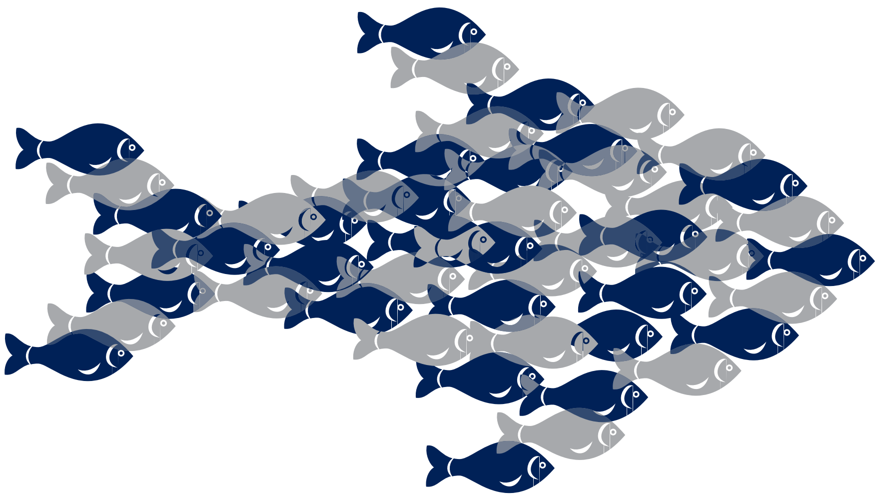
DH CORPORATION

Annual Report 2017
Dawood Hercules Corporation Limited



Who We Are

Dawood Hercules Corporation Limited (DH Corp)
listed on the Pakistan Stock Exchange, with a market capitalization of approximately USD 580 million. DH Corp's vision is to make fundamental necessities available, affordable and sustainable for the developing world via pairing capital with capability and with ideas that will have the biggest impact.

CONTENTS

Vision

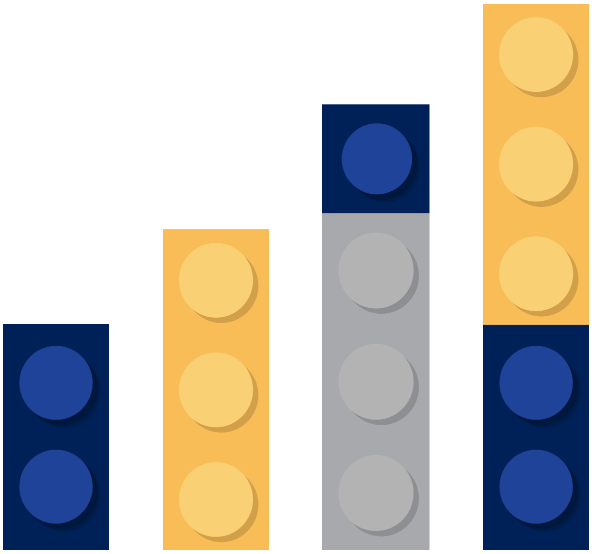
To make fundamental necessities affordable and sustainable for the developing world via pairing capital with capability and with ideas that will have the biggest impact.

Purpose

Basic human and industrial necessities are inextricably linked to economic empowerment. Population and GDP growth are putting more pressure on the existing supply of food and energy, as well as connectivity infrastructure. Thus we believe that achieving our vision will require supply side innovation to improve productivity. We have a long track record of improving efficiencies and productivity in multiple sectors. We believe in deep collaboration between group companies that will allow us to innovate in ways others can't, and we will only participate in markets where we can make a significant contribution. We are not going to settle for anything less than excellence in every aspect of our work.

Governance

The Board of Directors provides the required Governance to lead the company in on the path to achieve its Vision and Purpose.



Diversity

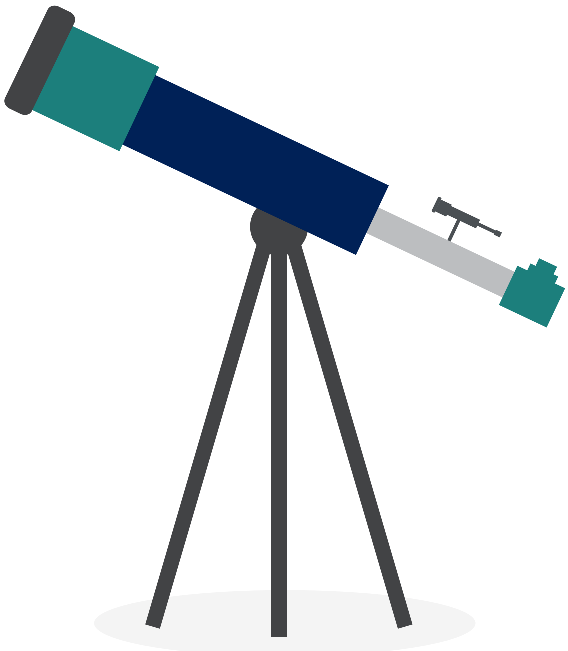
We respect the dignity, rights and views of others and will provide unrestricted opportunity for personal advancement to employees irrespective of gender, ethnicity, beliefs, cultures and religions.

Teamwork

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

Accountability

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



Commitment to Excellence

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

Integrity

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

PERFORMANCE HIGHLIGHTS CONSOLIDATED
Key Figures

Shareholders Equity 2.6%

2017
PKR 177,465 Million

2016
PKR 172,962 Million

PACRA Rating (Long Term)

2017
AA-

2016
AA-

Distribution

2017
PKR 4 Per Share

2016
PKR 15.5 Per Share

COMPANY INFORMATION

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

Board Audit Committee
Mr. M. Abdul Aleem - Chairman
Mr. Shabbir Hussain Hashmi - Member
Mr. Parvez Ghias - Member

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

Chief Financial Officer & Company Secretary
Mr. Shafiq Ahmed

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

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

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

Shares Registrar
FAMCO Associates (Private) Limited
8-F, Next to Hotel Faran, Nursery, Block 6
P.E.C.H.S, Shahrah-e-Faisal, Karachi
Tel: +92 (21) 34380101-2,
Fax: +92 (21) 34380106

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

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

BOARD OF DIRECTORS

Hussain Dawood

Chairman

Hussain Dawood is a Pakistani businessman and ardent philanthropist. He chairs an array of profit and not-for-profit ventures namely Dawood Hercules Corporation Ltd. the group's flagship holding arm with investments in foods and energy, Engro Corporation Ltd.; 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 and health 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 April 1974.

M. Abdul Aleem
Director

Mohammad Abdul Aleem started his career with A.F. Ferguson and then worked for National Refinery Ltd., before moving on to a Senior Executive role in Exxon Chemicals Pakistan, now Engro Corporation. During his 16 years with Exxon/Engro he served both in Pakistan and Singapore. he joined Pakistan Tobacco Co. in 1991 as its CFO before being elevated in 1995 as the CEO of British American Tobacco subsidiaries overseas. On return to Pakistan in 2004, Mr. Aleem was inducted in leadership positions for leading GOP owned corporations, PTA and PIA before moving on in 2008 as MD, Pakistan State Oil. Currently he is the CEO and Secretary General of Overseas Investors Chamber of Commerce and Industry.

Mr. Aleem has also been active on the corporate governance front and has in the past been a board member of LUMS and Pakistan Refinery and Chairman of Telephone Industries of Pakistan, and Faysal Asset Management company. Currently, he is the Board member and Chairman Audit Committee of Engro Corporation, Meezan Bank and Dawood Hercules Corporation. He is also the Vice Chairman of Professional Education Foundation and Chairman of Intellect School Board.

Mr. Aleem is a Fellow Chartered Accountant (Gold Medalist) as well as a Fellow member of the Institute of Cost and Management Accountants. He joined the Board in January 2010.

Shahzada Dawood
Director

Shahzada Dawood serves as a Director on the Boards of Engro Corporation Limited, Dawood Hercules 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 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 May 1996.

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, 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 January 2002.

Sabrina Dawood
Director

Sabrina Dawood is the CEO of The Dawood Foundation. She is also serving as a Director on the Boards of Engro Foods Limited and Dawood Hercules Corporation Limited. Sabrina actively supports educational initiatives and is a member of Board of Governors of National Management Foundation (NMF) of Lahore University of Management Sciences (LUMS) and sits on the Board of Karachi School of Business and Leadership (KSBL).

She holds an MSc in Medical Anthropology from University College London and a BA from London School of Economics in Anthropology & Law. She joined the Board in April 2014.

Parvez Ghias
Director

Parvez Ghias is the Chief Executive Officer of Habib University Foundation effective January 2017 and Vice Chairman – Automotive, House of Habib.

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

Before joining IMC in August 2005, Parvez Ghias was Vice President, CFO and Director at Engro Corporation. He currently serves as on the boards of Indus Motor Company, Standard Chartered Bank Pakistan, Dawood Hercules Corporation and Shell Pakistan Limited.

Parvez Ghias is a fellow of the Institute of Chartered Accountants from England & Wales and member of several faculties of the Institute and holds a Bachelors Degree in Economics and Statistics. He joined the Board in March 2010.

Shabbir Hussain Hashmi
Director

Shabbir Hashmi has more than 30 years of project finance and private equity experience. At Actis Capital, one of the largest private equity investors in the emerging market, he had led the Pakistan operations. Prior to Actis, he was responsible for a large regional portfolio of CDC Group Plc for Pakistan and Bangladesh.

He had a long stint with USAID and later briefly with the World Bank in Pakistan, specializing in planning and development of energy sector. In the past, he has held more than 24 board directorships as a nominee of CDC/Actis and 11 directorships as an independent. Currently, he is serving as an independent director on the on the boards of Dawood Lawrencepur Limited and Engro Powergen Qadirpur Limited. He is also on the board of governors of The Help Care Society which is operating K-12 schools in Lahore for underprivileged children. He is an engineer from Dawood College of Engineering & Technology, Pakistan and holds an MBA from J.F. Kennedy University, USA. He joined the Board in September 2015.

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 August 2017.

Hasan Reza Ur Rahim
Director

Mr. Rahim is an accomplished professional who has over 30 years of domestic and international experience in the Banking and Financial Services industry. In addition to being the Chairman of Cyan Limited he serves on the Board of Dawood Lawrencepur Limited. Previously, he was the Executive Director in-charge of the Chairman's Corporate Office of the Dawood Hercules Group.

During his 15-year career with JPMorgan, Mr. Rahim held several senior roles in Pakistan and abroad. He previously also held senior roles with MashreqBank psc, ANZ Grindlays Bank plc and commenced his career with Exxon Chemical Pakistan Limited. He was also posted and lived in Zurich, Singapore, Bahrain and Dubai and received his Bachelor's degree from the University of Delaware in USA. He joined the Board in April 2014.

Inam ur Rahman
Chief Executive Officer

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.

COMMITTEES

Board Audit Committee:

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

Mr. M. Abdul Aleem	Chairman
Mr. Shabbir Hussain Hashmi	Member
Mr. Hasan Reza Ur Rahim	Member

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

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

Board Compensation Committee

The Board Compensation Committee consists of one executive director and two nonexecutive directors, as follows:

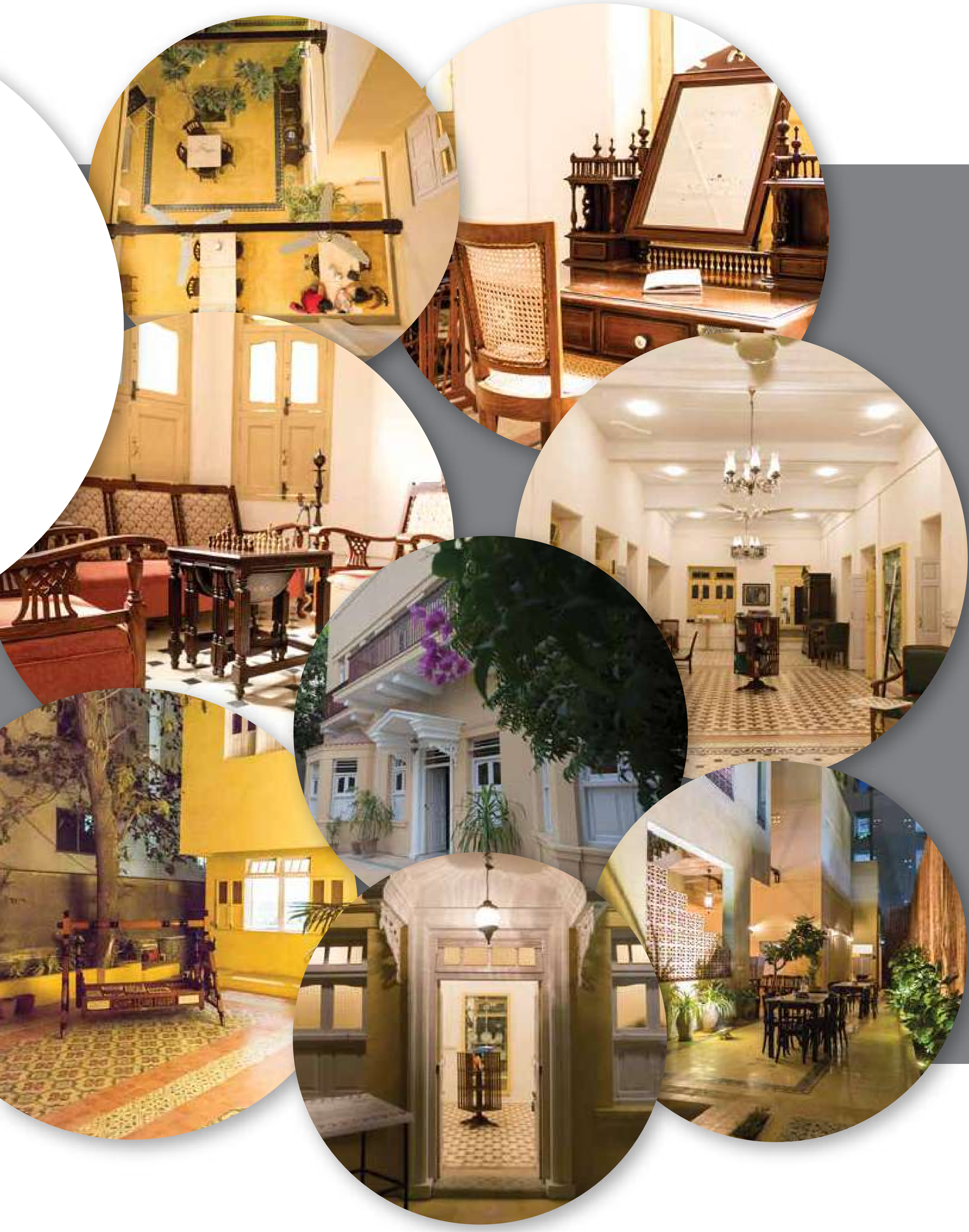
Mr. Samad Dawood	Chairman
Mr. M. Abdul Aleem	Member
Mr. Parvez Ghias	Member

The Chief Executive Officer attends the meetings by invitation.

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

Head of HR acts as secretary of the Committee.

TDF Ghar - The Dawood Foundation has restored a 1930's home (Ghar in Urdu) to reminisce about the glorious history of Karachi, its citizens and its welcoming nature. Now called TDF Ghar, the home retains its heritage features, but has been transformed into a public space, to re-live the true spirit of residents of this old cosmopolitan city.



OPERATING HIGHLIGHTS

SIX YEARS AT A GLANCE

Sr.#	PARTICULARS	UNIT	2012
A)	INCOME STATEMENT		
1	Sales Value	Rs. in Million	4,602
2	Gross Profit	Rs. in Million	786
3	Operating Profit	Rs. in Million	746
4	EBITDA	Rs. in Million	2,231
5	Profit Before Taxation	Rs. in Million	1,107
6	Profit After Taxation	Rs. in Million	984
B)	DIVIDEND		
1	Cash Dividend	%	10
2	Stock Dividend	%	-
C)	BALANCE SHEET		
1	Fixed assets	Rs. in Million	2,229
2	Long term investments	Rs. in Million	30,814
3	Current Assets	Rs. in Million	1,065
4	Current Liabilities	Rs. in Million	582
5	Paid Up Capital	Rs. in Million	4,813
6	Reserves	Rs. in Million	20,892
7	Non Controlling Interest		-
8	No. of Ordinary Shares	Million	481.29
D)	RATIO ANALYSIS		
1	Gross Profit	%	17.08
2	Net Profit to Sales	%	21.38
3	Operating Profit Margin	%	16.20
4	EBITDA margin	%	48.48
5	Earnings Per Share	Rs.	2.04
6	Inventory Turnover	Time	37.53
7	Age of Inventory	Days	9.72
8	Debtors Turnover	Time	3,053.01
9	Average Collection Period	Days	0.12
10	Operating Cycle	Days	9.84
11	Total Assets Turnover	Time	0.13
12	Fixed Assets Turnover	Time	2.06
13	Break-up Value of Share	Rs.	53.41
14	Dividend Yield	%	3.07
15	Dividend Payout Ratio	%	48.92
16	Return on Equity	%	3.83
17	Debt Equity Ratio	Time	0.27
18	Current Ratio	Time	1.83
19	Quick Ratio	Time	1.74
20	Total Debt Ratio	Time	0.25
21	Interest Cover Ratio	Time	2.21
22	Dividend Cover Ratio	Time	2.04
23	Return on capital employed	%	3.83
24	Market Value per Share	Rs.	32.54
25	Market Capitalization	Rs. in Million	15,661
26	Price Earning Ratio	Times	15.95
E)	PRODUCTION		
1	Urea	Metric Tons	58
2	NPK	Metric Tons	-
3	PVC - Resin	Metric Tons	-
4	EDC	Metric Tons	-
5	Caustic Soda	Metric Tons	-
6	VCM	Metric Tons	-
7	Power	Mega watts	-
8	Dairy and bevrages	Thousand Litres	-
9	Milling/Drying unit of rice processing plant	Metric Tons	-
10	Ice Cream	Thousand Litres	
F)	OTHERS		
1	Employees	Nos.	473
2	Capital Expenditure	Rs. in Million	217.21

	2013*	2014*	2015*	2016*	2017*
	4,840	179,628	181,980	157,208	128,592
	789	36,490	45,221	35,843	34,806
	294	22,234	36,696	85,939	31,289
	4,950	33,243	48,953	98,280	41,523
	3,893	10,868	30,385	82,543	28,354
	3,452	7,455	21,365	73,438	16,246
	10	10	160	155	40
	-	-	-	-	-
	140,002	142,105	134,336	136,257	162,265
	7,616	8,610	9,598	40,688	32,196
	72,481	77,829	59,639	113,944	134,240
	68,872	89,775	65,840	55,436	65,312
	4,813	4,813	4,813	4,813	4,813
	18,972	22,903	28,152	48,872	50,504
	37,606	46,743	59,901	119,278	122,148
	481.29	481.29	481.29	481.29	481.29
	16.31	20.31	24.85	22.80	27.07
	71.32	4.15	11.74	46.71	12.63
	6.08	12.38	20.16	54.67	24.33
	102.27	18.51	26.90	62.52	32.29
	7.17	4.70	19.17	53.12	7.19
	0.39	8.84	10.64	9.79	7.89
	938.17	41.31	34.32	37.28	46.25
	3.15	46.73	32.07	15.36	9.39
	115.88	7.81	11.38	23.76	38.85
	1,054.05	49.12	45.70	61.04	85.11
	0.02	0.79	0.89	0.54	0.39
	0.03	1.26	1.35	1.15	0.79
	49.42	57.59	68.49	111.54	114.93
	1.78	1.18	13.43	10.74	3.58
	13.94	6.46	36.04	10.16	11.85
	14.51	26.90	64.81	136.79	29.37
	1.90	1.32	0.93	0.52	0.61
	1.05	0.87	0.91	2.06	2.06
	0.75	0.74	0.69	1.86	1.86
	0.72	0.68	0.55	0.43	0.47
	5.58	1.82	4.41	13.84	6.04
	7.17	15.49	2.77	9.84	8.44
	14.51	26.90	64.81	136.79	29.37
	56.12	84.51	119.14	144.33	111.88
	27,010	40,674	57,341	69,464	53,846
	7.83	17.98	6.21	2.72	15.56
	1,622,345	1,860,867	1,964,034	1,881,016	1,806,977
	92,839	117,193	126,074	94,610	109,059
	146,000	153,000	162,000	172,000	187,000
	117,000	118,000	100,000	106,000	107,000
	115,000	114,000	98,000	103,000	105,000
	170,000	168,000	162,000	174,000	180,000
	1,333,664	1,721,959	1,424,015	1,264,667	1,737,394
	422,818	472,735	552,532	-	-
	196,478	166,801	45,982	28,474	59,371
	14,500	16,726	19,364	-	-
	465	4,113	3,975	2,037	2,071
	6.82	9,579.81	8,917	23,721	29,947

* Consolidated Numbers

HORIZONTAL ANALYSIS

BALANCE SHEET

------------------------------Rs. in Million------------------------------

Particulars	2012	2013*	2014*	2015*	2016*	2017*
Share Capital and Reserves						
Issued, subscribed and paid up capital	4,813	4,813	4,813	4,813	4,813	4,813
Other reserves	20,890	18,972	22,903	28,152	48,872	50,504
Fair value reserve	1	-	-	-	-	-
Non-Controlling interest	-	37,606	46,743	59,901	119,278	122,148
Share holder's equity with FVR	25,704	61,391	74,459	92,866	172,963	177,465
Non Current Liabilities	7,822	91,815	66,710	49,758	72,918	94,411
Sub Total	33,526	153,206	141,169	142,624	245,881	271,876
Current Liabilities						
Current portion - borrowings	216	16,797	19,316	22,791	13,374	12,392
Short term financing - secured	32	7,285	12,201	6,608	8,405	11,327
Trade and other payables	302	41,097	54,669	34,619	32,107	39,311
Markup payable on secured loans	32	2,306	2,124	1,428	1,238	1,553
Provision for taxation	-	-	-	-	62	220
Others	-	1,387	1,465	394	250	509
Sub Total	582	68,872	89,775	65,840	55,436	65,312
Total	34,109	222,078	230,944	208,464	301,317	337,188

------------------------------Rs. in Million------------------------------

Particulars	2012	2013*	2014*	2015*	2016*	2017*
Assets						
Property, plant and equipment (Including intangibles and biological asset)	2,229	140,002	142,105	134,336	136,257	162,265
Long term investments	30,814	7,616	8,610	9,598	40,688	32,196
Long term loans and advances	1	307	1,184	3,758	9,851	6,810
Others	-	1,672	1,216	1,133	577	1,677
Sub Total	33,044	149,597	153,115	148,825	187,373	202,948
Current Assets						
Stores, spares and loose tools	676	7,806	8,276	7,679	7,148	7,639
Stock in trade	52	20,772	11,628	14,089	10,704	13,066
Trade debts	-	3,073	4,615	6,734	13,734	13,641
Loans, advances, deposit, prepayments and other receivables including accrued Income	298	6,519	7,082	9,599	11,445	13,601
Others	-	4,569	4,693	2,368	-	-
Short term investments	3	22,700	29,163	14,050	64,726	69,895
Investment - Held for sale	-	-	-	-	-	6,611
Cash and bank balances	36	7,042	12,372	5,120	6,187	9,787
Sub Total	1,065	72,481	77,829	59,639	113,944	134,240
Total Assets Employed	34,109	222,078	230,944	208,464	301,317	337,188

* Consolidated Numbers

--Percentage Change--

12 Over 11	13 Over 12*	14 Over 13*	15 over 14*	16 over 15*	17 over 16*
-	-	-	-	-	-
3%	-9%	21%	23%	74%	3%
100%	-100%	-	-	-	-
-	100%	24%	28%	99%	2%
2%	139%	21%	25%	86%	3%
36%	1,074%	-27%	-25%	47%	29%
9%	357%	-8%	1%	72%	11%
100%	7,680%	15%	18%	-41%	-7%
100%	22,455%	67%	-46%	27%	35%
-53%	13,510%	33%	-37%	-7%	22%
275%	7,043%	-8%	-33%	-13%	25%
-100%	-	-	-	100%	100%
-	100%	6%	-73%	-37%	104%
-14%	11,725%	30%	-27%	-16%	18%
8%	551%	4%	-10%	45%	12%

--Percentage Change--

12 Over 11	13 Over 12*	14 Over 13*	15 Over 14*	16 over 15*	17 over 16*
-1%	6,181%	2%	-5%	1%	19%
25%	-75%	13%	11%	324%	-21%
-37%	22,098%	286%	217%	162%	-31%
-	-	-27%	-7%	-49%	191%
23%	353%	2%	-3%	26%	8%
-	1,054%	6%	-7%	-7%	7%
-66%	39,769%	-44%	21%	-24%	22%
-88%	933,943%	50%	46%	104%	-1%
354%	2,089%	9%	36%	19%	19%
-	100%	3%	-50%	-100%	-
-100%	867,969%	28%	-52%	361%	8%
-	-	-	-	-	100%
-95%	19,719%	76%	-59%	21%	58%
-77%	6,708%	7%	-23%	91%	18%
8%	551%	4%	-10%	45%	12%

VERTICAL ANALYSIS

BALANCE SHEET

------------------------------Rs. in Million------------------------------

Particulars	2012	2013*	2014*	2015*	2016*	2017*
Share Capital and Reserves						
Issued, subscribed and paid up capital	4,813	4,813	4,813	4,813	4,813	4,813
Other reserves	20,890	18,972	22,903	28,152	48,872	50,504
Fair value reserve	1	-	-	-	-	-
Non-Controlling interest	-	37,606	46,743	59,901	119,278	122,148
Share holder's Equity with FVR	25,704	61,391	74,459	92,866	172,963	177,465
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Sub Total	33,526	153,206	141,169	142,624	245,881	271,876
Current Liabilities						
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Short term financing - secured	32	7,285	12,201	6,608	8,405	11,327
Trade and other payables	302	41,097	54,669	34,619	32,107	39,311
Markup payable on secured loans	32	2,306	2,124	1,428	1,238	1,553
Provision for taxation	-	-	-	-	62	220
Others	-	1,387	1,465	394	250	509
Sub Total	582	68,872	89,775	65,840	55,436	65,312
Total	34,109	222,078	230,944	208,464	301,317	337,188

------------------------------Rs. in Million------------------------------

Particulars	2012	2013*	2014*	2015*	2016*	2017*
Assets						
Property, plant and equipment (Including intangibles and biological asset)	2,229	140,002	142,105	134,336	136,257	162,265
Long term investments	30,814	7,616	8,610	9,598	40,688	32,196
Long term loans and advances	1	307	1,184	3,758	9,851	6,810
Others		1,672	1,216	1,133	577	1,677
Sub Total	33,044	149,597	153,115	148,825	187,373	202,948
Current Assets						
Stores, spares and loose tools	676	7,806	8,276	7,679	7,148	7,639
Stock in trade	52	20,772	11,628	14,089	10,704	13,066
Trade debts	-	3,073	4,615	6,734	13,734	13,641
Loans, advances, deposit, prepayments and other receivables including advance income tax	298	6,519	7,082	9,599	11,445	13,601
Others	-	4,569	4,693	2,368	-	-
Short term investments	3	22,700	29,163	14,050	64,726	69,895
Investment - Held for sale	-	-	-	-	-	6,611
Cash and bank balances	35	7,042	12,372	5,120	6,187	9,787
Sub Total	1,064	72,481	77,829	59,639	113,944	134,240
Total Assets Employed	34,109	222,078	230,944	208,464	301,317	337,188

* Consolidated Numbers

---Percentage---

2012	2013*	2014*	2015*	2016*	2017*
14%	2%	2%	2%	2%	1%
61%	9%	10%	14%	16%	15%
-	-	-	-	-	-
-	17%	20%	29%	40%	36%
75%	28%	32%	45%	57%	53%
23%	41%	29%	24%	24%	28%
98%	69%	61%	68%	82%	81%
1%	8%	8%	11%	4%	4%
-	3%	5%	3%	3%	3%
1%	19%	24%	17%	11%	12%
-	1%	1%	1%	-	-
-	-	-	-	-	-
-	1%	1%	-	-	-
2%	31%	39%	32%	18%	19%
100%	100%	100%	100%	100%	100%

---Percentage---

2012	2013*	2014*	2015*	2016*	2017*
7%	63%	61%	64%	45%	48%
90%	3%	3%	5%	14%	10%
-	-	1%	2%	3%	2%
-	1%	1%	1%	-	-
97%	67%	66%	71%	62%	60%
2%	4%	4%	4%	2%	2%
-	9%	5%	7%	4%	4%
-	1%	2%	3%	5%	4%
1%	3%	3%	5%	4%	4%
-	2%	2%	1%	-	-
-	10%	13%	7%	21%	21%
-	-	-	-	-	2%
-	3%	5%	2%	2%	3%
3%	33%	34%	29%	38%	40%
100%	100%	100%	100%	100%	100%

HORIZONTAL ANALYSIS

PROFIT AND LOSS

--------------------------Rs. in Million--------------------------

Particulars	2012	2013*	2014*	2015*	2016*	2017*
Net sales	4,602	4,840	179,628	181,980	157,208	128,592
Cost of sales	3,816	4,051	143,138	136,759	121,365	93,786
Gross profit	786	789	36,490	45,221	35,843	34,806
Selling and distribution expenses	76	96	10,932	10,766	12,053	7,850
Administrative expenses	443	641	4,577	5,209	4,352	4,282
Impairment loss	-	-	43	-	-	-
Other operating expenses	9	39	2,509	3,236	2,351	2,570
Other income	488	280	3,805	10,686	68,852	11,185
Operating profit	746	294	22,234	36,696	85,939	31,289
Finance cost	915	850	13,234	8,919	6,431	5,624
Share of profit of associates & Joint Ventures	1,275	4,449	1,868	2,608	3,035	2,689
Profit before taxation	1,107	3,893	10,868	30,385	82,543	28,354
Taxation	123	442	3,413	9,020	9,105	12,108
Profit after taxation	984	3,452	7,455	21,365	73,438	16,246
Earnings per share (Rupees) - basic and diluted	2.04	7.17	4.70	19.17	53.12	7.19

VERTICAL ANALYSIS

PROFIT AND LOSS

--------------------------Rs. in Million--------------------------

Particulars	2012	2013*	2014*	2015*	2016*	2017*
Net sales	4,602	4,840	179,628	181,980	157,208	128,592
Cost of sales	3,816	4,051	143,138	136,759	121,365	93,786
Gross profit	786	789	36,490	45,221	35,843	34,806
Selling and distribution expenses	76	96	10,932	10,766	12,053	7,850
Administrative expenses	443	641	4,577	5,209	4,352	4,282
Impairment loss	-	-	43	-	-	-
Other operating expenses	9	39	2,509	3,236	2,351	2,570
Other income	488	280	3,805	10,686	68,852	11,185
Operating profit	746	294	22,234	36,696	85,939	31,289
Finance cost	915	850	13,234	8,919	6,431	5,624
Share of profit of associates	1,275	4,449	1,868	2,608	3,035	2,689
Profit before taxation	1,107	3,893	10,868	30,385	82,543	28,354
Taxation	123	442	3,413	9,020	9,105	12,108
Profit after taxation	984	3,452	7,455	21,365	73,438	16,246

* Consolidated Numbers

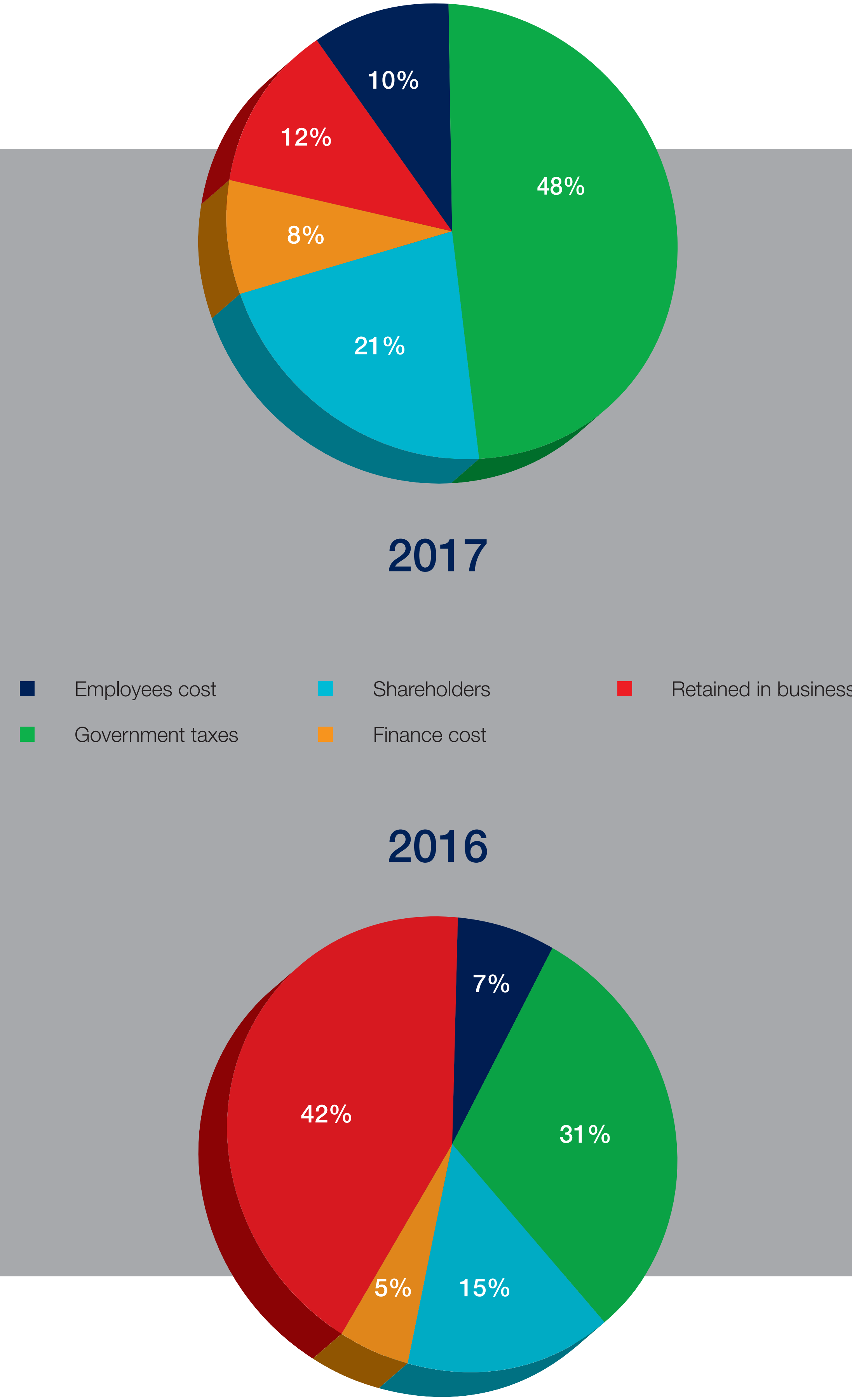
Percentage Change					
12 Over 11	13 Over 12*	14 Over 13*	15 Over 14*	16 Over 15*	17 Over 16*
-27%	5%	3,611%	1%	-14%	-18%
-6%	6%	3,434%	-4%	-11%	-23%
-65%	-	4,523%	24%	-21%	-3%
13%	26%	11,341%	-2%	12%	-35%
6%	45%	614%	14%	-16%	-2%
-100%	-	100%	-100%	-	-
-89%	319%	6,341%	29%	-27%	9%
39%	-43%	1,259%	181%	544%	-84%
-49%	-61%	7,458%	65%	134%	-64%
13%	-7%	1,457%	-33%	-28%	-13%
-57%	249%	-58%	40%	16%	-11%
-70%	252%	179%	180%	172%	-66%
-83%	260%	673%	164%	1%	33%
-66%	251%	116%	187%	244%	-78%
-66%	251%	-34%	308%	177%	-86%

Percentage					
2012	2013*	2014*	2015*	2016*	2017*
100%	100%	100%	100%	100%	100%
83%	84%	80%	75%	77%	73%
17%	16%	20%	25%	23%	27%
2%	2%	6%	6%	8%	6%
10%	13%	3%	3%	3%	3%
-	-	-	-	-	-
-	1%	1%	2%	1%	2%
11%	6%	2%	6%	44%	9%
16%	6%	12%	20%	55%	24%
20%	18%	7%	5%	4%	4%
28%	92%	1%	1%	2%	2%
24%	80%	6%	17%	53%	22%
3%	9%	2%	5%	6%	9%
21%	71%	4%	12%	47%	13%

STATEMENT OF VALUE ADDITION

CONSOLIDATED

	2017		2016	
	PKR 'million'	%age	PKR 'million'	%age
Wealth generated				
Total gross revenue & other income	152,737		242,656	
Brought in materials and services	(84,868)		(106,240)	
Total value addition	67,869		136,416	
Wealth distribution				
To employees (Salaries, wages & benefits)	7,017	10%	9,056	7%
To government (Income Tax, sales tax & wwf)	32,368	48%	42,150	31%
To Society				
Donation toward eductaion,health, environment and natural disaster	202	0%	125	0%
To providers of capital:				
Dividend to Shareholders	14,543	21%	20,846	15%
Markup/interest expenses on borrowed money	5,630	8%	6,430	5%
Retained for investmentand future growth, depreciation and retained profits	8,109	12%	57,809	42%
Total value distribution	67,869		136,416	


10%
12%
48%
8%
21%
2017
Employees cost
Shareholders
Retained in business
Government taxes
Finance cost
2016
7%
42%
31%
5%
15%

NOTICE OF 50th ANNUAL GENERAL MEETING

Notice is hereby given that 50th Annual General Meeting of the shareholders of Dawood Hercules Corporation Limited (the "Company") will be held on Friday, April 27, 2018 at 10:00 a.m. at The Dawood Foundation Business Hub, Ground Floor, Dawood Centre M.T. Khan Road, Karachi to transact the following businesses:

ORDINARY BUSINESS

1. To confirm the minutes of the Extraordinary General Meeting held on March 6, 2018.

2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended December 31, 2017 together with the Auditor's and Directors' Reports thereon.

3. To approve the payment of final cash dividend at the rate of Rs. 2 per share i.e. (20%) as recommended by the Board of Directors. This is in addition to the interim cash dividend at the rate of Rs. 2 per share i.e. (20%) already paid to the shareholders, thus making a total cash dividend of Rs. 4 per share i.e (40%) for the year ended December 31, 2017.

4. To appoint Auditors for the year ending December 31, 2018 and to fix their remuneration.

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

By Order of the Board

Karachi
March 19, 2018

Shafiq Ahmed
Company Secretary

Notes:

1. Placement of Financial Statements:

The Company has placed the Audited Annual Financial Statements together with Directors' and Auditors' Report thereon for the year ended December 31, 2017 on its website: **www.dawoodhercules.com.**

2. Closure of Share Transfer Books:

The Share Transfer Books of the Company will remain closed from April 20, 2018 to April 27, 2018 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar, Messrs. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi, by close of business (5:00 p.m.) on April 19, 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. Participation in the Annual General Meeting:

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

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

4. CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan (SECP) in Circular No. 1 of 2000:

A. For Attending the Meeting

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

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

B. For Appointing Proxies

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

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

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

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

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

5. Computerized National Identity Card (CNIC) / National Tax Number (NTN):

With reference to the Securities and Exchange Commission of Pakistan (SECP) Notifications SRO 19(I)/2014 and SRO 831(1)/2012 dated July 5, 2012, which mandate that the dividend warrants should bear CNIC number of the registered member or their authorized person, except in case of minor(s) and corporate members. All those individual members holding physical shares who have not yet recorded their CNIC No. are once again reminded to immediately submit the copy of their CNIC to Company's Share Registrar Messrs. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi. Members while sending CNIC must quote their respective folio numbers. The corporate members having CDC accounts are required to have their NTN updated with their respective participants, whereas corporate entities having physical shares should send a copy of their NTN certificates to Company's Share Registrar. The corporate members while sending NTN or NTN certificates, as the case may be, must quote the company name and their respective folio numbers.

6. Consent for Video Conference Facility:

Members can also avail video conference facility under the provision of Section 134(1)(b) of Companies Act, 2017 to participate in the general meeting and consent from members as per following format. The members must hold in aggregate 10% or more shareholding residing in that city and consent of shareholders must reach at the registered address of the Company at least 10 days prior to the general meeting in order to participate in the meeting through video conference. The Company will intimate members regarding venue of video conference facility at least 7 days before the date of Annual General Meeting along with complete information necessary to enable them to access such facility.

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

____

Signature of Members

7. Withholding Tax on Dividend:

The Government of Pakistan through Finance Act, 2017 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the Companies. These tax rates are as under:

(a) For filers of income tax returns : 15%

(b) For non-filers of income tax returns : 20%

Shareholders who are filers are advised to make sure that their names are entered into latest Active Tax Payers List (ATL) provided on the website of FBR by the first day of book closure, otherwise they shall be treated as non-filers and tax on their cash dividend will be deducted at the rate of 20% instead of 15.0%.

Withholding tax on Dividend in case of Joint Account Holders:

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

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

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

8. Payment of Cash Dividend Electronically:

Under second proviso to Section 242 of the Companies Act, 2017, listed companies are required to pay declared cash dividends only through electronic mode directly into the bank accounts designated by the entitled shareholders. In this way, dividends may be instantly credited to respective bank accounts and there are no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc.

Accordingly, the shareholders of the Company are requested to provide the following information for payment of cash dividend to be declared by the Company through electronic mode directly in the bank account designated by you.

Title of Bank Account	
Account Number	
IBAN Number	
Bank's Name	
Branch Name and Address	
Cell Number of Shareholder	
Landline number of Shareholder	
Email of Shareholder	

The shareholders are also required to intimate the changes, if any in the above-mentioned information to the company and the concerned Share Registrar as soon as these occur. In case of shares held electronically, then the above electronic credit mandate form must be submitted directly to shareholder(s)' broker/participant/CDC account services.

9. **Transmission of Annual Accounts, Notices of Meetings, Auditor's Report and Directors' Report through CD, DVD or USB:**

Pursuant to S.R.O 470(I)/2016 dated May 31, 2016, the shareholders of the Company have accorded approval in general meeting for transmission of annual reports including annual audited accounts, notices of annual general meetings and other information contained therein of the Company through CD or DVD or USB instead of transmitting the same in hard copies. The shareholders who wish to receive hard copy of the aforesaid documents may send to the Company Secretary / Share Registrar, the Standard Request Form provided in the annual report and also available on the website of the Company and the Company will supply hard copies of the aforesaid document to the shareholders on demand, free of cost, within one week of such demand. The shareholders who intend to receive the annual report including the notice of meeting through e-mail are requested to provide their written consent on the Standard Request Form provided in the annual report and also available on the Company's website: www.dawoodhercules.com.

Update under Clause 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017, with respect to the Special Resolution passed at the Extraordinary General Meeting held on March 6, 2018:

Total investment approved	Total investment approved of PKR 17,430 million inclusive of Loan of amount (if required) not exceeding PKR 10,130 million.
Amount of investment made to date	In process
Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; and	Not applicable
Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment	None

The Dawood Foundation's

Magnifi Science Exhibition

TDF Magnifi-Science Exhibition - A grand three day Science Exhibition with different interactive experiments, exhibits, workshops, lectures and documentaries. This is the largest science exhibition in the country, in terms of size, quality and impact.

CHAIRMAN'S REVIEW

Dear Shareholders,

It is my pleasure to present the Annual Report for the year ended 31 December, 2017.

The year 2017 marks a major strategic shift in our investment portfolio as the Board decided to divest our complete shareholding in the independent power producer Hub Power Company Limited (HUBCO) and instead focus on an opportunity in the telecom tower infrastructure space. Dawood Hercules Corporation Limited (DH Corp) has led a remarkable 6-year turnaround at HUBCO by first strengthening the existing assets and then driving investments in doubling the generation capacity of that entity. During this term, share price has more than tripled whilst 48.5 rupees per share have been received as dividend.

Our investment in Engro Corporation Limited (Engro) continues to deliver sustainable growth for shareholders by continuously investing in projects and initiatives that solve meaningful problems for Pakistan. Engro's energy and infrastructure projects have attracted both local and international partners and these joint ventures are encouraging long term FDI in Pakistan. Engro's efforts in developing the communities where it operates, especially in housing, health, and education is a testament to its passion for the betterment of its local stakeholders.

It is my pleasure to share that the Board of Directors of DH Corp are doing an admirable job in providing guidance and direction to the management of the Company. All members of the Board are certified by Pakistan Institute of Corporate Governance and are well-versed in their roles and responsibilities as directors. The expertise of members of the Board includes competence in robust governance frameworks, private equity, investment banking, strategic deal-making, banking, and education. By leveraging the diverse skill sets of the directors, for shared leadership with the management, we endeavour to create profitable growth for the Company.

The audit committee continues to ensure that the governance structure is fully compliant, whilst they monitor the high standards of ethics, control procedures, and risks associated with the business as identified by the Board. The human resources and remuneration committee recommended and evaluated management performance against key performance indicators and objectives agreed with the Board. The Board also carried out its annual self-assessment of its effectiveness and performance, acting in the best interest of the shareholder at all times.

On behalf of the Board, it is my pleasure to confirm that in our view, the Annual report and Financial Statements, taken as a whole, are fair, balanced and understandable.

On behalf of the Board, I express our gratitude to you, my fellow shareholders, for your continued support and confidence.

Hussain Dawood
Chairman

Directors' Report

The Directors of Dawood Hercules Corporation Limited (the Company) are pleased to present the Annual Report and the Audited Financial Statements for the year ended 31 December 2017.

A. Business Report

I. Economic scenario

Global Economy:

The year 2017 ended on a high note, with GDP continuing to accelerate over much of the world in the broadest cyclical upswing since the start of the decade. One notable aspect of last year's upswing is its span. Growth accelerated in about three quarters of countries—the highest share since 2010. Some of the larger emerging market economies, such as Argentina, Brazil, and Russia, exited their recessions. Still, in per capita terms, growth in almost half of emerging market and developing economies—especially the smaller ones lagged advanced economies, and almost a quarter have seen declines. Global stock markets have roared ahead in 2017, with the MSCI index of bourses in 47 countries up by 22% and almost $9tn (£6.6tn) according to Reuters. China managed to maintain its rate of expansion, dispelling fears over a potential sharp slowdown as it matures after decades of rapid growth, while the euro zone also staged a recovery after years of uncertainty.

Pakistan Economy:

Pakistan's economy grew by 5.3 percent in FY17, up from 4.5 percent growth recorded in FY16. This acceleration was achieved due to the strong performance of agriculture and services sectors, which posted a growth of 3.5 percent and 6.0 percent respectively in FY17, compared with 0.3 percent and 5.5 percent last year. CPI inflation remained quite stable in the first two quarters of FY17, but picked up gradually in the third quarter. The average inflation during Jul-Mar FY17 was 4.0 percent, compared with 2.6 percent in the same period last year. However, it is still significantly lower than the annual target of 6.0 percent. Some of the uptick in inflation was a result of partial pass-through of the increase in international oil prices to domestic POL prices.

The industrial sector grew by 5.0 percent during FY17, as against 5.8 percent last year. This moderation came mainly from decline in growth rates of mining and quarrying and electricity and gas sub-sectors. Against this, the large-scale manufacturing sector (LSM), a key contributor to industry, grew by 4.9 percent during FY17, compared to 2.9 percent last year.

Real GDP growth has maintained its upward trajectory and increased to a decade- high of 5.3 percent in FY17. Some of the other macroeconomic indicators, investment growth, and rising private sector credit, also showed an encouraging picture. However, decline in exports is overshadowing the otherwise reviving economic activity.

The overall improvement in business sentiments along with supportive policies (historic low interest rate, high infrastructure spending and better law and order) has encouraged number of companies to enter expansion plans. This was evident from the significant swell in private sector credit off-take during FY17, with a sizable share of fixed investment loans.

II. Business Overview

The Company has two major investments in Hub Power Company Limited (HUBCO), and Engro Corporation Limited (Engro). In a bid to realign some of the portfolio for a longer term view, the Board of Directors agreed to divest our shareholding in HUBCO and deploy resultant capital in a telecom tower infrastructure asset in partnership with a leading Malaysian company 'edotco International Limited'. We view our investment in Engro as a long term play with high growth potential, as we continue to monitor the progress of that company and its subsidiaries.

HUBCO

HUBCO for the half year ended December 31, 2017 earned revenue of PKR 54,291 million as compared to PKR 48,227 million for the similar period last year. Consolidated net profit was PKR 5,298 million as against PKR 5,069 million in 2016. The increase in profit is mainly due to lower repair and maintenance expenditures at Hub and Narowal Plants partly offset by lower profits of Laraib and higher administrative costs. Consolidated EPS was PKR 4.58 as against PKR 4.38 for the similar period last year.

Thar Energy Limited (TEL), a wholly owned subsidiary of Hubco, is setting up 330 MW mine mouth coal bases Power Plant Plant at Block 2 in Thar. The EPC Contract for the Project has been signed with China Machinery and Engineering Corporation (CMEC) which performed preliminary activities on Site to expedite COD. TEL has signed the Power Purchase Agreement (PPA), Water Use Agreement (WUA), Implementation Agreement (IA) and Coal Supply Agreement (CSA) for the Project.

1,320 MW Coal Project at Hub achieved financial close on January 26, 2018 and is progressing according to the plan to achieve COD by August 2019.

During the year, the Company had executed an agreement with Kot Addu Power Company Limited (KAPCO) for the disposal of its entire investment of 172.582 million shares in the Hub Power Company Limited, subject to required shareholders' and regulatory approvals for the said disposal. The transaction did not conclude because KAPCO could not obtain its relevant approvals as required under the Share Purchase Agreement and the parties mutually agreed to terminate the agreement. PSX was notified of this matter on December 8, 2017 upon termination of the transaction.

Subsequent to year end, the Board of Directors had accepted an offer from Mega Conglomerate (Private) Limited to purchase Company's entire shareholding of 172.582 million shares in the HUBCO at a price of PKR 106.5/share aggregating to PKR 18,380 million subject to adjustment of dividend received by the Company.

Engro Corporation Limited

The Company subsidiary Engro Corporation Limited (ECL) posted a consolidated profit of PKR 16,290 million as compared to PKR 12,912 million for the similar period last year, an increase of 26%. ECL subsidiaries, fertilizer and petrochemical businesses performed well due to better market fundamentals and increased demand. Its other businesses segments such as terminal services and power business also showed a steady performance. Earnings per share (EPS)was PKR 17.96 per share as opposed to 16.69 per share for 2016.

Fertilizers:

ECL subsidiary Engro Fertilizers Limited (EFL) profits increased by 20% over the last year due to the higher domestic volumes and exports of urea to 1,739KT and 223KT respectively. EFL earned a revenue of PKR 80,279 million as compared to PKR 77,415 million for the year 2016. Profit after tax was PKR 11,156 million.

as against PKR 9,283 million in 2016. The plant operations remained continuous due to regular gas supply to both the plants. EFL maintained its 30% share in the market. The recovery of subsidy on the fertilizer price from the government remained challenge which is steadily accumulating.

Polymer and Chemicals:

Engro Polymer and Chemicals Limited (EPQL) has performed exceptionally with the highest ever production of PVC at 187KT and VCM of 180KT resulting in profitability increase by three times over last year. This performance is mainly on the back of strong demand in the country. Plant availability was continuous which resulted in increase in efficiency ratio resulting in increase in PAT from 660 million last year to 2,053 million in 2017.

Energy and Energy infrastructure:

Engro Powergen Qadirpur (EPQL) profitability improved due to the better plant performance. Gas unavailability remained an issue, whereby EPQL faced curtailment of approximately 5 mmscfd of gas. The Company earned a revenue of PKR 11,590 million as against PKR 11,452 million for the similar period last year. Net profit of EPQL improved from PKR 1,788 million to 2,391 million for the current year.

Foods:

Engro Foods Limited – an associated company continued to face challenges and tough competition in the market. The revenue registered a decrease of PKR 9,647 million in 2017 over 2016. Net profit has also taken a sharp dip, which was PKR 346 million as against PKR 2,387 million last year. The main reasons for said dip was severe competition for the high margin product Tarang which lost significant market share.

edotco

The Company has signed a Shareholders Agreement and Share Subscription Agreement with edotco International (Labuan) Limited Malaysia (edotco), a group company of edotco Group Sdn Bhd for investment in edotco Pakistan (Private) Limited (EPPL). edotco announced the acquisition of approximately 13,000 telecommunication towers ("telcos towers") from Pakistan Mobile Communications Limited ("Jazz"). edotco, through Tanzanite Tower (Private) Limited, a wholly owned subsidiary of EPPL, entered into an agreement with Jazz to acquire its telecommunication tower subsidiary, Deodar (Private) Limited ("Deodar") and its portfolio of over 13,000 tower assets. As a part of the transaction, the Company will be investing cumulative amount of PKR 17.43 billion approximately which includes short term loan of up to PKR 10.13 billion with the remaining equity investment of PKR 27.7 billion to be contributed by edotco.

Islamic Sukuk Certificates

During the year, the Company issued Rated, Over the Counter Listed and Secured Islamic Certificates ("Sukuks") to target secondary markets to re-profile its existing debt. The sukuks have a tenure of five (05) years and principal would be paid off in eight (8) step-up semi-annual payments starting from completion of 18th month from the Issue Date. The issue carry profit at the rate of three months KIBOR plus 100 basis point payable quarterly from the date of issue. The Company was able to raise PKR 5,200 million by November 17th, 2018. The instrument is secured against shares of Engro Corporation Limited and floating charge on all present and future assets of the Company and has been rated AA by PACRA.

B. Financial Report

I. Financial performance

The consolidated revenue of the Group was PKR 129 billion as compared to PKR 157 billion for the similar period last year. The consolidated gross profit of the Group for 2017 was PKR 34.81 billion as against PKR 35.84 billion last year. The share of profit from associated companies and joint ventures at PKR 2.69 billion was lower by PKR 346 million mainly due to the poor performance of EFoods. After accounting for tax charge of PKR 12.1 billion, the profit after tax from continuing operations at PKR 16.2 billion was higher by PKR 3.5 billion over 2016.

On an unconsolidated basis, revenue of the Company was PKR 5,779 million as against PKR 7,422 million for the similar period last year i.e. lower by PKR 1,643 million mainly on account of lower dividend from subsidiary - ECL by PKR 4/share over last year.

II. Earnings per share

The unconsolidated earnings per share for the year 2017 was PKR 8.00 per share as compared to PKR 11.37 per share for the year 2016. Consolidated earnings per share for the year were PKR 7.19 (2016: PKR 6.40) per share.

III. Auditors

The present auditors, Messrs. A.F. Ferguson & Co., Chartered Accountants are retiring at the conclusion of the forthcoming annual general meeting and offer themselves for reappointment. The Audit Committee has recommended the re-appointment of A.F. Ferguson & Co., Chartered Accountants as auditors of the Company for the year ending 31 December 2018 and the Board has endorsed this recommendation.

IV. Shares traded, average prices and PSX

During the year 29.7 million shares of the Company were traded on the Pakistan Stock Exchange. The average price of the Company's share based on the daily closing rate was PKR 129.85 while the 52 weeks low-high during 2017 was PKR 105.45 - PKR 161.23 per share respectively.

V. Pattern of shareholding

The pattern of shareholding of the Company as at 31 December 2017, together with other necessary information, is available at the end of this report along with the proxy form.

VI. Market capitalization and book value

At the close of the year, the market capitalization of the Company was Rs. 53,846 million (2016: 69,464 million) with a market value of Rs. 111.88 per share (2016: Rs. 144.33) and the breakup value of Rs. 68.08 per share (2016: Rs. 64.08 per share).

VII. Appropriation

The Board is pleased to propose a final cash dividend of Rs.2 per share (20%) for approval by the shareholders in the 50th Annual General Meeting. The total dividend attributable to the year is PKR 4 per share (40%) including the interim dividend of PKR 2 per share (20%) during the year.

VIII. Entity rating

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

IX. Contribution to the national exchequer and economy

During the year, in aggregate, a sum of PKR 32,368 million (2016: PKR 42,150 million) was paid as taxes and levies.

X. Provident and gratuity funds

The funded retirement benefits of the employees of the Company are audited once a year and are adequately covered by appropriate investments. The value of the investments of the provident fund as per the unaudited accounts aggregated to PKR 50.74 million (2016: PKR 58.74 million).

Fair value of the assets of the funded defined benefit gratuity plan was PKR 14.48 million as at 31 December 2017 (2016: PKR 16.88 million).

XI. Social Contribution

During the year, the Company, in order to encourage the quest for Science especially among the students by creating learning space for people from all backgrounds, irrespective of age, gender or class contributed its share through its philanthropy wing The Dawood Foundation.

XII. Risk Management

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

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

XIII. Board of directors

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

Independent Director	1
Non-Executive Directors	
• Male	5
• Female	1
Executive Directors	3 (Including one deemed director)

XIV. Board meetings

Six meetings of the Board were held during the year 2017, out of which five were presided over by the Chairman. One meeting was presided by the non-executive director nominated by the Board. The Company Secretary and Chief Financial Officer also attended the meetings as required by the Code of Corporate Governance. Attendance by each Director was as follows:

Name of the Director	Meetings attended			
	Board Meetings	Board Audit Committee	Board Compensation Committee	Special Transaction Committee
Mr. Hussain Dawood	5/6	-	-	-
Mr. Muhammad Abdul Aleem	6/6	4/4	1/1	-
Mr. Shahzada Dawood	4/6	-	-	-
Mr. Samad Dawood	2/6	-	1/1	-
Ms. Sabrina Dawood	3/6	-	-	-
Mr. Parvez Ghias	6/6	-	1/1	5/5
Mr. Shabbir Hussain Hashmi	6/6	4/4	-	5/5
Mr. Saad Raja*	2/3	-	-	-
Mr. Muneer Kamal**	3/3	-	-	-
Mr. Hasan Reza ur Rahim	6/6	4/4	-	5/5
Mr. Inam ur Rahman	6/6	-	-	-

* Mr. Saad Raja has resigned on 24 July 2017

** Mr. Muneer Kamal has been appointed as a director in place of Mr. Saad Raja with effect from 23 August 2017

XV. Statement of Directors responsibility

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

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

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

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

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

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

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

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

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

XVI. Directors training program

Out of the ten directors, six directors have certification under the relevant directors training program, while the remaining four directors are exempted from director training program as per the criteria laid down in the Code.

XVII. Related party transactions

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

XVIII. Future outlook

The Country's macroeconomic indicators continue to improve and solidify grounds for a sustained upward growth trajectory. In particular, key constraints impeding the economy from achieving high growth – i.e. power supply and security situation – are gradually getting better. In this backdrop, the government envisages a higher real GDP growth of 6.0 percent for FY18, compared to 5.3 percent recorded in FY17.

Inflation is expected to increase marginally amidst some pick up on the back of recovery in global prices of oil and other commodities, the recent devaluation of Pak rupee and push from domestic demand factors. Meanwhile, the credit expansion is likely to maintain its pace with better prospects for investment and business activities.

In view of the above, the growth prospects of Pakistan's economy from FY18 onwards would largely hinge upon planned infrastructure projects and capacity expansion by industries. In order to make these plans a success story, enhanced coordination amongst all public sector institutions would be more crucial. Also, continuity and consistency in policies, especially those related to investment, industry and taxation would be necessary to ensure sustainability of the growth momentum. However, there may be a slowdown in new investment activity for part of the year due to upcoming National Assembly elections scheduled for mid 2018.

The Company will continue to explore new business opportunities within itself and through its subsidiary Engro Corporation Limited. The main focus would be to enhance the shareholder's value by investing in high yielding projects.

C. Acknowledgement

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

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

M. Abdul Aleem	Inam ur Rahman
Director	Chief Executive

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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 (the Board) of Dawood Hercules Corporation Limited (the Company) for the year ended December 31, 2017 to comply with the requirements of Listing Regulation Rule 5.19 of the Rule book of the Pakistan Stock Exchange where the Company is listed.

The responsibility for compliance with the Code is that of the Board of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's 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 for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board 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.

Afferguson & Co

Chartered Accountants
Dated: March 28, 2018
Karachi

Engagement Partner: Salman Hussain

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) for the year ended December 31, 2017, contained in the Regulation No. 5.19 of listing regulations of Pakistan Stock Exchange (PSX) 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 complied with the requirement of the Regulations in the following manner:

1. The total number of directors are 10 as per the following:
   a. Male: 9
   b. Female: 1

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

Category	Names
Independent Director	Mr. Shabbir Hussain Hashmi
Non-Executive Directors	Mr. Hussain Dawood Mr. M. Abdul Aleem Mr. Shahzada Dawood Ms. Sabrina Dawood Mr. Parvez Ghias Mr. Hasan Reza Ur Rahim
Executive Directors	Mr. Samad Dawood Mr. Muneer Kamal Mr. Inam ur Rahman

   The independent director meets the criteria of independence under clause 5.19.1. (b) of the Code.

3. 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).

4. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a Broker of a PSX, has been declared as a defaulter by PSX.

5. A casual vacancy occurring on the Board on July 24, 2017 was filled up by the directors within thirty days.

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

7. 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.

8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other executive and non-executive directors, have been taken by the Board.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

9. The meetings of the Board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings except in case of emergency meetings, where the notice period was reduced. The minutes of the meetings were appropriately recorded and circulated.

10. Out of the ten directors, six directors have obtained certification under the relevant Directors' Training Program, while the remaining four directors are exempted from Directors' Training Program as per the criteria laid down in the Code.

11. The Board has approved the appointment of Chief Financial Officer (CFO) and Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment

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

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

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

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

16. During the year, consequent to the election of directors, the Board has reconstituted the Board Audit Committee (BAC). It comprises of three members, of whom one is an independent director and two are non-executive directors. The Chairman of the BAC is a non-executive director. To comply with the Revised Code of Corporate Governance effective from January 01, 2018, the Board will take necessary steps to nominate independent director to be the Chairman of the BAC.

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

18. During the year, consequent to the election of directors, the Board has reconstituted the Human Resource and Remuneration Committee (HR&R) called as Board Compensation Committee (BCC). It comprises of three members, of whom two are non-executive directors and one is an executive director. The Chairman of the BCC is an executive director. To comply with the Revised Code of Corporate Governance effective from 01 January 2018, the Board will take necessary steps to nominate independent director to be the Chairman of the BCC.

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

20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the

Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

21. 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.

22. 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 PSX.

23. Material/price sensitive information has been disseminated among all market participants at once through PSX.

24. 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.

25. During the year, one of the directors purchased shares of the Company but did not provide the requisite information within the timeline as mentioned in the Code. The Company Secretary, however, immediately forward the same to PSX.

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

M. Abdul Aleem
Director

Inam Ur Rahman
Chief Executive Officer

FINANCIAL STATEMENTS

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AUDITORS' REPORT TO THE MEMBERS

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

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

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

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

(b) in our opinion:

- (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
- (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

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

AFFerguson & Co

Chartered Accountants
Dated: March 28, 2018
Karachi

Audit Engagement Partner: Salman Hussain

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BALANCE SHEET

As at December 31, 2017

	Note	2017	2016
		------- (Rupees in '000) -------	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	**156,898**	125,761
Long term investments	5	**23,308,927**	37,478,025
Advance against investment	6	**1,653,750**	-
		25,119,575	37,603,786
CURRENT ASSETS			
Advances, deposits and prepayments	7	**44,453**	44,604
Other receivables	8	**23,696**	15,735
Short term investment	9	**15,000**	-
Cash and bank balances	10	**229,064**	286,288
		312,213	346,627
Investment - Held for sale	11	**14,169,098**	-
TOTAL ASSETS		**39,600,886**	37,950,413
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital	12	**10,000,000**	10,000,000
Issued, subscribed and paid up share capital	12	**4,812,871**	4,812,871
Revenue reserves	13	**27,953,301**	26,025,985
		32,766,172	30,838,856
NON CURRENT LIABILITIES			
Long term financing	14	**5,139,511**	3,125,000
Defined benefit liability	15	**3,567**	2,049
		5,143,078	3,127,049
CURRENT LIABILITIES			
Current portion of long term financing	14	**-**	764,143
Short term running finance	16	**1,241,776**	2,868,932
Trade and other payables	17	**49,429**	150,086
Unclaimed dividend		**89,294**	95,902
Accrued mark-up		**91,550**	99,640
Taxation - net		**219,587**	5,805
		1,691,636	3,984,508
TOTAL EQUITY AND LIABILITIES		**39,600,886**	37,950,413
CONTINGENCIES AND COMMITMENTS	18		

The annexed notes 1 to 35 form an integral part of these financial statements.

Shafiq Ahmed Chief Financial Officer	Inam ur Rahman Chief Executive Officer	M. Abdul Aleem Director

PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2017

	Note	2017	2016
		------- (Rupees in '000) -------	
Dividend income	19	**5,778,734**	7,421,534
Administrative expenses	20	**(491,840)**	(746,348)
		5,286,894	6,675,186
Other operating expenses	21	**(4,539)**	(2,241)
Other income	22	**6,240**	13,898
Operating profit		**5,288,595**	6,686,843
Finance cost	23	**(493,048)**	(392,679)
Profit before taxation		**4,795,547**	6,294,164
Taxation	24	**(943,195)**	(823,923)
Profit after taxation		**3,852,352**	5,470,241
Earnings per share (Rupees) – basic and diluted	25	**8.00**	11.37

The annexed notes 1 to 35 form an integral part of these financial statements.

Shafiq Ahmed	Inam ur Rahman	M. Abdul Aleem
Chief Financial Officer	Chief Executive Officer	Director

STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended December 31, 2017

	2017	2016
	------- (Rupees in '000) -------	
Profit after taxation	**3,852,352**	5,470,241
Other comprehensive income for the year		
Item that will not be reclassified to profit and loss account		
Remeasurement of staff retirement benefit obligation	**112**	(4,116)
Total comprehensive income for the year	**3,852,464**	5,466,125

The annexed notes 1 to 35 form an integral part of these financial statements.

Shafiq Ahmed	Inam ur Rahman	M. Abdul Aleem
Chief Financial Officer	Chief Executive Officer	Director

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2017

	Issued, subscribed and paid up share capital	Revenue reserves			Total
		General reserve	Unappropriated profit	Sub-total	
	(Rupees in '000)				
Balance as at January 1, 2016	4,812,871	700,000	28,282,384	28,982,384	33,795,255
Total comprehensive income					
Profit for the year	-	-	5,470,241	5,470,241	5,470,241
Other comprehensive income	-	-	(4,116)	(4,116)	(4,116)
	-	-	5,466,125	5,466,125	5,466,125
Transactions with owners					
Final cash dividend @ 40% for the year ended December 31, 2015	-	-	(1,925,148)	(1,925,148)	(1,925,148)
Interim cash dividend @ 135% for the year ended December 31, 2016	-	-	(6,497,376)	(6,497,376)	(6,497,376)
Balance as at December 31, 2016	4,812,871	700,000	25,325,985	26,025,985	30,838,856
Total comprehensive income					
Profit for the year	-	-	3,852,352	3,852,352	3,852,352
Other comprehensive income	-	-	112	112	112
	-	-	3,852,464	3,852,464	3,852,464
Transactions with owners					
Final cash dividend @ 20% for the year ended December 31, 2016	-	-	(962,574)	(962,574)	(962,574)
Interim cash dividend @ 20% for the year ended December 31, 2017	-	-	(962,574)	(962,574)	(962,574)
Balance as at December 31, 2017	**4,812,871**	**700,000**	**27,253,301**	**27,953,301**	**32,766,172**

The annexed notes 1 to 35 form an integral part of these financial statements.

Shafiq Ahmed Chief Financial Officer	Inam ur Rahman Chief Executive Officer	M. Abdul Aleem Director

CASH FLOW STATEMENT

For the year ended December 31, 2017

	Note	2017	2016
		------- (Rupees in ‘000) -------	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash utilised in operations	28	**(567,073)**	(771,033)
Finance cost paid		**(499,149)**	(392,681)
Taxes paid		**(729,413)**	(922,814)
Staff retirement and other service benefits paid		**(3,885)**	(6,705)
Net cash utilised in operating activities		**(1,799,520)**	(2,093,233)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(63,476)**	(21,766)
Sale proceeds from disposal of property, plant and equipment		**2,918**	3,342
Advance paid against share purchase agreement of EPPL		**(1,653,750)**	-
Interest received on bank deposits and investments		**803**	9,663
Short term investment made		**(15,000)**	-
Dividends received		**5,778,734**	7,421,534
Net cash generated from investing activities		**4,050,229**	7,412,773
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing obtained - net of transaction costs		**5,140,122**	-
Long term financing repaid		**(3,889,143)**	(103,442)
Dividends paid		**(1,931,756)**	(8,374,993)
Net cash utilised in financing activities		**(680,777)**	(8,478,435)
Net increase / (decrease) in cash and cash equivalents		**1,569,932**	(3,158,895)
Cash and cash equivalents at the beginning of the year		**(2,582,644)**	576,251
Cash and cash equivalents at the end of the year	29	**(1,012,712)**	(2,582,644)

The annexed notes 1 to 35 form an integral part of these financial statements.

Shafiq Ahmed Chief Financial Officer	Inam ur Rahman Chief Executive Officer	M. Abdul Aleem Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. GENERAL INFORMATION

1.1 Dawood Hercules Corporation Limited (the Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act 1913 (now Companies Act, 2017) (the Act) and its shares are quoted on Pakistan Stock Exchange Limited (PSX). The principal activity of the Company is to manage investments in its subsidiary and associated companies. The registered office of the Company is situated at Dawood Center, M.T. Khan Road, Karachi.

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

1.3 Subsequent to the year end, the Board of Directors (the Board) in its meeting held on February 1, 2018, accepted an offer from Mega Conglomerate (Private) Limited for the purchase of the Company's entire shareholding in HUBCO at Rs 106.5 per share aggregating to Rs 18,380 million. This was duly notified to PSX. The Company has also notified that an Extraordinary General Meeting (EoGM) will be held on March 6, 2018 to seek the required shareholders' approval in this respect. The shares will be transferred after completion of all regulatory compliances. Earlier, the proposed sale of these shares to Kot Addu Power Company Limited (KAPCO), as disclosed in the financial statements for the quarter ended September 30, 2017, could not materialise and both the Company and KAPCO mutually agreed to terminate the transaction.

1.4 Based on the approval of the Board, on August 29, 2017, the Company has signed Shareholders Agreement (SHA) and Share Subscription Agreement (SSA) with edotco Investments (Labuan) Limited Malaysia (Edotco) for an investment of approximately Rs 17,430 million in edotco Pakistan (Private) Limited (EPPL). Subsequent to the year end, on January 19, 2018, the Company notified PSX that it is in the process of injecting a cumulative amount of Rs 17,430 million in EPPL in the form of equity and / or a short term loan, out of which the amount of loan shall not exceed Rs 10,130 million subject to the obtaining of necessary regulatory and shareholders' approval. In this connection, an Extraordinary General Meeting (EoGM) was convened on March 6, 2018, wherein the shareholders have approved the requested investment plan.

Edotco, in partnership with the Company has announced proposed acquisition of approximately 13,000 towers in Deodar (Private) Limited (wholly-owned subsidiary of Pakistan Mobile Communications Limited - PMCL) through Tanzanite Tower (Private) Limited (wholly owned subsidiary of EPPL - Tanzanite). The total transaction consideration for the proposed acquisition is USD 940 million, which is to be funded through a combination of debt and equity. In this respect, the Company, PMCL, Tanzanite and Habib Bank Limited (HBL) have signed an Escrow Agreement for the opening of Escrow Account with HBL for the deposit of share subscription money in the Escrow Account and the Company has deposited its share in it as disclosed in note 6.

EPPL is in the business of integrated telecommunication infrastructure services, providing end to end solutions in the tower service sector from tower leasing, co-location, built to suit, energy, transmission and operation and maintenance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation and statement of compliance

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

2.1.2 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. As per the requirements of circular No. CLD/CCD/PR(11)/2017 dated July 20, 2017 and further continuation of the said circular through circular No. 23 of 2017 dated October 4, 2017 issued by SECP, companies the financial year of which closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984 (the Ordinance). Accordingly, approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Ordinance and the requirements of and directives issued under that Ordinance. However, the requirements of and the directives issued under the Ordinance have been followed where those requirements are not consistent with the requirements of the IFRSs as notified under the Ordinance.

2.2 New standards, amendments to approved accounting standards and interpretations

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

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

The following amendment to published standards is mandatory for the financial year which began on January 1, 2017 and is relevant to the Company:

Amendment to IAS 7 'Statement of cash flows': 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 and the information can be provided in other ways. In the first year of adoption, comparative information is not required to be provided. The amendment does not require any additional disclosure as the reconciliation made in note 14.1 to these financial statements fulfills the requirement.

The other amendments to published standards and interpretations that are mandatory for the financial year which began on January 1, 2017 are considered not to be relevant or to have any significant impact on the Company's financial reporting and operations and are therefore not disclosed in these financial statements.

b) Standards, interpretations and amendments to published approved accounting standards 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 that began on January 1, 2017 and have not been early adopted by the Company:

- 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 proft and loss. 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 and loss with the irrevocable option at inception to present changes in fair value in OCI and 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 are 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 and loss.

- 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 still in the process of assessing the full impact of the above standards on its financial statements.

2.3 Property, plant and equipment

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

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

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

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

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

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

2.4 Impairment of non financial assets

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

2.5 Investment in subsidiary

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

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

Investment in subsidiary company is stated at cost less accumulated impairment losses, if any.

2.6 Investment in associate

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

2.7 Non current assets (Investment) classified as held for sale

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

2.8 Financial instruments

2.8.1 Financial assets

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

a) At fair value through profit or loss

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

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.

c) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

d) Held to maturity

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

Recognition

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

Measurement

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

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains and losses arising on revaluation of financial assets at fair value through profit or loss are taken to the profit and loss account while in case of available for sale investments, they are taken to equity. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest rate method.

Derecognition

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

Impairment

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. In case of loans and receivables and held to maturity investments, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The loss is recognised in the profit and loss account.

2.8.2 Financial liabilities

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

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

2.8.3 Off-setting of financial assets and financial liabilities

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

2.9 Cash and cash equivalents

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

2.10 Staff retirement and other benefits

2.10.1 Defined benefit plan

The Company operates a defined benefit plan i.e. an approved funded gratuity scheme for all its permanent employees who have completed minimum service of prescribed period. Actuarial valuation is carried out using the projected unit credit method. The latest actuarial valuation of the scheme has been carried out as at December 31, 2017.

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

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

2.10.2 Defined contribution plan

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

2.10.3 Employee compensated absences

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

2.11 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised 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.

2.12 Provisions

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

2.13 Dividend

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

2.14 Income tax

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

Current

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

Deferred

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

2.15 Contingent liabilities

Contingent liabilities are disclosed when:

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

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

2.16 Revenue recognition

- Dividend income is recognised when the Company's right to receive dividend is established, i.e. on the date of book closure of the investee company declaring the dividend.

- Returns on bank deposits are accrued on a time proportion basis by reference to the outstanding principal amounts and the applicable rates of return.

- Gains / (losses) arising on disposal of investments are included in income in the year in which they are disposed of.

- Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' and 'at fair value through profit or loss' are included in other comprehensive income and in the profit and loss account in the period in which they arise respectively. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in the equity through other comprehensive income, are included in the profit and loss account in the period in which disposal takes place.

2.17 Foreign currency transactions

Foreign currency transactions are recognised or accounted for in Pakistani Rupees using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange prevailing on the reporting date. Exchange gains / losses on foreign currency translations are included in the profit and loss account.

2.18 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

3.1 Current and deferred income taxes

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

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

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

3.3 Impairment of investments in subsidiary, associate and other entities

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

3.4 Property, plant and equipment

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

	Note	**2017**	2016
		------- (Rupees in ‘000) -------	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	**156,898**	96,461
Capital work in progress - advance to supplier	4.2	**-**	29,300
		156,898	125,761

4.1 The following is a statement of operating fixed assets:

	Land	Building	Leasehold improve-ments	Furniture, fittings and equipment	Data processing equipment	Vehicles	Total
	(Rupees in '000)						
At January 1, 2016							
Cost	22,716	7,500	21,704	21,901	25,944	78,173	177,938
Accumulated depreciation	-	(6,938)	(1,223)	(9,852)	(14,726)	(27,466)	(60,205)
Net book value	22,716	562	20,481	12,049	11,218	50,707	117,733
Year ended December 31, 2016							
Additions	-	-	274	2,142	3,050	-	5,466
Disposals							
Cost	-	-	-	-	(1,154)	(4,583)	(5,737)
Accumulated depreciation	-	-	-	-	591	2,349	2,940
Net book value	-	-	-	-	(563)	(2,234)	(2,797)
Depreciation charge for the year	-	(375)	(2,195)	(2,021)	(6,024)	(13,326)	(23,941)
Net book value as at December 31, 2016	22,716	187	18,560	12,170	7,681	35,147	96,461
Year ended December 31, 2017							
Additions	-	-	172	267	3,303	35,340	39,082
Transfers from CWIP (4.2)	-	-	-	-	24,394	29,300	53,694
Disposals (Note 4.1.2)							
Cost	-	-	-	-	(4,627)	(4,843)	(9,470)
Accumulated depreciation	-	-	-	-	4,391	4,795	9,186
Net book value	-	-	-	-	(236)	(48)	(284)
Depreciation charge for the year	-	(113)	(2,221)	(2,022)	(6,405)	(21,294)	(32,055)
Net book value as at December 31, 2017	**22,716**	**74**	**16,511**	**10,415**	**28,737**	**78,445**	**156,898**
At December 31, 2016							
Cost	22,716	7,500	21,978	24,043	27,840	73,590	177,667
Accumulated depreciation	-	(7,313)	(3,418)	(11,873)	(20,159)	(38,443)	(81,206)
Net book value	22,716	187	18,560	12,170	7,681	35,147	96,461
At December 31, 2017							
Cost	22,716	7,500	22,150	24,310	50,910	133,387	260,973
Accumulated depreciation	-	(7,426)	(5,639)	(13,895)	(22,173)	(54,942)	(104,075)
Net book value	22,716	74	16,511	10,415	28,737	78,445	156,898
Annual rate of depreciation (%)	-	5	10	10 to 12.5	33.3 to 50	20	

4.1.1 Cost of property, plant and equipment that are fully depreciated amounts to Rs 44.155 million (2016: Rs 24.700 million).

4.1.2 Details of operating fixed assets disposed of:

Particulars	Mode of disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Particulars of purchasers
		(Rupees in '000)					
Items having net book value of greater than Rs 50,000 each							
Data processing equipment	Insurance claim	103	38	65	92	27	Adamjee Insurance Company Limited
Items having net book value of less than Rs 50,000 each							
Various Items	Various	9,367	9,148	219	2,826	2,607	Various
2017		**9,470**	**9,186**	**284**	**2,918**	**2,634**	
2016		5,737	2,940	2,797	3,342	545	

4.2 Reconciliation of the carrying amount of capital work in progress:

	Data processing equipment	Vehicles	Total
	(Rupees in '000)		
At January 1, 2016	-	13,000	13,000
Capital expenditure incurred / advances made during the year	-	16,300	16,300
Balance as at December 31, 2016	-	29,300	29,300
At January 1, 2017	-	29,300	29,300
Capital expenditure incurred / advances made during the year	24,394	-	24,394
Transferred to operating fixed assets	(24,394)	(29,300)	(53,694)
Balance as at December 31, 2017	-	-	-

5. LONG TERM INVESTMENTS

	Note	2017	2016
		(Rupees in '000)	
Investment in subsidiary	5.1	**23,308,927**	23,308,927
Investment in associate - quoted	1.3 & 11	**-**	14,169,098
		23,308,927	37,478,025

5.1 Investment in subsidiary

	2017	2016
Engro Corporation Limited (ECL) - quoted		
194,972,555 (2016: 194,972,555) ordinary shares of Rs 10 each	**23,308,927**	23,308,927

Percentage of holding 37.22% (2016: 37.22%)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

5.1.1 The market value of investment in ECL as at December 31, 2017 was Rs 53,569 million (2016: Rs 61,629 million).

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

Bank	As at December 31, 2017			As at December 31, 2016		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
	(in '000)	--------(Rupees in '000) --------		(in '000)	--------(Rupees in '000) --------	
Pledged in favour of Fatima Fertilizer Company Limited against potential liabilities of DHFL						
Meezan Bank Limited - as agent - (note 18.1.1)	**15,131**	**151,308**	**4,157,187**	15,131	151,308	4,782,695
Pledged in favour of JS Bank Limited against the issuance of Sukuks						
JS Bank Limited (note 14.4)	**38,519**	**385,185**	**10,582,963**	-	-	-

5.2 Available for sale investment

	2017	2016
	------- (Rupees in '000) -------	
e2e Business Enterprises (Private) Limited (e2eBE) - unquoted		
Cost (11,664,633 ordinary shares of Rs 10 each)	**116,646**	116,646
Less: Accumulated impairment	**(116,646)**	(116,646)
Percentage of holding 19.14% (2016: 19.14%)	**-**	-

5.2.1 The Company had made aggregate investment amounting to Rs 238 million during the years 2013 and 2014 in e2e Business Enterprises (Private) Limited (e2eBE) representing an equity interest of 39%. e2eBE was set up for the production, sale and marketing of Rice Bran Oil (RBO) and was planned to start commercial operations in 2014. However, due to certain technical issues it has not been able to start the commercial operations of the project till date. Further, due to serious financial and liquidity issues, it has not been able to service its outstanding loans and working capital requirements.

The Company disposed of part of its shareholding, 19.86%, in e2eBE during the year ended December 31, 2015. However, the said disposal has not been recorded by e2eBE in its shareholder register. The Company has informed SECP in this respect through its letters dated May 12, 2016 and January 22, 2018. Further, the Company had assessed the carrying amount of its investment in e2eBE in accordance with the requirements of IAS 36 'Impairment of Assets' and the investment has been fully impaired as the possibility of turnaround of e2eBE operations was considered remote.

	2017	2016
	------- (Rupees in '000) -------	
6. ADVANCE AGAINST INVESTMENT	**1,653,750**	-

This represents initial amount kept in the Escrow Account maintained with HBL for investment in shares of EPPL as more fully explained in note 1.4 to these financial statements.

	Note	2017	2016
		------- (Rupees in '000) -------	
7. ADVANCES, DEPOSITS AND PREPAYMENTS			
Considered good - unsecured			
Advances :			
- to employees and executives	7.1	**604**	147
- to suppliers		**2,922**	279
		3,526	426
Deposits and prepayments:			
- to associates		**4,251**	234
- to others		**36,676**	43,944
		40,927	44,178
		44,453	44,604

7.1 Advances include Rs 0.524 million (2016: Nil) due from key management personnel of the Company. The maximum amounts due at the end of any month during the year from the directors and executives were Rs 0.504 million (2016: Rs 0.110 million) and Rs 0.485 million (2016: Rs 3.151 million) respectively.

	2017	2016
	------- (Rupees in '000) -------	
8. OTHER RECEIVABLES		
Receivable from associated undertakings / related parties:		
- Dawood Corporation (Private) Limited	**743**	647
- Dawood Lawrencepur Limited	**5,292**	269
- The Dawood Foundation	**4,957**	2,958
- Inbox Business Technologies	**1,024**	352
- Sach International	**1,488**	5,244
- Tenaga Generasi Limited	**484**	240
- Reon Energy Limited	**1,285**	5,432
- Engro Corporation Limited	**757**	-
Others	**7,666**	593
	23,696	15,735

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

	Note	2017	2016
		------- (Rupees in '000) -------	
9. SHORT TERM INVESTMENT			
Held to Maturity			
- Term Deposit Receipt (TDR)	9.1	**15,000**	-

9.1 As of December 31, 2017, the Company holds TDR with Bank Alfalah Limited carrying profit rate of 5% per annum. The TDR is due to mature on November 23, 2018. The Bank has marked lien over this TDR against corporate credit card facilities.

	Note	2017	2016
		------- (Rupees in '000) -------	
10. CASH AND BANK BALANCES			
Cash in hand		**559**	530
With banks in:			
- Current accounts		**223,261**	279,249
- Savings accounts	10.1	**5,244**	6,509
		228,505	285,758
		229,064	286,288

10.1 These carry markup at the rates ranging from 5.00% to 5.65% (2016: 3.43% to 4.00%) per annum.

11. INVESTMENT HELD FOR SALE

	2017	2016
	------- (Rupees in '000) -------	
11.1 Investment in associate		
The Hub Power Company Limited - quoted 172,582,000 ordinary shares of Rs 10 each Percentage of holding 14.91%	**14,169,098**	-

11.2 On June 30, 2017, the Company had notified PSX regarding the intention to sell its entire 14.91% shareholding in HUBCO. Pursuant to the aforementioned notification a STC had been constituted for the purpose of evaluating the proposed divestment. Though the Share Purchase Agreement entered into with KAPCO did not materialise, the management remained committed to the selling plan with the investment being actively marketed. This resulted in the Company accepting an offer from a proposed buyer in a meeting of its Board held on February 1, 2018 as more fully explained in note 1.3 above. Consequently, the investment has been classified as "Held for sale'.

11.3 The Company has 14.91% (2016: 14.91%) of the voting power in HUBCO by virtue of its shareholding. However, due to the representation of the Company's nominees on the Board of Directors of HUBCO, the Company has significant influence over HUBCO.

11.4 The market value of investment in HUBCO as at December 31, 2017 was Rs 15,705 million (2016: Rs 21,310 million).

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

Bank	As at December 31, 2017			As at December 31, 2016		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
	(in '000)	------(Rupees in '000) ------		(in '000)	------(Rupees in '000) ------	
Pledged against financing facilities availed by the Company						
Long term:						
Allied Bank Limited (note 14.2 & 14.3)	-	-	-	82,570	825,700	10,195,744
Short term:						
Bank AL Habib Limited (note 16.1)	**20,256**	**202,560**	**1,843,296**	20,256	202,560	2,501,211
United Bank Limited (note 16.2)	**16,182**	**161,815**	**1,472,517**	16,182	161,815	1,988,092
MCB Islamic Bank Limited (note 16.3)	**13,500**	**135,000**	**1,228,500**	4,762	47,620	588,012
Habib Metropolitan Bank Limited (note 16.4)	**27,861**	**278,610**	**2,535,350**	25,850	258,500	3,191,958

12. SHARE CAPITAL

12.1 Authorised share capital

2017	2016		2017	2016
(Number of shares)			----- (Rupees in '000) -----	
1,000,000,000	1,000,000,000	Ordinary shares of Rs 10 each	**10,000,000**	10,000,000

12.2 Issued, subscribed and paid up share capital

2017	2016		2017	2016
(Number of shares)				
13,900,000	13,900,000	Ordinary shares of Rs 10 each fully paid in cash	**139,000**	139,000
467,387,116	467,387,116	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**4,673,871**	4,673,871
481,287,116	481,287,116		**4,812,871**	4,812,871

	Note	**2017**	2016
		(Number of shares)	
12.3 Shares held by related parties			
Dawood Lawrencepur Limited Percentage of holding 16.192% (2016: 16.192%)		**77,931,896**	77,931,896
The Dawood Foundation Percentage of holding 3.946% (2016: 3.946%)		**18,991,988**	18,991,988
Cyan Limited Percentage of holding 0.165% (2016: 0.165%)		**794,380**	794,380
Sach International (Private) Limited Percentage of holding 0.001% (2016: 0.001%)		**6,996**	6,996
Directors, Chief Executive Officer and their spouse and minor children Percentage of holding 13.645% (2016: 12.503%)		**65,672,656**	60,176,444

	Note	**2017**	2016
		------- (Rupees in '000) -------	
13. REVENUE RESERVES			
General reserve		**700,000**	700,000
Unappropriated profit		**27,253,301**	25,325,985
		27,953,301	26,025,985
14. LONG TERM FINANCING			
Long term finance under mark up arrangement	14.2	**-**	139,143
Syndicate term finance	14.3	**-**	3,750,000
Sukuk certificates	14.4	**5,139,511**	-
		5,139,511	3,889,143
Current portion		**-**	(764,143)
		5,139,511	3,125,000
14.1 Balance as at January 1		**3,889,143**	3,992,585
Availed during the year (net of transaction cost of Rs 59.878 million)		**5,140,122**	-
Accrued transaction cost		**(2,600)**	-
		5,137,522	-
Amortisation		**1,989**	-
Repayments during the year		**(3,889,143)**	(103,442)
Balance as at December 31		**5,139,511**	3,889,143

14.2 This long term finance facility was obtained under mark-up arrangement from Allied Bank Limited (ABL) aggregating to Rs 380 million. The facility was secured by way of hypothecation charge over all assets of the Company with 25% margin and pledge of the HUBCO shares with 50% margin as disclosed in note 11.5. The facility carried mark-up at the rate of six months KIBOR plus 200 basis points per annum. The facility was for a period of 5 years payable semiannually in arrears with the first principal repayment made on July 5, 2013 after the expiry of 1 year grace period. The final repayment of the facility was due on July 5, 2017. The facility was repaid in full on due date.

14.3 This syndicated term finance facility was sanctioned by a syndicate of banks led by Allied Bank Limited, under Syndicate Term Finance Agreement (the Agreement) aggregating to Rs 4,000 million which was utilised upto Rs 3,750 million. The facility was secured against HUBCO shares with 50% margin as disclosed in note 11.5. The facility carried mark-up at the rate of six months KIBOR plus 100 basis points per annum. The facility was for a period of 5 years payable semiannually with the first principal repayment to be made after the expiry of 2 years grace period commencing from May 2017. The Agreement allowed the Company to exercise an irrevocable option, at any time after the first instalment became due, to repay the entire outstanding principal along with markup. The Company exercised the prepayment option and repaid the facility in full in November 2017.

14.4 This represents the amortised cost of the Rated, Over the Counter Listed and Secured Islamic Certificates (Sukuks), amounting to Rs 5,200 million (2016: Nil), issued by the Company during the year, to Qualified Institutional Buyers (QIBs) through private placement by JS Bank Limited as an agent and advisor. The Sukuks are secured against ECL shares with 50% margin as disclosed in note 5.1.2 and charge over all the assets of the Company with a 25% margin. The Sukuks carry mark-up at the rate of three months KIBOR plus 100 basis points per annum. The Sukuks are for a period of 5 years and are payable semiannually with the first principal repayment to be made after the expiry of 18 months commencing from May 2019.

	Note	**2017**	2016
		------- (Rupees in ‘000) -------	
15. DEFINED BENEFIT LIABILITY			
These comprise of:			
Defined benefit plan - funded gratuity	15.5	**1,008**	518
- unfunded gratuity		**2,559**	1531
		3,567	2,049

15.1 As stated in note 2.10.1, the Company operates a defined benefit plan i.e. an approved funded gratuity scheme for all of its permanent employees subject to attainment of minimum service of prescribed period.The latest actuarial valuation was carried out as at December 31, 2017.

15.2 The Company faces the following risks on account of the defined benefit 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 - Investments are subject to adverse fluctuations as a result of change in the market price.

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

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

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

15.3 The projected unit credit method using the following significant assumptions was used for this valuation:

	December 31, 2017	December 31, 2016
	--------% per annum--------	
- Discount rate used for profit and loss account charge	**9.25%**	9.75%
- Discount rate used for year end obligation	**8.25%**	9.00%
- Expected rate of increase in salary levels - per annum	**7.25%**	8.00%

15.4 Mortality rate

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

	Note	**2017**	2016
		------- (Rupees in '000) -------	
15.5 Balance sheet reconciliation			
Present value of defined benefit obligation	15.6	**15,486**	17,398
Fair value of plan assets	15.7	**(14,478)**	(16,880)
Liability as at December 31		**1,008**	518
15.6 Movement in present value of defined benefit obligation			
Obligation as at January 1		**17,398**	17,818
Current service cost		**5,213**	6,715
Interest cost		**1,038**	907
Benefits paid		**(1,742)**	(11,988)
Remeasurment (gain) / loss on obligation		**(6,421)**	3,946
Obligation as at December 31		**15,486**	17,398
15.7 Movement in fair value of plan assets			
Fair value as at January 1		**16,880**	20,411
Interest income		**1,222**	1,964
Contributions made		**4,427**	6,663
Benefits paid		**(1,742)**	(11,988)
Remeasurement loss on plan assets		**(6,309)**	(170)
Fair value as at December 31		**14,478**	16,880

		Note	2017	2016
			------- (Rupees in '000) -------	
15.8	Movement in net liability / (asset) in the balance sheet			
	Opening balance of net liability / (asset)		**518**	(2,593)
	Charge for the year	15.9	**5,029**	5,658
	Contributions made by the company		**(4,427)**	(6,663)
	Net remeasurement (gain) / loss for the year	15.10	**(112)**	4,116
	Closing balance of net liability		**1,008**	518
15.9	Amounts recognised in the profit and loss account			
	Current service cost		**5,213**	6,715
	Net interest income		**(184)**	(1,057)
			5,029	5,658
15.10	Remeasurement recognised in other comprehensive income			
	Remeasurement (loss) / gain on defined benefit liability due to experience adjustments		**6,421**	(3,946)
	Remeasurement loss on plan assets		**(6,309)**	(170)
	Net remeasurement gain / (loss)		**112**	(4,116)
15.11	Actual return on plan assets			
	Expected return on plan assets		**1,222**	1,964
	Remeasurement loss on plan assets		**(6,309)**	(170)
	Actual return on plan assets		**(5,087)**	1,794

		2017		2016	
		(Rs in '000)	Percentage	(Rs in '000)	Percentage
15.12	Major categories / composition of plan assets				
	Cash and cash equivalents (net)	**3,349**	**23%**	2,697	16%
	Mutual fund units	**11,129**	**77%**	14,183	84%
		14,478	**100%**	16,880	100%

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

	2017	2016	2015	2014	2013
	------------------------- (Rupees in ‘000) -------------------------				
As at December 31					
Fair value of plan assets	**14,478**	16,880	20,411	13,953	19,481
Present value of defined benefit obligation	**(15,486)**	(17,398)	(17,818)	(13,689)	(19,883)
(Deficit) / Surplus	**(1,008)**	(518)	2,593	264	(402)
Experience adjustments:					
(Loss) / gain on plan assets	**(6,309)**	(170)	(688)	574	186
(Loss) / gain on obligations	**6,421**	(3,946)	482	(438)	90

15.14 Expected contribution to post employment benefit plan for the year ending December 31, 2018 is Rs 4.070 million (2017: Rs 5.908 million).

15.15 The weighted average duration of the defined benefit obligation is 9 years.

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

	Change in assumptions	**Present value of defined benefit obligation based on** Increase	Decrease
		------------- (Rupees in ‘000) -------------	
Discount rate	1%	**14,124**	17,057
Salary growth rate	1%	**17,078**	14,081

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

15.18 Liability in respect of unfunded gratuity scheme is calculated based on the length of services completed at the current salary level. Amount charged in respect of this scheme during the year aggregated to Rs 1.028 million (2016: Rs 0.944 million).

	Note	2017	2016
		------- (Rupees in '000) -------	
16. SHORT TERM RUNNING FINANCE			
Running finance under mark-up arrangement	16.1-16.4	**1,241,776**	2,868,932

Details of running finance facilities obtained by the Company are as follows:

16.1 Short-term running finance facility aggregating to Rs 1,500 million (2016: Rs 1,500 million) obtained under mark-up arrangements from Bank Al-Habib Limited. The amount which remained unutilised as at December 31, 2017 was Rs 1,500 million (2016: Rs 1,500 million). The facility is secured by way of pledge of HUBCO shares as disclosed in note 11.5. Rate of mark-up applicable to the facility is three months KIBOR plus 65 basis points (2016: three months KIBOR plus 65 basis points) per annum. The facility will expire on April 30, 2018.

16.2 Short-term money market finance facility aggregating to Rs 1,000 million (2016: Rs 2,000 million) obtained under mark-up arrangements from United Bank Limited. The amount which remained unutilised as at December 31, 2017 was Rs 100 million (2016: Rs 1,000.867 million). The facility is secured by way of pledge of HUBCO shares as disclosed in note 11.5. Rate of mark-up applicable to the facility ranges from one month KIBOR plus 70 basis points to one month KIBOR plus 10 basis points (2016: one month KIBOR plus 70 basis points) per annum. The facility will expire on June 30, 2018.

16.3 Short-term running finance facility aggregating to Rs 1,000 million (2016: Rs 800 million) obtained under Shariah approved arrangement (Running Musharakah arrangement) from MCB Islamic Bank Limited. The amount which remained unutilised as at December 31, 2017 was Rs 914.196 million (2016: Rs 800 million). The facilities are secured by way of pledge of HUBCO shares as disclosed in note 11.5. Rate of profit applicable to the facility is three month KIBOR plus 25 basis points (2016: three month KIBOR plus 75 basis points) per annum. The facility will expire on May 31, 2018.

16.4 Short-term running finance facility aggregating to Rs 2,000 million (2016: Rs 2,000 million) obtained under mark-up arrangement from Habib Metropolitan Bank Limited. The amount which remained unutilised as at December 31, 2017 was Rs 1,743.802 million (2016: Rs 130.20 million). The facility is secured by way of pledge of HUBCO shares as disclosed in note 11.5. Rate of mark-up applicable to the facility is three months KIBOR plus 25 basis points (2016: three months KIBOR plus 75 basis points) per annum. The facility will expire on January 31, 2018.

	2017	2016
	------- (Rupees in '000) -------	
17. TRADE AND OTHER PAYABLES		
Creditors	**4,051**	161
Accrued expenses	**45,163**	149,856
Others	**215**	69
	49,429	150,086

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

18.1.1 The Company has pledged 15.131 million shares of ECL with Meezan Bank Limited (as Agent) in favour of Fatima Fertilizer Company Limited (FFCL) as disclosed in note 5.1.2 and given a corporate guarantee in favour of Dawood Hercules Fertilizer Limited (DHFL) - now FFCL (ex-subsidiary) against potential tax liabilities of DHFL in respect of periods ending on or prior to June 30, 2015. The pledged shares will be released upon completion of two years from the filing date of Income Tax Return for the year ended December 31, 2015, i.e. September 30, 2016. The corporate guarantee will remain in full force and effective for five years and will be released on the later of September 30, 2021 or the date on which the above tax liabilities are finally settled / disposed of or withdrawn.

18.1.2 During the year, the Company's ex subsidiary was served with an order from Additional Commissioner of Inland Revenue (ACIR) – Federal Board of Revenue under Section 122(5A) of the Income Tax Ordinance, 2001 to amend original assessment for the Tax Year 2016 being prejudicial to the revenue of the Federal Government and raised additional demand of 3,380.650 million. The issues mainly related to the levy of tax on sale of “Bubber Sher” Brand to wholly owned subsidiary, Bubber Sher (Private) Limited, non-taxation of capital gain on sale of shares of ECL and HUBCO to the Company and levy of super tax on the income claimed to be exempt from tax. The ex-subsidiary being aggrieved with the order filed an appeal with the Commissioner Inland Revenue Appeals (CIRA) and CIRA in its order dated August 7, 2017 decided the matter in favour of the ex-subsidiary. The Commissioner Inland Revenue filed an appeal with the Appellate Tribunal against the order passed by CIRA, which is currently pending. Subsequent to the year end, the Deputy Commissioner Inland Revenue served the Company with an appeal effect order reducing the tax liability raised by ACIR to Rs 1,051.140 million. However, the Company, on the basis of advice of its tax consultant, is in the process of filing an appeal with CIRA considering the demand to be still prejudicial to its interests.

18.1.3 During the year, the Company received a show cause notice from the Additional Commissioner of Inland Revenue (ACIR) – Federal Board of Revenue under Section 122(9) of the Income Tax Ordinance, 2001 in respect of Tax Year 2016. In the notice, the ACIR expressed intention to reject exemption of intercorporate dividend amounting to Rs. 18,008.795 million, to make an addition to capital gain amounting to Rs. 615.101 million and also to impose a super tax liability amounting to Rs. 666.963 million. The Company being aggrieved, filed Constitutional Petition before the Honorable High Court of Sindh against the proposal to reject the exemption claimed on intercorporate dividend. Further, a separate suit has been filed with the Honorable High Court of Sindh against the levy of super tax. The Honorable High Court of Sindh has issued stay orders in respect of the aforementioned matters with the instruction to the Taxation Authorities to not finalise the proceedings until the cases are disposed of. On the basis of legal advice, the management is confident that the above matters will be decided in favour of the Company.

	Note	**2017**	2016
		------- (Rupees in ‘000) -------	
18.2 Commitments			
Commitment in respect of operating lease			
Not later than one year	18.2.1	**4,222**	10,766

18.2.1 The Company has entered into lease agreement for renting of premises for Lahore office on August 2015 for a period of seven years, expiring on September 2022.The agreement is revocable by either party through prior notice of at least 6 months.

18.2.2 Commitment in respect of investment in EPPL in the form of equity and / or a short term loan amounts to Rs 17,430 million as disclosed in note 1.4.

	Note	**2017**	2016
		------- (Rupees in '000) -------	
19. DIVIDEND INCOME			
Subsidiary - Engro Corporation Limited		**4,484,369**	5,264,259
Held for sale investment - The Hub Power Company Limited		**1,294,365**	2,157,275
		5,778,734	7,421,534
20. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	20.1	**255,843**	445,720
Directors' fee		**17,750**	7,950
Rent, rates and taxes		**33,046**	31,666
Insurance		**4,200**	4,155
Repairs and maintenance		**8,397**	4,860
Communication, stationery and office supplies		**19,693**	20,458
Subscription and periodicals		**25,726**	22,983
Travelling and conveyance		**32,409**	20,971
Depreciation	4.1	**32,055**	23,941
Amortisation		**-**	1
Impairment charge on investment		**-**	95,713
Legal and professional charges		**41,893**	44,342
Donations		**-**	500
Other expenses		**20,828**	23,088
		491,840	746,348

20.1 Salaries, wages and other benefits include Rs 6.057 million (2016: Rs 6.602 million) charge for the year in respect of staff gratuity fund and Rs 6.996 million (2016: Rs 11.998 million) in respect of staff provident fund.

	Note	**2017**	2016
21. OTHER OPERATING EXPENSES		------- (Rupees in '000) -------	
Auditor's remuneration:			
Audit fee		**319**	304
Half year and other certification fees		**170**	162
Out of pocket expenses		**139**	95
Tax services		**3,911**	1,680
		4,539	2,241
22. OTHER INCOME			
Income from financial instruments	22.1	**803**	9,677
Income from non-financial instruments	22.2	**5,437**	4,221
		6,240	13,898

		Note	2017	2016
			------- (Rupees in '000) -------	
22.1	**Income from financial instruments**			
	Profit on savings accounts and term deposit receipts		**803**	9,663
	Exchange gain		**-**	14
			803	9,677
22.2	**Income from non-financial instruments**			
	Profit on disposal of property, plant and equipment		**2,634**	545
	Others		**2,803**	3,676
			5,437	4,221
23.	**FINANCE COST**			
	Mark-up on:			
	- Long term financing	23.1	**283,263**	328,095
	- Short term running finance		**207,480**	63,217
	Bank charges		**2,305**	1,367
			493,048	392,679

23.1 This includes amortisation relating to Sukuks amounting to Rs 1.989 million (2016: Nil).

		Note	2017	2016
			------- (Rupees in '000) -------	
24.	**TAXATION**			
	Current			
	- for the year		**725,871**	821,983
	- for prior years		**217,324**	1,940
		24.1	**943,195**	823,923
24.1	**Relationship between tax expense and accounting profit**			
	Profit before taxation		**4,795,547**	6,294,164
	Tax calculated at the rate of 30% (2016: 31%)		**1,438,664**	1,951,191
	Effect of applicability of lower tax rate (Final Tax Regime)		**(711,248)**	(1,127,727)
	Effect of prior year charges		**217,324**	1,940
	Others		**(1,545)**	(1,481)
			943,195	823,923

	2017	2016
	------- (Rupees in '000) -------	
25. EARNINGS PER SHARE		
Profit after taxation	**3,852,352**	5,470,241
	(Number of shares)	
Weighted average number of ordinary shares	**481,287,116**	481,287,116
	------- (Rupees) -------	
Earnings per share (Rupees) – basic and diluted	**8.00**	11.37

25.1 There were no convertible dilutive potential ordinary shares outstanding as at December 31, 2017 and 2016.

26. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

	--------------2017--------------			---------------2016---------------		
	Chief Executive Officer	**Directors**	**Exectives**	Chief Executive Officer	Directors	Executives
	-------------------------------(Rupees in '000)-----------------------------					
Managerial remuneration	**13,932**	**49,548**	**54,480**	160,057	3,000	93,465
Remuneration to non-executive director	**-**	**54,768**	**-**	-	54,156	-
Retirement benefits including ex-gratia	**3,250**	**-**	**12,783**	4,410	-	13,373
Rent and utilities	**7,807**	**32,240**	**39,888**	10,629	21,818	62,764
Compensated absences	**-**	**1,750**	**2,080**	-	-	2,530
Medical	**1,161**	**822**	**5,930**	2,018	2,253	6,558
Other benefits	**-**	**3,859**	**-**	-	14,627	-
	26,150	**142,987**	**115,161**	177,114	95,854	178,690
Number of persons including those who worked part of the year	**1**	**3**	**34**	2	2	42

26.1 In addition, the chief executive officer (CEO), certain directors and executives are provided with Company owned and maintained cars.

26.2 Meeting fees aggregating Rs 17.750 million (2016: Rs 7.950 million) were paid to 7 directors (2016: 7 directors).

27. RELATED PARTY TRANSACTIONS

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

	Note	2017	2016
		------- (Rupees in '000) -------	
Subsidiary company			
Reimbursement of expenses made to the Company		**256**	3,130
Reimbursement of expenses made by the Company		**248**	-
Dividend income		**4,484,369**	5,264,259
Sale of services		**2,018**	-
Associated companies			
Sale of services		**13,964**	7,827
Purchase of services		**27,908**	24,821
Reimbursement of expenses to associates		**6,991**	6,370
Dividend income (Investment held for sale)		**1,294,365**	2,157,275
Dividend paid		**390,901**	1,710,192
Commitment in respect of operating lease	18.2	**-**	10,008
Advances and deposits		**27,411**	-
Other related parties			
Expense in relation to staff retirement gratuity fund		**4,487**	5,658
Membership fee and other subscriptions		**1,578**	125
Expense in relation to staff provident fund		**6,996**	11,998
Key management personnel			
Sale of property, plant and equipment		**150**	858
Salaries, employee benefits and directors' fee		**286,016**	441,825
Commitment in respect of operating lease	18.2	**-**	758
Post retirement benefit plans	26	**16,033**	17,783

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

	Note	**2017**	2016
		------- (Rupees in '000) -------	
28. CASH UTILISED IN OPERATIONS			
Profit before taxation		**4,795,547**	6,294,164
Adjustment for non cash expenses and other items:			
Depreciation		**32,055**	23,941
Amortisation		**-**	1
Impairment loss		**-**	95,713
Finance cost		**493,048**	392,679
Gain on disposal of property, plant and equipment		**(2,634)**	(545)
Dividend income		**(5,778,734)**	(7,421,534)
Provision for staff retirement and other service benefits		**5,515**	6,644
Profit on savings accounts and term deposit receipts		**(803)**	(9,663)
Exchange gain		**-**	(14)
Working capital changes	28.1	**(111,067)**	(152,419)
		(5,362,620)	(7,065,197)
Cash utilised in operations		**(567,073)**	(771,033)

28.1 Working capital changes

(Increase) / decrease in current assets:		
Advances, deposits and prepayments	**151**	(2,705)
Other receivables	**(7,961)**	98,797
	(7,810)	96,092
Decrease in trade and other payables	**(103,257)**	(248,511)
	(111,067)	(152,419)

29. CASH AND CASH EQUIVALENTS

	Note	2017	2016
Cash and bank balances	10	**229,064**	286,288
Short term running finance	16	**(1,241,776)**	(2,868,932)
		(1,012,712)	(2,582,644)

	2017	2016
	------- (Rupees in '000) -------	
30. FINANCIAL INSTRUMENTS BY CATEGORY		
FINANCIAL ASSETS		
Loans and receivables at amortised cost		
Advances and deposits	**8,200**	15,105
Other receivables	**23,696**	15,735
Cash and bank balances	**229,064**	286,288
	260,960	317,128
Held to Maturity		
Short term investment	**15,000**	-
	275,960	317,128
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Long term financing	**5,139,511**	3,889,143
Short term running finance	**1,241,776**	2,868,932
Trade and other payables	**49,429**	150,086
Accrued mark-up	**91,550**	99,640
	6,522,266	7,007,801

31. FINANCIAL RISK MANAGEMENT

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

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

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

Risks managed and measured by the Company are explained below:

31.2 Market risk

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

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

31.2.1 Interest rate risk

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

- Fair value risk - Presently, fair value risk to the Company arises from 'balances with banks' which are based on fixed interest rates. As at December 31, 2017, the impact of increase / decrease in fixed interest rates by 100 basis points will not have a material impact on the profit after tax of the Company.

- Future cash flow risk - Presently, future cash flow risk to the Company arises from short term running finance and long term financing which are based on floating interest rates (i.e. KIBOR based). As at December 31, 2017, had there been increase / decrease of 100 basis points in KIBOR, with all other variables held constant, profit before taxation for the year then ended would have been lower / higher by Rs 63.813 million (2016: Rs 67.581 million) mainly as a result of finance cost.

31.2.2 Currency risk

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

31.2.3 Price risk

Price risk is the risk that the fair value of or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

31.3 Credit risk and its concentration

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

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

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

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

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

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

	2017	2016
	------- (Rupees in '000) -------	
Advances and deposits	**8,200**	15,105
Other receivables	**23,696**	15,735
Bank balances	**228,505**	285,758
Short term investment	**15,000**	-
	275,401	316,598

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

31.4 Liquidity risk

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

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

	Carrying Amount	Six months or less	Six to twelve months	One to two years	Two to five years
	(Rupees in '000)				
2017					
Financial liabilities					
Short term financing	**1,241,776**	**1,241,776**	**-**	**-**	**-**
Long term financing	**5,200,000**	**-**	**-**	**1,040,000**	**4,160,000**
Trade and other payables	**49,429**	**49,429**	**-**	**-**	**-**
Accrued mark-up	**91,550**	**91,550**	**-**	**-**	**-**
	6,582,755	**1,382,755**	**-**	**1,040,000**	**4,160,000**
2016					
Financial liabilities					
Short term financing	2,868,932	2,868,932	-	-	-
Long term financing	3,889,143	52,179	711,964	1,250,000	1,875,000
Trade and other payables	150,086	150,086	-	-	-
Accrued mark-up	99,640	99,640	-	-	-
	7,007,801	3,170,837	711,964	1,250,000	1,875,000

31.5 Capital risk management

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

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

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

The gearing ratio as at December 31, 2017 and 2016 was as follows:

	Note	**2017**	2016
		(Rupees in '000)	
Total debt	14	**(5,139,511)**	(3,889,143)
Cash and cash equivalent	29	**(1,012,712)**	(2,582,644)
Net debt		**(6,152,223)**	(6,471,787)
Total capital		**38,918,395**	37,310,643
Gearing Ratio		**15.81%**	17.35%

31.6 Fair value of financial instruments

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

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

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

Level II: Valuation techniques based on observable inputs, either directly (i.e. market prices) or indirectly (i.e. derived from prices)

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

The fair value of the Company's investments disclosed in notes 5 and 11 is based on quoted price of shares at the PSX (Level I). The estimated fair value of other financial instruments is considered not significantly different from book value. The Company does not carry any financial instrument at fair value.

32. PROVIDENT FUND RELATED DISCLOSURES

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

	Note	**2017**	2016
		------- (Rupees in ‘000) -------	
Size of the fund - total assets		**52,006**	60,228
Cost of investments made		**51,570**	54,086
Percentage of investments made		**99%**	90%
Fair value of investments	32.1	**50,744**	58,741

32.1 The break up of fair value of investments is:

	2017		2016	
	(Rs in '000)	**Percentage**	(Rs in '000)	Percentage
Bank balances	**23,769**	**46.8%**	13,382	22.8%
Government securities	**16,558**	**32.6%**	26,261	44.7%
Mutual fund units	**10,417**	**20.6%**	19,098	32.5%
	50,744	**100%**	58,741	100%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

32.2 The investments of the Fund have been made in accordance with the provision of Section 218 of the Companies Act, 2017 and the rules formulated for the purpose.

33. NUMBER OF EMPLOYEES

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

	2017	2016
Average number of employees during the year	**37**	42
Number of employees as at the end of the financial year	**33**	41

34. GENERAL

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

34.2 Certain prior year's figures have been re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison.

35. DATE OF AUTHORISATION FOR ISSUE

35.1 The Board in its meeting held on March 19, 2018 has proposed a cash dividend of Rs. 2 per share (2016: Rs. 2 per share) for the year ended December 31, 2017 subject to approval of members at the annual general meeting to be held on April 27, 2018. This is in addition to the interim cash dividend of Rs 2 per share (2016: Rs. 13.5 per share) resulting in a total dividend for the year of Rs. 4 per share (2016: Rs. 15.5 per share). These financial statements do not recognise the proposed dividend as deduction from unappropriated profit as it has been proposed subsequent to balance sheet date.

35.2 These financial statements have been authorised for issue on March 19, 2018 by the Board of the Company.

Shafiq Ahmed Chief Financial Officer	Inam ur Rahman Chief Executive Officer	M. Abdul Aleem Director

CONSOLIDATED FINANCIAL STATEMENTS

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Dawood Hercules Corporation Limited (the Holding Company) and its subsidiary companies as at December 31, 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement 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 Dawood Hercules 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.

AFFerguson & Co

Chartered Accountants
Dated: March 28, 2018
Karachi

Audit Engagement Partner: Salman Hussain

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CONSOLIDATED BALANCE SHEET

As at December 31, 2017

(Amounts in thousand)

	Note	2017	2016
		------------ (Rupees)	------------
ASSETS			
Non - Current Assets			
Property, plant and equipment	5	**157,512,017**	131,534,255
Intangible assets	6	**4,753,253**	4,722,835
Long term investments	7	**32,195,681**	40,687,857
Deferred taxation	8	**23,765**	577,471
Long term loans, advances and other receivables	9	**6,809,735**	9,850,501
Advance against investment		**1,653,750**	-
		202,948,201	187,372,919
Current Assets			
Stores, spares and loose tools	10	**7,638,801**	7,148,040
Stock-in-trade	11	**13,065,877**	10,704,311
Trade debts	12	**13,641,538**	13,733,482
Loans, advances, deposits and prepayments	13	**2,057,035**	1,435,101
Other receivables	14	**10,922,891**	9,372,452
Accrued income		**528,242**	426,268
Taxes recoverable		**92,881**	211,762
Short term investments	15	**69,893,637**	64,725,527
Cash and bank balances	16	**9,786,651**	6,186,667
		127,627,553	113,943,610
Investment - Held for sale	17	**6,611,468**	-
TOTAL ASSETS		**337,187,222**	301,316,529

CONSOLIDATED BALANCE SHEET
As at December 31, 2017

(Amounts in thousand)

	Note	2017	2016
		------------ (Rupees) ------------	
EQUITY & LIABILITIES			
Equity			
Share capital	18	**4,812,871**	4,812,871
Revaluation reserve on business combination		**13,059**	16,857
Maintenance reserve	19	**60,117**	60,117
Exchange revaluation reserve		**30,888**	6,192
Hedging reserve		**(27,341)**	(32,730)
General reserves		**700,000**	700,000
Unappropriated profit		**49,756,284**	48,142,424
Share of income of associates		**-**	(3,435)
Remeasurement of post-employment benefits		**(29,265)**	(17,874)
		50,503,742	48,871,551
		55,316,613	53,684,422
Non-Controlling Interest		**122,148,275**	119,277,999
Total Equity		**177,464,888**	172,962,421
Liabilities			
Non-Current Liabilities			
Borrowings	20	**83,490,369**	63,734,743
Derivative financial instruments		**-**	2,107
Deferred taxation	8	**10,692,321**	8,982,706
Deferred liabilities	22	**227,830**	198,720
		94,410,520	72,918,276
Current Liabilities			
Trade and other payables	23	**39,310,803**	31,775,488
Accrued interest / mark-up	24	**1,552,664**	1,238,061
Current portion of			
- borrowings	20	**12,392,265**	13,272,722
- deferred liabilities	22	**103,235**	101,790
Taxes payable		**219,587**	62,028
Short term borrowings	25	**11,327,158**	8,404,519
Unclaimed dividend		**406,102**	331,571
Derivative financial instruments		**-**	249,653
		65,311,814	55,435,832
Total Liabilities		**159,722,334**	128,354,108
Contingencies and Commitments	26		
TOTAL EQUITY & LIABILITIES		**337,187,222**	301,316,529

The annexed notes from 1 to 56 form an integral part of these consolidated financial statements.

Shafiq Ahmed	Inam ur Rahman	M. Abdul Aleem
Chief Financial Officer	Chief Executive Officer	Director

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	27	128,592,511	157,207,668
Cost of revenue	28	(93,786,270)	(121,364,855)
Gross profit		34,806,241	35,842,813
Selling and distribution expenses	29	(7,850,236)	(12,052,758)
Administrative expenses	30	(4,282,024)	(4,352,160)
		22,673,981	19,437,895
Other income	31	11,185,463	68,852,080
Other operating expenses	32	(2,569,989)	(2,350,804)
Operating profit		31,289,455	85,939,171
Finance cost	33	(5,623,683)	(6,430,590)
Share of income from joint venture and associates	34	2,689,331	3,035,349
Profit before taxation		28,355,103	82,543,930
Taxation	35	(12,107,942)	(9,105,585)
Profit after taxation		16,247,161	73,438,345
Profit attributable to:			
- Discontinued operations		-	60,686,313
- Continuing operations		16,247,161	12,752,032
		16,247,161	73,438,345
Profit attributable to:			
- Owners of the Holding Company		3,459,088	25,564,552
- Non Controlling Interest		12,788,073	47,873,793
		16,247,161	73,438,345
		------------ (Rupees)	------------
Basic earnings per share from:	36		
- Discontinued operations		-	46.69
- Continuing operations		7.19	6.43
		7.19	53.12
Diluted earnings per share from:	36		
- Discontinued operations		-	46.69
- Continuing operations		7.19	6.40
		7.19	53.09

The annexed notes from 1 to 56 form an integral part of these consolidated financial statements.

Shafiq Ahmed	Inam ur Rahman	M. Abdul Aleem
Chief Financial Officer	Chief Executive Officer	Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2017

(Amounts in thousand)

	2017	2016
	------------ (Rupees)	------------
Profit after taxation	**16,247,161**	73,438,345
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
Share of other comprehensive income of associate	2,120	(180)
Revaluation reserve on business combination	(21,004)	(21,004)
Exchange differences on translation of foreign operations	98,001	(15,042)
	101,034	(21,468)
Income tax relating to:		
Hedging reserve - cash flow hedges	(632)	(8,600)
Revaluation reserve on business combination	6,721	6,721
Share of other comprehensive income of associate	(122)	14
	5,967	(1,865)
Items that will not be reclassified to profit or loss		
Remeasurement of post employment benefits obligation - Actuarial (loss) / gain	(40,657)	32,844
Income tax relating to remeasurement of post employment benefits obligation	9,706	(11,157)
	(30,951)	21,687
Other comprehensive income / (loss) for the year, net of tax	76,050	(1,646)
Total comprehensive income for the year	**16,323,211**	73,436,699
Total comprehensive income attributable to equity shareholders from:		
- Discontinued operations	-	60,698,481
- Continuing operations	16,323,211	12,738,218
	16,323,211	73,436,699
Total comprehensive income attributable to:		
- Owners of the Holding Company	3,475,922	25,559,977
- Non Controlling Interest	12,847,289	47,876,722
	16,323,211	73,436,699

The annexed notes from 1 to 56 form an integral part of these consolidated financial statements.

Shafiq Ahmed Chief Financial Officer	Inam ur Rahman Chief Executive Officer	M. Abdul Aleem Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2017

(Amounts in thousand)

	ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY											Non- Controlling Interest	Total
		RESERVES											
		CAPITAL RESERVES				REVENUE RESERVES							
	Share capital	Employee share option compensation reserve	Revaluation reserve on business combination	Maintenance reserve	Exchange revaluation reserve	Hedging reserve	General reserve	Unappro- priated Profit	Share of other comprehensive income of associates	Remeasurement of post employment benefits - " Actuarial (loss) / income "	Sub total		
	Rupees												
Balance as at January 1, 2016	4,812,871	225,217	20,655	60,117	11,412	(34,459)	700,000	27,221,478	(3,269)	(48,665)	32,965,357	59,901,520	92,866,877
Total comprehensive income for the year ended December 31, 2016													
Profit for the year	-	-	-	-	-	-	-	25,564,552	-	-	25,564,552	47,873,793	73,438,345
Other comprehensive income	-	-	(3,798)	-	(5,220)	1,155	-	-	(166)	3,454	(4,575)	2,929	(1,646)
	-	-	(3,798)	-	(5,220)	1,155	-	25,564,552	(166)	3,454	25,559,977	47,876,722	73,436,699
Transactions with owners													
Disposal of subsidiary company	-	(225,217)	-	-	-	574	-	-	-	27,337	(197,306)	(2,320,312)	(2,517,618)
Shares issued to IFC by subsidiary company	-	-	-	-	-	-	-	-	-	-	-	1,468,678	1,468,678
Dividend by subsidiaries allocable to Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-	-	(12,585,373)	(12,585,373)
Effect of partial disposal of shares held in a subsidiary company by principal subsidiary company	-	-	-	-	-	-	-	3,629,365	-	-	3,629,365	15,347,284	18,976,649
Shares issued during the year and share issuance cost accounted for as deduction from equity													
- ordinary shares issued during the period	-	-	-	-	-	-	-	(14,936)	-	-	(14,936)	4,741,763	4,726,827
- preference shares issued during the period	-	-	-	-	-	-	-	-	-	-	-	5,012,206	5,012,206
Decrease in NCI due to disposal of shareholding	-	-	-	-	-	-	-	164,489	-	-	164,489	(164,489)	-
Final cash dividend @ 40% for the year ended December 31, 2015	-	-	-	-	-	-	-	(1,925,148)	-	-	(1,925,148)	-	(1,925,148)
Interim cash dividend @135% for the year ended December 31, 2016	-	-	-	-	-	-	-	(6,497,376)	-	-	(6,497,376)	-	(6,497,376)
	-	(225,217)	-	-	-	574	-	(4,643,606)	-	27,337	(4,840,912)	11,499,757	6,658,845
Balance as at December 31, 2016	4,812,871	-	16,857	60,117	6,192	(32,730)	700,000	48,142,424	(3,435)	(17,874)	53,684,422	119,277,999	172,962,421

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2017
(Amounts in thousand)

	ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY												
		RESERVES											
		CAPITAL RESERVES				REVENUE RESERVES							
	Share capital	Employee share option compensation reserve	Revaluation reserve on business combination	Maintenance reserve	Exchange revaluation reserve	Hedging reserve	General reserve	Unappro-priated Profit	Share of other comprehensive income of associates	Remeasurement of post employment benefits - " Actuarial (loss) / income "	Sub total	Non- Controlling Interest	Total
	Rupees												
Total comprehensive income for the year ended December 31, 2017													
Profit for the year	-	-	-	-	-	-	-	3,459,088	-	-	3,459,088	12,788,073	16,247,161
Other comprehensive income	-	-	(3,798)	-	24,696	5,389	-	(60)	1,998	(11,391)	16,834	59,216	76,050
Reclassification due to investment held for sale	-	-	-	-	-	-	-	(1,437)	1,437	-	-	-	-
	-	-	(3,798)	-	24,696	5,389	-	3,457,591	3,435	(11,391)	3,475,922	12,847,289	16,323,211
Transactions with owners													
Disposal of subsidiary company	-	-	-	-	-	-	-	-	-	-	-	-	-
Shares issued to IFC by subsidiary company	-	-	-	-	-	-	-	82,488	-	-	82,488	213,905	296,393
Dividend by subsidiaries allocable to Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-	-	(13,362,910)	(13,362,910)
Shares issued during the year and share issuance cost accounted for as deduction from equity - ordinary shares issued during the period	-	-	-	-	-	-	-	(1,071)	-	-	(1,071)	561,218	560,147
Preference shares issued	-	-	-	-	-	-	-	-	-	-	-	499,510	499,510
Advance against issue of share capital	-	-	-	-	-	-	-	-	-	-	-	2,111,264	2,111,264
Final cash dividend @ 20% for the year ended December 31, 2016	-	-	-	-	-	-	-	(962,574)	-	-	(962,574)	-	(962,574)
Interim cash dividend @ 20% for the year ended December 31, 2017	-	-	-	-	-	-	-	(962,574)	-	-	(962,574)	-	(962,574)
	-	-	-	-	-	-	-	(1,843,731)	-	-	(1,843,731)	(9,977,013)	(11,820,744)
Balance as at December 31, 2017	4,812,871	-	13,059	60,117	30,888	(27,341)	700,000	49,756,284	-	(29,265)	55,316,613	122,148,275	177,464,888

The annexed notes from 1 to 56 form an integral part of these consolidated financial statements.

Shafiq Ahmed
Chief Financial Officer

Inam ur Rahman
Chief Executive Officer

M. Abdul Aleem
Director

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	39	**33,317,472**	18,152,961
Retirement and other service benefits paid		**(226,446)**	(198,117)
Finance cost paid		**(6,388,827)**	(6,111,063)
Taxes paid		**(7,386,817)**	(5,407,859)
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		**19,320,897**	1,976,960
Cash flows from investing activities			
Purchases of property, plant & equipment, intangible assets and biological assets		**(29,946,520)**	(23,721,138)
Sale proceeds on disposal of property, plant & equipment and biological assets		**745,932**	50,045
Investment in associated company		**(299,657)**	(49,785)
Advance paid against share purchase agreement of EPPL		**(1,653,750)**	-
Investment made during the year - net		**12,221,257**	(35,570,970)
Income on deposits / other financial assets		**3,907,624**	833,745
Proceeds against disposal of investment in subsidiary company		**-**	41,583,561
Dividends received		**5,570,124**	3,192,275
Discontinued operations		**-**	(1,188,097)
Net cash utilised in investing activities		**(9,454,990)**	(14,870,364)
Cash flows from financing activities			
Proceeds of borrowings - net		**19,461,625**	21,227,625
Proceeds from issuance of shares		**1,067,874**	11,247,837
Share issuance cost		**(8,217)**	(79,377)
Proceeds against disposal of investment in subsidiary company		**-**	18,959,128
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)**	(1,080,000)
Dividends paid		**(14,543,438)**	(20,846,102)
Discontinued operations		**-**	(3,175,878)
Net cash generated from financing activities		**6,989,108**	26,977,933
Net increase in cash and cash equivalents		**16,855,015**	14,084,529
Cash and cash equivalents at the beginning of the year		**25,896,896**	11,832,739
Effects of exchange rate changes on cash and cash equivalents		**111,697**	(20,372)
Cash and cash equivalents at the end of the year	40	**42,863,608**	25,896,896

The annexed notes from 1 to 56 form an integral part of these consolidated financial statements.

Shafiq Ahmed	Inam ur Rahman	M. Abdul Aleem
Chief Financial Officer	Chief Executive Officer	Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 Dawood Hercules Corporation Limited (the Holding Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act 1913 (now Companies Act, 2017) (the Act) and its shares are quoted on the Pakistan Stock Exchange Limited (PSX). The principal activity of the Holding Company is to manage investments in its subsidiary and associated companies. The registered office of the Holding Company is situated at Dawood Center, M.T. Khan Road, Karachi.

1.2 During the year ended December 31, 2015, the Holding Company had reassessed the control conclusion of its investment in Engro Corporation Limited (ECL) as a result of adoption of International Financial Reporting Standard (IFRS) - 10 'Consolidated Financial Statements', by the Securities and Exchange Commission of Pakistan (SECP). Based on this reassessment, it was concluded that although the Holding Company has less than 50% voting rights in ECL, yet, based on the absolute size of the Holding Company's shareholdings, the relative size of other shareholdings and the number of representation on ECL's Board, the Holding Company has the ability to exercise control over ECL as per the requirements specified in IFRS 10. Accordingly, these consolidated financial statements have been prepared to reflect the consolidated financial statements of the Holding Company and ECL (the Group).

1.3 Subsequent to the year end, the Board of the Directors of the Holding Company (the Board) in its meeting held on February 1, 2018, accepted an offer from Mega Conglomerate (Private) Limited for the purchase of the Holding Company's entire shareholding in HUBCO at an amount aggregating to Rs 18,380,000. This was duly notified to the PSX. The Holding Company has also notified that an Extraordinary General Meeting (EoGM) will be held on March 6, 2018 to seek the required shareholders' approval in this respect. The shares will be transferred after completion of all regulatory compliances. Earlier, the proposed sale of these shares to Kot Addu Power Company Limited (KAPCO), as disclosed in the consolidated financial statements for the quarter ended September 30, 2017, could not materialise and both the Holding Company and KAPCO mutually agreed to terminate the transaction.

1.4 Based on the approval of the Board, on August 29, 2017, the Holding Company has signed a Shareholders Agreement (SHA) and Share Subscription Agreement (SSA) with edotco Investments (Labuan) Limited Malaysia (Edotco) for an investment of approximately Rs 17,430,000 in edotco Pakistan (Private) Limited (EPPL). Subsequent to the year end, on January 19, 2018, the Holding Company notified PSX that it is in the process of injecting a cumulative amount of Rs 17,430,000 in EPPL in the form of equity and / or a short term loan, out of which the amount of loan shall not exceed Rs 10,130,000 subject to the obtaining of necessary regulatory and shareholders’ approval. In this connection, an Extraordinary General Meeting (EoGM) was convened on March 6, 2018, wherein the shareholders have approved the requested investment plan.

Edotco, in partnership with the Holding Company has announced the proposed acquisition of approximately 13,000 towers in Deodar (Private) Limited (wholly-owned subsidiary of Pakistan Mobile Communications Limited - PMCL) through Tanzanite Tower (Private) Limited (wholly owned subsidiary of EPPL - Tanzanite). The total transaction consideration for the proposed acquisition is USD 940,000, which is to be funded through a combination of debt and equity. In this respect, the Holding Company, PMCL, Tanzanite and Habib Bank Limited (HBL) have signed an Escrow Agreement for the opening of Escrow Account with HBL for the deposit of share subscription money in the Escrow Account and the Holding Company has deposited its share in it which is shown as 'Advance against investment' in the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Amounts in thousand)

2. GROUP STRUCTURE

The "Group" consists of:

Holding Company: Dawood Hercules Corporation Limited;

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

	%age of direct holding	
	2017	2016
Engro Corporation Limited (note 2.1)	**37.22**	37.22

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

	%age of direct holding	
	2017	2016
The Hub Power Company Limited (note 2.2) Investment held for sale	**14.91**	14.91

2.1 Principal Subsidiary Company - Engro Corporation Limited

Engro Corporation Limited (ECL), is a public listed company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and its shares are quoted on PSX. The principal activity of ECL is to manage investments in subsidiary companies, associated companies and a joint venture, engaged in fertilizers, PVC resin manufacturing and marketing, food, energy, LNG and chemical terminal and storage businesses.

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

	%age of direct holding	
	2017	2016
- Engro Energy Limited (Formerly Engro Powergen Limited) (note 2.1.1)	**100**	100
- Elengy Terminal Pakistan Limited (note 2.1.2)	**80**	80
- Engro Eximp Agriproducts (Private) Limited (note 2.1.3)	**100**	100
- Engro Fertilizers Limited (note 2.1.4)	**56.27**	56.45
- Engro Polymer and Chemicals Limited (note 2.1.5)	**56.19**	56.19
- Engro Digital Limited (note 2.1.6)	**100**	-
- Engro Infiniti (Private) Limited (note 2.1.6)	**100**	-

	%age of direct holding	
	2017	2016
Joint Venture Company:		
- Engro Vopak Terminal Limited (note 2.1.7)	**50**	50
Associated Company:		
- Engro Foods Limited (note 2.1.8)	**39.9**	39.9

Other Subsidiary companies

(Amounts in thousand)

2.1.1 Engro Energy Limited (Formerly Engro Powergen Limited)

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

The name of the Company 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
- Engro Power Services Limited (note 2.1.1.1)	**100**	100
- Engro Power International Holding B.V. (BPIH B.V.) (note 2.1.1.2)	**100**	100
- Kolachi Portgen (Private) Limited (2.1.1.3)	**100**	100
- Engro Powergen Qadirpur Limited (note 2.1.1.4)	**68.9**	68.9
- Engro Powergen Thar (Private) Limited (note 2.1.1.5)	**50.1**	50.1

Following are the associated companies of EEL:

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

2.1.1.1 Engro Power Services Limited (EPSL), a private limited company, has been established in Nigeria with the objective to carry on business as power generating, transmission, distribution and servicing company. EPSL is currently providing Operations and Maintenance (O&M) services to a Captive Power Plant located in 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.

2.1.1.2 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 453,835 (2016: Rs 453,835) 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.

2.1.1.3 Kolachi Portgen (Private) Limited has been established and incorporated in Pakistan with the objective of operating and owning a Regasified Liquefied Natural Gas (RLNG) based power generation plant.

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

2.1.1.5 Engro Powergen Thar (Private) Limited (EPTPL), a private limited company, has been established and incorporated in Pakistan. The principal operations of EPTPL is to carry out the business of power generation, distribution, transmission and sale of electricity. 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%), HBL (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 repealed Companies Ordinance, 1984 (the Ordinance).

2.1.1.6 GEL is a private limited company in Nigeria with the objective of generation and distribution of energy, power and other related services. Its 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.

2.1.1.7 Sindh Engro Coal Mining Company Limited (SECMC) was formed under a Joint Venture Agreement (JVA), dated September 8, 2009, between the Government of Sindh (GoS) 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 operation 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.

2.1.2 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, 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.

2.1.3 Engro Eximp Agriproducts (Private) Limited

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

(Amounts in thousand)

2.1.4 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 the subsidiaries of EFert:

	%age of direct holding	
	2017	2016
- Engro Eximp FZE - (note 2.1.4.1)	**100**	100
- EFERT Agritrade (Private) Limited - (note 2.1.4.2)	**100**	-

2.1.4.1 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).

2.1.4.2 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 reorganisation. EFERT has transferred its business of trading and distribution of imported fertilizers to the new subsidiary and holds 10,000 ordinary shares of Rs 10 each in EAPL.

2.1.5 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 its PVC plant, increasing the production capacity by 100,000 MT and various other projects carrying capital expenditure of Rs 10,300,000.

2.1.6 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.

2.1.7 Joint Venture Company - Engro Vopak Terminal Limited

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

(Amounts in thousand)

2.1.8 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.

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

2.2 Associate Company - The Hub Power Company Limited (Investment - held for sale)

The Hub Power Company Limited (HUBCO) is a public listed company incorporated in Pakistan. The Global Depository Receipts of HUBCO are listed on the Luxembourg Stock Exchange. The principal activities of HUBCO are to develop, own, operate and maintain power stations. HUBCO owns an oil-fired power station of 1,200 MW (net) in Balochistan (Hub plant) and a 214 MW (net) oil-fired power station in Punjab (Narowal plant). During the year the Holding Company has decided to dispose of its entire shareholding in HUBCO as disclosed in notes 1.3 & 17 of these consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of preparation and statement of compliance

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

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

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

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

a) Standards, amendments to published approved accounting standards that are effective in 2017

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

- Amendment to IAS 7 'Statement of cash flows': 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. The amendment does not require any additional disclosure as the reconciliation made in note 20.7 to these consolidated financial statements fulfills the requirement.

- Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealised losses (effective for periods beginning on or after January 1, 2017). These amendments on the recognition of deferred tax assets for unrealised 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 impact has been incorporated in these consolidated financial statements.

  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. Therefore, they have not been presented here.

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 annual periods beginning on or after July 1, 2018).

(Amounts in thousand)

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 profit and loss. 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 and loss with the irrevocable option at inception to present changes in fair value in OCI and 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 are 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 and loss.

- 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.

- IFRS 16 'Leases' (effective for periods beginning on or after January 1, 2019). This standard is yet to be notified by the SECP. This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees, in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. However, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  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 still in the process of assessing the full impact of the above standards on its consolidated financial statements.

There are a 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.

3.1.5 Basis of consolidation

i) Subsidiaries

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

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-recognised from the date the control ceases. These consolidated financial statements include Dawood Hercules Corporation Limited (the Holding Company) and Engro Corporation Limited and all companies in which the Group 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 recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

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

The financial statements of subsidiary companies are incorporated on a line-by-line basis and the investment is eliminated against the corresponding share capital and reserves. Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses (unrealised) are also eliminated.

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 at its fair value, with the change in carrying amount recognised in the consolidated profit and loss account. The fair value is the initial carrying amount for the purpose 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 recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated profit and loss account.

3.1.6 The consolidated financial statements have been prepared based on the audited financial statements of the Holding company and the consolidated financial statements of Engro Corporation Limited.

3.2 Exploration and evaluation assets

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

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

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

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

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

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

(Amounts in thousand)

3.3 Development properties

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

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

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

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

3.4 Property, plant and equipment

3.4.1 Owned assets

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

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

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

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

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

(Amounts in thousand)

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

Depreciation is charged to the consolidated profit and loss account using the straight line method, except for catalyst whose depreciation is charged on the basis of number of production days, whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life. Depreciation on additions is charged from the month following the month in which the asset is available for use and on disposals upto the preceding month of disposal.

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

The Group reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation annually, which is revised if considered necessary.

3.4.2 Leased assets

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

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

3.4.3 Dredging expenditure

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

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

(Amounts in thousand)

3.5 Capital spares

Spare parts and servicing equipment are classified as property, plant and equipment rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. These are valued at weighted average cost less impairment except for items in transit which are stated at invoice value plus other charges incurred 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 realisable value. Upon utilisation, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of the principal asset, whichever is lower.

3.6 Intangible assets

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

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 accumulated impairment, if any. Carrying amounts of these intangibles are subject to impairment review at each reporting date and where conditions exist, impairment is recognised in the consolidated profit and loss account.

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

c) Computer software and licenses

i) Acquired

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

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

Computer software cost treated as intangible assets are amortised from the date the software is put to use on a 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 amortisation and impairment losses. These are amortised using the straight-line basis over a period of 5 years. Amortisation on additions 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 recognised as an expense in the period in which it is incurred.

Development costs incurred on specific projects are capitalised 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 utilisation

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

3.7 Impairment of non-financial assets

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

Goodwill is measured as described in note 3.6 (a). Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

3.8 Investments in Joint ventures

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

3.9 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 recognised at cost and the carrying amount is increased or decreased to recognise the investors share of profit or loss of the investee after the date of acquisition. The Group's investment in an associate includes goodwill identified on acquisition. The Group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the impairment loss as the difference between the recoverable amount of the associate and its carrying value and recognises it in the consolidated profit and loss account. The carrying value of the investment is reduced by the amount of dividend received from the associate during the year.

3.10 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 recognised in the consolidated profit and loss account.

3.11 Financial instruments

3.11.1 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity investments, 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 or those assets which are designated in this category at initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges.

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.

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 till maturity.

(Amounts in thousand)

d) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Recognition

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

Measurement

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

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains and losses arising on revaluation of financial assets at fair value through profit or loss are taken to the consolidated profit and loss account while in case of available for sale investments, they are taken to equity. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest rate method.

Impairment

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. In case of loans and receivables and held to maturity investments, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The loss is recognised in the consolidated profit and loss account. Impairment testing of trade debts and other receivables is described in (note 3.15).

Derecognition

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

3.11.2 Financial liabilities

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

A financial liability is derecognised when the obligation under the liability is discharged, 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, with difference in respective carrying amounts being recognised in the consolidated profit and loss account.

3.11.3 Offsetting of financial assets and liabilities

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

3.12 Derivative financial instruments and hedging activities

Derivatives are recognised initially at fair value on the date a derivative contract is entered into. Attributable transaction costs are recognised in the 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.

b) Cash flow hedges

Changes in fair value of derivative hedging instruments designated cash flow hedges are recognised directly in equity to the extent that the hedge is effective. To the extent the hedge is ineffective, changes in fair value are recognised in the consolidated profit and loss account.

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

c) Other non-trading derivatives

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

(Amounts in thousand)

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 exposures.

3.13 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 incurred 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 realisable value. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence, if any. The change for the provision in recorded in the consolidated profit and loss account.

3.14 Stock-in-trade

These are valued at the lower of cost and net realisable value. Cost is determined using the 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 realisable value signifies the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to be incurred in order to make the sales.

3.15 Trade debts and other receivables

These are recognised initially at fair value plus directly attributable transaction costs, if any and subsequently measured at amortised cost using the 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 the receivables. The amount of provision is charged to consolidated profit and loss account. Trade debts and other receivables considered irrecoverable are written-off and charged to the consolidated profit and loss account.

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

3.16 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents in the consolidated statement of cash flows include cash in hand and in transit, cheques in hand, balances with banks on current, deposit and saving accounts, other short term highly liquid investments with original maturities of three months or less and short term borrowings, which are payable on demand and form an integral part of the Group's cash management.

3.17 Share capital

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

3.18 Borrowings

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

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

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

3.19 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

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

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

3.20 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.

3.21 Provisions

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

3.22 Dividend

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

3.23 Income tax

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

(Amounts in thousand)

3.23.1 Current tax

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

3.23.2 Deferred tax

Deferred tax is recognised 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 consolidated balance sheet date.

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

3.24 Retirement and other service benefits

3.24.1 Defined contribution plans

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

The Group operates:

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

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

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

3.24.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a 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 plans are recognised directly in equity through other comprehensive income.

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

The Group operates defined benefit funded gratuity schemes for its management employees and non-management employees of EFert.

The Group also operates defined benefit funded pension scheme for EFert's management employees. The pension scheme provides life time pension to retired employees or to their spouses. Contributions are made annually to these funds on the basis of actuarial recommendations. The pension scheme has been curtailed effective from July 1, 2005 and no new members are inducted in this scheme. Actuarial gains on curtailment are recognised immediately once the certainty of recovery is established.

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 ECL.

The Holding Company also operates a defined benefit plan i.e. an approved funded gratuity scheme for all its permanent employees who have completed minimum service of prescribed period. The latest actuarial valuation of the scheme has been carried out as at December 31, 2017 using the Projected Unit Credit Method.

An unfunded gratuity scheme has also been established by the Holding Company for all of the eligible contract employees who have completed minimum service of prescribed period. Provision is recognised for the obligation at each reporting date based on the length of services completed at the current salary level.

3.24.3 Employees' compensated absences

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

3.24.4 Other benefits - Service Incentive Plan

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

3.25 Foreign currency transactions and translation

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

3.25.2 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 recognised as a separate component of equity.

3.26 Contingent liabilities

Contingent liabilities are disclosed when:

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

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

3.27 Revenue recognition

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

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

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

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

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

(Amounts in thousand)

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

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

- Revenue from sale of electricity is recognised as follows:

  - Capacity revenue based on the capacity made available to National Transmission and Despatch 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 recognised on the following basis:

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

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

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

3.28 Borrowing costs

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

3.29 Research and development costs

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

3.30 Government grant

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

3.31 Earnings per share

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

(Amounts in thousand)

3.32 Transactions with related parties

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

3.33 Dividend and appropriation to reserves

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

3.34 Segment reporting

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

a) Property, plant and equipment and intangibles

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

b) Investments at fair value through profit or loss

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

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 realisable value of stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditures necessary to make the sales.

(Amounts in thousand)

e) **Impairment of goodwill**

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

f) **Income taxes**

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

g) **Provision for retirement and other service benefits obligations**

The present value of these obligations depend on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations.

h) **Impairment of financial assets**

In making an estimate of future cash flows from the Group's financial assets including investment in joint venture and associates, the management considers future dividend stream and an estimate of the terminal value of these investments.

i) **Construction revenue and cost**

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

j) **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.

k) **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 recognised in the statement of comprehensive income.

l) **Stores and spares**

The Group 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.

(Amounts in thousand)

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

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

n) Impairment of investments in subsidiary, associates and other entities

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

5. PROPERTY, PLANT AND EQUIPMENT

	2017	2016
	------------ (Rupees)	------------
Operating fixed assets (note 5.1)	**103,109,054**	106,365,681
Capital work in progress (note 5.5)	**52,994,469**	23,819,084
Capital spares and standby equipments	**1,408,494**	1,349,490
	157,512,017	131,534,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Amounts in thousand)

5.1 Operating fixed assets

	Land		Building		Lease hold improvements	Pipelines	Plant and machinery		Catalyst	Furniture fixture and equipments		Vehicles		Data processing equipment	Jetty	Dredging	Total
	Freehold	Leasehold	Freehold	Leasehold			Owned	Leased		Owned	Leased	Owned	Leased				
	----------	----------	----------	----------	----------	----------	----------	----------	Rupees	----------	----------	----------	----------	----------	----------	----------	----------
As at January 1, 2016																	
Cost	712,146	522,851	9,262,692	1,727,355	21,704	2,906,515	151,302,227	12,741	1,960,174	2,080,433	21,723	1,449,155	38,400	25,944	5,304,592	2,638,673	179,987,325
Accumulated depreciation	-	(120,884)	(2,492,376)	(516,724)	(1,223)	(590,747)	(44,732,468)	(12,741)	(1,680,585)	(1,440,990)	(21,002)	(822,361)	(38,400)	(14,726)	(174,568)	(146,593)	(52,806,388)
Accumulated impairment	-	(134,921)	-	(642,779)	-	-	(2,570,300)	-	-	(88,342)	-	(915)	-	-	-	-	(3,437,257)
Net book value	712,146	267,046	6,770,316	567,852	20,481	2,315,768	103,999,459	-	279,589	551,101	721	625,879	-	11,218	5,130,024	2,492,080	123,743,680
Year ended December 31, 2016																	
Opening net book value	712,146	267,046	6,770,316	567,852	20,481	2,315,768	103,999,459	-	279,589	551,101	721	625,879	-	11,218	5,130,024	2,492,080	123,743,680
Amortisation of revaluation surplus	-	(2,572)	-	(1,140)	-	3,355	(33,649)	-	-	-	-	-	-	-	-	-	(34,006)
Additions including transfers (note 5.5)	-	39	304,471	35	274	-	3,400,420	-	248,848	354,317	-	330,568	-	3,050	-	225,476	4,867,498
Transfer to capital spares	-	-	-	-	-	-	(491,037)	-	-	-	-	-	-	-	-	-	(491,037)
Capitalisation of net exchange gain by Subsidiary Company (note 5.1.1)	-	-	-	-	-	-	(2,566)	-	-	-	-	-	-	-	-	-	(2,566)
Adjustments / reclassifications																	
Cost	2,488	-	-	-	-	-	(32,581)	-	-	-	-	-	-	-	-	-	(30,093)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2,488	-	-	-	-	-	(32,581)	-	-	-	-	-	-	-	-	-	(30,093)
Adjustments																	-
Disposals / Write offs (note 5.4)																	
Cost	-	-	(625)	-	-	-	(310,093)	-	-	(41,629)	-	(266,705)	-	(1,154)	-	-	(620,206)
Accumulated depreciation	-	-	625	-	-	-	259,168	-	-	27,781	-	207,101	-	591	-	-	495,266
Accumulated impairment	-	-	-	-	-	-	7,758	-	-	850	-	53	-	-	-	-	8,661
	-	-	-	-	-	-	(43,167)	-	-	(12,998)	-	(59,551)	-	(563)	-	-	(116,279)
Depreciation charge (note 5.2)	-	(16,238)	(453,321)	(45,403)	(2,195)	(97,109)	(7,514,086)	-	(200,589)	(252,606)	-	(211,705)	-	(6,024)	(229,200)	(202,276)	(9,230,752)
Impairment (note 5.3)	-	-	-	-	-	-	(105,412)	-	-	(976)	-	-	-	-	-	-	(106,388)
Discontinued operations																	
Cost	(408,580)	-	(3,959,817)	-	-	-	(16,656,897)	(12,741)	-	(619,786)	-	(762,388)	(38,400)	-	-	-	(22,458,609)
Accumulated depreciation	-	-	1,266,028	-	-	-	7,878,696	12,741	-	456,571	-	394,497	38,400	-	-	-	10,046,933
Accumulated impairment	-	-	-	-	-	-	176,312	-	-	126	-	862	-	-	-	-	177,300
	(408,580)	-	(2,693,789)	-	-	-	(8,601,889)	-	-	(163,089)	-	(367,029)	-	-	-	-	(12,234,376)
Net book value	306,054	248,275	3,927,677	521,344	18,560	2,222,014	90,575,492	-	327,848	475,749	721	318,162	-	7,681	4,900,824	2,515,280	106,365,681
As at December 31, 2016																	
Cost	306,054	520,318	5,606,721	1,726,250	21,978	2,909,870	137,175,824	-	2,209,022	1,773,335	21,723	750,630	-	27,840	5,304,592	2,864,149	161,218,306
Accumulated depreciation	-	(137,122)	(1,679,044)	(562,127)	(3,418)	(687,856)	(44,108,690)	-	(1,881,174)	(1,209,244)	(21,002)	(432,468)	-	(20,159)	(403,768)	(348,869)	(51,494,941)
Accumulated impairment	-	(134,921)	-	(642,779)	-	-	(2,491,642)	-	-	(88,342)	-	-	-	-	-	-	(3,357,684)
Net book value	306,054	248,275	3,927,677	521,344	18,560	2,222,014	90,575,492	-	327,848	475,749	721	318,162	-	7,681	4,900,824	2,515,280	106,365,681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Amounts in thousand)

Operating fixed assets - continued

	Land		Building		Lease hold improvements	Pipelines	Plant and machinery		Catalyst	Furniture fixture and equipments		Vehicles		Data processing equipment	Jetty	Dredging	Total
	Freehold	Leasehold	Freehold	Leasehold			Owned	Leased		Owned	Leased	Owned	Leased				
	Rupees																
Year ended December 31, 2017																	
Opening net book value	306,054	248,275	3,927,677	521,344	18,560	2,222,014	90,575,492	-	327,848	475,749	721	318,162	-	7,681	4,900,824	2,515,280	106,365,681
Amortisation of revaluation surplus	-	(2,572)	-	(1,140)	-	3,355	(33,649)	-	-	-	-	-	-	-	-	-	(34,006)
Additions including transfers (note 5.5)	6,200	-	124,511	91,707	172	-	3,328,195	-	8,978	339,634	-	242,811	-	27,697	-	-	4,169,905
Transfer to capital spares	-	-	-	-	-	-	(60,151)	-	-	-	-	-	-	-	-	-	(60,151)
Capitalisation of net exchange loss by Subsidiary Company (note 5.1.1)	-	-	-	-	-	-	309,944	-	-	-	-	-	-	-	-	-	309,944
Adjustments / reclassifications																	
Cost	-	-	(100,634)	5,489	-	110,880	90,794	-	(50,162)	(56,517)	-	150	-	-	-	-	-
Accumulated depreciation	-	(105)	173,044	(353)	-	(181,258)	(37,624)	-	50,162	8,246	-	(12,112)	-	-	-	-	-
Accumulated impairment	-	-	-	(13)	-	-	(539)	-	-	552	-	-	-	-	-	-	-
	-	(105)	72,410	5,123		(70,378)	52,631	-	-	(47,719)	-	(11,962)	-		-	-	-
Disposals / Write offs (note 5.4)																	
Cost	-	(42,420)	-	-	-	-	(14,685)	-	(770,686)	(13,044)	-	(63,460)	-	(4,627)	-	-	(908,922)
Accumulated depreciation	-	16,014	-	-	-	-	3,967	-	770,686	8,374	-	56,931	-	4,391	-	-	860,363
Accumulated impairment	-	-	-	-	-	-	7,824	-	-	490	-	-	-	-	-	-	8,314
	-	(26,406)	-	-	-	-	(2,894)	-	-	(4,180)	-	(6,529)	-	(236)	-	-	(40,245)
Depreciation charge (note 5.2)	-	(13,068)	(221,892)	(43,335)	(2,221)	(169,347)	(6,217,317)	-	(113,570)	(183,942)	-	(92,635)	-	(6,405)	(209,481)	(221,007)	(7,494,220)
Impairment loss (note 5.3)	-	-	-	(107,854)	-	-	-	-	-	-	-	-	-	-	-	-	(107,854)
Net book value	312,254	206,124	3,902,706	465,845	16,511	1,985,644	87,952,251	-	223,256	579,542	721	449,847	-	28,737	4,691,343	2,294,273	103,109,054
As at December 31, 2017																	
Cost	312,254	475,326	5,630,598	1,822,306	22,150	3,024,105	140,796,272	-	1,397,152	2,043,408	21,723	930,131	-	50,910	5,304,592	2,864,149	164,695,076
Accumulated depreciation	-	(134,281)	(1,727,892)	(605,815)	(5,639)	(1,038,461)	(50,359,664)	-	(1,173,896)	(1,376,566)	(21,002)	(480,284)	-	(22,173)	(613,249)	(569,876)	(58,128,798)
Accumulated impairment	-	(134,921)	-	(750,646)	-	-	(2,484,357)	-	-	(87,300)	-	-	-	-	-	-	(3,457,224)
Net book value	312,254	206,124	3,902,706	465,845	16,511	1,985,644	87,952,251	-	223,256	579,542	721	449,847	-	28,737	4,691,343	2,294,273	103,109,054
Annual rate of depreciation (%)	-	1 to 8	2.5 to 33	2.5 to 10	10	5	2.5 to 25	20	No. of production days	3 to 33	20	5 to 25	25	33.3 to 50	6.7	6.7 to 20	

(Amounts in thousand)

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

	2017	2016
	------------ (Rupees)	------------
5.2 Depreciation charge for the year has been allocated as follows:		
Cost of goods sold (note 28.1)	**6,804,730**	8,330,442
Cost of services rendered (note 28.2)	**543,632**	533,561
Selling and distribution expenses (note 29)	**39,412**	247,531
Administrative expenses (note 30)	**106,446**	119,218
	7,494,220	9,230,752
5.3 Impairment loss has been charged to:		
Cost of goods sold (note 28.1)	**107,854**	101,942
Selling and distribution expenses (note 29)	**-**	4,446
	107,854	106,388

5.4 The details of operating fixed assets disposed of / 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
Data processing equipment					
Insurance claim	Adamjee Insurance Company Limited	103	38	65	92
Items having net book value upto Rs 50 each	Various	4,524	4,353	171	315
		4,627	4,391	236	407
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	180
Sales through bid / auction	Various	7,728	4,753	2,975	27,956
Items having net book value upto Rs 50 each	Various	403	376	27	17
	Write off	3,789	3,303	486	-
		13,044	8,864	4,180	28,721

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation & impairment	Net book value	Sale proceeds
		-----------------------	(Rupees)	-----------------------	
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
	Safia 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	780
Insurance claims	EFU General Insurance Limited	1,674	903	771	1,658
Items having net book value upto Rs 50 each		33,453	33,405	48	2,511
		63,460	56,931	6,529	19,904
	Year ended December 31, 2017	908,922	868,677	40,245	745,932
	Year ended December 31, 2016	620,206	503,927	116,279	170,337

5.5 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 equipments	**71,476**	34,013
Advances to suppliers	**209,414**	135,153
Internally generated intangible asset	**177,274**	-
Other ancillary costs	**79,484**	113,131
	52,994,469	23,819,084
Balance as at January 1	**23,819,084**	3,708,782
Additions during the year	**33,383,772**	25,764,701
Transferred to:		
- operating assets (note 5.1)	**(4,106,453)**	(4,846,721)
- intangible assets (note 6)	**(81,616)**	(65,620)
- capital spares	**(20,318)**	(9,647)
Less: Discontinued operations	**-**	(732,411)
Balance as at December 31	**52,994,469**	23,819,084

(Amounts in thousand)

6. INTANGIBLE ASSETS

	Software and licenses	Rights for future gas utilisation	Goodwill note (6.2)	Total
	---------- (Rupees) ----------			
As at January 1, 2016				
Cost	824,859	102,312	4,500,401	5,427,572
Accumulated amortisation and impairment	(625,535)	(24,789)	-	(650,324)
Net book value	199,324	77,523	4,500,401	4,777,248
Year ended December 31, 2016				
Opening net book value	199,324	77,523	4,500,401	4,777,248
Additions including transfers (note 5.5)	65,620	-	-	65,620
Amortisation charge (note 6.1)	(70,545)	(5,110)	-	(75,655)
Discontinued operations				
Cost	(336,876)	-	-	(336,876)
Accumulated amortisation and impairment	292,498	-	-	292,498
	(44,378)	-	-	(44,378)
Closing net book value	150,021	72,413	4,500,401	4,722,835
As at January 1, 2017				
Cost	553,603	102,312	4,500,401	5,156,316
Accumulated amortisation and impairment	(403,582)	(29,899)	-	(433,481)
Net book value	150,021	72,413	4,500,401	4,722,835
Year ended December 31, 2017				
Opening net book value	150,021	72,413	4,500,401	4,722,835
Additions including transfers (note 5.5)	81,616	-	-	81,616
Amortisation charge (note 6.1)	(46,087)	(5,111)	-	(51,198)
Closing net book value	185,550	67,302	4,500,401	4,753,253
As at December 31, 2017				
Cost	635,219	102,312	4,500,401	5,237,932
Accumulated amortisation and impairment	(449,669)	(35,010)	-	(484,679)
Net book value	185,550	67,302	4,500,401	4,753,253

(Amounts in thousand)

		2017	2016
		------------ (Rupees)	------------
6.1	Amortisation charge for the year has been allocated as follows:		
	Cost of goods sold (note 28.1)	**21,791**	22,838
	Selling and distribution expenses (note 29)	**7,543**	5,341
	Administrative expenses (note 30)	**21,864**	47,476
		51,198	75,655

6.2 This represents goodwill (which pertains to fertilizer business), arising on acquisition of control of ECL, mainly on account of expected synergies, efficient business management, high standards of policies, compliances with relevant regulatory framework, integrity, experience and other strength of the work force and management. Goodwill represents excess of the fair value of the previously held equity interest over the proportionate share acquired in identifiable net assets at the date when the control was deemed to be acquired in 2005.

6.3 For impairment testing, the recoverable amount of the proportionate share in the said fertilizer business has been determined based on fair value less cost of disposal. The management has used the 'Market Approach' to determine the fair value less cost of disposal. Based on the valuation, no impairment was considered necessary.

		2017	2016
		------------ (Rupees)	------------
7.	**LONG TERM INVESTMENTS**		
	Unquoted		
	Joint venture company - Engro Vopak Terminal Limited (EVTL) - (notes 7.1 to 7.3)	**1,337,772**	1,420,688
	Investment in associates (notes 7.4 and 7.5)		
	- GEL Utility Limited (GEL)	**1,218,689**	1,036,660
	- Sindh Engro Coal Mining Company (SECMC)	**1,208,203**	910,905
		2,426,892	1,947,565
	Quoted		
	Investment in associates:		
	- The Hub Power Company Limited (HUBCO) - (note 7.4)	**-**	5,987,149
	- Engro Foods Limited (EFoods) - (note 7.4)	**28,271,457**	31,180,875
	Available for sales investments - Unquoted		
	- Arabian Sea Country Club Limited 500,000 Ordinary shares of Rs 10 each (note 7.6.2)	**5,000**	5,000
	- Magboro Power Company (note 7.6.2)	**154,560**	146,580
		159,560	151,580
		32,195,681	40,687,857

(Amounts in thousand)

7.1 Details of investment in EVTL is as follows:

	2017	2016
	------------ (Rupees) ------------	
At the beginning of the year	**1,420,688**	1,411,394
Add: Share of profit for the year (note 34)	**1,132,084**	1,044,294
Less: Dividend received during the year	**(1,215,000)**	(1,035,000)
At the end of the year	**1,337,772**	1,420,688

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

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

Balance Sheet			Profit and Loss		
Particulars	**2017**	2016	**Particulars**	**2017**	2016
	-------- (Rupees) --------			-------- (Rupees) --------	
Cash and cash equivalent	**92,931**	188,679	Revenue	**3,214,907**	2,919,720
Current financial liabilties (excluding trade and other payables)	**-**	-	Depreciation and amortisation	**225,478**	226,170
Non-current financial liabilities (excluding trade and other payables)	**-**	-	Interest income	**15,807**	19,394
Non-current assets	**2,606,873**	2,687,074			
Current assets	**548,853**	596,801	Interest expense	**-**	1,602
Non-current liabilities	**(9,675)**	(8,094)			
Current liabilities	**(435,714)**	(399,610)	Income tax expense	**288,786**	268,344
	2,710,337	2,876,171			
Group's share at 50% (2016: 50%)	**1,355,169**	1,438,085	Total comprehensive income for the year	**2,264,168**	2,088,585
Others	**(17,397)**	(17,397)			
Carrying amount	**1,337,772**	1,420,688			

7.4 Details of investment in associates is as follows:

	2017				2016			
Particulars	**EFOODS**	**HUBCO**	**GEL**	**SECMC**	EFOODS	HUBCO	GEL	SECMC
At beginning of the year	**31,180,875**	**5,987,149**	**1,036,660**	**910,905**	31,219,746	6,382,752	763,270	793,873
Add:								
- Investment in associates	**-**	**-**	**-**	**144,839**	-	-	-	49,785
- Advance against issue of shares	**-**	**-**	**-**	**154,818**	-	-	-	-
- Share of profit / (loss) for the year (note 34)	**151,341**	**1,226,236**	**182,029**	**(2,359)**	(38,871)	1,761,852	273,390	(5,316)
- Share of other comprehensive income / (loss) for the year	**-**	**2,120**	**-**	**-**	-	(180)	-	-
- Gain on deemed disposal (note 31)	**-**	**-**	**-**	**-**	-	-	-	72,563
Dividend received during the year	**(3,060,759)**	**(604,037)**	**-**	**-**		(2,157,275)	-	-
Transferred to investment - held for sale	**-**	**(6,611,468)**	**-**	**-**	-	-	-	-
	28,271,457	**-**	**1,218,689**	**1,208,203**	31,180,875	5,987,149	1,036,660	910,905

(Amounts in thousand)

7.5 The summary of financial information / reconciliations of HUBCO as of June 30, 2017 and for EFoods, GEL and SECMC as of December 31, 2017 is as follows:

	2017			
Particulars	**EFoods**	**HUBCO**	**GEL**	**SECMC**
	(Rupees)			
Revenue	34,653,486	77,314,288	1,770,784	35,411
Profit / (loss) after tax	379,297	8,224,241	404,510	(19,802)
Other comprehensive income	(6,685)	14,220	-	-
Total comprehensive income / (loss)	372,612	8,238,461	404,510	(19,802)
Non-current assets	13,686,609	56,167,910	7,595,410	39,420,458
Current assets	8,531,721	103,451,890	2,261,986	1,288,559
Total assets	22,218,330	159,619,800	9,857,396	40,709,017
Less:				
Non-current liabilities	5,408,658	23,572,292	3,923,506	25,051,668
Current liabilities	7,088,648	101,049,007	3,180,514	5,582,790
Total Liabilities	12,497,306	124,621,299	7,104,020	30,634,458
Net assets	9,721,024	34,998,501	2,753,376	10,074,559
Group's share in %	39.90%	14.91%	45.00%	11.91%
Share of net assets	3,933,639	5,218,276	1,239,019	1,199,880
Recognition of investment at fair value	24,337,818	-	-	-
Others	-	1,393,192	(20,330)*	8,323
Carrying amount	28,271,457	6,611,468	1,218,689	1,208,203

The summary of financial information / reconciliations of HUBCO as of September 30, 2016 and for EFoods, GEL and SECMC as of December 31, 2016 is as follows:

	2016			
Particulars	EFoods	HUBCO	GEL	SECMC
	(Rupees)			
Revenue	44,346,031	88,506,574	1,764,246	27,136
Profit after tax	2,386,712	12,446,569	669,624	(36,834)
Other comprehensive income	12,168	(1,209)	-	(1,106)
Total comprehensive income	2,398,880	12,445,360	669,624	(37,940)
Non-current assets	14,246,416	57,304,617	7,632,812	22,236,353
Current assets	10,467,356	94,341,404	2,119,023	2,266,348
Total assets	24,713,772	151,646,021	9,751,835	24,502,701
Less:				
Non-current liabilities	2,105,824	26,696,138	4,588,204	12,251,353
Current liabilities	5,457,429	89,062,631	2,954,529	4,731,858
Total Liabilities	7,563,253	115,758,769	7,542,733	16,983,211
Net assets	17,150,519	35,887,252	2,209,102	7,519,490
Less: Proposed dividend not yet adjusted	-	(5,207,195)	-	-
Adjusted net assets	17,150,519	30,680,057	2,209,102	7,519,490
Group's share in %	39.90%	14.91%	45%	11.9%
Share of net assets	6,843,057	4,574,396	994,096	895,571
Recognition of investment at fair value	24,337,818	-	-	-
Others	-	1,412,753	42,564*	15,334
Carrying amount	31,180,875	5,987,149	1,036,660	910,905

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

(Amounts in thousand)

		2017	2016
		-------------Rupees-------------	
7.6	Available for sale investments		
	e2e Business Enterprises (Private) Limited (e2eBE) - unquoted		
	Cost (11,664,633 ordinary shares of Rs 10 each)	116,646	116,646
	Less: Accumulated impairment	(116,646)	(116,646)
	Percentage of holding 19.14% (2016: 19.14%)	-	-

7.6.1 The Holding Company had made aggregate investment amounting to Rs 238 million during the years 2013 and 2014 in e2e Business Enterprises (Private) Limited (e2eBE) representing an equity interest of 39%. e2eBE was set up for the production, sale and marketing of Rice Bran Oil (RBO) and was planned to start commercial operations in 2014. However, due to certain technical issues it has not been able to start the commercial operations of the project till date. Further, due to serious financial and liquidity issues, it has not been able to service its outstanding loans and working capital requirements.

The Holding Company disposed off part of its shareholding, 19.86%, in e2eBE during the year ended December 31, 2015. However, this disposal has not been recorded by e2eBE in its shareholder register. The Holding Company has informed SECP in this respect through its letters dated May 12, 2016 and January 22, 2018. Further, the Holding Company had assessed the carrying amount of its investment in e2eBE in accordance with the requirements of IAS 36 'Impairment of Assets' and the investment has been fully impaired as the possibility of turnaround of e2eBE operations was considered remote.

7.6.2 These equity investments have been classified as available for sale but due to absence of a quoted market price in an active market, they have been measured at cost.

8. DEFERRED TAXATION

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
	------------ Rupees ------------			
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	-	549,328	-
Engro Elengy Terminal (Private) Limited	-	850,979	-	723,949
Net effect of consolidation adjustments	2,632	360,391	28,143	221,420
	23,765	10,692,321	577,471	8,982,706

(Amounts in thousand)

	2017	2016
	(Rupees)	
8.1 Credit / (Debit) balances arising on account of:		
- Accelerated depreciation allowance	**17,536,053**	17,636,684
- Recoupable carried forward tax losses (note 8.2)	**(1,444,837)**	(2,778,309)
- Recoupable minimum turnover tax (note 8.3)	**(510,131)**	(2,346,967)
- Unrealised 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	**(924,358)**	(618,568)
- Provision for net realisable value of stock-in-trade	**(7,515)**	(109,811)
- Recoupable Alternative Corporate Tax (note 8.4)	**(4,074,227)**	(3,962,572)
- Deferred tax on recognition of investment at fair value	**-**	478,244
- Others	**232,918**	174,955
	10,668,556	8,405,235

8.2 Relates to aggregate tax losses of Engro Polymer and Chemicals Limited available for carry forward amounting to Rs 4,816,123 (2016: Rs 9,261,030).

8.3 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

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

	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

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(Amounts in thousand)

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

	2017	2016
	------------Rupees------------	
Loans and advances to:	**480,566**	427,872
Executives (notes 9.1 to 9.3)	**733**	13,645
Other employees (note 9.2)	**481,299**	441,517
Less: Current portion shown under current assets (note 13)	**185,230**	180,592
	296,069	260,925
Receivable from Sui Southern Gas Company Limited (SSGCL) (note 9.5)	**1,063,751**	1,085,717
Less: Current portion shown under current assets (note 13)	**26,264**	21,966
	1,037,487	1,063,751
Direct cost of Floating Storage & Regasification Unit (FSRU) (note 9.6)	**1,052,609**	1,139,125
Prepaid Insurance and Loan arrangement fee (Note 9.7)	**9,042,789**	-
Less transaction cost netted off from related borrowings	**(4,625,055)**	-
	4,417,734	7,382,169
Other receivables	**5,836**	4,531
	6,809,735	9,850,501

9.1 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 / amortisation	**(286,827)**	(323,414)
Discontinued operations	**-**	(67,931)
Balance as at December 31	**480,566**	427,872

9.2 Long term loans and advances include:

- interest free 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.

9.3 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).

9.4 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.

9.5 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.

(Amounts in thousand)

9.6 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.

9.7 This primarily represents payments made to China Export and Credit Insurance Bank (Sinosure) by Engro Powergen Thar (Private) Limited (EPTPL), 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 costs for loan arrangements. The portion of the above costs, which relate to facilities actually utilised, has been adjusted against related borrowings and is being amortised over the term of the loan. The balance amount, Rs 4,417,734 (2016: Rs 7,382,169), will be recognised as transaction cost over the term of financing upon draw down of facilities.

10. STORES, SPARES AND LOOSE TOOLS

	2017	2016
	(Rupees)	
Consumable stores	2,426,512	2,130,493
Spares and loose tools including in-transit of 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 10.1)	511,430	290,378
- Provision for impairment	70,536	73,681
	7,638,801	7,148,040

10.1 Includes specific provision made by Engro Polymer and Chemical Limited, a subsidiary company.

11. STOCK-IN-TRADE

	2017	2016
	(Rupees)	
Raw and packing materials (notes 11.1 and 11.2)	3,691,665	2,469,134
Unprocessed rice	765,498	351,231
Fuel stock	379,524	381,244
Work-in-process	47,372	32,868
Finished goods:		
- own manufactured product (note 11.1)	3,543,390	6,333,929
- purchased product (note 11.1)	4,638,428	1,135,905
	8,181,818	7,469,834
	13,065,877	10,704,311

11.1 Includes:

- materials in transit amounting to Rs 465,258 (2016: Rs 548,142);
- inventories carried at net realisable value of Rs 25,453 (2016: Rs 70,067); and
- inventories held at storage facilities of third parties amounting to Rs 2,404,785 (2016: Rs 365,765)

(Amounts in thousand)

11.2 Packing material amounting to Nil (2016: Rs 7,800) has been written off.

12. TRADE DEBTS

	2017	2016
	---Rupees---	
Considered good		
- secured (notes 12.1 and 12.2)	**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 12.3)	**(39,039)**	(24,400)
	13,641,538	13,733,482

12.1 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.

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

12.3 As at December 31, 2017, trade debts aggregating to Rs 4,047,316 (2016: Rs 3,565,917) were neither past due nor impaired whereas, 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

12.4 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

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For the year ended December 31, 2017

(Amounts in thousand)

	2017	2016
	------------ (Rupees) ------------	
13. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS		
Current portion of long term loans and advances to executives and other employees (note 9)	**185,230**	180,592
Advances to executives and other employees (note 13.1)	**24,951**	25,354
Current portion of receivable from SSGCL (note 9)	**26,264**	21,966
Advances and deposits	**736,973**	545,125
Prepayments:		
- insurance	**210,119**	231,897
- others	**873,498**	430,167
	2,057,035	1,435,101

13.1 Represents interest free advances to executives of subsidiary companies for house rent, given in accordance with the Group's policy. It also includes Rs 524 (2016: Nil) due from key management personnel of the Holding Company. The maximum amounts due at the end of any month during the year from the directors and executives were Rs 504 (2016: Rs 110) and Rs 485 (2016: Rs 3,151) respectively.

13.2 The carrying values of the loans and advances are neither past due nor impaired. There is no recent history of default in respect of these advances.

(Amounts in thousand)

	2017	2016
	----Rupees----	

14. OTHER RECEIVABLES

	2017	2016
Receivable from Government of Pakistan against:		
- Sales tax refundable	1,667,521	1,079,652
- Subsidy (note 14.1)	7,741,461	6,309,486
	9,408,982	7,389,138
- Others	54,730	54,730
Less: Provision for impairment (note 14.4)	(54,730)	(54,730)
	-	-
	9,408,982	7,389,138
Delayed payment charges (note 14.2)	909,376	1,021,505
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
- Dawood Corporation (Private) Limited	744	647
- Dawood Lawrencepur Limited	5,292	269
- The Dawood Foundation	4,957	2,958
- Inbox Business Technologies	1,024	352
- Sach International	1,488	5,244
- Tenaga Generasi Limited	484	240
- Reon Energy Limited	1,285	5,432
Claims on suppliers and insurance companies	2,225	1,629
Others	106,703	196,948
	10,922,891	9,372,452

14.1 During 2015, the Government of Pakistan (GOP) 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 GOP 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).

(Amounts in thousand)

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.

14.2 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. This includes mark-up over due amounting to Rs 737,788 (2016: Rs 958,029).

14.3 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

14.4 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 were 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 during the year - net	**-**	(215,858)
Balance as at December 31	**54,730**	54,730

15. SHORT TERM INVESTMENTS

At fair value through profit or loss

Fixed income placements (note 15.1)	**-**	1,786,782
Treasury Bills (note 15.2)	**60,007,819**	60,864,369
	60,007,819	62,651,151
Held to maturity		
Fixed income placements (note 15.1)	**9,870,818**	1,225,000
Treasury Bills (note 15.2)	**-**	849,376
Term Deposit Receipt (TDR) (note 15.3)	**15,000**	-
	9,885,818	2,074,376
	69,893,637	64,725,527

(Amounts in thousand)

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

15.2 These represent treasury bills carrying interest at rates ranging upto 6.80% (2016: 6.68%) per annum. These have maturity dates of upto one year from the reporting date.

15.3 As of December 31, 2017, the Holding Company holds TDR with Bank Alfalah Limited carrying profit rate of 5% per annum. The TDR is due to mature on November 23, 2018. The Bank has marked lien over this TDR against corporate credit card facilities.

	2017	2016
	-------------Rupees	-------------
16. CASH AND BANK BALANCES		
Balances with banks in:		
- deposit accounts (notes 16.1 and 16.2)	**7,070,150**	5,356,229
- current accounts	**2,713,212**	785,372
Cheques / demand drafts in hand	**-**	38,068
Cash in hand	**3,289**	6,998
	9,786,651	6,186,667

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

16.2 Includes Rs 2,539,880 (2016: Rs 641,747) held in foreign currency bank accounts carrying return at the rate of 1.00% (2016: 1.00%) per annum.

(Amounts in thousand)

	2017	2016
	------------ (Rupees) ------------	

17. INVESTMENT - HELD FOR SALE

17.1 Investment in associate

	2017	2016
The Hub Power Company Limited (HUBCO) - (notes 7.4 and 7.5)	6,611,468	-

17.2 On June 30, 2017, the Holding Company had notified PSX regarding its intention to sell its entire 14.91% shareholding in HUBCO. Pursuant to the aforementioned notification a STC had been constituted for the purpose of evaluating the proposed divestment. Though the Share Purchase Agreement entered into with KAPCO did not materialise, the management of the Holding Company remained committed to the selling plan with the investment being actively marketed. This resulted in the Holding Company accepting an offer from a proposed buyer in a meeting of its Board held on February 1, 2018 as disclosed in note 1.3 above. Consequently, the investment has been classified as 'Held for sale'.

17.3 The Holding Company has 14.91% (2016: 14.91%) of the voting power in HUBCO by virtue of its shareholding. Due to the representation of the Holding Company's nominees on the Board of Directors of HUBCO, the Holding Company has significant influence over HUBCO.

17.4 The market value of investment in HUBCO as at December 31, 2017 was Rs 15,704,962 (2016: Rs 21,310,425).

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

Bank	As at December 31, 2017			As at December 31, 2016		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
	(in '000)	-------------- (Rupees)	--------------	(in '000)	-------------- (Rupees)	--------------
Pledged against financing facilities availed by the Holding Company						
Long term:						
Allied Bank Limited - note 20.3.2 & 20.3.3	-	-	-	82,570	825,700	10,195,744
Short term:						
Bank AL Habib Limited - note 25.1.2	20,256	202,560	1,843,296	20,256	202,560	2,501,211
United Bank Limied - note 25.1.3	16,182	161,815	1,472,517	16,182	161,820	1,988,092
MCB Islamic Bank Limited - note 25.1.4	13,500	135,000	1,228,500	4,762	47,620	588,012
Habib Metropolitan Bank Limited - note 25.1.5	27,861	278,610	2,535,350	25,850	258,500	3,191,958

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2017

(Amounts in thousand)

18. SHARE CAPITAL

18.1 Authorised share capital

2017	2016		2017	2016
-----(Number of shares) -----			------------ (Rupees) ------------	
1,000,000,000	1,000,000,000	Ordinary shares of Rs 10 each	**10,000,000**	10,000,000

18.2 Issued, subscribed and paid-up share capital

2017	2016		2017	2016
-----(Number of shares) -----			------------ (Rupees) ------------	
13,900,000	13,900,000	Ordinary shares of Rs 10 each fully paid in cash	**139,000**	139,000
467,387,116	467,387,116	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**4,673,871**	4,673,871
481,287,116	481,287,116		**4,812,871**	4,812,871

18.3 Shares held by related parties

	2017	2016
	---------- (Rupees) ----------	
Dawood Lawrencepur Limited Percentage of holding 16.192% (2016: 16.192%)	**77,931,896**	77,931,896
The Dawood Foundation Percentage of holding 3.946% (2016: 3.946%)	**18,991,988**	18,991,988
Cyan Limited Percentage of holding 0.165% (2016: 0.165%)	**794,380**	794,380
Sach International (Private) Limited Percentage of holding 0.001% (2016: 0.001%)	**6,996**	6,996
Directors and Chief Executive Officer of the Holding Company (including their spouse and minor children) Percentage of holding 13.645% (2016: 12.503%)	**65,672,656**	60,176,444

19. 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.

(Amounts in thousand)

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 15). Till such time the amount is deposited again to the required level, EPQL has unutilised short term financing available to meet any unexpected maintenance requirements that may arise in the foreseeable future.

20. BORROWINGS - Secured (Non-participatory)

	2017	2016
	------------ (Rupees) ------------	
Engro Rupiya Certificates (note 20.1)	**994,841**	3,983,839
Islamic Finances (note 20.2)	**10,755,392**	7,689,810
Conventional Finances (note 20.3)	**41,195,096**	39,308,507
Foreign currency borrowings and others (note 20.4)	**42,937,305**	26,025,309
	95,882,634	77,007,465
Less:		
Current portion shown under current liabilities	**(12,392,265)**	(13,272,722)
	83,490,369	63,734,743

		Note	Mark-up	Installments Number	Installments Commenced/ Commencing from	2017	2016
						------------ (Rupees) ------------	
20.1	**Engro Rupiya Certificates**						
	Engro Islamic Rupiya Certificates - I	20.1.1	13%	Lump sum	-	-	2,987,879
	Engro Islamic Rupiya Certificates - II	20.1.2	13.5%	Lump sum	-	994,841	995,960
						994,841	3,983,839
20.2	**Islamic Finances**						
	Dubai Islamic Bank Limited		6 months KIBOR + 0.4%	4 half yearly	November 30, 2018	800,000	800,000
	Privately Placed Subordinated Sukuk Certificates		6 months KIBOR + 1.75%	10 half yearly	January 9, 2015	2,231,699	2,860,174
	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	20.2.1	3 months KIBOR + 3.5%	20 half yearly	-	1,185,441	671,983
	Sukuk certificates	20.2.2	3 months KIBOR + 1%	10 half yearly	May 16, 2019	5,139,511	-
						10,755,392	7,689,810

(Amounts in thousand)

20.3	Conventional Finances	Note	Mark-up	Installments Number	Installments Commenced/ Commencing from	2017	2016
						------------ (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	20.3.1	6 months KIBOR + 0.8%	6 half yearly	June 1, 2019	1,000,000	750,000
	Bilateral - VIII	20.3.1	6 months KIBOR + 0.4%	6 half yearly	June 30, 2020	750,000	-
	Bilateral - VIII	20.3.1	6 months KIBOR + 0.4%	6 half yearly	June 26, 2020	2,000,000	-
	Syndicated term finance	20.3.2	6 months KIBOR + 1%	10 half yearly	May 19, 2017	-	3,750,000
	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
	Allied Bank Limited	20.3.3	6 months KIBOR + 2%	10 half yearly	July 5, 2013	-	139,143
	National Bank of Pakistan		6 months KIBOR + 1.1%	10 half yearly	March 5, 2013	-	599,521
	National Bank of Pakistan	20.2.1	3 months KIBOR + 3.5%	20 half yearly	-	928,793	526,499
	National Bank of Pakistan		6 Months KIBOR + 1.2%	10 half yearly	September 28, 2013	166,531	415,521
	Faysal Bank Limited		6 months KIBOR + 1.2%	13 half yearly	May 26, 2013	499,138	831,182
	Samba Bank Limited		6 Months KIBOR + 0.9%	14 half yearly	April 1, 2013	199,431	297,621
	Syndicated finance		6 months KIBOR + 0.4%	6 half yearly	June 26, 2019	9,108,338	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	20.3.4	6 Months KIBOR + 0.05%	4 half yearly	March 21, 2021	1,500,000	-
	HBL - led Consortium	20.2.1	3 months KIBOR + 3.5%	20 half yearly	-	5,042,865	2,858,617
						41,195,096	39,308,507
20.4	Foreign Borrowings and Others						
	International Finance Corporation	20.4.1	6 months LIBOR + 3%	5 half yearly	July 18, 2014	-	1,249,386
	International Finance Corporation		6 months LIBOR + 2.6 to 3%	15 half yearly	June 2010	-	416,903
	International Finance Corporation		6 month LIBOR + 5%	16 half yearly	June 15, 2016	1,523,870	1,713,593
	International Financial Institution		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)	20.4.2	6 months LIBOR + 4.2%	20 half yearly	-	31,476,818	10,382,728
	Asian Development Bank		6 month LIBOR + 5%	16 half yearly	June 15, 2016	2,285,808	2,569,908
	Local Syndicate Loan		6 month KIBOR + 1.8%	16 half yearly	June 15, 2016	2,779,576	3,289,791
						42,937,305	26,025,309

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

20.1.2 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 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 ECL for early redemption at any time from the date of investment subject to an Early Redemption Discount service charge on the outstanding issue price.

The EIR Certificates - II have been secured by way of first ranking pari passu floating charge. In this respect, ECL has appointed Meezan Bank Limited as a trustee.

The proceeds from the EIR Certificates - II were utilised to payoff conventional liabilities and to meet funding requirements of the subsidiaries of the Group and to finance new projects.

(Amounts in thousand)

20.2.1 EPTPL has entered into the following loan agreements:

- Rupee Facility Agreement with 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).

- 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 the entire debt and pledge shares in favour of the Security Trustee. Additionally, shareholders other than HBL have also provided SBLCs as coverage for their equity commitments in the project.

20.2.2 This represents the amortised cost of the Rated, Over the Counter Listed and Secured Islamic Certificates (Sukuks), amounting to Rs 5,200,000 (2016: Nil), issued by the Holding Company during the year, to Qualified Institutional Buyers (QIBs) through private placement by JS Bank Limited as an agent and advisor. The Sukuks are secured against ECL shares with 50% margin and charge over all the assets of the Holding Company with a 25% margin. The Sukuks carry mark-up at the rate of three months KIBOR plus 100 basis points per annum. The Sukuks are for a period of 5 years and are payable semi-annually with the first principal repayment to be made after the expiry of 18 months commencing from May 2019.

20.3.1 During the year, EPCL has obtained borrowings of Rs 2,750,000 under the new financing arrangements and increased the utilisation of existing facility from Rs 750,000 to Rs 1,000,000 through first supplemental finance agreement. Further, EPCL repaid its outstanding balance owed to IFC amounting to Rs 416,903.

20.3.2 This syndicated term finance facility was sanctioned to the Holding Company, by a syndicate of banks led by Allied Bank Limited (ABL), under Syndicate Term Finance Agreement (the Agreement) aggregating to Rs 4,000,000 which was utilised upto Rs 3,750,000. The facility was secured against HUBCO shares with 50% margin. The facility carried mark-up at the rate of six months KIBOR plus 100 basis points per annum. The facility was for a period of 5 years payable semi-annually with the first principal repayment to be made after the expiry of 2 years grace period commencing from May 2017. The Agreement allowed the Holding Company to exercise an irrevocable option, at any time after the first instalment became due, to repay the entire outstanding principal along with markup. The Holding Company exercised the prepayment option and repaid the facility in full in November 2017.

(Amounts in thousand)

20.3.3 This long term finance facility was obtained under mark-up arrangement from ABL aggregating to Rs 380,000. The facility was secured by way of hypothecation charge over all assets of the Holding Company with 25% margin and pledge of HUBCO shares with 50% margin . The facility carried mark-up at the rate of six months KIBOR plus 200 basis points per annum. The facility was for a period of 5 years payable semi-annually in arrears with the first principal repayment made on July 5, 2013 after the expiry of 1 year grace period. The final repayment of the facility was due on July 5, 2017. The facility was repaid in full on due date.

20.3.4 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.

20.4.1 EFert availed a loan of US$ 30,000 from International Finance Corporation (IFC), divided into (i) 30% convertible loan on the shares of EFert at Rs 24 per ordinary share calculated at the US Dollar to Pakistani 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 the remaining conversion option on US$ 1,000. Consequently 4,367,083 ordinary shares of EFert have been allotted to IFC on March 15, 2017. Further, EFert has fully repaid remaining outstanding balance of the loan during the current year.

20.4.2 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 the entire debt and pledge shares in favour 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 324,516 (2016: USD 114,542) from this facility while the undrawn amount is equal to USD 296,484 (2016: USD 506,458).

20.5 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.

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

(Amounts in thousand)

20.7 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	**77,007,465**
Add:	
Borrowings availed during the year	**35,034,244**
Exchange gain	**2,155,794**
Amortisation of transaction cost	**329,595**
Less:	
Repayment of borrowings	**(15,512,741)**
Conversion of IFC loan option	**(104,810)**
Transaction costs	**(3,026,913)**
Balance as at December 31	**95,882,634**

21. 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 derivatives 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 derivatives if economic characteristics and risks of the embedded derivatives 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) as to whether these derivatives were closely or not closely related to the host contract.

In addition, EPQL had also requested ICAP to prescribe a definite basis or guidelines for the valuation of such embedded derivatives considering the subjectivity involved therein if these were considered to be not closely related to the host contract. Further, as indexation of USD / PKR exchange rate related to debt component being not recognised separately as embedded derivatives, EPQL, taking cognisance of the 'matching principle', requested SECP to allow deferment of recognising exchange loss on translation of borrowings under IAS 21 - Foreign Currency Transactions in the profit and loss account 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 capitalising the exchange differences, and not to recognise 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 were required to give “Additional Disclosure” as if the accounting for embedded derivatives had been adopted in preparing the financial statements.

(Amounts in thousand)

In view of the above SRO, EPQL has capitalised 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 the current year (2016: net-of exchange gain of Rs 2,566) in property, plant and equipment (note 5.1.1).

21.1 Additional disclosure under SRO 24 (1) 2012

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

	Non controlling interest	Unappropriated profit	Property, plant and equipment	Derivative financial asset / (liability)
	(Increase) / Decrease	(Increase) / Decrease	Increase / (Decrease)	Increase / (Decrease)
	(Rupees)			
As at January 1, 2016	1,567,820	3,471,781	(2,129,492)	(2,910,109)
For the year ended December 31, 2016				
- Recognition of exchange gain	(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	(2,018,058)	(4,183,687)
For the year ended December 31, 2017				
- 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)

22. DEFERRED LIABILITIES

	2017	2016
	(Rupees)	
Retirement and other service benefits obligations	**331,065**	300,510
Less: Current portion shown under current liabilities	**(103,235)**	(101,790)
	227,830	198,720

(Amounts in thousand)

23. TRADE AND OTHER PAYABLES

	2017	2016
	------------ (Rupees) ------------	
Creditors (note 23.1)	**8,673,095**	13,941,425
Accrued liabilities (note 23.2)	**19,935,201**	13,809,932
Advances from customers	**6,161,805**	763,081
Deposits from dealers/ distributors refundable on termination of dealership	**25,607**	18,155
Retention money	**26,805**	33,442
Contractors'/ suppliers' deposits	**123,220**	124,511
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 Limited	**47,388**	33,885
Others	**1,376,517**	646,128
	39,310,803	31,775,488

23.1 Include amounts 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

23.2 Includes:

- Rs 212,193 relating to provisions recognised on basis of prudence in respect of certain claims. The Group, however, is confident of favourable outcome in respect of these claims.

- accrual for Gas Infrastructure Development Cess (GIDC) amounting to Rs 10,113,754 (2016: Rs 3,912,551).

24. ACCRUED INTEREST / MARK-UP

	2017	2016
	------------ (Rupees) ------------	
Accrued interest / mark-up on secured:		
- long term borrowings	**1,423,455**	913,765
- short term borrowings	**129,209**	324,296
	1,552,664	1,238,061

(Amounts in thousand)

25. SHORT TERM BORROWINGS

	2017	2016
	------------ (Rupees)	------------
Running finances utilised under mark-up arrangements (note 25.1)	11,327,158	7,304,519
Export refinance facility	-	300,000
Money market loan	-	800,000
	11,327,158	8,404,519

25.1 Running finances

25.1.1 The short-term running finances available to the subsidiary companies 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.

Details of running finance facilities obtained by the Holding Company are as follows:

25.1.2 Short-term running finance facility aggregating to Rs 1,500,000 (2016: Rs 1,500,000) obtained under mark-up arrangements from Bank Al-Habib Limited. The amount which remained unutilised as at December 31, 2017 was Rs 1,500,000 (2016: Rs 1,500,000). The facility is secured by way of pledge of HUBCO shares as disclosed in note 17.5. Rate of mark-up applicable to the facility is three months KIBOR plus 65 basis points (2016: three months KIBOR plus 65 basis points) per annum. The facility will expire on April 30, 2018.

25.1.3 Short-term money market finance facility aggregating to Rs 1,000,000 (2016: Rs 2,000,000) obtained under mark-up arrangements from United Bank Limited. The amount which remained unutilised as at December 31, 2017 was Rs 100,000 (2016: Rs 1,000,867). The facility is secured by way of pledge of HUBCO shares as disclosed in note 17.5. Rate of mark-up applicable to the facility ranges from one month KIBOR plus 70 basis points to one month KIBOR plus 10 basis points (2016: one month KIBOR plus 70 basis points) per annum. The facility will expire on June 30, 2018.

25.1.4 Short-term running finance facility aggregating to Rs 1,000,000 (2016: Rs 800,000) obtained under Shariah approved arrangement (Running Musharakah arrangement) from MCB Islamic Bank Limited. The amount which remained unutilised as at December 31, 2017 was Rs 914,196 (2016: Rs 800,000). The facilities are secured by way of pledge of HUBCO shares as disclosed in note 17.5. Rate of profit applicable to the facility is three month KIBOR plus 25 basis points (2016: three month KIBOR plus 75 basis points) per annum. The facility will expire on May 31, 2018.

25.1.5 Short-term running finance facility aggregating to Rs 2,000,000 (2016: Rs 2,000,000) obtained under mark-up arrangement from Habib Metropolitan Bank Limited. The amount which remained unutilised as at December 31, 2017 was Rs 1,743,802 (2016: Rs 130,200). The facility is secured by way of pledge of HUBCO shares as disclosed in note 17.5. Rate of mark-up applicable to the facility is three months KIBOR plus 25 basis points (2016: three months KIBOR plus 75 basis points) per annum. The facility will expire on January 31, 2018.

(Amounts in thousand)

25.2 Letters of credit and bank guarantees

The aggregate facilities available to subsidiary companies for opening Letters of credit and Bank guarantees amounts to Rs 16,155,860 (2016: Rs 14,153,048). The unutilised balance as at December 31, 2017 amounts to Rs 12,712,000 (2016: Rs 6,469,000).

26. CONTINGENCIES AND COMMITMENTS

Contingencies

	2017	2016
	(Rupees)	
26.1 Guarantees issued in favour of subsidiary companies by ECL:		
- Engro Fertilizers Limited	-	1,257,600
- Engro Powergen Qadirpur Limited (note 26.1.1)	1,108,000	1,048,000
- Engro Energy Limited (note 26.1.2.1)	7,946,128	9,544,136
- Engro Elengy Terminal (Private) Limited (note 26.1.2.3)	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

26.1.1 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).

26.1.2 ECL has provided the following corporate guarantees in favour of:

26.1.2.1 Engro Energy Limited (EEL)

- ECL 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) fulfillment of sponsor obligations under Sponsor Support Agreements.

- ECL 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) fulfillment of sponsor obligations pursuant to Put Option SSA.

(Amounts in thousand)

26.1.2.2 Engro Elengy Terminal (Private) Limited (EETPL), a wholly owned subsidiary company of Elengy Terminal Pakistan Limited (ETPL)

- ECL extended a Corporate Guarantee amounting to USD 20,700 to a bank against Stand By Letter of Credit (SBLC) facility granted to EETPL. Further, ECL has also pledged shares of EFert and EFoods with the bank against the SBLC.

- ECL has pledged shares of EFert and EFoods against the Letter of Guarantee provided by EETPL, 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 ETPL under the LNG Operations and Services Agreement (LSA).

- ECL, as Sponsor Support, has permitted a bank to create ranking charge over receivables 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.

26.2 In prior years, ECL divested some of its shareholding in EFert. ECL 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, ECL was informed by the National Clearing Company of Pakistan Limited (NCCPL) that their clearing system shall deduct capital gain tax on such disposal and NCCPL shall deposit the same with the tax authorities. ECL has obtained stays thereagainst from the High Court of Sindh and has also provided bank guarantees amounting to Rs 1,535,000 in this respect in favour of Nazir of the High Court of Sindh.

26.3 Till 2015, EFert had purchased losses surrendered by Engro Eximp Agriproducts (Private) Limited (EEAPL), a wholly owned subsidiary company of ECL, 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. ECL 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.

26.4 EFert has entered into 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 of DFA of Rs 2,500,000 from a Bank, EFert has agreed to bear 10% of the principal in case of default. As at the year end, the banks have made disbursements under the DFAs amounting to Rs 1,226,631 (2016: Rs 999,000) maturing on various future dates.

26.5 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 the High Court of Sindh by SNGPL, MPNR, Agritech Limited, Pak Arab Fertilizers and Kohinoor Mills Limited along with 21 other companies (mainly engaged in textile business). The aforementioned petitions are pending for further hearing. The Group management, as confirmed by the legal advisor, considers the chances of petitions being allowed to be remote.

(Amounts in thousand)

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. ECL, 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 the 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.

26.6 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 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.

26.7 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 EFert and that other fertilizer company respectively. An appeal has been filed in the Competition Appellate Tribunal (at present non-functional) and a writ has been filed in the Sindh High Court and stay has been granted against the recovery of the imposed fine. Group management believes that the chances of ultimate success are very good, as confirmed by the legal advisor. Hence, no provision has been made in these consolidated financial statements.

26.8 During the year, the High Court of Islamabad in its order dated June 8, 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 the Double Taxation Treaty between Pakistan and the Netherlands. As per the terms of the contract, EFert 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 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)

26.9 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 2,178,048).

26.10 A Corporate Guarantee amounting to USD 3,500 for principal plus interest amount has been issued on December 19, 2015, by Engro Energy Limited (EEL) on behalf of Engro Power Investments International B.V (EPII) in favour of UBL Switzerland AG against the term loan. As of December 31, 2017, EPII has not utilised this facility.

26.11 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.

26.12 EEL has also provided sponsor support contractual commitment, among other commitments, in favour 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.

26.13 Faysal Bank Limited (FBL) has issued a performance guarantee of USD 16,517 on behalf of EPTPL in favour of National Transmission and Despatch 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.

26.14 Habib Bank Limited (HBL), a related party of EPTPL, has issued a guarantee of Rs 4,725,000 on behalf of EPTPL in favour 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 EPTPL'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 favour of the Security Trustee.

26.15 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 the 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 Customs Authorities (the Authorities) plus one paisa per kilometer against various slabs of net weight of goods. In 2014, EETPL filed a petition against the aforementioned levy before the High Court of Sindh (the Court) where it is currently pending. Earlier, the Court through an interim order, on petitions filed by other companies, directed companies to clear the goods on paying 50% of the amount of levy and furnishing bank guarantee / security for the balance amount. The payment of 50% of the amount of levy has been expensed out in these consolidated financial statements.

(Amounts in thousand)

In this respect, EETPL has paid 50% of the above levied cess and has provided bank guarantee amounting to Rs 12,500 in favour of the Customs Authorities to comply with the 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 favourable outcome on the matter and accordingly no provision has been made in this respect in these consolidated financial statements.

26.16 In 2014, EETPL imported steel line pipes (the goods) for the LNG Project, on which the authorities allowed exemption from customs duty but refused to allow exemption from sales tax. EETPL filed a petition before the Court against levy of sales tax on the goods and to restrain the authorities from hindering clearance of the same. Under interim orders, the Court directed the authorities to release the goods subject to deposit of pay order with the Nazir of the Court amounting to Rs 9,026 which has been duly deposited. The matter is currently pending for further hearing.

The Group, based on the merits of the case and as per the opinion of legal advisor, expects a favourable outcome on the matter and, accordingly, no provision has been made in this respect in these consolidated financial statements.

26.17 EETPL, in connection with the import of FSRU, received a demand from the Customs Authorities 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 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 favourable outcome in this case. Accordingly, no provision has been recorded in this respect.

26.18 During the year Sindh Revenue Board (SRB) issued an order dated October 26, 2017 and 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 favour of SRB. The Group expects a favourable outcome of the matter. However, in case of the 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.

26.19 The Deputy Commissioner Inland Revenue (DCIR) through order dated January 8, 2016, raised a sales tax demand of Rs 524,589 on account of alleged short payment of sales tax due on the finished products that would have been produced and sold from the excess wastage of raw material. The Group has filed appeal 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 favour of the Group. However, the department has challenged the said order of the CIR(A) before the Appellate Tribunal Inland Revenue (ATIR). No proceedings regarding this matter have been carried out by ATIR, till the year end. The Group management, based on the advice of its tax consultant, is confident of a favourable outcome of this matter. Accordingly, no provision has been made in this respect.

(Amounts in thousand)

26.20 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 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), ECL is required to reimburse 51% of the amount together with all reasonable cost and expenses to FCP in case any such penalty materialises. The Group, based on the opinion of the legal advisor, is confident of a favourable outcome of the appeal, and accordingly, no provision has been recognised in these consolidated financial statements in this respect.

26.21 During 2016, ECL 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 EFoods. In accordance with the terms of the SPA, ECL is required to compensate FCP for the negative consequences of the 25% regulatory duty payable on the import of powdered milk and whey powder into Pakistan. ECL will reimburse the amount to the extent that the sum of the regulatory duty and the custom duties incurred by EFoods 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, ECL is required to pay to FCP, an amount equivalent to 47.1% of any tax liability (as defined in the SPA) together with all reasonable costs and expenses incurred, in case any tax contingency materialises. The Group based on the opinion of EFoods' tax and legal advisors, is confident of favourable outcomes in respect of various tax matters being contested by EFoods, and accordingly no provision has been recognised in these consolidated financial statements in this respect.

26.22 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 the 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 corporate laws, which give shareholders the discretion to approve dividends. Furthermore, it is the contention of the Group that such an amendment to corporate 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 favour of the Group.

26.23 Claims, including pending lawsuits, not acknowledged as debts amounted to Rs 58,680 (2016: Rs 58,680).

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

(Amounts in thousand)

26.25 During the year, the Holding Company's ex subsidiary was served with an order from the Additional Commissioner of Inland Revenue (ACIR) – Federal Board of Revenue under Section 122(5A) of the Income Tax Ordinance, 2001 to amend original assessment for the Tax Year 2016 being prejudicial to the revenue of the Federal Government and raised additional demand of 3,380,650. The issues mainly related to the levy of tax on sale of “Bubber Sher” Brand to a wholly owned subsidiary, Bubber Sher (Private) Limited, non-taxation of capital gain on sale of shares of ECL and HUBCO to the Holding Company and levy of super tax on the income claimed to be exempt from tax. The ex-subsidiary, being aggrieved with the order, filed an appeal with the Commissioner Inland Revenue Appeals (CIRA) and CIRA in its order dated August 7, 2017 decided the matter in favour of the ex-subsidiary. The Commissioner Inland Revenue filed an appeal with the Appellate Tribunal against the order passed by CIRA, which is currently pending. Subsequent to the year end, the Deputy Commissioner Inland Revenue served the Company with an appeal effect order reducing the tax liability raised by ACIR to Rs 1,051,140. However, the Holding Company, on the basis of advice of its tax consultant, is in the process of filing an appeal with CIRA considering the demand to be still prejudicial to its interests.

26.26 During the year, the Holding Company received a show cause notice from the Additional Commissioner of Inland Revenue (ACIR) – Federal Board of Revenue under Section 122(9) of the Income Tax Ordinance, 2001 in respect of Tax Year 2016. In the notice, the ACIR expressed intention to reject exemption of intercorporate dividend amounting to Rs 18,008,795, to make an addition to capital gain amounting to Rs 615,101 and also to impose a super tax liability amounting to Rs 666,963. The Holding Company, being aggrieved, filed a Constitutional Petition before the Honourable High Court of Sindh against the proposal to reject the exemption claimed on intercorporate dividend. Further, a separate suit has been filed with the Honourable High Court of Sindh against the levy of super tax. The Honourable High Court of Sindh has issued stay orders in respect of the aforementioned matters with the instruction to the Taxation Authorities to not finalise the proceedings until the cases are disposed off. On the basis of legal advice, the management of the Holding Company is confident that the above matters will be decided in favour of the Holding Company.

26.27 For tax related matters relating to subsidiary companies, refer note 35.

Commitments

26.28 Details of commitments as at December 31, 2017 entered into by the Group are as follows:

26.28.1 Commitment in respect of operating lease arrangements

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

	2017	2016
	------------ (Rupees)	------------
Not later than one year (note 26.28.2)	**4,222**	10,766

(Amounts in thousand)

26.28.2 The Holding Company has entered into lease agreement for renting of premises for Lahore office on August 2015 for a period of seven years, expiring on September 2022.The agreement is revocable by either party through prior notice of at least 6 months.

26.28.3 Commitment in respect of investment in EPPL in the form of equity and / or a short term loan amounts to Rs 17,430,000 as disclosed in note 1.4.

26.28.4 Commitments in respect of capital expenditure contracted but not incurred amount to Rs 45,297,632 (2016: Rs 54,022,835).

26.28.5 Commitments in respect of letters of credit / contracts other than for capital expenditures amount to Rs 350,000 (2016: Rs 1,190,663).

26.28.6 Other commitments in respect of subsidiary companies amount to Rs 2,593,637 (2016: Rs 1,122,468).

26.28.7 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 utilised thereagainst as at December 31, 2017 was Rs 1,238,450 (2016: Rs 1,140,280).

26.28.8 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 2018, respectively, and Ethylene Di-Chloride (EDC) valid till May 2018. Annual fixed cost payable to EVTL, under these contracts, approximates to USD 9,165.

26.28.9 During 2016, International Finance Corporation (IFC) subscribed 20% of the total issued share capital of Elengy Terminal Pakistan Limited (ETPL) consequent to ECL renouncing the right issue in favour of IFC. In this respect, ECL 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 ECL or ETPL failed to comply with their respective obligations as identified in the Shareholders Agreement and Subscription Agreement, the Put option will immediately become exercisable. ECL and ETPL continue to be in compliance of their respective obligations.

26.28.10 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

(Amounts in thousand)

	2017	2016
	------------ (Rupees)	------------

27. REVENUE

Own manufactured products (note 27.1)	**101,634,969**	136,314,701
Less:		
- Sales tax	**(10,898,942)**	(14,280,086)
- Discounts	**(455,744)**	(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

27.1 Includes export sales amounting to Rs 1,638,485 (2016: Rs 1,820,568).

28. COST OF REVENUE

Cost of goods sold (note 28.1)	**86,212,807**	114,696,346
Cost of services rendered (note 28.2)	**7,573,463**	6,668,509
	93,786,270	121,364,855

(Amounts in thousand)

	2017	2016
	------------ (Rupees) ------------	

28.1 Cost of Goods Sold

	2017	2016
Raw and packing materials consumed including unprocessed rice	**24,060,795**	52,869,031
Salaries, wages and staff welfare (note 28.1.2)	**3,626,749**	4,749,571
Fuel and power	**18,371,639**	20,579,888
Repairs and maintenance	**1,546,897**	2,923,763
Depreciation (note 5.2)	**6,804,730**	8,330,442
Amortisation (note 6.1)	**21,791**	22,838
Impairment (note 5.3)	**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	**29,596**	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-process (note 11)	**32,868**	213,415
Less: Closing stock of work-in-process (note 11)	**(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 11)	**6,333,929**	4,041,032
Less: Closing stock of finished goods manufactured (note 11)	**(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 28.1.1)	**24,494,363**	22,402,968
	86,212,807	114,696,346

28.1.1 Cost of sales - purchased product

	2017	2016
Opening stock (note 11)	**1,135,905**	4,117,746
Add: Purchases	**27,996,886**	19,421,127
Less: Closing stock (note 11)	**(4,638,428)**	(1,135,905)
	24,494,363	22,402,968

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2017

(Amounts in thousand)

28.1.2 Includes Rs 244,575 (2016: Rs 375,989) in respect of staff retirement benefits.

	2017	2016
	------------ (Rupees)	------------
28.2 Cost of services rendered		
Fixed expenses (note 28.2.1)	**5,389,081**	5,037,250
Variable expenses (note 28.2.2)	**1,384,891**	875,689
Depreciation (note 5.2)	**543,632**	533,561
Amortisation of direct cost on FSRU	**86,516**	86,516
Salaries, wages and benefits	**37,500**	27,887
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	6,668,509

28.2.1 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).

28.2.2 This includes royalty paid to Port Qasim Authority amounting to Rs 865,220 (2016: Rs 540,077).

	2017	2016
	------------ (Rupees)	------------
29. SELLING AND DISTRIBUTION EXPENSES		
Salaries, wages and staff welfare (note 29.1)	**829,270**	1,469,277
Staff recruitment, training, safety and other expenses	**90,246**	87,735
Product transportation and handling	**5,592,678**	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**	488,379
Communication, stationery and other office expenses	**27,081**	91,311
Travel	**95,131**	185,528
Depreciation (note 5.2)	**39,412**	247,531
Amortisation (note 6.1)	**7,543**	5,341
Impairment (note 5.3)	**-**	4,446
Purchased services	**29,818**	45,974
Others	**58,947**	194,181
	7,850,236	12,052,758

29.1 Includes Rs 61,718 (2016: Rs 137,840) in respect of staff retirement benefits.

(Amounts in thousand)

30. ADMINISTRATIVE EXPENSES

	2017	2016
	------------ (Rupees) ------------	
Salaries, wages and staff welfare (note 30.1)	**1,923,015**	2,155,109
Directors' fee	**17,750**	7,950
Staff recruitment, training, safety and other expenses	**87,876**	150,119
Repairs and maintenance	**112,003**	73,191
Advertising	**93,408**	18,738
Rent, rates and taxes	**594,053**	373,315
Communication, stationery and other office expenses	**139,662**	270,875
Travel	**207,050**	192,618
Depreciation (note 5.2)	**106,446**	119,218
Amortisation (note 6.1)	**21,864**	47,476
Purchased services	**449,660**	443,566
Donations (note 48)	**201,537**	125,490
Legal and professional charges	**41,893**	44,342
Insurance	**4,200**	4,155
Subscriptions and periodicals	**25,726**	22,983
Impairment charge	**-**	95,713
Others	**255,881**	207,302
	4,282,024	4,352,160

30.1 Includes Rs 197,361 (2016: Rs 182,818) in respect of staff retirement benefits.

31. OTHER INCOME

	2017	2016
	------------ (Rupees) ------------	
Financial assets:		
Income on deposits / other financial assets	**4,054,525**	1,294,224
Exchange gain	**15,166**	11,520
Interest on receivable from SSGCL	**193,671**	234,895
Delayed payment charges on overdue receivables	**287,528**	151,223
Non financial assets:		
Subsidy from Government of Pakistan	**4,980,288**	7,878,050
Insurance claims	**110,065**	98,736
Gain on disposal of property, plant and equipment	**705,687**	72,657
Income from sale of spares / scrap	**59,336**	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	**-**	72,563
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	**-**	8,115
Dividend income from HUBCO	**690,328**	-
Others	**88,869**	282,341
	11,185,463	68,852,080

(Amounts in thousand)

32. 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 32.1)	**58,415**	33,349
Provision for culling of biological assets / doubtful debts	**9,628**	26,067
Others	**493,887**	118,079
	2,569,989	2,350,804

32.1 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	**10,621**	11,717
- review of half yearly financial statements	**3,006**	2,177
Special audit, certifications, review of compliance with Code of Corporate Governance and other advisory services	**12,230**	6,017
Tax services	**27,831**	11,038
Reimbursement of expenses	**4,727**	2,400
	58,415	33,349

33. FINANCE COST

	2017	2016
Interest / mark-up on:		
- long term borrowings	**3,789,267**	3,969,983
- short term borrowings	**1,167,399**	1,950,598
Gain on fair value of IFC conversion option	**(3,415)**	(103,750)
Foreign exchange loss - net	**223,586**	154,930
Financial charges on usance letters of credit	**21,440**	20,604
Bank charges	**2,305**	1,367
Others	**423,101**	436,858
	5,623,683	6,430,590

(Amounts in thousand)

		2017	2016
		------------ (Rupees)	------------
34.	**SHARE OF INCOME FROM JOINT VENTURE AND ASSOCIATES**		
	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: (note 7.4)		
	- Sindh Engro Coal Mining Company Limited	**(2,359)**	(5,316)
	- GEL Utility Limited	**182,029**	273,390
	- Engro Foods Limited	**151,341**	(38,871)
	- The Hub Power Company Limited (Investment - held for sale)	**1,226,236**	1,761,852
		2,689,331	3,035,349
35.	**TAXATION**		
	Current		
	- for the year	**9,376,820**	6,144,035
	- for prior years	**441,359**	511,831
		9,818,179	6,655,866
	Deferred	**2,289,763**	2,449,719
		12,107,942	9,105,585

35.1 Subsidiary Companies

35.1.1 Engro Corporation Limited (ECL)

35.1.1.1 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. ECL filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals who maintained the apportionment of expenses against dividend income and capital gains but allowed the allocation of administrative expenses against interest income, thereby reducing the income tax liability to Rs 184,191 and revised the demand to Rs 104,976. ECL paid Rs 53,250 thereagainst and simultaneously filed an appeal against the demand of CIR - Appeals with the Appellate Tribunal Inland Revenue (ATIR) which granted a stay to ECL. During 2014, the ATIR issued an order whereby the aforementioned appeal was remanded back to the assessing officers for denovo proceedings, thereby accepting ECL's contention. The income tax department, in response thereagainst, had filed an appeal with the ATIR, which was dismissed during 2016.

(Amounts in thousand)

In 2014, the income tax department, in respect of tax year 2012, amended the assessment and raised an additional demand of Rs 250,773 on similar grounds as above. ECL filed an appeal against the said order with CIR - Appeals, who based on the ATIR's order for tax year 2011, has remanded back the order to the assessing officers for denovo proceedings.

During 2015, in respect of pending tax assessments for tax year 2011 and tax year 2012, ECL received notices of demand amounting to Rs 105,955 and Rs 250,773, respectively, whereby the Deputy / Additional Commissioner Inland Revenue - Audit again disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. ECL filed appeals thereagainst with the CIR - Appeals and also obtained stays from the High Court of Sindh from initiating any recovery proceedings in respect of both tax years. During the year, in respect of tax year 2011 and tax year 2012, the CIR - Appeals accepted ECL'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, ECL has reversed excess provisions in respect of tax years 2011 and 2012, respectively, consequent to denovo proceedings after 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 deposits and from subordinated loans as "income from other sources". In response, ECL has filed an appeal challenging this contention and is confident of a favourable decision based on the earlier ATIR judgement.

35.1.1.2 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. ECL 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. ECL, being aggrieved with the order of the ACIR - Audit, filed an application for rectification pointing out certain mistakes in the aforementioned order which were rectified resulting in a revised demand of Rs 1,084,733. In response, ECL filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals who maintained the tax on inter-corporate dividends and the resultant super tax on it but annulled other matters raised by the ACIR - Audit. ECL, subsequently, filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order passed by the CIR-Appeals which is pending for hearing. ECL, based on advice of its tax consultant, is confident that these matters will be decided in its favour. Accordingly, no provision has been recognised in these 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 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, ECL filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals which is pending for hearing. ECL, based on advice of its tax consultant, is confident that these matters will be decided in its favour. Accordingly, no provision has been recognised in this respect.

(Amounts in thousand)

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

35.1.2 Engro Fertilizers Limited (EFert)

35.1.2.1 In 2015, the income tax department amended the assessment filed by EFert for tax year 2014. EFert filed an appeal before the CIR - Appeals against disallowances made through the assessment, which mainly pertained to exchange gain and 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 hearing by the CIR - Appeals and EFert is confident of a favourable outcome.

35.1.2.2 During the year ended 2014, the income tax department amended the assessment filed by EFert for tax years 2010 and 2011 by disallowing certain items. EFert filed appeals before the ATIR against these disallowances, which through its decision, provided relief in respect of certain items and confirmed certain disallowances in favour 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 challenged the said decision before the High Court of Sindh, which is pending hearing but EFert is confident of a favourable outcome. Accordingly, no provision has been made in this respect.

35.1.2.3 EFert had filed a suit in the High Court, Sindh, contesting both the retrospective and prospective application of the Alternative Corporate Tax under section 113C and has been granted stay in this respect for the years 2013, 2014, 2015 and 2016.

35.1.2.4 Current tax provision includes Rs 2,178,308 (2016: Rs 338,837) 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 the 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.

35.1.2.5 As a result of demerger in 2009, all pending tax issues of Engro Chemical Pakistan Ltd. had been transferred to EFert. Major issues pending before the tax authorities are described below:

In previous years, the department had filed reference applications in the High Court against the below-mentioned ATIR's decisions in EFert's favour. 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.

(Amounts in thousand)

35.1.2.6 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 the 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.

35.1.2.7 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 under NTR (introduced through Finance Act, 2012) by Eximp for years 2012 and 2013, resulting in an aggregate refund of Rs 796,000. The tax department has not accepted the said treatment, however the matter was decided in favour of EFert by the Commissioner Appeals, against which the department has filed an appeal.

35.1.3 Engro Polymer & Chemicals Limited (EPCL)

35.1.3.1 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 the 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 the 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 favourable and, accordingly, no provision has been recognised in these consolidated financial statements.

(Amounts in thousand)

35.1.3.2 Tax year 2009

The DCIR through his order dated November 30, 2010 raised a tax demand of Rs 163,206. The demand arose as a result of disallowance of finance cost of Rs 457,282; additions to income of trading liabilities of Rs 21,859 under section 34(5) of the Ordinance; disallowance of provision for retirement benefits of Rs 14,239; disallowance of provision against Special Excise Duty refundable of Rs 36,689; addition of imputed interest on loans to employees and executives of Rs 20,599 and not considering net loss.

The entire demand of Rs 163,206 was adjusted against assessed tax refunds and an appeal was filed by EPCL before the CIR - Appeals. Through his appellate order, the CIR - Appeals maintained certain additions aggregating to Rs 493,971 including disallowance of finance cost amounting to Rs 457,282 and remanded back the issue of imputed interest on loans to employees and executives. An appeal against the said appellate order was filed before the ATIR. The department also filed an appeal against the said appellate order challenging the action of CIR - Appeals, regarding deletion of addition on account of provision for the retirement benefits.

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 the 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 favourable and, accordingly, no provision has been made in these consolidated financial statements.

35.2 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	**28,355,103**	82,543,930
Tax calculated at the rate of 30% (2016: 31%)	**8,506,531**	25,588,618
Depreciation on exempt assets not deductible for tax purposes	**34,040**	3,389
Effect of exemption from tax on certain income	**(716,846)**	(1,528,842)
Effect of applicability of lower tax rate, FTR and other tax credits / debits	**1,172,476**	(16,510,159)
Prior year current and deferred tax charge	**2,618,687**	294,970
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 purposes	**966,460**	-
Others	**(475,065)**	1,309,367
Tax charge for the year	**12,107,942**	9,105,585

(Amounts in thousand)

36. 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 the 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 / (loss) for the year (attributable to the owners of the Holding Company) from:		
- Continuing operations	**3,459,088**	3,094,459
- Discontinued operations	**-**	22,470,093
	3,459,088	25,564,552
The information necessary to calculate basic and diluted earnings per share is as follows:		
Profit for the year from continuing operations	**3,459,088**	3,094,459
Add:		
- Interest on IFC loan - net of tax	**121**	718
- Gain on revaluation of conversion options on IFC loan - net of tax	**(460)**	(16,360)
	(339)	(15,642)
	3,458,749	3,078,817
	----- (Number in thousands) -----	
Weighted average number of ordinary shares for determination of basic and diluted EPS	**481,287**	481,287

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2017

(Amounts in thousand)

37. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amounts for remuneration, including all benefits, to the Chief Executive Officer and Directors of the Holding Company and Executives of the Group are as follows:

	2017			2016		
	Directors		Executives	Directors		Executives
	Chief Executive Officer	Others		Chief Executive Officer	Others	
	(Rupees)					
Managerial remuneration	13,932	49,548	3,859,781	160,057	3,000	3,782,037
Remuneration to Non executive director	-	54,768	-	-	54,156	-
Retirement benefits funds including ex-gratia	3,250	-	432,736	4,410	-	382,906
Other benefits	8,968	38,671	542,414	12,647	38,698	472,292
Total	26,150	142,987	4,834,931	177,114	95,854	4,637,235
Number of persons including those who worked part of the year	1	3	1,186	2	2	1,061

37.1 Cars are also provided for use to directors and executives. In addition, entertainment and security expenses are also incurred for directors.

37.2 Meeting fees aggregating Rs 17,750 (2016: Rs 7,950) were paid to 7 directors (2016: 7 directors) of the Holding Company.

38. RETIREMENT BENEFITS

38.1 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. This has now 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 the Fund, the repealed Companies Ordinance, 1984, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

Responsibility for governance of the plan, including investment decisions and contribution schedule lie with the Board of Trustees of the Fund.

(Amounts in thousand)

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 Group 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 SSCs, RICs, DSCs or Government Bonds. However, investments in equity instruments are subject to adverse fluctuations as a result of change in the market price.

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

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

Risk of insufficiency of assets - This is managed by making regular contributions to the Fund as advised by the actuary.

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

38.1.1 Valuation results

The latest actuarial valuation of the defined benefit plans was carried out as at December 31, 2017 for the Holding Company and subsidiary companies, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2017	2016	**2017**	2016
	(Rupees)			
38.1.2 Balance sheet reconciliation				
Present value of defined benefit obligation	**536,373**	481,202	**29,156**	32,132
Fair value of plan assets	**(425,244)**	(435,108)	**(40,713)**	(44,213)
Deficit / (Surplus)	**111,129**	46,094	**(11,557)**	(12,081)
Payable to Defined Gratuity Fund	**10,110**	10,513	**-**	-
Payable in respect of inter group transfers	**46**	(271)	**-**	-
Unrecognised asset	**-**	-	**11,557**	12,081
Net (asset) / liability recognised in the balance sheet	**121,285**	56,336	**-**	-

(Amounts in thousand)

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2017	2016	**2017**	2016
	(Rupees)			
38.1.3 Movement in net (assets) / liability recognised in the balance sheet				
Net liability / (asset) at beginning of the year	**56,336**	119,253	**-**	-
Expense / (income) for the year	**30,029**	137,232	**(930)**	(672)
Net contribution by the Group	**(8,048)**	(26,855)	**79**	-
Remeasurement loss / (gain) recognised in Other Comprehensive Income	**43,409**	(33,517)	**851**	672
Unrecognised asset	**(441)**	-	**-**	-
Discontinued operations	**-**	(139,777)	**-**	-
Net liability / (asset) at end of the year	**121,285**	56,336	**-**	-
38.1.4 Movement in present value of defined benefit obligation				
As at beginning of the year	**481,202**	1,006,295	**32,132**	33,367
Current service cost	**26,882**	130,302	**-**	-
Interest cost	**36,646**	96,353	**2,413**	2,823
Benefits paid during the year	**(31,790)**	(143,652)	**(3,920)**	(4,028)
Remeasurement loss / (gain) recognised in Other Comprehensive Income	**38,910**	1,448	**(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	**536,373**	481,202	**29,156**	32,132

(Amounts in thousand)

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2017	2016	**2017**	2016
	(Rupees)			
38.1.5 Movement in fair value of plan assets				
As at beginning of the year	**435,108**	897,109	**44,213**	40,835
Expected return on plan assets	**33,499**	89,423	**3,343**	3,495
Contributions by the Group	**8,048**	26,855	**(79)**	-
Benefits paid during the year	**(31,790)**	(143,652)	**(3,920)**	(4,028)
Remeasurement (loss) / gain recognised in Other Comprehensive Income	**(4,499)**	34,964	**(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	**425,244**	435,108	**40,713**	44,213
38.1.6 Charge for the year				
Current service cost	**26,882**	130,302	**-**	-
Net Interest cost / (income)	**3,147**	6,930	**(930)**	(672)
	30,029	137,232	**(930)**	(672)
38.1.7 Principal actuarial assumptions used in the actuarial valuation				
Discount rate	**8.00% - 10.75%**	9.00% - 10.00%	**8.00%**	9.00%
Expected rate of return on plan assets - per annum	**7.25% - 10.75%**	9.00% - 10.00%	**8.00%**	9.00%
Expected rate of increase in pension - per annum	**-**	-	**0%**	1.00%
Expected rate of increase in future salaries - per annum	**7.00% - 10.75%**	8.00% - 10.00%	**-**	-
	(Rupees)			
38.1.8 Actual return on plan assets	**20,774**	121,471	**2,221**	4,826

(Amounts in thousand)

38.1.9 Plan assets comprise of the following

	2017		2016	
	Rupees	%	Rupees	%
Defined Benefit Gratuity Plans				
Debt	313,387	74%	313,800	72%
Mutual fund units	11,129	3%	14,325	3%
Equity	88,692	20%	87,802	20%
Others	12,036	3%	19,181	5%
	425,244	100%	435,108	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.

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	(536,373)	(481,202)	(1,006,295)	(822,835)	(747,780)
Fair value of plan assets	425,244	435,108	897,109	842,165	661,412
(Deficit) / Surplus	(111,129)	(46,094)	(109,186)	19,330	(86,368)
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	40,835	38,824	38,535
Surplus	11,557	12,081	7,468	4,418	6,317

38.1.12 Expected contribution for the year ending December 31, 2018 is as follows:

	Rupees
Defined benefit gratuity plans	41,508
Defined benefit pension plan	(970)

(Amounts in thousand)

38.1.13 Remeasurement (loss) / gain recognised in Other Comprehensive Income

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2017	2016	**2017**	2016
	------------	(Rupees)	------------	
(Loss) / gain from change in experience adjustments	**(44,900)**	14,576	**161**	(128)
Gain / (loss) from change in financial assumptions	**5,990**	(16,024)	**1,308**	158
Remeasurement (loss) / gain of Obligation	**(38,910)**	(1,448)	**1,469**	30
Actual return on plan assets	**20,774**	121,471	**2,221**	4,826
Expected return on plan assets	**(33,499)**	(89,423)	**(3,343)**	(3,495)
Difference in opening fair value of plan assets	**8,226**	2,916	**(1,722)**	2,580
Remeasurement (loss) / gain of Plan Assets	**(4,499)**	34,964	**(2,844)**	3,911
Effect of asset ceiling	**-**	-	**524**	(4,613)
	(43,409)	33,516	**(851)**	(672)

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	**500,642**	577,095	**27,571**	30,924
Long term salary increases	**577,044**	500,062	**-**	-
Long term pension increases	**-**	-	**31,068**	27,424

38.1.15 The weighted average duration of the defined benefit gratuity plans range from 9.00 to 10.14 years, while in case of defined benefit pension plan (curtailed) it is 5.44 years.

38.1.16 Mortality rate

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

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 ECL and an amount of Rs 6,996 (2016: Rs 11,998) has been charged by the Holding Company in respect of its defined contribution plan (Provident Fund).

(Amounts in thousand)

39. CASH GENERATED FROM OPERATIONS

	2017	2016
	------------ (Rupees) ------------	
Profit before taxation	28,355,103	82,543,930
Less: Profit before taxation attributable to discontinued operations	-	(62,312,568)
Profit before taxation from continuing operations	28,355,103	20,231,362
Adjustment for non-cash charges and other items:		
Depreciation (note 5.2)	7,494,220	7,334,815
Amortisation of intangible assets (note 6.1)	51,198	48,206
Unrealised exchange gain	-	(14)
Amortisation of prepaid financial charges	64,659	132,132
Amortisation of direct cost on FSRU (note 28.2)	86,516	86,516
Gain on disposal of property, plant and equipment (note 31)	(705,687)	(14,772)
Dividend income from HUBCO (note 31)	(690,328)	-
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	368,986	247,289
Income on deposits / other financial assets	(4,029,597)	(1,256,871)
Share of income from joint venture and associates	(2,689,331)	(3,035,349)
Financial charges (note 33)	5,042,338	5,661,522
Foreign currency translation	192,777	32,114
Provision for surplus and slow moving stores and spares	221,052	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 and intangible assets	107,854	95,713
Provisions against concessionary duty on import of raw materials and gas infrastructure development cess	-	980,891
Provisions	-	208,384
Gain on deemed disposal of SECMC	-	(72,563)
Working capital changes (note 39.1)	(522,313)	(12,501,121)
	33,317,472	18,152,961

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(Amounts in thousand)

	2017	2016
	------------ (Rupees) ------------	
39.1 Working capital changes		
(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	**(543,976)**	(226,048)
- Other receivables - net	**(1,537,589)**	(5,751,689)
	(5,032,705)	(13,040,049)
Increase in current liabilities		
- Trade and other payables and provisions	**4,510,392**	538,928
	(522,313)	(12,501,121)

40. CASH AND CASH EQUIVALENTS

	2017	2016
Cash and bank balances (note 16)	**9,786,651**	6,186,667
Short term investments (note 15)	**44,404,115**	27,014,748
Short term borrowings (note 25)	**(11,327,158)**	(7,304,519)
	42,863,608	25,896,896

41. FINANCIAL INSTRUMENTS BY CATEGORY

FINANCIAL ASSETS

	2017	2016
Loans and receivables at amortised cost		
Loans and advances	**2,283,611**	2,086,296
Trade debts	**13,641,538**	13,733,482
Other receivables	**1,071,886**	1,541,291
Accrued income	**528,242**	426,268
Cash and bank balances	**9,786,651**	6,186,667
	27,311,928	23,974,004
Fair value through profit or loss		
Short term investments	**60,007,819**	62,651,151
Held to maturity		
Short term investments	**9,885,818**	2,074,376

FINANCIAL LIABILITIES

	2017	2016
Financial liabilities at amortised cost		
Borrowings	**107,209,792**	85,411,984
Trade and other payables	**30,217,260**	28,617,619
Accrued interest / mark-up	**1,552,664**	1,238,061
	138,979,716	115,267,664
Derivative financial instruments	**-**	251,760

(Amounts in thousand)

42. FINANCIAL RISK MANAGEMENT

42.1 Financial risk factors

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

Risk management is carried out by the Group's Finance and Planning departments under policies approved by the Senior Management.

a) Market risk

i) Currency risk

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

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

ECL 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 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 dollar 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.

(Amounts in thousand)

As at December 31, 2017, if interest rates on the 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 478,661, mainly as a result of interest exposure on variable rate borrowings.

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 affecting 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 a counter party fails to discharge an obligation.

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits, bank guarantees and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with a reasonably high credit rating or mutual funds, which in turn deposit these funds in banks and government securities. The maximum exposure to credit risk is equal to the carrying amount of financial assets. The Group maintains internal policies to place funds with commercial banks / mutual funds having a minimum short term credit rating of A1 and AM3. The Group accepts bank guarantees of banks of reasonably high credit ratings as approved by management.

The Group's fertilizer segment is exposed to a concentration of credit risk on its trade debts by virtue of all its customers being agri-based businesses in Pakistan. However, this risk is mitigated by applying individual credit limits and by securing a majority of trade debts against bank guarantees, inland letters of credit and by the fact that the exposure is spread over a wide customer base.

The Group's power segment is not exposed to any credit risk on its trade debts as these are secured by sovereign guarantee from the Government of Pakistan.

The Group's polymers segment is not materially exposed to credit risk on trade debts as unsecured credit is provided to selected parties with no default in recent history and a major part is secured by bank guarantees and letters of credit from customers or written terms of agreement.

(Amounts in thousand)

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

	2017	2016
	------------ (Rupees) ------------	
Loans and advances	**2,283,611**	2,086,296
Trade debts	**9,996,092**	12,485,978
Other receivables	**331,539**	517,258
Accrued income	**528,242**	426,268
Short term investments	**69,893,637**	64,725,527
Bank balances	**9,783,362**	6,179,669
	92,816,483	86,420,996

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 the Group's bank balances and short term investments can be assessed with reference to external credit ratings as follows:

Bank	Rating agency	Rating	
		Short term	Long term
Albaraka Bank (Pakistan) Limited	PACRA	A1	A
Allied Bank Limited	PACRA	A1+	AA+
Askari Bank Limited	PACRA	A1+	AA+
Bank AL Habib Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Citi Bank Europe plc	MOODY's	P-1	A1
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A1	AA-
Faysal Bank Limited	PACRA	A1+	AA
First Bank of Nigeria	FITCH	-	B
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Habibsons Bank Limited	JCR-VIS	A-1+	AAA
HSBC Bank Middle East	MOODY'S	P1	A2
Industrial and Commercial Bank of China	MOODY's	P-1	A1
JS Bank Limited	PACRA	A1+	AA-
Mashreq Bank	MOODY'S	P2	B aa2
MCB Bank Limited	PACRA	A1+	AAA
MCB Islamic Bank Limited	PACRA	A1	A
Meezan Bank Limited	JCR-VIS	A1+	AA
National Bank of Pakistan	PACRA	A1+	AAA
Noor Bank	FITCH	A	F2
Samba Bank Limited	JCR-VIS	A1	AA
Silk Bank Limited	JCR-VIS	A2	A-
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	A1	A-
The Bank of Punjab	PACRA	A1+	AA
United Bank Limited	JCR-VIS	A-1+	AAA

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(Amounts in thousand)

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 and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the Group maintains flexibility in funding by having 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	**39,310,803**	**-**	**39,310,803**	31,775,488	-	31,775,488
Accrued interest / mark-up	**1,552,664**	**-**	**1,552,664**	1,238,061	-	1,238,061
Borrowings	**23,719,423**	**83,490,369**	**107,209,792**	21,677,241	63,734,743	85,411,984
	64,582,890	**83,490,369**	**148,073,259**	54,940,443	63,736,850	118,677,293

42.2 Capital risk management

The Group's objectives when managing capital are to safeguard the 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.

he 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.

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(Amounts in thousand)

The Group's strategy is to ensure compliance with the Prudential Regulations issued by the State Bank of Pakistan and the 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	95,882,634	77,007,465
Equity	177,464,888	172,964,528
	273,347,522	249,971,993
Gearing Ratio	35%	31%

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 minimise risk.

43. FAIR VALUE ESTIMATION

43.1 The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. The table below analyses financial instruments carried at fair value by valuation method. The different level have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (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 or loss	-	60,007,819	-	60,007,819

Level 2 fair value instruments comprise short term investments. There was no transfers amongst the levels during the year.

The fair value of the Holding Company's investment disclosed in note 17 is based on the quoted price of shares at the PSX. The estimated fair value of other financial instruments is considered not significantly different from the book value.

(Amounts in thousand)

44. PROVIDENT FUND

44.1 The employees of the Group participate in Provident Funds maintained by the Holding Company and its subsidiaries. Monthly contributions are made both by companies in the Group and employees to the funds at rates ranging from 10% to 15% of basic salary.

44.2 The following information is based upon the latest unaudited financial statements as at December 31, 2017 and the unaudited financial statements as at December 31, 2016 of the Provident Funds of the Holding Company and unaudited financial statements as at June 30, 2017 and the audited financial statements as at June 30, 2016 of the Provident Funds of the subsidiary companies.

	2017	2016
	(Rupees)	
Size of the fund - Total assets	**3,993,933**	3,447,122
Cost of the investments made	**2,545,066**	2,974,343
Percentage of investments made	**64%**	86%
Fair value of investments	**3,694,382**	3,167,689

44.3 The break-up of investments is as follows:

	2017		2016	
	Rupees	**%**	Rupees	%
National Savings Scheme	**824,473**	**22%**	808,579	26%
Government securities	**1,169,219**	**32%**	754,103	24%
Listed securities and unit trusts	**817,729**	**22%**	974,172	31%
Mutual fund units	**10,417**	**0%**	19,098	0%
Balances with banks in savings account	**872,544**	**24%**	611,737	19%
	3,694,382	**100%**	3,167,689	100%

44.4 The investments of the Fund have been made in accordance with the provision of Section 218 of the Companies Act, 2017 and the rules formulated for the purpose.

(Amounts in thousand)

45. SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. The management has determined the operating segments based on the information that is presented to the Board of Directors of the Group for allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the Group is organised into the following operating segments:

Type of segments

Fertilizer	This part of the business manufactures, purchases and markets 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. optimised for local cultivation needs and demand. Further, this 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, markets and sells 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.

Management monitors the operating results of the above mentioned segments separately for the purpose of making decisions about resources to be allocated and for assessing performance. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from profit and loss in the consolidated financial statements. Segment results and assets include items directly attributable to a segment.

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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		Polymer		Food		Power and mining		Other operations		Elimination - net		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Rupees													
Revenue from external customers (note 27)	77,129,343	69,537,253	27,730,736	22,854,024	1,749,349	44,246,343	11,636,924	11,483,679	24,355,357	17,502,225	(14,009,198)	(8,415,856)	128,592,511	157,207,668
Segment gross profit / (loss)	23,218,588	17,439,167	6,065,410	3,935,009	(90,288)	9,696,885	2,759,050	2,274,332	22,553,623	18,255,485	(19,700,142)	(15,758,065)	34,806,241	35,842,813
Segment expenses - net of other income	(4,014,106)	(772,083)	(2,180,020)	(1,829,359)	(120,473)	(6,121,740)	(394,436)	(429,962)	(2,730,524)	52,833,495	1,371,883	4,724,145	(8,067,676)	48,404,496
Income on deposits / other financial assets (note 31)	108,062	153,652	49,186	1,234	1,504	883	142,153	155,596	4,626,199	2,012,073	(376,214)	(631,576)	4,550,890	1,691,862
Finance Cost (note 33)	(2,647,774)	(3,186,755)	(819,775)	(919,587)	(56,532)	(415,994)	(655,389)	(673,305)	(1,827,260)	(1,820,626)	383,047	585,677	(5,623,683)	(6,430,590)
Share of income from joint venture and associate (note 34)	-	-	-	-	151,341	(38,871)	179,670	268,074	1,132,084	2,806,146	-	-	1,463,095	3,035,349
Share of income from investment - held for sale (note 34)	-	-	-	-	-	-	-	-	-	-	1,226,236	-	1,226,236	-
Income tax charge (note 35)	(5,509,148)	(4,350,528)	(1,061,785)	(527,364)	(14,831)	(1,154,535)	(318,471)	(131,903)	(5,503,989)	(2,496,365)	300,282	(444,890)	(12,107,942)	(9,105,585)
Segment profit / (loss) after tax	11,155,622	9,283,453	2,053,016	659,933	(129,279)	1,966,628	1,712,577	1,462,832	18,250,133	71,590,208	(16,794,908)	(11,524,709)	16,247,161	73,438,345
Segment profit / (loss) after tax from discontinued operations	-	-	-	-	-	2,484,131	-	-	-	58,202,182	-	-	-	60,686,313
Segment assets	111,816,249	102,803,512	24,364,326	24,420,761	2,841,104	1,885,446	80,067,690	52,832,909	142,704,482	143,566,533	(63,254,218)	(64,728,909)	298,539,633	260,780,252
Investment in joint venture and associate (note 7)	-	-	-	-	28,271,457	31,180,875	2,426,892	1,947,565	1,337,772	7,407,837	-	-	32,036,121	40,536,277
Investment held for sale (note 17)	-	-	-	-	-	-	-	-	6,611,468	-	-	-	6,611,468	-
Total segment assets	111,816,249	102,803,512	24,364,326	24,420,761	31,112,561	33,066,321	82,494,582	54,780,474	150,653,722	150,974,370	(63,254,218)	(64,728,909)	337,187,222	301,316,529
Total segment liabilities	69,346,538	61,155,128	16,604,217	18,416,582	1,842,848	606,569	55,247,285	32,134,666	23,132,473	23,862,823	(6,451,027)	(7,821,660)	159,722,334	128,354,108
Capital expenditure	3,900,123	3,010,417	1,092,858	644,657	13,457	1,398,909	24,481,697	19,704,142	458,385	348,852	-	-	29,946,520	25,106,977
Depreciation (note 5.2)	5,066,037	5,019,338	931,565	863,732	66,798	2,030,341	772,807	729,157	626,917	585,850	30,096	2,334	7,494,220	9,230,752
Amortisation of intangible assets (note 6.1)	25,897	17,608	12,570	14,464	626	30,441	10,879	8,380	5,091	4,762	(3,865)	-	51,198	75,655

(Amounts in thousand)

46. 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 consolidated financial statements, are as follows:

	2017	2016
	------------ (Rupees)	------------
Associated Companies		
Purchases and services	3,073,669	4,483,180
Sale of goods and rendering of services	600,769	416,447
Dividend income	4,355,124	2,157,275
Donation	255,200	-
Advances and deposits	27,411	-
Payment of interest on TFCs and repayment of principal amount	8,756	78,808
Payments against EPC contract	22,234,240	-
Share capital issued	299,656	9,984,463
Reimbursement to associated companies	171,020	16,474,651
Expenses paid on behalf of associated companies	108,499	32,490
Utilisation of overdraft facility	-	130,000
Repayment of overdraft facility	-	130,000
Mark-up on utilisation of overdraft facility	-	157
Commitment in respect of operating lease	-	10,008
Commitment fee	-	2,712
Interest on deposit	52	60
Bank charges	49	1
Dividend paid / payable	1,732,214	2,519,029
Loan repaid	290,669	282,991
Finance costs paid	266,869	182,194
Investment in shares of associate	3,179,137	49,785
Payment against services to local banks	-	678,183
Loans received	224,638	293,993
Joint Ventures		
Purchase of services	1,152,524	1,030,385
Services rendered	-	306,610
Reimbursements	4,641	91,596
Dividend received	1,215,000	1,035,000

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	2017	2016
	------------ (Rupees) ------------	
Retirement funds		
Contribution to retirement benefit schemes / funds	**535,580**	476,992
Key management personnel		
Sale of property, plant and equipment	**150**	858
Salaries and other short term employee benefits	**1,177,465**	1,097,900
Reimbursement of expenses	**13,857**	10,146
Commitment in respect of operating lease arrangements	**-**	758
Others		
Membership fee and other subscriptions	**1,578**	125
Dividend paid	**142,963**	131,195
Other benefits paid	**82,242**	77,413
Profit on Engro Rupiya Certificates	**38,612**	-

47. WAIVER FROM APPLICATION OF IFRIC - 4 “DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE

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, 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.

48. DONATIONS

Donations include the following in which Directors of the Holding Company or group companies are interested:

Director	Interest in Donee	Name of donee	2017
			-----Rupees-----
Hussain Dawood	Chariman, 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 Anwar	Trustee		
Jahangir Piracha	Trustee		

(Amounts in thousand)

Director	Interest in Donee	Name of donee	2017
			-----Rupees-----
Ahsan Zafar Syed	Trustee	Thar Foundation	**45,000**
Shamsuddin A. Shaikh	Trustee		
			2016
			-----Rupees-----
Ghias Khan	Chairman	Engro Foundation	**106,000**
Khalid Siraj Subhani	Chairman		
Ruhail Mohammed	Trustee		
Shamshuddin A. Shaikh	Trustee		
Babur Sultan	Trustee		
Syed Mohammad Ali	Trustee		
Naz Khan	Trustee		
Imran Anwar	Trustee		
Jahangir Piracha	Trustee		

49. PRODUCTION CAPACITY

		Designed Annual Capacity		Actual Production	
		2017	2016	**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 49.1)	Mega watt	**1,869,878**	1,881,071	**1,737,394**	1,264,715
Milling / Drying unit of rice processing plant (note 49.2)	Metric Tons	**414,000**	414,000	**59,371**	28,474

49.1 Output produced by the plant is dependent on the load demanded by NTDC and plant availability.

49.2 Three months season design capacity and production is dependent on availability of rice paddy.

50. NUMBER OF EMPLOYEES OF THE GROUP

	2017	2016
Number of employees	**2071**	2037
Average number of employees	**2045**	2014

(Amounts in thousand)

51. 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 fluctuations 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.

52. LOSS OF CERTAIN ACCOUNTING RECORDS

During 2007, a fire broke out at PNSC Building, Karachi where the Head Office and registered office of ECL was located. Immediately following this event, ECL launched its Disaster Recovery Plan due to which operational disruption and financial impacts remained minimal.

The fire destroyed a substantial portion of hard copy records related to the financial years 2005, 2006 and the period January 01, 2007 to August 19, 2007, although, electronic data remained intact due to ECL's Disaster Recovery Plan. ECL launched an initiative to recreate significant lost records and was successful in gathering the same in respect of the financial year 2007. Hard copy records related to the already reported financial years 2005 and 2006 have not been recreated.

53. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Holding Company in its meeting held on March 19, 2018 has proposed a cash dividend of Rs. 2 per share (2016: Rs. 2 per share) for the year ended December 31, 2017, for approval of the members at the Annual General Meeting to be held on April 27, 2018.

The consolidated financial statements for the year ended December 31, 2017 do not include the effect of the proposed 20% (Rs. 2 per share) dividend, which will be accounted for in the consolidated financial statements for the year ending December 31, 2018.

(Amounts in thousand)

54. LISTING OF SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND JOINT VENTURE

Name of Subsidiary	Financial year end
Engro Corporation Limited (ECL)	December 31
Name of Subsidiaries of ECL	
Engro Fertilizers Limited (EFert)	December 31
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
The Hub Power Company Limited (HUBCO) - (Investment held for sale)	June 30

(Amounts in thousand)

54.1 Set out below is summarised financial information for each subsidiary that has Non-Controlling Interests (NCI). The amounts disclosed for each subsidiary are before inter-company eliminations:

Name of Subsidiaries	ECL	EPQL	EPTPL	ETPL	Efert	EPCL
Total Assets	88,680,417	21,290,562	60,854,815	15,760,951	111,816,249	24,364,326
Total Liabilities	5,297,582	11,477,805	39,795,651	11,000,179	69,346,538	16,604,217
Total Comprehensive Income / (Loss)	11,389,770	2,410,455	(25,208)	1,865,532	11,207,334	2,054,491
Total Comprehensive Income / (Loss) allocated to NCI	7,150,498	750,010	(12,579)	373,106	4,900,967	900,073
Accumulated NCI	52,347,744	3,081,664	13,763,408	940,833	18,326,512	3,428,575
Cash and Cash Equivalent	35,986,713	(3,151,263)	3,745,822	1,825,035	4,719,976	923,160
Cash (utilised in) / generated from						
- operating activities	(4,221,016)	3,051,685	(1,427,855)	3,874,856	22,826,972	1,848,625
- investing activities	31,536,290	(83,532)	(25,003,630)	(651,103)	(3,131,252)	(1,034,260)
- financing activities	(15,541,759)	(3,290,039)	28,883,432	(3,655,090)	(15,062,490)	(977,714)
Dividend paid to NCI	7,539,258	327,438	-	670,088	4,671,904	130,797

55. 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.

56. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on March 19, 2018 by the Board of Directors of the Holding Company.

Shafiq Ahmed	Inam ur Rahman	M. Abdul Aleem
Chief Financial Officer	Chief Executive Officer	Director

PATTERN OF SHAREHOLDING

As at December 31, 2017

Disclosure requirement under Code of Corporate Governance

		Number of share held
1.	**Associated Companies, Undertaking and Related Parties**	
	Dawood Lawrencepur Limited	77,931,896
	Dawood Foundation	18,991,988
	Cyan Limited	794,380
	Sach International (Pvt.) Limited.	6,996
2.	**Mutual Funds**	
	CDC - Trustee Meezan Islamic Fund	5,345,700
	CDC - Trustee National Investment (Unit) Trust	1,427,196
	CDC - Trustee Al Meezan Mutual Fund	993,200
	CDC - Trustee Alfalah GHP Islamic Stock Fund	883,384
	CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund	611,200
	CDC - Trustee NAFA Stock Fund	588,400
	CDC - Trustee KSE Meezan Index Fund	584,375
	CDC - Trustee Meezan Balanced Fund	518,000
	CDC - Trustee NAFA Islamic Stock Fund	330,000
	CDC - Trustee NAFA Islamic Active Allocation Equity Fund	300,600
	CDC - Trustee NAFA Islamic Asset Allocation Fund	267,200
	CDC - Trustee Atlas Islamic Stock Fund	214,900
	CDC - Trustee Meezan Asset Allocation Fund	195,000
	CDC- Trustee Alhamra Islamic Asset Allocation Fund	194,600
	CDC - Trustee Alfalah GHP Islamic Dedicated Equity Fund	192,516
	CDC - Trustee AKD Index Tracker Fund	75,396
	CDC - Trustee AKD Opportunity Fund	50,000
	CDC - Trustee NIT Islamic Equity Fund	48,000
	CDC - Trustee APIF - Equity Sub Fund	35,000
	CDC - Trustee NIT-Equity Market Opportunity Fund	10,000
	CDC - Trustee NAFA Multi Asset Fund	9,000
	CDC - Trustee AGIPF Equity Sub-Fund	5,350
3.	**Directors, CEO and their Spouse(s) and minor children**	
	Mr. Hussain Dawood	34,058,516
	Mrs. Kulsum Dawood (W/o Mr. Hussain Dawood)	11,205,200
	Mr. Shahzada Dawood	5,496,616
	Ms. Sabrina Dawood	5,492,616
	Mr. Samad Dawood	3,916,616
	Mr. Inam Ur Rahman	9,680
	Mr. M. Abdul Aleem	100
	Mr. Parvez Ghias	500
	Mr. Shabbir Hussain Hashmi	100
	Mr. Hasan Reza Ur Rahim	100

PATTERN OF SHAREHOLDING

As at December 31, 2017

Disclosure requirement under Code of Corporate Governance

		Number of share held
4.	**Executives**	**3,000**
5.	**Public Sector Companies and Corporations**	**16,338,137**
6.	**Banks, Development Finance Institutions, Non-Banking Finance Institutions,Insurance Companies, Takaful, Modaraba and Pension Funds**	**9,465,510**
7.	**Shareholder Holding five percent or more voting Rights in the Listed Company**	
	Dawood Lawrencepur Limited	**77,931,896**
	Calfran Limited	**45,722,500**
	Hercules Enterprises Limited	**43,281,216**
	Alzarat Limited	**38,376,008**
	Zincali Limited	**38,376,008**
	Palmrush Investments Limited	**36,240,796**
	Persica Limited	**36,240,796**
	Hussain Dawood	**34,058,516**

8. Trades in the shares of the Company by Directors, Executives, their spouses and minor children

Following trades in the share of the Company were made by Director / Spouse:

Name	Date	Purchased	Sold	Rate / per share
Mr. Hasan Reza ur Rahim	7-Apr-17	100	-	131.16
Mr. Shabbir Husain Hashmi	7-Apr-17	100	-	131.05
Mr. M. Abdul Aleem	10-Apr-17	100	-	132
Mr. Saad Raja *	11-Apr-17	100	-	132
Mr. Parvez Ghias	12-Apr-17	500	-	131.61
Mrs Kulsum Dawood	23-Nov-17	2,800	-	118.14

* Resigned as a Director of the Board on 24.07.2017

PATTERN OF SHAREHOLDING

As at December 31, 2017

Category - Wise

	Shareholder's Category	No. of Sharehoder	Total shares held	Percentage %
1.	Directors, Chief Executive Officer, and their spouse and minor children	11	65,672,656	13.65%
2.	Associated Companies, Undertakings and related Parties	4	97,725,260	20.30%
3.	NIT and ICP	2	680	0.00%
4.	Banks, Development Financial Institutions, Non Banking Financial Institutions	14	10,662,456	2.22%
5.	Insurance Companies	6	14,716,988	3.06%
6.	Modarabas and Mutual Funds	24	12,941,017	2.69%
7.	Share holders holding 10%	1	77,931,896	16.19%
8.	General Public :			
	a. local	3,692	16,021,007	3.33%
	b. Foreign	-	-	-
9.	Others			
	Foreign Companies	15	261,401,192	54.31%
	Others	68	2,145,860	0.44%
	Total (excluding : share holders holding 10%)	3,836	481,287,116	100.00%

PATTERN OF SHAREHOLDING

As at December 31, 2017

No. of Sharehoders	Shareholding From	Shareholding To	Total Shares Held
651	1	100	28,214
709	101	500	242,991
406	501	1,000	351,315
1,491	1,001	5,000	3,222,363
235	5,001	10,000	1,714,911
110	10,001	15,000	1,369,102
43	15,001	20,000	769,631
26	20,001	25,000	577,396
14	25,001	30,000	396,770
16	30,001	35,000	542,986
9	35,001	40,000	343,724
10	40,001	45,000	433,354
21	45,001	50,000	1,032,476
4	50,001	55,000	212,044
5	55,001	60,000	290,656
6	60,001	65,000	376,116
3	65,001	70,000	204,012
4	70,001	75,000	295,400
2	75,001	80,000	152,396
1	80,001	85,000	84,800
1	85,001	90,000	85,500
2	90,001	95,000	189,200
4	95,001	100,000	392,128
3	100,001	105,000	307,500
2	105,001	110,000	219,000
1	115,001	120,000	119,100
1	120,001	125,000	120,596
2	135,001	140,000	275,300
1	160,000	165,000	160,000
2	170,001	175,000	348,116
1	185,001	190,000	185,400
3	190,001	195,000	582,116
1	195,001	200,000	197,352
1	210,001	215,000	214,900
2	250,000	255,000	500,000
1	265,001	270,000	267,200
1	300,001	305,000	300,600
1	330,000	335,000	330,000
1	335,001	340,000	336,072
1	340,001	345,000	342,000
2	350,000	355,000	703,420
1	385,001	390,000	388,600
1	500,000	505,000	500,000
1	515,001	520,000	518,000
1	580,001	585,000	584,375
1	585,001	590,000	588,400
1	600,000	605,000	600,000
1	610,001	615,000	611,200
1	630,001	635,000	631,192
1	750,000	755,000	750,000
1	790,001	795,000	794,380
1	880,001	885,000	883,384
1	990,001	995,000	993,200
1	1,280,001	1,285,000	1,284,900
1	1,340,001	1,345,000	1,343,900
1	1,345,001	1,350,000	1,346,000
1	1,425,001	1,430,000	1,427,196
1	2,220,001	2,225,000	2,220,100
1	3,565,001	3,570,000	3,569,300
1	3,915,001	3,920,000	3,916,616
1	4,130,001	4,135,000	4,132,392
1	5,345,001	5,350,000	5,345,700
2	5,490,001	5,495,000	10,985,228
1	5,495,001	5,500,000	5,496,616
1	11,205,001	11,210,000	11,205,200
1	12,200,001	12,205,000	12,204,788
1	18,990,001	18,995,000	18,991,988
1	20,930,001	20,935,000	20,930,568
1	34,055,001	34,060,000	34,058,516
2	36,240,001	36,245,000	72,481,592
2	38,375,001	38,380,000	76,752,016
1	43,280,001	43,285,000	43,281,216
1	45,720,001	45,725,000	45,722,500
1	77,930,001	77,935,000	77,931,896
3,836		**Total**	**481,287,116**

Dawood Hercules

Proxy Form

I/We____
of __________________________ being a member of Dawood Hercules Corporation Limited and holder of _______________________ Ordinary Shares, as per:

Share Register Folio No. ___________________ and/or____
CDC Participant IDNo. ________________________ Sub A/c No. ______________________________
hereby appoint ___________________ of ___________________ ,or failing him/her ____________________
of _________________, as my/our proxy to attend, speak and vote for me/us and on my/our behalf, at the 50th Annual General Meeting (AGM) of the Company to be held at The Dawood Foundation Business Hub, Ground Floor, Dawood Centre, M.T. Khan Road, Karachi on Friday 27th April, 2018, at 10:00 a.m. and at any adjournment thereof.

Signed this ____________________ day of ___________ 2018.

WITNESSES -1:

Signature: ____
Name: ____
Address: ____
CNIC No. ____
Passport No. ____

WITNESSES -2:

Signature: ____
Name: ____
Address: ____
CNIC No. ____
Passport No. ____

Signature on
Revenue Stamps
of Rupees Five

Signature should agree with the specimen signature with the Company.

IMPORTANT:

1. This Proxy Form, duly completed, must be deposited at the Company's Registered Office, not less than forty eight hours before the meeting.

2. CDC shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the Company.

3. All proxies attending the AGM are requested to bring their original CNIC/Passport for identification.

AFFIX
CORRECT
POSTAGE

Dawood Hercules Corporation Limited
Dawood Centre, M.T. Khan Road, Karachi - 75530
Tel: +92-21-35686001 Fax: +92-21-35633972
www.dawoodhercules.com

Dawood Hercules

نمائندگی کا فارم

میں / ہم ____________ ساکن ____________

بحیثیت ممبر داؤد ہرکولیس کارپوریشن لمیٹڈ کے رکن وحامل ____________ عام حصص بمطابق شیئر رجسٹرڈ فولیو نمبر ____________

اور / یا سی ڈی سی کے شراکتی آئی ڈی نمبر ____________ اور ذیلی کھاتہ نمبر ____________ محترم / محترمہ ____________

ساکن ____________ یا بصورتِ دیگر محترم / محترمہ ____________

ساکن ____________ کو اپنی جگہ بروز جمعہ مورخہ ۲۷ اپریل ۲۱۰۸ بوقت ۱۰:۰۰ بجے صبح بمقام داؤد فاؤنڈیشن بزنس حب، گراؤنڈ فلور، داؤد سینٹر، ایم ٹی خان روڈ، کراچی میں منعقد یا ملتوی ہونے والے کمپنی کے ۵۰ ویں سالانہ اجلاسِ عام میں رائے دہندگی کے لئے اپنا نمائندہ مقرر کرتا / کرتی ہوں۔

دستخط ____________ بروز ____________ ۲۱۰۸

گواہ (۱)

دستخط گواہ: ____________

نام: ____________

پتہ: ____________

قومی شناختی کارڈ نمبر یا: ____________

پاسپورٹ نمبر: ____________

مطلوبہ (پانچ روپے کا)
ریوینیو ٹکٹ چسپاں کریں اور دستخط کریں

دستخط کمپنی کے پاس پہلے سے محفوظ دستخطی نمونہ کے مطابق ہونے ضروری ہیں۔

گواہ (۲)

دستخط گواہ: ____________

نام: ____________

پتہ: ____________

قومی شناختی کارڈ نمبر یا: ____________

پاسپورٹ نمبر: ____________

نوٹ:

- تمام نامزدگیاں اسی صورت میں موثر ہوں گی جب پراکسی فارم بنام کمپنی کے رجسٹرڈ آفس میں اجلاس کے مقررہ وقت سے ۴۸ گھنٹے قبل موصول ہوں۔
- سی ڈی سی شیئر ہولڈرز اور ان کے نمائندوں سے فرداً فرداً درخواست ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ نقل یا پاسپورٹ، نمائندگی فارم داخل کرنے سے قبل اس کے ساتھ منسلک کریں۔
- تمام پراکسی ہولڈرز اپنی شناخت کے لئے اجلاس کے وقت اپنا اصل شناختی کارڈ یا پاسپورٹ ضرور پیش کریں۔

AFFIX
CORRECT
POSTAGE

Dawood Hercules Corporation Limited
Dawood Centre, M.T. Khan Road, Karachi - 75530
Tel: +92-21-35686001 Fax: +92-21-35633972
www.dawoodhercules.com

ELECTRONIC DIVIDEND MANDATE FORM

In accordance with the provisions of Section 242 of the Companies Act, 2017, dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. The Securities & Exchange Commission of Pakistan (SECP) vide Circular No. 18 of 2017 dated 1st August 2017, has presently waived this condition till 31st October 2017. Any dividend payable after this due date shall be paid in the manner prescribed only.

Shareholders are requested to send the attached Form dully filled and signed, along with attested copy of their CNIC to the Company's Share Registrar, Messrs. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi. CDC shareholders are requested to submit their Dividend Mandate Form and attested copy of CNIC directly to their broker (participant) / CDC.

Electronic Dividend Mandate Form:

	Details of Shareholder
Name of shareholder	
Folio No.	
CNIC No.	
Cell number of shareholder	
Landline number of shareholder, if any	
Details of Bank Account	
Title of Bank Account International Bank Account Number (IBAN) "Mandatory"	PK ______________________________ (24 digits) (Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank's name	
Branch name and address	

It is stated that the above-mentioned information is correct and in case of any change therein, I / we will immediately intimate Participant / Share Registrar accordingly.

____
Signature of Shareholder

Date:______________________

REQUEST FORM FOR HARD COPY OF ANNUAL AUDITED ACCOUNTS

The Securities and Exchange Commission of Pakistan, vide S.R.O 470(I)/2016 dated May 31, 2016, has allowed companies to circulate their annual balance sheet, profit and loss account, auditor's report, directors' report and ancillary statements/notes/documents ("Annual Audited Accounts") along with notice of general meeting to the registered addresses of its shareholders in electronic form through CD/DVD/USB.
However, Shareholders may request a hard copy of the Annual Audited Accounts along with notice of general meetings to be sent to their registered address instead of receiving the same in electronic form on CD/DVD/USB. If you require a hard copy of the Annual Audited Accounts, please fill the following form and send it to our Share Registrar or Company Secretary at the address given below.

Date:

I/We ____________________________________ request that a hard copy of the Annual Audited Accounts along with notice of general meetings be sent to me through post. My/our particulars in this respect are as follows:

Folio /CDC A/c No.	
Postal Address:	
Email Address:	
Contact No:	
CNIC No.	
Signature	

The form may be sent directly to Dawood Hercules Corporation Limited Share Registrar or Company Secretary at the following address:

FAMCO Associates (Private) Limited
8-F, Next to Hotel Faran, Nursery, Block-6
P.E.C.H.S., Shahra-e-Faisal, Karachi, Pakistan
Tel: +92 (21) 34380101-5
Karachi-75650
Email: info.shares@famco.com.pk
Website: www.famco.com.pk

Dawood Hercules Corporation Limited
Dawood Centre, M.T. Khan Road
Karachi, Pakistan
Tel: +92 (21) 35686001
Karachi-75530
Email: shareholders@dawoodhercules.com
Website: www.dawoodhercules.com

ELECTRONIC TRANSMISSION CONSENT FORM

The Securities & Exchange Commission of Pakistan through SRO 787(I)/2014 of September 8, 2014 allowed the Company to circulate its annual balance sheet and profit & loss accounts, auditor's report and directors' report etc. (Audited Financial Statements) along with the Company's Notice of Annual General Meeting to its shareholders through email. Those shareholders who wish to receive the Company's Annual Report through email are requested to complete the requisite form below.

Shareholders are requested to submit their Electronic Transmission Consent Form along with copy of their CNIC to the Company's Registrar, FAMCO Associates (Pvt) Limited, 8-F, Block 6, P.E.C.H.S, next to Hotel Faran, Nursery, Shahrah-e-Faisal, Karachi.

Electronic Transmission Consent Form

Pursuant to the directions given by the Securities & Exchange Commission of Pakistan through its SRO 787(I)/2014 of September 8, 2014, I Mr./Ms.________________________________S/o, D/o, W/o _______________________________________ hereby consent to have the Dawood Hercules Corporation Limited Audited Financial Statements and Notice of Annual General Meeting delivered to me via email on my email address provided below:

Folio /CDC A/c No.	
Postal Address:	
Email Address:	
Contact No:	
CNIC No.	

It is stated that the above mentioned information is true and correct and that I shall notify the Company and its Share Registrar in writing of any change in my email address or withdrawal of my consent to email delivery of the Company's Audited Financial Statements and Notice of the Meeting.

____

Signature of Member/Shareholder

Date:____________________

۱۸۔ مستقبل کے امکانات

کمپنی کے اقتصادی اعشاریوں (macroeconomic indicators) میں بہتری جاری رہی اور پائیدار ترقی کے لیے بنیادیں ہموار ہوتی رہیں۔ معیشت کے لیے زیادہ سے زیادہ نشو ونما کے ہدف کو متاثر کرنے والی اہم رکاوٹوں یعنی بجلی کی فراہمی اور امن وامان کی صورت میں بتدریج بہتری آئی ہے۔ اس پس منظر میں حکومت نے مالی سال ۲۰۱۸ء کے لیے جی ڈی پی میں اضافہ کا ہدف 6.0 فیصد مقرر کیا ہے جو مالی سال ۲۰۱۷ء کے دوران 5.3 فیصد ریکارڈ کیا گیا تھا۔

توقع ہے کہ تیل اور دیگر اشیاء کی عالمی قیمتوں میں بحالی اور طلب کے ملکی عوامل کے پس منظر میں افراط زر کی شرح مناسب حد تک بڑھے گی۔ اس اثناء میں سرمایہ کاری اور کاروباری سرگرمیوں کے لیے بہتر امکانات کے ساتھ کریڈٹ کے پھیلاؤ کا اپنی رفتار سے جاری رہنے کا امکان ہے۔

مالی سال ۲۰۱۸ء اور اس کے بعد پاکستانی معیشت میں نشو ونما کے امکانات صنعتوں کی جانب سے گنجائش میں اضافہ اور انفراسٹرکچر کے ان پروجیکٹس پر منحصر ہے جن کی منصوبہ بندی کی گئی ہے۔ ان منصوبوں کو کامیاب بنانے کے لیے پبلک سیکٹر سے تعلق رکھنے والے تمام اداروں کے درمیان تعاون میں اضافہ انتہائی اہم ہے۔ پالیسیوں میں تسلسل اور ہم آہنگی ٹیکسوں کے نظام بالخصوص جن کا تعلق سرمایہ کاری اور صنعت سے ہے، پائیداری اور نشو ونما کی رفتار کو یقینی بنانے کے لیے ضروری ہیں۔ عام انتخابات جو کہ رواں سال کی پہلی ششماہی میں متوقعہ ہیں، ملک میں سرمایہ کاروں کو دور رکھنے کا باعث بن رہے ہیں۔

کمپنی خود اور اپنے ذیلی ادارے اینگرو کارپوریشن لمیٹڈ کے ذریعہ نئے کاروباری مواقع کی تلاش جاری رکھے گی۔ بنیادی توجہ زیادہ منافع بخش پروجیکٹس میں سرمایہ کاری کے ذریعہ حصص یافتگان کے لیے زیادہ منافع حاصل کرنے پر مرکوز رہے گی۔

C۔ اظہار تشکر اور اعترافات

بورڈ اپنے تمام حصص یافتگان کے اعتماد اور تعاون کا اعتراف کرتا ہے اور ان کا شکریہ ادا کرتا ہے۔ اس کے علاوہ ہم مالی اداروں سمیت ان تمام اسٹیک ہولڈرز اور اداروں کا بھی شکریہ ادا کرتے ہیں جن کی اعانت اور تعاون ہمیں حاصل رہا اور انہیں یقین دلاتے ہیں کہ ہم ان کے متعلقہ مفادات کی دیکھ بھال کرتے رہیں گے۔

کمپنی کی خوشحالی اور نشو ونما کے لیے مخلصانہ کوششیں کرنے پر ہم کمپنی کی انتظامیہ اور عملہ کے اراکین کے بھی شکرگزار ہیں۔

محمد عبدالعلیم	انعام الرحمٰن
ڈائریکٹر	**چیف ایگزیکٹو**

کمپنی کے ڈائریکٹرز پاکستان اسٹاک ایکسچینج کے لسٹنگ ریگولیشنز کے تحت کارپوریٹ اور فائیننشل رپورٹنگ فریم ورک کی تعمیل کی، درج ذیل کے مطابق تصدیق کرتے ہیں:

ا۔ کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالی گوشوارے کمپنی کے معاملات، اس کے آپریشنز، نقدی کے بہاؤ (cash flow) اور سرمایہ (equity) کی درست نمائندگی کرتے ہیں۔

ب۔ کمپنی کے کھاتے (books of accounts) درست انداز میں رکھے گئے ہیں۔

ج۔ مالی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا اطلاق تسلسل کے ساتھ کیا گیا ہے اور حسابی تخمینے مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔

د۔ بین الاقوامی مالی رپورٹنگ کے معیارات (IFRS) کا اطلاق پاکستان میں بھی ہوتا ہے۔ لہٰذا مالی گوشواروں کی تیاری میں ان معیارات کا بھی خیال رکھا گیا ہے اور ان سے کسی قسم کے انحراف کا مناسب انداز میں انسداد کیا گیا ہے۔

ر۔ کمپنی میں اندرونی کنٹرول کا نظام اپنے ڈیزائن کے اعتبار سے مضبوط ہے اور اس پر مؤثر انداز میں عمل درآمد کے ساتھ مانیٹر بھی کیا گیا ہے۔

ز۔ کمپنی کے معاملات کے کا معمول کے مطابق جاری رہنے کے بارے میں کسی قسم کے شکوک وشبہات نہیں پائے جاتے۔

س۔ لسٹنگ ریگولیشنز میں بیان کی گئی کارپوریٹ گورننس کی بہترین مشقوں سے انحراف نہیں کیا گیا ہے۔

ص۔ گزشتہ چھ (06) برسوں کا آپریٹنگ اور مالی ڈیٹا مختصر طور پر اس رپورٹ کے ساتھ منسلک ہے۔

۱۶۔ ڈائریکٹرز کی تربیت کا پروگرام

کمپنی کے دس (10) ڈائریکٹروں میں سے چھ (06) ڈائریکٹروں کے پاس متعلقہ تربیتی پروگرام کی سرٹیفکیشن موجود ہے جبکہ باقی چار (04) ڈائریکٹروں کو کوڈ میں درج معیار کے مطابق ڈائریکٹرز کی تربیت سے استثنیٰ حاصل ہے۔

۱۷۔ متعلقہ فریق کے ساتھ ٹرانزیکشنز

کمپنی نے متعلقہ فریقین کے ساتھ تمام ٹرانزیکشنز بالترتیب آڈٹ کمیٹی اور بورڈ کے سامنے ان کے جائزہ اور منظوری کے لیے کوڈ آف کارپوریٹ گورننس کے تقاضوں کے مطابق پیش کی ہیں۔

۱۴۔ بورڈ کے اجلاس

۲۰۱۷ء کے دوران بورڈ کے چھ (06) اجلاس منعقد ہوئے جن میں سے پانچ (05) کی صدارت چیئرمین نے کی۔ ایک اجلاس کی صدارت نان-ایگزیکٹو ڈائریکٹر نے جسے بورڈ نے نامزد کیا تھا۔ کمپنی سیکریٹری اور چیف فائینینشل آفیسر نے بھی کوڈ آف کارپوریٹ گورننس کی تعمیل میں ان اجلاسوں میں شرکت کی۔ ان اجلاسوں میں ہر ڈائریکٹر کی حاضری درج ذیل ہے:

ڈائریکٹر کا نام	اجلاس میں حاضری			
	بورڈ کا اجلاس	بورڈ آڈٹ کمیٹی کا اجلاس	بورڈ کی کمپنسیشن کمیٹی کا اجلاس	بورڈ کی اسپیشل ٹرانزیکشن کمیٹی کا اجلاس
جناب حسین داؤد	6/5	-	-	-
جناب محمد عبدالعلیم	6/6	4/4	1/1	-
جناب شہزادہ داؤد	6/4	-	-	-
جناب صمد داؤد	6/2	-	1/1	-
محترمہ سبرینہ داؤد	6/3	-	-	-
جناب پرویز غیاث	6/6	-	1/1	5/5
جناب شبیر حسین ہاشمی	3/6	4/4	-	5/5
جناب سعد راجا*	6/2	-	-	-
جناب منیر کمال**	6/3	-	-	-
جناب حسن رضا الرّحیم	6/6	4/4	-	5/5
جناب انعام الرحمٰن	6/6	-	-	-

* جناب سعد راجا نے ۲۴ جولائی، ۲۰۱۷ء کو استعفا دے دیا۔

** جناب منیر کمال کو ۲۳ اگست، ۲۰۱۷ء سے جناب سعد رضا کی جگہ ڈائریکٹر مقرر کیا گیا۔

۱۵۔ ڈائریکٹرز کی ذمہ داریوں کے بارے میں بیان

مؤرخہ ۳۱ دسمبر، ۲۰۱۷ء کو طے شدہ گریجویٹی پلان کی رقم سے حاصل کردہ اثاثوں کی مالیت 14.48 ملین (۲۰۱۶ء: 16.88 ملین) روپے تھی۔

۱۱۔ سماجی حصہ داری

زیر جائزہ سال کے دوران کمپنی میں سائنس کے لیے دلچسپی پیدا کرنے بالخصوص طلباء و طالبات اور عمر صنف اور درجہ سے قطع نظر پس منظر سے تعلق رکھنے والے لوگوں کے لیے تعلیمی گنجائش پیدا کرنے کی غرض سے اپنے مخیرّ ادارے دی داؤد فاؤنڈیشن کے ذریعہ اپنی حصہ داری نبھائی۔

۱۲۔ رسک منیجمنٹ

کمپنی کی سرگرمیوں کو متعدد اقسام کے مالی خطرات کا سامنا رہتا ہے؛ مارکیٹ رسک (بشمول انٹریسٹ ریٹ رسک، کرنسی رسک اور پرائس رسک)، کریڈٹ رسک اور لیکویڈیٹی رسک وغیرہ۔ کمپنی کے مجموعی رسک منیجمنٹ کی توجہ فنانشل مارکیٹوں کی غیر یقینی صورت حال پر مرکوز رہتی ہے اور وہ کمپنی کی مالی کارکردگی پر اس کے ممکن منفی اثرات کم سے کم کرنے کی کوششیں کرتی رہتی ہے۔

کمپنی کی رسک منیجمنٹ پالیسیاں کمپنی کو درپیش خطرات کی نشاندہی، ان کے تجزیہ، ان کے لیے مناسب حدود کے تعین، کنٹرولز اور ان حدود کی پابندیاں مانیٹر کرنے کی غرض سے تیار کی گئی ہیں۔ رسک منیجمنٹ پالیسیاں اور نظاموں کا باقاعدگی سے جائزہ لیا جاتا ہے تاکہ مارکیٹ کے حالات اور کمپنی کی سرگرمیوں میں ہونے والی تبدیلیوں کی بنا پر فوراً جوابی عمل کیا جا سکے۔

۱۳۔ بورڈ آف ڈائریکٹرز

کمپنی کا بورڈ دس (10) ڈائریکٹروں پر مشتمل ہے جس کی ترکیب درج ذیل ہے:

انڈی پینڈنٹ ڈائریکٹر		1
نان-ایگزیکٹو ڈائریکٹرز		
–	مرد	5
–	خاتون	1
ایگزیکٹو ڈائریکٹرز		3 بشمول ایک علامتی ڈائریکٹر (deemed director)

۵۔حصص یافتگی کا خاکہ

بتاریخ ۳۱ دسمبر، ۲۰۱۷ء کو کمپنی کے حصص یافتگی کا خاکہ اور دیگر معلومات اس رپورٹ کے آخر میں پارکسی فارم کے ساتھ دستیاب ہے۔

۶۔مارکیٹ میں سرمایہ کاری اور بہی قدر

سال کے اختتام پر کمپنی کی جانب سے مارکیٹ میں سرمایہ کاری 53,846 ملین روپے (۲۰۱۶ء: 69,464 ملین روپے) تھی جس کی مارکیٹ ویلیو 111.88 روپے (۲۰۱۶ء: 144.33 روپے) فی حصص تھی جبکہ بریک اپ ویلیو 68.08 روپے (۲۰۱۶ء: 64.08 روپے) فی حصص تھی۔

۷۔تخصیص (Appropriation)

بورڈ آف ڈائریکٹرز نہایت مسرت کے ساتھ 50 ویں سالانہ اجلاس عام میں حصص یافتگان کی منظوری کے لیے 4 روپے فی حصص (40 فیصد) بطور اس سال کا منافع منقسمہ کی تجویز پیش کرتے ہیں جس میں عبوری منافع منقسمہ بشرح 2 روپے فی حصص (20 فیصد) بھی شامل ہے۔

۸۔ادارے کی ریٹنگ (Entity Rating)

زیر جائزہ سال کے دوران PACRA نے کمپنی کی طویل المیعاد کریڈٹ ریٹنگ -AA برقرار رکھی ہے۔قلیل المیعاد ریٹنگ +A1 بھی پائیدار امکانات کے ساتھ برقرار رکھی ہے۔

۹۔قومی خزانہ اور معیشت میں حصہ

زیر جائزہ سال کے دوران 32,368 ملین روپے (۲۰۱۶ء: 42,150 ملین روپے) ٹیکسوں اور دیگر محصولات کی صورت میں ادا کیے۔

۱۰۔پراویڈنٹ اور گریجویٹی فنڈز

ریٹائرمنٹ کے موقع پر کمپنی کے ملازمین کو ملنے والے فوائد کی رقم کا سال میں ایک مرتبہ آڈٹ کیا جاتا ہے اور ان کی مناسب انداز میں سرمایہ کاری بھی کی جاتی ہے۔غیر آڈٹ شدہ اکاونٹس کے مطابق پراویڈنٹ فنڈ کی رقم سے کی جانے والی سرمایہ کاری کی مجموعی مالیت 50.74 ملین (۲۰۱۶ء: 58.74 ملین) روپے تھی۔

B۔ مالی رپورٹ

ا۔مالی کارکردگی

گروپ کی مجموعی آمدنی گزشتہ برس اتنے ہی عرصہ کے لیے157ارب روپے کے مقابلہ میں129ارب روپے ریکارڈ کی گئی۔اسی طرح ۲۰۱۷ء کے لیے گروپ کا مجموعی منافع گزشتہ برس اتنے ہی عرصہ کے لیے 35.84 ارب روپے کے مقابلہ میں 34.81 ارب روپے ریکارڈ کیا گیا۔شریک کمپنیوں اور جوائنٹ وینچرز کی جانب سے منافع میں حصہ346ارب روپے کے مقابلہ 2.69ارب روپے کم ریکارڈ کیا گیا جس کی وجہ اینگرو فوڈز کی دباؤ کا شکار کارکردگی تھی۔قابل ادا ٹیکس کا حساب کرنے کے بعد جس کی مالیت 12.1 ارب روپے تھی، جاری آپریشنز کے بعد از ٹیکس منافع 16.2 ارب روپے تھا جو ۲۰۱۶ء کے مقابلہ میں3.5ارب روپے زیادہ ہے۔

انفرادی طور پر کمپنی کی آمدنی5,779ملین روپے تھی جو گزشتہ برس اتنے ہی عرصہ کے لیے7,422ملین روپے تھی یعنی1,643ملین روپے کم تھی جس کی بنیادی وجہ ذیلی اداروں کی جانب کم منافع منقسمہ کی ادائیگی تھی– مثلاً اینگرو کارپوریشن لمیٹڈ نے گزشتہ برس کے مقابلہ میں فی حصص -/4روپے کم ادا کیئے۔

۲۔فی حصص آمدنی (Earning Per Share)

۲۰۱۷ء کے لیے غیر مجموعی فی حصص آمدنی8.00روپے تھی جب کہ گزشتہ برس ۲۰۱۶ء کے لیے11.37روپے فی حصص تھی۔ ۲۰۱۷ء کے لیے مجموعی فی حصص آمدنی 7.19روپے (۲۰۱۶: 6.40روپے) فی حصص رہی۔

۳۔آڈیٹرز

موجودہ آڈیٹرز، میسرز اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس آئندہ سالانہ اجلاس عام کے موقع پر ریٹائر ہورہے ہیں۔تاہم انہوں نے دوبارہ تقرری کے لیے پیش کش کی ہے۔آڈٹ کمیٹی نے بھی ۳۱ دسمبر، ۲۰۱۸ء کو ختم ہونے والے سال کے لیے اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی بطور کمپنی آڈیٹرز دوبارہ تقرری کی سفارش کی ہے اور بورڈ نے اس سفارش کی توثیق کی ہے۔

۴۔حصص کی خرید وفروخت، اوسط قیمتیں اور پاکستان اسٹاک ایکسچینج (PSX)

زیر جائزہ سال کے دوران پاکستان اسٹاک ایکسچینج میں کمپنی کے29.7ملین حصص کا کاروبار ہوا اور روزانہ کاروبار کے اختتام (closing) کی بنیاد پر کمپنی کے حصص کی قیمت129.85روپے فی حصص رہی جبکہ 52 ہفتوں کے دوران کم سے کم قیمت 105.45 روپے اور زیادہ سے زیادہ قیمت 161.23 روپے فی حصص رہی۔

غذائی اشیاء (Foods)

شریک کمپنی اینگرو فوڈز لمیٹڈ (EFL) کو مارکیٹ میں چیلنجوں اور سخت مقابلہ کا سامنا کرنا پڑا جس کے باعث اس کے منافع میں ۲۰۱۶ء کے مقابلہ میں ۲۰۱۷ء کے لیے 9,647 ملین روپے سے زیادہ کی کمی ریکارڈ کی گئی۔ خالص منافع میں بھی بہت زیادہ کمی واقع ہوئی جو کہ گزشتہ برس 2,387 ملین روپے کے مقابلہ میں 346 ملین روپے رہی۔ کارکردگی میں اس تنزلی کی بنیادی وجہ سخت مقابلے کا رجحان رہا اور کمپنی کی زیادہ منافع بخش پروڈکٹ ترنگ (Tarang) کے مارکیٹ شیئر میں نمایاں کمی ہوئی۔

ای ڈاٹ کو (edotco)

کمپنی نے ای ڈاٹ کو گروپ سینڈریان برھاد (edotco Group Sdn Bhd) کی گروپ کمپنی، ای ڈاٹ کو انٹرنیشنل (لبوان) لمیٹڈ، ملائیشیا (''ای ڈاٹ کو'') کے ساتھ، ای ڈاٹ کو پاکستان (پرائیویٹ) لمیٹڈ (EPPL) میں سرمایہ کاری کے لیے شیئر ہولڈرز ایگریمنٹ اور شیئر سبسکرپشن ایگریمنٹ پر دستخط کیے ہیں۔ ای ڈاٹ کو (edotco) نے اپنے کل ملکیتی ذیلی ادارے تنزانائٹ ٹاور (پرائیویٹ) لمیٹڈ کی معرفت، پاکستان موبائل کمیونیکیشنز لمیٹڈ (''جاز'') سے تقریباً 13,000 ٹیلی کمیونیکشن ٹاورز (''ٹیلکوز ٹاورز'') کی خریداری کا اعلان کیا ہے۔ ای ڈاٹ کو نے اس غرض سے جاز کے ساتھ ایک معاہدے پر دستخط بھی کیے ہیں جس کے تحت جاز کے ذیلی ادارے دیودار (پرائیویٹ) لمیٹڈ (''دیودار'') کا پورٹ فولیو، اس کے تقریباً 13,000 ٹاورز پر مشتمل اثاثوں سمیت خریدا جائے گا۔ اس ٹرانزیکشن کے حصہ کے طور پر کمپنی مجموعی طور پر تقریباً 17,430 ملین روپے کی سرمایہ کاری کرے گی جس میں 10,130 ملین روپے کا قلیل المدتی قرض بھی شامل ہے۔ اس سے ای ڈاٹ کو (edotco) کی جانب سے 27,700 ملین روپے کی سرمایہ کاری کی جائے گی۔

اسلامی سکوک سرٹیفکیٹس

زیر جائزہ سال کے دوران کمپنی نے درجہ بند کاؤنٹر پر قابل فروخت، مندرج اور محفوظ (Rated, Over the Counter Listed and Secured) اسلامی سرٹیفکیٹس جاری کیے جن کا مقصد اپنے موجودہ قرض کی ری پروفائل کے لیے ثانوی مارکیٹوں کو ہدف بنانا تھا۔ سکوک کا دورانیہ پانچ (05) سال ہے اور اس کی اصل رقم (principal) آٹھ (08) سال میں ادا ہوگی جس میں نیم سالانہ بنیاد پر اضافہ ہوگا اور اس کا آغاز اجراء کی تاریخ کے اٹھارہویں (18th) مہینہ سے ہوگا۔ ان سرٹیفکیٹس پر منافع سہ ماہی اور KIBOR plus 100 base point کی بنیاد پر ہوگا اور تاریخ اجراء سے سہ ماہی بنیادوں پر دیا جائے گا۔ ان شرائط پر کمپنی نومبر، ۲۰۱۷ء تک 5,200 ملین روپے حاصل کرنے میں کامیاب ہوگئی۔ ان دستاویزات کو اینگرو کارپوریشن کے حصص اور کمپنی کے موجودہ اور مستقبل کے تمام اثاثوں پر بار قائم (floating bars) کے ذریعہ محفوظ بنایا گیا ہے اور انہیں PACRA کی جانب سے AA ریٹنگ بھی دی گئی ہے۔

سروسز اور پاور بزنس نے بھی عمدہ کارکردگی کا مظاہرہ کیا ہے۔ ان ذیلی اداروں کی بہتر کارکردگی کے باعث فی حصص آمدنی 17.96 روپے رہی جو ۲۰۱۶ء میں 16.69 روپے تھی۔

فرٹیلائزرز

اینگرو کارپوریشن لمٹیڈ (ECL) کے ذیلی ادارے اینگرو فرٹیلائزرز لمٹیڈ (EFL) کے منافع میں بھی بہتری آئی ہے جس میں گزشتہ برس کے مقابلہ میں 20 فیصد اضافہ ہوا ہے۔ اس کی وجہ اندرون ملک حجم میں اضافہ اور یوریا کی برآمدات تھیں جو بالترتیب 1,739 کلوٹن اور 223 کلوٹن رہے۔ اینگرو کارپوریشن لمٹیڈ کی آمدنی 80,279 ملین روپے رہی جو ۲۰۱۶ء میں 77,415 ملین روپے تھی۔ بعد از ٹیکس منافع 11,156 ملین روپے رہا جب کہ ۲۰۱۶ء میں یہ منافع 9,283 ملین روپے تھا۔ گیس کی باقاعدہ فراہمی کے باعث دونوں پلانٹس کے آپریشنز جاری رہے۔ اینگرو کارپوریشن لمٹیڈ نے اپنا 30 فیصد مارکیٹ شیئر برقرار رکھا۔ حکومت کی جانب سے کھاد پر امدادی قیمت کی وصولی ایک چیلنج بنی رہی اور اس میں بتدریج اضافہ ہو رہا ہے۔

پولیمر اور کیمیکلز

۲۰۱۷ء کے دوران اینگرو پولیمر اینڈ کیمیکلز لمٹیڈ (Engro Polymer & Chemicals Limited; EPCL) نے غیر معمولی کارکردگی کا مظاہرہ کیا جس کے باعث PVC کی پیداوار 187 کلوٹن اور VCM کی پیداوار 180 کلوٹن رہی۔ یہ اب تک کی سب سے زیادہ پیداوار ہے اور اس کے نتیجہ میں اس کے منافع میں بھی گزشتہ برس کے مقابلہ میں تین گنا اضافہ ہوا۔ اس عمدہ کارکردگی کی بنیادی وجہ ملک میں غیر معمولی طلب تھی۔ پلانٹ مسلسل کام کرتا رہا جس کے باعث اس کی استعداد کے تناسب (efficiency ratio) میں بھی اضافہ ہوا جس نے ذیلی سرگرمیوں کو اعانت فراہم کی اور اس کے نتیجہ میں PAT گزشتہ برس 660 ملین روپے سے بڑھ کر اس سال 2,053 ملین روپے ہو گیا۔

توانائی اور توانائی کا بنیادی ڈھانچہ

اینگرو پاور جین قادر پور لمٹیڈ (EPQL) کے منافع میں بھی اس کے پلانٹ کی عمدہ کارکردگی کے سبب بہتری آئی ہے۔ تاہم گیس کی فراہمی میں رکاوٹ ایک مسئلہ بنی رہی اور اسے تقریباً 5mmscfd گیس کی کمی کا سامنا رہا۔ کمپنی کو 11,590 ملین روپے کی آمدنی ہوئی جو گزشتہ برس اتنے ہی عرصہ کے لیے 11,452 ملین روپے تھی۔ کمپنی کا خالص منافع گزشتہ برس کے 1,788 ملین روپے سے بڑھ کر موجودہ سال کے لیے 2,391 ملین روپے ہو گیا۔

حبکو (HUBCO)

حبکو نے ۳۱ دسمبر، ۲۰۱۷ء کو ختم ہونے والی ششماہی میں 54,291 ملین روپے کی توانائی فروخت کی جو کہ گذشتہ سال کی اسی مدت میں 48,227 ملین روپے رہی۔ مجموعی خالص منافع 5,298 ملین روپے رہا جو کہ گذشتہ سال کے اسی دورانیہ میں 5,069 ملین روپے تھا۔ منافع میں اضافہ حبکو اور نارووال میں مرمت کی لاگت میں کمی جو کسی حد تک لاریب کے کم منافع اور اضافی انتظامی خرچوں سے ایڈجسٹ ہوا مجموعی فی حص آمدنی گذشتہ سال اسی مدت کی 4.38 روپے کے مقابلے میں 4.58 روپے رہی۔

تھر انرجی لمٹیڈ (TEL) جو کہ حبکو کا کل ملکیتی ادارہ ہے تھر کول بلاک 11 سندھ میں کان کے دہانے (mine mouth) پر قائم کوئلے سے چلنے والے 330 میگاواٹ کے پلانٹ کے قیام کے لئے کوشاں ہے۔ اس پروجیکٹ کے لئے چائنا مشینری اینڈ انجینئرنگ کارپوریشن (CMEC) کے ساتھ EPC کنٹریکٹ پر دستخط کیے جا چکے ہیں جو COD کو تیز کرنے کے لیے سائٹ پر ابتدائی سرگرمیاں انجام دے گی۔ اس پروجیکٹ کے لئے تھر انرجی لمٹیڈ نے پاور پرچیز ایگریمینٹ (PPA)، واٹر یوسیج ایگریمینٹ (WUA)، امپلی مینٹیشن ایگریمینٹ (IA) اور کول سپلائی ایگریمینٹ (CSA) پر بھی دستخط کر دیے ہیں۔

حب میں 1,320 میگاواٹ کول پروجیکٹ نے ۲۶ جنوری، ۲۰۱۸ء کو فائینینشل کلوز حاصل کیا اور اگست، ۲۰۱۹ء میں COD حاصل کرنے کی غرض سے منصوبہ کے مطابق پیش رفت کر رہا ہے۔

زیر جائزہ سال کے دوران کمپنی نے کوٹ ادو پاور کمپنی لمٹیڈ (KAPCO) کے ساتھ ایک معاہدہ پر دستخط کیے جس کا مقصد حصص یافتگان اور ریگولیٹری منظوریوں کے بعد، حب پاور کمپنی لمٹیڈ میں 172.582 ملین حصص کی تمام سرمایہ کاری کو فروخت کرنا تھا۔ تاہم اس پر کیپکو کے بڑے حصص یافتگان میں سے ایک کی جانب سے نامنظوری کے باعث عمل نہ ہو سکا۔ کمپنی نے ۸ دسمبر، ۲۰۱۷ء کو پاکستان اسٹاک ایکسچینج (PSX) کو بھی مطلع کر دیا کہ شیئر پرچیز ایگریمنٹ کی مطلوبہ شرائط پورا نہ ہونے کے باعث دونوں فریقین نے باہمی رضامندی سے شیئر پرچیز ایگریمنٹ اور اس میں تجویز کی گئی ٹرانزیکشن کے خاتمہ کا فیصلہ کیا ہے۔

سال ختم ہونے کے بعد بورڈ آف ڈائریکٹرز نے Mega Conglomerate (Private) Ltd. کی جانب سے کمپنی کے 172.582 ملین حصص پر مشتمل مکمل حصہ داری کو حبکو کے لیے 106.5 روپے فی حصص کی شرح سے جس کی کل مالیت 18,380 ملین روپے بنتی ہے۔ اس مالیت میں سے فروخت کے بعد حاصل ہونے والے منقسم منافع کو منہا کر لیا جائے گا۔

اینگرو کارپوریشن لمٹیڈ

کمپنی کے ذیلی ادارے اینگرو کارپوریشن لمٹیڈ (ECL) نے 16,290 ملین روپے کے مجموعی منافع کا اعلان کیا ہے جو گزشتہ برس اسی عرصہ کے لیے 12,912 ملین روپے تھا اس طرح 26 فیصد جو کہ گزشتہ سال کے مقابلے میں زیادہ تھا۔ اینگرو کارپوریشن لمٹیڈ کے ذیلی اداروں فرٹیلائزرز اور پیٹروکیمیکلز کاروبار نے مارکیٹ کے بنیادی اصولوں پر عمل درآمد اور طلب میں اضافہ کے باعث بہتر کارکردگی کا مظاہرہ کیا ہے۔ اس کے دیگر کاروباری شعبوں مثلاً ٹرمینل

ترقی کی یہ شرح بالترتیب 0.3 فیصد اور 5.5 فیصد تھی۔ صارف قیمتوں کا اعشاریہ (CPI) میں اضافہ مالی سال ۲۰۱۷ء کی پہلی دو سہ ماہی کے دوران قدرے مستحکم رہا لیکن تیسری سہ ماہی کے دوران اس میں بتدریج اضافہ ہونا شروع ہو گیا۔ اس طرح جولائی - مارچ ۲۰۱۷ء کے دوران اوسط اضافہ 4.0 فیصد رہا جو گزشتہ برس اسی عرصہ کے دوران 2.6 فیصد تھا۔ تاہم یہ اب بھی سالانہ 6.0 فیصد کے ہدف سے نمایاں طور پر کم تھا۔ افراط زر میں یہ معمولی اضافہ تیل کی عالمی قیمتوں میں ہونے والے اضافہ کے باعث اندرون ملک میں پیٹرولیم مصنوعات کی قیمتوں میں اضافہ تھا۔

مالی سال ۲۰۱۷ء کے دوران صنعتی شعبہ کی ترقی میں 5.0 فیصد اضافہ ہوا جو گزشتہ برس 5.8 فیصد تھا۔ صنعتی شعبہ کی شرح نمو میں اس اعتدال کی بڑی وجہ کان کنی اور کھدائی اور بجلی اور گیس کے ذیلی شعبوں کی شرح میں اضافہ تھی۔ اس کے برخلاف بڑے پیمانے کے پیداواری شعبہ (large scale manufacturing; LSM) صنعتی شعبہ کا اہم حصہ دار ثابت ہوا جس میں مالی سال ۲۰۱۷ء کے دوران 4.9 فیصد اضافہ ہوا۔ گزشتہ برس اسی شعبہ میں یہ شرح نمو 2.9 فیصد تھی۔

مجموعی ملکی پیداوار (GDP) میں اضافہ کی شرح برقرار رہی اور اس میں پوری دہائی کے دوران سب سے زیادہ اضافہ ہوا جو مالی سال ۲۰۱۷ء کے دوران 5.3 فیصد رہا۔ بعض بڑے اقتصادی اعشاریوں (macroeconomics indicators) مثلاً افراط زر میں کمی سرمایہ کاری میں اضافہ اور نجی شعبہ کے لیے قرضوں میں اضافہ نے بھی ایک حوصلہ افزا تصویر پیش کی۔ تاہم برآمدات میں کمی نے معاشی بحالی کی سرگرمیوں کو متاثر کیا۔

کاروباری احساسات میں مجموعی بہتری کے ساتھ اعانتی پالیسیوں (شرح سود میں تاریخی کمی، انفراسٹرکچر پر زیادہ اخراجات اور امن و امان کی بہتر صورت حال) نے دیگر کمپنیوں کی حوصلہ افزائی کی کہ وہ بھی توسیعی منصوبوں کا آغاز کریں۔ اس بات کا اظہار مالی سال ۲۰۱۷ء کے دوران نجی شعبہ کی جانب سے قرضوں کے حصول میں نمایاں اضافہ ہے جس کا حصہ سرمایہ کاری کے مقررہ قرضوں میں بھی بہت نمایاں ہے۔ ان توسیعی منصوبوں سے مشینوں کی درآمدات میں بھی خاصا اضافہ ہوا ہے۔

۱۱۔ کاروباری جائزہ

کمپنی کی دو اہم سرمایہ کاریاں میں حبکو اور اینگرو رہی ہیں۔ کمپنی کے طویل المدتی سرمایہ کاری کے نظریہ کو مدنظر رکھتے ہوئے بورڈ آف ڈائریکٹرز نے فیصلہ کیا کہ حبکو میں سرمایہ کاری کو فرخت کر دیا جائے اور اس سے حاصل ہونے والی آمدنی کو ٹیلی کمیونیکیشن ٹاور کے کاروبار میں لگایا جائے جو کہ ملائیشیا کی ایک معروف کمپنی edotco انٹرنیشنل لمٹیڈ کے باہمی اشتراک کے ساتھ عمل میں لایا جائے گا۔ ہم اینگرو میں اپنی سرمایہ کاری کو طویل مدتی نظریہ سے دیکھتے ہیں اور ہم اینگرو اور اسکی ذیلی کمپنیوں کا مسلسل جائزہ لیتے رہیں گے۔

داؤد ہرکولیس کارپوریشن لمیٹڈ

ڈائریکٹرز کی رپورٹ

داؤد ہرکولیس کارپوریشن لمٹیڈ (''کمپنی'') کے ڈائریکٹرز انتہائی مسرت کے ساتھ ۳۱ دسمبر، ۲۰۱۷ء کو ختم ہونے والے مالی سال کی سالانہ رپورٹ اور آڈٹ شدہ مالی گوشوارے پیش کرتے ہیں۔

A۔ کاروباری رپورٹ

ا۔ معاشی منظرنامہ

عالمی معیشت

۲۰۱۷ء کا معاشی اختتام اچھے انداز میں ہوا جس کی بنیادی وجہ دنیا کے زیادہ تر حصوں میں شروع ہونے والا ترقی کا عمل تسلسل سے جاری رہا جس کے باعث جی ڈی پی میں بھی تیزی کا رجحان دیکھا گیا۔ گزشتہ برس ہونے والی بہتری کی قابل توجہ بات اس کا پھیلاؤ ہے جس کی وجہ سے دنیا کے تقریباً تین چوتھائی ملکوں میں ترقی کے عمل میں تیزی آئی۔ یہ شرح ۲۰۱۰ء سے اب تک سب سے زیادہ ہے۔ بعض بڑی اور ابھرتی ہوئی مارکیٹوں مثلاً ارجنٹائن، برازیل اور روس کی معیشت میں بھی کساد بازاری ختم ہوگئی ہے۔ تاہم فی کس کی اصطلاح میں تقریباً نصف ابھرتی ہوئی مارکیٹیں اور ترقی پذیر معیشتیں بالخصوص چھوٹی معیشتیں، ترقی یافتہ معیشتوں سے اب بھی پیچھے ہیں اور ان میں سے تقریباً ایک چوتھائی تنزلی کا شکار ہیں۔

عالمی اسٹاک مارکیٹوں میں ۲۰۱۷ء سے پہلے ہی تیزی آ چکی تھی اور 47 ممالک میں حصص کے بازاروں (bourses) MSCI کا انڈیکس 22 فیصد تک اوپر جا چکا تھا اور رائٹرز (Reuters) کے مطابق ان کی مالیت تقریباً 09 ٹریلین امریکی ڈالرز تک پہنچ چکی تھی۔ چین نے اپنی توسیع کی شرح کو عمدگی سے برقرار رکھا اور جلد سست روی کا شکار ہوجانے کے خدشات کا خاتمہ کیا۔ اس کی وجہ یہ ہے کہ کئی دہائیوں پر پھیلی ہوئی تیزی سے ترقی کے بعد وہ ایک پختہ کار ملک بن گیا ہے۔ اسی کے ساتھ یوروزون (Euro zone) نے بھی کئی برسوں کی بے یقینی کے بعد بحالی کا مظاہرہ کیا ہے۔

ملکی معیشت

مالی سال ۲۰۱۷ء کے دوران پاکستانی معیشت میں 2.3 فیصد کا اضافہ ہوا۔ یہ اضافہ مالی سال ۲۰۱۶ء کے مقابلہ میں 4.5 فیصد زیادہ تھا۔ یہ تیزی زرعی اور خدمات کے شعبوں میں عمدہ کارکردگی کے باعث حاصل ہوئی جن میں مالی سال ۲۰۱۷ء کے دوران بالترتیب 3.5 فیصد اور 6.0 فیصد اضافہ ہوا جبکہ گزشتہ برس

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