Dawood Hercules

MAKING FOOD & ENERGY

AVAILABLE, AFFORDABLE, SUSTAINABLE

Annual Report 2016

MAKING
FOOD & ENERGY
AVAILABLE, AFFORDABLE, SUSTAINABLE

Dawood Hercules is a partner in Pakistan's growth and prosperity, and this ethos serves as the foundation of our business operations. Energy, agriculture and food sectors are the strongest drivers of Pakistan's economic growth, and are therefore the core areas of investment for our group. We are a holding company founded on family values. This allows us to deploy capital and invest in people and partnerships over a long period of time to solve two of the most pressing issues the world is facing today: making food and energy available, affordable and sustainable.

Dawood Hercules

CONTENTS

MAKING
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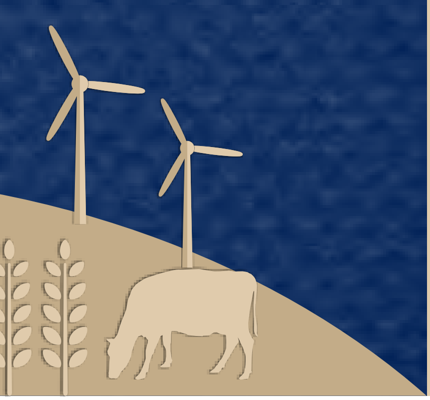
Dawood Hercules



VISION

To make food and energy available, affordable and sustainable for the developing world via pairing capital with capability and with ideas that will have the biggest impact.

PURPOSE

Food and Energy security is inextricably linked to economic empowerment

Population and GDP growth is putting more pressure on the existing supply of food and energy. Thus we believe that achieving our vision will require supply side innovation to improve productivity

We have a long track record of improving efficiencies and productivity in both these sectors

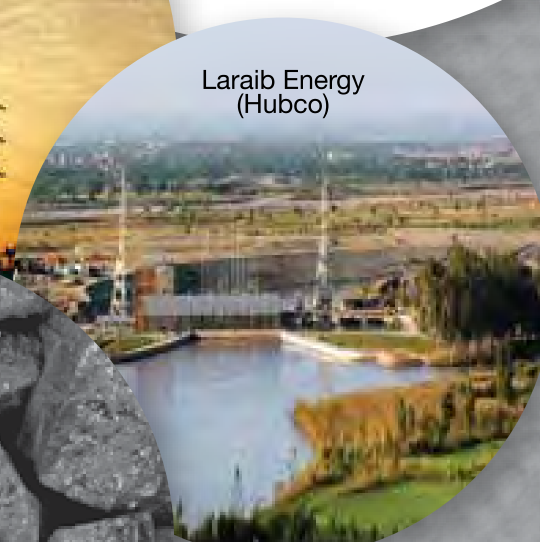
We believe in deep collaboration between group companies that will allow us to innovate in ways others can’t, and we will only participate in markets where we can make a significant contribution. We are not going to settle for anything less than excellence in every aspect of our work

OUR BUSINESSES

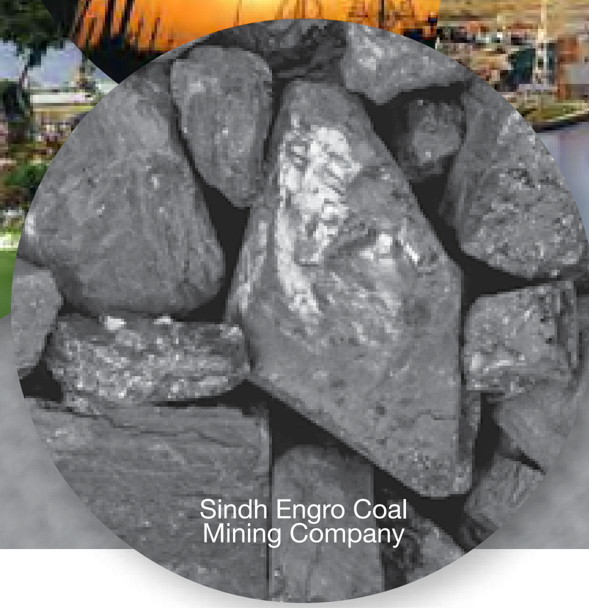
Engro Elengy Terminal

Engro Fertilizers

Engro Powergen



Laraib Energy (Hubco)

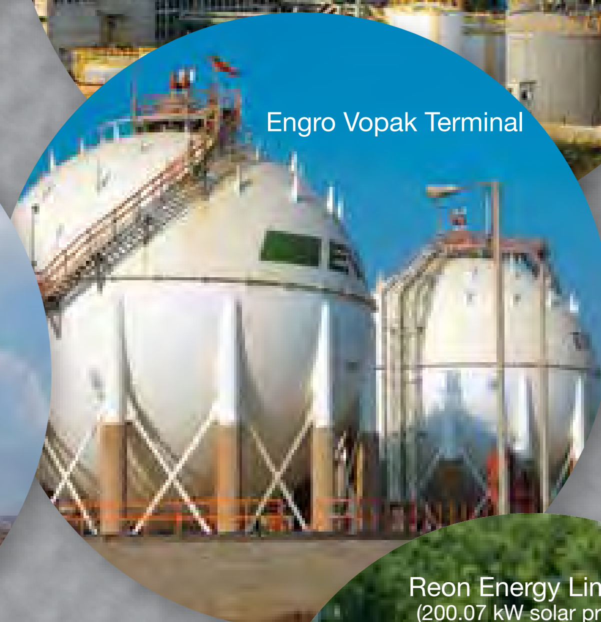


Sindh Engro Coal Mining Company

Hubco Narowal Plant

Engro Polymer & Chemicals

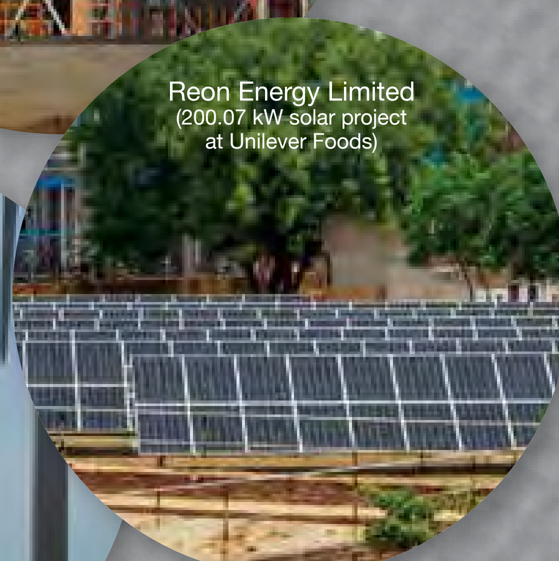
Hub Power Plant, Hub



Engro Vopak Terminal

Engro Foods

Tenaga Generasi Limited



Reon Energy Limited
(200.07 kW solar project at Unilever Foods)

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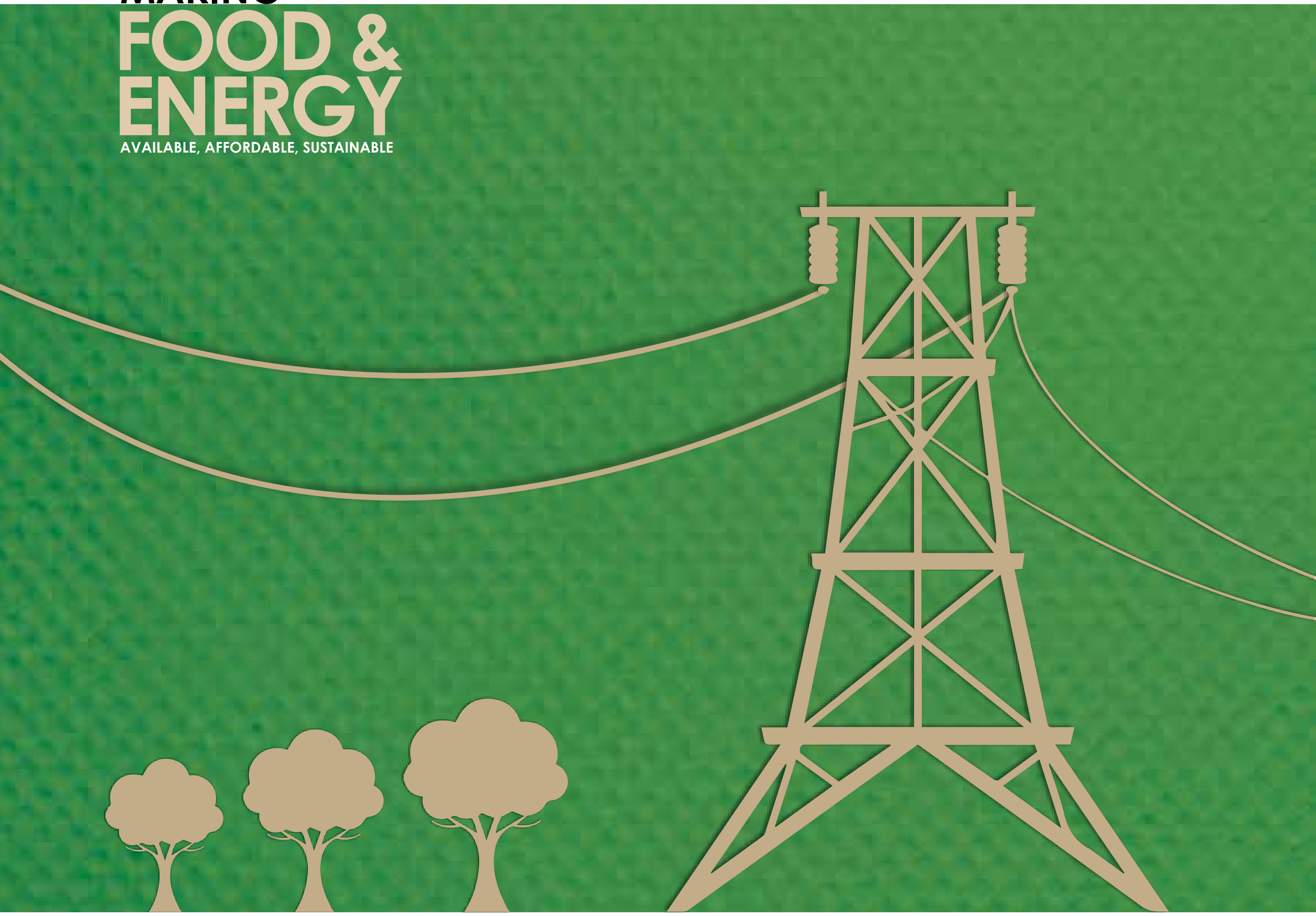
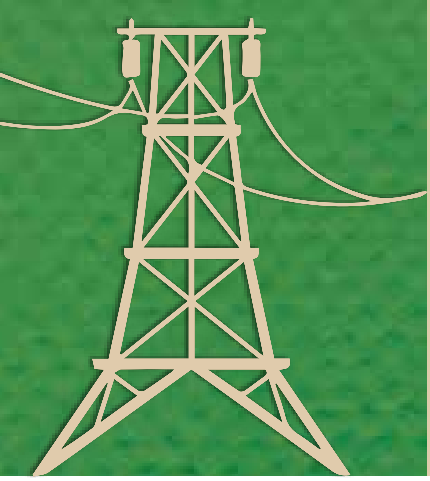


Dawood Hercules



PROBLEM WORTH SOLVING

There is over 7,000 MW power deficit at current level of demand

OUR CURRENT INPUT

We supply over 1,800 MW of electricity today, and have a combined investment plan to augment 2,700MW in new power

BUSINESS ETHICS & CORE VALUES

This statement of Business Ethics and Core Values constitutes the basis on which Dawood Hercules Corporation Limited conducts its business. The Board of Directors and the employees of Dawood Hercules Corporation Limited are the custodians of the excellent reputation for conducting our business according to the highest principles of business ethics.

Our reputation not only affects whether or not someone will do business with us, it also determines whether we are proud to be associated with this Company.

We are committed to conducting our business activities in honest and sincere alignment with our Core Values and in full compliance with all the applicable laws and regulations. We also believe in treating our employees with the same principles in order to build mutual respect, confidence and trust based upon integrity, honesty, openness and competence.

In order to maintain and enhance our reputation for integrity in our business, it is important for all of us individually and collectively to adhere to the highest moral, ethical and legal standards.

CORE VALUES

At Dawood Hercules Corporation Limited, all our actions are based on and guided by the following values:

Diversity

We respect the dignity, rights and views of others and will provide unrestricted opportunity for personal advancement to employees irrespective of gender, ethnicity, beliefs, cultures and religions.

Teamwork

We are committed to work as a team to achieve common goals whilst fairly recognising and rewarding individual contributions on merit.

Accountability

We will be accountable as individuals and as employees for our ethical conduct and for compliance with applicable laws and policies and directives of the management.

Commitment to Excellence

We will drive and achieve results while pursuing the highest standards and maximizing the use of resources.

Integrity

We will conduct ourselves with uncompromising ethics and honesty at all times, in all situations, both professionally and personally.

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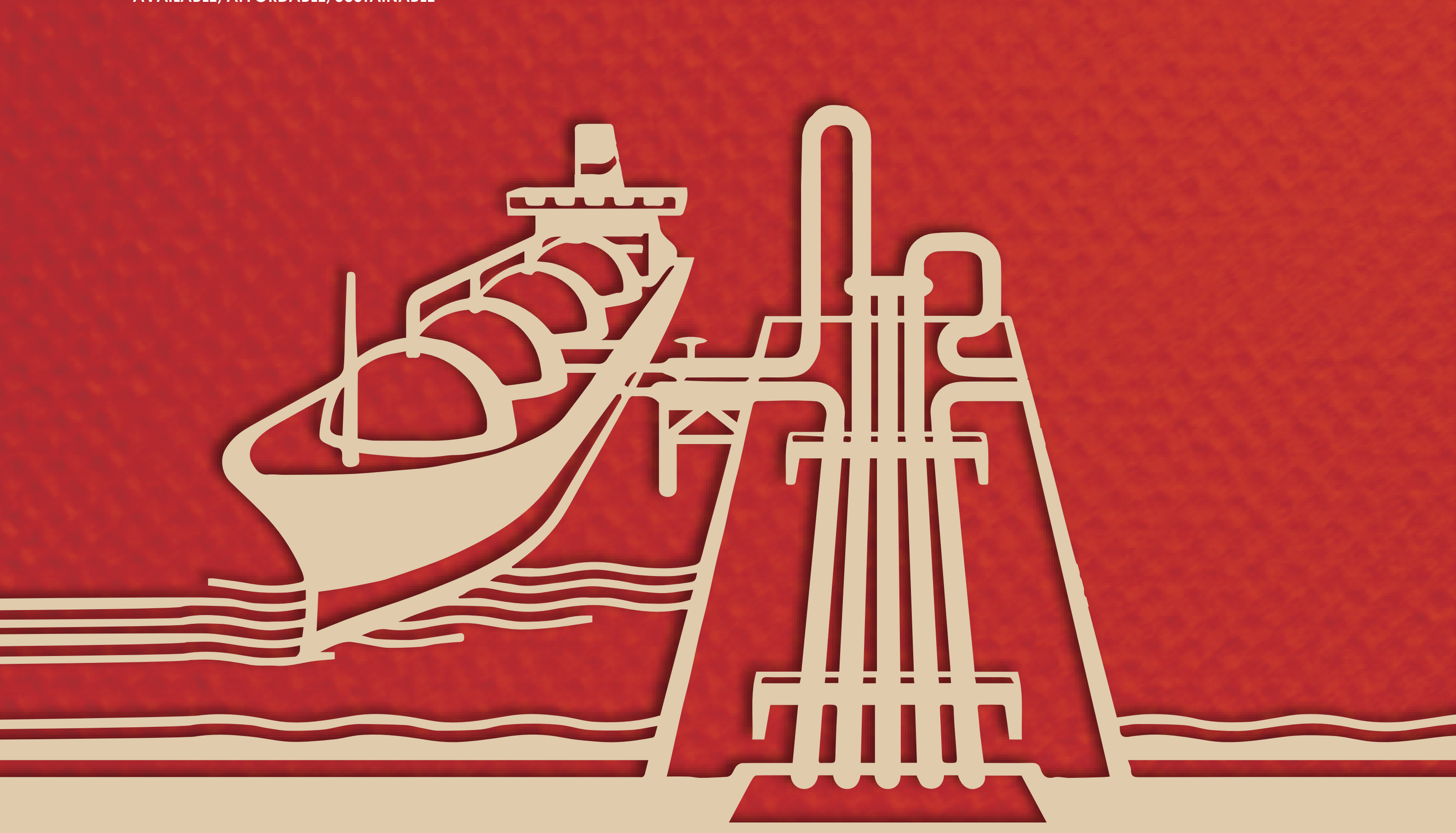


PROBLEM WORTH SOLVING

Pakistan is facing a shortfall of 2,000 million cubic feet of natural gas per day (mmcfd)

OUR CURRENT INPUT

Our state-of-the-art LNG terminal has injected 600 mmcfd in the system, bridging the country's gas shortfall by 30%, reviving 500+ industrial units, reviving 600 CNG stations, paving the way for 1,200 mmcfd more

PERFORMANCE HIGHLIGHTS CONSOLIDATED

Key Figures

Revenue
-13.6%

2016
PKR
157,208
Million

2015
PKR
181,980
Million

Profit After Tax
+243%

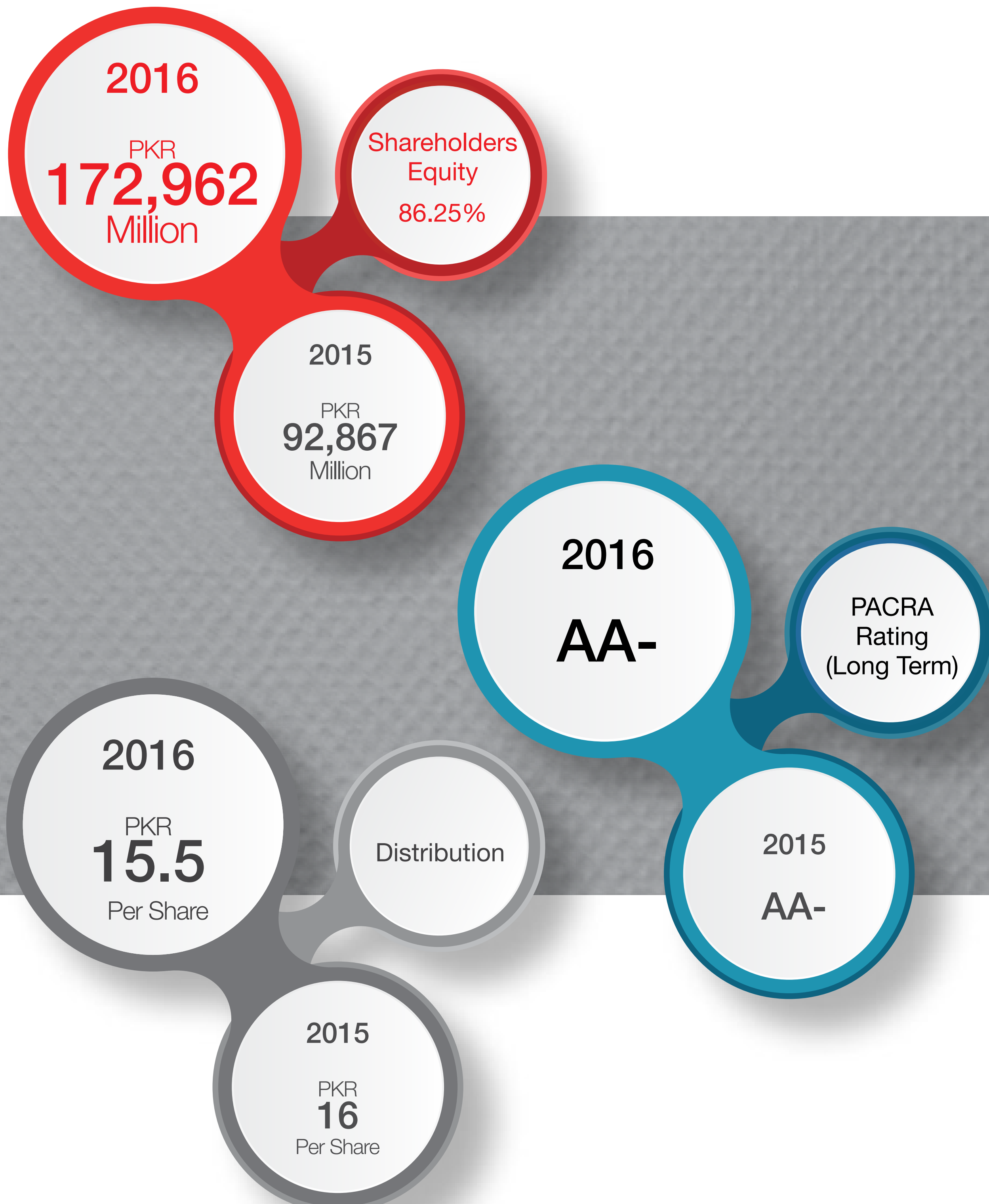
2016
PKR
73,438
Million

2015
PKR
21,365
Million

Share Price
21.14%

2016
PKR
144.33

2015
PKR
119.14


2016
PKR
172,962
Million
Shareholders
Equity
86.25%
2015
PKR
92,867
Million
2016
AA-
PACRA
Rating
(Long Term)
2015
AA-
2016
PKR
15.5
Per Share
Distribution
2015
PKR
16
Per Share

08.09.2016 – Wang Binghua, Chairman, State Power Investment Company and JV partners from China Power Hub Power Generation Company

17.02.2016 - Dominic Barton, Global Managing Director, McKinsey & Co. as Eminent Speaker at Karachi School of Business & Leadership

23.09.2016 - Chief Minister of Sindh, Murad Ali Shah inaugurates Magnifi-Science Exhibition at Dawood Public School, Karachi.

02.02.2017 - Roelof Joosten, CEO, RoyalFriesland Campina, celebrates investment in Engro's dairy business

01.06.2016 – Jeff Immelt, Chairman, GE signs a strategic alliance with Engro at GE's Crotonville Global Leadership Institute

COMPANY INFORMATION

Board of Directors
Mr. Hussain Dawood - Chairman
Mr. Inam ur Rahman - Chief Executive Officer
Mr. M. Abdul Aleem - Director
Mr. Shahzada Dawood - Director
Mr. Samad Dawood - Director
Ms. Sabrina Dawood - Director
Mr. Parvez Ghias - Director
Mr. Shabbir Hussain Hashmi - Director
Mr. Frank Murray Jones - Director
Mr. Hasan Reza Ur Rahim - Director
Mr. Saad Raja - Director

Board Audit Committee
Mr. M. Abdul Aleem - Chairman
Mr. Parvez Ghias - Member
Mr. Hasan Reza Ur Rahim - Member

Board Compensation Committee
Mr. Hussain Dawood - Chairman
Mr. M. Abdul Aleem - Member
Mr. Parvez Ghias - Member

Chief Financial Officer & Company Secretary
Mr. Shafiq Ahmed

Registered Office
Dawood Centre, M.T. Khan Road Karachi-75530
Tel: +92 (21) 35686001
Fax: +92 (21) 35633972
Email: shareholders@dawoodhercules.com
Website: www.dawoodhercules.com

Bankers
Bank Al-Habib Limited
Habib Bank Limited
Allied Bank Limited
United Bank Limited
Habib Metropolitan Bank Limited
MCB Islamic Bank Limited

Auditors
A.F. Ferguson & Co.
Chartered Accountants
State Life Building No 1-C I.I. Chundrigar Road
P.O. Box 4716, Karachi- 74000
Tel: +92 (21) 32426682-6
Fax: +92 (21) 32415007, 32427938

Tax Consultants
A.F. Ferguson & Co.
Chartered Accountants
State Life Building No 1-C I.I. Chundrigar Road
P.O. Box 4716, Karachi- 74000
Tel: +92 (21) 32426682-6
Fax: +92 (21) 32415007, 32427938

Shares Registrar
FAMCO Associates (Private) Limited
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P.E.C.H.S, Shahrah-e-Faisal, Karachi
Tel: +92 (21) 34380101-2,
Fax: +92 (21) 34380106

Legal Advisors
HaidermotaBNR & Co.
(Barristers at law)
D-79, Block – 5, Clifton
KDA Scheme No.5
Karachi- 75600
Tel: +92 (21) 111520000, 35879097
Fax: +92 (21) 35862329, 35871054

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PROBLEM WORTH SOLVING

220 million citizens are waiting for electricity to be affordably generated from locally available source of fuel to light up their homes, roads, and the industries

OUR CURRENT INPUT

We have achieved financial close of our mining operations in interior Sindh, creating over 1,000 jobs, with improved quality of life for the community towards a better, brighter Thar

BOARD OF DIRECTORS

Hussain Dawood
Chairman

A Pakistani industrialist and ardent philanthropist, Hussain Dawood currently chairs the boards of Dawood Hercules Corporation, the group's holding company; Engro Corporation, a diversified conglomerate; Hub Power Company, an independent power producer; Karachi Education Initiative, which funds the graduate management school Karachi School of Business & Leadership, and The Dawood Foundation, with its legacy of establishing various education institutions across the country.

His social responsibilities include Memberships of the World Economic Forum and its Global Agenda Councils of Anti-Corruption and Education. He was conferred the award "Ufficiale Ordine Al merito della Repubblica Italiana" by the Republic of Italy. Hussain Dawood holds an MBA from the Kellogg School of Management, Northwestern University, USA, and is a graduate in Metallurgy from Sheffield University, UK.

BOARD OF DIRECTORS

Inam ur Rahman, CEO

Inam ur Rahman is currently the Chief Executive Officer at Dawood Hercules Corporation. In the recent past, he has led the renewable businesses of the Dawood Group as CEO of Reon Energy Ltd. and Tenaga Generasi Ltd. With more than 25 years of professional experience Mr Rahman showcases his diverse business expertise dominating a wide spectrum of industries which include renewable energy, food sciences & production, textiles, fashion & apparel, lifestyle, and business consultancy.

His portfolio of directorships includes Engro Corporation Ltd., Hub Power Company Ltd., Sui Northern Gas Pipelines Ltd., Dawood Hercules Chemicals Ltd., Dawood Lawrencepur Limited, Sind Engro Coal Mining Company, Laraib Energy Ltd., SACH International Ltd., and Pebbles Private Ltd.

He holds a Bachelors of Electronic Engineering from University of Engineering & Technology from Lahore sealed with Masters of Business Administration from Lahore University of Management Sciences (LUMS). Inam ur Rahman was also adjunct faculty at LUMS, teaching Strategy, Management and Marketing. He is an environmentalist at heart and his passion is to make all energy renewable and free.

M. Abdul Aleem

M. Abdul Aleem is a Fellow Chartered Accountant (FCA) and a Fellow Cost and Management Accountant (FCMA). Mr. Aleem has worked for 16 years in senior positions with Engro Corporation Limited and Esso Singapore. Thereafter, he has worked for another 14 years with British American Tobacco Group UK (BAT) in Pakistan and overseas. For over ten years Mr. Aleem served as Chief Executive Officer of BAT operations in Cambodia, Mauritius and Indian Ocean.

Since 2004, Mr. Aleem has served in senior positions with large Government owned corporations in Pakistan. His last assignment was as the Managing Director, Pakistan State Oil Company Limited. Currently, he is the Chief Executive and Secretary General of Overseas Investors Chamber of Commerce and Industry. Mr. Aleem is also serving on the Board of Directors of Engro Corporation Limited and Meezan Bank Limited."

Shahzada Dawood

Shahzada Dawood serves as a Director on the Boards of Engro Corporation Ltd, Engro Vopak Terminal, Engro Polymer & Chemicals, The Hub Power Company, the largest independent power producer in Pakistan, Tenaga Generasi, a wind power generation firm, Inbox Business Technologies, an enterprise digital services firm, Cyan Limited, a capital markets investment firm, and other family-business concerns. He is a Trustee of The Dawood Foundation, supporting education initiatives.

Shahzada Dawood is a World Economic Forum Young Global Leaders alumnus. He is an M.Sc. in Global Textile Marketing from Philadelphia University, USA, and an LLB from Buckingham University, UK. He is a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance.

Samad Dawood

Samad Dawood is a graduate in Economics from University College London, UK and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance. He is Chairman of Engro Foods Limited and Director on the Boards of Dawood Hercules Corporation Limited, Dawood Lawrencepur Limited, The Hub Power Company Limited, Engro Corporation Limited and Engro Fertilizers Limited. Samad is a member of Young Presidents' Organization, Pakistan Chapter.

BOARD OF DIRECTORS

Sabrina Dawood

Sabrina Dawood is currently the CEO of The Dawood Foundation and Director of Engro Foods Limited, prior to which she has been working in various companies of the Dawood Hercules Group, such as Dawood Hercules Corporation Limited and Dawood Lawrencepur Limited in marketing, corporate communications, administration and CSR. She is also a member of Board of Governors of National Management Foundation (NMF) of Lahore University of Management Sciences (LUMS) and sits on the boards of Karachi School of Business and Leadership (KSBL). She holds an MSc in Medical Anthropology from University College London and a BA from London School of Economics in Anthropology & Law.

Parvez Ghias

Parvez Ghias is the Chief Executive Officer at Habib University Foundation effective Januray 2017.

Prior to undertaking the current assignment he was CEO at Indus Motor Co. Ltd., for nearly eleven and half years. Indus Motor is a joint venture between House of Habib of Pakistan and Toyota Motor Corporation and Toyota Tsusho Corporation of Japan and is engaged in manufacture and marketing of Toyota brand vehicles.

Before joining IMC in August 2005, Parvez Ghias was Vice President, CFO and Director at Engro Corporation.

He currently serves as on the boards of Indus Motor Company, Standard Chartered Bank Pakistan and Dawood Hercules Corporation.

Parvez Ghias is a fellow of the Institute of Chartered Accountants from England & Wales and member of several faculties of the Institute and holds a Bachelors Degree in Economics and Statistics. Parvez Ghias takes keen interest in sports and plays golf.

Shabbir Hussain Hashmi

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 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 Dawood Lawrencepur Limited, UBL Fund Managers, Engro Powergen Qadirpur and LMKR Holdings Mauritius and Pakistan. 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.

Frank Murray Jones

Frank Murray Jones is a researcher working on producing algorithms for use in different regional world economies. He has an Honors degree in Physics from University of Sheffield. Mr. Jones started his career in 1972 at Guest, Keen and Nettlefolds Steel Division in Birmingham and London. He has extensive experience of working in Client Services, Marketing and Econometrics in a diversified portfolio of companies (and countries) including Corn Products Corp, Cadbury Schweppes (UK), Anglo American Corp, South African Breweries, Eternit and the Govts of Hungary and Burundi.

Mr. Jones has also worked as a consultant for economic development for the World Bank; the Common Wealth Secretariat and the Govts of the Sultanate of Oman, Yemen and Sri Lanka; National Development Company, UAE; Central Bank of Oman; and the National Institute of Cultural Organizations, Abu Dhabi.

In 2009, Mr. Jones, along with co-workers at the University of Cambridge researched factors that affect the success & failure of startup enterprises. The formal results were published by the Royal Society of Arts and Manufacturers. He continues to fund and participate in formal research at the University of London on self-referencing perception systems and language structures.

BOARD OF DIRECTORS

Hasan Reza Ur Rahim

Mr. Rahim is an accomplished professional who has over 30 years of international experience in the Banking and Financial Services industry. Most recently he served as the Executive Director, in-charge of the Chairman's Office of the Dawood Hercules Group. He currently serves on the Boards of Cyan Limited, Dawood Hercules Corporation Limited and Dawood Lawrencepur Limited.

He has also held several senior roles in international banks and has been instrumental in implementing new business initiatives and establishing novel client coverage platforms. At JPMorgan he set up and headed the Global Corporate Bank in Bahrain, Qatar and Saudi Arabia, prior to which he also was the Senior Country Officer in Pakistan and was a part of the Regional Corporate Finance team based in Singapore. He has originated, led and executed large complex M&A transactions and Privatizations totaling USD5.0 billion, Sovereign Debt and Bond issues of over USD2.0 billion in the Telecom, Airlines, O&G and Petrochemical industries.

Previously, Mr. Rahim has worked with MashreqBank psc, ANZ Grindlays Bank plc, and Exxon Chemical Pakistan Limited. He was also posted to Zurich, Singapore, Bahrain and Dubai and received his degree from the University of Delaware in USA.

Saad Raja

Saad Raja is an engineer from UET, Lahore with an MBA from the London Business School. He joined DFJ ePlant ventures in 2002, prior to which he had worked at senior management levels in the international asset management and investment sector. His diverse experiences have included tenures with Diachi Life Mizuho Asset Management and Industrial Bank of Japan asset management international. He joined the DH Corp Board in 2012.

COMMITTEES

Board Audit Committee:

The Board has set up an audit committee comprising of three Directors. Presently, two of whom are independent and one is non-executive. The Chairman of the Committee is an independent director.

Mr. M. Abdul Aleem	Chairman
Mr. Parvez Ghias	Member
Mr. Hasan Reza Ur Rahim	Member

The Committee meets at least once in a quarter or as often as it considers necessary, to review and discuss all matters specified in the Code of Corporate Governance. The Committee also meets with the external auditors at least once a year.

The Head of Internal Audit acts as Secretary of the Committee.

Board Compensation Committee

The Board Compensation Committee consists of one non-executive Director and two independent Directors, as follows:

Mr. Hussain Dawood	Chairman
Mr. M. Abdul Aleem	Member
Mr. Parvez Ghias	Member

The Chief Executive Officer attends the meetings by invitation.

Board Compensation Committee is responsible for reviewing and approving the company's executive compensation, overall compensation strategy, human resources management policies, performance evaluation and succession plans including career planning for employees with high potential.

Manager HR acts as secretary of the committee.

Board Investment Committee:

The Board Investment Committee consists of two members, as follows:

Mr. Hussain Dawood	Chairman
Mr. Hasan Reza ur Rahim	Member

The Board Investment Committee is responsible for reviewing the Company's strategic investments in accordance with the mandate of the Board.

MAKING FOOD & ENERGY

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PROBLEM WORTH SOLVING

Over 40% children are undernourished mainly due to lack of protein

OUR CURRENT INPUT

We provide over 12 million consumers with good quality dairy products everyday

OPERATING HIGHLIGHTS

SIX YEARS AT A GLANCE

Sr.#	PARTICULARS	UNIT	2011
A)	INCOME STATEMENT		
1	Sales Value	Rs. in Million	6,310
2	Gross Profit	Rs. in Million	2,266
3	Operating Profit	Rs. in Million	1,462
4	EBITDA	Rs. in Million	4,636
5	Profit Before Taxation	Rs. in Million	3,632
6	Profit After Taxation	Rs. in Million	2,893
B)	DIVIDEND		
1	Cash Dividend	%	10
2	Stock Dividend	%	-
C)	BALANCE SHEET		
1	Fixed assets	Rs. in Million	2,247
2	Long term investments	Rs. in Million	24,702
3	Current Assets	Rs. in Million	4,579
4	Current Liabilities	Rs. in Million	680
5	Paid Up Capital	Rs. in Million	4,813
6	Reserves	Rs. in Million	20,293
7	Non Controlling Interest	Rs. in Million	-
8	No. of Ordinary Shares	Million	481.29
D)	RATIO ANALYSIS		
1	Gross Profit	%	35.91
2	Net Profit to Sales	%	45.85
3	Operating Profit Margin	%	23.17
4	EBITDA margin	%	73.48
5	Earnings Per Share	Rs.	6.01
6	Inventory Turnover	Time	22.01
7	Age of Inventory	Days	16.58
8	Debtors Turnover	Time	2,619.73
9	Average Collection Period	Days	0.14
10	Operating Cycle	Days	16.72
11	Total Assets Turnover	Time	0.20
12	Fixed Assets Turnover	Time	2.81
13	Break-up Value of Share	Rs.	52.16
14	Dividend Yield	%	2.36
15	Dividend Payout Ratio	%	16.64
16	Return on Equity	%	11.52
17	Debt Equity Ratio	Time	0.19
18	Current Ratio	Time	6.74
19	Quick Ratio	Time	6.52
20	Total Debt Ratio	Time	0.20
21	Interest Cover Ratio	Time	5.48
22	Dividend Cover Ratio	Time	6.01
23	Return on capital employed	%	11.52
24	Market Value per Share	Rs.	42.39
25	Market Capitalization	Rs. in Million	20,402
26	Price Earning Ratio	Times	7.05
E)	PRODUCTION		
1	Urea	Metric Tons	200
2	NPK	Metric Tons	-
3	PVC - Resin	Metric Tons	-
4	EDC	Metric Tons	-
5	Caustic Soda	Metric Tons	-
6	VCM	Metric Tons	-
7	Power	Mega watts	-
8	Dairy and bevrages	Thousand Litres	-
9	Milling/Drying unit of rice processing plant	Metric Tons	-
10	Ice Cream	Thousand Litres	-
F)	OTHERS		
1	Employees	Nos.	572
2	Capital Expenditure	Rs. in Million	91.64

	2012	2013	2014	2015	2016
	4,602	4,840	179,628	181,980	157,208
	786	789	36,490	45,221	35,843
	746	294	22,234	36,696	85,939
	2,231	4,950	33,243	48,953	98,280
	1,107	3,893	10,868	30,385	82,543
	984	3,452	7,455	21,365	73,438
	10	10	10	160	155
	-	-	-	-	-
	2,229	140,002	142,105	134,336	136,257
	30,814	7,616	8,610	9,598	40,688
	1,065	72,481	77,829	59,639	113,944
	582	68,872	89,775	65,840	55,436
	4,813	4,813	4,813	4,813	4,813
	20,892	18,972	22,903	28,152	48,872
	-	37,606	46,743	59,901	119,278
	481.29	481.29	481.29	481.29	481.29
	17.08	16.31	20.31	24.85	22.80
	21.38	71.32	4.15	11.74	46.71
	16.20	6.08	12.38	20.16	54.67
	48.48	102.27	18.51	26.90	62.52
	2.04	7.17	4.70	19.17	53.12
	37.53	0.39	8.84	10.64	9.79
	9.72	938.17	41.31	34.32	37.28
	3,053.01	3.15	46.73	32.07	15.36
	0.12	115.88	7.81	11.38	23.76
	9.84	1,054.05	49.12	45.70	61.04
	0.13	0.02	0.79	0.89	0.54
	2.06	0.03	1.26	1.35	1.15
	53.41	49.42	57.59	68.49	111.54
	3.07	1.78	1.18	13.43	10.74
	48.92	13.94	6.46	36.04	10.16
	3.83	14.51	26.90	64.81	136.79
	0.27	1.90	1.32	0.93	0.52
	1.83	1.05	0.87	0.91	2.06
	1.74	0.75	0.74	0.69	1.86
	0.25	0.72	0.68	0.55	0.43
	2.21	5.58	1.82	4.41	13.84
	2.04	7.17	15.49	2.77	9.84
	3.83	14.51	26.90	64.81	136.79
	32.54	56.12	84.51	119.14	144.33
	15,661	27,010	40,674	57,341	69,464
	15.95	7.83	17.98	6.21	2.72
	58	1,622,345	1,860,867	1,964,034	1,881,016
	-	92,839	117,193	126,074	94,610
	-	146,000	153,000	162,000	172,000
	-	117,000	118,000	100,000	106,000
	-	115,000	114,000	98,000	103,000
	-	170,000	168,000	162,000	174,000
	-	1,333,664	1,721,959	1,424,015	1,264,667
	-	422,818	472,735	552,532	-
	-	196,478	166,801	45,982	28,474
	-	14,500	16,726	19,364	-
	473	465	4,113	3,975	2,037
	217.21	6.82	9,579.81	8,917	23,721

HORIZONTAL ANALYSIS

BALANCE SHEET

---------------------------- Rs in million ----------------------------

Particulars	2011	2012	2013	2014	2015	2016
Share Capital and Reserves						
Issued, subscribed and paid up capital	4,813	4,813	4,813	4,813	4,813	4,813
Capital reserve	-	-	-	-	-	-
Revenue reserves	20,293	20,890	18,972	22,903	28,152	48,872
Fair value reserve	-	1	-	-	-	-
Non-Controlling interest	-	-	37,606	46,743	59,901	119,278
Share holder's equity with FVR	25,106	25,704	61,391	74,459	92,866	172,963
Non Current Liabilities	5,744	7,822	91,815	66,710	49,758	72,918
Sub Total	30,850	33,526	153,206	141,169	142,624	245,881
Current Liabilities						
Current portion - long term loan	-	216	16,797	19,316	22,791	13,374
Short term financing - secured	-	32	7,285	12,201	6,608	8,405
Trade and other payables	642	302	41,097	54,669	34,619	32,107
Markup payable on secured loans	9	32	2,306	2,124	1,428	1,238
Provision for taxation	29	-	-	-	-	62
Others	-	-	1,387	1,465	394	250
Sub Total	680	582	68,872	89,775	65,840	55,436
Total	31,530	34,109	222,078	230,944	208,464	301,317

---------------------------- Rs in million ----------------------------

Particulars	2011	2012	2013	2014	2015	2016
Assets						
Property, plant and equipment (Including intangibles and biological asset)	2,247	2,229	140,002	142,105	134,336	136,257
Long term investments	24,702	30,814	7,616	8,610	9,598	40,688
Long term loans and advances	2	1	307	1,184	3,758	9,851
Others	-	-	1,672	1,216	1,133	577
Sub Total	26,951	33,044	149,597	153,115	148,825	187,373
Current Assets						
Stores, spares and loose tools	678	676	7,806	8,276	7,679	7,148
Stock in trade	151	52	20,772	11,628	14,089	10,704
Trade debts	3	-	3,073	4,615	6,734	13,734
Loans, advances, deposit, prepayments and other receivables including accrued income	66	298	6,519	7,082	9,599	11,445
Others	-	-	4,569	4,693	2,368	-
Short term investments	2,951	3	22,700	29,163	14,050	64,726
Cash and bank balances	731	36	7,042	12,372	5,120	6,187
Sub Total	4,579	1,065	72,481	77,829	59,639	113,944
Total Assets Employed	31,530	34,109	222,078	230,944	208,464	301,317

Percentage change					
11 Over 10	12 Over 11	13 Over 12	14 Over 13	15 Over 14	16 Over 15
300%	-	-	-	-	-
-	-	-	-	-	-
-3%	3%	-9%	21%	23%	74%
-100%	100%	-100%	-	-	-
-	-	100%	24%	28%	99%
12%	2%	139%	21%	25%	86%
1%	36%	1,074%	-27%	-25%	47%
10%	9%	357%	-8%	1%	72%
-100%	100%	7,680%	15%	18%	-41%
-100%	100%	22,455%	67%	-46%	27%
-8%	-53%	13,510%	33%	-37%	-7%
-96%	275%	7,043%	-8%	-33%	-13%
-96%	-100%	-	-	-	100%
-	-	100%	6%	-73%	-37%
-71%	-14%	11,725%	30%	-27%	-16%
4%	8%	551%	4%	-10%	45%

Percentage change					
11 Over 10	12 Over 11	13 Over 12	14 Over 13	15 Over 14	16 Over 15
-	-1%	6,181%	2%	-5%	1%
10%	25%	-75%	13%	11%	324%
31%	-37%	22,098%	-	217%	162%
-	-	-	-27%	-7%	-49%
9%	23%	353%	2%	-3%	26%
-37%	-	1,054%	6%	-7%	-7%
-30%	-66%	39,769%	-44%	21%	-24%
26%	-88%	933,943%	50%	46%	104%
-91%	354%	2089%	9%	36%	19%
-	-	-	3%	-50%	-100%
21%	-100%	867,969%	28%	-52%	361%
-42%	-95%	19,719%	76%	-59%	21%
-20%	-77%	6,708%	7%	-23%	91%
4%	8%	551%	4%	-10%	45%

VERTICAL ANALYSIS

BALANCE SHEET

---------------------------- Rs in million ----------------------------

Particulars	2011	2012	2013	2014	2015	2016
Share Capital and Reserves						
Issued, subscribed and paid up capital	4,813	4,813	4,813	4,813	4,813	4,813
Revenue reserves	20,293	20,890	18,972	22,903	28,152	48,872
Fair value reserve	-	1	-	-	-	-
Non-Controlling interest	-	-	37,606	46,743	59,901	119,278
Share holder's Equity with FVR	25,106	25,704	61,391	74,459	92,866	172,963
Non Current Liabilities	5,744	7,822	91,815	66,710	49,758	72,918
Sub Total	30,850	33,526	153,206	141,169	142,624	245,881
Current Liabilities						
Current portion - long term loan	-	216	16,797	19,316	22,791	13,374
Short term financing - secured	-	32	7,285	12,201	6,608	8,405
Trade and other payables	642	302	41,097	54,669	34,619	32,107
Markup payable on secured loans	9	32	2,306	2,124	1,428	1,238
Provision for taxation	29	-	-	-	-	62
Others	-	-	1,387	1,465	394	250
Sub Total	680	582	68,872	89,775	65,840	55,436
Total	31,530	34,109	222,078	230,944	208,464	301,317

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Particulars	2011	2012	2013	2014	2015	2016
Assets						
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Long term loans and advances	2	1	307	1,184	3,758	9,851
Others	-	-	1,672	1,216	1,133	577
Sub Total	26,951	33,044	149,597	153,115	148,825	187,373
Current Assets						
Stores, spares and loose tools	678	676	7,806	8,276	7,679	7,148
Stock in trade	151	52	20,772	11,628	14,089	10,704
Trade debts	3	-	3,073	4,615	6,734	13,734
Loans, advances, deposit, prepayments and other receivables including accrued income	66	298	6,519	7,082	9,599	11,445
Others	-	-	4,569	4,693	2,368	-
Short term investments	2,951	3	22,700	29,163	14,050	64,726
Cash and bank balances	731	36	7,042	12,372	5,120	6,187
Sub Total	4,579	1,065	72,481	77,829	59,639	113,944
Total Assets Employed	31,530	34,109	222,078	230,944	208,464	301,317

Percentage					
2011	2012	2013	2014	2015	2016
15%	14%	2%	2%	2%	2%
64%	61%	9%	10%	14%	16%
-	-	-	-	-	-
-	-	-	20%	29%	40%
80%	75%	28%	32%	45%	57%
18%	23%	41%	29%	24%	24%
98%	98%	69%	61%	68%	82%
-	1%	8%	8%	11%	4%
-	-	3%	5%	3%	3%
2%	1%	19%	24%	17%	11%
-	-	1%	1%	1%	-
-	-	-	-	-	-
-	-	1%	1%	-	-
2%	2%	31%	39%	32%	18%
100%	100%	100%	100%	100%	100%

Percentage					
2011	2012	2013	2014	2015	2016
7%	7%	63%	62%	64%	45%
78%	90%	3%	4%	5%	14%
-	-	-	1%	2%	3%
-	-	-	1%	1%	-
85%	97%	67%	66%	71%	62%
2%	2%	4%	4%	4%	2%
-	-	9%	5%	7%	4%
-	-	1%	2%	3%	5%
-	1%	3%	3%	5%	4%
-	-	-	2%	1%	-
9%	-	10%	13%	7%	21%
2%	-	3%	5%	2%	2%
15%	3%	33%	34%	29%	38%
100%	100%	100%	100%	100%	100%

HORIZONTAL ANALYSIS

PROFIT AND LOSS

---------------------------- Rs in million ----------------------------

Particulars	2011	2012	2013	2014	2015	2016
Net sales	6,310	4,602	4,840	179,628	181,980	157,208
Cost of sales	4,044	3,816	4,051	143,138	136,759	121,365
Gross profit	2,266	786	789	36,490	45,221	35,843
Selling and distribution expenses	67	76	96	10,932	10,766	12,053
Administrative expenses	418	443	641	4,577	5,209	4,352
Impairment loss	587	-	-	43	-	-
Other operating expenses	82	9	39	2,509	3,236	2,351
Other income	351	488	280	3,805	10,686	68,852
Operating profit	1,462	746	294	22,234	36,696	85,939
Finance cost	811	915	850	13,234	8,919	6,431
Share of profit of associates & Joint venture	2,981	1,275	4,449	1,868	2,608	3,035
Profit before taxation	3,632	1,107	3,893	10,868	30,385	82,543
Taxation	739	123	442	3,413	9,020	9,105
Profit after taxation	2,893	984	3,452	7,455	21,365	73,438
Earnings per share (Rupees) - basic and diluted	6.01	2.04	7.17	4.70	19.17	53.12

VERTICAL ANALYSIS

PROFIT AND LOSS

---------------------------- Rs in million ----------------------------

Particulars	2011	2012	2013	2014	2015	2016
Net sales	6,310	4,602	4,840	179,628	181,980	157,208
Cost of sales	4,044	3,816	4,051	143,138	136,759	121,365
Gross profit	2,266	786	789	36,490	45,221	35,843
Selling and distribution expenses	67	76	96	10,932	10,766	12,053
Administrative expenses	418	443	641	4,577	5,209	4,352
Impairment loss	587	-	-	43	-	-
Other operating expenses	82	9	39	2,509	3,236	2,351
Other income	351	488	280	3,805	10,686	68,852
Operating profit	1,462	746	294	22,234	36,696	85,939
Finance cost	811	915	850	13,234	8,919	6,431
Share of profit of associates	2,981	1,275	4,449	1,868	2,608	3,035
Profit before taxation	3,632	1,107	3,893	10,868	30,385	82,543
Taxation	739	123	442	3,413	9,020	9,105
Profit after taxation	2,893	984	3,452	7,455	21,365	73,438

Percentage change

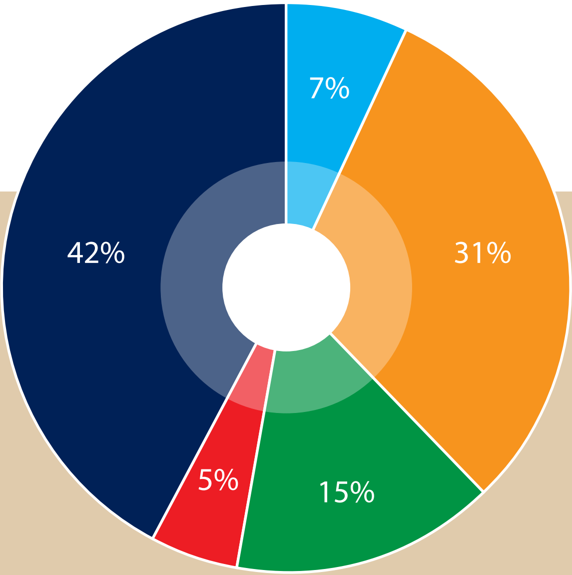
11 Over 10	12 Over 11	13 Over 12	14 Over 13	15 Over 14	16 Over 15
-28%	-27%	5%	3,611%	1%	-14%
-22%	-6%	6%	3,434%	-4%	-11%
-35%	-65%	-	4,523%	24%	-21%
-75%	13%	26%	11,341%	-2%	12%
-3%	6%	45%	614%	14%	-16%
24,449%	-100%	-	100%	-100%	-
-29%	-89%	319%	6,341%	29%	-27%
-24%	39%	-43%	1,259%	181%	544%
-54%	-49%	-61%	7,458%	65%	134%
-11%	13%	-7%	1,457%	-33%	-28%
52%	-57%	249%	-58%	40%	16%
-13%	-70%	252%	179%	180%	172%
-22%	-83%	260%	673%	164%	1%
-11%	-66%	251%	116%	187%	244%
-11%	-66%	251%	-34%	308%	177%

Percentage

2011	2012	2013	2014	2015	2016
100%	100%	100%	100%	100%	100%
64%	83%	84%	80%	75%	77%
36%	17%	16%	20%	25%	23%
1%	2%	2%	6%	6%	8%
7%	10%	13%	3%	3%	3%
9%	-	-	-	-	-
1%	-	1%	1%	2%	1%
6%	11%	6%	2%	6%	44%
24%	16%	6%	12%	20%	55%
13%	20%	18%	7%	5%	4%
47%	28%	92%	1%	1%	2%
58%	24%	80%	6%	17%	53%
12%	3%	9%	2%	5%	6%
46%	21%	71%	4%	12%	47%

STATEMENT OF VALUE ADDITION
CONSOLIDATED

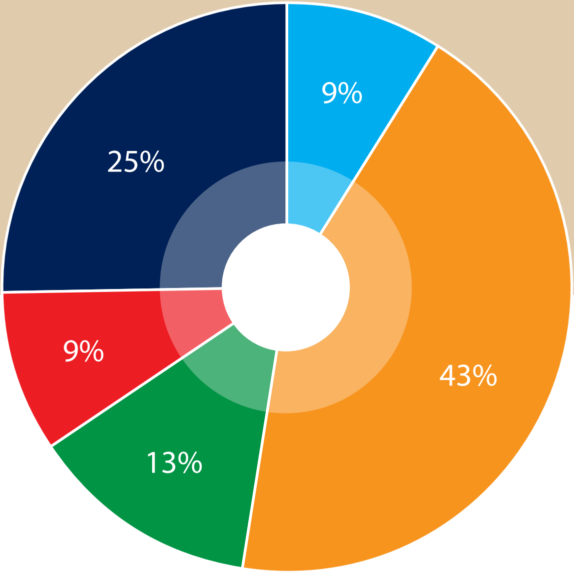
	2016 PKR 'million'	%age	2015 PKR 'million'	%age
Wealth generated				
Total gross revenue & other income	242,656		216,346	
Brought in materials and services	(106,240)		(119,253)	
Total value addition	136,416		97,093	
Wealth distribution				
To employees (Salaries, wages & benefits)	9,056	7%	9,399	9%
To government (Income Tax, sales tax & wwf)	42,150	31%	41,540	43%
To Society				
Donation toward eductaion,health, environment and natural disaster	125	0%	149	0%
To providers of capital:				
Dividend to Shareholders	20,846	15%	12,791	13%
Markup/interest expenses on borrowed money	6,430	5%	8,918	9%
Retained for investment and future growth, depreciation and retained profits	57,809	42%	24,296	25%
Total value distribution	136,416		97,093	



2016

- Employees cost
- Government taxes
- Shareholders
- Finance cost
- Retained in business

2015



MAKING FOOD & ENERGY
AVAILABLE, AFFORDABLE, SUSTAINABLE

PROBLEM WORTH SOLVING

More than 97% of smallholder farmers are unable to sell their milk

OUR CURRENT INPUT

We work with over 250,000 dairy farmers across rural Pakistan, having distributed Rs. 50+ billion in direct income to them since inception, whilst simultaneously increasing milk yields by approximately 20%

NOTICE OF 49TH ANNUAL GENERAL MEETING

Notice is hereby given to all the shareholders of Dawood Hercules Corporation Limited (the "Company") that the 49th Annual General Meeting of the Company will be held on 28th April 2017 at 10:00 a.m. at Ground Floor, Dawood Centre M.T. Khan Road, Karachi to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the 48th Annual General Meeting held on 23rd April 2016.

2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 31st December 2016 together with the Auditors' and Directors' Reports thereon.

3. To approve the payment of final cash dividend at the rate of Rs. 2 per share i.e. (20%) as recommended by the Board of Directors. This is in addition to the interim cash dividend at the rate of Rs. 13.50 per share i.e. (135%) already paid to the shareholders, thus making a total cash dividend of Rs. 15.5 per share i.e (155%) for the year ended 31st December 2016.

4. To appoint Auditors for the year ending 31st December 2017 and to fix their remuneration.

5. To elect nine (9) directors of the Company as fixed by the Board of Directors in accordance with Section 178(1) of the Companies Ordinance, 1984 for a period of three (3) years commencing from 29th April 2017. Names of the retiring directors are given below:

    1. Mr. Hussain Dawood
    2. Mr. Samad Dawood
    3. Mr. M. Abdul Aleem
    4. Mr. Shahzada Dawood
    5. Ms. Sabrina Dawood
    6. Mr. Parvez Ghias
    7. Mr. Shabbir Hussain Hashmi
    8. Mr. Frank Murray Jones
    9. Mr. Hasan Reza Ur Rahim
    10. Mr. Saad Raja

SPECIAL BUSINESS:

6. To approve transmission of annual audited financial statements, auditors' report and directors' report etc. ("annual audited accounts") to members through CD/DVD/USB at their registered address as allowed by the Securities and Exchange Commission of Pakistan.

    "RESOLVED THAT approval of the members of Dawood Hercules Corporation Limited be and is hereby accorded for transmission of Annual Reports including the Annual Accounts, Notice of the General Meetings and other information contained therein either through CD/DVD or USB, instead of transmitting the same in hard copies."

    Statement under section 160(1)(b) of the Companies Ordinance, 1984, setting forth all material facts pertaining to the Special Business to be transacted at the said Annual General Meeting is attached.

7. To transact any other business of the Company with the permission of the Chair.

By Order of the Board

Karachi
February 28, 2017

Shafiq Ahmed
Company Secretary

Notes:

1. Closure of Share Transfer Books:

The Share Transfer Books of the Company will remain closed from 21st April 2017 to 28th April 2017 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar, Messrs. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi, by close of business (5:00 p.m.) on Thursday, 20th April 2017, will be treated as being in time for the purposes of payment of final cash dividend to the transferees and to attend and vote at the meeting.

2. Participation in the Annual General Meeting:

All Members, entitled to attend and vote at the meeting, are entitled to appoint another person in writing as their proxy to attend and vote on their behalf. A proxy need not be a member of the Company. A corporate entity, being member, may appoint any person, regardless whether they are a member or not, as its proxy. In case of corporate entities, a resolution of the Board of Directors / Power of Attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity shall be submitted to the Company along with a completed proxy form. The proxy holders are required to produce their original CNICs or original passports at the time of the meeting.

In order to be effective, duly completed and signed proxy forms must be received at the Company's Registered Office at least 48 hours before the time of the meeting.

3. For Election of Directors

The term of office of the present Directors of the Company will expire on 28th April 2017. In terms of Section 178 (1) of the Companies Ordinance, 1984, the directors have fixed the number of elected directors at nine (9) to be elected in the annual general meeting for the next term of three years.

The present Directors are interested to the extent that they are eligible for re-election as Directors of the Company.

Any person who seeks to contest the election of directors shall, whether he/she is a retiring director or otherwise, file with the Company the following documents and information at its registered office not later than fourteen days before the day of the above said meeting;

a) His/her Folio No./CDC Investors Account No./CDC Participant No./Sub-Account No.

b) Notice of his/her intention to offer himself/herself for the election of directors in terms of Section 178(3) of the Companies Ordinance, 1984;

c) Consent to act as director on Form 28 under section 184 of the Companies Ordinance, 1984.

d) A detailed profile along with his/her office address as required under SECP's SRO 634(1)2015 dated July 10, 2014.

e) An attested copy of Computerized National Identity Card (CNIC);

f) A declaration that:

- He/she is not ineligible to become a director of the Company under any applicable laws and regulations (including listing regulations of Stock Exchange).
- He/she is not serving as a director of more than seven listed companies. Provided that this limit shall not include the directorship in the listed subsidiaries of a listed holding company.
- Neither he/she nor his/her spouse is engaged in the business of brokerage or is a sponsor director or officer of a corporate brokerage house.
- He/she is aware of his/her duties and powers under the relevant laws, Memorandum & Articles.

4. CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

a. In case of Individuals, the account holders or sub-account holders whose registration details are uploaded as per the Regulations shall authenticate his/her original valid Computerized National Identity Card (CNIC) or the original Passport at the time of attending the meeting.

b. In case of corporate entity, the Board of Directors' Resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies

a. In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the Regulations shall submit the proxy form as per above requirements.

b. Attested copies of valid CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

c. The proxy shall produce original valid CNIC or original passport at the time of the meeting.

d. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

e. Proxy form will be witnessed by two persons whose names, addresses and valid CNIC numbers shall be mentioned on the form.

5. Submission of copies of CNIC (Mandatory)

Pursuant of the directives of the Securities & Exchange Commission of Pakistan (SECP) Dividend Warrants shall mandatorily bear the Computerized National Identity Card (CNIC) numbers of shareholders. Shareholders are therefore requested to fulfill the statutory requirements and submit a copy of their valid CNIC (if not already provided) to the Company's Share Registrar, FAMCO Associates (Private) Limited without any delay.

In case of non-availability of a valid copy of Shareholders' CNIC in the records of the Company, the Company shall withhold the Dividend Warrants in terms of Section 251 (2) (a) of the Companies Ordinance 1984, which will be released by the Company only upon submission of a valid copy of the CNIC in compliance with the aforesaid SECP directives.

6. Consent for Video Conference Facility

Members can also avail video conference facility at Lahore and Islamabad. In this regard, please fill the following form and submit to registered address of the Company 10 days before holding of the Annual General Meeting.

If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city.

The Company will intimate Members regarding venue of video conference facility at least 5 days before the date of the Annual General Meeting along with complete information necessary to enable them to access such facility.

I/We,________________ of __________, being a member of Dawood Hercules Corporation Limited, holder of _______________ ordinary share (s) as per Register Folio/CDC Account No____________ hereby opt for video conference facility at ____________________.

____

Signature of Members

7. Withholding Tax on Dividend

The Government of Pakistan through Finance Act, 2016 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction withholding tax on the amount of dividend paid by the Companies. These tax rates are as under:

(a) For filers of income tax returns : 12.5%

(b) For non-filers of income tax returns : 20.0%

Shareholders who are filers are advised to make sure that their names are entered into latest Active Tax Payers List (ATL) provided on the website of FBR by the first day of book closure, otherwise they shall be treated as non-filers and tax on their cash dividend will be deducted at the rate of 20% instead of 12.5%.

Withholding tax on Dividend in case of Joint Account Holders

In order to enable the Company to follow the directives of the regulators to determine shareholding ratio of the Joint Account Holder(s) (where shareholding has not been determined by the Principal Shareholder) for deduction of withholding tax on dividend of the Company, Shareholders are requested to please furnish the shareholding ratio detail of themselves as Principal Shareholder and their Joint Holders, to the Company's Share Registrar, enabling the Company to compute withholding tax of each shareholder accordingly. The required information must reach to Company's Share Registrar before book closure otherwise it will be assumed that the shares are equally held by Principal Shareholder and Joint Holders(s).

Requirement of valid tax exemption certificate for claiming exemption from withholding tax:

As per FBR Circulars C. No. 1 (29) WHT/2006 dated 30 June 2010 and C. No. 1 (43) DG (WHT) /2008- Vol. II -66417-R dated 12 May 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance 2001 (tax on dividend amount) where the statutory exemption under clause 47B of part – IV of Second Schedule is available. The shareholders who fall in the category mentioned in above clause and want to avail exemption U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate to our Share Registrar before book closure otherwise tax will be deducted on dividend as per applicable rates

8. Payment of Cash Dividend Electronically (Optional)

The SECP has initiated e-dividend mechanism through its Notification 8(4) SM/CDC 2008 of April 5, 2013. In order to avail benefits of e-dividend shareholders are hereby advised to provide details of their bank mandate specifying: (i) title of account, (ii) IBAN / account number, (iii) bank name, (iv) branch name, code and address to Company Share Registrar. Shareholders who hold shares with CDC or Participants/ Stock Brokers, are advised to provide the mandate to CDC or their Participants/ Stock Brokers.

Shareholders can use the standardized "Dividend Mandate Form" available on our Share registrar's website www.famco.com.pk

9. Audited Financial Statements Through E-Mail:

SECP through its Notification SRO 787(I)/2014 dated September 8, 2014, has allowed the circulation of Audited Financial Statements along with the Notice of Annual General Meeting to the Members of the Company through email. Therefore, all Members who wish to receive the soft copy of Annual Report are requested to send their email addresses. The consent form for electronic transmission can be downloaded from the Company's website www.dawoodhercules.com.

The Company shall, however, provide hard copy of the Audited Financial Statements to its shareholders, on request, free of cost, within seven days of receipt of such request. The Company shall place the financial statements and reports on the Company's website, at least twenty-one (21) days prior to the date of the Annual General Meeting in terms of SRO 634(1)/2014 dated July 10, 2014 issued by the SECP.

STATEMENT UNDER SECTION 160 (1) (B) OF THE COMPANIES ORDINANCE, 1984

This Statement is annexed to the Notice of the 49th Annual General Meeting of Dawood Hercules Corporation Limited to be held on Friday, 28th April 2017 at which Special Business is to be transacted. This statement set forth the material facts concerning such Special Business.

Agenda Item (6) Transmission of Annual Audited Financial statements through CD/DVD/ USB

Securities and Exchange Commission of Pakistan vide its S.R.O. 470(I)2016 dated 31st May 2016 allowed Companies to transmit their Annual Reports including the Annual Accounts, Notice of the General Meeting and other information contained therein, to its members either through CD/DVD or USB, at their registered addresses. However, shareholders will have option available with them to request for a hard copy free of cost subject to submission of duly filled request form (available on Company's website).

Those shareholders who wish to receive hard copies for all future Annual Reports shall submit their preference in writing. Kindly also note that in pursuance of SRO 787(I) 2014 dated 8th September 2014, the Company will continue to provide Annual Audited Accounts through email to those shareholders who will give their consent in this regard. A standard request form has been made available at our website – http://www.dawoodhercules.com either to opt to receive future Annual Reports through email or in hard copies or otherwise request for hard copy of the accounts if and when needed. The scanned copy of the duly filled & signed form may be emailed at info@dawoodhercules.com or the same can be submitted through post/courier to Company's Share Registrar M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Block-6, P.E.C.H.S, Shahrah-e- Faisal, Karachi.

None of the Directors of the Company have any direct or indirect interest in the above said special business.

Dawood Hercules won the PSX Top 25 Companies Award 2015
(received in 2016)

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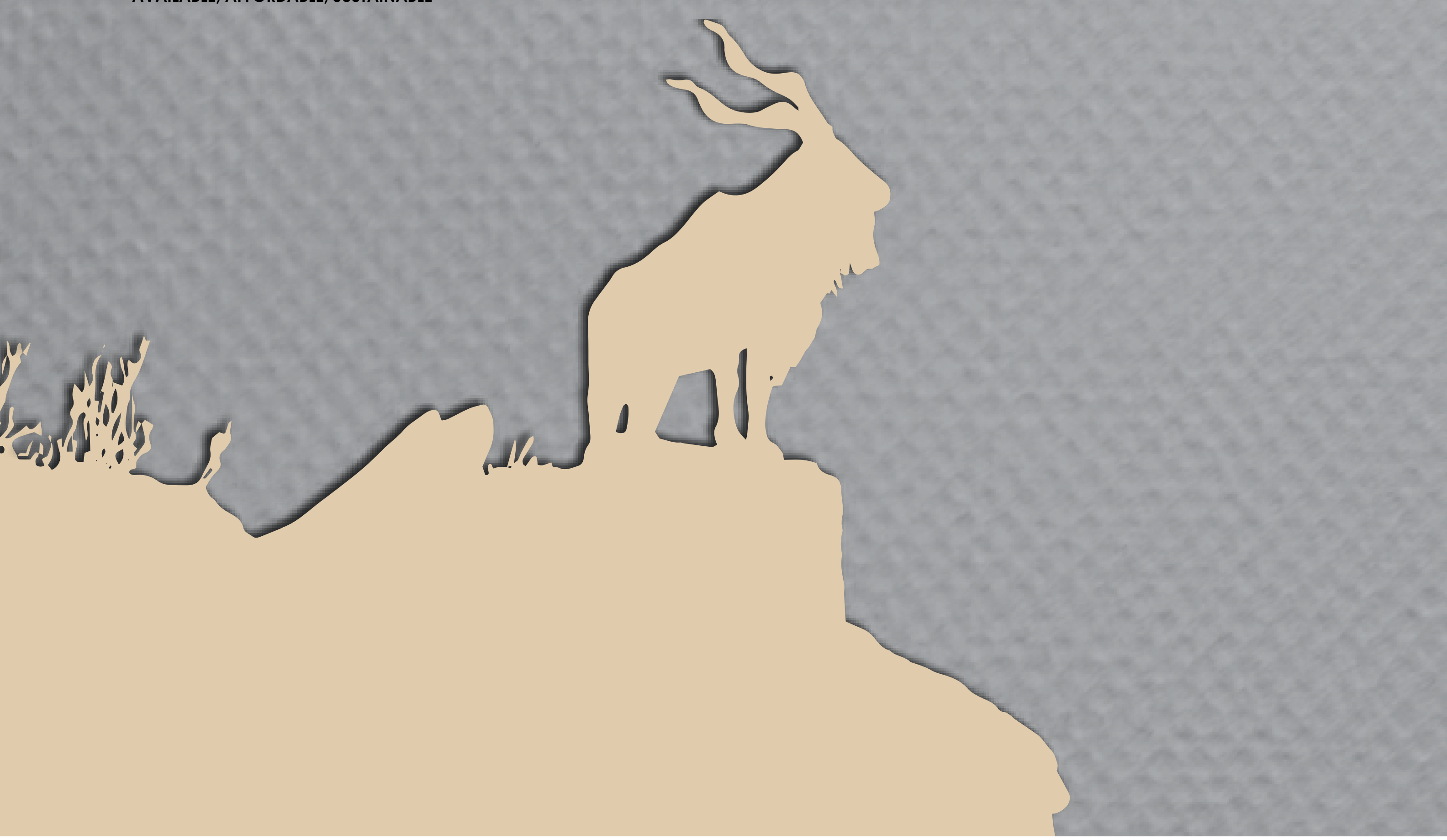


THE DAWOOD FOUNDATION (TDF)

The Dawood Foundation (TDF), since its inception, is committed to support and promote educational initiatives at every strata of society. The Foundation strongly believes that education plays an integral role in inspiring positive social change in a nation. In the year 2016, TDF increased its focus on promoting the concept of informal learning spaces that are inclusive and accessible to all. TDF focused on investing in initiatives that helped individuals to realize their respective responsibility towards making society a better place to live.

TDF Nature Series

TDF carried forward the dissemination drive for TDF Nature Series to raise awareness amongst students, local communities and the public about the importance of preserving Pakistan's natural heritage, recognizing successes and challenges for nature conservation.

Partnership with Pakistan Association of Mental Health (PAMH)

TDF partnered with PAMH to launch a campaign on educating people and creating awareness regarding mental illness in our society.

The
Dawood
Foundation

NATURE SERIES


The
Dawood
Foundation

MAKING FOOD & ENERGY
AVAILABLE, AFFORDABLE, SUSTAINABLE

The Dawood Foundation's Magnifi Science Exhibition

TDF MAGNIFI-SCIENCE EXHIBITION

Keeping the objective in focus to encourage science and critical thinking in society and providing an informal learning space for all, TDF also launched its new initiative – TDF Magnifi-Science Exhibition; a Science exhibition held from 23rd to 25th September in Karachi. The exhibition featured a variety of interactive experiments, exhibits, workshops, lectures and documentaries where visitors performed experiments and had a firsthand experience of Science. TDF Magnifi-Science became a great platform to gather science clubs and enthusiasts from across the country to interact. The exhibition attracted over 40,000 visitors during three days including students from government and private institutions, government and business dignitaries and people at large.

Collaboration with World Food Programme (WFP)

WFP Pakistan in collaboration with TDF initiated an awareness campaign to promote best nutrition practices in the communities of district Tharparkar.

The Dawood Foundation's

Magnifi Science

Exhibition

DIRECTORS' REPORT

The Directors of Dawood Hercules Corporation Limited (the Company) are pleased to present the Annual Report and the Audited Financial Statements for the year ended 31 December 2016.

A. Business Report

I. Economic scenario

Global Economy:

The global economy accelerated in the final quarter of 2016 due to a combination of improved conditions in emerging market countries and stronger growth in developed economies. It expanded 2.7% year-on-year in Q4, above the 2.5% rise in Q3 and the strongest point in the full year. Q4's strong reading brought total growth for 2016 to 2.6%, a notch above the 2.5% previously forecast but well below 2015's 3.0%. Despite the deceleration in 2016, the global economy managed to navigate its way through troubled waters and perform at a still decent rate. Challenging weather conditions, led by a severe El Niño weather effect, seriously damaged the agricultural sector in some countries, particularly in emerging markets.

Economic dynamics among developing economies are improving gradually following some quarters of sluggish growth. The increase in commodity prices that started in the final quarter of 2016 is good news for the majority of emerging market nations.

Nevertheless, the biggest risk to the global outlook is a rise in protectionism, which could put an end to the era of multinational trade agreements that has defined global economics in recent decades. In this regard, on 23 January 2017, President Trump decided to pull the United States out of the Trans-Pacific Partnership (TPP), a massive trade deal that included around 40% of the world's GDP and was a pivotal element of the US strategy to provide a counterweight to China's rising role. All eyes are now on the measures he could announce against China, which enjoys a healthy trade surplus with the U.S. Any significant trade barrier against China could lead to a trade war between the world's two largest economies, which could have a potential of massively straining the world economy.

Local Economy:

Economic growth is showing signs of sustained recovery aided by falling commodity and fuel prices, increased energy availability and improved security conditions. Preliminary data for FY2016 shows industrial growth accelerating on the back of higher activity in large-scale manufacturing and construction, the latter being driven primarily by initiation of China Pakistan Economic Corridor (CPEC) infrastructure and energy projects.

The improved industrial performance is expected to compensate, to some extent, the weather setbacks observed in the agriculture sector. Moreover, services sector is expected to also grow led by the financial sector, substantial automobile retail sales, increased port activity, and higher telecom profits.

Despite some gains, Pakistan's low human development indicators undermine its labor force productivity and economic growth. Access to education remains low and completion rate for primary education is among the lowest in the world.

Pakistan's economy during FY2016 recorded a growth of 4.71 percent which is the highest growth achieved since 2008-09. This fell short of the targeted growth rate of 5.5 percent due to lower growth of agriculture sector (0.19) percent mainly due to decrease in production of cotton, rice and maize. However, Industrial sector recorded growth of 6.80 percent and Services sector accelerated at the rate of 5.71 percent.

Despite global recession in equity market owing to outflow of foreign equity investment, PSX has witnessed a significant overall steady rise in the stock market indices resulting in PSX 100 index reaching 47,806 level on 30 December 2016 registering a gain of 45.7% percent compared to only 2% in 2015. This impressive performance was due to (i) upgrade of Pakistani stock market from Frontier to Emerging Market, (ii) high local liquidity, (iii) growing economy, (iv) progress on CPEC projects and (v) S&P upgrading Pakistan's rating to "B" giving it a "Stable" outlook. PSX remained the top performing stock market amongst both MSCI Frontier and MSCI Emerging peers. Even continuous foreign selling worth USD 339 million during the year could not dampen market enthusiasm.

II. Business Overview

The Company continued with its key portfolio investments in Engro Corporation and HUBCO. Fertilizers, Food, Chemicals, and Energy were the key areas of business interest for the year.

Fertilizers:

During the period, urea prices remained subdued due to a slump in the global commodity market, however in August 2016 prices increased by 34% against same period last year to US$ 240/- per ton, raising the price of urea to PKR 1,560/- per bag.

ECC has approved the allocation of 26 MMSCFD of gas to Engro Fertilizer (EFert), which is sufficient for its two plant operation. During the year, the EFert plant had its planned turnaround and hence produced 1,881 KT of urea as compared to 1,968 KT in 2015. Sales volume was 12% lower over the last year due to oversupply in the market of product carried over from 2015. Engro Fertilizer lost market share by 4% over last year to end at 30%.

Engro Fertilizer posted a consolidated revenue of PKR 77,415 million which was 12% lower than previous year. Accordingly, the profit after tax (PAT) of PKR 9,283 million registered a 37% decline over last year. This decline was attributable mainly to low off take and multiple price cuts, which was partly offset by lower renegotiated finance rates on long term and short term finances.

For the financial year 2016, EFert recommended a cash dividend of PKR 2.5/- per share in addition to interim cash dividend of Rs. 4.5 per share already paid for the approval of its shareholders at the forthcoming Annual General Meeting.

Foods

As a part of its portfolio diversification and capital allocation strategy, Engro Corp took a number of initiatives to rebalance its investments across its defined growth pillars. One such initiative was to divest its majority investment in Engro Foods(EFoods). In December 2016, ECorp sold 361 million shares of Engro Foods to Friesland Campina Pakistan Holding B.V., a wholly owned subsidiary of Royal Friesland Campina M.V. (RFC), at a price of PKR 120.15 per share. Engro Corp is now the second largest shareholder of Engro Foods, with a significant ownership of 40%. This deal was also the single largest contributor to the foreign exchange reserves of the country in 2016.

EFoods had a very challenging year amidst intense competition and new entrants resulting in temporary shifts in consumer preferences. The Government opted to tax the dairy sector further by imposing regulatory duty on imported dairy powder and re-categorizing dairy products.

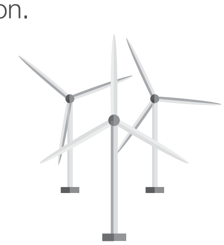
Resultantly, EFoods posted consolidated revenues of PKR 44,300 million - a decline of 11% over last year. Engro Foods reported a net profit of PKR 2,387 million as compared to PKR 3,162 million, a decline of 24.5%.

For the financial year 2016, Engro Foods recommended a cash dividend of PKR 10/- per share for the approval of its shareholders at the forthcoming Annual General Meeting.

Energy and Energy Infrastructure:

Engro Powergen Qadirpur Limited (EPQL) demonstrated a billable availability factor of 100.3% as compared to 99.7% for the similar period last year. However, an auto power transformer failure at the power purchaser end meant a lower dispatch of 1,265 GWh at a load factor of 67.2% as compared to 76.7% last year. EPQL posted a revenue of PKR 11,452 million registering a decrease of 14.2% over last year, with net profit at PKR 1,788 million - marginally lower by PKR 10 million.

The wind power plant Tenaga Generasi Limited (TGL) was commissioned on 11th October 2016 and dispatched total energy of 18 GWh till the end of



the year. Total revenue for the period was reported at PKR 292.31 million.

Sindh Engro Coal Mining Project (SECMC) completed all condition precedents under the financing agreements and achieved financial close on 4 April, 2016. EPC contractors have mobilized on site and overburden removal started in May 2016. Drilling of 27 wells has been completed which enabled SECMC to commence dewatering of aquifers in the first quarter 2017. Gorano reservoir is substantially complete and is ready to receive water.

The HUB Power Company Limited (HUBCO) has established a wholly-owned subsidiary, Thar Energy Limited (TEL) as an SPV for a 1x330 megawatt (MW) Thar Lignite Coal-based mine mouth Power Plant in the Energy Park associated with Block II, Thar coalfields in Sindh. TEL tariff application was approved by NEPRA in October and PPIB issued Letter of Support (LOS) in December. TEL has also signed the Engineering, Procurement and Construction (EPC) contract in December. Subsequent to the period end, the IA and PPA of TEL have been initialled on January 25, 2017.

HUBCO has completed demerger of its Narowal Plant and said plant along with its all assets and liabilities are in the process of being vested in Narowal Energy Limited (NEL). NEL is a wholly owned subsidiary company of HUBCO.

HUBCO for the half year ended 31 December 2016 dispatched consolidated energy worth PKR 48,227 million as compared to PKR 50,281 million for the similar period last year. The decrease mainly relates to the major overhaul of one unit at Hub plant and maintenance of five engines of Narowal Plant. Consolidated net profit was PKR 5,069 million as against PKR 5,308 million in 2015. Consolidated EPS was PKR 4.38 as against 4.59 for the similar period last year.

Polymer and Chemicals

During 2016, Engro Polymers and Chemicals Limited (EPCL) demonstrated improved performance and increased productivity whereby PVC production 172 KT, VCM at 174KT and caustic soda at 103 KT which was the highest ever production for EPQL. EPQL posted a PAT of PKR 660 million as compared to a loss of PKR 644 million over last year.

B. Financial Report

I. Financial performance

The consolidated topline of the Group was PKR 157 billion as compared to PKR 182 billion for the similar period last year. The consolidated gross profit of the Group for 2016 at PKR 35.84 billion was lower by PKR 9.38 billion mainly due to subdued performance by EFert and EFoods. During the year the group disposed of 51% shares of EFoods to Friesland Campina and a one off capital gain of PKR 34 billion was recognized. Further a gain of PKR 24 billion was also recognized on re-measurement of investments in EFoods. The share of profit from associated companies and joint ventures at PKR 3 billion was 16% higher over 2015. After accounting for tax charge of PKR 9 billion, the profit after tax of PKR 73 billion was higher by PKR 52.07 billion over 2015.

On standalone basis, revenue of the Company was PKR 7,422 million as against PKR 21,932 million for the similar period last year i.e. lower by PKR 14,510 million mainly on account of one-time dividend from ex-subsidiary company (DH Fertilizers Limited). After accounting for all the expenditures the net profit after tax was PKR 5,470 million as against PKR 20,194 million for 2015.

II. Earnings per share

The unconsolidated earnings per share for the year 2016 was PKR 11.37 per share as compared to PKR 41.96 per share for the year 2015. Consolidated earnings per share for the year were PKR 53.12 (2015: PKR 19.17) per share.

III. Auditors

The present auditors, Messrs. A.F. Ferguson & Co., Chartered Accountants are retiring at the conclusion of the forthcoming annual general meeting and offer themselves for reappointment. The Audit Committee has recommended the re-appointment of A.F. Ferguson & Co., Chartered Accountants as auditors of the Company for the year ending 31 December 2017 and the Board has endorsed this recommendation.

IV. Shares traded, average prices and PSX

During the year 74.6 million shares of the Company were traded on the Pakistan Stock Exchange. The average price of the Company's share based on the daily closing rate was PKR 132.82 while the 52 week low-high during 2016 was PKR 100.42 - PKR 165.00 per share respectively.

V. Pattern of shareholding

The pattern of shareholding of the Company as at 31 December 2016, together with other necessary information, is available at the end of this report along with the proxy form.

VI. Market capitalization and book value

At the close of the year, the market capitalization of the Company was Rs. 69,464 million (2015: 57,341 million) with a market value of Rs. 144.33 per share (2015: Rs. 119.14) and the breakup value of Rs. 64.08 per share (2015: Rs. 70.22 per share).

VII. Appropriation

The Board is pleased to propose a final cash dividend of Rs. 2 per share (20%) for approval by the shareholders in the 49th Annual General Meeting. The total dividend attributable to the year is PKR 15.5 per share (155%) including the interim dividend of PKR 13.5 per share (135%) during the year.

VIII. Entity rating

During the year, PACRA has maintained the long term credit rating at AA-. The short term rating was also maintained at A1+ with a stable outlook.

IX. Contribution to the national exchequer and economy

During the year, in aggregate, a sum of PKR 42,150 million (2015: PKR 41,540 million) was paid as taxes and levies.

X. Provident and Gratuity Funds

The funded retirement benefits of the employees of the Company are audited once a year and are adequately covered by appropriate investments. The value of the investments of the provident fund as per the unaudited accounts aggregated to PKR 58.74 million (2015: PKR 58.24 million)

Fair value of the assets of the funded defined benefit gratuity plan was PKR 16.88 million as at 31 December 2016 (2015: PKR 20.41 million).

XI. Board of Directors

The Board comprises of eleven directors. The composition of the board members is as follows:

Independent Directors	5
Non-Executive Directors	4
Executive Directors	2 (Including one deemed director)

XII. Board meetings

Six meetings of the Board were held during the year 2016, which were all presided over by the Chairman. The Company Secretary and Chief Financial Officer also attended the meetings as required by the Code of Corporate Governance. Attendance by each Director was as follows:

Name of the Director	Meetings attended		
	Board Meetings	Board Audit Committee	Board Compensation Committee
Mr. Hussain Dawood	5/6	-	2/3
Mr. Samad Dawood	6/6	-	-
Mr. Muhammad Abdul Aleem	6/6	4/4	3/3
Mr. Shahzada Dawood	4/6	-	-
Ms. Sabrina Dawood	5/6	-	-
Mr. Parvez Ghias	5/6	4/4	3/3
Mr. Hasan Reza ur Rahim	3/6	3/4	-
Mr. Saad Raja	3/6	-	-
Mr. Frank Murray Jones	0/6	-	-
Mr. Shabbir Hussain Hashmi	6/6	-	-
Mr. Inam ur Rahman*	2/2	-	-

*Appointed as Chief Executive and a Deemed Director 1 December 2016

XIII. Statement of Directors responsibility

The Directors confirm compliance with Corporate and Financial Reporting Framework as per the Listing Regulations of the Stock Exchange in Pakistan as follows:

a. The financial statements prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and change in equity.

b. Proper books of accounts of the Company have been maintained.

c. Appropriate accounting policies have been consistently applied in preparation of the financial statements. Accounting estimates are based on reasonable prudent judgment.

d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures therefrom have been adequately disclosed.

e. The system of internal controls is sound in design and has been effectively implemented and monitored.

f. There are no significant doubts upon the Company's ability to continue as a going concern.

g. There is no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.

h. Key operating and financial data for the last six years in summarized form are annexed to the report.

XIV. Directors training program

During the year one more director has completed the Corporate Governance Leadership Skills Program - Director Education Program as required by Securities & Exchange Commission of Pakistan.

XV. Related party transactions

In accordance with the requirements of Code of Corporate Governance, the Company presented all related party transactions before the Audit Committee and the Board for their review and approval, respectively.

XVI. Future outlook

General

The investments of the group in the energy sector make it the largest partner for the Chinese under the CPEC program with interests in both coal mining and energy. In line with our ambition to solve problems of national importance, the next two years will be the time when most of these energy assets come online, propelling Pakistan towards energy sufficiency. We will continue to look at emerging energy technologies, especially in the renewable sector, where emphasis on fossil fuels can be reduced in the coming years. We expect impact of CPEC in other areas of the economy and foresee other foreign investments following suit.

Our partnership with Royal Friesland Campina is expected to usher in a new wave of products and technologies to drive the dairy and food sector. This is in line with our vision to contribute strongly to the nutrition sector.

The fertilizer business has a key role going forward as Engro Fertilizer looks to promote practices and techniques that enhance productivity and farm yield. It is believed that technology has a key role to play in the area of farm efficiencies that will benefit the average citizen and also improve farmer economics.

Regulatory Environment

The regulatory environment is becoming increasingly complex within the country as Pakistan tries to bring in more corporate transparency. However, we see most of the focus on large corporate players and are concerned that this is impacting growth. Tax on intercorporate dividends, as an example, reduces the incentive for organizations to structure themselves for large scale expansion. Onerous reporting requirements can also discourage international players from investing in Pakistan.

The ever increasing number of young people joining the workforce everyday requires a strong and vibrant corporate sector to absorb them and convert them into contributing citizens. The Government nor the unorganized sector will be able to provide sufficient employment opportunities to millions of aspirants.

We believe that Government policies must champion the corporate sector because that is the key growth driver in all economies globally. We also believe that the budget and economic plans must embrace the growth paradigm rather than be revenue focused. This will also allow for more international interest in the Pakistan economy as exhibited by the Engro Foods investment by Royal Friesland Campina.

Fertilizers

Early prospects for 2016/17 are still mixed, but there are indications that global cereal production will be stable or marginally higher. Despite low prices, the coarse grains output is expected to rise due to favorable weather or higher relative returns compared to competing crops. The outlook for 2017 is more optimistic in view of slightly improving market conditions, more favorable weather, and a better political and economic situation in some sizable markets. Global fertilizer demand in 2016/17 is seen as rebounding by 2.9% to 186 Mt, with growth rates of relatively similar magnitude for all three nutrients: 3.0% for N, to 111 Mt; 3.0% for P, to 42 Mt; and 2.3% for K, to 33 Mt.

Local urea demand is expected to remain stable due to improved farmer income pattern, subsidies and incentives offered by the government. EFert allocation of 26 MMSCFD of gas will contribute to its profitability.

Food

Post-acquisition by RFC, EFoods will benefit from their experience, research background, and innovation and is expected to deliver superior quality products to the consumers. While the imposition of regulatory duty and exempt category of dairy products has increased the cost of production, EFoods has absorbed most of this increase and passed very small amounts to its consumers. Efforts are required at the government level by all stake holders to rationalize the duty and taxes to have a level playing field for the stakeholders.

Energy and energy infrastructure

The LNG business is playing its positive role in augmenting the energy shortage being faced by the country. EEPTL expects to be able to utilize its spare capacity of 200 MMSCFD and the management expect stable outlook for the coming years.

For HUBCO, government has confirmed 1,320 MW capacity for joint venture company China Power Hub Generation Company (CPHGC) based on imported coal being set up at Hub site. PPIB has extended the required financial close date by five months required under the Letter of Support. The power plant and jetty EPC Contractors have mobilized to ensure early completion of the Project.

HUBCO has 8% stake in Sindh Engro Coal Mining Company, which is progressing satisfactorily since its financial close of April 2016.

C. Acknowledgement

The Board expresses its gratitude to all the shareholders for their confidence and support. We would like to thank all stakeholders, including but not limited to financial institutions, who have been associated with us for their support and cooperation and assure them of our commitment to look after their respective interests.

We would like to thank the management and employees for their sincere contributions toward the growth and prosperity of the Company.

Inam ur Rahman
Chief Executive

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SEaDS NET
(STRENGTHENING ENTREPRENEURS AND DAIRY STAKEHOLDERS NETWORK)

KFW-DEG co-funded this innovative project in dairy value chain where 50 women entrepreneurs, trained earlier by Engro and currently providing essential services of animal health care and milk aggregation to smallholder farmers, are being trained to enhance the impact of their micro-enterprises by use of technology, adding more services and increasing their geographical coverage. The project is training 7,000 smallholder farmers in better livestock management practices through a series of trainings and establishing farmer groups.

Impact Achieved:

- 5,041 beneficiaries trained till August 2016
- PKR 9,188 – Average income in August 2016
- 243% increase in average vs August 2015
- 144 successful trainings completed till August 2016
- Feasibility of Silage Social Enterprise completed

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HUBCO CSR

Hubco's CSR program focuses on healthcare, education, infrastructure development and livelihood of the less privileged in the society. Realizing the frequent load shedding/outages of Electricity at Jam Ghulam Qadir Hospital in Hub, company decided to provide the hospital with a Solar Power generation system of 15 KW capacity. While Hubco runs a fully funded solar-powered school in Hub, another primary School is under construction since March 2016 in the existing school site which is being managed by The Citizens Foundation (TCF). A solar power R.O. plant of 1800 gallons/day capacity has also been installed at the same site.

Hubco has signed an MoU with HUNAR Foundation for providing vocational training to 40-students where company will bear all the expenses incurred during the course. Further supporting the livelihood of the local community, Hubco sponsored an NGO M/s CARD to provide training to about 100 fishermen on preservation of fish. Hubco also launched an initiative to supply clean drinking water to neighbouring villages in 2016.

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A·F·FERGUSON&CO.

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Dawood Hercules Corporation Limited (the Company) for the year ended December 31, 2016 to comply with the requirements of Rule 5.19 of the Rule Book of the Pakistan Stock Exchange Limited, 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 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out 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, 2016.

Further, we highlight below instance of non-compliance with the requirement of the Code as reflected in the note reference where this is stated in the Statement of Compliance:

S. No	Note Reference	Description
(ii)	24	Chairman Audit Committee did not attend the preceding Annual General Meeting

Afferguson & Co

Chartered Accountants
Karachi, March 16, 2017

Engagement Partner: Khurshid Hasan

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
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STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Regulation No. 5.19 of listing regulations of Pakistan Stock Exchange 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 Code in the following manner:

1. The Company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors (the Board). At present the Board includes:

Category	Names
Independent Directors	Mr. M. Abdul Aleem Mr. Pervez Ghias Mr. Shabbir Hussain Hashmi Mr. Frank Murray Jones Mr. Saad Raja
Executive Directors	Mr. Samad Dawood Mr. Inam ur Rahman
Non-Executive Directors	Mr. Hussain Dawood Mr. Shahzada Dawood Ms. Sabrina Dawood Mr. Hasan Reza Ur Rahim

The independent Directors meet the criteria of independence under clause 5.19.1 (b) of the Code.

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 Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a Broker of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.

4. No casual vacancy occurred on the Board during the year.

5. The Company has prepared a “Code of Conduct”, and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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 Chief Executive Officer (CEO), other executive and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the

Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. During the year one Director has attended the director's training program.

10. The Board has approved the appointment of Chief Financial Officer (CFO) and 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 Code 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 those disclosed in the pattern of shareholding.

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

15. The Board has formed an Audit Committee (the Committee). It comprises of three members, of whom two are independent directors and one is a non-executive director. 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 the approval of interim and final results of the Company and as required by the Code. 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 called as Board Compensation Committee. It comprises of three members, of whom two are independent directors and one is a non-executive director. The Chairman of the Committee is a non-executive director.

18. The Board has outsourced the internal audit function of the Company to a firm of Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. The Board has appointed the Head of Internal Audit to act as a coordinator between the firm of Chartered Accountants and the Board.

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 the 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 Exchange.

22. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchange.

23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

24. As per the Code, Chairman, Audit Committee shall be present at the Annual General Meeting for any feedback required by the shareholders. The Chairman, Audit Committee was ex-Pakistan and hence has not attended the Annual General Meeting. However, the other member of the Audit Committee was present for any feedback required by the shareholders.

25. We confirm that all other material principles enshrined in the Code have been complied with.

Inam ur Rahman
Chief Executive

MAKING FOOD & ENERGY

AVAILABLE, AFFORDABLE, SUSTAINABLE

FARMER CONNECT PROJECT

Farmer Connect Project which is externally known as Rahbar, is the biggest CSR initiative in the history of Engro Fertilizers. Around 500,000 small to medium farmers in the wheat-rice growing areas will benefit from the project.

The farmers in these areas face numerous challenges of which the biggest are: lack of knowledge on input applications, out dated farming techniques and little access to new technology. This project aims to address these issues through knowledge based interventions at every crop stage by the use of ICT based knowledge dissemination, soil testing for optimum input applications, farmer field schools, and community mobilization.

The project also places a special emphasis on capacity building of women, who are directly involved in farm activities such as grain handling, seed cleaning and grazing.

FINANCIAL STATEMENTS

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Dawood Hercules Corporation Limited (the Company) as at December 31, 2016 and the related profit and loss account, statement of total comprehensive income, statement of changes in equity and cash flow statement 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 accounts 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 accounts 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 total comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with 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, 2016 and of the profit, its changes in equity and 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.

Afferguson & Co.

Chartered Accountants
Karachi, March 16, 2017

Audit Engagement Partner: Khurshid Hasan

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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BALANCE SHEET

As at December 31, 2016

	Note	2016	2015
		---------- (Rupees in '000) ----------	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	125,761	130,733
Intangible assets	5	-	1
Long term investments	6	37,478,025	37,573,738
Defined benefit asset	7	-	2,593
		37,603,786	37,707,065
CURRENT ASSETS			
Advances, deposits and prepayments	8	44,604	41,899
Other receivables	9	15,735	114,532
Cash and bank balances	10	286,288	1,008,059
		346,627	1,164,490
TOTAL ASSETS		37,950,413	38,871,555
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital	11	10,000,000	10,000,000
Issued, subscribed and paid up share capital	11	4,812,871	4,812,871
Revenue reserves	12	26,025,985	28,982,384
		30,838,856	33,795,255
NON CURRENT LIABILITIES			
Long term financing	13	3,125,000	3,889,143
Defined benefit liability	7	2,049	587
		3,127,049	3,889,730
CURRENT LIABILITIES			
Current portion of long term financing	13	764,143	103,442
Short term running finance	14	2,868,932	431,808
Trade and other payables	15	245,988	446,982
Accrued mark-up		99,640	99,642
Taxation - net		5,805	104,696
		3,984,508	1,186,570
TOTAL EQUITY AND LIABILITIES		37,950,413	38,871,555
CONTINGENCIES AND COMMITMENTS	16		

The annexed notes 1 to 33 form an integral part of these financial statements.

Karachi
February 28, 2017

M. Abdul Aleem
Director

Inam ur Rahman
Chief Executive

PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2016

	Note	2016	2015
		---------- (Rupees in '000) ----------	
Dividend income	17	**7,421,534**	21,931,652
Administrative expenses	18	**(746,348)**	(1,290,068)
		6,675,186	20,641,584
Other operating expenses	19	**(2,241)**	(7,160)
Other income	20	**13,898**	291,137
Operating profit		**6,686,843**	20,925,561
Finance cost	21	**(392,679)**	(218,603)
Profit before taxation		**6,294,164**	20,706,958
Taxation	22	**(823,923)**	(512,582)
Profit after taxation		**5,470,241**	20,194,376
Earnings per share (Rupees) – basic and diluted	23	**11.37**	41.96

The annexed notes 1 to 33 form an integral part of these financial statements.

Karachi
February 28, 2017

M. Abdul Aleem
Director

Inam ur Rahman
Chief Executive

STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended December 31, 2016

	2016	2015
	---------- (Rupees in '000) ----------	
Profit after taxation	**5,470,241**	20,194,376
Other comprehensive income for the year		
Item that will not be reclassified to profit and loss account		
Remeasurement of staff - retirement benefit obligation	**(4,116)**	(206)
Total comprehensive income for the year	**5,466,125**	20,194,170

The annexed notes 1 to 33 form an integral part of these financial statements.

Karachi
February 28, 2017

M. Abdul Aleem
Director

Inam ur Rahman
Chief Executive

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

	Issued, subscribed and paid up share capital	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit	Revenue reserves: Sub-total	Total
	(Rupees in '000)				
Balance as at January 1, 2015	4,812,871	700,000	14,344,945	15,044,945	19,857,816
Total comprehensive income					
Profit for the year	-	-	20,194,376	20,194,376	20,194,376
Other comprehensive income	-	-	(206)	(206)	(206)
	-	-	20,194,170	20,194,170	20,194,170
Transactions with owners					
Final cash dividend @10% for the year ended December 31, 2014	-	-	(481,287)	(481,287)	(481,287)
Interim cash dividend @120% for the year ended December 31, 2015	-	-	(5,775,444)	(5,775,444)	(5,775,444)
Balance as at December 31, 2015	4,812,871	700,000	28,282,384	28,982,384	33,795,255
Total comprehensive income					
Profit for the year	-	-	5,470,241	5,470,241	5,470,241
Other comprehensive income	-	-	(4,116)	(4,116)	(4,116)
	-	-	5,466,125	5,466,125	5,466,125
Transactions with owners					
Final cash dividend @40% for the year ended December 31, 2015	-	-	(1,925,148)	(1,925,148)	(1,925,148)
Interim cash dividend @135% for the year ended December 31, 2016	-	-	(6,497,376)	(6,497,376)	(6,497,376)
Balance as at December 31, 2016	**4,812,871**	**700,000**	**25,325,985**	**26,025,985**	**30,838,856**

The annexed notes 1 to 33 form an integral part of these financial statements.

Karachi
February 28, 2017

M. Abdul Aleem
Director

Inam ur Rahman
Chief Executive

CASH FLOW STATEMENT
For the year ended December 31, 2016

	Note	2016	2015
		---------- (Rupees in '000) ----------	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash utilised in operations	26	**(771,033)**	(1,164,785)
Finance cost paid		**(392,681)**	(153,109)
Taxes paid		**(922,814)**	(409,897)
Staff retirement and other service benefits paid		**(6,705)**	(9,503)
Net cash utilised in operating activities		**(2,093,233)**	(1,737,294)
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		**(21,766)**	(74,650)
Sale proceeds from disposal of property, plant and equipment		**3,342**	5,626
Sale proceeds from disposal of subsidiaries		**-**	2,019,343
Sale proceeds from disposal of investments		**-**	2,000
Interest received on bank deposits and investments		**9,663**	11,137
Long term investments made in subsidiaries		**-**	(5,883,678)
Long term investments made in associate		**-**	(12,877,421)
Dividends received		**7,421,534**	21,931,652
Net cash generated from investing activities		**7,412,773**	5,134,009
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing obtained		**-**	3,750,000
Long term financing repaid		**(103,442)**	(87,880)
Dividends paid		**(8,374,993)**	(6,231,826)
Net cash utilised in financing activities		**(8,478,435)**	(2,569,706)
Net (decrease) / increase in cash and cash equivalents		**(3,158,895)**	827,009
Cash and cash equivalents at the beginning of the year		**576,251**	(250,758)
Cash and cash equivalents at the end of the year	27	**(2,582,644)**	576,251

The annexed notes 1 to 33 form an integral part of these financial statements.

Karachi
February 28, 2017

M. Abdul Aleem
Director

Inam ur Rahman
Chief Executive

1. GENERAL INFORMATION

1.1 Dawood Hercules Corporation Limited (the Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act 1913 (now Companies Ordinance, 1984) (the Ordinance) and its shares are quoted on Pakistan Stock Exchange Limited. The principal activity of the Company is to manage investments in its subsidiary and associated companies. The registered office of the Company is situated at Dawood Center, M.T. Khan Road, Karachi.

1.2 During the year ended December 31, 2015, the Company entered into re-negotiation with Pakarab Fertilizers Limited (PAFL) for the disposal of entire shareholding in its wholly owned subsidiary DH Fertilizers Limited (DHFL) and Bubber Sher (Private) Limited (BSPL) and signed a Share Purchase Agreement (SPA) with PAFL. Accordingly, the shares of DHFL and BSPL were transferred in the name of Fatima Fertilizer Company Limited (assignee of PAFL as per the terms of the SPA).

1.3 During the year ended December 31, 2015, the Company had reassessed the control conclusion of its investment in Engro Corporation Limited (ECL) as a result of adoption of International Financial Reporting Standards (IFRS) - 10 'Consolidated Financial Statements', by Securities and Exchange Commission of Pakistan (SECP), that although, the Company has less than 50% voting rights in ECL, however, based on the absolute size of the Company's shareholdings, the relative size of other shareholdings and the number of representation on ECL's Board, the Company has the ability to exercise control over ECL as per the terms of IFRS 10. Henceforth, the Company is deemed to be Holding Company of ECL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation and statement of compliance

2.1.1 These financial statements have been prepared under the historical cost convention, as modified by remeasurement of certain staff retirement and other service benefits at present value.

2.1.2 These 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. Wherever the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance and the said directives have been followed.

2.2 New standards, amendments to approved accounting standards and interpretations

2.2.1 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, interpretations and amendments to published approved accounting standards that are effective in 2016

Following standards, interpretations and amendments to published approved standards have been published and are mandatory for accounting periods beginning on or after January 1, 2016 and are considered to be relevant to the Company's operations.

IAS 34 'Interim financial reporting'.

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. This amendment will have any significant impact on the Company's financial statements.

IAS 1, 'Presentation of Financial Statements'

These amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and disclosures of accounting policies. The amendments form a part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendment only affects disclosures in the Company's financial statements.

IAS 19, 'Employee benefits'

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. The Company's accounting treatment is already in line with this amendment.

IAS 27, 'Separate financial statements'

This amendment restores the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

An entity can account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- at cost; or
- in accordance with IFRS 9; or
- using the equity method as described in IAS 28.

The other new standards, interpretations and amendments to published approved accounting standards that are mandatory for the financial year beginning on January 1, 2016 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

There are certain new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2017 are considered to be relevant.

IAS 7 'Cash flow statements'.

This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers balance sheet items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. It is unlikely that this standard will have any significant impact on the Company's financial statements.

There are certain other new amendments to published approved accounting standards which will be effective for the Company for accounting period beginning after January 1, 2017 but are considered not to be relevant or to have any significant effect on the Company's operations and are, not disclosed into these financial statements.

2.3 Property, plant and equipment

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except land which is stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs.

Assets having cost exceeding the minimum threshold as determined by the management are capitalised. All other costs are charged to profit and loss account in the year in which they are incurred.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred. Major renewals and improvements, if any, are capitalised in accordance with IAS 16 "Property, Plant and Equipment" and depreciated in a manner that best represents the consumption pattern and useful lives.

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

Depreciation is charged to profit and loss account applying the straight line method so as to write off the historical cost of the assets over their estimated useful lives at the rates stated in note 4 to the financial statements. Depreciation on additions is charged from the following month in which the asset is available for use and on disposals up to the month the asset is no longer in use. Assets' residual values and useful lives are annually reviewed, and adjusted, if material.

The company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation.

2.4 Intangible assets

Intangible assets are recognised when it is probable that the expected future economic benefits will flow to the Company and the cost of the assets can be measured reliably. Cost of the intangible assets includes purchase cost and directly attributable expenses incidental to make the asset available for use in the manner as intended by management.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged over the estimated useful life of the asset on a systematic basis by applying the straight line method.

Costs associated with maintaining computer software are recognised as an expense as and when incurred.

Useful life of intangible assets is reviewed, at each reporting date and adjusted if the impact of amortisation is significant.

2.5 Impairment of non financial assets

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

2.6 Investments in subsidiaries

Subsidiaries are all entities over which the Company 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 Company controls another entity. Further, the Company also considers whether:

- it has power over the investee entity;
- it has exposure, rights, to variable returns from its involvement with the investee entity; and
- it has ability to use its power over the investee entity to affect the amount of the Company's returns.

Investments in subsidiary companies are stated at cost less impairment, if any.

2.7 Investments in associates

Associates are all entities over which the Company has significant influence but not control. Investments in associates are carried at cost. The Company determines at each reporting date whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Company calculates the impairment loss as the difference between the recoverable amount of associates and its carrying value and recognises it in the profit and loss account.

2.8 Other investments

Other investments are carried at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts are adjusted accordingly.

2.9 Financial instruments

2.9.1 Financial assets

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

a) At fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as 'at fair value through profit or loss'. A financial asset is classified as 'held for trading' if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets. 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.

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 those having maturities of more than twelve months after the reporting date which are classified as non-current assets. Loans and receivables with maturity period of less than twelve months after the reporting date are classified as advances, deposits and prepayments and other receivables in the balance sheet.

c) 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 management intends to dispose of the investments within twelve months from the reporting date. Available for sale financial assets are classified as short term investments in the balance sheet.

Changes in fair value of securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised directly in equity are included in the profit and loss account in the period in which the disposal takes place. Dividends on available for sale equity investments are recognised in the profit and loss account when the Company's right to receive payments is established.

d) Held to maturity

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

Recognition

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchase and sale of investments (if any) are recognised at trade date i.e. the date on which the Company commits to purchase or sell the asset.

Measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account in the year of acquisition.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest rate method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Impairment

The Company assesses at each reporting date whether there is objective evidence that a financial asset or 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. In case of loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

2.9.2 Financial liabilities

Financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are recognised initially at fair value less directly attributable transactions costs, if any, and subsequently measured at amortised cost using effective interest rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

2.9.3 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is off set and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

2.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents in the statement of cash flows includes cash in hand and in transit, cheques in hand, balances with banks on current, deposit and saving account, other short-term highly liquid investments with original maturities of three months or less. Running finance and short term finance facilities availed by the Company, which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

2.11 Staff retirement and other benefits

2.11.1 Defined benefit plan

The Company operates a defined benefit plan i.e. an approved funded gratuity scheme for all its permanent employees who have completed minimum service of prescribed period. Actuarial valuation is carried out using the projected unit credit method. The latest actuarial valuation of the scheme was carried out as at June 30, 2016.

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

Unfunded gratuity scheme has been established by the Company for all of the eligible contract employees who have completed minimum service of prescribed period. Provision is recognised for the obligation at each reporting date and the adjustments are recognised in the profit and loss account in the period in which they arise.

2.11.2 Defined contribution plan

The Company operates a recognised provident fund for all its permanent employees who have completed prescribed qualifying period of service. Equal monthly contributions are made, both by the Company and its employees, to the fund at the rate of 15% of the basic salaries of employees.

2.11.3 Employee compensated absences

The Company provides for compensated absences for all eligible employees in accordance with the rules of the Company. Accordingly, the provision for compensated absences has been made at actual amounts.

2.12 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 liability.

Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

2.13 Provisions

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

2.14 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which dividend is approved by the shareholders in case of final dividend, and in case of interim dividend on the date of commencement of the book closure period.

2.15 Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In which case, the tax is also recognised in other comprehensive income or directly in equity.

Current

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

Deferred

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

2.16 Contingent liabilities

Contingent liabilities are disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or
- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured reliably.

2.17 Revenue recognition

- Dividend income is recognised when the Company's right to receive dividend is established i.e. on the date of book closure of the investee company declaring the dividend.
- Returns on bank deposits are accrued on a time proportion basis by reference to the principal outstanding amounts and the applicable rates of return.
- Gains / (losses) arising on disposal of investments are included in income in the year in which they are disposed off.
- Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' and 'fair value through profit or loss' are included in other comprehensive income and in profit and loss account in the period in which they arise respectively. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in the equity through other comprehensive income, are included in the profit and loss account in the period in which disposal takes place.

2.18 Foreign currency transactions

Foreign currency transactions are recognised or accounted for into Pakistan Rupees using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing on the balance sheet date. Exchange gains / losses on foreign currency translations are included in income / equity.

2.19 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, the management has made the following estimates and judgments which are significant to the financial statements:

3.1 Current and deferred income taxes

In making the estimates for income taxes payable by the Company, management considers current income tax law and the decisions of appellate authorities on certain cases issued in the past. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such final outcome is determined. Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

3.2 Provisions

Provisions are based on management's best estimates. Any change in the estimates in future years might effect the carrying amounts of the provisions with a corresponding affect on the profit and loss account of the Company.

3.3 Property, plant and equipment

Estimates with respect to residual values and useful lives are based on the assessment of the management of the Company considering the estimated usage and the industry practices. Further, the Company reviews the internal and external indicators for possible impairment of assets on an annual basis. Any change in the estimates of residual values and useful lives that might affect the carrying amounts of the respective items of property, plant and equipment (note 4) will have a corresponding effect on the depreciation charge and impairment loss incurred during the year.

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

3.4 Consolidation of entities in which the Company holds less than half of the voting rights

Management considers that the Company has control over ECL even though it has less than 50% of the voting rights. The pattern of shareholding of ECL shows that the Company is the single largest shareholder having shareholding of 37.22% with remaining widely dispersed shareholding pattern, which enables the Company to exercise control over ECL.

3.5 Impairment of investments in subsidiaries, associates and other entities

In making an estimate of impairment, investments are considered to be impaired if there is a significant or prolonged decline in the recoverable amount and carrying value of investments.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2016	2015
		(Rupees in '000)	
Operating fixed assets	4.1	**96,461**	117,733
Capital work in progress - advance to supplier		**29,300**	13,000
		125,761	130,733

4.1 The following is a statement of property, plant and equipment:

	Land	Building	Leasehold improve-ments	Furniture, fittings and equipment	Data processing equipment	Vehicles	Total
	(Rupees in '000)						
At January 1, 2015							
Cost	22,716	7,500	10,406	17,803	15,750	53,212	127,387
Accumulated depreciation	-	(6,563)	(88)	(8,387)	(10,369)	(24,054)	(49,461)
Net book value	22,716	937	10,318	9,416	5,381	29,158	77,926
Year ended December 31, 2015							
Additions	-	-	11,298	4,098	10,307	35,947	61,650
Disposals							
Cost	-	-	-	-	(113)	(10,986)	(11,099)
Accumulated depreciation	-	-	-	-	38	8,480	8,518
Net book value	-	-	-	-	(75)	(2,506)	(2,581)
Depreciation charge for the year	-	(375)	(1,135)	(1,465)	(4,395)	(11,892)	(19,262)
Net book value as at December 31, 2015	22,716	562	20,481	12,049	11,218	50,707	117,733
Year ended December 31, 2016							
Additions	-	-	274	2,142	3,050	-	5,466
Disposals (Note 4.1.2)							
Cost	-	-	-	-	(1,154)	(4,583)	(5,737)
Accumulated depreciation	-	-	-	-	591	2,349	2,940
Net book value	-	-	-	-	(563)	(2,234)	(2,797)
Depreciation charge for the year	-	(375)	(2,195)	(2,021)	(6,024)	(13,326)	(23,941)
Net book value as at December 31, 2016	**22,716**	**187**	**18,560**	**12,170**	**7,681**	**35,147**	**96,461**
At December 31, 2015							
Cost	22,716	7,500	21,704	21,901	25,944	78,173	177,938
Accumulated depreciation	-	(6,938)	(1,223)	(9,852)	(14,726)	(27,466)	(60,205)
Net book value	22,716	562	20,481	12,049	11,218	50,707	117,733
At December 31, 2016							
Cost	22,716	7,500	21,978	24,043	27,840	73,590	177,667
Accumulated depreciation	-	(7,313)	(3,418)	(11,873)	(20,159)	(38,443)	(81,206)
Net book value	22,716	187	18,560	12,170	7,681	35,147	96,461
Annual rate of depreciation (%)	-	5	10	10 to 12.5	33.33 to 50	20	

4.1.1 Cost of property, plant and equipment that are fully depreciated amounts to Rs 24.70 million (2015: Rs 24.21 million).

4.1.2 Details of property, plant and equipment disposed off:

Particulars	Mode of disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Particulars of purchasers
		---------------------- (Rupees in '000) ----------------------					
Items having net book value of greater than Rs 50,000 each							
Vehicles							
	Company policy	2,011	1,877	134	603	469	Muhammad Anis Dayala
	On transfer of employee	2,572	472	2,100	2,143	43	Reon Energy Limited
		4,583	2,349	2,234	2,746	512	
Data processing equipment							
	Insurance claim	172	79	93	80	(13)	Adamjee Insurance Company Limited
	--do--	257	107	150	176	26	Adamjee Insurance Company Limited
	Company policy	99	46	53	54	1	Faraz Salim
	Return back to supplier	88	11	77	85	8	Samsung
	Company policy	103	43	60	60	-	Ghias uddin Khan
		719	286	433	455	22	
Others Items having net book value of less than Rs 50,000 each	Various	435	305	130	141	11	Various
2016		**5,737**	**2,940**	**2,797**	**3,342**	**545**	
2015		11,099	8,518	2,581	5,626	3,045	

5. INTANGIBLE ASSETS

	Note	2016	2015
		-------- (Rupees in '000) --------	
Computer Software			
Net book value as at January 1		**1**	134
Amortisation for the year		**(1)**	(133)
Net book value as at December 31		**-**	1
At December 31			
Cost	5.1	**400**	400
Accumulated amortisation		**(400)**	(399)
Net book value		**-**	1

The intangible asset is amortised at the rate of 33.33%.

5.1 This represents cost of computer software "SYSMAN Solutions". This software was being amortised over the useful life of three years and was fully amortised during the current year, however, it is still in active use.

6. LONG TERM INVESTMENTS

	Note	2016	2015
		-------- (Rupees in '000) --------	
Investment in subsidiary	6.1	**23,308,927**	23,308,927
Investment in associate	6.2	**14,169,098**	14,169,098
Others, at cost - e2e Business Enterprises (Private) Limited - unquoted	6.3	**-**	95,713
		37,478,025	37,573,738

		2016	2015
		-------- (Rupees in '000)	--------
6.1	**Investment in subsidiary**		
	Engro Corporation Limited (ECL) - quoted	**23,308,927**	23,308,927
6.1.1	**Engro Corporation Limited - quoted**		
	194,972,555 (2015: 175,012,555) ordinary shares of Rs 10 each	**23,308,927**	17,425,249
	Add: Nil (2015: 19,960,000) ordinary shares purchased from DHFL	**-**	5,883,678
	194,972,555 (2015: 194,972,555) ordinary shares of Rs 10 each	**23,308,927**	23,308,927
	Percentage of holding 37.22% (2015: 37.22%)		

6.1.2 The market value of investment in ECL as at December 31, 2016 was Rs 61,629 million (2015: Rs 54,473 million).

6.1.3 The details of shares pledged as security are as follows:

Bank	As at December 31, 2016 Number of shares pledged	Face value of pledged shares	Market value of pledged shares	As at December 31, 2015 Number of shares pledged	Face value of pledged shares	Market value of pledged shares
	(in '000)	-----(Rupees in '000)	-----	(in '000)	-----(Rupees in '000)	-----
Pledged in favor of Fatima Fertilizer Company Limited against potential liabilities of DHFL						
Meezan Bank Limited - as agent - (note 16.1)	**15,131**	**151,308**	**4,782,695**	15,131	151,308	4,227,394

		2016	2015
		-------- (Rupees in '000)	--------
6.2	**Investment in associate**		
	The Hub Power Company Limited - quoted	**14,169,098**	14,169,098
6.2.1	**The Hub Power Company Limited - quoted**		
	172,582,000 (2015: 39,707,000) ordinary shares of Rs 10 each	**14,169,098**	1,291,677
	Add: Nil (2015: 7,735,000) ordinary shares purchased from Patek (Private) Limited	**-**	731,698
	Add: Nil (2015: 125,140,000) ordinary shares purchased from DHFL	**-**	12,145,723
	172,582,000 (2015: 172,582,000) ordinary shares of Rs 10 each	**14,169,098**	14,169,098
	Percentage of holding 14.91% (2015: 14.91%)		

6.2.2 The Company has 14.91% (2015: 14.91%) of the voting power in the Hub Power Company Limited (HUBCO) by virtue of its shareholding. Due to the representation of the Company's nominees on the Board of Directors of HUBCO, the Company has significant influence over HUBCO.

6.2.3 The market value of investment in HUBCO as at December 31, 2016 was Rs 21,310 million (2015: Rs 17,707 million).

6.2.4 The details of shares pledged as security against various facilities are as follows:

	As at December 31, 2016			As at December 31, 2015		
Bank	**Number of shares pledged**	**Face value of pledged shares**	**Market value of pledged shares**	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
	(in '000)	-----(Rupees in '000) -----		(in '000)	-----(Rupees in '000) -----	
Pledged against financing facilities availed by the Company						
Long term:						
Allied Bank Limited	**82,570**	**825,700**	**10,195,744**	82,570	825,700	8,471,682
Short term:						
Bank AL Habib Limited	**20,256**	**202,560**	**2,501,211**	31,256	312,560	3,206,866
Habib Metropolitan Bank Limited	**25,850**	**258,500**	**3,191,958**	-	-	-
MCB Islamic Bank Limited	**4,762**	**47,620**	**588,012**	-	-	-
United Bank Limited	**16,182**	**161,815**	**1,998,092**	15,656	156,560	1,606,306

	Note	2016	2015
		-------- (Rupees in '000) --------	
6.3 Other investment			
e2e Business Enterprises (Private) Limited e2eBE - unquoted			
11,664,633 (2015: 23,770,701) ordinary shares of Rs 10 each		**95,713**	237,707
Less: Nil (2015: 12,106,068) ordinary shares disposed of during the year		**-**	(121,061)
Less: Provision for impairment	6.3.1	**(95,713)**	(20,933)
11,664,633 (2015: 11,664,633) ordinary shares of Rs 10 each		**-**	95,713
Percentage of holding 19.14% (2015: 19.14%)			

6.3.1 The Company had made an investment in e2eBE which was set up for the production, sale and marketing of Rice Bran Oil (RBO) and was planned to start commercial operations in 2014. However, due to certain technical issues it has not been able to start the commercial operations of the project till date. Further, due to serious financial and liquidity crises, it has not been able to service its outstanding loans and working capital requirements.

The Company has assessed the carrying amount of its investment in e2eBE in accordance with the requirements of IAS 36 'Impairment of Assets' and recorded an impairment loss of Rs 95.713 million (2015: 20.933 million) representing the full amount of its investment as the possibility of turnaround of e2eBE operations is remote.

	Note	**2016**	2015
		-------- (Rupees in '000) --------	
7. DEFINED BENEFIT LIABILITY / (ASSET)			
These comprise of:			
Defined benefit plan - funded gratuity	7.4	**518**	(2,593)
- unfunded gratuity		**1,531**	587

7.1 As stated in note 2.11.1, the Company operates a defined benefit plan i.e. an approved funded gratuity scheme for all of its permanent employees subject to attainment of minimum service of prescribed period. Actuarial valuation of the scheme is carried out every year. However, the latest actuarial valuation was carried out as at June 30, 2016. Nevertheless, the results have been updated for material transactions and material changes in circumstances upto the end of the reporting period.

7.2 The actuarial valuation of gratuity plan was carried out as at June 30, 2016. The projected unit credit method using the following significant assumptions was used for this valuation:

	June 30, 2016	June 30, 2015
	------% per annum------	
- Discount rate used for profit and loss account charge	**9.75%**	10.5%
- Discount rate used for year end obligation	**9.00%**	9.75%
- Expected rate of increase in salary levels - per annum	**8.00%**	8.75%

7.3 Mortality rate

The rates assumed were based on the SLIC 2001 - 2005 with 1 year setback mortality table.

	Note	**2016**	2015
		-------- (Rupees in '000) --------	
7.4 Balance sheet reconciliation			
Present value of defined benefit obligation	7.5	**17,398**	17,818
Fair value of plan assets	7.6	**(16,880)**	(20,411)
Liability as at December 31		**518**	(2,593)
7.5 Movement in present value of defined benefit obligation			
Obligation as at January 1		**17,818**	13,689
Current service cost		**6,715**	3,426
Interest cost		**907**	1,556
Benefits paid		**(11,988)**	(371)
Remeasurment on obligation		**3,946**	(482)
Obligation as at December 31		**17,398**	17,818

		Note	2016	2015
			-------- (Rupees in '000)	--------
7.6	**Movement in fair value of plan assets**			
	Fair value as at January 1		**20,411**	13,953
	Interest income		**1,964**	1,839
	Contributions made		**6,663**	5,678
	Benefits paid		**(11,988)**	(371)
	Remeasurement on plan assets		**(170)**	(688)
	Fair value as at December 31		**16,880**	20,411
7.7	**Movement in net liability / (asset) in the balance sheet**			
	Opening balance of net (asset)		**(2,593)**	(264)
	Charge for the year	7.8	**5,658**	3,143
	Contributions made by the company		**(6,663)**	(5,678)
	Net remeasurement for the year	7.9	**4,116**	206
	Closing balance of net liability / (asset)		**518**	(2,593)
7.8	**Amounts recognised in the profit and loss account**			
	Current service cost		**6,715**	3,426
	Net interest income		**(1,057)**	(283)
			5,658	3,143
7.9	**Remeasurement recognised in other comprehensive income**			
	Remeasurement loss / (gain) on defined benefit liability			
	- Experience adjustments		**3,946**	(482)
	Remeasurement loss on plan assets		**170**	688
	Net remeasurement loss		**4,116**	206
7.10	**Actual return on plan assets**			
	Expected return on plan assets		**1,964**	1,839
	Remeasurement loss on plan assets		**(170)**	(688)
	Actual return on plan assets		**1,794**	1,151

		2016		2015	
		(Rs in '000)	**Percentage**	(Rs in '000)	Percentage
7.11	Major categories / composition of plan assets				
	Cash and cash equivalents (net)	**2,697**	**16%**	4,744	23%
	Mutual funds	**14,183**	**84%**	15,667	77%
		16,880	**100%**	20,411	100%

7.12 Amounts for the current year and previous four annual years of the fair value of plan assets, present value of defined benefit obligation and deficit arising thereon are as follows:

	2016	2015	2014	2013	2012
	(Rupees in '000)				
As at December 31					
Fair value of plan assets	**16,880**	20,411	13,953	19,481	6,070
Present value of defined benefit obligation	**(17,398)**	(17,818)	(13,689)	(19,883)	(15,096)
(Deficit) / Surplus	**(518)**	2,593	264	(402)	(9,026)
Experience adjustments:					
(Loss) / gain on plan assets	**(170)**	(688)	574	186	(18)
(Loss) / gain on obligations	**(3,946)**	482	(438)	90	(580)

7.13 Expected contribution to post employment benefit plan for the year ending December 31, 2017 is Rs 5.908 million (2016: Rs 4.003 million).

7.14 The weighted average duration of the defined benefit obligation is 11 years.

7.15 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is set forth below:

	Change in assumptions	Impact on defined benefit obligation Increase	Decrease
		(Rupees in '000)	
Discount rate	1%	**(5,085)**	(2,091)
Salary growth rate	1%	**(2,116)**	(5,085)

7.16 The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised within the balance sheet.

8. ADVANCES, DEPOSITS AND PREPAYMENTS

	Note	**2016**	2015
		(Rupees in '000)	
Considered good - unsecured			
Advances to:			
- Employees and executives	8.1	**147**	3,798
- Suppliers		**279**	3,275
	8.2	**426**	7,073
Deposits and prepayments:			
- to associates		**234**	1,012
- to others		**43,944**	33,814
	8.3	**44,178**	34,826
Considered doubtful - others		**-**	892
Less: Provision for doubtful deposits	8.4	**-**	(892)
		-	-
		44,604	41,899

8.1 Advances include Nil (2015: Rs 3.553 million) due from key management personnel of the Company. The maximum amounts due at the end of any month during the year from the directors and executives were Rs 0.110 million (2015: Rs 0.110 million) and Rs 3.151 million (2015: Rs 3.583 million) respectively.

8.2 The advances provided to suppliers, employees and executive are interest free.

8.3 These deposits and prepayments do not carry any mark up arrangement.

	2016	2015
	-------- (Rupees in '000) --------	
8.4 Provision for doubtful deposits		
Opening Balance	**892**	-
Add: Provision made during the year	**-**	892
Less: Doubtful deposits written off during the year	**(892)**	-
Closing balance	**-**	892
9. OTHER RECEIVABLES	**15,735**	114,532

These includes receivable from the associates of the Company aggregating to Rs 15.142 million (2015: 114.258 million).

	Note	2016	2015
		-------- (Rupees in '000) --------	
10. CASH AND BANK BALANCES			
Cash in hand		**530**	512
Cheques in hand		**-**	853,005
With banks in:			
- Current accounts		**279,249**	151,134
- Savings accounts	10.1	**6,509**	3,408
		285,758	154,542
		286,288	1,008,059

10.1 These carry markup at the rates ranging from 3.43% to 4% (2015: 4% to 5%) per annum.

11. SHARE CAPITAL

11.1 Authorised share capital

2016	2015		2016	2015
(Number of shares)			-------- (Rupees in '000) --------	
1,000,000,000	1,000,000,000	Ordinary shares of Rs 10 each	**10,000,000**	10,000,000

11.2 Issued, subscribed and paid up share capital

2016	2015		2016	2015
(Number of shares)			(Rupees in '000)	
13,900,000	13,900,000	Ordinary shares of Rs 10 each fully paid in cash	139,000	139,000
467,387,116	467,387,116	Ordinary shares of Rs 10 each issued as fully paid bonus shares	4,673,871	4,673,871
481,287,116	481,287,116		4,812,871	4,812,871

11.3 Shares held by related parties

	2016	2015
	(Number of shares)	
Dawood Lawrencepur Limited Percentage of holding 16.19% (2015: 16.19%)	77,931,896	77,931,896
The Dawood Foundation Percentage of holding 3.95% (2015: 3.95%)	18,991,988	18,991,988
Cyan Limited Percentage of holding 0.165% (2015: 0.165%)	794,380	794,380
Sach International (Private) Limited Percentage of holding 0.001% (2015: 0.001%)	6,996	6,996

12. REVENUE RESERVES

	Note	2016	2015
		(Rupees in '000)	
General reserve		700,000	700,000
Unappropriated profit		25,325,985	28,282,384
		26,025,985	28,982,384

13. LONG TERM FINANCING

	Note	2016	2015
Long term finance under mark up arrangement	13.2	139,143	242,585
Syndicate term finance arrangement	13.3	3,750,000	3,750,000
		3,889,143	3,992,585
Current portion		(764,143)	(103,442)
		3,125,000	3,889,143

13.1		2016	2015
	Balance as at January 1	3,992,585	330,465
	Availed during the year	-	3,750,000
	Repayments during the year	(103,442)	(87,880)
	Balance as at December 31	3,889,143	3,992,585

13.2 This represents utilised portion of long term finance facility under mark-up arrangement from Allied Bank Limited (ABL) aggregating Rs 380 million (2015: Rs 380 million). The finance facility is secured by way of hypothecation charge over all assets of the Company with 25% margin and pledge of HUBCO shares as more fully explained in note 6.2.4. The facility carries mark-up at the rate of six months KIBOR plus 200 basis points per annum. The facility is for the period of 5 years and is payable semi annually in arrears with the first principal repayment made on July 5, 2013. The facility will be repaid in full by July 2017.

13.3 This represents utilised portion of syndicated term finance facility sanctioned by a syndicate of banks led by Allied Bank Limited aggregating to Rs. 4,000 million (2015: 4,000 million). The facility is secured against HUBCO shares as more fully explained note 6.2.4. The facility carries mark-up at the rate of six months KIBOR plus 200 basis points per annum. The facility is for a period of 5 years and is payable semi annually with the first principal repayment to be made after the expiry of 2 years grace period commencing from May 2017.

	Note	2016	2015
		-------- (Rupees in '000) --------	
14. SHORT TERM RUNNING FINANCE			
Running finance under mark-up arrangement	14.1 -14.4	2,868,932	431,808

14.1 This includes utilised portion of short-term running finance facility aggregating to Rs 1,500 million (2015: Rs 2,000 million) obtained under mark-up arrangements from Bank Al-Habib Limited. The amount which remained unutilised as at December 31, 2016 was Rs 1,500 million (2015: Rs 2,000 million). The facility is secured by way of pledge of HUBCO shares as more fully explained in note 6.2.4. Rate of mark-up applicable to the facility is three months KIBOR plus 65 basis points (2015: three months KIBOR plus 95 basis points) per annum. The facility will expire on April 30, 2017.

14.2 This also includes utilised portion of short-term running finance facility aggregating to Rs 2,000 million (2015: Rs 1,000 million) obtained under mark-up arrangements from United Bank Limited. The amount which remained unutilised as at December 31, 2016 was Rs 1000.867 million (2015: Rs 568.192 million). The facility is secured by way of pledge of HUBCO shares as more fully explained in note 6.2.4. Rate of mark-up applicable to the facility is one month KIBOR plus 70 basis points (2015: one month KIBOR plus 90 basis points) per annum. The facility will expire on April 30, 2017.

14.3 During the year ended December 31, 2016, the Company has obtained short-term running finance facility aggregating to Rs 800 million (2015: Rs Nil) under Shariah approved arrangement (Running Musharakah Arrangement) from MCB Islamic Bank Limited. The amount which remained unutilised as at December 31, 2016 was Rs 800 million (2015: Nil). The facility is secured by way of pledge of HUBCO shares as more fully explained in note 6.2.4. Rate of profit applicable to the facility is three month KIBOR plus 75 basis points (2015: Nil) per annum. The facility will expire on April 30, 2017.

14.4 During the year ended December 31, 2016, the Company has obtained short-term running finance facility aggregating to Rs 2,000 million (2015: Nil) under mark-up arrangements from Habib Metropolitan Bank Limited. The amount which remained unutilised as at December 31, 2016 was Rs 130.20 million (2015: Nil). The facility is secured by way of pledge of HUBCO shares (2015: HUBCO shares) as more fully explained in note 6.2.4. Rate of mark-up applicable to the facility is three month KIBOR plus 75 basis points (2015: Nil) per annum. The facility will expire on January 31, 2017.

15. TRADE AND OTHER PAYABLES

	2016	2015
	-------- (Rupees in '000) --------	
Creditors	**161**	354,052
Accrued expenses	**149,856**	44,371
Unclaimed dividend	**95,902**	48,371
Others	**69**	188
	245,988	446,982

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingent liabilities

The Company has pledged 15.131 million shares of ECL with Meezan Bank Limited (as Agent) in favour of Fatima Fertilizer Company Limited (FFCL) and a corporate guarantee in favour of DHFL and FFCL against potential tax liabilities of DHFL in respect period ending on or prior to June 30, 2015. The pledged shares will be released upon completion of two years from the filing date of Income Tax Return for the year ended December 31, 2015 i.e. September 30, 2016. The corporate guarantee will remain in full force and effect for five years and will be released on the later of September 30, 2021 or the date on which subject tax liabilities are finally settled / disposed off or withdrawn.

16.2 Commitment in respect of operating lease arrangements

The amount of future payments in operating lease arrangements relating to office premises and vehicle, and the period in which these payments will become due are as follows:

	2016	2015
	-------- (Rupees in '000) --------	
Not later than one year	**10,766**	7,885

The amount of Rs 10 million represents commitments in respect of office premises. The Company has signed lease agreements for premises on rent from Dawood Foundation, a related party, for Karachi office which is due to expire in September 2017. The same is revocable by either party through prior notice of at least 3 months. The remaining amount of Rs 0.76 million represents lease rental commitment of a car provided to an executive.

17. DIVIDEND INCOME

	2016	2015
	-------- (Rupees in '000) --------	
Subsidiary - Engro Corporation Limited	**5,264,259**	2,804,828
Former subsidiary - DH Fertilizers Limited	**-**	18,018,795
Associate - The Hub Power Company Limited	**2,157,275**	1,108,029
	7,421,534	21,931,652

18. ADMINISTRATIVE EXPENSES

	Note	2016	2015
		-------- (Rupees in '000) --------	
Salaries, wages and other benefits	18.1	**453,670**	297,256
Rent, rates and taxes		**31,666**	24,222
Insurance		**4,155**	3,251
Repairs and maintenance		**4,860**	5,755
Communication, stationery and office supplies		**20,458**	17,295
Subscription and periodicals		**22,983**	26,637
Travelling and conveyance		**20,971**	231,719
Depreciation	4.1	**23,941**	19,262
Amortisation	5	**1**	133
Impairment charge		**95,713**	20,933
Legal and professional charges		**44,342**	612,484
Donations	18.2	**500**	-
Other expenses		**23,088**	31,121
		746,348	1,290,068

18.1 Salaries, wages and other benefits include Rs 6.644 million (2015: Rs 4.333 million) charge for the year in respect of staff gratuity fund and Rs 11.998 million (2015: Rs 10.322 million) in respect of staff provident fund.

18.2 During the year, donation was given for the promotion of education to The Citizen Foundation where none of the director of the Company was interested.

19. OTHER OPERATING EXPENSES

	2016	2015
	-------- (Rupees in '000) --------	
Auditor's remuneration:		
Audit fee	**304**	288
Half year and other certification fees	**162**	147
Out of pocket expenses	**95**	96
Other services	**1,680**	6,629
	2,241	7,160

20. OTHER INCOME

	Note	2016	2015
		-------- (Rupees in '000) --------	
Income from financial instruments	20.1	**9,677**	286,827
Income from non-financial instruments	20.2	**4,221**	4,310
		13,898	291,137

20.1 Income from financial instruments

	Note	2016	2015
		-------- (Rupees in '000) --------	
Profit on savings accounts and term deposit receipts		**9,663**	10,222
Net gain on sale of investments		**-**	285,163
Exchange gain / (loss)		**14**	(8,558)
		9,677	286,827

	Note	2016	2015
		-------- (Rupees in '000) --------	

20.2 Income from non-financial instruments

	Note	2016	2015
Profit on disposal of property, plant and equipment		545	3,045
Other income		3,676	1,265
		4,221	4,310

21. FINANCE COST

	Note	2016	2015
Mark-up on:			
- Long term financing		328,095	138,272
- Short term running finance		63,217	38,147
Bank charges		1,367	42,184
		392,679	218,603

22. TAXATION

	Note	2016	2015
Current			
- for the year		821,983	474,271
- for prior years		1,940	38,311
	22.1	823,923	512,582

22.1 Relationship between tax expense and accounting profit

	2016 %	2015 %
Applicable tax rate	31.0	32.0
Tax effect of amounts that are not taxable / deductible for tax purposes	(0.0)	(0.0)
Tax effect of amounts exempt from tax	(0.0)	(25.9)
Tax effect of amounts taxed at lower rate	(17.9)	(3.8)
Tax effect of prior year charges	0.0	0.2
	13.1	2.5

23. EARNINGS PER SHARE

	2016	2015
	-------- (Rupees in '000) --------	
Profit after taxation	5,470,241	20,194,376
	(Number of shares)	
Weighted average number of ordinary shares	481,287,116	481,287,116
	-------- (Rupees) --------	
Earnings per share – basic and diluted	11.37	41.96

23.1 There were no convertible dilutive potential ordinary shares outstanding as at December 31, 2016 and 2015.

24. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year is as follows:

	2016			2015		
	Chief Executive	**Directors**	**Executives**	Chief Executive	Directors	Executives
	(Rupees in '000)					
Managerial remuneration	**160,057**	**51,485**	**93,465**	19,355	62,696	91,949
Retirement benefits including ex-gratia	**4,410**	**-**	**13,373**	4,515	1,588	9,333
Rent and utilities	**10,629**	**21,818**	**62,764**	10,885	28,719	39,489
Compensated absences	**-**	**-**	**2,530**	-	1,313	2,285
Medical	**2,018**	**2,253**	**6,558**	1,613	2,439	2,878
	177,114	**75,556**	**178,690**	36,368	96,755	145,934
Number of persons including those who worked part of the year	**2**	**2**	**42**	1	3	38

24.1 On resignation of Mr Samad Dawood as Chief Executive Officer (CEO) of the Company, Mr Inam ur Rahman was appointed as CEO with effect from December 1, 2016. Hence, above remuneration includes remuneration of Mr Samad Dawood and Mr Inam ur Rahman for their period of service.

24.2 In addition, CEO, certain directors and executives are provided with Company owned and maintained cars.

24.3 Meeting fees aggregating Rs 7.950 million (2015: Rs 4.550 million) were paid to 7 directors (2015: 9 directors).

25. RELATED PARTY TRANSACTIONS

The related parties comprise Company, local associated companies, related group companies, directors of the Company, companies in which directors are interested, staff retirement benefits, key management personnel and close members of the family of directors. The Company in the normal course of business carries out transactions with various related parties. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	Note	2016	2015
		-------- (Rupees in '000)	--------
Subsidiary companies			
Reimbursement of expenses made to the Company		3,130	105,326
Reimbursement of expenses made by the Company		-	1,287
Dividend income		5,264,259	20,823,623
Purchase of goods and services		-	12
Sale of goods and services		-	159
Associates			
Sale of goods and services		7,827	5,308
Purchase of goods and services		24,821	29,253
Reimbursement of expenses from associates		11,724	4,820
Reimbursement of expenses to associates		6,370	2,530
Dividend income		2,157,275	1,108,029
Commitment in respect of operating lease arrangements	16.2	10,008	7,885
Membership fee and other subscriptions		-	121
Other related parties			
Expense in relation to staff retirement gratuity fund		5,658	3,143
Membership fee and other subscriptions		125	-
Expense in relation to staff provident fund		11,998	10,322
Key management personnel			
Sale of property, plant and equipment		858	567
Salaries and other short term employee benefits		278,695	198,678
Commitment in respect of operating lease arrangements	16.2	758	-
Post retirement benefit plans	24	17,783	15,436

The Company enters into transactions with related parties on the basis of mutually agreed terms.

The amounts payable to and receivable from the related parties have been disclosed in the relevant notes to these financial statements.

	Note	2016	2015
		-------- (Rupees in '000) --------	
26. CASH UTILISED IN OPERATIONS			
Profit before taxation		**6,294,164**	20,706,958
Adjustment for non cash expenses and other items:			
Depreciation		**23,941**	19,262
Amortisation		**1**	133
Impairment charge		**95,713**	20,933
Finance cost		**392,679**	218,603
Profit on disposal of property, plant and equipment		**(545)**	(3,045)
Profit on sale of investments		**-**	(285,163)
Dividend income		**(7,421,534)**	(21,931,652)
Provision for staff retirement and other service benefits		**6,644**	6,868
Profit on bank deposits		**(9,663)**	(10,222)
Exchange (gain) / loss		**(14)**	8,558
Working capital changes	26.1	**(152,419)**	83,982
		(7,065,197)	(21,871,743)
Cash utilised in operations		**(771,033)**	(1,164,785)
26.1 Working capital changes			
Decrease / (increase) in current assets:			
Advances, deposits and prepayments		**(2,705)**	(29,172)
Other receivables		**98,797**	(103,073)
		96,092	(132,245)
(Decrease) / increase in trade and other payables		**(248,511)**	216,227
		(152,419)	83,982
27. CASH AND CASH EQUIVALENTS			
Cash and bank balances	10	**286,288**	1,008,059
Short term running finance	14	**(2,868,932)**	(431,808)
		(2,582,644)	576,251
28. FINANCIAL INSTRUMENTS BY CATEGORY			
FINANCIAL ASSETS			
Loans and receivables at amortised cost			
Advances, deposits and prepayments		**44,604**	41,899
Other receivables		**15,735**	114,532
Cash and bank balances		**286,288**	1,008,059
		346,627	1,164,490
Available for sale investments			
Others, at cost - e2e Business Enterprises (Private) Limited - unquoted		**-**	95,713
		346,627	1,260,203

	2016	2015
	-------- (Rupees in '000) --------	
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Long term financing	**3,889,143**	3,992,585
Trade and other payables	**245,988**	446,982
Accrued mark-up	**99,640**	99,642
Short term running finance	**2,868,932**	431,808
	7,103,703	4,971,017

29. FINANCIAL RISK MANAGEMENT

29.1 The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Board of Directors (the Board) has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor adherence to limits. Risk management policies and systems are reviewed regularly to react to change in market conditions and the Company's activities.

Risks managed and measured by the Company are explained below:

29.2 Market risk

Market risk is the risk that the value of financial instruments may fluctuate as a result of changes in market interest rates or the market prices of instruments due to change in credit rating of the issuers or the instruments, changes in market sentiments, speculative activities, supply and demand of instruments and liquidity in the market. The Company manages the market risk by monitoring exposure on financial instruments and by following internal risk management policies.

Market risk comprises of three types of risks: interest rate risk, currency risk and other price risk.

29.2.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market interest rates.

- Fair value risk - Presently, fair value risk to the Company arises from 'balances with banks' which are based on fixed interest rates. As at December 31, 2016, the impact of increase / decrease in fixed interest rates by 100 basis points will not have a material impact on the profit after tax of the Company.

- Future cash flow risk - Presently, future cash flow risk to the Company arises from short term running finance and long term financing which are based on floating interest rates (i.e. KIBOR based). As at December 31, 2016, had there been increase / decrease of 100 basis points in KIBOR, with all other variables held constant, profit before taxation for the year then ended would have been lower / higher by Rs 24.548 million (2015: 26.035 million) mainly as a result of finance cost.

29.2.2 Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company does not have any significant foreign currency exposures.

29.2.3 Price risk

Price risk is the risk that the fair value of or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. During the year, the Company has disposed off all its financial instruments that were valued at market prices, as a result there was no exposure to price risk as at end of the year.

29.3 Credit risk and its concentration

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each of the parties. To manage exposure to credit risk, management reviews credit ratings, total deposits worthiness, and maturities of the investments made, past experience and other factors.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by the changes in economic, political or other conditions.

The credit quality of the Company's liquidity can be assessed with reference to external credit ratings as follows:

Bank	Rating agency	Rating	
		Short term	Long term
Bank AL Habib Limited	PACRA	A1+	AA+
Habib Bank Limited	JCR-VIS	A-1+	AAA
United Bank Limited	JCR-VIS	A-1+	AAA
Allied Bank Limited	PACRA	A-1+	AA+
MCB Islamic Bank Limited	PACRA	A-1	A
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+

The maximum exposure to credit risk at the reporting date is set forth below:

	2016	2015
	(Rupees in '000)	
Advances, deposits and prepayments	44,604	41,899
Other receivables	15,735	114,532
Bank balances	285,758	1,007,547
	346,097	1,163,978

The Company believes that it is not exposed to major concentration of credit risk.

29.4 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its financial liabilities when due. Accordingly, the Company maintains sufficient cash and also makes availability of funding through credit facilities.

The analysis below summarizes the Company's financial liabilities (based on contractual undiscounted cash flows) into relevant maturity groups on the remaining period as at the balance sheet date:

	Carrying Amount	Six months or less	Six to twelve months	One to two years	Two to five years
	(Rupees in '000)				
2016					
Financial liabilities					
Short term financing	2,868,932	2,868,932	-	-	-
Long term financing	3,889,143	52,179	711,964	1,250,000	1,875,000
Trade and other payables	245,988	245,988	-	-	-
Accrued mark-up	99,640	99,640	-	-	-
	7,103,703	3,266,739	711,964	1,250,000	1,875,000
2015					
Financial liabilities					
Short term financing	431,808	431,808	-	-	-
Long term financing	3,992,585	51,263	52,179	139,143	3,750,000
Trade and other payables	446,982	446,982	-	-	-
Accrued mark-up	99,642	99,642	-	-	-
	4,971,017	1,029,695	52,179	139,143	3,750,000

29.5 Capital risk management

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay long term financing from / to financial institutions.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as long term borrowings less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratio as at December 31, 2016 and 2015 were as follows:

	Note	2016	2015
		-------- (Rupees in '000)	--------
Total debt	13	**3,889,143**	3,992,585
Less: Cash and cash equivalent	27	**(2,582,644)**	576,251
Net debt		**6,471,787**	3,416,334
Total capital		**37,310,643**	37,211,589
Gearing Ratio		**17.35%**	9.18%

29.6 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observation inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Valuation techniques using significant un-observable inputs.

The estimated fair value of all financial instruments is considered not significantly different from book value.

30. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on un-audited financial statements of the Provident Fund (the Fund) as at December 31:

	Note	2016	2015
		-------- (Rupees in '000)	--------
Size of the fund - total assets		**60,228**	59,919
Cost of investments made		**54,086**	56,656
Percentage of investments made		**98%**	97%
Fair value of investments	30.1	**58,741**	58,240

30.1 The break up of fair value of investments is:

	2016 (Rs in '000)	2016 %age	2015 (Rs in '000)	2015 %age
Bank balances	**13,382**	**22.8%**	43,386	74.5%
Government securities	**26,261**	**44.7%**	-	-
Mutual funds	**19,098**	**32.5%**	14,854	25.5%
	58,741	**100%**	58,240	100%

30.2 The investments of the Funds have been made in accordance with the provision of Section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

31. NUMBER OF EMPLOYEES

The total and average number of employees during the years ended December 31 respectively are as follows:

	2016	2015
Average number of employees during the year	**42**	33
Number of employees as at the end of the financial year	**41**	41

32. GENERAL

32.1 All financial information except as otherwise stated has been rounded to the nearest thousand rupees.

33. DATE OF AUTHORISATION FOR ISSUE

33.1 The Board of Directors in its meeting held on February 28, 2017 has proposed a cash dividend of Rs. 2 per share (2015: Rs 4 per share) for the year ended December 31, 2016 subject to approval of members at the annual general meeting to be held on April 28, 2017. This is in addition to the interim cash dividend of Rs 13.5 (2015: Rs 12) per share resulting in a total dividend for the year of Rs 15.5 (2015: Rs 16) per share. These financial statements do not recognise the proposed dividend as deduction from unappropriated profit as it has been proposed subsequent to balance sheet date.

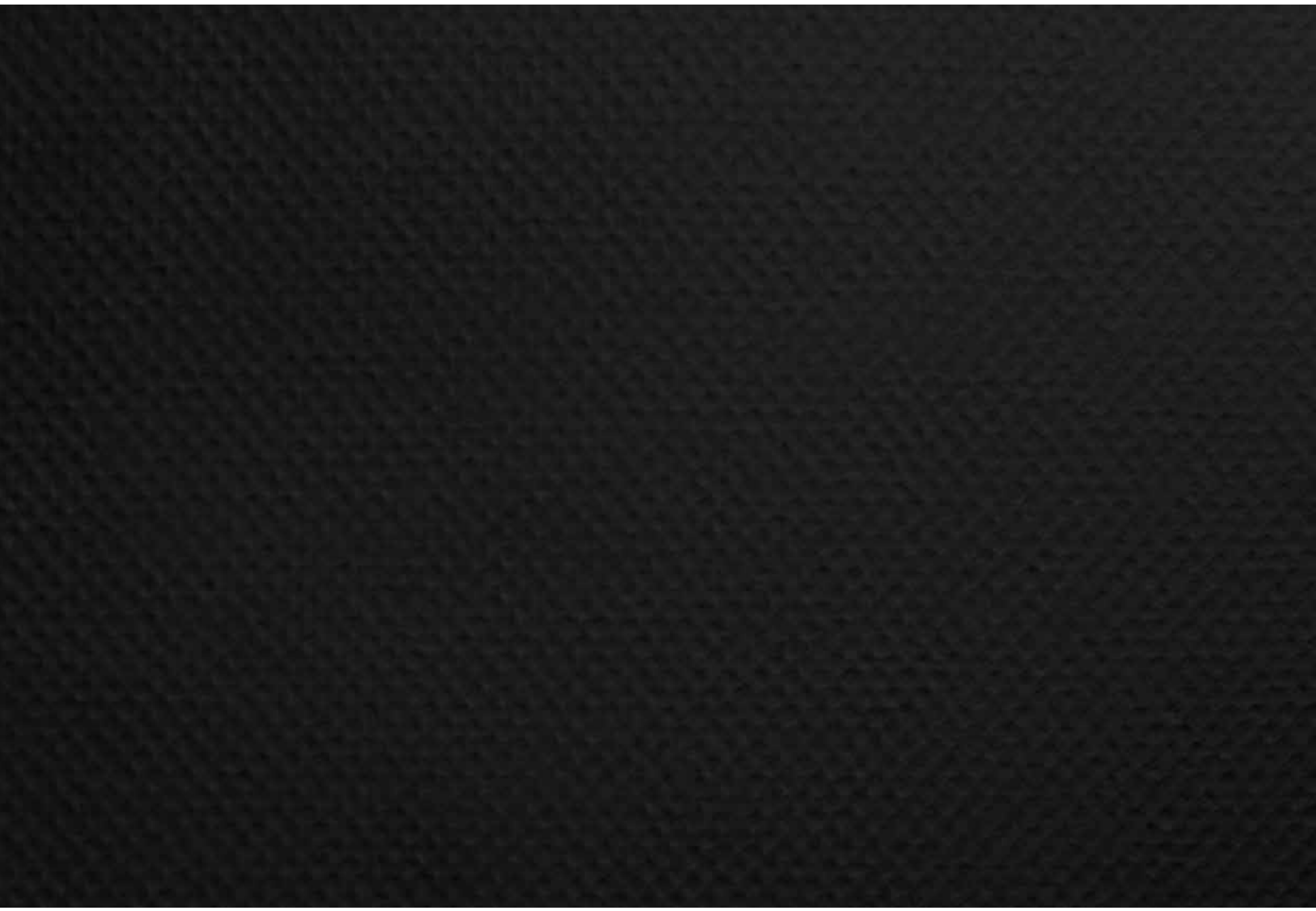
33.2 These financial statements have been authorised for issue on February 28, 2017 by the Board of Directors of the Company.

Karachi
February 28, 2017

M. Abdul Aleem
Director

Inam ur Rahman
Chief Executive

CONSOLIDATED FINANCIAL STATEMENTS



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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Dawood Hercules Corporation Limited (the Holding Company) and its subsidiary companies as at December 31, 2016 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 companies, whereas, financial statements of Engro Eximp FZE have been audited by PricewaterhouseCoopers – U.A.E. and financial statements of Engro Power Services Limited by PricewaterhouseCoopers – Nigeria whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in the annexed consolidated financial statements for Engro Eximp FZE and Engro Power Services Limited, is based solely on the reports of such other auditors.

These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these 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 Dawood Hercules Corporation Limited (the Holding Company) and its subsidiary companies as at December 31, 2016 and the results of their operations for the year then ended.

AFFerguson & Co

Chartered Accountants
Karachi, March 16, 2017

Engagement Partner: Khurshid Hasan

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CONSOLIDATED BALANCE SHEET

As at December 31, 2016

(Amounts in thousand)

	Note	2016	2015
		------------- (Rupees) -------------	
ASSETS			
Non - Current Assets			
Property, plant and equipment	5	**131,534,255**	128,534,524
Biological assets	6	**-**	1,024,251
Intangible assets	7	**4,722,835**	4,777,248
Long term investments	8	**40,687,857**	9,598,639
Deferred taxation	9	**577,471**	982,699
Defined benefit asset - funded gratuity		**-**	2,593
Long term loans, advances and other receivables	10	**9,850,501**	3,758,094
Deferred employee compensation expense		**-**	147,456
		187,372,919	148,825,504
Current Assets			
Stores, spares and loose tools	11	**7,148,040**	7,679,172
Stock-in-trade	12	**10,704,311**	14,088,701
Trade debts	13	**13,733,482**	6,733,613
Deferred employee compensation expense		**-**	92,986
Derivative financial instruments	14	**-**	29,207
Loans, advances, deposits and prepayments	15	**1,435,101**	1,549,898
Other receivables	16	**9,584,214**	8,004,101
Accrued income		**426,268**	45,101
Taxes recoverable		**-**	2,245,086
Short term investments	17	**64,725,527**	14,050,112
Cash and bank balances	18	**6,186,667**	5,120,357
		113,943,610	59,638,334
TOTAL ASSETS		**301,316,529**	208,463,838

(Amounts in thousand)

	Note	2016	2015
		(Rupees)	
EQUITY & LIABILITIES			
Equity			
Share capital	20	**4,812,871**	4,812,871
Employee share option compensation reserve		**-**	225,217
Revaluation reserve on business combination		**16,857**	20,655
Maintenance reserve	21	**60,117**	60,117
Exchange revaluation reserve		**6,192**	11,412
Hedging reserve	22	**(32,730)**	(34,459)
General reserves		**700,000**	700,000
Unappropriated profit		**48,142,424**	27,221,478
Share of income of associates		**(3,435)**	(3,269)
Remeasurement of post-employment benefits		**(17,874)**	(48,665)
		48,871,551	28,152,486
		53,684,422	32,965,357
Non-Controlling Interest		**119,277,999**	59,901,520
Total Equity		**172,962,421**	92,866,877
Liabilities			
Non-Current Liabilities			
Borrowings	23	**63,734,743**	40,882,279
Derivative financial instruments	14	**2,107**	17,382
Deferred taxation	9	**8,982,706**	8,696,201
Deferred liabilities	24	**198,720**	161,829
		72,918,276	49,757,691
Current Liabilities			
Trade and other payables	25	**32,107,059**	34,618,973
Accrued interest / mark-up	26	**1,238,061**	1,427,789
Current portion of			
- borrowings	23	**13,272,722**	22,692,902
- deferred liabilities	24	**101,790**	98,083
Taxes payable		**62,028**	-
Short term borrowings	27	**8,404,519**	6,608,453
Derivative financial instruments	14	**249,653**	393,070
		55,435,832	65,839,270
Total Liabilities		**128,354,108**	115,596,961
Contingencies and Commitments	28		
TOTAL EQUITY & LIABILITIES		**301,316,529**	208,463,838

The annexed notes from 1 to 58 form an integral part of these consolidated financial statements.

Karachi	M. Abdul Aleem	Inam ur Rahman
February 28, 2017	Director	Chief Executive

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2016

(Amounts in thousand except for earnings per share)

	Note	2016	2015
		----- (Rupees) -----	
Revenue	29	157,207,668	181,979,686
Cost of revenue	30	(121,364,855)	(136,758,846)
Gross profit		35,842,813	45,220,840
Selling and distribution expenses	31	(12,052,758)	(10,765,816)
Administrative expenses	32	(4,352,160)	(5,209,571)
		19,437,895	29,245,453
Other income	33	68,852,080	10,686,492
Other operating expenses	34	(2,350,804)	(3,236,090)
Operating profit		85,939,171	36,695,855
Finance cost	35	(6,430,590)	(8,918,663)
Share of income from joint venture and associates	36	3,035,349	2,608,219
Profit before taxation		82,543,930	30,385,411
Taxation	37	(9,105,585)	(9,020,674)
Profit after taxation		73,438,345	21,364,737
Profit / (Loss) attributable to:			
- Discontinued operations	19	60,686,313	7,782,005
- Continuing operations		12,752,032	13,582,732
		73,438,345	21,364,737
Profit attributable to:			
- Owners of the Holding Company		25,564,552	9,226,901
- Non Controlling Interest		47,873,793	12,137,836
		73,438,345	21,364,737
Basic earnings per share from:	38	----- (Rupees) -----	
- Discontinued operations		46.69	11.73
- Continuing operations		6.43	7.44
		53.12	19.17
Diluted earnings per share from:	38		
- Discontinued operations		46.69	11.73
- Continuing operations		6.40	7.44
		53.09	19.17

The annexed notes from 1 to 58 form an integral part of these consolidated financial statements.

Karachi
February 28, 2017

M. Abdul Aleem
Director

Inam ur Rahman
Chief Executive

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended December 31, 2016

(Amounts in thousand)

	2016	2015
	(Rupees)	
Profit after taxation	**73,438,345**	21,364,737
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Hedging reserve - cash flow hedges		
Loss arising during the year	(234,618)	(136,023)
Less:		
- Reclassification adjustments for loss included in profit and loss account	246,772	207,729
- Adjustments for amounts transferred to initial carrying amount of hedged items (capital work in progress / stock-in-trade)	2,604	37,383
	14,758	109,089
Share of other comprehensive income of associate	(180)	(1,435)
Revaluation reserve on business combination	(21,004)	(21,318)
Exchange differences on translation of foreign operations	(15,042)	30,564
	(21,468)	116,900
Income tax relating to:		
Hedging reserve - cash flow hedges	(8,600)	(38,705)
Revaluation reserve on business combination	6,721	7,035
Share of other comprehensive income of associate	14	108
	(1,865)	(31,562)
Items that will not be reclassified to profit or loss		
Remeasurement of post employment benefits obligation - Actuarial gain / (loss)	32,844	(125,632)
Income tax relating to remeasurement of post employment benefits obligation	(11,157)	40,647
	21,687	(84,985)
Deferred tax charge relating to revaluation of equity related items	-	(4,946)
Other comprehensive income for the year, net of tax	(1,646)	(4,593)
Total comprehensive income for the year	**73,436,699**	21,360,144
Total comprehensive income attributable to equity shareholders from:		
- Discontinued operations	60,698,481	7,782,005
- Continuing operations	12,738,218	13,578,139
	73,436,699	21,360,144
Total comprehensive income attributable to:		
- Owners of the Holding Company	25,559,977	9,224,261
- Non Controlling Interest	47,876,722	12,135,883
	73,436,699	21,360,144

The annexed notes from 1 to 58 form an integral part of these consolidated financial statements.

Karachi
February 28, 2017

M. Abdul Aleem
Director

Inam ur Rahman
Chief Executive

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

(Amounts in thousands)

	ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY												
		RESERVES											
		CAPITAL RESERVES				REVENUE RESERVES							
	Share capital	Employee share option compensation reserve	Revaluation reserve on business combination	Maintenance reserve	Exchange revaluation reserve	Hedging reserve	General reserve	Unappro-priated Profit	Share of other comprehensive income of associates	Remeasurement of post employment benefits - Actuarial (loss) / income	Sub total	Non- Controlling Interest	Total
	Rupees												
Balance as at January 1, 2015	4,812,871	152,488	24,453	68,475	1,919	(55,041)	700,000	22,034,014	(1,942)	(21,075)	27,716,162	46,743,143	74,459,305
Total comprehensive income for the year ended December 31, 2015													
Profit for the year	-	-	-	-	-	-	-	9,226,901	-	-	9,226,901	12,137,836	21,364,737
Other comprehensive income	-	-	(3,798)	-	9,493	20,582	-	-	(1,327)	(27,590)	(2,640)	(1,953)	(4,593)
	-	-	(3,798)	-	9,493	20,582	-	9,226,901	(1,327)	(27,590)	9,224,261	12,135,883	21,360,144
Transactions with owners													
Transfer of maintenance reserve to Non-Controlling Interest	-	-	-	(8,358)	-	-	-	-	-	-	(8,358)	8,358	-
Employees Share Option Scheme of subsidiary company	-	72,729	-	-	-	-	-	-	-	-	72,729	122,674	195,403
Gain on disposal of shares of subsidiary company	-	-	-	-	-	-	-	1,957,280	-	-	1,957,280	5,916,037	7,873,317
Effect of conversion of IFC loan into ordinary shares by subsidiary company	-	-	-	-	-	-	-	264,036	-	-	264,036	733,267	997,303
Dividend by subsidiaries allocable to Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-	-	(1,666,925)	(1,666,925)
Share capital issued to Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-	-	168,000	168,000
Advance against issue of shares	-	-	-	-	-	-	-	-	-	-	-	675,048	675,048
Share issuance cost	-	-	-	-	-	-	-	(558)	-	-	(558)	(1,782)	(2,340)
Final cash dividend for the year ended December 31, 2014 @ Rs 4.00 per share	-	-	-	-	-	-	-	-	-	-	-	(1,315,031)	(1,315,031)
1st Interim cash dividend for the year ended December 31, 2015 @ Rs 2.00 per share	-	-	-	-	-	-	-	-	-	-	-	(657,663)	(657,663)
2nd Interim cash dividend for the year ended December 31, 2015 @ Rs 4.00 per share	-	-	-	-	-	-	-	-	-	-	-	(1,315,328)	(1,315,328)
3rd Interim cash dividend for the year ended December 31, 2015 @ Rs 5.00 per share	-	-	-	-	-	-	-	-	-	-	-	(1,644,161)	(1,644,161)
Final cash dividend @ 10% for the year ended December 31, 2014	-	-	-	-	-	-	-	(481,287)	-	-	(481,287)	-	(481,287)
Interim cash dividend @ 120% for the half year ended June 30, 2015	-	-	-	-	-	-	-	(5,775,444)	-	-	(5,775,444)	-	(5,775,444)
Transaction cost reversal	-	-	-	-	-	-	-	(3,464)	-	-	(3,464)	-	(3,464)
	-	72,729	-	(8,358)	-	-	-	(4,039,437)	-	-	(3,975,066)	1,022,494	(2,952,572)
Balance as at December 31, 2015	4,812,871	225,217	20,655	60,117	11,412	(34,459)	700,000	27,221,478	(3,269)	(48,665)	32,965,357	59,901,520	92,866,877

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

(Amounts in thousands)

	ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY												
		RESERVES											
		CAPITAL RESERVES				REVENUE RESERVES							
	Share capital	Employee share option compensation reserve	Revaluation reserve on business combination	Maintenance reserve	Exchange revaluation reserve	Hedging reserve	General reserve	Unappro-priated Profit	Share of other comprehensive income of associates	Remeasurement of post employment benefits - Actuarial (loss)/income	Sub total	Non- Controlling Interest	Total
	Rupees												
Total comprehensive income for the year ended December 31, 2016													
Profit for the year	-	-	-	-	-	-	-	25,564,552	-	-	25,564,552	47,873,793	73,438,345
Other comprehensive income	-	-	(3,798)	-	(5,220)	1,155	-	-	(166)	3,454	(4,575)	2,929	(1,646)
	-	-	(3,798)	-	(5,220)	1,155	-	25,564,552	(166)	3,454	25,559,977	47,876,722	73,436,699
Transactions with owners													
Disposal of subsidiary company	-	(225,217)	-	-	-	574	-	-	-	27,337	(197,306)	(2,320,312)	(2,517,618)
Shares issued to IFC by subsidiary company	-	-	-	-	-	-	-	-	-	-	-	1,468,678	1,468,678
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	-	(12,585,373)	(12,585,373)
Effect of partial disposal of shares held in a subsidiary company by principal subsidiary company	-	-	-	-	-	-	-	3,629,365	-	-	3,629,365	15,347,284	18,976,649
Shares issued during the year and share issuance cost accounted for as deduction from equity													
- ordinary shares issued during the period	-	-	-	-	-	-	-	(14,936)	-	-	(14,936)	4,741,763	4,726,827
- preference shares issued during the period	-	-	-	-	-	-	-	-	-	-	-	5,012,206	5,012,206
Decrease in NCI due to disposal of shareholding	-	-	-	-	-	-	-	164,489	-	-	164,489	(164,489)	-
Final cash dividend @ 40% for the year ended December 31, 2015	-	-	-	-	-	-	-	(1,925,148)	-	-	(1,925,148)	-	(1,925,148)
Interim cash dividend @135% for the year ended December 31, 2016	-	-	-	-	-	-	-	(6,497,376)	-	-	(6,497,376)	-	(6,497,376)
	-	(225,217)	-	-	-	574	-	(4,643,606)	-	27,337	(4,840,912)	11,499,757	6,658,845
Balance as at December 31, 2016	4,812,871	-	16,857	60,117	6,192	(32,730)	700,000	48,142,424	(3,435)	(17,874)	53,684,422	119,277,999	172,962,421

The annexed notes from 1 to 58 form an integral part of these consolidated financial statements.

Karachi
February 28, 2017

M. Abdul Aleem
Director

Inam ur Rahman
Chief Executive

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2016

(Amounts in thousand)

	Note	2016	2015
		(Rupees)	
Cash flows from operating activities			
Cash generated from operations	41	**18,152,961**	11,934,137
Retirement and other service benefits paid		**(198,117)**	(204,121)
Finance cost paid		**(6,111,063)**	(7,258,167)
Taxes paid		**(5,407,859)**	(3,772,437)
Payments against provision for contractual commitments		**(23,604)**	(72,541)
Long term loans and advances - net		**(9,556,863)**	(1,602,363)
Discontinued operations		**5,121,505**	4,516,967
Net cash generated from operating activities		**1,976,960**	3,541,475
Cash flows from investing activities			
Purchases of property, plant & equipment, intangible assets and biological assets		**(23,721,138)**	(8,917,191)
Sale proceeds on disposal of property, plant & equipment and biological assets		**50,045**	145,610
Investment in subsidiary / associated company		**(49,785)**	(886,019)
Short term investments made		**-**	(175,000)
Short term investments redeemed		**-**	175,890
Investment made during the year - net		**(35,570,970)**	24,499,917
Income on deposits / other financial assets		**833,745**	1,591,699
Proceeds against disposal of investment in subsidiary companies		**41,583,561**	10,424,984
Dividends received		**3,192,275**	2,396,089
Discontinued operations		**(1,188,097)**	(790,020)
Net cash (utilised in) /generated from investing activities		**(14,870,364)**	28,465,959
Cash flows from financing activities			
Proceeds / repayments of borrowings - net		**21,227,625**	(16,016,550)
Long term financing obtained		**-**	6,180,491
Proceeds from issuance of shares		**11,247,837**	168,000
Share issuance cost		**(79,377)**	(2,340)
Proceeds against disposal of investmnet in subsidiary company		**18,959,128**	-
Advance received against issuance of right shares to Non-controlling interest		**-**	675,048
Advance for insurance policy against foreign finances		**-**	(1,021,652)
Proceeds from short term finance		**724,700**	1,150,000
Repayments of short term finance		**(1,080,000)**	(5,150,000)
Dividends paid		**(20,846,102)**	(12,791,318)
Discontinued operations		**(3,175,878)**	(1,721,870)
Net cash generated from / (utilised in) financing activities		**26,977,933**	(28,530,191)
Net increase / (decrease) in cash and cash equivalents		**14,084,529**	3,477,243
Cash and cash equivalents at the beginning of the year		**11,832,739**	8,355,496
Effects of exchange rate changes on cash and cash equivalents		**(20,372)**	-
Cash and cash equivalents at the end of the year	42	**25,896,896**	11,832,739

The annexed notes from 1 to 58 form an integral part of these consolidated financial statements.

Karachi
February 28, 2017

M. Abdul Aleem
Director

Inam ur Rahman
Chief Executive

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 Dawood Hercules Corporation Limited (the Holding Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act 1913 (now Companies Ordinance, 1984) (the Ordinance) and its shares are quoted on Pakistan Stock Exchange Limited. The principal activity of the Holding Company is to manage investments in its subsidiary and associated companies. The registered office of the Holding Company is situated at Dawood Center, M.T. Khan Road, Karachi.

1.2 During the year ended December 31, 2015, the Holding Company entered into re-negotiation with Pakarab Fertilizers Limited (PAFL) for the disposal of entire shareholding in its wholly owned subsidiary DH Fertilizers Limited (DHFL) and Bubber Sher (Private) Limited (BSPL) and signed a Share Purchase Agreement (SPA) with PAFL. Accordingly, the shares of DHFL and BSPL were transferred in the name of Fatima Fertilizer Company Limited (assignee of PAFL as per the terms of the SPA).

1.3 During the year ended December 31, 2015, the Holding Company had reassessed the control conclusion of its investment in Engro Corporation Limited (ECL) as a result of adoption of International Financial Reporting Standards (IFRS) - 10 'Consolidated Financial Statements', by Securities and Exchange Commission of Pakistan (SECP), that although, the Holding Company has less than 50% voting rights in ECL, however, based on the absolute size of the Holding Company's shareholdings, the relative size of other shareholdings and the number of representation on ECL's Board, the Holding Company has the ability to exercise control over ECL as per the terms of IFRS 10.

Accordingly, these financial statements have been prepared to reflect consolidated financial information of the Holding Company and ECL (the Group) including summary of significant accounting policies.

2. GROUP STRUCTURE

The "Group" consists of:

Holding Company: Dawood Hercules Corporation Limited;

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

	%age of direct holding	
	2016	2015
Engro Corporation Limited (note 2.1)	**37.22**	37.22

Associate Company:Company in which the Holding Company owns over 20% of voting rights but less than 50%, or companies on which the Holding Company has significant influence:

	%age of direct holding	
	2016	2015
The Hub Power Company Limited (note 2.2)	**14.91**	14.91

(Amounts in thousand)

2.1 “Principal Subsidiary Company - Engro Corporation Limited

Engro Corporation Limited (ECL), is a public listed company incorporated in Pakistan under the Ordinance and its shares are quoted on Pakistan Stock Exchange Limited. The principal activity of ECL is to manage investments in subsidiary companies, associated companies and joint venture, engaged in fertilizers, PVC resin manufacturing and marketing, food, energy, LNG and chemical terminal and storage businesses.

Other Subsidiary Companies: Companies in which ECL owns over 50% of voting rights, or companies directly controlled by the ECL:

	%age of direct holding	
	2016	2015
- Engro Powergen Limited (note 2.1.1)	**100**	100
- Elengy Terminal Pakistan Limited (note 2.1.2)	**80**	100
- Engro Eximp Agriproducts (Private) Limited (note 2.1.3)	**100**	100
- Engro Foods Limited (note 2.1.4 and 36)	**-**	87.06
- Engro Fertilizers Limited (note 2.1.5)	**56.45**	78.78
- Engro Polymer and Chemicals Limited (note 2.1.6)	**56.19**	56.19

Joint Venture Company:

- Engro Vopak Terminal Limited (note 2.1.7)	**50**	50

Other Subsidiary companies

2.1.1 Engro Powergen Limited

Engro Powergen Limited (EPL), a wholly owned subsidiary of ECL, is a public unlisted company incorporated in Pakistan. It is established with the primary objective to analyse potential opportunities in the Power Sector and undertake Independent Power Projects (IPPs) based on feasibilities of new ventures.

Following are the subsidiaries of EPL:

	%age of direct holding	
	2016	2015
- Engro Power Services Limited (note 2.1.1.1)	**-**	100
- Engro Power International Holding B.V. (note 2.1.1.2)	**100**	100
- Kolachi Portgen (Private) Limited (2.1.1.3)	**100**	100
- Engro Powergen Qadirpur Limited (note 2.1.1.4)	**68.8**	68.8
- Engro Powergen Thar (Private) Limited (note 2.1.1.5)	**50.1**	64.1

Following are associated companies of EPL:

- GEL Utility Limited (note 2.1.1.6)	**45**	45
- Sindh Engro Coal Mining Company Limited (note 2.1.1.7)	**11.9**	19.8

(Amounts in thousand)

2.1.1.1 Engro Power Services Limited (EPSL), a private limited company, has been established in Nigeria with the objective to carry on business as power generating, transmission, distribution and servicing company. EPSL is currently providing Operations and Management (O&M) services to a Captive Power Plant located in a refinery within Nigeria. The agreement of providing O&M services was entered into by EPL. EPSL is acting as an agent of EPL to discharge its obligations under the agreement.

During the year, EPL re-structured its holding in Engro Power Services Limited (Nigeria) and transferred its shareholding to Engro Power Services Holding B.V. (EPSH B.V.) in the Netherlands, a 100% owned subsidiary of EPL through EPIH B.V.

However, this transaction shall bear no effect on the existing rights and obligations under O&M services subcontract arrangement with EPSL.

2.1.1.2 Engro Power International Holding B.V. (EPIH), a private limited company, has been established in Rotterdam, Netherlands with the objective to incorporate, participate, manage and supervise business and companies. During the year, EPIH incorporated two wholly owned subsidiaries namely Engro Power Services Holding B.V. (EPSH) and Engro Power Investments International B.V. (EPII) both based in Netherlands.

2.1.1.3 Kolachi Portgen (Private) Limited (KPPL) has been established and incorporated in Pakistan with the objective to operate and own a Regasified Liquefied Natural Gas (RLNG) based power generation plant. During the year, 10,000 shares of Rs. 10 each (2015: Nil) were issued to EPL.

2.1.1.4 Engro Powergen Qadirpur Limited (EPQL) is a public listed company incorporated in Pakistan with the primary objective to undertake the business of power generation, distribution, transmission and sale. EPQL completed construction and testing of its 217.3 MW combined cycle power plant and has commenced commercial operation on March 27, 2010. The electricity generated is transmitted to the National Transmission and Dispatch Company (NTDC) under the Power Purchase Agreement (PPA) dated October 26, 2007, valid for a period of 25 years.

2.1.1.5 Engro Powergen Thar (Private) Limited (EPTPL), a private limited company, has been established and incorporated in Pakistan. The principal operations of EPTPL is to carry out the business of power generation, distribution, transmission and sale of electricity. EPTL has been formed for the purpose of the development of 2 x 330 MW mine mouth power plants at Thar Block II, Sindh.

During the year, EPTPL achieved financial close on April 4, 2016 for construction of 2 x 330 MW mine mouth power plant. The key agreements includes Engineering, Procurement and Construction (EPC) contract with China Machinery Engineering Corporation (CMEC) dated February 14, 2015, Power Purchase Agreement (PPA) dated May 4, 2015 with National Transmission and Dispatch Company, Implementation Agreement with Government of Pakistan dated May 04, 2015, Coal Supply Agreement dated June 7, 2015 with Sindh Engro Coal Mining Company Limited (SECMC) and Water Use Agreement dated November 19, 2015 with the Government of Sindh and Thar Power Company Limited (TPCL). Further, EPTL has also signed Engro Supply and Services Agreement dated September 8, 2015 with EPL.

Total cost of the project is estimated at USD 1,108 million which is proposed to be financed through equity commitments of USD 277 million and Debt portion of USD 831 million. Debt portion is a mix of local and foreign financing. EPTPL signed all major financing agreements with lenders on December 21, 2015. Partial drawdowns against local and foreign financing agreement have been made during the year.

(Amounts in thousand)

Further, during the year, additional 537,189,393 ordinary shares were subscribed by EPL in the capital of Engro Powergen Thar (Private) Limited (EPTL). EPL now holds 50.10% of the issued capital of EPTL while the balance share holding is held by CMEC Thar Power Investment Limited, Habib Bank Limited and Liberty Mills Limited.

2.1.1.6 GEL is a private limited company in Nigeria with the objective of generation and distribution of energy, power and other related services and has undertaken a project of 72 MW triple redundancy captive power plant, which commenced commercial operations from November 21, 2014. The Group holds 12,272,727 ordinary shares of Naira 1 each in GEL representing a 45% (2015: 45%) equity stake.

2.1.1.7 Sindh Engro Coal Mining Company Limited (SECMC) was formed under a Joint Venture Agreement (JVA), dated September 8, 2009, between the Government of Sindh (GoS 40%) and EPL (60%). The aforementioned JVA is consequent to the selection of SECMC as GoS's joint venture partner, through an International Competitive Bidding process, for the development, construction and operations of an open cast lignite mine in Block-II of Thar Coal Field, Sindh (the Project), with an annual mining capacity of 6.5 million tons of coal.

The GoS has granted a 30 year mining lease to SECMC for exploration and mining activities in Thar Block-II. Based on the detailed feasibility study conducted by SECMC, Thar Block-II has estimated coal reserves of approximately 2 billion tons, independently verified by a Competent Person Statement (CPS) in 2012, of which 195 million tons will be mined at the rate of 6.5 million tons per year over the period of the mining lease. SECMC, during 2011, had also received a firm proposal for Engineering, Procurement & Construction (EPC) for 6.5 million tons per annum mining capacity and 1,200 MW power plant from an international contractor. However, in May 2013, SECMC in order to reduce its capital investment and optimize the project size and cost decided to decouple the mining and power projects. Further, pursuant to the decision of the Cabinet of Economic Coordination Committee (ECC) dated May 31, 2013, Sovereign Guarantee amounting to USD 700,000 has been approved for the debt portion of the mining project conditional upon the revision of the Joint Venture Agreement.

During the year, SECMC achieved financial close of the Project on April 4, 2016 for construction of coal mine with the capacity of 3.8 million tonnes per annum. This coal will be supplied to Engro Powergen Thar (Private) Limited (EPTL) as per Coal Supply Agreement dated June 7, 2015. Other key agreements entered into for the Project include Engineering, Procurement and Construction (EPC) contract with China Machinery Engineering Corporation (CMEC) dated September 10, 2014 and Implementation Agreement with GoS dated November 19, 2015.

Total cost of the Project is estimated at USD 845,000, which would be financed through equity injection of USD 211,250 and Debt portion of USD 633,750. Debt portion is a mix of local and foreign financing. SECMC signed all major financing agreements with the lenders on December 21, 2015. Partial drawdowns against the local and foreign financing agreements have been made during the year.

During the year, EPL acquired 3,359,331 (2015: 988,948) additional ordinary shares of the Sindh Engro Coal Mining Company Limited (SECMC) out of the total 219,698,267 (2015: 165,578,298) ordinary shares issued. EPL's percentage holding in the shareholding of the SECMC as at December 31, 2016 was 11.91% (December 31, 2015: 19.80%).

(Amounts in thousand)

2.1.2 Elengy Terminal Pakistan Limited

Elengy Terminal Pakistan Limited (ETPL), a wholly owned subsidiary of ECL, is a public unlisted company, incorporated in Pakistan. The principal business of ETPL is to establish and operate a terminal for handling, re-gasification, storage, treatment and processing, along with import, export and trading, of Liquefied Natural Gas (LNG), Re-gasified Liquefied Natural Gas (RLNG), Liquid Petroleum Gas (LPG), Natural Gas Liquid (NGL) and all other related liquids, gases and chemical and petroleum products. Engro Elengy Terminal (Private) Limited (EETPL) is a wholly owned subsidiary of ETPL.

During the year, ETPL issued 190,572,852 ordinary shares of Rs. 10 each as fully paid right shares, out of which 150,035,215 shares were subscribed by ECL and the balance 40,537,637 right shares were renunciated by ECL in favor of International Finance Corporation (IFC). As a result, ECL, as at the reporting date, holds 80% of the issued share capital of ETPL.

2.1.3 Engro Eximp Agriproducts (Private) Limited

Engro Eximp Agriproducts (Private) Limited (EEAPL) is a private limited company, incorporated in Pakistan. The principal activity of the EEAPL is to produce, manufacture and trade all kinds of raw, processed and prepared food products including agriculture, dairy and farming products. EEAPL has set up a rice processing plant in District Shaikhupura, which commenced commercial production in 2011.

On April 1, 2015, ECL acquired the entire shareholding of EEAPL comprising of 190,798,200 ordinary shares and 10,000,000 preference shares for Rs. 4,400,000 as part of its restructuring plans.

During the year, ECL subscribed 62,700 further shares in EEAPL at Rs.10,000 per share by investing Rs. 377,000 during the year and converted the advance against issue of share capital amounting to Rs. 250,000.

2.1.4 Engro Foods Limited

Engro Foods Limited (EFoods), is a public listed company, incorporated in Pakistan. The principal activity of EFoods is to manufacture, process and sell dairy products, beverages, ice cream and frozen desserts. It also owns and operates a dairy farm.

During the year, on March 3, 2016, ECL notified the Pakistan Stock Exchange (PSX) that it has received a public announcement of intention by a potential acquirer to acquire up to 51% of the total issued ordinary shares of Engro Foods Limited (EFoods) under a Share Purchase Agreement (SPA) and through a Mandatory Tender Offer (MTO) to the remaining shareholders of EFoods. ECL, on July 4, 2016, informed the PSX that the SPA has been entered into between FrieslandCampina Pakistan Holding B.V. (FCP), a wholly owned subsidiary of Royal FrieslandCampina N.V. (RFC) and ECL with respect to the sale of up to 51% of the total issued shares of EFoods. In respect thereof the shareholders of ECL in its Extra Ordinary General Meeting, held on August 5, 2016, unanimously approved the disposal of up to 51% of ECL's shareholding in EFoods.

FCP as required under the takeover laws, made MTO on October 5, 2016, to acquire upto 49.8 million ordinary shares of EFoods, representing 6.5% of the total issued ordinary shares of EFoods at an offer price of Rs. 151.85 per share. Consequent to the MTO, ECL divested 361,299,052 ordinary shares of Rs. 10 each held in EFoods representing 54.1% of it's investment at a price of Rs. 120.15 per share, determined in accordance with the terms of the SPA. The terms of the SPA also entitiles ECL to receive additional consideration of Rs. 0.40 per share consequent to recovery of sales tax refundable balances of EFoods for the periods 2006 - 2011, upon certain conditions. As a result of the above, ECL, as at the reporting date, holds 39.9% of the issued share capital of EFoods.

(Amounts in thousand)

As at December 31, 2016, ECL has received an amount of Rs. 43,355,886 from FCP, out of the total consideration of Rs. 43,553,428. Accordingly, the balance amount has been recorded as receivable from FCP, as disclosed in note 16.

ECL has also granted EFoods, the right to use its know-how in connection with the manufacturing, packaging, marketing, sale, use and distribution of dairy products under the Know-How License agreement effective December 20, 2016. In consideration of the right granted, ECL is entitled to a royalty fee of 0.5% of the net sales of EFoods derived from the sales of all products in the territory, when EFoods meets certain agreed sales targets.

2.1.5 Engro Fertilizers Limited

Engro Fertilizers Limited (EFert), is a public listed company, incorporated in Pakistan. The principal activity of EFert is manufacturing, purchasing and marketing of fertilizers.

During the year, ECL sold 297,196,000 ordinary shares of Rs. 10 each held in EFert, representing 28.34% of its investment, through private placement, at a price of Rs. 65.47 per share, determined through a book building mechanism. These shares were placed to local / foreign institutional investors and high net-worth individuals.

As a result of the aforementioned events, ECL, as at the reporting date, holds 56.45% of the issued share capital of EFert.

Following are the subsidiaries of EFert:

	%age of direct holding	
	2016	2015
- Engro Eximp (Private) Limited - EEPL (2.1.5.1)	**Amalgamated in Efert**	100
- Engro Eximp FZE (note 2.1.5.2)	**100**	100

2.1.5.1 Last year, the Board of Directors of EEPL and the Board of Directors of EFert gave approval to proceed with the scheme of Amalgamation (the Scheme) of EEPL with EFert. The said scheme was sanctioned by the court on April 30, 2016 pursuant to which EEPL ceased to exist as a legal entity, with all its assets being merged and amalgamated into EFert.

2.1.5.2 Engro Eximp FZE is incorporated in the Jebel Ali Free Zone, Emirate of Dubai and is engaged in the business of trading seeds, agricultural tools, chemical fertilizers, organic fertilizers, plant seeds, ghee, vegetable oil, grains, cereals legumes, sugar, flour, agricultural equipment and accessories.

2.1.6 Engro Polymer and Chemicals Limited

Engro Polymer and Chemicals Limited (EPCL), is a public listed company, incorporated in Pakistan. The principal activity of EPCL is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), caustic soda and other related chemicals. It is also engaged in supply of surplus power generated from its power plants to EFert (NPK Plant).

Further, EPCL has a wholly owned subsidiary, Engro Polymer Trading (Private) Limited (EPTL), which is a private limited company incorporated in Pakistan. EPTL's principal activity is to purchase, market and export PVC, VCM and related chemicals.

During the year, ECL, in its Annual General Meeting held on April 15, 2016, has obtained shareholders approval for the disposal of the ECL's entire 56.19% shareholding in EPCL i.e. 372,810,000 ordinary shares of Rs. 10 each. Pursuant to the public announcement of intention to the stock exchange by the potential acquirer, to acquire the entire shareholding of ECL in EPCL and commencement of due diligence, the potential acquirer was granted an extension in time for making the public announcement of offer by the SECP to complete the due diligence and finalise certain outstanding commercial matters. The potential acquirer on August 20, 2016, informed the SECP and the PSX that it was not in a position to make the offer in the time period allocated by the SECP, as the negotiations had not reached completion and as the time period to make the offer has lapsed, it is withdrawing its intention to acquire the aforesaid shares of EPCL whilst reserving its right to make a further announcement of intention should this be deemed viable.

Further, during the year, ECL, in its Annual General Meeting held on April 15, 2016, has obtained its shareholder's approval for the disposal of the ECL's entire shareholding in EPCL representing 56.19% i.e. 372,810,000 shares.

2.1.7 Joint Venture Company - Engro Vopak Terminal Limited

Engro Vopak Terminal Limited (EVTL), a 50% share joint venture of ECL is a public unlisted company incorporated in Pakistan. EVTL is a joint venture of ECL and Royal Vopak Netherlands B.V. EVTL has been granted the exclusive concession, right and license to design, finance, insure, construct, test, commission, complete, operate, manage and maintain an Integrated Liquid Chemical Terminal and Storage Farm at the south western zone of Port Qasim on Build, Operate and Transfer (BOT) basis.

2.2 "Associate Company - The Hub Power Company Limited

The Hub Power Company Limited (HUBCO) is a public listed company incorporated in Pakistan. The Global Depository Receipts of HUBCO are listed on the Luxembourg Stock Exchange. The principal activities of the HUBCO are to develop, own, operate and maintain power stations. The HUBCO owns an oil-fired power station of 1,200 MW (net) in Balochistan (Hub plant) and a 214 MW (net) oil-fired power station in Punjab (Narowal plant)."

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

3.1 Basis of preparation and statement of compliance

3.1.1 These consolidated financial statements have been prepared under the historical cost convention, as modified by remeasurement of biological assets and certain financial assets and financial liabilities, including derivative instruments, at fair value, and certain staff retirement and other service benefits at present value.

(Amounts in thousand)

3.1.2 These consolidated financial statements have been prepared in accordance with the requirements of the Ordinance, directives issued by the 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. Wherever the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance and the said directives have been followed.

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

3.1.4 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments to published standards and interpretations that are effective in 2016

The following amendments to published standards are mandatory for the financial year beginning January 1, 2016:

- IFRS 5 'Non-current assets held for sale and discontinued operations'.The amendment clarifies that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the consolidated financial statements as if it had never been classified as 'held for sale' or 'held for distribution' simply because the manner of disposal has changed. The amendment also rectifies an omission in the standard by explaining that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not reclassified as 'held for sale'. This amendment will not have any significant impact on the Group's financial statements.

- IFRS 11 'Joint arrangements'. This amendment provides specific guidance on accounting for the acquisition of an interest in a joint operation ('JO') that is a business. The amendment address diversity in practice related to the accounting for these transactions. The Group's current accounting treatment is already in line with this amendment.

- IAS 1 'Presentation of financial statements' These amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and disclosures of accounting policies. The amendments form a part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. This amendment will not have any significant impact on the Group's financial statements.

- IAS 19 (Amendment), 'Employee benefits'. 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

(Amounts in thousand)

the earliest period presented. The Group's accounting treatment is already in line with this amendment.

- IAS 27 'Separate financial statements'. This amendment restores the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The Group's current accounting treatment is already in line with this amendment.

- IAS 34 'Interim financial reporting'. 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. This amendment will not have any significant impact on the Group's financial statements.

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2016 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations.

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

The following new amendments to published standards are not effective for the financial year beginning on January 1, 2016 and have not been early adopted by the Group:

- IFRS 15 'Revenue from contracts with customers' (effective for periods beginning on or after January 1, 2018). This standard is yet to be notified by SECP. This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Group is yet to assess the full impact of the standard.

- IFRS 9 'Financial instruments' (effective for periods beginning on or after January 1, 2018). This standard is yet to be notified by SECP. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. It is unlikely that the standard will have any significant impact on the Group's financial statements.

- IFRS 16 'Leases' (effective for periods beginning on or after January 1, 2019). This standard is yet to be notified by SECP. This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets;

however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group is yet to assess the full impact of the standard.

- Amendments to IAS 12 'Income taxes' on Recognition of deferred tax assets for unrealized losses (effective for periods beginning on or after January 1, 2017). These amendments on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. It is unlikely that the standard will have any significant impact on the Group's financial statements.

- "IAS 7 'Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers balance sheet items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. Reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. It is unlikely that this standard will have any significant impact on the Group'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 Group and therefore, have not been presented here.

3.1.5 Basis of consolidation

i) Subsidiaries

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

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-recognised from the date the control ceases. These consolidated financial statements include Dawood Hercules Corporation Limited 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).

(Amounts in thousand)

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

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in consolidated 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 recognised in 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 recognised 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 depending on the level of influence retained. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed off the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated profit and loss account.

3.2 Exploration and evaluation assets

Exploration and evaluation assets in respect of area of interest includes license fee, detailed feasibility study and all other related studies to ensure bankability of the project including ancillary (operating and administrative) cost related thereto.

(Amounts in thousand)

The aforementioned expenditure supporting the technical feasibility and economic / commercial viability, are capitalised as exploration and evaluation assets, where:

- such costs are expected to be recouped through successful development and exploration of the area of interest or alternatively, by its sale; or

- exploration and / or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence, or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

Capitalised exploration and evaluation expenditure is recorded at cost less impairment charges. As asset is not available for use, it is not depreciated, however, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

Cash flows associated with exploration and evaluation expenditure are classified as investing activities in the consolidated statement of cash flows.

3.3 Development properties

Development expenditure represents expenditure incurred in area in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and related infrastructure.

Once a development decision has been taken the carrying amount of the exploration and evaluation asset is transferred to development expenditure and classified under non-current assets as ‘development properties’.

Capitalised development properties expenditure is recorded at cost less impairment, if any. As asset is not available for use, it is not depreciated; however, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

Cash flows associated with development properties are classified as investing activities in the consolidated statement of cash flows.

3.4 Property, plant and equipment

3.4.1 Owned assets

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except free-hold 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. 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.

(Amounts in thousand)

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

The carrying values of property, plant and equipment are reviewed at each reporting date for indications that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset or cash generating unit is written down to its recoverable amount. The recoverable amount of property, plant and equipment is the greater of fair value less cost to sell and value in use.

Useful lives are determined by the management based on the expected usage of assets, physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements, if any, are capitalised in accordance with IAS 16 "Property, Plant and Equipment" and depreciated in a manner that best represents the consumption pattern and useful lives.

Depreciation is charged to 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 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 upto the preceding month of disposal.

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

The Group reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation.

3.4.2 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.

(Amounts in thousand)

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.

Operating lease / Ijarah arrangements in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases / Ijarah arrangements. Rentals due under operating lease / Ijarah arrangements are recognised in the consolidated profit and loss account. Any initial direct costs incurred for the lease are amortised over the term of the lease.

3.4.3 Dredging expenditure

Dredging expenditure is categorised into capital dredging and major maintenance dredging. Capital dredging is expenditure, which creates new harbour and deepens or extends the basin in front of jetty in order to allow access to larger ships. This expenditure is capitalised and is being depreciated over a period of 15 years.

Major maintenance dredging is expenditure incurred to restore the depth to its previous condition. The management estimates that maintenance dredging has an average service potential of 5 years. Maintenance dredging is regarded as a separate component and is capitalised and depreciated over a period of 5 years on straight line basis.

3.5 Capital spares

Spare parts and servicing equipment are classified as property, plant and equipment rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. Upon utilisation, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of principal asset, whichever is lower.

3.6 Biological assets

Livestock are measured at their fair value less estimated point-of-sale costs. Fair value of livestock is determined by an independent valuer on the basis of best available estimate for livestock of similar attributes. Milk is initially measured at its fair value less estimated point-of-sale costs at the time of milking. The fair value of milk is determined based on market prices in the local area.

Gains or losses arising from changes in fair value less estimated point-of-sale costs of livestock and milk are recognised in the consolidated profit and loss account.

Crops in the ground and at the point of harvest at reporting date are measured at cost being an approximation of fair value, as these are presently being used as internal consumption for cattle feed and have a very short biological transformation and consumption cycle.

3.7 Intangible assets

Intangible assets are recognised when it is probable that the expected future economic benefits will flow to the Group and the cost of the assets can be measured reliably. Cost of the intangible assets includes purchase cost and directly attributable expenses incidental to make the asset available for use in the manner as intended by management.

(Amounts in thousand)

a) Goodwill

Goodwill represents the difference between the consideration paid for acquiring interests in a company and the value of the Group's share of its net assets at the date of acquisition.

b) Brands

These are stated at cost less impairment, if any. Carrying amounts of these intangibles are subject to impairment review at each reporting date and where conditions exist, impairment is recognised.

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

c) Computer software and licenses

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

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

Computer Softwares are stated at cost less accumulated amortisation and accumulated impairment losses, It is charged over the estimated useful life of the asset on a systematic basis by applying the straight line method.

Useful life of intangible assets is reviewed, at each reporting date and adjusted if the impact of amortisation is significant.

d) Rights for future gas utilisation

Rights for future gas utilisation represents premium paid to the Government of Pakistan for allocation of 100 MMCFD natural gas for a period of 20 years for EFert's Enven Plant Network. The rights are being amortized from the date of commercial production on a straight-line basis over the remaining allocation period.

3.8 Impairment of non-financial assets

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

Goodwill is measured as described in note 3.7. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

3.9 Investments in Joint ventures

The Group's interest in jointly controlled entity is accounted for in the financial statements using the equity method.

3.10 Investments in associates

Associates are all entities over which the Group has significant influence but not control. Investment in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investors share of profit or loss of the investee after the date of acquisition. The Group's investment in associate includes goodwill identified on acquisition. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the impairment loss as the difference between the recoverable amount of associates and its carrying value and recognises it in the profit and loss account.

3.11 Other investments

Other investments are carried at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts are adjusted accordingly.

3.12 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 rather than continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in consolidated profit and loss account.

3.13 Financial instruments

3.13.1 Financial assets

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

a) At fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise, these are classified as non-current.

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. Loans and receivables with maturity period of less than twelve months after the reporting date are classified as advances, deposits and prepayments and other receivables in the balance sheet.

c) Held to maturity

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

d) Available-for-sale 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.

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all 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 recognised 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 recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in consolidated statement of comprehensive income are included in the consolidated profit and loss account.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated profit and loss account as part of other income. Dividends on available for sale equity instruments are recognised 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 3.17).

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

3.13.2 Financial liabilities

Financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are recognised initially at fair value less directly attributable transactions costs, if any, and subsequently measured at amortized cost using effective interest rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the consolidated profit and loss account.

3.13.3 Offsetting of financial assets and liabilities

A financial asset and a financial liability are off set and the net amount is reported in the consolidated balance sheet if the Group has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to 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 counter party.

3.14 Derivative financial instruments and hedging activities

Derivatives are recognised initially at fair value on the date a derivative contract is entered into; attributable transaction cost are recognised 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) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(Amounts in thousand)

b) Cash flow hedges

Changes in fair value of derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent the hedge is ineffective, changes in fair value are recognised 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 recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to consolidated profit and loss account in the same period that the hedge item affects consolidated profit and loss account.

c) 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 recognised immediately in consolidated profit and loss account.

d) Embedded derivatives

Fair value of derivatives embedded in financial instruments or non-derivative host contracts are separated from the host contract if the risks and economic characteristics of the embedded derivative are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

If the fair value of an embedded derivative that is required to be separated cannot be reliably measured, the entire combined contract is measured at fair value through profit or loss.

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposure.

3.15 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 consolidated reporting date. For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated realizable value. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence, if any.

3.16 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 material and certain purchased products in transit which are stated at cost (invoice value) plus other charges incurred thereon till the consolidated reporting date. Cost in relation to finished goods includes applicable purchase cost and manufacturing expenses. The cost of work in process includes material and proportionate conversion costs.

(Amounts in thousand)

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

3.17 Trade debts and other receivables

These are recognised 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.

Exchange gains and losses arising on translation in respect of trade debts and other receivables in foreign currency are added to the carrying amount of the respective receivables.

3.18 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents in the consolidated statement of cash flows includes cash in hand and in transit, cheques in hand, balances with banks on current, deposit and saving account, other short term highly liquid investments with original maturities of three months or less and short term borrowings (other than term finance) including running finance and short term finance facilities availed by the Group, which are payable on demand and form an integral part of the Groups's cash management.

3.19 Share capital

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

3.20 Employees' share option scheme

The grant date fair value of equity settled share based payment to employees is initially recognised in the consolidated balance sheet as deferred employee compensation expense with a consequent credit to equity as employee share option compensation reserve.

The fair value determined at the grant date of the equity settled share based payments is recognised as an employee compensation expense on a straight line basis over the vesting period.

When an unvested option lapses by virtue of an employee not conforming to the vesting conditions after recognition of an employee compensation expense in the consolidated profit and loss account, such employee compensation expense is reversed in the consolidated profit and loss account equal to the amortized portion with a corresponding effect to employee share option compensation reserve in the consolidated balance sheet.

When a vested option lapses on expiry of the exercise period, employee compensation expense already recognised in the consolidated profit and loss account is reversed with a corresponding reduction to employee share option compensation reserve in the consolidated balance sheet.

(Amounts in thousand)

When options are exercised, employee share option compensation reserve relating to these options is transferred to share capital and share premium account. An amount equivalent to the face value of related shares is transferred to share capital. Any amount over and above the share capital is transferred to share premium account.

3.21 Borrowings

Borrowings are recognised 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 recognised 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 reporting date.

Exchange gains and losses arising in respect of borrowings in foreign currency are added to the carrying amount of the borrowing.

3.22 Trade and other payables

Trade and other payables are recognised 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 liability.

Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

3.23 Operating lease

Lease arrangements in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease arrangements. Rentals due under operating lease arrangements are recognised in the profit and loss account.

3.24 Provisions

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

3.25 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which dividend is approved by the shareholders in case of final dividend, and in case of interim dividend on the date of commencement of the book closure period.

(Amounts in thousand)

3.26 Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In which case, the tax is also recognised in other comprehensive income or directly in equity.

3.26.1 Current tax

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

3.26.2 Deferred tax

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

A deferred tax asset is recognised to the extent that is probable that future taxable profits will be available against which temporary difference can be 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.

3.27 Retirement and other service benefits

3.27.1 Defined contribution plans

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

The Group operates:

- defined contribution provident funds for its permanent employees. Monthly contributions are made both by the Group and employees to the fund at the rate of 10% to 15% of basic salary;

- defined contribution pension funds for the benefit of management employees. Monthly contributions are made by the Group to the fund at the rate ranging from 12.5% to 13.75% of basic salary; and

- defined contribution gratuity funds for the benefit of management employees. Monthly contributions are made by the Group to the fund at the rate of 8.33% of basic salary.

(Amounts in thousand)

3.27.2 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.

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

Contributions require assumptions to be made of future outcomes which mainly includes 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 operates defined benefit funded gratuity schemes for its management employees and non-management employees of EFert.

The Group also operates defined benefit funded pension scheme for EFert's 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. Actuarial gains on curtailment are recognised immediately once the certainty of recovery is established.

Annual provision is also made under a service incentive plan for certain category of experienced employees to continue in the Group's employment.

3.27.3 Employees' compensated absences

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

3.27.4 Other benefits - Service Incentive Plan

Provision is made under a service incentive plan for certain category of experienced employees to continue in the Group's employment. The provision is made on the basis of management's estimates of incentives to be paid to employees on fulfillment of criteria given in the incentive plan.

3.28 Foreign currency transactions and translation

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

3.28.2 The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each 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 recognised as a separate component of equity.

3.29 Contingent liabilities

Contingent liabilities are disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Group; or

- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured reliably.

3.30 Revenue recognition

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

- Sales revenue is recognised when products are dispatched to customers or services are rendered.

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

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

- Interest income on delayed payment income on overdue trade receivables is recognised on accrual basis.

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

- Revenue from construction activities, if the outcome of such activity can be reliably measured, is recognised by reference to stage of completion of the activity at year end (the percentage completion method). In applying the percentage completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on the proportion of total contract costs incurred to date and the estimated costs to complete.

(Amounts in thousand)

- Dividend income is recognised when the Company's right to receive dividend is established.

- Fee from O&M projects is recognised on accrual basis under the terms of O&M agreements. Recoveries against reimbursable expenses are adjusted against the related expenses and net amount is recognised in the profit and loss account as other income.

- Revenue from sale of electricity is recognised as follows:

  - Capacity revenue based on the capacity made available to National Transmission and Dispatch Company Limited (NTDC); and

  - Energy revenue based on the Net Electrical Output (NEO) delivered.

- Revenue from consultancy services is recognised at the time the services are rendered.

- Revenue from re-gasification and transportation of Liquefied Natural Gas (LNG) to Sui Southern Gas Company Limited (SSGCL) is recognised on the following basis:

  - Capacity and flexibility revenue on the basis of capacity made available to SSGCL.

  - utilisation revenue on the basis of Regasified Liquefied Natural Gas (RLNG) throughput to SSGCL.

- Revenue generated from the provision of LNG carrier services of Floating, Storage and Re-gassification Unit (FSRU) is recognised on accrual basis.

- Royalty income from associates is recognised on accrual basis in accordance with the agreements entered therewith.

3.31 Borrowing costs

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

3.32 Research and development costs

Research and development costs are charged to income as and when incurred, except for certain development costs which are recognised as intangible assets when it is probable that, the developed project will be a success and certain criteria, including commercial and technical feasibility have been met.

3.33 Government grant

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

(Amounts in thousand)

3.34 Earnings per share

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

3.35 Transactions with related parties

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

3.36 Dividend and appropriation to reserves

Dividends and appropriations to reserves are recognised in the period in which these are approved.

3.37 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Holding Company that makes strategic decisions.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of carrying material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) Property, plant and equipment and intangibles

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

b) Investments at fair value through profit or loss

The Group determines fair value of certain investments by using quotations from active market and conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment.

(Amounts in thousand)

c) Derivatives

The Group reviews the changes in fair values of the derivative hedging financial instruments at each reporting date based on the valuations received from the contracting banks. These valuations represent estimated fluctuations in the relevant currencies / interest rates over the reporting period and other relevant variables signifying currency and interest rate risks.

d) Stock-in-trade

The Group reviews the net realizable value of stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

e) Impairment of goodwill

The Group reviews the recoverable amount of cash generating units for testing of impairment of goodwill annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses, if any.

f) Income taxes

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

g) 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 a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations.

h) Impairment of financial assets

In making an estimate of future cash flows from the Group's financial assets including investment in joint ventures and associates, the management considers future dividend stream and an estimate of the terminal value of these investments. In making an estimate of impairment, investments are considered to be impaired if there is a significant or prolonged decline in the recoverable amount and carrying value of investments.

i) Construction revenue and cost

Construction revenue is recognised using the percentage completion method. This is determined with reference to the stage of completion of project which is based on the proportion of contract costs incurred to date and the estimated costs to complete the project.

(Amounts in thousand)

j) Provisions

Provisions are based on management's best estimates. Any change in the estimates in future years might effect the carrying amounts of the provisions with a corresponding affect on the profit and loss account of the Group.

k) Contingencies and commitments

The Group uses assumptions and estimates in disclosure and assessment of provision for contingencies as disclosed in note 28.

l) Fair value of investment in associates

Certain estimates have been used to determine the fair value of investment in associate (previously subsidiary) upon loss of control, as disclosed in note 8.6.

m) Consolidation of entities in which the Company holds less than half of the voting rights

Management considers that the Company has control over ECL even though it has less than 50% of the voting rights. The pattern of shareholding of ECL shows that the Company is the single largest shareholder having shareholding of 37.22% with remaining widely dispersed shareholding pattern, which enables the Company to exercise control over ECL.

	2016	2015
	-------------Rupees-------------	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value (note 5.1)	**106,365,681**	123,743,680
"Capital work in progress - Expansion and other projects (note 5.5)"	**23,819,084**	3,708,782
Capital spares and standby equipments	**1,349,490**	1,082,062
	131,534,255	128,534,524

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Amounts in thousand)

5.1 Operating assets

	Land		Building		Lease hold improvement	Pipelines	Plant and machinery		Catalyst	Furniture fixture and equipments		Vehicles		Data processing equipment	Jetty	Capital dredging	Total
	Freehold	Leasehold	Freehold	Leasehold			Owned	Leased		Owned	Leased	Owned	Leased				
	---------- Rupees ----------																
As at January 1, 2015																	
Cost	708,550	612,069	9,092,190	1,827,473	10,406	2,903,160	150,253,473	12,741	2,263,449	1,892,214	21,723	1,588,978	38,446	64,516	-	-	171,289,388
Accumulated depreciation	-	(105,667)	(2,053,327)	(528,684)	(88)	(493,638)	(39,596,911)	(12,741)	(1,672,983)	(1,263,791)	(21,002)	(872,360)	(38,446)	(54,992)	-	-	(46,714,630)
Accumulated impairment	-	-	(7,001)	-	-	-	(58,490)	-	-	-	-	-	-	-	-	-	(65,491)
Net book value	708,550	506,402	7,031,862	1,298,789	10,318	2,409,522	110,598,072	-	590,466	628,423	721	716,618	-	9,524	-	-	124,509,267
Year ended December 31, 2015																	
Opening net book value	708,550	506,402	7,031,862	1,298,789	10,318	2,409,522	110,598,072	-	590,466	628,423	721	716,618	-	9,524	-	-	124,509,267
Amortization of revaluation surplus	-	(2,572)	-	(1,140)	-	3,355	(33,649)	-	-	-	-	-	-	-	-	-	(34,006)
Additions including transfers (note 5.5)	1,108	141,295	184,450	5,549	11,298	-	4,654,344	-	-	325,419	-	232,171	-	10,847	5,304,592	2,638,673	13,509,746
Capitalization of exchange gain by Subsidiary Company (note 5.1.1)	-	-	-	-	-	-	364,019	-	-	-	-	-	-	-	-	-	364,019
Adjustments / reclassifications																	
Cost	2,488	-	-	-	-	-	(79,606)	-	-	352	-	-	-	-	-	-	(76,766)
Accumulated depreciation	-	-	-	-	-	-	5,727	-	-	-	-	-	-	-	-	-	5,727
	2,488	-	-	-	-	-	(73,879)	-	-	352	-	-	-	-	-	-	(71,039)
Adjustments																	-
Disposals / Write offs (note 5.4)																	
Cost	-	-	(13,948)	-	-	-	(126,561)	-	-	(78,529)	-	(283,291)	(46)	(113)	-	-	(502,488)
Accumulated depreciation	-	-	6,493	-	-	-	37,899	-	-	52,815	-	193,876	46	33	-	-	291,162
Accumulated impairment	-	-	7,001	-	-	-	1,736	-	-	-	-	-	-	-	-	-	8,737
	-	-	(454)	-	-	-	(86,926)	-	-	(25,714)	-	(89,415)	-	(80)	-	-	(202,589)
Depreciation charge (note 5.2)	-	(15,217)	(445,542)	(81,069)	(1,135)	(97,109)	(7,863,140)	-	(217,597)	(279,314)	-	(222,692)	-	(5,249)	(174,568)	(146,593)	(9,549,225)
Impairment (note 5.3)	-	(134,921)	-	(642,779)	-	-	(2,513,546)	-	-	(88,342)	-	(915)	-	-	-	-	(3,380,503)
Discontinued operations	-	(227,941)	-	(11,498)	-	-	(1,045,836)	-	(93,280)	(9,723)	-	(9,883)	-	(3,829)	-	-	(1,401,990)
Net book value	712,146	267,046	6,770,316	567,852	20,481	2,315,768	103,999,459	-	279,589	551,101	721	625,884	-	11,213	5,130,024	2,492,080	123,743,680
As at December 31, 2015																	
Cost	712,146	522,851	9,262,692	1,727,355	21,704	2,906,515	151,302,227	12,741	1,960,174	2,080,433	21,723	1,449,154	38,400	25,944	5,304,592	2,638,673	179,987,324
Accumulated depreciation	-	(120,884)	(2,492,376)	(516,724)	(1,223)	(590,747)	(44,732,468)	(12,741)	(1,680,585)	(1,440,990)	(21,002)	(822,355)	(38,400)	(14,731)	(174,568)	(146,593)	(52,806,387)
Accumulated impairment	-	(134,921)	-	(642,779)	-	-	(2,570,300)	-	-	(88,342)	-	(915)	-	-	-	-	(3,437,257)
Net book value	712,146	267,046	6,770,316	567,852	20,481	2,315,768	103,999,459	-	279,589	551,101	721	625,884	-	11,213	5,130,024	2,492,080	123,743,680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Amounts in thousand)

5.1 Operating assets - continued

	Land		Building		Lease hold improvement	Pipelines	Plant and machinery		Catalyst	Furniture fixture and equipments		Vehicles		Data processing equipment	Jetty	Capital dredging	Total
	Freehold	Leasehold	Freehold	Leasehold			Owned	Leased		Owned	Leased	Owned	Leased				
	Rupees																
Year ended December 31, 2016																	
Opening net book value	712,146	267,046	6,770,316	567,852	20,481	2,315,768	103,999,459	-	279,589	551,101	721	625,884	-	11,213	5,130,024	2,492,080	123,743,680
Amortization of revaluation surplus	-	(2,572)	-	(1,140)	-	3,355	(33,649)	-	-	-	-	-	-	-	-	-	(34,006)
Additions including transfers (note 5.5)	-	39	304,471	35	274	-	3,400,420	-	248,848	354,317	-	330,568	-	3,050	-	225,476	4,867,498
Transfer to capital spares	-	-	-	-	-	-	(491,037)	-	-	-	-	-	-	-	-	-	(491,037)
Capitalization of exchange loss by Subsidiary Company (note 5.1.1)	-	-	-	-	-	-	(2,566)	-	-	-	-	-	-	-	-	-	(2,566)
Adjustments / reclassifications																	
Cost	2,488	-	-	-	-	-	(32,581)	-	-	-	-	-	-	-	-	-	(30,093)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2,488	-	-	-		-	(32,581)	-	-	-	-	-	-		-	-	(30,093)
Disposals / Write offs (note 5.4)																	
Cost	-	-	(625)	-	-	-	(310,093)	-	-	(41,629)	-	(266,705)	-	(1,154)	-	-	(620,206)
Accumulated depreciation	-	-	625	-	-	-	259,168	-	-	27,781	-	207,101	-	591	-	-	495,266
Accumulated impairment	-	-	-	-	-	-	7,758	-	-	850	-	53	-	-	-	-	8,661
	-	-	-	-	-	-	(43,167)	-	-	(12,998)	-	(59,551)	-	(563)	-	-	(116,279)
Depreciation charge (note 5.2)	-	(16,238)	(453,321)	(45,403)	(2,195)	(97,109)	(7,514,086)	-	(200,589)	(252,606)	-	(211,705)	-	(6,024)	(229,200)	(202,276)	(9,230,752)
Impairment loss (note 5.3)	-	-	-	-	-	-	(105,412)	-	-	(976)	-	-	-	-	-	-	(106,388)
Discontinued Operations (note 19)																	
Cost	(408,580)	-	(3,959,817)	-	-	-	(16,656,897)	(12,741)	-	(619,786)	-	(762,388)	(38,400)	-	-	-	(22,458,609)
Accumulated depreciation	-	-	1,266,028	-	-	-	7,878,696	12,741	-	456,571	-	394,497	38,400	-	-	-	10,046,933
Accumulated impairment	-	-	-	-	-	-	176,312	-	-	126	-	862	-	-	-	-	177,300
	(408,580)	-	(2,693,789)	-	-	-	(8,601,889)	-	-	(163,089)	-	(367,029)	-	-	-	-	(12,234,376)
Net book value	306,054	248,275	3,927,677	521,344	18,560	2,222,014	90,575,492	-	327,848	475,749	721	318,167	-	7,676	4,900,824	2,515,280	106,365,681
As at December 31, 2016																	
Cost	306,054	520,318	5,606,721	1,726,250	21,978	2,909,870	137,175,824	-	2,209,022	1,773,335	21,723	750,629	-	27,840	5,304,592	2,864,149	161,218,305
Accumulated depreciation	-	(137,122)	(1,679,044)	(562,127)	(3,418)	(687,856)	(44,108,690)	-	(1,881,174)	(1,209,244)	(21,002)	(432,462)	-	(20,164)	(403,768)	(348,869)	(51,494,940)
Accumulated impairment	-	(134,921)	-	(642,779)	-	-	(2,491,642)	-	-	(88,342)	-	-	-	-	-	-	(3,357,684)
Net book value	306,054	248,275	3,927,677	521,344	18,560	2,222,014	90,575,492	-	327,848	475,749	721	318,167	-	7,676	4,900,824	2,515,280	106,365,681
"Annual rate of depreciation (%)"	-	1 to 8	2.5 to 33	2.5 to 10	10	5	2.5 to 25	20	No. of production days	3 to 33	20	5 to 25	25	33.33 to 50	6.67	6.67 to 20	

(Amounts in thousand)

5.1.1 Represents exchange gain netted amounting to Rs 2,566 (2015: exchange loss capitalized amounting to Rs 364,019) pertaining to Engro Powergen Qadirpur Limited.

	2016	2015
	----------- Rupees -----------	
5.2 Depreciation charge for the year has been allocated as follows:		
Cost of goods sold (note 30.1)	**8,330,442**	8,757,422
Cost of services rendered (note 30.2)	**533,561**	417,336
Selling and distribution expenses (note 31)	**247,531**	236,526
Administrative expenses (note 32)	**119,218**	137,941
	9,230,752	9,549,225

5.2.1 During the year, EPCL re-assessed useful lives of its plant and machinery. For this purpose, EPCL engaged an independent expert / valuer and, based on the assessment carried out by the expert, has increased the useful lives of relevant assets by 5 to 31 years. Based on the report of the expert the useful lives of the relevant assets have been increased with effect from January 1, 2016. This change in the accounting estimate of useful lives has been accounted for prospectively in accordance with the requirements of IAS 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors', which has resulted in reduction in depreciation charge for the year by Rs. 443,612 and increase in carrying value of property, plant and equipment by the same amount.

Had there been no change in the accounting estimate of useful lives of plant and machinery, the profit after tax for the current year would have been lower by Rs. 297,472.

	2016	2015
	----------- Rupees -----------	
5.3 Impairment loss for the year has been allocated as follows:		
Operating assets (note 5.1)	**106,388**	3,380,503
Stores, spares and loose tools (note 11)	**-**	73,681
	106,388	3,454,184

5.3.1 Last year, the management taking cognizance of the significant losses suffered by EEAPL, as an indicator of impairment, had conducted an impairment test of its Rice processing plant. The recoverable amount so determined was less than the carrying value of the plant & machinery, thereby resulting in an impairment loss of Rs. 3,384,030 which was recognized in the profit and loss account for the year ended December 31, 2015.As at December 31, 2016, the management re-assessed the recoverable amount of the rice processing plant, using revised corporate plan of EEAPL. Based on the re-assessment, no further impairment or reversal of impairment is required as at December 31, 2016.

The recoverable amount of Rs. 986,923 as at December 31, 2016 (including property, plant & equipment and stores and spares) was determined on the basis of value in use, discounted using a pre-tax risk adjusted weighted average cost of capital of 11.48%. In this assessment key assumptions relating to plant recovery rates, primary margins, fixed and conversion costs etc. had been based on past performance of EEAPL while paddy purchase price and selling price of rice including brands were estimated on management's expectation of market development. Further, volume of paddy procurement and utilisation plant capacity was based on management's approved Corporate Plan.

(Amounts in thousand)

5.3.2 During the year, EFoods based on a review for impairment on the operating assets identified that the carrying values of certain operating assets in Dairy and Beverages segment exceed their estimated recoverable amounts. These assets were deemed as idle primarily due to discontinuation of certain SKUs to rationalise product portfolio of EFoods. The recoverable amount of these assets amounted to Rs. 79,045, determined on the basis of fair value less cost of disposal of underlying assets which is based on the historical experience of net recovery proceeds on similar nature of assets. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. Accordingly, provision for impairment amounting to Rs. 106,388 was recognised in this respect.

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

Description and method of disposal	Sold to	Cost	Accumulated depreciation & impairment	Net book value	Sale proceeds
		----------------------------	Rupees	----------------------------	
Buildings and civil works on freehold land	Write off	625	625	-	-
Data processing equipment					
Insurance claim	Adamjee Insurance Company Limited	172	79	93	80
	Adamjee Insurance Company Limited	257	107	150	176
		429	186	243	256
Company policy	Faraz Salim	99	46	53	54
	Ghias uddin Khan	103	43	60	60
		202	89	113	114
Return back to supplier	Samsung	88	11	77	85
Plant and machinery					
Sold to Third Party under Company Policy	MAZ Consolidation	69,866	51,911	17,955	35,543
	Smart Power Systems	875	612	263	158
Sold through auction	M/s Shafiq	873	784	89	20
	M/s Shama Engineering	1,483	602	881	33
Insurance Claims	Pak Kuwait Takaful Company Ltd.	114	10	104	77
	EFU General Insurance Limited	57	5	52	57
Assets having net book value of less than Rs. 50		124,029	118,204	5,825	7,431
	Write off	112,796	94,798	17,998	-
		310,093	266,926	43,167	43,319
Furniture, fixture and equipment					
Sold to Third Party under Company Policy	Agility Logistics	214	98	116	116
By Company policy to existing / resigned / retired executives or on transfer of employee	Khalid Siraj Subhani	420	90	330	-
	Naz Khan	175	106	69	-
Insurance claims	EFU General Insurance Limited	1,209	649	560	715
	Various	18,369	7,373	10,996	24,334
Items having net book value upto Rs.50 each		17,129	16,803	326	1,084
	Write-off	4,113	3,512	601	-
		41,629	28,631	12,998	26,249
Balance carried forward		353,066	296,468	56,598	70,023

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation & impairment	Net book value	Sale proceeds
		-----	-----Rupees-----	-----	-----
Balance brought forward		353,066	296,468	56,598	70,023
Vehicles					
By Company policy to existing / resigned / retired executives or on transfer of employee	Farman Ahmad Khan Lodhi	2,083	1,561	522	522
	Nadeem Munawar	1,560	1,170	390	390
	Jawed Hussain	1,560	1,170	390	390
	Imran Raza Shaikh	1,560	1,170	390	390
	Rabia Wafah Khan	1,560	1,170	390	390
	Muhammad Asad Waheed	2,091	1,568	523	523
	Ahmad Shakoor	8,000	6,000	2,000	2,000
	Aasim Butt	8,000	6,000	2,000	2,000
	Mohammad Imran Khaliq	1,638	1,228	410	410
	Hurmat Bano	1,638	1,229	409	409
	Umed Ali Mallah	1,638	1,229	409	409
	Mudassir Yaqoob Rathor	2,447	1,835	612	612
	Usman Asif	1,638	1,229	409	409
	Saqib Ansari	1,638	1,229	409	409
	Mirza Arsalan Baig	1,560	1,170	390	390
	Sadia Malik	1,638	1,228	410	410
	Faiz Chapra	2,332	1,749	583	583
	Jahangir Piracha	8,000	5,625	2,375	2,000
	Ikram Nabi	1,638	1,152	486	410
	Rahim Anwar	1,648	1,030	618	464
	Mudassir Bashir	1,638	1,203	435	409
	Najam Saeed	2,058	1,447	611	515
	Syed Ali Akbar	2,176	1,632	544	544
	Muhamamd Imran Baloch	1,638	1,203	435	410
	M. Saad Khan	1,638	1,177	461	410
	Iftikhar Ahmed Dar	1,406	1,055	351	351
	Sarah Aziz	1,645	1,234	411	411
	Ahsan Afzaal Ahmad	8,000	6,288	1,712	2,000
	Adil Aizaz	1,646	494	1,152	993
	Jawad Akhtar	1,726	906	820	1,034
	Mushtaq Vighio	1,592	806	786	1,358
	Salman Ali Khan	1,568	823	745	1,215
	Muhammad Imran Khalil	2,392	1,659	733	598
	Adnan Mahmood	2,392	1,682	710	598
	Syed Ali Abbas	1,773	1,064	709	942
	Zahid Mahmood	2,383	1,806	577	815
	Naveed Zafar	1,706	1,151	555	816
	Muhammad Muddasir	2,146	1,610	536	537
	Rameez Ahmed Faraz	2,091	1,568	523	523
	Ayaz Ahmed	1,594	1,076	518	941
	Faheem Ahmed	683	179	504	547
	Muhammad Raza	683	205	478	506
	Hassan Nazir	1,593	1,135	458	717
	Dawar Iqbal	690	234	456	277
	Usman Saif	1,711	1,283	428	1,055
	M Ali Raza	683	282	401	398
	Muhammad Bilal	1,555	1,166	389	903
	Muhammad Naeem Zulfiqar	1,495	1,121	374	374
	Faiz Ul Hassan	1,495	1,121	374	374
	Laraib Zafar	1,474	1,106	368	369
	Rehan Khaliq	1,474	1,106	368	369
	Muhammad Shoaib	1,474	1,106	368	369
	Ramzan Buriro	1,461	1,096	365	365
	Muhammad Farjad	710	346	364	424
	Adnan Ishtiaq	1,424	1,068	356	356
	Muhammad Ali	1,534	1,179	355	868
	Muhammad Imran	683	333	350	397
	Sabir Mahmood	1,466	1,120	346	346
	Imran Khatak	1,625	1,279	346	530
	Zeeshan Ur Rab	1,374	1,031	343	344
	Mustafa Hasan Qureshi	1,424	1,092	332	356
	Bilal Muhammad Niazi	1,555	1,224	331	798
	Nasir Iqbal	1,515	1,193	322	851
	Sarfaraz Soomro	1,845	1,556	289	663
	Safwan Munir	667	400	267	311
	Nabeel Ahmed	1,478	1,218	260	762
	Ali Rashid Khan	1,648	1,405	243	510
	M Ali Hafeez	1,499	1,259	240	751
	Athar Jameeli	1,482	1,248	234	719
	Ahtesham Waheed Baig	1,569	1,353	216	795
	Muhammad Anis Dayala	2,011	1,877	134	603
	Reon Energy Limited	2,572	472	2,100	2,143
Balance carried forward - vehicle		141,627	101,419	40,208	48,090
Balance carried forward - others		353,066	296,468	56,598	70,023

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation & impairment	Net book value	Sale proceeds
		---Rupees---			
Balance brought forward - others		353,066	296,468	56,598	70,023
Balance brought forward - vehicle		141,627	101,419	40,208	48,090
	Muhammad Akhtar Tahir	1,495	1,285	210	707
	Naeem Shah	667	463	204	274
	Obaid Khan	667	463	204	300
	Ali Sulaiman	1,586	1,398	188	714
	Muhammad Shahzad	1,586	1,398	188	714
	Kamran Chishti	1,495	1,317	178	706
	Muhammad Zubair	1,699	1,529	170	340
	Mubashir Tahir	676	507	169	270
	Syed Imran Haider	1,625	1,462	163	325
	Imran Aslam	1,586	1,428	158	714
	Muhammad Rafiq Shah	1,586	1,428	158	724
	Irfan Ali	1,586	1,428	158	714
	Bakshal Shah Bukhari	1,586	1,428	158	714
	Zain Ul Abidin	1,586	1,428	158	714
	Tariq Mehmood	1,569	1,412	157	706
	Muhammad Yousif Noori	1,569	1,412	157	707
	Fayyaz Ahmed	1,569	1,412	157	706
	Amin Khalique	1,569	1,412	157	706
	Khurram Shehzad	1,555	1,399	156	700
	Awais Ahmed Bhatti	1,555	1,399	156	700
	Saud Farooq	1,534	1,381	153	690
	Imran Ali Sheikh	657	505	152	202
	Mohsin Ali	1,499	1,349	150	674
	Kashif Nisar	1,495	1,346	149	673
	Shaharyar Jehangir	1,495	1,345	150	400
	Nabeel Gilani	1,495	1,345	150	673
	Rashid Saeed Kunwar	1,495	1,345	150	673
	Ameerzada Mumtaz	1,495	1,345	150	673
	Usman Ali Dogar	1,495	1,345	150	673
	Usman Faiq	1,495	1,345	150	747
	Muhammad Imran	1,495	1,345	150	673
	Muhammad Atiq Chishty	1,495	1,345	150	673
	Armughan Ishrat	1,495	1,345	150	673
	Babar Iqbal Khan	1,495	1,345	150	908
	Raja Ali Ahsan	1,495	1,345	150	673
	Tehseen Ullah	1,485	1,337	148	668
	Ismail Shah	1,485	1,337	148	668
	Siraj Ur Rehman	1,485	1,337	148	668
	Faheem Khan	1,482	1,333	149	667
	Imran Haider Klasoon	1,482	1,333	149	667
	Raja Masood Akhtar	1,482	1,333	149	667
	Muhammad Iqbal	1,482	1,333	149	667
	Kashif Mehmood	1,481	1,333	148	667
	Akhtar Tahir	1,481	1,333	148	667
	Faisal Iqbal	1,481	1,333	148	667
	Syed Ali Akbar Shah	1,423	1,282	141	760
	M.Asad Malik	612	470	142	204
	Kamran Abbasi	612	470	142	153
	Muhammad Pervaz Rafiq	666	533	133	133
	Farhan Shokat	671	542	129	134
	Shahid Saleem	671	542	129	215
	Babar Mughal	612	482	130	199
	Noman Ali	595	476	119	178
	Muhamamd Akram	612	493	119	178
	Ali Mumtaz Khan	581	464	117	116
	Syed Ghazanfar Ali	574	459	115	115
	Abid Anwar	554	443	111	111
	Zeeshan Akram	554	443	111	111
	Muhammad Yahya	549	439	110	110
	Muhammad Imran	537	430	107	107
	Irshad Hussain	586	483	103	340
	Muhammad Khubaib	586	494	92	117
	Raheel Ahmed Siddiqui	612	539	73	122
	Masood Aqeel	610	538	72	214
	Babar Ahmed Khan	586	515	71	117
	Abid Jalal	586	515	71	117
	Jahangir Shah	586	515	71	127
	Saif Ullah Jamali	612	551	61	122
	Kashif Liaquat	612	551	61	122
	Kazim Hussain	612	551	61	122
	Junaid Khalid	612	551	61	134
	Khalid Rehman	612	551	61	122
	Mairaj Mughal	610	549	61	122
	Muhammad Noman	610	549	61	122
	Ather Abbas	610	549	61	122
		84,133	74,095	10,038	33,472
Balance carried forward - vehicle		225,760	175,514	50,246	81,562
Balance carried forward - others		353,066	296,468	56,598	70,023

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation & impairment	Net book value	Sale proceeds
		-----	-----	Rupees	-----
Balance brought forward - others		353,066	296,468	56,598	70,023
Balance brought forward - vehicle		225,760	175,514	50,246	81,562
	Imran Qasim Malik	586	526	60	117
	Muhammad Aslam Javaid	1,394	1,334	60	349
	Ali Rafique	586	528	58	117
	Irfan Qadir	586	528	58	117
	Tauqeer Ahmed	586	528	58	117
	Dr Noor	586	528	58	137
	Dr. Zubair	586	528	58	117
	Usman Amin	586	527	59	143
	Dr Liaquat Ali	586	527	59	117
	Dr Rameez	586	527	59	117
	Muhammad Yasir	583	525	58	117
	Dr Faseh	583	525	58	117
	Mehboob Alam	583	525	58	117
	Jawad Saleem	572	515	57	114
	Saeed Ahmed	554	499	55	111
		9,543	8,670	873	2,024
		235,303	184,184	51,119	83,586
Sale through bid / auction	Waqar Ahmed	750	600	150	574
	Imran Ahmed	654	523	131	568
	Umer Ayaz Khan	1,398	1,048	350	897
	Waseem Mirza	1,956	1,760	196	888
	Syed Riaz Ahmed	1,268	1,141	127	735
	Waseem Mirza	596	525	71	347
	Khalid Anwar	680	612	68	951
	Adam Khan Afridi	630	567	63	321
	Muhammad Amir Khan	622	560	62	299
	Muhammad Idrees	598	538	60	379
	Muhammad Javed	597	537	60	344
	Abrar Khan	597	537	60	348
	Khalid Anwar	597	537	60	305
	Muhammad Amir Khan	586	528	58	275
	Sheikh Waheed	586	528	58	190
	Muhammad Amir Khan	586	528	58	273
	Sheikh Waheed	586	528	58	195
	Syed Adil Ali	586	528	58	189
	Syed Riaz Ahmed	528	475	53	296
	Adam Khan Afridi	528	475	53	371
		14,929	13,075	1,854	8,745
Insurance claims	EFU General Insurance Limited	4,899	1,499	3,400	4,587
	Adamjee Insurance Company Limited	691	104	587	562
		5,590	1,603	3,987	5,149
Items having net book value upto Rs.50 each	Various	11,118	8,397	2,721	2,834
	Write Off	200	200	-	-
		267,140	207,459	59,681	100,314
Year ended December 31, 2016		620,206	503,927	116,279	170,337
Year ended December 31, 2015		502,488	299,899	202,589	251,080

(Amounts in thousand)

	2016	2015
	----------------Rupees----------------	
5.5 Capital work in progress		
Plant and machinery	23,341,140	3,136,563
Building and civil works including pipelines	195,647	289,202
Furniture, fixture and equipment	34,013	67,108
Advances to suppliers	135,153	137,838
Other ancillary cost	113,131	65,071
Vehicles	-	13,000
	23,819,084	3,708,782
Balance as at January 1	3,708,782	10,035,603
Additions during the year	25,764,701	6,556,268
Transferred to:		
- operating assets (note 5.1)	(4,846,721)	(12,652,662)
- intangible assets (note 7)	(65,620)	(79,683)
- capital spares	(9,647)	-
Less: Discontinued operations (note 19)	(732,411)	(150,744)
Balance as at December 31	23,819,084	3,708,782

6. BIOLOGICAL ASSETS

	2016	2015
Dairy livestock (note 6.1)		
- mature	567,873	606,622
- immature	370,279	427,473
	938,152	1,034,095
Provision for culling (notes 6.2 and 34)	(26,067)	(24,748)
	912,085	1,009,347
Crops - feed stock	20,641	14,904
Less: Discontinued operations (note 19)	(932,726)	-
	-	1,024,251

6.1 Reconciliation of carrying amounts of livestock

	2016	2015
Carrying amount at beginning of the year	1,009,347	845,123
Add:		
Changes in fair value due to biological transformation		
- Gain due to new births [inclusive of cost of feeding immature herd of Rs. 180,862 (2015: Rs. 168,657)]	228,197	250,179
- Loss due to increase in age of livestock	(46,173)	(14,244)
	182,024	235,935
Changes in fair value due to price changes		
- Gain due to currency devaluation	494	36,287
- Loss due to decrease in international market price	(174,403)	(28,619)
	(173,909)	7,668
Total gain (note 33)	8,115	243,603
Less:		
Decrease due to deaths / disposals	(79,310)	(54,631)
Provision for culling (notes 6.2 and 34)	(26,067)	(24,748)
Carrying amount at end of the year, which approximates the fair value	912,085	1,009,347

(Amounts in thousand)

6.2 Represents provision in respect of low yielding animals and / or animals having poor health.

7. INTANGIBLE ASSETS

	Software and licenses	Rights for future gas utilization	Goodwill (note 7.2)	Total
	---Rupees---			
As at January 1, 2015				
Cost	755,267	102,312	4,500,401	5,357,980
Accumulated amortization and impairment	(538,674)	(19,679)	-	(558,353)
Net book value	216,593	82,633	4,500,401	4,799,627
Year ended December 31, 2015				
Opening net book value	216,593	82,633	4,500,401	4,799,627
Additions including transfers (note 5.5)	79,683	-	-	79,683
Write off				
Cost	(7,712)	-	-	(7,712)
Accumulated amortization and impairment	7,712	-	-	7,712
	-	-	-	-
Amortization charge (note 7.1)	(94,573)	(5,110)	-	(99,683)
Discontinued operations	(2,379)	-	-	(2,379)
Closing net book value	199,324	77,523	4,500,401	4,777,248
As at January 1, 2016				
Cost	824,859	102,312	4,500,401	5,427,572
Accumulated amortization and impairment	(625,535)	(24,789)	-	(650,324)
Net book value	199,324	77,523	4,500,401	4,777,248
Year ended December 31, 2016				
Opening net book value	199,324	77,523	4,500,401	4,777,248
Additions including transfers (note 5.5)	65,620	-	-	65,620
Amortization charge (note 7.1)	(70,545)	(5,110)	-	(75,655)
Discontinued operations (note 19)				
Cost	(336,876)	-	-	(336,876)
Accumulated amortization and impairment	292,498	-	-	292,498
	(44,378)	-	-	(44,378)
Closing net book value	150,021	72,413	4,500,401	4,722,835
As at December 31, 2016				
Cost	553,603	102,312	4,500,401	5,156,316
Accumulated amortization and impairment	(403,582)	(29,899)	-	(433,481)
Net book value	150,021	72,413	4,500,401	4,722,835

(Amounts in thousand)

		2016	2015
		---------------Rupees---------------	
7.1	Amortization charge for the year has been allocated as follows:		
	Cost of goods sold (note 30.1)	22,838	27,138
	Selling and distribution expenses (note 31)	5,341	960
	Administrative expenses (note 32)	47,476	71,585
		75,655	99,683

7.2 This includes goodwill (which pertains to fertilizers business) arisen upon acquisition of control of ECL mainly on account of expected synergies, efficient business management, high standards of policies, compliances with relevant regulatory framework and integrity, experience and other strength of the work force and management. Accordingly, the goodwill recognized represents the excess of the fair value of the previously held equity interest over the proportionate share acquired in identifiable net assets at the date when the control as per IFRS 10 has been deemed to commence in 2005.

7.3 For impairment testing, the recoverable amount of the proportionate share in the said business has been determined based on fair value less cost of disposal. The management has used the Market Approach to determine the fair value less cost of disposal.

The valuation indicates sufficient headroom and it is unlikely that impairment of the related goodwill has occurred.

		2016	2015
		---------------Rupees---------------	
8.	**LONG TERM INVESTMENTS**		
	Quoted		
	Investment in associates: (note 8.11)		
	- The Hub Power Company Limited (HUBCO) - (notes 8.1 to 8.4)	5,987,149	6,382,752
	- Engro Foods Limited (EFoods) - (notes 8.5 to 8.6)	31,180,875	-
	Unquoted		
	Joint venture company - Engro Vopak Terminal Limited (EVTL) - (notes 8.7 to 8.9)	1,420,688	1,411,394
	Investment in associates (notes 8.10 and 8.11)		
	- GEL Utility Limited (GEL)	1,036,660	763,270
	- Sindh Engro Coal Mining Company (SECMC)	910,905	793,873
		1,947,565	1,557,143
	Others, at cost		
	- e2e Business Enterprises (Private) Limited (e2eBE) - (notes 8.12 and 8.13)	-	95,713
	- Arabian Sea Country Club Limited 500,000 Ordinary shares of Rs 10 each	5,000	5,000
	- Magboro Power Company	146,580	146,637
		151,580	247,350
		40,687,857	9,598,639

(Amounts in thousand)

	2016	2015
	---------------Rupees---------------	
8.1 Details of investment in HUBCO is as follows:		
At the beginning of the year	**6,382,752**	5,643,701
Add: Share of profit for the year	**1,761,852**	1,610,234
Less: Share of other comprehensive income	**180**	1,435
Add: Shares purchased from Patek (Private) Limited	**-**	731,698
Add: Transaction cost	**-**	7,143
Less: Dividend received during the year	**2,157,275**	1,608,589
	5,987,149	6,382,752

8.2 The Holding Company has 14.91% (2015: 14.91%) of the voting power in HUBCO by virtue of its shareholding. Due to the representation of the Holding Company's nominees on the Board of Directors of HUBCO, the Holding Company has significant influence over HUBCO.

8.3 The market value of investment in HUBCO as at December 31, 2016 was Rs 21,310,425 (2015: Rs 17,706,913).

8.4 The details of shares pledged as security against various facilities are as follows:

Bank	As at December 31, 2016			As at December 31, 2015		
	Number of shares pledged	**Face value of pledged shares**	**Market value of pledged shares**	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
	(in '000)	--------(Rupees)--------		(in '000)	--------(Rupees)--------	
Pledged against financing facilities availed by the Holding Company						
Long term:						
Allied Bank Limited	**82,570**	**825,700**	**10,195,744**	82,570	825,700	8,471,682
Short term:						
Bank AL Habib Limited	**20,256**	**202,560**	**2,501,211**	31,256	312,560	3,206,866
Habib Metropolitan Bank Limited	**25,850**	**258,500**	**3,191,958**	-	-	-
MCB Islamic Bank Limited	**4,762**	**47,620**	**588,012**	-	-	-
United Bank Limied	**16,182**	**161,815**	**1,998,092**	15,656	156,560	1,606,306

	2016	2015
	---------------Rupees---------------	
8.5 Details of investment in EFoods is as follows:		
At the beginning of the year	**-**	-
Investment in associate	**31,219,746**	-
Less: Share of loss for the year (note 36)	**(38,871)**	-
At the end of the year	**31,180,875**	-

8.6 As stated in note 2.1.4 ECL has partially disposed-off its investment in EFoods resulting in loss of control as at December 19, 2016. As per the Group policy for accounting for investment in associate upon loss of control, the retained interest in EFoods comprising of 306,075,948 ordinary shares of Rs. 10 each (39.9% shareholding), has been valued on the date of loss of control at fair value of Rs. 102 per share.

The fair value of Rs. 102 per share has been estimated by adjusting the quoted price of Rs. 170.03 per share as at December 19, 2016 by 40% to account for the changes in ownership / governance structure of EFoods and lock-up period under SPA, based on management's best estimate.

(Amounts in thousand)

	2016	2015
	---------------Rupees---------------	
8.7 Details of investment in EVTL is as follows:		
At the beginning of the year	**1,411,394**	1,411,957
Add: Share of profit for the year (note 36)	**1,044,294**	786,937
Less: Dividend received during the year	**1,035,000**	787,500
At the end of the year	**1,420,688**	1,411,394

8.8 As at December 31, 2016, ECL held 45,000,000 ordinary shares (2015: 45,000,000 ordinary shares) of EVTL representing 50% of issued, subscribed & paid-up capital of EVTL.

8.9 The summary of financial information of EVTL as of December 31 is as follows:

Balance Sheet			Profit and Loss		
Particulars	2016	2015	Particulars	2016	2015
	-------- Rupees --------			-------- Rupees --------	
Cash and cash equivalent	188,679	270,960	Revenue	3,155,262	2,598,949
Current financial liabilties (excluding trade and other payables)	-	247,957	Depreciation and amortization	226,170	224,275
Non-current financial liabilities (excluding trade and other payables)	-	-	Interest income	19,394	19,515
Non-current assets	2,687,074	2,876,880			
Current assets	596,801	673,134	Interest expense	1,602	11,021
Non-current liabilities	(8,094)	(5,547)			
Current liabilities	(399,610)	(686,883)	Income tax expense	268,344	246,203
	2,876,171	2,857,584			
Group's share at 50% (2015: 50%)	1,438,086	1,428,792	Profit / total comprehensive income for the year	2,088,588	1,573,873
Others	(17,398)	(17,398)			
Carrying amount	1,420,688	1,411,394			

8.10 **Details of investment in associates is as follows:**

Particulars	2016 GEL	2016 SECMC	2015 GEL	2015 SECMC
	--------------------------Rupees--------------------------			
At beginning of the year	**763,270**	**793,873**	535,945	782,255
Add:				
- Investment in associates	**-**	**49,785**	-	-
- Share of profit / (loss) for the year (note 36)	**273,390**	**(5,316)**	227,325	4,683
- Gain on deemed disposal (note 33)	**-**	**72,563**	-	6,935
	1,036,660	**910,905**	763,270	793,873

For the year ended December 31, 2016

(Amounts in thousand)

8.11 The summary of financial information / reconciliations of HUBCO as of September 30 whereas for EFoods, GEL and SECMC as of December 31 is as follows:

Particulars	2016			
	EFoods	HUBCO	GEL	SECMC
	------------------------ Rupees ------------------------			
Revenue	44,346,031	88,506,574	1,764,246	27,136
Profit / (loss) after tax	2,386,712	12,446,569	669,624	(36,834)
Other comprehensive income	12,168	(1,209)	-	(1,106)
Total comprehensive income / (loss)	2,398,880	12,445,360	669,624	(37,940)
Non-current assets	14,246,416	57,304,617	7,632,812	22,236,353
Current assets	10,467,356	94,341,404	2,119,023	2,266,348
Total assets	24,713,772	151,646,021	9,751,835	24,502,701
Less:				
Non-current liabilities	2,105,824	26,696,138	4,588,204	12,251,353
Current liabilities	5,457,429	89,062,631	2,954,529	4,731,858
Total Liabilities	7,563,253	115,758,769	7,542,733	16,983,211
Net assets	17,150,519	35,887,252	2,209,102	7,519,490
Group's share in %	39.90%	14.91%	45%	11.9%
Share of net assets	6,843,057	5,350,789	994,096	895,571
Recognition of investment at fair value (notes 8.6 and 33)	24,337,818	-	-	-
Others	-	636,360	42,564	15,334
Carrying amount	31,180,875	5,987,149	1,036,660	910,905

Particulars	2015			
	EFoods	HUBCO	GEL	SECMC
	------------------------ Rupees ------------------------			
Revenue	-	118,048,820	1,822,860	19,320
Profit after tax	-	12,296,510	443,075	21,913
Other comprehensive income	-	(10,066)	-	202
Total comprehensive income	-	12,286,444	443,075	22,115
Non-current assets	-	59,394,810	8,022,203	3,567,985
Current assets	-	85,219,105	995,570	712,624
Total assets	-	144,613,915	9,017,773	4,280,609
Less:				
Non-current liabilities	-	29,627,563	6,451,493	100,362
Current liabilities	-	75,448,148	1,023,104	179,881
Total Liabilities	-	105,075,711	7,474,597	280,243
Net assets	-	39,538,204	1,543,176	4,000,366
Group's share in %	-	14.91%	45%	19.8%
Share of net assets	-	5,895,146	694,429	792,072
Others	-	487,606	68,841	1,801
Carrying amount	-	6,382,752	763,270	793,873

(Amounts in thousand)

	2016	2015
	---------------Rupees---------------	
8.12 Details of investment in e2eBE is as follows:		
At beginning of the year	**95,713**	231,620
Less: Share of loss for the year	**-**	(20,960)
Less: Disposal of shares	**-**	(107,286)
Less: Impairment loss (note 32)	**(95,713)**	(7,661)
	-	95,713

8.13 The Holding Company had made an investment in e2eBE which was set up for the production, sale and marketing of Rice Bran Oil (RBO) and was planned to start commercial operations in 2014 However, due to certain technical issues it has not been able to start the commercial operations of the project till date. Further, due to serious financial and liquidity crises, it has not been able to service its outstanding loans and working capital requirements.

The Holding Company has assessed the carrying amount of its investment in e2eBE in accordance with the requirements of IAS 36 'Impairment of Assets' and recorded an impairment loss of Rs 95,713 (2015: 20,933) representing the full amount of its investment as the possibility of turnaround of e2eBE operations is remote.

9. DEFERRED TAXATION

	2016		2015	
	Assets	**Liabilities**	Assets	Liabilities
	-------------------------Rupees-------------------------			
Engro Corporation Limited	**-**	**476,017**	1,124	-
Engro Fertilizers Limited	**-**	**7,491,859**	-	6,419,916
Engro Foods Limited	**-**	**-**	-	1,816,289
Engro Eximp (Private) Limited	**-**	**-**	73,472	-
Engro Powergen Limited	**-**	**69,461**	-	-
Engro Polymer and Chemicals Limited	**549,328**	**-**	908,103	-
Engro Elengy Terminal (Private) Limited	**-**	**723,949**	-	219,748
Net effect of consolidation adjustments	**28,143**	**221,420**	-	240,248
	577,471	**8,982,706**	982,699	8,696,201

9.1 The temporary differences amounting to Rs 47,032,136 relates to investments in subsidiaries for which deferred tax liability has not been recognised, as the parent entity is able to control the timing of distributions from this subsidiary and is not expected to distribute these profits in the foreseeable future.

	2016	2015
	---------------Rupees---------------	
9.2 Credit / (Debit) balances arising on account of:		
- Accelerated depreciation allowance	**17,636,684**	18,686,280
- Recoupable carried forward tax losses (note 9.3)	**(2,778,309)**	(4,433,352)
- Recoupable minimum turnover tax (note 9.4)	**(2,346,967)**	(2,517,145)
- Unrealized foreign exchange losses, unpaid liabilities and provision for retirement and other service benefits	**(68,421)**	(101,804)
- Provision for Gas Infrastructure Development Cess, Custom duty and Special Excise Duty	**(618,568)**	(325,412)
- Provision for net realizable value of stock-in-trade	**(109,811)**	(14,312)
- Recoupable Alternative Corporate Tax (note 9.5)	**(3,962,572)**	(3,962,572)
- Deferred tax on recognition of investment at fair value	**478,244**	-
- Others	**174,955**	381,818
	8,405,235	7,713,501

(Amounts in thousand)

9.3 Deferred income tax asset is recognized for tax losses available for carry forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The details of aggregate tax losses available for carry forward on which the deferred income tax asset has been recognized as at December 31, 2016 are as follows:

	2016	2015
	---------------Rupees---------------	
- Engro Fertilizers Limited	-	3,051,556
- Engro Polymer and Chemicals Limited	9,261,030	11,415,228
- Engro Eximp (Private) Limited	-	100,894
	9,261,030	14,567,678

9.4 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 or carried forward losses. The Group's management is however of the view, duly supported by the legal advisor, that the above order is not correct and would not be maintained by the Supreme Court which the Group intends to approach, if required. Accordingly, the following subsidiary companies continue to carry forward minimum turnover tax not yet recouped or written-off:

	2016	2015
	---------------Rupees---------------	
Engro Fertilizers Limited	2,178,308	2,491,715
Engro Polymer and Chemicals Limited	168,659	-
Engro Eximp (Private) Limited	-	25,430
	2,346,967	2,517,145

9.5 Through Finance Act 2014, a new section 113C 'Alternative Corporate Tax' (ACT) had been introduced in the Income Tax Ordinance, 2001, whereby tax is payable at the higher of Corporate tax or ACT; being 17% of the accounting income adjustable upto 10 years. Accordingly, ACT on which deferred income tax has been recognized as at December 31, 2016 amounts to:

	2016	2015
	---------------Rupees---------------	
Engro Fertilizers Limited	3,962,572	3,962,572

10. LONG TERM LOANS, ADVANCES AND OTHER RECEIVABLES - Considered good

	2016	2015
	---------------Rupees---------------	
Executives (notes 10.1 to 10.3)	427,872	492,812
Other employees (note 10.2)	13,645	49,352
	441,517	542,164
Less: Current portion shown under current assets (note 15)	180,592	209,270
	260,925	332,894
Receivable from Sui Southern Gas Company Limited (SSGCL) (note 10.5)	1,085,717	1,104,066
Less: Current portion shown under current assets (note 15)	21,966	18,372
	1,063,751	1,085,694
Direct cost of Floating Storage & Regasification Unit (FSRU) (note 10.6)	1,139,125	1,225,641
Insurance policy (note 10.7)	7,382,169	1,021,652
Other receivables	4,531	92,213
	9,850,501	3,758,094

(Amounts in thousand)

	2016	2015
	---------------Rupees---------------	
10.1 Reconciliation of the carrying amount of loans and advances to executives:		
Balance as at January 1	**492,812**	446,307
Add: Disbursements	**326,405**	390,848
Less :Repayments / Amortization	**(323,414)**	(344,343)
Discontinued operations (note 19)	**(67,931)**	-
Balance as at December 31	**427,872**	492,812

10.2 Long term loans include:

- interest free services incentive loans to executives repayable in equal monthly installments over a three years period or in one lump sum payment at the end of such period;
- interest free loans given to workers pursuant to Collective Labour Agreement; and
- advances to employees for car earn out assistance, long term incentive and house rent advance.

10.3 The maximum amount outstanding at the end of any month from the executives of the Group aggregated to Rs 526,306 (2015: Rs 599,745).

10.4 The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no defaults in recent history.

10.5 In 2014, Engro Elengy Terminal (Private) Limited (EETPL) entered into LNG Operation and Services Agreement (LSA) with SSGCL. As per the terms of the LSA, EETPL was required to construct a pipeline (SSGCL Branch Pipeline) and transfer it to SSGCL upon commissioning of the LNG Project and recover the cost of construction through recovery of capacity charges to be billed to SSGCL on a monthly basis. In 2015, EETPL constructed and transferred the SSGCL Branch Pipeline to SSGCL on March 29, 2015, for which the Certificate of Acceptance has been received from SSGCL. The receivable represents construction costs incurred in this respect.

10.6 This represents customs duty on import of FSRU for its use in storage and regasification of LNG. This amount is being expensed over the period of operating lease.

10.7 These primarily represents payments made to China Export and Credit Insurance Bank (Sinosure) by EPTPL amounting to Rs. 7,094,310 in connection with insurance cover obtained over financing arrangement relating to Chinese lenders, and payments to various financial institutions in respect of transaction and related cost for loan arrangements. The portion of the above costs, Rs. 1,660,620 which relate to facilities actually utilised has been adjusted against related borrowings and is being amortized over the term of the loan. The balance amount Rs. 7,382,169 will be recognised as transaction cost over the term of financing upon draw down of facilities.

	2016	2015
	---------------Rupees---------------	
11. STORES, SPARES AND LOOSE TOOLS		
Consumable stores	**2,130,493**	693,837
Spares and loose tools including in-transit Nil (2015: Rs 592)	**5,381,606**	7,382,260
	7,512,099	8,076,097
Less:		
- Provision for surplus and slow moving items	**290,378**	294,044
- Provision for impairment (note 5.3)	**73,681**	73,681
- Stores and spares written-off	**-**	29,200
	7,148,040	7,679,172

(Amounts in thousand)

	2016	2015
	---------------Rupees---------------	
12. STOCK-IN-TRADE		
Raw materials and packing materials (note 12.1 and 12.3)	**2,469,134**	5,459,117
Unprocessed rice	**351,231**	369,320
Fuel stock (note 12.2)	**381,244**	382,085
Work-in-process	**32,868**	213,415
Finished goods:		
- own manufactured product (note 12.1)	**6,333,929**	3,950,386
- purchased product (note 12.1)	**1,135,905**	3,714,378
	7,469,834	7,664,764
	10,704,311	14,088,701

12.1 Includes:

- materials in transit amounting to Rs 548,142 (2015: Rs 416,837);
- inventories carried at net of realisable value of Rs 70,067 (2015: Rs 561,853); and
- inventories held at storage facilities of third parties amounting to Rs 365,765 (2015: Rs 735,799)

12.2 Represents High Speed Diesel (HSD) inventory required to be maintained for operating the power plant in case supply of gas is unavailable to Engro Powergen Qadirpur Limited (EPQL). As per clause (b) of section 5.14 of the Power Purchase Agreement (PPA), EPQL is required to maintain HSD at a level sufficient for operating the power plant at full load for seven days. However, due to non payment of dues in full by National Transmission and Dispatch Company (NTDC), EPQL is maintaining HSD inventory at a level sufficient for operating the power plant at full load for around five days.

12.3 During the year packaging material of rice amounting to Rs. 7,800 (2015: Nil) has been written off.

	2016	2015
	---------------Rupees---------------	
13. TRADE DEBTS		
Considered good		
- secured (note 13.1 and 13.2)	**13,502,229**	6,297,449
- unsecured	**231,253**	436,164
	13,733,482	6,733,613
Considered doubtful	**24,400**	24,682
	13,757,882	6,758,295
Less: Provision for impairment (note 13.3)	**24,400**	24,682
	13,733,482	6,733,613

13.1 Trade debts are generally secured by way of bank guarantees and letters of credit from customers. Trade debts of Engro Powergen Qadirpur Limited (EPQL) amounting to Rs 3,896,828 (2015: Rs 2,760,311), are secured by a guarantee from the Government of Pakistan under the Implementation Agreement.

(Amounts in thousand)

13.2 Includes Rs 2,131,284 (2015: Rs 1,017,916) due from SSGCL, in respect of capacity and utilization charges billed in accordance with the terms of LSA.

13.3 As at December 31, 2016, trade debts aggregating to Rs 24,400 (2015: Rs 24,682) were past due and impaired and have been provided for. The movement in provision during the year is as follows:

	2016	2015
	---Rupees---	
Balance as at January 1	24,682	29,359
Less: Disposal of subsidiary company / reversal	(282)	(4,677)
Balance as at December 31	24,400	24,682

13.4 As at December 31, 2016, trade debts aggregating to Rs 1,247,504 (2015: Rs 483,778) were past due but not impaired. These relate to various customers for which there is no recent history of default. The aging analysis of these trade debts is as follows:

	2016	2015
	---Rupees---	
Upto 3 months	1,247,504	477,878
3 to 6 months	-	5,900
	1,247,504	483,778

14. DERIVATIVE FINANCIAL INSTRUMENTS

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
	---Rupees---			
Conversion option on loan from International Finance Corporation (IFC)	-	194,999	-	298,749
Foreign exchange forward contracts (note 14.1)	-	-	-	23,982
Cash flow hedges:				
- Foreign exchange forward contracts (note 14.1)	-	54,654	29,207	57,173
- Interest rate swaps (note 14.2)	-	2,107	-	30,548
	-	251,760	29,207	410,452
Less: Current portion shown under current assets / liabilities				
Conversion option on loan from IFC	-	194,999	-	298,749
Foreign exchange forward contracts	-	-	-	23,982
Cash flow hedges:				
- Foreign exchange forward contracts	-	54,654	29,207	57,173
- Interest rate swaps	-	-	-	13,166
	-	54,654	29,207	70,339
	-	249,653	29,207	393,070
	-	2,107	-	17,382

14.1 The Group entered into various forward exchange contracts to hedge its foreign currency exposure. As at December 31, 2016, the Group, had multiple forward contracts to purchase various currencies involving amounts equivalent to USD 19,625 (2015: USD 120,604) at various maturity dates to hedge its foreign currency exposure against loan obligations and payments under the terms of supplier credit. The net fair value of these contracts as at December 31, 2016 is negative Rs 54,654 (2015: negative Rs 51,948).

(Amounts in thousand)

14.2 Interest rates swaps

The Group has entered into multiple interest rate swap agreements to hedge its interest rate exposure on floating rate committed borrowings for notional amounts of USD 2,666 (2015: USD 15,727). Under these contracts the Group receives USD-LIBOR and pays fixed 2.79% - 3.73% settled semi-annually. As at December 31, 2016, the fair value of all the interest rate swaps is negative Rs 2,107 (2015: negative Rs 30,548).

14.3 Embedded derivatives

Engro Powergen Qadirpur Limited's (EPQL) tariff like other power companies, comprises of various price components with indexations falling within the ambit of embedded derivatives. Such embedded derivative as per International Accounting Standard (IAS) 39, 'Financial Instrument: Recognition and Measurement' are required to be separated from the host contract and accounted for as derivative if economic characteristics and risks of the embedded derivative are not closely related to the host contract.

EPQL had sought clarification from the Institute of Chartered Accountants of Pakistan (ICAP) in respect of the indexations pertaining to (i) USD/PKR exchange rate (applicable to EPQL's price components of debt, return on equity, return on equity during construction); and (ii) US CPI & USD/PKR exchange rate (applicable to EPQL's price components of fixed and variable operations and maintenance – foreign) whether these derivatives were closely or not closely related to the host contract.

In addition, EPQL had also requested ICAP to prescribe a definite basis or guidelines for the valuation of such embedded derivatives considering the subjectivity involved therein if these were considered to be not closely related to the host contract. Further, as indexation of USD/PKR exchange rate related to debt component being not recognized separately as embedded derivative, EPQL taking cognizance of the 'matching principle' requested the SECP to allow deferment of recognizing exchange loss on translation of borrowings under IAS 21 - Foreign Currency Transactions in the profit or loss till the clarification sought on the recognition of the foreign currency indexations from ICAP had been received.

On January 16, 2012, SECP vide SRO 24 (I) 2012 had granted waivers to all IPPs from the requirement of IFRIC 4 "Determining whether an arrangement contains a lease" and IFRIC 12 "Service Concession Agreements". Further, SECP through the aforementioned SRO has also allowed the IPPs to continue capitalizing the exchange differences, and not to recognize embedded derivatives under IAS 39 where these are not closely related to the host contract. However, in the case of such derivatives, for periods beginning on or after January 1, 2013, the companies are required to give "Additional Disclosure" as if the accounting for embedded derivatives had been adopted in preparing the financial statements.

In view of the above SRO, EPQL has capitalized exchange loss aggregating to Rs 2,524,087 (2015: Rs 2,526,653) as at December 31, 2016, which is net off exchange gain of Rs 2,566 pertaining to current year (2015: exchange loss of Rs 364,019) in property, plant and equipment (note 5.1).

14.3.1 Additional disclosure under SRO 24 (1) 2012

If EPQL were to follow IAS 39 and had accounted for embedded derivatives and had not capitalized the exchange loss on translation of foreign currency borrowing, the effect on the consolidated financial statements line items would be as follows:

(Amounts in thousand)

	Non controlling interest	Unappropriated profit	Property, plant and equipment	Derivative financial assets / (liability)
	(Increase) / Decrease	(Increase) / Decrease	Increase / (Decrease)	Increase / (Decrease)
	---Rupees---			
As at January 1, 2015	204,741	2,004,544	(1,984,722)	(224,563)
For the year ended December 31, 2015				
- Recognition of exchange loss	80,038	177,235	(257,273)	-
- Change in fair value of derivatives	835,473	1,850,073	-	(2,685,546)
	915,511	2,027,308	(257,273)	(2,685,546)
As at December 31, 2015	1,120,252	4,031,852	(2,241,995)	(2,910,109)
For the year ended December 31, 2016				
- Recognition of exchange loss	**(795)**	**(1,761)**	**2,556**	**-**
- Change in fair value of derivatives	**396,210**	**877,368**	**-**	**(1,273,578)**
	395,415	**875,607**	**2,556**	**(1,273,578)**
As at December 31, 2016	**1,515,667**	**4,907,459**	**(2,239,439)**	**(4,183,687)**

15. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

	2016	2015
	---Rupees---	
Current portion of long term loans and advances to executives and other employees (note 10)	**180,592**	209,270
Advances to executives and other employees (note 15.1)	**25,354**	57,745
Current portion of receivable from SSGCL (note 10)	**21,966**	18,372
Advance and deposits	**514,732**	422,077
Prepayments:		
- insurance	**231,897**	253,095
- others	**460,560**	592,848
	1,435,101	1,553,407
Less: Provision for impairment	**-**	3,509
	1,435,101	1,549,898

15.1 These includes interest free advances to executives for house rent, given in accordance with the Group's policy.

15.2 The carrying values of the loan and advances are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no defaults ever.

(Amounts in thousand)

16. OTHER RECEIVABLES

	2016	2015
	---------------Rupees---------------	
Receivable from Government of Pakistan against:		
- Sales tax refundable	1,079,652	4,255,640
- Subsidy (note 16.1)	6,309,486	1,303,180
Less: Provision for impairment (note 16.6)	-	180,140
	7,389,138	5,378,680
- Special excise duty refundable (note 16.2)	36,687	36,687
Less: Provision for impairment (note 16.6)	36,687	36,687
	-	-
- Customs duty claims refundable (note 16.3)	18,043	18,043
Less: Provision for impairment (note 16.6)	18,043	18,043
	-	-
- Others	211,762	194,713
	7,600,900	5,573,393
Delayed payment charges (note 16.4)	1,021,505	1,066,282
Reimbursable cost from NTDC in respect of:		
- Workers' profits participation fund	236,385	263,881
- Workers' welfare fund	205,638	205,638
Receivable from:		
- Tetra Pak Pakistan Limited	-	462,509
- Ecolean AB	-	132,474
- Engro Vopak Terminal Limited	187	22,148
- GEL Utility Limited	83,925	83,300
- Tenaga Generasi Limited	13,916	33,772
- Engro Foundation	1,801	9
- Sindh Engro Coal Mining Company Limited	1,427	2,086
- Thar Power Company Limited	146	627
- Engro Foods Limited	7,123	-
- FrieslandCampina Pakistan Holding B.V. (note 2.1.4)	197,542	-
Claims on suppliers and insurance companies	1,629	10,278
Others (note 16.7)	212,090	183,422
Less: Provision for impairment (note 16.6)	-	35,718
	212,090	147,704
	9,584,214	8,004,101

16.1 During 2015, the Government of Pakistan had notified 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. This subsidy scheme was effective till May 27, 2016.

During the current year, another subsidy scheme was announced by the Government of Pakistan effective June 25, 2016 and onwards. Through this scheme the Government has notified payment of subsidy on sold product at the rate of Rs. 156 per 50 kg bag of Urea, Rs. 300 per 50 kg bag of DAP and for Nitrophos 22:20 & 18:18 grade (based on phosphorus content) and Nitrogen, Phosphorus and Potassium (NPK) fertilizers (based on phosphorus content) sold.

(Amounts in thousand)

16.2 During the year 2007, Special Excise Duty (SED) amounting to Rs. 91,616 was paid on import of certain fixed assets by EPCL. Out of the total SED paid, an amount of Rs. 54,299 was adjusted through input claim in sales tax returns. Subsequently, the remaining amount of Rs. 36,687 could not be adjusted as the said duty was disallowed as adjustment from output tax under section 7 of Sales Tax Act, 1990. Therefore, full provision has been recognized thereagainst on the basis of prudence. However, EPCL is pursuing the recovery of the remaining amount from the tax authorities based on the view that the SED can be recovered as it was paid prior to the change in the Sales Tax Act.

16.3 The Customs Appellate Tribunal, Karachi Bench, through its order dated October 31, 2011, disposed off appeal of Engro Polymer and Chemicals Limited (EPCL) filed on April 11, 2008 against the order of Collector of Customs, Port Muhammad Bin Qasim, Karachi, for the refund of custom duty paid during the period June 16, 2006 to July 24, 2006 on imports of Vinyl Chloride Monomer (VCM). The Tribunal was informed that all aforementioned VCM consignments were released after the issuance of SRO 565(1)/2006 dated June 6, 2006 and the benefit of five percent duty reduction was also passed on to the customers. However, as the price of the EPCL's product was increased which is linked with international market, the Tribunal inadvertently presumed that the said benefit had not been transferred to the customers and passed an order against EPCL. EPCL has filed an appeal with the High Court of Sindh against the aforesaid order of the Tribunal. However, based on prudence, EPCL is maintaining full provision against the aforementioned custom duty refundable till such time that all available legal courses are exhausted.

16.4 Represents mark-up receivable on overdue trade debts of Engro Powergen Qadirpur Limited , as delayed payment charges from NTDC in accordance with the terms of the PPA. These include mark-up over due amounting to Rs 958,029 (2015: Rs 1,040,167).

16.5 As at December 31, 2016 other receivables aggregating to Rs 1,024,033 (2015: Rs 1,107,713) were past due but not impaired. The aging analysis of these receivables is as follows:

	2016	2015
	---------------Rupees---------------	
Upto 3 months	**35,384**	96,894
3 to 6 months	**44,152**	59,919
More than 6 months	**944,497**	950,900
	1,024,033	1,107,713

16.6 As at December 31, 2016, receivables aggregating to Rs 54,730 (2015: Rs 270,588) were deemed to be impaired being outstanding for more than six months and provided for. The movement in provision during the year is as follows:

	2016	2015
	---------------Rupees---------------	
Balance as at January 1	**270,588**	55,414
Add: (Reversal) / provision made during the year - net	**(215,858)**	215,174
Balance as at December 31	**54,730**	270,588

16.7 These includes receivable from the associates of the Holding Company aggregating to Rs 15,142 (2015: Rs 114,258).

(Amounts in thousand)

	2016	2015
	---------------Rupees---------------	
17. SHORT TERM INVESTMENTS		
At fair value through profit or loss		
Fixed income placements (note 17.1)	**1,786,782**	52,000
Treasury Bills (note 17.2)	**60,864,369**	11,775,935
	62,651,151	11,827,935
Held to maturity		
Fixed income placements (note 17.1)	**1,225,000**	1,117,643
Treasury Bills	**849,376**	488,700
Eurobonds	**-**	615,834
	2,074,376	2,222,177
	64,725,527	14,050,112

17.1 These represents foreign and local currency deposits with various banks, at the interest rates ranging upto 7.00% (2015: 9.75%) per annum.

17.2 These represent treasury bills carrying interest at the rate ranging upto 6.68% (2015: 6.42%) per annum. These have maturity dates of upto one year from reporting date.

	2016	2015
	---------------Rupees---------------	
18. CASH AND BANK BALANCES		
Balances with banks in:		
- deposit accounts (notes 18.1 and 18.2)	**5,356,229**	2,521,480
- current accounts	**785,372**	1,736,974
Cheques / demand drafts in hand	**38,068**	853,005
Cash in hand	**6,998**	8,898
	6,186,667	5,120,357

18.1 Local currency deposits carry return up to the rate of 3.43% to 5.75% (2015: 4.00% to 7.50%) per annum.

18.2 Includes Rs 641,747 (2015: Rs 1,193,568) held in foreign currency bank accounts and carry return at the rate of 1.00% (2015: 0.71%) per annum.

(Amounts in thousand)

19. DISCONTINUED OPERATIONS

19.1 As explained in note 2.1.4, ECL has disposed-off its partial investment in EFoods resulting in loss of control as at December 19, 2016. As a result, assets and liabilities of EFoods have been classified as assets and liabilities attributable to discontinued operation, a summary of which is as follows:

	December 19, 2016
	Rupees
Assets attributable to discontinued operation	
Property, plant and equipment	13,120,693
Biological assets	932,726
Intangible assets	44,378
Long term advances and deposits	93,984
Deferred employee share option compensation expense	108,942
Stores, spares and loose tools	841,394
Stock-in-trade	3,861,318
Trade debts	69,654
Advances, deposits and prepayments	144,879
Other receivables	114,661
Sales tax recoverable	2,736,249
Taxes recoverable	2,039,370
Cash and bank balances	702,944
Total Assets	24,811,192
Liabilities associated with discontinued operations	
Long term finances	2,195,988
Short term finances	65,120
Deferred taxation	1,605,824
Deferred income	522
Accrued interest / mark-up	31,565
Accrued and other liabilities	3,664,234
Total Liabilities	7,563,253
Net assets attributable to discontinued operations as at December 19, 2016	17,247,939

	For the period from January 1, 2016 to December 19, 2016	For the period from January 1, 2015 to December 31, 2015
	Rupees	Rupees
Financial performance of discontinued operations (note 2.1.4)		
Net sales	43,328,112	49,834,089
Cost of sales	(33,400,229)	(38,303,002)
Gross profit	9,927,883	11,531,087
Distribution and marketing expenses	(4,879,987)	(4,952,143)
Administrative expenses	(880,942)	(1,385,412)
Other operating expenses	(331,682)	(368,648)
Other income	137,989	325,520
Operating profit	3,973,261	5,150,404

(Amounts in thousand)

	For the period from January 1, 2016 to December 19, 2016	For the period from January 1, 2015 to December 31, 2015
	---------------Rupees---------------	
Finance cost	**(341,119)**	(856,419)
Profit before taxation	**3,632,142**	4,293,985
Taxation	**(1,148,011)**	(1,131,530)
Profit after tax from discontinued operations	**2,484,131**	3,162,455
Gain on disposal of investment in subsidiary- net of tax	**34,342,608**	-
Gain due to recognition of retained interest in subsidiary (now associate) at fair value	**24,337,818**	-
Less: Tax on recognition of investmnet at fair value	**478,244**	-
Gain due to recognition of retained interest in subsidiary (now associate) at fair value, net of tax	**23,859,574**	-
Profit for the year	**60,686,313**	3,162,455
Other comprehensive income/ (loss) from discontinued operation	**12,168**	(22,675)
Profit after tax from discontinued operation	**60,698,481**	3,139,780
Cash flows attributable to discontinued operations (note 2.1.4)		
Net cash generated from operating activities	**5,121,505**	4,516,967
Net cash utilized in investing activities	**(1,188,097)**	(790,020)
Net cash utilized in financing activities	**(3,175,878)**	(1,721,870)
Net increase in cash and cash equivalents	**757,530**	2,005,077

20. SHARE CAPITAL

20.1 Authorized share capital

2016	2015		2016	2015
---------Number of shares---------			---------------Rupees---------------	
1,000,000,000	1,000,000,000	Ordinary shares of Rs 10 each	**10,000,000**	10,000,000

20.2 Issued, subscribed and paid-up share capital

2016	2015		2016	2015
---------Number of shares---------			---------------Rupees---------------	
13,900,000	13,900,000	Ordinary shares of Rs 10 each fully paid in cash	**139,000**	139,000
467,387,116	467,387,116	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**4,673,871**	4,673,871
481,287,116	481,287,116		**4,812,871**	4,812,871

(Amounts in thousand)

		2016	2015
		------- (Number of shares) -------	
20.3	Shares held by related parties		
	Dawood Lawrencepur Limited Percentage of holding 16.19% (2015: 16.19%)	**77,931,896**	77,931,896
	The Dawood Foundation Percentage of holding 3.95% (2015: 3.95%)	**18,991,988**	18,991,988
	Cyan Limited Percentage of holding 0.165% (2015: 0.165%)	**794,380**	794,380
	Sach International (Private) Limited Percentage of holding 0.001% (2015: 0.001%)	**6,996**	6,996

21. MAINTENANCE RESERVE

In accordance with the Power Purchase Agreement (PPA), Engro Powergen Qadirpur Limited (EPQL) is required to establish and maintain a separate reserve fund (the Fund) with a depository institution for payment of major maintenance expenses. Any interest income resulting from the depository arrangements of the Fund is to remain in the Fund to the extent of any shortfall from the contractual limit.

Under the PPA, 1/24th of the annual operating and maintenance budget of the Power Plant less fuel expenses is required to be deposited into the Fund on each capacity payment date until such reserve equals to nine such deposits. After the second agreement year and thereafter the Fund may be re-established at such other level that EPQL and NTDC mutually agree.

In 2012, EPQL due to uncertain cash flows resulting from delayed payments by NTDC has, as per flexibility available under the PPA, reduced the amount deposited in a schedule bank to Rs. 50,000, which has been invested in investment certificates as at December 31, 2016 (note 17). Till such time the amount is deposited again to the required level, EPQL has unutilized short term financing available to meet any unexpected maintenance requirements that may arise in the foreseeable future.

22. HEDGING RESERVE

	2016	2015
	---------------Rupees---------------	
Fair values of :		
- Forward foreign exchange contracts (note 14.1)	**(22,939)**	(24,525)
- Interest rate swaps (note 14.2)	**(4,018)**	(9,278)
	(26,957)	(33,803)
Less:		
- Deferred tax	**2,717**	3,436
- Non-Controlling interest	**(8,490)**	(4,092)
	(5,773)	(656)
	(32,730)	(34,459)

(Amounts in thousand)

	2016	2015
	---------------Rupees---------------	
23. BORROWINGS - Secured (Non-participatory)		
Engro Rupiya Certificates (note 23.1)	**3,983,839**	3,966,617
Islamic Finances (note 23.2)	**7,689,810**	8,903,580
Conventional Finances (note 23.3)	**39,308,507**	27,923,449
Term Finance Certificates (note 23.4)	**-**	6,000,000
Foreign currency borrowings and others (note 23.5)	**26,025,309**	16,781,535
	77,007,465	63,575,181
Less:		
Current portion shown under current liabilities	**13,272,722**	22,692,902
	63,734,743	40,882,279

23.1 Engro Rupiya Certificates

	Note	Mark-up	Installments Number	Installments Commenced/ Commencing from	2016	2015
					---------------Rupees---------------	
Engro Islamic Rupiya Certificates I	23.1.1	13%	Lump sum		**2,987,879**	2,974,963
Engro Islamic Rupiya Certificates II	23.1.1	13.5%	Lump sum		**995,960**	991,654
					3,983,839	3,966,617

23.2 Islamic Finances

	Note	Mark-up	Installments Number	Installments Commenced/ Commencing from	2016	2015
Dubai Islamic Bank Limited	23.3.6	6 months KIBOR + 0.4%	4 half yearly	November 30, 2018	**800,000**	800,000
Privately Placed Subordinated Sukuk Certificates	23.2.1	6 months KIBOR + 1.75%	10 half yearly	January 9, 2015	**2,860,174**	3,006,272
Standard Chartered Bank (Pakistan) Limited		6 Months KIBOR + 0.9%	4 half yearly	June 14, 2013	**594,942**	593,090
Standard Chartered Bank (Pakistan) Limited	23.2.2	6 Months KIBOR + 0.8%	1 half yearly	March 18, 2016	**1,000,000**	-
Islamic Offshore Finance	23.2.3	6 months LIBOR + 2.57%	9 half yearly	March 28, 2013	**1,762,711**	3,525,468
Sukuk Certificates		6 month KIBOR + 0.69%	4 half yearly	July 13, 2015	**-**	878,750
Islamic Facility Agreement	23.4.5	3 months KIBOR + 3.5%	20 half yearly		**671,983**	-
Master Istisna IV		6 months KIBOR + 2.6%	Single	April 2016	**-**	100,000
					7,689,810	8,903,580

(Amounts in thousand)

		Note	Mark-up	Installments Number	Installments Commenced/ Commencing from	2016	2015
						------------Rupees------------	
23.3	**Conventional Finances**						
	Bilateral loan I		6 months KIBOR + 2%	6 half yearly	June 2016	-	544,291
	Bilateral Loan II		6 months KIBOR + 1.35%	6 half yearly	June 2017	-	848,300
	Bilateral Loan III		6 months KIBOR + 1.35%	6 half yearly	June 2017	-	848,300
	Bilateral - IV	23.3.1	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	-
	Bilateral - V	23.3.1	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	-
	Bilateral - VI	23.3.1	6 months KIBOR + 0.8%	10 half yearly	June 1, 2019	750,000	-
	Bilateral - VII	23.3.1	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	1,250,000	-
	Bilateral - VIII	23.3.1	6 months KIBOR + 0.8%	6 half yearly	June 1, 2019	750,000	-
	Syndicated term finance I		6 months KIBOR + 2.25%	13 half yearly	November 2010	-	1,385,616
	Syndicated term finance II		6 months KIBOR + 3%	13 half yearly	June 2010	-	212,085
	Syndicated term finance V		6 months KIBOR + 1.5%	8 half yearly	June 2015	-	991,605
	Syndicated term finance VII	23.3.2	6 months KIBOR + 2%	10 half yearly	May 2017	3,750,000	3,750,000
	Habib Bank Limited	23.3.3	6 months KIBOR + 1.1%	8 half yearly	March 31, 2013	-	199,714
	Allied Bank Limited		6 months KIBOR + 1.1%	8 half yearly	June 26, 2013	-	399,160
	Allied Bank Limited	23.2.2	6 months KIBOR + 0.8%	8 half yearly	March 18, 2016	2,000,000	-
	Allied Bank Limited	23.3.7	6 months KIBOR + 0.15%	4 half yearly	September 29, 2016	2,000,000	-
	National Bank of Pakistan		6 months KIBOR + 1.1%	10 half yearly	March 5, 2013	599,521	790,364
	National Bank of Pakistan	23.4.5	3 months KIBOR + 3.5%	20 half yearly		526,499	-
	Faysal Bank Limited		6 months KIBOR + 1.2%	13 half yearly	May 26, 2013	831,182	859,503
	Samba Bank Limited		6 Months KIBOR + 0.9%	14 half yearly	April 1, 2013	297,621	296,813
	National Bank of Pakistan		6 Months KIBOR + 1.2%	10 half yearly	September 28, 2013	415,521	545,050
	Syndicated finance		6 months KIBOR + 1.8%	14 half yearly	February 28, 2013	-	9,880,750
	Syndicated finance	23.3.4	6 months KIBOR + 0.4%	6 half yearly	December 26, 2016	9,100,403	-
	Habib Metropolitan Bank Limited	23.3.5	6 Months KIBOR + 0.9%	10 half yearly	June 21, 2013	40,000	80,000
	Pak Kuwait Investment Company (Private) Limited	23.3.3	6 months KIBOR + 1.0%	10 half yearly	April 30, 2012	-	99,803
	Syndicated Finance I		6 months KIBOR + 0.69%	4 half yearly	February 20, 2015	-	1,275,000
	HBL Conventional term loan		6 months KIBOR + 0.65%	6 half yearly	November 2, 2014	-	388,817
	NIB Bank Limited		6 months KIBOR + 0.60%	6 half yearly	June 5, 2015	-	992,604
	The Bank of Punjab		6 months KIBOR + 0.70%	6 half yearly	April 03, 2015	-	332,234
	United Bank Limited		6 months KIBOR + 0.65%	6 half yearly	May 12, 2016	-	1,500,000
	United Bank Limited	23.3.3	6 months KIBOR + 0.65%	8 payments	December 17, 2015	-	1,460,855
	United Bank Limited	23.3.7	6 months KIBOR + 0.15%	4 half yearly	September 21, 2016	4,000,000	-
	MCB Bank Limited	23.2.2	6 months KIBOR + 0.80%	1 half yearly	March 18, 2016	3,000,000	-
	MCB Bank Limited	23.3.7	6 months KIBOR + 0.15%	4 half yearly	September 21, 2016	4,000,000	-
	HBL-led Consortium	23.4.5	3 months KIBOR + 3.5%	20 half yearly		2,858,617	-
	Allied Bank Limited	23.3.8	6 months KIBOR + 2%	10 half yearly	July 5, 2013	139,143	242,585
						39,308,507	27,923,449
23.4	**Term Finance Certificates**						
	Privately Placed Term Finance Certificates	23.2.2	6 months KIBOR + 0.8%	16 half yearly	March 19, 2008	-	6,000,000
23.5	**Foreign Borrowings and Others**						
	DFI Consortium Finance	23.4.1	6 months LIBOR + 2.6%	7 payments	July 29, 2013	-	2,789,150
	International Finance Corporation	23.4.2	6 months LIBOR + 3%	3 half yearly	September 15, 2016	1,249,386	2,284,468
	International Finance Corporation	23.4.2	6 months LIBOR + 3%	3 half yearly	September 15, 2015	-	2,415,784
	International Finance Corporation		6 months LIBOR + 2.6 to 3%	15 half yearly	June 2010	416,903	1,246,479
	International Financial Institutions	23.4.3	6 months LIBOR + 3%	24 half yearly	December 15, 2010	6,403,000	8,045,654
	China Development Bank Corporation (CDBC), China Construction Bank Corporation (CCBC) and Industrial and Commercial Bank of China Limited (ICBCL)	23.4.4	6 months LIBOR + 4.2%	20 half yearly		10,382,728	-
	International Finance Corporation	23.5.1	6 month LIBOR + 5%	16 half yearly	June 15, 2016	1,713,593	-
	Asian Development Bank	23.5.1	6 month LIBOR + 5%	16 half yearly	June 15, 2016	2,569,908	-
	Local Syndicate Loan	23.5.2	6 month KIBOR + 1.8%	16 half yearly	June 15, 2016	3,289,791	-
						26,025,309	16,781,535

(Amounts in thousand)

23.1.1 Engro Islamic Rupiya (EIR) Certificates are AA rated, listed and secured Ijaratul Musha & Murabaha Sukuk certificates of a total issue size of Rs. 4,000,000 duly approved by the Securities and Exchange Commission of Pakistan (SECP). EIR - I Certificates amounting to Rs. 3,000,000 have a tenure of 36 months with an expected profit rate of 13% per annum payable semi-annually, while EIR - II Certificates amounting to Rs. 1,000,000 have a tenure of 60 months with an expected profit rate of 13.5% per annum payable semi-annually. The certificate holder, however, may request ECL for early redemption at any time from the date of investment subject to an Early Redemption Discount service charge on the outstanding issue price. ECL, in this respect, has appointed Meezan Bank Limited as a trustee.

The proceeds from the EIR Certificates I and II were utilized to pay-off conventional liabilities and to meet funding requirements of the subsidiaries and to finance new projects.

23.2.1 This represents EFert 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. EFert used PPSS to refinance the subordinated loan from ECL.

23.2.2 During the year, EFert exercised the call option of the Privately Placed Term Finance Certificates (PPTFCs). As a result, EFert paid Rs. 6,000,000 to the holders of PPTFCs and refinanced this amount through three bilateral loans from Allied Bank Limited, Standard Chartered Bank (Pakistan) Limited and MCB Bank Limited amounting to Rs. 2,000,000 Rs. 1,000,000 and Rs. 3,000,000 respectively. These loans are repayable in a single installment in March 2018 and carry mark up / profit at the rate of 6 months KIBOR plus 0.80%, per annum.

23.2.3 The borrowings also include EFert's Offshore Islamic Finance Facility of US$ 36,000 with Habib Bank Limited and National Bank of Pakistan and Rs. 3,618,000 with Faysal Bank, Dubai Islamic Bank Pakistan Limited and Standard Chartered Bank. During the year, Habib Bank Limited bought out SAMBA financial group's portion in the US$ portion of the facility.

23.3.1 During the year, EPCL after negotiations with the relevant banks / financial institutions pre-paid all its existing borrowings, except for loans from IFC and obtained new finances from these financial institutions at renegotiated terms to re-profile its balance sheet at lower interest / mark-up rates. EPCL has obtained new borrowings of Rs. 5,750,000 under the new financing arrangements.

23.3.2 This represents utilised portion of syndicated term finance facility sanctioned by a syndicate of banks led by Allied Bank Limited aggregating to Rs. 4,000,000 (2015: Rs 4,000,000). The facility is secured against HUBCO shares as more fully explained note 8.4. The facility carries mark-up at the rate of six months KIBOR plus 200 basis points per annum. The facility is for a period of 5 years and is payable semi annually with the first principal repayment to be made after the expiry of 2 years grace period commencing from May 2017.

23.3.3 These represents Efert's loans which have been matured during the year.

23.3.4 This represents the balance amount, availed by EFert in 2016, of a syndicated Finance Agreement entered with National Bank of Pakistan, MCB Bank Limited, Allied Bank, Habib Bank Limited, Bank Alfalah Limited, with National Bank of Pakistan acting as the Agent for the Syndicate members. The loan was made a part of the Inter Creditor Agreeent (ICA) and thus has the same charge, as the other Senior Lenders.

23.3.5 This represents EFert's outstanding balance amount of a facility agreement amounting to Rs. 200,000 with Habib Metropolitan Bank Limited.

(Amounts in thousand)

23.3.6 During the year, EFert negotiated re-pricing for the following borrowings:

Senior Lenders	Mark-up rate per annum Original	Repriced	Effective Date of Repricing
National Bank of Pakistan			
Dubai Islamic Bank Limited	6 months KIBOR + 1.75%	6 months KIBOR + 0.4%	November 28, 2016
IFC - US$ 30 million	6 months LIBOR + 6%	6 months LIBOR + 3%	February 15, 2016
IFC - US$ 50 million	6 months LIBOR + 6%	6 months LIBOR + 3%	February 15, 2016

23.3.7 During the year, EFert availed three bilateral loans from Allied Bank Limited, United Bank Limited and MCB Bank Limited amounting to Rs. 2,000,000, Rs. 4,000,000 and Rs. 4,000,000 respectively. The new loans have a pricing of 6 months KIBOR plus 0.15% and will mature in September 2021. The loan was made a part of the Inter Creditor Agreement (ICA) and thus have the same charge with the other Senior Lenders.

23.3.8 This represents utilised portion of long term finance facility under mark-up arrangement from Allied Bank Limited (ABL) aggregating Rs 380,000 (2015: Rs 380,000). The finance facility is secured by way of hypothecation charge over all assets of the Holding Company with 25% margin and pledge of HUBCO shares as more fully explained in note 8.4. The facility carries mark-up at the rate of six months KIBOR plus 200 basis points per annum. The facility is for the period of 5 years and is payable semi annually in arrears with the first principal repayment made on July 5, 2013. The facility will be repaid in full by July 2017.

23.4.1 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. This was fully repaid during the year.

23.4.2 ECL 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 EFert 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 ECL 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 US Dollar to Pakistan 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. ECL has entered into an agreement with EFert that in the event IFC exercises the aforementioned conversion option (Tranche A), the loan amount then outstanding against EFert would stand reduced by the conversion option amount and EFert would pay the Pakistan Rupee equivalent of the corresponding conversion amount to ECL which would simultaneously be given to EFert as a subordinated loan, carrying mark-up payable by ECL for Pakistan Rupee finances of like maturities plus a margin of 1%. The effect of IFC conversion resulted in a loan from ECL having the same repayment terms / dates as that of Tranche A.

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 ECL have been issued to the IFC.

(Amounts in thousand)

On December 22, 2010, EFert 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 EFert at Rs. 24.00 per ordinary share calculated at the US Dollar to Pakistan 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 six months LIBOR plus a spread of 6%.

On June 25, 2014, EFert received a notice from IFC for exercise of option on loan of USD 5,000, as a result of which 20,541,667 ordinary shares of EFert have been allotted to IFC. During 2015, EFert received a notice from IFC for exercise of further loan of USD 3,000 on January 9, 2015 out of the remaining USD 4,000 of Tranche A2, accordingly, 12,590,625 ordinary shares of EFert 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. 194,999.

During the year, the pricing of the IFC loans was revised to 6 months LIBOR plus 3.0% from 6 months LIBOR plus 6.0%, effective February 15, 2016. Furthermore, US$ 50,000 disbursed on December 31, 2009, was fully repaid in September 2016.

23.4.3 EPQL entered into a financing agreement with a consortium comprising of international financial institutions amounting to US$ 144,000. The finance carries markup at the rate of six months LIBOR plus 3% payable semi-annually over a period of twelve years. The principal is repayable in twenty semi-annual instalments commencing from December 15, 2010. As at December 31, 2016, the outstanding balance of the borrowing was US$ 61,394 (2015: US$ 77,146).

The borrowing is secured by an equitable mortgage on the immovable property and the hypothecation of current and future assets of EPQL, except receivables from NTDC in respect of Energy Purchase Price. Further, EPQL has also extended a letter of credit in favour of the senior lenders.

23.4.4 EPTL has entered into a USD Facility Agreement on December 21, 2015 with three commercial banks namely China Development Bank Corporation (CDBC), China Construction Bank Corporation (CCBC) and Industrial and Commercial Bank of China Limited (ICBCL) for an aggregate amount of USD 621,000 for a period of 14 years. The amount is repayable in 20 semi-annual installments commencing from the earlier of (i) First fixed date falling after 48 months since facility effective date and (ii) Second fixed date falling after Commercial Operations Date; where fixed dates are defined as First June or First December of any year. This loan carries mark-up at the rate of 6 month Libor plus 4.2%. The facility is secured primarily through First ranking hypothecation charge over the project assets of EPTL. Further, the shareholders of EPTL have committed to provide cost overrun support for 10% of entire debt and pledge shares in favor of the Security Trustee. Additionally, shareholders other than Habib Bank Limited (HBL) have also provided Stand By Letter of Credits (SBLCs) as coverage for their equity commitments in the project. As at December 31, 2016, EPTL has made draw down of USD 114,542 from this facility while the undrawn amount is equal to USD 506,458.

23.4.5 EPTL has entered into following loan agreements:

- Rupee Facility Agreement with an HBL-led consortium (comprising HBL, United Bank Limited, Bank Alfalah Limited, Askari Bank Limited, Soneri Bank Limited, Sindh Bank Limited, Bank of Punjab, NIB Bank Limited and Pak Brunei Investment Company Limited) for an aggregate amount of Rs.17,016,000. As at December 31, 2016, EPTL has made draw down of Rs. 2,858,617 from this facility while the undrawn amount is equal to Rs. 14,157,382.

(Amounts in thousand)

- Bilateral Facility Agreement with National Bank of Pakistan for an aggregate amount of Rs. 3,134,000. As at December 31, 2016, EPTL has made draw down of Rs. 526,499 from this facility while the undrawn amount is equal to Rs. 2,607,501.

- Islamic Facility Agreements with three banks namely Meezan Bank Limited, Faysal Bank Limited and Habib Bank Limited for an aggregate amount of Rs. 4,000,000. As at December 31, 2016, EPTL has made draw down of Rs. 671,983 from this facility while the undrawn amount is equal to Rs. 3,328,017.

These loans are repayable in 20 semi-annual installments commencing from the earlier of (i) First fixed date falling after 48 months since facility effective date and (ii) Second fixed date falling after Commercial Operations Date; where fixed dates are defined as First June or First December of any year and carries profit at the rate of 3 months KIBOR plus 3.5%. The Facilities are secured primarily through First ranking hypothecation charge over project assets of EPTL. Further, the Shareholders of EPTL have committed to provide cost overrun support for 10% of entire debt and pledge shares in favor of the Security Trustee. Additionally, shareholders other than Habib Bank Limited (HBL) have also provided SBLCs as coverage for their equity commitments in the project.

23.5.1 In 2015, Engro Elengy Terminal Private Limited (EETPL), a wholly owned subsidiary company, entered into a Common Terms Agreement (CTA) and financing agreements with Asian Development Bank (ADB), International Finance Corporation (IFC), Askari Bank Limited (ABL) and NIB Bank Limited as arrangers and ADB as lender.

23.5.2 The amount represents disbursement of loan amounting to Rs. 4,031,672 out of a total facility of Rs. 4,210,000 obtained from PBICL, NIB and ABL.

23.6 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.

24. DEFERRED LIABILITIES

	2016	2015
	---------------Rupees---------------	
Deferred income under Ijarah arrangement	-	568
Retirement and other service benefits obligations	300,510	259,344
Less: Current portion shown under current liabilities	101,790	98,083
	198,720	161,261
	198,720	161,829

(Amounts in thousand)

	2016	2015
	---------------Rupees---------------	

25. TRADE AND OTHER PAYABLES

	2016	2015
Creditors (note 25.1)	**13,941,425**	18,305,509
Accrued liabilities (notes 25.2)	**13,809,932**	10,728,995
Advances from customers	**763,081**	2,197,559
Deposits from dealers/ distributors refundable on termination of dealership	**18,155**	16,297
Retention money	**33,442**	207,714
Contractors'/ suppliers' deposits	**124,511**	103,854
Workers' welfare fund (note 25.4)	**2,055,148**	1,982,449
Workers' profits participation fund	**125,940**	142,602
Sales tax payable	**203,982**	125,775
Payable to retirement benefit funds	**8,198**	80,060
Withholding tax payable	**9,718**	111,916
Unclaimed dividends	**331,571**	169,776
Payable to :		
- Engro Foods Limited	**1,943**	-
- Engro Vopak Limited	**33,885**	-
Others	**646,128**	446,467
	32,107,059	34,618,973

25.1 Includes due to following related parties:

	2016	2015
- Mitsubishi Corporation	**2,682,171**	2,195,710
- Engro Vopak Terminal Limited	**120,135**	120,135
	2,802,306	2,315,845

25.2 Includes:

- professional fee payable to financial advisors Rs.1,193,122 (2015: Nil).

- accrual in respect of gas charges amounting to Rs. 848,844 (2015: Rs. 753,078).

- Rs. 212,193 relating to provisions recognised on prudence basis in respect of certain claims raised against EPQL. The Group, however, is confident of favourable outcome against these claims.

- accrual for Gas Infrastructure Development Cess (GIDC) of Engro Fertilizer Limited (EFert) and Engro Polymer and Chemicals Limited (EPCL) amounting to Rs.1,782,787 (2015: Rs. 789,775) and Rs. 2,129,764 (2015: Rs.1,148,873) respectively. During the year, GIDC Act, 2015 was struck down by the Sindh High Court being ultra vires, against which the Ministry of Petroleum and Natural Resources obtained a suspension order.

25.3 Engro Elengy Terminal (Private) Limited (EETPL)

In 2015, EETPL, a wholly owned subsidary of Elengy Terminal Pakistan Limited (EPTL), received a notice from Model Customs Collectorate (the 'Customs Authorities') seeking information on import of FSRU and contending that the import attracts all leviable duties and taxes i.e. customs duty and advance income tax. EETPL was of the view that the FSRU had been classified as plant, machinery and equipment vide SRO 337(I)/2015 dated April 22, 2015 and accordingly, along with sales tax, custom duty is also exempt under SRO 678(I)/2004 dated August 7, 2004, read with condition (vii) relating to

(Amounts in thousand)

the clause 2(a), being of the nature of import-cum-export or temporary import of plant, machinery and equipment. Further, since the EETPL's profits and gains are exempt from income tax for 5 years from the date of commercial operations, EETPL is also entitled to exemption from collection of advance income tax. The Customs Authorities were not in agreement with EETPL's views on the same and to treat import of FSRU for 15 years as a temporary import. The Company in response filed a suit with the High Court of Sindh (the 'Court') which through its order dated June 29, 2015 had restrained Customs Authorities from collection of customs duty and advance income tax. However, EETPL, based on the merits of the case and opinion of its legal advisor had provided for the potential exposure relating to customs duty amounting to Rs. 1,297,737, being 5% of the value of FSRU. The Court, in a judgement passed during the year, held EETPL liable to custom duty and remanded the matter related to advance tax to Customs Authorities with directions. EETPL in response to the aforementioned judgement and demand raised by Customs Authorities has paid an amount of Rs. 1,325,103 in respect of custom duty.

25.4 During the year, the Supreme Court of Pakistan issued a judgment dated November 11, 2016, as a result of which changes made through the Finance Acts of 2006 and 2008 in the Workers' Welfare Ordinance, 1971 have been held to be ultra-vires to the Constiution. However, the taxation authorities have proceeded to file a review petition thereagainst in the Supreme Court of Pakistan.Due to review and other legal uncertainities, the Group continues to carry payable in respect of those entities which did not attract the levy prior to the changes brought by Finance Act 2006 and 2008.

During 2015, the Government of Sindh promulgated Sindh Workers Welfare Fund Act, 2014 (the Act) thereby repealing the Workers Welfare Ordinance, 1971 (the Ordinance) in its application to the province of Sindh. As per the Act, every industrial establishment located in province of Sindh whose total income for any year of account commencing on or after December 31, 2013, is not less than Rs. 500 is required to pay a sum equal to 2% of total income to the Sindh Revenue Board (SRB). However, the management based on advice of its tax consultant, is of the view that ECL does not classify as an "industrial establishment" as defined under clause 2(g) of the Act and accordingly is not liable for Workers' welfare fund under the Act. Accordingly, no charge for current year and for the year 2015, under the Act, has been recognized in the financial statements.

26. ACCRUED INTEREST / MARK-UP

	2016	2015
	---------------Rupees---------------	
Accrued interest / mark-up on secured:		
- long term borrowings	913,765	970,231
- short term borrowings	324,296	457,558
	1,238,061	1,427,789

27. SHORT TERM BORROWINGS

	2016	2015
Running finances utilized under mark-up arrangements (note 27.1)	7,304,519	5,528,453
Export refinance facility	300,000	-
Money market loan	800,000	-
Short term finance	-	1,080,000
	8,404,519	6,608,453

(Amounts in thousand)

27.1 Running finances

27.1.1 The short-term running finances available to the Group from various banks under mark-up arrangements amounts to Rs. 25,178,048 (2015: Rs. 27,080,000). The rates of mark-up on these finances are KIBOR based and range from 5.20% to 8.01% (2015: 7% to 12.13%) per annum. The aggregate running finances are secured by way of hypothecation of ranking floating charge over present and future loans, advances, receivables, stocks, book debts, and other current assets and pledge over shares.

27.1.2 This includes utilised portion of short-term running finance facility aggregating to Rs 1,500,000 (2015: Rs 2,000,000) obtained by the Holding Company under mark-up arrangements from Bank Al-Habib Limited. The amount which remained unutilised as at December 31, 2016 was Rs 1,500,000 (2015: Rs 2,000,000). The facility is secured by way of pledge of HUBCO shares as more fully explained in note 8.4. Rate of mark-up applicable to the facility is three months KIBOR plus 65 basis points (2015: three months KIBOR plus 95 basis points) per annum. The facility will expire on April 30, 2017.

27.1.3 This also includes utilised portion of short-term running finance facility aggregating to Rs 2,000,000 (2015: Rs 1,000,000) obtained by the Holding Company under mark-up arrangements from United Bank Limited. The amount which remained unutilised as at December 31, 2016 was Rs 1,000,867 (2015: Rs 568,192). The facility is secured by way of pledge of HUBCO shares as more fully explained in note 8.4. Rate of mark-up applicable to the facility is one month KIBOR plus 70 basis points (2015: one month KIBOR plus 90 basis points) per annum. The facility will expire on April 30, 2017.

27.1.4 During the year ended December 31, 2016, the Holding Company has obtained short-term running finance facility aggregating to Rs 800,000 (2015: Nil) under Shariah approved arrangement (Running Musharakah Arrangement) from MCB Islamic Bank Limited. The amount which remained unutilised as at December 31, 2016 was Rs 800,000 (2015: Nil). The facility is secured by way of pledge of HUBCO shares as more fully explained in note 8.4. Rate of profit applicable to the facility is three months KIBOR plus 75 basis points (2015: Nil) per annum. The facility will expire on April 30, 2017.

27.1.5 During the year ended December 31, 2016, the Holding Company has obtained short-term running finance facility aggregating to Rs 2,000,000 (2015: Nil) under mark-up arrangements from Habib Metropolitan Bank Limited. The amount which remained unutilised as at December 31, 2016 was Rs 130,200 (2015: Nil). The facility is secured by way of pledge of HUBCO shares (2015: HUBCO shares) as more fully explained in note 8.4. Rate of mark-up applicable to the facility is three months KIBOR plus 75 basis points (2015: Nil) per annum. The facility will expire on January 31, 2017.

27.2 Letters of credits and bank guarantees

The aggregate facilities available to Group for opening Letter of credits and Bank guarantees amounts to Rs. 14,153,048 (2015: Rs. 20,965,000). The unutilized balance as at December 31, 2016 amounts to Rs. 6,469,000 (2015: Rs. 12,682,198).

28. CONTINGENCIES AND COMMITMENTS

Contingencies

28.1 The Holding Company has pledged 15.131 million shares of ECL with Meezan Bank Limited (as Agent) in favour of Fatima Fertilizer Company Limited (FFCL) and a corporate guarantee in favour of DHFL and FFCL against potential tax liabilities of DHFL in respect period ending on or prior to June 30, 2015. The pledged shares will be released upon completion of two years from the filing date of Income Tax Return for the year ended December 31, 2015 i.e. September 30, 2016. The corporate guarantee will remain in full force and effect for five years and will be released on the later of September 30, 2021 or the date on which subject tax liabilities are finally settled / disposed off or withdrawn.

(Amounts in thousand)

	2016	2015
	---------------Rupees---------------	
28.2 Guarantees issued in favour of Subsidiary Companies by Engro Corporation Limited:		
- Engro Fertilizers Limited (note 28.2.1)	**1,257,600**	30,905,573
- Engro Powergen Qadirpur Limited (note 28.2.2)	**1,048,000**	1,047,500
- Engro Powergen Limited (note 28.2.3)	**9,544,136**	228,000
- Engro Elengy Terminal (Private) Limited (note 28.2.4)	**3,217,360**	3,320,575
	15,067,096	35,501,648
Others	**1,535,000**	610,000
	16,602,096	36,111,648

28.2.1 During the year, corporate guarantees extended on behalf of Engro Fertilizers Limited, a subsidiary company, other than those extended to International Finance Corporation (IFC) under the C Loan Agreement (Original Agreement) and the Amended Facility Agreement amounting to USD 12,000 have been released.

28.2.2 Represents Corporate Guarantee amounting to USD 10,000 issued to Allied Bank Limited to open DSRA letter of credit in favour of senior long term lenders of Engro Powergen Qadirpur Limited (EPQL).

28.2.3 ECL has provided following corporate guarantees in favour of Engro Powergen Limited:

- During 2015, a bank has issued performance guarantee on behalf of Engro Powergen Thar (Private) Limited (EPTL) in favour of Private Power and Infrastructure Board (PPIB). The performance guarantee relates to 2 x 330 MW mine mouth power plants to be constructed by EPTL and has been submitted to PPIB as a condition precedent for the issuance of Letter of Support (LoS) by PPIB for the Thar Power Project. The performance guarantee was valid upto March 30, 2016 and was further extended upto September 30, 2016 and is secured by way of first exclusive charge on all present and future assets of Engro Powergen Limited (EPL), a wholly owned subsidiary of ECL and parent company of EPTL. In this regard, the ECL has extended corporate guarantee amounting to Rs. 228,000 to the bank against Letter of Guarantee facility granted to EPL which was released during the year.

- During the year, ECL has pledged shares of Engro Fertilizers Limited and Engro Foods Limited against the Standby Letters of Credit (Equity SBLCs) provided by Engro Powergen Limited, a subsidiary company, through National Bank of Pakistan amounting to USD 18,900 and USD 51,100 (in PKR equivalent) for its equity commitments related to the Sindh Engro Coal Mining Company Limited (SECMC), its associated company, and Engro Powergen Thar (Pvt.) Limited (EPTL), its subsidiary company, in favour of the Intercreditor Agent (Habib Bank Limited) and the Project Companies (i.e. SECMC and EPTL). Equity SBLCs expire on earlier of (i) four years after the issuance of SBLCs i.e. March 21, 2020; and (ii) fulfillment of sponsor obligations under Sponsor Support Agreements. Subsequent to equity injection during the year after Financial Close amounting to USD 335 and USD 9,064 (in PKR equivalent) in SECMC and EPTL respectively, the amount of Equity SBLCs have been reduced to USD 18,565 and USD 42,036 for SECMC and EPTL respectively.

- During the year, ECL has pledged shares of Engro Fertilizers Limited and Engro Foods Limited against a Standby Letter of Credit (Put Option SBLC) provided by Engro Powergen Limited, the subsidiary company through Allied Bank of Pakistan amounting to USD 21,070 in favour of the Put Option Fronting Bank (Habib Bank Limited). The Put Option SBLC has been furnished to meet sponsor obligations under Sponsor Support Agreement (Put Option SSA) and expires on earlier of (i) June 30, 2017; and (ii) fulfillment of sponsor obligations pursuant to Put Option SSA.

(Amounts in thousand)

28.2.4 During the year, the following changes occurred in repect of Guarantees issued in favour of Engro Elengy Terminal (Private) Limited (EETPL):

- ECL extended a Corporate Guarantee amounting to USD 20,700 to a bank against SBLC facility granted to EETPL, a wholly owned subsidiary of ETPL. Furthermore, ECL has also pledged shares of Engro Fertilizers Limited and Engro Foods Limited with the bank against the SBLC.
- ECL has pledged shares of Engro Fertilizers Limited and Engro Foods Limited against the Letter of Guarantee provided by EETPL, the subsidiary company through National Bank of Pakistan amounting to USD 10,000 in favour of Sui Southern Gas Company Limited (SSGCL) to guarantee the performance of the obligations of the EETPL under the LNG Operations and Services Agreement (LSA).
- ECL, as Sponsor Support, has permitted United Bank Limited to mark a lien on its treasury bills against the Letter of Guaurantee provided by EETPL, subsidiary company through the bank amounting to USD 1,000 in favour of Port Qasim Authority (PQA) to gaurantee the performance of the obligations of the subsidiary company under the Implementation Agreement. During the year, the Letter of Guarantee has expired.

28.3 During 2015, ECL divested some of its shareholding in Engro Fertilizers Limited (EFert). ECL held such shareholding in EFert since 2010 i.e. more than five years. Under the income tax laws, capital gain on sale of securities held for more than 24 months are to be taxed at zero %. However, ECL was informed by the National Clearing Company of Pakistan Limited (NCCPL) that their clearing system shall deduct capital gain tax on such disposal and NCCPL shall deposit the same with the tax authorities. ECL has obtained a stay thereagainst from High Court of Sindh and has also provided a bank guarantee amounting to Rs. 610,000 in this respect in favor of Nazir of High Court of Sindh.

During the year, ECL has divested further 28.34% of its shareholding in EFert. ECL held such shareholding in EFert since 2010 i.e. more than six years. Under the income tax laws, capital gain on sale of securities held for more than 48 months do not attract any income tax. However, ECL was informed by the National Clearing Company of Pakistan Limited (NCCPL) that their clearing system shall deduct capital gain tax on such disposal and NCCPL shall deposit the same with the tax authorities. ECL has obtained a stay thereagainst from High Court of Sindh and has also provided a bank guarantee amounting to Rs. 925,000 in this respect in favor of Nazir of High Court of Sindh.

28.4 In 2014, EFert, a subsidiary company, had purchased losses surrendered by Engro Eximp Agriproducts (Private) Limited (EEAPL), a wholly owned subsidiary company, to avail the benefit of Group Relief under section 59B of the Income Tax Ordinance, 2001, aggregating to Rs. 3,508,441 representing business losses of Rs. 1,765,178 for financial year ended December 31, 2012 and Rs. 1,743,263 for financial year ended December 31, 2013. Further, in 2015, losses aggregating to Rs. 2,899,363 for the financial year ended December 31, 2014 were surrendered by EEAPL in favour of EFert which were duly adjusted against the taxable profits of EFert whilst filing its tax returns. ECL has provided an indemnity to EFert in case of any losses incurred by it due to any adverse order on account of the Group Relief transaction.

28.5 Claims, including pending lawsuits, not acknowledged as debts amounted to Rs. 58,680 (2015: Rs. 109,685).

28.6 During the year, EFert entered into a Dealer Finance Agreement (DFA) with a bank whereby the bank will provide financial assistance upto Rs. 2,000,000 to dealers approved by EFert. In case of default by any dealer, EFert has agreed to bear 10% of principal in default. As at year end, the bank made disbursement under the aforementioned DFA amounting to Rs. 999,000 maturing at various future dates.

(Amounts in thousand)

28.7 EFert 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 refund of Rs. 62,618 was, however, recovered in 1999 from SBP and the recovery of the balance amount is dependent on the Court's decision.

28.8 EFert 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 EFert 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 (the Court) and during the year the Court has upheld the award. However, as this can be challenged by way of further appeals, it will be recognized as income on realization thereof.

28.9 EFert had filed a constitutional petition in the High Court of Sindh, Karachi against the Ministry of Petroleum and Natural Resource (MPNR), Ministry of Industries and Production (MIP) and Sui Northern Gas Pipeline Company Limited (SNGPL) for continuous supply of 100 mmcfd gas per day to the Enven Plant and to prohibit from suspending, discontinuing or curtailing the aforesaid supply. The High Court of Sindh, in its order dated October 18, 2011, has ordered that SNGPL should supply 100 mmcfd of gas per day to EFert's new plant. However, five petitions have been filed in the Supreme Court of Pakistan against the aforementioned order of 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. EFert's management as confirmed by the legal advisor considers the chances of petitions being allowed to be remote.

Further, EFert 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. EFert, in the aforementioned application has submitted that SNGPL and MPNR have failed to restore full supply of gas to EFert's plant despite the judgment of High Court in EFert's favour. 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.

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

(Amounts in thousand)

28.11 EFert 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. EFert 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 EFert 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 EFert 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. EFert'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.

28.12 Bank guarantees have been provided to:

- SNGPL amounting to Rs. 2,496,126 (2015: Rs. 2,496,126) representing an amount equivalent to three months contractual quantities of gas in accordance with the terms of Gas Supply Agreement (GSA) between EPQL and the SNGPL;

- Other third parties amounting to Rs. 2,178,048 (2015: Rs. 1,402,223).

28.13 A Corporate Guarantee amounting to USD 3,500 for principal plus interest amount has been issued on December 19, 2015, by Engro Powergen Limited on behalf of Engro Power Investments International B.V (EPII) in favor of UBL Switzerland AG against the term loan. As of December 31, 2016, EPII has not utilized this facility.

28.14 On October 05, 2016 EPL, furnished a bank guarantee amounting to Rs. 767 to Punjab Power Development Board (PPDB) for obtaining letter of interest (LOI) for development of 7.1 MW D.G. Khan Link – III Canal, RD. 0+000 to RD. 14+000, located in District DG Khan. Engro has approached investors and will act as a Technical Partner and minority shareholder in lieu of Project Management and O&M.

28.15 The Sindh Finance Act, 1994, prescribed the imposition of an infrastructure fee at the rate of 0.5% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The Act thereafter was last amended through Sindh Finance Act, 2014 according to which infrastructure fee will range from 0.9% to 0.95% of total value of goods as assessed by the Custom Authorities (the Authorities) plus one paisa per kilometer against various slab of net weight of goods. In 2014, Engro Elengy Terminal Private Limited (EETPL) filed a petition against the aforementioned levy before the High Court of Sindh (the Court) where it is currently pending. Earlier, the Court through an interim order on petitions filed by other companies, directed companies to clear the goods on paying 50% of the amount of levy and furnishing bank guarantee / security for the balance amount.

EETPL estimates the amount of levy as at December 31, 2014 to be Rs. 8,774. In this respect, EETPL has paid 50% of the above levied cess and has provided bank guarantee amounting to Rs. 8,000 in favor of the Authorities to comply with interim orders of the Court. The bank guarantee shall continue and remain valid until the decision of the Court in the above mentioned case. However, based on the merits of the case and as per the opinion of its legal advisor, EETPL expects a favorable outcome on the matter and accordingly no provision has been made in this respect in these consolidated financial statements.

(Amounts in thousand)

28.16 During the year, EETPL imported steel linepipes (the goods) for the LNG Project, on which the authorities allowed exemption from custom duty, however, refused to allow exemption from sales tax. EETPL filed a petition before the Court against levy of sales tax on the goods and to restrain the authorities from hindering clearance of the same. Under interim orders, the Court directed the authorities to release the goods subject to deposit of pay order with the Nazir of the Court amounting to Rs. 9,026, which has been duly deposited. The matter is currently pending for further hearing.

EETPL based on the merits of the case and as per the opinion of its legal advisor, expects a favorable outcome on the matter and accordingly no provision has been made in this respect in these consolidated financial statements.

28.17 EETPL during the year in connection with the import of FSRU received a demand from Customs Authority amounting to Rs. 1,530,494. The demand was raised on reassessment of the matter in connection with the judgement of the Court. EETPL in response to the above has filed an appeal based on which the Chief Commissioner Inland Revenue remanded the case back to the concerned commissioner. EETPL, based on the merits of the case and opinion of its tax consultant and legal advisor, considers the possibility of matter being decided against the EETPL to be remote.

28.18 The Deputy Commissioner Inland Revenue (DCIR) through order dated January 8, 2016, raised a sales tax demand of Rs. 524,589 on account of alleged short payment of sales tax due on the finished products that would have been produced and sold from the excess wastage of raw material. EPCL filed thereagainst before the Commissioner Inland Revenue Appeals [CIR(A)] on the grounds that the order passed against EPCL was absolutely baseless as the DCIR had used inappropriate theoretical assumptions for calculating the sales tax liability. The CIR(A) through his order dated March 10, 2016, has decided the matter in favor of EPCL. However, the department has challenged the said order of CIR(A) before Appellate Tribunal Inland Revenue (ATIR). No proceedings regarding this matter has been carried out by ATIR, till the year end. The management of EPCL, based on the advice of its tax consultant, is confident of favourable outcome of this matter, accordingly, no provision has been made in this respect.

28.19 Engro Powergen Limted (EPL) has also provided sponsor support contractual commitment, among other commitments, in favor of Senior Lenders amounting to USD 5,400 and USD 41,600 as cost overrun support pursuant to the Sponsor Support Agreements (SSA) dated February 22, 2016 for SECMC and February 1, 2016 for EPTL respectively (and the Amendment and Restatement Agreement dated February 12, 2016 relating to the SSA in case of EPTL).

28.20 Faysal Bank Limited (FBL) has issued a performance guarantee of USD 16,517 on behalf of EPTL in favour of National Transmission and Dispatch Company (NTDC) to secure EPTL's performance obligations under the Power Purchase Agreement. The performance guarantee expires on July 25, 2019 and is secured by way of performance bonds issued under the EPC Contract and ranking charge over all (present and future) fixed assets, current assets, book debts and receivable of EPTL.

28.21 Habib Bank Limited (HBL), a related party of EPTL, has issued a guarantee of Rs. 4,725,000 on behalf of EPTL in favor of Sindh Engro Coal Mining Company Limited (SECMC) to secure EPTL's payment obligations under the Coal Supply Agreement. The guarantee expires on July 20, 2017 and is secured by first ranking mortgage over receivables due under the Power Purchase Agreement (PPA), mortgage over EPTL's rights and benefits under all project documents and project insurances, first ranking hypothecation charge over all movable assets (current and future) of EPTL, equitable mortgage over EPTL's immovable property, with a 20% margin. Further, the shareholders of EPTL shall pledge shares in favor of the Security Trustee.

(Amounts in thousand)

28.22 Subsequent to the balance sheet date, Engro Foods Limited (EFoods) received an order from Competition Commission of Pakistan, imposing a penalty of Rs. 62,293 in respect of EFoods' marketing activities relating to one of its products. Presently, EFoods is in the process of filing an appeal against the aforementioned order. Further, as per the terms of the Share Purchase Agreement with FrieslandCampina Pakistan Holding B.V. (FCP), the Holding Company is required to reimburse 51% of the amount together will all reasonable cost and expenses to FCP in case any such penalty materializes. ECL, based on the opinion of the legal advisor, is confident of a favorable outcome of the appeal, and accordingly no provision has been recognized in these consolidated financial statements in this respect.

28.23 In accordance with the terms of the Share Purchase Agreement with FrieslandCampina Pakistan Holding B.V. (FCP), ECL is required to compensate FCP for the negative consequences of the 25% regulatory duty payable on the import of powdered milk and whey powder into Pakistan. ECL will reimburse the amount to the extent that the sum of the regulatory duty and the custom duties incurred by EFoods occuring within 18 months from the date of disposal of EFoods exceeds Euro 10,000. Provided that in no case the amount of such reimbursement will exceed Euro 4,000.

28.24 In accordance with the terms of Share Purchase Agreement (SPA), ECL is required to pay to FrieslandCampina Pakistan Holding B.V., an amount equal to 47.1% of any tax liability (as defined in the SPA) together will all reasonable costs and expenses incurred, in case any tax contingency materializes. ECL, based on the opinion of EFoods' tax advisors, is confident of favorable outcomes, and accordingly no provision has been recognized in these consolidated financial statements in this respect.

Commitments

28.25 Details of commitments as at December 31, 2016 entered by the Group are as follows:

28.25.1 Commitment in respect of operating lease arragements

The amount of future payments in operating lease arrangements relating to office premises, and the period in which these payments will become due are as follows:

	2016	2015
	---------------Rupees---------------	
Not later than one year	**10,766**	7,885

The amount of Rs 10,000 represents commitments in respect of office premises. The Holding Company has signed lease agreements for premises on rent from Dawood Foundation, a related party, for Karachi office which is due to expire in September 2017. The same is revocable by either party through prior notice of at least 3 months. The remaining amount of Rs 766 represents lease rental commitment of a car provided to an executive.

28.25.2 Commitments in respect of capital expenditure contracted but not incurred amount to Rs. 54,022,835 (2015: Rs.1,295,668).

28.25.3 Commitments in respect of letters of credit / contracts other than for capital expenditures amount to Rs. 1,190,663 (2015: Rs. 6,183,587). This includes a letter of credit amounting to Rs. 840,663 (2015: Rs. 840,663) extended by Engro Powergen Qadirpur Limited (EPQL) in favor of its senior lenders.

28.25.4 Other commitments in respect of subsidiary companies amounts to Rs. 1,122,468 (2015: Rs. 1,175,460).

(Amounts in thousand)

28.25.5 The aggregate facility for performance guarantees to be issued by banks as at December 31, 2016 amounts to Rs. 1,156,000 (2015: Rs. 1,098,000). The amount utilized thereagainst as at December 31, 2016 was Rs. 1,140,280 (2015: Rs. 1,097,280).

28.25.6 Engro Polymers and Chemicals Limited (ECL) has entered into various contracts with Engro Vopak Terminal Limited, a related party, for storage and handling of Ethylene and Vinyl Chloride Monomer (VCM) valid till March, 2026 and December 2018, respectively, and Ethylene Di-Chloride (EDC) valid till May 2018. Annual fixed cost payable to Engro Vopak Terminal Limited, under these contracts, approximates to USD 9,165.

28.25.7 The Group has entered into lease arrangements for computer / office equipments and for storage and handling of Ethylene Di Chloride (EDC) & caustic soda. The future aggregate lease payments under these arrangements are as follows:

	2016	2015
	---------------Rupees---------------	
Not later than 1 year	14,400	109,945
Later than 1 year and no later than 5 years	22,800	158,094
	37,200	268,039

28.25.8 Engro Elengy Terminal Private Limited (EETPL) has entered into lease arrangement for hire of Floating Storage & Regasification Unit (FSRU). The future aggregate lease payments as daily hire charges under this arrangement are as follows:

	2016	2015
	---------------Rupees---------------	
Not later than 1 year	4,016,460	4,016,460
Later than 1 year and no later than 5 years	16,839,026	16,404,344
Later than 5 years	36,718,871	41,182,208
	57,574,357	61,603,012

29 REVENUE

	2016	2015
	---------------Rupees---------------	
Own manufactured products (note 29.1)	136,314,701	168,597,868
Less:		
- Sales tax	(14,280,086)	(20,085,102)
- Discounts	(2,134,505)	(3,797,384)
	119,900,110	144,715,382
Purchased product / services rendered	38,587,674	38,637,608
Less: Sales tax	(1,280,116)	(1,373,304)
	37,307,558	37,264,304
	157,207,668	181,979,686

29.1 Includes export sales amounting to Rs 1,820,568 (2015: Rs 3,561,108).

(Amounts in thousand)

		2016	2015
30	**COST OF REVENUE**	---------------Rupees---------------	
	Cost of goods sold (note 30.1)	114,696,346	131,958,774
	Cost of services rendered (note 30.2)	6,668,509	4,800,072
		121,364,855	136,758,846

30.1 Cost of Goods Sold

	2016	2015
Raw and packing materials consumed including unprocessed rice (note 30.1.2)	52,869,031	62,931,392
Salaries, wages and staff welfare (note 30.1.3)	4,749,571	5,262,963
Fuel and power	20,579,888	21,465,054
Repairs and maintenance	2,923,763	2,007,397
Depreciation (note 5.2)	8,330,442	8,757,422
Amortization (note 7.1)	22,838	27,138
Impairment (note 5.3)	101,942	3,454,184
Consumable stores	940,528	2,106,896
Staff recruitment, training, safety and other expenses	408,061	142,557
Purchased services	1,229,643	1,097,012
Storage and handling	1,641,527	1,678,134
Travel	268,548	307,791
Communication, stationery and other office expenses	225,756	307,867
Insurance	771,918	756,532
Rent, rates and taxes	583,875	641,998
Provision / (Reversal of provision) against:		
- stock-in-trade	29,909	(1,653,298)
- slow moving spares	35,474	42,421
Catalysts and chemicals	-	778
Other expenses	139,373	287,384
Manufacturing cost	95,852,087	109,621,622
Add: Opening stock of work-in-process (note 12)	213,415	678,292
Less: Closing stock of work-in-process (note 12)	462,630	213,415
Less: Discontinued operations	-	73,982
	(249,215)	390,895
Cost of goods manufactured	95,602,872	110,012,517
Add: Opening stock of finished goods manufactured (note 12)	4,041,032	4,581,087
Less: Closing stock of finished goods manufactured (note 12)	7,350,526	4,041,032
	(3,309,494)	540,055
Cost of goods sold		
- own manufactured product	92,293,378	110,552,572
- purchased product (note 30.1.1)	22,402,968	21,406,202
	114,696,346	131,958,774

30.1.1 Cost of sales - purchased product

	2016	2015
Opening stock (note 12)	4,117,746	298,214
Add: Purchases	19,421,127	25,225,734
Less: Closing stock (note 12)	1,135,905	4,117,746
	22,402,968	21,406,202

(Amounts in thousand)

30.1.2 This is net of reversal of provision amounting to Nil (2015: Rs 881,860) in respect of duty on import of raw materials and GIDC of prior periods.

30.1.3 Includes Rs. 375,989 (2015: Rs. 341,980) in respect of staff retirement benefits.

	2016	2015
	---------------Rupees---------------	
30.2 Cost of services rendered		
Fixed expenses (note 30.2.1)	**5,037,250**	3,881,982
Variable expenses (note 30.2.2)	**875,689**	350,079
Depreciation (note 5.2)	**533,561**	417,336
Amortization of direct cost on FSRU	**86,516**	72,096
Salaries, wages and benefits	**27,887**	44,707
Repairs and maintenance	**64,990**	22,128
Travelling and entertainment	**6,467**	4,418
Security and other expense	**36,149**	7,326
	6,668,509	4,800,072

30.2.1 Includes expenses in respect of rental, operating and maintenance charges of FSRU and for its use as LNG carrier amounting to Rs 4,960,238 (2015: Rs 3,783,314).

30.2.2 This includes royalty paid to Port Qasim Authority amounting to Rs 540,077 (2015: Rs 203,383).

	2016	2015
	---------------Rupees---------------	
31 SELLING AND DISTRIBUTION EXPENSES		
Salaries, wages and staff welfare (note 31.1)	**1,469,277**	1,486,778
Staff recruitment, training, safety and other expenses	**87,735**	72,724
Product transportation and handling	**5,997,196**	5,559,310
Repairs and maintenance	**92,537**	87,184
Advertising and sales promotion	**3,143,322**	2,589,747
Rent, rates and taxes	**488,379**	260,754
Communication, stationery and other office expenses	**91,311**	105,434
Travel	**185,528**	160,002
Depreciation (note 5.2)	**247,531**	236,526
Amortization (note 7.1)	**5,341**	960
Impairment (note 5.3)	**4,446**	-
Purchased services	**45,974**	22,127
Insurance	**-**	3
Sales promotion, advertising and market development	**-**	2,202
Others	**194,181**	182,065
	12,052,758	10,765,816

31.1 Includes Rs 137,840 (2015: Rs 119,748) in respect of staff retirement benefits.

(Amounts in thousand)

32 ADMINISTRATIVE EXPENSES

	2016	2015
	---------------Rupees---------------	
Salaries, wages and staff welfare (notes 32.1 and 32.2)	**2,163,059**	2,222,980
Staff recruitment, training, safety and other expenses	**150,119**	164,737
Repairs and maintenance	**73,191**	72,872
Advertising	**18,738**	93,092
Rent, rates and taxes	**373,315**	348,090
Communication, stationery and other office expenses	**270,875**	371,920
Travel	**192,618**	419,402
Depreciation (note 5.2)	**119,218**	137,941
Amortization (note 7.1)	**47,476**	71,585
Purchased services	**443,566**	383,390
Donations (note 50)	**125,490**	149,237
Legal and professional charges	**44,342**	617,141
Insurance	**4,155**	3,467
Subscriptions and periodicals	**22,983**	26,637
Impairment charge	**95,713**	7,661
Others	**207,302**	119,419
	4,352,160	5,209,571

32.1 Includes Rs 182,860 (2015: Rs 151,222) in respect of staff retirement benefits.

32.2 Includes reversal of Rs 35,816 (2015: charge of Rs 157,972) in respect of Employees' share option compensation expense.

33 OTHER INCOME

	2016	2015
	---------------Rupees---------------	
Financial assets:		
Income on deposits / other financial assets	**1,294,224**	1,701,868
Exchange gain / exchange loss	**11,520**	46,550
Interest on receivable from SSGCL	**234,895**	205,643
Delayed payment charges on overdue receivables	**151,223**	195,865
Non financial assets:		
Subsidy from Government of Pakistan	**7,878,050**	2,611,879
Insurance claims	**98,736**	141,936
Gain on disposal of property, plant and equipment	**72,657**	49,687
Income from sale of spares / scrap	**67,330**	57,669
Capital gain on disposal of investments in subsidiary company (note 33.1)	**34,342,608**	-
Gain due to recognition of retained interest in subsidiary (now associate) at fair value (note 8.6)	**24,337,818**	-
Gain on deemed disposal of SECMC	**72,563**	6,935
Loss arising on sale of investment in e2e BE	**-**	(105,286)
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets (note 6.1)	**8,115**	243,603
Reversal of provision against infrastructure cess (note 33.2)	**-**	148,583
Gain on disposal of subsidiary	**-**	5,156,097
Others (note 33.3)	**282,341**	225,463
	68,852,080	10,686,492

33.1 Represents capital gain upon disposal of partial shareholding of EFoods to FCP (note 2.1.4), net of transaction costs.

(Amounts in thousand)

33.2 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. Last year, 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.

33.3 This includes Rs. Nil (2015: Rs. 141,936) in respect of damaged compressor claim received against insurance claim of asstes written-off in 2014.

34. OTHER OPERATING EXPENSES

	2016	2015
	---Rupees---	
Workers' profits participation fund	**977,432**	1,482,985
Workers' welfare fund	**377,122**	561,821
Legal and professional charges	**418,469**	814,640
Research and development	**400,286**	56,405
Reversal of provision for trade debts, loans advances and other receivables	**-**	1,086
Provision for dispatch claims	**-**	35,718
Provision against refundable sales tax	**-**	180,000
Auditors' remuneration (note 34.1)	**33,349**	43,422
Provision for culling of biological assets (note 6)	**26,067**	24,748
Others	**118,079**	35,265
	2,350,804	3,236,090

34.1 Auditors' remuneration

The aggregate amount charged in respect of auditors' remuneration, including remuneration of auditors' of foreign subsidiaries, is as follows:

	2016	2015
	---Rupees---	
Fee for:		
- audit of annual financial statements	**11,717**	7,909
- review of half yearly financial statements	**2,177**	2,483
Special audit, certifications, audit of retirement benefit funds, review of compliance with Code of Corporate Governance and other advisory services	**6,954**	18,331
Tax services	**10,101**	11,786
Reimbursement of expenses	**2,400**	2,913
	33,349	43,422

35. FINANCE COST

	2016	2015
	---Rupees---	
Interest / mark-up on:		
- long term borrowings	**3,969,983**	5,917,941
- short term borrowings	**1,950,598**	1,334,658
Interest on Workers' profits participation fund	**-**	154
(Gain) / loss on fair value of IFC conversion option	**(103,750)**	28,551
Foreign exchange loss - net	**154,930**	1,121,793
Financial charges on usance letters of credit	**20,604**	83,662
Bank charges	**1,367**	42,584
Others	**436,858**	389,320
	6,430,590	8,918,663

(Amounts in thousand)

	2016	2015
	---------------Rupees---------------	
36. SHARE OF INCOME FROM JOINT VENTURE AND ASSOCIATES		
Joint venture:		
Engro Vopak Terminal Limited		
Share of profit before taxation	1,178,465	910,038
Less: Share of provision for taxation	(134,171)	(123,101)
	1,044,294	786,937
Associates:		
Sindh Engro Coal Mining Company, GEL Utility Limited, Engro Foods Limited and HUBCO		
Share of profit / (loss) from:		
- Sindh Engro Coal Mining Company	(5,316)	4,683
- GEL Utility Limited	273,390	227,325
- Engro Foods Limited	(38,871)	-
- The Hub Power Company Limited	1,761,852	1,610,234
Others:		
e2e Business Enterprises (Private) Limited		
Less: Share of loss	-	(20,960)
	3,035,349	2,608,219

	2016	2015
37. TAXATION		
Current		
- for the year	6,144,035	6,306,386
- for prior years	511,831	466,091
	6,655,866	6,772,477
Deferred	2,449,719	2,248,197
	9,105,585	9,020,674

37.1 Engro Corporation Limited (ECL) - Principal Subsidiary Company

In 2013, the income tax department, in respect of the tax year 2011, determined additional income tax liability of Rs. 218,790 and raised a demand of Rs. 139,575 whereby the Deputy Commissioner Inland Revenue (DCIR) - Audit disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. ECL filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals who maintained the apportionment of expenses against dividend income and capital gains but allowed the allocation of administrative expenses against interest income, thereby reducing the income tax liability to Rs. 184,191 and revised the demand to Rs. 104,976. ECL paid Rs. 53,250 thereagainst and simultaneously filed an appeal against the CIR - Appeals decision with Appellate Tribunal Inland Revenue (ATIR) which granted a stay to ECL. During 2014, the ATIR issued an order whereby the aforementioned appeal was remanded back to the assessing officers for denovo proceedings, thereby accepting the ECL's contention. The income tax department, in response thereagainst, had filed an appeal with ATIR, which was pending for hearing. Subsequent to the year end, the ATIR has also dismissed the appeal of the CIR.

(Amounts in thousand)

In 2014, the income tax department in respect of tax year 2012, amended the assessment and raised an additional demand of Rs. 250,773 on similar grounds as above. ECL filed an appeal against the said order with CIR - Appeals, whereby the order has remanded back to assessing officers for denovo proceedings.

During 2015, in respect of pending tax assessments for tax year 2011 and tax year 2012, ECL received notices of demand amounting to Rs. 105,955 and Rs. 250,773, respectively, whereby the Deputy / Additional Commissioner Inland Revenue - Audit again disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. ECL filed appeals thereagainst with the CIR - Appeals and also obtained stays from the High Court of Sindh from initiating any recovery proceedings in respect of both tax years. Subsequently, in respect of tax year 2011, the CIR - Appeals accepted ECL's plea and annulled the order passed by the DCIR. In response the DCIR filed an appeal before the ATIR for rectification of the order passed by the CIR - Appeals for both tax years.

During the year, an amendment was introduced in the Income Tax Ordinance 2001 (the Ordinance) via the finance Act 2016 which imposed tax on inter-corporate dividends, previously exempt to companies designated as a Group under section 59B of the Ordinance.

ECL has challenged the application of the aforementioned amendment in the Sindh High Court and has been granted a stay in this respect.

37.2 Subsidiary Companies of Engro Corporation Limited

37.2.1 Engro Fertilizers Limited (EFert)

37.2.1.1 In 2015, the income tax department amended the assessment filed by EFert for tax year 2014. EFert filed the appeal before CIR - 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 (Private) Limited 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 EFert specifically obtained a stay order. The case is pending to be heard with the CIR - Appeals and EFert is confident of a favourable outcome.

37.2.1.2 During the year ended 2014, the income tax department amended the assessment filed by EFert for tax years 2010 and 2011. EFert filed the appeals before ATIR against the said disallowances, which through its decision, provided relief in respect of certain items and confirmed certain disallowances in favor of the tax department. The said disallowances included the charge in respect of exchange gain and loss incurred for tax year 2010 and tax year 2011, and loss on derivative for tax year 2011. During last year, EFert has challenged the said decision before High Court of Sindh, which is pending to be heard and is confident of a favourable outcome.

37.2.1.3 During the year, EFert has taxable income on which tax has been computed at the applicable normal corporate tax rate. Last year, the tax expense mainly comprised of alternative corporate tax under section 113C of the Income Tax Ordinance, 2001 amounting to Rs. 2,599,772 and minimum turnover tax amounting to Rs. 876,153.

EFert had filed a suit in the High Court of Sindh, contesting both the retrospective and prospective application of the advance corporate tax under section 113C and has been granted stay in this respect for the years 2013, 2014 and 2015.

(Amounts in thousand)

37.2.1.4 This includes an amount of Rs. 656,000 (net off of reversal of last year provision on this account of Rs. 361,258) on account of provision in accordance with section 4B 'Super Tax for rehabilitation of temporarily displaced persons' again inserted in the Income Tax Ordinance, 2001 (the Ordinance) through Finance Act, 2016, whereby tax at three per cent is payable on specified income exceeding Rs. 500 million for the year ended December 31, 2015 (tax year 2016).

Initially, this provision was inserted in the Ordinance through Finance Act, 2015 for the year ended December 31, 2014 (tax year 2015), which was not applicable to company's case for the said year, as clarified through Finance Act, 2016.

37.2.1.5 As a result of demerger in 2009, all pending tax issues of ECL, Engro Chemical Pakistan Ltd. had been transferred to EFert. 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 EFert'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 and 2008): Rs. 336,500
- G.P. Apportionment (Financial years 1995 to 2002): Rs. 653,000

EFert is confident that all pending issues will eventually be decided in its favour.

37.2.1.6 In 2015, EFert 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 EFert on advances received from dealers amounting to Rs. 1,844,075. EFert filed appeal with CIR - Appeals which has decided the matters in favour of EFert. The department has now challenged the decision of the CIR - Appeals with ATIR , which is pending to be heard.

37.2.1.7 As a result of EXIMP merger, all pending tax issues of Eximp have been transferred to EFert. Major pending issue pertains to exercise of option to be taxed in NTR (introduced through Finance Act, 2012) by EXIMP for years 2012 and 2013, resulting in an aggregate refund of Rs 796 million. The tax department has not accepted the said treatment, however the matter was decided in favor of EFert by the Commissioner Appeals.

37.2.2 Engro Elengy Terminal (Private) Limited (EETPL)

EETPL has been granted tax holiday for a period of 5 years from the date of commencement of operations through Finance Act, 2015.

37.2.3 Engro Eximp AgriProduct (Private) Limited (EEAPL)

EEAPL's return for tax year 2011 was selected for audit by the tax authorities through balloting under section 214C of Income Tax Ordinance, 2001, (ITO). As a result of the audit, the assessing officer passed an amended assessment order under section 122 of ITO, whereby it disallowed total depreciation including initial allowance amounting to Rs. 569,062 and also disallowed certain manufacturing and trading expenses amounting to Rs. 26,900. EEAP, in response to the amended assessment order, had filed an appeal before Commissioner Inland Revenue (Appeals) which reverted the case to the Commissioner and directed to assess the case in the light of evidences and supports available with the management. During the year, the remanded back proceedings have been concluded and EEAP

(Amounts in thousand)

has succeeded in establishing substantial claim of depreciation amounting to Rs. 481,717 while for disallowed depreciation of Rs. 87,345 it has filed appeal which is pending before the Commissioner (Appeals). The management based on advice of tax consultant, is confident that matters will be decided in favor of EEAP. Accordingly, no provision has been recognized in these consolidated financial statements.

37.2.4 Engro Polymer & Chemicals Limited (EPCL)

37.2.4.1 Tax year 2008

The DCIR through the order dated November 26, 2009 raised a tax demand of Rs. 213,172. The demand arose as a result of additions on account of trading liabilities of Rs. 47,582 under section 34(5) of the Income Tax Ordinance, 2001 (the Ordinance); disallowance of provision for retirement benefits of Rs. 5,899; adding imputed interest on loans to employees and executives of Rs. 16,069 to income; disallowing finance cost of Rs. 134,414 and not considering adjustment of minimum tax paid for tax years 2004 to 2007 against the above demand.

EPCL filed an appeal against the aforesaid order before CIR - Appeals, but discharged the entire demand through adjustment against assessed refunds of Rs. 180,768 and paying the balance of Rs. 32,404 ‘under protest’. Through his appellate order, the CIR - Appeals maintained certain additions aggregating Rs. 189,810 including finance cost amounting to Rs. 134,414 and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period of tax years 2004 to 2007. An appeal against the said appellate order was filed by EPCL before the ATIR. The department also filed an appeal against the said appellate order challenging the actions of the CIR - Appeals.

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting EPCL’s position except for additions on account of trading liabilities to the extent of Rs. 20,280 and minimum turnover tax for tax years 2004 and 2007 to the extent of Rs. 19,692 and Rs. 7,300 respectively, which were maintained.

EPCL filed a reference to the High Court of Sindh against the additions maintained by ATIR. Likewise, the tax department has also filed reference to the High Court of Sindh against the order passed by the ATIR in favour of EPCL. The management of EPCL, based on the advice of its tax consultant, is confident that the ultimate outcome of the aforementioned matters would be favorable and, accordingly, has not recognized the effects for the same in these consolidated financial statements.

37.2.4.2 Tax year 2009

The DCIR through his order dated November 30, 2010 raised a tax demand of Rs. 163,206. The demand arose as a result of disallowance of finance cost of Rs. 457,282; additions to income of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance; disallowance of provision for retirement benefits of Rs. 14,239; disallowance of provision against Special Excise Duty refundable of Rs. 36,689; addition of imputed interest on loans to employees and executives of Rs. 20,599 and not considering net loss.

The entire demand of Rs. 163,206 was adjusted against assessed tax refunds and an appeal was filed by EPCL before the CIR - Appeals. Through his appellate order, the CIR - Appeals maintained certain additions aggregating to Rs. 493,971 including disallowance of finance cost amounting to Rs. 457,282 and remanded back the issue of imputed interest on loans to employees and executives. An appeal against the said appellate order was filed before the ATIR. The department also filed an appeal against the said appellate order challenging the action of CIR - Appeals, regarding deletion of addition on account of provision for the retirement benefits.

(Amounts in thousand)

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting EPCL's position except for additions on account of SED provision of Rs. 36,687 and imputed interest on loans to employees and executives to the extent of Rs. 17,430, which were maintained.

EPCL filed a reference to the High Court of Sindh against the additions maintained by ATIR. Likewise, the tax department has also filed reference to the High Court of Sindh against the order passed by the ATIR in favour of EPCL. The management of EPCL, based on the advice of its tax consultant, is confident that the ultimate outcome of the aforementioned matters would be favorable and, accordingly, has not recognized the effects for the same in these consolidated financial statements.

37.2.5 Engro Powergen Limited (EPL)

Subsequent to the year end, Commissioner Inland Revenue (CIR) through his order dated January 12, 2017 made certain additions and disallowances in respect of tax year 2014 as a result of audit of income tax affairs under section 214C of the Income Tax Ordinance, 2001 and raised tax demands of Rs. 268,583. EPL intends to contest the demand and based on the views of tax advisor of EPL, the management believes that the matters will ultimately be decided in favour of the EPL. Accordingly, no provision has been made in this respect in these consolidated financial statements.

37.3 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:

	2016	2015
	---------------Rupees---------------	
Profit before taxation	**82,543,930**	30,385,411
Tax calculated at the rate of 31% (2015: 32%)	**25,588,618**	9,723,332
Depreciation on exempt assets not deductible for tax purposes	**3,389**	3,044
Effect of exemption from tax on certain income	**(1,528,842)**	(2,753,629)
Effect of applicability of lower tax rate, FTR and other tax credits / debits	**(15,853,607)**	(3,041,637)
Prior year current and deferred tax charge	**294,970**	732,382
Un-recoupable minimum turnover tax	**1,104**	161,613
Effect of derecognition of carried forward losses	**-**	1,181,778
Effect of provision for impairment against long term investment	**-**	1,492,405
Tax effect of minimum tax liability on imports, exports and local trading	**(52,862)**	66,700
Others	**652,815**	1,454,686
Tax charge for the year	**9,105,585**	9,020,674

38. EARNINGS PER SHARE - BASIC AND DILUTED

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 effect of these options is anti-dilutive as at December 31, 2015.

(Amounts in thousand)

	2016	2015
	---------------Rupees---------------	
Profit / (loss) for the year (attributable to the owners of the Holding Company) from:		
- Continuing operations	**3,094,459**	3,582,493
- Discontinued operations	**22,470,093**	5,644,408
	25,564,552	9,226,901
The information necessary to calculate basic and diluted earnings per share is as follows:		
Profit for the year from continuing operations	**3,094,459**	3,582,493
Add:		
- Interest on IFC loan - net of tax	**718**	1,422
- (Gain) / Loss on revaluation of conversion options on IFC loan - net of tax	**(16,360)**	5,300
	(15,642)	6,722
	3,078,817	3,589,215
	------Number in thousands------	
Weighted average number of ordinary shares	**481,287**	481,287

39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts for remuneration, including all benefits, to the Chief Executive and Directors of the Holding Company and Executives of the Group are as follows:

	2016			2015		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	---Rupees---					
Managerial remuneration	**160,057**	**51,485**	**3,782,037**	19,355	62,696	4,577,771
Retirement benefits funds including ex-gratia	**4,410**	**-**	**382,906**	4,515	1,588	510,871
Other benefits	**12,647**	**24,071**	**469,884**	12,498	32,471	281,903
Fees	**-**	**7,950**	**2,408**	-	4,550	234,640
Total	**177,114**	**83,506**	**4,637,235**	36,368	101,305	5,605,185
Number of persons including those who worked part of the year	**2**	**2**	**1,061**	1	3	1,770

39.1 The Group also makes contributions to pension and gratuity funds and provides certain household items for use of some executives.The Group also provides certain household items for use of some employees and Chief executive. Cars are also provided for use of certain employees and directors. In addition, entertainment and security expenses are also incurred for directors.

39.2 Premium charged during the year in respect of directors indemnity insurance policy, purchased by the Group, amounts to Rs 3,425 (2015: Rs 1,254).

39.3 On resignation of Mr Abdul Samad Dawood as Chief Executive Officer (CEO) of the Holding Company, Mr Inam ur Rahman was appointed as CEO with effect from December 1, 2016. Hence, above remuneration includes remuneration of Mr Abdul Samad Dawood and Mr Inam ur Rahman for their respective periods of service.

(Amounts in thousand)

40. RETIREMENT BENEFITS

40.1 Defined benefit plans

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

The gratuity and pension funds are governed under the Trusts Act, 1882, Trust Deed and 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.

The Group faces the following risks on account of defined benefit plans:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has 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 Group to Longevity Risk i.e. the pensioners survive longer than expected.

40.1.1 Valuation results

The latest actuarial valuation of the defined benefit plans was carried out as at June 30, 2016 for the Holding Company and December 31, 2016 for the subsidiary companies, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

40.1.2 Balance sheet reconciliation

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2016	2015	**2016**	2015
	Rupees			
Present value of defined benefit obligation	**481,202**	1,006,295	**32,132**	33,367
Fair value of plan assets	**(435,108)**	(897,109)	**(44,213)**	(40,835)
Deficit / (Surplus)	**46,094**	109,186	**(12,081)**	(7,468)
Payable to Defined Contribution Gratuity Fund	**10,513**	10,141	**-**	-
Payable in respect of inter group transfers	**(271)**	(75)	**-**	-
Unrecognized asset	**-**	-	**12,081**	7,468
Net (asset) / liability recognized in the balance sheet	**56,336**	119,252	**-**	-

(Amounts in thousand)

		Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
		2016	2015	**2016**	2015
		----------Rupees----------			
40.1.3	**Movement in net (assets) / liability recognized in the balance sheet**				
	Net liability at beginning of the year	**119,252**	16,367	**-**	-
	Expense / (income) for the year	**137,232**	117,920	**(672)**	(464)
	Net contribution by the Group	**(26,855)**	(116,045)	**-**	-
	Remeasurement loss / (gain) to Other Comprehensive Income	**(33,516)**	125,169	**672**	464
	Discontinued operations	**(139,777)**	(24,159)	**-**	-
	Net liability at end of the year	**56,336**	119,252	**-**	-
40.1.4	**Movement in present value of defined benefit obligation**				
	As at beginning of the year	**1,006,295**	1,011,159	**33,367**	34,406
	Current service cost	**130,302**	114,617	**-**	-
	Past service cost	**-**	6,345	**-**	-
	Interest cost	**96,353**	95,672	**2,823**	3,400
	Benefits paid during the year	**(143,652)**	(294,458)	**(4,028)**	(4,054)
	Remeasurement loss / (gain) to Other Comprehensive Income	**1,448**	122,061	**(30)**	(385)
	Liability transferred in respect of inter-company transfer	**1,257**	(1,076)	**-**	-
	Liability in respect of defined contribution transfers	**(571)**	(23,866)	**-**	-
	Discontinued operations	**(610,230)**	(24,159)	**-**	-
	As at end of the year	**481,202**	1,006,295	**32,132**	33,367
40.1.5	**Movement in fair value of plan assets**				
	As at beginning of the year	**897,109**	1,006,329	**40,835**	38,824
	Expected return on plan assets	**89,423**	98,714	**3,495**	3,864
	Contributions by the Group	**26,855**	116,045	**-**	-
	Benefits paid during the year	**(143,652)**	(294,458)	**(4,028)**	(4,054)
	Remeasurement (loss) / gain to Other Comprehensive Income	**34,964**	(3,108)	**3,911**	2,201
	Inter group asset transfers	**311**	(2,547)	**-**	-
	Assets adjusted in respect of defined contribution transfers	**(571)**	(23,866)	**-**	-
	Discontinued operations	**(469,331)**	-	**-**	-
	As at end of the year	**435,108**	897,109	**44,213**	40,835
40.1.6	**Charge for the year**				
	Current service cost	**130,302**	114,617	**-**	-
	Past service cost	**-**	6,345	**-**	-
	Net Interest (income) / cost	**6,930**	(3,042)	**(672)**	(464)
		137,232	117,920	**(672)**	(464)

(Amounts in thousand)

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2016	2015	**2016**	2015
40.1.7 Principal actuarial assumptions used in the actuarial valuation	---Rupees---			
Discount rate	**8% - 10.75%**	9% - 10.5%	**8%**	9%
Expected rate of return on plan assets - per annum	**8% - 10.75%**	9% - 10.5%	**8%**	9%
Expected rate of increase in pension - per annum	**-**	-	**-**	1%
Expected rate of increase in future salaries - per annum	**7% - 10.75%**	8% - 10%	**-**	8%
40.1.8 Actual return on plan assets	**121,471**	87,038	**4,826**	3,823

40.1.9 Plan assets comprise of the following

	2016		2015	
	Rupees	(%)	Rupees	(%)
Defined Benefit Gratuity Plans				
Debt	**313,800**	72%	**645,786**	72%
Mutual funds	**14,325**	3%	**21,159**	2%
Equity	**87,802**	20%	**119,230**	13%
Others	**19,181**	5%	**110,934**	13%
	435,108	100%	**897,109**	100%
Defined Benefit Pension Plan				
Debt	**42,017**	95%	**38,998**	96%
Others	**2,196**	5%	**1,837**	4%
	44,213	100%	**40,835**	100%

40.1.10 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.

40.1.11 Historical information of staff retirement benefits

	2016	2015	2014	2013	2012
	---Rupees---				
Defined benefit gratuity plans					
Present value of defined benefit obligation	**(481,202)**	(1,006,295)	(1,011,159)	(951,224)	(836,528)
Fair value of plan assets	**435,108**	897,109	1,006,330	835,743	773,942
Deficit	**(46,094)**	(109,186)	(4,829)	(115,481)	(62,586)
Defined benefit pension plan					
Present value of defined benefit obligation	**(32,132)**	(33,367)	(34,406)	(32,218)	(181,783)
Fair value of plan assets	**44,213**	40,835	38,824	38,535	187,719
Surplus	**12,081**	7,468	4,418	6,317	5,936

(Amounts in thousand)

40.1.12 Expected future cost / (reversal) for the year ending December 31, 2017 is as follows:

	Rupees
Defined benefit gratuity plans	33,699
Defined benefit pension plan	(930)

40.1.13 Remeasurement recognized in Other Comprehensive Income

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2016	2015	**2016**	2015
	-------------------------	Rupees	-------------------------	
Gain / (Loss) from change in experience adjustments	**14,576**	(106,250)	**(128)**	138
(Loss) / Gain from change in financial assumptions	**(16,024)**	(15,811)	**158**	247
Remeasurement of Obligation	**(1,448)**	(122,061)	**30**	385
Actual Return on plan assets	**121,471**	87,038	**4,826**	3,823
Expected Return on plan assets	**(89,423)**	(98,714)	**(3,495)**	(3,864)
Difference in opening fair value of plan assets	**2,916**	8,568	**2,580**	2,242
Remeasurement of Plan Assets	**34,964**	(3,108)	**3,911**	2,201
Effect of asset ceiling	**-**	-	**(4,613)**	(3,050)
	33,516	(125,169)	**(672)**	(464)

40.1.14 Sensitivity analysis

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

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	-------------------------	Rupees	-------------------------	
Discount rate	**438,000**	501,062	**30,261**	34,235
Long term salary increases	**498,634**	439,604	**-**	-
Long term pension increases	**-**	-	**34,390**	30,101

40.1.15 Maturity Profile

	Gratuity Plans	Pension Plan
	---------Rupees	---------
Time in years		
1	29,805	4,013
2	70,303	4,013
3	95,701	4,013
4	26,598	4,013
5-10	259,033	4,013
11-15	301,316	4,013
16-20	432,352	4,013
20+	1,061,185	4,013
Weighted average duration	10.14 - 11	6.30

(Amounts in thousand)

40.1.16 Mortality rate

The rates assumed were based on the SLIC 2001 - 2005 with 1 year setback mortality table.

40.2 Defined contribution plans

An amount of Rs 275,937 (2015: Rs 293,053) has been charged during the year in respect of defined contribution plans maintained by ECL.

41. CASH GENERATED FROM OPERATIONS

	2016	2015
	---------------Rupees---------------	
Profit before taxation	**82,543,930**	30,385,411
Less: Profit before taxation attributable to discontinued operations	**(62,312,568)**	(4,293,985)
Profit before taxation from continuing operations	**20,231,362**	26,091,426
Adjustment for non-cash charges and other items:		
Depreciation	**7,334,815**	7,571,931
Amortization of intangible assets	**48,206**	48,964
Provision for impairment in major spare parts & stand-by equipment	**-**	3,270
Provision for advances and receivables	**-**	1,086
Unrealised exchange (gain) / loss	**(14)**	8,558
Impairment loss on E2E	**-**	7,661
Amortization of prepaid financial charges	**132,132**	27,069
Amortization of direct cost on FSRU	**86,516**	72,096
Gain on disposal of property, plant and equipment - net	**(14,772)**	(42,730)
Stores and spares / stocks written-off	**11,898**	29,795
Loss on fair value adjustments of embedded derivatives and hedging instruments	**(23,982)**	-
Provision for retirement and other service benefits	**247,289**	210,446
Income on deposits / other financial assets	**(1,256,871)**	(1,700,976)
Share of income from joint venture and associates	**(3,035,349)**	(2,608,219)
Financial charges (note 35)	**5,661,522**	8,071,451
Foreign currency translation	**32,114**	28,004
Provision for surplus and slow moving stores and spares	**21,034**	150,211
Provision for stock in trade	**(34,243)**	56,812
Provision for impairment of other receivable	**-**	215,718
Impairment of long term investment	**95,713**	-
Provision for impairment of property, plant and equipment and intangible assets	**-**	3,430,816
Provisions against concessionary duty on import of raw materials and gas infrastructure development cess	**980,891**	134,690
(Gain) / Loss on disposal of investment in subsidiary	**-**	(5,156,097)
Realised loss on disposal of investments at 'fair value through profit or loss'	**-**	104,395
Provisions	**208,384**	-
Gain on deemed disposal of SECMC	**(72,563)**	-
Working capital changes (note 41.1)	**(12,501,121)**	(24,822,240)
	18,152,961	11,934,137

(Amounts in thousand)

	2016	2015
	---------------Rupees---------------	
41.1 Working capital changes		
(Increase) / decrease in current assets		
- Stores, spares and loose tools	**(265,241)**	(268,084)
- Stock-in-trade	**310,046**	(3,219,968)
- Trade debts	**(7,107,117)**	(2,096,825)
- Loans, advances, deposits and prepayments	**(226,048)**	(28,710)
- Other receivables - net	**(5,751,689)**	(1,280,109)
	(13,040,049)	(6,893,696)
Increase / (decrease) in current liabilities		
- Trade and other payables and provisions	**538,928**	(17,928,544)
	(12,501,121)	(24,822,240)

42. CASH AND CASH EQUIVALENTS

	2016	2015
Cash and bank balances (note 18)	**6,186,667**	5,120,357
Short term investments (note 17)	**27,014,748**	12,570,835
Short-term borrowings (note 27)	**(7,304,519)**	(5,858,453)
	25,896,896	11,832,739

43. FINANCIAL INSTRUMENTS BY CATEGORY

FINANCIAL ASSETS

	2016	2015
Loans and receivables at amortized cost		
Loans and advances	**3,903,433**	5,427,328
Trade debts	**13,733,482**	6,733,613
Other receivables	**1,541,291**	2,006,290
Cash and bank balances	**6,186,667**	5,120,357
Accrued income	**426,268**	45,101
	25,791,141	19,332,689
Available for sale investments		
Others, at cost - e2e Business Enterprises (Private) Limited - unqouted	**-**	95,713
Fair value through profit and loss	**62,651,151**	11,827,935
Held till maturity		
Short term investments	**2,074,376**	2,222,177

FINANCIAL LIABILITIES

	2016	2015
Financial liabilities measured at amortized cost		
Borrowings	**85,411,984**	70,183,634
Trade and other payables	**28,609,421**	32,256,231
Accrued interest / mark-up	**1,238,061**	1,427,789
	115,259,466	103,867,654
- Fair value through profit and loss		
Derivative financial instruments	**251,760**	381,245

(Amounts in thousand)

44. FINANCIAL RISK MANAGEMENT

44.1 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 programme 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 departments under policies approved by the Senior Management.

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 commercial transactions, 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.

Engro Corportion Limited has given guarantees in favor of its subsidiary companies amounting to USD 133,542 (2015: USD 130,947). The devaluation / revaluation of currency will only impact contingent liabilities and the impact on consolidated post tax profit for the year is Nil.

At December 31, 2016, if the Pakistani Rupee had weakened / strengthened by 1% against the US Dollars with all other variables held constant, consolidated post tax profit for the year would have been lower / higher by Rs. 87,151, mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated liabilities.

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 and obligations under finance lease. 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 manages its interest rate exposure through floating to fixed rate interest swaps on its foreign currency borrowings.

As at December 31, 2016, if interest rates on Group's borrowings had been 1% higher / lower with all other variables held constant, consolidated post tax profit for the year would have been lower / higher by Rs 525,645, mainly as a result of interest exposure on variable rate borrowings.

(Amounts in thousand)

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market.

As at December 31, 2016, the Group is not exposed to any significant price risk.

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 Maximum exposure to credit risk is equal to the carrying amount of financial assets. The Group maintains internal policies to place funds with commercial banks/mutual funds having a minimum short term credit rating of A1 and AM3. The Group accepts bank guarantees of banks of reasonably high credit ratings as approved by management.

The Group’s fertilizer segment 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 a majority of trade debts against bank guarantees inland letter of credits and by the fact that the exposure is spread over a wide customer base.

The Group’s power segment is not exposed to any credit risk on its trade debts as these are secured by sovereign guarantee from the Government of Pakistan.

The Group’s polymers segment is not materially exposed to credit risk on trade debts as unsecured credit is provided to selected parties with no default in recent history and a major part is secured by bank guarantees and letters of credit from customers or written terms of agreement.

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:

	2016	2015
	---------------Rupees---------------	
Loans and advances	3,903,433	5,427,328
Trade debts	12,485,978	6,249,835
Other receivables	1,541,291	1,961,189
Accrued income	426,268	45,101
Short term investments	64,725,527	14,050,112
Cash and bank balances	6,179,669	5,110,947
	89,262,166	32,844,512

(Amounts in thousand)

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 external credit ratings as follows:

Bank	Rating agency	Rating	
		Short term	Long term
Al-Baraka Bank Pakistan Limited	JCR-VIS	A1	A
Allied Bank Limited	PACRA	A1+	AA+
Askari Bank Limited	JCR-VIS	A1+	AA
Bank Al Habib Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA
Bank Islami Pakistan Limited	PACRA	A1	A+
Burj Bank Limited	JCR-VIS	A-2	BBB+
CIMB Bank Berhud	Moody's	P2	A3
Citibank N.A.	Moody's	P1	A1
Deutsche Bank AG	Moody's	P2	Baa2
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1	A+
Faysal Bank Limited	PACRA	A1+	AA
First Bank of Nigeria	Fitch Rating	-	B
Habib Bank Limited	JCR-VIS	A1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Habibsons Bank Limited	JCR-VIS	A-1+	AAA
HSBC Bank Middle East Limited	Moody's	P1	A2
Industrial & Commercial Bank of China	Moody's	P1	A1
JS Bank Limited	PACRA	A1+	A+
MCB Bank Limited	PACRA	A1+	AAA
MCB Islamic Bank Limited	PACRA	A-1+	A
Meezan Bank Limited	JCR-VIS	A1+	AA
Mashreq Bank	Moodys	P-2	Baa2
National Bank of Pakistan	JCR-VIS	A1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A1	AA
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	A1	A-
The Bank of Punjab	PACRA	A1+	AA-
United Bank Limited	JCR-VIS	A1+	AA+

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.

	2016			2015		
	Maturity upto one year	**Maturity after one year**	**Total**	Maturity upto one year	Maturity after one year	Total
	----- Rupees -----					
Financial liabilities						
Derivatives	**249,653**	**2,107**	**251,760**	393,070	17,382	410,452
Trade and other payables	**28,609,421**	**-**	**28,609,421**	29,808,836	-	29,808,836
Accrued interest / mark-up	**1,238,061**	**-**	**1,238,061**	1,427,789	-	1,427,789
Borrowings	**21,681,347**	**63,754,640**	**85,435,987**	29,410,102	40,773,532	70,183,634
	51,778,482	**63,756,747**	**115,535,229**	61,039,797	40,790,914	101,830,711

44.2 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 share holders and benefit for other stake holders 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 management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The regulatory regime in which the Group's power segment operates, renders the value of the equity to a bond given the guaranteed IRR of 15% with an indexation allowed under the Power Purchase Agreement for changes in US $ / PKR exchange rate.

The Group's strategy is to ensure compliance with the Prudential Regulations issued by the State Bank of Pakistan and is in accordance with agreements executed with financial institutions so that the total long term borrowings to equity ratio does not exceed the lender covenants. The total long term borrowings to equity ratio as at December 31, 2016 and 2015 are as follows:

	2016	2015
	----Rupees----	
Borrowings	**77,007,465**	63,575,181
Equity	**172,962,421**	92,866,877
	249,969,886	156,442,058
Gearing Ratio	**31%**	41%

The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

(Amounts in thousand)

45. FAIR VALUE ESTIMATION

45.1 The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. The table below analyses financial instruments carried at fair value by valuation method. The different level have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

	Level 1	Level 2	Level 3	Total
	---------------------------Rupees---------------------------			
Assets				
Financial assets at fair value through profit and loss				
- Short term investments	-	62,651,151	-	62,651,151
Liabilities				
Financial liabilities at fair value through profit and loss				
- Derivatives	-	251,760	-	251,760

45.2 Valuation techniques used to derive Level 2 fair values

Level 2 fair valued instruments comprise short term investments and hedging derivatives.

Heding derivatives 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.

46. PROVIDENT FUND

46.1 The employees of the Group participate in a Provident Fund maintained by the Holding Company and ECL. Monthly contribution are made both by companies in the Group and employees to the fund maintained by the Holding Company and ECL at the rate ranging from 10% to 15% of basic salary.

(Amounts in thousand)

46.2 The following information is based upon the latest unaudited financial statements as at December 31, 2016 and the unaudited financial statements as at December 31, 2015 of the Provident Fund of the Holding Company and unaudited financial statements as at June 30, 2016 and the audited financial statements as at June 30, 2015 of the Provident Fund of the subsidiary companies.

	2016	2015
	-----------Rupees-----------	
Size of the fund - Total assets	3,265,886	3,221,418
Cost of the investments made	2,854,879	2,390,652
Percentage of investments made	94%	87%
Fair value of investments	3,074,607	2,795,119

46.3 The break-up of investments is as follows:

	2016		2015	
	Rupees	%	Rupees	%
National Savings Scheme	790,504	26%	223,037	8%
Government securities	728,597	23%	1,045,090	36%
Listed securities and Unit trusts	927,211	30%	1,164,311	42%
Mutual Funds	19,098	1%	14,854	1%
Balances with banks in savings account	609,197	20%	347,827	12%
	3,074,607	100%	2,795,119	100%

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

(Amounts in thousand)

47. SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. The management has determined the operating segments based on the information that is presented to the Board of Directors of the Group for allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the Group is organized into the following operating segments:

Type of segments	Nature of business
Fertilizer	This part of the business manufacture, purchase and market fertilizers. The operations of this segment include a wide range of fertilizer brands, besides urea, which primarily comprises of Engro Zarkhez, Zingro, Engro DAP and Envy etc. optimized for local cultivation needs and demand. Further, the segment is a leading importer and seller of phosphate products which are marketed extensively across Pakistan as phospatic fertilizers;
Polymer	This part of the business manufactures, market and sell Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and related chemicals all over Pakistan and few Central Asian countries;
Food	This part of the business manufactures, processes and sells dairy products, beverages, ice-cream, frozen deserts and other food products all over Pakistan and few parts of Afghanistan and Middle east. The segment markets and promotes its own brands in local and foreign markets through a network of distributors;
Power	This part of the business includes power generation, distribution, transmission and sale of electricity in Pakistan and management services in Nigeria;
Other operations	This part of the business comprises of other operations including operating a terminal for handling, regasification, storage, treatment and processing of LNG and related petroleum products. It also includes management of investments in subsidiary companies and joint ventures by the Holding Company.

Management monitors the operating results of the abovementioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in table below, is measured differently from profit and loss in the financial statements. Segment results and assets include items directly attributable to a segment.

The following information presents operating results regarding operating segments for the year ended December 31, 2015 and asset information regarding operating segments as at December 31, 2016:

	Fertilizer		Polymer		Food		Power		Other operations		Elimination - net		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Rupees													
Revenue from external customers (note 29)	69,537,253	86,961,668	22,854,024	22,263,742	44,246,343	51,715,327	11,483,679	13,419,258	17,502,225	16,055,315	(8,415,856)	(8,435,624)	157,207,668	181,979,686
Segment gross profit / (loss) excluding impairment	17,439,167	29,716,640	3,935,009	2,773,243	9,696,885	10,699,165	2,274,332	2,530,479	10,833,951	11,255,243	(8,336,531)	(8,299,746)	35,842,813	48,675,024
Segment expenses - net of other income	(772,083)	(6,644,565)	(1,829,359)	(2,028,884)	(6,121,740)	(6,503,144)	(429,962)	(427,054)	60,350,742	6,506,963	(2,697,389)	(1,578,227)	48,500,209	(10,674,911)
Income on deposits / other financial assets (note 33)	153,652	1,359,711	1,234	38,692	883	3,444	155,596	97,290	2,012,073	1,283,855	(631,576)	(633,066)	1,691,862	2,149,926
Impairment	-	-	-	-	-	(3,406,849)	-	-	(95,713)	-	-	(47,335)	(95,713)	(3,454,184)
Financial charges (note 35)	(3,186,755)	(5,113,731)	(919,587)	(1,143,122)	(415,994)	(1,005,007)	(673,305)	(443,591)	(1,820,626)	(1,613,736)	585,677	400,524	(6,430,590)	(8,918,663)
Share of income from joint venture and associate (note 36)	-	-	-	-	(38,871)	-	268,074	232,008	2,806,146	2,376,211	-	-	3,035,349	2,608,219
Income tax charge (note 37)	(4,350,528)	(6,303,267)	(527,364)	(284,053)	(1,154,535)	(1,142,226)	(131,903)	(47,303)	(2,466,708)	(1,221,385)	(474,547)	(22,440)	(9,105,585)	(9,020,674)
Segment profit / (loss) after tax	9,283,453	13,014,788	659,933	(644,124)	1,966,628	(1,354,617)	1,462,832	1,941,829	64,358,115	18,587,151	(4,132,832)	(10,180,290)	73,438,345	21,364,737
Segment profit / (loss) after tax from discontinued operations	-	4,619,550	-	-	2,484,131	3,162,455	-	-	58,202,182	-	-	-	60,686,313	7,782,005
Segment assets	102,803,512	110,817,000	24,420,761	24,211,764	1,885,446	29,152,843	52,832,909	22,438,983	110,612,193	59,794,193	(31,774,569)	(47,302,234)	260,780,252	199,112,549
Investment in joint venture and associate (note 8)	-	-	-	-	31,180,875	-	1,947,565	1,557,143	7,407,837	7,794,146	-	-	40,536,277	9,351,289
Total segment assets	102,803,512	110,817,000	24,420,761	24,211,764	33,066,321	29,152,843	54,780,474	23,996,126	118,020,030	67,588,339	(31,774,569)	(47,302,234)	301,316,529	208,463,838
Total segment liabilities	61,155,128	67,880,391	18,416,582	18,878,036	606,569	12,860,134	32,134,666	12,275,802	23,862,823	22,113,799	(7,821,660)	(18,411,201)	128,354,108	115,596,961
Capital expenditure including biological assets	3,010,417	1,985,348	644,657	660,708	1,398,909	1,025,075	19,704,142	752,656	348,852	5,467,774	-	-	25,106,977	9,891,561
Depreciation (note 5.2)	5,019,338	4,824,283	863,732	1,269,108	2,030,341	2,273,240	729,157	717,093	585,850	465,501	2,334	-	9,230,752	9,549,225
Amortisation of intangible assets (note 7.1)	17,608	24,725	14,464	14,871	30,441	53,595	8,380	6,217	4,762	275	-	-	75,655	99,683

(Amounts in thousand)

48. TRANSACTIONS WITH RELATED PARTIES

Related party comprise subsidiaries, joint venture companies, associates, other companies with common directors, retirement benefit 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:

	2016	2015
	-----------Rupees-----------	
Associated Companies		
Purchases and services	**4,483,180**	7,549,002
Sale of goods and rendering of services	**416,447**	358,545
Dividend Income	**2,157,275**	1,728,349
Investment inTreasury bills	**-**	608,070
Redemption of investment in Treasury bills	**-**	719,701
Payment of interest on TFCs and repayment of principal amount	**78,808**	45,349
Advance against issue of share capital	**-**	675,048
Share capital issued	**9,984,463**	168,000
Investment in mutual funds securities	**-**	490,000
Redemption of mutual funds securities	**-**	491,210
Reimbursement to associated companies	**52,182**	253,616
Reimbursement from associated companies	**11,724**	28,030
Expenses paid on behalf of associated companies	**32,490**	12,773
Utilization of overdraft facility	**130,000**	467,112
Repayment of overdraft facility	**130,000**	467,112
Mark-up on utilization of overdraft facility	**157**	2,172
Commitment in respect of operating lease	**10,008**	7,885
Membership fee and other subscriptions	**-**	121
Commitment fee	**2,712**	5,492
Interest on deposit	**60**	1,504
Bank charges	**1**	4
Sale Of Brand	**-**	5,900,000
Dividend Paid	**2,519,029**	1,270,986
Loan repaid	**282,991**	-
Finance costs paid	**90,861**	-
Accrued markup	**5,398**	-
Interest on borrowing	**85,935**	-
Investment in shares of associate	**49,785**	-
Payments made to associated companies	**16,422,469**	-
Payment against services to local banks	**678,183**	-
Loans received	**293,993**	-
Joint Ventures		
Purchase of services	**1,030,385**	1,147,606
Services rendered	**306,610**	18,801
Reimbursements	**91,596**	67,473
Dividend received	**1,035,000**	-

(Amounts in thousand)

	2016	2015
	-----------Rupees-----------	
Retirement funds		
Contribution to retirement benefit schemes / funds	**464,994**	840,272
Key management personnel		
Sale of property, plant and equipment	**858**	567
Salaries and other short term employee benefits	**934,770**	1,078,764
Reimbursement of expenses	**10,146**	11,786
Commitment in respect of operating lease arrangements	**758**	-
Others		
Membership fee and other subscriptions	**125**	-
Sale of operating assets to employees	**-**	3,011
Dividend paid	**131,195**	-
Other benefits paid	**77,413**	71,021

49. WAIVER FROM APPLICATION OF IFRIC - 4 “DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE”

The Securities and Exchange Commission of Pakistan (SECP) in pursuance of SRO 24 (1) / 2012 dated January 16, 2012 has granted waiver from the application of International Financial Reporting Interpretation Committee (IFRIC) - 4 “Determining Whether an Arrangement Contains a Lease” to all companies including power sector companies. However, the SECP made it mandatory to disclose the impacts on the results had IFRIC - 4 been applied.

If the Group were to apply IFRIC - 4, the agreement between EETPL and SSGCL for operating and provision of services, would have been classified as operating lease. However, the impact of such application over the assets, liabilities or the net profit of the Group for the year would have been immaterial.

50. DONATIONS

Donations include the following in which the Director of the Company or Group companies is interested:

Director	Interest in Donee	Name of donee	2016	2015
			-------------Rupees---------------	
Ghias Khan	Chairman	Engro Foundation	**106,000**	102,500
Khalid Siraj Subhani	Chairman			
Ruhail Mohmmad	Trustee			
Shamshuddin A. Shaikh	Trustee			
Babur Sultan	Trustee			
Syed Mohammad Ali	Trustee			
Naz Khan	Trustee			
Imran Anwar	Trustee			
Jahangir Piracha	Trustee			

(Amounts in thousand)

51. PRODUCTION CAPACITY

		Designed Annual Capacity		Actual Production	
		2016	2015	**2016**	2015
Urea	Metric Tons	**2,275,000**	2,275,000	**1,881,016**	1,964,034
NPK	Metric Tons	**100,000**	100,000	**94,610**	126,074
PVC Resin	Metric Tons	**178,000**	178,000	**172,000**	162,000
EDC	Metric Tons	**127,000**	127,000	**106,000**	100,000
Caustic soda	Metric Tons	**106,000**	106,000	**103,000**	98,000
VCM	Metric Tons	**204,000**	204,000	**174,000**	162,000
Power (note 52.1)	Mega watt	**1,881,005**	1,855,782	**1,264,667**	1,424,015
Dairy and beverages	Thousand Litres	**-**	748,000	**-**	552,532
Milling / Drying unit of rice processing plant (note 51.2)	Metric Tons	**414,000**	414,000	**28,474**	45,982
Ice Cream	Thousand Litres	**-**	39,000	**-**	19,364

51.1 Output produced by the plant is dependent on the load demanded by NTDC and plant availability.

51.2 Three months season design capacity and production is dependent on availability of rice paddy.

52. NUMBER OF EMPLOYEES OF THE GROUP

	2016	2015
Number of employees	**2,037**	3,975
Average number of employees	**2,014**	4,040

53. SEASONALITY

The Group's fertilizer business is subject to seasonal fluctuations as a result of two different farming seasons viz, Rabi (from October to March) and Kharif (from April to September). On an average fertilizer sales are more tilted towards Rabi season. The Group manages seasonality in the business through appropriate inventory management.

The Group's agri business is subject to seasonal fluctuation as majority of paddy / unprocessed rice is procured during the last quarter of the year which is the harvesting period for all rice varieties grown in Pakistan. However, rice is sold evenly throughout the year. The Group manages seasonality in the business through appropriate inventory management.

54. LOSS OF CERTAIN ACCOUNTING RECORDS

During 2007, a fire broke out at PNSC Building, Karachi where the Head Office and registered office of ECL was located. Immediately following this event ECL 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 01, 2007 to August 19, 2007 although, electronic data remained intact due to ECL's Disaster Recovery Plan. The ECL 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 already reported financial years 2005 and 2006 have not been recreated.

(Amounts in thousand)

55. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Holding Company in its meeting held on February 28, 2017 has proposed 20% (Rs. 2 Per Share), for approval of the members at the Annual General Meeting to be held on April 28, 2017.

The consolidated financial statements for the year ended December 31, 2016 do not include the effect of the proposed 20% (Rs. 2 Per Share) dividend, which will be accounted for in the consolidated financial statements for the year ending December 31, 2017.

56. LISTING OF SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND JOINT VENTURE

Name of Subsidiary	Financial year end
Engro Corporation Limited (ECL)	**December 31**
Name of Subsidiaries of ECL	
Engro Fertilizers Limited (EFert)	**December 31**
Engro Polymer and Chemicals Limited (EPCL)	**December 31**
Engro Polymer Trading (Private) Limited (EPTL)	**December 31**
Engro Powergen Limited (EPL)	**December 31**
Engro Power Services Limited (EPSL)	**December 31**
Engro Power International Holding B.V. (EPIH)	**December 31**
Engro Power Services Holding B.V. (EPSH B.V.)	**December 31**
Engro Power Investment International B.V. (EPII B.V.)	**December 31**
Kolachi Portgen (Private) Limited (KPPL)	**December 31**
Engro Powergen Qadirpur Limited (EPQL)	**December 31**
Engro Powergen Thar (Private) Limited (EPTPL)	**December 31**
Elengy Terminal Pakistan Limited (ETPL)	**December 31**
Engro Elengy Terminal (Private) Limited (EETPL)	**December 31**
Engro Eximp FZE (FZE)	**December 31**
Engro Eximp Agriproducts (Private) Limited (EEAPL)	**December 31**
Name of Joint Venture	
Engro Vopak Terminal Limited (EVTL)	**December 31**
Name of Associates	
Engro Foods Limited (EFoods)	**December 31**
Sindh Engro Coal Mining Company Limited	**December 31**
Gel Utility Limited	**December 31**
The Hub Power Company Limited (HUBCO)	**June 30**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Amounts in thousand)

56.1 Set out below is summarised financial information for each subsidiary that has Non-Controlling Interests (NCI). The amounts disclosed for each subsidiary are before inter-company eliminations:

Name of Subsidiaries	ECL	EPQL	EPTPL	ETPL	EFert	EPCL
Total Assets	91,031,855	20,092,057	32,833,304	16,004,951	102,803,512	24,420,761
Total Liabilities	6,991,738	11,637,405	16,605,203	9,759,528	61,155,128	18,416,582
Total Comprehensive Income / (Loss)	61,866,809	1,787,688	(15,505)	1,449,953	9,298,650	670,451
Total Comprehensive Income / (Loss) allocated to NCI	38,839,983	552,143	(7,328)	185,117	3,150,739	293,725
Accumulated NCI	52,760,385	2,659,091	10,599,679	1,237,815	18,097,449	2,659,299
Cash and Cash Equivalent	24,213,198	(2,829,377)	1,281,552	2,256,372	14,365	1,086,509
Cash (utilized in) / generated from						
- operating activities	(1,133,580)	2,315,826	1,791,772	1,164,849	1,047,279	3,106,877
- investing activities	39,531,658	(179,401)	(22,950,247)	8,729	(1,676,472)	(636,768)
- financing activities	(14,584,390)	(2,893,113)	22,144,673	(598,969)	(10,823,254)	(245,736)
Dividend paid to NCI	8,815,659	251,875	-	-	3,707,442	-

57. 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.

58. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on February 28, 2017 by the Board of Directors of the Holding Company.

Karachi
February 28, 2017

M. Abdul Aleem
Director

Inam ur Rahman
Chief Executive

PATTERN OF SHAREHOLDING

As at December 31, 2016
Disclosure requirement under the Code of Corporate Governance

		Number of share held
1.	**Associated Companies, Undertaking and Related Parties**	
	Dawood Lawrencepur Limited	77,931,896
	Dawood Foundation	18,991,988
	Cyan Limited	794,380
	Sach International (PVT) Limited.	6,996
2.	**Mutual Funds**	
	CDC - Trustee Meezan Islamic Fund	5,079,500
	CDC - Trustee National Investment (Unit) Trust	1,427,196
	CDC - Trustee Al Meezan Mutual Fund	905,200
	CDC - Trustee NAFA Islamic Stock Fund	645,400
	CDC - Trustee HBL - Stock Fund	614,300
	CDC - Trustee NAFA Stock Fund	590,400
	CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund	563,900
	CDC - Trustee MCB Pakistan Stock Market Fund	553,700
	CDC - Trustee Meezan Balanced Fund	438,000
	CDC - Trustee KSE Meezan Index Fund	376,900
	CDC - Trustee Nafa Islamic Active Allocation Equity Fund	341,900
	CDC - Trustee MCB Pakistan Islamic Stock Fund	325,700
	CDC - Trustee HBL Islamic Stock Fund	314,700
	CDC - Trustee NAFA Islamic Asset Allocation Fund	267,200
	CDC - Trustee Pak. Int. Element Islamic Asset Allocation Fund	215,000
	CDC - Trustee Atlas Islamic Stock Fund	150,000
	CDC - Trustee PICIC Islamic Stock Fund	138,400
	CDC - Trustee Meezan Asset Allocation Fund	130,000
	CDC - Trustee HBL Islamic Asset Allocation Fund	101,500
	CDC - Trustee HBL Multi - Asset Fund	76,300
	CDC - Trustee AKD Index Tracker Fund	71,496
	MCBFSL - Trustee Pak Oman Islamic Asset Allocation Fund	62,000
	CDC - Trustee PICIC Stock Fund	50,000
	CDC - Trustee NIT Islamic Equity Fund	48,000
	CDC - Trustee Askari Asset Allocation Fund	36,000
	MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund	35,000
	CDC - Trustee PIML Value Equity Fund	30,000
	MCFSL - Trustee Askari Islamic Asset Allocation Fund	26,000
	CDC - Trustee First Capital Mutual Fund	25,000
	CDC - Trustee PIML Islamic Equity Fund	25,000
	CDC - Trustee Askari Equity Fund	23,800
	CDC - Trustee NIT-Equity Market Opportunity Fund	10,000
	CDC - Trustee NAFA Multi Asset Fund	9,000
3.	**Directors, CEO and their Spouse(s) and minor children**	
	Mr. Hussain Dawood - Chairman	34,058,516
	Ms. Kulsum Dawood (W/o Mr. Hussain Dawood)	11,202,400
	Mr. Shahzada Dawood	5,496,616
	Ms. Sabrina Dawood	5,492,616
	Mr. Samad Dawood	3,916,616
	Mr. Inam ur Rahman	9,680

		Number of share held
4.	**Executives**	**3,000**
5.	**Public Sector Companies and Corporations**	**16,388,937**
6.	**Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds**	**8,687,610**
7.	**Shareholder Holding five percent or more voting Rights in the Listed Company**	
	Dawood Lawrencepur Limited	**77,931,896**
	Calfran Limited	**45,722,500**
	Hercules Enterprises Limited	**43,281,216**
	Alzarat Limited	**38,376,008**
	Zincali Limited	**38,376,008**
	Palmrush Investments Limited	**36,240,796**
	Persica Limited	**36,240,796**
	Mr. Hussain Dawood	**34,058,516**

8. Trades in the shares of the Company by Directors, Executives, their spouses and minor children

Following trades in the share of the Company were made by an executive:

Name	Date	Purchased	Sold	Rate / per share
Mr. Zubair Abdullah	4-Oct-16	100	-	135.69
Mr. Zubair Abdullah	4-Oct-16	2,900	-	135.7

PATTERN OF SHAREHOLDING

As at December 31, 2016
Category - Wise

Shareholders Category	No. of Shareholder	Total Shares Held	Percentage %
Directors, Chief Executive Officer, and their spouse and minor children	6	60,176,444	12.50%
Associated Companies, Undertakings and related Parties	4	97,725,260	20.30%
NIT and ICP	2	680	0.00%
Banks, Development Financial Institutions, Non Banking Financial Institutions	17	10,378,886	2.16%
Insurance Companies	7	14,301,288	2.97%
Modarabas and Mutual Funds	35	13,721,492	2.85%
Share holders holding 10%	1	77,931,896	16.19%
General Public :			
a. Local	3,924	21,525,968	4.47%
b .Foreign	-	-	-
Others			
Foreign Companies	12	261,128,492	54.26%
Others	65	2,328,606	0.49%
Total (excluding : share holders holding 10%)	4,072	481,287,116	100.00%

PATTERN OF SHAREHOLDING

As at December 31, 2016

No. of Shareholders	Shareholding		Total Shares Held
600	1	100	24,637
779	101	500	270,389
471	501	1,000	418,936
1,587	1,001	5,000	3,485,255
258	5,001	10,000	1,901,098
115	10,001	15,000	1,419,898
54	15,001	20,000	991,531
38	20,001	25,000	861,695
10	25,001	30,000	287,072
14	30,001	35,000	478,886
11	35,001	40,000	425,824
7	40,001	45,000	297,842
20	45,001	50,000	983,176
6	50,001	55,000	316,992
8	55,001	60,000	469,656
3	60,001	65,000	186,856
5	65,001	70,000	344,012
7	70,001	75,000	506,097
4	75,001	80,000	309,800
1	80,001	85,000	80,500
1	90,001	95,000	91,500
7	95,001	100,000	688,308
4	100,001	105,000	406,900
2	105,001	110,000	219,000
2	120,001	125,000	244,796
3	130,000	135,000	397,100
1	135,001	140,000	138,400
1	150,000	155,000	150,000
1	160,000	165,000	160,000
2	170,001	175,000	348,116
1	195,001	200,000	197,352
2	215,000	220,000	430,900
1	230,001	235,000	234,600
1	250,000	255,000	250,000
1	260,000	265,000	260,000
1	265,001	270,000	267,200
1	300,000	305,000	300,000
1	310,001	315,000	314,700
1	325,001	330,000	325,700
1	335,001	340,000	336,072
1	340,001	345,000	341,900
1	350,001	355,000	353,420
1	375,001	380,000	376,900
1	435,001	440,000	438,000
2	500,000	505,000	1,000,000
1	530,001	535,000	534,000
1	550,001	555,000	553,700
1	560,001	565,000	563,900
1	590,001	595,000	590,400
1	600,000	605,000	600,000
1	610,001	615,000	614,300
1	630,001	635,000	631,192
1	645,001	650,000	645,400
1	790,001	795,000	794,380
1	905,001	910,000	905,200
1	1,020,001	1,025,000	1,021,000
1	1,315,001	1,320,000	1,317,400
1	1,425,001	1,430,000	1,427,196
1	1,970,001	1,975,000	1,970,100
1	3,565,001	3,570,000	3,569,300
1	3,915,001	3,920,000	3,916,616
1	4,180,001	4,185,000	4,183,192
1	5,075,001	5,080,000	5,079,500
2	5,490,001	5,495,000	10,985,228
1	5,495,001	5,500,000	5,496,616
1	11,200,001	11,205,000	11,202,400
1	12,200,001	12,205,000	12,204,788
1	18,990,001	18,995,000	18,991,988
1	20,930,001	20,935,000	20,930,568
1	34,055,001	34,060,000	34,058,516
2	36,240,001	36,245,000	72,481,592
2	38,375,001	38,380,000	76,752,016
1	43,280,001	43,285,000	43,281,216
1	45,720,001	45,725,000	45,722,500
1	77,930,001	77,935,000	77,931,896
4,072	**Total**		**481,287,116**

Proxy Form

Dawood Hercules

I/We ____
of ____________________ being a member of Dawood Hercules Corporation Limited and holder of
________________ Ordinary Shares, as per:
Share Register Folio No. ________________ and/or
CDC Participant ID No. ____________ Sub A/c No. ____________
hereby appoint Mr./Ms. ____of
______________________ or failing him/her
Mr./Ms.___________________________________ of _________________, as our proxy to attend, speak and vote for us and on our behalf, at the Forty Ninth Annual General Meeting of the Company to be held at Ground Floor, Dawood Centre, M.T.Khan Road, Karachi on Friday, April 28, 2017 at 10:00 a.m. and at any adjournment thereof.

Signed this ____________ day of ____________ 2017.

WITNESSES:

1. Signature:
   Name: ________________________
   Address: ________________________
   ____

   CNIC No. or
   Passport No. ________________________
   ____

2. Signature:
   Name: ________________________
   Address: ________________________
   ____

   CNIC No. or
   Passport No. ________________________
   ____

Signature on Revenue Stamps of Rupees Five

Signature should agree with the specimen signature with the Company.

IMPORTANT:

1. This Proxy Form, duly completed, must be deposited at the Company's Registered Office, not less than forty eight hours before the meeting.

2. CDC shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the Company.

3. All proxies attending the AGM are requested to bring their original CNIC/Passport for identification.

AFFIX
CORRECT
POSTAGE

Dawood Hercules Corporation Limited
Dawood Centre, M.T. Khan Road, Karachi - 75530
Tel: +92-21-35686001 Fax: +92-21-35633972
www.dawoodhercules.com

Dawood Hercules

نمائندگی کا فارم

میں/ہم ______________________ ساکن ______________________

بحیثیت ممبر داؤد ہرکولیس کارپوریشن لمیٹڈ کے رکن وحامل ______________ عام حصص بمطابق شیئر رجسٹرڈ فولیو نمبر ______________

اور/یا سی ڈی سی کے شراکتی آئی ڈی نمبر ______________ اور ذیلی کھاتہ نمبر ______________ محترم/محترمہ ______________

ساکن ______________________ یا بصورتِ دیگر محترم/محترمہ ______________________

ساکن ______________________ کو اپنی جگہ بروز جمعہ مورخہ ۲۸ اپریل ۲۰۱۷ بوقت ۱۰:۰۰ بجے صبح بمقام گراؤنڈ فلور، داؤد سینٹر، ایم ٹی خان روڈ، کراچی میں منعقد یا ملتوی ہونے والے کمپنی کے ۴۹ ویں سالانہ اجلاسِ عام میں رائے دہندگی کے لئے اپنا نمائندہ مقرر کرتا/کرتی ہوں۔

دستخط ______________ بروز ______________ ۲۰۱۷

گواہ (۱)

دستخط گواہ: ______________

نام: ______________

پتہ: ______________

____

قومی شناختی کارڈ نمبر یا: ______________

پاسپورٹ نمبر: ______________

مطلوبہ (پانچ روپے کا) ریونیو ٹکٹ چسپاں کریں اور دستخط کریں

دستخط کمپنی کے پاس پہلے سے محفوظ دستخطی نمونہ کے مطابق ہونے ضروری ہیں۔

گواہ (۲)

دستخط گواہ: ______________

نام: ______________

پتہ: ______________

____

قومی شناختی کارڈ نمبر یا: ______________

پاسپورٹ نمبر: ______________

نوٹ:

- تمام نامزدگیاں اسی صورت میں موثر ہوں گی جب پراکسی فارم بنام کمپنی کے رجسٹرڈ آفس میں اجلاس کے مقررہ وقت سے ۴۸ گھنٹے قبل موصول ہوں۔
- سی ڈی سی شیئر ہولڈرز اوران کے نمائندوں سے فرداً فرداً درخواست ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ نقل یا پاسپورٹ، نمائندگی فارم داخل کرنے سے قبل اس کے ساتھ منسلک کریں۔
- تمام پراکسی ہولڈرز اپنی شناخت کے لئے اجلاس کے وقت اپنا اصل شناختی کارڈ یا پاسپورٹ ضرور پیش کریں۔

AFFIX
CORRECT
POSTAGE

Dawood Hercules Corporation Limited
Dawood Centre, M.T. Khan Road, Karachi - 75530
Tel: +92-21-35686001 Fax: +92-21-35633972
www.dawoodhercules.com

اظہار تشکر

بورڈ اپنے تمام حصص یافتگان کا ان کے اعتماد اور تعاون کے لئے بے حد شکر گزار ہے۔ ہم اپنے تمام حصہ داران بشمول اپنے شریک کار مالیاتی اور دیگر اداروں کا بھی تہہ دل سے شکریہ ادا کرنا چاہتے ہیں جنہوں نے ہم سے تعاون اور اعتماد کیا اور انہیں یقین دلاتے ہیں کہ ہم ان کے مفادات کے تحفظ کے لئے پُرعزم ہیں۔

ہم اپنی انتظامیہ اور ملازمین کا شکریہ ادا کرنا چاہتے ہیں جنہوں نے کمپنی کی ترقی اور خوشحالی کے لئے خلوص دل سے کوشش کی۔

انعام الرحمٰن

چیف ایگزیکٹو

بڑے کاروباری اداروں پر مرکوز ہے اور ہم متفکر ہیں کہ یہ عمل ترقی کی راہ میں رکاوٹ بن سکتا ہے۔ بین الکاروباری ڈیویڈنڈز پر ٹیکس کے نفاذ سے اداروں کی خود کو بڑے پیمانے پر توسیع دینے کی ترغیبات میں کمی واقع ہوگی۔ مشکل رپورٹنگ تقاضوں کے باعث بین الاقوامی اداروں کی پاکستان میں سرمایہ کاری کی بھی حوصلہ شکنی ہوگی۔

افرادی قوت میں نوجوانوں کی روز بروز بڑھتی ہوئی تعداد کے پیش نظر ایک مستحکم اور متحرک کاروباری شعبے کی ضرورت ہے جو انہیں اپنے اندر جذب کر کے کارآمد شہری بنا سکے۔ محض حکومت یا غیر منظم شعبہ ان لاکھوں نوجوانوں کی رہنمائی اور انتظام نہیں کرسکتا۔ ہم اس بات پر یقین رکھتے ہیں کہ حکومتی پالیسیاں کاروباری شعبے کی حمایت میں ہونی چاہئیں کیونکہ یہ تمام عالمی معیشتوں میں ترقی کا کلیدی عامل ہے۔ اس سے پاکستانی معیشت میں عالمی دلچسپی میں بھی اضافہ ہوگا جیسا کہ EFoods میں RFC کی سرمایہ کاری سے ظاہر ہوتا ہے۔

فرٹیلائزرز

سال 2016/17 کے لئے پیش منظر ملے جلے امکانات کا حامل ہے تاہم اس بات کے اشارے ہیں کہ عالمی سطح پر غلے کی پیداوار مستحکم یا کسی حد تک زیادہ ہوگی۔ خام اناج کی پیداوار میں کم قیمتوں کے باوجود سازگار موسم اور دیگر فصلوں کے برعکس زیادہ متعلقہ منافعوں کی وجہ سے اضافے کی توقع ہے۔ 2017 کے آثار بتدریج بہتر ہوتے ہوئے منڈی کے حالات، زیادہ سازگار موسم اور کچھ بڑی منڈیوں میں بہتر سیاسی اور معاشی حالات کی بدولت خاصے خوش آئند ہیں۔

2016/17 میں عالمی سطح پر فرٹیلائزر کی طلب، بہتری کے ساتھ 186 MT 2.9% ہوگئی اور تینوں Nutrients میں اضافے کی شرح تقریباً یکساں رفتار سے جاری رہی N: 3.0% کے ساتھ 111Mt، P میں 30% کے ساتھ 42Mt اور K 2.3% کے ساتھ 33Mt، رہی۔

مقامی سطح پر یوریا کی طلب میں کسانوں کی بہتر آمدنی اور حکومت کی جانب سے دی جانے والی سبسڈی اور سہولیات کے باعث اضافے کی توقع ہے۔ EFert کی جانب سے 26MMSCFD گیس کی تخصیص سے اس کی منفعت میں اضافہ ہوگا۔

غذائی اشیاء

RFC کی جانب سے حصول کے بعد EFoods کو ان کے تجربہ، تحقیق، پس منظر اور جدت طرازی سے فائدہ حاصل ہوگا اور اپنے صارفین کو بہترین معیار کی مصنوعات فراہم کرے گی۔ اگرچہ ریگولیٹری ڈیوٹی کے نفاذ اور ڈیری مصنوعات کو مستثنٰی درجہ میں ڈالنے کے باعث پیداواری لاگت میں اضافہ ہوا ہے، تاہم EFoods نے اس اضافے کو بڑی حد تک جذب کرلیا ہے اور اپنے صارفین پر اس کا بہت ہی کم بوجھ ڈالا ہے۔ تمام حصہ داران کی جانب سے حکومتی سطح پر ڈیوٹی اور ٹیکسوں کو منطقی بنانے کے لئے کوششوں کی ضرورت ہے تاکہ تمام حصہ داران کو مساوی طور پر کام کرنے کا موقع میسر آسکے۔

توانائی اور توانائی کا بنیادی ڈھانچہ

ایل این جی کا کاروبار ملک کو درپیش توانائی کے بحران پر قابو پانے میں اپنا مثبت کردار ادا کررہا ہے۔ EEPTL اپنی 200MMSCFD کی اضافی گنجائش کو استعمال کرسکے گا اور اس کی انتظامیہ کو آئندہ سال مستحکم آثار کی توقع ہے۔

حبکو (HUBCO) کے لئے، حکومت نے اس کی جوائنٹ وینچر کمپنی چائنا پاور حب جنریشن کمپنی (CPHG) کی 1,320MW گنجائش کی منظوری دے دی ہے جو حب سائٹ پر درآمدی کوئلے کی بنیاد پر تعمیر کی جارہی ہے۔ PPIP نے تائیدی خط (Letter of Support) کے تحت درکار فنانشل کلوز کی تاریخ میں پانچ ماہ کی توسیع کردی ہے۔ پاور پلانٹ اور جیٹی کے EPC کنٹریکٹرز کو متحرک کردیا گیا ہے تاکہ منصوبے کی بروقت تکمیل کو یقینی بنایا جاسکے۔

حبکو، سندھ اینگرو کول مائننگ کمپنی کے 8 فیصد حصہ کی مالک ہے جو اپریل 2016 میں اپنے فنانشل کلوز کے بعد سے تسلی بخش رفتار سے ترقی کررہی ہے۔

d) مالیاتی حسابات کی تیاری میں، پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ کے معیارات (IFRS) کا خیال رکھا گیا ہے اوران سے کسی بھی قسم کے گریز کے راستے مناسب طور سے بند کیے گئے ہیں۔

e) انٹرنل کنٹرول کا نظام مستحکم ہے اوراس کی مؤثر انداز سے جانچ اوراطلاق کو یقینی بنایا گیا ہے۔

f) کمپنی کے معمول کے انداز سے کارگزار رہنے کی صلاحیت پر کسی قسم کے کوئی شکوک وشبہات موجود نہیں ہیں۔

g) کارپوریٹ گورننس کی بہترین روایات سے کسی قسم کا مادی گریز نہیں کیا گیا ہے جیسے کے لسٹنگ ریگولیشن میں تفصیلات شامل ہیں۔

h) گزشتہ چھ سال کے عمل کاری اور مالیات کے نتائج مختصر شکل میں رپورٹ کے ساتھ منسلک ہیں۔

XIV- ڈائریکٹرز کی تربیت کے پروگرام

زیر جائزہ سال کے دوران کمپنی کے ایک اور ڈائریکٹر نے سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی ضروریات کے مطابق کارپوریٹ گورننس لیڈرشپ اسکلز پروگرام، ڈائریکٹرایجوکیشن پروگرام کی تکمیل کرلی ہے۔

XV- متعلقہ فریقین سے لین دین

کوڈ آف کارپوریٹ گورننس کی ضروریات کے مطابق کمپنی نے متعلقہ فریقین سے لین دین کی تمام تفصیلات آڈٹ کمیٹی اور بورڈ کے سامنے بالترتیب جائزے اورمنظوری کے لئے پیش کردی ہیں۔

XVI- مستقبل کے آثار

عمومی جائزہ

گروپ توانائی کے شعبے میں سرمایہ کاری کے باعث سی پیک پروگرام کے تحت چین کا سب سے بڑا اشراکت دار بن گیا ہے جس نے کوئلے کی کان کنی اورتوانائی دونوں میں دلچسپی ظاہر کی گئی ہے۔ قومی اہمیت کے حامل مسائل کے حل کے لئے ہمارے مقصد کے پیش نظر اگلے دوسال کے دوران توانائی کے ان اثاثوں میں سے اکثر فعال ہوجائیں گے اور پاکستان توانائی کی پیداوار میں خودکفیل ہوجائے گا۔ ہم توانائی کی ابھرتی ہوئی ٹیکنالوجیز خاص طور پر قابل تجدید شعبے پر توجہ مرکوز رکھیں گے جس کی بدولت آئندہ سالوں میں معدنی ایندھن (Fossil Fuels) پرانحصار کم کیا جاسکے گا۔ ہمیں معیشت کے دیگر شعبوں پر بھی سی پیک کے مثبت اثرات کی توقع ہے اورمزید سرمایہ کاریوں کی آمد کی بھی پیش گوئی کی جارہی ہے۔

توقع ہے کہ Royal Friesland Campina کے ساتھ ہماری شراکت سے ڈیری اور غذائی شعبے کو چلانے کے لئے مصنوعات اورٹیکنالوجیز کی ایک نئی رینج متعارف ہوگی۔ ہم غذائی شعبے میں بھرپور معاونت جاری رکھنے کے لئے پُرامید ہیں۔

آگے چل کرفرٹیلائزر کا کاروبار کلیدی کردار کا حامل ہوگا کیونکہ ہماری توجہ فارمنگ کے جدید طریقے اورتکنیکات کے فروغ پر مرکوز ہے تاکہ پیداوار اور فارمنگ کے منافعوں میں اضافہ کیا جاسکے۔ ہم اس بات پر یقین رکھتے ہیں کہ فارمنگ کی پیداواری استعداد میں اضافے کے لئے ٹیکنالوجی کا کردار انتہائی اہم ہے جس کا فائدہ اوسط شہری کو ہوگا اور جو کسانوں کی معاشی حالت میں بہتری کا باعث بھی بنے گا۔

ریگولیٹری ماحول

ملک میں ریگولیٹری ماحول مزید پیچیدہ ہوتا جارہا ہے کیونکہ پاکستان زیادہ کاروباری شفافیت متعارف کروانے کے لئے کوشاں ہے۔ تاہم، ہمارے مشاہدے میں آیا ہے کہ تمام تر توجہ

XII- بورڈ کے اجلاس

سال 2016 کے دوران بورڈ کے کل چھ اجلاس منعقد ہوئے اور ان تمام کی صدارت چیئر مین نے کی۔ کمپنی سیکریٹری اور چیف فنانشل آفیسر نے بھی کوڈ آف کارپوریٹ گورننس کی ضروریات کے مطابق ہر اجلاس میں شرکت کی۔ ڈائریکٹرز کی حاضری درج ذیل رہی۔

ڈائریکٹرز کے نام	بورڈ کے اجلاس	بورڈ آڈٹ کمیٹی کے اجلاس	بورڈ کمپنسیشن کمیٹی کے اجلاس
جناب حسین داؤد	5/6	-	2/3
جناب صمد داؤد	6/6	-	-
جناب محمد عبدالعلیم	6/6	4/4	3/3
جناب شہزادہ داؤد	4/6	-	-
محترمہ سبرینہ داؤد	5/6	-	-
جناب پرویز غیاث	5/6	4/4	3/3
جناب حسن رضاالرحیم	3/6	3/4	-
جناب سعد راجہ	3/6	-	-
جناب فرینک مرے جونز	0/6	-	-
جناب شبیر حسین ہاشمی	6/6	-	-
جناب انعام الرحمٰن*	2/2	-	-

* یکم دسمبر 2016 کو چیف ایگزیکٹو اور Deemed ڈائریکٹر مقرر کیا گیا۔

XIII- ڈائریکٹرز کی ذمہ داریوں کا بیان

ڈائریکٹرز پاکستان اسٹاک ایکسچینج کے درج شدہ ضوابط کے مطابق کاروباری اور مالیاتی رپورٹنگ کی بنیادی ساخت سے مطابقت کو درج ذیل طریقہ کار کی تصدیق کرتے ہیں:

(a کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالی حسابات کمپنی کے حالات، عمل کاری کے نتائج، نقدی کے بہاؤ اور ایکویٹی میں تبدیلی کا راست جائزہ پیش کرتے ہیں۔

(b کمپنی کے کھاتوں کے درست حسابات رکھے گئے ہیں۔

(c مالیاتی گوشواروں کی تیاری میں مستقلاً مناسب اکاؤنٹنگ پالیسیز کا اطلاق کیا گیا ہے اور حسابات کے گوشوارے مناسب عاقلانہ فیصلے پرمبنی ہیں۔

VI- مارکیٹ تعین مالیت اور بہی قیمت

سال کے اختتام پر کمپنی کی مارکیٹ تعین مالیت (Market Capitalization) 69,464 ملین روپے (57,341:2015 ملین روپے) تھی جبکہ مارکیٹ ویلیو 144.33 روپے فی حصص (119.14:2015 روپے) اور بریک اپ ویلیو 64.08 روپے فی حصص (70.22:2015 روپے فی حصص) رہی۔

VII- تخصیص

کمپنی کے ڈائریکٹرز نہایت مسرت کے ساتھ 49 ویں سالانہ اجلاس عام میں حصص یافتگان کی منظوری کے لئے 2 روپے فی حصص (20 فیصد) حتمی نقد ڈیویڈنڈ کی تجویز پیش کرتے ہیں۔ اس سال کا کل ڈیویڈنڈ 15.50 روپے فی حصص تھا جس میں 13.5 روپے فی حصص (135 فیصد) کا عبوری ڈیویڈنڈ بھی شامل تھا۔

VIII- اینٹٹی ریٹنگ

زیر جائزہ سال میں PACRA نے کمپنی کی طویل مدتی کریڈٹ ریٹنگ -AA برقرار رکھی۔ قلیل مدتی ریٹنگ بھی مستحکم آثار کے ساتھ +A1 پر برقرار رہی۔

IX- قومی خزانے اور معیشت میں حصہ

زیر جائزہ سال کے دوران گروپ نے ٹیکسوں اور محصولات کی مد میں مجموعی طور پر 42,150 ملین روپے (41,540:2015 ملین روپے) ادا کئے۔

X- پروویڈنٹ اور گریجویٹی فنڈز

کمپنی کے ملازمین کو ملنے والے ریٹائرمنٹ کے فوائد کی رقوم کا سال میں ایک مرتبہ آڈٹ کیا جاتا ہے اور انہیں موزوں سرمایہ کاریوں کے ذریعے مناسب انداز سے پورا کیا جاتا ہے۔ غیر آڈٹ شدہ اکاؤنٹس کے مطابق پروو ڈنٹ فنڈ کی سرمایہ کاریوں کی مالیت مجموعی طور پر 58.74 ملین روپے (58.24:2015 ملین روپے) رہی۔

31 دسمبر 2016 تک گریجویٹی پلان کی مجوزہ رقم کے اثاثوں کی راست قیمت 16.88 ملین روپے تھی (20.41:2015 ملین روپے)

XI- بورڈ آف ڈائریکٹرز

بورڈ 11 ڈائریکٹرز پر مشتمل ہے۔ بورڈ ممبران کی ترتیب درج ذیل ہے:

انڈیپینڈنٹ ڈائریکٹرز	5	
نان ایگزیکٹو ڈائریکٹرز	4	
ایگزیکٹو ڈائریکٹرز	2	(بشمول ایک ڈیمڈ ڈائریکٹر)

کاسٹک سوڈا کی پیداوار 103KT ہوگئی جو EPQL کی تاریخ کی بلندترین پیداواری شرح ہے۔ EPQL نے گزشتہ سال 644 ملین روپے کے نقصان کے مقابلے میں اسی سال 660 ملین روپے کا بعداز ٹیکس منافع ظاہر کیا۔

B- مالیاتی رپورٹ

I- مالیاتی کارکردگی

گروپ کی مجموعی آمدنی گزشتہ سال کی اسی مدت کے 182 ارب روپے کے مقابلے میں 157 ارب روپے رہی۔ 2016 کے لئے گروپ کا مجموعی کل منافع 35.84 ارب روپے رہا جو 9.38 ارب روپے کم تھا اوراس کی وجہ EFert اور EFoods کی کارکردگی میں کمی تھی۔ دوران سال گروپ نے EFoods کے 51 فیصد حصص Friesland Campina کوفروخت کئے اور 34 ارب روپے کا سرمایہ حاصل کیا۔مزید برآں گروپ کے EFoods کے حصص کو Remeasure کرنے پر 24 ارب روپے کا منافع بھی Recognize کیا۔مجموعی طور پراس طرح اضافی آمدنی میں 58 ارب روپے کا اضافہ ہوا۔شریک کارکمپنیوں اور جوائنٹ وینچرز کو ہونے والے منافع کا حصہ سال 2015 کے مقابلے میں 16 فیصد اضافے کے ساتھ 3 ارب روپے رہا۔9 ارب روپے ٹیکس کی ادائیگی کے بعد کمپنی کا بعداز ٹیکس منافع 73 ارب روپے رہا جو سال 2015 کے مقابلے میں 52.07 ارب روپے زائد ہے۔زیرجائزہ سال میں کمپنی کی آمدنی انفرادی بنیاد پرگزشتہ سال کی اسی مدت کے 21,932 ملین روپے کے مقابلے میں 7,422 ملین روپے رہی جو کہ 14,510 ملین روپے کم تھی اوراس کی کمی کی وجہ سابقہ ذیلی کمپنی (DH فرٹیلائزرز) کی جانب سے واحد ڈیویڈنڈ تھا۔تمام تر اخراجات کے بعد کمپنی کا بعداز ٹیکس منافع 2015 کے 20,194 ملین روپے کے مقابلے میں 5,470 ملین روپے رہا۔

II- فی حصص آمدنی

سال 2016 میں کمپنی کی غیرمجموعی فی حصص آمدنی 11.37 روپے فی حصص رہی جو سال 2015 میں 41.96 روپے فی حصص تھی۔مجموعی فی حصص آمدنی اس سال 53.12 روپے فی حصص رہی (2015:19.17 روپے)۔

III- آڈیٹرز

موجودہ آڈیٹرز،اے ایف فرگوسن اینڈ کمپنی،چارٹرڈ اکاؤنٹنٹس، آئندہ سالانہ اجلاس عام کے اختتام تک ریٹائر ہورہے ہیں اورانہوں نے خودکودوبارہ تقرری کے لئے پیش کردیا ہے۔ آڈٹ کمیٹی نے 31 دسمبر 2017 کوختم ہونے والے سال کے لئے میسرز اے ایف فرگوسن اینڈ کمپنی،چارٹرڈ اکاؤنٹنٹس کی بطور کمپنی کے آڈیٹرز تقرری کی تجویز پیش کی ہے اور بورڈ نے اس تجویز کی توثیق کی ہے۔

IV- حصص کی خریدوفروخت،اوسط قیمتیں اور PSX

زیرجائزہ سال میں پاکستان اسٹاک ایکسچینج میں کمپنی کے 74.6 ملین حصص کی تجارت کی گئی۔روزانہ کی اختتامی شرح کی بنیاد پر کمپنی کے حصص کی اوسط قیمت 132.82 روپے تھی جبکہ 52 ہفتوں کی سب سے کم اور سب سے زیادہ شرح 2016 کے دوران بالترتیب 100.42 روپے اور 165.00 روپے فی حصص تھی۔

V- حصص یافتگی کا خاکہ

31 دسمبر 2016 تک کمپنی کی حصص یافتگی کا خاکہ،مع دیگرضروری معلومات،اس رپورٹ کے آخر میں پراکسی فارم کے ساتھ موجود ہے۔

2016 میں ملک کے زرمبادلہ کے ذخائر میں سب سے زیادہ حصہ ڈالنے والی واحد سب سے بڑی ڈیل ہے۔

EFoods کے لئے شدید مقابلے کے رجحان اور نئے آنے والوں کی وجہ سے صارفین کی ترجیحات میں عارضی تبدیلیوں کے باعث یہ سال کافی آزمائشی ثابت ہوا۔حکومت نے درآمد شدہ ڈیری پاؤڈر پر ریگولیٹری ڈیوٹی کے نفاذ اور ڈیری مصنوعات کی دوبارہ درجہ بندی کرکے ڈیری مصنوعات پر اضافی ٹیکس عائد کردیا ہے۔نتیجتاً EFoods نے 44,300 ملین روپے کا مجموعی منافع ظاہر کیا جو گزشتہ سال کے مقابلے میں 11 فیصد کم ہے۔ EFoods نے گزشتہ سال کے 3.162 ملین روپے کے مقابلے میں 24.5 فیصد کمی کے بعد 2,387 ملین روپے کا خالص منافع ظاہر کیا۔

مالی سال 2016 کے لئے EFoods نے 10 روپے فی حصص کے حساب سے نقد ڈیویڈنڈ کی تجویز دی ہے جس کی منظوری آئندہ سالانہ اجلاس عام میں حصص یافتگان کی جانب سے دی جائے گی۔

توانائی اور توانائی کا بنیادی ڈھانچہ

اینگرو پاورجن قادر پور لمیٹڈ (EPQL) کی دستیابی کا عنصر گزشتہ سال کی اسی مدت کے 99.7 فیصد کے مقابلے میں قابل اعلان 100.3 فیصد رہا۔تاہم بجلی کے خریداروں کے آٹو پاور ٹرانسفارمر فیل ہونے کا نتیجہ 1,265 گیگاواٹ کی کم ترسیل کی صورت میں برآمد ہوا اور لوڈ فیکٹر گزشتہ سال کے 76.7 فیصد کے مقابلے میں 67.2 فیصد رہا۔ EPQL کی آمدنی گزشتہ سال کے مقابلے میں 14 فیصد کمی کے بعد 11,452 ملین روپے ریکارڈ کی گئی اور خالص منافع 1,788 ملین روپے رہا جو 10 ملین روپے کم ہے۔

تناگا جنراسی لمیٹڈ (TGL) کے تحت ونڈ پاور پلانٹ 11 اکتوبر 2016 کو شروع کیا گیا جس سے بجلی کی مجموعی ترسیل سال کے اختتام تک 18 گیگاواٹ رہی۔اس مدت کی کل آمدنی 292.31 ملین روپے رہی۔

سندھ اینگرو کول مائننگ پروجیکٹ (SECMC) نے مالیاتی معاہدوں کے تحت تمام ضروری شرائط مکمل کرلی ہیں اور 4 اپریل 2016 کو مالیاتی اختتام حاصل کرلیا ہے۔ EPC کنٹریکٹرز کو سائٹ پر متحرک کردیا گیا ہے اور مٹی اور پتھر ہٹانے کا کام مئی 2016 کو شروع کردیا گیا اور 27 کنوؤں کی ڈرلنگ مکمل کرلی گئی جس سے SECMC سال 2017 کی پہلی سہ ماہی میں آب اندوخت (aquifers) سے پانی نکالنے کا آغاز کرسکی۔گورانو کی ذخیرہ گاہ معقول حد تک مکمل ہے اور پانی ذخیرہ کرنے کے لئے تیار ہے۔

دی حب پاور کمپنی لمیٹڈ (HUBCO) نے ایک اور کل ملکیتی ذیلی کمپنی تھر انرجی لمیٹڈ (TEL) بھی بطور SPV قائم کی ہے جس کے تحت سندھ میں تھر کول فیلڈ بلاک II سندھ سے متصل انرجی پارک میں 1x330 میگاواٹ (MW) کے تھر لگنائٹ کول بیسڈ مائن ماؤتھ پاور پلانٹ کے قیام کا منصوبہ بنایا گیا ہے۔ TEL کے ٹیرف کی درخواست نیپرا نے اکتوبر میں منظور کرلی ہے۔ PPIB نے دسمبر میں تائیدی خط (Letter of Support) بھی جاری کردیا ہے۔ TEL نے دسمبر میں انجینئرنگ، پروکیورمنٹ اور کنسٹرکشن (EPC) معاہدے پر بھی دستخط کردیئے ہیں۔بالآخر اس مدت کے اختتام تک، 25 جنوری 2017 کو TEL کے IA اور PPA کا آغاز ہوگیا ہے۔

حبکو نے اپنے نارووال پلانٹ کا عدم انضمام مکمل کرلیا ہے اور مذکورہ پلانٹ کو اس کے تمام تر اثاثوں اور واجبات کے ساتھ نارووال انرجی لمیٹڈ (NEL) میں ضم کرنے کا عمل جاری ہے۔ NEL حبکو کی ایک کل ملکیتی ذیلی کمپنی ہے۔

حبکو نے 31 دسمبر 2016 کو ختم ہونے والی ششماہی میں گزشتہ سال کی اسی مدت کے 50,281 ملین روپے کے مقابلے میں 48,227 ملین روپے کی مجموعی توانائی کی ترسیل کی۔ اس کمی کی بنیادی وجہ حب پلانٹ کے یونٹ 1 کی میجر اوور ہالنگ اور نارووال پلانٹ کے پانچ انجنز کی مرمت تھی۔مجموعی خالص منافع 2015 کے 5,308 ملین روپے کے مقابلے میں 5,069 ملین روپے رہا۔مجموعی فی حصص آمدنی گزشتہ سال کی اسی مدت کی 4.59 روپے کے مقابلے میں 4.38 روپے رہی۔

پولیمر اور کیمیکلز

2016 کے دوران اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ (EPCL) نے بہتر کارکردگی اور زیادہ پیداوار کا مظاہرہ کیا جس سے PVC کی پیداوار 172 KT، VCM کی 174KT اور

مالی سال 2016 کے دوران پاکستانی معیشت میں 4.71 فیصد کی شرح سے اضافہ ریکارڈ کیا گیا جو 09-2008 کے بعد ریکارڈ کی جانے والی سب سے زیادہ شرح ہے لیکن یہ 5.5 فیصد کے مطلوبہ ہدف سے کم ہے، جس کی بنیادی وجہ کپاس، چاول اور مکئی کی پیداوار میں کمی کے باعث زرعی شعبہ کی کم ترقی (0.19) فیصد تھی۔ تاہم صنعتی شعبہ میں 6.80 فیصد کی شرح سے اضافہ ریکارڈ کیا گیا اور خدمات کے شعبہ میں 5.71 فیصد کی شرح سے اضافہ ہوا۔

غیر ملکی ایکویٹی سرمایہ کاریوں کے آؤٹ فلو کی وجہ سے ایکویٹی مارکیٹ کی عالمی سطح پر سست روی کے باوجود پاکستان اسٹاک ایکسچینج کے اشاروں میں ہموار اضافہ دیکھنے میں آیا جس کے نتیجے میں 30 دسمبر 2016 کو پاکستان اسٹاک ایکسچینج نے 47,806 درجے کی حد عبور کرلی اور سال 2015 کے محض 2 فیصد کے مقابلے 45.7 فیصد کا اضافہ ظاہر کیا۔ وہ متعدد عوامل جو اس متاثر کن کارکردگی میں معاون ثابت ہوئے، درج ذیل پر مشتمل ہیں (i) پاکستان اسٹاک مارکیٹ کی فرنٹیئر سے ایمرجنگ مارکیٹ میں بہتری (ii) بڑے پیمانے پر مقامی لکویڈیٹی (iii) ترقی پذیر معیشت (iv) سی پیک منصوبوں پر پیش رفت اور (v) S&P کی جانب سے پاکستان کی ریٹنگ کی "B" درجے میں ''مستحکم'' آثار کے ساتھ ترقی۔ پاکستان اسٹاک ایکسچینج MSCI فرنٹیئر اور MSCI ایمرجنگ، دونوں درجوں میں بہترین کارکردگی کی حامل رہی۔ حتیٰ کہ سال کے دوران 339 ملین امریکی ڈالر کی غیر ملکی فروخت بھی مارکیٹ کے پرعزم رجحان کے حوصلے پست نہ کرسکی۔

II- کاروبار کا جائزہ

کمپنی نے اینگرو کارپوریشن اور حبکو کے ساتھ اپنا بنیادی سرمایہ کاری پورٹ فولیو جاری رکھا۔ اس سال کے دوران فرٹیلائزرز، غذائی اشیا، کیمیکلز اور توانائی کے شعبہ جات کاروباری دلچسپی کا بنیادی مرکز رہے۔

فرٹیلائزرز

زیر جائزہ مدت میں کھاد کی قیمتیں عالمی تجارتی منڈی میں گراوٹ کے باعث بدستور کم رہیں، تاہم اگست 2016 میں قیمتوں میں گزشتہ سال کی اسی مدت کے مقابلے میں 34 فیصد اضافہ ہوا جو بڑھ کر 240 امریکی ڈالر فی ٹن ہوگئیں، جس سے پاکستان میں فی بوری کھاد کی قیمت بڑھ کر 1,560 روپے ہوگئی۔

ECC نے اینگرو فرٹیلائزر (EFert) کے لئے 26 MMSCFD گیس کی فراہمی کی منظوری دی ہے جو اس کے دو پلانٹس کے عمل کار ہونے کے لئے کافی ہے۔ دوران سال EFert پلانٹ نے طے شدہ ٹرن اراؤنڈ کے باعث 2015 کی 1,968KT کے برعکس 1,881KT یوریا کی پیداوار حاصل کی۔ فروخت کا حجم گزشتہ سال کے مقابلے میں 12 فیصد کم رہا جس کی وجہ مارکیٹ میں 2015 میں بچ جانے والی فاضل کھاد کی اضافی فراہمی تھی۔ EFert کا مارکیٹ کا حصہ گزشتہ سال کے مقابلے میں 4 فیصد کمی کے ساتھ 30 فیصد رہا۔

EFert نے 77,415 ملین روپے کی مجموعی آمدنی حاصل کی جو گزشتہ سال کے مقابلے میں 12 فیصد کم تھی۔ نتیجتاً بعد از ٹیکس منافع (PAT) گزشتہ سال کے مقابلے میں 37 فیصد کمی کے بعد 9,283 ملین روپے ہوگیا۔ اس کمی کے پس پشت کارفرما عوامل میں کم فروخت، متعدد بار قیمتوں میں کمی شامل تھے جن کا ازالہ جزوی طور پر طویل المدت اور قلیل المدت قرضہ جات پر نظر ثانی شدہ کم شرح کی بدولت ہوا۔ مالی سال 2016 کے لئے EFert نے آئندہ سالانہ اجلاس عام میں اپنے حصص یافتگان کی منظوری کے لئے 2.5 روپے فی حصص ڈیویڈنڈ کی تجویز دی ہے جبکہ 4.5 روپے فی حصص کا عبوری ڈیویڈنڈ پہلے ہی ادا کیا جاچکا ہے۔

غذائی اشیا

ECorp نے اپنے پورٹ فولیو کو متنوع بنانے اور سرمائے کی تخصیص کی حکمت عملی کے تحت اپنے مقررہ ترقی کے اہداف کے درمیان سرمایہ کاریوں کو دوبارہ متوازن کرنے کے لئے متعدد اقدامات کئے ہیں۔ ان میں ایسا ہی ایک قدم اپنی سرمایہ کاری کے اکثر حصہ کی اینگرو فوڈز (EFoods) میں تخصیص تھا۔ دسمبر 2016 میں اینگرو کارپوریشن نے EFoods کے 361 ملین حصص، 120.5 روپے فی حصص کی قیمت فروخت پر Friesland Campina Pakistan Holding B.V فروخت کئے۔ جو Royal Friesland Campina M.V (RFC) کی ایک کل ملکیتی ذیلی کمپنی ہے۔ نتیجتاً، ECorp، 40 فیصد کی واضح ملکیت کے ساتھ EFoods کی دوسری بڑی حصص یافتہ کمپنی ہے۔ یہ ڈیل

داؤد ہرکولیس کارپوریشن لمیٹڈ

ڈائریکٹرز کی رپورٹ

داؤد ہرکولیس کارپوریشن لمیٹڈ (کمپنی) کے ڈائریکٹرز 31 دسمبر 2016 کو ختم ہونے والے سال کے لئے مالیاتی سال کی ڈائریکٹرز رپورٹ اور آڈٹ شدہ مالیاتی گوشوارے پیش کرنے میں مسرت محسوس کرتے ہیں۔

معیشت کا جائزہ

1- معاشی منظر نامہ

عالمی معیشت: 2016 کی آخری سہ ماہی میں عالمی معیشت میں ابھرتی ہوئی مارکیٹ کے ممالک کی بہتر صورتحال اور ترقی یافتہ معیشتوں کی مستحکم ترقی جیسے عوامل کے امتزاج کے باعث تیز رفتاری کا رجحان رہا۔ چوتھی سہ ماہی میں عالمی معیشت میں تیسری سہ ماہی کے 2.5 فیصد اضافے سے زائد یعنی 2.7 فیصد اضافہ دیکھنے میں آیا اور عالمی معیشت پورا سال مستحکم ترین رہی۔ چوتھی سہ ماہی کے مستحکم اشاریوں کی بدولت سال 2016 کا مجموعی اضافہ 2.6 فیصد ہوگیا جو اس سے قبل 2.5 فیصد اضافے کی پیشگوئی سے ایک درجہ زائد رہا، تاہم یہ اضافہ 2015 کے 3.0 فیصد سے کافی کم تھا۔ 2016 میں رفتار ترقی میں کمی کے باوجود عالمی معیشت نے مشکل صورت حال میں بھی اپنا سفر جاری رکھا اور بدستور معقول انداز سے کارکردگی کا مظاہرہ کیا۔ شدید ElNino موسمی اثرات کے باعث موسم کی آزمائشی صورتحال نے بعض ممالک بالخصوص ابھرتی ہوئی مارکیٹس کے ممالک میں زراعت کے شعبہ پر شدید منفی اثرات مرتب کئے۔

ترقی پذیر ممالک میں کچھ سہ ماہیوں کی سست رفتار ترقی کے بعد معاشی محرکات بتدریج بہتری کی جانب گامزن ہیں۔ اشیائے صرف کی قیمتوں میں 2016 کی چوتھی سہ ماہی میں شروع ہونے والا اضافہ ابھرتی ہوئی مارکیٹ کے ممالک کی اکثریت کے لئے خوش آئند ہے۔ اس کے باوجود عالمی منظر نامے کو درپیش سب سے بڑا خطرہ تحفظ تجارت (Protectionism) میں اضافے کا رجحان ہے جو کثیر الاقوامی تجارتی معاہدوں کے اس عہد کے اختتام کا باعث بن سکتا ہے، جس نے حالیہ دہائیوں میں عالمی معیشت کا رخ متعین کیا تھا۔ اس سلسلے میں صدر ڈونلڈ ٹرمپ نے 23 جنوری 2017 کو امریکہ کو ٹرانس۔ پیسفک معاہدے (TPP) سے الگ کرنے کا فیصلہ کیا، جو دنیا کی مجموعی ترقیاتی پیداوار (GDP) کے تقریباً 40 فیصد حصے کے برابر ایک عظیم تجارتی معاہدہ تھا اور اس حکمت عملی کا مرکزی عنصر تھا جس کے تحت ایشیا میں چین کے بڑھتے ہوئے کردار کا مقابلہ کرنا مقصود تھا۔ اب سب کی نظریں چین کے خلاف کئے جانے والے ممکنہ اقدامات پر ہیں جو امریکہ کے ساتھ تجارت سے ایک مستحکم منافع حاصل کرتا ہے۔ اگر چین کے خلاف کچھ خاص تجارتی پابندیاں عائد کی جاتی ہیں تو اس کا نتیجہ یقینی طور پر دنیا کی دو سب سے بڑی معیشتوں کے درمیان تجارتی جنگ کی صورت میں برآمد ہوگا۔

مقامی معیشت

اشیائے صرف اور ایندھن کی گرتی ہوئی قیمتیں، توانائی کی دستیابی میں اضافے اور امن عامہ کی بہتر صورت حال کے باعث معاشی ترقی میں پائیدار بحالی کے اشارے ملتے ہیں۔ مالی سال 2016 کے ابتدائی اعداد و شمار صنعتی ترقی میں اضافے کو ظاہر کرتے ہیں۔ مؤخر الذکر میں تیزی کی بنیادی وجہ پاک چین اقتصادی راہداری (CPEC) میں بنیادی ڈھانچوں اور توانائی کے منصوبوں کا آغاز ہے۔

توقع کی جارہی ہے کہ بہتر تجارتی کارکردگی کی بدولت کسی حد تک زرعی شعبے میں ہونے والے نقصانات کا ازالہ ہوسکے گا۔ مزید برآں، خدمات کے شعبے میں بھی مالی شعبہ، معقول آٹو موبائل ریٹیل فروخت، بندرگاہ پر سرگرمی میں اضافے اور ٹیلی کام کے زیادہ منافع کے باعث ترقی کی توقع ہے، اگرچہ تھوک فروشی اور خردہ فروشی میں تاحال بہتری کی ضرورت ہے۔

کچھ فوائد کے باوجود، پاکستان میں انسانی ترقی کے کم اشاروں کی بدولت اس کی افرادی قوت کی پیداواریت اور معاشی ترقی متاثر ہوئی۔ تعلیم کی سہولیات تک رسائی بدستور کم ہے اور پرائمری تعلیم کی تکمیل کی شرح دنیا کی کم ترین شرحوں میں سے ایک ہے۔

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