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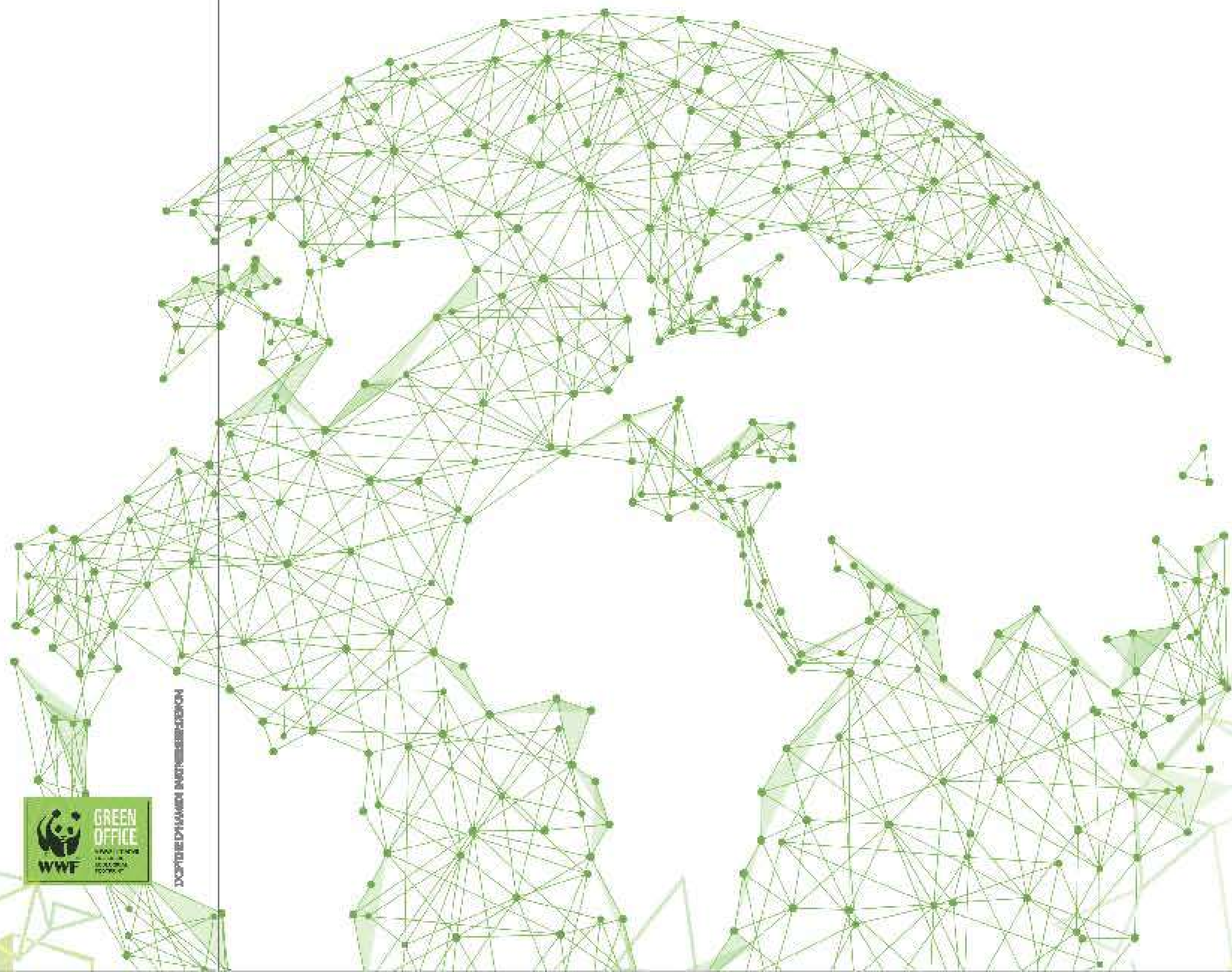
connecting Pakistan for a better tomorrow

Annual Report 2017



about this report

We're pleased to share our 2018 Annual Report, which details how Engro's focus is built into the way we deliver our business results. This report provides a holistic view of how Engro's aim to connect Pakistan to the world — across brands, employees, operations, and business partners — comes together to make meaningful differences in people's lives for a better tomorrow.

Every day, we work to be a force for good and a force for growth. Our aspiration is to positively impact all our stakeholders in each areas of Ethics & Corporate Responsibility, Community Impact, Diversity & Inclusion and Environmental Sustainability.

Engro makes an impact in communities around the country through our people, brands and partners. This report celebrates our collective thinking and our ability to win. By creating an environment where diverse people can come together and offer their best thinking, ideas, performance and more ideas for growth are realized. To amplify this effort, our visual vocabulary is composed of inter-connected dots to convey a stellar sense of connection and interaction as we connect Pakistan to the world, for a better tomorrow.

We aspire to build a better tomorrow for all of us — inside and outside of Engro — free from all boundaries. Which is why we're working to connect with our customers and stakeholders, and we'll do it within our purpose, values and principles. We'll always do it the Engro way, with integrity and with competitive passion. That's Engro at its best.

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contents

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company information

Board of Directors
Hussain Dawood, Chairman
Ghias Khan - President
Muhammad Abdul Aleem
Abdul Samad Dawood
Shahzada Dawood
Muneer Kamal
Waqar Malik
Imran Sayeed
Inam-ur-Rahman
Henna Inam

Chief Executive Officer
Ghias Khan

Chief Financial Officer
Hasnain Moochhala

Company Secretary
Faiz Chapra

Bankers
Allied Bank Ltd
Askari Bank Ltd
Bank Al-Falah Ltd
Bank Al-Habib Ltd
Citi Bank Ltd
Faysal Bank Ltd
Habib Bank Ltd
Habib Metropolitan Bank Ltd
JS Bank Ltd
MCB Bank Limited
Meezan Bank Ltd
National Bank of Pakistan
Soneri Bank Ltd
Standard Chartered Bank (Pakistan) Ltd
Summit Bank Ltd
United Bank Ltd

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

Share Registrar
FAMCO Associates (Private) Limited
8-F, Near Faran Hotel Nursery, Block-6,
PECHS,Shahrah-e-Faisal Karachi.

Registered Office
7th & 8th Floors, The Harbor Front Building,
HC # 3, Marine Drive, Block 4, Clifton,
Karachi-75600, Pakistan
Tel: +92(21) 35297501 – 35297510
Fax:+92(21) 35810669
e-mail: info@engro.com
Website: www.engro.com

key figures

	2017	2016	2015
Sales Revenue (Rs. in million)	128,593	157,208	181,652
Profit After Tax (attributable to owners) (Rs. in million)	9,407	69,107	13,784
Earnings Per Share Rupees	17.96	131.84	26.32
Total Assets (Rs. in million)	323,953	290,333	186,292
Total Equity (Rs. in million)	171,074	159,091	85,873
Capital Expenditure (Rs. in million)	29,883	25,085	9,816
Cash Flow from Operation (Rs. in million)	21,120	4,070	5,968
Dividends (Rs. in million)	17,096	17,735	9,484
Market Capitalization (Rs. in million)	143,910	165,563	146,340

our vision

to be the premier pakistani enterprise with a global reach passionately pursuing value creation for all stakeholders.

core values

Innovation & Risk Taking

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

Health, Safety & Environment

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

Ethics & Integrity

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

Community & Society

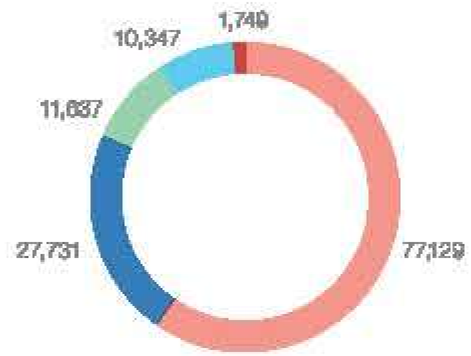
We believe that a successful business creates much bigger economic impact and value in the community, which dwarfs any philanthropic contribution. Hence, at Engro, sustainable business development is to be anchored in commitment to engage with key stakeholders in the community and society.

Our People

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

at a glance

Business Review



128,593
Consolidated Revenue
(Rs. in million)

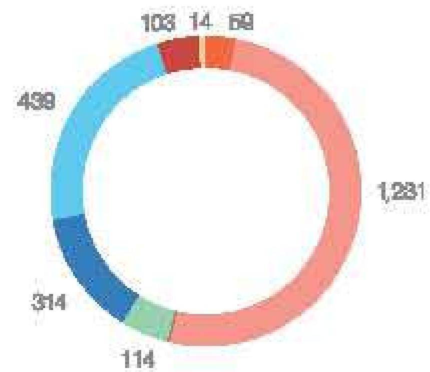
Fertilizers · Polymer · Energy · Terminals · Others

Wealth Distributed

67,668
Wealth Distributed
(Rs. in million)

To Government · To Society · To Employees · Retained for reinvestment and future growth · To Providers of Capital

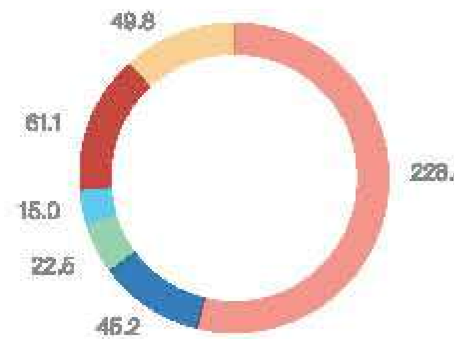
Employees under Management



2,274
Total Employees

Fertilizers · Corporation · Energy · Polymer · Terminals · Digital · EEAP (Edmp)

CSR



422.0
Total Social Spend
in 2017 (Rs. in million)

Livelihoods · Education · Health · Infrastructure · Management · Others

connecting Pakistan
for a better tomorrow

chairman's message

To achieve our vision to be globally competitive we have started by investing in our talent, through institutionalised leadership development, which will contribute to improving our decision making capabilities.

Dear Shareholders,
It is my privilege to write to you once more. For fifteen years, I have been entrusted with the responsibility to serve on the Board of Directors, and during this period I have endeavoured to shape an organisation culture where principle-centred leadership drives business strategy. Principles are needed to maintain consistency in all things, in life and in work. At Engro, we strive to have impeccable character, and live by the highest standards of integrity, thus inspiring trust from others. We endeavour to serve our country, community, and company with humility, and strong belief in the dignity and value of people. We also care deeply about environmental impact and safety of people.

Our country needs business leaders. Leadership is the example we set every moment of our lives. Not because we need to lead others, but because we believe in setting the highest standards of self-respect. As I reflect on the most difficult period in my life, when our new fertilizer project was unable to fulfil our financial obligations, and we were being pushed towards bankruptcy, it was uncompromising adherence to character that guided our decision-making in this time of hardship. Alhamdulillah, we went on to successfully re-negotiate the loans, and establish the foundation for performance.

We believe the role of the Board is as important as the Management and each have their part to play in the leadership of the organization. The Board needs to be far-sighted in its role, while the Management's responsibility is to deliver results. It is my privilege to share that the composition of the current Board includes Directors with competencies in developing vision, leadership, digital innovation, entrepreneurship, risk assessment, infrastructure project implementation, and, effective governance framework.

The development of our people is our highest priority. At Engro, we endeavour to institutionalise learning in an enabling environment where talent is identified and nurtured, as this will contribute to the Company's ambition to be globally competitive.

Engro endeavours to encourage FDI in our country by growth initiatives with international partners such as FrieslandCampina, Royal Vopak, Mitsubishi, China Machinery Engineering Corporation, GEL Nigeria, International Finance Corporation, and Asian Development Bank.

Engro's landmark investment endeavour towards affordably reducing Pakistan's energy deficit through development of indigenous sources, through a successful public-private partnership in Sindh has been cited in numerous publications and was reported by the 'Economist' in an article dated 8th Feb 2018. Engro's passion to serve our country is evident in the rapid progress in development of housing, health, education, technical training, water, and environmental resources for the Thari community.

The Board carried out the annual review of its effectiveness and performance on a self-assessment basis. The overall performance of the Company is a manifestation of service to the stakeholders and society, and every Director has made a valuable contribution towards this end.

On behalf of the Board, it is a distinct pleasure for me to express my gratitude to you for the enduring trust and confidence reposed in us these many years.

Hussain Dawood
Chairman

president's message

Dear Shareholders,
It is my pleasure to share with you the highlights of Engro Corporation's performance in 2017, and talk about a lot of important work that has happened in the last year ensuring a sustainable operating model.

We posted a consolidated profit after tax of PKR 16.2 billion for 2017, up from PKR 12.9 billion a year before. This was excluding the one-off gain from Engro Foods because of our strategic partnership with Royal FrieslandCampina. Revenue was PKR 128,693 million up from PKR 113,880 million the year before. This was again excluding Engro Foods' turnover of the previous year. On a standalone basis, earnings per share were PKR 21.76 with total dividends of PKR 21 per share for the year 2017, depicting a dividend payout of 96.6%.

Early last year our strategic partnership with Friesland Campina had concluded and we were holding excess liquidity with no macro stresses on our businesses. This was a unique time in our history and a fundamental change in our reality. It was critical to adapt the structure of the corporation with clear new objectives and metrics for success to take advantage of this moment.

Engro Polymer's year on year revenue and profitability numbers have been very impressive, and they just declared their first dividend in a decade. In the chemical value chain with the right team, high returns growth through portfolio momentum and new products is very realizable. We believe we have the right team that is why we have just announced a PKR 10B expansion for our polymer business. Similarly Engro Fertilizer beat their commitments in a challenging year. As critically they have put a robust growth plan in place that expands their offerings to pesticides, seeds and a group of powerful enabling services for our nation's farmers. When you are a pioneer in a field, you always deal with the unexpected, but I am happy to say that with over 120 shipments received Engro Elengy has very quickly transformed into a mature business for us. We are also happy to report the turnaround in Eximp Agriproducts, our rice processing, wholesale retail and export business.

Our energy investments were first and foremost a commitment to the country. We entered the energy sector in 2008 with Qadirpur as our first project which continued to do well last year. We followed this up with investments in Thar. We completed the picture this year with making a dedicated energy vertical. We have a clear strategy for our energy enterprises. This organizational realignment will allow us to make the most of that strategy and optimally build on our energy initiatives. We will be able to maximize the value created by the right energy and product mix that will expand to include renewables. It will help us smartly make investments to own the entire generate, store and consume cycle. While we will continue to invest in power generation, we will also be evaluating downstream opportunities in the energy sector. I am happy to communicate that in order to execute this strategy we have renamed Engro Powergen to Engro Energy Limited.

We further took steps to start aligning culture with strategy. This is going to be a core focus for the organization going forward. We have quickly and successfully realigned roles and have many right people in key positions. We have started on the road to a flatter organization and are investing in a systematic roadmap for transforming HR.

We are also in the process of launching Engro Infiniti whose mandate will be to invest in digital businesses. Digital businesses are all about how people, processes and technologies combine to power and sustain great customer experiences. Engro Digital with their focus on the Industrial Internet and Artificial Intelligence will be the first of many businesses under the Engro Infiniti umbrella. We also realized that for our business success stories to continue, we needed to significantly reduce complexity and to be able to execute with agility. Accordingly we have made great progress in instituting an enterprise stack of technologies that allows us to make better decisions faster.

Internally our ceaseless focus on health, safety and environment and corporate governance continued across the group. Externally our CSR activities continued to expand in areas of education, health and livelihood culminating in the awarding of our flagship "I Am The Change" awards with the highest funding in their history. Creating economic value only if it creates value for society will continue to define Engro. This means we will not decouple business results from the wellbeing of people, will continuously measure and improve our green footprint and commit to "shared value" with the communities we operate in.

Our initiatives have positioned us to seize serious growth in 2018. I would like to thank our employees for the hard work they have put in last year. The world is changing and while producing good results under predictable conditions still requires great execution, the right strategy and team delivers strong results in uncertain times. Together we will deliver against our commitments; innovate in core and adjacent areas, go global and make a difference for our customers and positively impact the lives of the people our businesses touch.

I would like to end by saying thank you, our valued shareholders, for the continuing trust and confidence you have placed in Engro Corporation.

Ghias Khan
President & Chief Executive Officer

board of directors

Left to Right (standing)
Muneer Kamal
Shahzada Dawood
Inam-ur-Rahman
Henna Inam
Imran Sayeed
Abdul Samad Dawood

Left to Right (sitting)
Waqar Malik
Ghias Khan (President)
Hussain Dawood (Chairman)
Muhammad Abdul Aleem

board of directors

Hussain Dawood
Chairman

A Pakistani businessman and ardent philanthropist, Hussain Dawood currently chairs the boards of Dawood Hercules Corporation, the group's holding company; Engro Corporation, a diversified conglomerate; 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. He joined the Board in 2003.

Ghias Khan
President

Ghias Khan is the President and Chief Executive Officer of Engro Corporation Limited. Before being appointed President and CEO, he had held several roles across the Dawood Hercules Group of Companies, most recently being the Executive Director of Dawood Hercules.

Prior to Engro, Ghias remained the Chief Executive of Inbox Business Technologies for 15 years and, under his leadership, Inbox grew to 1900 employees. He helped in pivoting Inbox from a computer manufacturer to a systems integrator, and then to a technology-enabled digital services company. In his final year at Inbox, it was voted the largest technology company in Pakistan by Domestic Spend. He also served as Chairman of the Board of Elixir Securities for over 3 years.

At Engro, Ghias has played a critical role in developing a 'digital first' vision and a strategic plan to guide the entire group of companies. He also remains a strong believer in social enterprise and the responsibility of businesses toward environmental and human wellbeing.

Ghias holds an MBA from the Institute of Business Administration in Karachi.

Muhammad Abdul Aleem
Director

Mohammad Abdul Aleem is a Fellow Chartered Account (Gold Medalist) as well as a Fellow member of the Institute of Cost and Management Accountant. Mr. Aleem started his career with A. F. Ferguson & Co., an associate of Pricewaterhouse, then worked for National Refinery Ltd., before moving on to a Senior Executive role in Exxon Chemicals Pakistan, which is now known as Engro Corporation. During his 16 years with Exxon / Engro he served both in Pakistan and in Singapore. Mr. Abdul Aleem joined Pakistan Tobacco Co. in 1991 as its CFO before being elevated in 1995 as the CEO of British American Tobacco subsidiaries overseas based in Cambodia and subsequently in Mauritius looking after the Indian ocean region. On return to Pakistan in 2004, Mr. Aleem was inducted in leadership positions for leading GOP owned corporations, PTCL and PIA before moving on as Managing Director, Pakistan State Oil Company. Currently he is the CEO and Secretary General of Overseas Investors Chamber of Commerce and Industry (OICCI).

Mr. Abdul Aleem has been active also on the corporate governance front and has in the past been a board member of LUMS and Pakistan Refinery and Chairman of Faysal Asset Management Company, TIP. Currently, he is the Board member and Chairman Audit Committee of Engro Corporation, Meezan Bank and Dawood Hercules Corporation. Mr. Abdul Aleem also support leading non profit organizations in the field of education and is currently the Vice Chairman of Professional Education Foundation and Chairman of Intellect School Board. He joined the Engro Board in 2015.

Abdul Samad Dawood
Director

Samad Dawood is 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. He is a graduate in Economics from University College London, UK.

He joined the Board in 2009.

Shahzada Dawood
Director

Shahzada Dawood serves as a Director on the Boards of Engro Corporation Limited and Dawood Lawrencepur Limited. He is Chairman of Inbox Business Technologies, an enterprise digital services firm and a Trustee of The Dawood Foundation, supporting education initiatives.

Shahzada 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.

He joined the Board in 2003.

Muneer Kamal
Director

Muneer Kamal, the Chairman of Pakistan Stock Exchange, has over 35 years of extensive experience in the banking and financial sector. He is CEO of Karachi Education Initiative since 2015. Mr. Kamal's career started with Citibank where, between November 1979 and July 1994, he served locally and internationally on various senior positions including Director, Head of Country Public Sector and Financial Institutions.

Mr. Kamal then joined Faysal Bank Ltd. as President/CEO. He also held position of President/CEO, and then as Vice Chairman and COO (International) of Union Bank Ltd. He was associated with KASB Group, first as President/ CEO of KASB Bank Limited from November 2005 to August 2010 and then as Vice Chairman of KASB Group.

Mr. Kamal has also served as Chairman of National Bank of Pakistan, Trustee of Shaukat Khanum Memorial Cancer Hospital and as Director of New Horizon Exploration & Production Ltd., Government Holdings (Private) Ltd., Karachi School of Business & Leadership and Engro Corporation Ltd.

Mr. Kamal has an MBA degree from the University of Karachi. He joined the Board in 2015.

Waqar Malik
Director

Waqar Malik is a fellow of The Institute of Chartered Accountants in England and Wales and is also an Alumnus of the Harvard Business School and INSEAD.

His corporate and business experience spans over 30 years across three continents. A specialist in Strategy, Corporate/Business leadership and Board Governance, his professional experience includes managing and leading businesses in the petrochemicals, consumer and the life sciences industry. Outside his career, Mr. Malik has actively contributed to the development of Pakistan both in public and the private sectors.

He had an illustrious career spanning over 27 years with Fortune 500 companies. His career with the ICI Plc group based in the UK and then Akzo Nobel in the Netherlands provided opportunity to work in Europe and the Americas. In Pakistan, he was the Country Head of ICI Plc's operations – the largest foreign investment in the chemical sector at the time. For over 10 years he served as the CEO of ICI Pakistan Limited and also the CEO and Chairman of Lotte Pakistan Limited (formerly Pakistan PTA Limited). Mr. Malik moved on from ICI Pakistan Limited in December 2012 post divestment of majority shareholding of the foreign sponsor in ICI Pakistan Limited to a local group. He has vast experience in managing functional teams as well as leading large and complex manufacturing based operations and M&A activities in the emerging markets.

He is a certified director of Pakistan Institute of Corporate Governance (an IFC sponsored body) and member of its visiting faculty.

Currently he is also serving as the Board Member & Chairman, PPL; Board Member, TPL Direct Insurance Limited; Advisory Board, IBA (Institute of Business Administration); Board Member, British Business Centre.

Previously Mr. Malik has served as the Board Member, State Bank of Pakistan and Chairman of its Audit Committee, member HR Committee; President, OICCI (Overseas Investors Chamber for Commerce and Industry); President, Management Association of Pakistan; Board Member, Lahore University of Management sciences; Board Member, Indus Valley School of Art & Architecture; Chairman, Sui Southern Gas; Board member, Engro Polymer Limited; Board Member, IGI Insurance Limited.

Mr. Malik has been active in philanthropic activities; he is a Trustee of I-Care Pakistan. He was awarded Prince of Wales medal as a Trustee of the Prince of Wales Pakistan Recovery Fund for the flood victims in 2010.

Mr. Malik joined the Board of Engro Corporation in 2015, and also serves as the Chairman of the Company's Board Compensation Committee.

Imran Sayeed
Director

Imran Sayeed is part of the Entrepreneurship and Innovation faculty at the MIT Sloan School of Management where he teaches Disruptive Technologies, New Business Models, Software and Internet Entrepreneurship, and Global Innovation in Large Companies. He is also the founder of Teach the World Foundation, a non-profit that promotes a scalable approach for children's literacy using low-cost tablets and educational games. Sayeed also serves on the board of directors of Engro Corp, one of the largest publicly traded conglomerates in Pakistan and on the board of advisors of HERE Technologies, the largest mapping and navigation company in Europe.

Previously Sayeed was CTO and head of the Digital practice for NTT Data, the 6th largest technology consulting company in the world with 75,000 employees in 45 countries and $16 Billion in annual revenue. In this role, he helped clients realize the business value of digital investments, and helped them compete against the hottest upstarts in their industry. Sayeed also led global innovation across NTT DATA focusing on Disruptive, Incremental, Top Down, Grassroots, Industry-specific and Horizontal innovation and the mechanisms for developing, measuring and creating impact across 4 continents. Sayeed came to NTT through its acquisition of Keane, where he led a 7000 person, $750MM technology consulting organization spanning North America, Europe and Asia and providing end to end IT services from strategy to implementation and outsourcing.

Prior to Keane , Sayeed was an entrepreneur for 13 years, having founded 2 successful software product and services companies. He was part of the founding team of Open Environment, a leading middleware product company that he helped grow from a 10-person startup to an IPO in 1995. He then started NetNumina, a technology strategy and consulting form that he led as Chairman and CEO and grew from a 15 person startup to one of Computerworld's Top 100 emerging companies and Inc 500's fastest growing businesses, and subsequently sold to Keane in 2005.

He was also the founding global President of OPEN, an entrepreneurship and leadership organization, which has over 5000 executives and entrepreneurs in 14 cities around the world. He also holds a patent on internet security technology he jointly developed with Citibank. Sayeed was named by Computerworld as one of the Premier 100 IT Leaders for 2013. Sayeed has been featured in the Wall Street Journal, Forbes, Harvard Business Review and most of the leading business and technology publications for his work on entrepreneurship, digital technologies, and innovation. He is a keynote speaker at global conferences on these topics in North and Central America, Europe and Asia.

Sayeed attended Brown University where he majored in Engineering, and Harvard University, where he did post-graduate work in business, marketing and product development.

Henna Inam
Director

Henna Inam is the CEO of Transformational Leadership Inc., an organization that helps Fortune 500 companies grow transformational leaders. She is a former C-suite executive of Fortune 500 companies who drove transformation throughout her corporate career including roles as: Global Head e-Innovation at Novartis, Chief Marketing and Innovation Officer, Region President for the Americas at a division of Novartis.

Henna founded Transformational Leadership Inc. in 2010 to help organizations develop authentic and agile leaders who create cultures of innovation, trust, inclusion, and growth. She is an executive coach and trusted advisor to C-suite leaders, a global speaker, and author of the book Wired for Authenticity.

Henna has 20 years of experience working at Procter & Gamble and Novartis, including functional experience in Marketing, Finance, and Sales. As Chief Marketing Officer, Henna ran marketing for a $2 billion global business and as Region President she managed a $600 million P&L. As Country General Manager for Gerber Products Company in Mexico, Henna and her team tripled the rate of innovation and were pivotal in turning around the operations. She was recognized by Novartis in 2006 for their top Performance Excellence award.

Henna brings significant global experience, having lived or worked in seven countries across three continents. She is a frequent speaker on leadership and a blogger for Forbes. She has appeared on Fox Business, NPR, and is quoted in Fortune/CNN/Money online.

Committed to several non-profits that share her passion for the advancement of women in leadership, Henna is on the Board of Counselors for Carter Center in Atlanta, GA, and an organizer for TEDxWomen in Atlanta. She is also a founding charter member of OPEN Atlanta. OPEN is the largest Pakistani entrepreneurship and leadership organization in the world. She is on the global board of Developments in Literacy (DIL) which educates 25,000 children in Pakistan.

Henna received her BBA degree in Finance from the University of Texas at Austin, an MBA from the Wharton School at the University of Pennsylvania and completed Executive Education programs at the Harvard Business School.

Inam-ur-Rahman
Director

Inam ur Rahman is currently the Chief Executive Officer of Dawood Hercules Corporation. In the recent past, he has led the renewable businesses of the group as CEO of Reon Energy Limited, and also put up a 50MW wind power plant Tenaga Generasi Limited. With more than 25 years of professional experience Mr. Rahman has expertise across a spectrum of industries including renewable energy, foods, textiles, fashion & apparel, lifestyle, and business consulting.

His present portfolio of directorships includes Engro Corporation Limited, Hub Power Company Limited and Cyan Limited. He has earlier also served as a director on the Boards of Sui Northern Gas Pipelines Limited, Dawood Lawrencepur Limited, Sind Engro Coal Mining Company, Laraib Energy Limited, SACH International Limited, and Pebbles Private Limited.

He holds a Bachelors of Electronic Engineering from University of Engineering & Technology from Lahore and a Masters of Business Administration from Lahore University of Management Sciences (LUMS). Inam 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.

He joined the Board in December 2016.

governance control framework

Internal Control Framework

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

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

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

Review
The Board meets quarterly to consider Engro's financial performance, financial and operating budgets and forecasts, business growth and development plans, capital expenditure proposals and other key performance indicators. The Board Audit Committee receives reports on the system of internal financial controls from the external and internal auditors and reviews the process for monitoring the effectiveness of internal controls.

There is a companywide policy governing appraisal and approval of investment expenditure and asset disposals. Post completion reviews are performed on all material investment expenditure.

Audit
Engro has an internal Audit function. The Board Audit Committee annually reviews the appropriateness of resources and authority of this function. The Head of Internal Audit functionally reports to the Audit Committee.

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

Directors
As at December 31, 2017, the Board comprises of one executive director, three independent directors and six non-executive directors. The Board has the collective responsibility for ensuring that the affairs of Engro are managed competently and with integrity.

A non-executive Director, Mr Hussain Dawood, chairs the Board and the Chief Executive Officer is Mr. Ghias Khan. Biographical details of the Directors are given previously in this section.

A Board of Directors' meeting calendar is issued annually which schedules the meetings of the Board and the Board Audit Committee. The full Board met 13 times including meetings for longer term planning, giving consideration both to the opportunities and risks of future strategy.

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

statement of compliance with the code of corporate governance

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in the 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 CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. As at December 31, 2017 the Board included the following members:

Category	Name
Independent Directors	Waqar Malik Imran Sayeed Ms. Henna Inam
Executive Director	Ghias Khan
Non-Executive Directors	Hussain Dawood Abdul Samad Dawood Shahzada Dawood Muhammad Abdul Aleem Muneer Kamal Inam ur Rahman

The independent directors meet the criteria of independence under clause I (b) of the CCG.

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

4. Two casual vacancies occurred on the Board on March 10, 2017 and July 24, 2017, which were filled up by the directors within the stipulated timelines.

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

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

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

8. All the meetings of the Board were presided over by the Chairman and in his absence, by a Director elected by the Board to chair the meeting. The Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers were circulated at least seven days before the meetings, except for meetings held on short notice to discuss deffered items from previous meeting. The minutes of the meetings were appropriately recorded and circulated.

9. Five directors have attended the directors' training course conducted by the Pakistan Institute of Corporate Governance (PICG) this year. Three of the directors are exempted from taking the directors training course and the remaining two directors will attend this course in the future.

10. The Board has approved the appointment of the CFO in the current year and also approved the remuneration and terms and conditions of employment of Company Secretary and Head of Internal Audit.

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

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

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

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

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

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

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

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

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

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

21. The "closed period", prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to Directors, employees and stock exchange.

22. Material/price sensitive information has been disseminated among all market participants at once through the 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. We confirm that all other material principles enshrined in the CCG have been complied with.

Hussain Dawood
Chairman

Ghias Khan
President & CEO

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Engro Corporation Limited (the Company) for the year ended December 31, 2017 to comply with the Code contained in the Regulations of 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 financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2017.

Chartered Accountants
Karachi
Date: March 21, 2018
Engagement Partner: Waqas A. Sheikh

statement of compliance with the public offering regulations, 2017

This statement is being presented to comply with the requirements under Public Offering Regulations 2017 issued by the Securities and Exchange Commission of Pakistan. This Statement of Compliance is for the year ended December 31, 2017.

Engro Corporation Limited (the Company) entered into an arrangement for issue of Sukuk-1 and Sukuk-2 amounting to Rs. 3,000 Million (repaid during the year) and Rs. 1,000 Million respectively, on July 10, 2014 for a period of 3 years and 5 years respectively. We state that the Company is in compliance with the Sukuk features and Shariah requirements in accordance with Public Offering Regulations, 2017.

We specifically confirm that:

- The Company has established policies and procedures for all Sukuk related transactions to comply with Sukuk features and Shariah requirements;

- The Company has implemented and maintained such internal control and risk management systems that are necessary to mitigate the risk of non-compliances of the Sukuk features and Shariah requirements, whether due to fraud or error;

- The Company has a process to ensure that the management and where appropriate those charged with governance, and personnel responsible to ensure the Company's compliance with the Sukuk related features and Shariah requirements are properly trained and systems are properly updated.

The Sukuk features and Shariah requirements in accordance with Public Offering Regulations, 2017 comprises of the following:

a) Requirements of Shariah Structure and Transaction Documents as stated in the Prospectus, with respect to issuance of Sukuk-1 & Sukuk-2:

a. Declaration of Trust
b. Musharaka Agreements
c. Master Murabaha Facility Agreements
d. Payment Agreements
e. Purchase Undertaking
f. Asset Purchase Agreement
g. Deed of Floating Charges
h. Murabaha Agency Agreement
i. Agency Agreement

b) Guidelines of the relevant Shariah Standards, issued by the Accounting and Auditing Organization of the Islamic Financial Institutions (AAOIFI), as notified by the Securities and Exchange Commission of Pakistan (the SECP);

c) Requirements of the relevant Islamic Financial Accounting Standard as notified by the SECP; and

d) Other compliances specified in the Public Offering Regulations 2017 issued by the Securities and Exchange Commission of Pakistan.

Hussain Dawood
Chairman

Ghias Khan
President & CEO

independent assurance report to the board of directors on the statement of compliance with public offering regulations, 2017

Scope of our work

We have performed an independent assurance engagement of Engro Corporation Limited (the Company) to express an opinion on the annexed Statement of Compliance (the Statement) with the requirements of Public Offering Regulations, 2017 as notified by the Securities and Exchange Commission of Pakistan as of December 31, 2017.

Applicable Criteria

The criteria for the assurance engagement against which the underlying subject matter (Statement of Compliance for the year ended December 31, 2017) is assessed comprises of compliance with the features and Shariah requirements of Sukuk in accordance with the requirements of Public Offering Regulations, 2017. Our engagement was carried out as required under Rule 13 of Chapter VII of the Public Offering Regulations, 2017 as notified by the Securities and Exchange Commission of Pakistan.

Responsibility of Company's Management

The responsibility for the preparation and fair presentation of the Statement (the subject matter information) and for compliance with the features and Shariah requirements of Sukuk in accordance with the requirements of Public Offering Regulations, 2017 is that of the management of the Company. The management is also responsible for the design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant documentation/records. The management is also responsible to ensure that the personnel involved are conversant with the Criteria for the purpose of the Company's compliance.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, And Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of Independent Assurance Provider

Our responsibility is to express our conclusion on the Statement for the year ended December 31, 2017 based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagements 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' (ISAE 3000). This standard requires that we plan and perform the engagement to obtain reasonable assurance about whether the annexed Statement reflects the status of the Company's compliance with the features and Shariah requirements of Sukuk in accordance with the requirements of Public Offering Regulations, 2017 and is free from material misstatement.

The procedures selected by us for the engagement depend on our judgment, including an assessment of the risks of material non-compliances with the Criteria. In making those risk assessments; we have considered internal controls relevant to the Company's compliance with the Criteria in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Company was not materially non-compliant with the Criteria. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Our procedures applied to the selected data primarily comprised of:

- Inquiry and evaluation of the systems, procedures and practices in place with respect to the Company's compliance with the Criteria;
- Verification of Sukuk related transactions on sample basis to ensure the Company's compliance with the Criteria during the year;
- Review of Shariah structure and transaction documents, term sheet and Shariah approval letter issued by the Shariah Advisor of the Sukuk; and
- Review of the annexed Statement based on our procedures performed and conclusion reached.

We believe that the evidences we have obtained through performing our aforementioned procedures were sufficient and appropriate to provide a basis for our opinion.

Conclusion

Based on our independent assurance engagement, in our opinion, the annexed Statement for the year ended December 31, 2017 has been prepared, in all material respects, in compliance with the features and Shariah requirements of Sukuk in accordance with Public Offering Regulations, 2017.

Chartered Accountants
Karachi
Date: March 28, 2018

Engagement Partner: Waqas. A. Sheikh

energizing Pakistan
for a better tomorrow

directors' report

Principal Activity

The principal activity of the Company is to manage its investments in subsidiaries, associates and joint ventures, engaged in fertilizer manufacturing and trading, PVC resin manufacturing and marketing, food, power generation, coal mining, LNG and bulk chemical handling terminal and storage businesses.

Business Overview

Pakistan's economic growth continued to accelerate in FY 2017 to 5.3%, somewhat below the government's target of 5.7% as industrial sector growth was slower than expected. The current account deficit widened to 4.1% of GDP compared to 1.7% last year, amid weak exports and buoyant imports. Economic activity has continued to expand, driven by robust domestic demand related to CPEC projects. However, political uncertainty and weak tax revenues have dampened the generally encouraging economic performance.

The Country's improved economic performance is also evident in our results. Engro Corporation had consolidated revenue of PKR 128,593 million vs. PKR 157,208 million during 2016 representing a decline of 18% from last year.

However, the decline is due to the fact that Engro Foods' revenue is no longer consolidated in the results of Engro Corporation with effect from its partial divestment late in 2016. Excluding Engro Foods' turnover of the previous year, revenue grew by 14% with major contribution from Fertilizers and Petrochemicals businesses.

The Company posted consolidated profit-after-tax (PAT) from continuing operations of PKR 16,290 million as opposed to PKR 12,912 million during 2016 representing an increase of 26%. The increase in profit is attributable to improved market fundamentals resulting in increased profitability in the fertilizer and petrochemicals businesses. Profitability was also augmented by steady performances of terminal services and power businesses. In spite of partial divestment of fertilizers and foods businesses during 2016 and adverse taxation impacts arising from Super Tax and Tax on inter-corporate dividends, the Earnings per share from continuing operations clocked at PKR 17.96 compared to PKR 16.69 for 2016.

Consolidated
Revenue
(Rs. in million)

128,593

2017

Consolidated
Profit After Tax*
(Rs. in million)

9,407

2017

*attributable to the owners of the holding company

A segmental review of business performance is as follows:

Business (PKR in Mn)	Revenue			Profit After Tax		
	2017	2016	Growth	2017	2016	Growth
Fertilizers	77,129	69,537	11%	11,156	9,263	20%
Polymer and chemicals	27,731	22,854	21%	2,053	660	211%
Energy	11,637	11,484	1%	1,713	1,463	17%
Terminals	13,679	12,116	13%	4,130	3,539	17%
Foods	36,403	44,797	(19%)	99	1,906	(95%)

engro fertilizers

Globally, urea demand in 2018 is expected to grow marginally by 1.7%, while supply is expected to trend moderately higher with new capacities entering the global market.

Fertilizer business profitability expanded over 20% over the last year primarily due to higher urea domestic offtake and exports amounting to 1,739 KT and 223 KT respectively, further augmented by regularization of gas prices for Plant 1 post allocation. The business continued to operate both of its plants due to continued gas availability. However, the domestic industry continues to face challenges in the guise of subsidy accumulation and long lead time in its disbursements. During the year, the business also created a footprint in the Seeds and Pesticides business and is also evaluating other businesses in the Agri space.

Revenue

(Rs. in million)

77,129

2017

engro polymer & chemicals

EPCL continued its journey of economic consolidation by catering most of the domestic demand. With the recent announcement of expansion plans and a newly developed vision, the Company is prepared to lead Pakistan in the space of polymers and other allied chemicals.

Polymer business profitability tripled as compared to last year. The dynamics of vinyl segment turned favorable due to improving international dynamics coupled with strong demand offtake in the country. Ethylene procurement remained challenging during the year as the primary supplier had declared force majeure in 2017, limiting supplies. Since the business had diversified its supplier base, it was able to procure ethylene from the international market and continue to run smooth plant operations. Reliable plant operations along with efficiency ratios supported the bottom line and shareholder value.

Revenue
(Rs. in million)

27,731

2017

engro energy (formerly known as engro powergen)

In partnership with the government, the Thar mining and power projects are expected to remain on track for completion by June 2019 to help resolve the energy crisis in the country.

Within our Energy sector assets, the Qadirpur power generation plant steadily performed in line with expectations. However, circular debt continues to be a persistent problem in the domestic energy sector. In partnership with the government, the Thar coal mining and power generation projects are progressing ahead of their schedules and are expected to remain on track for completion by June 2019 to help resolve the energy crisis in the country.

Revenue
(Rs. in million)

11,637

2017

engro vopak

LPG imports have witnessed growth over the last couple of years and we expect a stable trend to continue. The business shall continue to explore new opportunities to increase shareholder value.

Engro Vopak Terminal recorded a modest volumetric increase of 5% for chemicals and LPG handled over last year, which is mainly attributable to higher imports. During the year, the terminal successfully installed phosphoric acid pipeline resulting in an improved jetty occupancy. Further, the business completed 20 years of safe operations without lost work injury in November 2017.

Revenue
(Rs. in million)

3,215

2017

engro elengy terminal

Elengy Terminal positively playing its role in alleviating energy shortage faced by Pakistan with a stable outlook for 2018.

Elengy Terminal handled 70 cargoes during the year as compared to 44 cargoes during the last year. The availability factor remained at 97.64% for the year. The business successfully executed an Amendment Agreement to the LNG Operations and Services Agreement with Sui Southern Gas Company Ltd (SSGCL) during the year for the increased quantity of gas amounting to 200 MMSCFD which SSGCL had started utilizing from January 2017.

Revenue
(Rs. in million)

10,464

2017

engro foods

Despite current challenges faced by the business the acquisition by Royal FrieslandCampina has paved the way for innovations and operational efficiencies in processes that have resulted in cost savings.

Engro Foods' profitability decreased from last year owing to continuous decline in the Specialized Tea Creamer category due to the cost pressures following the tax legislative changes announced in the previous year, followed by price increases placing the business at a disadvantage to loose milk. Further, competition has also been intensifying in the recent past with the entry of multiple players on the back of discounting, especially in rural areas.

Revenue
(Rs. in million)

34,653

2017

engro eximp agri products

The business exported 11,950 tons of rice during 2017, an increase of 33% year-on-year.

An increased focus on the Rice business followed by business restructuring, fixed costs rationalization, improvement in operational efficiencies and reducing commodity price risk exposure resulted in significantly lowering its losses. The business achieved an 82% increase in the quantity of rice processed over last year. The business exported 11,950 tons of rice during 2017, an increase of 33% year-on-year.

Revenue
(Rs. in million)

1,749

2017

Engro Corporation continues to seek new opportunities in partnership with international players. Engro and GE have formed a strategic alliance bringing together Engro's deep vertical domain knowledge in multiple industries with GE's world class applications platform. During October 2017, Engro and GE Power signed a 10-year agreement to implement the Asset Performance Management (APM) solution, powered by GE's Predix platform, at six power plants. The APM solution will enable Engro to boost the operational reliability of the equipment installed at these facilities. Further, Buckman Laboratories International Inc. has also entered into a strategic alliance with Engro to deliver process and reliability optimization to utilities and industries.

Capital Investment, Capital Structure and Finance

On an on-going basis, the Company continues to concentrate on creating long-term sustainable shareholder value by optimizing capital allocation to desired sectors in line with the allocation strategy representing a mix of dividend and growth opportunities. The Company aims to rebalance its investments and diversify its business in line with its long-term strategy.

Consolidated long-term borrowings at year end increased to PKR 90,743 million from PKR 73,118 million at 2016 yearend, primarily due to drawdowns for Thar coal power project. The gearing for the year ended 2017 is 35:65 vs. 30:70 as at 2016 yearend representing a healthy balance sheet which allows the Company to increase leverage for future growth opportunities.

Consolidated cashflows improved significantly as a result of improved profitability of fertilizer and chemicals businesses. Operating cash flows were carefully allocated for required capital expenditures throughout the year to ensure plant reliability, volumetric growth and operating efficiency.

Credit Rating

Pakistan Credit Rating Agency in its annual review of the credit worthiness of certain businesses has assigned the following credit ratings:

Company	Long-term rating	Short-term rating
Engro Corporation Limited	AA	A1+
Engro Fertilizers Limited	AA-	A1+
Engro Polymer and Chemicals Limited	A+	A1+
Engro Powergen Thar (Private) Limited	A	A1
Engro Elengy Terminal (Private) Limited	A	A1
Engro Eximp Agriproducts (Private) Limited	A-	A2

These ratings reflect the entities' financial and management strength as well as favorable credit standing.

Social Capital

Our social investments programs are managed by Engro Foundation – the single CSR front for all Engro companies. Engro Foundation is primarily focused on human development through primary education in our communities and training of the under privileged in our value chains. Health, infrastructure projects in communities and advocacy of important issues such water conservation are other areas of focus. In philanthropy the "I am the Change" awards sponsored by Engro Foundation, rewards social change makers in society who are making a significant contribution.

The Foundation's core focus is generating sustainable impact through the principle of business inclusiveness. The purpose is to connect the under privileged to Engro's value chains to ensure sustainability. The Foundation does this by designing programs in coordination with Engro companies and its social development partners towards including the under privileged into the business value chain. The Foundation ensures strong corporate governance and controls ensuring the CSR contribution is properly spent and impact is being made as per the project's KPIs and benchmarks. A strong monitoring and evaluation framework is put in place on all programs. Creating sustainable impact is the primary performance indicator of the social investment.

Foundation's flagship projects for the year included Pathways to Success funded by USAID which trained 1,500 girls offering vocational training to young women in Ghotki and Karachi, SEaDSnet which trained 50 female entrepreneurs in the dairy value chain in collaboration with DEG funding and an environment conservation and sustainable livelihoods program with IUCN and WWF on the Karachi coast near Port Qasim around our businesses.

As an organization Engro realizes a strong and sustainable society enables our stakeholders to thrive. Encouraging our employees towards volunteerism, advocating for progressive economic and social policies with Government and giving philanthropy awards to social development organizations and enterprises through our "I am the Change" platform reflects our commitment to strengthen society and ensuring a sustainable Pakistan.

Health, Safety & Environment

At Engro, we believe in leading by example and that is why we undertake strategic investments that incorporate a strong consideration for the safety of our people, plants and the planet at large. A detailed report on HSE performance and development in 2017 is available in the Integrated Report.

Risk Management Framework

Engro Corporation and its subsidiaries use the Lean Enterprise Risk Management framework in assessing and managing risk. It is our policy to view risk management as integral to the creation, protection and enhancement of shareholder value by managing the uncertainties and risks that could possibly influence the achievement of our corporate goals and objectives. Each subsidiary assesses the probability and impact of risk that the entity is exposed to and assigns responsibilities to manage those risks throughout the organization. The intent is to manage and mitigate risks in a structured and formalized manner. Under the framework all subsidiaries are required to develop formalized policies/SOPs along with periodic review and reporting of risks and mitigation strategies. The Boards of each subsidiary reviews the key risks and mitigation identified as a result of the above framework.

Engro Corporation has identified the following key risks and mitigation strategies:

Liquidity risk:

The purpose of our treasury policies is to ensure availability of sufficient funds to meet contractual commitments and requirements for potential portfolio growth. We mitigate liquidity risk through internal cash generation and committed facilities with financial institutions.

Interest rate risk:

Our investment of surplus funds exposes us to interest rate risk. We mitigate this risk by regularly monitoring interest rates for adverse movements and investing funds in short-term instruments.

Credit risk:

Careful selection of strong financial institutions with a high credit rating helps us mitigate this risk.

Foreign exchange risk:

Our investment portfolio exposes us to foreign exchange risk. By viewing the portfolio as a whole, we ensure that adequate natural hedges exist as far as possible.

Economic and Regulatory risk:

Continuous and pro-active efforts and dialogue with policy makers helps our businesses to respond to the challenges posed by economic conditions and regulatory challenges.

Pension, Gratuity and Provident Funds

Engro Corporation maintains plans that provide post-employment and retirement benefits to employees across the Group. These include Defined Contribution (DC) and Defined Benefit (DB) pension plans (both curtailed), DC provident fund, DC gratuity and DB gratuity plans.

DB plans are funded schemes recognized by the tax authorities. The latest actuarial valuation of DB pension and gratuity schemes was carried out at December 31, 2017 and the financial statements of these have been audited up to December 31, 2016.

The latest audited accounts for the provident fund cover year ended June 30, 2017 and for the DC gratuity and DC pension funds cover year ended December 31, 2016. The Company has fully paid its obligations on all the above schemes.

The value of net assets of provident fund (as at June 30, 2017), gratuity funds (as at December 31, 2016) and pension funds (as at December 31, 2016) based on their respective audited accounts are:

Name of Fund	Net Assets (PKR)
DC Provident Fund	3,942 million
DC Gratuity Fund	1,425 million
DC Pension Fund	689 million
DB MPT Gratuity Fund	245 million
DB Non-MPT Gratuity Fund	170 million
DB Pension Fund	34 million

Auditors

The existing auditors, A.F. Ferguson & Co., Chartered Accountants retire and being eligible, have offered themselves for re-appointment. The Board Audit Committee recommends their appointment as auditors for the year ending December 31, 2018.

Pattern of Shareholding

Major shareholders of Engro Corporation are The Dawood Group including Dawood Hercules Corporation Limited. Other shareholders include local and foreign institutions and the general public.

Pattern of Shareholding

Major shareholders of Engro Corporation are The Dawood Group including Dawood Hercules Corporation Limited. Other shareholders include local and foreign institutions and the general public.

A statement of the general pattern of shareholding along with pattern of shareholding of certain classes of shareholders whose disclosure is required under the reporting framework and the statement of purchase and sale of shares by Directors, executives and their spouses including minor children during 2017 is shown in the shareholding section of this report.

Board of Directors

The Board of Directors reviews all significant matters of the Company. These include Company's strategic direction, annual business plans and targets, decision on long-term investment and borrowings. The Board of Directors is committed to maintain high standards of Corporate Governance.

Statement of Director Responsibilities

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

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

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

iii. Appropriate accounting policies have been consistently applied in preparation of the financial statements except for changes resulting on initial application of standards, amendments or interpretations to existing standards and reclassification of capital spares. Accounting estimates are based on reasonable prudent judgment

iv. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures there from have been adequately disclosed.

v. The system of internal control is sound in design and has been effectively implemented and monitored.

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

vii. There is no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Board & Board Committees Meetings and Attendance

In 2017, the Board of Directors held 13 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

Directors Name	No. Of Meetings	Meetings Attended
Mr. Hussain Dawood	13	11
Mr. Ghias Khan*	13	13
Mr. Muneer Kamal	13	13
Mr. Waqar Malik	13	13
Mr. Abdul Samad Dawood	13	10
Mr. Shahzada Dawood	13	10
Mr. Muhammad Abdul Aleem	13	11
Mr. Inam Ur Rahman	13	11
Mr. Imran Sayeed	13	13
Mr. Saad Raja**	4	4
Ms. Henna Inam***	3	3

* Resigned as Director on 10 Mar 2017 consequent to being appointed as CEO on 01 Dec 2016
** Appointed as Director on 13 Mar 2017; resigned before term completion on 24 Jul 2017
*** Appointed as Director on 20 Oct 2017

The Board Compensation Committee met 8 times during 2017. The attendance record of the Committee is as follows:

Directors Name	No. Of Meetings	Meetings Attended
Mr. Abdul Samad Dawood	8	6
Mr. Shahzada Dawood	8	4
Mr. Abdul Aleem	8	8
Mr. Waqar Malik	8	8
Ms. Henna Inam*	1	1

* Appointed as Director on 20 Oct 2017

The Board Audit Committee held 4 meetings during 2017. The attendance record of the Committee is as follows:

Directors Name	No. Of Meetings	Meetings Attended
Mr. Muhammad Abdul Aleem	4	4
Mr. Waqar Malik	4	4
Mr. Muneer Kamal	4	4

The Board Investment Committee met 3 times during 2017. The attendance record of the Committee is as follows:

Directors Name	No. Of Meetings	Meetings Attended
Mr. Abdul Samad Dawood	3	3
Mr. Inam Ur Rahman	3	3
Mr. Muneer Kamal	3	3
Mr. Imran Sayeed	3	3

Dividend

The Board is pleased to propose a final cash dividend of PKR 2.00 per share for the year ended December 31, 2017. The total dividend attributable to the year is PKR 21.00 per share including the total interim cash dividends of PKR 19.00 per share during the year.

Future Outlook

Over the past few years, Pakistan's economy has achieved macroeconomic stability primarily on the back of fiscal discipline and reduction in the external current account deficit due to falling global commodity prices and buoyant remittances. The economic growth is expected to increase gradually, over the medium term on the back of continued robust domestic consumption, rising investment and increase in public investment expenditure. However, an increase in international crude oil prices has started building inflationary pressures in the economy resulting in the central bank raising policy rate by 25 basis points after keeping it unchanged since May 2016.

Going forward, investment in infrastructure development projects, improved security situation, continuing improvement in energy availability and rising consumer demand on the back of higher purchasing power and access to affordable credit facilities are expected to yield benefits for Pakistan. However, buoying domestic activity is propelling import growth, causing the current account deficit to deteriorate and resulting in declining foreign exchange reserves.

For Engro, the theme for 2018 is capitalizing on all possible avenues for developing its growth pillars and incorporate new avenues of growth to create long-term shareholder value. To realize this growth strategy, the Company is geared up to meet challenges on human resource, technical and financial fronts.

Fertilizers

Globally, urea demand in 2018 is expected to grow marginally by 1.7%, while supply is expected to trend moderately higher with new capacities entering the global market. International urea prices have lately stabilized around USD 255/T (translating to a landed equivalent of PKR 1,730/bag) after trending at highs of USD 280/T during the year. Low crop prices and supply side pressure, along with the commissioning of new capacities in India, US and Nigeria are expected to keep prices soft during most of 2018. On the other hand, decline in exports from China owing to production constraints on the back of environmental tax implementation may ease off some supply pressure and translate into stable prices. Local urea demand for 2018 is expected to remain stable, courtesy the anticipated improvement in farmer income and subsidy continuation in 2018 providing relief to local urea demand. Domestic production is also expected to trend at current levels, keeping prices stable.

International DAP prices are expected to remain soft in 2018 compared to late 2017. Capacity additions, low energy prices and excess supply of grains is expected to gradually soften input prices. Due to continuation of subsidy and upbeat farmer economics, local DAP demand for 2018 is expected to remain stable.

Polymer and Chemicals

After consolidating its position in 2017, Engro Polymer prepared itself to capitalize on the opportunities offered by promising business context. As a first step, its Board of Directors approved CAPEX of PKR 10.3 billion for the efficiencies and expansion of plant. The outlook for PVC market remains positive with strong growth in demand while caustic market is expected to remain stable. Going forward, economic value creation of the business will continue to be influenced by uncontrollable factors such as vinyl chain prices, energy prices and currency volatility. The business is pursuing an aggressive marketing strategy and is working extensively with its customers, government agencies, architects and construction consultants for PVC market development and to increase domestic sales. .

Energy

The Energy business continues to seek new opportunities in partnership with international players to utilize Engro's unique engineering and project management skillset. In partnership with the government, the Thar mining and power projects are expected to remain on track for completion by June 2019 to help resolve the energy crisis in the country. Furthermore, the business is also pursuing opportunities in the renewables ecosystem and has applied for Letter of Intent and rights to develop 350 MW of wind and solar projects in Balochistan. The business continues to explore more opportunities in the renewable energy sector across the country.

The relatively low gas prices for IPPs coupled with the recent surge in global oil prices will help gas-based power plants to rise in the merit order on account of their relatively lower input costs, higher efficiencies and better environmental parameters. Further, following the grid upgradation activity in 2016, improved dispatch was received by our Qadirpur power plant from the power purchaser which is expected to continue in the future. The government has not been able to eliminate circular debt in the energy sector and in the absence of any concrete measures to address its root cause, circular debt will remain a challenge for the industry going forward.

Terminal Services

The LNG terminal is positively playing its role in alleviating some of the energy shortage faced by the country. As mentioned earlier, the business has successfully executed the addendum agreement for the increased quantity of gas and we expect a stable outlook for 2018.

The Engro Vopak terminal business expects to perform well and maintain its operations and profitability in a stable fashion due to its unique and leading position in liquid chemicals handling industry. Overall the chemical industry has been stable, and Engro Vopak has retained its status as the market leader. LPG imports have witnessed growth over the last couple of years and we expect the trend to continue. The business shall continue to explore new opportunities to increase shareholder value.

Foods

Engro Foods will continue to work actively with the regulatory authorities to remove misalignments between the Federal and Provincial food laws and promulgate legislation on the minimum pasteurization law. In addition, the business will also focus its efforts to enable the necessary legislative changes to reduce the tax and regulatory duty burden on the dairy industry. This will help in creating a level playing field for the dairy sector to compete with the loose milk sector. Furthermore, the acquisition by Royal FrieslandCampina has paved the way for innovations and operational efficiencies in processes that have resulted in cost savings. The integration will also enhance the business's ability to offer the Pakistani consumer with more choices of better, healthier and safer dairy products.

The Rice business will continue its focus on improving operational efficiencies and margins, cost minimization and increasing export sales thus creating shareholder value.

Acknowledgment

We would like to place on record our sincere appreciation for the commitment, dedication and innovative thinking put in by each member of the Engro family and are confident that they will continue to do so in the future. The Directors would also like to express their deep appreciation to our shareholders who have always shown their confidence in the Company.

Hussain Dawood
Chairman

Ghias Khan
President and Chief Executive

six years summary

		2017	2016	2015	2014	2013	2012
		(Rupees in million)					
Summary of Balance Sheet							
Share Capital		5,236	5,238	5,236	5,236	5,113	5,113
Reserves		4,563	4,523	5,044	4,874	4,913	4,420
Shareholders' Funds / Equity		171,074	169,091	85,673	68,025	55,683	43,065
Long-term Borrowings		90,743	73,118	59,583	73,325	93,076	100,693
Capital Employed		261,818	242,209	145,255	141,350	148,758	143,759
Deferred Liabilities		327	298	259	241	268	260
Property, Plant & Equipment		157,355	131,406	128,404	134,507	131,969	132,553
Long-term Assets		196,837	176,736	137,713	140,796	137,347	137,156
Net Current Assets / Working Capital		76,087	74,654	18,411	7,362	19,546	12,655
Summary of Profit and Loss							
Sales		128,593	157,208	181,662	175,958	155,360	125,151
Gross Profit		34,806	35,843	45,429	38,217	40,597	28,520
Operating Profit		31,089	86,674	33,191	22,604	27,750	17,229
Profit Before Tax		27,422	81,909	25,785	10,983	12,726	2,457
Profit After Tax		16,290	73,598	17,268	7,801	8,325	1,797
EBITDA		40,066	97,360	43,750	32,306	37,030	26,330
Summary of Cash Flows							
Net Cash Flow from Operating Activities		21,120	4,070	5,966	29,160	31,506	7,799
Net Cash Flow from Investing Activities		(9,021)	(17,019)	25,102	(29,317)	(7,367)	(4,213)
Net Cash Flow from Financing Activities		3,186	30,192	(28,300)	(13,269)	(7,557)	(6,855)
Changes in Cash & Cash Equivalents		15,285	17,243	2,768	(13,426)	16,581	(3,269)
Cash & Cash Equivalents – Year-end		43,876	28,460	11,256	8,489	21,914	5,333
Others							
Market Capitalization		143,910	165,563	146,340	116,024	80,975	47,057
Number of Shares issued (in million)		523.785	523.785	523.785	523.785	511.269	511.269
Summary of Actual Production							
Urea	Metric Tons	1,806,977	1,881,016	1,964,034	1,818,937	1,661,576	974,425
NPK	Metric Tons	109,059	94,610	128,074	117,193	92,839	87,755
PVC Resin	Metric Tons	187,000	172,000	162,000	153,000	146,000	146,000
EDC	Metric Tons	107,000	106,000	100,000	118,000	117,000	110,000
Caustic Soda	Metric Tons	105,000	103,000	98,000	114,000	115,000	107,000
VCM	Metric Tons	180,000	174,000	162,000	168,000	170,000	146,000
Power	Megawatt hour	1,737,394	1,264,667	1,424,016	1,721,959	1,333,664	1,767,038
Dairy and Juices	Thousand Liters	320,344	482,958	552,532	472,735	422,818	476,788
Drying Unit of Rice Processing Plant	Metric Tons	59,371	28,474	45,982	166,801	196,478	139,575
Ice Cream	Thousand Liters	17,467	19,518	19,364	16,726	14,500	16,550

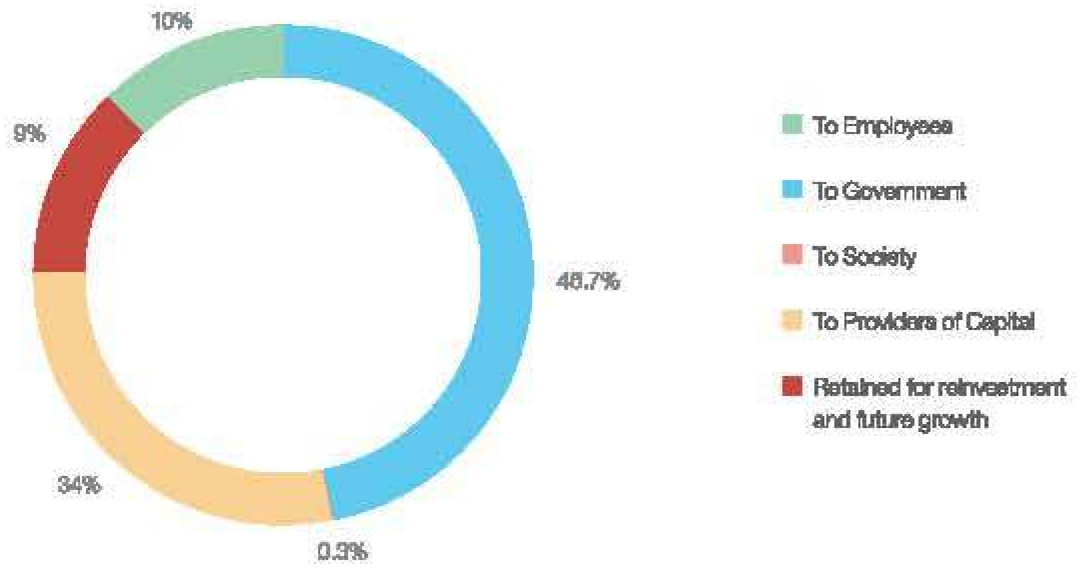
financial ratios

Ratios	2017	2016	2015	2014	2013	2012
Profitability Ratios						
Gross Profit Ratio	27%	23%	25%	21%	26%	23%
Net Profit to Sales	13%	47%	10%	4%	5%	1%
EBITDA Margin to Sales	31%	62%	24%	18%	24%	21%
Operating Leverage Ratio	3.46	-11.67	14.42	-1.34	2.39	-2.65
Return on Equity	7%	68%	22%	13%	16%	4%
Return on Capital Employed	8%	40%	17%	13%	16%	12%
Liquidity Ratios:						
Current Ratio	2.49	2.92	1.39	1.11	1.39	1.32
Quick / Acid Test Ratio	2.23	2.64	1.06	0.94	0.98	0.90
Cash to Current Liabilities	1.55	1.81	0.43	0.60	0.56	0.27
Cash Flow from Operations to Sales	0.16	0.03	0.03	0.17	0.20	0.06
Activity / Turnover Ratios:						
No. of Days Inventory	46.3	37.3	34.4	42.1	59.3	53.4
Inventory Turnover	7.9	9.8	10.6	8.7	6.2	6.9
Total Assets Turnover Ratio	0.40	0.54	0.93	0.81	0.75	0.66
Investment /Market Ratios:						
Earnings per Share (Restated)	17.96	131.94	26.32	13.59	15.29	2.61
Earnings per Share (Historical)	17.96	131.94	26.32	13.59	16.01	2.61
Price Earnings Ratio	15.30	2.40	10.62	16.30	10.36	35.26
Dividend Yield Ratio	7%	9%	6%	4%	6% *	-
Dividend Payout Ratio	117%	18%	66%	44%	56% *	-
Dividend Cover Ratio	0.86	5.50	1.46	2.27	1.79 *	-
Market Value per Share at the end of the year, and	274.75	316.09	279.39	221.51	158.38	92.04
- High during the year	399.16	349.86	344.70	232.00	165.98	150.26
- Low during the year	253.43	255.60	222.10	154.99	81.05	86.71
Breakup value per share without Surplus on Revaluation of Fixed Assets	326.61	322.62	163.57	129.87	108.91	84.23
Breakup value per share including the effect of Surplus on Revaluation of Fixed Assets	326.61	322.62	163.57	129.87	108.91	84.23
Cash Dividend (Rs in 000)	10,899,480	12,570,834	9,428,126	3,129,079	–	-
In-specie dividend (Rs in 000)	-	-	-	-	2,855,137*	-
*Market value of Specie dividend of 1 Engro Fertilizer share for every 10 shares of Engro Corp.						
Capital Structure Ratios:						
Financial Leverage Ratio	0.59	0.47	0.77	1.25	1.79	2.47
Weighted Average Cost of Debt	8%	8%	11%	13%	15%	14%
Debt to Equity Ratio	0.53	0.43	0.70	1.08	1.67	2.34
Interest Cover Ratio	6.34	14.57	4.06	1.89	1.81	1.16

statement of value addition and distribution

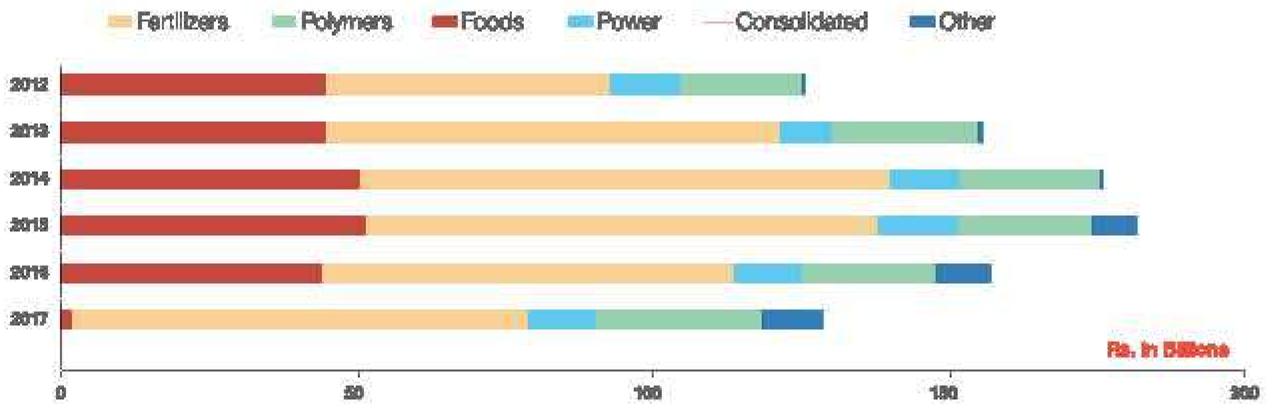
(Rs. in million)	2017 Rs.	2017 %	2016 Rs.	2016 %
Wealth Generated				
Total revenue inclusive of sales tax and other income	152,040		244,220	
Bought-in-material and services	(84,372)		(105,260)	
	67,668		138,960	
Wealth Distributed				
To Employees				
Salaries, benefits and other costs	6,743	10.0%	8,602	6.2%
To Government				
Taxes, duties and development surcharge	31,639	46.8%	41,228	29.7%
To Society				
Donation towards education, health, environment and natural disaster	202	0.3%	125	0.1%
To Providers of Capital				
Dividend to shareholders	17,847	26.4%	17,850	12.8%
Mark-up/interest expense on borrowed money	5,131	7.6%	6,038	4.3%
Retained for reinvestment and future growth				
Depreciation, amortization and retained profit	6,107	9.0%	65,117	46.9%
	67,668		138,960	

Wealth Generated

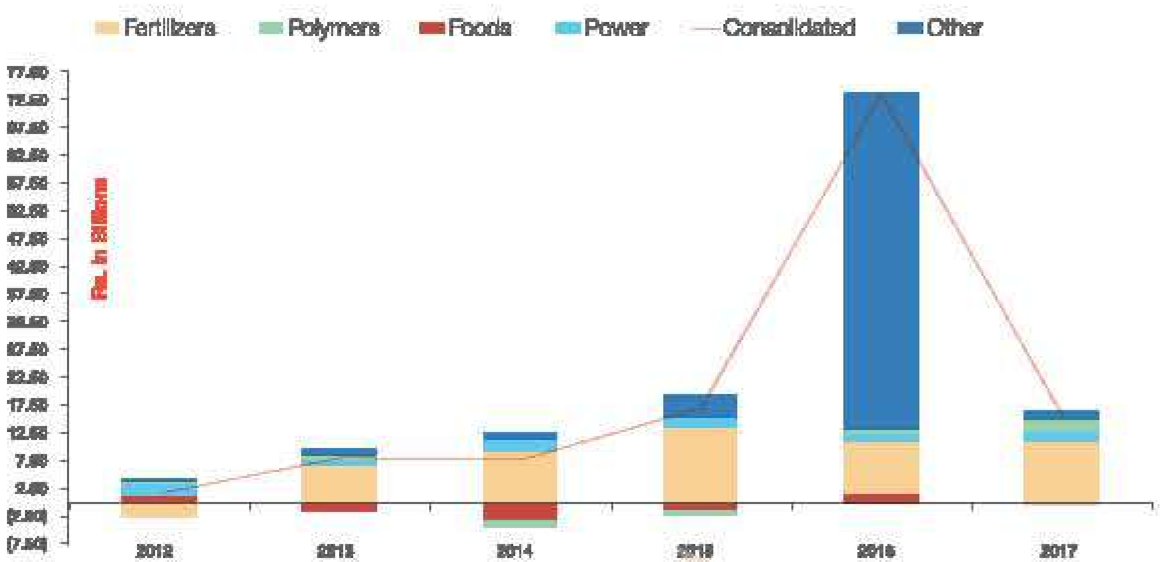


financial ratios

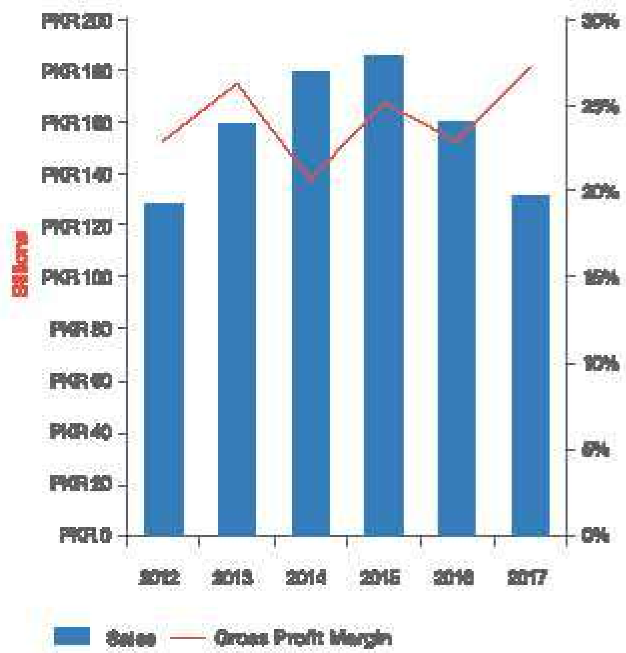
Segment Wise Revenue



Segment Wise Profit After Tax



Gross Profit Margin to Sales



Return on Capital and Capital Employed

Quarterly Analysis for 2017

summary of financial performance

Segment Wise Revenue

The consolidated revenues grew from Rs.125 billion in 2012 to Rs.129 billion in 2017 over the six years' period. The reduction in revenue for 2017 is mainly due to sale of controlling stake in EFoods as a result of which EFoods' revenues are not consolidated.

From 2012 to 2015, higher volumes in the Fertilizers (due to Enven plant) and PVC sector helped increased topline with record revenue of Rs.182 billion in 2015. While, 2014 onwards revenue from LNG business supplemented ECorp consolidated topline.

Segment Wise Profit After Tax

Noticeably, the years 2012 and 2014 have shown a downward trend in profitability over the six-year horizon owing to gas curtailment issues faced by fertilizer sector in 2012, sharp rupee appreciation and falling commodity prices affecting margins in Rice and Petrochemical businesses in 2014. During 2015 and 2016, profitability ratios improved mainly on account of implementation of concessionary gas for the new Urea plant, and one-off gain on partial disposal of Foods business. In 2017, profit from continuing operations increased by 26% YoY backed by higher urea domestic offtake and exports.

Gross Profit Margin to Sales

The company has maintained a healthy average of 24% gross margin in the last six years. In 2017, the increase represents better margins in Petrochemicals and Urea businesses.

Return on Capital Employed

The capital employed in the business grew from Rs.150 billion in 2012 to Rs.260 billion in 2017 over the six years' period with increase in capital employed coming from the gain of sale from EFoods & EFert in 2016 which were retained in the business. As a result, return on capital employed witnessed an anomalous increase of 40% in 2016 which decreased to 8% in 2017 after incorporating a higher capital base. Going forward, as the Company employs the existing cash, and Thar projects come online, the return expected to increase.

Quarterly Analysis for 2017

Due to cyclic nature of Fertilizer business, sales and profitability at consolidated level is tilted towards the second half of the year. The lower profit after tax in second quarter is mainly on account of provision against Super Tax on income of year 2016.

cultivating Pakistan
for a better tomorrow

notice of meeting

NOTICE IS HEREBY GIVEN that the Fifty-Second Annual General Meeting of Engro Corporation Limited will be held at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi on Tuesday, April 24, 2018 at 10:00 a.m. to transact the following business:

A. **Ordinary Business**

(1) To receive and consider the Audited Accounts for the year ended December 31, 2017 and the Directors' and Auditors' Reports thereon.

(2) To declare a final dividend at the rate of PKR 2.00 (20%) for the year ended December 31, 2017.

(3) To appoint Auditors and fix their remuneration.

(4) To elect Nine directors in accordance with the Companies Act, 2017. The retiring Directors are M/s Hussain Dawood, Abdul Samad Dawood, Shahzada Dawood, Muneer Kamal, M.A Aleem, Waqar Malik, Inam-ur-Rahman, Muhammad Imran Sayeed and Ms. Henna Inam.

B. **Special Business**

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

"RESOLVED THAT the consent of the Company in General Meeting be and is hereby accorded to lend/provide to the following associated companies, short term funded and unfunded financing facilities / security of upto the amounts stated below in respect of each. The facilities will initially be for a period of one year, but renewal of the same for four further periods of one year each be and is also hereby approved.

- Engro Fertilizers Limited – PKR 9 billion
- Engro Polymer & Chemicals Limited – PKR 6 billion
- Engro Vopak Terminal Limited – PKR 1 billion
- Elengy Terminal Pakistan Limited – PKR 1 billion
- Engro Elengy Terminal (Pvt.) Limited – PKR 2 billion
- Engro Powergen Qadirpur Limited – PKR 2 billion

(6) To approve amendments in the Articles of Association of the Company, and to consider and if though fit, to pass with or without modifications, the following resolution as a Special Resolution:

RESOLVED that Article, 89 of the Articles of Association of the Company be and is hereby amended to read as follows:

"The Directors may elect a Chairman and Vice Chairman of their meetings and determine the period for which the Chairman and Vice Chairman are to hold office; but if no such Chairman or Vice Chairman is elected, or if at any meeting the Chairman or Vice Chairman is not present within five minutes after the time appointed for holding the same, the Directors present may choose of their number to be the Chairman of the meeting."

N.B.

(1) The Directors of the Company have fixed, under sub-section (1) of Section 159 of the Companies Act, 2017, the number of elected directors of the Company at Nine.

(2) The Share Transfer Books of the Company will be closed from Tuesday, April 17, 2018 to Tuesday, April 24, 2018 (both days inclusive). Transfers received in order at the office of our Registrar, M/s. FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Block 6, P.E.C.H.S. Shahra-e-Faisal, Karachi, PABX No. (92-21) 34380101-5 and email info.shares@famco.com.pk by the close of business (5:00 p.m) Monday, April 16, 2018 will be treated as being in time for the purposes of payment of final dividend to the transferees and to attend and vote at the meeting.

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

(4) In accordance with the provisions of Section 242 of the Companies Act, 2017 and Circular No. 18/2017, a listed company, is required to pay cash dividend to the shareholders ONLY through electronic mode directly into the bank account designated by the entitled shareholders. In compliance with the said law, in order to receive your future dividends directly in your Bank account, you are required to provide the information mentioned on the Form placed on the Company's website and send the same to your brokers/ the Central Depository Company Ltd. if the shares are held in electronic form or to the Company's Shares Registrar if the shares are held in paper certificate form.

(5) **SUBMISSION OF THE CNIC/NTN DETAILS (MANDATORY)**

Pursuant to the directives of the Securities and Exchange Commission of Pakistan CNIC number of individuals is mandatorily required to be mentioned on dividend warrants and pursuant to the provisions of Finance Act 2017, the rates of deduction of income tax under section 150 of the Income Tax Ordinance 2001 from dividend payment are different for filers of income Tax return and Non-filers of income Tax return. In case of Joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to our Share Registrar, or if no notification, each joint holder shall be assumed to have an equal number of shares.

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

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

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

In case of non-receipt of the copy of a valid CNIC, the Company would be constrained under Section 243(3) of the Companies Act, 2017 to withhold dividend warrants of such shareholders.

(6) Further, all the shareholders are advised to immediately check their status on ATL and may, if required take necessary action for inclusion of their name in the ATL. The Company as per the new Law, shall apply 20% rate of withholding tax if the shareholder's name, with relevant details, does not appear on the ATL, available on the FBR website on the first day of book closure and deposit the same in the Government Treasury as this has to be done within the prescribed time.

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

(8) Pursuant to SECP Circular No 10 of 2014 dated May 21, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide the following information to the Share Registrar Office of the Company i.e. Messrs. FAMCO ASSOCIATES (PRIVATE) LIMITED, 8-F, near Hotel Faran, Nursery, Block 6, PECHS, Shahrah-e-Faisal, Karachi PABX Nos (+9221) 34380101-5 and email info.shares@famco.com.pk.

I/We, of being a member of Engro Corporation Limited holder of Ordinary Share(s) as per Register Folio No. ______________ hereby opt for video conference facility at (Please insert name of the City)

____
Signature of member

(9) E-Voting
Members can exercise their right to demand a poll subject to meeting requirements of Section 143-145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.

Statement under Section 134(3) of the Companies Act, 2017.

This Statement is annexed to the Notice of the Fifty-Second Annual General Meeting of Engro Corporation Limited (Engro Corp / the Company) to be held on Tuesday, April 24, 2018, at which certain Special Business is to be transacted. The purpose of this Statement is to set forth the material facts concerning such Special Business.

ITEM (5) OF THE AGENDA

The previous approval for Group Liquidity Management was obtained in the AGM dated April 15, 2016 , for the purpose of short-term liquidity management across the group.

In order to further optimize this Group Liquidity Management facility and to account for the changes in the group structure since the previous resolution, the Company is proposing a revised resolution.

The information required under S.R.O. 1240 (I) 2017 for loans and advances is provided below:

(A) Regarding associated company or associated undertaking:-

(i) Name of associated company or associated undertaking;

Name of Associate
Engro Fertilizers Limited
Engro Polymer and Chemicals Limited
Engro Vopak Terminal Limited
Elengy Terminal Pakistan Limited
Engro Elengy Terminal (Private) Limited
Engro Powergen Qadirpur Limited

(ii) Basis of relationship;

Name of Associate	Relationship	Effective Holding %
Engro Fertilizers Limited	Subsidiary of Engro Corporation Limited	56.3%
Engro Polymer and Chemicals Limited	Subsidiary of Engro Corporation Limited	56.2%
Engro Vopak Terminal Limited	Joint Venture of Engro Corporation Limited with Royal Vopak of the Netherlands	50%
Elengy Terminal Pakistan Limited	Subsidiary of Engro Corporation Limited	80%
Engro Elengy Terminal (Private) Limited	Subsidiary of Engro Corporation Limited	80%
Engro Powergen Qadirpur Limited	Subsidiary of Engro Corporation Limited	68.9%

(iii) Earnings Per Share for the last three years;

Earnings Per Share	2017	2016	2015
Engro Fertilizers Limited	7.80	6.72	11.28
Engro Polymer and Chemicals Limited	3.09	0.99	(0.95)
Engro Vopak Terminal Limited	25.16	23.21	17.49
Elengy Terminal Pakistan Limited	18.14	(0.51)	(9.10)
Engro Elengy Terminal (Private) Limited	609.19	499.20	516.08
Engro Powergen Qadirpur Limited	7.38	5.52	5.55

(iv) Break-Up value per share, based on latest audited financial statements;

Break-Up Value Per Share - 31 December 2017	
Engro Fertilizers Limited	30.73
Engro Polymer and Chemicals Limited	11.64
Engro Vopak Terminal Limited	30.11
Elengy Terminal Pakistan Limited	15.45
Engro Elengy Terminal (Private) Limited	1,522.24
Engro Powergen Qadirpur Limited	30.30

(v) Financial position, including main items of the statement of financial position and profit and loss account, on the basis of its latest financial statements;

Full year ended December 31, 2017, audited accounts of Engro Fertilizers Limited:

Balance Sheet

Assets	**Amounts in thousand**
Property, plant and equipment	68,923,195
Investments	560,416
Stores, spares and loose tools	5,279,794
Stock-in-trade	3,528,439
Other Assets	28,040,982
Total Assets	106,332,826
Liabilities	
Borrowings	30,903,878
Trade and other payables	21,585,098
Other Liabilities	12,831,078
Total Liabilities	65,320,054
Total Equity	41,012,772
Income Statement	
Revenue	63,010,060
Profit Before Tax	14,996,090
Profit after Tax	10,136,549

Full year ended December 31, 2017, audited accounts of Engro Polymer and Chemicals Limited:

Assets	**Amounts in thousand**
Property, plant and equipment	16,011,070
Investments	50,000
Stores, spares and loose tools	1,602,367
Stock-in-trade	3,681,182
Other Assets	2,970,544
Total Assets	24,315,163
Liabilities	
Borrowings	8,750,000
Trade and other payables	4,513,369
Other Liabilities	3,331,409
Total Liabilities	16,594,778
Total Equity	7,720,385
Income Statement	
Revenue	27,730,736
Profit Before Tax	3,109,255
Profit after Tax	2,049,134

Full year ended December 31, 2017, audited accounts of Engro Vopak Terminal Limited:

Assets	**Amounts in thousand**
Property, plant and equipment	2,593,822
Stores, spares and loose tools	102,021
Other Assets	459,883
Total Assets	3,155,726
Liabilities	
Trade and other payables	401,961
Other Liabilities	43,428
Total Liabilities	445,389
Total Equity	2,710,337
Income Statement	
Revenue	3,214,907
Profit Before Tax	2,552,954
Profit after Tax	2,264,168

Full year ended December 31, 2017, audited accounts of Elengy Terminal Pakistan Limited:

Assets	**Amounts in thousand**
Investments	3,090,100
Other Assets	2,012,745
Total Assets	5,102,845
Liabilities	
Subordinated Loan (from holding company)	896,542
Accrued and Other Liabilities	1,074,231
Total Liabilities	1,970,773
Total Equity	3,132,072
Income Statement	
Revenue	3,744,310
Profit Before Tax	3,677,094
Profit after Tax	3,677,094

Full year ended December 31, 2017, audited accounts of Engro Elengy Terminal (Pvt.) Limited:

Assets	**Amounts in thousand**
Property, plant and equipment	8,749,956
Direct Cost of Floating, Storage and Regasification Unit	1,052,609
Receivable From Sui Southern Gas Company Limited	1,037,467
Trade Debts	1,903,275
Other assets	1,762,156
Total Assets	14,505,463
Liabilities	
Borrowings	6,589,254
Trade and other payables	2,321,933
Other Liabilities	875,476
Total Liabilities	9,786,663
Total Equity	4,718,800
Income Statement	
Revenue	10,464,041
Profit Before Tax	2,016,292
Profit after Tax	1,868,438

Full year ended December 31, 2017, audited accounts of Engro Powergen Qadirpur Limited:

Assets	**Amounts in thousand**
Property, plant and equipment	13,169,212
Trade Debts	5,571,570
Loans, advances, deposits, prepayments and other receivables	1,427,680
Other Assets	1,122,100
Total Assets	21,290,562
Liabilities	
Borrowings	4,871,233
Trade and other payables	3,368,958
Short term borrowings	3,206,672
Other liabilities	30,942
Total Liabilities	11,477,805
Total Equity	9,812,757
Income Statement	
Revenue	11,569,512
Profit Before Tax	2,391,142
Profit after Tax	2,390,645

(M) In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely:-

None

(B) General disclosures

(i) Maximum amount of investment to be made;

Name of Associate	**Amounts in PKR**
Engro Fertilizers Limited	9 billion
Engro Polymer & Chemicals Limited	6 billion
Engro Vopak Terminal Limited	1 billion
Elengy Terminal Pakistan Limited	1 billion
Engro Elengy Terminal (Pvt.) Limited	2 billion
Engro Powergen Qadirpur Limited	2 billion

(ii) Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment;

This will enable the Company to lend to its associated companies during the times it has access to funds / Banking lines / security and / or the associated companies require funds / Banking lines / security for business purposes. This will be done in such a way as to benefit Company's shareholders.

(iii) Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds, (I) Justification of investment through borrowings from where loans or advances will be given (II) Detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) Cost benefit analysis

The intent is generally only to lend to the associated companies when Engro Corp has excess liquidity / Banking lines / security. However, there may be circumstances where Engro Corp may have overdraft lines un-utilized and may still lend to its associated companies by utilizing such lines where the associated companies require such financing. If this is done the answers to the queries are that (I) it will be justified by the associated companies paying a mark up rate better then the rate payable by Engro Corp and (II) Engro Corp secures its overdraft lines by providing a ranking charge over movable assets (excluding long term investments) and pledging shares of its investments in listed subsidiaries and (III) the Company will charge the associated companies a rate which will improve the profitability of the Company.

(iv) Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment;

As detailed above.

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

The Directors of Engro Corp have no personal interest in the matter, however some directors of Engro Corp's Board are also directors of the associated companies' and own shares in the associated companies as follows:

Engro Fertilizers Limited	Engro Polymer and Chemicals Limited
Ghias Khan	Ghias Khan
Abdul Samad Dawood	

(vi) In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information / justification for any impairment or write offs;

The following loan has been given to an associated company and the repayment is expected in 2018. No impairment or write offs.

Name of Associate	Facility Type	Facility Type
Elengy Terminal Pakistan Limited	Short term subordinated loan	0.6 billion

(vii) any other important details necessary for the members to understand the transaction;

None.

(C) In case of investments in the form of loans, advances and guarantees, following disclosures in addition to those provided above are:-

(i) Category-wise amount of investment;

For the short term funded and unfunded financing facilities / security, following are the associated company wise limits;

Name of Associate	Amount in PKR
Engro Fertilizers Limited	9 billion
Engro Polymer & Chemicals Limited	6 billion
Engro Vopak Terminal Limited	1 billion
Elengy Terminal Pakistan Limited	1 billion
Engro Elengy Terminal (Pvt.) Limited	2 billion
Engro Powergen Qadirpur Limited	2 billion

(ii) Average borrowing cost of the investing company, the Karachi Interbank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period;

Engro Corp did not have any short term borrowings as at December 31, 2017. The 3 month KIBOR as at December 31, 2017 was 6.16%. For unfunded facilities, bank rates are in the range of 0.7% to 1.0% per annum.

(iii) Rate of interest, mark up, profit, fees or commission etc. to be charged by the investing company;

The rate of interest, mark up, profit, fees or commission to be charged will be greater than or equal to what Engro Corporation must pay on its borrowings of the like or similar facilities. Where it has no such facilities, the associated companies will be charged at greater than or equal to market rates of such facilities.

(iv) Particulars of collateral or security to be obtained in relation to the proposed investment;

Normally no security is to be obtained since Engro Corp is the largest shareholder / joint venture partner in the associated companies. Engro Corp and its associated companies are confident that any financing arrangement will be repaid.

(v) If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable; and

No conversion feature.

(vi) Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking;

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

ITEM (6) OF THE AGENDA

The amendment in the Articles is proposed to enable the creation of the position of Vice Chairman to support the Chairman on various initiatives and to be able to officiate in certain matters in the Chairman's absence.

UPDATE UNDER RULE 4(2) OF S.R.O. 1240/I/2017

Note relating to Engro Elengy Terminal (Pvt.) Limited:
In 2017, the shareholders of the Company approved the provision of sponsor support to Engro Elengy Terminal (Pvt.) Limited ("EETPL") a subsidiary company, by way of guarantees to the financial institutions issuing a performance bond on behalf of EETPL in favor of Sui Southern Gas Company Limited ("SSGC") for an additional amount of up to the rupee equivalent of US$ 5 million, (total aggregating to rupee equivalent of US$15 million). The guarantee has not been provided till date but work is in progress in this regard.

Note relating to Engro Polymer & Chemicals Limited:
In 2015, the shareholders of the Company approved a long-term loan to EPolymer for upto PKR 4 billion. An amount of PKR 3 billion was utilized which was repaid by EPolymer during the year.

By Order of the Board

FAIZ CHAPRA
General Counsel &
Company Secretary

Karachi,
Dated: February 21, 2018

key shareholding and shares traded

Information of shareholding required under reporting framework is as follows:

1. Associated Companies, Undertakings and Related Parties	
DAWOOD CORPORATION (PVT.) LTD.	1,711,800
DAWOOD FOUNDATION	10,800
DAWOOD HERCULES CORPORATION LIMITED	194,972,555
PATEK (PVT.) LTD.	32,102,886
2. Directors, Chief Executive Officer and their spouse(s) and minor children	
Ms. Henna Inam	100
Inam ur Rahman	250
Mohammad Abdul Aleem	64,384
Abdul Samad Dawood	66,310
Shazada Dawood	1,660,610
Hussain Dawood	2,723,747
Muneer Kamal	100
Waqar Ahmed Malik	1
Ghias Khan	2,500
Imran Sayeed	100
Mrs. Kulsum Dawood W/o Hussain Dawood	2,358,238
Mrs. Ayesha Dawood w/o Abdul Samad Dawood	40
TOTAL:	6,896,380
3. Executives	**1,149,149**
4. Public sector companies and corporations	**34,745,463**
5. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	**28,580,928**
6. Mutual Funds	
AGP (PVT) LTD STAFF PROVIDENT FUND	20,000
CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SUB FUND	9,400
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	15,000
CDC - TRUSTEE ABL STOCK FUND	495,200
CDC - TRUSTEE AKD INDEX TRACKER FUND	65,574
CDC - TRUSTEE AKD OPPORTUNITY FUND	50,000
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	2,582,365
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	2,032,900
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	674,600
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	1,644,635
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	294,200
CDC - TRUSTEE ALFALAH GHP INCOME FUND - MT	200
CDC - TRUSTEE ALFALAH GHP INCOME MULTIPLIER FUND - MT	1,400
CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	267,581
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	1,146,919
CDC - TRUSTEE ALFALAH GHP ISLAMIC VALUE FUND	39,800
CDC - TRUSTEE ALFALAH GHP STOCK FUND	446,700
CDC - TRUSTEE ALFALAH GHP VALUE FUND	337,200
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	549,500
CDC - TRUSTEE APF-EQUITY SUB FUND	67,500
CDC - TRUSTEE APIF - EQUITY SUB FUND	91,000
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	5,000
CDC - TRUSTEE ASKARI EQUITY FUND	25,000
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	578,200
CDC - TRUSTEE ATLAS STOCK MARKET FUND	800,000
CDC - TRUSTEE DAWOOD ISLAMIC FUND	14,500
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	47,500
CDC - TRUSTEE FAYSAL BALANCED GROWTH FUND	15,000
CDC - TRUSTEE FAYSAL ISLAMIC ASSET ALLOCATION FUND	82,500
CDC - TRUSTEE FAYSAL MTS FUND - MT	71,000
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	10,000
CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	14,500
CDC - TRUSTEE FIRST HABIB INCOME FUND	2,000
CDC - TRUSTEE FIRST HABIB INCOME FUND - MT	100,900
CDC - TRUSTEE FIRST HABIB STOCK FUND	17,500
CDC - TRUSTEE HBL - STOCK FUND	695,900
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	37,900
CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	182,500
CDC - TRUSTEE HBL MULTI - ASSET FUND	40,000
CDC - TRUSTEE HBL PF EQUITY SUB FUND	48,500
CDC - TRUSTEE JS ISLAMIC FUND	262,000
CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT	22,700
CDC - TRUSTEE KSE MEEZAN INDEX FUND	507,719
CDC - TRUSTEE LAKSON EQUITY FUND	502,168
CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND	23,378
CDC - TRUSTEE LAKSON TACTICAL FUND	105,873
CDC - TRUSTEE MCB DCF INCOME FUND	810,500
CDC - TRUSTEE MCB DYNAMIC CASH FUND - MT	173,200
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	300
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1,637,400
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	647,000
CDC - TRUSTEE MEEZAN BALANCED FUND	1,305,500
CDC - TRUSTEE MEEZAN ISLAMIC FUND	9,961,767
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	1,111,500
CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	487,000
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	1,804,200
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	5,300
CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	1,568,400
CDC - TRUSTEE NAFA MULTI ASSET FUND	174,217
CDC - TRUSTEE NAFA STOCK FUND	2,677,384
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	397,178
CDC - TRUSTEE NIT INCOME FUND - MT	9,200
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	559,300
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1,687,742

key shareholding and shares traded

CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	110,500
CDC - TRUSTEE PAKISTAN INCOME ENHANCEMENT FUND - MT	112,900
CDC - TRUSTEE PAKISTAN INCOME FUND - MT	142,300
CDC - TRUSTEE PICIC GROWTH FUND	1,002,100
CDC - TRUSTEE PICIC INVESTMENT FUND	509,100
CDC - TRUSTEE PICIC ISLAMIC STOCK FUND	274,800
CDC - TRUSTEE PICIC STOCK FUND	51,000
CDC - TRUSTEE PIML ASSET ALLOCATION FUND	19,000
CDC - TRUSTEE PIML ISLAMIC EQUITY FUND	46,500
CDC - TRUSTEE PIML STRATEGIC MULTI ASSET FUND	24,000
CDC - TRUSTEE PIML VALUE EQUITY FUND	25,000
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	119,300
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	217,600
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1,128,900
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	56,500
CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	251,000
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	267,800
CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	434,000
CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	12,000
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	291,900
CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	373,800
CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	15,700
CDC-TRUSTEE NITIPF EQUITY SUB-FUND	18,000
CDC-TRUSTEE NITPF EQUITY SUB-FUND	14,000
M C F S L-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	10,500
MC FSL - TRUSTEE JS GROWTH FUND	41,100
MC FSL TRUSTEE JS - INCOME FUND - MT	60,100
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	290,800
MCBFSL - TRUSTEE JS VALUE FUND	1,000
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	10,000
MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	30,000
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	196,500
MCBFSL TRUSTEE MCB PAKISTAN FREQUENT PAYOUT FUND	38,000
MCBFSL TRUSTEE MCB PAKISTAN FREQUENT PAYOUT FUND - MT	600
TRI. STAR MUTUAL FUND LTD.	913
TOTAL	46,756,013

7. **Shareholders holding five percent or more voting rights in the Company:**

DAWOOD HERCULES CORPORATION LIMITED	194,972,555
PATEK (PVT.) LTD.	32,102,886

8. Details of purchase/sale of shares by Directors, Executives* and their spouse(s) / minor children during 2017.

Name	Date of Purchase/Sale	Shares Purchased	Shares Sold	Rate
Ashok Kumat	January 27, 2017		343	346.13
Shahzada Dawood	February 23, 2017	245000		383.41
Mrs. Kulsum Dawood w/o Mr. Hussain Dawood	February 23, 2017	172600		367.12
Muhammad Abdul Aleem	January 31, 2017	736		Transferred through Succession Certificate
Hussain Dawood	February 28, 2017	218500		372.86
Kulsum Dawood w/o Hussain Dawood	February 28, 2017	115000		372.03
Shahzada Dawood	February 28, 2017	1000		373.3
Samira Kamil	March 9, 2017		5000	380
Waqar Ahmed Malik	May 15, 2017		35000	392
Waqar Ahmed Malik	May 15, 2017	1		396
Muhammad Atif	August 7, 2017	3500		334.13
Kulsum Dawood w/o Hussain Dawood	August 21, 2017	18000		287.2
Shahzada Dawood	August 21, 2017	50700		286.95
Shahzada Dawood	August 22, 2017	200000		286.38
Kulsum Dawood w/o Hussain Dawood	November 23, 2017	2000		256.95
Favad Soomro	November 28, 2017		15904	262.75
Samira Kamil	December 8, 2017		100	300
Muhammad Asad Waheed	December 13, 2017		4000	260.19

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

pattern of shareholding

As At December 31, 2017

Number of Shareholders	Shareholding		Total Shares Held	Number of Shareholders	Shareholding		Total Shares Held
	From	To			From	To	
2,676	1	100	123,248	7	135,001	140,000	965,346
2,906	101	500	867,058	7	140,001	145,000	1,000,243
1,498	501	1,000	1,217,317	7	145,001	150,000	1,042,795
3,119	1,001	5,000	7,869,865	4	150,001	155,000	602,972
1,069	5,001	10,000	7,795,777	6	155,001	160,000	939,471
404	10,001	15,000	4,987,049	10	160,001	165,000	1,625,091
269	15,001	20,000	4,770,626	3	165,001	170,000	504,048
183	20,001	25,000	4,166,942	8	170,001	175,000	1,376,014
113	25,001	30,000	3,126,492	4	175,001	180,000	703,128
80	30,001	35,000	2,584,526	3	180,001	185,000	546,700
85	35,001	40,000	3,219,343	1	185,001	190,000	185,083
48	40,001	45,000	2,044,666	8	195,001	200,000	1,588,000
67	45,001	50,000	3,257,465	4	200,001	205,000	809,643
44	50,001	55,000	2,309,789	2	210,000	215,000	422,800
25	55,001	60,000	1,432,902	6	215,001	220,000	1,303,026
30	60,001	65,000	1,880,808	1	220,001	225,000	224,400
27	65,001	70,000	1,826,462	2	230,001	235,000	466,712
20	70,001	75,000	1,460,677	6	235,001	240,000	1,428,523
15	75,001	80,000	1,161,582	5	240,001	245,000	1,215,919
14	80,001	85,000	1,157,370	5	250,000	255,000	1,255,255
17	85,001	90,000	1,463,304	1	260,001	265,000	262,000
13	90,001	95,000	1,189,941	7	265,001	270,000	1,877,995
28	95,001	100,000	2,772,826	3	270,001	275,000	822,881
12	100,001	105,000	1,231,619	3	275,001	280,000	832,949
9	105,001	110,000	967,582	1	280,001	285,000	281,200
9	110,001	115,000	1,013,370	5	290,000	295,000	1,468,844
7	115,001	120,000	830,854	1	300,000	305,000	300,000
9	120,001	125,000	1,103,817	3	305,001	310,000	920,405
5	125,001	130,000	643,896	1	310,001	315,000	312,000
6	130,001	135,000	796,581	1	315,001	320,000	317,200

Number of Shareholders	Shareholding		Total Shares Held	Number of Shareholders	Shareholding		Total Shares Held
	From	To			From	To	
2	320,001	325,000	649,702	2	560,001	565,000	1,123,600
1	325,001	330,000	326,200	2	570,001	575,000	1,146,134
1	330,001	335,000	333,900	1	575,001	580,000	576,200
3	335,001	340,000	1,013,583	1	585,001	590,000	586,648
2	340,001	345,000	686,808	1	600,000	605,000	600,000
2	345,001	350,000	691,900	2	620,001	625,000	1,246,466
1	355,001	360,000	356,590	1	625,001	630,000	626,000
2	365,000	370,000	734,900	1	635,001	640,000	635,800
1	370,001	375,000	373,800	1	640,001	645,000	640,400
3	380,000	385,000	1,140,740	3	645,001	650,000	1,945,521
2	395,001	400,000	797,178	1	660,001	665,000	664,008
2	400,001	405,000	806,808	1	670,001	675,000	674,600
1	410,001	415,000	410,900	1	680,001	685,000	684,716
2	415,001	420,000	835,591	2	705,001	710,000	1,418,114
2	420,001	425,000	844,510	1	720,001	725,000	723,000
1	430,001	435,000	434,000	1	730,001	735,000	734,309
1	440,001	445,000	440,382	1	755,001	760,000	756,923
2	445,001	450,000	898,700	1	760,001	765,000	764,122
1	450,001	455,000	450,821	3	795,001	800,000	2,396,700
1	455,001	460,000	458,701	1	805,001	810,000	806,890
2	485,001	490,000	974,387	2	810,001	815,000	1,625,500
1	495,001	500,000	495,200	1	815,001	820,000	817,214
1	500,001	505,000	502,168	2	820,001	825,000	1,644,566
3	505,001	510,000	1,523,319	1	835,001	840,000	837,700
1	510,001	515,000	510,400	1	840,001	845,000	841,732
1	515,001	520,000	516,337	1	850,001	855,000	851,875
1	525,001	530,000	528,528	1	880,001	885,000	883,502
1	530,001	535,000	532,092	1	895,001	900,000	895,900
3	535,001	540,000	1,611,226	1	920,000	925,000	920,000
4	545,001	550,000	2,191,330	1	945,001	950,000	949,044
1	555,001	560,000	559,300	2	1,000,000	1,005,000	2,002,100

Number of Shareholders	Shareholding		Total Shares Held	Number of Shareholders	Shareholding		Total Shares Held
	From	To			From	To	
2	1,100,000	1,105,000	2,201,204	1	2,030,001	2,035,000	2,032,900
1	1,110,001	1,115,000	1,111,500	2	2,355,001	2,360,000	4,715,438
1	1,125,001	1,130,000	1,128,900	1	2,375,001	2,380,000	2,376,700
1	1,145,001	1,150,000	1,146,919	1	2,395,001	2,400,000	2,398,600
1	1,235,001	1,240,000	1,239,760	1	2,405,001	2,410,000	2,405,800
1	1,240,001	1,245,000	1,243,100	1	2,410,001	2,415,000	2,410,834
2	1,255,001	1,260,000	2,517,100	1	2,580,001	2,585,000	2,582,365
1	1,275,001	1,280,000	1,277,900	1	2,720,001	2,725,000	2,723,747
1	1,305,001	1,310,000	1,305,500	1	2,830,000	2,835,000	2,830,000
1	1,510,001	1,515,000	1,514,100	1	2,850,001	2,855,000	2,852,800
1	1,535,001	1,540,000	1,537,400	1	2,875,001	2,880,000	2,877,384
1	1,565,001	1,570,000	1,568,400	1	2,905,001	2,910,000	2,905,588
1	1,615,001	1,620,000	1,616,286	1	3,035,001	3,040,000	3,035,823
1	1,640,001	1,645,000	1,644,635	1	4,270,001	4,275,000	4,270,794
1	1,660,001	1,665,000	1,663,300	1	4,445,001	4,450,000	4,449,400
1	1,680,001	1,685,000	1,680,610	1	5,005,001	5,010,000	5,008,600
1	1,710,001	1,715,000	1,711,800	1	5,405,001	5,410,000	5,406,700
1	1,725,001	1,730,000	1,728,844	1	5,595,001	5,600,000	5,599,442
2	1,735,001	1,740,000	3,473,500	1	9,960,001	9,965,000	9,961,767
1	1,800,001	1,805,000	1,804,200	1	11,945,001	11,950,000	11,946,659
1	1,875,001	1,880,000	1,876,120	1	22,625,001	22,630,000	22,628,018
1	1,885,001	1,890,000	1,887,742	1	32,100,001	32,105,000	32,102,886
2	1,935,000	1,940,000	3,871,693	1	194,970,001	194,975,000	194,972,555
1	1,965,000	1,970,000	1,965,000				
				13,082			523,784,755

categories of shareholding

As at December 31, 2017

Shareholders Category	No. of Shareholders	No. of Shares	Percentage
Directors, Chief Executive Officer, and their spouse(s) and minor children.	12	6,886,360	1.32
Associated companies, undertakings and related parties.	4	228,797,641	43.68
NIT and ICP	1	96	0.00
Banks, Development Financial Institutions, Non Banking Financial Institutions.	33	15,923,776	3.05
Insurance Companies	28	20,550,087	3.92
Modarabas and Mutual Funds	105	46,770,266	8.93
Shareholders holding 10% or more shares	1	194,972,555	37.22
General Public (Individuals)			
a. Local	12,344	103,935,254	19.84
b. Foreign			
Others	565	100,911,033	19.26

shareholder information

Annual General Meeting

The annual shareholders meeting will be held at 10:00 a.m. on April 24, 2018 at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi.

Shareholders as of April 17, 2018 are encouraged to participate and vote.

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

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

Ownership

On December 31, 2017 there were 13,062, shareholders on record of the Company's ordinary shares.

Election of Directors:

Any person who seeks to contest the election of directors shall file with the Company at its Registered Office not later than fourteen days before the date of the said Meeting a notice of his/her intention to offer himself/herself for election as a director in terms of Section 159(3) of the Companies Act, 2017 together with:

(a) Consent to act as director in Form 28, duly completed, as required under Section 167 of the Companies Act, 2017; and

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

Circulation of Annual Reports through CD/DVD/USB

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and in continuation with the SRO.787(1)/2014 dated 8th September, 2014, and approved by the Shareholders in the Annual General Meeting of the Company held on April 06, 2017, the Company shall circulate its annual balance sheet, and profit and loss account, auditor's report and directors report etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hardcopy of the Annual Audited Accounts.
The standard request form for electronic transmission is available at the Company's website www.engro.com.

Alternatively members can fill up the Standard Request Form respectively in the Annexures section at the end of the report.

E-dividend Mandate (Mandatory)

In accordance with the provisions of Section 242 of the Companies Act, 2017, and Section 4 of the Companies (Distribution of Dividends) Regulations, 2017 it is mandatory for a listed company, to pay cash dividend to the shareholders ONLY through electronic mode directly into the bank account designated by the entitled shareholders.

In order to receive your future dividends directly in your Bank account, then please provide the information mentioned on the Form placed on the Company's website www.engro.com and the same to your brokers or the Central Depository Company Ltd. (in case the shares are held in the electronic form) and to our Share Registrar (in case the shares are held in paper certificate form).

Quarterly Results

The Company issues quarterly financial statements. The planned dates for release of the quarterly results in 2018 are:

- 1st quarter: April 23, 2018
- 2nd quarter: August 16, 2018
- 3rd quarter: October 19, 2018

The Company holds half yearly briefings with Security Analysts to discuss the results and the business environment. Further, company's management attends investors' conference during the year to ensure close cordination with the financial comunity.

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

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

Change of Address

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

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

progressing Pakistan
for a better tomorrow

standalone accounts

- Auditors' Report to the Members
- Standalone Financials

auditors' report to the members

We have audited the annexed balance sheet of Engro Corporation Limited (the Company) as at December 31, 2017 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows, together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2017 and of the total comprehensive income, changes in equity and its cash flows for the year then ended; and

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

Chartered Accountants
Karachi
Date: March 29, 2018

Engagement Partner: Waqas A. Shaikh

balance sheet
as at december 31, 2017

(Amounts in thousand)	Note	2017	2016
		(Rupees)	
ASSETS			
Non-current assets			
Property, plant and equipment	4	464,128	154,340
Intangible assets	5	8,614	12,629
Long term investments	6	21,171,987	21,171,987
Long term loans and advances	7	32,425	3,020,625
Deferred taxation	8	9,678	2,227
		21,686,932	24,361,808
Current assets			
Loans, advances and prepayments	9	1,234,859	3,850,760
Receivables	10	574,159	480,246
Accrued interest / mark-up		456,972	404,864
Short term investments	11	63,916,579	60,871,369
Cash and bank balances	12	810,916	1,062,808
		66,993,485	66,670,047
TOTAL ASSETS		88,680,417	91,031,855

(Amounts in thousand)	Note	2017	2016
		(Rupees)	
EQUITY & LIABILITIES			
Equity			
Share capital	13	5,237,848	5,237,848
Share premium		13,068,232	13,068,232
General reserve		4,429,240	4,429,240
Remeasurement of post employment benefits - Actuarial loss		(12,856)	(2,262)
Unappropriated profit		60,660,171	61,307,059
Total equity		83,382,635	84,040,117
Liabilities			
Non-current liabilities			
Retirement and other service benefit obligations		35,459	24,466
Current liabilities			
Trade and other payables	14	1,319,426	2,248,235
Provision	23.1	2,354,837	-
Taxes payable		274,896	268,794
Borrowings	15	994,841	3,983,839
Accrued interest / mark-up		64,358	250,279
Unclaimed dividends		254,165	216,125
		5,262,123	6,967,272
Total liabilities		5,297,582	6,991,738
Contingencies and Commitments	16		
TOTAL EQUITY & LIABILITIES		88,680,417	91,031,855

The annexed notes from 1 to 38 form an integral part of these financial statements.

Hussain Dawood
Chairman

Hasnain Moochhala
Chief Financial Officer

Ghias Khan
President and Chief Executive

statement of comprehensive income for the year ended december 31, 2017

(Amounts in thousand except for earnings per share)	Note	2017	2016
		(Rupees)	
Dividend income	17	13,134,115	7,561,428
Royalty income	16	757,200	745,010
		13,891,315	8,306,438
Administrative expenses	19	(1,603,368)	(1,122,907)
		12,287,947	7,183,531
Other income	20	4,233,787	56,412,666
Other operating expenses	21	(330,802)	(4,617)
Operating profit		16,190,932	63,591,580
Finance cost	22	(357,828)	(559,471)
Profit before taxation		15,833,104	63,032,109
Taxation	23	(4,432,940)	(1,168,241)
Profit for the year		11,400,164	61,863,868
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
- Remeasurement of retirement benefit			
obligation - Actuarial (loss) / gain - net of tax	26.2.12	(10,394)	2,941
Total comprehensive income for the year		11,389,770	61,866,809
Earnings per share - basic and diluted	24	21.78	118.11

The annexed notes from 1 to 38 form an integral part of these financial statements.

Hussain Dawood	Hasnain Moochhala	Ghias Khan
Chairman	Chief Financial Officer	President and Chief Executive

statement of changes in equity for the year ended december 31, 2017

(Amounts in thousand)	Share capital	Reserves – Capital – Share premium	Reserves – Revenue – General reserve	Reserves – Revenue – Remeasurement of post employment benefits - Actuarial gain / (loss)	Reserves – Revenue – Unappropriated profit	Total
	(Rupees)					
Balance as at January 1, 2016	5,237,848	13,068,232	4,429,240	(5,203)	13,585,382	36,315,499
Profit for the year	-	-	-	-	61,863,868	61,863,868
Other comprehensive income	-	-	-	2,941	-	2,941
	-	-	-	2,941	61,863,868	61,866,809
Transactions with owners						
Final cash dividend for the year ended December 31, 2015 @ Rs. 7.00 per share	-	-	-	-	(3,666,494)	(3,666,494)
Interim cash dividends for the year ended December 31, 2016:						
- 1st interim @ Rs.5.00 per share	-	-	-	-	(2,618,924)	(2,618,924)
- 2nd interim @ Rs.7.00 per share	-	-	-	-	(3,666,495)	(3,666,495)
- 3rd interim @ Rs.8.00 per share	-	-	-	-	(4,190,278)	(4,190,278)
	-	-	-	-	(14,142,191)	(14,142,191)
Balance as at December 31, 2016	5,237,848	13,068,232	4,429,240	(2,262)	61,307,059	84,040,117
Profit for the year	-	-	-	-	11,400,164	11,400,164
Other comprehensive loss	-	-	-	(10,394)	-	(10,394)
	-	-	-	(10,394)	11,400,164	11,389,770
Transactions with owners						
Final cash dividend for the year ended December 31, 2016 @ Rs. 4.00 per share	-	-	-	-	(2,095,138)	(2,095,138)
Interim cash dividends for the year ended December 31, 2017:						
- 1st interim @ Rs.5.00 per share	-	-	-	-	(2,618,924)	(2,618,924)
- 2nd interim @ Rs.7.00 per share	-	-	-	-	(3,666,495)	(3,666,495)
- 3rd interim @ Rs.7.00 per share	-	-	-	-	(3,666,495)	(3,666,495)
	-	-	-	-	(12,047,052)	(12,047,052)
Balance as at December 31, 2017	5,237,848	13,068,232	4,429,240	(12,656)	60,660,171	83,382,835

The annexed notes from 1 to 38 form an integral part of these financial statements.

Hussain Dawood	Hasnain Moochhala	Ghias Khan
Chairman	Chief Financial Officer	President and Chief Executive

statement of cash flows for the year ended december 31 , 2017

(Amounts in thousand)	Note	2017	2016
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilized in operations	27	(2,869,288)	(1,170,302)
Royalty received		807,154	733,761
Taxes paid		(2,075,596)	(686,769)
Retirement and other service benefits paid		(71,488)	(7,827)
Long term loans and advances - net		(11,800)	(2,423)
Net cash utilized in operating activities		(4,221,018)	(1,133,560)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		12,774,175	7,561,428
Income on deposits / other financial assets including income earned on subordinated loans to subsidiaries		3,869,221	1,303,528
Proceeds from disposal of investments in subsidiaries		-	62,862,956
Long term investments		-	(377,000)
Investment in Term Finance Certificates of subsidiary		(3,560,000)	-
Loans granted to subsidiaries		(600,000)	(9,092,294)
Repayment of loans by subsidiaries		6,560,000	14,282,376
Purchase of Treasury bills and Fixed income placements		(48,430,230)	(46,762,742)
Proceeds from sale of Treasury bills and maturity of Fixed income placements		61,272,487	11,845,344
Purchase of property, plant and equipment		(349,807)	(93,515)
Sale proceeds on disposal of property, plant and equipment		444	1,577
Net cash generated from investing activities		31,536,290	39,531,658
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of financial charges		(532,747)	(542,244)
Repayment of Engro Islamic Rupiya Certificates - I		(3,000,000)	-
Dividends paid		(12,009,012)	(14,042,146)
Net cash utilized in financing activities		(15,541,759)	(14,584,390)
Net increase in cash and cash equivalents		11,773,515	23,813,688
Cash and cash equivalents at beginning of the year		24,213,198	399,510
Cash and cash equivalents at end of the year	28	35,986,713	24,213,198

The annexed notes from 1 to 38 form an integral part of these financial statements.

Hussain Dawood
Chairman

Hasnain Moochhala
Chief Financial Officer

Ghias Khan
President and Chief Executive

notes to the financial statements for the year ended december 31, 2017

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

Engro Corporation Limited (the Company), is a public listed company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange Limited. The Company is a subsidiary of Dawood Hercules Corporation Limited (the Parent Company). The principal activity of the Company, 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. The Company's registered office is situated at 7th & 8th floors, The Harbour Front Building, HC # 3, Block 4, Marine Drive, Clifton, Karachi.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

2.1.1 These financial statements have been prepared under the historical cost convention as modified by remeasurement of certain financial assets and financial liabilities at fair value and recognition 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 repealed 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 or the requirements of the said directives have been followed. The Ordinance has been repealed after the enactment of the Companies Act, 2017. However, as clarified by the SECP through its circular dated October 4, 2017, these financial statements have been prepared in accordance with the provisions of the repealed Ordinance.

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

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

a) **Standards, amendments to published standards and interpretations that are effective in 2017**

The following amendments to published standards are mandatory for the financial year beginning on January 1, 2017 and are relevant to the Company:

- 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.

- IAS 12 'Income Taxes'. These amendments clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments are not expected to have a significant impact on the Company's financial statements.

(Amounts in thousand)

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

The following new standards and interpretation are not effective for the financial year beginning on January 1, 2017 and have not been early adopted by the Company:

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for periods beginning on or after January 1, 2018). This interpretation clarifies the determination of the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. The interpretation is not expected to have a significant impact on the Company's financial reporting.

- IFRS 9 'Financial instruments' (effective for annual periods beginning on or after July 1, 2018). IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The Company is yet to assess the full impact of the standard.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 1, 2018). 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 Company is yet to assess the full impact of the standard.

- IFRS 16 'Leases' (not yet notified for adoption by the SECP). This standard requires lessees to recognize 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. The Company is yet to assess the full impact of the standard.

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

(Amounts in thousand)

2.2 Property, plant and equipment

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except capital work-in-progress which is stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs (note 2.20). The cost of self constructed assets includes the cost of materials and direct labor, 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 capitalized as part of that equipment.
Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

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

Depreciation is charged to the statement of comprehensive income using the straight line method whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life at rates given in note 4.1. 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.

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

2.3 Intangible assets - Computer softwares

a) Acquired

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

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

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

b) Internally generated

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by the management. After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and impairment losses. These are amortized using the straight-line basis over a period of 5 years. Amortization on addition is charged from the month following the month in which the asset is available for use and on disposals upto the month preceding the month of disposal.

(Amounts in thousand)

Expenditure on research (or the research phase of an internal project) is recognized as an expense in the period in which it is incurred.

Development costs incurred on specific projects are capitalized when all the following conditions are satisfied:

a) completion of the intangible asset is technically feasible so that it will be available for use or sale;

b) the Company intends to complete the intangible asset and use or sell it;

c) the Company has the ability to use or sell the intangible asset;

d) the intangible asset will generate probable future economic benefits. Among other things this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or if it is to be used internally, the asset will be used in generating such benefits;

e) there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f) the expenditure attributable to the intangible asset during its development can be measured reliably.

2.4 Impairment of non-financial assets

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

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

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction 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 recognized in the statement of comprehensive income.

2.6 Investments

Investment in subsidiary, associates and joint venture companies are initially recognized at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as an expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the statement of comprehensive income.

2.7 Financial assets

2.7.1 Classification

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

(Amounts in thousand)

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 short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

b) Loans and receivables

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

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

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 off it within 12 months of the end of the reporting date.

2.7.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity instruments 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 statement of comprehensive income within 'Other income / Other operating expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the statement of comprehensive income as part of 'Other income' when the Company's right to receive payments is established.

Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of comprehensive income as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of comprehensive income as part of 'Other income'. Dividend income from available-for-sale equity instruments is recognized in the statement of comprehensive income as part of 'Other income' when the Company's right to receive payments is established.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

(Amounts in thousand)

2.8 Financial liabilities

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

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

2.9 Offsetting financial instruments

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

2.10 Receivables

These are recognized initially at fair value and subsequently measured at amortized cost using effective interest method less provision for impairment, if any. A provision for impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is charged to the statement of comprehensive income. Receivables considered irrecoverable are written-off.

2.11 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts, if any.

2.12 Share capital

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

2.13 Borrowings

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

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

2.14 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.

(Amounts in thousand)

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

2.15 Income tax

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

2.15.1 Current

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

2.15.2 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 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 Retirement and other service benefit obligations

2.16.1 Defined contribution plans

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

The Company operates:

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

- a defined contribution pension fund for the benefit of its management employees and management employees of its Group companies. Monthly contributions are made by the Company and other Group companies to the fund at rates ranging from 12.5% to 13.75% of basic salary; and

- a defined contribution gratuity fund for the benefit of management employees and management employees of its Group companies. Monthly contributions are made by the Company and other Group companies to the fund at the rate of 8.33% of basic salary.

2.16.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their

(Amounts in thousand)

service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by an independent actuary using the projected unit credit method. Remeasurement gains / losses are recognized in other comprehensive income.

The Company operates a defined benefit funded gratuity scheme for its management employees.

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

2.16.3 Employees' compensated absences

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

2.17 Provisions

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

2.18 Foreign currency transactions and translation

These financial statements are presented in Pakistan Rupees, which is Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income, except where such gains and losses are directly attributable to the acquisition, construction or production of a qualifying asset, in which case, such gains and losses are capitalized as part of the cost of that asset.

2.19 Revenue recognition

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

- Dividend income from investments is recognized when the Company's right to receive the payment has been established.

- Income on deposits and other financial assets are recognized on accrual basis.

- Royalty income from subsidiary and associated companies is recognized on an accrual basis in accordance with the agreements entered therewith.

- Gains / (losses) arising on sale of investments are included in the statement of comprehensive income in the period in which they arise

2.20 Borrowing costs

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

(Amounts in thousand)

2.21 Derivative financial instruments

Derivatives are recognized initially at fair value on the date a derivative contract is entered into and attributable transaction cost is recognized in statement of comprehensive income when incurred. Subsequent to initial recognition, derivatives are measured at fair values, and changes are recognized in the statement of comprehensive income.

2.22 Earnings per share

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

2.23 Dividend and appropriation to reserves

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

3.1 Impairment of investments in subsidiaries, associates and joint venture

In making estimates of future cash flows from the Company's financial assets and from investments in subsidiaries, associates and joint ventures, the management considers future dividend stream and an estimate of the terminal value of these investments, which are subject to change.

3.2 Income taxes

In making the estimates for current income taxes payable by the Company, 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 Company.

3.3 Provision for retirement and other service benefits obligations

The present value of these obligations depend on a number of factors that are determined on actuarial basis using a number of assumptions. Further, contributions determination requires assumptions to be made for future outcomes which mainly include increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Any changes in these assumptions will impact the carrying amount of these obligations. The underlying assumptions are disclosed in note 27.

4 PROPERTY, PLANT AND EQUIPMENT

	2017	2016
	(Rupees)	
Operating assets (note 4.1)	166,742	94,597
Capital work-in-progress (note 4.3)	297,386	59,743
	464,128	154,340

(Amounts in thousand)

4.1 Operating assets

	Furniture, fixture and equipment	Vehicles	Total
	(Rupees)		
As at January 1, 2016			
Cost	124,654	47,330	171,984
Accumulated depreciation	(105,063)	(18,210)	(124,273)
Net book value	19,591	28,120	47,711
Year ended December 31, 2016			
Opening net book value	19,591	28,120	47,711
Transferred from capital work-in-progress (note 4.3)	58,502	15,061	73,563
Disposals / Write-offs (note 4.2)			
Cost	(851)	(5,530)	(6,381)
Accumulated depreciation	329	4,147	4,476
	(522)	(1,383)	(1,905)
Depreciation charge (note 19)	(11,921)	(12,851)	(24,772)
Net book value	65,650	28,947	94,597
As at January 1, 2017			
Cost	182,305	56,861	239,166
Accumulated depreciation	(116,655)	(27,914)	(144,569)
Net book value	65,650	28,947	94,597
Year ended December 31, 2017			
Opening net book value	65,650	28,947	94,597
Transferred from capital work-in-progress (note 4.3)	63,506	48,659	112,164
Disposals / Write-offs (note 4.2)			
Cost	(1,412)	-	(1,412)
Accumulated depreciation	428	-	428
	(984)	-	(984)
Depreciation charge (note 19)	(21,078)	(17,957)	(39,035)
Net book value	107,093	59,649	166,742
As at December 31, 2017			
Cost	244,398	105,520	349,918
Accumulated depreciation	(137,305)	(45,871)	(183,176)
Net book value	107,093	59,649	166,742
Annual rate of depreciation (%)	15 to 20	20 to 25	

(Amounts in thousand)

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

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sale proceeds
		(Rupees)			
Furniture, fixture and equipments					
Write-off		804	346	458	-
Insurance claims	EFU General Insurance Limited	608	82	526	444
		1,412	428	984	444
Year ended December 31, 2016		6,381	4,476	1,905	1,577

4.3 Capital work-in-progress

	Furniture, fixture and equipment	Advance to suppliers	Internally generated intangible asset	Total
	(Rupees)			
Year ended December 31, 2016				
Balance as at January 1, 2016	12,393	43,858	-	56,251
Additions during the year	44,887	48,628	-	93,515
Transferred to:				
- operating assets (note 4.1)	(56,121)	(17,442)	-	(73,563)
- intangible assets (note 5)	-	(16,460)	-	(16,460)
Balance as at December 31, 2016	1,159	58,584	-	59,743
Year ended December 31, 2017				
Balance as at January 1, 2017	1,159	58,584	-	59,743
Additions during the year	20,784	151,749	177,274	349,807
Transferred to:				
- operating assets (note 4.1)	(10,330)	(101,834)	-	(112,164)
Balance as at December 31, 2017	11,613	108,499	177,274	297,386

(Amounts in thousand)

5 INTANGIBLE ASSETS

Year ended December 31, 2016	
Opening net book value	-
Transferred from capital work-in-progress (note 4.3)	16,460
Amortization charge (note 19)	(3,831)
Net book value	12,629
As at January 1, 2017	
Cost	16,460
Accumulated amortization	(3,831)
Net book value	12,629
Year ended December 31, 2017	
Opening net book value	12,629
Amortization charge (note 19)	(4,115)
Net book value	8,514
As at December 31, 2017	
Cost	16,460
Accumulated amortization	(7,946)
Net book value	8,514

6 LONG TERM INVESTMENTS

	2017	2016
	(Rupees)	
Subsidiary companies - at cost (note 6.1)	20,926,320	20,926,320
Less: Provision for impairment	(3,270,092)	(3,270,092)
	17,656,228	17,656,228
Joint venture company - at cost Engro Vopak Terminal Limited 45,000,000 (2016: 45,000,000) Ordinary shares of Rs. 10 each, equity held 50% (2016: 50%)	450,000	450,000
Associated company - at cost Engro Foods Limited 306,075,948 (2016: 306,075,948) Ordinary shares of Rs. 10 each, equity held 39.9%	3,060,759	3,060,759
Others - at cost Arabian Sea Country Club Limited 500,000 (2016: 500,000) Ordinary shares, of Rs. 10 each, equity held 6% (2016: 6%)	5,000	5,000
	21,171,987	21,171,987

(Amounts in thousand)

6.1 Subsidiary companies

	2017		2016	
	Equity % held	Investment at cost (Rupees)	Equity % held	Investment at cost (Rupees)
Quoted				
Engro Fertilizers Limited 751,312,057 (2016: 751,312,057) Ordinary shares of Rs. 10 each (note 6.1.2)	56.27	7,619,966	56.45	7,619,966
Engro Polymer & Chemicals Limited 372,810,000 (2016: 372,810,000) Ordinary shares of Rs. 10 each	56.19	3,651,300	56.19	3,651,300
Unquoted				
Engro Energy Limited (previously Engro Powergen Limited) 36,476,000 (2016: 36,476,000) Ordinary shares of Rs. 10 each	100	3,106,700	100	3,106,700
Engro Eximp Agriproducts (Private) Limited 190,860,900 (2016: 190,860,900) Ordinary shares of Rs. 10 each	100	4,927,000	100	4,927,000
10,000,000 (2016: 10,000,000) Redeemable Preference shares of Rs.10 each	100	100,000	100	100,000
		5,027,000		5,027,000
Elengy Terminal Pakistan Limited - 162,136,215 (2016: 162,136,215) Ordinary shares of Rs. 10 each	80	1,621,352	80	1,621,352
		20,926,320		20,926,320

6.1.1 Further, during the year Engro Digital Limited and Engro Infinity (Private) Limited have been incorporated, whose entire subscription shares of nominal values have been subscribed by the nominee directors of the Company.

6.1.2 Engro Fertilizers Limited (EFert)

EFert, a subsidiary company, had availed a loan of USD 30,000 from the International Finance Corporation (IFC), divided into (i) 30% convertible loan on its shares at Rs. 24 per ordinary share, calculated at the US Dollar to Pakistan Rupee exchange rate prevailing on the business day prior to the date of the notice issued by IFC to exercise the conversion option; and (ii) 70% non-convertible loan. Until December 31, 2016, IFC had partially exercised its option on loan amounting to USD 8,000 and 33,132,292 ordinary shares of EFert were allotted to the IFC.

On March 01, 2017, EFert received a notice from IFC for exercise of conversion option on the entire remaining loan amount of USD 1,000. Accordingly, 4,367,063 ordinary shares of EFert have been allotted to IFC on March 7, 2017. As a result, the Company as at balance sheet date holds 56.27% (December 31 2016: 56.45%) of the issued share capital of EFert.

(Amounts in thousand)

7. LONG TERM LOANS AND ADVANCES - Considered good

	2017	2016
	(Rupees)	
Long term loans and advances to Executives and other employees (note 7.1)	63,714	34,572
Less: Current portion shown under current assets (note 9)	31,289	13,947
	32,425	20,625
Subordinated loan to Engro Polymer and Chemicals Limited - unsecured (note 7.3)	-	3,000,000
	32,425	3,020,625

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

	2017	2016
Balance as at January 1	34,572	33,977
Add: Disbursements	66,338	27,688
Less: Repayments / Amortization	(37,196)	(27,093)
Balance as at December 31	63,714	34,572

7.2 The maximum amount outstanding at the end of any month during the year ended December 31, 2017 from executives aggregated to Rs. 65,623 (2016: Rs. 57,990).

7.3 Represented long term subordinated loan to Engro Polymer and Chemicals Limited (EPCL), a subsidiary company, for it to meet its working capital and other short term financing requirements. The loan carried markup at the rate of 3 months KIBOR plus 3.5% per annum, repayable in 5 years. During the year, this loan has been fully repaid by EPCL.

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

8. DEFERRED TAXATION

	2017	2016
	(Rupees)	
Debit / (Credit) balances arising on account of:		
- accelerated depreciation allowance	7,153	7,367
- provision for retirement benefits	4,324	(130)
- amortization of transaction costs incurred on borrowings	(1,599)	(5,010)
	9,878	2,227

(Amounts in thousand)

9 LOANS, ADVANCES AND PREPAYMENTS

	2017	2016
	(Rupees)	
Loans and advances, considered good		
Current portion of long term loans and advances to executives and other employees (note 7)	31,289	13,947
Loan to:		
- Elengy Terminal Pakistan Limited (note 9.1)	896,542	296,542
- Engro Energy Limited (previously Engro Powergen Limited) (note 9.2)	-	3,560,000
	927,831	3,870,489
Prepayments	307,028	10,271
	1,234,859	3,880,760

9.1 This includes subordinated loan to Elengy Terminal Pakistan Limited (ETPL), a subsidiary company amounting to Rs. 296,542 (2016: Rs. 296,542) which carries markup payable on quarterly basis equal to 3 months KIBOR plus a margin of 3.5% per annum. This loan is repayable on demand.

During the year, the Company extended additional loan of Rs. 600,000 to ETPL, to meet its working capital requirements. The loan carries mark-up at the rate of 3 months KIBOR plus 0.5% per annum, payable on a lump sum basis on or before June 30, 2018.

9.2 In 2016, the Company extended a subordinated short-term loan of Rs 3,560,000 to Engro Energy Limited (previously Engro Powergen Limited) (EEL), a wholly owned subsidiary company. The loan carried mark-up at the rate of 3 months KIBOR plus 1.5% per annum, payable on a quarterly basis. The loan was repayable through one lump sum installment falling due on March 16, 2017. During the year, EEL repaid the entire loan to the Company.

9.3 The carrying values of the loans 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)

10 OTHER RECEIVABLES

	2017	2016
	(Rupees)	
- Considered good		
Due from:		
- Subsidiary companies		
- Elengy Terminal Pakistan Limited (note 10.1)	395,889	-
- Engro Elengy Terminal (Private) Limited	9,157	97
- Engro Eximp FZE	31,996	36,610
- Engro Fertilizers Limited (note 10.2)	30,971	60,462
- Engro Polymer and Chemicals Limited	24,640	-
- Engro Powergen Qadirpur Limited	14,977	173
- Engro Powergen Thar (Private) Limited	14,472	59
- Joint venture		
- Engro Vopak Terminal Limited	3,906	-
- Associated companies		
- Engro Foods Limited	8,579	7,084
- Sindh Engro Coal Mining Company Limited	17,969	440
- Thar Power Company Limited	742	-
	553,188	104,925
- Engro Foundation	59	87
- Retirement funds	18,278	1,722
- Others	2,634	1,246
Considered doubtful		
- FrieslandCampina Pakistan Holdings B.V.	143,366	197,542
- Financial advisors	155,124	155,124
Less: Provision against doubtful receivables (note 21)	(298,490)	-
	-	352,666
	574,159	460,646

10.1 Includes Rs. 359,940 in respect of dividend receivable.

10.2 Includes royalty fee aggregating to Nil (2016: Rs. 48,369) under a licensing agreement (note 18).

10.3 The maximum amount due from related parties at the end of any month during the year aggregated to Rs. 553,188 (2016: Rs. 629,205).

10.4 As at December 31, 2017, receivables from related parties aggregating to Rs. 78,652 (2016: Rs. 60,747) were past due but not impaired. The ageing analysis of these receivables is as follows:

(Amounts in thousand)

	2017	2016
	(Rupees)	
Upto 3 months	33,486	5,082
3 to 6 months	15,730	8,594
More than 6 months	29,436	47,071
	78,652	60,747

11 SHORT TERM INVESTMENTS

	2017	2016
Fair value through profit or loss		
- Treasury bills (note 11.1)	60,007,819	60,864,369
Held to maturity		
- Fixed income placement	36,500	7,000
Available for sale		
- Term Finance Certificates (note 11.2)	3,872,260	-
	63,916,579	60,871,369

11.1 These have maturity dates of upto one year from balance sheet date and are discounted using the effective rates upto 6.02% (2016: 5.95%) per annum.

11.2 During the year, the Company subscribed to privately placed, unsecured and non-convertible zero coupon Term Finance Certificates (TFCs) issued by Engro Energy Limited (previously Engro Powergen Limited). These TFCs have been issued at a discounted value of Rs. 3,560,000 and have a tenure of one year extendable annually upon mutual consent upto a maximum of 48 months. Under the terms of TFCs, the Company is entitled to redeem these TFC's at any time during the term at a price to be computed using an effective interest rate of 8.77% per annum.

12. CASH AND BANK BALANCES

	2017	2016
	(Rupees)	
Cash at banks under:		
- deposit accounts (note 12.1)	810,359	1,047,664
- current accounts	167	4,554
	810,526	1,052,218
Cash in hand	390	390
	810,916	1,052,608

12.1 These carry return ranging from 4.75% to 6.0% (2016: 4.0% to 5.5%) per annum.

(Amounts in thousand)

13 SHARE CAPITAL

13.1 Authorised Capital

2017 (No. of Shares)	2016 (No. of Shares)		2017 (Rupees)	2016 (Rupees)
550,000,000	550,000,000	Ordinary shares of Rs. 10 each	5,500,000	5,500,000

13.2 Issued, subscribed and paid-up capital

2017 (No. of Shares)	2016 (No. of Shares)		2017 (Rupees)	2016 (Rupees)
197,869,803	197,869,803	Ordinary shares of Rs. 10 each fully paid in cash	1,978,699	1,978,699
325,914,951	325,914,951	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	3,259,149	3,259,149
523,784,754	523,784,754		5,237,848	5,237,848

13.3 As at December 31, 2017, Dawood Hercules Corporation Limited and associated companies held 194,972,555 and 33,825,288 (2016: 194,972,555 and 33,825,288) ordinary shares in the Company, respectively.

14 TRADE AND OTHER PAYABLES

	2017 (Rupees)	2016 (Rupees)
Creditors	86,847	56,288
Accrued liabilities (note 14.1)	903,131	1,490,520
Contractors' deposits and retentions	862	862
Workers' welfare fund (note 14.2)	204,229	204,229
Withholding tax payable	4	457,684
Zakat payable	289	-
Payable to :		
- Engro Eximp Agriproducts (Private) Limited	12,270	2,542
- Elengy Terminal Pakistan Limited	-	572
- Engro Polymer and Chemicals Limited	-	12,801
- Engro Energy Limited (previously Engro Powergen Limited)	75,995	13,300
- Engro Vopak Terminal Limited	-	241
Current portion of retirement and other service benefit obligations (note 14.3)	34,301	7,540
Others	1,518	1,656
	1,319,426	2,248,235

14.1 Includes professional fee of Rs.115,921 (2016: Rs. 1,193,122) payable to the financial advisors.

(Amounts in thousand)

14.2 During 2016, the Supreme Court of Pakistan issued a judgement 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 Constitution. Subsequently, a civil review petition against the aforementioned judgement has been filed by the taxation authorities during the year. In this respect, the Company had been accruing for WWF charge based on the amendments brought through Finance Act 2008, however, no payments were being made thereagainst. The Company based on the advice of the legal advisor has not reversed such liability amounting to Rs.204,229, in view of the fact that the tax authorities have filed a review petition against the aforementioned judgement and as such the matter has not yet attained finality.

14.3 Includes liability towards defined benefit gratuity fund amounting to Rs. 18,345 (2016: Rs. 331).

15 BORROWINGS

	2017 (Rupees)	2016 (Rupees)
Engro Islamic Rupiya Certificates I and II (notes 15.1 and 15.2)	994,841	3,983,839

15.1 During the year, the Company has repaid the entire principal balance of Engro Islamic Rupiya Certificates - I amounting to Rs. 3,000,000 to the certificate holders, alongwith profit thereon, upon completion of the tenure of three years.

15.2 The outstanding balance as at year end represents amount raised from general public against the issuance of Engro Islamic Rupiya (EIR) Certificates - II. These are AA rated, listed and secured Ijaratul Musha & Murabaha Sukuk certificates of a total issue size of Rs. 1,000,000 duly approved by the SECP. EIR - II Certificates have a tenure of 60 months with an expected profit rate of 13.5% per annum payable semi-annually maturing on July 10, 2019. The certificate holders, however, may request the Company for early redemption at any time from the date of investment subject to an Early Redemption Discount service charge on the outstanding issue price.

The EIR Certificates - II have been secured by way of first ranking pari passu floating charge over all the present and future movable properties, including all types of investments of the Company except for present and future trademarks, copyrights and certain investments in subsidiary companies. The Company, in this respect, has appointed Meezan Bank Limited as a trustee.

The proceeds from the EIR Certificates were utilized to pay-off conventional liabilities and to meet funding requirements of the subsidiaries and to finance new projects.

15.3 The facilities for short term running finance obtained from various banks, which represents the aggregate sale price of the mark-up arrangements, amount to Rs. 1,600,000 (2016: Rs. 2,000,000). During the year, the Company utilized its short term finance facilities upto Nil (December 31, 2016: Rs. 559,052) to meet its working capital requirements. The facilities are primarily secured against ranking floating charge over all present and future loans, advances, receivables and other current assets (excluding investments) of the Company. Additionally, the facilities are also secured through a pledge over shares of Engro Foods Limited and Engro Fertilizers Limited. The rate of mark-up on these finances are based on one month KIBOR plus 1% (2016: 5.99% to 6.52%) per annum. The corresponding purchase prices are payable on various dates by December 2018.

(Amounts in thousand)

16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

	2017	2016
	(Rupees)	
Corporate Guarantees issued in favour of subsidiary companies:		
- Engro Fertilizers Limited (note 16.1.1)	-	1,257,600
- Engro Powergen Qadirpur Limited (note 16.1.2)	1,108,000	1,048,000
- Engro Energy Limited (previously Engro Powergen Limited)(note 16.1.3)	7,946,128	9,544,136
- Engro Elengy Terminal (Private) Limited (note 16.1.4)	4,331,279	3,217,360
	13,385,407	15,067,096
Bank guarantees (note 16.1.5)	1,535,000	1,535,000
	14,920,407	16,602,096

16.1.1 Corporate guarantees extended on behalf of Engro Fertilizers Limited, a subsidiary company, to International Finance Corporation under the Loan Agreement amounting to USD 12,000 have been released.

16.1.2 Represents Corporate Guarantee amounting to USD 10,000 issued to a bank to open DSRA letter of credit in favour of the subsidiary company's senior long term lenders.

16.1.3 The Company has provided following corporate guarantees in favour of Engro Energy Limited (EEL) (previously Engro Powergen Limited):

- The Company has pledged shares of Engro Fertilizers Limited and Engro Foods Limited against the Standby Letters of Credit (Equity SBLCs) provided by EEL, a subsidiary company, through National Bank of Pakistan amounting to USD 14,027 (2016: USD 18,900) and USD 36,619 (2016: 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 (Private) 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) fulfilment of sponsor obligations under Sponsor Support Agreements.

- The Company has pledged shares of Engro Fertilizers Limited and Engro Foods Limited against a Standby Letter of Credit (Put Option SBLC) provided by EEL, a subsidiary company, through Allied Bank Limited 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, 2019; and (ii) fulfilment of sponsor obligations pursuant to Put Option SSA.

16.1.4 The Company has provided following corporate guarantees in favour of Engro Elengy Terminal (Private) Limited, a wholly owned subsidiary company of Elengy Terminal Pakistan Limited, a subsidiary company:

- the Company extended a Corporate Guarantee amounting to USD 20,700 to a bank against Stand By Letter of Credit (SBLC) facility granted to Engro Elengy Terminal (Private) Limited. Further, the Company has also pledged shares of Engro Fertilizers Limited and Engro Foods Limited with the bank against the SBLC.

(Amounts in thousand)

- the Company has pledged shares of Engro Fertilizers Limited and Engro Foods Limited against the Letter of Guarantee provided by Engro Elengy Terminal (Private) Limited, 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 subsidiary company under the LNG Operations and Services Agreement (LSA).

- the Company, as Sponsor Support, has permitted a bank to create ranking charge over receivables of the Company and has pledged shares of Engro Fertilizers Limited and Engro Foods Limited against the Stand By Letter of Credit (SBLC) facility amounting to USD 4,673 and Rs. 411,949 granted to Engro Elengy Terminal (Private) Limited.

16.1.5 In prior years, the Company divested some of its shareholding in Engro Fertilizers Limited (EFert). The Company had held such shareholding in EFert since 2010 and is of the view that capital gain on the sale of such securities do not attract any income tax. However, the Company 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. The Company has obtained stays thereagainst from High Court of Sindh and has also provided bank guaranties amounting to Rs. 1,535,000 in this respect in favor of Nazir of High Court of Sindh.

16.1.6 During the year, Engro Foods Limited (EFoods), an associated company, received an order from the Competition Commission of Pakistan, imposing a penalty of Rs. 62,293 in respect of EFoods' marketing activities relating to one of its products. EFoods has filed an appeal against the aforementioned order. As per the terms of the Share Purchase Agreement with FrieslandCampina Pakistan Holding B.V. (FCP), the Company is required to reimburse 51% of the amount together with all reasonable cost and expenses to FCP in case any such penalty materializes. The Company, 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 financial statements in this respect.

16.1.7 During 2016, the Company entred into a Share Purchase Agreement (SPA) with FrieslandCampina Pakistan Holding B.V. (FCP) for the sale of 47.1% of the total issued shares of Engro Foods Limited (EFoods). In accordance with the terms of the SPA, the Company 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. The Company will reimburse the amount to the extent that the sum of the regulatory duty and the custom duties incurred by EFoods occurring 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. Further, in accordance with the terms of SPA, the Company is required to pay to FCP, an amount equivalent 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. The Company, based on the opinion of EFoods' tax and legal advisors, is confident of favorable outcomes in respect of various tax matters being contested by EFoods, and accordingly no provision has been recognized in these financial statements in this respect.

16.1.8 Pursuant to the Finance Act, 2017, section 5A 'Tax on undistributed reserves' of the Income Tax Ordinance, 2001 was substituted by 'Tax on undistributed profits' whereby for tax year 2017 and onwards, a tax has been imposed at the rate of 7.5% of profit-before-tax, on every public company, that derives profit for a tax year but does not distribute at least 40% of its after-tax-profits within six months of the end of the tax year, through cash or bonus shares.

The Company has obtained a stay on the levy of aforesaid tax from the Sindh High Court, based on the grounds that this tax is applicable on the accounting profit-before-tax, that does not represent real income which can be taxed under the law and that the requirement to distribute profits or pay tax, amounts to an interference in corporate actions and implies amendment to the relevant company laws, which give shareholders the discretion to approve dividends. Furthermore, it is the contention of the Company that such an amendment to company laws could not have been made through a money bill.

The Company, based on the opinion of its legal advisor is confident that it has a reasonable case in favor of the Company.

(Amounts in thousand)

16.2 Commitments

16.2.1 Till 2015, Engro Fertilizers Limited (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. 6,407,804 representing business losses for financial years 2012 to 2014. The Company has provided an indemnity to EFert, in case of any loss incurred by EFert due to any adverse order on account of the aforementioned Group Relief transaction.

16.2.2 During 2016, International Finance Corporation (IFC) subscribed 20% of the total issued share capital of Elengy Terminal Pakistan Limited (ETPL), a subsidiary company, consequent to the Company renouncing the right issue in favour of IFC. In this respect, the Company has entered into an agreement with IFC, granting a Put option to IFC for sale of all or part of the shares held by IFC at the fair market value to be determined by a qualified and suitably experienced independent valuer. The Put option is exercisable at any time during the period beginning on the 6th anniversary of the subscription date and ending on earlier of (i) the 10th anniversary of the subscription date; and (ii) the first date on which a listing of at least 20% of the common shares of ETPL has occurred.

Further in the event that the Company or ETPL failed to comply their respective obligations as identified in the Shareholders Agreement and Subscription Agreement, the Put option will immediately become exercisable. The Company and ETPL continue to be in compliance of their respective obligations.

	2017	2016
	(Rupees)	
16.2.3 Commitments in respect of capital expenditure	146,732	152,962

17. DIVIDEND INCOME

	2017	2016
Subsidiary companies:		
- Engro Fertilizers Limited	6,010,496	6,526,428
- Engro Polymer and Chemicals Limited	167,764	-
- Elengy Terminal Pakistan Limited	2,660,095	-
Joint venture:		
- Engro Vopak Terminal Limited	1,215,000	1,035,000
Associated company:		
- Engro Foods Limited	3,080,760	-
	13,134,115	7,561,428

18. ROYALTY INCOME

The Company has granted Engro Fertilizers Limited, a subsidiary company, the right to use trade marks and copy rights of the Company for marketing of fertilizer products under a licensing agreement effective January 1, 2010.

(Amounts in thousand)

19. ADMINISTRATIVE EXPENSES

	2017	2016
	(Rupees)	
Salaries, wages and staff welfare (notes 19.1 and 19.2)	660,703	284,387
Staff recruitment, training and safety	46,316	32,959
Repairs and maintenance	45,258	179
Advertising, promotion and corporate branding	93,343	18,692
Rent, rates and taxes	79,469	84,282
Communication, stationery and other office expenses	24,412	27,298
Travel	43,734	13,660
Depreciation (note 4.1)	39,035	24,772
Amortization (note 5)	4,115	3,931
Legal and professional charges	305,258	163,387
Donations (note 34)	78,000	31,850
Research and development	25,784	331,196
Directors' fee, remuneration and travelling	144,807	76,236
Other expenses	23,135	30,279
	1,603,369	1,122,907

19.1 Salaries, wages and other staff welfare is net-off the amount recovered from subsidiaries amounting to Rs. 316,090 (2016: Rs. 351,399) in accordance with the shared service agreements.

19.2 Includes Rs. 91,695 (2016: Rs. 41,359) in respect of staff retirement benefits.

20 OTHER INCOME

	2017	2016
	(Rupees)	
Financial assets:		
Income on deposits / other financial assets (note 20.1)	4,222,698	1,659,631
Non financial assets		
Service charges (note 20.2)	10,641	10,470
Capital gain on disposal of investments in subsidiary companies	-	54,741,087
Others	448	1,498
	4,233,787	56,412,686

20.1 Includes Rs. 659,932 (2016: Rs. 764,036) in respect of profit earned on Term Finance Certificates and subordinated loans to subsidiary companies.

20.2 Represent service charges recovered against corporate guarantees extended by the Company on behalf of subsidiary company.

(Amounts in thousand)

21. OTHER OPERATING EXPENSES

	2017	2016
	(Rupees)	
Auditors' remuneration (note 21.1)	16,876	4,189
Loss on disposal of property, plant and equipment	540	328
Professional tax	100	100
Provision for doubtful receivables (note10)	298,490	-
Others	14,796	-
	330,802	4,617

21.1 Auditors' remuneration

	2017	2016
Fee for:		
- audit of annual financial statements	500	475
- review of half yearly financial statements	210	200
- review of statement of compliance with Code of Corporate Governance	40	40
Certifications, audit of retirement funds and other advisory / assurance services	6,475	2,877
Taxation services	9,110	254
Reimbursement of expenses	541	343
	16,876	4,189

22. FINANCE COST

	2017	2016
Interest / mark-up on borrowings	338,364	525,728
Amortization of transaction costs	11,002	17,222
Others	8,462	16,521
	357,828	559,471

23. TAXATION

	2017	2016
Current		
- for the year	2,543,690	1,100,535
- for prior years		
- provision for super tax (note 23.1)	2,354,637	-
- others	(462,190)	70,130
	1,892,447	70,130
	4,436,137	1,170,665
Deferred	(3,197)	(2,424)
	4,432,940	1,168,241

(Amounts in thousand)

23.1 Represents provision for 'Super Tax for rehabilitation of temporarily displaced persons', levied through Finance Act, 2017 retrospectively on the income for the financial year ended December 31, 2016. The Company has challenged the levy in the High Court of Sindh and has been granted a stay in this respect. The Company, based on the opinion of its legal advisor, believes that there is a reasonable case in the Company's favour. However, based on prudence, the Company has made provision for Super Tax in these financial statements.

23.2 Following is the position of the Company's open tax assessments:

23.2.1 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. The Company 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. The Company 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 the Company. During 2014, the ATIR issued an order whereby the aforementioned appeal was remanded back to the assessing officers for denovo proceedings, thereby accepting the Company's contention. The income tax department, in response thereagainst, had filed an appeal with ATIR, which was dismissed during 2016.

23.2.2 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. The Company filed an appeal against the said order with CIR - Appeals, who based on ATIR's order for tax year 2011, has remanded back the order to assessing officers for denovo proceedings.

23.2.3 During 2015, in respect of pending tax assessments for tax year 2011 and tax year 2012, the Company 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. The Company 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. During 2016, in respect of tax year 2011 and tax year 2012, the CIR - Appeals accepted the Company's plea and annulled the order passed by the DCIR. In response, the DCIR filed appeals before the ATIR for rectification of the orders passed by the CIR - Appeals for both tax years, which were subsequently dismissed. During the year, the Company has reversed excess provision of Rs. 168,696 in respect of tax years 2011 and 2012 consequent to denovo proceedings after which the amended orders were passed in respect of the aforementioned tax years, wherein, the Commissioner has maintained the classification of income from interest on bank deposits and from subordinated loans as "income from other sources". In response, the Company has filed an appeal challenging this contention and the Company is confident of favourable decision based on earlier ATIR judgment.

23.2.4 In 2016, 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. The Company has challenged the application of the aforementioned amendment in the High Court of Sindh and has been granted a stay in this respect.

23.2.5 During the year, the income tax department, in respect of the tax year 2016, determined additional income tax liability of Rs. 1,419,337 raising a demand of Rs. 1,573,877, whereby, the Additional Commissioner Inland Revenue (ACIR) - Audit has levied tax on inter-corporate dividends, super tax on exempt income, disallowed allocation of expenses against interest income, apportioned expenses against dividend income and capital gains among other matters. The Company, being aggrieved with the order of the ACIR - Audit, filed an application for rectification pointing certain mistakes in the aforementioned order which were rectified resulting in a revised demand of Rs. 1,084,733. In response, the Company filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals which maintained the tax on inter-corporate dividends and the resultant super tax on it but annulled other matters raised by the ACIR - Audit. The Company, subsequently, filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order passed by the CIR-Appeals which is pending for hearing. The Company, based on advice of its tax consultant, is confident that these matters will be decided in favor of the Company. Accordingly, no provision has been recognized in these financial statements, in this respect.

(Amounts in thousand)

23.2.5 During the year, the income tax department, in respect of the tax year 2015, determined additional income tax liability of Rs. 128,400 raising a demand of Rs. 156,719, whereby, the Additional Commissioner Inland Revenue (ACIR) - Audit has levied tax on inter-corporate dividends, super tax on exempt income and disallowed allocation of expenses against interest income. In response, the Company filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals which is pending for hearing. The Company, based on advice of its tax consultant, is confident that these matters will be decided in favor of the Company. Accordingly, no provision has been recognized in these financial statements, in this respect.

23.3 Relationship between tax expense and accounting profit

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the Company's applicable tax rate as follows:

	2017	2016
	(Rupees)	
Profit before tax	15,833,104	63,032,109
Tax calculated at the rate of 30% (2016: 31%)	4,749,931	19,539,954
Effect of exempt income	-	(975,112)
Effect of applicability of lower tax rate on:		
- Dividend	(2,107,093)	(792,320)
- Capital gain	(97,395)	(16,677,862)
Prior year tax charge	1,892,447	70,130
Others	(4,950)	3,251
Tax charge for the year	4,432,940	1,168,241

24. EARNINGS PER SHARE

As at December 31, 2015, there is no dilutive effect on the basic earnings per share of the Company, since the options granted on Company's shares to IFC were completely exercised during last year. Earnings per share is based on following :

	2017	2016
	(Rupees)	
Profit for the year	11,400,164	61,853,866
	(Number of shares)	
Weighted average number of ordinary shares (in thousand)	523,785	523,785

(Amounts in thousand)

25. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2017			2016		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	(Rupees)					
Managerial remuneration	100,467	39,000	550,428	144,058	30,000	361,544
Retirement benefits funds	-	-	57,605	-	-	32,198
Other benefits	24	7,596	9,370	357	10,146	6,330
Fees	-	58,458	-	-	40,672	-
Total	100,491	105,054	617,403	144,415	80,818	400,072
Number of persons including those who worked part of the year	1	12	112	2	12	71

25.1 The Company 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 incurred for directors.

25.2 Premium charged during the year in respect of directors indemnity insurance policy, purchased by the Company, amounts to Rs. 514 (2016: Rs. 1,582).

25.3 The above remuneration of executives is stated before accounting for the impact of recoveries from subsidiaries in accordance with the shared service agreements.

26. RETIREMENT BENEFITS

26.1 Defined benefit gratuity plan

The Company faces the following risks on account of its gratuity plan:

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.

(Amounts in thousand)

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 gratuity plan exposes the Company to longevity risk i.e. the members survive longer than the expectation used in determining the obligation.

26.2 Valuation results

The latest actuarial valuation of the defined benefit gratuity plan was carried out as at December 31, 2017, using the Projected Unit Credit Method. Details of the defined benefit plan are as follows:

26.2.1 Balance Sheet Reconciliation

	Defined Benefit Gratuity Plan 2017	Defined Benefit Gratuity Plan 2016
	(Rupees)	
Present value of defined benefit obligation	77,464	72,738
Fair value of plan assets	(59,493)	(72,781)
Deficit / (Surplus)	17,971	(43)
Payable to defined contribution fund	374	374
Net liability recognized in the balance sheet	18,345	331

26.2.2 Movement in net (asset) / liability recognized

	2017	2016
Net liability at beginning of the year	331	16,971
Expense for the year	3,166	4,593
Net contribution by the Company	-	(16,971)
Remeasurement loss / (gain) recognized in Other comprehensive income	14,848	(4,262)
Net liability at end of the year	18,345	331

26.2.3 Movement in present value of defined benefit obligation

	2017	2016
As at beginning of the year	72,738	71,486
Current service cost	3,170	3,195
Interest cost	5,683	5,862
Remeasurement (gain) / loss recognized in Other comprehensive income	(358)	4,049
Benefits paid during the year	(3,769)	(11,854)
As at end of the year	77,464	72,738

(Amounts in thousand)

26.2.4 Movement in fair value of plan assets

	Defined Benefit Gratuity Plan 2017	Defined Benefit Gratuity Plan 2016
	(Rupees)	
As at beginning of the year	72,781	54,889
Expected return on plan assets	5,687	4,464
Contribution by the Company	-	16,971
Benefits paid during the year	(3,769)	(11,854)
Remeasurement (loss) / gain recognized in Other comprehensive income	(15,206)	8,311
As at end of the year	59,493	72,781

26.2.5 Charge for the year

	2017	2016
Current service cost	3,170	3,195
Net interest (income) / cost	(4)	1,398
	3,166	4,593

26.2.6 Principal actuarial assumptions used in the actuarial valuation

	2017	2016
	%	
Discount rate	7.75	8.00
Expected per annum rate of return on plan assets	7.75	8.00
Expected per annum rate of increase in future salaries	7.75	8.00

	2017	2016
	(Rupees)	
26.2.7 Actual return on plan assets	2,753	11,727

26.2.8 Plan assets comprise of the following

	2017		2016	
	Rupees	(%)	Rupees	(%)
Fixed income instruments	42,331	72	52,258	72
Equity instruments	15,705	26	18,964	26
Others (including cash)	1,457	2	1,559	2
	59,493	100	72,781	100

(Amounts in thousand)

26.2.9 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.

26.2.10 Historical information

	2017	2016	2015	2014	2013
	(Rupees)				
Present value of defined benefit obligation	(77,464)	(72,738)	(71,486)	(110,086)	(81,502)
Fair value of plan assets	59,493	72,781	54,889	114,071	94,353
Payable to Defined contribution gratuity fund	(374)	(374)	(374)	(374)	(374)
(Deficit) / Surplus	(18,345)	(331)	(16,971)	3,611	12,477

26.2.11 Expected future cost for the year ending December 31, 2018 is Rs. 4,515.

26.2.12 Remeasurement recognized in Other Comprehensive Income

	Defined Benefit Gratuity Plan 2017	Defined Benefit Gratuity Plan 2016
	(Rupees)	
Loss from change in experience adjustments	(356)	(3,714)
Loss from change in financial assumptions	714	(335)
Remeasurement of obligation	358	(4,049)
Actual return on plan assets	2,753	11,727
Expected return on plan assets	(5,687)	(4,464)
Difference in opening fair value of plan assets	(12,272)	1,048
Remeasurement of plan assets	(15,206)	8,311
	(14,848)	4,262
Tax impact at 30% (2016: 31%)	4,454	(1,321)
Remeasurement of retirement benefit obligation - net of tax	(10,394)	2,941

26.2.13 Demographic assumptions

	2017	2016
Mortality rate	SLIC (2001-05)-1	SLIC (2001-05)-1
Rate of employee turnover	Heavy	Heavy

(Amounts in thousand)

26.2.14 Sensitivity analysis

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

	Increase in Assumption	Decrease in Assumption
	(Rupees)	
Discount rate	74,778	80,326
Long term salary increases	80,299	74,754

26.2.15 Maturity profile

Time in years	Defined Benefit Gratuity Plan (Rupees)
1	14,355
2	12,592
3	2,409
4	37,249
5-10	41,249
11-15	21,672
16-20	-
Weighted average duration (years)	3.47

26.3 Defined contribution plans An amount of Rs. 60,716 (2016: Rs. 34,173) has been charged during the year in respect of defined contribution plans maintained by the Company.

27. CASH UTILIZED IN OPERATIONS

	2017	2016
	(Rupees)	
Profit before taxation	15,833,104	63,032,109
Adjustment for non-cash charges and other items:		
Depreciation (note 19)	38,035	24,772
Amortization (note 19)	4,115	3,631
Loss on disposal of property, plant and equipment (note 21)	540	328
Provision for retirement and other service benefits	94,369	17,298
Income on deposits / other financial assets (note 20)	(4,233,787)	(1,671,596)
Capital gain on disposal of investments in subsidiaries	-	(56,424,513)
Dividend Income	(13,134,115)	(7,561,426)
Royalty Income	(757,200)	(745,010)
Financial charges	357,828	559,471
Working capital changes (note 27.1)	(1,073,195)	1,594,438
	(2,869,286)	(1,170,302)

(Amounts in thousand)

27.1 Working capital changes

	2017	2016
	(Rupees)	
(Increase) / decrease in current assets		
- Loans, advances, deposits and prepayments	(314,099)	31,412
- Other receivables (net)	196,474	(135,409)
	(117,625)	(103,997)
(Decrease) / increase in current liabilities		
- Trade and other payables including other service benefits (net)	(955,570)	1,698,435
	(1,073,195)	1,594,438

28 CASH AND CASH EQUIVALENTS

	2017	2016
Short term investments (note 11)	36,175,797	23,160,590
Cash and bank balances (note 12)	810,916	1,052,608
	36,986,713	24,213,198

29 FINANCIAL INSTRUMENTS BY CATEGORY

	2017	2016
Financial assets		
- Loans and receivables		
Long term loans	32,425	3,020,625
Loans and advances	927,831	3,866,813
Receivables	555,881	458,924
Accrued interest / mark-up	456,972	404,664
Cash and bank balances	810,916	1,052,608
	2,784,025	8,803,634
Short term investments		
- Fair value through profit and loss	60,007,819	60,864,369
- Held to maturity	36,500	7,000
- Available for sale	3,872,260	-
	63,916,579	60,871,369
Financial liabilities		
- Financial liabilities measured at amortized cost		
Trade and other payables	1,080,621	1,578,782
Accrued interest / mark-up	64,358	250,279
Borrowings	994,841	3,983,839
	2,139,820	5,812,900

(Amounts in thousand)

30 FINANCIAL RISK MANAGEMENT

30.1 Financial risk factors

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

The Company has given guarantees in favour of its subsidiary companies amounting to USD 117,089 (2016: USD 133,542). The devaluation / revaluation of currency will only impact contingent liabilities and the impact on post tax profit for the year is Nil.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on balances maintained with banks and loans given to subsidiary companies.

As at December 31, 2017, if interest rate on bank accounts / loans given to subsidiary companies had been 1% higher / lower with other variables held constant, post tax profit for the year would have been higher / lower by Rs. 11,947.

As at December 31, 2017, if interest rate on Treasury Bills had been 1% higher / lower with other variables held constant, post tax profit for the year would have been higher / lower by Rs. 420,066.

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. The Company is not exposed to equity securities price risk as all of its investments are in subsidiary and associated companies which are stated at cost.

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, loans and advances, deposits, bank guarantees and other receivables. The credit risk on liquid funds and mutual fund securities is limited because counter parties are financial institutions with a reasonably high credit rating. The Company maintains an internal policy to place funds with commercial banks / mutual funds having a minimum short term credit rating of A1 / AM3.

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

(Amounts in thousand)

	2017	2016
	(Rupees)	
Long term loans	32,425	3,020,625
Loans and advances	927,831	3,866,813
Receivables	477,229	398,177
Accrued interest / mark-up	456,972	404,664
Short term investments	83,916,579	60,871,369
Bank balances	810,526	1,052,218
	86,621,582	69,613,866

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

Bank	Rating agency	Rating	
		Long term	Short term
Allied Bank Limited	PACRA	AA+	A1+
Askari Bank Limited	JCR-VIS	AA-	A-1+
Bank Al-Falah Limited	PACRA	AA+	A1+
Bank Al-Habib Limited	PACRA	AA+	A1+
Faysal Bank Limited	JCR-VIS	AA	A-1+
Habib Bank Limited	JCR-VIS	AAA	A-1+
Habib Metropolitan Bank Limited	PACRA	AA+	A1+
JS Bank Limited	PACRA	A+	A1+
MCB Bank Limited	PACRA	AAA	A1+
Meezan Bank Limited	JCR-VIS	AA	A-1+
National Bank of Pakistan Limited	JCR-VIS	AAA	A-1+
Soneri Bank Limited	PACRA	AA-	A1+
Standard Chartered Bank (Pakistan) Limited	PACRA	AAA	A1+
Summit Bank Limited	JCR-VIS	A	A-1
United Bank Limited	JCR-VIS	AA+	A-1+

c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities.

The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

These objectives are achieved by maintaining sufficient cash and marketable securities.

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

(Amounts in thousand)

	2017			2016		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	(Rupees)					
Financial liabilities						
Trade and other payables	1,080,621	-	1,080,621	1,578,782	-	1,578,782
Accrued interest / mark-up	64,358	-	64,358	250,279	-	250,279
Borrowings	994,841	-	994,841	3,983,839	-	3,983,839
	2,139,820	-	2,139,820	5,812,900	-	5,812,900

30.2 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 share holders and benefit for other stake holders and to maintain an optimal capital structure to reduce the cost of capital.

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

The 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.

	2017	2016
	(Rupees)	
The proportion of borrowings to equity at the year end was:		
Total Borrowings (note 15)	994,841	3,983,839
Total Equity	83,382,835	84,040,117
	84,377,676	88,023,956
Gearing ratio	1.18%	4.53%

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

30.3 Fair value estimation

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);

(Amounts in thousand)

- 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 or loss				
- Treasury Bills	-	60,007,819	-	60,007,819
Financial assets held to maturity				
- Fixed income placement	-	36,500	-	36,500
Available for sale				
- Term finance certificates	-	3,672,280	-	3,672,280

Level 2 fair valued instruments comprise treasury bills, fixed income placement and term finance certificates which are valued using discounted cash flow model.

There were no transfers amongst the levels during the year. Further, there were no changes in the valuation techniques during the year.

31. PROVIDENT FUND

31.1 The Company operates defined contribution Provident Fund (the Fund) for its permanent employees and the employees of its Group companies. Monthly contributions are made both by the Company, other Group companies and employees to the Fund at the rate of 10% of basic salary. Accordingly, the following information is based upon the latest unaudited financial statements of the Fund as at June 30, 2017 and audited financial statements as at June 30, 2016.

	2017	2016
	(Rupees)	
Size of the fund	3,941,927	3,396,894
Cost of the investments made	2,493,496	2,920,257
Percentage of investments made	92%	92%
Fair value of investments	3,643,638	3,106,948

(Amounts in thousand)

31.2 The break-up of investments is as follows:

	2017		2016	
	Rupees	%	Rupees	%
National Savings Schemes	824,473	23	806,579	26
Government securities	1,152,661	32	727,842	24
Listed securities and unit trust	817,729	22	974,172	31
Balances with banks in savings account	848,775	23	598,355	19
	3,643,638	100	3,106,948	100

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

32. NUMBER OF EMPOLYEES.

	Number of employees as at		Average number of employees	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Management employees	121	77	99	73
Non-management employees	1	1	1	1
	122	78	100	74

(Amounts in thousand)

33 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of parent company, subsidiaries, joint venture companies, 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:

	2017	2016
	(Rupees)	
Parent company		
Dividend paid	3,855,682	4,606,227
Reimbursements to Parent company	1,509	103,989
Subsidiary companies		
Purchases and services	611,451	603,738
Mark-up from subsidiaries	347,672	764,038
Disbursement of loan to subsidiaries	600,000	9,092,294
Repayment of loan by subsidiaries	6,560,000	14,332,024
Dividend received	8,858,356	6,526,588
Issuance of TFCs by subsidiary company	3,560,000	-
Royalty income	767,200	745,010
Reimbursements	352,833	653,442
Investments made	-	377,000
Associated companies		
Purchases and services	244,879	112,620
Dividend received	3,060,759	-
Donations	78,000	30,500
Utilization of overdraft facility	-	130,000
Repayment of overdraft facility	-	130,000
Mark-up on utilization of overdraft facility	-	157
Interest on deposit	52	60
Reimbursements	40,333	37,167
Dividend paid	671,225	806,637
Joint venture		
Services rendered	13,242	2,471
Dividend received	1,216,000	1,035,000
Reimbursements	7,726	12,322
Others		
Remuneration of key management personnel	278,316	177,170
Reimbursements to key management personnel	13,857	10,146
Dividend paid	142,963	131,195
Profit on Engro Rupiya Certificates	38,612	42,589
Contribution to staff retirement benefit funds	61,766	34,920

(Amounts in thousand)

34 DONATIONS

Donations include the following in which directors are interested:

Name of Director	Interest in Donee	Name of Donee	2017	2016
			(Rupees)	
Hussain Dawood	Chairman, Board of Governors	Karachi School of Business & Leadership		
Muneer Kamal	Director		30,000	-
Ghias Khan	Chairman, Board of Trustees	Engro Foundation	48,000	30,500

35. LOSS OF CERTAIN ACCOUNTING RECORDS

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

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

36. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

36.1 The Board of Directors of Engro Polymer & Chemicals Limited, a subsidiary company, in its meeting held on January 31, 2017 has proposed a final cash dividend of Rs. 0.80 per share for the year ended December 31, 2017, amounting to Rs.530,775 of which the proportionate share of the Company amounts to Rs. 298,242.

36.2 The Board of Directors of Engro Vopak Terminal Limited, a joint venture company, in its meeting held on February 6, 2018 has proposed a final cash dividend of Rs. 5.00 per share for the year ended December 31, 2017, amounting to Rs. 450,000, of which the proportionate share of the Company amounts to Rs. 225,000.

36.3 The Board of Directors of Engro Fertilizers Limited, a subsidiary company, in its meeting held on February 8, 2018 has proposed a final cash dividend of Rs. 3.00 per share for the year ended December 31, 2017, amounting to Rs.4,005,896 of which the proportionate share of the Company amounts to Rs. 2,254,119.

36.4 The Board of Directors of Engro Foods Limited, a associated undertaking, in its meeting held on February 9, 2018 has proposed a final cash dividend of Rs. 0.40 per share for the year ended December 31, 2017, amounting to Rs. 306,638 of which the proportionate share of the Company amounts to Rs. 122,430.

(Amounts in thousand)

These financial statements do not include the effects of the aforementioned dividend income, which will be accounted for in the financial statements for the year ending December 31, 2018 once the proposed dividends are approved in the Annual General Meetings of respective companies.

36.5 The Board of Directors of the Company in its meeting held on February 21, 2018 has proposed a final cash dividend of Rs. 2.00 per share for the year ended December 31, 2017, amounting to Rs. 1,047,570 for approval of the members at the Annual General Meeting to be held on April 24, 2018.

These financial statements do not include the effect of the proposed cash dividend, which will be accounted for in the financial statements for the year ending December 31, 2018.

37. 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.

38. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 21, 2018 by the Board of Directors of the Company.

Hussain Dawood	Hasnain Moochhala	Ghias Khan
Chairman	Chief Financial Officer	President and Chief Executive

consolidated accounts

- Auditors' Report to the Members
- Consolidated Financials

auditors' report to the members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Engro Corporation Limited (the Holding Company) and its subsidiary companies as at December 31, 2017 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 have been audited 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 Engro Corporation Limited (the Holding Company) and its subsidiary companies as at December 31, 2017 and the results of their operations for the year then ended.

Chartered Accountants
Karachi
Date: March 28, 2018

Engagement Partner: Waqas A. Sheikh

consolidated balance sheet as at december 31, 2017

(Amounts in thousand)	Note	2017	2016
		(Rupees)	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	157,355,119	131,406,494
Intangible assets	5	262,852	222,434
Long term investments	6	32,195,881	34,700,708
Deferred taxation	7	23,765	554,187
Long term loans, advances and other receivables	8	6,809,735	9,850,501
		196,637,152	176,736,324
Current Assets			
Stores, spares and loose tools	9	7,636,801	7,148,040
Stock-in-trade	10	13,065,877	10,704,311
Trade debts	11	13,641,638	13,733,482
Loans, advances, deposits and prepayments	12	2,012,562	1,390,497
Other receivables	13	10,899,951	9,358,717
Accrued income		528,242	426,268
Taxes recoverable		92,881	211,762
Short term investments	14	69,878,837	64,725,627
Cash and bank balances	15	9,557,587	5,900,379
		127,316,096	113,596,983
TOTAL ASSETS		323,953,246	290,333,307

(Amounts in thousand)	Note	2017	2016
		(Rupees)	
Equity & Liabilities			
Equity			
Share capital	16	5,237,848	5,237,848
Share premium		13,068,232	13,068,232
Revaluation reserve on business combination		33,284	43,496
Maintenance reserve	17	156,301	156,301
Exchange revaluation reserve		82,112	15,767
Hedging reserve		(68,921)	(83,397)
General reserves		4,429,240	4,429,240
Unappropriated profit		106,586,894	111,008,100
Remeasurement of post-employment benefits		(69,066)	(38,154)
		126,217,886	128,599,575
		131,455,734	133,837,423
Non-Controlling Interest		39,618,743	35,253,333
Total Equity		171,074,477	169,090,756
Liabilities			
Non-Current Liabilities			
Borrowings	18	78,350,858	60,609,743
Derivative financial instruments		-	2,107
Deferred taxation	7	10,682,715	8,982,706
Deferred liabilities	20	224,263	196,671
		89,257,836	69,791,227
Current Liabilities			
Trade and other payables	21	39,262,131	31,625,402
Accrued interest / mark-up	22	1,461,114	1,139,421
Current portion of:			
- borrowings	18	12,392,265	12,508,579
- deferred liabilities	20	103,235	101,790
Taxes payable		-	56,223
Short term borrowings	23	10,085,382	5,535,567
Derivative financial instruments		-	249,853
Unclaimed dividends		318,808	236,889
		63,620,935	51,451,324
Total Liabilities		152,878,771	121,242,551
Contingencies and Commitments	24		
TOTAL EQUITY & LIABILITIES		323,953,246	290,333,307

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

Hussain Dawood	Hasnain Moochhala	Ghias Khan
Chairman	Chief Financial Officer	President and Chief Executive

consolidated profit and loss account for the year ended december 31, 2017

(Amounts in thousand except for earnings per share)	Note	2017	2016
		(Rupees)	
Revenue	25	128,592,511	157,207,668
Cost of revenue	26	(93,786,270)	(121,364,855)
Gross profit		34,806,241	35,842,813
Selling and distribution expenses	27	(7,850,236)	(12,052,758)
Administrative expenses	28	(3,790,184)	(3,605,812)
		23,165,821	20,184,243
Other income	29	10,488,895	68,838,182
Other operating expenses	30	(2,565,450)	(2,348,563)
Operating profit		31,089,266	86,673,862
Finance cost	31	(5,130,635)	(6,037,911)
Share of income from joint venture and associates	32	1,463,095	1,273,497
Profit before taxation		27,421,726	81,909,448
Taxation	33	(11,131,979)	(8,311,319)
Profit for the year		16,289,747	73,598,129
Profit attributable to:			
- Discontinued operations		-	60,686,313
- Continuing operations		16,289,747	12,911,816
		16,289,747	73,598,129
Profit attributable to:			
- Owners of the Holding Company		9,407,085	69,107,240
- Non Controlling Interest		6,882,662	4,490,889
		16,289,747	73,598,129
		Rupees	
Basic earnings per share from:	34		
- Discontinued operations		-	115.25
- Continuing operations		17.96	16.69
		17.96	131.94
Diluted earnings per share from:	34		
- Discontinued operations		-	115.25
- Continuing operations		17.96	16.61
		17.96	131.86

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

Hussain Dawood	Hasnain Moochhala	Ghias Khan
Chairman	Chief Financial Officer	President and Chief Executive

consolidated statement of comprehensive income for the year ended december 31, 2017

(Amounts in thousand)	Note	2017	2016
		(Rupees)	
Profit for the year		16,289,747	73,598,129
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Hedging reserve - cash flow hedges			
Profit / (Loss) arising during the year		16,964	(234,618)
Less:			
- Reclassification adjustments for loss included in profit and loss account		4,953	246,772
- Adjustments for amounts transferred to initial carrying amount of hedged items (capital work in progress / stock in trade)		-	2,604
		21,917	14,758
Revaluation reserve on business combination		(21,004)	(21,004)
Exchange differences on translation of foreign operations		98,001	(15,042)
		98,914	(21,288)
Income tax relating to:			
Hedging reserve - cash flow hedges		(632)	(8,600)
Revaluation reserve on business combination		6,721	6,721
		6,089	(1,879)
Items that will not be reclassified to profit or loss			
Remeasurement of post employment benefits obligation - Actuarial (loss) / gain		(40,769)	36,960
Income tax relating to remeasurement of post employment benefits obligation		9,706	(11,157)
		(31,063)	25,803
Other comprehensive income for the year, net of tax		73,940	2,636
Total comprehensive income for the year		16,363,687	73,600,765
Total comprehensive income attributable to equity shareholders from:			
- Discontinued operations		-	60,698,481
- Continuing operations		16,363,687	12,902,284
		16,363,687	73,600,765
Total comprehensive income attributable to:			
- Owners of the Holding Company		9,446,641	69,106,452
- Non Controlling Interest		6,917,046	4,494,313
		16,363,687	73,600,765

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

Hussain Dawood	Hasnain Moochhala	Ghias Khan
Chairman	Chief Financial Officer	President and Chief Executive

consolidated statement of changes in equity for the year ended december 31, 2017

(Amounts in thousand)

	Share capital	Share premium	Employee share option compensation reserve	Revaluation reserve on business combination	Maintenance reserve (note 19)	Exchange revaluation reserve	Hedging reserve	General reserve	Unappropriated Profit	Remeasurement of post employment benefits - actuarial (loss)/income	Sub total	Non controlling interest	Total
	Attributable to owners of the Holding Company — Reserves: Capital Reserves (Share capital to Exchange revaluation reserve); Revenue Reserves (Hedging reserve to Remeasurement)												
	(Rupees)												
Balance as at January 1, 2016	5,237,848	13,068,232	866,143	63,688	156,301	28,766	(38,042)	4,429,240	45,881,164	(81,891)	69,241,429	16,431,445	85,672,884
Total comprehensive income for the year ended December 31, 2016													
Profit for the year	-	-	-	-	-	-	-	-	69,107,240	-	69,107,240	4,460,689	73,568,229
Other comprehensive income	-	-	-	(10,202)	-	(14,028)	3,108	-	-	20,287	(735)	3,424	2,689
	-	-	-	(10,202)	-	(14,028)	3,108	-	69,107,240	20,287	69,106,452	4,494,338	73,600,785
Transactions with owners													
Disposal of Subsidiary Company	-	-	(866,143)	-	-	-	1,642	-	-	78,440	(820,161)	(1,597,457)	(2,417,618)
Share issued to IFC by subsidiary company	-	-	-	-	-	-	-	-	-	-	-	1,488,976	1,488,976
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	-	(3,707,442)	(3,707,442)
Effect of partial disposal of shares held in subsidiary company by Holding Company	-	-	-	-	-	-	-	-	8,760,183	-	8,760,180	6,259,526	15,019,649
Shares issued during the year and share issuance cost accounted for as deduction from equity													
- ordinary shares issued during the year	-	-	-	-	-	-	-	-	(40,226)	-	(40,226)	4,768,863	4,728,629
- preference shares issued during the year	-	-	-	-	-	-	-	-	-	-	-	5,012,208	5,012,208
Decrease in NCI due to disposal of shareholding	-	-	-	-	-	-	-	-	441,882	-	441,882	(441,882)	-
Final cash dividend for the year ended December 31, 2015 @ Rs. 7.00 per share	-	-	-	-	-	-	-	-	(3,666,464)	-	(3,666,464)	-	(3,666,464)
1st interim cash dividends for the year ended December 31, 2016 @ Rs. 5.00 per share	-	-	-	-	-	-	-	-	(2,618,904)	-	(2,618,904)	-	(2,618,904)
Second interim cash dividend for the year ended December 31, 2016 @ Rs. 7.00 per share	-	-	-	-	-	-	-	-	(3,666,465)	-	(3,666,465)	-	(3,666,465)
Third interim cash dividend for the year ended December 31, 2016 @ Rs. 8.00 per share	-	-	-	-	-	-	-	-	(4,190,278)	-	(4,190,278)	-	(4,190,278)
	-	-	(866,143)	-	-	-	1,642	-	(5,580,304)	78,440	(6,350,465)	14,327,575	8,817,110
Balance as at December 31, 2016	5,237,848	13,068,232	-	43,486	156,301	14,737	(33,267)	4,429,240	111,008,100	(38,164)	133,887,493	35,253,303	169,090,799
Total comprehensive income for the year ended December 31, 2017													
Profit for the year	-	-	-	-	-	-	-	-	9,407,085	-	9,407,085	6,862,659	16,269,747
Other comprehensive income	-	-	-	(10,202)	-	66,046	14,478	-	(181)	(30,922)	38,599	34,384	73,040
	-	-	-	(10,202)	-	66,046	14,478	-	9,406,904	(30,922)	9,446,304	6,917,043	16,366,347
Transactions with owners													
Share issued to IFC by subsidiary company	-	-	-	-	-	-	-	-	221,604	-	221,604	74,782	296,386
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	-	(5,820,227)	(5,820,227)
Final cash dividend for the year ended December 31, 2016 @ Rs.4.00 per share	-	-	-	-	-	-	-	-	(2,095,140)	-	(2,095,140)	-	(2,095,140)
First interim cash dividends for the year ended December 31, 2017 @ Rs.5.00 per share	-	-	-	-	-	-	-	-	(2,618,925)	-	(2,618,925)	-	(2,618,925)
Second interim cash dividend for the year ended December 31, 2017 @ Rs.7.00 per share	-	-	-	-	-	-	-	-	(3,666,494)	-	(3,666,494)	-	(3,666,494)
Third interim cash dividend for the year ended December 31, 2017 @ Rs.7.00 per share	-	-	-	-	-	-	-	-	(3,666,494)	-	(3,666,494)	-	(3,666,494)
Shares issued during the period and shares issuance cost accounted for as a deduction from equity	-	-	-	-	-	-	-	-	(2,878)	-	(2,878)	583,025	580,147
Advance against issue of share capital	-	-	-	-	-	-	-	-	-	-	-	2,111,264	2,111,264
Preference shares issued (note 1.2.1.5)	-	-	-	-	-	-	-	-	-	-	-	469,610	469,610
	-	-	-	-	-	-	-	-	(11,828,330)	-	(11,828,330)	(2,581,556)	(14,379,886)
Balance as at December 31, 2017	5,237,848	13,068,232	-	33,284	156,301	82,812	(18,823)	4,429,240	108,586,594	(69,086)	131,488,704	39,614,708	171,024,477

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

Hussain Dawood
Chairman

Hasnain Moochhala
Chief Financial Officer

Ghias Khan
President and Chief Executive

consolidated statement of cash flows for the year ended december 31, 2017

(Amounts in thousand)

	Note	2017	2016
		(Rupees)	
Cash flows from operating activities			
Cash generated from operations	37	33,884,546	18,923,994
Retirement and other service benefits paid		(222,581)	(191,412)
Financial charges paid		(5,889,678)	(5,718,382)
Taxes paid		(6,657,404)	(4,485,045)
Payments against provision for contractual commitments		-	(23,604)
Long term loans and advances - net		5,515	(9,556,863)
Discontinued operations		-	5,121,505
Net cash generated from operating activities		21,120,418	4,070,193
Cash flows from investing activities			
Purchases of property, plant & equipment and intangible assets		(29,893,044)	(23,699,372)
Sale proceeds on disposal of property, plant & equipment		743,014	46,703
Investment in associated company		(299,657)	(49,785)
Investment made during the year - net		12,236,257	(35,570,970)
Income on deposits / other financial assets		3,906,821	824,062
Proceeds against disposal of investment in subsidiary company		-	60,542,689
Dividends received		4,275,759	1,036,000
Discontinued operations		-	(1,188,097)
Net cash (used in) / generated from investing activities		(9,020,850)	1,940,250
Cash flows from financing activities			
Proceeds / repayments of borrowings - net		18,210,646	21,331,087
Proceeds from issuance of shares		1,067,874	11,247,637
Share issuance cost		(8,217)	(79,377)
Advance received against issuance of right shares to Non-controlling interest		2,111,264	-
Proceeds from short term finance		-	724,700
Repayments of short term finance		(1,100,000)	(1,060,000)
Dividends paid		(17,096,051)	(17,736,366)
Discontinued operations		-	(3,175,878)
Net cash generated from financing activities		3,185,516	11,232,981
Net increase in cash and cash equivalents		15,285,084	17,243,424
Cash and cash equivalents at beginning of the year		28,479,540	11,256,488
Effects of exchange rate changes on cash and cash equivalents		111,696	(20,372)
Cash and cash equivalents at end of the year	38	43,876,320	28,479,540

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

Hussain Dawood
Chairman

Hasnain Moochhala
Chief Financial Officer

Ghias Khan
President and Chief Executive

notes to the consolidated financial statements for the year ended december 31, 2017

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 Engro Corporation Limited (the Holding Company), is a public listed company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange Limited. The Holding Company is a subsidiary of Dawood Hercules Corporation Limited (the Parent Company). The principal activity of the Holding Company, 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. The Holding Company's registered office is situated at 7th & 8th floors, The Harbour Front Building, HC # 3, Block 4, Marine Drive, Clifton, Karachi.

1.2 The "Group" consists of:

Holding Company: Engro Corporation Limited;

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

	%age of direct holding 2017	2016
- Engro Energy Limited (Formerly Engro Powergen Limited) (note 1.3.1)	100	100
- Engro Eximp Agriproducts (Private) Limited (note 1.3.2)	100	100
- Elengy Terminal Pakistan Limited (note 1.3.3)	80	80
- Engro Fertilizers Limited (note 1.3.4)	56.27	56.45
- Engro Polymer and Chemicals Limited (note 1.3.5)	56.19	56.19
- Engro Digital Limited (note 1.3.6)	100	-
- Engro Infiniti (Private) Limited (note 1.3.6)	100	-
Joint Venture Company:		
- Engro Vopak Terminal Limited (note 1.3.7)	50	50
Associated Company:		
- Engro Foods Limited (note 1.3.8)	39.9	39.9

1.3 Subsidiary companies

1.3.1 Engro Energy Limited (Formerly Engro Powergen Limited)

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

The name of Engro Energy Limited has been changed from Engro Powergen Limited to Engro Energy Limited (effective from November 29, 2017).

Following are the subsidiaries of EEL:

	%age of direct holding 2017	2016
- Kolachi Portgen (Private) Limited (note 1.3.1.1)	100	100
- Engro Power International Holding B.V. (EPIH B.V.) (note 1.3.1.2)	100	100
- Engro Power Services Limited (note 1.3.1.3)	100	100
- Engro Powergen Qadirpur Limited (note 1.3.1.4)	68.9	68.9
- Engro Powergen Thar (Private) Limited (note 1.3.1.5)	50.1	50.1

(Amounts in thousand)

Following are associated companies of EPL:

	%age of direct holding 2017	2016
- GEL Utility Limited (note 1.3.1.6)	45	45
- Sindh Engro Coal Mining Company Limited (note 1.3.1.7)	11.9	11.9

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

1.3.1.2 Engro Power International Holding B.V. (EPIH B.V.), a private limited company, has been established in Rotterdam, Netherlands with the objective to incorporate, participate, manage and supervise business and companies. EPIH B.V has two wholly owned subsidiaries namely Engro Power Services Holding B.V. (EPSH B.V.) and Engro Power Investments International B.V. (EPII B.V.) both based in Netherlands. EEL advanced an amount of USD 4,500 equivalent to Rs. 453,836 (2016: Rs 453,836) for issuance of shares in the year 2016 and 1,000 shares of USD 100 each had been issued at a premium of USD 4,400 per share.

1.3.1.3 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 Maintenance (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 EEL. EPSL is acting as an agent of EEL to discharge its obligations under the agreement.

1.3.1.4 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.

1.3.1.5 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. EPTPL has been formed for the purpose of the development of 2 x 330 MW mine mouth power plants at Thar Block II, Sindh.

As of December 31, 2017, EEL holds 50.10% (2016: 50.10%) of the issued capital of EPTPL while the balance shares are held by CMEC Thar Power Investment Limited (35%), Habib Bank Limited (9.5%) and Liberty Mills Limited (5.4%).

During the year, EPTL issued and allotted 50,201,977 preference shares of Rs. 10 each as fully paid right shares to CMEC Thar Power Investment Limited. These preference shares are cumulative, non-redeemable, non-convertible, non-participatory, non-voting and carry dividend at the rate of 11% US Dollars internal rate of return. These preference shares have been classified as equity as per the requirements of the Ordinance.

1.3.1.6 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. EEL holds 12,272,727 ordinary shares of Naira 1 each in GEL representing a 45% (2016: 45%) equity stake.

1.3.1.7 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) and EEL. 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.

(Amounts in thousand)

1.3.2 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 Sheikhupura, which commenced commercial production in 2011.

1.3.3 Elengy Terminal Pakistan Limited

Elengy Terminal Pakistan Limited (ETPL), 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.

On December 11, 2017, EETPL entered into an Amendment Agreement Number 4 (Amendment Agreement) to the LNG Operations and Services Agreement (LSA), according to which quantity upto 4.5 million tons of LNG will be unloaded from January 28, 2017 to the end of the contract year 15. This Amendment Agreement also lays down the revised tariff billing structure commencing from the contract year.

1.3.4 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.

Following are associated companies of EPL:

	%age of holding	
	2017	2016
- Engro Eximp FZE (note 1.3.4.1)	100	100
- EFERT Agritrade (Private) Limited (note 1.3.4.2)	100	-

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

1.3.4.2 During the period on July 6, 2017, EFERT Agritrade (Private) Limited (EAPL) was incorporated as a wholly owned subsidiary of EFERT to carry out trading and distribution of imported fertilizers as part of the business reorganization. EFERT has transferred its business of trading and distribution of imported fertilizers to the new subsidiary and hold 10,000 ordinary shares of Rs. 10 each in EAPL.

1.3.5 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.

On December 28, 2017, EPCL has announced expansion of PVC plant, increasing the production capacity by 100,000 MT and various other projects carrying capital expenditure of Rs. 10.3 billion.

1.3.6 Engro Digital Limited & Engro Infiniti (Private) Limited

During the year, Engro Digital Limited (EDigital) and Engro Infiniti (Private) Limited have been incorporated whose entire subscription shares of nominal value have been subscribed by the nominee directors of the Group.

(Amounts in thousand)

1.3.7 Joint Venture Company - Engro Vopak Terminal Limited

Engro Vopak Terminal Limited (EVTL), a 50% share joint venture of the Holding Company is a public unlisted company incorporated in Pakistan. EVTL is a joint venture of the Holding Company 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.

1.3.8 Engro Foods Limited

Engro Foods Limited (EFoods), is a public listed company incorporated in Pakistan, under the repealed Companies Ordinance, 1984 (now Companies Act 2017), and its shares are quoted on the Pakistan Stock Exchange. EFoods is a subsidiary of FrieslandCampina Pakistan Holdings B.V. which is a subsidiary of Zuivelcoöperatie FrieslandCampina UA (the Ultimate Parent Company).

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

The Holding Company 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, the Holding Company 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

2.1.2 These consolidated financial statements have been prepared in accordance with the requirements of repealed 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 or the requirements of the said directives have been followed. The Ordinance has been repealed after the enactment of the Companies Act, 2017. However, as clarified by the SECP through its circular dated October 4, 2017, these consolidated financial statements have been prepared in accordance with the provisions of the repealed Ordinance.

2.1.3 The preparation of consolidated financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its 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 3.

(Amounts in thousand)

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

a) Standards, amendments to published standards and interpretations that are effective in 2017

The following amendments to published standards are mandatory for the financial year beginning January 1, 2017:

- 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. 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.

- 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.

- IFRS 12', 'Disclosure of interest in other entities' (effective 2017 retrospectively). These amendments clarify the scope of IFRS 12 by specifying that the disclosure requirements, except for those summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interests which are classified as held for sale, as held for distribution to owners in their capacity as owners or as a discontinued operations in accordance with IFRS 5. The amendment is not expected to have a significant impact on the Group's financial reporting.

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2017 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 standards and amendments to published standards are not effective for the financial year beginning on January 1, 2017 and have not been early adopted by the Group:

- IFRS 9 'Financial instruments' (effective for periods beginning on or after January 1, 2018). This standard is yet to be notified by Securities and Exchange Commission of Pakistan (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 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.

(Amounts in thousand)

- 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 recognize 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.

- IFRIC 22,' Foreign currency transactions and advance consideration' (effective for periods beginning on or after January 1, 2018). These amendments clarify the determination of the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. The Group is yet to assess the full impact of the standard.

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.

In addition to the foregoing, the Companies Act, 2017 which is not effective on these consolidated financial statements, has amended certain disclosure requirements which will be applicable in future.

2.1.5 Basis of consolidation

i) Subsidiaries

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

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

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair 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 recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

(Amounts in thousand)

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

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

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

ii) Transactions and non-controlling interests

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

iii) Disposal of subsidiaries

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

2.1.6 The consolidated financial statements have been prepared on the audited financial statements of the Holding company and the subsidiary companies.

2.2 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.

The aforementioned expenditure supporting the technical feasibility and economic / commercial viability, are capitalized 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.

Capitalized 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 asset 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.

(Amounts in thousand)

2.3 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'.

Capitalized 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 asset 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.

2.4 Property, plant and equipment

2.4.1 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 capitalized as part of that equipment.

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

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

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

Depreciation is charged to 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.

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

2.4.2 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.

(Amounts in thousand)

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

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

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 recognized in the consolidated profit and loss account. Any initial direct costs incurred for the lease are amortised over the term of the lease.

2.4.3 Dredging expenditure

Dredging expenditure is categorized 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 capitalized 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 seperate component and is capitalized and depreciated over a period of 5 years on straight line basis.

2.5 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. These are valued at weighted average cost less impairment except for items in transit which are stated at invoice value plus other charges paid thereon till the balance sheet date. For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated realizable value. Upon utilization, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of principal asset, whichever is lower.

2.6 Intangible assets

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 balance sheet date and where conditions exist, impairment is recognized.

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

c) Computer software and licenses

i) Acquired

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

(Amounts in thousand)

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

Computer software cost treated as intangible assets are amortized from the date the software is put to use on straight-line basis over their respective useful lives.

ii) Internally generated

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by the management. After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and impairment losses. These are amortized using straight-line basis over a period of 5 years. Amortization on addition is charged from the month following the month in which the asset is available for use and on disposals upto the month preceding the month of disposal.

Expenditure on research (or the research phase of an internal project) is recognized as an expense in the period in which it is incurred.

Development costs incurred on specific projects are capitalized when all the following conditions are satisfied:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale;

- The Group intends to complete the intangible asset and use or sell it;

- The Group has the ability to use or sell the intangible asset;

- The intangible asset will generate probable future economic benefits. Among other things this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or if it is to be used internally, the asset will be used in generating such benefits;

- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- The expenditure attributable to the intangible asset during its development can be measured reliably.

d) Rights for future gas utilization

Rights for future gas utilization 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.

2.7 Impairment of non-financial assets

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

2.8 Investments in Joint ventures

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

(Amounts in thousand)

2.9 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 recognized at cost and the carrying amount is increased or decreased to recognize 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 recognizes it in the consolidated profit and loss account.

2.10 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 recognized in consolidated profit and loss account.

2.11 Financial instruments

2.11.1 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 categorized 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.

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**
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 recognized on the trade date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Held to maturity and loans and receivables are subsequently carried at amortized cost using the effective interest method.

(Amounts in thousand)

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

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

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

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the consolidated profit and loss account. Impairment losses recognised in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account. Impairment testing of trade debts and other receivables is described in note 2.15.

2.11.2 Financial liabilities

Financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are recognized 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 derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the consolidated profit and loss account.

2.11.3 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 recognized 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.

2.12 Derivative financial instruments and hedging activities

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

a) **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 recognized directly in equity to the extent that the hedge is effective. To the extent the hedge is ineffective, changes in fair value are recognized in consolidated profit and loss account.

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

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

2.14 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 balance sheet date. Cost in relation to finished goods includes applicable purchase cost and manufacturing expenses. The cost of work in process includes material and proportionate conversion costs.

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

2.15 Trade debts and other receivables

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

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.

(Amounts in thousand)

2.16 Cash and cash equivalents

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.

2.17 Share capital

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

2.18 Borrowings

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

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

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

2.19 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.

2.20 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 consolidated profit and loss account.

2.21 Provisions

Provisions are recognized 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 balance sheet date and adjusted to reflect current best estimate.

2.22 Income tax

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

(Amounts in thousand)

2.22.1 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

2.22.2 Deferred

Deferred tax is recognized using the balance sheet liability 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.

2.23 Retirement and other service benefits

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

The Group 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% 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.

2.23.2 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 recognized directly in equity through other comprehensive income.

Contributions require assumptions to be made of future outcomes which mainly include increases 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.

(Amounts in thousand)

The Group operates defined benefit funded gratuity schemes for its management employees and non-management employees of Engro Fertilizers Limited (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 recognized 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.

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

Till the last year, EEL operated a defined benefit gratuity fund for its management and non-management employees. However, during the year, the fund has been curtailed and the members of the fund have opted to become the members of defined contribution gratuity fund being maintained by the Holding company.

2.23.3 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.

2.23.4 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 fulfilment of criteria given in the incentive plan.

2.24 Foreign currency transactions and translation

2.24.1 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 recognized in the consolidated profit and loss account.

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

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

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

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

(Amounts in thousand)

2.25 Revenue recognition

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

- Revenue is recognized when products are dispatched to customers or services are rendered.
- Income on deposits and delayed payment income on overdue trade receivables is recognized on accrual basis.
- Commission income and royalty income from associates is recognized on an accrual basis in accordance with the substance of the relevant agreement.
- Revenue from construction activities, if the outcome of such activity can be reliably measured, is recognized by reference to stage of completion of the activity at year end (the percentage completion method). In applying the percentage completion method, revenue recognized 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.
- Dividend income from investments is recognized when the Group's right to receive the payment has been established.
- Fee from Operations and Management (O&M) projects is recognized on accrual basis under the terms of the O&M agreements. Recoveries against reimbursable expenses are adjusted against the related expenses and net amount is recognized in the consolidated profit and loss account as other income.
- Revenue from sale of electricity is recognized 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 to NTDC.
- Revenue from re-gasification and transportation of Liquefied Natural Gas (LNG) to Sui Southern Gas Company Limited (SSGCL) is recognized on the following basis:
  - Capacity and flexibility revenue on the basis of capacity made available to SSGCL.
  - Utilization 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-gasification Unit (FSRU) is recognized on accrual basis.

2.26 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which such costs are capitalized 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.

(Amounts in thousand)

2.27 Research and development costs

Research and development costs are charged to income as and when incurred, except for certain development costs which are recognized 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.

2.28 Government grant

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

2.29 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 period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.30 Transactions with related parties

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

2.31 Dividend and appropriation to reserves

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

2.32 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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(Amounts in thousand)

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.

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) 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.

f) 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.

g) 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.

h) Construction revenue and cost

Construction revenue is recognized 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.

i) 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.

j) Trade debts

An estimate of the collectible amount of trade debts is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Any difference between the amounts actually collected in future periods and the amounts expected is recognized in the statement of comprehensive income.

(Amounts in thousand)

k) Stores and spares

The Company regularly reviews the provision for slow moving stores and spares older than 10 years to assess the consumption of stores and spares, thereby ensuring that items meeting the criteria of 10 years are provided for.

4. PROPERTY, PLANT & EQUIPMENT

	2017	2016
	(Rupees)	
Operating assets, at net book value (note 4.1)	102,952,156	106,269,220
Capital work in progress - Expansion and other projects (note 4.5)	52,994,469	23,789,784
Capital spares and standby equipments	1,408,494	1,349,490
	157,355,119	131,408,494

4.1 Operating assets

	Land Freehold	Land Leasehold	Building Freehold	Building Leasehold	Pipelines	Plant and Machinery Owned	Plant and Machinery Leased	Catalyst	Furniture fixture and equipments Owned	Furniture fixture and equipments Leased	Vehicles Owned	Vehicles Leased	Jetty	Dredging	Total
	(Rupees)														
As at January 1, 2016															
Cost	712,148	500,135	9,262,692	1,719,855	2,906,515	151,302,227	12,741	1,960,174	2,058,532	21,723	1,370,982	58,400	5,304,592	2,638,573	179,809,387
Accumulated depreciation	-	(120,884)	(2,492,376)	(609,786)	(590,747)	(44,732,468)	(12,741)	(1,680,585)	(1,431,138)	(21,002)	(794,895)	(58,400)	(174,568)	(146,593)	(52,746,183)
Accumulated impairment	-	(134,921)	-	(542,779)	-	(2,570,300)	-	-	(88,342)	-	(915)	-	-	-	(3,437,257)
Net book value	712,148	244,330	6,770,316	567,290	2,315,768	103,999,459	-	279,589	539,052	721	575,172	-	5,130,024	2,492,080	123,625,947
Year ended December 31, 2016															
Opening net book value	712,148	244,330	6,770,316	567,290	2,315,768	103,999,459	-	279,589	539,052	721	575,172	-	5,130,024	2,492,080	123,625,947
Amortization of revaluation surplus	-	(2,572)	-	(1,140)	3,355	(33,649)	-	-	-	-	-	-	-	-	(34,006)
Additions including transfers (note 4.5)	-	39	304,471	36	-	3,400,420	-	248,848	352,175	-	330,868	-	-	225,476	4,862,032
Transfers to capital spares	-	-	-	-	-	(491,037)	-	-	-	-	-	-	-	-	(491,037)
Capitalization of exchange gain by Subsidiary Company (note 4.1.1)	-	-	-	-	-	(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 4.4)															
Cost	-	-	(826)	-	-	(310,093)	-	-	(41,629)	-	(262,122)	-	-	-	(614,469)
Accumulated depreciation	-	-	826	-	-	259,168	-	-	27,781	-	204,752	-	-	-	492,526
Accumulated impairment	-	-	-	-	-	7,758	-	-	850	-	53	-	-	-	8,661
	-	-	-	-	-	(43,167)	-	-	(12,998)	-	(57,317)	-	-	-	(113,482)
Depreciation charge (note 4.2)	-	(18,258)	(453,321)	(45,026)	(97,109)	(7,514,085)	-	(203,589)	(250,585)	-	(198,379)	-	(229,200)	(202,276)	(9,208,811)
Impairment (note 4.3)	-	-	-	-	-	(105,412)	-	-	(976)	-	-	-	-	-	(106,388)
Discontinued operations															
Cost	(408,580)	-	(3,959,317)	-	-	(18,856,897)	(12,741)	-	(519,768)	-	(762,328)	(58,400)	-	-	(22,456,809)
Accumulated depreciation	-	-	1,266,028	-	-	7,878,696	12,741	-	456,571	-	394,467	58,400	-	-	10,046,933
Accumulated impairment	-	-	-	-	-	176,312	-	-	126	-	862	-	-	-	177,300
	(408,580)	-	(2,693,789)	-	-	(8,801,889)	-	-	(163,080)	-	(367,029)	-	-	-	(12,234,378)
Net book value	306,054	225,559	3,827,677	521,157	2,222,014	90,575,492	-	327,848	463,579	721	283,015	-	4,900,824	2,515,280	106,259,220
As at December 31, 2016															
Cost	306,054	497,602	5,606,721	1,719,750	2,909,370	137,175,624	-	2,209,022	1,749,292	21,723	677,040	-	5,304,592	2,864,149	161,040,539
Accumulated depreciation	-	(137,122)	(1,579,044)	(554,814)	(687,356)	(44,108,690)	-	(1,881,174)	(1,197,371)	(21,002)	(394,025)	-	(403,768)	(348,869)	(51,413,735)
Accumulated impairment	-	(134,921)	-	(642,779)	-	(2,491,642)	-	-	(88,342)	-	-	-	-	-	(3,357,684)
	306,054	225,559	3,827,677	521,157	2,222,014	90,575,492	-	327,848	463,579	721	283,015	-	4,900,824	2,515,280	106,259,220

	Land Freehold	Land Leasehold	Building Freehold	Building Leasehold	Pipelines	Plant and Machinery Owned	Plant and Machinery Leased	Catalyst	Furniture fixture and equipments Owned	Furniture fixture and equipments Leased	Vehicles Owned	Vehicles Leased	Jetty	Dredging	Total
	(Rupees)														
Year ended December 31, 2017															
Opening net book value	306,054	225,558	3,827,677	521,157	2,222,014	90,575,492	-	327,848	463,579	721	283,015	-	4,900,824	2,515,280	106,259,220
Amortization of revaluation surplus	-	(2,572)	-	(1,140)	3,355	(33,649)	-	-	-	-	-	-	-	-	(34,006)
Additions including transfers (note 4.5)	6,200	-	124,611	91,707	-	3,326,195	-	8,976	339,367	-	179,171	-	-	-	4,077,129
Transfers to capital spares	-	-	-	-	-	(80,151)	-	-	-	-	-	-	-	-	(80,151)
Capitalization of exchange loss by Subsidiary Company (note 4.1.1)	-	-	-	-	-	309,944	-	-	-	-	-	-	-	-	309,944
Reclassifications															
Cost	-	-	(100,834)	5,489	110,380	90,794	-	(60,162)	(45,817)	-	150	-	-	-	-
Accumulated depreciation	-	(106)	173,044	(553)	(181,259)	(37,824)	-	60,162	9,248	-	(12,132)	-	-	-	-
Accumulated impairment	-	-	-	(13)	-	(536)	-	-	552	-	-	-	-	-	-
	-	(106)	72,410	5,123	(70,379)	52,831	-	-	(47,718)	-	(11,982)	-	-	-	-
Disposals / Write offs (note 4.4)															
Cost	-	(42,420)	-	-	-	(14,685)	-	(770,586)	(13,044)	-	(58,617)	-	-	-	(899,452)
Accumulated depreciation	-	16,014	-	-	-	3,987	-	770,586	8,374	-	52,138	-	-	-	851,177
Accumulated impairment	-	-	-	-	-	7,824	-	-	490	-	-	-	-	-	8,314
	-	(26,406)	-	-	-	(2,894)	-	-	(4,180)	-	(6,481)	-	-	-	(39,961)
Depreciation charge (note 4.2)	-	(13,068)	(221,822)	(43,222)	(169,347)	(6,217,317)	-	(113,570)	(161,920)	-	(71,341)	-	(209,481)	(221,007)	(7,462,166)
Impairment (note 4.3)	-	-	-	(107,854)	-	-	-	-	-	-	-	-	-	-	(107,854)
Net book value	312,254	183,408	3,802,706	465,771	1,985,644	87,952,251	-	223,256	589,127	721	371,402	-	4,691,343	2,294,273	102,852,156
As at December 31, 2017															
Cost	312,254	452,610	5,630,598	1,814,806	3,024,105	140,796,272	-	1,397,162	2,019,098	21,723	796,744	-	5,304,592	2,864,149	164,434,103
Accumulated depreciation	-	(134,281)	(1,727,892)	(598,389)	(1,038,461)	(50,359,664)	-	(1,173,906)	(1,362,671)	(21,002)	(425,342)	-	(613,249)	(569,876)	(58,024,723)
Accumulated impairment	-	(134,921)	-	(750,646)	-	(2,484,357)	-	-	(67,300)	-	-	-	-	-	(3,457,224)
Net book value	312,254	183,408	3,802,706	465,771	1,985,644	87,952,251	-	223,256	589,127	721	371,402	-	4,691,343	2,294,273	102,852,156
Annual rate of depreciation (%)	-	1 to 8	2.5 to 33	2.5 to 10	5	2.5 to 25	20	No. of production days	3 to 33	20	5 to 25	25	6.67	6.67 to 20	

4.1.1 Represents exchange loss amounting to Rs. 309,944 (2016: exchange gain capitalized amounting to Rs. 2,566) on borrowings of Engro Powergen Qadirpur Limited.

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

	2017	2016
	(Rupees)	
Cost of goods sold (note 26.1)	6,804,730	8,330,442
Cost of services rendered (note 26.2)	543,632	533,561
Selling and distribution expenses (note 27)	39,412	247,531
Administrative expenses (note 28)	74,391	95,277
	7,462,165	9,206,811

4.3 Impairment loss has been allocated as follows

	2017	2016
Cost of goods sold (note 26.1)	107,854	101,942
Selling and distribution expenses (note 27)	-	4,446
	107,854	106,388

4.4 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)			
Leasehold land	Naveena Steel Mills (Private) Limited	42,420	16,014	26,406	696,900
Plant and machinery	Write off	14,685	11,791	2,894	-
Catalyst	Write off	770,686	770,686	-	-
Furniture, fixture and equipment					
Insurance claims	EFU General Insurance Limited	169	57	112	124
	EFU General Insurance Limited	608	82	526	444
	EFU General Insurance Limited	347	293	54	160
Items having net book value upto Rs.50 each		403	376	27	17
	Write off	3,789	3,303	486	-
Sales through bid / auction	Various	7,728	4,753	2,975	27,956
		13,044	8,864	4,180	28,721
Vehicles					
By Company policy to existing / resigned / retired executives	Syed Khalid S. Subhani	11,027	9,924	1,103	5,400
	Raja Ashfaq Ahmed	2,033	923	1,110	1,110
Sale through bid / auction					
	Mohammed Arif	651	520	131	548
	Khalid Anwar	1,477	1,182	295	1,105
	Syed Mohammed Ali	7,500	5,625	1,875	3,249
	Saffa Begum	855	684	171	665
	Mohammed Sabeehuddin	930	744	186	690
	Waseem Mirza	950	760	190	721
	Mazahir Akhtar	950	760	190	727
	Khaliq Raza	950	760	190	740
	Khaliq Raza	1,010	741	269	760
Insurance claims	EFU General Insurance Limited	1,674	903	771	1,658
Items having net book value upto Rs.50 each		28,610	28,610	-	-
		56,617	52,136	6,481	17,393
Year ended December 31, 2017		899,452	859,491	39,961	743,014
Year ended December 31, 2016		614,469	500,957	113,462	166,995

(Amounts in thousand)

4.5 Capital work in progress

	2017	2016
	(Rupees)	
Plant and machinery	52,130,554	23,341,140
Building and civil works including pipelines	326,267	195,647
Furniture, fixture and equipment	71,476	34,013
Advances to suppliers	209,414	105,653
Internally generated intangible asset	177,274	-
Other ancillary cost	79,484	113,131
	52,994,469	23,789,784
Balance as at January 1	23,789,784	3,695,782
Additions during the year	33,359,378	25,748,401
Transferred to:		
- operating assets (note 4.1)	(4,052,759)	(4,846,721)
- intangible assets (note 5)	(81,616)	(65,620)
- capital spares	(20,318)	(9,647)
Less: Discontinued operations	-	(732,411)
Balance as at December 31	52,994,469	23,789,784

(Amounts in thousand)

5. INTANGIBLE ASSETS

	Software and Licenses	Rights for future gas utilization	Total
		(Rupees)	
As at January 1, 2016			
Cost	823,115	102,312	925,427
Accumulated amortization and impairment	(623,792)	(24,789)	(648,581)
Net book value	199,323	77,523	276,846
Year ended December 31, 2016			
Opening net book value	199,323	77,523	276,846
Additions including transfers (note 4.5)	65,620	-	65,620
Discontinued operations			
Cost	(336,876)	-	(336,876)
Accumulated amortization and impairment	292,498	-	292,498
	(44,378)	-	(44,378)
Amortization charge (note 5.1)	(70,544)	(5,110)	(75,654)
Closing net book value	160,021	72,413	222,434
As at January 1, 2017			
Cost	561,859	102,312	664,171
Accumulated amortization and impairment	(401,838)	(29,899)	(431,737)
Net book value	160,021	72,413	222,434
Year ended December 31, 2017			
Opening net book value	160,021	72,413	222,434
Additions including transfers (note 4.5)	81,616	-	81,616
Amortization charge (note 5.1)	(46,087)	(5,111)	(51,198)
Closing net book value	195,550	67,302	252,852
As at December 31, 2017			
Cost	633,475	102,312	735,787
Accumulated amortization and impairment	(447,925)	(35,010)	(482,935)
Net book value	185,550	67,302	252,852

5.1 Amortization charge for the year has been allocated as follows:

	2017	2016
	(Rupees)	
Cost of goods sold (note 26.1)	21,791	22,838
Selling and distribution expenses (note 27)	7,543	5,341
Administrative expenses (note 28)	21,864	47,475
	51,198	75,654

(Amounts in thousand)

6. LONG TERM INVESTMENTS

	2017	2016
	(Rupees)	
Joint venture company - Engro Vopak Terminal Limited (EVTL) - (notes 6.1 to 6.3)	1,337,772	1,420,688
Investment in associates (notes 6.4 and 6.5):		
- GEL Utility Limited (GEL)	1,218,689	1,036,660
- Sindh Engro Coal Mining Company (SECMC)	1,208,203	910,905
- Engro Foods Limited (EFoods)	28,271,457	31,180,875
	30,698,349	33,128,440
Others, at cost		
- Arabian Sea Country Club Limited 500,000 Ordinary shares of Rs. 10 each	5,000	5,000
- Magboro Power Company	154,560	146,580
	32,195,681	34,700,708

6.1 Details of investment in EVTL is as follows:

	2017	2016
At beginning of the year	1,420,688	1,411,394
Add: Share of profit for the year (note 32)	1,132,084	1,044,294
Less: Dividend received during the year	1,215,000	1,035,000
	1,337,772	1,420,688

6.2 As at December 31, 2017, the Holding Company held 45,000,000 ordinary shares (2016: 45,000,000 ordinary shares) of EVTL representing 50% of issued, subscribed & paid-up capital of EVTL.

6.3 The summary of financial information of EVTL as of December 31, 2017 is as follows:

Balance Sheet Particulars	2017	2016
	Rupees	
Cash and cash equivalents	92,931	168,679
Current financial liabilities (excluding trade and other payables)	-	-
Non-current financial liabilities (excluding trade and other payables)	-	-
Non-current assets	2,508,873	2,687,074
Current assets	646,853	596,801
Non-current liabilities	(9,675)	(8,094)
Current liabilities	(435,714)	(399,612)
	2,710,337	2,876,169
Group's share at 50% (2016: 50%)	1,355,169	1,438,085
Others	(17,397)	(17,397)
Carrying amount	1,337,772	1,420,688

Profit and Loss Particulars	2017	2016
	Rupees	
Revenue	3,214,907	2,919,720
Depreciation and amortization	225,478	226,170
Interest income	16,807	19,394
Interest expense	-	1,602
Income tax expense	288,756	268,344
Total comprehensive income for the year	2,264,168	2,088,585

(Amounts in thousand)

6.4 Details of investment in associates is as follows:

Particulars	2017 EFoods	2017 GEL	2017 SECMC	2016 EFoods	2016 GEL	2016 SECMC
	(Rupees)					
At beginning of the year	31,180,875	-	1,036,660	-	763,270	793,873
Add:						
- Investment in associates	-	-	144,639	31,219,746	-	49,785
- Advance against issue of shares	-	-	154,818	-	-	-
- Share of (loss) / profit for the year (note 32)	151,341	182,029	(2,359)	(38,871)	273,390	(5,316)
- Gain on deemed disposal	-	-	-	-	-	72,563
- Dividend received during the year	(3,060,759)	-	-	-	-	-
	28,271,457	1,218,689	1,208,203	31,180,875	1,036,660	910,905

6.5 The summary of financial information / reconciliation of EFoods, GEL and SECMC as of December 31, 2017 is as follows:

Particulars	2017 EFoods	2017 GEL	2017 SECMC	2016 EFoods	2016 GEL	2016 SECMC
	(Rupees)					
Revenue	34,653,486	1,770,784	35,411	44,348,031	1,764,246	27,136
Profit / (loss) after tax	379,297	404,510	(19,802)	2,386,712	689,624	(36,834)
Other comprehensive income	(6,685)	-	-	12,168	-	(1,106)
Total comprehensive income / (loss)	372,612	404,510	(19,802)	2,398,880	689,624	(37,940)
Non-current assets	13,686,609	7,595,410	39,420,458	14,246,416	7,632,812	22,236,353
Current assets	8,531,721	2,261,986	1,288,559	10,467,356	2,119,023	2,266,348
Total assets	22,218,330	9,857,396	40,709,017	24,713,772	9,751,835	24,502,701
Less:						
Non-current liabilities	5,408,658	3,923,506	25,051,668	2,105,824	4,588,204	12,251,353
Current liabilities	7,088,648	3,180,514	5,582,790	5,457,429	2,954,529	4,731,858
Total liabilities	12,497,306	7,104,020	30,634,458	7,563,253	7,542,733	16,983,211
Net assets	9,721,024	2,753,376	10,074,559	17,150,519	2,209,102	7,519,490
Group's share in %	39.9%	45%	11.9%	39.9%	45%	11.9%
Share of net assets	3,933,639	1,239,019	1,199,880	6,843,057	994,096	895,571
Recognition of investment at fair value	24,337,818	-	-	24,337,818	-	-
Others	-	(20,330)*	8,323	-	42,564*	15,334
Carrying amount	28,271,457	1,218,689	1,208,203	31,180,875	1,036,660	910,905

* This primarily represents impact of exchange rate movement on net assets of foreign associate (GEL).

(Amounts in thousand)

7 DEFERRED TAXATION

	2017 Assets	2017 Liabilities	2016 Assets	2016 Liabilities
Engro Corporation Limited	9,878	-	-	476,017
Engro Fertilizers Limited	-	9,388,172	-	7,491,859
Engro Energy Limited	-	92,779	-	69,461
Engro Polymer and Chemicals Limited	11,255	-	649,328	-
Engro Elengy Terminal (Private) Limited	-	850,979	-	723,949
Net effect of consolidation adjustments	2,632	350,785	4,859	221,420
	23,765	10,682,715	654,187	8,982,706

7.1 Credit / (Debit) balances arising on account of:

	2017	2016
	(Rupees)	
- Accelerated depreciation allowance	17,536,063	17,636,684
- Recoupable carried forward tax losses (note 7.2)	(1,444,837)	(2,778,309)
- Recoupable minimum turnover tax (note 7.3)	(510,131)	(2,346,967)
- Recoupable Alternative Corporate Tax (note 7.4)	(4,074,227)	(3,962,572)
- Unrealized foreign exchange losses, unpaid liabilities and provision for retirement and other service benefits	(139,347)	(68,421)
- Provision for Gas Infrastructure Development Cess, Custom duty and Special Excise Duty	(924,356)	(618,568)
- Provision for net realizable value of stock-in-trade	(7,516)	(109,811)
- Deferred tax on recognition of investment at fair value	-	478,244
- Others	223,312	198,239
	10,658,960	8,428,519

7.2 Relates to aggregate tax losses of Engro Polymer and Chemicals Limited available for carry forward amounting to Rs. 4,616,123 (2016: Rs. 9,261,030).

7.3 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:

	2017	2016
	(Rupees)	
Engro Fertilizers Limited	-	2,178,308
Engro Polymer and Chemicals Limited	510,131	168,659
	510,131	2,346,967

(Amounts in thousand)

7.4 Relates to Alternative Corporate Tax (ACT) paid by following subsidiaries adjustable upto 10 years, on which deferred income tax has been recognized:

	2017	2016
	(Rupees)	
Engro Fertilizers Limited	3,962,572	3,962,572
Engro Polymer and Chemicals Limited	111,655	-
	4,074,227	3,962,572

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

	2017	2016
Executives (notes 8.1 to 8.4)	480,566	427,872
Other employees (notes 8.2 and 8.4)	733	13,645
	481,299	441,517
Less: Current portion shown under current assets (note 12)	185,230	180,592
	296,069	260,925
Receivable from Sui Southern Gas Company Limited (SSGCL) (note 8.5)	1,063,751	1,085,717
Less: Current portion shown under current assets (note 12)	26,264	21,966
	1,037,487	1,063,751
Direct cost of Floating Storage & Regasification Unit (FSRU) (note 8.6)	1,052,609	1,139,125
Prepaid insurance and Loan arrangement fee (Note 8.7)	9,042,789	9,042,789
Less transaction cost netted off from related borrowings	(4,625,055)	(1,660,620)
	4,417,734	7,382,169
Other receivables	5,836	4,531
	6,809,735	9,850,501

8.1 Reconciliation of the carrying amount of loans and advances to executives:

	2017	2016
Balance as at January 1	427,872	492,812
Add: Disbursements	339,521	326,405
Less: Repayments / Amortization	(286,827)	(323,414)
Less: Discontinued operations	-	(67,931)
Balance as at December 31	480,566	427,872

8.2 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.

8.3 The maximum amount outstanding at the end of any month from the executives of the Group aggregated to Rs. 514,047 (2016: Rs. 526,306).

(Amounts in thousand)

8.4 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.

8.5 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. 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.

8.6 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.

8.7 These primarily represent payments made to China Export and Credit Insurance Bank (Sinosure) by Engro Powergen Thar (Private) Limited (EPTPL) amounting to Rs. 7,094,310, in connection with insurance cover obtained over financing arrangements 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. 4,625,055 (2016: Rs. 1,680,620), which relate to facilities actually utilized has been adjusted against related borrowings and is being amortized over the term of the loan. The balance amount, Rs. 4,417,734 (2016: Rs. 7,382,169), will be recognized as transaction cost over the term of financing upon draw down of facilities.

9. STORES, SPARES AND LOOSE TOOLS

	2017	2016
	(Rupees)	
Consumable stores	2,426,512	2,130,493
Spares and loose tools including in-transit Rs. 248,659 (2016: Nil)	5,794,255	5,381,606
	8,220,767	7,512,099
Less:		
- Provision for surplus and slow moving items (note 9.1)	511,430	290,378
- Provision for impairment	70,536	73,681
	7,638,801	7,148,040

9.1 Includes specific provision provided by Engro Polymer and Chemical Limited, a subsidiary company.

10. STOCK-IN-TRADE

	2017	2016
Raw materials and packing materials (notes 10.1 and 10.2)	3,691,665	2,469,134
Unprocessed rice	765,498	351,231
Fuel stock	379,524	381,244
Work-in-process	47,372	32,668
Finished goods:		
- own manufactured product (note 10.1)	3,543,390	6,333,929
- purchased product (notes 10.1)	4,638,428	1,135,905
	8,181,818	7,469,834
	13,065,677	10,704,311

(Amounts in thousand)

10.1 Includes:

- materials in transit amounting to Rs. 465,258 (2016: Rs. 548,142);
- inventories carried at net realizable value of Rs. 25,463 (2016: Rs. 70,067); and
- inventories held at storage facilities of third parties amounting to Rs. 2,404,786 (2016: Rs. 365,765).

10.2 Packaging material amounting to Nil (2016: Rs. 7,800) has been written-off.

11. TRADE DEBTS

	2017	2016
	(Rupees)	
Considered good		
- secured (note 11.1 and 11.2)	13,258,575	13,502,229
- unsecured	382,963	231,253
	13,641,538	13,733,482
Considered doubtful	39,039	24,400
	13,680,577	13,757,882
Less: Provision for impairment (note 11.4)	39,039	24,400
	13,641,538	13,733,482

11.1 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. 909,376 (2016: Rs. 3,896,828), are secured by a guarantee from the Government of Pakistan under the Implementation Agreement.

11.2 Includes Rs. 1,897,044 (2016: Rs. 2,131,284) due from SSGCL, in respect of capacity and utilization charges billed in accordance with the terms of LSA.

11.3 As at December 31, 2017, trade debts aggregating to Rs. 4,047,316 (2016: Rs. 3,585,917) were neither past due nor impaired.

11.4 As at December 31, 2017, trade debts aggregating to Rs. 39,039 (2016: Rs. 24,400) were past due and impaired and have been provided for. The movement in provision during the year is as follows:

	2017	2016
	(Rupees)	
Balance as at January 1	24,400	24,682
Add: Provision / (Reversal) of impairment	14,639	(282)
Balance as at December 31	39,039	24,400

(Amounts in thousand)

11.5 As at December 31, 2017, trade debts aggregating to Rs. 3,645,446 (2016: Rs. 1,247,504) 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:

	2017	2016
	(Rupees)	
Upto 3 months	3,642,269	1,247,504
3 to 6 months	3,177	-
	3,645,446	1,247,504

12. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

	2017	2016
Current portion of long term loans and advances to executives and other employees (note 8)	185,230	180,592
Advances to executives and other employees (notes 12.1)	24,347	25,207
Current portion of receivable from SSGCL (note 8)	26,264	21,966
Advance and deposits	700,178	514,219
Prepayments:		
- insurance	210,119	231,897
- others	866,444	416,616
	2,012,582	1,390,497

12.1 Represents interest free advances to executives for house rent, given in accordance with the Group's policy.

12.2 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)

13. OTHER RECEIVABLES

	2017	2016
	(Rupees)	
Receivable from Government of Pakistan against:		
- Sales tax refundable	1,667,521	1,079,652
- Subsidy (note 13.1)	7,741,461	6,309,486
	9,408,982	7,389,138
- Others	54,730	54,730
Less: Provision for impairment (note 13.4)	54,730	54,730
	-	-
	9,408,982	7,389,138
Delayed payment charges (note 13.2)	909,376	1,021,605
Reimbursable cost from NTDC in respect of:		
- Workers' profits participation fund	236,385	236,385
- Workers' welfare fund	205,638	205,638
Receivable from:		
- Engro Vopak Terminal Limited	5,265	187
- GEL Utility Limited	-	83,925
- Tenaga Generasi Limited	-	13,916
- Engro Foundation	164	1,801
- Sindh Engro Coal Mining Company Limited	23,553	1,427
- Thar Power Company Limited	742	146
- Engro Foods Limited	8,584	7,123
- FrieslandCampina Pakistan Holding B.V.	-	197,542
Claims on suppliers and insurance companies	2,225	1,629
Others	99,037	196,355
	10,899,951	9,358,717

13.1 During 2015, the Government of Pakistan had notified payment of subsidy on sold product 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). This subsidy scheme was effective till May 27, 2016.

During 2016, another subsidy scheme was announced by the Government of Pakistan effective June 25, 2016 whereby subsidy was payable 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).

During the year, another subsidy scheme was announced by the GoP, effective July 01, 2017. Under the new subsidy scheme, aforementioned rates were replaced with Rs. 100 per 50kg bag for Urea only.

In 2016, 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).

(Amounts in thousand)

13.2 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. 737,788 (2016: Rs. 958,029).

13.3 As at December 31, 2017 other receivables aggregating to Rs. 740,347 (2016: Rs. 1,024,033) were past due but not impaired. The aging analysis of these receivables is as follows:

	2017	2016
	(Rupees)	
Upto 3 months	31,993	35,384
3 to 6 months	41,577	44,152
More than 6 months	666,777	944,497
	740,347	1,024,033

13.4 As at December 31, 2017, receivables aggregating to Rs. 54,730 (2016: Rs. 54,730) 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:

	2017	2016
	(Rupees)	
Balance as at January 1	54,730	270,588
Less: Reversal made during the year - net	-	(215,858)
Balance as at December 31	54,730	54,730

14. SHORT TERM INVESTMENTS

	2017	2016
At fair value through profit or loss		
Fixed income placements (note 14.1)	-	1,786,782
Treasury Bills (note 14.2)	60,007,519	60,864,369
	60,007,519	62,651,151
Held to maturity		
Fixed income placements (note 14.1)	9,670,518	1,225,000
Treasury Bills (note 14.2)	-	849,376
	9,670,518	2,074,376
	69,678,037	64,725,527

14.1 These represents foreign and local currency deposits with various banks, at the interest rates ranging upto 6.55% (2016: 7.00%) per annum.

14.2 These represent treasury bills carrying interest at the rate ranging upto 6.80% (2016: 6.86%) per annum. These have maturity dates of upto one year from balance sheet date.

(Amounts in thousand)

15. CASH AND BANK BALANCES

	2017	2016
	(Rupees)	
Balances with banks in:		
- deposit accounts (notes 15.1 and 15.2)	7,064,906	5,349,720
- current accounts	2,489,951	506,123
Cheques / demand drafts in hand	-	38,068
Cash in hand	2,730	6,468
	9,557,587	5,900,379

15.1 Local currency deposits carry return up to the rate of 5.75% (2016: 5.75%) per annum.

15.2 Includes Rs. 2,639,880 (2016: Rs. 641,747) held in foreign currency bank accounts and carry return at the rate of 1% (2016: 1%) per annum.

16. SHARE CAPITAL

16.1 Authorised Capital

2017	2016		2017	2016
(Number of Shares)			(Rupees)	
550,000,000	550,000,000	Ordinary shares of Rs. 10 each	5,500,000	5,500,000

16.2 Issued, subscribed and paid-up capital

2017	2016		2017	2016
(Number of Shares)			(Rupees)	
197,869,804	197,869,804	Ordinary shares of Rs. 10 each fully paid in cash	1,978,699	1,978,699
325,914,951	325,914,951	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	3,259,149	3,259,149
523,784,755	523,784,755		5,237,848	5,237,848

16.3 As at December 31, 2017, Dawood Hercules Corporation Limited (the Parent Company) and associated companies held 194,972,555 and 33,825,288 (2016: 194,972,555 and 33,825,288) ordinary shares in the Holding Company, respectively.

(Amounts in thousand)

17. 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, 2017 (note 14). 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.

18. BORROWINGS
- Secured (Non-participatory)

	2016	2015
	(Rupees)	
Engro Rupiya Certificates (note 18.1)	994,841	3,983,539
Islamic Finances (note 18.2)	5,515,881	7,689,810
Conventional Finances (note 18.3)	41,195,096	35,419,364
Foreign currency borrowings and others (note 18.4)	42,937,305	26,025,309
	90,743,123	73,118,322
Less: Current portion shown under current liabilities	12,392,265	12,508,579
	78,350,858	60,609,743

18.1 Engro Rupiya Certificates

	Note	Mark-up	Instalments		2017	2016
			Number	Commenced/ Commencing from	(Rupees)	
Engro Islamic Rupiya Certificates I	18.1.1	13%	Lump sum		-	2,987,879
Engro Islamic Rupiya Certificates II	18.1.2	13.5%	Lump sum		994,841	995,960
					994,841	3,983,839

18.2 Islamic Finances

	Note	Mark-up	Number	Commenced/ Commencing from	2017	2016
Dubai Islamic Bank Limited		6 months KIBOR + 0.4%	4 half yearly	November 30, 2018	600,000	600,000
Privately Placed Subordinated Sukuk Certificates		6 months KIBOR + 1.75%	10 half yearly	January 9, 2015	2,231,699	2,560,174
Standard Chartered Bank (Pakistan) Limited		6 Months KIBOR + 0.9%	13 half yearly	June 14, 2013	398,741	594,942
Standard Chartered Bank (Pakistan) Limited		6 Months KIBOR + 0.8%	1 bullet payment	March 18, 2018	1,000,000	1,000,000
Islamic Offshore Finance		6 months LIBOR + 2.57%	7 half yearly	March 28, 2014	-	1,762,711
Islamic Facility Agreement	18.4.3	3 months KIBOR + 3.5%	20 half yearly		1,186,441	671,983
					5,515,881	7,689,810

(Amounts in thousand)

18.3 Conventional Finances

	Note	Mark-up	Instalments		2017	2016
			Number	Commenced/ Commencing from	(Rupees)	
Bilateral - IV		6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - V		6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - VI		6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	750,000	750,000
Bilateral - VII		6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	1,250,000	1,250,000
Bilateral - VIII	18.3.1	6 months KIBOR + 0.5%	6 half yearly	June 1, 2019	1,000,000	750,000
Bilateral - VIII	18.3.1	6 months KIBOR + 0.4%	6 half yearly	June 30, 2020	750,000	-
Bilateral - VIII	18.3.1	6 months KIBOR + 0.4%	6 half yearly	June 28, 2020	2,000,000	-
Allied Bank Limited		6 months KIBOR + 0.8%	1 bullet payment	March 18, 2018	2,000,000	2,000,000
Allied Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	2,000,000	2,000,000
National Bank of Pakistan		6 months KIBOR + 1.1%	10 half yearly	March 5, 2013	-	599,521
National Bank of Pakistan	18.4.3	3 months KIBOR + 3.5%	20 half yearly		928,793	528,499
Faysal Bank Limited		6 months KIBOR + 1.2%	13 half yearly	May 29, 2013	499,135	831,162
Samba Bank Limited		6 Months KIBOR + 0.9%	14 half yearly	April 1, 2013	199,431	297,621
National Bank of Pakistan		6 Months KIBOR + 1.2%	10 half yearly	September 28, 2013	188,581	415,521
Syndicated finance		6 months KIBOR + 0.4%	6 half yearly	June 28, 2019	9,108,388	9,100,403
Habib Metropolitan Bank Limited		6 Months KIBOR + 0.9%	10 half yearly	June 21, 2013	-	40,000
United Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	4,000,000	4,000,000
MCB Bank Limited		6 months KIBOR + 0.80%	1 bullet payment	March 18, 2018	3,000,000	3,000,000
MCB Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	4,000,000	4,000,000
MCB Bank Limited	18.3.2	6 Months KIBOR + 0.05%	4 half yearly	March 21, 2021	1,500,000	-
HBL-led Consortium	18.4.3	3 months KIBOR + 3.5%	20 half yearly		5,042,985	2,856,617
					41,195,096	35,419,364

18.4 Foreign Borrowings and Others

	Note	Mark-up	Number	Commenced/ Commencing from	2017	2016
International Finance Corporation	18.4.1	6 months LIBOR + 3%	6 half yearly	July 18, 2014	-	1,248,388
International Finance Corporation		6 months LIBOR + 2.5 to 3%	15 half yearly	June 2010	-	418,903
International Financial Institutions		6 months LIBOR + 3%	24 half yearly	December 15, 2010	4,871,233	6,403,000
China Development Bank Corporation (CDBC), China Construction Bank Corporation (CCBC) and Industrial and Commercial Bank of China Limited (ICBCL)						
months LIBOR + 4.2%		20 half yearly	31,476,818	10,982,728		
International Finance Corporation		6 month LIBOR + 5%	16 half yearly	June 15, 2016	1,523,870	1,713,599
Asian Development Bank		6 month LIBOR + 5%	16 half yearly	June 15, 2016	2,285,808	2,568,908
Local Syndicate Loan		6 month KIBOR + 1.8%	16 half yearly	June 15, 2016	2,779,576	3,259,781
					42,937,305	26,025,308

18.1.1 During the year, the Holding Company has repaid the entire principal balance of Engro Islamic Rupiya Certificates - I amounting to Rs. 3,000,000 to the certificate holders, alongwith profit thereon, upon completion of the tenure of three years.

(Amounts in thousand)

18.1.2 The outstanding balance as at year end represents amount raised from general public against the issuance of Engro Islamic Rupiya (EIR) Certificates - II. These are AA rated, listed and secured Ijaratul Musha & Murabaha Sukuk certificates of a total issue size of Rs. 1,000,000 duly approved by the Securities and Exchange Commission of Pakistan (SECP). EIR - II Certificates have a tenure of 60 months with an expected profit rate of 13.5% per annum payable semi-annually maturing on July 10, 2019. The certificate holders, however, may request the Holding Company for early redemption at any time from the date of investment subject to an Early Redemption Discount service charge on the outstanding issue price.

The EIR Certificates - II have been secured by way of first ranking pari passu floating charge. The Company, in this respect, has appointed Meezan Bank Limited as a trustee.

The proceeds from the EIR Certificates were utilized to pay-off conventional liabilities and to meet funding requirements of the subsidiaries and to finance new projects.

18.3.1 During the year, EPCL has obtained borrowings of Rs. 2,750,000 under the new financing arrangements and utilized the existing facility from Rs. 750,000 to Rs. 1,000,000 through first supplemental finance agreement. Further, the Company repaid its outstanding balance owed to IFC amounting to Rs. 416,903.

18.3.2 During the year, EFert obtained bilateral loan from MCB Bank Limited amounting to Rs.1,500,000 to finance capital expenditure. The loan has the same charge as the other Senior Lenders.

18.4.1 EFert availed a loan of US$ 30,000 from International Finance Corporation (IFC), divided into (i) 30% convertible loan on the shares of the Group at Rs. 24 per ordinary share calculated at the US Dollar to Pakistan Rupee exchange rate prevailing on the business day prior to the date of the notice issued by IFC to exercise the conversion option, and (ii) 70% non-convertible loan. IFC had exercised the conversion option equivalent to US$ 8,000 up till 2016. During the year, EFert received a notice dated March 1, 2017 for the exercise of remaining conversion option on US$ 1,000. Consequently 4,367,083 ordinary shares of EFert have been allotted to the IFC on March 15, 2017. Further, EFert has fully repaid remaining outstanding balance of the loan during the current year.

18.4.2 Engro Powergen Thar (Private) Limited (EPTPL) 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%. Further, the shareholders of EPTPL 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, 2017, EPTPL has made draw down of USD USD 324,516 (2016: USD 114,542) from this facility while the undrawn amount is equal to USD 296,484 (2016: USD 506,458).

18.4.3 EPTPL 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, MCB Bank Limited (pursuant to merger of original syndicate financer NIB Bank Limited with and into MCB Bank Limited), Faysal Bank Limited (pursuant to sell down of a portion of loan by MCB Bank Limited to Faysal Bank Limited) and Pak Brunei Investment Company Limited) for an aggregate amount of Rs.17,016,000. As at December 31, 2017, EPTL has made draw down of Rs. 5,042,865 (2016: Rs. 2,858,617) from this facility while the undrawn amount is equal to Rs. 11,973,134 (2016: Rs. 14,157,382).

- Bilateral Facility Agreement with National Bank of Pakistan for an aggregate amount of Rs. 3,134,000. As at December 31, 2017, EPTL has made draw down of Rs. 928,793 (Rs. 2016: 526,499) from this facility while the undrawn amount is equal to Rs. 2,205,207 (2016: Rs.2,607,501).

(Amounts in thousand)

- 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, 2017, EPTL has made draw down of Rs. 1,185,441 (2016: Rs. 671,983) from this facility while the undrawn amount is equal to Rs. 2,814,559 (2016: 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%. Further, the Shareholders of EPTPL 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.

18.5 These finances are secured primarily through first ranking hypothecation charge over all the present and future movable properties, including all types of investments of the Group except for present and future trademarks, copyrights and certain investments.

18.6 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.

18.7 Following are the changes in the long term borrowings for which cash flows have been classified as financing activities in the statement of cash flows:

	2017 Rupees
Balance as at January 1	73,119,322
Add:	
Borrowings availed during the year	29,834,244
Exchange gain	2,155,794
Amortization of transaction cost	327,606
Less:	
Repayment of borrowings	(11,623,598)
Conversion of IFC loan option	(104,810)
Transaction costs	(2,964,435)
Balance as at December 31	90,743,123

19. 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.

(Amounts in thousand)

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 Securities and Exchange Commission of Pakistan (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. 2,834,031 (2016: Rs. 2,524,087) as at December 31, 2017, which includes exchange loss of Rs. 309,944 pertaining to current year (2016: net-off exchange gain of Rs. 2,566) in property, plant and equipment (note 4.1).

19.1. 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:

	(Increase)/ Decrease Non controlling interest	(Increase)/ Decrease Unappropriated Profit	(Increase)/ Decrease Property, Plant and equipment	(Increase)/ Decrease Derivative financial assets (liability)
	------(Rupees)------			
As at January 1, 2016	1,567,820	3,471,781	(2,129,722)	(2,910,109)
For the year ended December 31, 2015				
-Recognition of exchange loss	34,667	76,767	111,434	-
-Change in fair value of derivatives	396,210	877,368	-	(1,273,578)
	361,543	800,601	111,434	(1,273,578)
As at December 31, 2016	1,929,363	4,272,382	(2,018,056)	(4,183,687)
For the year ended December 31, 2016				
-Recognition of exchange loss	(58,130)	(128,722)	(186,852)	-
-Change in fair value of derivatives	(593,933)	(1,315,205)	-	1,909,138
	(535,803)	(1,186,483)	(186,852)	1,909,138
As at December 31, 2017	1,393,560	3,085,899	(2,204,910)	(2,274,549)

(Amounts in thousand)

20. DEFERRED LIABILITIES

	2017	2016
	------(Rupees)------	
Retirement and other service benefits obligations	327,498	298,461
Less: Current portion shown under current liabilities	103,235	101,790
	224,263	196,671

21. TRADE AND OTHER PAYABLES

	2017	2016
Creditors (note 21.1)	8,869,044	13,941,264
Accrued liabilities (note 21.2)	19,890,038	13,860,076
Advances from customers	6,161,806	763,081
Deposits from dealers/ distributors refundable on termination of dealership	25,607	18,155
Retention money	26,806	33,442
Contractors'/ suppliers' deposits	123,220	124,611
Workers' welfare fund	2,302,903	2,055,148
Workers' profits participation fund	181,102	125,940
Sales tax payable	225,112	203,982
Payable to retirement benefit funds	7,491	8,198
Withholding tax payable	222,621	9,718
Payable to :		
- Engro Foods Limited	1,936	1,943
- Engro Vopak Terminal Limited	47,388	33,885
Others	1,377,059	648,059
	39,282,131	31,825,402

21.1 Includes due to following related parties:

	2017	2016
- Mitsubishi Corporation	1,461	2,682,171
- Engro Vopak Terminal Limited	87,390	120,135
	88,851	2,802,306

21.2 Includes:

- Rs. 212,193 relating to provisions recognised on prudence basis in respect of certain claims. The Group, however, is confident of favourable outcome against these claims.

- accrual for Gas Infrastructure Development Cess (GIDC) amounting to Rs. 10,113,764 (2016: Rs. 3,912,551).

(Amounts in thousand)

22. ACCRUED INTEREST / MARK-UP

	2017	2016
	(Rupees)	
Accrued interest / mark-up on secured:		
- long term borrowings	1,377,563	871,159
- short term borrowings	83,561	267,262
	1,461,114	1,138,421

23. SHORT TERM BORROWINGS

	2017	2016
Running finances utilized under mark-up arrangements (note 23.1)	10,085,382	4,435,587
Export refinance facility	-	300,000
Money market loan	-	800,000
	10,085,382	5,535,587

23.1 Running finances

The short-term running finances available to the Group from various banks under mark-up arrangements amounts to Rs. 39,602,000 (2016: Rs. 25,178,048). The rates of mark-up on these finances are KIBOR based and range from 0.5% to 1.5% per annum over 1-month KIBOR (2016: 5.20% to 8.01%) 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.

23.2 Letters of credits and bank guarantees

The aggregate facilities available to Group for opening Letter of credits and Bank guarantees amounts to Rs. 16,155,860 (2016: Rs. 14,153,048). The unutilized balance as at December 31, 2017 amounts to Rs. 12,712,000 (2016: Rs. 6,469,000).

24. CONTINGENCIES AND COMMITMENTS

Contingencies

24.1 Guarantees issued in favour of Subsidiary Companies by the Group:

	2017	2016
	(Rupees)	
- Engro Fertilizers Limited	-	1,257,800
- Engro Powergen Qadirpur Limited (note 24.1.1)	1,108,000	1,048,000
- Engro Energy Limited (note 24.1.2)	7,946,128	9,544,136
- Engro Elengy Terminal (Private) Limited (note 24.1.3)	4,331,279	3,217,360
	13,385,407	15,067,096
Others	1,535,000	1,535,000
	14,920,407	16,602,096

24.1.1 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).

24.1.2 The Holding Company has provided following corporate guarantees in favour of Engro Energy Limited (EEL):

- The Holding Company has pledged shares of Engro Fertilizers Limited (EFert) and Engro Foods Limited (EFoods) against the Standby Letters of Credit (Equity SBLCs) provided by EEL, through National Bank of Pakistan amounting to USD 14,027 (2016: USD 18,900) and USD 36,619 (2016: USD 51,100) (in PKR equivalent) for its equity commitments related to the Sindh Engro Coal Mining Company Limited (SECMC) and Engro Powergen Thar (Private) Limited (EPTL) 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) fulfilment of sponsor obligations under Sponsor Support Agreements

- The Holding Company has pledged shares of EFert and EFoods against a Standby Letter of Credit (Put Option SBLC) provided by EEL through Allied Bank Limited 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, 2019; and (ii) fulfilment of sponsor obligations pursuant to Put Option SSA.

24.1.3 The Holding Company has provided following corporate guarantees in favour of Engro Elengy Terminal (Private) Limited (EETPL), a wholly owned subsidiary company of Elengy Terminal Pakistan Limited (ETPL):

- the Holding Company extended a Corporate Guarantee amounting to USD 20,700 to a bank against Stand By Letter of Credit (SBLC) facility granted to EETPL. Further, the Group has also pledged shares of EFert and EFoods with the bank against the SBLC.

- the Holding Company has pledged shares of EFert and EFoods against the Letter of Guarantee provided by Engro Elengy Terminal (Private) Limited, 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 ETPL under the LNG Operations and Services Agreement (LSA).

- the Holding Company, as Sponsor Support, has permitted a bank to create ranking charge over receivables of the Company and has pledged shares of EFert and EFoods against the Stand By Letter of Credit (SBLC) facility amounting to USD 4,673 and Rs. 411,949 granted to EETPL.

24.2 In prior years, the Holding Company divested some of its shareholding in EFert. The Holding Company had held such shareholding in EFert since 2010 and is of the view that capital gain on the sale of such securities do not attract any income tax. However, the Holding Company 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. The Holding Company has obtained stays thereagainst from High Court of Sindh and has also provided bank guaranties amounting to Rs. 1,535,000 in this respect in favor of Nazir of High Court of Sindh.

24.3 Till 2015, EFert 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. 6,407,804 representing business losses for financial years 2012 to 2014. The Group has provided an indemnity to EFert, in case of any losses incurred by EFert due to any adverse order on account of the aforementioned Group Relief transaction.

24.4 EFert has entered in to Dealer Finance Agreements (DFAs) with different banks amounting to Rs. 4,500,000 (2016: Rs. 2,000,000) consequent to which the banks will provide financial assistance to dealers approved by EFert. In respect to DFA of Rs. 2,500,000 from a Bank EFert has agreed to bear 10% of the principal in case of default. As at year end the banks have made disbursements under the DFAs amounting to Rs. 1,226,831 (2016: Rs. 999,000) maturing on various future dates.

(Amounts in thousand)

24.5 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. The Group 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. the Group, 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.

24.6 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, Group management, as confirmed by the legal advisor, considers chances of petitions being allowed to be remote.

24.7 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 the Group 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. Group 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.

24.8 During the year, the High Court of Islamabad in its order dated June 6, 2017 declared that the income derived by M/s Snamprogetti Engineering (the Contractor) from its contract with EFert, is subject to tax as per Clause 4 of Article 5 of Double Taxation Treaty between Pakistan and the Netherlands. As per the terms of the contract, the Group is liable to reimburse the Contractor for any taxes applied to the income of the Contractor under the contract by the taxation authorities. In respect thereof, the Contractor has preferred an appeal in the Supreme Court of Pakistan. The Group management based on the opinion of legal counsel, is of the view that that the income of the Contractor is exempt from tax under the aforementioned clause of the Double Taxation Treaty and the matter will be decided in favour of the Contractor and, hence, no provision has been made in this respect.

(Amounts in thousand)

24.9 Bank guarantees have been provided to:

- SNGPL amounting to Rs. 2,496,126 (2016: 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. 2,430,860 (2016: Rs. 2,178,046).

24.10 A Corporate Guarantee amounting to USD 3,500 for principal plus interest amount has been issued on December 19, 2016, by Engro Energy Limited (EEL) on behalf of Engro Power Investments International B.V (EPII) in favor of UBL Switzerland AG against the term loan. As of December 31, 2017, EPII has not utilized this facility.

EPTPL intends to enter into an agreement with Thar Power Company Limited, an associated undertaking for the utilization of Detailed Feasibility Study (DFS) report against the payment of 50% of the capital expenditure incurred in respect of the aforementioned study.

24.11 On July 14, 2017, EEL furnished a bank guarantee amounting to Rs.1,633,000 which is expiring on April 14, 2018, to Punjab Power Development Board (PPDB) for extending the validity of letter of interest (LOI) for development of 7.1 MW D.G. Khan Link – III Canal, located in District DG Khan.

24.12 EEL 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 for SECMC and EPTPL respectively.

24.13 Faysal Bank Limited (FBL) has issued a performance guarantee of USD 16,517 on behalf of EPTPL in favour of National Transmission and Dispatch Company (NTDC) to secure EPTPL'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 EPTPL.

24.14 Habib Bank Limited (HBL), a related party of EPTPL, has issued a guarantee of Rs. 4,725,000 on behalf of EPTPL in favor of SECMC to secure EPTPL'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 the Group's rights and benefits under all project documents and project insurances, first ranking hypothecation charge over all movable assets (current and future) of EPTPL, equitable mortgage over EPTPL's immovable property, with a 20% margin. Further, the shareholders of EPTPL shall pledge shares in favor of the Security Trustee.

24.15 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, the Group 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. The payment of 50% of the amount of levy has been expensed out in the consolidated financial statements.

In this respect, EETPL has paid 50% of the above levied cess and has provided bank guarantee amounting to Rs. 12,500 in favor of the Custom 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 cases. The bank guarantee is secured against lien over deposit. However, based on the merits of the case and as per the opinion of its legal advisor, the Group 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)

24.16 In 2014, 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. the Group 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.

The Group based on the merits of the case and as per the opinion of legal advisor, expects a favorable outcome on the matter and accordingly no provision has been made in this respect in these consolidated financial statements.

24.17 EETPL, in connection with the import of FSRU received a demand from Customs Authority amounting to Rs. 1,530,494 contending that the import of FSRU attracts payment of advance income tax. The Group is of the view that the EETPL's profits and gains are exempt from income tax for 5 years from the date of commercial operations. EETPL in response to the above demand has filed an appeal based on which the Chief Commissioner Inland Revenue remanded the case back to the concerned commissioner. The Group, based on the merits of the case and opinion of tax consultant and legal advisor, is expecting a favorable outcome in this case. Accordingly, no provision has been recorded in this respect.

24.18 During the year Sindh Revenue Board (SRB) issued an order dated October 26, 2017 raised a demand of Rs. 362,351 on account of Sindh Sales Tax on EETPL's services being alleged to toll manufacturing services. In this respect SRB had attached the bank account of EETPL and had obtained a pay order of an amount of Rs. 3,490 pursuant (recorded as other receivable) to which EETPL had obtained a stay order from the Court restraining SRB from attachment of bank account and also directing the bank not to release any amount in favor of SRB. EETPL expects a favorable outcome of the matter. However, in case of matter being decided against EETPL, it is likely that such amount of sales tax would be adjusted from the output tax resulting in no impact on the income.

24.19 The Deputy Commissioner Inland Revenue (DCIR) through order dated January 6, 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. the Group filed thereagainst before the Commissioner Inland Revenue Appeals [CIR(A)] on the grounds that the order passed against the Group 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 the Group. 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 Group management, 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.

24.20 Engro Foods Limited (EFoods), received an order from the Competition Commission of Pakistan, imposing a penalty of Rs. 62,293 in respect of the Groups' marketing activities relating to one of its products. The Group has filed an appeal against the aforementioned order. 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. The Group, 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.

24.21 During 2016, the Holding Company entered into a Share Purchase Agreement (SPA) with FrieslandCampina Pakistan Holding B.V. (FCP) for the sale of 47.1% of the total issued shares of Engro Foods Limited (EFoods). In accordance with the terms of the SPA, the Holding Company 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. The Holding Company will reimburse the amount to the extent that the sum of the regulatory duty and the custom duties incurred by EFoods occurring 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. Further, in accordance with the terms of SPA, the Holding Company is required to pay to FCP, an amount equivalent 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. The Group based on the opinion of EFoods' tax and legal advisors, is confident of favorable outcomes in respect of various tax matters being contested by EFoods, and accordingly no provision has been recognized in these financial statements in this respect.

(Amounts in thousand)

24.22 Pursuant to the Finance Act, 2017, section 5A 'Tax on undistributed reserves' of the Income Tax Ordinance, 2001 was substituted by 'Tax on undistributed profits' whereby for tax year 2017 and onwards, a tax has been imposed at the rate of 7.5% of profit-before-tax, on every public company, that derives profit for a tax year but does not distribute at least 40% of its after-tax-profits within six months of the end of the tax year, through cash or bonus shares.

The Group has obtained a stay on the levy of aforesaid tax from the Sindh High Court, based on the grounds that this tax is applicable on the accounting profit-before-tax, that does not represent real income which can be taxed under the law and that the requirement to distribute profits or pay tax, amounts to an interference in corporate actions and implies amendment to the relevant company laws, which give shareholders the discretion to approve dividends. Furthermore, it is the contention of the Group that such an amendment to company laws could not have been made through a money bill.

The Group, based on the opinion of its legal advisor is confident that it has a reasonable case in favor of the Group."

24.23 Claims, including pending lawsuits, not acknowledged as debts amounted to Rs. 68,680 (2016: Rs. 68,680).

Commitments

24.24 Details of commitments as at December 31, 2017 entered by the Group are as follows:

24.24.1 Commitments in respect of capital expenditure contracted but not incurred amount to Rs. 45,297,632 (2016: Rs.54,022,836).

24.24.2 Commitments in respect of letters of credit / contracts other than for capital expenditures amount to Rs. 350,000 (2016: Rs. 1,190,663).

24.24.3 Other commitments in respect of subsidiary companies amounts to Rs. 2,593,637 (2016: Rs. 1,122,468).

24.24.4 The aggregate facility for performance guarantees to be issued by banks as at December 31, 2017 amounts to Rs. 1,308,500 (2016: Rs. 1,156,000). The amount utilized thereagainst as at December 31, 2017 was Rs. 1,236,450 (2016: Rs. 1,140,260).

24.24.5 Engro Polymer and Chemicals Limited (EPCL) has entered into various contracts with Engro Vopak Terminal Limited (EVTL), a related party, for storage and handling of Ethylene and Vinyl Chloride Monomer (VCM) valid till March, 2026 and December 2016, respectively, and Ethylene Di-Chloride (EDC) valid till May 2018. Annual fixed cost payable to EVTL, under these contracts, approximates to USD 9,165.

24.24.6 During 2016, International Finance Corporation (IFC) subscribed 20% of the total issued share capital of Elengy Terminal Pakistan Limited (ETPL) consequent to the Holding Company renouncing the right issue in favour of IFC. In this respect, the Holding Company has entered into an agreement with IFC, granting a Put option to IFC for sale of all or part of the shares held by IFC at the fair market value to be determined by a qualified and suitably experienced independent valuer. The Put option is exercisable at any time during the period beginning on the 6th anniversary of the subscription date and ending on earlier of (i) the 10th anniversary of the subscription date; and (ii) the first date on which a listing of at least 20% of the common shares of ETPL has occurred.

Further in the event that the Holding Company or ETPL failed to comply their respective obligations as identified in the Shareholders Agreement and Subscription Agreement, the Put option will immediately become exercisable. The Holding Company and ETPL continue to be in compliance of their respective obligations.

(Amounts in thousand)

24.24.7 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:

	2017	2016
	(Rupees)	
Not later than 1 year	4,414,643	4,016,460
Later than 1 year and no later than 5 years	19,390,806	16,839,026
Later than 5 years	35,336,319	36,718,871
	59,141,768	57,574,357

25. REVENUE

	2017	2016
Own manufactured products (note 25.1)	101,834,969	136,314,701
Less:		
- Sales tax	(10,898,942)	(14,280,086)
- Discounts	(655,744)	(2,134,505)
	90,280,283	119,900,110
Purchased product / services rendered	39,916,223	38,587,674
Less: Sales tax	(1,603,995)	(1,280,116)
	38,312,228	37,307,558
	128,592,511	157,207,668

25.1 Includes export sales amounting to Rs. 1,638,486 (2016: Rs. 1,820,568).

26. COST OF REVENUE

	2017	2016
Cost of goods sold (note 26.1)	86,212,807	114,696,346
Cost of services rendered (note 26.2)	7,573,463	6,668,509
	93,786,270	121,364,855

(Amounts in thousand)

26.1 Cost of goods sold

	2017	2016
	(Rupees)	
Raw and packing materials consumed including unprocessed rice	24,060,795	52,869,031
Salaries, wages and staff welfare (note 26.1.2)	3,626,749	4,749,671
Fuel and power	18,371,639	20,579,888
Repairs and maintenance	1,546,897	2,923,763
Depreciation (note 4.2)	6,804,730	8,330,442
Amortization (note 5.1)	21,791	22,838
Impairment (note 4.3)	107,854	101,942
Consumable stores	852,057	940,528
Staff recruitment, training, safety and other expenses	404,448	408,061
Purchased services	796,660	1,229,643
Storage and handling	1,110,400	1,641,527
Travel	208,485	268,548
Communication, stationery and other office expenses	125,864	225,756
Insurance	601,387	771,918
Rent, rates and taxes	29,595	583,875
Provision / (Reversal of provision) against:		
- stock-in-trade	(31,565)	29,909
- slow moving spares	221,052	35,474
Other expenses	83,570	139,373
Manufacturing cost	58,942,409	95,852,087
Add: Opening stock of work-in-progress (note 10)	32,868	213,415
Less: Closing stock of work-in-progress (note 10)	47,372	462,630
	(14,504)	(249,215)
Cost of goods manufactured	58,927,905	95,602,872
Add: Opening stock of finished goods manufactured (note 10)	6,333,929	4,041,032
Less: Closing stock of finished goods manufactured (note 10)	3,543,390	7,350,526
	2,790,539	(3,309,494)
Cost of goods sold		
- own manufactured product	61,718,444	92,293,378
- purchased product (note 26.1.1)	24,494,363	22,402,968
	86,212,807	114,696,346

26.1.1 Cost of sales - purchased product

	2017	2016
Opening stock (note 10)	1,135,905	4,117,746
Add: Purchases	27,996,886	19,421,127
Less: Closing stock (note 10)	4,638,428	1,135,905
	24,494,363	22,402,968

26.1.2 Includes Rs. 244,575 (2016: Rs. 375,989) in respect of staff retirement benefits.

(Amounts in thousand)

26.2 Cost of services rendered

	2017	2016
	(Rupees)	
Fixed expenses (note 26.2.1)	5,389,081	5,037,250
Variable expenses (note 26.2.2)	1,384,891	875,889
Depreciation (note 4.2)	543,632	533,561
Amortization of direct cost on FSRU	86,516	86,516
Salaries, wages and benefits	37,500	27,987
Repairs and maintenance	81,254	64,990
Travelling and entertainment	11,692	6,467
Security and other expense	38,897	36,149
	7,573,463	6,608,509

26.2.1 This includes expenses in respect of rental, operating and maintenance charges of FSRU and for its use as LNG carrier amounting to Rs. 5,228,639 (2016: Rs. 4,960,238).

26.2.2 This includes royalty paid to Port Qasim Authority amounting to Rs. 865,220 (2016: Rs. 540,077).

27. SELLING AND DISTRIBUTION EXPENSES

	2017	2016
	(Rupees)	
Salaries, wages and staff welfare (note 27.1)	829,270	1,469,277
Staff recruitment, training, safety and other expenses	90,246	87,736
Product transportation and handling	5,592,878	5,997,196
Repairs and maintenance	6,510	92,537
Advertising and sales promotion	482,222	3,143,322
Rent, rates and taxes	591,378	489,379
Communication, stationery and other office expenses	27,081	91,311
Travel	95,131	186,528
Depreciation (note 4.2)	39,412	247,531
Amortization (note 5.1)	7,543	5,341
Impairment (note 4.3)	-	4,446
Purchased services	29,618	46,974
Others	58,947	194,181
	7,850,236	12,062,758

27.1 Includes Rs. 61,718 (2016: Rs. 137,840) in respect of staff retirement benefits.

(Amounts in thousand)

28. ADMINISTRATIVE EXPENSES

	2017	2016
	(Rupees)	
Salaries, wages and staff welfare (notes 28.1)	1,687,172	1,709,389
Staff recruitment, training, safety and other expenses	87,878	150,119
Repairs and maintenance	103,606	68,331
Advertising	93,408	18,738
Rent, rates and taxes	561,007	341,649
Communication, stationery and other office expenses	119,989	250,417
Travel	174,641	171,647
Depreciation (note 4.2)	74,391	95,277
Amortization (note 5.1)	21,864	47,475
Purchased services	449,660	443,568
Donations	201,537	124,990
Others	235,053	184,214
	3,790,184	3,605,812

28.1 Includes Rs. 184,339 (2016: Rs. 164,218) in respect of staff retirement benefits.

29. OTHER INCOME

	2017	2016
Financial assets:		
Income on deposits / other financial assets	4,053,722	1,284,561
Exchange gain	15,166	11,606
Interest on receivable from SSGCL	193,671	234,895
Delayed payment charges on overdue receivables	287,629	151,223
Non financial assets:		
Subsidy from Government of Pakistan	4,980,289	7,878,050
Insurance claims	110,085	98,738
Gain on disposal of property, plant and equipment	703,053	72,112
Income from sale of spares / scrap	59,338	67,330
Capital gain on disposal of investment in subsidiary company	-	34,342,608
Gain due to recognition of retained interest in subsidiary (now associate) at fair value	-	24,337,818
Gain on deemed disposal of investment in SECMC	-	72,663
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	-	8,115
Others	86,086	278,665
	10,488,895	68,838,182

(Amounts in thousand)

30. OTHER OPERATING EXPENSES

	2017	2016
	(Rupees)	
Workers' profits participation fund	968,983	977,432
Workers' welfare fund	306,322	377,122
Legal and professional charges	675,610	418,469
Research and development	57,144	400,286
Auditors' remuneration (note 30.1)	53,876	31,108
Provision for culling of biological assets / doubtful debts	9,628	26,067
Others	493,987	118,079
	2,565,450	2,348,563

30.1 Auditors' remuneration:

The aggregate amount charged in respect of auditors' remuneration, including remuneration of auditors' of foreign subsidiaries, is as follows:

	2017	2016
	(Rupees)	
Fee for:		
- audit of annual financial statements	10,302	11,413
- review of half yearly financial statements	2,836	2,015
Special audits, certifications, review of compliance with Code of Corporate Governance and other assurance & advisory services	12,230	6,017
Taxation services	23,920	9,358
Reimbursement of expenses	4,588	2,305
	53,876	31,108

31. FINANCE COST

	2017	2016
Interest / mark-up on:		
- long term borrowings	3,506,004	3,641,888
- short term borrowings	959,919	1,887,381
Gain on fair value of IFC conversion option	(3,416)	(103,750)
Foreign exchange loss, net	223,586	154,930
Financial charges on usance letters of credit	21,440	20,604
Others	423,101	436,858
	5,130,635	6,037,911

(Amounts in thousand)

32. SHARE OF INCOME FROM JOINT VENTURE AND ASSOCIATES

	2017	2016
	(Rupees)	
Joint venture:		
Engro Vopak Terminal Limited		
Share of profit before taxation	1,276,477	1,178,465
Less: Share of provision for taxation	(144,393)	(134,171)
	1,132,084	1,044,294
Associates:		
Share of profit / (loss) from:		
- Sindh Engro Coal Mining Company Limited	(2,359)	(5,316)
- GEL Utility Limited	182,029	273,390
- Engro Foods Limited	151,341	(38,871)
	1,463,095	1,273,497

33. TAXATION

	2017	2016
Current		
- for the year	8,650,949	5,322,052
- for prior years	224,035	509,891
	8,874,984	5,831,943
Deferred	2,256,995	2,479,376
	11,131,979	8,311,319

33.1 The Holding Company

33.1.1 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. The Holding Company 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. The Holding Company 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 the Holding Company. During 2014, the ATIR issued an order whereby the aforementioned appeal was remanded back to the assessing officers for denovo proceedings, thereby accepting the Holding Company's contention. The income tax department, in response thereagainst, had filed an appeal with ATIR, which was dismissed during 2016.

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. The Holding Company filed an appeal against the said order with CIR - Appeals, who based on ATIR's order for tax year 2011, has remanded back the order to assessing officers for denovo proceedings.

(Amounts in thousand)

During 2015, in respect of pending tax assessments for tax year 2011 and tax year 2012, the Holding Company 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. The Holding Company 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. During the year, in respect of tax year 2011 and tax year 2012, the CIR - Appeals accepted the Holding Company's plea and annulled the order passed by the DCIR. In response, the DCIR filed appeals before the ATIR for rectification of the orders passed by the CIR - Appeals for both tax years, which were subsequently dismissed. During the year, the Holding Company has reversed excess provisions in respect of tax years 2011 and 2012, respectively, consequent to denovo proceedings after which the amended orders were passed in respect of the aforementioned tax years, wherein, the Commissioner has maintained the classification of income from interest from bank deposit and from subordinated loans as "income from other source". In response, the Holding Company has filed an appeal challenging this contention and the Holding Company is confident of favourable decision based on earlier ATIR judgement.

33.1.2 In 2016, 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. The Holding Company has challenged the application of the aforementioned amendment in the High Court of Sindh and has been granted a stay in this respect.

During the year, the income tax department, in respect of the tax year 2016, determined additional income tax liability of Rs. 1,419,337 raising a demand of Rs. 1,573,877, whereby, the Additional Commissioner Inland Revenue (ACIR) - Audit has levied tax on inter-corporate dividends, super tax on exempt income, disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains among other matters. The Holding Company, being aggrieved with the order of the ACIR - Audit, filed an application for rectification pointing certain mistakes in the aforementioned order which were rectified resulting in a revised demand of Rs. 1,084,733. In response, the Holding Company filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals which maintained the tax on inter-corporate dividends and the resultant super tax on it but annulled other matters raised by the ACIR - Audit. The Holding Company, subsequently, filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order passed by the CIR-Appeals which is pending for hearing. The Holding Company, based on advice of its tax consultant, is confident that these matters will be decided in favor of the Holding Company. Accordingly, no provision has been recognized in this consolidated financial statements, in this respect.

During the year, the income tax department, in respect of the tax year 2015, determined additional income tax liability of Rs. 128,400 raising a demand of Rs. 158,719, whereby, the Additional Commissioner Inland Revenue (ACIR) - Audit has levied tax on inter-corporate dividends, super tax on exempt income and disallowed allocation of expenses against interest income. In response, the Holding Company filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals which is pending for hearing. the Holding Company, based on advice of its tax consultant, is confident that these matters will be decided in favor of the Holding Company. Accordingly, no provision has been recognized in this financial information, in this respect.

33.1.3 Current tax provision includes provision for 'Super Tax for rehabilitation of temporarily displaced persons', levied through Finance Act, 2017 retrospectively on the income for the financial year ended December 31, 2016. The Holding Company has challenged the levy in the High Court of Sindh and has been granted a stay in this respect. The Holding Company, based on the opinion of its legal advisor, believes that there is a reasonable case in the Holding Company's favour. However, based on prudence, the Holding Company has made provision for Super Tax in these financial statements.

(Amounts in thousand)

33.2 Subsidiary Companies

33.2.1 Engro Fertilizers Limited (EFert)

33.2.1.1 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.

33.2.1.2 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.

33.2.1.3 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, 2015 and 2016.

33.2.1.4 Current tax provision includes Rs. 2,176,308 (2016: Rs.336,637) minimum tax of prior years adjusted during the current year and Rs. 426,000 (2016: Rs. 294,742) on account of provision in accordance with section 4B 'Super Tax for rehabilitation of temporarily displaced persons' inserted in the Income Tax Ordinance, 2001 (the Ordinance) through Finance Act, 2016 and continued through Finance Act 2017, whereby tax at the rate 3 percent is payable on specified income exceeding Rs. 500,000 for the year ended December 31, 2015 and 2016 (tax years 2016 and 2017), respectively. EFert has filed a suit in the High Court of Sindh, contesting the applicability of Super tax, against which a stay has been granted for both the tax years.

33.2.1.5 As a result of demerger in 2009, all pending tax issues of the then Holding Company, 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.

33.2.1.6 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.

33.2.1.7 As a result of merger of Engro Eximp (Private) Limited (Eximp) with EFert, 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. 798 million. The tax department has not accepted the said treatment, however the matter was decided in favor of EFert by the Commissioner Appeals, against which the department has filed an appeal.

(Amounts in thousand)

33.2.2 Engro Polymer and Chemicals Limited (EPCL)

33.2.2.1 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.

33.2.2.2 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. 21,659 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. 20,699 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.

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.

(Amounts in thousand)

33.3 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:

	2017	2016
	(Rupees)	
Profit before taxation	27,421,726	81,909,448
Tax calculated at the rate of 30% (2016: 31%)	8,226,518	25,391,929
Depreciation on exempt assets not deductible for tax purposes	34,040	3,389
Effect of exemption from tax on certain income	(716,846)	(1,628,842)
Effect of applicability of lower tax rate, FTR and other tax credits / debits	1,317,928	(16,449,244)
Prior year current and deferred tax charge	2,401,363	293,030
Un-recoupable minimum turnover tax	1,659	1,104
Tax effect of minimum tax liability on imports, exports and local trading	-	(52,862)
Tax effect of expenses not allowed for tax	966,460	-
Others	(1,099,143)	652,815
Tax charge for the year	11,131,979	8,311,319

34. 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, 2017.

	2017	2016
	(Rupees)	
Profit for the year (attributable to the owners of the Holding Company) from:		
- Continuing operations	9,407,085	8,742,374
- Discontinued operations	-	60,364,866
	9,407,085	69,107,240
The information necessary to calculate basic and diluted earnings per share is as follows:		
Profit for the year from continuing operations	9,407,085	8,742,374
Add:		
- Interest on IFC loan - net of tax	326	1,930
- Gain on revaluation of conversion options on IFC loan - net of tax	(1,235)	(43,950)
	(909)	(42,020)
	9,406,176	8,700,354
	Number in thousands	
Weighted average number of ordinary shares for determination of basic and diluted EPS	523,785	523,785

(Amounts in thousand)

35. 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:

	2017			2016		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	(Rupees)					
Managerial remuneration	100,467	39,000	3,805,301	144,058	30,000	3,688,572
Retirement benefits funds	-	-	419,953	-	-	369,533
Other benefits	24	7,596	491,226	357	10,146	398,032
Fees	-	58,458	3,290	-	40,672	2,408
Total	100,491	105,054	4,719,770	144,415	80,818	4,458,545
Number of persons including those who worked part of the year	1	12	1,152	2	12	1,019

35.1 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.

35.2 Premium charged during the year in respect of directors indemnity insurance policy, purchased by the Group, amounts to Rs.3,566 (2016: Rs. 3,425).

36. RETIREMENT BENEFITS

36.1 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.

(Amounts in thousand)

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.

36.1.1 Valuation results

The latest actuarial valuation of the defined benefit plans was carried out as at December 31, 2017, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

36.1.2 Balance sheet reconciliation

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2017	2016	2017	2016
	(Rupees)			
Present value of defined benefit obligation	520,887	463,804	29,156	32,132
Fair value of plan assets	(410,766)	(418,228)	(40,713)	(44,213)
(Surplus) / Deficit	110,121	45,576	(11,557)	(12,081)
Payable to Defined Contribution Gratuity Fund	10,110	10,513	-	-
Payable in respect of inter group transfers	46	(271)	-	-
Payable in respect of outgoing members	-	-	-	-
Unrecognized asset	-	-	11,557	12,081
Net liability recognized in the balance sheet	120,277	55,818	-	-

36.1.3 Movement in net (assets) / liability recognized in the balance sheet

	Defined Benefit Gratuity Plan Funded 2017	Defined Benefit Gratuity Plan Funded 2016	Defined Benefit Pension Plan Funded (Curtailed) 2017	Defined Benefit Pension Plan Funded (Curtailed) 2016
Net liability at beginning of the year	55,818	121,845	-	-
Expense / (income) for the year	25,000	131,574	(930)	(872)
Net contribution by the Group	(3,621)	(20,192)	79	-
Remeasurement (gain) / loss to Other Comprehensive Income	43,521	(37,632)	851	872
Unrecognized asset	(441)	-	-	-
Discontinued operations	-	(139,777)	-	-
Net liability at end of the year	120,277	55,818	-	-

(Amounts in thousand)

38.1.4 Movement in present value of defined benefit obligation

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2017	2016	2017	2016
	(Rupees)			
As at beginning of the year	463,804	988,477	32,132	33,367
Current service cost	21,669	123,587	-	-
Interest cost	35,608	95,446	2,413	2,823
Benefits paid during the year	(30,048)	(131,664)	(3,920)	(4,028)
Remeasurement loss / (gain) to Other Comprehensive Income	45,331	(2,498)	(1,469)	(30)
Liability transferred in respect of inter-company transfer	-	1,257	-	-
Liability in respect of promotions	(441)	-	-	-
Liability in respect of defined contribution transfers	-	(571)	-	-
Liability in respect of inter-fund transfers	(15,036)	-	-	-
Discontinued operations	-	(610,230)	-	-
As at end of the year	520,887	463,804	29,156	32,132

38.1.5 Movement in fair value of plan assets

	Defined Benefit Gratuity Plan Funded 2017	Defined Benefit Gratuity Plan Funded 2016	Defined Benefit Pension Plan Funded (Curtailed) 2017	Defined Benefit Pension Plan Funded (Curtailed) 2016
As at beginning of the year	418,228	576,698	44,213	40,835
Expected return on plan assets	32,277	87,459	3,343	3,495
Contributions by the Group	3,621	20,192	(79)	-
Benefits paid during the year	(30,048)	(131,664)	(3,920)	(4,028)
Remeasurement (loss) / gain to Other Comprehensive Income	1,810	35,134	(2,844)	3,911
Inter group asset transfers	(86)	311	-	-
Assets adjusted in respect of defined contribution transfers	(15,036)	(571)	-	-
Discontinued operations	-	(469,331)	-	-
As at end of the year	410,766	418,228	40,713	44,213

38.1.6 Charge for the year

	Defined Benefit Gratuity Plan Funded 2017	Defined Benefit Gratuity Plan Funded 2016	Defined Benefit Pension Plan Funded (Curtailed) 2017	Defined Benefit Pension Plan Funded (Curtailed) 2016
Current service cost	21,669	123,587	-	-
Net interest cost	3,331	7,987	(930)	(672)
	25,000	131,574	(930)	(672)

(Amounts in thousand)

38.1.7 Principal actuarial assumptions used in the actuarial valuation

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2017	2016	2017	2016
Discount rate	8% - 10.75%	9% - 10%	8%	9%
Expected rate of return on plan assets - per annum	8% - 10.75%	9% - 10%	8%	9%
Expected rate of increase in pension - per annum	-	-	0%	1%
Expected rate of increase in future salaries - per annum	7% - 10.75%	8% - 10%	-	-

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2017	2016	2017	2016
	(Rupees)			
38.1.8 Actual return on plan assets	25,881	119,677	2,221	4,526

38.1.9 Plan assets comprise of the following

	2017		2016	
	Rupees	%	Rupees	%
Defined Benefit Gratuity Plans				
Debt	319,387	76%	313,600	75%
Mutual funds	-	0%	142	0%
Equity	86,692	22%	87,502	21%
Others	5,687	2%	16,484	4%
	410,766	100%	418,228	100%
Defined Benefit Pension Plan				
Debt	28,629	70%	42,017	95%
Others	12,084	30%	2,196	5%
	40,713	100%	44,213	100%

38.1.10 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.

(Amounts in thousand)

38.1.11 Historical information of staff retirement benefits

	2017	2016	2015	2014	2013
	(Rupees)				
Defined benefit gratuity plans					
Present value of defined benefit obligation	(520,887)	(463,804)	(988,477)	(809,146)	(727,897)
Fair value of plan assets	410,766	418,228	876,698	828,212	641,931
Surplus / (Deficit)	(110,121)	(45,576)	(111,779)	19,066	(85,966)
Defined benefit pension plan					
Present value of defined benefit obligation	(29,156)	(32,132)	(33,367)	(34,406)	(32,218)
Fair value of plan assets	40,713	44,213	40,836	38,824	38,535
Surplus	11,557	12,081	7,468	4,418	6,317

38.1.12 Expected future cost / (reversal) for the year ending December 31, 2017 is as follows:

	Rupees
Defined benefit gratuity plans	37,436
Defined benefit pension plan	(970)

38.1.13 Remeasurement recognized in Other Comprehensive Income

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2017	2016	2017	2016
	(Rupees)			
Gain / (Loss) from change in experience adjustments	(51,321)	18,522	161	(128)
(Loss) / Gain from change in financial assumptions	5,990	(16,024)	1,308	158
Remeasurement of obligation	(45,331)	2,498	1,469	30
Actual Return on plan assets	25,861	119,677	2,221	4,826
Expected Return on plan assets	(32,277)	(87,459)	(3,343)	(3,495)
Difference in opening fair value of plan assets	8,226	2,916	(1,722)	2,580
Remeasurement of plan assets	1,810	35,134	(2,844)	3,911
Effect of asset ceiling	-	-	524	(4,613)
	(43,521)	37,632	(851)	(672)

(Amounts in thousand)

38.1.14 Sensitivity analysis

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

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	(Rupees)			
Discount rate	486,516	560,038	27,571	30,924
Long term salary increases	559,966	485,981	-	-
Long term pension increases	-	-	31,068	27,424
Withdrawal rates : Light	-	-	-	-
Withdrawal rates : Heavy / Moderate	-	-	-	-

38.1.15 Maturity Profile

	Gratuity Plan	Pension Plan
	(Rupees)	
Time in years		
1	63,076	3,905
2	96,904	3,905
3	30,154	3,905
4	60,259	3,905
5-10	274,322	3,905
11-15	357,995	3,905
16-20	525,610	3,905
20+	846,046	3,905
Weighted average duration	10.14	5.44

38.2 Defined contribution plans

An amount of Rs. 383,684 (2016: Rs. 275,937) has been charged during the year in respect of defined contribution plans maintained by the Holding Company.

(Amounts in thousand)

37. CASH GENERATED FROM OPERATIONS

	2017	2016
	(Rupees)	
Profit before taxation	27,421,726	81,909,448
Less: Profit before taxation attributable to Discontinued Operations	-	(62,312,568)
Profit before taxation from continuing operations	27,421,726	19,596,880
Adjustment for non-cash charges and other items:		
Depreciation (note 4.2)	7,462,165	7,310,874
Amortization of intangible assets (note 5.1)	51,198	48,205
Amortization of prepaid financial charges	64,669	132,132
Amortization of direct cost on FSRU (note 26.2)	86,516	86,516
Gain on disposal of property, plant and equipment - net (note 29)	(703,053)	(14,227)
Stores and spares / stocks written-off	-	11,898
Loss on fair value adjustments of embedded derivatives and hedging instruments	-	(23,982)
Provision for retirement and other service benefits	363,471	240,845
Income on deposits / other financial assets	(4,028,794)	(1,247,208)
Share of income from joint venture and associates (note 32)	(1,463,096)	(1,273,497)
Financial charges	4,649,290	5,268,843
Foreign currency translation	192,777	32,114
Provision for surplus and slow moving stores and spares	221,062	21,034
Provision for stock in trade	(44,614)	(34,243)
Provision for impairment of other receivables	14,639	-
Provision for impairment of property, plant and equipment	107,864	-
Provisions	-	209,384
Gain on deemed disposal of investment in SECMC	-	(72,563)
Working capital changes (note 37.1)	(411,246)	(11,367,811)
	33,884,546	18,923,994

37.1 Working capital changes

	2017	2016
(Increase) / Decrease in current assets		
- Stores, spares and loose tools	(711,813)	(265,241)
- Stock-in-trade	(2,316,952)	310,046
- Trade debts	77,625	(7,107,117)
- Loans, advances, deposits and prepayments	(544,127)	(223,343)
- Other receivables - net	(1,529,627)	(5,850,486)
	(5,024,894)	(13,136,141)
Increase / (Decrease) in current liabilities		
- Trade and other payables and provisions	4,613,649	1,768,330
	(411,246)	(11,367,811)

(Amounts in thousand)

38. CASH AND CASH EQUIVALENTS

	2017	2016
	(Rupees)	
Cash and bank balances (note 15)	9,557,587	5,900,379
Short term investments (note 14)	44,404,115	27,014,748
Short-term borrowings (note 23)	(10,085,382)	(4,435,587)
	43,876,320	28,479,540

39. FINANCIAL INSTRUMENTS BY CATEGORY

39.1 Financial assets as per balance sheet

	2017	2016
- Loans and receivables		
Loans and advances	2,275,411	2,071,191
Trade debts	13,641,638	13,733,482
Other receivables	1,048,946	1,525,556
Cash and bank balances	9,557,587	5,900,379
Accrued income	528,242	426,268
	27,051,724	23,656,876
- At fair value through profit and loss		
Short term investments	60,007,819	62,651,151
- Held to maturity		
Short term investments	9,870,818	2,074,376

39.2 Financial liabilities as per balance sheet

	2017	2016
- At amortized cost		
Borrowings	103,792,940	78,677,912
Trade and other payables	30,168,588	28,467,533
Accrued interest / mark-up	1,461,114	1,138,421
	135,422,642	108,283,866
- At fair value through profit and loss		
Derivative financial instruments	-	251,7606

40. FINANCIAL RISK MANAGEMENT

40.1 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.

(Amounts in thousand)

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.

The Holding Company has given guarantees in favor of its subsidiary companies amounting to USD 117,089 (2016: USD 133,542). 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, 2017, 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. 35,682, 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, 2017, 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. 414,845, mainly as a result of interest exposure on variable rate borrowings.

ii) Interest rate 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, 2017, 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.

(Amounts in thousand)

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 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 polymer / chemical 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:

	2017	2016
	(Rupees)	
Loans and advances	2,275,411	2,071,191
Trade debts	9,996,092	12,455,978
Other receivables	306,599	259,761
Short term investments	69,878,637	64,725,527
Bank balances	9,554,857	5,893,911
Accrued income	526,242	426,268
	92,541,838	85,892,636

(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 Long term	Rating Short term
Albaraka Bank (Pakistan) Limited	PACRA	A	A1
Allied Bank Limited	PACRA	AA+	A1+
Askari Bank Limited	PACRA	AA+	A1+
Bank AL Habib Limited	PACRA	AA+	A1+
Bank Alfalah Limited	PACRA	AA+	A1+
Citi Bank Europe plc	Moody's	A1	P-1
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	AA-	A1
Faysal Bank Limited	PACRA	AA	A1+
First Bank of Nigeria	Fitch	B	-
Habib Bank Limited	JCR-VIS	AAA	A1+
Habib Metropolitan Bank Limited	PACRA	AA+	A1+
Habibsons Bank Limited	JCR-VIS	AAA	A-1+
HSBC Bank Middle East	MOODY'S	A2	P1
Industrial and Commercial Bank of China	Moody's	A1	P-1
JS Bank Limited	PACRA	AA-	A1+
Mashreq Bank	MOODY'S	Baa2	P2
MCB Bank Limited	PACRA	AAA	A1+
Meezan Bank Limited	JCR-VIS	AA	A1+
National Bank of Pakistan	PACRA	AAA	A1+
Noor Bank	Fitch	F2	A
Samba Bank Limited	JCR-VIS	AA	A1
Silk Bank Limited	JCR-VIS	A-	A2
Soneri Bank Limited	PACRA	AA-	A1+
Standard Chartered Bank (Pakistan) Limited	PACRA	AAA	A1+
Summit Bank Limited	JCR-VIS	A-	A1
The Bank of Punjab	PACRA	AA	A1+
United Bank Limited	MOODY'S	Caa1	NP

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.

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.

	2017			2016		
	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
Trade and other payables	30,168,588	-	30,168,588	28,467,533	-	28,467,533
Accrued interest / mark-up	1,461,114	-	1,461,114	1,138,421	-	1,138,421
Borrowings	25,442,082	78,350,858	103,792,940	18,068,169	60,609,743	78,677,912
	57,071,784	78,350,858	135,422,642	47,923,776	60,611,850	108,535,626

40.2 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, 2017 and 2016 are as follows:

	2017	2016
	(Rupees)	
Borrowings	90,743,123	73,118,322
Equity	171,074,477	169,090,756
	261,817,600	242,209,078
Gearing ratio	34.66%	30.19%

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)

41. FAIR VALUE ESTIMATION

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 (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

	Level 1	Level 2	Level 3	Total
		(Rupees)		
Assets				
Short term investments				
Financial assets at fair value through profit and loss	-	60,007,819	-	60,007,819
	-	60,007,819	-	60,007,819

Level 2 fair valued instruments comprise short term investments.

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.

42. PROVIDENT FUND

42.1 The employees of the Group participate in a Provident Fund maintained by the Holding Company. Monthly contribution are made both by companies in the Group and employees to the fund maintained by the Holding Company at the rate of 10% of basic salary.

42.2 The following information is based upon the latest unaudited financial statements of the Provident Fund as at June 30, 2017 and the audited financial statements as at June 30, 2016.

	2017	2016
	(Rupees)	
Size of the fund - Total assets	3,941,927	3,386,594
Cost of the investments made	2,493,496	2,920,257
Percentage of investments made	92%	92%
Fair value of investments	3,643,638	3,106,948

(Amounts in thousand)

42.3 The break-up of investments is as follows:

	2017		2016	
	Rupees	%	Rupees	%
National Savings Scheme	824,473	23%	808,579	26%
Government securities	1,152,661	32%	727,842	23%
Listed securities and Unit trusts	817,729	22%	974,172	31%
Balances with banks in savings account	848,775	23%	596,355	20%
	3,643,638	100%	3,106,948	100%

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

43. SEGMENT REPORTING

43.1 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, rice 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 and Mining	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

43.2 The following information presents operating results regarding operating segments for the year ended December 31, 2017 and asset information regarding operating segments as at December 31, 2017:

	Fertilizer 2017	Fertilizer 2016	Polymer 2017	Polymer 2016	Food 2017	Food 2016	Power and Mining 2017	Power and Mining 2016	Other operations 2017	Other operations 2016	Elimination - net 2017	Elimination - net 2016	Consolidated 2017	Consolidated 2016
	Rupees													
Revenue from external customers (note 28)	77,129,343	69,637,263	27,730,736	22,854,024	1,749,349	44,248,343	11,638,924	11,493,679	24,395,367	17,502,226	(14,009,996)	(8,416,858)	126,692,511	157,207,698
Segment gross profit / (loss)	23,218,598	17,439,167	6,085,410	3,885,009	(90,268)	9,696,665	2,759,050	2,274,332	16,774,859	10,853,951	(13,921,408)	(9,336,531)	34,806,241	35,842,813
Segment expenses - net of other income	(4,014,108)	(772,063)	(2,180,020)	(1,829,269)	(120,473)	(6,121,740)	(394,436)	(429,982)	(2,239,582)	53,577,263	881,565	4,724,145	(6,267,082)	49,145,894
Income on deposits / other financial assets (note 26)	108,082	153,852	49,186	1,234	1,504	883	142,153	155,596	4,625,398	2,002,396	(578,214)	(631,578)	4,550,087	1,692,185
Finance cost (note 31)	(2,847,774)	(3,186,766)	(819,776)	(919,597)	(96,632)	(416,994)	(565,365)	(673,305)	(1,834,212)	(1,427,947)	383,047	585,577	(5,130,595)	(6,037,011)
Share of income from joint venture and associates (note 32)	-	-	-	-	151,341	(98,871)	179,870	268,074	1,132,084	1,044,284	-	-	1,463,095	1,275,497
Income tax (charge) / credit (note 33)	(5,609,146)	(4,360,529)	(1,081,786)	(527,364)	(14,801)	(1,154,536)	(318,471)	(131,923)	(4,660,794)	(1,872,442)	333,060	(474,647)	(11,131,979)	(6,311,319)
Segment profit / (loss) after tax	11,155,622	9,288,453	2,058,016	659,685	(129,279)	1,966,628	1,712,577	1,462,892	14,397,781	64,358,115	(12,899,970)	(4,152,832)	16,289,747	73,598,129
Segment profit / (loss) after tax from discontinued operations	-	-	-	-	-	2,484,131	-	-	-	58,202,182	-	-	-	60,686,313
Segment assets	111,816,249	102,808,512	24,964,526	24,420,761	2,841,104	1,865,446	80,067,680	52,832,909	103,103,596	105,616,120	(80,275,838)	(81,774,569)	291,917,127	255,784,179
Investment in joint venture / associates (note 8)	-	-	-	-	28,271,457	31,180,875	2,429,852	1,947,595	1,337,772	1,420,686	-	-	32,039,121	34,549,128
Total segment assets	111,816,249	102,808,512	24,964,526	24,420,761	31,112,561	33,066,321	82,494,532	54,780,474	104,441,368	107,036,806	(80,275,838)	(81,774,569)	323,953,248	290,333,307
Total segment liabilities	69,349,538	61,155,128	18,804,217	18,416,682	1,842,848	906,669	56,247,296	32,134,666	16,297,759	16,761,266	(8,469,879)	(7,821,660)	152,878,771	121,242,581
Capital expenditure	3,900,123	3,010,417	1,092,859	644,657	16,457	1,396,909	24,481,697	18,704,142	394,909	327,066	-	-	29,886,044	25,085,211
Depreciation (note 4.2)	6,068,037	5,019,338	931,666	853,782	66,796	2,030,341	772,807	729,157	594,892	651,909	30,098	2,324	7,462,165	9,206,811
Amortization of intangible assets (note 5.1)	25,897	17,809	12,570	14,464	626	30,441	10,979	6,380	5,091	4,761	(3,865)	-	51,198	75,854

(Amounts in thousand)

44. 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:

	2017	2016
	(Rupees)	
Parent Company		
Dividend paid	3,955,582	4,806,227
Reimbursements to Parent company	1,509	103,959
Associated Companies		
Purchases and services	3,045,761	4,458,359
Sale of goods and rendering of services	586,806	408,620
Dividends received	3,080,759	-
Donations	256,200	-
Payment of interest on TFCs and repayment of principal amount	8,756	78,808
Share capital issued	299,856	9,984,463
Payments against EPC contract	22,234,240	-
Long term loan received	224,638	293,993
Reimbursement to associated companies	164,029	16,468,251
Expenses paid on behalf of associated companies	108,499	32,490
Utilization of overdraft facility	-	130,000
Repayment of overdraft facility	-	130,000
Mark-up on utilization of overdraft facility	-	157
Commitment fee	-	2,712
Interest on deposit	52	60
Bank charges	49	1
Dividends paid / payable	1,341,313	808,837
Long term loan received	224,636	-
Loans repaid	290,869	282,991
Finance costs	266,869	182,194
Investment in subsidiary company by associates	3,179,137	49,785
Payment against services to local banks	-	678,163
Joint Ventures		
Purchase of services	1,152,524	1,030,385
Services rendered	-	306,610
Reimbursements	4,641	91,596
Dividend received	1,216,000	1,036,000
Retirement funds		
Contribution to retirement benefit funds	524,157	468,331
Others		
Other benefits paid	82,242	77,413
Dividend paid	142,963	131,196
Remuneration of key management personnel	875,416	838,292
Reimbursement to key management personnel	13,857	10,146
Profit on Engro Rupiya Certificates	38,612	-

(Amounts in thousand)

45. 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.

46. DONATIONS

Donations include the following in which the Director of the Company or Group companies are interested:

Name of Director	Interest in Donee	Name of Donee	2017 —(Rupees)—
Hussain Dawood	Chairman, Board of Governors	Karachi School of Business & Leadership	
Muneer Kamal	Director		30,000
Ghias Khan	Chairman	Engro Foundation	128,797
Ruhail Mohammed	Trustee		
Shamshuddin A. Shaikh	Trustee		
Imran Anwer	Trustee		
Jahangir Piracha	Trustee		
Ahsan Zafar Syed	Trustee	Thar Foundation	45,000
Shamsuddin A. Shaikh	Trustee		

Name of Director	Interest in Donee	Name of Donee	2016 —(Rupees)—
Ghias Khan	Chairman	Engro Foundation	106,000
Khalid Siraj Subhani	Chairman		
Ruhail Mohammed	Trustee		
Shamshuddin A. Shaikh	Trustee		
Babur Sultan	Trustee		
Syed Mohammed Ali	Trustee		
Naz Khan	Trustee		
Imran Anwer	Trustee		
Jahangir Piracha	Trustee		

(Amounts in thousand)

47. PRODUCTION CAPACITY

		Designed Annual Capacity 2017	2016	Actual Production 2017	2016
Urea	Metric Tons	2,275,000	2,275,000	1,806,977	1,881,016
NPK	Metric Tons	100,000	100,000	109,059	94,610
PVC Resin	Metric Tons	178,000	178,000	187,000	172,000
EDC	Metric Tons	127,000	127,000	107,000	106,000
Caustic soda	Metric Tons	106,000	106,000	105,000	103,000
VCM	Metric Tons	204,000	204,000	180,000	174,000
Power (note 47.1)	Mega Watt	1,869,878	1,881,071	1,737,394	1,264,715
Milling / Drying unit of rice processing plant (note 47.2)	Metric Tons	414,000	414,000	59,371	28,474

47.1 Output produced by the plant is dependent on the load demanded by NTDC and plant availability.

47.2 Three months season design capacity and production is dependent on availability of rice paddy.

48. NUMBER OF EMPLOYEES OF THE GROUP

	Number of employees as at December 31, 2017	December 31, 2016	Average number of employees as at December 31, 2017	December 31, 2016
Management employees	1,453	1,419	1,424	1,395
Non-management employees	585	577	584	577
	2,038	1,996	2,008	1,972

49. 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.

(Amounts in thousand)

50. LOSS OF CERTAIN ACCOUNTING RECORDS

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

The fire destroyed a substantial portion of its hard copy records related to the financial years 2005, 2006 and the period January 01, 2007 to August 19, 2007 although, electronic data remained intact due to the Holding Company's Disaster Recovery Plan. The Holding Company launched an initiative to recreate significant lost records and was successful in gathering the same in respect of the financial year 2007. Hard copy records related to the already reported financial years 2005 and 2006 have not been recreated.

51. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Holding Company in its meeting held on February 21, 2018 has proposed a final cash dividend of Rs. 2.00 per share for the year ended December 31, 2017 amounting to Rs. 1,047,570 for approval of the members at the Annual General Meeting to be held on April 24, 2018.

The Board of Directors of Engro Vopak Terminal Limited, a joint venture company, in its meeting held on February 6, 2018 has proposed a final cash dividend of Rs. 5.00 per share for the year ended December 31, 2017, amounting to Rs. 450,000, of which the proportionate share of the Holding Company amounts to Rs. 225,000.

The Board of Directors of Engro Foods Limited, an associated company, in its meeting held on February 9, 2018 has proposed a final cash dividend of Rs. 0.4 per share for the year ended December 31, 2017, amounting to Rs. 306,636, of which the proportionate share of the Holding Company amounts to Rs. 122,430.

The consolidated financial statements for the year ended December 31, 2017 do not include the effect of the aforementioned proposed dividends, which will be accounted for in the consolidated financial statements for the year ending December 31, 2018.

(Amounts in thousand)

52. LISTING OF SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND JOINT VENTURE

Name of Subsidiaries	Financial year end
Engro Fertilizers Limited (EFert)	December 31
EFERT Agritrade (Private) Limited (EAPL)	December 31
Engro Polymer and Chemicals Limited (EPCL)	December 31
Engro Polymer Trading (Private) Limited (EPTL)	December 31
Engro Energy Limited (Formerly Engro Powergen Limited) (EEL)	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
Engro Digital Limited (EDigital)	December 31
Engro Infiniti (Private) Limited	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 (SECMC)	December 31
GEl Utility Limited (GEL)	December 31

(Amounts in thousand)

52.1 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:

	EPQL	EPTL	ETPL	EFERT	EPCL
			(Rupees)		
Total Assets	21,290,582	60,854,815	15,760,951	111,618,249	24,384,326
Total Liabilities	11,477,806	39,796,861	11,000,179	69,346,538	16,604,217
Total Comprehensive Income / (Loss)	2,410,455	(25,208)	1,865,532	11,207,334	2,054,491
Total Comprehensive Income / (Loss) allocated to NCI	750,010	(12,579)	373,106	4,900,967	900,073
Accumulated NCI	3,081,684	13,763,406	940,833	18,326,512	3,428,575
Cash and cash equivalents	(3,161,263)	3,745,622	1,826,036	4,719,976	923,160
Cash (utilized in) / generated from					
- operating activities	3,061,666	(1,427,866)	3,874,856	22,826,972	1,848,625
- investing activities	(63,532)	(25,003,630)	(651,103)	(3,131,252)	(1,034,260)
- financing activities	(3,290,039)	28,883,432	(3,656,090)	(16,062,490)	(977,714)
Dividend paid / payable to NCI	927,488	-	670,066	4,671,904	190,797
Interest of NCI	31.1%	49.90%	20%	43.73%	43.81%

53. CORRESPONDING FIGURES

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

54. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on February 21, 2016 by the Board of Directors of the Holding Company.

Hussain Dawood	Hasnain Moochhala	Ghias Khan
Chairman	Chief Financial Officer	President and Chief Executive

annexure

proxy form

I/We ______________________________

of ______________________________ being a member of ENGRO CORPORATION LIMITED

and holder of ______________________________

(Number of Shares)

Ordinary shares as per share Register Folio No. ______________________________ and/or CDC Participant I.D. No. ______________________________ and Sub Account No. ______________________________ ,hereby appoint ______________________________ of ______________________________ or failing him ______________________________ of ______________________________

as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held on the 24th day of April, 2018 and at any adjournment thereof.

Signed this ______________ day of ________ 2018.

Witnesses:

1) Signature : ______________________________
Name : ______________________________
Address : ______________________________
____
CNIC or Passport No.: ______________________________
____

2) Signature : ______________________________
Name : ______________________________
Address : ______________________________
____
CNIC or Passport No.: ______________________________
____

____
Signature
Signature should agree with the specimen registered with the Company

Note:

Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. A Proxy need not be a member of the Company.

CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.

standard request form
circulation of annual audited accounts.

The Share Registrar
Engro Corporation Ltd.
FAMCO Associates (Pvt.) Ltd.
8-F, Near Hotel Faran
Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal
KARACHI.
E-mail: info.shares@famco.com.pk
Telephone No. (9221) 3438 0101-5, 3438 4621-3

Date: ________________

Dear Sirs,

Subject: Request for Hard Copy of Annual Report of Engro Corporation Limited.

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and approved by the Shareholders in the Annual General Meeting of the Company held on April 06, 2017, the Company shall circulate its annual balance sheet, and profit and loss account, auditor's report and directors report etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hardcopy of the Annual Audited Accounts by filling out the details below and sending it to the Company's share registrar and Company Secretary.

I, ______________________________ S/o, D/o, W/o ______________________ being a registered shareholder of Engro Corporation Ltd. with the particulars as mentioned below would request that my name be added to the list of Shareholders of the Company who opt for delivery of a hardcopy of the Annual Audited Accounts of the Company and hereby request you send to me the Annual Audited Accounts in hard copy form at my registered address as contained in the member register instead of providing the same through CD/DVD/USB.

Name of Shareholder	
Folio No. / CDC ID No.	
CNIC/NICOP/ Passport No.	
Land Line Telephone No. (if any)	
Cell No. (if any)	

Yours truly,

____
Shareholder's Signature

Copy to:

Company Secretary
Engro Corporation Ltd.
8th Floor, The Harbour Front, Building,
HC-3, Block 4, Clifton, Karachi-75600.
E-mail: skamil@engro.com

ویڈیو کانفرنسنگ کی سہولت کے فارم کی درخواست

لاہور اور اسلام آباد میں اراکین ویڈیو کانفرنس کی سہولت بھی حاصل کر سکتے ہیں۔ لاہور اور یا اسلام آباد میں مقیم وہ شیئرز ہولڈرز جو مجموعی طور پر 10 فیصد یا اس سے زیادہ شیئرز کے حامل ہوں اور اجلاس میں ویڈیو کانفرنس کے ذریعے شامل ہونا چاہتے ہوں تو اگر اجلاس کی تاریخ سے کم از کم 10 روز قبل کمپنی کو ان کی طرف سے اجازت موصول ہو جاتی ہے تو وہ ان میں سے کسی بھی شہر میں ان کے لئے ویڈیو کانفرنس کی سہولت مہیا کر سکتی ہے۔

اس ضمن میں براہ مہربانی درج ذیل فارم پُر کیجئے اور اسے کمپنی کے رجسٹرڈ پتے پر سالانہ اجلاس عام کے انعقاد کی تاریخ سے کم از کم 10 روز قبل داخل کروا دیجئے۔

میں/ہم ______________________________ اینگرو کارپوریشن لمیٹڈ کے رکن اور رجسٹرڈ
فولیو نمبر/ سی ڈی سی اکاؤنٹ نمبر ______________ کے مطابق ______________ عام شیئرز (ز) کے حامل کی حیثیت سے ______________ میں ویڈیو کانفرنس کی سہولت حاصل کرنا چاہتا ہوں/ چاہتے ہیں۔

____

____

دستخط رکن/ شیئرز ہولڈر

تاریخ: ______________________________

پراکسی فارم

میں/ہم ________________ کے ________________

اینگرو کارپوریشن لمیٹڈ کے رکن اور عام شیئرز کے حامل کی حیثیت سے .... (شیئرز کی تعداد)

رجسٹرڈ فولیو نمبر ______ اور/یا سی ڈی سی فولیو کا آئی ڈی نمبر ______ اور ذیلی اکاؤنٹ نمبر ______ ______ کے

________________ یا ________________ کے ________________

کو کمپنی کے سالانہ عام اجلاس جو 24 اپریل 2018ء کو منعقد ہوگا، میں میرے/ہمارے لئے اور میری/ہماری طرف سے بحیثیت اپنا پراکسی، ووٹ دینے کے لئے نامزد کرتا/کرتے ہیں۔

دستخط ________________ بروز ______ تاریخ ______ / ______ 2018ء

گواہان:

- دستخط: ....
  نام: ....
  پتہ: ....
  ....
  کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: ________________
  پاسپورٹ نمبر: ________________

- دستخط: ....
  نام: ....
  پتہ: ....
  ....
  کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: ________________
  پاسپورٹ نمبر: ________________

____

دستخط شیئر ہولڈر

(دستخط کمپنی میں رجسٹرڈ نمونے کے مطابق ہونا ضروری ہے)

نوٹ: نمائندے کو فعال بنانے کے لئے نامزدگی کا فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کو موصول ہو جانا چاہیئے۔ نمائندے کو کمپنی کا رکن ہونا ضروری نہیں۔

سی ڈی سی شیئر ہولڈرز اور ان کے نمائندوں سے فرداً فرداً درخواست ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ نقل یا پاسپورٹ، پراکسی فارم داخل کرنے سے قبل اس کے ساتھ منسلک کریں۔

بورڈ کی سرمایہ کاری کمیٹی نے تین اجلاس منعقد کئے۔ حاضری کی تفصیلات مندرجہ ذیل ہیں:

ڈائریکٹر کا نام	اجلاسوں کی تعداد	حاضری
جناب عبدالصمد خان	3	3
جناب انعام الرحمٰن	3	3
جناب منیر کمال	3	3
جناب عمران سعید	3	3

ڈیویڈنڈ

بورڈ مالی سال 2017ء کے اختتام پر مسرت سے 2 روپے کا فائنل کیش ڈیویڈنڈ دینے کا اعلان کرتا ہے۔ پورے سال کے دوران دیئے جانے والے ڈیویڈنڈ فی حصص 21 روپے ہے جس میں 19 روپے کا عبوری کیش ڈیویڈنڈ بھی شامل ہے۔

مستقبل کا منظر نامہ

گزشتہ چند سالوں میں پاکستان کی معیشت میں بہتری دیکھی گئی ہے اس کی وجوہات میں ملک کے بیرونی قرضوں میں کمی اور اچھے مالی فیصلے ہیں۔ دنیا بھر میں کموڈیٹیز کی عالمی قیمتوں میں کمی دیکھی جا رہی ہے اور ترسیل زر میں بہتری کے آثار ہیں۔ ملک کی معاشی نمو میانی مدت میں مقامی طلب، براہ راست سرمایہ کاری اور پبلک انویسٹمنٹ میں اضافے کی بدولت مثبت رجحان جاری ہے۔ تاہم تیل کی عالمی قیمتوں میں اضافے نے ملک کے زرمبادلہ پر اضافی بوجھ بڑھانا شروع کر دیا ہے جس کی وجہ سے اسٹیٹ بینک آف پاکستان کو 2018ء کے بعد زیر جائزہ سال کے وسط میں شرح سود میں 25 پوائنٹس کا اضافہ کرنا پڑا۔

ملک میں جاری انفرا اسٹرکچر کے منصوبوں میں سرمایہ کاری، امن و امان کی بہتر صورتحال اور توانائی کے بحران میں کمی کے پیش نظر مالیاتی اداروں کی جانب سے مناسب ریٹ پر کریڈٹ کی سہولیات فراہم کئے جانے کا اندازہ ہے جو پاکستان میں مثبت نتائج مرتب کرے گا۔ مزید برآں برآمدات میں مسلسل اضافے کو بھی روکنا ہوگا کیونکہ اس سے کرنٹ اکاؤنٹ خسارے میں اضافہ ہو سکتا ہے جس سے ملک کے غیر ملکی زرمبادلہ میں کمی رونما ہو سکتی ہے۔

اینگرو کے لئے نیا مالی سال 2018ء جشن کا سال ثابت ہوگا کیونکہ کمپنی اپنے شیئر ہولڈرز کی قدر میں اضافہ کے لئے کئی اقدامات اٹھانے کی منصوبہ بندی رکھتی ہے۔ اپنی گروتھ کو بڑھانے کے لئے کمپنی انسانی وسائل، ٹیکنالوجی اور مالی چیلنجز سے نبرد آزما ہونے کے لئے بھرپور تیار ہے۔

فرٹیلائزر

سال 2018ء میں یوریا کی عالمی طلب میں بتدریج اضافہ متوقع ہے۔ ایک اندازے کے مطابق عالمی مارکیٹ میں نئے اداروں کے کام کرنے کے آغاز سے رسد میں 1.7 فیصد اضافہ ہو سکتا ہے۔ عالمی یوریا کی قیمتیں سال بھر کے دوران 280 ڈالر فی ٹن سے کم ہو کر 256 ڈالر فی ٹن (1,730 روپے فی تھیلا) پر مستحکم ہو گئیں۔ فصلوں کی کم قیمتوں اور رسد کی مد میں پیدا ہونے والا دباؤ اور نئے اداروں کی تجارت، تاجیر یا ریاست ہائے متحدہ امریکہ میں گیس کے شیل سے اندازہ لگایا جا رہا ہے کہ سال 2018ء میں قیمتیں مزید کم ہوں گی۔ دوسری جانب ملکی کی کم ہوتی برآمدات اور ماحولیات ٹیکس کے لاگو ہونے سے پیداوار میں خلل قیمتوں میں استحکام پیدا کرے گا۔ سال 2018ء میں مقامی یوریا کی طلب میں بھی استحکام متوقع ہے کیونکہ سال کے آغاز میں ہی کسانوں کی آمدن میں بہتری دیکھی جا رہی ہے اور سبسڈی بھی جاری ہے۔ مقامی پیداوار موجودہ سطح پر قائم رہے گی اور قیمتوں میں استحکام رہے گا۔

مزید برآں 2018ء میں انٹرنیشنل ڈی اے پی کے نرخوں میں کمی متوقع ہے۔ کسانوں کی آمدن میں اور بہتری کے لئے سبسڈی کے جاری رہنے کے سبب ڈی اے پی کی طلب میں سال 2018ء میں مستحکم رہنے کی توقع ہے۔

پولیمر اور کیمیکلز

سال 2017ء میں اپنی پوزیشن مستحکم کرنے کے بعد نئے مالی سال 2018ء میں بھی اینگرو پولیمر نے خود کو نئے مواقع کے لئے تیار رکھا ہے۔ پہلے قدم کے طور پر بورڈ آف ڈائریکٹرز نے 10.3 ارب روپے کے CAPEX کی منظوری دی ہے تاکہ پلانٹ کی آپریشنل استعداد کار اور صلاحیت کو بڑھایا جا سکے۔ پی وی سی کی مارکیٹ میں مثبت نمو متوقع ہے جبکہ کاسٹک مارکیٹ میں استحکام کا اندازہ لگایا جا رہا ہے۔ مزید برآں وائنل چین کی قیمتیں، توانائی اور کرنسی میں اتار چڑھاؤ کاروبار کی قدر کو بڑھنے میں مشکلات پیدا کر سکتے ہیں۔ بزنس نے جارحانہ مارکیٹنگ حکمت عملی اختیار کر رکھی ہے اور اپنے صارفین، حکومتی ایجنسیوں، آرکیٹیکس اور تعمیرات کے کنسلٹنٹ کے ساتھ قربت میں کام کر رہا ہے تاکہ مقامی فروخت کے حجم کو بڑھایا جا سکے۔

توانائی

توانائی کا کاروبار بین الاقوامی کمپنیوں کے ساتھ باہمی اشتراک سے نئے مواقع کے لئے سرگرم عمل ہے۔ اس شراکت داری میں اینگرو کی مخصوص مہارت اور انتظامی صلاحیتیں ہیں۔ حکومت سندھ کے ساتھ شراکت میں اینگرو نے ضلع تھر میں کوئلے کی کان کنی اور پاور پلانٹس کو جون 2019ء تک مکمل کرنے کا تعین کیا ہوا ہے تاکہ ملک میں جاری توانائی کے بحران کو کم کیا جا سکے۔ مزید برآں کمپنی متبادل توانائی کے منصوبوں میں بھی بھرپور دلچسپی لے رہی ہے اور اسی لئے کمپنی نے بلوچستان میں 360 میگاواٹ کے ہوا سے چلنے والے اور سولر پاور پلانٹ کی منظوری کے لئے لیٹر آف انٹینٹ کی درخواست دے رکھی ہے۔ کمپنی کی کوشش ہے کہ مزید نئے مواقع تلاش کئے جائیں۔

آئی پی پیز کو فراہم کی جانے والی گیس کی کم قیمتیں اور عالمی مارکیٹ میں تیل کی قیمتوں میں اضافے کی وجہ سے گیس سے چلنے والے پاور پلانٹس کی اہمیت بڑھ گئی ہے کیونکہ ایک تو ان میں لاگت کم ہوتی ہے اور دوسرا بہترین آپریشنل استعداد کار اور ماحول دوست بھی ہیں۔ 2016ء میں گرڈ کو اپ گریڈ کرنے کی وجہ سے ہمارے قادر پور پاور پلانٹ سے بہتر ترسیل ممکن ہوئی جو مستقبل قریب میں جاری رہنے کا امکان ہے۔ حکومت فی الحال گردشی قرضے میں کمی لانے میں ناکام رہی ہے جو صنعت کے لئے تشویشناک ہے کیونکہ یہ مستقبل قریب میں صنعت کے لئے مشکل پیدا کرے گا۔

ٹرمینل سروسز

ایل این جی ٹرمینل ملک میں توانائی کی کمی میں اپنا مثبت کردار ادا کرنے میں کوشاں ہے۔ جیسا کہ پہلے بھی بتایا گیا کہ کمپنی نے کامیابی سے گیس کی پیداوار بڑھانے کا معاہدہ کر لیا ہے اس لئے مستقبل میں کمپنی مزید منافع حاصل ہو سکتی ہے۔

اینگرو ووپیک ٹرمینل کے کاروبار سے بھی توقع کی جا رہی ہے کہ یہ بھی تسلسل کے ساتھ اپنے شیئر ہولڈرز کو منافع پیش کرے گا اور ملک میں مائع کیمیکلز کی ہینڈلنگ میں صف اول کی کمپنی رہے گی۔ عمومی طور پر کیمیکل انڈسٹری میں استحکام ہے اور اینگرو ووپیک اپنی مارکیٹ لیڈر کی پوزیشن قائم رکھے گی۔ ایل پی جی کی درآمدات میں بھی گزشتہ چند سالوں سے اضافہ دیکھا جا رہا ہے اور امید کی جاتی ہے کہ یہ مثبت رجحان جاری رہے گا۔ کاروبار کی حتی الامکان کوشش ہے کہ شیئر ہولڈرز کے لئے قدر میں اضافہ کیا جائے۔

فوڈز

اینگرو فوڈز ڈیری انڈسٹری کے ساتھ مسلسل تعاون کر رہی ہے تاکہ ڈیری سے متعلق وفاقی اور صوبائی قوانین میں موجود کمزوریوں کو دور کیا جا سکے۔ مزید برآں فوڈ سیکٹر کی کوشش ہے کہ درآمدی اجناس بالخصوص دودھ پر عائد بے جا ٹیکسوں اور ڈیوٹی کو کم کیا جا سکے۔ اس طرح ڈیری سیکٹر میں مسابقت کی مثبت فضا قائم ہوگی اور ڈبے کے دودھ کی مارکیٹ سے بہتر انداز میں مقابلہ کر سکے گی۔ اس کے علاوہ رائل فریز لینڈ کیمپینا کے ساتھ شراکت داری نے پیداوار اور آپریشنل استعداد کار میں جدت متعارف کرانا شروع کر دی ہے، جس کی بنیاد پر لاگت کی مد میں ہونے والے اخراجات کو کم کیا جا سکے گا۔ اس اپ گریڈیشن سے پاکستان کے صارفین کو اعلیٰ درجے کی ڈیری مصنوعات میسر آسکیں گی۔

چاول کے کاروبار میں بھی بہتری دیکھی جا رہی ہے اور بزنس بھی آپریشنل استعداد کار کو اعلیٰ معیاری بنانے پر اپنی توجہ مرکوز کئے ہوئے ہے تاکہ شیئر ہولڈرز کے لئے قدر میں اضافہ کیا جا سکے۔

اعتراف

ہم اینگرو فیملی کے تمام ممبران کے تہہ دل سے مشکور ہیں کہ انہوں نے اپنی انتھک محنت، جرأت، حوصلہ مندی اور جدت سے اس ادارے کی ترقی میں اپنا کردار ادا کیا اور ہم امید کرتے ہیں کہ یہ ترقی کا سفر مستقبل میں بھی جاری رہے گا۔ کمپنی کے ڈائریکٹرز ان شیئر ہولڈرز کا بھی دل کی گہرائیوں سے شکریہ ادا کرتے ہیں کہ انہوں نے کمپنی پر اپنے اعتماد کا اظہار کیا۔

حسین داؤد

چیئرمین

غیاث خان

سی ای او

پنشن، گریجویٹی اور پروویڈنٹ فنڈز

کمپنی پورے گروپ میں اپنے ملازمین کو بعد از ملازمت اور ریٹائرمنٹ پر مراعات فراہم کرنے کے منصوبے رکھتی ہے۔ ان میں ڈیفائنڈ کنٹری بیوشن (DC)، ڈیفائنڈ بینیفٹ (DB) گریجویٹی پلانز، ڈی سی پروویڈنٹ فنڈ، ڈی سی گریجویٹی اور ڈی بی گریجویٹی پلانز شامل ہیں۔

ڈی بی پلانز اور گریجویٹی اسکیم کے گوشواروں کو فنڈز کی اقدار تخمینے تسلیم کیا ہے۔ اینگرو کارپوریشن پروویڈنٹ فنڈ بتاریخ 30 جون 2017ء اور اینگرو کارپوریشن گریجویٹی اور پنشن فنڈز کے آڈٹ شدہ اکاؤنٹس بتاریخ 31 دسمبر 2016ء سے درج کیے گئے ہیں۔

فنڈ کا نام	کل اثاثے (روپے میں)
ڈی سی پروویڈنٹ فنڈ	3,942 ملین
ڈی سی گریجویٹی فنڈ	1,425 ملین
ڈی سی پنشن فنڈ	889 ملین
ڈی بی ایم پی ٹی گریجویٹی فنڈ	245 ملین
ڈی بی نان ایم پی ٹی گریجویٹی فنڈ	170 ملین
ڈی بی پنشن فنڈ	34 ملین

آڈیٹرز

موجودہ آڈیٹرز میسرز اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس ریٹائر ہو چکے ہیں اور اہلیت کی بنیاد پر خود کو دوبارہ تقرری کے لیے پیش کرتے ہیں۔ بورڈ کی آڈٹ کمیٹی ان کی بطور آڈیٹرز برائے سال 31 دسمبر 2018ء تقرری کی سفارش کرتی ہے۔

شیئر ہولڈنگ کا پیٹرن

مالی سال 31 دسمبر 2017ء کے اختتام پر کمپنی کی سب سے بڑی شیئر ہولڈنگ داؤد گروپ بشمول داؤد ہرکولیس کارپوریشن لمیٹڈ ہے۔ باقی شیئر ہولڈرز میں مقامی سرمایہ کار، غیر ملکی ادارے اور عوام ہیں۔ 2017ء میں شیئر ہولڈنگ کے عمومی نقشے اور حصص یافتگان کے مخصوص طبقوں کی شیئر ہولڈنگ کی معلومات جو رپورٹنگ فریم ورک کے تحت درکار ہے، اور ڈائریکٹرز، ان کی ازواج یا شوہر اور کم عمر بچوں کے نام پر شیئرز کی خرید و فروخت کا بیان اس رپورٹ میں شامل ہیں۔

ڈائریکٹرز کا بورڈ

کمپنی کا بورڈ آف ڈائریکٹرز تمام اہم غور طلب امور کا جائزہ لیتا ہے جن میں کمپنی کی حکمت عملی، درست سالانہ کاروباری منصوبہ بندی اور اہداف، طویل مدتی سرمایہ کاری اور قرضہ جات کے فیصلے شامل ہیں۔ بورڈ آف ڈائریکٹرز کارپوریٹ گورننس کے اعلیٰ معیارات کو قائم رکھنے کے لیے پرعزم ہے۔

ڈائریکٹرز کی ذمہ داریوں کا اعلامیہ

ڈائریکٹرز درج ذیل ذمہ داریوں کے حوالے سے SECP کوڈ آف کارپوریٹ گورننس کے کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کی تعمیل کی تصدیق کرتے ہیں:

ا۔ کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشوارے منصفانہ طور پر اس کے معاملات کی صورت حال، سرگرمیوں کے نتائج، کیش فلو اور ایکویٹی میں تبدیلیاں پیش کرتے ہیں۔

۲۔ کمپنی کے مالیاتی کھاتے درست انداز میں منظم کیے گئے ہیں۔

۳۔ مالیاتی گوشواروں کی تیاری میں مسلسل مناسب اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے اور حسابات کے گوشوارے مناسب اور محتاط فیصلوں پر مبنی ہیں۔

۴۔ مالیاتی گوشواروں کی تیاری میں عالمی فنانشل رپورٹنگ معیارات جیسا کہ پاکستان میں قابل اطلاق ہیں، ان کی مکمل اور درست پیروی کی گئی ہے اور معلومات مفصل انداز میں بیان کی گئی ہیں۔

۵۔ نظام کے داخلی کنٹرول کی ساخت مضبوط ہے اور اس کا مؤثر اطلاق اور نگرانی کی گئی ہے۔

۶۔ ادارے کے مستقبل میں اپنے کام جاری رکھنے پر کوئی قابل ذکر شکوک نہیں ہیں۔

۷۔ کارپوریٹ گورننس کی بہترین پریکٹسز سے کسی قسم کا مادی گریز نہیں کیا گیا ہے جیسا کہ لسٹنگ ریگولیشن میں تفصیلات شامل ہیں۔

بورڈ اور بورڈ کمیٹیوں کی ملاقاتیں اور حاضری

سال 2017ء میں بورڈ اراکین نے 13 اجلاس منعقد کیے تاکہ اپنی سرگرمیوں کے دائرے کو مکمل کیا جا سکے۔ ان اجلاسوں میں ڈائریکٹران کی حاضری کا ریکارڈ درج ذیل ہے:

ڈائریکٹر کا نام	اجلاسوں کی تعداد	حاضری
جناب حسین داؤد	13	11
جناب غیاث خان*	13	13
جناب منیر کمال	13	13
جناب وقار ملک	13	13
جناب عبدالصمد خان	13	10
جناب شہزادہ داؤد	13	10
جناب انعام الرحمٰن	13	11
جناب عمران سعید	13	11
جناب محمد عبدالعلیم	13	13
جناب سعد راجہ**	4	4
محترمہ حنا انعام***	3	3

*مورخہ 10 مئی 2017 کو ڈائریکٹر کے عہدے سے [illegible] 31 دسمبر 2016 [illegible]

**مورخہ 18 مئی 2017 کو ڈائریکٹر کے عہدے سے [illegible] 24 اپریل 2017 [illegible]

***مورخہ 20 اکتوبر 2017 کو ڈائریکٹر منتخب ہوئیں

بورڈ کی معاوضہ کمیٹی نے سال بھر کے دوران 6 اجلاس منعقد کیے جن میں حاضری کی تفصیل مندرجہ ذیل ہے:

ڈائریکٹر کا نام	اجلاسوں کی تعداد	حاضری
جناب عبدالصمد داؤد	6	6
جناب شہزادہ داؤد	6	4
جناب عبدالعلیم	6	5
جناب وقار ملک	6	6
محترمہ حنا انعام*	1	1

*مورخہ 20 اکتوبر 2017 کو کمیٹی کی رکن مقرر ہوئیں

بورڈ کی آڈٹ کمیٹی نے سال 2017ء کے دوران 4 ملاقاتیں کیں جن میں حاضری کی تفصیل مندرجہ ذیل ہے:

ڈائریکٹر کا نام	اجلاسوں کی تعداد	حاضری
جناب محمد عبدالعلیم	4	4
جناب وقار ملک	4	4
جناب منیر کمال	4	4

اینگرو کارپوریشن بین الاقوامی سطح پر فراکسنگ کاری کے نئے مواقع کے لئے کوشاں ہے۔ اپنے اسی مقصد پر عمل کرتے ہوئے اینگرو کارپوریشن نے جنرل الیکٹرک کے ساتھ اسٹریٹجک اتحاد کیا جس کے تحت جنرل الیکٹرک کی صف اول کی اپلائی گنیشنز کا پلیٹ فارم اور اینگرو کی کثیر الجہتی مہارت کو یکجا کرنا تھا۔ اکتوبر 2017ء کو اینگرو اور جنرل الیکٹرک نے دس سال کے ایک معاہدے پر دستخط کئے جس کے تحت جنرل الیکٹرک کے ایسٹ پرفارمنس مینجمنٹ (اے پی ایم) سلوشنز کو چھ پلانٹس پر نصب کیا جائے گا۔ یہ سلوشن اینگرو کو پلانٹ میں نصب اپنے آلات کی آپریشنل استعداد کار بڑھانے میں معاونت فراہم کرے گا۔ مزید برآں یک مین لیبارٹری انٹرنیشنل انکارپوریٹڈ کے ساتھ بھی اینگرو نے معاہدہ کیا ہے جس کے تحت اینگرو کارپوریشن صنعت میں پراسس کی نگرانی اور بہتری کی سہولیات فراہم کرے گی۔

کارپوریشن کا مالی سال 2017ء میں مجموعی قرضہ 90,743 ملین روپے رہا جبکہ گزشتہ سال مجموعی قرضہ 73,118 ملین روپے رہا تھا۔ اس اضافے کی وجہ ہمارے طویل قرض میں لگے کوئلہ کان کی پلانٹ اور توانائی منصوبے ہیں۔ سال 2017ء کے اختتام پر قرضوں کا تناسب 35:65 رہا جبکہ 2016ء میں یہ تناسب 30:70 تھا۔ یہ ایک مثبت اشارہ ہے کیونکہ اس سے کمپنی کو موقع ملا کہ وہ مستقبل کے اپنے نمو کو برقرار رکھنے کے لئے اقدامات لے سکے۔

کارپوریشن کے مجموعی کیش فلوز میں بھی بہتری رہی کیونکہ ہمارے پیٹروکیمیکلز اور فرٹیلائزرز کے کاروباروں میں منافع بخش صورت حال رہی۔ سال بھر کے دوران کارپوریشن کے آپریٹنگ کیش فلوز کو احتیاط کے ساتھ کیپٹل اخراجات کی مد جاری رکھے گئے تاکہ آپریشنل استعداد کار اور حجم کی نمو برقرار رکھی جا سکے۔

کیپٹل سرمایہ کاری، کیپٹل اسٹرکچر اور فنانس

کارپوریشن شیئر ہولڈرز کے لئے قدر کو بڑھانے پر طویل مدتی بنیادوں پر کیپٹل کی جو ضروریات میں اپنی حکمت عملی کے تحت فراہمی جاری ہے تاکہ مطلوبہ نمو کو حاصل کیا جا سکے۔ کمپنی کا مقصد اپنی سرمایہ کاری میں توازن قائم کرنا اور اپنی طویل مدتی حکمت عملی کے تحت کاروبار کو متنوع کرنا ہے۔

کریڈٹ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی نے اپنی سالانہ جائزہ رپورٹ میں کارپوریشن کی ماتحت کمپنیوں کی ریٹنگ جاری کیں جو مندرجہ ذیل ہے:

کمپنی	طویل مدتی ریٹنگ	مختصر مدتی ریٹنگ
اینگرو کارپوریشن لمیٹڈ	AA	A1+
اینگرو فرٹیلائزر لمیٹڈ	AA-	A1+
اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ	A+	A1+
اینگرو پاور جین تھر پرائیویٹ لمیٹڈ	A	A1
اینگرو ایلنجی ٹرمینل پرائیویٹ لمیٹڈ	A	A1
اینگرو ووپاک ٹرمینل لمیٹڈ / اینگرو ایگری پروڈکٹس پرائیویٹ لمیٹڈ	A-	A2

مندرجہ بالا ریٹنگ ہماری ماتحت کمپنیوں کی آپریشنل اور مالیاتی بہتری کا واضح مظہر ہیں۔

سماجی سرمایہ کاری

ہماری سماجی سرمایہ کاریوں کی ترتیب کا انتظام اینگرو فاؤنڈیشن کرتی ہے جو تمام اینگرو کمپنیز کی اجتماعی سماجی ذمہ داری کی مؤثر روح ہے۔ اینگرو فاؤنڈیشن ابتدائی طور پر ہماری برادریوں میں ابتدائی تعلیم اور ہماری اقدار کے حلقوں میں مختلف وسعت افراد کی تربیت کے ذریعے انسانی ترقی پر اپنی توجہ مرکوز رکھتی ہے۔ برادریوں میں صحت، بنیادی ساخت کے منصوبے اور پانی کے تحفظ جیسے اہم معاملات میں معاونت دیگر مرکز توجہ ہیں۔ اس فلسفے کے تحت کہ "آئی ایم دا چینج" (I am the Change)، اینگرو فاؤنڈیشن کی جانب سے معاشرے میں واضح سماجی تبدیلیاں لانے والوں میں ایوارڈز تقسیم کئے گئے۔

فاؤنڈیشن کا بنیادی نکتہ کاروباری شمولیت کے اصول کے ذریعے ایک پائیدار تاثر قائم کرتا ہے۔ اس کا مقصد یہ ہے کہ مختلف وسعت افراد کو اینگرو کے حلقے میں شامل کر کے پائیداری کو یقینی بنایا جائے۔ اینگرو فاؤنڈیشن، اینگرو کمپنیز اور سماجی ترقی میں شریک اداروں کے تعاون سے پروگرام ترتیب دے کر کاروباری حلقوں میں ان محروم لوگوں کو شامل کر کے یہ کام انجام دیتی ہے۔ فاؤنڈیشن ایک مضبوط انتظامی انتظام کو یقینی بناتی ہے جو اجتماعی سماجی ذمہ داری کی مختار کردہ کے صحیح استعمال اور اس سے حاصل ہونے والے نتائج کی نگہداری کرتی ہے کہ وہ منصوبے کی کلیدی کارکردگی کے اعدادوشمار کے مطابق ہوں۔ تمام منصوبوں میں شفافیت، جوابدہی اور تخمینے کو مدنظر رکھا جاتا ہے۔ پائیدار تاثر پیمائش سماجی سرمایہ کاری کے بنیادی کارکردگی کے اعداد ہیں۔

سال کے لئے فاؤنڈیشن کے اولین منصوبے جس میں کامیابی کے راستے شامل ہیں جو یو ایس ایڈ (USAID) کی معاونت سے جاری ہے جس کے تحت 1,600 لڑکیوں کی تربیت کی گئی تاکہ وہ گھریلو اور کراچی میں جوان عورتوں کی فنی تربیت کریں، SEaDSnet جس نے ڈیری کے شعبے میں DEG کی سرمایہ کاری سے 50 کاروباری خواتین کو تربیت دی اور ہمارے کاروبار کے اطراف پورٹ قاسم کے نزدیک کراچی کے ساحل پر IUCN اور WWF کے تعاون سے ماحولیاتی تحفظ اور پائیدار معیشت کا ایک منصوبہ تشکیل دیا۔

ایک ادارے کی حیثیت سے اینگرو کو احساس ہے کہ ایک مضبوط اور پائیدار معاشرہ ہی ہمارے ذمہ دار افراد کو ترقی دے سکتا ہے۔ اپنے ملازمین کے ساتھ رضاکارانہ طور پر کام کرتے ہوئے ترقیاتی سماجی ومعاشرتی حکمت عملی کی حمایت کرتے اور معاشرتی ترقی کی تنظیموں اور اداروں کو اپنے "آئی ایم دا چینج" (I am the Change) کی سطح پر انسان دوستی کے ایوارڈز دے کر ہمارے مضبوط معاشرے کے ہمارے عزم اور منظم پاکستان کے عزم کا عکاس ہے۔

صحت، حفاظت اور ماحولیات

ہمارا ماننا ہے کہ ہمارے اقدامات ہماری سوچ کے آئینہ دار ہیں اسی لئے ہم نے عملی اقدامات کو اپنی اولین ترجیح بنایا ہے۔ ہم اپنے لوگوں کی صحت، حفاظت اور ماحولیات کے حوالے سے اپنی ذمہ داریوں سے بخوبی واقف ہیں۔ سال 2017ء میں ایچ ایس ای کی کارکردگی اور ڈویلپمنٹ تفصیلات اس رپورٹ میں شامل کئے گئے ہیں۔

رسک مینجمنٹ فریم ورک

اینگرو کارپوریشن اور تمام ذیلی ادارے درپیش رسک کو جانچنے اور پرکھنے کے لئے یکساں انٹرپرائز رسک مینجمنٹ فریم ورک کا استعمال کرتے ہیں۔ ہماری پالیسی ہے کہ ہم رسک مینجمنٹ کو ہمارے اداروں اور شیئر ہولڈرز کے لئے قدر میں اضافے کے لئے کلیدی سمجھتے ہیں کیونکہ ایسا کرنے سے ہم اپنے کارپوریٹ مفادات اور مقاصد کو غیر یقینی صورتحال سے محفوظ کر سکتے ہیں۔ ہر ذیلی ادارہ ممکنہ خطرات کا احاطہ کرتا ہے جو پوری آرگنائزیشن کے مفادات اور اثرات کو کم کرنے کا پتا چلا سکتے ہیں اور پھر ایسے رسک سے نمٹنے کے لئے ذمہ داروں کا تعین کیا جاتا ہے۔ کوشش یہی کی جاتی ہے کہ خطرات کا تجزیہ اور منظم انداز میں تدارک کیا جا سکے۔ فریم ورک کے تحت تمام ذیلی ادارے پالیسیاں اور ایس او پیز تیار کرنے کے ساتھ مسلسل جائزہ اور رپورٹ کرنے کے پابند ہیں۔ فریم ورک کے تحت تمام ذیلی اداروں کے بڑے اہم خطرات کی نشاندہی اور ان سے محفوظ رہنے کے اقدامات بیان کرتے ہیں۔ اینگرو کارپوریشن نے مندرجہ ذیل خطرات کی نشاندہی کی ہے:

لیکویڈیٹی رسک:

ہماری فرچ پالیسیوں کا مقصد ادارے ورکنگ کیپٹل کو منظم رکھنا ہے جو آپریشنل پورٹ فولیو کے لئے ضروری ہے۔ ہم متعدد کیش جنریشن اور مالیاتی اداروں کے ساتھ معاہدوں کے ذریعے لیکویڈیٹی رسک کو کم کر سکتے ہیں۔

شرح سود رسک:

ہماری سرمایہ کاری ہماری سرمایہ کاری کی وجہ سے ہمیں شرح سود کے رسک کا سامنا رہتا ہے۔ ہم اس رسک کو کم سے کم رکھنے کے لئے باقاعدگی سے شرح سود میں اتار چڑھاؤ پر نظر رکھتے ہیں تاکہ اپنی مختصر مدتی سرمایہ کاری کو محفوظ بنا سکیں۔

کریڈٹ رسک:

اس رسک سے نمٹنے کے لئے ہم نامی گرامی اور بڑے مالیاتی اداروں کو منتخب کرتے ہیں۔

غیر ملکی ایکسچینج رسک:

ہمارے سرمایہ کاری پورٹ فولیو کی وجہ سے ہمیں غیر ملکی ایکسچینج رسک کا خدشہ لاحق رہتا ہے۔ اپنے پورٹ فولیو کا بغور جائزہ لیتے ہوئے ہم اس رسک کو کم کرتے ہیں۔

اقتصادی اور ریگولیٹری رسک:

تسلسل کے ساتھ متحرک کاوشوں اور مذاکرات کے ذریعے ہمیں پالیسی سازوں کے ساتھ اپنے کاروباری مفادات اور صنعت کو درپیش چیلنجز کو کم کرنے میں معاونت ملتی ہے۔

اینگرو ایگزمپ ایگری پراڈکٹس

اس کاروبار کے تحت سن 2017 کے دوران 11,950 ٹن چاول برآمد کیا گیا، یہ سال بہ سال 33 فیصد اضافہ ہے۔

چاول کے کاروبار پر کارپوریشن نے اپنی توجہ مرکوز رکھی، جس میں کاروبار کی از سر نو بحالی، مقررہ لاگت میں انتظام، آپریشنل استعداد کار میں بہتری اور قیمتوں میں انتظام کی بدولت اس سیگمنٹ میں ہونے والے خسارے کو کم کرنے میں کامیابی ملی۔ زیر جائزہ سال کے دوران کاروبار نے رائس پروسیسنگ کے حجم میں 82 فیصد اضافہ حاصل کیا۔ سال کے دوران 11,950 ٹن چاول برآمد کئے گئے جو سال بہ سال کی بنیادوں پر 33 فیصد اضافہ ہے۔

ریونیو

(ملین روپے)

1,749

2017

اینگرو فوڈز

کاروبار کو درپیش موجودہ مبارزات کے باوجود رائل فرائز لینڈ کمپینا کے اکتساب نے طریقہ کار میں تغیر اور عملی کارکردگی کی راہ ہموار کی جس کے نتیجے میں لاگت میں کمی آئی۔

اینگرو فوڈز کے نتائج میں سال 2017ء کے اختتام پر کمی دیکھی گئی جس کے پیچھے کئی محرکات ہیں۔ اس کمی کی ایک اہم وجہ [illegible] میں مسلسل انحطاط ہے جس کی کئی وجوہات ہیں ایک تو لاگت بڑھ گئی ہے دوسرا گزشتہ سال اس کیٹگری میں ٹیکس کے حوالے سے قانون سازی ہوئی۔ کمپنی کے نتائج میں کمی کی دوسری اہم وجہ قیمتوں میں مسلسل اضافہ ہے جس کی وجہ سے کھلے دودھ کے مقابلے میں لاگت بڑھ گئی ہے۔ ایک اور وجہ [illegible] میں بڑھتی مسابقت ہے جو اب شدت اختیار کر گئی ہے خصوصاً دیہی علاقوں میں۔

ریونیو

(ملین روپے)

34,653

2017

اینگرو ایلینجی ٹرمینل

ایلینجی ٹرمینل پاکستان کو درپیش توانائی کے بحران کو کم کرنے کے لیے سن 2018 کے لئے ایک مستحکم نظریہ رکھتے ہوئے مثبت طریقے سے اپنا کردار ادا کر رہا ہے۔

اینگرو ایلینجی ٹرمینل نے ذمہ دارانہ سالانہ سال کے دوران اعلیٰ کارکردگی کا مظاہرہ کیا۔ سال کے دوران اینگرو ایلینجی ٹرمینل نے کامیابی کے ساتھ سوئی سدرن گیس کمپنی لمیٹڈ کے ساتھ دوبارہ معاہدہ اور ایل این جی آپریشنز کے لئے ترمیم کے معاہدے پر دستخط کیے۔ علاوہ ازیں اینگرو ایلینجی ٹرمینل نے مالی سال 2017 میں 70 کارگوز کو ہینڈل کیا جبکہ گزشتہ سال 44 کارگو ہینڈل کیے گئے تھے۔

ریونیو

(ملین روپے)

10,464

2017

اینگرو ووپک ٹرمینل

ایل پی جی کی درآمدات میں گزشتہ دو سالوں کے دوران افزائش دیکھنے میں آئی ہے اور ہمیں توقع ہے کہ یہی رجحان برقرار رہے گا۔ شیئر ہولڈرز کی قدر بڑھانے کے لئے کاروبار، نئے مواقع کی تلاش جاری رکھے گا۔

اینگرو ووپک ٹرمینل نے مالی سال 2017ء کے دوران ایل پی جی اور کیمیکلز کی ہینڈلنگ کے حجم میں گزشتہ سال 2016ء کے مقابلے میں تقریباً 5 فیصد اضافہ ریکارڈ کیا۔ اس بڑھوتی کی وجہ سے ملک میں درآمد میں اضافہ ہوا۔ سال بھر کے دوران ٹرمینل نے کامیابی سے ماسٹر ک ایسڈ پائپ لائن تیار کی جس کے نتیجے میں ہینڈلنگ کے انتظامات بہتر اور موثر طریقے سے ہوئے۔

ریونیو

(ملین روپے)

32,215

2017

اینگرو پاور جن

حکومت کے ساتھ اشتراک سے تھر مائننگ اور پاور پروجیکٹس کی تکمیل جون 2019 تک متوقع ہے جن کی بدولت بجلی کے بحران پر قابو پانے میں مدد ملے گی۔

توانائی کے سیکٹر میں قادر پور پلانٹ نے توقعات کے عین مطابق اچھی کارکردگی کا مظاہرہ کیا۔ تاہم گردشی قرضہ مقامی توانائی کی صنعت کے لئے ایک چیلنج کی شکل میں موجود رہا جس کی وجہ سے مقامی صنعت کو مسائل درپیش رہے۔ حکومت سندھ کے ساتھ شراکت میں ہم ایس ای سی ایم سی کے تھر میں کوئلے کی کان کنی اور توانائی کے منصوبوں پر کام اپنے شیڈول سے آگے ہے اور ان پر مناسب رفتار سے کام جاری ہے اور امید کی جا رہی ہے کہ یہ منصوبے سال 2019 کے وسط میں مکمل کر لئے جائیں گے۔

ریونیو
(ملین روپے)

11,637

2017

پولیمر

اینگرو پولیمر کیمیکل لمیٹڈ نے زیادہ تر مقامی طلب کو پورا کرتے ہوئے معاشی استحکام کا سفر جاری رکھا ہوا ہے۔ توسیعی منصوبوں کے حالیہ اعلان اور نئے ترمیم شدہ نظریے کے ساتھ پولیمر اور دیگر الائیڈ کیمیکلز کے شعبے میں کمپنی پاکستان کی قیادت کے لئے تیار ہے۔

مالی سال 2017ء کے اختتام پر پولیمر کے کاروبار میں گزشتہ سال کے مقابلے میں کمی کا اضافہ دیکھا گیا۔ وینائل کے عالمی ڈائنامکس میں بہتری کی وجہ سے اور مقامی طلب میں اضافے اور طریقہ کی وجہ سے پولیمر کے کاروبار میں بہتری دیکھی گئی۔ چونکہ پولیمر کا کاروبار میں ہیلا 2021 کی میں کو متعارف کیا گیا اس وجہ سے بین الاقوامی مارکیٹ سے فلیکسیبل حاصل کر لی گئی جس کی بنیاد پر پلانٹ کے آپریشن سال بھر کے دوران بلاتعطل جاری رہے۔ پلانٹ کے قابل اعتماد آپریشنز اور اعلیٰ استعداد کو شیئر ہولڈرز کے لئے قدر میں اضافے کا سبب بنے۔

ریونیو

(ملین روپے)

27,731

2017

فرٹیلائزر

عالمی سطح پر سن 2018 میں یوریا کی طلب میں 1.7 فیصد اضافہ متوقع ہے جبکہ رسد کے رجحان میں متوقع اضافہ معتدل انداز میں ہو رہا ہے اور یہ اپنی نئی صلاحیتوں کے ساتھ عالمی منڈیوں میں داخل ہو رہی ہے۔

زیر جائزہ مالی سال کے دوران مقامی مارکیٹ کی طلب میں اضافے اور درآمدات کے کم ہونے کی وجہ سے اینگرو فرٹیلائزر کے منافع میں 20 فیصد بہتری ریکارڈ کی گئی۔ سال کے اختتام تک مقامی طلب اور درآمدات بالترتیب 1,738 کے ٹی اور 223 کے ٹی رہیں۔ منافع میں مزید اضافہ پلانٹ 1 کو ملنے والی گیس کی قیمتوں کے کم ہونے کی وجہ سے ہوا۔ سال بھر میں کھاد کے دونوں پلانٹس گیس کی مسلسل ترسیل کی بدولت بہتر چلتے رہے۔ تاہم مقامی صنعت کو سبسڈی کے حصول اور اس کی دیر سے ملنے جیسے چیلنجز کا سامنا ہے۔ سال بھر کے دوران اس کاروبار نے 18 ارب روپے کے سرمایہ کاری کی اور ابھی بھی اپنی توجہ مرکوز کی ہے اور زراعت کے شعبے میں بہتری لانے کی کوشش جاری ہے۔

ریونیو

(ملین روپے)

77,129

2017

ڈائریکٹرز رپورٹ

بنیادی سرگرمیاں

کمپنی کی بنیادی سرگرمیوں میں اپنے ماتحت اداروں، ایسوسی ایٹس اور کاروباری شراکت داری میں سرمایہ کاری کی تنظیم کے ساتھ فرٹیلائزرز کی پیداوار اور تجارت، پی وی سی ریزن کی پیداوار اور مارکیٹنگ، فوڈز، توانائی کی پیداوار، کوئلے کی کان کنی، ایل این جی اور کثیر تعداد میں کیمیکل کی کارگو ہینڈلنگ اور اسٹوریج شامل ہیں۔

کاروباری جائزہ

پاکستان کی اقتصادی نمو سال 2017ء میں 5.3 فیصد ریکارڈ کی گئی جو باوجود ایک مثبت اشارے کے مقررہ ہدف 5.7 فیصد سے کم ہے۔ اس کی وجہ ملک میں اندرونی صنعتی پیداوار کی شرح توقعات سے کم رہی۔ کم ہوتی برآمدات اور بڑھتی درآمدات کی وجہ سے جی ڈی پی کا کرنٹ اکاؤنٹ خسارہ گزشتہ سال کے 1.7 فیصد سے بڑھ کر 4.1 فیصد ہو گیا۔ تاہم سال بھر اقتصادی سرگرمیاں جاری رہیں۔ پاک چین اقتصادی راہداری کے منصوبوں کی تکمیل کی بنیاد پر مقامی طلب میں اضافہ دیکھا گیا لیکن سیاسی عدم استحکام اور ٹیکس آمدن میں کمی کی وجہ سے ملک کی مجموعی معاشی کارکردگی متاثر کرتی رہی۔

ملک کی کمزور معاشی کارکردگی کا اثر ہماری کمپنی کے مالیاتی نتائج میں واضح ہے۔ اینگرو کارپوریشن نے مالی سال 2017ء میں 128,593 ملین روپے کی مجموعی آمدن رپورٹ کی ہے جبکہ گزشتہ سال کارپوریشن کی مجموعی آمدن 157,208 ملین روپے تھی۔ یہ سال بہ سال کی بنیاد پر 18 فیصد کمی ہے۔ تاہم اس کمی کا ایک اہم محرک اینگرو فوڈز کی آمدن کا ہمارے گوشواروں میں شامل نہ ہونا بھی ہے کیونکہ ہم نے سال 2016ء میں اینگرو فوڈز میں سے اپنی جزوی سرمایہ کاری نکال لی تھی۔ گزشتہ سال اینگرو کے فوڈز کو اپنے ابتدائی نتائج سے الگ کرنے کے بعد فرٹیلائزرز اور پیٹروکیمیکلز کے کاروباروں میں اچھی کارکردگی کی وجہ سے کارپوریشن کی آمدن میں 14 فیصد اضافہ دیکھا گیا تھا۔

زیر جائزہ مالی سال 2017ء میں اینگرو کارپوریشن کا مجموعی منافع بعد از ٹیکس 26 فیصد اضافے کے ساتھ 16,290 ملین روپے ریکارڈ ہوا جبکہ سال 2016ء میں کارپوریشن کا مجموعی منافع بعد از ٹیکس 12,912 ملین روپے تھا۔ کارپوریشن نے یہ اضافہ مارکیٹ کی صحت مند حالت میں بہتری کے بعد فرٹیلائزرز اور پیٹروکیمیکلز کاروباری حصہ کی کارکردگی کی بنیاد پر حاصل کیا۔ منافع میں مثبت نتائج کے دیگر محرکات میں ٹرمینل سروسز اور توانائی کے کاروباری تسلسل سے اچھی کارکردگی ہے۔ باوجود کہ کمپنی نے سال 2016ء میں اینگرو فوڈز اور فرٹیلائزرز کاروباروں میں سے جزوی سرمایہ کاری واپس نکال لی تھی اور حکومت کی جانب سے سپر ٹیکس اور ٹیکس برائے انٹر کارپوریٹ ڈیویڈنڈز لاگو کئے گئے تھے، کارپوریشن کے آمدن فی شیئرز میں اضافہ دیکھا گیا اور زیر جائزہ مالی سال میں کارپوریشن کی آمدن فی شیئرز 17.96 روپے رہی جبکہ گزشتہ سال آمدن فی شیئرز 16.69 روپے ادا کی گئی تھی۔

کاروباری طبقوں کی کارکردگی مندرجہ ذیل چارٹ میں بیان کی گئی ہے:

کاروبار (ملین روپے میں)	آمدن			منافع بعد از ٹیکس		
	2017	2016	نمو	2017	2016	نمو
فرٹیلائزرز	77,129	69,537	11 فیصد	11,156	9,283	20 فیصد
پولیمر اور کیمیکلز	27,731	22,854	21 فیصد	2,053	660	211 فیصد
توانائی	11,637	11,484	1 فیصد	1,713	1,463	17 فیصد
ووپاک	13,679	12,116	13 فیصد	4,130	3,539	17 فیصد
فوڈز	36,403	44,797	(19 فیصد)	99	1,906	(95 فیصد)

مجموعی ریونیو

(ملین روپے)

128,593

2017

مجموعی منافع بعد از ٹیکس*

(ملین روپے)

9,407

2017