engro fertilizers

fields of connection

Annual Report 2015

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DCIP|THE D'HAMIDI PARTNERSHIP:DESIGN

about the cover

We share a dream with our most important stakeholder, the farmer. Our vision of connecting better with the farmer by utilizing more sophisticated means of communication and enriching our product portfolio, connects directly with the dream of our farmer. We both aspire to prosper in this very field and this strong connection also shows in the fields we both work in. On this fertile premise grows our concept of 'Fields of Connection'. Building upon this thought we reflect it in our annual report this year by using imagery that depicts lush green fields across the length and breadth of our land.

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fields of growth
Company Information

company information

Board of Directors

Khalid Siraj Subhani
Ruhail Mohammed
Abdul Samad Dawood
Inamullah Naveed Khan
Javed Akbar
Naz Khan
Shabbir Hashmi
Shahid Hamid Pracha

Company Secretary

Faiz Chapra

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Bank Islami Pakistan Limited
The Bank of Punjab
Burj Bank Limited
Citi Bank .N.A.
Dubai Islamic Bank (Pakistan) Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Samba Bank Limited
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
United Bank Limited

Auditors

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

Cost Auditors

J.A.S.B. & Associates
Chartered Accountants
No. 4 Uni Tower
I.I. Chundrigar Road
Karachi-74000, Pakistan
Tel: +92(21)32468154-5 / 32468158
Fax +92(21) 32468157

Registered Office

7th Floor, The Harbor Front Building,
HC # 3, Marine Drive, Block 4, Clifton,
Karachi-75600, Pakistan
Tel: +92(21) 35297501 – 35297510
Fax:+92(21) 35810669
Website: www.engrofertilizers.com

notice of the meeting

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of Engro Fertilizers Limited will be held at Marriott Hotel, Abdullah Haroon Road, Karachi on Monday, March 28, 2016 at 10 a.m. to transact the following business:

A. Ordinary Business:

(1) To receive and consider the Audited Accounts for the year ended December 31, 2015 and the Directors' and Auditors' Reports thereon.

(2) To declare a final dividend at the rate of PKR 3.00 (30%) for the year ended December 31, 2015

(3) To appoint Auditors and fix their remuneration.

(4) To elect 08 directors in accordance with the Companies Ordinance, 1984. The retiring Directors are M/s Syed Khalid Siraj Subhani, Ruhail Mohammed, Javed Akbar, Abdul Samad Dawood, Shabbir Hashmi, Naz Khan, Inamullah Naveed Khan and Shahid Hamid Pracha.

B. Special Business:

(5) To consider, and if thought fit, to pass the following resolution as Special Resolution:

RESOLVED THAT the consent of the Company in General Meeting be and is hereby accorded to lend/provide to Engro Corporation Limited, a short term loan / financing facility of up to PKR 6 billion. The facility will initially be for a period of one year, but renewal of the same for four further periods of one year each be and is also hereby approved.

(6) To consider, and if thought fit, to pass the following resolution as a Special Resolution:

RESOLVED that the Articles of Association of the Company be amended by adding a new Article 54A as follows:

The provisions and requirements for e-voting as prescribed by the SECP from time to time shall be deemed to be incorporated in these Articles, irrespective of the other provisions of these Articles of Association and notwithstanding anything contradictory therein

N.B

(1) The Directors of the Company have fixed, under sub-section (1) of Section 178 of the Companies Ordinance, 1984, the number of elected directors of the Company at 08.

(2) The Share Transfer Books of the Company will be closed from Tuesday, March 15, 2016 to Monday, March 28, 2016 (both days inclusive). Transfers received in order at the office of our Registrar, M/s. FAMCO ASSOCIATES (PVT.) LTD, 8-F, next to Hotel Faran, Nursery, Block 6, PECHS, Shahra-e-Faisal, Karachi [PABX Nos. (92-21) 34380101-5] and email info.shares@famco.com.pk by the close of business (5:00 p.m) on Monday, March 14, 2016 will be treated to have been in time for the purposes of payment of final dividend to the transferees and to attend and vote at the meeting.

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

(4) **Submission of Copy of CNIC/NTN Details (Mandatory)**

Pursuant to the directives of the Securities and Exchange Commission of Pakistan CNIC number of individuals is mandatorily required to be mentioned on dividend warrants and pursuant to the provisions of Finance Act 2015, the rate of deduction of income tax under section 150 of the Income Tax Ordinance 2001 from dividend payment have been revised as: for filers of Income Tax return 12.5% and Non filer of Income Tax return 17.5%. In case of Joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to our Share Registrars, or if no notification, each joint holder shall be assumed to have an equal number of shares.

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

The CNIC number/NTN details is now mandatory and is required for checking the tax status as per the Active Taxpayers List (ATL) issued by Federal Board of Revenue (FBR) from time to time.

Individuals including all joint holders holding physical share certificates are therefore requested to submit a copy of their valid CNIC to the company or its Registrar if not already provided. For shareholders other than individuals, the checking will be done by matching the NTN number, therefore the Corporate shareholders having CDC accounts are requested in their own interest to provide a copy of NTN certificate to check their names in the ATL before the book closure date to their respective participants/CDC, whereas corporate shareholders holding physical share certificates should send a copy of their NTN certificate to the Company or its Share Registrar. The Shareholders while sending CNIC or NTN certificates, as the case may be must quote their respective folio numbers.

In case of non-receipt of the copy of a valid CNIC, the Company would be unable to comply with SRO 831(1)/2012 dated July 05 2012 of SECP and therefore will be constrained under SECP Order dated July 06, 2015 under section 251(2) of the Companies Ordinance, 1984 to withhold the dispatch of dividend warrants of such shareholders. Further, all the shareholders are advised to immediately check their status on ATL and may, if required take necessary action for inclusion of their name in the ATL. The Company as per the new Law, shall apply 17.5% rate of withholding tax if the shareholder's name, with relevant details, does not appear on the ATL, available on the FBR website on the first day of book closure and deposit the same in the Government Treasury as this has to be done within the prescribed time.

Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate is made available to FAMCO Associates (Pvt.) Ltd., by the first day of Book Closure.

Statement under Section 160 of the Companies Ordinance, 1984

This Statement is annexed to the Notice of the Seventh Annual General Meeting of Engro Fertilizers Limited to be held on Monday, March 28, 2016, at which certain Special Business is to be transacted. The purpose of this Statement is to set forth the material facts concerning such Special Business.

Item (5) of the Agenda

The management of the Company and Engro Corporation (its parent) have been evaluating a mechanism whereby short term liquidity management within the Company and the Engro group could be further strengthened. As a Group-wide policy initiative to achieve operational efficiencies for the benefit of the Company and the Group, the Company seeks approval to enable it to lend and make available to Engro Corporation (ECorp) short term financing facilities. The above is being proposed only for short term liquidity management (including but not restricted to commercial papers and other short term financing instruments), where the company has surplus liquidity and/or Engro Corporation requires liquidity. Engro Corporation, as a reciprocal arrangement will be obtaining its shareholders' approval to make similar facilities available to the Company where it has excess liquidity and / or where the Company requires liquidity.

the information required under S.R.O. 27 (1) / 2012 for loans & advances is provided below:

(i) Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established;

Engro Fertilizer Limited (Engro Fert) is a subsidiary company of Engro Corporation Limited (Engro Corp) which holds 78.77% of its shares.

(ii) Amount of loans or advances;

Up to PKR 6 billion.

(iii) Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans or advances;

This will enable Engro Fert to lend to Engro Corp during the times it has excess liquidity and / or Engro Corporation requires liquidity giving the Company the opportunity to benefit from better terms including earning a higher return. This will improve the profitability of the Company benefitting the shareholders.

(iv) In case any loan has already been granted to the said associated company or associated undertaking, the complete details thereof;

None

(v) Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements;

Half year ended June 30, 2015, reviewed accounts of Engro Corporation Limited (standalone):

Assets	Amounts in thousand
Property plant & equipment	91,361
Long term investments	30,452,386
Loans, advances & prepayments (including long term)	10,014,987
Short term investments	4,689,378
Other Assets	750,572
Total Assets	45,998,684
Liabilities	
Borrowings	4,370,935
Trade and other payables	576,856
Other Liabilities	352,921
Total Liabilities	5,300,712
Equity	40,697,972
Income Statement	
Dividend & Royalty income	4,306,460
Operating Profit	11,585,609
Profit after Tax	11,027,129

(vi) Average borrowing cost of the investing company or in case of absence of borrowing the Karachi Inter Bank offered Rate for the relevant period;

Average Short Term Borrowing Cost of Engro Fert as at December 31, 2015 is KIBOR + 0.83%. However this keeps on changing.

(vii) Rate of interest, mark up, profit, fees or commission etc. to be charged;

The rate will be better than the mark-up payable by Engro Fert on its borrowings of like or similar maturities and where it has no borrowings, the rate will not be less than KIBOR for the relevant period and will also be better than the rates Engro Fert can obtain for deposits or investments with financial institutions.

(viii) Sources of funds from where loans or advances will be given;

Internal cash generation: However see IX below.

(ix) Where loans or advances are being granted using borrowed funds,- (I) justification for granting loan or advance out of borrowed funds; (II) detail of guarantees / assets pledged for obtaining such funds, if any; and (III) repayment schedules of borrowing of the investing company;

The intent is generally only to lend to Engro Corp when Engro Fert has excess liquidity. However, there may be circumstances where Engro Fert may have overdraft lines un-utilized and may still lend to its parent by utilizing such lines. If this is done the answers to the queries are that (I) it will be justified by Engro Corp paying a markup rate better than the rate payable by Engro Fert and Engro Corp also making a similar facility available to the company and (II) Engro Fert secures its overdraft line by a joint first pari passu charge over its charged assets as defined in the joint deed of floating charge and (III) the normal repayment schedules of short term loans are for a maximum of one year.

(x) Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any;

No security will be obtained since Engro Corporation is the largest shareholder of Engro Fert and a very solid and profitable holding company. Both companies are confident that any financing arrangement will be ultimately repaid.

(xi) If the loans or advances carry conversion feature i.e. it is convertible into securities, this fact along with complete detail including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable;

None

(xii) Repayment schedule and terms of loans or advances to be given to the investee company;

Facility granted for a period of one year, renewable for four further periods of one year each. The other terms are mentioned above.

(xiii) Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment;

As detailed above

(xiv) Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;

The Directors of Engro Fertilizers have no personal interest in the matter, however, some directors of Engro Fertilizers' Board are also directors of Engro Corporation's Board and hold shares in Engro Corporation Limited: Mr. Abdul Samad Dawood 66,310 shares and Mr. Syed Khalid Siraj Subhani 865,714 shares. The following directors of Engro Corporation Limited hold shares in Engro Fertilizers Limited: Mr. Hussain Dawood 1,168,016 shares, Mr. Shahzada Dawood 1,157,105 shares, Mr. Abdul Samad Dawood 6,631 shares, Mr. Muhammad Abdul Aleem 126,364 shares, and Mr. Syed Khalid Siraj Subhani 236,571 shares.

(xv) Any other important details necessary for the members to understand the transaction;

N/A

Item (6) of the Agenda

To give effect to the Companies (E-Voting) Regulations 2016, shareholders' approval is being sought to amend the Articles of Association of the Company to enable e-voting

By Order of the Board

Karachi,
February 08, 2016

Faiz Chapra
Company Secretary

at a glance

PKR
111.9bn
Market Capitalization

PKR
38bn
Contribution to National Exchequer

PKR
66.2bn
Wealth Generated

1,150
Employee Strength

AA-
Long term PACRA rating

34%
Urea Market Share

69%
Employee Engagement Index

our history

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 for farmers and their families, and for the nation at large. Farmer education programs increased consumption of fertilizers in Pakistan, paving way for the Company's branded urea called "Engro" –an acronym for "Energy for Growth".

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

Talks with the Government of Pakistan bore fruit in 1964, and an agreement was signed allowing Esso to set up a urea plant with an annual capacity of 173,000 tons. Esso brought in state-of-the-art design; commercially tried facilities; and a highly distinguished pool of technical expertise to ensure a smooth start up. Total investment made was US$ 46M –the single largest foreign investment in Pakistan to date then. The plant started production on 4 December 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 for farmers and their families, and for the nation at large. Farmer education programs increased consumption of fertilizers in Pakistan, paving way for the Company's branded urea called "Engro" –an acronym for "Energy for Growth".

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

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

In 2015, Engro was fast growing and had already diversified its business portfolio in as many as seven different industries. The continuous expansions and diversifications in Company's enterprises necessitated a broad restructuring in Engro Chemicals Pakistan Ltd. which subsequently demerged to form a new Engro subsidiary –Engro Fertilizers Limited.

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

The Company undertook its largest urea expansion project in 2007.

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

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

As we forge ahead we aim to built on our world class experience of five decades to forward our purpose driven growth strategy of being a leader in the fertilizer industry with a global pressence.

our milestones

1957
Mari gas field discovered by Esso Mobil joint venture

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

1965
The company was incorporated as Esso Pakistan Fertilizer Limited, to manufacture and market fertilizers

1968
Urea plant commissioned

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

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

2010
Enven plant started producing urea. Demerger of Engro Chemicals Pakistan Limited and transfer of fertilizer business to a separate company, Engro Fertilizers Limited. Engro Chemicals renamed Engro Corporation Limited

2011
Enven capitalized and started commercial production

2013
Successful IPO conducted. Oversubscribed 3x during the process

2014
Achieved highest ever Urea sales in the history of Engro Fertilizers of 1.818 Mn Tons consequently resulting in highest ever market share of 32% for urea in 2014

2015
Highest ever production of Urea (1,968 KT) as well as highest ever Urea sales (1,878 KT)

Only fertilizer company registered with Dupont to achieve a Level 4 rating in Safety Management Systems

our core values

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

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

Ethics & Integrity

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

Health, Safety & Environment

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

Innovation & Risk Taking

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

Our People

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

Community & Society

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


fields of progress
Corporate Governance

board of directors

Left to Right

Inamullah Naveed Khan
Khalid Siraj Subhani
Naz Khan
Ruhail Mohammed
Abdul Samad Dawood
Javed Akbar
Shahid Hamid Pracha
Shabbir Hashmi

directors' profiles

Khalid Siraj Subhani
Chairman

Khalid S. Subhani is the President of Engro Corporation Limited since 2015.

He is the Chairman of the Board of Engro Fertilizers Limited., Engro Eximp (Private) Limited, Engro Eximp AgriProducts (Private) Limited, Engro Polymer & Chemicals Limited, Engro Polymer Trading (Private) Limited, Engro Powergen Limited, Engro Powergen Qadirpur Limited, Engro Vopak Terminal Limited, Engro Elengy Terminal (Private) Limited, Elengy Terminal Pakistan Limited and Thar Power Company Ltd. He has also served as Chairman of the Board of Avanceon in the past. Mr. Subhani is a Director on the Board of Engro Corporation Limited, Engro Foods Limited, Sindh Engro Coal Mining Company Limited. He is also a Director on the Board of The Hub Power Company Limited and Laraib Energy Limited.

Mr. Subhani began his career in the Manufacturing Division at Exxon Chemical Pakistan Limited in 1983 and has held a variety of leadership roles within the Company, including long term assignment with Esso Chemical Canada. He has served as Manager for New Projects, General Manager for Operations, Vice President for Manufacturing, Senior Vice President for Manufacturing and New Ventures and as President & Chief Executive Officer for Engro Fertilizers Limited.

He is a member of the Pakistan Engineering Council, Business Advisory Council of the Society for Human Resource Management (SHRM) Forum Pakistan, Academic Council of Institute of Business Administration – Sukkur, Faculty Selection Board of Institute of Business Administration – Sukkur, and Standing Committee on Environment of Federation of Pakistan Chambers of Commerce & Industry.

He graduated from NED University of Engineering and Technology, Pakistan with a degree in Chemical Engineering and has completed programs on advance management from MIT and Hass School of Business Management, University of Berkeley, USA.

Ruhail Mohammed
Chief Executive Officer

Ruhail Mohammed is currently the Chief Executive Officer of Engro Fertilizers Limited, a state of the art urea manufacturing facility in Pakistan, the Company today has an approximate strength of 3,000 employees, with a sales revenue of approx. Rs. 90 Billion, and market capitalization of approx. Rs. 100 Billion.

Prior to his current position, he was the Chief Financial Officer of Engro Corporation Limited and also the Chief Executive Officer of Engro Powergen Limited (which owns a 217 MW IPP). He holds an MBA degree in Finance from the Institute of Business Administration Karachi, and is also a Chartered Financial Analyst (USA).

Ruhail has over 30 years of experience in General Management, Change Management, Business Development, Strategy & Financial Planning and People Development. He has worked in these areas in Pakistan, UAE and Europe.

He is on the Board of various Engro companies. In addition, he is also on the Boards of Hub Power Company Limited and Pakhtunkhwa Energy Development Organization.

Abdul Samad Dawood
Director

Abdul Samad Dawood is the Chief Executive Officer of Dawood Hercules Corporation Limited.He is the Chairman of Engro Foods Limited, He is also Director on the Boards of Dawood Corporation Private Limited, Engro Fertilizers Limited, Dawood Lawrencepur Limited, Tenaga Generasi Limited, Reon, The Hub Power Company Limited, Hub Power Holding Ltd, Patek Private Limited and Towershare Private Limited, Mr Dawood is a graduate in Economics from University College London, UK and a certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance. He was recently appointed Italian Honorary Consul General in Lahore. Mr. Dawood is also a member of the Young Presidents Organization. He joined the Board in 2009.

Inamullah Naveed Khan
Director

Inamullah Naveed Khan is currently Vice President Manufacturing of Engro Fertilizers. Prior to his current position, he was Project Executive of the Billion dollar, Enven 1.3 Grassroots Ammonia-Urea Project at Daharki. He holds a Civil Engineering degree from University College of Engineering, Taxila and has completed programs on advance management from INSEAD-France, Kellogg-USA and an assignment at Exxon Chemicals, Redwater – Canada.

Inam has 35-years of industry experience. 15-years have been in Engineering, Procurement and Construction (EPC) of 4-world scale Ammonia, Urea and Methanol Complexes with Snamprogetti SpA of Italy, Exxon Chemicals and Engro Fertilizers. He was member of the core engineering team of PakVen-600, Ammonia-Urea relocation project and was assigned at Ammonia dismantling site at Pascagoula-USA for one year. He also led the debottlenecking project namely 750-KT at Daharki and was Engineering and Construction Manager for ECES-850 KT revamp project. His other 20-years' experience has been in Planning, Cost Engineering, Procurement, Project Engineering, Maintenance and Administration at Engro Fertilizers Manufacturing Complex at Daharki. He is also secretary of PCESSDC board.

Javed Akbar
Director

Javed Akbar has undergraduate and post-graduate qualification in Chemical Engineering from the United Kingdom, and has over 40 years of experience in fertilizer and chemical business with Exxon, Engro and Vopak. He has managed Exxon and Engro fertilizers plants and their expansions in Pakistan, worked in Exxon's Chemical Technology divisions in USA and Canada, and served as Human Resources Manager in Exxon Pakistan. He was part of the buyout team when Exxon divested its stake in Engro.

Prior to his retirement in 2006, he was Chief Executive of Engro Vopak Terminal Limited, a joint venture between Engro and Royal Vopak of Holland. After his retirement, he established a consulting company specializing in analyzing and forecasting petroleum, petrochemical and energy industry trends and providing strategic insight. He is on the boards of Engro Fertilizers Limited, Engro Powergen Limited, Engro Powergen Qadirpur Limited, Engro Vopak Terminal Limited, and Javed Akbar Associates (Private) Limited. He also serves on the panel of Energy Experts Group and environmental experts of Sindh Environmental Protection Agency. He joined the board in 2010.

Naz Khan
Director

Naz Khan is the Chief Financial Officer at Engro Corporation Limited and the Chief Executive Officer at Engro Eximp Agriproducts. Prior to her current position, she also worked as Chief Executive Officer of KASB Funds Limited. Her association with Pakistan's capital markets spans over 19 years during which she has been actively involved in primary as well as secondary markets for both debt and equity securities. She has also held key positions of Executive Director, Head of Money Market and Fixed Income, Head of Investment Advisory Division and Co-Head of Investment Banking Division at KASB Securities Limited, where she led major capital market transactions on the debt and equity side. Ms. Khan has also worked as a consultant for the Asian Development Bank on Mortgage Backed Securities. She is a graduate from Mount Holyoke College, MA, USA.

Shabbir Hashmi
Director

Shabbir Hashmi has more than 30 years of project finance and private equity experience. At Actis Capital, one of the largest private equity investors in the emerging market, he had led the Pakistan operations. Prior to Actis, he was responsible for a large regional portfolio of CDC Group Plc for Pakistan and Bangladesh. He also had a long stint with USAID and later briefly with the World Bank in Pakistan, specializing in planning and development of the energy sector of the country. In the past, he has held more than 24 board directorships as a nominee of CDC/Actis and 11 directorships as an independent. Currently, he is serving as an independent director on the on the boards of UBL Fund Managers, Engro Fertilizer, Engro Powergen Qadirpur and LMKR Holdings. He is also on the board of governors of The Help Care Society which is operating K-12 schools in Lahore for underprivileged children. He is an engineer from Dawood College of Engineering & Technology, Pakistan and holds an MBA from J.F. Kennedy University, USA

Shahid Hamid Pracha
Director

Shahid Hamid chairs the Boards of Dawood Lawrencepur Limited, Tenaga Generasi Limited, Reon Limited and Sach International (Pvt) Limited. In addition to Engro Fertilizers Limited, he is a director of Engro Powergen Limited and Engro Powergen Qadirpur Limited. He has been associated with the Dawood Hercules Group since 2007 and formerly served on the Engro Corporation Limited and Hub Power Company Limited boards. He retired as Chief Executive of Dawood Hercules Corporation in October 2014 after previously working as the CEO of The Dawood Foundation, the philanthropic arm of the group. Whilst in that role, he was concurrently the first CEO of The Karachi Education Initiative, the sponsoring entity of the Karachi School for Business & Leadership.

Mr. Pracha is a graduate electrical engineer from the University of Salford, UK and prior to joining the Dawood Hercules Group, spent a major part of his career with ICI Plc's Pakistan operations in a variety of senior roles including a period of international secondment with the parent company in the UK. He joined the Board in 2013.

board committees

The Board has established the following two committees:

Board Compensation Committee

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

The Chief Executive Officer attends Board Compensation Committee meetings by invitation. The committee met three times during 2015.

Members
Khalid Siraj Subhani – Chairman
Abdul Samad Dawood – Member
Javed Akbar – Member

The Secretary of the Committee is M. Asif Sultan Tajik, VP HR & Administration.

The Board Audit Committee

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

The Chief Financial Officer regularly attends the Board Audit Committee meetings by invitation to present the accounts. After each meeting, the Chairman of the Committee reports to the Board. The Committee met four times during 2015.

Members
Javed Akbar – Chairman
Abdul Samad Dawood – Member
Shabbir Hashmi – Member

The Secretary of the Committee is Syed Mohammed Ali, Manager Corporate Audit.

functional committees

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

MANCOM

MANCOM 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
Ruhail Mohammed – Chairman
Ahmad Shakoor
Asim Butt
Atif Kaludi
Inamullah Naveed Khan
M. Asif Sultan Tajik
Mudassar Y. Rathore
Mohsin A. Mangi

The Secretary of MANCOM is Khusrau Nadir Gilani.

Corporate HSE Committee

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

Members
Ruhail Mohammed – Chairman
Ahmad Shakoor
Asim Butt
Atif Kaludi
Inamullah Naveed Khan
M. Asif Sultan Tajik
Mudassar Y. Rathore
Mohsin A. Mangi

The Secretary of the Corporate HSE Committee is Mahmood Siddiqui.

Committee for Organizational and Employee Development (COED)

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

Members
Ruhail Mohammed – Chairman
Ahmad Shakoor
Asim Butt
Inamullah Naveed Khan
M. Asif Sultan Tajik
Muddassar Y. Rathore
Mohsin Ali Mangi

The Secretary of the COED is M. Asif Sultan Tajik.

Six Sigma Corporate Council

This council oversees the implimentation of Six Sigma.

Members
Ruhail Mohammed – Chairman
M. Asif Sultan Tajik
Asim Butt
Ahmad Shakoor
Inamullah Naveed Khan
Mudassar Y. Rathore
Mohsin A. Mangi
Mohammad Adnan Tariq

The Secretary of the Six Sigma Corporate Council is Usman Aziz Khan.

our governance framework

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

Compliance Statement

The Board of Directors has throughout the year 2015 complied with the 'Code of Corporate Governance' as per the listing requirements of the stock exchanges and the 'Corporate and Financial Reporting Framework' of the Securities & Exchange Commission of Pakistan.

Risk Management Process

Management at Engro Fertilizers periodically reviews major financial and operating risks faced by the business. We also continue to operate an Enterprise-wide Risk (ERM) system to proactively highlight risks associated with the business and deploy mitigation strategies that feed into our governance framework.

Internal Control Framework

Responsibility:

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board, whilst maintaining its overall responsibility for managing risk within the Company, has delegated the detailed design and operation of the system of internal controls to the Chief Executive.

Framework:

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

Review:

The Board meets quarterly 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 companywide policy governing appraisal and approval of investment expenditure and asset disposals. Post completion reviews are performed on all material investment expenditure.

Audit:

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

Directors:

As at December 31, 2015 the Board comprises of two executive Directors, two independent Directors, four non-executive Directors of whom two are executives in other Engro companies, who have the collective responsibility for ensuring that the affairs of Engro Fertilizers are managed competently and with integrity.

A non-executive Director, Mr. Syed Khalid Siraj Subhani, chairs the Board and the Chief Executive Officer is Mr. Ruhail Mohammed. Biographical details of the Directors are given earlier in this section. A Board of Directors' meeting calendar is issued annually that schedules the matters reserved for discussion and approval. The full Board met 06 times this year and discussed matters relating to inter alia long term planning, giving consideration both to the opportunities and risks of future strategy.

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

statement of compliance with the code of corporate governance

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in Regulations of Pakistan Stock Exchange (formerly Karachi Stock Exchange, in which the Lahore and Islamabad stock exchanges have merged) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. As at December 31, 2015 the Board included the following members:

Category	Name
Independent Directors	Shabbir Hashmi Javed Akbar
Executive Director	Ruhail Mohammed Inamullah Naveed Khan
Non-Executive Directors	Abdul Samad Dawood Shahid Hamid Pracha Naz Khan Khalid S. Subhani

   The independent directors meet the criteria of independence under clause i (b) of the CCG. Of the non-executive directors, Naz Khan, and Khalid S. Subhani are executives in other Engro Group Companies.

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

3. All the resident Directors of the Companies are registered as Tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI, or being a member of a stock exchange has been declared as a defaulter by that stock exchange.

4. One casual vacancy occurred on the Board during the year which was filled up by the directors within 90 days.

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

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and the meeting fees payable to the non- executive directors, have been taken by the Board .

8. All meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Six directors have attended the directors training course conducted by the Pakistan Institute of Corporate Governance (PICG). One of the directors is exempted from taking the directors training course and the remaining one director is scheduled to attend the course this year.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11 The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee comprising three members of whom two members are independent directors and one is a non-executive director and the Chairman of the Committee is an independent director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the Committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee. It comprises three members, of whom one is an independent director and two are non-executive directors and the Chairman of the Committee is a non-executive director.

18. The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel that are involved in the internal audit function on a full time basis and are conversant with policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The "closed period", prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchanges except for an urgent Board meeting.

22. Material/price sensitive information has been disseminated among all market participants at once through the stock exchanges.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

Khalid Siraj Subhani
Chairman

Ruhail Mohammed
Chief Executive Officer

fields of progress

Director's Report

CEO's message

As we forge ahead our aim is to outperform in both operational and financial terms and develop deeper connections with our customers and communities that host us.

As we strive to enhance the country's food security, Engro Fertilizers together with its partners is committed to creating new value for our customers, communities and the nation at large.

Our financial performance for the year 2015 is reflective of the transformation in the scale of the Company in the past few years. Sales of PKR 88,032 million are 43% higher as compared to last year while earnings per share of PKR 11.14 versus PKR 6.29 last year speak of the successful year that we have had on the back of robust performance of the Company.

While the local agricultural market has certainly expanded over the period, these figures also reflect steady gains in market share and an outstanding track record of innovation. In addition, continuing focus on operational efficiency while increasing profitability on one side of the spectrum has also resulted in the Company declaring highest-ever profitability of PKR 15,027 million (standalone) – which is 83% higher than last year.

As we forge ahead our aim is to outperform in both operational and financial terms and develop deeper connections with our customers and communities that host us. Firmly rooted in the agricultural chain of the country, Engro Fertilizers remains committed to deploying initiatives that enhance local production and provides value and food security to the nation. We believe that as a trail-blazing organization we are best suited to create unique solutions to meet farmer needs that will ultimately lead to sustained market share growth across all dimensions of our business. Building on to this philosophy in 2015 we have launched the Farmer Connect program whereby we aim to increase farm productivity of small to medium growers through capacity building and implementation of innovative techniques for resource optimization and efficiency. We believe in the years to come the Farmer Connect program will prove a key milestone in delivering on our strategic priorities of delivering superior customer and shareholder value.

I have reiterated time and again that in order to prosper we need the communities we serve and operate in to prosper: and that over the long term, healthy communities, healthy economies and healthy business performance are all mutually reinforcing. In the year 2015 we continued to emphasize our undying commitment to nurture societies by spending 1% of our Profit before Tax on various social causes with education and health being the flagship areas of focus along with community engagement. During the year we deployed a team of community officers as part of our focus to deepen community engagement at Ghotki and neighboring communities. We believe this effort will help us understand the needs of the community and devise specific programs and initiatives which will be better in sync with the demands of the local communities and would, therefore, eventually help us create a more long term and sustainable impact.

At Engro Fertilizers we have always taken pride in our people and the year 2015 was no different. Through the year we deployed various measures to improve employee engagement whilst also delivering training through an integrated needs assessment exercise in order to maintain a pipeline of an engaged, talented workforce, which is diverse and rewarded on merit.

In the end, on behalf of the Board and the Management Committee, I would like to thank all our employees for making Engro Fertilizers what it is today and for bringing the Company to this exciting stage of its development. I know that I can count on their energy, enthusiasm and dedication as we work together to forge a meaningful contribution to the development of the agricultural sector in Pakistan.

Ruhail Mohammed
Chief Executive Officer

key numbers

1,968 KT
Urea Production

PKR 87.6 bn
Revenue in 2015

PKR 15.02 bn
Highest ever PAT

87%
Capacity Utilization of Urea Plant

1,878 KT
Urea sales

Guddu Compressors' Installation & 2 plant operations

business review

On behalf of the Board of Directors' of Engro Fertilizers Limited, we are pleased to submit the Directors report and the audited financial statements of the Company for the year ended December 31, 2015.

Overview

Engro Fertilizers Limited continued to deliver a strong operational and financial performance in 2015 on the back of gas availability for both plants; second year running. The Company posted a profit after tax of PKR 15,027 million (standalone) in 2015 representing an increase of 83% over PKR 8,208 million in 2014. In addition to the gas availability for both plants, the performance was largely due to applicability of concessionary gas pricing for Enven from March 16, 2015. As a result of deleveraging in 2014, and refinancing & repricing of debt in 2015, the Company was able to make significant savings in financial charges throughout the year.

Subsequent to the shareholder approval in the Extraordinary General Meeting in the first quarter of 2015, the Company completed the acquisition of 100% shareholding of Engro EXIMP (Private) Limited, and thereby, brought the complete fertilizer trading business. Post acquisition consolidated profit after tax is PKR 14,819 million.

Market Review

Pakistan's urea industry demand dropped slightly in 2015 by 1% vs. 2014 to 5,573 KT. The decline was mainly due to a decrease in demand during Kharif season as a result of monsoon rains. Furthermore due to poor crop economics farmers chose not to sow early BT cotton also contributing to the same. However, high demand during 4Q covered for lower demand in 3Q. Though the industry shrank, share of locally produced branded urea increased to 91% vs. 86.6% in 2014. This was mainly due to higher domestic production, 5,285 KT vs. 4,891 KT in 2014, as a result of higher gas availability to the industry.

Domestic urea prices were largely stable in the first half of 2015. Gas prices for the all other segments including fertilizer sector were increased effective September 1, 2015, which was followed by an increase in urea prices by all manufacturers. This, followed by the announcement of farmer package by the Government, led to an uncertainty on urea prices. Pending clarity from the government on the farmer package, manufactures announced discounts effectively reversing majority of the price increase. Subsequent clarity on the farmer package did not give any relief on urea demand, forcing manufacturers to absorb most of the increased gas price impact.

The meltdown in global oil prices, has had a significant impact on international urea prices in 2015 which have come down from USD 304/Ton (CFR Karachi) at the beginning of the year to USD 252/Ton at year end equivalents to PKR 1,900/bag.

Gas Scenario

Engro Fertilizers Limited continued to receive the gas allocation of 60 MMSCFD gas from Guddu/Mari Shallow throughout the year 2015 based on ECC's decision in December 2014 in respect of the Company installing gas compressors for Guddu Power Plant (GENCO II) at its own cost. The Company's overall urea capacity utilization in 2015 was 87% vs 80% in 2014.

Post enactment of the GIDC Act 2015, the Company has obtained stay orders against the retrospective applicability of GIDC. However, on the request of the Government, and without compromising its legal stance, the Company has paid the complete accrued amount of PKR 15,200 million against non-concessionary gas supplied. Currently, the Company is paying GIDC on all non-concessionary gas.

The Company has also obtained a stay order against GIDC applicability on concessionary gas and therefore no GIDC is being paid or accrued for concessionary gas supplied to the new urea plant. GIDC on concessionary gas is in direct contravention with the Fertilizer Policy and our Gas supply contracts on the basis of which we invested USD 1.1 Billion to expand our fertilizer manufacturing capacity.

Segment Analysis

Urea

Engro Fertilizer Ltd produced 1,968 KT of urea, 8% higher than 1,819 KT produced in 2014 and also produced its fastest ever 1.5 million tons of urea in 278 days. The Company reported a urea sales volume of 1,878 KT in 2015, 3% higher than 2014. Resultantly, Engro's 2015 urea market share increased to 34% from 32% last year while market share in branded urea remained stable at 37%.

Phosphates

The Company sold 391 KT of DAP, which constitutes a 22% market share in the industry for the brand Engro DAP during the year. With the decline in commodity prices in the world, DAP prices followed a similar trend with prices falling from USD 490/Ton (CFR Pakistan) at the start of the year to USD 400/Ton at the end of the year.

Zarkhez

The Company's blended fertilizers' (Zarkhez & Engro NP) sales for the year increased by 8% to 135 KT compared to 125 KT during 2014 led by higher NP sales. Overall domestic Potash industry saw a decline of 16% from 2014 due to poor crop economics. However, the market share of Zarkhez increased to 51% (42% in 2014) contributing to a lower than industry decline in actual sales volumes.

Financial Review

Sales revenue for 2015 was PKR 88,032 million which was higher by 43% as compared to the corresponding period (2014: PKR 61,425 million). Increase in sales revenue is primarily due to the addition of Phosphates business, revenue which clocked at PKR 23,606 million in 2015.

Gross profit for the year 2015 was PKR 32,308 million as compared to PKR 22,603 million for the same period last year. In addition to the Phosphates business, concessionary pricing added to the YoY growth in gross profit.

Financial charges decreased by PKR 1,998 million to PKR 4,627 million (2014: PKR 6,625 million). This variation is mainly on account of deleveraging in 2014, refinancing & repricing of debt in 2015 and declining interest rates in the country. Other income reduced to PKR 1,781 million from PKR 2,449 million in 2015 due to payment of GIDC and dividends during 2015 resulting in lower surplus cash vs. last year.

EPS improved to PKR 11.14 as compared to EPS of PKR 6.29 last year.

Dividend

The Board is pleased to propose a final dividend of PKR 3.00 per share for the year ended December 31, 2015 for approval of the members at the Annual General Meeting to be held on March 28, 2016.

Capital Structure

In 2015, the Company concentrated its efforts on reducing cost of financing; towards this end, the Company, backed by the robust financial performance and support of its lenders, refinanced and repriced close to PKR 4,500 million of its local loan portfolio. Talks continue to extend these gains with further optimization of our loan portfolio in the coming year.

Long term borrowings at year end 2015 were PKR 36,026 million (2014: PKR 44,003 million).

The shareholder's equity as at December 31, 2015 stands at PKR 42,332 million (2014: PKR 34,478 million).

During the year, PACRA has upgraded the long term credit rating from A+ to AA-. The short term rating was also upgraded from A1 to A1+.

Our Commitment to HSE

The Company adhered to its tradition of focusing on Health, Safety and Environment with a Total Recordable Injury Rate (TRIR) of 0.15.

In 2015, Daharki operations remained without any Lost Workday Injury (LWI) and with a TRIR of 0.20. The manufacturing facility also completed 11 million Man-Hours without any LWI which spells out the Company's commitment to health and safety of its people, processes and the environment.

Throughout the year various drives were run at the site to improve behaviors to reduce injuries whilst a dedicated hand-injuries program titled "Boltay Haath" was introduced which proved to be best-in-class and a game changer as far as behavioral modifications is concerned. The program focused on the theme of introducing a new working norm or "No Work – Without Gloves" which was well received, adopted and practiced at all levels of the site.

The Company's manufacturing facility at Daharki also achieved excellence (Level 4) in all the three areas of Health, Safety and Environment post DuPont's audit of Occupational Health and Industrial Hygiene (OHIH) program in November. The achievement in OHIH was attained through a number of initiatives taken by the site during 2015 which included:

- Health Risk Assessments strengthened and aligned with PHAs
- Quantitative Ergonomics evaluations were conducted for critical tasks
- Heat Stress Surveys and improvement of Asbestos and NARF handling at site
- Training refresher for all employees and contractors of the site

The Company received another first this year when the Management Club at the plant achieved the HACCP (Hazard Analysis and Critical Control Points) system certification for Food – making the Daharki facility the only residential colony having a mess facility certified on HACCP guidelines.

During 2015, the drive on improving process safety continued and key personnel were trained on new techniques of process safety which included Safety Integrity Level, Layer of Protections and Functional Safety Training amongst others. The manufacturing facility enhanced its emergency response program by installing cameras at high points for monitoring any leak or spill at Crisis Management Cell thereby bolstering the security of the site. In order to improve behavioral safety across the board a “Contractors Safety Observation Program” has been launched in which contractors are encouraged to observe, report and participate in correcting the gaps/deficiencies found at site.

The Company’s commitment to the environment was lauded by the World Wide Fund for Nature (WWF) when the Daharki offices scored best in Pakistan during the Green Office Recertification audit done by WWF with a score of 83.4%.

The Company remains cognizant of its responsibility to the communities that host us and to build on our commitment in 2015 the Daharki manufacturing facility resolved a key issue for the surrounding community – sewage treatment. During the year an innovative sewage treatment technology called “Constructed Wetland” was introduced at one of the Company’s (Community Awareness & Emergency Response) CAER villages. Moreover, the facility also reduced its environmental foot print by recycling the effluent treated water for irrigation purposes thereby reducing the fresh intake of site.

Our Consolidated HSE Performance

Business	Man hours	TRIR	Recordable injuries	Fatalities	Lost-work injuries
Fertilizer	11,725,426	0.15	09	00	00

Our Social Investments

Since its inception Engro Fertilizers has maintained a significant social footprint across the communities that host us. Our social investments constitute a variety of programs in different sectors which are primarily centered on the communities surrounding our plant site.

Community Engagement

In 2015 company put greater emphasis on improving the community engagement in Ghotki. A team of community officers was put in place which has improved the relationship with neighboring communities. Increased social investments and community engagement activities in the neighboring villages and Daharki town have also helped us create a sustainable impact by understanding the needs of the communities and then devising programs accordingly.

Technical Training College (TTC)

The Technical Training College at Daharki – an independent concern which Engro helped establish – is pivotal to the Company’s skills training programs. The TTC offers 3 year Diploma in Associated Engineering (DAE) in Chemical and Mechanical technologies along with shorter-term vocational training programs providing opportunity to the local youth to meet the industry demand.

This year the TTC commenced an entrepreneurship module with implementing partner SEED Venture to further job creation and livelihood enhancement for vocational training graduates. In addition, an incubation park for carpentry and UPS trades was created to further enhance entrepreneurship for the purpose of job creation whilst also builds on the portfolio of the vocational courses. In 2015 a total of 344 vocational graduates were trained with 96 receiving jobs, while 65 DAE graduates secured 29 jobs and received 8 out of the top 10 positions in the Sindh Board Examinations.

Going forward a digital placement structure is in the process of development, to facilitate student recruitment and track academic and alumni students, allowing for impact to be measured on an ongoing basis.

Education

The year 2015 was a watershed year for our educational programs running in the Daharki vicinity. The Company’s 10 adopted schools in Daharki received a USAID grant of PKR 22 million to improve reading skills for primary grades 1-5, in addition to commencing adult literacy classes for 200 community women, through the introduction of Information Communication Technology (ICT) in each school. Going forward we aim to establish computer labs in each school, with in-built pedagogical capacity building initiatives carried out through teacher training programs.

During the year the adopted schools have also seen increased enrolment by 8% in the last year, and a reduction in the dropout rate by 4%, in part due to having doubled the teaching capacity in each school to ensure a teacher to student ratio of 1:25. Moreover, the Company has also established Learning Resource Centers (LRCs), Environmental Club and provided science and sports materials to the schools to enhance learning of students.

The Company’s flagship Katcha School project continued to be operated as per plan whereby 12 Katcha Schools continue to educate the communities surrounding the riverine belt. Moreover, during the year the Company completed the construction of the Nazar Mohammad Middle school which is the second middle school in the Company’s School Education Program. The middle school has been established with grant from Community Development Project of Sindh Government.

The Sahara Community School also continued to deliver quality education in our neighboring communities throughout the year. With upgraded facilities and extension of classes till matriculation, the program has become comprehensive in its educational offerings to the community.

Health

Our Health projects continued to provide essential services to the communities with the Sahara Clinic treating a total of 13,422 patients whilst the Snake-bite Treatment Facility treated a total of 11,399. As part of improving the infrastructure facilities of the community the Company constructed drainage schemes, renovated the health and school facilities in the communities, constructed wetland in one of the neighboring villages, established an RO plant and also carried out improvement activities across the sports facilities.

Farmer Connect Program

During the year 2015 a Farmer Connect program was piloted which aimed to enhance our engagement efforts with the farmers by introducing a training and capacity building program in the last quarter of 2015. The program has been started in rice-wheat belt of Punjab and has started training farmers through structured training programs.

Envision

EnVison, an employee volunteering program, provided various opportunities to employees to participate in activities linked to various social causes. Employees based in Daharki, Karachi and other locations took active part in different activities thus culminating in amassing a total of 3,101 hours in volunteerism work.

Our Commitment to our People

The Company’s success thus far can be attributed to one factor above others: we have consistently sought to attract, hire and retain some of the most talented people in Pakistan. Our ability to create high performance teams in a culture of inclusiveness, professionalism and excellence is what drives our success more than anything else. To this end, the Company strives to become the employer of choice for the most talented people in Pakistan and around the world.

In order to ensure that we remain the most sought-after employer amongst college graduates as well as experienced professionals, we embarked on a drive to digitize our recruitment by launching the integrated recruitment portal. Through the year we on-boarded 28 GTEs /MTs and 40 Interns through our GTE, MT and Internship Drive which ran across key universities of Pakistan.

The company also prides itself in creating a welcoming environment, both in terms of the physical space it offers as well as the culture of the firm. Engro is particularly proud of the diversity within its firm’s culture. We make it a point to recruit people from different backgrounds, and have been successful in increasing the proportion of women who work at the company. At present the Company employs 36 female MPTs; 07 female GTEs whilst there is a consistent program in place to promote female workforce in our folds. To cater to the needs of the female employees Engro Day Care centre started in 2010 and is now also used by male employees, whose spouses work elsewhere.

Recognizing that diversity comes in many forms, Engro is particularly proud of a policy that encourages affirmative action with regard to the recruitment of people with disabilities (PWD). In 2015 1 PWD was hired in the marketing division which brings the total number of PWD’s at Engro Fertilizers to 4. The Company also continues to proactively engage with various organizations including NOWPDP, NGOs, LCDDP & SNDF Disability forums to facilitate in resourcing of PWDs.

Through the year 2015 the Company maintained its aggressive approach towards training and development of all its employees with trainings rolled out for 85% of the total management employees of the Company. In addition we also conducted the first EMBA Assistance Cycle to assess and select suitable candidates for assistance. In addition we also introduced specific skills training programs with Haldor Topsoe and GE for our engineers.

The Company recognizes that while compensation policies may attract talent, in order to retain them at the company, there are certain intangibles that need to present in order to induce employees to stay on at the firm. Building on this premise specific employer value propositions were introduced which included car lease and house financing at special rates, tax return filing services and discounted fitness and recreational club memberships amongst others.

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 defined contribution (DC) and defined benefit (DB) pension plans (both curtailed), DC provident fund, DC gratuity plan and DB gratuity plan. The value of net assets of Provident Fund (as at June 30, 2015), Gratuity funds (as at December 31, 2014) and Pension Funds (as at December 31, 2014) based on their respective audited accounts are:

- Provident Fund: PKR 3,064 million (EFert's share: ~PKR 1,290 million).
- DC Pension Fund: PKR 675 million (EFert's share: ~PKR 317 million).
- DB Pension Fund: PKR 34 million (All EFert)
- DC Gratuity Fund: PKR 1,032 million (EFert's share: ~PKR 436 million)
- DB NMPT Gratuity Fund: PKR 152 million (All EFert)
- DB MPT Gratuity Fund: PKR 264 million (All EFert)

Auditors

The existing auditors, A.F. Ferguson & Co., Chartered Accountants retire and being eligible, have offered themselves for re-appointment. The Board Audit Committee recommends their appointment as auditors for the year ending December 31, 2016.

Pattern of Shareholding

Major shareholder of Engro Fertilizers Limited is ECORP. Other shareholders are local institutions and the general public. A statement of the general pattern of shareholding along with pattern of shareholding of certain classes of shareholders whose disclosure is required under the legal reporting framework and the statement of purchase and sale of shares by Directors, Executives and their spouses including minor children during 2015 is shown later in this report.

Statement of Director Responsibilities

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

1. The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of accounts of the company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements except for changes resulting on initial application of standards, amendments or interpretations to existing standards. Accounting estimates are based on reasonable prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures there from have been adequately disclosed and explained.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the company's ability to continue as a going concern.
7. There is no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. Six directors have attended the directors training course conducted by the Pakistan Institute of Corporate Governance (PICG). One of the directors is exempted from taking the directors training course and the remaining one director is scheduled to attend the course this year.

Board Meetings and Attendance

In 2015, the Board of Directors held 6 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

Director's Name	Meetings Attended
Muhammad Aliuddin Ansari	3*
Ruhail Mohammed	6
Javed Akbar	6
Naz Khan	6
Abdul Samad Dawood	4
Shabbir Hashmi	6
Shahid Hamid Pracha	6
Syed Khalid Siraj Subhani	6
Inamullah Naveed Khan	3**

* Mr. Muhammad Aliuddin Ansari resigned on May 11, 2015
** Mr. Inamullah Naveed Khan joined on August 08, 2015

BCC Attendance

In 2015, the Board Compensation Committee held 3 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

Member's Name	Meetings Attended
Ali Ansari	1*
Javed Akbar	2
Khalid Siraj Subhani	2**
Abdul Samad Dawood	2

* Mr. Muhammad Aliuddin Ansari resigned on May 11, 2015
** Mr. Khalid Siraj Subhani joined on May 11, 2015

BAC Attendance

In 2015, the Board Audit Committee held 4 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

Member's Name	Meetings Attended
Javed Akbar	4
Abdul Samad Dawood	2
Shabbir Hashmi	4

Ruhail Mohammed
Cheif Executive Officer

Javed Akbar
Director

horizontal analysis

Balance Sheet

(Amounts in millions)	2015 Rs.	15 Vs. 14 %	2014 Rs.	14 Vs. 13 %	2013 Rs.	13 Vs. 12 %	2012 Rs.	12 Vs. 11 %	2011 Rs.
EQUITY AND LIABILITIES									
EQUITY									
Share capital	13,309	0.9	13,183	7.8	12,228	14.0	10,728	-	10,728
Share Premium	3,132	38.5	2,261	20,454.5	11	-	11	-	11
Advance against issue of shares	-	-	-	(100.0)	2,119	100.0	-	-	-
Hedging reserve	(4)	(90.0)	(40)	(72.9)	(148)	(54.3)	(324)	(34.9)	(498)
Remeasurement of post employment benefits	(41)	192.9	(14)	(33.0)	(21)	100.0	-	-	-
Unappropriated Profit	26,130	36.9	19,088	75.4	10,880	102.1	5,383	(35.3)	8,317
Employee share option compensation reserve	-	-	-	-	-	-	-	(100.0)	58
	42,526	23.3	34,478	37.5	25,069	58.7	15,798	(15.1)	18,616
NON-CURRENT LIABILITIES									
Borrowings	25,290	(29.9)	36,091	(31.8)	52,896	9.1	48,482	(14.0)	56,398
Subordinated Loan from Holding Company	-	-	-	(100.0)	3,000	-	3,000	-	3,000
Derivative Financial Instruments	-	(100.0)	7	(99.5)	1,531	207.4	498	(8.6)	545
Deferred Liabilities	6,493	24.2	5,227	12.3	4,655	37.7	3,381	(25.2)	4,521
Employee housing subsidy	-	-	-	-	-	-	-	(100.0)	19
Service benefits obligations	124	9.7	113	8.6	104	5.1	99	13.8	87
	31,907	(23.0)	41,438	(33.4)	62,186	12.1	55,460	(14.1)	64,570
CURRENT LIABILITIES									
Trade and other payables	16,887	(31.7)	24,727	37.3	18,012	126.4	7,957	54.4	5,154
Accrued interest / mark-up	844	(38.0)	1,362	(8.0)	1,480	(17.2)	1,788	(14.4)	2,088
Taxes payable	2,061	204.9	675	100.0	-	-	-	-	-
Current portion of									
Borrowings	10,737	35.7	7,913	170.6	2,924	(80.4)	14,896	49.2	9,987
Retirment and other service benefits obligations	48	11.6	43	(2.0)	44	10.0	40	21.2	33
Short-term borrowings	-	-	-	-	-	(100.0)	1,000	24,900.0	4
Unclaimed dividends	6	100.0	-	-	-	-	-	-	-
Derivative financial instruments	366	(66.4)	1,090	411.6	213	(62.4)	566	33.2	425
	30,949	(13.6)	35,810	57.9	22,673	(13.6)	26,247	48.4	17,691
TOTAL EQUITY AND LIABILITIES	105,382	(5.7)	111,726	1.6	109,928	12.7	97,505	(3.3)	100,877
ASSETS									
NON-CURRENT ASSETS									
Property, plant and equipment	72,193	(3.7)	74,963	(5.5)	79,315	(4.3)	82,878	(4.0)	86,332
Intangible assets	106	(10.2)	118	(14.5)	138	(14.8)	162	20.0	135
Long term loans and advances	160	70.2	94	(13.8)	109	29.8	84	15.1	73
Long term Investments	4,383	100.0	-	-	-	-	-	-	-
	76,842	2.2	75,175	(5.5)	79,562	(4.3)	83,124	(3.9)	86,540
CURRENT ASSETS									
Store, spares and loose tools	4,639	(1.6)	4,714	7.9	4,369	6.4	4,107	(2.4)	4,210
Stock-in-trade	6,942	530.5	1,101	(20.3)	1,382	(18.1)	1,687	(8.0)	1,834
Trade debts	2,262	198.8	757	(0.2)	758	(27.5)	1,046	636.6	142
Derivative financial instruments	29	100.0	-	(100.0)	130	100.0	1	(99.5)	184
Subordinated loan to subsidiary	900	100.0	-	-	-	-	-	-	-
Loans, advances, deposits and prepayments	588	35.8	433	(30.8)	626	58.5	395	(114.7)	1,411
Other receivables	1,330	6,900.0	19	(32.6)	28	(54.1)	61	(95.7)	192
Taxes recoverable	-	-	-	(100.0)	557	(72.2)	2,000	941.7	1,869
Short-term Investments	10,985	(56.2)	25,084	38.9	18,058	585.3	2,635	(41.0)	3,902
Cash and bank balances	865	(80.5)	4,443	(0.3)	4,458	82.0	2,449	(37.2)	593
	28,540	21.2	36,551	20.4	30,366	111.2	14.381	0.3	14,337
TOTAL ASSETS	105,382	(5.7)	111,726	1.6	109,928	12.7	97,505	(3.3)	100,877

vertical analysis

Balance Sheet

(Amounts in millons)	2015		2014		2013		2012		2011	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
EQUITY AND LIABILITIES										
EQUITY										
Share capital	13,309	12.6	13,183	11.8	12,228	11.1	10,728	11.0	10,728	10.6
Share Premium	3,132	3.0	2,261	2.0	11	-	11	-	11	-
Advance against issue of shares	-	-	-	-	2,119	1.9	-	-	-	-
Hedging reserve	(4)	(0.0)	(40)	(0.0)	(148)	(0.1)	(324)	(0.3)	(498)	(0.5)
Remeasurement of post employment benefits	(41)	(0.0)	(14)	(0.0)	(21)	-	-	-	-	-
Unappropraited Profit	26,130	24.8	19,088	17.1	10,880	9.9	5,383	-	8,317	8.2
Employee share option compensation reserve	-	-	-	-	-	-	-	-	58	0.1
	42,526	40.3	34,478	30.9	25,069	22.8	15,798	16.2	18,616	18.5
NON-CURRENT LIABILITIES										
Borrowing	25,290	24.0	36,091	32.3	52,896	48.1	48,482	49.7	56,398	55.9
Subordinated Loan from Holding Company	-	-	-	-	3,000	2.7	3,000	3.1	3,000	3.0
Derivative Financial Instruments	-	-	7	0.0	1,531	1.4	498	0.5	545	0.5
Deferred Liabilities	6,493	6.2	5,227	4.7	4,655	4.2	3,381	3.5	4,521	4.5
Employee housing subsidy	-	-	-	-	-	-	-	-	19	-
Service benefits obligations	124	0.1	113	0.1	104	0.1	99	0.1	87	0.1
	31,907	30.3	41,438	37.0	62,186	56.6	55,460	56.9	64,570	64.0
CURRENT LIABILITIES										
Trade and other payables	16,887	16.0	24,727	22.1	18,012	16.4	7,957	8.2	5,154	5.1
Accrued interest / mark-up	844	0.8	1,362	1.2	1,480	1.3	1,788	1.8	2,088	2.1
Taxes payable	2,061	2.0	675	0.6	-	-	-	-	-	-
Current portion of										
Borrowings	10,737	10.2	7,913	7.1	2,924	2.7	14,896	15.3	9,987	9.9
Retiment and other service benefits obligations	48	0.0	43	0.0	44	-	40	0.0	33	-
Short-term borrowings	-	-	-	-	-	-	1,000	1.0	4	-
Unclaimed dividends	6	0.0	-	-	-	-	-	-	-	-
Derivative financial instruments	366	0.3	1,090	1.0	213	0.2	566	0.6	425	0.4
	30,949	29.4	35,810	32.1	22,673	20.6	26,247	26.9	17,691	17.5
TOTAL EQUITY AND LIABILITIES	105,382	100	111,726	100	109,928	100	97,505	100	100,877	100
ASSETS										
NON-CURRENT ASSETS										
Property, plant and equipment	72,193	68.5	74,963	67.1	79,315	72.2	82,878	85.0	86,332	85.6
Intangible assets	106	0.1	118	0.1	138	0.1	162	0.2	135	0.1
Long term loans and advances	160	0.2	94	0.1	109	0.1	84	0.2	73	0.1
Long term Investements	4,383	4.2	-	-	-	-	-	-	-	-
	76,842	72.9	75,175	67.3	79,562	72.4	83,124	85.3	86,540	85.8
CURRENT ASSETS										
Store, spares and loose tools	4,639	4.4	4,714	4.2	4,369	4.0	4,107	4.2	4,210	4.2
Stock-in-trade	6,942	6.6	1,101	1.0	1,382	1.3	1,687	1.7	1,834	1.8
Trade debts	2,262	2.1	757	0.7	758	0.7	1,046	1.1	142	0.1
Derivative financial instruments	29	0.0	-	-	130	0.1	1	-	184	0.2
Subordinated loan to subsidiary	900	0.9	-	-	-	-	-	-	-	-
Loans, advances, deposits and prepayments	588	0.6	433	0.4	626	0.6	395	0.4	1,411	1.4
Other receivables	1,330	1.3	19	0.0	28	-	61	0.1	192	0.2
Taxes recoverable	-	-	-	-	557	0.5	2,000	2.1	1,869	1.9
Short-term Investments	10,985	10.4	25,084	22.5	18,058	16.4	2,635	2.7	3,902	3.9
Cash and bank balances	865	0.8	4,443	4.0	4,458	4.1	2,449	2.5	593	0.6
	28,540	27.1	36,551	32.7	30,366	27.6	14,381	14.7	14,337	14.2
TOTAL ASSETS	105,382	100	111,726	100	109,928	100	97,505	100	100,877	100

horizontal and vertical analyses

Profit and Loss Account

(Amounts in millions)	2015 Rs.	15 Vs. 14 %	2014 Rs.	14 Vs. 13 %	2013 Rs.	13 Vs. 12 %	2012 Rs.	12 Vs. 11 %	2011 Rs.
Horizontal Analysis									
Sales	87,615	42.6	61,425	22.5	50,129	63.7	30,627	(2.3)	31,353
Cost of Sales	55,435	42.8	38,822	38.6	28,008	34.9	20,766	42.0	14,620
Gross profit	32,180	42.4	22,603	2.2	22,121	124.3	9,861	(41.1)	16,733
Distribution and marketing expenses	5,453	22.8	4,441	26.5	3,511	40.4	2,500	11.4	2,245
Administrative expenses	863	11.8	772	28.5	601	3.1	583	6.2	549
Other expenses	1,814	37.6	1,318	53.6	858	111.3	406	(30.2)	582
Other income	1,707	(30.3)	2,449	112.7	1,151	203.7	379	(67.4)	1,164
Operating profit/(loss)	25,757	39.1	18,521	1.2	18,302	152.6	6,751	(53.5)	14,521
Finance cost	4,588	(30.8)	6,626	(33.2)	9,918	(7.3)	10,703	40.0	7,644
Net profit before taxation	21,169	78.0	11,895	41.9	8,384	312.1	(3,952)	(157.5)	6,877
Provision for taxation	(6,142)	66.6	(3,687)	27.7	(2,887)	383.9	(1,017)	(144.4)	2,289
Net profit after taxation	15,027	83.1	8,208	49.3	5,497	287.3	(2,935)	(164.0)	4,588

	2015		2014		2013		2012		2011	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Vertical Analysis										
Sales	87,615	100	61,425	100	50,129	100	30,627	100	31,353	100.0
Cost of Sales	55,435	63.3	38,822	63.2	28,008	55.9	20,766	67.8	14,620	46.6
Gross profit	32,180	36.7	22,603	36.80	22,121	44.1	9,861	32.2	16,733	53.4
Distribution and marketing expenses	5,453	6.2	4,441	7.2	3,511	7.0	2,500	8.2	2,245	7.2
Administrative expenses	863	1.0	772	1.3	601	1.2	583	1.9	549	1.8
Other expenses	1,814	2.1	1,318	2.1	858	1.7	406	1.3	582	1.9
Other income	1,707	1.9	2,449	4.0	1,151	2.3	379	1.2	1,164	3.7
Operating profit/(loss)	25,757	29.4	18,521	30.2	18,302	36.5	6,751	22.0	14,521	46.2
Finance cost	4,588	5.2	6,626	10.8	9,918	19.8	10,703	34.9	7,644	24.4
Net profit before taxation	21,169	24.2	11,895	19.4	8,384	16.7	(3,952)	(12.9)	6,877	21.8
Provision for taxation	(6,142)	(7.0)	(3,687)	(6.00)	(2,887)	5.8	(1,017)	(3.3)	2,289	7.3
Net profit after taxation	15,027	17.2	8,208	13.4	5,497	10.9	(2,935)	(9.6)	4,588	14.5

summary

(Amounts in millions)	2015	2014	2013	2012	2011
Summary of Balance Sheet					
Share capital	13,309	13,183	12,228	10,728	10,728
Reserves	29,217	21,295	12,841	5,070	7,889
Shareholders' funds / Equity	42,526	34,478	25,069	15,798	18,616
Long term borrowings	25,290	36,091	55,896	51,482	59,398
Capital employed	78,552	78,481	83,889	82,176	88,001
Deferred liabilities	6,493	5,227	4,655	3,381	4,521
Property,plant & equipment	72,192	74,963	79,315	82,878	86,332
Long term assets	76,842	75,175	79,563	83,124	86,540
Current assets	28,540	36,551	30,366	14,381	14,337
Summary of Profit and Loss					
Sales	87,615	61,425	50,129	30,626	31,353
Gross profit	32,180	22,603	22,121	9,861	16,733
Operating profit	25,757	18,521	18,302	6,752	14,521
Profit / (loss) before tax	21,169	11,895	8,384	(3,952)	6,877
Profit / (loss) after tax	15,027	8,208	5,497	(2,935)	4,588
EBITDA	30,509	23,273	23,259	11,741	17,673
Summary of Cash Flows					
Net cash flow from operating activities	4,641	19,317	24,813	6,371	9,279
Net cash flow from investing activities	17,661	(22,604)	(560)	(1,857)	(3,517)
Net cash flow from financing activities	(16,384)	(13,692)	(5,821)	(4,920)	(4,589)
Changes in cash & cash equivalents	5,918	(16,978)	18,432	(406)	1,173
Cash & cash equivalents – Year end	11,456	5,538	22,516	4,085	4,491
Summary of Actual Production					
Urea	1,967,552	1,818,937	1,561,575	974,425	1,279,378
NPK	126,074	117,193	92,839	67,755	113,172

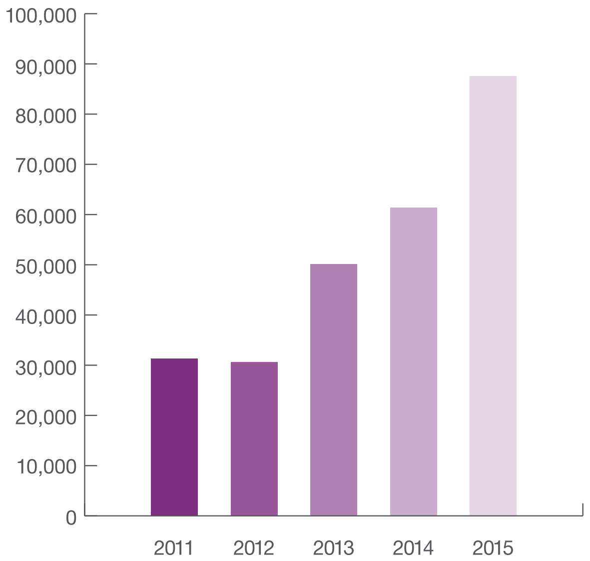
financial ratios

		2015	2014	2013	2012	2011
Profitability Ratios						
Gross Profit ratio	%	36.73	36.80	44.13	32.20	53.37
Net Profit / (loss) to Sales	%	17.15	13.36	10.97	(9.58)	14.63
EBITDA Margin to Sales	%	34.82	37.89	46.30	38.34	56.37
Return on Equity	%	39.03	27.57	26.90	(17.05)	28.45
Return on Capital Employed	%	32.80	22.81	22.04	9.13	14.02
Liquidity Ratios						
Current ratio	Times	0.92	1.02	1.34	0.55	0.81
Quick / Acid test ratio	Times	0.55	0.86	1.09	0.32	0.47
Cash to Current Liabilities	Times	0.03	0.12	0.20	0.09	0.03
Cash flow from Operations to Sales	Times	0.05	0.31	0.49	0.21	0.30
Activity / Turnover Ratio						
No. of Days Inventory	Days	26	12	20	31	34
Inventory turnover	Times	13.78	31.28	18.25	11.78	10.70
Total Assets turnover ratio	%	80.71	55.10	46	31	31
Fixed Assets turnover ratio	%	121	81.90	63	37	36
Investment / Market Ratios						
Earnings per Share (Restated)	Rs./ share	11.30	6.29	4.66	(2.59)	4.05
Earnings per Share (Historical)	Rs./ share	11.30	6.29	4.66	(2.74)	4.28
Breakup value per share	Rs./ share	31.95	26.15	19.32*	14.73	17.35
Capital Structure Ratios						
Debt to Capital Employed ratio	%	46	56	70	81	79
Interest Cover ratio	Times	5.61	2.80	1.84	0.63	1.90

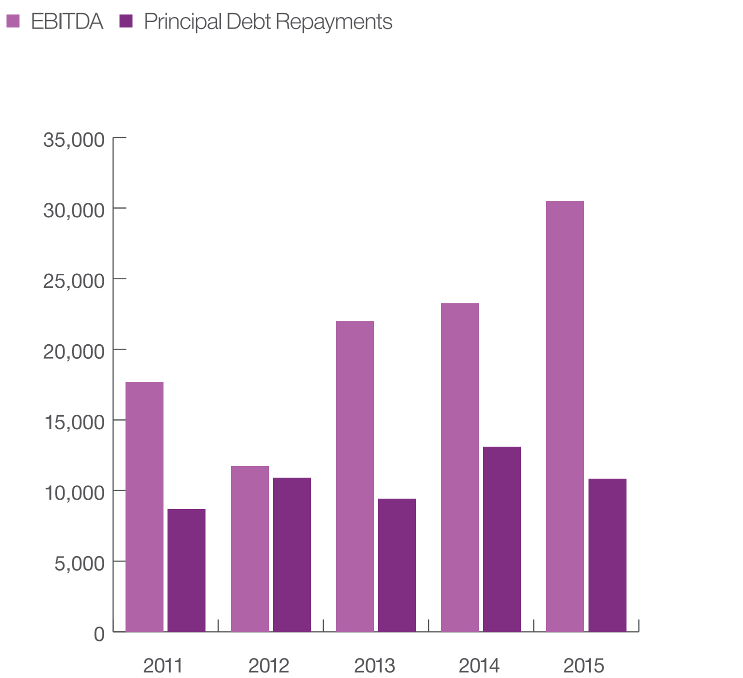
* Calcuated on the basis of revised paid up share capital including 75 million shares issued through IPO.

snapshots

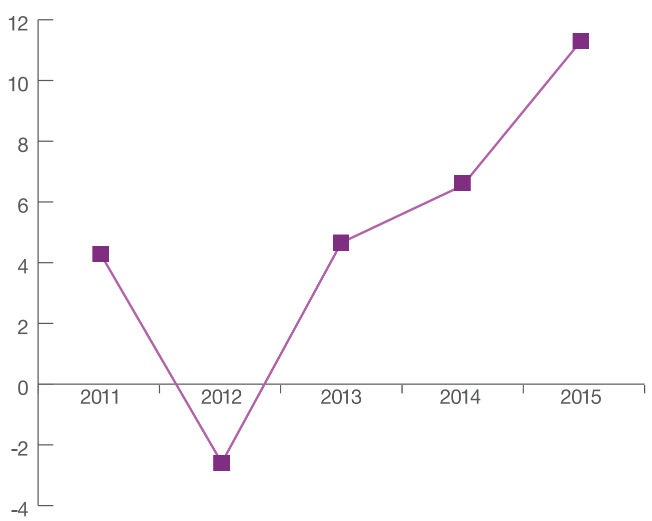
Sales Revenue year-wise (Rs. in million)



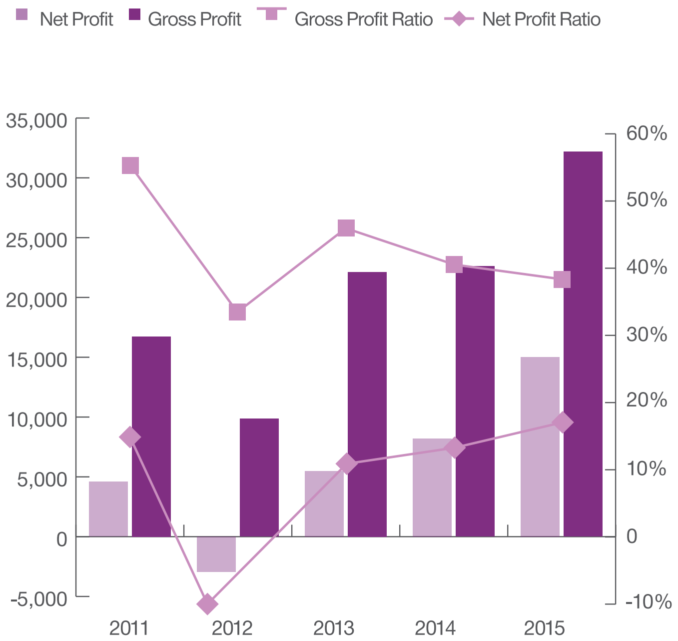
EBITDA and Principal Debt Repayments (Rs. in million)



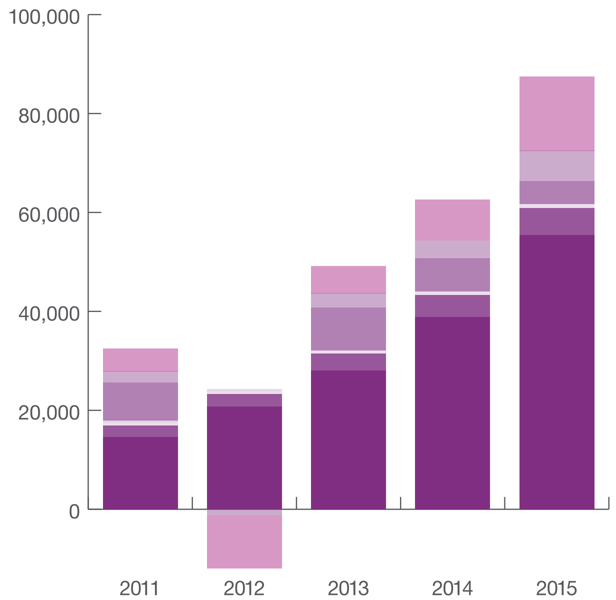
Earnings/Loss Per Share



Gross Profit and Net Profit (Rs. in million)

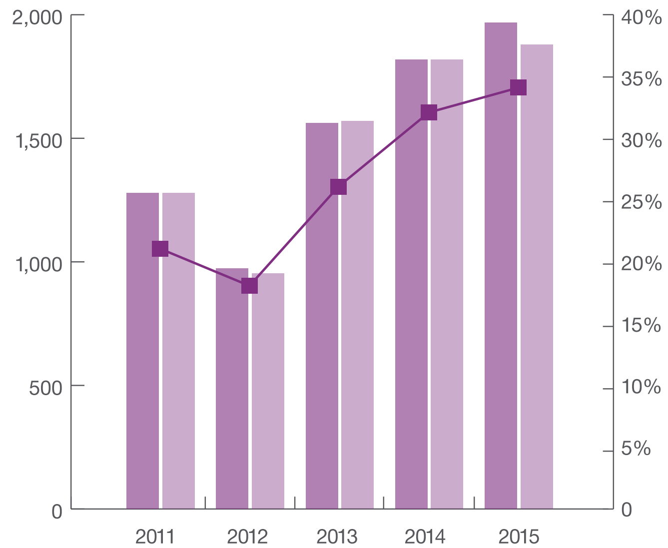


Revenue Analysis (Rs. in million)

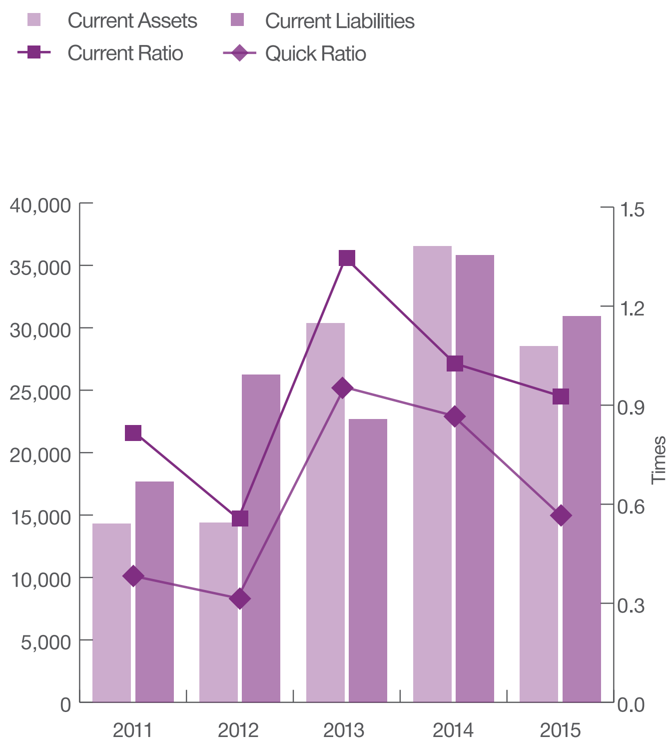


Capital Structure

Production and Sales Volumes (K Tons)

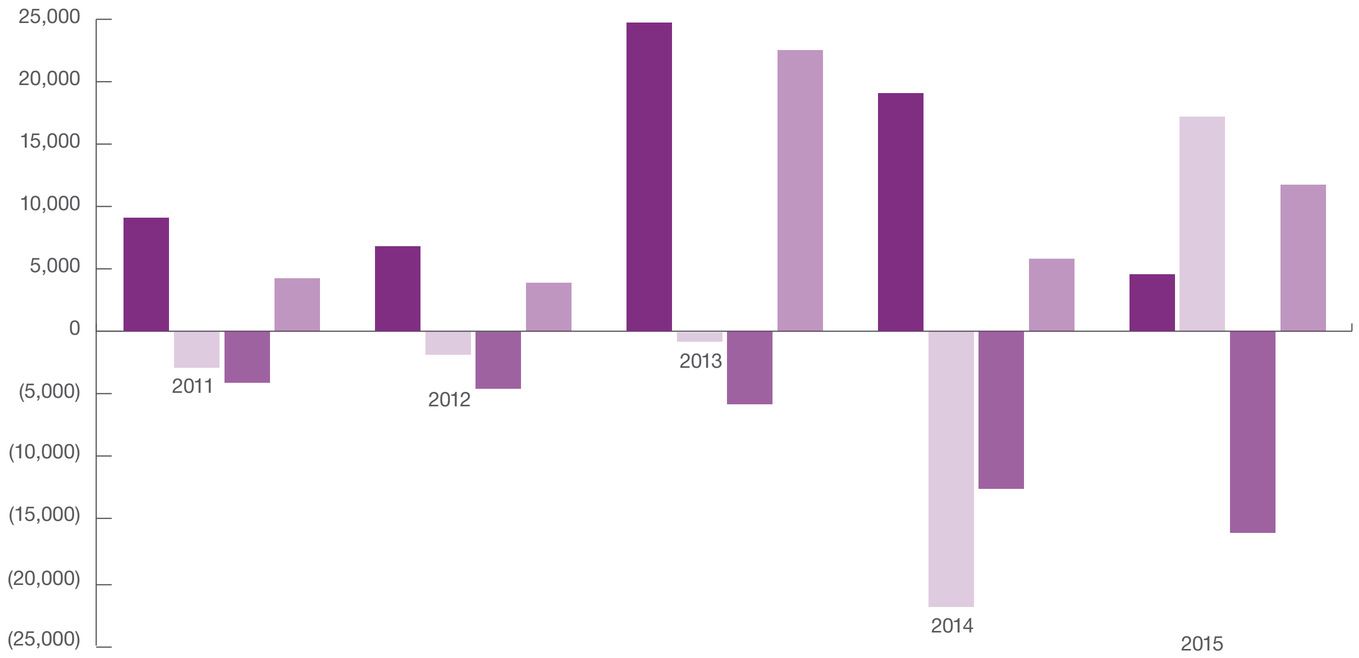


Liquidity Analysis (Rs. in million)

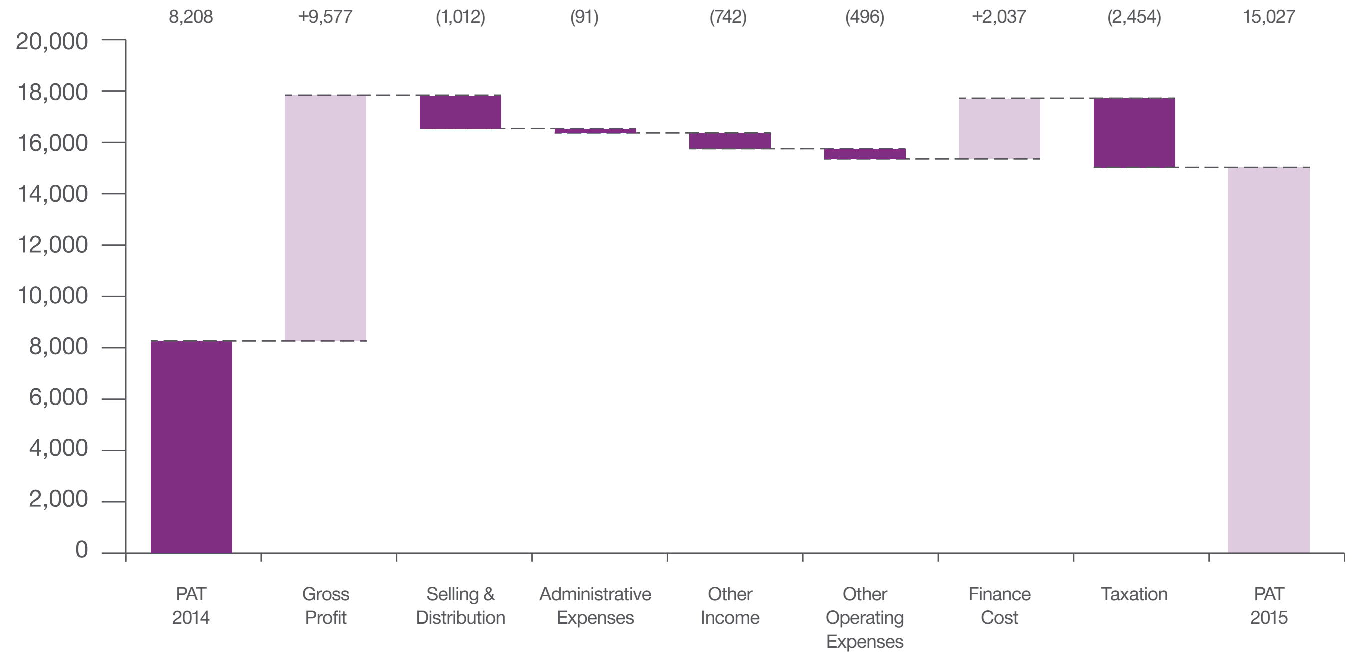


Cash Flow Analysis (Rs. in million)

- Net cash flow from operating activities
- Net cash used in investing activities
- Net cash flow from financing activities
- Cash & cash equivalent — year end

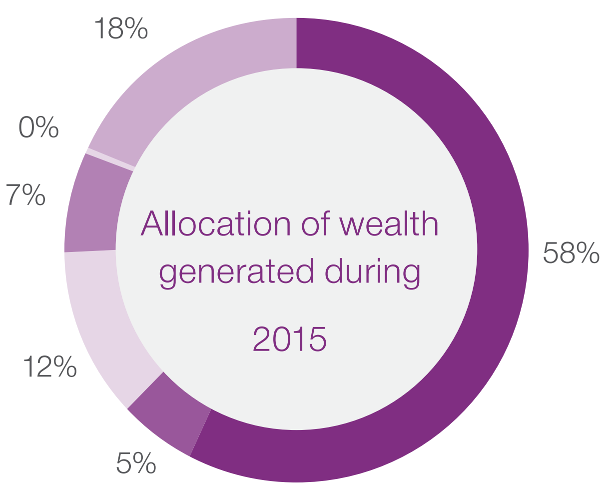


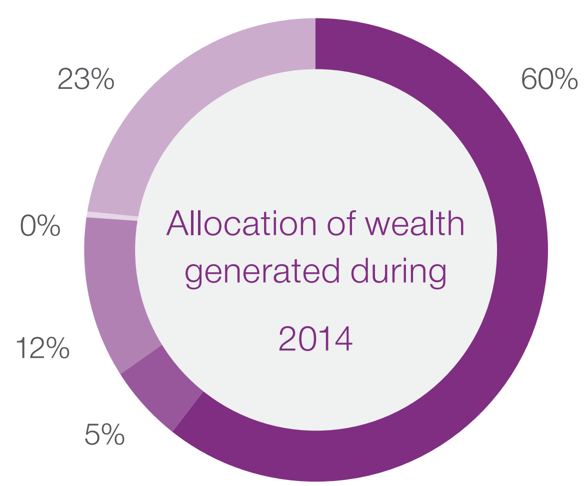
Variance Analysis (Rs. in million)



statement of value addition and distribution

(Rupees in Million)	2015	2014
Wealth Generated		
Total revenue inclusive of sales-tax and other income	105,052	74,497
Bought-in-materials and services	(38,900)	(17,931)
	66,152	56,566
Wealth Distributed		
Taxes, duties and development surcharge to Govt. of Pakistan	38,348	33,929
Salaries, benefits and other costs of employees	3,369	3,011
Dividend to Shareholders	7,986	-
Mark-up / interest expense on borrowed money	4,588	6,626
Donation towards education, health, environment and natural disaster	68	40
Retained for reinvestment & future growth, depreciation, amortisation and retained profit	11,793	12,960
	66,152	56,566





- To Society
- To Providers of Debt Capital
- To Government
- To Employees
- Retained for reinvestment, depreciation and amortisation
- To Shareholders

key shareholding and shares traded

Information of shareholding required under reporting framework is as follows:

Shareholder's Catergory

1. Associated Companies, undertakings & related parties

Engro Corporation Limited	1,048,508,049

2. Directors, CEO & their spouses & minor children

Mr. Syed Khalid Siraj Subhani	236,572
Mr. Ruhail Mohammed	10,445
Mr. Javed Akbar	26,524
Mr. Abdul Samad Dawood	6,632
Mr.Shabbir Hashmi	14,555
Ms. Naz Khan	1
Mr.Inamullah Naveed Khan	339,821
Mr.Shahid Hamid Pracha	1

3 Executives (Approximately)	2,620,808
4. Public Sector Companies & Corporations	1,779,064
5. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	43,952,655

6. Mutual Funds

ASIAN STOCKS FUNDS LTD.	1
CDC - TRUSTEE ABL INCOME FUND	412,500
CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SUB FUND	27,500
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	26,000
CDC - TRUSTEE ABL STOCK FUND	1,114,000
CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND - MT	68,500
CDC - TRUSTEE AKD INDEX TRACKER FUND	71,575
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	204,000
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	734,000
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	3,171,000
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	37,500
CDC - TRUSTEE ALFALAH GHP STOCK FUND	168,000
CDC - TRUSTEE ALFALAH GHP VALUE FUND	39,390
CDC - TRUSTEE APF-EQUITY SUB FUND	90,000
CDC - TRUSTEE APIF - EQUITY SUB FUND	165,000
CDC - TRUSTEE ASKARI HIGH YIELD SCHEME - MT	1,500
CDC - TRUSTEE ATLAS INCOME FUND - MT	560,000
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	750,000
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1,100,000
CDC - TRUSTEE FAYSAL INCOME & GROWTH FUND - MT	30,000
CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	52,000
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	58,000
CDC - TRUSTEE FIRST HABIB INCOME FUND - MT	1,600
CDC - TRUSTEE FIRST HABIB STOCK FUND	98,000
CDC - TRUSTEE HBL - STOCK FUND	895,000
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	19,000
CDC - TRUSTEE HBL MULTI - ASSET FUND	127,000
CDC - TRUSTEE HBL MUSTAHEKUM SARMAYA FUND 1	190,000
CDC - TRUSTEE KSE MEEZAN INDEX FUND	360,000
CDC - TRUSTEE LAKSON EQUITY FUND	1,696,300
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	640,000
CDC - TRUSTEE MCB PAKISTAN ISLAMIC STOCK FUND	520,000
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	3,167,500
CDC - TRUSTEE MEEZAN BALANCED FUND	302,500
CDC - TRUSTEE MEEZAN ISLAMIC FUND	3,829,500
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	190,500
CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND	4,500
CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT	69,500
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	1,464,500
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I	328,500
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	314,000
CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	1,130,500
CDC - TRUSTEE NAFA MULTI ASSET FUND	295,500
CDC - TRUSTEE NAFA STOCK FUND	3,041,000
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,968,327
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	2,444,000
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1,579,614
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	340,000
CDC - TRUSTEE PAKISTAN SARMAYA MEHFOOZ FUND	100,000
CDC - TRUSTEE PICIC GROWTH FUND	9,302,000
CDC - TRUSTEE PICIC INCOME FUND - MT	25,500
CDC - TRUSTEE PICIC INVESTMENT FUND	5,055,000
CDC - TRUSTEE PICIC ISLAMIC STOCK FUND	195,000
CDC - TRUSTEE PICIC STOCK FUND	132,500
CDC - TRUSTEE PIML ISLAMIC EQUITY FUND	54,000
CDC - TRUSTEE PIML STRATEGIC MULTI ASSET FUND	40,000
CDC - TRUSTEE PIML VALUE EQUITY FUND	67,000
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	254,000
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	795,500
CDC-TRUSTEE FIRST HABIB ISLAMIC BALANCED FUND	60,000
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	197,500
CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	286,500
CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	118,500
CDC-TRUSTEE NITIPF EQUITY SUB-FUND	50,000
CDC-TRUSTEE NITPF EQUITY SUB-FUND	20,000
CDC-TRUSTEE PAK. INT. ELEMENT ISLAMIC ASSET ALLOCATION FUND	435,000
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	921,000
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	15,000
MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	15,000
MCBFSL TRUSTEE MCB PAKISTAN FREQUENT PAYOUT FUND	500
TRI. STAR MUTUAL FUND LTD.	91
TRUSTEE-RAHIM IQBAL RAFIQ & CO.EMPLOYEES PROVIDENT FUND	1,500
Total :	52,038,398

7. Shareholders Holding five percent or more Voting Rights in the Listed Company:

Engro Corporation Limited	1,048,508,049

8. Details of purchase/sale of shares by Directors, Executives* and their spouses/minor children during 2015

S.NO.	NAME	DATE	SALE/PURCHASE	NO OF SHARES	RATE / PER SHARE
1.	Sameer Amin	5-Jan-15	Bought	1000	81.35
2.	M. Asif Sultan Tajik	9-Jan-15	Bought	50000	79.8
3.	Muhammad Idrees	14-Jan-15	Sold	286	76
4.	Salman Devjiani	6-Jan-15	Sold	1000	80.25
5.	Salman Devjiani	12-Jan-15	Bought	1000	78.25
6.	Mohammad Bux Soomro	19-Jan-15	Sold	4000	78.7
7.	Naeem Farrukh	26-Jan-15	Sold	1178	81
8.	Syed Irshad Ul Haq Haqqi	8-Jan-15	Sold	10000	79.49
9.	Masood H. Khatri	30-Jan-15	Sold	10000	85.49
10.	Ahsen Saeed	30-Jan-15	Sold	5000	84
11.	Haider Ali Isani	2-Feb-15	Bought	5500	85.5
12.	Amer Ghafoor	29-Jan-15	Sold	15000	81.5
13.	Amer Ghafoor	30-Jan-15	Sold	25000	82.8
14.	Malik Mohammad Nawaz	30-Jan-15	Sold	500	85.49
15.	Ali Akbar	9-Feb-15	Bought	1500	92.14
16.	Abid Munir	14-Jan-15	Bought	7000	77.1
17.	Syed Muhammad Raza	11-Feb-15	Sold	5000	89
18.	Malik Mohammad Nawaz	10-Feb-15	Sold	700	91.53
19.	Ghulam Qadir	13-Feb-15	Bought	1000	85
20.	Muhammad Aamir	18-Feb-15	Sold	1000	84.21
21.	Zehra Mujahid	26-Feb-15	Bought	10000	84
22.	Umed Ali Mallah	2-Mar-15	Bought	9500	87.9
23.	Muhammad Akbar Kaimkhani	9-Mar-15	Sold	7000	86.79
24.	Nadeem Ahmed	2-Feb-15	Sold	26500	81.3
25.	Ghulam Qadir	6-Mar-15	Bought	500	88
26.	Haider Ali Isani	13-Apr-15	Bought	5000	86
27.	Shazia Rasheed	13-Apr-15	Bought	16000	85.5
28.	Muhammad Rashid	16-Apr-15	Sold	12000	83.75
29.	Hamid Anjum	25-May-15	Sold	16500	85.08
30.	Muhammad Atif	9-Jun-15	Sold	250	9050
31.	Saleem Lallany	16-Jun-15	Sold	20000	90
32.	Saleem Lallany	18-Jun-15	Sold	15000	90.63
33.	Zafar Shamim	19-Jun-15	Sold	500	89.5
34.	Malik Mohammad Nawaz	22-Jun-15	Sold	2000	87.9
35.	Raza Mohammad Burero	24-Jun-15	Bought	1300	87.96
36.	Zafar Altaf	29-Jun-15	Sold	1500	88.15
37.	Zafar Altaf	29-Jun-15	Sold	100	88.1
38.	Salman Abdullah Gora	1-Jul-15	Sold	2000	90
39.	Salman Abdullah Gora	2-Jul-15	Sold	1000	91.45
40.	Wasimullah Laghari	7-Jul-15	Sold	1000	94.63
41.	Salman Abdullah Gora	16-Jul-15	Sold	4500	95.5
42.	Muhammad Bux Soomro	24-Jul-15	Sold	2000	94.6
43.	Muhammad Ali	12-Aug-15	Sold	1500	98.25
44.	Yasmine Rashid	13-Aug-15	Sold	1000	96.85
45.	Muhammad Atif	25-Aug-15	Sold	1500	93
46.	Muhammad Saeed Shakir	31-Aug-15	Sold	500	95.39
47.	Ali Akbar	4-Sep-15	Sold	1500	98.26

S.NO.	NAME	DATE	SALE/PURCHASE	NO OF SHARES	RATE / PER SHARE
48.	Ruhail Mohammed	4-Sep-15	Sold	42500	98
49.	Masood H. Khatri	9-Sep-15	Sold	7000	95.75
50.	Ruhail Mohammed	10-Sep-15	Sold	50000	95.37
51.	Khuram Abbas Zaidi	15-Sep-15	Bought	1000	91.91
52.	Khuram Abbas Zaidi	15-Sep-15	Bought	1000	91.81
53.	Rabia Khan	11-Sep-15	Sold	40310	95.02
54.	Muhamad Munawar Ahmed Shahid	28-Sep-15	Bought	5000	92
55.	Muhamamd Akbar Kaimkhani	9-Oct-15	Bought	4500	91.9
56.	Rameez Nafees	10-Aug-15	Sold	500	92
57.	Yasmine Rashid	14-Oct-15	Sold	2000	92
58.	Muddassar Yaqub	29-Oct-15	Sold	55000	93
59.	Mohmammad Bux Soomro	7-Dec-15	Sold	2500	85.56

* For the purpose of declaration of share trades all employees of the company are considered as "Executives".

shareholder information

Annual General Meeting

The annual shareholders meeting will be held at 10:00 a.m. on March 28, 2016 at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi.

Shareholders as of March 15, 2015 are encouraged to participate and vote.

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

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

Ownership

On December 31, 2015 there were 25,028, shareholders on record of the Company's ordinary shares.

Election of Directors

Any person who seeks to contest the election of directors shall file with the Company at its Registered Office not later than fourteen days before the date of the said Meeting a notice of his/her intention to offer himself/herself for election as a director in terms of Section 178(3) of the Companies Ordinance, 1984 together with:

(a) Consent to act as director in Form 28, duly completed, as required under Section 184(1) of the Companies Ordinance, 1984; and

(b) A detailed personal profile along with office address for placement onto the Company's website in accordance with SRO No. 634(1)/2014 dated July 10, 20154 issued by the Securities and Exchange Commission of Pakistan (SECP).

Transmission of Annual Reports through E-Mail

The SECP has allowed the circulation of annual Reports to the members of the Company through email. Therefore, all members of the Company who want to receive a soft copy of the Annual Report are requested to send their email addresses on the consent form to the Company's Share Registrar. The Company shall, however additionally also provide hard copies of the Annual Report to such members, on request, free of cost, within seven days of receipt of such request. The standard consent form for electronic transmission is available at the Company's website www.engrofertilizers.com.

Alternatively, members can fill up the Electronic transmission consent Form given in the Annexure Section at the end of this report.

Holding of General Meetings through Video Conference Facility

Members can also avail video conference facility in Lahore and Islamabad. If the Company receives consent at least 10 days prior to date of meeting, from members holding in aggregate 10% or more shareholding and residing at either Lahore and/or Islamabad to participate in the meeting through video conference, the company may arrange video conference facility in that city.

In this regard please fill up the Request for Video Conferencing Facility Form given in the Annexure Section at the end of this report and submit it to registered address of the Company 10 days before holding of the annual general meeting.

E-Dividend Mandate (Optional)

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan vide Circular No. 18 of 2012 dated June 5, 2012, we hereby give you the opportunity to authorize the Company to directly credit in your bank account the cash dividend declared by the Company now and in the future.

Please note that this E-dividend mandate is optional and not compulsory, in case you do not wish your dividend to be directly credited into your bank account then the same shall be paid to you directly.

In case you wish that the cash dividend declared by the Company is directly credited to your bank account instead of issue of dividend warrants to you, then please provide the information mentioned on the Form placed on the Company's website www.engrofertilizers.com and send the same to your brokers or the Central Depository Company Ltd. (in case the shares are held on the CDC) or to our Registrars, FAMCO Associates (Pvt) Ltd., at their address mentioned below (in case the shares are held in paper certificate form).

Quarterly Results

The Company issues quarterly financial statements. The planned dates for release of the quarterly results in 2016 are:

- 1st quarter : 25 April
- 2nd quarter: 10 August
- 3rd quarter: 25 October

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 : 26 April
- 2nd quarter: 11 August
- 3rd quarter: 26 October

All annual/quarterly reports and presentations from quarterly briefings are regularly posted at the Company's website: www.engro.com and www.engrofertilizers.com

The Company reserves the right to change any of the above dates.

Change of Address

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

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

pattern of shareholding

As at December 31, 2015

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
4,442	1	100	137,112
11,527	101	500	5,176,031
3,984	501	1,000	3,661,091
3,185	1,001	5,000	7,668,088
663	5,001	10,000	5,236,686
273	10,001	15,000	3,471,970
167	15,001	20,000	3,030,641
112	20,001	25,000	2,613,312
78	25,001	30,000	2,194,066
44	30,001	35,000	1,451,456
49	35,001	40,000	1,883,679
31	40,001	45,000	1,313,990
57	45,001	50,000	2,798,503
24	50,001	55,000	1,279,400
26	55,001	60,000	1,513,275
12	60,001	65,000	755,596
23	65,001	70,000	1,572,036
11	70,001	75,000	800,317
13	75,001	80,000	1,025,143
5	80,001	85,000	411,500
4	85,001	90,000	348,663
7	90,001	95,000	650,830
32	95,001	100,000	3,177,128
6	100,001	105,000	615,558
6	105,001	110,000	650,508
2	110,001	115,000	222,500
7	115,001	120,000	835,500
8	120,001	125,000	987,631
4	125,001	130,000	511,364
3	130,001	135,000	401,931
1	135,001	140,000	140,000
4	140,001	145,000	567,646
6	145,001	150,000	900,000
3	150,001	155,000	455,780
6	155,001	160,000	947,081
4	160,001	165,000	647,658
4	165,001	170,000	675,187
3	170,001	175,000	521,500
3	175,001	180,000	535,000
1	180,001	185,000	181,000
2	185,001	190,000	380,000
7	190,001	195,000	1,355,400
10	195,001	200,000	1,991,904
5	200,001	205,000	1,014,812
2	205,001	210,000	413,525
2	210,001	215,000	426,140

As at December 31, 2015

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
1	215,001	220,000	217,690
4	220,001	225,000	895,971
1	225,001	230,000	230,000
4	230,001	235,000	932,720
1	235,001	240,000	235,082
2	245,001	250,000	500,000
1	250,001	255,000	254,000
1	260,001	265,000	264,550
2	265,001	270,000	537,862
2	275,001	280,000	560,000
1	280,001	285,000	284,500
2	285,001	290,000	574,600
1	290,001	295,000	291,474
3	295,001	300,000	895,500
4	300,001	305,000	1,205,000
1	310,001	315,000	314,000
2	315,001	320,000	632,500
1	325,001	330,000	328,500
1	330,001	335,000	335,000
2	335,001	340,000	679,820
1	340,001	345,000	342,500
2	345,001	350,000	700,000
1	350,001	355,000	354,500
3	355,001	360,000	1,077,500
2	370,001	375,000	742,128
1	375,001	380,000	376,000
2	385,001	390,000	777,570
2	395,001	400,000	792,213
1	400,001	405,000	402,382
1	405,001	410,000	405,500
1	410,001	415,000	412,500
3	420,001	425,000	1,270,900
1	425,001	430,000	425,476
2	430,001	435,000	868,500
2	455,001	460,000	920,000
2	460,001	465,000	927,000
1	475,001	480,000	480,000
3	495,001	500,000	1,495,500
1	510,001	515,000	515,000
2	515,001	520,000	1,040,000
1	520,001	525,000	521,700
1	525,001	530,000	528,220
1	540,001	545,000	543,500
2	555,001	560,000	1,116,000
1	565,001	570,000	569,000
1	595,001	600,000	600,000

As at December 31, 2015

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
1	620,001	625,000	625,000
1	635,001	640,000	640,000
1	640,001	645,000	643,491
3	645,001	650,000	1,943,982
1	650,001	655,000	653,500
1	670,001	675,000	671,789
1	685,001	690,000	685,500
1	695,001	700,000	700,000
1	725,001	730,000	730,000
1	730,001	735,000	734,000
2	745,001	750,000	1,499,000
2	795,001	800,000	1,595,500
1	825,001	830,000	828,221
1	830,001	835,000	832,785
1	855,001	860,000	858,500
2	885,001	890,000	1,777,783
2	890,001	895,000	1,790,000
2	895,001	900,000	1,800,000
1	910,001	915,000	914,000
1	920,001	925,000	921,000
1	935,001	940,000	936,000
1	945,001	950,000	950,000
1	1,040,001	1,045,000	1,043,356
2	1,055,001	1,060,000	2,120,000
1	1,070,001	1,075,000	1,070,440
1	1,095,001	1,100,000	1,100,000
1	1,110,001	1,115,000	1,114,000
2	1,115,001	1,120,000	2,237,495
1	1,130,001	1,135,000	1,130,500
1	1,155,001	1,160,000	1,157,105
1	1,165,001	1,170,000	1,168,016
1	1,170,001	1,175,000	1,175,000
1	1,200,001	1,205,000	1,204,437
1	1,255,001	1,260,000	1,258,500
1	1,280,001	1,285,000	1,283,180
1	1,340,001	1,345,000	1,343,020
1	1,345,001	1,350,000	1,346,579
1	1,450,001	1,455,000	1,453,900
1	1,460,001	1,465,000	1,464,500
1	1,465,001	1,470,000	1,470,000
1	1,555,001	1,560,000	1,557,667
1	1,575,001	1,580,000	1,579,614
1	1,635,001	1,640,000	1,637,572
1	1,695,001	1,700,000	1,696,300
1	1,925,001	1,930,000	1,929,500
1	1,965,001	1,970,000	1,968,327

As at December 31, 2015

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
1	2,440,001	2,445,000	2,444,000
1	2,455,001	2,460,000	2,458,328
1	2,595,001	2,600,000	2,598,200
1	2,625,001	2,630,000	2,625,500
1	2,845,001	2,850,000	2,850,000
2	2,995,001	3,000,000	6,000,000
1	3,040,001	3,045,000	3,041,000
1	3,165,001	3,170,000	3,167,500
1	3,170,001	3,175,000	3,171,000
1	3,255,001	3,260,000	3,260,000
1	3,455,001	3,460,000	3,458,526
1	3,825,001	3,830,000	3,829,500
1	3,895,001	3,900,000	3,897,553
1	3,970,001	3,975,000	3,972,000
1	4,490,001	4,495,000	4,491,000
1	5,050,001	5,055,000	5,055,000
1	5,385,001	5,390,000	5,386,982
1	5,600,001	5,605,000	5,602,000
1	5,915,001	5,920,000	5,919,000
1	5,965,001	5,970,000	5,968,600
1	7,995,001	8,000,000	7,999,999
1	8,065,001	8,070,000	8,067,000
1	9,300,001	9,305,000	9,302,000
1	24,695,001	24,700,000	24,700,000
1	246,870,001	246,875,000	246,873,049
1	801,630,001	801,635,000	801,635,000
25,028		TOTAL:=	1,330,932,292

category of shareholding

As at December 31, 2015 is as follows:

Shareholders Category	No. of Shareholders	No. of Shares	Percentage
Directors, Chief Executive Officer, and their spouse and minor children.	15	634,551	0.05
Associated Companies, undertakings and related parties.	2	1,048,508,049	78.78
NIT & ICP	-	-	-
Banks Development Financial Institutions, Non Banking Financial Institutions.	39	27,929,731	2.10
Insurance Companies	19	12,477,759	0.94
Modarabas and Mutual Funds	76	52,074,944	3.91
Shareholders holding 10%	2	1,048,508,049	78.78
General Public (Individual) :			
a. Local	24,491	99,214,109	7.45
b. Foreign			
Others	386	90,093,149	6.77

Outlook

Global urea demand in 2016 is expected to grow moderately, while supply is expected to trend marginally higher, with new capacity coming on stream in North America, China, Nigeria and Azerbaijan. Global urea prices in 2015 followed the commodity market trend and fell by 16% over the year. Prices in 2016 are expected to further decline given the supply pressure. Gap between international and domestic urea prices is expected to remain thin in 2016.

Local urea demand for 2016 is expected to remain stable however any further decline in farmer economics may lead to a decline in demand. With new developments in local gas scenario and availability of gas via LNG, local production may see an increase thereby possibly eliminating the need for imports. Gas curtailment as compared to 2015 will remain at the same level. Therefore, producers should be able to replicate 2015's operational performance. The Company will look to maximize production in 2016 subject to gas availability.

Furthermore, the pressure on international DAP prices is expected to continue in 2016 due to weak import demand from major demand centers and positive supply fundamentals. Moreover, the exhaustion of domestic subsidy on DAP by 1H 2016, coupled with continuation of weak farmer economics, should result in slight decline in farmer offtake vs 2015, thereby, softening local prices also.

Javed Akbar
Director

Ruhail Mohammed
Cheif Executive Officer

awards and achievements

Daharki became the first fertilizer complex to achieve a DuPont **Level 4** rating in Safety Management Systems

Engro Fertilizers recorded **3,101** volunteer hours in 2015

Guddu gas Compression project completed in a record **130 days**

Continuous and reliable plant operations for **298** days

13,442 patients treated at Sahara Clinic in 2015

Engro Fertilizers implemented the world renowned **IHS Incident Management Solution** for Operational Risk Management

our brands


ENGRO
SSP
18%
DAP
Fert
Urea Fertilizer
46%
یقینی کیمیائی تجزیہ
ENGRO
کھاد کا وزن
50 کلوگرام
NP
این پی
یقینی کیمیائی تجزیہ
22% (N) نائٹروجن
20% (P2O5) فاسفورس
اینگرو فرٹیلائزرز لمیٹڈ
ENGRO
زرخیز
8 N
23 P
18 K
اینگرو فرٹیلائزرز لمیٹڈ
زرخیز
تمباکو کے لیے
17 K
ENGRO
MOP

our winning formula

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

Engro Urea

Engro is the first company to have setup urea production facility in Pakistan, a landmark event in agricultural sector of the country. This together with the fact that urea is the most widely used fertilizer in the country, gives Engro Urea a special standing in the domestic fertilizer market. Engro Fertilizers Limited started annual production of 173,000 tons in 1968. Through various debottlenecking and expansion steps, the capacity has been increased to 975,000 tons per year. In the year 2011 the Company setup world's largest single train urea plant of 1,300,000 ton capacity. In the year 2015 the market share for urea stood at 34%.

Engro NP

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

Engro DAP

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

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

Zingro

Zinc is a micronutrient, it is a nutrient which the crop requires in small dosages and it compliments functions of major nutrients. Over the years zinc deficiency has been well established on a variety of crops and in rice specifically. Zingro brings to the market the trust of Engro and high quality standard which has made it distinct from all the competition. It is the market leader in a highly fragmented industry. Zingro acts as a tonic and gives quick response and a better yield. Zingro contains 33% Granular Zinc Sulphate Monohydrate and is 99.99% water soluble. Zingro has evolved to become the leading brand in the micronutrient category and is accredited to converting the image of the category to a highly acceptable one. Zingro has won the prestigious "Brand of the Year" award for 2009 in the micronutrient category.

Engro Zarkhez

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

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

- Zarkhez Green (NPK 8-23-18) available in 50 kg bag is consumed on vegetables and other cash crops. It is also available in 25 kg which was launched to particularly cater small acreage farmers of KPK.
- Zarkhez Blue (NPK 17-17-17) available in 50 kg bag is consumed on fruits and orchards.
- Zarkhez Tobacco (NPK 15-15-15) available in 50 kg bag used for tobacco crop.

Engro MOP

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

Engro SSP

Its full form is Single Super Phosphate with nutrient value of 18% (P2O5) with added benefit of gypsum (CaSO4). Engro SSP is produced through Imported Rock Phosphate. Product is procured through imports as well as through local manufacturing concern. However, Engro doesn't differentiate between the products based on product origin. Our strategy is to leverage Engro brand image and provide the farmers with an extremely good quality product, which is not available in the market at the moment.

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

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


fields of prosperity
Financial Statement

standalone financials

review report to the members on statement of compliance with the code of corporate governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Engro Fertilizers Limited (the Company) for the year ended December 31, 2015 to comply with the Code contained in the Regulations of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited in which Lahore and Islamabad stock exchanges have merged), where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

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 Code requires 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 of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2015.

We draw attention to paragraph 21 of the Statement of Compliance in respect of determination and intimation of close period to the directors, employees and stock exchanges.

Chartered Accountants
Karachi
Date: 01 March 2016

Engagement Partner: Mohammad Zulfikar Akhtar

auditors' report to the members

We have audited the annexed balance sheet of Engro Fertilizers Limited as at December 31, 2015 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows, together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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, 2015 and of the profit, total comprehensive income, changes in equity and its cash flows for the year then ended; and

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

Chartered Accountants
Karachi
Date: 01 March 2016

Engagement Partner: Mohammad Zulfikar Akhtar

balance sheet
as at december 31, 2015

(Amounts in thousand)

	Note	2015	2014
		(Rupees)	
Assets			
Non-Current Assets			
Property, plant and equipment	4	72,192,289	74,962,817
Intangible assets	5	106,487	118,336
Investment in subsidiary	6	4,383,000	-
Long term loans and advances	7	159,778	93,931
		76,841,554	75,175,084
Current Assets			
Stores, spares and loose tools	8	4,639,142	4,713,746
Stock-in-trade	9	6,942,110	1,100,922
Trade debts	10	2,261,747	757,044
Derivative financial instruments	19	29,207	-
Subordinated loan to subsidiary	11	900,000	-
Loans, advances, deposits and prepayments	12	588,247	432,943
Other receivables	13	1,329,998	18,991
Short term investments	14	10,984,555	25,084,367
Cash and bank balances	15	865,302	4,443,086
		28,540,308	36,551,099
TOTAL ASSETS		105,381,862	111,726,183

(Amounts in thousand)

	Note	2015	2014
		(Rupees)	
Equity & Liabilities			
Equity			
Share capital	16	13,309,323	13,183,417
Share premium		3,132,181	2,260,784
Hedging reserve	17	(4,536)	(39,831)
Remeasurement of post employment benefits		(40,664)	(14,103)
Unappropriated profit		26,129,716	19,087,828
		29,216,697	21,294,678
Total Equity		42,526,020	34,478,095
Liabilities			
Non-Current Liabilities			
Borrowings	18	25,289,658	36,090,622
Derivative financial instruments	19	-	6,689
Deferred liabilities	20	6,493,030	5,226,646
Service benefits obligations	21	124,367	113,345
		31,907,055	41,437,302
Current Liabilities			
Trade and other payables	22	16,886,856	24,726,721
Accrued interest / mark-up		843,803	1,362,300
Taxes payable		2,060,723	675,609
Current portion of:			
- borrowings	18	10,736,586	7,912,729
- service benefits obligations	21	48,232	43,338
Unclaimed dividend		6,103	-
Derivative financial instruments	19	366,484	1,090,089
		30,948,787	35,810,786
Total Liabilities		62,855,842	77,248,088
Contingencies and Commitments	23		
TOTAL EQUITY & LIABILITIES		105,381,862	111,726,183

The annexed notes from 1 to 47 form an integral part of these financial statements.

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

profit and loss account
for the year ended december 31, 2015

(Amounts in thousand except for earnings per share)

	Note	2015	2014
		(Rupees)	
Net sales	24	87,615,258	61,424,934
Cost of sales	25	(55,435,451)	(38,822,423)
Gross profit		32,179,807	22,602,511
Selling and distribution expenses	26	(5,452,944)	(4,441,379)
Administrative expenses	27	(863,427)	(772,161)
		25,863,436	17,388,971
Other income	28	1,707,059	2,449,156
Other operating expenses	29	(1,813,639)	(1,317,743)
Finance costs	30	(4,587,926)	(6,625,397)
		(6,401,565)	(7,943,140)
Profit before taxation		21,168,930	11,894,987
Taxation	31	(6,141,449)	(3,687,027)
Profit for the year		15,027,481	8,207,960
Earnings per share - basic	32	11.30	6.29
Earnings per share - diluted	32	11.28	6.29

The annexed notes from 1 to 47 form an integral part of these financial statements.

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

statement of comprehensive income
for the year ended december 31, 2015

(Amounts in thousand)

	2015	2014
	(Rupees)	
Profit for the year	15,027,481	8,207,960
Other comprehensive income		
Items potentially re-classifiable to Profit and Loss Account		
Hedging reserve - cash flow hedges		
Loss arising during the year	(120,333)	(1,633,625)
Less: Adjustment for amounts transferred to profit and loss account	172,238	1,797,878
Income tax (Deferred) relating to hedging reserve	(16,610)	(56,440)
	35,295	107,813
Items not potentially re-classifiable to Profit and Loss Account		
Remeasurement of post employment benefits obligation	(39,653)	11,221
Income tax (Deferred) relating to remeasurement of post employment benefits obligation	13,092	(4,438)
	(26,561)	6,783
Other comprehensive income for the year, net of tax	8,734	114,596
Total comprehensive income for the year	15,036,215	8,322,556

The annexed notes from 1 to 47 form an integral part of these financial statements.

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

statement of changes in equity
for the year ended december 31, 2015

(Amounts in thousand)

	Share capital	Advance against issue of share capital	Reserve: Capital: Share premium	Reserve: Revenue: Hedging reserve	Reserve: Revenue: Remeasurement of post employment benefits	Reserve: Revenue: Unappropriated profit	Total
	(Rupees)						
Balance as at January 1, 2014	12,228,000	2,118,750	11,144	(147,644)	(20,886)	10,879,868	25,069,232
Transactions with owners							
Shares issued during the year	750,000	(2,118,750)	1,368,750	-	-	-	-
Share issuance cost	-	-	(97,920)	-	-	-	(97,920)
Shares issued at exercise of conversion option	205,417	-	978,810	-	-	-	1,184,227
	955,417	(2,118,750)	2,249,640	-	-	-	1,086,307
Total comprehensive income for the year ended December 31, 2014							
Profit for the year	-	-	-	-	-	8,207,960	8,207,960
Other comprehensive income:							
- cash flow hedges, net of tax	-	-	-	107,813	-	-	107,813
- remeasurements, net of tax	-	-	-	-	6,783	-	6,783
	-	-	-	107,813	6,783	8,207,960	8,322,556
Balance as at December 31, 2014	13,183,417	-	2,260,784	(39,831)	(14,103)	19,087,828	34,478,095
Transactions with owners							
Shares issued at exercise of conversion option	125,906	-	871,397	-	-	-	997,303
Dividends paid:							
- Final 2014: Rs. 3.00 per share	-	-	-	-	-	(3,992,797)	(3,992,797)
- 1st interim 2015: Rs. 1.50 per share	-	-	-	-	-	(1,996,398)	(1,996,398)
- 2nd interim 2015: Rs. 1.50 per share	-	-	-	-	-	(1,996,398)	(1,996,398)
	125,906	-	871,397	-	-	(7,985,593)	(6,988,290)
Total comprehensive income for the year ended December 31, 2015							
Profit for the year	-	-	-	-	-	15,027,481	15,027,481
Other comprehensive income :							
- cash flow hedges, net of tax	-	-	-	35,295	-	-	35,295
- remeasurements, net of tax	-	-	-	-	(26,561)	-	(26,561)
	-	-	-	35,295	(26,561)	15,027,481	15,036,215
Balance as at December 31, 2015	13,309,323	-	3,132,181	(4,536)	(40,664)	26,129,716	42,526,020

The annexed notes from 1 to 47 form an integral part of these financial statements.

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

statement of cash flows
for the year ended december 31, 2015

(Amounts in thousand)

	Note	2015	2014
		(Rupees)	
Cash flows from operating activities			
Cash generated from operations	35	12,628,851	28,480,098
Retirement and other service benefits paid		(42,631)	(41,124)
Finance cost paid		(4,389,722)	(7,091,184)
Taxes paid		(2,532,809)	(835,474)
Tax loss purchased from Engro Eximp Agriproducts (Private) Limited		(956,791)	(1,210,522)
Long term loans and advances - net		(65,847)	15,418
Net cash generated from operating activities		4,641,051	19,317,212
Cash flows from investing activities			
Purchases of property, plant and equipment and intangibles		(1,984,808)	(701,027)
Investment in Engro Eximp		(4,383,000)	-
Sub-ordinated loan to Subsidiary Company		(900,000)	-
Proceeds from disposal of property, plant and equipment		29,261	45,989
Divestments / (Investments) during the year - net		23,595,878	(23,739,109)
Income on deposits / other financial assets		1,303,488	1,790,194
Net cash generated from / (utilized in) investing activities		17,660,819	(22,603,953)
Cash flows from financing activities			
Proceeds from borrowings - net		2,430,491	3,947,598
Repayments of borrowings		(10,834,589)	(13,090,255)
Settlement of IFC option (note 18.7)		-	(1,495,080)
Proceeds from sub-ordinated loan		-	1,495,080
Repayment of sub-ordinated loan		-	(4,495,080)
Dividends paid		(7,979,490)	-
Share issue costs paid		-	(53,989)
Net cash utilised in financing activities		(16,383,588)	(13,691,726)
Net increase / (decrease) in cash and cash equivalents		5,918,282	(16,978,467)
Cash and cash equivalents at beginning of the year		5,537,978	22,516,445
Cash and cash equivalents at end of the year	35	11,456,260	5,537,978

The annexed notes from 1 to 47 form an integral part of these financial statements.

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

notes to the financial statements
for the year ended december 31, 2015

(Amounts in thousand)

1. Legal Status and Operations

1.1 Engro Fertilizers Limited ('the Company') is a public company incorporated on June 29, 2009 in Pakistan under the Companies Ordinance, 1984 as a wholly owned subsidiary of Engro Corporation Limited (the Parent Company) which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers. The Company's registered office is situated at 7th & 8th floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.

1.2 The Company is listed on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange in which Lahore and Islamabad Stock Exchanges have merged). The Company has also issued Term Finance Certificates which are listed at the Pakistan Stock Exchange Limited.

1.3 Effective January 1, 2010, the Parent Company through a Scheme of Arrangement, under Section 284 to 288 of the Companies Ordinance, 1984, separated its fertilizer undertaking for continuation thereof by the Company, from the rest of the undertaking which was retained in the Parent Company. Further, the Parent Company was renamed from Engro Chemical Pakistan Limited to Engro Corporation Limited, the principal activity of which now is to manage investments in subsidiary companies and joint ventures.

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 periods 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, derivative hedging instrument at fair value and recognition of certain staff retirement benefits at present value.

2.1.2 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

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 and other relevant notes.

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

a) Standards, amendments to published standards and interpretations effective in 2015 and relevant

The following standards, amendments to published standards and interpretations are mandatory for the financial year beginning January 1, 2015 and are relevant to the Company:

- IFRS 13 'Fair value measurement'. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard only affects the disclosures in the Company's financial statments.

- IAS 27 (revised) 'Separate financial statements'. This standard replaces the current IAS 27 'Consolidated and Separate Financial Statements' (as amended in 2008) and includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The Company's current accounting treatment is already in line with the requirements of this standard.

- IAS 19 'Employee benefits' (Amendment). The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives. The amendment does not have any impact on the Company's financial statements.

- IAS 24 'Related party disclosures' (Amendment). The standard has been amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required. The amendment does not have any impact on the Company's financial statements.

b) Standards, amendments to published standards and interpretations that are effective in 2015 but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2015 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following new standards and amendments to published standards are not effective for the financial year beginning on January 1, 2015 and have not been early adopted by the Company:

- IAS 27 (Amendment) 'Separate financial statements' (effective for annual periods beginning on or after January 1, 2016). The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

- Amendments to following standards as a result of annual improvements to International Financial Reporting Standards issued by IASB:

- IFRS 7 'Financial instruments: Disclosures' (effective for annual periods beginning on or after January 1, 2016). There are two amendments:

  - Servicing contracts – If an entity transfers a financial assets to a third party under conditions which allow the transferor to derecognize the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively.

- Interim financial statements – the amendment clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective.

- It is unlikely that the standard will have any significant impact on the Company's financial statements.

- IAS 19, 'Employee benefits' (effective for annual periods beginning on or after January 1, 2016). The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented. It is unlikely that the standard will have any significant impact on the Company's financial statements.

- IAS 34 ,'Interim financial reporting' (effective for annual periods beginning on or after July 1, 2016). This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. It is unlikely that the standard will have any significant impact on the Company's financial statements.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

2.2 Property, plant and equipment

2.2.1 Owned assets

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except freehold land and capital work in progress which are stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs (note 2.23). The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

Depreciation is charged to the profit and loss account 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 written off over its estimated useful life. Depreciation on addition is charged from the month following the month in which the asset is available for use and on disposals up to the preceding month of disposal.

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

2.2.2 Leased assets

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

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

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

2.3 Intangible assets

a) Computer Software and Licenses

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

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

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

b) Rights for future gas utilization

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

2.4 Impairment of non-financial assets

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

2.5 Investment in subsidiary

Investments in subsidiary companies are initially recognized 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 recognized as an income.

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

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

2.7 Financial assets

2.7.1 Classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Held to maturity financial assets

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

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose it off within 12 months of the end of the reporting date. There were no available for sale financial assets at the balance sheet date.

2.7.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Held to maturity and loans and receivables

are subsequently carried at amortized cost using the effective interest method.

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

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

Interest on available-for-sale securities calculated using the effective interest method is recognized in the profit and loss account as part of other income. Dividends on available for sale equity instruments are recognized in the profit and loss account as part of other income when the Company's right to receive payments is established.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in note 2.13.

2.8 Financial liabilities

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

2.9 Offsetting financial instruments

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

2.10 Derivative financial instruments and hedging activities

Derivatives are recognized initially at fair value; attributable transaction cost are recognized in profit and loss account when incurred. Subsequent to initial recognition, derivatives are measured at fair values, and changes therein are accounted for as described below:

a) Cash flow hedges

Changes in fair value of derivative hedging instruments designated as a cash flow hedge are recognized in statement of comprehensive income to the extent that the hedge is effective. To the extent the hedge is ineffective, changes in fair value are recognized in profit and loss account.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously deferred in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount previously deferred in equity is transferred to carrying amount of the asset when it is recognized. In other cases the amount deferred in equity is transferred to profit and loss account in the same period that the hedge item affects profit and loss account.

b) Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit and loss account.

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposure. Further, the Company has issued options to convert IFC loan on its shares as disclosed in note 18.7. The fair values of various derivative instruments used for hedging and the conversion options are disclosed in note 19.

2.11 Stores, spares and loose tools

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

2.12 Stock-in-trade

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

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

2.13 Trade debts and other receivables

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

2.14 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 balance sheet.

2.15 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of

new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest 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 balance sheet date.

2.17 Trade and other payables

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

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

2.18 Current and deferred income tax

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

Current

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

Deferred

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

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

2.19 Employee benefits

2.19.1 Defined contribution plans

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

The Company contributes to:

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

- defined contribution pension fund for the benefit of those management employees who have not opted for defined contribution gratuity fund as more fully explained in note 2.19.3. Monthly contributions are made by the Company to the fund at rates ranging from 12.5% to 13.75% of basic salary.

- 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 2.19.3. Monthly contributions are made by the Company to the fund at the rate of 8.33% of basic salary.

2.19.2 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 34 to the financial statements.

Remeasurements (actuarial gains / losses) in respect of defined benefit plan are recognized directly in equity through other comprehensive income; consequent to amendment in International Accounting Standard (IAS) 19 "Employee benefits".

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

The Company also contributes to:

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

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

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

2.19.4 Service incentive plan

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

2.19.5 Employees' compensated absences

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

2.20 Provisions

Provisions are recognized when the Company has a 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 balance sheet date and adjusted to reflect current best estimate.

2.21 Foreign currency transactions and translation

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

2.22 Revenue recognition

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

- Sales revenue is recognized when product is dispatched to customers;
- Income on deposits and other financial assets is recognized on accrual basis; and
- Commission income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

2.23 Borrowing costs

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

2.24 Research and development costs

Research and development costs are charged to profit and loss account as and when incurred.

2.25 Government grant

Government grant that compensates the Company for expenses incurred is recognized in the profit and loss account on a systematic basis in the same period in which the expenses are recognized. Government grants are deducted from related expense.

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.

(Amounts in thousand)

2.27 Transactions with related parties

Sales, purchases and other transactions with related parties are carried out on agreed terms and conditions.

2.28 Dividend and appropriation to reserves

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

3. Critical Accounting Estimates and Judgements

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.

3.1 Property, plant and equipment

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

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 deferred taxes is made taking into account these judgments and the best estimates of future results of operations of the Company.

3.3 Provision for retirement and other service benefits obligations

The present value of these obligations depend on a number of factors that are determined on actuarial basis using various assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present value of these obligations and the underlying assumptions are disclosed in note 34.2.3 and 34.2.8 respectively.

4. Property, Plant and Equipment

	2015	2014
	(Rupees)	
Operating assets at net book value (note 4.1)	69,753,076	73,674,133
Capital work in progress (note 4.4)	1,946,598	863,917
Major spare parts and stand-by equipment	492,615	424,767
	72,192,289	74,962,817

(Amounts in thousand)

4.1 Operating Assets

	Land		Building on		Plant and	Gas	Catalyst	Office	Vehicles	Total
	Freehold	Leasehold	Freehold	Leasehold	machinery	Pipeline		equipments		
	(Rupees)									
As at January 1, 2014										
Cost	149,575	187,320	2,573,248	367,922	90,120,695	1,706,826	1,783,177	669,566	408,718	97,967,047
Accumulated depreciation	-	(52,247)	(749,037)	(101,622)	(17,540,344)	(224,711)	(1,245,351)	(518,507)	(263,863)	(20,695,682)
Net book value	149,575	135,073	1,824,211	266,300	72,580,351	1,482,115	537,826	151,059	144,855	77,271,365
Year ended December 31, 2014										
Net book value - January 1, 2014	149,575	135,073	1,824,211	266,300	72,580,351	1,482,115	537,826	151,059	144,855	77,271,365
Transfers from CWIP	-	-	19,608	65,615	363,864	708,137	176,997	82,973	28,164	1,445,358
Disposals / write offs (note 4.3)										
Cost	-	-	-	-	(347,810)	-	-	(13,253)	(79,656)	(440,719)
Accumulated depreciation	-	-	-	-	52,053	-	-	13,154	58,075	123,282
	-	-	-	-	(295,757)	-	-	(99)	(21,581)	(317,437)
Depreciation charge (note 4.2)	-	(4,393)	(135,267)	(10,428)	(4,190,358)	(66,646)	(218,414)	(53,154)	(46,493)	(4,725,153)
Net book value	149,575	130,680	1,708,552	321,487	68,458,100	2,123,606	496,409	180,779	104,945	73,674,133
As at January 1, 2015										
Cost	149,575	187,320	2,592,856	433,537	90,136,749	2,414,963	1,960,174	739,286	357,226	98,971,686
Accumulated depreciation	-	(56,640)	(884,304)	(112,050)	(21,678,649)	(291,357)	(1,463,765)	(558,507)	(252,281)	(25,297,553)
Net book value	149,575	130,680	1,708,552	321,487	68,458,100	2,123,606	496,409	180,779	104,945	73,674,133
Year ended December 31, 2015										
Net book value - January 1, 2015	149,575	130,680	1,708,552	321,487	68,458,100	2,123,606	496,409	180,779	104,945	73,674,133
Transfers from CWIP	-	-	31,405	1,174	661,438	-	-	87,348	37,512	818,877
Disposals / write offs (note 4.3)										
Cost	-	-	-	-	-	-	-	(2,398)	(54,794)	(57,192)
Accumulated depreciation	-	-	-	-	-	-	-	2,386	43,389	45,775
	-	-	-	-	-	-	-	(12)	(11,405)	(11,417)
Depreciation charge (note 4.2)	-	(4,393)	(135,353)	(10,838)	(4,200,022)	(71,584)	(216,820)	(56,034)	(33,473)	(4,728,517)
Net book value	149,575	126,287	1,604,604	311,823	64,919,516	2,052,022	279,589	212,081	97,579	69,753,076
As at December 31, 2015										
Cost	149,575	187,320	2,624,261	434,711	90,798,187	2,414,963	1,960,174	824,236	339,944	99,733,371
Accumulated depreciation	-	(61,033)	(1,019,657)	(122,888)	(25,878,671)	(362,941)	(1,680,585)	(612,155)	(242,365)	(29,980,295)
Net book value	149,575	126,287	1,604,604	311,823	64,919,516	2,052,022	279,589	212,081	97,579	69,753,076
Annual rate of depreciation (%)	-	2 to 5	2.5 to 8	2.5	5 to 10	5	No. of production days	10 to 25	12 to 25	

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

	2015	2014
	(Rupees)	
Cost of sales (note 25)	4,694,042	4,682,132
Selling and distribution expenses (note 26)	17,721	23,588
Administrative expenses (note 27)	16,754	19,433
	4,728,517	4,725,153

(Amounts in thousand)

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	Sales proceeds
		(Rupees)			
Vehicles					
By Company policy to existing / separating executives	Asghar Ali Khan	2,058	1,061	997	2,058
	Asim Rasheed Qureshi	1,560	829	731	731
	Azhar Ali Malik	1,965	1,474	491	491
	Bilal Ali Shah	1,461	1,096	365	365
	Dr. Zaheer Ahmad	1,490	955	535	570
	Farooq Nazim Shah	1,960	1,470	490	490
	Kashif Rahim	1,510	1,133	377	378
	M. Asif Sultan Tajik	7,600	5,700	1,900	1,900
	Majid Latif	1,965	1,474	491	491
	Muhammad Ismail	1,510	1,133	377	378
	Muhammad Mushfiq Hussain	1,461	1,096	365	365
	Nasir Iqbal	2,176	1,338	838	838
	Nazir Jamali	1,490	1,118	372	373
	S. Attaullah Shah Bokhari	1,510	1,133	377	378
	Tassawar Ali	1,500	1,057	443	443
		31,216	22,067	9,149	10,249
Sale through bid					
	Abdul Moeed Asif	666	599	67	538
	Amir Jan	879	791	88	721
	Hassan Ali Warsi	900	675	225	723
	Khalid Anwar	530	477	53	381
	M/S U & H Textile	1,439	1,079	360	1,085
	M/S U & H Textile	588	529	59	495
	Mohammad Jawed	555	500	55	368
	Muhammad Akbar Awan	900	675	225	563
	Muhammad Imran	530	477	53	412
	Nusrat Iqbal	1,319	1,187	132	794
	Rana Abdus Samad	530	477	53	427
	Said Faqeer	605	545	60	476
	Salman	605	545	60	356
	Syed Zafar Akhtar Naqvi	666	599	67	479
	Zeeshan Abdullah	915	839	76	916
		11,627	9,994	1,633	8,734
		42,843	32,061	10,782	18,983
Items having net book value upto Rs. 50 each					
Vehicles		11,951	11,328	623	10,019
Office equipment		2,398	2,386	12	259
Year ended December 31, 2015		57,192	45,775	11,417	29,261
Year ended December 31, 2014		440,719	123,282	317,437	45,989

(Amounts in thousand)

4.4 Capital work in progress

	2015	2014
	(Rupees)	
Plant and machinery	1,678,493	759,687
Building and civil works including Gas pipeline	156,557	66,849
Furniture, fixture and equipment	16,999	4,003
Advances to suppliers	36,962	13,074
Other ancillary cost	57,587	20,304
	1,946,598	863,917

	2015	2014
4.4.1 Balance as at January 1	863,917	1,640,564
Additions during the year	1,916,961	679,549
Transferred to:		
- operating assets (note 4.1)	(818,877)	(1,445,358)
- intangible assets (note 5)	(15,403)	(10,838)
Balance as at December 31	1,946,598	863,917

5. Intangible Assets

	Software and licenses	Rights for future gas utilization	Total
		(Rupees)	
As at January 1, 2014			
Cost	239,493	102,312	341,805
Accumulated amortization	(190,464)	(12,877)	(203,341)
Net book value	49,029	89,435	138,464
Year ended December 31, 2014			
Net book value - January 1, 2014	49,029	89,435	138,464
Transfers from CWIP (note 4.4.1)	10,838	-	10,838
Amortization (note 5.1)	(25,855)	(5,111)	(30,966)
Net book value	34,012	84,324	118,336
As at December 31, 2014			
Cost	250,331	102,312	352,643
Accumulated amortization	(216,319)	(17,988)	(234,307)
Net book value	34,012	84,324	118,336
Year ended December 31, 2015			
Net book value - January 1, 2015	34,012	84,324	118,336
Transfers from CWIP (note 4.4.1)	15,403	-	15,403
Amortization (note 5.1)	(22,142)	(5,110)	(27,252)
Net book value	27,273	79,214	106,487
As at December 31, 2015			
Cost	265,734	102,312	368,046
Accumulated amortization	(238,461)	(23,098)	(261,559)
Net book value	27,273	79,214	106,487

(Amounts in thousand)

	2015	2014
	(Rupees)	
5.1 Amortization for the year has been allocated as follows:		
Cost of sales (note 25)	23,257	28,290
Selling and distribution expenses (note 26)	960	160
Administrative expenses (note 27)	3,035	2,516
	27,252	30,966

6. Investment in Subsidiary

During the year, the Company acquired 100% shareholding in Engro Eximp (Private) Limited (EEPL) from the Parent Company. As decided by the Board of Directors of EEPL in its meeting held on February 9th 2015, EEPL has discontinued its Coal and Agri commodities businesses. Moreover, the imported fertilizer business of EEPL is also being phased out to the Company as part of the proposed Corporate Restructuring scheme of Engro Corporation to further strengthen synergies between the Company business lines and allow the Group to create value and increase its footprint in agricultural inputs.

The Board of Directors of EEPL in its meeting held on April 23, 2015 and the Board of Directors of the Company on August 10, 2015 gave approvals to proceed with the proposed Scheme of Amalgamation (Scheme) of EEPL with the Company and after relevant approvals, formalities and the Scheme being sanctioned by the Court, EEPL will amalgamate into the Company to form a single company.

7. Long Term Loans and Advances - Considered good

	2015	2014
	(Rupees)	
Executives (notes 7.1 and 7.2)	229,589	183,374
Other employees (note 7.3)	47,733	9,174
	277,322	192,548
Less: Current portion shown under current assets (note 12)		
- Considered good	114,035	95,108
- Considered doubtful	3,509	3,509
	117,544	98,617
	159,778	93,931

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

	2015	2014
Balance at beginning of the year	183,374	187,302
Disbursements	200,724	144,339
Repayments / amortization	(154,509)	(148,267)
Balance at end of the year	229,589	183,374

7.2 Includes service incentive loans to executives of Rs. 111,599 (2014: Rs. 97,496). It also includes advances of Rs. 28,215 (2014: Rs. 31,309), Rs. 5,313 (2014: Rs. 24,994), Rs. 14,094 (2014: Rs. 16,383) Rs. 49,358 (2014: Rs. 13,192), Rs. 14,222 (2014: Nil) and Rs. 6,788 (2014: Nil) to executives for car earn out assistance, long term incentive, house rent advance, retention loan, other employee loan and employees advance salary respectively. The maximum amount outstanding at the end of any month during the year ended December 31, 2015 from executives aggregated to Rs. 256,078 (2014: Rs. 229,956).

(Amounts in thousand)

7.3 Represents interest free loans given to workers pursuant to Collective Labour Agreement.

8. Stores, Spares and Loose Tools

	2015	2014
	(Rupees)	
Consumable stores	503,731	545,483
Spares	4,346,982	4,257,635
Tools	5,248	5,019
	4,855,961	4,808,137
Less: Provision for surplus and slow moving items	216,819	94,391
	4,639,142	4,713,746

9. Stock-in-trade

	2015	2014
Raw materials	1,190,730	714,857
Packing materials	59,937	90,475
Work in process	20,688	89,780
	1,271,355	895,112
Finished goods:		
- manufactured product	2,009,491	205,810
- purchased and packaged product	4,063,915	-
	6,073,406	205,810
Less: Provision for NRV on finished goods	402,651	-
	6,942,110	1,100,922

10. Trade Debts

	2015	2014
Considered good		
- Secured (note 10.1)	2,180,408	615,797
- Unsecured	81,339	141,247
	2,261,747	757,044
Considered doubtful	24,400	24,400
	2,286,147	781,444
Provision for impairment (note 10.2)	(24,400)	(24,400)
	2,261,747	757,044

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

10.2 As at December 31, 2015, trade debts aggregating to Rs. 24,400 (2014: Rs. 24,400) were past due and provided for. These receivables have been outstanding for more than 1 year from the balance sheet date.

11. Sub-ordinated Loan to Subsidiary

The Company entered into a working capital loan facility agreement with Engro Eximp (Private) Limited, (EEPL). Under the agreement, the Company offered EEPL an unsecured working capital loan of upto Rs. 900,000. The mark up is receivable at the rate of 3 months KIBOR +1% on quarterly basis. The amount is receivable by June 3, 2016.

(Amounts in thousand)

12. Loans, Advances, Deposits and Prepayments

	2015	2014
	(Rupees)	
Considered good		
Current portion of long term loans and advances to executives and other employees - (note 7)	114,035	95,108
Advances and deposits	204,017	72,482
Prepayments		
- Insurance	253,095	239,702
- Others	17,100	25,651
	588,247	432,943
Considered doubtful - advances and deposits (note 7)	3,509	3,509
Provision for impairment (note 12.1)	(3,509)	(3,509)
	588,247	432,943

12.1 As at December 31, 2015, advances and prepayments aggregating to Rs. 3,509 (2014: Rs. 3,509) were impaired and provided for. These have been outstanding for more than 1 year from the balance sheet date.

13. Other Receivables

	2015	2014
	(Rupees)	
Receivable from Government of Pakistan (note 13.1)	1,128,957	544
Sales tax receivable	181,653	-
Due from subsidiary companies:		
- Engro Eximp (Private) Limited	1,982	-
Due from associated companies:		
- Engro Foods Limited	301	24
- Engro Polymer & Chemicals Limited	280	-
- Engro Powergen Qadirpur Limited	4,330	100
- Engro Foundation	9	-
- Sindh Engro Coal Mining Company Limited	67	21
- Engro Elengy Terminal (Private) Limited	298	2,830
- Engro Vopak Terminal Limited	1,045	899
Claims on foreign suppliers	10,278	13,215
Others	798	1,902
	1,329,998	19,535
Less: Provision for impairment	-	544
	1,329,998	18,991

13.1 During the year, the Government of Pakistan notified the payment of subsidy at the rate of Rs. 500 per 50 kg bag of Di Ammonia Phosphate (DAP), Rs.217 per 50 kg bag of Nitrophos (N) and Nitrogen, Phosphorous and Potassium (NPK) fertilizers (based on phosphorous content) sold. The mode of payment of subsidy to the Company shall either be adjustment against the sales tax liability or payment by the State Bank of Pakistan upon verification by the Federal Board of Revenue.

(Amounts in thousand)

13.2 The maximum amount due from the Parent Company, subsidiary and associated companies at the end of any month during the year aggregated as follows:

	2015	2014
	(Rupees)	
Parent Company		
- Engro Corporation Limited	-	812
Subsidiary Companies		
- Engro Eximp (Private) Limited	12,512	-
- Engro Eximp FZE (Private) Limited	18,992	-
Associated Companies		
- Engro Eximp (Private) Limited	-	68,036
- Engro Foods Limited	5,913	3,027
- Engro Polymer & Chemicals Limited	10,575	6,012
- Engro Powergen Qadirpur Limited	15,059	16,457
- Engro PowerGen Limited	2,972	1,433
- Sindh Engro Coal Mining Company Limited	7,813	6,168
- Engro Eximp Agriproducts (Private) Limited	-	2,252
- Engro Foundation	3,809	282
- Engro Elengy Terminal (Private) Limited	2,840	2,830
- Engro Vopak Terminal Limited	3,338	3,088

13.3 As at December 31, 2015, receivables aggregating to Rs. 11,076 (2014: Rs. 15,117) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2015	2014
	(Rupees)	
Upto 3 months	6,944	6,166
3 to 6 months	1,251	217
More than 6 months	2,881	8,734
	11,076	15,117

14. Short Term Investments

Financial assets at fair value through profit or loss		
Treasury bills and other fixed income placements	10,984,555	24,085,079
Loans and receivables		
Reverse repurchase of treasury bills	-	999,288
	10,984,555	25,084,367

(Amounts in thousand)

14.1 These represent treasury bills at the interest rate ranging from 6.23% to 6.42% per annum (2014: 7.02% to 10.07% per annum); and local and foreign currency deposits with various banks, at interest rates ranging from 4.25% to 6.18% per annum (2014: 7.25% to 9.15% per annum) and at 1.50% per annum (2014: 1.50% per annum) respectively.

15. Cash and Bank Balances

	2015	2014
	(Rupees)	
Cash at banks on:		
- deposit accounts (notes 15.1 and 15.2)	838,925	4,432,738
- current accounts	19,127	3,098
	858,052	4,435,836
Cash in hand - imprest funds	7,250	7,250
	865,302	4,443,086

15.1 Deposit accounts carried return at rates ranging from 4.00% to 6.00% per annum (2014: 6.5% to 8.98% per annum).

15.2 Includes Rs. 12,742 (2014: Rs.12,225) held in foreign currency bank accounts.

16. Share Capital

	2015	2014
	(Rupees)	
Authorized Capital		
1,400,000,000 (2014: 1,400,000,000) Ordinary shares of Rs. 10 each	14,000,000	14,000,000
Issued, subscribed and paid-up capital		
258,132,299 (2014: 245,541,674) Ordinary shares of Rs. 10 each, fully paid in cash	2,581,323	2,455,417
9,999,993 (2014: 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 (2014: 1,062,800,000) Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	10,628,000	10,628,000
	13,309,323	13,183,417

(Amounts in thousand)

16.1 Movement In Issued, Subscribed And Paid Up Capital

2015	2014		2015	2014
Number of shares			(Rupees)	
1,318,341,667	1,222,800,000	At January 1	13,183,417	12,228,000
-	75,000,000	Ordinary shares of Rs. 10 each issued during the year as fully paid in cash note -16.2	-	750,000
12,590,625	20,541,667	Ordinary shares of Rs. 10 each issued upon exercise of conversion option by International Finance Corporation (IFC) note -16.3	125,906	205,437
1,330,932,292	1,318,341,667		13,309,323	13,183,437

16.2 In 2013, the Company made Initial Public Offer through issue of 75 million ordinary shares of Rs. 10 each against which shares have been issued last year.

16.3 These represent shares issued to IFC, pursuant to exercise of conversion option (note 18.7).

16.4 As at balance sheet date, the Parent Company held 78.8% of the share capital of the Company.

17. Hedging Reserve

	2015	2014
	(Rupees)	
Hedging reserve on interest rate swaps	(7,545)	(59,450)
Deferred tax thereon	3,009	19,619
	(4,536)	(39,831)

17.1 Hedging reserve represents the effective portion of changes in fair values of designated cash flow hedges, net off associated gains / losses recognized in initial cost of the hedged item and profit and loss account where applicable.

(Amounts in thousand)

18. Borrowings - Secured (Non-participatory)

	Note	Mark - up rate p.a.	Installments Number	Installments Commenced / Commencing from	2015	2014
					Rupees	
Long term finance utilized under mark-up arrangements:						
Senior Lenders						
Habib Bank Limited		6 months KIBOR + 1.1%	8 half yearly	March 31, 2013	199,714	257,290
Allied Bank Limited		6 months KIBOR + 1.1%	8 half yearly	June 26, 2013	399,160	514,066
Askari Bank Limited	18.1	6 months KIBOR + 1.1%	8 half yearly	June 30, 2013	-	64,599
Citibank N.A.	18.1	6 months KIBOR + 1.1%	8 half yearly	July 22, 2013	-	25,840
Standard Chartered Bank (Pakistan) Limited	18.1	6 months KIBOR + 1.1%	8 half yearly	June 30, 2013	-	128,644
Bank Islami Pakistan Limited	18.1	6 months KIBOR + 2.4%	14 half yearly	May 26, 2010	-	181,709
Silk Bank Limited	18.2	6 months KIBOR + 2.35%	10 half yearly	January 21, 2013	-	180,000
National Bank of Pakistan		6 months KIBOR + 1.1%	10 half yearly	March 5, 2013	790,364	788,842
Faysal Bank Limited	18.3	6 months KIBOR + 1.2%	13 half yearly	May 26, 2013	859,503	857,785
Dubai Islamic Bank Pakistan Limited	18.2	6 months KIBOR + 2.11%	9 half yearly	June 30, 2013	-	294,409
Standard Chartered Bank (Pakistan) Limited	18.3	6 months KIBOR + 0.9%	14 half yearly	June 14, 2013	593,090	591,118
Samba Bank Limited	18.3	6 months KIBOR + 0.9%	14 half yearly	April 1, 2013	296,813	295,954
National Bank of Pakistan	18.3	6 months KIBOR + 1.2%	10 half yearly	September 28, 2013	545,050	543,165
Syndicated finance	18.4	6 months KIBOR + 1.8%	14 half yearly	February 28, 2013	9,880,750	9,853,119
Islamic offshore finance	18.5	6 months LIBOR + 2.57%	9 half yearly	March 28, 2013	3,525,468	5,312,289
DFI Consortium finance	18.6	6 months LIBOR + 2.6%	7 payments	July 29, 2013	2,789,150	3,589,561
Habib Metropolitan Bank Limited	18.3	6 months KIBOR + 0.9%	10 half yearly	June 21, 2013	80,000	120,000
Pak Kuwait Investment Company (Private) Limited	18.3	6 months KIBOR + 1.0%	10 half yearly	April 30, 2012	99,803	199,297
United Bank Limited	18.1	6 months KIBOR + 0.65%	8 payments	December 17, 2015	1,460,855	-
Subordinated Lenders						
International Finance Corporation	18.7	6 months LIBOR + 6%	3 half yearly	September 15, 2015	2,415,784	3,365,332
International Finance Corporation	18.7	6 months LIBOR + 6%	3 half yearly	September 15, 2016	2,284,468	2,458,031
Dubai Islamic Bank Pakistan Limited	18.8	6 months KIBOR + 1.75%	4 half yearly	November 30,2018	800,000	800,000
Certificates						
Term Finance Certificates 3rd Issue	18.1	6 months KIBOR + 2.4%	14 half yearly	June 17, 2010	-	1,432,006
Sukuk Certificates	18.9	6 months KIBOR + 1.5%	2 half yearly	March 6, 2015	-	2,998,472
Privately Placed Subordinated Term Finance Certificates	18.10				6,000,000	6,000,000
Privately Placed Subordinated Sukuk Certificates	18.11	6 months KIBOR + 1.75%	10 half yearly	January 9, 2015	3,006,272	3,151,823
					36,026,244	44,003,351
Less: Current portion shown under current liabilities					10,736,586	7,912,729
					25,289,658	36,090,622

(Amounts in thousand)

18.1 During the year, a number of loans including from Askari Bank Limited, Citibank N.A., Standard Chartered (Pakistan) Limited, Bank Islami Pakistan Limited and Term Finance Certificates (3rd Issue) was refinanced through a loan from United Bank Limited. The pricing of the new loan is 6 month KIBOR + 0.65%, while the repayment schedule matches exactly with the refinanced loans. The loan was made a part of the Inter Creditor Agreement (ICA) and thus has the same charge with the other Senior Lenders. The new loan does not have a Corporate Guarantee from the Parent Company unlike the other Senior Lenders.

18.2 These loans were fully pre-paid during the year.

18.3 During the year, the Company negotiated re-pricing for the following borrowings:

Bank	Mark - up rate per annum Original	Mark - up rate per annum Repriced	Effective Date of Repricing
Senior Lenders			
Faysal Bank Limited	6 months KIBOR + 2.35%	6 months KIBOR + 1.20%	26-Nov-15
Standard Chartered Bank (Pakistan) Limited	6 months KIBOR + 2.40%	6 months KIBOR + 0.90%	17-Jun-15
Samba Bank Limited	6 months KIBOR + 2.40%	6 months KIBOR + 0.90%	1-Jul-15
National Bank of Pakistan	6 months KIBOR + 2.40%	6 months KIBOR + 1.20%	28-Sep-15
Habib Metropolitan Bank Limited	6 months KIBOR + 2.40%	6 months KIBOR + 0.90%	21-Dec-15
Pak Kuwait Investment Company (Private) Limited	6 months KIBOR + 2.35%	6 months KIBOR + 1.0%	1-Nov-15

18.4 This represents the balance amount of a syndicated finance agreement with Habib Bank Limited, National Bank of Pakistan, United Bank Limited, MCB Bank Limited, Standard Chartered Bank (Pakistan) Limited, Bank Alfalah Limited, Allied Bank Limited, Askari Bank Limited, Habib Metropolitan Bank Limited, SUMMIT Bank Limited, SONERI Bank Limited and PAK-LIBYA Holding Company (Private) Limited.

18.5 This represents the balance amount of an offshore Islamic Finance Facility Agreement of USD 36,000 with Habib Bank Limited, National Bank of Pakistan and SAMBA Financial Group and Rs. 3,618,000 with Faysal Bank (previously share belonged to Citi Bank N.A.), Dubai Islamic Bank Pakistan Limited and Standard Chartered Bank (Pakistan) Limited.

On March 31, 2015, Faysal Bank acquired Citi Bank N.A.'s share in the PKR portion of the Islamic Finance Facility.

18.6 This represents the balance amount of a facility agreement amounting to USD 85,000 with a consortium of Development Finance Institutions comprising of DEG, FMO and OFID.

18.7 The Parent Company entered into a C Loan Agreement (Original Agreement) dated September 29, 2009 with International Finance Corporation (IFC) for USD 50,000, divided into Tranche A (USD 15,000) and Tranche B (USD 35,000). Both Tranche A and B were fully disbursed as at December 31, 2009 and transferred to the Company under the scheme of demerger effective January 1, 2010. However, the option given to convert the Tranche A loan amount of USD 15,000 remained upon the Parent Company's ordinary shares at Rs. 205 per ordinary share (reduced to Rs. 155.30 and Rs. 119.46 as at December 31, 2011 and December 31, 2012 respectively consequent to bonus issues) calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option. Such option was to be exercised within a period of no more than five years from the date of disbursement of the loan (December 28, 2009). Tranche B, however, is not convertible. The Parent Company, upon shareholders' approval in the Annual General Meeting of February 27, 2010, has entered into an agreement with the Company that in the event IFC exercises the aforementioned conversion option (Tranche A), the loan amount then outstanding against the Company would stand reduced by the conversion option amount and the Company would pay the rupee equivalent of the corresponding conversion amount to the Parent Company which would simultaneously be given to the Company as a subordinated loan, carrying mark-up payable by the Parent Company for rupee finances of like maturities plus a margin of 1%. The effect of IFC conversion resulted in a loan from the Parent Company having the same repayment terms / dates as that of Tranche A.

(Amounts in thousand)

In 2014, IFC exercised its entire conversion option for an outstanding amount of USD 15,000 of Tranche A and accordingly 12,515,319 ordinary shares of the Parent Company were issued to the IFC.

On December 22, 2010, the Company and IFC entered into an amended agreement for further disbursement of USD 30,000 over and above the aforementioned disbursed amount of USD 50,000. The amount was fully disbursed as at June 30, 2011. The salient features of the Original Loan essentially remained the same and some of the terms of the loan were further amended through an agreement dated January 29, 2014. The additional loan of USD 30,000 is divided into (i) Tranche A2 30% convertible loan on the shares of the Company at Rs. 24.00 per ordinary share calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option and (ii) Tranche B2 70% non-convertible loan. The additional loan is repayable by September 15, 2017 in three equal installments and carries interest at 6 months LIBOR plus a spread of 6%.

On June 25, 2014, the Company received a notice from the IFC for exercise of option on USD 5,000 loan which, along with the fair value of related options on that date has been classified as equity; accordingly 20,541,667 ordinary shares of the Company were allotted to the IFC. During the year, the Company received a notice from IFC for exercise of further USD 3,000 loan on January 9, 2015 out of the remaining USD 4,000 of Tranche A2, accordingly 12,590,625 ordinary shares of the Company have been allotted to the IFC on January 26, 2015. The fair value of the remaining conversion option, included in derivative financial instruments, amounts to Rs. 298,749 (note 19).

18.8 The Company arranged a loan facility of Rs. 800,000 from Dubai Islamic Bank Pakistan Limited on December 1, 2014. This loan was used to repay the sub-ordinated loan received from the Parent Company on account of exercise of IFC conversion option as more fully explained in aforementioned note. During the year, effecitve May 28, 2015, the facility price was changed to 1.75% from 1% in accordance with the agreed terms and conditions.

18.9 This represents Sukuk Certificates of Rs. 3,000,000. Dubai Islamic Bank Pakistan Limited is the trustee for these certificates. During the year, the amount has been fully repaid.

18.10 This represents Privately Placed Subordinated TFCs amounting to Rs. 4,000,000 (PPTFC Issue I) and Rs. 2,000,000 (PPTFC Issue II) respectively. The PPTFCs are perpetual in nature with a five year call and a ten year put option. The PPTFC I issue has mark-up of six months KIBOR plus 2.1% whereas the PPTFC II issue has mark-up of six months KIBOR plus 1.65%. IGI Investment Bank Limited is the trustee for these TFCs. In 2011, the aforementioned TFCs have been listed on the Over-The-Counter (OTC) market of the Pakistan Stock Exchange Limited.

18.11 This represents Privately Placed Subordinated Sukuk (PPSS) amounting to Rs. 3,200,000. Pak Brunei Investment Company Limited is the Trustee while Meezan Bank Limited acts as the Investment Agent for this Sukuk. The Company used PPSS to refinance the subordinated loan from the Parent Company.

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

Loans from the IFC are secured by a sub-ordinated mortgage upon immovable property of the Company and sub-ordinated charge over all present and future fixed assets excluding immovable property of the Company. Further, Privately Placed Term Finance Certificates (PPTFCs) are secured by a subordinated floating charge over all present and future fixed assets excluding land and buildings. Subordinated Dubai Islamic Bank Pakistan Limited (DIBPL) loan and Privately Placed Subordinated Sukuk (PPSS) has a subordinate mortgage upon immovable property of the Company and a subordinate charge over current and future fixed assets excluding immovable property of the Company.

The Parent Company has issued corporate guarantees in respect of all debts excluding a bilateral loan from UBL, a Subordinated DIBPL loan and PPSS. For PPTFCs and loans from IFC, the Company has issued a subordinated corporate guarantee.

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

19. Derivative Financial Instruments

	2015		2014	
	Assets	Liabilities	Assets	Liabilities
	(Rupees)			
Conversion options on IFC loan (note 18.7)	-	298,749	-	965,326
Cash flow hedges:				
- Foreign exchange forward contracts - net (note 19.1)	29,207	54,569	-	54,800
- Interest rate swaps (note 19.2)	-	13,166	-	76,652
	29,207	366,484	-	1,096,778
Less: Current portion shown under current assets / liabilities				
Conversion options on IFC loan	-	298,749	-	965,326
Cash flow hedges:				
- Foreign exchange forward contracts	29,207	54,569	-	54,800
- Interest rate swaps	-	13,166	-	69,963
	29,207	366,484	-	1,090,089
	-	-	-	6,689

19.1 Foreign exchange forward contracts

The Company entered into various USD : PKR forward contracts to hedge its foreign currency exposure. As at December 31, 2015, the Company has forward contracts to purchase USD 96,133 (2014: USD 94,680) at various maturity dates to hedge its foreign currency exposure, primarily loan obligations. The net fair value of these contracts as at December 31, 2015 is negative and amounted to Rs. 25,362 (2014: Rs. 54,800 negative).

(Amounts in thousand)

19.2 Interest rate swap

The Company entered into interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing from a consortium of Development Finance Institutions for a notional amount of USD 7,727 (2014: USD 23,182) amortizing upto April 2016. Under the swap agreement, the Company would receive USD-LIBOR from Standard Chartered Bank (Pakistan) Limited on notional amount and pay fixed 3.73% which will be settled semi-annually. The fair value of the interest rate swap as at December 31, 2015 is negative and amounted to Rs. 13,166 (2014: Rs. 76,652 negative).

20. Deferred Liabilities

	2015	2014
	(Rupees)	
Deferred taxation (note 20.1)	6,419,916	5,149,666
Deferred income (note 20.3)	73,114	76,980
	6,493,030	5,226,646

20.1 Deferred taxation

	2015	2014
Credit / (Debit) balances arising on account of:		
- Accelerated depreciation allowance	13,959,978	15,485,581
- Carried forward tax losses substantially pertaining to unabsorbed tax depreciation	(976,498)	(7,630,091)
- Recoupable minimum turnover tax (note 20.2)	(2,491,715)	(1,276,725)
- Fair values of hedging instruments	(3,009)	(19,619)
- Alternative Corporate Tax	(3,962,572)	(1,362,800)
- Provision for:		
- staff retirement benefits	(18,819)	(6,321)
- slow moving stores and spares and doubtful receivables	(87,449)	(40,359)
	6,419,916	5,149,666

20.2 In 2013, the High Court of Sindh, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2)(c) of the Income Tax Ordinance, 2001 and has decided that the minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year. The Company's management is however of the view, duly supported by legal advisor, that the above order is not correct and would not be maintained by Supreme Court. Therefore, the Company has continued to carry forward minimum tax as reflected above.

20.3 Deferred income

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

21. Service Benefits Obligations

	2015	2014
	(Rupees)	
Service benefit obligation	172,599	156,683
Less: Current portion shown under current liabilities	48,232	43,338
	124,367	113,345

22. Trade and Other Payables

	2015	2014
Creditors (note 22.1)	8,766,061	14,616,341
Accrued liabilities	2,059,229	1,177,824
Advances from customers	1,280,321	6,475,033
Sales tax payable	-	983,406
Payable to:		
- Engro Corporation Limited	43,960	103,602
- Engro Eximp (Private) Limited (note 22.2)	-	448,680
- Engro Polymer & Chemicals Limited	10,181	8,774
- Engro Eximp Agriproducts (Private) Limited	475	-
- Engro Eximp FZE (Private) Limited	3,267,956	-
- Elengy Terminal Pakistan Limited	275	-
Deposits from dealers refundable on termination of dealership	16,297	15,623
Contractors' deposits and retentions	58,076	44,214
Workers' welfare fund	1,046,680	614,661
Workers' profits participation fund	11,892	38,828
Others	325,453	199,735
	16,886,856	24,726,721

(Amounts in thousand)

22.1 This includes Rs. 789,775 (2014: Rs. 12,580,333) on account of the levy of Gas Infrastructure Development Cess (GIDC).

During the year, the Parliament passed the GIDC Act 2015 in May 2015 which seeks to impose GIDC levy since 2011. The Company has challenged the validity and promulgation of GIDC Act, 2015 before the Honorable High Court of Sindh, wherein the Court passed interim orders, thereby restraining Mari Gas, Oil and Gas Development Company Limited, Spud Energy Pty Limited, Government Holdings (Private) Limited and IPR TransOil Corporation from recovering GIDC arrears till the pendency of the matter. Further, the Court has also passed interim orders restraining Sui Northern Gas Pipeline Limited from charging or recovering GIDC on concessionary gas. However, at the request of the Government, and without compromising on the legal stance, the fertilizer industry agreed to pay GIDC arrears except on concessionary gas/fixed price contracts to the Government.

22.2 This includes amount of Nil (2014: Rs. 462,168) due to Engro Eximp (Private) Limited in respect of funds collected on their behalf by the Company under an agreement as a selling agent of imported fertilizers partly off set by receivable balance in respect of inter company reimbursements.

23. Contingencies and Commitments

Contingencies

23.1 Bank guarantees of Rs.1,402,223 (2014: Rs. 1,075,119) have been issued in favor of third parties.

23.2 Claims, including pending lawsuits, against the Company not acknowledged as debts amounted to Rs.109,685 (2014: Rs. 55,038).

23.3 The Company is contesting a penalty of Rs. 115,631 paid and expensed in 1997, imposed by the State Bank of Pakistan (SBP) for alleged late payment of foreign exchange risk cover fee on long term loans and has filed a suit in the High Court of Sindh. A partial Rs. 62,618 however, recovered in 1999 from SBP and the recovery of the balance amount is dependent on the Court's decision.

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

23.5 The Company had filed a constitutional petition in the High Court of Sindh, Karachi against the Ministry of Petroleum and Natural Resources (MPNR), Ministry of Industries and Production (MIP) and Sui Northern Gas Pipeline Company Limited (SNGPL) for continuous supply of 100 mmscfd gas per day to the Enven Plant and to prohibit from suspending, discontinuing or curtailing the aforementioned supply. The High Court of Sindh in its order dated October 18, 2011, has ordered that SNGPL should supply 100 mmscfd of gas per day to the Company's new plant. However, five petitions have been filed in the Supreme Court of Pakistan against the aforementioned order of the High Court of Sindh by SNGPL, MPNR, Agritech Limited, Pak Arab Fertilizers and Kohinoor Mills Limited along with 21 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 consider the chances of petitions being allowed to be remote.

Further, the Company upon continual curtailment of gas after the aforementioned decision of the High Court 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 has failed to restore full supply of gas to the Company's plant despite the judgment of High Court in the Company's favor. A show cause notice has also been issued against MPNR and SNGPL dated December 31, 2011 by the High Court. The application is pending for hearing and no orders have yet been passed in this regard.

(Amounts in thousand)

23.6 All Pakistan Textile Processing Mills Association (APTMA), Agritech Limited (Agritech), Shan Dying & Printing Industries (Private) Limited and 27 others have each contended, through separate proceedings filed before the Lahore High Court that the supply to the Company's expansion plant is premised on the output from Qadirpur gas field exceeding 500 mmscfd by 100 mmscfd and the Gas Sale and Purchase Agreement (GSA) dated April 11, 2007 with Sui Northern Gas Pipeline Company Limited (SNGPL) be declared void ab initio because the output of Qadirpur has infact decreased. Agritech has additionally alleged discrimination in that it is receiving less gas than the other fertilizer companies on the SNGPL system. The Company has out rightly rejected these contentions, and is of the view that it has a strong case for the reasons that (1) 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, (2) GSA guarantees uninterrupted supply of gas to the expansion plant, with right to first 100 mmscfd gas production from the Qadirpur gas field, and (3) both the Company and the Qadirpur gas field, that is to initially supply gas to the Company are located in Sindh. Also neither the gas allocation by the Government of Pakistan nor the GSA predicates the gas supply from Qadirpur field producing 100 mmscfd over 500 mmscfd. No orders have been passed in this regard and the petition has also been adjourned sine die. However, the Company's management, as confirmed by the legal advisor, considers chances of petitions being allowed to be remote.

23.7 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 in relation to unreasonable increase in fertilizer prices. The Company has responded in detail that factors resulting in such increase were mainly the imposition of infrastructure cess and sales tax and partially the gas curtailment. The CCP has issued an order in March 2013, whereby it has held that the Company enjoys a dominant position in the urea market and that it has abused this position by unreasonable increases of urea prices in the period from December 2010 to December 2011. The CCP has also held another fertilizer company to be responsible for abusing its dominant position. In addition, the CCP has imposed a penalty of Rs. 3,140,000 and Rs. 5,500,000 on the Company and that other fertilizer company respectively. An appeal has been filed in the Competition Appellate Tribunal (at present non-functional) and a writ has been filed in the Sindh High Court and stay has been granted against the recovery of the imposed fine. The Company's management believes that the chances of ultimate success are very good, as confirmed by legal advisor. Hence, no provision has been made in these financial statements.

23.8 Commitments

	2015	2014
	(Rupees)	
Commitments in respect of capital expenditure and other operational items	995,392	917,592

23.9 Facilities

The Company has funded facilities for short term finances available from various banks and institutional investors amounting to Rs. 7,050,000 (2014: Rs. 4,350,000) along with non-funded facilities of Rs. 1,600,000 (2014: Rs. 1,300,000) for Bank Guarantees. The rates of markup on funded bank overdraft facilities ranged from 7% to 12.13% per annum and all the facilities are secured by floating charge upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts, outstanding monies, receivable claims and bills of the Company. The Company has not utilised any amount from these facilities as at the balance sheet date.

24. Net sales

	2015	2014
	(Rupees)	
Gross sales:		
- manufactured product	72,899,472	72,048,248
- purchased and packaged product	27,833,764	-
- subsidy from Government of Pakistan (note 13.1)	2,611,879	-
	103,345,115	72,048,248
Less: Sales tax	15,729,857	10,623,314
	87,615,258	61,424,934

24.1 This includes trade discount amounting to Rs. 847,715 (2014: Rs. 4,648).

(Amounts in thousand)

25. Cost of Sales

Cost of sales - manufactured product

	2015	2014
	(Rupees)	
Raw materials consumed	18,589,567	23,208,543
Salaries, wages and staff welfare (note 25.1)	2,178,564	1,949,037
Fuel and power	7,499,418	6,597,224
Repairs and maintenance	910,283	706,385
Depreciation (note 4.2)	4,694,042	4,682,132
Amortization (note 5.1)	23,257	28,290
Consumable stores	1,715,645	384,971
Staff recruitment, training, safety and other expenses	142,557	172,497
Purchased services	406,887	367,700
Travel	50,938	55,739
Communication, stationery and other office expenses	21,874	33,517
Insurance	354,351	408,919
Rent, rates and taxes	11,747	7,073
Other expenses	3,218	565
Manufacturing cost	36,602,348	38,602,592
Add: Opening stock of work in process	89,780	71,880
Less: Closing stock of work in process (note 9)	20,688	89,780
Cost of goods manufactured	36,671,440	38,584,692
Add: Opening stock of finished goods manufactured	205,810	443,541
Less: Closing stock of finished goods manufactured (note 9)	1,982,363	205,810
Cost of sales	34,894,887	38,822,423

Cost of sales - purchased and packaged product

	2015	2014
Purchase of product	23,837,192	-
Add: Processing and packaging cost	391,764	-
Less: Closing Stock - purchased and packaged product	3,688,392	-
	20,540,564	-
	55,435,451	38,822,423

25.1 Salaries, wages and staff welfare includes Rs. 123,709 (2014: Rs. 107,278) in respect of staff retirement benefits.

(Amounts in thousand)

26. Selling and Distribution Expenses

	2015	2014
	(Rupees)	
Salaries, wages and staff welfare (note 26.1)	553,708	447,608
Staff recruitment, training, safety and other expenses	61,856	62,874
Product transportation and handling	3,504,608	2,810,382
Royalty expense	929,158	878,797
Repairs and maintenance	4,404	5,713
Advertising and sales promotion	49,737	42,276
Rent, rates and taxes	206,317	67,178
Communication, stationery and other office expenses	23,011	20,806
Travel	52,355	45,814
Depreciation (note 4.2)	17,721	23,588
Amortization (note 5.1)	960	160
Purchased services	13,866	4,631
Insurance	24,754	22,860
Other expenses	10,489	8,692
	5,452,944	4,441,379

26.1 Salaries, wages and staff welfare includes Rs. 39,460 (2014: Rs. 30,089) in respect of staff retirement benefits.

27. Administrative Expenses

	2015	2014
	(Rupees)	
Salaries, wages and staff welfare (note 27.1)	389,007	332,528
Staff recruitment, training, safety and other expenses	43,104	46,687
Repairs and maintenance	13,876	13,349
Rent, rates and taxes	66,733	50,083
Communication, stationery and other office expenses	38,495	47,265
Travel	33,803	17,920
Depreciation (note 4.2)	16,754	19,433
Amortization (note 5.1)	3,035	2,516
Purchased services	167,362	179,645
Donations (note 39)	68,156	40,259
Insurance	1,650	1,398
Provision against other receivables	(544)	544
Other expenses	21,996	20,534
	863,427	772,161

27.1 Salaries, wages and staff welfare includes Rs. 33,777 (2014: Rs. 29,051) in respect of staff retirement benefits.

(Amounts in thousand)

28. Other Income

	2015	2014
	(Rupees)	
On financial assets		
Income on deposits, treasury bills and term deposit certificates	1,295,365	1,941,365
Income on Pakistan Investment Bond	14	73,835
Income on mutual funds	8,109	11,580
Income on subordinated loan to subsidiary company	39,812	-
On non-financial assets		
Commission income (note 28.1)	660	192,921
Gain on disposal of property, plant and equipment (note 4.3)	17,844	-
Rental income	4,567	4,321
Reversal of provision for infrastructure cess (note 28.2)	50,000	-
Gain on disposal of spares / scrap	13,895	16,277
Others (note 28.3)	276,793	208,857
	363,759	422,376
	1,707,059	2,449,156

28.1 Represents commission earned as selling agent of imported fertilizer on behalf of Engro Eximp (Private) Limited, Subsidiary Company, under an amended agreement effective January 1, 2011.

28.2 As per the interim arrangement with the Excise and Customs authorities, the bank guarantees furnished by the Company (Appellants before the Supreme Court) upto December 27, 2006 were discharged and returned. As agreed, 50% in value of the Bank Guarantees furnished for consignments released after the aforesaid date were permitted to be enchased; the remaining 50% were to be retained until a judicial resolution. It was specifically agreed, as per the joint statement, that after May 31, 2011 all imports would be released on payment of 50% cash and 50% bank guarantee.

The management of the Company being confident that no demand will be raised for any amount pertaining to the period prior to December 27, 2006, has reversed the provision relating to that period.

28.3 This includes Rs. 141,936 (2014: Nil) in respect of damaged compressor claim and Nil (2014: Rs. 98,226) received against insurance claim of KS Coil which was written off in 2014.

(Amounts in thousand)

29. Other Operating Expenses

	2015	2014
	(Rupees)	
Workers' profits participation fund	1,136,892	638,828
Workers' welfare fund	432,019	242,755
Research and development (including salaries and wages)	101,425	54,339
Auditors' remuneration (note 29.1)	6,708	8,710
Legal and professional charges	125,342	101,504
Loss on disposal of property, plant and equipment (note 4.3)	-	271,448
Provision for trade debts and loans & advances	-	(4,934)
Others	11,253	5,093
	1,813,639	1,317,743

29.1 Auditors' remuneration

	2015	2014
Fee for:		
- audit of annual financial statements	2,215	1,875
- special audit / review of half yearly financial information	350	225
- certifications and audit of retirement funds	1,817	3,810
- tax services	1,875	2,000
- reimbursement of expenses	451	800
	6,708	8,710

30. Finance Cost

	2015	2014
Interest / mark-up / return on:		
- long term borrowings	3,830,677	5,663,982
- short term borrowings	63,862	28,738
Loss on fair value of IFC conversion option	28,551	210,587
Foreign exchange loss - net	664,836	722,090
	4,587,926	6,625,397

31. Taxation

	2015	2014
Current		
- for the year (note 31.3)	3,675,656	2,011,924
- for prior years (note 31.4)	242,863	(50,529)
	3,918,519	1,961,395
Deferred	2,222,930	1,725,632
	6,141,449	3,687,027

31.1 During the year, the income tax department amended the assessment filed by the Company for tax year 2014. The Company filed the appeal before Commissioner Inland Revenue (Appeals) against disallowances made through the assessment, which mainly pertained to exchange gain and loss, loss on derivative and losses purchased from Engro Eximp Agriproducts under section 59B of the Income Tax Ordinance, 2001. In addition the tax department raised demand for the Alternative Corporate Tax through the same order, for which the company specifically obtained a stay order. The case is pending to be heard with the CIR(A) and the Company is confident of a favourable outcome.

31.2 Last year, the income tax department amended the assessment filed by the Company for tax years 2010 and 2011.The Company filed the appeals before Appellant Tribunal Inland Revenue (ATIR) against the said disallowances, which through its decision during last year, provided relief in respect of certain items and confirmed certain disallowances in favor of the tax department. The said disallowances included the charge in respect of exchange gain and loss incurred for tax year 2010 and tax year 2011 , and loss on derivative for tax year 2011. During the year, the Company has challenged the said decision before High Court of Sindh, which is pending to be heard and is confident of a favourable outcome.

31.3 Includes alternative corporate tax under section 113C of the Income Tax Ordinance, 2001 (introduced vide Finance Act 2014) amounting to Rs. 2,599,772 for the year (2014: Rs. 1,362,800) and minimum turnover tax amounting to Rs 876,153 (2014: Rs. 614,249).

The Company had filed suit in the High Court of Sindh, against the Federal Board of Revenue contesting both the retrospective and prospective application of the above section 113C and was granted stay for prior year 2013 & 2014 during 2014 and was granted the same during the year for the current year end.

31.4 This includes an amount of Rs. 361,258 on account of provision in accordance with section 4B 'Super Tax for rehabilitation of temporarily displaced persons' introduced in the Income Tax Ordinance, 2001 (the Ordinance) through Finance Act, 2015, whereby tax at three per cent is payable on specified income exceeding Rs. 500,000 for the year ended December 31, 2014 (tax year 2015). Further, the management has adjusted the prior tax charge by Rs. 118,395 in respect of BMR credit under section 65B of the Ordinance.

31.5 During the year, the Company has purchased losses surrendered by Engro Eximp Agriproducts (Private) Limited (associated company) to avail the benefit of Group Relief under section 59B of the Income Tax Ordinance, 2001, amounting to Rs 2,899,368 representing business losses for financial year ended December 31, 2014. These losses have been duly adjusted by the Company against taxable profit for the financial year ended December 31, 2014 (Tax Year 2015) whilst filing its tax return for the said tax year.

31.6 As a result of demerger, all pending tax issues of the Parent Company had been transferred to the Company. Major issues pending before the tax authorities is described below:

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

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

(Amounts in thousand)

The Company is confident that all pending issues will eventually be decided in its favor.

31.7 During the year, the Company received a sales tax order from the tax department for the year ended December 31, 2013 pertaining to discharge of output tax liability, on assumed production of urea amounting to Rs. 402,875 and on presumption that output tax liability is not being discharged by the Company on advances received from dealers amounting to Rs. 1,844,075. The Company filed appeal with the Commissioner Inland Revenue (Appeals) which has decided the matters in favor of the Company. The department has now challenged the decision of the CIR(A) with the Appellate Tribunal Inland Revenue, which is pending to be heard.

31.8 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:

	2015	2014
	(Rupees)	
Profit before taxation	21,168,930	11,894,987
Tax calculated at the rate of 32% (2014: 33%)	6,774,058	3,925,346
Depreciation on exempt assets not deductible for tax purposes	3,043	3,140
Tax effect of:		
- Expenses not allowed for tax	30,765	24,041
- Final Tax Regime / separate block of income	(1,511)	(42,887)
Effect of:		
- Tax credits	(159,784)	(66,895)
- Change in tax rates	(1,069,026)	(103,825)
- Prior year current and deferred tax charge	563,904	(95,893)
Others	-	44,000
Tax charge for the year	6,141,449	3,687,027

32. Earnings Per Share

Basic earnings per share 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.

32.1 Diluted earnings per share has been calculated by adjusting the weighted average number of ordinary shares outstanding for assumed conversion of equity option on IFC loan throughout the year.

(Amounts in thousand)

The information necessary to calculate basic and diluted earnings per share is as follows:

	2015	2014
	(Rupees)	
Profit for the year	15,027,481	8,207,960
Add: Interest on IFC loan - net of tax	4,765	27,309
- Loss on revaluation of conversion options on IFC loan - net of tax	18,074	131,358
Profit used for the determination of Diluted EPS	15,050,320	8,366,627
	Numbers (in thousands)	
Weighted average number of ordinary shares at the beginning of year	1,318,342	1,222,800
Add : Weighted average adjustments for:		
Shares issued during the year (including conversion of option)	11,728	82,404
Weighted average number of shares for determination of basic EPS	1,330,070	1,305,204
Assumed conversion of USD 4,000 IFC loan	-	9,836
Assumed conversion of USD 5,000 IFC loan	-	5,794
Assumed conversion of USD 1,000 IFC loan	3,160	-
Exercise of conversion option on USD 3,000 IFC loan	601	-
Weighted average number of shares for determination of diluted EPS	1,333,831	1,320,834

33. Remuneration of Chief Executive, Directors and Executives

The aggregate amounts charged in these financial statements for remuneration, including all benefits, to chief executive, directors and executives of the Company are given below:

	2015			2014		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	(Rupees)			(Rupees)		
Managerial remuneration	65,073	-	1,695,085	56,874	-	1,490,608
Retirement benefits funds	5,806	-	174,624	4,768	-	143,926
Other benefits	5	-	79,893	21	-	58,659
Fees	-	1,850	-	-	1,550	-
Total	70,884	1,850	1,949,602	61,663	1,550	1,693,193
Number of persons including those who worked part of the year	1	7	492	1	7	447

(Amounts in thousand)

33.1 The Company also makes contributions based on actuarial calculations to pension and gratuity funds and provides certain household items for use of some employees. Cars are also provided for use of some employees and directors.

33.2 Premium charged in the financial statements in respect of directors' indemnity insurance policy, purchased by the Company during the year, amounted to Rs. 488 (2014: Rs. 590).

34. Retirement and Other Service Benefits

34.1 Salient Features

The Company offers a defined post-employment gratuity benefit to permanent management and non-management employees. In addition, until June 30, 2005, the Company offered a defined post-employment pension benefit to management employees in service which has been discontinued and the plan now only covers a handful of retired pensioners.

The gratuity and pension funds are governed under the Trusts Act, 1882, Trust Deed and Rules of Fund, Companies Ordinance, 1984, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

Responsibility for governance of plan, including investment decisions and contribution schedule lie with Board of Trustees of the Fund. During the year such responsibility was transferred to Board of Trustees of the Fund of its Parent Company.

The Company faces the following risks on account of gratuity and pension funds: Final Salary Risks - The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset Volatility - Most assets are invested in risk free investments of 3,5 or 10 year SSC's, RIC's, DSC's or Government Bonds. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

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

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

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

In addition to above, the pension fund exposes the Company to Longevity Risk i.e. the pensioners survive longer than expected.

34.2 Valuation Results

The latest actuarial valuation of the defined benefit plans was carried out as at December 31, 2015, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

(Amounts in thousand)

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan Funded (Curtailed)	
	NMPT		MPT			
	2015	2014	2015	2014	2015	2014
	(Rupees)					
34.2.1 Balance sheet reconciliation						
Present value of obligation	228,376	166,212	149,332	135,336	33,367	34,406
Fair value of plan assets	(169,638)	(178,713)	(166,957)	(140,235)	(40,835)	(38,824)
(Surplus) / deficit of funded plans	58,738	(12,501)	(17,625)	(4,899)	(7,468)	(4,418)
Payable to DC Gratuity Fund	-	-	9,736	9,736	-	-
Payable in respect of inter-transfers	-	-	43	41	-	-
Unrecognized asset	-	-	-	-	7,468	4,418
Net (asset) / liability at end of the year	58,738	(12,501)	(7,846)	4,878	-	-
34.2.2 Movement in net (asset) / liability recognized						
Net liability / (asset) at beginning of the year	(12,501)	63,844	4,878	(15,536)	-	-
(Income) / charge for the year	14,598	17,022	4,728	2,933	(464)	(821)
Contributions made during the year to the fund	-	(63,844)	-	-	-	-
Remeasurements charged to OCI (note 34.2.7)	56,641	(29,186)	(17,452)	17,144	464	821
Inter-fund transfers	-	(337)	-	337	-	-
Net (asset) / liability at end of the year	58,738	(12,501)	(7,846)	4,878	-	-

(Amounts in thousand)

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan Funded (Curtailed)	
	NMPT		MPT			
	2015	2014	2015	2014	2015	2014
	(Rupees)					
34.2.3 Movement in defined benefit obligation						
As at beginning of the year	166,212	162,184	135,336	153,367	34,406	32,218
Current service cost	9,502	9,214	6,186	6,938	-	-
Past service cost	6,345	-	-	-	-	-
Interest cost	16,974	20,868	13,042	19,458	3,400	3,949
Benefits paid during the year	(19,623)	(10,942)	(21,213)	(31,133)	(4,054)	(3,847)
Remeasurments charged to OCI (note 34.2.7)	48,966	(14,775)	(3,274)	10,895	(385)	2,086
Inter-fund transfers	-	(337)	(2)	337	-	-
Liability transferred in respect of inter group transfers	-	-	42,785	(24,169)	-	-
Liability transferred to DC Gratuity Fund	-	-	(23,528)	(357)	-	-
As at end of the year	228,376	166,212	149,332	135,336	33,367	34,406
34.2.4 Movement in fair value of plan assets						
At beginning of the year	178,713	98,340	140,235	177,549	38,824	38,535
Expected return on plan assets	18,223	13,060	14,500	23,463	3,864	4,770
Contributions by the Company	-	63,844	-	-	-	-
Benefits paid during the year	(19,623)	(10,942)	(21,213)	(31,133)	(4,054)	(3,847)
Remeasurments charged to OCI (note 34.2.7)	(7,675)	14,411	14,178	(5,475)	2,201	(634)
Assets transferred to DC Gratuity Fund	-	-	(23,528)	-	-	-
Assets transferred in respect of inter fund transfers	-	-	42,785	(24,169)	-	-
As at end of the year	169,638	178,713	166,957	140,235	40,835	38,824

(Amounts in thousand)

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan Funded (Curtailed)	
	NMPT		MPT			
	2015	2014	2015	2014	2015	2014
	(Rupees)					

34.2.5 Charge / (Reversal) for the year

Current service cost	9,502	9,214	6,186	6,938	-	-
Past service cost	6,345	-	-	-	-	-
Net interest cost	(1,249)	7,808	(1,458)	(4,005)	(464)	(821)
	14,598	17,022	4,728	2,933	(464)	(821)

34.2.6 Actual return on plan assets

Actual return on plan assets	16,194	21,829	20,914	30,012	3,823	3,782

34.2.7 Remeasurement recognized in Other Comprehensive Income

(Gain) / loss from change in demographic assumptions	-	-	-	-	-	740
(Gain) / loss from change in experience assumptions	47,178	(14,430)	(3,021)	10,895	(138)	1,769
(Gain) / loss from change in financial assumptions	1,788	(345)	(253)	-	(247)	(423)
Remeasurement of Obligation	48,966	(14,775)	(3,274)	10,895	(385)	2,086
Expected Return on plan assets	18,223	13,060	14,500	23,463	3,864	4,770
Actual Return on plan assets	(16,194)	(21,829)	(20,914)	(30,012)	(3,823)	(3,782)
Difference in fair value opening	5,646	(5,642)	(7,764)	12,024	(2,242)	(354)
Remeasurement of Plan Assets	7,675	(14,411)	(14,178)	5,475	(2,201)	634
Effect of Asset Ceiling	-	-	-	-	3,050	(1,899)
Adjustment for DC transfers pertaining to earlier periods	-	-	-	774	-	-
	56,641	(29,186)	(17,452)	17,144	464	821

34.2.8 Principal actuarial assumptions used in the actuarial valuation

Discount rate	9.0%	10.5%	9.0%	10.5%	9.0%	10.5%
Expected per annum rate of return on plan assets	9.0%	10.5%	9.0%	10.5%	9.0%	10.5%
Expected per annum rate of increase in pension	-	-	-	-	1.0%	2.5%
Expected per annum rate of increase in salaries-long term	8.0%	9.5%	10.0%	10.5%	8.0%	12.0%

(Amounts in thousand)

34.2.9 Demographic Assumptions

Mortality rate	SLIC (01-05) - I	SLIC (2001-05)	SLIC (01-05) - I	PMA-PFA (80) - 2
Rate of employee turnover	Light	Heavy	-	-

34.2.10 Sensitivity Analysis

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

	Increase in assumption			Decrease in assumption		
	Gratuity Fund		Pension	Gratuity Fund		Pension
	NMPT	MPT	Fund	NMPT	MPT	Fund
	Rupees					
Discount Rate	208,002	143,818	31,390	252,118	155,260	35,592
Long Term Salary Increases	250,959	154,497	-	208,617	144,433	-
Long Term Pension Increases	-	-	35,754	-	-	31,223
Withdrawl Rates: Light	31,390	-	-	-	-	-
Withdrawl Rates: Heavy / Moderate	35,592	-	-	-	-	-

34.2.11 Maturity Profile

	Gratuity Fund		Pension
Time in Years	NMPT	MPT	Fund
	(Rupees)		
1	20,811	37,501	4,095
2	23,249	8,475	4,135
3	8,781	45,752	4,177
4	24,775	54,546	4,219
5-10	89,076	63,541	21,734
11-15	180,020	45,432	22,843
16-20	447,985	1,266	24,008
20+	848,691	7,659	108,920
Weighted average duration (years)	9.66	3.83	6.30

(Amounts in thousand)

34.2.12 Plan assets comprise of the following

	Defined Benefit Gratuity Plans Funded				Defined Benefit Pension Plan Funded (Curtailed)	
	NMPT 2015		MPT * 2015		2015	
	Rupees	(%)	Rupees	(%)	Rupees	(%)
Fixed income instruments	140,659	83	125,093	75	38,999	96
Investment in equity instruments	20,526	12	35,592	21	-	-
Cash	8,453	5	6,272	4	1,836	4
	169,638	100	166,957	100	40,835	100

* The employees of the Company in respect of gratuity are members of Defined Benefit Gratuity Fund maintained and funded by Engro Corporation Limited (the Parent Company). Accordingly, the above information is based upon the plan assets of Engro Corporation Limited Gratuity Fund.

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

34.2.14 Expected future cost / (reversal) for the year ending December 31, 2016 is as follows:

	Rupees
- MPT Pension Fund	(672)
- MPT Gratuity Fund	3,424
- Non-MPT Gratuity Fund	18,318

34.2.15 Historical information of staff retirement benefits:

	2015	2014	2013	2012	2011
			(Rupees)		
Pension Plan Funded					
Present value of defined benefit obligation	33,367	34,406	32,218	31,289	32,023
Fair value of plan assets	(40,835)	(38,824)	(38,535)	(38,313)	(37,023)
Surplus	(7,468)	(4,418)	(6,317)	(7,024)	(5,000)
Gratuity Plans Funded - NMPT					
Present value of defined benefit obligation	228,376	166,212	162,184	122,832	121,311
Fair value of plan assets	(169,638)	(178,713)	(98,340)	(87,352)	(87,019)
(Surplus) / Deficit	58,738	(12,501)	63,844	35,480	34,292
Gratuity Plans Funded - MPT					
Present value of defined benefit obligation	149,332	135,336	153,367	116,545	156,334
Fair value of plan assets	(166,957)	(140,235)	(177,549)	(149,929)	(169,957)
Surplus	(17,625)	(4,899)	(24,182)	(33,384)	(13,623)

34.3 Defined contribution plans

An amount of Rs. 149,516 has been charged during the year in respect of defined contribution plans maintained by the Parent Company.

(Amounts in thousand)

35. Cash Used in Operations

	2015	2014
	(Rupees)	
Profit before taxation	21,168,930	11,894,987
Adjustment for non-cash charges and other items:		
Depreciation	4,728,517	4,725,153
Amortization - net	23,386	27,101
Profit on disposal of property, plant and equipment	(17,844)	-
Loss on disposal of property, plant and equipment	-	271,448
Provision for retirement and other service benefits	58,540	49,862
Income on deposits / other financial assets	(1,303,488)	(2,026,780)
Finance cost	4,587,926	6,625,397
Provision for NRV on finished goods	402,651	-
Provision for surplus and slow moving stores and spares	122,428	1,444
Provision against other receivables	-	544
Reversal of provision against trade receivables	-	(2,673)
Reversal of provision against loans and advances	-	(2,261)
Working capital changes (note 35.2)	(17,142,195)	6,915,876
	12,628,851	28,480,098

35.1 Cash And Cash Equivalents

	2015	2014
Cash and bank balances	865,302	4,443,086
Short term investments	10,590,958	1,094,892
	11,456,260	5,537,978

35.2 Working capital changes

	2015	2014
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(47,824)	(346,327)
- Stock-in-trade	(6,243,839)	280,743
- Trade debts	(1,504,703)	3,882
- Loans, advances, deposits and prepayments	(155,304)	97,230
- Other receivables (net)	(1,311,007)	(5,138)
	(9,262,677)	30,390
(Decrease) / Increase in trade and other payables	(7,879,518)	6,885,486
	(17,142,195)	6,915,876

(Amounts in thousand)

36. Financial Instruments By Category

	2015	2014
	(Rupees)	
Financial assets as per balance sheet		
- Loans and receivables		
Loans, advances and deposits	194,436	156,030
Trade debts	2,286,147	757,044
Other receivables	19,388	14,011
Cash and bank balances	865,302	4,443,086
Short term Investment	-	999,288
	3,365,273	6,369,459
- Fair value through profit and loss		
Short term investments	10,984,555	24,085,079
Derivative financial instruments	29,207	-
	11,013,762	24,085,079
Financial liabilities as per balance sheet		
- Financial liabilities measured at amortized cost		
Borrowings	36,225,027	44,003,351
Trade and other payable	15,606,535	16,138,450
Accrued interest / mark-up	843,803	1,362,300
	52,675,365	61,504,101
- Fair value through profit and loss		
Conversion option on IFC loan	298,749	965,326
Derivative financial instruments	67,735	131,452
	366,484	1,096,778

37. Financial Risk Management

37.1 Financial risk factors

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

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

a) Market risk

i) Currency risk

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

This exists due to the Company's exposure resulting from outstanding import payments, foreign currency loan liabilities and related interest payments. A foreign exchange risk management policy has been developed and approved by the management. The policy allows the Company to take currency exposure for limited periods within predefined limits while open exposures are rigorously monitored. The Company ensures to the extent possible that it has options available to manage exposure, either through forward contracts, options or prepayments, etc. subject to the prevailing foreign exchange regulations.

On foreign currency borrowing of USD 89,247 as on December 31, 2015, the Company has Rupee / USD hedge of USD 61,977.

At December 31, 2015, if the currency had weakened / strengthened by 1% against the US dollar with all other variables held constant, post-tax profit for the year would have been lower / higher by Rs. 18,120 mainly as a result of foreign exchange loss / gain on translation of US dollar denominated loans.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises from long-term borrowings and short-term investments. Borrowing are benchmarked to variable rates which expose the Company to cash flow interest rate risk, whereas short-term investment are fixed rate placements and expose the Company to fair value interest rate risk.

The Company analyses its interest rate exposure on a regular basis by monitoring interest rate trends to determine whether they should enter into hedging alternatives.

The Company has entered into Interest Rate Swaps for USD 7,727 out of its non-current foreign currency borrowings of USD 89,247 as on December 31, 2015 (note 19.2). Rates on short term loans vary as per market movement.

As at December 31, 2015, 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. 360,262.

b) Credit risk

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

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits, bank guarantees and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with a reasonably high credit rating or mutual funds which in turn are deposited in banks and government securities. The Company maintains an internal policy to place funds with commercial banks and mutual funds of asset management companies having a minimum short term credit rating of A1 and AM3 respectively. However, the Company maintains operational balances with certain banks of lower rating for the purpose of effective collection of bank guarantees and to cater to loan disbursements.

(Amounts in thousand)

The Company is exposed to a concentration of credit risk on its trade debts by virtue of all its customers being agri-based businesses in Pakistan. However, this risk is mitigated by applying individual credit limits and by securing the majority of trade debts against bank guarantees and inland letter of credit.

The credit risk arising on account of acceptance of these bank guarantees is managed by ensuring that the bank guarantees are issued by banks of reasonably high credit ratings as approved by the management.

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

	2015	2014
	(Rupees)	
Loans, advances and deposits	190,927	156,030
Trade debts	2,261,747	757,044
Other receivables	19,388	14,011
Short term investments	10,984,555	25,084,367
Derivative financial instruments	29,207	-
Cash and bank balances	865,302	4,443,086
	14,351,126	30,454,538

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

	Rating agency	Rating Short term	Rating Long term
Allied Bank Limited	PACRA	A1+	AA+
Askari Bank Limited	JCR-VIS	A-1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Bank AL Habib Limited	PACRA	A1+	AA+
Bank Islami Pakistan Limited	PACRA	A1	A+
The Bank of Punjab	PACRA	A1+	AA-
Burj Bank Limited	JCR-VIS	A-2	A-
Citi Bank N.A.	MOODY'S	P-1	A2
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1	A+
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1+	A+
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA
National Bank of Pakistan	JCR-VIS	A-1+	AAA
Samba Bank Limited	JCR-VIS	A-1	AA
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	A-1	A
United Bank Limited	JCR-VIS	A-1+	AA+

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 balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

(Amounts in thousand)

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

	2015			2014		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	(Rupees)			(Rupees)		
Financial liabilities						
Derivatives	366,484	-	366,484	1,090,089	6,689	1,096,778
Trade and other payables	15,606,535	-	15,606,535	16,138,450	-	16,138,450
Accrued interest / mark-up	843,803	-	843,803	1,362,300	-	1,362,300
Borrowings	10,736,586	25,289,658	36,026,244	7,912,729	36,090,622	44,003,351
	27,553,408	25,289,658	52,843,066	26,503,568	36,097,311	62,600,879

37.2 Capital risk management

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

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

The total long term borrowings to equity ratio as at December 31, 2015 based on total long term borrowings of Rs. 36,026,244 and total equity of Rs. 42,526,020 was 46%:54%.(2014: 56%:44%)

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.

37.3 Fair value estimation

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

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

(Amounts in thousand)

	Level 1	Level 2	Level 3	Total
	(Rupees)			
Assets				
Financial assets at fair value through profit and loss				
- Short term investments	-	10,984,555	-	10,984,555
Liabilities				
Derivatives				
- Derivative financial instruments	-	67,735	-	67,735
- Conversion option on IFC loans	-	298,749	-	298,749
	-	366,484	-	366,484

37.4 Valuation techniques used to derive Level 2 fair values

Level 2 fair valued instruments comprise short term investments and hedging derivatives which include forward exchange contracts, interest rate swaps and conversion option on IFC loans. These forward foreign exchange contracts have been fair valued using forward exchange rates that are received from the contracting banks and financial institutions. Interest rate swaps are fair valued using mark to market rates received from the banks and financial institutions. The fair value of conversion options on IFC loan is determined using the option pricing model where its determinants are derived from observable market inputs.

Short term investments comprise treasury bills and fixed income placements which are valued using discounted cash flow model.

There were no transfers amongst the levels during the year.

37.5 Fair value of financial assets and liabilities

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

(Amounts in thousand)

38. Transactions with Related Parties

Related parties comprises of Parent Company, associated companies and other companies with common director, retirement benefits funds, directors and key management personnel.

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

	2015	2014
	(Rupees)	
Parent Company		
Dividend Paid	6,570,543	-
Purchases and services	229,368	202,798
Services provided to Parent Company	25,400	19,790
Royalty	929,158	878,797
Reimbursements	211,368	109,020
Mark-up paid on Long term sub-ordinated loan	-	240,238
Use of assets	3,109	4,720
Payment in respect of settlement of IFC option	-	1,495,080
Purchase of Subsidiary	4,383,000	-
Payment of sub-ordinated loan	-	4,495,080
Receipt of sub-ordinated loan	-	1,495,080
Subsidiary companies		
Purchase of Product	6,714,473	-
Services provided	472	-
Reimbursements	49,821	-
Sub-ordinated loan to Subsidiary	900,000	-
Funds collected against sales made on behalf of Subsidiary	518,408	-
Mark-up on Short term sub-ordinated loan	39,812	-
Associated companies		
Purchases and services	129,637	307,288
Sale of assets (sales proceeds)	-	748
Sale of product	1,459	4,288
Purchase of tax losses	956,791	1,210,522
Services provided	71,973	93,067
Reimbursements	213,731	165,469
Funds collected against sales made on behalf of an associate	2,035,579	27,812,967
Payment of mark-up on TFCs and repayment of principal amount	18,739	41,897
Commission - net	-	164,156
Purchase of mutual fund units	490,000	-
Redemption of mutual fund units	491,210	-
Donation	55,000	32,500
Use of assets	3,672	8,912
Contribution to staff retirement benefits		
Pension fund	19,519	16,977
Gratuity fund	83,485	104,393
Provident fund	101,175	86,498
Others		
Remuneration of key management personnel	166,203	167,734

(Amounts in thousand)

39. Donations

Donations include the following in which a director or his spouse is interested:

	Interest in Donee	Name and address of Donee	2015	2014
			(Rupees)	
Muhammad Aliuddin Ansari	President			
Khalid Siraj Subhani	President	Engro Foundation	55,000	32,500
Ruhail Mohammed	Trustee			

40. Production Capacity

	Designed capacity Metric Tons		Actual production Metric Tons	
	2015	2014	2015	2014
Urea plant I & II	2,275,000	2,275,000	1,967,552	1,818,937
NPK plant	100,000	100,000	126,074	117,193

41. Number of Employees

	Number of employees as at		Average number of employees	
	2015	2014	2015	2014
Management employees	623	456	540	452
Non-management employees	527	680	604	673
	1,150	1,136	1,144	1,125

(Amounts in thousand)

42. Provident Fund

The employees of the Company participate in Provident Fund maintained by Engro Corporation (the Parent Company). Monthly contribution are made both by the Company and employees to the fund maintained by the Parent Company at the rate of 10% of basic salary. Accordingly, the following information is based upon the latest audited financial statements of the provident fund maintained by the Parent Company as at June 30, 2015 and the audited financial statements as at June 30, 2014.

	2015	2014
	(Rupees)	
Size of the fund - Total assets	3,161,499	2,091,284
Cost of the investments made	2,333,996	1,679,824
Percentage of investments made	87%	89%
Fair value of investments	2,736,879	1,861,191

The break-up of investments is as follows:

	2015		2014	
	Rupees	%	Rupees	%
National Savings Scheme	223,037	8	290,609	16
Government securities	1,045,090	38	901,642	48
Listed securities & unit trust	1,164,311	43	518,263	28
Balances with banks in savings account	304,441	11	150,677	8
	2,736,879	100	1,861,191	100

42.1 The investments out of the fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

43. 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.

44. Loss of Certain Accounting Records

During 2007, a fire broke out at PNSC Building, Karachi where the Parent Company's registered office was located. Immediately following this event the Parent Company launched its Disaster Recovery Plan due to which operational disruption and financial impact resulting from this incident remained minimal.

The fire destroyed a substantial portion of its hard copy records, including that of Fertilizer Undertaking (note 1.3), related to the financial years 2005, 2006 and the period January 1, 2007 to August 19, 2007 although, electronic data remained intact due to the aforementioned Disaster Recovery Plan. The Parent Company launched an initiative to recreate significant lost records and was successful in gathering the same in respect of the financial year 2007. Hard copy records related to the financial years 2005 and 2006 have not been recreated.

(Amounts in thousand)

45. Non-Adjusting Event After Balance Sheet Date

The Board of Directors in its meeting held on February 08, 2016 has proposed a final cash dividend of Rs.3.00 (2014: Rs. 3.00) per share in addition to interim cash dividend already paid at Rs. 3.00 (2014: Rs. Nil) per share for the year ended December 31, 2015, for approval of the members at the Annual General Meeting to be held on March 28, 2016. The amount of total dividend is calculated at the number of shares outstanding as at December 31, 2015.

46. Corresponding Figures

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

47. Date of Authorisation For Issue

These financial statements were authorised for issue on February 8th 2016 by the Board of Directors of the Company.

Ruhail Mohammed	Javed Akbar
Chief Executive	Director

consolidated financials

auditors' report to the members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Engro Fertilizers Limited (the Holding Company) and its subsidiary companies as at December 31, 2015 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and the subsidiary company, whereas, financial statements of Engro Eximp FZE have been audited by PricewaterhouseCoopers – UAE, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for Engro Eximp FZE, is based solely on the report of such other auditor.

These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Engro Fertilizers Limited (the Holding Company) and its subsidiary companies as at December 31, 2015 and the results of their operations for the year then ended.

Chartered Accountants
Karachi
Date: 01 March 2016

Engagement Partner: Mohammad Zulfikar Akhtar

consolidated balance sheet
as at december 31, 2015

(Amounts in thousand)

	Note	2015	2014
		Rupees	
Assets			
Non-Current Assets			
Property, plant and equipment	4	72,198,393	74,962,817
Intangible assets	5	4,461,716	118,336
Deferred taxation	18	73,472	-
Long term loans and advances	6	160,353	93,931
		76,893,934	75,175,084
Current Assets			
Stores, spares and loose tools	7	4,639,142	4,713,746
Stock-in-trade	8	7,029,437	1,100,922
Trade debts	9	2,261,747	757,044
Taxes recoverable		705,129	-
Derivative financial instruments	17	29,207	-
Loans, advances, deposits and prepayments	10	594,608	432,943
Other receivables	11	1,358,578	18,991
Short term investments	12	11,650,389	25,084,367
Cash and bank balances	13	923,555	4,443,086
		29,191,792	36,551,099
TOTAL ASSETS		106,085,726	111,726,183

(Amounts in thousand)

	Note	2015	2014
		Rupees	
Equity & Liabilities			
Equity			
Share capital	14	13,309,323	13,183,417
Share premium		3,132,181	2,260,784
Exchange revaluation reserve		13,805	-
Hedging reserve	15	(4,536)	(39,831)
Remeasurement of post employment benefits		(40,310)	(14,103)
Unappropriated profit		25,921,266	19,087,828
		29,022,406	21,294,678
Total Equity		42,331,729	34,478,095
Liabilities			
Non-Current Liabilities			
Borrowings	16	25,289,658	36,090,622
Derivative financial instruments	17	-	6,689
Deferred liabilities	18	6,493,030	5,226,646
Service benefits obligations	19	124,653	113,345
		31,907,341	41,437,302
Current Liabilities			
Trade and other payables	20	17,701,544	24,726,721
Accrued interest / mark-up		851,684	1,362,300
Taxes payable		2,060,723	675,609
Current portion of:			
- borrowings	16	10,736,586	7,912,729
- service benefits obligations	19	48,232	43,338
Unclaimed dividend		6,103	-
Short term borrowings	21	75,300	-
Derivative financial instruments	17	366,484	1,090,089
		31,846,656	35,810,786
Total Liabilities		63,753,997	77,248,088
Contingencies and Commitments	22		
TOTAL EQUITY & LIABILITIES		106,085,726	111,726,183

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

consolidated profit and loss account for the year ended december 31, 2015

(Amounts in thousand except for earnings per share)

	Note	2015 Rupees	2014 Rupees
Net sales	23	88,032,621	61,424,934
Cost of sales	24	(55,723,866)	(38,822,423)
Gross profit		32,308,755	22,602,511
Selling and distribution expenses	25	(5,465,925)	(4,441,379)
Administrative expenses	26	(895,578)	(772,161)
		25,947,252	17,388,971
Other income	27	1,781,129	2,449,156
Other operating expenses	28	(2,033,782)	(1,317,743)
Finance costs	29	(4,626,907)	(6,625,397)
		(6,660,689)	(7,943,140)
Profit before taxation		21,067,692	11,894,987
Taxation	30	(6,248,661)	(3,687,027)
Profit for the year		14,819,031	8,207,960
Earnings per share - basic	31	11.14	6.29
Earnings per share - diluted	31	11.13	6.29

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

consolidated statement of comprehensive income for the year ended december 31, 2015

(Amounts in thousand)

	2015 Rupees	2014 Rupees
Profit for the year	14,819,031	8,207,960
Other comprehensive income		
Items potentially re-classifiable to Profit and Loss Account		
Exchange differences on translation of foreign operations	13,805	-
Hedging reserve - cash flow hedges		
Loss arising during the year	(120,333)	(1,633,625)
Less: Adjustment for amounts transferred to profit and loss account	172,238	1,797,878
Income tax (Deferred) relating to hedging reserve	(16,610)	(56,440)
	35,295	107,813
Items not potentially re-classifiable to Profit and Loss Account		
Remeasurement of post employment benefits obligation	(39,132)	11,221
Income tax (Deferred) relating to remeasurement of post employment benefits obligation	12,925	(4,438)
	(26,207)	6,783
Other comprehensive income for the year, net of tax	22,893	114,596
Total comprehensive income for the year	14,841,924	8,322,556

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

consolidated statement of changes in equity
for the year ended december 31, 2015

(Amounts in thousand)

	Share capital	Advance against issue of share capital	Reserve – Capital – Share premium	Reserve – Capital – Exchange revaluation reserve	Reserve – Revenue – Hedging reserve	Reserve – Revenue – Re-measurement of post employment benefits	Unappropriated profit	Total
	(Rupees)							
Balance as at January 1, 2014	12,228,000	2,118,750	11,144	-	(147,644)	(20,886)	10,879,868	25,069,232
Transactions with owners								
Shares issued during the year	750,000	(2,118,750)	1,368,750	-	-	-	-	-
Share issuance cost	-	-	(97,920)	-	-	-	-	(97,920)
Shares issued at exercise of conversion option	205,417	-	978,810	-	-	-	-	1,184,227
	955,417	(2,118,750)	2,249,640	-	-	-	-	1,086,307
Total comprehensive income for the year ended December 31, 2014								
Profit for the year	-	-	-	-	-	-	8,207,960	8,207,960
Other comprehensive income:								
- cash flow hedges, net of tax	-	-	-	-	107,813	-	-	107,813
- remeasurements, net of tax	-	-	-	-	-	6,783	-	6,783
	-	-	-	-	107,813	6,783	8,207,960	8,322,556
Balance as at December 31, 2014	13,183,417	-	2,260,784	-	(39,831)	(14,103)	19,087,828	34,478,095
Transactions with owners								
Shares issued at exercise of conversion option	125,906	-	871,397	-	-	-	-	997,303
Dividends paid:								
- Final 2014: Rs. 3.00 per share	-	-	-	-	-	-	(3,992,797)	(3,992,797)
- 1st interim 2015: Rs. 1.50 per share	-	-	-	-	-	-	(1,996,398)	(1,996,398)
- 2nd interim 2015: Rs. 1.50 per share	-	-	-	-	-	-	(1,996,398)	(1,996,398)
	125,906	-	871,397	-	-	-	(7,985,593)	(6,988,290)
Total comprehensive income for the year ended December 31, 2015								
Profit for the year	-	-	-	-	-	-	14,819,031	14,819,031
Other comprehensive income:								
- exchange revaluation	-	-	-	13,805	-	-	-	13,805
- cash flow hedges, net of tax	-	-	-	-	35,295	-	-	35,295
- remeasurements, net of tax	-	-	-	-	-	(26,207)	-	(26,207)
	-	-	-	13,805	35,295	(26,207)	14,819,031	14,841,924
Balance as at December 31, 2015	13,309,323	-	3,132,181	13,805	(4,536)	(40,310)	25,921,266	42,331,729

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

consolidated statement of cash flows
for the year ended december 31, 2015

(Amounts in thousand)

	Note	2015	2014
		Rupees	
Cash flows from operating activities			
Cash generated from operations	34	15,103,171	28,480,098
Retirement and other service benefits paid		(42,344)	(41,124)
Finance cost paid		(4,464,334)	(7,091,184)
Taxes paid		(2,535,906)	(835,474)
Tax loss purchased from Engro Eximp Agriproducts (Private) Limited		(956,791)	(1,210,522)
Long term loans and advances		(56,256)	15,418
Net cash generated from operating activities		7,047,540	19,317,212
Cash flows from investing activities			
Purchases of property, plant and equipment and intangibles		(1,985,144)	(701,027)
Acquisition of business (note 1.6)		(3,949,751)	-
Proceeds from disposal of property, plant and equipment		36,855	45,989
Proceeds from working capital loan		879,612	-
Divestments / (Investments) during the year - net		22,885,346	(23,739,109)
Income on deposits / other financial assets		1,312,862	1,790,194
Net cash generated from / (utilised in) investing activities		19,179,780	(22,603,953)
Cash flows from financing activities			
Proceeds from borrowings		2,430,491	3,947,598
Repayments of borrowings		(10,833,839)	(13,090,255)
Repayments of short term borrowings		(3,926,450)	-
Settlement of IFC option (note 16.7)		-	(1,495,080)
Proceeds from sub-ordinated loan		-	1,495,080
Repayment of sub-ordinated loan		-	(4,495,080)
Dividend paid during the year		(7,979,490)	-
Share issue costs paid		-	(53,989)
Net cash utilised in financing activities		(20,309,288)	(13,691,726)
Net increase / (decrease) in cash and cash equivalents		5,918,032	(16,978,467)
Exchange gain translation on foreign operations		13,805	-
Cash and cash equivalents at beginning of the year		5,537,978	22,516,445
Cash and cash equivalents at end of the year	35	11,469,815	5,537,978

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

(Amounts in thousand)

1. Legal Status and Operations

1.1 Engro Fertilizers Limited ('the Holding Company') is a public company incorporated on June 29, 2009 in Pakistan under the Companies Ordinance, 1984 as a wholly owned subsidiary of Engro Corporation Limited (the Parent Company) which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The principal activity of the Holding Company is manufacturing, purchasing and marketing of fertilizers. The Holding Company's registered office is situated at 7th & 8th floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.

1.2 As per the approval of shareholders of the Holding Company at the Extraordinary General Meeting on April 29, 2015, on April 30, 2015, the Holding Company acquired 100% shareholding of Engro Eximp (Private) Limited (EEPL), an associated company, from the Parent Company for a consideration of Rs. 4,383,000. EEPL has been engaged primarily in the trading of different types of fertilizers and other related products. EEPL holds the license to distribute imported fertilizers under the brand name and trademark of "Engro".

1.3 The Holding Company is listed on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange in which Lahore and Islamabad Stock Exchanges have merged). The Holding Company has also issued Term Finance Certificates (TFCs) which are listed at the Pakistan Stock Exchange Limited.

1.4 Effective January 1, 2010, the Parent Company through a Scheme of Arrangement, under Section 284 to 288 of the Companies Ordinance, 1984, separated its fertilizer undertaking for continuation thereof by the Holding Company, from the rest of the undertaking which was retained in the Parent Company. Further, the Parent Company was renamed from Engro Chemical Pakistan Limited to Engro Corporation Limited, the principal activity of which now is to manage investments in subsidiary companies and joint ventures.

1.5 The 'Group' consists of:

Holding Company: Engro Fertilizers Limited

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

	%age of shareholding	
	2015	2014
Engro Eximp (Private) Limited	100	-
Engro Eximp FZE (through Engro Eximp (Private) Limited)	100	-

Subsidiary Companies

1.5.1 Engro Eximp (Private) Limited

Engro Eximp (Private) Limited (EEPL) is a private limited company, incorporated in Pakistan on January 16, 2003 under the Companies Ordinance, 1984 (the Ordinance). EEPL is a wholly owned subsidiary of Engro Fertilizers Limited (the Holding Company). The registered office of EEPL is situated at 7th & 8th floors, The Harbor Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.

As per the Corporate restructuring scheme approved by the Board of Directors of EEPL in their meeting held on February 9, 2015 (the restructuring), EEPL has discontinued its Coal and Agri commodities businesses. Further, the imported fertilizer business of EEPL is also being phased out to the Holding Company as part of the proposed Corporate Restructuring scheme of Engro Corporation Limited (the Parent Company) to further strengthen synergies between the Company business lines and allow the Group to create value and increase its footprint in agricultural inputs.

The Board of Directors of EEPL in its meeting held on April 23, 2015 and the Board of Directors of the Holding Company on August 10, 2015, approved the proposed Scheme of Amalgamation (Scheme) of EEPL with the Holding Company and after relevant approvals, formalities and the Scheme being sanctioned by the Court, EEPL will amalgamate into the

(Amounts in thousand)

Holding Company to form a single company, subsequent to which EEPL will cease to exist. This is subject to requisite approvals by the Board of Directors and shareholders of EEPL and the Holding Company.

1.5.2 Engro EXIMP FZE

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

1.6 The acquisition of EEPL by the Holding Company has been accounted for as business combination under IFRS 3 'Business Combinations'. Accordingly, fair values of all assets and liabilities have been determined as at the date of acquisition. The recognised fair values of identifiable assets acquired and liabilities assumed are:

	April 30, 2015 Rupees
Property, plant and equipment	15,151
Right to use the brand	4,170,995
Other non-current assets	63,318
Current assets	7,323,679
Current liabilities	(7,373,949)
Fair value of net assets acquired	4,199,194

1.6.1 Right to use the brand is in respect of selling Phosphate fertilizers, acquired under an agreement with Engro Corporation Limited (the Parent Company), that has been valued using Relief from Royalty Method and is considered to have an indefinite life.

The acquisition has resulted in the recognition of goodwill as follows:

	Rupees
Consideration paid	4,383,000
Less: share in fair value of net assets acquired	4,199,194
Goodwill	183,806

The goodwill arises from the factors including expected synergies through knowledge transfer, obtaining economies of scale by cost reductions from purchasing efficiencies and leveraging the common distribution network.

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 periods presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 These consolidated financial statements have been prepared under the historical cost convention, except for remeasurement of certain financial assets and liabilities at fair value through profit or loss, derivative hedging instrument at fair value and recognition of certain staff retirement benefits at present value.

2.1.2 These consolidated financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the provisions of the Ordinance. Whenever the requirements of the Ordinance or directives issued by the SECP differ with the requiremens of these standards, the requirements of the Ordinance and the said directives have been followed.

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

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

a) Standards, amendments to published standards and interpretations effective in 2015 and relevant

The following standards, amendments to published standards and interpretations are mandatory for the financial year beginning January 1, 2015 and are relevant to the Group:

- IFRS 10 'Consolidated financial statements'. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the Parent Company. The standard provides additional guidance to assist in determination of control where this is difficult to assess.

- IFRS 13 'Fair value measurement'. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard only affects the disclosures in the Group's consolidated financial statements.

- IAS 19 'Employee benefits' (Amendment). The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives. The amendment does not have any impact on the Group's consolidated financial statements.

- IAS 24 'Related party disclosures' (Amendment). The standard has been amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required. The amendment does not have any impact on the Group's consolidated financial statements.

- IFRS 3 'Business combinations' (Amendment). This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation'. It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognised in profit and loss account. The amendment does not have any impact on the Group's consolidated financial statements.

b) Standards, amendments to published standards and interpretations that are effective in 2015 but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2015 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations.

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

The following new standards and amendments to published standards are not effective for the financial year beginning on January 1, 2015 and have not been early adopted by the Group:

- IFRS 10 (Amendment) 'Consolidated financial statements' and IAS 28 (Amendment) 'Investment in associates and joint ventures' (effective for annual periods beginning on or after January 1, 2016). These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

  Amendments to following standards as a result of annual improvements to International Financial Reporting Standards issued by IASB:

- IFRS 7 'Financial instruments: Disclosures' (effective for annual periods beginning on or after January 1, 2016). There are two amendments:

· Servicing contracts – If an entity transfers a financial assets to a third party under conditions which allow the transferor to derecognize the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively.

· Interim financial statements – the amendment clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective.

· It is unlikely that the standard will have any significant impact on the Group's consolidated financial statements.

- IAS 19, 'Employee benefits' (effective for annual periods beginning on or after January 1, 2016). The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented. It is unlikely that the standard will have any significant impact on the Group's consolidated financial statements.

- IAS 34, 'Interim financial reporting' (effective for annual periods beginning on or after July 1, 2016). This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. It is unlikely that the standard will have any significant impact on the Group's consolidated financial statements.

  There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Group and therefore, have not been presented here.

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

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

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

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

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

ii) Transactions and non-controlling interests

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

iii) Disposal of subsidiaries

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

2.2 Property, plant and equipment

2.2.1 Owned assets

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except freehold land and capital work in progress which are stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs (note 2.22). The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only

when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated profit and loss account during the financial period in which they are incurred.

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

Depreciation is charged to the consolidated profit and loss account 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 written off over its estimated useful life. Depreciation on addition is charged from the month following the month in which the asset is available for use and on disposals up to the preceding month of disposal.

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

2.2.2 Leased assets

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

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

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

2.3 Intangible assets

a) Computer Software and licenses

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

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

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

b) Rights for future gas utilization

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

c) Goodwill

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

d) Right to use the brand

These are stated at cost less impairment, if any.

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

Impairment is reversed only if there has been a change 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 no impairments been recognised, except impairment of goodwill which is not reversed.

The useful lives of intangible assets are reviewed at each balance sheet 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 / amortization are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sale and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

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

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

2.6 Financial assets

2.6.1 Classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Held to maturity financial assets

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

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose it off within 12 months of the end of the reporting date. There were no available for sale financial assets at the balance sheet date.

2.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Held to maturity and loans and receivables are subsequently carried at amortized cost using the effective interest method.

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

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

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

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the consolidated profit and loss account. Impairment losses recognised in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account. Impairment testing of trade debts and other receivables is described in (note 2.12).

2.7 Financial liabilities

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

2.8 Offsetting financial instruments

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

2.9 Derivative financial instruments and hedging activities

Derivatives are recognized initially at fair value; attributable transaction cost are recognized in consolidated profit and loss account when incurred. Subsequent to initial recognition, derivatives are measured at fair values, and changes therein are accounted for as described below:

a) Cash flow hedges

Changes in fair value of derivative hedging instruments designated as a cash flow hedge are recognized in consolidated statement of comprehensive income to the extent that the hedge is effective. To the extent the hedge is ineffective, changes in fair value are recognized in consolidated profit and loss account.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously deferred in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount previously deferred in equity is transferred to carrying amount of the asset when it is recognized. In other cases the amount deferred in equity is transferred to consolidated profit and loss account in the same period that the hedge item affects consolidated profit and loss account.

b) Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in consolidated profit and loss account.

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposure. Further, the Holding Company has issued options to convert International Finance Corporation (IFC) loan on its shares as disclosed in note 16.7. The fair values of various derivative instruments used for hedging and the conversion options are disclosed in note 17.

2.10 Stores, spares and loose tools

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

2.11 Stock-in-trade

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

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

2.12 Trade debts and other receivables

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

2.13 Cash and cash equivalents

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

2.14 Share capital

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

2.15 Borrowings

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

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

2.16 Trade and other payables

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

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

2.17 Current and deferred income tax

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

Current

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

Deferred

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

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

2.18 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 recognized as an employee benefit expense in consolidated profit and loss account when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group 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 more fully explained in note 2.18.3. Monthly contributions are made by the Group to the fund at rates ranging from 12.5% to 13.75% of basic salary.

- defined contribution gratuity fund for the benefit of those management employees who have selected to opt out of defined benefit gratuity fund and defined contribution pension plans as more fully explained in note 2.18.3. Monthly contributions are made by the Group to the fund at the rate of 8.33% of basic salary.

2.18.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the Projected Unit Credit method, related details of which are given in note 33 to the financial statements.

Remeasurements (actuarial gains / losses) in respect of defined benefit plan are recognized directly in equity through other comprehensive income; consequent to amendment in International Accounting Standard (IAS) 19 "Employee benefits".

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

The Group also contributes to:

- defined benefit funded pension scheme for its management employees.

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

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

2.18.3 In June 2011, the Group gave a one time irrevocable offer to selected members of MPT Employees' Defined Benefit Gratuity Fund and Defined Contribution Pension Fund to join a new MPT Employee's Defined Contribution Gratuity Fund

(the Fund), a defined contribution plan. The present value, as at June 30, 2011, of the defined benefit obligation of those employees, who accepted this offer, were transferred to the Fund. Furthermore, from July 2011 onwards, the monthly contributions to Defined Contribution Pension Fund of such employees were discontinued.

2.18.4 Service incentive plan

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

2.18.5 Employees' compensated absences

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

2.19 Provisions

Provisions are recognized when the Group has a 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 balance sheet date and adjusted to reflect current best estimate.

2.20 Foreign currency transactions and translation

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

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

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

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

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

2.21 Revenue recognition

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

- Sales revenue is recognized when product is dispatched to customers;

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

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

- Service revenue is recognised on the basis of delivery of service.

(Amounts in thousand)

2.22 Borrowing costs

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

2.23 Research and development costs

Research and development costs are charged to consolidated profit and loss account as and when incurred.

2.24 Government grant

Government grant that compensates the Group for expenses incurred is recognized in the consolidated profit and loss account on a systematic basis in the same period in which the expenses are recognized. Government grants are deducted from related expense.

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 Transactions with related parties

Sales, purchases and other transactions with related parties are carried out on agreed terms and conditions.

2.27 Dividend and appropriation to reserves

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

3. Critical Accounting Estimates and Judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Property, plant and equipment

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

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 deferred taxes is made taking into account these judgments and the best estimates of future results of operations of the Group.

3.3 Provision for retirement and other service benefits obligations

The present value of these obligations depend on a number of factors that are determined on actuarial basis using various assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present value of these obligations and the underlying assumptions are disclosed in note 33.2.3 and 33.2.8 respectively.

4. Property, Plant and Equipment

	2015	2014
	Rupees	
Operating assets at net book value (note 4.1)	69,759,180	73,674,133
Capital work in progress (note 4.4)	1,946,598	863,917
Major spare parts and stand-by equipment	492,615	424,767
	72,198,393	74,962,817

(Amounts in thousand)

4.1 Operating Assets

	Land		Building on		Plant and	Gas	Catalyst	Office	Vehicles	Total
	Freehold	Leasehold	Freehold	Leasehold	machinery	Pipeline		equipments		
					(Rupees)					
As at January 1, 2014										
Cost	149,575	187,320	2,573,248	367,922	90,120,695	1,706,826	1,783,177	669,566	408,718	97,967,047
Accumulated depreciation	-	(52,247)	(749,037)	(101,622)	(17,540,344)	(224,711)	(1,245,351)	(518,507)	(263,863)	(20,695,682)
Net book value	149,575	135,073	1,824,211	266,300	72,580,351	1,482,115	537,826	151,059	144,855	77,271,365
Year ended December 31, 2014										
Net book value - January 1, 2014	149,575	135,073	1,824,211	266,300	72,580,351	1,482,115	537,826	151,059	144,855	77,271,365
Transfers from CWIP	-	-	19,608	65,615	363,864	708,137	176,997	82,973	28,164	1,445,358
Disposals / write offs (note 4.3)										
Cost	-	-	-	-	(347,810)	-	-	(13,253)	(79,656)	(440,719)
Accumulated depreciation	-	-	-	-	52,053	-	-	13,154	58,075	123,282
	-	-	-	-	(295,757)	-	-	(99)	(21,581)	(317,437)
Depreciation charge (note 4.2)	-	(4,393)	(135,267)	(10,428)	(4,190,358)	(66,646)	(218,414)	(53,154)	(46,493)	(4,725,153)
Net book value	149,575	130,680	1,708,552	321,487	68,458,100	2,123,606	496,409	180,779	104,945	73,674,133
As at January 1, 2015										
Cost	149,575	187,320	2,592,856	433,537	90,136,749	2,414,963	1,960,174	739,286	357,226	98,971,686
Accumulated depreciation	-	(56,640)	(884,304)	(112,050)	(21,678,649)	(291,357)	(1,463,765)	(558,507)	(252,281)	(25,297,553)
Net book value	149,575	130,680	1,708,552	321,487	68,458,100	2,123,606	496,409	180,779	104,945	73,674,133
Year ended December 31, 2015										
Net book value - January 1, 2015	149,575	130,680	1,708,552	321,487	68,458,100	2,123,606	496,409	180,779	104,945	73,674,133
Assets of subsidiary acquired at business combination (note 1.6)	-	-	-	-	-	-	-	2,280	6,985	9,265
Transfers from CWIP	-	-	31,404	1,174	661,310	-	-	93,235	37,512	824,635
Disposals / write offs (note 4.3)										
Cost	-	-	-	-	-	-	-	(2,398)	(65,757)	(68,155)
Accumulated depreciation	-	-	-	-	-	-	-	2,386	50,737	53,123
	-	-	-	-	-	-	-	(12)	(15,020)	(15,032)
Depreciation charge (note 4.2)	-	(4,393)	(135,353)	(10,838)	(4,200,022)	(71,584)	(216,820)	(56,369)	(38,442)	(4,733,821)
Net book value	149,575	126,287	1,604,603	311,823	64,919,388	2,052,022	279,589	219,913	95,980	69,759,180
As at December 31, 2015										
Cost	149,575	187,320	2,624,260	434,711	90,798,059	2,414,963	1,960,174	832,403	335,966	99,737,431
Accumulated depreciation	-	(61,033)	(1,019,657)	(122,888)	(25,878,671)	(362,941)	(1,680,585)	(612,490)	(239,986)	(29,978,251)
Net book value	149,575	126,287	1,604,603	311,823	64,919,388	2,052,022	279,589	219,913	95,980	69,759,180
Annual rate of depreciation (%)	-	2 to 5	2.5 to 8	2.5	5 to 10	5	No. of production days	10 to 25	12 to 25	

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

	2015	2014
	Rupees	
Cost of sales (note 24)	4,694,369	4,682,132
Selling and distribution expenses (note 25)	17,721	23,588
Administrative expenses (note 26)	21,731	19,433
	4,733,821	4,725,153

(Amounts in thousand)

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	Sales proceeds
			(Rupees)		
Vehicles					
By Company policy to existing / separating executives	Asghar Ali Khan	2,058	1,061	997	2,058
	Asim Rasheed Qureshi	1,560	829	731	731
	Azhar Ali Malik	1,965	1,474	491	491
	Bilal Ali Shah	1,461	1,096	365	365
	Dr. Zaheer Ahmad	1,490	955	535	570
	Farooq Nazim Shah	1,960	1,470	490	490
	Kashif Rahim	1,510	1,133	377	378
	M. Asif Sultan Tajik	7,600	5,700	1,900	1,900
	Majid Latif	1,965	1,474	491	491
	Muhammad Ismail	1,510	1,133	377	378
	Muhammad Mushfiq Hussain	1,461	1,096	365	365
	Nasir Iqbal	2,176	1,338	838	838
	Nazir Jamali	1,490	1,118	372	373
	S. Attaullah Shah Bokhari	1,510	1,133	377	378
	Tassawar Ali	1,500	1,057	443	443
		31,216	22,067	9,149	10,249
Sale through bid					
	Abdul Moeed Asif	666	599	67	538
	Amir Jan	879	791	88	721
	Hassan Ali Warsi	900	675	225	723
	Khalid Anwar	530	477	53	381
	M/S U & H Textile	1,439	1,079	360	1,085
	M/S U & H Textile	588	529	59	495
	Mohammad Jawed	555	500	56	368
	Muhammad Akbar Awan	900	675	225	563
	Muhammad Imran	530	477	53	412
	Nusrat Iqbal	1,319	1,187	132	794
	Rana Abdus Samad	530	477	53	427
	Said Faqeer	605	545	61	476
	Salman	605	545	61	356
	Syed Zafar Akhtar Naqvi	666	599	67	479
	Iqra University	10,833	7,312	3,521	7,500
	Zeeshan Abdullah	915	839	76	916
		22,460	17,306	5,157	16,234
Furniture and fixtures					
Insurance claim	EFU Insurance	130	36	94	94
		53,806	39,409	14,400	26,577
Items having net book value upto Rs. 50 each					
Vehicles		11,951	11,328	623	10,019
Office equipment		2,398	2,386	12	259
Year ended December 31, 2015		68,155	53,123	15,035	36,855
Year ended December 31, 2014		440,719	123,282	317,437	45,989

(Amounts in thousand)

4.4 Capital work in progress

	2015	2014
	Rupees	
Plant and machinery	1,678,493	759,687
Building and civil works including Gas pipeline	156,557	66,849
Furniture, fixture and equipment	16,999	4,003
Advances to suppliers	36,962	13,074
Other ancillary costs	57,587	20,304
	1,946,598	863,917

	2015	2014
4.4.1 Balance as at January 1	863,917	1,640,564
Additions during the year	1,917,296	679,549
Assets of subsidiary acquired at business combination (note 1.6)	5,886	-
Transferred to:		
- operating assets (note 4.1)	(824,635)	(1,445,358)
- intangible assets (note 5)	(15,866)	(10,838)
Balance as at December 31	1,946,598	863,917

5. Intangible Assets

	Goodwill	Right to use the brand (note 5.1)	Software and licenses	Rights for future gas utilization	Total
			(Rupees)		
As at January 1, 2014					
Cost	-	-	239,493	102,312	341,805
Accumulated amortization	-	-	(190,464)	(12,877)	(203,341)
Net book value	-	-	49,029	89,435	138,464
Year ended December 31, 2014					
Net book value - January 1, 2014	-	-	49,029	89,435	138,464
Transfers from CWIP (note 4.4.1)	-	-	10,838	-	10,838
Amortization (note 5.2)	-	-	(25,855)	(5,111)	(30,966)
Net book value	-	-	34,012	84,324	118,336
As at December 31, 2014					
Cost	-	-	250,331	102,312	352,643
Accumulated amortization	-	-	(216,319)	(17,988)	(234,307)
Net book value	-	-	34,012	84,324	118,336
Year ended December 31, 2015					
Net book value - January 1, 2015	-	-	34,012	84,324	118,336
Assets of Subsidiary acquired - net book value	-	-	569	-	569
Recognition on account of acquisition (note 1.6)	183,806	4,170,995	-	-	4,354,801
Transfers from CWIP (note 4.4.1)	-	-	15,866	-	15,866
Amortization (note 5.2)	-	-	(22,746)	(5,110)	(27,856)
Net book value	183,806	4,170,995	27,701	79,214	4,461,716
As at December 31, 2015					
Cost	183,806	4,170,995	266,766	102,312	4,723,879
Accumulated amortization	-	-	(239,065)	(23,098)	(262,163)
Net book value	183,806	4,170,995	27,701	79,214	4,461,716

(Amounts in thousand)

5.1 Goodwill and Right to use the brand

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

Details relating to the discounted cash flow model used in the impairment test 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	17.60%

The valuation indicates sufficient headroom such that a reasonably possible change to key assumption is unlikely to result is an impairment of the related goodwill.

5.2 Amortization for the year has been allocated as follows:

	2015	2014
	Rupees	
Cost of sales (note 24)	23,257	28,290
Selling and distribution expenses (note 25)	960	160
Administrative expenses (note 26)	3,639	2,516
	27,856	30,966

(Amounts in thousand)

6. Long Term Loans and Advances - Considered good

	2015	2014
	Rupees	
Executives (notes 6.1 and 6.2)	230,775	183,374
Other employees (note 6.3)	47,733	9,174
	278,508	192,548
Less: Current portion shown under current assets (note 10)		
- Considered good	114,646	95,108
- Considered doubtful	3,509	3,509
	118,155	98,617
	160,353	93,931

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

	2015	2014
Balance at beginning of the year	183,374	187,302
Assets of subsidiary acquired	10,166	-
Disbursements	200,724	144,339
Repayments / amortization	(163,489)	(148,267)
Balance at end of the year	230,775	183,374

6.2 Includes service incentive loans to executives of Rs. 112,785 (2014: Rs. 97,496). It also includes advances of Rs. 28,215 (2014: Rs. 31,309), Rs. 5,313 (2014: Rs. 24,994), Rs. 14,094 (2014: Rs. 16,383), Rs. 49,358 (2014: Rs. 13,192) and Rs. 21,010 (2014: Nil) to executives for car earn out assistance, long term incentive, house rent advance, retention loan and Tier IV & V loan respectively. The maximum amount outstanding at the end of any month during the year ended December 31, 2015 from executives aggregated to Rs. 274,441 (2014: Rs. 229,956).

6.3 Represents interest free loans given to workers pursuant to Collective Labour Agreement.

(Amounts in thousand)

7. Stores, Spares and Loose Tools

	2015	2014
	Rupees	
Consumable stores	503,731	545,483
Spares	4,346,982	4,257,635
Tools	5,248	5,019
	4,855,961	4,808,137
Less: Provision for surplus and slow moving items	216,819	94,391
	4,639,142	4,713,746

8. Stock-in-trade

	2015	2014
Raw materials - note 8.1	1,238,476	714,857
Packing materials	65,304	90,475
Work in process	20,688	89,780
	1,324,468	895,112
Finished goods		
- manufactured product	2,028,795	205,810
- purchased and packaged product	4,078,825	-
	6,107,620	205,810
Less: Provision for NRV on finished goods	(402,651)	-
	7,029,437	1,100,922

8.1 Includes seeds purchased by the Subsidiary Company under licence issued by the Government of Punjab.

9. Trade Debts

	2015	2014
	Rupees	
- Secured (note 9.1)	2,180,408	615,797
- Unsecured	81,339	141,247
	2,261,747	757,044
Considered doubtful	24,400	24,400
	2,286,147	781,444
Provision for impairment (note 9.2)	(24,400)	(24,400)
	2,261,747	757,044

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

9.2 As at December 31, 2015, trade debts aggregating to Rs. 24,400 (2014: Rs. 24,400) were past due and provided for. These receivables have been outstanding for more than 1 year from the balance sheet date.

(Amounts in thousand)

10. Loans, Advances, Deposits and Prepayments

	2015	2014
	Rupees	
Considered good		
Current portion of long term loans and advances to executives and other employees - (note 6)	114,646	95,108
Advances and deposits	209,406	72,482
Prepayments		
- Insurance	253,456	239,702
- Others	17,100	25,651
	594,608	432,943
Considered doubtful -		
Advances and deposits	3,509	3,509
Receivable from suppliers	35,718	-
	39,227	3,509
Provision for doubtful receivables (note 10.1)	(39,227)	(3,509)
	594,608	432,943

10.1 As at December 31, 2015, advances and prepayments aggregating to Rs. 39,227 (2014: Rs. 3,509) were impaired and provided for. These have been outstanding for more than 1 year from the balance sheet date.

11. Other Receivables

	2015	2014
	Rupees	
Considered good		
Receivable from Government of Pakistan (note 11.1)	1,128,957	544
Deffered freight	1,243	-
Sales tax refundable	195,135	-
Due from associated companies:		
- Engro Corporation Limited (note 11.2)	3,593	-
- Engro Foods Limited	301	24
- Engro Eximp Agriproducts (Private) Limited	6,590	-
- Engro Polymer & Chemicals Limited	650	-
- Engro Powergen Qadirpur Limited	4,330	100
- Engro Foundation	9	-
- Sindh Engro Coal Mining Company Limited	67	21
- Engro Elengy Terminal (Private) Limited	298	2,830
- Engro Vopak Terminal Limited	1,224	899
Claims on foreign suppliers	10,278	13,215
Others	5,903	1,902
	1,358,578	19,535
Considered doubtful		
Sales tax refundable	180,000	-
Less: Provision for impairment	(180,000)	(544)
	1,358,578	18,991

11.1 During the year, the Government of Pakistan notified the payment of subsidy at the rate of Rs. 500 per 50 kg bag of Di Ammonia Phosphate (DAP), Rs.217 per 50 kg bag of Nitrophos (N) and Nitrogen, Phosphorous and Potassium (NPK) fertilizers (based on phosphorous content) sold. The mode of payment of subsidy to the Company shall either be adjustment against the sales tax liability or payment by the State Bank of Pakistan upon verification by the Federal Board of Revenue.

11.2 During the previous year, the Subsidiary Company undertook mandi project on behalf of Engro Corporation Limited (the Parent Company) based on the understanding that any gains / losses arising from the said project belongs to the Parent Company. Accordingly, the entire losses amounting to Rs. 9,130 on the said project have been recorded as receivable from the Parent Company.

Under this project, the Subsidiary Company has made sales amounting to Rs. 20,660 (2014: Nil) and the related cost of goods sold amounting to Rs. 29,790 (2014: Nil).

11.3 Includes provision for impairment in sales tax refundable amounting to Rs. 180,000 recognized during the year by the Subsidiary Company being amount not recoverable through sales of the Subsidiary Company's existing stocks taking cognizance of the discontinuance of coal and agri commodities businesses during the year and the proposed Scheme of Amalgamation of the Subsidiary Company with the Holding Company as more fully explained in note 1.5.1.

11.4 The maximum amount due from the Parent Company / associated companies at the end of any month during the year aggregated as follows:

	2015	2014
	Rupees	
Parent Company		
- Engro Corporation Limited	20,678	812
Associated Companies		
- Engro Eximp (Private) Limited	-	68,036
- Engro Foods Limited	5,913	3,027
- Engro Polymer & Chemicals Limited	10,945	6,012
- Engro Powergen Qadirpur Limited	15,061	16,457
- Engro PowerGen Limited	2,972	1,433
- Sindh Engro Coal Mining Company Limited	7,813	6,168
- Engro Eximp Agriproducts (Private) Limited	82,477	2,252
- Engro Foundation	3,809	282
- Engro Elengy Terminal (Private) Limited	2,840	2,830
- Engro Vopak Terminal Limited	3,517	3,088

11.5 As at December 31, 2015, receivables aggregating to Rs. 16,181 (2014: Rs. 15,117) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2015	2014
	Rupees	
Upto 3 months	12,049	6,166
3 to 6 months	1,251	217
More than 6 months	2,881	8,734
	16,181	15,117

(Amounts in thousand)

12. Short Term Investments

	2015	2014
	Rupees	
Financial assets at fair value through profit or loss		
Treasury bills and other fixed income placements (note 12.1)	11,034,555	24,085,079
Held to maturity		
Euro Bonds (note 12.2)	615,834	-
Loans and receivables		
Reverse repurchase of treasury bills (note 12.1)	-	999,288
	11,650,389	25,084,367

12.1 These represent treasury bills at the interest rate ranging from 6.23% to 6.42% per annum (2014: 7.02% to 10.07% per annum); and local and foreign currency deposits with various banks, at interest rates ranging from 4.25% to 6.18% per annum (2014: 7.25% to 9.15% per annum) and at 1.50% per annum (2014: 1.50% per annum) respectively.

12.2 These represent investment in Eurobonds having face value of USD 5,700 (2014: Nil) with effective interest rates ranging from 1% to 2.3% per annum. These mature on March 31, 2016.

13. Cash and Bank Balances

	2015	2014
	Rupees	
Cash at banks on:		
- deposit accounts (note 13.1)	838,925	4,432,738
- saving accounts (note 13.1)	1,243	-
- current accounts (note 13.2)	76,137	3,098
	916,305	4,435,836
Cash in hand - imprest funds	7,250	7,250
	923,555	4,443,086

13.1 These accounts carries return at rates ranging from 4.00% to 6.00% per annum (2014: 6.5% to 8.98% per annum).

13.2 Includes Rs. 67,410 (2014: Rs.12,225) held in foreign currency bank accounts.

(Amounts in thousand)

14. Share Capital

	2015	2014
	Rupees	
Authorized Capital		
1,400,000,000 (2014: 1,400,000,000) Ordinary shares of Rs. 10 each	14,000,000	14,000,000
Issued, subscribed and paid-up capital		
258,132,299 (2014: 245,541,674) Ordinary shares of Rs. 10 each, fully paid in cash	2,581,323	2,455,417
9,999,993 (2014: 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 (2014: 1,062,800,000) Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	10,628,000	10,628,000
	13,309,323	13,183,417

14.1 Movement In Issued, Subscribed and Paid Up Capital

2015	2014		2015	2014
Number of shares			(Rupees)	
1,318,341,667	1,222,800,000	At January 1	13,183,417	12,228,000
-	75,000,000	Ordinary shares of Rs. 10 each issued during the year as fully paid in cash - note 14.2	-	750,000
12,590,625	20,541,667	Ordinary shares of Rs. 10 each issued upon exercise of conversion option by International Finance Corporation (IFC) - note 14.3	125,906	205,437
1,330,932,292	1,318,341,667		13,309,323	13,183,437

14.2 In 2013, the Holding Company made Initial Public Offer through issue of 75 million ordinary shares of Rs. 10 each against which shares have been issued last year.

14.3 These represent shares issued to IFC, pursuant to exercise of conversion option (note 16.7).

14.4 As at balance sheet date, the Parent Company held 78.8% of the share capital of the Holding Company.

15. Hedging Reserve

	2015	2014
	Rupees	
Hedging reserve on interest rate swaps	(7,545)	(59,450)
Deferred tax thereon	3,009	19,619
	(4,536)	(39,831)

15.1 Hedging reserve represents the effective portion of changes in fair values of designated cash flow hedges, net off associated gains / losses recognized in initial cost of the hedged item and profit and loss account where applicable.

(Amounts in thousand)

16. Borrowings - Secured (Non-participatory)

	Note	Mark - up rate p.a.	Installments Number	Installments Commenced / Commencing from	2015	2014
					Rupees	
Long term finance utilized under mark-up arrangements:						
Holding Company						
Senior Lenders						
Habib Bank Limited		6 months KIBOR + 1.1%	8 half yearly	March 31, 2013	199,714	257,290
Allied Bank Limited		6 months KIBOR + 1.1%	8 half yearly	June 26, 2013	399,160	514,066
Askari Bank Limited	16.1	6 months KIBOR + 1.1%	8 half yearly	June 30, 2013	-	64,599
Citibank N.A.	16.1	6 months KIBOR + 1.1%	8 half yearly	July 22, 2013	-	25,840
Standard Chartered Bank (Pakistan) Limited	16.1	6 months KIBOR + 1.1%	8 half yearly	June 30, 2013	-	128,644
Bank Islami Pakistan Limited	16.1	6 months KIBOR + 2.4%	14 half yearly	May 26, 2010	-	181,709
United Bank Limited	16.1	6 months KIBOR + 0.65%	8 Payments	December 17, 2015	1,460,855	-
Silk Bank Limited	16.2	6 months KIBOR + 2.35%	10 half yearly	January 21, 2013	-	180,000
Dubai Islamic Bank Pakistan Limited	16.2	6 months KIBOR + 2.11%	9 half yearly	June 30, 2013	-	294,409
Faysal Bank Limited	16.3	6 months KIBOR + 1.2%	13 half yearly	May 26, 2013	859,503	857,785
Standard Chartered Bank (Pakistan) Limited	16.3	6 months KIBOR + 0.9%	14 half yearly	June 14, 2013	593,090	591,118
National Bank of Pakistan	16.3	6 months KIBOR + 1.1%	10 half yearly	March 5, 2013	790,364	788,842
Samba Bank Limited	16.3	6 months KIBOR + 0.9%	14 half yearly	April 1, 2013	296,813	295,954
National Bank of Pakistan	16.3	6 months KIBOR + 1.2%	10 half yearly	September 28, 2013	545,050	543,165
Habib Metropolitan Bank Limited	16.3	6 months KIBOR + 0.9%	10 half yearly	June 21, 2013	80,000	120,000
Pak Kuwait Investment Company (Private) Limited	16.3	6 months KIBOR + 1.0%	10 half yearly	April 30, 2012	99,803	199,297
Syndicated finance	16.4	6 months KIBOR + 1.8%	14 half yearly	February 28, 2013	9,880,750	9,853,119
Islamic offshore finance	16.5	6 months LIBOR + 2.57%	9 half yearly	March 28, 2013	3,525,468	5,312,289
DFI Consortium finance	16.6	6 months LIBOR + 2.6%	7 half yearly	July 29, 2013	2,789,150	3,589,561
Subordinated Lenders						
International Finance Corporation	16.7	6 months LIBOR + 6%	3 half yearly	September 15, 2015	2,415,784	3,365,332
International Finance Corporation	16.7	6 months LIBOR + 6%	3 half yearly	September 15, 2016	2,284,468	2,458,031
Dubai Islamic Bank Pakistan Limited	16.8	6 months KIBOR + 1.75%	4 half yearly	November 28, 2018	800,000	800,000
Certificates						
Term Finance Certificates 3rd Issue	16.1	6 months KIBOR + 2.4%	14 half yearly	June 17, 2010	-	1,432,006
Sukuk Certificates	16.9	6 months KIBOR + 1.5%	2 half yearly	March 6, 2015	-	2,998,472
Privately Placed Subordinated Term Finance Certificates	16.10				6,000,000	6,000,000
Privately Placed Subordinated Sukuk Certificates	16.11	6 months KIBOR + 1.75%	10 half yearly	January 9, 2015	3,006,272	3,151,823
					36,026,244	44,003,351
Less: Current portion shown under current liabilities					10,736,586	7,912,729
					25,289,658	36,090,622

16.1 During the year, a number of loans including from Askari Bank Limited, Citibank N.A., Standard Chartered (Pakistan) Limited, Bank Islami Pakistan Limited and Term Finance Certificates (3rd Issue) was refinanced through a loan from United Bank Limited. The pricing of the new loan is 6 month KIBOR + 0.65%, while the repayment schedule matches exactly with the refinanced loans. The loan was made a part of the Inter Creditor Agreement (ICA) and thus has the same charge with the other Senior Lenders. The new loan does not have a Corporate Guarantee from the Parent Company unlike the other Senior Lenders.

16.2 These loans were fully pre-paid during the year.

16.3 During the year, the Holding Company negotiated re-pricing for the following borrowings:

Bank	Mark-up rate per annum Original	Repriced	Effective Date of Repricing
Senior Lenders			
Faysal Bank Limited	6 month Kibor + 2.35%	6 month Kibor + 1.20%	26-Nov-15
Standard Chartered Bank (Pakistan) Limited	6 month Kibor + 2.40%	6 month Kibor + 0.90%	17-Jun-15
~~Samba Bank Li~~mited	6 month Kibor + 2.40%	6 month Kibor + 0.90%	1-Jul-15
National Bank of Pakistan	6 month Kibor + 2.40%	6 month Kibor + 1.20%	28-Sep-15
Habib Metropolitan Bank Limited	6 month Kibor + 2.40%	6 month Kibor + 0.90%	21-Dec-15
Pak Kuwait Investment Company (Private) Limited	6 month Kibor + 2.35%	6 month Kibor + 1.0%	1-Nov-15

16.4 This represents the balance amount of a syndicated finance agreement with Habib Bank Limited, National Bank of Pakistan, United Bank Limited, MCB Bank Limited, Standard Chartered Bank (Pakistan) Limited, Bank Alfalah Limited, Allied Bank Limited, Askari Bank Limited, Habib Metropolitan Bank Limited, SUMMIT Bank Limited, SONERI Bank Limited and PAK-LIBYA Holding Company (Private) Limited.

16.5 This represents the balance amount of an offshore Islamic Finance Facility Agreement of USD 36,000 with Habib Bank Limited, National Bank of Pakistan and SAMBA Financial Group and Rs. 3,618,000 with Faysal Bank (previously share belonged to Citi Bank N.A.), Dubai Islamic Bank Pakistan Limited and Standard Chartered Bank (Pakistan) Limited.

On March 31, 2015, Faysal Bank Limited acquired Citi Bank N.A.'s share in the PKR portion of the Islamic Finance Facility.

16.6 This represents the balance amount of a facility agreement amounting to USD 85,000 with a consortium of Development Finance Institutions comprising of DEG, FMO and OFID.

16.7 The Parent Company entered into a C Loan Agreement (Original Agreement) dated September 29, 2009 with International Finance Corporation (IFC) for USD 50,000, divided into Tranche A (USD 15,000) and Tranche B (USD 35,000). Both Tranche A and B were fully disbursed as at December 31, 2009 and transferred to the Holding Company under the scheme of demerger effective January 1, 2010. However, the option given to convert the Tranche A loan amount of USD 15,000 remained upon the Parent Company's ordinary shares at Rs. 205 per ordinary share (reduced to Rs. 155.30 and Rs. 119.46 as at December 31, 2011 and December 31, 2012 respectively consequent to bonus issues) calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option. Such option was to be exercised within a period of no more than five years from the date of disbursement of the loan (December 28, 2009). Tranche B, however, is not convertible. The Parent Company, upon shareholders' approval in the Annual General Meeting of February 27, 2010, has entered into an agreement with the Holding Company that in the event IFC exercises the aforementioned conversion option (Tranche A), the loan amount then outstanding against the Holding Company would stand reduced by the conversion option amount and the Holding Company would pay the rupee equivalent of the corresponding conversion amount to the Parent Company which would simultaneously be given to the Holding Company as a subordinated loan, carrying mark-up payable by the Parent Company for rupee finances of like maturities plus a margin of 1%. The effect of IFC conversion resulted in a loan from the Parent Company having the same repayment terms / dates as that of Tranche A.

(Amounts in thousand)

In 2014, IFC exercised its entire conversion option for an outstanding amount of USD 15,000 of Tranche A and accordingly 12,515,319 ordinary shares of the Parent Company were issued to the IFC.

On December 22, 2010, the Holding Company and IFC entered into an amended agreement for further disbursement of USD 30,000 over and above the aforementioned disbursed amount of USD 50,000. The amount was fully disbursed as at June 30, 2011. The salient features of the Original Loan essentially remained the same and some of the terms of the loan were further amended through an agreement dated January 29, 2014. The additional loan of USD 30,000 is divided into (i) Tranche A2 30% convertible loan on the shares of the Holding Company at Rs. 24.00 per ordinary share calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option and (ii) Tranche B2 70% non-convertible loan. The additional loan is repayable by September 15, 2017 in three equal installments and carries interest at 6 months LIBOR plus a spread of 6%.

On June 25, 2014, the Holding Company received a notice from the IFC for exercise of option on USD 5,000 loan which, along with the fair value of related options on that date has been classified as equity; accordingly 20,541,667 ordinary shares of the Holding Company were allotted to the IFC. During the year, the Holding Company received a notice from IFC for exercise of further USD 3,000 loan on January 9, 2015 out of the remaining USD 4,000 of Tranche A2, accordingly 12,590,625 ordinary shares of the Holding Company have been allotted to the IFC on January 26, 2015. The fair value of the remaining conversion option, included in derivative financial instruments, amounts to Rs. 298,749 (note 17).

16.8 The Holding Company arranged a loan facility of Rs. 800,000 from Dubai Islamic Bank Pakistan Limited on December 1, 2014. This loan was used to repay the sub-ordinated loan received from the Parent Company on account of exercise of IFC conversion option as more fully explained in aforementioned note. During the year, effecitve May 28, 2015, the facility price was changed to 1.75% from 1% in accordance with the agreed terms and conditions.

16.9 This represents Sukuk Certificates of Rs. 3,000,000. Dubai Islamic Bank Pakistan Limited is the trustee for these certificates. During the year, the amount has been fully repaid.

16.10 This represents Privately Placed Subordinated TFCs amounting to Rs. 4,000,000 (PPTFC Issue I) and Rs. 2,000,000 (PPTFC Issue II) respectively. The PPTFCs are perpetual in nature with a five year call and a ten year put option. The PPTFC I issue has mark-up of six months KIBOR plus 2.1% whereas the PPTFC II issue has mark-up of six months KIBOR plus 1.65%. IGI Investment Bank Limited is the trustee for these TFCs. In 2011, the aforementioned TFCs have been listed on the Over-The-Counter (OTC) market of the Pakistan Stock Exchange Limited.

16.11 This represents Privately Placed Subordinated Sukuk (PPSS) amounting to Rs. 3,200,000. Pak Brunei Investment Company Limited is the Trustee while Meezan Bank Limited acts as the Investment Agent for this Sukuk. The Holding Company used PPSS to refinance the subordinated loan from the Parent Company.

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

Loans from the IFC are secured by a sub-ordinated mortgage upon immovable property of the Holding Company and sub-ordinated charge over all present and future fixed assets excluding immovable property of the Holding Company. Further, Privately Placed Term Finance Certificates (PPTFCs) are secured by a subordinated floating charge over all present and future fixed assets excluding land and buildings. Subordinated Dubai Islamic Bank Pakistan Limited (DIBPL) loan and Privately Placed Subordinated Sukuk (PPSS) has a subordinate mortgage upon immovable property of the Holding Company and a subordinate charge over current and future fixed assets excluding immovable property of the Holding Company.

The Parent Company has issued corporate guarantees in respect of all debts excluding a bilateral loan from UBL, a Subordinated DIBPL loan and PPSS. For PPTFCs and loans from IFC, the Holding Company has issued a subordinated corporate guarantee.

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

17. Derivative Financial Instruments

	2015 Assets	2015 Liabilities	2014 Assets	2014 Liabilities
	(Rupees)			
Conversion options on IFC loan (note 16.7)	-	298,749	-	965,326
Cash flow hedges:				
- Foreign exchange forward contracts - net (note 17.1)	29,207	54,569	-	54,800
- Interest rate swaps (note 17.2)	-	13,166	-	76,652
	29,207	366,484	-	1,096,778
Less: Current portion shown under current assets / liabilities				
Conversion options on IFC loan	-	298,749	-	965,326
Cash flow hedges:				
- Foreign exchange forward contracts	29,207	54,569	-	54,800
- Interest rate swaps	-	13,166	-	69,963
	29,207	366,484	-	1,090,089
	-	-	-	6,689

17.1 Foreign exchange forward contracts

The Holding Company entered into various USD : PKR forward contracts to hedge its foreign currency exposure. As at December 31, 2015, the Holding Company has forward contracts to purchase USD 96,133 (2014: USD 94,680) at various maturity dates to hedge its foreign currency exposure, primarily loan obligations. The net fair value of these contracts as at December 31, 2015 is negative and amounted to Rs. 25,362 (2014: Rs. 54,800 negative).

17.2 Interest rate swap

The Holding Company entered into interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing from a consortium of Development Finance Institutions for a notional amount of USD 7,727 (2014: USD 23,182) amortizing upto April 2016. Under the swap agreement, the Holding Company would receive USD-LIBOR from Standard Chartered Bank (Pakistan) Limited on notional amount and pay fixed 3.73% which will be settled semi-annually. The fair value of the interest rate swap as at December 31, 2015 is negative and amounted to Rs. 13,166 (2014: Rs. 76,652 negative).

(Amounts in thousand)

18. Deferred Liabilities

	2015	2014
	Rupees	
Deferred taxation (note 18.2)	6,419,916	5,149,666
Deferred income (note 18.4)	73,114	76,980
	6,493,030	5,226,646

	2015 Assets	2015 Liabilities	2014 Assets	2014 Liabilities
	(Rupees)			
18.1				
Engro Fertilizers Limited	-	6,419,916	-	5,149,666
Engro Eximp (Private) Limited	73,472	-	-	-
	73,472	6,419,916	-	5,149,666

18.2 Deferred taxation

	2015	2014
	Rupees	
Credit / (Debit) balances arising on account of:		
Engro Fertilizers Limited		
- Accelerated depreciation allowance	13,959,978	15,485,581
- Carried forward tax losses substantially pertaining to unabsorbed tax depreciation	(976,498)	(7,630,091)
- Recoupable minimum turnover tax (note 18.3)	(2,491,715)	(1,276,725)
- Fair values of hedging instruments	(3,009)	(19,619)
- Alternative Corporate Tax	(3,962,572)	(1,362,800)
- Provision for:		
- staff retirement benefits	(18,819)	(6,321)
- slow moving stores and spares and doubtful receivables	(87,449)	(40,359)
	6,419,916	5,149,666
Engro Eximp (Private) Limited		
- Accelerated depreciation allowance	(4,683)	-
- Carried forward tax losses substantially pertaining to unabsorbed tax depreciation	(32,286)	-
- Recoupable minimum turnover tax (note 18.3)	(25,430)	-
- Provision for staff retirement benefits	(11,073)	-
	(73,472)	-
	6,346,444	5,149,666

18.3 In 2013, the High Court of Sindh, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2)(c) of the Income Tax Ordinance, 2001 and has decided that the minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year. The Holding Company's management is however of the view, duly supported by legal advisor, that the above order is not correct and would not be maintained by Supreme Court. Therefore, the Holding Company has continued to carry forward minimum tax as reflected above.

18.4 Deferred income

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

19. Service Benefits Obligations

	2015	2014
	Rupees	
Service benefit obligation	172,885	156,683
Less: Current portion shown under current liabilities	48,232	43,338
	124,653	113,345

20. Trade and Other Payables

	2015	2014
Creditors (note 20.1)	12,013,790	14,616,341
Accrued liabilities (note 20.2)	2,679,577	1,177,824
Advances from customers	1,361,727	6,475,033
Sales tax payable	-	983,406
Payable to:		
- Engro Corporation Limited	83,273	103,602
- Engro Eximp (Private) Limited	-	448,680
- Engro Polymer & Chemicals Limited	-	8,774
- Engro Eximp Agriproducts (Private) Limited	475	-
- Engro Powergen Limited	2,532	-
- Elengy Terminal Pakistan Limited	275	-
Deposits from dealers refundable on termination of dealership	16,297	15,623
Contractors' deposits and retentions	58,076	44,214
Workers' profits participation fund	11,892	38,828
Workers' welfare fund	1,146,666	614,661
Withholding tax payable	139	-
Others	326,825	199,735
	17,701,544	24,726,721

20.1 This includes arrears amounting to Rs. 789,775 (2014: Rs. 12,580,333) on account of the levy of Gas Infrastructure Development Cess (GIDC).

During the year, the Parliament passed the GIDC Act 2015 in May 2015 which seeks to impose GIDC levy since 2011. The Holding Company has challenged the validity and promulgation of GIDC Act, 2015 before the Honorable High Court of Sindh, wherein the Court passed interim orders, thereby restraining Mari Gas, Oil and Gas Development Company Limited, Spud Energy Pty Limited, Government Holdings (Private) Limited and IPR TransOil Corporation from recovering GIDC arrears till the pendency of the matter. Further, the Court has also passed interim orders restraining Sui Northern Gas Pipeline Limited from charging or recovering GIDC on concessionary gas. However, at the request of the Government, and without compromising our legal stance on the same, the fertilizer industry agreed to pay GIDC arrears except on concessionary gas/fixed price contracts to the Government.

20.2 Include amounts payable against salaries, wages & other benefits, legal and restructuring related cost, provision for infrastructure cess and others.

21. Short Term Borrowings

Holding Company

21.1 The Holding Company has funded facilities for short term finances available from various banks and institutional investors amounting to Rs. 7,050,000 (2014: Rs. 4,350,000) along with non-funded facilities of Rs. 1,600,000 (2014: Rs. 1,300,000) for Bank Guarantees. The rates of markup on funded bank overdraft facilities ranged from 7% to 12.13% per annum and all the facilities are secured by floating charge upon all present and future stocks including raw and packaging materials, finished goods, stores and spares and other merchandise and on all present and future book debts, outstanding monies, receivable claims and bills of the Holding Company. The Holding Company has not utilised any amount from these facilities as at the balance sheet date.

21.2 Subsidiary Company

Facilities for short term finances available from various banks, representing the aggregate sale price of mark-up arrangements, amounts to Rs. 300,000 (2014: Nil). The rate of mark-up on these finances ranged from 7.5% to 10.9% per annum (2014: Nil). The facilities are secured by floating charge on all present and future stocks including raw and packaging materials, finished goods, spares and other merchandise and on all present and future book debts of the Subsidiary Company.

22. Contingencies And Commitments

Contingencies

22.1 Bank guarantees of Rs.1,402,223 (2014: Rs. 1,075,119) have been issued in favor of third parties.

22.2 Claims, including pending lawsuits, against the Holding Company not acknowledged as debts amounted to Rs. 109,685 (2014: Rs. 55,038).

22.3 The Holding Company is contesting a penalty of Rs. 115,631 paid and expensed in 1997, imposed by the State Bank of Pakistan (SBP) for alleged late payment of foreign exchange risk cover fee on long term loans and has filed a suit in the High Court of Sindh. A partial Rs. 62,618 however, recovered in 1999 from SBP and the recovery of the balance amount is dependent on the Court's decision.

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

22.5 The Holding Company had filed a constitutional petition in the High Court of Sindh, Karachi against the Ministry of Petroleum and Natural Resources (MPNR), Ministry of Industries and Production (MIP) and Sui Northern Gas Pipeline Company Limited (SNGPL) for continuous supply of 100 mmscfd gas per day to the Enven Plant and to prohibit from suspending, discontinuing or curtailing the aforementioned supply. The High Court of Sindh in its order dated October 18, 2011, has ordered that SNGPL should supply 100 mmscfd of gas per day to the Holding Company's new plant. However, five petitions have been filed in the Supreme Court of Pakistan against the aforementioned order of the High Court of Sindh by SNGPL, MPNR, Agritech Limited, Pak Arab Fertilizers and Kohinoor Mills Limited along with 21 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 consider the chances of petitions being allowed to be remote.

Further, the Holding Company upon continual curtailment of gas after the aforementioned decision of the High Court has filed an application in respect of Contempt of Court under Article 199 & 204 of the Constitution of Pakistan. The Holding Company, in the aforementioned application has submitted that SNGPL and MPNR has failed to restore full

supply of gas to the Holding Company's plant despite the judgment of High Court in the Holding Company's favor. A show cause notice has also been issued against MPNR and SNGPL dated December 31, 2011 by the High Court. The application is pending for hearing and no orders have yet been passed in this regard.

22.6 All Pakistan Textile Processing Mills Association (APTMA), Agritech Limited (Agritech), Shan Dying & Printing Industries (Private) Limited and 27 others have each contended, through separate proceedings filed before the Lahore High Court that the supply to the Holding Company's expansion plant is premised on the output from Qadirpur gas field exceeding 500 mmscfd by 100 mmscfd and the Gas Sale and Purchase Agreement (GSA) dated April 11, 2007 with Sui Northern Gas Pipeline Company Limited (SNGPL) be declared void ab initio because the output of Qadirpur has infact decreased. Agritech has additionally alleged discrimination in that it is receiving less gas than the other fertilizer companies on the SNGPL system. The Holding Company has out rightly rejected these contentions, and is of the view that it has a strong case for the reasons that (1) 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, (2) GSA guarantees uninterrupted supply of gas to the expansion plant, with right to first 100 mmscfd gas production from the Qadirpur gas field, and (3) both the Holding Company and the Qadirpur gas field, that is to initially supply gas to the Holding Company are located in Sindh. Also neither the gas allocation by the Government of Pakistan nor the GSA predicates the gas supply from Qadirpur field producing 100 mmscfd over 500 mmscfd. No orders have been passed in this regard and the petition has also been adjourned sine die. However, the Holding Company's management, as confirmed by the legal advisor, considers chances of petitions being allowed to be remote.

22.7 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 in relation to unreasonable increase in fertilizer prices. The Holding Company has responded in detail that factors resulting in such increase were mainly the imposition of infrastructure cess and sales tax and partially the gas curtailment. The CCP has issued an order in March 2013, whereby it has held that the Holding Company enjoys a dominant position in the urea market and that it has abused this position by unreasonable increases of urea prices in the period from December 2010 to December 2011. The CCP has also held another fertilizer company to be responsible for abusing its dominant position. In addition, the CCP has imposed a penalty of Rs. 3,140,000 and Rs. 5,500,000 on the Holding Company and that other fertilizer company respectively. An appeal has been filed in the Competition Appellate Tribunal (at present non-functional) and a writ has been filed in the Sindh High Court and stay has been granted against the recovery of the imposed fine. The Holding Company's management believes that the chances of ultimate success are very good, as confirmed by legal advisor. Hence, no provision has been made in these consolidated financial statements.

22.8 During the last year, the Subsidiary Company received various notices from Deputy Commissioner Inland Revenue (DCIR) in respect of recovery of sales tax amounting to Rs. 213,012 under section 8B of the Sales Tax Act, 1990. The Subsidiary Company responded to these notices through its tax consultant and pleaded not to recover any amount under the above mentioned section as the Subsidiary Company was in a net refundable position. However, DCIR rejected the Subsidiary Company's contention for adjustment of refund against 8B payments and has demanded payments amounting to Rs. 49,907. An appeal to this effect has been filed with Commissioner Inland Revenue (Appeals) for which no hearing has taken place to date.

Further, the Subsidiary Company has filed a writ petition in Honourable High Court of Sindh challenging the existence of section 8B on the grounds that such a section is confiscatory in its operation and thus unconstitutional. A stay order against the recovery of the aforementioned demand under section 8B has been granted to the Subsidiary Company by Honourable High Court of Sindh. The management, based on advice of their legal counsel is confident that the matter will ultimately be decided in favor of the Subsidiary Company.

(Amounts in thousand)

	2015	2014
	Rupees	

22.9 Commitments

Commitments in respect of :		
- capital expenditure and other operational items	995,392	917,592
- bank guarantees against infrastructure cess	627,000	-
	1,622,392	917,592

22.10 The facility for opening letters of credit as at December 31, 2015 amounts to Rs. 4,282,823. The amount utilised thereagainst is Rs. 3,226,879.

23. Net Sales

	2015	2014
	Rupees	
Fertilizer		
Gross sales - Local		
- manufactured product	72,899,472	72,048,248
- purchased and packaged product	28,191,402	-
- subsidy from Government of Pakistan (note 11.1)	2,611,879	-
	103,702,753	72,048,248
Less: Sales tax	15,785,454	10,623,314
	87,917,299	61,424,934
Seeds - Local	115,322	-
	88,032,621	61,424,934

23.1 This includes trade discount amounting to Rs. 847,715 (2014: Rs. 4,648).

(Amounts in thousand)

24. Cost of Sales

	2015	2014
	Rupees	
Cost of sales - manufactured product		
Raw materials consumed	18,589,567	23,208,543
Salaries, wages and staff welfare (note 24.1)	2,178,564	1,949,037
Fuel and power	7,499,418	6,597,224
Repairs and maintenance	910,283	706,385
Depreciation (note 4.2)	4,694,369	4,682,132
Amortization (note 5.2)	23,257	28,290
Consumable stores	1,715,645	384,971
Staff recruitment, training, safety and other expenses	142,557	172,497
Purchased services	406,887	367,700
Travel	50,938	55,739
Communication, stationery and other office expenses	21,874	33,517
Insurance	354,351	408,919
Rent, rates and taxes	11,747	7,073
Other expenses	2,891	565
Manufacturing cost	36,602,348	38,602,592
Add: Opening stock of work in process	89,780	71,880
Less: Closing stock of work in process (note 8)	20,688	89,780
Cost of goods manufactured	36,671,440	38,584,692
Add: Opening stock of finished goods manufactured	205,810	443,541
Less: Closing stock of finished goods manufactured (note 8)	1,915,094	205,810
Cost of sales	34,962,156	38,822,423
Cost of goods sold - purchased and packaged product		
Purchase of product	24,058,338	-
Add: Processing and packaging cost	391,764	-
Less: Closing stock - purchased and packaged product	3,688,392	-
	20,761,710	-
	55,723,866	38,822,423

24.1 Salaries, wages and staff welfare includes Rs. 123,709 (2014: Rs. 107,278) in respect of staff retirement benefits.

25. Selling and Distribution Expenses

	2015	2014
	Rupees	
Salaries, wages and staff welfare (note 25.1)	553,708	447,608
Staff recruitment, training, safety and other expenses	61,856	62,874
Product transportation and handling	3,502,639	2,810,382
Royalty expense	929,158	878,797
Repairs and maintenance	4,404	5,713
Advertising and sales promotion	54,687	42,276
Rent, rates and taxes	206,317	67,178
Communication, stationery and other office expenses	23,011	20,806
Travel	52,355	45,814
Depreciation (note 4.2)	17,721	23,588
Amortization (note 5.2)	960	160
Purchased services	19,866	4,631
Insurance	24,754	22,860
Other expenses	14,489	8,692
	5,465,925	4,441,379

25.1 Salaries, wages and staff welfare includes Rs. 39,460 (2014: Rs. 30,089) in respect of staff retirement benefits.

(Amounts in thousand)

26. Administrative Expenses

	2015	2014
	Rupees	
Salaries, wages and staff welfare (note 26.1)	397,586	332,528
Staff recruitment, training, safety and other expenses	48,065	46,687
Repairs and maintenance	13,934	13,349
Rent, rates and taxes	69,855	50,083
Communication, stationery and other office expenses	38,946	47,265
Travel	36,889	17,920
Depreciation (note 4.2)	21,731	19,433
Amortization (note 5.2)	3,639	2,516
Purchased services	167,364	179,645
Donations (note 39)	69,340	40,259
Insurance	1,650	1,398
Provision against other receivables	-	544
Other expenses	26,579	20,534
	895,578	772,161

26.1 Salaries, wages and staff welfare includes Rs. 37,447 (2014: Rs. 29,051) in respect of staff retirement benefits.

27. Other Income

	2015	2014
	Rupees	
On financial assets		
Income on deposits, treasury bills and term deposit certificates	1,288,646	1,941,365
Income on Pakistan Investment Bond	16,107	73,835
Income on mutual funds	8,109	11,580
Income on futures	1,271	-
On non-financial assets		
Commission income	-	192,921
Gain on disposal of property, plant and equipment (note 4.3)	21,820	-
Rental income	4,569	4,321
Reversal of provision for infrastructure cess (note 27.1)	148,583	-
Gain on disposal of spares / scrap	13,895	16,277
Others (note 27.2)	278,129	208,857
	466,996	422,376
	1,781,129	2,449,156

27.1 As per the interim arrangement with the excise and customs authorities, the bank guarantees furnished by the Group (Appellants before the Supreme Court) upto December 27, 2006 were discharged and returned. As agreed, 50% in value of the Bank Guarantees furnished for consignments released after the aforesaid date were permitted to be enchased; the remaining 50% were to be retained until a judicial resolution. It was specifically agreed, as per the joint statement, that after May 31, 2011 all imports would be released on payment of 50% cash and 50% bank guarantee.

The management of the Group being confident that no demand will be raised for any amount pertaining to the period prior to December 27, 2006, has reversed the provision relating to that period.

27.2 This includes Nill (2014:Rs. 98,226) received against insurance claim of KS Coil which was written off last year.

(Amounts in thousand)

28. Other Operating Expenses

	2015	2014
	Rupees	
Workers' profits participation fund	1,136,892	638,828
Workers' welfare fund	432,019	242,755
Research and development (including salaries and wages)	98,959	54,339
Auditors' remuneration (note 28.1)	10,783	8,710
Legal and professional charges	128,156	101,504
Loss on disposal of property, plant and equipment (note 4.3)	-	271,448
Provision for trade debts and loans & advances	-	(4,934)
Provision against refundable sales tax	180,000	-
Provision against receivable from suppliers	35,718	-
Others	11,255	5,093
	2,033,782	1,317,743

28.1 Auditors' remuneration

	2015	2014
Fee for:		
- audit of annual financial statements	4,032	1,875
- special audit / review of half yearly financial information	741	225
- certifications and audit of retirement benefit funds	2,436	3,810
- tax services	3,036	2,000
- reimbursement of expenses	538	800
	10,783	8,710

29 Finance Cost

	2015	2014
Interest / mark-up / return on:		
- long term borrowings	3,830,677	5,663,982
- short term borrowings	101,167	28,738
Loss on fair value of IFC conversion option	28,551	210,587
Foreign exchange loss - net	681,945	722,090
Bank charges	296	-
Financial charges on usance letters of credit	26,027	-
Less:		
Interest charged to Engro Eximp Agriproducts (Private) Limited	(41,624)	-
Interest income from unwinding of discount on trade debts	(132)	-
	4,626,907	6,625,397

30. Taxation

	2015	2014
Current		
- for the year (note 30.3)	3,701,866	2,011,924
- for prior years (note 30.4)	344,753	(50,529)
	4,046,619	1,961,395
Deferred	2,202,042	1,725,632
	6,248,661	3,687,027

(Amounts in thousand)

The Holding Company

30.1 During the year, the income tax department amended the assessment filed by the Holding Company for tax year 2014. The Holding Company filed the appeal before Commissioner Inland Revenue (Appeals) against disallowances made through the assessment, which mainly pertained to exchange gain and loss, loss on derivative and losses purchased from Engro Eximp Agriproducts under section 59B of the Income Tax Ordinance, 2001. In addition the tax department raised demand for the Alternative Corporate Tax through the same order, for which the Holding Company specifically obtained a stay order. The case is pending to be heard with the CIR(A) and the Holding Company is confident of a favourable outcome.

30.2 Last year, the income tax department amended the assessment filed by the Holding Company for tax years 2010 and 2011. The Holding Company filed the appeals before Appellant Tribunal Inland Revenue (ATIR) against the said disallowances, which through its decision during last year, provided relief in respect of certain items and confirmed certain disallowances in favor of the tax department. The said disallowances included the charge in respect of exchange gain and loss incurred for tax year 2010 and tax year 2011 and loss on derivative for tax year 2011. During the year, the Holding Company has challenged the said decision before High Court of Sindh, which is pending to be heard and is confident of a favourable outcome.

30.3 Includes alternative corporate tax under section 113C of the Income Tax Ordinance, 2001 (introduced vide Finance Act 2014) amounting to Rs. 2,599,772 for the year (2014: Rs. 1,362,800) and minimum turnover tax amounting to Rs. 876,153 (2014: Rs. 614,249).

The Holding Company had filed suit in the High Court of Sindh, against the Federal Board of Revenue contesting both the retrospective and prospective application of the above section 113C and was granted stay for prior year 2013 & 2014 during 2014 and was granted the same during the year for the current year end.

30.4 This includes an amount of Rs. 468,809 on account of provision in accordance with section 4B 'Super Tax for rehabilitation of temporarily displaced persons' introduced in the Income Tax Ordinance, 2001 through Finance Act, 2015, whereby tax at three per cent is payable on specified income exceeding Rs. 500,000 for the year ended December 31, 2014 (tax year 2015). Further, the Holding Company's management has adjusted the prior charge by Rs. 118,395 in respect of BMR credit under section 65B of the ordinance.

30.5 During the year, the Holding Company has purchased losses surrendered by Engro Eximp Agriproducts (Private) Limited (associated Holding Company) to avail the benefit of Group Relief under section 59B of the Income Tax Ordinance, 2001, amounting to Rs. 2,899,368 representing business losses for financial year ended December 31, 2014. These losses have been duly adjusted by the Holding Company against taxable profit for the financial year ended December 31, 2014 (Tax Year 2015) whilst filing its tax return for the said tax year.

30.6 As a result of demerger, all pending tax issues of the Parent Company had been transferred to the Holding Company. Major issues pending before the tax authorities is described below:

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

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

The Holding Company is confident that all pending issues will eventually be decided in its favor.

30.7 During the year, the Holding Company received a sales tax order from the tax department for the year ended December 31, 2013 pertaining to discharge of output tax liability, on assumed production of urea amounting to Rs. 402,875 and on presumption that output tax liability is not being discharged by the Holding Company on advances received from dealers amounting to Rs. 1,844,075. The Holding Company filed appeal with the Commissioner Inland Revenue

(Amounts in thousand)

(Appeals) which has decided the matters in favor of the Holding Company. The department has now challenged the decision of the CIR(A) with the Appellate Tribunal Inland Revenue, which is pending to be heard.

Subsidiary Company

30.8 Uptill 2011, the Subsidiary Company's major operating activities were taxable under the Final Tax Regime (FTR) except for profit on bank accounts, capital gain on investments and gain on local commodity trading were taxable under the Normal Tax Regime (NTR). However, through Finance Act, 2012, certain amendments were introduced, whereby the Subsidiary Company had the option to be taxed under NTR in respect of activities previously taxable under FTR, with the condition that minimum tax liability with respect to such income as specified therein.

The Subsidiary Company intended to opt for NTR and accordingly has made provision and filed return for tax year 2013 on that basis.

30.9 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:

	2015	2014
	Rupees	
Profit before taxation	21,067,692	11,894,987
Tax calculated at the rate of 32% (2014: 33%)	6,741,661	3,925,346
Depreciation on exempt assets not deductible for tax purposes	3,043	3,140
Tax effect of:		
- Expenses not allowed for tax	94,711	24,041
- Final Tax Regime / separate block of income	10,191	(42,887)
Effect of:		
- Tax credits	(159,784)	(66,895)
- Change in tax rates	(1,076,250)	(103,825)
- Prior year current and deferred tax charge	671,455	(95,893)
Others	(36,366)	44,000
Tax charge for the year	6,248,661	3,687,027

(Amounts in thousand)

31. Earnings Per Share

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of the Group by weighted average number of ordinary shares in issue during the year.

Diluted earnings per share has been calculated by adjusting the weighted average number of ordinary shares outstanding for assumed conversion of equity option on IFC loan throughout the year.

The information necessary to calculate basic and diluted earnings per share is as follows:

	2015	2014
	Rupees	
Profit for the year	14,819,031	8,207,960
Add:		
- Interest on IFC loan - net of tax	4,765	27,309
- Loss on revaluation of conversion options on IFC loan - net of tax	18,074	131,358
Profit used for the determination of Diluted EPS	14,841,870	8,366,627
	Numbers (in thousands)	
Weighted average number of ordinary shares at the beginning of year	1,318,342	1,222,800
Add : Weighted average adjustments for:		
Shares issued during the year (including conversion of option)	11,728	82,404
Weighted average number of shares for determination of basic EPS	1,330,070	1,305,204
Assumed conversion of USD 4,000 IFC loan	-	9,836
Assumed conversion of USD 5,000 IFC loan	-	5,794
Assumed conversion of USD 1,000 IFC loan	3,160	-
Exercise of conversion option on USD 3,000 IFC loan	601	-
Weighted average number of shares for determination of diluted EPS	1,333,831	1,320,834

32. Remuneration of Chief Executive, Directors and Executives

The aggregate amounts charged in these consolidated financial statements for remuneration, including all benefits, to chief executive, directors and executives of the Group are given below:

	2015			2014		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	(Rupees)			(Rupees)		
Managerial remuneration	65,967	-	1,702,527	56,874	-	1,490,608
Retirement benefits funds	5,806	-	175,402	4,768	-	143,926
Other benefits	5	-	80,358	21	-	58,659
Fees	-	1,850	-	-	1,550	-
Total	71,778	1,850	1,958,287	61,663	1,550	1,693,193
Number of persons including those who worked part of the year	1	7	494	1	7	447

(Amounts in thousand)

32.1 The Group also makes contributions based on actuarial calculations to pension and gratuity funds and provides certain household items for use of some employees. Cars are also provided for use of some employees and directors.

32.2 Premium charged in the consolidated financial statements in respect of directors' indemnity insurance policy, purchased by the Group during the year, amounted to Rs. 488 (2014: Rs. 590).

33. Retirement and Other Service Benefits

33.1 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 Holding Company offered a defined post-employment pension benefit to management employees in service which has been discontinued and the plan now only covers a handful of retired pensioners.

The gratuity and pension funds are governed under the Trusts Act, 1882, Trust Deed and Rules of Fund, Companies Ordinance, 1984, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

Responsibility for governance of plan, including investment decisions and contribution schedule lie with Board of Trustees of the Fund. During the year such responsibility was transferred to Board of Trustees of the Fund of its Parent Company.

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 we assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset Volatility - Most assets are invested in risk free investments of 3, 5 or 10 year SSC's, RIC's, DSC's or Government Bonds. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

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

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

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

In addition to above, the pension fund exposes the Holding Company to Longevity Risk i.e. the pensioners survive longer than expected.

(Amounts in thousand)

33.2 Valuation Results

The latest actuarial valuation of the defined benefit plans was carried out as at December 31, 2015, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan Funded (Curtailed)	
	NMPT		MPT			
	2015	2014	2015	2014	2015	2014
			(Rupees)			
33.2.1 Balance sheet reconciliation						
Present value of obligation	228,376	166,212	149,709	135,336	33,367	34,406
Fair value of plan assets	(169,638)	(178,713)	(167,607)	(140,235)	(40,835)	(38,824)
(Surplus) / deficit of funded plans	58,738	(12,501)	(17,898)	(4,899)	(7,468)	(4,418)
Payable to DC Gratuity Fund	-	-	9,736	9,736	-	-
Payable in respect of inter-group transfers	-	-	448	41	-	-
Unrecognized asset	-	-	-	-	7,468	4,418
Net (asset) / liability at end of the year	58,738	(12,501)	(7,714)	4,878	-	-
33.2.2 Movement in net (asset) / liability recognized						
Net liability / (asset) at beginning of the year	(12,501)	63,844	5,253	(15,536)	-	-
(Income) / charge for the year	14,598	17,022	5,006	2,933	(464)	(821)
Contributions made during the year to the fund	-	(63,844)	-	-	-	-
Remeasurements charged to OCI (note 33.2.7)	56,641	(29,186)	(17,973)	17,144	464	821
Inter-fund transfers	-	(337)	-	337	-	-
Net (asset) / liability at end of the year	58,738	(12,501)	(7,714)	4,878	-	-
33.2.3 Movement in defined benefit obligation						
As at beginning of the year	166,212	162,184	136,153	153,367	34,406	32,218
Current service cost	9,502	9,214	6,507	6,938	-	-
Past service cost	6,345	-	-	-	-	-
Interest cost	16,974	20,868	13,144	19,458	3,400	3,949
Benefits paid during the year	(19,623)	(10,942)	(21,213)	(31,133)	(4,054)	(3,847)
Remeasurments charged to OCI (note 33.2.7)	48,966	(14,775)	(3,812)	10,895	(385)	2,086
Inter-fund transfers	-	(337)	(2)	337	-	-
Liability transferred in respect of inter group transfers	-	-	42,460	(24,169)	-	-
Liability transferred to DC Gratuity Fund	-	-	(23,528)	(357)	-	-
As at end of the year	228,376	166,212	149,709	135,336	33,367	34,406

(Amounts in thousand)

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan Funded (Curtailed)	
	NMPT		MPT			
	2015	2014	2015	2014	2015	2014
			(Rupees)			
33.2.4 Movement in fair value of plan assets						
At beginning of the year	178,713	98,340	141,082	177,549	38,824	38,535
Expected return on plan assets	18,223	13,060	14,645	23,463	3,864	4,770
Contributions by the Company	-	63,844	-	-	-	-
Benefits paid during the year	(19,623)	(10,942)	(21,213)	(31,133)	(4,054)	(3,847)
Remeasurments charged to OCI (note 33.2.7)	(7,675)	14,411	14,161	(5,475)	2,201	(634)
Assets transferred in respect of inter group transfers	-	-	-	-	-	-
Assets transferred to DC Gratuity Fund	-	-	(23,528)	-	-	-
Assets transferred in respect of inter fund transfers	-	-	42,460	(24,169)	-	-
As at end of the year	169,638	178,713	167,607	140,235	40,835	38,824
33.2.5 Charge / (Reversal) for the year						
Current service cost	9,502	9,214	6,507	6,938	-	-
Past service cost	6,345	-	-	-	-	-
Net interest cost	(1,249)	7,808	(1,501)	(4,005)	(464)	(821)
	14,598	17,022	5,006	2,933	(464)	(821)
33.2.6 Actual return on plan assets	16,194	21,829	20,995	30,012	3,823	3,782

(Amounts in thousand)

	Defined Benefit Gratuity Plans - Funded				Defined Benefit Pension Plan Funded (Curtailed)	
	NMPT		MPT			
	2015	2014	2015	2014	2015	2014
	(Rupees)					

33.2.7 Remeasurement recognized in Other Comprehensive Income

	NMPT 2015	NMPT 2014	MPT 2015	MPT 2014	Pension 2015	Pension 2014
(Gain) / loss from change in demographic assumption	-	-	-	-	-	740
(Gain) / loss from change in experience assumptions	47,178	(14,430)	(3,523)	10,895	(138)	1,769
(Gain) / loss from change in financial assumptions	1,788	(345)	(289)	-	(247)	(423)
Remeasurement of Obligation	48,966	(14,775)	(3,812)	10,895	(385)	2,086
Expected Return on plan assets	18,223	13,060	14,645	23,463	3,864	4,770
Actual Return on plan assets	(16,194)	(21,829)	(20,995)	(30,012)	(3,823)	(3,782)
Difference in fair value opening	5,646	(5,642)	(7,811)	12,024	(2,242)	(354)
Remeasurement of Plan Assets	7,675	(14,411)	(14,161)	5,475	(2,201)	634
Effect of Asset Ceiling	-	-	-	-	3,050	(1,899)
Adjustment for DC transfers pertaining to earlier periods	-	-	-	774	-	-
	56,641	(29,186)	(17,973)	17,144	464	821

33.2.8 Principal actuarial assumptions used in the actuarial valuation

	NMPT 2015	NMPT 2014	MPT 2015	MPT 2014	Pension 2015	Pension 2014
Discount rate	9.0%	10.5%	9.0%	10.5%	9.0%	10.5%
Expected per annum rate of return on plan assets	9.0%	10.5%	9.0%	10.5%	9.0%	10.5%
Expected per annum rate of increase in pension	-	-	-	-	1.0%	2.5%
Expected per annum rate of increase in salaries-long term	8.0%	9.5%	9.0%	10.5%	8.0%	12.0%

33.2.9 Demographic Assumptions

	NMPT	MPT	Pension 2015	Pension 2014
Mortality rate	SLIC (2001-05) - I	SLIC (2001-05)	SLIC (01-05) - I	PMA-PFA (80) - 2
Rate of employee turnover	Light	Heavy	-	-

(Amounts in thousand)

33.2.10 Sensitivity Analysis

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

	Increase in assumption			Decrease in assumption		
	Gratuity Fund		Pension	Gratuity Fund		Pension
	NMPT	MPT	Fund	NMPT	MPT	Fund
	(Rupees)					
Discount Rate	208,002	144,181	31,390	252,118	155,652	35,592
Long Term Salary Increases	250,959	154,887	-	208,617	144,798	-
Long Term Pension Increases	-	-	35,754	-	-	31,223
Withdrawal Rates: Light	31,390	-	-	-	-	-
Withdrawal Rates: Heavy / Moderate	35,592	-	-	-	-	-

33.2.11 Maturity Profile

	Gratuity Fund		Pension
Time in Years	NMPT	MPT	Fund
	(Rupees)		
1	20,811	37,503	4,095
2	23,249	8,478	4,135
3	8,781	45,756	4,177
4	24,775	54,551	4,219
5-10	89,076	63,595	21,734
11-15	180,020	45,915	22,843
16-20	447,985	5,056	24,008
20+	848,691	28,686	108,920
Weighted average duration (years)	9.66	3.83	6.30

(Amounts in thousand)

33.2.12 Plan assets comprise of the following

	Defined Benefit Gratuity Plans Funded				Defined Benefit Pension Plan Funded (Curtailed)	
	NMPT		MPT*			
	2015		2015		2015	
	Rupees	(%)	Rupees	(%)	Rupees	(%)
Fixed income instruments	140,659	83	125,580	75	38,999	96
Investment in equity instruments	20,526	12	35,731	21	-	-
Cash	8,453	5	6,296	4	1,836	4
	169,638	100	167,607	100	40,835	100

The employees of the Holding Company in respect of gratuity are members of Defined Benefit Gratuity Fund maintained and funded by Engro Corporation Limited (the Parent Company). Accordingly, the above information is based upon the plan assets of Engro Corporation Limited Gratuity Fund.

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

33.2.14 Expected future cost / (reversal) for the year ending December 31, 2016 is as follows:

	Rupees
- MPT Pension Fund	(672)
- MPT Gratuity Fund	3,515
- Non-MPT Gratuity Fund	18,318

33.2.15 Historical information of staff retirement benefits:

	2015	2014	2013	2012	2011
			(Rupees)		
Pension Plan Funded					
Present value of defined benefit obligation	33,367	34,406	32,218	31,289	32,023
Fair value of plan assets	(40,835)	(38,824)	(38,535)	(38,313)	(37,023)
Surplus	(7,468)	(4,418)	(6,317)	(7,024)	(5,000)
Gratuity Plans Funded - NMPT					
Present value of defined benefit obligation	228,376	166,212	162,184	122,832	121,311
Fair value of plan assets	(169,638)	(178,713)	(98,340)	(87,352)	(87,019)
(Surplus) / Deficit	58,738	(12,501)	63,844	35,480	34,292
Gratuity Plans Funded - MPT					
Present value of defined benefit obligation	149,709	135,336	153,367	116,545	156,334
Fair value of plan assets	(167,607)	(140,235)	(177,549)	(149,929)	(169,957)
Surplus	(17,898)	(4,899)	(24,182)	(33,384)	(13,623)

(Amounts in thousand)

33.3 Defined contribution plans

An amount of Rs. 149,516 has been charged during the year in respect of defined contribution plans maintained by the Holding Company.

34. Cash Used In Operations

	2015	2014
	Rupees	
Profit before taxation	21,067,692	11,894,987
Adjustment for non-cash charges and other items:		
Depreciation	4,733,821	4,725,153
Amortization - net	23,990	27,101
Profit on disposal of property, plant and equipment	(21,820)	-
Loss on disposal of property, plant and equipment	-	271,448
Provision for retirement and other service benefits	58,543	49,862
Income on deposits / other financial assets	(1,312,862)	(2,026,780)
Finance cost	4,626,907	6,625,397
Provision for surplus and slow moving stores and spares	122,428	1,444
Provision against other receivables	-	544
Provision for NRV on finished goods	402,651	-
Provision against sales tax refundable	180,000	-
(Reversal) / provision against trade receivables	-	(2,673)
Provision / (reversal) against loans and advances	35,718	(2,261)
Working capital changes (note 34.1)	(14,813,897)	6,915,876
	15,103,171	28,480,098

34.1 Working capital changes

	2015	2014
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(47,824)	(346,327)
- Stock-in-trade	(6,058,232)	280,743
- Trade debts	(1,498,503)	3,882
- Loans, advances, deposits and prepayments	303,665	97,230
- Other receivables (net)	2,880,413	(5,138)
	(4,420,481)	30,390
(Decrease) / increase in trade and other payables	(10,393,416)	6,885,486
	(14,813,897)	6,915,876

35. Cash And Cash Equivalents

	2015	2014
Cash and bank balances (note 13)	923,555	4,443,086
Short term investments (note 12)	10,546,260	1,094,892
	11,469,815	5,537,978

(Amounts in thousand)

36. Financial Instruments By Category

	2015	2014
	Rupees	
Financial assets as per balance sheet		
- Loans and receivables		
Loans, advances, deposits and other receivable	201,320	170,041
Trade debts	2,286,147	757,044
Cash and bank balances	923,555	4,443,086
Short term Investment	-	999,288
	3,411,022	6,369,459
- Fair value through profit and loss		
Short term investments	11,034,555	24,085,079
Derivative financial instruments	29,207	-
	11,063,762	24,085,079
- Held to maturity financial assets		
Short term investments	615,834	-
Financial liabilities as per balance sheet		
- Financial liabilities measured at amortized cost		
Borrowings	36,300,327	44,003,351
Trade and other payable	17,560,304	16,138,450
Accrued interest / mark-up	851,684	1,362,300
	54,712,315	61,504,101
- Fair value through profit and loss		
Conversion option on IFC loan	298,749	965,326
Derivative financial instruments	67,735	131,452
	366,484	1,096,778

37. Financial Risk Management

37.1 Financial risk factors

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

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

a) Market risk

i) Currency risk

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

This exists due to the Group's exposure resulting from outstanding import payments, foreign currency loan liabilities and related interest payments. A foreign exchange risk management policy has been developed and approved by the management. The policy allows the Group to take currency exposure for limited periods within predefined limits while open exposures are rigorously monitored. The Group ensures to the extent possible that it has options available to manage exposure, either through forward contracts, options or prepayments, etc. subject to the prevailing foreign exchange regulations.

On foreign currency borrowing of USD 89,247 as on December 31, 2015, the Group has Rupee / USD hedge of USD 61,977.

At December 31, 2015, if the currency had weakened / strengthened by 1% against the US dollar with all other variables held constant, post-tax consolidated profit for the year would have been lower / higher by Rs. 24,778 mainly as a result of foreign exchange loss / gain on translation of US dollar denominated loans and foreign exchange loss / gain on translation of liabilities against outstanding import payments.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from short and long-term borrowings. These are benchmarked to variable rates which expose the Group to cash flow interest rate risk.

The Group analyses its interest rate exposure on a regular basis by monitoring interest rate trends to determine whether they should enter into hedging alternatives.

The Group has entered into Interest Rate Swaps for USD 7,727 out of its non-current foreign currency borrowings of USD 89,247 as on December 31, 2015 (note 17.2). Rates on short term loans vary as per market movement.

As at December 31, 2015, 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. 361,015.

iii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

(Amounts in thousand)

b) Credit risk

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

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits, bank guarantees and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with a reasonably high credit rating or mutual funds which in turn are deposited in banks and government securities. The Group maintains an internal policy to place funds with commercial banks and mutual funds of asset management companies having a minimum short term credit rating of A1 and AM3 respectively. However, the Group maintains operational balances with certain banks of lower rating for the purpose of effective collection of bank guarantees and to cater to loan disbursements.

The Group is exposed to a concentration of credit risk on its trade debts by virtue of all its customers being agri-based businesses in Pakistan. However, this risk is mitigated by applying individual credit limits and by securing the majority of trade debts against bank guarantees and inland letter of credit.

The credit risk arising on account of acceptance of these bank guarantees is managed by ensuring that the bank guarantees are issued by banks of reasonably high credit ratings as approved by the management.

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

	2015	2014
	Rupees	
Loans and receivables	575	-
Loans, advances, deposits and other receivable	197,236	170,041
Trade debts	2,261,747	757,044
Short term investments	11,650,389	25,084,367
Cash and bank balances	923,555	4,443,086
Derivative financial instruments	29,207	-
	15,062,709	30,454,538

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

	Rating agency	Rating	
		Short term	Long term
Allied Bank Limited	PACRA	A1+	AA+
Askari Bank Limited	JCR-VIS	A-1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Bank AL Habib Limited	PACRA	A1+	AA+
Bank Islami Pakistan Limited	PACRA	A1	A+
The Bank of Punjab	PACRA	A1+	AA-
Burj Bank Limited	JCR-VIS	A-2	A-
Citi Bank N.A.	MOODY'S	P-1	A2
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1	A+
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1+	A+
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA
National Bank of Pakistan	JCR-VIS	A-1+	AAA
Samba Bank Limited	JCR-VIS	A-1	AA
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	A-1	A
United Bank Limited	JCR-VIS	A-1+	AA+
NIB Bank Limited	PACRA	A1+	AA-
HSBC Bank Middle East	MOODY'S	P-1	A2
CIMB Bank Berhud	MOODY'S	P-2	A3
Mashreq Bank	MOODY'S	P-2	Baa2
United Bank Limited	MOODY'S	NP	Caa2
Habib Bank Limited	MOODY'S	NP	Caa1

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 balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

(Amounts in thousand)

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

	2015			2014		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
		(Rupees)			(Rupees)	
Financial liabilities						
Derivatives	366,484	-	366,484	1,090,089	6,689	1,096,778
Trade and other payables	17,560,304	-	17,560,304	16,138,450	-	16,138,450
Accrued interest / mark-up	851,684	-	851,684	1,362,300	-	1,362,300
Borrowings	10,736,586	25,289,658	36,026,244	7,912,729	36,090,622	44,003,351
	29,515,058	25,289,658	54,804,716	26,503,568	36,097,311	62,600,879

37.2 Capital risk management

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The total long term borrowings to equity ratio as at December 31, 2015 based on total long term borrowings of Rs. 36,026,244 and total equity of Rs. 42,331,729 was 46%:54%.(2014: 56%:44%)

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.

37.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)

- Inputs for the asset or liability that are not based on observable market data (level 3)

	Level 1	Level 2	Level 3	Total
		(Rupees)		
Assets				
Financial assets at fair value through profit and loss				
- Short term investments	-	10,984,555	-	10,984,555
Liabilities				
Derivatives				
- Derivative financial instruments	-	67,735	-	67,735
- Conversion option on IFC loans	-	298,749	-	298,749
	-	366,484	-	366,484

37.4 Valuation techniques used to derive Level 2 fair values

Level 2 fair valued instruments comprise short term investments and hedging derivatives which include forward exchange contracts, interest rate swaps and conversion option on IFC loans. These forward foreign exchange contracts have been fair valued using forward exchange rates that are received from the contracting banks and financial institutions. Interest rate swaps are fair valued using mark to market rates received from the banks and financial institutions. The fair value of conversion options on IFC loan is determined using the option pricing model where its determinants are derived from observable market inputs.

Short term investments comprise treasury bills and fixed income placements which are valued using discounted cash flow model.

There were no transfers amongst the levels during the year.

37.5 Fair value of financial assets and liabilities

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

(Amounts in thousand)

38. Transactions with Related Parties

Related parties comprises of the Parent Company, subsidiary companies, associated companies and other companies with common director, retirement benefits funds, directors and key management personnel.

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

	2015	2014
	Rupees	
Parent Company		
Dividend Paid	6,570,543	-
Purchases and services	229,368	202,798
Receipt against disposal of investment	4,400,000	-
Purchase of Subsidiary	4,383,000	-
Services provided to Parent Company	25,400	19,790
Royalty	929,158	878,797
Reimbursements	214,557	109,020
Mark-up paid on Long term sub-ordinated loan	-	240,238
Use of assets	3,109	4,720
Payment in respect of settlement of IFC option	-	1,495,080
Payment of sub-ordinated loan	-	4,495,080
Receipt of sub-ordinated loan	-	1,495,080
Associated companies		
Purchases and services	130,109	307,288
Sale of assets (sales proceeds)	-	748
Sale of product	1,459	4,288
Purchase of tax losses	956,791	1,210,522
Purchase of product	41,662	-
Services provided	71,973	93,067
Reimbursements	225,874	165,469
Funds collected against sales made on behalf of an associate	2,035,579	27,812,967
Payment of mark-up on TFCs and repayment of principal amount	18,739	41,897
Commission on sales collection - net	-	164,156
Purchase of mutual fund units	490,000	-
Redemption of mutual fund units	491,210	-
Donation	55,000	32,500
Markup on loans	20,299	-
Loans issued	57,484	-
Loans returned	1,005,301	-
Use of assets	5,343	8,912
Contribution to staff retirement benefits		
Pension fund	19,519	16,977
Gratuity fund	83,844	104,393
Provident fund	101,606	86,498
Others		
Remuneration of key management personnel	174,508	167,734

(Amounts in thousand)

39. Donations

Donations include the following in which a director or his spouse is interested:

	Interest in Donee	Name and address of Donee	2015	2014
			(Rupees)	
Muhammad Aliuddin Ansari	President	Engro Foundation	55,000	32,500
Khalid Siraj Subhani	President			
Ruhail Mohammed	Trustee			

40. Production Capacity

	Designed capacity Metric Tons		Actual production Metric Tons	
	2015	2014	2015	2014
Urea plant I & II	2,275,000	2,275,000	1,967,552	1,818,937
NPK plant	100,000	100,000	126,074	117,193

41. Number of Employees

	Number of employees as at		Average number of employees	
	2015	2014	2015	2014
Management employees	625	456	548	452
Non-management employees	527	680	604	673
	1,152	1,136	1,152	1,125

(Amounts in thousand)

42. Provident Fund

The employees of the Group participate in Provident Fund maintained by Engro Corporation Limited (the Parent Company). Monthly contribution are made both by the Holding Company and employees to the fund maintained by the Parent Company at the rate of 10% of basic salary. Accordingly, the following information is based upon the latest unaudited financial statements of the provident fund maintained by the Parent Company as at June 30, 2015 and the audited financial statements as at June 30, 2014.

	2015	2014
	Rupees	
Size of the fund - Total assets	3,161,499	2,091,284
Cost of the investments made	2,333,996	1,679,824
Percentage of investments made	87%	89%
Fair value of investments	2,736,879	1,861,191

42.1 The break-up of investments is as follows:

	2015		2014	
	Rupees	%	Rupees	%
National Savings Scheme	223,037	8	290,609	16
Government securities	1,045,090	38	901,642	48
Listed securities and unit trust	1,164,311	43	518,263	28
Balances with banks in savings account	304,441	11	150,677	8
	2,736,879	100	1,861,191	100

42.2 The investments out of the fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

43. Seasonality

The Holding 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 Holding Company manages seasonality in the business through appropriate inventory management.

44. Loss of Certain Accounting Records

During 2007, a fire broke out at PNSC Building, Karachi where the Holding Company's registered office was located. Immediately following this event the Holding Company launched its Disaster Recovery Plan due to which operational disruption and financial impact resulting from this incident remained minimal.

The fire destroyed a substantial portion of its hard copy records related to the financial years 2005, 2006 and the period January 1, 2007 to August 19, 2007 although, electronic data remained intact due to the aforementioned Disaster Recovery Plan. The Holding Company launched an initiative to recreate significant lost records and was successful in gathering the same in respect of the financial year 2007. Hard copy records related to the financial years 2005 and 2006 have not been recreated.

(Amounts in thousand)

45. Non-Adjusting Event After Balance Sheet Date

The Board of Directors in its meeting held on February 08, 2016 has proposed a final cash dividend of Rs.3.00 (2014: Rs. 3.00) per share in addition to interim cash dividend already paid at Rs. 3.00 (2014: Rs. Nil) per share for the year ended December 31, 2015, for approval of the members at the Annual General Meeting to be held on March 28, 2016. The amount of total dividend is calculated at the number of shares outstanding as at December 31, 2015.

46. Corresponding Figures

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

47. Date of Authorisation for Issue

These consolidated financial statements were authorised for issue on February 08, 2016 by the Board of Directors of the Holding Company.

Ruhail Mohammed
Chief Executive

Javed Akbar
Director

proxy form

I/We ____

of ____ being a member of ENGRO FERTILIZERS LIMITED

and holder of ____

(Number of Shares)

Ordinary shares as per share Register Folio No. ____________________________________ and/or CDC

Participant I.D. No. _________________________ and Sub Account No. ___________________, hereby appoint

____________________________________ of ______________________________ or failing him

____ of

____

as my/our proxy to vote for me and on my/our behalf at the annual general meeting of the Company to be held on the 28th day of March, 2016 and at any adjournment thereof.

Signed this _______________ day of ________ 2016.

WITNESSES:

1) Signature : ______________________

Name : ______________________

Address : ______________________

____

CNIC or : ______________________

Passport No.: ______________________

____

2) Signature : ______________________

Name : ______________________

Address : ______________________

____

CNIC or : ______________________

Passport No.: ______________________

____

____

Signature

Signature should agree with the specimen registered with the Company

Note:

Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. A Proxy need not be a member of the Company.

CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.

electronic transmission consent form

The Securities & Exchange Commission of Pakistan through SRO 787(I)/2014 of September 8, 2014 allowed the Company to circulate its annual balance sheet and profit & loss accounts, auditor's report and directors' report etc. (Audited Financial Statements) along with the Company's Notice of Annual General Meeting to its shareholders through email. Those shareholders who wish to receive the Company's Annual Report through email are requested to complete the requisite form below.

CDC shareholders are requested to submit their Electronic Transmission Consent Form along with their CNIC directly to their broker (participant)/CDC; while shareholders having physical shares are to send the forms and a copy of their CNIC to the Company's Registrar, FAMCO Associates (Pvt) Limited, 8-F, Block 6, P.E.C.H.S, next to Hotel Faran, Nursery, Shahrah-e-Faisal, Karachi.

Electronic Transmission Consent Form

Pursuant to the directions given by the Securities & Exchange Commission of Pakistan through its SRO 787(I)/2014 of September 8, 2014, I, Mr. /Ms. ______________________________ S/o, D/o, W/o ______________________________ hereby consent to have the Engro Fertilizers Limited's Audited Financial Statements and Notice of Annual General Meeting delivered to me via email on my email address provided below:

Name of Member/Shareholder	
Folio/CDC Account Number	
CNIC	
Email Address	

It is stated that the above mentioned information is true and correct and that I shall notify the Company and its Share Registrar in writing of any change in my email address or withdrawal of my consent to email delivery of the Company's Audited Financial Statements and Notice of the Meeting.

____

Signature of Member/Shareholder

Date: ____________________

request for video conferencing facility form

Members can also avail video conference facility in Lahore and Islamabad. If the Company receives consent at least 10 days prior to date of meeting, from members holding in aggregate 10% or more shareholding and residing at either Lahore and/or Islamabad to participate in the meeting through video conference, the company may arrange video conference facility in that city.

In this regard please fill up the following form and submit it to registered address of the Company 10 days before holding of the annual general meeting.

I/We, ______________________________ of ______________________________ being a member of Engro Fertilizers Ltd., holder of ___________________________ Ordinary Share(s) as per Register Folio No/CDC A/c No.___________________________ hereby opt for video conference facility at ______________________.

____

Signature of Member/Shareholder

Date: ______________________

ویڈیو کانفرنسنگ کی سہولت کے فارم کی درخواست

لاہور اور اسلام آباد میں اراکین ویڈیو کانفرنس کی سہولت بھی حاصل کر سکتے ہیں۔ لاہور اور ریا اسلام آباد میں مقیم وہ شیئر ہولڈرز جو مجموعی طور پر 10 فیصد یا اس سے زیادہ شیئرز کے حامل ہوں اور اجلاس میں ویڈیو کانفرنس کے ذریعے شامل ہونا چاہتے ہوں تو اگر اجلاس کی تاریخ سے کم از کم 10 روز قبل کمپنی کو ان کی طرف سے اجازت موصول ہو جاتی ہے تو وہ ان میں سے کسی بھی شہر میں اُن کے لئے ویڈیو کانفرنس کی سہولت مہیا کر سکتی ہے۔

اس ضمن میں براہِ مہربانی درج ذیل فارم پُر کیجئے اور اسے کمپنی کے رجسٹرڈ پتے پر سالانہ اجلاسِ عام کے انعقاد کی تاریخ سے کم از کم 10 روز قبل داخل کروا دیجئے۔

میں رہم ____ اینگرو فرٹیلائزرز لمیٹڈ کے رکن اور رجسٹر کے صفحہ نمبر/سی ڈی سی اکاؤنٹ نمبر ____________________ کے مطابق ____________ عام شیئر (ز) کے حامل کی حیثیت سے ____________ میں ویڈیو کانفرنس کی سہولت حاصل کرنا چاہتا ہوں/چاہتے ہیں۔

____

____

دستخط رکن/شیئر ہولڈر

تاریخ: ________________________________

بورڈ کے اجلاس اور حاضری

2015 میں، بورڈ آف ڈائریکٹرز کی سرگرمیوں کی سائیکل مکمل کرنے کے لئے 6 ملاقاتیں کیں ڈائریکٹرز حاضری ریکارڈ مندرجہ ذیل ہے

محمد علی الدین انصاری	3*
روحیل محمد	6
جاوید اکبر	6
ناز خان	6
عبدالصمد داؤد	4
شبیر ہاشمی	6
شاہد حامد پراچہ	6
سید خالد سراج سبحانی	6
انعام اللہ نوید خان	3**

☆ جناب محمد علی الدین انصاری نے 11 مئی 2015 کو استعفیٰ دے دیا۔

☆ جناب انعام اللہ نوید خان نے 8 اگست 2015 کو جوائن کیا۔

بی سی سی حاضری

2015 میں، بورڈ آف ڈائریکٹرز کی سرگرمیوں کی سائیکل مکمل کرنے کے لئے 3 ملاقاتیں کیں، ڈائریکٹرز حاضری ریکارڈ مندرجہ ذیل ہے

محمد علی الدین انصاری	1*
جاوید اکبر	2
سید خالد سراج سبحانی	2**
عبدالصمد داؤد	2
ایم آصف سلطان تاجک	3

☆ جناب محمد علی الدین انصاری نے 11 مئی 2015 کو استعفیٰ دے دیا۔

☆ جناب سید خالد سراج سبحانی نے 11 مئی 2015 کو جوائن کیا۔

بی سی سی حاضری

2015 میں، بورڈ آف ڈائریکٹرز کی سرگرمیوں کی سائیکل مکمل کرنے کے لئے 4 ملاقاتیں کیں، ڈائریکٹرز حاضری ریکارڈ مندرجہ ذیل ہے

جاوید اکبر	4
عبدالصمد داؤد	2
شبیر ہاشمی	4

J. Akbar

جاوید اکبر
ڈائریکٹر

روحیل محمد
چیف ایگزیکٹو آفیسر

پراکسی فارم

میں/ہم -- کے --

اینگرو فرٹیلائزرز لمیٹڈ کے رکن اور عام شیئر کے حامل کی حیثیت کے -- (شیئرز کی تعداد)

رجسٹر کا فولیو نمبر -------- اور/ یا سی ڈی سی فولیو کا آئی ڈی نمبر ---------------------------- اور ذیلی اکاؤنٹ نمبر ----------------،-------------------- کے

-- یا -- کے --

کو کمپنی کے سالانہ عام اجلاس جو 28 مارچ 2016ء کو منعقد ہوگا، میں میرے/ہمارے لئے اور میری/ہماری طرف سے بحیثیت اپنا پراکسی، ووٹ دینے کے لئے نامزد کرتا ہوں/کرتے ہیں۔

دستخط ---------------------------- بروز ------------ بتاریخ ------- / ----------- 2016۔

گواہان:

- دستخط : --
  نام : --
  پتہ : --

  کمپیوٹرائزڈ قومی شناختی کارڈ نمبر : ----------------------------
  پاسپورٹ نمبر : --
- دستخط : --
  نام : --
  پتہ : --

  کمپیوٹرائزڈ قومی شناختی کارڈ نمبر : ----------------------------
  پاسپورٹ نمبر : --

دستخط شیئر ہولڈر
(دستخط کا کمپنی میں رجسٹرڈ نمونے کے ہو بہو مطابق ہونا ضروری ہے)

نوٹ : نمائندے کو فعال بنانے کے لئے نامزدگی کا فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کو موصول ہو جانا چاہیئے۔ نمائندے کو کمپنی کا رکن ہونا ضروری نہیں۔

سی ڈی سی شیئر ہولڈرز اور ان کے نمائندوں سے فرداً فرداً درخواست ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ نقل یا پاسپورٹ، پراکسی فارم داخل کرنے سے قبل اس کے ساتھ منسلک کریں۔

2015 میں ڈھرکی مینوفیکچرنگ فیسلٹی کے اطراف کی کمیونٹی کے لئے ایک اہم مسئلہ نکاسی آب تھا جس کا حل کر کے کمپنی نے ثابت کیا کہ وہ کمیونٹیز کے لئے اپنی ذمہ داری سے بخوبی آگاہ ہے۔ کمپنی نے ملحقہ گاؤں میں کمیونٹی آگاہی اور ایمرجنسی رسپانس کے تحت اطراف کی کمیونٹیوں کو درپیش مسئلہ "فضلے کی صفائی اور نکاسی آب" کے سدباب کے لیے "Constructed Wetland" نامی جدید ٹریٹمنٹ ٹیکنالوجی متعارف کروائی۔ اس کے علاوہ ری سائیکلنگ کے ذریعے استعمال شدہ پانی کو دوبارہ استعمال کرنے اور فریش پانی کو استعمال کرنے میں کمی کر کے ماحولیات پر اثر انداز ہونے والے عوامل کے اخراج کو بھی کم کیا۔

ہماری مجموعی ایچ ایس ای کارکردگی

کاروبار	اوقات کار	TRIR	ریکارڈ شدہ چوٹیں	اموات	انجری کی صورت میں کام کا ضیاع
فرٹیلائزر	11,725,426	0.15	09	00	00

ہماری سماجی انویسٹمنٹ

اپنے آغاز سے اینگرو فرٹیلائزرز نے سائٹ کے اطراف کی کمیونٹیوں میں اپنے متحرک سماجی کردار کو برقرار رکھا ہے۔ ہماری سماجی انویسٹمنٹ میں مختلف سیکٹروں میں متفرق منصوبے اور پروگرام متعارف کرنا ہے جو کمیونٹیوں کی ڈویلپمنٹ کے لیے ہیں۔

کمیونٹی کی شمولیت

2015 میں کمپنی نے گھوٹکی میں کمیونٹی کی شمولیت کو بہتر بنانے پر زیادہ زور دیا ہے۔ کمیونٹی افسران کی ایک ٹیم کو ہمسایہ کمیونٹیز کے ساتھ تعلقات میں بہتری کے لیے بنایا گیا ہے۔ اضافی سماجی سرمایہ کاریوں، ہمسایہ گاؤں اور ڈھرکی شہر میں کمیونٹی کے ساتھ مشترکہ ایکٹیویٹی سے ہمیں کمیونٹیز کی ضروریات کو سمجھنے اور پھر اس کے مطابق پروگراموں وضع کرنے میں مدد ملی ہے۔

TTC ⟨ٹیکنیکل ٹریننگ کالج⟩

ڈھرکی میں ٹیکنیکل ٹریننگ کالج، جس کو قائم کرنے میں اینگرو نے مرکزی کردار ادا کیا، تربیت کے پروگراموں کے لئے اہم ہے۔ ٹیکنیکل ٹریننگ کالج مکینیکل اور کیمکل ٹیکنالوجی میں 3 سال ایسوسیٹڈ انجینئرنگ ڈپلوما آفر کرنے کے ساتھ ساتھ مقامی نوجوانوں کو کم مدتی پیشہ ورانہ تربیت کے پروگرام بھی آفر کرتا ہے تا کہ انہیں انڈسٹری کی ضروریات کے تناظر میں زیادہ سے زیادہ ملازمتوں کے مواقع میسر آسکیں۔ اس سال TTC نے سیڈ وینچر کی شراکت داری کے ساتھ انٹرپرینیور موڈیول کا شروع کیا ہے جس کے ذریعے ووکیشنل ٹریننگ گریجویٹس کے لئے روزگار کے مواقع پیدا کئے جاسکیں گے۔ اس کے علاوہ کارپینٹری اور UPS تجارت کے لئے ایک انکوبیشن پارک کا قیام زیرعمل لایا گیا ہے تا کہ ووکیشنل کورسز کے پورٹ فولیو کو بنایا جاسکے اور انٹرپرنور صلاحیتوں کو اجاگر کرنے میں مدد ملے۔ 2015 میں 344 گریجویٹس نے ووکیشنل ٹریننگ حاصل کی جن میں سے 96 نے نوکری حاصل کی DAE 65 گریجویٹس نے 29 نوکریاں حاصل کی اور آٹھ نے سندھ بورڈ کے امتحانات کی ٹاپ 10 پوزیشنز میں سے آٹھ اپنے نام کیں۔ مستقبل قریب میں ڈیجیٹل پلیسمیٹ اسٹرکچر کو تیار کیا جارہا ہے تا کہ طالب علموں کی ریکروٹمنٹ تعلیمی سرگرمی اور سابق طالب علموں کا ٹریک رکھا جائے اس طرح اثرات کو مسلسل جاری بنیادوں پر پرکھا جاسکے گا۔

تعلیم

سال 2015 ہمارے ڈھرکی میں جاری تعلیمی منصوبوں کے لیے ایک اہم سال ثابت ہوا۔ کمپنی کے اپنائے گئے 10 اسکولوں کے ایک تا پانچ پرائمری درجات کے بچوں میں پڑھ سکنے کی صلاحیت کی بہتری میں معاونت کے لیے 22 ملین روپوں کی امریکی امداد ملی۔ اس کے علاوہ کمیونٹی کی 200 عورتوں کو بنیادی تعلیم سے آراستہ کرنے کے لیے ہر اسکول میں تعلیم بالغان بذریعہ انفارمیشن ٹیکنالوجی کلاسز کا بھی اہتمام کیا گیا۔ مستقبل قریب میں ہم ہر اسکول میں کمپیوٹر لیب قائم کرنا چاہتے ہیں اور اساتذہ کے ٹریننگ منصوبے کے ذریعے ایسے انیشیٹو لینا چاہتے ہیں کہ اساتذہ کی تربیت خودساختہ ہو۔

سال کے دوران اپنائے گئے اسکولوں میں بچوں کی انرولمنٹ مسلسل بڑھتی رہی جو پچھلے سال کے مقابلے آٹھ فیصد زیادہ ہے اور اسکول چھوڑنے والوں میں چار فیصد کمی کا رجحان رہا۔ اس وجہ سے اساتذہ کی تعداد کو دوگنا کردیا گیا تا کہ استاد اور بچوں کا 1:25 کا تناسب برقرار رکھا جا سکے۔ اس کے علاوہ کمپنی نے لرننگ ریسورس سینٹر، اینوورنمنٹل کلب بھی قائم کئے ہیں اور سائنس، کھیل کا سامان بھی اسکولوں کو مہیا کیا ہے تا کہ بچوں کی سیکھنے کی صلاحیت میں اضافہ کیا جاسکے۔

کمپنی کے پرچم بردار کچا اسکول منصوبہ پلان کے مطابق آپریٹ کیا جاتا رہا اور کچا اسکول دریا کے اطراف کی آبادیوں میں بچوں کو تعلیم کے زیور سے آراستہ کرتے رہے۔ سال کے دوران کمپنی نے نظر محمد مڈل اسکول کی تعمیر مکمل کرلی جو کمپنی کے اسکول ایجوکیشن پروگرام کا دوسرا مڈل اسکول ہے مڈل اسکول سندھ حکومت کی کمیونٹی ڈویلپمنٹ پراجیکٹ کی گرانٹ سے قائم کیا گیا ہے۔ سہارا کمیونٹی اسکول پورے سال اطراف کی کمیونٹیوں کے بچوں کو اعلیٰ اور معیاری تعلیم فراہم کرتا رہا۔ اپ گریڈ سہولیات اور میٹرک تک کلاس کی توسیع کے ساتھ یہ اسکول کمیونٹی کا اہم جز بن گیا ہے۔

صحت

ہمارے سہارا کلینک کمیونٹیوں کے 13,422 اشخاص کو صحت عامہ بنیادی سہولتیں فراہم کر رہے ہیں ان میں سے 11,399 لوگوں کو سنیک بائٹ ٹریٹمنٹ فیسلٹی میں ضروری میڈیکل سروسز دی گیں۔ اس کے علاوہ کمپنی نے انفراسٹرکچر کی بہتری کے لیے ڈرینیج سکیم تعمیر کیں، کمیونٹیوں میں موجود اسکول اور ڈسپنسری وغیرہ کی تعمیر نو کی، ہمسایہ گاؤں میں ویٹلینڈ تعمیر کیا اور صاف پانی کے لیے آر او پلانٹ لگایا۔ اس کے علاوہ کھیل کے فروغ کے لیے سپورٹس فیسلٹیز فراہم کیں۔

فارمر کنیکٹ پروگرام

2015 کے دوران فارمر کنیکٹ پروگرام کا آغاز کیا گیا جس کے تحت کسانوں کو 2015 کے آخری کوارٹر میں کیپسٹی بلڈنگ پروگرام اور ٹریننگ فراہم کی گئی۔ یہ پروگرام پنجاب کی چاول اور گندم پیدا کرنے والی پٹی میں شروع کیا گیا۔ اس میں منظم تربیتی پروگراموں کے ذریعے کسانوں کی تربیت شروع کردی ہے۔

Envision این ویژن

این ویژن ایک ملازم رضا کارانہ پروگرام ہے جو کمپنی کے ملازمین کو سماجی سرگرمیوں میں حصہ لینے کے مواقع فراہم کرتا ہے۔ ڈھرکی کراچی اور دیگر مقامات میں مقیم ملازمین سماجی کاموں میں بڑھ چڑھ کر حصہ لیتے ہیں۔ سال 2015 میں ملازمین نے 3,101 گھنٹے سماجی کاموں میں صرف کئے۔

اپنے لوگوں سے ہمارا عزم

کمپنی کی کامیابی کو ایک عنصر سے منسوب کیا جا سکتا ہے: ہم نے مسلسل پاکستان کے سب سے زیادہ باصلاحیت لوگوں کو اپنی ٹیم کا حصہ بنایا ہے۔ ہماری اعلیٰ کارکردگی دکھانے والی ٹیموں کو تخلیق کرنے کی صلاحیت ایک ایسا کلچر میں جس میں جامعیت، پروفیشنل ازم اور مہارت وہ چیز ہے جو ہماری کامیابی کی ضمانت ہے۔ یہ کمپنی کی چاہ ہے کہ وہ ایک ایسا ادارہ بنے جس میں نہ صرف پاکستان بلکہ دنیا کے باصلاحیت لوگ اس کا حصہ بننے کی خواہش کریں۔

یہ یقینی بنانے کے لیے کہ ہم نا صرف کالج یونیورسٹی سے فارغ التحصیل نوجوانوں بلکہ تجربہ کار پروفیشنلز کے لیے سب سے زیادہ پرکشش کمپنی بنے رہیں، ہم نے ایک ریکروٹمنٹ کے طریقے کو ڈیجیٹل کرنے کی مہم کا آغاز کیا جس کے تحت ہم نے اینگرو ٹیلنٹ ریکروٹمنٹ پورٹل لانچ کی۔ پورے سال میں ہم نے 28MTs/GTEs اور 40 انٹرنز کو بذریعہ MT / GTE ڈرائیو اور انٹرن شپ ڈرائیو کے ذریعے پاکستان بھر کی بہترین یونیورسٹیوں سے اپنی ٹیم میں شامل کیا۔

کمپنی اپنے ملازمین کو ویلکمنگ ماحول پیش کرتی ہے جس میں فزیکل سپیس کے ساتھ کلچر کا عکس بہت نمایاں ہے۔ اینگرو کو خاص طور پر اپنے آفس کلچر میں تنوع پر بہت فخر ہے اس لیے ہم نے مختلف پس منظر کے لوگوں کو اپنا حصہ بنانے کا اصولی فیصلہ کر لیا ہے اور عورتوں کی شمولیت کو بھی کامیابی سے بڑھا رہا ہے۔ فی الوقت کمپنی میں 36MPTs خواتین اور 07GTE خواتین ہیں۔ کمپنی مزید خواتین کی افرادی قوت کو فروغ دینے کے لیے کاوشیں کر رہی ہے۔ خواتین ایمپلائز کی ضروریات کو مدِنظر رکھتے ہوئے 2010 میں اینگرو ڈے کیئر سینٹر قائم کیا گیا جواب وہ مرد ایمپلائز بھی استعمال کرتے ہیں جن کی شریک حیات کہیں اور کام کرتی ہیں۔

اس کے علاوہ اینگرو معذور لوگوں (پی ڈبلیو ڈی) کی بھرتی کی حوصلہ افزائی کرتا ہے۔ اس ضمن میں اس کی پالیسی بہت واضح ہے۔ 2015 میں ایک (پی ڈبلیو ڈی) کو اینگرو کی مارکیٹنگ ڈویژن کا حصہ بنایا گیا جس کے بعد اینگرو فرٹیلائزر میں موجود (پی ڈبلیو ڈی) کی تعداد چار ہو گئی۔ اس کے ساتھ کمپنی مختلف NOWPDP, LCDDPNGOs & SNDF کے ساتھ منسلک ہے تاکہ پی ڈبلیو ڈی کی حوصلہ افزائی ہو سکے۔

2015 میں کمپنی نے ملازمین کی تربیت اور ترقی کے لیے جارحانہ نقطہ نظر کو برقرار رکھا اور 85 فیصد مینجمنٹ کے ملازمین کو مختلف ٹریننگ کا حصہ بنایا۔ اس کے علاوہ ہم نے موزوں امیدواروں کو منتخب کرنے کے لئے پہلا EMBA سسٹس سائیکل سرانجام دیا۔ اس کے علاوہ ہم نے انجینئرز کے لئے ہالڈ ورٹو پسو اور GE کے ساتھ مخصوص مہارت کی تربیت کے پروگرام متعارف کرائے۔

کمپنی بخوبی سمجھتی ہے کہ اچھے معاوضے کی پالیسیاں ٹیلنٹ کو راغب تو کر سکتی ہیں لیکن انہیں کمپنی کا مسلسل حصہ رکھنے کے لیے اور مراعات بھی دینی ہوں گی۔ اس بنیاد پر مخصوص آجر قدر متعارف کرائے گئے جن میں کارلیز اور خصوصی شرح سود پر گھر فنانسنگ ٹیکس ریٹرن فائل کرنے کی خدمات اور رعایتی فٹنس سروس اور تفریحی کلب کی رکنیت بھی شامل ہے۔

پنشن، گریجویٹی اور پروویڈنٹ فنڈ

ملازمین اینگرو کارپوریشن کے ریٹائرمنٹ فنڈ میں حصہ لیتے ہیں کمپنی نے ملازمین کے لیے پنشن اور ریٹائرمنٹ کے بعد کی سہولیات کے ضمن میں منصوبہ بندی کی ہوئی ہے ان میں شامل ہیں ڈیفائنڈ کنٹریبیوشن، ڈیفائنڈ بینیفٹس، پنشن پلانز (دونوں کم کر دیئے گئے ہیں)، ڈی سی پروویڈنٹ فنڈ، ڈی سی گریجویٹی پلان اور ڈی بی گریجویٹی پلان پروویڈنٹ فنڈ کے نیٹ اثاثہ جات کی قدر (30 جون 2015 تک)، گریجویٹی فنڈز (31 دسمبر 2014 تک) اور پنشن فنڈز (31 دسمبر 2014 تک) ان کے متعلقہ آڈٹ اکاؤنٹس کی بنیاد پر یہ ہیں

پروویڈنٹ فنڈ: 3,064 ملین روپے (EFert کا شیئر: ~1,290 ملین روپے)

ڈی سی پنشن فنڈ: 675 ملین روپے (EFert کا شیئر: ~317 ملین روپے)

ڈی بی پنشن فنڈ: 34 ملین روپے (EFert کل)

ڈی سی گریجویٹی فنڈ: 1,032 ملین روپے (EFert کا شیئر: ~436 ملین روپے)

ڈی بی این ایم پی ٹی فنڈ: 152 ملین روپے (EFert کل)

ڈی بی ایم پی ٹی فنڈ: 264 ملین روپے (EFert کل)

آڈیٹرز

موجودہ آڈیٹرز اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنس ریٹائر اور اہل ہونے، خود کو ری اپائنٹمنٹ کے لیے پیش کیا ہے۔ بورڈ کی آڈٹ کمیٹی 31 دسمبر، 2016 کو ختم ہونے والے سال کے لئے ان کی باحیثیت آڈیٹر اپائنٹمنٹ کی سفارش کرتی ہے۔

شیئر ہولڈنگ کے پیٹرن

اینگرو فرٹیلائزرز لمیٹڈ کا بڑا شیئر ہولڈر ای کورپ ECORP ہے۔ دیگر شیئر ہولڈرز مقامی ادارے اور عام عوام ہیں۔

شیئر ہولڈنگ کے عمومی نقشے اور شیئر ہولڈرز کے مخصوص طبقوں کی شیئر ہولڈنگ کے خاکے کے ہمراہ، جن کا انکشاف رپورٹنگ فریم ورک کے تحت درکار ہے، ڈائریکٹرز، ایگزیکٹو، زوجہ اور چھوٹے بچوں کے سال 2015 میں حصص کی خرید وفروخت کا سٹیٹمنٹ اس رپورٹ میں آگے دکھایا گیا ہے۔

ڈائریکٹر کی ذمہ داریوں کا سٹیٹمنٹ

۱۔ ڈائریکٹرز تصدیق کرتے ہیں کہ کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک SECP کے کارپوریٹ گورننس کے کوڈ کے عین مطابق ہے۔

۲۔ کمپنی کی انتظامیہ کی طرف سے تیار کئے جانے والے مالیاتی سٹیٹمنٹس منصفانہ طور پر اس کے امور، اس کے آپریشنز کے نتائج، کیش فلوز اور ایکوئٹی میں تبدیلی بیان کرتے ہیں۔

۳۔ کمپنی کے اکاؤنٹس کی بکس کی معقول دیکھ بھال کی گئی ہیں۔

۴۔ کمپنی کے اکاؤنٹس بکس کو مناسب طریقے سے برقرار رکھا گیا ہے۔

۵۔ مناسب اکاؤنٹنگ پالیسیوں کو مالی بیانات کی تیاری میں لاگو کیا گیا ہے سوا؟ موجودہ سٹینڈرڈز کی تشریحات، سٹینڈرڈز یا ترامیم کی ابتدائی درخواست کے نتیجے میں ہونے والی تبدیلیوں کے. اکاؤنٹنگ تخمینے معقول دانشمندانہ فیصلے پر مبنی ہیں۔

۶۔ بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جو پاکستان میں بھی لاگو ہیں، ان کی تمام فنانشل اسٹیٹمنٹس میں مکمل پیروی کی گئی ہے اور جہاں نہیں کی گئی وہاں مناسب طور پر ذکر کیا ہے اور مکمل وضاحت کی گئی ہے۔

۷۔ اندرونی کنٹرول کے نظام کا ڈیزائن بلکل ٹھیک ہے اور اسے مؤثر طریقے سے لاگو اور مانیٹر کیا گیا ہے۔

۸۔ کمپنی کے جاری رہنے کی صلاحیت پر کوئی قابل ذکر شکوک وشبہات نہیں ہیں۔

۹۔ لسٹنگ ریگولیشنز میں تفصیلی طور پر درج کارپوریٹ گورننس کے بہترین طریقوں میں سے کوئی میٹریل ڈیپارچر نہیں۔

۱۰۔ چھ ڈائریکٹرز نے پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس کی طرف سے منعقدہ ڈائریکٹرز ٹریننگ کورس میں شرکت کی ہے ڈائریکٹرز میں سے ایک ڈائریکٹر ٹریننگ کورس لینے سے مستثنی ہیں باقی ایک ڈائریکٹر نے اس سال کے کورس میں شرکت کرنی ہے۔

ڈائریکٹرز رپورٹ

یہ ہمارے لیے باعث مسرت ہے کہ ہم اینگرو فرٹیلائزرز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے آڈٹ کئے ہوئے 31 دسمبر 2015 تک کے کمپنی کے فنانشل سٹیٹمنٹس اور ڈائریکٹرز کی رپورٹ پیش کررہے ہیں۔

جائزہ:

سال 2015 میں اینگرو فرٹیلائزرز لمیٹڈ کے دونوں پلانٹس نے عمدہ آپریشنل اور مالیاتی کارکردگی کا مظاہرہ کیا جس کی وجہ ان دونوں پلانٹس کو مسلسل دوسرے سال گیس کی فراہمی ہے ۔ 2015 میں کمپنی کا منافع 15,027 ملین روپے رہا یہ پچھلے سال کے مقابلے 83 فیصد اضافہ ہے۔ 2014 میں کمپنی کا منافع 8,208 ملین تھا۔ پلانٹس کی عمدہ کارکردگی میں گیس کی مسلسل دستیابی کے ساتھ ساتھ Enven کے لیے مارچ 16، 2015 سے گیس کی رعایتی قیمتوں کا اطلاق بھی شامل ہے۔ 2014 کی ڈی لیوریج اور 2015 کی ری فنانسنگ اور ری پرائسنگ کے نتیجے میں کمپنی نے پورے سال فنانشل چارجز میں قابل ذکر بچت کی۔

2015 کی پہلی سہ ماہی کی غیر معمولی جنرل میٹنگ میں شیئر ہولڈرز کی منظوری کے بعد کمپنی نے اینگرو ایگزمپ پرائیویٹ) لمیٹڈ کے 100 فیصد شیئرز حاصل کر لیے اور اس طرح فرٹیلائزر ٹریڈنگ کے مکمل بزنس کو خرید لیا۔ اس حصول کے بعد کمپنی کا منافع بعد از ٹیکس 14,819 ملین رہا۔

مارکیٹ کا جائزہ

2015 میں پاکستان کی یوریا صنعت کی مانگ 2014 کے مقابلے ایک فیصد گراوٹ کے ساتھ KT5,573 ریکارڈ کی گئی. اس کی بنیادی وجہ خریف سیزن میں طلب میں کمی تھی جو مون سون بارشوں کے نتیجے میں پیدا ہوئی۔ مزید برآں خراب فصل کی وجہ سے کسانوں نے BT کپاس بونے سے اجتناب کیا۔ البتہ چوتھے سہ ماہی کی زیادہ مانگ نے تیسرے سہ ماہی کی کم مانگ کا احاطہ کرلیا۔ اگرچہ صنعت میں کی پیداوار میں کمی کا رجحان رہا تاہم مقامی طور پر تیار برانڈڈ یوریا کا مارکیٹ شیئر گیس کی مسلسل دستیابی کے نتیجے میں پچھلے سال کے 86.6 فیصد سے بڑھ کر 91 فیصد ہوگیا۔ یہ مقامی طور پر ہونے والی زیادہ پروڈکشن کی وجہ سے ہوا جو اس سال KT4,891 سے بڑھ کر KT5,285 ہوگئی۔

2015 کے پہلے چھ مہینوں میں مقامی یوریا کی قیمتوں میں استحکام دیکھا گیا تاہم 1 ستمبر کے بعد تمام سیگمنٹ کے لیے گیس کی قیمتوں میں اضافہ ہوا جس کی وجہ سے یوریا بنانے مینوفیکچررز نے نرخوں میں اضافہ کیا۔ یہ اقدام حکومت کی طرف سے کسان پیکج کے اعلان کے بعد کیا گیا کیونکہ اس اعلان سے یوریا کی قیمتوں کو غیر یقینی صورتحال کا سامنا تھا۔ حکومت کے کسان پیکج پر غور کرنے کے بعد مینوفیکچررز نے ڈسکاؤنٹ کا اعلان کیا لیکن اس کسان پیکج نے یوریا کی طلب کو کسی قسم کی ریلیف نا دی اور مجبوراً مینوفیکچررز کو گیس کے اضافی نرخ برداشت کرنا پڑے۔

2015 میں عالمی سطح پر تیل کی قیمتوں میں کمی کا بین الاقوامی سطح پر یوریا کے نرخوں پر قابل ذکر اثر ہوا جو سال کے آغاز کے ریٹ 304 ڈالر فی ٹن (CFR کراچی) سے گھٹ کر 252 ڈالر فی ٹن، پاکستانی کرنسی کے حساب سے 1,900 روپے فی بیگ ہوگئے۔

گیس کا منظرنامہ

ای سی سی کے فیصلے کی بنیاد پر اینگرو فرٹیلائزرز لمیٹڈ کو گدو/مری شالو سے مختص کردہ 60 MMSCFD گیس کی فراہمی سال 2015 میں مسلسل جاری رہی۔ جس کے بدلے اینگرو کو اپنے خرچے پر گدو پاور پلانٹ (GENCO II) میں گیس کمپریسر انسٹال کرنے تھے۔ 2015 میں کمپنی کی مجموعی پیداواری صلاحیت 87 فیصد رہی جبکہ 2014 میں 80 فیصد تھی۔

GIDC ایکٹ 2015 کے نفاذ کے بعد کمپنی نے GIDC ایکٹ کے ریٹروسپیکٹ لاگو ہونے کی شرائط کے خلاف اسٹے آرڈر لیا تاہم حکومت کی درخواست پر اور لیگل موقف پر سمجھوتہ کئے بغیر کمپنی نے فراہم کردہ غیر رعایتی گیس کی مکمل رقم 15.2 ارب روپے ادا کر دی ہے۔ فی الحال، کمپنی تمام غیر رعایتی گیس پر GIDC ادا کررہی ہے۔ ساتھ ساتھ کمپنی نے رعایتی گیس پر GIDC لاگو ہونے کی شرائط کے خلاف حکم امتناعی حاصل کرلیا ہے اور اس بنیاد پر نئے یوریا پلانٹ کو ملنے والی رعایتی گیس پر کمپنی کوئی GIDC ادا نہیں کی۔ رعایتی گیس پر GIDC فرٹیلائزر پالیسی اور ہماری گیس کی فراہمی کے معاہدوں کے ساتھ براہ راست خلاف ورزی ہے جن کی بنیاد پر ہم نے اپنے فرٹیلائزر مینوفیکچرنگ پلانٹ کو وسعت دینے کے لیے 1.1 ارب ڈالر انویسٹ کئے تھے۔

طبقہ تجزیہ

یوریا

اینگرو فرٹیلائزر لمیٹڈ نے 2015 میں KT1,968 یوریا کی پیداوار کی جو 2014 کی پیداوار KT1,819 سے 8 فیصد زائد ہے۔ اس کے علاوہ 278 دنوں کی قلیل مدت میں 1.5 ملین ٹن یوریا کی تیز ترین پیداوار کی۔ یوریا کی فروخت کے حجم کے مطابق 2015 میں سیلز والیوم 1,878 ملین ٹن رہا جو 2014 کے مقابلے تین فیصد زیادہ ہے نتیجتاً 2015 میں اینگرو فرٹیلائزر کا مارکیٹ شیئر 34 فیصد ہوگیا جبکہ 2014 میں یہ 32 فیصد تھا. جبکہ کمپنی کا برانڈڈ یوریا میں مارکیٹ شیئر 37 فیصد پر مستحکم رہا۔

فاسفیٹس

اینگرو نے 2015 میں KT 391 کے ڈی اے پی فروخت کئے جو مارکیٹ شیئر کا 22 فیصد بنتے ہیں۔ بین الاقوامی مارکیٹ میں تمام کموڈٹیوں کی قیمتوں کے گرنے سے، ڈی اے پی میں بھی کمی کا رجحان رہا۔ سال کے آغاز میں ڈی اے پی کی قیمت بین الاقوامی سطح پر 490 ڈالر فی ٹن (CFR پاکستان) تھی جو سال کے آخر میں کمی کے ساتھ 400 ڈالر فی ٹن (CFR پاکستان) ہوگئی۔

زرخیز

اینگرو کی مرکب کھاد (زرخیز اور اینگرو NP) کی فروخت 2015 میں 8 فیصد اضافہ کے ساتھ KT 135 رہی جبکہ گزشتہ سال KT 125 کی فروخت ریکارڈ کی گئی تھی۔ مجموعی طور پر مقامی پوٹاش کی صنعت میں 2014 سے 16 فیصد گراوٹ دیکھی گئی جس کی اہم وجہ خراب فصل ہے۔ تاہم زرخیز کا مارکیٹ شیئر 42 فیصد سے بڑھ کر 51 فیصد ہوگیا باوجود کہ سیلز میں قدرے کمی رہی۔

آؤٹ لک

2016 میں یوریا کی عالمی مانگ میں گروتھ متوقع ہے اور سپلائی میں بھی چین شمالی امریکا نائجیریا اور آذربائیجان کی جانب سے رسد بڑھنے کی بنیاد پر قدرے بہتری کی امید ہے۔ یوریا کی عالمی قیمتوں میں بھی دیگر کموڈٹیوں کی طرح گراوٹ کا رجحان رہا اور قیمت میں 16 فیصد کمی ریکارڈ کی گئی۔ 2016 میں سپلائی پر پریشر کی وجہ سے مزید اُتار متوقع ہے۔ عالمی نرخ اور مقامی یوریا کی قیمتوں میں فرق کم رہنے کی توقع ہے۔

مقامی یوریا کی مانگ 2016 میں مستحکم رہنے کی توقع ہے تاہم کسان کی آمدن میں کمی کی بدولت یوریا کی مانگ میں کمی ہوسکتی ہے۔ گیس کی موجودگی اور ایل این جی منصوبے کے پیش نظر مقامی طور پر تیار ہونے والا یوریا کی پیداوار میں اضافہ ہوسکتا ہے جس کی وجہ سے امپورٹ کئے جانے والے یوریا میں بھی کمی ہوسکتی ہے۔ گیس کی تخفیف سال 2015 میں اپنی موجودہ سطح پر برقرار رہی۔ جس وجہ سے پروڈیوسر 2015 والی کارکردگی اور نتائج 2016 میں گیس کی دستیابی سے مشروط حاصل کرسکتے ہیں۔

مزید برآں بڑے درآمد کنندگان کی امپورٹ ڈیمانڈ میں کمی اور مثبت فراہمی فنڈامینٹلز کی وجہ سے 2016 میں انٹرنیشنل ڈی اے پی کے نرخوں پر دباؤ رہے گا۔ اس کے علاوہ سال کے پہلے چھ مہینوں میں ڈی اے پی پر مقامی سبسڈی کے خاتمے اور کسانوں کی آمدن میں کمی کے باعث مقامی قیمتوں کو قدرے کمی متوقع ہے۔

مالیاتی جائزہ

2015 میں سیلز ریونیو 43 فیصد اضافے کے ساتھ 88,032 ملین روپے ریکارڈ کئے گئے جو پچھلے سال 61,425 ملین روپے تھے۔ سیلز ریونیو میں اضافے کی اہم وجہ فاسفیٹ کاروبار کا شامل ہونا تھا جس کی آمدن 2015 میں 23,606 ملین روپے رہی۔

سال 2015 کا مجموعی نفع 32,308 ملین روپے ریکارڈ ہوا جو پچھلے سال 22,603 ملین روپے تھا۔ فاسفیٹ کاروبار کی شمولیت سے رعایتی قیمتیں مجموعی نفع میں سال بسال نمو کی بنیاد پر شامل ہوئیں۔

کمپنی کے فنانشل چارجز 6,625 ملین روپے (2014) سے گھٹ کر 4,627 ملین روپے (2015) ہوگئے یعنی 1,998 ملین روپے سے فنانشل چارجز گھٹ گئے۔ اس کمی کے اہم اسباب میں 2014 کی ڈی لیوریج، 2015 کی ری فنانسنگ، قرض کی ری پرائسنگ اور ملک میں شرح سود میں کمی شامل ہیں۔ دیگر آمدن GIDC اور ڈیویڈنڈ کی ادائیگیوں کی وجہ سے آمدنی 2,449 ملین روپے سے کم ہوکر 1,781 ملین روپے رہی۔ منافع فی شیئر پچھلے سال کے 6.29 روپے سے بڑھ کر 11.14 روپے ہوگیا۔

ڈیویڈنڈ

بورڈ نے 31 دسمبر 2015 کے سالانہ جنرل اجلاس میں ارکان کی حتمی منظوری کے لئے 28 مارچ، 2016 کو منعقدہ میٹنگ میں 3 روپے کا فائنل منافع فی شیئر تجویز کیا۔

کیپٹل اسٹرکچر

2015 میں کمپنی نے فنانسنگ کی لاگت کو کم کرنے کی کوششوں پر توجہ مرکوز رکھی۔ اس مقصد کے لیے کمپنی نے مضبوط مالیاتی کارکردگی اور قرض دہندہ کی حمایت کی بدولت مقامی قرضہ جات کے پورٹ فولیو کو ری فنانسنگ اور ری پرائسنگ کے ذریعے 4.5 بلین روپے تک محدود کردیا۔ اس ضمن میں آنے والے سال میں ہمارے قرض پورٹ فولیو میں مزید اصلاح کرنے کے لئے مذاکرات جاری ہیں۔

2015 میں طویل مدتی قرضے 2014 کے 44,003 ملین روپے سے کم ہوکر 36,026 ملین روپے رہ گئے ہیں۔ 31 دسمبر 2015 تک شیئر ہولڈرا یکوئٹی 42,332 ملین روپے ہے۔
(2014: 34,478 ملین روپے)

دورانِ سال PACRA نے طویل مدتی کریڈٹ ریٹنگ کو +A سے بڑھا کر -AA کردیا ہے اور مختصر مدت کی ریٹنگ بھی A1 سے +A1 پر اپ گریڈ کردی ہے۔.

ایچ ایس ای سے ہماری وابستگی

کمپنی نے صحت، سیفٹی اور ماحولیات کے حوالے سے اپنی روایات کو قائم رکھا ہے اور Total Recordable Injury Rate (TRIR) کو 0.15 تک محدود کیا ہے۔

ڈھرکی میں جاری آپریشنز میں کوئی Lost Workday Injury (LWI) رپورٹ نہیں ہوئی اور TRIR 0.20 رہا۔ مینوفیکچرنگ فیسلٹی نے گیارہ ملین کام کے اوقات بغیر کسی LWI کے مکمل کیے۔ یہ امر کمپنی کی ایچ ایس ای سے وابستگی، ملازمین کی صحت اور حفاظت اور ماحول دوستی کا منہ بولتا ثبوت ہیں۔

سال بھر مختلف ڈرائیوز اور پروگراموں کے ذریعے سائٹ پر انجری اور حادثات سے بچنے کا شعور اجاگر کرنے کی کاوشیں اور مشقیں کروائی جاتی رہیں۔ بلخصوص ہاتھوں کو انجری سے بچانے کے لیے ایک پروگرام "بولتے ہاتھ" متعارف کروایا گیا جو بے حد کامیاب ثابت ہوا۔ اس پروگرام کے مرکزی خیال "بغیر دستانے پہنے کوئی کام نہیں" کو نہ صرف بے حد سراہا گیا بلکہ سائٹ کے ہر لیول پر اختیار بھی کیا گیا۔

ڈھرکی میں قائم کمپنی کی مینوفیکچرنگ فیسلٹی نے نومبر میں ڈوپونٹ کے آڈٹ Occupational Health and Industrial Hygiene (OHIH) میں صحت، حفاظت اور ماحولیات کے تینوں شعبوں میں لیول فور ایکسیلنس حاصل کیا۔ اس کامیابی کو سائٹ پر لیے گئے کئی اقدامات کے بعد حاصل کیا جو مندرجہ ذیل ہیں:

- ہیلتھ رسک اسیسمنٹ کو PHA کے ساتھ منسلک کر کے مضبوط کیا گیا
- کریٹیکل کاموں کے حوالے سے Quantitative Ergonomics پر عمل درآمد کروایا گیا
- Heat Stress کے سروے، سائٹ پر NARF کی ہینڈلنگ اور Asbestos کی بہتری
- سائٹ کے تمام ملازمین اور ٹھیکیداروں کے لئے تربیتی ریفریشر کا انعقاد

کمپنی نے اس سال ایک اور اعزاز حاصل کیا جب پلانٹ کے مینجمنٹ کلب نے خوراک میں HACCP (Points Control Criticaland Analysis Hazard) کا سسٹم سرٹیفکیٹ حاصل کیا۔ اس سرٹیفکیٹ کے بعد ڈھرکی فیسلٹی پہلی رہاشی کالونی بن گئی جہاں کا میس سرٹیفائیڈ ہے۔

2015 کے دوران پراسیس سیفٹی کو بہتر بنانے کے حوالے سے مختلف مہم کا سلسلہ جاری رہا اور اہم لوگوں کو پراسیس سیفٹی کی نئی تکنیک کی تربیت کرائی گئیں جس میں سیفٹی انٹیگریٹی لیول، لیئر آف پروٹیکشنز اور فنکشنل سیفٹی کی تربیت سمیت دیگر بھی شامل ہیں۔

مینوفیکچرنگ فیسلٹی نے سائٹ کی سیکورٹی مزید بہتر کرنے کے لیے ایمرجنسی رسپانس پروگرام کو بڑھایا ہے اس ضمن میں اونچے مقامات پر کیمرے نصب کئے ہیں تاکہ کرائسس مینجمنٹ سیل کسی بھی لیک یا پھیلاؤ پر نظر رکھ سکے۔

حفاظتی برتاؤ کی آگاہی کے لیے کنٹریکٹر سیفٹی آبزرویشن پروگرام شروع کیا گیا جس میں کنٹریکٹرز کی حوصلہ افزائی کی گئی کہ وہ سائٹ پر کمیوں اور خرابیوں کا ازخود نشاندہی اور مشاہدہ کریں، انہیں رپورٹ کریں اور خرابیوں کو خود ٹھیک کرنے کی کوشش کریں۔

کمپنی کے ماحولیات کی حفاظت کے عزم کو ورلڈ وائڈ فنڈ کی طرف سے سراہا گیا ہے جب WWF کی طرف سے کیا گیا گرین آفس ری سرٹیفکیشن آڈٹ کے دوران کمپنی نے 83.4 فیصد کے نتائج حاصل کر کے پاکستان میں سب سے اعلی پوزیشن حاصل کی۔