



engro fertilizers

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

March 6, 2023

Dear Sir/Madam,

**Transmission of the Annual Report 2022 for the year ended December 31, 2022.**

We have to inform you that the Annual Report of the Company for the year ended December 31, 2022 have been transmitted through PUCARS and is also available on Company's website which can be downloaded from the following link:

<https://www.engrofertilizers.com/investments#reports>

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

Yours faithfully,

For and on behalf of  
Engro Fertilizers Limited

Sunaib 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 2022 of the Company for the year ended December 31, 2022).
2. The Registrar, Company Registration Office, State Life Building No. 2, 4<sup>th</sup> Floor, North Wing, Wallace Road, I.I. Chundrigar Road, Karachi.

**Engro Fertilizers Limited**

7th & 8th Floor, The Harbor Front Building, HC-3, Marine Drive, Block 4, Clifton, Karachi 75600, Pakistan.

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engro fertilizers limited



engro fertilizers

# enabling growth for productivity



annual report 2022



annual report  
2022

# about the theme

Engro Fertilizers empowers farmers across Pakistan with world-class products and services, influencing 40% of the Country's agri-productivity and aiming to ensure food security for all.

The Engro Humsafar mobile application, a fintech innovation and recipient of 3 Pakistan Digital Awards, is a testament to our quest for a better tomorrow. A key step in Engro Fertilizers' digital journey, the app allows customers to transact with us anytime, anywhere and crossed PKR 285 billion in sales during 2022, maintaining its position as the largest e-sales application in Pakistan.

At a time of global uncertainty and recovery from last year's devastating floods, Engro Fertilizers endeavours to cultivate growth for farmers, communities, and shareholders, transforming our agricultural landscape through integrated crop solutions, thereby enabling growth for productivity.



# legal status and operations

Engro Fertilizers Limited ('the Company' or EFERT) is a public company incorporated in Pakistan on June 29th, 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
Seeds Processing Plant	Rahim Yar Khan, Punjab

## overview

Our 2022 annual report provides an extensive overview of EFERT's efforts throughout the year to create enduring value for our internal and external stakeholders. By sharing all the pertinent information about our notable events, milestones, and accomplishments throughout the year, we hope to present the opportunity for others to truly assess the value of EFERT's achievements and contributions.

This report contains strategic, operational and financial reviews using information extracted from the Company's audited financial statements for the year ended December 31<sup>st</sup>, 2022, and an overview of our governance, risk management and internal control frameworks.

## board approval

The Board of Directors of EFERT acknowledges their responsibility of ensuring the integrity of this report. The Directors Report and statutory financial statements included therein have been approved by the Board for circulation in its meeting held on February 09<sup>th</sup>, 2023.

## scope and boundaries

This report covers the results of EFERT and its consolidated results with its subsidiary company, EFERT Agritrade (Private) Limited for the reporting period January 01<sup>st</sup> to December 31<sup>st</sup>, 2022. Subsequent events up to the issuance of this report have also been covered as applicable.



## 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 following frameworks:

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
- Reporting requirements of Companies Act 2017, Listed Companies Code of Corporate Governance, 2015 and Listing Regulations of the Pakistan Stock Exchange Limited (PSX).

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



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# company overview



# vision statement

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





# company profile

The company was incorporated in June 2009, post demerger from parent company Engro Corporation Limited (formerly Engro Chemicals Pakistan Limited) effective from January 1, 2010. Today Engro Corporation holds 56.27% of shares of the Company.

EFERT is a renowned name in the Pakistani fertilizer industry, trading on the Pakistan Stock Exchange (PSX) under the symbol "EFERT". The Company holds a 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.



# company information

## board of directors

Mr. Chias Khan  
Chairman

Mr. Javed Akbar

Mr. Khawaja Bibi Huseain

Mr. Ismail Mehmud

Dr. Shamshad Akhtar

Mr. Asad Said Jafar

Mr. Asim Murtaza Khan

**Chief Executive Officer**  
Mr. Ansan Zafar Syed

**Chief Financial Officer**  
Mr. Farooq Barkat Ali  
(w.e.f. February 24, 2023)

**Company Secretary**  
Mr. Sunab Barkat

## banking partners

### Conventional Banks

Allied Bank Limited  
Askari Bank Limited  
Bank Al Habib Limited  
Bank Alfalah Limited  
Citi Bank N.A.  
Deutsche Investitions und Entwicklungsgesellschaft (DEG)  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
JS Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
Samba Bank Limited  
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  
Meszan Bank Limited  
MCB Islamic Bank Limited

### Microfinance Bank

Mobilink Microfinance Bank  
Telenor Microfinance Bank

## auditors

A.F. Ferguson & Co Chartered Accountants  
State Life Building No. 1-C, J.I. Chundrigar Road  
Karach-74000, Pakistan  
Tel: +92(21) 32426682-6 / 32426711-5  
Fax: +92(21) 32416007 / 32427938

## registered office

7th & 8th Floor, The Harbor Front Building,  
HC # 3, Marine Drive, Block 4, Clifton  
Karschi-75600, Pakistan Tel: +92 (21) 35297501-10,  
PABX: +92 (21) 111 211 211, Fax: +92 (21) 35810669  
Website: [www.engrofertilizers.com](http://www.engrofertilizers.com)  
[www.engro.com](http://www.engro.com)

## plant sites

Daharki  
Daharki, District Gholki,  
Sindh  
PABX: +92723 541001 - 10  
Fax: +92723 641028 - 9

Zarkhez  
EZ-1 P-11 Eastern Industrial Zone Port Qasim, Karachi  
PABX: 021-34740044-49  
Fax: +9221 3474 0051

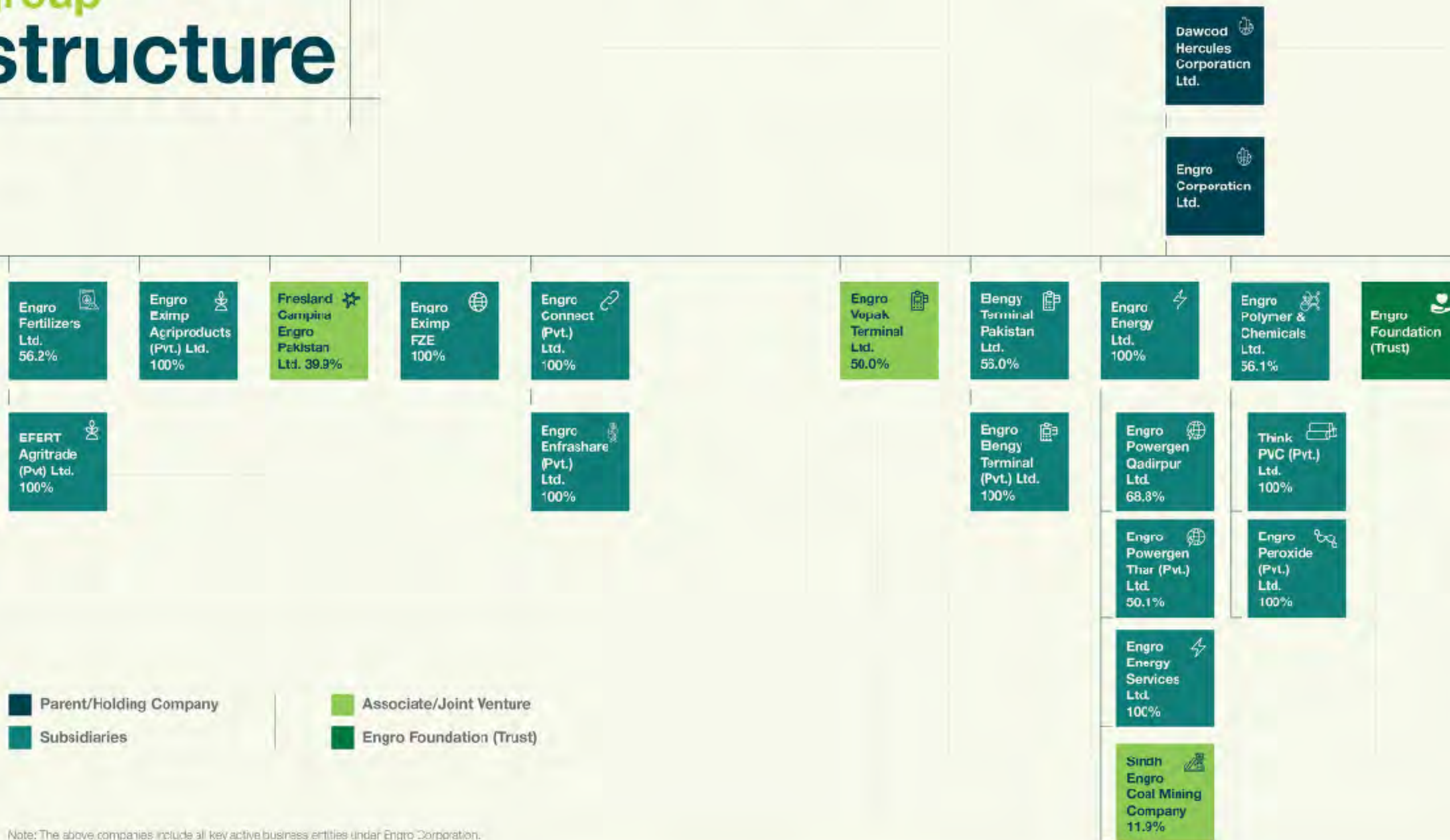
## share registrar

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

## speak-out

Whistleblower Hotline  
For complaints or concerns in  
relation to business ethics and Compliance  
Engro Fertilizers Limited  
Ph: +92 (21) 35296012  
Email: [speakout.fertilizers@engro.com](mailto:speakout.fertilizers@engro.com)  
P.O.Box: 3851, Clifton, Karachi

# group structure



Note: The above companies include all key active business entities under Engro Corporation.

# profile of the board



## Mr. Ghas Khan

### Chairman & Non-Executive Director

Ghas Khan is the 4th President & CEO of Engro Corporation. He has played an instrumental role in stewarding Engro's future strategy, culture, and international outreach with a focus on building the company's digitalization capabilities and transforming it into an intelligent organization that can compete on a global scale. In 2022, Ghas was elected President of the Overseas Investors Chamber of Commerce & Industry (OICCI).

He spearheaded the development of Engro Enfrashare in 2018, the company's connectivity vertical which has enabled social and financial inclusion for Pakistanis. Engro Enfrashare has deployed over 3,300 telecom towers across Pakistan, making it one of the largest independent tower companies in the country.

Ghas architected the turnaround of Engro Polymer &

Chemicals Limited and under his leadership, the company enhanced its PVC capacity, diversified into new chemicals, and demonstrated efficiencies such that the market capitalization increased five-fold in six years. He paved the way for more cooperation with our long-time strategic partner, Royal Vopak, through its entry into Engro Elengy, which continues to operate as the most utilized terminal in the world.

During his Presidency, in line with the Company's efforts to improve energy efficiency and ecosystem in the country, Engro established 2x330 MW mine-mouth power plants in Tharparkar. Engro was the first company to have demonstrated proof of concept and successfully produce up to 660MW of consistent power to the national grid, benefiting 7 million Pakistanis.

His leadership has helped position Engro Fertilizers as an efficient player in the market that contributes to food security, while enabling sustainable agricultural practices. Through innovative digitalization efforts such as the Humisat app, Ghas has helped the company empower its customers and enabled

Pakistani farmers to grow. The app has established Engro Fertilizer as one of the largest e-sales companies in the country.

In line with global best practice and Engro's strategic digital imperatives, Ghas has laid the foundation for a digital future through Engro's OneSAP initiative, endorsed as Pakistan's largest digital transformation project.

Ghas has led the people transformation journey at Engro, revamping its culture and narrative, focused on talent development, work culture and increasing diversity across the Group.

He is also leading the transition to sustainability at Engro. The Company has committed to adopt and implement stakeholder capitalism metrics, sponsored by the World Economic Forum's International Business Council, becoming the first organization from Pakistan to sign this commitment.

Engro has 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 diversity, health, safety, & environment at the workplace.

Currently, Ghas serves as Chairman on the Boards of Engro Fertilizers Limited, Engro Polymer & Chemicals Limited, Engro Enfrashare (Pvt) Limited, and Engro Energy Limited. He also serves on the Board of Trustees of Engro Foundation – the social investment arm of Engro Corporation. In addition, he is on the Board of Trustees of Karachi Port Trust (KPT).

Ghas holds a Master's degree in Business Administration from the Institute of Business Administration, Karachi.

# profile of the board



**Mr. Javed Akbar**  
Non-Executive Director

Javed Akbar is a Chemical Engineer and has over 40 years of experience with Exxon and Engro in Pakistan and overseas. He has managed Fertilizer plants and a Petrochemical terminal and their expansions. He has also served as Exxon's Human Resources Manager in Pakistan. He was part of the buyout team when Exxon divested its stake in Engro. He specializes in analyzing petroleum and energy sectors and forecasting their trends and providing strategic insight. He currently serves on the board of numerous companies in the power and chemical sector in Pakistan.



**Mr. Khawaja Bilal Hussain**  
Non-Executive Director

Khawaja Bilal Hussain is the Senior Vice President, Strategy, Sustainability, and Business Development at Engro Corporation Ltd. Since he came onboard at the end of 2016, Khawaja Bilal has been an instrumental contributor to key strategic initiatives for the Group, including the technical and commercial assessment of Engro Polymer & Chemicals, pre-feasibility of PDH, the sale of shares in Engro Energy Terminal (EETPL) to Royal Vopak LNG Holding B.V., and Engro Enfrashare launch, for which he also served as the CEO. His previous affiliations include prominent organizations including K-Electric Ltd., the AES Corporation, and British American Tobacco.

Currently, Khawaja Bilal serves as a Director on the Boards of Engro Vopak Terminal Ltd., Engro Powergen Thar (Pvt.) Ltd., Engro Energy Terminals Limited, and Engro Eximp Agri Products.

He holds an MBA from the Lahore University of Management Sciences.

# profile of the board



**Mr. Ismail Mahmud**  
Non-Executive Director

Ismail rejoined Engro Group in July 2022 as Chief Executive of Engro Vopak Terminal Ltd and Engro Elengy Terminal Ltd.

Prior to that, Ismail was with Royal Vopak of the Netherlands for 23 years and was Global Director for Vopak's chemicals business with offices in HQ located in Rotterdam. Prior to that role, Ismail was located in Singapore for 10 years where he held the positions of Commercial Director Asia and Managing Director Singapore. He was responsible for sales, marketing and commercial activities in Vopak for all chemical related storage activities. Currently about 15 of the 79 terminals owned and operated by Vopak worldwide are for chemicals businesses. His experience in logistics and tank storage services spans over multiple regions with specific focus on Industrial Terminals, where he led one of Vopak's

core strategies in this service market segment.

Prior to Vopak, Ismail worked for Engro Chemical for 12 years. He is member of board of directors for Engro Vopak and Engro Elengy, both joint ventures with Engro Corporation. He is also a member of the board of directors of Engro Fertilizers Ltd. In the recent past he was Vopak member of board at Sabtank Storage Services Co. & Chemtank - Jubail Chemicals and Storage Services Co. both joint ventures with Sabic, Riyadh.

He was also a member of the European Petrochemical Association – EPCA Logistics Committee in Brussels. He is a Mechanical Engineer from Lehigh University, USA and holds an MBA in Finance from Saint Joseph's University, USA.



**Dr. Shamshad Akhtar**  
Independent Director

Shamshad Akhtar served as the Federal Finance Minister of Pakistan, holding multiple economic portfolios in the caretaker government and as the Governor, State Bank of Pakistan.

As the Under-Secretary-General of the Economic and Social Commission of the Asia and Pacific (UNESCAP) and the United Nations Secretary General's Senior Special Advisor on Economics and Finance, Dr. Akhtar oversaw the development and implementation of the sustainable development agenda including economic, social, environmental and finance work of the UN Department of the Economic and Social Affairs. During her term at UN, she was UN Secretary General's Sherpa for Development and the Finance and Central Bank tracks. Among others, she was closely involved in the development and implementation of the 2030 Sustainable Development

Agenda (SDG), the Addis Ababa Financing frameworks and work on the Paris Climate Accord and ensured closer alignment of G20 development agenda with the 2030 SDG agenda.

Dr. Akhtar served as the Vice President, Middle East and North Africa at the World Bank, and Director General of Asian Development Bank (ADB). She also served as the Special Sr. Advisor to the President of ADB.

Dr. Akhtar is a recipient of Asia's Best Central Bank Governor from Emerging Markets and the Banker's Trust awards. In 2008, the Wall Street Journal Asia recognized her as one of Asia's top ten professional women. Recently in 2020, she has been awarded the HUM Women's Leadership Global Award.

Dr. Akhtar is now serving as the Chairperson of a few Boards in Pakistan: The Pakistan Stock Exchange, the Pakistan Institute of Corporate Governance, Sui Southern Gas Company Ltd. and Karaandaz, a nonprofit organization and joint venture sponsored by the FCDO-Bill Melinda and Gates Foundation to promote financial and digital financial inclusion etc.

Dr. Akhtar serves on a couple of Government advisory committees. At the global level, she has been appointed to the Council of Advisors of the Boao Forum for Asia after serving as Sherpa of the forum. She remains engaged in both global and national policy dialogues and is the Global Advisor for the Belt and Road Initiative, cochaired G20 Think Tank group on infrastructure and Sustainable investment and as Advisor to the Shanghai Forum.

# profile of the board



**Mr. Asad Said Jafar**  
Independent 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 1996 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 1988 to 1996, joining them as a Management Trainee and then moving to various roles in 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 (ICLAB). He has also served as a member of International Advisory Board at NED University of Engineering and Technology. He has participated 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 (MEA) 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 Simplicity Brand 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.



**Mr. Asim Murtaza Khan**  
Independent Director

Asim Murtaza Khan has worked as pro bono CEO of the Petroleum Institute of Pakistan (PIP) from November 2015 until September 2022. Prior to PIP, he has worked for Pakistan Petroleum Limited (PPL) for over 32 years. 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 Master's 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, Member

Academic Council and Member of the Senate at NED University of Engineering & Technology. Previously, he has served as the Chair on the Boards of Pakistan LNG Terminals Limited, the Petroleum Institute of Pakistan (PIP), and 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).

# profile of the board



## Ahsan Zafar Syed Chief Executive Officer

Ahsan Zafar Syed is the Chief Executive Officer of Engro Fertilizers Limited – one of the leading fertilizer companies in Pakistan and a subsidiary of Engro Corporation.

Ahsan is a Director on the Boards of Engro Fertilizers Limited, EFERT Agritrade Private Limited, Engro Elengy Terminal (Pvt.) Limited, Engro Foundation, and Tenaga Generasi Limited.

Ahsan holds a BE and MS in Mechanical Engineering. He has close to three decades of experience in managing and leading multi-billion dollar, mega-scale projects such as the fertilizer expansion project of Engro Fertilizers, managing Pakistan's largest rice processing facility in Muridke and establishing the CPEC-endorsed Thar power and mining projects – which have successfully unearthed Pakistan's large

coal reserves in Thar and produced electricity through Pakistan's own fuel source.

Widely respected within the corporate sector as a project guru, Ahsan is a forward-thinker who believes that the corporate sector must prioritize deploying inclusive businesses that focus on human and environmental well-being. At various forums and in his organization, he continues to champion diversity, equity & inclusion; he has headed several diversity initiatives and believes that everyone has to play a part in the team for diversity and inclusion to truly take hold at any organization.



# profile of the management

**Ahsan  
Zafar Syed**

Chief Executive  
Officer



**Syed  
Shahzad Nabi**

Senior Vice  
President Manufacturing



**Imran  
Ahmed**

Chief Financial  
Officer



**Khusrau  
Nadir Gilani**

Chief Commercial  
Officer



**Sulaiman  
Ijaz**

Vice President  
Supply Chain



**Muhammad  
Saad Khan**

Vice President  
Human Resources  
& Admin



**Imran  
Lakhwera**

Head of Digital  
Transformation

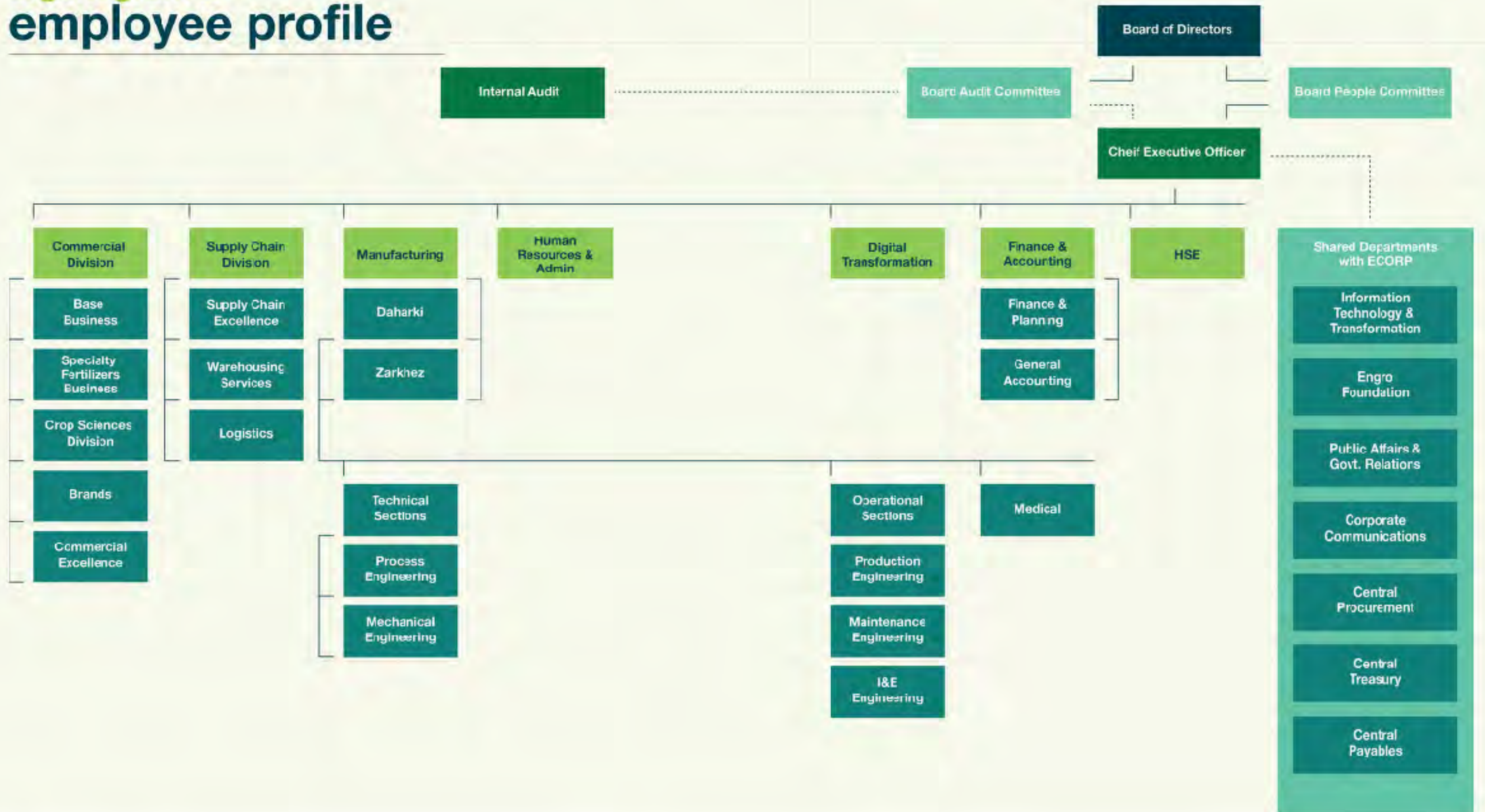


# geographical presence



S.no.	Description	Address
1	Head Office	7th & 8th Floor, Harbor Front Building, Marine Drive, Block 4, Clifton, Karachi
2	Daharki Plant	Daharki, District Ghotki, Sindh
3	Zarkhez Plant	EZ/ 1 / P – 1 – II Eastern Zone, Port Qasim, Karachi
4	Zonal Office – North	4th Floor 19-A, Ali Block, New Garden Town, Lahore
5	Regional Office - Faisalabad	4th Floor, Meezan Executive Tower, Liaquat Road, Faisalabad.
6	Regional Office - Sahiwal	Alayan Centre ,Police Line Road, Sahiwal
7	Zonal Office - Central	3rd Floor, Mehr Fatima Tower, Cpp. High Court, Old Bahawalpur Road, Multan
8	Regional Office - Daharki	Marketing Office Daharki Plant
9	Regional Office - DG Khan	Engro Warehouse, Opp. B.I.S.E. Multan Road, D. G. Khan
10	Zonal Office - South	6th Floor, State Life Building, Thandi Sadak, Hyderabad
11	Regional Office - Nawabshah	Near Bilawal Stadium, Main Kazi Ahmed Road, Nawabshah
12	Regional Office – Sukkur	Plot # E 37, Pak Memon Cooperative Housing Society, Old Arain Road

# organogram & employee profile



# our employee profile



# product portfolio & services



# product portfolio & services

## we grow brands

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, addressing malnutrition and driving The Nation's Food Security Agenda to meet Sustainable Development Goal (Zero Hunger). Therefore, at EFERT we strive to combine innovation and quality with customer needs and expectations.

The primary business segments of the company are:

Straight Fertilizers (urea, phosphatic fertilizers).

Specialty Fertilizers (Zabardast Urea, Zarkhez Grade3).

Agri services including site specific fertilizer recommendations based on 4Rs principles (Right source, Right dose, Right time and Right method of application)



## fertilizers

Engro Fertilizers has a portfolio of straight fertilizers comprising of some of the most trusted brands among Pakistani farmers such as, Engro Urea and Engro DAP (Di-Ammonium Phosphate).

## engro urea



EFERT set up the first urea production facility in Pakistan, a landmark event in 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 2.2 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 a 50 kg bag.

## phosphatic fertilizers

## 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 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 as well as contributes to flowering and fruit formation and enhances grain size and weight. EFERT has been importing and marketing Engro DAP in the country since 1996. Engro DAP complies with Pakistan Standards (PS) 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 (50%) and Nitrogen (10%).



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 health 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 are an extension of fertilizer's business with unique products targeting higher crop productivity and fertilizer use efficiency. Moreover, these fertilizers address malnutrition and contribute to Sustainable Development Goal of Zero Hunger. They are new and innovative products developed after research and development using state of the art technology.

### engro zabardast urea

Engro Zabardast Urea launched in 2017 is yet another leap forward by EFERT in pioneering next generation fertilizers in Pakistan.



This product is developed in collaboration with Niha 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 zarkhez

Majority of the soils in Pakistan are deficient in major nutrients especially in Nitrogen, Phosphorus 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. It is marketed in a 50 kg bag.



### engro zarkhez khaas

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 15:15:15 and it is used in fruit plants and orchards. Engro Zarkhez Khaas improves fruit yield and quality, reduces flower and fruit shedding. It is marketed in a 50 kg bag.



### engro zingro

Zinc is a micronutrient which the crop requires 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 Zinc 33% and is a high purity fertilizer which, means it is free from heavy metals. It is marketed in a 3 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 Munate of Potash (MOP).

Engro MOP contains Potassium (60%) 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 Potassium (50%) nutrient and Sulphur (17.5%). Engro SOP not only improves quality and crop yields, 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 Ammoniacal Nitrogen (20.6%) and Sulphur (24%) 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 micronutrient.

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, oat), 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, has a high composition of Potassium (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.



# our history

Our story began in 1957 when Pak Stanvac – an Esso/Mobil joint venture – stumbled upon vast deposits of natural gas in Mari while pursuing viable oil exploration in Sindh. Pak Stanvac's focus was exclusively on oil exploration, however, the discovery shifted the impetus 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, commercial trial 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 the consumption of fertilizers in Pakistan, paving way for the Company's branded urea called "Engro" – an acronym for "Energy for Growth".

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

In 1991, Exxon decided to divest its fertilizer business on a global basis. The employees of Exxon Chemical Pakistan Limited – in partnership with leading international and local financial institutions – bought out Exxon's 75% equity. This was, and perhaps 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 US 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.

Our Zarkhez Plant, situated at the Port Qasim Industrial Zone Karachi, was commissioned in the year 2001 to produce Specialty Fertilizers for Pakistani Progressive farmers. It is not only Pakistan's largest producer of blended NPK fertilizers but also a one of a kind plant, employing steam granulation technology to produce specialty fertilizers. The Plant's basic engineering design was done by IFDC (International Fertilizer Development Center) USA, with installation executed by CNCEC China. Its first on-spec production was achieved in June 2001. To help cater to the overwhelming demand from the farmers for specialty fertilizers, the plant was debottlenecked, increasing its nameplate capacity from 100KT to 145KT.

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

After the necessary legal procedures and approvals, the Sindh High Court sanctioned the demerger on December 9, 2009, 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 3.0, stands tall at 125 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 issues.

In 2019, the Company ventured into the logistics space with 135 plus trucks in service, aiming to deliver "movement with precision". Since then, we have continued to forge ahead and aimed to build on our world-class experience of five decades and our vision to transform the agricultural landscape of Pakistan.



# our milestones

**1957**  
Mari gas field discovered by Essc Mobil joint venture

**1964**  
Signed agreement with the government to set up a urea plant with an annual capacity of 173,000 tons

**1955**  
The company was incorporated as Essc Pakistan Fertilizer Limited, to manufacture and market fertilizers

**1968**  
Urea plant commissioned

**1991**  
Exxon divests its equity from fertilizer business globally; the Company is renamed as Engro Chemicals Pakistan Limited through an employee led buy-out

**1992**  
Relocation of world-scale ammonia and urea plants (PakVen 600) from USA and UK – capacity enhancement 278 KT to 600 KT

**1996**  
Debottlenecking of relocated plants

Capacity enhancement from 600 KT to 850 KT by 1996 and further enhancement to 950 KT by 2006

**2007**  
Started construction of world's largest single-train urea plant - arVen

**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**  
ArVen capitalized and started commercial production

**2013**  
Successful IPO conducted. Oversubscribed 3x during the process

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

**2015**  
Highest ever production of UREA (1968 KT) as well as highest ever UREA sales (1878 KT)

Only fertilizer company registered with Dupont to achieve a Level 4 rating in Safety Management Systems Acquisition of Engro Eximp's Phosphates business

**2016**  
Achieved lowest ever Total Recordable Injury Rate of 0.05 Achieved highest ever phosphates sales of 534K t

# our milestones

## 2018

2<sup>nd</sup> Highest ever consolidated revenue (PKR 109 billion).

Highest ever fertilizer sales (2,834 KT).

EFert Marketing team is the only team in Pakistan to achieve a Dupont Level 4 rating in Safety Systems.

## 2019

Highest ever consolidated revenue (PKR 121 billion).

Successful Go-live of SAP S4/HANA.

Best safety plant TRIR of 0.03.

Stepped into the logistics paradigm 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 promise. The year was marked with hallmark production and sales performance.

Achieved the milestone of the highest annual Urea production of 2,264 KT in its history with record lowest TRIR.

Urea sales crossed 2,000 KT Mark.

E-Bank Guarantee was pioneered by EFERT.

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

## 2021

Leading company in brand equity within Pakistan's fertilizer industry.

Highest ever urea sales of over 2,165 KT tons market share of 36%.

Earned record revenue of Rs. 132 bn, generated highest ever profit after tax of Rs. 21 bn.

Hamcar App broke through Rs. 100 bn barrier in sales - a new record.

Achieved first ever ZERO TRIR with two mega turnarounds.

Inducted first female shift engineer at Daharki.

Recognized as the largest taxpayer in the fertilizer sector in a ceremony held at the Aiwan-e-Sadr.

Became the top online sales company in Pakistan with over PKR 100 bn in sales.

## 2022

Received the Best Presented Annual (BPA) Report Awards (Integrated Reporting) by the South Asian Federation of Accountants (SAFA).

Received Amir S. Chinnay Corporate Excellence Award at Management Association of Pakistan's 37th Corporate Excellence Awards, for the 3rd time in a row.

Recognized as the "2<sup>nd</sup> Most inclusive Company" for 2022 and for the last 6 years cumulative at the Global Diversity, Equity, & Inclusion Benchmarks (GDEIB) Awards 2022.

Biggest ever Long-term Reliability investment on base plant, completing several reliability projects including Furnace Revamp, over 60 days.

Zero TRIR (Total Recordable Incident Rate) for two mega Turnarounds.

40+ million km driven by ELogistics and counting, without an attributable fatality.

Received RoSPA Fleet Safety Gold Award for 2nd consecutive year.

Won at "Employer of Choice - Gender Diversity Awards".

Recognized as the Best National Taxpayer in the Manufacturing Sector by the Rawalpindi Chamber of Commerce and Industry (RCCI).

Ranked 5th amongst the PSX Top 25 Companies Award 2021.

Hosted an international-level debate at Dubai Expo 2020 on the "Role of Engro and Pakistan to ensure Food Security in the Gulf Region".

Leading company on Brand Equity within Pakistan's fertilizer industry.

# code of conduct

## ethics & integrity



are one of the cardinal values of all Engro 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. It is not only about complying with all laws but also describing the moral choices that must be made in areas where the law is not clear. A host of policies have 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, our customers, our families, our 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 caliber 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



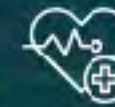
We must use the Company's physical assets/ equipment carefully and diligently and take steps to protect our Company's proprietary and confidential information.

# 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 recognition.

at engro we never forget what we stand for. Following are our core values:

## health, safety & environment



cares deeply about environment impact and safety of people

## ethics & integrity



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

## community & society



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

# code of ethics

The policy of Engro, as stated by the Board of Directors, is one of the strict observance of all laws applicable to its business. Strong ethical practices have been fundamental to Engro's philosophy and operations. Engro embodies corporate integrity; all its employees are expected to abide by our ethical principles embedded in the 'Statement of Ethics and Responsible Business Conduct'.

For these purposes, EFERT has an exclusive department of "Ethics & Compliance" to make sure all dealings and day to day activities are done most ethically. Additionally, the department has launched "The Ethics & Compliance" newsletter to keep the employees abreast of the latest developments at the Compliance front.

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

Our Code of Conduct lists Ethics as one of our core values, therefore Engro has a zero-tolerance policy towards any form of discrimination and harassment. Similarly, honesty and open communication is also expected on the reporting front.

We believe it is essential for everyone associated with Engro to embrace this culture and live by the highest standards of integrity and accountability.



# performance highlights 2022



Base Plant sustainable production capacity enhancement to 950 KT and improved long-term reliability through investment in LTR (Long Term Reliability) turnaround covering the following:

- Base Plant furnace modernization and revamp
- ACE3 Equipment and converter effluent exchangers replacement
- Base Plant Cooling Water Network revamp



Successful commissioning of Urea-3 APC in line with the Company's pursuit of digitization.



Handled the largest ever fertilizer vessel (59.67 Kt) that arrived at any port in Pakistan and achieved the highest ever 24-hr fertilizer discharge and shipment (~2.29 Kt) within the fertilizer industry of Pakistan, from any vessel.



Achieved highest ever revenue for phosphates category despite industry demand destruction by 39%.



Engro Zabardast Urea crossed 245 KT in sales. With this, ~40 Mn people in Pakistan will receive Zinc-enriched cereal crop.



Engro Humsafar App, a FINTECH innovation in the industry and the recipient of 3 Pakistan Digital Awards, achieved PKR 155.5 Billion in sales revenue in 2022. Furthermore, this application has crossed 285 Billion in Sales Revenue and 149.9 Billion internet payments since its inception.



EFERT sponsored several initiatives aimed at farmer upliftment such as Grow More Wheat seminars, balanced use of Pctash etc. for over 5,000 farmers across major territories of Sindh and Punjab in 2022.

# awards & recognitions

## human resources

12 wins at the Global Diversity Equity and Inclusion Benchmark (GDEIB) Awards by HH Metrics.



EFERT ranked as the 2nd Most inclusive Company" for 2022 and for the last 6 years cumulative at the Global Diversity, Equity & Inclusion Benchmarks (GDEIB) Awards 2022.



## manufacturing

RoSPA Health and Safety Gold Award for exceptional performance in achieving ZERO TRIR last year.



Best National Taxpayer in the Manufacturing Sector by Rawalpindi Chamber of Commerce and Industry (RCCI).



3rd position for Employer of Choice – Gender Diversity Awards by PEC and IFC.



## supply chain

RoSPA Fleet Safety Gold Award for the 2nd consecutive year



Best in Country award at the British Safety Council UK for demonstrating outstanding health and safety initiatives.



British Safety Council International Safety Award with "Distinction" in recognition of Daharki's world-class HSE systems and outstanding HSE performance.





**finance**

Best Corporate Report Award 2021 (3rd position) and Best Sustainability Report Award 2021 by ICAP and ICMA Pakistan



Ranked 5th among the PSX Top 25 Companies Award 2021



Best ESG Reporting Award at CFA Society's 19th Annual Excellence Awards



Best Presented Annual (BPA) Report Awards (Integrated Reporting) by South Asian Federation of Accountants (SAFA)



Amir S Chinoy Corporate Excellence Award at Management Association of Pakistan's 37th Corporate Excellence Awards (for 3rd time in a row)



**digital**

Best ECommerce App, Best Mobile App, and Best Digital Innovation awards (Humsafar App) at Pakistan Digital Awards 2022



# corporate affiliations and memberships

## international:

Arab Potash (Jordan)



FertinAgro (Spain)



Shell Eastern Petroleum (Pte) Ltd. (Germany)



Chr-Hansen (Denmark)



## local:

University of Agriculture Faisalabad (UAF)



MNS University of Agriculture, Multan (MNSUAM)



Nuclear Institute for Agriculture and Biology, Faisalabad (NIAB)



In addition to the above, Engro has different memberships/affiliations (please verify from F&P for its continuation)



participation in international / national mega events:

1. Grow More Wheat Events in Punjab in collaboration with Govt of Punjab, Dept of Agriculture



2. Grow More Cotton in Sindh in collaboration with Govt of Sindh, Dept of Agriculture and Sindh Agri University



3. International Seminar on Potash Development in collaboration with Arab Potash and JAF



4. Citrus Festival in collaboration with Citrus Research Institute Sargodha



5. Kissan Mela in collaboration with Dunia News and MNS University of Agriculture Multan



6. Training on Water and Nutrient Management in collaboration with Arab Potash and MNS University of Agriculture



7. Lead Sponsor in Pakistan Agr Expo at Lahore



8. Dubai Expo - Role of Pakistan and Engro in addressing Food Security of the Gulf Region

Engro Fertilizers hosted an international panel discussion, moderated by Ramia Farrage, Senior Anchor & Producer at Fortes Middle East, on "Role of Engro and Pakistan to ensure Food Security in the Gulf Region". The panel of global agriculturalists, academia and industry experts highlighted the leading role of Gulf states, particularly the UAE, to secure the region's food security.

The panel discussion held at the Pakistan Pavilion at Expo 2020 Dubai was attended by dignitaries from Middle East, Pakistan, and senior management of Engro Corporation. The key points covered included high dependence on food imports, water scarcity, climate change and supply chain interruptions and how these challenges can be overcome by forging partnerships with established, sustainable, Agri-based countries like Pakistan.

The panelists included Dr. Abdul Rashid, IFA Laureate, Dr. Munir Jamil Al Rusan, Professor and Dean at Jordan University of Science, Charles Schneider, International Finance Corporation, Ayman Al Awadhi, CEO The Corporate Group, Wesim Halabi, Food co National Foodstuff Co PJSC, Fredric Favre, MAS Seeds, France, and Khusrau Gilani, COO EFERT.



# dubai 2020 expo

Engro Fertilizers hosted an international panel discussion, moderated by Ramia Farrage, Senior Anchor & Producer at Forbes Middle East, on the "Role of Engro and Pakistan to ensure Food Security in the Gulf Region" at Dubai 2020 Expo.



# significant factors affecting the external environment (PESTEL)

## political



- Geo-political tensions between other countries may result in supply disruptions leading to price volatility with a negative pass-through effect on EFERT's customers. Discourse/Impact: Strategic and timely procurement of imported fertilizer keeping in mind the geo-political situation in order to maintain price stability.
- Probability of enhancement in major gas projects (e.g. TAPI) will positively influence the availability of EFERT's primary raw material. 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. Discourse/Impact: Engage with the government to enhance farmer economics.
- Policy makeovers and regulatory changes with respect to agriculture policies and tax laws, consequently impacting business economics. Discourse/Impact: Work closely with the government and the farmers to provide necessary inputs into the policy making process.

## economic



- FX changes adversely impact the dollar-linked prices of primary raw materials and imports. Discourse/Impact: Strategic procurement and considerate pricing decisions can lead to avoidance of the full impact of these fluctuations.
- Rising interest rates inflate cost of borrowing for the Company, also aggravating costs for farmers operating on credit. Discourse/Impact: Timely and strategic drawdowns and repayment, resulting in effective management of finance costs. Low-cost agri financing for small farmers.
- Dwindling Foreign Reserves create challenges in paying suppliers for the import of Raw Materials. Discourse/Impact: Work closely with the government and State Bank to ensure essential supplies are green-tagged to avoid the impact of these shortages.

## social



- An imbalance in the political or social environment can lead to social unrest in the neighboring areas of the operational facility. Discourse/Impact: Efforts to contribute to sustainable development and upliftment of the target communities.
- Increased reliance of farmers on Urea, resulting in an unbalanced consumption of nutrients, affecting the 'P' and 'K' markets. Discourse/Impact: Enhanced focus on increasing awareness through effective dissemination of information. The Company has initiated various learning programs including the Shandaar Kisaan Program selecting the top 100-200 farmers for trainings.
- An increasing policy rate (further aggravated by a depreciating rupee) leads to an increasingly inflationary economy, reducing buying power. Discourse/Impact: Strategic and cost-effective procurement and production will minimize the costs of production, reducing the price burden for Farmers.
- Pakistan has low farm yields which can be explored with structured locally-based agri-value chains, expanding operational capacity and output productivity. Discourse/Impact: Assess hindrances and collaborate with farmers for holistic solutions.

## technological



- Not coping with technological advancements, may create operational inefficiencies and competitive disadvantages. Discourse/Impact: continues to establish technological benchmarks investing in the latest advancements and developing its infrastructure capabilities. Improved plant efficiencies towards output generation front.
- The farming industry of Pakistan fails to employ technological advancements due to a lack of information and resources. Discourse/Impact: Continue to educate farmers on the latest Agri technology, balanced nutrients, and modern farm practices to support improved yields. Awareness among farmers has positive sustainable consequences.
- Early adoption of smart apps in the Fertilizer ecosystem has digitized the way of doing business. Discourse / Impact: Operations are now remote work friendly, creating ease of doing business and efficient data tools available for dealers to better deliver value to farmers.

## environmental



- Nitrogen and Phosphorous deficient soil in Pakistan results in increased demand for fertilizers. Discourse/Impact: Increased reliance on Urea and DAP fertilizers provides an opportunity to continue addressing enhanced and consistent demand. Continue to provide a 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. Discourse/Impact: Continually educating the farmers regarding efficient water use as well as increased use of water efficient crops. EFERT provides Agri solutions to farmers through trained operational staff and technologically advanced machines ensuring more efficient sowing to harvesting operations.
- Climate change may create further adverse weather conditions during wet seasons. Discourse / Impact: Raise awareness at the government level for the need for early warning systems and improvement of irrigation channels' systems to reduce overflow into fertile land.

## legal



- Laws, legislative amendments, and rulings relating to crucial cost components such as CIOQ/gas prices, freight regimes and revisions in sales, income tax regulations pertaining to unregistered dealers and other legal regulatory frameworks, significantly impact the costs of fertilizer manufacturers. Discourse/Impact: Continued engagement with the Government for sustainable solutions that benefit all related 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.



corporate  
governance



# our governance framework

We are committed to implementing sound corporate governance practices that enhance the effectiveness of our board and management while engaging with our board and management while engaging with our shareholders on matters of corporate governance.



## board structure & governance



## director elections



## director participation



## key stakeholders engagement



## corporate social responsibility



## ethical compliance & whistle blowing system

### board of directors

The Board of Directors carries out its duties with a sense of objective judgment and in good faith in the best interests of the Company and its stakeholders. There are eight (8) members of Directors on the Board, comprising three (3) Independent Directors, four (4) Non-Executive Directors and one (1) Chief Executive Officer.

The Board collectively has the responsibility for ensuring that the affairs of the Company are governed competently and with integrity. Biographical details of all the Directors are given in the previous section.

The Election of Director was held in the Annual General Meeting of the Company in March 2022 whereby the same board was re-elected except for Mr. Mazhar Hasnani who was replaced by Mr. Ismail Mahmud. Moreover, on July 01, 2022 Mr. Ahsan Zafar Syed replaced Mr. Nadir Salar Qureshi as the Chief Executive Officer of the Company.

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 a separate person. Mr. Ghias Khan, Non-Executive Director, is the Chairman of the Board and Mr. Ahsan Zafar Syed is the Chief Executive Officer (CEO) of the Company. In addition to being the CEO of the Company, Mr. Ahsan Zafar Syed serves as a Director on the Boards of:

- EFERT Agritrade Private Limited
- Elengy Terminal Pakistan Limited
- Tenaga Generasi Limited
- Engro Elengy Terminal (Pvt.) Limited
- Engro Foundation

### selection of independent directors

The 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 connections with the Company, except for providing access to the database on independent directors besides Directors' training and evaluation of Board and/or individual Directors' performance.

### external consultancy for appointment of the chairman

No external search consultancy has been used in the appointment of the Chairman or Non-Executive Directors.

### directors' orientation program

The Company had its elections during the year 2022 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 the Company and the Code of Corporate Governance Regulation, 2019.

The Human Resources department outlines a formal orientation plan, which is followed at the time of induction of a new Board member. The orientation is presented to bring the new Board member up to speed with the company and its activities. Divisional heads take them through a presentation about macro level policies related to their respective divisions. During the year, orientation of Mr. Ismail Mahmud was conducted by the management.

### directors' training

The Board ensures that all its Directors have duly completed the Directors' Training program from SECP-approved institutions. Only seven Directors on the Board are duly certified or exempted from the Director's training Program, Mr. Khawaja Bilal Hussain and Mr. Ismail Mahmud attended the directors training during the year 2022, from SECP approved institution.

### security clearance of foreign director

The Company's policy is based on SECP guidelines for the appointment of foreign Directors and subject to the issuance of security clearance from the Ministry of Interior. Mr. Ismail Mahmud is the only foreign director currently serving on the Board.

### board meetings held outside of pakistan

No meetings were held outside Pakistan during the year.

### leading from the front: Role of the Chairman of the Board

Every meeting of the Board is presided over 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 a letter to Directors setting out their roles, obligations, powers, and responsibilities at the beginning of the term of each Director
- set the agenda of the meeting of the Board and ensure that reasonable time is available for discussion of the same.
- ensure that the minutes of meetings of the Board of Directors are kept in accordance with the requirements of Sections 178 and 179 of the Companies Act, 2017

### chairman's significant commitments

Mr. Ghias Khan is the CEO of Engro Corporation Limited and serves on the boards of several other companies. The details of his other engagements as Director, and Trustee are given in his profile. He does not have any significant commitment other than the one mentioned in his profile.

### directors' remuneration

The Board of Directors have approved a formal policy which set 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 may be a related party;
- No remuneration shall be paid to Executive Directors, Chief Executive Officer and Non-Executive Directors who are employees in other Engro entities, for attending meetings of the Board and its committees; and
- the Board, if deems appropriate, may engage an independent consultant to determine the appropriate level of remuneration of its Directors and recommend it to the Board for consideration and approval.

The Company has a documented policy that generally restricts employees from holding directorships in companies that are not subsidiaries or joint ventures of Engro Corporation Limited ("ECL"). 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 the remuneration of the Directors and CEO in 2022, please refer note 37 to the consolidated financial statements.

### retention of board fee

CEO is a deemed director on EFERT's Board and holds the position as non-executive director on the Boards of various other companies. Fees paid by these companies are in line with their respective policies as approved by their Boards of Directors. EFERT does not have any policy that restricts an executive director from retaining the meeting fee earned by them against services as a non-executive director in other companies.

### performance evaluation of directors

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

- Clarity of agenda and objectives;
- Preparation for the meetings;
- Quality and diversity of discussions;
- Clarity of decisions and outcomes;
- Quality of discussion topics; and
- Overall satisfaction

### conflict of interest among board members

A formal code of conduct is in place that promotes an ethical culture in the company and prevents conflict of interest in the capacity as a member of the board. Further, the Board of Directors has duly complied with the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the 'Corporate and Financial Reporting Framework' of the Securities and 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 not to act on behalf of the Company in any matter in which they have an interest that conflicts, or may conflict, with their duties.
- 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.

### matters decided and delegated by board of directors

The board is committed to ensuring the effective delegation of financial powers as is permissible according to the legal framework and has approved formal policy on the delegation of financial 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 Regulations, 2019 and the Articles of Association of the Company.

In addition to approving the vision, core values, corporate strategy and the policies for conduct of business of the Company, 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 investments is 5x 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 annual review;
- Powers vested with the Board as per Section 183 of the Companies Act; and
- Significant issues to be placed for decision of the Board of Directors as per Clause 14 of the Code of Code of Corporate Governance Regulations, 2019, as and when applicable.

### matters delegated to the management

All matters not specifically reserved for the Board and 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 management of the Company and is documented in form of a Limits of Authority Manual (LOAM).

## board committees

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

The Board has established the following two committees:

### board people committee (BPC)

The Committee met during 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 the management committee.

The Chief Executive Officer attends Board People Committee meetings by invitation. The committee met four times during the financial year 2022.

current members

Mr. Asim Murtaza Khan – Chairman

Mr. Javed Akbar

Mr. Ghias Khan

### salient features of terms of reference

- 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 succession plan of the CEO and his direct reports.
- Recommend the salary and bonus programme to the Board
- 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 financial statements. After each meeting, the Chairman of the Committee reports to the Board. The Committee met five times during the financial year 2022.

current members

Mr. Asad Said Jatar – Chairman

Mr. Javed Akbar

Mr. Asim Murtaza Khan

### 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 policies including complaints received through the Speak Out-Whistle Blower policy
- To monitor compliance with statutory requirements

## key board policies

EFERT's culture is based upon fair pursuit of profits while remaining mindful of the impact of our corporate actions on people and place of operations. Protecting our corporate reputation is critical in order to survive in the global marketplace. To this end, the Board of Directors have adopted a host of policies which sets the standard for conduct.

### review of the company's performance by the board and its own performance evaluation

The Board has also developed a formal mechanism for evaluation of board's own performance, members of board and of its committees. The assessment is carried out on quarterly basis and was done four times during the current year. The Board carries out self-assessment evaluating its own performance against a defined approved criteria which includes its governance over all financial and non-financial matters including risk management and oversight exercised with respect to economic, environmental and social topics. For detailed criteria used for performance evaluation, please refer the Corporate Governance section of the Annual Report.

### group policy governing philanthropic contributions and charitable donations by engro corporation 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, EFERT is committed to creating sustainable prosperity that brings long-term social and economic benefits for all the stakeholders. EFERT's strategy is based on the principle of Inclusive Business and Strategic Community Investment. EFERT looks to connect the underprivileged, youth and women in its value chains for sustainable impact. Where inclusive opportunities are limited or not relevant, EFERT looks to invest in strategic community initiatives.

### risk management process

All activities undertaken by a business entity carry an element of risk which are managed through the Enterprise Risk Management (ERM). 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. To achieve this, an appropriate framework is adopted by the management and approved by the Board.

### key stakeholder engagement

The policy aims to develop and maintain trustworthy relations with shareholders and investors. The investors' relations section on the Company's website ([www.engrofertilizers.com](http://www.engrofertilizers.com)) is updated regularly to provide detailed and latest company information including financial highlights, investor information and other requisite information. The Company's website maintained in English and Urdu, also contains the link to SECP's investor education portal, 'Jamapunji'. Continuing with its policy of promoting transparency and stakeholder engagement, the Company held quarterly analyst briefing sessions.

### policy for procurement of goods and services

The aim of our procurement policy is to obtain sustainable competitive advantage through efficient sourcing of goods and services that maximizes value for the Company based on innovation, principles of risk / return benefit, ensuring product quality, timely deliveries, reliability, and controls.

This policy establishes a foundation for our discipline and serve as guidelines in our daily activities as we interact with external suppliers and service providers.

### policy for safety records of the company

The Company has a documented Record Retention Policy to ensure the safety of the records for periods that exceed the minimum requirement prescribed by Companies Act, 2017 and other applicable regulatory requirements. In addition, EFERT has a business continuity plan complemented by a disaster recovery plan to ensure uninterrupted operations.

### investors' grievance policy

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

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

### disaster recovery and business continuity planning

The Company has a documented Disaster Recovery Plan (DRP) and Business Continuity Plan (BCP) which describes the business continuity and recovery strategies and related procedures for the Company. It also provides policies and procedures whereby the critical business processes can be restored in a timely and orderly manner and can be operated on an interim basis, thereby helping to ensure that all critical business functions continue in the case of a disruption or disaster. This plan is carefully followed during periodic testing exercises to thoroughly train recovery personnel and ensure that strategies and actions accurately reflect current business recovery requirements.

### whistleblower policy – "speak out"

There exists an independent whistleblower system maintained at group level that 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. These 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

Appropriate policies are in place to attract, induct, develop, retain, and motivate high caliber talent who are qualified, capable and willing to contribute their best towards accomplishment of Company objectives with increasing emphasis on equal opportunity training and development, performance management, compensation and benefits, diversity and 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 on Company's commitment to manage and improve social and environmental impacts of its operations on the lives of its customers, suppliers, and communities at large.

### corporate tax strategy

The Board of Directors have approved a formal document for corporate tax strategy which defines principles aiming to plan, devise and implement tax-efficient and optimized solutions and support its long-term business strategy. The corporate tax strategy is governed by the following principles:

- Ensuring high level of tax compliance in every jurisdiction where the Company has operations
- Making material business decisions after taking into account optimized tax solutions
- Ensuring minimum exposure through prevention and reduction of 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 Engro group to encourage smooth flow of information

### IT governance and cybersecurity policy

Information Technology (IT) Governance is an integral part of enterprise governance and consists of the leadership, organizational structures, and processes. IT Governance aims to ensure that IT activities are aligned with business objectives and that stakeholder requirements of value delivery, risk optimization, and resource optimization are address.

### 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 invested 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
- To do all other acts and things in the ordinary course of business which he may consider necessary or conducive to the interests of the Company

### performance evaluation of CEO

Performance of the CEO is evaluated through a comprehensive inhouse 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.

## management committees

### functional committees

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

### management committee

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

members:

Mr. Ahsan Zafar Syed – Chairman  
Mr. Syed Shahzad Nabi – Member  
Mr. Imran Ahmed – Member  
Mr. Khusrau Nadir Gilani – Member  
Mr. Sulaiman Ijaz – Member  
Mr. Muhammad Saad Khan – Member

The secretary of the Management Committee is Mr. Muhammad Saad Khan.

### 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 Ahmed – Member  
Mr. Atif Mohammad Ali – Member  
Mr. Muhammad Majid Latif – Member  
Mr. Khawaja Bilal Mustafa – Member

The secretary of the Capex Committee is Mr. Abdul Ahad.

### corporate HSE committee

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

#### Members:

Mr. Ahsan Zafar Syed – Chairman  
Mr. Syed Shahzad Nabi – Co-Chairman  
Mr. Imrar Ahmed – Member  
Mr. Sulaman Jaz – Member  
Mr. Khusrau Naqir Gilani – Member  
Mr. Muhammad Saad Khan – Member  
Mr. Tariq Raza – On Invitation  
Mr. Asim Rasheed Qureshi – On Invitation

The secretary of the Corporate HSE Committee is Mr. Mohsin Muktar.

### pricing committee

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

#### Members:

Mr. Ahsan Zafar Syed – Chairman  
Mr. Khusrau Naqir Gilani – Member  
Mr. Imrar Ahmed – Member

The secretary of the Pricing Committee is Mr. Ali Muhammad Mahenil.

### 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 the 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 the 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 the appraisal and approval of investment expenditures and asset disposals. Post-completion reviews are performed on all material investment expenditures.

### 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 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. 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.

### responsibility for statutory financial statements

In accordance with the requirement of the applicable regulatory framework, CEO and CFO management are 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 the 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, 2022 have been audited by the External Auditors and recommended by the Board in its meeting held on February 9, 2023 for shareholders' approval in the Annual General Meeting to be held on March 28, 2023.

Other financial and non-financial statements enclosed with statutory financial statements are in conformity with the applicable regulatory requirements.

### timely communication of financial statements authorization

The financial statement for the half year ended June 30, 2022 was authorized for issuance on July 28, 2022. The financial statements for December 31st 2022 were authorized for issuance on February 9, 2023.

### 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. This 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 the 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 an 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 are mentioned in note 43 to the consolidated financial statements.

### beneficial (including indirect) ownership and flow chart of group shareholding

Complete disclosure of EFERT's shareholders has been provided in section 5 (pattern of shareholding) of our annual report, in addition, group shareholding and direct & indirect ownership of the Company are demonstrated within the Company's organogram in section 1.

### annual general meeting – update of last AGM, decisions taken and their implementation status

The Company's Annual General Meeting (AGM) was held on March 22, 2022 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.

### business expansion and rationale of major capital expenditure projects

The Board routinely reviews significant capital expenditure projects including an actual vs. budgeted cost comparison, expected completion timelines and overruns, if any thereby ensuring timely and authorized business expansion in line with EFERT's strategy. Further details are available in the performance review section of this report.

### compliance statement

The Board of Directors has duly complied with the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the "Corporate and Financial Reporting Framework" of the Securities & Exchange Commission of Pakistan.

### state-of-the-art ERP systems the heart of digitization at EFERT

EFERT has recently adopted a state-of-the-art ERP system, One SAP, an end-to-end solution that integrates information onto a single platform, serving as a single source of truth unifying reporting and promoting improved collaboration through shared data. With the immense power of One SAP, EFERT has been able to benefit from capturing and efficiently analyzing the vast volume of real-time data for better decision-making.

The journey to One SAP and its effective implementation and continuous updation commenced with management creating a new function known as the One SAP basis team. A management team comprising experts from finance, IT and business-facing departments was formulated to lead, design, implement and monitor the transition to One SAP. The objective of the One SAP basis team was completed in 2021 with the successful implementation of the ERP.

The One SAP Basis team leads training sessions, held exclusively for the employees to enhance their functional skill set in line with their functional objectives.

EFERT's IT department ensures robust IT security controls on the individual level as well as company-wide SAP-ERP System including passwords, system upgrades, firewall protections and authorization controls with appropriate segregation of duties.



### diversity

Board's Policy on Diversity at EFERT is committed to unbiased and equal treatment of all employees irrespective of cast, religion, and gender. EFERT is proud to embrace diversity in the form of age, gender, ethnicity, physical and mental ability. To encourage gender diversity at all levels the Board has defined measurable KPIs which it uses to monitor the Company performance and updates under this UNSDG. To proactively infuse the concept of diversity and promote an encouraging environment, a 3-point framework for gender diversity and various gender sensitization sessions have been conducted. Furthermore, during the year, EFERT led the industry in its gender diversity drive by opening avenues to women from various socio-economic backgrounds to work with the Company in different unconventional roles such as Trade Apprentices, GTEs, workshop supervisors, warehouse in-charges and in field-oriented roles.

### human resource management policies including preparation of a succession plan

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

EFERT's Board places great emphasis on people's development and related policies. With this at the heart of our core values, we developed leadership competencies. To ensure a dedicated focus on people-related matters, the Board has established a subcommittee, Board People Committee (BPC), that exercises oversight over Human Resources (HR) policies and systems and is responsible for performance evaluation, development and succession planning.

### employee health, safety and protection

The safety of employees has always been the foremost priority of the Company. A comprehensive HSE process framework has been developed whereby all employees undergo regular in-depth trainings to ensure that the commitment to HSE is inculcated in all employees.

### safety of records of the company

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

In addition, the Company has a Business Continuity Plan (BCP) complemented by a Disaster Recovery Plan (DRP). The BCP and DRP frameworks outline the policies and procedures with respect to the identification of critical business activities and resources including the safety of critical electronic, hard copy data and processes to ensure all critical functions continue in case of a disruption or disaster. The Company has dedicated offsite facilities which serve as data-back-up centers.

### whistleblowing policy

The Board of Directors of the Company have established a Whistleblower system that allows employees, suppliers, customers and contractors to speak out about any concerns that they may have regarding business ethics, safety, environmental performance, harassment and other compliance-related matters. With a hassle-free window available to all employees where they can freely raise their concerns, there is also a dedicated email address where matters can be attended to.

### investors' grievance policy

As Company strives to develop and maintain trustworthy relations with all its stakeholders, the board in order to ensure this has a dedicated investor grievance policy for its shareholders and investors. It recognizes the importance of timely and fair disclosure of all material information to them, without advantage to any investor group, or investment advisor/analyst, in order to enable them to make informed decisions about investing in the Company.

### external oversight

The external oversight activities during the year included the audit of the company's financial statements. An external valuations specialist was engaged during the year to perform a re-assessment of the company's plant and machinery, gas pipelines and civil work.

Additionally, a third-party cyber security review was conducted, and the improvement areas were identified and addressed. The security assessment included testing of exposed assets, applications, network devices, databases and so on.

### communication with stakeholders

The Directors regard stakeholder engagement as an important element of the Company's corporate responsibility. Further details are available stakeholders information – mentioned in Section 1.

### social and environmental responsibility

The Company's culture is based upon the fair pursuit of profits while remaining mindful of the impact of our actions on our people and place of operations. Protecting our corporate reputation is critical in order to survive in the global marketplace. To this end, the Board of Directors has adopted a host of policies that sets the standard for conduct.

### governance practices of EFERT other than legal requirements

At EFERT we strive to work in a responsible and ethical manner. To ensure transparency EFERT has institutionalized the following practices:

- Benchmarks reporting requirements against ICAP / ICMAP and SAFA-prescribed guidelines.
- A stringent insider trading policy that goes beyond the legal requirement.
- Holds quarterly analyst briefings and regularly interacts with all stakeholders.
- Implementation of health, safety, and environmental policy as a responsibility of our commitment to protect our people, community, and environment.
- Undertaking several health and training initiatives for improving the wellbeing of the surrounding community.

### instilling 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 a better and safe workplace environment for employees, workers and surrounding 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.
- Only seven Directors on the Board are duly certified or exempted from the Director's training Program. The company endeavors to replicate the best practices in its privately owned subsidiaries.

## 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 Peoples committee ensures that the performance review and compensation mechanisms 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 plan, 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 all complaints 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 16 irregularities were reported in FY 2022 as against 13 irregularities in FY 2021.

Moreover, the parent company's Internal Audit (Corporate Audit) conducts periodic joint audits of all group companies in line with annual approved risk-based audit plan which include 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.

#### whistleblower policy- "speak out!"

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

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

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

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

Below is the number of whistleblowers reported during the year 2022:

No. of whistle-blower complaints investigated and closed during the year 22.

No. of whistle-blower complaints in progress 3.

Concerns can be raised on email to [speakout@engro.com](mailto:speakout@engro.com)





performance  
review

# directors' report

On behalf of the Board of Directors of Engro Fertilizers Limited (Engro Fertilizers / the Company), we are pleased to submit the Directors' Report and the audited consolidated and standalone financial statements of the Company for the year ended December 31, 2022.

## safety

Safety has always been one of the core values of Engro Fertilizers. The Company is continuously working on improving safety awareness and regimes to ensure that we maintain our best-in-class status. As a result of these initiatives, Alhamdulillah, despite two mega turnarounds at our facilities, we still managed to achieve a TRIR rate of 0.06 with no fatality or major injury.

## floods in Pakistan

During the year, Pakistan experienced one of the worst humanitarian crises in a decade. The monsoon season brought massive rainfalls, 3 times than that of the 30-year average, resulting in high intensity flash floods, hill torrents and river overflows inundating nearly one-third of the country. The floods impacted over 33 million people and led to a massive loss of life and economic losses worth billions of dollars; ~900K houses were completely destroyed while ~1.4 million houses were partially damaged. In addition, huge infrastructure losses were incurred with 13, 15 kms of road network and 439 bridges damaged.

On the agricultural front, 4.5 million acres of crop area was damaged while nearly 1.2 million livestock perished. The total loss to the economy is estimated to be nearly USD 30 billion. Major affected crops include rice, sugarcane, cotton, onions and chilies. These crops are amongst the high earning crops of the farmers and hence their destruction resulted in serious cashflow constraints for them.

It is pertinent to share that not all floodwaters have receded, and large parts of the country are still inundated, with millions still displaced. As a result, during Rabi season nearly 1 mn acre land remained unsown in Sindh and Baluchistan, which is expected to result in a loss of 1.2 mn tons of wheat. The country is also facing aftereffects of floods in the form of record high food inflation due to the shortage of affected crops.

## market review

On the international pricing front, urea prices decreased by 52% during the year and stood at USD 456/T (landed equivalent PKR 6,705/bag) in December 2022, compared to USD 957/T (landed equivalent PKR 10,891/bag) in December 2021. DAP international prices increased during the first half of the year to reach USD 1,025/ton compared to USD 915/ton at the start of the year. However, they began to taper off in the second half and reached USD 730/ton by year end.

In the midst of international commodity price escalations, the local fertilizer industry has ensured that farmers continue to benefit from lower domestic urea prices. MRP of urea stood at PKR 2,250/bag at year end, at a discount of 66% to international prices. This delta constitutes a contribution of almost PKR 500Bn per annum towards farmer income in Pakistan. Furthermore, the presence of a domestic urea manufacturing industry enabled import substitution to the tune of USD 3.3n.

Local urea demand stood at 6,616 KT Vs 6,343 KT in 2021, which translates into a growth of 4% from last year. The increase in market demand can be attributed to improved farm economics during the current year coupled with availability of urea at a significant discount to import parity as well as other fertilizers.

The Company's production during the period stood at 1,955 KT compared to last year's record production of 2,100 KT. The reduction is mainly attributable to outages at EnVen plant and turnaround of 60 days for Balancing, Modernization and Replacement (BMR) of the Base plant during the year. This BMR activity was conducted to enhance the long-term reliability of the Base plant, and has improved the overall efficiency of the Base plant.

On the Phosphates front, the industry DAP demand nosedived by 39% during 2022 to reach 1,158 KT compared to 1,908 KT in 2021. This demand contraction can be attributed to the steep increase in international DAP prices during 1H2022, coupled with massive rupee devaluation throughout the year leading to higher landed cost of the product. Demand was further impacted by massive floods in the country which affected the working capital availability of farmers for the Rabi season.

## other key developments

One of the most prominent developments for the fertilizer sector during the year was the exemption of the sector from the levy of sales tax under Finance Act, 2022 from July 1, 2022. Consequently, output sales tax on fertilizers has been removed from pricing and hence input tax levied on gas and other purchases by the Company is no longer claimable; these are now absorbed as part of cost. The Company increased the urea price by PKR 350/bag from July 1, 2022; this price increase was to pass on the additional cost arising as a result of non-claimability of output sales tax, in addition to other elements. The exemption of the sector from the levy of sales tax has addressed the challenge of accumulating sales tax refunds.

Another development on the taxation front was the implication of the Super-tax through the Finance Act 2022. In accordance with the Act, 10% super tax instead of 4% has been levied on Fertilizer sector. In addition to other 14 sectors retrospectively on Financial Year 2021 (Tax Year 2022) and 4% super tax has also been levied for Financial Year 2022 (Tax Year 2023). Considering these taxes are discriminatory in nature, therefore Engro Fertilizers along with the other industry players challenged the imposition of Super Tax before the Sindh High Court (SHC). The SHC initially allowed an ad-interim stay against the recoverability of the same. On December 22, 2022, SHC gave the decision declaring retrospective application of super tax on tax year 2022 (FY 2021) as not applicable and the imposition of 10% Super tax on specific sectors (CY2021 only) as discriminatory and ultra vires. Being cognizant of the arguments made in the order and after discussion with various legal counsels, provision relating to 6% additional super tax (being declared discriminatory by the SHC) has been reversed. Engro Fertilizers has had exposure to these taxes and as a result it had recognized a super tax charge of PKR 1,187 Mn in respect of tax year 2022 and PKR 846 Mn in respect of tax year 2023.

On suits filed for GIDC and end of concessionary gas period, the stay orders are in place. During the year, the Government of Pakistan has filed a response setting out their stance in the suit filed for GIDC on concessionary gas. The Company has drafted a rejoinder to the stance submitted by the Government and has finalized the same. The same will be submitted before the Sindh High Court in due course.

## segment analysis

### urea

The Company's urea production declined by 7% during the year and stood at 1,055 KT vs 2,106 KT in 2021, mainly because of turnaround of the Base plant and outages at both plants. Consequently, our urea sales also declined by 16% to reach 1,935 KT as compared to 2,295 KT in 2021. The decline is higher than the decrease in production since the Company started 2022 with an opening inventory of 56KT vs 275 KT of opening inventory for 2021. As a result, our market share decreased to 29% for the year as compared to 36% in 2021.

### phosphates (DAF / Zorawar / NP)

The Phosphates business managed volumetric sales of 333KT compared to last year's sales of 366 KT. In a declining market, the Company, through efficient pricing and effective sales management, achieved an increase in market share from 17% in 2021 to 23% in 2022.

### specialty fertilizer business (SFB)

The SFB division's sales for the year registered a net increase of 12%. While Zabardast Urea sale showed a significant growth, potash-based products and micro-nutrients demand shrunk during the year mainly because of an anomalous price trend owing to Ukraine-Russia conflict and heavy floods in 2H2022.

### crop sciences division (CSD)

During the year, the CSD division generated a revenue of PKR 2.4bn vs PKR 2.3bn in 2021. The business has been facing challenges and management is working on business segment's long-term strategy to determine the most effective way forward.

### e-logistics

The Company's logistics business continues to maintain its focus on improving the safety standards and bringing operational efficiencies. During the current year, our fleet of 194 trucks transported 739 KT of goods vs 687 KT LY. The management is in the process of devising a long term strategy for this business segment.

### financial review

During the year, the Company managed to deliver sales revenue of PKR 157.0 Bn showing an increase of 13%, compared to sales revenue of PKR 132.4 Bn in 2021. This improvement can mainly be attributed to higher DAP prices during the year.

The Company posted a gross profit of PKR 42.8 Bn for the year which translates into a gross margin of 27%, compared to 33% in 2021. The lower gross margin reflects the increase in the cost of sales for the Company as we absorbed a substantial portion of the prevailing inflationary pressures.

Financial charges of the Company increased by 64% to reach PKR 2.6 Bn from PKR 1.6 Bn in 2021, mainly due to significant hike in interest rates during the period. The Company's tax expense for 2022 stood at PKR 10.6 Bn compared to PKR 8.8 Bn in 2021. Despite lower profitability, our tax has increased due to imposition of super tax on the Company.

On a consolidated basis, the Company posted a profit after tax of PKR 13.0 Bn showing a decline of 24% compared to profit after tax of PKR 21.1 Bn in 2021. As a result, consolidated earnings per share dropped to PKR 11.98/share compared to PKR 15.80/share in 2021. On a standalone basis the Company's profit after tax stood at PKR 15.4 Bn, compared to PKR 21.1 Bn in 2021, registering a decline of 27%.

### profit appropriation and reserve transfer

At the start of the year, the total reserves of the Company stood at PKR 33.7 Bn out of which the Board announced a dividend of PKR 6.7 Bn. During the year, the Company made a net profit of PKR 16.0 Bn, taking total reserves to PKR 43.1 Bn. In 2022, the Company has announced two interim dividends of PKR 8.5/share in total. The total reserves as at end of 2022 stood at PKR 31.7 Bn, and the detailed reconciliation is given in the Dividend and Appropriations table below.

Dividends and Appropriation	PKR million
Opening reserves	33,734
Final dividend 2021: PKR 5.0 per share	(8,676)
Net profit 2022	16,003
Other comprehensive loss	(10)
<b>Available for appropriation</b>	<b>43,051</b>
<b>Appropriations</b>	
- 1st Interim 2022: PKR 5.5 per share	(7,344)
- 2nd Interim 2022: PKR 3.0 per share	(4,006)
<b>Closing Reserves</b>	<b>31,701</b>

### dividends and subsequent events

The Board is pleased to propose a final dividend of PKR 5.0/share, in addition to interim dividends of PKR 8.5/share that have already been paid out, for the approval of shareholders in the Annual General Meeting to be held on March 28, 2023.

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 2022, the Company continued to concentrate its efforts on managing the rising costs of financing through better capital management. Long term borrowings at year end 2022 stood at PKR 12.7 Bn compared to PKR 17.2 Bn in 2021. 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 at December 31, 2022, stood at PKR 45.0 Bn, compared to PKR 47.1 Bn in 2021. During the year, PACRA maintained Engro Fertilizers' 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, 2022.

### future prospects and market outlook

Global urea prices touched heights in 2022 due to gas unavailability and import restrictions on Russia and Belarus as a result of the Russia-Ukraine war, along with China's fertilizer export restriction being extended. In 2023, it is expected that the price of urea will come down slightly from its recent heights, with new production capacities helping to increase the overall market supply.

We are confident that despite all the challenges currently being faced by the country, Pakistan's agricultural sector will remain resilient, due to government support, better farm economics, and the sale of urea at significantly lower prices compared to global prices.

Urea market demand in Pakistan is expected to sustain at ~6.6 KT in 2023 which would be close to that of 2022. DAP demand is expected to grow with improved affordability of the farmers after recovery from the impact of floods.

### awards and recognition

During 2022, the Company continued its legacy of excellence across all dimensions and our efforts were recognized on several local and international forums. Below are some of the major awards won by Engro Fertilizers during 2022:

### HSE awards

- The Royal Society for the Prevention of Accidents (RoSPA) awarded the Daharki plant with Gold Standard- Health & Safety Best Performance Award for achieving '0' TRIR in 2021.
- RoSPA "Fleet Safety Gold Award" was also given to E-logistics division for outstanding HSE practices and performance in a calendar year.
- Engro Fertilizers manufacturing site Daharki won International Safety Award with distinction from British Safety Council.
- Daharki facility was also recognized by British safety council as best in country for demonstrating outstanding performance in HSE.

### HR awards

- 12 wins at the Global Diversity Equity and Inclusion Benchmark (GDEIB) Awards by HR Metrics
- Engro Fertilizers Ranked as the Second Most Inclusive Company for 2022 by Global Diversity Equity and Inclusion Benchmark (GDEIB)
- 3rd position for Employer of Choice – Gender Diversity Awards by Pakistan Business Council (PBC) and International Finance Corporation (IFC)

### Digitization

- Best ECommerce App, Best Mobile App, and Best Digital Innovation awards (Humsafar App) at Pakistan Digital Awards 2022

### general management and finance

- Best National Taxpayer in the Manufacturing Sector by Rawalpindi Chamber of Commerce and Industry (FCCI)
- Best Corporate Report Award 2021 (3rd position) and Best Sustainability Report Award 2021 by ICAP and ICMA Pakistan
- Ranked 5th among the PSX Top 25 Companies Award 2021
- Amir S. Chiny Corporate Excellence Award at Management Association of Pakistan's 37th Corporate Excellence Awards
- Best Presented Annual (3PA) Report Awards (Integrated Reporting) by South Asian Federation of Accountants (SAFA)
- Best ESG Reporting Award at CFA Society's 18th Annual Excellence Awards

### improving customer services

Engro Fertilizers' flagship mobile and web enabled application, Engro Humsafar, was launched in September 2020. This is a B2B digital platform for fertilizer dealers, that allows them to transact with Engro Fertilizers round the clock.

The Company booked sales of PKR 100 bn via Engro Humsafar till 2021, and this number has now increased to PKR 285bn. This is a testament to Engro Fertilizers' commitment to digitization and the Company's efforts to simplify the order to cash cycle.

The Company continues to improve the customer experience of the app through introduction of new features and increasing the banking partners.

### health, safety & environment

Health, Safety & Environment (HSE) being one of the top core values of our organization & a founding pillar, strengthening our day-to-day operations is given prime importance at Engro Fertilizers. Our world class HSE programs ensure that all stakeholders engaged with the company remains safe & well versed with HSE systems, practice & policies.

### HSE performance 2022

At Engro Fertilizers, all employees & contracted workforce associated with plant by any means are provided HSE trainings & equipped with the best tools & gadgets to manage their routine activities. Proactive identification of hazards and implementation of mitigative measures are carried out through our strong safety systems. This approach ensures that we achieve and sustain world class safety statistics.

Our safety performance throughout 2022 is reflected by the below mentioned statistics.

Our HSE Performance	2022
Total Recordable Injury Rate (TRIR)	0.06
Recordable Injuries (RWC / MTC)	6
Loss Workday Injury (LWI)	Nil

### process safety improvements

In 2022, various process safety studies were initiated focusing to align our systems with industrial best practices. Following are details of process safety efforts:

- Engro transformed its HSE management systems to directly prevent / mitigate the occurrences of Major Accident Hazards. The new system was developed in collaboration with DSS (DuPont Sustainable Solutions) and in broad alignment with the guidance in ISO 17776. In 2022, DuPont experts provided hands-on training to site employees on new risk-based philosophy of hazard identification & management after which site embarked on the journey towards development of new hazard assessment reports & bowtie analysis which will provide clear visibility of risk management.

- Benchmarking & gap analysis of hazard area classification against AFI & IEC standards was completed with aim to improve site practices against installation & maintenance of electrical equipment in accordance with hazardous areas.

- Fire & Gas Detection Study was completed for Plant-1 operating areas.

### cultivating HSE-first mindset

- In 2022, manufacturing Daharki site made history by executing 60 days longest and most complex Plant-1 long term reliability (LTR) turnaround with "ZERO" TRIR. This is testament to the sites commitment towards achieving excellence in safety.

- In line with the goal towards digitization of processes for productivity & effectiveness, HSE department developed an application for real time monitoring of unsafe acts & conditions during LTR turnaround with online analysis which helped in better management of safety matters during turnaround.

- Targeted HSE campaigns were conducted throughout the year with aim to put collective efforts in improving behavioral & inherent safety at site. This brings improvement in 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 personal as well as professional front.

- Zarkhaz plant also achieved "ZERO" TRIR for year 2022 showcasing strong HSE culture and adherence to HSE policies.

### promoting health & well-being

The Occupational Health program at the company includes aspects of industrial hygiene and occupational health. Various health awareness & control programs were launched in 2022 to inculcate health & hygiene good practices amongst our employees:

- All food clubs & canteens were HACCP certified in 2022, reflecting strong monitoring & control around food safety requirements.

- Effective utilization of personal protective equipment & Hazardous Waste Management trainings was imparted to site workers.

- Various health awareness and control programs were launched to improve health and well-being.

### environmental standards

Focus and dedicated efforts were carried out to elevate environmental performance at Engro Fertilizers in 2022, key highlights are as follows.

- Manufacturing Daharki kickstarted net zero waste project which aims to convert organic waste into compost and other waste (wood and metal, plastic, and aluminum etc.) to recyclable products.



- Geo membrane lining of evaporation pond completed as part of underground water contamination.
- Field execution of noise reduction project at ENCOF-3 facility is ongoing and will be completed by 2H-2023.
- Environmental Management Plan developed for hazardous chemicals management at site in accordance with SEPA requirements.
- Plantation drives continued at site. The Company collaborated with the Pakistan Army and initiated 100K plantation activity at Bahawalpur.

### engro muhafiz

Engro Muhafiz is a first of its kind stakeholder engagement HSE program in Pakistan that is in line with the Company's HSE policy to protect & train all communities involved and / or linked with our operations. The program is designed to train farmers and dealers on safe and environment-friendly practices related to their routine operations, based on comprehensive risk profiling. It also includes carrying out HSE audits of their workplaces and subsequently nudging them to improve their infrastructure and practices through competition and token awards.

In 2022, 246 activities were carried out under this program and 13,020 farmers, dealers & community members were engaged in various initiatives under this program.

### corporate social responsibility

Engro Fertilizers Limited believes in doing good while doing well.

As a business, we continuously strive to go beyond just corporate philanthropy and develop a comprehensive model with Engro Foundation to benefit both the Company and the communities we engage with. To do this, we take responsibility for the well-being and development of the people we interact with and invest in sustainable projects that make a difference in their lives by instigating positive change through social and economic development. All our employees are encouraged to be part of these social endeavors and we are proud of all their contributions. To ensure success, we have joined forces with government and development organizations, enabling us to create greater unity for the communities.

Engro Fertilizers has an Environment Sustainability & Stakeholders Engagement Steering Committee, the purpose of which is to promote social and economic progress for the people in the two-mile vicinity of our Dahark facility, and to give them instructions on Emergency Response Procedures that abide by HSE guidelines.

Our Corporate Social Responsibility (CSR) programs are structured to maximize the effects of our investments in the communities and can be categorized into the following broad areas:

- Protecting the environment
- Flood Relief

- Education
- Livelihood
- Healthcare services
- Infrastructural support
- Utili value chain project

### protecting the environment

Experts and policymakers pledge support for river dolphin protection in Asia

Engro Foundation, in partnership with WWF-Pakistan, invited scientists, NGOs, and government representatives from Bangladesh, Cambodia, China, Indonesia, Myanmar, Nepal, Netherlands, the UK, and Pakistan to come together and collaborate for an Asia-wide strategy on protecting river dolphins. The three-day Technical Workshop on the Protection of River Dolphins from Unsustainable Fishing Practices was held in Islamabad from October 5th to October 7th 2022.

Panelists and speakers pointed out that the ongoing and increasing human-induced changes to freshwater ecosystems put river dolphins at greater risk. There are four river dolphin species across eight range countries in Asia today. Of the four, the International Union for Conservation of Nature lists two as endangered and the remaining two as critically endangered. In March this year, World Wild Fund (WWF-Pakistan) and Engro Foundation entered a first-of-its-kind partnership to conserve and manage the endangered Indus River dolphins.

All river dolphins live in basins with growing human population pressures and share their habitat with local communities, which also depend on freshwater for sustenance. Looking at Asia, some species have already shown an 00 percent decline in the range due to alterations in river flow regulation, infrastructure development and construction projects. However, the primary cause of the reduction in the numbers of Asian river dolphins is entanglement in gillnets, which is generally regarded as the most immediate human-induced threat. The regional conservation management plan will bring together the best available science and management expertise to protect and recover the river dolphin populations.

The event ended with the signing of The Islamabad Recommendations - a series of actions relating to inter- and intra-state coordination, enforcement of existing laws, developing a knowledge base, and more vigorous outreach efforts with the frontline river communities. The delegates pledged to keep the working group activities and become champions for the endangered river dolphins in their respective countries!

### flood relief

Through multiple initiatives carried out over the second half of 2022, provisions for the flood victims were made. Within the first three days of the flood, Engro Fertilizers' team travelled through boats with the assistance of the Pakistan Army and reached areas submerged in water, providing aid in the form of rations in 34 locations, across three provinces, covering areas of Thatta, Ghotki, Khairpur Miras and Rajanpur all the way.

Collections and donations in the form of financial aid, dry ration, cooked food, clothes, mosquito nets, shoes and all forms of necessities were distributed through volunteers. The collection and distribution efforts were conducted for a period of two months and the teams went to remote, hard-to-reach areas with the help of Sindh Rangers, district managements, Punjab Rangers and the Pakistan Army. 7000+ cooked food packets, 500+ biscuits cartons, 1000+ dry ration bags, 300+ milk cartons, 150+ tents, 300+ mosquito repellent bottles, 1000+ medicines, 1000+ mosquito nets, 50 large sacks of stitched clothes, and 2 dewatering pumps were distributed.

Additionally, we also provided relief to victims in the six districts of Mirpurkhas, Sanghar, Udadu, Shahdadkot, and DG Khan. Sales Managers of the Centre and South Zones visited the areas with their teams and were accompanied by Assistant Commissioners of their respective tehsils. Through this initiative ration bags were distributed to more than 1000 families.

### education

Our education initiatives have become a catalyst of change in rural areas and have always been among our top priorities. Engro has worked endlessly to provide quality education to underprivileged communities while consistently improving quality and learning outcomes at these institutions. We currently have 27 schools in our network, out of which 15 are in Katcha area, and 12 are in Daharki. The enrolment at our adopted government schools stands at 1,674 students currently whereas our Katcha school network continues to operate as per plan with 1,996 students.

As part of Engro's Diversity & Inclusion agenda, we have also invested in girls' education in our Katcha areas. These areas do not prefer co-education schools so in order to encourage the villagers to allow their girls to study, we have established our first Katcha Girls' middle school which now has 107 female students.

For the socioeconomic independence of the households we serve, financial grants have been provided to help individuals set up sustainable small businesses and ensure an independent source of income for their families.

Engro is also training young aspiring members of the community through a 3-year Diploma in Associated Engineering in chemical, electrical and mechanical engineering. Through this program, our Technical Training institute initiative has helped bolster the careers of many individuals and helped earn a livelihood for themselves and their families. The current enrolment in this institute stands at 335. These graduates also regularly attain top positions in the Sindh Technical board exams. In the year 2022, 131 Diploma in Associate Engineering (DAE) graduates were placed in Engro Fertilizers in a variety of different roles.

### livelihood

To help empower differently abled individuals and those in need of a form of income, 100-plus grants were provided to widows and persons with disabilities to help create independent earning opportunities.

We also conducted a 10-day livestock camp in which over 15,000 livestock vaccinations were administered.

### healthcare services

In the realm of healthcare, the Company provides free-of-cost essential services to the communities through clinics, hearing aid camps, and crucial time-sensitive treatments for snake bite and dog bite patients. Our initiatives on the health care front include the Sahara Clinic which treated a total of 7,156 patients this year, while the singular snake-bite treatment facility treated a total of 6,236 patients.

In 2022, the region's first free-of-cost limbs facility was established, and it has treated 852 patients. We also developed a dog bite facility that treated 1,172 patients. Under the ambit of the Engro Volunteer Program, Sahara Clinic organized a free of cost hearing aid camp in Daharki. In this five-day camp free consultation, audiometry testing, medication and digital hearing aids were provided. A total of 566 individuals were screened, and 126 of them were fitted with hearing aid devices.

Pakistan has the second-highest prevalence of hepatitis C, with ~5% of the population infected. Engro Fertilizer's Hepatitis Program works actively to prevent the spread of this disease through awareness sessions, diagnosis, and treatment. In 2022, 358 Hepatitis awareness sessions were conducted in Daharki for 7,190 participants.

Additionally, a medical camp was held with the help of Sindh Rangers and the Pakistan Army, where over 30,000 patients were treated during the flood relief activities.

To stop the spread of dengue and malaria after the floods, preventative measures were taken in the form of fogging spray, which covered a population of more than 100,000 in its 15-day drive.

### medical camps and gambit and ghotki

Engro Fertilizer arranged a medical camp for flood-affected families at different locations of District Gambit and District Ghotki with the co-ordination of the Pakistan Army and Sindh Rangers. A team of senior medical army and civil officers provided free-of-cost consultation, treatment, and medicine to 3,000+ patients who came from different adjoining areas. Patients requiring advanced treatment were also provided reference and guidance for follow-up.

### infrastructural support

To help provide nearby communities with a steady supply of clean water, Engro Fertilizers installed three solar Reverse Osmosis (RO) plants: two at Daharki and one at the Ghotki railway station.

A new building for the Sahara School is currently under construction. We also help provide necessities such as benches and dustbins for the Punjab archaeological sites along with the installation of pumps and plantation of 100,000 plants at the Bahawalpur border.

### chill value chain project

Engro Fertilizers initiated this "Seed Fertilization & Chill Value Chain Improvement Project" in partnership with the U.S. Department of Agriculture (USDA), and funding through the Winrock International and Pakistan Agriculture Development (PAD) project.

The focus of this project is to improve the traditional dandicut chili variety yield through quality seeds and to support the livelihood of the chili farmers in Southern Sindh. The scope of the project includes 5,000 beneficiaries comprising of small farmers, community champions, female farmers, village-based seed enterprises and seed entrepreneurs.

The town of Kunri located in the Umerkot District of Southern Sindh is considered as the "Chili Capital" of Asia and has been a hub for this particular type of round red chili for decades. Most of the chili production is centered in Umerkot, Mirpurkhas and neighboring areas such as Badin and Tharparker. In Kunri and other red chili growing areas in Sindh, farmers require certified red chili seeds to get higher yields. Therefore, a comprehensive and solution-oriented approach for the upgradation and modernization of the chili value chain that focuses on the improvement of the seed value chain is vital for the sustenance of the dandicut red chili crop in Sindh.

Pakistan's traditional round chili, locally known as "longi" or "dandicut", is unique in its combination of taste, fruity aromatic flavor, pungency, and long-lasting red color. Dandicut chili pods and powder are utilized locally for cooking and as the preferred raw material for the well-established spice industry of Pakistan.

Traditionally, farmers in these areas selected a few exceptional chilis at harvest, saved them, then extracted the seeds from these pods to use as seeds for the next crop. This common practice has led to the loss of purity in the dandicut / longi variety, as well as a loss of integrity and consistency in quality. Additionally, this process makes the produce more susceptible to diseases which have resulted in rapidly declining yields per acre over the years.

These issues coupled with climatic changes have made dandicut chili production a challenging and unprofitable variety of chili to farm for farmers in the main chili areas.

#### Key highlights

- Climate Change induced urban and flash floods have badly hit many parts of Sindh, resulting in significant human, livestock, and agricultural losses. As per the National Disaster Management Authority (NDMA), more than 60 percent of the chili crops have been affected in Umerkot and Mirpurkhas districts.
- The crop plots that have survived are ready to be picked and a good yield is expected.
- Samples of farm soil and water procured from 225 farmers and 51 water sources were tested in labs to determine the soil and water quality. The test results were shared and discussed with the registered farmers. Farmers were advised to adopt the best practices for the better growth of chili crops such as the use of cow dung to maintain the nutrient balance of soil that is deficient in organic matter.

Of the 5,000 target beneficiaries about 1,247 farmers (both male and female) have been trained on sustainable farming techniques in Umerkot and Mirpurkhas districts, as of 31st December 2022.

#### Other initiatives of the project

- Investment in good quality seeds, increased access to resources, training on crop protection and quality drying.
- Technical training on sowing and crop production, managing issues of aflatoxin, and improving drying practices, storage and packing were conducted.
- Regular discussions with the Chili Grower's Association and Value Chain platform to help make this the apex body for the chili value chain in Pakistan.
- The project has continued to engage both men and women in the primary production of the chili value chain, which has helped improve household income management and increased chili volumes.

#### Statement of charity account

During the year, the Company made donations of PKR 283Mn focused on educational, healthcare, environmental and general welfare and infrastructural development initiatives. The Company also actively took part in flood related relief activities in efforts to provide relief to the victims.

#### Our commitment to our people

The Company is proud to have a motivated, zealous, and efficient team that personifies the Company's values, ensuring continued excellence over the years. The Human Resource department focuses on policies, benefits, and plans for its employees which lead to enhanced productivity at an individual level as well as for the organization at large.

In 2022, HR undertook many new initiatives for greater efficiency, increased employee satisfaction and improved employee performance.

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

## talent management

During 2022, focus has been on continuously streamlining our processes for an enhanced customer experience, both internal and external.

Using industry analysis and sourcing channels to augment the quality of talent and to transition from a reactive hiring to proactive hiring approach:

- Talent Mapping initiated for all divisions to improve the quality and lead time of sourcing relevant profiles, thereby positively impacting the overall process efficiency and customer experience:
  - A Talent Pool comprising of 70 prospective women engineers was shared with the Manufacturing Business
  - A Sales Talent Pool was developed and shared with the Commercial Team
- More than 40 interns were inducted as part of the Company's Summer Internship Program – The students underwent challenging projects and assignments to enhance their professional growth.
- Talent Mobility Index: A structured mechanism to enable Internal Movements across Engro Fertilizers and the Engro Group has been introduced. Movements highlights are summarized below:
  - 39 Cross-Subsidiary Transfers
  - 38 Lateral Moved within Engro Fertilizers
  - 60+ Promotions

## gender diversity

At Engro Fertilizers, we take pride in providing everyone an equal opportunity at employment and growth. Some of the key milestones achieved with respect to gender diversity in 2022 include:

- Women comprised 23.4% of total new hires in 2022
- 3 women hired as Warehouse Coordinators
- 33% women as a % of new Graduate Trainee Engineers (GTEs)
- Challenging the status quo and pushing boundaries, Engro Fertilizers HR launched a unique initiative on International Women's Day 2022. HR engaged 13 women-led micro-businesses to encourage and promote women entrepreneurs and create a platform "Today's Women Shaping Tomorrow's World" to showcase such businesses.
- HR conducted a highly engaging Self-Defense Training, in collaboration with The Method; the workshop was attended and appreciated by Engro women employees.
- 3 women were hired in senior leadership roles at the Company.

## rewards

Engro Fertilizers adopted a structured approach to aligning rewards and policies with the Engro Group and industry best practices.

In view of the prevailing economic depression and ballooning inflation, all permanent and contractual employees were given an inflation adjustment increment.

The company introduced a Long Service Award and a gold coin for employees who completed 5 years of service with the organization, in line with Group practice; previously this award was only conferred upon completion of 10 years of service.

In line with our philosophy of fostering and retaining the best talent, the company revised the pay structure for the Flagship GTE Program, raising the program stipends and starting salaries by more than 20%.

Bonus and promotions for the year were also disbursed and finalized as per Engro's philosophy of rewarding and celebrating all its employees for their hard work and particularly recognizing high performance and potential.

## strategic workforce planning

A Strategic Workforce Planning exercise was launched to structure the organizational design process across Engro. The objective is to identify talent needs associated with the organization's future strategy and align the people agenda accordingly to ensure the organization has the right mix of talent, infrastructure, and systems.

## sports weekend '22

Daharki welcomed the Engro family in March for Sports Weekend '22, a much-awaited annual ritual that went on hiatus due to COVID-19. The three-day event saw 100+ participants engaging in nail-biting contests over 11 Games, both sides fought with spirit and fervor, with Res: of the World (ROW), i.e. employees from locations other than Daharki, eventually edging Daharki and claiming the trophy for the visitors.

The Sports Weekend also featured the glamorous Gaa Dinner, Talent Show, Awards and Concerts. This was truly an amazing event, and it was heartening to see the active participation of the Engro family in making the platform a success.

### capability development

Human Resource at Engro Fertilizers is responsible to induce growth promote efficiency within the workforce through skills and capability development. During 2022, the Company recorded a total of 4,329 learning hours for HR led learning interventions. A few major initiatives are summarized below:

- **EFERT Trainer's Club:** A Train the Trainer Module launched as a collaborative and transformative learning initiative. This was a voluntary program where employees from the M-Stream signed up as "EFERT Expert Trainers" and underwent an extensive two-day workshop to equip them with the necessary skills to run their own trainings. The module covered the following critical domains: Customer Focus, Time Management and Business Communication. The initiative met with success and appreciation all-around and 7 sessions by 10 trainers, covering more than 130 trainees were concluded in 2022.
- The Company's HR continued its highly successful program on 'Powerful Presence for High Impact' at the Head Office and Dahanu to equip employees with right set of skills required for showcasing a strong presence at workplace.
- Understanding the importance of instilling Engro's Leadership Competency Model in our employees, HR led a thought-provoking session on the importance and manifestations of "Putting People First" and "Truth, Truth and Transparency" in our everyday work lives. The training covered the M1 and M2 population at Head Office.

### business affairs & anti-corruption measures

Engro Fertilizers ensures compliance with all regulatory and governance requirements while conducting its operations and has formulated various policies and standards which are being continuously monitored through high level committees. Such policies include:

- Code of Conduct
- Fraud Risk Management
- Governance of Conflicts of Interest
- Statement of Ethics and Business Practices
- Whistleblower Policy
- Governance of transactions/contracts with related parties

During the year, a detailed session was held on Ethics and Compliance at the Company which focused on our speak out platform, anti-corruption practices, conflict of interest and insider trading policies.

### consumer protection measures

At Engro Fertilizers, 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
- Ensuring timely delivery of product through our extensive distribution and dealer network.
- Advertisements published to ensure MRP related information of urea was readily available with the farmers.

### contribution to national exchequer

During the year 2022, the Company contributed nearly PKR 11.6 Bn towards the National Exchequer by way of Government taxes, duties, and levies, compared to PKR 16 Bn in 2021.

Further, value addition in terms of savings in foreign exchange amounted to approximately US\$ 882 Mn through import substitution of 1,935 KT of urea and related products manufactured and sold in the country by Engro Fertilizers in 2022.

### internal control workframe

#### 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. Policies and control procedures are documented in manuals as well. 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's systems and processes.

#### directors' remuneration

The Company has a formal policy and transparent procedures for the remuneration of its directors in accordance with the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019. The policy also provides travel and daily allowance entitlements for Non-Executive Directors for business related travel.

The remuneration, including the director fee for attending the Board or Board Committee Meetings, paid to the Directors and Chief Executive Officer is disclosed in Note 37 to the consolidated financial statements, (Note 39 to the unconsolidated 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 plans. The value of net assets of Provident Fund (as at June 30, 2022) and Gratuity and Pension funds (as at December 31, 2021) based on their respective audited accounts are:

Provident Fund: PKR 5,501 million (Engro Fertilizers' share: -PKR 1,780 million)  
 DC Pension Fund: PKR 383 million (Engro Fertilizers' share: -PKR 274 million)  
 DB Pension Fund: PKR 39 million (All Engro Fertilizers)  
 DC Gratuity Fund: PKR 3,158 million (Engro Fertilizers' share: -PKR 1,205 million)  
 DB NMPT Gratuity Fund: PKR 214 million (All Engro Fertilizers)  
 DB MPT Gratuity Fund: PKR 118 million (Engro Fertilizers' share: -PKR 103 million)

#### auditors

The existing auditors of the Company 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, 2023.

#### pattern of shareholding

As of December 31, 2022 Associated Companies and Directors of the Company held the following number of shares:

Particulars	% of Shareholding
Associated Companies	56.27%
Directors and Dependents	0.0033%

A detailed pattern of shareholding is disclosed in the Shareholder's Information section of the Annual 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 financial statements, prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- 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 judgment.
- 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.
- Only seven Directors on the Board are duly certified or exempted from the Director's training Program. Mr. Khawaja Bilal Hussain and Mr. Ismail Mahmud attended director's training program during the year.

#### 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:

Mr. Ghias Khan	Non-Executive Director-Chairman	7/7
Mr. Ahsan Zafar Syed <sup>†</sup>	Chief Executive Officer	4/4
Mr. Nadir Salar Qureshi <sup>**</sup>	Chief Executive Officer	3/3
Mr. Javed Akbar	Non-Executive Director	7/7
Mr. Asim Murtaza Khan	Independent Director	7/7
Mr. Asad Said Jafar	Independent Director	7/7
Dr. Shamshad Akhtar	Independent Director	7/7
Mr. Khawaja Bilal Husain	Non-Executive Director	6/7
Mr. Ismail Mahmud	Non-Executive Director	5/5
Mr. Mazhar Abbas Hasnani <sup>***</sup>	Non-Executive Director	2/2

<sup>†</sup> Appointed as the Chief Executive Officer on July 01, 2022 in place of Mr. Nadir Salar Qureshi.

<sup>\*\*</sup> Resigned as the Chief Executive Officer on June 30, 2022.

<sup>\*\*\*</sup> Retired at the Annual General Meeting of the Company held on March 22, 2022.

#### BPC composition and attendance

In 2022, the Board People Committee held 4 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

Asim Murtaza Khan, Chairman	4/4
Javed Akbar	4/4
Ghias Khan	4/4

#### BAC composition and attendance

In 2022, the Board Audit Committee held 5 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

Mr. Asad Said Jafar, Chairman	5/5
Mr. Asim Murtaza Khan	5/5
Mr. Javed Akbar	5/5
Mr. Mazhar Abbas Hasnani <sup>*</sup>	2/2

<sup>\*</sup> Retired at the Annual General Meeting of the Company held on March 22, 2022.



Chairman  
Date: 09 Feb, 2023



Chief Executive Officer

## بی بی سی کی تشکیل اور حاضری

2022 میں، بورڈ آف ڈائریکٹرز نے اپنی سرگرمیوں کے عمل چھوڑنا اور نئے کے لئے 2023 میں منعقد کیے۔ ڈائریکٹرز کی حاضری کا ریکارڈ درج ذیل ہے۔

5/5	جناب احمد سعید ہاشمی
5/5	جناب عاصم مرتضیٰ خان
5/5	جناب جاوید اکبر
2/2	جناب مظہر عباس حسینی

\* 22 جولائی 2022 کو منعقدہ اجلاس کی مدد جنرل میٹنگ میں رہا۔



جناب جاوید اکبر



جناب اکبر

تاریخ: 09 فروری 2023

- کارپوریٹ گورننس کے بہترین طریقوں سے کوئی بھی ایگزیکٹو نہیں ہے، جیسا کہ ایگزیکٹو گورننس کارپوریٹ گورننس ریکورڈ 2019 میں تفصیل سے بیان کیا گیا ہے۔
- بورڈ کے ممبروں کو ڈائریکٹرز کی سرگرمیوں میں یا انہیں ڈائریکٹرز کو توجہ دینے پر انہیں سے متعلقہ ممبروں سے رابطہ کرنا چاہئے۔ جناب اکبر، جناب عاصم، جناب احمد سعید نے اس کے دوران ڈائریکٹرز کے توجہ پر انہیں سے متعلقہ ممبروں سے رابطہ کیا۔

## بورڈ کی تشکیل اور حاضری

بورڈ آف ڈائریکٹرز نے اپنی سرگرمیوں کے لیے 2023 میں منعقد کیے۔ ڈائریکٹرز کی حاضری کا ریکارڈ درج ذیل ہے۔

7/7	جناب عیاد خان	ان ڈائریکٹرز میں
4/4	جناب احسن ظفر سیہ	جناب اکبر، جناب عاصم، جناب احمد سعید
3/3	جناب دار نیثار قریشی	جناب اکبر، جناب عاصم، جناب احمد سعید
7/7	جناب جاوید اکبر	ان ڈائریکٹرز میں
7/7	جناب عاصم مرتضیٰ خان	ان ڈائریکٹرز میں
7/7	جناب احمد سعید ہاشمی	ان ڈائریکٹرز میں
7/7	ڈاکٹر شہزاد اختر	ان ڈائریکٹرز میں
6/7	جناب نوید جلال حسین	ان ڈائریکٹرز میں
5/5	جناب امین احمد	ان ڈائریکٹرز میں
2/2	جناب مظہر عباس حسینی	ان ڈائریکٹرز میں

\* دار نیثار قریشی کی جگہ ہم جنوری 2022 کو جناب اکبر، جناب عاصم، جناب احمد سعید مقرر کیا گیا۔

\*\* 30 جون 2022 کو جناب اکبر، جناب عاصم، جناب احمد سعید سے استعفیٰ دے دیا گیا۔

\*\*\* 22 جولائی 2022 کو منعقدہ اجلاس کی مدد جنرل میٹنگ میں رہا۔

## بی بی سی کی تشکیل اور حاضری

بورڈ آف ڈائریکٹرز نے اپنی سرگرمیوں کے لیے 2023 میں منعقد کیے۔ ڈائریکٹرز کی حاضری کا ریکارڈ درج ذیل ہے۔

4/4	عاصم مرتضیٰ خان، جناب عاصم
4/4	جاوید اکبر
4/4	عیاد خان



➤ پاکستان بحر میں کاشتکاروں کو مٹی کے ٹوکے لینے کی مفت خدمات فراہم کرے۔

➤ تازے، کچھ سڑکی ہوئیں اور ڈیڑھ سو روپے کے ذریعے محصولات کی بروقت فراہمی کو یقینی بنے۔

➤ بریڈنگی فلم آر پی سے متعلق سماعت سماں کے پاس آسانی سے دستیاب ہونے کو یقینی بنانے کے لئے وجہات فراہم کرے۔

### تعمیراتی کاموں میں اضافہ

سال 2022 کے دوران کئی نئے سرکاری عمارتیں، پورے اور لے کر کی حد میں قومی خزانے میں تقریباً 11.6 ارب روپے کا حصہ 2021 میں یہ رقم 16 ارب روپے تھی۔

مزید برآں دیگر فریڈیز کی جانب سے 2022 میں طلبہ نہیں تیار اور فروخت کی جانے والی 1935 کلو ٹن پوریا اور مختلف محصولات کی درآمد کے متبادل کے ذریعے درآمدات میں چھٹے سے سولہویں پوزیشن تقریباً 882 ملین امریکی ڈالر رہا۔

### داخلی کنٹرول فریم ورک

➤ ذمہ داری

یورپ کا آخر کئی سالوں کے اندرونی کنٹرول کے نظام اور اس کی تاثیر کا جائزہ لینے کے لئے ڈی اور ہے، تاہم، اس طرح کا نظام کاروباری مقاصد کے حصول میں چاہیے کے خطرے کو کم کرنے کے بجائے نظام کرنے کے لئے ڈیزائن کیا گیا ہے اور مادی علاقائی یا نقصان کے خلاف مطلق یقین دہانی کے بجائے صرف مستقل فراہم کر سکتا ہے۔ لہذا نئے مینیجمنٹ کے دورے کے انعقاد کے لئے اپنی مجموعی ذمہ داری کو برقرار رکھنے کے لئے اندرونی کنٹرول کے نظام کے تفصیلی ڈیزائن اور آپریشن کو چیلنجنگ اور نیا بنانا ضروری ہے۔

➤ فریم ورک

کئی ایک قائم شدہ کنٹرول فریم ورک کو برقرار رکھنا ہے جس میں واضح اصولی حدود، اندرونی کنٹرول اور کاؤنٹرس ایچ میٹریٹ سے بھی جانے والی پالیسیوں اور طریقہ کار اور جائزے کے عمل کے لئے جوہر شامل ہیں۔ پالیسیوں اور کنٹرول کے طریقہ کار کو مندرجہ میں بھی بتا دینی چاہیے۔ ہر کاروبار میں مختلف عملی اور کئی کاروباری مقاصد قائم کرنا ہے۔ اور یہل چاہتے ہیں مقاصد کو مالی مقاصد کی حمایت کے ساتھ اور عمل کاروباری حکمت عملی میں ضم کرتی ہے۔

➤ جانچ

یورپ ہر سرکاری میں کئی کی مالی کارکردگی، مالیاتی اور آپریشنل جہت اور پیشگوئیوں، کاروباری نمو اور ترقیاتی منصوبوں، سرمائے کے اخراجات کی تلاش اور دیگر اہم کارکردگی اشارے پر غور کرنے کے لئے اجلاس کرتا ہے۔

یورپ آڈٹ کئی بیرونی اور داخلی آڈیٹرز سے داخلی مالیاتی کنٹرول کے نظام پر رپورٹس وصول کرتی ہے اور اندرونی کنٹرول کی تاثیر کی نگرانی کے عمل کا جائزہ دیتی ہے۔ سرمایہ کاری کے اخراجات اور جانچ کی سلسلے کی ترمیم اور معیروں کے لئے ایک کئی گہرا پائٹی ہے۔ ایک بار جب منصوبے مکمل ہو جائے ہیں تو، ذمہ داری سرمایہ کاری کے اخراجات کا جائزہ لیا جاتا ہے۔

➤ داخلی مالیاتی کنٹرول کی حیثیت

یورپ آف ڈائریکٹرز نے کئی کے نظام اور عمل کے اندر اخلاقی طرز عمل اور اخلاقی ذمہ داری کی ثقافت کو فروغ دینے کے لئے داخلی مالیاتی کنٹرول کا ایک واضح اصولی استعمال کیا ہے۔

### ڈائریکٹرز کا مشاہیرہ

کئی کے پاس کمیٹی آف ڈائریکٹرز اور ایگزیکٹو کمیٹی (کوآ آف کارپورٹ گورننس) کی کمیٹیوں، 2019 کے مطابق اپنے ڈائریکٹرز کے معاوضے کے لئے پائیدار پالیسی اور مختلف طریقہ کار ہے۔ پالیسی میں کاروبار سے متعلق تر کے لئے ہائیڈروکاربون ڈائریکٹرز کو سزا اور پابندی کا حق بھی فراہم کیا گیا ہے۔

معاوضے، بشمول یورپ یا یورپ کمیٹی کے اجلاسوں میں شرکت کے لئے ڈائریکٹرز، ڈائریکٹرز اور چیلنجنگ ٹیم کو فراہم کیا جاتا ہے، تو 97 ملین ڈالر بدلتے کے لئے (تو 39 نمبر ہوا مالی بیانات کے لئے) پر ظاہر کیا گیا ہے۔

### کئی اور پروویڈنٹ فنڈ

کئی کے ملازمین، دیگر کارپوریٹیشن (پروویڈنٹ فنڈ) کے ذریعہ منظم ریٹائرمنٹ فنڈز میں حصہ لیتے ہیں۔ کئی ان منصوبوں میں حصہ لیتی ہے جو اپنے ملازمین کے لئے عوامی کے بعد اور ریٹائرمنٹ کے فوائد فراہم کرتے ہیں۔ ان میں ڈی سی پروویڈنٹ فنڈ، ڈی سی گریجویٹ پلان اور ڈی سی گریجویٹ پلان شامل ہیں۔ یہ پروویڈنٹ فنڈ (30 جون 2022 تک) اور گریجویٹ اور فنڈ (31 اکتوبر 2021 تک) کے خالص اثاثوں کی قیمت ان کے متعلقہ آڈٹ شدہ اکاؤنٹس کی بنا پر ہے۔

➤ پروویڈنٹ فنڈ: 5.50 ملین روپے (دنگر، فریڈیز اور حصہ 1,780 ملین روپے)

➤ ڈی سی فنڈ: 383 ملین روپے (دنگر، فریڈیز اور حصہ 274 ملین روپے)

➤ ڈی سی فنڈ: 39 ملین روپے (آل ڈنگر، فریڈیز اور حصہ)

➤ ڈی سی گریجویٹ فنڈ: 3,158 ملین روپے (دنگر، فریڈیز اور حصہ 1,205 ملین روپے)

➤ ڈی سی این ایم پی ٹی گریجویٹ فنڈ: 21 ملین روپے (آل ڈنگر، فریڈیز اور حصہ)

➤ ڈی سی ایم پی ٹی گریجویٹ فنڈ: 118 ملین روپے (دنگر، فریڈیز اور حصہ 106 ملین روپے)

### آگے بڑھنا

کئی کے موجودہ ڈائریکٹرز نے ایک فرگورن اینڈ کئی چارٹرڈ اکاؤنٹنٹس ریلینڈ ہو چکے ہیں اور اہل سوسٹی کی وجہ سے انہوں نے دوبارہ ترقی کے لیے نئے کوئی لیا ہے۔ 2022 آڈٹ کمیٹی نے 31 اکتوبر 2022 کو تمام ہونے والے سال کے لئے آگے بڑھنے کے طور پر ان کی تقرری کی سفارش کی ہے۔

### مجلس کا فیصلہ

دسمبر 2022 تک، مجلس نے اینڈ کئی اور کئی کے ڈائریکٹرز کے پاس ہر چار سال میں ایک بار۔

تفصیلات	حصص کا فیصد
مختلف کمپنیاں	56.27%
ڈائریکٹرز اور دیگر اشخاص افراد	0.0033%

حالات بدلتے ڈائریکٹرز اینڈ کئی میں شیئر ہولڈنگ کا ایک تفصیلی نمونہ ظاہر کیا گیا ہے۔

### ڈائریکٹرز کی ذمہ داریوں کا بیان

ڈائریکٹرز محدود ذمہ داری کے لئے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے کارپوریٹ اور فنڈ ریزنگ فریم ورک اور کوآ آف کارپوریٹ گورننس کی تعمیل کی تصدیق کرتے ہیں۔

➤ کئی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی بیانات اس کی صورت میں، اس کے آپریشن کے نتائج، نقد بہاؤ اور دیگر مالیاتی میں تبدیلیوں کو متعلقہ طور پر ظاہر کرتے ہیں۔

➤ کئی نے اکاؤنٹس کی کتابوں کو برقرار رکھا ہے۔

➤ مالیاتی بیانات کی تیارگی میں مناسبت، ایف ڈی، پالیسیوں کو مستقل طور پر لگایا گیا ہے اور ایف ڈی کے مختلف معیاروں اور اصولوں کی تعمیل کی گئی ہے۔

➤ مالیاتی گوشوہوں کی بنیادی بنیادیں (اقوامی مالیاتی رپورٹنگ کے معیارات) جیسا کہ پاکستان میں لاگو ہے، اس کے حساب لگائے سے عمل کیا گیا ہے۔

➤ اندرونی کنٹرول کا نظام وزارتوں میں منسوخ ہے اور موثر طریقے سے نافذ اور نگرانی کی گئی ہے۔

➤ کئی کی جاری پیشکش سے متعلق معائنہ کو دیکھنے کی صلاحیت کے ذریعے میں کوئی قبضہ نہیں ہے۔



علاوہ ازیں متحدہ ریجنز اور پاک فوج کے تعاون سے ایک میڈیکل ٹیم بھی لگایا گیا جس میں سیلاب سے بچاؤ کی سرگرمیوں کے دوران 30 افراد سے زائد مریضوں کا علاج کیا گیا۔

سیلاب کے بعد لاشیں اور لپو ہائے بمیلاؤ کو ہانکنے کے لئے کالکٹ ایمرے کی شکل میں جانشینی اقدامات کیے گئے، جس نے اپنی 15 سالہ مہم میں ایک ایک سے لاکھ آبادی کا احاطہ کیا۔

## میڈیکل ریسپانس اور طبی امداد

ڈاکٹر فریح کور سے پاک فوج اور متحدہ ریجنز کے تعاون سے شیل گیسٹ اور شیل کولجی کے مختلف مقامات پر سیلاب سے متاثر خاندانوں کے لئے میڈیکل ریسپانس کا انتظام کیا۔ سینٹر میڈیکل آرمی اور سول آفسروں کی ایک ٹیم نے مختلف مقامات پر فوج سے آنے والے 3000 سے زائد مریضوں کو منہ مشاورت، علاج اور ایمرے فراہم کیے۔ ہر روز ملاقات کی ضرورت والے مریضوں کو فائبر کے لئے حوالہ اور رجسٹری بھی فراہم کی گئی۔

## انفراسٹرکچرل سہولت

آسی پان کی آبادیوں کو صحت پالیسی کی مسلسل فراہمی میں مدد کے لئے دیگر فریضہ داروں نے تین سو اسی روپوں کی رقمیں (آر ای) چارجس اور ڈیوٹی میں اور ایک سو کئی ملین روپے کی رقمیں پر ٹیب لیں۔

سہارا اسکول کی ایک نئی عمارت فی اہل اہل زیر تعمیر ہے۔ ہم بھلاہار سرجی ہار ہنوں کی تنصیب اور قیدہ لاکھ چار سو لاکھ کے ساتھ ساتھ بھلاہار کے آٹھ قریب سے عمارت کے لئے آٹھ سو کوڑے روپے بھی ضروریات فراہم کرنے میں بھی مدد کرتے ہیں۔

## مٹی و میڈیٹیشن پروگرام

ڈاکٹر فریح کور نے امریکی محکمہ زراعت (یو ایس ڈی ایس) کے شراکت سے "ہیرا پور ٹیلیفیشن اینڈ ہیلتھ ویلویٹین ایمر" پرائیکٹ "کا آغاز کیا۔ ہارون، ایک انٹرنیشنل اینڈ پاکستان ڈیولپمنٹ پروگرام (پی سی ڈی) منصوبے کے ذریعے ملے جانے والے فنڈز سے۔

ان منصوبے کا مقصد معیاری نیوں کے ذریعے روایتی لہائی کٹ مریض کی پیداوار کو بھرتی اور ہونے والی عمارتوں کو مزید موزوں کو بہتر بنانا ہے۔ ان پروگرام کے دائرہ کار میں 5000 مستحقہ افراد شامل ہیں جن میں چھوٹے کسان کیوٹی ٹیمپس، کواٹن کسان، گاؤں میں قائم چنگ کاروباری ادارے اور چنگ کے کاروباری شامل ہیں۔

جنوبی متحدہ کے ضلع مہراک میں واقع قصہ کٹری، شیکا کا "پٹی" اور "کومت" سمجھا جاتا ہے اور وہاں سے ایسی خاص قسم کی گول سرخ مریض کا مرکز بنا ہے۔ مریض کی زیادہ تر پیداوار مہراک میں ہو رہی ہے اور یہ وہی علاقوں سے بریں اور قریب کر میں مرکز ہے۔ متحدہ میں کٹری اور دیگر سرخ مریض لگانے والے علاقوں میں کاشتکاروں کو زیادہ پیداوار حاصل کرنے کے لیے تصدیق شدہ سرخ مریض کے بیجوں کی ضرورت ہوتی ہے۔ لہذا سرخ مریض ویلویٹین کی اپ گریڈیشن اور پیداوار کو بڑھانے اور مل پر مبنی نقطہ نظر جو چنگ ویلویٹین کی لہائی پر توجہ مرکوز کرتا ہے۔ متحدہ میں طبی کٹ سرخ مریض کی فصل کی باقاعدگی کے لیے ضروری ہے۔

پاکستان کی روایتی گول مریض، جسے مقامی طور پر "کوگی" یا "ڈنڈی کٹ" کے نام سے جانا جاتا ہے، اپنے ڈانگے، پھلدار خوشبودار ڈانگے، رنگت اور لعلی طرح سے یکے کے ساتھ لگنے والے مریض کے اجزائے میں منقسم ہے۔ انڈیا مریض پھلیاں اور پھلڑے مقامی طور پر کھانا پکانے کے لئے اور پاکستان کی اسی طرح سے قائم مصالحہ صنعت کے لئے ترکیبی خام مال کے طور پر استعمال کیا جاتا ہے۔

روایتی طور پر، ان علاقوں کے کسان کٹائی کے وقت چند غیر معمولی مریضوں کا انتخاب کرتے تھے، انہیں محفوظ کرتے تھے، پھر انہی فصل کے لیے چنگ کے حوزہ پر استعمال کرنے کے لیے ان پھلیوں سے چنگ لگاتے تھے۔ ان عام عمل کی وجہ سے انڈیا کٹ اور کوگی قسم میں پاکیزگی کا نقصان ہوا ہے، نتیجہ معیار میں سالمیت اور مستقل حراستی کا نقصان ہوا ہے۔ مزید برآں یہ عمل پیداوار کو پیداواروں کے لئے زیادہ حساس بنا دیتا ہے جس کے نتیجے میں سالوں میں لی نڈ پیداوار میں تیزی سے کمی واقع ہوتی ہے۔

جوشیہ پٹی، جوشیہ پٹی کے ساتھ مل کر، مساک، نے مریض کی پیداوار کو زیادہ مریض کے علاقوں میں کٹار، کے لئے کاشت کرنے کے لئے مریض کی ایک شکل اور غیر متاثرہ قسم بنا دیتا ہے۔

## اہم تعلیمیات

آپ وہاں کی تبدیلی کی وجہ سے آنے والے شہری اور سیلاب سے متاثرہ کے کئی حصوں کو ذریعہ طرح متاثر کیا ہے، جس کے نتیجے میں انسانی، مویشیوں اور باقی تصانات ہوتے ہیں۔

میڈیکل ایمر جنسیت، تھری (زی ایڈ ایس) کے مطابق مہراک اور میراڈاس کے اضلاع میں مریض کی (ای ایڈ ایس) سے زائد فصلیں متاثر ہوئی ہیں۔

جو فصلیں متاثر ہوئی ہیں وہ پھنے کے لئے تیار ہیں اور انہیں پیداوار کی توقع ہے۔

مٹی اور پانی سے معیار کا تعین کرنے کے لئے 225 کسانوں اور 51 اپنی ذرا لگ سے حاصل کردہ زرعی مٹی اور پانی کے نمونوں کی تجربہ کاروں میں جانچ کی گئی۔ میٹ کے نتائج رجسٹرڈ کسانوں کے ساتھ شیئر اور جانور خیال کیا گیا۔ کاشتکاروں کو مشورہ دیا گیا کہ وہ مریض کی فصلوں کی بہتر نشوونما کے لئے بہترین طریقوں کو اپنائیں جیسے کھانے کے گورڈ کا استعمال تاکہ اس سے غذائی تغذیہ کے توازن کو برقرار رکھا جائے جس میں نامیاتی مادے کی کمی ہے۔

دسمبر 2022ء تک مہراک اور میراڈاس اضلاع میں 5000 ہدف سے مستحقہ ہونے والی مٹیوں سے تقریباً 747 کسانوں (مرا اور عورتیں دونوں) کو پانی اور کاشتکاری کی تکنیک پر تربیت ملی جا چکی۔

## معیار کے دیگر اقدامات

ایکے معیار کے بیچوں میں سربراہ لاری اور مل متحد سماجی میں اضافہ، فصلوں کے تحفظ کے لئے تربیت اور تحفظ کرنے کے معیار کو بہتر بنانا شامل ہے۔

پانی اور فصل کی پیداوار، انڈیا کی کئی کئی کے مسائل کے انتظام اور تحفظ کرنے کے طریقوں کو بہتر بنانے، اسٹیج اور ہیلتھ کے بارے میں تکنیکی تربیت کا انعقاد کیا گیا۔

یٹی ایمر اور سی ایمر اور ویلویٹین پلٹ قدم کے ساتھ لاکھ گز سے بات چیت کی جاتی ہے۔ ان سے پاکستان میں مریض ویلویٹین کے لئے اہل اہل اور نئے مریضوں کو مدد مل سکتی ہے۔

ان منصوبے نے مریض ویلویٹین کی پیداوار میں مہراک اور میراڈاس میں عورتوں کو توجہ دینے اور انہیں کھانا پکانے کی تعلیم دی ہے۔ انہیں سے گریڈ آمدنی کے انتظام کو بہتر بنانے اور مریض کے حجم میں اضافہ ہوا ہے۔

## یہ ای ایڈ ایس کی تعلیمیات

دوران سال کئی تعلیمیات، اہل اور عوامی قوتوں اور انڈیا کی کئی کئی کے اقدامات پر توجہ مرکوز کرتے ہوئے 283 ملین روپے کی (ای ایڈ ایس) کی حراستی کو مدد بخیلے آگے لگتی ہیں۔ انہیں سے متعلقہ سرگرمیوں میں فعال اور انڈیا میں شامل۔

## معیار کے ساتھ بہتری یا اصلاح

کئی آفر ہے کہ اس کے پاس ایک حوصلہ افزا پرورش اور موثر مہم ہے جو کئی کی اقدام کی عکاسی کرتی ہے، سالوں میں مسلسل کوئی اصلاحی تبدیلی ہے جو مٹی اور مٹی اور مٹی کے لئے پائیداری، انڈیا اور مٹیوں پر توجہ مرکوز کرتا ہے جو انڈیا کی کئی کئی کے ساتھ ساتھ ڈیٹے جاتے پر تنظیم کے لئے پیداوار کی صلاحیت میں اضافے کا باعث بنتے ہیں۔

2022 میں، ای ایڈ ایس نے زیادہ کارکردگی، ملازمین کے اطمینان میں اضافہ اور ملازمین کی بہتر کارکردگی کے لئے بہت سے نئے اقدامات کیے۔

کئی کی کامیابی میں ای ایڈ ایس کا کردار اہم تھا ہے۔

## تیلے تعلیمیات

سال 2022 میں اندرونی اور بیرونی دونوں طرح کے صارفین کے بہتر تجربے کے لئے ای ایڈ ایس کو مسلسل مواد کرنے پر توجہ مرکوز کی گئی ہے۔

میٹ کے معیار کو بڑھانے اور روٹل کی بھرتی سے فوٹی بھرتی کے نئے نئے مٹیوں میں تبدیلی کے لئے صنعت کے تجربہ کار مہراک میں تیلے کا استعمال کرنا۔

مٹی پر توجہ حاصل کرنے کے معیار اور ای ایڈ ایس کو بہتر بنانے کے لئے فوٹی اور بیرونی کے لئے میٹ میٹنگ شروع کی گئی ہے، ان طرح کوئی عمل کی بہتر کردگی اور کٹ کے تجربے پر مثبت اثر پڑتا ہے۔

جو کچھ کٹے ہوئے ساتھ 73 ملین روپوں کی رقمیں میٹنگ پول میں لگائی گئی۔

ایک سالہ میٹنگ پول تیار کیا گیا اور تھری ٹیم کے ساتھ مشورہ کیا گیا۔

سال 2022 میں ان پودوں کے تحت 246 سرگرمیاں انجام دی گئیں، جن میں 16,000 اہلکار اور کئی کئی مہینوں میں پروگرام کے تحت مختلف اقدامات میں شمولیت تھی۔

### کاروبار سے باہر اقدامات

انگلو فریڈا انڈیا لیمیٹڈ دھماکا کرتے ہوئے اچھا کرنے پڑھتیں، اگلی ہے۔

ایک کاروبار کے طور پر، ہم مسلسل کارپوریٹ سٹاک ہونے سے آگے بڑھتے اور انگریز فوڈز میں سے ساتھ ایک جامع مالی تجربے کی آتشیں کرتے ہیں۔ ہم اپنی اور ان لیڈرز اور ان کے ساتھ ہم مشغول ہیں۔ ایسا کرنے کے لئے، ہم ان لوگوں کی تلاش و بہبود ترقی کی ذمہ داری لیتے ہیں جن کے ساتھ ہم بات چیت کرتے ہیں اور پائیدار منصوبوں میں سرمایہ کاری کرتے ہیں۔ ہم اپنی اور سماجی ترقی کے ذریعے ایک شہری کی فرمائش سے کہ ان کی زندگیوں میں تبدیلی لائے ہیں۔ ہمارے تمام ملازمین کو ان سہولتوں کا حصہ بننے کی ترغیب دی جاتی ہے اور ہمیں ان کے تمام تعاون پر فخر ہے۔ کامیابی کو سمجھنے کے لئے، ہم نے حکومت اور ترقیاتی تنظیموں کے ساتھ مل کر کام کیا ہے، جس سے ہمیں اور لوگوں کے لئے زیادہ سے زیادہ اچھا پیدا کرنے کے قابل ہوئے ہیں۔ انگلو فریڈا انڈیا کے پاس ایک ماہر یعنی اسٹیم اور اسٹیم ہولڈرز ایجنٹ اسٹیبلشمنٹ ہے، جس کا مقصد مقامی ذمہ داریوں کو سمجھنے کے ذریعے ان کے مسائل اور سماجی ترقی کو فروغ دینا ہے، اور انھیں مقامی اور عمل کے طریقے بھرنے کے ساتھ ساتھ برائے برائے ہو جانے والی کی ہدایت پر عمل کرتے ہیں۔

ہمارے تمام عملیاتی شعبے اور تمام شعبوں میں ہماری تمام سرگرمیوں سے زیادہ سے زیادہ کرنے کے لئے مسلسل دیکھتے رہتے ہیں اور ہماری تمام عملیاتی شعبوں میں اوج بہتری کی چاہتی ہے۔

- باہر کے کام
- سیلاب سے تباہی زدہ
- تعلیم
- ترقی یافتہ
- صحت کی دیکھ بھال کی خدمات
- انگریز کچرل سپورٹ
- ہنگامی دیکھ بھال

### ملائیے کا آغاز

ماہرین اور پائیدار اداروں کا پیشہ ورانہ دماغ کے تحفظ کے لیے ہماری کامیابی

انگریز فوڈز میں سے انگریز ایف پاکستان کے اشتراک سے ایک ایسی کمیونٹی کا آغاز کیا گیا، انگریز فوڈز کے ساتھ مل کر پاکستان کے ساتھ مل کر ان کی ادارتوں کو فروغ دینا اور ان کے لئے کام کرنا۔ انگریز ایف پاکستان کے لئے مل کر کام کرنا۔ انگریز ایف پاکستان کے لئے مل کر کام کرنا۔ انگریز ایف پاکستان کے لئے مل کر کام کرنا۔

پیشہ ورانہ اور مقررین نے شادی کی کہہ سکتے ہیں اور ان کے لئے کام کرنا۔ انگریز ایف پاکستان کے لئے مل کر کام کرنا۔ انگریز ایف پاکستان کے لئے مل کر کام کرنا۔ انگریز ایف پاکستان کے لئے مل کر کام کرنا۔

انگریز ایف پاکستان کے لئے مل کر کام کرنا۔ انگریز ایف پاکستان کے لئے مل کر کام کرنا۔ انگریز ایف پاکستان کے لئے مل کر کام کرنا۔ انگریز ایف پاکستان کے لئے مل کر کام کرنا۔ انگریز ایف پاکستان کے لئے مل کر کام کرنا۔

انگریز ایف پاکستان کے لئے مل کر کام کرنا۔ انگریز ایف پاکستان کے لئے مل کر کام کرنا۔ انگریز ایف پاکستان کے لئے مل کر کام کرنا۔ انگریز ایف پاکستان کے لئے مل کر کام کرنا۔ انگریز ایف پاکستان کے لئے مل کر کام کرنا۔

### سیلاب سے باہر اقدامات

سال 2022 کی پہلی ششماہی کے دوران سیلاب سے متاثرہ علاقوں کے لئے اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔

انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔

انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔

### تعلیم

ہمارے تعلیمی اقدامات مقامی علاقوں میں تبدیلی کا محرک بن گئے ہیں اور ہمیں اپنی ترقیاتی کامیابیوں کو فروغ دینا اور ان کے لئے کام کرنا۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔

انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔

انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔

انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔

### اندریہ مواقع

انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔

### صحت کی دیکھ بھال کی خدمات

انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔ انگریز فوڈز میں سے اچھا کرنے پڑھتیں، اگلی ہے۔

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## سال بہتیت کی مثالیں

- ▶ راہنہ گیری کی خبر آتے ہی تمام ایڈیٹرز نے فوری طور پر ایک ہی خط لکھ کر سیکرٹری (آئی سی آئی) کے کینیڈا کے صدر کو بھیج دیا۔
- ▶ کینیڈا کے آئی سی آئی کے ایڈیٹر نے اسے پاکستان کی جانب سے دو ایڈیٹرز کے ناموں پر پاکستان کے صدر کو بھیج دیا۔
- ▶ ایڈیٹر نے 2021 میں شامل کیا۔

کینیڈا کے آئی سی آئی کے ایڈیٹر نے 25 ستمبر 2021 میں پاکستان کے صدر کو بھیج دیا۔

- ▶ حکومت نے پاکستان کے 31 ویں پارلیمنٹ کے ایڈیٹرز کو ایڈیٹر کے طور پر سیکرٹری (آئی سی آئی) کے ایڈیٹر کے ناموں پر پاکستان کے صدر کو بھیج دیا۔
- ▶ ایڈیٹر نے پاکستان کے صدر کو بھیج دیا۔
- ▶ ایڈیٹر نے پاکستان کے صدر کو بھیج دیا۔

## گورننگ بورڈ کی رپورٹ

سپتمبر 2021 میں گورننگ بورڈ نے رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

گورننگ بورڈ نے 2021 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

گورننگ بورڈ نے 2021 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

## گورننگ بورڈ کی رپورٹ اور نتائج

گورننگ بورڈ نے 2021 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

## گورننگ بورڈ کی رپورٹ اور نتائج

گورننگ بورڈ نے 2021 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

گورننگ بورڈ کی رپورٹ اور نتائج	2022
گورننگ بورڈ کی رپورٹ اور نتائج	0.06
گورننگ بورڈ کی رپورٹ اور نتائج	6
گورننگ بورڈ کی رپورٹ اور نتائج	Nil

## گورننگ بورڈ کی رپورٹ اور نتائج

گورننگ بورڈ نے 2022 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

گورننگ بورڈ نے 2022 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

گورننگ بورڈ نے 2022 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

گورننگ بورڈ نے 2022 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

## گورننگ بورڈ کی رپورٹ اور نتائج

گورننگ بورڈ نے 2022 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

گورننگ بورڈ نے 2022 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

گورننگ بورڈ نے 2022 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

گورننگ بورڈ نے 2022 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

## گورننگ بورڈ کی رپورٹ اور نتائج

گورننگ بورڈ نے 2022 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

گورننگ بورڈ نے 2022 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

گورننگ بورڈ نے 2022 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

## گورننگ بورڈ کی رپورٹ اور نتائج

گورننگ بورڈ نے 2022 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

گورننگ بورڈ نے 2022 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

گورننگ بورڈ نے 2022 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

گورننگ بورڈ نے 2022 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

گورننگ بورڈ نے 2022 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

گورننگ بورڈ نے 2022 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

## گورننگ بورڈ کی رپورٹ اور نتائج

گورننگ بورڈ نے 2022 میں رپورٹ پیش کی اور یہ رپورٹ پاکستان کے صدر کو بھیج دی۔

رواں سال کمپنی کی نیٹز آمدنی 157.0 ارب روپے تک پہنچ گئی جو 2021 میں 132.4 ارب روپے کی نیٹز آمدنی کے مقابلے میں 19 فیصد اضافے کی عکاسی کرتی ہے۔ اس بڑھتی ہوئی شرحے (ہم عنصر سال کے دوران DAP کی زیادہ تقسیمیں ہیں۔

رواں سال کمپنی کا مجموعی منافع 27 فیصد کے مجموعی مارجن کے ساتھ 42.8 ارب روپے رہا جبکہ گزشتہ سال یہ 33 فیصد تھا۔ مجموعی مارجن میں کمی کی وجہ فروخت کی لاگت میں اضافہ ہے جس کی وجہ کمپنی کی چارج سے افریقہ کے 9.6 ارب روپے تک پہنچ گیا ہے۔

کمپنی کے مالی چارج 2021 میں 1.6 ارب روپے کے مقابلے میں 64 فیصد اضافے کے ساتھ 2.6 ارب روپے تک پہنچ گئے، جن کی بنیادی وجہ سہا کے دوران طرح سود میں نمایاں اضافہ ہے۔ مزید برآں، سال 2022 کے لئے کمپنی کے ٹیکس اخراجات 10.6 ارب روپے تھے، جو 2021 میں 8.8 ارب روپے سے زیادہ تھے، اگرچہ کمپنی پر پھر ٹیکس کے نفاذ کے نتیجے میں منافع کم تھا۔

مشہور بینکار کمپنی کا بعد از ٹیکس مجموعی منافع 16.0 ارب روپے بنا جو 2021 میں 21.1 ارب روپے کے مقابلے میں 24 فیصد کم ہے۔ اس کی وجہ سے مجموعی منافع میں کمی آئی ہے۔ 2021 میں 15.80 ارب روپے کی منافع سے گھٹ کر 11.98 ارب روپے کی منافع ہوئی۔ دریں اثنا کمپنی کا بعد از ٹیکس منافع 15.4 ارب روپے رہا جو 2021 میں 21.1 ارب روپے کے مقابلے میں 27 فیصد کم رہا ہے۔

### منافع کی تخصیص اور ریٹرنز

سال کے آغاز میں کمپنی کے پاس 33.7 ارب روپے کے ذخائر تھے جن میں سے 6.7 ارب روپے کے منافع کا اعلان یوڈ نے کیا تھا۔ سال کے دوران کمپنی نے 16.0 ارب روپے کا خالص منافع حاصل کیا جس سے مجموعی ذخائر 43.1 ارب روپے تک پہنچ گئے۔ 2022 میں کمپنی نے مجموعی طور پر 8.5 ارب روپے کی منافع کے ذریعے منافع کو اعلان کیا۔ اس کے نتیجے میں 2022 کے اختتام تک مجموعی ذخائر 31.7 ارب روپے تھے اور اعداد و شمار کا خلاصہ ذیل یوں ہے۔

منافع اور تخصیص	تین روپے
ابتدائی ذخائر	33,734
حتمی منافع 2021: روپے کی منافع 5.0 روپے	(6,676)
خالص منافع 2022	16,003
ذکرہ جات تفصیلات	(10)
تخصیص کے لئے دستیاب	43,051
تخصیص	
پروگرام 2022: روپے کی منافع 5.5	(7,344)
دوسرا دورہ 2022: روپے کی منافع 3.0	(4,006)
اختتامی ذخائر	31,701

### منافع ادا کرنے کے بعد کے اخراجات

یوڈ نے پچھلے ہی 11 گئے ہالٹے اس کے 8.5 ارب روپے کی غیر منقولہ اثاثوں کے ساتھ 18.0 ارب روپے کے حتمی ذریعہ کی خریداری کا اعلان کیا ہے۔ جسے 28 مارچ 2021 کو ہونے والا آئندہ سالوں میں اپنا حصہ میں غیر منقولہ اثاثوں کو محفوظ کرنے کے لیے وقف کیا جائے گا۔

اس رپورٹ کے اجراء کی تاریخ تک ایسی کوئی ادائیگی ترمیم نہیں کی گئی جس نے کمپنی کی مالی حیثیت کو متاثر کیا ہو۔

### سہ ماہی کا جائزہ اور طویل مدت کے اقسام کا اہتمام

سال 2022 میں، کمپنی کی بنیادی وجہ بہتر کوشش سہ ماہی کے ذریعے فنانسنگ کے ذریعے اقسام کے اہتمام پر طویل مدتی قرضوں کی رقم 12.7 ارب روپے تھی جو 2021 میں 17.2 ارب روپے سے کم تھا۔ سال کے دوران واجب الادا قرضوں کی ادائیگی وقت پر کی گئی تھی اور کمپنی کے کسی بھی قرض کی ادائیگی میں تاخیر نہیں آیا تھا۔ 31 دسمبر 2022 تک کل ریکوری 45.0 ارب روپے تھی جو 2021 میں 47.1 ارب روپے سے کم ہے۔ سال کے دوران لیکچر فریٹنگ کے 1.8 ارب روپے کی طویل مدتی گریڈنگ اور 1.1 ارب روپے کی طویل مدتی گریڈنگ کے ساتھ PNCRA کی پابندی سے برقرار رکھی گئی۔

### مالیاتی بیانات پر آڈیٹرز کی رپورٹ

ہمیں یہ بتاتے ہوئے خوشی ہے کہ ہمارے آڈیٹرز نے ہمارے کاروباری طریقہ کار، مالی حکمت عملی اور سال کے دوران ہونے والے اخراجات کا عمل جائزہ لیا ہے، اور انہوں نے 31 دسمبر، 2022 کو حتم ہونے والے سال کے لئے کمپنی کے اخراجات اور مجموعی مالیاتی کمپنوں پر اطمینان کا اظہار کیا ہے۔

### سہ ماہی کے امکانات اور پابندیوں کا جائزہ

سال 2022 کے دوران، عالمی معیاری معیاروں میں، جو پابندیوں اور پابندیوں پر عمل درآمد اور پابندیوں پر عمل درآمد کے ساتھ ساتھ، کمپنی کی جانب سے کھاد کی درآمد پر پابندیوں میں توسیع بھی 6 ارب روپے میں 2023 میں یہ توقع کی جاتی ہے کہ یورپی قیمتیں حالیہ بلند ترین سطح سے قدرے کم ہونے کی وجہ سے کم ہوں گی۔ نئی پیداواری صلاحیت سے مارکیٹوں کی فراہمی میں اضافہ ہو رہا ہے۔

جس میں چین سے زرعی حکومت کی امداد، پھر قدرتی معاشیات اور عالمی منڈی کے مقابلے میں کمپنی سے قرضوں پر پوری کی دستیابی کی وجہ سے ہائی ریکارڈوں کے وجود پاکستان کی قدرتی صنعت مضبوط اور بنیادیں قائم رہتے ہیں۔

سال 2021 میں پاکستان میں یورپی منافع طلب گزشتہ سال کی طرح تقریباً 6.6 ارب روپے پر منظم رہنے کی توقع ہے۔ دوسری طرف، DAP کی قیمت میں اضافے کی توقع ہے، کیونکہ گلوبل کرپس کے اثرات سے صحت یاب ہو جاتے ہیں اور کھاد خریدنے کے لئے زیادہ مالی طور پر اس سے جانتے ہیں۔

### اخراجات اور بیعنامے

سال 2022 کے دوران کمپنی نے متعدد مقامی اور بین الاقوامی سطح پر مختلف شعبوں میں غیر معمولی کارکردگی منوائے کی روایت کو برقرار رکھا۔ 2022 میں لیکچر فریٹنگ کے گھٹنے ہونے اور اقسام کے دوران میں اس وقت۔

### اقسام اور ایجنسیوں

- ▶ لیکچر فریٹنگ کے ذریعے پائیدار کرپس کے ساتھ ساتھ، یورپی منافع طلب گزشتہ سال کی طرح تقریباً 6.6 ارب روپے پر منظم رہنے کی توقع ہے۔ دوسری طرف، DAP کی قیمت میں اضافے کی توقع ہے، کیونکہ گلوبل کرپس کے اثرات سے صحت یاب ہو جاتے ہیں اور کھاد خریدنے کے لئے زیادہ مالی طور پر اس سے جانتے ہیں۔
- ▶ ای لیکچر فریٹنگ کے ذریعے پائیدار کرپس کے ساتھ ساتھ، یورپی منافع طلب گزشتہ سال کی طرح تقریباً 6.6 ارب روپے پر منظم رہنے کی توقع ہے۔ دوسری طرف، DAP کی قیمت میں اضافے کی توقع ہے، کیونکہ گلوبل کرپس کے اثرات سے صحت یاب ہو جاتے ہیں اور کھاد خریدنے کے لئے زیادہ مالی طور پر اس سے جانتے ہیں۔
- ▶ پاکستان میں یورپی منافع طلب گزشتہ سال کی طرح تقریباً 6.6 ارب روپے پر منظم رہنے کی توقع ہے۔ دوسری طرف، DAP کی قیمت میں اضافے کی توقع ہے، کیونکہ گلوبل کرپس کے اثرات سے صحت یاب ہو جاتے ہیں اور کھاد خریدنے کے لئے زیادہ مالی طور پر اس سے جانتے ہیں۔

### اقسام اور ایجنسیوں

- ▶ اقسام اور ایجنسیوں کے ذریعے پائیدار کرپس کے ساتھ ساتھ، یورپی منافع طلب گزشتہ سال کی طرح تقریباً 6.6 ارب روپے پر منظم رہنے کی توقع ہے۔ دوسری طرف، DAP کی قیمت میں اضافے کی توقع ہے، کیونکہ گلوبل کرپس کے اثرات سے صحت یاب ہو جاتے ہیں اور کھاد خریدنے کے لئے زیادہ مالی طور پر اس سے جانتے ہیں۔
- ▶ پاکستان میں یورپی منافع طلب گزشتہ سال کی طرح تقریباً 6.6 ارب روپے پر منظم رہنے کی توقع ہے۔ دوسری طرف، DAP کی قیمت میں اضافے کی توقع ہے، کیونکہ گلوبل کرپس کے اثرات سے صحت یاب ہو جاتے ہیں اور کھاد خریدنے کے لئے زیادہ مالی طور پر اس سے جانتے ہیں۔
- ▶ پاکستان میں یورپی منافع طلب گزشتہ سال کی طرح تقریباً 6.6 ارب روپے پر منظم رہنے کی توقع ہے۔ دوسری طرف، DAP کی قیمت میں اضافے کی توقع ہے، کیونکہ گلوبل کرپس کے اثرات سے صحت یاب ہو جاتے ہیں اور کھاد خریدنے کے لئے زیادہ مالی طور پر اس سے جانتے ہیں۔

### تعمیراتی اخراجات

▶ پاکستان میں یورپی منافع طلب گزشتہ سال کی طرح تقریباً 6.6 ارب روپے پر منظم رہنے کی توقع ہے۔ دوسری طرف، DAP کی قیمت میں اضافے کی توقع ہے، کیونکہ گلوبل کرپس کے اثرات سے صحت یاب ہو جاتے ہیں اور کھاد خریدنے کے لئے زیادہ مالی طور پر اس سے جانتے ہیں۔



# chairman's review

Dear Shareholders,

I am pleased to present to you the Annual Report of Engro Fertilizers Limited (EFERT / the Company) for the year ended 2022.

2022 proved to be a difficult year for the global economy and specifically for Pakistan. The Russia-Ukraine war, the resultant energy crisis, sky-rocketing global inflation, rising interest rates and slowing demand led to global recessionary fears.

These challenges were exacerbated for Pakistan due to severe political instability, trade imbalances, falling foreign currency reserves and massive rupee devaluation that brought some industries to a grinding halt and the country to the edge of default. By the end of the year, the State Bank of Pakistan increased the Policy Rate to a 23-year high rate of 16%, putting further pressure on corporate borrowing costs. Pakistan was also devastated by climate-induced floods which inundated 1/3 of Pakistan, led to losses worth \$30 billion in the form of destroyed crops and livestock and affected over 3 million people.

As per the State Bank of Pakistan (SBP), the agriculture sector recorded a 4.4% growth in FY 22 (Jul21 – Jun22) aided by increased output of important crops and growth in livestock sector. Output of major crops grew by 7.2% during FY 2022, mainly due to increased area under cultivation, improving farm economics, and favorable weather conditions especially in the Kharif season. However, the floods in the latter half of 2022, severely affected the agricultural sector as a large portion of area under cultivation was inundated, destroying kharif crops and killing millions of livestock.

In terms of global fertilizer prices, 2022 was a volatile year. Global urea prices reached a high in March 2022 standing at USD 995/ton and then declined by 54% to USD 456/ton in December 2022. Similarly,

DAP international prices also oscillated during the year, increasing during the first half of the year to reach USD 1,025/ton compared to USD 915/ton at the start of the year. However, they began to taper off in the second half and reached USD 730/ton by year end. Price of urea stood at PKR 2,250/bag at year end, however, EFERT provided a discount of 88% as compared to international prices. This was a contribution of PKR 590 billion per annum towards farmers' incomes in Pakistan. Furthermore, the presence of a domestic urea manufacturing industry enabled import substitution to the tune of USD 3.0 Bn, saving precious foreign exchange for the country.

On business performance, safety remained one of our topmost priorities and at the center of our value system. During the year, the Company achieved a TRIR of 0.06 with no major injury or fatality. EFERT achieved two mega turnarounds on both our urea plants, enabling us to increase the load and efficiency at our plants and continue creating sustainable value for our stakeholders.

Engro Fertilizers managed to achieve its highest ever revenue of PKR 157 Bn, a 19% increase from last year, on the back of record higher Urea and DAP prices. However, due to the imposition of super tax and rising cost of production, our profit declined to PKR 16 Bn vs PKR 21.1 Bn in 2021.

Engro Fertilizers recognizes its people as one of its the greatest assets. The Company has focused on rigorous capability development, initiated a Strategic Workforce Planning exercise to identify talent needs associated with the organization's future strategy to ensure the organization has the right mix of talent, infrastructure, and systems to sustain future operations. The Company launched multiple Diversity initiatives to help to foster a collaborative and inclusive work culture. As a result, the Company was able to increase women representation in its workforce from 6.2% in 2021 to 7.2% in 2022. Further, women comprised 23.4% of total new joiners during the year.

We continue to support numerous CSR initiatives in education, healthcare, and community infrastructure improvement. This year, we will also publish our

Sustainability Report in line with the internationally recognized GRI standards. In addition, Engro Fertilizers and its employees stood with the country during the difficult floods. In collaboration with several government bodies, including the Pakistan Army, Rangers and district management, the Company distributed ration packets, cooked food packets, medicines, and other relief goods including tents, mosquito nets and dewatering pumps. Engro Fertilizers also set up medical camps for treatment of flood affecteds.

The Company's performance was appreciated by several major global and local forums. We won awards from the Management Association of Pakistan (MAP) and the Pakistan Stock Exchange (PSX) as well as the British Safety Council and the Royal Society for Prevention of Accidents. These awards are a testament to our management's relentless pursuit of excellence, which have enabled us to be ranked amongst the finest in the world.

I would like to thank and appreciate the efforts of our Board of Directors, who provided invaluable guidance towards implementing a multi-faceted long-term strategy for the Company. I would also like to take this opportunity to thank our valued investors for their continuous faith in Engro Fertilizers, our employees for their hard work and our customers for reposing their trust in us. It is this trust that has enabled us to progress while safeguarding Pakistan's food security.



Ghias Khan,  
Chairman





معزز چیئر پرسن

ڈاکٹر فریڈا ناز لینڈا (ای ایف ای آر پی) / کھیتی کی 2022 میں ستم ہونے والے مالی سال کی سالانہ رپورٹ آپ کو دیتے ہوئے مجھے بہت خوشی ہو رہی ہے۔

سال 2022 عالمی معیشت کے لیے باہم اور خاص طور پر پاکستان کے لیے یکے کے ساتھ ساتھ ہولناکیوں کا شکار ہے، اس کے نتیجے میں پیدا ہونے والے قوانین کے بحران، عالمی افراد زر میں اضافے، شرح سود میں اضافے اور طلب میں کمی کی وجہ سے عالمی معاشی بحران کے نشانات پیدا ہوئے۔

انتہائی سیاسی غیر یقینی صورتحال، تجارتی عدم توازن، زرمبادلہ کے ذخائر میں کمی اور روپیے کی قدر میں نمایاں کمی جس نے یکے کے معقول اور پر روٹ دیا اور قوم کو ٹائٹل کے دہانے پر پہنچا دیا، یہ سب پاکستان کی مشکلات کو سبب بنتے ہیں۔ ایک آٹھ ماہ کی مدت میں پاکستان نے اپنی ایکسٹرنل پیمبلٹی کے 23 سال کی بلند ترین سطح 16 فیصد تک بڑھا دیا ہے جس سے گارنٹیڈ قرضوں کی ادائیگی میں مزید اضافہ ہوا ہے۔ آپ وہاں سے متعلق سیلاب جس نے پاکستان کو تباہ کر دیا تھا، ملک کا ایک تہائی حصہ زرخیز آب و ہوا، سوہیوں اور فصلوں کو تباہ ہونے سے 30 بلین ڈالر کا نقصان ہوا اور 3 بلین سے زیادہ افراد متاثر ہوئے۔

ایسٹ بینک آف پاکستان (پبلک لیٹیوٹی) کے مطابق مالی سال 2022 (جولائی 21 تا جون) کے دوران زراعت کے شعبے میں 4.4 فیصد اضافی ریکارڈ کیا گیا جس کی وجہ اہم فصلوں کی پیداوار میں اضافہ اور لائیو سٹاک کے شعبے میں ترقی سے مالی سال 2022 کے دوران اہم فصلوں کی پیداوار میں 7.2 فیصد اضافہ ہوا جس کی بنیادی وجہ زراعت کے شعبے میں اضافی زرعی سرگرمیاں میں بہتری اور خاص طور پر شریف بیلوں میں سازگار موسمی حالات ہیں۔ تاہم، 2022 کی آخری ششماہی میں آنے والے سیلاب نے زرعی شعبے کو بری طرح متاثر کیا کیونکہ زراعت کے شعبے کا ایک بڑا حصہ زراعت کی فصلوں کو تباہ ہو گیا اور لاکھوں مویشی ہلاک ہو گئے۔

گورنر کی عالمی قیمتوں کے لحاظ سے 2022 ایک غیر مستحکم سال تھا، اسی طرح 2022 میں بریائی کی عالمی قیمتیں 1995 تا 2021 کی بلند ترین سطح پر پہنچ گئیں اور پھر ستمبر 2022 میں 34 فیصد کم ہو کر 456 ڈالر فی ٹن رہ گئیں۔ اسی طرح ڈی سے پی کی بین الاقوامی قیمتیں بھی سال کے دوران گھٹتی رہیں اور سال کی پہلی ششماہی کے دوران یہ 1100 ڈالر فی ٹن تک پہنچ گئیں جبکہ سال کے آغاز میں یہ 1915 ڈالر فی ٹن تھی۔ تاہم دوسری ششماہی میں ان کی قیمت کم ہوا شروع ہوئی اور سال کے آخر تک 770 ڈالر فی ٹن تک پہنچ گئی۔ سال کے اختتام پر بریائی کی قیمت 2250 روپے فی ٹن تھی تاہم ای ایف ای آر پی نے بین الاقوامی قیمتوں

کے مقابلے میں 64 فیصد اضافے کو فراہم کیا۔ پاکستان میں آسٹریلیا کی آمدنی میں سالانہ 290 ارب روپے کا اضافہ تھا، مزید برآں مقامی پوری میٹھ کی گنگہ اور ٹری کی موجودگی سے درآمدی تبادلوں 3.0 بلین امریکی ڈالر تک پہنچ گیا۔ جس سے ملک کے قیمتیں زرمبادلہ کی قیمت ہوئی۔

کاروباری کارکردگی پر، مخلصانہ ہماری اہلیں تربیتات میں سے آتے اور ہم سے ملحقہ سسٹم کے مرکز میں رہی۔ سال کے دوران، کھیتی نے 0.04 کی ترقی آئی آر حاصل کی جس میں کوئی بڑی پمپ یا پلانٹ نہیں ہوئی۔ ان ایف ای آر پی نے ہمارے دونوں پورٹفولیو میں وہ پمپ تھریڈس حاصل کیے، جس سے ہم اپنے پلانٹس میں ڈی کارکردگی میں اضافہ کر سکتے ہیں اور اپنے اسٹیک ہولڈرز کے لئے پمپ اور قدر پیدا کرنا جاری رکھ سکتے ہیں۔

یورپ اور ڈی ایس پی کی قیمتوں میں ریکارڈ اضافے کی وجہ سے ڈاکٹر فریڈا ناز لینڈا 157 ارب روپے کی اپنی تاریخ کی بلند ترین آمدنی حاصل کرنے میں کامیاب رہی جو گزشتہ سال کے مقابلے میں 19 فیصد اضافہ ہے۔ تاہم پھر ٹیکس کے لئے ہمارے پورٹفولیو میں اضافے کی وجہ سے ہمارا منافع 2021 میں 21.1 ارب روپے کے مقابلے میں کم ہو کر 16 ارب روپے ہو گیا۔

ڈاکٹر فریڈا ناز لینڈا نے لوگوں کو اپنے سب سے بڑے ٹائٹل میں سے ایک کے طور پر تسلیم کرتے ہیں۔ کھیتی نے سخت ملامت کی ترقی پر توجہ مرکوز کی ہے، تنظیم کی معیشت کی حکمت عملی سے وابستہ ملین کی سرورہ بات کی تھی۔ کرنے کے لئے اور ہیکل ڈیٹ کو فوری طور پر حل کرنے کا آغاز کیا ہے تاکہ ال بائٹ کر سکتے ہیں تاکہ ان کے پاس مستقبل کے آپریشنز کو برقرار رکھنے کے لئے لینڈ، انفراسٹرکچر اور سسٹم کا بیج مرکب موجود ہے۔ کھیتی نے باہمی تعاون اور جامع کام کی طرف توجہ دے کر اپنے ہمارے لئے محدود خرچ اقدامات کا آغاز کیا۔ اس کے نتیجے میں کھیتی اپنی افرادی قوت میں خواتین کی نمائندگی کو 2021 میں 6.2 فیصد سے بڑھا کر 2022 میں 7.2 فیصد کرنے میں کامیاب رہی۔ مزید برآں، سال کے دوران کل نئے شال ہونے والوں میں 23.9 فیصد خواتین شامل ہوئیں۔

ہم تعلیم، صحت کی دیکھ بھال اور لیوٹی کے بنیادی ڈھانچے کی بہتری میں متعدد ہی ٹیکس آر اقدامات کی حمایت جاری رکھے ہوئے ہیں۔ ان سال، ہم بین الاقوامی طور پر تسلیم شدہ پی آر آئی معیارات کے مطابق اپنی سسٹم رپورٹ بھی شائع کریں گے۔ اس کے علاوہ ڈاکٹر فریڈا ناز لینڈا اور ان کے ملازمین مختلف سیلاب کے دوران ملک کے ٹائٹل پلانٹات نظر سے نہیں ہٹائے گئے اور شمل انکوائری سمیت متعدد حکومتی اداروں کے تعاون سے کھیتی نے رائٹس کے پیٹنٹ، بچے ہونے کھانے کے پیٹنٹ، ادویات اور میڈیسن، پمپ ڈیپوز اور ای وائرنگ کیپون سمیت دیگر اہم بنیادی ڈھانچہ کی تعمیر کیا۔ ڈاکٹر فریڈا ناز لینڈا نے سیلاب متاثرین کے علاج معالجے کے لئے میڈیکل کیمپ بھی کھائے۔

کھیتی کی کارکردگی کو متحدہ پارٹنر ایف ای آر پی اور بین الاقوامی قدر نے سہارا دیا۔ کھیتی نے ایف ای آر پی کے سوشل ڈی پروموشن آف ایکٹیوٹیز، پاکستان انٹار ایکٹیوٹیج (ای ایف ای آر پی) سمیت بین الاقوامی ایف ای آر پی (ایم اے پی) اور دیگر کی جانب سے اعزازات سے نوازا گیا۔ یہ اعزازات ہماری اہلیوں کی عمر کی لیے خیر سحر نزل سوز کا ثبوت ہیں، جس نے ہمیں دنیا کے بہترین کاروباروں میں شمار کرنے کی اعزازت دی ہے۔

میں اپنے ہونے والے ڈیٹیکٹرز کے کام کے لئے شکر ہے اور تحریف کو اہلکار کرنا چاہتا ہوں، جنہوں نے ہمیں کھیتی کے لئے ایک پیچیدہ طویل مدتی حکمت عملی کو انجام دینے کے بارے میں قیمتی مشورہ دیا۔ ساتھ ساتھ اس موقع پر میں ڈاکٹر فریڈا ناز لینڈا پر اعتماد جاری رکھنے پر اپنے سہ ماہیہ کاروں ہماری ٹیم کے سرگرم کاغذوں اور نکلنے سے کام کرنے اور ہمارے صارفین کا جتنوں نے ہم سے ہم سے اہلکار کیا، شکر ہے اور کرنا چاہتا ہوں۔ یہ آپ سب کا اہم کام تھا جس کی بدولت ہم نے پاکستان کی ترقی کی ترقی کو برقرار رکھنے ہونے ترقی کی ہے۔

  
غیاث خان  
چیئر مین



# ceo's statement

I am pleased to present to you the Annual Report of Engro Fertilizers Limited (Engro Fertilizers / the Company) for the year ended 2022.

The year 2022 was one of the toughest years in recent history marked by a range of social, economic, and environmental challenges. It gives me immense pride to share that through consistent and unparalleled efforts by the Company and our stakeholders, we built upon our legacy of 50+ years and continued to generate value for both our shareholders and the country.

Pakistan, in line with global trends, experienced unprecedented levels of commodity price fluctuations, market imbalances, high inflation and massive interest rate hikes. These issues were much more magnified for Pakistan due to local political instability and economic turmoil. Pakistan also faced one of the largest natural disasters in recent history as massive floods swept through the country resulting in an enormous loss of lives and livelihoods.

Engro Fertilizers, being cognizant of its role as one of the largest companies in the country, stood with the nation and the Government of Pakistan (GoP) by continuing to provide urea at a significant discount from global urea prices and ensuring the national food security in this stressed time.

As a company, our commitment and focus on excellence was also tested as we undertook massive turnarounds at both our plants during the year. The turnaround at our Base plant was one of the longest and most detailed turnarounds in the Company's history, in terms of both the scope and outlay. These turnarounds have helped us improve plant efficiencies and load, enabling us to continue delivering sustainable returns for our shareholders.

On the agriculture front, continuing the momentum built over the preceding year, domestic urea demand increased and reached to 6.6 MT vs 6.3 MT in 2021, translating into a growth of 4%. The increase in market demand can primarily be attributed to improved farm economics during the year and discounted urea prices, along with substitution of imported phosphatic and potash fertilizers which showed massive price

escalation during the year. This increase in demand was fulfilled by higher domestic urea production of 6.3 MT vs 6.1 MT last year and the GoP importing 0.5 MT of urea during the year.

At Engro Fertilizers, safety always comes first and is deeply ingrained in our DNA. For the year, we recorded a very low total recordable incident rate (TRIR) of 0.06, despite two mega turnarounds at our plants. This was indeed a heroic feat achieved by our teams, who were relentless in their commitment to safety in the face of challenging circumstances.

On the Production front, we achieved urea production of 2.0 MT compared to last year's production of 2.1 MT. In line with the lower urea production and opening inventory, our sales also decreased to 1.9 MT vs 2.3 MT in 2021.

On the Phosphates front, the domestic industry plummeted to 1.2 MT vs 1.9 MT in 2021, recording a massive decline of 39%. This is mainly attributable to record high DAP prices, coupled with the financial losses due to floods leading to a liquidity crunch with farmers. Compared to industry decline, our Phosphates business volume only decreased by 9%, allowing us to increase our market share from 17% to 23%.

Our Specialty Fertilizer Business registered a 12% growth. A key contributor for this growth is our innovative product, Zabardast urea, which is a bioactive nutrient fortified fertilizer.

By the grace of Allah, despite the massive challenges faced by the Company during the year including imposition of super tax, rising interest rates, higher cost of production and demand destruction, we managed to deliver profit of PKR 16.0 Bn in 2022 compared to PKR 21.1 Bn in 2021. I would also like to report that a final dividend of PKR 5.0/share for the year ended December 31, 2022 has also been proposed for approval at the Annual General Meeting bringing the total dividend for 2022 to PKR 13.5/share.

The Company continued its journey of supporting the

communities it operates in and uplifting the lives of people therein. With large parts of Pakistan affected by devastating floods, Engro Fertilizers stepped up to alleviate the plight of flood victims and distributed relief goods including food items, medicines, tents, and dewatering pumps.

We also worked endlessly to provide quality education to underprivileged communities through our network of 27 schools. On the healthcare front, the Company's continued to operate its Sahara clinics and dedicated snake bite, dog bite and limb facilities.

During the year, the Company continued on its journey of excellence, and it gives me immense pleasure to share that our efforts were recognized on multiple international and local forums. The Company received awards for safety, manufacturing excellence, corporate governance, financial performance, environmental stewardship, gender diversity and social inclusion.

The Company foresees the existing challenges to continue in next year. Political instability, low forex reserves, expectations of further devaluation and resultant economic instability might prevail. Regardless, we will continue to work closely with industry and the Government of Pakistan to overcome these challenges to ensure long term food security of the nation.

I would also like to express my gratitude to our employees and business partners for their tireless efforts and dedication which helped the Company navigate all the challenges we have faced and thereby ensuring our continued success.

Lastly, I am particularly grateful to our Chairman and the Board of Directors for their unwavering support, and guidance. With the ongoing assistance of our esteemed shareholders and the Board of Directors, I am sure that we will continue to deliver on our pledge of sustainable and consistent growth.



Ahsan Zafar Syed,  
Chief Executive Officer



## adoption of united nations sustainable development goals (UNSDGS)

### journey to UNSDGS: EFERT's contributions

With the introduction of the 2030 Sustainable Development Goals, the UN sought to help create a more sustainable, just and equitable future. With the 17 SDGs built to focus on a diverse array of goals that would help ensure development for People, the Planet, Prosperity and Peace. Adopted by Pakistan with initiative and enthusiasm since 2016, the SDG goals have become a guiding principle and benchmark for the philanthropic and developmental work of organizations across the nation. As firm believers in the importance of integrating sustainability in all our operations, EFERT greatly prioritizes its compliance and engagement with world-class practices and pertinent advancements keeping in view prevailing environmental challenges and economic landscape.

We have remained committed to engage regularly and remain abreast of all we can do to help further in the development of Pakistan by generating value for our stakeholders while focusing on creating sustainable ways to do so. As a member of the UN Global Compact, EFERT is dedicated to make the Global Compact and its ten principles part of the strategy, culture and day-to-day operations of the Group.

### no poverty, quality education, decent work and economic growth, reduced inequalities

To help truly uplift local community and ensure a more prosperous future, it is important to provide avenues for financial empowerment and independence. EFERT 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, that can only be achieved by improving the accessibility and quality of education. Sahara Welfare School is EFERT's flagship project which continues to deliver quality education to local community in the vicinity of our manufacturing facility in Daharki. The school provides state of the art facilities and help students to learn and adopt modern skillset for brighter future. In year 2022, Sahara School is being further expanded to increase its portfolio by 20%, with current enrolment of 550 students.

The Company also has also established a blended learning model for providing quality education to underprivileged communities while consistently improving quality and learning outcomes at these institutions. We currently have 27 schools in one network (including the Sahara School), out of which 15 are in Katcha area and 12 are in Daharki.

### 1 NO POVERTY



### 4 QUALITY EDUCATION



The enrolment at our adopted government schools stands at 1574 students. Furthermore, our Katcha School Network, with an enrolment of over 1996 students, continues to operate including first girls' middle school in Ghazi Chachar in collaboration with GDF (Government of Sindh), private donors and EFERT. As part of Engro's Diversity & inclusion agenda, we have also invested in girls' education in our Katcha areas. These areas do not prefer co-education schools so in order to encourage the villagers to allow their girls to study, we have established our first Katcha Girls' middle school which now has 107 female students.

Engro has also established skills training programs such as Technical Training College (TTC) at Daharki have been established which offers a 3-year Diploma in Associated Engineering (DAE) in Chemical, Electrical and Mechanical technologies, as well as short-term vocational training programs for the youth living in the district. The college has over 3,500+ alumni and the current enrolment stands at 335. These graduates also regularly attain top positions in the Sindh Technical board exams. In the year 2022, about 131 Diploma in Associate Engineering (DAE) graduates have been placed in Engro Fertilizers in a variety of roles.

For the socio-economic independence of the households, 100+ financial grants have also been given to help individuals set up sustainable small businesses.

Our Company has also established a one of its first kind initiative, Engro Muhafiz, related to stakeholder engagement and HSE. The program is in line with the Company's HSE policy to protect and train all communities involved and linked with our operations. The program is designed to train farmers and dealers in safe and environmentally friendly practices related to their routine operations, based on comprehensive risk profiling. It also includes carrying out HSE audits of their workplaces and encouraging constant improvement. In 2022, overall, 246 activities were done under this program and 10,020 farmers, dealers and community members were engaged in various initiatives under this program.

### zero hunger

EFERT takes its responsibility to bolster the food security of Pakistan and takes great pride in serving farmers through its indigenous fertilizer product portfolio which represents 36% of the Pakistani fertilizer market. With the increasing population of the nation entirely dependent on local crops for sustenance, the Company continues to play a crucial role in ensuring a supply of fertilizers at affordable prices to the farmers. With the recently established Crops Science Division (CSD) and the focus on research and development of cutting-edge seeds that, together with the Company's fertilizer portfolio, will replenish nutrient-deficient soil resulting in a larger harvest and promoting sustainable farming practices.

### 8 DECENT WORK AND ECONOMIC GROWTH



### 10 REDUCED INEQUALITIES



### 2 ZERO HUNGER



Along with establishing a product portfolio that will address the scarcity of resources, EFERT also trains and educates farmers in agricultural sciences and runs several farmer advisory platforms. With the Agri Services Program arranging seminars, farmer meetings, group discussions and agri-workshops, and educational farm visits for advisory assistance in crop management, soil/water testing services through established labs, and 4R nutrient stewardship, EFERT provides extensive support to the farming community.

Our products are designed to help boost crop yield and address malnutrition and related health issues. Our innovative product Zabardast Urea (Bioactive Zinc coated Urea) is helping the farmers to grow more by improving yield by 10% yield, and enriching food with Zinc. During 2022, Zabardast Urea was applied on 4 million acres of cereal crops which helped produce healthy and Zinc enriched grain, sufficient to feed 42 million people for a year. Moreover, various initiatives have been launched over the years including the Hamqadam Program, Agricultural Internship Program and Shardaar-Kissan program, aimed at the development and growth of farmers through training, advisory support and in-kind interest-free loans.

### good health and well-being

Ensuring the safety, well-being and health of our employees is a top priority for EFERT. A safety-first attitude is an integral part of all our operations, accomplished through extensive training and diligent monitoring of compliance with protocols. In 2022, we have held several sessions and spearheaded initiatives ranging from the Defensive Driving Awareness Session, detailed first aid training, precautionary measures for heat strokes and informative sessions on snake bites. In the wake of the devastating floods of 2022, a medical camp was set up with the help of Sindh Rangers and helped treat over 30,000 patients, and to stop the spread of dengue and malaria in nearby villages, the fogging spray was initiated in the surrounding villages, covering a population of more than 200,000 in its 15-day drive. Additionally, A 10-day livestock camp also helped vaccinate over 15,000 livestock.

In the realm of environmental enrichment, multiple tree plantation drives were held across the divisions of Engro Fertilizers, with thousands of tree saplings in total planted in 2022. To further bolster the environmental awareness of our employees, various awareness sessions were held in the celebration of World Environment Day, ranging from environmental measures such as water and energy preservation to segregating hazardous waste materials.

### 3 GOOD HEALTH AND WELL-BEING



EFERT aims to go beyond the health and safety of its employees and focus on the good health and well-being of its surrounding communities by providing necessary healthcare. Multiple initiatives are targeted at ensuring sustainable operations that protect the value chain and contribute to all stakeholders' interests. Our Snake Bite Centers have treated over 100,000 patients since 2005. Efert established the region's first free-of-cost Imbs facility and has treated 852 patients in 2022. We also developed a dog bite facility that treated 1172 patients. As Pakistan has the second-highest prevalence of hepatitis C, our Hepatitis Program works actively to prevent the spread of this disease through awareness sessions, diagnosis, and treatment. In 2022, 358 Hepatitis awareness sessions were conducted in Daharki for 7,190 participants.

### gender equality

With a great portion of the nation's population being held back by a lack of access to resources, EFERT prioritizes providing an equal opportunity at employment and growth and has taken steps to alleviate the gender inequality and pay scale gap between men and women. To ensure equity and diversity across the levels of the Company, the Board has defined measurable KPIs which it uses to monitor the Company performance and updates under this UNSDG.

To help make the workplace more diverse and encouraging for female employees, a 3-point framework for gender diversity and various gender sensitization sessions have been conducted. EFERT has always been a leader in the industry in its gender diversity drive by opening avenues to women from various socio-economic backgrounds to work with the Company in different unconventional roles such as Trade Apprentices, GTEs, Workshop Supervisors, Warehouse In-Charges and in other field-oriented roles. In 2022, EFERT provided opportunities to 25 newly hired females in the Manufacturing division in the following roles: 16 were hired as Trade Apprentices, 8 were hired as Graduate Trainee Engineers, 01 was hired as Shift Engineer and 01 was hired as Instrument Technician. Across the other divisions, Engro Fertilizers hired 31 female employees with 17 in contractual positions and 14 in permanent positions.

Further initiatives taken to help ensure gender equality are detailed in the social capital and human capital performance section of this report.

### 5 GENDER EQUALITY



### clean water and sanitation

As EFERT works in the chemical industry and water is a limited and precious resource, we consider it our responsibility to help maintain clean water sources and ensure the proper disposal of generated waste. For this reason, a multi-layered approach is used to manage the effluent generation and disposal on-site while maintaining high standards of quality and control. To ensure that quality standards are met before disposal, a dedicated effluent treatment facility was setup to treat the effluent generated at residential colonies. Additionally, to minimize the water footprint and help address the need for freshwater sources, EFERT has been concentrating on recycling water in our processes and our manufacturing facility is designed to recycle water used during the manufacturing process post extensive chemical processing. A closed-loop recycling system is also used for the cooling water system that is installed in manufacturing facilities to cool process streams.

A further indication of the high standards of quality control is lining of evaporation ponds to avoid soil and underground water contamination. The Company has taken initiative to line all of its evaporation ponds at the Daharki Site with a geo-membrane technology. When a canal's discharge facility is unavailable, these ponds serve as water storage facility. Nearly 94% of the ponds have been lined till date. The Company has installed 9 Reverse Osmosis (RO) plants at various CAER villages and the Daharki site, ensuring the availability of clean water while also preserving energy. Over 300 homes receive 13 million liters of clean water per year from the reverse osmosis plant at CAER and Daharki Village. To further contribute to the provision of clean water, EFERT installed three solar Reverse Osmosis (RO) plants in 2022, two of which are located in Daharki and one at the Ghotki railway station.

Other infrastructural projects include provisions of basic necessities like benches and dust bins for the Punjab Archeology sites along with the installation of pumps and the plantation of 100,000 plants at Bahawalpur border.

### affordable and clean energy

Given the energy-intensive nature of the Company's manufacturing operations, responsible energy consumption and a focus on clean, renewable energy are top priorities. EFERT engages in actions to reduce energy usage and investigate renewable energy sources. In this regard, in the year 2022, the Company's warehousing department moved an additional 6 warehouses, namely Khipro, Gambat, Nausheroz, Kurni, Jhucdo, and Usta Muhammad, from the south zone to the north zone using solar power. In the fertilizer industry, EFERT's warehousing division has taken the lead so far by converting 80 warehouses to solar power. Additionally, in order to uphold our commitment to providing clean and affordable energy to our stakeholders, improvements such as the installation of solar lights in educational facilities in Daharki and Ghotki have been made with the support of the local community. Initiatives taken in this direction are described in the report's section on social performance.

## 6 CLEAN WATER AND SANITATION



## 7 AFFORDABLE AND CLEAN ENERGY



During the year, EFERT has been involved in multiple energy efficiency improvement projects that were executed in the Long-Term Reliability mega turnaround. Few of the major projects executed in LTR were the base plant furnace modernization, Cooling Water Revamp & replacement of Urea carbamate condenser which has drastically improve the steam and fuel index of base plant reflecting the avoidance of around 50KT of CO2 emissions per year.

### responsible consumption and production, and industry, innovation and infrastructure

It is becoming a matter of increasing importance considering the rapidly altering and evolving global circumstances that EFERT ensures responsible consumption and production by constantly optimizing and innovating in its processes.

Innovative engineering solutions were adopted during the LTR at base plant to overcome load limitations, thereby enabling plant operations at the maximum possible load (144%) and efficiency. Making use of the latest technology and advanced process controller was commissioned at EnVen plant Urea-3. As per our resolve towards engineering excellence & self-reliance, we adapted with changing circumstances/crises, bringing innovation to execute critical and complex field projects to ensure business sustainability.

Safety is a crucial aspect of any organization and logging management safety audit points is an important tool to ensure compliance and identify areas of improvement. during 2022, EFERT manufacturing introduced the LTR HSE Application which allows users to easily log and track safety audit points in real time, user can log audit points, such as potential hazards and corrective actions taken during the MSA. This innovative digitization idea helps the organization to stay on top of safety and take proactive measures to improve safety in the workplace during the mega turnaround of base plant. Furthermore EFERT also developed few more applications for better logging and monitoring across the site "Inspection application for Process Engineering, I&E Reliability Dashboard and Safety Critical Defeat Application"

EFERT has also strengthened its processes with agility via digitalization and automation, with the 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.

## 12 RESPONSIBLE CONSUMPTION AND PRODUCTION



## 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



## climate action, life on land

As global climate conditions continue to worsen, the need to address climate change has become a matter of utmost priority. Through increased efficiency and urea production using more environmentally friendly gas inputs than RLNG, the Company managed to significantly reduce its carbon footprint. The Company took a number of efficiency initiatives to improve its plant efficiencies including the Feed Gas Enrichment program 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. A Flare system is provided at our state-of-the-art environmentally friendly ENVEN plant where all gaseous streams are burnt before venting directly into the atmosphere making it the only facility in Pakistan operating with this feature.

During the year EFERT has also signed an MoU with Army under which 100,000 trees are planted in Bahawalpur area. Various plantations drives have created a green landscape with 378,000 trees. Similarly, by transforming waste into high-quality compost, the Company's Manufacturing site has committed itself to waste reduction and environmental stewardship as part of its NET ZERO WASTE Project. Food scraps, garden waste, and other organic waste are processed through decomposition and converted into nutrient-rich compost that can be used to enhance soil health and support plant growth.

## 13 CLIMATE ACTION



## 15 LIFE ON LAND



## social and relationship capital

We aim to go beyond traditional corporate philanthropy and build an inclusive business model in collaboration with the engro foundation that will create positive value for both the company and its communities. 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 the 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.

### corporate social responsibility (CSR) initiatives

Our CSR initiatives span a range of categories from agri-value chain projects, environment, education, and livelihood, to healthcare and infrastructural development. In the 2022, several CSR initiatives were also taken to provide necessary assistance to our neighboring communities in the wake of the massive floods in Pakistan. Our CSR initiatives ensure we can allocate our resources to supporting and uplifting the areas we operate in, and we seek to maximize the impact of our investment in these communities.

### statement of the charity account

During the year, the Company made donations of PKR 283Mn focused on educational, healthcare, environmental and general welfare and infrastructural development initiatives. The Company also actively took part in flood related relief activities in efforts to provide relief to the victims.

### agri-value chain projects

In 2022, Engro Fertilizers initiated the "Seed Purification & Chili Value Chain Improvement Project" in partnership with the U.S. Department of Agriculture (USDA) and funding through the Winrock International/Pakistan Agriculture Development (PAD) project.

The focus of this project is to improve the traditional Dardicut Chili variety yield through quality seed and support the livelihood of the Chili farmers in southern Sindh. The scope of the project includes 5000 beneficiaries comprising of small farmers, community champions, women farmers, village-based seed enterprises and seed entrepreneurs.

The town of Kunri located in the Umarkot District of southern Sindh is considered as the "Chili Capital" of Asia and has been a hub for this particular type of round red chili for decades. Most of the chili production is centered in Umarkot, Mirpurkhas and neighboring areas such as Badin and Tharparker. In Kunri and other red chili growing areas in Sindh, farmers require certified red chili seeds to get higher yields. Therefore, a comprehensive and solution-oriented approach for the upgradation and modernization of the chili value chain that focuses on the improvement of the seed value chain is vital for the sustenance of the Dardicut red chili crop in Sindh.

Pakistan's traditional round chili, locally known as "Longi" or "Dandicut", is unique in its combination of taste, fruity aromatic flavor, pungency and long-lasting red color. Dandicut chili pods and powder are utilized locally for cooking and as the preferred raw materials for the well-established spice industry of Pakistan.

Traditionally, farmers in these areas select a few exceptional chilis at harvest, save them, then extract the seeds from these pods to use as seeds for the next crop. This common practice has led to the loss of purity in the Dandicut/Longi variety, as well as a loss of integrity and consistency in quality. Additionally, this process makes the produce more susceptible to diseases which have resulted in rapidly declining yields per acre over the years.

These issues coupled with climatic changes have made Dandicut chili production a challenging and unprofitable variety of chili to farm for farmers in the main chili areas.

### key highlights

- Climate Change induced urban and flash floods have badly hit many parts of Sindh, resulting in significant human, livestock and agricultural losses. As per the National Disaster Management Authority (NDMA), more than 60 percent of the chili crops have been affected in Umerkot and Mirpurkhas districts.
- The crop plots that have survived are ready to be picked and a good yield is expected.
- Samples of farm soil and water procured from 225 farmers and 51 water sources were tested in labs to determine the soil and water quality. The test results were shared and discussed with the registered farmers. Farmers were advised to adopt the best practices for the better growth of chili crops such as the if use cow dung to maintain the nutrient balance of soil that is deficient in organic matter.

Of the 5,000 target beneficiaries about 1,247 farmers (both male and female) have been trained on sustainable farming techniques in Umerkot and Mirpurkhas districts, as of 31st December 2022.

### other initiatives of the project

1. Investment in good quality seed access, increased access to resources, training of crop protection and quality drying.



2. Technical training on sowing and crop production, managing issues of aflatoxin, and improving drying practices, storage and packing were conducted.
3. Regular discussions with the Chili Grower's Association and Value Chain platform to help make this the apex body for the chili value chain in Pakistan.



4. The project has continued to engage both men and women in the primary production of the chili value chain, which has helped improve household income management and increased chili volumes.

### environment

Engro Foundation, in partnership with WWF-Pakistan, invited scientists, NCOs and government representatives from Bangladesh, Cambodia, China, Indonesia, Myanmar, Nepal, Netherlands, the UK, and Pakistan to come together and collaborate for an Asia-wide strategy on protecting river dolphins. The three-day Technical Workshop on the Protection of River Dolphins from Unsustainable Fishing Practices was held in Islamabad from October 5th to 7th, 2022.

Panelists and speakers pointed out that the ongoing and increasing human-induced changes to freshwater ecosystems put river dolphins at greater risk. There are four river dolphin species across eight range countries in Asia today. Of the four, IUCN lists two as endangered and the remaining two as critically endangered. In March this year, World Wildlife Fund (WWF-Pakistan) and Engro Foundation entered a first-of-its-kind partnership to conserve and manage the endangered Indus River dolphins.

All river dolphins live in basins with growing human population pressures and share their habitat with local communities, which also depend on freshwater for sustenance. Looking at Asia, some species have already shown an 80 percent decline in the range due to alterations in river flow regulation, infrastructure development and construction projects. However, the primary cause of the reduction in the numbers of Asian river dolphins is entanglement in gillnets, which is generally regarded as the most immediate human-induced threat. The regional conservation management plan will bring together the best available science and management expertise to protect and recover the river dolphin populations.

The event ended with the signing of The Islamabad Recommendations - a series of actions relating to inter- and intra-state coordination, enforcement of existing laws, developing a knowledge base, and more vigorous outreach efforts with the frontline river communities. The delegates pledged to keep the working group activities and become champions for the endangered river dolphins in their respective countries.



### tree plantation drives

Under the ambit of "Each One Plant One", a tree plantation drive was held where 21,500 saplings were planted by North Team involving more than 13,000 community members including Students, Teachers, Doctors, Paramedics, Forest Department Staff and Dealers. The activity was done in two phases, in the spring and autumn seasons, over a span of 90 days.



### education

Our education initiatives have become a catalyst of change in rural areas and have always been among our top priorities. Engro has worked endlessly to provide quality education to underprivileged communities while consistently improving quality and learning outcomes at these institutions. We currently have 27 schools in our network (including the Sahara School), out of which 15 are in Katcha area, and 11 are in Daharki. The enrollment at our adopted government schools stands at 1874 students currently whereas our Katcha school network continues to operate as per plan with 1996 students.

As part of Engro's Diversity & Inclusion agenda, we have also invested in girls' education in our Katcha areas. These areas do not prefer co-education schools so in order to encourage the villagers to allow their girls to study, we have established our first Katcha Girls' middle school which now has 107 female students.

For the socioeconomic independence of the households we serve, financial grants have been granted to help individuals set up sustainable small businesses and ensure an independent source of income for their families.

Engro is also training young aspiring members of the community through a 3-year Diploma in Associated Engineering in chemical, electrical and mechanical engineering. Through this program, our Technical Training Institute initiative has helped bolster the careers of many individuals and helped earn a decent livelihood for themselves and their families. The current enrolment in this institute stands at 335.

These graduates also regularly attain top positions in the Sindh technical board exams. In the year 2022, about 131 Diploma in Associate Engineering (DAE) graduates have been placed in Engro Fertilizers in a variety of roles.



### livelihood

To help empower differently abled individuals and those in need of a form of income, 100-plus grants were provided to widows and persons with disabilities to help create independent earning opportunities.

We also conducted a 10-day livestock camp in which over 15,000 livestock vaccinations took place.

### healthcare

In the realm of Healthcare, Engro provides free-of-cost essential services to the communities through clinics, hearing aid camps, and crucial time-sensitive treatments for snake bite and dog bite patients. Our initiatives on the healthcare front include the Sahara Clinic which treated a total of 7,156 patients this year, while the singular snake-bite treatment facility treated a total of 6,236 patients.

In 2022, the region's first free-of-cost limbs facility was established that has treated 852 patients. We also developed a dog bite facility that treated 1,172 patients. Under the ambit of the Engro volunteer program, Sahara clinic organized a free-of-cost hearing aid camp in Daharki. In this five-day camp, free consultation, audiometry testing, medication and digital hearing Aids were provided. A total of 566 individuals were screened, and 126 of them individuals were fitted with hearing Aid devices.



Pakistan has the second-highest prevalence of hepatitis C, with around 5% of the population infected. Engro's Hepatitis Program works actively to prevent the spread of this disease through awareness sessions, diagnosis, and treatment. In 2022, 358 Hepatitis awareness sessions were conducted in Daharki for 7,190 participants.

To help provide necessary aid and healthcare to flood victims, a range of initiatives were taken by Engro Fertilizers. A medical camp was held with the help of Sindh Rangers and Pakistan Army and treated over 30,000 patients during the flood relief activities.

Engro Fertilizers also arranged a medical camp for the flood affected families at in the districts of Gambat and Ghotki, with the support of the Pakistan Army and Sindh Rangers. A team of senior medical army and civil officers provided free-of-cost consultation, treatment, and medicine to about 3,000 patients who came from different adjoining areas. Patients requiring advanced treatment were also provided referencereferences and guidance for follow up.

To stop the spread of dengue and malaria, preventative measures were also taken in the form of fogging spray, which covered a population of more than 100,000 in its 15-day drive.







Engro Fertilizers has also conducted multiple blood donation drives in 2022. We joined hands with Fatimid Foundation to hold a blood donation drive at the head office and Zarkhez Plant with many employees stepping up to donate and help save lives and a total of 52 units of blood were donated. A second donative drive was organized in collaboration with the Fatimid Foundation, held across several locations in the country. The activity yielded 184 pints of blood to the Fatimid Foundation which makes approximately 74 liters of healthy blood, enough to help treat over 552 Thalassemia and Hemophilia patients.

#### Infrastructural support

To help provide nearby communities with a steady supply of clean water, Engro Fertilizers installed three solar Reverse Osmosis (RO) plants, with two at Daharki and one at the Ghotki railway station.

A new building for the Sahara school is currently in construction. We also help provide necessities such as benches and dustbins for the Punjab archeology sites and the installation of pumps and planting of 100,000 plants at the Bahawalpur border.

#### Flood relief

Through multiple initiatives carried out over the second half of 2022, provisions for the flood victims were made. Within the first three days of the flood, E-FERT's team, travelled through boats with the assistance of the Pakistan Army and reached areas submerged in water, providing aid in the form of rations in 34 locations, across three provinces, covering areas of Thatta, Ghotki, Khairpur Miras and Rajanpur all the way.

Collections and donations in the form of financial aid, dry ration, cooked food, clothes, Mosquito nets, shoes and all forms of basic necessities were distributed through volunteers. The collection and distribution efforts were conducted for a duration of two months and the teams went to remote, hard-to-reach areas with the help of Sindh Rangers, District management, Punjab Rangers and the Pakistan Army.

They covered the districts of Ghotki, Sukkur, Khairpur Miras and Rajanpur and distributed the following items:

Cooked food packets 7000+, Biscuits Cartons 500+, Dry Ration bags 1000+, Milk Cartons 300+, Tents 150+, Mospel Mosquito Bottles 300+, Medicine 150,000+ PKR worth, Mosquito nets 1000+, Stitched cloths 50 big sacks, and 12 dewatering Pumps



Additionally, we also provided relief to victims in the six districts of Mirpurkhas, Sanghar, Dadu, Shahdadkot, DG Khan and Rajanpur. Sales Managers of the Centre and South Zones visited the areas with their teams and were accompanied by Assistant Commissioners of the tehsils. Through this initiative, ration bags were distributed to more than 1,000 families.



# manufactured and intellectual capital

2022 witnessed historical challenges of the highest ever phosphate prices and inflation, depressed demand, and heavy government intervention in urea supplies preceded by devastating floods in Sindh, Balochistan, some parts of Punjab and KPK. The immediate damage to crops from floods alone is estimated to be PKR 350 billion nationally, let alone damage due to supply chain constraints due to overloaded infrastructure.

Despite those challenges, the Base Business team showed resilience and courage, remaining undeterred to close 2022 and enter 2023 strong and positive. Good going business leadership Amir Ghafoor, Muneeb Amir, Abdus Samad, Omar Javed, Tariq Sheikh and the rest of the team

Following are the key highlights of the year:

## phosphates

Phosphates business witnessed historically high prices followed by demand destruction, industry decline of 39% declining market prices and pileup of inventory with the network. Despite these challenges, the business delivered highest ever PA<sup>1</sup> by making gains where opportunity allowed, keeping the sourcing strategy smart and maintaining lean inventories, the strategy ensued that we are moving forward towards regaining our historical market shares with 23% MS in 2022 vs. 17% of 2021. By channelizing brand and network strength, business was able to sell 78 KT phosphates and 36 KT NP at a premium versus competition realizing additional NSR of PKR 517 million.

## urea

In an environment of intense government pressure Urea supplies were effectively managed in coordination with federal and provincial interfaces through FRC meetings and one on one coordination at the district and regional level by the field force. Through proactive planning and in coordination with the logistics team, placement savings of PKR 132 million were realized on full year basis. All urea avails were sold with zero discounts and dealer margins on Urea were revised based on rising cost of doing business.

## DMS

The Business played a leading role in driving technological application within the Division, continuing to transform the way Dealers manage their business with us. Through exceptional support from Commercial Excellence, Base business achieved DMS orders of PKR 132.9 billion i.e. 94.5% of total orders [of Ease Business]. Besides this, internet banking transfers of PKR 101.8 billion were registered, which is 89% of total cash business resulting in saving of financial charges worth PKR 206 million.

## HSE initiatives and community

Base Business conducted safe operations with Zero TRIR and FAFR with a BLI score of 96.

Under the umbrella of the Muhafiz Initiative, 3000 participants were engaged in HSE awareness sessions at dealer outlets, besides this, smog, firefighting awareness, first aid training, heat stroke awareness and electrical safety sessions were conducted across Pakistan.

An initiative of "Each One Plant One" was carried out, where 27,500 saplings were planted by North Team involving more than 13,000 community members including Students / Teachers / Doctors / Paramedics / Forest Department Staff and Dealers. The activity was done in 2 phases of Spring and Autumn seasons over a span of 90 days. Blood Donation Drive by NZ in collaboration with Fatimid Foundation for Thalassemia & Hemophilia Patients. The activity yielded 184 Blood Pints to Fatimid Foundation which makes approx.

74 Liters of Healthy Blood. This generous contribution of our donors will surely help to treat over 552 Thalassemia & Hemophilia Patients in the country. Flood relief activities were led by Center Zone with a focus on ration distribution in Dera Ghazi Khan, Rajanpur, Dadu, Shahdaddock, and Khairpur.

Our entire performance and the value that we add as a business is the result of close coordination and collaboration with our important interfaces and for this, we would like to appreciate the exceptional support provided by Finance / Accounting, Supply Chain, Digital Transformation / Commercial Excellence, Human Resource and Manufacturing through thick and thin.



## exponential increase in zabardast urea sales

Engro Zabardast Urea has achieved the target of 245 KT Sales, which is twice the volume of last year, by delivering a record 4X volume growth during Q4 at the highest-ever price premium over Urea.

## benefit to the country

By achieving 245 KT sales in 2022, Engro Zabardast Urea was applied on 4 Mn acres of cereal crops grown in Pakistan (i.e. ~13% of total cereal crops acreage). As a result, cereal produced from Engro Zabardast Urea application will provide zinc-enriched food to ~ 40 Mn people, enabling Pakistan in overcoming the problem of malnutrition and stunting.

Furthermore, our country will potentially be producing 300,000 MT of additional wheat due to Engro Zabardast Urea application in a year that was devastated by flood.

**benefit to the company**

Effective and timely pricing decisions resulted in Zabardast Urea achieving its highest-ever Nitrogen premium of 80% resulting in higher than planned margins.

For uplifting the farmers, Engro Fertilizers provided extensive avenues to educate the farmers and equip them with the latest farming methods for increasing crop yields and transforming the agricultural landscape.

**collaborative success by**



For uplifting the farmers, Engro Fertilizers provided extensive avenues to educate the farmers and equip them with the latest farming methods for increasing crop yields and transforming the agricultural landscape.

**mega farmer seminar on "increasing wheat productivity"**

Engro Fertilizers in collaboration with Ministry of Agriculture, Government of Punjab, organized Mega Farmer Seminars on "Increasing Wheat Productivity" in Bahawalpur, Kabirwala and Hafizabao.

It was the third consecutive year Engro Fertilizers hosted this high-profile seminar to grow awareness among the farming community on methods to Increase Wheat Productivity with Engro Fertilizers' "Seed to Harvest" solutions. The seminars were attended by an audience of roughly 1,500 farmers.

These mega-farmer seminars provide a platform for the academia, the industry, and representatives of the Government of Punjab to join hands in educating the farmers on new products and technology to help the farmers grow.



**international seminar on the role of potassium in climate smart agriculture, at university of faisalabad**

Engro Fertilizers in collaboration with Arab Potash and University of Agriculture, Faisalabad hosted an international seminar on 22nd, Sep 2022, on the Role of Potassium in Climate Smart Agriculture. The vulnerability of Pakistan to climate change was highlighted and it was emphasized to use balanced fertilizers, especially potassium, to make the crops resilient and tolerant to climate changes. The event was hosted at University of Agriculture, Faisalabad, and attended by Chief Guests and top management of EFERT, including international delegates from Jordan, Arab Potash Company, and the academia.



**mango festival, multan**

Engro Fertilizers sponsored Mango Festival, 2022 in CHA, Multan. Exotic varieties of mangoes were put on display by farmers from all over the country. This was attended by agriculturalists, farmers, buyers, academia, and representatives from the government.



### pakistan agri expo

Engro Fertilizers sponsored the Pakistan Agri Expo, 2022, organized by the Agriculture Department, Government of Punjab, on June 18th & 19th, 2022 at Expo Centre Lahore.

Farmers, students, agriculturalists, and industry leaders visited the expo for a two-day exhibition. Awais Leghari, Provincial Minister of Agriculture, Punjab, and other ministers graced the occasion with their presence.

Over 200 national and international exhibitors put up their exhibits, and the event was attended by around 20,000 farmers.



### punjab expo

Punjab Expo was held on Feb 27-28th in Sargodha and Mar 7-8th in DG Khan. It was attended by more than 400 people who are our core target audience (farmers and dealers).

### annual punjab expo held at sargodha

Engro Fertilizers participated at the Punjab Expo – Sargodha. The event was hosted by the University of Sargodha and attracted large crowds of farmers, agriculturalists, students, and the public from varied walks of life and was specific to the Citrus crop.



### engro muhafiz program

As per our commitment to social responsibility, EFERT Commercial division took the initiative and launched Engro Muhafiz Program in 2021.

The key objective of the program is to educate and support the community where we operate on Health, Safety and Environment.

A marathon of activities was held with the support of our dealers and Shandar Kissan to educate and help the community to improve HSE standards at their home and workplace.

A total of 246 activities were held across Punjab and Sindh and participated by over 10,000 people in communities where we operate. Major activities included free medical camps, blood donation drives, HSE awareness sessions at schools, tree plantation, awareness and precautionary measures during the heat wave, farm safety, etc.



# human capital

## developing 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. Major structural changes were introduced and new initiatives were implemented for greater efficiency, increased employee satisfaction and improved employee performance revolving around the areas of talent acquisition, service level agreements, proactive sourcing strategies, extensive onboarding programs, gender diversity, rewards transformation and capability development.

The Company also worked towards improving customer centricity, business ethics and anti-corruption measures and consumer protection measures.

## employee data by location in 2022





### HR governance process

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 personify 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 creation potential for our businesses and a successful corporate eco system.

Therefore, EFERT'S Board places great importance on people development and related policies and processes which 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 called Board People Committee (BPC) for review and stewardship of all HR matters including compensation, organization training and development of people.

The Company has a clearly documented Human Resource management policy which aims to attract, induct, develop, retain, and motivate high caliber talent who are qualified, capable, and willing to contribute their best towards accomplishment of Company objectives. To complement this policy several other policies have been developed for recruitment, compensation, and organizational development.



EFERT's HR policies encompass the following principles:

#### equal opportunity



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

#### training and development



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

#### performance management



- Have a transparent and merit-based performance management system in place.
- Have a 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 policies aligned with best companies in the market that compete for high quality talent.
- Clear linkage of reward policies with performance and potential.

#### diversity and non-discrimination



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

EFERT's HR policies are approved by the BFC, Board and are stewarded by MC 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 Peoples Officer (CPO). 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 Department at the plant.

The HR function was recently 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 employee 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 the 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 at least 3 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:



#### other benefits to permanent employees include:



#### streamlining of performance pay structure

EFERT 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 structure 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 rewards mix.
- Variable Pay has been redesigned, effectively rewarding high performance.

## rewards – policy

### 1. female transport

Engro partnered with Careem in an effort to provide safe and hassle-free mobility solutions for female employees. This collaboration was aimed at easing the commute to and from work for women at Engro as part of the Company's diversity, equity, and inclusion initiatives. This travel policy complements other initiatives introduced by Engro to create a gender-diverse workforce. Some of these initiatives include maternity and paternity leaves, and daycare solutions.

### 2. inflation relief adjustment

We were cognizant of the impact of the surge in prices of basic commodities and the change in income tax in the fiscal budget 2022-23 on the purchasing power of our employees and adjusted their compensation accordingly.

### 3. engro help central

Engro Help Central Portal was launched as a one-stop solution for all employee queries such as Salary Slip issuance, Tax related letters, and other Visa and Employment Related letters.

### 4. policy roadshow

To continue creating awareness about HR policies, the Rewards team conducted a series of sessions under "Our Effort for you- Policy awareness campaign". To enlighten and remind employees about all the benefits that they can avail of. 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 engagement 2022

Engro Fertilizers recognizes that employee engagement is critical for retaining valuable talent and is an important piece of the overall satisfaction puzzle. Engro Fertilizers' Board and HR management, therefore, take the results of the Employee Engagement Survey very seriously. These results are also stewarded at the group level by the group People Division.

The EES is conducted independently via a third party and was successfully rolled out across the group this year capturing a healthy response rate of 92% and an overall engagement score of 88%.

## people / talent development

People development is at the core of EFERT's people philosophy and is guided by the group's central idea and leadership competencies. EFERT recognizes the importance of talent management in organizational sustainability and continuity, by continuing to invest in its most valuable asset, its people.

A Talent Development Program has been introduced to empower talent to take ownership of their own development journeys at Engro. Designed with the philosophy of truth, trust and transparency at heart, the program will leverage the expertise of a dedicated Talent Development Council to articulate tailored development paths based on individual preferences and the organization's needs.

## leadership

# competency model





## training & education

### HR soft skills - management employees



### commercial technical skills - management employees



### supply chain technical skills - management employees



### manufacturing technical skills

management employees:

**10,793**

non-management employees:

**6,438**

leadership vs intert

executives:

**33**

management employees:

**2,035**

(including: men 1815 & women 220)

### total learning hours

executives:

**33**

management employees:

**30,297**

non-management employees:

**6,438**

overall learning hours:

**37,224**

## EFERT Trainer's club

In 2022, we launched EFERT Trainer's Club as an initiative to expand our thinking, share our experiences and encourage each other to master our growth through offering our expertise in bite-sized learning sessions. This was accomplished by upskilling 31 employees into trainers who then imparted soft skill knowledge to 300+ employees over 1500+ learning hours. Our female employees were encouraged to volunteer as trainers so they can undergo extensive training to become certified trainers and pass on the same to their fellow colleagues - polishing and training them for the leadership positions we aim to put them on.

Satisfaction Score: 81%



## powerful presence 3.0

To upskill our employees on personal effectiveness, we launched Powerful Presence – an initiative building on the foundation of personality, identity and self-confidence. Participants developed the skills to project a winning, positive demeanor that gets noticed, acknowledged and rewarded. Over the course of 700+ learning hours, 98 employees had the opportunity to enhance and polish their presence.

Satisfaction Score: 96%

### learn the business – HR sessions

EFERT HR kicked off Learn the Business module for its team through bite-sized learning sessions with various departments, the HR team enhanced its knowledge and understanding of different aspects of the business, their key challenges and processes and how these components have affected the pandemic. As HR plays a key role in business partnering, talent and performance management and culture building, it is essential for the team to expand its understanding of the work undertaken by various departments and individuals, to better support them.

This module will have more sessions in 2023 including cross-functional employees in order to continue the practice of learning and understanding the business and its challenges.

Satisfaction Score: 90%



### build your competencies workshop

To enhance our employees' understanding of Engro's leadership competencies, HR conducted an engaging session on two competencies: Puts People First and Truth, Trust & Transparency. Covering 200 learning hours, the session helped employees become familiar with the competency manifestations and how to consciously build these over in their every-day work life.

Satisfaction Score: 85%

### bootcamp

EFERT HR sent out participants to 2 different 3-day Bootcamps that were designed to provide participants with opportunities to reflect on past, present and future challenges and realize their own leadership potential in the face of personal and organizational challenges.

Satisfaction Score: 100%



## employee engagement

### today's women shaping tomorrow's world

Engro Fertilizers hosted women entrepreneurs who are successfully running their micro and small businesses. These women are role models for many, as they are not only managing the operations & commerce of their businesses but are breaking the societal biases that exist in our surroundings.

The marketplace was set up as part of the company's DE&I agenda, in a series of recognition and celebratory events, held in the month of March. Businesswomen who have initiated and started running their own brands show us the way how women can also increase their inclusion and growth in society.

The event titled "Today's Women Shaping Tomorrow's World" invited 13 such women who continue to be role models for many. They showcased a range of their locally produced products such as Dips & Sauces, Organic Skincare products, Resin decorations, crochet, arts & crafts, clay work, pottery and hand-painted wearables. Some of the businesses were also managed by differently-abled women, who despite their biases, stood determined to make a mark for themselves.

This was Engro's way of showing support to the women entrepreneurs and providing a platform for them to exhibit and grow their businesses.



### annual dinner

Engro Fertilizers organized their annual dinner with an Oscars theme, a fun-filled night it was - awarding and celebrations, having a mentalist read the minds of their employees, enjoying some legendary songs by Sha'iqat Amanat Ali and ending it with scrumptious food, laughter and unlimited memories to take home. The Annual Dinner was the perfect occasion to award and celebrate the exemplary efforts of EFERT's talented employees.



### EFERT's got talent - Independence day karaoke session

To celebrate Independence Day with fun and to awaken that patriotic spirit, Engro Fertilizer held an Independence Day Karaoke session.





**saadhay 14 august**

Engro Fertilizers HR recently invited all its employees along with their families to the iconic play 'Saadhay 14 August' by Anwar Maqsood. The show received an overwhelming response from the entire crowd, with everyone wanting to participate in more of these sessions in the future.



**counterstrike**

EFERT HR organized a Counter Strike game for a cross-functional engagement connect, where employees had to compete against each other for a full-day tournament through virtual combat to win the championship. From multiple departments that took part in the competition Supply Chain Division team won the finals.



**emotional wellness month**

Throughout the month of October EFERT celebrated Emotional Wellness month with biweekly mailers and challenges that encouraged everyone to share and indulge in activities that promote their emotional wellness.



### self-defense session

EFERT organized an empowering and highly engaged Self Defence training for the women of Engro. The session was led by Dr. Haiqa Nasir (kickboxing instructor and self-defence coach) and participants also learned a variety of basic self-defence techniques such as discerning body language, learning some basic self-defence tools, and practicing physical drills. Moreover, this session primarily focused on validating women's experiences, feelings, and emotions to instil confidence and courage and the importance of prioritizing safety.



### diversity and equal opportunity

108 women are currently employed at EFERT.  
23.4% of women in new joiners compared to 15% in 2021.  
03 women were hired in senior bands compared to 1 in 2021.  
04 women were transferred to EFERT from subsidiaries (29% of total transfers).  
33% as a % of new Graduate Trainee Engineers (GTEs).  
16 women were additionally hired as Trade Apprentices, which is an increase of 45% from last year.  
03 women were additionally hired as Warehouse Coordinators.  
01 woman was hired as Warehouse Supervisor.

### celebrating the highest ever PAT by phosphates business





## empowering our customers through digital innovation

### humsafar highlights

- ₹2.6% of Total Orders have been raised through DMS in 2022 by our Business Partners which comprises a value of 155.5Bn
- Milestone of 200 billion Orders through the Humsafar Dealer Management System since its inception was achieved in July 2022
- Milestone of 100 billion payments through Internet banking since the Dealer Management System's inception was achieved in August 2022

### learnings

We at EFERT are always committed to the growth and well-being of our people hence, job training always remains in focus. In the year 2023, Commercial Division has successfully recorded 10k+ Learning Hours. This is for the first time ever that Commercial Division has achieved such a landmark. It is notable here that approx. 70% of the Learning Hours have been recorded via Learning Management System.

Learning hours achieved by the Learning Management system comprise of a whopping 84% of the total learning hours of EFERT.





**financial**  
**statement**

## report of the board audit committee for the year ended december 31, 2022

### composition

The Committee is appointed by the Board and at the year-end, it comprised of two independent Directors:

Category	Name
a. Independent directors	Mr. Asad Said Jafar – Chairman
	Mr. Asim Murtaza Khan – Member
b. Non-executive directors	Mr. Javed Akbar – Member
c. Secretary	Mr. Jmair Ali Bhatti – Head of Internal Audit

The detailed profiles of the Audit Committee members are given on Director Profile section of the Annual Report 2022.

One of the Committee member is a qualified finance professional and the committee, as a whole, possesses significant economic, financial and business acumen.

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 compliance with 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 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.

The Committee has concluded its annual review of the operations of the Company for the year ended December 31, 2022 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, 2022 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 subsidiary 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, 2022;
- The Chairman of the Board, Chief Executive Officer 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 is continuously 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;
- Reviewed and investigated whistleblower complaints received during the year, details of which can be found in Internal Audit, Ethics & Compliance section of the Annual Report.

#### risk management and internal control

- The Company has developed a sound mechanism for identification of key 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's approach towards risk management has been disclosed in the risk assessment portion of the Annual Report. The types and detail of risks along-with mitigating measures are disclosed therein.
- 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 to provide independent opinion on whether the Company's risk management, governance and internal controls processes are operating effectively.

#### internal audit

- The Audit Committee has ensured achievement of objectives relating to internal controls systems including operational controls, compliance, risk management, financial reporting and determination of appropriate measures to safeguard the Company's assets.
- 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, 2022 and shall retire on the conclusion of the 14th 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 management;
- The external auditors have direct access to the Committee and Internal Audit Department, hereby ensuring the effectiveness, independence and objectivity of the audit process;
- A.F Ferguson & Co., Chartered Accountants also provides taxation and secondment 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 performance of the External Auditors. The engagement partner on the audit was Mr. Salman Hussain. Being eligible for reappointment under the Code of Corporate Governance, the Committee has recommended to the Board reappointment of A.F. Ferguson and Co., Chartered Accountants for the year 2023. A resolution to this effect has been proposed at the 14th Annual General Meeting.

### annual report 2022

- 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 explanatory notes and statements, and the Audit Committee believes that the Annual Report 2022 gives a detailed view of how the Company evolved, its state of affairs and future prospects.



Asad Said Jafar  
Chairman, Audit Committee

## statement of compliance with the listed companies (Code of Corporate Governance) Regulations, 2019

### Engro Fertilizers Limited

Year ended December 31, 2022

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 are Eight as per the following:
  - a. Male: 7
  - b. Female: 1

\*\* including the Chief Executive Officer
2. The composition of the Board is as follows:

Category	Name
i. Non-executive directors	Mr. Ghias Khan Mr. Javed Akbar Mr. Khawaja Bilal Hussain Mr. Ismail Mahmud
ii. Executive director	Mr. Ahsan Zafar Syed**
iii. Independent directors	Mr. Asm Murtaza Khan Mr. Asad Said Jafar
iv. Female director - Independent	Dr. Shamshad Akhtar

\*\*Mr. Ahsan Zafar Syed was appointed as the Chief Executive Officer during the year upon resignation of Mr. Nadir Salar Quershi

3. The directors have confirmed that none of them is serving as a director on more than seven (7) listed companies, including this company.

4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / Shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations;
9. The Board has arranged Directors' Training Program for Mr. Khawaja Bilal Hussain, Non-Executive Director and Mr. Ismail Mahmud, Non-Executive Director during the year 2022. Seven directors on the Board are duly certified or exempted from the Directors' Training Program, as of December 31, 2022;
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:
  - a) Board Audit Committee
 

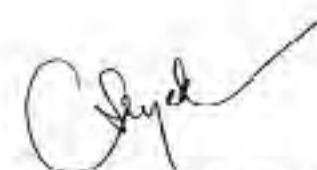
Mr. Asad Saeed Jafar - Chairman  
Mr. Javed Akbar  
Mr. Asim Murtaza Khan
  - b) Board People Committee i.e. HR and Remuneration Committee
 

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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings of the committee were as per following:
  - a) Board Audit Committee (5 meetings held during the year); and
  - b) Board People Committee (4 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, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.



Mr. Ghias Khan  
Chairman



Mr. Ahsan Zafar Syed  
CEO

Date: February 09, 2023



**INDEPENDENT AUDITOR'S REVIEW REPORT**

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, 2022 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, 2022.

Chartered Accountants  
Karachi

Date: March 2, 2023

UDIN: CR202210113ira9WNZS7

consolidated financial statements for the year  
**ended december 31, 2022**

**INDEPENDENT AUDITOR'S REPORT**

To the members of Engro Fertilizers Limited

**Opinion**

We have audited the annexed consolidated financial statements of Engro Fertilizers Limited (the Holding Company) and its subsidiary (together the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the key audit matter:

S. No.	Key audit matter	How the matter was addressed in our audit
1.	<p><b>Income tax and Sales tax provisions and contingencies</b></p> <p>(Refer notes 25 and 34 to the consolidated financial statements)</p> <p>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.</p> <p>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 or recognition and measurement of any provision and disclosure in respect of such provisions and contingencies.</p> <p>Due to the significance of the amounts involved, inherent uncertainties with respect to the outcome of the matters, legal forums at which these are currently pending and use of significant judgements and estimates to assess the same including related financial impacts, which may change over time as new facts emerge and matters progress, we have considered income tax and sales tax provisions and contingencies as a key audit matter.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>- obtained and examined details of the documentation relating to pending tax matters and discussed the same with the Group's management;</li> <li>- circularised confirmations to the Group's external legal and tax advisors for their views on matters being handled by them;</li> <li>- 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;</li> <li>- 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;</li> <li>- checked the mathematical accuracy of the calculations underlying the provisions; and</li> <li>- assessed the adequacy of the related disclosures made in the consolidated financial statements with respect to the applicable accounting and reporting standards.</li> </ul>

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

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the unconsolidated and consolidated 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 the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

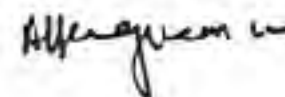
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely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

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

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

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

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



Chartered Accountants  
Karachi

Date: March 2, 2023

UDIN: AR262210113I2npEDB6G

**INDEPENDENT AUDITOR'S REPORT**

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, 2022, 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, 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, 2022 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

**Basis for Opinion**

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

**Key Audit Matters**

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

Following is the Key audit matter:

S. No.	Key audit matter	How the matter was addressed in our audit
1.	<p><b>Income tax and Sales tax provisions and contingencies</b></p> <p>(Refer notes 27 and 36 to the financial statements)</p> <p>The Company 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.</p> <p>Provisions and contingencies require management of the Company to make judgments 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 for recognition and measurement of any provision and disclosure in respect of such provisions and contingencies.</p> <p>Due to the significance of the amounts involved, inherent uncertainties associated with the outcome of the matters, legal forums at which these are currently pending and use of significant judgments and estimates to assess the same including related financial impacts, which may change over time as new facts emerge and the matters progress, we have considered income tax and sales tax provisions and contingencies as a key audit matter.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> <li>obtained and examined details of the documentation relating to pending tax matters and discussed the same with the Company's management;</li> <li>circulated confirmations to the Company's external legal and tax advisors for their views on matters being handed by them;</li> <li>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;</li> <li>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;</li> <li>checked the mathematical accuracy of the calculations underlying the provisions; and</li> <li>assessed the adequacy of the related disclosures made in the financial statements with respect to the applicable accounting and reporting standards.</li> </ul>

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

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

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

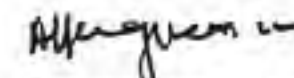
From the matters communicated with the Board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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 (XVII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

  
Chartered Accountants  
Karachi

Date: March 2, 2023

UDIN: AR2022101138tNUQdcll



# consolidated statement of financial position

as at december 31, 2022

(Amounts in thousands)

	Note	2022	2021
		Rupees	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	77,879,522	73,031,490
Intangible assets	5	5,287,090	5,301,400
Long term investments	6	2,204,759	-
Long-term loans, advances and deposits	7	208,531	60,798
		<u>85,578,792</u>	<u>78,393,697</u>
<b>Current assets</b>			
Stores, spares and loose tools	8	6,485,230	6,426,976
Stock in trade	9	16,868,436	13,480,961
Trade debts	10	3,772,128	3,089,812
Loans, advances, deposits and prepayments	11	2,795,316	2,237,144
Other receivables	12	17,226,238	12,677,009
Accrued income		175,078	19,310
Short-term investments	13	9,668,016	15,237,752
Cash and bank balances	14	2,834,098	1,256,722
		<u>59,034,540</u>	<u>54,424,608</u>
<b>TOTAL ASSETS</b>		<u><b>145,413,332</b></u>	<u><b>132,818,305</b></u>

(Amounts in Rupees)

	Note	2022	2021
		Rupees	
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Share capital	15	13,352,993	13,352,993
<b>Reserves</b>			
Share premium	16	3,384,904	3,384,904
Remeasurement of post employment benefits	16	(99,994)	(89,866)
Unappropriated profit	16	28,415,525	30,438,777
		31,700,436	33,733,815
<b>TOTAL EQUITY</b>		45,053,428	47,086,808
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	17	5,841,898	11,459,534
Government grant	18	890,939	925,494
Deferred taxation	19	8,154,834	11,942,999
Deferred liabilities	20	235,241	232,137
Provision for Gas Infrastructure Development Cass (GIDC)	21	2,315,163	6,363,848
		17,437,875	30,924,012
<b>Current liabilities</b>			
Trade and other payables	22	45,156,293	25,026,519
Accrued interest / mark-up		920,010	262,571
Taxation - net		4,511,651	1,381,183
Current portion of:			
- borrowings	17	6,827,730	5,755,811
- government grant	18	255,874	154,209
- deferred liabilities	20	70,193	63,804
- provision for GIDC	21	16,704,957	11,816,337
Short-term borrowings	23	7,826,110	4,117,658
Loan from Parent Company	24	1,000,000	5,200,000
Unclaimed dividend		49,211	49,471
		82,922,029	54,807,563
<b>TOTAL LIABILITIES</b>		100,359,934	85,731,575
<b>Contingencies and Commitments</b>	25		
<b>TOTAL EQUITY AND LIABILITIES</b>		145,413,332	132,818,383

The annexed notes from 1 to 52 form an integral part of these consolidated financial statements.

  
Imran Ali  
Chief Financial Officer

  
Ahsan Zafar Syed  
Chief Executive Officer

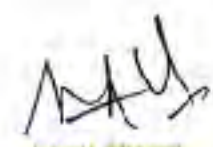
  
Umair Nisar  
Chairman

**ENGRO FERTILIZERS LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

(Amounts in thousand except for earnings per share)

	Note	2022	2021
		Rupees	
Net sales	23	157,016,930	132,363,138
Cost of sales	27	(114,169,791)	(88,283,978)
<b>Gross profit</b>		42,847,139	44,079,160
Selling and distribution expenses	23	(9,685,983)	(6,523,610)
Administrative expenses	23	(2,210,587)	(1,883,822)
		30,744,559	33,861,728
Other income	30	2,325,361	1,791,398
Other operating expenses	31	(2,523,538)	(2,653,002)
Finance cost	32	(2,621,808)	(1,002,197)
Other losses:			
- Remeasurement loss on provision for GIDC	21	(838,935)	(742,982)
- Loss allowance on subsidy receivable from GoP	12.3	(522,936)	(557,700)
		(1,362,871)	(1,300,682)
<b>Profit before taxation</b>		26,561,703	29,891,245
Taxation	34	(10,558,414)	(6,797,588)
<b>Profit for the year</b>		16,003,289	21,093,657
<b>Earnings per share - basic and diluted</b>	35	11.98	15.80

The annexed notes from 1 to 52 form an integral part of these consolidated financial statements.

  
Imran Ali  
Chief Financial Officer

  
Ahsan Zafar Syed  
Chief Executive Officer

  
Umair Nisar  
Chairman

**ENGRO FERTILIZERS LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

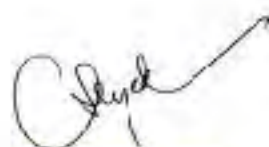
(Amounts in thousand)

	2022	2021
	Rupees	
Profit for the year	16,003,289	21,092,357
Other comprehensive loss:		
Items not potentially re-classifiable to profit or loss		
Remeasurement of post employment benefits obligations	(4,265)	(55,372)
Tax relating to remeasurement of post employment benefits obligations	4,137	16,117
	(10,128)	(39,455)
<b>Total comprehensive income for the year</b>	<b>15,993,161</b>	<b>21,053,202</b>

The annexed notes from 1 to 52 form an integral part of these consolidated financial statements.



Imran Ahmed  
Chief Financial Officer



Anwar Zahir Syed  
Chief Executive Officer



Ghias Khan  
Chairman

**ENGRO FERTILIZERS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

(Amounts in thousand)

	CAPITAL		RESERVES		Total
	Share capital	Share premium	Remeasurement of post employment benefits	Unappropriated profit	
	Rupees				
<b>Balance as at January 1, 2022</b>	13,352,993	3,384,904	(80,936)	30,438,777	47,095,738
Transactions with owners					
Dividends:					
- Final 2021: Rs. 5.00 per share	-	-	-	(6,676,497)	(6,676,497)
- 1st Interim 2022: Rs. 5.50 per share	-	-	-	(7,344,143)	(7,344,143)
- 2nd Interim 2022: Rs. 3.00 per share	-	-	-	(4,005,893)	(4,005,893)
<b>Total comprehensive income for the year ended December 31, 2022</b>	-	-	-	16,003,289	16,003,289
Other comprehensive loss:					
- remeasurements, net of tax	-	-	(10,128)	-	(10,128)
	-	-	(10,128)	16,003,289	15,993,161
<b>Balance as at December 31, 2022</b>	<b>13,352,993</b>	<b>3,384,904</b>	<b>(99,934)</b>	<b>28,415,525</b>	<b>45,053,428</b>
<b>Balance as at January 1, 2021</b>	13,352,993	3,384,904	(50,411)	30,043,254	46,730,740
Transactions with owners					
Dividends:					
- Final 2020: Rs. 4.00 per share	-	-	-	(5,341,193)	(5,341,193)
- 1st Interim 2021: Rs. 4.00 per share	-	-	-	(5,341,193)	(5,341,193)
- 2nd Interim 2021: Rs. 4.00 per share	-	-	-	(5,341,193)	(5,341,193)
- 3rd Interim 2021: Rs. 3.50 per share	-	-	-	(4,673,546)	(4,673,546)
<b>Total comprehensive income for the year ended December 31, 2021</b>	-	-	-	21,092,657	21,092,657
Other comprehensive loss:					
- remeasurements, net of tax	-	-	(39,455)	-	(39,455)
	-	-	(39,455)	21,092,657	21,053,202
<b>Balance as at December 31, 2021</b>	<b>13,352,993</b>	<b>3,384,904</b>	<b>(80,936)</b>	<b>30,438,777</b>	<b>47,095,738</b>

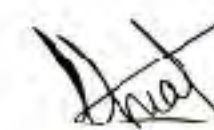
The annexed notes from 1 to 59 form an integral part of these consolidated financial statements.



Imran Ahmed  
Chief Financial Officer



Anwar Zahir Syed  
Chief Executive Officer



Ghias Khan  
Chairman

**ENGRO FERTILIZERS LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

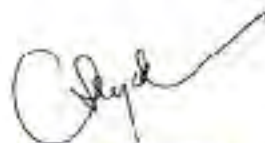
(Amounts in thousands)

	Note	2022	2021
Rupees			
<b>Cash Flows From Operating Activities</b>			
Cash generated from operations	38	41,281,371	19,037,610
Retirement and other service benefits paid		(76,037)	(150,653)
Taxes paid		(11,196,311)	(4,237,175)
Long-term loans, advances and deposits		(67,330)	(28,286)
Income on deposits / other financial assets		1,682,563	1,739,696
Net cash generated from operating activities		31,634,358	16,331,201
<b>Cash Flows From Investing Activities</b>			
Purchases of property, plant and equipment and intangibles	4.3	(8,377,314)	(10,557,290)
Proceeds from disposal of operating assets		418,378	11,907
Purchase of short-term and long-term investments		(307,666,500)	
Proceeds from sale of short-term investments		286,598,771	24,813,334
Net cash (utilised in) / generated from investing activities		(19,026,966)	14,257,046
<b>Cash Flows From Financing Activities</b>			
Proceeds from long-term borrowings	17.3	993,993	3,925,077
Loan from the Parent Company	24	(4,200,000)	4,200,000
Repayments of long-term borrowings	17.3	(5,771,383)	(9,352,034)
Finance cost paid		(2,177,382)	(1,430,005)
Dividends paid		(18,026,901)	(20,734,863)
Net cash utilised in financing activities		(29,181,273)	(23,338,305)
Net (decrease) / increase in cash and cash equivalents		(16,473,782)	7,250,837
Cash and cash equivalents at beginning of the year		12,377,216	5,126,378
Cash and cash equivalents at end of the year	40	(4,098,568)	12,377,216

The annexed notes from 1 to 52 form an integral part of these consolidated financial statements.



Amir Ahmad  
Chief Financial Officer



Aman Saeed Syed  
Chief Executive Officer



Ghina Kiani  
Chairman

**ENGRO FERTILIZERS LIMITED**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

(Amounts in thousands)

**1. LEGAL STATUS AND OPERATIONS**

Engro Fertilizers Limited (the Holding Company) is a public company incorporated in Pakistan on June 26, 2009 as a wholly owned subsidiary of Engro Corporation Limited (the Parent Company), which is a subsidiary of Rawood Hercules Corporation Limited (the Ultimate Parent Company). The Holding Company is listed on Pakistan Stock Exchange Limited (PSX). As at December 31, 2022, the Parent Company holds 56.27% share capital of the Holding Company.

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-5, Block 4, Scheme Number 5, Clifton, Karachi.
Engro Daharki Plant	District Ghakki, Sindh
Engro Zarkhez Plant	EZ / I / P - I - II Eastern Zone, Port Qasim, Karachi.
Seeds Processing Plant	Rahim Yar Khan, Punjab

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 reorganisation. The Holding Company transferred its business of trading and distribution of imported fertilizer to the new subsidiary and holds 10,000 ordinary shares of Rs. 10 each in EAPL.

**2. SUMMARY OF SIGNIFICANT 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 re-measurement of certain financial assets and liabilities at fair value through profit or loss and recognition of certain staff retirement benefits at present value.

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 on the Group comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and
- 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 these 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 Group'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) Amendments to accounting and reporting standards that became effective during the year**

There are certain amendments to published standards that are effective for the first time for the year ended December 31, 2022. However, these are considered not to have a significant impact on the Group's financial reporting and operations, and therefore have not been presented here.

**b) Standard and amendments to accounting and reporting standards that are not yet effective and have not been early adopted by the Group**

The new standard and amendments to published standards that are not effective for the period beginning on January 1, 2022 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations and, therefore, have not been disclosed in these consolidated financial statements.

**2.1.5** 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. Further, the Group also considers whether:

- it has power to direct the relevant activities of the subsidiaries;
- it is exposed to variable returns from the subsidiaries; and
- decision making power allows the Group to affect its variable returns from the subsidiaries.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-recognised from the date the control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises 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 recognised 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 or transactions between group companies are eliminated. Profits and losses (unrealised) 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 re-measured 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 recognised 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 recognised in other comprehensive income are reclassified to 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 for freehold land and capital work in progress which are stated at cost (less impairment losses, if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs (note 2.22). 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.

## 2.2.1 Depreciation

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 the consolidated statement of profit or loss over the lease period so as to produce a constant period 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.

Following initial recognition, computer software and licenses are carried at cost less accumulated amortisation and impairment losses, if any.

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, except for the Group's investment in its ERP i.e. OneSAP which is amortised over a period of 8 years.

### b) Rights for future gas utilization

Rights for future gas utilisation represent premium paid to the GoP for allocation of 100 MMSCFD natural gas for a period of 20 years for the Holding Company's 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 Holding 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.

## 2.4 Impairment (provisions)

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 each 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 the 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 cost to sell and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

## 2.5 Joint arrangements

Joint arrangements are arrangements in which the Holding Company has contractually agreed sharing of control, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint arrangements are classified as joint operations or joint ventures depending upon the rights and obligations arising from the joint arrangement. The Holding Company classifies a joint arrangement as joint operation when the Holding Company has the rights to the assets, and obligations for the liabilities, relating to the arrangement. The Holding Company classifies a joint arrangement as a joint venture when the Holding Company has the rights to the net assets of the arrangement.

In respect of an interest in a joint operation, the Holding Company recognises its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; its expenses, including its share of any expenses incurred jointly.

## 2.6 Financial assets

### 2.6.1 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:

- 1) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- 2) 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.

(Amounts in thousands)

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 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 the consolidated statement of 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 consolidated statement of profit or loss. Realised and unrealised gains and losses arising from changes in the fair values of the financial assets and liabilities held at fair value through profit or loss are included in the consolidated statement of profit or loss in the period in which they arise.

#### 2.6.2 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 risk 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 profit or loss and other comprehensive income (as the case may be).

#### 2.6.3 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses (ECL) 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 Group measures ECL of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- 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.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

(Amounts in thousands)

#### 2.7 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 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 recognised in the consolidated statement of profit or loss.

#### 2.8 Offsetting financial instruments

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

#### 2.9 Stores, spares and loose tools

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges incurred 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, spares and loose tools 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 under property, plant and equipment.

#### 2.10 Stock-in-trade

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

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

#### 2.11 Trade debts and other receivables

These are recognised initially at fair value plus directly attributable transaction costs if any and subsequently measured at amortised cost using effective interest rate method less provision for impairment, if any. The amount of provision is charged to the consolidated statement of profit or loss.

Trade debts and other receivables considered irrecoverable are written-off.

**2.12 Cash and cash equivalents**

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

**2.13 Share capital**

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

**2.14 Borrowings**

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

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

**2.15 Trade and other payables**

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

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

**2.16 Current and deferred income tax**

The tax expense for the year comprises current and deferred tax. Tax expense is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case, the tax expense is also recognised in other 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 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 tax laws that have been enacted or substantively enacted at 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 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.

**2.17 Employee benefits****2.17.1 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 the 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 2.17.3. Monthly contributions are made by the Group to the fund at rates ranging from 12.5% to 13.75% of basic salary; and
- defined contribution gratuity fund for the benefit of those management employees who have selected to opt out of defined benefit gratuity fund and defined contribution pension plans as more fully explained in note 2.17.3. Monthly contributions are made by the Group to the fund at the rate of 6.33% of basic salary.

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

**2.17.2 Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the Projected Unit Credit Method, related details of which are given in note 36 to the consolidated financial statements.

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

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

The Group also contributes to:

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

The pension scheme provides life time pension to retired employees or 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.

**2.17.3** In June 2011, the Group gave a one time irrevocable option to selected members of MPT Employees' Defined Benefit Gratuity Fund and Defined Contribution Pension Fund to join a new MPT 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 the Fund. Furthermore, from July 2011 onwards, the monthly contributions to Defined Contribution Pension Fund of such employees were discontinued.



**2.17.4 Service incentive plan**

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

**2.17.5 Employees' compensated absences**

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

**2.18 Provisions**

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

**2.19 Foreign currency transactions and translation**

These consolidated financial statements are presented in Pakistan Rupees, which is the Group's functional and presentation currency. Amounts presented in these consolidated financial statements have been rounded off to the nearest thousand, unless otherwise stated. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date 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 Revenue recognition**

Revenue from sale of goods is recognised when or as performance obligations are satisfied by transferring control of a promised good to a customer at a point in time. The assessment of satisfaction of performance obligations depends on the contractual terms i.e. either when the product is dispatched or when it is delivered by the Group at customer's premises.

Revenue from services is recognised when the related services have been rendered.

Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies. The credit limits in contracts with customers range from 30 to 180 days.

**2.21 Other income**

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.

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 capitalised 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 the consolidated statement of profit or loss as and when incurred.

**2.24 Government grant**

Government grant is recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate are expensed.

Government grant includes any benefit earned on account of a government loan obtained at below market rate of interest. The loan is recognised and measured in accordance with IFRS 9 "Financial Instruments". The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received.

**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.

**2.28 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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:

**2.1 Property, plant and equipment**

The Group reviews appropriateness of the rates of depreciation, useful lives and residual values 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 thousands)

### 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 depends 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 16 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 judgments 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 / judgments.

### 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.

	2022	2021
	Rupees	
Operating assets at net book value (note 4.1)	63,964,208	60,801,082
Capital work in progress (CWIP) (note 4.5)	7,793,135	1,031,680
Major spare parts and stand-by equipment	1,522,179	1,398,748
	<u>77,879,522</u>	<u>73,031,490</u>

### PROPERTY, PLANT AND EQUIPMENT

	2022	2021
	Rupees	
Operating assets at net book value (note 4.1)	63,964,208	60,801,082
Capital work in progress (CWIP) (note 4.5)	7,793,135	1,031,680
Major spare parts and stand-by equipment	1,522,179	1,398,748
	<u>77,879,522</u>	<u>73,031,490</u>

(Amounts in thousand)

### 4.1 Operating assets

	Land		Building on		Plant and machinery	Other fixtures	Capital	ECL - equipment	Stock	Intangible	Total
	Freehold	Leased	Freehold land	Leased land							
<b>As at January 1, 2021</b>											
Cost	15272	17281	3,892,790	448,271	181,91,058	2,561,581	1,882,247	1,189,200	98,229	1,917,880	11,949,884
Accumulated depreciation	-	-	(1,461,480)	(116,714)	(4,402,287)	(1,028,880)	(1,302,232)	(76,191)	(8,880)	(55,779)	(84,281,421)
Net book value	15272	17281	2,431,310	331,557	1,378,771	1,532,701	1,113,009	99,349	89,349	1,862,101	11,905,463
<b>Year ended December 31, 2021</b>											
Net book value - January 1, 2021	15272	17281	2,431,310	331,557	1,378,771	1,532,701	1,113,009	99,349	89,349	1,862,101	11,905,463
Transfer from CWIP (note 4.5)	-	-	1,49,540	1,847	1,49,744	1,49,744	-	-	-	1,49,540	1,49,744
Depreciation / write off (note 4.2)	-	-	-	-	(17,000)	-	-	(2,000)	-	(17,500)	(17,500)
Accumulated depreciation	-	-	-	-	(17,000)	-	-	(2,000)	-	(17,500)	(17,500)
Depreciation charge (note 4.2)	-	-	(17,000)	(17,000)	(17,000)	(17,000)	(17,000)	(17,000)	-	(17,000)	(17,000)
Net book value	15272	17281	2,414,310	314,557	1,361,771	1,515,701	1,096,009	97,349	72,349	1,844,601	11,888,463
<b>As at January 1, 2022</b>											
Cost	15272	17281	3,192,434	448,271	181,91,058	2,891,529	1,882,247	1,120,177	98,229	1,917,880	11,728,884
Accumulated depreciation	-	-	(1,424,880)	(116,714)	(4,402,287)	(1,117,480)	(1,302,232)	(76,191)	(8,880)	(55,779)	(84,281,421)
Net book value	15272	17281	1,767,554	331,557	1,378,771	1,774,049	1,079,995	1,111,987	89,349	1,862,101	11,647,463
<b>Year ended December 31, 2022</b>											
Net book value - January 1, 2022	15272	17281	1,767,554	331,557	1,378,771	1,774,049	1,079,995	1,111,987	89,349	1,862,101	11,647,463
Transfer from CWIP (note 4.5)	-	-	1,84,011	2,820	1,84,011	1,84,011	-	-	-	1,84,011	1,84,011
Depreciation / write off (note 4.2)	-	-	-	-	(1,49,744)	-	-	(2,000)	-	(1,49,744)	(1,49,744)
Accumulated depreciation	-	-	-	-	(1,49,744)	-	-	(2,000)	-	(1,49,744)	(1,49,744)
Depreciation charge (note 4.2)	-	-	(1,49,744)	(1,49,744)	(1,49,744)	(1,49,744)	(1,49,744)	(1,49,744)	-	(1,49,744)	(1,49,744)
Net book value	15272	17281	1,591,810	329,813	1,367,027	1,624,305	1,077,995	1,109,987	89,349	1,812,357	11,597,719
<b>As at December 31, 2022</b>											
Cost	15272	17281	3,281,218	448,271	1,82,12,073	2,981,290	2,081,991	1,119,987	1,08,229	1,917,880	12,109,884
Accumulated depreciation	-	-	(1,424,880)	(116,714)	(4,402,287)	(1,226,985)	(1,302,232)	(76,191)	(8,880)	(55,779)	(84,281,421)
Net book value	15272	17281	1,856,338	331,557	1,418,786	1,754,305	1,043,799	1,043,796	99,349	1,862,101	11,828,463
Period rate of depreciation (%)	-	-	2.63	12.91%	2.5	8.61%	2.91	1.61%	1.2	1.2	1.2

### 4.2 Depreciation charge for the year has been allocated as follows:

Cost of sales (note 27)	2,928,488	2,688,429
Selling and distribution expenses (note 28)	142,659	129,840
Administrative expenses (note 29)	185,254	65,931
	<u>3,256,411</u>	<u>2,884,200</u>

(Amounts in thousands)

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

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)
<b>Items having net book value Rs. 500 each or more</b>						
<b>Vehicle to employees</b>						
As per company policy	Muhammad Javed Zuberi	3,323	1,177	2,146	2,743	597
As per company policy	Azfar Naem	3,156	894	2,262	2,321	58
As per company policy	Sadia Zahid	2,856	877	1,979	2,483	434
As per company policy	Ashraf Nawaz	2,573	546	2,027	1,907	(124)
As per company policy	Fariq Anwar Khan	2,551	949	1,602	2,081	479
As per company policy	Jalal-uddin Akbar	2,855	113	2,742	2,989	247
As per company policy	Nadia Samad	2,774	811	1,963	2,383	420
As per company policy	Muhammad Hassan Siddiqi	2,504	225	2,279	2,314	35
As per company policy	Muhammad Mustafa Raza	2,552	342	2,210	2,557	347
As per company policy	Zahid Arif Shah	3,664	269	3,395	3,653	258
As per company policy	Umesh Ali Malik	3,241	1,331	1,910	1,974	64
As per company policy	Azfar Bhatti	2,881	901	1,980	1,914	(66)
As per company policy	Abid Iyaz	3,371	703	2,668	3,189	521
As per company policy	Abdul Karim Khan	3,071	392	2,679	2,933	254
		41,141	8,723	32,418	34,758	2,340
<b>Vehicles</b>						
Building	Syed Azeem Abbas	10,831	4,399	6,432	4,833	(1,599)
Building	Syed Hassan Raza	15,641	6,356	9,285	8,967	(348)
Building	Muhammad Imran ul Haq	7,321	3,178	4,143	3,333	(810)
Building	Tahir Saleem	42,411	21,144	21,267	4,200	(17,067)
Building	Muhammad Fayyaz	1,131	262	869	363	(506)
		77,335	35,339	41,996	19,396	(22,600)
<b>Plant and machinery</b>						
Building	Pent Waste Management Services Company	702,584	532,867	169,717	56,558	(113,159)
Building	Crescent Neal Trading	46,961	44,453	2,508	281,228	278,720
		749,545	577,320	172,225	311,786	(410,439)
<b>Items having net book value of upto Rs. 500 each</b>						
Leggers and other equipment	Vehicles	289,241	289,103	1,338	52,438	(48,665)
Year ended December 31, 2022		1,561,206	1,156,415	404,791	412,378	(313,707)
Year ended December 31, 2021		67,457	27,849	39,608	11,807	(27,801)

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

Location	Total area (acres)
Dakerki plant & colony	734
Zakheer plant land at Port Qasim	112.5

(Amounts in thousands)

4.5 Capital work in progress

	2022	2021
	Rupees	
Plant and machinery	5,127,846	6,077,816
Building and civil works including gas pipeline	98,842	36,211
Furniture, fixture and equipment	163,911	439,843
Advances to suppliers	2,331,266	1,418,666
Aircraft	-	2,578,022
Others	71,278	430,103
	7,793,135	11,031,660

4.5.1 includes Rs. 635,268 paid as advance representing the Holding Company's share in respect of a joint operation related to Pressure Enhancement Facility (PEF), as disclosed in note 49 to these consolidated financial statements.

	2022	2021
	Rupees	
4.5.2 Balance as at January 1	11,031,660	4,759,483
Additions during the year	6,264,683	10,486,228
Transferred to:		
- operating assets (note 4.1)	(11,324,129)	(3,857,020)
- intangible assets (note 5)	(188,480)	(346,122)
Balance as at December 31	7,793,135	11,031,660

## 4.6 INTANGIBLE ASSETS

	Goodwill	Right to use the Brand (note 5.1)	Refinery and Boilers	Right to future gas utilization	Total
	Rupees				
As at January 1, 2021					
Cost	1,00,000	4,170,995	1,281,867	102,312	5,555,174
Accumulated amortisation	-	-	(455,501)	(48,652)	(504,153)
Net book value	100,000	4,170,995	798,366	53,660	5,052,021
Year ended December 31, 2021					
Net book value - January 1, 2021	100,000	4,170,995	798,366	53,660	5,123,021
Transfer from CWIP (note 4.5.2 and 5.2)	-	-	346,122	-	346,122
Write off					
Cost	-	-	(75,675)	-	(75,675)
Accumulated amortisation	-	-	(1,036)	-	(1,036)
Amortisation (note 5.3)	-	-	(19,799)	(5,113)	(24,912)
Net book value	100,000	4,170,995	692,682	48,547	5,012,224
As at December 31, 2021					
Cost	100,000	4,170,995	1,492,304	102,312	5,865,611
Accumulated amortisation	-	-	(694,622)	(58,752)	(753,374)
Net book value	100,000	4,170,995	797,682	43,560	5,312,237
Year ended December 31, 2022					
Net book value - January 1, 2022	100,000	4,170,995	697,682	48,549	5,317,226
Transfer from CWIP (note 4.5.2 and 5.2)	-	-	188,480	-	188,480
Amortisation (note 5.3)	-	-	(176,792)	(5,110)	(181,902)
Net book value	100,000	4,170,995	709,370	43,439	5,224,804
As at December 31, 2022					
Cost	100,000	4,170,995	1,669,784	102,312	5,112,091
Accumulated amortisation	-	-	(721,344)	(58,873)	(780,217)
Net book value	100,000	4,170,995	898,440	43,439	5,212,874
Amortisation (note 5.3)	-	-	(12,356)	8%	

(Amounts in thousands)

**5.1 Goodwill and Right to use the brand**

Goodwill and right to use the brand represent amounts recognised on amalgamation of Engro Eximp (Private) Limited with the Holding Company, being the difference between the fair values of net assets at the time of amalgamation and the amount of consideration given.

Goodwill and right to use the brand have been allocated to the single Cash Generating Unit (CGU) having an indefinite life, till the time the related CGU is disposed / derecognized. The recoverable amount of cash generating unit is the higher of value in use or fair value less costs 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	5 years
Discount rate	16.5%

The valuation indicates sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in impairment of 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 Holding 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. OneSAP, which is being amortised over a period of 8 years.

	2022	2021
	Rupees	
Cost of sales (note 27)	15,157	22,098
Selling and distribution expenses (note 28)	4,371	4,750
Administrative expenses (note 29)	152,381	118,037
	<u>181,909</u>	<u>144,891</u>

**5.3 Amortisation for the year has been allocated as follows:**

Cost of sales (note 27)	15,157	22,098
Selling and distribution expenses (note 28)	4,371	4,750
Administrative expenses (note 29)	152,381	118,037
	<u>181,909</u>	<u>144,891</u>

**6 LONG TERM INVESTMENTS****At amortised cost**

Pakistan Investment Bonds (note 6.1)	<u>2,204,759</u>	-
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6.1 These bonds carry interest at the rates ranging between 13.04% to 17.57% and have maturity terms ranging between two to five years.

(Amounts in thousands)

**7 LONG-TERM LOANS AND ADVANCES - Considered good**

Loans and advances to:

- Executives (notes 7.1, 7.2, 7.3, 7.5 and 7.6)
- Other employees (notes 7.4 to 7.6)
- Deposits to suppliers

Less: Current portion shown under current assets (note 11)

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

	2022	2021
	Rupees	
Balance as at January 1	98,446	158,223
Disbursements	86,328	74,253
Repayments / amortisation	(137,160)	(132,040)
Balance as at December 31	<u>48,215</u>	<u>98,446</u>

**7.2 Details of loans and advances to executives**

	2022	2021
	Rupees	
Service incentive loans	200	39,580
Advances in respect of:		
- Car earn out assistance	208	745
- House rent	5,403	10,525
- Salary	25,315	24,803
- Others	16,589	22,687
	<u>48,215</u>	<u>98,446</u>

7.3 The maximum amount outstanding from executives at the end of any month during the year aggregated to Rs. 53,700 (2021: Rs. 121,577).

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

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

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

**8 STORES, SPARES AND LOOSE TOOLS**

Consumable stores, spares and loose tools

Less: Provision for surplus and slow moving items (note 8.1)

**8.1 Provision for surplus and slow moving items**

	2022	2021
	Rupees	
Balance as at January 1	857,923	640,750
Charge for the year	140,055	247,877
Reversal during the year	(61,587)	(24,797)
Written off during the year	(20,409)	-
Balance as at December 31	<u>907,932</u>	<u>857,923</u>

(Amounts in thousands)

9.2 During the year, the Group has written off stores, spares and loose tools amounting to Rs. 11,751 (2021: Nil)

	2022	2021
	Rupees	
<b>STOCK-IN-TRADE</b>		
Raw materials	1,635,352	2,550,642
Packing materials	411,864	390,934
Work in process	133,161	121,854
	<u>2,181,507</u>	<u>3,073,630</u>
Finished goods:		
- manufactured products (note 9.1)	5,501,621	1,893,084
- purchased and packaged products (note 9.1)	9,313,718	8,069,441
	14,895,339	10,562,525
Less: Provision for impairment against stock-in-trade (note 9.2)	(206,410)	(146,184)
	<u>16,868,436</u>	<u>13,489,961</u>

9.1 Above includes stock-in-trade costing Rs. 4,079,147 (2021: Nil) carried at net realisable value, amounting to Rs. 3,661,147 (2021: Nil).

	2022	2021
	Rupees	
<b>3.2 Provision for impairment against stock-in-trade:</b>		
Balance as at January 1	146,184	231,661
Charge for the year	173,758	111,129
Reversal during the year	(93,450)	-
Written off during the year	(18,092)	(195,565)
Balance as at December 31	<u>208,410</u>	<u>146,184</u>

9.3 During the year, the Group has directly written off stock-in-trade amounting to Rs. 218,945 (2021: Rs. 47,600).

	2022	2021
	Rupees	

## 10. TRADE DEBTS

<b>Considered good</b>		
- Secured (note 10.1)	3,016,421	2,716,063
- Unsecured	753,707	353,760
	<u>3,772,128</u>	<u>3,069,812</u>
Considered doubtful (note 10.3)	81,188	69,126
	<u>3,853,316</u>	<u>3,138,938</u>
Less: Provision for impairment against trade debts (note 10.3)	(81,188)	(69,126)
	<u>3,772,128</u>	<u>3,069,812</u>

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

(Amounts in thousands)

10.2 During the year, the Group has written off trade debts amounting to Rs. 2,204 (2021: Nil).

	2022	2021
	Rupees	
<b>10.3 Provision for impairment against trade debts</b>		
Balance as at January 1	69,126	19,684
Charge for the year (note 31)	12,426	49,242
Written-off during the year	(364)	-
Balance as at December 31	<u>81,188</u>	<u>69,126</u>

## 11. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

<b>Considered good</b>		
Current portion of long term loans and advances to executives and other employees (note 7)	74,154	152,851
Advances and deposits	1,696,913	1,273,153
Prepayments		
- Insurance	319,746	595,143
- Freight	164,876	38,251
- Others	539,627	177,740
	<u>2,795,316</u>	<u>2,237,144</u>

	2022	2021
	Rupees	
<b>OTHER RECEIVABLES</b>		
Subsidy receivable from the Government of Pakistan - net (notes 12.1 and 12.2)	4,048,818	4,571,754
Sales tax receivable (notes 12.8 and 12.9)	1,055,088	7,337,498
Due from the Parent Company	-	65,126
Due from Associated Companies:		
- Enpro Polymer and Chemicals Limited	135,898	87,382
- Enpro Powergen Qadirpur Limited	6,482	5,808
- Enpro Energy Limited	138,736	98,872
- Enpro Foundation	-	30,698
- Enpro Eximp Agriproducts (Private) Limited	4,670	7,586
- Enpro Energy Tarminst (Private) Limited	20,850	39,705
- Sindh Enpro Coal Mining Company Limited	1,161	2,122
- Think PVC (Private) Limited	7	-
- Enpro Peroxide (Private) Limited	4	-
- Enpro Powergen Thal (Private) Limited	941	-
- Enpro Energy Services Limited	117	-
- Enpro Digital Limited	89	-
- Enpro Entrashare (Private) Limited	1	103
- Enpro Eximp FZE	967,731	87,306
- Enpro Vopak Terminal Limited	2,990	1,760
Receivable from Defined Benefit Gratuity Fund - MPT (note 36.2.1)	22,604	34,224
Workers' profits participation fund (note 12.4)	374,563	209,154
Claims receivable - net (note 12.5)	78,650	76,650
Others	78,683	20,313
	<u>17,226,238</u>	<u>12,677,008</u>

12.1 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 (N) and NPK fertilizers (based on phosphorus content). This subsidy scheme was effective till May 27, 2015.

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. 100 per 50 kg 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 NPK fertilizers (based on phosphorus content).

In FY 2017, another subsidy scheme was announced by the GoP, effective July 01, 2017. Under the new subsidy scheme, aforementioned rates were replaced with Rs. 100 per 50 kg 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.

	2022	2021
	Rupees	
<b>12.2 Subsidy receivable from the Government of Pakistan - net</b>		
Gross subsidy receivable from the GoP	6,523,493	6,523,493
Less: Provision against doubtful receivable	(155,127)	(155,127)
Less: Loss allowance on subsidy receivable from the GoP (note 12.3)	(2,319,548)	(1,796,612)
	<u>4,048,818</u>	<u>4,571,754</u>

12.3 The movement in loss allowance on subsidy receivable from the GoP is as follows:

	2022	2021
	Rupees	
Balance as at January 1	1,796,612	1,238,912
Loss allowance for the year (note 33)	522,936	557,700
Balance as at December 31	<u>2,319,548</u>	<u>1,796,612</u>

12.3.1 As required under IFRS 9, an entity is required to assess changes in credit risk by taking into account the time value of money, reasonable and supportable assumptions regarding past events, current conditions, forecast of future events and economic conditions attached to its receivables and recognize expected credit loss, if any. Based on this, the Group has recomputed expected credit loss amounting to Rs. 2,319,548 (2021: Rs. 1,796,612) on subsidy receivable from the GoP giving due consideration to the time value of money based on expected recovery of the subsidy receivable. The Group, however, is confident of full recovery of the subsidy amount from the GoP.

	2022	2021
	Rupees	
<b>12.4 Workers' profits participation fund</b>		
Balance as at January 1	205,154	225,178
Charge for the year (note 31)	(1,125,437)	(1,490,846)
Payments during the year	1,290,848	1,464,822
Balance as at December 31	<u>374,563</u>	<u>205,154</u>

<b>12.5 Claims receivable - net</b>		
Gross claims receivable	442,476	76,650
Less: Provision against claims receivable (note 12.6)	(76,650)	-
	<u>365,825</u>	<u>76,650</u>

<b>12.6 Provision against claim receivable</b>		
Balance as at January 1	-	-
Charge for the year	(76,650)	-
Balance as at December 31	<u>(76,650)</u>	<u>-</u>

(Amounts in \$ thousand)

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

	Maximum aggregate amount outstanding at the end of any month	Paid Due				Total	
		Not Yet Due	1-30 days	31-60 days	More than 60 days	2022	2021
Parent Company	588,980	-	-	-	-	-	588,980
Associated Companies							
- Engro Powergen Cadipar Limited	9,832	465	(151)	(10)	5,251	6,452	1,802
- Sindh Engro Coal Mining Company Limited	5,185	1,161	2,382	(16)	-	1,161	2,122
- Engro Polymer and Chemicals Limited	151,586	25,100	56,166	14,447	144,714	114,884	107,580
- Engro Energy Limited	174,730	47,838	88,169	33	(322)	135,735	139,872
- Engro Powergen Thar (Private) Limited	941	(336)	176	157	940	941	-
- Engro Energy Services Limited	117	17	21	30	29	117	-
- Engro Vopak Terminal Limited	23,441	(50)	600	50	1,055	2,600	1,790
- Thrak PVC (Private) Limited	7	3	-	-	-	7	-
- Engro Peracids (Private) Limited	9	3	-	-	-	9	-
- Engro Energy Terminal (Private) Limited	78,360	(2,821)	43,627	26	190	20,980	31,705
- Engro Eximp Agriproducts (Private) Limited	14,294	-	1,408	-	3,158	4,873	1,565
- Engro Digital Limited	69	-	-	-	69	69	-
- Engro Foundation	86,010	-	-	-	-	-	38,091
- Engro Initiatives (Private) Limited	154	-	-	-	-	-	154
- Engro Cultiv FZE	467,751	87,423	-	(831)	111,268	467,751	47,333
		\$ 1,735	\$ 68,631	\$ 13,311	\$ 199,332	\$ 1,276,667	\$ 427,449

12.8 EAPL received an assessment order in 2021 from Deputy Commissioner Inland Revenue against sales tax periods of FY 2018-19. The Group has filed an appeal before the Commissioner Inland Revenue (Appeals) against the disallowances which is pending for hearing. The Group maintains adequate provision in these consolidated financial statements.

12.9 Sales tax receivable is net-of provision for input tax disallowance amounting to Rs. 196,800 (2021: Rs. 219,000).

12.10 During the year, the Holding Company and the Subsidiary Company entered into a separate agreement with Engro Eximp FZE (an associated company) for procurement of goods. The amount due pertains to price differentials recoverable from the associated company on purchases made during the year.

2022  
2021  
Rupees

### 13. SHORT TERM INVESTMENTS

#### At fair value through profit or loss

- Investment in units of mutual funds (note 13.1)

1,850,000 12,032,219

#### At amortised cost

- Pakistan Investment Bonds (note 13.2)  
- Treasury Bills (note 13.3)  
- Term Deposit Receipts (note 13.4)

2,524,976	1,263,708
5,034,580	1,666,775
458,460	256,350
8,018,016	3,206,833
9,888,016	15,237,752

13.1 This represents investment in 15,505,920 units (2021: 339,314,212 units) of Mutual Funds having cost amounting to Rs. 1,850,000 (2021: Rs. 12,032,219).

(Amounts in \$ thousand)

13.2 These bonds carry interest at the rates ranging between 14.64% to 17.66% (2021: 10.30%) per annum and maturing on various dates between 8 to 12 months.

13.3 These Treasury Bills carry interest at the rates ranging between 15.40% to 15.74% (2021: 10.35% to 10.84%) per annum and maturing on various dates between 4 to 10 months.

13.4 Term Deposit Receipts carry interest at the rate of 14.75% and 15% (2021: 12.25%) per annum and maturing in one to ten months.

2022  
2021  
Rupees

### 14. CASH AND BANK BALANCES

#### Cash at banks (i)

- deposit accounts (note 14.1)  
- current accounts (note 14.2)

441,955	313,488
2,340,930	943,023

#### Cash in hand

11,213	10,213
2,834,098	1,266,722

14.1 Deposit accounts carry return at the rates ranging from 8.25% to 14.6% (2021: 6.75% to 7.25%) per annum.

14.2 Includes Rs. 402,089 (2021: Rs. 237,350) held in foreign currency bank accounts.

14.3 The Subsidiary Company has a T-Call account with Bank Al-Habib Limited having nil balance as at December 31, 2022 and carried returns during the year ranging from 8.6% to 14.5% (2021: Nil).

2022  
2021  
Rupees

### 15. SHARE CAPITAL

#### Authorized Capital

1,400,000,000 (2021: 1,400,000,000)

Ordinary shares of Rs. 10 each

14,000,000	14,000,000
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#### Issued, subscribed and paid-up capital

258,132,299 (2021: 258,132,299) Ordinary shares of

Rs. 10 each, fully paid in cash

2,581,323	2,581,323
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9,999,993 (2021: 9,999,993) Ordinary shares of

Rs. 10 each issued as at January 1, 2010

on transfer of fertilizer undertaking

100,000	100,000
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1,032,800,000 (2021: 1,062,800,000) Ordinary shares of

Rs. 10 each, issued as fully paid bonus shares

10,628,000	10,628,000
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4,367,083 (2021: 4,367,083) Ordinary shares of

Rs. 10 each issued upon exercise of

conversion option by International Finance

Corporation (IFC)

43,670	43,670
13,362,093	13,362,093

(Amounts in thousands)

15.1 As at reporting date, the Parent Company held 86.27% (2021: 86.27%) of the share capital of the Holding Company.

15.2 These fully paid ordinary shares carry one vote per share and right to dividend.

16. RESERVES

	2022	2021
	Rupees	
<b>Capital reserves</b>		
Share premium	3,304,804	3,384,804
<b>Revenue reserves</b>		
Remeasurement of post employment benefits	(99,994)	(89,586)
Unappropriated profit	28,415,525	30,436,777
	28,316,531	30,348,911
	<u>31,700,435</u>	<u>33,733,815</u>

16.1 This reserve was created upon amalgamation of Engrs Exim (Private) Limited with the Holding Company.

(Amounts in thousands)

17. FINANCIAL INSTRUMENTS - Secured (Non-participating)

	Rate	Mark-up rate per annum	Maturity		Contracted / Contracting date	2022		2021	
			Number	Contracted / Contracting date					
<b>Long term finance utilized under various arrangements</b>									
<b>Senior Secured</b>									
Allied Bank Limited		3 months MCLR + 0.25%	3 half yearly		June 17, 2020	1,000,000		1,000,000	
Allied Bank Limited		3 months MCLR + 0.25%	10 half yearly		June 8, 2021	312,542		312,542	
Allied Bank Limited	17.2	3 months MCLR + 0.25%	4 half yearly		June 30, 2022	1,000,000		2,700,000	
Allied Bank Limited	17.2	3 months MCLR + 0.25%	3 half yearly		April 18, 2022	2,668,887		2,800,000	
<b>Debtors (various)</b>									
Deutsche Investitions- und Entwicklungsgesellschaft	17.2 and 17.5	3 months MCLR + 0.75%	3 half yearly		December 15, 2019	750,549		1,172,548	
MCB Bank Limited	17.2	3 months MCLR + 0.25%	4 half yearly		December 25, 2021	1,800,000		3,000,000	
MCB Bank Limited	17.2	3 months MCLR + 0.25%	4 half yearly		March 29, 2021	-		250,000	
MCB Bank Limited	17.4	3 months MCLR + 0.25%	3 half yearly		June 27, 2022	2,990,444		2,900,000	
MCB Bank Limited	17.4	3 months MCLR + 0.25%	10 quarterly		January 20, 2020	-		161,000	
MCB Bank Limited	17.4	3 months MCLR + 0.25%	10 quarterly		January 21, 2020	-		238,338	
Habib Bank Limited	17.4	3 months MCLR + 1.00%	30 quarterly		March 21, 2023	-		2,800	
Habib Bank Limited	17.4	3 months MCLR + 1.00%	30 quarterly		March 20, 2022	-		11,888	
Unsecured Term of Finance	10.8	2 months MCLR + 0.25%	1 half yearly		June 09, 2022	200,000		1,000,000	
						<u>8,807,888</u>		<u>14,717,486</u>	
<b>TERF Loans</b>									
Allied Bank Limited	17.3	1.50%	flexible		March 10, 2020	570,310		570,310	
Habib Bank Limited	17.3 and 17.4	1.00%	flexible		January 28, 2020	790,641		135,592	
MCB Bank Limited	17.3 and 17.4	1.00%	flexible		January 19, 2020	3,472,092		2,655,890.00	
						<u>4,844,753</u>		<u>3,447,952</u>	
<b>Less: Fair value adjustments on debt securities</b>						<u>(1,148,818)</u>		<u>(1,172,702)</u>	
						<u>3,695,935</u>		<u>2,407,650</u>	
<b>Less: Current portion under various facilities</b>						<u>(6,677,740)</u>		<u>(7,750,411)</u>	
						<u>8,018,195</u>		<u>4,657,239</u>	

17.1 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.

17.2 During the year, the Holding Company made principal repayments of long term finances to MCB Bank Limited, Allied Bank Limited, National Bank of Pakistan and Deutsche Investitions- und Entwicklungsgesellschaft amounting to Rs. 2,668,887, Rs. 1,883,333, Rs. 500,000 and Rs. 721,083, respectively.

17.3 During the year, the Holding Company acquired long term borrowings from Habib Bank Limited and MCB Bank Limited amounting to Rs. 744,183 and Rs. 249,807, respectively under "Temporary Economic Refinance Facility" (TERF) introduced by the State Bank of Pakistan in 2020. These borrowings have the same charge as the borrowings from other Senior Lenders on operating assets. Mark-up is chargeable at concessional rates ranging from 1.50% to 2.00% per annum and is payable in quarterly or semi-annual instalments starting from January 2023. Fair value adjustment arising on account of acquisition of these loans at below market rates has been recognised in the consolidated statement of profit or loss.

In accordance with IFRS 9 Financial Instruments, the Holding Company has recognised these loans at their fair value and the differential markup as deferred government grant income, as mentioned in note 15 to the consolidated financial statements, which will be amortised and set off against finance cost over the period of the facilities.



**(Amounts in thousands)**

- 17.4 Further, during the year, after the approval of the State Bank of Pakistan, term loans amounting to Rs. 407,188 were converted to TERF loans.
- 17.5 On March 3, 2021, the Financial Conduct Authority (FCA) announced the dates on which the panel bank submissions for all LIBOR settings will cease, after which LIBOR rates will no longer be available. The FCA confirmed that all LIBOR settings will cease to be provided by any administrator immediately after December 31, 2021 for 1-week and 2-month USD settings. This will not impact the Holding Company's DEG loan since the 6-month LIBOR rate is applicable on the loan which will be discontinued after June 30, 2023.
- 17.6 Following are the changes in long-term borrowings for which cash flows have been classified as financing activities in the consolidated statement of cash flows:

	2022	2021
	Rupees	
Balance as at January 1	17,215,345	13,575,894
Borrowings availed during the year	993,993	3,925,077
Amortisation of transaction cost	-	2,344
Repayment of borrowings	(5,771,083)	(9,352,034)
Fair value adjustment for below market rate - net (note 18)	(67,110)	(1,078,703)
Exchange loss	258,483	143,967
Balance as at December 31	12,669,628	17,215,345

**18. GOVERNMENT GRANT**

Balance as at January 1	1,079,703	-
Grant recognised on loan at below market interest rate	434,767	1,126,648
Less: released to the consolidated statement of profit or loss (note 32.1)	(367,657)	(46,945)
	1,146,813	1,079,703
Current portion	(255,874)	(154,209)
	890,939	925,494

- 18.1 The Holding Company recognised government grant on loan received at below market interest rate (notes 17.3 and 17.4) in accordance with IAS 20 'Accounting for government grants and disclosure of government assistance'.

	2022	2021
	Rupees	

**19. DEFERRED TAXATION**

Credit / (debit) balances arising on account of:		
- Accelerated depreciation allowance	15,078,826	17,284,340
Provision for:		
- staff retirement benefits	4,707	(30,101)
- Gas Infrastructure Development Cess (GIDC)	(6,467,059)	-
- surplus and slow moving stores and spares and doubtful receivables	(471,840)	(311,240)
	8,154,634	11,942,999

**(Amounts in thousands)****20. DEFERRED LIABILITIES**

	2022	2021
	Rupees	
Deferred income (note 23.1)	16,050	19,024
Service benefit obligations	259,375	248,017
Less: Current portion shown under current liabilities	(70,193)	(63,804)
	185,182	182,213
	235,241	232,137

- 20.1 This represents Rs. 90,027 received from Engr 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.

**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 million and this amount combined with the outstanding amount would be in the vicinity of Rs. 700 million. 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 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 dismissed by the SCP on November 02, 2020 (Review Decision). However, the Review Decision (i) noted that the Government of Pakistan (GoP) 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 Fertiliser Fuel Stock) to approach the appropriate forum for enforcement of the exemption provided under the provision 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 number of installments.

The Holding Company also filed a suit before the 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.

## (Amounts in Rupees)

Further, against the GIDC instalment 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 against the Holding Company on collecting GIDC on feed-stock 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 these consolidated financial statements in respect of feed gas received under the GSPA.

Considering the events and developments in GIDC case 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 instalments, as also referred to in the Review Decision.

	2022	2021
	Rupees	
<b>21.1 The movement in provision for GIDC is as follows:</b>		
Balance as at January 1	18,180,185	17,437,203
Re-measurement loss on provision for GIDC	800,035	742,962
Balance as at December 31	19,020,120	18,180,185
Less: Current portion of provision for GIDC	(16,704,957)	(11,816,337)
	2,315,163	6,363,848

## 22. TRADE AND OTHER PAYABLES

Creditors	4,976,897	5,337,020
Accrued liabilities (notes 22.1 to 22.3)	26,382,389	14,333,278
Advances from customers, contract liabilities	11,608,307	4,254,127
Payable to Parent Company	179,170	2,089
Payable to:		
- Frestancampina Engro Pakistan Limited	361	1,271
- Engro Foundation	127,927	-
- Defined Contribution Provident Fund	30,900	32,056
- Defined Contribution Provident Fund - NMPT	6,326	6,071
- Defined Contribution Gratuity Fund - MPT	16,061	15,359
- Defined Contribution Pension Fund	984	478
- Defined Benefit Gratuity Fund - NMPT	127,063	87,006
Deposits / Retention from dealers and contractors (note 22.4)	307,664	270,725
Workers' welfare fund	939,941	1,052,638
Withholding tax payable	235,470	126,146
Others	312,264	489,354
	46,166,202	29,028,510

## 22.2. COURT CASES

**22.1** On June 4, 2021, the Sindh High Court (SHC) through its judgement upheld the Sindh Development and Maintenance of Infrastructure Cess Act, 2017 promulgated retrospectively with effect from July 01, 1994 as valid and declaring it within the competence of provincial legislature. The Group maintains adequate provision in these consolidated financial statements and has filed Civil Petition for Leave to Appeal (CPLA) before Supreme Court of Pakistan ("SCP") to challenge the SHC judgement. On September 01, 2021, the SCP granted an interim relief in the appeals and suspended the SHC judgement. The Group carries a provision of Rs. 3,235,065 (2021: Rs. 2,526,550) in this respect.

**22.2** On June 10, 2021, the Holding Company filed a Suit before the SHC in which it prayed that Sui Northern Gas Pipelines Limited (SNGPL) be directed to supply the contracted / committed volume of feed gas at concessionary pricing under the Gas Sale and Purchase Agreement (GSPA) and in accordance with the Fertilizer Policy 2001, Instructions to Bidders and various Economic Coordination Committee decisions.

The SHC was pleased to grant an ad Interim stay vide its order dated June 21, 2021, directing the parties to maintain status quo with regard to disconnection of gas supply and pricing. The Group, without prejudice to the pending Suit and any admission of liability, has on prudent basis recorded a provision of Rs. 8,706,126 (2021: Rs. 2,484,496) in these consolidated financial statements.

**22.3** During the year, the Holding Company received a letter from one of its gas suppliers, which indicated that the pricing of gas supplied to the Holding Company from the gas field would be higher of the applicable Petroleum Policy or the gas price notified by the Oil and Gas Regulatory Authority ("OGRA") for the fertilizer sector and such charge shall be applicable from the date of execution of the Gas Sale and Purchase Agreement (GSPA).

In this regard, the Holding Company has submitted a formal response to the gas supplier. Without prejudice to the foregoing and any admission of liability, the Holding Company has on prudent basis recorded a provision amounting to Rs. 2,380,450 (2021: Nil) in these consolidated financial statements.

**22.4** The amount is kept in separate term deposits account as per the terms of agreements and is not utilized for the purpose of the business of the Group.

## 23. SHORT TERM BORROWINGS

### Holding Company

The Holding Company has funded facilities for short-term finances available from various banks and institutional investors amounting to Rs. 14,225,000 (2021: Rs. 15,125,000) along with non-funded facilities of Rs. 6,160,000 (2021: Rs. 3,827,000) for bank guarantees. The rates of mark-up on funded bank overdraft facilities ranged from 0.2% to 0.5% (2021: 0.2% to 0.5%) per annum over 1-month and 3-month KIBCR and all facilities are secured by floating charge upon all present and future stocks including raw and packing 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. The Holding Company has utilized Rs. 7,325,110 (2021: Rs. 4,177,658) from funded facilities and Rs. 7,366,087 (2021: Rs. 3,664,957) from non-funded facilities as at the reporting date.

## FINANCIAL POSITION

### Subsidiary Company

The facilities for short-term running finances, available from various banks, aggregate to Rs. 14,225,000 (2021: Rs. 12,725,000). The rates of mark-up on the funded bank overdraft facilities ranged from 0.02% 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 bank debts, outstanding invoices, receivable claims, and bills of the Holding Company. As at December 31, 2022, the Subsidiary Company has utilized Nil (2021: Nil) out of the aforementioned facilities.

## 21- LOAN FROM PARENT COMPANY

Represents subordinated loan from the Parent Company amounting to Rs. 1,000,000 (2021: Rs. 5,200,000) for a period of eleven months. The mark-up is payable on quarterly basis at the rate of 3 months KIBOR + 0.1% (2021: 3 months KIBOR + 0.1%) per annum.

## 22- CONTINGENCIES AND COMMITMENTS

### Contingencies

25.1 As at December 31, 2022, bank guarantees of Rs. 3,117,070 (2021: Rs. 5,332,632) have been issued in favour of third parties.

25.2 In 2021, the income tax department (i.e. Large Taxpayers Unit (LTU)) initiated income tax audits of the Holding Company u/s 177 of the Income Tax Ordinance, 2001 for the Tax Year (TY) 2015, 2016, 2016 and 2020 and sales tax audits u/s 25 of the Sales Tax Act, 1990 for TY 2017, 2018 and 2019 in accordance with the sectoral audit directive issued by FBR. As such, the Holding Company received audit selection notices for all these years.

In respect of income tax audits, the tax department completed the audits and issued amendment orders for all tax years creating an aggregate demand of Rs. 18,565,262. Disallowances raised in the orders mainly included credit entries in bank statements treated as revenue, suppressed sales, inadmissibility of expenses, provision of expenses to exempt income and chargeability of WPPF and Super Tax on the revised taxable income. The Holding Company had filed an appeal before the Commissioner Inland Revenue (Appeals) (CIRA) against all amendment orders. During the year the decision of the CIRA has been received for all these years where the legal objections inter alia taken up on the selection / conduct of audit in this manner have been upheld. In these orders favorable decision has been made on majority of the matters while maintaining inadmissibility of certain expenses and disallowance of WPPF aggregating to Rs. 581,808. The Holding Company has filed an appeal before ATR against the unfavorable decision of CIRA.

Subsequently, the tax department has issued appeal effect orders based on favorable CIRA's decision and has additionally maintained disallowance of amortisation of intangibles aggregating to Rs. 184,148 as well as WPPF in the tax year 2018. Appeal before CIRA has been filed against these orders.

In respect of sales tax audits, during 2021, the tax department only issued a Show Cause Notice (SCN) for TY 2017. The Holding Company filed Constitutional Petitions before the SHC challenging the SCN issued for TY 2017 as well as the audit selection notices for TY 2017, 2018 and 2019. On December 13, 2021, the SHC granted ad-interim orders in favour of the Holding Company for all three tax years.

The Holding Company's management considers, based on the legal / tax advisor's opinion, that it has reasonable grounds to defend the case and therefore will not be exposed to any additional liability in this respect.

## 23- DISALLOWANCE

25.3 During the year, in respect of TY 2018, the Holding Company received an order from the Assistant Commissioner Inland Revenue (ACIR) restricting brought forward losses having a tax impact of Rs. 880,910. This disallowance has been made in the assessment orders relating to prior years which are pending in appeals. Certain errors have been made in relation to allowance of credits which are being taken up in rectification.

The Holding Company's management considers, based on the tax advisor's opinion, that it has reasonable grounds to defend the case and therefore will not be exposed to any additional liability in this respect.

25.4 The Holding Company filed a constitutional petition in the SHC against the Ministry of Petroleum and Natural Resources (MPNR), Ministry of Industries and Production (MIP) and SNGPL for continuous supply of 100 mmscfd gas per day to the Holding Company's new plant (Eriyon) and to prohibit from suspending, discontinuing or curtailing the aforementioned supply. Through its order dated October 16, 2011, the SHC ordered that SNGPL should supply 100 mmscfd gas per day to the Holding 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 Khinocr Mills Limited alongwith twenty one other companies (mainly engaged in textile business). The aforementioned petitions are pending for further hearing. The Holding Company's management, as confirmed by the legal advisor considers the chances of these petitions being allowed to be remote.

Further, the Holding Company upon continual curtailment of gas after the aforementioned decision of the SHC has filed an application in respect of Contempt of Court under Article 100 & 204 of the Constitution of Pakistan. The Holding Company, in the aforementioned application has submitted that SNGPL and MPNR have failed to restore full supply of gas to the Holding Company's plant despite the judgment of the SHC in the Holding 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 (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 prohibited on the output from Qadirpur gas field exceeding 500 mmscfd by 100 mmscfd and, therefore, the Gas Sale and Purchase Agreement (GSA) dated April 11, 2007 between the Holding Company and 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 not rightly rejected these contentions, and is of the view that it has a strong case for the reasons that (i) 100 mmscfd gas has been allocated to the Holding Company through a transparent international competitive bidding process held by the Government of Pakistan, and upon payment of valuable license fee; (ii) GSA guarantees uninterrupted supply of gas to the Holding Company's new plant, with right to 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 Government of Pakistan nor the GSA predicated 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 the SCP. However the Holding Company's management, as confirmed by the legal advisor, considers chances of petitions being allowed to be remote.

25.6 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 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 its dominance 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 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 the 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 COP for reassessment. The Holding Company has also challenged the composition of the CAT before the 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 the legal advisor, hence no provision has been made in this respect.

25.7 In 2015, the Holding Company received a sales tax order from the tax department for the tax periods January 01, 2013 to December 31, 2013 pertaining to discharge of output tax liability, on assumed production of urea amounting to Rs. 402,875 and on presumption that output tax liability is not being discharged by the Holding Company on advances received from dealers amounting to Rs. 1,844,075. The Holding Company filed an appeal thereagainst with the CIRA 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.

25.8 In 2016, the tax department (i.e. Large Taxpayers Unit (LTU)) issued an order for the period June 2016 to July 2017 with a cement of Rs. 1,036,000 mainly on account of further sales tax to be charged on fertilizers sales to unregistered persons. The Holding Company filed an appeal before the CIR(A) who disposed off the appeal in favour of the tax department. Thereafter, the Holding Company filed an appeal before the ATIR and it also decided the same in favour of the tax department. The Holding Company challenged the ATIR Order, to the extent of its ruling in relation to exemption from further sales tax, before the SHC by filing Sales Tax Reference Application. On October 11, 2021, the SHC granted an ad-interim order restraining the tax department from taking coercive action against the Holding Company in respect of the recovery of the impugned demand. The Holding Company's management believes that the chances of ultimate success are good, hence, no provision has been made in this respect in these consolidated financial statements.

25.9 In 2017, the High Court of Islamabad through 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 2019, the SCP decided the case on ex-parte basis against the contractor. In 2021, the SCP accepted the review application for the case restoration. During the year, the case has been heard announcing the appeal in favour of the Contractor. Detailed judgement is awaited. No provision has been made by the Holding Company in this regard.

25.10 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 had not accepted the said treatment for tax year 2013, however the matter was decided in favor of the Holding Company by the Commissioner Income Tax Appeals (CIT(A)), against which the tax department has filed an appeal with the Income Tax Appellate Tribunal (ITAT). However, the department had given appeal abject order to the aforementioned favourable decision of the CIT(A) for tax year 2013.

In 2019, in respect of tax year 2013, the matter was decided by the ITAT in favor of the Holding Company and the department's appeal in this respect was rejected. The Holding Company's management is confident of a favorable outcome on this case.

25.11 In accordance with section 4C 'Super tax on high earning persons' introduced in the Income Tax Ordinance, 2001 (the Ordinance) through the Finance Act, 2022, a super tax at ten percent has been imposed on the specified sectors (including the fertilizer sector) in case the income exceeds Rs. 300,000 for the year ended December 31, 2021 (tax year 2022) while for other sectors super tax was levied at four percent. The Group filed a petition against the imposition of super tax before the Sindh High Court (SHC). The SHC in its judgement dated December 22, 2022, declared that "the super tax levy shall only be applicable from the tax year 2023" and the imposition of higher rate on the specified sectors as discriminatory. The Group's management has recorded provision of super tax at the rate of four percent amounting to Rs. 1,117,098 in these consolidated financial statements (note 34) on account of prudence and, based on professional advice, considers that the chances of additional super tax levy of six percent amounting to Rs. 1,780,847 are remote and therefore no provision is recorded thereagainst in these consolidated financial statements.

25.12 Subsequent to the year end, the Holding Company received an amendment order in respect of TY 2021, allowing disallowances having a tax impact of Rs. 910,564. The disallowances mainly pertain to disallowance of WPPF and minimum tax on stock-in-trade.

The Holding Company's management considers, based on the tax advisor's opinion, that it has reasonable grounds to defend the case and therefore will not be exposed to any additional liability in this respect.

25.13 For tax matters, refer note 34 (i) these consolidated financial statements.

	2022	2021
	Rupees	
25.12 Commitments		
Commitments in respect of capital expenditures and other operational items	14,239,254	11,420,843
<b>VI NET SALES</b>		
Gross sales:		
- manufactured products	96,214,160	90,859,715
- purchased and packaged products	62,178,947	44,638,562
- services	911,726	436,343
	159,304,833	135,934,620
Less: Trade discounts	(477,581)	(833,183)
Less: Sales tax	(1,710,372)	(2,740,840)
	157,116,880	132,360,597

(Amounts in thousands)

	2022	2021
	Rupees	
<b>VI. COST OF SALES</b>		
<b>Cost of sales - Manufactured products</b>		
Raw materials consumed	40,419,382	28,916,053
Salaries, wages and staff welfare (note 27.1)	2,918,123	3,175,744
Fuel and power	13,720,734	11,731,038
Repairs and maintenance	5,814,393	2,838,538
Depreciation (note 4.2)	2,928,489	2,888,420
Amortisation (note 5.3)	15,157	22,098
Consumable stores	1,610,742	1,648,888
Training, HSE and other related expenses	906,447	728,968
Purchased services	1,090,080	738,827
Travelling	186,666	66,890
Communication, stationery and other office expenses	42,253	25,343
Insurance	864,863	694,082
Rent, rates and taxes	101,534	160,487
Other expenses	47,789	14,261
<b>Manufacturing cost</b>	<b>70,665,551</b>	<b>51,149,330</b>
Add: Opening stock of work in process	121,854	107,333
Less: Closing stock of work in process (note 9)	(133,161)	(121,854)
<b>Cost of goods manufactured</b>	<b>70,654,244</b>	<b>51,134,809</b>
Add: Opening stock of finished goods	1,893,084	5,020,293
Less: Closing stock of finished goods (note 9)	(5,681,621)	(1,893,094)
	<b>66,965,707</b>	<b>54,261,980</b>
<b>Cost of sales - Purchased and packaged products</b>		
Opening stock - net of provision	3,814,363	1,277,492
Add: Purchases during the year	47,673,993	41,563,869
Less: Closing stock - net of provision	(9,284,272)	(6,814,363)
	<b>42,204,084</b>	<b>34,026,998</b>
	<b>114,169,791</b>	<b>88,288,978</b>

27.1 Salaries, wages and staff welfare includes Rs. 218,923 (2021: Rs. 193,692) in respect of staff retirement benefits.

(Amounts in thousands)

	2022	2021
	Rupees	
<b>VII. SELLING AND DISTRIBUTION EXPENSES</b>		
Salaries, wages and staff welfare (note 28.1)	1,423,316	1,293,186
Training, HSE and other related expenses	196,958	106,306
Product transportation and handling	5,287,193	4,557,106
Royalty (note 28.2)	1,412,086	1,284,441
Repairs and maintenance	19,223	9,861
Advertising and marketing	489,963	270,056
Rent, rates and taxes	542,182	583,345
Communication, stationery and other office expenses	22,203	26,682
Travelling	240,040	43,535
Depreciation (note 4.2)	142,659	129,640
Amortisation (note 5.3)	4,371	4,756
Purchased services	90,664	110,492
Insurance	9,274	18,903
Others	25,241	21,496
	<b>9,665,963</b>	<b>8,529,610</b>

28.1 Salaries, wages and staff welfare includes Rs. 121,112 (2021: Rs. 107,622) in respect of staff retirement benefits.

28.2 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.

	2022	2021
	Rupees	
<b>VIII. ADMINISTRATIVE EXPENSES</b>		
Salaries, wages and staff welfare (note 29.1)	720,632	396,059
Training, HSE and other related expenses	50,792	42,227
Repairs and maintenance	17,145	1,316
Rent, rates and taxes	154,631	309,374
Communication, stationery and other office expenses	10,932	12,567
Travelling	40,358	17,432
Depreciation (note 4.2)	186,254	65,931
Amortisation (note 5.3)	162,391	118,037
Purchased services	1,168,528	1,137,457
Aircraft operating expense (note 29.2)	(327,807)	(57,297)
Insurance	20,650	42,261
Other expenses	12,896	8,462
	<b>2,216,597</b>	<b>1,683,822</b>

29.1 Salaries, wages and staff welfare includes Rs. 51,666 (2021: Rs. 41,691) in respect of staff retirement benefits.

29.2 This is net of recoveries from group companies.

**(Amounts in thousands)**

	2022	2021
	Rupees	
<b>30. OTHER INCOME</b>		
<b>On financial assets</b>		
Income on government securities, term deposit receipts, mutual fund units and bank deposits	1,838,431	1,631,204
<b>On non-financial assets</b>		
Gain on disposal of operating assets (note 4.3)	313,757	-
Scrap sales	124,733	89,632
Others	48,410	90,182
	486,930	159,194
	<u>2,325,361</u>	<u>1,790,398</u>

**31. OTHER OPERATING EXPENSES**

Workers' profits participation fund (note 12.4)	1,125,437	1,490,846
Workers' welfare fund	246,218	415,758
Donation (note 31.1)	282,881	431,051
Legal and professional	129,922	120,699
Provision for impairment against trade debts (note 10.3)	12,426	49,242
Trade debt written off	2,204	-
Directors' fees	18,378	18,690
Auditors' remuneration (note 31.2)	42,590	18,184
Loss on disposal of operating assets (note 4.3)	-	27,701
Write off of intangibles (note 5)	-	84,639
Exchange loss	644,492	-
Others	18,880	22,492
	<u>2,523,538</u>	<u>2,658,002</u>

**31.1** During the year, the Holding Company made donations to Engro Foundation amounting to Rs. 253,000 (2021: Rs. 233,000). Mr. Ghias Khan, the Chairman of the Board, and Mr. Ahsan Zafar Syed, the Chief Executive Officer of the Holding Company, are also the trustees of Engro Foundation.

	2022	2021
	Rupees	
<b>31.2 Auditors' remuneration</b>		
Fee for:		
- audit of annual financial statements	3,819	3,630
- special audit / review of half yearly financial information	820	725
- review of compliance with the Code of Corporate Governance	60	72
- certifications, advices and audit of retirement funds	13,477	8,572
- taxation services	22,300	5,308
Reimbursement of expenses	2,114	1,477
	<u>42,590</u>	<u>18,184</u>

**(Amounts in thousands)**

	2022	2021
	Rupees	
<b>32. FINANCE COST</b>		
Interest / mark-up / return on:		
- long-term borrowings under:		
- interest / mark up arrangements (note 32.1)	1,493,247	1,357,288
- Shariah permissible arrangements	113,483	77,662
	1,606,730	1,434,950
- short-term borrowings under:		
- interest / mark up arrangements (note 32.2)	789,634	37,027
- Shariah permissible arrangements	18,457	58,653
	808,091	89,680
Foreign exchange loss - net	146,987	77,567
	<u>2,621,808</u>	<u>1,602,197</u>

**32.1** This is net of government grant income on TERF loans amounting to Rs. 367,657 (2021: Rs. 46,945) (note 18).

**32.2** This is net of interest income amounting to Rs. 222,000 (2021: Rs. 133,000) earned on credit facilities offered to customers.

**33. LOSS ALLOWANCE ON (LIABILITY) RECEIVABLE FROM GOP**

This represents loss allowance recognised on 'Subsidy receivable from the Govt' (note 12.3) 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 Govt.

	2022	2021
	Rupees	
<b>34. TAXATION</b>		
Current		
- for the year (note 34.2)	7,807,730	8,516,255
- for prior years (note 34.3)	6,539,049	-
	14,346,779	8,516,255
Deferred (notes 34.3 and 34.4)	(3,768,365)	281,333
	<u>10,578,414</u>	<u>8,797,588</u>

The Group continually evaluates its tax position based on amendments by the taxation authorities and developments thereon. Adequate provision in this respect is being maintained in these consolidated financial statements without prejudice to the tax proceedings before any appellate / judicial forum and admission of any liability in this respect. Matters where there is a difference between the position taken by taxation authorities and the Group's own position based on its assessment of law and in accordance with its legal / tax consultant's opinion, such matters are being reported as contingent liabilities. Please refer note 25 in this respect.

**34.1** Includes an amount of Rs. 945,591 (2021: Nil) on account of provision made by the Group in accordance with section 4C 'Super tax on high earning persons' introduced in the Income Tax Ordinance, 2001 through Finance Act, 2022, whereby a super tax at four percent has been levied on income exceeding Rs. 300,000 for the year ended December 31, 2022 (tax year 2023) and onwards.

**34.2** Includes super tax aggregating to Rs. 1,187,098 in respect of tax year 2022 as explained in note 25.11.

34.3 Includes deferred tax expense arising on account of recognition of deferred tax asset / liability on the deductible / taxable temporary differences at the rate of 33% (including 4% super tax as explained in note 34.1 above) being the new rate substantively enacted at the balance sheet date and is expected to apply to the periods when the asset is realized or the liability is settled. Liability as at December 31, 2021 was recognised at 28% being the rate then enacted.

34.4 This includes an amount of Rs 11,42,068 (2021: Nil) relating to disallowance of GUDC provision by the income tax department on account of non-payment. The Holding Company has therefore recognized the prior year charge and a corresponding impact on deferred tax asset (note 16) which shall be reversed once the matter is settled by the Court as disclosed in note 21.

34.5 In 2020, the income tax department amended the assessment filed by the Holding Company for tax year 2015. The Holding Company filed an appeal before the CIR(A) against the disallowances, which mainly pertained to provision of expenses to exempt / FTR incomes, tax credit on investment in plant and machinery, disallowance of deductible allowances for WWF / WPPF resulting in demand of Rs. 1,145,227 (additions to taxable income of Rs. 3,305,905). In addition, the tax department raised demand for Super tax amounting to Rs. 476,629.

During the year, the appeal was heard by CIR(A) and favorable decision was passed mainly pertaining to provision of expenses to exempt income, tax credit on investment in plant and machinery, and disallowance of deductible allowances for WWF and WPPF, hence, reducing the aggregate demand to Rs. 284,586. The Holding Company has filed appeal before ATIR against the unfavorable decision of CIR(A).

Subsequently, the tax department has passed appeal effect order based on favourable CIR(A)'s decision and has maintained disallowance on deductible allowance for WPPF having tax impact of Rs. 269,435. Appeal before CIR(A) has been filed against this matter.

The Holding Company maintains adequate provision in these consolidated financial statements and is confident of an ultimate favorable outcome on this amendment.

34.6 In 2015, the income tax department amended the assessment filed by the Holding Company for tax year 2014. The Holding Company filed an appeal before the CIR(A) against the disallowances, which mainly pertained to exchange gain and loss, loss on derivative and lease purchased from Engro Edimp Agriproducts (Private) Limited, an associate, under section 59B of the Income Tax Ordinance, 2001 resulting in demand of Rs. 1,231,201 (additions to taxable income of Rs. 3,191,853). 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 the CIR(A) and favorable decision was made in respect of exchange gain and loss 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 CIR(A) before the Income Tax Appellate Tribunal which is pending to be heard.

The Holding Company maintains adequate provision in these consolidated financial statements and is confident of an ultimate favorable outcome on this amendment.

34.7 In 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 the CIR(A) for disallowances made in the orders which mainly included provision of expenses to exempt / FTR incomes, exchange loss disallowances, loss on derivative and lease purchased from Engro Edimp Agriproducts (Private) Limited, an associate, under section 59B of the Income Tax Ordinance, 2001, resulting in cumulative demand of Rs. 1,380,658 (cumulative additions of Rs. 16,73,825 to taxable income) for these tax years. Subsequently, the CIR(A) passed an order for tax years 2015, 2016 and 2017 maintaining most of the additions made by the taxation officer in the amendment order, whilst allowing deletion of expenses on allocable basis to exempt income and claim of exchange losses on realized basis. The Holding Company, as well as the tax department, filed appeals against the CIR(A)'s order before the ATIR.

Through order dated February 26, 2020, ATIR decided the amendment orders for TY 2015 and 2016 mainly in favor of the Holding 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 the SHC for 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.

34.8 In 2014, the income tax department amended the assessment filed by the Holding Company for TY 2010 and 2011. The Holding Company filed appeals thereagainst before the 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 charge in respect of exchange gain and loss incurred for TY 2010 and TY 2011, and loss on derivative for TY 2011 raising a demand in respect of these years in aggregate of Rs. 1,076,488. The Holding Company had challenged the said decision before the SHC. In the year 2020, the matter was heard, and is reserved for judgement.

The Holding Company maintains adequate provision in these consolidated financial statements and is confident of an ultimate favorable outcome on this amendment.

34.9 In 2016, 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 vire of Section 4B of the ITO. An interim order was granted in favour of the Holding Company. On July 21, 2020, the SHC held that Section 4B was ultra vires the Constitution (SHC Judgment). Thereafter, the Holding Company filed a Civil Petition for Leave to Appeal (CPLA) before the SPC challenging the SHC Judgment. The CPLA was filed by the Holding Company only in relation to TY 2018 i.e. the year which was challenged before the SHC as well.

Pursuant to the SHC Judgment, the tax department passed orders to the Holding Company for TY 2015 to 2019 in relation to recovery of Super Tax amounting to Rs. 2,110,481. The Holding Company filed appeals against the orders before the CIR(A).

On November 26, 2020, the SPC 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.

34.10 As a result of merger in the year 2008, all pending tax issues of the then Parent Company, Engro Chemical Pakistan Limited 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 SHC against the below mentioned ATIR's decisions in the Holding Company's favor. No hearing has been conducted to-date. The reference application includes the following matters:

- Group Relief (Financial year 2008 to 2008): Rs. 1,500,847
- Inter-Corporate Dividend (Financial year 2007 to 2008): Rs. 358,500
- G.P. Apportionment (Financial years 1995 to 2002): Rs. 683,030

The Holding Company maintains adequate provision in these consolidated financial statements and is confident of an ultimate favorable outcome on these cases.

**(Amounts in Rupees)****34.11 Relationship between tax expense and accounting profit**

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

	2022	2021
	Rupees	
Profit before taxation	26,581,703	23,890,245
Tax calculated at the rate of 29% (2021: 29%)	7,702,894	6,969,171
Tax effect of:		
- Expenses not allowed for tax	168,484	171,450
- Change in tax rate	1,316,053	-
- Final / Special Tax Regime and exempt income	3,200	(42,633)
Super Tax	2,132,692	-
Effect of prior year tax reversal (note 34.12)	(770,895)	-
Tax charge for the year	10,568,414	3,797,588

34.12 This is net of the corresponding deferred tax impact.

**35 EARNINGS PER SHARE (EPS)**

35.1 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.

35.2 As at December 31, 2022, there is no dilutive effect on the basic earnings per share of the Holding Company. EPS is based on the following:

	2022	2021
	Rupees	
Profit for the year	18,003,289	21,092,667
	Numbers of shares	
Weighted average number of ordinary shares (in thousands)	1,335,299	1,335,299

**36 FINANCING STRUCTURE | MODE****Conventional mode:****Assets**

	2022	2021
	Rupees	
Short-term investments	9,668,016	15,237,752
Long-term investments	2,103,692	-
Cash and bank balances	2,634,004	1,200,000
	14,805,712	16,504,440

**Liabilities**

	2022	2021
	Rupees	
Long-term borrowings	12,169,628	13,215,345
Short-term borrowings	7,920,110	4,117,050
Loan from Parent Company	1,000,000	5,200,000
	20,995,738	25,533,003

**Sherah compliant mode:****Assets**

	2022	2021
	Rupees	
Cash and bank balances	34	34

**Liabilities**

	2022	2021
	Rupees	
Long-term borrowings	500,000	1,000,000

**(Amounts in Rupees)****37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

37.1 The aggregate amounts for remuneration, including all benefits, to chief executive, directors and executives of the Group are given below:

	2022		2021			
	Directors	Executives	Directors	Executives		
	Chief Executive	Others	Chief Executive	Others		
	Rupees		Rupees			
Managerial remuneration including bonus	110,445	2,653	3,148,857	107,928	1,461	2,814,028
Staff retirement benefits	7,941	150	302,485	5,382	120	245,601
Other benefits	43	3	54,458	158	4	39,428
Fees	-	18,378	-	-	16,590	-
Total	118,449	21,363	3,502,978	113,374	18,175	3,098,956
Number of persons, including those who worked part of the year	3	9	523	3	7	460

37.2 The Group also provides vehicles and certain household items for use of some executives and directors.

37.3 Premium charged in respect of directors' indemnity insurance policy, purchased by the Holding Company during the year, amounted to Rs. 245 (2021: Rs. 237).

**38 RETIREMENT AND OTHER SERVICE BENEFITS****38.1 Salient features**

The Group offers a defined post-employment gratuity benefit to permanent management and non-management employees. In addition, until June 30, 2005, the Group offered a defined post-employment pension benefit to management employees in service which has been discontinued and the plan now only covers a handful of retired pensioners.

The gratuity and pension funds are governed under the Trusts Act, 1882, Trust Deed and the Rules of the 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 the Board of Trustees of the fund.

The Group 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 Special Saving Certificates, Regular Income Certificates, Defence Saving Certificates or Government Bonds. However, investments in equity instruments are 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 funds as advised by the actuary.

- In addition to above, the pension fund exposes the Group to Longevity risk i.e. the pensioners survive longer than expected.

### 38.2 Valuation results

The local actuarial valuation of the defined benefit plans was carried out as at December 31, 2022 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		NPT		2022	2021
2022	2021	2022	2021		
Rupees					

#### 38.2.1 Consolidated statement of financial position reconciliation

Present value of obligation (note 38.2.2)	349,731	311,656	30,624	72,202	19,103	33,324
Fair value of plan assets (notes 38.2.4 and 38.2.5)	(222,668)	(214,646)	(113,126)	(108,426)	(43,900)	(42,521)
Deficit / (surplus) of funded plans	127,063	97,008	(22,604)	(34,224)	(24,797)	(20,497)
Unrecognised asset	-	-	-	-	24,797	20,497
Net liability / (asset) at end of the year	127,063	97,008	(22,604)	(34,224)	-	-

#### 38.2.2 Movement in net liability / (asset) recognised

Net liability / (asset) at beginning of the year	97,008	16,522	(34,224)	(21,780)	-	-
Charge / (Reversal) for the year (note 38.2.5)	28,758	22,429	(1,375)	(197)	(2,278)	(978)
Payments made to outgoing members by the Company	-	-	-	(3,782)	-	-
Remeasurements charged to OCI (note 38.2.7)	-1,255	66,057	12,999	(2,485)	3,276	978
Net liability / (asset) at end of the year	127,063	97,008	(22,604)	(34,224)	-	-

Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan - Funded (Curtailed)	
NMPT		NPT		2022	2021
2022	2021	2022	2021		
Rupees					

#### 38.2.3 Movement in defined benefit obligation

As at beginning of the year	311,656	419,057	72,202	67,423	22,324	49,839
Current service cost	17,558	21,080	2,423	2,377	-	-
Interest cost	36,958	35,334	8,075	5,680	2,400	2,118
Benefits paid during the year	(3,112)	(208,148)	-	(2,914)	(3,089)	(3,192)
Remeasurements charged to OCI (note 38.2.7)	(13,331)	46,703	7,813	(244)	(2,562)	(3,438)
As at end of the year	349,731	311,656	80,524	72,202	19,103	22,324

#### 38.2.4 Movement in fair value of plan assets

As at beginning of the year	214,646	395,100	109,423	99,909	42,021	35,520
Expected return on plan assets	25,730	33,285	11,871	8,134	4,678	3,096
Benefits paid during the year	(3,112)	(208,146)	-	(2,914)	(3,089)	(3,192)
Remeasurements charged to OCI (note 38.2.7)	(14,600)	(9,354)	(5,177)	2,241	(540)	4,087
As at end of the year	222,668	214,650	113,125	108,426	43,900	42,521

#### 38.2.5 Charge / (reversal) for the year

Current service cost	17,558	21,080	2,423	2,377	-	-
Net interest cost	11,228	1,348	(3,804)	(2,574)	(2,278)	(978)
	28,786	22,429	(1,379)	(197)	(2,278)	(978)

#### 38.2.6 Actual return on plan assets

	11,749	24,631	7,007	10,375	7,581	7,192
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#### 38.2.7 Remeasurement recognised in the Consolidated Statement of Comprehensive Income

(Gain) / loss from change in experience assumptions	(13,761)	47,767	7,813	(244)	(1,332)	286
(Gain) / loss from change in financial assumptions	430	516	-	-	(1,230)	(3,724)
Remeasurement of obligation	(13,331)	48,703	7,813	(244)	(2,562)	(3,438)
Expected return on plan assets (note 38.2.4)	25,730	33,285	11,871	8,134	4,678	3,096
Actual return on plan assets (note 38.2.6)	(11,749)	(24,631)	(7,007)	(10,375)	(7,581)	(7,192)
Difference in fair value opening	619	-	305	-	3,443	-
Remeasurement of plan assets	14,600	9,354	5,177	(2,241)	540	4,087
Effect of asset ceiling	-	-	-	-	4,300	6,512
	1,289	58,057	12,698	(2,699)	2,278	678

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan - Funded (Curtailed)	
	NMPT		MPT		2022	2021
	2022	2021	2022	2021		
<b>38.2.8 Principal actuarial assumptions used in the actuarial valuation</b>						
Discount rate	13.25%	11.75%	13.25%	11.75%	13.25%	11.75%
Expected per annum rate of return on plan assets	13.25%	11.75%	13.25%	11.75%	13.25%	11.75%
Expected per annum rate of increase in salaries - next year	12.25%	10.75%	13.25%	11.75%	-	-
Expected per annum rate of increase in salaries long term	12.25%	10.75%	13.25%	11.75%	-	-

**38.2.9 Demographic Assumptions**

	SLIC (2001-05) - I	SLIC (2001-05) - I	SLIC (2001-05) - I
Mortality rate			
Rate of employee turnover	Light	Heavy	-

**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 Plans		Pension Plan	Gratuity Funds		Pension Fund
	NMPT	MPT		NMPT	MPT	
	Rupees					
Discount rate	220,060	30,004	8,363	385,730	92,518	10,000
Long term salary increases	383,730	32,501	-	319,562	88,587	-
Long term pension increases	-	-	20,005	-	-	18,281

**38.2.11 Maturity Profile**

Time in Years	Gratuity Plans		Pension Plan
	NMPT	MPT	
	Rupees		
1	15,029	2,442	3,370
2	25,322	58,750	3,088
3	19,378	25,685	2,810
4	34,330	22,375	2,536
5-10	281,535	27,193	10,114
11-15	567,574	-	3,437
16-20	706,977	-	1,121
20+	2,787,164	-	445
Weighted average duration (years)		8.43	2.12
			3.87

**38.2.12 Plan assets comprise of the following:**

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan - Funded (Curtailed)	
	NMPT		MPT		2022	2021
	2022	2021	2022	2021		
	Rupees (%)					
Fixed Income Instruments	151,084	13	85,495	76	30,000	68
Investment in equity Instruments	54,728	25	20,721	21	-	-
Cash	5,955	1	3,912	3	13,900	32
	222,665	100	113,128	100	43,900	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.

**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 income 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, 2023 is as follows:

	Rupees
- Gratuity Fund - NMPT	35,461
- Gratuity Fund - MPT	6,536
- Pension Fund	(3,007)

**38.2.15 Historical information of staff retirement benefits:**

	2022	2021	2020	2019	2018
	Rupees				
<b>Gratuity Fund - NMPT</b>					
Present value of defined benefit obligation	(340,731)	(311,000)	(414,007)	(304,014)	(285,070)
Fair value of plan assets	(222,688)	(214,650)	(286,165)	(177,820)	(175,811)
Surplus	117,652	97,000	127,842	126,694	109,007
<b>Gratuity Fund - MPT</b>					
Present value of defined benefit obligation	91,524	72,202	57,423	54,519	134,068
Fair value of plan assets	(113,128)	(105,420)	(86,965)	(112,937)	(136,832)
Surplus	(22,004)	(34,218)	(29,542)	(58,418)	(22,764)
<b>Pension Plan</b>					
Present value of defined benefit obligation	19,103	22,324	26,838	24,018	24,600
Fair value of plan assets	(43,000)	(42,821)	(38,320)	(38,277)	(38,104)
Surplus	(24,007)	(20,497)	(11,482)	(14,259)	(13,504)

(Amounts in thousands)

39.3 An amount of Rs. 386,459 (2021: Rs. 522,111) has been charged during the year in respect of defined contribution plans maintained by the Parent Company.

	2022	2021
	Rupees	
<b>39 CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	26,561,703	29,890,245
Adjustment for non-cash charges and other items:		
Depreciation (note 4.2)	3,256,411	2,854,200
Amortisation of intangibles (note 5.3)	161,000	144,801
Amortisation of deferred income	(3,865)	(3,865)
Gain on disposal of operating assets (note 30)	(313,787)	-
Loss on disposal of operating assets (note 31)	-	27,701
Write off of intangibles (note 31)	-	64,639
Provision for retirement and other service benefits	79,267	67,414
Income on deposits / other financial assets (note 30)	(1,838,431)	(1,831,204)
Exchange loss on revaluation of long term borrowings (note 17.6)	298,483	143,907
Amortization of transaction cost on borrowings (note 17.6)	-	2,344
Remeasurement gain on GDC provision (note 2')	839,935	742,932
Finance cost (note 32)	2,434,821	1,455,836
Provision against stock-in-trade (note 9.2)	173,758	111,129
Provision for surplus and slow moving stores and spares (note 8.1)	140,055	241,970
Reversal of provision against stock in trade (note 9.2)	(93,450)	-
Reversal of provision against stores and spares (note 8.1)	(61,567)	(24,797)
Stock-in-trade written off (note 9.3)	218,945	-
Written down of stock-in-trade to net realisable value (note 9.1)	428,000	-
Provision for impairment against trade debts (note 10)	12,428	49,242
Trade debts written off (note 10.2)	2,204	-
Stores and spares written off (note 8.2)	11,751	-
Provision against claim receivable (note 14.5)	76,850	-
Loss allowance on subsidy receivable from the GoP	522,936	667,730
Working capital changes (note 39.1)	8,382,937	(15,636,826)
	<u>41,291,071</u>	<u>19,067,618</u>
<b>39.4 Working capital changes</b>		
(Increase) / decrease in current assets		
- Stores, spares and tools	(158,473)	(233,334)
- Stock-in-trade	(4,105,728)	(5,067,916)
- Trade debts	(716,946)	(212,701)
- Loans, advances deposits and prepayments	(636,875)	757
- Other receivables	(5,148,815)	(4,931,143)
	<u>(10,766,837)</u>	<u>(11,444,357)</u>
Increase / (decrease) in trade and other payables	(9,129,774)	(4,192,489)
	<u>8,382,937</u>	<u>(15,636,826)</u>

(Amounts in thousands)

**40. CASH AND CASH EQUIVALENTS**

Cash and bank balances (note 14)  
Short-term investments  
Short-term borrowings (note 23)

	2022	2021
	Rupees	
Cash and bank balances (note 14)	2,834,098	1,266,722
Short-term investments	805,446	15,228,152
Short-term borrowings (note 23)	(7,826,110)	(4,177,658)
	<u>(4,096,586)</u>	<u>12,317,216</u>

**41. FINANCIAL INSTRUMENTS BY CATEGORY****Financial assets at amortised cost**

Long-term investments  
Loans, advances and deposits  
Trade debts  
Other receivables  
Accrued income  
Short-term investments  
Cash and bank balances

Long-term investments	2,204,759	-
Loans, advances and deposits	1,977,598	1,486,808
Trade debts	3,853,316	3,138,938
Other receivables	5,796,587	5,130,389
Accrued income	175,078	19,310
Short-term investments	6,018,916	3,206,533
Cash and bank balances	2,834,098	1,266,722
	<u>24,808,452</u>	<u>14,247,700</u>

**Financial assets at fair value through profit or loss**

Short-term investments

Short-term investments	1,650,000	12,032,219
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**Financial liabilities at amortised cost**

Long-term borrowings  
Government grant  
Trade and other payables  
Accrued interest / mark-up  
Short-term borrowings  
Loan from Parent Company

Long-term borrowings	12,669,628	17,215,345
Government grant	1,146,813	1,079,703
Trade and other payables	32,473,586	20,694,610
Accrued interest / mark-up	520,010	262,571
Short-term borrowings	7,826,110	4,117,666
Loan from Parent Company	1,000,000	5,200,000
	<u>55,636,127</u>	<u>48,469,887</u>

**42. FINANCIAL RISK MANAGEMENT****42.1 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 or 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 and foreign currency bank accounts. A foreign exchange risk management policy has been developed and approved by the management. The policy allows the Group to take currency exposure for limited periods within predefined limits while open exposures are rigorously monitored. The Group ensures to the extent possible that it has options available to manage exposure, either through forward contracts, options or prepayments, etc. subject to the prevailing foreign exchange regulations.

As at December 31, 2022, 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. 6,405.

**ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from long-term borrowings and short-term investments. Borrowing are benchmarked to variable rates which expose the Group to cash flow interest rate risk.

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, 2022, 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. 126,626.

**iii) Other price risk**

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

As at December 31, 2022, if net asset value 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. 11,747.

**b) Credit risk**

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

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:

	2022	2021
	Rupees	
Loans, advances and deposits	1,977,588	1,436,806
Trade debts	3,772,128	3,069,811
Other receivables	5,796,887	5,130,386
Accrued income	175,078	19,310
Short-term investments	2,108,450	12,237,265
Bank balances	2,822,885	1,246,296
	15,652,726	23,239,883

The credit quality of receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history. Investments in Pakistan Investment Bonds and Treasury Bills are government guaranteed. The credit quality of Group's bank balances and short term investments can be assessed with reference to recent external credit ratings as follows:

Banks	Rating agency	Rating	
		Short term	Long term
Allied Bank Limited	PACRA	A+	AAA
Askari Bank Limited	PACRA	A+	AA+
Bank Alfalah Limited	PACRA	A+	AA+
Bank Al Habib Limited	PACRA	A+	AAA
Bank Islami Pakistan Limited	PACRA	A1	A+
The Bank of Punjab	PACRA	A+	AA+
Al Baraka Bank (Pakistan) Limited	JCR-VIS	A1	A+
Chitrak N.A.	MOODY'S	P1	Aa3
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A+	AA
Faysal Bank Limited	PACRA	A+	AA
Habib Bank Limited	JCR-VIS	A+	AAA
Habib Metropolitan Bank Limited	PACRA	A+	AA+
JS Bank Limited	PACRA	A+	AA-
MCB Bank Limited	PACRA	A+	AAA
Meezan Bank Limited	JCR-VIS	A+	AAA
National Bank of Pakistan	PACRA	A+	AAA
Samba Bank Limited	JCR-VIS	A1	AA
Sie Bank Limited	JCR-VIS	A2	A-
Scheni Bank Limited	PACRA	A+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A+	AAA
Sumit Bank	JCR-VIS	A3	BBB-
Mobilink Microfinance Bank	PACRA	A1	A
Telenor Microfinance Bank	PACRA	A1	A
United Bank Limited	JCR-VIS	A+	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.

	2022			2021		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	Rupees			Rupees		
<b>Financial liabilities</b>						
Borrowings	7,899,493	7,170,539	15,070,032	8,540,812	14,044,134	20,084,746
Trade and other payables	32,473,565	-	32,473,565	20,664,810	-	20,664,810
Accrued interest / make-up	520,019	-	520,019	262,571	-	262,571
Short-term borrowings	7,525,119	-	7,525,119	4,117,656	-	4,117,656
Loan from Parent Company	1,089,789	-	1,089,789	5,533,493	-	5,533,493
	<u>49,816,975</u>	<u>7,170,539</u>	<u>57,087,512</u>	<u>37,448,844</u>	<u>14,044,134</u>	<u>51,492,978</u>

**42.2 Capital risk management**

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders or issue new shares.

The total long term borrowings to equity ratio as at December 31, 2022 based on total long term borrowings at its present value of Rs. 12,660,628 (2021: Rs. 17,215,345) and total equity of Rs. 45,053,428 (2021: Rs. 47,086,805) was 22%:78% (2021: 27%:73%).

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.

**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, 2022, all financial assets and financial liabilities, except for investment in units of mutual funds, are carried at amortised cost. Mutual funds 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).

There were no transfers between the levels of hierarchy during the year.

The table below analyses financial instruments carried at fair value by valuation method:

	Level 1	Level 2	Level 3	Total
	Rupees			
<b>As at December 31, 2022</b>				
Fair value through profit or loss	-	1,650,000	-	1,650,000
<b>As at December 31, 2021</b>				
Fair value through profit or loss	-	12,032,219	-	12,032,219

Represents investment in units of mutual funds that are measured at fair value using the fund's respective net asset value.

There were no transfers between the levels of hierarchy during the year.

**42.4** The current macroeconomic climate is challenging, with high devaluation, pushing inflation to decade-high levels. The Group navigated these challenges successfully in 2022. Its growth in topline despite the headwinds, demonstrates its diversified operations, robust portfolio and its role as a provider of essential products to Pakistan. The Hoding Company's world-class manufacturing facilities will continue to offer a competitive advantage, and Group's human capital is well-equipped to guide the Group through future turbulence which will likely comprise of high inflation and interest rate environment. The Group will continue to focus on delivering value to all stakeholders including customers, suppliers and its shareholders.

43. TRANSACTIONS WITH RELATED PARTIES

43.1 Following are the names of associated companies, undertakings and other related parties with whom the Group had entered into transactions or had agreements and / or arrangements in place during the year:

Name of Related parties	Direct shareholding	Relationship
Engro Corporation Limited	100%	Parent Company
Engro Ecorp PZC	N/A	Subsidiary of Parent Company
Engro Digital Limited	N/A	Subsidiary of Parent Company
Engro Energy Terminal (Private) Limited	N/A	Subsidiary of Parent Company
Energy Terminal Pakistan Limited	N/A	Subsidiary of Parent Company
Enro Enrov Limited	N/A	Subsidiary of Parent Company
Engro Energy Services Limited	N/A	Subsidiary of Parent Company
Engro Ecorp Agriproducts (Private) Limited	N/A	Subsidiary of Parent Company
Engro Polymers and Chemicals Limited	N/A	Subsidiary of Parent Company
Engro Peroxide (Private) Limited	N/A	Subsidiary of Parent Company
Engro Rastizaw (Private) Limited	N/A	Subsidiary of Parent Company
Think P/C (Private) Limited	N/A	Subsidiary of Parent Company
Engro Powergen Qadirpur Limited	N/A	Subsidiary of Parent Company
Engro Tehri (Private) Limited	N/A	Subsidiary of Parent Company
Engro Powergen Thar (Private) Limited	N/A	Subsidiary of Parent Company
Engro Enfrashare (Private) Limited	N/A	Subsidiary of Parent Company
Engro Connect (Private) Limited	N/A	Subsidiary of Parent Company
FrieslandCampina Engro Pakistan Limited	N/A	Associate of Parent Company
Enro Foundation	N/A	Associate of Parent Company
Engro Vopak Terminals Limited	N/A	Associate of Parent Company
Sindh Engro Coal Mining Company Limited	N/A	Associate of Parent Company
Unify Pakistan Limited	N/A	Associate of Parent Company
Sul Southern Gas Company Limited - SSGC	N/A	Associate of Parent Company
Teranga General Limited	N/A	Associate of Parent Company
Thar Power Company Limited	N/A	Associate of Parent Company
Reon Energy Limited	N/A	Associate of Parent Company
Sakata Stock Exchange Limited - SEZ	N/A	Associate of Parent Company
Bayed Akbar Associates (Private) Limited	N/A	Associate of Parent Company
Pakistan Institute of Corporate Governance (PICG)	N/A	Associate of Parent Company
Jawwad Foundation	N/A	Associate of Parent Company
Ghina Khan	N/A	Director
Shehar Abbas Hashmi	N/A	Director
Asim Munazz Khan	N/A	Director
Aad Eid Jafar	N/A	Director
Javed Akbar	N/A	Director
Jr. Shamshad Akhtar	N/A	Director
Chawaja Bilal Hussain	N/A	Director
Amal Mahmud	N/A	Director
Nadir Salar Qureshi	N/A	Chief Executive Officer
Sheam Zafar Syed	N/A	Chief Executive Officer
Imran Ahmad	N/A	Key Management Personnel
Salamah Ijaz	N/A	Key Management Personnel
Munammad Saad Khan	N/A	Key Management Personnel
Chawaja Bilal Mustafa	N/A	Key Management Personnel
Muhammad Malik Latif	N/A	Key Management Personnel
Shahzad Nabil	N/A	Key Management Personnel
Glenns Nady Qian	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	Pos. Employment Benefits
Engro Corporation Limited MPT Gratuity Fund	N/A	Pos. Employment Benefits
Engro Corporation Limited NMPT Gratuity Fund	N/A	Pos. Employment Benefits
Engro Corporation Limited DB Pension Fund	N/A	Pos. Employment Benefits
Engro Corporation Limited DC Gratuity Fund	N/A	Pos. Employment Benefits
Engro Corporation Limited Provident Fund	N/A	Pos. Employment Benefits

43.2 Following are the names of related parties incorporated outside Pakistan with whom the Group had entered into transactions or had agreements and arrangements in place during the year:

Name of Related Party	Country of Incorporation	Registered Address
Engro Ecorp PZC	United Arab Emirates	12G, Gula Tower, Cluster 1, JLT, Dubai, United Arab Emirates

43.3 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:

	2022	2021
	Rupees	
<b>Parent Company</b>		
Dividend paid	10,143,534	11,645,337
Make-up paid / payable on subordinated loan	420,763	81,042
Reimbursements made:		
- by the Group	64,933	1,354,750
- to the Group	1,336,272	212,570
Royalty	1,412,096	1,284,441
Use of assets	632,253	-
Loan received from Parent Company	13,150,000	4,230,000
Repayment of sub-ordinated loan	17,350,000	-
Purchase of taxable loss	634,203	-
<b>Associated companies</b>		
Purchases and services received	28,363,538	236,458
Services provided	135,241	131,471
Sales	36,909	-
Reimbursements made:		
- by the Group	692,087	16,000
- to the Group	39,749	312,647
Donations	263,006	263,000
Dividend paid to Trustees of FrieslandCampina Engro Pakistan Limited Employees Gratuity Fund	728	802
Use of assets	577,032	-
<b>Contribution to staff retirement benefits</b>		
Pension fund	10,726	7,256
Gratuity fund	170,843	157,297
Provident fund	206,067	177,746
<b>Dividend paid to staff retirement benefits</b>		
Pension fund	422	102
Gratuity fund	3,373	2,557
Provident fund	6,396	-
<b>Others</b>		
Remuneration of key management personnel	357,626	240,236
Directors' fees	18,378	16,580

(Amounts in Crores INR)

## 44. REPORTABLE SEGMENT DETAILS

	Urea		Phosphate		Specialty Fertilizers Business		Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	Rupees									
Sales	85,145.21	72,829,959	56,341,607	42,441,295	23,680,775	17,380,106	2,595,194	2,078,194	150,259,850	135,914,823
Transportation/Customs	11,814,332	8,673,674	-	-	-	-	1,591,190	1,415,145	97,047,466	5,330,779
Sales tax	(9,411,541)	(1,402,423)	(284,575)	(352,493)	(82,518)	(407,632)	(32,183)	(17,544)	(1,710,372)	(2,744,340)
	76,547,999	69,147,206	55,771,228	41,681,602	22,775,257	16,972,474	4,529,901	4,075,502	170,794,072	138,800,658
Profit before tax	13,130,99	22,002,158	10,120,148	8,831,235	2,021,263	1,871,816	(79,124)	(46,345)	38,361,205	39,894,245
Depreciation & Amortization	2,122,142	2,218,954	-	-	82,371	84,824	69,007	44,300	5,438,228	5,028,601
Capital Expenditure	7,348,811	19,321,154	-	-	82,367	144,122	(24,800)	81,315	6,354,061	19,547,207
	Rupees									
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Segment assets	11,661,731	52,115,885	12,795,431	8,994,484	7,990,967	8,704,851	11,965,543	8,463,172	130,551,281	116,294,583
Unallocated assets	17,967,738	92,166,885	12,795,431	8,994,484	7,990,967	8,704,851	11,965,543	8,463,172	148,413,332	132,818,383
Total assets										

	2022	2021
	Rupees	
<b>44.1 Reconciliation of reportable segment net sales</b>		
<b>Net Sales</b>		
Total net sales for reportable segment	170,794,072	138,800,358
Elimination of intersegment net sales	(13,247,461)	(5,368,776)
Elimination of net sales to subsidiary	(529,681)	(48,142)
<b>Total net sales</b>	<b>157,016,930</b>	<b>132,363,138</b>
<b>44.2 Reconciliation of reportable segment total assets</b>		
Total assets for reportable segments	130,531,381	115,294,589
Add: Unallocated assets		
- Accrued income	175,078	19,310
- Short-term investments	9,668,016	15,237,752
- Long-term investments	2,204,759	-
- Cash and bank balances	2,834,098	1,266,722
	14,881,951	13,523,784
<b>Total assets</b>	<b>145,413,332</b>	<b>132,818,383</b>

(Amounts in Crores INR)

## 45. PRODUCTION CAPACITY

	Designed annual capacity		Actual production		Remarks
	Metric Tons		Metric Tons		
	2022	2021	2022	2021	
Urea plant I & II	2,275,000	2,275,000	1,954,528	2,104,722	Production planned as per market demand
NPK plant	100,000	100,000	137,075	144,584	
<b>46. NUMBER OF EMPLOYEES</b>					
	Number of employees as at December 31		Average number of employees during the year		
	2022	2021	2022	2021	
Management employees	881	513	904	863	
Non-management employees	472	469	471	524	
	<b>1,353</b>	<b>1,382</b>	<b>1,375</b>	<b>1,387</b>	

## 47. CONTRIBUTORY RETIREMENT FUNDS

The employees of the Group 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 there-under.

## 48. SEASONALITY

The Group's fertilizer business is subject to seasonal fluctuations as a result of two different farming seasons viz. Rabi (from October to March) and Kharif (from April to September). On an average, fertilizer sales are more tilted towards Rabi season. The Group manages seasonality in the business through appropriate inventory management.

## 49. INTEREST IN JOINT ARRANGEMENTS

During the year, the Holding Company, Fauji Fertilizer Company Limited (Fauji) and Fatima Fertilizer Company Limited (FATIMA) (collectively the Fertilizer Manufacturers) entered into a Framework Agreement dated November 30, 2022 (the Agreement) for Gas Pressure Enhancement Facilities (PEF) project. Under the Agreement, the Fertilizer Manufacturers have decided to jointly develop and install pressure enhancement facilities at Man Petroleum Company Limited's (MPCL's) delivery node to sustain the current level of pressure of gas supply from HRL reservoir of MPCL.

All decisions with respect to the development and operations of PEF would be made only with unanimous consent of the Fertilizer Manufacturers. Accordingly, PEF arrangement would be classified as a 'Joint Arrangement' in accordance with IFRS 11 - Joint Arrangements. Further, PEF would not be established through a separate legal entity and consists of an asset i.e. PEF facility which will be jointly owned and operated by the Fertilizer Manufacturers, hence, the joint arrangement for establishment and operations of PEF has been classified as a 'Joint Operation' in these consolidated financial statements. Current cost sharing percentages in PEF of the Holding Company, Fauji and FATIMA are 33.9%, 47.7% and 18.4%, respectively. The Holding Company has recognised its share of jointly held asset in these consolidated financial statements.

(Amounts in thousands)

**80. NON-ADJUSTING EVENT AFTER THE REPORTING DATE**

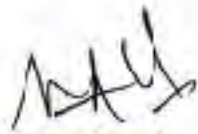
The Board of Directors of the Group in its meeting held on 09 February, 2023 has proposed a final cash dividend of Rs. 5 per share for the year ended December 31, 2022 amounting to Rs. 6,676,497 for approval of the members at the Annual General Meeting to be held on 28 March, 2023.

**81. CORRESPONDING FIGURES**

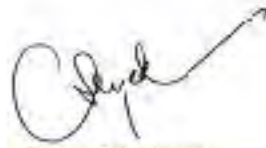
Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of better presentation and / or to comply with the requirements of accounting and reporting standards applicable on the Group.

**82. DATE OF AUTHORIZATION FOR ISSUE**

These consolidated financial statements were authorised for issue on 09 February, 2023 by the Board of Directors of the Group.



Inam Ahmed  
Chief Financial Officer



Anson Zafar Syed  
Chief Executive Officer



Sahib Khan  
Chairman



# financial statements for the year ended december 31, 2022



## INDEPENDENT AUDITOR'S REPORT

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, 2022, 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, 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, 2022 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

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

### Key Audit Matters

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

Following is the Key audit matter:

S. No.	Key audit matter	How the matter was addressed in our audit
1.	<p><b>Income tax and Sales tax provisions and contingencies</b> (Refer notes 27 and 3E to the financial statements)</p> <p>The Company 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.</p> <p>Provisions and contingencies require management of the Company to make judgments 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 for recognition and measurement of any provision and disclosure in respect of such provisions and contingencies.</p> <p>Due to the significance of the amounts involved inherent uncertainties associated with the outcome of the matters, legal forums at which these are currently pending and use of significant judgments and estimates to assess the same including related financial impacts, which may change over time as new facts emerge and the matters progress, we have considered income tax and sales tax provisions and contingencies as a key audit matter.</p>	<p>Our audit procedures amongst others included the following:-</p> <ul style="list-style-type: none"> <li>- obtained and examined details of the documentation relating to pending tax matters and discussed the same with the Company's management;</li> <li>- circularised confirmations to the Company's external legal and tax advisors for their views on matters being handled by them;</li> <li>- 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;</li> <li>- 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;</li> <li>- checked the mathematical accuracy of the calculations underlying the provisions; and</li> <li>- assessed the adequacy of the related disclosures made in the financial statements with respect to the applicable accounting and reporting standards.</li> </ul>

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

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

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

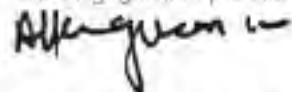
From the matters communicated with the Board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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



Chartered Accountants  
Karachi

Date: March 2, 2023

UDIN: AR20221011381NLqDcl

## statement of financial position as at december 31, 2022

(Amounts in Rupees)

	Note	2022	2021
Rupees			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	77,879,622	73,031,490
Intangible assets	5	5,287,990	5,301,409
Long-term investments	6	2,103,692	-
Investment in subsidiary	7	100	100
Long-term loans, advances and deposits	8	206,531	60,577
		85,477,925	78,393,576
<b>Current assets</b>			
Stores, spares and loose tools	9	6,495,230	6,426,976
Stock-in-trade	10	6,426,637	5,176,330
Trade debts	11	2,477,657	2,152,193
Working capital loan to subsidiary	12	2,731,067	6,601,772
Loans, advances, deposits and prepayments	13	2,272,406	1,956,109
Other receivables	14	15,606,771	12,518,952
Accrued income		803,807	307,417
Short-term investments	15	8,553,169	14,097,250
Cash and bank balances	16	2,710,215	1,180,203
		54,277,309	50,417,401
<b>TOTAL ASSETS</b>		<b>139,755,234</b>	<b>128,810,977</b>

(Amounts in thousand)

	Note	2022	2021
Rupees			
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Share capital	17	13,352,993	13,352,993
<b>Reserves</b>			
Share premium	18	3,384,904	3,384,904
Reserve on amalgamation	18	(304,027)	(304,027)
Remeasurement of post employment benefits	18	(100,348)	(90,220)
Unappropriated profit	18	28,356,179	28,374,566
		<u>29,338,708</u>	<u>31,265,243</u>
<b>TOTAL EQUITY</b>		<u>42,691,701</u>	<u>44,618,236</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	19	5,841,898	11,459,534
Government grant	20	890,939	325,494
Deferred taxation	21	8,161,234	11,342,999
Deferred liabilities	22	231,176	228,292
Provision for Gas Infrastructure Development Cess (GIDC)	23	2,315,163	6,363,848
		<u>17,440,410</u>	<u>30,320,167</u>
<b>Current liabilities</b>			
Trade and other payables	24	42,808,977	24,326,426
Accrued interest / mark-up		908,933	260,164
Taxation - net		3,574,054	1,129,470
Current portion of:			
- borrowings	19	5,827,730	5,758,811
- government grant	20	255,874	154,209
- deferred liabilities	22	89,227	82,858
- provision for GIDC	23	16,704,957	11,316,337
Short-term borrowings	25	7,826,110	4,117,858
Loan from Holding Company	26	1,000,000	5,200,000
Unclaimed dividend		49,211	49,471
		<u>79,825,073</u>	<u>52,572,374</u>
<b>TOTAL LIABILITIES</b>		<u>97,065,483</u>	<u>83,492,541</u>
Contingencies and Commitments	27		
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<u>139,755,184</u>	<u>128,310,777</u>

The annexed notes from 1 to 54 form an integral part of these financial statements.

  
Imran Akmal  
Chief Financial Officer

  
Anwar Zafar Syed  
Chief Executive Officer

  
Ghazal Khan  
Chairman

**ENGRO FERTILIZERS LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

(Amounts in thousand except for earnings per share)

	Note	2022	2021
Rupees			
Net sales	28	96,944,967	90,584,876
Cost of sales	29	(67,644,033)	(55,087,350)
<b>Gross profit</b>		<u>29,400,934</u>	<u>35,497,526</u>
Selling and distribution expenses	30	(6,766,004)	(7,784,845)
Administrative expenses	31	(2,163,689)	(1,847,484)
		<u>18,461,231</u>	<u>25,865,197</u>
Other income	32	9,966,938	7,081,207
Other operating expenses	33	(1,871,522)	(2,854,954)
Finance cost	34	(2,689,069)	(1,680,490)
Other losses:			
- Remeasurement loss on provision for GIDC	23	(839,935)	(742,982)
- Loss allowance on subsidy receivable from GoP	35	(622,936)	(557,700)
		<u>(1,362,871)</u>	<u>(1,300,682)</u>
<b>Profit before taxation</b>		<u>22,564,808</u>	<u>27,910,328</u>
Taxation	36	(7,066,474)	(6,841,310)
<b>Profit for the year</b>		<u>15,498,334</u>	<u>21,069,018</u>
<b>Earnings per share - basic and diluted</b>	37	<u>11.04</u>	<u>15.78</u>

The annexed notes from 1 to 54 form an integral part of these financial statements.

  
Imran Akmal  
Chief Financial Officer

  
Anwar Zafar Syed  
Chief Executive Officer

  
Ghazal Khan  
Chairman

ENGRO FERTILIZERS LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in thousand)

	2022	2021
	Rupees	
Profit for the year	15,408,134	21,069,018
Other comprehensive loss:		
Items not re-classifiable to profit or loss		
- Remeasurement of post employment benefits obligation	(14,265)	(65,672)
- Tax relating to remeasurement of post employment benefits obligation	4,137	18,117
	(10,128)	(39,455)
<b>Total comprehensive income for the year</b>	<b>15,398,006</b>	<b>21,029,563</b>

The annexed notes from 1 to 54 form an integral part of these financial statements.

  
Imran Ahmad  
Chief Financial Officer

  
Ahsan Zafar Syed  
Chief Executive Officer

  
Ghias Khan  
Chairman


ENGRO FERTILIZERS LIMITED  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in thousand)

	Note	2022	2021
		Rupees	
<b>Cash flows from operating activities</b>			
Cash generated from operations	41	27,999,456	19,279,613
Retirement and other service benefits paid		(74,690)	(150,653)
Taxes paid		(8,433,655)	(2,311,568)
Long-term loans, advances and deposits		(67,385)	(28,891)
Income on deposits / other financial assets		2,693,070	1,967,471
<b>Net cash generated from operating activities</b>		<b>22,075,796</b>	<b>16,754,982</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment and intangibles		(8,377,514)	(10,567,296)
Proceeds from disposal of operating assets	4.3	418,376	11,907
Disbursement of working capital loan to subsidiary		(65,011,085)	(35,758,917)
Payment received against working capital loan to subsidiary		68,881,790	29,157,145
Purchase of short-term and long-term investments		(293,307,611)	-
Proceeds from sale of short-term investments		282,896,200	23,134,502
Dividends received		5,660,000	4,851,711
<b>Net cash (utilised in)/ generated from investing activities</b>		<b>(8,839,842)</b>	<b>10,759,052</b>
<b>Cash flows from financing activities</b>			
Proceeds from long-term borrowings	19.6	993,993	3,925,077
Loan (repaid) / received from the Holding Company - net	36	(4,200,000)	4,200,000
Repayment of long-term borrowings	19.6	(5,771,083)	(9,382,034)
Finance cost paid		(2,263,303)	(1,534,254)
Dividends paid		(18,026,801)	(20,704,983)
<b>Net cash utilised in financing activities</b>		<b>(29,267,194)</b>	<b>(23,466,194)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(16,030,240)</b>	<b>6,067,840</b>
Cash and cash equivalents at beginning of the year		11,168,795	5,071,955
<b>Cash and cash equivalents at end of the year</b>	42	<b>(4,870,445)</b>	<b>11,168,795</b>

The annexed notes from 1 to 54 form an integral part of these financial statements.

  
Imran Ahmad  
Chief Financial Officer

  
Ahsan Zafar Syed  
Chief Executive Officer

  
Ghias Khan  
Chairman

**ENGRO FERTILIZERS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

(Amounts in thousands)

	Capital		Reserves		Total	
	Share capital	Share premium	Reserve on liquidation	Revenue		
				Reassessment of post-employment benefits	Unappropriated profit	
<b>Balance as at January 1, 2022</b>	19,352,893	3,384,904	(304,027)	(90,220)	28,674,566	46,313,238
<b>Transactions with owners</b>						
<b>Dividends:</b>						
- Final 2021: Rs. 5.00 per share	-	-	-	-	(8,673,497)	(8,673,497)
- 1st interim 2022: Rs. 0.50 per share	-	-	-	-	(7,344,146)	(7,344,146)
- 2nd interim 2022: Rs. 3.00 per share	-	-	-	-	(4,025,898)	(4,025,898)
	-	-	-	-	(16,028,541)	(16,028,541)
<b>Total comprehensive income for the year ended December 31, 2022</b>						
<b>Profit for the year</b>					15,408,134	15,408,134
<b>Other comprehensive loss:</b>						
- remeasurements, net of tax				(10,128)	-	(10,128)
				(10,128)	15,408,134	15,398,006
<b>Balance as at December 31, 2022</b>	19,352,893	3,384,934	(304,027)	(100,348)	26,386,179	48,069,701
<b>Balance as at January 1, 2021</b>	19,352,893	3,384,934	(304,027)	(88,740)	28,002,792	44,963,807
<b>Transactions with owners</b>						
<b>Dividends:</b>						
- Final 2021: Rs. 4.30 per share	-	-	-	-	(5,341,196)	(5,341,196)
- 1st interim 2021: Rs. 4.00 per share	-	-	-	-	(5,341,196)	(5,341,196)
- 2nd interim 2021: Rs. 4.00 per share	-	-	-	-	(5,341,196)	(5,341,196)
- 3rd interim 2021: Rs. 3.50 per share	-	-	-	-	(4,873,685)	(4,873,685)
	-	-	-	-	(20,897,134)	(20,897,134)
<b>Total comprehensive income for the year ended December 31, 2021</b>						
<b>Profit for the year</b>					21,069,016	21,069,016
<b>Other comprehensive loss:</b>						
- remeasurements, net of tax				(39,455)	-	(39,455)
				(39,455)	21,069,016	21,029,561
<b>Balance as at December 31, 2021</b>	19,352,893	3,384,934	(304,027)	(98,235)	29,971,886	46,313,238

The annexed notes from 1 to 54 form an integral part of these financial statements.

  
**Imran Ahmed**  
 Chief Financial Officer

  
**Ahsan Zafar Saeed**  
 Chief Executive Officer

  
**Gillian Kiron**  
 Chairman

**ENGRO FERTILIZERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

(Amounts in thousands)

**1. LEGAL STATUS AND INCORPORATION**

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). As at December 31, 2022, the Holding Company holds 66.27% share capital of the Company.

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 Deharki Plant	District Gholki, Sindh.
Engro Zarbhez Plant	EZ / Z / P - 1 - II Eastern Zone, Port Qasim, Karachi.
Seeds Processing Plant	Rahim Yar Khan, Punjab.

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 have been provided in note 7.

**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 profit or loss and through other comprehensive income 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 (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 these 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 existing standards

##### a) Amendments to accounting and reporting standards that became effective during the year

There are certain amendments to published standards that are effective for the first time for the year ended December 31, 2022; however, these are considered not to have a significant impact on the Company's financial reporting and operations, and therefore have not been presented here.

##### b) Standard and amendments to accounting and reporting standards that are not yet effective and have not been early adopted by the Company

The new standard and amendments to published standards that are not effective for the period beginning on January 1, 2022 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations 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 for freehold land and capital work in progress which are stated at cost less impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs (note 2.23). 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 that equipment.

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

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

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

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 a corresponding lease liability at the rate 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 the statement of profit or loss over the lease period so as to produce a constant period rate of interest on the remaining balance of the lease 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.

Following initial recognition, computer software and licenses are carried at cost less accumulated amortisation and impairment losses, if any.

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, except for the Company's investment in its ERP i.e. OneSAP, which is amortised over a period of 8 years.

#### b) Rights for future gas utilisation

Rights for future gas utilisation represent premium paid to the GoP for allocation of 100 MMSCFD natural gas for a period of 20 years for the Company's Erven 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 each 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 the 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 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 in the statement of profit or loss.

#### 2.6 Joint arrangements

Joint arrangements are arrangements in which the Company has contractually agreed sharing of control, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint arrangements are classified as joint operations or joint ventures depending upon the rights and obligations arising from the joint arrangement. The Company classifies a joint arrangement as joint operation when the Company has the rights to the assets, and obligations for the liabilities, relating to the arrangement. The Company classifies a joint arrangement as a joint venture when the Company has the rights to the net assets of the arrangement.

In respect of an interest in a joint operation, the Company recognises its assets, including its share of any assets held jointly, its liabilities, including its share of any liabilities incurred jointly, its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; its expenses, including its share of any expenses incurred jointly.

### 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 at initial recognition based on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

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

- a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on trade date, the date on which the Company commits to purchase or sell the financial asset. 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 the statement of 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 values of the financial assets 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 risk 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 profit or loss and other comprehensive income (as the case may be).

#### 2.7.3 Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses (ECL) 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 debts, 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.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date.



**2.8 Financial liabilities**

The Company recognises a financial liability in its statement of financial position when, and only when, it becomes party to the contract provisions of the instrument. At initial recognition, the Company measures a financial liability at its fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. Subsequently, financial liabilities are stated at amortised cost.

A financial liability is derecognised 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 recognised 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 recognised amounts and there is an intention to settle either on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

**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 incurred thereon till the reporting date. For items which are slow moving and / or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated realisable value. The Company reviews the carrying amount of stores, spares and loose tools 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 under property, plant and 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 estimated costs of completion and costs necessary to be incurred in order to make the sale.

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

**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 year comprises current and deferred tax. Tax expense is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case, the tax expense is also recognised in other 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 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 apply to the temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted at 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 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 the 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 16% 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 8.33% 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 40 to the financial statements.

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

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

The Company also contributes to:

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

The pension scheme provides life time pension to retired employees or 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 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 Company recognises annual 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 and presentation currency. Amounts presented in these financial statements have been rounded off to the nearest thousand, unless otherwise stated. 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 from sale of goods is recognised as per when performance obligations are satisfied by transferring control of a promised good to a customer at a point in time. The assessment of satisfaction of performance obligations depends on the contractual terms i.e. either when the product is dispatched or when it is delivered by the Company at customer's premises.

Revenue from services is recognised when the related services have been rendered.

Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies. The credit limits in contracts with customers range from 30 to 180 days.

(Amounts in thousand)

## 2.22 Other income

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.

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

## 2.23 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 capitalised 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.

## 2.24 Research and development costs

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

## 2.25 Government grant

Government grant is recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate are expensed.

Government grant includes any benefit earned on account of a government loan obtained at below market rate of interest. The loan is recognised and measured in accordance with IFRS 9 'Financial Instruments'. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received.

## 2.26 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.

## 2.27 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.

## 2.28 Dividend and appropriation to reserves

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

(Amounts in thousand)

## CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 rates of depreciation, useful lives and residual values 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.

### 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 depends 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 40.

### 3.4 Impairment of goodwill and right to use the brand

Determining the recoverable amount 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 judgments 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 / judgments.

### 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.

## PROPERTY, PLANT AND EQUIPMENT

Operating assets at net book value (note 4.1)  
Capital work in progress (CWIP) (note 4.5)  
Major spare parts and stand-by equipment

	2022	2021
	Rupees	
	29,504,208	60,001,082
	7,793,135	11,031,660
	1,522,178	1,398,748
	<u>77,878,522</u>	<u>73,031,490</u>

(Amounts in thousands)

## 4.1 Operating assets

	Land		Building etc		Furniture and machinery	Vehs	Machinery	Office equipment	Aircraft	Others	Total
	Freehold	Leasehold	Freehold	Leasehold							
<b>As at January 1, 2022</b>											
Cost	152,275	8,234	2,142,279	1,49,475	17,171,088	8,442,484	1,18,881	2,744,888	89,341	4,07,811	1,24,49,217
Accumulated depreciation	(41,378)	(1,331,400)	(1,79,217)	(64,602,228)	(1,248,898)	(2,282,898)	(75,887)	(7,879)	(8,478)	(10,778)	(64,21,485)
<b>Net book value</b>	<b>110,897</b>	<b>6,903</b>	<b>1,363,062</b>	<b>1,84,873</b>	<b>15,922,190</b>	<b>6,159,586</b>	<b>1,13,994</b>	<b>2,737,009</b>	<b>80,863</b>	<b>3,97,033</b>	<b>60,27,732</b>
<b>Year ended December 31, 2022</b>											
Net book value - January 1, 2022	110,897	6,903	1,363,062	1,84,873	15,922,190	6,159,586	1,13,994	2,737,009	80,863	3,97,033	60,27,732
Depreciation charge (note 4.2)	22,441	-	(1,344)	(2,884)	(2,647,208)	(18,247)	-	(28,864)	-	(4,600)	(2,717,443)
Disposal / sale etc (note 4.3)					(2,774)	(1,348)	-	(2,338)	-	(2,338)	(9,497)
Other					(1,188)	-	-	(338)	-	(185)	(2,449)
Accumulated depreciation					(2,792)	(1,348)	-	(2,676)	-	(2,523)	(9,746)
Depreciation charge (note 4.2)	(487)	(1,145)	(10,522)	(2,521,481)	(18,736)	(1,14,842)	-	(11,884)	(3,478)	(16,570)	(2,64,202)
<b>Net book value</b>	<b>110,410</b>	<b>5,758</b>	<b>1,352,540</b>	<b>1,82,352</b>	<b>15,903,482</b>	<b>5,014,738</b>	<b>1,13,994</b>	<b>2,708,125</b>	<b>77,385</b>	<b>3,80,463</b>	<b>57,63,530</b>
<b>As at January 1, 2021</b>											
Cost	114,814	8,234	2,152,854	149,241	16,054,221	2,891,221	1,305,111	3,14,378	2,94,271	2,94,271	17,739,856
Accumulated depreciation	(40,850)	(1,228,088)	(1,843,359)	(64,827,181)	(1,17,445)	(2,071,110)	(81,888)	(4,473)	(6,021,577)	(8,137,714)	(1,24,49,217)
<b>Net book value</b>	<b>73,964</b>	<b>6,046</b>	<b>3,309,495</b>	<b>84,414</b>	<b>15,836,776</b>	<b>820,111</b>	<b>1,223,223</b>	<b>3,100,905</b>	<b>2,88,244</b>	<b>2,86,557</b>	<b>5,490,639</b>
<b>Year ended December 31, 2021</b>											
Net book value - January 1, 2021	73,964	6,046	3,309,495	84,414	15,836,776	820,111	1,223,223	3,100,905	2,88,244	2,86,557	5,490,639
Transfer from COIP (note 4.5)			(9,311)		7,889,710	97	(82,448)	(28,317)	(289,872)	(4,782)	7,804,128
Disposal / sale etc (note 4.3)					(1,64,796)	-	(11,231)	-	(10,438)	-	(2,415,969)
Other					(4,614)	-	(2,275)	-	(4,825)	-	(1,65,415)
Accumulated depreciation					(97,121)	-	(1,110)	-	(11,433)	-	(1,09,664)
Depreciation charge (note 4.2)	(1,714)	(73,348)	(1,1,888)	(2,033,280)	(9,470)	(205,244)	(18,247)	(1,12,472)	(44,807)	(2,46,417)	(2,64,202)
<b>Net book value</b>	<b>72,250</b>	<b>5,308</b>	<b>3,297,607</b>	<b>82,534</b>	<b>15,827,280</b>	<b>614,868</b>	<b>1,204,976</b>	<b>2,988,433</b>	<b>2,43,437</b>	<b>2,84,090</b>	<b>5,375,835</b>
<b>As at December 31, 2020</b>											
Cost	79,914	8,234	2,293,115	149,241	17,171,088	2,891,221	1,305,111	3,14,378	2,94,271	2,94,271	17,739,856
Accumulated depreciation	(47,228)	(1,118,400)	(1,930,170)	(71,331,009)	(1,223,898)	(2,071,110)	(81,888)	(14,905)	(1,37,200)	(8,137,714)	(1,24,49,217)
<b>Net book value</b>	<b>32,686</b>	<b>7,834</b>	<b>1,362,945</b>	<b>77,910</b>	<b>15,947,190</b>	<b>820,111</b>	<b>1,223,223</b>	<b>3,000,173</b>	<b>2,57,071</b>	<b>2,06,557</b>	<b>5,490,639</b>
<b>Amount shown as depreciation (2021)</b>	<b>1,714</b>	<b>(73,348)</b>	<b>(1,1,888)</b>	<b>(2,033,280)</b>	<b>(9,470)</b>	<b>(205,244)</b>	<b>(18,247)</b>	<b>(1,12,472)</b>	<b>(44,807)</b>	<b>(2,46,417)</b>	<b>(2,64,202)</b>

2022 2021  
Rupees

## 4.2 Depreciation charge for the year has been allocated as follows:

Cost of sales (note 29)	2,928,488	2,688,429
Selling and distribution expenses (note 30)	142,659	129,340
Administrative expenses (note 31)	185,264	65,931
	<b>3,256,411</b>	<b>2,884,200</b>

(Amounts in thousands)

## 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 Rupees	Sale proceeds	Gain / (Loss)
<b>Items having net book value of Rs. 500 each or more</b>						
<b>Vehicle to employees</b>						
As per company policy	Muhammad Javed Zuber	3,323	1,177	2,146	2,143	507
As per company policy	Arifan Nadeem	3,168	894	2,262	2,321	59
As per company policy	Shahid Zainka	3,649	977	1,979	3,493	194
As per company policy	Azmal Hoveed	2,578	548	2,031	1,937	(124)
As per company policy	Tarique Ahmed Khan	2,653	845	2,008	2,391	83
As per company policy	Jamal-uddin Akbar	2,655	113	2,542	2,399	57
As per company policy	Abdus Samad	2,775	511	2,264	2,303	(18)
As per company policy	Muhammad Hassan Sabih	2,590	225	2,371	2,214	(57)
As per company policy	Muhammad Musleh Fahim	2,655	342	2,213	2,187	374
As per company policy	Zahid Amir Khan	3,654	259	3,395	3,150	155
As per company policy	Umar Ali Khan	3,240	1,331	1,909	1,374	55
As per company policy	Arifan Ehsan	2,680	901	1,780	1,914	155
As per company policy	Nazir Raza	3,670	708	2,882	3,199	337
As per company policy	Ahmed Khatun Mari	3,075	392	2,684	2,333	149
		<b>41,148</b>	<b>9,724</b>	<b>31,424</b>	<b>34,100</b>	<b>2,676</b>
<b>Motocycle</b>						
30-cc	Syed Asim Abbas	10,800	4,500	6,300	4,200	(1,600)
Bidding	Syed Hassan Raza	15,645	5,505	9,280	6,887	(2,022)
Bidding	Muhammad Imran ul Haq	7,822	3,178	4,644	3,333	(1,311)
Bidding	Tahir Sabon	42,410	21,144	21,266	4,200	(17,066)
Bidding	Muhammad Fayyaz	1,137	382	855	383	(512)
		<b>77,834</b>	<b>38,249</b>	<b>39,645</b>	<b>18,999</b>	<b>(23,208)</b>
<b>Plant and machinery</b>						
Bidding	Panta Master Management Services Company	707,594	382,587	325,007	50,358	(20,851)
Bidding	Chowdhury MAM Trading	45,085	44,453	1,632	261,228	260,016
		<b>752,679</b>	<b>427,040</b>	<b>326,639</b>	<b>261,586</b>	<b>239,165</b>
<b>Items having net book value of upto Rs. 500 each</b>						
Laptops and other equipment	Vehicle	188,348	98,103	90,245	52,438	48,198
<b>Year ended December 31, 2022</b>		<b>1,581,026</b>	<b>1,456,415</b>	<b>1,124,581</b>	<b>418,376</b>	<b>313,787</b>
<b>Year ended December 31, 2021</b>		<b>87,657</b>	<b>77,840</b>	<b>9,817</b>	<b>11,807</b>	<b>(27,208)</b>

## 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	734
Zarkhez plant land at Port Qasim	112.5
	<b>2022 2021</b>
	<b>Rupees</b>

## 4.5 Capital work in progress

Plant and machinery	5,127,846	8,077,816
Building and civil works including gas pipeline	98,842	66,211
Furniture, fixture and equipment	163,811	489,843
Advances to suppliers (note 4.5.1)	2,331,258	1,419,665
Aircraft		2,678,022
Others	71,278	400,103
	<b>7,793,235</b>	<b>11,031,660</b>

(Amounts in Rupees)

4.5.1 Includes Rs. 636,268 paid as advance representing the Company's share in respect of a joint operation related to Pressure Enhancement Facility (PEF), as disclosed in note 51 to the financial statements.

	2022	2021
	Rupees	
4.5.2 Balance as at January 1	11,031,680	4,769,483
Additions during the year	8,254,083	10,466,228
Transferred to:		
- operating assets (note 4.1)	(11,324,128)	(3,857,929)
- intangible assets (note 5)	(168,460)	(346,122)
Balance as at December 31	7,793,135	11,031,680

INTANGIBLE ASSETS

	Goodwill (note 5.1)	Right to use the brand	Software and licenses	Rights for future gas utilisation	Total
	Rupees				
As at January 1, 2021					
Cost	183,895	4,170,995	1,221,857	102,312	5,678,979
Accumulated amortisation	-	-	(485,501)	(48,852)	(584,153)
Net book value	183,895	4,170,995	736,356	53,460	5,154,817
Year ended December 31, 2021					
Net book value - January 1, 2021	183,895	4,170,995	736,356	53,460	5,154,817
Transfers from CWIP (notes 4.5.2 and 5.2)	-	-	346,122	-	346,122
Write off					
Cost	-	-	(75,975)	-	(75,975)
Accumulated amortisation	-	-	11,036	-	11,036
Amortisation (note 5.3)	-	-	(138,730)	(5,111)	(144,891)
Net book value	183,895	4,170,995	868,059	48,349	5,301,409
As at December 31, 2021					
Cost	183,895	4,170,995	1,492,304	102,312	5,949,417
Accumulated amortisation	-	-	(564,245)	(53,763)	(680,008)
Net book value	183,895	4,170,995	868,059	48,549	5,301,409
Year ended December 31, 2022					
Net book value - January 1, 2022	183,895	4,170,995	868,059	48,549	5,301,409
Transfers from CWIP (notes 4.5.2 and 5.2)	-	-	116,460	-	196,460
Amortisation (note 5.3)	-	-	(176,799)	(5,110)	(181,909)
Net book value	183,895	4,170,995	869,740	43,439	5,287,980
As at December 31, 2022					
Cost	183,895	4,170,995	1,600,784	102,312	6,117,997
Accumulated amortisation	-	-	(711,044)	(58,873)	(829,917)
Net book value	183,895	4,170,995	869,740	43,439	5,287,980
Annual rate of amortisation (%)	-	-	12.5% - 25%	5%	

(Amounts in Rupees)

5.1 Goodwill and Right to use the brand

Goodwill and right to use the brand represent amounts recognised on amalgamation of Engro Eximp (Private) Limited with the Company, being the difference between the fair values of net assets at the time of amalgamation and the amount of consideration given.

Goodwill and right to use the brand have been allocated to the single Cash Generating Unit (CGU) having an indefinite life, till the time the related CGU is disposed / derecognised. The recoverable amount of cash generating unit is the higher of value in use or fair value less costs 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	15.5%

The valuation indicates sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in impairment of 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 Holding 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. OneSAP, which is being amortised over a period of 8 years.

5.3 Amortisation for the year has been allocated as follows:

	2022	2021
	Rupees	
Cost of sales (note 20)	16,167	22,008
Selling and distribution expenses (note 30)	4,371	4,758
Administrative expenses (note 31)	162,381	118,037
	181,509	144,891

6.1 LOW-COST INVESTMENTS

6.1.1 amortised cost

	2022	2021
	Rupees	
Pakistan Investment Bonds (note 6.1)	2,103,692	-

6.1.1 These bonds carry interest at the rates ranging between 13.04% to 17.57% and have maturity terms ranging between two to five years.

(Amounts in thousands)

**7. INVESTMENT IN SUBSIDIARY**

7.1 Represents investment in EFERT Agritrade (Private) Limited (EAPL) which was incorporated on July 6, 2017 as a wholly owned subsidiary of the Company to carry out trading and distribution of imported fertilizer. As part of the business 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.

7.2 No new investment in associated companies and undertakings have been made during the year.

	2022	2021
	Rupees	
<b>4. LONG-TERM LOANS, ADVANCES AND DEPOSITS - Commercial bank</b>		
Loans and advances to:		
- Executives (notes 8.1, 8.2, 8.3, 8.5 and 8.6)	47,762	97,638
- Other employees (notes 8.4 to 8.6)	42,408	105,221
- Deposits to suppliers	190,062	9,988
	<u>280,232</u>	<u>212,847</u>
Less: Current portion shown under current assets (note 13)	73,701	152,270
	<u>206,531</u>	<u>60,577</u>

**8.1 Reconciliation of the carrying amount of loans and advances to executives**

Balance as at January 1	97,638	153,817
Disbursements	66,728	74,056
Repayments / Amortisation	(136,605)	(130,237)
Balance as at December 31	<u>47,762</u>	<u>97,638</u>

**8.2 Details of loans and advances to executives**

Service incentive loans		30,043
Advances in respect of:		
- Car com out assistance	208	824
- House rent	5,403	10,625
- Salary	25,815	24,809
- Others	16,336	22,537
	<u>47,762</u>	<u>97,638</u>

8.3 The maximum amount outstanding from executives at the end of any month during the year aggregated to Rs. 51,744 (2021: Rs. 119,298).

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

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

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

(Amounts in thousands)

**9. STORES, SPARES AND LOOSE TOOLS**

Consumable stores, spares and loose tools (note 9.2)

Less: Provision for surplus and slow moving items (note 9.1)

**9.1 Provision for surplus and slow moving items**

Balance as at January 1

Charge for the year

Reversal during the year

Written off during the year

Balance as at December 31

9.2 During the year, the Company has written off stores, spares and loose tools amounting to Rs. 11,751 (2021: Nil).

**10. STOCK IN TRADE**

Raw materials

Packing materials

Work in process

Finished goods:

- manufactured products (note 10.1)

- purchased and packaged products

Less: Provision for impairment against stock-in-trade (note 10.2)

10.1 Above includes stock-in-trade costing Rs. 3,112,124 (2021: Nil) carried at net realisable value, amounting to Rs. 2,679,124 (2021: Nil)

**10.2 Provision for impairment against stock-in-trade**

Balance as at January 1

Charge for the year

Reversal during the year

Written off during the year

Balance as at December 31

10.3 During the year, the Company has directly written off stock-in-trade amounting to Rs. 180,311 (2021: Nil).

(Amounts in thousands)

	2022	2021
	Rupees	
<b>11. TRADE DEBTS</b>		
Considered good		
- Secured (note 11.1)	1,740,867	1,915,502
- Unsecured (note 11.2)	736,893	236,691
	<u>2,477,760</u>	<u>2,152,193</u>
Considered doubtful (note 11.3)	81,183	69,126
	<u>2,559,043</u>	<u>2,221,319</u>
Less: Provision for impairment against trade debts (note 11.3)	(81,183)	(69,126)
	<u>2,477,857</u>	<u>2,152,193</u>

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

11.2 During the year, the Company has written off trade debts amounting to Rs. 2,204 (2021: Nil).

	2022	2021
	Rupees	
<b>11.3 Provision for impairment against trade debts</b>		
Balance as at January 1	69,126	15,884
Charge for the year (note 13)	12,420	49,242
Written off during the year	(364)	-
Balance as at December 31	<u>81,188</u>	<u>65,126</u>

## 12. WORKING CAPITAL LOAN TO SUBSIDIARY

Represents unsecured loan given to EAPL (a subsidiary company) amounting to Rs. 2,731,067 (2021 Rs. 6,801,772). The mark-up is receivable on quarterly basis at the rate of 1 month KIBOR + 0.5% (2021 1 month KIBOR + 0.5%) per annum.

	2022	2021
	Rupees	
<b>13. LOANS, ADVANCES DEPOSITS AND PREPAYMENTS</b>		
- Considered good		
Current portion of long term loans and advances to executives and other employees (note 8)	73,701	152,270
Advances and deposits	1,387,925	1,184,494
Prepayments		
- Insurance	319,743	595,143
- Freight	64,878	34,251
- Others	326,159	3,950
	<u>2,272,406</u>	<u>1,969,108</u>

(Amounts in thousand)

	2022	2021
	Rupees	
<b>14. OTHER RECEIVABLES</b>		
Subsidy receivable from the Government of Pakistan - net (notes 14.1 and 14.2)	4,048,818	4,571,754
Sales tax receivable	9,200,151	8,125,839
Due from the Holding Company	-	65,126
Due from the Subsidiary Company	4,852,206	1,104,833
Due from Associated Companies:		
- Engro Polymer and Chemicals Limited	135,666	87,382
- Engro Powergen Qadirpur Limited	6,482	5,808
- Engro Energy Limited	138,736	99,872
- Engro Foundation	-	30,698
- Engro Eximp Agriproducts (Private) Limited	4,870	7,666
- Sindh Engro Coal Mining Company Limited	1,161	2,122
- Engro Energy Terminal (Private) Limited	18,950	37,805
- Engro Vopak Terminal Limited	2,990	1,760
- Engro Infrastructure (Private) Limited	1	103
- Engro Eximp FZE	200,132	07,300
- Think PVC (Private) Limited	7	-
- Engro Peroxide (Private) Limited	4	-
- Engro Powergen Thar (Private) Limited	941	-
- Engro Energy Services Limited	117	-
- Engro Digital Limited	69	-
Receivable from Defined Benefit Gratuity Fund - MPT (note 40.2.1)	22,604	34,224
Workers' profits participation fund (note 14.4)	374,563	209,154
Claims receivable - net (note 14.5)	303,835	27,287
Others	35,636	20,313
	<u>19,806,771</u>	<u>12,518,952</u>

14.1 In FY 2016, the Government of Pakistan (GoP) notified payment of subsidy on sold products at the rate of Rs. 500 per 50 kg bag of Di Ammonia Phosphate (DAP) and Rs. 217 per 50 kg bag of Nitrophos (N) and NPK fertilizers (based on phosphorus 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. 155 per 50 kg bag of Urea and Rs. 300 per 50 kg bag of DAP and for Nitrophos 22:20 & 16:18 grade (based on phosphorus content) and NPK fertilizers (based on phosphorus content).

In FY 2017, another subsidy scheme was announced by the GoP, effective July 01, 2017. Under the new subsidy scheme, aforementioned rates were replaced with Rs. 100 per 50 kg 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.

	2022	2021
	Rupees	
<b>14.2 Subsidy receivable from the Government of Pakistan - net</b>		
Gross subsidy receivable from the GoP	6,823,403	6,823,403
Less: Provision against doubtful receivable	(155,127)	(155,127)
Less: Loss allowance on subsidy receivable from the GoP (note 14.3)	(2,319,548)	(1,796,612)
	<u>4,048,816</u>	<u>4,571,754</u>

(Amounts in Rupees)

14.3 The movement in loss allowance on subsidy receivable from the GoP is as follows:

	2022	2021
	Rupees	
Balance as at January 1	1,790,012	1,236,812
Loss allowance for the year (note 35)	522,936	557,700
Balance as at December 31	2,318,548	1,796,512

14.3.1 As required under IFRS 9, an entity is required to assess changes in credit risk by taking into account the time value of money, reasonable and supportable assumptions regarding past events, current conditions, forecast of future events and economic conditions attached to its receivables and recognise expected credit loss, if any. Based on this, the Company has recomputed expected credit loss amounting to Rs. 2,318,548 (2021: Rs. 1,796,512) on subsidy receivable from the GoP giving due consideration to the time value of money based on expected recovery of the subsidy receivable. The Company, however, is confident of full recovery of the subsidy amount from the GoP.

	2022	2021
	Rupees	
Balance as at January 1	209,154	235,178
Charge for the year (note 33)	(1,125,437)	(1,490,846)
Payments during the year - net	1,290,846	1,464,822
Balance as at December 31	374,563	209,154

14.5 Claims receivable - net		
Gross claims receivable	330,922	27,287
Less: Provision against claims receivable (note 14.6)	(27,287)	-
	303,635	27,287

14.6 Provision against claims receivable		
Balance as at January 1	-	-
Charge for the year	27,287	-
Balance as at December 31	27,287	-

14.7 The maximum amount due from the Holding Company, the subsidiary company and associated companies at the end of any month during the year is as follows:

	Maximum aggregate amount outstanding at the end of any month	Net Pay Due	Past Due			Total	
			1-90 days	91-180 days	More than 180 days	2022	2021
Holding Company	58,982	-	-	-	-	-	58,982
Subsidiary Company							
- Eneco Agri Solutions (Private) Limited	1,300,491	1,320,191	190,490	14,001	2,17,992	4,801,000	1,104,802
Associated Companies							
- Eneco Powergen Global Limited	6,532	489	(154)	190	8,091	3,462	5,829
- Besh Eneco Coal Mining Company Limited	5,185	(1,111)	2,202	(11)	14	1,191	2,122
- Eneco Polymer and Chemicals Limited	151,366	45,120	40,695	(4,891)	46,774	146,666	87,342
- Eneco Energy Limited	174,730	90,838	81,187	21	(222)	154,730	89,672
- Eneco Powergen Ther (Private) Limited	941	(239)	174	161	944	941	-
- Eneco Energy Services Limited	117	17	41	30	28	117	-
- Eneco Vopak Terminal Limited	53,441	163	695	50	1,383	2,090	1,760
- Eneco POC (Private) Limited	4	3	-	-	-	7	-
- Eneco Petrochem (Private) Limited	4	3	-	-	-	4	-
- Eneco Energy Terminal (Private) Limited	74,463	(23,241)	13,627	21	11,141	11,550	37,000
- Eneco Energy Agri Solutions (Private) Limited	14,286	-	1,104	1	3,251	4,670	7,399
- Eneco Capital Limited	20	-	-	-	64	20	-
- Eneco Services	85,073	-	-	-	-	-	70,889
- Eneco Infrastructure (Private) Limited	154	-	-	-	-	1	107
- Eneco Energy FZC	293,132	1,149,024	-	(819)	111,109	298,132	87,300
		1,147,200	190,007	13,075	2,197,104	2,472,284	1,221,901

(Amounts in Rupees)

15. FRONT-TERM INVESTMENTS

	2022	2021
	Rupees	
At fair value through profit or loss		
- Investment in units of mutual funds (note 15.1)	1,650,000	12,032,219
At amortised cost		
- Pakistani Investment Bonds (note 15.2)	2,273,125	132,808
- Treasury Bills (note 15.3)	4,384,594	1,686,775
- Term Deposit Receipts (note 15.4)	245,450	245,450
	6,903,169	2,065,031
	8,553,169	14,097,250

15.1 This represents investment in 15,605,920 units (2021: 339,304,213 units) of Mutual Funds having cost amounting to Rs. 1,650,000 (2021: Rs. 12,032,219).

15.2 These bonds carry interest at the rates ranging between 14.64% to 17.66% (2021: 10.30%) per annum and maturing on various dates between 8 to 12 months.

15.3 These Treasury Bills carry interest at the rates ranging between 15.40% to 15.74% (2021: 10.35% to 10.34%) per annum and maturing on various dates between 4 to 10 months.

15.4 Term Deposit Receipts carry interest at the rate of 14.75% (2021: 12.25%) per annum and maturing in one month.

	2022	2021
	Rupees	
16. CASH AND BANK BALANCES		
Cash at banks in:		
- deposit accounts (note 16.1)	481,955	313,486
- current accounts (note 16.2)	2,217,047	856,504
	2,699,002	1,169,990
Cash in hand	11,213	10,213
	2,710,215	1,180,203

16.1 Deposit accounts carry interest at the rates ranging from 5.25% to 14.30% (2021: 5.75% to 7.25%) per annum.

16.2 Includes Rs. 402,089 (2021: Rs. 237,350) held in foreign currency bank accounts.



(Amounts in thousands)

	2022	2021
	Rupees	
<b>17. SHARE CAPITAL</b>		
<b>Authorised capital</b>		
1,400,000,000 (2021: 1,400,000,000) Ordinary shares of Rs. 10 each	14,000,000	14,000,000
<b>Issued, subscribed and paid-up capital</b>		
258,132,299 (2021: 258,132,299) Ordinary shares of Rs. 10 each, fully paid in cash	2,581,323	2,581,323
9,999,993 (2021: 9,999,993) Ordinary shares of Rs. 10 each issued as at January 1, 2010 on transfer of fertilizer undertaking	100,000	100,000
1,062,800,000 (2021: 1,062,800,000) Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	10,628,000	10,628,000
4,367,063 (2021: 4,367,063) Ordinary shares of Rs. 10 each issued upon exercise of conversion option by International Finance Corporation (IFC)	43,670	43,670
	<u>13,352,993</u>	<u>13,352,993</u>

17.1 As at reporting date, the Holding Company held 56.27% (2021: 56.27%) of the share capital of the Company.

17.2 These fully paid ordinary shares carry one vote per share and right to dividend.

	2022	2021
	Rupees	
<b>18. RESERVES</b>		
<b>Capital reserves</b>		
Share premium	3,384,904	3,384,904
Reserve on amalgamation (note 18.1)	(304,027)	(304,027)
	<u>3,080,877</u>	<u>3,080,877</u>
<b>Revenue reserves</b>		
Remeasurement of post employment benefits	(100,348)	(90,220)
Unappropriated profit	26,356,179	28,974,586
	<u>26,255,831</u>	<u>28,884,366</u>
	<u>29,336,708</u>	<u>31,965,243</u>

18.1 This reserve was created upon amalgamation of Engro Eximp (Private) Limited with the Company.

(Amounts in thousands)

**19. BORROWINGS - Secured (Non-perpetual)**

	Note	Maturity Date per annum	Interest		Maturity Date	2022		2021	
			Number	Contract / Commitment		2022	2021	2022	2021
<b>Long term finance utilized under mark-up arrangements</b>									
<b>Bank Loans</b>									
Allied Bank Limited		3 months BBSOR + 0.18%	6 half yearly	June 07, 2023		100,000		100,000	
Allied Bank Limited		3 months BBSOR + 0.18%	6 half yearly	June 07, 2023		70,942		30,942	
Allied Bank Limited	19.2	3 months BBSOR + 0.20%	4 half yearly	June 30, 2022		500,000		2,10,000	
Allied Bank Limited	19.2	3 months BBSOR + 0.20%	6 half yearly	June 07, 2022		986,667		2,50,000	
<b>Debt investments</b>									
Undertaking (Investment)	19.2	6 months BBSOR + 0.70%	6 half yearly	December 01, 2019		(20,940)		(1,02,940)	
MCB Bank Limited	19.1	6 months BBSOR + 0.20%	4 half yearly	December 31, 2021		500,000		3,00,000	
MCB Bank Limited	19.1	6 months BBSOR + 0.18%	4 half yearly	March 26, 2021		-		70,000	
MCB Bank Limited	19.2	3 months BBSOR + 0.18%	6 half yearly	June 27, 2022		2,663,333		2,00,000	
Habib Bank Limited	19.1	3 months BBSOR + 0.60%	6 quarterly	January 21, 2021		-		90,000	
MCB Bank Limited	19.1	3 months BBSOR + 0.40%	6 quarterly	January 21, 2023		-		248,208	
National Bank Limited	19.1	3 months BBSOR + 1.00%	20 quarterly	March 31, 2020		-		9,000	
Habib Bank Limited	19.1	6 months BBSOR + 1.00%	20 quarterly	March 22, 2023		-		10,000	
National Bank Limited	19.1	6 months BBSOR + 0.20%	4 half yearly	June 01, 2020		100,000		1,000,000	
						<u>2,667,960</u>		<u>4,777,148</u>	
<b>Bank Loans</b>									
Allied Bank Limited	19.1	(50%)	Variable	March 30, 2023		100,000		90,000	
Habib Bank Limited	19.2 and 19.1	100%	Variable	January 21, 2023		29,647		10,992	
MCB Bank Limited	19.2 and 19.1	(50%)	Variable	January 01, 2023		3,472,892		2,028,000	
						<u>3,602,539</u>		<u>2,129,000</u>	
<b>Less: fair value adjustment for cash at financial year end</b>						<u>(1,46,910)</u>		<u>(1,00,000)</u>	
						<u>3,135,629</u>		<u>2,129,000</u>	
<b>Less: Current portion under current liabilities</b>						<u>(6,277,320)</u>		<u>(5,968,819)</u>	
						<u>2,858,309</u>		<u>2,160,181</u>	

19.1 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.

19.2 During the year, the Company made principal repayments of long term finances to MCB Bank Limited, Allied Bank Limited, National Bank of Pakistan and Deutsche Investitions und Entwicklungsgesellschaft amounting to Rs. 2,666,667, Rs. 1,683,333, Rs. 500,000 and Rs. 721,083, respectively.

(Amounts in thousands)

19.3 During the year, the Company acquired long term borrowings from Habib Bank Limited and MCB Bank Limited amounting to Rs. 744,188 and Rs. 249,807, respectively under "Temporary Economic Refinance Facility" (TERF) introduced by the State Bank of Pakistan in 2020. These borrowings have the same charge as the borrowings from other Senior lenders on operating assets. Mark-up is chargeable at concessional rates ranging from 1.50% to 2.00% per annum and is payable in quarterly or semi-annual instalments starting from January 2023. Fair value adjustment arising on account of acquisition of these loans at below market rates has been recognised in the statement of profit or loss.

In accordance with IFRS 9 Financial Instruments, the Company has recognised these loans at their fair value and the differential markup as deferred government grant income, as mentioned in note 20 in the financial statements, which will be amortised and set off against finance cost over the period of the facilities.

19.4 Further, during the year, after the approval of the State Bank of Pakistan, term loans amounting to Rs. 407,188 were converted to TERF loans.

19.5 On March 5, 2021, the Financial Conduct Authority (FCA) announced the dates on which the panel bank submissions for all LIBOR settings will cease, after which LIBOR will no longer be available. The FCA confirmed that all LIBOR settings will cease to be provided by any administrator immediately after December 31, 2021 for 1-week and 2-month USD settings. This will not impact the Company's DEG loan since the 6-month LIBOR is applicable on the loan which will be discontinued after June 30, 2023.

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

	2022	2021
	Rupees	
Balance as at January 1	17,215,345	23,575,694
Borrowings availed during the year	993,993	3,925,077
Amortisation of transaction cost	-	2,344
Repayment of borrowings	(5,771,083)	(9,352,034)
Fair value adjustment for below market rate - net (note 20)	(87,110)	(1,079,703)
Exchange loss	298,483	143,967
Balance as at December 31	<u>12,669,628</u>	<u>17,215,345</u>

(Amounts in thousands)

### 20 DEFERRED INCOME - GOVERNMENT GRANT

	2022	2021
	Rupees	
Balance as at January 1	1,079,703	-
Grant recognised on loan at below market interest rate	431,767	1,128,348
Less: released to the statement of profit or loss (note 34.1)	(367,657)	(46,945)
	<u>1,143,813</u>	<u>1,079,703</u>
Current portion	(255,874)	(154,209)
	<u>887,939</u>	<u>925,494</u>

20.1 The Company recognised government grant on loan received at below market interest rate (notes 19.3 and 19.4) in accordance with IAS 20 'Accounting for government grants and disclosure of government assistance.

### 21 DEFERRED TAXATION

Credit / (debit) balances arising on account of:

	2022	2021
	Rupees	
- Accelerated depreciation allowance	15,073,826	12,284,340
Change in tax rate	-	-
- Provision for:		
- staff retirement benefits	1,707	(30,101)
- Gas Infrastructure Development Cess (GIDC)	(6,467,059)	-
- surplus and slow moving stores and spares and doubtful receivables	(485,240)	(311,240)
	<u>8,161,234</u>	<u>11,942,999</u>

### 22 DEFERRED LIABILITIES

	2022	2021
Deferred income (note 22.1)	49,059	49,924
Service benefit obligations	254,344	241,209
Less: Current portion shown under current liabilities	(69,227)	(62,839)
	<u>134,176</u>	<u>128,294</u>
	<u>231,176</u>	<u>228,292</u>

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

**23. PROVISION FOR GAS INFRASTRUCTURE DEVELOPMENT CESS**

The Honorable Supreme Court of Pakistan (SCP) through its judgment dated August 13, 2020 (the Judgment) declared that the levy imposed under the Gas Infrastructure Development Cess (GIDC) Act, 2018 (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. 296 million and this amount combined with the outstanding amount would be in the vicinity of Rs. 700 million. 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 instalments, 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 instalments for recovery with effect from August 01, 2020.

Aggrieved by the Judgment, the Company filed a review petition before the SCP, which was dismissed 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 instalments instead of 24 monthly instalments 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 Company filed a rectification application before the SCP seeking a clarification regarding the increase in number of instalments.

The Company also filed a suit before the 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 3(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 implicated gas companies from taking coercive action against the Company for non-payment of GIDC instalments.

Further, against the GIDC instalment 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 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 or account of GIDC has been recorded by the Company in these financial statements in respect of feed gas received under the GSPA.

Considering the events and developments in GIDC case, the Institute of Chartered Accountants of Pakistan (ICAP) released "Guidance on Accounting of GIDC" via Circular No. 1/2021 dated January 18, 2021, which specifies the requirements for recognition, measurement and presentation of GIDC.

Keeping in view the financial reporting guidance of ICAF, the Company has applied IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets" and re-measured its previously undebited 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 instalments, as also referred to in the Review Decision.

**23.1 The movement in provision for GIDC is as follows:**

	2021	2021
	Rupees	
Balance as at January 1	16,180,185	17,437,203
Reassessment loss on provision for GIDC	839,935	742,982
Balance as at December 31	19,020,120	18,180,185
Less: Current portion of provision for GIDC	(16,704,957)	(11,816,337)
	<u>2,315,163</u>	<u>6,363,848</u>

**24. TRADE AND OTHER PAYABLES**

Creditors	4,973,646	6,316,547
Accrued liabilities (notes 24.1 to 24.3)	24,124,540	12,455,292
Advances from customers, contract liabilities	11,462,903	4,184,710
Payable to		
- Prestano/Compina Ergro Pakistan Limited	351	1,271
- Ergro Corporation Limited	173,859	-
- Ergro Foundation	127,027	-
- Defined Contribution Provident Fund	36,892	31,734
- Defined Contribution Provident Fund - NMPT	6,328	6,071
- Defined Contribution Gratuity Fund - MP	18,561	15,359
- Defined Contribution Pension Fund	984	478
- Defined Benefit Gratuity Fund - NMPT (note 40.2.1)	127,053	97,008
Deposits / Retention from dealers and contractors (note 24.4)	255,654	267,225
Workers' welfare fund	939,841	1,052,038
Withholding tax payable	206,849	109,291
Others	311,661	488,702
	<u>42,803,977</u>	<u>24,026,426</u>

- 24.1 On June 4, 2021, the SHC through its judgement upheld the Sindh Development and Maintenance of Infrastructure Cess Act, 2017 promulgated retrospectively with effect from July 01, 1994 as valid and declaring it within the competence of provincial legislature. The Company maintains adequate provision in these financial statements and has filed Civil Petition for Leave to Appeal (CPLA) before the SCP to challenge the SHC Judgement. On September 01, 2021, the SCP granted an interim relief in the appeals and suspended the SHC Judgement. The Company carries a provision of Rs. 1,805,245 (2021: Rs. 1,439,810) in this respect.

24.2 On June 10, 2021, the Company filed a Suit before the SHC in which it prayed that Sui Northern Gas Pipelines Limited (SNGPL) be directed to supply the contracted / committed volume of feed gas at concessionary pricing under the Gas Sale and Purchase Agreement and in accordance with the Fertilizer Policy 2001, Instructions to Bidders and various Economic Coordination Committee decisions.

The SHC was pleased to grant an ad interim stay vide its order dated June 21, 2021, directing the parties to maintain status quo with regard to disconnection of gas supply and pricing. The Company, without prejudice to the pending Suit and any admission of liability has on prudent basis recorded a provision of Rs. 6,706,128 (2021: Rs. 2,484,498) in these financial statements.

24.3 During the year, the Company received a letter from one of its gas suppliers, which indicated that the pricing of gas supplied to the Company from the gas field would be higher of the applicable Petroleum Policy or the gas price notified by the Oil and Gas Regulatory Authority ("OGRA") for the fertilizer sector and such charge shall be applicable from the date of execution of the Gas Sale and Purchase Agreement (GSPA).

In this regard, the Company has submitted a formal response to the gas supplier. Without prejudice to the foregoing and any admission of liability, the Company has on prudent basis recorded a provision amounting to Rs. 2,380,450 (2021: Nil) in these financial statements.

24.4 The amount is kept in separate term deposits account as per the terms of agreements and is not utilized for the purpose of the business of the Company.

SHORT TERM FINANCING

The Company has funded facilities for short-term finances available from various banks and institutional investors amounting to Rs. 14,225,000 (2021: Rs. 15,125,300) along with non-funded facilities of Rs. 5,100,000 (2021: Rs. 3,827,000) for bank guarantees. The rates of mark-up on funded bank overdraft facilities ranged from 0.2% to 0.5% (2021: 0.2% to 0.5%) per annum over 1-month and 3-month KIBOR and all facilities are secured by floating charge upon all present and future stocks including raw and packing 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. 7,826,110 (2021: Rs. 4,117,658) from funded facilities and Rs. 7,366,387 (2021: Rs. 3,804,907) from non-funded facilities as at the reporting date.

LOAN FROM HOLDING COMPANY

Represents subordinated loan from the Holding Company amounting to Rs. 1,000,000 (2021: Rs. 5,200,000) for a period of eleven months. The mark-up is payable on quarterly basis at the rate of 3 months KIBOR + 0.1% (2021: 3 months KIBOR + 0.1%) per annum.

CONTINGENCIES AND COMMITMENTS

Contingencies

27.1 As at December 31, 2022, bank guarantees of Rs. 7,368,007 (2021: Rs. 3,864,657) have been issued in favour of third parties.

27.2 In 2021, the income tax department (i.e. Large Taxpayers Unit (LTU)) initiated income tax audits of the Company u/s 177 of the Income Tax Ordinance, 2001 for the Tax Year (TY) 2015, 2016, 2018 and 2020 and sales tax audits u/s 25 of the Sales Tax Act, 1990 for TY 2017, 2018 and 2019 in accordance with the sectoral audit directive issued by FBR. As such, the Company received audit selection notices for all these years.

In respect of income tax audits, the tax department completed the audits and issued amendment orders for all tax years creating an aggregate demand of Rs. 16,366,262. Disallowances raised in the orders mainly included credit entries in bank statements treated as revenue / suppressed sales, inadmissibility of expenses, proration of expenses to exempt income and chargeability of WVP and Super Tax on the revised taxable income. The Company had filed an appeal before the Commissioner Inland Revenue (Appeals) (CIRA) against all amendment orders. During the year, the decision of the CIRA has been received for all these years where the legal objections inter alia taken up on the selection / conduct of audit in this manner have been upheld. In these orders favorable decision has been made on majority of the matters while maintaining inadmissibility of certain expenses and disallowance of WPPF aggregating to Rs. 581,898. The Company has filed an appeal before ATIR against the unfavorable decision of CIRA.

Subsequently, the tax department has issued appeal effect orders based on favorable CIRA's decision and has additionally maintained disallowance of amortisation of intangibles aggregating to Rs. 184,148 as well as WPPF in the tax year 2016. Appeal before CIRA has been filed against these orders.

In respect of sales tax audits, during 2021, the tax department only issued a Show Cause Notice (SCN) for TY 2017. The Company filed Constitutional Petitions before the SHC challenging the SCN issued for TY 2017 as well as the audit selection notices for TY 2017, 2018 and 2019. On December 13, 2021, the SHC granted ad-interim orders in favour of the Company for all three tax years.

Management considers, based on the legal / tax advisor's opinion, that it has reasonable grounds to defend the case and therefore will not be exposed to any additional liability in this respect.

27.3 During the year, in respect of TY 2018, the Company received an order from the Assistant Commissioner Inland Revenue (ACIR) restricting brought forward losses having a tax impact of Rs. 580,910. This disallowance has been made in the assessment orders relating to prior years which are pending in appeals. Certain errors have been made in relation to allowance of credits which are being taken up in rectification.

Management considers, based on the tax advisor's opinion, that it has reasonable grounds to defend the case and therefore will not be exposed to any additional liability in this respect.

27.4 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 SNGPL for continuous supply of 100 mmscfd gas per day in the Company's new plant (Enver) and to prohibit from suspending, discontinuing or curtailing the aforementioned supply. Through its order dated October 15, 2021, the SHC ordered that SNGPL should supply 100 mmscfd 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 alongwith twenty one other companies (mainly engaged in textile business). The aforementioned petitions are pending for further hearing. The Company's management, as confirmed by the legal advisor, considers the chances of these petitions being allowed to be remote.

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 199 & 204 of the Constitution of Pakistan. The Company, in the aforementioned application has submitted that SNGPL and MPNR have failed to restore full supply of gas to the Company's plant despite the judgment of the SHC in the Company's favor. A show cause notice has also been issued against MPNR and SNGPL dated December 31, 2017 by the SHC. The application is pending for hearing and no orders have yet been passed in this regard.

27.5 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 Company's new plant is premised on the output from Qadirpur gas field exceeding 500 mmscfd by 100 mmscfd and, therefore, the Gas Sale and Purchase Agreement (GSA) dated April 11, 2007 between the Company and 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 not rightly rejected these contentions, and is of the view that it has a strong case for the reasons that (i) 100 mmscfd gas has been allocated to the Company through a transparent international competitive bidding process held by the Government of Pakistan, and upon payment of valuable license fee; (ii) GSA guarantees uninterrupted supply of gas to the Company's 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. Also neither the gas allocation by the Government of Pakistan nor the GSA predicated 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 the SCP. However the Company's management, as confirmed by the legal advisor, considers chances of petitions being allowed to be remote.

27.6 In 2013, 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 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. 3,740,000 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 (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 Company has also challenged the composition of the CAT before 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 the legal advisor, hence, no provision has been made in this respect.

27.7 In 2015, the Company received a sales tax order from the tax department for the tax periods January 01, 2012 to December 31, 2013 pertaining to discharge of output tax liability, an assumed production of urea amounting to Rs. 402,875 and on presumption that output tax liability is not being discharged by the Company or advances received from dealers amounting to Rs. 1,844,075. The Company filed an appeal thereagainst with the CIRA which decided the matters in favour of the 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 Company in this respect.

27.8 In 2018, the tax department (i.e. Large Taxpayers Unit (LTU)) issued an order for the period June 2018 to July 2017 with a demand of Rs. 7,806,600 mainly on account of further sales tax to be charged on fertilizers sales to unregistered persons. The Company filed an appeal before the CIR(A) who disposed off the appeal in favour of the tax department. Thereafter, the Company filed an appeal before the ATIR and it also decided the same in favour of the tax department. The Company challenged the ATIR Order, to the extent of its ruling in relation to exemption from further sales tax, before the SHC by filing Sales Tax Reference Application. On October 11, 2021, the SHC granted an ad-interim order restraining the tax department from taking coercive action against the Company in respect of the recovery of the impugned demand. The Company's management believes that the chances of ultimate success are good, hence, no provision has been made in this respect in these financial statements.

27.9 In 2017, the High Court of Islamabad through 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 2019, the SCP decided the case on ex-parte basis against the contractor. In 2021, the SCP accepted the review application for the case restoration. During the year, the case has been heard annulling the appeal in favour of the Contractor. Detailed judgement is awaited. No provision has been made by the Company in this regard.

27.10 As a result of merger of Engo Eximp (Private) Limited (EXIMP) with the Company, all pending tax issues of EXIMP have been transferred to the Company. Major pending issue pertains to exercise of option to be taxed under the Normal Tax Regime (NTR) by EXIMP for the years 2012 and 2013, resulting in an aggregate refund of Rs. 796,000. The tax department had not accepted the said treatment for tax year 2013; however, the matter was decided in favor of the Company by the Commissioner Income Tax Appeals (CIT(A)), against which the tax department has filed an appeal with the Income Tax Appellate Tribunal (ITAT). However, the department had given appeal effect order to the aforementioned favourable decision of the CIT(A) for tax year 2013.

In 2019, in respect of tax year 2019, 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 of a favorable outcome on this case.

27.11 In accordance with section 4C 'Super tax on high earning persons' introduced in the Income Tax Ordinance, 2001 (the Ordinance) through the Finance Act, 2022, a super tax at ten percent has been imposed on the specified sectors (including the fertilizer sector) in case the income exceeds Rs. 300,000 for the year ended December 31, 2021 (tax year 2022) while for other sectors super tax was levied at four percent. The Company filed a petition against the imposition of super tax before the Sindh High Court (SHC). The SHC in its judgment dated December 22, 2022, declared that 'the super-tax levy shall only be applicable from the tax year 2023' and the imposition of higher rate on the specified sectors as discriminatory. The Company's management has recorded provision of super tax at the rate of four percent amounting to Rs. 917,287 in these financial statements (note 36) on account of prudence and, based on professional advice, considers that the chances of additional super tax levy of six percent amounting to Rs. 1,375,800 are remote and therefore no provision is recorded thereagainst in these financial statements.

27.12 Subsequent to the year end, the Company received an amendment order in respect of TY 2021, creating disallowances having a tax impact of Rs. 216,684. The disallowances mainly pertain to disallowance of WPPF and minimum tax on stock-in-trade.

The Company's management considers, based on the tax advisor's opinion, that it has reasonable grounds to defend the case and therefore will not be exposed to any additional liability in this respect.

27.13 For tax matters, refer note 36 to these financial statements.

(Amounts in thousands)

	2022	2021
	Rupees	
<b>27.14 Commitments</b>		
Commitments in respect of capital expenditure and other operational items	14,047,633	9,820,028
<b>28 NET SALES</b>		
Gross sales:		
- manufactured products	96,214,160	90,859,715
- purchased and packaged products	1,316,380	1,583,142
- services	1,036,927	797,886
	98,557,447	93,040,542
Less: Trade discount	498,034	829,772
Less: Sales tax	1,154,445	1,825,894
	96,904,967	90,584,876
<b>29 COST OF SALES</b>		
<b>Cost of sales - Manufactured products</b>		
Raw materials consumed	40,419,382	26,916,053
Salaries, wages and staff welfare (note 29.1)	2,916,123	3,176,744
Fuel and power	13,720,734	11,731,038
Repairs and maintenance	5,814,393	2,633,536
Depreciation (note 4.2)	2,928,488	2,688,429
Amortisation (note 5.3)	15,157	22,098
Consumable stores	1,619,742	1,543,586
Training, HSE and other related expenses	906,447	723,988
Purchased services	1,090,080	733,837
Travelling	186,566	66,890
Communication, stationery and other office expenses	42,253	23,343
Insurance	854,883	694,062
Rent, rates and taxes	101,535	160,467
Other expenses	47,789	14,261
Manufacturing cost	70,695,562	51,149,330
Add: Opening stock of work in process	121,854	107,333
Less: Closing stock of work in process (note 10)	(133,161)	(121,854)
Cost of goods manufactured	70,684,244	51,134,809
Add: Opening stock of finished goods	1,893,084	5,020,256
Less: Closing stock of finished goods (note 10)	(5,681,621)	(1,893,084)
	66,895,707	54,281,980
<b>Cost of sales - Purchased and packaged products</b>		
Opening stock - net of provision	600,732	484,519
Add: Purchases during the year	620,288	861,583
Less: Closing stock - net of provision	(642,673)	(500,732)
	578,325	825,370
	67,474,032	55,107,350

(Amounts in thousands)

29.1 Salaries, wages and staff welfare includes Rs. 218,923 (2021: Rs. 103,502) in respect of staff retirement benefits.

	2022	2021
	Rupees	
<b>40. SELLING AND DISTRIBUTION EXPENSES</b>		
Salaries, wages and staff welfare (note 30.1)	1,423,316	1,293,186
Training, HSE and other related expenses	198,958	196,308
Product transportation and handling	4,153,438	3,814,773
Royalty (note 30.2)	1,412,096	1,284,441
Repairs and maintenance	19,223	9,851
Advertising and marketing	483,739	270,368
Rent, rates and taxes	542,182	560,915
Communication, stationery and other office expenses	22,203	26,382
Travelling	240,640	45,335
Depreciation (note 4.2)	142,659	129,840
Amortisation (note 5.3)	4,371	4,756
Purchased services	90,664	110,492
Insurance	9,274	18,503
Others	26,241	21,405
	8,766,004	7,784,846

30.1 Salaries, wages and staff welfare includes Rs. 121,112 (2021: Rs. 107,882) in respect of staff retirement benefits.

30.2 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.

**41. ADMINISTRATIVE EXPENSES**

	2022	2021
	Rupees	
Salaries, wages and staff welfare (note 31.1)	589,732	359,573
Training, HSE and other related expenses	50,792	42,227
Repairs and maintenance	17,145	1,316
Rent, rates and taxes	154,551	109,374
Communication, stationery and other office expenses	10,962	12,716
Travelling	39,837	17,432
Depreciation (note 4.2)	185,264	85,931
Amortisation (note 5.3)	162,381	118,037
Purchased services	1,168,528	1,137,457
Aircraft operating expense (note 31.2)	(327,607)	(67,291)
Insurance	18,220	42,261
Others	12,894	8,452
	2,183,699	1,847,484

(Amounts in thousands)

31.1 Salaries, wages and staff welfare includes Rs. 51,556 (2021: Rs. 41,891) in respect of staff retirement benefits.

31.2 This is net of recoveries from group companies.

## 17 OTHER INCOME

### On financial assets

	2022	2021
Income on working capital loan to subsidiary	1,715,425	480,624
Income on government securities, term deposit receipts, mutual fund units and bank deposits	1,434,035	1,590,827
Dividend income (note 45.3)	5,680,000	4,821,711
	8,809,460	6,893,162

### On non-financial assets

Commission income (note 32.1)	637,446	500,383
Scrap sales	124,733	69,032
Sub-licensing income from subsidiary	28,881	48,743
Gain on disposal of operating assets (note 4.3)	313,787	-
Others	22,553	81,957
	1,177,379	786,095
	9,986,839	7,681,257

32.1 Represents commission earned as a selling agent of imported fertilizer on behalf of EAPL, a subsidiary company.

## 18 OTHER OPERATING EXPENSES

	2022	2021
Workers' profits participation fund (note 14.4)	1,125,437	1,490,846
Workers' welfare fund	246,218	416,758
Donations (note 33.1)	232,891	43,851
Legal and professional	125,970	118,516
Provision for impairment against trade debts (note 11.3)	12,426	49,242
Trade debts written off	2,204	-
Directors' fees	17,728	16,390
Auditors' remuneration (note 33.2)	39,018	17,419
Loss on disposal of operating assets (note 4.3)	-	27,701
Write-off of intangibles (note 5)	-	64,639
Others	19,630	22,592
	1,871,522	2,654,954

(Amounts in thousands)

33.1 During the year, the Company made donations to Engro Foundation amounting to Rs. 263,000 (2021: Rs. 263,000). Mr. Ghias Khan, the Chairman of the Board, and Mr. Ahsan Zafar Syed, the Chief Executive Officer of the Company, are also the trustees of Engro Foundation.

	2022	2021
	Rupees	
33.2 Auditors' remuneration		
Fee for:		
- audit of annual financial statements	3,490	1,335
- special audit / review of half yearly financial information	700	625
- review of compliance with the Code of Corporate Governance	89	72
- certifications, secondments and other advisory services	13,477	6,972
- taxation services	19,338	5,308
Reimbursement of expenses	1,953	1,107
	39,018	17,419

## 34 FINANCE COST

### Interest / mark-up / return on:

- long-term borrowings under:		
- interest / mark-up arrangements (note 34.1)	1,493,247	1,357,288
- Shariah permissible arrangements	113,483	77,662
	1,606,730	1,434,950
- short term borrowings under:		
- interest / mark up arrangements	806,895	109,320
- Shariah permissible arrangements	38,457	58,653
	905,352	167,973

### Foreign exchange loss - net

	168,987	77,567
	2,689,069	1,680,490

34.1 This is net of government grant income or TERF loans amounting to Rs. 367,857 (2021: Rs. 46,945) (note 20).

## 35 LOSS ALLOWANCE ON SUBSIDY RECEIVABLE FROM GOP

This represents loss allowance recognised on 'Subsidy receivable from the GoP' (note 14.2) 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 of full recovery of the subsidy amount from the GoP.

	2022	2021
	Rupees	
36.1 TAXATION		
Current		
- for the year (note 36.1)	4,809,021	6,559,977
- for prior years (notes 36.2 and 36.4)	6,269,218	-
	10,878,239	6,559,977
Deferred (notes 36.3 and 36.4)	(3,781,765)	281,333
	7,096,474	6,841,310

The Company continually evaluates its tax position based on amendments by the taxation authorities and developments thereon. Adequate provision in this respect is being maintained in these financial statements without prejudice to the tax proceedings before any appellate / judicial forum and admission of any liability in this respect. Matters where there is a difference between the position taken by taxation authorities and the Company's own position based on its assessment of law and in accordance with its legal / tax consultant's opinion, such matters are being reported as contingent liabilities. Please refer note 27 in this respect.

35.1 Includes an amount of Rs. 558,863 (2021: Nil) on account of provision made by the Company in accordance with section 40 'Super tax on high earning persons' introduced in the Income Tax Ordinance, 2001 through Finance Act, 2022, whereby a super tax at four percent has been levied on income exceeding Rs. 300,000 for the year ended December 31, 2022 (tax year 2023) and onwards.

35.2 Includes super tax aggregating to Rs. 917,287 in respect of tax year 2022 as explained in note 27.11.

35.3 Includes deferred tax expense arising on account of recognition of deferred tax asset / liability on the deductible / taxable temporary differences at the rate of 29% (including 4% super tax as explained in note 35.1 above) being the new rate substantively enacted at the balance sheet date and is expected to apply in the periods when the asset is realized or the liability is settled. Liability as at December 31, 2021 was recognized at 29% being the rate then enacted.

35.4 This includes an amount of Rs. 6,457,059 (2021: Nil) relating to disallowance of GIDC provision by the income tax department on account of non-payment. The Company has therefore recognised the prior year charge and a corresponding impact on deferred tax asset (note 21) which shall be realized once the matter is settled by the Court as disclosed in note 23.

35.5 In 2020, the income tax department amended the assessment filed by the Company for tax year 2019. The Company filed an appeal before the CIR(A) against the disallowances, which mainly pertained to provision of expenses to exempt / FTR incomes, tax credit on investment in plant and machinery, disallowance of deductible allowances for WWF / WPPF resulting in demand of Rs. 1,146,227 (additions to taxable income of Rs. 3,305,905). In addition, the tax department raised demand for Super tax amounting to Rs. 476,629.

During the year, the appeal was heard by CIRA and favorable decision was passed mainly pertaining to provision of expenses to exempt income, tax credit on investment in plant and machinery, and disallowance of deductible allowances for WWF and WPPF, hence reducing the aggregate demand to Rs. 294,566. The Company has filed appeal before ATIR against the unfavorable decision of CIRA.

Subsequently, the tax department has passed appeal effect order based on favorable CIRA's decision and has maintained disallowance on deductible allowance for WPPF having tax impact of Rs. 289,436. Appeal before CIRA has been filed against this matter.

The Company maintains adequate provision in the financial statements and is confident of an ultimate favorable outcome on this amendment.

35.6 In 2015, the income tax department amended the assessment filed by the Company for tax year 2014. The Company filed an appeal before the CIR(A) 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 demand of Rs. 1,231,201 (additions to taxable income of Rs. 3,191,953). In addition, the tax department raised demand for the Alternative Corporate Tax (ACT) through the same order, for which the Company specifically obtained a stay order. The matter was heard by the CIR(A) and favorable decision was made in respect of exchange gain and loss 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 Company has filed an appeal against the order of CIR(A) before the Income Tax Appellate Tribunal which is pending to be heard.

The Company maintains adequate provision in the financial statements and is confident of an ultimate favorable outcome on this amendment.

36.7 In 2015, the income tax department amended the assessment filed by the Company for the tax years 2015, 2016 and 2017. The Company filed appeals before the CIR(A) for disallowances made in the orders which mainly included provision of expenses to exempt / FTR incomes, exchange loss disallowances, 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 cumulative demand of Rs. 1,980,598 (cumulative additions of Rs. 16,173,626 to taxable income) for these tax years. Subsequently, the CIR(A) passed an order for tax years 2015, 2016 and 2017 maintaining most of the additions made by the taxation officer in the amendment order, whilst allowing deletion of expenses on allocation basis to exempt income and claim of exchange losses on realized basis. The Company, as well as the tax department, filed appeals against the CIR(A)'s order before the ATIR.

Through order dated February 26, 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 realizations, 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 the SHC 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 favorable outcome on these amendments.

36.8 In 2014, the income tax department amended the assessment filed by the Company for TY 2010 and 2011. The Company filed appeals thereagainst before the 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 charge in respect of exchange gain and loss incurred for TY 2010 and TY 2011, and loss on derivative for TY 2011 raising a demand in respect of these years in aggregate of Rs. 1,075,466. The Company had challenged the said decision before the GHD. In the year 2020, the matter was heard, and is reserved for judgement.

The Company maintains adequate provision in the financial statements and is confident of an ultimate favorable outcome on this amendment.

36.9 In 2018, the Company received recovery notice from the Federal Board of Revenue for payment of Super Tax, in accordance with Section 43 of the Income Tax Ordinance 2001 (ITO), for TY 2018. The Company filed a Constitutional Petition before the SHC challenging the notice as well as the visa of Section 43 of the ITO. An interim order was granted in favour of the Company. On July 21, 2020, the SHC held that Section 4B was in the vires of the Constitution (SHC Judgment). 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 2018 i.e. the year which was challenged before the SHC as well.

Pursuant to the SHC Judgment, the tax department passed orders to the Company for TY 2015 to 2019 in relation to recovery of Super Tax aggregating of Rs. 2,110,401. The Company filed appeals against the orders before the CIR(A).



(Amounts in thousands)

On November 26, 2020, the 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.

36.10 As a result of demerger in the year 2009, all pending tax issues of the then Holding Company, Engro Chemical Pakistan Limited 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 SHC against the below-mentioned ATIR's decisions in the 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. 1,500,647
- Inter-Corporate Dividend (Financial year 2007 to 2008): Rs. 336,500
- G.P. Apportionment (Financial years 1995 to 2002): Rs. 683,000

The Company maintains adequate provision in the financial statements and is confident of an ultimate favorable outcome on these cases.

36.11 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:

	2022	2021
	Rupees	
Profit before taxation	22,504,808	27,910,328
Tax calculated at the rate of 29%	3,520,330	8,093,985
Tax effect of:		
- Expenses not allowed for tax	168,464	171,450
- Change in tax rate	1,316,253	-
- Final / Special Tax Regime and exempt income	(1,619,421)	(1,424,135)
Super Tax	1,475,930	-
Effect of prior year tax reversal (not 3E.12)	(770,894)	-
Tax charge for the year	7,095,474	6,841,310

36.12 This is net of the corresponding deferred tax impact.

(Amounts in thousands)

37. EARNINGS PER SHARE (EPS)

37.1 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:

37.2 As at December 31, 2022, there is no dilutive effect on the basic earnings per share of the Company. EPS is based on the following:

	2022	2021
	Rupees	
Profit for the year	15,408,134	21,063,018
	Numbers of shares	
Weighted average number of ordinary shares (in thousands)	1,335,299	1,335,299

	2022	2021
	Rupees	

38. FINANCING STRUCTURE / MODE

Conventional mode:

Assets

Short-term investments	8,553,189	14,097,250
Long-term investments	2,103,692	-
Cash and bank balances	2,710,215	1,160,203
Working capital loan to subsidiary	2,731,067	6,601,772
	10,098,143	21,079,225

Liabilities

Borrowings	12,169,623	16,215,345
Short-term borrowings	7,826,110	4,117,858
Loan from Holding Company	1,000,000	5,200,000
	20,995,733	25,533,003

Shariah compliant mode:

Liabilities

Borrowings	500,000	1,000,000
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(Amounts in Rupees)

## 1F. REMUNERATION OF CHIEF EXECUTIVE DIRECTORS AND EXECUTIVES

39.1 The aggregate amounts for remuneration, including all benefits, to the chief executive, directors and executives of the Company are given below:

	2022			2021		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	Rupees		Rupees			
Managerial remuneration including bonus	109,206	-	3,120,503	105,252	-	2,790,322
Staff retirement benefits	7,827	-	300,162	5,131	-	243,467
Other benefits	27	-	54,319	159	-	39,319
Fees	-	17,728	-	-	16,290	-
<b>Total</b>	<b>1,17,060</b>	<b>17,728</b>	<b>3,476,014</b>	<b>110,542</b>	<b>16,290</b>	<b>3,073,108</b>
Number of persons including those who worked part of the year	2	8	520	1	6	458

39.2 These amounts are net off salaries, wages and other staff benefits incurred on behalf of EAPL and subsequently charged to EAPL.

39.3 The Company also provides vehicles and certain household items for use of some executives and directors.

39.4 Premium charged in respect of directors' indemnity insurance policy, purchased by the Company during the year, amounted to Rs. 245 (2021: Rs. 237).

## II. RETIREMENT AND OTHER SERVICE BENEFITS

### 40.1 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 the Rules of the 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 lies with the Board of Trustees of the funds.

The Company faces the following risks on account of gratuity and pension funds:

- Final salary risk - The risk that 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 Special Saving Certificates, Regular Income Certificates, Defence Saving Certificates or Government Bonds. However, investments in equity instruments are subject to adverse fluctuations as a result of change in the market price.

(Amounts in Rupees)

- 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 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 funds 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.

### 40.2 Valuation results

The latest actuarial valuation of the defined benefit plans was carried out as at December 31, 2022, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plans - Funded (Contracted)	
	NMPT		MPT		2022	2021
	2022	2021	2022	2021		
	Rupees					
<b>40.2.1 Statement of financial position reconciliation</b>						
Present value of obligation (note 40.2.3)	149,731	311,008	30,524	72,224	19,100	22,329
Fair value of plan assets (note 40.2.4 and 40.2.12)	(222,666)	(214,850)	(113,128)	(106,426)	(41,907)	(47,021)
<b>Deficit / (surplus) of funded plans</b>	<b>127,065</b>	<b>96,158</b>	<b>(22,604)</b>	<b>(34,224)</b>	<b>(24,797)</b>	<b>(20,497)</b>
Unrecognised asset	-	-	-	-	24,797	20,497
<b>Net liability / (asset) at end of the year</b>	<b>127,065</b>	<b>96,158</b>	<b>(22,604)</b>	<b>(34,224)</b>	<b>-</b>	<b>-</b>
<b>40.2.2 Movement in net liability / (asset) recognised</b>						
Net liability / (asset) at beginning of the year	97,008	15,522	(34,224)	(21,730)	-	-
Charge / (reversal) for the year (note 40.2.5)	28,785	22,429	(1,176)	(147)	(2,278)	(973)
Payments made to outgoing members by the Company	-	-	-	(9,732)	-	-
Remeasurements charged to OCI (note 40.1.7)	1,269	55,057	12,906	(2,435)	2,275	973
<b>Net liability / (asset) at end of the year</b>	<b>127,065</b>	<b>96,158</b>	<b>(22,604)</b>	<b>(34,224)</b>	<b>-</b>	<b>-</b>

(Amounts in thousands)

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan - Funded (Curtailed)	
	NMPT		MPT		2022	2021
	2022	2021	2022	2021		
	Rupees					
<b>40.2.3</b>	<b>Movement in defined benefit obligation</b>					
As at beginning of the year	311,958	414,867	72,202	87,423	22,324	26,836
Current service cost	17,358	21,080	2,428	2,377	-	-
Interest cost	38,958	35,354	8,076	5,560	2,400	3,118
Benefits paid during the year	(3,112)	(208,146)	-	(2,914)	(3,059)	(3,192)
Remeasurements charged to OCI (note 40.2.7)	(13,331)	48,703	7,815	(244)	(2,562)	(3,438)
As at end of the year	349,731	311,858	90,524	72,202	19,103	22,324
<b>40.2.4</b>	<b>Movement in fair value of plan assets</b>					
As at beginning of the year	214,580	398,165	108,428	98,995	42,821	38,820
Expected return on plan assets	28,730	33,985	11,876	8,134	4,878	3,096
Benefits paid during the year	(3,112)	(208,146)	-	(2,914)	(3,059)	(3,192)
Remeasurements charged to OCI (note 40.2.7)	(14,300)	(9,364)	(5,177)	2,241	(540)	4,097
As at end of the year	222,598	214,650	113,126	108,428	43,900	42,821
<b>40.2.5</b>	<b>Charge / (reversal) for the year</b>					
Current service cost	17,358	21,080	2,428	2,377	-	-
Net interest cost	11,228	1,349	(3,804)	(2,574)	(2,278)	(978)
	28,786	22,429	(1,376)	(197)	(2,278)	(978)
<b>40.2.6</b>	<b>Actual return on plan assets</b>					
	11,749	24,821	7,007	10,376	7,581	7,192

(Amounts in thousands)

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan - Funded (Curtailed)	
	NMPT		MPT		2022	2021
	2022	2021	2022	2021		
	Rupees					
<b>40.2.7</b>	<b>Remeasurements recognised in the Statement of Comprehensive Income</b>					
(Gain) / loss from change in experience assumptions	(13,781)	47,987	7,813	(244)	(1,332)	288
(Gain) / loss from change in financial assumptions	430	116	-	-	(1,230)	(3,724)
Remeasurement of obligation	(13,351)	48,703	7,813	(244)	(2,562)	(3,438)
Expected return on plan assets (note 40.2.4)	28,730	33,985	11,872	8,134	4,870	3,096
Actual return on plan assets (note 40.2.6)	(11,749)	(24,831)	(7,007)	(10,376)	(7,581)	(7,192)
Difference in fair value opening	810	-	306	-	3,443	-
Remeasurement of plan assets	14,800	9,354	5,177	(2,241)	540	(4,096)
Effect of asset ceiling	-	-	-	-	4,300	8,612
	1,259	58,157	12,996	(2,485)	2,278	978
	Rupees					
	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan - Funded (Curtailed)	
	NMPT		MPT		2022	2021
	2022	2021	2022	2021		
<b>40.2.8</b>	<b>Principal actuarial assumptions used in the actuarial valuation</b>					
Discount rate	13.25%	11.75%	13.25%	11.75%	11.25%	11.75%
Expected per annum rate of return on plan assets	13.25%	11.75%	13.25%	11.75%	11.25%	11.75%
Expected per annum rate of increase in salaries - next year	13.25%	10.75%	13.25%	11.75%	-	-
Expected per annum rate of increase in salaries - long term	12.25%	10.75%	13.25%	11.75%	-	-
<b>40.2.9</b>	<b>Demographic assumptions</b>					
Mortality rate	SLIC (2001-05) - I		SLIC (2001-05) - I		SLIC (2001-05) - I	
Rate of employee turnover	Light		Heavy		-	

(Amounts in ₹ crores)

#### 40.2.10 Sensitivity Analysis

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

	Increase in assumption		Decrease in assumption			
	Gratuity Plans		Gratuity Funds		Pension Fund	
	NMPT	MPT	NMPT	MPT	Fund	
	Rupees					
Discount rate	320,000	88,604	18,351	305,738	82,010	11,800
Long term salary increases	380,730	92,501	-	319,562	81,587	-
Long term pension increases	-	-	20,000	-	-	14,281

#### 40.2.11 Maturity Profile

Time in Years	Gratuity Plans		Pension Plan
	NMPT	MPT	Plan
	Rupees		
1	15,629	2,442	3,370
2	25,322	20,750	3,068
3	19,378	25,685	2,810
4	34,336	22,375	2,538
5-10	281,535	27,183	10,114
11-15	567,674	-	3,437
15-20	705,977	-	1,121
20+	2,767,164	-	445
Weighted average duration (years)	8.48	2.12	3.87

#### 40.2.12 Plan assets comprise of the following:

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan - Funded (Curtailed)	
	NMPT*		MPT*		2022	
	2021	2022	2021	2022	2022	
	Rupees	(%)	Rupees	(%)	Rupees	(%)
Fixed income instruments	161,384	73	85,401	76	30,000	68
Investment in equity instruments	84,736	35	23,721	21	-	-
Cash	5,355	2	3,912	3	13,800	32
	222,658	100	113,128	100	43,800	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.

40.2.13 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 income investments are based on gross redemption yields as at the reporting date.

40.2.14 Expected future cost / (reversal) for the year ending December 31, 2023 is as follows:

	Rupees
- Gratuity Fund - NMPT	15,583
- Gratuity Fund - MPT	8,338
- Pension Fund	(3,087)

(Amounts in ₹ crores)

#### 40.2.15 Historical information of staff retirement benefits:

	2022	2021	2020	2019	2018
	Rupees				
<b>Gratuity Plan - NMPT</b>					
Present value of defined benefit obligation	346,731	311,856	414,867	394,314	325,678
Fair value of plan assets	(222,658)	(214,550)	(398,165)	(177,820)	(179,811)
Deficit	124,073	97,306	16,702	216,494	145,867
<b>Gratuity Plan - MPT</b>					
Present value of defined benefit obligation	96,524	72,202	67,423	64,519	104,068
Fair value of plan assets	(115,128)	(108,426)	(88,965)	(112,937)	(126,832)
Surplus	(28,604)	(36,224)	(31,542)	(48,418)	(32,764)
<b>Pension Plan</b>					
Present value of defined benefit obligation	16,103	21,324	24,639	24,010	24,000
Fair value of plan assets	(43,800)	(42,821)	(38,820)	(38,277)	(39,104)
Surplus	(27,697)	(21,497)	(14,181)	(14,267)	(15,104)

#### 40.3 Defined contribution plans

An amount of Rs. 365,459 (2021: Rs. 322,111) has been charged during the year in respect of defined contribution plans maintained by the Holding Company.

#### 41 CASH GENERATED FROM OPERATIONS

	2022	2021
	Rupees	
Profit before taxation	22,504,608	27,910,328
Adjustment for non-cash charges and other items:		
Depreciation (note 4.2)	3,256,411	2,884,200
Amortisation of intangibles (note 5.3)	181,909	144,891
Amortisation of deferred income	(3,865)	(3,865)
Gain on disposal of operating assets (note 32)	(313,787)	-
Loss on disposal of operating assets (note 33)	-	27,701
Write-off of intangibles (note 5)	-	84,639
Provision for retirement and other service benefits	77,700	68,054
Income on deposits / other financial assets	(3,149,460)	(2,071,451)
Exchange loss on revaluation of long term borrowings (note 19.8)	298,483	143,967
Amortisation of transaction cost on borrowings	-	2,344
Re-measurement loss on GICD provision (note 23.1)	639,935	742,982
Finance cost	2,512,082	1,534,179
Dividend income (note 32)	(6,660,000)	(4,821,711)
Provision against stock-in-trade (note 10.2)	153,045	111,129
Write down of stock-in-trade to net realizable value (note 10.1)	233,000	-
Stock-in-trade written off (note 10.3)	180,311	-
Provision for surplus and slow moving stores and spares (note 9.1)	140,055	241,970
Stores, spares and lease tools written off (note 8.2)	11,751	-
Reversal of provision against stock-in-trade (note 10.2)	(93,450)	-
Reversal of provision against stores and spares (note 9.1)	(81,537)	(24,797)
Provision for impairment against trade debts (note 11.3)	12,426	49,242
Trade debts written off (note 11.2)	2,204	-
Provision against claims receivable (note 14.6)	27,237	-
Loss allowance on subsidy receivable from the GoP	522,836	557,700
Working capital changes (note 41.1)	8,327,442	(8,279,889)
	27,889,436	19,279,613

	2022	2021
	Rupees	
<b>41.1 Working capital changes</b>		
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(158,473)	(233,364)
- Stock-in-trade	(3,723,413)	1,432,742
- Trade debts	(340,294)	(173,364)
- Loans, advances, deposits and prepayments	(394,037)	(144,846)
- Other receivables (net)	(7,838,042)	(4,480,638)
	<u>(12,455,069)</u>	<u>(3,609,472)</u>
Increase / (decrease) in trade and other payables	18,782,551	(4,670,417)
	<u>6,327,482</u>	<u>(8,279,889)</u>
<b>42 CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances (note 18)	2,710,215	1,180,203
Short-term investments	245,450	14,087,250
Short-term borrowings (note 25)	(7,826,110)	(4,117,658)
	<u>(4,870,445)</u>	<u>11,159,795</u>
<b>43 FINANCIAL INSTRUMENTS BY CATEGORY</b>		
<b>Financial assets at amortised cost</b>		
Long-term investments	2,103,692	-
Loans, advances and deposits	1,668,157	1,377,341
Trade debts	2,559,045	2,221,319
Working capital loan to subsidiary	2,731,067	6,691,772
Other receivables	9,833,057	6,183,959
Accrued income	903,807	307,417
Short term investments	6,903,199	2,095,031
Cash and bank balances	2,710,215	1,180,203
	<u>29,312,209</u>	<u>19,937,042</u>
<b>Financial assets at fair value through profit or loss</b>		
Short-term investments	1,550,000	12,032,219
<b>Financial liabilities at amortised cost</b>		
Borrowings	12,869,628	17,215,345
Government grant	1,146,813	1,079,703
Trade and other payables	30,199,254	19,679,787
Accrued interest / mark-up	509,033	260,154
Short-term borrowings	7,826,110	4,117,656
Loan from Holding Company	1,000,000	5,200,000
	<u>53,350,758</u>	<u>46,552,647</u>

**44 FINANCIAL RISK MANAGEMENT****44.1 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 minimise 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 or 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 and foreign currency bank accounts. 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, 2022, 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. 11,429.

**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. 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.

As at December 31, 2022, 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. 106,235.

**iii) Other price risk**

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

As at December 31, 2022, if net asset value had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by Rs. 11,747.

**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 majority of trade debts against bank guarantees and inland letters 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.

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:

	2022	2021
	Rupees	
Loans, advances and deposits	1,668,157	1,377,341
Trade debts	2,477,657	2,152,193
Working capital loan to subsidiary	2,731,067	6,601,772
Other receivables	9,633,657	6,145,959
Accrued income	603,807	307,417
Short-term investments	1,695,450	12,277,669
Bank balances	2,699,002	1,166,890
	<u>22,408,307</u>	<u>30,076,341</u>

The credit quality of receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history. Investments in Pakistan Investment Bonds and Treasury Bills are government guaranteed. The credit quality of the Company's bank balances and short-term investments can be assessed with reference to recent external credit ratings as follows:

	Rating agency	Rating	
		Short term	Long term
Allied Bank Limited	PACRA	A1+	AAA
Aekas Bank Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Bank Al-Habib Limited	PACRA	A1+	AAA
Bank Islami Pakistan Limited	PACRA	A1	A+
The Bank of Fajal	PACRA	A1+	AA+
Al Baraka Bank (Pakistan) Limited	JCR-VIS	A1	A+
Chubbank, N.A.	MOODY'S	P1	Aa2
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+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
Sambank Limited	JCR-VIS	A1	AA
Sonah Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Summit Bank	JCR-VIS	A1	BBB-
Mobilink Microfinance Bank	PACRA	A1	A
Telara Microfinance Bank	PACRA	A1	A
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 analyzes the Company's financial liabilities into relevant maturity groupings based on remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2022		2021		Total
	Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year	
	Rupees		Rupees		
<b>Financial liabilities</b>					
Borrowings	7,449,408	7,770,558	15,870,037	6,940,812	30,584,796
Trade and other payables	30,188,394	-	30,188,394	18,079,737	60,079,787
Accrued interest on borrowings	290,533	-	290,633	100,104	490,104
Short-term borrowings	7,820,310	-	7,820,310	6,117,858	14,117,858
Loan from Holding Company	1,099,789	-	1,099,789	5,323,493	6,323,493
	<u>47,528,214</u>	<u>7,770,558</u>	<u>56,269,153</u>	<u>20,444,104</u>	<u>76,713,257</u>

### 4.2 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 dividend payment to shareholders or issue new shares.

The total long term borrowings to equity ratio as at December 31, 2022 based on total long term borrowings at its present value of Rs. 12,869,628 (2021: Rs. 17,215,345) and total equity of Rs. 42,689,701 (2021: Rs. 45,318,236) was 23%:77% (2021: 28%:72%).

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.

### 4.3 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, 2022 all financial assets and financial liabilities, except for investment in units of mutual funds, are carried at amortised cost. Mutual funds 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).

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, 2022				
Fair value through profit or loss	-	1,550,000	-	1,550,000
As at December 31, 2021				
Fair value through profit or loss	-	12,032,219	-	12,032,219

Represents investment in units of mutual funds that are measured at fair value using the fund's respective net asset value.

There were no transfers between the levels of hierarchy during the year.

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

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

4.4.5 The current macroeconomic climate is challenging, with high devaluation, pushing inflation to decade-high levels. The Company navigated these challenges successfully in 2022. Its growth in topline, despite the headwinds, demonstrates its diversified operations, robust portfolio and its role as a provider of essential products to Pakistan. The Company's world-class manufacturing facilities will continue to offer a competitive advantage, and its human capital is well-equipped to guide the Company through future turbulence which will likely comprise of high inflation and interest rate environment. The Company will continue to focus on delivering value to all stakeholders including customers, suppliers and its shareholders.

#### 4.5 TRANSACTIONS WITH RELATED PARTIES

4.5.1 Following are the names of associated companies and undertakings and other related parties with whom the Company had entered into transactions or hed agreements and / or 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 Eomp FZE	NA	Subsidiary of Holding Company
Engro Digital Limited	NA	Subsidiary of Holding Company
Engro Energy Terminal (Private) Limited	NA	Subsidiary of Holding Company
Energy Terminal Pakistan Limited	NA	Subsidiary of Holding Company
Engro Energy Limited	NA	Subsidiary of Holding Company
Engro Energy Services Limited	NA	Subsidiary of Holding Company
Engro Eomp Agroproducts (Private) Limited	NA	Subsidiary of Holding Company
Engro Polypropylene and Greenhouse Limited	NA	Subsidiary of Holding Company
Engro Peroxide (Private) Limited	NA	Subsidiary of Holding Company
Engro Plastizer (Private) Limited	NA	Subsidiary of Holding Company
Think PVC (Private) Limited	NA	Subsidiary of Holding Company
Engro Powergen Qadirpur Limited	NA	Subsidiary of Holding Company
Engro Intero (Private) Limited	NA	Subsidiary of Holding Company
Engro Powergen Thar (Private) Limited	NA	Subsidiary of Holding Company
Engro Refrashans (Private) Limited	NA	Subsidiary of Holding Company
Engro Cement (Private) Limited	NA	Subsidiary of Holding Company
FrieslandCampina Engro Pakistan Limited	NA	Associate of Holding Company
Engro Foundation	NA	Associate of Holding Company
Engro Vopak Terminal Limited	NA	Associate of Holding Company
Sindh Engro Coal Mining Company Limited	NA	Associate of Holding Company
Signify Pakistan Limited	NA	Associate of Holding Company
Sul Southern Gas Company Limited - SSGC	NA	Associate of Holding Company
Terage Generals Limited	NA	Associate of Holding Company
Thar Power Company Limited	NA	Associate of Holding Company
Treon Energy Limited	NA	Associate of Holding Company
Pakistan Stock Exchange Limited - PSX	NA	Associate of Holding Company
Javed Akbar Associates (Private) Limited	NA	Associate of Holding Company
Pakistan Institute of Corporate Governance (PICG)	NA	Associate of Holding Company
Bawood Foundation	NA	Associate of Holding Company
Chias Khan	NA	Director
Mazhar Abbas Hashmi	NA	Director
Asim Mustafa Khan	NA	Director
Asad Saad Jafar	NA	Director
Javed Akbar	NA	Director
Dr. Sherminah Akhtar	NA	Director
Khawaja Bilal Hussain	NA	Director
Imad Mahmud	NA	Director
Muhammad Saeed Qureshi	NA	Chief Executive Officer
Anam Zafar Syed	NA	Chief Executive Officer
Mirran Ahmad	NA	Key Management Personnel
Sulaiman Ijaz	NA	Key Management Personnel
Muhammad Saad Khan	NA	Key Management Personnel
Khawaja Bilal Mustafa	NA	Key Management Personnel
Muhammad Majid Laili	NA	Key Management Personnel
Shahzad Nabi	NA	Key Management Personnel
Khuram Nadeem Ghani	NA	Key Management Personnel
FrieslandCampina Engro Pakistan Limited		
Employees Gratuity Fund	NA	Associate of Holding Company
Engro Corporation Limited DC Pension Fund	NA	Post Employment Benefits
Engro Corporation Limited NPT Gratuity Fund	NA	Post Employment Benefits
Engro Corporation Limited NMPT Gratuity Fund	NA	Post Employment Benefits
Engro Corporation Limited DB Pension Fund	NA	Post Employment Benefits
Engro Corporation Limited DC Gratuity Fund	NA	Post Employment Benefits
Engro Corporation Limited Provident Fund	NA	Post Employment Benefits

45.2 Following are the names of related parties incorporated outside Pakistan with whom the Company has entered into transactions or had agreements and arrangements in place during the year:

Name of Related Party	Country of Incorporation	Registered Address
Engro Eximp FZE	United Arab Emirates	12G, Gold Tower, Cluster I, JLT, Dubai, United Arab Emirates

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

	2022	2021
	Rupees	
<b>Holding Company</b>		
Dividend paid	10,143,535	11,645,337
Mark-up paid * payable on subordinated loan	420,789	81,042
Reimbursements made:		
- by the Company	64,933	1,354,760
- to the Company	1,336,272	212,570
Royalty	1,412,096	1,284,441
Use of assets	623,258	-
Loan received from holding Company	13,150,000	4,200,000
Repayment of sub-ordinated loan	17,350,000	-
Purchase of taxable loss	934,203	-
<b>Subsidiary company</b>		
Purchase of products	304,509	2,814
Sale and sale return of product	-	45,414
Disbursement of working capital loan to subsidiary	65,011,085	35,768,917
Repayment received against working capital loan disbursed to subsidiary	58,881,790	29,157,145
Reimbursements made:		
- by the Company	-	3,442
- to the Company	-	1,163,161
Sub-licensing fee charged by the Company	28,881	46,743
Commission received	687,445	560,383
Dividend income / received	5,680,000	4,821,711
Services provided	225,171	374,868
Funds collected against sales made on behalf of subsidiary	57,545,676	41,816,033
Income on working capital loan to subsidiary company	1,715,425	460,624
<b>Associated companies</b>		
Purchases and services received	4,129,372	236,459
Services provided	135,241	131,471
Sales	36,900	-
Reimbursements made:		
- by the Company	284,488	15,000
- to the Company	38,422	310,557
Donations	253,000	263,000
Dividend paid to Trustees of FrieslandCampina Engro Pakistan Limited Employees Gratuity Fund	728	802
Use of assets	577,032	-
<b>Contribution to staff retirement benefits</b>		
Pension fund	10,728	7,363
Gratuity fund	169,592	156,057
Provident fund	204,595	178,258

#### Dividend paid to staff retirement benefits

	2022	2021
	Rupees	
Pension fund	422	102
Gratuity fund	3,373	2,557
Provident fund	6,366	-
<b>Others</b>		
Remuneration of key management personnel	353,222	230,693
Directors' fees	17,728	16,390

#### 10. OPERATING SEGMENT RESULT

	Urdu		Specialty Fertilizers Business		Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	Rupees							
Sales	84,949,214	72,828,058	27,861,001	18,428,001	1,219,294	6,355,169	89,099,612	82,410,230
Intersegment sales	11,814,223	4,673,824	-	-	1,335,138	1,051,810	13,247,481	6,829,454
Sales tax	(741,611)	(1,462,428)	(112,191)	(278,853)	(239,013)	(61,020)	(1,194,445)	(1,828,054)
	76,217,800	74,140,804	27,678,810	18,149,148	1,086,285	7,332,489	110,192,428	89,811,915
Profit before tax	16,854,256	26,742,708	2,342,103	883,816	(307,447)	305,713	22,554,808	27,810,328
Depreciation & Amortization	3,722,142	3,559,994	52,171	34,804	984,097	491,303	3,438,200	3,829,011
Capital Expenditure	3,608,228	17,521,654	62,610	444,436	(267,640)	31,615	8,264,083	13,547,927
	Urdu		Specialty Fertilizers Business		Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	Rupees							
Segment assets	126,551,612	95,642,498	9,010,848	4,911,913	1,962,643	8,472,304	125,584,301	113,225,907
Unallocated assets	-	-	-	-	-	-	14,170,883	15,584,155
Total assets	126,551,612	95,642,498	9,010,848	4,911,913	1,962,643	8,472,304	139,755,184	128,810,772

#### 46.1 Reconciliation of reportable segment net sales

	2022	2021
	Rupees	
Total net sales for reportable segment	110,192,428	96,614,310
Elimination of intersegment net sales	(13,247,461)	(6,020,434)
<b>Total net sales</b>	<b>96,944,967</b>	<b>90,593,876</b>

#### 46.2 Reconciliation of reportable segment total assets

	2022	2021
	Rupees	
Total assets for reportable segments	125,584,301	113,225,907
Add: Unallocated assets		
- Accrued income	803,807	307,417
- Long-term investments	2,103,692	-
- Short-term investments	8,553,169	14,097,250
- Cash and bank balances	2,710,215	1,180,203
	14,170,883	15,584,870
<b>Total assets</b>	<b>139,755,184</b>	<b>128,810,777</b>



(Amounts in thousands)

#### 47. PRODUCTION CAPACITY

	Designed annual capacity		Actual production		Remarks
	Metric Tons		Metric Tons		
	2022	2021	2022	2021	
Urea plant I & II	2,275,000	2,275,000	1,954,528	2,104,722	Production planned as per market demand
NPK plant	100,000	100,000	137,975	144,564	

#### 48. NUMBER OF EMPLOYEES

	Number of employees as at December 31		Average number of employees during the year	
	2022	2021	2022	2021
Management employees	880	910	902	860
Non-management employees	472	469	471	524
	<u>1,352</u>	<u>1,379</u>	<u>1,373</u>	<u>1,384</u>

#### 49. 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 there-under.

#### 50. 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.

#### 51. INTEREST IN JOINT ARRANGEMENTS

During the year, the Company, Fauji Fertilizer Company Limited (Fauji) and Fatima Fertilizer Company Limited (FATIMA) (collectively the Fertilizer Manufacturers) entered into a Framework Agreement dated November 30, 2022 (the Agreement) for Gas Pressure Enhancement Facilities (PEF) project. Under the Agreement, the Fertilizer Manufacturers have decided to jointly develop and install pressure enhancement facilities at Mari Petroleum Company Limited's (MPCL's) delivery node to sustain the current level of pressure of gas supply from HRL reservoir of MPCL.

All decisions with respect to the development and operations of PEF would be made only with unanimous consent of the Fertilizer Manufacturers. Accordingly, PEF arrangement would be classified as a 'Joint Arrangement' in accordance with IFRS 11 - Joint Arrangements. Further, PEF would not be established through a separate legal entity and consists of an asset i.e. PEF facility which will be jointly owned and operated by the Fertilizer Manufacturers. Hence, the joint arrangement for establishment and operations of PEF has been classified as a 'Joint Operation' in these financial statements. Current cost sharing percentages in PCF of the Company, Fauji and FATIMA are 33.9%, 47.7% and 18.4%, respectively. The Company has recognised its share of jointly held asset in these financial statements.

(Amounts in thousands)

#### 52. DIVIDEND DISTRIBUTION AFTER THE REPORTING DATE

The Board of Directors in its meeting held on 09 February 2023 has proposed a final cash dividend of Rs. 5 per share for the year ended December 31, 2022 amounting to Rs. 5,576,497 for approval of the members at the Annual General Meeting to be held on 28 March, 2023.

#### 53. 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.

#### 54. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 09 February 2023 by the Board of Directors of the Company.



Imran Ahmed  
Chief Financial Officer



Masim Zafar Syed  
Chief Executive Officer



Ghass Khan  
Chairman



shareholders  
**information**

# notice of annual general meeting

Notice is hereby given that the Fourteenth Annual General Meeting ("AGM") of the members of Engro Fertilizers Limited (the "Company") will be held at Karachi School of Business and Leadership (KSBL) situated at National Stadium Road, Opp. Liaquat National Hospital, Karachi - 74000 on Tuesday, March 28, 2023, at 02:30 p.m. to transact the following businesses:

Members are encouraged to attend the AGM through video conference facility managed by the Company  
(please see the notes section for details).

## (a) ordinary business

1. To receive, consider and adopt the Standalone and Consolidated Audited Financial Statements of the Company for the year ended December 31, 2022, together with the Directors' and Auditors' Reports thereon and Chairman's Review Report.

As required under section 223(7) of the Companies Act 2017, Financial Statements of the Company have been uploaded on the website of the Company which can be downloaded from the following link:

<https://www.engrofertilizers.com/investments#reports>



2. To declare and approve, as recommended by the Directors, the payment of final cash dividend at the rate of PKR 5.00 (50%) for the year ended December 31, 2022. This is in addition to interim cash dividends of PKR 8.50 (85%) per share.
3. To appoint Auditors for the year 2023 and fix their remuneration. The Members are hereby notified that the Board Audit Committee and the Board of Directors have recommended the name of retiring Auditors M/s. A. F. Ferguson & Co., for re-appointment as Auditors of the Company.

## (b) special business

4. To consider and if deemed fit, to pass with or without modification(s), addition(s) or deletion(s), the following Special Resolution(s) to amend the Articles of Association of the Company under Section 38 of the Companies Act, 2017, as recommended by the Board of Directors of the Company:

RESOLVED THAT Article 79 of the Articles of Association of the Engro Fertilizers Limited (the "Company") be and is hereby amended to read as follows:

"79. The quorum for meetings of the Board of Directors shall be required by Section 176(1) of the Companies Act, 2017. Save as otherwise expressly provided in the Act, every question at meetings of the Board shall be determined by a majority of votes of the directors present in person or through video-link, each director having one vote. In case of an equality of votes or tie, the Chairman shall have a casting vote in addition to his original vote as a director."

FURTHER RESOLVED THAT Article 32 of the Articles of Association of the Company be and is hereby amended to read as follows:

"32. A resolution in writing approved by majority of the directors or the committee of directors for the time being entitled to receive notice of a meeting of the directors or committee of directors shall be as valid and effectual as if it had been passed at the meeting of the directors or the committee of directors duly convened and held."

FURTHER RESOLVED THAT the Chief Executive Officer and/or Company Secretary of the Company be and is hereby authorized to, singly, do all acts, deeds, and things, take any and all necessary steps, to fulfil the legal, corporate and procedural formalities and file all necessary documents/returns as deemed necessary on his behalf and the matters ancillary thereto to fully achieve the object of the aforesaid resolution."

Karachi  
Dated: February 09, 2023

By Order of the Board



SUNAIB BARKAT, ACA  
Company Secretary

## notes

### 1. Participation in the AGM proceeding via video conferencing facility

Members are encouraged to attend the AGM proceedings via video-conferencing facility, which shall be made available by the Company.

All shareholders/members interested in attending the AGM, either physically or through video-conferencing facility are requested to register their Name, Folio Number, Cell Number, CNIC / Passport number at <https://forms.office.com/r/Svc5byK4XM>. Confirmation email for physical meeting or video link and login credentials will be shared with only those shareholders whose registration are received at least 48 hours before the time of AGM.

Shareholders can also provide their comments and questions for the agenda items of the AGM at the email address [agm.ert@engro.com](mailto:agm.ert@engro.com).

### 2. Electronic transmission of Annual Report 2022

In compliance with section 223(6) of Companies Act 2017, the Company has electronically transmitted the Annual Report 2022 through email to shareholders whose email addresses are available with the Company's Share Registrar, M/s. FAMCO Associates (Private) Limited. In those cases, where email addresses are not available with the Company's Share Registrar, printed notices of AGM along with the QR enabled code/web link to download the said financial statements have been dispatched. However, the Company will provide hard copies of the Annual Report to any member on their demand, at their registered address, free of cost, within one week of receiving such request.

Further, shareholders are requested to kindly provide their valid email address (along with a copy of valid CNIC) to the Company's Share Registrar, M/s. FAMCO Associates (Private) Limited if the member hold shares in physical form or, to the member's respective Participant/Investor Account Services, if shares are held in book entry form.

### 3. The Share Transfer Book of the Company will be closed from Wednesday, March 22, 2023 to Tuesday, March 28, 2023 (both days inclusive). Transfers received in order at the office of our Registrar, M/s. FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Block 6, P.E.C.H.S. Shahrah-e-Faisal, Karachi, PABX No. (+92-21) 34380101-5 and email [info.shares@famco.com.pk](mailto:info.shares@famco.com.pk) by the close of business (05:30 p.m.) on Tuesday, March 21, 2023 will be treated to have been in time for purpose of determining entitlement of final cash dividend, to attend and vote at the meeting.

### 4. A member entitled to attend and vote at the AGM shall be entitled to appoint another person, as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have all such rights in respect of attending, speaking and voting at the AGM as are available to a member. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the meeting. A proxy holder may not need to be a member of the Company.

### 5. Requirements for appointing Proxies

(a) In case of individuals, the account holder or sub-account holder whose registration details are uploaded as per the Central Depository Company of Pakistan Limited Regulations, shall submit the proxy form as per the above requirement.

(b) The proxy form shall be witnessed by two male persons whose names, addresses and CNIC numbers shall be mentioned on the form.

(c) Attested copies of the valid CNICs or the passports of the beneficial owner(s) and the proxy shall be furnished with the proxy form.

(d) The proxy shall produce his/her valid original CNIC or original passport at the time of the AGM.

(e) In case of a corporate entity, the Board of Directors' resolution/power of attorney, with specimen signature of the nominee, shall be submitted to the Company along with the proxy form unless the same has been provided earlier.

6. Pursuant to Companies (Postal Ballot) Regulations 2013 and read with Sections 143 and 144 of the Companies Act 2017, members will be allowed to exercise their right of vote through postal ballot, that is voting by post or through any electronic mode, in accordance with the requirements and procedure contained in the aforesaid Regulations.

### 7. Electronic dividend mandate

Under the Section 242 of the Companies Act 2017 it is mandatory for all listed companies to pay cash dividend to its shareholders through electronic mode directly into the bank account designated by the entitled shareholders.

To receive dividend directly into their bank account, shareholders are requested (if not already provided) to fill in the Shareholder Information Form for Electronic Credit of Cash Dividend available on the Company's website and send it duly signed along with a copy of valid CNIC to the Share Registrar, M/s. FAMCO Associates (Private) Limited, in case of physical shares.

In case of shares held in CDC, Electronic Dividend Mandate Form must be directly submitted to shareholder's brokers / participant / CDC account services.

In case of non-receipt of information, the Company will be constrained to withhold payment of dividend to shareholders.

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

According to the FBR, withholding tax in case of joint accounts will be determined separately based on the 'Filer/ Non-Filer' status of the principal shareholder as well as the status of the joint holder(s) based on their shareholding proportions. Members that hold shares with joint shareholders are requested to provide the shareholding proportions of the principal shareholder and the joint holder(s) in respect of shares held by them to our Share Registrar, M/s. FAMCO Associates (Private) Limited, in writing. In case the required information is not provided to our Registrar it will be assumed that the shares are held in equal proportion by the principal shareholder and the joint holder(s).

9. In order to claim exemption from compulsory deduction of Zakat, shareholders are requested to submit a notarised copy of Zakat Declaration Form "CZ-50" or NJSP of Rs.50/- to the Share Registrar, M/s. FAMCO Associates (Private) Limited, of the Company by first day of book closure. In case shares are held in scripless form such Zakat Declaration Form (CZ-50) must be uploaded in the CDC account of the shareholder, through their participant / Investor Account Services. Further, Non-Muslim shareholders are also required to file Solemn Affirmation (available on <https://famco.com.pk/share-registration-service/>) with the Share Registrar of the Company in case of shares are held in physical certificates or with CDC Participant / Investor Account Services in case shares are in scripless form. No exemption from deduction of zakat will be allowed unless the above documents complete in all respects have been made available as above.

#### 10. Submission of valid CNIC (Mandatory)

As per SECP directives, the dividend of shareholders, whose valid CNICs are not available with the Share Registrar, may be withheld. All shareholders having physical shareholding are therefore advised to submit a photocopy of their valid CNICs immediately, if already not provided, to the Share Registrar, M/s. FAMCO Associates (Private) Limited without any further delay.

#### 11. Unclaimed Dividend

As per the provision of section 244 of the Companies Act 2017, any shares issued or dividend declared by the Company which have remained unclaimed / unpaid for a period of three years from the date on which it was due and payable are required to be deposited with Securities and Exchange Commission of Pakistan or the credit of Federal Government after issuance of notices to the shareholders to file their claim.

The details of the shares issued, and dividend declared by the Company which have remained due for more than three years was sent to shareholders.

Shareholders are requested to ensure that their claims for unclaimed dividend and shares are lodged promptly. In case, no claim is lodged with the Company in the given time, the Company shall, after giving notice in the newspaper, proceed to deposit the unclaimed / unpaid amount and shares with the Federal Government pursuant to the provision of Section 244(2) of the Act.

#### 12. Conversion of Physical Shares into CDC Account

The SECP, through its letter No. GSD/ED/Misc/2016-639-640 dated March 26, 2021, has advised all listed companies to adhere to the provisions of Section 72 of the Companies Act 2017, which requires all companies to replace shares issued in physical form to book-entry form within four years of the promulgation of the Act.

Accordingly, all shareholders of the Company having physical share certificates are requested to convert their shares from physical form into book-entry form at the earliest. Shareholders may contact a FSX Member, CDC Participant, or CDC Investor Account Service Provider for assistance in opening a CDS Account and subsequent conversion of the physical shares into book-entry form. Maintaining shares in book-entry form has many advantages – safe custody of shares with the CDC, avoidance of formalities required for the issuance of duplicate shares etc. The shareholders of the Company may contact the Share Registrar and Transfer Agent of the Company, namely FAMCO Associates (Private) Limited for the conversion of physical shares into book-entry form.



کہ وہ اس بات کو یقینی بنا نہیں کہ ان کے نام FBR کی ویب سائٹ پر تازہ ترین دستیاب ATIL میں ظاہر ہوں، بصورت دیگر ان کا طرز کے لیے ان کے کیش ڈیویڈنڈ پر 30% ٹیکس کاٹ دیا جائے گا۔ ڈیویڈنڈ کی آمدنی سے وہ ہولڈنگ ٹیکس کی چھوٹ کی اجازت صرف اس صورت میں دینی جائے گی جب درست ٹیکس اسٹیٹس سرٹیفکیٹ کی ایک کاپی شیئر رجسٹرار، میسرز ڈیٹیکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو کتاب بند ہونے سے پہلے ان تک فراہم کی جائے۔ ایف بی آر کے مطابق مشرک اکاؤنٹس کی صورت میں وہ ہولڈنگ ٹیکس کا تعین پر پبلک شیئر ہولڈرز کے فائلر / نان فائلر اسٹیٹس کے ساتھ ساتھ جو اسٹ ہولڈرز کے اسٹیٹس کی بنیاد پر ان کے شیئر ہولڈنگ کے تناسب کی بنیاد پر کیا جائے گا۔ جو ممبران جو اسٹ شیئر ہولڈرز کے ساتھ شیئرڈ رکھتے ہیں ان سے درخواست کی جاتی ہے کہ پبلک شیئر ہولڈرز اور جو اسٹ ہولڈرز کے شیئر ہولڈنگ کا تناسب ہمارے شیئر رجسٹرار، میسرز ڈیٹیکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ تحریری طور پر۔ اگر ہمارے رجسٹرار کو مطلوبہ معلومات فراہم نہیں کی جاتی ہیں تو یہ سمجھا جائے گا کہ حصص پر پبلک شیئر ہولڈرز اور جو اسٹ ہولڈرز کے برابر تناسب میں رکھے گئے ہیں۔

ہولڈرز کے دعویٰ و قائل کرنے کے لیے شیئر ہولڈرز کو جاری کردہ نوٹس کے بعد سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان میں جمع کروانا ضروری ہے۔ جاری کردہ شیئرڈ اور کمپنی کی طرف سے اعلان کردہ ڈیویڈنڈ کی تفصیلات جو تین سال سے زائد عرصے سے بتایا ہے، شیئر ہولڈرز کو بھیج دینی گئی ہیں۔

شیئر ہولڈرز سے درخواست کی جاتی ہے کہ وہ اس بات کو یقینی بنا لیں کہ ان کے غیر دعویٰ شدہ ڈیویڈنڈ اور شیئرڈ کے دعوے فوری طور پر درج کیے جائیں۔ اگر مقررہ وقت میں کمپنی کے پاس کوئی دعویٰ درج نہیں کیا جاتا ہے، تو کمپنی، سیکشن 244(2) ایکٹ کے تحت اخبار میں نوٹس دینے کے بعد غیر دعویٰ دار / غیر ادا شدہ رقم اور حصص و ذیلی حکومت کے پاس جمع کرائے گی۔

## 12۔ سی ای سی اکاؤنٹ میں فزیکل شیئرڈ کی تبدیلی

ایس ای سی پی اے اپنے لیٹر نمبر CSD/ED/Misc/2016-639-640 مورخہ 26 مارچ 2021 کے ذریعے تمام اسٹاک ہولڈرز کو مشورہ دیا ہے کہ وہ سیکورٹیز ایکٹ، 2017 ("ایکٹ") کے سیکشن 72 کی دفعات پر عمل کریں، جس کے تحت تمام کمپنیوں کو ایکٹ کے نفاذ کے چار سالوں کے اندر فزیکل فارم میں جاری کردہ شیئرڈ کو بک انٹری فارم میں تبدیل کرنے کی ضرورت ہے۔ اس کے مطابق، فزیکل فزیکل / شیئرڈ سرٹیفکیٹ رکھنے والے کمپنی کے تمام شیئر ہولڈرز سے درخواست کی جاتی ہے کہ وہ اپنے شیئرڈ کو فزیکل فارم سے جلد از جلد بک انٹری فارم میں تبدیل کریں۔ شیئر ہولڈرز سی ڈی ایس اکاؤنٹ کھولنے اور بعد ازاں فزیکل شیئرڈ کو بک انٹری فارم میں تبدیل کرنے میں مدد کے لیے پی ایس ایکس ممبر سی ڈی ایس شرکت کنندہ، یا سی ڈی ایس انوسٹر اکاؤنٹ سروس پرووائیڈر سے رابطہ کر سکتے ہیں۔ بک انٹری فارم میں حصص کو قرار رکھنے کے بہت سے فائدے ہیں۔ سی ای سی کے ساتھ حصص کی محفوظیت، ڈیویڈنڈ حصص کے جوائنٹ کے لیے درکار سی کارڈ اور ایچ اے سے گریز، وغیرہ۔ کمپنی کے شیئر ہولڈرز فزیکل شیئرڈ کو بک انٹری فارم میں تبدیل کرنے کے لیے کمپنی کے شیئر رجسٹرار اور اسٹریٹجیٹک ایسوسی ایٹس (پرائیویٹ) لمیٹڈ سے رابطہ کر سکتے ہیں۔

9۔ ذکوہ کی لازمی کٹوتی سے اسٹیٹس کا دعویٰ کرنے کے لیے حصص یافتگان سے درخواست کی گئی ہے کہ وہ 50 روپے کے این سے ایس پی پر ذکوہ ڈیٹیکویشن فارم "CZ-50" کی ایک ڈیویڈنڈ کاپی شیئر رجسٹرار، میسرز ڈیٹیکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو کتاب بندش کے پہلے دن تک پیش کریں۔ اگر حصص اسکرپ ایس فارم میں موجود ہیں تو ذکوہ ڈیٹیکویشن فارم "CZ-50" کو ان کے پارٹنر / انویسٹر اکاؤنٹ سروسز کے ذریعے شیئر ہولڈرز کے سی ڈی سی اکاؤنٹ میں اپ لوڈ کیا جانا چاہئے۔ مزید یہ کہ غیر مسلم حصص یافتگان کو بھی ضروری ہے کہ وہ (<https://famco.com.pk/share-registration-service/SolemnAffirmation>) پر دستخط (کو کمپنی کے شیئر رجسٹرار کو پیش کریں، اگر شیئرڈ فزیکل سرٹیفکیٹ کی شکل میں ہیں یا سی ڈی سی پارٹنر / انویسٹر اکاؤنٹ سروسز میں، اگر شیئرڈ اسکرپ ایس فارم میں ہوں۔ ذکوہ کی کٹوتی سے کسی قسم کی چھوٹ کی اجازت نہیں ہوگی جب تک کہ مذکورہ بالا دستاویزات ہر لحاظ سے دستیاب نہ ہو جائیں۔

## 10۔ درست سی این آئی سی جمع کروانا (ذری)

ایس ای سی پی اے کی ہدایات کے مطابق جن شیئر ہولڈرز کے درست شناختی کارڈز، شیئر رجسٹرڈ کے پاس دستیاب نہیں ہیں ان کا ڈیویڈنڈ روکا جاسکتا ہے۔ اس لیے فزیکل شیئر ہولڈنگ رکھنے والے تمام شیئر ہولڈرز کو مشورہ دیا جاتا ہے کہ وہ اپنے درست سی این آئی سی کی فوٹو کاپی فوری طور پر، اگر پہلے سے فراہم نہیں کی گئی ہے، شیئر رجسٹرار، میسرز ڈیٹیکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو بغیر کسی تاخیر کے جمع کروائیں۔

## 11۔ غیر دعویٰ دار ڈیویڈنڈ

کمپنی ایکٹ 2017 کے سیکشن 244 کے پروویژن کے مطابق، کمپنی کی طرف سے جاری کردہ کوئی بھی شیئرڈ، یا اعلان کردہ ڈیویڈنڈ جو ادائیگی کی تاریخ سے تین سال کی مدت تک غیر دعویٰ دار / غیر ادا شدہ رہے ہیں اور قابل ادائیگی نہیں ہیں، انھیں ڈیٹیکویشن کے کریڈٹ کے لیے اور شیئر

1- سالانہ اجلاس عام میں بذریعہ ویڈیو کانفرنس فیصلہ لینا یا پرنسپلٹس کی شرکت:

ممبران سے درخواست کی جاتی ہے کہ وہ ویڈیو کانفرنس فیصلہ لینا یا پرنسپلٹس کی شرکت میں شرکت کریں جس کے انتظامات کمپنی کی طرف سے کیے جائیں گے۔ وہ تمام شیئر ہولڈرز اجلاس میں فزیکل طور پر یا بذریعہ ویڈیو کانفرنس شرکت کے خواہشمند ہیں، ان سے درخواست ہے کہ وہ اپنا نام، فوٹو نمبر، موبائل نمبر، سی این آئی سی / پاسپورٹ نمبر <https://forms.office.com/1Svc5bvK4XM> پر رجسٹر کریں۔ فزیکل اجلاس یا ویڈیو کانفرنس اور لاگ ان کی تفصیلات کی تصدیق ای میل میں صرف ان ممبران کو بھیجی جائے گی جن کی رجسٹریشن سالانہ اجلاس عام سے 48 گھنٹے قبل وصول ہوگی ہوں۔ شیئر ہولڈرز سالانہ اجلاس عام کے ایجنڈا آئیٹمز سے متعلق اپنی آراء اور سوالات [agm.efert@engro.com](mailto:agm.efert@engro.com) پر بھیج سکتے ہیں۔

2- سالانہ رپورٹ 2022 کی الیکٹرانک فراہمی

کمپنی نے الیکٹرانک طور پر سالانہ رپورٹ 2022 کو ای میل کے ذریعے ان شیئر ہولڈرز تک پہنچایا ہے جن کے ای میل پتے کمپنی کے شیئر رجسٹرار نیٹ ورک (پرائیویٹ) لمیٹڈ کے پاس دستیاب ہیں۔ ان صورتوں میں، جہاں کمپنی کے شیئر رجسٹرار کے پاس ای میل ایڈریس دستیاب نہیں ہیں، انہیں مذکورہ مایاتی بیانات کو ڈاؤن لوڈ کرنے کے لیے QR فعال آڈ / اوب لنک کے ساتھ سالانہ اجلاس عام کا پرنٹ شدہ نمونہ بھیجنا چاہئے گئے ہیں۔ تاہم، کمپنی کسی بھی ممبر کی درخواست پر ایلیفٹ کے اندر ان کی مانگ پر ان کے رجسٹرار سے پتے پر سالانہ رپورٹ کی ہارڈ کاپیاں ملت فراہم کرے گی۔ مزید شیئر ہولڈرز سے درخواست کی جاتی ہے کہ وہ کمپنی کے شیئر رجسٹرار نیٹ ورک (پرائیویٹ) لمیٹڈ کے پاس ای میل ایڈریس (درست CNIC کی کاپی کے ساتھ) فراہم کریں، اگر ممبر کے پاس فزیکل فارم میں مخصوص ہے یا ممبر کے متعلقہ شرکت کنندہ / سرمایہ کار کا ڈیٹا ممبر کے پاس اگر مخصوص ہے یا ممبر کے پاس ایڈریس فراہم نہیں کر سکتے ہیں۔

3- کمپنی کی حصص منگنی کتاب برواڈچٹ 22 مارچ 2023 تا بروز منگل، 28 مارچ 2023 (بشمول دونوں دن) بند رہے گی، ہر روز رجسٹرار ہاؤس

میسرفیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ آفیس: 8-نور: قمارن ہوٹل، بلاک 6، پلائی - ای - سی - ایچ - ایچ، ایس، شاہ ایف، فیصل، گمراچی۔  
 پلا اسے پی ایس نمبر 5-0134380101 (21-92) اور ای میل [info\\_stares@famco.com.pk](mailto:info_stares@famco.com.pk) کے آفسر میں بروز منگل، 21 مارچ 2023 کو کاروبار بند شدہ (شام 5:00 بجے) موصول شدہ ٹرانسفرز متعلقہ اشخاص کے اجلاس میں شرکت کرنے اور ووٹ دینے اور فائل کیشن ڈیویڈنڈ کی ادائیگی کے مقاصد کے لئے بروقت تصورات کیے جائیں گے۔

4- ممبر جو اجلاس میں شرکت اور ووٹ کا ہقدار ہے، اسے کسی دوسرے شخص کو اپنا پراسی بٹلے کا حق حاصل ہے اور تا حد مذکورہ پراسی بٹلے کو اجلاس میں شرکت کرنے،

بٹلے اور ووٹ دینے کا حق حاصل ہوگا۔ پراسی بٹلے کو اجلاس سے 48 گھنٹے قبل کمپنی کو موصول ہونا لازمی ہے۔ پراسی بٹلے کو کمپنی کا ممبر ہونا ضروری نہیں ہے۔

5 - پراسی بٹلے کی تقرری کے تقاضے

- (a) انفرادی افراد کی صورت میں، اکاؤنٹ ہولڈر یا ذیلی اکاؤنٹ ہولڈر جن کی رجسٹریشن کی تفصیلات سینٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹڈ ریگولیشنز کے مطابق اپ لوڈ کی گئی ہیں، مندرجہ بالا معلومات کے مطابق پراسی بٹلے فارم جمع کروائیں گے۔
- (b) پراسی بٹلے فارم پر وہ افراد (مرد) گواہ ہوں گے جن کے نام، پتے اور سی این آئی سی فارم پر درج ہوں گے۔
- (c) درست سی این آئی سی کی تصدیق شدہ کاپیاں یا تصدیق شدہ کاپیاں اور پراسی بٹلے فارم کے ساتھ پیش کیے جائیں گے۔
- (d) پراسی بٹلے سالانہ اجلاس عام کے وقت اپنا درست اصل سی این آئی سی یا اصل پاسپورٹ پیش کرنے گا۔
- (e) کارپوریٹ ادارے کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد اور آف ایڈوائس، نامزد شخص کے نمونے کے دستخط کے ساتھ، پراسی بٹلے فارم کے ساتھ کمپنی کو جمع کروایا جائے گا جب تک کہ اسے پہلے فراہم نہ کیا گیا ہو۔

6- کمپنی ریگولیشنز (پوسٹل بیٹ) 2018 کے مطابق، ایجنڈا آئیٹم کے سی بھی مقصد کے لیے کمپنی ایکٹ 2017 کے سیکشن 143 اور 144 کے

مطلوبات سے شرط ممبران کو اپنے بذریعہ پوسٹل بیٹ ووٹ دینے کی اجازت دی جائے گی یعنی مذکورہ بالا ریگولیشنز میں درج معلومات اور طریقہ کار کے مطابق بذریعہ پوسٹ یا الیکٹرانک ووٹ دینا۔

7- الیکٹرانک ڈیویڈنڈ مینڈیٹ

کمپنی ایکٹ 2017 کے سیکشن 742 کی شرائط کے مطابق، ایلیفٹ کمپنی ویکس ڈیویڈنڈ کی ادائیگی صرف الیکٹرانک طریقہ کار کے ذریعے ہقدار شیئر ہولڈرز کی طرف سے مقرر کردہ بینک اکاؤنٹ میں براہ راست کرنا ہوگا۔

براہ راست اپنے بینک اکاؤنٹ میں ڈیویڈنڈ حاصل کرنے کے لیے، شیئر ہولڈرز سے درخواست کی جاتی ہے کہ وہ کمپنی کی ویب سائٹ پر دستیاب

ہقد ڈیویڈنڈ کے الیکٹرانک کریڈٹ کے لیے فزیکل شیئرز کی صورت میں شیئر ہولڈر انفارمیشن فارم کو پُر کریں اور اسے درست سی این آئی سی کی کاپی کے ساتھ دیکھ شدہ، شیئر رجسٹرار، میسرفیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو بھیجیں۔ سی ڈی سی میں حصص رکھنے کی صورت میں الیکٹرانک ڈیویڈنڈ مینڈیٹ فارم براہ راست شیئر ہولڈر کے بروکر یا پارٹنر سی ڈی سی اکاؤنٹ سرور کو جمع کروا دیا جائے چاہیے۔ معلومات کی عدم وصولی کی صورت میں، کمپنی شیئر ہولڈرز کو ڈیویڈنڈ کی ادائیگی روکنے پر مجبور ہوگی۔

8- انکم ٹیکس آرڈیننس کے پہلے شیڈول کے حصہ III کے ڈویڈنڈ کے ساتھ پراسی بٹلے سیکشن 150 کی قیام میں، 2001 ڈیویڈنڈ آمدنی پر وہ

ہولڈنگ ٹیکس فائلر اور 'ان فائلر' شیئر ہولڈرز کے لیے 15% اور 30% پر ڈاؤن جائے گا۔ ہر تریب ایک فائلر ایک ٹیکس دہندہ ہے جس کا نام ایف بی آر کی طرف سے وقتاً فوقتاً جاری کی جانے والی اینڈ ٹیکس دہندگان کی فہرست (ATL) میں ظاہر ہوتا ہے اور 'ان فائلر' فائلر کے علاوہ کوئی دوسرا شخص ہوتا ہے۔ کمپنی کو فائلر کے لیے 15% ٹیکس دہندگان کے قابل بنانے کے لیے، تمام شیئر ہولڈرز کو مشورہ دیا جاتا ہے



## سالانہ اجلاس عام کی اطلاع

مطلع کیا جاتا ہے کہ مندرجہ ذیل کاروباری امور کی اہمیت کے لیے اینگروفریٹلائزرز لمیٹڈ ("کمپنی") کا چھواں سالانہ اجلاس عام، بروز منگل، 28 مارچ 2023 کو دوپہر 02:30 بجے کراچی اسکول آف بزنس اینڈ لیڈرشپ، میٹشل اسٹیڈیم روڈ، بالقابل اربت ٹیشن ہوٹل، کراچی 74800 میں منعقد ہوگا۔

مہران سے درخواست کی جاتی ہے کہ وہ ڈیوکانفرنس ٹیلیٹو کے ذریعے اجلاس میں شرکت کریں جس کے اعلانات کمپنی نے کیے ہیں (تفصیلات کے لیے براہ مہربانی نوٹس ٹیکشن کا مطالعہ کریں)

### (A) فوقی امور

1۔ کمپنی کے 31 دسمبر 2022 کو اختتام پذیر ہونے والے سال کے آزادانہ اور متحد شدہ آڈٹ شدہ مالیاتی گوشوارے کے ساتھ ساتھ ڈائریکٹرز رپورٹ اور آڈٹ رپورٹ ورہیٹر مین کی جائزہ رپورٹ کی وصولی، جائزہ اور قبول کرنا۔  
کمپنیز ایکٹ، 2017 کے سیکشن (7) 223 کے مطلوبات کے مطابق کمپنی کے مالیاتی گوشوارے کمپنی کی ویب سائٹ پر اپ لوڈ کر دیے گئے ہیں جو مندرجہ ذیل لنک سے ڈاؤن لوڈ کیے جاسکتے ہیں:



<https://www.engrofertilizers.com/investments#reports>

2۔ ڈائریکٹرز کی تجویز کے مطابق 31 دسمبر 2022 کو اختتام پذیر سال کے لئے فائنل کیش، ایلیٹو ٹیڈنگ اور اسٹاک 5 روپے (50%) ہے۔ باقی ماندہ کیش، ڈیویڈنڈ 8.50 روپے (85%) کے علاوہ ہے۔  
3۔ سال 2023 کے لیے آڈٹڈ تقرر داران کے معاوضے کا تعین کرنا، مہران کو مطلع کیا جاتا ہے کہ بورڈ آڈٹ کمپنی اور بورڈ آف ڈائریکٹرز نے کمپنی کے آڈٹرز کے طور پر دوبارہ تقرر کیے گئے ریمانڈ ہونے والے آڈٹرز کے ساتھ فرگورن اینڈ کمپنی، کے نام کی سٹارٹس کی ہے۔

### (B) عیسوی امور

4۔ کمپنیز ایکٹ 2017 کے سیکشن 38 کے تحت کمپنی کی ایسی ہی ایجنس کے آرگنٹرز میں ترمیم کرنے کے لیے درج ذیل خصوصی قرارداد (قراردادوں) پر غور کرتے اور اگر مناسب سمجھا جائے تو ترمیم، اضافہ یا حذف کے ساتھ پاس کے بغیر پاس کرنا، جیسا کہ کمپنی کے ورڈ آف ڈائریکٹرز نے تجویز کیا ہے۔  
محور کیا گیا کہ اینگروفریٹلائزرز لمیٹڈ ("کمپنی") کے آرگنٹرز آف ایسی ہی ایجنس کے آرگنٹرز 79 میں ترمیم کی گئی ہے جسے ایسپا جانا ہے:  
79۔ بورڈ آف ڈائریکٹرز کے اجلاسوں کا نوٹ بک کمپنیز ایکٹ، 2017 کے سیکشن (1) 178 کے تحت درکار ہوگا۔ سوائے اس کے کہ ایکٹ میں واضح طور پر قراہم کیا گیا ہے، بورڈ کے اجلاس میں ہر سوال کا تعین ارگنٹرز کے اہلوں کی اکثریت سے کیا جائے گا۔ ڈائریکٹرز ذاتی طور پر یا ویڈیو کنفرانس کے ذریعے پیش ہوتے ہیں، ہر ڈائریکٹر کا ایک ووٹ ہوتا ہے۔ دونوں کی برابری یا برابری کی صورت میں، چیئرمین کو ہلورڈ ڈائریکٹرز اپنے اصل ووٹ کے علاوہ کاسٹنگ ووٹ بھی حاصل ہوگا۔

مزید یہ منظور کیا گیا کہ کمپنی کے آرگنٹرز آف ایسی ہی ایجنس کے آرگنٹرز 82 میں ترمیم کی جائے گی اور اس کو مندرجہ ذیل پر حیا جائے گا:

"82۔ ڈائریکٹرز یا کمپنی آف ڈائریکٹرز کی میٹنگ کا نوٹس وصول کرنے کا حقدار اس وقت کے لیے ڈائریکٹرز یا کمپنی آف ڈائریکٹرز کی اکثریت کے ذریعے تحریری طور پر منظور شدہ قرار داتی ہے اور مست اور موثر ہوگی جیسے کہ اسے ڈائریکٹرز یا ڈائریکٹرز کی کمپنی کا ہاضا اہل اجلاس اور انعقاد میں منظور کیا گیا ہے۔  
مزید منظور کیا گیا کہ کمپنی کے چیف ایگزیکٹو آفسرار یا کمپنی سیکرٹری قانونی، کارپوریٹ اور طریقہ کار کو پورا کرنے کے لیے، اسکے تمام ایجنس، کارروائیوں کو کرنے، کوئی بھی اور تمام ضروری اقدامات کرنے کا مجاز ہے۔ مذکورہ قرار داد کے مشہد کو مکمل طور پر حاصل کرنے کے لیے اس کی جانب سے ضروری کیے جانے والے تمام ضروری دستاویزات اور بیرون قائل کریں۔"

تعمیر بورڈ

سلیم برکت، اے سی اے  
کمپنی سیکریٹری

کراچی  
9 فروری، 2023

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## shareholders' information including financial calendar

### annual general meeting

The Fourteenth Annual General Meeting of the members of Engro Fertilizers Limited (the "Company") will be held at Karachi School of Business and Leadership (KSBL) situated at National Stadium Road, Opp. Liaquat National Hospital, Karachi – 74800 on Tuesday, March 28, 2023, at 02:30 P.M. as mentioned in the Notice of Annual General Meeting.

Shareholders as of March 21, 2023 are encouraged to participate and vote.

Any shareholder may appoint a proxy to vote on his or her behalf. Proxies should be filed with the Company at least 18 hours before the meeting time. CDC Shareholders or their Proxies are requested to bring with them copies of their Computerized National Identity Card or passport along with the Participant's ID number and their account number at the time of attending the Annual General Meeting to facilitate their identification.

### ownership

On December 31, 2022, there were 32,648 shareholders on record of the Company's ordinary shares. Electronic transmission of annual reports through company's website and email as required under section 223(7) of the Companies Act, 2017. Financial statements of the Company have been uploaded on the website of the Company which can be downloaded from the following link:

<https://www.engrofertilizers.com/investments#reports>

In compliance with the section 223(6) of Companies Act 2017, the Company has electronically transmitted the Annual Report 2022 through email to shareholders whose email addresses are available with the Company's Share Registrar, M/s. FAMCO Associates (Private) Limited. In those cases, where email addresses are not available with the Company's Share Registrar, M/s. FAMCO Associates (Private) Limited, printed notice of AGM along with the QR enabled code/weblink to download the said financial statements have been dispatched. However, the Company would provide hard copies of the Annual Report to the Shareholders on their demand at their registered addresses, free of cost, within one week of such request.

Further, shareholders are requested to kindly provide the valid email address (along with a copy of valid CNIC) to the Company's Share Registrar, M/s. FAMCO Associates (Private) Limited if you hold shares in physical form or to the respective Participant/Investor Account Services if shares are held in book entry form.

### E - dividend mandate (mandatory)

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

### analyst's briefing held during the year

Engro Fertilizers continued to apprise its stakeholders of the relevant updates about the Company as well as the Fertilizer industry by conducting four Analyst Briefings during the year, one at the end of every quarter. The briefings were attended by analysts as well as our stakeholders. The attendees were briefed on the performance of the Company during the period, both from a financial and an operational perspective. At the end of every session, a Q&A session was conducted to ensure that a comprehensive revelation of the Company's progress was conveyed. The presentation was also uploaded on the website after every analyst briefing for the benefit of all stakeholders.

### quarterly results

The Company issues quarterly financial statements. The planned dates for release of the quarterly results in 2023 are:

- 1st quarter: April 11, 2023
- 2nd quarter: July 26, 2023
- 3rd quarter: October 12, 2023

The Company holds quarterly briefings with Security Analysts to discuss the results and the business environment. These sessions are planned to be held on:

- 1st quarter: April 11, 2023
- 2nd quarter: July 26, 2023
- 3rd quarter: October 12, 2023

All annual/quarterly reports and presentations from quarterly briefings are regularly posted at the Company's website:

[www.engro.com](http://www.engro.com) and [www.engrofertilizers.com](http://www.engrofertilizers.com)

The Company reserves the right to change any of the above dates.

## pattern of shareholding

as at december 31, 2022

No. of Shareholders	No. of Shareholdings		Total Shares
	From	To	
5,566	1	100	212,861
10,739	101	500	4,477,685
4,508	501	1,000	4,054,637
6,026	1,001	5,000	15,650,399
1,831	5,001	10,000	14,111,615
854	10,001	15,000	10,863,146
507	15,001	20,000	9,147,912
407	20,001	25,000	9,415,034
262	25,001	30,000	7,383,954
177	30,001	35,000	5,824,946
166	35,001	40,000	7,122,504
121	40,001	45,000	5,201,397
174	45,001	50,000	8,546,814
94	50,001	55,000	4,971,900
82	55,001	60,000	4,802,570
61	60,001	65,000	3,844,057
59	65,001	70,000	4,051,368
45	70,001	75,000	3,288,652
46	75,001	80,000	3,608,630
30	80,001	85,000	2,485,677
37	85,001	90,000	3,271,916
31	90,001	95,000	2,884,657
112	95,001	100,000	11,153,543
25	100,001	105,000	2,564,812
26	105,001	110,000	2,802,710

as at december 31, 2022

No. of Shareholders	No. of Shareholdings		Total Shares
	From	To	
20	110,001	115,000	2,250,565
21	115,001	120,000	2,481,285
27	120,001	125,000	3,340,954
20	125,001	130,000	2,569,231
18	130,001	135,000	2,397,408
16	135,001	140,000	2,218,828
8	140,001	145,000	1,147,203
25	145,001	150,000	3,722,429
10	150,001	155,000	1,526,573
10	155,001	160,000	1,584,562
13	160,001	165,000	2,125,808
14	165,001	170,000	2,363,458
15	170,001	175,000	2,607,748
8	175,001	180,000	1,423,012
11	180,001	185,000	2,006,229
9	185,001	190,000	1,695,505
3	190,001	195,000	580,800
30	195,001	200,000	5,978,489
9	200,001	205,000	1,822,522
3	205,001	210,000	623,525
5	210,001	215,000	1,068,613
7	215,001	220,000	1,528,246
9	220,001	225,000	2,008,736
7	225,001	230,000	1,602,481
1	230,001	235,000	235,000
5	235,001	240,000	1,193,000
3	240,001	245,000	727,570
9	245,001	250,000	2,245,829

as at december 31, 2022

No. of Shareholders	No. of Shareholdings		Total Shares
	From	To	
6	250,001	255,000	1,512,867
2	255,001	260,000	518,136
6	260,001	265,000	1,582,379
8	265,001	270,000	2,151,515
2	270,001	275,000	547,000
7	275,001	280,000	1,940,879
1	280,001	285,000	281,000
13	295,001	300,000	3,891,172
4	300,001	305,000	1,204,522
4	305,001	310,000	1,232,900
3	310,001	315,000	333,411
7	315,001	320,000	2,227,300
1	320,001	325,000	325,000
6	325,001	330,000	1,968,471
2	330,001	335,000	665,630
2	335,001	340,000	379,820
4	340,001	345,000	1,374,301
5	345,001	350,000	1,750,000
2	350,001	355,000	709,600
4	355,001	360,000	1,433,210
3	370,001	375,000	1,118,844
1	375,001	380,000	380,000
1	380,001	385,000	382,000
2	385,001	390,000	774,045
1	390,001	395,000	393,000
4	395,001	400,000	1,597,000
1	400,001	405,000	400,805
3	405,001	410,000	1,220,660

as at december 31, 2022

No. of Shareholders	No. of Shareholdings		Total Shares
	From	To	
2	415,001	420,000	837,308
2	420,001	425,000	847,500
1	425,001	430,000	426,327
2	430,001	435,000	869,006
2	440,001	445,000	889,800
2	445,001	450,000	896,500
3	450,001	455,000	1,352,856
2	455,001	460,000	917,000
4	460,001	465,000	1,849,383
2	465,001	470,000	939,320
1	470,001	475,000	473,600
1	475,001	480,000	478,550
10	495,001	500,000	4,996,491
1	500,001	505,000	501,542
2	515,001	520,000	1,035,061
4	525,001	530,000	2,116,300
3	530,001	535,000	1,600,386
2	535,001	540,000	1,075,604
1	540,001	545,000	542,500
2	555,001	560,000	1,114,375
1	565,001	570,000	565,940
2	570,001	575,000	1,146,000
1	585,001	590,000	588,000
4	595,001	600,000	2,397,500
2	600,001	605,000	1,203,900
2	610,001	615,000	1,222,010
1	615,001	620,000	620,000
3	630,001	635,000	1,895,033

as at december 31, 2022

No. of Shareholders	No. of Shareholdings		Total Shares
	From	To	
2	635,001	640,000	1,279,540
3	640,001	645,000	1,926,259
1	650,001	655,000	350,500
1	660,001	665,000	560,500
1	675,001	680,000	378,500
2	680,001	685,000	1,364,800
2	685,001	690,000	1,374,085
1	690,001	695,000	591,000
1	695,001	700,000	700,000
1	710,001	715,000	713,320
1	715,001	720,000	720,000
1	725,001	730,000	728,796
1	740,001	745,000	745,000
1	745,001	750,000	750,000
1	755,001	760,000	756,701
1	760,001	765,000	763,248
1	765,001	770,000	768,345
1	775,001	780,000	775,004
1	785,001	790,000	785,500
3	795,001	800,000	2,400,000
1	805,001	810,000	310,000
1	810,001	815,000	311,396
2	820,001	825,000	1,645,763
1	825,001	830,000	326,817
2	830,001	835,000	1,669,000
1	840,001	845,000	343,850
1	845,001	850,000	347,614
2	850,001	855,000	1,702,729

as at december 31, 2022

No. of Shareholders	No. of Shareholdings		Total Shares
	From	To	
1	855,001	860,000	856,000
2	875,001	880,000	1,754,200
1	880,001	885,000	884,095
1	895,001	900,000	900,000
1	910,001	915,000	910,861
1	945,001	950,000	950,000
1	950,001	955,000	951,000
1	955,001	960,000	958,559
2	960,001	965,000	1,922,693
1	990,001	995,000	990,364
6	995,001	1,000,000	3,000,000
1	1,035,001	1,040,000	1,038,827
1	1,040,001	1,045,000	1,041,000
1	1,045,001	1,050,000	1,050,000
1	1,055,001	1,060,000	1,059,642
2	1,065,001	1,070,000	2,135,614
2	1,095,001	1,100,000	2,199,041
1	1,130,001	1,135,000	1,133,645
1	1,140,001	1,145,000	1,142,093
1	1,145,001	1,150,000	1,147,276
1	1,180,001	1,185,000	1,185,000
1	1,265,001	1,270,000	1,267,000
2	1,315,001	1,320,000	2,638,177
2	1,380,001	1,385,000	2,765,819
1	1,395,001	1,400,000	1,400,000
1	1,410,001	1,415,000	1,413,221
1	1,480,001	1,485,000	1,481,000
2	1,495,001	1,500,000	3,000,000

as at december 31, 2022

No. of Shareholders	No. of Shareholdings		Total Shares
	From	To	
1	1,545,001	1,550,000	1,545,445
1	1,570,001	1,575,000	1,571,709
1	1,595,001	1,600,000	1,600,000
1	1,600,001	1,605,000	1,603,953
1	1,605,001	1,610,000	1,606,000
1	1,680,001	1,685,000	1,680,691
1	1,745,001	1,750,000	1,750,000
1	1,765,001	1,770,000	1,767,807
1	1,770,001	1,775,000	1,773,993
1	1,790,001	1,795,000	1,793,100
1	1,795,001	1,800,000	1,800,000
1	1,815,001	1,820,000	1,817,105
1	1,855,001	1,860,000	1,857,580
1	1,895,001	1,900,000	1,900,000
1	1,995,001	2,000,000	2,000,000
1	2,045,001	2,050,000	2,050,000
1	2,055,001	2,080,000	2,059,366
2	2,085,001	2,090,000	4,178,603
1	2,200,001	2,205,000	2,204,945
1	2,220,001	2,225,000	2,222,960
2	2,225,001	2,230,000	4,452,430
1	2,305,001	2,310,000	2,310,000
1	2,340,001	2,345,000	2,344,206
1	2,435,001	2,440,000	2,439,554
1	2,495,001	2,500,000	2,496,983
1	2,735,001	2,740,000	2,737,600
1	2,805,001	2,890,000	2,889,500
1	3,035,001	3,040,000	3,037,277

as at december 31, 2022

No. of Shareholders	No. of Shareholdings		Total Shares
	From	To	
1	3,150,001	3,155,000	3,152,783
1	3,295,001	3,300,000	3,298,922
1	3,350,001	3,355,000	3,352,896
1	3,365,001	3,370,000	3,368,754
1	3,695,001	3,700,000	3,700,000
1	3,820,001	3,825,000	3,821,849
1	3,995,001	4,000,000	4,000,000
1	4,270,001	4,275,000	4,274,444
1	4,375,001	4,380,000	4,377,840
1	4,500,001	4,505,000	4,504,423
1	4,685,001	4,690,000	4,680,897
1	5,015,001	5,020,000	5,018,016
1	5,485,001	5,490,000	5,490,000
1	5,840,001	5,845,000	5,843,856
1	6,070,001	6,075,000	6,074,820
1	6,090,001	6,095,000	6,091,102
1	6,245,001	6,250,000	6,248,958
1	6,285,001	6,290,000	6,286,655
1	6,750,001	6,800,000	6,757,781
1	6,995,001	7,000,000	7,000,000
1	7,205,001	7,210,000	7,208,646
1	7,540,001	7,545,000	7,544,967
1	8,145,001	8,150,000	8,150,000
1	9,495,001	9,500,000	9,500,000
1	12,570,001	12,575,000	12,570,793
1	13,535,001	13,550,000	13,540,253
1	20,660,001	20,665,000	20,662,047
1	751,310,001	751,315,000	751,312,049
<b>32,648</b>			<b>1,335,299,375</b>

## categories of shareholding

as at december 31, 2022

S.No.	Shareholders Category	No. of Shareholder	No. of Shares	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children	8	43,587	0.00
2	Associated Companies, Undertakings and Related Parties	6	752,411,651	56.35
3	Banks, Development Financial Institutions, Non Banking Financial Institutions	15	36,958,019	2.77
4	Insurance Companies	18	21,414,010	1.60
5	Mudarabas and Mutual Funds	82	41,496,856	3.11
6	Shareholders holding more than 5%	1	751,312,049	56.27
7	General Public (Individual)- local	32,006	325,165,493	24.35
8	Others	512	157,793,759	11.82
9	Executives	1	16,000	0.00
<b>Total (excluding : shareholders holding more than 5%)</b>		<b>32,648</b>	<b>1,335,299,375</b>	<b>100.00</b>

## key shareholding and share traded

as at december 31, 2022

Directors, Chief Executive Officer, and their spouse and minor children

S.No.	Name	No. of Shares Held
1	MR. GHAS LDDIN KHAN	1
2	MR. JAVED AKBAR	26,524
3	MR. KHAWAJA BILAL HUSSAIN	1
4	MR. ISMAIL MAHMUD	15,838
5	DR. SHAMSHAD AKHTAR	1
6	MR. ASAD SAID JAFAR	1
7	MR. ASIM MURTAZA KHAN	1,220
8	MR. AHSAN ZAFAR SYED	1
<b>Total</b>		<b>43,587</b>

### Associated Companies, Undertakings and Related Parties

Engro Corporation Limited	751,312,049
Engro Corporation Limited Provident Fund	695,386
Engro Corporation Limited MPT Employees Defined Contribution Gratuity Fund	307,426
Engro Foods Limited Employees Gratuity Fund	53,890
Engro Corporation Limited MPT Employees Defined Contribution Pension Fund	33,600
Engro Corporation Limited Gratuity Fund	9,300
<b>Total</b>	<b>752,411,651</b>

### Banks, Development Financial Institutions, Non-Banking Financial Institutions

36,958,019

### Insurance Companies

21,414,010

modarabas and mutual funds

S No.	Name	No. of Shares Held
1	MEEZAN ISLAMIC FUND	6,074,820
2	FAYSAL ISLAMIC DEDICATED EQUITY FUND	4,377,840
3	ALAMEEN SHARIAH STOCK FUND	3,298,922
4	KSE MEEZAN INDEX FUND	2,226,930
5	MCB PAKISTAN STOCK MARKET FUND	1,773,993
6	ABL STOCK FUND	1,680,691
7	NIT ISLAMIC EQUITY FUND	1,545,445
8	ABL ISLAMIC STOCK FUND	1,384,819
9	LAKSON EQUITY FUND	1,381,000
10	ATLAS ISLAMIC STOCK FUND	1,315,392
11	UBL STOCK ADVANTAGE FUND	1,142,083
12	MEEZAN TAHAFUZZ PENSION FUND EQUITY SUB FUND	1,133,645
13	NIT EQUITY MARKET OPPORTUNITY FUND	1,069,814
14	NATIONAL INVESTMENT (UNIT) TRUST	1,038,827
15	AL HAMRA ISLAMIC STOCK FUND	900,000
16	ALFALAH GHP ISLAMIC STOCK FUND	847,614
17	JS GROWTH FUND	728,796
18	ATLAS STOCK MARKET FUND	685,004
19	AL MEEZAN MUTUAL FUND	683,300
20	AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	610,710
21	ALFALAH GHP STOCK FUND	515,061
22	FIRST HABIB MODARABA	500,000
23	MEEZAN BALANCED FUND	450,956
24	ALHAMRA ISLAMIC ASSET ALLOCATION FUND	450,400
25	ABL ISLAMIC DEDICATED STOCK FUND	405,500
26	UNIT TRUST OF PAKISTAN	326,000
27	PAKQATAR ISLAMIC STOCK FUND	325,971
28	FAYSAL ISLAMIC STOCK FUND	300,799

S.No.	Name	No. of Shares Held
29	ALAMEEN ISLAMIC ASSET ALLOCATION FUND	275,673
30	MEEZAN DEDICATED EQUITY FUND	250,792
31	FAYSAL STOCK FUND	201,641
32	LAKSON ISLAMIC TACTICAL FUND	199,253
33	UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	180,031
34	MCB PAKISTAN DIVIDEND YIELD PLAN	177,500
35	APIF EQUITY SUB FUND	171,485
36	AKFI INDEX TRACKER FUND	163,925
37	ALFALAH GHP ALPHA FUND	162,463
38	JS LARGE CAPITAL FUND	151,300
39	ATLAS ISLAMIC DEDICATED STOCK FUND	145,531
40	AL HABIB ISLAMIC STOCK FUND	145,000
41	LAKSON TACTICAL FUND	134,737
42	MEEZAN ASSET ALLOCATION FUND	119,348
43	NIT ASSET ALLOCATION FUND	115,000
44	ALFALAH GHP VALUE FUND	109,000
45	FAYSAL ASSET ALLOCATION FUND	100,000
46	B.F. MODARABA	95,000
47	HBL ISLAMIC STOCK FUND	94,000
48	MEEZAN PAKISTAN EXCHANGE TRADED FUND	89,010
49	JS ISLAMIC FUND	88,000
50	FAYSAL MIS FUND MI	85,027
51	NITPF EQUITY SUB FUND	81,500
52	APF EQUITY SUB FUND	80,000
53	JS ISLAMIC PENSION SAVINGS FUND EQUITY ACCOJNT	67,500
54	UBL ASSET ALLOCATION FUND	66,851
55	HBL STOCK FUND	62,000
56	AWF ISLAMIC STOCK FUND	61,900
57	JS PENSION SAVINGS FUND EQUITY ACCOUNT	52,200



S No.	Name	No. of Shares Held
58	ABL PENSION FUND EQUITY SUB FUND	51,000
59	NITPF EQUITY SUB FUND	50,000
60	ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	44,737
61	NBP PAKISTAN GROWTH EXCHANGE TRADED FUND	43,840
62	ABL ISLAMIC PENSION FUND EQUITY SUB FUND	43,000
63	AL HABIE STOCK FUND	42,500
64	NBP FINANCIAL SECTOR INCOME FUND MT	42,000
65	AWT STOCK FUND	36,700
66	HBL FINANCIAL SECTOR INCOME FUND PLAN I MT	31,644
67	PAKISTAN CAPITAL MARKET FUND	30,511
68	UBL PAKISTAN ENTERPRISE EXCHANGE TRADED FUND	28,527
69	NIT PAKISTAN GATEWAY EXCHANGE TRADED FUND	28,275
70	AL HABIE ASSET ALLOCATION FUND	26,186
71	NBP ISLAMIC STOCK FUND	22,839
72	AL AMEEN ISLAMIC DEDICATED EQUITY FUND	20,100
73	FIRST CAPITAL MUTUAL FUND	20,000
74	ALFALAH GHP DEDICATED EQUITY FUND	17,578
75	UBL DEDICATED EQUITY FUND	13,900
76	NIT INCOME FUND MT	2,000
77	NBP SAVINGS FUND MT	500
78	NBP MAHANA AMJANI FUND MT	94
79	RI-SJAR MUTUAL FUND LIMITED	91
80	FIRST INTERFUND MODARABA	44
81	FIRST UDL MODARABA	2
82	ASIAN STOCKS FUNDS LIMITED	1
<b>Total</b>		<b>41,496,856</b>

#### Shareholders holding 0% or more voting rights in the Company

Engro Corporation Limited	751,312,049
General Public (individuals)	325,165,493
Others	157,793,759
Executive	16,000
<b>Total Shareholding</b>	<b>1,335,299,375</b>

Details of Purchase/Sale of shares by Directors, Executive and their spouses/minor children during 2022: Nil

\*For the purpose of declaration of shares traded, all direct reportees of the Chief Executive Officer are considered as Executive

Dear Shareholder,

We wish to inform you that in accordance with the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed company to pay cash dividend to the shareholders only through electronic mode directly into the bank account designated by the entitled shareholders. Please note that in case of non-communication of Bank account details by the shareholders to their respective Registrars, Participant / CDC IAS within the afore-mentioned time frame, the Company would be constrained to act in accordance with the provisions of the law for withholding the amount of dividend.

In order to receive your dividends directly in your Bank account, please complete the particulars as mentioned below and return this letter duly signed along with a copy of your CNIC to the Registrar of the Company M/s FAMCO Associates (Pvt.) Limited, 8-F, Near Hotel Faran, Nursery, Block 6, P.E.C.H.S., Shahr-e-Faisal, Karachi.

CDC shareholders are requested to submit their dividend mandate and CNIC directly to their broker (participant) / CDC.

Yours faithfully,  
For Engro Fertilizers Limited

Company Secretary

SHAREHOLDERS SECTION:

I/We hereby communicate to receive my/our dividends directly in my/our Bank account as detailed below:

i) Shareholder details	
Name of the shareholder	
CDC Participant ID & Sub Account No. / CDC IAS	
CNIC / NICOP / Passport / NTN No. (Please attach copy)	
Contact Number (LandLine & Cell Nos.)	
Shareholders Address	
ii) Shareholder's Bank account details:	
Title of Bank Account	
IBAN (See Note 1 below)	
Banks Name	
Branch Name & Code No	
Branch Address	

It is stated that the above particulars given by me/as are correct to the best of my/our knowledge and I/we shall keep the Company informed in case of any changes in the said particulars in future.

Shareholder's Signature

Note: Please provide complete IBAN after checking with your concerned branch to enable electronic credit directly into your bank account.

The payment of cash dividend will be processed on the basis of the IBAN number alone. The Company is entitled to rely on the IBAN number as per your instructions. The Company shall not be responsible for any loss, damage, liability or claim arising, directly or indirectly, from any error, delay, or failure in performance of any of its obligations hereunder which is caused by incorrect payment instructions and / or due to any event beyond the control of the Company.

ہم آپ کو مطلع کرتے ہیں کہ ایئر ایکٹ 2017 کے سیکشن 242 کے تحت ان کی تکمیل میں کسی بھی ایئر کمپنی کے لئے لازم ہے کہ وہ اپنے شیئر ہولڈرز کو منافع معسر کی رقم شیئر ہولڈرز کے نام بینک اکاؤنٹ میں براہ راست جمع کرائیں۔ براہ مہربانی نوٹ فرمائیں کہ شیئر ہولڈرز کی جانب سے اپنے متعلقہ شیئر رجسٹرارز، پارٹنیشنر CDCIAS کو اپنے بینک اکاؤنٹ کی تفصیل مذکورہ بالا مدت کے اندر نہ بھیجئے کی صورت میں، کمپنی قانونی پروہیڈ کی تکمیل میں ان کے منافع معسر کی رقم روکنے پر مجبور ہوگی۔

اپنے بینک اکاؤنٹ میں براہ راست منافع معسر کی رقم وصول کرنے کے لیے، براہ مہربانی درج ذیل کوائف مکمل کریں اور اس لیٹر پر باقاعدہ دستخط کر کے اپنے قومی شناختی کارڈ کی کاپی کے ہمراہ کمپنی کے شیئر رجسٹرار میسرز ٹیکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ B-F نذر ہوٹل فاران، نرسری، ایک 6، پی ای سی ایچ ایس، شاہراہ قیصل، کراچی کو واپس بھیجیں۔

سی ڈی سی شیئر ہولڈرز سے گزارش کی جاتی ہے کہ وہ اپنے ڈیویڈنڈ بینڈس اور سی این آئی سی اپنے بروکر (پارٹنیشنر) کی سی ڈی سی کو براہ راست بھیجیں۔

آپ کے متنی

از طرف، ایئر فریٹ لائنز لمیٹڈ

کمپنی سیکریٹری

میں یہاں درج ذیل تفصیلات کے مطابق اپنے بینک اکاؤنٹ میں اپنے منافع معسر کی وصولی سے متعلق آگاہ کر رہے ہوں:

(i) شیئر ہولڈرز کے کوائف	
شیئر ہولڈرز کا نام	
CDC پارٹنیشنر آئی ڈی اور سب اکاؤنٹ نمبر CDCIAS	
رابطے کے نمبر (لینڈ لائن اور موبائل فون نمبر)	
شیئر ہولڈرز کا ایڈریس	
(ii) شیئر ہولڈرز کے بینک اکاؤنٹ کی تفصیل	
بینک اکاؤنٹ نام	
IBAN (ذیل میں نوٹ 1 ملاحظہ کریں)	
بینک کا نام	
برانچ کا نام اور گولڈ نمبر	
برانچ کا ایڈریس	

یہ اقرار کیا جاتا ہے کہ میری جانب سے فراہم کیے جانے والے مذکورہ بالا کوائف میری معلومات کے مطابق درست ہیں اور ان کوائف میں کسی بھی تبدیلی کی صورت میں کمپنی کو آگاہ کرنا میری ذمہ داری ہوگی۔

شیئر ہولڈرز کے دستخط

نوٹ: براہ مہربانی اپنے متعلقہ برانچ سے تصدیق کے بعد اپنے مکمل IBAN کوائف فراہم کریں تاکہ آپ کے بینک اکاؤنٹ میں براہ راست الیکٹرانک بریلٹ کوئی پیسے جاتے۔

منافع معسر کی ادائیگی کا عمل صرف IBAN نمبر کی بنیاد پر مکمل کیا جائے گا۔ کمپنی آپ کی ہدایات کے مطابق IBAN نمبر پر عمل کرنے کی پابندی ہے۔ کمپنی کسی بھی غلط ادائیگی کی ہدایات اور ایئر کمپنی کے اہلیت سے باہر کسی بھی صورت حال کے نتیجے میں ہونے والے نقصان، خرابی، جوہری یا کلیم، بواسطہ کسی بھی ملٹی، یا تاخیر یا کسی بھی کارروائی کی انجام دہی میں ناکامی کی ذمہ داری نہیں ہوگی۔

## standard request form

circulation of annual audited accounts.

Date: \_\_\_\_\_

The Share Registrar  
 Engro Fertilizers Limited,  
 FAMCO Associates (Private) Limited,  
 8-F Near Hotel Faran  
 Nursery, Block-6, P.E.C.H.S.  
 Karachi

Subject: Request for Hard Copy of Annual Report of Engro Fertilizers Limited

Dear Sir

I / We, \_\_\_\_\_ S/O, D/O, W/O \_\_\_\_\_ being registered shareholder of Engro Fertilizers Limited with the particulars as mentioned below would request that my / our name be added to the list of shareholders of the Company who opt for delivery of a hardcopy of the Annual Report of the Company and hereby request you to send me / us the Annual Report in hard copy form at my / our registered address as contained in the member register instead of providing the same through email.

Particulars	
Name of Shareholder	
Folio No. / CDC ID No.	
CNIC / NICOP / Passport No	
Land Line Telephone No. (if any)	
Cell No. (if any)	

Yours truly

Copy to: Company Secretary  
 Engro Fertilizers Limited  
 7th & 8th Floor, HC # 3, The Harbor Front Building,  
 Block 4, Karachi – 75600

## اسٹیٹمنٹ برائے آڈٹ شدہ اکاؤنٹ فارم

سالانہ آڈٹ شدہ اکاؤنٹس کی قیام  
 شیئر، رجسٹرار  
 ایگرو فرٹیلائزرز لمیٹڈ  
 قلم کو لاہوری اسٹریٹ (پرائیویٹ) لمیٹڈ،  
 8 F نزد ہوٹل فاران، مرسری بلاک 8،  
 پی ای سی ایچ ایس، شاہراہ فیصل، کراچی

عنوان: ایگرو فرٹیلائزرز لمیٹڈ کے سالانہ آڈٹ شدہ اکاؤنٹس کی بارڈر کا پی کے لیے درخواست  
 محترم صاحبان،

میں اہم \_\_\_\_\_ بننا اپنی ازبیدہ  
 ایگرو فرٹیلائزرز لمیٹڈ کے رجسٹرڈ شیئر ہولڈر کی حیثیت میں، ذیل میں ایسے گئے آؤٹ کے ساتھ گزارش کرتے ہیں کہ میرا نام کمپنی کے ان شیئر ہولڈر کی فہرست میں شامل کیا  
 جائے جو کمپنی کے سالانہ آڈٹ شدہ اکاؤنٹس کی بارڈر کا پی حاصل کرنے کے خواہشمند ہیں اور یہاں گزارش کرتے ہیں کہ مجھے انہیں سالانہ آڈٹ شدہ اکاؤنٹس email کے  
 بجائے بارڈر کا پی کا فارم میں میرے اہل سے رجسٹرڈ ایڈریس پر بھیجا جائے۔

کوائف
شیئر ہولڈر کا نام
فولیو نمبر / CDC آئی ڈی نمبر
سی این آئی سی / این آئی سی او پی ایس پورٹ نمبر
لینڈ لائن ٹیلی فون نمبر (اگر ہو)
موبائل فون نمبر (اگر ہو)

آپ کا خیر اندیش  
 کاپی برائے  
 کمپنی سیکریٹری  
 ایگرو فرٹیلائزرز لمیٹڈ  
 ساتویں اور آٹھویں منزل، HC#3، ہاربر فرٹنٹ بلڈنگ، بلاک 4-  
 کلفٹن، کراچی، 75600

## proxy form

I/We \_\_\_\_\_  
 of \_\_\_\_\_ being a member of ENGRO  
 FERTILIZERS LIMITED and holder of \_\_\_\_\_ Ordinary Shares as per share  
 Register Folio No. \_\_\_\_\_ and/or CDC Participant I.D. No. \_\_\_\_\_  
 and Sub Account No. \_\_\_\_\_, hereby appoint \_\_\_\_\_ of \_\_\_\_\_  
 or failing him/her \_\_\_\_\_ of \_\_\_\_\_  
 as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the  
 Company to be held on the 28th day of March, 2023, and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2023

### WITNESSES:

1. Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC No: \_\_\_\_\_

Passport No: \_\_\_\_\_

2. Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC No: \_\_\_\_\_

Passport No: \_\_\_\_\_

Signature  
 (Signature should agree with the  
 specimen registered with the Company)

Note: Proxy, in order to be effective, must be received by the Company not less than 48 hours before the meeting. A Proxy  
 holder may not need to be a member of the Company.

CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity  
 Card or Passport with this proxy form before submission to the Company.

# پراکسی فارم

تعداد نمبر \_\_\_\_\_ کی طرف \_\_\_\_\_

پیشکش کنندہ/فریلا کار/ذمہ دہ/مستند کے نام \_\_\_\_\_ (مستند نمبر) \_\_\_\_\_ عمومی نمبر پروفیشنل کی ڈائریکٹی کمیونٹی

ریفرنس نمبر \_\_\_\_\_ اور ایسی ڈی پی participant آئی ڈی نمبر \_\_\_\_\_ اور ڈی پی کا نمبر نمبر \_\_\_\_\_ اپنی دستخط میں

کی طرف سے \_\_\_\_\_ کے ایجنڈے پر پراکسی کمیونٹی کا 100% ان ممبروں کی ہماری طرف سے بااقتدار اجلاس میں شرکت کریں اور

دست دین جو تاریخ 28 مارچ 2023 کو مستحق کیا جائے گا

دستخط \_\_\_\_\_ اور دستخط تاریخ \_\_\_\_\_ 2023-

گروہ نام

1. دستخط \_\_\_\_\_

نام \_\_\_\_\_

پتہ \_\_\_\_\_

کیوبا اور ڈی پی نمبر \_\_\_\_\_

پاسپورٹ نمبر \_\_\_\_\_

دستخط شدہ ہو گا اور  
اپنی کاپی ہمیں بھجوانے کے لئے ہمیں مطلع کریں

2. دستخط \_\_\_\_\_

نام \_\_\_\_\_

پتہ \_\_\_\_\_

کیوبا اور ڈی پی نمبر \_\_\_\_\_

پاسپورٹ نمبر \_\_\_\_\_

نوٹ: پراکسیوں کی صورت میں پراکسی فارم کو نمبر 2023 کے ایجنڈے کے تحت پیشکش کرنی کو یہ عمل اور ہمارے پاس میں دستیاب پراکسی فارم کی کاپی بھجوانے کے لئے ہے۔

ایسی ڈی پی نمبر اور ایجنڈے اور ان کی نمائندہ پراکسی کو اپنی اصل قومی شناختی کارڈ کی کاپی اور پاسپورٹ کی کاپی ہمیں بھجوانے کے لئے ہمیں مطلع کریں۔

