comprehensive systems and models to analyze trends and develop future projections. The level of information embedded in these projections helps attain visibility over the future with reasonable accuracy. However, in an ever-evolving macro environment, we continue to re-evaluate and adjust the operational strategy of the Company to address market needs.

The Company's internal organizational framework encompasses various functional divisions such as Manufacturing, Commercial, Supply Chain, Finance & Accounting, and Human Resources which contribute to the compilation of information and data for financial projections.

Internal data and expertise coupled with secondary market information are the main sources of information compilation and assessment.

Analysis of last year's forward looking statement / status of projects

The year 2020 came with unprecedented challenges for the Company, as the origin of the COVID-19 pandemic at the start of the year meant that the Company had to rethink its strategy keeping in view the changing horizon. The management, with the oversight of our Board, was able to rapidly adapt to the new normal and developed a comprehensive set of policies which helped us deliver uninterrupted operations while setting many records and delivering excellence across all facets of business.

The Company's sustained focus on operational excellence continued to reap rewards as we stayed strong on our journey of growth and achieved several new milestones during the year despite the mammoth challenges we faced. The Company recorded its highest ever profit after tax of Rs. 18.1 Bn depicting a growth of 7%.

On the manufacturing front, we made significant headway in efficiency and long-term reliability projects pertaining to our manufacturing facilities. This has enabled the Company to deliver higher levels of efficiency and capacity utilization fulfilling the Company's aim of achieving sustainable business growth and playing its role in ensuring food security of the nation. During 2020, the Company produced 2,294 KT of Urea reflecting a 13% increase versus previous record production achieved by our plant in 2019.

During the year, we continued to expand its agri-franchise on the back of multiple competitive advantages that we have built over the years including a strong trade network, resources to comprehend farmer economics and a wide product portfolio that caters to an array of farmer demands. The year witnessed record Urea sales of 2,006 KT, while delivering on our promise to maximize farmer productivity and increased sales by 18% and 4% in Specialty Fertilizer Business and Crop Sciences Division. In its pursuit to provide farmers access to a wide array of agricultural solutions the Company launched several new products in the Crop Sciences Division and also entered into strategic partnerships with MNCs to sell their products in Pakistan.

The record sales have also helped the Company in playing an invaluable role of curtailing the current account deficit by value addition in terms of savings in foreign exchange amounting to approximately USD 524 Mn through import substitution of 2,006 KT of Urea sold in the country by EFERT.

Despite major challenges, mainly due to COVID-19 and locust attacks, the outgoing year saw marked improvement in crop economics and the farmers will be able to generate higher earnings per acre across all major crops. The water availability and improved crop economics drove sowing of major crops. However, the increasing cost of Phosphate remained a major concern for farmers.

A major development during the year pertains to final judgement of The Honourable Supreme Court of Pakistan (SCP) in the GIDC case. The SCP held that the GIDC Act, 2015 is constitutional and the cess payable by the Companies as of July 31, 2020 would be recovered through 48 equal monthly installments. However, the Company along with industry has secured stay on GIDC applicable on non-concessionary as well as concessionary gas.

Forward Looking Statement

EFERT believes that the Fertilizer sector plays a strategic role in the national economy to ensure food security for Pakistan by enabling import substitution and that too at a significant discount to international prices. Currently, the Urea prices in domestic market are at a [illegible]% discount to the international market. Through our efforts to increase efficiency and reliability of the plant, we are also creating the opportunity of exporting excess urea supply which can help the Country to earn valuable foreign currency and reduce its current account deficit.

The Company plans to play its part by delivering consistent growth through sustained focus on operational excellence and development of a sustainable business model. The Company continues to contribute to farmer education by employing technological and social capital, creating awareness by introducing comprehensive solutions, highlighting best practices, outlining the properties of soil, and enabling adequate use of scarce water supply.

Adverse changes in Government policies and regulations remain a risk. Therefore, the Company will continue to engage with Government and other stakeholders at multiple levels to share our view on business dynamics and issues impacting the industry. We believe this engagement is highly important as it allows us to play our role in sustainable and progressive Agri policy making in the Country.

Overtime, the Company has developed a lean organizational structure, with efficient manufacturing capabilities, a strong trade network, robust measures to comprehend farmer economics and a broad product portfolio that caters to a wide array of the farmer's needs. The Company also enjoys a capacity to integrate synergies, accommodate new products and incorporate advanced technology. The Company plans to leverage these factors to deliver sustainable long-term growth and to keep introducing new products to develop end-to-end Agri based value chain, provide value added solutions and enable import substitution for its ultimate beneficiaries.

The Company strongly believes in doing good while doing well and so we will continue to invest in CSR activities in hopes of achieving a brighter future for the communities that surround our manufacturing facilities and Pakistan in general. The major CSR areas where the company plans to focus include infrastructure development, education, livelihood, health and environment.

The Company looks forward to study the agricultural landscape from a holistic lens and play its part in developing a multi-dimensional paradigm where product enhancement and Government's support can promote improving Agri yields and farmers' living standards in the region.

Response framework for future challenges and uncertainties

EFERT has a highly efficient response framework to cater to future challenges and uncertainties. One of the primary challenges include the depletion of allocated gas fields which may affect the production of Urea, in response to which the Organization is evaluating alternate sources of gas / energy along with continued efforts to invest in new compression facilities and efficiency improvement projects.

The end of the concessionary gas agreement is another major challenge for the Company, for which the Company is already engaging with the government for resolutions of the Company's concern in this matter. At the same time, the Company also boasts a strong investment pipeline which will enable diversification of product portfolio and enhancement in profitability.

To ensure the Company continues to maximize shareholder wealth, the Company has adopted a sustainable framework of resource allocation which is used to ensure efficient employment of capital resources such that the Company is able to achieve its strategic objectives.

On the external front, higher reliance of farmers on Urea and their resistance on making balanced nutrient usage may eventually hurt the market for 'P' and 'K' variants. As an environmental and social challenge, it can be catered by creating farmer awareness on the benefits of balanced fertilizers usage through engagements, product trials and pilots. As a long term strategy, EFERT plans on working with the government to implement subsidy plans to encourage farmers to invest in 'P', 'K' and other value-added variants. The Company also plans to engage with the Government on smart subsidy mechanisms, as they are an effective way of changing buying patterns to encourage balanced fertilizer usage.

Adverse movement in Foreign Exchange / Interest Rates harbors an unfavourable impact on the profitability of the Company, resulting in EFERT's treasury function to actively monitor FX movements in market rates and open positions.

Comprehensive and coherent strategic guidelines, along with active monitoring of changes in the operating, economic, political, and social environment, allow EFERT to grow organically, contributing to Company's profitability, growth and the country's economic success.

Driving Efficiencies with Digitization and Empowering our Customers

SECTION 04:

EFERT'S FINANCIAL STATEMENTS

Financial Statements (Consolidated And Standalone) Along With Independent External Auditor's Reports And Report From The Board Audit Committee

1 Report of the Board Audit Committee
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2 Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019
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3 Independent Auditor's Review Report on the Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019
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4 Independent Auditor's Report on the Consolidated Financial Statements
Page 295 to 301

5 Consolidated Financial Statements
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6 Independent Auditor's Report on the Standalone Financial Statements
Page 359 to 365

7 Standalone Financial Statements
Page 366 to [illegible]

01. REPORT OF THE BOARD AUDIT COMMITTEE

Composition

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

Category	Name
Independent Directors	Mr. Asad Said Jafar – Chairman Mr. Asim Murtaza Khan – Member
Non-executive Directors	Mr. Mazhar Abbas Hasnani – Member Mr. [illegible] – Member

Two of the Committee members are qualified finance professionals and the committee, as a whole, possesses significant economic, financial and business acumen.

The detailed profiles of the Audit Committee members are given in Directors' Profile section of the Annual Report 2020.

The Head of Internal Audit of the Company functions as the Secretary to the Committee. Chief Financial Officer of the Company attends the meetings by invitation. Internal auditors are present in all committee meetings whereas external auditors are invited to the meetings on requirement basis.

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

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 Audit Committee believes that it has carried out responsibilities to the full, in accordance with the Terms of Reference approved by the Board which included principally the items mentioned below and the actions taken by the Audit Committee in respect of each of these responsibilities. Evaluation of the Board performance, which also included members of the Audit Committee was carried out separately and is detailed in the Annual Report 2020.

The Committee has concluded its annual review of the operations of the Company for the year ended December 31, 2020 and reports that:

- The Committee reviewed the quarterly and annual financial statements of the Company and recommended them for approval of the Board.
- The standalone and consolidated financial statements of the Company for the year ended December 31, 2020 have been prepared on a going concern basis under requirements of Companies Act 2017, incorporating the requirements of the Code of Corporate Governance, International Financial Reporting Standards and other applicable regulations.
- These financial statements present a true and fair view of the Company's state of affairs, results of operations, profits, cash flows and changes in equity of the Company and its subsidiaries for the year under review.
- 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, 2020.
- The Chairman of the Board, Chief Executive Officer, a director and the Chief Financial Officer have endorsed the standalone and consolidated financial statements of the Company, while the Directors' Report is signed by the Chairman and the Chief Executive Officer. They acknowledge their responsibility for true and fair presentation of the Company's financial condition and results, compliance with regulations, applicable accounting standards and establishment and maintenance of internal controls and systems of the Company.
- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Act, 2017. The financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017 and the external reporting is consistent with management processes and adequate for shareholder needs.
- Proper, accurate and adequate accounting records have been maintained by the Company.
- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and adequacy.
- The Company has issued a "Statement of Compliance with the Code of Corporate Governance" which has also been reviewed and certified by the External Auditors of the Company.
- Understanding and compliance with Company codes and policies has been affirmed by the members of the Board, the Management and employees of the Company. Equitable treatment of shareholders has also been ensured.
- The Committee has reviewed all related party transactions and recommended them for approval of the Board.
- Trading and holdings of Company's shares by Directors and executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction which were notified by the Company Secretary to the Board within the stipulated time. All such holdings have been disclosed in the Pattern of Shareholding. The Annual Secretarial Compliance Certificates are being filed regularly within stipulated time; and
- 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.

Risk Management and Internal Control

- The Company has developed a sound mechanism for identification of risks and assigning appropriate criticality level and devising appropriate mitigation measures which are regularly monitored and implemented by the management across all major functions of the Company and presented to the Audit Committee for information and review.
- The Company has devised and implemented an effective internal control framework which also includes an independent internal audit function.
- The Internal Audit department is responsible for monitoring of compliance, inherent and other risks associated with operations of the Company.
- The Company's approach towards risk management has been disclosed in the risk assessment portion of the Annual Report. The types and details of risks along with mitigating measures are disclosed therein.

Internal Audit

- The Company's system of internal controls is sound in design and has been continually evaluated for effectiveness and adequacy.
- The Audit Committee has ensured the achievement of operational, compliance, risk management, financial reporting and control objectives, safeguarding of the assets objectives of the Company.
- The Internal Audit function has carried out its duties under the charter defined by the Committee. The Committee has reviewed material Internal Audit findings, taking appropriate action or bringing the matters to the Board's attention where required.
- Audit Committee has provided proper arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters. Adequate

remedial and mitigating measures are applied, where necessary.

- The Head of Internal Audit has direct access to the Chairman of the Audit Committee and the Committee has ensured staffing of personnel with sufficient internal audit acumen and that the function has all necessary access to Management and the right to seek information and explanations.
- Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

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, 2020 and shall retire on the conclusion of the 12th Annual General Meeting.
- The Committee has reviewed and discussed audit observations with the external auditors. A meeting was also held with the external auditors in the absence of the management.
- The external auditors have direct access to the Committee and Internal Audit Department, thereby ensuring the effectiveness, independence and objectivity of the audit process.
- A.F. Ferguson & Co., Chartered Accountants also provide taxation and accountment services to the Company. The objectivity and independence of the auditor is safeguarded through separate engagement partners for the non-audit services and the firm's internal process to ensure independence, as confirmed by them through their engagement letter. The firm has no financial or other relationship of any kind with the Company except that of External Auditor, Taxation Consultant and other services as disclosed in the financial statements.
- The performance, cost and independence of the external auditors is reviewed annually by the Committee. The Audit Committee obtained confirmation from the external auditors in its meeting that the engagement team, other partners and staff in the firm, and the firm have complied with the applicable requirements regarding independence.
- The Committee is satisfied with the performance of the External Auditors. The engagement partner on the audit was Mr. Waqas Aftab Sheikh. 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 2021. A resolution to this effect has been proposed at the 12th Annual General Meeting.

Annual Report 2020

- The Company has issued a very comprehensive Annual Report which besides presentation of the financial statements and the Directors' Reports of the Company, also discloses other information to offer an in-depth understanding about the management style, the policies set in place by the Company, its performance during the year, and future prospects to various stakeholders of the Company.
- The information has been disclosed in the form of ratios, trends, graphs, analysis, explanatory notes and statements etc., and the Audit Committee believes that the Annual Report 2020 gives a detailed view of how the Company evolved, its state of affairs and future prospects.

Asad Said Jafar
Chairman, Audit Committee

02. STATEMENT OF COMPLIANCE WITH LISTED COMPANIES

(Code Of Corporate Governance) Regulations, 2019

Engro Fertilizers Limited
Year ended December 31, 2020

Engro Fertilizers Limited (hereinafter referred to as "the Company") has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the Regulations") in the following manner:

1. The total number of directors as at December 31, 2020 are **Seven** as per the following:

   a) Male*: 7
   b) Female**: Nil

   *including the Chief Executive Officer

2. The composition of the Board is as follows:

Category	Name
i) Independent Directors**	Mr. Asad Said Jafar Mr. Asim Murtaza Khan
ii) Non-executive Directors	Mr. Ghias Khan* Mr. [illegible] Gerrard [illegible]* Mr. Javed Akbar Mr. Mazhar Abbas Hasnani
iii) Executive Director	Mr. Nadir Salar Qureshi
iv) Female Director**	Vacant (Subject to casual vacancy)

**The Company is in the process of appointing an independent female director on the Board to fill in the casual vacancy occurred on September 29, 2020 upon resignation of the female director. Post such appointment the Board will comprise of 1/3rd independent directors as required by regulation 6 of the Regulations.

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

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

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

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

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

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

9. No director attended the Directors' Training Program during the year. Six directors on the Board are already certified as trained directors as at December 31, 2020;

10. During the year, the Board has approved appointment of Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. There was no change in the position of Chief Financial Officer;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

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

a) Audit Committee

Mr. Asad Said Jafar - Chairman
Mr. Asim Murtaza Khan
Mr. Javed Akbar
Mr. Mazhar Abbas Hasnani***

***Mr. Mazhar Abbas Hasnani joined the Board with effect from August 7, 2020 and was also appointed as a member on the Board Audit Committee in place of former director Mr. Hasnain Moochhala with effect from October 20, 2020.

b) The Board People Committee i.e. HR and Remuneration Committee

Mr. Asim Murtaza Khan - Chairman
Mr. Ghias Khan
Mr. Javed Akbar

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

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

a) Audit Committee (4 meetings held during the year); and

b) The Board People Committee (3 meetings held during the year);

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

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;

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

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with except for the matter stated in paragraph 1 which is explained below:

The Company is in the process of addressing the matter of appointment of atleast one female director on the Board due to resignation of a former director.

Mr. Ghias Khan
Chairman
Date: February 15, 2021

Mr. Nadir Salar Qureshi
Chief Executive Officer
Date: February 15, 2021

03. INDEPENDENT AUDITOR'S REVIEW REPORT ON THE STATEMENT OF COMPLIANCE WITH LISTED COMPANIES

(Code Of Corporate Governance) Regulations, 2019

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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, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Engro Fertilizers Limited for the year ended December 31, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2020.

Further, we highlight below instance of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where this is stated in the Statement of Compliance.

Reference	Description
Paragraphs 1 & 18	As at December 31, 2020 the Board of Directors of the Company does not have representation of a female director due to the casual vacancy arising upon resignation of female director during the year.

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Date: March 05, 2021

ENGRO FERTILIZERS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

04. INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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A·F·FERGUSON&Co.

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 subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, 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, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

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Following are the key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1.	**Income tax and Sales tax provisions and contingencies** (Refer note 23 and 33 to the consolidated financial statements) The Group has recognised 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 judgements and estimates to assess the same including related financial impacts, we have considered provisions and contingent liabilities relating to income tax and sales tax matters involving the Group as a key audit matter.	Our audit procedures amongst others included the following: - obtained and examined details of the documentation relating to pending tax matters and discussed the same with the Group's management; - circularized confirmations to the Group's external legal and tax advisors for their views on matters being handled by them; - involved internal tax professionals to assess management's conclusions on contingent tax matters and evaluated the consistency of such conclusions with the views of management and external legal and tax advisors engaged by the Group; - checked 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; - checked mathematical accuracy of the calculations underlying the provisions; and - assessed the adequacy of the related disclosures made in the consolidated financial statements with respect to the applicable accounting and reporting standards.
2.	**Provision in respect of Gas Infrastructure Development Cess** (Refer note 19 to the consolidated financial statements) The Supreme Court of Pakistan (SCP) through its judgment dated August 13, 2020 has declared that the Gas Infrastructure Development Cess (GIDC) Act, 2015 (the "Act") is valid and in accordance with the provisions of the Constitution of Pakistan ("the Constitution"). Under the judgement, SCP directed companies responsible	Our audit procedures amongst others included the following: - obtained an understanding of the background facts pertaining to provision recorded in respect of GIDC through meetings with the management and read the minutes of the meetings of those charged with governance.

S.No	Key audit matters	How the matter was addressed in our audit
	under the Act to recover GIDC from their consumers that has become due up till July 31, 2020 and has not been recovered so far, in twenty-four equal monthly installments starting from August 1, 2020 without the component of late payment surcharge. The Group, being aggrieved by the judgement, filed a review petition thereagainst before the SCP on various grounds. The review petition was decided by the SCP on November 02, 2020, upholding the original judgement. Further, the Group has also filed a suit before the Sindh High Court ("SHC") on December 17, 2020 against collection of GIDC on non-concessionary feed gas supplied to the Group on the grounds that factual determination that the GIDC has been passed on to the customers is to be carried out. The SHC granted the Group an interim stay thereagainst. The Group has applied the "Guidance on Accounting of GIDC" issued by the Institute of Chartered Accountants of Pakistan (ICAP) on January 19, 2021 for recognition, measurement and presentation of the GIDC provision in these consolidated financial statements. Accordingly, the Group has remeasured the previously undiscounted provision, classified under current liabilities till last year, at its present value using the risk free rate, giving due consideration to the latest available information and the expected timing of the settlement i.e. in 48 monthly installments commencing from August 2020, as referred to in the aforementioned decision on the review petition by the SCP. The Group, therefore, has recognised remeasurement gain on GIDC provision amounting to Rs. [illegible] thousand in these consolidated financial statements. Due to the nature and significance of the amounts and judgements involved in estimation of the present value of the GIDC provision, including the classification between current and non-current portion, we have considered this as a key audit matter.	- obtained and read the (i) detailed judgement of the SCP, (ii) decision of the SCP on the review petition, (iii) requirements of GIDC Act, 2015 and (iv) requirements of "Guidance on Accounting of GIDC" issued by the ICAP; - understood the management's process for applying judgements in relation to estimation of the present value of the GIDC provision, including the classification between current and non-current portion, and held discussions with the management regarding accounting treatment and the related impacts thereof, subsequent to judgements of SCP; - obtained confirmation from Group's external legal counsel in respect of the current developments in the case including their assessment of the potential outcome of the suit filed in the SHC; - checked the mathematical accuracy of the management's working of current / non-current classification of GIDC provision, its present value and assessed the accuracy and reasonableness of key estimates used; and - assessed the adequacy of the related disclosures made in the consolidated financial statements with respect to the applicable accounting and reporting standards.

S.No.	Key audit matters	How the matter was addressed in our audit
3.	**Loss allowance on Subsidy receivable from the Government of Pakistan** (Refer note 11 and 31 to the consolidated financial statements) As per the Expected Credit Losses (ECL) impairment model under IFRS 9 - "Financial Instruments" the management of the Group is required to assess changes in credit risk, by taking into account time value of money, reasonable and supportable information regarding past events, current conditions, forecast of future events and economic conditions attached to its receivables and recognize ECL, if any, at each reporting date. The Group's management, taking cognizance of the aforementioned requirements of IFRS 9, has made an assessment of ECL on Subsidy receivable from the Government of Pakistan, giving consideration to the time value of money based on expected recovery of subsidy. The Group has determined loss allowance of Rs. 1,238,912 thousand in this respect, based on various assumptions. Due to the significance of the amount and judgements involved in estimation of ECL on subsidy receivable, we have considered this as a key audit matter.	Our audit procedures, amongst others, included the following: - obtained an understanding of the financial model used by the Group's management for the determination of ECL on subsidy receivable; - involved our internal specialist to independently evaluate the appropriateness of the Group's assumptions used to determine the time value of money; - assessed the completeness and accuracy of the data used in the model to the underlying accounting records on a sample basis; - checked the mathematical accuracy of the model by performing recalculations; and - assessed the adequacy of the related disclosures made in the consolidated financial statements with respect to the applicable accounting and reporting standards.

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 regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 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 are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

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

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Date: March 05, 2021

Consolidated statement of financial position
As at december 31, 2020

(Amounts in thousand)

	Note	2020	2019
		Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	4	65,348,796	65,940,096
Intangible assets	5	5,104,8[illegible]	5,071,003
Long term loans and advances	6	84,373	163,791
		70,593,486	71,1[illegible],890
Current assets			
Stores, spares and loose tools	7	6,159,4[illegible]	5,255,422
Stock in trade	8	[illegible]	19,47[illegible]
Trade debts	9	2,566,363	14,1[illegible],520
Loans, advances, deposits and prepayments	10	[illegible],190,547	[illegible]
Other receivables	11	8,303,565	9,418,252
Accrued income		161,[illegible]	105,[illegible]
Taxation - net		2,857,897	2,6[illegible]2,457
Short term investments	12	[illegible]	5,571,644
Cash and bank balances	13	3,614,[illegible]	3,413,473
		60,520,890	55,871,922
TOTAL ASSETS		13[illegible],313,376	127,045,812

(Amounts in thousand)

	Note	2020	2019
		Rupees	
EQUITY & LIABILITIES			
Equity			
Share capital	14	[illegible]	[illegible]
Reserves			
Share premium	15	3,384,904	3,384,904
Remeasurement of post employment benefits	15	(50,41[illegible])	(55,639)
Unappropriated profit	15	30,043,254	26,598,202
		33,372,747	29,926,467
TOTAL EQUITY		[illegible]	[illegible],279,760
Liabilities			
Non-current liabilities			
Borrowings	16	[illegible]	[illegible]
Deferred taxation	17	11,672,783	12,182,436
Deferred liabilities	18	278,034	257,403
Provision for Gas Infrastructure Development Cess (GIDC)	19	10,549,379	-
		[illegible]	[illegible]
Current liabilities			
Trade and other payables	20	30,215,988	18,227,372
Accrued interest / mark-up		[illegible]	[illegible]
Current portion of			
- borrowings	16	10,061,614	8,760,351
- deferred liabilities	18	24,439	30,036
- provision for GIDC	19	[illegible]	[illegible]
Short term borrowings	21	425,120	1,985,910
Loan from Parent Company	22	1,000,000	-
Unclaimed dividend		57,320	50,046
		45,002,[illegible]	[illegible]
TOTAL LIABILITIES		84,982,635	83,767,353
Contingencies and Commitments	23		
TOTAL EQUITY AND LIABILITIES		13[illegible],313,375	127,045,812

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

[illegible] Ahmed
Chief Financial Officer

[illegible]
Chief Executive Officer

[illegible] Khan
Chairman

Consolidated statement of profit or loss
For the year ended december 31, 2020

(Amounts in thousand except for earnings per share)

	Note	2020	2019
		----------Rupees----------	
Net sales	24	105,843,314	121,354,705
Cost of sales	25	(71,591,626)	(51,814,873)
Gross profit		34,252,688	[illegible]
Selling and distribution expenses	26	(8,456,399)	(5,730,345)
Administrative expenses	27	[illegible]	(1,[illegible])
		[illegible]	[illegible]
Other income	28	[illegible]	4,151,[illegible]
Other operating expenses	29	[illegible]	(2,[illegible])
Finance cost	30	(3,236,285)	(5,880,873)
Other gains / (losses)			
- Remeasurement gain on provision for GIDC	19	2,121,389	-
- Loss allowance on subsidy receivable from GoP	31	(1,2[illegible])	-
		[illegible]	-
Profit before taxation		21,295,477	27,397,503
Taxation	32	(3,155,130)	(10,526,353)
Profit for the year		18,134,347	16,871,223
Profit attributable to			
- continued operations		18,134,347	16,835,037
- discontinued operations	33		36,186
		18,134,347	16,871,223
Earnings per share - basic and diluted			
- continued operations		15.58	12.51
- discontinued operations		-	0.0[illegible]
	34	15.58	12.5[illegible]

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive Officer

Ghias Khan
Chairman

Consolidated statement of comprehensive income
For the year ended december 31, 2020

(Amounts in thousand)

	Note	2020	2019
		----------Rupees----------	
Profit for the year		18,134,347	16,871,223
Other comprehensive income			
Items potentially re-classifiable to profit or loss			
Exchange differences on translation of foreign operations	33	-	275,754
Items not potentially re-classifiable to profit or loss			
Remeasurement of post employment benefits obligations		[illegible]	(15,774)
Tax relating to remeasurement of post employment benefits obligations		(2,944)	3,864
		5,228	(11,910)
Other comprehensive income for the year, net of tax		5,228	263,844
Total comprehensive income for the year		18,139,575	17,135,067
Total comprehensive income attributable to			
- continued operations		18,139,575	16,823,157
- discontinued operations	33	-	311,910
		18,139,575	17,135,067

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive Officer

Ghias Khan
Chairman

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

(Amounts in thousand)

	RESERVES					
	CAPITAL		REVENUE			
	Share capital	Share premium	Exchange revaluation reserve	Remeasurement of post employment benefits	Unappropriated profit	Total
	Rupees					
Balance as at January 1, 2020	3,852,953	3,384,904		(54,639)	36,598,232	43,279,640
Transactions with owners						
Dividends:						
- Final 2019 at Rs. 8.00 per share					(2,676,605)	(2,676,605)
- Interim for 2020: Rs. 4.00 per share	-				(5,530,755)	(5,530,755)
- 2nd interim 2020: Rs. 5.00 per share					(6,478,432)	(6,478,432)
	-				(14,685,792)	(14,685,792)
Total comprehensive income for the year ended December 31, 2020						
Profit for the year	-	-			9,150,047	9,150,047
Other comprehensive income - remeasurements, net of tax				6,228		6,228
				6,228	9,150,047	9,156,275
Balance as at December 31, 2020	3,852,953	3,384,904		(50,411)	30,083,252	[illegible]
Balance as at January 1, 2019	3,852,953	3,384,904	305,817	(44,239)	38,421,170	[illegible]
Transactions with owners						
Dividends:						
- Final 2018 @ Rs. 2.00 per share	-	-		-	(4,008,080)	(4,008,080)
- Interim for 2019: Rs. 5.00 per share	-			-	(6,676,452)	(6,676,452)
- 2nd interim 2019: Rs. 6.00 per share					(8,011,796)	(8,011,796)
					(18,696,328)	(18,696,328)
Total comprehensive income for the year ended December 31, 2019						
Profit for the year	-			-	4,871,223	4,871,223
Other comprehensive income						
- Exchange revaluation	-	-	275,754	-	-	275,754
- remeasurements, net of tax				(11,910)		(11,910)
	-	-	275,754	(11,910)	4,871,223	5,135,067
Reclassification of exchange revaluation reserve to profit or loss on disposal of subsidiary			(581,571)			(581,571)
Balance as at December 31, 2019	3,852,953	3,384,904	-	(56,229)	36,598,232	43,279,640

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive Officer

Ghias Khan
Chairman

Consolidated statement of cash flows
For the year ended december 31, 2020

(Amounts in thousand)

	Note	2020	2019
		Rupees	
Cash Flows From Operating Activities			
Cash generated from operations	38	54,599,457	33,529,490
Retirement and other service benefits paid		(50,293)	(89,672)
Taxes paid		(3,344,905)	(11,445,373)
Long term loans and advances		81,919	(5,550)
Net cash generated from operating activities		[illegible]	[illegible]
Cash Flows From Investing Activities			
Purchases of property, plant and equipment and intangibles		(5,175,366)	(4,011,500)
Proceeds from disposal of operating assets	4.3	45,346	251,917
Purchase of short term investments		(24,513,364)	(34,015,249)
Proceeds from sale of short term investments		2,555,553	37,404,980
Proceeds from disposal of subsidiary company			1,922,286
Income on deposits / other financial assets		1,387,440	2,455,880
Net cash (utilized in) / generated from investing activities		[illegible]	4,512,[illegible]
Cash Flows From Financing Activities			
Proceeds from long-term borrowings	16.3	1,311,725	5,000,000
Loan from Parent Company	22	1,000,000	-
Repayments of long-term borrowings	16.3	(8,796,124)	(5,122,417)
Finance cost paid		(3,489,456)	(3,724,924)
Dividends paid		(14,031,021)	(15,099,517)
Net cash used in financing activities		(24,928,876)	(22,047,158)
Net increase in cash and cash equivalents		1,096,422	3,944,235
Cash and cash equivalents at beginning of the year		4,029,957	(190,032)
Exchange gain on translation		-	275,751
Cash and cash equivalents at end of the year	39	[illegible]	4,029,[illegible]

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive Officer

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 Holding Company is engaged in the manufacturing, purchasing and marketing of fertilizers, seeds and pesticides and providing logistics services. 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 Company: EFERT Agritrade (Private) Limited (EAPL) which is a wholly owned subsidiary of the Holding Company.

1.1.1 **EFERT Agritrade (Private) Limited**

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.

1.2 **Impact of COVID-19 on the consolidated financial statements**

The World Health Organization declared COVID-19 (the virus) a global pandemic. The Government of Pakistan (GoP), in response to the virus and growing number of cases in Pakistan, provided directions and implemented a country-wide lockdown during second quarter.

Later, as the COVID situation improved, the GoP gradually eased the lockdown to support economic revival.

Manufacturing, transportation, distribution and selling of essential commodities including fertilizers, Seeds and Pesticides however remained permitted during the lockdown. Consequently, the Company's Urea plant located at Daharki, District Ghotki, Sindh continued to operate. Zarkhez plant located at Port Qasim, Karachi though was temporarily closed due to nonavailability of steam.

The management believes that due to the pandemic the Holding Company's operations, consolidated financial position and results have been impacted only on a temporary basis. As per management's assessment, there are no significant effects of COVID-19 that require disclosure in these consolidated financial statements.

The management continues to monitor the developing situation and would proactively manage any risk arising thereof.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 **Basis of preparation**

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

2.1.2 **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 in 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
- 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 consolidated financial statements.

2.1.3 The preparation of consolidated financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its 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 3.

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

a) **Standards, amendments and interpretations to published accounting and reporting standards which became effective during the year ended December 31, 2020**

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

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

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

2.1.5 Basis of consolidation

i) **Subsidiaries**

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

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-recognized from the date the control ceases. These consolidated financial statements include Engro 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 recognised 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 recognised 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 of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to consolidated profit or loss.

2.2 Property, plant and equipment

2.2.1 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 2.22). 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 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 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 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 additions 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.

2.2.2 Leased assets

The Group recognises leases as a right-of-use asset and corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2.3 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 available for 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 GoP 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 at least 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.

2.4 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 costs to sale and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

2.5 Investment in subsidiary

Investment in subsidiary company is initially recognised at cost. These are subsequently measured at cost less accumulated impairment, if any. Where impairment losses subsequently reverse, the carrying amounts 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.

2.6 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 consolidated statement of profit or loss.

2.7 Financial assets

2.7.1 Classification, initial recognition and measurement

Financial assets are classified into appropriate categories on initial recognition and are subsequently measured at amortised cost at fair value through other comprehensive income or at fair value through profit or loss. The management determines the classification of financial assets into appropriate categories based on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

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

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

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

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

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

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

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

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

2.7.2 Derecognition

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

2.7.3 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Holding Company measures ECL of a financial instrument in a way that reflects:

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

b) the time value of money; and

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

2.8 Financial liabilities

The Group recognises a financial liability in its consolidated statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial liability at its fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. Subsequently, financial liabilities are stated at amortised cost.

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

2.9 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.

2.10 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 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.

2.11 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.

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

2.13 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.

2.14 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.

2.15 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 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.

2.16 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.

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

2.18 Employee benefits

2.18.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions 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.

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 2.18.3. 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 2.18.3. Monthly contributions are made by the Group to the fund at the rate of 8.33% of basic salary.

All of the above mentioned funds are managed by the Parent Company.

2.18.2 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 37 to the consolidated financial statements.

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

Calculations 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

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.

2.18.3 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 Employees Defined Contribution Gratuity Fund (the Fund), a defined contribution plan. The present value, as at June 30, 2011, of the defined benefit obligation of those employees who accepted this offer were transferred to this Fund. Furthermore, from July 2011 onwards, the monthly contributions to Defined Contribution Pension Fund of such employees were discontinued.

2.18.4 Service incentive plan

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

2.18.5 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.

2.19 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.

2.20 Foreign currency transactions and translation

2.20.1 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.

2.20.2 The results and financial position of all the group entities (none of which has the currency of a hyperinflationary 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 recognised as a separate component of equity.

2.21 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. The credit limits in contracts with customers ranges from 30 to 150 days. Revenue is recognised on the following basis:

- In case of sale of goods, when control is transferred to customers which coincides with dispatch 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 and sub-licensing 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 Group's right to receive the dividend is established.

2.22 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.

2.23 Research and development costs

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

2.24 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.

2.25 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.

2.26 Segment reporting

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

2.27 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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The 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:

3.1 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.

(Amounts in thousand)

3.2 **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 current and deferred taxes is made taking into account these judgments and the best estimates of future results of operations of the Group.

3.3 **Provision for retirement and other service benefits obligations**

The present value of these obligations depend on a number of factors that are determined on actuarial basis using 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 37 respectively.

3.4 **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 5.1.

3.5 **Contingencies and provisions**

Significant estimates and judgements are being used by the management in accounting for contingencies and provisions relating to legal and taxation matters being contested at various forums based on applicable laws and the decisions / judgements.

3.6 **Impairment of financial assets**

Significant estimates are involved in the assessment of the correlation between historical observed default rates and the projection of cashflows, forecast economic conditions and ECL. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions.

4. PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	Rupees	
Operating assets at net book value (note 4.1)	59,578,633	62,586,001
Capital work in progress (CWIP) (note 4.5)	5,171,126	5,588,116
Major spare parts and stand-by equipment	596,037	765,949
	65,345,796	68,940,066

4.1 Operating assets

	Land Freehold	Land Leasehold	Buildings on Freehold	Buildings on Leasehold	Plant and machinery	Gas pipeline	Catalyst	Other equipments	Aircraft	Vehicles	Total
	Rupees										
As at January 1, 2019											
Cost	55,773	148,970	2,803,134	443,179	96,365,526	1,225,884	1,511,052	1,293,077	–	598,477	104,435,998
Accumulated depreciation	–	(69,391)	(1,251,673)	(157,883)	(39,573,285)	(95,707)	(1,361,881)	(821,913)	–	(312,129)	(43,275,974)
Net book value	55,773	77,490	1,551,461	285,296	56,792,241	1,130,177	149,171	471,164	–	286,348	61,160,024
Year ended December 31, 2019											
Net book value (as at January 1, 2019)	55,773	77,490	1,551,461	285,296	56,792,241	1,130,177	149,171	471,164	–	286,348	61,160,024
Transfers from CWIP (note 4.5.1)	–		92,196		1,603,217	–	471,196	75,914	–	1,444,147	4,764,944
Disposals / write offs (note 4.4)											
Cost		(47,615)			(562,028)			(314,326)		(53,570)	(953,131)
Accumulated depreciation		(14,248)			514,545	–		314,796	–	43,961	903,401
	–	(28,338)	–	–	–	–	–	530	–	(9,609)	(37,417)
Depreciation charge (note 4.2)	–	(1,361)	(103,637)	(17,937)	(4,395,354)	(11,734)	(151,447)	(109,879)	–	(175,011)	(5,600,399)
Net book value											
Cost			(744)	301	32,436	(10,280)		(16,948)		17,475	41,920
Accumulated depreciation	–	–	20	–	(31,638)	–	–	4,936	–	(15,238)	(41,920)
	–	–	(744)	301	798	(10,280)	–	(12,012)	–	2,437	–
Net book value	55,773	57,790	1,543,765	271,659	56,346,344	1,222,181	569,419	413,752	–	1,509,325	62,586,001
As at January 1, 2020											
Cost	55,773	97,334	2,903,855	443,479	100,382,098	2,214,993	1,982,247	990,810	–	1,882,731	111,657,341
Accumulated depreciation	–	(39,724)	(1,357,090)	(168,820)	(44,040,354)	(992,812)	(1,413,828)	(578,057)	–	(372,375)	(49,081,740)
Net book value	55,773	57,590	1,543,765	271,659	56,346,344	1,222,181	569,419	413,752	–	1,509,325	62,586,001
Year ended December 31, 2020											
Net book value - January 1, 2020	55,773	57,590	1,543,765	271,659	56,346,344	1,222,181	569,419	413,752	–	1,509,325	62,586,001
Transfers from CWIP (note 4.5.1)			49,955		950,456			236,404	324,222	952,177	2,513,239
Disposals / write offs (note 4.3)											
Cost					–	–	–	(423,378)	–	(83,068)	(506,442)
Accumulated depreciation					–	–	–	97,727	–	75,519	173,246
			–	–	–	–	–	(325,651)	–	(7,549)	(333,200)
Depreciation charge (note 4.2)		(1,654)	(103,473)	(19,937)	(4,446,222)	(165,877)	(181,708)	(134,537)	(5,995)	(250,013)	(5,309,416)
Net book value	55,773	55,936	1,490,247	251,722	52,850,578	1,056,304	387,711	190,028	318,227	2,193,940	59,578,633
As at December 31, 2020											
Cost	55,773	97,334	2,953,810	443,479	101,332,554	2,214,993	1,982,247	1,146,266	324,222	2,404,619	113,014,296
Accumulated depreciation	–	(41,378)	(1,463,563)	(191,757)	(48,482,307)	(1,158,689)	(1,594,536)	(956,238)	(5,995)	(630,723)	(54,521,463)
Net book value	55,773	55,956	1,490,247	251,722	52,850,578	1,056,304	387,711	190,028	318,227	2,193,940	59,578,633
Annual rates of depreciation %	–	2 to 5	2.5 to 10	2.5	2.5 to 10	5	Units of production basis	10 to 25	[illegible]	15 to 25	

(Amounts in thousand)

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

	2020	2019
	Rupees	
Cost of sales (note 25)	5,[illegible]3,512	5,476,693
Selling and distribution expenses (note 26)	46,355	110,477
Administrative expenses (note 27)	76,329	15,154
	5,236,104	5,601,255

4.3 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
		Rupees				
Items having net book value more than Rs. 500 each						
Vehicle						
By Company policy	Mr. Amjad Khan	1,406	694	712	1,530	818
Items having net book value of upto Rs. 500 each						
Office equipment and vehicles	Various	67,536	35,617	31,889	44,315	12,426
Year ended December 31, 2020		68,942	36,311	32,601	45,845	13,244
Year ended December 31, 2019		958,181	920,804	37,377	251,219	213,842

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

Location	Total area (acreage)
Daharki plant & colony	720
Darkhana land at Port Qasim	11.95

(Amounts in thousand)

4.5 Capital work in progress

	2020	2019
	Rupees	
Plant and machinery	4,160,605	2,0[illegible]
Building and civil works including gas pipeline	242,273	55,954
Furniture, fixture and equipment	110,4[illegible]	125,815
Advances to suppliers	569,455	155,672
Others	90,[illegible]	74,[illegible]
	5,171,126	2,588,146

	2020	2019
4.5.1 **Balance as at January 1**	2,588,1[illegible]	3,159,219
Additions during the year	5,045,255	3,841,262
Transferred to:		
- operating assets (note 4.1)	(2,261,257)	(3,753,003)
- intangible assets (note 5)	(201,071)	(659,302)
Balance as at December 31	5,171,126	2,588,146

5. INTANGIBLE ASSETS

	Goodwill (note 5.1)	Right to use the brand (note 5.1)	Software and licenses	Rights for future gas utilization	Total
	Rupees				
As at January 1, 2019					
Cost	153,806	4,170,995	368,223	102,312	4,825,336
Accumulated amortization	-	-	(299,168)	(38,430)	(337,598)
Net book value	152,806	4,170,995	69,055	63,882	4,487,771
Year ended December 31, 2019					
Net book value - January 1, 2019	152,806	4,170,995	69,055	63,882	4,487,771
Transfers from CWIP (notes 4.5.1 and 5.2)	-	-	659,302	-	659,302
Write-off					
Cost		-	(9,004)	-	(9,004)
Accumulated amortization			9,004		9,004
		-	-	-	-
Reclassification					
Cost	-	-	3,085	-	3,085
Accumulated amortization			(3,085)		(3,085)
Amortisation (note 5.3)	-	-	(70,[illegible])	(5,111)	(76,[illegible])
Net book value	152,806	4,170,995	657,431	58,771	5,071,003
As at December 31, 2019					
Cost	152,806	4,170,995	1,020,786	102,312	5,477,899
Accumulated amortization			(363,355)	(43,541)	(406,896)
Net book value	152,806	4,170,995	657,431	58,771	5,071,003
Year ended December 31, 2020					
Net book value - January 1, 2020	152,806	4,170,995	657,431	58,771	5,071,003
Transfers from CWIP (notes 4.5.1 and 5.2)	-	-	201,071	-	201,071
Amortization (note 5.3)		-	(102,146)	(5,111)	(107,257)
Net book value	152,806	4,170,995	756,356	53,660	5,133,817
As at December 31, 2020					
Cost	152,806	4,170,995	1,221,857	102,312	5,675,970
Accumulated amortization			(465,501)	(48,652)	(514,153)
Net book value	152,806	4,170,995	756,356	53,660	5,133,817

(Amounts in thousand)

5.1 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	13%

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

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

5.2 Primarily relates to cost incurred on implementation of new ERP i.e. SAP amortised over a period of 8 years.

5.3 Amortisation for the year has been allocated as follows:

	2020	2019
	Rupees	
Cost of sales (note 25)	17,585	15,790
Selling and distribution expenses (note 26)	844	15,290
Administrative expenses (note 27)	[illegible]	45,150
	107,257	76,130

6. LONG-TERM LOANS AND ADVANCES - Considered good

	2020	2019
Executives (notes 6.1, 6.2, 6.3, 6.5 and 6.6)	[illegible]	231,074
Other employees (notes 6.4, 6.5 and 6.6)	20,885	41,373
Deposits to suppliers	1,054	[illegible]
	158,367	272,447
Less: Current portion shown under current assets (note 13)	108,495	108,656
	51,872	163,791

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

	2020	2019
Balance as at January 1	231,074	195,299
Disbursements	[illegible]	156,101
Repayments / amortisation	(142,433)	(120,326)
Balance as at December 31	[illegible]	231,074

6.2 Details of loans and advances to executives

	2020	2019
	Rupees	
Service incentive loans	101,304	185,525
Advances in respect of:		
- Car earn out assistance	7,576	3,8[illegible]
- House rent	15,228	17,084
- Retention loan	60	127
- Salary	15,756	9,939
- Others	15,310	13,788
	155,228	231,074

6.3 The maximum amount outstanding from executives at the end of any month during the year aggregated to Rs.195,660 (2019: Rs.311,319).

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

6.5 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.

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

7 STORES, SPARES AND LOOSE TOOLS

	2020	2019
	Rupees	
Consumable stores, spares and loose tools	7,139,863	5,904,237
Less: Provision for surplus and slow moving items (note 7.1)	540,750	518,815
	6,499,113	5,385,422

7.1 Provision for surplus and slow moving items

	2020	2019
Balance as at January 1	518,815	457,401
Charge for the year	21,935	177,813
Reversal during the year	-	(20,399)
Balance as at December 31	540,750	518,815

8. STOCK-IN-TRADE

	2020	2019
Raw materials	1,108,494	970,196
Packing materials	273,143	135,070
Work in process	137,333	48,169
	1,518,970	1,153,365
Finished goods		
- manufactured products	5,020,255	2,228,488
- purchased and packaged products	1,225,670	9,154,570
	6,245,925	11,373,058
Less: Provision for impairment against stock-in-trade (note 11)	[illegible]	20,785
	[illegible]	[illegible]

	2020	2019
	Rupees	

8.1 **Provision for impairment against stock-in-trade**

Balance as at January 1	48,785	50,000
Charge for the year	453,275	28,785
Written-off during the year	(200,409)	(50,000)
Balance as at December 31	281,651	28,785

9. TRADE DEBTS

Considered good		
Secured (note 9.1)	2,455,054	13,275,370
Unsecured	451,299	899,150
	2,906,353	14,174,520
Considered doubtful	19,854	48,799
	2,926,207	14,223,319
Less: Provision for impairment against trade debts (note 9.2)	19,854	48,799
	2,906,353	14,174,520

9.1 These debts are secured by way of bank guarantees and inland letter of credit.

9.2 **Provision for impairment against trade debts**

Balance as at January 1	48,799	18,230
Charge for the year (note 29)	3,364	30,569
Written off during the year	(32,309)	
Balance as at December 31	19,854	48,799

10. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

Considered good		
Current portion of long term loans and advances to executives and other employees (note 6)	103,495	105,656
Advances and deposits (note 10.1)	1,[illegible]95,919	1,287,610
Prepayments		
- Insurance	5[illegible]5,410	429,[illegible]
- Freight	[illegible]1,154	51,954
- Others	55,566	1,074,119
	2,[illegible]56,549	2,948,700

10.1 Includes advance amounting to Rs. 131,142 (2019: Rs. 359,777) in respect of vehicles.

11. OTHER RECEIVABLES

	2020	2019
	Rupees	
Subsidy receivable from Government of Pakistan - net (notes 11.1 and 11.2)	3,129,464	5,368,356
Sales tax receivable	2,684,691	2,763,991
Due from Parent Company	4,464	-
Due from associated companies:		
Engro Polymer & Chemicals Limited	5,545	69,773
Engro Powergen Qadirpur Limited	6,543	8,519
Engro Digital Limited	-	504
Engro Powergen Thar (Private) Limited	-	12,749
Thar Foundation	-	260
Engro Foundation	109	23,526
FrieslandCampina Engro Pakistan Limited	5,111	2,252
Engro Eximp Agriproducts (Private) Limited	1,149	[illegible]
Sindh Engro Coal Mining Company Limited	-	410
Engro Infiniti Limited	-	8,215
Engro Eximp FZE	78,716	-
Engro Vopak Terminal Limited	794	560
Receivable from Defined Benefit Gratuity Fund - MPT (note 37.2.1)	21,760	38,586
Workers' profits participation fund (note 11.3)	215,179	-
Claims receivable	96,365	99,546
Others	33,591	13,003
	6,[illegible]1,555	7,41[illegible]

11.1 In FY 2015, the Government of Pakistan (GoP) notified payment of subsidy on sale of products at the rate of Rs. 500 per 50 kg bag of Di-Ammonium Phosphate (DAP) and Rs. 217 per 50 kg bag of Nitrophos (NP) and Nitrogen, Phosphorous and Potassium (NPK) fertilizers (based on phosphorous content). This subsidy scheme was effective till May 27, 2016.

In FY 2016, a new subsidy scheme was announced by the GoP, effective June 25, 2016 whereby subsidy was payable on sale of 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).

In FY 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 of 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.

11.2 **Subsidy receivable from Government of Pakistan - net**

	2020	2019
	Rupees	
Gross subsidy receivable from GoP	5,523,493	5,523,493
Less: Provision against doubtful receivable	(155,137)	(155,137)
Less: Loss allowance on subsidy receivable from GoP (note 31)	(1,238,912)	
	3,129,484	5,368,356

(Amounts in thousand)

11.3 Workers' profits participation fund

	2020	2019
	Rupees	
Balance as at January 1	(91,094)	51,134
Charge for the year (note 29)	(1,0[illegible]9,532)	(1,461,299)
Payments during the year	1,345,204	1,318,071
Balance as at December 31	[illegible]	(91,094)

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

	2020	2019
	Rupees	
Parent Company	4,464	510,977
Associated Companies		
- Frieslandcampina Engro Pakistan Limited	[illegible]	9,945
- Engro Powergen Qadirpur Limited	8,504	8,519
- Sindh Engro Coal Mining Company Limited	1,215	5,069
- Engro Polymer & Chemicals Limited	[illegible]	100,124
- Engro Energy Limited	[illegible]	9,592
- Engro Powergen Thar Limited	12,749	12,749
- Engro Thar Foundation	143	360
- Engro Vopak Terminal Limited	4,307	[illegible]
- Engro Eximp Agriproducts (Private) Limited	3,514	2,033
- Engro Digital Limited	768	1,035
- Engro Foundation	[illegible]	43,525
- Engro Eximp FZE	75,885	81,977

12. SHORT TERM INVESTMENTS

	2020	2019
Pakistan Investment Bonds	23,916,308	
Treasury Bills	[illegible]	5,005,137
Term Deposit Receipts	251,712	506,207
	[illegible]	5,511,344

13. CASH AND BANK BALANCES

	2020	2019
Cash at banks in:		
- deposit accounts (note 13.1)	329,702	2,787,547
- current accounts (note 13.2)	2,972,177	622,911
	3,301,879	3,410,358
Cash in hand	9,562	2,915
	3,311,441	3,413,273

13.1 Deposit accounts carry return at rates ranging from 5.50% to 10.[illegible]% (2019: 10.30% to 11.30%) per annum.

13.2 Includes Rs. 715,887 (2019: Rs. 617,519) held in foreign currency bank accounts.

(Amounts in thousand)

14. SHARE CAPITAL

	2020	2019
	Rupees	
Authorized Capital		
1,400,000,000 (2019: 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 (2019: 258,132,299) Ordinary shares of Rs. 10 each, fully paid in cash	2,581,323	2,581,323
[illegible] (2019: [illegible]) Ordinary shares of Rs. 10 each issued as at January 1, 2010 on transfer of fertilizer undertaking	100,000	100,000
1,062,[illegible] (2019: 1,062,[illegible]) Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	10,625,000	10,625,000
4,367,058 (2019: 4,367,058) Ordinary shares of Rs. 10 each issued upon exercise of conversion option by International Finance Corporation (IFC)	43,670	43,670
	[illegible]	[illegible]

14.1 As at reporting date, the Parent Company held 56.27% (2019: 56.27%) of the share capital of the Holding Company.

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

15. RESERVES

	2020	2019
	Rupees	
Capital reserves		
Share premium	3,384,904	3,314,504
Revenue reserves		
Remeasurement of post employment benefits	(50,411)	(56,519)
Unappropriated profit	30,043,255	26,575,202
	29,992,844	26,571,553
	33,377,748	29,925,407

(Amounts in thousand)

16. BORROWINGS - Secured (Non-participatory)

	Note	Mark-up rate per annum	Instalments: Number	Instalments: Commenced / Commencing from	2020	2019
					Rupees	
Long term finance utilized under mark-up arrangements:						
Senior Lenders						
Allied Bank Limited	16.1	3 months KIBOR + 0.35%	8 half yearly	June 30, 2028	[illegible]	
Allied Bank Limited	16.1	3 months KIBOR + 0.35%	14 half yearly	[illegible]	641,725	
Allied Bank Limited		3 months KIBOR + 1.15%	8 half yearly	March 29, 2020	600,000	2,000,000
Allied Bank Limited		3 months KIBOR + 0.2%	8 half yearly	June 26, 2025	2,100,000	2,100,000
Allied Bank Limited		3 months KIBOR + 0.35%	8 half yearly	June 30, 2022	2,500,000	2,500,000
[illegible]						
[illegible]		6 Months LIBOR + 3.75%	7 half yearly	December 15, 2019	[illegible]	[illegible]
[illegible]		3 months KIBOR + 0.9%	8 half yearly	November 28, 2015	-	200,000
[illegible]		3 months KIBOR + [illegible]	8 half yearly	March 29, 2020	2,000,000	4,000,000
[illegible]		3 months KIBOR + 1.2%	8 half yearly	December 28, 2017	1,000,000	3,000,000
[illegible]		6 Months KIBOR + 0.09%	8 half yearly	March 26, 2021	1,800,000	1,800,000
[illegible]		3 months KIBOR + 0.35%	8 half yearly	June 30, 2022	2,800,000	2,800,000
National Bank of Pakistan		6 Months KIBOR + 0.9%	8 half yearly	June 29, 2022	[illegible]	1,000,000
[illegible]		3 months KIBOR + 0.9%	8 half yearly	June 26, 2017	[illegible]	[illegible]
United Bank Limited		3 months KIBOR + [illegible]	8 half yearly	March 29, 2020	2,000,000	4,000,000
					[illegible]	[illegible]
Less: Current portion shown under current liabilities					[illegible]	[illegible]
					[illegible]	[illegible]

16.1 During the year the Holding Company obtained long term finances from Allied Bank Limited amounting to Rs. 1,041,725 in aggregate to finance the capital expenditure. These borrowings have the same charge as on the borrowings from other existing Senior Lenders on operating assets.

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

16.3 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:

	2020	2019
	Rupees	
Balance as at January 1	33,952,449	30,810,029
Borrowings availed during the year	1,041,725	5,000,000
Amortization of transaction cost	5,293	16,884
Repayment of borrowings	(3,790,120)	(5,122,417)
Exchange loss	66,231	247,953
Balance as at December 31	[illegible]	[illegible]

17. DEFERRED TAXATION

Credit/(Debit) balances arising on account of:

	2020	2019
- Accelerated depreciation allowance	11,960,533	12,353,426
- Provision for:		
staff retirement benefits	(13,354)	(12,729)
- surplus and slow moving stores and spares and doubtful receivables	(268,730)	(158,271)
	11,677,758	12,182,426

18. DEFERRED LIABILITIES

	2020	2019
Deferred income (note 18.1)	53,755	57,654
Service benefit obligation	273,351	255,785
Less: Current portion shown under current liabilities	(54,435)	(56,036)
	[illegible]	[illegible]
	[illegible]	257,400

18.1 This represents Rs. 80,027 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. PROVISION FOR GAS INFRASTRUCTURE DEVELOPMENT CESS

The Honorable Supreme Court of Pakistan (SCP), through its judgment dated August 13, 2020 (Judgment) declared that the levy imposed under the Gas Infrastructure Development Cess (GIDC) Act, 2015 (the Act) is valid and in accordance with the provisions of the Constitution of Pakistan 1973 (the Constitution). The SCP in its Judgment stated that the Government has already collected Rs. 295 billion and this amount combined with the outstanding amount would [illegible] the quantity of Rs. [illegible] billion. The SCP, therefore, issued the following directions:

(Amounts in thousand)

- restrained the Federal Government from charging further GIDC until such time that the GIDC already collected and accrued (but not yet collected), is expended on projects listed under the Act;
- As all industrial and commercial entities which consume gas for their business activities pass on the burden to their customers, therefore, GIDC that has become due up to July 31, 2020, and has not been recovered so far, shall be recovered by the gas companies responsible under the Act to recover from their consumers in twenty-four equal monthly installments without the component of Late Payment Surcharge (LPS); and
- In case, no work is carried out on the gas infrastructure pipelines in the manner and/or time specified in the Judgment, the purpose of levying GIDC shall be deemed to have been frustrated and the Act would become completely inoperational and considered dead for all intents and purposes.

Pursuant to the Judgment, the gas suppliers began invoicing the GIDC installments for recovery with effect from August 01, 2020.

Aggrieved by the Judgment, the Holding Company filed a review petition before the SCP which was upheld by the SCP on November 02, 2020 (Review Decision). However, the Review Decision (i) noted that the Court is agreeable to recover the unpaid arrears in 48 monthly installments instead of 24 monthly installments provided the time period for the projects was extended to 12 months from 6 months; and (ii) upheld the validity of Section 8(2) of the Act. The SCP protected the rights of the Industrial Sector (excluding Fertilizer Fuel Stock) to approach the appropriate fora for enforcement of the exemption provided under the proviso to Section 8(2) of the Act.

Subsequent to the Review Decision, the Holding Company filed a rectification application before the SCP seeking a clarification regarding the increase in installments.

The Holding Company also filed a suit before Sindh High Court (SHC) on December 17, 2020 against collection of GIDC on non-concessionary feed gas supplied under the non-fixed price contracts and the fuel gas on the basis of relief available under section 8(2) of the Act and on the grounds that factual determination of the GIDC passed on is to be carried out. The SHC granted the Holding Company an interim stay restraining the impleaded gas companies from taking coercive action against the Holding Company for non-payment of GIDC installments.

Further, against the GIDC installment invoice received from SNGPL on concessionary gas supplied under the fixed price gas sale and purchase agreement dated April 11, 2007 (GSPA), the Holding Company approached the SHC to challenge this imposition. The Holding Company has obtained a stay order in its favour and the SHC has restrained SNGPL from taking any coercive action against the Holding Company on collecting GIDC on feedstock gas supplied to the Holding Company under the GSPA. The management has made an assessment (as confirmed by the legal advisor) that there are reasonable chances of a favourable outcome in relation to the legal proceedings filed against SNGPL for feed gas supplied under the GSPA. Hence no provision on account of GIDC has been recorded by the Holding Company in respect of feed gas received under the GSPA.

Considering the recent events and developments in GIDC case including the Judgement and the Review Decision, the Institute of Chartered Accountants of Pakistan (ICAP) released "Guidance on Accounting of GIDC" via Circular No. 1/2021 dated January 19, 2021, which specifies the requirements for recognition, measurement and presentation of GIDC.

Keeping in view the financial reporting guidance of ICAP, the Holding Company has applied IAS 37 - "Provisions, Contingent Liabilities and Contingent Assets" and re-measured its previously undiscounted provision at its present value using the risk free rate, giving due consideration to the latest available information and the expected timing of the settlement i.e. 48 monthly installments as also referred to in the Review Decision. The Holding Company, therefore, has recognised remeasurement gain on GIDC provision amounting to Rs. [illegible] in these consolidated financial statements. Further, as at December 31, 2020, current and non-current portion of GIDC provision has been separately disclosed in the statement of consolidated financial position and the corresponding figures have been accordingly reclassified.

20. TRADE AND OTHER PAYABLES

	2020	2019
	Rupees	
Creditors	6,965,304	4,825,252
Accrued liabilities	10,759,165	9,516,875
Advances from customers	10,[illegible]	1,133,973
Payable to Parent Company	650	349,585
Payable to:		
- Engro Energy Limited	[illegible]	2,553
- Engro Energy Terminal (Private) Limited	1,050	1,631
- Engro Eximp FZE	-	138,294
- Defined Contribution Provident Fund	[illegible]	22,888
- Defined Contribution Provident Fund MPT	7,878	[illegible]
- Defined Contribution Gratuity Fund MPT	13,996	7,753
- Defined Contribution Pension Fund	816	33,502
- Defined Benefit Gratuity Fund MPT	15,522	210,394
Deposits / Retention from dealers and contractors (note 20.1)	211,161	203,073
Workers' welfare fund	1,443,615	1,561,955
Workers' profits participation fund (note [illegible])	-	71,174
Withholding tax payable	153,860	302,798
Others	430,534	488,755
	30,215,988	15,227,372

20.1 The amount is kept in separate term deposits account as per the terms of agreements and is not utilised for the purpose of the business of the Group.

21. SHORT TERM BORROWINGS

Holding Company

The Company has funded facilities for short-term finances available from various banks and institutions / investors amounting to Rs 15,125,000 (2019: Rs. 15,125,000) along with non-funded facilities of Rs. 3,827,000 (2019: Rs. 2,037,000) for bank guarantees. The rates of markup on funded bank overdraft facilities ranged from 0.2% to 0.8% per annum over 1 month & 3 month KIBOR and all 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. 250,331 (2019: Rs. 1,546,980) from funded facilities and Rs. 3,009,428 (2019: Rs. 2,010,153) from the non-funded facilities as at the reporting date.

Subsidiary Company

The facilities for short term running finances available from various banks aggregate to Rs. 12,725,000 (2019: Rs. 12,725,000). The rates of markup on the funded bank overdraft facilities ranged from 0.2% to 0.5% per annum over 1-month & 3-months 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, 2020, the Company has utilised Rs. 174,259 (2019: Rs. 439,325) from the funded facilities and Rs. 905,125 (2019: Rs. 296,569) from the non funded facilities as at the reporting date.

22. LOAN FROM PARENT COMPANY

During the year, the Holding Company obtained subordinated loan from the Parent Company amounting to Rs. 1,000,000 (2019: Nil) for a period of eleven months. The mark-up is payable on quarterly basis at the rate of 3 months KIBOR + 0.1%.

23. CONTINGENCIES AND COMMITMENTS

Contingencies

23.1 As at December 31, 2020, bank guarantees of Rs. 4,471,555 (2019: Rs. 3,400,717) have been issued in favour of third parties.

23.2 As at December 31, 2020 claims, including pending lawsuits, against the Holding Company not acknowledged as debts amount to Rs. 61,914 (2019: Rs. 61,914).

23.3 The Holding Company has entered into Dealer Finance Agreements (DFAs) with different banks amounting to Rs. 4,500,000 (2019: Rs. 4,500,000) consequent to which the banks will provide financial assistance to dealers sourced by the Holding Company. In respect to DFAs amounting to Rs. 500,000 the Company has agreed to bear 10% of the principal in case of default by the dealers. As at December 31, 2020, the banks have made disbursements to dealers under the DFAs amounting to Rs. 2,937,099 (2019: Rs. 3,537,876) maturing on various future dates.

23.4 The Holding Company filed a constitutional petition in the SHC against the Ministry of Petroleum and Natural Resources (MP&NR), 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. Through its order dated October 15, 2011 SHC 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 SCP against the aforementioned order of the SHC by SNGPL, MP&NR, Agritech Limited, Pak Arab Fertilizers and Kohinoor Mills Limited along with 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 SHC 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 MP&NR have failed to restore full supply of gas to the Holding Company's plant despite the judgment of the SHC in Holding Company's favor. A show cause notice has also been issued against MP&NR and SNGPL dated December 21, 2011 by the SHC. The application is pending for hearing and no orders have yet been passed in this regard.

23.5 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 (GSPA) 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 in fact 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 outrightly 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) GSPA guarantees uninterrupted supply of gas to the new plant, with first 100 mmscfd 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 GoP, nor the GSPA 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 given that similar matter is pending in SCP. However, the Holding Company's management, as confirmed by the legal advisor, considers chances of petitions being allowed to be remote.

23.6 In 2013, the Holding Company, 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 (2010 Act) in relation to the alleged unreasonable increase in fertilizer prices. The Holding Company has responded in detail that factors resulting in such increase were mainly due to imposition of infrastructure cess, sales tax and gas curtailment. The CCP issued an order in March 2013, whereby it held that the Holding Company has a dominant position in the urea market and that it has abused the same by unreasonable increase in urea prices during the period December 2010 to December 2011. The CCP also held another major fertilizer company to be responsible for abusing its dominant position. Moreover, the CCP imposed a penalty of Rs. 3,140,000 and Rs. 5,500,000 on the Holding Company and the other fertilizer company, respectively. An appeal has been filed before the Competition Appellate Tribunal (CAT) and a writ has been filed in SHC wherein stay has been granted in favour of the Holding Company restraining CCP and Federation of Pakistan (i.e. Respondents) from taking any coercive action.

In case of the other fertilizer company, the CAT has transferred the case back to the CCP for reassessment. The Holding Company has also challenged the composition of the CAT before SHC and has secured an interim order in its favour whereby the CAT is restrained from passing any final order against the Holding Company during the pendency of the petition. 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.

23.7 During 2015, the Holding Company received a sales tax order from the tax department for the year ended December 31, 2011, pertaining to discharge of output tax liability on assumed production of urea amounting to Rs. 402,873 and on presumption that output tax liability is not being discharged by the Holding Company on advances received from dealers amounting to Rs. 1,344,075. The Holding Company filed an appeal thereagainst with the Commissioner Inland Revenue (Appeals) [CIR(A)] which decided the matters in favour of the Holding Company. The department thereafter challenged the decision of the CIRA with the (ATIR), which is pending to be heard. No provision has been made by the Holding Company in this respect.

23.8 On July 2017 the tax department of Lahore set an order for the period June 2015 to July 2017 with a demand of Rs. 1,500,000 mainly on account of further sales tax to be charged on sales to unregistered persons. The Holding Company filed an appeal thereagainst with the CIRA who disposed off the appeal in favour of the taxation department on September 24, 2018. A constitutional petition against the said order has been filed with the SHC and stay for recovery under and against CIRA's order was obtained on October 31, 2018. The Holding Company also filed an appeal against CIRA decision which is pending before the ATIR. 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.

23.9 In the year 2017, the High Court of Islamabad in its order dated June 8, 2017, held that the income derived by the Contractor from its contract with the Holding Company is subject to tax as per Article 5(4) of Double Taxation Treaty between Pakistan and the Netherlands. Thus confirming the demand raised in the respective orders aggregating to Rs. 1,178,391. In respect thereof, the Contractor preferred an appeal in the SCP. In FY 2019, the SCP decided the case on ex-parte basis against the contractor and review application for case restoration has been filed by the Contractor. The Holding Company's management, as confirmed by the legal advisor, is confident that the review application for the case restoration will be accepted and on merit of the case no provision is warranted.

(Amounts in thousand)

		2020	2019
		Rupees	
23.10	Commitments		
	Commitments in respect of capital expenditure and other operational items	8,416,193	7,354,808

24 NET SALES

	2020	2019
Gross sales:		
- manufactured products	[illegible]	[illegible]
- purchased and packaged products	[illegible]	45,560,0[illegible]
- services	415,820	92,533
	108,752,460	124,993,059
Less: Trade discounts	595,855	1,113,097
Less: sales tax	2,210,3[illegible]	2,525,204
	105,945,814	121,351,758

25. COST OF SALES

Cost of sales - Manufactured products

	2020	2019
Raw materials consumed	[illegible]	[illegible]
Salaries, wages and staff welfare (note 25.1)	3,054,695	2,951,589
Fuel and power	1[illegible],3[illegible]2,038	12,331,215
Repairs and maintenance	1,217,475	1,533,880
Depreciation (note 4.2)	5,119,6[illegible]	5,4[illegible]
Amortisation (note 5.3)	17,585	15,790
Consumable stores	1,238,720	1,053,230
Training, HSE and other related expenses	[illegible]	[illegible]
Purchased services	538,736	572,504
Travelling	51,622	70,475
Communication, stationery and other office expenses	38,85[illegible]	[illegible]
Insurance	[illegible]	458,875
Rent, rates and taxes	50,788	58,272
Other expenses	1,534	3,002
Manufacturing cost	48,104,002	45,354,916
Add: Opening stock of work in process (note 9)	28,169	[illegible]
Less: Closing stock of work in process (note 9)	(137,333)	(28,169)
Cost of goods manufactured	48,094,838	47,3[illegible]1,264
Add: Opening stock of finished goods (note 9)	2,238,488	[illegible]
Less: Closing stock of finished goods (note 9)	(6,320,355)	(2,238,488)
	46,313,07[illegible]	45,339,257

Cost of sales - Purchased and packaged products

	2020	2019
Opening stock - net of NRV (note 8)	9,157,286	[illegible]
Add: Purchases during the year	[illegible]	36,249,397
Less: Closing stock - net of NRV (note 8)	([illegible]273,492)	(9,157,286)
	36,278,585	36,135,613
	[illegible],591,636	[illegible]

25.1 Salaries, wages and staff welfare includes Rs. 17[illegible],603 (2019: Rs. 192,251) in respect of staff retirement benefits.

26. SELLING AND DISTRIBUTION EXPENSES

	2020	2019
	Rupees	
Salaries, wages and staff welfare (note 26.1)	1,171,219	1,029,806
Staff recruitment, training, safety		
Training, HSE and other related expenses	85,6[illegible]	206,514
Product transportation and handling	4,[illegible]	5,1[illegible]
Royalty (note 26.2)	1,095,516	1,170,4[illegible]
Repairs and maintenance	29,053	56,018
Advertising and marketing	354,795	312,274
Rent, rates and taxes	593,015	128,998
Communication, stationery and other office expenses	12,[illegible]97	33,070
Travelling	1[illegible]5,360	1[illegible]
Depreciation (note 4.2)	40,357	110,472
Amortisation (note 5.3)	[illegible]	15,290
Purchased services	11[illegible]	[illegible],441
Insurance	8,522	15,476
Others	6,550	8,333
	8,456,799	8,736,345

26.1 Salaries, wages and staff welfare includes Rs. [illegible] (2019: Rs. [illegible]) in respect of staff retirement benefits.

26.2 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.

27. ADMINISTRATIVE EXPENSES

	2020	2019
	Rupees	
Salaries, wages and staff welfare (note 27.1)	408,982	454,407
Training, HSE and other related expenses	58,[illegible]	56,783
Repairs and maintenance	[illegible]	[illegible]
Rent, rates and taxes	134,535	55,395
Communication, stationery and other office expenses	29,335	24,367
Travelling	12,760	23,709
Depreciation (note 4.2)	76,326	13,134
Amortisation (note 5.3)	[illegible]	45,050
Purchased services	99[illegible],328	465,627
Aircraft operating expense	72,225	
Insurance	36,440	7,920
Other expenses	5,513	7,935
	1,907,530	1,248,19[illegible]

27.1 Salaries, wages and staff welfare includes Rs. 33,[illegible]4 (2019: Rs. 42,547) in respect of staff retirement benefits.

(Amounts in thousand)

28. OTHER INCOME

	2020	2019
	------Rupees------	
On financial assets		
Income on bank accounts under:		
- shariah permissible arrangements	-	10,595
Income on government securities, term deposit certificates and bank deposits	1,439,335	1,714,893
Gain on disposal of subsidiary (note 33.1)	-	804,571
Others	5,595	20,150
	1,445,530	2,556,240
On non-financial assets		
Gain on disposal of property, plant and equipment (note 4.3)	12,214	713,842
Rental income		2,899
Reversal of liability for workers' welfare fund	180,379	999,423
Scrap sales	25,160	45,425
Others	[illegible]	[illegible]
	221,180	1,795,513
	1,667,110	4,351,752

29. OTHER OPERATING EXPENSES

	2020	2019
Workers' profits participation fund (note 11.3)	1,019,332	1,461,099
Workers' welfare fund	363,734	473,550
Donation (note 29.1)	334,714	205,175
Legal and professional	150,508	62,017
Provision for impairment against trade debts (note [illegible])	[illegible]	40,551
Auditors' remuneration (note 29.2)	20,523	11,296
Provision against sales tax receivable		244,000
Others	12,073	74,004
	1,934,278	2,522,661

29.1 During the year, the Holding Company made donations to Engro Foundation and The Indus Hospital amounting to Rs. 175,500 (2019: Rs. 230,200) and Rs. 95,000 (2019: Nil) respectively. Mr. Ghias Khan, the Chairman of the Board, and Mr. Nadir Salar Qureshi, the Chief Executive Officer of the Holding Company, are also the trustees of Engro Foundation.

29.2 Auditors' remuneration

	2020	2019
	------Rupees------	
Fee for:		
- audit of annual financial statements	3,149	2,535
- special audit / review of half yearly financial information	655	1,298
- review of compliance with the Code of Corporate Governance	55	50
- certifications, advices and audit of retirement funds	4,618	2,273
- taxation services	13,546	4,575
Reimbursement of expenses	1,090	565
	20,523	11,296

30. FINANCE COST

	2020	2019
	------Rupees------	
Interest / mark-up / return on:		
- long term borrowings		
- interest / mark-up arrangements	2,831,590	3,121,262
- shariah permissible arrangements	100,155	231,248
	2,931,745	3,352,510
- short term borrowings		
- interest / mark-up arrangements	[illegible]	[illegible]
- shariah permissible arrangements	186,457	12,125
	255,100	362,231
Foreign exchange loss - net	46,445	172,129
	[illegible]	[illegible]

31. LOSS ALLOWANCE ON SUBSIDY RECEIVABLE FROM GoP

This represents loss allowance recognised on Subsidy receivable from the GoP (note 11) in accordance with the Expected Credit Loss model under IFRS 9 giving consideration to the time value of money based on expected recovery of subsidy receivable. The Holding Company, however is confident of full recovery of the subsidy amount from the GoP.

32. TAXATION

	2020	2019
	------Rupees------	
Current		
- for the year	[illegible]	5,315,[illegible]
- for prior years (note 32.4)	([illegible])	[illegible]
	3,672,315	5,439,112
Deferred	(507,152)	5,087,268
	3,165,[illegible]	10,526,380

32.1 During the year, the income tax department amended the assessment filed by the Holding Company for tax year 2019. The Holding Company has filed an appeal before the CIRA against the disallowances which mainly pertained to allocation of expenses to exempt / FTR income, tax credit on investment in plant and machinery, disallowance of deductible allowances for WWF / WPPF resulting in additions to taxable income of Rs. 3,805,555. In addition, the tax department raised demand for super tax amounting to Rs. [illegible]. The management is confident for a favorable outcome on this case.

32.2 During the year 2017, the income tax department amended the assessment filed by the Holding Company for tax year 2014. The Holding Company filed an appeal before the CIRA against the disallowances which mainly pertained to exchange gain and loss, loss on derivatives and losses purchased from Engro Eximp Agriproducts (Private) Limited on assessment under section 59B of the Income Tax Ordinance, 2001 resulting in additions to taxable income of Rs. 8,[illegible]91,963. In addition, the tax department raised demand for the Alternative Corporate Tax (ACT) through the same order, for which the Holding Company specifically obtained a stay order. The matter was heard by CIRA and favorable decision was made in respect of exchange losses and acceptance of prior years tax refunds, whilst other additions made by the tax department in respect of ACT, loss on derivatives and group relief under section 59B were maintained in the order. The Holding Company has filed an appeal against the order of CIRA before the Income Tax Appellate Tribunal which is pending to be heard.

(Amounts in thousand)

32.3 In FY 2019, the income tax department amended the assessment filed by the Holding Company for the tax years 2015, 2016 and 2017. The Holding Company filed appeals before CIRA for disallowances made in these 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 59 of the Income Tax Ordinance, 2001, resulting in cumulative addition of Rs. 6,173,526 to taxable income of these tax years. Subsequently, CIRA passed an order for tax years 2015, 2016 and 2017 maintaining most of the additions made by taxation officer in the amendment order, whilst allowing deletion of expenses on allocation basis to exempt income and claim of exchange losses on realised basis. The Holding Company as well as the tax department filed appeals against CIRA's order before the Appellate Tribunal Inland Revenue (ATIR).

Through order dated February 24, 2020, ATIR decided the amendment orders for TY 2015 and 2016 mainly in favor of the Holding Company, except for certain disallowances including provisions of other receivables, retirement benefits and disallowance of loss on fair valuation of embedded derivative which were remanded back to the tax department for verification. On June 11, 2020, the tax department filed reference application before HCS on questions of law arising out of the ATIR order.

The Holding Company maintains adequate provision in these consolidated financial statements and is confident of an ultimate favorable outcome on these amendments.

32.4 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. 1,275,166. The Holding Company has challenged the said decision before the High Court of Sindh (HCS). During the year, the matter was heard, and is reserved for judgement. However, the Holding Company is confident of a favorable outcome.

32.5 In Tax year TY 2019, the Holding Company received recovery notice from the Federal Board of Revenue for payment of Super Tax, in accordance with Section 4B of the Income Tax Ordinance 2001 (ITO) for TY 2018. The Holding Company filed a Constitutional Petition before the SHC challenging the notice as well as the vires of Section 4B of the ITO. An interim order was granted in favour of the Company. On July 2, 2020, SHC held that of Section 4B was intra vires the Constitution (SHC Judgement). Thereafter, the Holding Company filed a Civil Petition for Leave to Appeal (CPLA) before the SCP challenging the SHC Judgment. The CPLA was filed by the Holding Company only in relation to TY 2018 as the year which was challenged before the SHC as well.

Pursuant to the SHC Judgement, the tax department passed orders against the Holding Company for TY 2015 to 2019 in relation to recovery of Super Tax amounting in aggregate of Rs. 2,771,497. The Holding Company filed appeals against the orders before CIRA.

On November 24, 2020, SCP granted leave to appeal and passed an interim order restraining the Respondents from taking any coercive action against the Petitioner taxpayers (including the Holding Company) subject to them depositing 50% of the impugned outstanding tax amount.

The Holding Company has till date paid Super Tax amounting to Rs. 1,121,724 against the relevant tax years. Adequate provision for Super Tax for the respective TYs is being maintained in these consolidated financial statements.

32.6 As a result of demerger in the year 2005, 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. 336,530
- [illegible] Apportionment of [illegible] (Financial years [illegible] to 2005): Rs. [illegible]

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 financial statements.

32.7 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 Holding 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 has not accepted this 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 ITAT. However, the department has given appeal effect order to the aforementioned favourable decision of the CIT(A) for tax year 2013.

During FY 2019, in respect of tax year 2013, the matter was decided by the ITAT in favour of the Holding Company and the department's appeal in this respect was rejected. The management is confident for a favorable outcome on this case and therefore no provision is being maintained in these consolidated financial statements in this respect.

32.8 During the year, the Holding Company's management has reassessed its income tax provisions based on the finalisation of its income tax assessments of prior tax years by the income tax department. As a result thereof, the Holding Company's management has recognised reversal of tax provisions amounting in aggregate to Rs. 3,379,336 in these financial statements.

32.9 **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:

	2020	2019
	Rupees	
Profit before taxation	21,298,477	27,397,603
Tax calculated at the rate of 29% (2019: 29%)	6,300,234	7,945,305
Depreciation not deductible for tax purposes	-	523
Tax effect of:		
Expenses not allowed for tax	199,192	52,444
- Final / Special Tax Regime and exempt income (Net) [illegible]	(254,960)	752,023
Effect of:		
- Prior year tax charge	(3,379,336)	123,125
- Change in deferred tax liability rates due to reduction in tax rates (note 30.1.1)	-	1,700,966
Tax charge for the year	[illegible]	[illegible]

32.19 Through Finance Act 2018, corporate tax rates for years ended December 31, 2018 and onwards were reduced by 1% for each subsequent tax year up to tax year 2023 (financial year ending December 31, 2022). Subsequently through Finance Act, 2019, the said change was deleted and corporate tax rates were fixed at 29% for tax year 2019 and onwards. This represents amount of related charge / (reversal) in deferred tax related to aforementioned changes.

33. DISCONTINUED OPERATIONS

The Holding Company entered into a Share Purchase Agreement with the Parent Company and disposed of its entire investment in EEF Engro Eximp FZE (EEF), a wholly owned subsidiary of the Holding Company effective July 17, 2019, the summary of which is as follows:

33.1 Summary of gain on disposal of EEF

	Note	2019
		----Rupees----
Sale proceed on disposal		1,972,500
Less: Net assets of the subsidiary	33.2	(1,852,500)
		120,000
Realized exchange gain on translation of reserves	33.3	(104,571)
		104,571

33.2 An analysis of assets and liabilities attributable to discontinued operations as at the time of disposal is as follows:

	2019
	----Rupees----
Assets attributable to discontinued operations	
- Advances, deposits and prepayments	5,371
- Trade debts	222,105
- Accrued income	48,455
- Short-term investments	1,630,72[illegible]
- Balance with banks	45,219
	1,951,913
Liabilities associated with discontinued operations	
- Service benefits obligations	661
- Trade and other payables	98,74[illegible]
	99,405
	1,852,500

33.3 Amount recognised in other comprehensive income and accumulated in equity relating to discontinued operations — 104,571

33.4 Financial performance of discontinued operations is as follows:

	2019
	----Rupees----
Administrative expenses	(12,190)
Other income	40,851
Other operating expenses	(968)
Finance cost	(707)
Profit before taxation	36,186
Taxation	-
Profit for the period	36,186
Other comprehensive income	275,751
Total comprehensive income for the period	[illegible]

33.5 Net cash flows attributable to discontinued operations

Net cash generated from operating activities	398
Net cash generated from investing activities	-
Net cash utilized in financing activities	(42,454)
	(42,056)

34. EARNINGS PER SHARE (EPS)

34.1 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.

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

	2020	2019
	----Rupees----	
Profit for the year		
- continued operations	18,133,347	15,835,037
- discontinued operations	-	36,186
	18,133,347	15,871,223
	----Numbers in thousand----	
Weighted average number of ordinary shares at beginning of year	1,335,299	1,335,299

35. FINANCING STRUCTURE / MODE

	2020	2019
	----Rupees----	
Conventional mode:		
Assets		
Short term investments	26,762,992	5,511,344
Cash and bank balances	3,603,187	3,248,048
	30,366,179	8,759,392
Liabilities		
Long term borrowings	23,576,394	29,752,115
Short term borrowings	420,120	1,910,901
Loan from Parent Company	1,000,000	-
	24,996,514	31,663,016
Shariah compliant mode:		
Assets		
Cash and bank balances	11,954	166,475
Liabilities		
Long term borrowings	1,000,000	1,200,000
Short term borrowings	-	75,009
	1,000,000	1,275,009

(Amounts in thousand)

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2020			2019		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	----Rupees----			----Rupees----		
Managerial remuneration including bonus	90,245	6,890	2,480,024	96,532	1,159	1,978,815
Retirement benefits funds	4,593	374	189,262	4,487	94	155,838
Other benefits	190	5	33,956	23	1	35,544
Fees	-	1,142	-	-	1,214	-
Total	95,028	8,411	2,703,242	101,071	11,338	2,170,197
Number of persons including those who worked part of the year	2	5	412	3	8	384

36.2 The Holding Company also provides vehicles and certain household items for use of some executives and directors.

36.3 Premium charged in respect of directors' indemnity insurance policy, purchased by the Holding Company during the year, amounted to Rs. 372 (2019: Rs. 201).

37. RETIREMENT AND OTHER SERVICE BENEFITS

37.1 Salient features

The Holding 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.

37.2 Valuation results

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

	Defined Benefit Gratuity Plans - Funded				Defined benefit Pension Plan - Funded (Curtailed)	
	NMPT		MPT			
	2020	2019	2020	2019	2020	2019
	----Rupees----					
37.2.1 Statement of financial position reconciliation						
Present value of obligation (note 37.2.3)	404,882	394,314	67,724	67,519	26,935	29,018
Fair value of plan assets (notes 37.2.4 and 37.2.12)	(388,450)	(177,820)	(98,996)	(112,937)	(38,323)	(38,277)
Deficit / (surplus) of funded plans	16,432	216,494	(31,272)	(45,418)	(11,388)	(9,259)
Payable to Defined Contribution Gratuity Fund	-	-	9,236	9,786		
Payable to retired employees	-	-	46	46		-
Unrecognised asset	-	-	-	-	11,388	9,259
Net liability / (asset) at end of the year	16,432	216,494	(21,990)	(35,586)	-	-
37.2.2 Movement in net liability / (asset) recognised						
Net liability / (asset) at beginning of the year	216,494	149,067	(35,586)	(22,983)	-	-
Charge / (Reversal) for the year (note 37.2.5)	19,639	26,071	(2,440)	(1,755)	(1,380)	(1,621)
Contributions made during the year to the Fund	(216,855)	-	-	-	-	
Remeasurements charged in OCI (note 37.2.7)	(2,846)	51,643	16,036	(10,848)	1,380	1,621
Liability in respect of promotion cut		(10,287)	-	-		
Net liability / (asset) at end of the year	16,432	216,494	(21,990)	(35,586)		

(Amounts in thousand)

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan - Funded (Curtailed)	
	NMPT		MPT			
	2020	2019	2020	2019	2020	2019
	Rupees					
37.2.3 Movement in defined benefit obligation						
As at beginning of the year	397,211	326,678	64,5[illegible]	101,055	24,118	24,503
Current service cost	20,650	17,512	3,504	3,149		-
Interest cost	44,072	40,599	7,154	10,012	2,458	2,880
Benefits paid during the year	(77,092)	(19,545)	(13,275)	(52,790)	(3,910)	(3,227)
Liability in respect of promotion out		(1,058)				
Remeasurements charged to OCI (note 37.2.7)	(17,487)	29,156	7,168	(69)	4,240	865
As at end of the year	414,687	384,819	73,433	63,519	26,896	24,118
37.2.4 Movement in fair value of plan assets						
At beginning of the year	137,626	76,471	112,307	135,302	30,273	30,188
Expected return on plan assets	19,821	23,940	12,818	9,049	4,069	4,502
Contributions by the Holding Company	376,685	-	-	-		-
Benefits paid during the year	(36,880)	(19,545)	(13,315)	(52,741)	(3,910)	(3,325)
Remeasurements charged to OCI (note 37.2.7)	10,85[illegible]	(2,456)	(12,373)	6,299	(44)	400
As at end of the year	505,745	77,620	98,955	112,937	30,828	30,277
37.2.5 Charge / (Reversal) for the year						
Current service cost	20,650	17,512	3,504	3,149		-
Net interest cost	24,230	19,529	(5,158)	(3,934)	(1,524)	(1,621)
	44,880	37,071	(1,563)	(785)	(1,524)	(1,621)
37.2.6 Actual return on plan assets	31,217	21,485	165	28,912	4,053	4,102

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan - Funded (Curtailed)	
	NMPT		MPT			
	2020	2019	2020	2019	2020	2019
	Rupees					
37.2.7 Remeasurement recognised in Statement of Comprehensive Income						
(Gain) / Loss from changes in experience adjustments	(16,454)	29,812	7,168	(69)	332	(1,332)
(Gain) / Loss from change in financial assumptions	(983)	(656)	-		3,908	1,798
Remeasurement of obligation	(17,437)	29,156	7,168	(69)	4,240	466
Expected return on plan assets (note 37.2.4)	19,821	23,940	12,818	4,049	4,069	4,502
Actual return on plan assets (note 37.2.6)	(31,217)	(21,485)	(165)	(28,912)	(4,053)	(4,102)
Difference in fair value opening	505	(1,074)	161	66		
Remeasurement of plan assets	(10,891)	2,456	12,373	(14,799)	(44)	400
Effect of asset ceiling	-	-		-	(2,275)	755
	(28,328)	31,612	19,541	(14,868)	1,921	1,621

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan - Funded (Curtailed)	
	NMPT		MPT			
	2020	2019	2020	2019	2020	2019
37.2.8 Principal actuarial assumptions used in the actuarial valuation						
Discount rate	8.5%	11.3%	8.5%	11.3%	8.5%	11.3%
Expected per annum rate of return on plan assets	8.5%	11.3%	8.5%	11.3%	8.5%	11.3%
Expected per annum rate of increase in salaries - next year	7.5%	9.5%	8.5%	10.3%		-
Expected per annum rate of increase in salaries - long term	8.5%	9.5%	8.5%	11.3%		

37.2.9 Demographic Assumptions

	NMPT	MPT	Pension
Mortality rate	SLIC (2001-05) - 1	SLIC (2001-05) - 1	SLIC (2001-05) - 1
Rate of employee turnover	Light	Heavy	

(Amounts in thousand)

37.2.10 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	Gratuity Funds		Pension
	NMPT	MPT	Fund	NMPT	MPT	Fund
	---Rupees---					
Discount Rate	377,912	64,959	17,893	456,986	77,393	26,324
Long Term Salary Increases	456,988	70,035	-	377,268	64,825	-
Long Term Pension Increases			28,711			15,868

37.2.11 Maturity Profile

	Gratuity Funds		Pension
Time in Years	NMPT	MPT	Fund
		Rupees	
1	19,[illegible]	9,447	3,910
2	19,372	9,138	3,910
3	27,323	1,858	3,910
4	[illegible]	4,245	3,910
5-10	310,530	23,654	3,910
11-15	181,265	1,373	3,910
16-20	308,768	8,028	3,910
20	517,525	-	3,910
Weighted average duration (years)	8.87	3.57	5.22

37.2.12 Plan assets comprise of the following:

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan - Funded (Contd.)	
	NMPT		MPT *			
	2020		2020		2020	
	Rupees	(%)	Rupees	(%)	Rupees	(%)
Fixed income instruments	287,542	75	77,931	76	38,820	100
Investment in equity instruments	111,573	25	24,937	24		
	399,165	100	102,868	100	38,820	100

* The employees of the Holding Company in respect of gratuity are members of Defined Benefit Gratuity Fund maintained and operated by the Parent Company. Accordingly, the above information is based upon the plan assets of Engro Corporation Limited - Gratuity Fund.

37.2.13 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.

37.2.14 Expected future cost / (reversal) for the year ending December 31, 2021 is as follows:

	---Rupees---
Gratuity Fund - NMPT	32,429
Gratuity Fund - MPT	(3,751)
- Pension Fund	(925)

37.2.15 Historical information of staff retirement benefits

	2020	2019	2018	2017	2016
Gratuity Fund - NMPT	---Rupees---				
Present value of defined benefit obligation	442,087	394,314	325,078	295,881	235,301
Fair value of plan assets	(395,105)	(177,020)	(130,011)	(165,049)	(168,767)
Deficit	46,982	217,294	195,067	131,832	66,534
Gratuity Fund - MPT					
Present value of defined benefit obligation	67,424	64,517	104,068	145,542	137,729
Fair value of plan assets	(98,965)	(112,937)	(136,832)	(186,223)	(165,178)
Surplus	(31,541)	(48,420)	(32,764)	(40,681)	(27,449)
Pension Fund					
Present value of defined benefit obligation	[illegible]	[illegible]	24,[illegible]	[illegible]	[illegible]
Fair value of plan assets	([illegible])	([illegible])	([illegible])	(40,[illegible])	(44,[illegible])
Surplus	([illegible])	(14,[illegible])	([illegible])	(11,[illegible])	(12,[illegible])

37.3 Defined contribution plans

An amount of Rs. 262,095 (2019: Rs. 259,303) has been charged during the year in respect of defined contribution plans maintained by the Parent Company.

38. CASH GENERATED FROM OPERATIONS

	2020	2019
	---Rupees---	
Profit before taxation	21,298,477	27,397,603
Adjustment for non-cash charges and other items:		
Depreciation (note 4.2)	5,226,004	5,661,299
Amortization of intangibles (note 5.3)	107,257	76,130
Amortization of deferred income	(3,865)	(3,865)
Gain on disposal of operating assets (note 28)	(18,241)	(713,842)
Provision for retirement and other service benefits	71,125	85,130
Income on deposits / other financial assets	(1,139,335)	(2,556,240)
Gain on disposal of subsidiary (note 33.1)	-	(804,571)
Exchange loss on revaluation of long-term borrowings (note 15.3)	66,851	317,353
Amortization of transaction cost on borrowings	5,293	16,851
Remeasurement gain on GIDC provision (note 19)	(2,121,389)	-
Finance cost (note 30)	2,161,641	3,622,633
Provision against stock-in-trade (note 8.1)	403,276	28,783
Provision for surplus and slow moving stores and spares (note 7)	1,795	177,011
Reversal of provision of stores and spares (note 7)	-	(26,399)
Provision for impairment against trade debts (note 9)	8,291	30,569
Loss allowance on subsidy receivable from GoP	338,912	-
Provision against sales tax receivable (note 29)	-	341,000
Provision against input tax disallowance	1,533,000	-
Working capital changes (note 38.1)	25,519,425	106,205
	54,594,457	33,529,495

(Amounts in thousand)

38.1 Working capital changes

	2020	2019
	----------Rupees----------	
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(1,235,626)	(127,219)
- Stock-in-trade	1,541,188	[illegible]
- Trade debts	[illegible]	(5,217,525)
- Loans, advances, deposits and prepayments	319,819	(1,550,071)
- Other receivables (net)	(1,463,226)	(559,612)
	[illegible]	[illegible]
Increase in trade and other payables	12,092,367	8,559,049
	[illegible]	100,208

39. CASH AND CASH EQUIVALENTS

	2020	2019
Cash and bank balances (note [illegible])	3,641,441	3,413,473
Short-term investments with original maturity less than 3 months (note [illegible])	[illegible]	[illegible]
Short term borrowings (note [illegible])	[illegible]	[illegible]
	5,125,379	4,329,957

40. FINANCIAL INSTRUMENTS BY CATEGORY

	2020	2019
Financial assets at amortised cost		
Loans, advances and deposits	1,379,285	1,550,057
Trade debts	[illegible]	14,124,590
Other receivables	5,015,874	6,548,253
Accrued income	157,805	105,910
Short-term investment	[illegible]	[illegible]
Cash and bank balances	3,641,441	3,413,473
	[illegible]	[illegible]
Financial assets at fair value through other comprehensive income		
Short term investments	26,505,278	6,305,337
Financial liabilities at amortised cost		
Long-term borrowings	33,575,694	30,352,449
Trade and other payables	16,117,631	15,731,548
Accrued interest / mark-up	262,054	357,866
Short-term borrowings	125,120	1,955,910
Loan from Parent Company	1,000,000	-
	48,681,499	48,950,772

41 FINANCIAL RISK MANAGEMENT

41.1 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, 2020, if exchange rates had been 1% higher / lower with all other variables held constant, post tax consolidated profit for the year would have been lower / higher by Rs. 6,216.

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. Borrowings are benchmarked to variable rates which expose the Group to cash flow interest rate risk.

The Group analyses its interest rate exposure on a regular basis by monitoring interest rate trends to determine whether they should enter into hedging alternatives.

As at December 31, 2020, if interest rates had been 1% higher / lower with all other variables held constant, post tax consolidated profit for the year would have been lower / higher by Rs. 12,5[illegible].

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 Board of Directors.

(Amounts in thousand)

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

	2020	2019
	----------Rupees----------	
Loans, advances and deposits	1,379,258	1,560,057
Trade debts	2,906,558	4,174,520
Other receivables	3,618,574	6,548,253
Accrued income	157,536	155,910
Short term investments	357,714	206,207
Bank balances	3,001,579	3,410,558
	11,921,210	26,105,505

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+
BankIslami 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	Aa3
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 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.

	2020 Maturity upto one year	2020 Maturity after one year	2020 Total	2019 Maturity upto one year	2019 Maturity after one year	2019 Total
	----------Rupees----------			----------Rupees----------		
Financial liabilities						
Long term borrowings	11,659,241	14,960,450	[illegible]	12,119,???	27,722,456	[illegible]
Trade and other payables	18,477,621	-	18,477,621	15,484,548		15,484,548
Accrued interest / mark-up	258,024	-	258,024	587,868		587,868
Short-term borrowings	425,120		425,120	1,905,910		1,905,910
Loan from Parent Company	1,050,152		1,050,152			
	31,778,178	14,960,450	46,668,628	30,177,769	27,722,456	57,900,225

41.2 Capital risk management

The Group's objectives 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, 2020 based on total long-term borrowings at its present value of Rs. 23,575,694 (2019: Rs. 30,952,449) and total equity of Rs. 46,730,747 (2019: Rs. 43,279,460) was 34%:66% (2019: 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.

41.3 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, 2020, all financial assets and financial liabilities, except for government securities, are carried at amortised cost. Government securities including Pakistan Investment Bonds and Treasury Bills are measured at fair value using the fair value measurement method in accordance with IFRS 13.

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

(Amounts in thousand)

The table below analyses financial instruments carried at fair value by valuation method.

	Level 1	Level 2	Level 3	Total
		Rupees		
As at December 31, 2020				
Fair value through other comprehensive income		24,505,230	-	24,505,230
As at December 31, 2019				
Fair value through other comprehensive income		5,305,337		5,305,337

Represents Government Securities which are measured at fair value using yield to maturity of similar government securities traded in the secondary market.

42. TRANSACTIONS WITH RELATED PARTIES

42.1 Following are the names of associated companies and 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 (Private) Limited	N/A	Subsidiary of Parent Company
Engro Digital	N/A	Subsidiary of Parent Company
Engro Elengy Terminal (Private) Limited	N/A	Subsidiary of Parent Company
Engro Energy Limited	N/A	Subsidiary of Parent Company
Engro Eximp Agriproducts (Private) Limited	N/A	Subsidiary of Parent Company
Engro Polymer & Chemicals Limited	N/A	Subsidiary of Parent Company
Engro Powergen Qadirpur Limited	N/A	Subsidiary of Parent Company
Engro Infiniti (Private) Limited	N/A	Subsidiary of Parent Company
Engro Powergen Thar Limited	N/A	Subsidiary of Parent Company
FrieslandCampina Engro Pakistan Limited	N/A	Associate of Parent Company
Engro Foundation	N/A	Associate 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
Dawood Lawrencepur Limited	N/A	Associate of Parent Company
Pakistan Institute of Corporate Governance (PICG)	N/A	Associate of Parent Company
Dawood Foundation	N/A	Associate of Parent Company
Asim Murtaza Khan	N/A	Director
Abdul Samad Dawood	N/A	Director
Asad Said Jafar	N/A	Director
Javed Akbar	N/A	Director
Sadia Khan	N/A	Director
Nadir Salar Qureshi	N/A	Chief Executive Officer
Amir Iqbal	N/A	Key Management Personnel
Imran Ahmad	N/A	Key Management Personnel
Mohammad Azhar Malik	N/A	Key Management Personnel
Muhammad Majid Latif	N/A	Key Management Personnel
Salman Hafeez	N/A	Key Management Personnel
Shahzad Nasir	N/A	Key Management Personnel
FrieslandCampina Engro Pakistan Limited Employees Gratuity Fund	N/A	Associate of Parent Company
Engro Corporation Limited – DC Pension Fund	N/A	Post Employment Benefits
Engro Corporation Limited – MPT Gratuity Fund	N/A	Post Employment Benefits
Engro Corporation Limited – NMPT Gratuity Fund	N/A	Post Employment Benefits
Engro Corporation Limited – DB Pension Fund	N/A	Post Employment Benefits
Engro Corporation Limited – DC Gratuity Fund	N/A	Post Employment Benefits
Engro Corporation Limited – Provident Fund	N/A	Post Employment Benefits

(Amounts in thousand)

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

	2020	2019
	Rupees	
Parent Company		
Dividend paid	[illegible]	13,510,154
Purchases and services	644,441	510,566
Services provided to Parent Company	50,554	50,775
Mark-up paid on subordinated loan	1,226	-
Reimbursements made:		
- by the Company	40,542	400,055
- to the Company	[illegible]	411,016
Royalty	1,290,513	1,170,423
Receipt of loan	1,000,000	-
Associated companies		
Purchases and services received	170,456	159,456
Sale of products		2,795
Services provided	131,534	82,775
Reimbursements made:		
by the Company	53,321	88,122
to the Company	12,171	13,722
Proceeds against sale of land		705,600
Donations	198,600	330,230
Dividend paid to Trustees of Fries and Company Engro Pakistan Limited Employees Gratuity Fund	773	1,124
Contribution to staff retirement benefits		
Pension Fund	7,501	56,492
Gratuity Fund	143,340	109,974
Provident fund	152,391	146,001
Dividend paid to staff retirement benefits		
Pension Fund	194	992
Gratuity Fund	3,474	4,502
Provident fund	3,906	9,564
Others		
Remuneration of key management personnel	212,159	281,594
Director's Fee	11,162	10,151

43 OPERATING SEGMENT RESULTS

	Urea		Phosphates		Specialty Fertilizers Business		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Rupees									
Sales	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
Inter-segment sales	[illegible]	(1,387,354)		-	-	-	[illegible]	-	[illegible]	1,387,354
Sales tax	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Profit before tax (Loss before tax)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Segment assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unallocated assets	-	-	-	-	-	-	-	-	[illegible]	[illegible]
Total assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Depreciation & Amortisation	[illegible]	[illegible]	-		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Capital Expenditure	[illegible]	[illegible]	-		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

43.1 Reconciliation of reportable segment net sales

	2020	2019
	Rupees	
Net Sale		
Total net sales for reportable segment	[illegible]	[illegible]
Elimination of inter-segment net sales	(2,942,240)	(1,387,354)
Elimination of net sales to subsidiary	(905,942)	(75,424)
Total net sales	[illegible]	121,349,758

43.2 Reconciliation of reportable segment total assets

	2020	2019
Total assets for reportable segments	[illegible]	118,015,585
Add: Unallocated assets		
Accrued income	157,505	105,910
- Short-term investments	26,762,292	5,511,544
- Cash and bank balances	3,011,441	3,413,473
	30,532,238	9,030,927
Total assets	[illegible]	[illegible]

44 PRODUCTION CAPACITY

	Designed annual capacity Metric Tons		Actual production Metric Tons		Remarks
	2020	2019	2020	2019	
Urea plant I & II	2,275,000	2,275,000	2,253,806	2,000,038	Production planned as per market demand
NPK plant	100,000	100,000	127,082	134,751	

(Amounts in thousand)

45. NUMBER OF EMPLOYEES

	Number of employees as at December 31		Average number of employees as at December 31	
	2020	2019	2020	2019
Management employees	806	729	[illegible]	748
Non-management employees	556	531	[illegible]	524
	1,362	1,260	1,316	1,272

46. CONTRIBUTORY RETIREMENT FUNDS

The employees of the Holding Company participate in the Retirement Fund maintained by the Parent Company. The investments out of the retirement fund have been made in accordance with the provisions of Section 218 of the Act and the conditions specified thereunder.

47. 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.

48. NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors in its meeting held on February 15, 2021 has proposed a final cash dividend of Rs. 4 per share for the year ended December 31, 2020 amounting to Rs. 5,341,177 for approval of the members at the Annual General Meeting to be held on March [illegible].

49. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of better presentation and / or to comply with the requirements of accounting and reporting standards applicable on the Holding Company. Major reclassification made during the year is as follows:

Description	Reclassified From	Reclassified To	Amount
GIDC payable	Trade and other payables	Provision for GIDC	17,457,144

50. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on February 15, 2021 by the Board of Directors of the Holding Company.

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive Officer

Ghias Khan
Chairman

ENGRO FERTILIZERS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

06. INDEPENDENT AUDITOR'S REPORT ON THE STANDALONE FINANCIAL STATEMENTS

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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, 2020, 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, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

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Following are the key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1.	**Income tax and Sales tax provisions and contingencies** (Refer note 25 and 34 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 impacts, we have considered provisions and contingent liabilities relating to income tax and sales tax matters involving the Company as a key audit matter.	Our audit procedures amongst others included the following: - obtained and examined details of the documentation relating to pending tax matters and discussed the same with the Company's management; - circularized confirmations to the Company's external legal and tax advisors for their views on matters being handled by them; - involved internal tax professionals to assess management's conclusions on contingent tax matters and evaluated the consistency of such conclusions with the views of management and external legal and tax advisors engaged by the Company; - checked 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; - checked mathematical accuracy of the calculations underlying the provisions; and - assessed the adequacy of the related disclosures made in the financial statements with respect to the applicable accounting and reporting standards.
2.	**Provision in respect of Gas Infrastructure Development Cess** (Refer note 21 to the financial statements) The Supreme Court of Pakistan (SCP) through its judgment dated August 13, 2020 has declared that the Gas Infrastructure Development Cess (GIDC) Act, 2015 ('the Act') is valid and is in accordance with the provisions of the Constitution of Pakistan ('the Constitution'). Under the judgement, SCP directed companies responsible under the Act to recover GIDC from their consumers that has become due up till July 31	Our audit procedures amongst others included the following: - obtained an understanding of the background facts pertaining to provision recorded in respect of GIDC through meetings with the management and read the minutes of the meetings of those charged with governance; - obtained and read the detailed judgement

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S.No.	Key audit matters	How the matter was addressed in our audit
	2020 and has not been recovered so far, in twenty four equal monthly instalments starting from August 1, 2020, without the component of late payment surcharge. The Company, being aggrieved by the judgement, filed a review petition thereagainst before the SCP on various grounds. The review petition was decided by the SCP on November 02, 2020 upholding the original judgement. Further, the Company has also filed a suit before the Sindh High Court ("SHC") on December 17, 2020 against collection of GIDC on non-concessionary feed gas supplied to the Company on the grounds that factual determination that the GIDC has been passed on to the customers is to be carried out. The SHC granted the Company an interim stay thereagainst. The Company has applied the "Guidance on Accounting of GIDC" issued by the Institute of Chartered Accountants of Pakistan (ICAP) on January 19, 2021, for recognition, measurement and presentation of the GIDC provision in these financial statements. Accordingly, the Company has re-measured the previously undiscounted provision, classified under current liabilities till last year, at its present value using the risk free rate, giving due consideration to the latest available information and the expected timing of the settlement i.e. in 48 monthly instalments commencing from August 2020, as referred to in the aforementioned decision on the review petition by the SCP. The Company, therefore, has recognised remeasurement gain on GIDC provision amounting to Rs. [illegible] thousand in these financial statements. Due to the nature and significance of the amounts and judgements involved in estimation of the present value of the GIDC provision, including the classification between current and non-current portion, we have considered this as a key audit matter.	of the SCP, (ii) decision of the SCP on the review petition, (iii) requirements of GIDC Act 2015 and (iv) requirements of "Guidance on Accounting of GIDC" issued by the ICAP; - understood the management's process for applying judgements in relation to estimation of the present value of the GIDC provision, including the classification between current and non current portion, and held discussions with the management regarding accounting treatment and the related impacts thereof subsequent to judgements of SCP; - obtained confirmation from Company's external legal counsel in respect of the current developments in the case including their assessment of the potential outcome of the suit filed in the SHC; - checked the mathematical accuracy of the management's working of current / non-current classification of GIDC provision, its present value and assessed the accuracy and reasonableness of key estimates used; and - assessed the adequacy of the related disclosures made in the financial statements with respect to the applicable accounting and reporting standards.

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S.No.	Key audit matters	How the matter was addressed in our audit
3.	**Loss allowance on Subsidy receivable from the Government of Pakistan** (Refer note 13 and 33 to the financial statements) As per the Expected Credit Losses (ECL) impairment model under IFRS 9 - "Financial Instruments", the management of the Company is required to assess changes in credit risk by taking into account time value of money, reasonable and supportable information regarding past events, current conditions, forecast of future events and economic conditions, attached to its receivables and recognize ECL, if any, at each reporting date. The Company's management, taking cognizance of the aforementioned requirements of IFRS 9, has made an assessment of ECL on 'Subsidy receivable from the Government of Pakistan' giving consideration to the time value of money based on expected recovery of subsidy. The Company has determined loss allowance of Rs. 1,238,313 thousand in this respect, based on various assumptions. Due to the significance of the amount and judgements involved in estimation of ECL on subsidy receivable, we have considered it as a key audit matter.	Our audit procedures, amongst others, included the following: - obtained an understanding of the financial model used by the Company's management for the determination of ECL on subsidy receivable; - involved our internal specialist to independently evaluate the appropriateness of the Company's assumptions used to determine the time value of money; - assessed the completeness and accuracy of the data used in the model to the underlying accounting records on a sample basis; - checked the mathematical accuracy of the model by performing recalculations; and - assessed the adequacy of the related disclosures made in the financial statements with respect to the applicable accounting and reporting standards.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

b) the statement of financial position, the statement of profit or loss, 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 05, 2021

Statement of financial position as at december 31, 2020

(Amounts in thousand)

	Note	2020	2019
		------Rupees------	
ASSETS			
Non-current assets			
Property, plant and equipment	4	65,515,796	65,910,096
Intangible assets	5	5,161,817	5,071,003
Investment in subsidiary	6	100	100
Long-term loans, advances and deposits	7	80,129	152,852
		70,590,842	71,174,051
Current assets			
Stores, spares and loose tools	8	6,499,163	5,236,422
Stock-in-trade	9	6,720,201	3,538,895
Trade debts	10	2,028,071	6,009,934
Working capital loan to subsidiary	11	-	16,245,774
Loans, advances, deposits and prepayments	12	1,761,817	1,735,337
Other receivables	13	8,086,014	8,589,451
Accrued income		203,437	175,897
Taxation - net		3,118,949	2,757,547
Short-term investments	14	25,074,560	5,501,944
Cash and bank balances	15	3,382,228	3,405,074
		57,374,390	57,933,875
TOTAL ASSETS		128,365,232	129,107,926

(Amounts in thousand)

	Note	2020	2019
		------Rupees------	
EQUITY & LIABILITIES			
Equity			
Share capital	16	13,352,993	13,352,993
Reserves			
Share premium	17	3,354,904	3,354,904
Reserve on amalgamation	17	(334,027)	(334,027)
Remeasurement of post employment benefits	17	(30,765)	(56,953)
Unappropriated profit	17	28,042,702	26,475,084
		31,032,814	29,439,508
TOTAL EQUITY		44,[illegible]	42,[illegible]
Liabilities			
Non-current liabilities			
Borrowings	18	13,514,080	22,192,098
Deferred taxation	19	11,677,783	12,152,426
Deferred liabilities	20	273,296	254,538
Provision for Gas Infrastructure Development Cess (GIDC)	21	10,513,379	
		35,978,538	34,599,062
Current liabilities			
Trade and other payables	22	28,635,843	21,190,807
Accrued interest / mark-up		250,229	551,985
Current portion of:			
- borrowings	18	10,051,614	8,750,351
- deferred liabilities	20	53,726	55,585
- provision for GIDC	21	6,925,824	19,657,844
Short-term borrowings	23	250,831	1,316,685
Loan from Holding Company	24	1,000,000	-
Unclaimed dividend		67,320	63,046
		47,335,387	51,626,308
TOTAL LIABILITIES		83,273,125	86,255,355
Contingencies and Commitments	25		
TOTAL EQUITY & LIABILITIES		128,350,232	129,107,926

The annexed notes from 1 to 51 form an integral part of these financial statements.

Imran Ahmed
Chief Financial Officer

Nasir Salim Qureshi
Chief Executive Officer

Ghias Khan
Chairman

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

(Amounts in thousand except for earnings per share)

	Note	2020	2019
		---------Rupees---------	
Net sales	26	75,030,844	79,235,924
Cost of sales	27	[illegible]	[illegible]
Gross profit		29,351,647	32,712,770
Selling and distribution expenses	28	(7,208,335)	(6,772,924)
Administrative expenses	29	(1,559,906)	(1,197,714)
		19,593,406	24,742,132
Other income	30	3,320,01[illegible]	8,801,590
Other operating expenses	31	(1,705,246)	(2,620,254)
Finance cost	32	[illegible]	[illegible]
Other gains / (losses):			
- Remeasurement gain on provision for GIDC	21	[illegible]	-
- Loss allowance on subsidy receivable from GoP	33	(1,238,912)	-
		[illegible]	-
Profit before taxation		[illegible]	[illegible]
Taxation	34	(2,103,575)	(8,672,732)
Profit for the year		16,515,312	18,562,914
Earnings per share - basic and diluted	35	12.59	13.50

The annexed notes from 1 to 51 form an integral part of these financial statements.

Imran Ahmad
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive Officer

Ghias Khan
Chairman

Statement of comprehensive income for the year ended december 31, 2020

(Amounts in thousand)

	2020	2019
	---------Rupees---------	
Profit for the year	16,515,312	18,562,914
Other comprehensive income:		
Items not reclassifiable to profit or loss		
Remeasurement of post employment benefits obligation	[illegible]	(16,774)
Tax relating to remeasurement of post employment benefits obligation	(2,544)	4,864
Other comprehensive income / (loss) for the year, net of tax	6,228	(11,910)
Total comprehensive income for the year	16,521,540	18,551,004

The annexed notes from 1 to 51 form an integral part of these financial statements.

Imran Ahmad
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive Officer

Ghias Khan
Chairman

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

(Amounts in thousand)

	Share capital	Share premium	Reserve on amalgamation	Remeasurement of post employment benefits	Unappropriated profit	Total
		CAPITAL		REVENUE		
	Rupees					
Balance as at January 1, 2020	15,852,993	3,884,904	(304,027)	(56,999)	28,475,684	47,852,555
Transactions with owners						
Dividends:						
- Final 2019: Rs. 2.00 per share	-	-	-	-	(3,170,599)	(3,170,599)
- 1st interim 2020: Rs. 4.00 per share	-	-	-	-	(6,341,190)	(6,341,190)
- 2nd interim 2020: Rs. 5.00 per share	-	-	-	-	(4,475,497)	(4,676,427)
	-	-	-		(14,000,279)	(14,400,278)
Total comprehensive income for the year ended December 31, 2020						
Profit for the year	-	-	-	-	16,815,312	16,815,312
Other comprehensive income:						
- remeasurements, net of tax	-	-	-	4,228	-	4,228
	-	-	-	4,228	16,815,312	16,819,540
Balance as at December 31, 2020	15,852,993	3,884,904	(304,027)	(52,771)	[illegible]	[illegible]
Balance as at January 1, 2019	15,852,993	3,884,904	(304,027)	(45,089)	26,605,561	45,994,342
Transactions with owners						
Dividends:						
- Final 2018: Rs. 3.00 per share	-	-	-		(4,005,093)	(4,005,093)
- 1st interim 2019: Rs. 5.00 per share	-	-	-		(6,675,497)	(6,676,497)
- 2nd interim 2019: Rs. 5.00 per share	-	-	-	-	(8,011,796)	(8,011,796)
	-	-	-	-	(18,694,191)	(18,694,191)
Total comprehensive income for the year ended December 31, 2019						
Profit for the year	-	-	-	-	20,562,914	20,562,914
Other comprehensive income:						
- remeasurements, net of tax	-	-	-	(11,910)	-	(11,910)
	-	-	-	(11,910)	20,562,914	20,551,004
Balance as at December 31, 2019	15,852,993	3,884,904	(304,027)	(56,999)	28,475,684	47,852,555

The annexed notes from 1 to 51 form an integral part of these financial statements.

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive Officer

Ghias Khan
Chairman

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

(Amounts in thousand)

	Note	2020	2019
		Rupees	
Cash Flows From Operating Activities			
Cash generated from operations	39	34,100,358	38,751,306
Retirement and other service benefits paid		(47,304)	(89,834)
Taxes paid		(2,971,164)	(9,546,447)
Long term loans and advances - net		53,723	(22,068)
Net cash generated from operating activities		31,135,613	29,092,957
Cash Flows From Investing Activities			
Purchases of property, plant and equipment and intangibles		(5,195,276)	(4,051,603)
Proceeds from disposal of operating assets	40.1	49,185	251,017
Disbursement of working capital loan to subsidiary		(10,175,170)	(33,021,960)
Payment received against working capital loan to subsidiary		26,415,944	29,453,836
Purchase of short term investments		(23,154,502)	(34,005,649)
Proceeds from sale of short term investments		2,599,550	37,352,711
Proceeds from disposal of subsidiary company	30.2		1,972,505
Dividends received		426,470	1,812,716
Income on deposits / other financial assets		2,774,490	5,077,785
Net cash (utilised in) / generated from investing activities		(5,917,749)	3,373,755
Cash Flows From Financing Activities			
Proceeds from long-term borrowings	18.3	1,341,725	5,000,000
Loan from Holding Company	24	1,550,000	-
Repayments of long-term borrowings	18.3	(8,795,124)	(5,122,418)
Finance cost paid		(3,550,873)	(3,274,220)
Dividends paid		(14,571,020)	(18,677,017)
Net cash utilised in financing activities		[illegible]	(22,095,401)
Net increase in cash and cash equivalents		306,572	4,370,201
Cash and cash equivalents at beginning of the year		4,465,383	95,182
Cash and cash equivalents at end of the year	40	5,071,955	4,465,383

The annexed notes from 1 to 51 form an integral part of these financial statements.

Imran Ahmed
Chief Financial Officer

Nadir Salar Qureshi
Chief Executive Officer

Ghias Khan
Chairman

Notes to the financial statments
for the year ended december 31, 2020

(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 Company is engaged in the manufacturing, purchasing and marketing of fertilizers, seeds and pesticides and providing logistics services. 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

1.2 These financial statements are the unconsolidated financial statements of the Company. The consolidated financial statements of the Company and its wholly owned subsidiary are presented separately. Details of investment held by the Company in its subsidiary has been provided in note 6.

1.3 **Impact of COVID-19 on the financial statements**

The World Health Organization declared COVID-19 (the virus) a global pandemic. The Government of Pakistan (GoP), in response to the virus and growing number of cases in Pakistan provided directions and implemented a country-wide lockdown during second quarter.

Later as the COVID situation improved, the GoP gradually eased the lockdown to support economic revival.

Manufacturing, transportation, distribution and selling of essential commodities including Fertilizers, Seeds and Pesticides however remained permitted during the lockdown. Consequently, the Company's Urea plant located at Daharki, District Ghotki, Sindh continued to operate. Zarkhez plant located at Port Qasim, Karachi though, was temporarily closed due to non-availability of steam.

The management believes that due to the pandemic the Company's operation, financial position and results have been impacted only on a temporary basis. As per management's assessment, there are no significant effects of COVID-19 that require disclosure in these financial statements.

The management continues to monitor the developing situation and would proactively manage any risk arising thereof.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 **Basis of preparation**

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

2.1.2 **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 (IFRS) 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 IFRS, the provisions of and directives issued under the Act have been followed for the preparation and presentation of the financial statements.

2.1.3 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 3.

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

a) Standards, amendments and interpretations to published accounting and reporting standards which became effective during the year ended December 31, 2020

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

b) Standards, amendments and interpretations to published accounting and reporting standards that are not yet effective

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

2.2 **Property, plant and equipment**

2.2.1 **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 2.23). 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 the 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 additions 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.

2.2.2 **Leased assets**

The Company recognises leases as a right-of-use asset and corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2.3 **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 GoP 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 at least 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.

2.4 **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 sell and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

2.5 **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.

2.6 **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.

2.7 **Financial assets**

2.7.1 **Classification, initial recognition and measurement**

Financial assets are classified into appropriate categories on initial recognition and are subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss. The management determines the classification of financial assets into appropriate categories based on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

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

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

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

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

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

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

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

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

2.7.2 Derecognition

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

2.7.3 Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Company measures ECL of a financial instrument in a way that reflects:

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

b) the time value of money; and

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

2.8 Financial liabilities

The Company recognizes a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial liability at its fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. Subsequently, financial liabilities are stated at amortized cost.

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

2.9 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 recognized amounts and there is an intention to settle either on a net basis, or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.10 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 realizable 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.

2.11 Stock-in-trade

These are valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for raw 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 appropriate purchase cost and manufacturing expenses. The cost of work in process includes material and proportionate conversion costs.

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

2.12 Trade debts and other receivables

These are recognized initially at fair value plus directly attributable transaction costs, if any and subsequently measured at amortized cost using effective interest rate method less provision for impairment, if any. The amount of provision is charged to statement of profit or loss. Trade debts and other receivables considered irrecoverable are written off.

2.13 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows includes cash in hand, balances 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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 it is probable that future taxable profits will be available against which temporary differences 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.

2.18 Employee benefits

2.18.1 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 2.18.3. 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 2.18.3. Monthly contributions are made by the Company to the fund at the rate of 5.33% of basic salary.

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

2.18.2 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 35 to the financial statements.

Remeasurements (actuarial gains / losses) in respect of defined benefit plan are recognised directly in equity through statement of 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; and
- 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.

2.18.3 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.

2.18.4 **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.

2.18.5 **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.

2.19 **Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and 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.

2.20 **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.

2.21 **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. The credit limits in contracts with customers ranges from 30 to 180 days. Revenue is recognised on the following basis:

- In case of sale of goods, when control is transferred to customers which coincides with dispatch 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 and sub-licensing 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.

2.22 **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.

2.23 **Research and development costs**

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

2.24 **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.

2.25 **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.

2.26 **Segment reporting**

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

2.27 **Dividend and appropriation to reserves**

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The 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:

3.1 **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.

(Amounts in thousand)

3.2 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 current and deferred taxes is made taking into account these judgments and the best estimates of future results of operations of the Company.

3.3 Provision for retirement and other service benefits obligations

The present value of these obligations depend on a number of factors that are determined on actuarial basis using 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 20.

3.4 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 5.1.

3.5 Contingencies and provisions

Significant estimates and judgements are being used by the management in accounting for contingencies and provisions relating to legal and taxation matters being contested at various forums based on applicable laws and the decisions / judgements.

3.6 Impairment of financial assets

Significant estimates are involved in the assessment of the correlation between historical observed default rates and the projection of cashflows, forecast economic conditions and ECL. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions.

4. PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	Rupees	
Operating assets at net book value (note 4.1)	[illegible]	62,595,001
Capital work in progress (CWIP) (note 4.5)	[illegible]	2,588,145
Major spare parts and stand-by equipment	[illegible]	756,947
	65,645,779	65,940,093

4.1 Operating assets

	Land: Freehold	Land: Leasehold	Buildings on: Freehold	Buildings on: Leasehold	Plant and machinery	Gas pipeline	Catalyst	Office equipment	Aircraft	Vehicles	Total
						Rupees					
As at January 1, 2019											
Cost	1,553,773	144,903	2,803,124	440,179	95,326,528	2,023,843	1,911,032	1,347,172	–	596,487	[illegible]
Accumulated depreciation	–	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]	[illegible]
Net book value	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]	[illegible]
Year ended December 31, 2019											
Net book value as at January 1, 2019	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]	[illegible]
Transfers from CWIP (note 4.5.1)	–		[illegible]	–	[illegible]	–	[illegible]	[illegible]	–	[illegible]	[illegible]
Disposals / write offs (note 4.3)											
Cost		[illegible]			[illegible]			[illegible]		[illegible]	[illegible]
Accumulated depreciation	–	[illegible]	–	–	[illegible]	–	–	[illegible]	–	[illegible]	[illegible]
	–	[illegible]	–	–	–	–	–	[illegible]	–	[illegible]	[illegible]
Depreciation charge (note 4.2)		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]	[illegible]
Reclassification:											
Cost			[illegible]	[illegible]	[illegible]	(10,320)		[illegible]		[illegible]	[illegible]
Accumulated depreciation	–	–	[illegible]	–	[illegible]	–	–	[illegible]	–	[illegible]	[illegible]
			[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]	–	[illegible]	
Net book value	1,553,773	57,583	1,543,765	271,659	[illegible]	[illegible]	[illegible]	312,753	–	[illegible]	62,595,001
As at January 1, 2020											
Cost	1,553,773	97,384	[illegible]	440,179	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]	[illegible]
Accumulated depreciation	–	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]	[illegible]
Net book value	1,553,773	57,583	1,543,765	271,659	[illegible]	[illegible]	[illegible]	312,753	–	[illegible]	62,595,001
Year ended December 31, 2020											
Net book value as at January 1, 2020	1,553,773	57,583	1,543,765	271,659	[illegible]	[illegible]	[illegible]	312,753	–	[illegible]	62,595,001
Transfers from CWIP (note 4.5.1)			[illegible]		[illegible]			[illegible]	[illegible]	[illegible]	[illegible]
Disposals / write offs (note 4.3)											
Cost			–	–	–	–	–	[illegible]	–	[illegible]	[illegible]
Accumulated depreciation			–	–	–	–	–	[illegible]	–	[illegible]	[illegible]
			–	–	–	–	–	[illegible]	–	[illegible]	[illegible]
Depreciation charge (note 4.2)		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net book value	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
As at December 31, 2020											
Cost	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Accumulated depreciation		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net book value	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Annual rate of depreciation (%)		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Useful production days	[illegible]	[illegible]	[illegible]	

		2020	2019
4.2	Depreciation charge for the year has been allocated as follows:	----------Rupees----------	
	Cost of sales (note 2[illegible])	5,1[illegible]3,6[illegible]	5,478,693
	Selling and distribution expenses (note [illegible])	46,357	110,472
	Administrative expenses (note 29)	76,028	12,134
		5,236,034	5,661,299

4.3 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
		----------Rupees----------				
Items having net book value over Rs. 500 each						
Vehicle						
[illegible]	[illegible]	1,408	694	7[illegible]	1,331	6[illegible]
Items having net book value upto Rs. 500 each						
Office equipment and vehicles	Various	57,508	35,547	21,009	44,015	12,424
Year ended December 31, 2020		58,916	36,241	22,675	45,346	13,041
Year ended December 31, 2019		958,18[illegible]	920,809	37,372	51,219	13,8[illegible]

4.4 Particulars of immovable properties (i.e. land and building) which are in the name of the Company are as follows:

Location	Total Area (Acreage)
Daharki plant & Colony	730
Zarkhez plant land at Port Qasim	112.8[illegible]

		2020	2019
		----------Rupees----------	
4.5	**Capital work in progress**		
	Plant and machinery	3,168,605	2,091,885
	Building and civil works including gas pipeline	49,[illegible]	151,754
	Furniture, fixture and equipment	110,444	125,[illegible]
	Advances to suppliers	582,486	106,[illegible]
	Others	60,31[illegible]	24,890
		3,971,225	2,588,146
4.5.1	Balance as at January 1	2,588,145	3,155,249
	Additions during the year	3,845,288	3,541,262
	Transferred to:		
	- operating assets (note 4.1)	(2,201,837)	(3,759,003)
	- intangible assets (note 5)	(261,071)	(359,362)
	Balance as at December 31	3,971,225	2,588,146

5. INTANGIBLE ASSETS

	Goodwill (note 5.1)	Rights to use the brand (note 5.1)	Software and licenses	Rights for future gas utilization	Total
	----------Rupees----------				
As at January 1, 2019					
Cost	188,806	4,173,995	368,223	102,312	4,833,336
Accumulated amortization	-	-	(297,125)	(38,400)	(337,525)
Net book value	188,806	4,173,995	69,098	63,852	4,495,7[illegible]
Year ended December 31, 2019					
Net book value - January 1, 2019	188,806	4,173,995	69,098	63,852	4,495,7[illegible]
Transfer from CWIP (notes 4.5.1 and 5.2)	-	-	659,362	-	659,362
Write off:					
Cost	-	-	(9,884)	-	(9,884)
Accumulated amortization	-	-	7,004	-	7,004
	-	-	-	-	-
Reclassification:					
Cost	-	-	3,0[illegible]	-	3,0[illegible]
Accumulated amortization	-	-	(3,0[illegible])	-	(3,0[illegible])
	-	-	-	-	-
Amortization (note 5.3)			(71,0[illegible])	(5,1[illegible])	(76,1[illegible])
Net book value	188,806	4,173,995	657,451	58,721	5,078,973
As at December 31, 2019					
Cost	188,806	4,173,995	1,020,756	102,312	5,485,869
Accumulated amortization	-	-	(363,305)	(43,591)	(406,896)
Net book value	188,806	4,173,995	657,451	58,721	5,078,973
Year ended December 31, 2020					
Net book value - January 1, 2020	188,806	4,173,995	657,451	58,721	5,078,973
Transfer from CWIP (notes 4.5.1 and 5.2)	-	-	261,071	-	261,071
Amortization (note 5.3)			(163,146)	(5,141)	(168,287)
Net book value	188,806	4,173,995	755,376	53,580	5,171,757
As at December 31, 2020					
Cost	188,806	4,173,995	1,281,827	102,312	5,746,940
Accumulated amortization	-	-	(526,451)	(48,732)	(575,183)
Net book value	188,806	4,173,995	755,376	53,580	5,171,757

5.1 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%

(Amounts in thousand)

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.

5.1.1 Right to use the brand name 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.

5.2 Primarily relates to costs incurred on implementation of new ERP i.e. SAP amortised over a period of 8 years.

5.3 Amortisation for the year has been allocated as follows:

	2020	2019
	Rupees	
Cost of sales (note 27)	17,585	15,790
Selling and distribution expenses (note 28)	844	15,290
Administrative expenses (note 29)	88,828	45,050
	107,257	76,130

6. INVESTMENT IN SUBSIDIARY

6.1 Represents investment in Engro Eximp Agriproducts (Private) Limited (EAPL) which was incorporated on July 4, 2017 as a wholly owned subsidiary of the Company to carry out trading and distribution of imported fertilizer. As part of the business reorganisation 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.

6.2 No new investment in associated companies and undertakings have been made during the year.

7. LONG-TERM LOANS, ADVANCES AND DEPOSITS - Considered good

	2020	2019
	Rupees	
Executives (notes 7.1, 7.2, 7.3, 7.5 and 7.6)	153,817	229,720
Other employees (notes 7.4, 7.5 and 7.6)	26,885	41,373
Deposits to suppliers	2,254	-
	182,956	271,093
Less: Current portion shown under current assets (note 12)	132,827	118,241
	50,129	152,852

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

	2020	2019
Balance as at January 1	229,720	193,616
Disbursements	58,104	152,147
Repayments / amortisation	(134,007)	(116,043)
Balance as at December 31	153,817	229,720

7.2 **Details of loans and advances to executives**

	2020	2019
Service incentive loans	[illegible]	114,174
Advances in respect of:		
- Car earn out assistance	7,078	3,811
- House rent	19,222	17,681
- Relocation loan	60	127
- Salary	18,756	7,939
- Others	10,489	[illegible]
	153,817	229,720

7.3 The maximum amount outstanding from executives at the end of any month during the year aggregated to Rs. [illegible] (2019: Rs. 211,752).

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

7.5 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.

7.6 The carrying values of these loans and advances are neither past due nor impaired.

8. STORES, SPARES AND LOOSE TOOLS

	2020	2019
	Rupees	
Consumable stores, spares and loose tools	6,139,863	5,904,237
Less: Provision for surplus and slow moving items (note 8.1)	640,750	618,815
	5,499,113	5,285,422

8.1 **Provision for surplus and slow moving items**

	2020	2019
Balance as at January 1	618,815	467,401
Charge for the year	21,935	177,813
Reversal during the year		(26,399)
Balance as at December 31	640,750	618,815

9. STOCK-IN-TRADE

	2020	2019
Raw materials	1,120,934	980,125
Packing materials	123,553	53,557
Work in process	107,833	48,159
	1,352,320	1,081,841
Finished goods		
- manufactured products	6,023,256	2,238,453
- purchased and packaged products	536,286	277,362
	6,559,542	2,515,815
Less: Provision for impairment against stock-in-trade (note 9.1)	191,661	28,785
	7,720,201	3,568,871

9.1 **Provision for impairment against stock-in-trade**

	2020	2019
Balance as at January 1	28,785	30,050
Charge for the year	193,276	28,735
Written off during the year	(30,400)	(30,000)
Balance as at December 31	191,661	28,785

(Amounts in thousand)

10. TRADE DEBTS

	2020	2019
	Rupees	
Considered good		
Secured (note 10.1)	[illegible]	9,515,258
Unsecured (note 10.2)	219,620	494,676
	2,023,071	10,009,934
Considered doubtful	19,884	48,759
	2,042,955	10,058,693
Less: Provision for impairment against trade debts (note 10.2)	19,884	48,759
	2,023,071	10,009,934

10.1 These debts are secured by way of bank guarantees and inland letters of credit.

10.2 **Provision for impairment against trade debts**

	2020	2019
	Rupees	
Balance as at January 1	48,759	18,230
Charge for the year (note 31)	3,334	30,529
Written-off during the year	(32,209)	-
Balance as at December 31	19,884	48,759

11. WORKING CAPITAL LOAN TO SUBSIDIARY

Represents unsecured loan given to EAPL amounting to Nil (2019: Rs. 16,248,734). The mark-up was receivable on quarterly basis at the rate of 1 month KIBOR + 0.25%.

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

	2020	2019
	Rupees	
Current portion of long term loans and advances to executives and other employees (note 7)	102,827	108,241
Advances and deposits (note 12.1)	839,132	1,052,748
Prepayments		
Insurance	575,616	429,067
Freight	231,854	51,954
Others	21,983	93,327
	1,751,813	1,735,337

12.1 Includes advances amounting to Rs. 101,742 (2019: Rs. 309,777) in respect of pesticides.

13. OTHER RECEIVABLES

	2020	2019
	Rupees	
Subsidy receivable from Government of Pakistan - net (notes 13.1 and 13.2)	5,129,454	6,368,366
Sales tax receivable	2,256,975	1,963,840
Due from Holding Company	4,404	-
Due from Subsidiary Company:		
- EFERT Agritrade (Private) Limited	733,023	-
Due from Associated Companies		
- Engro Polymer & Chemicals Limited	3,045	62,772
- Engro Powergen Qadirpur Limited	5,843	5,519
- Engro Digital Limited	-	584
- Engro Powergen Thar (Private) Limited	-	12,749
- Thar Foundation	-	360
- Engro Foundation	109	22,535
- FrieslandCampina Engro Pakistan Limited	3,111	2,202
- Engro Eximp Agriproducts (Private) Limited	312	1,877
- Sindh Engro Coal Mining Company Limited	-	110
- Engro Infiniti Limited	-	6,345
- Engro Vopak Terminal Limited	794	560
- Engro Eximp FZE	73,716	71,554
Receivable from Defined Benefit Gratuity Fund - MPT (note 38.2.1)	21,760	35,636
Workers' profits participation fund (note 13.3)	255,178	
Claims receivable	42,004	47,350
Others	33,594	13,562
	8,556,011	8,639,151

13.1 In FY 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 (NP) and Nitrogen, Phosphorous and Potassium (NPK) fertilizers (based on phosphorous content). This subsidy scheme was effective till May 27, 2016.

In FY 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 [illegible] (based on phosphorus content) and Nitrogen, Phosphorus and Potassium (NPK) fertilizers (based on phosphorus content).

In FY 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.

13.2 **Subsidy receivable from Government of Pakistan - net**

	2020	2019
	Rupees	
Gross subsidy receivable from GoP	6,523,493	6,523,493
Less: Provision against doubtful receivable	(155,127)	(155,127)
Less: Loss allowance on subsidy receivable from GoP (note 31)	(1,2[illegible])	-
	5,129,454	6,368,366

(Amounts in thousand)

		2020	2019
13.3	**Workers' profits participation fund**	------Rupees------	
	Balance as at January 1	(94,094)	51,434
	Charge for the year (note 31)	(1,019,952)	(1,461,099)
	Payments during the year	1,349,324	1,315,571
	Balance as at December 31	235,278	(94,094)

13.4 The maximum amount due from the Holding Company, subsidiary and associated companies at the end of any month during the year is as follows:

	2020	2019
	------Rupees------	
Holding Company	4,464	110,177
Subsidiary Company		
- EFERT Agritrade (Private) Limited	857,985	181,042
Associated Companies		
- FrieslandCampina Engro Pakistan Limited	7,890	9,945
- Engro Powergen Qadirpur Limited	6,064	6,577
- Sindh Engro Coal Mining Company Limited	1,245	5,069
- Engro Polymer & Chemicals Limited	151,798	61,974
- Engro Energy Limited	1,544	2,577
- Engro Powergen Thar Limited	3,245	12,742
- Thar Foundation	143	200
- Engro Vopak Terminal Limited	4,003	561
- Engro Eximp Agriproducts (Private) Limited	3,514	2,023
- Engro Digital Limited	755	1,025
- Engro Foundation	25,587	23,525
- Engro Eximp FZE	76,589	81,974

14. SHORT-TERM INVESTMENTS

	2020	2019
Pakistan Investment Bonds	20,237,475	-
Treasury Bills	8,588,972	5,305,337
Term Deposit Receipts	248,113	196,607
	29,074,560	5,501,944

15. CASH AND BANK BALANCES

	2020	2019
Cash at banks in:		
- deposit accounts (note 15.1)	629,759	2,787,647
- current accounts (note 15.2)	2,742,934	619,112
	3,372,693	3,406,759
Cash in hand	9,532	2,915
	3,382,225	3,409,674

15.1 Deposit accounts carry return at rates ranging from 5.50% to 11.40% (2019: 10.05% to 11.30%) per annum.

15.2 Includes Rs. 115,057 (2019: Rs. 61,507) held in foreign currency bank accounts.

16. SHARE CAPITAL

	2020	2019
	------Rupees------	
Authorised capital		
1,400,000,000 (2019: 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 (2019: 258,132,299) Ordinary shares of Rs. 10 each, fully paid in cash	2,581,323	2,581,323
9,999,993 (2019: 9,999,993) Ordinary shares of Rs. 10 each issued as at January 1, 2010 on transfer of fertilizer undertaking	100,000	100,000
1,062,600,000 (2019: 1,062,600,000) Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	10,626,000	10,626,000
4,367,083 (2019: 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

16.1 As at reporting date, the Holding Company held 56.27% (2019: 56.27%) of the share capital of the Company.

16.2 These fully paid Ordinary shares carry one vote per share and are entitled to dividend.

17. RESERVES

	2020	2019
	------Rupees------	
Capital reserves		
Share premium	3,354,904	3,354,904
Reserve on amalgamation (note 17.1)	(304,027)	(304,027)
	3,050,877	3,050,877
Revenue reserves		
Remeasurement of post employment benefits	(50,765)	(55,993)
Unappropriated profit	28,632,702	26,471,684
	28,581,937	26,415,691
	31,632,814	29,466,568

17.1 This reserve was created upon amalgamation of Engro Eximp (Private) Limited with the Company.

(Amounts in thousand)

18. BORROWINGS - Secured (Non-participatory)

	Note	Mark-up rate per annum	Installments Number	Installments Commenced / Commencing from	2020	2019
					Rupees	
Long term finance utilized under mark-up arrangements:						
Banks / Others						
Allied Bank Limited	18.1	6 months KIBOR + 0.35%	8 half yearly	June 17, 2023	1,000,000	–
Allied Bank Limited	18.1	3 months KIBOR + 0.35%	8 half yearly	June 5, 2023	341,725	–
Allied Bank Limited		6 months KIBOR + 0.15%	8 half yearly	March 29, 2020	1,000,000	2,000,000
Allied Bank Limited		6 months KIBOR + 0.2%	8 half yearly	June 28, 2022	2,160,000	2,000,000
Allied Bank Limited		3 months KIBOR + 0.25%	8 half yearly	June 20, 2022	2,500,000	2,500,000
Deutsche Investitions-und Entwicklungsgesellschaft mbH		6 months LIBOR + 0.75%	8 half yearly	December 15, 2019	1,653,841	2,071,[illegible]
Dubai Islamic Bank Pakistan Limited		6 months KIBOR + 0.4%	4 half yearly	November 28, 2016		500,000
MCB Bank Limited		6 months KIBOR + 0.15%	8 half yearly	March 27, 2020	2,000,000	4,000,000
MCB Bank Limited		6 months KIBOR + 0.2%	8 half yearly	December 29, 2020	5,000,000	5,000,000
MCB Bank Limited		6 months KIBOR + 0.05%	8 half yearly	March 28, 2021	1,500,000	1,500,000
MCB Bank Limited		3 months KIBOR + 0.25%	8 half yearly	June 29, 2022	2,500,000	2,500,000
National Bank of Pakistan		6 months KIBOR + 0.2%	8 half yearly	June 26, 2022	1,000,000	1,000,000
Syndicated finance		6 months KIBOR + 0.4%	8 half yearly	June 20, 2019	3,644,[illegible]	4,030,883
United Bank Limited		6 months KIBOR + 0.15%	8 half yearly	March 29, 2020	2,000,000	4,000,000
					23,575,694	30,952,449
Less: Current portion shown under current liabilities					10,001,[illegible]	6,740,[illegible]
					13,574,[illegible]	24,212,[illegible]

18.1 During the year, the Company obtained long term finances from Allied Bank Limited amounting to Rs. 1,341,725 in aggregate to finance the capital expenditure. These borrowings have the same charge as on the borrowings from other existing Senior Lenders on operating assets.

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

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

	2020	2019
	Rupees	
Balance as at January 1	30,952,449	30,810,629
Borrowings availed during the year	1,341,725	5,000,000
Amortization of transaction cost	5,293	15,884
Repayment of borrowings	(8,779,124)	(5,122,418)
Exchange loss	55,351	247,354
Balance as at December 31	23,575,694	30,952,449

19. DEFERRED TAXATION

	2020	2019
	Rupees	
Credit / (Debit) balances arising on account of:		
Accelerated depreciation allowance	17,950,533	12,353,426
- Provision for:		
- staff retirement benefits	(13,984)	(12,729)
- surplus and slow moving stores and spares and doubtful receivables	(262,766)	(198,271)
	17,674,[illegible]	12,[illegible],426

20. DEFERRED LIABILITIES

	2020	2019
Deferred income (note 20.1)	53,789	57,754
Service benefit obligations	270,233	252,169
Less: Current portion shown under current liabilities	(53,726)	(53,585)
	216,507	198,584
	270,296	251,538

20.1 This represents Rs. 96,3[illegible] 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 amortized over such period.

21. PROVISION FOR GAS INFRASTRUCTURE DEVELOPMENT CESS

The Honorable Supreme Court of Pakistan (SCP) through its judgment dated August 13, 2020 (Judgment) declared that the levy imposed under the Gas Infrastructure Development Cess (GIDC) Act, 2015 (the Act) is valid and in accordance with the provisions of the Constitution of Pakistan, 1973 (the Constitution). The SCP in its Judgment stated that the Government has already collected Rs. 295 billion and the amount combined with the outstanding amount would be in the vicinity of Rs. 700 billion. The SCP, therefore, issued the following directions:

- It restrained the Federal Government from charging further GIDC until such time that the GIDC already collected and accrued (but not yet collected), is expended on projects listed under the Act;
- As all industrial and commercial entities which consume gas for their business activities pass on the burden to their customers, therefore, GIDC that has become due up to July 31, 2020, and has not been recovered so far, shall be recovered by the gas companies responsible under the Act to recover from their consumers in twenty-four equal monthly installments without the component of Late Payment Surcharge (LPS); and
- In case, no work is carried out on the gas infrastructure pipelines in the manner and/or time specified in the Judgment, the purpose of levying GIDC shall be deemed to have been frustrated and the Act would become completely in-operational and considered dead for all intents and purposes.

Pursuant to the Judgement, the gas suppliers began invoicing the GIDC instalments for recovery with effect from August 01, 2020.

(Amounts in thousand)

Aggrieved by the judgment, the Company filed a review petition before the SCP, which was disposed of by the SCP on November 02, 2020 (Review Decision). However, the Review Decision (i) noted that the Government of Pakistan is agreeable to recover the unpaid arrears in 48 monthly installments instead of 24 monthly installments provided the time period for the projects was extended to 12 months from 6 months; and (ii) upheld the validity of Section 8(2) of the Act. The SCP protected the rights of the Industrial Sector (excluding Fertilizer Feed Stock) to approach the appropriate fora for enforcement of the exemption provided under the proviso to Section 8(2) of the 2015 Act.

Subsequent to the Review Decision, the Company filed a rectification application before the SCP seeking a clarification regarding the increase in installments.

The Company also filed a suit before Sindh High Court (SHC) on December 11, 2020 against collection of GIDC on non-concessionary feed gas supplied under the non-fixed price contracts and the fuel gas on the basis of relief available under section 8(2) of the Act and on the grounds that factual determination of the GIDC passed on is to be carried out. The SHC granted the Company an interim stay restraining the impleaded gas companies from taking coercive action against the Company for non-payment of GIDC installments.

Further, in regards the GIDC installments to be recovered from SNGPL on concessionary gas supplied under the fixed price gas sale and purchase agreement dated April 11, 2007 (GSPA), the Company approached the SHC to challenge this imposition. The Company has obtained a stay order in its favour and the SHC has restrained SNGPL from taking any coercive action against the Company on collecting GIDC on feed stock gas supplied to the Company under the GSPA. The management has made an assessment (as confirmed by the legal advisor) that there are reasonable chances of a favourable outcome in relation to the legal proceedings filed against SNGPL for feed gas supplied under the GSPA. Hence, no provision on account of GIDC has been recorded by the Company in respect of feed gas received under the GSPA.

Considering the recent events and developments in GIDC case, including the Judgment and the Review Decision, the Institute of Chartered Accountants of Pakistan (ICAP) released 'Guidance on Accounting of GIDC' via Circular No. 1/2021 dated January 19, 2021, which specifies the requirements for recognition, measurement and presentation of GIDC.

Keeping in view the financial reporting guidance of ICAP, the Company has applied IAS 37 - 'Provisions, Contingent Liabilities and Contingent Assets' and remeasured its previously undiscounted provision at its present value using the risk free rate, giving due consideration to the latest available information and the expected timing of the settlements i.e. 48 monthly installments as also referred to in the Review Decision. The Company, therefore, has recognised a remeasurement gain on GIDC provision amounting to Rs. [illegible] in these financial statements. Further, as at December 31, 2020 current and non-current portion of GIDC provision has been separately disclosed in the statement of financial position and the corresponding figures have been accordingly reclassified.

22 TRADE AND OTHER PAYABLES

	2020	2019
	------Rupees------	
Creditors	6,943,675	4,495,554
Accrued liabilities	4,990,840	7,546,597
Advances from customers	9,908,015	575,444
Payable to Holding Company		215,680
Payable to:		
- Engro Energy Limited	1,5[illegible]	3,560
- Engro Energy Terminal (Private) Limited	1,533	1,031
- EFERT Agritrade (Private) Limited	-	5,865,398
- Defined Contribution Provident Fund	94,014	99,440
- Defined Contribution Provident Fund NMPT	7,677	6,991
- Defined Contribution Gratuity Fund MPT	15,523	7,753
- Defined Contribution Pension Fund	673	93,509
- Defined Benefit Gratuity Fund NMPT	16,522	216,691
Deposits / Retention from dealers and contractors (note 22.1)	481,951	197,573
Workers' welfare fund	1,448,015	1,254,750
Workers' profits participation fund (note 15.3)	-	91,094
Withholding tax payable	147,351	127,451
Others	489,943	407,704
	25,596,843	21,190,207

22.1 The amount is kept in separate bank deposits account as per the terms of agreements and is not utilised for the purpose of the business of the Company.

23. SHORT-TERM BORROWINGS

The Company has funded facilities for short-term finances available from various banks and institutional investors amounting to Rs.15,125,000 (2019: Rs. 15,125,000) along with non-funded facilities of Rs. 3,827,000 (2019: Rs. 3,827,000) for bank guarantees. The rates of markup on funded bank overdraft facilities ranged from 0.2% to 0.5% per annum over 1 month & 3 month KIBOR and all 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. [illegible] (2019: Rs. 1,940,650) from funded facilities and Rs. 3,569,428 (2019: Rs. 2,019,188) from the non-funded facilities as at the reporting date.

24. LOAN FROM HOLDING COMPANY

During the year, the Company obtained subordinated loan from the Holding Company amounting to Rs. 1,000,000 (2019: Nil) for a period of eleven months. The mark-up is payable on quarterly basis at the rate of 3 months KIBOR + 3.1%.

25. CONTINGENCIES AND COMMITMENTS

Contingencies

25.1 As at December 31, 2020, bank guarantees of Rs. 3,569,428 (2019: Rs. 2,019,188) have been issued in favour of third parties.

25.2 As at December 31, 2020 claims, including pending lawsuits, against the Company not acknowledged as debts amount to Rs. 61,914 (2019: Rs. 61,914).

(Amounts in thousand)

25.3 The Company has entered into Dealer Finance Agreements (DFAs) with different banks amounting to Rs. 4,500,000 (2019: Rs. 4,500,000) consequent to which the banks will provide financial assistance to dealers approved by the Company. In respect of DFAs amounting to Rs. 500,000 the Company has agreed to bear 15% of the principal in case of default by the dealers. As at December 31, 2020 the banks have made disbursements to dealers under the DFAs amounting to Rs. [illegible] (2019: Rs. [illegible]) maturing on various future dates.

25.4 The Company filed a constitutional petition in the SHC 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. Through its order dated October 10, 2011 SHC 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 SCP against the aforementioned order of the SHC by SNGPL, MPNR, Agritech Limited, Pak Arab Fertilizers and Kohinoor Mills Limited along with 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.

Further, the Company upon continual curtailment of gas after the aforementioned decision of the SHC has filed an application in respect of Contempt of Court under Article 204 & 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 SHC in Company's favor. A show cause notice has also been issued against MPNR and SNGPL dated December 31, 2011 by the SHC. The application is pending for hearing and no orders have yet been passed in this regard.

25.5 All Pakistan Textile Processing Mills Association (APTPMA), Agritech Limited (Agritech), Shah 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 GSPA dated April 11, 2007 between the Company and SNGPL be declared void ab initio because the output of Qadirpur gas field has in fact 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 outrightly 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) GSPA guarantees uninterrupted supply of gas to the new plant with right to first 100 mmscfd gas production from the Qadirpur gas field; and (iii) both the Company and the Qadirpur gas field are located in Sindh. Along the the gas allocation by the Government of Pakistan nor the GSPA 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 given that similar matter is pending in SCP. However, the Company's management, as confirmed by the legal advisor, considers chances of petitions being allowed to be remote.

25.6 In 2010, the Company 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 (2010 Act) in relation to the alleged unreasonable increase in fertilizer prices. The Company has responded in detail that factors resulting in such increase were mainly due to imposition of infrastructure cess, sales tax and gas curtailment. The CCP issued an order in March 2013 whereby it held that the Company has a dominant position in the urea market and that it has abused the same by unreasonable increases in urea prices during the period December 2010 to December 2011. The CCP also held another major fertilizer company to be responsible for abusing its dominant position. Moreover, the CCP 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 before the Competition Appellate Tribunal (CAT) and a writ has been filed in the SHC wherein stay has been granted in favour of the Company restraining CCP and Federation of Pakistan (the Respondents) from taking any coercive action.

In case of the other fertilizer company, the CAT has transferred the case back to the CCP for reassessment. The Company has also challenged the composition of the CAT in the SHC and has secured an interim order in its favour whereby the CAT is restrained from passing any final order against the Company during the pendency of the petition. 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.

25.7 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. 402,878 and on presumption that output tax liability is not being discharged by the Company on advances received from dealers amounting to Rs. 1,844,078. The Company filed an appeal thereagainst with the Commissioner Inland Revenue (Appeals) (CIRA) which decided the matters in favour of the Company. The department thereafter challenged the decision of the CIRA with the Appellate Tribunal Inland Revenue (ATIR), which is pending for hearing. No provision has been made by the Company in this respect.

25.8 On July 3, 2018, the tax department, LTU raised an order for the period June 2016 to July 2017 with a demand of Rs. 1,000,000 mainly on account of further sales tax to be charged on sales to unregistered persons. The Company filed an appeal thereagainst with the CIRA who disposed off the appeal in favour of the taxation department on September 24, 2018. A constitutional petition against the said order has been filed with the SHC and stay for recovery of demand against CIRA's order was obtained on October 31, 2018. The Company also filed an appeal against CIRA decision which is pending before the ATIR. 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.

25.9 In the year 2017, the High Court of Islamabad in its order dated June 8, 2017 held that the income derived by the Contractor from its contract with the Company is subject to tax as per Article 5(4) of Double Taxation Treaty between Pakistan and the Netherlands. Thus confirming the demand raised in the respective orders aggregating to Rs 1,178,391. In respect thereof, the Contractor preferred an appeal in the SCP. In FY 2019, the SCP decided the case on ex-parte basis against the contractor and review application for case restoration has been filed by the Contractor. The Company's management, as confirmed by the legal advisor, is confident that the review application for the case restoration will be accepted and on merit of the case no provision is warranted.

25.10 Commitments	2020	2019
	Rupees	
Commitments in respect of capital expenditure and other operational items	8,222,078	6,565,323

26. NET SALES

	2020	2019
Gross sales		
- manufactured products	75,252,551	79,340,468
- purchased and packaged products	[illegible]	1,860,553
- services	[illegible]	[illegible]
	77,130,530	81,309,075
Less: Trade discount	620,587	556,221
Less: Sales tax	1,189,099	1,575,573
	75,338,844	79,235,924

(Amounts in thousand)

27. COST OF SALES

	2020	2019
	---------Rupees---------	
Cost of sales - Manufactured products		
Raw materials consumed	23,889,519	21,590,127
Salaries, wages and staff welfare (note 27.1)	3,084,675	2,951,589
Fuel and power	[illegible]	[illegible]
Repairs and maintenance	1,417,475	1,853,880
Depreciation (note 4.2)	5,113,617	5,475,093
Amortisation (note 5.3)	[illegible]	15,790
Consumable stores	1,268,723	1,035,230
Training, HSE and other related expenses	240,450	330,916
Purchased services	[illegible]	[illegible]
Travelling	54,622	70,476
Communication, stationery and other office expenses	38,851	53,348
Insurance	[illegible]	[illegible]
Rent, rates and taxes	60,758	55,372
Other expenses	4,534	5,002
Manufacturing cost	48,154,032	47,064,916
Add: Opening stock of work in process (note 9)	48,159	27,517
Less: Closing stock of work in process (note 9)	(107,333)	(48,159)
Cost of goods manufactured	48,094,858	47,044,264
Add: Opening stock of finished goods (note 9)	2,238,456	852,481
Less: Closing stock of finished goods (note 9)	(5,020,333)	(2,238,456)
	45,313,071	45,659,252
Cost of sales - Purchased and packaged product		
Opening stock - net of NRV (note 9)	248,540	454,889
Add: Purchases during the year	897,102	625,851
Less: Closing stock - net of NRV (note 9)	(164,519)	(245,543)
	981,123	834,297
	46,294,194	46,594,154

27.1 Salaries, wages and staff welfare includes Rs. 164,603 (2019: Rs. [illegible]) in respect of staff retirement benefits.

28. SELLING AND DISTRIBUTION EXPENSES

	2020	2019
	---------Rupees---------	
Salaries, wages and staff welfare (note 28.1)	1,174,719	1,029,806
Training, HSE and other related expenses	86,617	205,514
Product transportation and handling	3,533,843	3,159,794
Royalty (note 28.2)	1,090,515	1,130,453
Repairs and maintenance	69,053	55,015
Advertising and marketing	354,795	312,164
Rent, rates and taxes	689,235	405,812
Communication, stationery and other office expenses	12,797	32,676
Travelling	135,263	175,740
Depreciation (note 4.2)	46,357	110,472
Amortisation (note 5.3)	844	15,350
Purchased services	116,857	65,411
Insurance	5,522	19,475
Others	6,553	5,332
	[illegible]	[illegible]

28.1 Salaries, wages and staff welfare includes Rs. 94,511 (2019: Rs. 89,230) in respect of staff retirement benefits.

28.2 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.

29. ADMINISTRATIVE EXPENSES

	2020	2019
	---------Rupees---------	
Salaries, wages and staff welfare (note 29.1)	356,566	437,763
Training, HSE and other related expenses	58,364	[illegible]
Repairs and maintenance	9,752	29,756
Rent, rates and taxes	134,538	50,395
Communication, stationery and other office expenses	38,683	[illegible]
Travelling	11,194	22,976
Depreciation (note 4.2)	76,028	12,134
Amortisation (note 5.3)	88,828	45,050
Purchased services	[illegible]	465,627
Aircraft operating expense	72,225	-
Insurance	26,410	[illegible]
Others	5,510	5,948
	1,859,936	1,197,714

29.1 Salaries, wages and staff welfare includes Rs. 23,494 (2019: Rs. 42,547) in respect of staff retirement benefits.

(Amounts in thousand)

30. OTHER INCOME

	2020	2019
	Rupees	
On financial assets		
Income on bank accounts under:		
- Shariah permissible arrangements	-	16,595
Income on working capital loan to subsidiary company	760,123	1,102,347
Income on government securities, term deposit certificates and bank deposits	417,907	1,621,8[illegible]
Dividend income (note 30.1)	426,470	1,813,2[illegible]
Gain on disposal of subsidiary (note 30.2)	-	1,412,189
Others	-	13,2[illegible]
	1,604,500	[illegible]
On non-financial assets		
Commission income (note 30.3)	435,132	597,485
Gain on disposal of operating assets (note 4.3)	13,201	713,842
Rental income	-	[illegible]
Reversal of liability for workers' welfare fund	180,079	999,423
Scrap sales	35,160	45,425
Sub-licensing income from subsidiary	[illegible]	[illegible]
Others	2,087	33,953
	675,5[illegible]	2,469,645
	2,280,0[illegible]	[illegible]

30.1 This comprises of dividend income received from EAPL and Engro Eximp FZE amounting to Rs. 426,470 (2019: Rs. 1,771,631) and Nil (2019: Rs. 43,385) respectively.

30.2 The Company entered into a Share Purchase Agreement with the Holding Company for sale of its entire holding in Engro Eximp FZE (EEF), a wholly owned subsidiary of the Company, on July 17, 2019. The Company received total consideration amounting to Rs. 1,972,505 against its investment of Rs. 560,316 in EEF, which resulted in recognition of gain on disposal amounting to Rs. 1,412,189.

30.3 Represents commission earned as a selling agent of imported fertilizer on behalf of EAPL, subsidiary company.

31. OTHER OPERATING EXPENSES

	2020	2019
	Rupees	
Workers' profits participation fund (note 13.3)	1,519,932	1,461,099
Workers' welfare fund	363,734	473,855
Donations (note 31.1)	334,[illegible]	265,173
Legal and professional	115,427	60,030
Provision for impairment against trade debts (note 10.2)	3,297	30,569
Auditors' remuneration (note 31.2)	20,072	10,875
Provision against sales tax refundable	-	344,000
Others	12,073	74,655
	[illegible]	2,720,254

31.1 During the year, the Company made donations to Engro Foundation and The Indus Hospital amounting to Rs. [illegible] (2019: Rs. [illegible]) and Rs. 75,000 (2019: Nil) respectively. Mr. Ghias Khan, the Chairman of the Board, and Mr. Nadir Salar Qureshi, the Chief Executive Officer of the Company, are also the trustees of Engro Foundation.

31.2 **Auditors' remuneration**

	2020	2019
	Rupees	
Fee for:		
audit of annual financial statements	2,575	2,615
special audit / review of half yearly financial information	575	1,125
review of compliance with the Code of Corporate Governance	55	50
certifications, secondments and other advisory services	4,518	2,277
taxation services	10,575	4,295
Reimbursement of expenses	[illegible]	512
	20,072	10,875

32. FINANCE COST

	2020	2019
Interest / mark-up / return on:		
- long term borrowings under:		
- interest / mark-up arrangements	2,831,590	3,121,252
- Shariah permissible arrangements	103,153	231,2[illegible]
	2,934,743	3,352,513
- short-term borrowings under:		
- interest / mark-up arrangements	110,039	150,034
- Shariah permissible arrangements	180,457	13,125
	290,573	163,159
Foreign exchange loss - net	40,440	172,129
	[illegible]	3,687,825

33. LOSS ALLOWANCE ON SUBSIDY RECEIVABLE FROM GoP

This represents loss allowance recognised on Subsidy receivable from the GoP (note 13) in accordance with the 'Expected Credit Loss' model under IFRS 9, giving consideration to the time value of money based on expected recovery of subsidy receivable. The Company, however, is confident for recovery of the subsidy amount from the GoP.

34. TAXATION

	2020	2019
	Rupees	
Current		
- for the year	5,989,099	5,462,329
- for prior years (note 24.8)	(3,379,336)	123,125
	2,609,763	5,585,454
Deferred	(507,138)	3,087,268
	2,102,575	8,672,722

34.1 During the year, the income tax department amended the assessment filed by the Company for tax year 2019. The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIRA) against the disallowances, which mainly pertained to proration of expenses to exempt / FTR income, tax credit on investment in plant and machinery, disallowance of deductible allowances for WWF / WPPF resulting in additions to taxable income of Rs. 3,305,955. In addition, the tax department raised demand for Super tax amounting to Rs. 475,639. The management is confident for a favorable outcome on this case.

34.2 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 CIRA against the disallowances, which mainly pertained to exchange gain and loss, loss on derivatives and losses purchased from Engro Eximp Agriproducts (Private) Limited, an associate, under section 59B of the Income Tax Ordinance, 2001 resulting in additions to taxable income of Rs. 2,191,953. In addition, the tax department raised demand on the Alternative Corporate Tax (ACT) through the same order, for which the Company specifically obtained a stay order. The matter was heard by CIRA and favorable decision was made in respect of exchange losses and adjustment of prior years tax refunds, whilst other additions made by the tax department in respect of ACT, loss on derivatives and group relief under section 59B were maintained in the order. The Company has filed an appeal against the order of CIRA before the Income Tax Appellate Tribunal which is pending to be heard.

34.3 In FY 2019, the income tax department amended the assessment filed by the Company for the tax years 2015, 2016 and 2017. The Company filed appeals before CIRA for disallowances made in the orders which mainly included proration of expenses to exempt / FTR income, exchange loss disallowance, 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. 16,173,526 to taxable income of these tax years. Subsequently, CIRA passed an order for tax years 2015, 2016 and 2017 maintaining most of the additions made by taxation officer in the amendment order, whilst allowing deletion of expenses on allocation basis to exempt income and claim of exchange losses on realised basis. The Company as well as the tax department filed appeals against CIRA's order before the Appellate Tribunal Inland Revenue (ATIR).

Through order dated February 20, 2020, ATIR decided the amendment orders for TY 2015 and 2016 mainly in favor of the Company except for certain disallowances including provisions on other receivables, retirement benefits and disallowance of loss on fair valuation of embedded derivative which were maintained or remanded back to the tax department for verification. On June 01, 2020, the tax department filed reference application before HCS for questions of law arising out of the ATIR order. The Company maintains adequate provision in the financial statements and is confident of an ultimate favourable outcome on these amendments.

34.4 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 in aggregate of Rs. 1,025,466. The Company had challenged the said decision before the High Court of Sindh (HCS). During the year the matter was heard, and is reserved for judgement. However, the Company is confident of a favourable outcome.

34.5 In Tax Year (TY) 2019, the Company received recovery notice from the Federal Board of Revenue for payment of Super Tax, in accordance with Section 4B of the Income Tax Ordinance 2001 (ITO), for TY 2015. The Company filed a Constitutional Petition before the SHC challenging the notice as well as the vires of Section 4B of the ITO. An interim order was granted in favour of the Company. On July 21, 2020, SHC held that of Section 4B was intra vires the Constitution (SHC Judgement). Thereafter the Company filed a Civil Petition for Leave to Appeal (CPLA), before the SCP challenging the SHC Judgment. The CPLA was filed by the Company only in relation to TY 2015 i.e. the year which was challenged before the SHC as well.

Pursuant to the SHC Judgement, the tax department passed orders against the Company for TY 2015 to 2019 in relation to recovery of Super Tax amounting in aggregate of Rs. 2,110,291. The Company filed appeals against the orders before CIRA.

On November 26, 2020, SCP granted leave to appeal and passed an interim order restraining the Respondents from taking any coercive action against the Petitioner taxpayers (including the Company) subject to them depositing 50% of the impugned outstanding tax amount.

The Company has till date paid Super Tax amounting to Rs. 1,121,294 against the relevant tax years. Adequate provision for Super Tax for the respective TYs is being maintained in these financial statements.

34.6 As a result of demerger in the year 2009 all pending tax issues of the then Holding 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. 206,500
- G.P. Apportionment (Financial years 1995 to 2002): Rs. 653,900

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.

34.7 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. 770,000. The tax department had not accepted the said treatment for tax year 2012. 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 with the ITAT. However, the department has given appeal effect order to the aforementioned favourable decision of the CIT(A) for tax year 2013.

During FY 2019, in respect of tax year 2013, the matter was decided by the ITAT in favor of the Company and the department's appeal in this respect was rejected. The management is confident for a favorable outcome on this case and therefore no provision is being maintained in these financial statements in this respect.

34.8 During the year, the Company's management has reassessed its income tax provisions based on the finalisation of its income tax assessments of prior tax years by the income tax department. Upon such assessment the Company's management has recognised reversal of tax provisions amounting in aggregate to Rs. 3,379,326 in these financial statements.

34.9 **Relationship between tax expense and accounting profit**

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

	2020	2019
	Rupees	
Profit before taxation	18,917,887	27,235,616
Tax calculated at the rate of 29%	5,486,187	7,898,337
Depreciation not deductible for tax purposes	-	928
Tax effect of:		
- Expenses not allowed for tax	499,190	85,444
- Final / Special Tax Regime and exempt income	(503,168)	(1,037,657)
Effect of:		
- Prior year tax (reversal) / charge	(3,379,326)	133,125
- Change in deferred tax liability due to reduction in tax rates (note 34.10)	-	1,504,755
Tax charge for the year	[illegible]	[illegible]

34.10 Through Finance Act 2015, corporate tax rates for year ended December 31, 2018 and onwards were reduced by 1% for each subsequent tax year upto tax year 2023 (financial year ending December 31, 2022). Subsequently, through Finance Act, 2019, the said change was deleted and corporate tax rates were fixed at 29% for tax year 2019 and onwards. This represents amount of related charge / (reversal) in deferred tax related to aforementioned changes.

35. EARNINGS PER SHARE (EPS)

35.1 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.

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

	2020	2019
	Rupees	
Profit for the year	[illegible]	[illegible]
	Numbers in thousands	
Weighted average number of ordinary shares at beginning of year	1,335,299	1,335,299

36. FINANCING STRUCTURE / MODE

	2020	2019
Conventional mode:	Rupees	
Assets		
Short-term investments	25,074,530	5,501,922
Cash and bank balances	3,382,228	3,244,331
Working capital loan to subsidiary	-	15,245,774
	[illegible]	[illegible]
Liabilities		
Long-term borrowings	[illegible]	27,752,449
Short-term borrowings	[illegible]	1,471,676
Loan from Holding Company	1,000,000	-
	23,826,020	31,224,125
Shariah compliant mode:		
Assets		
Cash and bank balances	-	105,343
Liabilities		
Long term borrowings	1,000,000	1,200,000
Short term borrowings		75,009
	1,000,000	1,275,009

(Amounts in thousand)

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2020			2019		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	Rupees					
Managerial remuneration including bonus	87,550		2,342,491	64,713		1,941,512
Retirement benefit funds	4,540	-	137,044	4,346	-	183,132
Other benefits	77	-	[illegible]	17	-	25,544
Fees		10,762			9,654	
Total	92,147	10,762	2,653,137	69,076	9,654	2,150,188
Number of persons, including those who worked part of the year	1	[illegible]	799	1		809

37.2 These amounts are net off salaries, wages and others staff benefits incurred on behalf of LAL and subsequently charged to LAL.

37.3 The Company also provides vehicles and certain household items for use of some executives and directors.

37.4 Premium charged in respect of directors' indemnity insurance policy, purchased by the Company during the year, amounted to Rs 273 (2019: Rs 304).

38. RETIREMENT AND OTHER SERVICE BENEFITS

38.1 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 plans, 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 fluctuation 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.

38.2 Valuation results

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

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan-Funded (Curtailed)	
	(MPT)		(NPT)			
	2020	2019	2020	2019	2020	2019
	Rupees					
38.2.1 Statement of financial position reconciliation						
Present value of obligation (note 38.2.3)	[illegible]	394,314	67,123	61,519	26,926	24,018
Fair value of plan assets (notes 38.2.4 and 38.2.12)	(338,163)	(177,820)	(98,565)	(112,937)	(38,330)	(38,277)
Deficit / (surplus) of funded plans	16,522	216,494	(31,442)	(48,415)	(11,354)	(14,259)
Payable to Defined Contribution Gratuity Fund	-		9,735	5,734		-
Payable in respect of inter-unit transfers	-		45	46	-	-
Unrecognised asset	-		-	-	11,354	14,259
Net liability / (asset) at end of the year	16,522	216,494	(21,663)	(36,636)		
38.2.2 Movement in net liability / (asset) recognised						
Net liability / (asset) at beginning of the year	216,494	149,307	(36,636)	(22,002)	-	-
Charge / (Reversal) for the year (note 38.2.8)	84,821	53,721	(2,561)	(986)	(1,521)	(1,521)
Contributions made during the year to the fund	(314,909)		-	-	-	-
Re-measurements (recognised in OCI) (note 38.2.9)	30,116	31,972	17,534	(13,648)	1,521	1,521
Liability in respect of promotion cost	-	(4,356)	-		-	-
Net liability / (asset) at end of the year	16,522	216,494	(21,663)	(36,636)	-	-

(Amounts in thousand)

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan - Funded (Curtailed)	
	NMPT		MPT			
	2020	2019	2020	2019	2020	2019
	Rupees					
38.2.3 Movement in defined benefit obligation						
At beginning of the year	354,314	325,678	84,518	104,168	26,038	24,610
Current service cost	20,456	17,512	2,504	3,149		
Interest cost	46,102	42,599	7,154	10,112	3,488	3,881
Benefits paid during the year	(76,882)	(19,535)	(13,917)	(32,741)	(5,910)	(3,939)
Liability in respect of promotion policy		(1,006)			–	–
Remeasurements charged to OCI (note 38.2.7)	(17,447)	29,156	7,160	(65)	4,240	466
At end of the year	414,457	354,314	87,423	84,515	28,536	26,038
38.2.4 Movement in fair value of plan assets						
At beginning of the year	177,630	176,611	112,993	156,832	35,227	35,114
Expected return on plan assets	19,821	23,090	12,308	14,147	4,819	4,502
Contributions by the Company	216,655	–				–
Benefits paid during the year	(76,882)	(19,535)	(13,917)	(32,741)	(5,910)	(3,939)
Remeasurements charged to OCI (note 38.2.7)	10,501	(2,486)	(12,320)	14,795	498	(1,001)
At end of the year	336,155	177,630	98,991	112,993	33,820	35,227
38.2.5 Charge / (Reversal) for the year						
Current service cost	20,456	17,512	2,504	3,149	–	
Net interest cost	24,102	19,559	(5,164)	(6,709)	(1,521)	(1,621)
	44,558	37,071	(2,660)	(3,560)	(1,521)	(1,621)
38.2.6 Actual return on plan assets	31,217	21,625	104	28,912	4,453	4,102

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan - Funded (Curtailed)	
	NMPT		MPT			
	2020	2019	2020	2019	2020	2019
	Rupees					
38.2.7 Remeasurement recognised in Statement of Comprehensive Income						
(Gain) / Loss from change in experience assumptions	(16,454)	29,812	7,160	(62)	802	(1,102)
(Gain) / Loss from change in financial assumptions	(993)	(656)	–	–	3,438	1,508
Remeasurement of obligation	(17,447)	29,156	7,160	(62)	4,240	406
Expected return on plan assets (note 38.2.4)	19,821	23,090	12,308	14,147	4,819	4,503
Actual return on plan assets (note 38.2.6)	(31,217)	(21,625)	(104)	(28,912)	(4,453)	(4,102)
Difference in fair value opening	895	971	141	65		
Remeasurement of plan assets	(10,501)	2,436	12,320	(14,795)	(498)	900
Effect of asset ceiling					(2,276)	755
	(28,008)	31,592	19,526	(14,848)	1,52[illegible]	1,621

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan - Funded (Curtailed)	
	NMPT		MPT			
	2020	2019	2020	2019	2020	2019
38.2.8 Principal actuarial assumptions used in the actuarial valuation						
Discount rate	9.85%	11.25%	9.85%	11.25%	9.85%	11.25%
Expected percentage rate of return on plan assets	9.85%	11.25%	9.85%	11.25%	9.85%	11.25%
Expected percentage rate of increase in salaries - next year	7.85%	10.25%	9.85%	11.25%		
Expected percentage rate of increase in salaries - long term	7.85%	10.25%	8.25%	11.25%		–

38.2.9 Demographic Assumptions

	NMPT	MPT	Pension
Mortality rate	SLIC (2001-05)	SLIC (2001-05) -1	SLIC (2001-05)
Rate of employee turnover	Light	Heavy	

(Amounts in thousand)

38.2.10 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	Gratuity Funds		Pension
	NMPT	MPT	Fund	NMPT	MPT	Fund
	Rupees					
Discount Rate	377,812	64,851	25,490	459,386	70,338	28,824
Long Term Salary Increases	456,986	70,038	-	377,248	64,825	-
Long Term Pension Increases			28,[illegible]			25,888

38.2.11 Maturity Profile

Time in Years	Gratuity Funds NMPT	Gratuity Funds MPT	Pension Fund
	Rupees		
1	19,019	7,497	3,910
2	19,972	5,155	3,910
3	27,523	1,885	3,910
4	[illegible]	4,[illegible]	3,910
5-10	216,330	53,664	3,910
11-15	181,265	1,395	3,910
16-20	[illegible]	1,02[illegible]	3,910
20+	217,825	-	3,910
Weighted average duration (years)	8.57	3.67	5.02

38.2.12 Plan assets comprise of the following:

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan - Funded (Curtailed)	
	NMPT		MPT*			
	2020		2020		2020	
	Rupees	%	Rupees	%	Rupees	%
Fixed income instruments	28[illegible]	[illegible]	[illegible]	[illegible]	38,[illegible]	100
Investment in equity instruments	1[illegible]	25	[illegible]	24	-	
	[illegible]	100	98,[illegible]	100	38,[illegible]	100

* The employees of the Company in respect of gratuity are members of Defined Benefit Gratuity Fund maintained and operated by the Holding Company. Accordingly, the above information is based upon the plan assets of Engro Corporation Limited - Gratuity Fund.

38.2.13 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.

38.2.14 Expected future cost / (reversal) for the year ending December 31, 2021 is as follows:

	Rupees
- Gratuity Fund - NMPT	22,425
- Gratuity Fund - MPT	(1,[illegible])
- Pension Fund	(973)

38.2.15 Historical information of staff retirement benefits:

	2020	2019	2018	2017	2016
	Rupees				
Gratuity Fund - NMPT					
Present value of defined benefit obligation	414,607	354,014	325,[illegible]	296,001	270,301
Fair value of plan assets	(393,185)	(177,620)	(176,611)	(155,049)	(158,757)
Deficit	[illegible]	21[illegible]	149,[illegible]	[illegible]	[illegible]
Gratuity Fund - MPT					
Present value of defined benefit obligation	[illegible]	[illegible]	104,[illegible]	146,[illegible]	172,725
Fair value of plan assets	(98,765)	(1[illegible])	(136,832)	(156,328)	(155,173)
Surplus	([illegible])	[illegible]	[illegible]	[illegible]	(27,445)
Pension Fund					
Present value of defined benefit obligation	25,[illegible]	24,015	24,600	29,155	32,[illegible]
Fair value of plan assets	(38,520)	(38,277)	(38,101)	(40,718)	(44,2[illegible])
Surplus	(11,[illegible])	(14,259)	(13,[illegible])	(11,[illegible])	(12,[illegible])

38.3 Defined contribution plans

An amount of Rs. 252,[illegible] (2019: Rs. [illegible]) has been charged during the year in respect of defined contribution plans maintained by the Holding Company.

39. CASH GENERATED FROM OPERATIONS

	2020	2019
	Rupees	
Profit before taxation	[illegible]	[illegible]
Adjustment for non-cash charges and other items:		
Depreciation (note 4.2)	5,536,00[illegible]	5,501,299
Amortisation of intangibles (note 5.3)	107,257	76,130
Amortisation of deferred income	(3,855)	(3,865)
Gain on disposal of operating assets (note 30)	(13,2[illegible])	(713,842)
Provision for retirement and other service benefits	73,8[illegible]	58,730
Income on deposits / other financial assets	(2,198,0[illegible])	(2,[illegible]18,337)
Gain on disposal of subsidiary (note 30)	-	([illegible]12,189)
Exchange loss on revaluation of long-term borrowings (note 15.3)	66,351	2[illegible]7,353
Amortisation of transaction cost on borrowings	5,29[illegible]	16,884
Re-measurement gain on GIDC provision (note 21)	(2,121,35[illegible])	-
Finance cost	3,206,[illegible]	3,[illegible]28,59[illegible]
Dividend income (note 30)	(126,470)	([illegible]513,716)
Provision against stock-in-trade (note 9.1)	403,27[illegible]	28,785
Provision for surplus and slow moving stores and spares (note 8.1)	[illegible]	[illegible]
Reversal of provision of stores and spares (note 8.1)		(26,399)
Provision for impairment against trade debts (note 10.2)	3,29[illegible]	30,569
Loss allowance on subsidy receivable from GoP	1,238,912	-
Provision against input tax disallowance	1,114,0[illegible]	-
Provision against sales tax receivable (note 31)		244,000
Working capital changes (note 39.1)	5,469,[illegible]	[illegible],973,854
	[illegible],100,35[illegible]	32,751,306

(Amounts in thousand)

		2020	2019
		---------------Rupees---------------	
39.1	**Working capital changes**		
	(Increase) / Decrease in current assets		
	- Stores, spares and loose tools	(1,235,326)	(127,219)
	- Stock-in-trade	(3,554,352)	(637,984)
	- Trade debts	7,978,339	(7,660,766)
	- Loans, advances, deposits and prepayments	(26,456)	(1,033,160)
	- Other receivables (net)	(2,399,495)	(561,141)
		[illegible]	(10,025,156)
	Increase in trade and other payables	7,606,724	11,999,050
		[illegible]	[illegible]

40. CASH AND CASH EQUIVALENTS

	2020	2019
Cash and bank balances (note 15)	3,382,228	3,409,674
Short-term investments with original maturity of less than 3 months	1,940,368	2,602,354
Short-term borrowings (note 31)	[illegible]	(1,545,705)
	[illegible]	4,465,383

41. FINANCIAL INSTRUMENTS BY CATEGORY

	2020	2019
Financial assets at amortised cost		
Loans, advances and deposits	992,368	1,323,811
Trade debts	[illegible]	10,001,214
Working capital loan to subsidiary	-	10,243,774
Other receivables	6,299,037	6,673,611
Accrued income	[illegible]	[illegible]
Short-term investments	944,114	[illegible]
Cash and bank balances	3,382,228	3,409,674
	13,152,975	38,633,338
Financial assets at Fair value through other comprehensive income		
Short-term investments	21,826,[illegible]	5,305,337
Financial liabilities at amortised cost		
Long term borrowings	23,575,574	30,952,449
Trade and other payable	17,195,535	19,127,888
Accrued interest / mark up	260,225	559,985
Short-term borrowings	[illegible]	1,545,705
Loan from Holding Company	1,000,000	-
	42,281,[illegible]	52,182,027

42. FINANCIAL RISK MANAGEMENT

42.1 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, 2020, 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. 5,216.

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.

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, 2020, 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. 1,765.

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.

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 Board of Directors.

(Amounts in thousand)

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

	2020	2019
	Rupees	
Loans, advances and deposits	992,088	1,328,841
Trade debts	9,080,0[illegible]	10,06[illegible],?34
Working capital loan to subsidiary	–	16,245,774
Other receivables	[illegible]	[illegible]
Accrued income	908,43[illegible]	775,89[illegible]
Short term investments	84[illegible],114	[illegible]
Bank balances	[illegible]	[illegible]
	13,140,433	39,[illegible],450

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 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	Aa3
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.

	2020			2019		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	Rupees					
Financial liabilities						
Long term borrowings	11,557,241	13,960,460	25,517,701	12,119,445	27,772,656	39,892,101
Trade and other payables	7,195,885	–	7,195,885	19,127,858	–	19,127,858
Accrued interest / mark up	240,225		240,225	554,956		554,956
Short term borrowings	253,231		253,231	546,655		546,655
Loan from Holding Company	1,360,134		1,360,134			
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

42.2 **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, 2020 based on total long-term borrowings at its present value of Rs. 25,575,691 (2019: Rs. 30,952,115) and total equity of Rs. 41,965,531 (2019: Rs. 42,852,301) was 34%:66% (2019: 42%:58%).

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.

42.3 **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, 2020, all financial assets and financial liabilities, except for government securities, are carried at amortised cost. Government securities including Pakistan Investment Bonds and Treasury Bills are measured at fair value using the fair value measurement method in accordance with IFRS 13.

The carrying value of all financial assets and liabilities reflected in the 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 (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

(Amounts in thousand)

The table below analyses financial instruments carried at fair value by valuation method.

	Level 1	Level 2	Level 3	Total
	-------	Rupees	-------	
As at December 31, 2020				
Fair value through other comprehensive income	-	24,026,446	-	24,026,446
As at December 31, 2019				
Fair value through other comprehensive income	-	5,326,337	-	5,326,337

Represents Government Securities which are measured at fair value value using yield to maturity of similar government securities traded in the secondary market.

43. TRANSACTIONS WITH RELATED PARTIES

43.1 Following are the names of associated companies and 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 (Private) Limited	N/A	Subsidiary of Holding Company
Engro Digital	N/A	Subsidiary of Holding Company
Engro Elengy Terminal (Private) Limited	N/A	Subsidiary of Holding Company
Engro Energy Limited	N/A	Subsidiary of Holding Company
Engro Eximp Agriproducts (Private) Limited	N/A	Subsidiary of Holding Company
Engro Polymer & Chemicals Limited	N/A	Subsidiary of Holding Company
Engro Powergen Qadirpur Limited	N/A	Subsidiary of Holding Company
Engro Infiniti (Private) Limited	N/A	Subsidiary of Holding Company
Engro Powergen Thar Limited	N/A	Subsidiary of Holding Company
FrieslandCampina Engro Pakistan Limited	N/A	Associate of Holding Company
Engro Foundation	N/A	Associate 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
Dawood Lawrencepur Limited	N/A	Associate of Holding Company
Pakistan Institute of Corporate Governance (PICG)	N/A	Associate of Holding Company
Dawood Foundation	N/A	Associate of Holding Company
Asim Murtaza Khan	N/A	Director
Abdul Samad Dawood	N/A	Director
Asad Said Jafar	N/A	Director
Javed Akbar	N/A	Director
Sadia Khan	N/A	Director
Nadir Salar Qureshi	N/A	Chief Executive Officer
Amir Iqbal	N/A	Key Management Personnel
Imran Anwer	N/A	Key Management Personnel
Mohammad Azhar Malik	N/A	Key Management Personnel
Muhammad Majid Latif	N/A	Key Management Personnel
Salman Gulzar	N/A	Key Management Personnel
Shahzad Nabi	N/A	Key Management Personnel
FrieslandCampina Engro Pakistan Limited Employees Gratuity Fund	N/A	Associate of Holding Company
Engro Corporation Limited - DC Pension Fund	N/A	Post Employment Benefits
Engro Corporation Limited - MPT Gratuity Fund	N/A	Post Employment Benefits
Engro Corporation Limited - NMPT Gratuity Fund	N/A	Post Employment Benefits
Engro Corporation Limited - DB Pension Fund	N/A	Post Employment Benefits
Engro Corporation Limited - DC Gratuity Fund	N/A	Post Employment Benefits
Engro Corporation Limited - Provident Fund	N/A	Post Employment Benefits

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

	2020	2019
	------- Rupees	-------
Holding Company		
Dividend paid	5,261,138	10,512,369
Purchases and services received	544,548	513,568
Services provided to Holding Company	60,937	56,776
Mark-up paid on subordinated loan	1,225	-
Reimbursements made		
- by the Company	48,547	206,865
- to the Company	288,532	211,818
Royalty	1,090,516	1,170,423
Receipt of Loan from Holding Company	1,000,000	-
Subsidiary Company		
Purchase of products	30,545	
Sale and sale return of product	249,747	
Disbursement of working capital loan to subsidiary	[illegible]	[illegible]
Repayment received against working capital loan disbursed to subsidiary	[illegible]	[illegible]
Reimbursements made		
- by the Company	[illegible]	[illegible]
- to the Company	[illegible]	[illegible]
Sub-licensing fee charged by the Company	[illegible]	[illegible]
Commission received	435,122	397,488
Dividend received	426,470	1,313,715
Services provided	174,398	75,424
Funds collected against sales made on behalf of subsidiary	40,381,358	39,546,757
Income on working capital loan to subsidiary company	300,123	1,462,346
Associated Companies		
Purchases and services received	170,153	159,465
Sale of products	-	2,798
Services provided	131,521	83,778
Reimbursements made		
- by the Company	62,221	88,122
- to the Company	12,171	13,722
Proceed against sale of land	-	705,600
Donations	198,500	280,200
Dividend paid to Trustees of FrieslandCampina Engro Pakistan Limited Employees Gratuity Fund	795	1,104
Contribution to staff retirement benefits		
Pension fund	7,521	56,493
Gratuity fund	141,230	135,828
Provident fund	166,912	144,058
Dividend paid to staff retirement benefits		
Pension fund	114	224
Gratuity fund	2,474	4,502
Provident fund	2,950	8,568
Others		
Remuneration of key management personnel	218,394	205,208
Directors Fee	10,532	9,054

(Amounts in thousand)

44. OPERATING SEGMENT RESULTS

	Urea		Specialty Fertilizers		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	Rupees							
Sales	[illegible]	78,884,027	7,080,300	5,404,033	[illegible]	[illegible]	[illegible]	[illegible]
Intersegment sales	[illegible]	[illegible]			[illegible]	-	[illegible]	[illegible]
Sales tax	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Profit before tax / (loss before tax)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Segment assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unallocated assets	-	-	-	-	-	-	28,660,225	9,651,515
Total assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Depreciation & amortisation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Capital Expenditure	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

44.1 Reconciliation of reportable segment net sales

	2020	2019
	Rupees	
Total net sales for reporting segments	[illegible]	80,594,278
Elimination of intersegment net sales	(5,766,495)	(1,357,354)
Total net sales	75,055,844	79,236,924

44.2 Reconciliation of reportable segment total assets

	2020	2019
Total assets for reporting segments	[illegible]	119,416,411
Add: Unallocated assets		
- Accrued income	203,437	679,857
- Short term investments	25,071,560	5,561,984
- Cash and bank balances	3,385,228	3,409,674
	28,660,225	9,651,515
Total assets	[illegible]	[illegible]

45 PRODUCTION CAPACITY

	Designed annual capacity Metric Tons		Actual production Metric Tons		Remarks
	2020	2019	2020	2019	
Urea plant I & II	2,275,000	2,275,000	2,263,806	2,003,035	Production planned as per market demand
NPK plant	100,000	100,000	137,082	131,784	

46. NUMBER OF EMPLOYEES

	Number of employees as at December 31		Average number of employees	
	2020	2019	2020	2019
Management employees	822	725	778	743
Non-management employees	533	531	532	524
	1,355	[illegible]	[illegible]	[illegible]

47. CONTRIBUTORY RETIREMENT FUNDS

The employees of the Company participate in the Retirement Fund maintained by the Holding Company. The investments out of the retirement fund have been made in accordance with the provisions of Section 218 of the Act and the conditions specified thereunder.

48. 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.

49. NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors in its meeting held on February 15, 2021 has proposed a final cash dividend of Rs. 4 per share for the year ended December 31, 2020 amounting to Rs. 5,141,172 for approval of the members at the Annual General Meeting to be held on March 30, 2021.

50. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of better presentation and / or to comply with the requirements of accounting and reporting standards applicable on the Company. Major reclassification made during the year is as follows:

Description	Reclassified From	Reclassified To	Amount
GIDC payable	Trade and other payables	Provision for GIDC	19,457,044

51. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 15, 2021 by the Board of Directors of the Company.

Imran Ahmed
Chief Financial Officer

Naeem Saleem Qureshi
Chief Executive Officer

Ghias Khan
Chairman